

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

Auditor's Report
on Financial Statements
2015

Translation from Russian original



Auditor's Report

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

Client

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

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

660017, Russian Federation, Krasnoyarsky region, Krasnoyarsk

Auditor

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

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

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

Member of 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.

*AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
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Auditor's Report

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

We have audited the attached financial statements of Public Joint-Stock Company Hydro-Generating Company – RusHydro (hereinafter – PJSC RusHydro) which comprise the balance sheet as of 31 December 2015, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2015 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the “financial statements”).

PJSC RusHydro's responsibility for the financial statements

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

The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards 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 PJSC RusHydro, as well as evaluating the presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro as of 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.



Auditor's Report

Emphasis of matter

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

As of 31 December 2015 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 5,047 million, as of 31 December 2014 – RUB 13,535 million.

Director of AO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

30 March 2016

BALANCE SHEET

as at 31 December 2015

Organisation **Public joint stock company Federal Hydro Generating Company-
RusHydro (PAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
**Public joint-stock company/mixed Russian ownership with a federal ownership
share**
 Measurement unit: **RUB mln**
 Address: **Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017**

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Note	Narrative	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	893	1,032	1,078
	Results of research and development	1120	1,091	843	859
3.1.1	Property, plant and equipment, incl.:	1150	392,723	378,027	350,049
	fixed assets	1151	344,986	321,645	302,864
	construction in process	1152	47,737	56,382	47,185
3.1.1	Income-bearing investments in tangible assets	1160	7,065	7,189	7,313
3.1.2	Financial investments	1170	320,097	264,352	143,059
	investments in subsidiaries, associates and other entities	1171	267,664	230,313	110,041
	loans issued	1172	51,832	34,039	33,018
	promissory notes	1173	601	-	-
3.1.3	Other non-current assets	1190	3,287	3,538	2,987
	Total Section I	1100	725,156	654,981	505,345
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,115	3,437	2,861
3.9	Value added tax on goods purchased	1220	40	105	356
3.2.2	Accounts receivable, incl.:	1230	129,291	144,565	233,480
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	62,549	62,341	80,323
	buyers and customers	1231.1	976	409	103
	advances issued	1231.2	28,524	31,099	35,084
	promissory notes	1231.3	28,578	27,563	27,040
	loans issued	1231.4	3,447	1,503	16,817
	other debtors	1231.5	1,024	1,767	1,279
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	66,742	82,224	153,157
	buyers and customers	1232.1	6,741	5,840	5,648
	advances issued	1232.2	14,495	12,870	15,517
	promissory notes	1232.3	20,809	19,119	22,954
	loans issued	1232.4	12,925	26,384	5,552
	other debtors	1232.5	11,772	18,011	103,486
3.2.3	Financial investments (excl. cash equivalents)	1240	15,879	43,446	55,608
	bank deposits	1241	10,609	33,307	50,000
	loans issued	1242	5,270	10,139	5,568
	promissory notes	1243	-	-	40
3.2.4	Cash and cash equivalents	1250	18,139	9,032	18,546
	Other current assets	1260	11	14	10
	Total Section II	1200	167,475	200,599	310,861
	TOTAL	1600	892,631	855,580	816,206

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Note	Narrative	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	386,255	386,255	317,638
3.3.2	Revaluation of non-current assets	1340	52,928	53,111	53,325
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	9,776	8,240	6,474
	Retained earnings (loss), incl.:	1370	235,086	212,430	188,482
	undistributed profit of previous years	1371	205,064	181,701	153,161
	undistributed profit of the current year	1372	30,022	30,729	35,321
	Total Section III	1300	742,469	718,460	624,343
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	105,070	92,262	97,965
3.10	Deferred tax liabilities	1420	12,402	9,672	7,184
3.4.2	Other liabilities	1450	2,195	2,335	2,028
	Total Section IV	1400	119,667	104,269	107,177
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	18,940	21,915	4,926
3.5.2	Accounts payable, incl.:	1520	9,822	8,575	77,468
	suppliers and contractors	1521	5,492	5,295	5,170
	payables to employees	1522	669	823	601
	payables to state non-budgetary funds	1523	135	119	87
	taxes payable	1524	3,103	1,923	2,570
	dividends payable	1525	67	65	47
	payables in respect of shares issued	1526	-	-	68,618
	other creditors	1527	356	350	375
	Income of future periods	1530	70	75	77
3.5.3	Estimated liabilities	1540	601	1,405	1,020
	Other liabilities	1550	1,062	881	1,195
	Total Section V	1500	30,495	32,851	84,686
	TOTAL	1700	892,631	855,580	816,206

Chairman of Management Board – General Director

N. G. Shulginov
 (clarification of signature)

Chief accountant

D. V. Finkel
 (clarification of signature)

30 March 2016

STATEMENT OF FINANCIAL RESULTS for the year ended 31 December 2015

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

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Note	Narrative	Line code	Year ended 31 December 2015	Year ended 31 December 2014
1	2	3	4	5
3.7.1	Revenue	2110	107,099	108,478
3.7.2	Cost of sales	2120	(63,969)	(65,464)
	Gross profit	2100	43,130	43,014
	Profit from sales	2200	43,130	43,014
3.13.7	Income from participation in other companies	2310	809	382
	Interest income	2320	9,362	9,247
	Interest expense	2330	(8,251)	(6,065)
3.9	Other income	2340	15,005	17,521
3.9	Other expense	2350	(20,396)	(23,777)
	Profit before tax	2300	39,659	40,322
3.10	Current income tax, incl.:	2410	(6,814)	(6,840)
	permanent tax liabilities	2421	(1,902)	1,200
	Change in deferred tax liabilities	2430	(2,786)	(2,432)
	Change in deferred tax assets	2450	(152)	83
	Other	2460	115	(404)
	Net profit	2400	30,022	30,729
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	30,022	30,729
3.12	Basic earnings per share, RR	2900	0,07773	0,07956

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

D. V. Finkel
(clarification of signature)

30 March 2016

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STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

Organisation **Public joint stock company Federal Hydro Generating Company – RusHydro (PAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
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I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2013	3200	317,638	111,749	6,474	188,482	624,343
for 2014						
Increase of equity, including:	3210	68,617	-	-	30,729	99,346
net profit	3211	x	x	x	30,729	30,729
additional shares issue	3214	68,617	-	x	x	68,617
Decrease of equity, including:	3220	-	-	-	(5,229)	(5,229)
Dividends	3227	x	x	x	(5,229)	(5,229)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(214)	x	214	x
Reserve capital change	3240	x	x	1,766	(1,766)	x
Equity as of 31 December 2014	3200	386,255	111,535	8,240	212,430	718,460
for 2015						
Increase of equity, including:	3310	-	-	-	30,022	30,022
net profit	3311	x	x	x	30,022	30,022
additional shares issue	3314	-	-	x	x	-
Decrease of equity, including:	3320	-	-	-	(6,013)	(6,013)
Dividends	3327	x	x	x	(6,013)	(6,013)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(183)	x	183	x
Reserve capital change	3340	x	x	1,536	(1,536)	x
Equity as of 31 December 2015	3300	386,255	111,352	9,776	235,086	742,469

III. Net assets

Narrative	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
1	2	3	4	5
Net assets	3600	742,536	718,529	624,420

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

D. V. Finkel
(clarification of signature)

30 March 2016

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

Organisation **Public joint stock company Federal Hydro Generating Company – RusHydro (PAO RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
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Note	Narrative	Line code	For 2015	For 2014
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	108,833	108,303
	sales of products, goods, work and services	4111	105,028	106,687
	lease payments, license payments, royalties, commissions and other payments	4112	1,099	210
3.2.4	other receipts	4119	2,706	1,406
	Payments including:	4120	(64,139)	(65,608)
	to suppliers (contractors) – raw materials, works and services	4121	(29,796)	(32,284)
	wages and salaries	4122	(7,429)	(7,667)
	interest on debt liabilities	4123	(7,484)	(6,017)
	corporate income tax	4124	(6,202)	(6,551)
3.2.4	other payments	4129	(13,228)	(13,089)
	Net cash flows from operating activities	4100	44,694	42,695
	Cash flows from investing activities			
	Receipts, including:	4210	48,222	32,089
	sale of non-current assets (except for investments)	4211	150	196
	sale of shares of other organisations (ownership interest)	4212	11	12
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	14,086	7,336
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	11,244	7,824
3.2.4	other receipts	4219	22,731	16,721
	Payments, including:	4220	(84,704)	(87,344)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(28,969)	(37,006)
	related to purchase of shares of other organisations (ownership interest)	4222	(35,317)	(29,650)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(17,739)	(18,118)
	borrowing costs included in the cost of the investment assets	4224	(2,679)	(2,570)
	Net cash flows from investing activities	4200	(36,482)	(55,255)

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Note	Narrative	Line code	For 2015	For 2014
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	27,034	13,663
	borrowings and bank loans	4311	2,037	13,663
	issue of shares, increase in ownership interest	4313	-	-
	issue of bonds, promissory notes and other debt securities, etc.	4314	24,997	-
	Payments, including:	4320	(26,061)	(10,467)
	dividends and other distributions to owners	4322	(5,964)	(5,226)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(20,067)	(4,984)
3.2.4	other payments	4329	(30)	(257)
	Net cash flows from financing activities	4300	973	3,196
	Net cash flows for the reporting period	4400	9,185	(9,364)
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	9,032	18,546
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	18,139	9,032
	Foreign exchange rate difference	4490	(78)	(150)

Chairman of Management Board – General Director

N. G. Shulginov
 (clarification of signature)

Chief accountant

D. V. Finkel
 (clarification of signature)

30 March 2016

Explanatory Notes to the 2015 balance sheet and statement of financial results

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I. General information

1.1 Information about the Company

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

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

Based on the shareholders' decision, in 2015 the Company was re-registered from an open joint stock company to a public joint stock company due to a need to bring the Company's legal form in compliance with the changes in the Russian Civil Code introduced by Federal Law No. 99-FZ "On amendments to Chapter 4, Part 1 of the Russian Civil Code and on invalidation of certain provisions of the Russian legislation" of 05.05.2014.

As of 31 December 2015 the Company employed 5,635 people (as of 31 December 2014 – 5,838 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 2015 the ownership share of the Russian Federation in the Company's share capital amounted to 66.84%.

As of 31 December 2015 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 2015 is as follows:

- Trutnev Yury Petrovich, Chairman of the Board of Directors, Deputy Prime Minister - Plenipotentiary Representative of RF President in the Far Eastern Federal District;
- Ivanov Sergey Nikolaevich, Deputy chairman of the Board of Directors, Managing director of OAO Energetic Russian Company;
- Avetisyan Artem Davidovich, President of Uniastrum Bank (LLC);
- Bystrov Maxim Sergeevich, Chairman of the Management Board NP Market Council, OJSC TSA;
- Dod Evgeny Vyacheslavovich,
- Zimin Viktor Mikhailovich, Chairman of the Government, Republic of Khakassia;
- Kalanda Larisa Vyacheslavovna, State Secretary-Vice President, OJSC NK Rosneft, acting General Director, OJSC ROSNEFTEGAZ;
- Kravchenko Vyacheslav Mikhailovich, Deputy Minister of Energy of the Russian Federation;
- Morozov Denis Stanislavovich, Director from the Russian Federation in the Board of Directors of European Bank for Reconstruction and Development (EBRD);
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Shishin Sergey Vladimirovich, Senior Vice-President, PJSC VTB Bank;
- Shishkin Andrey Nikolaevich, Vice President, OJSC Rosneft.

According to the decision made by the Company's general meeting of shareholders held on 26 June 2015 (Minutes No 13) Avetisyan Artem Davidovich, Ivanov Sergey Nikolaevich, Osipov

Aleksandr Mikhailovich, Trutnev Yury Petrovich were elected to the Board of Directors; the powers of Ayuev Boris Ilyich, Volkov Eduard Petrovich, Danilov-Danilyan Victor Ivanovich and Poluboyarinov Mikhail Igorevich were terminated.

As of 31 December 2015 the Company's Management Board includes:

- Shulginov Nikolay Grigoryevich, Chairman of the Management Board, General director,
- Bogush Boris Borisovich, First Deputy General Director, Chief engineer,
- Kirov Sergey Anatolyevich, First Deputy General Director,
- Rizhinashvili George Ilyich, First Deputy General Director,
- Tokarev Vladimir Aleksandrovich, First Deputy General Director.

There were following changes in Management Council during 2015 year:

- According to the decision made by the Company's Board of Directors on 16 March 2015 (minutes No 211) Kirov Sergey Anatolyevich was elected to the Board,
- According to the decision made by the Company's Board of Directors on 14 September 2015 (minutes No 222) Shulginov Nikolay Grigoryevich was elected to the Management Council of the Company and on position of sole executive body; the power of Dod Evgeny Vyacheslavovich were terminated,
- According to the decision made by the Company's Board of Directors on 07 October 2015 (minutes No 211) the power of Mantrov Mikhail Alekseevich was terminated.

As of 31 December 2015 members of the Company's Internal Audit Commission included:

- Anninkova Natalia Nikolaevna, First deputy of General Director on economics and finance OJSC "Stroitelnoe upravlenie №308",
- Kant Mandal Denis Rishievich, Acting Head of department at the Federal Property Management Agency,
- Repin Igor Nikolaevich, Deputy Executive Director, Investor protection association,
- Kharin Andrey Nikolaevich, Deputy Director of department Ministry of Energy of Russian Federation,
- Hvorov Vladimir Vasilyevich, Department Leading Expert in the Russian Ministry of Economic Development.

According to the decision made by the Company's annual general meeting of shareholders held on 26 June 2015 (Minutes No 13) Annikova Natalia Nikolaevna, Kharin Andrey Nikolaevich were elected to the Internal Audit Commission; the powers of Bogashov Aleksandr Evgenyevich and Yudin Andrey Ivanovich 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.

Low oil prices, continuing politic tensions and international sanctions negatively influenced on Russian economy at 2015 year. Mentioned factors contributed to economy downturn that is characterized with decrease of gross domestic product. Financial markets are still characterized with lack of stability, frequent and considerable price changes and increase of trade operations spreads. In January 2015 rating of Russian Federation was decreased to below investment level (BB+) and wasn't changed till the end of the year.

Such economic environment has considerable influence on Company's operations and financial position. 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 3.15 of the Explanatory Notes.

Legal risks

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

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

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance. To manage the legal risks the Company actively participates in development of energy legislation made by Ministry of Energy of Russian Federation, NP "Market council" and Federal Antimonopoly Service; monitors legislation and makes amendments in the regulatory base.

Country and regional risks

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

Exposure to country risk may be indirectly assessed by credit rating with some assumptions (less political risks for business). 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. December 2015 this agency changed Company's rating from negative to Ba2.

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. In October 2015 Board of Directors approved anti-corruption policy of PJSC "RusHydro". 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 72.8827 as of 31 December 2015 (31 December 2014: USD 1 = RUB 56.2584, 31 December 2013: USD 1 = 32.7292), EUR 1 = RUB 79.6972 as of 31 December 2015 (31 December 2014: EUR 1 = RUB 68.3427, 31 December 2013: EUR 1 = RUB 44.9699).

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

2.3 Accounting for assets and liabilities

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

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

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

Advances issued and received are recorded in the balance sheet including VAT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is not accrued on:

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

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

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

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

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

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

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

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

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

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

2.5 Investments

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

Investments include:

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

Investments are initially recognised at their actual cost of acquisition.

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

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

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

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

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

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

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

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

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

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

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

2.6 Inventories

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

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

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

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

2.7 Expenses of future periods

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

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

2.8 Accounts receivable

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

Accounts receivable which are overdue or unlikely to be repaid by the contractual deadlines and are not secured by guarantees, pledges or otherwise, are recognised on the balance sheet net of

doubtful debt provision. The provision is based on the conservative assessment made by the Company's management with regard to the portion of receivables which is unlikely to be repaid.

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

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

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

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

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

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

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

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

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

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.

Other revenues of the Company include:

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

2.14 Recognition of expenses

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

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

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

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

Other expenses include:

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

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2015 and 2016 based on the Russian Accounting Regulation "Accounting policies of an organisation" (RAR 1/2008).

III. Disclosure of material indicators

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

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

PP&E group	Net book value		
	31 December 2015	31 December 2014	31 December 2013
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	189,819	188,410	189,486
Machinery and equipment	120,251	98,216	77,084
Buildings	34,274	34,457	35,349
Motor vehicles	23	56	406
Production and maintenance tools	412	281	349
Land plots	4	3	3
Other types of property, plant and equipment	2	222	187
Total line 1151 "Property, plant and equipment"	344,986	321,645	302,864
Line 1160 Income-bearing investments in tangible assets, including:			
Facilities and transmission equipment	7,065	7,189	7,313
Total in line 1160 "Income-bearing investments in tangible assets"	7,065	7,189	7,313

As of 31 December 2015 income-bearing investments in tangible assets amount to RUB 7,065 million (as of 31 December 2014 – RUB 7,189 million, as of 31 December 2013 – RUB 7,313) and relate to five dams in Irkutsk region received in 2011 as part of additional issues of the Company's shares.

PAO RusHydro
Explanatory Notes to the 2015 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions*	Disposals		Depreciation accrued*	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2014	356,976	(54,112)	35,474	(3,310)	1,645	(15,028)	389,140	(67,495)
	2015	389,140	(67,495)	42,761	(3,401)	1,414	(17,433)	428,500	(83,514)
Facilities and transmission equipment	2014	210,790	(21,304)	3,264	(70)	54	(4,324)	213,984	(25,574)
	2015	213,984	(25,574)	7,633	(2,260)	367	(4,331)	219,357	(29,538)
Machinery and equipment	2014	105,144	(28,060)	31,225	(1,234)	841	(9,700)	135,135	(36,919)
	2015	135,135	(36,919)	34,270	(997)	947	(12,185)	168,408	(48,157)
Buildings	2014	39,107	(3,758)	806	(1,241)	309	(766)	38,672	(4,215)
	2015	38,672	(4,215)	574	(12)	4	(749)	39,234	(4,960)
Motor vehicles	2014	755	(349)	25	(698)	377	(54)	82	(26)
	2015	82	(26)	5	(37)	8	(9)	50	(27)
Production and maintenance tools	2014	848	(499)	94	(53)	50	(159)	889	(608)
	2015	889	(608)	266	(89)	86	(132)	1,066	(654)
Land plots	2014	3	-	-	-	-	-	3	-
	2015	3	-	1	-	-	-	4	-
Other types of property, plant and equipment	2014	329	(142)	60	(14)	14	(25)	375	(153)
	2015	375	(153)	12	(6)	2	(27)	381	(178)
Income-bearing investments in tangible assets including:	2014	7,592	(279)	-	-	-	(124)	7,592	(403)
	2015	7,592	(403)	-	-	-	(124)	7,592	(527)
Facilities and transmission equipment	2014	7,592	(279)	-	-	-	(124)	7,592	(403)
	2015	7,592	(403)	-	-	-	(124)	7,592	(527)

* Cost of property, plant and equipment received in 2015 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 3,679 million (for 2014: RUB 2,322 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	2015	2014
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	23,674	16,990
Machinery and equipment	17,769	15,081
Facilities and transmission equipment	5,673	1,669
Other types of property, plant and equipment	232	240
Decrease in value of property, plant and equipment as a result of partial liquidation including:	96	205
Machinery and equipment	86	191
Other types of property, plant and equipment	10	14

Other use of property, plant and equipment

Narrative	31 December 2015	31 December 2014	31 December 2013
Leased out PP&E recognised on the balance sheet	1,604	1,760	1,593
Leased PP&E recognised in the off-balance-sheet accounts	38,490	34,097	33,754
Real estate assets which were put into operation and actually used but are in the process of state registration	2,552	2,094	1,716
PP&E that have been temporarily shut down	89	77	94

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

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2014	47,185	42,432	(69)	(14)	(33,152)	56,382
	2015	56,382	31,083	(44)	(602)	(39,082)	47,737
Construction-in-progress	2014	39,266	19,150	(26)	25,951	(32,838)	51,503
	2015	51,503	14,698	(21)	15,579	(38,831)	42,928
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2014	27	316	(1)	7	(314)	35
	2015	35	262	(1)	-	(251)	45
Equipment for installation	2014	7,892	22,966	(42)	(25,972)	-	4,844
	2015	4,844	16,123	(22)	(16,181)	-	(4,764)

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

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

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

Narrative	31 December 2015	31 December 2014	31 December 2013
Investments in subsidiaries	252,713	216,413	95,619
Investments in associates	11,110	11,210	11,210
Investments in other entities	3,841	2,690	3,212
Long-term loans issued	51,832	34,039	33,018
Debt securities	601	-	-
Total line 1170 "Financial investments"	320,097	264,352	143,059

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

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2014	159,640	(16,581)	129,939	(574)	(8,050)	-	(22)	281,529	(17,177)
	2015	281,529	(17,177)	62,904	780	(5,552)	-	(2,387)	338,881	(18,784)
Investments in subsidiaries	2014	95,619	-	121,586	-	(778)	-	(14)	216,427	(14)
	2015	216,427	(14)	38,771	-	(35)	-	(2,436)	255,163	(2,450)
Investments in associates	2014	11,226	(16)	-	-	-	-	-	11,226	(16)
	2015	11,226	(16)	-	-	(100)	-	-	11,126	(16)
Investments in other entities	2014	12,878	(9,666)	75	(574)	(15)	-	(8)	12,938	(10,248)
	2015	12,938	(10,248)	401	780	(79)	-	49	13,260	(9,419)
Long-term loans issued	2014	33,018	-	8,278	-	(7,257)	-	-	34,039	-
	2015	34,039	-	23,131	-	(5,338)	-	-	51,832	-
Debt securities	2014	6,899	(6,899)	-	-	-	-	-	6,899	(6,899)
	2015	6,899	(6,899)	601	-	-	-	-	7,500	(6,899)

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

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

(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 2015		31 December 2014		31 December 2013	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	252,713		216,413		95,619	
AO Zagorskaya GAES-2	60,691	100.00%	55,924	100.00%	9,780	100.00%
AO Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	14,722	50.04%
PAO RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
AO Zaramagskie GES	17,216	99.75%	17,216	99.75%	1,904	98.35%
AO Yakutskaya GRES-2	16,862	100.00%	5,638	100.00%	1	100.00%
AO Nizhne-Bureiskaya GES	14,611	100.00%	8,673	100.00%	408	100.00%
PAO Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
AO Sakhalinskaya GRES-2	12,996	100.00%	1	100.00%	1	100.00%
AO ESK RusHydro	11,832	100.00% - 1 акция	11,832	100.00% - 1 акция	2,864	100.00% - 1 акция
AO Sulakskiy Hydrocascade	10,094	100.00%	10,094	100.00%	10,094	100.00%
AO Gidroinvest	9,550	100.00%	9,550	100.00%	-	100.00%
AO CCGT in the City of Sovetskaya Gavan	7,345	100.00%	4,375	100.00%	1	100.00%
AO Malaya Dmitrovka	6,394	100.00%	6,394	100.00%	5,455	100.00%
AO Blagoveschenskaya TEC	6,302	100.00%	6,302	100.00%	1	100.00%
AO Leningradskaya GAES	4,994	100.00%	5,898	100.00%	1,690	100.00%
AO Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
AO Yuzhno-Yakutskiy GEK	3,255	100.00%	3,255	100.00%	3,255	100.00%
AO Geoterm	2,425	99.65%	2,425	99.65%	2,425	99.65%
PAO Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
HydroOGK Power Company Ltd	1,171	100.00%	1,171	100.00%	1,171	100.00%
AO Hydro-Engineering Siberia	990	100.00%	2,292	100.00%	300	100.00%
AO NIIES	983	100.00%	983	100.00%	338	100.00%
OOO Verkhnebalkarskaya MGES	937	100.00%	937	100.00%	118	100.00%
AO Renewable Energy Engineering Centre	694	100.00%	694	100.00%	694	100.00%
AO GVTS Energetiki**	653	100.00%	-	-	-	-
AO CSO SGES	589	100.00%	589	100.00%	589	100.00%
PAO Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
Other	1,874		1,916		2,665	
Associates:	11,110		11,210		11,210	
OAO Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
OAO Sakhalin energy company	2,567	28.09%	2,567	28.09%	2,567	31.49%
Other	-		100		100	
Other entities:	3,841		2,690		3,212	
PAO Inter RAO	2,217	1.94%	1,445	1.94%	2,027	1.94%
OAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	543		164		104	
Total:	267,664		230,313		110,041	

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

** As of 31 December 2015 investment in AO GVTS Energetiki (100.00%) was accounted as part of subsidiaries due to acquisition additional share in 2015; as of 31 December 2014 and 31 December 2013 investment was considered as part of dependent companies with share of 42.53% and cost of 0 million RUB.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2015 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 10,929 million, including AO Nizhne-Bureiskaya GES for the amount of RUB 5,938 million, AO Zagorskaya GAES-2 for the amount of RUB 4,767 million and AO Dalnevostochnaya VES for the amount of RUB 224 million;
- acquisition of additionally issued shares of subsidiaries whose shares were transferred for trust management to PAO RAO ES of East for the total of RUB 27,189 million, including AO Sakhalinskaya GRES-2 for the amount of RUB 12,995 million, AO Yakutskaya GRES-2 for the amount of RUB 11,224 million and AO CCGT in the City of Sovetskaya Gavan for the amount of RUB 2,970 million;
- acquisition of share in the share capital of AO GVTS Energetiki for the amount of RUB 653 million;
- assessment of investments that have current market value with recognition of revenue amounting to RUB 781 million (see paragraph 3.15 of the Explanatory Notes) including revenue amounting to RUB 772 million related to PAO Inter RAO shares;
- making provision for impairment of investments for amount of RUB 2,436 million including provision for AO Hydrolnzhiniring Sibir for the amount of RUB 1,302 million, for AO Leningradskaya GES for the amount of RUB 904 million and for others companies for the amount of RUB 230 million.

Investments in subsidiaries that have current market value

As of 31 December 2015, 31 December 2014 and 31 December 2013, investments included shares of the Company's subsidiaries, i.e. PAO RAO ES of East, PAO Yakutskenergo and PAO Far East Energy Company, 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 2015 (as of 31 December 2014: 20,204 million; as of 31 December 2013: 20,204 million). This valuation exceeds the current market value of the shares as of 31 December 2015, 31 December 2014 and 31 December 2013 by RUB 5,047 million, RUB 13,535 million and RUB 12,394 million, respectively.

The Company's management plans to get benefits from investments in PAO RAO ES of East, PAO Yakutskenergo and PAO Far East Energy Company by controlling their business operations rather than as a result of fluctuations in their market value. Thus, according to the Company's management, current market quotes do not fairly reflect the fair value of the controlling shareholdings in these companies as the number of shares traded in the market is not representative; not more than 1% of total shares issued are in circulation on a daily basis. Also since the end of the 2015 year the process of PAO RAO ES of East shares' consolidation in RusHydro Group by buying from minority and bringing the stake to 100% has started.

In view of these circumstances and considering that the Company has no plans to sell these investments, in accordance with paragraph 6 of the Russian Accounting Regulation "Accounting reports of an organisation" (RAR 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided against performing revaluation of its investments in shares of PAO RAO ES of East, PAO Yakutskenergo and PAO Far East Energy Company 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 2015.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2015 is RUB 5,047 million (as of 31 December 2014: RUB 13,535 million; as of 31 December 2013: RUB 12,394 million). The Company's net assets would have amounted to RUB 737,489 million, if it included the above unrecognised change in the value (as of 31 December 2014: RUB 704,994 million, as of 31 December 2013: RUB 612,026 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).

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

Assets in relation to AO Zagorskaya GAES-2 on the balance sheet of the Company as of 31 December 2015 are as follows:

- within long-term investments: shares of AO Zagorskaya GAES-2 for the amount of RUB 60,691 million and interest-bearing loan for the amount of RUB 5,562 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2015 was based on the following key factors:

- Construction works and the assets are insured. As at 31 December 2015 all insurance companies PIJSC Ingosstrakh, JSC AlfaStrakhovanie and JSC SOGAZ have recognized the technical incident at Zagorskaya GAES-2 as an insured event and paid insurance indemnity.
- Management plans to perform recovery work and complete construction of Zagorskaya GAES-2. As of 31 December 2015 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya GAES-2. However, these expenses can be significant. Capacity supply contracts were concluded in respect of Zagorskaya GAES-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- Following the decision of the regulatory body NP Market Council of 16 December 2013 the commissioning date for generating assets of Zagorskaya GAES-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 AO Zagorskaya GAES-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 GAES-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2015.

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 2,466 million (as of 31 December 2014: RUB 79 million, as of 31 December 2013: RUB - 58 million). Original cost of long-term investments for which provision for impairment of investments was made amounts to RUB 8,453 million as of 31 December 2015 (as of 31 December 2014 - RUB 111 million, as of 31 December 2013 – RUB 96 million).

(b) Long-term loans issued

Loan recipient's name	31 December 2015	31 December 2014	31 December 2013	Annual rate,%
Long-term loans issued to related parties, including:				
AO Hydroinvest	14,181	-	2,082	0,10% / 9,703%

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.

Loan recipient's name	31 December 2015	31 December 2014	31 December 2013	Annual rate,%
AO Far East Generating Company	11,838	10,038	11,538	MosPrime + 2,48% / MosPrime + 2,33% / 7,997%
AO Zagorskaya GAES-2	5,562	7,029	7,029	8,213% – 9,513%
AO Far East Distribution Grid Company	5,023	6,630	1,670	MosPrime + 2,86% / MosPrime + 2,33% / 7,997% – 8,407%
AO Nizhne-Bureyskaya GES	4,653	2,300	694	8,213% – 9,703%
AO Sakhaenergo	3,476	3,476	3,476	7,997%
AO ESK RusHydro	3,305	-	1,700	8,00% / 9,703%
AO Ust-Srednekanskaya GES	2,111	1,747	1,747	8,213%-9,513%
AO Teploenergoservice	929	929	929	7,997%
AO Tekhnopark Rumyantsevo	-	1,292	1,508	
Other	754	598	645	
Total long-term loans issued	51,832	34,039	33,018	

As of 31 December 2015 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- Loans to AO Hydroinvest amounting to RUB 14,181 million, including loans amounting to RUB 12,381 maturing by 28 April 2018 that were removed from short-term interest-free loans (see 3.2.2 of Explanations); and loans amounting to RUB 1,800 million maturing by 29 June 2018 that were removed from short-term interest loans due to changes in conditions of contracts;
- loan to AO Far East Generating Company amounting to RUB 11,838 million to refinance liabilities maturing by 3 December 2018 and 15 September 2021;
- loans to AO Zagorskaya GAES-2 in the total amount of RUB 5,562 million issued to finance expenses related to investment project "Zagorskaya GAES-2" maturing by 05 February 2018 and 29 June 2018;
- loan to AO Far East Distribution Grid Company amounting to RUB 5,023 million to refinance liabilities and finance working capital maturing by 03 December 2018 and 14 October 2025;
- loans to AO Nizhne-Bureyskaya GES in the total amount of RUB 4,653 million issued to finance expenses related to investment project "Nizhne-Bureyskaya GES" maturing by 5 February 2018 and 29 June 2018 and 25 December 2019;
- loan to OAO Sakhaenergo in the total amount of RUB 3,476 million issued to refinance liabilities maturing by 03 December 2018;
- loans to AO ESK RusHydro in the total amount of RUB 3,305 million issued for refinance liabilities maturing by 29 June 2018 and 01 December 2025;
- loans to AO Ust-Srednekanskaya GES in the total amount of RUB 2,111 million issued to finance expenses related to investment project "Ust-Srednekanskaya GES" maturing by 05 February 2018 and 29 June 2018;
- loan to AO Teploenergoservis in the amount of RUB 929 million issued to refinance and debt repayment maturing by 03 December 2018.

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

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

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

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

Narrative	31 December 2015	31 December 2014	31 December 2013
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,620	1,620
Software and licenses	1,153	1,461	1,239
Borrowing costs	1,083	1,175	647
Other	476	458	393
Total expenses of future periods, including:	4,332	4,714	3,899
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)	3,287	3,538	2,987
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)	1,045	1,176	912

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 2015	31 December 2014	31 December 2013
Raw, materials and other inventories	3,046	2,241	1,813
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)	1,045	1,176	912
Other	24	20	136
Total line 1210 "Inventories"	4,115	3,437	2,861

Raw, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2015 the provision for their impairment amounted to RUB 156 million (31 December 2014: RUB 158 million, 31 December 2013: RUB 105 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 62,549 million, 62,341 million and 80,323 million as of 31 December 2015, 2014 and 2013, respectively. Breakdown by types of long-term accounts receivable is as follows:

Type of long-term accounts receivable	31 December 2015	31 December 2014	31 December 2013
Advances issued to suppliers of equipment and capital construction contractors	28,176	31,095	35,074
Interest-free promissory notes received	28,578	27,563	27,040
Interest-free loans issued	3,447	1,503	16,817
Buyers and customers	976	409	103
Lease receivables	241	495	927
Other long-term accounts receivable	1,131	1,276	362
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	62,549	62,341	80,323

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Long-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*					Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Repayment*	Disposals		Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Reclassified from short-term to long-term		Accrual/release of doubtful debt provision	Reclassified from long-term to short-term		
Long-term accounts receivable, including:	2014	83,058	(2,735)	9,831	1,656	(1,580)	-	(27,889)	65,076	(2,735)
	2015	65,076	(2,735)	7,438	4,623	(148)	-	(11,705)	65,284	(2,735)
Advances issued to suppliers of equipment and capital construction contractors	2014	35,074	-	3,866	1,439	-	-	(9,284)	31,095	-
	2015	31,095	-	5,058	1,014	-	-	(8,991)	28,176	-
Interest-free promissory notes received	2014	27,040	-	773	-	-	-	(250)	27,563	-
	2015	27,563	-	1,011	187	(139)	-	(44)	28,578	-
Interest-free loans issued	2014	16,817	-	3,701	29	(1,578)	-	(17,466)	1,503	-
	2015	1,503	-	120	1,966	(1)	-	(141)	3,447	-
Lease receivables	2014	927	-	65	33	-	-	(530)	495	-
	2015	495	-	4	2	-	-	(260)	241	-
Buyers and customers	2014	103	-	304	143	(1)	-	(140)	409	-
	2015	409	-	14	966	-	-	(413)	976	-
Other long-term accounts receivable	2014	3,097	(2,735)	1,122	12	(1)	-	(219)	4,011	(2,735)
	2015	4,011	(2,735)	1,231	488	(8)	-	(1,856)	3,866	(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.*

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

Counterparty	31 December 2015	31 December 2014	31 December 2013
Subsidiaries, including:	3,078	1,155	16,530
AO ESK RusHydro	1,034	1,034	1,034
AO Yakutskaya GRES-2	1,003	-	674
AO CCGT in the City of Sovetskaya Gavan	631	-	-
AO Sakhalinskaya GRES-2	330	-	-
AO Hydroinvest	-	-	12,381
AO Blagoveschenskaya TEC	-	-	1,473
AO MGES Kabardino-Balkarii	-	-	678
Other	80	121	290
Other related parties, including:	21	28	18
Total interest-free loans issued to related parties	3,099	1,183	16,548
Other	348	320	269
Total interest-free loans issued to other counterparties	348	320	269
Total long-term interest-free loans issued	3,447	1,503	16,817

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

Issuer	31 December 2015	31 December 2014	31 December 2013
Other related parties, including:	25,689	25,689	25,689
OAO Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Smelter	4,662	4,662	4,662
Total interest-free promissory notes from related parties	25,689	25,689	25,689
PAO ROSBANK	1,491	935	290
AO Alfa-Bank	1,298	850	944
OAO Ulyanovskenergo	100	89	62
Other	-	-	55
Total interest-free promissory notes from other counterparties	2,889	1,874	1,351
Total long-term interest-free promissory notes received	28,578	27,563	27,040

As of 31 December 2015, 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 2015 is RUB 5,711 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 2015 is RUB 1,976 million).

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

Counterparty	31 December 2015	31 December 2014	31 December 2013
OAO Silovye Mashiny	14,271	15,208	19,713
OOO Corporation SpetsHydroProject	5,491	6,565	5,534
Voith Hydro GmbH & Co KG	5,289	5,851	5,214
OAO Hydroremont-BKK	2,859	3,120	3,818
Other	266	351	795
Total advances issued to suppliers of equipment and capital construction contractors	28,176	31,095	35,074

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2016 are included within short-term advances issued.

Counterparty	31 December 2015	31 December 2014	31 December 2013
Interest receivable accrued on loans issued and promissory notes received, including:	690	1,258	336
Subsidiaries	690	1,258	336
Other accounts receivable	441	18	26
Total other long-term accounts receivable	1,131	1,276	362

(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 66,762 million, 82,224 million and 153,157 million as of 31 December 2015, 2014 and 2013, respectively.

Type of short-term accounts receivable	31 December 2015	31 December 2014	31 December 2013
Buyers and Customers, including:	6,741	5,840	5,648
Accounts receivable for electricity and capacity	5,752	5,521	5,437
Other	989	319	211
Advances issued, including:	14,495	12,870	15,517
Advances issued to suppliers of equipment and capital construction contractors	13,286	12,036	14,309
Other advances issued	1,209	834	1,208
Other debtors, including:	45,506	63,514	131,992
Interest-free promissory notes received	20,809	19,119	22,954
Interest-free loans issued	12,925	26,384	5,552
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	7,951	11,805	98,530
Taxes receivable	1,322	2,252	2,596
Lease receivables	220	707	805
Other	2,279	3,247	1,555
Total line 1232 "Long-term accounts receivable" (payments expected within 12 months of the reporting date)	66,742	82,224	153,157

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(in millions of Russian Roubles unless otherwise stated)

Short-term accounts receivable and their movement

Item	Period	Opening balance		Changes for the period*								Closing balance	
		Recognised under contract	Doubtful debt provision	Additions		Disposals		Release of provision	Accrual of provision	Reclassified from long-term to short-term and vice versa	Write-off of receivables against provision	Recognised under contract	Doubtful debt provision
				As a result of economic transactions*	Interest, penalties and other accruals	Repayment*	Write-off to the financial result						
Short-term accounts receivable, including:	2014	159,603	(6,446)	168,596	-	(264,082)	-	2,168	(3,848)	26,233	35	90,315	(8,091)
	2015	90,315	(8,091)	166,404	-	(189,807)	-	3,489	(2,650)	7,082	425	73,569	(6,827)
Buyers and customers	2014	10,661	(5,013)	129,193	-	(127,499)	-	2,099	(3,598)	(3)	22	12,330	(6,490)
	2015	12,330	(6,490)	126,687	-	(126,594)	-	3,395	(2,034)	(553)	40	11,830	(5,089)
Advances issued	2014	15,539	(22)	32,127	-	(42,606)	-	-	(20)	7,852	11	12,901	(31)
	2015	12,901	(31)	22,208	-	(28,190)	-	2	(82)	7,687	2	14,604	(109)
Other debtors	2014	133,403	(1,411)	7,276	-	(93,977)	-	69	(230)	18,384	2	65,084	(1,570)
	2015	65,084	(1,570)	17,509	-	(35,023)	-	92	(534)	(52)	383	47,135	(1,629)

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

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 2015	31 December 2014	31 December 2013
OA O Silovye Mashiny	6,817	5,317	6,401
AO Hydroremont-BKK	1,017	965	1,365
ZAO Technoserv A/C	821	441	47
OOO Corporation SpetsHydroProject	986	1,817	1,016
Voith Hydro GmbH & Co KG	739	1,160	2,194
AO TEK Mosenergo	452	39	-
AO ChirkeiGESstroi	418	286	-
ZAO A-security	242	172	61
OOO Construction company StroyLine	238	127	-
OOO Sovremennye sistemy upravleniya	199	171	29
AO ETC Electromashinostroeniya	184	-	-
AO Lenhydroproject	170	42	1
AO VNIIR Hydroelectroavtomatika	159	156	390
OA O Trest Hydromontazh	125	184	60
OOO Promhydroenergomash	69	107	136
OA O Hydroelectromontazh	-	48	420
IBERDROLA	-	-	1,061
Other	650	1,004	1,128
Total advances issued to suppliers of equipment and capital construction contractors	13,286	12,036	14,309

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

Issuer	31 December 2015	31 December 2014	31 December 2013
Subsidiaries, including:	20,767	18,846	22,453
OOO Index energetiki – HydroOGK	13,621	13,646	13,668
AO Zaramagskie GES	2,524	1,563	-
HydroOGK Aluminium Company Ltd	2,142	2,142	3,338
AO MGES Kabardino-Balkarii	1,839	838	229
AO Hydroinvest	256	256	256
AO Karachaeve-Cherkesskaya Hydrogenerating Company	244	244	244
AO Ust-Srednekanskaya GES	-	-	4,105
Other	141	157	613
Total interest-free promissory notes from related parties	20,767	18,846	22,453
AO Alfa-Bank	35	195	416
Other	7	78	85
Total interest-free promissory notes from other counterparties	42	273	501
Total short-term interest-free promissory notes received	20,809	19,119	22,954

As of 31 December 2015, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company are represented by promissory notes payable on demand.

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

Counterparty	31 December 2015	31 December 2014	31 December 2013
Subsidiaries, including:	12,858	26,313	5,494
OOO EZOP	5,265	5,373	5,423
AO Ust-Srednekanskaya GES	3,300	2,218	-
AO Blagoveschenskaya TEC	1,473	1,473	-

Counterparty	31 December 2015	31 December 2014	31 December 2013
AO Sulaksky Hydrocascade	1,166	923	-
AO MGES Kabardino-Balkarii	780	780	-
AO MGES Altaya	248	248	-
AO Leningradskaya GAES	189	151	-
AO Tekhnopark Rumyantsevo	183	183	-
AO Hydroinvest	-	12,381	-
AO Yakutskaya GRES-2	-	973	-
AO CCGT in the City of Sovetskaya Gavan	-	631	-
AO Zagorskaya GAES-2	-	452	-
Other	254	527	71
Other related parties, including:	21	12	6
Loans issued to the Company's key management	21	12	6
Total interest-free loans issued to related parties	12,879	26,325	5,500
Total short-term interest-free loans issued to other counterparties	46	59	52
Total short-term interest-free loans issued	12,925	26,384	5,552

As of 31 December 2015, short-term interest-free loans issued include:

- loans to OOO EZOP in the amount of RUB 5,265 million payable on demand issued (among other purposes) for purchasing ordinary registered uncertificated shares of the Company's additional issue;
- loan to AO Ust-Srednekanskaya GES in the amount of RUB 3,300 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 2015	31 December 2014	31 December 2013
AO Nizhne-Bureyskaya GES	6,416	5,938	8,265
AO Sulaksky Hydrocascade	863	-	-
AO CCGT in the City of Sovetskaya Gavan	400	200	-
AO Zagorskaya GAES-2	-	4,767	46,071
AO Zaramagskie GES	-	-	15,139
AO Hydroinvest	-	-	9,550
AO ESK RusHydro	-	-	8,969
AO Leningradskaya GAES	-	-	4,202
AO Ust-Srednekanskaya GES	-	-	2,872
AO Hydro-engineering Siberia	-	-	1,992
Other	272	1,100	1,470
Total accounts receivable from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company	7,951	11,805	98,530

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

Item	31 December 2015	31 December 2014	31 December 2013
Income tax	945	1,530	2,082
Other taxes and levies	377	722	514
Total tax receivables	1,322	2,252	2,596

Overdue accounts receivable

Item	31 December 2015		31 December 2014		31 December 2013	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	7,819	1,387	8,527	600	6,455	362
Buyers and customers	4,978	258	6,522	120	4,931	220
Advances issued	1,232	1,124	490	459	137	115
Other debtors	1,609	5	1,515	21	1,387	27

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 2015	31 December 2014	31 December 2013
Bank deposits	10,609	33,307	50,000
Loans issued	5,270	10,139	5,568
Promissory notes	-	-	40
Total line 1240 "Investments" (excluding cash equivalents)	15,879	43,446	55,608

PAO RusHydro
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Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2014	55,608	-	178,552	(190,714)	-	-	43,446	-
	2015	43,446	-	90,196	(117,053)	-	(710)	16,589	(710)
Bank deposits	2014	50,000	-	168,473	(185,166)	-	-	33,307	-
	2015	33,307	-	81,485	(104,183)	-	-	10,609	-
Short-term loans issued	2014	5,568	-	10,079	(5,508)	-	-	10,139	-
	2015	10,139	-	8,546	(12,705)	-	(710)	5,980	(710)
Promissory notes	2014	40	-	-	(40)	-	-	-	-
	2015	-	-	165	(165)	-	-	-	-

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

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

(a) Bank deposits

As of 31 December 2015, bank deposits include a short-term deposit of RUB 10,609 million placed with PAO Sberbank of Russia maturing from 18 January 2016 till 15 March 2016 (as of 31 December 2014 – RUB 32,884 million maturing from 16 January 2015 till 03 March 2015). 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 2015	31 December 2014	31 December 2013	Annual rate, %
Short-term loans issued to related parties, including:				
ZAO Verkhne-Narynskie GES	2,711	1,484	530	LIBOR + 1,5%
AO Far East Distribution Grid Company	1,607	-	1,430	8,213% / 8,407% / MosPrime + 2,33% / MosPrime + 2,86%
AO Nizhne-Bureyskaya GES	509	282	-	8,213% – 9,703%
AO Far East Distribution Company	200	2,000	1,000	MosPrime + 2,48%
AO ESK RusHydro	-	3,120	1,520	
AO Hydroinvest	-	1,920	-	
AO ChirkeyGESstroy	-	450	300	
AO ESKO EES	-	260	275	
AO Malaya Dmitrovka	-	205	300	
Other	243	418	213	
Total short-term loans issued	5,270	10,139	5,568	

As of 31 December 2015, short-term loans issued include:

- ZAO Verkhne-Narynskie GES's loan in the total amount of RUB 2,711 million issued for refinance construction works of Verkhne-Narynskiy cascade of GES;
- AO Far East Generating Grid Company's total amount of RUB 1,607 million including short-term part of long-term loan in the total amount of RUB 1,430 million issued for refilling current assets maturing by 14 March 2016 and short-term part of long-term loan in the total amount of RUB 177 million issued for refinance liabilities maturing by 14 October 2025 (paragraph 3.1.2 of the Explanatory notes).

As of 31 December 2015 there was provision for impairment of short-term loans issued in the total amount of RUB 710 million (31 December 2014: RUB 0 million; 31 December 2013: RUB 0 million). 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 2015	31 December 2014	31 December 2013
Cash in bank	898	3,661	1,981
Cash equivalents	17,241	5,371	16,565
Total line 1250 "Cash and cash equivalents"	18,139	9,032	18,546

As of 31 December 2015, 2014 and 2013, there is no restricted cash.

As of 31 December 2015, 2014 and 2013, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2015 there were cash balances denominated in US dollars equivalent to RUB 0 million (31 December 2014: RUB 25 million; 31 December 2013: RUB 29 million). As of 31 December 2015 there were cash balances denominated in Euro equivalent to RUB 0 million (31 December 2014: RUB 2,239 million, 31 December 2013: RUB 0 million).

As of 31 December 2015, interest rates on Rouble deposits were 8.64% – 11.65% p.a. (31 December 2014: 10.00% – 18.50%, 31 December 2013: 5.29% – 7.40%).

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

Credit institution	Rating on 31 December 2015	Rating agency	31 December 2015	31 December 2014	31 December 2013
Bank deposits, including:					
PAO Bank FK Otkrytie	BB-	Standard & Poor's	7,644	-	-
PAO AKB Svyaz-Bank	BB-	Standard & Poor's	2,718	-	-
Bank VTB (PAO)	BB+	Standard & Poor's	2,277	-	2,140
AO SMP Bank	-	-	1,874	-	-
PAO Sberbank	Ba1	Moody's	1,728	2,615	5,437
AO Globeksbank	BB-	Fitch Ratings	1,000	-	-
AO UniCredit Bank			-	2,223	4,500
Bank GPB (AO)			-	533	1,578
AO Nordea Bank			-	-	2,910
Total cash equivalents			17,241	5,371	16,565
Cash in banks, including:					
PAO Sberbank	Ba1	Moody's	581	663	1,931
Bank GPB (AO)	Ba2	Moody's	245	2,910	21
Other			72	88	29
Total cash in bank			898	3,661	1,981

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	2015	2014
Other receipts from operating activities (line 4119), including:	2,706	1,406
Value added tax	2,007	709
Penalties, interest and fines recognised or for which court rulings on collection have been received	325	54
Other receipts from operating activities	374	643
Other payments related to operating activities (line 4129), including:	(13,228)	(13,089)
Taxes and levies	(7,976)	(7,300)
Non-budget funds	(1,789)	(1,594)
Charity payments	(437)	(1,166)
Business trip expenses	(1,210)	(945)
Water usage expenses	(895)	(877)
Payment of corporate expenses	(262)	(587)
Other payments related to operating activities	(659)	(620)
Other payments related to investing activities (line 4219), including:	22,731	16,721
Cash placement on a short-term deposit other than cash equivalent	22,697	16,701
Other payments related to investing activities	34	20
Other payments related to financing activities (line 4329), including:	(30)	(257)
Settlement of finance lease obligations (payments under lease contracts)	(30)	(257)

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 2015, 2014 and 2013, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2015	Number of shares at 31 December 2014	Number of shares at 31 December 2013
Ordinary shares with nominal value of RUB 1 per share	386,255,464,890	386,255,464,890	317,637,520,094

As of 31 December 2015, 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	112,576,506,772	29.15%
OOO Depositary and Corporate Technologies	nominee holder	8,325,499,208	2.15%
Other		7,191,923,304	1.86%
Total		386,255,464,890	100.00%

Additional issue in 2012-2014

The Company's extraordinary general meeting of shareholders held on 16 November 2012 (Minutes No. 9) made the decision to increase the Company's share capital by placing 110,000,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets. Non-monetary assets include ordinary registered shares of the following joint stock companies: PAO RAO ES of East, AO Ust-Srednekanskaya GES, OAO Sakhalinskaya energeticheskaya kompaniya, PAO 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 2015, 71 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2014: 622 million shares, 31 December 2013: 651 million shares). Subsidiaries and associates own 21,787 million shares of the Company (31 December 2014: 21,787 million shares, 31 December 2013: 8,704 million shares).

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

As of 31 December 2015, the amount of accumulated revaluation of non-current assets is RUB 52,928 million (31 December 2014: RUB 53,111 million, 31 December 2013: RUB 53,325 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 183 million in 2015 due to disposal of items of property, plant and equipment revalued earlier (2014: RUB 214 million,).

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

As of 31 December 2015, 2014 and 2013, 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 2015, 2014 and 2013, the Company's reserve capital was RUB 9,776 million, RUB 8,240 million and RUB 6,474 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 26 June 2015 (Minutes No. 13), the Company allocated 5% of its net profit for 2014 in the amount of RUB 1 536 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 2015	31 December 2014	31 December 2013
PAO Sberbank	33,389	33,389	30,613
Russian bonds issued in February 2013	20,000	20,000	20,000
Russian bonds issued in July 2015	15,000	-	-
European Bank for Reconstruction and Development	10,653	11,030	9,155
Russian bonds issued in April 2015	10,000	-	-
Crédit Agricole Corporate and Investment Bank Deutschland	6,933	5,946	-
UniCredit Bank Austria AG	6,871	5,892	2,862
Bayerische Landesbank (BayernLB)	1,125	1,005	335
AO GVTS Energetiki	1,099	-	-
Russian bonds issued in April 2011	-	15,000	15,000
RusHydro Finance Ltd	-	-	20,000
Total line 1410 "Borrowings"	105,070	92,262	97,965

In April 2015 the Company placed non-convertible interest 10-years bond loans 09 series and with nominal value RUB 10,000 million. The Company established public offer period (repurchase period at the request of their respective owners) – 2,5 years after start of placement; interest rate of coupon income is 12.75% for 2,5 first years.

In July 2015 the Company placed exchange bonds BO-P01, BO-P2 and BO-P3 series amounting of RUB 15,000 million and circulation period of 3 years and interest rate of coupon income is 11.85%.

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	2025	16	Euro	Euribor 6M + 0,85%
Crédit Agricole Corporate and Investment Bank Deutschland	2014	2029	190	Euro	Euribor 6M + 0,625%
UniCredit Bank Austria AG	2011	2026	128	Euro	3,35%*
AO GVTS Energetiki	2015	2018	1,220	RUB	9,703%
EBRD (Tranche A)	2011	2026	4,000	RUB	MosPrime 3M + 2,45%
EBRD (Tranche B)	2011	2021	3,500	RUB	MosPrime 3M + 2,32%
EBRD (Tranche A1)	2013	2025	1,770	RUB	MosPrime 3M + 2,45%
EBRD (Tranche A2)	2013	2025	870	RUB	-
EBRD (Tranche B)	2013	2021	1,760	RUB	MosPrime 3M + 2,32%
Russian bonds issued in April 2011	2011	2016**	15,000	RUB	8,00%
Russian bonds issued in February 2013	2013	2018**	20,000	RUB	8,50%

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.

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
Russian bonds issued in April 2015	2015	2017***	10,000	RUB	12,75%
Russian bonds issued in July 2015	2015	2018	15,000	RUB	11,85%
PAO Sberbank of Russia	2011	2020	20,000	RUB	8,30% / 9,30%****
PAO Sberbank of Russia	2013	2018	10,613	RUB	7,99% / 8,99%****
PAO Sberbank of Russia	2014	2022	2,776	RUB	MosPrime 3M + 2,10%

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

** Bonds maturity is 10 years with the right of bond holders of early redemption in 5 years after the date of issue.

*** Bonds maturity is 10 years with the right of bond holders of early redemption in 2,5 years after the date of issue.

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

As of 31 December 2015, 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 15,479 million (31 December 2014: RUB 20,053 million.) (see paragraph 3.5.1 of the Explanatory Notes).

Besides the credit limits from UniCredit Bank Austria AG, Crédit Agricole Corporate and Investment Bank Deutschland and EBRD which are not used in full as of 31 December 2015, the Company has opportunity to raise funds on credit agreements with Bank VTB (PAO) in the amount of RUB 30,000 million maturing at 2020 and with PAO Sberbank in the amount of RUB 40,000 million maturing at 2026.

Ageing analysis:

Due for repayment	31 December 2015	31 December 2014	31 December 2013
From 1 to 2 years	11,396	15,483	21,676
From 2 to 3 years	48,455	1,272	16,693
From 3 to 4 years	1,743	31,885	1,529
From 4 to 5 years	22,090	1,272	32,142
Over five years	21,386	42,350	25,925
Total line 1410 "Borrowings"	105,070	92,262	97,965

Interest on borrowings included into the cost of investment assets

In 2015, the amount of interest on borrowings included into the cost of investment assets was RUB 2,746 million (2014: RUB 2,639 million), of which RUB 2,406 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2014: RUB 2,198 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 1,827 million as of 31 December 2015 (31 December 2014: RUB 1,746 million, 31 December 2013: RUB 1,559 million) and trade payables in the amount of RUB 368 million as of 31 December 2015 (31 December 2014: RUB 589 million, 31 December 2013: RUB 469 million).

3.5 Current liabilities (Section V of the balance sheet)**3.5.1 Short-term borrowings (line 1510 of the Balance sheet)**

Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
Borrowings, including:	2014	3,329	22,708	(5,984)	20,053
	2015	20,053	16,406	(20,209)	16,250
Russian bonds issued in April 2011	2014	-	-	-	-
	2015	-	15,000	-	15,000
OOO AlstomRusHydroEnergy	2014	-	-	-	-
	2015	-	750	-	750
European Bank for Reconstruction and Development (EBRD)	2014	1,829	2,655	(4,484)	-
	2015	-	377	-	377
RusHydro Finance Ltd	2014	-	20,000	-	20,000
	2015	20,000	-	(20,000)	-
EM Falcon Ltd	2014	1,500	-	(1,500)	-
	2015	-	-	-	-
Other	2014	-	53	-	53
	2015	53	279	(209)	123
Interest on borrowings, including:	2014	1,597	8,853	(8,588)	1,862
	2015	1,862	11,001	(10,173)	2,690
Russian bonds issued in July 2015	2014	-	-	-	-
	2015	-	858	-	858
Russian bonds issued in February 2013	2014	499	1,843	(1,695)	647
	2015	647	1,700	(1,695)	652
PAO Sberbank	2014	457	2,740	(2,676)	521
	2015	521	2,998	(2,991)	528
Russian bonds issued in April 2011	2014	233	1,200	(1,196)	237
	2015	237	1,200	(1,197)	240
Russian bonds issued in April 2015	2014	-	-	-	-
	2015	-	863	(636)	227
European Bank for Reconstruction and Development (EBRD)	2014	110	1,324	(1,260)	174
	2015	174	1,838	(1,832)	180
RusHydro Finance Ltd	2014	280	1,575	(1,575)	280
	2015	280	1,295	(1,575)	-
Other	2014	18	171	(186)	3
	2015	3	249	(247)	5
Total line 1510 "Borrowings"	2014	4,926	31,561	(14,572)	21,915
	2015	21,915	27,407	(30,382)	18,940

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 9,822 million, 8,575 million and 77,468 million as of 31 December 2015, 2014 and 2013, respectively.

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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:	2014	77,468	121,672	1	(190,462)	(1)	(103)	8,575
	2015	8,575	106,711	3	(105,680)	(4)	217	9,822
Trade payables	2014	5,170	83,508	1	(83,280)	(1)	(103)	5,295
	2015	5,295	67,810	2	(67,828)	(4)	217	5,492
Wages payable	2014	601	7,924	-	(7,702)	-	-	823
	2015	823	7,286	-	(7,440)	-	-	669
Payable to state non-budget funds	2014	87	1,648	-	(1,616)	-	-	119
	2015	119	1,900	1	(1,885)	-	-	135
Taxes payable	2014	2,570	20,660	-	(21,307)	-	-	1,923
	2015	1,923	23,028	-	(21,848)	-	-	3,103
Payables to the participants (founders) related to income payment	2014	47	5,227	-	(5,209)	-	-	65
	2015	65	6,004	-	(6,002)	-	-	67
Payables in respect of shares issued before the changes to the Charter	2014	68,618	-	-	(68,618)	-	-	-
	2015	-	-	-	-	-	-	-
Other payables	2014	375	2,706	-	(2,731)	-	-	350
	2015	350	683	-	(677)	-	-	356

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

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

Type of payables	31 December 2015	31 December 2014	31 December 2013
Payables to capital construction contractors	1,499	1,447	1,640
Payables to suppliers of equipment and other non-current assets	2,071	2,073	1,753
Payables for purchase of electricity and capacity	774	856	759
Payables to suppliers of repair and maintenance services	405	276	329
Other	743	643	689
Total line 1521 "Trade accounts payable"	5,492	5,295	5,170

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

Tax	31 December 2015	31 December 2014	31 December 2013
Property tax payable	1,494	1,343	1,429
VAT payable	1,480	464	1,053
Income tax payable	-	-	-
Other taxes payable	129	116	88
Total line 1524 "Taxes payable"	3,103	1,923	2,570

As of 31 December 2014 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, including payables to the Federal Agency for Federal Property Management in the amount of RUB 66,006 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 2015 the total estimated liabilities are RUB 601 million (31 December 2014: RUB 1,405 million, 31 December 2013: RUB 1,020 million).

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

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2014	1,020	1,546	(926)	(235)	1,405
	2015	1,405	1,342	(1,789)	(357)	601
for forthcoming payment of earned but unused employee vacations	2014	489	1,213	(913)	(235)	554
	2015	554	1,342	(999)	(357)	540
for litigation on property tax	2014	531	210	(13)	-	728
	2015	728	-	(667)	-	61
Other	2014	-	123	-	-	123
	2015	123	-	(123)	-	-

3.6 Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2015, the total rented property, plant and equipment are RUB 38,490 million (31 December 2014: RUB 34,097 million, 31 December 2013: RUB 33,754 million).

In 2015, the Company did not receive any property, plant and equipment under lease contracts. In 2015, no lease items were recognised on the Company's balance sheet under concluded contracts.

The Company will make lease payments of RUB 26 million (including VAT) for property, plant and equipment received under lease contracts over the period until they expire, including payment of RUB 19 million in 2016. In 2015, the Company accrued RUB 479 million (excluding VAT) and paid RUB 35 million in lease payments (RUB 706 million and RUB 304 million in 2014, respectively).

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

Lessor	31 December 2015	31 December 2014	31 December 2013
AO Sulakskiy HydroKaskad	9,721	-	-
AO Zaramagskie GES	5,042	5,042	4,995
Ministry of Property Relations of Moscow region	4,956	4,956	4,531
AO Malaya Dmitrovka	3,391	3,349	3,349
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2,549	2,549	2,549
Territorial Office of Federal Property Management Agency in the Irkutsk Region	1,727	3,675	2,154
Perm Department of Land and Property Relations	1,350	1,350	1,245
Department of Property and Land Relations of Kochubeevsky region	1,060	1,060	1,190
Territorial Office of Federal Property Management Agency (Republic of Udmurtia)	943	943	577
Novosibirsk Department of Land and Property Relations	779	779	779
Other	4,703	4,446	4,091
Total rent of property, plant and equipment	36,221	28,149	25,460
OOO Leasefinance	1,022	1,844	3,546
OOO RB-Leasing	829	1,894	2,383
ZAO Business Alliance	321	321	321
OOO IR-Leasing	-	1,792	1,815
Other	97	97	229
Total lease of property, plant and equipment under lease contracts	2,269	5,948	8,294
Total rent and lease of property, plant and equipment	38,490	34,097	33,754

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2015	31 December 2014	31 December 2013
ОАО Силвые Mashiny	8,655	3,018	2,345
Voith Hydro GmbH & Co KG	7,041	4,840	3,213
ООО EZOP	5,428	5,428	5,428
АО Hydroinvest	3,919	3,919	3,919
АО Transport company RusHydro	511	491	-
ОАО Hydroelectromontazh	453	-	46
АО VNIIR Hydroelectroavtomatika	424	255	445
АО TEK Mosenergo	405	679	-
ZAO A-security	294	398	153
Alstom Hydro France	67	1,106	1,038
ООО Energy Standard	8	27	582
ООО Alstom	-	273	273
Other	2,413	2,688	2,553
Total collateral for liabilities and payments received	29,618	23,122	19,995

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

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, ОАО Силвые Mashiny, ОАО Hydroelectromontazh, АО VNIIR Hydroelectroavtomatika, АО TEK Mosenergo and others the Company received bank guarantees

for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

According to property sales contracts bearing interest for payment by instalments to be made by AO Transport company RusHydro, the sold property for RUB 511 million was pledged.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2015	31 December 2014	31 December 2013
GC Vnesheconombank	OAO Boguchanskaya GES	48,426	49,133	46 632
PAO Sberbank	AO Far East Generating Company	7,102	-	-
PAO Sberbank	PAO Far East Energy Company	5,531	-	-
GC Vnesheconombank	ZAO Boguchansky Aluminium Smelter	4,615	4,615	4 615
PAO VTB Bank	AO Far East Generating Company	4,522	4,522	4 543
European Investment Bank	PAO RAO ES of East	4,012	2,326	111
PAO Sberbank	PAO Kamchatskenergo	3,978	3,979	3 978
European Bank for Reconstruction and Development (EBRD)	PAO RAO ES of East	3,695	4,097	4 070
PAO Sberbank	PAO RAO ES of East	2,095	-	-
European Bank for Reconstruction and Development (EBRD)	ZAO International Energy Corporation	1,845	1,417	402
Asian Development Bank, ADB	ZAO International Energy Corporation	1,845	1,415	227
Bank GPB (AO)	AO Far East Generating Company	1,002	-	-
Rosbank AKB PAO	AO Far East Generating Company	851	-	-
Bank GPB (AO)	PAO Far East Energy Company	762	-	-
PAO Sberbank	OAO Sakhalinenergo	651	651	651
AKB Peresvet (AO)	AO "Sulakskiy HydroKaskad"	533	-	-
Bank GPB (AO)	PAO Magadanenergo	401	-	-
AO TEK Mosenergo	AO Yakutskaya GRES-2	-	15,000	-
OAO Bank of Moscow	AO Far East Generating Company	-	7,042	7 001
PAO VTB Bank	PAO Far East Energy Company	-	4,921	-
ZAO ING BANK (EURASIA)	AO Yakutskaya GRES-2	-	3,156	-
OAO Bank of Moscow	OAO Sakhalinenergo	-	499	700
Other	Other	891	1,331	740
Total collateral for liabilities and payments issued		92,757	104,104	73,670

In 2015 the Company issued guarantees:

- in terms of liabilities of AO Far East Generating Company the credit agreement with PAO Sberbank, Bank GPB (AO) and PAO Rosbank AKB. The guarantee covers the amount of credit and interest accrued. Maturity date – 2019-2020.
- In terms of liabilities of PAO Far East Energy Company under the credit agreement with PAO Sberbank and Bank GPB (AO). The guarantee covers the amount of credit and interest accrued. Maturity date – 2019.

- In terms of liabilities of PAO RAO ES of East under the credit agreement with PAO Sberbank. The guarantee covers the amount of credit and interest accrued. Maturity date – 2019 and 2030.

Guarantees issued by the Company for liabilities of OAO Boguchanskaya GES under its loan agreement with GC Vnesheconombank include:

- total liabilities of OAO Boguchanskaya GES under the loan agreement, including accumulated interest in the amount of RUB 27,399 million as of 31 December 2015 (31 December 2014: RUB 28,106 million);
- pledge of OAO 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 OAO 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	2015	2014
Sale of electricity	73,262	76,532
Sale of capacity	32,583	30,678
Sale of heat	154	144
Other	1,100	1,124
Total line 2110 "Revenue"	107,099	108,478

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	2015	2014
Depreciation and amortisation	14,257	13,038
Purchased electricity and capacity	13,970	17,975
Wages and social insurance contributions	10,113	10,635
Property tax	6,640	6,123
Repairs and maintenance	3,891	3,615
Third party services	3,236	2,624
Fees for administering the wholesale market of electricity and capacity (OAO SO UES, OAO ARS, ZAO CFR)	2,884	2,770
Fire and other security services	1,729	1,660
Insurance expenses	1,482	1,185
Lease expenses	1,230	1,140
Water usage expenses, water tax	934	836
Lease of power equipment	479	706
Other expenses	3,124	3,157
Total line 2120 "Cost of sales"	63,969	65,464

Operating expenses include contributions to non-state pension fund OAO 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	2015	2014
Material expenses	19,056	22,605
Payroll expenses	8,217	8,911
Social contributions	1,896	1,724
Depreciation and amortisation	14,257	13,038
Other costs	20,543	19,186
Total for elements of costs	63,969	65,464
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	63,969	65,464

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

Item	2015		2014	
	Income	Expenses	Income	Expenses
Gain and loss on sale of promissory notes	784	(784)	9,307	(9,307)
Doubtful debt provision	3,490	(2,650)	2,168	(3,844)
Selling foreign currency	-	-	1,850	(1,889)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	7,167	(8,840)	1,443	(3,427)
Income and expenses from sales, write-off and other transactions with assets	516	(2,518)	1,017	(1,316)
Income and expenses from sale of right of demand	1	(1)	368	(368)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	11	(114)	12	(15)
Charity donations	-	(553)	-	(1,294)
Expenses for social events	-	(573)	-	(684)
Gains / (losses) from revaluation of investments measured at current market value	1,110	(329)	-	(574)
Provision for impairment of investments	49	(3,147)	-	(22)
Other income and expenses	1,877	(887)	1,356	(1,037)
Total line 2340 "Other income" and 2350 "Other expenses"	15,005	(20,396)	17,521	(23,777)

3.9 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 30,664 million in the reporting year (2014: RUB 31,915 million), including:

- VAT calculated on sales of goods (work, services) is RUB 19,286 million (2014 RUB 19,727 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 9,415 million (2014: RUB 10,114 million);
- recoverable amount of tax is RUB 1,963 million (2014: RUB 2,074 million).

Total VAT recoverable in the reporting period was RUB 22,008 million (2014: RUB 25,214 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 9,637 million (2014: RUB 12,040 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 9,416 million (2014: RUB 10,115 million);

- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 2,161 million (2014: RUB 1,940 million);
- VAT recovered in 2015 which was paid earlier when the goods were imported to the Russian customs territory was RUB 789 million (2014: RUB 1,106 million);
- other recoverable VAT was RUB 5 million (2014: RUB 13 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 7,851 million (2014: RUB 7,989 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 Kamskysa GES and Votkinskaya GES that apply 15.5% rate).

According to the tax accounting data, the taxable profit for 2015 was RUB 34,424 million (2014: RUB 34,525 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 9,607 million (2014: RUB 6,059 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 4,078 million for 2015 (2014: 5,186 million), including:

- income from participation in other entities (dividends) in the amount of RUB 779 for 2015 (2014: RUB 382 million);
- increase in value of financial placements determined in fair value in the amount of RUB 780 million (2014: RUB 329 million);
- other non-temporary differences in the amount of RUB 2,519 million (2014: RUB 2,395 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 13,685 million for 2015 (2014: 11,245 million), including:

- depreciation of RUB 4,011 million (2014: RUB 3,885 million);
- charges to doubtful debt provision in the amount of RUB 944 million (2014: RUB 874 million);
- charity donations in the amount of RUB 553 million (2014: RUB 1,294 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 2,115 million (2014: RUB 413 million);
- financial support and other social payments to employees in the amount of RUB 326 million (2014: RUB 297 million);
- other non-temporary differences in the amount of RUB 5,736 million (2014: RUB 4,150 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 (804) million (2014: RUB 418 million), including those originated – RUB 452 million (2014: RUB 999 million) and settled – RUB 1,255 million (2014: RUB 581 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 14,038 million (2014: RUB 12,274 million), including those originated – RUB 19,469 million (2014: RUB 17,979 million) and settled – RUB 5,431 million (2014: RUB 5,705 million).

In 2015, 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 2015	31 December 2014	31 December 2013
Deferred income tax assets	(1,864)	(2,343)	(2,260)
Deferred tax liabilities	14,266	12,015	9,444
Total line 1420 "Deferred tax liabilities"	12,402	9,672	7,184

Other taxes and levies

In 2015, operating expenses include other taxes and levies in the amount of RUB 8,430 million (2014: RUB 7,872 million), including:

- property tax in the amount of RUB 6,640 million (2014: RUB 6,123 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 1,774 million (2014: RUB 1,724 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 16 million (2014: RUB 25 million).

Relations with tax authorities

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiates this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2015, 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.

3.10 Dividends

The Company's annual general meeting of shareholders held on 26 June 2015 (Minutes No. 13) made the decision to pay dividends on the Company's ordinary shares for 2014 in the amount of RUB 0,01561855 per 1 share for the total of RUB 6,033 million.

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.

3.11 Earnings per share

Basic earnings per share reflect a portion of reporting period's profit that may be potentially distributed between the shareholders – owners of ordinary shares. It is calculated by dividing basic profit of the reporting year by the weighted average number of ordinary shares outstanding

during the year. Basic profit is equal to net profit of the reporting year (Line 2400 of the statement of financial results).

Item	2015	2014
Basic profit for the reporting year (RUB million)	30,022	30,729
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	386,255,464,890	386,255,464,890
Basic earnings per share (RUB)	0,07773	0,07956

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

Item	2015
Number of ordinary shares outstanding as of 1 January 2015 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2015 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2015 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2015 (shares) (386,255,464,890 * 12 months) / 12 months	386,255,464,890
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 month) / 12 months	386,255,464,890

In 2015 and 2014, the Company had no debt securities potentially convertible to shares.

3.12 Related Parties

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

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

3.12.1 Controlling entity

As of 31 December 2015 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 66.84% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

3.12.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2015	2014
Revenue from sales to subsidiaries, including:		
PAO Far East Energy Company	5,722	5,530
AO Chuvashskaya Energy Sales Company	1,562	1,081
OOO ESK Bashkortostana	1,266	378
PAO Krasnoyarskenergosbyt	836	864
PAO Ryazanskaya Energy Sales Company	245	688
AO Transport company RusHydro	33	434
Other subsidiaries	274	302
Revenue from sales to related parties, including:		
ZAO Boguchanskiy Alluminiyevy zavod	679	-
PAO Krasnoyarskaya GES*	-	475
Other parties	35	9
Total sales to related parties	10,652	9,761

*PAO Krasnoyarskaya GES 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).

3.12.3 Purchases from related parties

The cost of services provided by related parties was:

Supplier	2015	2014
Repair and technical maintenance services, including:		
Subsidiaries		
AO Hydroremont-BKK	3,303	3,041
OOO Service properties RusHydro	18	121
Other	61	41
Total repair and maintenance services	3,382	3,203
Transport service, including:		
Subsidiaries		
AO Transport company RusHydro	1,502	813
Other	-	2
Total transport services	1,502	815
Rent of premises, territories and other property, including:		
Subsidiaries		
AO Malaya Dmitrovka	566	571
AO Zaramagskie GES	260	260
Other	184	9
Total rent of premises, territories and other property	1,010	840
Works and services in testing, trials and research, including:		
Subsidiaries		
AO NIIES	248	194
AO Vedeneyev VNIIG	159	198
Other	100	46
Total works and services in testing, trials and research	507	438
Electricity purchases	1	4
Other services of third parties	545	340
Total purchases from related parties	6,497	5,640

3.12.4 Settlements with non-state pension fund

Non-state Pension Fund of Electrical Energy Industry is the non-state pension fund for implementation of the non-governmental pension security program for the Company's employees. The total amount of contributions to the pension fund was RUB 324 million and RUB 252 million for 2015 and 2014, respectively.

3.12.5 Settlements with related parties

As of 31 December 2015, 2014 and 2013, 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 2015	31 December 2014	31 December 2013
Short-term interest-free promissory notes received	20,767	18,846	22,453
Short-term interest-free loans issued	12,879	26,325	5,500
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	7,951	11,805	98,530
Long-term interest-free loans issued	3,099	1,183	16,548
Accounts receivable related to other sales	1,574	1,458	1,090

Type of accounts receivable	31 December 2015	31 December 2014	31 December 2013
Other settlements with related parties	8,213	8,491	7,054
Total accounts receivable from related parties	80,172	93,797	176,864

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 2015 balances include advances issued for the amount of RUB 5,926 million (31 December 2014: RUB 5,116 million, 31 December 2013: RUB 6,257 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2015 was RUB 291 million (31 December 2014: RUB 48 million; 31 December 2013: RUB 364 million).

As of 31 December 2015, 2014 and 2013, the Company's accounts payable to the related parties were:

	31 December 2015	31 December 2014	31 December 2013
Subsidiaries	2,707	914	1,404
Associates	-	30	24
Other related parties	750	-	-
Total accounts payable to related parties	3,457	944	1,428

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

3.12.6 Related parties' debt within investments

As of 31 December 2015, 2014 and 2013, 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 2015	31 December 2014	31 December 2013
Loans issued to related parties	57,102	44,178	38,586
Other investments	-	-	40
Total related parties' debt within investments	57,102	44,178	38,626
Total debt within long-term investments (Line 1170 of the Balance sheet)	51,832	34,039	33,018
Total debt within short-term investments (Line 1240 of the Balance sheet)	5,270	10,139	5,608

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

Entity	2015	2014
Subsidiaries, including:	4,608	3,792
AO Far East Generating Company	1,570	1,264
AO Far East Distribution Grid Company	892	610
AO Zagorskaya GAES-2	588	577
AO Nizhne-Bureyskaya GES	312	74
AO Sakhaenergo	278	278
AO ESK RusHydro	250	258
AO Hydroinvest	168	164
AO Ust-Srednekanskaya GES	156	143
Other	394	424
Total interest income	4,608	3,792

3.12.7 Income from investments in other companies (related parties)

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 775 million for 2015 (2014: RUB 380 million).

3.12.8 Remuneration to key management personnel

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

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

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

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

In 2015 and 2014, the Company paid remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,475 million and RUB 1,664 million, respectively. The insurance contributions amounted to RUB 236 million for 2015 (2014: 179 million).

3.12.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2015	2014
Cash flows from operating activities			
Receipts, including:	4110	7,872	7,655
sales of products, goods, work and services	4111	7,804	7,522
lease payments, licence payments, royalties, commission and other payments	4112	66	97
other receipts	4119	2	36
Payments, including:	4120	(7,229)	(5,859)
suppliers (contractors) – raw materials, work and services	4121	(7,157)	(5,674)
other payments	4129	(72)	(185)
Net cash flows from operating activities	4100	643	1,796
Cash flows from investing activities			
Receipts, including:	4210	19,324	9,277
sale of non-current assets (except for investments)	4211	137	64
sale of shares of other organisations (ownership interest)	4212	10	-
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	13,674	6,833
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	5,469	2,360
other receipts	4219	34	20
Payments, including:	4220	(55,731)	(53,368)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(5,983)	(8,001)
purchase of shares (interest) in other entities	4222	(34,665)	(29,650)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(15,083)	(15,717)
Net cash flows from investing activities	4200	(36,407)	(44,091)
Cash flows from financing activities			
Receipts, including:	4310	1,970	-
borrowings and bank loans	4311	1,970	-
Payments, including:	4320	(143)	-
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(143)	-
Net cash flows from financing activities	4300	1,827	-
Net cash flows for the reporting period	4400	(33,937)	(42,295)

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.

3.13 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 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.

3.14 Contingent liabilities

As of 31 December 2015, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 92,757 million (31 December 2014: RUB 104,104 million, 31 December 2013: RUB 73,670 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

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

The Russian transfer pricing legislation is aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis. The Company's management has implemented internal control procedures to ensure compliance with transfer pricing law.

Tax liabilities arising as a result of operations between the Company and its subsidiaries are determined based on the actual transaction price. There is a probability that the prices may be disputed as practice for application of the transfer rules changes. The effect of such course of events cannot be estimated reliably but may have a material effect on the Company's financial results and/or operations.

New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation. Management of the Company conducts analysis of impact of new rules on Companies' activity and takes necessary measures to meet new requirements of Russian Tax legislation. Likelihood of claims from Russian tax authorities (and probability of positive resolution of disputes) can't be reliably measured because there's no practice of new tax rules. Financial statements of the Company can be affected if tax disputes arise.

3.15 Financial risk management

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

Market risks

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 2015 but the Company's financial position, its liquidity, sources of financing and performance largely are not impacted by currency exchange rates and interest rates.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic

market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency; share of liabilities denominated in foreign currency is amounted to less than 15%. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

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

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2015			
US Dollars	3,096	-	3,096
Euro	-	(15,426)	(15,426)
Total	3,096	(15,426)	(12,330)
31 December 2014			
US Dollars	1,700	-	1,700
Euro	2,321	(13,449)	(11,128)
Total	4,021	(13,449)	(9,428)
31 December 2013			
US Dollars	779	-	779
Euro	54	(3,280)	(3,226)
Total	833	(3,280)	(2,447)

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. Share of fixed interest rate loans is 81% of total credit portfolio.

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 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 2015	31 December 2014	31 December 2013
Equity investments for which current market value can be determined, including:			
PAO Inter RAO	2,286	1,505	2,079
PAO Irkutskenergo	2,217	1,445	2,027
PAO Krasnoyarskaya GES	36	25	33
	33	35	19

Category of investments	31 December 2015	31 December 2014	31 December 2013
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	20,204	20,204	20,204
Equity investments for which current market value cannot be determined	245,174	208,604	87,758
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	267,664	230,313	110,041

Current market value of quoted securities is determined by market prices established on the stock exchange OAO MICEX-RTS (www.rts.micex.ru), according to the 'Procedure for determining market value of securities, estimated price of securities and the threshold for the fluctuations of securities' market price for the purpose of Chapter 23 of the Russian Tax Code approved by Order of the Federal Service for Financial Markets No. 10-65/pz-n of 9 November 2010.

Credit risk

Credit risk is the possibility of the Company's losses resulting from the counterparty's inability to meet its obligations under the contract. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

Due to the absence of an independent assessment of customers' creditworthiness, the Company performs such an assessment at the contracting stage taking into account the customer's financial position and credit history, 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.

3.16 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 2015.

Chairman of Management Board - General Director
of PAO RusHydro

N.G.Shulginov

Chief Accountant of PAO RusHydro

D. V. Finkel

30 March 2016