



# RusHydro

## Appendices

JSC RusHydro' Annual Report  
2013





**RusHydro**

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Location: 51 Respubliki Street, Krasnoyarsk, the Krasnoyarsk Region, Russia, 660075  
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The Zheleznodorozhsky Inspectorate of the Ministry of Taxation of the Russian Federation,  
Krasnoyarsk, the Krasnoyarsk Region



# Table of contents

|  |    |  |     |
|--|----|--|-----|
| TABLE OF CONTENTS  | 2  | REPORT ON THE MEETINGS<br>OF THE BOARD OF DIRECTORS  | 52  |
| REPORT ON COMPLIANCE WITH<br>THE UK CODE ON CORPORATE<br>GOVERNANCE                            | 4  | REPORT ON PENDING LAWSUITS   | 56  |
| COMPLIANCE REPORT ON<br>THE RUSSIAN CORPORATE<br>GOVERNANCE CODE                               | 6  | REPORT ON GOVERNMENT SUPPORT<br>RECEIVED BY THE COMPANY  | 57  |
| REPORT ON LARGE TRANSACTIONS<br>AND RELATED PARTY TRANSACTIONS<br>IN 2013                      | 16 | REPORT ON ACTUAL<br>IMPLEMENTATION OF ASSIGNMENTS<br>OF THE PRESIDENT AND THE<br>GOVERNMENT OF THE RUSSIAN<br>FEDERATION | 59  |
| LIST OF RUSHYDRO'S<br>INTERNAL DOCUMENTS   | 32 | 2013 RAS STATEMENTS<br>AND THE AUDITORS REPORT   | 65  |
| REPORT ON ALL FORMS OF THE<br>COMPANY'S PARTICIPATION IN<br>COMMERCIAL ORGANIZATIONS           | 33 | 2013 IFRS STATEMENTS<br>AND THE AUDITORS REPORT  | 133 |
| INFORMATION ON ALL FORMS OF THE<br>COMPANY'S PARTICIPATION IN NON-<br>COMMERCIAL ORGANIZATIONS | 39 |  |     |
| REPORT ON CHANGES IN THE<br>RUSHYDRO GROUP STRUCTURE<br>IN 2013                                | 40 |  |     |
| REPORT ON HOLDING<br>OF THE GENERAL MEETINGS<br>OF SHAREHOLDERS                                | 43 |  |     |
| REPORT ON THE MEETINGS<br>OF THE COMMITTEES OF THE BOARD<br>OF DIRECTORS                       | 44 |  |     |

# Report on compliance with the UK Code on Corporate Governance

| Mandate                   |                                      |   | Compliance  |
|---------------------------|--------------------------------------|---|---|
| SECTION A: LEADERSHIP     |                                      |   |   |
| A.1                       | The Role of the Board                | Every company should be headed by an effective board which is collectively responsible for the long-term success of the company   | Complies  |
| A.2                       | Division of Responsibilities         | There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision    | Complies  |
| A.3                       | The Chairman                         | The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role   | Complies  |
| A.4                       | Non-executive Directors              | As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy   | Complies  |
| SECTION B: EFFECTIVENESS  |                                      |   |   |
| B.1                       | The Composition of the Board         | The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively                                      | Complies  |
| B.2                       | Appointments to the Board            | There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board  | Complies  |
| B.3                       | Commitment                           | All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively   | Complies  |
| B.4                       | Development                          | All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge  | Partially complies  |
| B.5                       | Information and Support              | The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties  | Complies  |
| B.6                       | Evaluation                           | The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors   | Does not comply (The requirement is not feasible in the Russian Federation) |
| B.7                       | Re-election                          | All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance   | Complies  |
| SECTION C: ACCOUNTABILITY |                                      |   |   |
| C.1                       | Financial And Business Reporting     | The board should present a balanced and understandable assessment of the company's position and prospects   | Complies  |
| C.2                       | Risk Management and Internal Control | The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems                           | Complies  |
| C.3                       | Audit Committee and Auditors         | The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor | Complies  |

| Mandate                                |  |  | Compliance |
|--|--|--|------------|
| SECTION D: REMUNERATION                |  |  |            |
| D.1                                    | The Level and Components of Remuneration | Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance | Complies   |
| D.2                                    | Procedure                                | There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration  | Complies   |
| SECTION E: RELATIONS WITH SHAREHOLDERS |  |  |            |
| E.1                                    | Dialogue with Shareholders               | There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place  | Complies   |
| E.2                                    | Constructive Use of the AGM              | The board should use the AGM to communicate with investors and to encourage their participation  | Complies   |

# Compliance Report on the Russian Corporate Governance Code

| N  | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|--|---|---|
| <b>The General Meeting of Shareholders</b> |   |   |
| 1.   | Shareholders shall be notified of holding the General Meeting of Shareholders at least 30 days before the date when it is scheduled to be held, regardless of matters included on its agenda, unless the legislation provides for a longer period   | <b>Complies</b><br>Subject to Item 10.11. of the Company Charter <sup>1</sup> notice of the General Meeting of Shareholders shall be published in the Rossiyskaya Gazeta newspaper, and posted on the corporate website no later than 30 days prior to the meeting  |
| 2.   | The list of persons eligible to attend the General Meeting of Shareholders shall be available to shareholders for viewing from the date when notice of the General Meeting of Shareholders is given and until the meeting is closed or, in the case of a meeting in absentia, until the final date for acceptance of ballots  | <b>Complies</b><br>Subject to Item 5.2.1. <sup>2</sup> any person seeking to review the list of participants must be authorized to participate in the General Meeting of Shareholders and must hold at least one percent of the shares  |
| 3.   | Information (materials) that must be provided during the period of preparation for the General Meeting of Shareholders shall be available to shareholders via electronic communication facilities, including the Internet   | <b>Complies</b><br>Subject to Item 10.12 of the Company Charter materials and information on matters in the agenda of the General Meeting of Shareholders are posted on the corporate website no later than 30 days prior to the meeting  |
| 4.   | Any shareholder should be able to propose any business to be included on the agenda of a general meeting of shareholders or to request convening of a general meeting of shareholders without presentation of an excerpt from the shareholder register, if his/her/its title to stocks is recorded in the system for maintaining the shareholder register. If his/her/its title to stocks is recorded on a securities account, an excerpt from the securities account will be sufficient for exercise of the aforementioned title | <b>Complies</b><br>Article 11 of the Company Charter and Article 5 of the Regulations on the Procedure for Convening and Holding the General Shareholders Meeting state the procedure for submitting proposals to include matters in the agenda. Article 10 of the Company Charter states: an Extraordinary Meeting of Shareholders can be held at the request of shareholders (a shareholder) who own(s) not less than 10 percent of the Company's voting shares |
| 5.   | The charter or corporate documents of the joint stock company should require presence of the General Director, Management Board members, members of the Board of Directors, members of the Internal Audit Commission, and the Company's auditor at the General Meeting of Shareholders  | <b>Partially complies</b><br>Subject to Item 5.2.2. of the Corporate Governance Code members of the Board of Directors, Executive Bodies and the Internal Audit Commission and the Company's auditor are given the opportunity to attend the General Meeting of Shareholder   |
| 6.   | Candidates should be present when the General Meeting of Shareholders elects members of the Board of Directors, the General Director, members of the Management Board, and members of the Internal Audit Commission, and also when the Company's auditor is appointed   | <b>Partially complies</b><br>Subject to Item 5.2.2. of the Corporate Governance Code candidates to be elected to the Board of Directors, the Internal Audit Commission and when the Company's auditor is appointed should be invited to the Company's General Meeting of Shareholders being held for such purpose, and are usually present at such meeting  |
| 7.   | Internal documents of the Company should contain a procedure for registration of persons attending the General Meeting of Shareholders  | <b>Complies</b><br>Item 6.1. of the Regulations on the procedure for preparing and holding the General Meeting of Shareholders, approved by the General Meeting of Shareholders on June 28, 2013 <sup>3</sup> states the Procedure for registration of participants attending the General Meeting of Shareholders   |

<sup>1</sup> Charter of JSC RusHydro is posted on the website at: [www.rushydro.ru/upload/iblock/74b/ustav-2013.pdf](http://www.rushydro.ru/upload/iblock/74b/ustav-2013.pdf)

<sup>2</sup> The Corporate Governance Code of JSC RusHydro is posted on the website at: [www.rushydro.ru/file/main/global/investors/disclosure/documents/Kodeks\\_korporativnogo\\_upravleniya\\_RusGidro\\_-\\_4\\_redakciya.pdf](http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Kodeks_korporativnogo_upravleniya_RusGidro_-_4_redakciya.pdf)

<sup>3</sup> The Regulations on the procedure for convening and holding the General Meeting of Shareholders of JSC RusHydro is posted on the Company's website at: [www.rushydro.ru/upload/iblock/cc9/Polozhenie-ob-OSA-2013.pdf](http://www.rushydro.ru/upload/iblock/cc9/Polozhenie-ob-OSA-2013.pdf)

| N                             | Corporate Governance Code Standard   | Compliance / Non-Compliance  |
|-------------------------------|--|--|
| <b>The Board of Directors</b> |  |  |
| 8.                            | The Charter of the Company should include authority of the Board of Directors to approve financial and business plans of the Company on an annual basis  | <b>Complies</b><br>Items 14, 12.1. of the Company Charter requires the Board of Directors to approve or update a Business Plan of the Company as well as review the report on its implementation that are within its competence;<br>On April 28, 2009 the Board of Directors approved the Company's Standard «Business Planning System», according to which the Company's business plan is approved by the Board of Directors on an annual basis.                          |
| 9.                            | A risk management procedure for the Company, approved by the Board of Directors, should be in place  | <b>Complies</b><br>On December 30, 2010 the Board of Directors (Minutes as of December 30, 2010 No 116) established an Internal Control and Risk Management Policy of JSC RusHydro <sup>4</sup> .  |
| 10.                           | The Charter of the Company should include the right of the Board of Directors to suspend the authority of the General Director, who was appointed by the General Meeting of Shareholders   | <b>Complies</b><br>Subject to Article 12 of the Company Charter matter to elect or terminate the authority of Chairman of the Management Board is within the competence of the Board of Directors.   |
| 11.                           | The Charter of the Company should include the right of the Board of Directors to set requirements as to the level of qualifications and amount of remuneration payable to the General Director, members of the Management Board, and managers of main structural divisions of the Company  | <b>Partially complies</b><br>Articles 12, 17 of the Company Charter authorize the Board of Directors to establish the level of remuneration to be paid to Chairman and members of the Management Board   |
| 12.                           | The Charter of the Company should include the right of the Board of Directors to approve the terms and conditions of agreements with the General Director and members of the Management Board  | <b>Partially complies</b><br>Articles 12, 17 of the Company Charter provides for the right of the Board of Directors to approve the terms of the contract with Chairman of the Management Board  |
| 13.                           | The Charter or internal documents of the Company should require that board votes of the General Director and members of the Management Board are not taken into account in voting on terms and conditions of agreements with the General Director (management company, manager) and members of the Management Board              | <b>Not comply</b><br>The Charter or internal documents of the Company do not contain aforementioned requirements.  |
| 14.                           | The Board of Directors of the Company should include at least 3 independent directors who meet requirements of the Corporate Code of Conduct of the Federal Commission for the Securities Market   | <b>Complies</b><br>On June 28, 2013 at the General Meeting of Shareholders the Board of Directors elected six independent directors who meet requirements of the Corporate Code of Conduct of the Federal Commission for the Securities Market:<br><br>1. Danilov-Danilyan Viktor Ivanovich;<br>2. Morozov Denis Stanislavovich;<br>3. Berndt Kristian Andreas, PhD;<br>4. Bugrov Andrey Evgenievich;<br>5. Ivanov Sergey Nikolaevich;<br>6. Shishin Sergey Vladimirovich. |
| 15.                           | Absence of the Board of Directors members, who were ever found guilty of any economic crime or crime against government, the interests of government or local authorities, or if they have been subject to any administrative penalties for violations in the sphere of business and finance, taxation, or the securities market | <b>Complies</b><br>The Board of Directors of the Company does not include aforementioned persons   |

<sup>4</sup> Internal Control and Risk Management Policy of JSC RusHydro is posted on the Company's web site at: [www.rushydro.ru/file/main/global/investors/disclosure/documents/Politika\\_SVKiUR\\_SD\\_29122010.pdf](http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Politika_SVKiUR_SD_29122010.pdf)

| N   | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|-----|---|---|
| 16. | Absence of the Board of Directors members, if they are a shareholder, general director (manager), member of any management body or employee of a legal entity, which is a competitor of the Company   | <b>Complies</b>   |
| 17. | The Charter of the Company should require the Board of Directors to be elected by cumulative voting   | <b>Complies</b><br>Subject to Item 13.2 of the Company Charter, Item 6.4.2 of the Regulations for the procedure on preparing and holding the General Meeting of Shareholders and the Federal Law «On Joint Stock Companies» election of the Board of Directors shall be made by the General Meeting of Shareholders with cumulative voting  |
| 18. | Internal documents of the Company should require members of the Board of Directors to refrain from any actions that will or may potentially cause a conflict between their interests and the interests of the Company, and to disclose information if such a conflict arises  | <b>Complies</b><br>Item 4.1.6. of the Corporate Governance Code states that members of the Board of Directors shall be obliged to refrain from any actions that may cause a conflict between their interests and the interests of the Company. If such a conflict arises a member of the Board member shall be obliged to disclose the information to other members of the Board, as well as to abstain from voting on the relevant matters |
| 19. | The internal documents of the Company should require members of the Board of Directors to notify the Board in writing of their intention to close any transactions with securities of the Company or of its subsidiary (dependent) companies, and to disclose any information on transactions closed by them with such securities | <b>Partially complies</b><br>Subject to the Company's Regulations on insider information of JSC RusHydro <sup>5</sup> , approved by the Board of Directors on August 10, 2012 (Minutes as of August 10, 2012 No 158) members of the Board of Directors shall be obliged to notify the Company within 10 working days from the date of transactions in securities of the Company.  |
| 20. | The internal documents of the Company should require the Board of Directors to hold meetings at least once every six weeks  | <b>Complies на практике</b><br>Item 5.1. of the Regulations on the procedure for convening and holding meetings of the Board of Directors <sup>6</sup> states that meetings of the Board of Directors shall be held in accordance with the operations plan approved by the Board of Directors or as necessary but at least once every quarter. In fact, meetings of the Board of Directors are held one-two times a month.                  |
| 21. | The Board of Directors of the Company should meet at least once every six weeks in any year, for which the Company annual report is compiled  | <b>Complies</b><br>In 2013, 22 meetings of the Board of Directors were held   |
| 22. | The internal documents of the Company should contain procedures to be followed at meetings of the Board of Directors  | <b>Complies</b><br>The Regulations on the procedure for convening and holding meetings of the Board of Directors approved by the General Meeting of Shareholders on June 28, 2013 (Minutes as of June 28, 2013 No 11) is in place   |
| 23. | Internal documents of the Company should stipulate that any transactions by the Company with value in excess of 10 percent of company assets should be approved by the Board of Directors, except for transactions in the normal course of business   | <b>Complies</b><br>Article 12 of the Company Charter states that the transactions with non-current assets of the Company with value in excess of 10 percent of the book value of these assets on the date of the decision to make the transaction are subject to prior approval by the Board of Directors   |

<sup>5</sup> [www.rushydro.ru/upload/iblock/fb1/prilozhenie--1-k-protokolu--158-ot-10.08.2012.pdf](http://www.rushydro.ru/upload/iblock/fb1/prilozhenie--1-k-protokolu--158-ot-10.08.2012.pdf)

<sup>6</sup> [www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie\\_o\\_poryadke\\_soznya\\_i\\_provedeniya\\_zasedanij\\_SD\\_\\_novaya\\_redakciya\\_.pdf](http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_o_poryadke_soznya_i_provedeniya_zasedanij_SD__novaya_redakciya_.pdf)

| N   | Corporate Governance Code Standard   | Compliance / Non-Compliance   |
|-----|--|---|
| 24. | Internal documents of the joint-stock Company should include the right of members of the board of directors to receive information from executive bodies and managers of structural divisions of the company, which is necessary for them to discharge their functions, as well as sanctions for failure to provide such information | <p><b>Complies</b></p> <p>Item 3.1. of the Regulations on the procedure for convening and holding meetings of the Board of Directors states that members of the Board of Directors are entitled to obtain information on issues relating to the Company's performance, including the Company's commercial secrets, review all constitutive documents, legal, accounting, reporting, contract-related and other documents of the Company in accordance with the legislation of the Russian Federation and the Company's internal documents</p>   |
| 25. | A committee of the Board of Directors in charge of strategic planning should be created, or the function of such a committee should be vested in another committee (other than the audit committee and HR and remuneration committee)  | <p><b>Complies</b></p> <p>The Strategy Committee of the Board of Directors was established in 2005 (Minutes of the Board of Directors as of March 29, 2005 No 4, and as of April 25, 2005 No 5). Current members of the Strategy Committee was elected by the Board of Directors on July 15, 2013 (Minutes No 184)</p>  |
| 26. | A Committee of the Board of Directors in charge of audit (Audit Committee) should be created, which makes recommendations to the Board of Directors on choice of a certified public accountant for the Company and liaises with the accountant and with the Audit Commission of the Company  | <p><b>Complies</b></p> <p>The Audit Committee of the Board of Directors was established in 2007 (Minutes of the Board of Directors as of December 26, 2007 No 45). Current members of the Audit Committee of the Board of Directors were elected on July 15, 2013 (Minutes No 184)</p>  |
| 27. | The Audit Committee should include only independent and non-executive directors  | <p><b>Complies</b></p> <p>On July 15, 2013 the following persons were elected to the Audit Committee of the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. ДДанilov-Danilyan Viktor Ivanovich – member of the Board of Directors of JSC RusHydro, independent director;</li> <li>2. PhD Berndt Kristian Andreas – member of the Board of Directors of JSC RusHydro, independent director;</li> <li>3. Ivanov Sergey Nikolaevich - member of the Board of Directors of JSC RusHydro, independent director.</li> </ol> <p>In accordance with the order of FSSM of Russia dated December 28, 2010 No. 10-78/PZ-n «On approval of the Regulations on the Organization of Trade in the Securities Market», the Audit Committee should be composed only of independent directors, and if this is not possible due to objective reasons, - only of independent directors and members of the Board of Directors who are not the sole executive body and (or) members of the collegial executive body of the Issuer</p> |
| 28. | The Audit Committee should be headed by an independent director  | <p><b>Complies</b></p> <p>On July15, 2013 the Board of Directors elected Danilov-Danilyan Viktor Ivanovich, Independent Director as Chairman of the Audit Committee</p>   |
| 29. | The internal documents of the Company should stipulate right of access for all members of the Audit Committee to any company documents and information, on condition that they do not disclose confidential information  | <p><b>Complies</b></p> <p>Subject to Item 4.1.2. of the Regulations on the Audit Committee<sup>7</sup> members of the Committee shall be entitled to request and obtain the information necessary to carry out their activities, and documents from officials of the Company. In accordance with Item 12.1. of the Regulations members of the Committee are required to comply with the confidentiality requirements with respect to information obtained in connection with their activities in the Committee.</p>   |

<sup>7</sup> The Regulations for the Audit Committee is posted on the corporate website at:  
[www.rushydro.ru/upload/iblock/5cd/Polozhenie-o-Komitete-po-auditu-pri-Sovete-direktorov-OAO-RusGidro.pdf](http://www.rushydro.ru/upload/iblock/5cd/Polozhenie-o-Komitete-po-auditu-pri-Sovete-direktorov-OAO-RusGidro.pdf)

| N   | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|-----|---|---|
| 30. | A committee of the Board of Directors for human resources and remuneration should be created, with, the functions of identifying criteria for selection of candidates to the Board of Directors and developing a remuneration policy of the Company | <b>Complies</b><br>The Human Resources and Remuneration Committee of the Board of Directors was established in 2007 (Minutes of the Board of Directors' meeting as of December 26, 2007 No 45). The current members of HR and Remuneration Committee were elected by the Board of Directors on July 15, 2013.   |
| 31. | The HR and Remuneration Committee should be headed by an independent director   | <b>Complies</b><br>On July 15, 2013 the Board of Directors elected Danilov-Danilyan Viktor Ivanovich, Independent Director as Chairman of HR and Remuneration Committee   |
| 32. | No officers of the Company should serve on the HR and Remuneration Committee  | <b>Complies</b><br>The following members of the Committee were elected by the Board of Directors on July 15, 2013. <ol style="list-style-type: none"> <li>1. Danilov-Danilyan Viktor Ivanovich – member of the Board of Directors of JSC RusHydro, independent director;</li> <li>2. Bugrov Andrey Evgenievich – member of the Board of Directors of JSC RusHydro, independent director;</li> <li>3. Ivanov Sergey Nikolaevich – member of the Board of Directors of JSC RusHydro, independent director.</li> </ol>   |
| 33. | A committee of the Board of Directors in charge of risk should be created or the functions of such a committee should be vested in another committee (other than the Audit Committee and the HR and Remunerations Committee)                        | <b>Not comply</b><br>The Board of Directors has not established the Committee in charge of risk and its functions were not vested in another committee  |
| 34. | A committee of the Board of Directors should be created for settlement of corporate conflicts or the functions of such a committee should be vested in another committee (other than the Audit Committee and the HR and Remuneration Committee)     | <b>Not comply</b><br>The Committee of the Board of Directors in charge of settlement of corporate conflicts is not created, the functions of such a committee were not vested in another committee  |
| 35. | No officers of the Company should serve in the committee for settlement of corporate conflicts  | <b>Not applicable</b><br>The Committee of the Board of Directors in charge of settlement of corporate conflicts is not created  |
| 36. | The Committee for settlement of corporate conflicts should be managed by an independent director  | <b>Not applicable</b><br>The Committee of the Board of Directors in charge of settlement of corporate conflicts is not created  |
| 37. | There should be internal documents approved by the board of directors of the joint-stock company, setting out a procedure for creation and functioning of committees of the board of directors  | <b>Complies</b><br>The procedure for forming and operation of the Committees of the Board of Directors set forth in the Regulations on the Committees approved by the Board of Directors <sup>8</sup> : <ol style="list-style-type: none"> <li>1. Regulations on the Audit Committee (Minutes as of October 15, 2013 No 188);</li> <li>2. Regulations on HR and Remuneration Committee (Minutes as of October 15, 2013 No 188);</li> <li>3. Regulation on the Investment Committee (Minutes as of October 15, 2013 No 188);</li> <li>4. Regulations on the Strategy Committee (Minutes as of October 15, 2013 No 188);</li> <li>5. Regulations on the Reliability, Efficiency and Innovation Committee (Minutes as of October 15, 2013 No 188)</li> </ol> |
| 38. | The Charter of the Company should define a quorum of the Board of Directors in such a way that attendance of independent directors at meetings of the Board of Directors is obligatory  | <b>Not comply</b><br>Subject to Article 15 of the Company Charter quorum for holding a meeting of the Board of Directors shall be not less than half of members of the Board of Directors out of the total number of elected members of the Board of Directors  |

<sup>8</sup> The Regulations for the Committee posted on the website at: [http://www.rushydro.ru/corporate/regulations\\_and\\_docs/documents/board/](http://www.rushydro.ru/corporate/regulations_and_docs/documents/board/)



| N                           | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|-----------------------------|---|---|
| <b>The Executive Bodies</b> |   |   |
| 39.                         | There should be a collegiate executive body (the Management Board) of the Company   | <b>Complies</b><br>Subject to Articles 17, 18 of the Charter of the Company, the Company shall establish the collegial executive body – the Management Board. Members of the Management Board shall be elected by the Board of Directors on the proposal of Chairman of the Management Board. The number of members of the Management Board shall be determined by the Board of Directors   |
| 40.                         | The Charter or internal documents of the Company should require that any transactions with real estate and obtaining of loans by the Company must be approved by the Management Board, unless such transactions are classified as major transactions as treated as normal business activities of the Company  | <b>Partially complies</b><br>Subject to Article 12 of the Company Charter the following issues are within the competence of the Board of Directors: specifying the Company's credit policy in terms of granting loans, concluding credit and loan agreements, issuing guarantees, assuming obligations under a bill (issuing promissory notes or bill of exchange) and decision-making on closing aforementioned transactions by the Company in cases where the procedure of decision-making on them was not defined by the Company's credit policy as well as making decisions in accordance with the approved credit policy. The Regulations on the Credit Policy was approved by the Board of Directors on July 29, 2010 (Minutes as of August 2, 2010 No 104) |
| 41.                         | Internal documents of the Company should contain a procedure for approval of operations, which are outside the Company's business plan  | <b>Complies</b><br>Subject to Item 3 of the Standard of JSC RusHydro Business Planning System (approved by the Board of Directors on April 30, 2009, Minutes No 75) provides for modification of the Company's business plan which is implemented based on the Board of Directors' decision   |
| 42.                         | Executive bodies should not include any person who is a shareholder, General Director (manager), member of any management body, or employee of a legal entity, which is a competitor of the Company   | <b>Complies</b><br>The executive bodies of JSC RusHydro do not include aforementioned persons   |
| 43.                         | Executive bodies of the Company should not include any person who has been found guilty of any economic crime or crime against government, the interests of government or local authorities, or if they have been subject to any administrative penalties for violations in the sphere of business and finance, taxation, or the securities market. | <b>Complies</b><br>The executive bodies of JSC RusHydro do not include aforementioned persons   |
| 44.                         | The Charter or internal documents of the Company should prohibit any management organization (manager) from exercising analogous functions in a competitor company or from being involved in any property relationships with the company, other than providing management services  | <b>Not applicable</b><br>Chairman of the Management Board discharges functions of the sole executive body of the Company  |
| 45.                         | Internal documents of the Company should include the obligation of executive bodies to avoid any acts, which will or may cause a conflict between their interests and interests of the Company, as well as the obligation to notify the Board of Directors if such a conflict arises  | <b>Complies</b><br>Subject to Item 4.2.7. of the Corporate Governance Code Chairman and members of the Management Board shall be obliged to refrain from any acts that may cause a conflict between their interests and interests of the Company. If such a conflict arises Chairman and members of the Management Board shall be obliged to notify the Board of Directors, as well as to refrain from discussing and voting on the relevant issues   |
| 46.                         | The Charter or internal documents of the Company should include criteria for selection of a management organization (a manager)   | <b>Not applicable</b><br>Chairman of the Management Board discharges functions of the sole executive body of the Company  |

| N                                    | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|--------------------------------------|---|---|
| 47.                                  | Executive bodies of the Company shall provide monthly reports on their work to the Board of Directors   | <b>Partially complies</b><br>Reports on the work of the Management Board shall be submitted to the Board of Directors for consideration semi annually                         |
| 48.                                  | Agreements between the Company, on the one hand, and the General Director (management organization, manager) and members of the Management Board, on the other hand, should assign liability for violation of regulations concerning use of confidential and official information   | <b>Complies</b>   |
| <b>The Corporate Secretary</b>       |   |   |
| 49.                                  | The Company should have a special officer (company secretary), whose job is to ensure compliance of bodies and officers of the Company with procedural requirements that guarantee exercise of rights and lawful interests of Company shareholders  | <b>Complies</b><br>Item 4.1.7 of the Corporate Governance Code approved by the Board of Directors on April 2, 2010 (Minutes as of April 2, 2010 No 94)                        |
| 50.                                  | The Charter or internal documents of the Company should include a procedure for appointment (election) and specify responsibilities of the Company secretary  | <b>Complies</b><br>Articles 2, 3, 4 of the Regulations on the Corporate Secretary of the Company, approved by the Board of Directors (Minutes as of December 30, 2010 No 116) |
| 51.                                  | The Charter of the Company should specify requirements for any candidate to the post of company secretary   | <b>Not comply</b>   |
| <b>Significant Corporate Actions</b> |   |   |
| 52.                                  | The Charter or internal documents of the Company should require approval of any major transaction prior to execution thereof  | <b>Not comply</b><br>The Charter and internal documents of the Company do not contain aforementioned requirements   |
| 53.                                  | It should be obligatory for the Company to hire an independent appraiser to assess the market value of property, which is the subject of a major transaction  | <b>Complies</b>   |
| 54.                                  | The Charter of the Company should prohibit any actions during the process of acquisition of large share stakes in the Company (takeover), which aim to protect the interests of executive bodies (members thereof) and members of the Board of Directors, and should also prohibit any actions that tend to worsen the situation of shareholders. In particular, the board of directors should not be allowed to issue any additional stocks, securities convertible into stocks, or to purchase stocks or securities granting the right to purchase stocks of the Company, until the proposed final date for acquisition of stocks or securities, even if the right to take such a decision is granted to the Board by the Charter | <b>Not comply</b><br>The Charter of the Company does not contain aforementioned prohibitions  |
| 55.                                  | The Charter of the Company should require an independent appraiser to be hired for assessment of the current market value of stocks and possible changes in their market value that may result from any merger  | <b>Not comply</b><br>The Charter of the Company does not contain aforementioned requirements  |
| 56.                                  | The Charter of the Company should not exempt the purchaser from the obligation to make an offer to shareholders to purchase ordinary stocks of the company held by them (and securities convertible into ordinary stocks) in the case of a share purchase or merger   | <b>Complies</b>   |
| 57.                                  | The Charter or internal documents of the Company should include a requirement to engage an independent appraiser to determine the conversion rate of stocks in case of reorganization   | <b>Not comply</b><br>The Charter and internal documents of the Company do not contain aforementioned requirements   |

**Disclosure of information**

|     |  |   |
|-----|--|---|
| 58. | There should be an internal document approved by the Board of Directors that determines rules and approaches of the Company to disclosure of information (a regulation on information policy)  | <b>Complies</b><br>Regulations on Information Policy <sup>9</sup> approved by the Board of Directors on July29, 2011 (Minutes as of August1, 2011 No 129)   |
| 59. | Internal documents of the Company should require disclosure of information concerning the purpose of stock placements, persons intending to purchase the stocks, including large shareholdings, and information as to whether senior executive officers of the company will take part in acquisition of the stocks to be placed  | <b>Not comply</b><br>The Charter and internal documents of the Company do not contain aforementioned requirements   |
| 60. | Internal documents of the Company should contain a list of information, documents, and materials to be provided to shareholders for transaction of business included on the agenda of the General Meeting of Shareholders  | <b>Complies</b><br>The list of information, documents and materials to be provided to shareholders to address the issues submitted to the General Meeting of Shareholders are specified in Item 4. of the Regulations on preparing and holding the General Meeting of Shareholders, approved by the General Meeting of Shareholders on June28, 2013 |
| 61. | The Company should have a web site on the Internet and disclose information about itself on this site on a regular basis   | <b>Complies</b><br>Information to be disclosed on the Company's website is available at: <a href="http://www.rushydro.ru">www.rushydro.ru</a> and on page of Information AgencyInterfax <a href="http://www.e-disclosure.ru/portal/company.aspx?id=8580">http://www.e-disclosure.ru/portal/company.aspx?id=8580</a>                                 |
| 62. | Internal documents of the Company should require disclosure of information on transactions by the Company with persons who are, pursuant to the Charter, senior executive officers of the Company, as well as on transactions of the Company with organizations, in which senior executive officers of the Company directly or indirectly hold 20 or more percent of authorized capital or which can be otherwise significantly influenced by such persons | <b>Complies</b><br>Item 6.2. of the Corporate Governance Code (approved by the Board of Directors Minutes as of April2, 2010 No 94).  |
| 63. | Internal documents of the Company should require disclosure of information on all transactions, which may affect the market value of stocks of the Company   | <b>Complies</b><br>Disclosure is made in accordance with the legislation of the Russian Federation and the Regulations on Information Policy  |
| 64. | There should be an internal document approved by the Board of Directors related to use of significant information on the activities of the Company, stocks, and other securities of the Company and transactions therewith, if such information is not in the public domain and its disclosure may materially affect the market value of the Company's stocks and other securities   | <b>Complies</b><br>Regulations on Insider Information of JSC RusHydro approved by the Board of Directors on August10, 2012 (Minutes as of August10, 2012 No 158)  |

<sup>9</sup> Regulation on Information Policy is posted on website on the Internet at:

[www.rushydro.ru/file/main/global/investors/disclosure/documents/POLOZhENIE\\_OB\\_INFORMACzIONNOJ\\_POLITIKE.pdf](http://www.rushydro.ru/file/main/global/investors/disclosure/documents/POLOZhENIE_OB_INFORMACzIONNOJ_POLITIKE.pdf)

<sup>10</sup> Regulations on Insider Information is posted on website on the Internet at: [www.rushydro.ru/upload/iblock/fb1/prilozhenie--1-k-protokolu--158-ot-10.08.2012.pdf](http://www.rushydro.ru/upload/iblock/fb1/prilozhenie--1-k-protokolu--158-ot-10.08.2012.pdf)

| N   | Corporate Governance Code Standard   | Compliance / Non-Compliance   |
|---|--|---|
| <b>Control over financial and business activities</b> |  |   |
| 65  | There should be procedures, approved by the Board of Directors, for internal control over financial and business activities of the Company   | <b>Complies</b><br>Items 4.1.2., 6.2.6 of the Internal Control and Risk Management Policy approved by Board of Directors on December30, 2010 (Minutes as of December30, 2010 No 116).   |
| 66.   | There should be a special division of the Company (the internal control and audit service), which ensures that internal control procedures are complied with   | <b>Complies</b><br>The Company has established the Internal Audit Department  |
| 67.   | Internal documents of the Company should require the Board of directors to define the structure and content of the company's internal control and audit service  | <b>Complies</b><br>Regulations on the Internal Audit Department contains requirements for the structure and content of the Internal Audit Department  |
| 68.   | The internal control and audit service should not include any person who has been found guilty of any economic crime or crime against government, the interests of government or local authorities, or who has been subject to any administrative penalties for violations in the sphere of business and finance, taxation, or the securities market                     | <b>Complies</b><br>The Internal Audit Department does not include aforementioned persons  |
| 69.   | The internal control and audit service should not include any persons who serve on executive bodies of the Company or persons who are shareholders, the General Director (manager), members of management bodies, or employees of a legal entity, which is a competitor of the company   | <b>Complies</b><br>The Internal Audit Department does not include aforementioned persons  |
| 70.   | Internal documents of the Company should specify a time limit for presentation of documents and materials to the internal control and audit service for appraisal of any completed financial or business transaction, and should also specify liability of Company officers and employees for failure to present such documents and materials within the prescribed time | <b>Complies</b><br>Regulation of interaction of the Internal Control and Risk Management Service of JSC RusHydro with structural divisions of the Company based on results of appraisals of financial and business transaction of the branches, subsidiary and dependent companies of JSC RusHydro (Minutes as of September27, 2012 No 891) |
| 71.   | Internal documents of the Company should oblige the internal control and audit service to notify the Audit Committee of any violations that may be discovered and, if there is no such committee, to notify the Board of Directors   | <b>Complies</b><br>Regulation of interaction of the Audit Committee of the Board of Directors of JSC RusHydro with the Director for Internal Control and Risk Management of JSC RusHydro (Minutes as of March3, 2011 No 166)  |
| 72.   | The Charter of the Company should oblige the internal control and audit service to make a preliminary appraisal of advisedness of operations that were not foreseen in the financial and business plan of the Company (non-standard operations)  | <b>Not comply</b><br>The Charter of the Company does not contain aforementioned requirements  |
| 73.   | Internal documents of the Company should include a procedure for approval of any non-standard operation by the Board of Directors  | <b>Complies</b><br>Subject to Item 4.1 of the Standard of JSC RusHydro Business Planning System (approved by the Board of Directors, Minutes as of August18, 2008, No 75) provides for modification of the Company's business plan, which is implemented relying on the decision of the Board of Directors                                  |
| 74.   | There should be an internal document approved by the Board of Directors defining the procedure for audit of financial and business activities of the Company by the Internal Audit Commission  | <b>Complies</b><br>Item 7 of the Regulations on the Audit Commission <sup>11</sup> of the Company, approved by the General Meeting of Shareholders on April6, 2005  |

<sup>11</sup> Regulations on the Audit Committee of the Company is posted on website on the Internet at: [www.rushydro.ru/res/files/hydroogk/auditting\\_committee.pdf](http://www.rushydro.ru/res/files/hydroogk/auditting_committee.pdf)

| N                | Corporate Governance Code Standard  | Compliance / Non-Compliance   |
|------------------|---|---|
| 75.              | The Audit Committee should give an assessment of the auditor opinion prior to its presentation to shareholders at the General Meeting of Shareholders   | <p><b>Complies</b></p> <p>Subject to Item 3.1.1. of the Regulations on the Audit Committee the issue of giving assessment of the auditor opinion of the Company prior to its presentation to the General Meeting of Shareholders for approval (Minutes as of October 15, 2013 No 188) is within the competence of the Committee.</p>  |
| <b>Dividends</b> |   |   |
| 76.              | There should be an internal document approved by the Board of Directors, by which the Board of Directors is governed when making recommendations on the amount of dividends to be paid (Regulation on dividend policy)  | <p><b>Complies</b></p> <p>Regulations on Dividend Policy approved by the Board of Directors on October 5, 2009 (Minutes as of October 5, 2009 No 85), changes in Dividend Policy of the Company approved by the Board of Directors (Minutes No 156 as of June 25, 2012)</p>   |
| 77.              | The Regulation on dividend policy should include a procedure for determining a minimum share of net profit of the Company to be applied in payment of dividends, and should define the conditions, in which dividends on preference stocks, as prescribed in the Company Charter, are not paid or are paid only in part | <p><b>Complies</b></p> <p>Items 4.3, 5.1. of the Regulations on Dividend Policy of the Company</p>  |
| 78.              | Information on the dividend policy of the Company and changes to it should be published in a periodical, publication of which is prescribed by the Company Charter for publishing of announcements of the General Meetings of Shareholders, and should also be placed on the Company web site in the Internet           | <p><b>Partially complies</b></p> <p>Regulations on Dividend Policy of the Company is posted on website on the Internet at: <a href="http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_o_Dividendnoj_politike.pdf">www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_o_Dividendnoj_politike.pdf</a>;</p> <p>Changes in Dividend Policy of the Company is posted on website on the Internet at: <a href="http://www.rushydro.ru/upload/iblock/e08/izmeneniya-i-dopolneniya-v-dividendnuju-politiku-OAO-RusGidro.pdf">www.rushydro.ru/upload/iblock/e08/izmeneniya-i-dopolneniya-v-dividendnuju-politiku-OAO-RusGidro.pdf</a></p> <p>Regulations on Dividend Policy has not been published in periodicals</p> |

# Report on Large Transactions and Related Party Transactions in 2013

| №  | The list of transactions containing names of the Parties  | Number and date of Minutes of management body which approved the transaction   | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)   |
|----|---|--|--|--|
| 1. | <p>Contract for Elaboration of Design Documentation for comprehensive reconstruction of the Votkinskaya HPP</p> <p><b>Parties of the Contract:</b><br/>           Заказчик —<br/>           ОАО «РусГидро»<br/>           Подрядчик —<br/>           ОАО «Ленгидропроект»</p> | <p>Approved by the Board of Directors (Minutes as of June 19, 2013 No 183)</p> | <p><b>Subject of the Contract:</b><br/>           The Executor undertakes to elaborate design documentation for comprehensive reconstruction of the Votkinskaya HPP specified by the Customer's assignment, at its own risk and with the use of its own materials and to turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay for it.</p> <p><b>Price of the Contract:</b><br/>           RUR 433,199,999 and 92 kopecks, including VAT (18%) – RUR 66,081,355 and 92 kopecks.</p> <p><b>Validity term of the Contract:</b><br/>           from December 25, 2012 to October 30, 2016<br/>           The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete performance of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from December 25, 2012.</p>   | <p>Related party -Member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the CEO of JSC Lenhydroproject.<br/>           Dod E.V. does not vote.</p>  |
| 2. | <p>Contract for Lease of Immovable Property</p> <p><b>Parties of the Contract:</b><br/>           Lessor – JSC RusHydro<br/>           Leaseholder – JSC SO UES</p>   | <p>Approved by the Board of Directors (Minutes as of June 19, 2013 No 183)</p> | <p><b>Subject of the Contract:</b><br/>           The Lessor undertakes to furnish to the Leaseholder immovable property for charge in temporary possession and use, whereas the Leaseholder takes lease of a part of office premise No 1 located on the second floor of building «VOHR» at the address: Building No3, Moscow highway No2, Zhigulevsk, urban district Zhigulevsk, the Samara region.</p> <p><b>Price of the Contract:</b><br/>           The monthly lease is RUR 2,022 and 30 kopecks, including VAT (18%) – RUR 308 and 49 kopecks. The total lease payment for the entire lease term is RUR 22,245 and 30 kopecks, including VAT (18%) – RUR 3,393 and 39 kopecks.</p> <p><b>Validity term of the Contract:</b><br/>           The Contract is valid from the moment of signing it by the both Parties till September 30, 2013, and in terms of payment obligations till complete performance of obligations undertaken by the Parties<br/>           The Parties agreed that conditions of the Contract shall be applied to the relations between the Parties which have arisen from November 1, 2012.</p> | <p>Related parties – member of the Board of Directors of JSC RusHydro E.V. Dod, who is also member of the Board of Directors of JSC SO UES, as well as member of the Board of Directors of JSC RusHydro B.I. Ayuev, who is also Chairman of the Management Board and member of the Board of Directors JSC SO UES. Related party –the Russian Federation represented by the Federal Agency for State Property Management owing more than 20 percent of the companies' shares.<br/>           Dod E.V. and Ayuev B.I. do not vote.</p> |

| №  | The list of transactions containing names of the Parties  | Number and date of Minutes of management body which approved the transaction   | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)   |
|----|---|--|--|--|
| 3. | <p>Contract for Elaboration of Design Documentation for comprehensive project to reconstruct the Zeyskaya HPP with the integration of launched projects in the general reconstruction project</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro Executor – JSC Lenhydroproject.</p>  | <p>Approved by the Board of Directors (Minutes as of June 19, 2013 No 183)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to elaborate design documentation for comprehensive project to reconstruct the Zeyskaya HPP with the integration of launched projects in the general reconstruction project specified by the Customer's assignment, at its own risk, with the use of its own materials and turn it over to the Customer, whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 416,917,269 and 60 kopecks, including VAT (18%) – RUR 63,597,549 and 60 kopecks.</p> <p><b>Validity term of the Contract:</b><br/>The Executor shall perform the work under the contract within the period from October 4, 2012 till September 25, 2014.<br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete performance of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from October 4, 2012.</p>   | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the CEO of Lenhydroproject.<br/>Dod E.V. does not vote.</p>  |
| 4. | <p>Contract for Performance of Research and Development and Technological Works to enhance the reliability of radial-axial hydro-turbines by expanding the recommended areas of operation</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – the Federal State Budget Educational Institution of Higher Professional Education «National Research University «Moscow Power Engineering Institute»</p> | <p>Approved by the Board of Directors (Minutes as of June 19, 2013 No 183)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform research and development and technological works specified by the Customer's assignment to enhance the reliability of radial-axial hydro-turbines by expanding the recommended areas of operation: studies of the causes of excessive vibrations during operation of hydropower units of the Sayano-Shushenskaya HPP; operational life testing of mounting studs of hydropower units' covers of the Sayano-Shushenskaya HPP in accordance with Technical Specifications within the time limits provided for in the Contract and to turn the results over to the Customer whereas the Customer undertakes to accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 17,100,000 including VAT (18%) –RUR 2,608,474 and 58 kopecks.</p> <p><b>Validity term of the Contract:</b><br/>Turnaround time:<br/>Commencement Date – from May 13, 2013.<br/>Completion Date – not later than 17 months from the date of commencement.<br/>The Contract is valid till complete performance of obligations undertaken by the Parties. The Contract's conditions shall be applied to the actual relations between the Parties which have arisen before the conclusion of the Contract.</p> | <p>Related party - member of the Board of Directors of JSC RusHydro E.P. Volkov, who is also a member of the Board of Trustees of the Federal State Budget Educational Institution of Higher Professional Education «National Research University «Moscow Power Engineering Institute»<br/>Dod E.V. and Volkov E.P. do not vote.</p> |



| №  | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction     | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)                              |
|----|--|--|--|---|
| 5. | <p>Voluntary Group Accident and Illness Insurance Contract (including supplementary agreements thereto)</p> <p><b>Parties of the Contract:</b><br/> Insurant – JSC RusHydro;<br/> Insurer –JSC Insurance Company «Alliance».</p> | <p>Approved by the Board of Directors (Minutes as of August 30, 2013 No 186)</p> | <p><b>Subject of the Contract:</b><br/> The Insurer undertakes, upon the onset of events stipulated by the Contract, to make an insurance payment to the Insurant or to the beneficiary specified by the Contract, regardless of the amounts payable to them under other insurance contracts, as well as under compulsory social insurance, social security and by way of reimbursement for damages.</p> <p><b>Застрахованные лица:</b><br/> Insured employees included in the lists of the insured persons which are submitted by the Insurant to the Insurer.</p> <p><b>Beneficiaries:</b><br/> Insured person and other persons indicated by beneficiaries with the written consent of the insured person and in the event of death of the insured person their heirs eligible to receive the insurance indemnity upon the onset of insured event</p> <p><b>Object of insurance:</b><br/> The proprietary interests, not contradicting with the legislation of the Russian Federation which related to causing damage to the life or health of people.</p> <p><b>Insured event:</b><br/> Events of sudden, unforeseen and unintended nature for the insured person (insurance risks) stipulated by the Insurance Contract upon the onset of which there is an obligation of the Insurer to pay insurance indemnity to the insured person (beneficiary).</p> <p><b>Insurance risks:</b></p> <ul style="list-style-type: none"> <li>• death of an insured person due to an accident;</li> <li>• death of an insured person due to natural causes;</li> <li>• disability due to an accident (assessing I, II and III groups of disability);</li> <li>• disability due to natural causes (assessing I, II and III groups of disability);</li> <li>• temporary disability due to an accident in connection with injuries;</li> <li>• hospitalization due to an accident;</li> <li>• diagnosis of a critical disease or doing major surgical operations.</li> </ul> <p><b>Amount of insurance:</b><br/> Subject to Appendix 1 attached to Protocol.</p> <p><b>Marginal price of services of voluntary medical insurance:</b><br/> RUR 3,576,987 and 11 kopecks, VAT free.</p> <p><b>Validity term of the Voluntary Group Accident and Illness Insurance Contract:</b><br/> Start date of the Contract - January1, 2013,<br/> End date of the Contract - December31, 2013.</p> | <p>Related parties - members of the Management Board of the Company.<br/> Dod E.V. does not vote.</p> |



| №  | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction      | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)  |
|----|--|---|--|---|
| 6. | <p>Surety Contract for security for performance of obligations of JSC Far Eastern Generating Company</p> <p><b>Parties of the Contract:</b><br/> Creditor – JSC Bank VTB;<br/> Guarantor – JSC RusHydro;<br/> Beneficiary – JSC Far Eastern Generating Company (borrower).</p> | <p>Approved by the Board of Directors (Minutes as of October 15, 2013 No 188)</p> | <p><b>Subject of the Contract:</b><br/> The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Credit Agreement concluded between JSC Bank VTB and Joint Stock Company Far Eastern Generating Company;</p> <p><b>Basic conditions of the Credit Agreement:</b><br/> Maximum credit amount: RUR 4,500 000,000 and 00 kopecks;<br/> Credit period: 1,825 days after the date of the conclusion of the Credit Agreement;<br/> Credit interest: 8.39 percent per annum;<br/> Penalty for overdue principal debt– 1/365 of the interest rate for each day of violation of obligations;<br/> Penalty for overdue debt on accrued and left unpaid interest (charges) - 2/365 (366) of the interest rate for each day of violation of obligations.</p> <p><b>Price of the Contract:</b><br/> Price of assets which may be alienated under the Contract, is defined as the aggregate of the following secured obligations of JSC Far Eastern Generating Company under the Credit Agreement:<br/> Credit limit – RUR 4,500,000,000 and 00 kopecks;<br/> Credit period: 1,825 days from the date of the conclusion of the Credit Agreement<br/> Credit interest–<br/> not more than 8.39 percent per annum, based on the life of the credit:</p> <ul style="list-style-type: none"> <li>liability amount for violation of the conditions of the Credit Agreement.</li> </ul> <p>Price of assets which may be alienated under the Surety Contract shall not exceed RUR 15,075.57 million.<br/> Value of the transaction in monetary terms is RUR 6,387,750,000.</p> <p><b>Validity term of the Contract:</b><br/> The Contract shall come into force from the moment of signing it by the both Parties. Surety is granted for the period of 2,920 calendar days from the date of the conclusion of the Contract.</p> | <p>Related party – the Russian Federation (shareholder) represented by the Federal Agency for State Property Management simultaneously owing more than 20 percent of voting shares of JSC RusHydro and JSC Bank VTB.<br/> Dod E.V. does not vote.</p> |

| №  | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction       | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)  |
|----|--|--|--|---|
| 7. | <p>Surety Contract for security for performance of obligations of JSC RAO ES of the East</p> <p><b>Parties of the Contract:</b><br/> Creditor – European Investment Bank;<br/> Guarantor – JSC RusHydro;<br/> Beneficiary – JSC RAO ES of the East (Borrower).</p> | <p>Approved by the Board of Directors (Minutes as of November 30, 2012 No 168)</p> | <p><b>Subject of the Contract:</b><br/> The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Credit Agreement;<br/> Basic conditions of the Credit Agreement:<br/> Maximum credit amount: RUR 4,000,000,000 and 00 kopecks;<br/> Credit period: not exceeded 12 years after the date of the conclusion of the Credit Agreement;<br/> Maximum non-recurring fee paid when concluding the Credit Agreement is 1.5 percent of the credit amount;<br/> Credit interest: floating rate (MosPrime Rate 3m, posted by the National Currency Association on web site www.nva.ru) plus a margin of no more than 3.45 percent per annum;<br/> Commitment fee – not more than 0.5 percent per annum, charged to undrawn commitments.</p> <p><b>Price of the Contract:</b><br/> Price of assets which may be alienated under the Surety Contract, is defined as the aggregate of the following secured obligations of the Borrower under the Credit Agreement:</p> <p><b>Agreement:</b></p> <ul style="list-style-type: none"> <li>• credit limit – RUR 4,000,000,000 and 00 kopecks;</li> <li>• maximum non-recurring fee for granting a credit paid when concluding the Credit Agreement is 1.5 percent of the credit amount;</li> <li>• credit interest - amount of floating rate (MosPrime Rate 3m, posted by the National Currency Association on web site www.nva.ru) plus a margin of no more than 3.45 percent per annum;</li> <li>• liability amount for violation of the conditions of the Credit Agreement.</li> </ul> <p>Price of assets which may be alienated under the Surety Contract shall not exceed 2 percent of book value of assets of the Company based on the financial statements` data as of the last reporting date – September 30, 2012<br/> Value of the transaction in monetary terms is RUR 6,551,950,000.</p> <p><b>Validity term of the Contract:</b><br/> The Contract is valid till complete fulfillment of obligations secured by the Surety Contract</p> | <p>Related party - Chairman and member of the Board of Directors of JSC RusHydro E.V. Dod, who is also member of the Board of Directors of JSC RAO ES of the East – beneficiary under the transaction.<br/> Dod E.V. does not vote.</p> |

| №  | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction      | Description of the transaction (subject, price, validity of the contract)   | Related party (s) and the person (s), which is/are dependent director(s)  |
|----|--|---|---|---|
| 8. | <p>Contract for opening of non-revolving credit line</p> <p><b>Parties of the Contract:</b><br/> Creditor – JSC Sberbank of Russia;<br/> Borrower – JSC RusHydro.</p>  | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Contract:</b><br/> The Creditor undertakes to grant monetary means (credit) to the Borrower by opening credit line in the amount of not exceeding RUR 11,000,000,000 under the terms specified by the Contract, whereas the Borrower undertakes to return the received sum of money and pay interest on it at a rate of not more than 8.99 percent per annum within the period of validity of the Contract, as well as, in case of early repayment, to pay a fee for early repayment of the credit in the amount of not more than 1percent per annum of the credit amount which is early repaid (or portion thereof).</p> <p><b>Price of the Contract:</b><br/> Price of the Contract is defined as the aggregate of the following values:</p> <ul style="list-style-type: none"> <li>• credit limit received from the Bank under the Contract amounting to RUR 11 billion;</li> <li>• credit interest at a rate of not more than 8.99 percent per annum within the period of validity of the Contract.</li> </ul> <p>Price of assets which may be alienated under the Surety Contract shall not exceed 2 percent of book value of assets of the Company based on the financial statements` data as of the last reporting date - September30, 2013.<br/> Value of the transaction in monetary terms is RUR 15,336,135,819.07.</p> <p><b>Validity term of the Contract (granting credit):</b><br/> The Contract is valid for the period of not more than 5 years from the date of the conclusion of the Contract.</p> | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia.<br/> Dod E.V. and Bugrov A.E. do not vote.</p> |
| 9. | <p>Surety Contract for security for performance of obligations of JSC Kamchatskenergo</p> <p><b>Parties of the Contract:</b><br/> Bank – JSC Sberbank of Russia (Creditor);<br/> Guarantor –JSC RusHydro;<br/> Beneficiary – JSC Kamchat-skenergo (Borrower)</p> | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Contract:</b><br/> The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Contract for opening of credit line concluded between JSC Kamchatskenergo and JSC Sberbank of Russia.</p> <p><b>Price of the Contract:</b><br/> RUR 2,792,870,684.93.</p> <p><b>Validity term of the Contract:</b><br/> The Contract is valid not more than 8 years from the date of the conclusion of the Contract for opening of credit line.</p>  | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia<br/> Dod E.V. and Bugrov A.E. do not vote.</p>  |

| №   | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction      | Description of the transaction (subject, price, validity of the contract)   | Related party (s) and the person (s), which is/are dependent director(s)  |
|-----|--|---|---|---|
| 10. | <p>Surety Contract for security for performance of obligations of JSC Kamchatskenergo</p> <p><b>Parties of the Contract:</b><br/> Bank – JSC Sberbank of Russia (Creditor);<br/> Guarantor – JSC RusHydro;<br/> Beneficiary – JSC Kamchat-skenergo (Borrower).</p> | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Contract:</b><br/> The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Contract for opening of credit line concluded between JSC Kamchatskenergo and JSC Sberbank of Russia.</p> <p><b>Price of the Contract:</b><br/> RUR 2,757,743,633.56.</p> <p><b>Validity of the Contract:</b><br/> The Contract is valid not more than 8 years from the date of signing the Contract for opening of credit line.</p>   | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia Dod E.V. and Bugrov A.E. do not vote.</p> |
| 11. | <p>Surety Contract for security of performance of obligations of JSC Sakhalinenergo</p> <p><b>Parties of the Contract:</b><br/> Bank – JSC Sberbank of Russia (Creditor);<br/> Guarantor – JSC RusHydro;<br/> Beneficiary – JSC Sakhalinenergo (Borrower).</p>     | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Contract:</b><br/> The Guarantor undertakes to guarantee the performance of obligations of the Borrower to the Creditor under the Contract for opening of credit line concluded between JSC Sakhalinenergo and JSC Sberbank of Russia.</p> <p><b>Price of the Contract:</b><br/> Price of the Contract is defined as the aggregate of the following secured obligations of the Borrower under the contract on opening the credit line :</p> <ul style="list-style-type: none"> <li>• credit limit received from the Bank under the Contract for opening of credit line amounting to RUR 1,000,000,000 and 00 kopecks;</li> <li>• credit interest at a rate of not more than 8.99 percent per annum within the period of validity of the Contract.</li> </ul> <p>Price of assets which may be alienated under the Surety Contract shall not exceed 2 percent of book value of assets of the Company based on the financial statements` data as of the last reporting date – September 30, 2013.<br/> Value of the transaction in monetary terms is RUR 907,611,828.77</p> <p><b>Validity term of the Contract:</b><br/> The Contract is valid not more than 8 years from the date of the conclusion of the Contract for opening of credit line.</p> | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia Dod E.V. and Bugrov A.E. do not vote.</p> |

| №   | The list of transactions containing names of the Parties   | Number and date of Minutes of management body which approved the transaction      | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)  |
|-----|--|---|--|---|
| 12. | <p>Credit Agreement</p> <p><b>Parties of the Agreement:</b><br/> Creditor – the European Bank for Reconstruction and Development;<br/> Borrower – JSC RusHydro</p> | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Contract:</b><br/> The Creditor undertakes to grant monetary means to the Borrower in the amount of not more than RUR 4,400,000,000 and 00 kopecks under the terms specified by the Credit Agreement whereas the Borrower undertakes to return the received sum of money and pay interest on it;</p> <p><b>Basic conditions of the Credit Agreement:</b><br/> Credit limit: RUR 4,400,000,000 and 00 kopecks;<br/> Credit period: not exceeded 12 years from the date of signing the Credit Agreement;<br/> Maximum non-recurring fee for granting a credit paid when concluding the Credit Agreement is 1.5 percent of the credit amount;<br/> Credit interest: amount of floating rate (MosPrime Rate 3m, posted by the National Currency Association on web site <a href="http://www.nva.ru">www.nva.ru</a>) plus a margin of no more than 3.45 percent per annum.<br/> Commitment fee – not more than 0.5 percent per annum, charged to undrawn commitments.<br/> Early repayment fee – not more than 1 percent of early repaid portion of credit.</p> <p><b>Price of the Agreement:</b><br/> Price of assets which may be alienated under the Surety Contract, is defined as the aggregate of the following obligations of the Borrower under the Credit Agreement:</p> <ul style="list-style-type: none"> <li>• credit limit – RUR 4,400,000,000 and 00 kopecks;</li> <li>• maximum non-recurring fee for granting a credit paid when concluding the Credit Agreement is 1.5 percent of the credit amount;</li> <li>• credit interest- amount of floating rate (MosPrime Rate 3m, posted by the National Currency Association on web site <a href="http://www.nva.ru">www.nva.ru</a>) plus a margin of no more than 3.45 percent per annum.</li> </ul> <p>Price of assets which may be alienated under the Credit Agreement shall not exceed 2 percent of book value of assets of the Company based on the financial statements` data as of the last reporting date - September30, 2013.<br/> Value of the transaction in monetary terms is RUR 7,333,473,972 and 60 kopecks.</p> <p><b>Validity term of the Agreement:</b><br/> The Credit Agreement is valid not more than 12 years from the date of the conclusion of the Agreement.</p> | <p>Related party - Member of the Board of Directors of JSC RusHydro D.S. Morozov, who is also the Executive Director representing the Russian Federation, Belarus and Tajikistan, Representative of the Russian Federation in the Board of Directors of the European Bank for Reconstruction and Development.<br/> Morozov D.S. and Dod E.V. do not vote.</p> |

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|-----|--|---|---|--|
| 13. | <p>Trust Agreement</p> <p><b>Parties of the Agreement:</b><br/> Seller of Trust – JSC RusHydro;<br/> Trust Administrator – JSC RAO ES of the East.</p> | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Agreement:</b><br/> The Seller of Trust shall transfer all rights which are certified by all shares purchased or to be acquired later of CJSC Blagoveschenskaya CHP, CJSC Sakhalinskaya SDPP-2, CJSC Yakutskaya SDPP - 2, CJSC CHP in Sovetskaya Gavan (hereinafter jointly referred to – companies) except for the right to receive dividends (shares) whereas the Trust Administrator undertakes to administer shares transferred in trust in the interests of the seller of trust and for remuneration within the period of validity of the Agreement.</p> <p>Number of shares which shall be transferred in trust within 10 working days from the date of the conclusion of the Agreement, provided that the Trust Administrator opened its account:</p> <ul style="list-style-type: none"> <li>• CJSC Blagoveschenskaya CHP - 500 000 shares;</li> <li>• CJSC Sakhalinskaya SDPP-2 -500 000 shares;</li> <li>• CJSC Yakutskaya SDPP – 2 - 500 000 shares;</li> <li>• CJSC CHP in Sovetskaya Gavan - 500 000 shares.</li> </ul> <p>The Seller of Trust shall transfer shares acquired within the additional issues of shares of the companies in trust to the Trust Administrator:</p> <ul style="list-style-type: none"> <li>• CJSC Blagoveschenskaya CHP - not more than 6,301,000,000 shares;</li> <li>• CJSC Sakhalinskaya SDPP-2 – not more than 12,995,000,000 shares;</li> <li>• CJSC Yakutskaya SDPP – not more than 16,861,000,000 shares;</li> <li>• CJSC CHP in Sovetskaya Gavan – not more than 13,843, 000,000 shares.</li> </ul> <p><b>Price of the Agreement:</b><br/> Remuneration of the Trust Administrator for administering companies` shares transferred in trust within the period of validity of the Agreement shall not exceed RUR 72,000 (including VAT), but not more than RUR 3,000 per quarter (including VAT).</p> <p><b>Validity term of the Agreement:</b><br/> Three years.</p> <p>The Agreement is automatically renewed for another three-year period, if the Trust Administrator fails to send notice of non-renewal to the Seller of Trust not later than 3 months before the date of its expiry or the Seller of Trust fails to send notice of non-renewal to the Trust Administrator not less than 1 month before the date of the expiration of the Agreement.</p> | <p>Related party - member of the Board of Directors of JSC RusHydro E.V. Dod, who is also a member of the Board of Directors of JSC RAO ES of the East.<br/> Dod E.V. does not vote.</p> |

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|-----|--|--|---|---|
| 14. | <p>Voluntary Health Insurance Contract</p> <p><b>Parties of The Contract:</b><br/> Insurant – JSC RusHydro;<br/> Insurer – JSC Insurance Company «Alliance».</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/> Based on the Rules of the voluntary health insurance The Insurer undertakes for the charge stipulated by the Contract (insurance premium) which is paid by the Insurant upon the onset of an insured event to perform the organization of and payment for medical services for the persons covered by the voluntary health insurance program (hereinafter – the VHI services).</p> <p><b>Insured persons (beneficiaries):</b><br/> The Insurant employees, including members of the collegial executive body and its chairman and other persons included in the lists of insured persons, which were submitted by the Insurant to the Insurer.</p> <p><b>Insurance object:</b><br/> The proprietary interests of insured persons related to the medical, transportation and other assistance costs upon the onset of an insured event.</p> <p><b>Insured event:</b><br/> The application of Insured person during the term of insurance to health care facility to get medical (treatment, diagnostic, counseling, rehabilitation and restorative, health-related, disease –prevention including immunoprophylaxis and others inter alia home and social care) assistance under the terms of the Insurance Contract and insurance program that results in creation of the Insurer's obligations to pay medical and other services.</p> <p>Insured sum:</p> <ul style="list-style-type: none"> <li>• risk of costs related to outpatient care– RUR 2,250,000;</li> <li>• risk of costs related to in-patient care – RUR 4,500,000;</li> <li>• risk of costs related to emergency first response– RUR 600,000;</li> <li>• risk of costs for medical care and medical transportation care abroad, across Russia and CIS countries outside the 100 km zone of permanent residence – USD 100,000 in RUR terms, but not less than RUR 3 million.</li> </ul> <p><b>Price of the Contract:</b><br/> RUR 45,363,329.85, VAT free.</p> <p>Validity term of the Voluntary Health Insurance Contract:<br/> Start date of the Contract - January1, 2014,<br/> End date of the Contract - December31, 2014.</p> | <p>Related parties - members of the Management Board who are insured persons (beneficiaries under the Contract).<br/> Dod E.V. does not vote.</p> |

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|-----|--|--|---|---|
| 15. | <p>Voluntary Group Accident and Illness Insurance Contract</p> <p><b>Parties of the Contract:</b><br/> Insurant – JSC RusHydro;<br/> Insurer – JSC Insurance Company «Alliance».</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/> The Insurer undertakes, upon the onset of events stipulated by the Contract, to make an insurance payment to the Insurant or to the beneficiary stipulated by the Contract, regardless of the amounts payable to them under other insurance contracts, as well as under compulsory social insurance, social security and by way of reimbursement for damages.</p> <p><b>Insured persons:</b><br/> The Insurant employees, including members of the collegial executive body and its chairman and other persons included in the lists of insured persons, which were submitted by the Insurant to the Insurer.</p> <p><b>Beneficiaries:</b><br/> Insured person and other persons indicated by beneficiaries with the written consent of the insured person and in the event of death of the insured person their heirs eligible to receive the insurance indemnity upon the onset of insured event.</p> <p><b>Object of insurance:</b><br/> The proprietary interests, not contradicting with the legislation of the Russian Federation which related to causing damage to the life or health of people.</p> <p><b>Insured event:</b><br/> Events of sudden, unforeseen and unintended nature for the insured person (insurance risks) stipulated by the Insurance Contract upon the onset of which there is an obligation of the Insurer to pay insurance indemnity to the insured person (beneficiary).</p> <p><b>Insurance risks:</b></p> <ul style="list-style-type: none"> <li>• death of an insured person due to an accident;</li> <li>• death of an insured person due to natural causes;</li> <li>• disability due to an accident (assessing I, II and III groups of disability);</li> <li>• disability due to natural causes (assessing I, II and III groups of disability);</li> <li>• temporary disability due to an accident in connection with injuries;</li> <li>• hospitalization due to an accident;</li> <li>• diagnosis of a critical disease or doing major surgical operations</li> </ul> <p><b>Insured sum:</b><br/> Subject to Appendix 2 attached to Protocol.</p> <p><b>Price of the Contract:</b><br/> RUR 3,220,387.23, VAT free.<br/> Validity term of the Voluntary Group Accident and Illness Insurance Contract:<br/> Start date of the Contract – January 1, 2014,<br/> End date of the Contract – December 31, 2014.</p> | <p>Related party - members of the Management Board who are insured persons (beneficiaries under the Contract).<br/> Dod E.V. does not vote.</p> |



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|-----|---|--|--|---|
| 16. | Contract for the Performance of Research and Development and Technological Works<br><br><b>Parties:</b><br>Customer – JSC RusHydro;<br>Executor – JSC Lenhydroproject | Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)  | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform research and development and technological works specified by the Customer's assignment to develop and test an asynchronous generator prototype with variable frequency drive of HPP and PSPP. Stage 1. Adapting the structure of existing and under construction PSPP of JSC RusHydro for technology of asynchronous motor-generators (AMG) in accordance with the Technical assignment and terms specified by the Contract and take it over to the Customer whereas the Customer undertakes to accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>Up to a maximum of RUR 135,328,421 and 16 kopecks, including VAT 18% - RUR 20,643,318 and 48 kopecks</p> <p><b>Turnaround time:</b><br/>Commencement date - November 11, 2013,<br/>Completion date - not later than 18 months from the commencement date.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from November 11, 2013.</p> | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of JSC Lenhydroproject.</p> <p>Dod E.V. does not vote.</p> |
| 17. | Supplementary agreement No 2 to the Contract dated June1 2011 No CШ-313-2011<br><br><b>Parties:</b><br>Customer – JSC Rushydro;<br>Executor – JSC Lenhydroproject.    | Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)  | <p><b>Subject of the Supplementary agreement:</b><br/>The Executor undertakes to develop comprehensive reconstruction project for the Main-insky waterworks facility of JSC RusHydro branch - the Sayano-Shushenskaya HPP named after P.S. Neporozhny specified by the Customer's assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Supplementary agreement:</b><br/>RUR 302,227,358 and 77 kopecks, including VAT (18%) – RUR 46,102,478 and 46 kopecks.</p> <p><b>Turnaround time:</b><br/>Commencement date - June 1, 2011;<br/>Completion date – December 18, 2013.</p>  | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject.</p> <p>Dod E.V. does not vote.</p>     |

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|-----|---|--|--|--|
| 18. | <p>Contract</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – JSC Lenhydroproject.</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform pre-project study and develop a project for the creation of automatic seismological network for objects of the Dagestan branch: the Irganayskaya HPP, the Miatlinskaya HPP, the Gergebilszkaya HPP, the Gunibskaya HPP, the Chiryurtzkaya HPP-1, the Chiryurtzkaya HPP-2, the Gelbakh-skaya HPP specified by the Customer`s assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 7,669,998 and 82 kopecks, including VAT (18%) – RUR 1,169,999 and 82 kopecks.</p> <p><b>Turnaround time:</b><br/>Commencement date - December 20, 2013;<br/>Completion date – June 30, 2014.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from December 20, 2013.</p> | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject. Dod E.V. does not vote.</p> |
| 19. | <p>Contract</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – JSC Lenhydroproject.</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform pre-project study and develop a project for the replacement of repair deep spillway gates for emergency repair ones with the reconstruction of lifting mechanisms and introduction of automatic control system of water level in the reservoir of the Gunibskaya HPP specified by the Customer`s assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 3,538,742 and 12 kopecks, including VAT (18%) – RUR 539,808 and 12 kopecks.</p> <p><b>Turnaround time:</b><br/>Commencement date - from September 18, 2013;<br/>Completion date – till April 30, 2014.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from September 18, 2013.</p>                 | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject. Dod E.V. does not vote.</p> |

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|-----|---|--|--|--|
| 20. | <p>Contract</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – JSC Lenhydroproject.</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to develop a project for the reconstruction of set floor of intake chamber to protect from rock falls and mudflows at the Irganayskaya HPP specified by the Customer's assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 11,771,338 and 47 kopecks, including VAT (18%) – RUR 1,795,627 and 90 kopecks.</p> <p><b>Turnaround time:</b><br/>Commencement date - from December 20, 2013;<br/>Completion date – till July 31, 2014.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from December 20, 2013.</p>                                  | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject. Dod E.V. does not vote.</p> |
| 21. | <p>Contract</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – JSC Lenhydroproject.</p> | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform pre-project study and develop a project for the creation of automatic seismological network of the Gunibskaya HPP, the Gergebilsкая HPP and the Miatlinskaya HPP, specified by the Customer's assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 7,080,000 and 00 kopecks, including VAT (18%) – RUR 1,080,000 and 00 kopecks.</p> <p><b>Turnaround time:</b><br/>Commencement date - from December 20, 2013;<br/>Completion date – till June 31, 2014.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from December 20, 2013.</p> | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject. Dod E.V. does not vote.</p> |

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|-----|--|--|--|---|
| 22. | <p>Contract</p> <p><b>Parties of the Contract:</b><br/>Customer – JSC RusHydro;<br/>Executor – JSC Lenhydroproject</p>                               | <p>Approved by the Board of Directors (Minutes as of December 17, 2013 No 192)</p> | <p><b>Subject of the Contract:</b><br/>The Executor undertakes to perform pre-project study and develop a project for the creation of drainage barriers and piezometric network in the foundation and landfall of the dam of the Gergebilskaya HPP specified by the Customer's assignment, at its own risk, with the use of its own materials, equipment and tools and turn it over to the Customer whereas the Customer undertakes to create all conditions specified by the Contract to perform the work and accept the results of this work and pay the contract price for it.</p> <p><b>Price of the Contract:</b><br/>RUR 1,769,641 and 28 kopecks, including VAT (18%) – RUR, 269,945 and 28 kopecks.<br/>Turnaround time:<br/>Commencement date - from September 17, 2013;<br/>Completion date – till December 25, 2013.</p> <p><b>Validity term of the Contract:</b><br/>The Contract shall come into force from the moment of signing it by the both Parties and be valid till complete fulfillment of obligations undertaken by the Parties. Conditions of the Contract shall be applied to the relations between the Parties which have arisen from September 17, 2013.</p> | <p>Related party - member of the Management Board of JSC RusHydro Voskresensky S.M., who was also the General Director of Lenhydroproject. Dod E.V. does not vote.</p>  |
| 23. | <p>JSC RusHydro's additional contribution to the authorized capital of VolgaHydro LLC</p> <p><b>Parties:</b><br/>JSC RusHydro<br/>VolgaHydro LLC</p> | <p>Approved by the Board of Directors (Minutes as of November 13, 2013 No 189)</p> | <p><b>Subject:</b><br/>JSC RusHydro shall make an additional contribution to the authorized capital of VolgaHydro LLC as part of its increase.</p> <p><b>Price:</b><br/>The amount of additional contribution which increases the nominal value of the share of JSC RusHydro is RUR45 million.</p> <p><b>Form of the additional contribution:</b><br/>Money</p> <p><b>Term of the additional contribution:</b><br/>The additional contribution should be made within two months from the date of the decision of the General Meeting of Shareholders of LLC VolgaHydro to increase the authorized capital by making additional contributions by shareholders of the Company.</p>   | <p>Related parties - Deputy Chairman of the Management Board of JSC RusHydro M.A. Mantrov and member of the Management Board of JSC RusHydro B.B. Bogush, who are also members of the Board of Directors of LLC VolgaHydro. Dod E.V. does not vote.</p> |

| №   | The list of transactions containing names of the Parties  | Number and date of Minutes of management body which approved the transaction      | Description of the transaction (subject, price, validity of the contract)  | Related party (s) and the person (s), which is/are dependent director(s)   |
|---|---|---|--|--|
| 24.   | <p>Bank Deposit Contracts / Agreements (73 transactions)</p> <p><b>Parties:</b><br/>Bank – JSC Sberbank of Russia;<br/>Client – JSC RusHydro.</p>   | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject:</b><br/>The Bank receives the monetary sum in Russian rubles or in foreign currency (deposit) from the Client, and undertakes to return the amount of the deposit and accrue and pay interest on it.<br/>Price of all concluded contracts:<br/>RUR 1,117,538,988 and 03 kopecks</p> <p><b>Deposit period:</b><br/>Not more than one year from the date of making each deposit.</p>              | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia.<br/>Dod E.V. and Bugrov A.E. do not vote.</p> |
| 25.   | <p>Contracts / Agreements for maintaining minimum balance of monetary funds on account (47 transactions)</p> <p><b>Parties:</b><br/>Bank – JSC Sberbank of Russia;<br/>Client – JSC RusHydro.</p>                         | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject:</b><br/>The Bank undertakes to maintain minimum balance of monetary funds on account as well as accrue and pay interest on it.</p> <p><b>Price of all concluded contracts:</b><br/>RUR 19,012,645 and 46 kopecks.<br/>Term of maintaining minimum balance on account (accounts):<br/>Not more than 30 days from the date of each placement to minimum balance of monetary funds on account.</p> | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia.<br/>Dod E.V. and Bugrov A.E. do not vote.</p> |
| 26.   | <p>Supplementary Agreement to the Contract for the provision of information to monitor transactions on accounts of third parties</p> <p><b>Parties:</b><br/>Bank – JSC Sberbank of Russia;<br/>Client – JSC RusHydro.</p> | <p>Approved by the Board of Directors (Minutes as of December 5, 2013 No 191)</p> | <p><b>Subject of the Supplementary Agreement:</b><br/>Adding the list of holders of accounts which have been opened in JSC Sberbank of Russia, JSC RusHydro provided information on.<br/>Price of the Supplementary Agreement:<br/>Not applicable</p>  | <p>Related party - member of the Board of Directors of JSC RusHydro A.E. Bugrov who is a close relative of a member of the Management Board of JSC Sberbank of Russia.<br/>Dod E.V. and Bugrov A.E. do not vote.</p> |
| In 2013, the Company did not make large transactions. |   |   |  |  |

# List of RusHydro's Internal Documents

JSC RusHydro's corporate governance principles and procedures are set forth in the Company's Articles of Association and other internal regulatory documents:

- The Articles of Association approved by the General Meeting of Shareholders of JSC RusHydro (Minutes No. 11 from June 28<sup>th</sup>, 2013);
- JSC RusHydro's Code of Corporate Governance approved by the Board of Directors of JSC RusHydro (Minutes No. 94 from April 2<sup>nd</sup>, 2010);
- Corporate Code of Ethics approved by the Board of Directors of JSC RusHydro (Minutes No. 152 from May 21, 2012);
- Regulations on the Procedure for Convening and Holding the General Meeting of Shareholders approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 11 from June 28<sup>th</sup>, 2013);
- Regulations on Procedures for Convening and Holding Meetings of the Board of Directors approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 7 from July 4<sup>th</sup>, 2011);
- Regulations on the Audit Commission of the Board of Directors of JSC RusHydro (Minutes No. 188, October 15<sup>th</sup>, 2013);
- Regulations on the HR and Remuneration Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, October 15<sup>th</sup>, 2013);
- Regulations on the Strategy Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, October 15<sup>th</sup>, 2013);
- Regulations on the Investment Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, October 15<sup>th</sup>, 2013);
- Regulations on the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 188, October 15<sup>th</sup>, 2013);
- Regulations of the Management Board approved by a resolution of the Annual General Meeting of Shareholders of JSC RusHydro (Minutes No. 1 from June 26<sup>th</sup>, 2008);
- Regulations on the Audit Commission approved by the decision of the Management Board of RAO UES of Russia (acting as a general meeting of members) (extract from the Protocol No. 1187pr/3 dated 6 April 2005);
- Regulations on the Internal Audit and Risk Management Department approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 116 from December 30<sup>th</sup>, 2010);
- Regulations on the Internal Audit approved by an order of the Chairman of the Management Board of JSC RusHydro (Order No. 751 from August 12<sup>th</sup>, 2013);
- Regulations on the Internal Audit and Risk Management Department approved by an order of JSC RusHydro (No. 209 from March 16<sup>th</sup>, 2011);
- Regulations on Remuneration and Compensation to Members of the Board of Directors approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 5 from June 30<sup>th</sup>, 2010);
- Regulations on Remuneration and Compensation to Members of the Audit Commission approved by a resolution of the General Meeting of Shareholders of JSC RusHydro (Minutes No. 1 from June 26<sup>th</sup>, 2008);
- Regulations on Dividend Policy approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 85 from October 5<sup>th</sup>, 2009);
- Regulations on the Information Policy of JSC RusHydro approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 129 from August 1<sup>st</sup>, 2011);
- Regulations on Insider Information for JSC RusHydro approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 158 from August 10<sup>th</sup>, 2012); and
- Procedure for Interaction between JSC RusHydro and Entities with RusHydro Participation approved by a resolution of the Board of Directors of JSC RusHydro (Minutes No. 106 from September 1<sup>st</sup>, 2010).

Please visit the Company's web site at [www.rushydro.ru/corporate/regulations\\_and\\_docs/](http://www.rushydro.ru/corporate/regulations_and_docs/) to review the full text of the above-mentioned documents.

# Report on all Forms of the Company's Participation in Commercial Organizations

| Name of the company  | Purpose of participation  | Form of participation                                  | Financial parameters of participation |   | Revenue, RUR thousand | Net profit, RUR thousand | Dividend amount received by JSC RusHydro in 2013, RUR | Major activities   |
|--|---|--|---------------------------------------|---|-----------------------|--------------------------|---|--|
|  |   |  | Nominal value of contribution, RUR.   | JSC RusHydro`s stake in authorized capital, % |                       |                          |   |  |
| Information on organizations which are a part of the holding structure                               |   |  |                                       |   |                       |                          |   |  |
| CJSC Technopark Rumyantsevo  | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 10.00                                 | 0.000005                                      | 7,937                 | (14,802)                 |   | Construction and installation operations   |
| JSC Irkutskenergo *  | Strategic and financial investments                                   | Participation in the authorized capital of the company | 4,297,368.00                          | 0.09  |                       |                          | 324,377.74  | Electricity production   |
| LLC Index of Energetiki - HydroWGC   | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 10,000 000.00                         | 0.11  | 21,100                | (5,382,814)              |   | Investment activities  |
| JSC Far Eastern Energy Company   | Strategic and financial investments                                   | Participation in the authorized capital of the company | 178,714,322.00                        | 1.04  | 62,003.554            | (703,817)                |   | Purchase and sale of electricity (power)   |
| JSC Krasnoyarsk HPP  | Strategic and financial investments                                   | Participation in the authorized capital of the company | 457,681.00                            | 0.12  | 15,569,375            | 3,068,248                |   | Electricity production   |
| JSC INTER RAO UES *  | Strategic and financial investments                                   | Participation in the authorized capital of the company | 5,701,572,103.00                      | 1.94  |                       |                          |   | Diversified holding company, which includes generation and sale of electricity on the domestic and foreign markets |
| Information on economic entities with the Company`s stake (2% - 20%) in their authorized capitals    |   |  |                                       |   |                       |                          |   |  |
| JSC Boguchanskaya HPP  | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 163,578,869.00                        | 2.89  | 4,286,821             | (233,718)                |   | Production of electricity  |
| LLC IT Energy Service  | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 44,679,049.30                         | 19.99   | 633,207               | 48,615                   |   | Provision of information technology services   |
| Information on dependent companies with the Company`s stake (20% - 50%) in their authorized capitals |   |  |                                       |   |                       |                          |   |  |



| Name of the company  | Purpose of participation  | Form of participation                                  | Financial parameters of participation |   | Revenue, RUR thousand | Net profit, RUR thousand | Dividend amount received by JSC RusHydro in 2013, RUR | Major activities   |
|--|---|--|---------------------------------------|---|-----------------------|--------------------------|---|--|
|  |   |  | Nominal value of contribution, RUR.   | JSC RusHydro`s stake in authorized capital, % |                       |                          |   |  |
| JSC UEMC   |   | Participation in the authorized capital of the company | 31,000.00                             | 20.67   | 0                     | 13,484                   |   | Under liquidation  |
| JSC Zharki*  |   | Participation in the authorized capital of the company | 6,095,900.00                          | 25 % plus 1 share                             |                       |                          |   | Provision of tourism and recreation services             |
| JSC Yakutskenergo  | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 2,769,811,893.00                      | 29.8  | 23,524,439            | 978,477                  |   | Production, transmission and distribution of electricity |
| JSC Sakhalin Energy Company                                      | Strategic and financial investments                                   | Participation in the authorized capital of the company | 3,507,568,000                         | 31.49   | 1,207                 | 98,854                   |   | Production of electricity                                |
| JSC MCC of power engineering                                     | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 138,490.00                            | 42.54   | 64,789                | 10,807                   | 189,476.25  | Information technology design and development operations |
| JSC Irkutsk Electric Grid Company                                | Strategic and financial investments                                   | Participation in the authorized capital of the company | 8,861,928,328                         | 42.75   | 15,450,477            | [94,330]                 | 26,339,130.83   | Transmission of electricity                              |
| JSC Verkhne-Mutnovskaya Pilot GeoPP                              | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 133,364,156.00                        | 48.04   | 40,911                | 189                      |   | Production of electricity                                |
| CJSC Customer of the Boguchanskaya HPP Construction              | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 4,900.00                              | 49  | 66,702                | 69                       |   | Construction of the Boguchanskaya HPP                    |
| CJSC Organizer of Construction of the Boguchansky Aluminum Plant | Development of a new type of business                                 | Participation in the authorized capital of the company | 4,900.00                              | 49  | 510,655               | 101                      |   | Construction of the Boguchansky Aluminum Plant           |
| RusSUNHydro Limited**  | Strategic and financial investments                                   | Participation in the authorized capital of the company | 2,223,000.00 euro                     | 50  | 0                     | [351,232] euro           |   | Investment activities                                    |
| JSC Upper Naryn HPPs   | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 50,000 som                            | 50  | 0                     | [16,033] (thousand som)  |   | Production of electricity                                |
| JSC Ust-Srednekanskaya HPP                                       | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 8,939,749,019                         | 50.04   | 144,293               | 1,420                    |   | Construction of the Ust-Srednekanskaya HPP               |



| Name of the company   | Purpose of participation  | Form of participation                                  | Financial parameters of participation |   | Revenue, RUR thousand | Net profit, RUR thousand | Dividend amount received by JSC RusHydro in 2013, RUR | Major activities  |
|---|---|--|---------------------------------------|---|-----------------------|--------------------------|---|---|
|   |   |  | Nominal value of contribution, RUR.   | JSC RusHydro's stake in authorized capital, % |                       |                          |   |   |
| LLC VolgaHydro  | Development of a new type of business                                 | Participation in the authorized capital of the company | 49,060,311                            | 50% plus 1 ruble                              | 0                     | 0                        |   | Manufacturing of hydraulic equipment                            |
| <b>Information on dependent companies with the Company's stake (50%+1 share to 100%) in their authorized capitals</b> |   |  |                                       |   |                       |                          |   |   |
| CJSC Organizer of Construction of the Boguchanskaya HPP   | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 5,100.00                              | 51  | 418,211               | 1,253                    | 615,136.50  | Construction of the Boguchanskaya HPP                           |
| CJSC Customer of the Boguchansky Aluminum Plant Construction  | Development of a new type of business                                 | Participation in the authorized capital of the company | 5,100.00                              | 51  | 72,158                | (397)                    |   | Construction of the Boguchansky Aluminum Plant                  |
| JSC ChirkeyGESstroy   | Provision of intermediary services for the Company's major activities | Participation in the authorized capital of the company | 249,690,071.50                        | 75.00   | 1,795,581             | (121,305)                |   | Construction operations   |
| JSC RAO Energy System of the East   | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 19,171,124,236..50                    | 84.39   | 1,102,676             | (7,595,036)              |   | Holding companies management                                    |
| JSC KamGEK  | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 1,187,917,534.00                      | 96.58   | 227,144               | 201                      | 207,654.64  | Production of electricity                                       |
| JSC Geoterm   | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 984,097,918                           | 99.65   | 789,714               | (238,700)                |   | Production of electricity                                       |
| JSC Zaramagskie HPPs  | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 2,621,352,000.00                      | 98.35   | 176,529               | (9,493)                  |   | Construction of the Zaramagskie HPPs, production of electricity |
| JSC Kolymaenergo  | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 12,063,052,613.00                     | 98.76   | 1,694,019             | 101,262                  |   | Production of electricity                                       |
| JSC Karachay-Cherkessia HGC   | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 6,582,581.00                          | 100   | 0                     | (3,812)                  |   | Construction of HGC   |
| HydroOGK Aluminium Company Limited**  | Financial investments   | Participation in the authorized capital of the company | 34,200.00 euro                        | 100   | 0                     | 70,580                   |   | Securities trading  |
| HydroOGK Power Company Limited**  | Financial investments   | Participation in the authorized capital of the company | 33,317,311.68 euro                    | 100   | 0                     | (1,767)                  |   | Securities trading  |
| CJSC HydroEngineering Siberia   | Ensuring of the development of the Company's major activities         | Participation in the authorized capital of the company | 300,000,000.00                        | 100   | 6,610                 | (89,589)                 | 17,076,266.71 (2007 dividends paid in 2013)           | Design and survey operations                                    |

| Name of the company                     | Purpose of participation  | Form of participation                                  | Financial parameters of participation |   | Revenue, RUR thousand | Net profit, RUR thousand | Dividend amount received by JSC RusHydro in 2013, RUR | Major activities  |
|---|---|--|---------------------------------------|---|-----------------------|--------------------------|---|---|
|   |   |  | Nominal value of contribution, RUR.   | JSC RusHydro`s stake in authorized capital, % |                       |                          |   |   |
| JSC VNIIG named after B.E. Vedeneyev    | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 8,160,200.00                          | 100   | 959,449               | 61,038                   | 50,991,000.00   | Research and development operations in the field of electric power industry   |
| JSC Hydroinvest                         | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 150,000.00                            | 100   | 464,894               | (5,080,548)              |   | Securities trading  |
| JSC Leningrad PSPP                      | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 1,555,385,075.00                      | 100   | 0                     | 64,553                   |   | Re-design of the pilot Severnaya tidal power plant operations, construction of the Leningrad PSPP, production of electricity. |
| JSC NIIES                               | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 4,179,224.00                          | 100   | 858,420               | 25,243                   | 22,329,000.00   | Research and development operations in the field of the electric power industry   |
| JSC MC HydroOGC                         | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 150,000.00                            | 100   | 408,547               | 16,840                   |   | Management company  |
| JSC ESCO UES                            | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 15,000,000.00                         | 100   | 6,314,863             | 1,047                    | 1,363,000.00  | Research and development operations in the field of the electric power industry   |
| JSC Nizhne-Bureiskaya HPP               | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 407,776,411.00                        | 100   | 28,922                | 2,930                    |   | Construction of the Nizhne-Bureiskaya HPP   |
| JSC Nizhne-Zeyskaya HPP                 | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 349,715,990.00                        | 100   | 0                     | 1,598                    |   | Construction of the Nizhne-Zeyskaya HPP   |
| JSC Zagorskaya PSPP-2                   | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 2,770,683,692.00                      | 100   | 67,582                | 18,244                   |   | Construction of the Zagorskaya PSPP-2   |
| JSC RusHydro SSHTK                      | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 18,057,693.00                         | 100   | 325,186               | 29,790                   | 10,695,000.00   | Provision of transportation services  |
| JSC Renewable Energy Engineering Center | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 150,000.00                            | 100   | 0                     | (5,100)                  |   | Construction of the pilot binary power generating unit  |
| JSC Southern-Yakutia`s GEK              | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 10,000,000.00                         | 100   | 0                     | 3,322                    |   | Construction of the Southern Yakutia`s hydropower complex   |
| JSC Sulak HydroCascade                  | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 8,961,493,852.00                      | 100   | 142,145               | (59,902)                 |   | Construction of the Sulak hydropower cascade  |
| JSC TZSO SSHHPP                         | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 482,153,947.00                        | 100   | 61,496                | (16,194)                 |   | Activities related to hotels and restaurants  |

| Name of the company                          | Purpose of participation  | Form of participation                                  | Financial parameters of participation |   | Revenue, RUR thousand | Net profit, RUR thousand | Dividend amount received by JSC RusHydro in 2013, RUR | Major activities  |
|--|---|--|---------------------------------------|---|-----------------------|--------------------------|---|---|
|  |   |  | Nominal value of contribution, RUR.   | JSC RusHydro`s stake in authorized capital, % |                       |                          |   |   |
| JSC Gidroremont-WCC                          | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 535,040.00                            | 100   | 4,946,517             | 159,759                  | 247,474,260.91  | Provision of repair services for the electric power industry`s facilities       |
| JSC ESC RusHydro                             | Provision of intermediary services for the Company`s major activities | Participation in the authorized capital of the company | 3,012,499,999.00                      | 100% plus 1 share                             | 2,564,255             | (380,342)                |   | Wholesale trading of electric and thermal power                                 |
| JSC Lenhydroproject                          | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 174,451.00                            | 100   | 1,480,192             | 126,282                  | 47,455,000.00   | Research and development operations in the field of the electric power industry |
| JSC Nizhne-Kureiskaya HPP                    | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 35,097,700.00                         | 100   | 0                     | 52                       |   | Construction of HPP   |
| JSC Far East Wind Power Plant                | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 500,000.00                            | 100   | 0                     | 106                      |   | Construction of WPP   |
| JSC Malaya Dmitrovka                         | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 3,800,000,000.00                      | 100   | 571,097               | (27,690)                 |   | Property management   |
| JSC SHPPs of Altai                           | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 500,000.00                            | 100   | 0                     | (10,563)                 |   | Construction of small HPPs of Altai   |
| JSC SHPPs of Dagestan                        | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 161,500,000.00                        | 100   | 2,257                 | (25,213)                 |   | Construction of small HPPs of Dagestan  |
| RusHydro International B.V.**                | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 5,800,000.00 euro                     | 100   | 0                     | (131) euro               |   | Investment activities   |
| LLC Hydroservice                             | Provision of intermediary services for the Company`s major activities | участие в уставном капитале общества                   | 500 000,00                            | 100   | 2 721                 |                          | 204   | оказание консалтинговых услуг   |
|  | Participation in the authorized capital of the company                | 500,000.00   | 100                                   | 2,721   | 204                   |                          | Provision of consulting services                      | строительство Верхнебалкарской малой ГЭС  |
| LLC Verkhnebalkarskaya SHPP                  | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 129,500,000.00                        | 100   | 0                     | (126,265)                |   | Construction of the Verkhnebalkarskaya small hydropower plant                   |
| LLC Fiagdonskaya SHPP                        | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 63,400,000.00                         | 100   | 0                     | (680)                    |   | Construction of the Fiagdonskaya small hydropower plant                         |
| LLC SHPPs of the Stavropol Territory and KCR | Ensuring of the development of the Company`s major activities         | Participation in the authorized capital of the company | 66,814,240.51                         | 100   | 0                     | 18                       |   | Construction of small HPPs of the Karachay-Cherkessia Republic                  |

| Name of the company                 | Purpose of participation                                      | Form of participation                                  | Financial parameters of participation     |   | Revenue,<br>RUR<br>thousand | Net profit,<br>RUR thousand | Dividend amount<br>received by<br>JSC RusHydro in<br>2013, RUR | Major activities           |
|-------------------------------------|---|--|---|---|-----------------------------|-----------------------------|--|----------------------------|
|                                     |   |  | Nominal value<br>of contribution,<br>RUR. | JSC RusHydro`s<br>stake in authorized<br>capital, % |                             |                             |  |                            |
| JSC Pavlodolskaya HPP               | Ensuring of the development of the Company`s major activities | Participation in the authorized capital of the company | 3,809,000.00                              | 100   | 9,815                       | 207                         |  | Production of electricity  |
| CJSC Blagoveshchensk CHP Plant      | Ensuring of the development of the Company`s major activities | Participation in the authorized capital of the company | 500,000.00                                | 100   | 0                           | 634                         |  | Construction of CHP plants |
| CJSC Sakhalin GRES-2                | Ensuring of the development of the Company`s major activities | Participation in the authorized capital of the company | 500,000,00                                | 100   | 0                           | (182)                       |  | Construction of GRES       |
| CJSC Yakutsk GRES-2»                | Ensuring of the development of the Company`s major activities | Participation in the authorized capital of the company | 500,000,00                                | 100   | 0                           | (713)                       |  | Construction of GRES       |
| CJSC "CHP Plant in Sovetskaya Gavan | Ensuring of the development of the Company`s major activities | Participation in the authorized capital of the company | 500,000,00                                | 100   | 0                           | (150)                       |  | Construction of CHP plants |
| CJSC "Holding Company BoAZ"         | Strategic and financial investments                           | Participation in the authorized capital of the company | 500,000.00                                | 100   | 0                           | 0                           |  | Investment activities      |
| CJSC "Holding Company BoGES         | Strategic and financial investments                           | Participation in the authorized capital of the company | 500,000.00                                | 100   | 0                           | 0                           |  | Investment activities      |

\* Information on revenue and net profit is not provided, as JSC Irkutskenergo, JSC INTER RAO UES, JSC Zharki are not a part of the RusHydro Group. The Company has no financial statements of the said companies.

\*\* The data are presented in accordance with IFRS.

# Information on all forms of the Company's Participation in Non-commercial Organizations

| Name of the company  | Year when the Company entered into the partnership | Annual member's contribution, RUR., unless otherwise stated | Scope of activities of the non-commercial organization  |
|--|--|---|---|
| NP Market Council (ATS)  | 2008   | 4,383,000   | Organizing sales of electricity in the wholesale electricity market   |
| NP Hydropower of Russia  | 2003   | 16,445,000  | Improving efficiency of hydropower facilities and the use of hydropower resources of Russia   |
| NP Corporate Educational and Scientific Center of the Unified Energy System" (KONTZ UES)           | 2008   | Termination of participation in NP has been initiated       | Facilitating acquisition of knowledge and improvement of business and professional skills of personnel involved in the electric power sector, as well as professionals involved in industries that ensure normal functioning of energy utilities (educational activities); development and improvement of personnel training system of the electric power industry                    |
| All-Russia Trade Association of Employers in the Power Industry (RaEI)                             | 2006   | 3,900,000   | Facilitating development of business in the power industry by representing and protecting interests of employers in the socio-labor, economic and other fields, in relations with trade unions, public and local authorities and development of a coordinated socially responsible policy of organizations - members of the Association   |
| International Hydropower Association   | 2006   | 30,000 GBP (RUR 1,397,935.33)                               | Maintaining and disseminating knowledge on the hydropower sector under the auspices of the International Hydrological Program of UNESCO   |
| All-Russia Association of Employers "Russian Union of Industrialists and Entrepreneurs" (OOR RSPP) | 2006   | 400,000   | Protecting members' common economic and social interests and legal rights that are essential for companies' sustainable development and the market economy as a whole   |
| Siberian Energy Association (SEA)  | 2008   | 420,000   | Ensuring the participation of its members in the processes of reforming the power industry and housing and utilities of the Russian Federation and taking into account their interests; creating conditions for effective development of the constituent entities' territories of the Russian Federation represented by members of the Association                                    |
| NP Council of Electric Power Veterans  | 2008   | 15,000,000  | Assisting Partnership members in carrying out activities aimed at providing comprehensive assistance to electric power veterans   |
| NP UES Scientific and Technical Council  | 2008   | 1,500,000   | Assisting Partnership members in forming scientific, technical and economic policy in the Unified Energy System of Russia   |
| Global Sustainable Electricity Partnership   | 2008   | USD 100,000<br>CAD 147,750<br>(RUR 8,000,133.39)            | Elaborating joint political platforms and implementing relevant initiatives both in domestic and international markets  |
| World Economic Forum   | 2008   | CHF 300,000 (RUR 9,981,143.42)                              | Improving global state of the world through assistance to the international community in addressing issues of economic development and social progress. To that end, the Forum promotes the development of partnerships between business, political, intellectual and other leaders of the international community to discuss and resolve cornerstones problems of global development |
| NP Energostroyalyans   | 2010   | 444,000   | Fostering an enabling environment for enterprises which carry out work in the field of construction, reconstruction, overhaul of capital construction facilities, and protection of the power industry from unfair foreign and domestic organizations and enterprises   |
| NP ASIN  | 2012   | 300,000   | The Partnership is a platform which promotes interests of JSC RusHydro and dialogue with public authorities on issues concerning the improvement of land and property legislation.  |
| NP Club of Directors for Science and Innovation  | 2013   | 300,000   | The Club is a communication platform for the community of professionals in the field of research, development and innovations   |

# Report on Changes in the RusHydro Group Structure in 2013

## Q1 2013

1. As part of placement of additional shares JSC RusHydro acquired shares of the following companies:
  - 2,478,568 ordinary shares of JSC Sakhalin Energy Company (the Company's stake in the authorized capital after the transaction - 34.73%, before the transaction - 12.44%);
  - 4,163,420,326 ordinary shares of JSC RAO Energy System of the East (the Company's stake in the authorized capital after the transaction - 74.91%, before the transaction - 65.75%);
  - 1,981,115,661 ordinary shares of JSC Irkutsk Electric Grid Company (the Company's stake in the authorized capital after the transaction - 42.53%, JSC RusHydro did not hold the company's shares before the transaction);
  - 2,649,171,000 ordinary shares of JSC Ust-Srednekanskaya HPP (the Company's stake in the authorized capital after the transaction - 50.04%, before the transaction - 35.21%).
2. Under sale and purchase agreement JSC Geoterm has acquired 11,631,886 ordinary shares in JSC OP Verkhne-Mutnovskaya GeoPP (the company's stake in the authorized capital after the transaction - 51.96%, before the transaction - 47.77%).
3. By accepting a mandatory offer LLC EZOP terminated participation in the following companies: JSC Barnaul Generation, JSC Barnaul CHP Plant-3, JSC Kemerovo Generation, JSC Krasnoyarsk CHP Plant-1, JSC Krasnoyarsk Heat Transport Company, JSC Kuznetsk CHP Plant, JSC Nazarovskaya GRES and JSC Novo-Kemerovo CHP Plant.
4. Registration of the report on the results of additional issue of JSC IDGC Holding on March 19, 2013 resulted in changes in stakes of LLC EZOP, LLC Energy Index HydroOGC and JSC Yakutskenergo.
5. JSC RusHydro acquired 8,959,580,464 ordinary shares of JSC Sulak HydroCascade as part of the additional issue of shares of the company (without change in stake and equals to 100% of the authorized capital).

## Q2 2013

1. As part of additional issues JSC RusHydro acquired shares of the following subsidiary companies (without change in stake and equals to 100% of the authorized capital):
  - 349,565,990 shares of JSC Nizhne-Zeyskaya HPP;
  - 34,597,700 shares of JSC Nizhne-Kureiskaya HPP;
  - 3,400,000,000 shares of JSC Malaya Dmitrovka.
2. Establishment of four subsidiary companies of JSC RusHydro (sole founder):
  - CJSC Blagoveschenskaya CHP Plant;
  - CJSC Sakhalinskaya GRES-2;
  - CJSC Yakutskaya GRES-2;
  - CJSC CHP Plant in Sovetskaya Gavan.
3. The Annual General Meetings of Shareholders of JSC Yakutskenergo, JSC Boguchanskaya HPP and JSC RAO Energy System of the East made the decisions not to pay dividends on preferred shares. As a result preferred shares of the said companies owned by JSC RusHydro have become voting shares.

4. As part of an increase in authorized capital of ALSTOM RUSHYDRO HOLDING B.V. on May 30, 2013 JSC ESC RusHydro acquired 6,000,000 shares in the authorized capital of the company. JSC ESC RusHydro stake has not changed and equals to 50% plus 1 share.

5. The authorized capital of LLC AlstomRusGidroEnerdzhi has been increased. Stake of ALSTOM RUSHYDRO HOLDING B.V. unchanged and equals to 100% of the authorized capital.

6. In connection with registration of additional issues of shares of JSC FGC UES and JSC OGK-2:

- stake of LLC EZOP in the authorized capitals of JSC FGC UES and JSC OGK-2 slightly decreased;
- stake of JSC ChirkeyGESstroy in the authorized capital of JSC FGC UES slightly decreased.

7. In connection with registration of reports on the results of additional issues of shares of JSC FGC UES, JSC OGK-2 and JSC DVEUK, changes in the structure of financial investments of JSC RAO Energy System of the East during the reporting period were as follows:

- stake of RAO Energy Systems of the East in JSC DVEUK slightly decreased;
- stake of JSC DEK in JSC FGC UES slightly decreased;
- stake of JSC AC Yakutskenergo in JSC FGC UES and JSC OGK-2 slightly decreased.

### Q3 2013

1. Reorganization of JSC Turboremont-VKK, JSC Elektroremont-VKK, JSC SSHGER and JSC REMIK in the form of merger to JSC Gidroremont-VKK is completed. Rights and obligations of the reorganized companies, including rights and obligations of a participant of LLC Montazhenergo transferred to JSC Gidroremont-VKK.

2. JSC RusHydro and Voith Hydro GmbH & Co. KG established Limited Liability Company VolgaHydro (date of establishment – August 19, 2013, stake of JSC RusHydro - 50% plus 1 ruble).

3. Stake of JSC RusHydro in the authorized capital of JSC SEK decreased from 34.73% to 31.5% of authorized capital as a result of share issue.

4. Authorized capital of LLC IT Energy Service was reduced through reduction in the stocks par value of all participants. Stakes of JSC RusHydro and JSC RAO Energy System of the East in percentage terms were not changed.

5. In connection with registration of reports on the results of additional issues of shares of JSC SEC, JSC SKK, changes in the structure of financial investments of JSC RAO Energy System of the East during the reporting period were as follows:

- stake of JSC RAO Energy System of the East in JSC SEC decreased from 9.9027% to 8.9777%;
- stake of JSC Sakhalinenergo in JSC SKK decreased from 47.9497% to 24.8748%;
- stake of JSC NDES in JSC SKK decreased from 0.2414% to 0.1252%.

### Q4 2013

1. JSC RusHydro made additional contribution to the authorized capital of LLC MGES Stavropolya I KChR in the amount of RUR 38,614,240.51.

2. In the course of additional share issue JSC RusHydro acquired stakes in the following companies:

- 453,369,421 shares of JSC CSO SShHPP;
- 938,970,618 shares of JSC Geoterm.

3. JSC RusHydro established JSC Holding Company BoAZ and JSC Holding Company BoHPP (date of establishment of the companies – December 26, 2013, stake of JSC RusHydro equals to 100% of the authorized capitals of the companies).

4. As part of additional issues of shares JSC RusHydro acquired shares of the following subsidiary companies:

- 693,922,210 shares of JSC Renewable Energy Engineering Center;
- 3,245,023,323 shares of JSC Yuzhno-Yakutsky HPC;
- 1,480,212,826 shares of JSC Ust-Srednekanskaya HPP (the issuance was not completed as of 31 December 2013).

5. Shares of CJSC Blagoveschenskaya CHP Plant, CJSC Sakhalin GRES-2, CJSC Yakutsk GRES-2 and CJSC CHP Plant in Sovetskaya Gavan were transferred to JSC RAO Energy System of the East in trust management under the agreement as of December 23, 2013 No OG-175-169-2013.



6. As part of placement of additional shares JSC RusHydro acquired shares of the following companies:
  - 3,625,110 shares of JSC Irkutskenergo (stake of JSC RusHydro increased from 0.014103% to 0.090152% of the authorized capital);
  - 4,307,819,825 ordinary shares of JSC RAO Energy System of the East (stake of JSC RusHydro increased from 74.91% to 84.39% of the authorized capital);
  - 10,328,907 shares of JSC IEGC (stake of JSC RusHydro increased from 42.53% to 42.75% of the authorized capital).
7. In connection with registration of the report on the results of additional issue of shares of JSC RusHydro on December 26, 2013, stakes of the following companies changed in JSC RusHydro:
  - JSC Zaramagskie HPPs (stake decreased from 0.085412% to 0.07024% of the authorized capital);
  - JSC Institute Hydroproject (stake decreased from 0.000223% to 0.000183% of the authorized capital);
  - JSC Hydroinvest (stake decreased from 1.1243% to 0.9245% of the authorized capital);
  - LLC EZOP (stake decreased from 0.99% to 0.81% of authorized capital);
  - LLC Energy Index HydroOGC (stake decreased from 0.49% to 0.41% of authorized capital);
  - JSC ChirkeyGESstroy (stake decreased from 0.0092% to 0.0076% of the authorized capital).
8. As part of the increase of authorized capital of ALSTOM RUSHYDRO HOLDING B.V on November 13, 2013 JSC ESC RusHydro acquired 6.5 million shares. Stake of JSC RusHydro has not changed and equals to 50% plus 1 share.
9. of LLC EZOP in the authorized capital of JSC Rossetti decreased from 0.00028% to 0.0001% due to an increase in the authorized capital of JSC Rossetti.
10. Stake of JSC Energy Index HydroOGC in the authorized capital of JSC Rossetti decreased from 0.78% to 0.28% due to an increase in the authorized capital of JSC Rossetti.
11. Changes in the Articles of Associations of LLC SHPPs of the Stavropol Territory and KCR and LLC VolgaHydro that provide for an increase in the authorized capital of the said companies were registered. Stake of JSC RusHydro in the companies' authorized capitals has not changed.
12. Changes in the Articles of Associations of LLC AlstomRusGidroEnerdzhi that provide for an increase in the authorized capital of the company were registered (stake of ALSTOM RUSHYDRO HOLDING B.V. in the authorized capital of the company has not changed).
13. On October 15, 2013 shares of JSC Trust Gidromontazh owned by JSC RusHydro were transferred to JSC TEK Mosenergo under purchase and sale contract.
14. Stake of JSC ChirkeyGESstroy in the authorized capital of JSC IDGC of the Northern Caucasus has decreased from 0.039% to 0.0142% due to an increase in the authorized capital of JSC IDGC of the North Caucasus.
15. Changes in the structure of financial investments of JSC RAO Energy System of the East during the reporting period were as follows:
  - 15.1. In connection with the registration of the report on the results of additional issue of JSC RusHydro:
    - stake of JSC RAO Energy System of the East in JSC RusHydro decreased from 0.0153% to 0.0126%;
    - stake of JSC DEK in JSC RusHydro decreased from 0.023% to 0.0189%;
    - stake of JSC Yakutskenergo in JSC RusHydro decreased from 0.0000176% to 0.000014%.
  - 15.2. With the increase in the authorized capital of JSC Rossetti stake of JSC Yakutskenergo in JSC Rossetti decreased from 0.000028% to 0.0000099%.
  - 15.3. As part of additional issue of shares of JSC FEDC, JSC DEK purchased 3,971,756,027 shares.



# Report on Holding of the General Meetings of Shareholders

## The Extraordinary General Meeting of Shareholders of JSC RusHydro

| Number and date of Minutes | The issues discussed   |
|----------------------------|--|
| No 10 as of April 19, 2013 | <ol style="list-style-type: none"><li>1. On yearly termination of powers of members of the Board of Directors of JSC RusHydro.</li><li>2. On election of members of the Board of Directors of JSC RusHydro.</li><li>3. On approval of contract on insurance coverage of liability and financial risk of Directors, Officers and the Company concluded between JSC RusHydro and Joint-Stock Insurance Company Ingosstrakh which is a related party transaction.</li></ol> |

## The Annual General Meeting of Shareholders of JSC RusHydro

| Number and date of Minutes | The issues discussed   |
|----------------------------|--|
| No 11 as of June 28, 2013  | <ol style="list-style-type: none"><li>1. On approval of 2012 annual report, annual financial statements, including profit and loss statement.</li><li>2. On distribution of profit (including payment (declaration) of dividends) and losses of the Company according to the results for the fiscal year of 201</li><li>3. On election of members for the Board of Directors.</li><li>4. On election of the Audit Commission of the Company.</li><li>5. On approval of the Auditor of the Company.</li><li>6. On remuneration payment to members of the Board of Directors of the Company.</li><li>7. On approval of a new version of the Articles of Association of the Company.</li><li>8. On approval of a new version of the Regulations for the procedure on convening and holding of the General Meeting of Shareholders of the Company.</li><li>9. On approval of related party transactions.</li></ol> |

Voting results and decisions of the general meetings of shareholders are available on our web site:

[www.rushydro.ru/corporate/general-meeting/overpast/2013/](http://www.rushydro.ru/corporate/general-meeting/overpast/2013/)

# Report on the Meetings of the Committees of the Board of Directors

## The Strategy Committee (SC)

| Number and date of Minutes              | The issues discussed  |
|---|---|
| No 9 as of January 18, 2013 (SC+RC)     | 1. On recommendations to the Board of Directors on the issue: On establishment of a Science and Technology Development Fund.  |
| No10 as of January 31, 2013 (SC+RC)     | 1. On recommendations to the Board of Directors on the issue: On establishment of a Science and Technology Development Fund.  |
| No57 as of February 7, 2013             | 1. On implementation of the development priorities of JSC RusHydro in 2012  |
| No58 as of February 18, 2013            | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On the Concept of reorganization of project activities of JSC RusHydro.   |
| 10.04.2013 No59 as of April 10, 2013    | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors on issue: On the Report of the Chairman of the Strategy Committee on the results of 2012-2013 corporate year.</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the Report on implementation of the Innovative Development Program RusHydro for 2011 – 2015 with a view to 2021, in 201</li> <li>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the Report on implementation of the priority projects as part of the Innovative Development Program for 2011 - 2015 with a view to 2021 of JSC RusHydro, in 2012.</li> </ol> |
| No60 as of June 10, 2013                | <ol style="list-style-type: none"> <li>1. On election of the Deputy Chairman of the Strategy Committee of the Board of Directors of JSC RusHydro.</li> <li>2. On election of the Secretary of the Strategy Committee of the Board of Directors of JSC RusHydro.</li> <li>3. On recommendations to the Board of Directors on the issue: On the Company's transactions with shares and stakes of organizations which the Company participates in.</li> </ol>  |
| No61 as of July 31, 2013                | <ol style="list-style-type: none"> <li>1. On election of the Deputy Chairman of the Strategy Committee of the Board of Directors of JSC RusHydro.</li> <li>2. On election of the Secretary of the Strategy Committee of the Board of Directors of JSC RusHydro.</li> </ol>  |
| No62 as of August 26, 2013              | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the Report on implementation of the priority projects of the Company as part of the Innovative Development Program of JSC RusHydro, as well as interaction with scientific organizations and educational institutions in H1 2013.  |
| No63 as of October 8, 2013              | 1. On approval of a new version of the Regulations for the Strategy Committee of the Board of Directors of the Company.   |
| No64 as of November 22, 2013            | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors of the Company on the issue: On review of the Investment Memorandum of CJSC Scientific and Technical Development Fund of JSC RusHydro.</li> <li>2. On re-election of the Secretary of the Strategy Committee of the Board of Directors of JSC RusHydro.</li> </ol>   |
| No65 as of November 26, 2013            | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On 2014 development priorities of JSC RusHydro.   |
| 29.11.2013 No66 as of November 29, 2013 | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On priority areas of activities of the Company: on management model of generating capacities` construction in the Far East.</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of transactions with shares and stakes of organizations which JSC RusHydro participates in.</li> </ol>  |

## The Audit Committee (AC)

| Number and date of Minutes    | The issues discussed   |
|-------------------------------|--|
| No 45 as of January 28, 2013  | <ol style="list-style-type: none"> <li>1. On Compliance Report on Requirements of the Legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on the Insider Information of JSC RusHydro for Q4 2012</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On the procedure on selection of appraisers and (or) candidate appraiser (s) to determine the value of shares, property and other assets of the Company.</li> </ol>  |
| No 46 as of February 15, 2013 | <ol style="list-style-type: none"> <li>1. On implementation of the timeline of control activities of JSC RusHydro for Q4 2012</li> <li>2. On recommendations to the Board of Directors on the issue: On approval of the transactions associated with the transfer of property without compensation.</li> <li>3.3. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of audit of the financial statements for 9 months of 2012</li> </ol>   |
| No 47 as of February 28, 2013 | <ol style="list-style-type: none"> <li>1. On the Report on the implementation of measures of the Comprehensive Program to prevent illegal activities by employees of JSC RusHydro.</li> <li>2. On recommendations to the Board of Directors on the issue: On Approval of the Report on the insurance coverage of JSC RusHydro in 2012</li> </ol>   |
| No 48 as of April 12, 2013    | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors on candidate Auditor of the Company.</li> <li>2. On recommendations to the Board of Directors of the Company on the review of the annual financial statements, including 2012 profit and loss statement of the Company.</li> <li>3. On audit opinion of the Auditor of the Company for the results of 2012 financial statements audit prepared in accordance with Russian accounting standards.</li> <li>4. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of the audit of 2012 financial statements of the Company.</li> <li>5. On the Compliance Report on requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q1 2013.</li> <li>6. On implementation of the timeline of control measures of JSC RusHydro for Q1 2013.</li> <li>7. On approval of the Report on the results of the Audit Committee of the Board of Directors of the Company in 2012-2013 corporate year.</li> </ol> |
| No 49 as of May 17, 2013      | <ol style="list-style-type: none"> <li>1. On election of the Deputy Chairman of the Audit Committee of the Board of Directors of the Company.</li> <li>2. On appointment of the Secretary of the Audit Committee of the Board of Directors of the Company.</li> <li>3. On the draft of the Company's Annual Report on 2012 results.</li> <li>4. On the report of CJSC PwC Audit on the audit of the consolidated financial statements of the RusHydro Group according to IFRS for the year ended December 31, 2012</li> <li>5. On recommendations to the Board of Directors to determine the remuneration payable to the Company's Auditor for 2013.</li> <li>6. On opinion of the Audit Commission of the Company on the results of audits of the Company for 2012.</li> </ol>  |
| No 50 as of June 03, 2013     | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors on the issue: On approval of the transactions made by the Company: On the transactions associated with the transfer of property without compensation (the Company's branch – the Sayano-Shushenskaya HPP named after P.S. Neporozhny).</li> <li>2. On recommendations to the Board of Directors on the issue: On approval of the transactions made by the Company: On the transactions associated with the transfer of property without compensation (the Company's branch – the Zeyskaya HPP).</li> </ol>  |

**Number and date  
of Minutes****The issues discussed**

|                               |   |
|-------------------------------|---|
| No 51 as of August 15, 2013   | <ol style="list-style-type: none"><li>1. On election of the Deputy Chairman of the Audit Committee.</li><li>2. appointment of the Secretary of the Audit Committee.</li><li>3. On 2013-2014 action plan of the Audit Committee.</li><li>4. On implementation of 2013 timeline of control measures JSC RusHydro in Q2 2013.</li><li>5. On the Compliance Report on requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q2 2013.</li><li>6. On the Plan of CJSC PwC Audit (Auditor of the Company) to conduct audits of the RusHydro Group for 2013.</li></ol> |
| No52 October11, 2013          | <ol style="list-style-type: none"><li>1. On approval of a new version of the Regulations on the Audit Committee of the Board of Directors of the Company.</li><li>2. On the Report of CJSC PwC Audit (Auditor of the Company) on the results of the interim audit of financial statements of the Company under RAS for H1 2013.</li><li>3. On the Report of CJSC PwC Audit on review of the consolidated interim condensed financial information of the RusHydro Group under IFRS for six months period ended June 30, 2013.</li></ol>  |
| No 53 as of October 22, 2013  | <ol style="list-style-type: none"><li>1. On proposals for nomination candidates to the Audit Commission of the Company.</li></ol>   |
| No 54 as of October 31, 2013  | <ol style="list-style-type: none"><li>1. On approval of Draft regulations on conducting of public technology and price audit of major investment projects of JSC RusHydro.</li></ol>  |
| No 55 as of October 15, 2013  | <ol style="list-style-type: none"><li>1. On implementation of 2013 timeline of control measures of JSC RusHydro in Q3 2013.</li><li>2. On the Compliance Report on the requirements of the legislation of the Russian Federation in the field of combating illegal use of insider information and market manipulation and of the Regulations on insider information of JSC RusHydro for Q3 2013.</li></ol>  |
| No 56 as of December 25, 2013 | <ol style="list-style-type: none"><li>1. On approval of 2014 timeline of control measures of JSC RusHydro.</li><li>2. On 2013-2014 Strategic Risk Register of JSC RusHydro.</li><li>3. On the architecture of corporate risk management system of JSC RusHydro.</li></ol>   |

## The Human Resources and Remuneration Committee (HRRC)

| Number and date of Minutes        | The issues discussed   |
|-----------------------------------|--|
| No26/1as of April 08, 2013        | 1. On approval of the report on the results of the Human Resources and Remuneration Committee of the Board of Directors of JSC RusHydro for the period from July 25, 2012 till April 1, 2013.        |
| No 27/1 as of April 16, 2013      | 1. On recommendations to the Board of Directors on the issue: On determination of number of members of the Management Board of JSC RusHydro.   |
| No 27/2 as of April 16, 2013      | 1. On recommendations to the Board on the issue: On election of a member of the Management Board of JSC RusHydro.  |
| No 29/1 as of August 09, 2013     | 1. On election of the Secretary of the Human Resources and Remuneration Committee of the Board of Directors of the Company.  |
| No 29/2 as of August 09, 2013     | 1. On election of the Deputy Chairman of the Human Resources and Remuneration Committee of the Board of Directors of the Company.  |
| No 29/3 as of August 09, 2013     | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On concurrent holding by members of the Management Board of positions in the management bodies of other organizations. |
| No 30/1 as of September 12, 2013  | 1. On recommendations to the Board of Directors on the issue: On termination of powers of a member of the Management Board of JSC RusHydro.  |
| No 30/2 as of September 12, 2013, | 1. On recommendations to the Board of Directors on the issue: On election of a member of the Management Board of JSC RusHydro.   |
| No 31/1 as of October 9, 2013     | 1. On approval of a new version of the Regulations on the Human Resources and Remuneration Committee of the Board of Directors of the Company.   |
| No 32/1 as of October 23, 2013,   | 1. On participation of members of the Board of Directors of JSC RusHydro in the work of the Board of Directors and Committees of the Board of Directors.   |
| No 33/1 as of November 25, 2013   | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On concurrent holding by members of the Management Board of positions in the management bodies of other organizations. |
| No 33/2 as of November 25, 2013   | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On election of the Corporate Secretary of the Company.   |
| No34/1 as of December 12, 2013    | 1. 1.On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the Collective Agreement of JSC RusHydro.   |

| Number and date of Minutes   | The issues discussed  |
|------------------------------|---|
| No 40 as of January 24, 2013 | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of the Company (its representatives) on the agenda issues of meetings of the management bodies of JSC Small HPPs of the Dagestan; On approval of a large transaction associated with the alienation of property which consists of fixed assets used by JSC Small HPPs of the Dagestan for production of electricity.   |
| No 41 as of March 26, 2013   | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of the Company (its representatives) on the agenda issues of meetings of the management bodies of JSC Pavlodolskaya HPP; On approval of a large transaction associated with the alienation of property which consists of fixed assets used by JSC Pavlodolskaya HPP for production of electricity.<br>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on achievement of the key performance indicators for Q4 2012 and full year 2012.<br>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On implementation of 2013-2017 business plan of the Company.<br>4. On recommendations to the Board of Directors of JSC RusHydro on the issue: On implementation of 2012 business plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the Comprehensive Modernization Program of Generating Facilities, for 2012). |
| No 42 as of April 9, 2013    | 1. On approval of the report on the results of the Investment Committee of the Board of Directors of JSC RusHydro for the period from July 25, 2012 till April 1, 2013;<br>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on implementation of the priority projects as part of the Innovative Development Program of JSC RusHydro for the period of 2011-2015 with a view to 2021 in 2012.<br>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on the implementation of the Innovative Development Program of JSC RusHydro for the period of 2011-2015 with a view to 2021 in 2012.  |
| No 43 as of May 31, 2013     | 1. On election of the Secretary of the Investment Committee of the Board of Directors of JSC RusHydro.<br>2. On election of the Deputy Chairman of the Investment Committee of the Board of Directors of JSC RusHydro.<br>3. On recommendations to the Board of Directors on the issue: On achievement of the key performance indicators of JSC RusHydro for Q1 2013.   |
| No 44 as of June 11, 2013    | 1. On recommendations to the Board of Directors on the issue: On interim results of the implementation of 2013 Business Plan incl. Q1 2013 actual results (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities in Q1 2013)  |
| No 45 as of August 26, 2013  | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on implementation of priority projects of the Company as part of the Innovative Development Program of JSC RusHydro, as well as on interaction with scientific organizations and educational institutions in H1 2013.<br>2. On recommendations to the Board of Directors on the issue: On interim results of the achievement of the key performance indicators of JSC RusHydro for Q2 2013.<br>3. On recommendations to the Board of Directors on the issue: On interim results of the implementation of 2013 Business Plan of the Company, incl. H1 2013 actual results (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for H1 2013).  |

<sup>13</sup> Meetings of the Committee held jointly with other Committees are reflected in the Section «The Strategy Committee»

|                               |  |
|-------------------------------|--|
| No 46 as of October 9, 2013   | <ol style="list-style-type: none"> <li>1. On approval of a new version of the Regulations on the Investment Committee of the Board of Directors of the Company.</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies: <ul style="list-style-type: none"> <li>• On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issue of meetings of the Board of Directors of JSC Yakutskenergo:</li> <li>• On making of transactions by JSC Yakutskenergo (including several related transactions) associated with the alienation or potential alienation of the Company's property which consists of fixed assets, intangible assets, facilities under construction used for production, transmission, dispatching and distribution of electric and thermal power.</li> </ul> </li> <li>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On the credit policy of the Company: On approval of net foreign exchange position limit of the Company in foreign currency.</li> <li>4. On recommendations to the Board of Directors of JSC RusHydro on the issue: On the procurement policy of JSC RusHydro: On approval of adjustment of 2013 Annual comprehensive procurement program.</li> </ol> |
| No 47 as of November 1, 2013  | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On adjustment of 2013-2017 business plan of the Company in terms of 2013 Investment Program of JSC RusHydro.</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the Regulations on conducting of public technology and price audit of major investment projects of JSC RusHydro.</li> </ol>  |
| No 48 as of November 28, 2013 | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors on the issue: On interim results of the implementation of the 2013 Business Plan taking into account M9 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities for 9 months of 2013) .</li> <li>2. On recommendations to the Board of Directors on the issue: On achievement of the key performance indicators of JSC RusHydro for Q3 2013.</li> <li>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of 2014 list of the key performance indicators of JSC RusHydro.</li> <li>4. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of a new version of the Procedure on calculation and assessment of the key performance indicators of JSC RusHydro.</li> </ol>  |
| No 49 as of December 11, 2013 | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On introduction (approval) of changes to the Decision on issuing of non-convertible interest-bearing documentary bonds subject to mandatory centralized custody of series 09.</li> <li>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On introduction (approval) of changes to the Decision on issuing of non-convertible interest-bearing documentary bonds subject to mandatory centralized custody of series 10.</li> <li>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On introduction (approval) of changes to the Prospectus of non-convertible interest bearer documentary bonds subject to mandatory centralized custody of series 07, series 08, series 09, series 10 in terms of bonds of series 09, series 10.</li> </ol>   |

| Number and date of Minutes   | The issues discussed  |
|------------------------------|---|
| No 20 as of January 18, 2013 | 1. On recommendations to the Board of Directors on the issue: On establishment of a Science and Technology Development Fund.  |
| No 19 as of January 30, 2013 | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of the Company (its representatives) on the agenda issues of meetings of the management bodies of JSC Small HPPs of the Dagestan; On approval of a large transaction associated with the alienation of property which consists of fixed assets used by JSC Small HPPs of the Dagestan for production of electricity.   |
| No 21 as of January 30, 2013 | 1. On recommendations to the Board of Directors on the issue: On establishment of a Science and Technology Development Fund.  |
| No 22 as of March 25, 2013   | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On determination of the position of the Company (its representatives) on the agenda issues of meetings of the management bodies of JSC Pavlodolskaya HPP; On approval of a large transaction associated with the alienation of property which consists of fixed assets used by JSC Pavlodolskaya HPP for production of electricity.<br>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On implementation of 2012 Business Plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for 2012).   |
| No23 as of April 10, 2013    | 1. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on the implementation of priority projects as part of the Innovative Development Program of JSC RusHydro for 2011-2015 with a view to 2021, in 2012.<br>2. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on the implementation of the Innovative Development Program of JSC RusHydro for 2011-2015 with a view to 2021, in 2012.<br>3. On approval of the report on the results of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors of JSC RusHydro for the period from July 25, 2012 till April 1, 2013.   |
| No 24 as of June 11, 2013    | 1. On election of the Deputy Chairman of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors.<br>2. On election of the Secretary of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors<br>3. On recommendations to the Board of Directors of the Company on the issue: On interim results of the implementation of 2013 Business Plan taking into account Q1 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for Q1 2013) .   |
| No 25 as of August 26, 2013  | 1. On election of the Deputy Chairman of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors.<br>2. On election of the Secretary of the Reliability, Energy Efficiency and Innovation Committee of the Board of Directors.<br>3. On recommendations to the Board of Directors of JSC RusHydro on the issue: On approval of the report on the implementation of priority projects of the Company as part of the Innovative Development Program of JSC RusHydro, as well as interaction with scientific organizations and educational institutions for H1 2013.<br>4. On recommendations to the Board of Directors on the issue: On interim results of the implementation of 2013 Business Plan of the Company, taking into account H1 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for H1 2013). |

<sup>14</sup> Заседания Комитета, проведенные совместно с другими Комитетами отражены в разделе «Комитет по стратегии»



| Number and date of Minutes    | The issues discussed  |
|-------------------------------|---|
| No 26 as of October 08, 2013  | <ol style="list-style-type: none"> <li>1. On approval of a new version of the Regulations on the reliability, energy efficiency and innovation Committee of the Board of Directors of the Company.</li> <li>2. Recommendations to the Board of Directors of JSC RusHydro on the issues: <ul style="list-style-type: none"> <li>• On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of the management bodies of subsidiary and dependent companies.</li> <li>• On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of the Board of Directors of JSC Yakutskenergo: On making of transactions by JSC Yakutskenergo (including several related transactions) associated with the alienation or potential alienation of the Company's assets which consists of fixed assets, intangible assets, facilities under construction used for production, transmission, dispatching and distribution of electric and thermal power.</li> </ul> </li> </ol> |
| No 27 as of November 5, 2013  | <ol style="list-style-type: none"> <li>1. On recommendations to the Board of Directors of the Company on the issue: On approval of the Regulations on public technology and price audit of major investment projects of JSC RusHydro.</li> </ol>  |
| No 28 as of November 29, 2013 | <p>On interim results of the implementation of 2013 Business Plan taking into account actual result for M9 of 2013 (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for 9 months of 2013).</p>   |

Decisions of the Committees of the Board of Directors are available on our website:  
[www.rushydro.ru/corporate/committees/](http://www.rushydro.ru/corporate/committees/)

# Report on the Meetings of the Board of Directors

| Number and date of Minutes     | The issues discussed   |
|--------------------------------|--|
| No 171 as of January 29, 2013  | 1. 1. On determination of price (monetary value) of property paid for additional shares of the Company.  |
| No 172 as of February 01, 2013 | 1. 1. On implementation of the decisions of the Board of Directors.<br>2. 2. On the procedure on selection of appraisers and (or) candidate appraiser (s) to determine the value of shares, property and other assets of the Company.<br>3. 3. On determination of the position of the Company (its representatives) on the agenda issues of meetings of the Board of Directors and the General Meetings of Shareholders of subsidiary and dependent companies (SDCs) of the Company.  |
| No 173 as of February 05, 2013 | 1. 1. On approval of the agenda of the Extraordinary General Meeting of Shareholders of JSC RusHydro.<br>2. 2. On issues related to convening, preparing and holding of the Extraordinary General Meeting of Shareholders of JSC RusHydro.   |
| No 174 as of March 15, 2013    | 1. 1. On participation and termination of participation of JSC RusHydro in other organizations.  |
| No 175 as of February 20, 2013 | 1. 1. On approval of the transactions made by the Company.<br>2. 2. On recommendations to the Extraordinary General Meeting of Shareholders on the issue: On approval of contract on insurance coverage of liability and financial risks of Directors, Officers and the Company concluded between JSC RusHydro and JSIC Ingosstrakh, as related party transaction.<br>3. 3. On implementation of development Priorities of JSC RusHydro in 2012.<br>4. 4. On 2013 development priorities of JSC RusHydro.<br>5. 5. Report on the implementation of measures for 2012 in accordance with the Register of non-core assets of JSC RusHydro.<br>6. 6. On approval of 2013 Register of non-core assets of JSC RusHydro.<br>7. 7. On concurrent holding by the members of the Management Board of positions in the management bodies of other organizations.<br>8. 8. On implementation of the instruction of the Board of Directors of JSC RusHydro.<br>9. 9. On approval of H1 2013 action plan of the Board of Directors of the Company.<br>10. 10. On the Concept of the reorganization of project activities of JSC RusHydro. |
| No 176 as of March 20, 2013    | 1. 1. On review of proposals of the Company's shareholders to nominate candidates for election to the Board of Directors of JSC RusHydro.<br>2. 2. On preparation for holding of the Extraordinary General Meeting of Shareholders of JSC RusHydro.  |

|                             |   |
|-----------------------------|---|
| No 177 as of April 1, 2013  | <ol style="list-style-type: none"> <li>1. On determination of the position of the Company (its representatives) on the agenda issues of meetings of the Board of Directors and General Meetings of Shareholders of SDCs of the Company.</li> <li>2. review of 2012 Activity Report of the Management Board of the Company.</li> <li>3. On the Report on the implementation of 2010 – 2014 integrated infrastructure development program of urban village of Cheremushki in 2012.</li> <li>4. On approval of the Insurance Coverage Report of JSC RusHydro in 2012.</li> <li>5. On approval of internal documents: On approval of the Social Policy of JSC RusHydro.</li> <li>6. On establishment of a Science and Technology Development Fund.</li> <li>7. On the Report on the implementation of the Company's Charitable and Sponsorship Program in 2012.</li> <li>8. On 2013 Charitable and Sponsorship Program of the Company.</li> <li>9. On approval of the report on the achievement of the key performance indicators for Q4 2012 and full year 2012.</li> <li>10. On implementation of 2012 Business Plan of JSC RusHydro (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for 2012).</li> <li>11. On 2013-2017 Business plan of the Company.</li> </ol>  |
| No 178 as of April 5, 2013  | <ol style="list-style-type: none"> <li>1. On the Company's participation and termination of participation in other organizations.</li> </ol>  |
| No 179 as of April 5, 2013  | <ol style="list-style-type: none"> <li>1. On review of proposals of the Company's shareholders to nominate candidates for election to the management and control bodies of JSC RusHydro.</li> <li>2. On review of proposals of the Company's shareholders on the inclusion of issues on the agenda of the Annual General Meeting of Shareholders of JSC RusHydro.</li> </ol>  |
| No 180 as of April 16, 2013 | <ol style="list-style-type: none"> <li>1. On review of reports of Chairpersons of the Committees of the Board of Directors of the Company.</li> <li>2. On approval of the report on the implementation of the Innovative Development Program of JSC RusHydro for 2011 - 2015 with a view to 2021, in 2012.</li> <li>3. On approval of the report on implementation of priority projects as part of the Innovative Development Program of JSC RusHydro for 2011 - 2015 with a view to 2021, in 2012.</li> <li>4. On determination of number of members the Management Board of JSC RusHydro.</li> <li>5. On election of a member of the Management Board of JSC RusHydro.</li> </ol>   |
| No 181 as of May 14, 2013   | <ol style="list-style-type: none"> <li>1. On election of a person who presides at the meeting of the Board of Directors.</li> <li>2. On formation of the Committees of the Board of Directors of the Company.</li> </ol>  |
| No 182 as of May 20, 2013   | <ol style="list-style-type: none"> <li>1. On election of the Deputy Chairman of the Board of Directors.</li> <li>2. On approval of the agenda of the Annual General Meeting of Shareholders.</li> <li>3. On preliminary approval of 2012 Annual Report of the Company.</li> <li>4. On review of the annual financial statements, including profit and loss statement of the Company for the FY 2012.</li> <li>5. On recommendations to the Annual General Meeting of Shareholders on the issue: On distribution of profit (including payment (declaration) of dividends) and loss of the Company for the FY 2012.</li> <li>6. On recommendations on the candidate of the Company's Auditor.</li> <li>7. On determination of the amount of remuneration of the Company's Auditor.</li> <li>8. On recommendations to the Annual General Meeting of Shareholders of the Company on the issue: On payment of remuneration to members of the Board of Directors.</li> <li>9. On recommendations to the General Meeting of Shareholders of the Company on the issue: On approval of a new version of the Articles of Association.</li> <li>10. On recommendations to the General Meeting of Shareholders of the Company on the issue: On approval of a new version of the Regulations for the procedure on convening and holding of the General Meeting of Shareholders of the Company.</li> <li>11. On price determination (monetary value) of assets (property rights and obligations) which are acquired and alienated by the Company under related party transaction (s).</li> <li>12. On recommendations to the General Meeting of Shareholders on issues concerning approval of transactions concluded between JSC RusHydro and State Corporation Vnesheconombank which are related party transactions.</li> <li>13. On issues related to convening, preparing and holding of the Annual General Meeting of Shareholders of the Company.</li> </ol> |

**Number and date  
of Minutes****The issues discussed**

|                                 |   |
|---------------------------------|---|
| No 183 as of June 19, 2013      | <ol style="list-style-type: none"><li>1. On election of the Chairman of the Board of Directors of the Company.</li><li>2. On making of the transactions with shares and stakes of organizations which the Company participates in.</li><li>3. On the Company's participation and termination of participation in other organizations.</li><li>4. On approval of the transactions made by the Company.</li><li>5. On priority areas of activity: On cooperation with Voith Hydro GmbH &amp; Co. KG.</li><li>6. On achievement of the key performance indicators of JSC RusHydro for Q1 2013.</li><li>7. On interim results of the implementation of 2013 Business Plan of the Company incl. Q1 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for Q1 2013).</li></ol>  |
| No 184 as of July 15, 2013      | <ol style="list-style-type: none"><li>1. On election of the Chairman of the Board of Directors of the Company.</li><li>2. On election of the Deputy Chairman of the Board of Directors of the Company.</li><li>3. On formation of the Committees of the Board of Directors of the Company.</li><li>4. On participation and termination of participation of the Company in other organizations.</li><li>5. On priority areas of activities of the Company.</li><li>6. On approval of H2 2013 action plan the Board of Directors of the Company.</li></ol>  |
| No 185 as of August 16, 2013    | <ol style="list-style-type: none"><li>1. On concurrent holding by the Chairman and members of the Management Board of positions in the management bodies of other organizations.</li><li>2. On participation and termination of participation of the Company in other organizations.</li><li>3. On determination of the Company's position (its representatives) on the agenda issues of meetings of the management bodies of subsidiary and dependent companies.</li></ol>   |
| No 186 as of August 30, 2013    | <ol style="list-style-type: none"><li>1. On approval of the transactions made by the Company.</li><li>2. On preliminary approval of the Company's decisions on transactions with shares and stakes of the organizations which the Company participates in.</li><li>3. On approval of the report on the implementation of priority projects of the Company as part of the Innovative Development Program of JSC RusHydro, as well as interaction with scientific organizations and educational institutions for H1 2013.</li><li>4. On implementation of the instructions of the Board of Directors of the Company.</li><li>5. On introduction of changes and additions to 2013 Charitable and Sponsorship Program of the Company.</li><li>6. On achievement of the key performance indicators of JSC RusHydro for Q2 2013.</li><li>7. On interim results of the implementation of 2013 Business Plan of the Company incl. H1 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for H1 2013).</li></ol> |
| No 187 as of September 17, 2013 | <ol style="list-style-type: none"><li>1. On termination of powers of a member of the Management Board of JSC RusHydro.</li><li>2. On election of a member of the Management Board of JSC RusHydro.</li></ol>  |
| No 188 as of October 15, 2013   | <ol style="list-style-type: none"><li>1. On approval of a new version of the Regulations on the Committees of the Board of Directors of the Company.</li><li>2. On changes in the membership of the Committees of the Board of Directors of JSC RusHydro.</li><li>3. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies.</li><li>4. On the Credit Policy of the Company.</li><li>5. On introduction of changes to the Articles of Association.</li><li>6. On approval of a new version of 2013 annual comprehensive procurement program of JSC RusHydro.</li><li>7. On implementation of the resolutions of the Government of the Russian Federation.</li><li>8. On approval of the transactions made by the Company.</li></ol>   |

| Number and date of Minutes     | The issues discussed   |
|--------------------------------|--|
| No 189 as of November 13, 2013 | <ol style="list-style-type: none"> <li>1. On amendments and additions to the Register of non-core assets of the Company.</li> <li>2. On concurrent holding by the members of the Management Board of positions in the management bodies of other organizations.</li> <li>3. On approval of the transactions made by the Company.</li> <li>4. On implementation of the instructions of the Board of Directors of the Company.</li> <li>5. On adjustment of 2013 - 2017 Business Plan of the Company in terms of 2013 Investment Program of JSC RusHydro.</li> </ol>   |
| No 190 as of November 28, 2013 | <ol style="list-style-type: none"> <li>1. On election of the Corporate Secretary of the Company.</li> <li>2. On 2014 development priorities of JSC RusHydro.</li> </ol>  |
| No 191 as of December 5, 2013  | <ol style="list-style-type: none"> <li>1. On the priority areas of activities of the Company.</li> <li>2. On approval of transactions with shares and stakes of organizations, which JSC RusHydro participates in.</li> <li>3. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies.</li> <li>4. On approval of the transactions made by the Company.</li> <li>5. On the action plan of the Board of Directors of JSC RusHydro.</li> <li>6. On approval of the report on the results of the additional issue of shares of JSC RusHydro.</li> <li>7. On achievement of the key performance indicators of JSC RusHydro for Q3 2013.</li> <li>8. On approval of a new version of the Procedure on calculation and assessment of the key performance indicators of JSC RusHydro.</li> <li>9. On approval of 2014 list of key performance indicators JSC RusHydro.</li> <li>10. On interim results of the implementation of 2013 Business Plan incl. M9 2013 actual result (including the report on the implementation of the Investment Program, inter alia the comprehensive modernization program of generating facilities, for M9 2013).</li> </ol> |
| No 192 as of December 17, 2013 | <ol style="list-style-type: none"> <li>1. On approval of the Company's Insurer for 2014.</li> <li>2. On approval of 2014 insurance coverage of JSC RusHydro.</li> <li>3. On approval of the transactions made by the Company.</li> <li>4. On approval of 2014 annual comprehensive procurement program of JSC RusHydro.</li> <li>5. On introduction of changes (approval) to the Decision on the securities issue and to the Prospectus for securities.</li> <li>6. On determination of the position of JSC RusHydro (representatives of JSC RusHydro) on the agenda issues of meetings of management bodies of subsidiary and dependent companies.</li> <li>7. On approval of the collective agreement of JSC RusHydro.</li> </ol>  |

Decisions of the Board of Directors are available on our website:  
[www.rushydro.ru/corporate/board/minutes/2013/](http://www.rushydro.ru/corporate/board/minutes/2013/).

# Report on Pending Lawsuits

|                          | Number<br>of lawsuits | Total amount of the recovery<br>of monetary funds |
|--------------------------|-----------------------|---|
| JSC RusHydro - suitor    | 71                    | RUR 1.7 billion                                   |
| JSC RusHydro - defendant | 22                    | RUR 256 million                                   |

# Report on Government Support Received by the Company

## 1. Construction of electric power facilities (the Gotsatlinskaya HPP and the Kankunskaya HPP)

By the end of 2013 the expected use of funds (for the period of 2007-2013), received as government support for

JSC RusHydro and channeled to the construction of electric power facilities is RUR 29,504.7 million, including the use of funds of RUR 905.2 million in 2013.

In 2013, in accordance with the Investment Program of JSC RusHydro, funding was provided through budget allocations:

| Project                                | Details of a budget investment provision contract  | Amount of funding for 2013   |
|--|--|--|
| Construction of the Gotsatlinskaya HPP | Contract dated May 4, 2012, No 01-13/229 concluded between JSC RusHydro, the Ministry of Energy of Russia and the Federal Agency for State Property Management   | Financing of counterparties to construct the HPP was RUR 811.7 million |
| Designing of the Kankunskaya HPP       | Contract dated June 24, 2009, No 01-13/307 concluded between JSC RusHydro, the Ministry of Energy of Russia and the Federal Agency for State Property Management | Funding for design activities was RUR 93.5 million                     |

## 2. Constructing electric power facilities in the Far East

In accordance with the Presidential Decree dated November 22, 2012, No 1564 on recapitalization of JSC RusHydro under the Basic Agreement «On provision of budget investments to finance the construction of electric power facilities in the Far East» No S-718-AB/D07 dated December 14, 2012 concluded between the Ministry of Economic Development and Trade of the Russian Federation, the Ministry of Energy of Russia, JSC Sberbank of Russia and JSC RusHydro and share purchase agreement of JSC RusHydro dated December 18, 2012, No 01-08/827 concluded between JSC RusHydro, the Ministry of Energy of Russia and the Federal Agency for State Property Management, the Company received budget allocations in the amount of RUR 50,000 million for the construction of CHP Plant in Sovetskaya Gavan, the Sakhalinskaya GRES-2 (Phase 1), the Yakutskaya GRES-2 (Phase 1) and the Blagoveschenskaya CHP Plant (Phase 2).

In 2013, the Company implemented top priority measures, including the formation of basic schemes for the implementation of construction of thermal power facilities in the Far East and creation of an effective system of monitoring and control over funding of these facilities:

- established four subsidiary companies at location of the facilities under construction, which were transferred necessary funds to launch the construction;
- In March 2013 a contract on banking support for the facilities` construction was concluded between JSC RusHydro and JSC Sberbank of Russia
- established banking servicing system which provides for spending targeted budget funds through four level system of OBS special accounts opened in JSC Sberbank of Russia. Payments for the work performed, procurement of equipment and materials shall be made exclusively through these accounts with mandatory supervision and acceptance of the Bank and its technical agents. Beginning of funding is carried out after each project has been received a positive opinion of the Glavgosekspertiza and of audit of independent engineering company.
- JSC Sberbank of Russia selected on a competitive basis independent engineering companies that conduct audits of projects and provide construction expert support (technology and price audit was conducted for the construction of the Yakutskaya GRES-2 (Phase 1), the Blagoveschenskaya CHP Plant (Phase 2).
- to provide efficiency, transparency and reliability of payments to contractors a single standard package of banking servicing agreements was prepared. Revenues received from placement of free funds are channeled exclusively to finance a project through separate operating accounts (SOA) opened in JSC Sberbank of Russia.
- In December 2013 a cooperation agreement was signed with the Audit Chamber of the Russian Federation. JSC RusHydro quarterly and at one-time requests sends information to the State Duma of the Russian Federation to prepare reports to the Deputies.
- developed a system of interaction with the Ministry of Energy of Russia and the Ministry for Economic Development of Russia in terms of day-to-day and regular reporting in formats stipulated by an agreement (order of JSC RusHydro on performance of the budget investment provision agreement is in effect from April 2013).

### **3. Financing projects of JSC RusHydro with the use of funds of the National Welfare Fund**

In 2013 JSC RusHydro took part in forming a list of projects that may be financed through the National Welfare Fund (NWF) at a charge and return basis (instruction of the Government of the Russian Federation dated October 22, 2013, No ISH-P13-103pr).

The list approved by the Ministry for Economic Development of Russia (letter dated November 1, 2013, No 23952-NP/D22i) includes the following construction facilities of JSC RusHydro:

- Flood protection HPPs (the Selemzhinskaya HPP, the Nizhne Zeyskaya HPP, the Nizhne Nimanskaya HPP, the Gilyuyskaya HPP) with the provision of NWF funds in the amount of RUR 87.2 billion;
- The Upper Naryn Cascade of HPPs (Kyrgyzstan) with the provision of NWF funds in the amount of RUR 9.6 billion<sup>15</sup>.

<sup>15</sup> Funds are provided for JSC RusHydro followed by investment in CJSC Verkhne Narynskie HPPs according to the Agreement dated September 20, 2012 concluded between the Government of the Russian Federation and the Government of the Kyrgyz Republic.



# Report on Actual Implementation of Assignments of the President and the Government of the Russian Federation

| Nº  | Registration Number       | Assignment/Instruction Issued By  | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation |
|-----|---------------------------|---|---|--------------------------------------|---|
| 1.  | Input reference-00299.DE  | The Apparatus of the Government of the Russian Federation                                   | On implementing the projects to reduce greenhouse gas emissions   | January 21, 2013                     | February 19, 2013                             |
| 2.  | Input reference-00395.DE  | The Government of the Russian Federation  | On preparing draft directives of the Government of the Russian Federation on determining the value of shares contributed to the authorized capital of the Company (Decree of the President of the Russian Federation dated November 22, 2012 No 1564) | January 24, 2013                     | January 29, 2013                              |
| 3.  | Input reference-00502.DE  | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On submission of information about phased actualization of project documentation of technical project «the Boguchanskaya HPP on the Angara River»   | January 29, 2013                     | February 8, 2013                              |
| 4.  | Input reference-00556.DE  | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On submitting information on 2012 main results of activities of JSC RusHydro in the Far Eastern Federal District  | January 31, 2013                     | February 18, 2013                             |
| 5.  | Input reference-00835.DE  | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Amendments to the Rules of the wholesale market of electric energy and power"  | February 8, 2013                     | February 11, 2013                             |
| 6.  | Input reference-01077.DE  | The Government of the Russian Federation  | On submitting Minutes on the development of the electric power industry in the Far East   | February 18, 2013                    | March 15, 2013                                |
| 7.  | Input reference-01079.DE  | The Apparatus of the Government of the Russian Federation                                   | On submitting information on the disposal of floating wood in areas of bodies of water  | February 18, 2013                    | April 10, 2013                                |
| 8.  | Input reference-01311.DE  | The Government of the Russian Federation  | On the priority investment projects to develop transport and energy infrastructure of the Far East and the Baikal region  | February 26, 2013                    | March 11, 2013                                |
| 9.  | Input reference-01629.DE  | The Apparatus of the Government of the Russian Federation                                   | On meeting held on March 14, 2013 on the issue concerning legal derestriction of cultural heritage objects identified in the flood zone of the Boguchanskaya HPP  | March 7, 2013                        | March 13, 2013                                |
| 10. | Input reference- 01805.DE | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Amendment to the Rules of approval of investment programs of Government-linked electric power engineering entities, and grid organizations"  | March 14, 2013                       | March 29, 2013                                |
| 11. | Input reference- 02092.DE | Administration of the President of the Russian Federation                                   | On submitting Minutes No A60-26-160 on the fuel and energy complex development strategy and environmental safety  | March 22, 2013                       | April 2, 2013                                 |

| Nº  | Registration Number       | Assignment/Instruction Issued By   | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation |
|-----|---------------------------|--|---|--------------------------------------|---|
| 12. | Input reference- 02763.DE | The Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On submitting information about the implementation of a Decree of the President of the Russian Federation dated November 22, 2012 No 1564 "On further development of Open Joint Stock Company" Federal Hydro-generating Company RusHydro"   | April 9, 2013                        | May 8, 2013                                   |
| 13. | Input reference- 02812.DE | The Government of the Russian Federation                                   | On a draft federal target program "Economic and social development of the Far East and the Baikal Region until 2018" and its sources of financing (as part of the implementation of the State Program of the Russian Federation "Socio-economic development of the Far East and the Baikal region") | April 15, 2013                       | April 23, 2013                                |
| 14. | Input reference- 02813.DE | The Apparatus of the Government of the Russian Federation                  | On submitting a list of assignments of the President of the Russian Federation and the Government of the Russian Federation on the issues concerning territorial planning as of April 5, 2013 to be implemented   | April 10, 2013                       | April 19, 2013                                |
| 15. | Input reference- 03026.DE | The Government of the Russian Federation                                   | On feasibility to complete construction of the Cheboksary HPP   | April 19, 2013                       | May 23, 2013                                  |
| 16. | Input reference- 03326.DE | The Government of the Russian Federation                                   | On submitting Minutes of a meeting with the Deputy Prime Minister D.N. Kozak "On implementation of archaeological work in the reservoir bed of the Boguchanskaya HPP in the Irkutsk region and the completion of flooding preparations for the reservoir bed"                                       | May 6, 2013                          | May 8, 2013                                   |
| 17. | Input reference- 3756.DE  | The Government of the Russian Federation                                   | On submitting an Order of the Government of the Russian Federation dated May 23, 2013 No 831-r  | May 27, 2013                         | May 31, 2013                                  |
| 18. | Input reference- 04111.DE | The Government of the Russian Federation                                   | On submitting materials for a meeting on non-budgetary funding of measures of the State program of the Russian Federation "Socio-economic development of the Far East and the Baikal region"  | June 10, 2013                        | June 14, 2013                                 |
| 19. | Input reference- 04533.DE | The Government of the Russian Federation                                   | Order of the Government of the Russian Federation on assignment of generating equipment of the Kurganskaya CHP Plant-2 (units No 1 and No2) and the Ugo-Zapadnaya CHP Plant (unit No1) to generating facilities, which power is supplied in forced mode   | June 26, 2013                        | July 1, 2013                                  |
| 20. | Input reference- 04647.DE | The Government of the Russian Federation                                   | On the procedure on commissioning capital construction objects, which construction and reconstruction were initiated prior to the entry into force of the Urban Development Code of the Russian Federation (the Boguchanskoye Reservoir)  | July 1, 2013                         | August 13, 2013                               |
| 21. | Input reference- 04744.DE | The Government of the Russian Federation                                   | On submitting an Order of the Government of the Russian Federation dated April 24, 2012 No VP-A8-2322 on proposals for the implementation of the Priority Action Plan to implement the Comprehensive Program for Development of Biotechnology in the Russian Federation                             | July 4, 2013                         | July 8, 2013                                  |

| Nº  | Registration Number       | Assignment/Instruction Issued By  | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation |
|-----|---------------------------|---|---|--------------------------------------|---|
| 22. | Input reference- 05171.DE | The Government of the Russian Federation  | On preparing a meeting of the Government Commission on the socio-economic development of the North Caucasus Federal District  | July 19, 2013                        | August 16, 2013                               |
| 23. | Input reference- 05288.DE | The President of the Russian Federation   | On guaranteeing the interests of the society and the State when implementing infrastructure projects (on output reference dated July 22, 2013 No 3627.DE)   | July 24, 2013                        | July 25, 2013                                 |
| 24. | Input reference- 05289.DE | The President of the Russian Federation   | On implementing the RusHydro Group's strategy in the Far East (on output reference dated July 22, 2013 No 3625.DE)  | July 24, 2013                        | July 25, 2013                                 |
| 25. | Input reference- 05290.DE | The President of the Russian Federation   | On implementing a Construction and Operation Agreement of the Verkhne-Naryn Cascade of HPPs concluded between the Government of the Russian Federation and the Government of the Kyrgyz Republic (on output reference dated July 22, 2013 No 3626.DE)   | July 24, 2013                        | July 25, 2013                                 |
| 26. | Input reference- 05332.DE | The Government of the Russian Federation  | On the Investment Program of JSC Russian Railways for the five-year period and on sources of financing of the major investment activities (including the infrastructure development projects of the Trans-Siberian and the Baikal-Amur rail lines and construction of Moscow- Kazan high-speed rail line)                       | July 26, 2013                        | August 16, 2013                               |
| 27. | Input reference- 05368.DE | The Government of the Russian Federation  | On financing the construction project of the Verkhne-Naryn cascade of HPPs (on output reference dated July 22, 2013 No 3626.DE)   | July 29, 2013                        | August 1, 2013                                |
| 28. | Input reference- 05625.DE | The Government of the Russian Federation  | On approval of the Rules for hot water supply and changes to the Resolution of the Government of the Russian Federation dated February 13, 2006 No 83   | August 7, 2013                       | August 13, 2013                               |
| 29. | Input reference- 05727.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On implementing Item 5 of Minutes of off-site meeting of the Government Commission on Emergency Prevention and Elimination and Fire Safety (dated July 8, 2013)   | August 12, 2013                      | August 12, 2013                               |
| 30. | Input reference- 05984.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On submitting information about implementation of an assignment of the Prime Minister of the Russian Federation No DM-P9-205dsp as of August 15, 2013   | August 21, 2013                      | August 22, 2013                               |
| 31. | Input reference- 05985.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On submitting information on water discharge at the Kolymanskaya HPP and the Ust-Srednekanskaya HPP before August 23, 2013  | August 21, 2013                      | August 22, 2013                               |
| 32. | Input reference- 06019.DE | The Government of the Russian Federation  | On implementing an assignment of the President of the Russian Federation dated August 13, 2013 No Pr-1924 on elaboration of the grid development plan to determine key parameters, areas and mechanisms for the implementation of the reconstruction and modernization project of the Baikal-Amur and Trans-Siberian rail lines | August 22, 2013                      | September 19, 2013                            |

| Nº  | Registration Number       | Assignment/Instruction Issued By   | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation  |
|-----|---------------------------|--|---|--------------------------------------|--|
| 33. | Input reference- 06068.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District    | On weekly submission of information on the damage caused to power facilities due to flooding in the Far Eastern Federal District  | August 23, 2013                      | Information was submitted weekly until revocation of the emergency state on September 20, 2013 |
| 34. | Input reference- 06069.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District    | On submitting information to prepare a report to the Minister of the Russian Federation for Development of the Far East - the authorized representative of the President of the Russian Federation in the Far Eastern Federal District  | August 23, 2013                      | August 26, 2013  |
| 35. | Input reference- 06093.DE | The Government of the Russian Federation   | On implementing a list of assignments of the President of the Russian Federation dated August 13, 2013 No Pr-1922 following the results of a meeting: "On comprehensive socio-economic development of the Sakhalin Region"  | August 26, 2013                      | December 16, 2013  |
| 36. | Input reference- 06131.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District    | On submitting information on the implementation of an assignment of the Minister of Energy of the Russian Federation A.V. Novak No AN-231pr dated July 1, 2012  | August 27, 2013                      | September 3, 2013  |
| 37. | Input reference- 06447.DE | The Government of the Russian Federation   | On implementing decisions and arrangements of the 5th session of the Intergovernmental Russian-Colombian Commission on trade-economic and scientific-technical cooperation  | September 9, 2013                    | September 18, 2013   |
| 38. | Input reference- 06483.DE | The Administration of the President of the Russian Federation                                  | On implementing the investment projects in the Far Eastern Federal District   | September 10, 2013                   | September 19, 2013   |
| 39. | Input reference- 06517.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the North Caucasus Federal District | On reasons for non-compliance with an assignment to transfer the Eshkakonsky hydroelectric complex  | September 11, 2013                   | September 30, 2013   |
| 40. | Input reference- 06779.DE | The President of the Russian Federation  | On submitting an assignment following the results of a meeting on the development of electric power industry of the Siberia and the Far East on August 27, 2013   | September 20, 2013                   | October 3, 2013  |
| 41. | Input reference- 06813.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District    | On submitting a progress report of the Ministry of Energy of the Russian Federation No AYA-8365/09 on the implementation of an instruction of the President of the Russian Federation dated July 29, 2013 No Pr-1790 on financing the power supply project of the Yana-Kolyma gold province | September 23, 2013                   | September 26, 2013   |
| 42. | Input reference- 06951.DE | The Government of the Russian Federation   | On implementing a list of assignments of the President of the Russian Federation V.V. Putin following the results of a meeting on the development of electric power industry of Siberia and the Far East  | September 27, 2013                   | October 3, 2013  |
| 43. | Input reference- 07120.DE | The Apparatus of the Government of the Russian Federation                                      | On submitting information on the status of implementation of the directives of the Government of the Russian Federation dated May 30, 2013 No 2988p - P13   | October 3, 2013                      | October 4, 2013  |

| Nº  | Registration Number       | Assignment/Instruction Issued By  | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation |
|-----|---------------------------|---|---|--------------------------------------|---|
| 44. | Input reference- 07157.DE | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Approval of the Rules of informing by subjects of fuel and energy complex about threats of making and about making of acts of illegal intervention on entities of fuel and energy complex" | October 4, 2013                      | October 16, 2013                              |
| 45. | Input reference-07349.DE  | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Amendments to a list of organizations established to complete the tasks assigned to the Government of the Russian Federation"  | October 10, 2013                     | October 14, 2013                              |
| 46. | Input reference-07557.DE  | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Amendments to the Rules of technological connection of power receivers of electricity consumers"   | October 18, 2013                     | November 1, 2013                              |
| 47. | Input reference-07633.DE  | The Apparatus of the Presidential Plenipotentiary Envoy to the Far Eastern Federal District | On measures to eliminate the consequences of floods in the regions of the Far Eastern Federal District  | October 22, 2013                     | October 25, 2013                              |
| 48. | Input reference-07811.DE  | The Administration of the President of the Russian Federation                               | On submitting Minutes of the Commission of the President of the Russian Federation on the fuel and energy complex development strategy and environmental safety No A60-26-569 dated August 28, 2013   | October 28, 2013                     | Under implementation                          |
| 49. | Input reference-07991.DE  | The Apparatus of the Government of the Russian Federation                                   | On implementing assignments dated October 18, 2013 of the Government Commission on sustainable operation of water utilization system of the Siberia and the Far East  | November 5, 2013                     | November 15, 2013                             |
| 50. | Input reference-08157.DE  | The Government of the Russian Federation  | On Action Plan to limit the final cost of goods and services of infrastructure companies while maintaining their financial stability and investment attractiveness  | November 12, 2013                    | Under implementation                          |
| 51. | Input reference-08174.DE  | The Administration of the President of the Russian Federation                               | On submitting information on implementation of the decisions of the Head of State to complete construction and commission the Boguchanskaya HPP   | November 13, 2013                    | November 13, 2013                             |
| 52. | Input reference-08180.DE  | The Government of the Russian Federation  | On submitting information on the implementation of the Russian-Slovenian arrangements   | November 13, 2013                    | December 2, 2013                              |
| 53. | Input reference-08257.DE  | The Administration of the President of the Russian Federation                               | On the inadmissibility of raising the Cheboksary reservoir water level  | November 15, 2013                    | November 29, 2013                             |
| 54. | Input reference-08278.DE  | The Apparatus of the Government of the Russian Federation                                   | On submitting information on the implementation of measures to prepare a flood zone of reservoir of the Boguchanskaya HPP   | November 18, 2013                    | November 22, 2013                             |
| 55. | Input reference-08309.DE  | The Apparatus of the Government of the Russian Federation                                   | On participating in a meeting held on November 19, 2013 on issue concerning the abolition of a feature of the regulation of HPP in the second pricing zone of the wholesale market of electricity (capacity)  | November 19, 2013                    | November 19, 2013                             |

| Nº  | Registration Number      | Assignment/Instruction Issued By  | Assignment/Instruction Summary  | Date of Assignment/Instruction Issue | Date of Assignment/Instruction Implementation |
|-----|--------------------------|---|---|--------------------------------------|---|
| 56. | Input reference-08412.DE | The Government of the Russian Federation  | On implementing the Action Plan to limit the final cost of goods and services of infrastructure companies while maintaining their financial stability and investment attractiveness   | November 22, 2013                    | November 29, 2013                             |
| 57. | Input reference-08498.DE | The Government of the Russian Federation  | On efficient usage of monetary funds stipulated in Item 2 of the Decree of the President of the Russian Federation  | November 26, 2013                    | November 28, 2013                             |
| 58. | Input reference-08595.DE | The Government of the Russian Federation  | On implementing decisions and recommendations set forth in the Final Act of the 11th meeting of the Russian-Cuban Intergovernmental Commission on trade-economic and scientific-technical cooperation                               | November 29, 2013                    | December 24, 2013                             |
| 59. | Input reference-08792.DE | The Apparatus of the Government of the Russian Federation                             | On implementing the directives No P13-2988p dated May 30, 2013  | December 6, 2013                     | December 11, 2013                             |
| 60. | Input reference-08820.DE | The Government of the Russian Federation  | On constructing the Verkhne- Naryn Cascade of HPPs  | December 9, 2013                     | December 27, 2013                             |
| 61. | Input reference-09008.DE | The Apparatus of the Government of the Russian Federation                             | On participating in a meeting held on December 17, 2013 of the Government Commission on issues concerning the development of the electric power industry (postponement of the meeting at 17:00 pm)                                  | December 16, 2013                    | December 12, 2013                             |
| 62. | Input reference-09032.DE | The Apparatus of the Presidential Plenipotentiary Envoy to the Volga Federal District | On population warning (the Cheboksarskaya HPP)  | December 16, 2013                    | December 24, 2013                             |
| 63. | Input reference-09092.DE | The Government of the Russian Federation  | Resolution of the Government of the Russian Federation "On Approval of the Rules of implementing antimonopoly regulation and control in the electric power industry"  | December 18, 2013                    | December 20, 2013                             |
| 64. | Input reference-09130.DE | The Apparatus of the Government of the Russian Federation                             | On implementing the reconstruction and modernization project of the Baikal-Amur and the Trans-Siberian rail lines   | December 19, 2013                    | December 20, 2013                             |
| 65. | Input reference-09238.DE | The Administration of the President of the Russian Federation                         | On measures for socio-economic development of the Krasnoyarsk Region, the Taimyr (Dolgano-Nenets) Autonomous District and the Evenk Autonomous District in terms of completing construction and commissioning the Boguchanskaya HPP | December 24, 2013                    | January 21, 2014                              |

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

Auditor's Report  
on Financial Statements  
2013

Translation from Russian original





## ***Auditor's Report***

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

### **Client**

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

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

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

### **Auditor**

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

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

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

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

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

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

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





## ***Auditor's Report***

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

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

### **OJSC RusHydro's responsibility for the financial statements**

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

### **The auditor's responsibility**

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

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

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

### **Opinion**

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

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



## ***Auditor's Report***

### **Emphasis of matter**

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

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

Director of ZAO PricewaterhouseCoopers Audit

T. V. Sirotinskaya

28 February 2014

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.

# BALANCE SHEET

## as at 31 December 2013

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

Taxpayer identification number

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

Form of incorporation/form of ownership

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

Measurement unit: **RUB mln**

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

Form on OKUD

Date (year, month, day)

OKPO

INN

OKVED

OKOPF/OKFC

OKEI

CODES

**0710001**

**2013/12/31**

**75782411**

**2460066195**

**40.10.12**

**12247 / 41**

**385**

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

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

Chairman of Management Board



E. V. Dod  
(clarification of signature)

Chief accountant

D. V. Finkel  
(clarification of signature)

28 February 2014

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# STATEMENT OF FINANCIAL RESULTS for the year ended 31 December 2013

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

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

| CODES      |
|------------|
| 0710002    |
| 2013/12/31 |
| 75782411   |
| 2460066195 |
| 40.10.12   |
| 12247 / 41 |
| 385        |

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

Chairman of Management Board



*(Signature of E. V. Dod)*

*(Signature of D. V. Finkel)*

**E. V. Dod**  
(clarification of signature)

Chief accountant

**D. V. Finkel**  
(clarification of signature)

28 February 2014

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# STATEMENT OF CHANGES IN EQUITY

for 2013

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

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

| CODES      |
|------------|
| 0710003    |
| 2013/12/31 |
| 75782411   |
| 2460066195 |
| 40.10.12   |
| 12247 / 41 |
| 385        |

## I. Changes in equity

| Narrative                            | Line code   | Share capital  | Additional capital | Reserve capital | Retained earnings | Total          |
|--------------------------------------|-------------|----------------|--------------------|-----------------|-------------------|----------------|
| 1                                    | 2           | 3              | 4                  | 5               | 6                 | 7              |
| <b>Equity as of 31 December 2011</b> | <b>3100</b> | <b>290,303</b> | <b>94,639</b>      | <b>4,208</b>    | <b>146,252</b>    | <b>535,402</b> |
| <b>for 2012</b>                      |             |                |                    |                 |                   |                |
| Increase of equity, including:       |             |                |                    |                 |                   |                |
| net profit                           | 3210        | 27,335         | 17,768             | -               | 14,702            | 59,805         |
| additional shares issue              | 3214        | x              | x                  | x               | 14,702            | 14,702         |
| decrease of equity, including:       |             |                |                    |                 |                   |                |
| Dividends                            | 3220        | 27,335         | 17,768             | x               | x                 | 45,103         |
| Other                                | 3222        | -              | -                  | -               | (2,509)           | (2,509)        |
| Additional capital change            | 3227        | x              | x                  | x               | (2,500)           | (2,500)        |
| Reserve capital change               | 3228        | -              | -                  | x               | (9)               | (9)            |
| Equity as of 31 December 2012        | 3230        | x              | (405)              | x               | 405               | x              |
| for 2013                             |             |                |                    |                 |                   |                |
| Increase of equity, including:       |             |                |                    |                 |                   |                |
| net profit                           | 3240        | x              | x                  | 1,531           | (1,531)           | x              |
| additional shares issue              |             |                |                    |                 |                   |                |
| Decrease of equity, including:       |             |                |                    |                 |                   |                |
| Dividends                            | 3310        | -              | -                  | -               | 35,321            | 35,321         |
| Other                                | 3311        | x              | x                  | x               | 35,321            | 35,321         |
| Additional capital change            | 3314        | -              | -                  | x               | x                 | -              |
| Reserve capital change               |             |                |                    |                 |                   |                |
| Equity as of 31 December 2013        | 3320        | -              | -                  | -               | (3,676)           | (3,676)        |
| for 2014                             |             |                |                    |                 |                   |                |
| Increase of equity, including:       |             |                |                    |                 |                   |                |
| net profit                           | 3327        | x              | x                  | x               | (3,676)           | (3,676)        |
| additional shares issue              | 3328        | -              | -                  | x               | -                 | -              |
| Decrease of equity, including:       |             |                |                    |                 |                   |                |
| Dividends                            | 3330        | x              | (253)              | x               | 253               | x              |
| Other                                | 3340        | x              | x                  | 735             | (735)             | x              |
| Equity as of 31 December 2014        | 3300        | 317,638        | 111,749            | 6,474           | 188,482           | 624,343        |

## III. Net assets

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

Chairman of Management Board

Chief accountant

28 February 2014



E. V. Dod  
(clarification of signature)

D. V. Finkel  
(clarification of signature)

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# STATEMENT OF CASH FLOWS

for 2013

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

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

| CODES      |
|------------|
| 0710004    |
| 2013/12/31 |
| 75782411   |
| 2460066195 |
| 40.10.12   |
| 12247 / 41 |
| 385        |

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

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

Chairman of Management Board



**E. V. Dod**  
(clarification of signature)

Chief accountant

**D. V. Finkel**  
(clarification of signature)

28 February 2014

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

### Content

|       |  |     |
|-------|--|-----|
| I.    | General information .....  | 77  |
| 1.1   | Information about the Company .....  | 77  |
| 1.2   | The Company's operating environment.....   | 78  |
| II.   | Accounting policies .....  | 81  |
| 2.1   | Basis of presentation .....  | 81  |
| 2.2   | Assets and liabilities denominated in foreign currency.....  | 81  |
| 2.3   | Accounting for assets and liabilities.....   | 81  |
| 2.4   | Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets .....  | 82  |
| 2.5   | Investments.....   | 83  |
| 2.6   | Inventories .....  | 84  |
| 2.7   | Expenses of future periods .....   | 84  |
| 2.8   | Accounts receivable.....   | 84  |
| 2.9   | Cash equivalents and presentation of cash flows in the statement of cash flows.....  | 85  |
| 2.10  | Share capital, reserve and additional capital.....   | 85  |
| 2.11  | Loans and bank credits received .....  | 85  |
| 2.12  | Estimated liabilities, contingent liabilities and contingent assets.....   | 86  |
| 2.13  | Revenue recognition.....   | 86  |
| 2.14  | Recognition of expenses .....  | 87  |
| 2.15  | Changes in the accounting policies .....   | 87  |
| III.  | Disclosure of material indicators.....   | 88  |
| 3.1   | Non-current assets (Section I of the balance sheet) .....  | 88  |
| 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)..... | 88  |
| 3.1.2 | Long-term investments (line 1170 of the balance sheet) .....   | 92  |
| 3.1.3 | Other non-current assets (line 1190 of the balance sheet).....   | 99  |
| 3.2   | Current assets (Section II of the balance sheet) .....   | 99  |
| 3.2.1 | Inventories (line 1210 the balance sheet) .....  | 99  |
| 3.2.2 | Accounts receivable (line 1230 of the balance sheet).....  | 99  |
| 3.2.3 | Short-term investments (Line 1240 of the balance sheet) .....  | 108 |
| 3.2.4 | Cash and cash equivalents (line 1250 of the balance sheet).....  | 110 |
| 3.3   | Equity and reserves (Section III of the balance sheet).....  | 112 |
| 3.3.1 | Share capital (line 1310 of the balance sheet).....  | 112 |
| 3.3.2 | Revaluation of non-current assets (line 1340 of the balance sheet).....  | 113 |
| 3.3.3 | Additional paid-in capital (line 1350 of the balance sheet).....   | 114 |
| 3.3.4 | Reserve capital (line 1360 of the balance sheet) .....   | 114 |
| 3.4   | Non-current liabilities (Section IV of the balance sheet).....   | 114 |

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|        |   |     |
|--------|---|-----|
| 3.4.1  | Long-term borrowings (line 1410 of the balance sheet).....                                      | 114 |
| 3.4.2  | Other non-current liabilities (line 1450 of the balance sheet).....                             | 115 |
| 3.5    | Current liabilities (Section V of the balance sheet).....                                       | 116 |
| 3.5.1  | Short-term borrowings (line 1510 of the Balance sheet).....                                     | 116 |
| 3.5.2  | Accounts payable (line 1520 of the balance sheet) .....   | 116 |
| 3.5.3  | Estimated liabilities (line 1540 of the balance sheet) .....                                    | 118 |
| 3.6    | Off-balance-sheet valuables .....   | 118 |
| 3.6.1  | Leased property, plant and equipment.....   | 118 |
| 3.6.2  | Collateral for liabilities and payments received .....  | 119 |
| 3.6.3  | Collateral for liabilities and payments issued .....  | 120 |
| 3.7    | Income and expenses on operating activities (statement of financial results) .....              | 121 |
| 3.7.1  | Revenue (line 2110 of the statement of financial results) .....                                 | 121 |
| 3.7.2  | Cost of sales (line 2120 of the statement of financial results).....                            | 121 |
| 3.8    | Expenses on purchase and use of energy resources .....  | 122 |
| 3.9    | Other income and expenses (line 2340 and line 2350 of the statement of financial results) ..... | 122 |
| 3.10   | Taxes .....   | 122 |
| 3.11   | Dividends .....   | 125 |
| 3.12   | Earnings per share.....   | 125 |
| 3.13   | Related Parties .....   | 126 |
| 3.13.1 | Controlling entity.....   | 126 |
| 3.13.2 | Sales to related parties.....   | 126 |
| 3.13.3 | Purchases from related parties .....  | 126 |
| 3.13.4 | Settlements with non-state pension fund .....   | 126 |
| 3.13.5 | Settlements with related parties .....  | 127 |
| 3.13.6 | Related parties' debt within investments .....  | 127 |
| 3.13.7 | Income from investments in other companies (related parties) .....                              | 128 |
| 3.13.8 | Remuneration to key management personnel .....  | 128 |
| 3.13.9 | Cash flows between the Company and subsidiaries/associates .....                                | 128 |
| 3.14   | Segment Information .....   | 129 |
| 3.15   | Contingent liabilities.....   | 129 |
| 3.16   | Financial risk management.....  | 129 |
| 3.17   | Subsequent events .....   | 132 |

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## **I. General information**

### **1.1 Information about the Company**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

## **1.2 The Company's operating environment**

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

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

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

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

**Financial risks**

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

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

**Legal risks**

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

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

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

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

**Country and regional risks**

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

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

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

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

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

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

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

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

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

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

***Reputation risks***

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

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

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

***Other risks***

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

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



## **II. Accounting policies**

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

### **2.1 Basis of presentation**

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

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

### **2.2 Assets and liabilities denominated in foreign currency**

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

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

### **2.3 Accounting for assets and liabilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is not accrued on:

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

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

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

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



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

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

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

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

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

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

## **2.5 Investments**

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

Investments include:

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

Investments are initially recognised at their actual cost of acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

## **2.6 Inventories**

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

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

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

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

## **2.7 Expenses of future periods**

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

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

## **2.8 Accounts receivable**

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

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

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

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

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

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

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

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

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

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

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

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

## **2.10 Share capital, reserve and additional capital**

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

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

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

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

## **2.11 Loans and bank credits received**

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

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

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



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

## **2.12 Estimated liabilities, contingent liabilities and contingent assets**

### ***Estimated liabilities***

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

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

### ***Contingent liabilities and contingent assets***

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

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

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

## **2.13 Revenue recognition**

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

Other revenues of the Company include:

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

## **2.14 Recognition of expenses**

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

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

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

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

Other expenses include:

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

## **2.15 Changes in the accounting policies**

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

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

### III. Disclosure of material indicators

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

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

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

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

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

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

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

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

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

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

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

***Other use of property, plant and equipment***

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



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

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

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

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

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

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

# **OAo RusHydro**

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

(in millions of Russian Rubles unless otherwise stated)

### **Availability and movement of long-term investments**

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

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

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

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**Investments in subsidiaries, associates and other entities**

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

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

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

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



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

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

#### ***Investments in subsidiaries that have current market value***

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

### **(b) Long-term loans issued**

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

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

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

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

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

### (c) Long-term debt securities

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

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



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

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

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

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

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

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

## 3.2 Current assets (Section II of the balance sheet)

### 3.2.1 Inventories (line 1210 the balance sheet)

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

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

### 3.2.2 Accounts receivable (line 1230 of the balance sheet)

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

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

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

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

# **OAo RusHydro**

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

(in millions of Russian Roubles unless otherwise stated)

### **Long-term accounts receivable and their movement**

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

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

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

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

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

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

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

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

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

- ОАО Boguchanskaya GES: promissory notes for RUB 21,027 million payable on demand after 31 December 2029 (the present value of the promissory notes reflecting time value of money as of 31 December 2013 is RUB 4,741 million);
- ZAO Boguchansky Aluminium Smelter: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2013 is RUB 1,633 million).

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

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

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

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

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



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

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

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



# **OAO RusHydro**

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

(in millions of Russian Rubles unless otherwise stated)

### **Short-term accounts receivable and their movement**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Overdue accounts receivable

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

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

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

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

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

**Short-term investments and their movements**

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

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

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

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**(a) Bank deposits**

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

**(b) Short-term loans issued**

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

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

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

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

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

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

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

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

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

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

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

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

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

### Notes to the statement of cash flows

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

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

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

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

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

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

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

#### 3.3.1 Share capital (line 1310 of the balance sheet)

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

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

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

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

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

#### **Additional issue in 2012-2013**

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

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

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

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

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

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

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

#### ***Additional issue in 2011-2012***

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

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

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

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

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

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

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

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

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



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

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

### 3.3.4 Reserve capital (line 1360 of the balance sheet)

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

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

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

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

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

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

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

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

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

The key provisions of the contracts were as follows:

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

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

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

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

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

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

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

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

#### **Ageing analysis:**

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

#### **Interest on borrowings included into the cost of investment assets**

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

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

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

### 3.5 Current liabilities (Section V of the balance sheet)

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

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

#### 3.5.2 Accounts payable (line 1520 of the balance sheet)

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



# **OAORushHydro**

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

(in millions of Russian Roubles unless otherwise stated)

### **Accounts payable and their movement**

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

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

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

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

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

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

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

### 3.5.3 Estimated liabilities (line 1540 of the balance sheet)

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

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

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

## 3.6 Off-balance-sheet valuables

### 3.6.1 Leased property, plant and equipment

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

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

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

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

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

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

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

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

### 3.6.2 Collateral for liabilities and payments received

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

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

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

### 3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

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

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

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

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

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

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



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

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

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

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

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

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

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

Operating expenses broken down by cost elements are as follows:

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



### 3.8 Expenses on purchase and use of energy resources

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

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

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

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

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

### 3.10 Taxes

#### Value Added Tax

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

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

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

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

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

### **Corporate income tax**

Deferred tax assets and deferred tax liabilities were:

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

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

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

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

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

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

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

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

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

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

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

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

### **Other taxes and levies**

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

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

### **Relations with tax authorities**

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

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



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

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

### 3.11 Dividends

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

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

### 3.12 Earnings per share

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

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

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

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

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

### 3.13 Related Parties

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

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

#### 3.13.1 Controlling entity

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

#### 3.13.2 Sales to related parties

Total revenue from sales to related parties was:

| Name of the buyer  | 2013          | 2012         |
|--|---------------|--------------|
| <b>Revenue from sales to subsidiaries, including:</b>    |               |              |
| ОАО Far East Energy Company                              | 5,436         | 5,162        |
| ОАО Chuvashskaya Energy Sales Company                    | 1,386         | 522          |
| ОАО Krasnoyarskenergosbyt                                | 931           | 782          |
| ОАО Ryazanskaya Energy Sales Company                     | 650           | 284          |
| ООО ESK Bashkortostana                                   | 412           | 290          |
| Other subsidiaries                                       | 262           | 274          |
| <b>Revenue from sales to related parties, including:</b> |               |              |
| ОАО Krasnoyarskaya GES                                   | 1,077         | 925          |
| <b>Total sales to related parties</b>                    | <b>10,154</b> | <b>8,239</b> |

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

#### 3.13.3 Purchases from related parties

The cost of services provided by related parties was:

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

#### 3.13.4 Settlements with non-state pension fund

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



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

### 3.13.5 Settlements with related parties

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

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

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

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

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

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

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

### 3.13.6 Related parties' debt within investments

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

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

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

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

| Entity                       | 2013         | 2012         |
|------------------------------|--------------|--------------|
| ОАО ЕСК RusHydro             | 263          | 269          |
| ОАО Hydroinvest              | 166          | 311          |
| ЗАО Малая Дмитровка          | 116          | 258          |
| Other                        | 620          | 604          |
| <b>Total interest income</b> | <b>2,518</b> | <b>2,096</b> |

### 3.13.7 Income from investments in other companies (related parties)

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

### 3.13.8 Remuneration to key management personnel

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

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

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

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

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

### 3.13.9 Cash flows between the Company and subsidiaries/associates

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

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

### 3.14 Segment Information

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

### 3.15 Contingent liabilities

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

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

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

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

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

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

### 3.16 Financial risk management

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

#### **Market risks**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Credit risk**

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

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

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

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

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

### **Liquidity risk**

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

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

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

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



### **3.17 Subsequent events**

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

Chairman of the Management Board of ОАО RusHydro



E. V. Dod

Chief Accountant of ОАО RusHydro

D. V. Finkel

28 February 2014

## **RUSHYDRO GROUP**

**Consolidated Financial Statements  
prepared in accordance with IFRS  
with independent auditor's report**

**As at and for the year ended 31 December 2013**

## CONTENTS

|  |            |
|--|------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>  | <b>135</b> |
| <b>Consolidated Financial Statements</b>                                     |            |
| Consolidated Statement of Financial Position.....                            | 137        |
| Consolidated Income Statement .....  | 138        |
| Consolidated Statement of Comprehensive Income.....                          | 139        |
| Consolidated Statement of Cash Flows .....                                   | 140        |
| Consolidated Statement of Changes in Equity.....                             | 142        |
| <b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>                        | <b>144</b> |
| Note 1. The Group and its operations.....                                    | 144        |
| Note 2. Summary of significant accounting policies .....                     | 148        |
| Note 3. New accounting pronouncements.....                                   | 161        |
| Note 4. Principal subsidiaries.....  | 164        |
| Note 5. Segment information .....  | 166        |
| Note 6. Related party transactions.....                                      | 169        |
| Note 7. Property, plant and equipment .....                                  | 171        |
| Note 8. Investments in associates and joint ventures.....                    | 175        |
| Note 9. Available-for-sale financial assets.....                             | 179        |
| Note 10. Other non-current assets.....                                       | 179        |
| Note 11. Cash and cash equivalents .....                                     | 182        |
| Note 12. Accounts receivable and prepayments .....                           | 183        |
| Note 13. Inventories.....  | 183        |
| Note 14. Other current assets.....   | 184        |
| Note 15. Equity.....   | 185        |
| Note 16. Income tax.....   | 185        |
| Note 17. Pension benefit obligations .....                                   | 187        |
| Note 18. Current and non-current debt.....                                   | 189        |
| Note 19. Other non-current liabilities .....                                 | 191        |
| Note 20. Accounts payable and accruals.....                                  | 191        |
| Note 21. Other taxes payable .....   | 191        |
| Note 22. Revenue .....   | 191        |
| Note 23. Government grants.....  | 191        |
| Note 24. Expenses.....   | 192        |
| Note 25. Finance income, costs.....  | 192        |
| Note 26. Earnings per share .....  | 193        |
| Note 27. Commitments .....   | 193        |
| Note 28. Contingencies.....  | 193        |
| Note 29. Financial risk management .....                                     | 194        |
| Note 30. Management of capital.....  | 197        |
| Note 31. Fair value of assets and liabilities.....                           | 198        |
| Note 32. Presentation of financial instruments by measurement category ..... | 199        |
| Note 33. Subsequent events.....  | 200        |



### ***Independent Auditor's Report***

To the Shareholders and Board of Directors of Open Joint Stock Company Federal Hydro-Generating Company – RusHydro (OJSC RusHydro)

We have audited the accompanying consolidated financial statements of OJSC RusHydro and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

---

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T: +7 495 967 6000, F: +7 495 967 6001, [www.pwc.ru](http://www.pwc.ru)



**Independent Auditor's Report (Continued)**

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

*ZAO PricewaterhouseCoopers Audit*

20 March 2014

Moscow, Russian Federation

T.V. Sirotinskaya, Director (licence no. 01-000527),  
ZAO PricewaterhouseCoopers Audit

Audited entity: OJSC RusHydro

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

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

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

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

Certificate of membership in self regulated organisation non-profit  
partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683  
in the register of auditors and audit organizations



**RusHydro Group**  
**Consolidated Statement of Financial Position**  
(in millions of Russian Rubles unless noted otherwise)

|   | Note | 31 December 2013 | 31 December 2012<br>(restated) | 1 January 2012<br>(restated) |
|---|------|------------------|--------------------------------|------------------------------|
| <b>ASSETS</b>   |      |                  |                                |                              |
| <b>Non-current assets</b>   |      |                  |                                |                              |
| Property, plant and equipment   | 7    | 633,846          | 604,461                        | 568,629                      |
| Investments in associates and joint ventures                          | 8    | 30,301           | 17,860                         | 33,686                       |
| Available-for-sale financial assets                                   | 9    | 5,794            | 14,326                         | 19,738                       |
| Other non-current assets  | 10   | 24,976           | 25,048                         | 36,136                       |
| <b>Total non-current assets</b>                                       |      | <b>694,917</b>   | <b>661,695</b>                 | <b>658,189</b>               |
| <b>Current assets</b>   |      |                  |                                |                              |
| Cash and cash equivalents   | 11   | 34,472           | 39,819                         | 47,337                       |
| Income tax receivable   |      | 2,679            | 2,842                          | 3,718                        |
| Accounts receivable and prepayments                                   | 12   | 45,385           | 46,670                         | 46,153                       |
| Inventories   | 13   | 21,449           | 19,578                         | 17,972                       |
| Other current assets  | 14   | 53,144           | 53,787                         | 9,944                        |
|   |      | <b>157,129</b>   | <b>162,696</b>                 | <b>125,124</b>               |
| Assets of subsidiary acquired exclusively with a view for resale      | 2    | -                | 28,479                         | 28,470                       |
| Non-current assets classified as held for sale                        | 8    | -                | 1,397                          | -                            |
| <b>Total current assets</b>   |      | <b>157,129</b>   | <b>192,572</b>                 | <b>153,594</b>               |
| <b>TOTAL ASSETS</b>   |      | <b>852,046</b>   | <b>854,267</b>                 | <b>811,783</b>               |
| <b>EQUITY AND LIABILITIES</b>   |      |                  |                                |                              |
| <b>Equity</b>   |      |                  |                                |                              |
| Share capital   | 15   | 386,255          | 317,637                        | 290,302                      |
| Treasury shares   | 15   | (10,662)         | (10,662)                       | (10,662)                     |
| Share premium   | 15   | 39,202           | 39,202                         | 21,434                       |
| Retained earnings and other reserves                                  |      | 164,735          | 168,909                        | 196,611                      |
| <b>Equity attributable to the shareholders of OJSC RusHydro</b>       |      | <b>579,530</b>   | <b>515,086</b>                 | <b>497,685</b>               |
| Non-controlling interest  |      | 17,177           | 25,319                         | 27,711                       |
| <b>TOTAL EQUITY</b>   |      | <b>596,707</b>   | <b>540,405</b>                 | <b>525,396</b>               |
| <b>Non-current liabilities</b>  |      |                  |                                |                              |
| Deferred income tax liabilities                                       | 16   | 31,000           | 39,482                         | 44,245                       |
| Non-current debt  | 18   | 131,890          | 67,283                         | 102,624                      |
| Other non-current liabilities   | 19   | 12,030           | 12,079                         | 13,451                       |
| <b>Total non-current liabilities</b>                                  |      | <b>174,920</b>   | <b>118,844</b>                 | <b>160,320</b>               |
| <b>Current liabilities</b>  |      |                  |                                |                              |
| Current debt and current portion of non-current debt                  | 18   | 19,887           | 73,752                         | 21,414                       |
| Accounts payable and accruals   | 20   | 49,473           | 46,164                         | 40,030                       |
| Accounts payable in respect of share issues                           | 15   | -                | 50,000                         | 43,604                       |
| Current income tax payable  |      | 115              | 509                            | 407                          |
| Other taxes payable   | 21   | 10,944           | 8,540                          | 7,611                        |
|   |      | <b>80,419</b>    | <b>178,965</b>                 | <b>113,066</b>               |
| Liabilities of subsidiary acquired exclusively with a view for resale | 2    | -                | 16,053                         | 13,001                       |
| <b>Total current liabilities</b>                                      |      | <b>80,419</b>    | <b>195,018</b>                 | <b>126,067</b>               |
| <b>TOTAL LIABILITIES</b>  |      | <b>255,339</b>   | <b>313,862</b>                 | <b>286,387</b>               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |      | <b>852,046</b>   | <b>854,267</b>                 | <b>811,783</b>               |

Chairman of Management Board

E. V. Dod

Chief Accountant

D. V. Finkel

20 March 2014

The accompanying notes are an integral part of these Consolidated Financial Statements

**RusHydro Group**  
**Consolidated Income Statement**  
(in millions of Russian Rubles unless noted otherwise)

|   |      | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|---|------|--------------------------------|--|
|   | Note |                                |  |
| Revenue   | 22   | 313,632                        | 298,805                                      |
| Government grants   | 23   | 13,246                         | 10,796                                       |
| Expenses  | 24   | (272,784)                      | (271,181)                                    |
| Impairment of property, plant and equipment   | 7    | (18,995)                       | (19,332)                                     |
| Impairment of long-term promissory notes  | 10   | (1,633)                        | (9,363)                                      |
| Impairment of available-for-sale financial assets   | 9    | (7,944)                        | (8,041)                                      |
| Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale   | 2    | (4,804)                        | (4,144)                                      |
| Impairment of goodwill and intangible assets  | 10   | -                              | (2,975)                                      |
| Curtailment in pension plan   | 17   | 1,609                          | -  |
| Gain on disposal of subsidiaries and associates   |      | 517                            | 133  |
| <b>Operating profit / (loss)</b>  |      | <b>22,844</b>                  | <b>(5,302)</b>                               |
| Finance income  | 25   | 9,008                          | 5,079  |
| Finance costs   | 25   | (9,222)                        | (6,780)                                      |
| Profit / (loss) in respect of associates and joint ventures   | 8    | 2,555                          | (14,199)                                     |
| <b>Profit / (loss) before income tax</b>  |      | <b>25,185</b>                  | <b>(21,202)</b>                              |
| Total income tax expense  | 16   | (4,192)                        | (4,122)                                      |
| <b>Profit / (loss) for the year</b>   |      | <b>20,993</b>                  | <b>(25,324)</b>                              |
| Attributable to:  |      |                                |  |
| Shareholders of OJSC RusHydro   |      | 19,767                         | (22,631)                                     |
| Non-controlling interest  |      | 1,226                          | (2,693)                                      |
| Earnings / (loss) per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share) | 26   | 0.0638                         | (0.0780)                                     |
| Weighted average number of shares outstanding – basic and diluted (thousands of shares)   | 26   | 309,873,684                    | 290,262,445                                  |

The accompanying notes are an integral part of these Consolidated Financial Statements

**RusHydro Group**  
**Consolidated Statement of Comprehensive Income**  
(in millions of Russian Rubles unless noted otherwise)

|   |      | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|---|------|--------------------------------|--|
|   | Note |                                |  |
| Profit / (loss) for the year  |      | 20,993                         | (25,324)                                     |
| <b>Other comprehensive income / (loss), net of tax:</b>                                       |      |                                |  |
| <i>Items that will not be reclassified to profit or loss</i>                                  |      |                                |  |
| Impairment of revalued property, plant and equipment  | 7    | (19,637)                       | (10,646)                                     |
| Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale | 2    | (646)                          | -  |
| Remeasurement of pension benefit obligations  | 17   | 101                            | 2,058  |
| <b>Total items that will not be reclassified to profit or loss</b>                            |      | <b>(20,182)</b>                | <b>(8,588)</b>                               |
| <i>Items that may be reclassified subsequently to profit or loss</i>                          |      |                                |  |
| Loss arising on available-for-sale financial assets   | 9    | (647)                          | (296)  |
| Loss arising on impaired available-for-sale financial assets                                  | 9    | (289)                          | (3,438)                                      |
| Accumulated loss on available-for-sale financial assets recycled to the Income Statement      | 9    | 350                            | 6,451  |
| Other comprehensive loss  |      | (51)                           | -  |
| <b>Total items that may be reclassified subsequently to profit or loss</b>                    |      | <b>(637)</b>                   | <b>2,717</b>                                 |
| <b>Total comprehensive income / (loss) for the year</b>                                       |      | <b>174</b>                     | <b>(31,195)</b>                              |
| Attributable to:  |      |                                |  |
| Shareholders of OJSC RusHydro   |      | (785)                          | (27,887)                                     |
| Non-controlling interest  |      | 959                            | (3,308)                                      |

The accompanying notes are an integral part of these Consolidated Financial Statements

**RusHydro Group**  
**Consolidated Statement of Cash Flows**  
(in millions of Russian Rubles unless noted otherwise)

|   |       | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|---|-------|--------------------------------|--|
|   | Note  |                                |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |       |                                |  |
| <b>Profit / (loss) before income tax</b>  |       | <b>25,185</b>                  | <b>(21,202)</b>                              |
| Depreciation of property, plant and equipment and intangible assets   | 7, 24 | 18,218                         | 18,232                                       |
| Loss on disposal of property, plant and equipment, net  | 24    | 1,447                          | 1,925  |
| (Profit) / loss in respect of associates and joint ventures   | 8     | (2,555)                        | 14,199                                       |
| Gain on disposal of subsidiaries and associates   |       | (517)                          | (133)  |
| Finance income  | 25    | (9,008)                        | (5,079)                                      |
| Finance costs   | 25    | 9,222                          | 6,780  |
| Impairment of property, plant and equipment   | 7     | 18,995                         | 19,332                                       |
| Impairment of goodwill and intangible assets  | 10    | -                              | 2,975  |
| Impairment of available-for-sale financial assets   | 9     | 7,944                          | 8,041  |
| Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale                           | 2     | 4,804                          | 4,144  |
| Impairment of long-term promissory notes  | 10    | 1,633                          | 9,363  |
| Impairment of accounts receivable, net  | 24    | 4,895                          | 5,611  |
| Effect of Share Option Programme expenses   |       | -                              | 141  |
| Curtailment in pension plan   | 17    | (1,609)                        | -  |
| Pension expenses  |       | 568                            | 260  |
| Other (income) / loss   |       | (55)                           | 396  |
| <b>Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities</b> |       | <b>79,167</b>                  | <b>64,985</b>                                |
| Working capital changes:  |       |                                |  |
| Increase in accounts receivable and prepayments   |       | (4,312)                        | (6,490)                                      |
| Increase in inventories   |       | (2,326)                        | (1,468)                                      |
| (Decrease) / increase in accounts payable and accruals  |       | (1,034)                        | 9,363  |
| Increase in other taxes payable   |       | 2,751                          | 765  |
| Increase in other non-current assets  |       | (277)                          | (4,454)                                      |
| (Decrease) / increase in other non-current liabilities  |       | (1,119)                        | 1,988  |
| Income tax paid   |       | (10,422)                       | (5,813)                                      |
| <b>Net cash generated by operating activities</b>   |       | <b>62,428</b>                  | <b>58,876</b>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |       |                                |  |
| Purchase of property, plant and equipment   |       | (61,641)                       | (83,042)                                     |
| Proceeds from sale of property, plant and equipment   |       | 356                            | 168  |
| Investment in bank deposits and purchase of other investments   |       | (110,567)                      | (75,925)                                     |
| Redemption of bank deposits and proceeds from sale of other investments   |       | 111,763                        | 33,187                                       |
| Contribution to share capital of associates and joint ventures  |       | (533)                          | (504)  |
| Interest received   |       | 7,554                          | 4,490  |
| Proceeds from sale of associates  | 8     | 1,913                          | -  |
| <b>Net cash used in investing activities</b>  |       | <b>(51,155)</b>                | <b>(121,626)</b>                             |

The accompanying notes are an integral part of these Consolidated Financial Statements



**RusHydro Group**  
**Consolidated Statement of Cash Flows**  
(in millions of Russian Rubles unless noted otherwise)

|  |      | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|--|------|--------------------------------|--|
|  | Note |                                |  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                       |      |                                |  |
| Proceeds from current debt   | 18   | 87,352                         | 46,416                                       |
| Proceeds from non-current debt                                     | 18   | 67,554                         | 48,841                                       |
| Repayment of debt  | 18   | (153,114)                      | (75,928)                                     |
| Interest paid  |      | (13,580)                       | (11,574)                                     |
| Dividends paid to the shareholders of OJSC RusHydro                |      | (3,586)                        | (2,408)                                      |
| Dividends paid by subsidiaries to non-controlling interest holders |      | (160)                          | (170)  |
| Prepayments and proceeds from share issue                          | 15   | 22                             | 51,498                                       |
| Finance lease payments   |      | (1,194)                        | (1,404)                                      |
| Purchase of non-controlling interest in subsidiaries               |      | -                              | (58)   |
| <b>Net cash (used in) / generated by financing activities</b>      |      | <b>(16,706)</b>                | <b>55,213</b>                                |
| Foreign exchange gain / (loss) on cash balances                    |      | 48                             | (20)   |
| <b>Decrease in cash and cash equivalents</b>                       |      | <b>(5,385)</b>                 | <b>(7,557)</b>                               |
| <b>Cash and cash equivalents at the beginning of the year</b>      |      | <b>39,857</b>                  | <b>47,414</b>                                |
| <b>Cash and cash equivalents at the end of the year</b>            | 11   | <b>34,472</b>                  | <b>39,857</b>                                |



# RusHydro Group

## Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)

|  |      | Share capital | Treasury shares | Share premium | Merger reserve | Revaluation reserve | Available-for-sale financial assets | Remeasurement of pension benefit obligation | Retained earnings | Equity attributable to shareholders of OJSC RusHydro | Non-controlling interest | Total equity |
|--|------|---------------|-----------------|---------------|----------------|---------------------|-------------------------------------|---|-------------------|--|--------------------------|--------------|
| As at 1 January 2012   | Note | 290,302       | (10,662)        | 21,434        | (127,216)      | 228,680             | (2,273)                             | -   | 98,225            | 498,490  | 27,169                   | 525,659      |
| Application of IAS 19 revised  |      | -             | -               | -             | -              | -                   | -                                   | (150)                                       | (655)             | (805)  | 542                      | (263)        |
| As at 1 January 2012 (restated)  | 2    | 290,302       | (10,662)        | 21,434        | (127,216)      | 228,680             | (2,273)                             | (150)                                       | 97,570            | 497,685  | 27,711                   | 525,396      |
| Loss for the year  |      | -             | -               | -             | -              | -                   | -                                   | -   | (22,631)          | (22,631)   | (2,693)                  | (25,324)     |
| Loss arising on available-for-sale financial assets                                      | 9    | -             | -               | -             | -              | -                   | (226)                               | -   | -                 | (226)  | (70)                     | (296)        |
| Loss arising on impaired available-for-sale financial assets                             | 9    | -             | -               | -             | -              | -                   | (3,438)                             | -   | -                 | (3,438)  | -                        | (3,438)      |
| Accumulated loss on available-for-sale financial assets recycled to the Income Statement | 9    | -             | -               | -             | -              | -                   | 6,451                               | -   | -                 | 6,451  | -                        | 6,451        |
| Remeasurement of pension benefit obligations   | 17   | -             | -               | -             | -              | -                   | -                                   | 1,070                                       | -                 | 1,070  | 988                      | 2,058        |
| Impairment of revalued property, plant and equipment                                     | 7    | -             | -               | -             | -              | (9,113)             | -                                   | -   | -                 | (9,113)  | (1,533)                  | (10,646)     |
| <b>Total comprehensive loss</b>  |      | -             | -               | -             | -              | (9,113)             | 2,787                               | 1,070                                       | (22,631)          | (27,887)   | (3,308)                  | (31,195)     |
| Share issue  |      | 27,335        | -               | 17,768        | -              | -                   | -                                   | -   | -                 | 45,103   | -                        | 45,103       |
| Effect of changes in non-controlling interest  | 15   | -             | -               | -             | -              | -                   | -                                   | -   | 2,448             | 2,448  | 1,086                    | 3,534        |
| Dividends  | 15   | -             | -               | -             | -              | -                   | -                                   | -   | (2,431)           | (2,431)  | (170)                    | (2,601)      |
| Effect of Share Option Programme   |      | -             | -               | -             | -              | -                   | -                                   | -   | 141               | 141  | -                        | 141          |
| Purchase of subsidiaries   |      | -             | -               | -             | -              | -                   | -                                   | -   | 27                | 27   | -                        | 27           |
| Transfer of revaluation reserve to retained earnings                                     |      | -             | -               | -             | -              | (810)               | -                                   | -   | 810               | -  | -                        | -            |
| As at 31 December 2012 (restated)  | 2    | 317,637       | (10,662)        | 39,202        | (127,216)      | 218,757             | 514                                 | 920   | 75,934            | 515,086  | 25,319                   | 540,405      |

The accompanying notes are an integral part of these Consolidated Financial Statements

# RusHydro Group

## Consolidated Statement of Changes in Equity

(in millions of Russian Rubles unless noted otherwise)

|   | Note     | Share capital  | Treasury shares | Share premium | Merger reserve   | Revaluation reserve | Available-for-sale financial assets | Remeasurement of pension benefit obligation | Retained earnings | Equity attributable to shareholders of OJSC RusHydro | Non-controlling interest | Total equity   |
|---|----------|----------------|-----------------|---------------|------------------|---------------------|-------------------------------------|---|-------------------|--|--------------------------|----------------|
| <b>As at 31 December 2012 (restated)</b>  | <b>2</b> | <b>317,637</b> | <b>(10,662)</b> | <b>39,202</b> | <b>(127,216)</b> | <b>218,757</b>      | <b>514</b>                          | <b>920</b>                                  | <b>75,934</b>     | <b>515,086</b>                                       | <b>25,319</b>            | <b>540,405</b> |
| Profit for the year   |          | -              | -               | -             | -                | -                   | -                                   | -   | 19,767            | 19,767   | 1,226                    | 20,993         |
| Loss arising on available-for-sale financial assets   | 9        | -              | -               | -             | -                | -                   | (587)                               | -   | -                 | (587)  | (60)                     | (647)          |
| Loss arising on impaired available-for-sale financial assets                                  | 9        | -              | -               | -             | -                | -                   | (289)                               | -   | -                 | (289)  | -                        | (289)          |
| Accumulated loss on available-for-sale financial assets recycled to the Income Statement      | 9        | -              | -               | -             | -                | -                   | 350                                 | -   | -                 | 350  | -                        | 350            |
| Remeasurement of pension benefit obligations  | 17       | -              | -               | -             | -                | -                   | -                                   | (45)  | -                 | (45)   | 146                      | 101            |
| Impairment of revalued property, plant and equipment  | 7        | -              | -               | -             | -                | (19,593)            | -                                   | -   | -                 | (19,593)   | (44)                     | (19,637)       |
| Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale | 2        | -              | -               | -             | -                | (337)               | -                                   | -   | -                 | (337)  | (309)                    | (646)          |
| Other comprehensive loss  |          | -              | -               | -             | -                | -                   | -                                   | -   | (51)              | (51)   | -                        | (51)           |
| <b>Total comprehensive income</b>   |          | <b>-</b>       | <b>-</b>        | <b>-</b>      | <b>-</b>         | <b>(19,930)</b>     | <b>(526)</b>                        | <b>(45)</b>                                 | <b>19,716</b>     | <b>(785)</b>   | <b>959</b>               | <b>174</b>     |
| Share issue   |          | 68,618         | -               | -             | -                | -                   | -                                   | -   | -                 | 68,618   | -                        | 68,618         |
| Transactions with the Government and companies under common control                           | 15       | -              | -               | -             | (7,859)          | -                   | -                                   | -   | 6,252             | (1,607)  | (6,270)                  | (7,877)        |
| Effect of changes in non-controlling interest   | 15       | -              | -               | -             | -                | -                   | -                                   | -   | 1,812             | 1,812  | (2,671)                  | (859)          |
| Dividends   | 15       | -              | -               | -             | -                | -                   | -                                   | -   | (3,594)           | (3,594)  | (160)                    | (3,754)        |
| Transfer of revaluation reserve to retained earnings  |          | -              | -               | -             | -                | (812)               | -                                   | -   | 812               | -  | -                        | -              |
| <b>As at 31 December 2013</b>   |          | <b>386,255</b> | <b>(10,662)</b> | <b>39,202</b> | <b>(135,075)</b> | <b>198,015</b>      | <b>(12)</b>                         | <b>875</b>                                  | <b>100,932</b>    | <b>579,530</b>                                       | <b>17,177</b>            | <b>596,707</b> |

The accompanying notes are an integral part of these Consolidated Financial Statements

**Note 1. The Group and its operations**

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for OJSC RusHydro (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as the "Group").

The Company was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Group's primary activities are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

**Economic environment in the Russian Federation.** The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

**Relations with the Government and current regulation.** As at 31 December 2013 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2012: 60.50 percent).

The Group's major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group's fuel and other suppliers (Note 6).

In addition, the Government affects the Group's operations through:

- participation of its representatives in the Company's Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of the Group's investment programme, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

**Overview of the electricity and capacity market.** Capacity and electricity, while interrelated, are treated as separate economic products. The capacity market represents the obligation and ability to keep sufficient generation capability in reserve in order to satisfy a target level of potential demand, while the sale of electricity represents the actual delivery of electricity to the purchaser.

The Russian electricity and capacity market consists of wholesale and retail markets.

Participants of the wholesale market include: generating companies, electricity sales companies (including guaranteeing suppliers), electricity export / import operator, Federal Grid Company (in terms of electricity purchases to cover transmission losses), large electricity consumers. Participants of the wholesale market can act as electricity and capacity sellers and buyers.

Participants of the retail markets include: consumers, providers of public utilities, guaranteeing suppliers, electricity sales (supply) companies, electricity generators of retail markets, grid companies, participants of electricity dispatch.

**Wholesale electricity and capacity market.** The wholesale electricity and capacity market operates in accordance with the Resolution of the Russian Government No. 1172 dated 27 December 2010.

A wholesale market for electricity and capacity functions on the territory of the regions, which are integrated in pricing areas. European Russia and Urals are included in the first pricing area, Siberia is included in the second pricing area. In non-pricing areas (Arkhangelsk and Kaliningrad regions, Komi Republic, regions of the Far East), where the competitive market relationships are not possible due to technological reasons, sales of electricity and capacity are carried out based on regulated tariffs.

In the isolated energy systems which are not technically integrated into the country's unified energy system, there is no electricity and capacity wholesale market and electricity is supplied through the regulated retail markets.



*Wholesale electricity market*

The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery time frames: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market.

During 2013 the electricity traded in pricing zones of wholesale market was sold at unregulated prices excluding of volumes designated for delivery to population, groups of customers equivalent to population and customers located in North Caucasus and Republic of Tyva.

Electricity and capacity supply tariffs for the Russian Federation are calculated using the price indexing formulas determined by the Federal Tariff Service (hereinafter referred to as "the FTS").

Electricity and capacity supply volumes are determined based on the estimated consolidated balance of electricity production and supply prepared by the FTS, so that for the electricity and capacity generator supply under regulated contracts does not exceed 35 percent of the total electricity and capacity supply to the wholesale market determined by the decision on balance for such generator.

Electricity volumes that are not covered by the regulated contracts are sold at unregulated prices on the day-ahead market (DAM) and balancing market (BM).

DAM is a competitive selection of seller and buyer price bids on the day ahead of actual electricity supply, including prices and volumes for each of 24 hours. The selection is managed by the Commercial Operator of the wholesale market (OJSC ATS). On DAM, the price is determined by balancing the demand and supply, and such price is applied to all market participants. To mitigate the price manipulation risk, DAM introduced a system encouraging the participants to submit competitive price bids – in accordance with the trading rules, the lowest price bids for electricity supply are satisfied first.

Price indices and trade volumes in DAM are published daily on the web-site of OJSC ATS.

Electricity volumes sold under bilateral contracts and on DAM constitute scheduled electricity consumption. However, actual consumption is inevitably different from the planned one. Deviations from scheduled production / consumption are traded on a real-time basis on BM, and the System Operator of the wholesale market (OJSC SO UES) holds additional tenders to select bids every three hours.

Under unregulated bilateral contracts, the market participants independently determine supply counter parties, prices and volumes.

*Wholesale capacity market*

The Resolution of the Russian Government No. 89 dated 24 February 2010 approved amendments to regulations of the electricity and capacity market providing for organisation of long-term capacity market.

Capacity is traded based on the following trading mechanisms:

- purchase / sale of capacity under capacity sales contracts, concluded as a result of capacity competitive selection of bids;
- purchase / sale of capacity under unregulated contracts, including concluded through the exchange;
- purchase / sale of capacity under contracts to provide capacity and under sale contracts of new nuclear power plants and hydroelectric power plants, similar to capacity sale contracts;
- purchase / sale of capacity produced by forced generators;
- purchase / sale of capacity under regulated contracts (within the volumes for delivery to population and groups of customers equivalent to population);
- purchase / sale of capacity of generating facilities selected by additional screening of investment projects performed when capacity selected through capacity competitive selection of bids in any area does not guarantee meeting the demand for capacity;
- purchase / sale of capacity of generating facilities determined upon the results of competitive selection of investment projects on developing the prospective technological capacity reserves.

During 2013 and 2012, similar to trading operations with electricity, capacity is supplied under regulated contracts only in the volumes required for supply to the population, equivalent consumer categories and consumers operating in some parts of the wholesale market pricing zones, consisting Russian constituent territories as determined by the Russian Government (North Caucasus and Republic of Tyva).

During 2013 and 2012, the volumes of capacity of hydropower plants located in the second pricing area were supplied for tariffs approved by the FTS.



In the capacity market, capacity tenders are held based on the demand estimated for the respective supply period by OJSC SO UES. If the actual demand for capacity is above the forecast one, additional tender selection may be held for adjusting it.

The tender first selects capacity commissioned under capacity supply contracts (CSC) entered into with heating generation sites and contracts with nuclear power plants and hydro power plants similar to CSC. Non-selected capacity that failed to pass through the tender is not paid for, excluding the capacity of the generating sites that are required to maintain the technological operating modes of the energy system or supply heat ("forced" generators). The capacity of "forced" generators is paid for using the tariff set up by the FTS.

In December 2010 first capacity sale contracts for new hydroelectric power plants and pump storage power plants were concluded. Heating generation site commissioned under CSC, receives guaranteed payment for capacity for 10 years, to offset the maintenance cost and capital expenditures covered by agreement. Under these contracts such power plants receive guaranteed payment for capacity for 20 years. Maintenance and capital expenditures used to calculate the cost of capacity under capacity supply contracts are determined by Resolution of the Russian Government No. 238 dated 13 April 2010.

#### *Non-pricing zone of the Far East*

Territories of the Amur Region, Primorsky Region, Khabarovsk Region, Jewish Autonomous Region and the Southern District of the Sakha Republic (Yakutia) are integrated into a single non-pricing zone of the wholesale electricity and capacity market of the Far East. There are specific features of managing electricity and capacity trading operations due to limitations in the competition among electricity suppliers and grid-imposed limitations for electricity flow.

Tariffs for electricity supplied by the Far East energy companies to the consumer (end-consumer tariffs) are approved by regional regulatory authorities based on the threshold tariff levels approved by the FTS for the regulated period.

The threshold tariff levels for electricity supplied to population or equivalent consumer categories and other consumers in the Russian constituent territories are determined by the FTS in accordance with the forecast of social and economic development in the Russian Federation for the regulated period.

The single buyer wholesale market model is implemented in the Far East non-pricing zone. Suppliers of the wholesale market supply electricity and capacity to the wholesale market using the tariffs established for them by the FTS.

The single buyer purchases electricity and capacity on the wholesale market at indicative prices calculated by OJSC ATS based on the tariffs for suppliers of wholesale market approved by the FTS.

OJSC ATS makes sure settlements between the electricity generators and buyers. Functions of the single buyer are assigned to OJSC DEK on the territory of Amur Region, Jewish Autonomous Region, Khabarovsk Region, Primorsky Region and the Southern District of the Sakha Republic (Yakutia).

However there are regions with only retail market operations – they are isolated energy systems of Kamchatsky Region, Magadan Region, Chukotsk Autonomous Region, Western and Central Regions of Sakha Republic (Yakutia) and Sakhalin Region where systems are not technically integrated into the unified energy system.

**Retail electricity market.** In the retail electricity markets the sales of electricity purchased on the wholesale electricity and capacity market and electricity of generating companies which are not participants of the wholesale market are carried out.

The retail market rules were approved by Resolution of the Government No. 442 dated 4 May 2012 "On functioning of retail electricity markets, complete and (or) partial constraint of electricity consumption" (hereinafter referred to as "the retail market rules").

In the territories of the constituent regions of the Russian Federation integrated into pricing zones of the wholesale market electricity is sold at unregulated prices except for electricity sales to population and equivalent consumer categories.

Electricity is supplied to population and groups of customers equivalent to population at regulated prices (tariffs) approved by executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation.

Regulated prices are established based on forecast of social and economic development of Russian Federation for the next year approved by the Government. The FTS determines the threshold levels for regulated tariffs for electricity supplied to population and equivalent consumer categories.



The guaranteeing suppliers sell electricity at unregulated prices within the threshold limits of unregulated prices determined and applied according to the retail market rules. Electricity sales (supply) companies sell electricity at unregulated prices. Electricity generators in the retail markets sell electricity at unregulated prices except for sales of electricity to guaranteeing supplier.

In the territories of the constituent regions of the Russian Federation integrated into non-pricing zones of the wholesale market for determination of prices for electricity supplied to final customers in the retail markets principles of prices translation of wholesale market established by the retail market rules and Rules of application of the prices (tariffs) approved by the order of the FTS No. 364-э/4 dated 30 November 2010 are applied. Translation of prices of wholesale market is performed for all final customers except for population and equivalent consumer categories.

Translation prices calculated by electricity sales companies according to the Rules of application of the prices (tariffs) are determined based on regulated tariffs set up for the respective group of customers and cost of purchase of electricity and capacity by guaranteeing supplier (electricity sales company) in the wholesale market. Population and equivalent consumer categories pay for electricity under the tariffs set up by executive authorities of the constituent regions of the Russian Federation.

In the territories of isolated energy systems – sales of electricity to all consumer categories are carried out at regulated prices approved by the FTS and executive authorities of the constituent regions of the Russian Federation in terms of state tariff regulation in the territories where such energy systems are located.

**Heating market.** Operations of the heating market are regulated by Federal Law No.190-FZ “On Heating” dated 27 July 2010 and Resolution of the Government No. 1075 dated 22 October 2012 “On pricing of heating supply”.

The Group's entities that are included into the segment RAO Energy System of the East Group are participants on the retail heating markets in the territories of their presence. Heat energy is supplied on the centralised basis from the heat power plants and boiling houses operated by the energy systems. And a number of energy systems are involved in supplies of heat, generating and distributing heat energy, while others – just generate heat energy.

Heating market provides for:

- supply of heat and heat transfer public utilities relating to hot water and heating supply needs;
- supply of heat for the entities' technological needs.

According to the Russian legislation, sales of heat energy are fully regulated.

Prices (tariffs) for heat supplied by utilities for all consumer groups are approved by executive authorities in the Russian constituent regions responsible for state regulation of prices (tariffs).

Service fee for maintenance of spare heat capacity when there is no heat consumption and fee for connection to the system of heating supply are also regulated by executive authorities in the Russian constituent regions responsible for state regulation of prices within the threshold limits of tariffs approved by the FTS.

**Market of services for provision of system reliability.** Types of services for provision of system reliability (hereinafter referred to as “the system services”), rules of their rendering, pricing mechanism and procedure of selection of the constituents of the utilities industry rendering such services and electricity consumers were introduced by Resolution of the Government No. 117 dated 3 March 2010.

Functions of selection of the constituents of the utilities industry rendering system services, conclusion of contracts with such constituents and service charge as well as coordination of actions of participants of the system services market are assigned to OJSC SO UES.

System services market is commissioned to provide functioning of the economic mechanisms stimulating maintenance and development of equipment in United Energy System (UES) of Russia with specific optional features for all constituents:

- ability to participate in standardized primary frequency regulation;
- ability to participate in automated secondary frequency regulation at heat power plants;
- reactive power regulation with use of generation equipment of the power plants which are not participating in generating of active capacity;
- operation of elements of emergency control system in UES of Russia created for the purpose of increase of carrying capacity in controlled sections of electric grid.

From the outlined system services the Group provides services for reactive power regulation with use of generation equipment of the hydroelectric power plants which are not used for electricity generation during the period of rendering the services.



**Renewable-based power generation.** Russian Government's order No. 449 of 28 May 2013 *On incentive mechanisms for using renewables in the wholesale electricity and capacity market* and Russian Government's Resolution No. 861-r of 28 May 2013 approved the pricing rules for capacity of renewable ("Renewables") power generation assets and mechanisms and key parameters of support for renewable-based power generation in Russia.

The basic mechanism of support is as follows:

- The Russian Government set out annual limits for capacity commissioning for each of three technologies until 2020: wind, distributed power generation (5 to 25 mW) and solar energy.
- The government established the capital expenditure ceilings, localisation requirements, installed capacity utilisation benchmarks (ICUB) and operating expenses.
- ATS performs the annual competitive selection of capacity for the term of 4 years out of the assets of wholesale market zones 1 and 2 based on the minimal capital expenditure criterion.
- The tender winners sign a capacity supply contract (Renewable CSC), which guarantees the minimum capacity payments to investors over 15 years from the commissioning date.
- The contract provides for penalties for violating the terms and conditions set out in Renewable CSC (failure to meet the commissioning deadlines and localisation requirements, and under-supply of capacity).

On 19 September 2013, ATS published the results of the first tender for the construction of renewable energy projects.

The adoption of the above regulatory framework by the Russian Government guarantees economic efficiency of investments in renewable power generation projects.

The Group currently considers in future participation in the tender for the construction of renewable energy projects.

## **Note 2. Summary of significant accounting policies**

**Basis of preparation.** These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") under the historical cost convention, as modified by the financial instruments initially recognised at fair value, revaluation of property, plant and equipment and available-for-sale financial assets. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with Russian standards of accounting (hereinafter referred to as "RSA"). The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

**Functional and presentation currency.** The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Rubles.

**Consolidated financial statements.** Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.



The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

**Purchases and sales of non-controlling interests.** The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

**Acquisition of subsidiaries from parties under common control.** Acquisitions of subsidiaries from parties under common control are accounted for using the predecessor values method. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to merger reserve within equity. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented, i.e. retrospectively except for acquisition of subsidiaries acquired exclusively with a view for resale which are accounted for using predecessor values method prospectively from the acquisition date.

**Investments in associates and joint ventures.** Investments in associates and joint ventures are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as profit or loss in respect of associates and joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, and (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the profit or loss in respect of associates and joint ventures.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is defined by making of decisions about the relevant activities required the unanimous consent of the parties sharing control.



The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on joint ventures and associates.

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity.

**Disposals of subsidiaries, associates or joint ventures.** When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**Intangible assets and goodwill.** The Group's intangible assets other than goodwill have definite useful lives and primarily include customer base acquired in business combination (Note 10), which is amortised over 5 years, and capitalised computer software. Intangible assets are amortised using the straight-line method over their useful lives. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

**Financial instruments – key measurement terms.** Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. The Group uses such valuation techniques of fair value which are the most acceptable in the circumstances and as much as possible use the observable basic data.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

For disclosure of information on fair value the Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 31).

**Amortised cost** is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.



**Classification of financial assets.** Financial assets have the following categories: (i) loans and receivables; (ii) available-for-sale financial assets; (iii) financial assets held to maturity and (iv) financial assets at fair value through profit or loss. The description of categories of financial assets of the Group is given below.

*Loans and receivables* are unquoted non-derivative financial assets with fixed or determinable payments.

*Derivative financial instruments.* Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. . Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

All other financial assets are included in the *available-for-sale* category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

**Classification of financial liabilities.** Financial liabilities have the following measurement categories: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities. All financial liabilities of the Group including loans are categorised as other and carried at amortized cost.

**Available-for-sale financial assets.** Available-for-sale financial assets are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale financial assets. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

**Foreign currency.** Monetary assets and liabilities, which are held by the Group's entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Rubles at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

As at 31 December 2013, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between Russian Ruble and US Dollar (hereinafter referred to as "USD") was RR 32.73: USD 1.00 (31 December 2012: RR 30.37: USD 1.00), between Russian Ruble and Euro was RR 44.97: EUR 1.00 (31 December 2012: RR 40.23: EUR 1.00).

**Property, plant and equipment.** Property, plant and equipment are stated at revalued amounts less accumulated depreciation and provision for impairment (where required). Office buildings and land owned by the Group are stated at cost.

Property, plant and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset.

The revaluation surplus included in equity is transferred directly to retained earnings when the revaluation surplus is realised on disposal of the asset.



The Group charges deferred tax liabilities directly to other comprehensive income in respect of revaluation of property, plant and equipment that are recorded directly in other comprehensive income.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Depreciation on the assets under reconstruction and modernisation ceases if reconstruction period is estimated to take more than one year.

Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

**Depreciation.** Depreciation on other items of property, plant and equipment (except for land) is calculated using the straight-line method over their estimated useful lives.

The useful lives of property, plant and equipment are subject to annual assessment by management and if expectations differ from previous estimates, the changes of useful lives are accounted for as a change in an accounting estimate prospectively.

The average useful lives of property, plant and equipment by type of facility, in years, were as follows:

| Type of facility     | Average useful lives |
|----------------------|----------------------|
| Production buildings | 25–80                |
| Facilities           | 10–100               |
| Plant and equipment  | 5–40                 |
| Other                | 3–30                 |

Depreciation is charged once an asset is available for service. Land and assets under construction are not depreciated.

**Impairment of property, plant and equipment.** Impairment reviews for property, plant and equipment are carried out when there is an indication that impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts (Note 7). If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

**Investment property.** Investment property is property held by the Group to earn rental income which is not occupied by the Group (Note 10). Investment properties are stated at cost. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

**Trade and other receivables.** Trade and other receivables are carried at amortised cost using the effective interest method.



**Impairment of financial assets carried at amortised cost.** Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred: (i) any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems; (ii) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (iii) the counterparty considers bankruptcy or a financial reorganisation; (iv) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

**Non-current assets classified as held for sale. Discontinued operations.** Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as "non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period. Assets are reclassified when all of the following conditions are met: (i) the assets are available for immediate sale in their present condition; (ii) the Group's management approved and initiated an active programme to locate a buyer; (iii) the assets are actively marketed for a sale at a reasonable price; (iv) the sale is expected within one year; and (v) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current and / or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than 12 months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.



Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Disposal groups or non-current assets that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (ii) its recoverable amount at the date of the subsequent decision not to sell.

**Income taxes.** Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

**Uncertain tax positions.** The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

**Debt.** Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement as an interest expense over the period of the debt obligation.

**Capitalisation of borrowing costs.** Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale.



Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities.

**Employee benefits.** Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

**Pension and post-employment benefits.** In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.

**Defined benefit plans.** The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the end of the reporting period less fair value of plan assets.

The defined benefit obligations are calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from remeasurement of pension benefit obligations are recognised in other comprehensive income. Past service cost is immediately recognised in profit or loss within operating expenses.

**Defined contribution plans.** For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

**Share-based payment transactions.** The share option programme allows the Group's key management to acquire shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured based on the Black-Scholes formula.

**Finance lease liabilities.** Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

**Operating leases.** Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

**Environmental liabilities.** Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates exist.



**Revenue recognition.** Revenue is recognised on the delivery of electricity and heat, provisioning for capacity, supply of non-utility services and on the dispatch of goods during the period. Revenue from retail operations is recognised on delivery of electricity and heat to the customer. Revenue amounts are presented exclusive of value added tax.

Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations. Additional turnover in the amount of RR 10,198 million for the year ended 31 December 2013 (for the year ended 31 December 2012: RR 9,090 million) is shown net for presentation purposes to reflect the economic substance of transactions.

**Government grants.** Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants are included in cash flows from operating activities.

**Earnings per share.** The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

**Share capital.** Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

**Treasury shares.** Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

**Dividends.** Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared (approved by shareholders) before or at the end of the reporting period. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

**Social expenditure.** To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

**Financial guarantees.** Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition, and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

**Segment reporting.** Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

#### **Critical accounting estimates and judgments in applying accounting policies**

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:



**Impairment of non-financial assets.** At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated income statement to the extent it exceeds any previous revaluation surplus held in equity. An impairment loss recognised for an asset in prior years may be reversed if there has been a positive change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 7 and 8.

**Fair value estimation for acquisitions.** In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets. Management of the Group use all available information to make these fair value determinations and, for certain acquisitions, engage third-party consultants for assistance. The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

**Recognition of deferred tax assets.** At each reporting date management assesses recoverability of deferred tax assets arising from operating losses and asset impairments in the context of the current economic environment, particularly when current and expected future profits have been adversely affected by market conditions. Management considers first the future reversal of existing deferred tax liabilities and then considers future taxable profits when evaluating deferred tax assets. The assessment is made on a tax payer basis.

Management considered the recoverability of deferred tax assets, including those on tax losses carried forward, as probable (Note 16).

**Useful life of property, plant and equipment.** The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets and other factors. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear, warranty terms as well as the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates which can affect the reported income.

**Discontinued operations.** As at 31 December 2012 OJSC DRSK was classified as a subsidiary acquired exclusively with a view for resale due to Group's intentions in respect of OJSC DRSK after receiving of control over it were connected with the transfer of its shares to OJSC Russian Grids.

The changes to the Federal Law "On Electric Power Industry" and article 81 of Federal Law "On Joint Stock Companies" were made at the end of year 2013. According to these changes, lease of OJSC Federal Grid Company's grids is prolonged until 1 July 2029 for territorial grid companies in a number of regions of the Russian Federation including the Amur Region and Jewish Autonomous Region where OJSC DRSK operates. Thus the Group could be compensated for the shortfall in income which has arisen due to withdrawal of some consumers from "the last mile" agreements, resulting in the Group's intentions concerning the transfer of the shares to change. In November 2013, management made the announcement of the decision not to sell OJSC DRSK.

Based on the above facts, OJSC DRSK is no longer classified as a discontinued operation and as of 31 December 2013 its assets and liabilities of OJSC DRSK are recognised at their recoverable amount at the date of the decision not to sell and a loss in the amount of RR 5,450 million was recognised: RR 4,804 million in profit and loss and RR 646 million (net of tax of RR 144 million) in other comprehensive loss. The Consolidated Income Statement and Consolidated Statement of Cash Flows for the year 2012 are presented as if OJSC DRSK was classified as a part of continuing operations.

### **Reclassifications**

Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.



**Adoption of New or Revised Standards and Interpretations**

The following new standards and interpretations became effective from 1 January 2013:

**IFRS 10, Consolidated Financial Statements** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and separate financial statements* and SIC-12, *Consolidation - special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The standard did not have any material impact on the Group's consolidated financial statements.

**IFRS 11, Joint Arrangements** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The standard did not have any material impact on the Group's consolidated financial statements.

**IFRS 12, Disclosure of Interests in Other Entities** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The standard resulted in additional disclosures in these consolidated financial statements (Notes 4, 8).

**IFRS 13, Fair Value Measurement** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value, which management considers is [the last trading price on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. The standard did not have any material impact on the measurement of assets and liabilities of the Group, but resulted in additional disclosures in these consolidated financial statements for assets and liabilities for which fair value was defined. The fair value hierarchy is presented in Note 31.

**IAS 27, Separate Financial Statements** (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, *Consolidated Financial Statements*. The amended standard did not have any impact on the Group.

**IAS 28, Investments in Associates and Joint Ventures** (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have any material impact on the Group's consolidated financial statements.

**Amendments to IAS 1, Presentation of Financial Statements** (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to statement of profit or loss and other comprehensive income. The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.



**Amended IAS 19, Employee benefits** (issued in June 2011, effective for periods beginning on or after 1 January 2013). From 1 January 2013 the Group has applied the amendments to IAS 19 retrospectively in accordance with the transition provisions of the standard. Amended IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits. The material impacts of IAS 19 (revised) on the Group's consolidated financial statements are as follows:

- Actuarial gains and losses are renamed "remeasurements" and now are recognised immediately in other comprehensive income and thus, will no longer be deferred using the corridor;
- Past-services costs are recognised immediately through profit and loss when they occur;
- The annual expense for the funded benefit plan now include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This replaces the finance charge on liabilities and expected return on plan assets.

**Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendments did not have any material impact on the Group's consolidated financial statements.

**Improvements to International Financial Reporting Standards** (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs*, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that spare parts, stand-by and servicing equipment is classified as property, plant and equipment rather than inventory if it complies with definition of property, plant and equipment. The requirement to account for spare parts and servicing equipment as property, plant and equipment only if they were used in connection with an item of property, plant and equipment was removed because this requirement was too restrictive when compared with the definition of property, plant and equipment. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group's consolidated financial statements.

**Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12** (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10, *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements* and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group's consolidated financial statements.

**Other revised standards and interpretations:** IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have significant impact on the Group's consolidated financial statements. Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards - Government Loans*, which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Group.

**Change of comparative data**

The retrospective changes to the comparative figures of Group's Consolidated Financial Statements driven by application of amended IAS 19 from 1 January 2012 and representation of Consolidated Income Statement items due to changes of intentions of the Group in respect of OJSC DRSK as described above.

|   | 1 January 2012<br>(as reported) | Recalculation due to<br>IAS 19 amendments | 1 January 2012<br>(restated) |
|---|---------------------------------|---|------------------------------|
| Retained earnings and other reserves                      | 197,416                         | (805)                                     | 196,611                      |
| Non-controlling interest                                  | 27,169                          | 542                                       | 27,711                       |
| <b>Total effect on equity</b>                             |                                 | <b>(263)</b>                              |                              |
| Deferred tax liabilities                                  | 44,340                          | (95)                                      | 44,245                       |
| Other non-current liabilities                             | 13,001                          | 450                                       | 13,451                       |
| Liabilities of disposal group classified as held for sale | 13,093                          | (92)                                      | 13,001                       |
| <b>Total effect on liabilities</b>                        |                                 | <b>263</b>                                |                              |

|  | 31 December 2012<br>(as reported) | Recalculation due to<br>IAS 19 amendments | 31 December 2012<br>(restated) |
|--|-----------------------------------|---|--------------------------------|
| Investments in associates and joint ventures                     | 17,865                            | (5)                                       | 17,860                         |
| Assets of subsidiary acquired exclusively with a view for resale | 28,954                            | (475)                                     | 28,479                         |
| <b>Total effect on assets</b>                                    |                                   | <b>(480)</b>                              |                                |
| Retained earnings and other reserves                             | 168,473                           | 436                                       | 168,909                        |
| Non-controlling interest   | 23,745                            | 1,574                                     | 25,319                         |
| <b>Total effect on equity</b>                                    |                                   | <b>2,010</b>                              |                                |
| Deferred tax liabilities   | 39,668                            | (186)                                     | 39,482                         |
| Other non-current liabilities                                    | 14,035                            | (1,956)                                   | 12,079                         |
| Accounts payable and accruals                                    | 46,171                            | (7)                                       | 46,164                         |
| Liabilities of disposal group classified as held for sale        | 16,394                            | (341)                                     | 16,053                         |
| <b>Total effect on liabilities</b>                               |                                   | <b>(2,490)</b>                            |                                |



## RusHydro Group

### Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2013

(in millions of Russian Rubles unless noted otherwise)

|  | Year ended<br>31 December 2012<br>(as reported) | Recalculation<br>due to IAS 19<br>amendments | Reclas-<br>sification of<br>OJSC DRSK | Year ended<br>31 December 2012<br>(restated) |
|--|---|--|---------------------------------------|--|
| Revenue  | 294,979   | -  | 3,826                                 | 298,805                                      |
| Government grants  | 10,782  | -  | 14                                    | 10,796                                       |
| Expenses   | (268,663)                                       | 238  | (2,756)                               | (271,181)                                    |
| Loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale                                  | -   | (475)  | (3,669)                               | (4,144)                                      |
| Operating loss   | (2,482)   | (235)  | (2,585)                               | (5,302)                                      |
| Finance costs, net   | (1,379)   | 11   | (333)                                 | (1,701)                                      |
| Loss before income tax   | (18,058)  | (226)  | (2,918)                               | (21,202)                                     |
| Total income tax expense   | (5,315)   | 441  | 752                                   | (4,122)                                      |
| Loss for the year from continuing operations   | (23,373)  | 215  | (2,166)                               | (25,324)                                     |
| Loss for the year from discontinued operations   | (2,166)   | -  | 2,166                                 | -  |
| Loss for the year  | (25,539)  | 215  | -                                     | (25,324)                                     |
| Attributable to:   |   |  |                                       |  |
| Shareholders of OJSC RusHydro  | (22,802)  | 171  | -                                     | (22,631)                                     |
| Non-controlling interest   | (2,737)   | 44   | -                                     | (2,693)                                      |
| Remeasurement of pension benefit obligations   | -   | 2,058  | -                                     | 2,058  |
| Total comprehensive loss for the year  | (33,468)  | 2,273  | -                                     | (31,195)                                     |
| Attributable to:   |   |  |                                       |  |
| Shareholders of OJSC RusHydro  | (29,128)  | 1,241  | -                                     | (27,887)                                     |
| Non-controlling interest   | (4,340)   | 1,032  | -                                     | (3,308)                                      |
| Loss per ordinary share attributable to the shareholders of OJSC RusHydro – basic and diluted<br>(in Russian Rubles per share) | (0.0785)  |  |                                       | (0.0780)                                     |
| Net cash generated by operating activities   | 59,666  | -  | (790)                                 | 58,876                                       |
| Net cash used in investing activities  | (120,740)                                       | -  | (886)                                 | (121,626)                                    |
| Net cash generated by financing activities   | 53,576  | -  | 1,637                                 | 55,213                                       |

As a result of IAS 19 application, the amount of defined benefit plan obligations as at 31 December 2012 decreased by RR 2,297 million, that was primarily driven by the actuarial gains of RR 2,572 million and past service cost of RR 707 million recognised in 2012.

Remeasurement of pension benefit obligations, recognised in 2012, comprised RR 2 058 million (net of tax of RR 514 million) and was recognised in other comprehensive income. Remeasurement includes actuarial gains on experience adjustments in the amount of RR 1,374 million and gains due to changes in actuarial assumptions in the amount of RR 1,198 million before income tax.

The effect of change in accounting policy due to IAS 19 amendments on the Consolidated Statement of Cash Flows was immaterial.

#### Note 3. New accounting pronouncements

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later approved for adoption in the Russian Federation and which the Group has not early adopted:

**IFRS 9, Financial Instruments: Classification and Measurement.** Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

**Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group does not expect the amendment to have any significant impact on its financial statements.

**Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities** (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any significant impact on its financial statements.

**IFRIC 21 – Levies** (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.

**Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets** (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a cash generating unit contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on its financial statements.

**Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting** (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect



clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group does not expect the amendment to have any impact on its financial statements.

The following new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later that are not yet adopted in the Russian Federation and which the Group has not early adopted.

**Amendments to IAS 19 – Defined benefit plans: Employee contributions** (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group does not expect the amendment to have any impact on its financial statements.

**Annual Improvements to IFRSs 2012** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgments made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the improvements on its consolidated Group financial statements.

**Annual Improvements to IFRSs 2013** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group is currently assessing the impact of the improvements on its consolidated Group financial statements.

**IFRS 14, Regulatory Deferral Accounts** (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The standard is applicable only to IFRS first-time adopters.

**Amendments to IFRS 9** (issued in November 2013) removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

**Note 4. Principal subsidiaries**

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or non-corporate partnership (LLC).

The Group operates in the three main reportable segments one of which is presented by the Group's parent company – OJSC RusHydro (Note 5). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2013 and 31 December 2012.

**ESC RusHydro subgroup segment**

ESC RusHydro subgroup segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of OJSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

|   | 31 December 2013 |             | 31 December 2012 |             |
|---|------------------|-------------|------------------|-------------|
|   | % of ownership   | % of voting | % of ownership   | % of voting |
| OJSC ESC RusHydro                       | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Krasnoyarskenergosbyt              | 65.81%           | 69.40%      | 65.81%           | 69.40%      |
| OJSC Ryazan Power Distributing Company  | 90.52%           | 90.52%      | 90.52%           | 90.52%      |
| OJSC Chuvashskaya energy retail company | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| LLC ESC Bashkortostan                   | 100.00%          | -           | 100.00%          | -           |

**RAO Energy System of East subgroup segment**

RAO Energy System of East subgroup segment consists of OJSC RAO Energy System of East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, distribution, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

|                                 | 31 December 2013 |             | 31 December 2012 |             |
|---------------------------------|------------------|-------------|------------------|-------------|
|                                 | % of ownership   | % of voting | % of ownership   | % of voting |
| OJSC RAO Energy System of East* | 85.92%           | 86.20%      | 66.93%           | 67.55%      |
| OJSC DEK**                      | 44.92%           | 52.17%      | 35.23%           | 52.17%      |
| OJSC DGK**                      | 44.92%           | 100.00%     | 35.23%           | 100.00%     |
| OJSC DRSK**                     | 44.92%           | 100.00%     | 35.23%           | 100.00%     |
| OJSC Kamchatskenergo            | 84.83%           | 98.74%      | 66.09%           | 98.74%      |
| OJSC Magadanenergo              | 42.10%           | 64.39%      | 32.80%           | 64.39%      |
| OJSC Sakhalinenergo             | 47.72%           | 55.55%      | 37.18%           | 55.55%      |
| OJSC Yakutskenergo              | 72.21%           | 79.16%      | 62.84%           | 86.63%      |

\* Voting and ownership percent interests in OJSC RAO Energy System of East include 1.80 percent interest held by the Group's subsidiary LLC Vostok-Finance.

\*\* Principal subsidiaries included in DEK subgroup.

The Group's interest in OJSC RAO Energy System of East and its subsidiaries changed following additional share issue of the Company (Note 15).

**Other segments**

Other segments include:

- the Group's subsidiaries with production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.



Principal subsidiaries included in all other segments are presented below:

|                              | 31 December 2013 |             | 31 December 2012 |             |
|------------------------------|------------------|-------------|------------------|-------------|
|                              | % of ownership   | % of voting | % of ownership   | % of voting |
| OJSC VNIIG                   | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Geotherm                | 99.65%           | 99.65%      | 92.80%           | 92.80%      |
| OJSC Gidroremont-VKK         | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Zagorskaya GAES-2       | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Zaramag HS              | 98.35%           | 98.35%      | 98.35%           | 98.35%      |
| OJSC Institute Hydroproject  | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Kolimaenergo            | 98.76%           | 98.76%      | 98.76%           | 98.76%      |
| OJSC Lenhydroproject         | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC NIIES                   | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Sulak GidroKaskad       | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC Ust'-Srednekangesstroy  | 98.76%           | 100.00%     | 98.76%           | 100.00%     |
| OJSC Ust'-Srednekanskaya HPP | 99.43%           | 100.00%     | 84.60%           | 85.17%      |
| OJSC Chirkeigesstroy         | 100.00%          | 100.00%     | 100.00%          | 100.00%     |
| OJSC ESCO UES                | 100.00%          | 100.00%     | 100.00%          | 100.00%     |

The Group's interest in OJSC Ust'-Srednekanskaya HPP changed following additional share issue of the Company (Note 15).

### Non-controlling interest

Summarised financial information related to subsidiaries with significant amount of non-controlling interest before elimination of operations between the Group's subsidiaries are presented below:

|  | RAO Energy System of East subgroup |                  | including DEK subgroup |                  |
|--|------------------------------------|------------------|------------------------|------------------|
| Financial position   | 31 December 2013                   | 31 December 2012 | 31 December 2013       | 31 December 2012 |
| Percent of non-controlling interest                                | 14.08%                             | 33.07%           | 55.08%                 | 64.77%           |
| Percent of voting rights, attributable to non-controlling interest | 13.80%                             | 32.45%           | 47.83%                 | 47.83%           |
| Non-current assets   | 87,925                             | 55,195           | 53,356                 | 55,059           |
| Current assets   | 49,753                             | 75,329           | 25,157                 | 21,654           |
| Non-current liabilities  | (59,191)                           | (33,940)         | (41,731)               | (32,590)         |
| Current liabilities  | (50,207)                           | (72,500)         | (33,061)               | (39,543)         |
| <b>Net assets</b>  | <b>28,280</b>                      | <b>24,084</b>    | <b>3,721</b>           | <b>4,580</b>     |
| <b>Carrying value of non-controlling interest</b>                  | <b>15,766</b>                      | <b>23,696</b>    | <b>4,101</b>           | <b>5,056</b>     |

  

| Financial results   | Year ended 31 December 2013 | Year ended 31 December 2012 | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenue   | 139,596                     | 131,284                     | 91,216                      | 86,383                      |
| Profit / (loss)   | 4,681                       | (4,824)                     | 1,888                       | 315                         |
| Total comprehensive income / (loss)   | 4,200                       | (6,807)                     | 1,900                       | 1,702                       |
| Profit / (loss), attributable to non-controlling interest                       | 1,576                       | (3,083)                     | 101                         | (2,972)                     |
| Changes in other comprehensive income, attributable to non-controlling interest | (38)                        | (369)                       | (301)                       | (216)                       |

  

| Cash flows                                   | Year ended 31 December 2013 | Year ended 31 December 2012 | Year ended 31 December 2013 | Year ended 31 December 2012 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cash generated by operating activities       | 15,970                      | 16,112                      | 6,979                       | 5,845                       |
| Cash used in investing activities            | (11,326)                    | (11,388)                    | (6,541)                     | (8,501)                     |
| Cash generated by financing activities       | (2,911)                     | (3,312)                     | 1,690                       | 3,278                       |
| <b>Increase in cash and cash equivalents</b> | <b>1,733</b>                | <b>1,412</b>                | <b>2,128</b>                | <b>622</b>                  |

The rights of the non-controlling shareholders of the presented subgroups are determined by the Federal Law 'On Joint Stock Companies' and the charter documents of OJSC RAO Energy System of East and OJSC DEK.

**Note 5. Segment information**

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the segments is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

In 2012 the Group disclosed Generation segment which contained two subsegments a) Group's parent company – OJSC RusHydro and b) the Group's subsidiaries with production and sale of electricity and capacity. In 2013 the Group started to analyse the information of two subsegments separately. For the presentation purposes the Group adjusted the comparative segment information for the year 2012.

Information concerning the Group is considered by the groups of operations which are consolidated in the following separate reportable segments: OJSC RusHydro (Group's parent company), OJSC ESC RusHydro subgroup, RAO Energy System of East subgroup and other segments (Note 4). Transactions of other segments are not disclosed as reportable segments as the performance is based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

In year 2013 due to the changes in business planning system the CODM analyses results of segments' operating activities and other information prepared on the same basis as in the Group's consolidated financial statements prepared in accordance with IFRS. Comparative data for year 2012 were changed for compliance with the current presentation. The effect of change of EBITDA for year 2012 comprised RR 2,451 million and represents primary quantification of distinctions between RSA data used earlier and IFRS data.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, long-term promissory notes, goodwill and and intangible assets, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary asquired exclusively with a view for resale and curtailment in pension plan. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the years ended 31 December 2013 and 31 December 2012 and as at 31 December 2013 and 31 December 2012 is presented below:



## RusHydro Group

### Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2013

(in millions of Russian Rubles unless noted otherwise)

| Year ended 31 December 2013  |               |                       |                                    |                |                |   |           |
|--|---------------|-----------------------|------------------------------------|----------------|----------------|---|-----------|
| Revenue  |               |                       |                                    |                |                | Unallocated adjustments and intercompany operations | TOTAL     |
| including:   | OJSC RusHydro | ESC RusHydro subgroup | RAO Energy System of East subgroup | Other segments | Total segments |   |           |
| from external companies  | 99,138        | 79,168                | 139,596                            | 25,977         | 343,879        | (30,247)  | 313,632   |
| sales of electricity   | 88,882        | 78,712                | 138,925                            | 7,285          | 313,804        | (172)   | 313,632   |
| sales of heat and hot water sales  | 66,132        | 77,951                | 86,866                             | 292            | 231,241        | -   | 231,241   |
| sales of capacity  | 141           | -                     | 33,002                             | 4              | 33,147         | -   | 33,147    |
| other revenue  | 22,317        | -                     | 2,786                              | 197            | 25,300         | -   | 25,300    |
| from intercompany operations   | 292           | 761                   | 16,271                             | 6,792          | 24,116         | (172)   | 23,944    |
| Government grants  | 10,256        | 456                   | 671                                | 18,692         | 30,075         | (30,075)  | -         |
| Gain on disposal of subsidiaries and associates  | -             | -                     | 13,233                             | 13             | 13,246         | -   | 13,246    |
| Expenses (excluding depreciation and other non-monetary items)   | 224           | -                     | -                                  | 51             | 275            | 242   | 517       |
| EBITDA   | (36,244)      | (78,933)              | (135,797)                          | (25,500)       | (276,474)      | 28,250  | (248,224) |
| Depreciation of property, plant and equipment and intangible assets  | 63,118        | 235                   | 17,032                             | 541            | 80,926         | (1,755)   | 79,171    |
| Other non-monetary items of expenses   | (11,380)      | (670)                 | (5,174)                            | (1,238)        | (18,462)       | 244   | (18,218)  |
| including:   | (28,826)      | (1,170)               | (4,830)                            | (2,469)        | (37,295)       | (814)   | (38,109)  |
| (impairment) / reversal of impairment of property, plant and equipment loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale | (16,927)      | 59                    | -                                  | (2,127)        | (18,995)       | -   | (18,995)  |
| impairment of long-term promissory notes   | -             | -                     | (4,804)                            | -              | (4,804)        | -   | (4,804)   |
| impairment of accounts receivable, net   | (1,633)       | -                     | -                                  | -              | (1,633)        | -   | (1,633)   |
| impairment of available-for-sale financial assets  | (1,592)       | (1,229)               | (1,778)                            | (296)          | (4,895)        | -   | (4,895)   |
| (loss) / profit on disposal of property, plant and equipment, net curtailment in pension plan  | (7,944)       | -                     | -                                  | -              | (7,944)        | -   | (7,944)   |
|  | (730)         | -                     | 143                                | (46)           | (633)          | (814)   | (1,447)   |
|  | -             | -                     | 1,609                              | -              | 1,609          | -   | 1,609     |
| Operating profit / (loss)  | 22,912        | (1,605)               | 7,028                              | (3,166)        | 25,169         | (2,325)   | 22,844    |
| Finance income   |               |                       |                                    |                |                |   | 9,008     |
| Finance costs  |               |                       |                                    |                |                |   | (9,222)   |
| Profit in respect of associates and joint ventures   |               |                       |                                    |                |                |   | 2,555     |
| Profit before income tax   |               |                       |                                    |                |                |   | 25,185    |
| Total income tax expense   |               |                       |                                    |                |                |   | (4,192)   |
| Profit for the year  |               |                       |                                    |                |                |   | 20,993    |
| Capital expenditure  | 35,632        | 233                   | 16,821                             | 22,943         | 75,629         | (5,375)   | 70,254    |
| 31 December 2013   |               |                       |                                    |                |                |   |           |
| Non-current and current debt   | 102,576       | 2,196                 | 44,492                             | 2,513          | 151,777        | -   | 151,777   |

# RusHydro Group

## Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2013

(in millions of Russian Rubles unless noted otherwise)

| Year ended 31 December 2012   |  | ESC RusHydro  |                |                |              |                | RAO Energy     |                | Other          |                | Total                   |                         | Unallocated adjustments and intercompany operations |                         | TOTAL                   |                         |
|---|--|---------------|----------------|----------------|--------------|----------------|----------------|----------------|----------------|----------------|-------------------------|-------------------------|---|-------------------------|-------------------------|-------------------------|
| Revenue   |  | OJSC RusHydro | subgroup       | subgroup       | subgroup     | segments       | segments       | segments       | segments       | segments       | intercompany operations | intercompany operations | intercompany operations                             | intercompany operations | intercompany operations | intercompany operations |
| including:  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| from external companies   |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| sales of electricity  |  | 77,189        | 82,260         | 131,102        | 8,254        | 298,805        | -              | 298,805        | -              | 298,805        | -                       | 298,805                 | -   | 298,805                 | -                       | 298,805                 |
| sales of heat and hot water sales   |  | 54,600        | 81,662         | 83,065         | 348          | 219,675        | -              | 219,675        | -              | 219,675        | -                       | 219,675                 | -   | 219,675                 | -                       | 219,675                 |
| sales of capacity   |  | 141           | -              | 31,346         | 6            | 31,493         | -              | 31,493         | -              | 31,493         | -                       | 31,493                  | -   | 31,493                  | -                       | 31,493                  |
| other revenue   |  | 22,185        | -              | 1,654          | 157          | 23,996         | -              | 23,996         | -              | 23,996         | -                       | 23,996                  | -   | 23,996                  | -                       | 23,996                  |
| from intercompany operations  |  | 263           | 508            | 15,037         | 7,743        | 23,641         | -              | 23,641         | -              | 23,641         | -                       | 23,641                  | -   | 23,641                  | -                       | 23,641                  |
| Government grants   |  | 7,956         | 237            | 182            | 20,558       | 28,933         | (28,933)       | -              | -              | -              | -                       | -                       | -   | -                       | -                       | -                       |
| Expenses (excluding depreciation and other non-monetary items)                                |  | -             | -              | 10,796         | -            | 10,796         | -              | 10,796         | -              | 10,796         | -                       | 10,796                  | -   | 10,796                  | -                       | 10,796                  |
| (35,182)  |  | (81,153)      | (129,664)      | (26,953)       | (272,952)    | 27,539         | (245,413)      | -              | -              | -              | -                       | -                       | -   | -                       | -                       | -                       |
| <b>EBITDA</b>   |  | <b>49,963</b> | <b>1,345</b>   | <b>12,416</b>  | <b>1,859</b> | <b>65,583</b>  | <b>(1,395)</b> | <b>64,188</b>  | <b>(1,395)</b> | <b>64,188</b>  | <b>(1,395)</b>          | <b>64,188</b>           | <b>(1,395)</b>                                      | <b>64,188</b>           | <b>(1,395)</b>          | <b>64,188</b>           |
| Depreciation of property, plant and equipment and intangible assets                           |  | (12,249)      | (865)          | (4,374)        | (946)        | (18,434)       | 202            | (18,232)       | -              | (18,232)       | 202                     | (18,232)                | -   | (18,232)                | 202                     | (18,232)                |
| Other non-monetary items of expenses  |  | (36,777)      | (3,405)        | (10,356)       | (79)         | (50,617)       | (641)          | (51,258)       | -              | (51,258)       | (641)                   | (51,258)                | -   | (51,258)                | (641)                   | (51,258)                |
| including:  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| (impairment) / reversal of impairment of property, plant and equipment                        |  | (16,684)      | -              | (2,736)        | 88           | (19,332)       | -              | (19,332)       | -              | (19,332)       | -                       | (19,332)                | -   | (19,332)                | -                       | (19,332)                |
| loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale |  | -             | -              | (4,144)        | -            | (4,144)        | -              | (4,144)        | -              | (4,144)        | -                       | (4,144)                 | -   | (4,144)                 | -                       | (4,144)                 |
| impairment of long-term promissory notes  |  | (9,363)       | -              | -              | -            | (9,363)        | -              | (9,363)        | -              | (9,363)        | -                       | (9,363)                 | -   | (9,363)                 | -                       | (9,363)                 |
| impairment of accounts receivable, net  |  | (1,652)       | (428)          | (3,133)        | (398)        | (5,611)        | -              | (5,611)        | -              | (5,611)        | -                       | (5,611)                 | -   | (5,611)                 | -                       | (5,611)                 |
| impairment of available-for-sale financial assets   |  | (8,041)       | -              | -              | -            | (8,041)        | -              | (8,041)        | -              | (8,041)        | -                       | (8,041)                 | -   | (8,041)                 | -                       | (8,041)                 |
| impairment of goodwill and intangible assets  |  | -             | (2,975)        | -              | -            | (2,975)        | -              | (2,975)        | -              | (2,975)        | -                       | (2,975)                 | -   | (2,975)                 | -                       | (2,975)                 |
| (loss) / profit on disposal of property, plant and equipment, net                             |  | (1,037)       | (2)            | (476)          | 231          | (1,284)        | (641)          | (1,925)        | -              | (1,925)        | (641)                   | (1,925)                 | -   | (1,925)                 | (641)                   | (1,925)                 |
| gain on disposal of subsidiaries and associates   |  | -             | -              | 133            | -            | 133            | -              | 133            | -              | 133            | -                       | 133                     | -   | 133                     | -                       | 133                     |
| <b>Operating (loss) / profit</b>  |  | <b>937</b>    | <b>(2,925)</b> | <b>(2,314)</b> | <b>834</b>   | <b>(3,468)</b> | <b>(1,834)</b> | <b>(5,302)</b> | <b>(1,834)</b> | <b>(5,302)</b> | <b>(1,834)</b>          | <b>(5,302)</b>          | <b>(1,834)</b>                                      | <b>(5,302)</b>          | <b>(1,834)</b>          | <b>(5,302)</b>          |
| Finance income  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| Finance costs   |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| Loss in respect of associates and joint ventures  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| <b>Loss before income tax</b>   |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| Total income tax expense  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| <b>Loss for the year</b>  |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| Capital expenditure   |  | 36,906        | 252            | 15,444         | 31,630       | 84,232         | 5,108          | 89,340         | -              | 89,340         | -                       | 89,340                  | -   | 89,340                  | -                       | 89,340                  |
| <b>31 December 2012</b>   |  |               |                |                |              |                |                |                |                |                |                         |                         |   |                         |                         |                         |
| Non-current and current debt  |  | 94,851        | -              | 44,578         | 1,606        | 141,035        | -              | 141,035        | -              | 141,035        | -                       | 141,035                 | -   | 141,035                 | -                       | 141,035                 |



**Note 6. Related party transactions**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the year ended 31 December 2013 were joint ventures, associates (Note 8) of the Group and government-related entities.

**Joint ventures**

The Group had the following balances with its joint ventures:

|                   | <b>Note</b> | <b>31 December 2013</b> | <b>31 December 2012</b> |
|-------------------|-------------|-------------------------|-------------------------|
| Promissory notes  | 10          | 4,741                   | 5,804                   |
| Loans issued      |             | 533                     | 3                       |
| Advances received |             | -                       | 120                     |

The Group had the following transactions with its joint ventures:

|                                   | <b>Year ended<br/>31 December 2013</b> | <b>Year ended<br/>31 December 2012</b> |
|-----------------------------------|--|--|
| Sales of electricity and capacity | 179                                    | 184                                    |
| Other revenue                     | 818                                    | 1,252                                  |

**Associates**

The Group had the following balances with its associates:

|                             | <b>Year ended<br/>31 December 2013</b> | <b>Year ended<br/>31 December 2012</b> |
|-----------------------------|--|--|
| Trade and other receivables | 198                                    | 1,496                                  |
| Accounts payable            | 26                                     | 1,909                                  |

The Group had the following transactions with its associates:

|                                    | <b>Year ended<br/>31 December 2013</b> | <b>Year ended<br/>31 December 2012</b> |
|------------------------------------|--|--|
| Sales of electricity and capacity  | 3,040                                  | 1,124                                  |
| Other revenue                      | 409                                    | 779                                    |
| Construction services              | 3,193                                  | 6,833                                  |
| Purchased electricity and capacity | 319                                    | 344                                    |

**Government-related entities**

In the normal course of business the Group enters into transactions with the entities controlled by the Government.

The Group had transactions during the years ended 31 December 2013 and 31 December 2012 and balances outstanding as at 31 December 2013 and 31 December 2012 with the following government-related banks: SC Vnesheconombank, OJSC Sberbank of Russia, OJSC Gazprombank, OJSC VTB Bank, CJSC VTB24, OJSC Bank of Moscow, OJSC Rosselkhozbank (Notes 11, 14, 18). All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 28 percent of total sales of electricity, capacity and heat for the year ended 31 December 2013 (for the year ended 31 December 2012: approximately 25 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with OJSC Centre of Financial Settlements (hereinafter referred to as "CFS"). Electricity and capacity supply tariffs under the regulated contracts are approved by FTS. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants. Sales of heat are subject to tariff regulations (Note 1). During the period the Group received government subsidies in amount of RR 13,246 million (in 2012 in the amount of RR 10,796 million) (Note 23).

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 27 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2013 (for the year ended 31 December 2012: approximately 20 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 62 percent of total electricity distribution expenses for the year ended 31 December 2013 (for the year ended 31 December 2012: approximately 51 percent). The distribution of electricity is subject to tariff regulations.

**Key management of the Group.** Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company, key management of RAO Energy System of East Group.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2013 comprised RR 1,715 million (for the year ended 31 December 2012: RR 2,102 million).

**Note 7. Property, plant and equipment**

| Revalued amount / cost  | Buildings       | Facilities       | Plant and equipment | Assets under construction | Other          | Total            |
|---|-----------------|------------------|---------------------|---------------------------|----------------|------------------|
| <b>Opening balance as at 31 December 2012</b>                                 | <b>68,697</b>   | <b>342,120</b>   | <b>148,798</b>      | <b>222,895</b>            | <b>12,625</b>  | <b>795,135</b>   |
| Impairment of revalued property, plant and equipment                          | (1,574)         | (18,942)         | (3,996)             | -                         | (34)           | (24,546)         |
| Additions   | 191             | 544              | 2,008               | 66,665                    | 845            | 70,253           |
| Transfer from assets of subsidiary previously acquired with a view for resale | 4,701           | 19,257           | 12,779              | 2,490                     | 1,061          | 40,288           |
| Transfers   | 7,180           | 34,943           | 33,382              | (76,085)                  | 580            | -                |
| Disposals and write-offs  | (483)           | (493)            | (1,594)             | (966)                     | (457)          | (3,993)          |
| <b>Closing balance as at 31 December 2013</b>                                 | <b>78,712</b>   | <b>377,429</b>   | <b>191,377</b>      | <b>214,999</b>            | <b>14,620</b>  | <b>877,137</b>   |
| <b>Accumulated depreciation (including impairment)</b>                        |                 |                  |                     |                           |                |                  |
| <b>Opening balance as at 31 December 2012</b>                                 | <b>(20,946)</b> | <b>(68,659)</b>  | <b>(52,488)</b>     | <b>(44,876)</b>           | <b>(3,705)</b> | <b>(190,674)</b> |
| Impairment charge   | (2,543)         | (2,257)          | (6,732)             | (11,829)                  | (248)          | (23,609)         |
| Reversal of impairment  | 393             | 3,194            | 628                 | 378                       | 21             | 4,614            |
| Charge for the period   | (1,541)         | (6,426)          | (9,457)             | -                         | (1,419)        | (18,843)         |
| Transfer from assets of subsidiary previously acquired with a view for resale | (1,570)         | (8,421)          | (5,549)             | (515)                     | (447)          | (16,502)         |
| Transfers   | (1,020)         | (25,581)         | (3,053)             | 29,685                    | (31)           | -                |
| Disposals and write-offs  | 88              | 145              | 986                 | 253                       | 251            | 1,723            |
| <b>Closing balance as at 31 December 2013</b>                                 | <b>(27,139)</b> | <b>(108,005)</b> | <b>(75,665)</b>     | <b>(26,904)</b>           | <b>(5,578)</b> | <b>(243,291)</b> |
| <b>Net book value as at 31 December 2013</b>                                  | <b>51,573</b>   | <b>269,424</b>   | <b>115,712</b>      | <b>188,095</b>            | <b>9,042</b>   | <b>633,846</b>   |
| <b>Net book value as at 31 December 2012</b>                                  | <b>47,751</b>   | <b>273,461</b>   | <b>96,310</b>       | <b>178,019</b>            | <b>8,920</b>   | <b>604,461</b>   |

  

| Revalued amount / cost                                 | Buildings       | Facilities      | Plant and equipment | Assets under construction | Other          | Total            |
|--|-----------------|-----------------|---------------------|---------------------------|----------------|------------------|
| <b>Opening balance as at 31 December 2011</b>          | <b>67,454</b>   | <b>342,495</b>  | <b>121,156</b>      | <b>180,338</b>            | <b>11,575</b>  | <b>723,018</b>   |
| Impairment of revalued property, plant and equipment   | (2,379)         | (8,125)         | (2,788)             | -                         | (16)           | (13,308)         |
| Additions  | 348             | 1,483           | 1,672               | 85,115                    | 722            | 89,340           |
| Transfers  | 3,809           | 6,527           | 30,290              | (41,488)                  | 862            | -                |
| Disposals and write-offs                               | (535)           | (260)           | (1,532)             | (1,070)                   | (518)          | (3,915)          |
| <b>Closing balance as at 31 December 2012</b>          | <b>68,697</b>   | <b>342,120</b>  | <b>148,798</b>      | <b>222,895</b>            | <b>12,625</b>  | <b>795,135</b>   |
| <b>Accumulated depreciation (including impairment)</b> |                 |                 |                     |                           |                |                  |
| <b>Opening balance as at 31 December 2011</b>          | <b>(17,591)</b> | <b>(52,558)</b> | <b>(35,326)</b>     | <b>(45,068)</b>           | <b>(3,846)</b> | <b>(154,389)</b> |
| Impairment charge                                      | (2,214)         | (9,062)         | (6,403)             | (4,774)                   | (144)          | (22,597)         |
| Reversal of impairment                                 | 660             | -               | 499                 | 934                       | 1,172          | 3,265            |
| Charge for the period                                  | (1,534)         | (6,554)         | (8,942)             | -                         | (1,113)        | (18,143)         |
| Transfers  | (331)           | (529)           | (2,962)             | 3,826                     | (4)            | -                |
| Disposals and write-offs                               | 64              | 44              | 646                 | 206                       | 230            | 1,190            |
| <b>Closing balance as at 31 December 2012</b>          | <b>(20,946)</b> | <b>(68,659)</b> | <b>(52,488)</b>     | <b>(44,876)</b>           | <b>(3,705)</b> | <b>(190,674)</b> |
| <b>Net book value as at 31 December 2012</b>           | <b>47,751</b>   | <b>273,461</b>  | <b>96,310</b>       | <b>178,019</b>            | <b>8,920</b>   | <b>604,461</b>   |
| <b>Net book value as at 31 December 2011</b>           | <b>49,863</b>   | <b>289,937</b>  | <b>85,830</b>       | <b>135,270</b>            | <b>7,729</b>   | <b>568,629</b>   |



As at 31 December 2013 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 8,014 million (31 December 2012: RR 8,280 million) which are stated at cost.

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2013 such advances amounted to RR 49,577 million (31 December 2012: RR 48,326 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 6,502 million, the capitalisation rate was 8.09 percent (for the year ended 31 December 2012: RR 7,523 million, the capitalisation rate was 8.32 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 1,056 million (for the year ended 31 December 2012: RR 687 million).

Other property, plant and equipment include motor vehicles, land, computer equipment, office fixtures and other equipment.

Management of the Group considers that the carrying amount of property, plant and equipment as at 31 December 2013 does not differ materially from their fair value at the end of the reporting period.

***Process of fair value of property, plant and equipment assesement***

Management of the Group determines the fair value of property, plant and equipment according to the following procedures.

The Group's property, plant and equipment are mainly represented by specialised property: the Group's key assets are represented by unique hydro engineering structures and power equipment manufactured under certain technical specifications for each power plant; such equipment is rarely sold in the market.

The Group's management determines the value of the specialised property on a regular basis, using the cost approach. The cost approach is based on the economic concept which implies that a buyer will pay no more for an asset than it would cost to develop or obtain another asset with the same functionality. The total costs of replacement or reproduction of the analysed asset resulting from such measurement are decreased by the amount of physical, functional and economic depreciation.

The replacement costs are determined based on specialised reference books, regulatory documents, construction rates, manufacturer's prices in effect as of the valuation date; physical and functional depreciation is measured based on the age of the assets, their actual condition and operating mode, etc.

To determine the economic depreciation of specialised assets, the Group's management calculates the recoverable amount using the income approach. It is based on discounted cash flow method, and the Group uses certain assumptions when building the cash flow forecast. In particular, these assumptions are used to determine the expected cash flows, capital expenditures, discount rates for each cash generating unit, etc. The Group's management determines the forecast horizon, and net cash inflows from the asset's operation are calculated for each period of this horizon. The recoverable amount of the cash generating unit is determined by recalculating the discounted net cash flows. The Group's management believes that the Group subsidiaries and Company's branches are separate cash generating units.

When the recoverable amount of the cash generating unit is higher than the replacement cost less physical and functional depreciation of property, plant and equipment included in this cash generating unit, it is concluded that there is no economic depreciation. If this is not the case, the economic impairment is determined as the difference between the recoverable amount and the replacement costs less physical and functional depreciation.



**Impairment as at 31 December 2013 and 31 December 2012**

The following key assumptions were used when the cash flow testing was performed for the years ended 31 December 2013 and 31 December 2012:

| Key assumptions used in the cash flow testing   | Year ended<br>31 December 2013   | Year ended<br>31 December 2012   |
|---|--|--|
| Information used  | Actual operating results for 2013 and business plans for 2014–2017   | Actual operating results for 2012 and business plans for 2013–2016   |
| Forecast period*  | 10 years (2014–2023)   | 10 years (2013–2022)   |
| Forecasted growth rates in terminal period  | 3.0 – 3.9 percent, depending on the length of the forecast period  | 3.3 percent  |
| Discount rate before tax (based on weighted average cost of capital)  | 12.4 – 14.0 percent (RR)   | 11.0 – 14.8 percent (RR)   |
| Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East | Based on methodology of tariffs calculation adopted by regulatory authority  |  |
| Forecast of electricity and capacity prices in competitive market   | Based on the forecast prepared by reputable independent company CJSC Energy Forecasting Agency   |  |
| Forecast of capacity prices related to competitive capacity selection   | For 2014 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used<br>For 2015–2023 – adjusted on consumer index price | For 2013 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used<br>For 2014–2022 – adjusted on consumer index price |
| Forecast of electricity and capacity volumes  | Based on the Company's management assessment of future trends in the business  |  |
| Forecast of capital expenditures  | Based on the management valuation of capital expenditures on modernisation and reconstruction programme  |  |

\* Management considers that a forecast period greater than five years is appropriate as the wholesale electricity and capacity market is expected to change significantly over the forecast period and cash flow projections will not be stabilised within five years. However a forecast period of cash flows was defined by remaining useful life of assets tested. For hydroelectric power plants this period exceeds 100 years due to the fact that key asset is a dam. In this regard the recoverable amount of assets was defined based on cash flows during the forecast period and terminal values.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Due to the deterioration in expectations as regards the achievable sales prices and volumes in the new market conditions for a number of cash-generating units net book value of property, plant and equipment as at 31 December 2013 decreased for the total amount of RR 43,541 million. As a result, impairment loss in the amount of RR 18,995 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 24,546 million (before income tax of RR 4,909 million) – in other comprehensive loss.

The net book value of property, plant and equipment of the Group decreased for the total amount of RR 43,541 million, the effects relate mainly to the following cash-generating units:

- Cascade of Verkhnevolzhskie HPPs – impairment loss in the amount of RR 2,723 million and decrease of previous revaluation reserve in the amount of RR 2,360 million;
- Cascade of Kubanskiye HPPs – impairment loss in the amount of RR 3,076 million and decrease of previous revaluation reserve in the amount of RR nil million;
- Karachaevo-Cherkessian branch – impairment loss in the amount of RR 2,175 million and decrease of previous revaluation reserve in the amount of RR 82 million;
- Saratovskaya HPP – impairment loss in the amount of RR 2,541 million and decrease of previous revaluation reserve in the amount of RR 12,618 million;
- Sayano-Shushenskaya HPP – impairment loss in the amount of RR 2,378 million and decrease of previous revaluation reserve in the amount of RR 4,264 million;
- Cheboksarskaya HPP – impairment loss in the amount of RR 2,916 million and decrease of previous revaluation reserve in the amount of RR 4,840 million;

- Nizhne-Bureiskaya HPP – impairment loss in the amount of RR 2,748 million and decrease of previous revaluation reserve in the amount of RR nil million.

The sensitivity analysis of the recoverable amounts of cash-generating units for the key assumptions is presented in Note 31.

As at 31 December 2012 net book value of property, plant and equipment decreased for the total amount of RR 32,640 million. As a result, impairment loss in the amount of RR 19,332 million was recognised in Consolidated Income Statement and decrease of previous revaluation reserve in the amount of RR 13,308 million (before income tax of RR 2,662 million) – in other comprehensive loss.

The carrying amount of each class of property, plant and equipment that would have been recognised had the assets been carried under the cost model is as follows:

|  | Production<br>buildings | Facilities | Plant and<br>equipment | Assets under<br>construction | Other | Total   |
|--|-------------------------|------------|------------------------|------------------------------|-------|---------|
| Net book value as at<br>31 December 2013 | 27,834                  | 107,607    | 101,344                | 192,075                      | 4,235 | 433,095 |
| Net book value as at<br>31 December 2012 | 23,564                  | 109,557    | 79,386                 | 181,999                      | 5,513 | 400,019 |

**Events on Zagorskaya GAES-2.** On 17 September 2013 on Zagorskaya GAES-2 which is under construction the local flooding of the building of GAES from lower reservoir via functional joints of station block and cavity in the right junction of the foundation of building of GAES-2 took place.

Currently the Group cannot estimate expenses that may be necessary as a consequences of the flooding and possible write-off of the assets under construction. However such expenses can be material for the Group.

Construction-assembly works as well as equipment are insured. According to the terms of insurance agreements and provisions of current legislation of the Russian Federation recognition of the accident on Zagorskaya GAES-2 as insurable event and subsequent payment of insurance indemnity are possible only after certain conditions are met. Insurance companies need to analyse the causes and nature of the accident based on the accident investigation act with supporting documentation, as well as studying other documents, which confirm the nature and economic evaluation of the damage, such as: accident recovery work expenses, direct damage to equipment, constructions and facilities, other recovery expenses.

As at 31 December 2013 the total amount of construction costs for Zagorskaya GAES-2 was RR 59,424 million.

Management of the Group considers that no impairment of Zagorskaya GAES-2 is to be recognised due to the fact that long-term capacity supply contracts were concluded in respect of its generating facilities that guarantee payments for capacity during 20 years to cover all the capital expenditures.

**Leased equipment.** The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 31 December 2013 the net book value of leased equipment was RR 4,564 million (31 December 2012: RR 5,932 million). The leased equipment is pledged as a security for the lease obligation.

**Operating lease.** The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The land areas leased by the Group are the territories on which the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's operating leases typically run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The future payments under non-cancellable operating leases are as follows:

|                            | 31 December 2013 | 31 December 2012 |
|----------------------------|------------------|------------------|
| Less than one year         | 2,290            | 1,875            |
| Between one and five years | 3,635            | 5,148            |
| After five years           | 35,332           | 49,274           |
| <b>Total</b>               | <b>41,257</b>    | <b>56,297</b>    |

**Pledged assets.** There are no property, plant and equipment pledged as collateral for borrowings as at 31 December 2013 (31 December 2012: RR 211 million).



**Note 8. Investments in associates and joint ventures**

The Group's interests in associates and joint ventures and its carrying value were as follows:

|   | Place of business | % held           |                  | Carrying value   |                  |
|---|-------------------|------------------|------------------|------------------|------------------|
|   |                   | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| <b>Associates</b>   |                   |                  |                  |                  |                  |
| OJSC Krasnoyarskaya HPP                                   | Russia            | 25.12%           | 25.12%           | 15,209           | 8,621            |
| OJSC Irkutsk Electronetwork Company (OJSC IENC)           | Russia            | 42.75%           | -                | 8,420            | -                |
| OJSC Sakhalin Energy Company (OJSC SEC)                   | Russia            | 40.47%           | 24.53%           | 3,341            | 1,812            |
| Other   |                   |                  |                  | 267              | 215              |
| <b>Total associates</b>                                   |                   |                  |                  | <b>27,237</b>    | <b>10,648</b>    |
| <b>Joint ventures</b>                                     |                   |                  |                  |                  |                  |
| BoGES Group   | Russia            | 50.00%           | 50.00%           | 1,960            | 6,648            |
| BALP Group  | Russia            | 50.00%           | 50.00%           | -                | -                |
| Other   |                   |                  |                  | 1,104            | 564              |
| <b>Total joint ventures</b>                               |                   |                  |                  | <b>3,064</b>     | <b>7,212</b>     |
| <b>Total investments in associates and joint ventures</b> |                   |                  |                  | <b>30,301</b>    | <b>17,860</b>    |

The amounts in respect of associates and joint ventures recognised in the Income Statement are as follows:

|  | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|--|--------------------------------|--------------------------------|
| <b>Associates</b>  |                                |                                |
| OJSC Krasnoyarskaya HPP  | 6,589                          | (12,925)                       |
| OJSC IENC  | (97)                           | -                              |
| OJSC SEC   | 266                            | (21)                           |
| Other  | 55                             | (99)                           |
| <b>Total associates</b>  | <b>6,813</b>                   | <b>(13,045)</b>                |
| <b>Joint ventures</b>  |                                |                                |
| BoGES Group  | (4,216)                        | (1,135)                        |
| BALP Group   | -                              | -                              |
| Other  | (42)                           | (19)                           |
| <b>Total joint ventures</b>  | <b>(4,258)</b>                 | <b>(1,154)</b>                 |
| <b>Profit / (loss) in respect of associates and joint ventures</b> | <b>2,555</b>                   | <b>(14,199)</b>                |

**Associates**
*OJSC Krasnoyarskaya HPP*

OJSC Krasnoyarskaya HPP operates Krasnoyarsk Hydro Generation Plant with installed capacity of 6,000 mW. The core activity of OJSC Krasnoyarskaya HPP is the generation and sale of electricity and capacity to large consumers and utilities companies, i.e. entities operating in the wholesale electricity and capacity market. OJSC Krasnoyarskaya HPP is controlled by EN+ Group.

The Group's investments in OJSC Krasnoyarskaya HPP represent its strategic assets and allow the Group to use them in the consolidation and asset exchange transactions; in addition, they represent a source of dividends.

*OJSC Irkutsk Electronetwork Company (OJSC IENC)*

OJSC IENC maintains 0.4–500 kW electric grids of the Irkutsk region with the total length of over 40,000 km and more than 8,900 transforming substations with total capacity of over 26,000 MVA. The core activities of OJSC IENC are provision of services of electricity transmission via electric grids in the interests of large consumers and utilities companies, i.e. entities operating in the wholesale electricity and capacity market. OJSC IENC is controlled by EN+ Group.

The Group's investments in OJSC IENC represent its strategic assets and allow the Group to use them in the consolidation and asset exchange transactions; in addition, they represent a source of dividends.

During the year ended 31 December 2013 in exchange for additional shares of the Company the Group has received 42.75 percent shares of OJSC IENC (Note 15). Independent appraisal of the fair value of identifiable assets and liabilities of OJSC IENC has been completed as at 31 December 2013, goodwill on the date of acquisition was amount of RR 946 million (Note 31).

***OJSC Sakhalin Energy Company (OJSC SEC)***

OJSC SEC is the customer-developer of a number of electricity sector assets in the Sakhalin region as part of the federal special purpose program Economic and Social Development of the Far East and Transbaikalia until 2013 and the oblast's special purpose program Power Sector Development in the Sakhalin Region until 2010 and for the Long-term Period until 2020. OJSC SEC's major investment project is the Construction of Power Generating Unit No. 4 at Yuzhno-Sakhalinsk Thermal Power Plant-1, to be operated by OJSC Sakhalinenergo, Group's subsidiary, under a lease agreement. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government and the government of the Sakhalin region represented by the Ministry of Land and Property Affairs of Sakhalin region.

The Group's investments in OJSC SEC represent strategic assets which allow a more efficient joint operation of the assets of Sakhalinenergo and OJSC SEC.

The Group's share in OJSC SEC changed as a result of two opposite effects: dilution of the Group's interest following the additional share issues of OJSC SEC and contribution of 24.54 percent interest of OJSC SEC in exchange for additional shares of the Company (Note 15). Additional investment was recognised at the fair value of transferred shares of the Company at the date of acquisition. As at 31 December 2013 the Group's share in OJSC SEC comprised 40.47 percent.

***Non-current assets classified as held for sale***

*OJSC Bureyagesstroy.* In January 2013 the Group sold a 25 percent plus 1 share interest in OJSC Bureyagesstroy for the cash consideration in the amount of RR 250 million. As at 31 December 2012 the investment was classified as non-current asset held for sale.

*OJSC Trest Gidromontazh.* In October 2013 the Group sold a 33.54 percent interest in OJSC Trest Gidromontazh for the cash consideration in the amount of RR 1,663 million. As at 31 December 2012 the investment was classified as non-current asset held for sale.

Summarised financial information for significant associates as at and for the years ended 31 December 2013 and 31 December 2012:

|  | <b>OJSC Krasnoyarskaya<br/>HPP</b> |                 | <b>OJSC IENC</b> |             | <b>OJSC SEC</b> |              |
|--|------------------------------------|-----------------|------------------|-------------|-----------------|--------------|
| <b>As at 31 December</b>   | <b>2013</b>                        | <b>2012</b>     | <b>2013</b>      | <b>2012</b> | <b>2013</b>     | <b>2012</b>  |
| Non-current assets   | 50,576                             | 31,532          | 25,489           | -           | 9,361           | 8,094        |
| Current assets   | 12,270                             | 8,290           | 2,129            | -           | 2,537           | 2,666        |
| Non-current liabilities  | (6,787)                            | (2,736)         | (5,638)          | -           | -               | (246)        |
| Current liabilities  | (860)                              | (1,244)         | (4,498)          | -           | (1,207)         | (3,126)      |
| <b>Net assets</b>  | <b>55,199</b>                      | <b>35,842</b>   | <b>17,482</b>    | <b>-</b>    | <b>10,691</b>   | <b>7,388</b> |
| <b>For the year ended 31 December</b>                                  | <b>2013</b>                        | <b>2012</b>     | <b>2013</b>      | <b>2012</b> | <b>2013</b>     | <b>2012</b>  |
| Revenue  | 15,569                             | 12,562          | 11,210           | -           | 1               | 2            |
| Reversal of impairment / (impairment) of property, plant and equipment | 20,778                             | (20,778)        | -                | -           | -               | -            |
| <b>Profit / (loss) for the year</b>                                    | <b>19,357</b>                      | <b>(15,473)</b> | <b>(227)</b>     | <b>-</b>    | <b>437</b>      | <b>(349)</b> |
| <b>Total comprehensive income / (loss) for the year</b>                | <b>19,357</b>                      | <b>(15,473)</b> | <b>(227)</b>     | <b>-</b>    | <b>437</b>      | <b>(349)</b> |



## RusHydro Group

### Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2013

(in millions of Russian Rubles unless noted otherwise)

Reconciliation of the summarised financial information presented to the carrying value of interest in associates:

|   | OJSC<br>Krasnoyarskaya<br>HPP | OJSC IENC     | OJSC SEC      | Others       | Total         |
|---|-------------------------------|---------------|---------------|--------------|---------------|
| <b>Net assets as at 31 December 2011</b>  | <b>53,315</b>                 | -             | <b>5,230</b>  | <b>3,699</b> | <b>62,244</b> |
| (Loss) / profit for the year  | (15,473)                      | -             | (325)         | 283          | (15,515)      |
| Additional share issue  | -                             | -             | 2,483         | -            | 2,483         |
| Reclassification to assets classified as held for sale  | -                             | -             | -             | (3,312)      | (3,312)       |
| Dividends   | (2,000)                       | -             | -             | (33)         | (2,033)       |
| <b>Net assets as at 31 December 2012</b>  | <b>35,842</b>                 | -             | <b>7,388</b>  | <b>637</b>   | <b>43,867</b> |
| Interest in associates  | 9,003                         | -             | 1,812         | 200          | 11,016        |
| Goodwill  | 8,619                         | -             | -             | -            | 8,619         |
| Accumulated impairment of investments in associates   | (9,100)                       | -             | -             | -            | (9,100)       |
| Accumulated losses  | -                             | -             | -             | 15           | 15            |
| Other movements   | 98                            | -             | -             | -            | 98            |
| <b>Carrying value as at 31 December 2012</b>  | <b>8,621</b>                  | -             | <b>1,812</b>  | <b>215</b>   | <b>10,648</b> |
| <b>Net assets as at 31 December 2012</b>  | <b>35,842</b>                 | -             | <b>7,388</b>  | <b>637</b>   | <b>43,867</b> |
| Net assets at the date of the purchase  | -                             | 17,777        | -             | 200          | 17,977        |
| Profit / (loss) for the year  | 19,357                        | (227)         | 437           | (23)         | 19,544        |
| Additional share issue  | -                             | -             | 2,866         | -            | 2,866         |
| Dividends   | -                             | (68)          | -             | -            | (68)          |
| <b>Net assets as at 31 December 2013</b>  | <b>55,199</b>                 | <b>17,482</b> | <b>10,691</b> | <b>814</b>   | <b>84,186</b> |
| Interest in associates  | 13,866                        | 7,474         | 4,327         | 266          | 25,933        |
| Goodwill  | 8,619                         | 946           | -             | -            | 9,565         |
| Accumulated impairment of investments in associates   | (7,276)                       | -             | -             | -            | (7,276)       |
| Effect of recognition of fair value of interest received as a result of additional share issues | -                             | -             | (986)         | -            | (986)         |
| Accumulated losses  | -                             | -             | -             | 1            | 1             |
| <b>Carrying value as at 31 December 2013</b>  | <b>15,209</b>                 | <b>8,420</b>  | <b>3,341</b>  | <b>267</b>   | <b>27,237</b> |

The Group's share of OJSC Krasnoyarskaya HPP profit for the year ended 31 December 2013 is primarily attributed to the reversal of impairment of property, plant and equipment. Management of the Group has considered that recoverable amount of investment in OJSC Krasnoyarskaya HPP has also increased. As a result, reversal of impairment of the Group's investment in OJSC Krasnoyarskaya HPP in the amount of RR 1,824 million was recognised.

### Joint ventures

#### BoGES Group and BALP Group

Starting from 2006 the Company and RUSAL Group have been jointly implementing the BEMA project based on an agreement for mutual financing, completion and subsequent operation of Boguchanskaya HPP, with an installed capacity of 2,997 MW, and Boguchansky aluminium plant, with a capacity of 600,000 tonnes of aluminium per annum. Within the BEMA project on parity basis joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed, which have controlling interests in OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant.

BoGES Ltd and OJSC Boguchanskaya GES together form BoGES Group. BALP Ltd and CJSC Boguchansky Aluminium Plant together form BALP Group.

BoGES Ltd and BALP Ltd provide corporate governance of Boguchanskaya HPP and Boguchansky Aluminium Plant in line with the parity of interests of the investors and are not engaged in other operations.

Starting from November 2012, Boguchanskaya HPP sells electricity and capacity to large consumers and utilities companies, having commissioned hydroelectric generating units of Boguchanskaya HPP and having the status of an entity operating in the wholesale electricity and capacity market.

The construction of Boguchansky Aluminium Plant is ongoing. Boguchansky Aluminium Plant will become a key consumer of energy generated by Boguchanskaya HPP. The plant's production complex will include electrolytic, casting and anode production facilities.

Summarised financial information for significant joint ventures as at and for the years ended 31 December 2013 and 31 December 2012 is as follows:

|   | <b>BoGES Group</b> |                | <b>BALP Group</b> |                 |
|---|--------------------|----------------|-------------------|-----------------|
| <b>As at 31 December</b>  | <b>2013</b>        | <b>2012</b>    | <b>2013</b>       | <b>2012</b>     |
| Non-current assets  | 44,673             | 47,624         | 9,999             | 6,942           |
| Current assets including:   | 2,054              | 2,556          | 1,023             | 1,585           |
| <i>Cash and cash equivalents</i>                                    | 248                | 10             | 194               | 65              |
| Non-current liabilities including:                                  | (41,128)           | (34,809)       | (32,202)          | (18,908)        |
| <i>Non-current financial liabilities (excluding trade payables)</i> | (34,634)           | (28,137)       | (30,220)          | (17,277)        |
| Current liabilities including:                                      | (1,627)            | (1,404)        | (1,527)           | (1,460)         |
| <i>Current financial liabilities (excluding trade payables)</i>     | (22)               | (17)           | (63)              | (42)            |
| <b>Net assets</b>   | <b>3,972</b>       | <b>13,967</b>  | <b>(22,707)</b>   | <b>(11,841)</b> |
| <b>For the year ended 31 December</b>                               | <b>2013</b>        | <b>2012</b>    | <b>2013</b>       | <b>2012</b>     |
| Revenue   | 4,249              | 1,270          | 252               | 227             |
| Depreciation of property, plant and equipment                       | (405)              | (282)          | (59)              | (54)            |
| Interest income   | 20                 | 1              | 1                 | -               |
| Interest expense  | (2,401)            | (1,528)        | (1,963)           | (927)           |
| Impairment of property, plant and equipment                         | (7,296)            | -              | (9,724)           | (9,401)         |
| Loss before income tax  | (11,663)           | (3,545)        | (13,571)          | (10,109)        |
| Income tax benefit  | 1,795              | 301            | 2,705             | 1,998           |
| <b>Loss for the year</b>  | <b>(9,868)</b>     | <b>(3,244)</b> | <b>(10,866)</b>   | <b>(8,111)</b>  |
| Other comprehensive loss for the year                               | (127)              | -              | -                 | -               |
| <b>Total comprehensive loss for the year</b>                        | <b>(9,995)</b>     | <b>(3,244)</b> | <b>(10,866)</b>   | <b>(8,111)</b>  |

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

|  | <b>BoGES Group</b> | <b>BALP Group</b> | <b>Others</b> | <b>Total</b>    |
|--|--------------------|-------------------|---------------|-----------------|
| <b>Net assets as at 31 December 2011</b>     | <b>17,211</b>      | <b>(3,730)</b>    | <b>223</b>    | <b>13,704</b>   |
| Net assets at the date of the purchase       | -                  | -                 | 1,012         | 1,012           |
| Loss for the year                            | (3,244)            | (8,111)           | (45)          | (11,400)        |
| <b>Net assets as at 31 December 2012</b>     | <b>13,967</b>      | <b>(11,841)</b>   | <b>1,190</b>  | <b>3,316</b>    |
| Interest in joint ventures                   | 6,984              | (5,921)           | 564           | 1,627           |
| Non-controlling interest                     | (336)              | -                 | -             | (336)           |
| Accumulated losses                           | -                  | 5,921             | -             | 5,921           |
| <b>Carrying value as at 31 December 2012</b> | <b>6,648</b>       | <b>-</b>          | <b>564</b>    | <b>7,212</b>    |
| <b>Net assets as at 31 December 2012</b>     | <b>13,967</b>      | <b>(11,841)</b>   | <b>1,190</b>  | <b>3,316</b>    |
| Net assets at the date of the purchase       | -                  | -                 | 1,156         | 1,156           |
| Loss for the year                            | (9,995)            | (10,866)          | (105)         | (20,966)        |
| <b>Net assets as at 31 December 2013</b>     | <b>3,972</b>       | <b>(22,707)</b>   | <b>2,241</b>  | <b>(16,494)</b> |
| Interest in joint ventures                   | 1,986              | (11,354)          | 1,100         | (8,268)         |
| Non-controlling interest                     | (26)               | -                 | -             | (26)            |
| Accumulated losses                           | -                  | 11,354            | 4             | 11,358          |
| <b>Carrying value as at 31 December 2013</b> | <b>1,960</b>       | <b>-</b>          | <b>1,104</b>  | <b>3,064</b>    |

In September 2013 the Annual General Meeting of shareholders of the Company approved agreement between the Company, OJSC RUSAL, that provide financing to CJSC Boguchansky aluminum plant to ensure payments under the loan agreement between CJSC Boguchansky aluminum plant and the State Corporation Vnesheconombank. This general agreement is needed as a for increased loan limit for the construction of the Boguchansky aluminum plant. The loan facility amounts to RR 16,800 million and is equally allocated to the Company and OJSC RUSAL.

The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP for the loan facility in favour of the State Corporation Vnesheconombank (Note 28).



In accordance with approved investment programme of the Company dated 24 September 2013 the Group has to invest RR 142 million for the period 2014-2016 in construction Boguchanskaya HPP (RR 9,918 million for the period 2013-2015), as well as RR 25,257 million for the period 2014-2016 in construction Boguchansky Aluminium Plant (RR 44,188 million for the period 2013-2015).

**Note 9. Available-for-sale financial assets**

|  | 31 December 2013 |              | 31 December 2012 |               |
|--|------------------|--------------|------------------|---------------|
|  | % of ownership   | Fair value   | % of ownership   | Fair value    |
| OJSC INTER RAO UES                               | 4.92%            | 5,132        | 4.92%            | 12,726        |
| OJSC Russian Grids*                              | 0.28%            | 356          | 0.93%            | 831           |
| OJSC FGC UES                                     | 0.13%            | 150          | 0.13%            | 334           |
| OJSC Boguchanskaya HPP                           | 2.89%            | 28           | 2.89%            | 317           |
| Other  | -                | 128          | -                | 118           |
| <b>Total available-for-sale financial assets</b> |                  | <b>5,794</b> |                  | <b>14,326</b> |

\* On 23 March 2013 OJSC IDGC Holding was renamed as OJSC Russian Grids.

The fair values of available-for-sale financial assets were calculated based on quoted market prices, for those which are not publicly traded fair values were estimated by reference to the discounted cash flows of the investees (Note 31).

For the year ended 31 December 2013 an impairment of available-for-sale financial assets in respect of shares of OJSC INTER RAO UES was recognised in profit or loss in the amount of RR 7,594 million (for the year ended 31 December 2012: RR 8,041 million).

Loss arising on other available-for-sale financial assets for the year ended 31 December 2013 totaled RR 936 million was recorded within other comprehensive income in amount of RR 586 million, net of tax, (for the year ended 31 December 2012: RR 296 million, net of tax) and in profit or loss in amount of RR 350 million (for the year ended 31 December 2012: RR nil million).

**Note 10. Other non-current assets**

|  | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Long-term promissory notes   | 5,644            | 6,515            |
| (Net of discount of RR 17,021 million as at 31 December 2013 and RR 20,255 million as at 31 December 2012) |                  |                  |
| VAT recoverable  | 5,381            | 5,419            |
| Dams of Bratskaya, Ust'-Il'mskaya and Irkutskaya HPPs  | 5,573            | 5,668            |
| Customer base of LLC ESC Bashkortostan   | 1,662            | 2,214            |
| Goodwill   | 929              | 929              |
| Other non-current assets   | 5,787            | 4,303            |
| <b>Total other non-current assets</b>  | <b>24,976</b>    | <b>25,048</b>    |
| Reference:   |                  |                  |
| Other non-current assets of subsidiary acquired with a view for resale                                     | -                | 114              |

|   | Rating | Rating agency | Effective interest rate | Maturity date | 31 December 2013 | 31 December 2012 |
|---|--------|---------------|-------------------------|---------------|------------------|------------------|
| <b>Long-term promissory notes</b>       |        |               |                         |               |                  |                  |
| OJSC Boguchanskaya HPP                  | -      | -             | 9.75%                   | 2029          | 4,741            | 4,320            |
| CJSC Boguchansky Aluminium Plant        | -      | -             | 10.00%                  | 2024          | -                | 1,484            |
|   |        | Fitch         |                         |               |                  |                  |
| OJSC Alfa Bank                          | BBB-   | Ratings       | 10.00–12.20%            | 2014–2020     | 668              | 646              |
| Other                                   |        |               | -                       |               | 235              | 65               |
| <b>Total long-term promissory notes</b> |        |               |                         |               | <b>5,644</b>     | <b>6,515</b>     |

**Promissory notes of CJSC Boguchansky Aluminium Plant.** As at 31 December 2013 the Group assessed the recoverable amount of non-interest-bearing promissory notes of CJSC Boguchansky Aluminium Plant. The recoverable amount was determined taking into account the following factors:

- continuing aluminium price reduction on the London Metal Exchange (LME) during the 2013 year as well as decrease of aluminium production volumes according to the actual consumption rates;
- growth of US dollar exchange rate against Russian Ruble during the 2013 year and respective growth of amount of liabilities of CJSC Boguchansky Aluminium Plant to the State Corporation Vnesheconombank under the loan agreement;
- cumulative losses of BALP Group, the Group's joint venture, which controls CJSC Boguchansky Aluminium Plant (Note 8).

As a result of the performed analysis, management of the Group concluded that as at 31 December 2013 promissory notes of CJSC Boguchansky Aluminium Plant are highly probable not recoverable and recognised an impairment loss of RR 1,633 million (including unwinding of discount for the period).

**Promissory notes of OJSC Boguchanskaya HPP.** As at 31 December 2013 the amortised cost of interest-free long-term promissory notes of OJSC Boguchanskaya HPP (payable not earlier than 31 December 2029 with total nominal value of RR 21,027 million) pledged as collateral to the State Corporation Vnesheconombank amounted to RR 4,741 million (31 December 2012: RR 4,320 million) (Note 8).

**Promissory notes of LLC Energo-finance.** Based on the assessment of the recoverable amount of promissory notes of LLC Energo-finance determined based on forecast net assets of Rusenergo Fund Limited which acted as a guarantor of LLC Energo-finance promissory notes, the management of the Group concluded that as at 31 December 2012 the value of LLC Energo-finance promissory notes may not be recovered. As a result as at 31 December 2012 an impairment loss in amount of RR 9,363 million including accumulated interest was recognised. During year 2013 the net assets of Rusenergo Fund Limited continue to decrease. As consequence as at 31 December 2013 there were no indicators for reversal of impairment of these promissory notes.

**Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs.** Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs were received in 2011 in the course of additional share issue. They are currently being rented out to OJSC Irkutskenergo under the terms of a long-term operating lease. Management of the Group estimated the recoverable amount of these dams by determining value in use based on future cash flows. Key assumption used for the cash flows analysis is the ability of the Group to renegotiate rental payments. As a result, the carrying value of the dams does not exceed their recoverable amount as at 31 December 2013 and 31 December 2012.

**Goodwill and customer base.** Presented below is the carrying value of goodwill:

|   | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|---|--------------------------------|--------------------------------|
| Gross book value as of 1 January                | 3,013                          | 3,013                          |
| Accumulated impairment losses as of 1 January   | (2,084)                        | -                              |
| <b>Carrying amount as of 1 January</b>          | <b>929</b>                     | <b>3,013</b>                   |
| Impairment loss                                 | -                              | (2,084)                        |
| <b>Carrying amount as of 31 December</b>        | <b>929</b>                     | <b>929</b>                     |
| Gross book value as of 31 December              | 3,013                          | 3,013                          |
| Accumulated impairment losses as of 31 December | (2,084)                        | (2,084)                        |

**Goodwill of OJSC Institute Hydroproject.** Goodwill of RR 929 million was recognised at the date of the acquisition of OJSC Institute Hydroproject in October 2010 as the Group was able to receive economic benefits from the expected synergy from the high qualification of engineering specialists and long-term relationships between OJSC Institute Hydroproject and customers, including the Group entities.

As at 31 December 2013 and 31 December 2012, the Group tested goodwill related to OJSC Institute Hydroproject for its potential impairment. For the testing purposes, OJSC Institute Hydroproject was considered as a single cash generating asset.



Presented below are key assumptions used for the impairment testing purposes for the years ended 31 December 2013 and 31 December 2012:

| Key assumptions used for the impairment testing purposes | For the year ended 31 December 2013  | For the year ended 31 December 2012  |
|--|--|--|
| Information used   | Actual performance for 2013 and results of business plans for 2014-2018  | Actual performance for 2012 and results of business plans for 2013-2017  |
| Forecast period  | 5 years  | 5 years  |
| Growth interest rate after the forecast period           | 3.6 percent  | 3.0 percent  |
| Discount rate  | 18.0 percent   | 18.0 percent   |
| Net cash inflow after the forecast period                | Minimum expectation:<br>RR 216 million in 2014,<br>RR 179 million in 2015,<br>RR 200 million in 2016,<br>RR 234 million in 2017,<br>RR 243 million in 2018 | Minimum expectation:<br>RR 67 million in 2013,<br>RR 97 million in 2014,<br>RR 173 million in 2015,<br>RR 211 million in 2016,<br>RR 227 million in 2017 |
| Net cash inflow after the forecast period                | Minimum expectation:<br>RR 250 million per year  | Minimum expectation:<br>RR 235 million per year  |

Based on the above assumptions, as at 31 December 2013 and 31 December 2012 the recoverable amount of OJSC Institute Hydroproject as a cash generating asset exceeded the carrying amount – there is no economic impairment.

*Goodwill of LLC ESC Baskortostan.* Goodwill of RR 2,084 million was recognised at the date of the purchase of LLC ESC Baskortostan in September 2011 due to the Group's ability to receive economic benefits from the expected synergy which was related to the Group's strong position on the retail energy market in the Republic of Bashkortostan.

As at 31 December 2013 and 31 December 2012 the Group tested goodwill related to LLC ESC Baskortostan for potential impairment. For the testing purposes LLC ESC Baskortostan was considered as a single cash generating unit.

Presented below are key assumptions used for the impairment testing purposes:

| Key assumptions used for the impairment testing purposes | For the year ended 31 December 2013  | For the year ended 31 December 2012  |
|--|--|--|
| Information used   | Actual performance for 2013 and results of business plans for 2014-2018                    | Actual performance for 2012 and results of business plans for 2013-2017                    |
| Forecast period*   | 10 years (2014-2023)   | 10 years (2013-2022)   |
| Growth interest rate after the forecast period           | 2.3 percent  | 3.1 percent  |
| Discount rate  | 14.2 percent   | 14.2 percent   |
| Forecast electricity sales                               | Based on management forecast   |  |
| Forecast electricity tariffs                             | 2014 – based on tariffs set by regulators<br>2015-2023 – based on the consumer price index | 2013 – based on tariffs set by regulators<br>2014-2022 – based on the consumer price index |

\* The management believes that the forecast period exceeding five years is more reliable as the electricity and capacity market is expected to undergo significant changes during the forecast period, and cash flows will not flatten out within five years.

During 2012, Rules for the Wholesale Electricity and Capacity Market and a number of other regulations were amended, which significantly changed the position of guaranteeing suppliers and other energy sale companies in the wholesale and retail markets of electricity and capacity, including LLC ESC Baskortostan. The described circumstances and events resulted in the deterioration of the expected recoverable amount of LLC ESC Baskortostan. As a result, the Group recognised goodwill impairment following from LLC ESC Baskortostan acquisition in the full amount of RR 2,084 million. Moreover, a loss on impairment related to the customer base of LLC ESC Baskortostan in the amount of RR 891 million was recognised.

As at 31 December 2013 the recoverable amount of LLC ESC Baskortostan exceeded the carrying amount – no loss on impairment related to the customer base of LLC ESC Baskortostan was recognised.

**Note 11. Cash and cash equivalents**

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Cash at bank  | 10,744           | 10,259           |
| Cash equivalents (contractual interest rate: 4.30-8.75%)                | 23,712           | 29,547           |
| Cash in hand  | 16               | 13               |
| <b>Total cash and cash equivalents</b>                                  | <b>34,472</b>    | <b>39,819</b>    |
| Reference:  |                  |                  |
| Cash and cash equivalents of subsidiary acquired with a view for resale | -                | 38               |

Cash equivalents held as at 31 December 2013 and 31 December 2012 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 31 December 2013 were RR 252 million (31 December 2012: RR 17 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2013 were RR 682 million (31 December 2012: RR 665 million).

As at 31 December 2012 the line "Cash and cash equivalents" in the Consolidated Statement of Cash Flows included RR 38 million of cash and cash equivalents held by OJSC DRSK.

Cash and cash equivalents are deposited in several institutions as follows:

|                               | Rating | Rating agency     | 31 December 2013 | 31 December 2012 |
|-------------------------------|--------|-------------------|------------------|------------------|
| <b>Cash at banks</b>          |        |                   |                  |                  |
| OJSC Sberbank of Russia       | Baa1   | Moody's           | 4,827            | 2,297            |
| OJSC Gazprombank              | BBB-   | Standard & Poor's | 2,115            | 1,268            |
| CJSC Peresvet Bank            | B+     | Standard & Poor's | 1,940            | 2,739            |
| OJSC ROSBANK                  | BBB+   | Fitch Ratings     | 299              | 590              |
| OJSC VTB Bank                 | Baa2   | Moody's           | 258              | 138              |
| CJSC VTB24                    | Baa2   | Moody's           | 106              | 228              |
| OJSC Alfa-Bank                | BBB-   | Fitch Ratings     | 27               | 227              |
| CJSC Raiffeisenbank           | BBB    | Standard & Poor's | 22               | 614              |
| OJSC Bank Vozrozhdenie        | BB-    | Standard & Poor's | 96               | 117              |
| LLC Creditinvestbank          | -      | -                 | -                | 296              |
| Other                         |        |                   | 1,054            | 1,745            |
| <b>Total cash at banks</b>    |        |                   | <b>10,744</b>    | <b>10,259</b>    |
| <b>Bank deposits</b>          |        |                   |                  |                  |
| OJSC Sberbank of Russia       | Baa1   | Moody's           | 7,151            | 12,040           |
| CJSC UniCredit Bank           | BBB    | Fitch Ratings     | 4,500            | -                |
| CJSC Peresvet Bank            | B+     | Standard & Poor's | 3,477            | 1,750            |
| OJSC Nordea Bank              | BBB+   | Fitch Ratings     | 2,910            | 2,100            |
| OJSC VTB Bank                 | Baa2   | Moody's           | 2,150            | 962              |
| OJSC Gazprombank              | BBB-   | Standard & Poor's | 1,781            | 3,133            |
| CJSC Raiffeisenbank           | BBB    | Standard & Poor's | 652              | 885              |
| OJSC Alfa-Bank                | BBB-   | Fitch Ratings     | 31               | 5,780            |
| OJSC Transcreditbank          | -      | -                 | -                | 1,420            |
| Other                         |        |                   | 1,060            | 1,477            |
| <b>Total cash equivalents</b> |        |                   | <b>23,712</b>    | <b>29,547</b>    |



**Note 12. Accounts receivable and prepayments**

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Trade receivables   | 30,342           | 30,330           |
| (Net of provision for impairment of accounts receivable of RR 16,094 million as at 31 December 2013 and RR 11,409 million as at 31 December 2012) |                  |                  |
| VAT recoverable   | 8,059            | 9,171            |
| Advances to suppliers and other prepayments   | 4,152            | 4,376            |
| (Net of provision for impairment of accounts receivable of RR 460 million as at 31 December 2013 and RR 406 million as at 31 December 2012)       |                  |                  |
| Other receivables   | 2,832            | 2,793            |
| (Net of provision for impairment of accounts receivable of RR 1,798 million as at 31 December 2013 and RR 2,650 million as at 31 December 2012)   |                  |                  |
| <b>Total accounts receivable and prepayments</b>  | <b>45,385</b>    | <b>46,670</b>    |
| Reference:  |                  |                  |
| Accounts receivable and prepayments of subsidiary acquired with a view for resale   | -                | 808              |

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows (Note 2). The Group believes that the Group's subsidiaries will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the carrying value approximates their fair value.

Movements in the impairment provision for accounts receivables and prepayments are as follows:

|   | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|---|--------------------------------|--------------------------------|
| As at 1 January   | 14,465                         | 9,695                          |
| Charge for the year   | 7,241                          | 6,657                          |
| Reversal of impairment  | (2,754)                        | (1,414)                        |
| Trade receivables written-off as uncollectible                      | (618)                          | (278)                          |
| Transfer of assets of the subsidiary acquired with a view to resale | 18                             | -                              |
| Disposal of impairment provision due to disposal of subsidiaries    | -                              | (195)                          |
| <b>As at 31 December</b>  | <b>18,352</b>                  | <b>14,465</b>                  |

The ageing analysis of trade and other accounts receivable is as follows:

|                                 | 31 December 2013 | Provision as at<br>31 December 2013 | 31 December 2012 | Provision as at<br>31 December 2012 |
|---------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| Not past due                    | 23,855           | (548)                               | 23,418           | (1,181)                             |
| Past due for less than 3 months | 5,021            | (897)                               | 5,411            | (1,009)                             |
| Past due for 3 months to 1 year | 8,344            | (4,854)                             | 5,867            | (2,408)                             |
| Past due for more than 1 year   | 13,183           | (11,594)                            | 11,587           | (9,461)                             |
| <b>Total</b>                    | <b>50,403</b>    | <b>(17,893)</b>                     | <b>46,283</b>    | <b>(14,059)</b>                     |

The majority of trade debtors which are neither past due nor impaired could be aggregated in several groups based on similarities in their credit quality: large industrial consumers – participants of the wholesale and retail electricity and capacity market as well as public sector entities and population.

The Group does not hold any accounts receivable pledged as collateral.

**Note 13. Inventories**

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Fuel  | 13,329           | 12,432           |
| Materials and supplies                                    | 6,249            | 5,221            |
| Spare parts   | 1,524            | 1,463            |
| Other materials   | 536              | 557              |
| <b>Total inventories before provision for impairment</b>  | <b>21,638</b>    | <b>19,673</b>    |
| <b>Provision for impairment of inventories</b>            | <b>(189)</b>     | <b>(95)</b>      |
| <b>Total inventories</b>                                  | <b>21,449</b>    | <b>19,578</b>    |
| Reference:  |                  |                  |
| Inventories of subsidiary acquired with a view for resale | -                | 331              |

There are no inventories pledged as collateral for borrowings as at 31 December 2013 and as at 31 December 2012.

**Note 14. Other current assets**

|                                   |  |  |  | 31 December 2013 | 31 December 2012 |
|-----------------------------------|--|--|--|------------------|------------------|
| Promissory notes and deposits     |  |  |  | 52,406           | 53,535           |
| Other short-term investments      |  |  |  | 738              | 252              |
| <b>Total other current assets</b> |  |  |  | <b>53,144</b>    | <b>53,787</b>    |

  

|  | Rating | Rating agency | Effective interest rate | 31 December 2013 | 31 December 2012 |
|--|--------|---------------|-------------------------|------------------|------------------|
| <b>Promissory notes</b>                    |        |               |                         |                  |                  |
| OJSC Alfa-Bank                             | BBB-   | Fitch Ratings | -                       | 416              | 176              |
| OJSC SO UES                                | -      | -             | -                       | -                | 705              |
| Other promissory notes                     |        |               |                         | 125              | 311              |
| <b>Deposits</b>                            |        |               |                         |                  |                  |
| OJSC Sberbank of Russia                    | Baa1   | Moody's       | 5.59–7.15%              | 50,726           | 50,078           |
| CJSC Peresvet Bank                         | B3     | Moody's       | 8.75%                   | 833              | 1,593            |
| Other deposits                             |        |               |                         | 306              | 672              |
| <b>Total promissory notes and deposits</b> |        |               |                         | <b>52,406</b>    | <b>53,535</b>    |

Deposits held as at 31 December 2013 comprised cash in the amount of RR 50,000 million obtained in the course of additional share issue (Note 15).

**Note 15. Equity**

|                        | Number of issued ordinary shares<br>(Par value of RR 1.00) |
|------------------------|--|
| As at 31 December 2013 | 386,255,464,890  |
| As at 31 December 2012 | 317,637,520,094  |
| As at 31 December 2011 | 290,302,702,379  |

**Additional share issue 2012–2013.** On 16 November 2012 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 110,000,000,000 ordinary shares with a par value of RR 1.00 by open subscription with cash and non-cash considerations. On 10 December 2012 the Board of Directors of the Company determined the placement price of RR 1.00 per share.

As part of this issue the Group received:

- in 2012 the funds in amount RR 50,000 million from the Russian Federation to fund construction of four heat power plants in the Far East region;
- 19.54 percent shares of OJSC RAO Energy System of East, 24.54 percent shares of OJSC SEC, 14.83 percent shares of OJSC Ust'-Srednekanskaya HPP, 42.75 percent shares of OJSC IENC, 0.08 percent shares of OJSC Irkutskenergo.

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

As at 31 December 2013 share capital of the Company was increased due to registration of the Report based on the results of additional issue of shares on 26 December 2013.

As at 31 December 2013 the Group recorded RR 50,000 million of cash received from the Russian Federation, represented by the Federal Agency for State Property Management, as a contribution for the additional share issue.

**Treasury shares.** As at 31 December 2013 and 31 December 2012 treasury shares were represented by 8,703,807,839 ordinary shares in the amount of RR 10,662 million.

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

**Transactions with the Government and companies under common control.** The change of merge reserve for the year ended 31 December 2013 in the amount of RR 7,859 million relates to assets that were received in 2013 from the Russian Federation and companies under common control in the course of additional share issue 2012–2013.

As a result of the increase in Group's share in OJSC RAO Energy System of East non-controlling interest decreased by RR 6,563 million and retained earnings of the Group increased in the same amount.



As a result of the increase in Group's share in OJSC Ust'-Srednekanskaya HPP non-controlling interest increased by RR 293 million and retained earnings of the Group decreased by the same amount due to increase of share of Group's shareholders in losses accumulated by OJSC Ust'-Srednekanskaya HPP.

**Effect of changes in non-controlling interest of subsidiaries.** In 2013 in the course of additional share issue 2012–2013 the Group also has received shares of OJSC RAO Energy System of East from shareholders which are not controlled by the Government. As a result non-controlling interest decreased by RR 2,671 million and retained earnings of the Group increased by RR 1,812 million.

For the year ended 31 December 2012 non-controlling interest in OJSC RAO Energy System of East increased by RR 1,566 million and retained earnings of the Group decreased by RR 814 million as a result of the Group's interest dilution following the additional ordinary share issue of OJSC RAO Energy System of East, which placement was registered by the Federal Financial Markets Service (FFMS) on 7 February 2012.

On 26 April 2012 the placement of additional share issue of OJSC Ust'-Srednekanskaya HPP was registered by FFMS, main part of the shares issued were bought by the Russian Federation. As the contribution made by the State was higher than the contribution made by the Group, the Group recognised a gain in the amount of RR 3,163 million in retained earnings for the year ended 31 December 2012. As a result of the dilution of the Group's interest in OJSC Ust'-Srednekanskaya HPP non-controlling interest decreased by RR 502 million due to increase of share in losses of OJSC Ust'-Srednekanskaya HPP previously absorbed by shareholders of the Group.

**Dividends.** In accordance with the Russian legislation the Company and its subsidiaries distribute profits as dividends on the basis of financial statements prepared in accordance with Russian accounting standards.

On 28 June 2013 the Company declared dividends for the year ended 31 December 2012 of RR 0.0096 per share in the total amount of RR 3,594 million.

On 29 June 2012 the Company declared dividends for the year ended 31 December 2011 of RR 0.0079 per share in the total amount of RR 2,431 million.

Dividends in favour of non-controlling interest holders were declared by the Group's subsidiaries in the amount of RR 160 million for the year ended 31 December 2013 (for the year ended 31 December 2012: RR 170 million).

#### **Note 16. Income tax**

Income tax expense is as follows:

|                                 | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|---------------------------------|--------------------------------|--|
| Current income tax expense      | 10,248                         | 6,908  |
| Deferred income tax benefit     | (6,056)                        | (2,786)                                      |
| <b>Total income tax expense</b> | <b>4,192</b>                   | <b>4,122</b>                                 |

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2013 is 20 percent (for the year ended 31 December 2012: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

|   | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|---|--------------------------------|--|
| <b>Profit / (loss) before income tax</b>  | <b>25,185</b>                  | <b>(21,202)</b>                              |
| Theoretical tax (expense) / income at a statutory rate of 20 percent  | (5,037)                        | 4,240  |
| Tax effect of items which are not deductible or assessable for taxation purposes                                | (2,335)                        | (4,204)                                      |
| Change in unrecognised deferred tax assets in respect of associates and joint ventures (Note 8)                 | 511                            | (2,840)                                      |
| Write-off / decrease of deferred tax related to subsidiary acquired exclusively with a view for resale (Note 2) | 1,873                          | 381  |
| Unrecognised deferred tax assets related to impairment of available-for-sale financial assets (Note 9)          | (1,589)                        | (1,608)                                      |
| Change in other unrecognised deferred tax assets  | 1,695                          | 301  |
| Other   | 690                            | (22)   |
| <b>Total income tax expense</b>   | <b>(4,192)</b>                 | <b>(4,122)</b>                               |

The total amount of deductible temporary differences for which deferred income tax assets have not been recognised by the Group as at 31 December 2013 comprised RR 46,574 million (31 December 2012: RR 55,047 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment of several Group's subsidiaries and impairment of available-for-sale financial assets.

**Deferred income tax.** Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2012: 20 percent).

|   | 31 December 2012<br>(restated) | Income tax<br>charge | Charged directly<br>to other<br>comprehensive<br>income | Reclassification<br>of discontinued<br>operations | Other<br>movement | 31 December 2013 |
|---|--------------------------------|----------------------|---|---|-------------------|------------------|
| Property, plant and equipment               | 44,523                         | (2,875)              | (5,066)   | 2,960   | -                 | 39,542           |
| Accounts receivable                         | (4,835)                        | (705)                | -   | (13)  | -                 | (5,553)          |
| Inventories                                 | (27)                           | 28                   | -   | -   | -                 | 1                |
| Loans and borrowings                        | 388                            | 16                   | -   | -   | -                 | 404              |
| Losses carried forward                      | (744)                          | (253)                | -   | (202)   | -                 | (1,199)          |
| Investment in OJSC DRSK                     | 1,873                          | (1,873)              | -   | -   | -                 | -                |
| Other                                       | (1,696)                        | (394)                | 29  | (415)   | 281               | (2,195)          |
| <b>Deferred income tax liabilities, net</b> | <b>39,482</b>                  | <b>(6,056)</b>       | <b>(5,037)</b>  | <b>2,330</b>                                      | <b>281</b>        | <b>31,000</b>    |
| Deferred income tax assets                  | (18,845)                       | (2,178)              | 29  | (630)   | 281               | (21,343)         |
| Deferred income tax liabilities             | 58,327                         | (3,878)              | (5,066)   | 2,960   | -                 | 52,343           |

|   | 31 December 2011<br>(restated) | Income tax<br>charge<br>(restated) | Charged directly<br>to other<br>comprehensive<br>income<br>(restated) | Reclassification<br>of discontinued<br>operations<br>(restated) | Other<br>movement<br>(restated) | 31 December 2012<br>(restated) |
|---|--------------------------------|------------------------------------|---|---|---------------------------------|--------------------------------|
| Property, plant and equipment               | 47,675                         | (697)                              | (2,662)   | 191   | 16                              | 44,523                         |
| Accounts receivable                         | (4,867)                        | 30                                 | -   | (39)  | 41                              | (4,835)                        |
| Inventories                                 | (36)                           | 9                                  | -   | -   | -                               | (27)                           |
| Loans and borrowings                        | 462                            | (74)                               | -   | -   | -                               | 388                            |
| Losses carried forward                      | (383)                          | (563)                              | -   | 202   | -                               | (744)                          |
| Investment in OJSC DRSK                     | 2,254                          | (381)                              | -   | -   | -                               | 1,873                          |
| Other                                       | (860)                          | (1,110)                            | 514   | -   | (240)                           | (1,696)                        |
| <b>Deferred income tax liabilities, net</b> | <b>44,245</b>                  | <b>(2,786)</b>                     | <b>(2,148)</b>  | <b>354</b>  | <b>(183)</b>                    | <b>39,482</b>                  |
| Deferred income tax assets                  | (16,561)                       | (3,035)                            | 514   | 176   | 61                              | (18,845)                       |
| Deferred income tax liabilities             | 60,806                         | 249                                | (2,662)   | 178   | (244)                           | 58,327                         |

Under existing Group' structure tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity.



**Note 17. Pension benefit obligations**

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2013 and 31 December 2012.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 19):

|  | 31 December 2013 | 31 December 2012<br>(restated) | 1 January 2012<br>(restated) |
|--|------------------|--------------------------------|------------------------------|
| Fair value of plan assets                    | (856)            | (824)                          | (294)                        |
| Present value of defined benefit obligations | 9,243            | 10,482                         | 12,277                       |
| <b>Net liability</b>                         | <b>8,387</b>     | <b>9,658</b>                   | <b>11,983</b>                |

The movements in the defined benefit liability for the years ended 31 December 2013 and 31 December 2012 are presented in the tables below:

|  | Present value of<br>defined benefit<br>obligations | Fair value of plan<br>assets | Total        |
|--|--|------------------------------|--------------|
| <b>At 1 January 2013</b>   | <b>10,482</b>                                      | <b>(824)</b>                 | <b>9,658</b> |
| Reclassification of plan assets  | -  | 67                           | 67           |
| Current service cost   | 442  | -                            | 442          |
| Interest expense / (income)  | 628  | (57)                         | 571          |
| Past service cost  | 9  | -                            | 9            |
| Curtailment in pension plan  | (1,609)  | -                            | (1,609)      |
| Remeasurement effects (for other long-term benefits):  |  |                              |              |
| Actuarial gain - changes in actuarial assumptions  | (17)   | -                            | (17)         |
| Actuarial gain - experience adjustment   | (23)   | -                            | (23)         |
| <b>Recognised in profit or loss for the year ended<br/>31 December 2013</b>  | <b>(570)</b>                                       | <b>(57)</b>                  | <b>(627)</b> |
| Remeasurements (for post-employment benefits):   |  |                              |              |
| Actuarial loss - change in demographic<br>assumptions  | 249  | -                            | 249          |
| Actuarial gain - change in financial assumptions   | (1,131)  | -                            | (1,131)      |
| Actuarial loss / (gain) - experience adjustments   | 824  | (68)                         | 756          |
| <b>Recognised other comprehensive income for the<br/>year ended 31 December 2013 before income tax<br/>charge of RR 25 million</b> | <b>(58)</b>  | <b>(68)</b>                  | <b>(126)</b> |
| Contributions  | -  | (585)                        | (585)        |
| Payments   | (611)  | 611                          | -            |
| <b>At 31 December 2013</b>   | <b>9,243</b>                                       | <b>(856)</b>                 | <b>8,387</b> |

On 29 March 2013 OJSC DGK decided to cancel the defined benefit pension plan. The pension liability of the plan on cancellation date was RR 2,458 million. Following the defined benefit pension plan cancellation lump sum payment liabilities have increased for RR 315 million and periodical retirement payments liabilities have increased for RR 534 million. These payments were included in collective agreement and were alternatives for defined benefit pension plan. As a result the Group recognised RR 1,609 million curtailment gain for the year ended 31 December 2013.

|   | Present value of defined benefit obligations | Fair value of plan assets | Total          |
|---|--|---------------------------|----------------|
| <b>As at 1 January 2012 (restated)</b>  | <b>12,277</b>                                | <b>(294)</b>              | <b>11,983</b>  |
| Reclassification of plan assets   | 12   | (488)                     | (476)          |
| Current service cost  | 654  | -                         | 654            |
| Interest expense / (income)   | 1,019  | (18)                      | 1,001          |
| Past service cost   | (145)  | -                         | (145)          |
| Remeasurement effects (for other long-term benefits):   |  |                           |                |
| Actuarial loss - changes in actuarial assumptions   | 71   | -                         | 71             |
| Actuarial gain - experience adjustment  | (50)   | -                         | (50)           |
| <b>Recognised in profit or loss for the year ended 31 December 2012</b>   | <b>1,549</b>                                 | <b>(18)</b>               | <b>1,531</b>   |
| Remeasurements (for post-employment benefits):  |  |                           | -              |
| Actuarial gain - change in demographic assumptions  | (757)  | -                         | (757)          |
| Actuarial gain - change in financial assumptions  | (441)  | -                         | (441)          |
| Actuarial (gains) / losses - experience adjustments   | (1,378)                                      | 4                         | (1,374)        |
| <b>Recognised other comprehensive income for the year ended 31 December 2012 before income tax charge of RR 514 million</b> | <b>(2,576)</b>                               | <b>4</b>                  | <b>(2,572)</b> |
| Contributions   | -  | (808)                     | (808)          |
| Payments  | (780)  | 780                       | -              |
| <b>At 31 December 2012 (restated)</b>   | <b>10,482</b>                                | <b>(824)</b>              | <b>9,658</b>   |

Principal actuarial assumptions for the Group are as follows:

|                       | 31 December 2013  | 31 December 2012 |
|-----------------------|---|------------------|
| Nominal discount rate | 7.90%   | 7.00%            |
| Inflation rate        | 5.10%   | 5.50%            |
| Wage growth rate      | 6.60%   | 7.00%            |
| Staff turnover        | Staff turnover depending on age based on statistics for three years |                  |
| Mortality table       | Russia-2011   | Russia-1998      |

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2013 is presented below:

|                       | Change in assumption | Effect on net liability | Effect on net liability, % |
|-----------------------|----------------------|-------------------------|----------------------------|
| Nominal discount rate | + 1%                 | (785)                   | -8%                        |
|                       | - 1%                 | 934                     | 10%                        |
| Inflation rate        | + 1%                 | 608                     | 7%                         |
|                       | - 1%                 | (512)                   | -6%                        |
| Wage growth rate      | + 1%                 | 350                     | 4%                         |
|                       | - 1%                 | (303)                   | -3%                        |
| Staff turnover        | + 3%                 | (929)                   | -10%                       |
|                       | - 3%                 | 1,356                   | 15%                        |
| Mortality Rates       | + 10%                | (189)                   | -2%                        |
|                       | - 10%                | 206                     | 2%                         |

The Group expects to contribute RR 547 million to the defined benefit plans in 2014.

The weighted average duration of the defined benefit obligation of the Group is 10 years.

**Retirement benefit plan parameters and related risks.** The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").



The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks.

Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are severally liable for plans management, including investments decisions and the contribution schedule.

NPF invests the Group's funds in a diversified portfolio. When investing pension savings and placing the pension reserves, NPF is guided by the Russian legislation that provides a strict regulation with respect to the possible list of financial instruments and restricts their utilisation, which also leads to diversification and reduces investment risks.

The Group transfers the obligation to pay lifelong non-state pension benefits to the Group's former employees to NPF and funds these obligations when awarding the pension. Therefore, the Group insures the risks related to payment of non-state pensions (investment risks and survival risks).

#### **Note 18. Current and non-current debt**

##### *Non-current debt*

|  | Effective<br>interest rate                   | Due date  | 31 December 2013 | 31 December 2012 |
|--|--|-----------|------------------|------------------|
| OJSC Sberbank of Russia  | 7.70–10.00%                                  | 2014–2020 | 46,295           | 55,139           |
| Russian bonds (OJSC RusHydro)<br>issued in February 2013       | 8.50%  | 2018*     | 20,478           | -                |
| Eurobonds (RusHydro Finance Ltd)                               | 7.875%                                       | 2015      | 20,254           | 20,239           |
| Russian bonds (OJSC RusHydro)                                  | 8.00%  | 2016*     | 15,225           | 15,218           |
| EBRD   | MOSPRIME+1.50–<br>3.65% / LIBOR6M +<br>3.45% | 2014–2027 | 14,971           | 11,616           |
| OJSC Bank of Moscow  | 9.31%  | 2014–2015 | 7,700            | 7,717            |
| OJSC Bank VTB  | 8.39%  | 2015–2018 | 4,500            | -                |
| UniCredit Bank Austria AG                                      | 3.35%**                                      | 2017–2026 | 2,523            | 1,971            |
| OJSC Gazprombank   | 8.60–10.50%                                  | 2014–2015 | 1,997            | 3,494            |
| Municipal authority of Kamchatka<br>region                     | 8.57%  | 2034      | 1,572            | 1,359            |
| OJSC ROSBANK   | 7.30–9.70%                                   | 2014–2015 | 1,558            | 6,132            |
| EM Falcon Ltd  | MOSPRIME+1.40%                               | 2014      | 1,517            | 2,443            |
| Russian bonds<br>(OJSC Yakutskenergo)                          | -  | -         | -                | 3,000            |
| CF Structured Products B. V.                                   | -  | -         | -                | 1,894            |
| OJSC Transcreditbank   | -  | -         | -                | 901              |
| Other long-term debt   | -  | -         | 1,282            | 1,888            |
| Finance lease liabilities                                      | 8.70–21.00%                                  | -         | 2,082            | 2,263            |
| <b>Total</b>   |  |           | <b>141,954</b>   | <b>135,274</b>   |
| Less current portion of non-current                            |  |           | (9,057)          | (66,663)         |
| Less current portion of finance lease liabilities              |  |           | (1,007)          | (1,328)          |
| <b>Total non-current debt</b>                                  |  |           | <b>131,890</b>   | <b>67,283</b>    |
| Reference:   |  |           |                  |                  |
| Non-current debt of subsidiary acquired with a view for resale |  |           | -                | 3,951            |

\* The bonds mature in 10 years with a put option to redeem them in 2016.

\*\* Fixed interest rate applied to 90 percent of the credit facility, to the rest 10 percent of the facility the quarterly variable export finance rate published by OeKB (Oesterreichische Kontrollbank AG) less 0.25 percent is applied.

**Russian bonds issued in February 2013.** In February 2013 the Group placed non-convertible ten years interest bearing bonds of series 07 with a nominal amount of RR 10,000 million and series 08 with a nominal amount of RR 10,000 million. The term of the offer (period of redemption of bonds on request of their owners) – five years, coupon rate of 8.50 percent per annum was determined for the first five years only.

**OJSC Sberbank of Russia.** In December 2013 the Group obtained RR 10,613 million under the agreement of non-revolving credit line with OJSC Sberbank of Russia to refinance the existing liability of the subsidiaries of RAO Energy System of the East Group.

The Group restructured the current payables to OJSC Sberbank of Russia under the agreement of credit line amounting to RR 40,000 million conducted in 2011 for a period of 2 years. Out of the total amount received RR 20,000 million was repaid in 2013; the period for repaying the remaining part of debt was extended by 7 years up to 2020.

#### Current debt

|  | Effective interest rate | 31 December 2013 | 31 December 2012 |
|--|-------------------------|------------------|------------------|
| OJSC ROSBANK   | 7.68–9.00%              | 3,419            | 1,930            |
| OJSC Sberbank of Russia  | 7.61–8.86%              | 2,350            | 2,622            |
| OJSC Gazprombank   | 7.90–8.60%              | 2,323            | 215              |
| OJSC Bank VTB  | 7.97%                   | 950              | -                |
| OJSC Nomos-Regiobank   | -                       | -                | 219              |
| Current portion of non-current debt  | -                       | 9,057            | 66,663           |
| Current portion of finance lease liabilities   | 8.70–21.00%             | 1,007            | 1,328            |
| Other current debt   | -                       | 781              | 775              |
| <b>Total current debt and current portion of non-current debt</b>                                  |                         | <b>19,887</b>    | <b>73,752</b>    |
| Reference:   |                         |                  |                  |
| Current debt and current portion of non-current debt of subsidiary acquired with a view for resale |                         | -                | 4,187            |

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its debt.

As at 31 December 2013 and 31 December 2012 some of the Group's credit contracts are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. As at 31 December 2013 the Group met all required covenant clauses of the credit agreements. The Group did not fulfill some of the requirements as at 31 December 2012. Before the 31 December 2012 management received covenant waivers from banks confirming absence of intention to request early repayment of loans.

**Effective interest rate.** The effective interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

**Finance lease liabilities.** Minimum lease payments under finance leases and their present values are as follows:

|   | Due in 1 year | Due between 2 and 5 years | Due after 5 years | Total        |
|---|---------------|---------------------------|-------------------|--------------|
| <b>Minimum lease payments as at 31 December 2013</b>                  | <b>1,044</b>  | <b>1,420</b>              | <b>-</b>          | <b>2,464</b> |
| Less future finance charges   | (37)          | (345)                     | -                 | (382)        |
| <b>Present value of minimum lease payments as at 31 December 2013</b> | <b>1,007</b>  | <b>1,075</b>              | <b>-</b>          | <b>2,082</b> |
| <b>Minimum lease payments as at 31 December 2012</b>                  | <b>1,392</b>  | <b>1,127</b>              | <b>-</b>          | <b>2,519</b> |
| Less future finance charges   | (64)          | (194)                     | -                 | (258)        |
| <b>Present value of minimum lease payments as at 31 December 2012</b> | <b>1,328</b>  | <b>933</b>                | <b>-</b>          | <b>2,261</b> |

**Note 19. Other non-current liabilities**

|   | 31 December 2013 | 31 December 2012<br>(restated) |
|---|------------------|--------------------------------|
| Pension benefit obligations (Note 17)                                       | 8,387            | 8,257                          |
| Other non-current liabilities   | 3,643            | 3,822                          |
| <b>Total other non-current liabilities</b>                                  | <b>12,030</b>    | <b>12,079</b>                  |
| Reference:  |                  |                                |
| Other non-current liabilities of subsidiary acquired with a view for resale | -                | 1,401                          |

**Note 20. Accounts payable and accruals**

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Trade payables  | 30,968           | 29,739           |
| Advances received   | 8,869            | 7,606            |
| Settlements with personnel  | 6,933            | 6,317            |
| Dividends payable   | 85               | 77               |
| Other accounts payable  | 2,618            | 2,425            |
| <b>Total accounts payable and accruals</b>  | <b>49,473</b>    | <b>46,164</b>    |
| Reference:  |                  |                  |
| Total accounts payable and accruals of subsidiary acquired with a view for resale | -                | 3,785            |

All accounts payable and accruals are denominated in Russian Rubles.

**Note 21. Other taxes payable**

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| VAT   | 5,982            | 4,362            |
| Property tax  | 2,412            | 1,540            |
| Insurance contributions   | 1,937            | 1,826            |
| Other taxes   | 613              | 812              |
| <b>Total other taxes payable</b>  | <b>10,944</b>    | <b>8,540</b>     |
| Reference:  |                  |                  |
| Total other taxes payable of subsidiary acquired with a view for resale | -                | 159              |

**Note 22. Revenue**

|                             | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|-----------------------------|--------------------------------|--------------------------------|
| Sales of electricity        | 231,241                        | 219,675                        |
| Sales of heat and hot water | 33,147                         | 31,493                         |
| Sales of capacity           | 25,300                         | 23,996                         |
| Other revenue               | 23,944                         | 23,641                         |
| <b>Total revenue</b>        | <b>313,632</b>                 | <b>298,805</b>                 |

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repairs and other services.

**Note 23. Government grants**

In accordance with legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for the cancellation of cross-subsidisation in electricity tariffs, to compensate for the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the year ended 31 December 2013 the Group received government subsidies in the amount of RR 13,246 million (for the year ended 31 December 2012: RR 10,796 million) in the following subsidised territories: Kamchatsky territory, the Sakha Republic (Yakutia), Magadan Region and other Far East regions.



**Note 24. Expenses**

|  | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|--|--------------------------------|--|
| Employee benefit expenses (including payroll taxes and pension benefit expenses) | 56,907                         | 53,522                                       |
| Purchased electricity and capacity   | 54,622                         | 57,878                                       |
| Fuel expenses  | 44,472                         | 45,231                                       |
| Electricity distribution expenses  | 37,922                         | 38,271                                       |
| Depreciation of property, plant and equipment and intangible assets              | 18,218                         | 18,232                                       |
| Other materials  | 9,599                          | 9,839  |
| Taxes other than on income   | 9,295                          | 7,357  |
| Third parties services, including:   |                                |  |
| Services of subcontracting companies   | 5,096                          | 4,510  |
| Repairs and maintenance  | 3,608                          | 3,425  |
| Services of SO UES, ATS, CFS   | 3,480                          | 3,180  |
| Security expenses  | 2,759                          | 2,548  |
| Purchase and transportation of heat power  | 2,699                          | 2,572  |
| Rent   | 1,802                          | 2,419  |
| Consulting, legal and information expenses                                       | 1,575                          | 1,918  |
| Transportation expenses  | 1,344                          | 1,271  |
| Insurance cost   | 1,086                          | 1,038  |
| Other third parties services   | 4,703                          | 4,628  |
| Accrual of impairment for accounts receivable, net                               | 4,895                          | 5,611  |
| Water usage expenses   | 2,742                          | 2,536  |
| Social charges   | 2,082                          | 2,302  |
| Loss on disposal of property, plant and equipment, net                           | 1,447                          | 1,925  |
| Purchase of oil products for sale  | 718                            | 6  |
| Other expenses   | 1,713                          | 962  |
| <b>Total expenses</b>  | <b>272,784</b>                 | <b>271,181</b>                               |

**Note 25. Finance income, costs**

|  | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|--|--------------------------------|--|
| <i>Finance income</i>                    |                                |  |
| Interest income                          | 7,917                          | 4,804  |
| Income on discounting                    | 677                            | 104  |
| Foreign exchange gain                    | 276                            | 155  |
| Gain on derivative financial instruments | -                              | 16   |
| Other income                             | 138                            | -  |
| <b>Total finance income</b>              | <b>9,008</b>                   | <b>5,079</b>                                 |
| <i>Finance costs</i>                     |                                |  |
| Interest expense                         | (7,259)                        | (4,226)                                      |
| Expense on discounting                   | (690)                          | (326)  |
| Foreign exchange loss                    | (426)                          | (180)  |
| Finance lease expense                    | (323)                          | (352)  |
| Loss on derivative financial instruments | -                              | (213)  |
| Other costs                              | (524)                          | (1,483)                                      |
| <b>Total finance costs</b>               | <b>(9,222)</b>                 | <b>(6,780)</b>                               |



**Note 26. Earnings per share**

|  | Year ended<br>31 December 2013 | Year ended<br>31 December 2012<br>(restated) |
|--|--------------------------------|--|
| Weighted average number of ordinary shares issued (thousands of shares)                                  | 309,873,684                    | 290,262,445                                  |
| Profit / (loss) for the period attributable to the shareholders of OJSC RusHydro                         | 19,767                         | (22,631)                                     |
| <b>Earnings / (loss) per share attributable to the shareholders of OJSC RusHydro – basic and diluted</b> |                                |  |
| (in Russian Rubles per share)  | <b>0.0638</b>                  | <b>(0.0780)</b>                              |

**Note 27. Capital commitments**

**Capital commitments.** In accordance with approved investment programme of the Company dated 24 September 2013 and approved separate investment programmes of subsidiaries of RAO Energy System of East Group, the Group has to invest RR 324,878 million for the period 2014-2016 for reconstruction of the existing and construction of new power plants (RR 283,687 million for the period 2013-2015).

Capital commitments of the Group as at 31 December 2013 are as follows: 2014 year – RR 121,588 million, 2015 year – RR 115,934 million, 2016 year – RR 87,355 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Saratovskaya HPP in the amount of RR 20,541 million, Zhigulevskaya HPP in the amount of RR 16,921 million, Volzhskaya HPP in the amount of RR 13,487 million; and to construction of power plants: Nizhne-Bureiskaya HPP in the amount of RR 23,782 million, Yakutskaya GRES-2 in the amount of RR 16,676 million, HPP in Sovetskaya Gavan in the amount of RR 15,046 million, Sakhalin GRES-2 in the amount of RR 14,414 million.

The Government controls investment programmes execution on a regular basis. Management of the Group plans to finance capital expenditures within investment programmes both from own and borrowed funds.

Starting from 2013, the Group discloses capital commitments based on the data from Investment programmes as this provides more reliable and relevant information in respect of Group commitments for the acquisition of property, plant and equipment.

**Note 28. Contingencies**

**Social commitments.** The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

**Political environment.** The operations and earnings of the Group's subsidiaries continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to the environmental protection, in the Russian Federation.

**Insurance.** The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for those risks for which it does not have insurance.

**Legal proceedings.** The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

In connection with the accident at Sayano-Shushenskaya HPP in August 2009, there is a possibility of a large number of claims related to the accident, which subject may include: compensation of damage caused to life and health, compensation of losses from termination of contracts, other proceedings. Moreover, the prosecutor's office and other oversight bodies are examining operations of the Company and this also may result in additional claims against the Company and its employees.

**Tax contingencies.** The Russian tax legislation is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Co-operation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During the year ended 31 December 2013 the Group's subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the year 2012. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated, however, it may be significant to the financial conditions and/or the overall operations of the Group.

Management believes that as at 31 December 2013 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

**Environmental matters.** The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities (Note 19) and comprised RR 693 million as at 31 December 2013 (31 December 2012: RR 618 million).

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Guarantees.** The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the loan facility:

| Counterparty                                 | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| <i>for OJSC Boguchanskaya HPP:</i>           |                  |                  |
| State Corporation Vnesheconombank            | 25,605           | 19,946           |
| <i>for CJSC Boguchansky Aluminium Plant:</i> |                  |                  |
| Solios Environnement S. A.                   | -                | 534              |
| ALSTOM Grid SAS                              | 82               | 395              |
| <b>Total guarantees issued</b>               | <b>25,687</b>    | <b>20,875</b>    |

## Note 29. Financial risk management

The risk management function within the Group is carried out in respect of financial risks, which include market risks, credit risks and operational risks. Market risks comprise currency risk, interest rate risk, price risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing Group's overall framework, identifying, analyzing and evaluating risks, establishing risk limits, and then ensuring that exposure to risks stays within these limits and in case of exceeding these limits to impact on the risks.

In order to optimise the Group's exposure to risks, the Company constantly works on their identification, assessment and monitoring, as well as the development and implementation of activities which impact on the risks, business continuity management and insurance, seeks to comply with international and national standards of advanced risk management (COSO ERM 2004, ISO 31000 and others), increases the culture of risk management and continuously improves risk management.



**Credit risk.** Credit risk is the risk of financial loss for the Group in the case of non-fulfillment by the Contractor of the obligations on the financial instrument under the proper contract. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the Note 32.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

There is no independent rating for the Group's customers and therefore the Group considers the credit quality of customers at the contract execution stage. The Group considers their financial position and credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimise losses.

To reduce the credit risk in the wholesale electricity and capacity markets the Group has introduced marketing policy and procedure to calculate internal ratings of counterparties in the unregulated market, based on the frequency of default, and to establish limits based on the rating of the customers' portfolio.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 12.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. The Group approved the list of banks for deposits, as well as rules for their placement. Moreover, the Group constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors of such banks.

The tables in Notes 10, 11 and 14 show deposits with banks and other financial institutions and their ratings at the end of the reporting period.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group's maximum exposure to credit risk for off-balance sheet financial instruments is as follows:

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Financial guarantees (Note 28)          | 25,687           | 20,875           |
| <b>Total off-balance sheet exposure</b> | <b>25,687</b>    | <b>20,875</b>    |

**Market risk.** The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, and (iii) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated.

**Currency risk.** Electricity and capacity produced by the Group is sold on the domestic market of the Russian Federation at the prices fixed in Russian Rubles. Hence, the Group does not have significant foreign currency exchange risk. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend on currency rates as the Group operations are planned to be performed in such a way that its assets and liabilities are to be denominated in the national currency.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

|              | 31 December 2013             |                                      |                               | 31 December 2012             |                                      |                               |
|--------------|------------------------------|--------------------------------------|-------------------------------|------------------------------|--------------------------------------|-------------------------------|
|              | Monetary<br>financial assets | Monetary<br>financial<br>liabilities | Net balance<br>sheet position | Monetary<br>financial assets | Monetary<br>financial<br>liabilities | Net balance<br>sheet position |
| USD          | 782                          | (2,232)                              | (1,450)                       | 17                           | (3,276)                              | (3,259)                       |
| EUR          | 682                          | (2,988)                              | (2,306)                       | 665                          | (2,095)                              | (1,430)                       |
| Other        | 15                           | -                                    | 15                            | 10                           | -                                    | 10                            |
| <b>Total</b> | <b>1,479</b>                 | <b>(5,220)</b>                       | <b>(3,741)</b>                | <b>692</b>                   | <b>(5,371)</b>                       | <b>(4,679)</b>                |

The above analysis includes only monetary assets and liabilities. Equity investments and non-monetary assets are not considered to give rise to any material currency risk.

There is no significant effect of the changes of foreign currency rates on the Group's financial position.

**Interest rate risk.** The Group's operating profits and cash flows from operating activities are not dependent largely on the changes in the market interest rates. Borrowings issued at variable rates (Note 18) expose the Group to cash flow interest rate risk.

The Group obtains debt financing with floating rates, which are established on the basis of the MOSPRIME, Euribor, Libor rates.

As at 31 December 2013, had interest rates at that date been 0.5 percent higher (31 December 2012: 0.5 percent higher), with all other variables held constant, profit would have been RR 182 million (31 December 2012: RR 79 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. Effective interest rates at the end of the reporting period are disclosed in Note 18.

For the purpose of interest risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings with fixed rates and floating rates.

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

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate amount of committed credit facilities. The Group adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and short-term bank promissory notes. Current liabilities are represented mainly by the accounts payable to suppliers and contractors.

The Group has implemented a control system under its contract conclusion process by introducing and applying typical financial arrangements which include standardised payment structure, payment deadlines, percentage ratio between advance and final settlement, etc. In such a manner the Group controls capital maturity.

The table below shows liabilities as at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the Consolidated Statement of Financial Position because this amount is based on the discounted cash flows.



The maturity analysis of financial liabilities as at 31 December 2013 is as follows:

|   | 2014 year     | 2015 year     | 2016 year     | 2017 year     | 2018 year     | Starting from year 2019 |
|---|---------------|---------------|---------------|---------------|---------------|-------------------------|
| <b>Liabilities</b>  |               |               |               |               |               |                         |
| Current and non-current debt (Note 18)                                  | 31,678        | 51,943        | 26,024        | 9,466         | 47,280        | 38,020                  |
| Trade payables (Note 20)  | 30,968        | -             | -             | -             | -             | -                       |
| Financial guarantees (Note 28)  | -             | 727           | 579           | 702           | 919           | 22,760                  |
| Dividends payable (Note 20)   | 85            | -             | -             | -             | -             | -                       |
| Finance lease liabilities (Note 18)                                     | 1,044         | 778           | 334           | 244           | 64            | -                       |
| Net settled derivatives   | (14)          | 10            | 13            | 8             | 7             | 8                       |
| <b>Total future payments, including principal and interest payments</b> | <b>63,761</b> | <b>53,458</b> | <b>26,950</b> | <b>10,420</b> | <b>48,270</b> | <b>60,788</b>           |

The maturity analysis of financial liabilities as at 31 December 2012 is as follows:

|   | 2013 year      | 2014 year     | 2015 year     | 2016 year     | 2017 year    | Starting from year 2018 |
|---|----------------|---------------|---------------|---------------|--------------|-------------------------|
| <b>Liabilities</b>  |                |               |               |               |              |                         |
| Current and non-current debt (Note 18)                                  | 82,609         | 14,477        | 35,329        | 19,119        | 2,703        | 9,910                   |
| Trade payables (Note 20)  | 29,739         | -             | -             | -             | -            | -                       |
| Financial guarantees (Note 28)  | -              | 929           | 503           | 452           | 675          | 18,316                  |
| Dividends payable (Note 20)   | 77             | -             | -             | -             | -            | -                       |
| Finance lease liabilities (Note 18)                                     | 1,392          | 592           | 316           | 154           | 65           | -                       |
| Net settled derivatives   | (23)           | (9)           | (4)           | (5)           | 1            | 6                       |
| <b>Total future payments, including principal and interest payments</b> | <b>113,794</b> | <b>15,989</b> | <b>36,144</b> | <b>19,720</b> | <b>3,444</b> | <b>28,232</b>           |
| <b>Liabilities of discontinued operation</b>                            | <b>16,053</b>  |               |               |               |              |                         |

### Note 30. Management of capital

Compliance with Russian legislation requirements and capital cost reduction are key objectives of the Group's capital risk management.

The following capital requirements have been established for joint stock companies by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum shares on the date of the company's registration;
- if the share capital of the entity is more than the statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is more than the statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2013 and 31 December 2012 the Company was in compliance with the above share capital requirements.

The Group's objectives in respect of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The amount of capital that the Group managed as at 31 December 2013 was RR 596,707 million (31 December 2012: RR 540,405 million).

Consistent with others in the energy industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital is equal to the total equity, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.25 as at 31 December 2013 (31 December 2012: 0.26).

**Note 31. Fair value of assets and liabilities**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

**a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

| 31 December 2013   | Level 1       | Level 2  | Level 3        | Total          |
|--|---------------|----------|----------------|----------------|
| <b>Financial assets</b>  |               |          |                |                |
| Available-for-sale financial assets  | 5,766         | -        | 28             | 5,794          |
| <b>Non-financial assets</b>  |               |          |                |                |
| Property, plant and equipment (except for construction in progress, office buildings and land) | -             | -        | 437,737        | 437,737        |
| <b>Total assets recurring fair value measurements</b>  | <b>5,766</b>  | <b>-</b> | <b>437,765</b> | <b>443,531</b> |
| <b>31 December 2012</b>  |               |          |                |                |
| <b>Financial assets</b>  |               |          |                |                |
| Available-for-sale financial assets  | 14,009        | -        | 317            | 14,326         |
| <b>Non-financial assets</b>  |               |          |                |                |
| Property, plant and equipment (except for construction in progress, office buildings and land) | -             | -        | 418,162        | 418,162        |
| <b>Total assets recurring fair value measurements</b>  | <b>14,009</b> | <b>-</b> | <b>418,479</b> | <b>432,488</b> |

The Group had no liabilities measured at fair value as at 31 December 2013 and 31 December 2012.

The valuation technique, inputs used in the fair value measurement for significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2013:

|  | Fair value     | Valuation technique                        | Significant unobservable inputs  | Reasonable change   | Sensitivity of fair value measurement |
|--|----------------|--|--|---------------------|---------------------------------------|
| <b>Non-financial assets</b>  |                |  |  |                     |                                       |
| Property, plant and equipment (except for construction in progress, office buildings and land) | 437,737        | Replacement cost and discounted cash flows | Electricity and capacity prices<br>Discount rate<br>Capital expenditures | -10%<br>+1%<br>+10% | (29,975)<br>(30,663)<br>(10,495)      |
| <b>Total recurring fair value measurements at Level 3</b>                                      | <b>437,737</b> |  |  |                     | <b>(71,133)</b>                       |

The above tables disclose sensitivity to valuation inputs for property, plant and equipment as changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

There were no changes in valuation technique for Level 3 recurring fair value measurements during the years ended 31 December 2013 and 31 December 2012.



**(b) Non-recurring fair value measurements**

Independent appraisal of the fair value of identifiable assets and liabilities of OJSC IENC (Note 8) was performed based on cost approach that was adjusted for economic depreciation of the specialised property using income approach based on discounted cash flow method. The valuation technique and inputs used in relation to the main OJSC IENC asset are presented below:

|                               | Fair value | Valuation technique       | Significant unobservable inputs | Range of inputs (weighted average) |
|-------------------------------|------------|---------------------------|---------------------------------|------------------------------------|
| <b>Non-financial assets</b>   |            |                           |                                 |                                    |
|                               |            | Replace-ment cost         | Discount rate                   | 12.6%                              |
| Property, plant and equipment | 18,377     | and discounted cash flows | Consumer price index 2013-2024  | 3.7 – 7.1% (4.8%)                  |
|                               |            |                           | Producer price index 2013-2024  | 3.6 – 8.3% (5.1%)                  |
|                               |            |                           | Forecast period                 | 12 years                           |

**(c) Assets and liabilities not measured at fair value but for which fair value is disclosed**

**Financial assets carried at amortised cost.** The Group considers that the fair value of cash, short term deposits and accounts receivable approximates their carrying value (Level 3 of the fair value hierarchy). The fair value of long term accounts receivable is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy), the fair value of these assets approximates their carrying value.

**Liabilities carried at amortised cost.** The fair value of floating rate liabilities approximates their carrying value. The fair value of Eurobonds and Russian bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy). The fair value of liabilities carried at amortised cost approximates their carrying value.

**Investments in associates.** The fair value of the Group investment in OJSC Krasnoyarskaya HPP is based on market quotes (Level 1 of the fair value hierarchy) and comprised RR 4,203 million as at 31 December 2012 (31 December 2012: RR 8,621 million). The carrying value of OJSC Krasnoyarskaya HPP is disclosed in Note 8.

**Note 32. Presentation of financial instruments by measurement category**

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39, *Financial Instruments: Recognition and Measurement* as at 31 December 2013:

|   | Loans and receivables | Available-for-sale financial assets | Total          |
|---|-----------------------|-------------------------------------|----------------|
| <b>Assets</b>                                       |                       |                                     |                |
| <b>Other non-current assets (Note 10)</b>           | <b>5,878</b>          | -                                   | <b>5,878</b>   |
| Promissory notes                                    | 5,644                 | -                                   | 5,644          |
| Deposits  | 38                    | -                                   | 38             |
| Long-term loans receivable                          | 196                   | -                                   | 196            |
| <b>Available-for-sale financial assets (Note 9)</b> | -                     | <b>5,794</b>                        | <b>5,794</b>   |
| <b>Trade and other receivables (Note 12)</b>        | <b>32,511</b>         | -                                   | <b>32,511</b>  |
| Trade receivables                                   | 30,342                | -                                   | 30,342         |
| Promissory notes receivable                         | 1                     | -                                   | 1              |
| Other financial receivables                         | 2,168                 | -                                   | 2,168          |
| <b>Other current assets (Note 14)</b>               | <b>52,409</b>         | -                                   | <b>52,409</b>  |
| Promissory notes and deposits                       | 52,409                | -                                   | 52,409         |
| <b>Cash and cash equivalents (Note 11)</b>          | <b>34,472</b>         | -                                   | <b>34,472</b>  |
| <b>Total financial assets</b>                       | <b>125,270</b>        | <b>5,794</b>                        | <b>131,064</b> |
| <b>Non-financial assets</b>                         |                       |                                     | <b>720,982</b> |
| <b>Total assets</b>                                 |                       |                                     | <b>852,046</b> |

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 18), trade payables and other account payable (Note 20).

The following table provides a reconciliation of financial assets with the measurement categories as at 31 December 2012:

|   | Loans and<br>receivables | Available-for-sale<br>financial assets | Total          |
|---|--------------------------|--|----------------|
| <b>Assets</b>   |                          |  |                |
| <b>Other non-current assets (Note 10)</b>   | <b>6,680</b>             | -                                      | <b>6,680</b>   |
| Promissory notes  | 6,515                    | -                                      | 6,515          |
| Deposits  | 13                       | -                                      | 13             |
| Long-term loans receivable  | 152                      | -                                      | 152            |
| <b>Available-for-sale financial assets (Note 9)</b>                               | -                        | <b>14,326</b>                          | <b>14,326</b>  |
| <b>Trade and other receivables (Note 12)</b>                                      | <b>32,225</b>            | -                                      | <b>32,225</b>  |
| Trade receivables   | 30,330                   | -                                      | 30,330         |
| Promissory notes receivable   | 7                        | -                                      | 7              |
| Other financial receivables   | 1,888                    | -                                      | 1,888          |
| <b>Other current assets (Note 14)</b>   | <b>53,535</b>            | -                                      | <b>53,535</b>  |
| Promissory notes and deposits   | 53,535                   | -                                      | 53,535         |
| <b>Cash and cash equivalents (Note 11)</b>  | <b>39,819</b>            | -                                      | <b>39,819</b>  |
| <b>Total financial assets</b>   | <b>132,259</b>           | <b>14,326</b>                          | <b>146,585</b> |
| <b>Non-financial assets</b>   |                          |  | <b>677,806</b> |
| <b>Total assets of subsidiary acquired exclusively<br/>with a view for resale</b> |                          |  | <b>29,876</b>  |
| <b>Total assets</b>   |                          |  | <b>854,267</b> |

**Note 33. Subsequent events**

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's consolidated financial statements for the year ended 31 December 2013 prepared in accordance to IFRS.