

QUARTERLY REPORT

Joint-Stock Company Federal Hydrogeneration Company RusHydro

Code of the Issuer: 55038-E

for Q1 2015

Address of the Issuer: 43 Dubrovinskogo St., bldg. 1, Krasnoyarsk, Krasnoyarsk Krai, 660017.

**The information contained herein is subject to disclosure pursuant to the securities
legislation of the Russian Federation**

Chairman of the Management Board — General Director

Date: May 15, 2015

_____ E. V. Dod
signature

Acting Chief Accountant

Pursuant to Order No. 0453 dated May 07, 2015

Date: May 15, 2015

_____ K.V. Permyakov
signature

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The address of the Internet site (sites) where the information contained herein is to be disclosed:

www.rushydro.ru, <http://www.e-disclosure.ru/portal/company.aspx?id=8580>

Table of Contents

Table of Contents	2
I. Information on Bank Accounts, Auditor (Audit Organisation), Appraiser, and Financial Advisor of the Issuer, as well as on Persons who Have Signed the Quarterly Report.....	6
1.1. Information on the Issuer's Bank Accounts.....	6
1.2. Information on the Issuer's Auditor (Audit Organisation)	6
1.3. Information on the Issuer's Appraiser(s)	10
1.4. Information on the Issuer's Consultants	10
1.5. Information on Persons who have Signed the Quarterly Report	10
II. Key Information on Financial and Economic Performance of the Issuer.....	12
2.1. The Issuer's Financial and Economic Performance Indicators.....	12
2.2. The Issuer's Market Capitalization.....	12
2.3. The Issuer's Liabilities.....	13
2.3.1. Borrowed Funds and Accounts Payable.....	13
2.3.2. Credit History of the Issuer	15
2.3.3. Liabilities of the Issuer under Security it provides.....	21
2.3.4. Other Liabilities of the Issuer.....	22
2.4. Risks Inherent to Acquisition of Equity Securities Being Placed (Placed).....	22
2.4.1. Industry Risks	23
2.4.2. Country and Regional Risks.....	27
2.4.3. Financial Risks	30
2.4.4. Legal Risks.....	32
2.4.5. Reputation Risk.....	33
2.4.6. Strategic Risk	33
2.4.7. Risks Related to the Issuer's Activities	34
III. Detailed Information on the Issuer.....	37
3.1. History of the Issuer's Foundation and Development.....	37
3.1.1. Information on the Issuer's Corporate Name (Name).....	37
3.1.2. Information on State Registration of the Issuer.....	38
3.1.3. Information on Foundation and Development of the Issuer.....	38
3.1.4. Contact Information	39
3.1.5. Taxpayer Identification Number	40
3.1.6. Branches and Representative Offices of the Issuer	40
3.2. Core Business Activity of the Issuer	42
3.2.1. The Issuer's Major Economic Sectors	43
3.2.2. Core Business Activity of the Issuer	43
3.2.3. Materials, Goods (Raw Materials) and Suppliers of the Issuer	44
3.2.4. Sales Markets for Products (Works, Services) of the Issuer	45
3.2.5. Information on the Issuer's Authorizations (Licenses) or Permits for Separate Types of Works.....	46
3.2.6. Information on Activities of Separate Types of Issuers	47
3.2.7. Additional Information on Issuers, the Primary Line of Business of which is Mining Operation	47
3.2.8. Additional Information on Issuers, the Primary Line of Business of which is Rendering Services.....	48
3.3. Plans for the Issuer's Future Activities	48
3.4. The Issuer's Participation in Banking Groups, Banking Holdings, Holdings, and Associations.....	49
3.5. Companies Controlled by the Issuer and Having Substantial Significance for it.....	49
3.6. Composition, Structure and Value of the Issuer's Fixed Assets, Information on Plans for Acquisition, Replacement, and Retirement of Fixed Assets, as well as on All Encumbrances on the Issuer's Fixed Assets	57
IV. Information on Financial and Economic Activities of the Issuer.....	59
4.1. Financial and Economic Performance of the Issuer	59
4.2. Liquidity of the Issuer, Capital and Fixed Asset Adequacy	59
4.3. Financial Investments of the Issuer.....	60
4.4. Intangible Assets of the Issuer	68

4.5. Information on the Issuer's Policy and Expenses in the Area of Scientific and Technical Development, in relation to Licenses and Patents, New Developments, and Research.....	68
4.6. Analysis of Development Trends in the Area of the Issuer's Core Business.....	70
4.7. Analysis of Factors and Conditions Influencing the Issuer's Activities	73
4.8. Competitors of the Issuer	77
V. Detailed Information on Members of the Issuer's Management Entities, the Issuer's Bodies, Monitoring Financial and Economic Activities, and Backgrounds of the Issuer's Employees (Workers).....	80
5.1. Information on Structure and Terms of Reference of the Issuer's Management Entities	80
5.2. Information on Members of the Issuer's Management Entities.....	84
5.2.1. Composition of the Board of Directors (Supervisory Board) of the Issuer	84
5.2.2. Information on the Issuer's Sole Executive Body.....	97
5.2.3. Composition of the Issuer's Collective Executive Body	98
5.3. Information on Remuneration and/or Compensation as to the Issuer's Management Entities	105
5.4. Information on Structure and Terms of Reference of the Issuer's Bodies, Monitoring Financial and Economic Activities as well as Arrangement of Risk Management and Internal Control Systems.....	106
5.5. Information on Members of the Issuer's Bodies, Monitoring Financial and Economic Activities.....	109
5.6. Information on Remuneration, Benefits, and/or Compensation as to the Issuer's Bodies, Monitoring Financial and Economic Activities	115
5.7. Information on the Number, General Information on Content of the Issuer's Employees (Workers), and Alterations of the Number of the Issuer's Employees (Workers).....	117
5.8. Information on Any Liabilities of the Issuer to its Employees (Workers) Concerning their Possible Participation in the Issuer's Authorized Capital	117
VI. Information on the Issuer's Participants (Shareholders) and Non-arm's length transactions Made by the Issuer	118
6.1. Information on Total Number of the Issuer's Participants (Shareholders)	118
6.2. Information on the Issuer's Participants (Shareholders) Holding at least Five Per Cent of the Authorized Capital or at least Five Per Cent of its Equity Shares, as well as Information on Persons Controlling such Participants (Shareholders) and, in the Absence thereof, on such Participants (Shareholders) Holding at least 20 Per Cent of the Authorized (Reserve) Capital (Unit Fund) or at least 20 Per Cent of their Equity Shares	118
6.3. Information on the Share of the State or Municipal Entity in the Authorized Capital of the Issuer, and Availability of the Special Right (Golden Share).....	119
6.4. Information on Restriction to Participate in the Issuer's Authorized Capital	121
6.5. Information on Changes in the Structure and Interests of the Issuer's Participants (Shareholders), Holding at least Five Per Cent of its Authorized Capital or at least Five Per Cent of its Equity Shares.....	121
6.6. Information on Non-arm's length transactions Made by the Issuer	122
6.7. Information on Accounts Receivable	122
VII. Accounting (Financial) Statements of the Issuer and other Financial Information	125
7.1. Annual Accounting (Financial) Statements of the Issuer.....	125
7.2. Interim Accounting (Financial) Statements of the Issuer.....	125
7.3. Consolidated Financial Statements of the Issuer.....	125
7.4. Information on the Accounting Policy of the Issuer	125
7.5. Information on the Total Amount of Export, as well as on Export Share in Total Sales	130
7.6. Information on Material Changes in the Issuer's Property since the Expiry Date of the Last Complete Reporting Year	130
7.7. Information on the Issuer's Participation in Judicial Proceedings, if such Participation may have a Material Effect on Financial and Business Activities of the Issuer	130
VIII. Additional Information on the Issuer and Equity Securities Placed by it.....	131
8.1. Additional Information on the Issuer	131
8.1.1. Information on the Amount and Structure of the Authorized Capital of the Issuer	131
8.1.2. Information on Change in the Amount of the Authorized Capital of the Issuer.....	132
8.1.3. Information on Convening and Holding the Meeting of the Issuer's Supreme Management Body	132
8.1.4. Information on Commercial Organisations, in which the Issuer Holds at least Five Per Cent of the Authorized Capital or at least Five Per Cent of Equity Shares	134
8.1.5. Information on Major Transactions Made by the Issuer	145
8.1.6. Information on the Issuer's Credit Ratings	145
8.2. Information on each category (class) of the Issuer's shares.....	148

8.3. Information on Previous Issues of the Issuer's Equity Securities, Except for the Issuer's Shares	149
8.3.1. Information on Issues with Cancelled Securities	149
8.3.2. Information on Issues with Outstanding Securities.....	149
8.4. Information on Persons Providing a Security for the Issuer's Secured Bonds, as well as on Security Provided for the Issuer's Secured Bonded Obligations	153
8.5. Information on Companies Registering Rights to the Issuer's Equity Securities	153
8.6. Information on Legislative Enactments Governing Import and Export of Capital, which may Influence Payment of Dividends, Interest and Others Payments to Non-Residents.....	153
8.7. Information on Declared (Accrued) and/or Paid Dividends on the Issuer's Shares, as well as on the Issuer's Bond Yield	154
8.7.1. Information on Declared and Paid Dividends on the Issuer's Shares	154
8.7.2. Information on Accrued and Paid Yield on the Issuer's Bonds	156
8.8. Other Information.....	159
8.9. Information on Underlying Securities and the Issuer of Underlying Securities, Title to which is Certified by Russian Depositary Receipts.....	160
Appendix No. 1	
Appendix No. 2	
Appendix No. 3	

Introduction

Grounds for the Issuer's obligation to disclose information in the form of a quarterly report

The securities prospectus with regard to the Issuer's securities (hereinafter RusHydro, the Company) has been registered.

This Quarterly Report contains evaluations and expectancies of the Issuer's authorized management entities with regard to future events and/or actions, development prospects of the economic sector where the Issuer is carrying out its primary activities, and results of the Issuer's activities, including the Issuer's plans, likelihood of certain events and performance of certain actions. Investors shall not rely entirely upon the evaluations and expectancies of the Issuer's management entities, since, in future actual results of the Issuer's activities may differ from the expected results for various reasons. Acquisition of the Issuer's securities is connected with the risks described herein.

I. Information on Bank Accounts, Auditor (Audit Organisation), Appraiser, and Financial Advisor of the Issuer, as well as on Persons who Have Signed the Quarterly Report

1.1. Information on the Issuer's Bank Accounts

Information on credit institution

Full corporate name: **Branch of Open Joint-Stock Company Sberbank of Russia, Moscow Bank**

Abbreviated corporate name: **Moscow Bank, Sberbank of Russia**

Location: **19 Vavilova St., Moscow, 117997**

INN: **7707083893**

BIC: **044525225**

Account number: **40702810438090001390**

Correspondent account: **3010181040000000225**

Account type: **settlement account in Russian rubles**

Information on credit institution

Full corporate name: **Gazprombank (Open Joint-Stock Company)**

Abbreviated corporate name: **GPB (OJSC)**

Location: **63 Novocheremushkinskaya St., Moscow, 117418**

INN: **7744001497**

BIC: **044525823**

Account number: **40702810400000003242**

Correspondent account: **30101810200000000823**

Account type: **settlement account in Russian rubles**

Information on credit institution

Full corporate name: **Joint Stock Bank ROSSIYA OPEN JOINT STOCK COMPANY**

Abbreviated corporate name: **JSB ROSSIYA OJSC**

Location: **101, bldg. 5, Gazoprovod, Sosenskoye, Moscow, 142770**

INN: **7831000122**

BIC: **044599132**

Account number: **40702810460016000306**

Correspondent account: **30101810400000000132**

Account type: **primary**

1.2. Information on the Issuer's Auditor (Audit Organisation)

Information about the auditor (audit organisation) shall be specified performing independent audit of the Issuer's accounting (financial) statements, as well as the consolidated financial statements of the Issuer forming a part of the quarterly report as well as about the auditor (audit organisation) approved (elected) for the audit of the annual accounting (financial) statements and annual consolidated financial statements of the Issuer for the current and the last completed reporting year.

1.2.1. Full corporate name: **Closed Joint Stock Company PricewaterhouseCoopers Audit**

Abbreviated corporate name: **CJSC PwC Audit**

Location of the audit organisation: **10 Butyrsky Val St., Moscow, Russian Federation, 125047**

INN: **7705051102**

OGRN: **1027700148431**

Tel.: **(495) 967-6000**

Fax: **(495) 967-6001**

E-mail: **pwc.russia@ru.pwc.com**

Information about membership of the auditor in self-regulated organisations of auditors

Full name: **Non-Profit Partnership "Audit Chamber of Russia"**

Location

3/9 3rd Syromyatnichesky Lane, bldg. 3, Moscow, Russia, 105120

Additional information: **registration number 870 in the register of members of ACR; Principal Number of Registration Entry (PNRE) in the registry of audit organisations: 102010003683**

Reporting year(s) from the last five completed reporting years and current year, for which the auditor (audit organisation) carried out (will carry out) an independent audit of the Issuer's statements

Accounting (financial) statements, year	Consolidated accounting statements, year	Consolidated financial statements, year
2010		2010
-		2011
2012		2012
2013		2013
2014		2014
2015		2015

Additional information:

CJSC PwC Audit does not perform independent audit of the consolidated interim financial statements of the Issuer; CJSC PwC Audit performs review of the consolidated interim financial statements of the Issuer for six months ended on June 30 of the reporting year. According to the results of the above reviews, CJSC PwC Audit submits a report on review of the consolidated interim financial statements for the relevant period.

Reporting periods from the last five completed reporting years and current year, for which CJSC PwC Audit performed (will perform) review of the interim consolidated financial statements of the Issuer:

Consolidated interim financial statements, period
six months ended on June 30, 2010
six months ended on June 30, 2011
six months ended on June 30, 2012
six months ended on June 30, 2013
six months ended on June 30, 2014
six months ended on June 30, 2015

Factors which can influence the auditor's (audit organisation's) independence from the Issuer, including information on the availability of material interests connecting the auditor (persons holding posts in the management bodies and bodies controlling financial and economic activities of the audit organisation) with the Issuer (persons holding posts in the management bodies and bodies controlling financial and economic activities of the Issuer)

There are no factors which can influence the audit organisation's independence from the Issuer, as well as material interests connecting persons holding posts in the management bodies and bodies controlling financial and economic activities of the audit organisation with the Issuer (persons holding posts in the management bodies and bodies controlling financial and economic activities of the Issuer)

The Issuer's auditor (audit organisation) selection procedure

The tender procedure connected with the auditor's (audit organisation's) selection, and its key conditions:

Selection of the audit organisation performing independent audit of the accounting (financial) statements of the Issuer for 2012–2014:

In accordance with Federal Law No. 307-FZ dated December 30, 2008 On Audit Activities, tender selection of the Company's Auditor for 2012–2014 was performed on the basis of Federal Law No. 94-FZ dated July 21, 2005 On Placing of Orders for Supplies of Goods, Performance of Work, and Rendering of Services for

State and Municipal Requirements.

Tender documentation of the open tender concerning entry into a services agreement for the audit of RusHydro accounting statements, prepared in accordance with Russian Accounting Standards for 2012–2014 (hereinafter the Tender Documentation) was prepared on the basis of Federal Law No. 94-FZ dated July 21, 2005 On Placing of Orders for Supplies of Goods, Performance of Work, and Rendering of Services for State and Municipal Requirements.

The Tender Documentation of the open tender concerning entry into a services agreement for the audit of RusHydro accounting statements, prepared in accordance with Russian Accounting Standards for 2012–2014 was approved by decision of the Buying Audit Committee dated December 09, 2011.

On the basis of the approved Tender Documentation, the Tender Committee carried out the appropriate procedure for selection of the Company's auditor for 2012–2014 from January to February 2012. In accordance with the minutes of the Tender Committee on Assessment and Comparison of Bids concerning entry into services agreement for the audit of RusHydro accounting (financial) statements, prepared in accordance with Russian Accounting Standards for 2012–2014 (Minutes No. 3 dated February 03, 2012 (04190000011100002)), Closed Joint-Stock Company PricewaterhouseCoopers Audit won the open tender.

Selection of the audit organisation performing independent audit of the consolidated financial statements of the Issuer for 2012–2014:

In order to apply funds of RusHydro effectively and economically, as well as pursuant to the Regulations for the Procedure for Scheduled Procurement of Goods, Works, Services, approved by decision No. 241 of the Board of Directors of the Company, upon decision of the Central Buying Committee of RusHydro dated August 30, 2011, scheduled procurement was arranged and carried out concerning entry into services agreement for the audit (review) of the consolidated financial statements of RusHydro Group, RAO Energy Systems of East Group, Yakutskenergo Group, Far East Energy Company Group and separate financial statements of Far-Eastern Distribution Company, JSC Far East Generating Company, CJSC Non-Bank Financial Company Interbank Settlement Center, prepared in concordance with International Financial Reporting Standards (IFRS) for 2012–2014 through open single-stage multi-lot request for proposals without prequalification of bidders.

The procurement documentation on an open single-stage multi-lot request for proposals without prequalification of bidders concerning entry into a services agreement for the audit (review) of the consolidated financial statements of RusHydro Group, RAO Energy Systems of East Group, Yakutskenergo Group, Far East Energy Company Group and separate financial statements of JSC Far-Eastern Distribution Company, JSC Far East Generating Company, CJSC Non-Bank Financial Company Interbank Settlement Center, prepared in concordance with International Financial Reporting Standards (IFRS) for 2012–2014, was approved by decision of the Buying Audit Committee dated November 16, 2011.

In accordance with the minutes of the Buying Committee (No. 2 dated December 22, 2011), Closed Joint-Stock Company PricewaterhouseCoopers Audit won the open single-stage multi-lot request for proposals without prequalification of bidders.

The auditor (audit organisation) nomination procedure for approval by the meeting of shareholders (participants), including the management body taking the relevant decision:

The Board of Directors of the Issuer nominates the auditor to be approved by the General Meeting of Shareholders of the Company.

In accordance with legislation, the Issuer shall audit its financial statements on an annual basis. In order to audit and confirm the annual financial statements, the General Meeting of Shareholders shall approve the auditor of the Company on an annual basis.

CJSC PwC Audit was approved as an auditor of the Issuer under the decision of the General Meeting of Shareholders of the Company (Minutes No. 12 dated June 27, 2014).

The Issuer's auditor shall, under the agreement entered into with it, audit the Issuer's financial and business activity in accordance with the legislation of the Russian Federation.

Information on works performed by the auditor within special audit assignments: No work was performed within special audit assignments during audit governed by Federal Law On Audit Activities No. 307-FZ dated December 30, 2008.

The procedure for determination of the auditor's (audit organisation's) remuneration, actual remuneration paid by the Issuer to the auditor (audit organisation), according to the results of the last completed reporting year for which the auditor (audit organisation) performed an independent audit of annual accounting (financial) statements and/or annual consolidated financial statements of the Issuer, information on deferred and outstanding payments for services rendered by the auditor (audit organisation):

The payment procedure and remuneration of the audit organisations and individual auditors for audit (including mandatory) and associated services are specified in the audit services agreements and cannot depend

on any requirements of the audited entities with regard to the content of conclusions which can be made during the audit.

The remuneration for the Issuer's auditor, approved by the Annual General Meeting of Shareholders of the Issuer, for mandatory annual audit and confirmation of the Issuer's annual financial statements, shall be determined by the Board of Directors of the Issuer.

The auditor's remuneration shall be determined according to the tender results when the Company's auditor is selected.

Information on actual amount of remuneration paid by the Issuer to CJSC PwC Audit according to the results of the last completed reporting year, for which CJSC PwC Audit performed independent audit of accounting (financial) statements of the Issuer and annual consolidated financial statements of the Issuer:

Actual amount of remuneration to be paid by the Issuer to CJSC PwC Audit according to the results of 2014, for which CJSC PwC Audit performed an independent audit of accounting (financial) statements of the Issuer and annual consolidated financial statements of the Issuer, is 121,577,600 Russian rubles (including VAT), including the cost of services for review of the consolidated interim financial statements of the Issuer for six months ending June 30 of the reporting year equal to 53,288,800 Russian rubles (including VAT).

In accordance with schedule of payments under contracts with CJSC PwC Audit, an amount of 60,117,680 Russian rubles was paid by the Issuer in 2014 and an amount of 61,459,920 Russian rubles was paid by the Issuer in April—May 2015.

Information on deferred and outstanding payments for services rendered by the auditor (audit organisation): There are no deferred or outstanding payments for services rendered by PwC Audit CJSC

1.2.2. Information on the auditor — **HLB Vneshaudit CJSC**

Full corporate name: **HLB Vneshaudit Closed Joint Stock Company**

Abbreviated corporate name: **HLB Vneshaudit CJSC**

Location: **25-27/2 Bolshaya Yakimanka St., Moscow, Russian Federation, 109180**

INN: **7706118254**

OGRN: **1027739314448**

Tel.: **(495) 967-0495**

Fax: **(495) 967-0497**

E-mail: info@vneshaudit.ru

Information about membership of the auditor in self-regulated organisations of auditors

Full name: **Non-Profit Partnership Institute of Professional Auditors**

Location of the audit organisation: **14 Nametkina St., bldg. 1, Moscow, Russia, 109180**

Additional information: **Principal Number of Registration Entry in the registry of auditors and audit organisations: 10202000095.**

Reporting year(s) from the last five completed reporting years and current year, for which the auditor (audit organisation) carried out (will carry out) an independent audit of the Issuer's statements

Accounting (financial) statements, year
2011

Factors which can influence the auditor's (audit organisation's) independence from the Issuer, including information on the availability of material interests connecting the auditor (persons holding posts in the management bodies and bodies controlling financial and economic activities of the audit organisation) with the Issuer (persons holding posts in the management bodies and bodies controlling financial and economic activities of the Issuer)

There are no factors which can influence the audit organisation's independence from the Issuer, as well as material interests connecting persons holding posts in the management bodies and bodies controlling financial and economic activities of the audit organisation with the Issuer (persons holding posts in the management bodies and bodies controlling financial and economic activities of the Issuer)

The Issuer's auditor (audit organisation) selection procedure

The tender procedure connected with the auditor's (audit organisation's) selection, and its key conditions:

Selection of the audit organisation performing independent audit of the accounting (financial) statements of the Issuer for 2011:

In accordance with Article 5 of Federal Law No. 307-FZ dated December 30, 2008 On Audit Activities, the agreement for mandatory audit of accounting statements of the organisation the share of state-owned property in the authorized (reserve) capital of which is at least 25 per cent shall be concluded according to the results of order placement through bidding in the form of open tender in accordance with the procedure specified in Federal Law No. 94-FZ dated July 21, 2005 On Placing of Orders for Supplies of Goods, Performance of Work, and Rendering of Services for State and Municipal Requirements.

In order to meet the above requirement, RusHydro approved the composition of the Tender Committee selecting the auditor of the Company (Minutes of the Audit Committee of the Board of Directors of RusHydro No. 17/1 dated February 05, 2010).

In accordance with the minutes of the Tender Committee on Assessment and Comparison of Bids concerning entry into services agreement for the audit of RusHydro accounting statements, prepared in accordance with Russian Accounting Standards for 2011 (Minutes No. 628/4 dated April 08, 2011 (0419000000111000001)), HLB Vneshaudit Closed Joint-Stock Company won the open tender.

The auditor (audit organisation) nomination procedure for approval by the meeting of shareholders (participants), including the management body taking the relevant decision:

The Board of Directors of the Issuer nominates the auditor to be approved by the General Meeting of Shareholders of the Company.

In accordance with legislation, the Issuer shall audit its financial statements on an annual basis. In order to audit and confirm the annual financial statements, the General Meeting of Shareholders shall approve the auditor of the Company on an annual basis.

HLB Vneshaudit CJSC was approved as the auditor of the Issuer for 2011 under the decision of the General Meeting of Shareholders of the Company (Minutes No. 7 dated July 04, 2011).

Information on work of the auditor (audit organisation) within special audit engagements:

No work was performed within special audit assignments during audit governed by Federal Law On Audit Activities No. 307-FZ dated December 30, 2008.

The procedure for determination of the auditor's (audit organisation's) remuneration, actual remuneration paid by the Issuer to the auditor (audit organisation) according to the results of the last completed reporting year, for which the auditor (audit organisation) performed an independent audit of annual accounting (financial) statements and/or annual consolidated financial statements of the Issuer, information on deferred and outstanding payments for services rendered by the auditor (audit organisation):

The payment procedure and remuneration of the audit organisations and individual auditors for audit (including mandatory) and associated services are specified in the audit services agreements and cannot depend on any requirements of the audited entities with regard to the content of conclusions which can be made during the audit.

The remuneration for the Issuer's auditor, approved by the Annual General Meeting of Shareholders of the Issuer, for mandatory annual audit and confirmation of the Issuer's annual financial statements, shall be determined by the Board of Directors of the Issuer.

The auditor's remuneration shall be determined according to the tender results when the Company's auditor is selected.

Actual remuneration paid by the Issuer to HLB Vneshaudit CJSC according to the results of the 2011 financial year, for which HLB Vneshaudit CJSC performed an independent audit of accounting and financial statements of the Issuer in accordance with RAS, amounts to RUB 14,950,000 (VAT included).

Information on deferred and outstanding payments for services rendered by the auditor: No deferred or overdue payments for the services rendered by HLB Vneshaudit CJSC.

1.3. Information on the Issuer's Appraiser(s)

Appraiser(s) were not involved.

1.4. Information on the Issuer's Consultants

Financial consultants were not attracted within 12 months before the end of the reporting quarter on the grounds specified in this clause.

1.5. Information on Persons who have Signed the Quarterly Report

Full name: *Kirill Vladimirovich Permyakov*

Born in: *1977*

Primary employment:

Company: *JSC RusHydro*

Position: **Deputy Chief Accountant**

II. Key Information on Financial and Economic Performance of the Issuer

2.1. The Issuer's Financial and Economic Performance Indicators

The dynamics of the Issuer's financial and economic performance indicators Standard (rule), in accordance with which the accounting (financial) statements are prepared, on the basis of which indicators are calculated: RAS

Measurement unit for workforce productivity calculation: **thousand Russian rubles/person**

Indicator	2013	2014	2014, 3 months	2015, 3 months
Workforce productivity	18,660	18,991	2014, 3 months	4,302
Debt-to-equity ratio	0.31	0.19	4,550	0.19
Leverage ratio	0.15	0.13	0.18	0.12
Debt coverage ratio	1.07	0.42	0.14	1.31
Overdue debt rate, %	0	0	0.65	0

All indicators are calculated on the basis of recommended calculation procedures.

Analysis of the Issuer's financial and economic activity on the basis of economic analysis of dynamics of the given indicators:

Growth in the workforce productivity in 2014 as compared with 2013 is due to a 2 % decrease in the number of employees working in core business while the revenues were practically the same (108,477 mln Russian rubles in 2014, 108,794 mln Russian rubles in 2013). The 5.4 % fall in the ratio in 2015 (3 months) against 2014 (3 months) is due to the fall in revenue from the sale of electricity (capacity).

Debt-to-equity ratio characterizes the correlation between external and own sources of financing. Decrease in the indicator from 0.31 according to the results of 2013 to 0.19 in 2014, 2015 (3 months) is due to the growth in equity: changes in the authorized capital were registered, the increase amounted to 68,617.9 mln Russian rubles.

Debt coverage ratio shows the extent of current liabilities which may be covered by funds available or expected in the nearest future. At the end of 2013, that indicator was equal to 1.07, i.e. practically 100 % of liabilities may be covered by profits according to the results of 2013. The ratio according to the results of 2014 amounted to 0.42, demonstrating its positive dynamics due to the decrease in short-term liabilities (registration of additional issue and transfer of short-term liabilities to the authorized capital). Comparison of this ratio for 2015 (3 months) with 2014 (3 months) shows a growth from 0.65 to 1.31, which is due to the transfer of a part of the long-term debt under credits to short-term debt according to the accounting rules because of debt refinancing (by the end of 2015 this debt will be transferred to long-term debts and will not influence this ratio).

In general, analysis of the creditworthiness indicators allows us to state that the Issuer's financial status in the period reviewed was stable.

2.2. The Issuer's Market Capitalization

Market capitalization is calculated as the product of the number of shares of the relevant category (type) and the market value of one share disclosed by the market operator.

Unit of measure: **RUB**

Issue 1-01-55038-E

Indicator	Q4 2014	Q1 2015
Market capitalization	202,977,246,799.70	202,861,370,160.23

Information on the securities market operator providing the data for calculation of the market capitalization, as well as any other additional information on public trading of securities at the Issuer's discretion:

Source of information: MICEX official website (<http://moex.com/>)

2.3. The Issuer's Liabilities

2.3.1. Borrowed Funds and Accounts Payable

As of December 31, 2014

Structure of borrowed funds

Measurement unit: Russian rubles

Indicator	Indicator value
Long-term borrowed funds	92,262,090,519.56
Including:	
Credits	57,262,090,519.56
Loans, except for bond loans	0
Bond loans	35,000,000,000.00
Short-term borrowed funds	21,915,231,001.95
Including:	
Credits	750,651,549.90
Loans, except for bond loans	21,164,579,452.05
Bond loans	0
Total overdue debt on borrowed funds	0
Including:	
On credits	0
On loans, except for bond loans	0
On bond loans	0

Structure of accounts payable as at March 31, 2015

Measurement unit: Russian rubles

Indicator	Indicator value
Total accounts payable	10,909,450,071.20
including overdue	0
Including	
To the budget and state extra-budgetary funds	2,042,610,426.33
including overdue	0
To suppliers and contractors	5,883,853,451.88
including overdue	0
To employees of the organisation	822,575,269.98
including overdue	0
Other	2,160,410,923.01
including overdue	0

There are no overdue accounts payable.

Creditors with at least 10 per cent of the total accounts payable or at least 10 per cent of the total borrowed (long-term and short term) funds:

Full corporate name: **Open Joint-Stock Company Sberbank of Russia**

Abbreviated corporate name: **Sberbank of Russia**

Location: **19 Vavilova St., Moscow, 117997**

INN: 7707083893

OGRN: 1027700132195

Debt: 33,910,025,141.99 Russian rubles.

Amount and terms and conditions of the overdue debt (interest rate, fine sanctions, penalties):

None

The creditor is an affiliate of the Issuer: No

Full corporate name: **RusHydro Finance Limited**

Abbreviated corporate name: **RusHydro Finance Limited**

Location: **53 Merrion Square, Dublin 2, Ireland**

Non-resident of the Russian Federation

Debt: 20,280,479,452.05 Russian rubles

Amount and terms and conditions of the overdue debt (interest rate, fine sanctions, penalties):

None

The creditor is an affiliate of the Issuer: No

As of March 31, 2015

Structure of borrowed funds

Measurement unit: *Russian rubles*

Indicator	Indicator value
Long-term borrowed funds	91,283,275,838.53
Including:	
Credits	56,283,275,838.53
Loans, except for bond loans	
Bond loans	35,000,000,000.00
Short-term borrowed funds	22,386,030,270.70
Including:	
Credits	965,544,654.26
Loans, except for bond loans	21,420,485,616.44
Bond loans	0
Total overdue debt on borrowed funds	0
Including:	
On credits	0
On loans, except for bond loans	0
On bond loans	0

Structure of accounts payable

Measurement unit: *Russian rubles*

Indicator	Indicator value
Total accounts payable	13,916,204,241.39
including overdue	0
Including	
To the budget and state extra-budgetary funds	4,657,202,708.41
including overdue	0

To suppliers and contractors	6,458,059,845.37
including overdue	0
To employees of the organisation	227,672,134.41
including overdue	0
Other	2,573,269,553.2
including overdue	0

There are no overdue accounts payable.

Creditors with at least 10 per cent of the total accounts payable or at least 10 per cent of the total borrowed (long-term and short term) funds:

Full corporate name: **Open Joint-Stock Company Sberbank of Russia**

Abbreviated corporate name: **Sberbank of Russia**

Location: **19 Vavilova St., Moscow, 117997**

INN: **7707083893**

OGRN: **1027700132195**

Debt: **33,968,270,586.97 Russian rubles**

Amount and terms and conditions of the overdue debt (interest rate, fine sanctions, penalties):

None

The creditor is an affiliate of the Issuer: **No**

Full corporate name: **RusHydro Finance Limited**

Abbreviated corporate name: **RusHydro Finance Limited**

Location: **53 Merrion Square, Dublin 2, Ireland**

Non-resident of the Russian Federation

Debt: **20,668,835,616.44 Russian rubles**

Amount and terms and conditions of the overdue debt (interest rate, fine sanctions, penalties):

None

The creditor is an affiliate of the Issuer: **No**

2.3.2. Credit History of the Issuer

Execution by the Issuer of its obligations under the facility agreements and/or loan agreements in force within the last completed reporting year and current year, including those concluded due to issue and sale of bonds, the principal debt under which is 5 and more per cent of the Issuer's balance sheet assets as of the end of the last completed reporting period consisting of 3, 6, 9 or 12 months preceding conclusion of the relevant agreement as well as other facility agreements and/or loan agreements, which the Issuer deems material.

Type and Identification Characteristics of Liabilities	
1. Credit, European Bank for Reconstruction and Development, Credit Agreement dated September 8, 2006	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2JN, United Kingdom
Principal debt as at the date of liabilities	6,300,000,000 RUB
Principal debt as at the end of the reporting quarter	-
Credit (loan) period, (years)	14
Average interest on credit (loan), % per annum	11.20
Number of interest (coupon) periods	57
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 17, 2014

Actual credit (loan) payment period (date)	April 17, 2014
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
2. Credit, EM Falcon Limited, Credit Agreement dated April 27, 2007	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	EM Falcon Limited (legal successor of Morgan Stanley), 11/12 Warrington Place, Dublin 2, Ireland
Principal debt as at the date of liabilities	RUB 1,500,000,000
Principal debt as at the end of the reporting quarter	-
Credit (loan) period, (years)	7
Average interest on credit, loan, % per annum	9.74
Number of interest (coupon) periods	14
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 25, 2014
Actual credit (loan) payment period (date)	April 25, 2014
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
3. Loan, Rushydro Finance Limited, Loan Agreement dated October 27, 2010	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Rushydro Finance Limited, 53 Merrion Square, Dublin 2, Ireland
Principal debt as at the date of liabilities	RUB 20,000,000,000
Principal debt as at the end of the reporting quarter	RUB 20,000,000,000
Credit (loan) period, (years)	5
Average interest on credit, loan, % per annum	7.875
Number of interest (coupon) periods	10
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	October 28, 2015
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
4. Bonds, series 01	
State registration number and registration date: 4-01-55038-E dated September 23, 2010	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Transferees of securities of the issue,
Principal debt as at the date of liabilities	RUB 10,000,000,000
Principal debt as at the end of the reporting quarter	RUB 10,000,000,000
Credit (loan) period, (years)	10

Average interest on credit, loan, % per annum	8
Number of interest (coupon) periods	20
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 12, 2021*
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	* Maturity of RusHydro bonds is 10 years. Tender offer for acquisition of bonds at the owner's request for a period of 5 years is possible in respect of the securities.

Type and Identification Characteristics of Liabilities	
5. Bonds, series 02	
State registration number and registration date: 4-02-55038-E dated September 23, 2010	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Transferees of securities of the issue,
Principal debt as at the date of liabilities	RUB 5,000,000,000
Principal debt as at the end of the reporting quarter	RUB 5,000,000,000
Credit (loan) period, (years)	10
Average interest on credit, loan, % per annum	8
Number of interest (coupon) periods	20
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 12, 2021*
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	* Maturity of RusHydro bonds is 10 years. Tender offer for acquisition of bonds at the owner's request for a period of 5 years is possible in respect of the securities.

Type and Identification Characteristics of Liabilities	
6. Credit, Joint Stock Company Sberbank of Russia, Credit Agreement No. 5486 dated November 18, 2011	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Joint-Stock Company Sberbank of Russia, 19 Vavilova St., Moscow 117997
Principal debt as at the date of liabilities	RUB 40,000,000,000
Principal debt as at the end of the reporting quarter	RUB 20,000,000,000
Credit (loan) period, (years)	9
Average interest on credit, loan, % per annum	8.27
Number of interest (coupon) periods	36
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	November 17, 2020
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
7. Credit, Unicredit Bank Austria AG, Credit Agreement dated December 12, 2011	

Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Unicredit Bank Austria AG, 1010 Wien, Schottengasse 6 — 8, Austria
Principal debt as at the date of liabilities	EUR 127,796,550
Principal debt as at the end of the reporting quarter	EUR 86,208,239
Credit (loan) period, (years)	15
Average interest on credit, loan, % per annum	3.13
Number of interest (coupon) periods	60
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	August 28, 2026
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	Drawdown is performed from 2012 to 2017

Type and Identification Characteristics of Liabilities	
8. Credit, European Bank for Reconstruction and Development, Credit Agreement dated December 07, 2011	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2JN, United Kingdom
Principal debt as at the date of liabilities	RUB 8,000,000,000
Principal debt as at the end of the reporting quarter	RUB 7,500,000,000
Credit (loan) period, (years)	15
Average interest on credit, loan, % per annum	11.31
Number of interest (coupon) periods	57
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	March 10, 2026
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
9. Credit, Bayerische Landesbank, Credit Agreement dated October 15, 2012	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Bayerische Landesbank, Brienner Str. 18 80333 Munich, Germany
Principal debt as at the date of liabilities	EUR 16,485,731.83
Principal debt as at the end of the reporting quarter	EUR 15,487,791.83
Credit (loan) period, (years)	12.5
Average interest on credit, loan, % per annum	1.15
Number of interest (coupon) periods	26
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 30, 2025
Actual credit (loan) payment period (date)	existing

Other information on liabilities specified at the Issuer's discretion	Drawdown is performed for the period from 2012 to 2017
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Type and Identification Characteristics of Liabilities	
10. Credit, Joint-Stock Company Sberbank of Russia, Credit Agreement No. 5685 dated December 4, 2013	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Joint-Stock Company Sberbank of Russia, 19 Vavilova St., Moscow, 117997
Principal debt as at the date of liabilities	RUB 10,612,753,821
Principal debt as at the end of the reporting quarter	RUB 10,612,753,821
Credit (loan) period, (years)	5
Average interest on credit, loan, % per annum	7.99
Number of interest (coupon) periods	20
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	December 04, 2018
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
11. Credit, EM Falcon Limited, Credit Agreement dated December 13, 2006	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	EM Falcon Limited (Morgan Stanley) 11/12, Warrington Place, Dublin 2, Ireland
Principal debt as at the date of liabilities	RUB 3,000,000,000
Principal debt as at the end of the reporting quarter	-
Credit (loan) period, (years)	7
Average interest on credit, loan, % per annum	8.71
Number of interest (coupon) periods	28
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	-
Scheduled credit (loan) payment period (date)	December 13, 2013
Actual credit (loan) payment period (date)	December 13, 2013
Other information on liabilities specified at the Issuer's discretion	Liability is due to legal succession under obligations of consolidated Saratovskaya HPP JSC.

Type and Identification Characteristics of Liabilities	
12. Credit, European Bank for Reconstruction and Development, Credit Agreement dated December 5, 2013	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	European Bank for Reconstruction and Development One Exchange Square, London EC2A 2JN, United Kingdom
Principal debt as at the date of liabilities	RUB 4,400,000,000
Principal debt as at the end of the reporting quarter	RUB 3,530,000,000
Credit (loan) period, (years)	2

Average interest on credit, loan, % per annum	14.01
Number of interest (coupon) periods	47
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	October 14, 2025
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
13. Bonds, series 07	
State registration number and registration date: 4-07-55038-E dated December 27, 2012	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Transferees of securities of the issue
Principal debt as at the date of liabilities, RUB	RUB 10,000,000,000
Principal debt as at the end of the reporting quarter, EUR	RUB 10,000,000,000
Credit (loan) period, (years)	10
Average interest on credit, loan, % per annum	8.5
Number of interest (coupon) periods	20
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	February 02, 2023
Actual credit (loan) payment period (date)	Existing *
Other information on liabilities specified at the Issuer's discretion	* Maturity of RusHydro bonds of series 07 is 10 years. Tender offer for a period of 5 years is possible in respect of the securities.

Type and Identification Characteristics of Liabilities	
14. Bonds, series 08	
State registration number and registration date: 4-08-55038-E dated December 27, 2012	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Transferees of securities of the issue
Principal debt as at the date of liabilities	RUB 10,000,000,000
Principal debt as at the end of the reporting quarter	RUB 10,000,000,000
Credit (loan) period, (years)	10
Average interest on credit, loan, % per annum	8.50
Number of interest (coupon) periods	20
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	February 02, 2023
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	Maturity of RusHydro bonds of series 08 is 10 years. Tender offer for a period of 5 years is possible in respect of the securities.

Type and Identification Characteristics of Liabilities	
15. Credit, Joint-Stock Company Sberbank of Russia, Credit Agreement No. 5724 dated April 8, 2014	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Joint-Stock Company Sberbank of Russia, 19 Vavilova St., Moscow 117997
Principal debt as at the date of liabilities	RUB 2,776,363,638.11
Principal debt as at the end of the reporting quarter	RUB 2,776,363,638.11
Credit (loan) period, (years)	8
Average interest on credit, loan, % per annum	14.83
Number of interest (coupon) periods	32
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 7, 2022
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

Type and Identification Characteristics of Liabilities	
16. Credit, Crédit Agricole Corporate and Investment Bank Deutschland / ING BANK, a Branch of ING-DiBa AG, Credit Agreement dated March 4, 2014	
Terms and conditions of liability and information on its execution	
Name and location or full name of the creditor (lender)	Crédit Agricole Corporate and Investment Bank, France, Taunusanlage 14, 60325 Frankfurt am Main, Federal Republic of Germany / ING BANK, a Branch of ING-DiBa AG, Hamburger Allee 1, 60486 Frankfurt am Main, Federal Republic of Germany
Principal debt as at the date of liabilities	EUR 190,284,359
Principal debt as at the end of the reporting quarter	EUR 86,998,547.17
Credit (loan) period, (years)	15
Average interest on credit, loan, % per annum	0.93
Number of interest (coupon) periods	30
Delays in payment of interest on credit (loan), and total number of such delays and duration thereof in days (if any)	None
Scheduled credit (loan) payment period (date)	April 4, 2029
Actual credit (loan) payment period (date)	existing
Other information on liabilities specified at the Issuer's discretion	

2.3.3. Liabilities of the Issuer under Security it provides

Information shall be disclosed on the total amount of security provided by the Issuer (amount of outstanding obligations for which the Issuer provided security if, in accordance with conditions of the security provided, performance of the relevant obligations is secured in full) specifying separately the amount of the security provided by the Issuer for obligations of third parties. If the Issuer provides security in the form of a pledge or guarantee, in addition the amount of security provided by the Issuer in the form of a pledge shall be indicated, specifying separately the amount of security in the form of a pledge provided by the Issuer for obligations of third parties, and the amount of security provided by the Issuer in the form of a guarantee, specifying separately the amount of security in the form of a guarantee provided by the Issuer for obligations of third parties.

Unit of measure: **RUB**

Indicator	As of December 31, 2014	As of March 31, 2015
Total amount of security provided by the Issuer (amount of outstanding obligations for which the Issuer provided security)	104,103,579,993.81	106,704,263,029.02
Amount of security provided by the Issuer for obligations of third parties	104,103,579,993.81	106,704,263,029.02
Amount of security provided by the Issuer in the form of a pledge, specifying separately the amount of security in the form of a pledge provided by the Issuer for obligations of third parties,	25,642,903,370.59	25,642,903,370.59
Amount of security provided by the Issuer in the form of a guarantee, specifying separately the amount of security in the form of a guarantee provided by the Issuer for obligations of third parties,	78,460,676,623.22	81,061,359,658.43

Information on each case of the provision of a security, the amount of which is five or more per cent of the balance value of the Issuer's assets as at the end of the relevant reporting period:

There are no such liabilities in this reporting period

2.3.4. Other Liabilities of the Issuer

There are no other obligations not recognized in the accounting (financial) statements that could materially affect the Issuer's financial status, liquidity, sources of financing, and terms and conditions of application thereof, performance results and expenses

2.4. Risks Inherent to Acquisition of Equity Securities Being Placed (Placed)

The Issuer's risk management policy:

Detailed analysis of risk factors related to acquisition of the placed equity securities, in particular:

Industry risks

Country and regional risks

Financial risks

Legal risks

Reputation risk

Strategic risk

Risks related to the Issuer's activities

Emerging wholesale and retail electricity and capacity markets have a higher risk level than developed markets of other products and services and include significant legal, economic, and, because of high social significance for country, political risks. Dynamic development of these markets allows us to suppose, with a high probability, that information contained herein can be promptly outdated. Current information uncertainty because of the dynamic change of factors can influence the Issuer's future activity, possibility of asset sale, and meeting of repayment deadlines. The investors shall take that uncertainty into account in estimating own risks and taking a decision on investment feasibility. In addition, some risks that are not material at the moment may become material in future.

It is worth stating separately that current world events of an economic and political nature connected with sanctions policy against Russia have no reasonable probability of being forecast, but their influence is substantial. The management of the Company believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimization of credit leveraging, optimization of the obtained cash use, assessment of the buyers' solvency, diversification of resource use, and others.

In order to optimize risks, the Issuer performs regular work on their recognition, assessment, and control,

as well as development and application of risk response measures, business continuity management, and aspires to meet international and national risk management standards (COSO ERM 2004, ISO 31000, Risk Management Professional Standard (RSPP-RusRisk) and others).

Quality of the risk management system of the Issuer is regularly confirmed by an independent jury of international competitions. In particular, the Issuer was pronounced the winner in such categories as the Best Risk Management Comprehensive Program, the Best Risk Manager of Russia, conducted by Russian Risk Management Society RusRisk, Russian National Association of Risk Managers, being a member of the Federation of European Risk Management Association (FERMA). By the Decision of the Management Board of the Company dated November 28, 2014, No. 884pr, the Development Program for Corporate Internal Control and the Risk Management System of RusHydro Group until 2019 was approved.

The Issuer's activity with regard to risk management is connected with the need to reconstruct operating and construct new generating facilities, including:

Improving reliability, safety, and cost effectiveness of the equipment by regenerating worn main and auxiliary equipment;

Increase technical-and-economic characteristics of HPP for operation on the competitive electrical energy market, and reduce repair expenses;

Increase in operating performance through implementation of a program to reduce operating costs and make savings;

Targeted financial policy;

Continuous analysis of electric energy market conditions;

Competitive environment in procurement, works, and services.

The Issuer's risk management policy:

The Issuer's risk management policy implies timely recognition and prevention of possible risks in order to minimize losses.

The Issuer's activities within specific risks management are described in Clauses 2.4.1.—2.4.5. below.

2.4.1. Industry Risks

Influence of possible decline in the Issuer's industry on its activities and fulfilment of the obligations under securities. Major possible changes in the sector according to the Issuer (separately in domestic and foreign markets), as well as prospective actions of the Issuer in these circumstances:

Foreign market:

The Issuer is exposed to comparatively moderate external industry risks. For example, during seismic shift in corporate defaults in 2009 connected with the global financial and economic crisis, annual default frequency of the Issuers in the power industry with Moody's ratings was 2.7 per cent, however, due to gradual stabilization of the global economy, annual default frequency of the Issuers in the power industry with Moody's ratings was 0.8 per cent with an absolute decrease in the total number of defaults from 261 in 2009 to 69 in 2013 and to 53 in 2014 (see Moody's Investors Service, Special comment: Corporate Default and Recovery Rates, 1920–2011).

Domestic market:

The Issuer is exposed to industry risks primarily because of possible changes in the electric power industry. Nonetheless, it is to be noted that currently that risk is mitigated sufficiently due to adoption of the targeted Rules of the wholesale electricity and capacity market (Regulation of the Government of the Russian Federation No. 1172 dated December 27, 2010).

Furthermore, in order to manage that risk, the Issuer takes the required actions to form the regulatory and legal framework of electricity and capacity market performance, favourable to the Issuer. For the purposes thereof, the Issuer is fully engaged in development processes of laws and regulations in the electric power industry performed by the Ministry of Energy of the Russian Federation, NP Market Council, and Federal Tariffs Service of the Russian Federation.

Formation of the competitive power and capacities market is the most significant event in the power industry for the Issuer.

As part of the continuing reforming, the norms governing the Russian power market, as well as the norms applied to market liberalization, specification of power tariffs, functioning of the capacity market, and relationships between power manufacturers and consumers are subject to current material changes. Since the official beginning of the reformation in July 2001, the implementation term of the reformation stages and the scope of these stages have changed several times, however, it can now be stated that the current plan of the Russian Federation Government on liberalization by 2011 of the power and power capacity market for non-domestic needs is being implemented.

As a result of the reformation process and uncertainty due to its completion and the final coverage, the Russian power market has suffered fundamental changes and has been operating in relative uncertainty. Along with the existing risks inherent to the Russian power supply market, a large number of operational, commercial, engineering, management, regulatory, and other risks may arise, which are difficult or impossible to foresee at present and which are outside the control of the Issuer. Such changes and associated uncertainty may have a material, adverse effect on the Issuer's business activity, its income, and results of its operations.

Under the current market model, the risk that the prices achieved at the long-term power market may be inadequate to cover fixed expenses is still relevant. The Issuer is exposed to the competitive expansion risk on the retail market due to activation of power supply companies aspiring to render services to large consumers. In order to manage that risk, the Issuer is focused on maintenance of and an increase in the customer base. Measures on risk elimination connected with loss of consumers:

- Individual relationship building with large consumers
- Promotion of the company's reliability on key consumer markets
- Transfer to new relations with consumers: consumer services of high quality, considering needs and expectations of customers, and with strict observance of obligations
- Continued status of guaranteeing supplier for concentration of the customer base and reduction of costs per energy unit

According to the Issuer's assessment, the decline in the industry may be associated with the following risk groups:

1. Operational (production) risks related to wear and tear, infringement of operational conditions, and critical changes in equipment working conditions. Realization of such risks may result in equipment breakdown (emergency cases) and destruction of facilities. Systematic emergencies may result in power system separation, rolling blackouts of consumers, and operation of capital equipment under critical conditions.

Hydroelectric power plants are essential for provision of the required quality of power supply covering uneven sections of daily load curves and being a short term operative and emergency power reserve.

Fairly tough operational conditions of the on-site capital equipment lead to its progressive wear and tear.

Unsatisfactory equipment conditions due to its wear and tear are one of the main causes of operational risks, which are, but are not limited to:

- Risk of full performance of the system-wide regime and regulating functions by hydro power plants (regulation of frequency, voltage, etc.) that involves a failure to use capabilities that appear in the process of power industry reorganisation

- Decrease in the operational and economic indicators of HPP
- Adverse environmental consequences
- Risk of emergency resulting in a lack of electric power and grave environmental and social consequences

- Operation of engineering devices at hazardous production facilities (storage and utilization of combustible materials, operation of pressurized lifting installations and equipment) of the branches and JSC RusHydro beyond the normative period that significantly increases the risk of emergency and accidents occurring at hazardous production facilities

- Risk of personnel injury

The Issuer's equipment is not in an ideal condition and is to a significant extent exposed to natural disasters, malfunction, etc. These factors decrease the reliability of equipment, enhance the likelihood of failure, and increase maintenance costs.

Action plan for management of these risks:

Industrial operational risk management of JSC RusHydro branches forms the basis for decision making on technical and engineering issues by the Issuer when planning equipment technical influence programs (within prospective technical reconstruction and modernization, repair, and maintenance program).

To manage the risks related to production assets' reliability more effectively, JSC RusHydro actively implements various methods of risk management, including an action plan for implementation of approaches to life cycle cost management, an automated risk management system connected with production operations, and

an asset management automated system.

The probability of equipment failure is assessed as standing on an average level. All the Issuer's main production facilities are insured. In addition, a set of measures is implemented to ensure the reliability of the equipment and facilities at the adequate level, i.e.:

- Repair works are performed in full. A unified repair and services company of JSC RusHydro celebrated its first anniversary in Q3 2014. JSC Hydroremont VCC, a unified repair and services company, was established on the basis of five specialized repair subsidiaries and affiliates of JSC RusHydro: JSC Hydroremont VCC, JSC Turboremont VCC, JSC Elektroremont VCC, JSC REMIK, and JSC Sayano-Shushenskaya HPP. JSC Hydroremont VCC serves and performs comprehensive work on repair and overhaul, reconstruction, technical re-equipping of all facilities of the holding under the Complex Modernization Program for Generating Facilities of JSC RusHydro approved in 2012. 14 branches and 11 production sites located directly on serviced facilities are part of the company. For the first year of its operation in new capacity, JSC Hydroremont VCC developed and successfully implemented new management solutions, created all necessary local regulatory system governing activities of the company in general; and treasury, financial control, and a project management system have been established. Integration of repair and service functions in one company was completed in Q2 2013. The four JSC RusHydro S&A went out of business—JSC REMIK, JSC Sayano-Shushenskaya HPP (SShHPP), JSC Turboremont VCC, and JSC Elektroremont VCC. The personnel of these companies was transferred to OJSC Hydroremont VCC, which assumed all obligations of the liquidated subsidiaries and affiliates and commenced its activity in a new capacity as a unified repair and services company of JSC RusHydro.

- The Technical Policy, approved by the Board of Directors (Minutes No. 133 dated September 05, 2011), is applied in the Company, and it is based on the principle of compliance with the Company's strategic aims, integrated management of the Issuer's engineering system, transparency, and economic feasibility of adopted engineering decisions. In 2011, the Board of Directors approved the Comprehensive Modernization Program for Generating Facilities of JSC RusHydro for 2012–2025. The aim thereof is to maintain the long-term reliability and safety of generating facilities of JSC RusHydro. The implemented technical reconstruction and modernization program, approved by the Board of Directors within the Issuer's investment program for 2011–2013 (Minutes dated October 15, 2010), is based on the principles of the Technical Policy.

- Modern diagnostics methods without equipment shutdown are implemented.
- The structure and volumes of spare parts is constantly optimized.
- A tender selection of service and supply organisations is implemented to improve the quality of services and materials provided, increase contractors' responsibility, and reduce the cost per unit.

There is a risk of system-based emergencies. To ensure reliability of the system, emergency automation is implemented and constantly updated in accordance with the latest requirements. The objectives of the centralized emergency automation system include provision of system reliability across the power network in the event of local emergencies.

Risk management within compliance with the industrial safety requirements throughout the production risk management structure of JSC RusHydro branches is ensured by conformity to federal legislation on industrial safety and on the basis of an effective system of production control over compliance with the requirements of industrial safety at JSC RusHydro branches.

2. Environmental risks expressed in the form of oil leakage to rivers from the hydroelectric generating set of HPPs and the exceeding of dam (storage reservoir) benchmarks in the upstream and downstream pools.

Fines for possible oil leakages will not affect the creditworthiness of the Issuer, so this risk may be considered to be insignificant. Furthermore, during implementation of actions stipulated by the prospective technical reconstruction and modernization program, the Issuer replaces the elements and units of the hydroturbines with modern facilities, the design of which ensures high ecological compatibility of the production process.

The rising of the storage reservoir level in the upper or lower benchmarks could result in the flooding of coastal areas where the production/residential facilities and natural complexes are located.

Action plan for management of these risks:

The storage reservoir level control is carried out in strict compliance with the schedule issued by the Inter-Agency Operational Team. To prevent underflooding, protective dams and installations are used. It is the owners' responsibility to ensure their proper condition and timely fortification of disintegrating dam sections. The Issuer shall for its part timely inform water consumers based on meteorological forecasts for the period of flood inflows on possible river levels to allow them to adopt the necessary protection measures.

To improve the environmental protection management process further, JSC RusHydro implements an environmental management system in accordance with the international standard ISO-14001:2004.

Environmental audits of company subsidiaries are performed on a regular basis. Recommendations issued based on the results of environmental audit are implemented in accordance with the Inconsistencies Elimination Action Plan.

3. Risks related to construction of alternative power supply facilities by large consumers.

One of the objectives of the reformation of the Russian power industry is to create competition within Russian power generation and power supply sectors. Construction of alternative power supply facilities by large consumers may result in competitive expansion and reduction of the Issuer's future power production and sales volumes.

The Issuer's action plan for management of this risk:

To mitigate this risk, the Issuer performs active work with its consumers aimed at establishing mutually advantageous and long-term relations.

Additional actions by the Issuer for mitigation of the said risks:

- Increase in operating performance through implementation of a program to reduce operating costs and make savings.
- Work on increasing the share of long-term contracts for power supply in the total volume of executed contracts.
- Implementation by the Issuer of a balanced financial policy.

4. Risks related to uncertainty of power generation ("water content" risk) and demand forecast.

The risk of power generation uncertainty for the Issuer involves the impossibility of precise forecasting of the volumes of power generated in the mid-term and long-term. This risk basically affects fulfillment of the Issuer's obligations on power supply on the wholesale electricity (capacity) market. The Issuer may face the inability to generate the electricity required by generation contracts and, as a consequence, may have to buy additional volumes at higher prices on the wholesale market.

The Issuer may also face the risk of annual, seasonal, and daily fluctuations of energy demand owing to weather conditions and other factors. Demand for electricity is usually higher from October to March because of more prolonged nights and colder weather, as well as during office hours, resulting in a complete workload of the Issuer's capacity within the stated periods. In this connection, the Issuer may face the risk of being unable to earn the potential income during maximum workload of production capacities and the inability to compensate for lost income over the period of diminution in the demand for electricity.

The Issuer's action plan for management of these risks:

This risk is mitigated within the production and sales activities of JSC RusHydro due to:

- Preparation of offers on amendments to the applicable regulations as regards HPP's daily planning discretion concerning its own output and filing of price applications
- Protection of the HPP's interests at the Interdepartmental Operating Groups of the Federal Water Resources Agency
- Execution of hedging bilateral agreements for the day-ahead market (including purchase of electric power as collateral for obligations)

In accordance with the foregoing, the Issuer believes that the possible decline in the Issuer's industry, adverse changes in the operation and production process, and construction of alternative power supply facilities by large consumers may affect the Issuer, but shall not substantially affect fulfillment of its obligations under its securities.

Risks related to possible changes of prices for raw materials and services used by the Issuer (separately on domestic and foreign markets) and their influence on the Issuer's activities and fulfillment of the obligations under securities:

Foreign market:

Risks inherent in the volatility of global prices for raw materials and services used by the Issuer in its activity have no impact on the Issuer's activity, as their share in production cost is about 1 per cent, and the share of import deliveries for the Issuer is insignificant.

Domestic market:

Since the key raw material for the Issuer during electricity generation is water resources, and no increase in the water tax rate over the price for electricity is forecast, risks inherent in a possible change in the raw material price are insignificant. Nonetheless, the Issuer recognizes the risk of a potential rise in prices for raw materials in the event of a need to purchase missing electricity for performance of its obligations under generation agreements. However, such risk shall not materially influence performance of the Issuer's obligations under securities.

Risks inherent in a rise in prices for equipment and other material and technical resources used by the Issuer in its activity:

Foreign market:

Risks inherent in volatility of global prices for equipment and other material and technical resources used by the Issuer in its activity have no impact on the Issuer's activity, as the share of imports in production cost is insignificant.

Domestic market:

These risks are principally due to inflation processes in the national economy and may be minimized by the following measures:

- Improvement of operational efficiency by implementation of programs on reducing production costs and making savings (creation of competition in the works and services procurement sector, optimization of repair and maintenance, capital construction costs, etc.)

- Implementation of a balanced financial policy as regards compliance with the payment discipline to mitigate insolvency risks and procurement of financial stability of the Issuer and compliance with standards of business planning

The risk shall not materially influence performance of the Issuer's obligations under securities.

Risks related to possible changes of prices for the Issuer's products and/or services (separately on the domestic and foreign markets), their influence on the Issuer's activities and fulfillment of the obligations under securities:

Foreign market:

The Issuer to an insignificant extent exports electricity (capacity) on the foreign market, so in this respect, risks inherent in a possible change in prices for products and/or services on the foreign market shall be deemed insignificant.

Domestic market:

The most significant risks for the Issuer are those related to possible changes of (decrease in) sales prices for electric power on the wholesale market (day-ahead market, balancing market). Due to the fact that the Issuer sells the entire "liberalized" power volume on the wholesale market at free unstable prices, there is a risk of proceeds falling compared to scheduled indicators due to the decrease in the weighted average sales price for power on the wholesale electricity market.

The risk is assessed as being insignificant.

The influence of a possible decline in situation in the Issuer's industry on its activities and fulfillment of obligations under securities:

Foreign market:

The potential deterioration of the situation in the world hydropower industry, which may have a material impact on the Issuer's activity and may be connected with some global changes and within the period, for which securities are issued, shall not have a significant influence on its performance of obligations under securities. The impact of this risk on Issuer is the same as for the remaining members of the market.

Domestic market:

The Issuer is the largest hydropower company in Russia holding a key position in the national economy. The Issuer believes that the possible decline in the Issuer's industry, adverse changes in the operation, and production process, construction of alternative power supply facilities by large consumers may affect the Issuer but shall not substantially affect fulfillment of its obligations under securities.

2.4.2. Country and Regional Risks

Risks inherent in the political and economic situation in a country (countries) and region, where the Issuer is registered as a taxpayer and/or performs its primary activity, provided that primary activity of the Issuer in such a country (region) brings 10 and more per cent of income for the last complete reporting period preceding the securities prospectus approval date.

Country Risks

The Russian economy has no protection against market recessions or a slowdown in global economic development. Nowadays, perception of country risks by investors decreases the volume of foreign investments in Russia and has a negative impact on the Russian economy. Furthermore, as Russia produces and exports large volumes of natural gas and oil, the Russian economy is particularly vulnerable to changes in international prices for energy products, and a slide in natural gas and oil prices have a significant effect on development of the Russian economy. These events may limit the Issuer's access to capital and adversely affect the purchasing ability of the Issuer's consumers. The Issuer supposes implementation of all the actions intended for a decrease in the influence of such events on its activities by optimizing leverage in crisis conditions.

Furthermore, due to the world financial market crisis and a slump in industrial production, there is a risk of a drop in demand for power, which may lead to a reduction in sales volumes and in the Issuer's proceeds, as well as a risk of accounts receivable growth due to non-payment by power consumers.

Exposure to country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). Due to external factors such as the decrease in the oil prices and fall in the exchange value of

the Russian ruble according to the results of 2014, Russia's rating was initially decreased from BBB at a positive forecast to BBB- with a negative forecast (according to Standard & Poor's international rating agency) and in January 2015 from BBB- to non-investment BB+, which is inevitably a negative factor; however, it has a specific character connected with anti-Russian sanctions. Depending on the continuation of this policy or its cancelation, the level of country risk will be subject to change. In this connection, there is possible growth in the risk connected with failure to discharge obligations by separate foreign suppliers and contractors, contraction of the sales market and contract revision. It is worth noting that results of the first quarter of 2015 do not show a significant worsening of the situation, indeed they have several positive trends, such as ruble strengthening, reduction of the base rate of the Central Bank of the Russian Federation, and the intentions of some EU countries to reinstate cooperation with Russia.

In order to diversify the country risk, active work with BRICS partners (China and India) is in progress. A number of agreements with Chinese energy companies have been signed, which hereafter permit RusHydro Group to expand cooperation with China both in the area of construction of new energy facilities and energy export. In particular, in October 2014, RusHydro Group signed a cooperation agreement with Power Construction Corporation of China Ltd (PowerChina) with regard to implementation of the project for Leningrad Pumped Storage Plant (PSP) and other promising PSP projects. In the future, the parties shall consider the possibility of implementing other PSP projects in the central part of Russia, as well as in third countries. Under the agreement, in the 4th quarter of 2014, Chinese experts visited the sites of small HPPs of RusHydro in the North Caucasus. Technical and economic experts of PowerChina visited the sites of five small HPPs: Sengileevskaya, Barsuchkovskaya, Ust-Dzhegutinskaya, Verkhnebalkarskaya, and Adyr-Su. During their trip to the Caucasus, Chinese experts inspected the sites of future stations and got acquainted with technical solutions. The sites of new stations are located in Stavropol Krai, Karachay-Cherkessia, and Kabardino-Balkaria. In June 2014, Sengileevskaya, Barsuchkovskaya, and Ust-Dzhegutinskaya HPPs projects successfully underwent the competitive selection of investment projects on the construction of generating facilities based on renewable energy sources held by JSC ATS. In accordance with the application, in 2017 RusHydro will begin operation of Sengileevskaya SHPP (10 MW), Barsuchkovskaya SHPP (5.04 MW), and Ust-Dzhegutinskaya SHPP (5.6 MW). As previously reported by NP Market Council, agreements are entered into with the selected projects ensuring that investors will receive repayment of expenses within 15 years, with the base yield of 14 % per annum (current yield depends upon the yield of long-term bonds of federal loans).

An agreement with the China Three Gorges Corporation has also been signed concerning joint implementation of projects in the area of hydropower industry in the Russian Federation. The agreement provides for joint implementation of projects on the construction of flood protection HPPs in the basin of the Amur River in the Russian Federation. The agreement provides for establishment of a joint venture (JV) with the distribution of shares between RusHydro and Three Gorges Corporation as 51 % to 49 % for arrangement, financing, construction, and operation in Amur Oblast and Khabarovsk Krai for hydropower plants with a total installed capacity up to 2,000 MW. The estimated cost of the projects included in the agreement could be up to 230 billion Russian rubles.

Concerning cooperation with India, a declaration of intent is signed for development of education projects in the field of hydropower and renewable energy sources in the state of Arunachal Pradesh (India). RusHydro International AG, with the assistance of RusHydro International India Private Limited, shall prepare the implementation plan on the education project in the area of secondary technical and higher education under the auspices of RusHydro and leading state hydrogenerating companies of India for training hydroenergy specialists.

In January 2015, a memorandum of understanding was executed between RusHydro and the Korea Water Resources Corporation (K-Water). The purpose of the Memorandum was to find mutually beneficial areas of joint activity in the hydropower industry, renewable energy sources and projects in water treatment, water disposal and solving of ecological aspects of the use of water resources. In particular, this refers to the design, construction, operation, maintenance of facilities, and project financing. RusHydro and K-Water have agreed to consider the possibility of cooperation in projects in Russia, South Korea and third countries. In this case, joint research is planned as well as the exchange of technical information in relation to modernization of hydropower capacities and also for development of new business areas. The parties do not exclude other forms of cooperation, for example, in relation to integrated water resources management, including taking flood protection measures and using tidal and other alternative energy. The effective term of the memorandum is two years with the possibility of prolongation.

Political Risks

Due to the tightening of control on the part of energy sector regulatory agencies, the Issuer is taking steps necessary to avoid a detrimental effect of the above-mentioned risks on its activity. In particular, key attention is paid to ensuring transparency and reliability of control procedures for expenditure of budgetary funds under implementation of the Issuer's investment program, as well as implementation of risk management measures, as described in this section.

Regional Risks

The Issuer is registered as a taxpayer in Krasnoyarsk Krai, but productive assets and the operations themselves are carried out in many regions of the Russian Federation. In this respect it is possible to define specific risk in two regions: risks inherent in potential terrorist activity are a burning problem for the North Caucasus, and the Far East is characterized by earthquake activity and the inaccessibility of certain areas. Measures are being taken in respect of these risks and they are described in the following two sections. The risk on the whole is assessed as insignificant.

Assumed actions of the Issuer in the event of an adverse effect of changes in the situation in the country (countries) and the region (regions) on its activities.

Within mitigation of the consequences of the risks related to an emergency at the Sayano-Shushenskaya HPP, the Issuer carries out the following activities:

Reconstruction of the plant is being completed with engagement of the Sayano-Shushenskaya HPP personnel;

Work is progressing on amendment of Russian Federation legislation and corporate standards in technical regulation as regards procurement of hydropower engineering facility safety and reliability;

The Issuer continues implementation of the social policy, directed to support relatives of the deceased and injured persons and to develop the region as a whole (for detailed information please visit the Issuer's corporate site <http://www.sshges.rushydro.ru/>, SShHPP Reconstruction).

The Company is also constructing 4 electricity generation facilities in the Far East (CHPP in Sovetskaya Gavan, Sakhalinskaya SDPP-2 (1st stage), Yakutsk SDPP-2 (1st stage), Blagoveshchenskaya CHPP (2nd stage)), which are planned to be completed by the end of 2016. Implementation of these projects is the first stage of the RusHydro program on energy development of the Far East.

In the 4th quarter of 2014, the Issuer has accounted to the Accounting Chamber for implementation of the four thermal generation projects in the Far East under the recapitalization of the company in accordance with the decree of the Russian Federation President. The complete cycle of inspections and approvals for all four projects is completed, which included approval of design specifications and estimates by the Federal Autonomous Establishment Main Directorate of State Examination of Russia, independent technological and price audit and discussion at joint meetings of the Scientific-Technical Board of NP SEB of UES, and the Scientific Council of RAS concerning reliability and safety problems of large systems of the energy industry. General contractors and suppliers have been selected, and construction and installation works are being performed at sites.

The transaction on the transfer of companies of the BEMA project under the jurisdiction of the Russian Federation is being implemented.

Changes in the situation in the country and regions of the Issuer's activities, the nature and frequency of such changes, and risks inherent thereto are difficult to predict, as it is the case with their effect on the future activities of the Issuer. Most of these risks are beyond the control of the Issuer due to their global scale. In case of disruption in the situation in Russia or the regions, which may adversely affect the Issuer's activities, the Issuer's management will undertake a number of actions for crisis management to mitigate to the greatest possible extent the adverse effect of the situation on the company.

Risks related to possible military conflicts, imposition of a state of emergency or strikes in the country and region where the Issuer is a tax resident and/or carries out its principal activities.

In case of possible military conflicts, as well as a threat of terrorist exposure to the Issuer's facilities (including under conditions of an aggravated international situation), there are possible risks of personnel death and capital asset breakdown. The Issuer's region of registration and many regions of the Issuer's activities are characterized by a peaceful political situation. The probability of military conflicts, a declaration of a state of emergency and strikes in these regions is minimal, except for constituent entities of the Russian Federation located on the border with Ukraine and in the North Caucasian Federal District. In connection with possible escalation of the Georgian-Ossetian conflict, the described risk may arise in the region of the Issuer's activities — the Republic of North Ossetia-Alania.

According to the results of sabotage at the Baksanskaya HPP (July 21, 2010) and detection of an explosive device at the Irganayskaya HPP (September 7, 2010), the Issuer carried out comprehensive reassessment of safety systems at every facility. According to its results, a comprehensive plan for protection enhancement at the Issuer's facilities has been implemented, within which changes in the ongoing safety program at the Issuer's plants, including those in progress, have been introduced.

In case of this risk occurrence, the Issuer will take actions to mitigate the consequences thereof, including:

Evacuation of personnel and construction equipment located in close proximity;

Enhancement of security of the Issuer's facilities by engaging additional forces of the Ministry of Internal Affairs of the Russian Federation in order to prevent risks.

Risks related to geographic features of the country and region where the Issuer is registered as a tax resident and/or carries out its principal activities, including the heightened danger of natural disasters, possible cessation of transportation due to remoteness and/or inaccessibility, etc.

In the third quarter of 2013, the risk of natural disasters, which on a regular basis makes the list of the Issuer's critical risks taking the form of flooding in the Far East, had a significant effect on the Issuer's activity. In these circumstances, facilities of the Issuer in the Far East operate in accordance with instructions of the interagency working group under the Federal Water Resources Agency of Russia. Control over business assets is tightened. No emergencies were defined.

Overflow of 2013 was the largest for the last 120 years. According to experts, hydraulic structures of Zeyskaya and Bureyskaya HPPs held in their own reservoirs over 65 % of inflow, seriously reducing probable negative consequences for downstream settlements.

Under the decision of Evgeniy Dod, Chairman of the Management Board of RusHydro, the company explicated an ambitious program of social assistance to persons who have suffered from flooding in the Far East. RusHydro allocated RUB 200 million to mitigate the consequences of such flooding.

A donation, transferred by companies and employees of the energy branch to the Soprichastnost fund, was made.

Hydraulic power engineers purchased and handed over to EMERCOM of Russia (Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters) special vehicles and equipment for the performance of operations connected with the evacuation of people in Amur Oblast who have suffered from underflooding.

RAO Energy Systems of East has already directed about RUB 1.5 million for acquisition of food packages for evacuated residents of the Jewish Autonomous District. Assistance connected with additional food was provided to 1,415 people affected, including 559 children.

Generally, the regions of the Issuer's activity are characterized by a well-developed transport infrastructure and are not exposed to risks connected with termination of transport connection. In this respect, some generating assets of the Issuer are located in remote areas with a severe, harsh climate, including in Krasnoyarsk Krai and some areas of the Far Eastern Federal District. The Issuer constantly advances technologies of access to and work in severe weather conditions of these areas. However, there is no guarantee that the Issuer will not incur additional expenses in overcoming technical difficulties associated with climate and accessibility of these areas, which may exert a negative influence on the Issuer's business, income, financial standing, performance, and prospects. In the foreseeable future, these risks are assessed by the Issuer as insignificant.

Risks also related to geographic features of regions include: risk of losses (for instance, lay up of fixed assets) in connection with seismic activity, avalanches and mudslides, possible landslides and rain-caused floods, as well as other adverse weather conditions (tornados, strong snowfalls and frost, etc.). The majority of the Company's facilities is located in seismically quiet regions, however, such facilities as the Pauhetskaya GeoPC and the Verkhne-Mutnovskaya GeoPC are located in an earthquake zone with potential earthquake strength up to 9 on the Richter Scale. An emergency action plan has been developed in the event of earthquakes with continuous monitoring of the situation. Transport connection is being elaborated in advance with a focus on the aforesaid risk, cargo and personnel delivery scheme being optimized.

2.4.3. Financial Risks

Exposure of the Issuer to risks inherent in a change in interest rates, foreign currency exchange rates, due to activity of the Issuer or due to hedging performed by the Issuer with a view to reduce adverse effects of the above risks.

Exposure of the Issuer's financial standing, its liquidity, sources of funding, performance, etc., to a change in currency exchange rate (exchange risks):

The financial status of the Issuer, its liquidity, sources of financing and performance results do not depend heavily on foreign exchange differences and interest rate changes.

The Issuer sells power on the domestic market of the Russian Federation and settlements with suppliers of the resources, accrual and receipt of payments from power consumers are performed mostly in the Russian currency — RUB. The influence of shifts of the national currency exchange rate compared to foreign currencies on the Issuer's financial status is assessed as insignificant.

Expected actions of the Issuer in the event of a negative impact of changes in currency exchange rate and interest rate on the Issuer's activity.

Practically all obligations of the Issuer are expressed in the currency of the Russian Federation — RUB. The proportion of obligations expressed in foreign currency in total amounts to ~5 %. For this reason exposure of the Issuer to the risk of foreign exchange fluctuations is assessed by Issuer as immaterial.

Some loans of the Issuer are connected with floating interest rates of MosPrime and Euribor. However, a share of loans with a fixed interest rate is 77 % of the Issuer's credit portfolio. In order to minimize interest risk on financial obligations of the Issuer, swap contract was concluded so as to fix variable interest rate in relation to the credit of JSC Sberbank of Russia (RUB 2.0 bln as at March 31, 2015). There is no guarantee that concluded swap contracts will be effective or that the Issuer will not be exposed to interest risks in future.

According to the Issuer, inflation has a critical influence on securities payments, inflation levels as well as expected actions of the Issuer with regard to a decrease in the above risk:

The inflation level directly depends on the political and economic situation in the country. Since the Issuer carries out its activities within the Russian Federation, it is also subject to the influence of fluctuations in the inflation level. An increase in the inflation level in the Russian Federation leads to an overall increase in interest rates.

The adverse effect of inflation on financial and economic activities of the Issuer may result from the following risks:

- Risk of loss related to a decrease in the actual cost of accounts receivable in case of significant deferral or delay in payment;
- Risk of increase in the cost of financial debt;
- Risk of increase in product, works and services cost due to an increase in prices for energy resources, transport expenses and salaries, etc.;
- Risk of reduction of actual cost of funds raised for financing the investment program.

Inflation risk may arise if received cash income is depreciated compared to the actual purchasing capacity of money faster than it is nominally growing. Inflation growth significantly affects the financial performance results of the Issuer. It may lead to an increase in the entity's costs (due to an increase in prices for power resources and inventories) and as a consequence to a fall in profits and, therefore, in the profitability of its activities. Moreover, a rise in inflation will lead to an increased cost of borrowed funds for the Issuer, which may lead to a shortage of working assets within the company.

Critical significance of inflation, according to the Issuer:

According to the Issuer, taking into account the order of the Chairman of the Government of the Russian Federation with respect to limitation of the growth in housing and public utilities rates by no more than 6 % in annual average calculation, compared with the level of utility charges in December 2012, and taking into account the level of potential earnings of the Issuer's activity, the critical inflation level under which the Issuer would have difficulties is equal to at least 20 % per annum. It is worth noting in this regard that the Ministry of Economic Development has confirmed its forecast: taking into account all negative factors, the annual inflation peak in 2015 will not exceed 17 % and, according to the results of the year, its level is expected to be 11 %. In the event of a rise in inflation, the Issuer plans to raise working capital turnover by amending contractual relations with its consumers.

Liquidity risk:

Rational liquidity risk management includes maintaining sufficient monetary funds and convertible securities so as to maintain the Issuer's ability to execute its current obligations. Temporarily disposable monetary resources are placed in short-term financial instruments, generally in bank deposits and promissory notes. The list of credit institutions and calculation of risk limits concerning placement of temporarily disposable monetary resources is approved on a quarterly basis under the Rules accepted by the Company.

Due to aggravation of the international situation, economic sanctions and other force majeure circumstances, there is a possibility of growth in risks connected with the Issuer's difficulties to gain access to loan funds of foreign contracting parties, a rise in the value of the Issuer's debt obligations, losses due to an increase in euro rates and interest rates. Control over these risks is connected with a decrease in limits for agency banks with reduced ratings, stress testing of possible losses due to the growth in euro rates and interest rates under the currency and interest risks management methodology approved by the Issuer, as well as with legal support of the contract base. Practically all credit facilities are used, and there is no risk of unavailability of material credit resources under previously opened credit facilities.

Indices of the Issuer's financial statements subject to change to a greater extent as a result of the aforesaid financial risks. Risks, probability and nature of changes in statements:

Risk	Probability	Indices of financial statements subject to change to a greater extent as a result of the said financial risks	Nature of changes in statements
Increase in loan rates of banks	average	Balance sheet (form No. 1): 1) Accounts payable (other creditors) Statement of Financial Performance (form No. 2): 1) Interest payable 2) Net profit	Profit decrease, increase of interest costs
Exchange risk	high	Balance sheet (form No. 1): 1) Accounts receivable 2) Accounts payable 3) Cash — Statement of Financial Performance (form No. 2): 1) Other income and expenses 2) Net profit 3) Interest payable	Growth in investment costs, increase in accounts payable, growth in other expenses, increase in expenditures connected with interest and reduction of net profit
Inflation risks	average	Statement of Financial Performance (form No. 2): 1) Other expenses 2) Cost of goods, products, works, services sold 3) Net profit	Profit decrease
Liquidity risk	average	Balance sheet (form No. 1): 1) Accounts receivable 2) Cash 3) Accounts payable Statement of Financial Performance (form No. 2): 1) Other income and expenses 2) Net profit	Profit decrease

2.4.4. Legal Risks

Legal risks related to the Issuer's activities

In connection with the emergency at Neporozhniy Sayano-Shushenskaya HPP on August 17, 2009, there is a possibility of:

Considerable court proceedings, the subject of which may be, inter alia, compensation for damage to life and health and compensation for moral harm;

Inspections of the Issuer's activities being performed by the prosecution authorities and other regulatory authorities (Russian Federal Service for Ecological, Technical and Atomic Supervision, Federal Service for Supervision of Natural Resource Usage, etc.), according to the results of which the Issuer and/or its officials might be brought to liability under the law.

Since generation as well as purchase and sale of electric energy and capacity is the core business of the Issuer, legal risks concerning regulation of this type of activities may significantly affect the Issuer's status, i.e. lead to a decrease in the Issuer's net profits. A decrease of the net profits of the Issuer in its turn may lead to a decrease in the amount of the dividends payable.

Risks Related to Changes in the Currency Control

Domestic Market:

Taking into account that the Issuer's export of products is insignificant, the risk of changes to currency regulation shall be deemed insignificant as well.

Foreign Market:

Taking into account that the Issuer's import of products is insignificant, the risk of changes to currency regulation shall be deemed insignificant as well.

Legal Risks Related to Changes in the Customs Clearance Regulations and Duties

Domestic Market:

Taking into account that the Issuer's export of products is insignificant, the risk of changes in customs regulations and duties shall be deemed insignificant as well.

Foreign Market:

Taking into account that the Issuer's import of products is insignificant, the risk of changes in customs regulations and duties shall be deemed insignificant as well.

Risks Related to Amendments to the Tax Laws

Domestic Market:

The Russian tax system is characterized by a large number of taxes and frequent changes in regulations. The Russian tax laws are subject to varying interpretations and frequent changes. Laws and regulations 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, the operations and activities which have never been contested may be contested. Tax audits may cover three calendar years of activity immediately preceding the year of audit. Under certain conditions even the earlier period may become subject to audit.

Amendments to the tax legislation as regards an increase in the tax rates or changes to the tax calculation and payment procedure or terms may result in a decrease in the net profits of the Issuer, that in its turn may lead to a decrease in the amount of dividends payable. These risks of the Issuer are considered as insignificant.

Foreign Market:

Risks related to amendments to the tax law are considered as insignificant. These risks influence the Issuer to the same extent as other members of the market.

Risks related to changes in requirements governing licensing of the Issuer's principal activities or licensing rights to use objects with limited circulation (including natural resources) as well as requirements pertaining to environmental and other permits and compliance with established standards

Domestic Market:

Changes to the licensing requirements of the Issuer's principal activities may delay preparation of the documents necessary for prolongation of the license, and might require that the Issuer comply with the stated requirements. In general this risk should be deemed insignificant, except that for prolongation of the license or performance of the activities subject to licensing such requirements will be specified which the Issuer will not be able to comply with or compliance with which will be tightly related to excessive expenses, which may result in cessation of these activities by the Issuer.

Foreign Market:

In case of changes to the licensing requirements of the Issuer's principal activities, the Issuer will act in accordance with new requirements, including as regards obtaining the necessary licenses.

Risks related to changes in the legal practice pertaining to issues concerning the Issuer's activities (including the issues of licensing), which may adversely affect the results of its activities, as well as the results of on-going legal proceedings involving the Issuer

Domestic Market:

Changes in the legal practice in relation to issues concerning the Issuer's activities may lead to increased costs for engagement of qualified lawyers, as well as judgments against the Issuer which may adversely affect the Issuer's operational results.

Foreign Market:

This risk influences the Issuer to the same extent as other members of the market.

2.4.5. Reputation Risk

To level the risk, the Company, together with concerned parties, arranges public events, special events for the media, analysts and representatives of the investment community, regularly updates information on its official web resources, prepares official comments on key issues of its activity and regularly monitors the public space. The Public Activity Regulation and Information Activity Performance Regulation are approved at JSC RusHydro. The complex of measures taken ensures constant broadcasting of reliable information in the public domain on behalf of the Issuer, so this risk is assessed by the Issuer as insignificant.

2.4.6. Strategic Risk

The RusHydro Group's Long-Term Development Program is prepared by the Issuer and approved by resolution of the Board of Directors (minutes No. 206 of the meeting dated November 21, 2014).

The RusHydro Group's Long-Term Development Program (hereinafter, the "Program") is based on the Strategic Plan of JSC RusHydro for the period up to 2015 with an outlook until 2020, approved by resolution of the Board of Directors (minutes No. 100 of meeting dated June 16, 2010) and contains both necessary analysis of the macro environment, comparison with competitors, and areas for improvement and development.

Pursuant to Resolution No. 212 of the Issuer's Board of Directors dated April 03, 2015, the Program was amended to approve a set of measures aimed at mitigating the risks of interaction with foreign counterparties and for developing an import substitution program. The Import Substitution Road Map was approved for the period until 2020.

Due to the high quality of the strategic planning work, a prompt response to external factors and an integrated approach, the Issuer assesses this risk as insignificant.

2.4.7. Risks Related to the Issuer's Activities

Risks inherent in current court processes, in which the Issuer is involved:

There are no court processes, involvement in which may materially affect financial and economic activities of the Issuer.

Risks of the inability to renew any of the Issuer's licenses for any specific type of activity or to use any facilities that have limited transferability (including natural resources):

The Issuer does not use in its activity non-fully tradable facilities (including natural resources), does not engage in banking, insurance activities, is not a professional securities trader or investment fund. The Issuer likewise does not extract commercial minerals and does not render communication services.

After establishment of the institution of self-regulated organisations (SRO), licensing of construction activities has been replaced since January 01, 2010, with a competency certificate to be granted by the SRO. Subsidiaries of JSC RusHydro joined NP ENERGOPROJECT (self-regulating organisation in the field of project activities), NP ENERGOSTROY (self-regulating organisation in building activities), and NP AISS (self-regulating organisation in engineering surveys). The Issuer is a member of NP EnergoStroiAllianz Group of Construction Organisations.

Work permits for activities involved in building, refurbishment, and overhaul of capital construction projects, front-end engineering design of capital construction projects, and engineering surveys of capital construction projects have been received by construction, repair, design, and research and development subsidiaries and affiliates of JSC RusHydro.

The Issuer shall meet all license requirements in full and on time, the Issuer does not foresee any difficulty in renewal of current licenses (the complete list of the Issuer's licenses is disclosed in Clause 3.2.5. Information on the Issuer's Authorizations (Licenses) or Permits for Separate Types of Works).

These risks are assessed by the Issuer as insignificant.

Additional actions of the Issuer for management of this risk:

Work is ongoing on receipt by the Issuer's branches of waste disposal limits in accordance with the established procedure.

Risks related to potential liability of the Issuer for debts of third parties, including subsidiaries of the Issuer:

Liability for debts of subsidiaries may be incurred as stipulated by the applicable laws of the Russian Federation, namely, if the Issuer's instructions binding on subsidiaries result in losses or bankruptcy of subsidiaries. The probability of these risks is low.

Due to acquisition during the course of the issuance of JSC RAO Energy Systems of East shares by the Issuer in 2011–2013, the Issuer integrated all business processes of two companies in order to detect and manage new risks. As a result, since the beginning of 2012, the project is implemented for creation of the corporate risk management system of RAO ES of East Holding in accordance with the Issuer's Risk Management Policy. In particular, based upon the developed and previously approved register of strategy risks of JSC RAO ES of East, the Board of Directors of JSC RAO ES of East approved the strategy risk management plan in the second quarter. The procedure for regular reporting for execution of the Strategy Risk Management Plan to the Board of Directors is being implemented by both subsidiaries and JSC RAO ES of the East.

Risks related to loss of possible consumers, providing turnover amounting to at least 10 per cent of the total revenues from sales of the Issuer's products (works, services):

Due to the fact that the Issuer sells practically all produced electricity on the wholesale market, this risk is insignificant.

Other risks related to the issuer's activities

The Company is actively working on prevention of corruption. Under Resolution No. RP-39 of the President of Russian Union of Industrialists and Entrepreneurs dated June 07, 2013, the Issuer was included in the Consolidated Register of Participants in the Anti-Corruption Charter of Russian Business. The essence of this

instrument is implementation of special anti-corruption programs and practices by companies that affect not only the situation in the company, but also relationships with business partners and with the state. The Charter provides for the waiver of preferences, procurement through open bidding, financial control, training and work with personnel, assistance to law enforcement agencies, and other measures. Due to the absence at the moment of official evaluation methods of the participant's compliance with the Charter, the Issuer performed self-evaluation, according to which it is in full compliance with the Charter. The Issuer improves the internal control and risk management system on a regular basis.

Pursuant to Regulation No. 883 of the Russian Federation Government dated October 07, 2013, specifying the list of companies, directors of which shall submit information on income, expenses, property, and property obligations, which includes JSC RusHydro, the company set itself the task of optimizing such work both in relation to efforts and accuracy of submitted information. As a result, the algorithm for detection of concealment of information and conflict of interest (declared or secret participation in legal entity having relations with any company from the RusHydro Group) was automated, information collection was automated for due diligence concerning revelation of a conflict of interest within RusHydro Group, statement preparation within the declared campaign was also automated, and the number of errors was decreased when completing declarations on account of built-in protection from input errors. The program was called "Client of Affiliates" and certificate thereto No. 2014617320 dated July 17, 2014, was issued by Rospatent.

The code of corporate ethics, regulations on notification of the employer regarding facts of inducing employees to commit illegal actions, regulations on notification of gifts received by the employees due to hospitality events, business trips, and other formal events, and regulations on prevention and settlement of conflicts of interest have been implemented. Trust Line operates on an ongoing basis. Uninterrupted operation of the telephone line for Trust Line is ensured. Mechanisms for periodic performance checks of the communication line for Trust Line with recording of information about its faults have been developed and implemented. Trust Line webpages at the Company's official website are improved.

Risks related to the actions of third parties:

The Issuer is exposed to risks related to the operations of third parties during performance of works at the HPP and other risks to boot:

1. Failure to fulfil obligations within the term stipulated by a contract may result in untimely commissioning of power generating equipment and that will affect power generation.

2. If default under contracts takes on massive proportions as regards the term of completion of works, this may lead to an extension of the term for completion of repair works and lead to depreciation of capital funds. This may affect operational reliability of power plant equipment.

3. Contractors, due to their substandard management and performance of works, may impair plant equipment, which may result in equipment emergency stops potentially affecting power generation.

4. System and commercial operators.

The Issuer depends on the system operator, which undertakes the functions and assets of regional dispatching administrations of energy networks, and the commercial operator, which manages the trading system within the wholesale electricity market. Failure by the system or commercial operator to render required services to the Issuer for any given reason or delay in rendering services may decrease the volume of generated electric power or supplied electricity, which will have a materially adverse effect on the Issuer's business, income, financial standing, and performance.

5. Risks inherent in trade unions and retention of qualified managerial personnel.

These risks are assessed as insignificant due to the significant efforts undertaken by the Issuer with respect to staff retention and development. In particular, creation of a specific order for specialist training, recovery of human resources of the hydropower industry with secondary technical education, creation of Young Hydropower Workers circles based on youth technical creativity centres within the corporate footprint of the Issuer, enhancement of interaction with educational specialized universities and scientific institutes.

Special attention is paid to increasing motivation, material and moral incentives, and social protection of staff.

The JSC RusHydro policy in relation to employees is based on the following principles:

- Increase in qualification of the employees through implementation of training programs
- Granting the best social packages in the electric power industry to its employees
- Development of the employee motivation/stimulation system for the purposes of growth in efficiency of staff and the Issuer as a whole

Due to the need for staffing provision for commissioning 22.2 GW of new capacities by 2020 and implementation of key objectives of the Issuer's production plan, such as maintenance of reliable and uninterrupted operation of facilities and increase in operating performance, mitigation of human factor risks by means of better professional training and staff accountability at all levels, in September 2010, E. V. Dod, Chairman of the JSC RusHydro Management Board, approved the Human Resources Priority Development Concept within the campaign From New School to Work Area and Program of its Implementation. The primary objective of the Program is to develop technical education and increase the prestige of technical professions creating conditions to satisfy the needs of JSC RusHydro in professionals educated in a quality manner, who are expected to operate the Company's capacities, both current and planned for commissioning, and to maintain their reliable and uninterrupted operation.

The risk of it being impossible to conclude an agreement under terms and conditions acceptable for employees is assessed by the Issuer as insignificant in the medium term. The risk of it being impossible to select qualified managerial personnel is minimized by the Company's measures on creation of a candidate pool and training of newcomers in specialized professions. In this respect a number of partner agreements with specialized universities have been concluded.

6. Covenants in credit agreements.

In accordance with the terms and conditions of certain credit agreements, the Issuer is obliged to execute imposed financial and other restrictions limiting its ability, among other things, to pledge property or other encumbrance, acquire assets, or invest, sell, transfer, or otherwise dispose of its assets or accounts receivable, carry out a merger or acquisition, or insert amendments to its business or dividend payment policy. The terms and conditions of credit agreements require that the Issuer achieve certain financial ratios. The necessity to adhere to financial ratios and other restrictions may prevent the Issuer from executing its business strategies. Moreover, any restriction violation indicated in credit agreements by the Issuer may cause a default of such obligation and, correspondingly, immediate debt repayment. The consequence thereof may be a significant adverse effect on business, income, financial standing, performance of the Issuer and its ability to fulfil obligations, as well as pay dividends.

The Issuer has formalized a control process concerning covenant observance (the relevant local normative act is in force); when management decisions are made, these risks are assessed on a permanent basis. Therefore, the Issuer considers these risks to be insignificant.

7. Observance of terms and conditions of credit agreements with SC Vnesheconombank.

There is currently a risk of untimely commissioning of aluminium smelter capacities, which may result for JSC RusHydro in risks of absence lack of consumers for the Boguchanskaya HPP capacities being commissioned.

RUSAL and JSC RusHydro control progress and observance of established projected timetables, they also monitor observance of indicators stipulated by credit agreements.

8. Health and safety.

Powers, responsibilities, and accountability in the health, safety, and security management system at facilities are distributed from the site manager to employees in accordance with administrative and functional subordination under local administrative and regulatory documents of the facility (orders, regulations, procedures).

Specific powers, responsibilities, and accountability of representatives of non-governmental organisations are specified in the decisions of the workforce, the collective agreement, and the Regulation on the Safety Management System at the Facility.

At JSC RusHydro strict observance of occupational safety standards is the responsibility of all employees performing work at the Issuer's facilities.

Control over compliance with health and safety standards is placed specially on the reliability and occupational safety service. Control over compliance with health and safety standards when performing specific works is placed on work organizers and managers.

Facilities have the full, necessary regulatory technical and legal base, and local normative documents (occupational safety regulations) for all professions and types of work have been elaborated.

Blue-collar employees have monthly briefings on 3–4 health and safety matters as a whole and on profession and types of performed work in particular.

Blue-collar employees pass an annual test of their knowledge of health and safety standards.

Management of all levels involved in production is also briefed and their knowledge are tested.

Workplace employment conditions compliance certification is carried out at all facilities of the Issuer.

Independent accredited laboratories and expert organisations are engaged for workplace assessment and production control.

Specialized medical institutions are engaged for mandatory periodic medical professional examination.

Independent expert organisations are engaged to assess safety of structures and equipment.

The Company has an effective alert system which records all undesirable events (incidents).

Each and every incident is subject to investigation.

Hazardous production facilities of JSC RusHydro are operated in accordance with the legislation pertaining to production safety: a system is used for industrial control over compliance with the industrial safety requirements, the necessary authorization documents are available on operation of hazardous production facilities, risk of civil liability during operation of hazardous production facilities is insured, and the personnel of the Company facilities is certified in the area of production safety.

Fire safety declarations have been drawn up. Fire risk does not exceed the acceptable value stipulated in accordance with fire safety legislation. A fire safety system has been created and is in use at the Issuer's production facilities.

Industrial safety declarations and hydropower plant safety declarations are developed and updated at all facilities of the Issuer.

The Issuer's action plan for management of these risks:

- Tightening of control over activity of the Issuer's contractors and subcontractors at facilities (including a series of actions with respect to rendering contract operations of contractors and subcontractors transparent has been adopted in the reporting period)

- Blacklisting unscrupulous contractors. As of December 2014, this blacklist includes 33 companies;

- Insuring the power plant equipment against damage by third-party operations

- Granting work permits only to qualified personnel

- Claim administration works with contractors who have violated works performance timeframes as regards payment of penalties for default under a contract

- Monitoring progress of works performance at the plants on a monthly basis

This section covers only risks which the Issuer deems to be insignificant. Other risks not covered by this section are also possible. Any other risks unknown to or insignificant for the Issuer at the moment may also negatively affect the Issuer's business activities and fulfillment of its obligations, as well as dividend payments.

III. Detailed Information on the Issuer

3.1. History of the Issuer's Foundation and Development

3.1.1. Information on the Issuer's Corporate Name (Name)

Full corporate name of the Issuer: *Joint-Stock Company Federal Hydrogeneration Company RusHydro*

- in English: *Open Joint-Stock Company Federal Hydro-Generating Company — RusHydro*

Effective date of the current full corporate name: *July 13, 2011*

Abbreviated corporate name of the Issuer: *JSC RusHydro*

Effective date of the current abbreviated corporate name: *July 13, 2011*

Full or abbreviated corporate name of the Issuer (name for non-profit organisation) is similar to the name of another legal entity.

Names of such legal entities:

Limited Liability Company RusHydro (OGRN 1103459004417, INN 3442111016)

Clarifications necessary to avoid confusion between the specified names:

The Issuer in formal contracts and documents shall use full corporate name, location, INN, and/or assigned individual registration numbers OGRN for its identification.

If the corporate name of the Issuer (name for non-profit organisation) is registered as trademark or service mark, **information on their registration shall be specified:**

Information on registration of the specified trademarks:

Certificate of trademark (service mark):

No. 454339, registered with the Public Register of Trademarks and Service Marks of the Russian Federation on February 20, 2012, the registration will expire on July 02, 2019;

No. 454053, registered with the Public Register of Trademarks and Service Marks of the Russian Federation on February 16, 2012, the registration will expiry on February 16, 2021;

No. 440951, registered with the Public Register of Trademarks and Service Marks of the Russian Federation on July 13, 2011, the registration will expiry on February 16, 2021;

No. 453894, registered with the Public Register of Trademarks and Service Marks of the Russian Federation on February 15, 2012, the registration will expiry on February 16, 2021.

All previous names of the Issuer over the entire period of its operation.

If within the Issuer's existence its corporate name (name for non-profit organisation) has changed, all its previous full and abbreviated corporate names (names) and forms of incorporation, with specification of the date and reasons of the change.

Full corporate name: *Joint-Stock Company Federal Hydrogeneration Company RusHydro*

Abbreviated corporate name: *JSC RusHydro*

Effective date of the name: *July 13, 2011*

Reasons for the name coming into effect: *State registration of new version the Issuer's Charter on July 13, 2011, approved by the decision of the Annual General Meeting of Shareholders of the Issuer dated June 30, 2011 (Minutes No. 7 dated July 04, 2011) and Resolution No. 1322-r of the Ministry of Justice of the Russian Federation dated June 17, 2011.*

Full corporate name: *Joint-Stock Company Federal Hydrogeneration Company*

Abbreviated corporate name: *JSC RusHydro*

Effective date of the name: *July 14, 2010*

Reasons for the name coming into effect: *State registration of new version the Issuer's Charter on July 14, 2010, approved by the decision of the Annual General Meeting of Shareholders of the Issuer dated June 30, 2010 (Minutes No. 5 dated June 30, 2010) and Resolution No. 5006-r of the Ministry of Justice of the Russian Federation dated June 28, 2010.*

Full corporate name: *Joint-Stock Company RusHydro*

Abbreviated corporate name: *JSC RusHydro*

Effective date of the name: *July 4, 2008*

Reasons for the name coming into effect: *State registration of new edition of the Issuer's Charter on July 04, 2008, approved by the decision of the Annual General Meeting of Shareholders of the Issuer dated June 25, 2008 (Minutes No. 1 dated June 26, 2008).*

Full corporate name: *Joint-Stock Company Federal Hydrogeneration Company*

Abbreviated corporate name: *JSC HydroOGC*

Effective date of the name: *December 26, 2004*

Reasons for the name coming into effect: *State registration of the legal entity on December 26, 2004*

3.1.2. Information on State Registration of the Issuer

Primary state registration number of the legal entity: *1042401810494*

State registration date: *December 26, 2004*

Name of the registering authority: *Inspectorate of the Ministry of Taxation of the Russian Federation for Zheleznodorozhniy District of Krasnoyarsk, Krasnoyarsk Krai.*

3.1.3. Information on Foundation and Development of the Issuer

The Issuer is established for an unspecified period of time.

The period of the Issuer's operation as of the state registration date, as well as the period till which the Issuer will operate in case it is established for a specified period or until a defined objective is achieved: 10 years and 3 months.

Brief history of the Issuer's establishment and development. The purposes of the Issuer's establishment, the Issuer's mission (if any), and other information on the Issuer's business, which is important for taking decision on acquisition of the Issuer's securities:

RusHydro was established in accordance with Resolution No. 526 of the Russian Federation Government dated July 11, 2001 "Main Directions of Electrical Power Industry Reform in the Russian Federation" and Directive No. 1254-p of the Russian Federation Government (as amended on October 25, 2004, No. 1367-p) as a wholly owned subsidiary of OAO RAO UES of Russia.

State registration of the Issuer took place on December 26, 2004.

In 2005, the Board of Directors of RAO UES of Russia approved a target model of RusHydro in the form of an Operating Company managing its branches established on the basis of JSC HPPs during reorganisation of subsidiaries and affiliates (S&A) in the form of affiliation with RusHydro (Minutes No. 204 dated September 30, 2005 — October 4, 2005).

On April 27, 2005, the Board of Directors of RAO UES of Russia approved a plan of accelerated consolidation of the Issuer into a unified Operating Company, providing for affiliation with RusHydro of subsidiary JSC HPPs (without construction sites and infrastructure subsidiaries), other JSC HPPs, as well as JSC State Holding HidroOGK and JSC Minority Holding HidroOGK, established as a result of reorganisation of RAO UES of Russia in the form of split-off (Minutes No. 250 dated April 27, 2007). The Issuer's Operating Company with the direct participation in the Issuer's authorized capital of shareholders of subsidiaries and affiliates (S&A), as well as shareholders of RAO UES of Russia (through JSC Minority Holding HidroOGK and JSC State Holding HidroOGK) was formed within 2007–2008 through reorganisation in the form of affiliation with RusHydro of the following joint-stock companies (hereinafter referred to as the Affiliated Companies):

JSC Bureyskaya HPP, JSC Volzhskaya HPP, JSC Votkinskaya HPP, JSC Dagestan Regional Generation Company, JSC Zhigulevskaya HPP, JSC Zagorskaya PSHP, JSC Zeyskaya HPP, JSC Zelenchukskiye HPPs, JSC Kabardino-Balkarian Hydrogeneration Company, JSC KabbalkHPP, JSC Kamskaya HPP, JSC Cascade of VV HPPs, JSC Cascade of NChHPPs, JSC Nizhegorodskaya HPP, JSC Saratovskaya HPP, JSC North Ossetian HGC, JSC Stavropol Electricity Generating Company, JSC Sulakenergo, JSC Cheboksarskaya HPP, JSC Naporozhny SShHPP, CJSC EOZ, JSC Irganayskaya HPP, JSC State Holding HidroOGK, JSC Minority Holding HidroOGK.

Therefore, in July 2008, the Company's target model was implemented. In the same year, the Company's shares were brought to the Russian shares market. In order to upsurge liquidity, increase market capitalization, and attract new investors, as well as observe the interests of former holders of depositary receipts of OAO RAO UES of Russia, the Company launched a program of depositary receipts, with the depositary bank being Bank of New York Mellon.

Following the results of consolidation, the Company consolidated over 50 HPPs in 18 regions of the Russian Federation.

The Issuer's strategic objectives are major guidelines for both day-to-day operations and development of the Issuer.

The strategic objectives of the Issuer:

- Safe and secure operation of the Company's facilities;
- Increase in energy efficiency through sustainable development of electrical power generation based on renewable energy sources;
- Increase in the Company's value.

Outlook of the Issuer. On the horizon until 2020 RusHydro is a global transnational vertically-integrated holding company, one of the global leaders in the development of renewable energy sources.

Other information on the Issuer's activities that is important when taking decisions on acquisition of the Issuer's securities: N/A.

3.1.4. Contact Information

Location of the Issuer

43 Dubrovinskogo St., bldg. 15, Krasnoyarsk, Krasnoyarsk Krai, 660017.

Address of the Issuer specified in the Unified State Register of Legal Entities:

43 Dubrovinskogo St., bldg. 15, Krasnoyarsk, Krasnoyarsk Krai, 660017.

Other address for correspondence

7 Malaya Dmitrovka St., Moscow, Russia, 127006

Tel.: +7 800 333 8000

Fax: +7 (495) 225 37 37

E-mail: office@rushydro.ru

Address of website (websites) where information on the Issuer, its securities issued or being issued is available:

www.rushydro.ru

<http://www.e-disclosure.ru/portal/company.aspx?id=8580>

Name of the Issuer's special division working with shareholders and investors of the Issuer:

Strategy and IR Department

Location of the division: *7 Malaya Dmitrovka St., Moscow, Russia, 127006*

Tel.: +7 800 333 8000

Fax: +7 (495) 225-37-37

E-mail: ir@rushydro.ru

Website address: www.rushydro.ru

Name of the Issuer's special division working with shareholders and investors of the Issuer:

Corporate Governance and Property Management Department

Location of the division: *7 Malaya Dmitrovka St., Moscow, Russia, 127006*

Tel.: +7 800 333 8000

Fax: +7 (495) 225-37-37

E-mail: office@rushydro.ru

Website address: www.rushydro.ru

3.1.5. Taxpayer Identification Number

2460066195

3.1.6. Branches and Representative Offices of the Issuer

The Issuer has no representative office.

Information about the Issuer's branches in accordance with the Issuer's Charter.

Name: JSC RusHydro branch — Bureyskaya HPP

Location: Talakan, Bureyskiy District, Amur Oblast, Russian Federation

Opening date: August 27, 2007

Head of the branch

Full name: Aleksandr Sergeevich Garkin

Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Volzhskaya HPP

Location: 1a Lenina Avenue, Volzhskiy, Volgograd Oblast, Russian Federation

Opening date: August 27, 2007

Head of the branch

Full name: Sergey Nikolaevich Bologov

Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Votkinskaya HPP

Location: Chaykovskiy, Perm Krai, Russian Federation

Opening date: August 27, 2007

Head of the branch

Full name: Aleksey Georgievich Byakov

Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Dagestan branch

Location: 5 M. Khalilova St., Kaspiysk, Republic of Dagestan, Russian Federation

Opening date: August 27, 2007

Head of the branch

Full name: Timur Gamzatovich Gamzatov

Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Zhigulevskaya HPP

Location: Zhigulevsk, Samara Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Oleg Vladimirovich Leonov
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Zagorskaya PSHP
Location: 100, Bogorodskoe, Sergievo-Posadskiy District, Moscow Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Vladimir Ivanovich Magruk
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Zeyskaya HPP
Location: Zeya, Amur Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Irina Dmitrievna Savelyeva
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Kabardino-Balkarsky branch
Location: 1-a, Mechiyeva St., Kashkhatau, Cherek District, Kabardino-Balkar Republic, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Kurman Magomedovich Otarov
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Kamskaya HPP
Location: Kamskaya HPP, Perm, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Viktor Georgievich Alekseev
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Karachaevo-Cherkessky branch
Location: Pravokubanskiy, Karachay-Cherkess Republic, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Grigor Aslibekovich Saratikyan
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Cascade of Verkhnevolzhskiy HPPs
Location: Rybinsk, Yaroslavl Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Andrey Vladimirovich Derezhkov
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Cascade of Kuban HPPs
Location: 360a Vodoprovodnaya Street, Nevinnomyssk, Stavropol Krai, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Gennadiy Evgenyevich Sergeev
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — CorUnH
Location: 49 Arkhitekтора Vlasova Street, Moscow, Russian Federation
Opening date: December 05, 2007
Head of the branch
Full name: Elena Anatolyevna Aksenova
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Nizhegorodskaya HPP
Location: 14 Privokzal'naya St., Zavolzh'ye, Gorodets District, Nizhniy Novgorod Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Aleksandr Arkadyevich Goyzenband
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Novosibirskaya HPP
Location: 4 Novomorskaya St., Novosibirsk, Novosibirsk Oblast, Russian Federation
Opening date: April 10, 2006
Head of the branch
Full name: Vyacheslav Ivanovich Poltaranin
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Saratovskaya HPP
Location: Saratovskaya HPP, Balakovo, Saratov Oblast, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Lyudmila Vladimirovna Odintsova
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Neporozhniy Sayano-Shushenskaya HPP
Location: Cheremushki, Sayanogorsk, Republic of Khakassia, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Valeriy Arturovich Kyari
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Severo-Osetinsky branch
Location: 63 Vaso Abaeva St., Vladikavkaz, Republic of North Ossetia-Alania, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Taymuraz Vladimirovich Balataev
Validity period of the power of attorney: until January 31, 2016

Name: JSC RusHydro branch — Cheboksarskaya HPP
Location: 34 Naberezhnaya St., Novocheboksarsk, Chuvash Republic, Russian Federation
Opening date: August 27, 2007
Head of the branch
Full name: Vadim Grigoryevich Bardyukov
Validity period of the power of attorney: until January 31, 2016

3.2. Core Business Activity of the Issuer

3.2.1. The Issuer's Major Economic Sectors

Codes of major economic sectors of the Issuer according to OKVED: 40.10.12

OKVED codes
40.10.14
40.10.42
40.10.44
51.56.4
71.3
74.14
74.20.55
80.22.22

3.2.2. Core Business Activity of the Issuer

Core business activities (types of activity, types of products (works, services)) provided for at least 10 % of the Issuer's sale revenues (sales volume) for each of the reporting periods:

Measurement unit: Russian rubles

Type of business activity — electricity (capacity) generation and sale

Indicator	2013	2014
Sales proceeds (sales volume) from this type of business activity	108,226,505,510	107,210,561,568
Share of sales proceeds (sales volume) from this type of business activity in the total sales proceeds (sales volume) of the Issuer, %	99.5 %	98.8 %

Revenues following the results of 2014 as compared with 2013 changed inconsiderably (-0.9 %), which was due to a 12.7 % drop in electricity production by the Issuer's hydropower plants.

Indicator	2014, 3 months	2015, 3 months
Sales proceeds (sales volume) from this type of business activity	26,772,980,002	23,586,905,505
Share of sales proceeds (sales volume) from this type of business activity in the total sales proceeds (sales volume) of the Issuer, %	99.5 %	99.5 %

Changes in the sales revenue (sales volume) of the Issuer from its core business activity by 10 and more per cents as compared with the same reporting period of the previous year and reasons therefor:

Decrease in revenues following the results of 2015 (3 months) as compared with 2014 (3 months) by 11.9 %, which was due to a 28.1 % drop in electricity production by the Issuer's hydropower plants.

Changes in the sales revenue (sales volume) of the Issuer from its core business activity by 10 and more per cent as compared with the same reporting period of the previous year and reasons therefore:

There were no such changes.

General structure of the Issuer's production cost

Name of cost items	2013	2014	2014, 3 months	2015, 3 months
Raw and other materials, %	0.8	0.7	0.7	0.5
Acquired component, semi-finished goods, %	0.0	0.0	0.0	0.0
Outsourced production-related works and services, %	7.4	7.9	4.6	6.6
Fuel, %	0.0	0.0	0.0	0.0
Energy, %	28.4	27.5	27.9	22.5
Labour costs, %	11.7	13.6	10.1	11.1
Interest on loans, %	0.0	0.0	0.0	0.0

Lease payment, %	3.3	2.4	3.2	1.7
Social allocations, %	2.4	2.6	2.9	3.2
Amortization of fixed assets, %	20.1	19.4	22.4	24.3
Taxes included in production cost, %	12.3	11.0	12.9	13.6
Other costs	13.6	14.7	15.2	16.5
Amortization of intangible assets, %	0.05	0.48	0.5	0.7
Remuneration for rationalization proposal, %	-		-	
Mandatory insurance payments, %	2.3	1.8	1.9	2.0
Entertainment allowance, %	0.1	0.05	0.04	0.04
Other (please specify), % *	11.3	12.4	12.8	13.8
Total: Expenses for production and sale of products (works, services) (production costs), %	100.0	100.0	100.0	100.0
For reference: Proceeds from sale of products (works, services), % against production cost	184.8	165.7	193.1	171.2

* Including expenses on electricity and capacity market performance in 2014 — 4.2 %, in 2015 (3 months) — 5 %; expenses on protection of facilities in 2014 — 2.5 %, in 2015 (3 months) — 2.8 %.

New types of products (works, services) being of essential importance offered by the Issuer on the market of its core business to the extent it corresponds to public information on such types of products (works, services). The development state of such types of products (works, services) shall be specified. There are no new types of products (works, services) being of essential importance.

Standards (rules) in accordance with which the Issuer's accounting (financial) statements are prepared and calculations specified in this subclause are made.

The Issuer's accounting statements are prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation, provided for by Federal Law On Accounting No. 402-FZ dated December 06, 2011 and Regulation on Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No. 34n dated July 29, 1998, as well as other regulations included in the system of accounting regulation and preparation of statements by companies in the Russian Federation.

3.2.3. Materials, Goods (Raw Materials) and Suppliers of the Issuer

Name, location, INN (if applicable), OGRN (if applicable) of the Issuer's suppliers, accounting for at least 10 per cent of all supplies of materials and goods (raw materials) and their shares in total supply for the last completed reporting year and for the reporting period consisting of three months of the current year.

As of December 31, 2014

Suppliers of the Issuer which account for at least 10 per cent of all deliveries of materials and goods (raw materials)

Full corporate name: **Open Joint-Stock Company Financial Settlement Center**

Abbreviated corporate name: **OJSC FSC**

Location: **12 Krasnopresnenskaya Embankment, entrance 7, floors 7 — 8, Moscow, Russian Federation**

INN: **7705620038**

OGRN: **1047796723534**

Share in the total supplies, %: **93.87**

Information on price adjustments for basic materials and goods (raw materials) by more than 10 per cent within the relevant reporting period as compared with the reporting period for the previous financial year or on the lack of such change.

The price for basic materials and goods (raw materials) was not adjusted by more than 10 % within the relevant reporting period

Share of import in deliveries of materials and goods, forecast for availability of sources of import and possible alternative sources

There are no import deliveries.

As of March 31, 2015

Suppliers of the Issuer which account for at least 10 per cent of all deliveries of materials and goods (raw materials)

Full corporate name: **Open Joint-Stock Company Financial Settlement Center**

Abbreviated corporate name: **OJSC FSC**

Location: **12 Krasnopresnenskaya Embankment, entrance 7, floors 7 — 8, Moscow, Russian Federation**

INN: **7705620038**

OGRN: **1047796723534**

Share in the total supplies, %: **96.16**

Information on price adjustments for basic materials and goods (raw materials) by more than 10 per cent within the relevant reporting period as compared with the reporting period for the previous financial year or on the lack of such change.

The price for basic materials and goods (raw materials) was not adjusted by more than 10 % within the relevant reporting period

Share of import in deliveries of materials and goods, forecast for availability of sources of import and possible alternative sources

There are no import deliveries.

3.2.4. Sales Markets for Products (Works, Services) of the Issuer

Key markets where the Issuer conducts its business:

The Issuer conducts its business within several constituent entities of the Russian Federation. The Issuer's current core business is electricity (capacity) production and sale.

In accordance with Regulation of the Russian Federation Government No. 1172 dated December 27, 2010 On Approval of Regulations for Wholesale Electricity and Capacity Market and Introduction of Amendments to Certain Acts of the Government of the Russian Federation Regarding Functioning of the Wholesale Electricity and Capacity Market (hereinafter referred to as the Wholesale Market Regulations), the Issuer carries out its activities connected with sale of electricity (capacity) in the following segments of the wholesale market:

Regulated Contracts (RC):

Electricity (capacity) is traded under terms and conditions of regulated contracts concluded on the wholesale electricity (capacity) market at regulated prices (rates), approved by the Federal Tariff Service of the Russian Federation. The cumulative volume of electric energy and the cumulative volume of capacity supplied by the Issuer under RC in the relevant calendar year shall not exceed 35 per cent of the overall electric energy and capacity production specified in the budgeted balance sheet for the Issuer's period of regulation.

Competitive trade in generating capacity, competitive capacity outtake (CCO):

Since June 01, 2008, capacity trading is performed on the basis of competitive capacity outtake (CCO), conducted by the system operator. Customers are obliged to pay for all capacity selected at CCO in their pricing zone.

The Wholesale Market Regulations make it possible to sell capacity both at CCO prices and free prices in case of conclusion of electric power and capacity purchase agreements (NRECC), including on the stock exchange.

On April 28, 2014, Regulation of the Government of the Russian Federation No. 374 On Amendment of Regulations for Wholesale Electricity and Capacity Market with Regard to Characteristics of Participation in the Wholesale Market of Electric Power Engineering Entities Owning Hydropower Plants Located in the Second Pricing Zone of the Wholesale Market was signed, concerning partial deregulation of the capacity market in Siberia.

This Regulation stipulates amendments to the Regulations for the Wholesale Electricity and Capacity Market:

From May 1, 2014 till December 31, 2015, the capacity of hydropower plants, located in the second pricing zone of the wholesale market, is sold on the basis of competitive capacity outtake (CCO) at the price of capacity sale under regulated contracts amounting to 35 per cent of capacity volume being sold according to the CCO results; from January 1, 2016 till December 31, 2016—20 per cent. The remaining capacity volume of hydropower plants being sold according to the CCO results in the second pricing zone will be paid at the prices determined according to the CCO results at the relevant free power transfer zones;

Since January 1, 2017 the whole capacity volume of hydropower plants being sold according to the CCO results at the second pricing zone will be paid at the prices determined according to the CCO results at the relevant free power transfer zones, taking into account the seasonal ratio;

The rule on application of prices equal to the prices stated in the regulated contracts for calculation of capacity cost according to the CCO results is not applied to new hydropower plants (generating facilities of hydropower plants in relation to generation DPCs of which electricity and capacity was not traded as at January 1, 2012).

During CCO capacity generated under CSA and other agreements similar to CSA, concluded with NPP and HPP, is selected in the first place. Capacity, which failed at competitive capacity outtake, is not paid, except for capacity of generating facilities, the operation of which is necessary for maintaining the technical operating modes of the electric power system or heat energy supply (forced generator).

In accordance with the Wholesale Market Regulations, capacity is sold using the following contractual constructions, specifically referring to agreements for:

- Purchase/sale of capacity selected according to the results of competitive capacity outtake, under capacity purchase and sale agreements concluded according to the results of competitive capacity outtake;
- Purchase/sale of capacity under free capacity purchase and sale agreements (non-regulated capacity contracts), including at the stock exchange;
- Purchase/sale of capacity under capacity supply agreements and under capacity purchase and sale agreements with new nuclear power plants and hydropower plants, similar to CSA;
- Purchase/sale of capacity of generating facilities, classified as generating facilities, supplying capacity in forced regime;
- Purchase/sale of capacity under regulated contracts (in supply volumes to the population and equated categories);
- Purchase/sale of capacity of generating facilities, determined according to the results of additional selection of investment projects conducted when the capacity volume, selected based on the results of competitive capacity outtake in any free power transfer zone, does not satisfy the demand for capacity;
- Purchase/sale of capacity of generating facilities determined based on the results of competition of investment projects on formation of promising technological capacity margin.

Day-Ahead Market (DAM):

The volume of electricity generated above the RD volumes is sold at free prices on the day-ahead market and shortages are purchased on the DAM so as to provide for RC. The rules of the wholesale market provide for the possibility of electricity sale/purchase under free bilateral contracts (FBC). Participants in the wholesale market independently determine counteragents under contracts, as well as prices and volumes of deliveries within free bilateral contracts.

Balancing Market (BM):

Deviations of the actual electricity production volume from the planned production volume are traded on the balancing market at prices formed on the basis of competitive selection of price bids of participants.

The Issuer sells a share of electricity produced on the wholesale market at free prices.

Factors that may have a negative impact on sale of the Issuer's products (works, services) and possible actions of the Issuer so as to reduce such impact:

Change in the regulatory and legal framework in the electric power industry associated with liberalization of the electricity and capacity market.

The Issuer's measures on minimization of negative factors:

Formation of a regulatory and legal framework favourable to the Issuer for electricity and capacity market performance. For the purposes thereof the Issuer is fully engaged in processes pertaining to development of laws and regulations in the electric power industry performed by the Ministry of Energy of the Russian Federation, NP Market Council and Federal Tariffs Service of the Russian Federation.

3.2.5. Information on the Issuer's Authorizations (Licenses) or Permits for Separate Types of Works

Authority (organisation) issuing the relevant authorization (license) or permit for separate types of works:
Federal Service for Environmental, Engineering, and Nuclear Supervision

Number of authorization (license) or document evidencing the receipt of permit for separate types of

works: **VKH-00-015161**

Type of activity (work), in relation to which the Issuer has received the relevant authorization (license) or permit: **Operation of explosion/fire hazardous and chemically hazardous production facilities of I, II and III hazard classes**

Issue date of the authorization (license) or permit for separate types of works: **December 16, 2014**

Validity period of the authorization (license) or permit for separate types of works: **Unlimited**

Authority (organisation) issuing the relevant authorization (license) or permit for separate types of works: **Self-Regulating Organisation Non-Commercial Partnership EnergoStroiAllianz Group of Construction Organisations**

Number of authorization (license) or document evidencing the receipt of permit for separate types of works: **No. C-089-04-02280**

Type of activity (work), in relation to which the Issuer has received the relevant authorization (license) or permit: **Certificate of permit for separate type or types of work having influence on the safety of capital construction projects**

Issue date of the authorization (license) or permit for separate types of works: **October 15, 2014**

Validity period of the authorization (license) or permit for separate types of works: **Unlimited**

Authority (organisation) issuing the relevant authorization (license) or permit for separate types of works: **Yenisey Administration of the Federal Service for Environmental, Engineering, and Nuclear Supervision**

Number of authorization (license) or document evidencing the receipt of permit for separate types of works: **No. A66-02932**

Type of activity (work), in relation to which the Issuer has received the relevant authorization (license) or permit: **Certificate of Registration of Hazardous Industrial Facilities**

Issue date of the authorization (license) or permit for separate types of works: **October 08, 2014**

Validity period of the authorization (license) or permit for separate types of works: **Unlimited**

Authority (organisation) issuing the relevant authorization (license) or permit for separate types of works: **Centre for Licensing, Certification, and Protection of State Secrets of the FSS of Russia**

Number of authorization (license) or document evidencing the receipt of permit for separate types of works: **GT No. 0077493 Reg. No. 4942**

Type of activity (work), in relation to which the Issuer has received the relevant authorization (license) or permit: **Works involving use of information classified as state secret**

Issue date of the authorization (license) or permit for separate types of works: **July 28, 2014**

Expiry date: **September 02, 2015**

Authority (organisation) issuing the relevant authorization (license) or permit for separate types of works: **Centre for Licensing, Certification, and Protection of State Secrets of the FSS of Russia**

Number of authorization (license) or document evidencing the receipt of permit for separate types of works: **GT No. 0077492 Reg. No. 4941**

Type of activity (work), in relation to which the Issuer has received the relevant authorization (license) or permit: **Right to take measures and/or render services related to protection of state secrets**

Issue date of the authorization (license) or permit for separate types of works: **July 28, 2014**

Validity period of the authorization (license) or permit for separate types of works: **September 02, 2015**

Upon expiry of the validity period of the above-mentioned licenses, the Issuer plans to take all possible steps in order to prolong them or to obtain new licenses. The impossibility to prolong licenses or to obtain new ones can have a materially adverse effect on the activities and financial results of the Issuer's operations. The possibility of such risk is low.

3.2.6. Information on Activities of Separate Types of Issuers

The Issuer is not a Joint-Stock investment fund, insurance or credit organisation, mortgage agent, or specialized company.

3.2.7. Additional Information on Issuers, the Primary Line of Business of which is Mining Operation

The primary line of business of the Issuer is not mining operation

3.2.8. Additional Information on Issuers, the Primary Line of Business of which is Rendering Services

The primary line of business of the Issuer is not rendering services

3.3. Plans for the Issuer's Future Activities

Brief description of the Issuer's plans in relation to its future activities:

In accordance with the Articles of Association, the purposes of the Issuer's activities are as follows:

- Creating conditions for reliability and safety assurance of generating facilities;
- Implementing the national policy in the field of the hydro power industry;
- Creating adequate conditions for the effective functioning of the wholesale electricity (capacity) market; exercising effective operation and centralized process management of the hydro power facilities; pursuing a uniform investment and capital raising strategy to address system-wide tasks of hydro power development;
- Developing and implementing research and technical policy and introducing new, advanced engineering facilities and technologies, including renewable energy sources development;
- Generating profits.

Sources of future income:

The Issuer plans to gain in future profits from its core business: production and sale of electricity and capacity on the retail and wholesale electricity and capacity markets.

Plans for organising new production, expanding or reducing production, developing new types of products, upgrading and reconstructing fixed assets:

are specified in accordance with the draft investment program of JSC RusHydro for 2015—2019, approved by the Management Board of JSC RusHydro (minutes of meeting dated March 12, 2014 No. 833pr/1), improved according to the remarks of executive authorities and waiting for approval at the Ministry of Energy of Russia, taking into account optimization of the draft investment program in fulfilment of Order No. AD-P9-220pr (clause 6) of A. V. Dvorkovich, Deputy Chairman of the Government of the Russian Federation, dated December 30, 2014, No. AD-P9-52 (clause 8) dated January 13, 2015 and No. AD-P9-25pr (clause 5) dated January 30, 2015, considered at a meeting of the Government of the Russian Federation on March 04, 2015, a modified version was sent to the Ministry of Energy of Russia with letters No. 1192.DE dated March 13, 2015 and No. 1193.DE dated March 13, 2015.

The following is planned in 2015:

1. Introduction of additional capacity in the volume of 346.1 MW and 188 Gcal/h.
2. Financing of JSC RusHydro investment projects in the amount of 87,996.29 million Russian rubles, including:
 - Technical reconstruction and modernization projects — 30,750.58 million Russian rubles;
 - Reconstruction of Sayano-Shushenskaya HPP — 1,965.06 million Russian rubles;
 - Priority projects in the Far East (TPP in Sovetskaya Gavan, Sakhalin SDPP-2 (1st stage), Yakutsk SDPP-2 (1st stage), 2nd stage of Blagoveshchenskaya TPP), implemented in execution of Decree of the President of the Russian Federation No. 1564 dated November 22, 2012 On Further Development of Joint-Stock Company Federal Hydrogeneration Company — RusHydro — 27,939.82 million Russian rubles;
 - Facilities under construction — 24,009.05 million Russian rubles;
 - Renewable energy sources projects, including Small HPPs in the North Caucasian Federal District — 1,768.65 million Russian rubles;
 - Facilities under design, including those proposed for construction — 520.00 million Russian rubles;
 - Other projects — 1,043.13 million Russian rubles.

In addition, it is planned in 2014 to finance the Boguchansk Aluminium Smelter in the amount of 8,808.09 million Russian rubles and the cascade of Verhne-Narynskie HPPs in the amount of 1,011.39 million Russian rubles as well as works and services for development of the project "Complex Reconstruction (Restoration) of Perepadnye HPPs 2, 3, 4 in the Republic of Abkhazia", including preparation of design and working documentation in the amount of 315.68 million Russian rubles.

Information on a possible change in the primary activity:

The Issuer does not plan to change its primary activity.

3.4. The Issuer's Participation in Banking Groups, Banking Holdings, Holdings, and Associations

Name of group, holding, concern, or association: International Hydropower

Association, Great Britain

Participation period of the Issuer: since 2006

Role (place) and functions of the Issuer in such organisation:

Member of association. Participation in attaining the association's next goals:

- Development of consolidated viewpoint on renewable energy (wind, solar, geothermal energy, and hydropower industry), presentation and promotion of that viewpoint in all authorities and social structures;

- Prevention of the adverse effect of aggressive campaigns aimed at discrediting the hydropower industry;

- Implementation of initiatives on increasing the share of renewable energy sources, primarily the hydropower industry.

3.5. Companies Controlled by the Issuer and Having Substantial Significance for it

1. Full corporate name: Joint-Stock Company Zagorskaya PSHPP-2

Abbreviated corporate name: JSC Zagorskaya PSPP-2

Location: 101 Bogorodskoe, Sergievo-Posadsky District, Moscow Oblast, Russian Federation

INN: 5042086312

OGRN: 1065042071137

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **direct control**

Nature of the control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: 100 %

Portion of the controlled company's equity shares held by the Issuer: 100 %

Share of the controlled company in the authorized capital of the Issuer: 0 %

Portion of the Issuer's equity shares held by the controlled company: 0 %

Description of the controlled company's core business: **performance of building owner's functions in reconstruction projects of electric power facilities and new construction of power industry facilities, as well as of other industrial and civilian facilities**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Sergey Alekseevich Shmanenkov (Chairman)	0	0
Yanina Eduardovna Stanyulenayte	0	0
Vladimir Ivanovich Magruk	0.000040	0.000040
Vasiliy Vasilyevich Suzdalev	0	0
Olga Konstantinovna Mogilevich	0	0

Members of the Collective Executive Body

The collective executive body is not provided for by the Charter

Sole executive body of the controlled company

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Vladimir Ivanovich Magruk	0.000040	0.000040

2. Full corporate name: **Open Joint- Stock Company RAO Energy Systems of East**

Abbreviated corporate name: **JSC RAO Energy Systems of East**

Location: **46 Leningradskaya St., Khabarovsk, 680021**

INN: 2801133630

OGRN: 1087760000052

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **direct control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: 84.39 %

Portion of the controlled company's equity shares held by the Issuer: 85.163759 %

Share of the controlled company in the authorized capital of the Issuer: 0.012584 %

Portion of the Issuer's equity shares held by the controlled company: 0.012584 %

Description of the controlled company's core business: **management of generating companies to satisfy demand for electrical and thermal power in the Far-Eastern Federal District and in the neighboring territories effectively and with quality; agency activities; investment activities.**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Evgeniy Vyacheslavovich Dod (Chairman)	0.118435	0.118435
Sergey Nikolaevich Tolstoguzov	0.0001341	0.0001341
Oleg Nikolaevich Kozhemyako	0	0
Ivan Vyacheslavovich Savelyev	0	0
Irina Olegovna Posevina	0	0
Sergey Anatolyevich Kirov	0	0
Yanina Eduardovna Stanyulenayte	0	0
Evgeniy Valeryevich Desyatov	0	0
Sergey Yuryevich Yanson	0	0

Members of the controlled company's collective executive body

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Sergey Nikolaevich Tolstoguzov (Chairman)	0.0001341	0.0001341
Aleksey Aleksandrovich Kaplun	0	0
Nina Lipatovna Zapryagaeva	0	0
Viktor Nikolaevich Borodin	0	0
Evgeniy Mikhaylovich Zhadovets	0	0

Sole executive body of the controlled company

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Sergey Nikolaevich Tolstoguzov	0.0001341	0.0001341

3. Full corporate name: **Open Joint-Stock Company Far East Energy Company**

Abbreviated corporate name: **OJSC FEEC**

Location: **19 Tigrovaya St., Vladivostok, Primorsky Krai, Russia, 690091**

INN: 2723088770

OGRN: 1072721001660

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **indirect control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: **1.037643 %**

Portion of the controlled company's equity shares held by the Issuer: **1.037643 %**

In case of indirect control—successively all the Issuer's controlled companies (chain of companies under direct or indirect control of the Issuer), through which the Issuer controls the company, in relation to which it is a controller. Full name, location, INN (if applicable), and OGRN (if applicable) shall be specified for each such company:

Open Joint-Stock Company RAO Energy Systems of East, 46 Leningradskaya St., Khabarovsk, 680021, INN 2801133630, OGRN 1087760000052

Open Joint-Stock Company RAO Energy Systems of East is a controlled company of the Issuer (direct control). Open Joint-Stock Company Far East Energy Company is a controlled company of Open Joint-Stock Company RAO Energy Systems of East (direct control).

Share of Open Joint-Stock Company RAO Energy Systems of East in the authorized capital of the controlled company OJSC FEEC: **51.03 %**

Portion of equity shares of OJSC FEEC held by RAO Energy Systems of East: **51.03 %**

Share of the controlled company in the authorized capital of the Issuer: **0.018923 %**

Portion of the Issuer's equity shares held by the controlled company: **0.018923 %**

Description of the controlled company's core business:

- **Acquisition of electric energy on wholesale and retail electricity (capacity) markets;**
- **Sale of electric energy on wholesale and retail electricity (capacity) markets to consumers (including civilians);**
- **Rendering services to third parties, including on collection of payments for sold goods and rendered services;**
- **Diagnostics, operation, repair, replacement, and check of electricity and heat measuring devices.**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Vladimir Grigoryevich Akulshin	0	0
Aleksey Valeryevich Vlasov	0	0
Yuriy Aleksandrovich Andreychenko	0	0
Viktor Yuryevich Zaborovskiy	0	0
Mikhail Varfolomeevich Kuznetsov	0	0
Aleksandr Vladimirovich Redkin	0	0
Stanislav Sergeevich Koptyakov	0	0

Sergey Anatolyevich Tverdokhlebl	0	0
Kirill Andreevich Trubitsyn	0	0
Sergey Konstantinovich Storozhuk	0	0
Svetlana Viktorovna Suvorova	0	0
Sergey Vasilyevich Tikhomirov	0	0
Aleksey Anatolyevich Udalov	0	0
Vladimir Petrovich Fedorov	0	0
Aleksey Dmitrievich Yakovlev	0.0000089	0.0000089

Members of the controlled company's collective executive body

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Viktor Vladimirovich Milush (Chairman)	0.000070	0.000070
Aleksandr Sergeevich Efremov	0	0
Elena Yuryevna Tyurina	0	0
Sergey Andreevich Khitun	0.000011	0.000011
Vitaliy Ivanovich Pravilo	0	0

Sole executive body of the controlled company

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Viktor Vladimirovich Milush	0.00007	0.00007

4. Full corporate name: **Open Joint-Stock Company Far East Generating Company**

Abbreviated corporate name: **OJSC FEGC**

Location: **49 Frunze St., Khabarovsk, Russia, 680000**

INN: 1434031363

OGRN: 1051401746769

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **indirect control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: **0 %**

Portion of the controlled company's equity shares held by the Issuer: **0 %**

In case of indirect control—successively all the Issuer's controlled companies (chain of companies under direct or indirect control of the Issuer), through which the Issuer controls the company, in relation to which it is a controller. Full name, location, INN (if applicable), and OGRN (if applicable) shall be specified for each such company:

Open Joint-Stock Company RAO Energy Systems of East, 46 Leningradskaya St., Khabarovsk, 680021, INN 2801133630, OGRN 1087760000052.

Open Joint-Stock Company Far East Energy Company, 19 Tigrovaya St., Vladivostok, Primorsky Krai, Russian Federation, 675000, INN 2723088770, OGRN 1072721001660

Open Joint-Stock Company RAO Energy Systems of East is a controlled company of the Issuer (direct control).

Open Joint-Stock Company Far East Energy Company is a controlled company of the Issuer (indirect control). Information on OJSC Far East Energy Company is given above in this section.

Share of Open Joint-Stock Company Far East Energy Company in the authorized capital of the controlled company OJSC FEGC, %: **100**

Portion of equity shares of OJSC FEGC held by OJSC Far East Energy Company, %: **100**

Share of the controlled company in the authorized capital of the Issuer: **0 %**

Portion of the Issuer's equity shares held by the controlled company: **0 %**

Description of the controlled company's core business:

- **Supply (sale) of electric and heat power under the set rates and in accordance with electrical and heat load dispatch schedules;**

- **Electric and heat energy generation;**

- **Arrangement of power-saving mode of equipment operation at power plants, and energy delivery according to agreements;**

- **Sale of heat energy at retail heat markets to consumers (including citizens).**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Aleksey Dmitrievich Yakovlev (Chairman)	0.0000089	0.0000089
Vitaliy Sergeevich Ponurovskiy	0	0
Nadezhda Valeryevna Rukina	0	0
Sergey Vasilyevich Tikhomirov	0	0
Galina Ivanovna Sukhaya	0	0
Elena Yuryevna Tyurina	0	0
Andriyan Valeryevich Shamayko	0	0
Aleksey Vladimirovich Chibisov	0	0
Stanislav Sergeevich Koptyakov	0	0
Elena Vladimirovna Kolmogorova	0	0
Andrey Sergeevich Telegin	0	0
Eduard Yuryevich Orlov	0	0
Mikhail Innokentyevich Shukaylov	0.0000018	0.0000018

Members of the controlled company's collective executive body

The collective executive body is not provided for by the Charter

Sole executive body of the controlled company

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Mikhail Innokentyevich Shukaylov	0.0000018	0.0000018

5. Full corporate name: **Joint-Stock Company Krasnoyarskenergosbyt**

Abbreviated corporate name: **OJSC Krasnoyarskenergosbyt**

Location

43 Dubrovinskogo, Krasnoyarsk, Krasnoyarsk Krai, Russia, 660017

INN: 2466132221

OGRN: 1052460078692

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **indirect control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: **0 %**

Portion of the controlled company's equity shares held by the Issuer: **0 %**

In case of indirect control—successively all the Issuer's controlled companies (chain of companies under direct or indirect control of the Issuer), through which the Issuer controls the company, in relation to which it is a controller. Full name, location, INN (if applicable), and OGRN (if applicable) shall be specified for each such company:

Open Joint-Stock Company ESC RusHydro, 51 Arkhitektora Vlasova St., Moscow, Russian Federation, INN 7804403972, OGRN 1089848039973

Open Joint-Stock Company ESC RusHydro is a subsidiary of the Issuer.

Share of Open Joint-Stock Company ESC RusHydro in the authorized capital of the controlled company OJSC Krasnoyarskenergosbyt, %: **51.75**

Portion of equity shares of OJSC Krasnoyarskenergosbyt held by OJSC ESC RusHydro, %: **66.33**

Share of the controlled company in the authorized capital of the Issuer: **0 %**

Portion of the Issuer's equity shares held by the controlled company: **0 %**

Description of the controlled company's core business:

- **Sale of electric energy in Krasnoyarsk Krai;**
- **Acquisition and/or sale (supply) of electric energy on the wholesale electricity and capacity market;**
- **Acquisition and/or sale (supply) of capacity on the wholesale electricity and capacity market;**
- **Sale (supply) of electric energy (capacity) on the retail electricity and capacity market to electric energy (capacity) consumers, including energy services to electrical (capacity) users, including conclusion of a services agreement for power transfer to consumers with network organisations on behalf of electrical (capacity) users or on its own behalf, but in the interests of electrical (capacity) users;**
- **Acquisition of electric energy (capacity) on retail electricity (capacity) markets.**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Bislan Isanovich Gayrabekov (Chairman)	0	0
Aleksandr Yuryevich Arkhipchenko	0	0
Sergey Anatolyevich Kirov	0	0
Eduard Vitalyevich Gavrilov	0	0
Oleg Vladimirovich Dyachenko	0	0
Ivan Vyacheslavovich Savelyev	0	0
Aleksey Aleksandrovich Zotov	0	0
Maksim Valentinovich Zavalko	0.000071	0.000071
Stanislav Vladimirovich Legenza	0	0

Members of the controlled company's collective executive body

The collective executive body is not provided for by the Charter

Authorities of the Company's sole executive body are transferred to the management company

Full corporate name: **Open Joint-Stock Company ESC RusHydro**

Abbreviated corporate name: **OJSC ESC RusHydro**

Location: 51 Arkhitektora Vlasova St., Moscow, Russia, 117393

INN: 7804403972

OGRN: 1089848039973

Share of the Issuer in the authorized capital of the management company, %: **99.99**

Portion of the management company's equity shares held by the Issuer, %: **99.99**

Share of the management company (manager) in the Issuer's authorized (reserve) capital (unit fund): **0**

Portion of the Issuer's equity shares held by the management company, %: **0**

6. Full corporate name: **Limited Liability Company Energy Sales Company of Bashkortostan**

Abbreviated corporate name: **LLC ESCB**

Location

31/4 Stepana Zlobina St., Ufa, Republic of Bashkortostan, Russian Federation

INN: 0275038496

OGRN: 1020202770642

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **indirect control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: **0 %**

Portion of the controlled company's equity shares held by the Issuer: **is not a joint-stock company**

In case of indirect control—successively all the Issuer's controlled companies (chain of companies under direct or indirect control of the Issuer), through which the Issuer controls the company, in relation to which it is a controller. Full name, location, INN (if applicable), and OGRN (if applicable) shall be specified for each such company:

Open Joint-Stock Company ESC RusHydro, 51 Arkhitektora Vlasova St., Moscow, Russian Federation, INN 7804403972, OGRN 1089848039973

Open Joint-Stock Company ESC RusHydro is a subsidiary of the Issuer.

Share of Open Joint-Stock Company ESC RusHydro in the authorized capital of the controlled company LLC ESCB, %: **100 %**

Portion of equity shares of LLC ESCB held by OJSC ESC RusHydro, %: **is not a joint-stock company**

Share of the controlled company in the authorized capital of the Issuer: **0 %**

Portion of the Issuer's equity shares held by the controlled company: **0 %**

Description of the controlled company's core business:

- **Sale of electric energy in the Republic of Bashkiria;**

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Islan Isanovich Guyrabekov (Chairman)	0	0
Roman Yuryevich Sorokin	0	0
Sergey Anatolyevich Kirov	0	0

Members of the controlled company's collective executive body

The collective executive body is not provided for by the Charter

Authorities of the Company's sole executive body are transferred to the management company

Full corporate name: **Open Joint-Stock Company ESC RusHydro**

Abbreviated corporate name: **OJSC ESC RusHydro**

Location: **51 Arkhitektora Vlasova St., Moscow, Russia, 117393**

INN: 7804403972

OGRN: 1089848039973

Share of the Issuer in the authorized capital of the management company, %: 99.99

Portion of the management company's equity shares held by the Issuer, %: 99.99

Share of the management company (manager) in the Issuer's authorized (reserve) capital (unit fund): 0

Portion of the Issuer's equity shares held by the management company, %: 0

7. Full corporate name: **Open Joint-Stock Company Joint-Stock Company Yakutskenergo**

Abbreviated corporate name: **OJSC JSC Yakutskenergo**

Location

14 Fedora Popova St., Yakutsk, Sakha Republic (Yakutia), 677000, Russian Federation

INN: 1435028701

OGRN: 1021401047260

Reason (reasons) due to which the Issuer controls the controlled company (participation in the Issuer's controlled company, conclusion of a property trust agreement, simple partnership agreement, agency agreement, shareholders' agreement, or other agreement, the subject matter of which is execution of rights certified by shares of the Issuer's controlled company):

participation in the Issuer's controlled company

Type of control over the organisation in relation to which the Issuer is a controlling entity (direct control, indirect control): **indirect control**

Nature of control over the organisation in relation to which it is a controlling entity (the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company, the right to appoint (elect) the sole executive body of the Issuer's controlled company, the right to appoint (elect) over 50 per cent of the collective management body of the Issuer's controlled company: **the right to dispose of over 50 per cent of votes in the supreme management body of the Issuer's controlled company**

Share of the Issuer in the authorized capital of the controlled company: **29.795104 %**

Portion of the controlled company's equity shares held by the Issuer: **29.002941 %**

In case of indirect control—successively all the Issuer's controlled companies (chain of companies under direct or indirect control of the Issuer), through which the Issuer controls the company, in relation to which it is a controller. Full name, location, INN (if applicable), and OGRN (if applicable) shall be specified for each such company:

Open Joint-Stock Company RAO Energy Systems of East, 46 Leningradskaya St., Khabarovsk, 680021, Russian Federation, INN 2801133630, OGRN 1087760000052.

Open Joint-Stock Company RAO Energy Systems of East is a company controlled by the Issuer (direct control).

Share of Open Joint-Stock Company RAO Energy Systems of East in the authorized capital of the controlled company OJSC JSC Yakutskenergo, %: **49.37**

Portion of equity shares of OJSC JSC Yakutskenergo held by OJSC RAO Energy Systems of East, %: **57.63**

Share of the controlled company in the authorized capital of the Issuer: 0.000014 %

Portion of the Issuer's equity shares held by the controlled company: 0.000014 %

Description of the controlled company's core business:

Electric and heat energy generation, transportation and sale

Members of the controlled company's Board of Directors

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Vasiliy Andreevich Belosevich (Chairman)	0.0000020	0.0000020
Yuriy Aleksandrovich Andreychenko	0	0
Artem Sergeevich Korablev	0	0
Nikolay Nikiforovich Duraev	0	0
Oleg Andreevich Morozov	0	0
German Viktorovich Tyutyukov	0.0000013	0.0000013
Aleksey Anatolyevich Udalov	0	0
Nadezhda Valeryevna Rukina	0	0
Dmitriy Sergeevich Trefilov	0	0

Members of the controlled company's collective executive body

Full name	Share of the person in the authorized capital of the Issuer, %:	Portion of the Issuer's equity shares held by the person, %
Oleg Vladimirovich Tarasov (Chairman)	0	0
Sergey Yuryevich Gavrilov	0	0

Aleksandr Stepanovich Sloik	0	0
Irina Petrovna Sysolyatina	0.0000036	0.0000036
Yuriy Stepanovich Savchuk	0	0
Oksana Leonidovna Sologub	0	0
Petr Mikhaylovich Dyakonov	0	0
Andrey Fedorovich Sanachev	0	0

Sole executive body of the controlled company

Full name	Share of the person in the authorized capital of the Issuer, %	Portion of the Issuer's equity shares held by the person, %
Oleg Vladimirovich Tarasov	0	0

3.6. Composition, Structure and Value of the Issuer's Fixed Assets, Information on Plans for Acquisition, Replacement, and Retirement of Fixed Assets, as well as on All Encumbrances on the Issuer's Fixed Assets

As of December 31, 2014

Measurement unit: **Russian rubles**

Group of fixed asset items	Initial (replacement) cost	Amortization accrued
Buildings	38,671,936,889.81	4,214,720,511.58
Structures	221,576,879,671.71	25,977,677,226.26
Equipment	135,134,864,624.16	36,918,712,474.3
Others	1,348,412,219.99	786,691,048.79
TOTAL	396,732,093,405.67	67 897 801 260.93

As of March 31, 2015, **Russian rubles**

Group of fixed asset items	Initial (replacement) cost	Amortization accrued
Buildings	38,756,403,735.9	4,398,219,378.89
Structures	222,147,148,399.42	27,069,062,099.96
Equipment	141,385,638,120.48	40,204,862,856.34
Others	1,428,264,197.13	826,322,981.02
TOTAL	403,717,454,452.93	72,498,467,316.21

Information on depreciation accrual methods by groups of fixed asset items: Groups of fixed asset items are depreciated using a straight-line method on the basis of the useful service life of such items.

Results of the last fixed assets and long-term leased fixed assets reassessment performed within the last complete financial year, with specification of the reassessment date, total and residual (net of depreciation) balance value of fixed asset before reassessment, and total and depreciated replacement value (net of depreciation) of fixed asset taking into account reassessment. The specified information is given by groups of fixed asset items. Information on depreciation accrual methods by groups of fixed asset items is specified.

Fixed assets for the above mentioned period were not reassessed

Information is specified about plans for acquisition, replacement, and retirement of fixed assets, the value of which amounts to 10 per cent and more of the Issuer's fixed assets, and other fixed assets at the Issuer's discretion, as well as information about all encumbrances on the Issuer's fixed assets (with specification of the nature of encumbrance, date of its occurrence, its validity period and other conditions at the Issuer's discretion):

Acquisition, replacement, and retirement of fixed assets, the value of which amounts to 10 per cent and more of the value of the Issuer's fixed assets, is not planned.

IV. Information on Financial and Economic Activities of the Issuer

4.1. Financial and Economic Performance of the Issuer

Dynamics of indicators characterizing financial and economic performance of the Issuer, including profits and losses, calculated on the basis of accounting (financial) statements.

Standard (rule), in accordance with which the accounting (financial) statements are prepared, on the basis of which indicators are calculated: RAS

Measurement unit for the uncovered loss: ths Russian rubles

Indicator	2013	2014	3 months 2014	3 months 2015
Net profit margin, %	32.5	28.3	35.9	36.9
Asset turnover ratio, times	0.13	0.13	0.03	0.03
Return on assets, %	4.33	3.59	1.16	1.01
Return on equity, %	5.66	4.28	1.38	1.20
Amount of uncovered losses as of the reporting date, Russian rubles	0	0	0	0
Ratio between uncovered losses as of the reporting date and the balance sheet assets, %	0	0	0	0

In order to calculate given indices, methodology was used recommended by the Regulation on Information Disclosure by Issuers of Equity Securities approved by the Bank of Russia (No. 454-II dated December 30, 2014).

Economic analysis of the Issuer's profitability/unprofitability on the basis of the dynamics of the given indexes.

The net profit margin characterizes the rate of return from business activities of the company. That index in 2013 amounted to 32.5 %, in 2014 to 28.3 %; in 2014 (3 months) to 35.9 %, in 2015 (3 months) to 36.9 %.

The asset turnover ratio shows how often over a period, usually within one year, there is a complete production cycle and circulation which brings effect in the form of profit. The utilization efficiency by the Issuer of all available resources, irrespective of from where they are sourced, is characterized. This index remains the same for the comparable periods in 2013 and 2014, amounting to 0.13 times in 2014 (3 months) and to 0.03 times in 2015 (3 months). The index by years and quarters changes due to a lack of comparability between annual and quarterly net profit.

Profitability ratios, that is the relation between profit (net income) and profit earning means, are characterized by the operating efficiency of the company—productivity or return on financial resources.

The return on assets is the effectiveness of using funds belonging to owners of an enterprise. It serves as the key criterion when assessing the share level on the stock exchange. The return on assets according to net profit shall guarantee the payback of funds invested in the enterprise by its shareholders. This ratio shows what profit the company receives from every Russian ruble invested in assets. The return on assets defining the effectiveness of using the company's property amounted to 4.33 % and 3.59 % in 2013 and 2014 respectively and 1.16 % and 1.01 % in 2014 (3 months) and 2015 (3 months) respectively.

The return on equity shows the utilization efficiency of the Issuer's equity. The return on equity in 2013 amounted to 5.66 %, in 2014 to 4.28 %, in 2014 (3 months) to 1.38 %, and in 2015 (3 months) to 1.20 %. That index by years and quarters changes due to a lack of comparability between annual and quarterly net profit.

4.2. Liquidity of the Issuer, Capital and Fixed Asset Adequacy

Dynamics of indicators characterizing liquidity of the Issuer, calculated on the basis of accounting (financial) statements

Standard (rule), in accordance with which the accounting (financial) statements are prepared, on the basis of which indicators are calculated: **RAS**

Measurement unit for Net Working Capital: mln Russian rubles

Indicator	2013	2014	2014, 3 months	2015, 3 months
Net working capital	145,931	105,482	125,617	103,707
Current liquidity ratio	2.72	4.22	8.27	3.83
Quick liquidity ratio	2.69	4.11	8.04	3.71

All indicators are calculated on the basis of recommended calculation procedures.

Economic analysis of liquidity and financial solvency of the Issuer, capital adequacy of the Issuer for performance of short-term obligation and coverage of current operating expenditure on the basis of economic analysis of dynamics of the given indicators, with a description of factors, which, according to the management entities of the Issuer, have the most significant impact on liquidity and financial solvency of the Issuer:

Net working capital shows the amount of current assets financed at the company's own expense, and the amount financed at the expense of bank loans. Net working capital is needed to maintain financial stability of the company, because excess of current assets over short-term liabilities means that the company may not only redeem its short-term liabilities, but has reserves for business expansion. The change at the end of Q1 2015 is inconsiderable.

The current liquidity ratio enables assessment of the current assets per one Russian ruble of current liabilities. This ratio exceeded the standard value for the period under analysis (1.5); as at March 31, 2015 it amounted to 3.83.

The quick liquidity ratio is similar to the current liquidity ratio. It assesses the liquidity of assets. But it is calculated on the basis of a narrower range of current assets when inventories, the least liquid part, are excluded from calculations. This ratio exceeded the standard value for the period under analysis (0.95); as at March 31, 2013 it amounted to 3.71.

On the whole, liquidity ratios show that the company's position is stable.

4.3. Financial Investments of the Issuer

As at December 31, 2014

The list of the Issuer's financial investments making up 5 per cent and more of its all financial investments as of the expiry date of the reporting period

Investments in equity securities

Type of securities: **ordinary equity shares, ordinary preferred shares**

Full corporate name of the Issuer: **Open Joint-Stock Company RAO Energy Systems of East**

Abbreviated corporate name of the Issuer: **JSC RAO Energy Systems of East**

Location of the Issuer: **46 Leningradskaya St., Khabarovsk, 680021**

INN: **2801133630**

OGRN: **1087760000052**

state registration numbers of the securities issues: **1-01-55384-E; 2-02-55384-E;**

state registration date: **July 29, 2008, December 08, 2009**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

number of securities owned by the Issuer: **38,342,248,471 (equity shares — 36,926,003,433, preferred shares — 1,416,245,040)**

total par value of securities owned by the Issuer: **19,171,124,235.5 (equity shares — 18,463,001,715.5, preferred shares — 708,122,520) Russian rubles**

Total balance sheet value of securities owned by the Issuer: **18,495,246,562.12 Russian rubles (equity shares — 17,758,922,972.87 Russian rubles, preferred shares — 736,323,589.25 Russian rubles)**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint-Stock Company Zagorskaya PSHP-2**

Abbreviated corporate name of the Issuer: **JSC Zagorskaya PSHP-2**

Location of the Issuer: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**

INN: **5042086312**

OGRN: **1065042071137**

state registration numbers of the securities issues: **1-01-11397-A, 1-01-11397-A-002D**

state registration date: **January 18, 2007, January 31, 2013**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

Number of securities owned by the Issuer: **48,914,680,785**

Total par value of securities owned by the Issuer: **48,914,680,785.00 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **55,924,131,025.76 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint-Stock Company Ust-Srednekamskaya HPP**

Abbreviated corporate name of the Issuer: **JSC Ust-Srednekamskaya HPP**

Location of the Issuer: **84 Proletarskaya St., bld. 2, Magadan, 685030**

INN: **4909095293**

OGRN: **1074910002310**

state registration numbers of the securities issues: **1-01-55315-E, 1-01-55315-E-004D**

state registration date: **September 11, 2007, December 03, 2013**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia, Bank of Russia**

Number of securities owned by the Issuer: **18,809,586,927**

Total par value of securities owned by the Issuer: **18,809,586,927.00 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **23,111,468,131.08 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **0.0000504634 Russian rubles per share (according to the results of 2013), repayment period—July 11, 2014.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Type of securities: **registered equity shares**
Full corporate name of the Issuer: **Joint-Stock Company Zaramagskiye HPPs**
Abbreviated corporate name of the Issuer: **JSC Zaramagskiye HPPs**
Location of the Issuer: **7A, bldg. 5, Stroitelny passage, Moscow, Russian Federation**
INN: **1505008701**
OGRN: **1021500822001**
state registration numbers of the securities issues: **1-01-32047-E**
state registration date: **May 26, 2000**
registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**
Number of securities owned by the Issuer: **17,933,142**
Total par value of securities owned by the Issuer: **17,933,142,000.00 Russian rubles**
Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **17,216,207,775.52 Russian rubles**
The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**
declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Type of securities: **registered equity shares**
Full corporate name of the Issuer: **Open Joint-Stock Company ESC RusHydro**
Abbreviated corporate name of the Issuer: **OJSC ESC RusHydro**
Location of the Issuer: **51 Arkhitektora Vlasova St., Moscow, 117393 Russia**
INN: **7804403972**
OGRN: **1089848039973**
state registration numbers of the securities issues: **1-01-55437-E, 1-01-55437-E-001D**
state registration date: **March 11, 2009**
registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**
Number of securities owned by the Issuer: **11,981,227,367**
Total par value of securities owned by the Issuer: **11,981,227,367.00 Russian rubles**
Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **11,832,369,367.00 Russian rubles**
The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**
declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Investments in non-equity securities

There are no investments in non-equity securities amounting to 5 per cent and more of all financial investments.

Other financial investments

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**

Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**

Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-**

Posadskiy municipal district, Moscow Oblast, Russian Federation

INN: **5042086312**

OGRN: **1065042071137**

Investment in terms of money: **2,727,240,350.94 Russian rubles**

Income from financial investment facility or procedure for its determination, and repayment period:

Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**

Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**

Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**

INN: **5042086312**

OGRN: **1065042071137**

Investment in terms of money: **1,442,710,000.00 Russian rubles**

Income from financial investment facility or procedure for its determination, and repayment period:

Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**

Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**

Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**

INN: **5042086312**

OGRN: **1065042071137**

Investment in terms of money: **2,859,140,270.37 Russian rubles**

Income from financial investment facility or procedure for its determination, and repayment period:

Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company ESC RusHydro**

Abbreviated corporate name: **OJSC ESC RusHydro**

Location: **51 Arkhitekтора Vlasova St., Moscow, 117393, Russia.**

INN: **7804403972**

OGRN: **1089848039973**

Investment in terms of money: **2,700,000,000.00 Russian rubles**

Income from financial investment facility or procedure for its determination, and repayment period:

Interest rate within the interest period is 8.00 % per annum. Interest is paid according to the payment schedule. Loan repayment term: December 31, 2015

Information on the amount of potential losses connected with bankruptcy of organisations (enterprises), into which investments have been made, by every type of the specified investments: **Amount of potential losses connected with bankruptcy of organisations (enterprises), into which investments have been made, by every type of the specified investments, is limited by the amount of invested funds.**

If the Issuer's funds are placed on deposit or other accounts with banks and other credit organisations, the licenses of which have been suspended or withdrawn, as well as if the decision on reorganisation, liquidation of such credit organisations, initiation of bankruptcy proceedings or recognition of such organisations as insolvent (bankrupt), information on losses (potential losses) connected with such events shall be specified: **none**

Accounting standards (rules), in accordance with which calculations have been made by the Issuer, are specified in this clause of the Quarterly Report: **Federal Law No. 402-FZ dated December 06, 2011 On Accounting, RAS 19/02**

As of March 31, 2015

The list of the Issuer's financial investments making up 5 per cent and more of its all financial investments as of the expiry date of the reporting period

Investments in equity securities

Type of securities: **ordinary equity shares, ordinary preferred shares**

Full corporate name of the Issuer: **Open Joint-Stock Company RAO Energy Systems of East**

Abbreviated corporate name of the Issuer: **JSC RAO Energy Systems of East**

Location of the Issuer: **46 Leningradskaya St., Khabarovsk, 680021**

INN: **2801133630**

OGRN: **1087760000052**

state registration numbers of the securities issues: **1-01-55384-E; 2-02-55384-E;**

state registration date: **July 29, 2008, December 08, 2009**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

number of securities owned by the Issuer: **38,342,248,471 (equity shares — 36,926,003,433, preferred shares — 1,416,245,040)**

total par value of securities owned by the Issuer: **19,171,124,235.5 (equity shares — 18,463,001,715.5, preferred shares — 708,122,520) Russian rubles**

Total balance sheet value of securities owned by the Issuer: **18,495,246,562.12 Russian rubles (equity shares — 17,758,922,972.87 Russian rubles, preferred shares — 736,323,589.25 Russian rubles)**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint-Stock Company Zagorskaya PSHP-2**

Abbreviated corporate name of the Issuer: **JSC Zagorskaya PSHP-2**

Location of the Issuer: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**

INN: **5042086312**

OGRN: **1065042071137**

state registration numbers of the securities issues: **1-01-11397-A**

state registration date: **January 18, 2007**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

Number of securities owned by the Issuer: **53,681,508,646**

Total par value of securities owned by the Issuer: **53,681,508,646 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **60,690,958,886.76 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint Stock Company Ust-Srednekamskaya HPP**

Abbreviated corporate name of the Issuer: **JSC Ust-Srednekamskaya HPP**

Location of the Issuer: **84 Proletarskaya St., bldg. 2, Magadan, 685030**

INN: **4909095293**

OGRN: **1074910002310**

state registration numbers of the securities issues: **1-01-55315-E, 1-01-55315-E-004D**

state registration date: **September 11, 2007, December 03, 2013**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia, Bank of Russia**

Number of securities owned by the Issuer: **18,809,586,927**

Total par value of securities owned by the Issuer: **18,809,586,927.00 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **23,111,468,131.08 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **0.0000504634 Russian rubles per share (according to the results of 2013), repayment period—July 11, 2014.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint-Stock Company Zaramagskiye HPPs**

Abbreviated corporate name of the Issuer: **JSC Zaramagskiye HPPs**

Location of the Issuer: **7A, bldg. 5, Stroitelnyy passage, Moscow, Russian Federation**

INN: **1505008701**

OGRN: **1021500822001**

state registration numbers of the securities issues: **1-01-32047-E**

state registration date: **May 26, 2000**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

Number of securities owned by the Issuer: **17,933,142**

Total par value of securities owned by the Issuer: **17,933,142,000.00 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **17,216,207,775.52 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Type of securities: **registered equity shares**

Full corporate name of the Issuer: **Open Joint-Stock Company ESC RusHydro**

Abbreviated corporate name of the Issuer: **OJSC ESC RusHydro**

Location of the Issuer: **51 Arkhitektora Vlasova St., Moscow, 117393, Russia**

INN: **7804403972**

OGRN: **1089848039973**

state registration numbers of the securities issues: **1-01-55437-E, 1-01-55437-E-001D**

state registration date: **March 11, 2009**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

Number of securities owned by the Issuer: **11,981,227,367**

Total par value of securities owned by the Issuer: **11,981,227,367.00 Russian rubles**

Total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **11,832,369,367.00 Russian rubles**

The Issuer of securities is a subsidiary in relation to the Issuer that prepared this Quarterly Report dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **There are no preferred shares.**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

type of securities: **registered equity shares**

Full corporate name of the Issuer: **Joint-Stock Company Nizhne-Bureyskaya HPP**

Abbreviated corporate name of the Issuer: **JSC Nizhne-Bureyskaya HPP**

Location of the Issuer: 49 Sovetskaya St., Novobureyskiy settlement, Bureyskiy District, Amur Oblast, 676720, Russian Federation

INN: 2813006299

OGRN: 1062813007817

state registration numbers of the securities issues: **1-01-32629-F1-01-55459-E, 1-01-32629-F-002D**

state registration date: **February 28, 2007, January 29, 2013**

registering authorities which carried out state registration of the securities issues: **Federal Financial Markets Service of Russia**

number of securities owned by the Issuer: **14,610,989,509**

total par value of securities owned by the Issuer: 14,610,989,509.00 Russian rubles

total balance sheet value of securities owned by the Issuer (balance sheet value of securities of subsidiaries and affiliates shall be specified separately): **14,610,989,509.00 Russian rubles**

dividend on preferred shares or the procedure for determination thereof when it is specified in the Charter of the Issuer being a joint-stock company, and repayment period: **shares are not preferred**

declared dividend on equity shares (if no information on declared dividend on equity shares for the current year is available, dividend for the previous year shall be specified), and repayment period: **In 2014 and as at March 31, 2015 decisions on dividend payment were not taken.**

Should contributions of the Issuer to shares of joint-stock companies be increased due to an increase in the authorized capital of a joint-stock company at the expense of property of such joint-stock company, the number and par value (increase in par value) of such shares received by the Issuer shall be specified: **none**

Investments in non-equity securities

There are no investments in non-equity securities amounting to 5 per cent and more of all financial investments.

Other financial investments

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**

Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**

Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**

INN: **5042086312**

OGRN: **1065042071137**

Investment in monetary terms: **2,727,240,350.94 Russian rubles**

Income from financial investment facility or the procedure for its determination, and repayment period: **Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.**

Type of investments: **Interest-bearing loan**

Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**
Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**
Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**
INN: **5042086312**
OGRN: **1065042071137**
Investment in monetary terms: **1,442,710,000.00 Russian rubles**
Income from financial investment facility or the procedure for its determination, and repayment period:
Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.

Type of investments: **Interest-bearing loan**
Full corporate name: **Open Joint-Stock Company Zagorskaya PSHPP-2**
Abbreviated corporate name: **JSC Zagorskaya PSHPP-2**
Location: **101 Bogorodskoye industrial community, Bogorodskoye urban settlement, Sergievo-Posadskiy municipal district, Moscow Oblast, Russian Federation**
INN: **5042086312**
OGRN: **1065042071137**
Investment in monetary terms: **2,859,140,270.37 Russian rubles**
Income from financial investment facility or the procedure for its determination, and repayment period:
Interest rate within the interest period is 8.213 % per annum. Interest is paid according to the payment schedule. Loan repayment term: February 05, 2018.

Type of investments: **Interest-bearing loan**
Full corporate name: **Open Joint-Stock Company ESC RusHydro**
Abbreviated corporate name: **OJSC ESC RusHydro**
Location: **51 Arkhitekatora Vlasova St., Moscow, 117393, Russia.**
INN: **7804403972**
OGRN: **1089848039973**
Investment in monetary terms: **2,700,000,000.00 Russian rubles**
Income from financial investment facility or the procedure for its determination, and repayment period:
Interest rate within the interest period is 8.00 % per annum. Interest is paid according to the payment schedule. Loan repayment term: December 31, 2015

Type of investments: **Interest-bearing loan**
Full corporate name: **Joint-Stock Company Nizhne-Bureyskaya HPP**
Abbreviated corporate name: **JSC Nizhne-Bureyskaya HPP**
Location: **49 Sovetskaya St., Novobureyskiy settlement, Bureyskiy District, Amur Oblast, 676720, Russian Federation**
INN: **2813006299**
OGRN: **1062813007817**
Investment in monetary terms: **1,197,707,973.06 Russian rubles**
Income from financial investment facility or the procedure for its determination, and repayment period:
Interest rate within the interest period is 8.242 % per annum. Interest is paid according to the payment schedule. Loan repayment term: December 25, 2019

Information on the amount of potential losses connected with bankruptcy of organisations (enterprises), into which investments have been made, by every type of the specified investments: **The amount of potential losses connected with bankruptcy of organisations (enterprises), into which investments have been made, by every type of the specified investments, is limited by the amount of invested funds.**

If the Issuer's funds are placed on deposit or other accounts with banks and other credit organisations, the licenses of which have been suspended or withdrawn, as well as if the decision on reorganisation, liquidation of such credit organisations, initiation of bankruptcy proceedings or recognition of such organisations as insolvent (bankrupt), information on losses (potential losses) connected with such events shall be specified: **none**

Accounting standards (rules), in accordance with which calculations have been made by the Issuer, are specified in this clause of the Quarterly Report: **Federal Law No. 402-FZ dated December 06, 2011 On Accounting, RAS 19/02**

4.4. Intangible Assets of the Issuer

As at December 31, 2014

Measurement unit: Russian rubles

Group of intangible asset items	Initial (replacement) cost	Amortization accrued
Intangible assets of the Company	1,105,628,142.92	521,953,455.82
Expenses for research, development, and engineering work	275,722,574.16	-
Patents	48,040,875.29	2,649,477.58
TOTAL	1,429,391,592.37	524,602,933.4

As of March 31, 2015

Measurement unit: Russian rubles

Group of intangible asset items	Initial (replacement) cost	Amortization accrued
Intangible assets of the Company	1,282,061,400.67	618,132,984.68
Expenses for research, development, and engineering work	244,573,752.6	-
Patents	48,040,875.29	3,249,430.03
TOTAL	1,574,676,028.56	621,382,414.71

Accounting standards (rules) in accordance with which the Issuer submits information on its intangible assets: RAS 4/99 Financial Statements of the Company (approved by Order of the Ministry of Finance of Russia No. 43n dated July 06, 1999); Regulations for Financial Accounting "Intangible Asset Accounting" RAS 14/2000 (approved by order of the Ministry of Finance of Russia No. 91n dated October 16, 2000).

4.5. Information on the Issuer's Policy and Expenses in the Area of Scientific and Technical Development, in relation to Licenses and Patents, New Developments, and Research

The Issuer regularly carries out research and development in order to improve technological processes (to examine properties of materials, condition of equipment, test, etc.) in order to enhance the reliability, safety and effectiveness of HPP operation.

Information on the Issuer's policy in scientific and technical development for the corresponding reporting period preceding the expiry date of the last reporting quarter, including disclosure of expenses on research and development activity financed using the Issuer's own funds in the said reporting period:

For 12 months of 2014, Tenders concerning the following research and development works were announced by the Issuer:

1. Russian Hydropower Industry Development Program until 2030 and for further extension until 2050.
2. Research and development of the project for integration of Russian hydropower resources into the global electricity markets.
3. Development of design and technological solutions for additional watering of the Akhtuba to optimize sterile spills of Volzhskaya HPP and increase electricity generation.
4. Development and testing of technology for stress monitoring of structural elements of hydropower facilities in case of failure of the Control and Measuring Equipment strain gauges.
5. Development and testing of technology for piezometric pressure monitoring of hydropower facilities

in case of failure of embedded piezometers of non-linear form.

6. Selection and testing of technology for application of antiadhesion coating to HPP structures to prevent icing and increase efficiency of deicing.

7. Development of technology for improving of accuracy of hydrolevelling devices to monitor the state of hydropower facilities.

8. Data collection system development based on the results of R&D in the hydropower industry using CEATI databases (2nd stage).

9. Research and development of a method for assessment of HPP energy efficiency taking into account beneficial use of water resources.

10. Development of a list and regulations for inspections of main and auxiliary equipment of HPP, ensuring optimal deadlines and priority of their performance.

11. Detailing of hydraulic working modes and capacity discharge of spillway tunnels of JSC RusHydro's HPPs to mitigate risks when discharging disastrous floods.

12. Development of design of watertight element (WTE) made of clay cement concrete (CCC) secant piles for an earth dam

13. Testing of prototype mini HPPs with orthographic hydraulic units.

14. Research of hydroelectric potential of the Eastern Region of the Russian Federation with preparation of draft area planning scheme for construction of hydro power facilities in the Eastern Region of Russia.

In Q1 2015, tenders concerning research and development works were not planned by the Issuer.

For 12 months of 2014, results of the following research and development works were received by the Issuer:

1. Optimization of JSC RusHydro HPPs operation taking into account climate change in reservoir zone for the long term.

2. Development of new methods for diagnostics of main HPP equipment: Integrated vibration monitoring system for buildings and structures; phase-chronometric methods for assessment of main equipment state.

3. Optimization of using environmentally friendly lubricants used in units of hydraulic turbines.

4. Testing pilot prototype of hydroelectric installation admitting passage of fish through the hydraulic tract.

5. Examination of water and power potential of the Angara river basin.

6. Development of the procedure to account for the influence of tectonic faults on stress-strain behavior of dams and foundations of high-head HPPs.

7. Optimization of water and energy state of Volzhsko-Kamskiy Cascade HPPs in order to increase electricity output.

8. Development of methods for instrumental determination of emptiness under fixing plates of channel and dam back slopes.

9. Development of a system for instrumental and technical control of water resource assessment at a HPP

10. Optimization of wave power plant design with orthographic hydroturbines.

The Issuer does not plan to receive final results for research and development works in Q1 2015.

Costs associated with scientific and technological activities at the Issuer's own expense in 2014 amounted to 255.34 million Russian rubles with VAT.

Costs associated with scientific and technological activities at the Issuer's own expense in the first quarter of 2015 amounted to 30.47 million Russian rubles with VAT.

Information on creation of major intellectual property and its legal protection obtained by the Issuer (including information on the date of issue and the validity periods of patents for invention, a utility model and an industrial design, state registration of trade and service marks, name of the place of origin of commodities), guidelines for and results of the use of the Issuer's major intellectual property.

Based on the results of research and development under the Issuer's order the following patents were received in 2014:

1. For utility model No. 138311 "Water Outlet of Structure" (issued on February 10, 2014, valid until

October 31, 2023).

2. For invention No. 2506369 "Erection Method of Thin-Wall Labyrinth Overflow Edge from Molded Concrete Units" (issued on February 10, 2014, valid until August 31, 2023).

3. For invention No. 2512352 "Method for Integration of Water-Proof Geosynthetic Material (WPGM) in Watertight Screen in Cases of Long-Time Interval in Construction" (issued on February 11, 2014, valid until August 15, 2032).

4. For invention No. 2515633 "Method of Arranging a Zigzagging Watertight Diaphragm with Intermediate Seams of Bentonitic Mattresses" (issued on March 18, 2014, valid until August 07, 2032).

5. For utility model No. 145692 "Blade Wheel of Orthographic Turbine" (issued on August 20, 2014, valid until January 16, 2024).

6. For utility model No. 149005 "Electrical Machine Clearance Controlling Device" (issued on November 20, 2014, valid until September 25, 2024).

Principal directions and results of the use of the Issuer's major intellectual property:

Intellectual property items are used to increase the effectiveness of principal processes at all life cycle stages of JSC RusHydro engineering system.

Due to the uniqueness of items and sector-specific research, development, and engineering works, intellectual property items are not commercially applied currently.

Risk factors connected with the possible expiration of the validity period of patents and licenses to use trademarks essential for the Issuer:

There are no risk factors connected with the possible expiration of the validity period of patents and licenses to use trademarks essential for the Issuer.

4.6. Analysis of Development Trends in the Area of the Issuer's Core Business

Basic development trends of the branch of the economy where the Issuer carries out its core activities:

In 2014, the Russian power industry, including the hydro power industry, was stable, providing for the required needs of the country's economy and social sphere.

1. Strategic developments of the sector

Over the last 5 years, planning and forecasting technology of long-term development in the energy sector has been rapidly developing and implementing.

The Concept of Long-Term Social and Economic Development of the Russian Federation until 2020 was approved by Resolution No. 1662-p of the Russian Federation Government dated November 17, 2008, which aimed at determination of ways and methods in the long-term (until 2020) for a steady welfare rise of Russian Federation citizens, national security, dynamic development of the economy and consolidation of the position of Russia in the world community.

Regulation of the Government of the Russian Federation No. 1715-p dated November 13, 2009 approved the Energy Strategy of the Russian Federation until 2030. The main objective of the document is creation of priority growth area of the power industry for the long term until 2030. Currently, the draft Energy Strategy of the Russian Federation until 2035 has been prepared by the Ministry of Energy of the Russian Federation and is at the discussion stage.

Decree of the Government of the Russian Federation No. 2084-p dated November 11, 2013 approves the Area Planning Scheme of the Russian Federation applicable to the power industry.

The document includes new power engineering facilities, planned to be constructed by 2030, as well as expanding power engineering facilities, in respect of which the need for additional land allotment was not determined as along with maps of the scheduled allocation of objects of federal significance for the period until 2030.

Decree of the Government of the Russian Federation No. 215-P dated February 22, 2008 approved the Master Plan of Power Industry Facilities Allocation until 2020. The key purpose of the Master Plan is the formation, based on current potential and the established sector development priority, of reliable, cost effective and rational generating mix and power supply network facilities, effectively using the country's fuel resources and creating conditions for the prevention of the forecasted deficit of electrical power and capacity most effectively.

The Plan and Development Program of the Unified Energy System of Russia for 2013–2019 were

approved by Order of the Ministry of Energy of the Russian Federation No. 309 dated June 19, 2013 within implementation of medium term planning tools.

The main objective of the plan and program is assistance in development of networked infrastructure and generating capacities as well as ensuring the satisfaction of long-term and medium-term demand for electric energy and capacity.

A number of regulatory legal documents for supporting the Russian economy was accepted, including the energy industry. The Issuer was included in the list of the country's strategic enterprises, which means it can count on implementation of measures of state support.

On April 28, 2014, Regulation of the Government of the Russian Federation No. 374 "On amendment of the Regulations for Wholesale Electricity and Capacity Market with regard to the features of participation in the wholesale market of electric power engineering entities owning hydro power plants located at the second pricing zone of wholesale market" was signed concerning partial deregulation of the capacity market in Siberia.

This Regulation stipulates amendments to the Regulations for the Wholesale Electricity and Capacity Market:

From May 1, 2014, till December 31, 2015, the capacity of hydro power plants, located at the second pricing zone of the wholesale market, is sold on the basis of competitive capacity outtake (CCO) at the price of capacity sale under regulated contracts, amounting to 35 per cent of capacity volume being sold according to the CCO results; from January 1, 2016, till December 31, 2016, 20 per cent. Remaining capacity volume of hydro power plants being sold according to the CCO results at the second pricing zone will be paid at the prices determined according to the CCO results at the corresponding free power transfer zones.

From January 1, 2017, the whole capacity volume of hydro power plants being sold according to the CCO results at the second pricing zone will be paid at the prices determined according to the CCO results at the relevant free power transfer zones, taking into account the seasonal ratio.

The rule on application of the prices equal to the prices stated in the regulated contracts for calculation of capacity cost according to the CCO results is not applied to new hydro power plants (generating facilities of hydro power plants in relation to generation DPCs of which trading of electricity and capacity was not carried out as at January 1, 2012).

However, if after May 1, 2014, the volume of capacity of generation DPCs of hydro power plants, located at the second pricing zone of wholesale market (except for generating facilities of hydro power plants in relation to generation DPCs of which trading of electricity and capacity was not carried out as at January 1, 2012), being sold under free contracts, exceeds a volume of capacity equal to the difference between the capacity volume determined according to the CCO results and the capacity volume supplied at the regulated prices, for each free contract a value should be calculated to be taken into account when calculating and distributing the CCO imbalance, which amounts to the product of the following values:

- Non-negative difference between the price for capacity according to the CCO results for buyers at free power transfer zone, to which the said generating facility belongs, and the price of capacity supply under regulated contracts.
- Capacity volume equal to the part (determined in accordance with the Agreement for Integration into the Trade System of the Wholesale Market) of capacity volume supplied under free contract, due to which the said excess occurred.

On June 02, 2014, Regulation of the Russian Federation Government No. 505 "On introduction of amendments to certain acts of the Government of the Russian Federation and adopting tariff decisions regarding the wholesale electricity and capacity market."

This Regulation stipulates:

- Continuing the indexation of capacity prices according to the results of competitive capacity outtake for 2014.
- Cancellation of expenses indexation when determining prices (tariffs) under regulated contracts for supply of electricity and power in 2014.
- Fixing (review) of indicative prices for electricity and power for the population and similar classes of consumers, for buyers in separate parts of pricing zones of the wholesale market, for which the Government of Russia has established features of the regulated prices (tariffs) of suppliers and altered expected volumes of electricity and capacity supplied to the population and similar classes of consumers, in the Russian Federation constituent entities according to the consolidated balance forecast for 2014.
- Changing of the base period for calculation of the regulated prices (tariffs) for generating facilities, which supplied capacity in forced regime in 2011.
- Cancellation of indexation of the capacity prices according to the results of competitive capacity outtake for 2015.
- Cancellation of indexation of the price for capacity of the commissioned nuclear power plants and hydro

power plants (including pumped-storage power plants) and the component of prices for capacity in 2014.

Effective date: June 12, 2014.

Federal Law dated November 24, 2014 No. 366-FZ On Amending Part Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation has indexed since January 1, 2015 the rates of water tax and charge for the use of bodies of water. In 2015, indexation will be 1.15 of the existing rates, in 2016—1.32, and in 2017—1.52. By 2025, indexation will be 4.65. Change in the water tax rate in 2015 will increase the rate of electrical power tariff by approx. 11 %, and the average selling tariff by 0.5 %

2. Electricity and capacity consumption.

According to SO UPS, JSC, consumption of electrical energy in the Russian Unified Energy System in 2014 amounted to 184.9 bln kWh, which is 98.8 % in relation to the same period of the previous year.

3. Electric power generation.

According to SO UPS, JSC, generation of electrical energy in Russia in January-February 2015 amounted to 188.8 bln kWh, which is 98.8 % in relation to the same period of the previous year.

The capacity of power plants of UES of Russia as at March 01, 2015 was 232,848.0 MW.

4. Wholesale electricity and capacity market

Currently, the Russian Federation has a two-level (wholesale and retail) electricity and capacity market. Sellers and buyers on the wholesale market are power generation companies, electricity export/import operators, energy sales organisations (including guarantee suppliers), Federal Grid Company (as regards acquisition of electricity for covering of transmission losses), and large consumers. Participants in the wholesale market can act as both sellers and buyers of electric power and capacity. In order to become a participant on the wholesale market, a company shall meet the requirements set out in the Regulations for Wholesale Electricity and Capacity Market and in the Agreement for Integration into the Trade System of the Wholesale Market, approved by Regulation No. 1172 of the Government of the Russian Federation dated December 27, 2010.

Since January 1, 2011, all electric power and capacity sold in pricing zones of the wholesale market are sold at non-regulated prices, except for electric power and capacity designated for supply to the population and equivalent classes of consumers, as well as consumers located in the North Caucasus, in the Republic of Tyva. Capacity volume of hydro power plants located in the second pricing zone (Siberia) until May 1, 2014, were supplied only according to tariff. Since May 1, 2014, 65 % of the capacity volume of hydro power plants located in the second pricing zone (Siberia) is supplied at the CCO price, with 35 % of the capacity volume supplied according to the tariff.

RusHydro sells the main part of generated electricity (capacity) on the wholesale market being fully engaged in development of rules and regulations for all segments of that market.

5. Renewable energy sources

Regulation No. 449 and Decree No. 861-P of the Government of the Russian Federation dated May 28, 2013 determine the mechanism and parameters supporting generation based on RES in the Russian Federation for wind, solar energy and SHPPs, which open for the company new opportunities for implementation of cost-effective projects in those areas on the wholesale market.

On September 19, 2014, JSC ATS published results of selection of projects on construction of generating facilities operating on the basis of renewable energy resources (RES project selection).

According to the results of selection of investment projects for construction of renewable energy generating facilities for 2015–2018, JSC ATS has selected the following facilities of JSC RusHydro:

1. Hydraulic power plant Sengileevskaya SHPP
2. Hydraulic power plant Barsuchkovskaya SHPP
3. Hydraulic power plant Ust-Dzhegutinskaya SHPP (1 start-up facility)

The total scheduled installed capacity of the selected renewable energy projects of JSC RusHydro amounts to 20.64 MW. The target figure for capital expenses per 1 kW of renewable energy generating facility's installed capacity amounts to RUB 146,000/kW.

According to the selection results, agreements on capacity supply by qualified renewable energy generating facilities were concluded with consumers.

6. Retail electricity markets

Within the electricity retail markets electricity is sold that is acquired on the wholesale electricity (capacity) market, as well as electricity of generating companies that are not participants in the wholesale market.

Main provisions of electricity retail markets are approved by Resolution No. 442 of the Government of the Russian Federation On Operation of Electricity Retail Markets, Complete and/or Partial Limitation of Electricity Consumption dated May 4, 2012.

RusHydro supplies electric power and capacity to the retail electricity market in a number of Russian regions, mostly in the North Caucasian Federal District, as well as in electricity systems located in the Far East, isolated from UES of Russia.

7. System services market

The market for services in system reliability maintenance (system services) is one of the instruments for maintaining the desired level of quality and reliability of operation of the Unified Energy System of Russia under the conditions of full deregulation of the electricity and capacity market. The system services market has been operating in the UES of Russia since 2011.

Types of services on maintenance of system reliability, procedures for selection of electric power engineering entities and electric users rendering such services, as well as rules of rendering thereof and pricing models are determined by Regulation No. 117 of the Government of the Russian Federation On the Procedure for Selection of Electric Power Engineering Entities and Electric Users Rendering Services in System Reliability Maintenance and Rendering such Service, as well as On Approval of Changes in Acts of the Government of the Russian Federation Regarding Rendering of Services in System Reliability Maintenance dated March 3, 2010.

As at 2015, RusHydro and SO UPS, JSC concluded a Services Contract for Reactive-Power Control without Electricity Generation (hereinafter the RRSK Contract).

According to such RRSK Contract, RusHydro shall render services to SO UPS, JSC connected with reactive-power control

8. Innovation development of the power industry and energy efficiency

In accordance with the instructions of the President of the Russian Federation (list of instructions based on the results of work of the Committee under the President of the Russian Federation with respect to modernization and technological development of the economy in June — December 2009 No. IIP-2 dated January 4, 2010) and Government Commission for Advanced Technology and Innovation (Minutes No. 4 dated August 3, 2010), RusHydro developed and approved (Minutes of the Board of Directors No. 130 dated August 2, 2012) the Innovation Development Program of JSC RusHydro for 2011–2015 with an outlook until 2021.

In 2014, under the Innovation Development Program of RusHydro and S&A, critical decisions on change in the innovative development management system and focus on development of the innovative environment around JSC RusHydro were taken. The Innovation Development Program is being updated and brought into conformity with the changed external and internal operating conditions of the Company; changes in the normative legal regulation of innovation activity, as well as new technological trends in the power sector are reflected in the updated Program.

Assessment of results of the Issuer's activities:

General assessment of the Issuer's results in such sector is positive.

Results of the Issuer's activities correspond to the trends of the sector's development.

The main reasons for the obtained results are effective performance of the Issuer on the wholesale electricity and capacity market, efficient management of expenses and appropriate job management.

RusHydro was the third among all generating companies participating in the wholesale market as regards Efficiency on the Market and second as regards Economic Efficiency in the Final Annual Rating of Non-Profit Partnership Market Council for 2013 and it considerably improved similar positions for 2012.

Opinion of the Issuer's management entities:

The Issuer's management entities have a similar opinion on submitted information.

Members of the Issuer's management entities have no special opinion on provided information reflected in the minutes of the meeting of the Issuer's management entities, at which relevant issues were considered, and do not insist upon a reflection of such (dissenting) opinion in this Quarterly Report.

Members of the Board of Directors and collective executive body of the Issuer have a similar opinion concerning submitted information.

4.7. Analysis of Factors and Conditions Influencing the Issuer's

Activities

Basic factors influencing the sector:

- GDP growth rates determining demand for electrical power and setting requirements to the quality of electrical power and schedules of its consumption, the level of investment in new capacities;
- Legislative base determining the payback period for projects in the electrical power sector, sources and structure of the investment portfolio of energy companies, the level of competition, etc.;
- Level of state stimulation concerning development of specific types of electrical power generation;
- Condition of fixed production assets used by enterprises in the sector;
- The social and economic situation in the country;
- Accessibility of capital markets, including credit resources;
- Level of payment discipline of electrical power consumers.

Factors and conditions influencing the Issuer's activities and results of its activities:

1. Reliability and safety of equipment and hydropower facilities

Physical wear and technological ageing of fixed assets, enhanced requirements to the reliable and accident-free operation of the Russian Unified Energy System, the growing need for regulating capacity of daily electricity consumption in the European part of the Russian Unified Energy System, the increasing threat of man-made accidents with grave consequences as a result of disintegration of hydropower facilities and generating equipment, and the increased standards of seismic safety at the location of the Issuer's HPPs require special attention to the reliability and safety of assets and funds.

2. Seasons

The Issuer's core business activity has no seasonal nature.

The volume of electrical power generation by the Issuer depends considerably on the available water inflow in the basins of rivers, where its generating capacities are located, and is distributed non-uniformly on an annual basis depending on the season. Additionally, possibilities of forecasting, as well as decisions by authorities regulating water economy relations in the Russian Federation, influence the volume generated.

3. Tariff-making mechanisms

Some of the Issuer's capacities are located in the Far East, where electricity and capacity markets are not expected to be liberalized in the foreseeable future. Prices (tariffs) for electricity and capacity are still subject to state regulation within the Far East. All volumes of electrical energy and capacity in the given territory are sold at adjustable prices (rates) through one buyer in the East UPS and through the guaranteeing supplier in the territory of isolation zones. Tariff settlement for generation is possible only on the basis of the cost plus method. According to this method, inclusion of investments in the tariff is almost impossible. Taking into account the governmental policy aimed at the accelerated social and economic development of the Far East, the tariff-making mechanisms for the region may fail to ensure the profitable operation of the Issuer's generating capacities in the region. The tariff situation applied in the region also does not create economic motivation for improvement of the effectiveness and construction of new generating facilities. At the same time, liberalization of the wholesale market in other regions may fail to guarantee the Issuer's profits sufficiently for cross-subsidy of the Far Eastern region.

4. Russian hydro potential development pace

Russia's undeveloped hydro potential is concentrated in the areas where there are currently no large consumers or the required infrastructure, while the tariff-making model does not provide for the required rate of return on investment. At the same time, development of these territories is a key direction of the Russian regional policy.

5. State support of the Issuer

The specific nature of the Issuer's activity is defined and will be defined subsequently through availability of two basic vectors: the need to resolve state problems while ensuring the Issuer's business value increase.

6. Forming a new model of markets

The forming market model will define in the long term the efficiency and reliability of operation of electrical power plants using renewable energy sources, the development rates of their use, and the degree of compensation for the unique contribution by HPPs to system reliability. Currently, regulatory documents defining the rules of markets (capacity market, system services market, retail markets) are being updated.

7. Participation in securities market grouping

Inclusion of the Issuer's securities in the listing of leading markets imposes strict requirements in terms of

information disclosure in accordance with requirements of stock exchanges and market regulators, both Russian and international.

8. Development of electrical power generation based on other renewable energy sources (wind, warmth of the earth, small hydro power, and other energy). The focus on development of electrical power generation based on renewable energy sources in the world, the need to diversify energy sources and reduce load on the environment along with the availability of considerable undeveloped potential of renewable energy sources under the conditions of adopted legislation supporting generation in pricing zones of the wholesale market in the Russian Federation open up fresh opportunities for development of electrical power generation based on the renewable energy sources both at the wholesale and retail markets. The Issuer prepares projects for participation in competitive selection at the wholesale market, implements pilot projects on construction of RES generation facilities in isolation zones of the Far East for subsequent transition to implementation of the full-scale programs.

9. Possibilities of related sectors

Research and development, design and survey, engineering and construction sectors have sustained considerable losses in the past few decades due to the low demand for their products and services. In the short term, the Issuer will need large volumes of design and survey works, construction services, deliveries of equipment and materials. Limitations caused by the shortage of goods and services in these markets may considerably affect the rate of the Issuer's development.

10. Staff assistance

One of the most acute problems of large-scale hydro power development is the shortage of engineering and technical personnel, undermined professional continuity, and the degraded system of personnel training for the sector.

11. Global climate change

The problem of climate change has increasingly greater direct influence on the Issuer's activities, which is represented in complication of forecasting water regimes due to the growth in deviations from long-time annual averages of hydrographs and weather records.

Forecast concerning duration of the specified factors and conditions

The given factors and conditions will have a great impact on the Issuer's activity within the next several years.

Steps taken or planned to be taken by the Issuer in the future for the effective use of these factors and conditions:

- Overcoming the trends of growing obsolescence and physical deterioration of equipment, raising reliability and safety of hydro power plants at the expense of the Complex Modernization Program for Generating Facilities.

- Finding a strategy of balanced development meeting the interests of all groups of shareholders, new schemes of financing and property distribution, including efforts to determine forms of and procedure for the state's participation in the Issuer's projects;

- Opening opportunities and submitting projects to the state and regions concerning industrial, infrastructural, and social development requiring operation of hydro power plants and constant demand for their output;

- Assistance in forming a model of markets ensuring efficiency of RES construction and ensuring adequate compensation for the Issuer's contribution to system reliability;

- Development of competencies with regard to work in publicity conditions, meeting the requirements of the investment community and minority shareholders, and also using the best corporate management practices;

- Developing an effective system of interaction with key participants of resource markets, reduction of risks through businesses diversification, support for sectoral science and innovation technologies;

- Creating an effective system of engineering personnel training, including the system of interaction with specialized educational institutions, and also mechanisms stimulating an inflow of personnel into the sector, as well as development of professional knowledge and skills;

- Creation of the water regimes forecasting and observation system. Methods used and planned to be used by the Issuer to reduce the negative effect of factors and conditions affecting the Issuer's activities:

- Strategic planning;

- Investment planning;

- Business planning;
- Budget planning;
- Tax planning;
- Corporate management;
- Applying modern motivation systems;
- Enhancing financial control and introducing a cost-cutting program.

Material events/factors that may have the largest negative effect on the possibility for the Issuer to achieve the same or higher results in the future, as compared with the results achieved in the latest accounting period:

Material events/factors that may have the largest negative effect on the possibility for the Issuer to achieve high results in the future are as follows:

- Unfavourable tariff decisions, including establishing tariff levels insufficient for the financing of necessary expenditures on technical reconstruction, modernization, and further construction of the Issuer's facilities;
- High capital intensity and long implementation periods for projects on HPP construction. The projects for hydro power plant construction form the basis for the Issuer's development. However, they are capital-intensive and are characterized by the long periods of their implementation; in addition, expenses on construction of electricity grids for the supply of electrical power generated by HPPs are in many cases also extremely large. Therefore, these projects, as a rule, are characterized by low economic efficiency;
- Uncertainty of the demand for electrical power, both due to decrease in investment in construction of new production facilities, and due to closure of ineffective operating hydro power facilities, to which the functional generating capacities were oriented;
- Failure to adopt the required regulatory acts in the field of electricity and capacity markets. Hydro power engineering can currently be viewed as one of the means of controlling the growth of electricity tariffs and prices in the crisis conditions;

The Issuer assesses the probability of occurrence of these factors as average.

Material events/factors that may improve the results of the Issuer's activities, the probability of their occurrence and their duration:

Material events/factors that may improve the Issuer's activities include factors influencing the sector as a whole. In order to function more effectively in new conditions, the Issuer is required to:

- Implement the developed long-term Program for Complex Modernization of the Issuer, including programs providing for the increase in the installed capacity, manoeuvrability and control of equipment operational modes, technological process automation, and the use of new technologies, allowing avoidance of dangers connected with the wear and ageing of equipment, reducing the threat of accidents, and raising the efficiency of operation of existing facilities;
- Address the tasks faced by the Issuer's management: Increasing operating performance, quality of corporate management in view of the necessity to meet the requirements of the investment community to public companies;
- Stimulate the demand of large consumers for electrical power generated by HPPs, joining strategic alliances with federal companies interested in the implementation of cluster development projects;
- Assist in development of the organisational chart of regional development management — corporations for regional development, as well as improvement of the effectiveness of export deliveries;
- Apply long-term tariff regulation using the return on investment approach in non-price zones and isolated power districts, and to that effect be fully engaged in the Federal Tariff Service of Russia's development of additional methodology instructions concerning price (tariff) formation in technologically isolated territorial energy systems according to the return on investment method within the implementation of the Regulation of the Government of the Russian Federation No. 1178 dated December 29, 2011.
- Assist in practical application of the procedure for conclusion of bilateral agreements between new generating facilities and consumers at a price not exceeding the threshold level of adjustable prices/tariffs within the approved Rules for Retail Electricity and Capacity Markets.

- Assist in adopting the rules for capacity markets and system services, ensuring adequate compensation for the contribution of PSHPPs to system reliability and safety;

- Assist in adoption of enactments focused on ensuring state support of RES use and RES projects payback in non-price and isolation zones of the electricity and capacity market.

The likelihood of the first two events/factors is assessed by the Issuer as high, and that of the remaining as medium.

4.8. Competitors of the Issuer

Apart from Federal Hydrogeneration Company of the wholesale market (JSC RusHydro), the major part of generating assets of the country is concentrated in 5 heat generation companies of the wholesale electricity market (WGC), 15 territorial generating companies (TGC), and Rosenergoatom state concern. A part of the heat and territorial generating companies, in their turn, is combined in large state and private holdings. JSC INTER RAO UES is also worth mentioning among large companies of the sector; it is an electrical energy export/import operator holding a number of generating assets within and outside Russia.

No.	Holding company	Generating companies that are members of the holding	Description	Area of competition
1	Rosatom	Rosenergoatom Concern PIMCU (Priargunsky Industrial Mining and Chemical Union) SGChE (Siberian Group of Chemical Enterprises)	The competitor's advantages: considerable installed capacity of energy facilities is concentrated in the European part of the Russian Federation, and the load is close to optimum. The competitor's disadvantage: low manoeuvrability, and, as a consequence, low effect from the balancing market. There are practically no generating capacities in the Siberia UPS and the Far East UPS.	In relation to trade, it may take place only at an extremely significant excess of supply over demand. In relation to development, the struggle for state financing resources.
2	INTER RAO UES	INTER RAO — Electric Power Plants OJSC (includes assets of the former OGK-1 and OGK-3) TGC-11 Bashkir Generation Company	Export-import operator and management company of generating facilities in Russia and abroad. The competitor's advantages — dominant position in export and import electrical energy supply operations. The competitor's disadvantages — regulated activities, decrease in export opportunities under the conditions of deficit.	In relation to trade in electrical energy, competition with respect to volume during various hours of the day. In relation to development, competition for the right to be the state's agent in implementing international projects.
3	EuroSibEnerg	Irkutskenergo Krasnoyarskaya HPP TPP GAZA	Irkutskenergo (over 9,000 MW per HPP), Krasnoyarskaya HPP (6,000 MW).	In relation to trade in electrical energy, competition concerning volumes during the high-water period. In relation to development, competition with shareholders of private HPPs for the right to develop hydro potential.
4	Gazprom Energoholding	TGC-1 OJSC Mosenergo (TGC-3) OGK-2 (includes assets of the former OGK-2 and OGK-6) MIPC (Moscow Integrated Power Company)	The competitor's advantages: broad territorial "dispersion", main generating capacities in the Russian Federation (70 %), possibility of submitting price bids on the DAM and priority of loading in the heating cycle.	In relation to trade in electrical energy, competition with respect to volume during various hours of the day in the heating cycle.

No.	Holding company	Generating companies that are members of the holding	Description	Area of competition
5	KES Holding	TGC-5 TGC-6 TGC-7 (Volga TGC) TGC-9	The competitor's disadvantages: comparatively low manoeuvrability, dependence of the return on sales of generated electricity from the prices for fuel.	
6	E.ON	OGK-4		
7	Enel	OGK-5		
8	SGC	Kuzbassenergo (TGC 12) Yenisei TGC-13 (TGC 13)		
9	LUKOIL	LUKOIL Ecoenergo (TGC 8)		
10	RU-COM	SIBECO (Novosibirskenergo)		
11	Sintez Group	TGC-2		
12	Onexim	Kvadra (TGC-4)		
13	Fortum	Fortum (TGC-10)		
14	RZHD (Russian Railways)	TGC-14		
15	TAIF	TGC-16		

The list of the Issuer's competitiveness factors with a description of their degree of influence, in the Issuer's opinion, on the competitiveness of products (works, services):

1. Environmental friendliness. Hydro resources are renewable and the most ecological source of energy, the use of which makes it possible to cut discharges into the atmosphere by thermal electrical power plants and to preserve hydrocarbon reserves.

2. A high degree of manoeuvrability because it is HPPs that are the most manoeuvrable and capable, if necessary, of substantially increasing the volumes produced in just a few minutes covering peak loads.

3. Absence of a fuel component in production cost, independence from changes in prices for energy sources and, as a consequence, the possibility of long-term price guarantees for consumers.

The Issuer's competitors abroad:

No.	Company	Installed capacity, MW
1	Eletrobras (Brazil)	42,987
2	Hydro-Québec (Canada)	36,671
3	China Yangtze Power (China)	28,100
4	United States Corps of Engineers (USCE) (USA)	22,900
5	Statkraft (Norway)	17,607
6	Edelca (Venezuela)	15,667
7	US Bureau of Reclamation	14,722
8	BC Hydro (Canada)	11,000

There are a number of generation companies in the world of which capacities are based on hydro power plants and are held by the state.

1. Brazilian Eletrobras (42,987 MW) is the largest hydro generation company in the world. At the same time, it is the largest generation company of Brazil and Latin America. Its assets include a number of large HPPs, including Itaipu HPP at the Parana River, the second in terms of capacity in the world. The company is controlled by the state, which holds 52 % of its shares.

2. Canadian Hydro-Québec (36,671 MW), the largest generation company of Canada, which played a great role in the economic development of the Province of Quebec. The company's assets include a great number of HPPs, including large cascades at the Manicouagan and La Grande rivers. The company is held by authorities of the Province of Quebec.

3. China Yangtze Power, located in China — 28,100 MW. That company has only two HPPs. The Three Gorges Dam is the largest hydro power plant in the world, with a designed capacity of 25.3 GW, and downstream HPP, the Gezhouba Dam, with a capacity of 2.8 GW. The company is controlled by the state.

4. The United States Corps of Engineers (USCE), 22,900 MW. It is not an energy company in the truest sense of the word, but a state office engaged in construction and operation of HPPs (electricity is sold by other state structures).

5. Norwegian Statkraft — 17,607 MW. It is the largest energy producer in Norway and the third in Scandinavia. About 150 HPPs are held by the company, the majority with storage reservoirs for multi-annual regulation. The company is a 100 % state company.

6. Venezuela Edelca, 15,667 MW. The main asset of the company is Guri HPP on the Caroni River, with a capacity of 10.2 GW, which is third in the world in terms of capacity. The company ensures the majority of the power supply of Venezuela and is fully controlled by the state.

7. The US Bureau of Reclamation, 14,722 MW. Again, it is not an energy company in traditional sense, but it operates a variety of HPPs, including the famous Hoover Dam.

8. Canadian BC Hydro (11,000 MW), the largest electricity producer in the province of British Columbia. The company holds 30 HPPs, and the company is held by authorities of the province.

Electrical Power Market of Armenia

In 2011, JSC RusHydro acquired 90 % of the shares of Sevano-Razdanskiy Cascade of HPPs with a total capacity of 562 MW of installed capacity in the Republic of Armenia. Thereby, in entering the electrical power market of Armenia, JSC RusHydro has occupied a substantial share of that market.

The Issuer's competitors in Armenia.

Generation object	Type	Installed capacity, MW	Generating companies	Parent company
Vorotanskiy Cascade of HPPs	HPP	404	CJSC Vorotanskiy Cascade of HPPs	Government of Armenia (applicant for acquisition of CJSC Contour Global Hydro Cascade (USA))
Dzoragetskaya HPP	HPP	25	CJSC Dzora HPP	Offshore company Global-Contact
Small HPPs	HPP	66	SHPPs	Private Investors
Armenian NPP	NPP	440	CJSC Armenian NPP	JSC Inter RAO UES, management
Razdanskaya TPP	TPP	1,110	LLC RazTES	JSC Inter RAO UES
Razdanskaya TPP (5th energy unit)	TPP	467	ArmRosgazprom	JSC Gazprom
Erevanskaya TPP	TPP	100	CJSC Erevanskaya TPP	Government of Armenia

V. Detailed Information on Members of the Issuer's Management Entities, the Issuer's Bodies, Monitoring Financial and Economic Activities, and Backgrounds of the Issuer's Employees (Workers)

5.1. Information on Structure and Terms of Reference of the Issuer's Management Entities

Full description of the structure and competence of the Issuer's management entities pursuant to the Issuer's Charter (constituent documents):

The management entities of the Issuer:

General Meeting of Shareholders;

Board of Directors.

The executive bodies of the Issuer:

Management Board, the collective executive body;

Chairman of the Management Board, CEO, the sole executive body.

The competence of the General Meeting of Shareholders is specified in Article 10 of the Issuer's Charter:

"10.2. The General Meeting of Shareholders shall have the competence to:

- 1) Amend the Charter or approve a restated version of the Charter;
 - 2) Reorganize the Company.
 - 3) Liquidate the Company, appoint the Liquidation Commission, and approve the interim and final liquidation balance sheets.
 - 4) Determine the quantity, par value, and category (class) of the declared shares and the rights provided by the said shares.
 - 5) Increase the Company's authorized capital by way of raising the par value of shares or by placing additional shares as specified in the Federal Law On Joint-Stock Companies;
 - 6) Reduce the Company's authorized capital by reducing the par value of shares, by acquiring a part of the shares for the Company to reduce their total quantity, as well as by cancelling shares acquired or redeemed by the Company;
 - 7) Split and consolidate shares in the Company;
 - 8) Pass a resolution on placement by the Company of bonds convertible into shares and other equity securities convertible into shares;
 - 9) Elect members of the Company's Board of Directors and terminate their powers;
 - 10) Elect members of the Company's Internal Audit Commission and terminate their powers;
 - 11) Approve the Company's Auditor;
 - 12) Approve annual reports, annual accounting (financial) statements, including profit and loss statement of the Company, as well as distribute profits (including pay (declare) dividends, with the exception of profits distributed as dividends for the first three, six or nine months of the financial year) and losses incurred by the Company in the financial year;
 - 13) Pay (declare) dividends for the first three, six or nine months of the financial year;
 - 14) Decide on approval of major transactions in cases provided in Article 79 of the Federal Law On Joint-Stock Companies;
 - 15) Decide on approval of transactions in cases provided in Article 83 of the Federal Law On Joint-Stock Companies;
 - 16) Decide on participation in financial and industrial groups, associations and other groups of commercial organisations;
 - 17) Approve internal documents governing the activities of the Company's management and supervisory bodies;
 - 18) Decide on payment of remuneration and/or compensation to members of the Internal Audit Commission;
 - 19) Decide on payment of remuneration and/or compensation to the members of the Company's Board of Directors;
 - 20) Decide on handling the application for delisting the Company's shares and/or the Company's equity securities convertible into its shares;
 - 21) Resolve other matters as provided for by the Federal Law on Joint-Stock Companies.
- 10.3. Matters falling under the competence of the General Meeting of Shareholders shall not be transferred to the Board of Directors, Management Board and sole executive body of the Company.
- The General Meeting of Shareholders may not discuss or decide on any issues outside its competence pursuant to the Federal Law On Joint-Stock Companies.

The competence of the Issuer's Board of Directors is specified in Article 12 of the Issuer's Charter:

"12.1. The Board of Directors shall exercise general management of the Company's activities, except for the matters that fall under the competence of the General Meeting of Shareholders pursuant to the Federal Law On Joint-Stock Companies and the Charter.

Competence of the Board of Directors shall include the following issues:

1) Determine priority areas of the Company's activities and approve long-term development programs of the Company (including the Company's investment program, the Company's development strategy, and examining reports on implementation of the Company's development strategy);

2) Convene annual and extraordinary General Meetings of Shareholders and pass resolutions on issues related to the calling, preparing, and holding General Meetings of Shareholders;

3) Place the Company's bonds and other equity securities, unless otherwise stipulated under the Federal Law On Joint-Stock Companies and this Charter;

4) Approve resolutions on the issue (additional issues) of securities, prospectus of securities, reports on acquisition of shares from the Company's shareholders, reports on redemption of shares, reports on the results of requests by the Company's shareholders concerning buyout of shares held by them;

5) Determine the price (monetary value) of property, the price of placement or the procedure for determining the price of equity securities placement and the price of repurchase of the Company's equity securities, as stipulated under the Federal Law On Joint-Stock Companies and when resolving the issues stated in Subclauses 7, 20, and 21 of Clause 12.1 of this Charter;

6) Acquire shares, bonds, and other securities issued by the Company as stipulated under the Federal Law On Joint-Stock Companies or other federal laws;

7) Dispose of (sell) the Company's shares acquired by the Company as a result of purchase or buyout of shares from the Company's shareholders or otherwise in accordance with laws and regulations of the Russian Federation;

8) Determine the number of members in the Company's Management Board, elect the Management Board's members, determine remuneration and compensation payable to them, terminate their powers, including decisions on termination of their contracts;

9) Elect the Chairman of the Management Board, CEO and terminate his/her powers, including passing a resolution terminating his/her labour contract, apply disciplinary penalties and incentives to the Chairman of the Management Board in accordance with labour laws of the Russian Federation, and pass resolutions on nominating the Chairman of the Management Board for national and industry awards;

10) Authorise an individual acting as the sole executive body and members of the Management Board to hold posts in management bodies of other companies, as well as other paid positions in other companies;

11) Elect the Chairman and Deputy Chairman of the Board of Directors and terminate their powers;

12) Form committees of the Company's Board of Directors, elect members of committees of the Board of Directors, and approve regulations for the committees of the Company's Board of Directors;

13) Elect the Corporate Secretary of the Company and terminate his/her powers;

14) Approve (adjust) the Company's key performance indicators, business plan of the Company, and review reports on their implementation;

15) Determine remuneration payable to the Auditor;

16) Give recommendations to the General Meeting of Shareholders for dividend on shares, payment term and date at which persons entitled to dividends are determined;

17) Approve internal documents of the Company establishing the procedure for formation and use of the Company's funds, and pass decisions on the use of the Company's funds;

18) Approve internal documents of the Company, other than internal documents to be approved by the General Meeting of Shareholders or delegated to the executive bodies of the Company, and approve internal documents drafted for the purpose of compliance with the requirements of laws and regulations of the Russian Federation and securities market organiser's regulations for issuers, the shares of which are traded on the stock market;

19) Establish affiliates and open representative offices of the Company, liquidate them, make amendments to the Company's Charter concerning establishment of affiliates and opening of representative offices (including changes in names and locations of affiliates and representative offices of the Company) and their liquidation;

20) Adopt resolutions on participation and termination of participation of the Company in other companies (except for the companies specified in Subclause 16 of Clause 10.2 of Article 10 of the Charter);

21) Give prior approval of decisions on the Company's entering into:

a) Transactions with non-current assets of the Company in excess of ten (10) per cent of the balance sheet value of such assets of the Company as at the date of the decision to enter into such transaction;

b) Transactions (several associated transactions) involving disposal or potential disposal of the Company's property making fixed assets, intangible assets, and construction in progress in cases (amounts) and in a manner subject to individual resolutions to be passed by the Company's Board of Directors;

Appendix No. 1

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

Auditor's Report
on Financial Statements
2014

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.

660017, Russian Federation, Krasnoyarsky region, Krasnoyarsk, Dubrovinskogo str, 43, bld. 1

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
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru*

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



Auditor's Report

To the Shareholders of 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 2014, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 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 2014 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 2014 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 13,535 million, as of 31 December 2012 – RUB 12,394 million.

Director of ZAO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

5 March 2015

BALANCE SHEET as at 31 December 2014

Organisation Open joint stock company Federal Hydro Generating Company-RusHydro (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: 43 Dubrovinskogo Street, bld. 1, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017

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

CODES	
Form on OKUD	0710001
Date (year, month, day)	2014/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,032	1,078	719
	Results of research and development	1120	843	859	751
3.1.1	Property, plant and equipment, incl.:	1150	378,027	350,049	331,879
	fixed assets	1151	321,645	302,864	288,823
	construction in process	1152	56,382	47,185	43,056
3.1.1	Income-bearing investments in tangible assets	1160	7,189	7,313	7,437
3.1.2	Financial investments	1170	264,352	143,059	93,660
	investments in subsidiaries, associates and other entities	1171	230,313	110,041	74,900
	loans issued	1172	34,039	33,018	18,760
3.1.3	Other non-current assets	1190	3,538	2,987	2,772
	Total Section I	1100	654,981	505,345	437,218
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	3,437	2,861	2,055
3.10	Value added tax on goods purchased	1220	105	356	505
3.2.2	Accounts receivable, incl.:	1230	144,565	233,480	226,374
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	62,341	80,323	75,630
	buyers and customers	1231.1	409	103	128
	advances issued	1231.2	31,099	35,084	37,426
	promissory notes	1231.3	27,563	27,040	26,633
	loans issued	1231.4	1,503	16,817	9,235
	other debtors	1231.5	1,767	1,279	2,208
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	82,224	153,157	150,744
	buyers and customers	1232.1	5,840	5,648	6,567
	advances issued	1232.2	12,870	15,517	12,173
	promissory notes	1232.3	19,119	22,954	73,502
	loans issued	1232.4	26,384	5,552	42,312
	other debtors	1232.5	18,011	103,486	16,190
3.2.3	Financial investments (excl. cash equivalents)	1240	43,446	55,608	63,790
	bank deposits	1241	33,307	50,000	50,000
	loans issued	1242	10,139	5,568	12,290
	promissory notes	1243	-	40	711
	other financial investments	1244	-	-	789
3.2.4	Cash and cash equivalents	1250	9,032	18,546	23,820
	Other current assets	1260	14	10	17
	Total Section II	1200	200,599	310,861	316,561
	TOTAL	1600	855,580	816,206	753,779

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Note	Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	386,255	317,638	317,638
3.3.2	Revaluation of non-current assets	1340	53,111	53,325	53,578
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	8,240	6,474	5,739
	Retained earnings (loss), incl.:	1370	212,430	188,482	157,319
	undistributed profit of previous years	1371	181,701	153,161	142,617
	undistributed profit of the current year	1372	30,729	35,321	14,702
	Total Section III	1300	718,460	624,343	592,698
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	92,262	97,965	49,866
3.10	Deferred tax liabilities	1420	9,672	7,184	5,252
3.4.2	Other liabilities	1450	2,335	2,028	1,950
	Total Section IV	1400	104,269	107,177	57,068
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	21,915	4,926	44,906
3.5.2	Accounts payable, incl.:	1520	8,575	77,468	57,822
	suppliers and contractors	1521	5,295	5,170	5,326
	payables to employees	1522	823	601	717
	payables to state non-budgetary funds	1523	119	87	59
	taxes payable	1524	1,923	2,570	1,296
	dividends payable	1525	65	47	33
	payables in respect of shares issued	1526	-	68,618	50,000
	other creditors	1527	350	375	391
	Income of future periods	1530	75	77	76
3.5.3	Estimated liabilities	1540	1,405	1,020	408
	Other liabilities	1550	881	1,195	801
	Total Section V	1500	32,851	84,686	104,013
	TOTAL	1700	855,580	816,206	753,779

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

STATEMENT OF FINANCIAL RESULTS for the year ended 31 December 2014

Organisation Open joint stock company Federal Hydro Generating Company - RusHydro (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)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES	
Form on OKUD	0710002
Date (year, month, day)	2014/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	Year ended 31 December 2014	Year ended 31 December 2013
1	2	3	4	5
3.7.1	Revenue	2110	108,478	108,794
3.7.2	Cost of sales	2120	(65,464)	(58,873)
	Gross profit	2100	43,014	49,921
	Profit from sales	2200	43,014	49,921
3.13.7	Income from participation in other companies	2310	382	408
	Interest income	2320	9,247	9,609
	Interest expense	2330	(6,065)	(5,876)
3.9	Other income	2340	17,521	69,813
3.9	Other expense	2350	(23,777)	(76,560)
	Profit before tax	2300	40,322	47,315
3.10	Current income tax, incl.:	2410	(6,840)	(9,862)
	permanent tax liabilities	2421	1,200	2,340
	Change in deferred tax liabilities	2430	(2,432)	(1,715)
	Change in deferred tax assets	2450	83	(139)
	Other	2460	(404)	(278)
	Net profit	2400	30,729	35,321
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	30,729	35,321
3.12	Basic earnings per share, RR	2900	0,07956	0,09248

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

**STATEMENT OF CHANGES IN EQUITY
for 2014**

Organisation **Open joint stock company Federal Hydro Generating Company – RusHydro (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)	2014/12/31
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 2012 for 2013	3100	317,638	112,002	5,739	157,319	592,698
Increase of equity, including:						
net profit	3210	-	-	-	35,321	35,321
additional shares issue	3214	-	-	x	x	-
decrease of equity, including:						
Dividends	3227	x	x	x	(3,676)	(3,676)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(253)	x	253	x
Reserve capital change	3240	x	x	735	(735)	x
Equity as of 31 December 2013 for 2014	3200	317,638	111,749	6,474	188,482	624,343
Increase of equity, including:						
net profit	3310	68,617	-	-	30,729	99,346
additional shares issue	3314	68,617	-	x	x	68,617
Decrease of equity, including:						
Dividends	3327	x	x	x	(5,229)	(5,229)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(214)	x	214	X
Reserve capital change	3340	x	x	1,766	(1,766)	X
Equity as of 31 December 2014	3300	386,255	111,535	8,240	212,430	718,460

III. Net assets

Narrative	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5
Net assets	3600	718,529	624,420	592,774

Chairman of Management Board – General Director _____

E. V. Dod
(clarification of signature)

Chief accountant _____

D. V. Finkel
(clarification of signature)

5 March 2015

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STATEMENT OF CASH FLOWS for 2014

Organisation Open joint stock company Federal Hydro Generating Company – RusHydro (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)	2014/12/31
OKPO	75782411
INN	2460066195
OKVED	40.10.12
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	108,303	110,298
	sales of products, goods, work and services	4111	106,687	107,557
	lease payments, license payments, royalties, commissions and other payments	4112	210	237
3.2.4	other receipts	4119	1,406	2,504
	Payments including:	4120	(65,608)	(63,290)
	to suppliers (contractors) – raw materials, works and services	4121	(32,284)	(29,466)
	wages and salaries	4122	(7,667)	(6,221)
	interest on debt liabilities	4123	(6,017)	(5,496)
	corporate income tax	4124	(6,551)	(10,067)
3.2.4	other payments	4129	(13,089)	(12,040)
	Net cash flows from operating activities	4100	42,695	47,008
	Cash flows from investing activities			
	Receipts, including:	4210	32,089	59,435
	sale of non-current assets (except for investments)	4211	196	29
	sale of shares of other organisations (ownership interest)	4212	12	1,663
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	7,336	47,094
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	7,824	10,649
3.2.4	other receipts	4219	16,721	-
	Payments, including:	4220	(87,344)	(115,307)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(37,006)	(31,767)
	related to purchase of shares of other organisations (ownership interest)	4222	(29,650)	(54,932)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(18,118)	(25,667)
	borrowing costs included in the cost of the investment assets	4224	(2,570)	(2,941)
	Net cash flows from investing activities	4200	(55,255)	(55,872)

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Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	13,663	31,156
	borrowings and bank loans	4311	13,663	11,134
	issue of shares, increase in ownership interest	4313	-	22
	issue of bonds, promissory notes and other debt securities, etc.	4314	-	20,000
	Payments, including:	4320	(10,467)	(27,584)
	dividends and other distributions to owners	4322	(5,226)	(3,554)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(4,984)	(23,556)
3.2.4	other payments	4329	(257)	(474)
	Net cash flows from financing activities	4300	3,196	3,572
	Net cash flows for the reporting period	4400	(9,364)	(5,292)
	Cash and cash equivalents at the beginning of the reporting period	4450	18,546	23,820
	Cash and cash equivalents at the end of the reporting period	4500	9,032	18,546
	Foreign exchange rate difference	4490	(150)	18

Chairman of Management Board – General Director

E. V. Dod

(clarification of signature)

Chief accountant

D. V. Finkel

(clarification of signature)

5 March 2015

Explanatory Notes to the 2014 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, additional and reserve 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).....	33
3.2	Current assets (Section II of the balance sheet)	34
3.2.1	Inventories (line 1210 the balance sheet)	34
3.2.2	Accounts receivable (line 1230 of the balance sheet).....	34
3.2.3	Short-term investments (Line 1240 of the balance sheet)	43
3.2.4	Cash and cash equivalents (line 1250 of the balance sheet).....	45
3.3	Equity and reserves (Section III of the balance sheet).....	47
3.3.1	Share capital (line 1310 of the balance sheet).....	47
3.3.2	Revaluation of non-current assets (line 1340 of the balance sheet).....	48
3.3.3	Additional paid-in capital (line 1350 of the balance sheet).....	48
3.3.4	Reserve capital (line 1360 of the balance sheet).....	48
3.4	Non-current liabilities (Section IV of the balance sheet).....	48

3.4.1	Long-term borrowings (line 1410 of the balance sheet).....	48
3.4.2	Other non-current liabilities (line 1450 of the balance sheet).....	50
3.5	Current liabilities (Section V of the balance sheet).....	50
3.5.1	Short-term borrowings (line 1510 of the Balance sheet).....	50
3.5.2	Accounts payable (line 1520 of the balance sheet)	51
3.5.3	Estimated liabilities (line 1540 of the balance sheet)	53
3.6	Off-balance-sheet valuables	53
3.6.1	Leased property, plant and equipment.....	53
3.6.2	Collateral for liabilities and payments received	54
3.6.3	Collateral for liabilities and payments issued	55
3.7	Income and expenses on operating activities (statement of financial results)	56
3.7.1	Revenue (line 2110 of the statement of financial results)	56
3.7.2	Cost of sales (line 2120 of the statement of financial results).....	56
3.8	Expenses on purchase and use of energy resources	57
3.9	Other income and expenses (line 2340 and line 2350 of the statement of financial results)	57
3.10	Taxes	58
3.11	Dividends	60
3.12	Earnings per share.....	60
3.13	Related Parties	61
3.13.1	Controlling entity.....	61
3.13.2	Sales to related parties.....	61
3.13.3	Purchases from related parties	61
3.13.4	Settlements with non-state pension fund	62
3.13.5	Settlements with related parties	62
3.13.6	Related parties' debt within investments	62
3.13.7	Income from investments in other companies (related parties)	63
3.13.8	Remuneration to key management personnel	63
3.13.9	Cash flows between the Company and subsidiaries/associates	63
3.14	Segment Information	64
3.15	Contingent liabilities.....	64
3.16	Financial risk management.....	65
3.17	Subsequent events	67

I. General information

1.1 Information about the Company

Principal activities of open joint stock company Federal Hydro Generating Company - RusHydro (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: 43 Dubrovinskogo str., bld. 1, Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660017. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2014 the Company employed 5,838 people (as of 31 December 2013 – 6,305 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 2014 the ownership share of the Russian Federation in the Company's share capital amounted to 66.84%.

As of 31 December 2014 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 2014 is as follows:

- Mikhail Poluboyarinov, Chairman of the Board of Directors, First Deputy Chairman, Management Board Member, Vnesheconombank;
- Viktor Danilov-Danilyan, Deputy chairman of the Board of Directors, Director, Water Engineering Institute, Russian Academy of Sciences, Chairman of the Audit Committee and the Nominations and Reimbursement Committee;
- Boris Ayuev, Chairman of the Management Board, OJSC System Operator of UES;
- Maxim Bystrov, Chairman of the Management Board, OJSC TSA, Chairman of the Investments Committee;
- Eduard Volkov, General Director, Power Engineering Institute;
- Evgeny Dod, Chairman of the Management Board, General director, OJSC RusHydro;
- Viktor Zimin, Chairman of the Government, Republic of Khakassia;
- Larisa Kalanda, State Secretary-Vice President, OJSC NK Rosneft, acting General Director, OJSC ROSNEFTEGAZ;
- Vyacheslav Kravchenko, Deputy Minister of Energy of the Russian Federation;
- Denis Morozov, Director from the Russian Federation in the Board of Directors of European Bank for Reconstruction and Development (EBRD);
- Vyacheslav Pivovarov, Chief Executive Officer, LLC Altera Capital;
- Sergey Shishin, Senior Vice-President, OJSC VTB Bank;
- Andrey Shishkin, Vice President, OJSC Rosneft.

According to the decision made by the Company's general meeting of shareholders held on 27 June 2014 (Minutes No 12) Eduard Volkov, Larisa Kalanda, Vyacheslav Kravchenko and Andrey Shishkin were elected to the Board of Directors; the powers of Christian Andreas Berndt, Andrey Bugrov, Sergey Ivanov and Vladimir Stolyarenko were terminated.

As of 31 December 2014 the Company's Management Board includes:

- Evgeny V. Dod, Chairman of the Management Board, General director,

- Boris Bogush, First Deputy General Director, Chief engineer,
- Mikhail Mantrov, First Deputy General Director,
- George Rizhinashvili, First Deputy General Director,
- Vladimir Tokarev, First Deputy General Director.

According to the decision made by the Company's Board of directors held on 28 October 2014 (Minutes No 205) Vladimir Tokarev was elected to the Company's Management Board; the powers of Management Board's members Rakhmetulla Alzhanov, Vladimir Pekhtin, Sergey Tsoy, Sergey Abrashin, Konstantin Bessmertny, Sergey Voskresensky, Yury Gorbenko, Evgeny Gorev, Stanislav Savin and Sergey Tolstoguzov were terminated.

As of 31 December 2014 members of the Company's Internal Audit Commission included:

- Alexander Bogashov, Department Advisor at the Ministry of Energy of Russia,
- Denis Kant Mandal, Acting Head of department at the Federal Property Management Agency,
- Igor Repin, Deputy Executive Director, Investor protection association,
- Vladimir Hvorov, Department Leading Expert in the Russian Ministry of Economic Development,
- Andrey Yudin, Deputy Head of department at the Ministry of Energy of Russia.

According to the decision made by the Company's annual general meeting of shareholders held on 27 June 2014 (Minutes No 12) Alexander Bogashov, Denis Kant Mandal, Igor Repin and Andrey Yudin were elected to the Internal Audit Commission; the powers of Anna Drokov, Leonid Neganov, Maria Tikhonova and Alan Khadziyev were terminated.

1.2 The Company's operating environment

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

Worldwide politic and economic events including situation in Ukraine and oil prices reduction may have a negative influence on the Russian economy, specifically in terms of further depreciation of the rouble, increase of interest rates, loss of liquidity and difficulties with international financing. These events including actual and future international sanctions concerning certain Russian companies and individuals and related uncertainty and volatility of the financial markets may have a negative effect on the Russian financial and corporate sectors in particular on the Company's activity and financial position consequences of which are hard to predict. 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 was reduced from BBB at positive forecast to BBB- at negative forecast (according to Fitch rating agency), to BB+ to negative forecast (according to Standard & Poor's rating agency), from Baa3 to Ba1 (according to Moody's rating agency) following the results of 2014 year due to the external factors such as oil prices reduction and depreciation of the rouble. This is clearly a negative factor but is related to anti-Russian sanctions. The country risk level may differ depending on the continuity or termination of this policy.

February 2015 Moody's rating agency decreased the Company's rating from Ba1 to Ba2 at negative forecast.

Investor's' comprehension of the country risks reduces the net volume of foreign investment in Russia and has a negative influence on the Russian economy. As well as Russia produces and exports large amounts of gas and oil, the Russian economy is especially vulnerable to the changes of international prices of energy resources; the reduction of gas and oil prices significantly affects the Russian economy development. These events may restrict the access of the Company to the capital and have an adverse impact on consumer purchasing power.

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

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

Due to enhancement of the state control over energy industry the Company pays considerable attention to transparency and confidence of control procedures relating to budget funds expenditure within the Company's investment programme and also develops and improves the corporate internal control system and risk management. The company takes the required steps to prevent negative influence of the above risks on its operations.

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

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

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

Reputation risks

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

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

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

Besides the Company takes measures to prevent corruption. The code of conduct, regulations on the procedure of the employer's notification about inducement of personnel to unlawful acts, gifts, conflict of interests arrangement procedures etc. are adopted by the Company. The "Trust line" acts on an on-going basis.

The Company works closely with Ministry of energy, Federal tax service, Federal financial monitoring service within the anti-corruption and control of fraud activities.

Other risks

To manage the risks the Company focuses on other operating risks including 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 56.2584 as of 31 December 2014 (31 December 2013: USD 1 = RUB 32.7292, 31 December 2012: USD 1 = 30.3727), EUR 1 = RUB 68.3427 as of 31 December 2014 (31 December 2013: EUR 1 = RUB 44.9699, 31 December 2012: EUR 1 = RUB 40.2286).

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

2.3 Accounting for assets and liabilities

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

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

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

Advances issued and received are recorded in the balance sheet including VAT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is not accrued on:

- land plots and natural resources;
- 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 for the purpose intended on a straight-line basis during the periods which they relate to.

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

2.8 Accounts receivable

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

Accounts receivable 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, additional and reserve capital

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

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

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

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

2.11 Loans and bank credits received

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

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

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

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

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

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

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

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 2014 and 2015 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

The procedure of net assets' cost determination was changed from the financial statements for 2014 year in relation to enactment of Minfin of RF order dd 28 August 2014 No 84n "Concerning approval of the procedure of net assets' cost determination".

The difference in the net asset calculation compared to the Calculation of Net Assets of Joint Stock Companies, approved by Order of the Russian Ministry of Finance and Federal Commission for the Securities Market No.10n, 03-6/pz, of 29.01.2003, is that new procedure specifies exception of the income of future periods related to the receipt of government grants or donated assets from the calculation of liabilities. Other types of the income of future periods are not applicable for exception from the calculation of liabilities.

The use of this new procedure doesn't result in adjustment of the line 3600 "Net assets" of the Statement of changes in equity as of 31 December 2013 and 2012.

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 2014	31 December 2013	31 December 2012
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	188,410	189,486	191,295
Machinery and equipment	98,216	77,084	61,930
Buildings	34,457	35,349	34,778
Motor vehicles	56	406	212
Production and maintenance tools	281	349	407
Land plots	3	3	3
Other types of property, plant and equipment	222	187	198
Total line 1151 "Property, plant and equipment"	321,645	302,864	288,823
Line 1160 "Income-bearing investments in tangible assets", including:			
Facilities and transmission equipment	7,189	7,313	7,437
Total in line 1160 "Income-bearing investments in tangible assets"	7,189	7,313	7,437

As of 31 December 2014 income-bearing investments in tangible assets amount to RUB 7,189 million (as of 31 December 2013 r. – RUB 7,313 million, as of 31 December 2012 – RUB 7,437) and relate to five dams in Irkutsk region received in 2011 as part of additional issues of the Company's shares.

OA0 RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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

Narrative	Period	At the beginning of the year		Changes for the period			At the end of the year	
		Cost	Accumulated depreciation	Disposals	Accumulated depreciation	Depreciation accrued*	Cost	Accumulated depreciation
Property, plant and equipment including:	2013	331,390	(42,567)	(1,822)	829	(12,374)	356,976	(54,112)
	2014	356,976	(54,112)	(3,310)	1,645	(15,028)	389,140	(67,495)
Facilities and transmission equipment	2013	208,550	(17,255)	(95)	49	(4,098)	210,790	(21,304)
	2014	210,790	(21,304)	(70)	54	(4,324)	213,984	(25,574)
Machinery and equipment	2013	83,450	(21,520)	(1,688)	762	(7,302)	105,144	(28,060)
	2014	105,144	(28,060)	(1,234)	841	(9,700)	135,135	(36,919)
Buildings	2013	37,823	(3,045)	(2)	1	(714)	39,107	(3,758)
	2014	39,107	(3,758)	(1,241)	309	(766)	38,672	(4,215)
Motor vehicles	2013	487	(275)	(5)	3	(77)	755	(349)
	2014	755	(349)	(698)	377	(54)	82	(26)
Production and maintenance tools	2013	768	(361)	(31)	13	(151)	848	(499)
	2014	848	(499)	(53)	50	(159)	889	(608)
Land plots	2013	3	-	-	-	-	3	-
	2014	3	-	-	-	-	3	-
Other types of property, plant and equipment	2013	309	(111)	(1)	1	(32)	329	(142)
	2014	329	(142)	(14)	14	(25)	375	(153)
Income-bearing investments in tangible assets including:	2013	7,592	(155)	-	-	(124)	7,592	(279)
	2014	7,592	(279)	-	-	(124)	7,592	(403)
Facilities and transmission equipment	2013	7,592	(155)	-	-	(124)	7,592	(279)
	2014	7,592	(279)	-	-	(124)	7,592	(403)

* Cost of property, plant and equipment received in 2014 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 2,322 million for 2013 : RUB 585 million). Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

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

Narrative	2014	2013
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	16,990	13,791
Machinery and equipment	15,081	11,962
Facilities and transmission equipment	1,669	1,359
Other types of property, plant and equipment	240	470
Decrease in value of property, plant and equipment as a result of partial liquidation including:	205	657
Machinery and equipment	191	612
Other types of property, plant and equipment	14	45

Other use of property, plant and equipment

Narrative	31 December 2014	31 December 2013	31 December 2012
Leased out PP&E recognised on the balance sheet	1,760	1,593	1,821
Leased PP&E recognised on the balance sheet	-	-	-
Leased PP&E recognised in the off-balance-sheet accounts	34,097	33,754	33,906
Real estate assets which were put into operation and actually used but are in the process of state registration	2,094	1,716	1,103
PP&E that have been temporarily shut down	77	94	40

OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

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:	2013	43,056	31,407	(469)	14	(26,823)	47,185
	2014	47,185	42,432	(69)	(14)	(33,152)	56,382
Construction-in-progress	2013	34,313	16,797	(220)	14,756	(26,380)	39,266
	2014	39,266	19,150	(26)	25,951	(32,838)	51,503
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2013	30	415	-	25	(443)	27
	2014	27	316	(1)	7	(314)	35
	2013	8,713	14,195	(249)	(14,767)	-	7,892
2014	7,892	22,966	(42)	(25,972)	-	4,844	

* 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

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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 2014	31 December 2013	31 December 2012
Investments in subsidiaries	216,413	95,619	66,355
Investments in associates	11,210	11,210	2,284
Investments in other entities	2,690	3,212	6,261
Long-term loans issued	34,039	33,018	18,760
Debt securities	-	-	-
Total line 1170 "Financial investments"	264,352	143,059	93,660

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

ОАО Rushydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Rubles 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) Cost	Accumulated adjustment**	Other movements**	Cost	Accumulated adjustment*	
Long-term investments including:	2013	107,896	(14,236)	62,138	(3,119)	(10,394)	-	774	159,640	(16,581)	
	2014	159,640	(16,581)	129,939	(574)	(8,050)	-	(22)	281,529	(17,177)	
Investments in subsidiaries	2013	67,134	(779)	28,485	-	-	-	779	95,619	-	
	2014	95,619	-	121,586	-	(778)	-	(14)	216,427	(14)	
Investments in associates	2013	2,300	(16)	10,367	-	(1,441)	-	-	11,226	(16)	
	2014	11,226	(16)	-	-	-	-	-	11,226	(16)	
Investments in other entities	2013	12,803	(6,542)	75	(3,119)	-	-	(5)	12,878	(9,666)	
	2014	12,878	(9,666)	75	(574)	(15)	-	(8)	12,938	(10,248)	
Long-term loans issued	2013	18,760	-	23,211	-	(8,953)	-	-	33,018	-	
	2014	33,018	-	8,278	-	(7,257)	-	-	34,039	-	
Debt securities	2013	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)	
	2014	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".

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ОАО RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

(a) Investments in subsidiaries, associates and other entities

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

Subsidiaries and associates and other entities	31 December 2014		31 December 2013		31 December 2012	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	216,413		95,619		66,355	
ОАО Zagorskaya GAES-2	55,924	100.00%	9,780	100.00%	9,780	100.00%
ОАО Ust-Srednekanskaya GES	23,111	67.82%	14,722	50.04%	8,049	35.21%
ОАО RAO ES of the East	18,495	84.39%	18,495	84.39%	15,530	65.75%
ОАО Zaramagskie GES	17,216	99.75%	1,904	98.35%	1,904	98.35%
ОАО Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
ОАО ESK RusHydro	11,832	100.00%-1 share	2,864	100.00% - 1 share	2,864	100.00%- 1 share
АО Sulaksky Hydrocascade	10,094	100.00%	10,094	100.00%	1,134	100.00%
ОАО Hydroinvest	9,550	100.00%	-	100.00%	-	100.00%
ОАО Nizhne-Bureyskaya GES	8,673	100.00%	408	100.00%	408	100.00%
ЗАО Malaya Dmitrovka	6,394	100.00%	5,455	100.00%	2,055	100.00%
ЗАО Blagoveschenskaya TEC	6,302	100.00%	1	100.00%	-	-
АО Leningradskaya GAES	5,898	100.00%	1,690	100.00%	1,690	100.00%
ЗАО Yakutsk GRES-2	5,638	100.00%	1	100.00%	-	-
ЗАО CCGT in the City of Sovetskaya Gavan	4,375	100.00%	1	100.00%	-	-
ОАО Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
ОАО Yuzhno-Yakutsky GEK	3,255	100.00%	3,255	100.00%	10	100.00%
ОАО Geotherm	2,425	99.65%	2,425	99.65%	829	92.80%
ЗАО Hydro-Engineering Siberia	2,292	100.00%	300	100.00%	300	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%
ОАО NIIES	983	100.00%	338	100.00%	338	100.00%
ООО Verkhnebalkarskaya MGES	937	100.00%	118	100.00%	118	100.00%
ОАО Renewable Energy Engineering Centre	694	100.00%	694	100.00%	-	100.00%
ОАО CSO SGES	589	100.00%	589	100.00%	22	100.00%
ОАО Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
Other	1,916		2,665		1,504	
Associates:	11,210		11,210		2,284	
ОАО Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	-	-
ОАО Sakhalin energy company	2,567	28.09%	2,567	31.49%	743	12.44%
ОАО Trest Hydromontazh	-	-	-	-	1,441	33.54%
Other	100		100		100	
Other entities:	2,690		3,212		6,261	
ОАО Inter RAO	1,445	1.94%	2,027	1.94%	5,077	1.94%
ОАО Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	164		104		103	
Total:	230,313		110,041		74,900	

* 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 2014 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 104,455 million, including ОАО Zagorskaya GAES-2 for the amount of RUB 46,144 million, ОАО Zaramagskie GES for the amount of RUB 15,312 million, ОАО Hydroinvest for the amount of RUB 9,550 million, ОАО ESK RusHydro for the amount of RUB 8,968 million,

ОАО Уст-Среднеканская ГЭС for RUB 8,389 million, ОАО Нижне-Бурейская ГЭС for RUB 8,265 million, АО Ленинградская ГАЭС for RUB 4,208 million, ЗАО Гидро-Инженеринг Сибиря for the amount of RUB 1,992 million, ЗАО Малая Дмитровка for the amount of RUB 939 million and other companies for the amount of RUB 688 million;

- acquisition of additionally issued shares of subsidiaries whose shares were transferred for trust management to ОАО РАО ЕС of the east for the total of RUB 16,312 million, including ЗАО Благовещенская ТЕС for the amount of RUB 6,301 million, ЗАО Якутск ГРЭС-2 for the amount of RUB 5,637 million and ЗАО "ССТГ в г. Советская Гавань" for the amount of RUB 4,374 million;
- acquisition of share in the share capital of ООО Верхнебурейская МГЭС for the amount of RUB 819 million;
- assessment of investments that have current market value with recognition of a loss amounting to RUB 574 million (see paragraph 3.16 of the Explanatory Notes) including a loss amounting to RUB 582 million related to ОАО ИНТЕР РАО shares.

Investments in subsidiaries that have current market value

As of 31 December 2014, 31 December 2013 and 31 December 2012, investments included shares of the Company's subsidiaries, i.e. ОАО РАО Энергосистемы Востока, ОАО Якутскэнерго and ОАО Дальний Восток Энергетическая Компания, received in 2011–2013 as a result of the additional issue of the Company's shares which are recognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling 20,204 million as of 31 December 2014 (as of 31 December 2013: 20,204 million; as of 31 December 2012: 17,239 million). This valuation exceeds the current market value of the shares as of 31 December 2014, 31 December 2013 and 31 December 2012 by RUB 13,535, RUB 12,394 million and RUB 9,887 million, respectively.

The Company's management plans to get benefits from investments in ОАО РАО Энергосистемы Востока, ОАО Якутскэнерго and ОАО Дальний Восток Энергетическая Компания 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 ОАО РАО Энергосистемы Востока, ОАО Якутскэнерго and ОАО Дальний Восток Энергетическая Компания at the current market value from acquisition date.

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2014.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2014 is RUB 13,535 million (as of 31 December 2013: RUB 12,394 million; as of 31 December 2012: RUB 9,887 million). The Company's net assets would have amounted to RUB 704,994 million, if it included the above unrecognised change in the value (as of 31 December 2013: RUB 612,026 million, as of 31 December 2012: RUB 582,887 million).

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

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

ОАО 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.

Assets in relation to ОАО Zagorskaya HAEPP-2 on the balance sheet of the Company as of 31 December 2014 are as follows:

- within long-term investments: shares of ОАО Zagorskaya HAEPP-2 for the amount of RUB 55,924 million 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 amount of RUB 4,767 million, interest receivable accrued on loans issued for the amount of RUB 650 million and interest-free loan for the amount of RUB 452 million (see paragraph 3.2.2 of the Explanatory Notes).

The analysis of recoverability of these assets performed by the Company as of 31 December 2014 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. February 2015 ОАО AlfaStrakhovanie, one of the insurance companies maintained the insurance of construction risks, acknowledged this accident as an insurable event. ОАО SOGAZ, insured the equipment installed at the plant, also recognised the accident as an insurable event. The final amount of compensation is not yet defined.
- Management plans to perform recovery work and complete construction of Zagorskaya HAEPP-2. As of December 2014 there is 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. 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.

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 2014.

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 79 million (as of 31 December 2013: RUB 58 million, as of 31 December 2012: RUB - 832 million). Original cost of long-term investments for which provision for impairment of investments was made amounts to RUB 111 million as of 31 December 2014 (as of 31 December 2013 - RUB 96 million, as of 31 December 2012 – RUB 874 million).

OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

(b) Long-term loans issued

Loan recipient's name	31 December 2014	31 December 2013	31 December 2012	Annual rate,%
Long-term loans issued to related parties, including:				
OAo Far East Generating Company	10,038	11,538	8,000	MosPrime + 2.48%/ MosPrime + 2.33%/ 7.997%
OAo Zagorskaya GAES-2	7,029	7,029	-	8.213%
OAo Far East Distribution Grid Company	6,630	1,670	-	MosPrime + 2.86%/ MosPrime + 2.33%/ 7.997% - 8.407%
OAo Sakhaenergo	3,476	3,476	-	7.997%
OAo Nizhne-Bureyskaya GES	2,300	694	-	8.213% - 8.420%
OAo Ust-Srednekanskaya GES	1,747	1,747	-	8.213%
ZAO Tekhnopark Rumyantsevo	1,292	1,508	1,503	7.875% – 8.00%
OAo Teploenergосervice	929	929	-	7.997%
OAo Hydroinvest	-	2,082	2,282	
OAo ESK RusHydro	-	1,700	3,294	
ZAO Malaya Dmitrovka	-	205	3,400	
Other	598	440	281	
Total long-term loans issued	34,039	33,018	18,760	

As of 31 December 2014 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- loan to OAo Far East Generating Company amounting to RUB 10,038 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;
- loan to OAo Far East Distribution Grid Company amounting to RUB 6,630 million to refinance liabilities and finance working capital maturing by 14 March 2016, 3 December 2018 and 14 October 2025;
- 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 Nizhne-Bureyskaya GES in the total amount of RUB 2,300 million issued to finance expenses related to investment project «Nizhne-Bureyskaya GES» maturing by 15 April 2016, 5 February 2018 and 25 December 2019;
- 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;
- loan to ZAO Tekhnopark Rumyantsevo in the total amount of RUB 1,292 million issued to refinance liabilities maturing by 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.

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:

OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Narrative	31 December 2014	31 December 2013	31 December 2012
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,620	1,526
Software and licenses	1,461	1,239	823
Borrowing costs	1,175	647	715
Other	458	393	332
Total expenses of future periods, including:	4,714	3,899	3,396
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)	3,538	2,987	2,772
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)	1,176	912	624

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 2014	31 December 2013	31 December 2012
Raw, materials and other inventories	2,241	1,813	1,428
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)	1,176	912	624
Other	20	136	3
Total line 1210 "Inventories"	3,437	2,861	2,055

Raw, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2014 the provision for their impairment amounted to RUB 158 million (31 December 2013: RUB 105 million, 31 December 2012: RUB 20 million).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

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

Total long-term accounts receivable were RUB 62,341 million, 80,323 million and 75,630 million as of 31 December 2014, 2013 and 2012, respectively.

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

Type of long-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Advances issued to suppliers of equipment and capital construction contractors	31,095	35,074	37,296
Interest-free promissory notes received	27,563	27,040	26,633
Interest-free loans issued	1,503	16,817	9,235
Lease receivables	495	927	1,431
Buyers and customers	409	103	128
Other long-term accounts receivable	1,276	362	907

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Type of long-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Total line 1231 “Long-term accounts receivable (payments expected beyond 12 months of the reporting date)”	62,341	80,323	75,630

ОАО Рухydro
Explanatory Notes to the 2014 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	As a result of economic transactions*	Reclassified from short-term to long-term	Repayment*	Accrual/release of doubtful debt provision	Reclassified from long-term to short-term	Recognised under contract	Doubtful debt provision		
Long-term accounts receivable, including:	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	2013	37,296	-	7,787	611	-	-	(10,620)	35,074	-		
Interest-free promissory notes received	2013	26,633	-	1,061	-	(149)	-	(505)	27,040	-		
Interest-free loans issued	2013	16,817	-	3,701	29	(1,578)	-	(17,466)	1,503	-		
Lease receivables	2013	1,431	-	157	53	-	-	(714)	927	-		
Buyers and customers	2013	128	-	65	33	-	-	(530)	495	-		
Other long-term accounts receivable	2013	3,642	(2,735)	675	15	-	-	(1,235)	3,097	(2,735)		
	2014	3,097	(2,735)	1,122	12	(1)	-	(219)	4,011	(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.

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OAo RusHydro
Explanatory Notes to the 2014 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 2014	31 December 2013	31 December 2012
Subsidiaries, including:	1,155	16,530	9,006
OAo ESK RusHydro	1,034	1,034	8,926
OAo Hydroinvest	-	12,381	-
ZAO Blagoveschenskaya TEC	-	1,473	-
OAo MGES Kabardino-Balkarii	-	678	-
ZAO Yakutskaya GRES-2	-	674	-
Other	121	290	80
Other related parties, including:	28	18	24
Loans issued to the Company's key management	28	18	24
Total interest-free loans issued to related parties	1,183	16,548	9,030
Other	320	269	205
Total interest-free loans issued to other counterparties	320	269	205
Total long-term interest-free loans issued	1,503	16,817	9,235

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

Issuer	31 December 2014	31 December 2013	31 December 2012
Other related parties, including:	25,689	25,689	25,689
OAo Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Smelter	4,662	4,662	4,662
Total interest-free promissory notes from related parties	25,689	25,689	25,689
OAo ROSBANK	935	290	-
OAo Alfa-Bank	850	944	707
OAo Ulyanovskenergo	89	62	212
Other	-	55	25
Total interest-free promissory notes from other counterparties	1,874	1,351	944
Total long-term interest-free promissory notes received	27,563	27,040	26,633

As of 31 December 2014, 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:

- OAo 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 2014 is RUB 5,203 million);
- ZAO Boguchansky Aluminium Smelter: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2014 is RUB 1,796 million).

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

Counterparty	31 December 2014	31 December 2013	31 December 2012
OAo Silovye Mashiny	15,208	19,713	23,460
OOO Corporation SpetsHydroProject	6,565	5,534	4,642
Voith Hydro GmbH & Co KG	5,851	5,214	4,483
OAo Hydroremont-BKK	3,120	3,818	2,883
Other	351	795	1,828
Total advances issued to suppliers of equipment and capital construction contractors	31,095	35,074	37,296

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Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2015 are included within short-term advances issued.

Counterparty	31 December 2014	31 December 2013	31 December 2012
Interest receivable accrued on loans issued and promissory notes received, including:	1,258	336	758
Subsidiaries	1,258	336	758
Other accounts receivable	18	26	149
Total other long-term accounts receivable	1,276	362	907

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

Total short-term accounts receivable less doubtful debt provision were RUB 82,224 million, 153,157 million and 150,744 million as of 31 December 2014, 2013 and 2012, respectively.

Type of short-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
Buyers and Customers, including:	5,840	5,648	6,567
Accounts receivable for electricity and capacity	5,521	5,437	6,381
Other	319	211	186
Advances issued, including:	12,870	15,517	12,173
Advances issued to suppliers of equipment and capital construction contractors	12,036	14,309	10,995
Other advances issued	834	1,208	1,178
Other debtors, including:	63,514	131,992	132,004
Interest-free promissory notes received	19,119	22,954	73,502
Interest-free loans issued	26,384	5,552	42,312
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	11,805	98,530	10,714
Taxes receivable	2,252	2,596	2,982
Lease receivables	707	805	1,037
Other	3,247	1,555	1,457
Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)	82,224	153,157	150,744

OA0 RushHydro

Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results

(in millions of Russian Rubles 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	Interest, penalties and other accruals	Disposals	Write-off to the financial result	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
Short-term accounts receivable, including:	2013	155,610	(4,866)	264,908	-	(268,908)	(108)	1,480	(3,061)	8,102	1	159,603	(6,446)
	2014	159,603	(6,446)	168,596	-	(264,082)	-	2,168	(3,848)	26,233	35	90,315	(8,091)
Buyers and customers	2013	10,365	(3,798)	128,609	-	(128,238)	(104)	1,384	(2,599)	29	-	10,661	(5,013)
	2014	10,661	(5,013)	129,193	-	(127,499)	-	2,099	(3,598)	(3)	22	12,330	(6,490)
Advances issued	2013	12,196	(23)	26,464	-	(33,288)	-	7	(6)	10,167	-	15,539	(22)
	2014	15,539	(22)	32,127	-	(42,606)	-	-	(20)	7,852	11	12,901	(31)
Other debtors	2013	133,049	(1,045)	109,835	-	(107,382)	(4)	89	(456)	(2,094)	1	133,403	(1,411)
	2014	133,403	(1,411)	7,276	-	(93,977)	-	69	(230)	18,384	2	65,084	(1,570)

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ОАО RusHydro

Explanatory Notes to the 2014 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 2014	31 December 2013	31 December 2012
ОАО Silovye Mashiny	5,317	6,401	6,200
ООО Corporation SpetsHydroProject	1,817	1,016	13
Voith Hydro GmbH & Co KG	1,160	2,194	242
ОАО Hydroremont-BKK	965	1,365	143
ЗАО Technoserv A/C	441	47	1
ОАО ChirkeiGESstroi	286	-	18
ОАО Trest Hydromontazh	184	60	32
ЗАО A-security	172	61	8
ООО Sovremennye sistemy upravleniya	171	29	-
ООО Energy Standard	165	135	989
ЗАО Pentakon	134	26	41
ООО Construction company StroyLine	127	-	1
ООО Promhydroenergomash	107	136	26
ОАО Hydroelectromontazh	48	420	1,533
IBERDROLA	-	1,061	-
Other	942	1,358	1,748
Total advances issued to suppliers of equipment and capital construction contractors	12,036	14,309	10,995

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

Issuer	31 December 2014	31 December 2013	31 December 2012
Subsidiaries, including:	18,846	22,453	72,350
ООО Index energetiki – HydroOGK	13,646	13,668	13,688
HydroOGK Aluminium Company Ltd	2,142	3,338	3,338
ОАО Zaramagskie GES	1,563	-	13,325
ОАО MGES Kabardino-Balkarii	838	229	229
ОАО Hydroinvest	256	256	256
ОАО Karachaeve-Cherkesskaya Hydrogenerating Company	244	244	244
ОАО Ust-Srednekanskaya GES	-	4,105	3,455
ОАО Zagorskaya GAES-2	-	-	31,071
ЗАО Hydro-engineering Siberia	-	-	1,992
ОАО Nizhne-Bureyskaya GES	-	-	1,885
АО Leningradskaya GAES	-	-	1,466
Other	157	613	1,401
Total interest-free promissory notes from related parties	18,846	22,453	72,350
ОАО Alfa-Bank	195	416	176
ОАО SO UES	-	-	705
Other	78	85	271
Total interest-free promissory notes from other counterparties	273	501	1,152
Total short-term interest-free promissory notes received	19,119	22,954	73,502

As of 31 December 2014, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company are represented by promissory notes payable on demand.

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

OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Counterparty	31 December 2014	31 December 2013	31 December 2012
Subsidiaries, including:	26,313	5,494	42,265
OAo Hydroinvest	12,381	-	21,951
OOO EZOP	5,373	5,423	5,423
OAo Ust-Srednekanskaya GES	2,218	-	2,501
ZAO Blagoveschenskaya TEC	1,473	-	-
ZAO Yakutskaya GRES-2	973	-	-
AO Sulaksky Hydrocascade	923	-	-
OAo MGES Kabardino-Balkarii	780	-	-
ZAO CCGT in the City of Sovetskaya Gavan	631	-	-
OAo Zagorskaya GAES-2	452	-	6,446
AO Leningradskaya GAES	151	-	1,138
OAo Renewable Energy Engineering Centre	9	8	697
OAo Nizhne-Bureyskaya GES	-	-	1,863
OAo ESK RusHydro	-	-	549
Other	949	63	1,697
Other related parties, including:	12	6	7
Loans issued to the Company's key management	12	6	7
Total interest-free loans issued to related parties	26,352	5,500	42,272
Total short-term interest-free loans issued to other counterparties	59	52	40
Total short-term interest-free loans issued	26,384	5,552	42,312

As of 31 December 2014, short-term interest-free loans issued include:

- loans to OAo Hydroinvest in the amount of RUB 12,381 million, transferred from long-term loans, including for the financing OAo RusHydro share purchase agreements maturing by 20 December 2015 in the amount of RUB 11,301 million, for working capital financing maturing by 20 December 2015 in the amount of RUB 1,068 million;
- loans to OOO EZOP in the amount of RUB 5,373 million payable on demand issued (among other purposes) for purchasing ordinary registered uncertificated shares of the Company's additional issue;
- loan to OAo Ust-Srednekanskaya GES in the amount of RUB 2,218 million payable on demand issued for the financing investment project "Ust-Srednekanskaya GES".

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 2014	31 December 2013	31 December 2012
OAo Nizhne-Bureyskaya GES	5,938	8,265	-
OAo Zagorskaya GAES-2	4,767	46,071	-
OAo Zaramagskie GES	-	15,139	-
OAo Hydroinvest	-	9,550	-
OAo ESK RusHydro	-	8,969	-
AO Leningradskaya GAES	-	4,202	-
OAo Ust-Srednekanskaya GES	-	2,872	-
ZAO Hydro-engineering Siberia	-	1,992	-
AO Sulaksky Hydrocascade	-	-	7,566
OAo Yuzhno-Yakutsky GEK	-	-	3,148
Other	1,100	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	11,805	98,530	10,714

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

Item	31 December 2014	31 December 2013	31 December 2012
Income tax	1,530	2,082	2,212
Other taxes and levies	722	514	770
Total tax receivables	2,252	2,596	2,982

Overdue accounts receivable

Item	31 December 2014		31 December 2013		31 December 2012	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	8,527	600	6,455	362	5,104	846
Buyers and customers	6,522	120	4,931	220	4,211	655
Advances issued	490	459	137	115	206	183
Other debtors	1,515	21	1,387	27	687	8

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 2014	31 December 2013	31 December 2012
Bank deposits	33,307	50,000	50,000
Loans issued	10,139	5,568	12,290
Promissory notes	-	40	711
Other investments	-	-	789
Total line 1240 "Investments" (excluding cash equivalents)	43,446	55,608	63,790

OA0 RusHydro
Explanatory Notes to the 2014 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) Historical cost*	Accumulated adjustment	Accrual of impairment provision	Historical cost	Accumulated adjustment
Short-term investments, including:	2013	63,964	(174)	234,449	(242,805)	174	-	55,608	-
	2014	55,608	-	178,552	(190,714)	-	-	43,446	-
Bank deposits	2013	50,000	-	222,711	(222,711)	-	-	50,000	-
	2014	50,000	-	168,473	(185,166)	-	-	33,307	-
Short-term loans issued	2013	12,464	(174)	11,648	(18,544)	174	-	5,568	-
	2014	5,568	-	10,079	(5,508)	-	-	10,139	-
Promissory notes	2013	711	-	90	(761)	-	-	40	-
	2014	40	-	-	(40)	-	-	-	-
Other investments	2013	789	-	-	(789)	-	-	-	-
	2014	-	-	-	-	-	-	-	-

* *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.

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ОАО RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

(a) Bank deposits

As of 31 December 2014, bank deposits include a short-term deposit of RUB 32,884 million placed with OAO Sberbank of Russia maturing by 16 January 2015, 16 February 2015 and 3 March 2015 (as of 31 December 2013 – RUB 50,000 million maturing by 7 February 2014). 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 2014	31 December 2013	31 December 2012	Annual rate,%
Short-term loans issued to related parties, including:				
OAO ESK RusHydro	3,120	1,520	-	8.212%
OAO Far East Generating Company	2,000	1,000	-	MosPrime + 2.48%/ MosPrime + 2.33%
OAO Hydroinvest	1,920	-	-	7,875%
ZAO Verkhne-Narynskie GES	1,484	530	-	LIBOR + 1.5%
OAO ChirkeiGESstroi	450	300	300	8.212% / 8.834%
OAO Nizhne-Bureyskaya GES	282	-	694	8.299%
OAO ESKO UES	260	275	-	8.212%
ZAO Malaya Dmitrovka	205	300	-	8.51%
OAO Far East Distribution Grid Company	-	1,430	-	
OAO Zagorskaya GAES-2	-	-	7,029	
OAO Ust-Srednekanskaya GES	-	-	1,747	
AO Leningradskaya GAES	-	-	1,321	
OAO MGES Kabardino-Balkarii	-	-	408	
ООО Verkhnebalkarskaya MGES	-	-	377	
Other	418	213	414	
Total short-term loans issued	10,139	5,568	12,290	

As of 31 December 2014, short-term loans issued include:

- OAO ESK RusHydro's loans in the total amount of RUB 3,120 million issued for acquisition of shares in the ООО «ESK Bashkortostan» and participation in equity of OAO «RusHydro Bashkortostan Efficiency» maturing by 31 December 2015;
- OAO Far East Generating Company's short-term part of long-term loan in the total amount of RUB 2,000 million issued for refinance liabilities maturing by 15 September 2021 (paragraph 3.1.2 of the Explanatory notes);
- OAO Hydroinvest loan in the total amount of RUB 1,920 million for financing the acquisition of shares in OAO Institute Hydroproject and OAO Krasnoyarskenergosbyt maturing by 20 October 2015;
- ZAO Verkhne-Narynskie GES's loan in the total amount of RUB 1,484 million issued for refinance construction works of Verkhne-Narynskiy cascade of GES.

As of 31 December 2014 loans to OAO Far East Distribution Grid Company were reclassified 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 2014	31 December 2013	31 December 2012
Cash in bank	3,661	1,981	1,615

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ОАО RusHydro**Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

Item	31 December 2014	31 December 2013	31 December 2012
Cash equivalents	5,371	16,565	22,205
Total line 1250 "Cash and cash equivalents"	9,032	18,546	23,820

As of 31 December 2014, 2013 and 2012, there is no restricted cash.

As of 31 December 2014, 2013 and 2012, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2014 there were cash balances denominated in US dollars equivalent to RUB 25 million (31 December 2013: RUB 29 million; 31 December 2012: RUB 0 million). As of 31 December 2014 there were cash balances denominated in Euro equivalent to RUB 2,239 million (31 December 2013: RUB 0 million, 31 December 2012: RUB 26 million).

As of 31 December 2014, interest rates on Rouble deposits were 10.00% – 18.50% p.a. (31 December 2013: 5.29% – 7.40%, 31 December 2012: 5.44% – 7.95%).

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

Credit institution	Rating	Rating agency	31 December 2014	31 December 2013	31 December 2012
Bank deposits, including:					
OAO Sberbank of Russia	BBB	Fitch Ratings	2,615	5,437	9,905
ZAO UniCredit Bank	BBB	Fitch Ratings	2,223	4,500	-
OAO Gazprombank	BBB-	Fitch Ratings	533	1,578	2,200
OAO Nordea Bank			-	2,910	2,100
OAO VTB Bank			-	2,140	820
OAO Alfa-Bank			-	-	5,780
OAO TransCreditBank			-	-	1,400
Total cash equivalents			5,371	16,565	22,205
Cash in banks, including:					
OAO Gazprombank	BBB-	Fitch Ratings	2,910	21	472
OAO Sberbank of Russia	BBB	Fitch Ratings	663	1,931	326
ZAO Peresvet			-	-	600
Other			88	29	217
Total cash in bank			3,661	1,981	1,615

* Bank ratings as of 31.12.2014. Ratings at the issue date of the financial statements were lower.

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	2014	2013
Other receipts from operating activities (line 4119), including:		
Value added tax	1,406	2,504
Penalties, interest and fines recognised or for which court rulings on collection have been received	709	1,877
Receipt of proceeds of insurance and compensation for losses	54	117
	-	76

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Item	2014	2013
Other receipts from operating activities	643	434
Other payments related to operating activities (line 4129), including:	(13,089)	(12,040)
Taxes and levies	(7,300)	(7,024)
Non-budget funds	(1,594)	(1,324)
Charity payments	(1,166)	(1,130)
Business trip expenses	(945)	(813)
Water usage expenses	(877)	(995)
Payment of corporate expenses	(587)	(265)
Other payments related to operating activities	(620)	(489)
Other payments related to investing activities (line 4219), including:	16,721	-
Cash placement on a short-term deposit other than cash equivalent	16,701	-
Other payments related to investing activities	20	-
Other payments related to financing activities (line 4329), including:	(257)	(474)
Settlement of finance lease obligations (payments under lease contracts)	(257)	(473)
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 2014, 2013 and 2012, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2014	Number of shares at 31 December 2013	Number of shares at 31 December 2012
Ordinary shares with nominal value of RUB 1 per share	386,255,464,890	317,637,520,094	317,637,520,094

As of 31 December 2014, 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	112,435,510,802	29.11%
ООО Depository and Corporate Technologies	nominee holder	8,370,726,663	2.17%
Other		7,287,691,819	1.88%
Total		386,255,464,890	100.00%

Additional issue in 2012-2014

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 2014.

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 million for funding construction of electricity assets in the Russian Far East (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes).

As of 31 December 2014, 622 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2013: 651 million shares, 31 December 2012: 593 million shares). Subsidiaries and associates own 21,787 million shares of the Company (31 December 2013: 8,704 million shares, 31 December 2012: 8,704 million shares).

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

As of 31 December 2014, the amount of accumulated revaluation of non-current assets is RUB 53,111 million (31 December 2013: RUB 53,325 million, 31 December 2012: RUB 53,578 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 214 million in 2014 due to disposal of items of property, plant and equipment revalued earlier (2013: RUB 253 million,).

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

As of 31 December 2014, 2013 and 2012, the Company's additional paid capital was RUB 58,424 million, RUB 58,424 million and RUB 58,424 million, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

3.3.4 Reserve capital (line 1360 of the balance sheet)

As of 31 December 2014, 2013 and 2012, the Company's reserve capital was RUB 8,240 million, RUB 6,474 million and RUB 5,739 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 27 June 2014 (Minutes No. 12), the Company allocated 5% of its net profit for 2013 in the amount of RUB 1 766 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 2014	31 December 2013	31 December 2012
OAO Sberbank of Russia	33,389	30,613	-
Russian bonds issued in February 2013	20,000	20,000	-

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OAO RusHydro

Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

Lender / creditor	31 December 2014	31 December 2013	31 December 2012
Russian bonds issued in April 2011	15,000	15,000	15,000
European Bank for Reconstruction and Development	11,030	9,155	10,984
Crédit Agricole Corporate and Investment Bank Deutschland	5,946	-	-
UniCredit Bank Austria AG	5,892	2,862	2,336
Bayerische Landesbank (BayernLB)	1,005	335	46
RusHydro Finance Ltd	-	20,000	20,000
EM Falcon Ltd	-	-	1,500
Total line 1410 "Borrowings"	92,262	97,965	49,866

In March 2014 the Company contracted a loan with Crédit Agricole Corporate and Investment Bank Deutschland in the total amount of Euro 190 million for 15 years for financing the modernisation of hydroturbines of Saratovskaya GES.

In April 2014 the Company received RUB 2,776 million under the agreement on non-revolving credit facility with OAO Sberbank of Russia to finance operational, financing and investing activities including refinancing of credits and loans.

In 2014 the Company also received RUB 3,530 million under the loan agreement with EBRD concluded in 2013 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. June 2014 the loan agreement was amended: the amount of loan was divided into 3 tranches with different interest rates and maturity periods.

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 6M + 0.85%
Crédit Agricole Corporate and Investment Bank Deutschland	2014	2029	190	Euro	Euribor 6M + 0.625%
RusHydro Finance Ltd	2010	2015	20,000	Russian Roubles	7.875%
UniCredit Bank Austria AG	2011	2026	128	Euro	3.35%**
EBRD (Tranche A)	2011	2025	4,000	Russian Roubles	MosPrime 3M+ 2.45%
EBRD (Tranche B)	2011	2021	3,500	Russian Roubles	MosPrime 3M+ 2.32%
EBRD (Tranche A1)	2013	2025	1,770	Russian Roubles	MosPrime 3M+ 2.45%
EBRD (Tranche A2)	2013	2025	870	Russian Roubles	-
EBRD (Tranche B)	2013	2021	1,760	Russian Roubles	MosPrime 3M+ 2.32%
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%****
OAO Sberbank of Russia	2014	2022	2,776	Russian Roubles	MosPrime 3M+ 2.10%

* 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.

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ОАО RusHydro

Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

*** Bonds maturity is 10 years with the right of bond holders of early redemption in 5 years after the date of issue,

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

As of 31 December 2014, 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 20,053 million (31 December 2013: RUB 3,329 million.) (see paragraph 3.5.1 of the Explanatory Notes).

The credit facilities under the agreement with EBRD concluded in 2006 in the amount of RUB 2,984 million as of 31 December 2013 were prepaid in full in 2014.

Besides the credit limits from Bayerische Landesbank (BayernLB), UniCredit Bank Austria AG, Crédit Agricole Corporate and Investment Bank Deutschland and EBRD which are not used in full as of 31 December 2014, the Company didn't have open unused credit lines.

Ageing analysis:

Due for repayment	31 December 2014	31 December 2013	31 December 2012
From 1 to 2 years	15,483	21,676	3,329
From 2 to 3 years	1,272	16,693	21,663
From 3 to 4 years	31,885	1,529	16,663
From 4 to 5 years	1,272	32,142	1,447
Over five years	42,350	25,926	6,764
Total line 1410 "Borrowings"	92,262	97,965	49,866

Interest on borrowings included into the cost of investment assets

In 2014, the amount of interest on borrowings included into the cost of investment assets was RUB 2,639 million (2013: RUB 2,830 million, 2012: RUB 2,868 million), of which RUB 2,198 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2013: RUB 2,481 million, 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 1,746 million as of 31 December 2014 (31 December 2013: RUB 1,559 million, 31 December 2012: RUB 1,265 million) and trade payables in the amount of RUB 589 million as of 31 December 2014 (31 December 2013: RUB 469 million, 31 December 2012: RUB 685 million).

3.5 Current liabilities (Section V of the balance sheet)

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

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
Borrowings, including:	2013	43,575	3,329	(43,575)	3,329
	2014	3,329	22,708	(5,984)	20,053
RusHydro Finance Ltd	2013	-	-	-	-
	2014	-	20,000	-	20,000
European Bank for Reconstruction and Development (EBRD)	2013	829	1,829	(829)	1,829
	2014	1,829	2,655	(4,484)	-
EM Falcon Ltd	2013	923	1,500	(923)	1,500
	2014	1,500	-	(1,500)	-
ОАО Sberbank of Russia	2013	40,000	-	(40,000)	-
	2014	-	-	-	-
CF Structured Products B.V.	2013	1,823	-	(1,823)	-
	2014	-	-	-	-
Other	2013	-	-	-	-
	2014	-	53	-	53
Interest on borrowings,	2013	1,331	8,706	(8,440)	1,597

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OAo RusHydro**Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
including:	2014	1,597	8,853	(8,588)	1,862
Russian bonds issued in February 2013	2013	-	1,346	(847)	499
	2014	499	1,843	(1,695)	647
OAo Sberbank of Russia	2013	586	3,170	(3,299)	457
	2014	457	2,740	(2,676)	521
RusHydro Finance Ltd	2013	280	1,575	(1,575)	280
	2014	280	1,575	(1,575)	280
Russian bonds issued in April 2011	2013	230	1,200	(1,197)	233
	2014	233	1,200	(1,196)	237
European Bank for Reconstruction and Development (EBRD)	2013	143	1,131	(1,164)	110
	2014	110	1,324	(1,260)	174
Other	2013	92	284	(358)	18
	2014	18	174	(186)	3
Total line 1510 "Borrowings"	2013	44,906	12,035	(52,015)	4,926
	2014	4,926	31,561	(14,572)	21,915

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts payable were RUB 8,575 million, 77,468 million and 57,822 million as of 31 December 2014, 2013 and 2012, respectively.

OAo RusHydro

Explanatory Notes to the 2014 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:	2013	57,822	307,588	-	(288,156)	(1)	215	77,468
	2014	77,468	207,652	1	(276,442)	(1)	(103)	8,575
	2013	5,326	67,762	-	(68,132)	(1)	215	5,170
Trade payables	2014	5,170	83,508	1	(83,280)	(1)	(103)	5,295
	2013	717	7,063	-	(7,179)	-	-	601
Wages payable	2014	601	7,924	-	(7,702)	-	-	823
Payable to state non-budget funds	2013	59	1,436	-	(1,408)	-	-	87
	2014	87	1,648	-	(1,616)	-	-	119
	2013	1,296	27,343	-	(26,069)	-	-	2,570
Taxes payable	2014	2,570	20,660	-	(21,307)	-	-	1,923
Payables to the participants (founders) related to income payment	2013	33	3,543	-	(3,529)	-	-	47
	2014	47	5,227	-	(5,209)	-	-	65
Payables in respect of shares issued before the changes to the Charter	2013	50,000	18,618	-	-	-	-	68,618
	2014	68,618	-	-	(68,618)	--	-	-
	2013	391	181,823	-	(181,839)	-	-	375
Other payables	2014	375	88,685	-	(88,710)	-	-	350

* 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 2014	31 December 2013	31 December 2012
Payables to capital construction contractors	1,447	1,640	2,259
Payables to suppliers of equipment and other non-current assets	2,073	1,753	1,520
Payables for purchase of electricity and capacity	856	759	634
Payables to suppliers of repair and maintenance services	276	329	233
Other	643	689	680
Total line 1521 "Trade accounts payable"	5,295	5,170	5,326

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

Tax	31 December 2014	31 December 2013	31 December 2012
Property tax payable	1,343	1,429	1,063
VAT payable	464	1,053	60
Income tax payable	-	-	69
Other taxes payable	116	88	104
Total line 1524 "Taxes payable"	1,923	2,570	1,296

As of 31 December 2013 the balance sheet line 1526 "Payables in respect of shares issued" 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), 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) (see paragraph 3.3.1 of the Explanatory Notes).

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2014 the total estimated liabilities are RUB 1,405 million (31 December 2013: RUB 1,020 million, 31 December 2012: RUB 408 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:	2013	408	2,365	(1,503)	(250)	1,020
	2014	1,020	1,546	(926)	(235)	1,405
for forthcoming payment of earned but unused employee vacations	2013	408	1,044	(713)	(250)	489
	2014	489	1,213	(913)	(235)	554
for litigation on property tax	2013	-	1,321	(790)	-	531
	2014	531	210	(13)	-	728
other	2013	-	-	-	-	-
	2014	-	123	-	-	123

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2014, the total rented property, plant and equipment are RUB 34,097 million (31 December 2013: RUB 33,754 million, 31 December 2012: RUB 33,906 million).

In 2014, the Company did not receive any property, plant and equipment under lease contracts. In 2014, no lease items were recognised on the Company's balance sheet under concluded contracts.

The Company will make lease payments of RUB 37 million (including VAT) for property, plant and equipment received under lease contracts over the period until they expire, including payment of RUB 25 million in 2015. In 2014, the Company accrued RUB 706 million (excluding VAT) and paid

ОАО RusHydro**Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

RUB 304 million in lease payments (RUB 1,097 million and RUB 559 million in 2013, respectively).

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

Lessor	31 December 2014	31 December 2013	31 December 2012
ОАО Зарамagskie GES	5,042	4,995	4,995
Ministry of Property Relations of Moscow region	4,956	4,531	2,808
Territorial Office of Federal Property Management Agency in the Irkutsk Region	3,675	2,154	2,154
ZАО Malaya Dmitrovka	3,349	3,349	3,637
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2,549	2,549	2,549
Perm Department of Land and Property Relations	1,350	1,245	27
Department of Property and Land Relations of Kochubeevsky region	1,060	1,190	745
Territorial Office of Federal Property Management Agency (Republic of Udmurtia)	943	577	601
Novosibirsk Department of Land and Property Relations	779	779	779
Corporate Jet Management Limited	-	-	2,005
Other	4,446	4,091	5,097
Total rent of property, plant and equipment	28,149	25,460	25,397
ООО RB-Leasing	1,894	2,383	2,832
ООО Leasefinance	1,844	3,546	3,353
ООО IR-Leasing	1,792	1,815	1,815
ZАО Business Alliance	321	321	321
Other	97	229	188
Total lease of property, plant and equipment under lease contracts	5,948	8,294	8,509
Total rent and lease of property, plant and equipment	34,097	33,754	33,906

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2014	31 December 2013	31 December 2012
ООО EZOP	5,428	5,428	5,428
Voith Hydro GmbH & Co KG	4,840	3,213	2,098
ОАО Hydroinvest	3,919	3,919	3,919
ОАО Silovye Mashiny	3,018	2,345	2,300
Alstom Hydro France	1,106	1,038	1,068
ОАО Transport company RusHydro	491	-	-
ZАО A-security	398	153	13
ООО Alstom	273	273	602
ООО Energy Standard	27	582	1,216
ОАО Hydroelectromontazh	-	46	1,679
ОАО United Energy Construction Corporation	-	-	532
Other	3,622	2,998	2,524
Total collateral for liabilities and payments received	23,122	19,995	21,379

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).

ОАО RusHydro

Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

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, ЗАО А-security and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

According to property sales contracts bearing interest for payment by instalments to be made by ОАО Transport company RusHydro, the sold property for RUB 491 million was pledged.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2014	31 December 2013	31 December 2012
GC Vnesheconombank	ОАО Boguchanskaya GES	49,133	46,632	40,973
ОАО ТЕК Мосэнерго	ЗАО Yakutskaya GRES-2	15,000	-	-
ОАО Bank of Moscow	ОАО Far East Generating Company	7,042	7,001	6,208
ОАО VTB Bank	ОАО Far East Energy Company	4,921	-	-
GC Vnesheconombank	ЗАО Boguchansky Aluminium Smelter	4,615	4,615	4,615
ОАО VTB Bank	ОАО Far East Generating Company	4,522	4,543	-
European Bank for Reconstruction and Development (EBRD)	ОАО RAO Energy Systems of the East	4,097	4,070	-
ОАО Sberbank of Russia	ОАО Kamchatskenergo	3,979	3,978	-
ЗАО ING BANK (EURASIA)	ЗАО Yakutskaya GRES-2	3,156	-	-
European Investment Bank (EIB)	ОАО RAO Energy Systems of the East	2,326	111	-
EBRD	ЗАО International Energy Corporation	1,417	402	-
Asian Development Bank, ADB	ЗАО International Energy Corporation	1,415	227	-
ОАО Sberbank of Russia	ОАО Sakhalinenergo	651	651	-
ОАО Bank of Moscow	ОАО Sakhalinenergo	499	700	701
Solios Environnement S. A., ALSTOM Grid SAS (AREVA T&D S. A.), ЗАО Commerzbank (Eurasija)	ЗАО Boguchansky Aluminium Smelter	134	82	929
Other	Other	1,197	658	1,164
Total collateral for liabilities and payments issued		104,104	73,670	54,590

In 2014 the Company issued guarantees:

- in terms of liabilities of ЗАО Yakutskaya GRES-2 under the construction agreement with ОАО ТЕК Мосэнерго and the letter of credit agreement with ЗАО ING Bank (Eurasia). Maturity date – 31 December 2015 and 14 August 2015 respectively.
- In terms of liabilities of ОАО Far East Energy Company under the credit agreement with ОАО VTB Bank. The guarantee covers the amount of credit and interest accrued. Maturity date – 30 November 2015.

In 2014 the amount of the guarantee issued in 2013 for liabilities of ЗАО International Energy Corporation under the credit agreement significantly increased. The guarantee covers the amount of credit and interest accrued. Maturity date – 10 September 2027.

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

- total liabilities of ОАО Boguchanskaya GES under the loan agreement, including accumulated interest in the amount of RUB 28,106 million as of 31 December 2014 (31 December 2013: RUB 25,605 million);
- pledge of ОАО Boguchanskaya GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

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

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 (98.8%).

Item	2014	2013
Sale of electricity	76,532	78,975
Sale of capacity	30,678	29,251
Sale of heat	144	141
Other	1,124	427
Total line 2110 "Revenue"	108,478	108,794

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	2014	2013
Purchased electricity and capacity	17,975	16,696
Depreciation and amortisation	13,038	11,853
Wages and social insurance contributions	10,635	8,357
Property tax	6,123	6,004
Repairs and maintenance	3,615	3,308
Fees for administering the wholesale market of electricity and capacity (ОАО СО УЭС, ОАО АРС, ЗАО СФР)	2,770	2,672
Third party services	2,624	1,863
Fire and other security services	1,660	1,434
Insurance expenses	1,185	1,328
Lease expenses	1,140	1,038
Water usage expenses, water tax	836	967
Lease of power equipment	706	1,097
Other expenses	3,157	2,256
Total line 2120 "Cost of sales"	65,464	58,873

Operating expenses include contributions to non-state pension fund ОАО NPF of Electrical Energy Industry. The Company's responsibility to provide the personnel with pension facilities is limited by the amount of financial resources paid in pension fund; this determines the type of pension plan for the Company's personnel as the defined benefit plan.

Operating expenses broken down by cost elements are as follows:

Item	2014	2013
Material expenses	22,605	21,166
Payroll expenses	8,911	6,915

Social contributions	1,724	1,442
Depreciation and amortisation	13,038	11,853
Other costs	19,186	17,497
Total for elements of costs	65,464	58,873
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	65,464	58,873

3.8 Expenses on purchase and use of energy resources

Type of energy resource	Total costs							
	2014				2013			
	Purchase	Use			Purchase	Use		
for production purposes*		for internal needs	losses	for production purposes*		for internal needs	losses	
Electricity** and capacity, including:								
Electricity	3,361	2,512	785	64	2,862	2,005	791	66
Capacity	3,352	2,512	776	64	2,857	2,005	786	66
	9	-	9	-	5	-	5	-

* 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 and to balance the system which were RUB 14,614 million in 2014 and RUB 13,834 million in 2013 (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	2014		2013	
	Income	Expenses	Income	Expenses
Gain and loss on sale of promissory notes	9,307	(9,307)	62,720	(62,720)
Doubtful debt provision	2,168	(3,844)	1,480	(3,049)
Selling foreign currency	1,850	(1,899)	-	-
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,443	(3,427)	136	(391)
Income and expenses from sales, write-off and other transactions with assets	1,017	(1,316)	445	(1,354)
Income and expenses from sale of right of demand	368	(368)	1 117	(893)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	12	(15)	1 663	(1 441)
Charity donations	-	(1,294)	-	(1,321)
Expenses for social events	-	(684)	-	(512)
Gains / (losses) from revaluation of investments measured at current market value	-	(574)	-	(3,119)
Provision for impairment of investments	-	(22)	174	(5)
Other income and expenses	1,356	(1,037)	2,078	(1,755)
Total line 2340 "Other income" and 2350 "Other expenses"	17,521	(23,777)	69,813	(76,560)

3.10 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 31,915 million in the reporting year (2013: RUB 32,149 million), including:

- VAT calculated on sales of goods (work, services) is RUB 19,727 million (2013: RUB 19,639 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,114 million (2013: RUB 10,797 million);
- recoverable amount of tax is RUB 2,074 million (2013: RUB 1,713 million).

Total VAT recoverable in the reporting period was RUB 25,214 million (2013: RUB 23,529 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 12,040 million (2013: RUB 10,182 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 10,115 million (2013: RUB 10,797 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 1,940 million (2013: RUB 2,390 million);
- VAT recovered in 2014 which was paid earlier when the goods were imported to the Russian customs territory was RUB 1,106 million (2013: RUB 151 million);
- other recoverable VAT was RUB 13 million (2013: RUB 9 million).

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

Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 7,989 million (2013: RUB 9,342 million).

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

According to the tax accounting data, the taxable profit for 2014 was RUB 34,525 million (2013: RUB 49,764 million).

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 6,059 million (2013: RUB 12,492 million).

The above non-temporary differences arise from differences in recognising certain income and expenses for accounting and income tax purposes.

Non-temporary differences resulted in permanent tax assets amounted to RUB 5,186 million for 2014 (2013: 4,107 million), including:

- income from reversal of doubtful debt provision in the amount of RUB 2,080 million (2013: RUB 1,292 million);
- income from participation in other entities (dividends) in the amount of RUB 382 for 2014 (2013: RUB 408 million);
- other non-temporary differences in the amount of RUB 2,724 million (2013: RUB 2,317 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 11,245 million for 2014 (2013: 16,509 million), including:

- depreciation of RUB 3,885 million (2013: RUB 3,926 million);
- charges to doubtful debt provision in the amount of RUB 1,206 million (2013: RUB 2,260 million);
- charity donations in the amount of RUB 1,294 million (2013: RUB 1,321 million);

- decrease in investments measured at current market value in the amount of RUB 574 million (2013: RUB 3,119 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 413 million (2013: RUB 826 million);
- financial support and other social payments to employees in the amount of RUB 297 million (2013: RUB 292 million);
- other non-temporary differences in the amount of RUB 3,576 million (2013: RUB 4,765 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 418 million (2013: RUB 49 million), including those originated – RUB 999 million (2013: RUB 1,258 million) and settled – RUB 581 million (2013: RUB 1,209 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 12,274 million (2013: RUB 10,092 million), including those originated – RUB 17,979 million (2013: RUB 16,552 million) and settled – RUB 5,705 million (2013: RUB 6,460 million).

In 2014, movement in deductible and taxable temporary differences was mainly due to:

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

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2014	31 December 2013	31 December 2012
Deferred income tax assets	(2,343)	(2,260)	(2,318)
Deferred tax liabilities	12,015	9,444	7,570
Total line 1420 "Deferred tax liabilities"	9,672	7,184	5,252

Other taxes and levies

In 2014, operating expenses include other taxes and levies in the amount of RUB 7,872 million (2013: RUB 7,478 million), including:

- property tax in the amount of RUB 6,123 million (2013: RUB 6,004 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 1,724 million (2013: RUB 1,442 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 25 million (2013: RUB 32 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 2014, these tax claims are challenged in court.

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiates this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2014, 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 27 June 2014 (Minutes No. 12) made the decision to pay dividends on the Company's ordinary shares for 2013 in the amount of RUB 0.01358751 per 1 share for the total of RUB 5,248 million.

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.

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	2014	2013
Basic profit for the reporting year (RUB million)	30,729	35,321
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	386,255,464,890	381,935,404,392
Basic earnings per share (RUB)	0,07956	0,09248

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

Item	2014
Number of ordinary shares outstanding as of 1 January 2014 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2014 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2014 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2014 (shares) (386,255,464,890 * 12 months) / 12 months	386,255,464,890
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 2012 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

In 2014 and 2013, the Company had no debt securities potentially convertible to shares.

ОАО RusHydro
Explanatory Notes to the 2014 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 2014 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	2014	2013
Revenue from sales to subsidiaries, including:		
ОАО Far East Energy Company	5,530	5,436
ОАО Чувашская Энергия Продажи	1,081	1,386
ОАО Красноярскэнерго	864	931
ОАО Рязанская Энергия Продажи	688	650
ОАО Транспортная компания RusHydro	434	-
ООО ЭСК Башкортостана	378	412
Other subsidiaries	311	262
Revenue from sales to related parties, including:		
ОАО Красноярская ГЭС*	475	1,077
Total sales to related parties	9,761	10,154

*ОАО Красноярская ГЭС was the related party until 15 July 2014

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	2014	2013
Repair and technical maintenance services, including:		
Subsidiaries		
ОАО Ремонт-БКК	3,041	2,087
ОАО Сервисные объекты RusHydro	121	118
ОАО Турбосервис-БКК	-	414
ОАО СШГЭС	-	191
ОАО Ремонт-БКК	-	125
Other	41	60
Total repair and maintenance services	3,203	2,995
Rent of premises, territories and other property, including:		
Subsidiaries		
ОАО Малая Дмитровка	571	606
ОАО Зарамгские ГЭС	260	161
Other	9	11
Total rent of premises, territories and other property	840	778

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OAo RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Supplier	2014	2013
Transport service, including:		
Subsidiaries		
OAo Transport company RusHydro	813	149
Other	2	7
Total transport services	815	156
Electricity purchases	4	4
Other services of third parties	778	684
Total purchases from related parties	5,640	4,617

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 252 million and RUB 443 million for 2014 and 2013, respectively.

3.13.5 Settlements with related parties

As of 31 December 2014, 2013 and 2012, 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 2014	31 December 2013	31 December 2012
Short-term interest-free promissory notes received	18,846	22,453	72,350
Short-term interest-free loans issued	26,325	5,500	42,272
Long-term interest-free promissory notes received	25,689	25,689	25,689
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	11,805	98,530	10,714
Long-term interest-free loans issued	1,183	16,548	9,030
Accounts receivable related to other sales	1,458	1,090	774
Other settlements with related parties	8,491	7,054	6,290
Total accounts receivable from related parties	93,797	176,864	167,119

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 2014 balances include advances issued for the amount of RUB 5,116 million (31 December 2013: RUB 6,257 million, 31 December 2012: RUB 4,420 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2014 was RUB 48 million (31 December 2013: RUB 364 million; 31 December 2012: RUB 379 million).

As of 31 December 2014, 2013 and 2012, the Company's accounts payable to the related parties were:

	31 December 2014	31 December 2013	31 December 2012
Subsidiaries	914	1,404	1,095
Associates	30	24	-
Total accounts payable to related parties	944	1,428	1,095

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

3.13.6 Related parties' debt within investments

As of 31 December 2014, 2013 and 2012, 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 2014	31 December 2013	31 December 2012
Loans issued to related parties	44,178	38,586	31,050

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Type of financial investments	31 December 2014	31 December 2013	31 December 2012
Other investments	-	40	1,500
Total related parties' debt within investments	44,178	38,626	32,550
Total debt within long-term investments (Line 1170 of the Balance sheet)	34,039	33,018	18,760
Total debt within short-term investments (Line 1240 of the Balance sheet)	10,139	5,608	13,790

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

Entity	2014	2013
Subsidiaries, including:	3,792	2,518
ОАО Far East Generating Company	1,264	840
ОАО Far East Distribution Grid Company	610	35
ОАО Zagorskaya GAES-2	577	513
ОАО Sakhaenergo	278	21
ОАО ESK RusHydro	258	263
ОАО Hydroinvest	164	166
ЗАО Malaya Dmitrovka	28	116
Other	613	564
Total interest income	3,792	2,518

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 380 million for 2014 (2013: RUB 381 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 2014 and 2013, the Company paid remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,644 million and RUB 1,110 million, respectively. The insurance contributions amounted to RUB 179 million for 2014 (2013: 127 million).

3.13.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2014	2013
Cash flows from operating activities			
Receipts, including:	4110	7,655	7,556
sales of products, goods, work and services	4111	7,522	7,439
lease payments, licence payments, royalties, commission and other payments	4112	97	107
other receipts	4119	36	10

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Item	Line code	2014	2013
Payments, including:	4120	(5,859)	(4,542)
suppliers (contractors) – raw materials, work and services	4121	(5,674)	(4,445)
other payments	4129	(185)	(97)
Net cash flows from operating activities	4100	1,796	3,014
Cash flows from investing activities			
Receipts, including:	4210	9,277	49,826
sale of non-current assets (except for investments)	4211	64	17
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	6,833	45,768
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	2,360	4,041
other receipts	4219	20	-
Payments, including:	4220	(53,368)	(82,134)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(8,001)	(6,807)
purchase of shares (interest) in other entities	4222	(29,650)	(54,928)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(15,717)	(20,399)
Net cash flows from investing activities	4200	(44,091)	(32,308)
Cash flows from financing activities			
Payments, including:	4320	-	(77)
dividend payments or other distribution of profit to owners (participants)	4322	-	(77)
Net cash flows from financing activities	4300	-	(77)
Net cash flows for the reporting period	4400	(42,295)	(29,371)

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 98.8%. The individuals credentialed to make the decisions concerning allocation of the resources within the Company and assess the results of its performance analyse the Company's activity as a whole segment.

3.15 Contingent liabilities

As of 31 December 2014, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 104,104 million (31 December 2013: RUB 73,670 million, 31 December 2012: RUB 54,590 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

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

The Russian transfer pricing legislation is aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis. The Company's management has implemented internal control procedures to ensure compliance with transfer pricing law.

Tax liabilities arising as a result of operations between the Company and its subsidiaries are determined based on the actual transaction price. There is a probability that the prices may be disputed as practice for application of the transfer rules changes. The effect of such course of events cannot be estimated reliably but may have a material effect on the Company's financial results and/or operations.

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

There was the significant rise in the exchange rate and depreciation of the Russian rouble in the latter half of the year 2014 but the Company's financial position, its liquidity, sources of financing and performance largely are not impacted by currency exchange rates and interest rates.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency; share of liabilities denominated in foreign currency is amounted to less than 15%. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

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

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2014			
US Dollars	1,700	-	1,700
Euro	2,321	(13,446)	(11,125)
Total	4,021	(13,446)	(9,425)
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)

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 monitors interest rate risk for its financial instruments. Effective interest rates as of

ОАО RusHydro
Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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 2014	31 December 2013	31 December 2012
Equity investments for which current market value can be determined, including:			
ОАО Inter RAO	1,505	2,079	5,128
ОАО Irkutskenergo	1,445	2,027	5,077
PAO Krasnoyarskaya GES	25	33	11
PAO Krasnoyarskaya GES	35	19	40
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	20,204	17,239
Equity investments for which current market value cannot be determined	208,604	87,758	52,533
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	230,313	110,041	74,900

Current market value of quoted securities is determined by market prices established on the stock exchange ОАО 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, using internal rating. 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 2014.

Chairman of Management Board - General Director of ОАО RusHydro

E. V. Dod

Chief Accountant of ОАО RusHydro

D. V. Finkel

5 March 2015

Appendix No. 2

BALANCE SHEET
as at 31 March 2014

Company <u>Open Joint Stock Company Federal Hydro-Generating Company – RusHydro</u> <u>(OJSC RusHydro)</u>	Form on OKUD Date (year, month, day)	Codes 0710001 2015/03/31
Taxpayer identification number	OKPO	75782411
Field of activity <u>Electricity generation by hydro power plants</u>	INN	2460066195
Legal form / form of ownership <u>Open Joint Stock Company / mixed Russian property with a federal share</u>	OKVED	40.10.12
Unit of measurement: <u>millions of RR</u>	OKOPF / OKFS	47 / 41
Address: <u>43 Dubrovinskogo Street, bld. 1, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017</u>	OKEI	385

Note	ASSETS	Line code	As at 31 March 2015	As at 31 December 2014	As at 31 December 2013
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	939	1 032	1 078
	Results of research and development	1120	868	843	859
	Property, plant and equipment, incl.:	1150	379 631	378 027	350 049
	fixed assets	1151	324 061	321 645	302 864
	construction in process	1152	55 570	56 382	47 185
	Income-bearing investments in tangible assets	1160	7 158	7 189	7 313
	Financial investments	1170	274 992	264 352	143 059
	Other non-current assets	1190	3 432	3 538	2 987
	Total Section I	1100	667 020	654 981	505 345
	II. CURRENT ASSETS				
	Inventories	1210	4 172	3 437	2 861
	Value added tax on goods purchased	1220	78	105	356
	Accounts receivable, incl.:	1230	156 552	144 565	233 480
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	60 246	62 341	80 323
	buyers and customers	1231.1	397	409	103
	advances issued	1231.2	29 083	31 099	35 084
	other debtors	1231.3	30 766	30 833	45 136
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	96 306	82 224	153 157
	buyers and customers	1232.1	5 026	5 840	5 648
	advances issued	1232.2	13 132	12 869	15 517
	other debtors	1232.3	78 148	63 515	131 992
	Financial investments (excl. cash equivalents)	1240	20 537	43 446	55 608
	Cash and cash equivalents	1250	19 240	9 032	18 546
	Other current assets	1260	15	14	10
	Total Section II	1200	200 594	200 599	310 861
	TOTAL	1600	867 614	855 580	816 206

This is an English language translation of the document originally prepared in the Russian language. The Russian version is formalized and shall irrevocably prevail.

Note	LIABILITIES	Line code	As at 31 March 2015	As at 31 Desember 2014	As at 31 Desember 2013
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
	Charter capital	1310	386 256	386 256	317 638
	Revaluation of non-current assets	1340	53 083	53 111	53 325
	Additional capital (excl. revaluation)	1350	58 424	58 424	58 424
	Reserve capital	1360	8 240	8 240	6 474
	Retained earnings (loss), incl.:	1370	221 201	212 430	188 482
	undistributed profit of previous years	1371	212 458	181 701	153 161
	undistributed profit of the current year	1372	8 743	30 729	35 321
	Total Section III	1300	727 204	718 461	624 343
	IV. LONG-TERM LIABILITIES				
	Borrowings and bank loans	1410	91 283	92 262	97 965
	Deferred tax liabilities	1420	10 390	9 672	7 184
	Other liabilities	1450	2 023	2 335	2 028
	Total Section IV	1400	103 696	104 269	107 177
	V. SHORT-TERM LIABILITIES				
	Borrowings and bank loans	1510	22 386	21 915	4 926
	Accounts payable, incl.:	1520	11 895	8 575	77 468
	suppliers and contractors	1521	6 022	5 295	5 170
	payables to employees	1522	228	823	601
	payables to state non-budgetary funds	1523	146	119	87
	taxes payable	1524	4 512	1 923	2 570
	dividends payable	1525	67	65	47
	other creditors	1526	920	350	68 993
	Income of future periods	1530	72	75	77
	Estimated liabilities	1540	1 368	1 405	1 020
	Other liabilities	1550	993	880	1 195
	Total Section V	1500	36 714	32 850	84 686
	TOTAL	1700	867 614	855 580	816 206

Chairman of Management Board – General Director

(signature)

E. V. Dod

(print full name)

Chief Accountant

(signature)

D. V. Finkel

(print full name)

2015

This is an English language translation of the document originally prepared in the Russian language. The Russian version is formalized and shall irrevocably prevail.

STATEMENT OF FINANCIAL RESULTS
for the three months ended 31 March 2015

Company Open Joint Stock Company Federal Hydro-Generating Company – RusHydro
(OJSC RusHydro)
Taxpayer identification number
Field of activity Electricity generation by hydro power plants
Legal form / form of ownership
Open Joint Stock Company / mixed Russian property with a federal share
Unit of measurement: millions of RR

	Codes
Form on OKUD	0710002
Date (year, month, day)	2015/03/31
OKPO	75782411
INN	246066195
OKVED	40.10.12
OKOPF / OKFS	12247 / 41
OKEI	385

Note	Narrative	Line code	Three months ended 31 March 2015	Three months ended 31 March 2014
1	2	3	4	5
	Revenue	2110	23 703	26 918
	Cost of sales	2120	(13 844)	(13 939)
	Gross profit	2100	9 859	12 979
	Profit from sales	2200	9 859	12 979
	Income from participation in other companies	2310	-	-
	Interest income	2320	2 614	2 305
	Interest expense	2330	(1 821)	(1 443)
	Other income	2340	5 354	5 107
	Other expense	2350	(4 155)	(6 484)
	Profit before tax	2300	11 851	12 464
	Current income tax, incl.:	2410	(2 388)	(2 014)
	permanent tax liabilities (assets)	2421	781	343
	Change in deferred tax liabilities	2430	(705)	(802)
	Change in deferred tax assets	2450	(33)	4
	Other	2460	19	12
	Net profit	2400	8 743	9 664
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	8 743	9 664
	Basic earnings per share, RR	2900	0,02264	0,02502

Chairman of Management Board – General Director

(signature)

E. V. Dod

(print full name)

Chief Accountant

(signature)

D. V. Finkel

(print full name)

2015

This is an English language translation of the document originally prepared in the Russian language. The Russian version is formalized and shall irrevocably prevail.

Appendix No. 3

RUSHYDRO GROUP

**Consolidated Financial Statements
prepared in accordance with IFRS
with independent auditor's report**

As at and for the year ended 31 December 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	5
Consolidated Income Statement.....	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity.....	10

Notes to the Consolidated Financial Statements

Note 1. The Group and its operations.....	12
Note 2. Summary of significant accounting policies	16
Note 3. New accounting pronouncements	27
Note 4. Principal subsidiaries	30
Note 5. Segment information.....	32
Note 6. Related party transactions	36
Note 7. Property, plant and equipment	38
Note 8. Investments in associates and joint ventures.....	42
Note 9. Available-for-sale financial assets	46
Note 10. Other non-current assets	46
Note 11. Cash and cash equivalents.....	48
Note 12. Accounts receivable and prepayments.....	49
Note 13. Inventories.....	50
Note 14. Other current assets	50
Note 15. Equity.....	51
Note 16. Income tax.....	52
Note 17. Pension benefit obligations	54
Note 18. Current and non-current debt.....	57
Note 19. Other non-current liabilities	58
Note 20. Accounts payable and accruals.....	58
Note 21. Other taxes payable.....	58
Note 22. Revenue.....	59
Note 23. Government grants.....	59
Note 24. Operating expenses (excluding impairment losses).....	60
Note 25. Finance income, costs	60
Note 26. Earnings per share	61
Note 27. Capital commitments	61
Note 28. Contingencies.....	61
Note 29. Financial risk management.....	62
Note 30. Management of capital.....	65
Note 31. Fair value of assets and liabilities.....	65
Note 32. Presentation of financial instruments by measurement category.....	67
Note 33. Subsequent events.....	67



Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company Federal Hydro-Generating Company – RusHydro (OJSC RusHydro)

We have audited the accompanying consolidated financial statements of OJSC RusHydro and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.



Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

25 March 2015

Moscow, Russian Federation



T.V. Sirotinskaya
T.V. Sirotinskaya, Director (licence no. 01-000527),
ZAO PricewaterhouseCoopers Audit

Audited entity: OJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities
№ 1042401810494 issued on 26 December 2004

43 Dubrovinskogo Str., bldg. 1, Krasnoyarsk, Krasnoyarsk Territory,
Russian Federation, 660017

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

Certificate of inclusion in the Unified State Register of Legal Entities
№ 1027700148431 issued on 22 August 2002

Certificate of membership in self regulated organisation non-profit
partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683
in the register of auditors and audit organizations

RusHydro Group
Consolidated Statement of Financial Position
(in millions of Russian Rubles unless noted otherwise)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	7	686,190	633,846
Investments in associates and joint ventures	8	14,032	30,301
Available-for-sale financial assets	9	4,132	5,794
Deferred income tax assets	16	5,355	4,066
Other non-current assets	10	25,021	24,976
Total non-current assets		734,730	698,983
Current assets			
Cash and cash equivalents	11	34,394	34,472
Income tax receivable		1,965	2,679
Accounts receivable and prepayments	12	48,012	45,385
Inventories	13	22,133	21,449
Other current assets	14	41,872	53,144
		148,376	157,129
Non-current assets and assets of disposal group classified as held for sale		664	-
Total current assets		149,040	157,129
TOTAL ASSETS		883,770	856,112
EQUITY AND LIABILITIES			
Equity			
Share capital	15	386,255	386,255
Treasury shares	15	(26,092)	(10,662)
Share premium		39,202	39,202
Retained earnings and other reserves		179,556	164,735
Equity attributable to the shareholders of OJSC RusHydro		578,921	579,530
Non-controlling interest		16,230	17,177
TOTAL EQUITY		595,151	596,707
Non-current liabilities			
Deferred income tax liabilities	16	35,891	35,066
Non-current debt	18	119,187	131,890
Other non-current liabilities	19	11,195	12,030
Total non-current liabilities		166,273	178,986
Current liabilities			
Current debt and current portion of non-current debt	18	57,843	19,887
Accounts payable and accruals	20	51,558	49,473
Current income tax payable		536	115
Other taxes payable	21	11,913	10,944
		121,850	80,419
Liabilities of disposal group classified as held for sale		496	-
Total current liabilities		122,346	80,419
TOTAL LIABILITIES		288,619	259,405
TOTAL EQUITY AND LIABILITIES		883,770	856,112

Chairman of Management Board – General Director

E. V. Dod

Chief Accountant

D. V. Finkel

25 March 2015



RusHydro Group
Consolidated Income Statement

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Revenue	22	329,560	313,632
Government grants	23	12,428	13,246
Operating expenses (excluding impairment losses)	24	(290,838)	(265,763)
Operating profit excluding impairment losses		51,150	61,115
Impairment of property, plant and equipment	7	(8,884)	(18,995)
Impairment of accounts receivable, net		(6,603)	(4,895)
Impairment of available-for-sale financial assets	9	(1,781)	(7,944)
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	(4,804)
Impairment of long-term promissory notes	10	-	(1,633)
Operating profit		33,882	22,844
Finance income	25	9,319	9,328
Finance costs	25	(10,668)	(9,542)
(Loss) / profit in respect of associates and joint ventures	8	(342)	2,555
Profit before income tax		32,191	25,185
Total income tax expense	16	(8,060)	(4,192)
Profit for the year		24,131	20,993
Attributable to:			
Shareholders of OJSC RusHydro		25,606	19,767
Non-controlling interest		(1,475)	1,226
Earnings per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	26	0.0689	0.0638
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	26	371,494,140	309,873,684

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

RusHydro Group
Consolidated Statement of Comprehensive Income

(in millions of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the year		24,131	20,993
Other comprehensive income / (loss), net of tax:			
<i>Items that will not be reclassified to profit or loss</i>			
Impairment of revalued property, plant and equipment	7	(6,178)	(19,637)
Remeasurement of pension benefit obligations	17	1,392	101
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	(646)
Total items that will not be reclassified to profit or loss		(4,786)	(20,182)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss arising on impaired available-for-sale financial assets	9	(121)	(289)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	163	350
Loss arising on available-for-sale financial assets	9	-	(647)
Other comprehensive loss		(332)	(51)
Total items that may be reclassified subsequently to profit or loss		(290)	(637)
Other comprehensive loss for the year		(5,076)	(20,819)
Total comprehensive income for the year		19,055	174
Attributable to:			
Shareholders of OJSC RusHydro		20,004	(785)
Non-controlling interest		(949)	959

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

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		32,191	25,185
Depreciation of property, plant and equipment and intangible assets	7, 24	21,340	18,218
Loss on disposal of property, plant and equipment, net	24	1,288	1,447
Loss / (profit) in respect of associates and joint ventures	8	342	(2,555)
Gain on disposal of subsidiaries and associates	24	(28)	(517)
Finance income	25	(9,319)	(9,328)
Finance costs	25	10,668	9,542
Impairment of property, plant and equipment	7	8,884	18,995
Impairment of available-for-sale financial assets	9	1,781	7,944
Impairment of accounts receivable, net		6,603	4,895
Curtailment in pension payment and pension plan	17, 24	(501)	(1,609)
Pension expenses		368	568
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale		-	4,804
Impairment of long-term promissory notes	10	-	1,633
Other loss / (income)		250	(55)
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		73,867	79,167
Working capital changes:			
Increase in accounts receivable and prepayments		(8,085)	(4,312)
Increase in inventories		(864)	(2,326)
Decrease in accounts payable and accruals		(413)	(1,034)
Increase in other taxes payable		130	2,751
Increase in other non-current assets		(427)	(277)
Increase / (decrease) in other non-current liabilities		34	(1,119)
Income tax paid		(6,316)	(10,422)
Net cash generated by operating activities		57,926	62,428
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(78,577)	(61,641)
Proceeds from sale of property, plant and equipment		116	356
Investment in bank deposits and purchase of other investments		(156,320)	(110,567)
Redemption of bank deposits and proceeds from sale of other investments		167,639	111,763
Purchase of subsidiaries from third parties, net of cash acquired		(86)	-
Contribution to share capital of associates and joint ventures		(70)	(533)
Interest received		6,865	7,554
Proceeds from sale of associates		-	1,913
Net cash used in investing activities		(60,433)	(51,155)

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

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

	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt	18	85,600	87,352
Proceeds from non-current debt	18	28,176	67,554
Repayment of debt	18	(92,870)	(153,114)
Interest paid		(13,708)	(13,580)
Dividends paid to the shareholders of OJSC RusHydro		(5,127)	(3,586)
Dividends paid by subsidiaries to non-controlling interest holders		(80)	(160)
Finance lease payments		(900)	(1,194)
Proceeds from share issue	15	-	22
Net cash generated / (used in) by financing activities		1,091	(16,706)
Foreign exchange gain on cash balances		1,338	48
Decrease in cash and cash equivalents		(78)	(5,385)
Cash and cash equivalents at the beginning of the year		34,472	39,857
Cash and cash equivalents at the end of the year	11	34,394	34,472

RusHydro Group
Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2013		317,637	(10,662)	39,202	(127,216)	17	218,757	514	920	75,917	515,086	25,319	540,405
Profit for the year		-	-	-	-	-	-	-	-	19,767	19,767	1,226	20,993
Loss arising on available-for-sale financial assets	9	-	-	-	-	-	-	(587)	-	-	(587)	(60)	(647)
Loss arising on impaired available-for-sale financial assets	9	-	-	-	-	-	-	(289)	-	-	(289)	-	(289)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	-	-	-	-	-	-	350	-	-	350	-	350
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	(45)	-	(45)	146	101
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(19,593)	-	-	-	(19,593)	(44)	(19,637)
Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale	2	-	-	-	-	-	(337)	-	-	-	(337)	(309)	(646)
Other comprehensive loss		-	-	-	-	(20)	-	-	-	(31)	(51)	-	(51)
Total comprehensive income		-	-	-	-	(20)	(19,930)	(526)	(45)	19,736	(785)	959	174
Share issue	15	68,618	-	-	-	-	-	-	-	-	68,618	-	68,618
Transactions with the Government and companies under common control	15	-	-	-	(7,859)	-	-	-	-	6,252	(1,607)	(6,270)	(7,877)
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	1,812	1,812	(2,671)	(859)
Dividends	15	-	-	-	-	-	-	-	-	(3,594)	(3,594)	(160)	(3,754)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(812)	-	-	812	-	-	-
As at 31 December 2013		386,255	(10,662)	39,202	(135,075)	(3)	198,015	(12)	875	100,935	579,530	17,177	596,707

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

RusHydro Group
Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve	Available-for-sale financial assets	Remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2014		386,255	(10,662)	39,202	(135,075)	(3)	198,015	(12)	875	100,935	579,530	17,177	596,707
Profit for the year		-	-	-	-	-	-	-	-	25,606	25,606	(1,475)	24,131
Loss arising on impaired available-for-sale financial assets	9	-	-	-	-	-	-	(121)	-	-	(121)	-	(121)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	9	-	-	-	-	-	-	163	-	-	163	-	163
Remeasurement of pension benefit obligations	17	-	-	-	-	-	-	-	846	-	846	546	1,392
Impairment of revalued property, plant and equipment	7	-	-	-	-	-	(6,130)	-	-	-	(6,130)	(48)	(6,178)
Other comprehensive loss		-	-	-	-	(359)	-	(30)	-	29	(360)	28	(332)
Total comprehensive income		-	-	-	-	(359)	(6,130)	12	846	25,635	20,004	(949)	19,055
Exchange of shares of PJSC Krasnoyarskaya HPP for treasury shares	8, 15	-	(15,430)	-	-	-	-	-	-	-	(15,430)	-	(15,430)
Effect of changes in non-controlling interest	15	-	-	-	-	-	-	-	-	(78)	(78)	78	-
Dividends	15	-	-	-	-	-	-	-	-	(5,130)	(5,130)	(80)	(5,210)
Transfer of revaluation reserve to retained earnings		-	-	-	-	-	(1,409)	-	-	1,409	-	-	-
Other movements		-	-	-	-	-	-	-	-	25	25	4	29
As at 31 December 2014		386,255	(26,092)	39,202	(135,075)	(362)	190,476	-	1,721	122,796	578,921	16,230	595,151

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

Note 1. The Group and its operations

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for OJSC RusHydro (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as the “Group”).

The Company was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Group’s primary activities are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The Russian economy is particularly sensitive to changes in oil and gas prices.

The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Decline in oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble and making it harder to raise international funding.

During 2014 year:

- exchange rate set by the Central Bank of the Russian Federation fluctuated between RR 32.6587 and RR 67.7851 per USD and between RR 45.0559 and RR 84.5890 per Euro;
- key interest rate set by the Central Bank of the Russian Federation increased from 5.5 percent p.a. to 17.0 percent p.a. including an increase from 12.0 percent p.a. to 17.0 percent p.a. on 16 December 2014.

Currently the financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- exchange rate set the Central Bank of the Russian Federation fluctuated between RR 56.2376 per USD and RR 69.6640 per USD and between RR 64,0504 and RR 78,7900 per Euro;
- key interest rate set by the Central Bank of the Russian Federation decreased from 17.0 percent p.a. to 14.0 percent p.a.;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- in January 2015 Russia’s credit rating was downgraded by Fitch Ratings to BBB-, whilst Standard & Poor’s cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody’s Investors Service also downgraded Russia’s sovereign rating one notch below investment grade to Ba1. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.

In February 2015 Moody’s Investors Service also downgraded the Company’s rating from Ba1 to Ba2 with negative outlook.

These and other events may have a material impact on the Group’s operations, its prospective financial position, operational results and business perspectives. Management is unable to foresee the outcome of such impact at this stage, but believes it takes all the necessary measures to support the sustainability and development of the Group’s business.

Relations with the Government and current regulation. As at 31 December 2014 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2013: 66.84 percent).

The Group’s major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group’s fuel and other suppliers (Note 6).

In addition, the Government affects the Group’s operations through:

- participation of its representatives in the Company’s Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group’s investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Overview of the electricity and capacity market. Capacity and electricity, while interrelated, are treated as separate economic products. The capacity market represents the obligation and ability to keep sufficient generation capability in reserve in order to satisfy a target level of potential demand, while the sale of electricity represents the actual delivery of electricity to the purchaser.

The Russian electricity and capacity market consists of wholesale and retail markets.

Participants of the wholesale market include: generating companies, electricity sales companies (including guaranteeing suppliers), electricity export / import operator, Federal Grid Company (in terms of electricity purchases to cover transmission losses), large electricity consumers. Participants of the wholesale market can act as electricity and capacity sellers and buyers.

Participants of the retail markets include: consumers, providers of public utilities, guaranteeing suppliers, electricity sales (supply) companies, electricity generators of retail markets, grid companies, participants of electricity dispatch.

Wholesale electricity and capacity market. The wholesale electricity and capacity market operates in accordance with the Resolution of the Russian Government No. 1172 dated 27 December 2010.

A wholesale market for electricity and capacity functions on the territory of the regions, which are integrated in pricing areas. European Russia and Urals are included in the first pricing area, Siberia is included in the second pricing area. In non-pricing areas (Arkhangelsk and Kaliningrad regions, Komi Republic, regions of the Far East), where the competitive market relationships are not possible due to technological reasons, sales of electricity and capacity are carried out based on regulated tariffs.

In the isolated energy systems which are not technically integrated into the country's unified energy system, there is no electricity and capacity wholesale market and electricity is supplied through the regulated markets.

Wholesale electricity market

The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery time frames: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market.

During 2013 and 2014 the electricity traded in pricing zones of wholesale market was sold at unregulated prices excluding of volumes designated for delivery to population, groups of customers equivalent to population and customers located in North Caucasus and Republic of Tyva.

Electricity and capacity supply tariffs for the Russian Federation are calculated using the price indexing formulas determined by the Federal Tariff Service (hereinafter referred to as "the FTS").

Electricity and capacity supply volumes are determined based on the estimated consolidated balance of electricity production and supply prepared by the FTS, so that for the electricity and capacity generator supply under regulated contracts does not exceed 35 percent of the total electricity and capacity supply to the wholesale market determined by the decision on balance for such generator.

Electricity volumes that are not covered by the regulated contracts are sold at unregulated prices on the day-ahead market (DAM) and balancing market (BM).

DAM is a competitive selection of seller and buyer price bids on the day ahead of actual electricity supply, including prices and volumes for each of 24 hours. The selection is managed by the Commercial Operator of the wholesale market (OJSC ATS). On DAM, the price is determined by balancing the demand and supply, and such price is applied to all market participants. To mitigate the price manipulation risk, DAM introduced a system encouraging the participants to submit competitive price bids – in accordance with the trading rules, the lowest price bids for electricity supply are satisfied first.

Price indices and trade volumes in DAM are published daily on the web-site of OJSC ATS.

Electricity volumes sold under bilateral contracts and on DAM constitute scheduled electricity consumption. However, actual consumption is inevitably different from the planned one. Deviations from scheduled production / consumption are traded on a real-time basis on BM, and the System Operator of the wholesale market (OJSC SO UES) holds additional tenders to select bids every three hours.

Under unregulated bilateral contracts, the market participants independently determine supply counter parties, prices and volumes.

Wholesale capacity market

The Resolution of the Russian Government No. 89 dated 24 February 2010 approved amendments to regulations of the electricity and capacity market providing for organisation of long-term capacity market.

Capacity is traded based on the following trading mechanisms:

- purchase / sale of capacity under capacity sales contracts, concluded as a result of capacity competitive selection of bids;
- purchase / sale of capacity under unregulated contracts, including concluded through the exchange;
- purchase / sale of capacity under contracts to provide capacity and under sale contracts of new nuclear power plants and hydroelectric power plants, similar to capacity sale contracts;
- purchase / sale of capacity produced by forced generators;
- purchase / sale of capacity under regulated contracts (within the volumes for delivery to population and groups of customers equivalent to population);
- purchase / sale of capacity of generating facilities selected by additional screening of investment projects performed when capacity selected through capacity competitive selection of bids in any area does not guarantee meeting the demand for capacity;
- purchase / sale of capacity of generating facilities determined upon the results of competitive selection of investment projects on developing the prospective technological capacity reserves.

During 2013 and 2014, similar to trading operations with electricity, capacity is supplied under regulated contracts only in the volumes required for supply to the population, equivalent consumer categories and consumers operating in some parts of the wholesale market pricing zones, consisting Russian constituent territories as determined by the Russian Government (North Caucasus and Republic of Tyva).

During 2013 and until May 2014 the volumes of capacity of hydropower plants located in the second pricing area (Siberia) were supplied for tariffs approved by the FTS. According to the Resolution of the Russian Government No. 374 dated 28 April 2014 approving changes to the regulations of the wholesale electricity and capacity market since 1 May 2014 35 percent of capacity are supplied for tariffs and 65 percent – at the price of capacity competitive selection of bids. The Resolution also provides phased increase in share of capacity of hydropower plants located in the second pricing area (Siberia) supplied at the price of capacity competitive selection of bids to 80 percent by 1 January 2016, to 100 percent by 1 January 2017.

In the capacity market, capacity tenders are held based on the demand estimated for the respective supply period by OJSC SO UES. If the actual demand for capacity is above the forecast one, additional tender selection may be held for adjusting it.

The tender first selects capacity commissioned under capacity supply contracts (CSC) entered into with heating generation sites and contracts with nuclear power plants and hydropower plants similar to CSC. Non-selected capacity that failed to pass through the tender is not paid for, excluding the capacity of the generating sites that are required to maintain the technological operating modes of the energy system or supply heat (“forced” generators). The capacity of “forced” generators is paid for using the tariff set up by the FTS.

Non-pricing zone of the Far East

Territories of the Amur Region, Primorsky Region, Khabarovsk Region, Jewish Autonomous Region and the Southern District of the Sakha Republic (Yakutia) are integrated into a single non-pricing zone of the wholesale electricity and capacity market of the Far East. There are specific features of managing electricity and capacity trading operations due to limitations in the competition among electricity suppliers and grid-imposed limitations for electricity flow.

Tariffs for electricity supplied by the Far East energy companies to the consumer (end-consumer tariffs) are approved by regional regulatory authorities based on the threshold tariff levels approved by the FTS for the regulated period.

The threshold tariff levels for electricity supplied to population or equivalent consumer categories and other consumers in the Russian constituent territories are determined by the FTS in accordance with the forecast of social and economic development in the Russian Federation for the regulated period.

The single buyer wholesale market model is implemented in the Far East non-pricing zone. Suppliers of the wholesale market supply electricity and capacity to the wholesale market using the tariffs established for them by the FTS.

The single buyer purchases electricity and capacity on the wholesale market at indicative prices calculated

by OJSC ATS based on the tariffs for suppliers of wholesale market approved by the FTS.

OJSC ATS makes sure settlements between the electricity generators and buyers. Functions of the single buyer are assigned to OJSC DEK on the territory of Amur Region, Jewish Autonomous Region, Khabarovsk Region, Primorsky Region and the Southern District of the Sakha Republic (Yakutia).

However there are regions with only retail market operations – they are isolated energy systems of Kamchatsky Region, Magadan Region, Chukotsk Autonomous Region, Western and Central Regions of Sakha Republic (Yakutia) and Sakhalin Region where systems are not technically integrated into the unified energy system.

Retail electricity market. In the retail electricity markets the sales of electricity purchased on the wholesale electricity and capacity market and electricity of generating companies which are not participants of the wholesale market are carried out.

The retail market rules were approved by Resolution of the Government No. 442 dated 4 May 2013 “On functioning of retail electricity markets, complete and (or) partial constraint of electricity consumption” (hereinafter referred to as “the retail market rules”).

In the territories of the constituent regions of the Russian Federation integrated into pricing zones of the wholesale market electricity is sold at unregulated prices except for electricity sales to population and equivalent consumer categories.

Electricity is supplied to population and groups of customers equivalent to population at regulated prices (tariffs) approved by executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation.

Regulated prices are established based on forecast of social and economic development of Russian Federation for the next year approved by the Government. The FTS determines the threshold levels for regulated tariffs for electricity supplied to population and equivalent consumer categories.

The guaranteeing suppliers sell electricity at unregulated prices within the threshold limits of unregulated prices determined and applied according to the retail market rules. Electricity sales (supply) companies sell electricity at unregulated prices. Electricity generators in the retail markets sell electricity at unregulated prices except for sales of electricity to guaranteeing supplier.

In the territories of the constituent regions of the Russian Federation integrated into non-pricing zones of the wholesale market for determination of prices for electricity supplied to final customers in the retail markets principles of prices translation of wholesale market are applied. Translation of prices of wholesale market is performed for all final customers except for population and equivalent consumer categories.

Translation prices calculated by electricity sales companies according to the Rules of application of the prices (tariffs) are determined based on regulated tariffs set up for the respective group of customers and cost of purchase of electricity and capacity by guaranteeing supplier (electricity sales company) in the wholesale market. Population and equivalent consumer categories pay for electricity under the tariffs set up by executive authorities of the constituent regions of the Russian Federation.

In the territories of isolated energy systems – sales of electricity to all consumer categories are carried out at regulated prices approved by the FTS and executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation in the territories where such energy systems are located.

Heating market. Operations of the heating market are regulated by Federal Law No.190-FZ “On Heating” dated 27 July 2010 and Resolution of the Government No. 1075 dated 22 October 2013 “On pricing of heating supply”.

The Group’s entities that are included into the segment RAO Energy System of the East Group are participants on the retail heating markets in the territories of their presence. Heat energy is supplied on the centralised basis from the heat power plants and boiling houses operated by the energy systems. And a number of energy systems are involved in supplies of heat, generating and distributing heat energy, while others – just generate heat energy.

Heating market provides for:

- supply of heat and heat transfer public utilities relating to hot water and heating supply needs;
- supply of heat for the entities’ technological needs.

According to the Russian legislation, sales of heat energy are fully regulated.

Prices (tariffs) for heat supplied by utilities for all consumer groups are approved by executive authorities in the Russian constituent regions responsible for state regulation of prices (tariffs) within the threshold limits of tariffs approved by the FTS.

Service fee for maintenance of spare heat capacity when there is no heat consumption and fee for connection to the system of heating supply are also regulated by executive authorities in the Russian constituent regions responsible for state regulation of prices.

Market of services for provision of system reliability. Types of services for provision of system reliability (hereinafter referred to as “the system services”), rules of their rendering, pricing mechanism and procedure of selection of the constituents of the utilities industry rendering such services and electricity consumers were introduced by Resolution of the Government No. 117 dated 3 March 2010.

Functions of selection of the constituents of the utilities industry rendering system services, conclusion of contracts with such constituents and service charge as well as coordination of actions of participants of the system services market are assigned to OJSC SO UES.

System services market is commissioned to provide functioning of the economic mechanisms stimulating maintenance and development of equipment in United Energy System (UES) of Russia with specific optional features for all constituents:

- ability to participate in standardized primary frequency regulation;
- ability to participate in automated secondary frequency regulation at heat power plants;
- reactive power regulation with use of generation equipment of the power plants which are not participating in generating of active capacity;
- operation of elements of emergency control system in UES of Russia created for the purpose of increase of carrying capacity in controlled sections of electric grid.

From the outlined system services the Group provides services for reactive power regulation with use of generation equipment of the hydroelectric power plants which are not used for electricity generation during the period of rendering the services.

Renewable-based power generation. Russian Government's order No. 449 of 28 May 2014 *On incentive mechanisms for using renewables in the wholesale electricity and capacity market* and Russian Government's Resolution No. 861-r of 28 May 2014 approved the pricing rules for capacity of renewable (“Renewables”) power generation assets and mechanisms and key parameters of support for renewable-based power generation in Russia.

The basic mechanism of support is as follows:

- The Russian Government set out annual limits for capacity commissioning for each of three technologies until 2020: wind, distributed power generation (5 to 25 mW) and solar energy.
- The government established the capital expenditure ceilings, localisation requirements, installed capacity utilisation benchmarks (ICUB) and operating expenses.
- ATS performs the annual competitive selection of capacity for the term of 4 years out of the assets of wholesale market zones 1 and 2 based on the minimal capital expenditure criterion.
- The tender winners sign a capacity supply contract (Renewable CSC), which guarantees the minimum capacity payments to investors over 15 years from the commissioning date.
- The contract provides for penalties for violating the terms and conditions set out in Renewable CSC (failure to meet the commissioning deadlines and localisation requirements, and under-supply of capacity).

On 19 September 2014, ATS published the results of the first tender for the construction of renewable energy projects.

The adoption of the above regulatory framework by the Russian Government guarantees economic efficiency of investments in renewable power generation projects.

In 2014 the Group's bids in the tender for the construction of renewable energy projects are selected by ATS.

Following the results of the tender contracts to provide capacity of qualified renewable energy projects are concluded.

Note 2. Summary of significant accounting policies

Basis of preparation. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) under the historical cost convention, as modified by the financial instruments initially recognised at fair value, revaluation of property, plant and equipment and available-for-sale financial assets. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as "RSA"). The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Rubles.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

Acquisition of subsidiaries from parties under common control. Acquisitions of subsidiaries from parties under common control are accounted for using the predecessor values method. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is

also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to merger reserve within equity. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented, i.e. retrospectively except for acquisition of subsidiaries acquired exclusively with a view for resale which are accounted for using predecessor values method prospectively from the acquisition date.

Investments in associates and joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as profit or loss in respect of associates and joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, and (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the profit or loss in respect of associates and joint ventures.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined by making of decisions about the relevant activities required the unanimous consent of the parties sharing control.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Intangible assets and goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include customer base acquired in business combination (Note 10), which is amortised over 5 years, and capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. The Group uses such valuation techniques of fair value which are the most acceptable in the circumstances and as much as possible use the observable basic data.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

For disclosure of information on fair value the Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 31).

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (i) loans and receivables; (ii) available-for-sale financial assets; (iii) financial assets held to maturity and (iv) financial assets at fair value through profit or loss. The description of categories of financial assets of the Group is given below.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments.

Derivative financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

All other financial assets are included in the *available-for-sale* category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities. All financial liabilities of the Group including loans are categorised as other and carried at amortized cost.

Available-for-sale financial assets. Available-for-sale financial assets are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is

established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale financial assets. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Foreign currency translation. Monetary assets and liabilities, which are held by the Group's entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Rubles at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

As at 31 December 2014, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between Russian Ruble and US Dollar (hereinafter referred to as "USD") was RR 56.26: USD 1.00 (31 December 2013: RR 32.73: USD 1.00), between Russian Ruble and Euro was RR 68.34: EUR 1.00 (31 December 2013: RR 44.97: EUR 1.00).

Property, plant and equipment. Property, plant and equipment except for office buildings and land are stated at revalued amounts less accumulated depreciation and provision for impairment (where required). Office buildings and land owned by the Group are stated at cost.

Property, plant and equipment except for office buildings and land are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset.

The revaluation surplus included in equity is transferred directly to retained earnings when the revaluation surplus is realised on disposal of the asset.

The Group charges deferred tax liabilities directly to other comprehensive income in respect of revaluation of property, plant and equipment that are recorded directly in other comprehensive income.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Depreciation. Depreciation on items of property, plant and equipment (except for land) is calculated using the straight-line method over their estimated useful lives.

The useful lives of property, plant and equipment are subject to annual assessment by management and if expectations differ from previous estimates, the changes of useful lives are accounted for as a change in an accounting estimate prospectively.

The average useful lives of property, plant and equipment by type of facility, in years, were as follows:

Type of facility	Average useful lives
Production buildings	25–80
Facilities	10–100
Plant and equipment	5–40
Other	3–30

Depreciation is charged once an asset is available for service. Land and assets under construction are not depreciated.

Impairment of property, plant and equipment. Impairment reviews for property, plant and equipment are carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 7). If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Investment property. Investment property is property held by the Group to earn rental income which is not occupied by the Group (Note 10). Investment properties are stated at cost. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred: (i) any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems; (ii) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (iii) the counterparty considers bankruptcy or a financial reorganisation; (iv) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or (v) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

Non-current assets classified as held for sale. Discontinued operations. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as “non-current assets classified as held for sale” if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period. Assets are reclassified when all of the following conditions are met: (i) the assets are available for immediate sale in their present condition; (ii) the Group’s management approved and initiated an active programme to locate a buyer; (iii) the assets are actively marketed for a sale at a reasonable price; (iv) the sale is expected within one year; and (v) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period’s consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current and / or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than 12 months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Disposal groups or non-current assets that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (ii) its recoverable amount at the date of the subsequent decision not to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Debt. Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement as an interest expense over the period of the debt obligation.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Pension and post-employment benefits. Defined benefit plans. The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, minimum tariff rate of remuneration and others.

The net liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from remeasurement of pension benefit obligations are recognised in other comprehensive income. Past service cost is immediately recognised in profit or loss within operating expenses.

Defined contribution plans. For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.

Other post-employment benefit obligations. The Group pays a one-off financial aid on occasion of an employee's jubilee. The amount of the benefit depends on one or more factors, such as the age, length of service in the company and salary used in the Group companies and others.

For the purpose of calculating benefit obligations of these types, actuarial gains and losses arising as a result of adjustments or changes in actuarial assumptions are recognised within profit or loss in the consolidated statement of income in the period when they arise. All other aspects of accounting for these obligations are similar to those of accounting for defined benefit obligations.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates exist.

Revenue recognition. Revenue is recognised on the delivery of electricity and heat, provisioning for capacity, supply of non-utility services and on the dispatch of goods during the period. Revenue from retail operations is recognised on delivery of electricity and heat to the customer. Revenue amounts are presented exclusive of value added tax.

Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations. Additional turnover in the amount of RR 10,064 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RR 10,198 million) is shown net for presentation purposes to reflect the economic substance of transactions.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants are included in cash flows from operating activities.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary

shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

Share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends. Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared (approved by shareholders) before or at the end of the reporting period. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

Social expenditure. To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition, and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of non-financial assets. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in the consolidated income statement to the extent it exceeds any previous revaluation surplus held in equity. An impairment loss recognised for an asset in prior years may be reversed if there has been a positive change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 7 and 8.

Recognition of deferred tax assets. At each reporting date management assesses recoverability of deferred tax assets arising from operating losses and asset impairments in the context of the current economic environment, particularly when current and expected future profits have been adversely affected by market conditions. Management considers first the future reversal of existing deferred tax liabilities and then considers future taxable profits when evaluating deferred tax assets. The assessment is made on a tax payer basis. The future taxable profits and the amount of tax benefits that are probable in the future are

based on the medium term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable (Note 16).

Useful life of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets and other factors. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, warranty terms as well as the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates which can affect the reported income.

Discontinued operations. In November 2014 management made the announcement of the decision not to sell OJSC DRSK. Based on the above facts, OJSC DRSK was no longer classified as a discontinued operation and as at 31 December 2014 the assets and liabilities of OJSC DRSK were recognised at their recoverable amount at the date of the decision not to sell and a loss in the amount of RR 5,450 million was recognised: RR 4,804 million in profit and loss and RR 646 million (net of tax of RR 144 million) in other comprehensive loss. The recoverable amount of property, plant and equipment of OJSC DRSK at the date of decision not to sell OJSC DRSK comprised RR 23 786 million (Note 7).

Reclassifications

Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2014:

“Offsetting Financial Assets and Financial Liabilities” – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have any material impact on the Group’s consolidated financial statements.

“Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity’s investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have any material impact on the Group’s consolidated financial statements.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group’s consolidated financial statements.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have any material impact on the Group’s

consolidated financial statements.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have any material impact on the Group’s consolidated financial statements.

Note 3. New accounting pronouncements

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later approved for adoption in the Russian Federation and which the Group has not early adopted:

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect the amendment to have significant impact on its consolidated financial statements.

Amendments to IAS 19 – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any significant impact on the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a “vesting condition” and to define separately “performance condition” and “service condition”. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (i) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (ii) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (i) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (ii) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (“the management entity”), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for

the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later that are not yet adopted in the Russian Federation and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 4. Principal subsidiaries

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or non-corporate partnership (LLC).

The Group operates in the three main reportable segments one of which is presented by the Group's parent company – OJSC RusHydro (Note 5). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2014 and 31 December 2013.

ESC RusHydro subgroup segment

ESC RusHydro subgroup segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of OJSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
OJSC Krasnoyarskenergosbyt	65.81%	65.81%	65.81%	69.40%
OJSC Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
OJSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
LLC ESC Bashkortostan	100.00%	-	100.00%	-

RAO Energy System of East subgroup segment

RAO Energy System of East subgroup segment consists of OJSC RAO Energy System of East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, distribution, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC RAO Energy System of East*	85.92%	86.20%	85.92%	86.20%
OJSC DEK**	44.92%	52.17%	44.92%	52.17%
OJSC DGK**	44.92%	100.00%	44.92%	100.00%
OJSC DRSK**	44.92%	100.00%	44.92%	100.00%
OJSC Kamchatskenergo	84.83%	98.74%	84.83%	98.74%
OJSC Magadanenergo***	42.10%	49.00%	42.10%	64.39%
OJSC Sakhalinenergo	47.72%	55.55%	47.72%	55.55%
OJSC Yakutskenergo	72.21%	79.16%	72.21%	79.16%

* Voting and ownership percent interests in OJSC RAO Energy System of East include 1.80 percent interest held by the Group's subsidiary LLC Vostok-Finance.

** Principal subsidiaries included in DEK subgroup.

*** Control over OJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders the individual stakes of which are insignificant.

Other segments

Other segments include:

- the Group's subsidiaries with production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Principal subsidiaries included in all other segments are presented below:

	31 December 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
CJSC Blagoveschensk HPP	100.00%	100.00%	100.00%	100.00%
OJSC VNIIG	100.00%	100.00%	100.00%	100.00%
OJSC Geotherm	99.65%	99.65%	99.65%	99.65%
OJSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
OJSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
OJSC Zaramag HS	99.75%	99.75%	98.35%	98.35%
OJSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
OJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
OJSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
OJSC NIIES	100.00%	100.00%	100.00%	100.00%
OJSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
CJSC Sahalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
CJSC HPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
OJSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
OJSC Ust'-Srednekanskaya HPP	99.63%	100.00%	99.43%	100.00%
OJSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
OJSC ESCO UES	100.00%	100.00%	100.00%	100.00%
CJSC Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%

The Group's interest in OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS changed following additional share issues of these companies (Note 15).

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Non-controlling interest

Summarised financial information related to subsidiaries with significant amount of non-controlling interest before elimination of operations between the Group's subsidiaries are presented below:

	RAO Energy System of East subgroup		including DEK subgroup	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial position				
Percent of non-controlling interest	14.08%	14.08%	55.08%	55.08%
Percent of voting rights, attributable to non-controlling interest	13.80%	13.80%	47.83%	47.83%
Non-current assets	95,072	87,925	55,443	53,356
Current assets	55,749	49,753	23,610	25,157
Non-current liabilities	(54,965)	(59,191)	(34,610)	(41,731)
Current liabilities	(68,768)	(50,207)	(44,090)	(33,061)
Net assets	27,088	28,280	353	3,721
Carrying value of non-controlling interest	14,660	15,766	2,193	4,101
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Financial results				
Revenue	150,286	139,596	100,807	91,216
(Loss) / profit	(2,181)	4,681	(3,821)	1,888
Total comprehensive (loss) / income	(1,193)	4,200	(3,101)	1,900
(Loss) / profit, attributable to non-controlling interest	(1,632)	1,576	(2,334)	101
Changes in other comprehensive income, attributable to non-controlling interest	526	(38)	393	(301)
Cash flows				
Cash generated by operating activities	12,452	15,970	2,425	6,979
Cash used in investing activities	(13,292)	(11,326)	(6,951)	(6,541)
Cash generated / (used) by financing activities	5,103	(2,911)	4,437	1,690
Increase / (decrease) in cash and cash equivalents	4,263	1,733	(89)	2,128

The rights of the non-controlling shareholders of the presented subgroups are determined by the Federal Law "On Joint Stock Companies" and the charter documents of OJSC RAO Energy System of East and OJSC DEK.

Note 5. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the segments is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

Information concerning the Group is considered by the groups of operations which are consolidated in the following separate reportable segments: OJSC RusHydro (Group's parent company), OJSC ESC RusHydro subgroup, RAO Energy System of East subgroup and other segments (Note 4). Transactions of other segments are not disclosed as reportable segments as the performance is based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale, curtailment in pension payment and pension plan and other non-monetary items of operating expenses. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013 is presented below:

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Year ended 31 December 2014	OJSC RusHydro	ESC RusHydro subgroup	RAO Energy System of East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	98,581	82,230	150,286	29,664	360,761	(31,201)	329,560
<i>including:</i>							
<i>from external companies</i>	89,177	82,211	149,935	8,227	329,550	10	329,560
<i>sales of electricity</i>	64,016	81,307	93,888	332	239,543	-	239,543
<i>sales of heat and hot water sales</i>	144	-	33,912	3	34,059	-	34,059
<i>sales of capacity</i>	23,467	-	4,268	277	28,012	-	28,012
<i>other revenue</i>	1,550	904	17,867	7,615	27,936	10	27,946
<i>from intercompany operations</i>	9,404	19	351	21,437	31,211	(31,211)	-
Government grants	-	-	12,413	15	12,428	-	12,428
Operating expenses (excluding depreciation and other non-monetary items)	(41,233)	(81,092)	(147,301)	(27,881)	(297,507)	28,768	(268,739)
EBITDA	57,348	1,138	15,398	1,798	75,682	(2,433)	73,249
Depreciation of property, plant and equipment and intangible assets	(12,173)	(695)	(7,289)	(1,411)	(21,568)	228	(21,340)
Other non-monetary items of operating expenses	(9,560)	(560)	(5,372)	(2,386)	(17,878)	(149)	(18,027)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(7,138)	-	(1,746)	-	(8,884)	-	(8,884)
<i>impairment of accounts receivable, net</i>	(1,677)	(524)	(3,635)	(767)	(6,603)	-	(6,603)
<i>impairment of available-for-sale financial assets</i>	(669)	-	(82)	(1,030)	(1,781)	-	(1,781)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(40)	(36)	(474)	(589)	(1,139)	(149)	(1,288)
<i>curtailment in pension payment and pension plan</i>	-	-	501	-	501	-	501
<i>(loss) / gain on disposal of subsidiaries and associates</i>	(36)	-	64	-	28	-	28
Operating profit / (loss)	35,615	(117)	2,737	(1,999)	36,236	(2,354)	33,882
Finance income							9,319
Finance costs							(10,668)
Loss in respect of associates and joint ventures							(342)
Profit before income tax							32,191
Total income tax expense							(8,060)
Profit for the year							24,131
Capital expenditure	42,496	146	19,486	34,441	96,569	(3,547)	93,022
31 December 2014							
Non-current and current debt	113,060	3,403	54,496	6,071	177,030	-	177,030

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Year ended 31 December 2013	OJSC RusHydro	ESC RusHydro subgroup	RAO Energy System of East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	99,138	79,168	139,596	25,977	343,879	(30,247)	313,632
<i>including:</i>							
<i>from external companies</i>	88,882	78,712	138,925	7,285	313,804	(172)	313,632
<i>sales of electricity</i>	66,132	77,951	86,550	292	230,925	-	230,925
<i>sales of heat and hot water sales</i>	141	-	33,002	4	33,147	-	33,147
<i>sales of capacity</i>	22,317	-	3,102	197	25,616	-	25,616
<i>other revenue</i>	292	761	16,271	6,792	24,116	(172)	23,944
<i>from intercompany operations</i>	10,256	456	671	18,692	30,075	(30,075)	-
Government grants	-	-	13,233	13	13,246	-	13,246
Gain on disposal of subsidiaries and associates	224	-	-	51	275	242	517
Operating expenses (excluding depreciation and other non-monetary items)	(36,244)	(78,933)	(135,797)	(25,500)	(276,474)	28,250	(248,224)
EBITDA	63,118	235	17,032	541	80,926	(1,755)	79,171
Depreciation of property, plant and equipment and intangible assets	(11,380)	(670)	(5,174)	(1,238)	(18,462)	244	(18,218)
Other non-monetary items of operating expenses	(28,826)	(1,170)	(4,830)	(2,469)	(37,295)	(814)	(38,109)
<i>including:</i>							
<i>(impairment) / reversal of impairment of property, plant and equipment</i>	(16,927)	59	-	(2,127)	(18,995)	-	(18,995)
<i>loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale</i>	-	-	(4,804)	-	(4,804)	-	(4,804)
<i>impairment of long-term promissory notes</i>	(1,633)	-	-	-	(1,633)	-	(1,633)
<i>impairment of accounts receivable, net</i>	(1,592)	(1,229)	(1,778)	(296)	(4,895)	-	(4,895)
<i>impairment of available-for-sale financial assets</i>	(7,944)	-	-	-	(7,944)	-	(7,944)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(730)	-	143	(46)	(633)	(814)	(1,447)
<i>curtailment in pension payment and pension plan</i>	-	-	1,609	-	1,609	-	1,609
Operating profit / (loss)	22,912	(1,605)	7,028	(3,166)	25,169	(2,325)	22,844
Finance income							9,328
Finance costs							(9,542)
Profit in respect of associates and joint ventures							2,555
Profit before income tax							25,185
Total income tax expense							(4,192)
Profit for the year							20,993
Capital expenditure	35,632	233	16,821	22,943	75,629	(5,376)	70,253
31 December 2013							
Non-current and current debt	102,576	2,196	44,492	2,513	151,777	-	151,777

Note 6. Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the year ended 31 December 2014 were joint ventures, associates of the Group (Note 8) and government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	Note	31 December 2014	31 December 2013
Promissory notes	10	5,203	4,741
Loans issued		1,492	533

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	146	179
Other revenue	569	818
Purchased electricity and capacity	1,049	411

Associates

The Group had the following balances with its associates:

	Year ended 31 December 2014	Year ended 31 December 2013
Trade and other receivables	293	198
Accounts payable	352	26

The Group had the following transactions with its associates:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	2,671	3,040
Other revenue	150	409
Construction services	285	3,193
Purchased electricity and capacity	161	319

Government-related entities

In the normal course of business the Group enters into transactions with the entities controlled by the Government.

The Group had transactions during the years ended 31 December 2014 and 31 December 2013 and balances outstanding as at 31 December 2014 and 31 December 2013 with the following government-related banks: SC Vnesheconombank, OJSC Sberbank of Russia, OJSC Gazprombank, OJSC VTB Bank, PJSC VTB24, OJSC Bank of Moscow, OJSC Rosselkhozbank (Notes 11, 14, 18). All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 28 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with OJSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants. Sales of heat are subject to tariff regulations (Note 1). During the period the Group received government subsidies in amount of RR 12,428 million (in 2013 in the amount of RR 13,246 million) (Note 23).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised

approximately 25 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 27 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the year ended 31 December 2014 (for the year ended 31 December 2013: approximately 62 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of RAO Energy System of East subgroup segment.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2014 comprised RR 2,365 million (for the year ended 31 December 2013: RR 1,715 million).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 7. Property, plant and equipment

Revalued amount / cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2013	78,712	377,429	191,377	214,999	14,620	877,137
Impairment of revalued property, plant and equipment	(20)	(6,183)	(1,539)	-	(4)	(7,746)
Reclassification	(310)	(2,731)	(1,637)	4,692	(14)	-
Additions	202	1,646	620	89,444	1,110	93,022
Reclassification to non-current assets and assets of disposal group classified as held for sale	(14)	(1)	(50)	(130)	(630)	(825)
Transfers	2,718	8,840	39,569	(51,418)	291	-
Disposals and write-offs	(178)	(298)	(2,203)	(1,466)	(448)	(4,593)
Balance as at 31 December 2014	81,110	378,702	226,137	256,121	14,925	956,995
Accumulated depreciation (including impairment)						
Balance as at 31 December 2013	(27,139)	(108,005)	(75,665)	(26,904)	(5,578)	(243,291)
Impairment charge	(281)	(639)	(2,617)	(5,405)	(49)	(8,991)
Charge for the period	(1,740)	(7,300)	(10,259)	-	(1,636)	(20,935)
Reclassification to non-current assets and assets of disposal group classified as held for sale	13	1	25	92	269	400
Transfers	(439)	(585)	(2,055)	3,125	(46)	-
Disposals and write-offs	82	117	1,410	30	373	2,012
Balance as at 31 December 2014	(29,504)	(116,411)	(89,161)	(29,062)	(6,667)	(270,805)
Net book value as at 31 December 2014	51,606	262,291	136,976	227,059	8,258	686,190
Net book value as at 31 December 2013	51,573	269,424	115,712	188,095	9,042	633,846
Revalued amount / cost						
Balance as at 31 December 2012	68,697	342,120	148,798	222,895	12,625	795,135
Impairment of revalued property, plant and equipment	(1,574)	(18,942)	(3,996)	-	(34)	(24,546)
Additions	191	544	2,008	66,665	845	70,253
Transfer from assets of subsidiary previously acquired with a view for resale	4,701	19,257	12,779	2,490	1,061	40,288
Transfers	7,180	34,943	33,382	(76,085)	580	-
Disposals and write-offs	(483)	(493)	(1,594)	(966)	(457)	(3,993)
Balance as at 31 December 2013	78,712	377,429	191,377	214,999	14,620	877,137
Accumulated depreciation (including impairment)						
Balance as at 31 December 2012	(20,946)	(68,659)	(52,488)	(44,876)	(3,705)	(190,674)
Impairment charge	(2,543)	(2,257)	(6,732)	(11,829)	(248)	(23,609)
Reversal of impairment	393	3,194	628	378	21	4,614
Charge for the period	(1,541)	(6,426)	(9,457)	-	(1,419)	(18,843)
Transfer from assets of subsidiary previously acquired with a view for resale	(1,570)	(8,421)	(5,549)	(515)	(447)	(16,502)
Transfers	(1,020)	(25,581)	(3,053)	29,685	(31)	-
Disposals and write-offs	88	145	986	253	251	1,723
Balance as at 31 December 2013	(27,139)	(108,005)	(75,665)	(26,904)	(5,578)	(243,291)
Net book value as at 31 December 2013	51,573	269,424	115,712	188,095	9,042	633,846
Net book value as at 31 December 2012	47,751	273,461	96,310	178,019	8,920	604,461

As at 31 December 2014 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 7,869 million (31 December 2013: RR 8,014 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2014 such advances amounted to RR 51,785 million (31 December 2013: RR 49,577 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 9,347 million, the capitalisation rate was 8.77 percent (for the year ended 31 December 2013: RR 6,502 million, the capitalisation rate was 8.09 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 149 million (for the year ended 31 December 2013: RR 1,056 million).

Other property, plant and equipment include motor vehicles, land, computer equipment, office fixtures and other equipment.

Management of the Group considers that the carrying amount of property, plant and equipment as at 31 December 2014 and 31 December 2013 does not differ materially from their fair value at the end of the reporting period.

Process of fair value of property, plant and equipment assesement

Management of the Group determines the fair value of property, plant and equipment according to the following procedures.

The Group's property, plant and equipment are mainly represented by specialised property: the Group's key assets are represented by unique hydro engineering structures and power equipment manufactured under certain technical specifications for each power plant; such equipment is rarely sold in the market.

The Group's management determines the value of the specialised property on a regular basis, using the cost approach. The cost approach is based on the economic concept which implies that a buyer will pay no more for an asset than it would cost to develop or obtain another asset with the same functionality. The total costs of replacement or reproduction of the analysed asset resulting from such measurement are decreased by the amount of physical, functional and economic depreciation.

The replacement costs are determined based on specialised reference books, regulatory documents, construction rates, manufacturer's prices in effect as of the valuation date; physical and functional depreciation is measured based on the age of the assets, their actual condition and operating mode, etc.

To determine the economic depreciation of specialised assets, the Group's management calculates the recoverable amount using the income approach. It is based on discounted cash flow method, and the Group uses certain assumptions when building the cash flow forecast. In particular, these assumptions are used to determine the expected cash flows, capital expenditures and discount rates for each cash generating unit. The Group's management determines the forecast horizon, and net cash inflows from the asset's operation are calculated for each period of this horizon. The recoverable amount of the cash generating unit is determined by recalculating the discounted net cash flows. The Group's management believes that the Group subsidiaries and Company's branches are separate cash generating units.

When the recoverable amount of the cash generating unit is higher than the replacement cost less physical and functional depreciation of property, plant and equipment included in this cash generating unit, it is concluded that there is no economic depreciation. If this is not the case and if the recoverable amount is less than the carrying amount of cash generating unit, the economic impairment is determined as the difference between the recoverable amount and the carrying amount.

Impairment of property, plant and equipment as at 31 December 2014 and 31 December 2013

The following key assumptions were used when the cash flow testing was performed for the years ended 31 December 2014 and 31 December 2013:

Key assumptions used in the cash flow testing	Year ended 31 December 2014	Year ended 31 December 2013
Information used	Actual operating results for 2014 and business plans for 2015–2020	Actual operating results for 2013 and business plans for 2014–2017
Forecast period*	<p>For existing plants 10 years (2015–2024)</p> <p>For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2015–2038)</p> <p>For cash-generating units of the Far East - 11-25 years (2015–2040)</p>	<p>For existing plants 10 years (2014–2023)</p> <p>For plants under construction - 20 years after commissioning and before the completion of capacity sale contracts (2014–2037)</p> <p>For cash-generating units of the Far East - 11-25 years (2014–2039)</p>
Forecasted growth rates in terminal period	4.0 – 4.1 percent, depending on the length of the forecast period	3.0 – 3.9 percent, depending on the length of the forecast period
Discount rate before tax (based on weighted average cost of capital)	14.4 – 17.8 percent (RR)	12.4 – 14.0 percent (RR)
Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East	Based on methodology of tariffs calculation adopted by regulatory authority	
Forecast of electricity and capacity prices in competitive market	Based on the forecast of OJSC ATS and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF	
Forecast of capacity prices related to competitive capacity selection	<p>For 2015 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used</p> <p>For 2016–2024 – adjusted on consumer index price and forecasts of CJSC Energy Forecasting Agency</p>	<p>For 2014 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used</p> <p>For 2015–2023 – adjusted on consumer index price</p>
Forecast of electricity and capacity volumes	Based on the Company's management assessment of future trends in the business	
Forecast of capital expenditures	Based on the management valuation of capital expenditures on modernisation and reconstruction programme	

* Management considers that a forecast period greater than five years is appropriate as the wholesale electricity and capacity market is expected to change significantly over the forecast period and cash flow projections will not be stabilised within five years. However a forecast period of cash flows was defined by remaining useful life of assets tested. For hydroelectric power plants this period exceeds 100 years due to the fact that key asset is a dam. In this regard the recoverable amount of assets was defined based on cash flows during the forecast period and terminal values.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Loss was recognized mainly in respect of receipt of fixed assets as a cash-generating unit means impaired in prior periods. As a result, impairment loss in the amount of RR 8,991 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 7,746 million (before income tax of RR 1,549 million) – in other comprehensive loss.

The net book value of property, plant and equipment of the Group decreased for the total amount of RR 16,737 million, the effects relate mainly to the following cash-generating units:

- Saratovskaya HPP – impairment loss in the amount of RR 3,642 million and decrease of previous revaluation reserve in the amount of RR 7,612 million;
- Cascade of Kubanskiye HPPs – impairment loss in the amount of RR 1,871 million and decrease of previous revaluation reserve in the amount of RR nil million;
- Zeiskaya HPP – impairment loss in the amount of RR 755 million and decrease of previous revaluation reserve in the amount of RR 1 million;
- Zagorskaya GAES – impairment loss in the amount of RR 609 million and decrease of previous revaluation reserve in the amount of RR nil million.

The sensitivity analysis of the recoverable amounts of cash-generating units for the key assumptions is presented in Note 31.

For the year ended 31 December 2014 revaluation of reserve for ash dump obligations (Note 28) due to discount rate increase resulted in impairment loss reduction in the amount of RR 107 million and other comprehensive income in the amount of RR 22 million.

As at 31 December 2013 net book value of property, plant and equipment decreased for the total amount of RR 43,541 million. As a result, impairment loss in the amount of RR 18,995 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 24,546 million (before income tax of RR 4,909 million) – in other comprehensive loss.

The carrying amount of each class of property, plant and equipment that would have been recognised had the assets been carried under the cost model is as follows:

	Production buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Net book value as at 31 December 2014	28,409	103,047	124,524	231,039	1,914	488,933
Net book value as at 31 December 2013	27,834	107,607	101,344	192,075	4,235	433,095

Events on Zagorskaya GAES-2. On 17 September 2013 there was a partial flooding at Zagorskaya GAES-2 which is under construction in the Moscow Region. The flooding of the GAES building originated from the lower reservoir via functional joints of the station block and a newly formed cavity in the right junction of the GAES-2 building foundation (hereinafter "the technical incident").

Currently management of the Group cannot reliably estimate expenses that may be necessary to eliminate consequences of the technical incident and write-off damaged assets under construction items. However, these expenses may be material for the Group. Construction and assembly works as well as property, including equipment, are insured and management of the Group continue working with the insurance companies.

As of today OJSC AlfaStrakhovanie and OJSC SOGAZ have recognized the technical incident at Zagorskaya GAES-2 as an insured event. The maximum insurance amount under the contract with OJSC SOGAZ is RR 2.6 billion and under the contract with OJSC AlfaStrakhovanie it is RR 1.2 billion. Negotiations are under way with OJSC Ingosstrakh who together with OJSC AlfaStrakhovanie is the insurer of risks associated with the construction and assembly work but has not yet finalized the insured event recognition process.

Works at the station block of Zagorskaya GAES-2 are being carried on along with the negotiations on the insurance indemnity. In 2014 the station unit was stabilized, a stock-take of equipment was performed as well as the inspection for damage. The Group specialists in cooperation with the engaged independent expert, the German engineering company Lahmeyer International, have come to the conclusion that in the circumstances the method of compensation grouting would be the optimal recovery technique. Under this method the GAES building is to be levelled by increasing the bank yard under it.

As at 31 December 2014 total construction costs for Zagorskaya GAES-2 amounted to RR 62,121 million.

Management of the Group believes that there are no indications of property, plant and equipment impairment as at 31 December 2014 there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for all capital expenses invested in construction in the period.

Leased equipment. As at 31 December 2014 the net book value of assets held under finance lease and included in property, plant and equipment was RR 4,639 million (31 December 2013: RR 4,564 million). Assets held under finance lease were mainly represented by plant and equipment.

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The land areas leased by the Group are the territories on which the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's operating leases typically run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

The future payments under non-cancellable operating leases in accordance with rates as at the reporting period end are as follows:

	31 December 2014	31 December 2013
Less than one year	2,174	2,290
Between one and five years	4,169	3,635
After five years	40,028	35,332
Total	46,371	41,257

Pledged assets. As at 31 December 2014 RR 3 million of property, plant and equipment have been pledged as collateral for borrowings (31 December 2013: RR nil million).

Note 8. Investments in associates and joint ventures

The Group's interests in associates and joint ventures and its carrying value were as follows:

	Place of business	% held		Carrying value	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Associates					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	8,060	8,420
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	36.09%	40.47%	3,441	3,341
PJSC Krasnoyarskaya HPP	Russia	-	25.12%	-	15,209
Other				343	267
Total associates				11,844	27,237
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	1,048	1,960
BALP Group	Russia	50.00%	50.00%	-	-
Other				1,140	1,104
Total joint ventures				2,188	3,064
Total investments in associates and joint ventures				14,032	30,301

The amounts in respect of associates and joint ventures recognised in the Income Statement are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Associates		
PJSC Krasnoyarskaya HPP	293	6,589
OJSC IENC	(360)	(97)
OJSC SEC	101	266
Other	76	55
Total associates	110	6,813
Joint ventures		
BoGES Group	(467)	(4,216)
BALP Group	-	-
Other	15	(42)
Total joint ventures	(452)	(4,258)
(Loss) / profit in respect of associates and joint ventures	(342)	2,555

Associates

OJSC Irkutsk Electronetwork Company (OJSC IENC)

OJSC IENC maintains 0.4–500 kW electric grids of the Irkutsk region with the total length of over 40,000 km and more than 8,900 transforming substations with total capacity of over 26,000 MVA. The core activities of OJSC IENC are provision of services of electricity transmission via electric grids in the interests of large consumers and utilities companies, i.e. entities operating in the wholesale electricity and capacity market. OJSC IENC is controlled by EN+ Group.

The Group's investments in OJSC IENC represent its strategic assets and allow the Group to use them in the acquisition and asset exchange transactions; in addition, they represent a source of dividends.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

OJSC Sakhalin Energy Company (OJSC SEC)

OJSC SEC is the customer-developer of a number of electricity sector assets in the Sakhalin region as part of the federal special purpose program Economic and Social Development of the Far East and Transbaikalia until 2014 and the oblast's special purpose program Power Sector Development in the Sakhalin Region until 2010 and for the Long-term Period until 2020. OJSC SEC's major investment project was the Construction of Power Generating Unit No. 4 at Yuzhno-Sakhalinsk Thermal Power Plant-1, which is operated by OJSC Sakhalinenergo, the Group's subsidiary, under a lease agreement. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government and the government of the Sakhalin region represented by the Ministry of Land and Property Affairs of Sakhalin region

The Group's investments in OJSC SEC represent strategic assets which allow a more efficient joint operation of the assets of Sakhalinenergo and OJSC SEC.

The Group's share in OJSC SEC changed as a result of the additional share issues of OJSC SEC. As at 31 December 2014 the Group's share in OJSC SEC comprised 36.09 percent.

PJSC Krasnoyarskaya HPP

In July 2014 25 percent minus 1 share of PJSC Krasnoyarskaya HPP were transferred by the Group's subsidiary OJSC HydroInvest to OJSC EuroSibEnergo in exchange of 3.39 percent of treasury shares (Note 15). Remaining 0.12 percent of shares of PJSC Krasnoyarskaya HPP were reclassified to available-for-sale financial assets.

Summarised financial information for significant associates for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013:

	PJSC Krasnoyarskaya HPP		OJSC IENC		OJSC SEC	
	2014	2013	2014	2013	2014	2013
As at 31 December						
Non-current assets	-	50,576	25,848	25,489	10,519	9,361
Current assets	-	12,270	2,478	2,129	1,516	2,537
Non-current liabilities	-	(6,787)	(5,334)	(5,638)	-	-
Current liabilities	-	(860)	(6,353)	(4,498)	(1,063)	(1,207)
Net assets	-	55,199	16,639	17,482	10,972	10,691
For the year ended 31 December	2014	2013	2014	2013	2014	2013
Revenue	7,673	15,569	15,674	11,210	285	1
Reversal of impairment of property, plant and equipment	-	20,778	-	-	-	-
Profit / (loss) for the year	1,166	19,357	(843)	(227)	(69)	437
Total comprehensive income / (loss) for the year	1,166	19,357	(843)	(227)	(69)	437

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Reconciliation of the summarised financial information presented to the carrying value of interest in associates:

	PJSC Krasnoyarskaya HPP	OJSC IENC	OJSC SEC	Others	Total
Net assets as at 31 December 2012	35,842	-	7,388	637	43,867
Net assets at the date of the purchase	-	17,777	-	200	17,977
Profit / (loss) for the year	19,357	(227)	437	(23)	19,544
Additional share issue	-	-	2,866	-	2,866
Dividends	-	(68)	-	-	(68)
Net assets as at 31 December 2013	55,199	17,482	10,691	814	84,186
Interest in associates	13,866	7,474	4,327	266	25,933
Goodwill	8,619	946	-	-	9,565
Accumulated impairment of investments in associates	(7,276)	-	-	-	(7,276)
Effect of recognition of fair value of interest received as a result of additional share issues	-	-	(986)	-	(986)
Accumulated losses	-	-	-	1	1
Carrying value as at 31 December 2013	15,209	8,420	3,341	267	27,237
Net assets as at 31 December 2013	55,199	17,482	10,691	814	84,186
Profit / (loss) for the year	1,166	(843)	(69)	212	466
Additional share issue	-	-	350	-	350
Disposal	(56,103)	-	-	-	(56,103)
Reclassification to available-for-sale financial assets	(262)	-	-	-	(262)
Net assets as at 31 December 2014	-	16,639	10,972	1,026	28,637
Interest in associates	-	7,114	3,960	335	11,409
Goodwill	-	946	-	-	946
Additional share issues	-	-	(519)	-	(519)
Accumulated losses	-	-	-	8	8
Carrying value as at 31 December 2014	-	8,060	3,441	343	11,844

Joint ventures*BoGES Group and BALP Group*

Starting from 2006 the Company and RUSAL Group have been jointly implementing the BEMA project based on an agreement for mutual financing, completion and subsequent operation of Boguchanskaya HPP, with an installed capacity of 2,997 MW, and Boguchansky aluminium plant, with a capacity of 600,000 tonnes of aluminium per annum. Within the BEMA project on parity basis joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed, which have controlling interests in OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant.

BoGES Ltd and OJSC Boguchanskaya GES together form BoGES Group. BALP Ltd and CJSC Boguchansky Aluminium Plant together form BALP Group.

BoGES Ltd and BALP Ltd provide corporate governance of Boguchanskaya HPP and Boguchansky Aluminium Plant in line with the parity of interests of the investors and are not engaged in other operations.

Starting from November 2012, Boguchanskaya HPP sells electricity and capacity to large consumers and utilities companies, having commissioned hydroelectric generating units of Boguchanskaya HPP and having the status of an entity operating in the wholesale electricity and capacity market.

The construction of Boguchansky Aluminium Plant is ongoing. Boguchansky Aluminium Plant will become a key consumer of energy generated by Boguchanskaya HPP. The plant's production complex will include electrolytic, casting and anode production facilities.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Summarised financial information for significant joint ventures for the years ended 31 December 2014 and 31 December 2013 and as at 31 December 2014 and 31 December 2013:

As at 31 December	BoGES Group		BALP Group	
	2014	2013	2014	2013
Non-current assets	44,551	44,673	17,290	9,999
Current assets including:	3,103	2,054	756	1,023
<i>Cash and cash equivalents</i>	765	248	130	194
Non-current liabilities including:	(43,629)	(41,128)	(5,952)	(32,202)
<i>Non-current financial liabilities (excluding trade payables)</i>	(37,347)	(34,634)	(3,337)	(30,220)
Current liabilities including:	(1,973)	(1,627)	(61,729)	(1,527)
<i>Current financial liabilities (excluding trade payables)</i>	(731)	(22)	(60,157)	(63)
Net assets	2,052	3,972	(49,635)	(22,707)
For the year ended 31 December	2014	2013	2014	2013
Revenue	6,571	4,249	275	252
Depreciation of property, plant and equipment	(1,066)	(405)	(55)	(59)
Interest income	53	20	15	1
Interest expense	(2,730)	(2,401)	(3,407)	(1,963)
Impairment of property, plant and equipment	-	(7,296)	(5,521)	(9,724)
Loss before income tax	(2,146)	(11,663)	(33,584)	(13,571)
Income tax benefit	226	1,795	6,656	2,705
Loss for the year	(1,920)	(9,868)	(26,928)	(10,866)
Other comprehensive loss for the year	-	(127)	-	-
Total comprehensive loss for the year	(1,920)	(9,995)	(26,928)	(10,866)

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

	BoGES Group	BALP Group	Others	Total
Net assets as at 31 December 2012	13,967	(11,841)	1,190	3,316
Net assets at the date of the purchase	-	-	1,156	1,156
Loss for the year	(9,995)	(10,866)	(105)	(20,966)
Net assets as at 31 December 2013	3,972	(22,707)	2,241	(16,494)
Interest in joint ventures	1,986	(11,354)	1,100	(8,268)
Non-controlling interest	(26)	-	-	(26)
Accumulated losses	-	11,354	4	11,358
Carrying value as at 31 December 2013	1,960	-	1,104	3,064
Net assets as at 31 December 2013	3,972	(22,707)	2,241	(16,494)
Increase of share capital	-	-	23	23
Loss for the year	(1,920)	(26,928)	(159)	(29,007)
Net assets as at 31 December 2014	2,052	(49,635)	2,105	(45,478)
Interest in joint ventures	1,026	(24,818)	1,036	(22,756)
Non-controlling interest	22	-	-	22
Accumulated losses	-	24,818	104	24,922
Carrying value as at 31 December 2014	1,048	-	1,140	2,188

The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP for the loan facility in favour of the State Corporation Vnesheconombank (Note 28).

In accordance with investment programme of the Company the Group has to invest RR 3,449 million for the period 2015–2017 in construction Boguchanskaya HPP (RR 142 million for the period 2014–2016), as well as RR 13,373 million for the period 2015–2017 in construction Boguchansky Aluminium Plant (RR 25,257 million for the period 2014–2016).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 9. Available-for-sale financial assets

	31 December 2014		31 December 2013	
	% of ownership	Fair value	% of ownership	Fair value
OJSC Inter RAO	4,92%	3,654	4.92%	5,132
OJSC Russian Grids	0,28%	212	0.28%	356
OJSC FGC UES	0,13%	76	0.13%	150
Other	-	190	-	156
Total available-for-sale financial assets		4,132		5,794

The fair values of available-for-sale financial assets were calculated based on quoted market prices, for those which are not publicly traded fair values were estimated by reference to the discounted cash flows of the investees (Note 31).

For the year ended 31 December 2014 an impairment of available-for-sale financial assets in respect of shares of OJSC Inter RAO was recognised in profit or loss in the amount of RR 1,478 million (for the year ended 31 December 2013: RR 7,594 million).

Loss arising on other available-for-sale financial assets for the year ended 31 December 2014 totaled RR 261 million was recorded within other comprehensive income in amount of RR 42 million, net of tax, (for the year ended 31 December 2013: RR 586 million, net of tax) and in profit or loss in amount of RR 303 million (for the year ended 31 December 2013: RR 350 million).

Note 10. Other non-current assets

	31 December 2014	31 December 2013
Long-term promissory notes	37,047	36,690
Discount	(16,864)	(17,021)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	6,158	5,644
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	5,478	5,573
VAT recoverable	3,226	5,381
Customer base of LLC ESC Bashkortostan	1,109	1,662
Goodwill	929	929
Other non-current assets	8,121	5,787
Total other non-current assets	25,021	24,976

	Rating*	Rating agency	Effective interest rate	Maturity date	31 December 2014	31 December 2013
Long-term promissory notes						
OJSC Boguchanskaya HPP	-	-	9.75%	2029	5,203	4,741
OJSC Alfa Bank	Ba1	Moody's	10.40-14.00%	2015-2021	466	668
PJSC ROSBANK	Baa3	Moody's	10.90-14.00%	2020-2021	446	142
Other					43	93
Total long-term promissory notes					6,158	5,644

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Promissory notes of OJSC Boguchanskaya HPP. As at 31 December 2014 the amortised cost of interest-free long-term promissory notes of OJSC Boguchanskaya HPP (payable not earlier than 31 December 2029 with total nominal value of RR 21,027 million) pledged as collateral to the State Corporation Vnesheconombank amounted to RR 5,203 million (31 December 2013: RR 4,741 million) (Note 8).

Promissory notes of CJSC Boguchansky Aluminium Plant. As a result of the performed analysis as at 31 December 2013, management of the Group concluded that promissory notes of CJSC Boguchansky Aluminium Plant are highly probable not recoverable and recognised an impairment loss of RR 1,633 million (including unwinding of discount for the period). As at 31 December 2014 there were no indicators for reversal of impairment of these promissory notes.

Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs. As at 31 December 2014 the carrying value of dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs owned by the Group received in 2011 in the course of additional share issue of the Company was RR 5,478 million. The recoverable amount of these dams is

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

estimated by management based on future cash flows. Key assumption as at 31 December 2014 used for the cash flows analysis is estimation of the annual consideration, received from OJSC Irkutskenergo and respective to market value of right of temporary ownership and use this property.

Goodwill and customer base. Presented below is the carrying value of goodwill:

	Year ended 31 December 2014	Year ended 31 December 2013
Gross book value as of 1 January	3,013	3,013
Accumulated impairment losses as of 1 January	(2,084)	(2,084)
Carrying amount as of 1 January	929	929
Impairment loss	-	-
Carrying amount as of 31 December	929	929
Gross book value as of 31 December	3,013	3,013
Accumulated impairment losses as of 31 December	(2,084)	(2,084)

Goodwill of OJSC Institute Hydroproject. Goodwill of RR 929 million was recognised at the date of the acquisition of OJSC Institute Hydroproject in October 2010 as the Group was able to receive economic benefits from the expected synergy from the high qualification of engineering specialists and long-term relationships between OJSC Institute Hydroproject and customers, including the Group entities.

As at 31 December 2014 and 31 December 2013, the Group tested goodwill related to OJSC Institute Hydroproject for its potential impairment. For the testing purposes, OJSC Institute Hydroproject was considered as a single cash generating asset.

Presented below are key assumptions used for the impairment testing purposes for the years ended 31 December 2014 and 31 December 2013:

Key assumptions used for the impairment testing purposes	For the year ended 31 December 2014	For the year ended 31 December 2013
Information used	Actual performance for 2014 and results of business plans for 2015-2019	Actual performance for 2013 and results of business plans for 2014-2018
Forecast period	5 years	5 years
Growth interest rate after the forecast period	4.3 percent	3.6 percent
Discount rate	16.1 percent	13.9 percent
Net cash inflow after the forecast period	Minimum expectation: RR 167 million in 2015, RR 175 million in 2016, RR 182 million in 2017, RR 193 million in 2018, RR 201 million in 2019	Minimum expectation: RR 216 million in 2014, RR 179million in 2015, RR 200 million in 2016, RR 234 million in 2017, RR 243 million in 2018
Net cash inflow after the forecast period	Minimum expectation: RR 178 million per year	Minimum expectation: RR 250 million per year

Based on the above assumptions, as at 31 December 2014 and 31 December 2013 the recoverable amount of OJSC Institute Hydroproject as a cash generating asset exceeded the carrying amount – there is no economic impairment.

Customer base of LLC ESC Baskortostan. As at 31 December 2014 and 31 December 2013 the Group tested customer base of LLC ESC Baskortostan for potential impairment. For the testing purposes LLC ESC Baskortostan was considered as a single cash generating unit.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Presented below are key assumptions used for the impairment testing purposes:

Key assumptions used for the impairment testing purposes	For the year ended 31 December 2014	For the year ended 31 December 2013
Information used	Actual performance for 2014 and results of business plans for 2015-2019	Actual performance for 2013 and results of business plans for 2014-2018
Forecast period*	10 years (2015-2024)	10 years (2014-2023)
Growth interest rate after the forecast period	4.0 percent	2.3 percent
Discount rate	15.2 percent	14.2 percent
Forecast electricity sales	Based on management forecast	
Forecast electricity tariffs	2015 – based on tariffs set by regulators 2016-2024 – based on the consumer price index	2014 – based on tariffs set by regulators 2015-2023 – based on the consumer price index

* The management believes that the forecast period exceeding five years is more reliable as the electricity and capacity market is expected to undergo significant changes during the forecast period, and cash flows will not flatten out within five years.

As at 31 December 2014 and 31 December 2013 the recoverable amount of LLC ESC Baskortostan exceeded the carrying amount – no loss on impairment related to the customer base of LLC ESC Baskortostan was recognised.

Note 11. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at bank	14,960	10,744
Cash equivalents (contractual interest rate: 9.25-29.40%)	19,417	23,712
Cash in hand	17	16
Total cash and cash equivalents	34,394	34,472

Cash equivalents held as at 31 December 2014 and 31 December 2013 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 31 December 2014 were RR 767 million (31 December 2013: RR 252 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2014 were RR 2,310 million (31 December 2013: RR 682 million).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Cash and cash equivalents are deposited in several institutions as follows:

	Rating*	Rating agency	31 December 2014	31 December 2013
Cash at banks				
JSC Gazprombank	Ba1	Moody's	5,996	2,115
OJSC Sberbank of Russia	Baa2	Moody's	5,354	4,827
CJSC Peresvet Bank	B+	Standard & Poor's	1,228	2,739
UBS AG	A	Fitch Ratings	526	17
LLC Creditinvestbank	-	-	262	-
PJSC VTB24	Baa3	Moody's	200	106
JSC Bank Severny Morskoy Put	-	-	187	-
OJSC Kamchatkomargoprombank	-	-	170	30
JSC InvestCapitalBank	-	-	159	-
PJSC ROSBANK	Baa3	Moody's	158	299
OJSC VTB Bank	BBB-	Standard & Poor's	83	258
Other			637	353
Total cash at banks			14,960	10,744
Bank deposits				
CJSC Peresvet Bank	B+	Standard & Poor's	7,319	3,477
OJSC Sberbank of Russia	Baa2	Moody's	5,613	7,151
JSC Gazprombank	Ba1	Moody's	2,892	1,781
JSC UniCredit Bank	BBB	Fitch Ratings	2,347	4,500
PJSC ROSBANK	Baa3	Moody's	507	230
OJSC Asian-Pacific Bank	B+	Fitch Ratings	278	170
OJSC VTB Bank	BBB-	Standard & Poor's	65	2,150
CJSC Raiffeisenbank	-	-	-	652
JSC Nordea Bank	-	-	-	2,910
Other			396	691
Total cash equivalents			19,417	23,712

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Note 12. Accounts receivable and prepayments

	31 December 2014	31 December 2013
Trade receivables	50,931	45,716
Provision for impairment of trade receivables	(18,643)	(15,374)
Trade receivables, net	32,288	30,342
VAT recoverable	8,683	8,059
Advances to suppliers and other prepayments	3,957	4,612
Provision for impairment of advances to suppliers and other prepayments	(670)	(460)
Advances to suppliers and other prepayments, net	3,287	4,152
Other receivables	6,637	5,350
Provision for impairment of other receivables	(2,883)	(2,518)
Other receivables, net	3,754	2,832
Total accounts receivable and prepayments	48,012	45,385

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows (Note 2). The Group believes that the Group's subsidiaries will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the carrying value approximates their fair value.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Movements in the impairment provision for accounts receivables and prepayments are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
As at 1 January	18,352	14,465
Charge for the year	8,893	7,241
Reversal of impairment	(3,346)	(2,754)
Trade receivables written-off as uncollectible	(1,626)	(618)
Disposal of impairment provision due to disposal of subsidiaries	(77)	-
Transfer of assets of the subsidiary acquired with a view for resale	-	18
As at 31 December	22,196	18,352

The ageing analysis of trade and other finance accounts receivable is as follows:

	31 December 2014	Provision as at 31 December 2014	31 December 2013	Provision as at 31 December 2013
Not past due	26,143	(967)	23,855	(547)
Past due for less than 3 months	6,229	(953)	5,021	(897)
Past due for 3 months to 1 year	8,139	(3,838)	8,344	(4,854)
Past due for more than 1 year	16,127	(15,768)	13,183	(11,594)
Total	56,638	(21,526)	50,403	(17,892)

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market as well as public sector entities and population.

The Group does not hold any accounts receivable pledged as collateral.

Note 13. Inventories

	31 December 2014	31 December 2013
Fuel	13,229	13,329
Materials and supplies	6,383	6,249
Spare parts	2,085	1,524
Other materials	645	536
Total inventories before provision for impairment	22,342	21,638
Provision for impairment of inventories	(209)	(189)
Total inventories	22,133	21,449

There are no inventories pledged as collateral for borrowings as at 31 December 2014 and as at 31 December 2013.

Note 14. Other current assets

	31 December 2014	31 December 2013
Deposits and promissory notes	40,122	52,406
Loans issued	1,484	530
Other short-term investments	266	208
Total other current assets	41,872	53,144

	Rating*	Rating agency	Effective interest rate	31 December 2014	31 December 2013
Deposits					
OJSC Sberbank of Russia	Baa2	Moody's	9.85–28.61%	38,915	50,726
CJSC Peresvet Bank	B+	Standard & Poor's	9.50–18.72%	166	833
Other deposits				768	306
Promissory notes					
OJSC Alfa-Bank	Ba1	Moody's	-	195	416
Other promissory notes				78	125
Total deposits and promissory notes				40,122	52,406

* Banks' ratings are presented as at 31 December 2014. The ratings of several banks decreased after the year end.

Note 15. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2014	386,255,464,890
As at 31 December 2013	386,255,464,890
As at 31 December 2012	317,637,520,094

Additional share issue 2012–2013. On 16 November 2012 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 110,000,000,000 ordinary shares with a par value of RR 1.00 by open subscription with cash and non-cash considerations. On 10 December 2012 the Board of Directors of the Company determined the placement price of RR 1.00 per share.

As part of this issue the Group received:

- in 2012 the funds in amount RR 50,000 million from the Russian Federation to fund construction of four heat power plants in the Far East region;
- in 2013 19.54 percent shares of OJSC RAO Energy System of East, 24.54 percent shares of OJSC SEC, 14.83 percent shares of OJSC Ust'-Srednekanskaya HPP, 42.75 percent shares of OJSC IENC, 0.08 percent shares of OJSC Irkutskenergo.

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

The Report based on the results of additional share issue was registered by the Bank of Russia on 26 December 2013.

Treasury shares. As at 31 December 2014 treasury shares were represented by 21,786,611,933 ordinary shares in the amount of RR 26,092 million (31 December 2013: 8,703,807,839 ordinary shares in the amount of RR 10,662 million).

In July 2014 3.39 percent of treasury shares were received by the Group's subsidiary OJSC HydroInvest from OJSC EuroSibEnergo in exchange of 25 percent minus 1 share of PJSC Krasnoyarskaya HPP (Note 8).

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

Transactions with the Government and companies under common control. The change of merge reserve for the year ended 31 December 2013 in the amount of RR 7,859 million relates to assets that were received in 2013 from the Russian Federation and companies under common control in the course of additional share issue 2012–2013.

As a result of the increase in Group's share in OJSC RAO Energy System of East non-controlling interest decreased by RR 6,563 million and retained earnings of the Group increased in the same amount.

As a result of the increase in Group's share in OJSC Ust'-Srednekanskaya HPP non-controlling interest increased by RR 293 million and retained earnings of the Group decreased by the same amount due to increase of share of Group's shareholders in losses accumulated by OJSC Ust'-Srednekanskaya HPP.

Effect of changes in non-controlling interest of subsidiaries. During 2014 the placement of additional share issue of OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS were registered. As a result non-controlling interest increased by RR 78 million due to increase of share in losses of OJSC Ust'-Srednekanskaya HPP and OJSC Zaramag HS previously absorbed by shareholders of the Group.

In 2013 in the course of additional share issue 2012–2013 the Group also has received shares of OJSC RAO Energy System of East from shareholders which are not controlled by the Government. As a result non-controlling interest decreased by RR 2,671 million and retained earnings of the Group increased by RR 1,812 million.

Dividends. In accordance with the Russian legislation the Company and its subsidiaries distribute profits as dividends on the basis of financial statements prepared in accordance with Russian accounting standards.

On 27 June 2014 the Company declared dividends for the year ended 31 December 2013 of RR 0.0136 per share in the total amount of RR 5,248 million (RR 5,130 million excluding dividends to subsidiaries).

On 28 June 2013 the Company declared dividends for the year ended 31 December 2012 of RR 0.0096 per share in the total amount of RR 3,675 million (RR 3,594 million excluding dividends to subsidiaries).

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Dividends in favour of non-controlling interest holders were declared by the Group's subsidiaries in the amount of RR 80 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RR 160 million).

Note 16. Income tax

Income tax expense is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	7,450	10,248
Deferred income tax / (benefit)	610	(6,056)
Total income tax expense	8,060	4,192

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2014 is 20 percent (for the year ended 31 December 2013: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income tax	32,191	25,185
Theoretical tax expense at a statutory rate of 20 percent	(6,438)	(5,037)
Tax effect of items which are not deductible or assessable for taxation purposes	(1,469)	(2,335)
Change in unrecognised deferred tax assets in respect of investments in associates and joint ventures (Note 8)	(68)	511
Unrecognised deferred tax assets related to impairment of available-for-sale financial assets (Note 9)	(334)	(1,589)
(Increase) in other unrecognised deferred tax assets / Use of other deferred tax assets unrecognised in previous periods	(1,053)	1,695
Write-off of deferred tax related to subsidiary acquired exclusively with a view for resale (Note 2)	-	1,873
Other	1,302	690
Total income tax expense	(8,060)	(4,192)

The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2014 comprised RR 51,960 million (31 December 2013: RR 46,574 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction and pension liabilities of several Group's subsidiaries.

Deferred income tax. Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2013: 20 percent).

RusHydro Group
Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

	31 December 2013	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations and disposal of subsidiaries	31 December 2014
Deferred income tax assets	4,066	1,621	(211)	(121)	5,355
Property, plant and equipment	3,284	166	-	(25)	3,425
Accounts receivable	5,631	179	-	(11)	5,799
Losses carried forward	1,199	453	-	(78)	1,574
Other	2,229	611	(211)	(7)	2,622
<i>Deferred tax offset</i>	<i>(8,277)</i>	<i>212</i>	<i>-</i>	<i>-</i>	<i>(8,065)</i>
Deferred income tax liabilities	(35,066)	(2,231)	1,406	-	(35,891)
Property, plant and equipment	(42,452)	(2,395)	1,544	-	(43,303)
Accounts receivable	(78)	(44)	-	-	(122)
Loans and borrowings	(404)	289	-	-	(115)
Other	(409)	131	(138)	-	(416)
<i>Deferred tax offset</i>	<i>8,277</i>	<i>(212)</i>	<i>-</i>	<i>-</i>	<i>8,065</i>

	31 December 2012 (restated)	Income tax charge	Charged directly to other comprehensive income	Reclassification of discontinued operations	Other movement	31 December 2013
Deferred income tax assets	3,455	291	(29)	630	(281)	4,066
Property, plant and equipment	2,707	577	-	-	-	3,284
Accounts receivable	5,046	572	-	13	-	5,631
Losses carried forward	744	253	-	202	-	1,199
Other	1,683	441	(29)	415	(281)	2,229
<i>Deferred tax offset</i>	<i>(6,725)</i>	<i>(1,552)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(8,277)</i>
Deferred income tax liabilities	(42,937)	5,765	5,066	(2,960)	-	(35,066)
Property, plant and equipment	(46,649)	2,091	5,066	(2,960)	-	(42,452)
Accounts receivable	(212)	134	-	-	-	(78)
Loans and borrowings	(410)	6	-	-	-	(404)
Investment in OJSC DRSK	(1,873)	1,873	-	-	-	-
Other	(518)	109	-	-	-	(409)
<i>Deferred tax offset</i>	<i>6,725</i>	<i>1,552</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8,277</i>

Under existing Group' structure tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Note 17. Pension benefit obligations

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2014 and 31 December 2013.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 19):

	31 December 2014	31 December 2013
Fair value of plan assets	(986)	(856)
Present value of defined benefit obligations	7,874	9,243
Net liability	6,888	8,387

The movements in the defined benefit liability for the years ended 31 December 2014 and 31 December 2013 are presented in the tables below:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2014	9,243	(856)	8,387
Recognition assets related to the OJSC DGK agreements	-	(35)	(35)
Current service cost	407	-	407
Interest expense / (income)	725	(70)	655
Past service cost	343	-	343
Curtailment in pension payment	(501)	-	(501)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(74)	-	(74)
Actuarial loss - experience adjustment	203	-	203
Recognised in profit or loss for the year ended 31 December 2014	1,103	(70)	1,033
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	72	-	72
Actuarial gain - change in financial assumptions	(2,190)	-	(2,190)
Actuarial loss - experience adjustments	361	18	379
Recognised other comprehensive income for the year ended 31 December 2014 before income tax charge of RR 347 million	(1,757)	18	(1,739)
Employer contributions for funded pension plan	-	(270)	(270)
Benefit payments (Funding NSPF pensions)	(400)	227	(173)
Benefit payments (Non-funded pension plan)	(315)	-	(315)
At 31 December 2014	7,874	(986)	6,888

In July 2014 OJSC DGK decided to reduce payments to the pensioners. As a result the Group recognised RR 501 million gain for the year ended 31 December 2014 (Note 24).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2013	10,482	(824)	9,658
Reclassification of plan assets	-	67	67
Current service cost	442	-	442
Interest expense / (income)	628	(57)	571
Past service cost	9	-	9
Curtailement in pension plan	(1,609)	-	(1,609)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(17)	-	(17)
Actuarial gain - experience adjustment	(23)	-	(23)
Recognised in profit or loss for the year ended 31 December 2013	(570)	(57)	(627)
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	249	-	249
Actuarial gain - change in financial assumptions	(1,131)	-	(1,131)
Actuarial loss / (gain) - experience adjustments	824	(68)	756
Recognised other comprehensive income for the year ended 31 December 2013 before income tax charge of RR 25 million	(58)	(68)	(126)
Employer contributions for funded pension plan	-	(156)	(156)
Benefit payments (Funding NSPF pensions)	(325)	182	(143)
Benefit payments (Non-funded pension plan)	(286)		(286)
At 31 December 2013	9,243	(856)	8,387

In March 2013 OJSC DGK decided to cancel the defined benefit pension plan. The pension liability of the plan on cancellation date was RR 2,458 million. Following the defined benefit pension plan cancellation lump sum payment liabilities have increased for RR 315 million and periodical retirement payments liabilities have increased for RR 534 million. These payments were included in collective agreement and were alternatives for defined benefit pension plan. As a result the Group recognised RR 1,609 million curtailment gain for the year ended 31 December 2013.

Principal actuarial assumptions for the Group are as follows:

	31 December 2014	31 December 2013
Nominal discount rate	13.00%	7.90%
Inflation rate	7.00%	5.10%
Wage growth rate	8.50%	6.60%
Staff turnover	Staff turnover depending on age based on statistics for three years	
Mortality table	Russia-2011*	Russia-2011

* Taking into account the pull down adjustment calculated based on statistical data of mortality for employees of the Group of age till 60 years old for years 2012–2013

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2014 is presented below:

	Change in assumption	Effect on net liability	Effect on net liability, %
Nominal discount rate	+ 1%	(568)	- 7%
	- 1%	654	8%
Inflation rate	+ 1%	358	4%
	- 1%	(319)	- 4%
Wage growth rate	+ 1%	334	4%
	- 1%	(289)	- 3%
Staff turnover	+ 3%	(321)	- 4%
	- 3%	402	5%
Mortality Rates	+ 10%	(532)	- 6%
	- 10%	764	9%

The Group expects to contribute RR 599 million to the defined benefit plans in 2015.

The weighted average duration of the defined benefit obligation of the Group is 8 years.

Retirement benefit plan parameters and related risks. The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").

The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or minimum tariff rate of remuneration or salary or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks.

Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are severally liable for plans management, including investments decisions and the contribution schedule.

NPF invests the Group's funds in a diversified portfolio. When investing pension savings and placing the pension reserves, NPF is guided by the Russian legislation that provides a strict regulation with respect to the possible list of financial instruments and restricts their utilisation, which also leads to diversification and reduces investment risks.

The Group transfers the obligation to pay lifelong non-state pension benefits to the Group's former employees to NPF and funds these obligations when awarding the pension. Therefore, the Group insures the risks related to payment of non-state pensions (investment risks and survival risks).

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 18. Current and non-current debt

Non-current debt

	Effective interest rate	Due date	31 December 2014	31 December 2013
OJSC Sberbank of Russia	7.98–12.72%/MosPrime 3M+2.1%	2015–2022	48,473	46,295
Russian bonds (OJSC RusHydro) issued in February 2014	8.50%	2018*	20,628	20,478
Eurobonds (RusHydro Finance Ltd)	7.875%	2015	20,281	20,254
EBRD	MOSPRIME+1.50– 3.45% / LIBOR6M+3.45%	2015–2027	18,560	14,971
Russian bonds (OJSC RusHydro) issued in April 2011	8.00%	2016*	15,233	15,225
OJSC Bank of Moscow	MosPrime+2.20%	2015	7,536	7,700
UniCredit Bank Austria AG	3.35%**	2017–2026	5,580	2,523
Crédit Agricole Corporate and Investment Bank Deutschland	Euribor 6M + 0.625%	2029	5,211	-
OJSC Bank VTB	8.39%	2015–2018	4,522	4,500
PJSC ROSBANK	8.99-11.10%	2015–2016	4,481	1,558
Municipal authority of Kamchatka region	8.57%	2034	2,526	1,572
ASIAN Development bank	LIBOR6M+3.45%	2017–2027	1,437	-
JSC Gazprombank	8.63–9.00%	2015–2016	1,179	1,997
Bayerische Landesbank	Euribor 6M + 0.85%	2017–2025	965	-
EM Falcon Ltd	-	-	-	1,517
Other long-term debt	-	-	1,112	1,282
Finance lease liabilities	8.70–21.00%	-	2,313	2,082
Total			160,037	141,954
Less current portion of non-current			(39,937)	(9,057)
Less current portion of finance lease liabilities			(913)	(1,007)
Total non-current debt			119,187	131,890

* The bonds mature in 10 years with a put option to redeem them in 2018 and 2016 respectively.

** Fixed interest rate applied to 90 percent of the credit facility, to the rest 10 percent of the facility the quarterly variable export finance rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25 percent is applied.

Crédit Agricole Corporate and Investment Bank Deutschland. In March 2014 the Group concluded the loan agreement with Crédit Agricole Corporate and Investment Bank Deutschland for total amount of EUR 190 million for a period of 15 years for financing the upgrade of hydroturbines of Saratovskaya HPP.

OJSC Sberbank of Russia. In April 2014 the Group obtained RR 2,776 million under the agreement of non-revolving credit line with OJSC Sberbank of Russia for financing of the operating, financial and investment activities including of refinancing of loans and borrowings.

European Bank for Reconstruction and Development (hereinafter referred to as "EBRD"). In April 2014 the Group concluded the loan agreement with EBRD amounting RR 3,530 million for a period of 12 years to refinance the current liability of OJSC DRSK included in RAO Energy System of East subgroup.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Current debt

	Effective interest rate	31 December 2014	31 December 2013
OJSC Bank VTB	7.97–11.00%	4,921	950
PJSC ROSBANK	7.50–15.60%	4,096	3,419
OJSC Sberbank of Russia	7.20–16.43%	3,331	2,350
JSC Gazprombank	8.63–15.50%	2,076	2,323
OJSC Alfa-Bank	10.50%	851	-
CJSC Raiffeisenbank	8.69–10.84%	598	-
Current portion of non-current debt	-	39,937	9,057
Current portion of finance lease liabilities	8.70–21.00%	913	1,007
Other current debt	-	1,120	781
Total current debt and current portion of non-current debt		57,843	19,887

Reference:

Interest payable	2,190	1,768
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Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 31 December 2014 and 31 December 2013 the Group met all required covenant clauses of the credit agreements.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments as at 31 December 2014	979	1,135	3,169	5,283
Less future finance charges	(66)	(276)	(2,628)	(2,970)
Present value of minimum lease payments as at 31 December 2014	913	859	541	2,313
Minimum lease payments as at 31 December 2013	1,044	1,420	-	2,464
Less future finance charges	(37)	(345)	-	(382)
Present value of minimum lease payments as at 31 December 2013	1,007	1,075	-	2,082

Note 19. Other non-current liabilities

	31 December 2014	31 December 2013
Pension benefit obligations (Note 17)	6,888	8,387
Other non-current liabilities	4,307	3,643
Total other non-current liabilities	11,195	12,030

Note 20. Accounts payable and accruals

	31 December 2014	31 December 2013
Trade payables	33,290	30,968
Advances received	7,824	8,869
Settlements with personnel	7,714	6,933
Dividends payable	88	85
Other accounts payable	2,642	2,618
Total accounts payable and accruals	51,558	49,473

All accounts payable and accruals are denominated in Russian Rubles.

Note 21. Other taxes payable

	31 December 2014	31 December 2013
VAT	5,855	5,982
Property tax	2,717	2,412
Insurance contributions	2,404	1,937
Other taxes	937	613
Total other taxes payable	11,913	10,944

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Note 22. Revenue

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity	239,543	230,925
Sales of heat and hot water	34,059	33,147
Sales of capacity	28,012	25,616
Other revenue	27,946	23,944
Total revenue	329,560	313,632

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repairs and other services.

Note 23. Government grants

In accordance with legislation of the Russian Federation several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the year ended 31 December 2014 the Group received government subsidies in the amount of RR 12,428 million (for the year ended 31 December 2013: RR 13,246 million) in the following subsidised territories: Kamchatsky territory, the Sakha Republic (Yakutia), Magadan Region and other Far East regions.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

Note 24. Operating expenses (excluding impairment losses)

	Year ended 31 December 2014	Year ended 31 December 2013
Employee benefit expenses (including payroll taxes and pension benefit expenses)	65,114	56,907
Purchased electricity and capacity	57,504	54,622
Fuel expenses	46,639	44,472
Electricity distribution expenses	41,282	37,922
Depreciation of property, plant and equipment and intangible assets	21,340	18,218
Other materials	10,787	9,599
Taxes other than on income	9,008	9,295
Third parties services, including:		
Repairs and maintenance	3,784	3,608
Services of SO UES, ATS, CFS	3,598	3,480
Services of subcontracting companies	3,404	5,096
Security expenses	3,122	2,759
Purchase and transportation of heat power	2,874	2,699
Consulting, legal and information expenses	2,437	1,575
Rent	2,033	1,802
Insurance cost	1,229	1,086
Transportation expenses	1,007	1,344
Other third parties services	5,811	4,703
Water usage expenses	2,656	2,742
Social charges	2,274	2,082
Travel expenses	1,780	1,453
Loss on disposal of property, plant and equipment, net	1,288	1,447
Purchase of oil products for sale	425	718
Curtailment in pension payment and pension plan	(501)	(1,609)
Gain on disposal of subsidiaries and associates	(28)	(517)
Other expenses	1,971	260
Total operating expenses (excluding impairment losses)	290,838	265,763

Note 25. Finance income, costs

	Year ended 31 December 2014	Year ended 31 December 2013
<i>Finance income</i>		
Interest income	7,407	7,917
Foreign exchange gain	1,404	485
Gain on derivative financial instruments	309	71
Income on discounting	109	677
Other income	90	178
Total finance income	9,319	9,328
<i>Finance costs</i>		
Interest expense	(4,879)	(7,259)
Foreign exchange loss	(3,218)	(635)
Expense on discounting	(1,438)	(690)
Finance lease expense	(115)	(323)
Other costs	(1,018)	(635)
Total finance costs	(10,668)	(9,542)

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 26. Earnings per share

	Year ended 31 December 2014	Year ended 31 December 2013
Weighted average number of ordinary shares issued (thousands of shares)	371,494,140	309,873,684
Profit for the period attributable to the shareholders of OJSC RusHydro	25,606	19,767
Earnings per share attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0689	0.0638

Note 27. Capital commitments

Capital commitments. In accordance with investment programme of the Company and separate investment programmes of subsidiaries of RAO Energy System of East subgroup segment, the Group has to invest RR 341,208 million for the period 2015-2017 for reconstruction of the existing and construction of new power plants (RR 324,878 million for the period 2014-2016). Currently there are plans on revision of investment programs of the Company and subsidiaries of the Group.

Capital commitments of the Group as at 31 December 2014 are as follows: 2015 year – RR 144,745 million, 2016 year – RR 113,936 million, 2017 year – RR 82,527 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Saratovskaya HPP in the amount of RR 17,290 million, Zhigulevskaya HPP in the amount of RR 13,949 million, Volzhskaya HPP in the amount of RR 16,709 million; and to construction of power plants: Yakutskaya GRES-2 in the amount of RR 21,842 million, Nizhne-Bureiskaya HPP in the amount of RR 18,137 million, Sakhalin GRES-2 in the amount of RR 15,787 million, HPP in Sovetskaya Gavan in the amount of RR 15,051 million.

Note 28. Contingencies

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for those risks for which it does not have insurance.

Legal proceedings. The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During the year ended 31 December 2014 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the year 2014. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could

be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management believes that as at 31 December 2014 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 653 million as at 31 December 2014 (31 December 2013: RR 693 million).

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Guarantees. The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the loan facility:

Counterparty	31 December 2014	31 December 2013
<i>for OJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	28,106	25,605
<i>for CJSC Boguchansky Aluminium Plant:</i>		
ALSTOM Grid SAS	134	82
Total guarantees issued	28,240	25,687

Note 29. Financial risk management

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprise market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing Group's overall framework, identifying, analyzing and evaluating risks, establishing risk limits, and then ensuring that exposure to risks stays within these limits and in case of exceeding these limits to impact on the risks.

In order to optimise the Group's exposure to risks, the Company constantly works on their identification, assessment and monitoring, as well as the development and implementation of activities which impact on the risks, business continuity management and insurance, seeks to comply with international and national standards of advanced risk management (COSO ERM 2004, ISO 31000 and others), increases the culture of risk management and continuously improves risk management.

Credit risk. Credit risk is the risk of financial loss for the Group in the case of non-fulfillment by the Contractor of the obligations on the financial instrument under the proper contract. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the Note 32.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimise losses.

To reduce the credit risk in the wholesale electricity and capacity markets the Group has introduced marketing policy and procedure to calculate internal ratings of counterparties in the unregulated market, based on the frequency of default, and to establish limits based on the rating of the customers' portfolio.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide past due accounts receivable and other information about credit risk as disclosed in Note 12.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Management of the Group approved the list of banks for deposits, as well as rules for their placement. Moreover, management constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors of such banks.

The tables in Notes 10, 11 and 14 show deposits with banks and other financial institutions and their ratings at the end of the reporting period.

Credit risk for financial guarantees is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for other financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group's maximum exposure to credit risk for financial guarantees was RR 28,240 million as at 31 December 2014 (31 December 2013: RR 25,687 million) (Note 28).

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

Currency risk. Electricity and capacity produced by the Group is sold on the domestic market of the Russian Federation at the prices fixed in Russian Rubles. Hence, the Group does not have significant foreign currency exchange risk. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend on currency rates as the Group operations are planned to be performed in such a way that its assets and liabilities are to be denominated in the national currency.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	31 December 2014			31 December 2013		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD	3,300	(5,464)	(2,164)	782	(2,232)	(1,450)
EUR	2,310	(12,292)	(9,982)	682	(2,988)	(2,306)
Other	25	-	25	15	-	15
Total	5,635	(17,756)	(12,121)	1,479	(5,220)	(3,741)

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk.

There is no significant effect of the changes of foreign currency rates on the Group's financial position.

Interest rate risk. The Group's operating profits and cash flows from operating activities are not dependent largely on the changes in the market interest rates. Borrowings issued at variable rates (Note 18) expose the Group to cash flow interest rate risk.

The Group obtains debt financing with floating rates, which are established on the basis of the MOSPRIME, Euribor, Libor rates.

As at 31 December 2014, had interest rates at that date been 6 percent higher (31 December 2013: 0.5 percent higher), with all other variables held constant, profit for the year ended 31 December 2014 and the amount of capital that the Group managed as at 31 December 2014 would have been RR 2 093 million (31 December 2013: RR 182 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. Effective interest rates are disclosed in Note 18.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

For the purpose of interest risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings with fixed rates and floating rates.

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

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate amount of committed credit facilities. The Group adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and short-term bank promissory notes. Current liabilities are represented mainly by the accounts payable to suppliers and contractors.

The Group has implemented a control system under its contract conclusion process by introducing and applying typical financial arrangements which include standardised payment structure, payment deadlines, percentage ratio between advance and final settlement, etc. In such a manner the Group controls capital maturity.

The table below shows liabilities as at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the Consolidated Statement of Financial Position because this amount is based on the discounted cash flows.

The maturity analysis of financial liabilities as at 31 December 2014 is as follows:

	2015 year	2016 year	2017 year	2018 year	2019 year	Starting from year 2020
Liabilities						
Current and non-current debt	67,650	30,036	10,676	44,154	12,325	64,984
Trade payables (Note 20)	33,290	-	-	-	-	-
Financial guarantees (Note 28)	842	636	771	1,008	1,269	23,714
Dividends payable (Note 20)	88	-	-	-	-	-
Finance lease liabilities (Note 18)	979	449	367	192	127	3,169
Net settled derivatives	103	118	65	36	20	7
Total future payments, including principal and interest payments	102,952	31,239	11,879	45,390	13,741	91,874
Liabilities of disposal group	496	-	-	-	-	-

The maturity analysis of financial liabilities as at 31 December 2013 is as follows:

	2014 year	2015 year	2016 year	2017 year	2018 year	Starting from year 2019
Liabilities						
Current and non-current debt	31,678	51,943	26,024	9,466	47,280	38,020
Trade payables (Note 20)	30,968	-	-	-	-	-
Financial guarantees (Note 28)	-	727	579	702	919	22,760
Dividends payable (Note 20)	85	-	-	-	-	-
Finance lease liabilities (Note 18)	1,044	778	334	244	64	-
Net settled derivatives	(14)	10	13	8	7	8
Total future payments, including principal and interest payments	63,761	53,458	26,950	10,420	48,270	60,788

Note 30. Management of capital

Compliance with Russian legislation requirements and capital cost reduction are key objectives of the Group's capital risk management.

The following capital requirements have been established for joint stock companies by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum shares on the date of the company's registration;
- if the share capital of the entity is more than the statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is more than the statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2014 and 31 December 2013 the Company was in compliance with the above share capital requirements.

The Group's objectives in respect of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The amount of capital that the Group managed as at 31 December 2014 was RR 595,151 million (31 December 2013: RR 596,707 million).

Consistent with others in the energy industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.30 as at 31 December 2014 (31 December 2013: 0.25).

Note 31. Fair value of assets and liabilities

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	4,055	-	77	4,132
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	451,262	451,262
Total assets recurring fair value measurements	4,055	-	451,339	455,394
31 December 2013				
Financial assets				
Available-for-sale financial assets	5,766	-	28	5,794
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	437,737	437,737
Total assets recurring fair value measurements	5,766	-	437,765	443,531

The Group had no liabilities measured at fair value as at 31 December 2014 and 31 December 2013.

RusHydro Group**Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014**

(in millions of Russian Rubles unless noted otherwise)

The valuation technique, inputs used in the fair value measurement for significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2014:

	Fair value	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity of fair value measurement
Non-financial assets					
Property, plant and equipment (except for construction in progress, office buildings and land)	451,262	Replacement cost and discounted cash flows	Electricity and capacity prices Discount rate Capital expenditures	-10% +1% +10%	(19,894) (31,072) (19,382)
Total recurring fair value measurements at Level 3	451,262				(60,348)

The above tables disclose sensitivity to valuation inputs for property, plant and equipment as changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

There were no changes in valuation technique for Level 3 recurring fair value measurements during the years ended 31 December 2014 and 31 December 2013.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets carried at amortised cost. The Group considers that the fair value of cash, short term deposits (Level 1 of the fair value hierarchy) and accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy), the fair value of these assets approximates their carrying value.

Liabilities carried at amortised cost. The fair value of floating rate liabilities approximates their carrying value. The fair value of bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

The fair value of current liabilities carried at amortised cost approximates their carrying value.

As at 31 December 2014 the carrying value of bonds exceeded their fair value by RR 2,527 million. As at 31 December 2013 fair value of bonds approximated their carrying value.

As at 31 December 2014 the carrying value of non-current fixed rate debt exceeded their fair value by RR 7,319 million. As at 31 December 2013 fair value of non-current fixed rate debt approximated their carrying value.

RusHydro Group

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

(in millions of Russian Rubles unless noted otherwise)

Note 32. Presentation of financial instruments by measurement category

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39, *Financial Instruments: Recognition and Measurement* as at 31 December 2014:

	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	7,297	-	7,297
Promissory notes	6,158	-	6,158
Deposits	585	-	585
Long-term loans issued	373	-	373
Net settled derivatives	181	-	181
Available-for-sale financial assets (Note 9)	-	4,132	4,132
Trade and other receivables (Note 12)	35,113	-	35,113
Trade receivables	32,288	-	32,288
Promissory notes receivable	13	-	13
Other financial receivables	2,812	-	2,812
Other current assets (Note 14)	41,703	-	41,703
Deposits and promissory notes	40,122	-	40,122
Short-term loans issued	1,484	-	1,484
Net settled derivatives	97	-	97
Cash and cash equivalents (Note 11)	34,394	-	34,394
Total financial assets	118,507	4,132	122,639
Non-financial assets			760,467
Non-current assets and assets of disposal group classified as held for sale			664
Total assets			883,770

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 18), trade payables and other account payable (Note 20).

The following table provides a reconciliation of financial assets with the measurement categories as at 31 December 2013:

	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 10)	5,915	-	5,915
Promissory notes	5,644	-	5,644
Deposits	38	-	38
Long-term loans issued	196	-	196
Net settled derivatives	37	-	37
Available-for-sale financial assets (Note 9)	-	5,794	5,794
Trade and other receivables (Note 12)	32,511	-	32,511
Trade receivables	30,342	-	30,342
Promissory notes receivable	1	-	1
Other financial receivables	2,168	-	2,168
Other current assets (Note 14)	52,936	-	52,936
Deposits and promissory notes	52,406	-	52,406
Short-term loans issued	530	-	530
Cash and cash equivalents (Note 11)	34,472	-	34,472
Total financial assets	125,834	5,794	131,628
Non-financial assets			724,484
Total assets			856,112

Note 33. Subsequent events

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's consolidated financial statements for the year ended 31 December 2014 prepared in accordance to IFRS.