

***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.

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

Form on OKUD  
 Date (year, month, day)  
 OKPO  
 INN  
 OKVED  
 OKOPF/OKFC  
 OKEI

CODES
0710001
2014/12/31
75782411
2460066195
40.10.12
12247 / 41
385

Address: **43 Dubrovinskogo Street, bld. 1, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017**

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
	<b>I. NON-CURRENT ASSETS</b>				
	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
	<b>Total Section I</b>	<b>1100</b>	<b>654,981</b>	<b>505,345</b>	<b>437,218</b>
	<b>II. CURRENT ASSETS</b>				
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
	<b>Total Section II</b>	<b>1200</b>	<b>200,599</b>	<b>310,861</b>	<b>316,561</b>
	<b>TOTAL</b>	<b>1600</b>	<b>855,580</b>	<b>816,206</b>	<b>753,779</b>

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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
	<b>III. CAPITAL AND RESERVES</b>				
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
	<b>Total Section III</b>	<b>1300</b>	<b>718,460</b>	<b>624,343</b>	<b>592,698</b>
	<b>IV. LONG-TERM LIABILITIES</b>				
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
	<b>Total Section IV</b>	<b>1400</b>	<b>104,269</b>	<b>107,177</b>	<b>57,068</b>
	<b>V. SHORT-TERM LIABILITIES</b>				
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
	<b>Total Section V</b>	<b>1500</b>	<b>32,851</b>	<b>84,686</b>	<b>104,013</b>
	<b>TOTAL</b>	<b>1700</b>	<b>855,580</b>	<b>816,206</b>	<b>753,779</b>

Chairman of Management Board – General Director

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**E. V. Dod**

(clarification of signature)

Chief accountant

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**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	<b>0710002</b>
Date (year, month, day)	<b>2014/12/31</b>
OKPO	<b>75782411</b>
INN	<b>2460066195</b>
OKVED	<b>40.10.12</b>
OKOPF/OKFC	<b>12247 / 41</b>
OKEI	<b>385</b>

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)
	<b>Gross profit</b>	<b>2100</b>	<b>43,014</b>	<b>49,921</b>
	<b>Profit from sales</b>	<b>2200</b>	<b>43,014</b>	<b>49,921</b>
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)
	<b>Profit before tax</b>	<b>2300</b>	<b>40,322</b>	<b>47,315</b>
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)
	<b>Net profit</b>	<b>2400</b>	<b>30,729</b>	<b>35,321</b>
	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	<b>0710003</b>
Date (year, month, day)	<b>2014/12/31</b>
OKPO	<b>75782411</b>
INN	<b>2460066195</b>
OKVED	<b>40.10.12</b>
OKOPF/OKFC	<b>12247 / 41</b>
OKEI	<b>385</b>

**I. Changes in equity**

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
<b>Equity as of 31 December 2012 for 2013</b>	<b>3100</b>	<b>317,638</b>	<b>112,002</b>	<b>5,739</b>	<b>157,319</b>	<b>592,698</b>
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
<b>Equity as of 31 December 2013 for 2014</b>	<b>3200</b>	<b>317,638</b>	<b>111,749</b>	<b>6,474</b>	<b>188,482</b>	<b>624,343</b>
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
<b>Equity as of 31 December 2014</b>	<b>3300</b>	<b>386,255</b>	<b>111,535</b>	<b>8,240</b>	<b>212,430</b>	<b>718,460</b>

**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	<b>0710004</b>
Date (year, month, day)	<b>2014/12/31</b>
OKPO	<b>75782411</b>
INN	<b>2460066195</b>
OKVED	<b>40.10.12</b>
OKOPF/OKFC	<b>12247 / 41</b>
OKEI	<b>385</b>

Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	<b>Cash flows from operating activities</b>			
	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)
	<b>Net cash flows from operating activities</b>	<b>4100</b>	<b>42,695</b>	<b>47,008</b>
	<b>Cash flows from investing activities</b>			
	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)
	<b>Net cash flows from investing activities</b>	<b>4200</b>	<b>(55,255)</b>	<b>(55,872)</b>

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Note	Narrative	Line code	For 2014	For 2013
1	2	3	4	5
	<b>Cash flows from financing activities</b>			
	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)
	<b>Net cash flows from financing activities</b>	<b>4300</b>	<b>3,196</b>	<b>3,572</b>
	<b>Net cash flows for the reporting period</b>	<b>4400</b>	<b>(9,364)</b>	<b>(5,292)</b>
	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>4450</b>	<b>18,546</b>	<b>23,820</b>
	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>9,032</b>	<b>18,546</b>
	Foreign exchange rate difference	4490	(150)	18

Chairman of Management Board – General Director

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**E. V. Dod**

(clarification of signature)

Chief accountant

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**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.

<b>Property, plant and equipment group</b>	<b>Useful lives of property, plant and equipment (years) on the balance sheet</b>
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
<b>Line 1151 Property, plant and equipment, including:</b>			
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
<b>Total line 1151 "Property, plant and equipment"</b>	<b>321,645</b>	<b>302,864</b>	<b>288,823</b>
<b>Line 1160 "Income-bearing investments in tangible assets", including:</b>			
Facilities and transmission equipment	7,189	7,313	7,437
<b>Total in line 1160 "Income-bearing investments in tangible assets"</b>	<b>7,189</b>	<b>7,313</b>	<b>7,437</b>

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.

**OAO 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		Additions*	Changes for the period			At the end of the year	
		Cost	Accumulated depreciation		Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
<b>Property, plant and equipment</b> including:	<b>2013</b>	<b>331,390</b>	<b>(42,567)</b>	<b>27,408</b>	<b>(1,822)</b>	<b>829</b>	<b>(12,374)</b>	<b>356,976</b>	<b>(54,112)</b>
	<b>2014</b>	<b>356,976</b>	<b>(54,112)</b>	<b>35,474</b>	<b>(3,310)</b>	<b>1,645</b>	<b>(15,028)</b>	<b>389,140</b>	<b>(67,495)</b>
Facilities and transmission equipment	2013	208,550	(17,255)	2,335	(95)	49	(4,098)	210,790	(21,304)
	2014	210,790	(21,304)	3,264	(70)	54	(4,324)	213,984	(25,574)
Machinery and equipment	2013	83,450	(21,520)	23,382	(1,688)	762	(7,302)	105,144	(28,060)
	2014	105,144	(28,060)	31,225	(1,234)	841	(9,700)	135,135	(36,919)
Buildings	2013	37,823	(3,045)	1,286	(2)	1	(714)	39,107	(3,758)
	2014	39,107	(3,758)	806	(1,241)	309	(766)	38,672	(4,215)
Motor vehicles	2013	487	(275)	273	(5)	3	(77)	755	(349)
	2014	755	(349)	25	(698)	377	(54)	82	(26)
Production and maintenance tools	2013	768	(361)	111	(31)	13	(151)	848	(499)
	2014	848	(499)	94	(53)	50	(159)	889	(608)
Land plots	2013	3	-	-	-	-	-	3	-
	2014	3	-	-	-	-	-	3	-
Other types of property, plant and equipment	2013	309	(111)	21	(1)	1	(32)	329	(142)
	2014	329	(142)	60	(14)	14	(25)	375	(153)
<b>Income-bearing investments in tangible assets</b> including:	<b>2013</b>	<b>7,592</b>	<b>(155)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124)</b>	<b>7,592</b>	<b>(279)</b>
	<b>2014</b>	<b>7,592</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124)</b>	<b>7,592</b>	<b>(403)</b>
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.

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

Narrative	2014	2013
<b>Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:</b>	<b>16,990</b>	<b>13,791</b>
Machinery and equipment	15,081	11,962
Facilities and transmission equipment	1,669	1,359
Other types of property, plant and equipment	240	470
<b>Decrease in value of property, plant and equipment as a result of partial liquidation including:</b>	<b>205</b>	<b>657</b>
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

**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	
<b>Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:</b>	<b>2013</b>	<b>43,056</b>	<b>31,407</b>	<b>(469)</b>	<b>14</b>	<b>(26,823)</b>	<b>47,185</b>
	<b>2014</b>	<b>47,185</b>	<b>42,432</b>	<b>(69)</b>	<b>(14)</b>	<b>(33,152)</b>	<b>56,382</b>
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
Equipment for installation	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

**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:

<b>Narrative</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
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	-	-	-
<b>Total line 1170 "Financial investments"</b>	<b>264,352</b>	<b>143,059</b>	<b>93,660</b>

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

**OAo 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 long-term investments**

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
<b>Long-term investments including:</b>	<b>2013</b>	<b>107,896</b>	<b>(14,236)</b>	<b>62,138</b>	<b>(3,119)</b>	<b>(10,394)</b>	<b>-</b>	<b>774</b>	<b>159,640</b>	<b>(16,581)</b>
	<b>2014</b>	<b>159,640</b>	<b>(16,581)</b>	<b>129,939</b>	<b>(574)</b>	<b>(8,050)</b>	<b>-</b>	<b>(22)</b>	<b>281,529</b>	<b>(17,177)</b>
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".

**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, %
<b>Subsidiaries</b>	<b>216,413</b>		<b>95,619</b>		<b>66,355</b>	
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 Sulasky 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	
<b>Associates:</b>	<b>11,210</b>		<b>11,210</b>		<b>2,284</b>	
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	
<b>Other entities:</b>	<b>2,690</b>		<b>3,212</b>		<b>6,261</b>	
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	
<b>Total:</b>	<b>230,313</b>		<b>110,041</b>		<b>74,900</b>	

\* 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 INTER RAO 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).

**ОАО 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,%
<b>Long-term loans issued to related parties, including:</b>				
ОАО Far East Generating Company	10,038	11,538	8,000	MosPrime + 2.48%/ MosPrime + 2.33%/ 7.997%
ОАО Zagorskaya GAES-2	7,029	7,029	-	8.213%
ОАО Far East Distribution Grid Company	6,630	1,670	-	MosPrime + 2.86%/ MosPrime + 2.33%/ 7.997% - 8.407%
ОАО Sakhaenergo	3,476	3,476	-	7.997%
ОАО Nizhne-Bureyskaya GES	2,300	694	-	8.213% - 8.420%
ОАО Ust-Srednekanskaya GES	1,747	1,747	-	8.213%
ЗАО Tekhnopark Rummyantsevo	1,292	1,508	1,503	7.875% – 8.00%
ОАО Teploenergосervice	929	929	-	7.997%
ОАО Hydroinvest	-	2,082	2,282	
ОАО ESK RusHydro	-	1,700	3,294	
ЗАО Malaya Dmitrovka	-	205	3,400	
Other	598	440	281	
<b>Total long-term loans issued</b>	<b>34,039</b>	<b>33,018</b>	<b>18,760</b>	

As of 31 December 2014 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- loan to ОАО Far East Generating Company amounting to RUB 10,038 million to refinance liabilities maturing by 3 December 2018 and 15 September 2021;
- loans to ОАО Zagorskaya GAES-2 in the total amount of RUB 7,029 million issued to finance expenses related to investment project ОАО Zagorskaya GAES-2 maturing by 05 February 2018;
- loan to ОАО 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 ОАО Sakhaenergo in the total amount of RUB 3,476 million issued to refinance liabilities maturing by 03 December 2018;
- loans to ОАО 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 ОАО 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 ЗАО Tekhnopark Rummyantsevo in the total amount of RUB 1,292 million issued to refinance liabilities maturing by 30 November 2022;
- loan to ОАО 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:

**ОАО 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
<b>Total expenses of future periods, including:</b>	<b>4,714</b>	<b>3,899</b>	<b>3,396</b>
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
<b>Total line 1210 "Inventories"</b>	<b>3,437</b>	<b>2,861</b>	<b>2,055</b>

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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**ОАО RusHydro****Explanatory Notes to the 2014 Balance sheet and Statement of Financial Results**

(in millions of Russian Roubles unless otherwise stated)

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Type of long-term accounts receivable	31 December 2014	31 December 2013	31 December 2012
<b>Total line 1231 “Long-term accounts receivable (payments expected beyond 12 months of the reporting date)”</b>	<b>62,341</b>	<b>80,323</b>	<b>75,630</b>

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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 and their movement**

Item	Period	Opening balance		Changes for the period*					Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Repayment*	Disposals		Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Reclassified from short-term to long-term		Accrual/release of doubtful debt provision	Reclassified from long-term to short-term		
<b>Long-term accounts receivable, including:</b>	<b>2013</b>	<b>78,365</b>	<b>(2,735)</b>	<b>12,944</b>	<b>13,519</b>	<b>(149)</b>	<b>-</b>	<b>(21,621)</b>	<b>83,058</b>	<b>(2,735)</b>
	<b>2014</b>	<b>83,058</b>	<b>(2,735)</b>	<b>9,831</b>	<b>1,656</b>	<b>(1,580)</b>	<b>-</b>	<b>(27,889)</b>	<b>65,076</b>	<b>(2,735)</b>
Advances issued to suppliers of equipment and capital construction contractors	2013	37,296	-	7,787	611	-	-	(10,620)	35,074	-
	2014	35,074	-	3,866	1,439	-	-	(9,284)	31,095	-
Interest-free promissory notes received	2013	26,633	-	1,061	-	(149)	-	(505)	27,040	-
	2014	27,040	-	773	-	-	-	(250)	27,563	-
Interest-free loans issued	2013	9,235	-	3,260	12,840	-	-	(8,518)	16,817	-
	2014	16,817	-	3,701	29	(1,578)	-	(17,466)	1,503	-
Lease receivables	2013	1,431	-	157	53	-	-	(714)	927	-
	2014	927	-	65	33	-	-	(530)	495	-
Buyers and customers	2013	128	-	4	-	-	-	(29)	103	-
	2014	103	-	304	143	(1)	-	(140)	409	-
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.

**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
<b>Subsidiaries, including:</b>	<b>1,155</b>	<b>16,530</b>	<b>9,006</b>
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
<b>Other related parties, including:</b>	<b>28</b>	<b>18</b>	<b>24</b>
Loans issued to the Company's key management	28	18	24
<b>Total interest-free loans issued to related parties</b>	<b>1,183</b>	<b>16,548</b>	<b>9,030</b>
Other	320	269	205
<b>Total interest-free loans issued to other counterparties</b>	<b>320</b>	<b>269</b>	<b>205</b>
<b>Total long-term interest-free loans issued</b>	<b>1,503</b>	<b>16,817</b>	<b>9,235</b>

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

Issuer	31 December 2014	31 December 2013	31 December 2012
<b>Other related parties, including:</b>	<b>25,689</b>	<b>25,689</b>	<b>25,689</b>
OAo Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Smelter	4,662	4,662	4,662
<b>Total interest-free promissory notes from related parties</b>	<b>25,689</b>	<b>25,689</b>	<b>25,689</b>
OAo ROSBANK	935	290	-
OAo Alfa-Bank	850	944	707
OAo Ulyanovskenergo	89	62	212
Other	-	55	25
<b>Total interest-free promissory notes from other counterparties</b>	<b>1,874</b>	<b>1,351</b>	<b>944</b>
<b>Total long-term interest-free promissory notes received</b>	<b>27,563</b>	<b>27,040</b>	<b>26,633</b>

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
<b>Total advances issued to suppliers of equipment and capital construction contractors</b>	<b>31,095</b>	<b>35,074</b>	<b>37,296</b>

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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)

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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.

<b>Counterparty</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Interest receivable accrued on loans issued and promissory notes received, including:</b>	<b>1,258</b>	<b>336</b>	<b>758</b>
Subsidiaries	1,258	336	758
<b>Other accounts receivable</b>	<b>18</b>	<b>26</b>	<b>149</b>
<b>Total other long-term accounts receivable</b>	<b>1,276</b>	<b>362</b>	<b>907</b>

**(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
<b>Buyers and Customers, including:</b>	<b>5,840</b>	<b>5,648</b>	<b>6,567</b>
Accounts receivable for electricity and capacity	5,521	5,437	6,381
Other	319	211	186
<b>Advances issued, including:</b>	<b>12,870</b>	<b>15,517</b>	<b>12,173</b>
Advances issued to suppliers of equipment and capital construction contractors	12,036	14,309	10,995
Other advances issued	834	1,208	1,178
<b>Other debtors, including:</b>	<b>63,514</b>	<b>131,992</b>	<b>132,004</b>
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
<b>Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)</b>	<b>82,224</b>	<b>153,157</b>	<b>150,744</b>

## OAo 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 and their movement

Item	Period	Opening balance		Changes for the period*								Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Disposals		Release of provision	Accrual of provision	Reclassified from long-term to short-term and vice versa	Write-off of receivables against provision	Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Interest, penalties and other accruals	Repayment*	Write-off to the financial result						
<b>Short-term accounts receivable,</b>	<b>2013</b>	<b>155,610</b>	<b>(4,866)</b>	<b>264,908</b>	<b>-</b>	<b>(268,908)</b>	<b>(108)</b>	<b>1,480</b>	<b>(3,061)</b>	<b>8,102</b>	<b>1</b>	<b>159,603</b>	<b>(6,446)</b>
including:	<b>2014</b>	<b>159,603</b>	<b>(6,446)</b>	<b>168,596</b>	<b>-</b>	<b>(264,082)</b>	<b>-</b>	<b>2,168</b>	<b>(3,848)</b>	<b>26,233</b>	<b>35</b>	<b>90,315</b>	<b>(8,091)</b>
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)

\* 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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## 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
<b>Total advances issued to suppliers of equipment and capital construction contractors</b>	<b>12,036</b>	<b>14,309</b>	<b>10,995</b>

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

Issuer	31 December 2014	31 December 2013	31 December 2012
<b>Subsidiaries, including:</b>	<b>18,846</b>	<b>22,453</b>	<b>72,350</b>
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
<b>Total interest-free promissory notes from related parties</b>	<b>18,846</b>	<b>22,453</b>	<b>72,350</b>
ОАО Alfa-Bank	195	416	176
ОАО SO UES	-	-	705
Other	78	85	271
<b>Total interest-free promissory notes from other counterparties</b>	<b>273</b>	<b>501</b>	<b>1,152</b>
<b>Total short-term interest-free promissory notes received</b>	<b>19,119</b>	<b>22,954</b>	<b>73,502</b>

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:

## ОАО 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
<b>Subsidiaries, including:</b>	<b>26,313</b>	<b>5,494</b>	<b>42,265</b>
ОАО Hydroinvest	12,381	-	21,951
ООО EZOP	5,373	5,423	5,423
ОАО Ust-Srednekanskaya GES	2,218	-	2,501
ЗАО Blagoveschenskaya TEC	1,473	-	-
ЗАО Yakutskaya GRES-2	973	-	-
АО Sulaksky Hydrocascade	923	-	-
ОАО МGES Kabardino-Balkarii	780	-	-
ЗАО CCGT in the City of Sovetskaya Gavan	631	-	-
ОАО Zagorskaya GAES-2	452	-	6,446
АО Leningradskaya GAES	151	-	1,138
ОАО Renewable Energy Engineering Centre	9	8	697
ОАО Nizhne-Bureyskaya GES	-	-	1,863
ОАО ESK RusHydro	-	-	549
Other	949	63	1,697
<b>Other related parties, including:</b>	<b>12</b>	<b>6</b>	<b>7</b>
Loans issued to the Company's key management	12	6	7
<b>Total interest-free loans issued to related parties</b>	<b>26,352</b>	<b>5,500</b>	<b>42,272</b>
Total short-term interest-free loans issued to other counterparties	59	52	40
<b>Total short-term interest-free loans issued</b>	<b>26,384</b>	<b>5,552</b>	<b>42,312</b>

As of 31 December 2014, short-term interest-free loans issued include:

- loans to ОАО Hydroinvest in the amount of RUB 12,381 million, transferred from long-term loans, including for the financing ОАО 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 ООО 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 ОАО 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
ОАО Nizhne-Bureyskaya GES	5,938	8,265	-
ОАО Zagorskaya GAES-2	4,767	46,071	-
ОАО Zaramagskie GES	-	15,139	-
ОАО Hydroinvest	-	9,550	-
ОАО ESK RusHydro	-	8,969	-
АО Leningradskaya GAES	-	4,202	-
ОАО Ust-Srednekanskaya GES	-	2,872	-
ЗАО Hydro-engineering Siberia	-	1,992	-
АО Sulaksky Hydrocascade	-	-	7,566
ОАО Yuzhno-Yakutsky GEK	-	-	3,148
Other	1,100	1,470	-
<b>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</b>	<b>11,805</b>	<b>98,530</b>	<b>10,714</b>

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

**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
Income tax	1,530	2,082	2,212
Other taxes and levies	722	514	770
<b>Total tax receivables</b>	<b>2,252</b>	<b>2,596</b>	<b>2,982</b>

**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
<b>Total, including:</b>	<b>8,527</b>	<b>600</b>	<b>6,455</b>	<b>362</b>	<b>5,104</b>	<b>846</b>
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
<b>Total line 1240 "Investments" (excluding cash equivalents)</b>	<b>43,446</b>	<b>55,608</b>	<b>63,790</b>

## OAo 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)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					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.

**(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,%
<b>Short-term loans issued to related parties, including:</b>				
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	
<b>Total short-term loans issued</b>	<b>10,139</b>	<b>5,568</b>	<b>12,290</b>	

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

**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
<b>Total line 1250 "Cash and cash equivalents"</b>	<b>9,032</b>	<b>18,546</b>	<b>23,820</b>

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
<b>Bank deposits, including:</b>					
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
<b>Total cash equivalents</b>			<b>5,371</b>	<b>16,565</b>	<b>22,205</b>
<b>Cash in banks, including:</b>					
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
<b>Total cash in bank</b>			<b>3,661</b>	<b>1,981</b>	<b>1,615</b>

\* 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
<b>Other receipts from operating activities (line 4119), including:</b>		
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
<b>Other payments related to operating activities (line 4129), including:</b>	<b>(13,089)</b>	<b>(12,040)</b>
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)
<b>Other payments related to investing activities (line 4219), including:</b>	<b>16,721</b>	-
Cash placement on a short-term deposit other than cash equivalent	16,701	-
Other payments related to investing activities	20	-
<b>Other payments related to financing activities (line 4329), including:</b>	<b>(257)</b>	<b>(474)</b>
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%
<b>Total</b>		<b>386,255,464,890</b>	<b>100.00%</b>

#### **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: OAO RAO Energy Systems of the East, OAO Ust-Srednekanskaya GES, OAO SEC, OAO Irkutskenergo, OAO 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
<b>Total line 1410 "Borrowings"</b>	<b>92,262</b>	<b>97,965</b>	<b>49,866</b>

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
<b>Total line 1410 "Borrowings"</b>	<b>92,262</b>	<b>97,965</b>	<b>49,866</b>

**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
<b>Borrowings, including:</b>	<b>2013</b>	<b>43,575</b>	<b>3,329</b>	<b>(43,575)</b>	<b>3,329</b>
	<b>2014</b>	<b>3,329</b>	<b>22,708</b>	<b>(5,984)</b>	<b>20,053</b>
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)	-
OAO 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
<b>Interest on borrowings,</b>	<b>2013</b>	<b>1,331</b>	<b>8,706</b>	<b>(8,440)</b>	<b>1,597</b>

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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)

<b>Lender / creditor</b>	<b>Period</b>	<b>Opening balance</b>	<b>Received / accrued</b>	<b>Paid / settled</b>	<b>Closing balance</b>
including:	<b>2014</b>	<b>1,597</b>	<b>8,853</b>	<b>(8,588)</b>	<b>1,862</b>
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
<b>Total line 1510 "Borrowings"</b>	<b>2013</b>	<b>44,906</b>	<b>12,035</b>	<b>(52,015)</b>	<b>4,926</b>
	<b>2014</b>	<b>4,926</b>	<b>31,561</b>	<b>(14,572)</b>	<b>21,915</b>

**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
Trade payables	2013	5,326	67,762	-	(68,132)	(1)	215	5,170
	2014	5,170	83,508	1	(83,280)	(1)	(103)	5,295
Wages payable	2013	717	7,063	-	(7,179)	-	-	601
	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
Taxes payable	2013	1,296	27,343	-	(26,069)	-	-	2,570
	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)	-	-	-
Other payables	2013	391	181,823	-	(181,839)	-	-	375
	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
<b>Total line 1521 "Trade accounts payable"</b>	<b>5,295</b>	<b>5,170</b>	<b>5,326</b>

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
<b>Total line 1524 "Taxes payable"</b>	<b>1,923</b>	<b>2,570</b>	<b>1,296</b>

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
<b>Estimated liabilities, including:</b>	<b>2013</b>	<b>408</b>	<b>2,365</b>	<b>(1,503)</b>	<b>(250)</b>	<b>1,020</b>
	<b>2014</b>	<b>1,020</b>	<b>1,546</b>	<b>(926)</b>	<b>(235)</b>	<b>1,405</b>
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 Zaramagskie 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
<b>Total rent of property, plant and equipment</b>	<b>28,149</b>	<b>25,460</b>	<b>25,397</b>
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
<b>Total lease of property, plant and equipment under lease contracts</b>	<b>5,948</b>	<b>8,294</b>	<b>8,509</b>
<b>Total rent and lease of property, plant and equipment</b>	<b>34,097</b>	<b>33,754</b>	<b>33,906</b>

**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
<b>Total collateral for liabilities and payments received</b>	<b>23,122</b>	<b>19,995</b>	<b>21,379</b>

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).

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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)

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 Mosenergo	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
<b>Total collateral for liabilities and payments issued</b>		<b>104,104</b>	<b>73,670</b>	<b>54,590</b>

In 2014 the Company issued guarantees:

- in terms of liabilities of ЗАО Yakutskaya GRES-2 under the construction agreement with ОАО ТЕК Mosenergo 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
<b>Total line 2110 "Revenue"</b>	<b>108,478</b>	<b>108,794</b>

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 SO UES, ОАО ARS, ЗАО CFR)	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
<b>Total line 2120 "Cost of sales"</b>	<b>65,464</b>	<b>58,873</b>

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
<b>Total for elements of costs</b>	<b>65,464</b>	<b>58,873</b>
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
<b>Total expenses incurred on operating activities</b>	<b>65,464</b>	<b>58,873</b>

### 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:								
	3,361	2,512	785	64	2,862	2,005	791	66
Electricity	3,352	2,512	776	64	2,857	2,005	786	66
Capacity	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)
<b>Total line 2340 "Other income" and 2350 "Other expenses"</b>	<b>17,521</b>	<b>(23,777)</b>	<b>69,813</b>	<b>(76,560)</b>

### 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
<b>Total line 1420 "Deferred tax liabilities"</b>	<b>9,672</b>	<b>7,184</b>	<b>5,252</b>

**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
<b>Basic earnings per share (RUB)</b>	<b>0,07956</b>	<b>0,09248</b>

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.

### 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](http://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
<b>Revenue from sales to subsidiaries, including:</b>		
ОАО Far East Energy Company	5,530	5,436
ОАО Чувашская Энергосбытовая Компания	1,081	1,386
ОАО Красноярскэнерго	864	931
ОАО Рязанская Энергосбытовая Компания	688	650
ОАО Транспортная Компания RusHydro	434	-
ООО ЕСК Башкортостана	378	412
Other subsidiaries	311	262
<b>Revenue from sales to related parties, including:</b>		
ОАО Красноярская ГЭС*	475	1,077
<b>Total sales to related parties</b>	<b>9,761</b>	<b>10,154</b>

\*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
<b>Repair and technical maintenance services, including:</b>		
<b>Subsidiaries</b>		
ОАО Ремонтно-механическая Компания	3,041	2,087
ОАО Service properties RusHydro	121	118
ОАО Турборемонт-БСК	-	414
ОАО СШГЭС	-	191
ОАО Электроремонт-БСК	-	125
Other	41	60
<b>Total repair and maintenance services</b>	<b>3,203</b>	<b>2,995</b>
<b>Rent of premises, territories and other property, including:</b>		
<b>Subsidiaries</b>		
ОАО Малая Дмитровка	571	606
ОАО Зарамгские ГЭС	260	161
Other	9	11
<b>Total rent of premises, territories and other property</b>	<b>840</b>	<b>778</b>

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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
<b>Transport service, including:</b>		
<b>Subsidiaries</b>		
OAo Transport company RusHydro	813	149
Other	2	7
<b>Total transport services</b>	<b>815</b>	<b>156</b>
<b>Electricity purchases</b>	<b>4</b>	<b>4</b>
<b>Other services of third parties</b>	<b>778</b>	<b>684</b>
<b>Total purchases from related parties</b>	<b>5,640</b>	<b>4,617</b>

### 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
<b>Total accounts receivable from related parties</b>	<b>93,797</b>	<b>176,864</b>	<b>167,119</b>

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	-
<b>Total accounts payable to related parties</b>	<b>944</b>	<b>1,428</b>	<b>1,095</b>

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
<b>Total related parties' debt within investments</b>	<b>44,178</b>	<b>38,626</b>	<b>32,550</b>
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
<b>Subsidiaries, including:</b>	<b>3,792</b>	<b>2,518</b>
OAo Far East Generating Company	1,264	840
OAo Far East Distribution Grid Company	610	35
OAo Zagorskaya GAES-2	577	513
OAo Sakhaenergo	278	21
OAo ESK RusHydro	258	263
OAo Hydroinvest	164	166
ZAO Malaya Dmitrovka	28	116
Other	613	564
<b>Total interest income</b>	<b>3,792</b>	<b>2,518</b>

### 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
<b>Cash flows from operating activities</b>			
<b>Receipts, including:</b>	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
<b>Payments, including:</b>	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
<b>Cash flows from investing activities</b>			
<b>Receipts, including:</b>	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	-
<b>Payments, including:</b>	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)
<b>Cash flows from financing activities</b>			
<b>Payments, including:</b>	4320	-	(77)
dividend payments or other distribution of profit to owners (participants)	4322	-	(77)
Net cash flows from financing activities	4300	-	(77)
<b>Net cash flows for the reporting period</b>	<b>4400</b>	<b>(42,295)</b>	<b>(29,371)</b>

### 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:

	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
<b>31 December 2014</b>			
US Dollars	1,700	-	1,700
Euro	2,321	(13,446)	(11,125)
<b>Total</b>	<b>4,021</b>	<b>(13,446)</b>	<b>(9,425)</b>
<b>31 December 2013</b>			
US Dollars	779	-	799
Euro	54	(3,280)	(3,226)
<b>Total</b>	<b>833</b>	<b>(3,280)</b>	<b>(2,477)</b>
<b>31 December 2012</b>			
US Dollars	266	(1,894)	(1,628)
Euro	26	(2,400)	(2,374)
<b>Total</b>	<b>292</b>	<b>(4,294)</b>	<b>(4,002)</b>

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:	1,505	2,079	5,128
ОАО Inter RAO	1,445	2,027	5,077
ОАО Irkutskenergo	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
<b>Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)</b>	<b>230,313</b>	<b>110,041</b>	<b>74,900</b>

Current market value of quoted securities is determined by market prices established on the stock exchange ОАО MICEX-RTS ([www.rts.micex.ru](http://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