



PJSC «RusHydro»

Financial statements and
Independent Auditor's report

31 December 2017

Translation from Russian original

Content

INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro (the “Company”) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

What we have audited

The Company’s financial statements comprise:

- the balance sheet as at 31 December 2017;
- the statement of financial results for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the balance sheet and statement of financial results.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to Note 3.1.2 Long-term investments (balance sheet line 1170) to the balance sheet and statement of financial results which describes the reasons for non-revaluation of quoted financial investments in shares of AO RAO ES of East which previously had current market value, at their last available market value, PAO Yakutskenergo and PAO Far East Energy Company at their current market values. As of 31 December 2017 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 6,702 million, as of 31 December 2016 – RUB 6,614 million. Our opinion is not modified in respect of this matter.

AO PricewaterhouseCoopers Audit

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



Our audit approach

Overview

- Materiality**
- Overall materiality: Russian Roubles (“RUB”) 2,390 million, which represents 5% of the average profit before tax for the last three years.

-
- Key audit matters**
- Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties
-

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of the concept of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	RUB 2,390 million
<i>How we determined it</i>	5% of the average profit before tax for the last three years
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying financial statements. These matters were addressed in the context of



our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
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Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties

See paras 2.5, 2.8, 3.1.2, 3.2.2 u 3.2.3 of the explanatory notes to the balance sheet and income statement.

At 31 December 2017, the Company's aggregate carrying amount of investments was RUB 324,599 million (net of the impairment provision of RUB 27,725 million), or 33% of the total value of Company's assets. Investments primarily include investments of the Company in equity and debt securities of its subsidiaries and other related parties.

At 31 December 2017, the carrying amount of accounts receivable from related parties was RUB 140,726 million (net of the doubtful debt provision of RUB 4,123 million), or 14% of the total value of Company's assets.

As part of the annual reporting process the Company performs a comprehensive analysis of all investments that are not carried at their current market value and of accounts receivable from related parties (primarily in the form of interest-free loans and bills) as at the reporting date, to identify any indications of impairment and its amount.

The Company decides on the need to recognise impairment of the above assets following the results of the comprehensive analysis of the current and expected financial position of the issuer taking into account impairment criteria established in PBU 19/02, and the assessment of the debtor's solvency, individual specifics, payment dynamics and other factors.

We focused on the impairment assessment of investments in and receivables from related parties due to significance of their carrying value and because the assessment process is complicated and requires significant

Our audit procedures aimed at analysing the impairment testing by the management of Company's investments in equity and debt securities of related parties and accounts receivable from related parties, included:

- understanding of how impairment estimates were calculated;
- review of the methodology used by Company's management for the impairment test purposes;
- review of reasonableness of accounting estimates made by the management and management's position on whether there are indicators of assets' potential impairment;
- review on a test basis of key assumptions and source data used in the impairment tests and their compliance with the approved budgets and business plans, external available and reliable information and our expert knowledge of industry specifics;
- review of the collectability analysis performed by management taking into account the solvency analysis of contractors as at the reporting date, any intention to allow payment by instalments and other factors considered by management;
- review on a test basis of the calculation accuracy and appropriateness of presentation in the financial statements of impairment provisions for investments and doubtful debts;

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Key audit matter	How our audit addressed the Key audit matter
<p>management's judgements, and impairment provisions for investments and doubtful debts can be significant.</p>	<ul style="list-style-type: none">• receipt and analysis of management's written representations related to performed impairment testing of these assets. <p>Following the results of our procedures, we believe that estimates and judgements made by management with regard to the impairment of investments and accounts receivable of related parties are relevant for the purposes of the attached financial statements.</p> <p>Acceptability of the current estimates made by the Company management for the purpose of the financial statements for the year ended 31 December 2017 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>In addition, we verified compliance of disclosures in paras 2.5, 2.8, 3.1.2, 3.2.2 и 3.2.3 of the explanatory notes to the balance sheet and income statement, with the disclosure requirements as per PBU 1/2008, PBU 19/02.</p> <p>Our procedures have not identified any findings that evidence that there is a need for any significant adjustments to these financial statements.</p>

Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2017 and Issuer's Report of PJSC RusHydro for Q1 2018, but does not include the financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2017 and Issuer's Report of PJSC RusHydro for Q1 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, when it is made available to us, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the accompanying financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report, is Alexey Sergeevich Ivanov.

26 March 2018
Moscow, Russian Federation

A. S. Ivanov, certified auditor (licence no. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: PJSC RusHydro

Certificate of inclusion in the Unified State Register of Legal Entities issued on 26 December 2004 under registration № 1042401810494

Krasnoyarsk, Krasnoyarsk Region, Russian Federation, 660017

Independent auditor:

AO PricewaterhouseCoopers Audit

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

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

BALANCE SHEET

as at 31 December 2017

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

Form on OKUD
 Date (year, month, day)
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 OKEI

CODES
0710001
2017/12/31
75782411
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35.11.2
12247 / 41
385

Note	Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5	6
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	1,267	1,324	893
	Results of research and development	1120	920	1,077	1,091
3.1.1	Property, plant and equipment, incl.:	1150	419,635	409,109	392,723
	fixed assets	1151	382,007	372,514	344,986
	construction in process	1152	37,628	36,595	47,737
3.1.1	Income-bearing investments in tangible assets	1160	-	-	7,065
3.1.2	Financial investments, incl.:	1170	312,149	292,273	320,097
	investments in subsidiaries, associates and other entities	1171	256,730	264,587	267,664
	loans issued	1172	55,419	27,085	51,832
	promissory notes	1173	-	601	601
3.1.3	Other non-current assets	1190	4,222	4,703	3,287
	Total Section I	1100	738,193	708,486	725,156
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,258	4,252	4,115
3.9	Value added tax on goods purchased	1220	30	51	40
3.2.2	Accounts receivable, incl.:	1230	177,308	149,614	129,291
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	54,713	62,615	62,549
	buyers and customers	1231.1	34	178	976
	advances issued	1231.2	19,819	20,004	28,524
	promissory notes	1231.3	29,931	29,312	28,578
	loans issued	1231.4	2,600	11,258	3,447
	other debtors	1231.5	2,329	1,863	1,024
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	122,595	86,999	66,742
	buyers and customers	1232.1	6,726	7,120	6,741
	advances issued	1232.2	4,276	10,206	14,495
	promissory notes	1232.3	2,385	5,459	20,809
	loans issued	1232.4	64,331	30,792	12,925
	other debtors	1232.5	44,877	33,422	11,772
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	12,450	5,305	15,879
	bank deposits	1241	163	4,075	10,609
	loans issued	1242	11,686	1,230	5,270
	promissory notes	1243	601	-	-
3.2.4	Cash and cash equivalents	1250	50,929	40,954	18,139
	Other current assets	1260	11	11	11
	Total Section II	1200	244,986	200,187	167,475
	TOTAL	1600	983,179	908,673	892,631

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Note	Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	426,289	386,255	386,255
3.3.2	Revaluation of non-current assets	1340	52,606	52,705	52,928
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	13,371	11,278	9,776
	Retained earnings (loss), incl.:	1370	274,994	260,674	235,086
	undistributed profit of previous years	1371	238,845	218,797	205,064
	undistributed profit of the current year	1372	36,149	41,877	30,022
	Total Section III	1300	825,684	769,336	742,469
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	71,698	94,848	105,070
3.9	Deferred tax liabilities	1420	17,113	13,676	12,402
3.4.2	Other liabilities	1450	4,264	3,746	2,195
	Total Section IV	1400	93,075	112,270	119,667
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	50,258	14,025	18,940
3.5.2	Accounts payable, incl.:	1520	10,563	9,681	9,822
	suppliers and contractors	1521	4,040	4,190	5,492
	payables to employees	1522	244	24	669
	payables to state non-budgetary funds	1523	134	14	135
	taxes payable	1524	5,242	4,697	3,103
	dividends payable	1525	141	122	67
	payables in respect of shares issued	1526	-	33	-
	other creditors	1527	762	601	356
	Income of future periods	1530	67	73	70
3.5.3	Estimated liabilities	1540	2,976	2,447	601
	Other liabilities	1550	556	841	1,062
	Total Section V	1500	64,420	27,067	30,495
	TOTAL	1700	983,179	908,673	892,631

Chairman of Management Board – General Director

N. G. Shulginov

(clarification of signature)

Chief accountant

Y. G. Medvedeva

(clarification of signature)

26 March 2018

STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2017

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

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

CODES	
Form on OKUD	0710002
Date (year, month, day)	2017/12/31
OKPO	75782411
INN	2460066195
OKVED	35.11.2
OKOPF/OKFC	12247 / 41
OKEI	385

Note	Narrative	Line code	Year ended 31 December 2017	Year ended 31 December 2016
1	2	3	4	5
3.7.1	Revenue	2110	144,697	115,033
3.7.2	Cost of sales	2120	(83,807)	(56,356)
	Gross profit	2100	60,890	58,677
	Profit from sales	2200	60,890	58,677
3.12.7	Income from participation in other companies	2310	2,563	9,481
	Interest income	2320	8,759	8,777
	Interest expense	2330	(8,280)	(7,592)
3.8	Other income	2340	7,895	23,754
3.8	Other expense	2350	(22,349)	(38,336)
	Profit before tax	2300	49,478	54,761
3.9	Current income tax, incl.:	2410	(9,868)	(11,188)
	permanent tax liabilities	2421	3,088	1,776
	Change in deferred tax liabilities	2430	(3,232)	(2,658)
	Change in deferred tax assets	2450	(205)	1,384
	Other	2460	(24)	(422)
	Net profit	2400	36,149	41,877
	REFERENCE			
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	36,149	41,877
3.11	Basic earnings per share, RR	2900	0,08898	0,10842

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

26 March 2018

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STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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

Form on OKUD
 Date (year, month, day)
 OKPO
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 OKVED
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 OKEI

CODES	
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2017/12/31	
75782411	
2460066195	
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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 2015 for 2016	3100	386,255	111,352	9,776	235,086	742,469
Increase of equity, including:	3210	-	-	-	41,877	41,877
net profit	3211	x	x	x	41,877	41,877
additional shares issue	3214	-	-	x	x	-
Decrease of equity, including:	3220	-	-	-	(15,010)	(15,010)
Dividends	3227	x	x	x	(15,010)	(15,010)
Other	3228	-	-	x	-	-
Additional capital change	3230	x	(223)	x	223	x
Reserve capital change	3240	x	x	1,502	(1,502)	x
Equity as of 31 December 2016 for 2017	3200	386,255	111,129	11,278	260,674	769,336
Increase of equity, including:	3310	40,034	-	-	36,149	76,183
net profit	3311	-	-	-	36,149	36,149
additional shares issue	3314	40,034	-	x	x	40,034
Decrease of equity, including:	3320	-	-	-	(19,835)	(19,835)
Dividends	3327	x	x	x	(19,835)	(19,835)
Other	3328	-	-	x	-	-
Additional capital change	3330	x	(99)	x	99	x
Reserve capital change	3340	x	x	2,093	(2,093)	x
Equity as of 31 December 2017	3300	426,289	111,030	13,371	274,994	825,684

III. Net assets

Narrative	Line code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
1	2	3	4	5
Net assets	3600	825,745	769,399	742,536

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

26 March 2018

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

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

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

CODES
0710004
2017/12/31
75782411
2460066195
35.11.2
12247 / 41
385

Note	Narrative	Line code	For 2017	For 2016
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	145,899	118,301
	sales of products, goods, work and services	4111	143,005	113,249
	lease payments, license payments, royalties, commissions and other payments	4112	680	843
3.2.4	other receipts	4119	2,214	4,209
	Payments including:	4120	(91,517)	(59,326)
	to suppliers (contractors) – raw materials, works and services	4121	(47,352)	(22,137)
	wages and salaries	4122	(6,855)	(6,471)
	interest on debt liabilities	4123	(7,890)	(7,788)
	corporate income tax	4124	(12,521)	(10,864)
3.2.4	other payments	4129	(16,899)	(12,066)
	Net cash flows from operating activities	4100	54,382	58,975
	Cash flows from investing activities			
	Receipts, including:	4210	39,893	49,554
	sale of non-current assets (except for investments)	4211	267	9,382
	sale of shares of other organisations (ownership interest)	4212	90	44
	from return of loans, sales of debt securities (chosed possession of cash from third parties)	4213	27,396	22,459
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	8,206	9,091
3.2.4	other receipts	4219	3,934	8,578
	Payments, including:	4220	(117,042)	(58,435)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(21,679)	(20,580)
	related to purchase of shares of other organisations (ownership interest)	4222	(7,591)	(23,951)
	purchase of debt securities (chosed possession of cash from third parties), loans issued	4223	(85,860)	(10,893)
	borrowing costs included in the cost of the investment assets	4224	(1,912)	(3,011)
	Net cash flows from investing activities	4200	(77,149)	(8,881)

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Note	Narrative	Line code	For 2017	For 2016
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	70,675	15,750
	borrowings and bank loans	4311	20,676	719
	issue of shares, increase in ownership interest	4313	40,000	33
	issue of bonds, promissory notes and other debt securities, etc.	4314	9,999	14,998
	Payments, including:	4320	(37,912)	(42,934)
	dividends and other distributions to owners	4322	(19,771)	(14,977)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(18,135)	(27,949)
3.2.4	other payments	4329	(6)	(8)
	Net cash flows from financing activities	4300	32,763	(27,184)
	Net cash flows for the reporting period	4400	9,996	22,910
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	40,954	18,139
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	50,929	40,954
	Foreign exchange rate difference	4490	(21)	(95)

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

26 March 2018

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 of electricity (power). The Federal Agency for State Property Management is the Company's major shareholder.

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

As of 31 December 2017 the Company employed 5,547 people (as of 31 December 2016 – 5,499 people).

The Company's shares are traded on MOEX stock exchange (<http://moex.com>). American depositary 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 2017 the ownership share of the Russian Federation in the Company's share capital amounted to 60.56% (as of 31 December 2016 – 66.84%).

As of 31 December 2017 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 2017 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, Member of the board of directors of LLC Energetic Russian Company;
- Avetisyan Artem Davidovich, head of "New business" stream of autonomous non-profit organization "Agency of strategic initiatives for promotion of new projects";
- Bystrov Maxim Sergeevich, Chairman of the Management Board NP Market Council responsible for organization of effective system of energy power and capacity wholesale and retail;
- Grachev Pavel Sergeevich, Director General of PJSC "Polyus";
- Kravchenko Vyacheslav Mikhailovich, Deputy Minister of Energy of the Russian Federation;
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Podguzov Nikolay Radievich, Director General of FGUP "Russian Post";
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Chekunkov Aleksey Olegovich, CEO of AO "Fund of development of Far East and Baikal region";
- Shishin Sergey Vladimirovich, Senior Vice-President, PJSC VTB Bank;
- Shishkin Andrey Nikolaevich, Vice President for power and localisation PJSC Rosneft;
- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PAO RusHydro.

In 2017 there was no change in the composition of the Company's Board of directors.

As of 31 December 2017 the Company's Management Board includes:

- Shulginov Nikolay Grigoryevich, Chairman of the Management Board, General director,
- Bogush Boris Borisovich, First Deputy General Director, Chief engineer,
- Kazachenkov Andrey Valentinovich, First Deputy General Director,

- Kirov Sergey Anatolyevich, First Deputy General Director,
- Markin Vladimir Ivanovich, First Deputy General Director
- Rizhinashvili George Ilyich, First Deputy General Director.

By the decision of the Company's Board of Directors dated 18 January 2017 (protocol No.247), Markin Vladimir Ivanovich was elected member of the Management Board.

As of 31 December 2017 members of the Company's Internal Audit Commission included:

- Annikova Natalia Nikolaevna, First deputy of General Director on economics and finance JSC "Stroitelnoe upravlenie №308",
- Zobkova Tatiana Valentinovna, Department Division Head, Russian Ministry of Energy,
- Kostina Marina Alexandrovna, Department Deputy Director, Russian Ministry of Economic Development
- Repin Igor Nikolaevich, Deputy Executive Director, Investor protection association,
- Simochkin Dmitry Igorevich, Depute of head of Department of Federal Property Management Agency

The above members of the Revision Group were elected by the decision of the General Meeting of Shareholders dated 26 June 2017 (protocol No.16).

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.

The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. However, the economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. Such economic environment has considerable influence on Company's operations and financial position. Future economic and regulatory situation, internal and external business environment are hard to forecast and may differ from Company management's current expectations.

Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future impact of the current economic situation is difficult to predict, and the current expectations and assessments by management may differ from any actual results.

Developing capacity and power wholesale and retail markets possess higher level of risks than developed markets of other products and services. The Company's operations are exposed to financial, legal, country, regional, reputation and other risks.

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (COSO ERM 2004, ISO 31000, GOST R ISO 31000-2010, etc.), Code of corporate governance Central Bank of RF, methodological recommendations of the Federal Property Management Agency and the Ministry of Finance of the Russian Federation in the field of risk management and internal control.

Financial risks

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

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.15 of the Explanatory Notes.

Legal risks

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

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

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

The Company manages its industry risks by developing a Company-friendly legal framework for operations on the electricity and capacity market.

To manage the industry risks the Company actively participates as expert in development of energy legislation made by Ministry of Energy of Russian Federation, NP "Market council" and Federal Antimonopoly Service; monitors legislation and makes amendments in the regulatory base.

Country and regional risks

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

Exposure to the country risk can be indirectly assessed, subject to some assumptions, based on the credit rating (the business exposure to political risks is not taken into account). At the end of 2017, Russia's foreign currency obligations were rates as follows: BB+ (Standard & Poor's), Ba1 (Moody's) и BBB- (Fitch). At the same time these three international agencies improved the outlook for Russia's sovereign rating to: stable (Moody's) and positive (Standard & Poor's and Fitch). According to analysts, 'external risks' to Russia have decreased and the Russian economy continuous adjustment to lower feedstock prices.

Also in 2017 international rating agencies raised the long-term credit rating of the Company as follows: Moody's improved the rating to Ba1 with stable outlook, Standard & Poor's – to BB+ with positive outlook, Fitch confirmed the rating at BB+ and revised the outlook from negative to stable.

Russian economy is vulnerable to market downturns and global economic slowdown.

At the moment investor's' comprehension of the country risks reduces the net volume of foreign investment in Russia and has a negative influence on the Russian economy. As well as Russia produces and exports large amounts of gas and oil, the Russian economy is especially vulnerable to the changes of international prices of energy resources; the reduction of gas and oil prices significantly affects the Russian economy development. These events may restrict the access of the Company to the capital and have an adverse impact on consumer purchasing power.

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

The management believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimization of leverage, optimisation of the obtained borrowed funds, increase turnover of current assets, assessment of the buyers' solvency, diversification of resources use and others.

Due to enhancement of the state control over energy industry the Company pays considerable attention to transparency and confidence of control procedures relating to budget funds expenditure within the Company's and subsidiaries' investment programmes and also develops and improves the corporate internal control system and risk management.

The 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 negative perception of the quality of products, works, services sold, the ability to meet the deadlines for payment discipline, 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 discipline, cooperating actively with all stakeholders to maintain high reputation. The company organizes public events jointly with interested parties; special events for mass media, analytics and investors. Also, the Company regularly updates information on official Internet sources and prepares official comments on key activities questions.

Besides the Company takes measures to prevent corruption. Anti-corruption policy, the code of conduct, regulations on the procedure of the employer's notification about inducement of personnel to unlawful acts, gifts, conflict of interests arrangement procedures etc. are adopted by the Company. The "Trust line" acts on an on-going basis.

The Company works closely with Ministry of energy, Federal tax service, Federal financial monitoring service within the anti-corruption and control of fraud activities.

Other risks

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

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

II. Accounting policies

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

2.1 Basis of presentation

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

Assets are valued at actual costs, excluding fixed assets of subsidiaries and dependent companies (hereinafter referred to as "SDCs") received in 2008 in connection with the merger of SDCs into the Company; Financial investments, for which the current market value is determined; assets, for which, in accordance with established procedure, reserves were created to reduce their value (impairment).

2.2 Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable, denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 57.6002 as of 31 December 2017 (31 December 2016: USD 1 = RUB 60.6569, 31 December 2015: USD 1 = 72.8827), EUR 1 = RUB 68.8668 as of 31 December 2017 (31 December 2016: EUR 1 = RUB 63.8111, 31 December 2015: EUR 1 = RUB 79.6972).

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 recognised at their historical cost equal to actual acquisition (construction, production) cost. At the same time, fixed assets received in 2008 in connection with the merger of subsidiaries and affiliates to the Company, are accounted for at their market value determined by an independent appraiser.

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

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

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

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

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

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

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

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

Depreciation is not accrued on:

- land plots and natural resources;
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

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

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

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

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

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

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

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

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

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

2.5 Investments

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

Investments include:

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

Investments are initially recognised at their actual cost of acquisition.

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

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

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

At the same time, contributions to the charter capitals of subsidiaries and associates (irrespective of the availability of current exchange quotations on them) refer to financial investments for which revaluation at current market value is not made.

Current market value of the securities which are traded by the institutors of trading is determined at market prices established at MOEX stock exchange (<http://moex.com>).

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

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

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

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

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

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

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

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

2.6 Inventories

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

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

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

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

2.7 Expenses of future periods

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

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

2.8 Accounts receivable

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

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

The provision amount is separately determined based on the unbiased information about solvency of the specific debtor and assessment of probability of receivables repayment in full or partially.

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

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

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

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

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

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

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

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

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

2.10 Share capital, additional and reserve capital

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

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

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

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

2.11 Loans and bank credits received

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

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

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

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

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

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

The Company recognises an estimated liability:

- for earned but unused employee vacations, which is determined as of the end of the reporting year with reference to the number of unused vacation days of each employee at the reporting date and employee's average salary, inclusive of insurance contributions;
- on payment of bonuses for the results of work for the fourth quarter and year, the value of which at the end of the reporting year is determined based on the forecast of performance of internal corporate key performance indicators, taking into account insurance premiums;
- in other cases provided by RAR 8/2010.

Contingent liabilities and contingent assets

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

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

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

2.13 Revenue recognition

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

Other revenues of the Company include:

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

2.14 Recognition of expenses

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

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

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

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

Other expenses include:

- expenses incurred in disposal and other write-off of property, plant and equipment, investments and other assets;
- interest paid by the Company for provided cash (bank credit, loans); the Company recognises these expenses in the statement of financial results in line 2330 "Interest expense";
- expenses incurred in payment of services provided by credit institutions;
- doubtful debts provision calculated on the basis of the reporting period results in accordance with the Company's accounting policies (see paragraph 2.8 of the Explanatory Notes);
- expenses from transactions with derivatives;
- 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 2017 and 2018.

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 2017	31 December 2016	31 December 2015
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	189,107	192,240	189,819
Machinery and equipment	153,576	140,215	120,251
Buildings	38,903	39,539	34,274
Motor vehicles	6	6	23
Production and maintenance tools	220	293	412
Land plots	4	4	4
Other types of property, plant and equipment	191	217	203
Total line 1151 "Property, plant and equipment"	382,007	372,514	344,986
Line 1160 Income-bearing investments in tangible assets, including:			
Facilities and transmission equipment	-	-	7,065
Total in line 1160 "Income-bearing investments in tangible assets"	-	-	7,065

As of 31 December 2017 there are no income-bearing investments in tangible assets (as of 31 December 2016 – no, as of 31 December 2015 – RUB 7,065 million). In November 2016, the complex of dams of the Angarsk cascade in the Irkutsk region was sold under the contract of sale of OOO "Telmamskaya HPP" at a price 9, 280 mln RUB without VAT.

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

Narrative	Period	At the beginning of the year		Additions*	Changes for the period		Depreciation accrued*	At the end of the year	
		Cost	Accumulated depreciation		Disposals			Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment	2016	428,500	(83,514)	43,735	(1,291)	890	(15,806)	470,944	(98,430)
including:	2017	470,944	(98,430)	27,220	(1,075)	743	(17,395)	497,089	(115,082)
Facilities and transmission equipment	2016	219,357	(29,538)	6,783	(63)	11	(4,310)	226,077	(33,837)
	2017	226,077	(33,837)	1,428	(59)	47	(4,549)	227,446	(38,339)
Machinery and equipment	2016	168,408	(48,157)	30,786	(1,081)	824	(10,565)	198,113	(57,898)
	2017	198,113	(57,898)	25,391	(841)	652	(11,841)	222,663	(69,087)
Buildings	2016	39,234	(4,960)	6,106	(96)	20	(765)	45,244	(5,705)
	2017	45,244	(5,705)	366	(141)	20	(881)	45,469	(6,566)
Motor vehicles	2016	50	(27)	-	(37)	21	(1)	13	(7)
	2017	13	(7)	-	-	-	-	13	(7)
Production and maintenance tools	2016	1,066	(654)	18	(9)	9	(137)	1,075	(782)
	2017	1,075	(782)	31	(22)	12	(94)	1,084	(864)
Land plots	2016	4	-	-	-	-	-	4	-
	2017	4	-	-	-	-	-	4	-
Other types of property, plant and equipment	2016	381	(178)	42	(5)	5	(28)	418	(201)
	2017	418	(201)	4	(12)	12	(30)	410	(219)
Income-bearing investments in tangible assets	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
including:	2017	-	-	-	-	-	-	-	-
Facilities and transmission equipment	2016	7,592	(527)	-	(7,592)	641	(114)	-	-
	2017	-	-	-	-	-	-	-	-

* Cost of property, plant and equipment received in 2017 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements of RUB 1,150 million (for 2016: RUB 1,063 million) and accumulated depreciation of RUB 998 million (for 2016: RUB 1,063 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	2017	2016
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	14,885	23,345
Machinery and equipment	13,472	15,969
Facilities and transmission equipment	1,099	1,784
Buildings	314	5,592
Decrease in value of property, plant and equipment as a result of partial liquidation including:	85	160
Machinery and equipment	77	151
Other types of property, plant and equipment	8	9

Other use of property, plant and equipment

Narrative	31 December 2017	31 December 2016	31 December 2015
Leased out PP&E recognised on the balance sheet	1,308	1,451	1,604
Leased PP&E recognised in the off-balance-sheet accounts	35,760	33,862	38,490
Real estate assets which were put into operation and actually used but are in the process of state registration	1,178	5,924	2,552
PP&E that have been temporarily shut down	71	80	89

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:	2016	47,737	31,778	(252)	4	(42,672)	36,595
	2017	36,595	27,209	(58)	29	(26,147)	37,628
Construction-in-progress	2016	42,928	15,900	(234)	16,997	(42,353)	33,238
	2017	33,238	13,171	(58)	11,539	(25,676)	32,214
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2016	45	282	(17)	33	(319)	24
	2017	24	471	-	(2)	(471)	22
Equipment for installation	2016	4,764	15,596	(1)	(17,026)	-	3,333
	2017	3,333	13,567	-	(11,508)	-	5,392

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

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

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

Narrative	31 December 2017	31 December 2016	31 December 2015
Investments in subsidiaries	237,257	244,104	252,713
Investments in associates	11,110	11,110	11,110
Investments in other entities	8,363	9,373	3,841
Long-term loans issued	55,419	27,085	51,832
Debt securities	-	601	601
Total line 1170 "Financial investments"	312,149	292,273	320,097

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

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Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2016	338,881	(18,784)	11,239	5,532	(29,207)	-	(15,388)	320,913	(28,640)
	2017	320,913	(28,640)	56,192	(893)	(27,692)	16	(7,747)	349,412	(37,263)
Investments in subsidiaries	2016	255,163	(2,450)	8,787	-	(2,017)	-	(15,379)	261,933	(17,829)
	2017	261,933	(17,829)	900	-	-	-	(7,747)	262,833	(25,576)
Investments in associates	2016	11,126	(16)	-	-	-	-	-	11,126	(16)
	2017	11,126	(16)	-	-	(16)	16	-	11,110	-
Investments in other entities	2016	13,260	(9,419)	9	5,532	-	-	(9)	13,269	(3,896)
	2017	13,269	(3,896)	-	(893)	(117)	-	-	13,151	(4,788)
Long-term loans issued	2016	51,832	-	2,443	-	(27,190)	-	-	27,085	-
	2017	27,085	-	55,292	-	(26,958)	-	-	55,419	-
Debt securities	2016	7,500	(6,899)	-	-	-	-	-	7,500	(6,899)
	2017	7,500	(6,899)	-	-	(601)	-	-	6,899	(6,899)

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

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

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(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 2017		31 December 2016		31 December 2015	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	237,257		244,104		252,713	
AO Zagorskaya GAES-2	60,691	100.00%	60,691	100.00%	60,691	100.00%
AO Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	23,111	67.82%
AO RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
AO Zaramagskie GES	17,216	84.39%	17,216	99.75%	17,216	99.75%
AO Yakutskaya GRES-2	16,862	100.00%	16,862	100.00%	16,862	100.00%
AO Sakhalinskaya GRES-2	15,012	100.00%	15,012	100.00%	12,996	100.00%
AO Nizhne-Bureiskaya GES	14,611	100.00%	14,611	100.00%	14,611	100.00%
AO CCGT in the City of Sovetskaya Gavan	13,844	100.00%	13,844	100.00%	7,345	100.00%
PAO Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
AO Sulakskiy Hydrocascade	10,094	100.00%	10,094	100.00%	10,094	100.00%
AO Malaya Dmitrovka	6,394	100.00%	6,394	100.00%	6,394	100.00%
AO Blagoveschenskaya TEC	4,285	100.00%	4,285	100.00%	6,302	100.00%
AO ESK RusHydro	3,358	100.00% - 1 share	3,420	100.00% - 1 share	11,832	100.00% - 1 share
AO Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
AO Hidroinvest	3,255	100.00%	5,422	100.00%	9,550	100.00%
AO Yuzhno-Yakutskiy GEK	2,993	100.00%	3,005	100.00%	3,255	100.00%
AO Geoterm	2,425	99.65%	2,425	99.65%	2,425	99.65%
AO Leningradskaya GAES	1,987	100.00%	4,994	100.00%	4,994	100.00%
PAO Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
AO NIIES	1,067	100.00%	1,067	100.00%	983	100.00%
OOO Verkhnebalkarskaya MGES	937	100.00%	937	100.00%	937	100.00%
OJSC P. S. Neporozhny Sayano-Shushenskaya HPP	589	100.00%	589	100.00%	589	100.00%
PAO Kamchatsky gas and energy complex	531	96.58%	531	96.58%	531	96.58%
AO "Vedeneev VNIIG"	448	100.00%	448	100.00%	448	100.00%
AO Hydro-Engineering Siberia	108	100.00%	256	100.00%	990	100.00%
AO GVTS Energetiki	21	100.00%	74	100.00%	653	100.00%
HydroOGK Power Company Ltd	-	100.00%	1,171	100.00%	1,171	100.00%
AO Renewable Energy Engineering Centre	-	100.00%	-	100.00%	694	100.00%
Other	805		1,032		1,425	
Associates:	11,110		11,110		11,110	
OA O Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
OA O Sakhalin energy company	2,567	26.94%	2,567	28.09%	2,567	28.09%
Other entities:	8,363		9,373		3,841	
PAO Inter RAO	6,809	1.94%	7,709	1.94%	2,217	1.94%
PAO Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
Other	473		583		543	
Total:	256,730		264,587		267,664	

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

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2017 are as follows:

- creating an investment impairment provision of RUB 7,747 million, including RUB 3,907 million for AO Leningradskaya GAES, RUB 2,168 million for AO Hidroinvest, RUB 1,171 million for Power Company Limited and RUB 501 million for other companies;
- valuation of investments which have a current market value and related recording of a loss for the total of RUB 893 million (see paragraph 3.15 of the Notes), including the loss of RUB 900 million on the shares of OAO Inter RAO UES.

Investments in subsidiaries that have current market value as of reporting date or formerly

In accordance with para 20 of the Accounting Regulation "Accounting for Investments" (PBU 19/02), investments for which the fair market value is determinable under the established procedure are recorded in financial statements as at the year end at their current market value by adjusting their value at the prior reporting date. In accordance with para 24 of PBU 19/02, if no current market value is determinable at the reporting date for investments that were earlier carried at market value, such investments should be recorded at their latest value.

As of 31 December 2017, 31 December 2016 and 31 December 2015, investments included shares of the Company's subsidiaries, i.e. AO RAO ES of East, PAO Yakutskenergo and PAO DEK, received in 2011–2013 as a result of the additional issue of the Company's shares which are recognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling 20,204 million as of 31 December 2017 (as of 31 December 2016: 20,204 million; as of 31 December 2015: 20,204 million). This valuation exceeds the current market value of the shares (for AO RAO ES of East - the cost of the last valuation at the current market value) as of 31 December 2017, 31 December 2016 and 31 December 2015 by RUB 6,702 million, RUB 6,614 million and RUB 5,047 million, respectively.

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

Also since the end of the 2015 year the process of AO RAO ES of East shares' consolidation in RusHydro Group (RusHydro Group includes the Company and subsidiaries which are controlled by the Company directly or indirectly via other subsidiaries) by buying from minority and bringing the stake to 100% has started. In 2016, as part of the voluntary offer and then the forced repurchase of shares of AO RAO ES of East, carried out by one of the subsidiaries of the RusHydro Group, RusHydro's stake in AO RAO ES of East grew from 86.20% to 99.98%. From the middle of September 2016 the current market value of the shares of PAO RAO ES of East is not determined. As of 31 December 2017, and to date, delisting of shares from the Moscow stock exchange took place, the shares were excluded from the quotation lists, also the indication of the public status was excluded from the name of the company.

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 AO RAO ES of East, PAO Yakutskenergo and PAO DEK at the current market value from acquisition date.

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2017.

Therefore, the valuation approach to these investments applied by the Company allows avoiding inappropriate presentation of the Company's financial position, financial performance and cash flows.

The amount of unrecognised change in the market value as compared to the carrying amount as of 31 December 2017 is RUB 6,702 million (as of 31 December 2016: RUB 6,614 million; as of

31 December 2015: RUB 5,047 million). With account of the above unrecorded value change the figures in these financial statements would have been as follows:

- net assets – RUB 819,046 million (as of 31 December 2016: RUB 762,785 million, as of 31 December 2015: RUB 737,489 million);
- financial investments – RUB 305,447 million (as of 31.12.2016: RUB 285,659 million, as of 31.12.2015: RUB 315,050 million) and retained earnings – RUB 268,292 million (as of 31.12.2016: RUB 254,060 million, as of 31.12.2015: RUB 230,039 million);
- other expense – RUB 22,437 million (as of 31.12.2016 – RUB 39,903 million), net profit – RUB 36,061 million (as of 31.12.2016 – RUB 40,310 million) and basic earnings per share – RUB 0,08876 (as of 31.12.2016 – RUB 0,10436).

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

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

As a result of the analysis, a number of subsidiaries and other organizations were impaired and a provision was made in the total amount RUB 7,747 million.

The amount of provision for impairment of investments for which the current market value is not determined as of 31 December 2017 is RUB 25,576 million (as of 31.12.2016 – RUB 17,855 million, as of 31.12.2015 – RUB 2,466 million). The initial value of long-term financial investments in respect of which a provision for impairment of financial investments was created is RUB 37,166 million as of 31.12.2017 (as of 31.12.2016 – RUB 35,096 million, as of 31.12.2015 – RUB 8,453 million).

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

Assets in relation to AO Zagorskaya GAES-2 on the balance sheet of the Company as of 31 December 2017 are as follows:

- within long-term investments: shares of AO Zagorskaya GAES-2 for the amount of RUB 60,691 million;
- within other accounts receivable: receivable, incurred from the partial payment of stock as part of additional issue of shares of AO Zagorskaya GAES-2, but before the passing of Company ownership of issue shares for the amount of RUB 6 647 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2017 was based on the following key factors:

- Construction works and the assets are insured. As at 31 December 2017 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 2017 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya GAES-2. However, these expenses can be significant. Capacity supply contracts were concluded in respect of Zagorskaya GAES-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being

constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.

- Following the decision of the regulatory body NP Market Council of 22 November 2016 the commissioning of the first stage of the Zagorskaya PSPP-2 and the first date of the beginning of the fulfillment of the obligations for the delivery of capacity were postponed until 1 January 2019, with respect to the second stage - until 1 January 2020. As a result of the adjustment of the terms, AO Zagorskaya PSPP-2 has no penalties for the shortage of capacity to the market under the said contracts.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya GAES-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2017.

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

(b) Long-term loans issued

Loan recipient's name	31 December 2017	31 December 2016	31 December 2015	Annual rate,%
Long-term loans issued to related parties, including:				
AO Far East Generating Company	35,608	4,538	11,838	4,15%-6,40%
AO RAO ES Vostoka	8,523	-	-	4,15%-6,40%
PAO Yakutsenrgo	2,400	-	-	4,15%-6,40%
PAO Kamchatskenrgo	2,004	-	-	4,15%-6,40%
AO Sakhaenergo	1,950	3,476	3,476	4,15%-6,40%
PAO Magadanenergo	1,618	-	-	4,15%-6,40%
PAO Sakhalinenergo	1,345	-	-	4,15%-6,40%
PAO Chukotenergo	965	-	-	4,15%-6,40%
AO Teploenergосervice	588	929	929	4,15%-6,40%
AO ESK RusHydro	120	1,030	3,305	9,55%-10,095%
AO Hydroinvest	-	12,137	14,181	
AO Far East Distribution Grid Company	-	4,846	5,023	
AO Zagorskaya GAES-2	-	-	5,562	
AO Nizhne-Bureiskaya GES	-	-	4,653	
AO Ust-Srednekanskaya GES	-	-	2,111	
Other	298	129	754	
Total long-term loans issued	55,419	27,085	51,832	

As of 31 December 2017 the balance sheet line 1170 "Investments" includes the following long-term loans issued:

- the loan of RUB 35,608 million provided to AO DGK for refinancing its debt, with maturity on 27 March 2022;
- the loan of RUB 8,523 million provided to AO RAO ES Vostoka for refinancing its debt, with maturity on 20 March 2022;
- the loan of RUB 2,400 million provided to PAO Yakutsenrgo for refinancing its debt, with maturity on 31 March 2022;
- the loan of RUB 2,004 million provided to PAO Kamchatskenrgo for refinancing its debt, with maturity on 20 March 2022;
- the loan of RUB 1,950 million provided to AO Sakhaenergo for refinancing its debt, with maturity on 22 March 2022;
- the loan of RUB 1,618 million provided to PAO Magadanenergo for refinancing its debt, with maturity on 28 March 2022;

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- the loan of RUB 1,345 million provided to PAO Sakhalinenergo for refinancing its debt, with maturity on 29 March 2022;

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 2017	31 December 2016	31 December 2015
Zelenchukskaya GAES connections to the grid	1,817	1,931	-
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	1,620	1,620	1,620
Software and licenses	734	984	1,153
Borrowing costs	232	891	1,083
Other	431	150	476
Total expenses of future periods, including:	4,834	5,576	4,332
Long-term expenses of future periods which are subject to writing-off from expense account during the period beyond 12 months of the reporting date (within the balance sheet line 1190)	4,222	4,703	3,287
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)	612	873	1,045

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 2017	31 December 2016	31 December 2015
Spare parts, materials and other inventories	3,614	3,328	3,046
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)	612	873	1,045
Other	32	51	24
Total line 1210 "Inventories"	4,258	4,252	4,115

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2017 the provision for their impairment amounted to RUB 155 million (31 December 2016: RUB 157 million, 31 December 2015: RUB 156 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 54,713 million, 62,615 million and 62,549 million as of 31 December 2017, 2016 and 2015, respectively.

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

Type of long-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Interest-free promissory notes received	29,931	29,312	28,578
Advances issued to suppliers of equipment and capital construction contractors	19,697	19,676	28,176
Interest-free loans issued	2,600	11,258	3,447
Buyers and customers	34	178	976
Lease receivables	-	152	241
Other long-term accounts receivable	2,451	2,039	1,131
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	54,713	62,615	62,549

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

Counterparty	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	782	645	2,897
AO Hydroremont-VKK	747	616	2,859
Other	35	29	38
Other related parties, including:	-	325	-
OOO VolgaHydro	-	325	-
Total advances issued to related parties	782	970	2,897
Voith Hydro GmbH & Co KG	10,537	9,371	5,289
PAO Silovye Mashiny	7,990	9,220	14,271
OOO Siemens	266	-	-
OOO Corporation «Spechdroproject»	-	-	5,491
Other	122	115	228
Total advances issued to other counterparties	18,915	18,706	25,279
Total advances issued to suppliers of equipment and capital construction contractors	19,697	19,676	28,176

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2018 are included within short-term advances issued.

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

Issuer	31 December 2017	31 December 2016	31 December 2015
Other related parties, including:	25,689	25,689	25,689
PAO Boguchanskaya GES	21,027	21,027	21,027
ZAO Boguchansky Aluminium Plant	4,662	4,662	4,662
Total interest-free promissory notes received from related parties	25,689	25,689	25,689
PAO «ROSBANK»	1,491	1,491	1,491
AO «Alfa-Bank»	1,280	1,280	1,298
Bank VTB (PAO)	1,361	742	-
OAO Ulyanovskenergo	110	110	100
Total interest-free promissory notes received from other counterparties	4,242	3,623	2,889
Total long-term interest-free promissory notes receivable	29,931	29,312	28,578

As of 31 December 2017, the Company's long-term accounts receivable represented by other related parties' long-term interest-free promissory notes purchased for financing investment program consist of the following promissory notes:

- PAO Boguchanskaya GES: promissory notes for RUB 21,027 million payable on demand after 31 December 2029 (the present value of the promissory notes reflecting time value of money as of 31 December 2017 is RUB 6,880 million);
- ZAO Boguchansky Aluminium Plant: 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 2017 is RUB 2,390 million);

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

Counterparty	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	2,232	10,890	3,078
AO Nizhne-Bureiskaya GES	1,198	4,653	-
AO ESK RusHydro	1,034	1,034	1,034
AO CCGT in the City of Sovetskaya Gavan	-	2,355	631
AO Ust-Srednekanskaya GES	-	2,111	-
AO MGES Kabardino-Balkarii	-	407	-
AO Sakhalinskaya GRES-2	-	330	330
AO Yakutskaya GRES-2	-	-	1,003
Other	-	-	80
Other related parties	2	7	21
Total interest-free loans issued to related parties	2,234	10,897	3,099
Other	366	361	348
Total interest-free loans issued to other counterparties	366	361	348
Total long-term interest-free loans issued	2,600	11,258	3,447

Other long-term accounts receivable include the following types of receivables

Counterparty	31 December 2017	31 December 2016	31 December 2015
Interest receivable accrued on loans issued and promissory notes received, including:	2,243	1,702	690
Subsidiaries	2,243	1,702	690
Other accounts receivable	208	337	441
Total other long-term accounts receivable	2,451	2,039	1,131

Amount and movements in the impairment provision for long-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer to provision for short-term receivables	At the end of the year
Impairment provision for long-term accounts receivable, including:	2016	3,023	-	-	-	(144)	2,879
	2017	2,879	-	-	-	(144)	2,735
Trade receivables	2016	288	-	-	-	(144)	144
	2017	144	-	-	-	(144)	-
Other	2016	2,735	-	-	-	-	2,735
	2017	2,735	-	-	-	-	2,735

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

Total short-term accounts receivable less doubtful debt provision were RUB 122,595 million, RUB 86,999 million and RUB 66,742 million as of 31 December 2017, 2016 and 2015, respectively.

Type of short-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Buyers and Customers, including:	6,726	7,120	6,741
Accounts receivable for electricity and capacity	6,649	6,214	5,752
Other	77	906	989
Advances issued, including:	4,276	10,206	14,495

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Type of short-term accounts receivable	31 December 2017	31 December 2016	31 December 2015
Advances issued to suppliers of equipment and capital construction contractors	3,754	9,641	13,286
Other advances issued	522	565	1,209
Other debtors, including:	111,593	69,673	45,506
Interest-free promissory notes received	2,385	5,459	20,809
Interest-free loans issued	64,331	30,792	12,925
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	29,621	22,997	7,951
Indebtedness under assignment agreement (paragraph 3.12.7 of the Explanatory Notes)	9,962	8,257	-
Taxes receivable	3,322	676	1,322
Lease receivables	-	95	220
Other	1,972	1,397	2,279
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	122,595	86,999	66,742

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 2017	31 December 2016	31 December 2015
Subsidiaries, including:	1,013	1,207	1,764
AO Hydroremont – VKK	582	838	1,017
AO Lenhydroproject	211	171	170
AO Zagorskaya GAES-2	117	77	98
AO ChirkeiGESstroy	17	-	418
Other	86	121	61
Other related parties, including:	3	475	-
OOO VolgaHydro	3	475	-
Total advances issued to related parties	1,016	1,682	1,764
Voith Hydro GmbH & Co KG	1,118	22	739
PAO Silovye Mashiny	903	6,538	6,817
AO VNIIR Hydroelectroautomatics	420	111	167
ZAO «Technoserv A/C»	16	3	821
OOO Corporation «Spechydroproject»	-	-	986
Other	281	1,285	1,992
Total advances issued to other counterparties	2,738	7,959	11,522
Total advances issued to suppliers of equipment and capital construction contractors	3,754	9,641	13,286

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

Issuer	31 December 2017	31 December 2016	31 December 2015
Subsidiaries, including:	2,142	5,457	20,767
AO MGES Kabardino-Balkarii	2,142	2,142	1,839
AO Zaramagskie GES	-	3,090	2,524
AO Karachaeve-Cherkesskaya Hydrogenerating Company	-	84	244
OOO Index energetiki – HydroOGK	-	-	13,621
HydroOGK Aluminium Company Ltd	-	-	2,142
AO Hydroinvest	-	-	256
Other	-	141	141
Total interest-free promissory notes from related parties	2,142	5,457	20,767
Other	243	2	42
Total interest-free promissory notes from other counterparties	243	2	42

Issuer	31 December 2017	31 December 2016	31 December 2015
Total short-term interest-free promissory notes received	2,385	5,459	20,809

As of 31 December 2017, 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 2017	31 December 2016	31 December 2015
Subsidiaries, including:	64,253	30,700	12,858
OOO Index energetiki – HydroOGK	13,014	13,521	-
AO Ust-Srednekanskaya GES	11,551	6,303	3,300
AO Zaramagskie GES	8,769	-	-
AO RAO ES Vostoka	7,745	-	-
AO Yakutskaya GRES-2	6,463	1,353	-
AO Nizhne-Bureyskaya GES	3,779	-	-
AO CCGT in the City of Sovetskaya Gavan	2,355	-	-
OOO Vostok-finans	2,246	2,337	-
AO Sakhalinskaya GRES-2	2,020	-	-
AO Hydroinvest	1,896	-	-
AO MGES Kabardino-Balkarii	1,444	851	780
OOO Malye GES Stavropolya and KChR	816	31	2
OOO Verkhnebalkarskaya MGES	641	165	165
AO Sulaksky Hydrocascade	538	1,559	1,166
AO ChirkeiGESstroi	436	450	-
AO Tekhnopark Rumyantsevo	176	183	183
AO Holding company BoGES	167	3	2
AO MGES Altaya	78	251	248
OOO EZOP	-	2,902	5,265
AO Leningradskaya GAES	-	377	189
AO Blagoveschenskaya TEC	-	370	1,473
Other	119	44	85
Other related parties, including:	4	7	21
Loans issued to the Company's key management	4	7	21
Total interest-free loans issued to related parties	64,257	30,707	12,879
Total short-term interest-free loans issued to other counterparties	74	85	46
Total short-term interest-free loans issued	64,331	30,792	12,925

As of 31 December 2017, short-term interest-free loans issued include:

- the loan of RUB 13,014 million payable on demand, provided to OOO Index Energetiki – HidroOGK to novate the obligation to settle interest-free bills presented for payment;
- at call loans of RUB 11,551 million provided to OAO Ust-Srednekanskaya GES to finance expenditures under the investment project Ust-Srednekanskaya GES;
- at call loans of RUB 8,769 million provided to AO Zaramagskie GES to finance expenditures under the investment project Zaramagskie GES and to replenish its working capital to be used for refinancing payables incurred earlier (payables related to promissory notes issued by the Company);
- at call loans of RUB 7,745 million provided to AO RAO ES Vostoka to finance its investment program and other projects as well as to refinance bank loans payable.

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 2017	31 December 2016	31 December 2015
AO Nizhne-Bureyskaya GES	21,279	16,128	6,416
AO Zagorskaya GAES-2	6,647	5,473	-

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Counterparty	31 December 2017	31 December 2016	31 December 2015
AO Sulaksky Hydrocascade	1,386	1,386	863
AO CCGT in the City of Sovetskaya Gavan	-	-	400
Other	309	10	272
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	29,621	22,997	7,951

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

Item	31 December 2017	31 December 2016	31 December 2015
Income tax	2,905	438	945
Other taxes and levies	417	238	377
Total tax receivables	3,322	676	1,322

Amount and movements in the impairment provision for short-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer*	At the end of the year
Provision for short-term accounts receivable, including	2016	6,539	8,283	(2,368)	(179)	854	13,129
	2017	13,129	3,508	(3,965)	(97)	144	12,719
Trade receivables	2016	4,801	2,464	(1,707)	(162)	144	5,539
	2017	5,539	1,970	(1,141)	(23)	144	6,489
Advances issued	2016	109	9	(26)	(5)	-	87
	2017	87	307	(1)	(54)	-	339
Other	2016	1,629	5,811	(635)	(12)	710	7,503
	2017	7,503	1,231	(2,823)	(20)	-	5,891

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

Overdue accounts receivable

Item	31 December 2017		31 December 2016		31 December 2015	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	9,098	810	8,594	1,721	7,819	1,387
Buyers and customers	6,127	126	5,423	320	4,978	258
Advances issued	556	217	1,332	1,246	1,232	1,124
Other debtors	2,415	467	1,839	155	1,609	5

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 2017	31 December 2016	31 December 2015
Bank deposits	163	4,075	10,609
Loans issued	11,686	1,230	5,270
Promissory notes	601	-	-
Total line 1240 "Investments" (excluding cash equivalents)	12,450	5,305	15,879

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Short-term investments and their movements

Item	Period	Opening balance		Additions*	Changes for the period*			Closing balance	
		Historical cost	Accumulated adjustment		Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2016	16,589	(710)	58,168	(67,196)	710	(2,256)	7,561	(2,256)
	2017	7,561	(2,256)	50,589	(43,551)	-	107	14,599	(2,149)
Bank deposits	2016	10,609	-	40,792	(47,326)	-	-	4,075	-
	2017	4,075	-	21,966	(25,878)	-	-	163	-
lLoans issued	2016	5,980	(710)	17,376	(19,870)	710	(2,256)	3,486	(2,256)
	2017	3,486	(2,256)	28,022	(17,673)	-	107	13,835	(2,149)
Promissory notes	2016	-	-	-	-	-	-	-	-
	2017	-	-	601	-	-	-	601	-

* 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.

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(a) Bank deposits

As of 31 December 2017, bank deposits include a short-term deposit of RUB 163 million placed with PAO Sberbank of Russia maturing from 15.01.2018 (as of 31 December 2016 – RUB 4,075 million maturing from 23.01.2017 till 01.03.2017). These funds represent interest income from the placement of funds that were received by the Company in 2013 during an additional issue and are intended to finance the construction of four thermal stations in the Far East.

(b) Short-term loans issued

Loan recipient's name	31 December 2017	31 December 2016	31 December 2015	Annual rate,%
Short-term loans issued to related parties, including:				
AO Far East Distribution Company	4,538	-	200	8,00%
AO Sakhaenergo	3,476	-	-	8,00%
AO Hydroinvest	1,748	-	-	9,55%-10,08%
AO Teploenergосervice	929	-	-	8,00%
AO Yakutskaya GRES-2	495	231	-	10,139%
AO ESK RusHydro	420	446	-	10,095%
AO Transport company RusHydro	-	369	72	
AO Far East Distribution Grid Company	-	177	1,607	
ZAO Verkhne-Narynskie GES	-	-	2,711	
AO Nizhne-Bureyskaya GES	-	-	509	
Other	80	7	171	
Total short-term loans issued	11,686	1,230	5,270	

As of 31 December 2017 there was provision for impairment of short-term loans issued in the total amount of RUB 2,149 million (31 December 2016: RUB 2,256 million; 31 December 2015: RUB 710 million). As of 31 December 2017 provision was made RUB 2,149 million for ZAO Verkhne-Narynskie GES. There are no indicators of a prolonged decline in the value of investments.

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

Item	31 December 2017	31 December 2016	31 December 2015
Cash in bank	2,194	7,206	898
Cash equivalents	47,836	32,849	17,241
Cash at accounts in the Office of the Federal Treasury	899	899	-
Total line 1250 "Cash and cash equivalents"	50,929	40,954	18,139

As of 31 December 2017, 2016 and 2015, there is no restricted cash.

The balance of the target cash in the amount of RUB 899 million, received by the Company within the framework of an additional issue in previous periods for the implementation of investment projects for the construction of electric power facilities, as of 31 December 2017 is placed on special accounts in the Office of the Federal Treasury for Moscow. These funds can be used by the Company only after passing the approval procedure by the Federal Treasury on the basis of the established procedure for authorizing the expenses of organizations by Order No. 213n of the Ministry of Finance of the Russian Federation of 25 December 2015.

As of 31 December 2017, 2016 and 2015, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2017 there were cash balances denominated in US dollars equivalent to RUB 477 million (31 December 2016: RUB 312 million; 31 December 2015: RUB 0 million).

As of 31 December 2017, interest rates on Rouble deposits were 5.55% – 7.50% p.a. (31 December 2016: 9.55% – 10.41%, 31 December 2015: 8.64% – 11.65%).

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

Credit institution	Rating on 31 December 2017	Rating agency	31 December 2017	31 December 2016	31 December 2015
Bank deposits, including:					
Bank VTB (PAO)	BB+	Standard & Poor's	32,034	20,430	2,277
Bank GPB (AO)	Ba2	Moody's	15,329	12,107	-
PAO Sberbank	Ba1	Moody's	472	312	1,728
PAO Bank FK Otkrytie			-	-	7,644
PAO AKB Svyaz-Bank			-	-	2,718
AO SMP Bank			-	-	1,874
AO Globeksbank			-	-	1,000
Total cash equivalents			47,835	32,849	17,241
Cash in banks, including:					
AO «AB Russia»	ruAA	RAEX	1,811	4	22
PAO Sberbank	Ba1	Moody's	313	479	581
Bank VTB (PAO)	BB+	Standard & Poor's	47	1,803	8
Bank GPB (AO)	Ba2	Moody's	20	4,918	245
Other			3	2	42
Total cash in bank			2,194	7,206	898

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.

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

Item	2017	2016
Other receipts from operating activities (line 4119), including:	2,214	4,209
Value added tax	1,625	3,508
Penalties, interest and fines recognised or for which court rulings on collection have been received	237	385
GDR	219	277
Other receipts from operating activities	133	39
Other payments related to operating activities (line 4129), including:	(16,899)	(12,066)
Taxes and levies	(7,831)	(7,821)
Non-budget funds	(1,783)	(1,717)
Charity payments	(1,726)	(434)
Business trip expenses	(225)	(175)
Water usage expenses	(1,401)	(1,183)
Payments of non-deliverable forward contract for shares	(3,243)	-
Payment of corporate expenses	-	(194)
Other payments related to operating activities	(690)	(542)
Other payments related to investing activities (line 4219), including:	3,934	8,578

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Item	2017	2016
Cash placement on a short-term deposit other than cash equivalent	3,918	6,537
Proceeds from the conversion of shares of the subsidiary by reducing the nominal value	-	2,017
Other payments related to investing activities	16	24
Other payments related to financing activities (line 4329), including:	(6)	(8)
Settlement of finance lease obligations (payments under lease contracts)	(2)	(5)
Other payments related to financing activities	(4)	(3)

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

3.3.1 Share capital (line 1310 of the balance sheet)

As of 31 December 2017, 2016 and 2015, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2017	Number of shares at 31 December 2016	Number of shares at 31 December 2015
Ordinary shares with nominal value of RUB 1 per share	426,288,813,551	386,255,464,890	386,255,464,890

As of 31 December 2017, 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	60.56%
Non-Banking Credit Organisation AO National Settlement Depository	nominee holder	157,755,858,118	37.01%
Other		10,371,419,827	2.43%
Total		426,288,813,551	100.00%

The members of the Management Board of the Company hold 71 million shares of the total number of ordinary shares as of 31 December 2017 (as of 31.12.2016 - 71 million units, as of 31.12.2015 - 71 million units). Subsidiaries and associates own 3,852 million shares of the Company (as of 31.12.2016 - 18,852 million shares, as of 31.12.2015 - 21,787 million shares).

Additional issue in 2016-2017

The Company's extraordinary general meeting of shareholders held on 22 November 2016 (Minutes No. 244 on 23.11.2016) made the decision to increase the Company's share capital by placing 40,429,000,000 additional ordinary registered shares with the nominal value of RUB 1 each through public offering with payment in cash and non-monetary assets.

On 7 December 2016, the The Central Bank of the Russian Federation registered the additional issue of the Company's 40,429,000,000 ordinary registered shares No. 1-01-55038-E-042D.

In January 2017 the Company resumed the results of execution of pre-emptive right by eligible shareholders to acquire Company's shares of additional issue, registered by Bank of Russia on 7 December 2016. During the pre-emptive right period the Company placed 33,348,661 additional shares.

In March 2017, the Company and PJSC Bank VTB signed agreements related to a purchase of 55 billion ordinary shares of the Company (40 billion shares of the new issue and 15 billion shares of quasi-treasury stock) and conclusion of a 5-year non-deliverable forward contract in respect of these shares. In accordance with these agreements PJSC Bank VTB bought 40,000,000,000 shares of the Company during the current share issue. (Note 3.6.4)

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The 6 March 2017 is the date of actual end of share placement. The statement of results of additional shares placement was registered by Bank of Russia at 5 June 2017. The changes in Articles was registered at 4 April 2017.

By the results of emission 40 033 348 661 shares were actually placed. That takes 99,02% of the additional issue.

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

As of 31 December 2017, the amount of accumulated revaluation of non-current assets is RUB 52,606 million (31 December 2016: RUB 52,705 million, 31 December 2015: RUB 52,928 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associate which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 99 million in 2017 due to disposal of items of property, plant and equipment revalued earlier (2016: RUB 223 million,).

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

As of 31 December 2017, 2016 and 2015, 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 2017, 2016 and 2015, the Company's reserve capital was RUB 13,371 million, RUB 11,278 million and RUB 9,776 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 26.06.2017 (Minutes No. 16), the Company allocated 5% of its net profit for 2016 in the amount of RUB 2,093 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 2017	31 December 2016	31 December 2015
PAO Sberbank	20,000	33,389	33,389
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	20 000	-	-
Russian bonds issued in April 2016	15,000	15 000	-
Russian bonds issued in June 2017	10.000	-	-
UniCredit Bank Austria AG	4,749	4,951	6,871
AO Malaya Dmitrovka	932	652	-
Russian bonds issued in April 2015	767	-	10,000
Russian bonds issued in April 2011	250	250	-
Russian bonds issued in February 2013	-	20,000	20,000
Russian bonds issued in July 2015	-	15,000	15,000
Crédit Agricole Corporate and Investment Bank Deutschland	-	5,552	6,933
AO GVTS Energetiki	-	54	1,099
European Bank for Reconstruction and Development	-	-	10,653
Bayerische Landesbank (BayernLB)	-	-	1,125
Total line 1410 "Borrowings"	71,698	94,848	105,070

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In June 2017 the Company placed non-convertible interest bearing market bonds of series BO-P05 with a nominal amount of RUB 10,000 million. The term of the offer is 3 years, coupon rate is 8,20% per annum.

Also October 2017, holders of Russian bonds issued in April 2015 partially presented securities for early repayment under the offer, as a result of which the Company purchased bonds with a nominal value of RUB 9,233 million. Bonds that were not presented by the holders for early redemption, with a nominal value of RUB 767 million will apply until maturity in 2023 with a coupon rate of 7.50%.

In 2017 the Company prepaid in full the credits of RUB 2,776 million received from PAO Sberbank and the credits of Euro 87 million received from Crédit Agricole Corporate and Investment Bank Deutschland.

28 September 2017 the Company finalized the placement of eurobonds issued by RusHydro Capital Markets DAC, a special purpose vehicle. Proceeds from the eurobonds were used to finance a loan to PAO RusHydro that will be used to refinance its debt liabilities, to finance the investment programme and operating expenses of the Issuer. The issue totalled RUB 20 billion. The eurobonds are maturing in 2022 and have a coupon of 8.125% p.a. paid twice a year.

As of 31 December 2017 terms of material received long-term borrowings were the following:

Lender / creditor	Agreement effective year	Redemption year	Amount in million units (in the currency of the loan)	Currency	Loan interest rate
UniCredit Bank Austria AG	2011	2026	78	Euro	3,35%
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2017	2022	20,000	RUB	8,13%
Russian bonds issued in April 2016	2016	2019	15,000	RUB	10,35%
Russian bonds issued in June 2017	2017	2020	10,000	RUB	8,20%
PAO Sberbank	2011	2020	20,000	RUB	8,30% / 9,30%*

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

As of 31 December 2017, 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 45.683 million (31 December 2016: RUB 10,619 million) (see paragraph 3.5.1 of the Explanatory Notes).

As of 31 December 2017, the Company has opportunity to raise funds in the total amount 96 000 million RUB on credit agreements with Bank VTB (PAO) in the amount of RUB 30 000 million maturing at 2020 and with PAO Sberbank in the amount of RUB 40,000 million maturing at 2026, with Bank GPB (AO) in the amount of RUB 20,000 maturing at 2026 and with AB Rossia (AO) in the amount up to RUB 6,000 million maturing at 2019.

Ageing analysis:

Due for repayment	31 December 2017	31 December 2016	31 December 2015
From 1 to 2 years	16,526	46,495	11,396
From 2 to 3 years	30,594	16,480	48,455
From 3 to 4 years	844	21,105	1,743
From 4 to 5 years	20,594	1,355	22,090
Over five years	3,140	9,413	21,386
Total line 1410 "Borrowings"	71,698	94,848	105,070

Interest on borrowings included into the cost of investment assets

In 2017, the amount of interest on borrowings included into the cost of investment assets was RUB 1,699 million (2016: RUB 3,262 million), of which RUB 1,476 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2016: RUB 2,900 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 1,153 million as of 31 December 2017 (31 December 2016: RUB 1,289 million, 31 December 2015: RUB 1,827 million) and trade payables in the amount of RUB 3,111 million as of 31 December 2017 (31 December 2016: RUB 2,457 million, 31 December 2015: RUB 368 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
	2016	16,250	23,371	(28,254)	11,367
Borrowings, including:	2017	11,367	54,948	(18,903)	47,412
Russian bonds issued in April 2015	2016	-	10,000	-	10,000
	2017	10,000	-	(10 000)	-
OOO AlstomRusHydroEnergy	2016	750	-	-	750
	2017	750	-	-	750
UniCredit Bank Austria AG	2016	-	550	-	550
	2017	550	611	(568)	593
Russian bonds issued in February 2013	2016	-	-	-	-
	2017	-	20,000	-	20,000
Russian bonds issued in July 2015	2016	-	-	-	-
	2017	-	15,000	-	15,000
Russian bonds issued in April 2011	2016	15,000	-	(15,000)	-
	2017	-	-	-	-
Credit Agricole Corporate and Investment Bank Deutschland before	2016	-	-	-	-
	2017	-	5 552	(5 552)	-
European Bank for Reconstruction and Development (EBRD)	2016	377	10,653	(11,030)	-
	2017	-	-	-	-
AO Leningradskaya GAES	2016	-	-	-	-
	2017	-	396	(7)	389
PAO Sberbank	2016	-	-	-	-
	2017	-	13,389	(2,776)	10,613
Other	2016	123	2,168	(2,224)	67
	2017	67	-	-	67
Interest on borrowings, including:	2016	2,690	10,779	(10,811)	2,658
	2017	2,658	9,863	(9,675)	2,846
Russian bonds issued in July 2015	2016	858	1,782	(1,773)	867
	2017	867	1,778	(1,773)	872
Russian bonds issued in February 2013	2016	652	1,704	(1,695)	661
	2017	661	1,700	(1,695)	666
PAO Sberbank	2016	528	2,882	(2,888)	522
	2017	522	2,633	(2,708)	447
Russian bonds issued in April 2016	2016	-	1,157	(786)	371
	2017	371	1,553	(1,554)	370
Russian bonds issued in June 2017	2016	-	-	-	-
	2017	-	445	(409)	36
Russian bonds issued in April 2015	2016	227	1,279	(1,272)	234
	2017	234	1,055	(1,278)	11
Russian bonds issued in April 2011	2016	240	374	(614)	-
	2017	-	29	(24)	5
European Bank for Reconstruction and Development (EBRD)	2016	180	1,338	(1,518)	-
	2017	-	-	-	-
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	2016	-	-	-	-
	2017	-	423	-	423
Other	2016	5	263	(265)	3

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Lender / creditor	Period	Opening balance	Received / accrued	Paid / settled	Closing balance
	2017	3	247	(234)	16
	2016	18,940	34,150	(39,065)	14,025
Total line 1510 "Borrowings"	2017	14,025	64,811	(28,578)	50,258

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 10,563 million, RUB 9,681 million and RUB 9,822 million as of 31 December 2017, 2016 and 2015, respectively:

Type of payables	31 December 2017	31 December 2016	31 December 2015
Trade payables	4,040	4,190	5,492
Settlements with personnel	244	24	669
Payables to state off-budget funds	134	14	135
Tax payables	5,242	4,697	3,103
Settlements with participants (founders) in payment of income	141	122	67
Settlements for the payment of own shares before the change of the charter capital in the constituent documents	-	33	-
Other	762	601	356
Total line 1520 "Accounts payable"	10,563	9,681	9,822

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

Type of payables	31 December 2017	31 December 2016	31 December 2015
Payables to capital construction contractors	705	773	1,499
Payables to suppliers of equipment and other non-current assets	1,842	1,801	2,071
Payables for purchase of electricity and capacity	427	432	774
Payables to suppliers of repair and maintenance services	381	322	405
Other	685	862	743
Total line 1521 "Trade accounts payable"	4,040	4,190	5,492

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

Tax	31 December 2017	31 December 2016	31 December 2015
Property tax payable	1,291	1,338	1,494
VAT payable	3,902	3,113	1,480
Income tax payable	-	239	-
Other taxes payable	49	7	129
Total line 1524 "Taxes payable"	5,242	4,697	3,103

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2017 the total estimated liabilities are RUB 2,976 million (31 December 2016: RUB 2,447 million, 31 December 2015: RUB 601 million).

The estimated liabilities have a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2016	601	3,057	(958)	(253)	2,447
	2017	2,447	3,201	(2,381)	(291)	2,976
for remuneration payments	2016	-	1,364	-	-	1,364
	2017	1,364	1,876	(1,321)	(43)	1,876
for litigation	2016	61	627	(61)	-	627
	2017	627	181	(125)	-	683
for forthcoming payment of earned but	2016	540	1,066	(897)	(253)	456

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
unused employee vacations	2017	456	1,144	(935)	(248)	417

3.6. Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

As of 31 December 2017, the total rented property, plant and equipment are RUB 35 760 million (31 December 2016: RUB 33,862 million, 31 December 2015: RUB 38,490 million). In 2017, the Company did not receive any property, plant and equipment under lease contracts.

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

Lessor	31 December 2017	31 December 2016	31 December 2015
AO Sulakskiy HydroKaskad	10 478	9,463	9,721
Ministry of Property Relations of Moscow region	4 956	4,956	4,956
AO Zaramagskie GES	4 927	4,927	5,042
AO Malye GES Kabardino-Balkarii	3 567	-	-
AO Malaya Dmitrovka	3 394	3,381	3,391
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	2 771	3,185	2,549
Novosibirsk Department of Land and Property Relations	777	777	779
Territorial Office of Federal Property Management Agency in the Volgograd region	604	604	260
Territorial Office of Federal Property Management Agency in the Nizhny Novgorod region	569	569	569
Perm Department of Land and Property Relations	502	1,307	1,350
Other	3,215	4,659	4,703
Total rent of property, plant and equipment	35,760	32,671	36,221
OOO Leasefinance	-	1,022	1,022
ZAO Business Alliance	-	169	321
OOO RB-Leasing	-	-	829
Other	-	-	97
Total lease of property, plant and equipment under lease contracts	-	1,191	2,269
Total rent and lease of property, plant and equipment	35,760	33,862	38,490

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2017	31 December 2016	31 December 2015
PAO Silovye Mashiny	7,878	8,780	8,655
Voith Hydro GmbH & Co KG	4,809	5,433	7,041
OOO EZOP	3,214	5,428	5,428
OOO Vostok-finans	2,106	2,106	-
AO VNIIR Hydroelectroavtomatika	857	429	424
AO Hydroelectromontazh	453	453	453
OOO «Simens»	364	-	-
AO TEK Mosenergo	272	392	405
AO Trest Hydromontazh	121	390	-
ZAO A-security	56	194	294
AO Hydroinvest	-	984	3,919
AO Transport company RusHydro	-	511	511
Other	1,545	1,953	2,488

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Counterparty	31 December 2017	31 December 2016	31 December 2015
Total collateral for liabilities and payments received	21,675	27,053	29,618

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PAO Silovye Mashiny, AO Hydroelectromontazh, AO VNIIR Hydroelectroavtomatica, AO TEK Mosenergo and others the Company received bank guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities.

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2017	31 December 2016	31 December 2015
GC Vnesheconombank	PAO Boguchanskaya GES	46,962	47,777	48,426
PAO Sberbank	PAO Far East Energy Company	7,460	-	5,531
PAO Sberbank	PAO Far East Generating Company	5,400	10,760	7,102
PAO Sberbank	PAO Kamchatskenergo	4,768	3,978	3,978
GC Vnesheconombank	ZAO Boguchansky Aluminium Smelter	4,615	4,615	4,615
PAO VTB Bank	AO Far East Generating Company	4,521	11,556	4,522
Rosbank AKB PAO	AO Far East Generating Company	2,395	2,704	851
European Bank for Reconstruction and Development (EBRD)	ZAO International Energy Corporation	1,367	1,538	1,845
Asian Development Bank, ADB	ZAO International Energy Corporation	1,367	1,538	1,845
PAO Sberbank	PAO Magadanenergo	1,248	500	-
PAO Sberbank	PAO Sakhalinenergo	651	651	651
ZAO International Energy Corporation	RusHydro International AG	523	-	-
PAO VTB Bank	PAO Magadanenergo	492	-	-
IFTS №4 Russia in Moscow	PAO Far East Energy Company	335	-	-
Rosbank AKB PAO	PAO Far East Energy Company	-	3,313	-
European Bank for Reconstruction and Development (EBRD)	AO RAO ES of East	-	3,276	3,695
PAO Sberbank	AO RAO ES of East	-	2,878	2,095
PAO VTB Bank	AO RAO ES of East	-	1,831	-
Bank GPB (AO)	AO RAO ES of East	-	1,323	-
Bank GPB (AO)	AO Magadanenergo	-	1,012	401
AO Russian Regional Development Bank	AO Magadanenergo	-	900	-
PAO Sberbank	AO Chukotenergo	-	860	-
European Investment Bank	AO RAO ES of East	-	-	4,012
Bank GPB (AO)	AO Far East Generating Company	-	-	1,002
Bank GPB (AO)	PAO Far East Energy Company	-	-	762
Other	Other	812	916	1,424
Total collateral for liabilities and payments issued		82,916	101,926	92,757

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In 2017 the Company issued guarantees:

- Guarantees provided for liabilities of AO DGK under its loan agreements with PAO Sberbank and PAO ROSBANK cover the principle amount and interest. The guarantees expire in 2019.
- Guarantees provided for liabilities of PAO DEK under its loan agreements with PAO Sberbank cover the principle amount and interest. The guarantees expire in 2019, 2021 and 2022.
- Guarantees provided for liabilities of PAO Kamchatskenergo under its loan agreements with PAO Sberbank and Bank VTB (PAO) cover the principle amount and interest. The guarantees expire in 2021 and 2022.
- Guarantees provided for liabilities of PAO Magadanenergo under its loan agreements with PAO Sberbank and Bank VTB (PAO) cover the principle amount and interest. The guarantees expire in 2021 and 2022.

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

- total liabilities of PAO Boguchanskaya GES under the loan agreement, including accumulated interest in the amount of RUB 25 935 million as of 31 December 2017 (31 December 2016: RUB 26 750 million);
- pledge of PAO Boguchanskaya GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and pledge of shares for the total of RUB 14 thousand.

RUSAL Group undertakes to reimburse the Company for 50 percent of liabilities settled under this guarantee by the Company for PAO Boguchanskaya GES. In February 2018, an agreement on the termination of the guarantee contract was signed. The parties agreed to terminate the guarantee contract starting from the date of signing.

3.6.4 Non-deliverable forward contract for shares

In March 2017 the Company signed a contract with Bank VTB (PAO) (hereinafter the "Bank") under which the Bank is to acquire 55 billion ordinary shares of the Company and a non-deliverable equity forward for these shares for a 5-year period. Under the contract the Bank bought 40 000 000 000 shares of the Company from the current additional issue of the Company shares (see para 3.3.1 of the Notes) and 15 000 000 000 shares of the Company from subsidiaries at the price of RUB 1 per share for the total amount of RUB 55 billion.

Cash received from the Bank was used to provide long-term special purpose loans to AO RAO ES Vostoka and its subsidiaries to refinance their current liabilities to banks (see para 3.1.2 of the Notes).

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank plus the amount of prepayment that the Company pays to the Bank on a quarterly basis. The prepayment amount is calculated using a special formula that reduces the prepayment amount by the amount of dividends received by the Bank in the effective period of the forward contract.

The Bank is assumed to sell the Company's shares at the time of final settlement under the forward contract. The difference between the proceeds that the Bank will receive from the sale of these shares and their forward value is subject to cash settlement between the Company and the Bank. Thus, if the forward value is higher than the purchase consideration paid for the shares sold, the Company will reimburse the difference, net of the prepaid amount, to the Bank and, vice versa, if the proceeds from the sale of shares are in excess of the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the Bank does not sell the shares, they will continue to be held by the Bank. If this is the case, the amount of additional payment to be made when closing the forward transaction is calculated based on the quoted market price of the Company's shares.

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the

Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

Management of the Company analysed terms of the contract with the Bank and concluded that the Bank acts a full-fledged shareholder as it receives the right to take part in the Company's governance and the right to receive dividends while the Company does not have any obligations to buy the shares back from the Bank or any other binding arrangements. According to the management, decreasing a prepaid amount of forward value by the amounts of dividends received by the Bank does not directly represent a return of dividends, and, therefore, does not limit the Bank in terms of receiving benefits from the share ownership.

As at 31 December 2017 the fair value of the liability under the non-deliverable equity forward calculates in accordance with IFRS was RUB 20,716 million.

As at 31 December 2017 the Company's management believe that there will be no return of prepaid amounts to the Company upon expiry of the five year period at the time of the forward contract closure. Given the above and following the prudence, principle prepayments of RUB 3,243 million made under the non-deliverable forward contract in 2017 are recognised within other expenses (see paragraph 3.3 of the Explanatory Notes).

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

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

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (99,7%).

Item	2017	2016
Sale of electricity	78,900	77,338
Sale of capacity	65,393	36,833
Sale of heat	157	168
Other	247	694
Total line 2110 "Revenue"	144,697	115,033

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	2017	2016
Fees for administering the wholesale market of electricity and capacity (AO SO UES, AO ARS, AO CFR), incl.:	26,947	2,813
Earmarked contributions to the budget of constituent entities of the Russian Federation	23,995	-
Depreciation and amortisation	16,680	15,213
Wages and social insurance contributions	10,444	9,408
Purchased electricity and capacity	7,015	7,023
Property tax	6,744	6,771
Third party services	4,286	3,720
Repairs and maintenance	3,729	3,724
Lease expenses	1,933	1,579
Fire and other security services	1,712	1,730
Insurance expenses	1,660	1,710
Water usage expenses, water tax	1,464	1,267
Lease of power equipment	58	186
Other expenses	1,135	1,212
Total line 2120 "Cost of sales"	83,807	56,356

The cost of sales include administrative expenses. In 2017, administrative expenses totalled RUB 7,567 million (2016: RUB 6,004 million). Administrative expenses include expenses on the maintenance of subdivisions and premises of the Executive Body and the branch "Corporative University of the Hydro Power Industry" (including payroll and social expenses, PP&E depreciation charge, lease expenses, security costs etc.), insurance, legal, advisory, information, audit and other similar services, representation and other expenses.

Electricity and capacity market administration expenses include RUB 23,995 million of special-purpose contributions to the budgets of Russian constituent regions in the Far Eastern Territory in accordance with the Rules of targeted use of funds received from applying a mark-up on the cost of capacity sold in the price ranges of the wholesale power and capacity market.

Operating expenses broken down by cost elements are as follows:

Item	2017	2016
Material expenses	17,389	17,122
Payroll expenses	8,422	7,570
Social contributions	2,318	2,142
Depreciation and amortisation	16,680	15,213
Other costs	38,998	14,309
Total for elements of costs	83,807	56,356
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	83,807	56,356

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

Item	2017		2016	
	Income	Expenses	Income	Expenses
Doubtful debt provision	3,965	(3,508)	2,368	(8,283)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,661	(2,080)	4,789	(2,306)
Income and expenses from sales, write-off and other transactions with assets	540	(754)	9,847	(7,987)
Gains / (losses) from revaluation of investments measured at current market value	531	(1,424)	5,544	(12)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	125	(133)	-	-
Provision for impairment of investments	16	(7,755)	14	(17,658)
Charity donations	-	(1,667)	-	(462)
Expenses for social events	-	(425)	-	(457)
Expenses on operations with derivatives	-	(3,243)	-	-
Other income and expenses	1,057	(1,360)	1,192	(1,171)
Total line 2340 "Other income" and 2350 "Other expenses"	7,895	(22,349)	23,754	(38,336)

3.9 Taxes

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 38,350 million in the reporting year (2016: RUB 35,173 million), including:

- VAT calculated on sales of goods (work, services) is RUB 26,053 million (2016: RUB 22,396 million);

- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be delivered in the future is RUB 10,501 million (2016: RUB 10,652 million);
- recoverable amount of tax is RUB 1,796 million (2016: RUB 2,125 million).

Total VAT recoverable in the reporting period was RUB 20,393 million (2016: RUB 21,383 million), including:

- VAT recoverable invoiced to the taxpayer on acquisition of goods (work, services), property rights in Russia was RUB 7,917 million (2016: RUB 8,839 million);
- VAT calculated on the amounts of received payment or partial payment for goods (work, services) to be deducted from their delivery date was RUB 10,501 million (2016: RUB 10,652 million);
- VAT calculated on the amounts of payment or partial payment for goods (work, services) to be delivered in the future was RUB 1,372 million (2016: RUB 1,352 million);
- VAT recovered in 2017 which was paid earlier when the goods were imported to the Russian customs territory was RUB 565 million (2016: RUB 539 million);
- other recoverable VAT was RUB 38 million (2016: RUB 1 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 9,921 million (2016: RUB 10,877 million).

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches (excluding profits received by branches Kamsksya GES and Votkinskaya GES that apply 17% rate).

According to the tax accounting data, the taxable profit for 2017 was RUB 49,399 million (2016: RUB 56,327 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 15,458 million (2016: RUB 8,949 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 3,190 million for 2017 (2016: 15,124 million), including:

- income from participation in other entities (dividends) in the amount of RUB 2,563 for 2017 (2016: RUB 9,367 million);
- increase in value of financial placements determined in fair value in the amount of RUB 531 million (2016: RUB 5,532 million);
- other non-temporary differences in the amount of RUB 96 million (2016: RUB 225 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 18,648 million for 2017 (2016: 24,073 million), including:

- depreciation of RUB 3,209 million (2016: RUB 3,254 million);
- charges to doubtful debt provision in the amount of RUB 31 million (2016: RUB 894 million);
- charity donations in the amount of RUB 1,644 million (2016: RUB 462 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 253 million (2016: RUB 531 million);
- provision for impairment of financial investments in the amount of RUB 7,755 million (2016: RUB 17,658 million);
- loss on transactions in derivative financial instruments not traded on the organized financial market, RUB 3,230 million (2016: RUB 0 million);
- decrease in the value of financial investments, which determine the current market value, in the amount of RUB 1,424 million (2016: RUB 12 million);
- other non-temporary differences in the amount of RUB 1,102 million (2016: RUB 1,274 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 1,041 million (2016: RUB 6,934 million), including those originated – RUB 11,981 million (2016: RUB 11,724 million) and settled – RUB 13,022 million (2016: RUB 4,790 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 15,585 million (2016: RUB 13,080 million), including those originated – RUB 22,011 million (2016: RUB 21,776 million) and settled – RUB 6,426 million (2016: RUB 8,696 million).

In 2017, 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 2017	31 December 2016	31 December 2015
Deferred income tax assets	(3,043)	(3,248)	(1,864)
Deferred tax liabilities	20,156	16,924	14,266
Total line 1420 “Deferred tax liabilities”	17,113	13,676	12,402

Line 2430 “Change in deferred tax liabilities” includes increase of deferred tax liabilities in amount of RUB 125 million with no effect on current income tax. Line 2450 “Change in deferred tax assets” includes decrease of deferred tax assets in amount of RUB 211 million with no effect on current income tax.

Other taxes and levies

In 2017, operating expenses include other taxes and levies in the amount of RUB 8,457 million (2016: RUB 8,384 million), including:

- property tax in the amount of RUB 6,744 million (2016: RUB 6,771 million);
- 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 1,704 million (2016: RUB 1,596 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 9 million (2016: RUB 17 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 substantiated 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 2017, the Company’s management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company’s tax and currency positions will be sustained.

In 2016, the tax authorities conducted an on-site tax audit for 2012-2014, according to which the Company was presented claims, part of which were successfully challenged by the Company. For the rest of the claims, the Company will file an appeal with the higher tax authority and, if necessary, intend to appeal the claims in court in the future.

3.10 Dividends

The Company's annual general meeting of shareholders held on 27 June 2017 (Minutes No. 16) made the decision to pay dividends on the Company's ordinary shares for 2016 in the amount of RUB 0,0466245 per 1 share for the total of RUB 19,876 million

The Company's annual general meeting of shareholders held on 27 June 2016 (Minutes No. 15) made the decision to pay dividends on the Company's ordinary shares for 2015 in the amount of RUB 0,038863 per 1 share for the total of RUB 15,011 million.

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	2017	2016
Basic profit for the reporting year (RUB million)	36,149	41,877
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	406,272,139,221	386,255,464,890
Basic earnings per share (RUB)	0,08898	0,10842

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

Item	2017
Number of ordinary shares outstanding as of 1 January 2017 (shares)	386,255,464,890
Number of additional shares outstanding in 2017, registered 07.12.2016, paid by shareholders (see paragraph 3.3.1 Explanatory Notes) (pieces of shares)	40,033,348,661
Number of ordinary shares outstanding as of 1 December 2017 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2017 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2017 (shares) (386,255,464,890 * 6 months + 426,288,813,551 * 6 months) / 12 months	406,272,139,221
Item	2016
Number of ordinary shares outstanding as of 1 January 2016 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 1 December 2016 (shares)	386,255,464,890
Number of ordinary shares outstanding as of 31 December 2016 (shares)	386,255,464,890
Weighted average number of ordinary shares, outstanding in 2016 (shares) (386,255,464,890 * 12 month) / 12 months	386,255,464,890

In 2017 and 2016, 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 2017 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 60,56% 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	2017	2016
Revenue from sales to subsidiaries, including:		
PAO Far East Energy Company	6,557	6,148
PAO Krasnoyarskenergosbyt	919	854
AO Chuvashskaya Energy Sales Company	742	634
AO ESK RusHydro	583	197
PAO Ryazanskaya Energy Sales Company	249	234
OOO ESK Bashkortostana*	-	2,018
Other subsidiaries	106	117
Revenue from sales to related parties, including:		
PAO Boguchanskaya GES	112	110
ZAO Boguchanskiy Alluminievy zavod	54	668
Total sales to related parties	9,322	10,980

* OOO ESK Bashkortostana was the related party until 01 December 2016

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

3.12.3 Purchases from related parties

The cost of services provided by related parties was:

Name of the supplier	2017	2016
Construction-and-assembling operations, survey and design works, research and development, including:		
Subsidiaries		
AO Hydroremont-VKK	1 559	2 194
AO Institut Hydroproject	309	388
AO Lenhydroproject	240	538
AO Mosoblhydroproject	228	400
AO VNIIG im. B.E.Vedeneyeva	192	110
AO ChirkeyGESStroy	28	602
Other	107	148
Other related parties		
OOO VolgaHydro	-	900
Total construction-and-assembling operations, survey and design works, research and development:	2 663	5 280
Services rendered by related parties, including:		
Subsidiary company:		
AO Hydroremont-VKK	2 925	2 863
AO Transport company Rushydro	1 433	1 563
AO Sulaksky HydroKaskad	527	428
AO Malaya Dmitrovka	514	514
OOO RusHydro IT Servis	416	316
OOO SNRG	260	248

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PAO RusHydro
Explanatory Notes to the 2017 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Name of the supplier	2017	2016
AO Zaramagskiye GES	249	253
AO VNIIG im. B.E.Vedeneyeva	182	250
AO Malye GES Kabardino-Balkarskoy Respubliki	181	-
Other	279	198
Other related parties	7	30
Services rendered by related parties, total	6 973	6 663
Purchased electricity	2	1
Total purchases from related parties	9 638	11,944

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 265 million and RUB 275 million for 2017 and 2016, respectively.

3.12.5 Settlements with related parties

As of 31 December 2017, 2016 and 2015, 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 2017	31 December 2016	31 December 2015
Short-term interest-free promissory notes received	2,142	5,457	20,767
Short-term interest-free loans issued	64,257	30,700	12,879
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	29,621	22,997	7,951
Indebtedness under the assignment agreement	9,962	8,257	-
Long-term interest-free loans issued	2,234	10,897	3,099
Accounts receivable related to other sales	952	1,217	1,574
Other settlements with related parties	5,869	5,673	8,213
Total accounts receivable from related parties	140,726	110,887	80,172

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 2017 balances include advances issued for the amount of RUB 2 240 million (31 December 2016: RUB 3,334 million, 31 December 2015: RUB 5,926 million).

Doubtful debt provision for related parties' accounts receivables as of 31 December 2017 was RUB 4 123 million (31 December 2016: RUB 5,904 million; 31 December 2015: RUB 291 million).

As of 31 December 2017, 2016 and 2015, the Company's accounts payable to the related parties were:

	31 December 2017	31 December 2016	31 December 2015
Subsidiaries	1,001	1,164	2,707
Other related parties	18	81	750
Total accounts payable to related parties	1,019	1,245	3,457

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

3.12.6 Related parties' debt within investments

As of 31 December 2017, 2016 and 2015, 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 2017	31 December 2016	31 December 2015
Loans issued to related parties	67,105	28,315	57,102

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Type of financial investments	31 December 2017	31 December 2016	31 December 2015
Other investments	601	601	601
Total related parties' debt within investments	67,706	28,916	57,703
Total debt within long-term investments (Line 1170 of the Balance sheet)	55,419	27,686	52,433
Total debt within short-term investments (Line 1240 of the Balance sheet)	12,287	1,230	5,270

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

Entity	2017	2016
Subsidiaries, including:	3,689	4,986
AO Far East Generating Company	1,797	1,372
AO Sakhaenergo	358	278
AO RAO Energy Systems of the East	339	-
AO Hydroinvest	312	1,031
AO Far East Distribution Grid Company	212	697
AO Teploenergoserwis	98	74
PAO Yakutskenergo	97	-
AO ESK RusHydro	80	315
AO Nizhne-Bureyskaya GES	-	424
AO Zagorskaya GAES-2	-	355
AO Sakhaenergo	-	278
AO Ust-Srednekanskaya GES	-	163
Other	396	277
Other subsidiaries	63	61
Total interest income	3,752	5,047

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 2,303 million for 2017 (2016: RUB 9,447 million):

Entity	2017	2016
HydroOGK Power Company Ltd	1,706	8 257
AO Blagoveschenskaya TETS	176	-
AO Hydroremont-VKK	154	191
AO Lenhydroproject	101	114
AO GVTS Energetiki	4	698
Other	162	187
Total income from investments in subsidiaries	2,303	9,447

In 2017 and 2016, dividends were received from HydroOGK Power Company Ltd in the amount of RUB 1,706 million and 8,257 million in non-monetary form by way of assignment of accounts receivable of the subsidiary company of HC Boguchanskaya HPP classified as part of other short-term accounts receivable of the Company as of December 31, 2017 (see paragraph 3.2.2 of the Explanatory Note).

3.12.8 Remuneration to key management personnel

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

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to PAO RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 27 June 2017 (Minutes No. 16).

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 2017 and 2016, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,141 million and RUB 666 million, respectively. The insurance contributions amounted to RUB 190 million for 2017 (2016: RUB 146 million). In addition, in 2017, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 400 million (2016: RUB 165 million). In calculation of the estimated liability for remuneration payments includes the expected remuneration for 2017 as part of the Long-Term Motivation Program of the Company's key management.

3.12.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2017	2016
Cash flows from operating activities			
Receipts, including:	4110	8,126	8,896
sales of products, goods, work and services	4111	8,026	8,818
lease payments, licence payments, royalties, commission and other payments	4112	67	62
other receipts	4119	33	16
Payments, including:	4120	(7,237)	(6,447)
suppliers (contractors) – raw materials, work and services	4121	(7,095)	(6,329)
interest on debt liabilities	4123	(39)	(17)
other payments	4129	(103)	(101)
Net cash flows from operating activities	4100	889	2,449
Cash flows from investing activities			
Receipts, including:	4210	30,667	29,886
sale of non-current assets (except for investments)	4211	241	95
sale of shares of other organisations (ownership interest)	4212	9	-
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	27,384	22,400
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	3,017	5,351
other receipts	4219	16	2,040
Payments, including:	4220	(96,487)	(40,108)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(3,103)	(6,256)
purchase of shares (interest) in other entities	4222	(7,524)	(23,829)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(85,860)	(10,023)
Net cash flows from investing activities	4200	(65,821)	(10,222)
Cash flows from financing activities			
Receipts, including:	4310	676	719
borrowings and bank loans	4311	676	719
Payments, including:	4320	(22)	(1,090)
dividends and other payments on distribution of profit in favor of owners (participants)	4322	(15)	-
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(7)	(1,090)
Net cash flows from financing activities	4300	654	(371)
Net cash flows for the reporting period	4400	(64,277)	(8,144)

3.13 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 99,7%. 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 2017, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 82,916 million (31 December 2016: RUB 101,926 million, 31 December 2015: RUB 92,757 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

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

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

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

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

3.15 Financial risk management

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

Market risks

Market risks include currency risk, interest rate and price risks.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency. 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 2017			
US Dollars	704	-	704
Euro	-	(6,112)	(6,112)
Total	704	(6,112)	(5,408)
31 December 2016			
US Dollars	547	-	547
Euro	-	(11,716)	(11,716)
Total	547	(11,716)	(11,169)
31 December 2015			
US Dollars	3,096	-	3,096
Euro	-	(15,426)	(15,426)
Total	3,096	(15,426)	(12,330)

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

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

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

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

The Company also receives loans with floating interest rates based on MOSPRIME, Euribor rates, which leads to risk of changes in interest rates. At the same time, the share of borrowed funds with a fixed interest rate is 91% of the Company's loan portfolio. The influence of changes in these rates on the Company's profit is insignificant.

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

Price risk. The Company sales power and capacity, mainly, in the wholesale market. The price risk at the wholesale market is connected with possible volatility of the prices, and also with reduction of prices of the corresponding goods.

Electricity at the wholesale market is realized by Company mainly at the market for the days ahead. Weighted average price of sale of electricity for the days ahead for the Company in 2017 didn't change significantly in comparison with an indicator of 2016.

As the key instrument for trading capacity in the wholesale market is the contracts for purchase and sale of capacity by results of competitive selection of capacity. The price of capacity, based on which liabilities under such contracts are calculated, after the transition in 2015 to long-term model of competitive selection of capacity, is determined by results of competitive selections of capacity for four years ahead. The price differences on capacity created following the results of competitive selections of capacity for 2016-2020, make no more than 5% for each price zone.

At the liberalised market of the electric power the price of goods directly depends on demand amount. For the purpose of increase in a financial result of economic activity Company considers the seasonal, week and daily changes in demand on the electric power in case of sales planning of the electric power.

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

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

Category of investments	31 December 2017	31 December 2016	31 December 2015
Equity investments for which current market value can be determined, including:			
PAO Inter RAO	6,809	7,818	2,286
PAO Irkutskenergo	6,809	7,709	2,217
	-	65	36

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Category of investments	31 December 2017	31 December 2016	31 December 2015
PAO Krasnoyarskaya GES	-	44	33
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	1 709	20,204	20,204
Equity investments for which current market value cannot be determined	248,212	236,565	245,174
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	256,730	264,587	267,664

* As of 31.12.2017, the financial investment in JSC RAO ES of the East in the amount of RUB 18,495 million was included in the line "Equity investments for which the current market value is not determined", as in 2017 the company's shares were delisted from the Moscow exchange. As at 31.12.2016 and 31.12.2015 the financial investments were included in the line "Equity investments in subsidiaries subject to fair value, but revaluation at the reporting date was not made».

Current market value of quoted securities is determined by market prices established on the stock exchange PAO MICEX-RTS (<http://moex.com>), 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. 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

In February 2018, the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to performance by PAO Boguchanskaya GES of its obligations under the credit agreement (see paragraph 3.6.3 of the Explanatory Note).

Chairman of Management Board - General Director
of PAO RusHydro

N.G.Shulginov

Chief Accountant of PAO RusHydro

Y. G. Medvedeva

26 March 2018