



RusHydro



# APPENDICES



to 2018 Annual report

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## Appendix No.1 Information on compliance with the Russian Corporate Governance Code

Hereby the Board of Directors of PJSC RusHydro announces the observance of the principles of corporate governance enshrined in the corporate governance Code and the reasons of partially observance and non-observance the particular principles of the Russian Corporate governance Code.

RusHydro **partially observe** the following principles of the Corporate Governance Code:

1.1.6 The procedure established by the company for the conduct of the general meeting provides an equal opportunity for all persons present at the meeting to express their opinion and ask questions of interest to them regarding the presence of all candidates for the company's management and control bodies at the meeting of shareholders of the company.

2.8.5 The composition of the committees is defined in such a way that it allows for a comprehensive discussion of the pre-examined issues, taking into account the different views regarding the chairmanship of the committees by independent directors.

7.2.2. The rules and procedures related to the implementation by the company of significant corporate actions are fixed in the internal documents of the company with regard to extension of list of grounds on which members of the Board of Directors and other stipulated by the legislation the parties are considered interested in the transactions of the Company.

PJSC RusHydro **does not observed** the following principles of the Corporate Governance Code:

2.4.3. Independent directors comprise not less than one third of the elected members of the Board of Directors in terms of the composition of the Board of Directors.

2.4.4. Independent directors play a key role in preventing internal conflicts in Company and in committing to the company significant corporate actions regarding the evaluation by independent directors of significant corporate actions related to a possible conflict of interest and providing the Board of Directors with the results of such an assessment.

2.7.4 Decisions on the most important issues of the company's activities are taken at a meeting of the Board of Directors by a qualified majority or by a majority of all elected members of the Board of Directors regarding the decision on the most important issues set forth in Recommendation 170 of the Code, by a qualified majority, at least three quarters, or by a majority vote of all elected members of the Board of Directors.

Detailed information on the compliance of RusHydro with the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia is provided in the table on "Compliance with the principles and recommendations of the Corporate Governance Code".

A brief description of the most significant aspects of the model and practice of corporate governance in the Company, a description of the methodology by which the Company assessed the compliance with corporate governance principles enshrined in the Corporate Governance Code recommended by the Bank of Russia, as well as planned (proposed) actions and activities of the Company to improve the model and practice corporate governance with an indication of the timing of the implementation of such actions and activities is provided in Chapter 3 of this Annual Report.

The Company issues internal documents and corporate governance practices of the Company in accordance with the provisions of the Code of the Company. Thus, the Company respects the fundamental principles and recommendations of the Code.

The reasons for the difference in some provisions of the Company's Corporate Governance Code from the principles of the recommendations of the Corporate Governance Code recommended by the Bank of Russia: the inapplicability of a number of provisions of the Code to the Company (for example, the absence of preferred shares). In addition, a significant amount of the novelties introduced by the Code of Corporate Governance recommended by the Bank of Russia does not allow to implement and ensure their high-quality implementation in a short time. The Company is constantly working to improve corporate governance.

Key reasons explanation, factors and (or) the circumstances due to which the Company has not complied with or complied not in full the principles of corporate governance, set out the Corporate Governance Code and description of the mechanisms and governance tools that are used by the Company in place of (substitute) recommended by the Corporate Governance Code are given below in column 7 of the table of the Report on compliance with the principles and recommendations of the Code of Corporate Governance recommended by the Bank of Russia.

The Company complies with all recommendations of the Corporate Governance Code, which are reflected in the requirements of the Moscow Stock Exchange Listing Rules, which are mandatory for issuers whose shares are in the First level of the list of securities.

### Information on compliance with the Russian Corporate Governance Code

The Board of Directors confirms that the data contained in this report contains complete and reliable information on the company's compliance with the principles and recommendations of the Corporate Governance Code for 2017.

N	Corporate governance Code principles	Criteria used to evaluate whether the principle is observed	The status of compliance with the principle of corporate governance in 2018	Explanations of deviations from the evaluation criteria compliance with the principle of corporate governance in 2018
1.1	The company should ensure the equal and fair treatment of all its shareholders in the course of their exercising their rights to participate in the management of the company.			
1.1.1	The company should create the most favorable conditions possible for its shareholders, enabling them to participate in the general meetings and to develop informed positions on the issues forming its agenda, as well as providing them with the opportunity to coordinate their actions and express their opinions regarding the issues under discussion.	<p>1. The internal document of the company which regulates the procedure of convening, preparing and holding general shareholders meetings, and which was approved by the general shareholders meeting, should be available within the public domain.</p> <p>2. During the period of preparation for the meeting, the company shall establish the necessary organizational and technical conditions to ensure that shareholders may pose questions to members of the company's executive bodies and Board of directors, as well as to publicly express their opinions on the meeting's agenda items. To this end, a company with a large number of shareholders is recommended to support a special telephone line (hotline) for communication with shareholders, to establish a special email address, and to provide a forum for discussion of the meeting agenda on its website</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to properly prepare themselves for participation therein.	<p>1. A notice announcing a general shareholders meeting should be published on the website of the company at least 30 days before the date of the meeting.</p> <p>2. In the message of the meeting provided the meeting venue and documents required for admission to the premises.</p> <p>3. The shareholders were provided with access to information</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

		about what the proposed issues on the agenda and who have been nominated to the Board of Directors and the auditing Commission of the company.		
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and in a timely manner receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and Board of directors, and to communicate with each other.	<p>1. During the relevant reporting period shareholders should be provided with an opportunity to pose questions to members of the company's executive bodies and Board members before and during the annual general meeting.</p> <p>2. The materials set out the positions of the Board of Directors regarding the general meeting's agenda, as well as dissenting opinions of Board members on each item therein. Such materials are recommended for inclusion into the minutes of a meeting of the Board of Directors where such opinions have been expressed.</p> <p>3. The company is recommended to provide those shareholders who are entitled to review the list of persons authorized to participate in the meeting with the opportunity to review it starting from the date when the company receives such information.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	<p>1. The shareholders have the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year.</p> <p>2. If there are typos and other insignificant flaws in shareholder proposals, it is not recommended that the company refuse to include these proposals on the agenda or refuse to allow the proposed candidate to claim his/her place on the list of nominees for election as long as the contents of the proposal as a whole are sufficient to determine the will of the shareholder and to confirm his right to submit the proposal.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	1. To rule out any abuse, the company should include in its internal documents a provision whereby a person filling out a voting ballot may, until the end of the general meeting, request that a copy of the ballot filled out thereby be certified by the company's counting commission (or representatives of the registrar who carry out the functions of such counting commission).	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. The general meeting should be conducted in such a way as to enable the shareholders to make informed and reasoned decisions on all matters on the agenda. In order to do so, a sufficient time for reports on the agenda should be provided and there should be sufficient time to discuss these issues.</p> <p>2. The company should invite candidates nominated to its Board of directors and internal audit commission to attend the respective general meeting (and such candidates are recommended to attend the same) so that shareholders will be</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>Paras. 1 and 3 are fully observed.          Para. 2 is partially observed.  <b>With regard to paragraph 2, the Company shall provide the following explanations:</b>          Para. 2.7. The Regulation on the procedure for convening and holding the General Meeting of Shareholders of the Company</p>

		<p>able to ask them questions and make their judgments about such candidates.</p> <p>3. The Board of Directors considered the use of telecommunication systems to provide the shareholders with remote access to their general meetings (for example, by broadcasting its proceedings via the company's website or by using video conferencing).</p>		<p>provides for the right to attend the meeting of persons included in the list of candidates for election to the management and control bodies of the Company.</p> <p>In practice, the Annual General Meeting of Shareholders in 2018 was attended by the majority of members of the Board of Directors, including the Chairman of the Board of Directors and the Chairman of the Audit Commission. In addition, invitations to participate in the Meeting were sent to all candidates for management and control bodies. The deviation from the compliance with this recommendation is triggered by the fact that the Company, due to various reasons (production, organizational, personal circumstances of each candidate), cannot provide the mandatory presence of each and every one candidate to management and control bodies at each shareholders' meeting. In practice, holding a meeting of shareholders of the Company, candidates to the Board of Directors who were not previously elected to the Board of Directors are usually present at the shareholders' meetings, and shareholders have an actual opportunity to ask them questions. In the future, the Company intends to strive for the fullest possible observance of this recommendation of the Code.</p>
1.2.	Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends.			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The company has developed and disclosed its dividend policy approved by the Board of Directors.</p> <p>2. If the dividend policy of the company utilizes indicators from the financial statements of the company to determine the size of the dividend, the relevant provisions of the dividend policy</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

		should include the consolidated indicators of financial statements.		
1.2.2	The company should not make a decision on the payment of dividends if such decision, without formally violating limits set by law, is nevertheless unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The dividend policy of the company should contain clear indications of financial/economic circumstances which prohibit the company from paying dividends.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. The company has not taken any actions which would allow for the deterioration of dividend rights of existing shareholders in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.2.4	The company should strive to rule out any means through which its shareholders can obtain profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. The company has established appropriate control mechanisms in its internal documents to prevent its controlling persons from deriving a profit (income) from the company in ways other than dividends or liquidation value. Internal documents of the company contain provisions establishing control mechanisms for timely identification and approval of transactions with affiliated parties and major shareholders (persons entitled to control votes attached to voting shares) in cases when the law does not formally recognize these transactions as interested-party transactions.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.3.	The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders. Equal treatment should be unilateral and beyond dispute.			
1.3.1	The Company has created the conditions for a fair treatment to every shareholder on the part of management bodies and controlling persons of the company, including conditions to ensure that abuses by large shareholders against minority shareholders.	1. During the reporting period the procedures adopted for management of potential conflict between major shareholders were effective, and the Board of Directors paid sufficient attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.3.2	The Company should not perform any acts which would or could result in artificial reallocation of corporate control therein.	1. There were no quasi-treasury shares or they did not participate in voting during the course of the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
1.4.	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.			
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The quality and reliability of the work performed by the registrar of the company answers the requirements of the company and its shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	



2.1.	The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.			
2.1.1	The Board of Directors should be responsible for decisions to appoint and remove members of executive bodies, including taking action in response to failure of the latter to properly perform their duties. The Board of Directors should also guarantee that the company's executive bodies act in accordance with an approved development strategy and the main business goals of the company.	<p>1. According to the charter of the company, the Board of Directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company.</p> <p>2. During the reporting period the Board heard reports of the one-person executive body and members of the collective executive body on the implementation of the strategy, with particular attention to conformity with the company's performance in targeting indicators set forth by the company's strategy.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>In accordance with the Charter of the Company, the terms of the contract of the sole executive body shall be determined by the Board of Directors or a person authorized by the Board of Directors to sign an employment contract. Besides, the competence of the Board of Directors includes the authority to approve the Policy on Remuneration and Compensation of members of the Executive Bodies. The terms of contracts with members of the Management Board shall be determined by the sole executive body based on the Policy on Remuneration and Reimbursement of Expenses (Compensation) of members of Executive Bodies approved by the Board of Directors.</p> <p>In accordance with the Regulations on the Management Board, the procedure for payment of remuneration and compensation to the Chairman of the Management Board and members of the Management Board shall be determined by the Board of Directors of the Company.</p>
2.1.2	The Board of Directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period the Board of Directors has reviewed matters related to the status of execution of the strategy of the company, approval of its financial plan (budget) and the review of criteria and indicators (including interim) pertaining to the execution of the strategy and business plans of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.3	The Board of Directors should determine principles of and approaches to creation of the	1. The Board of Directors has determined the principles and approaches to creation of the risk management and internal	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	



	risk management and internal control system in the company.	control system in the company.  2. The Board of Directors has evaluated the risk management and internal control system during the reporting period.	<input type="checkbox"/> not observed	
2.1.4	The Board of Directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its Board members, members of its executive bodies and other key managers.	1. The company has developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its Board members, members of executive bodies and other key managers. This policy (policies) was approved by the Board of Directors. 2. During the reporting period the Board of Directors reviewed matters related to the indicated policy (policies).	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1,2, the Company shall provide the following explanations:</b> Since the category of "key executives" was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees.  The Remuneration and Compensation Policy of all employees of the Company has been determined with due account to the principles of the Remuneration and Compensation Policy for members of the Company's executive bodies approved by the Board of Directors.
2.1.5	The Board of Directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts. 2. The company has created a system of identification of transactions related to a conflict of interest and a system of measures intended to resolve such conflicts.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.6	The Board of Directors should play a key role in ensuring that the company is transparent, discloses information in full and in due course, and provides its shareholders with unhindered access to its documents.	1. The Board of Directors has approved a regulation on information policy. 2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.1.7	The Board of Directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period the Board of Directors reviewed the corporate governance practices in the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.2.	The Board of Directors should be accountable to the company's shareholders.			
2.2.1	Information about the Board of Directors' work should be disclosed and provided to the shareholders.	1. The annual report of the company for the reporting period contains information regarding the directors' attendance at Board and committee meetings.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

		2. The annual report contains information about the key results of the evaluation of the work of the Board of Directors in the reporting period.		
2.2.2	The chairman of the Board of Directors must be available to communicate with the company's shareholders.	1. In the company there is a transparent procedure that provides the shareholders the opportunity to send the Chairman of the Board of Directors issues and their position on them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3.	The Board of Directors should be an efficient and professional governing body of the company which is able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the Board of Directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the Board of Directors and to perform all such functions efficiently.	1. The performance assessment procedure for the Board of Directors adopted in the company includes the evaluation of professional qualifications of Board members. 2. In the reporting period, the Board of Directors (or its nominations committee) evaluated candidates nominated to the Board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Biographical data on all candidates nominated to the Board of Directors, and the results of the evaluation of such candidates conducted by the Board of Directors (or its nominations committee), information regarding the candidate's conformity with independence criteria in accordance with recommendations 102-107 of the Code, and the candidates' written consent to be elected to the Board, were provided to shareholders in preparation for all meetings where the election of Board members was on the agenda.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3.3	The composition of the Board of Directors should be balanced, in particular in terms of qualifications, expertise, and the business skills of its members. The Board of Directors should enjoy the confidence of the shareholders.	1. During the procedure of assessment of the work of the Board of Directors conducted in the reporting period, the Board analyzed its composition in terms of qualifications and expertise of its members.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.3.4	The membership of the Board of Directors of the company must enable the Board to organize its activities in the most efficient way possible, in particular, to create committees of the Board of Directors, as well as to enable substantial minority shareholders of the company to put forth a candidate to the Board of Directors for whom they would vote.	1. During the procedure of assessment of the work of the Board of Directors conducted in the reporting period, the Board of Directors analyzed the conformity of its membership to the needs of the company and its shareholders	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.4.	The Board of Directors should include a sufficient number of independent directors.			
2.4.1	An independent director should mean any person who has the required professional skills and expertise and is sufficiently able to	1. During the reporting period all independent Board members answered all requirements of recommendations 102-107 of the Code or were deemed independent pursuant to a decision of the	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	Board of Directors.		
2.4.2	It is recommended to evaluate whether candidates nominated to the Board of Directors meet the independence criteria as well as to review, on a regular basis, whether or not independent Board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	<p>1. During the reporting period the Board of Directors (or its nominations committee) issued an opinion regarding the independence of each candidate nominated to the Board and provided the shareholders with the appropriate conclusion.</p> <p>2. At least once in the reporting period the Board of Directors (or its nominations committee) evaluated the independence of current members of the Board of Directors indicated by the company in the annual report as independent directors.</p> <p>3. The company has developed procedures indicating the actions which must be taken by a Board member once he/she ceases to be independent including their obligation to inform the Board of Directors of these circumstances in a timely fashion</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.4.3	Independent directors should account for at least one-third of all directors elected to the Board of Directors.	1. Independent directors should account for at least one-third of all directors elected to the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>The number of independent members of the Board of Directors during the reporting period was less than 1/3 of the number of the Board of Directors, due to the fact that the Company does not affect the composition of the Board of Directors, since members of the Board of Directors are elected by shareholders at the General Meeting of Shareholders.</p> <p>However, the Nomination and Compensation Committee considered candidates for members of the Board of Directors in terms of their independence and this information was presented to shareholders as part of the Meeting materials.</p>

				<p>At the end of the reporting period, the Company had four independent directors (two of which were completely independent and two were recognized as independent by the decision of the Board of Directors<sup>1</sup>), which meets the requirements of the Moscow Exchange Listing Rules for the number of independent directors on the board of directors.</p> <p>In order to comply with this requirement in 2019, the Company will inform shareholders of the presence of independent candidates among candidates to the Board of Directors.</p> <p>If the Company fails to elect the sufficient number of independent directors for the Annual General Meeting of Shareholders in 2019, the Company will consider the possibility of recognizing individual directors as independent directors by a decision of the Board of Directors.</p>
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (with no conflict of interest) should preliminarily review material corporate actions related to a potential conflict of interest and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a Board meeting where a respective matter is to be considered.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>The internal documents of the Company do not stipulate the procedure, according to which independent directors (who do not have a conflict of interests) preliminarily assess significant corporate actions related to a possible conflict of interests.</p>

<sup>1</sup> The recognition of directors as independent meets the requirements established by the Listing Rules of the Moscow Exchange, with the requirements of the Corporate Governance Code of the Company, but partially does not comply with the requirements of the Corporate Governance Code recommended by the Bank of Russia in respect of a provision that does not allow for the recognition of a director as independent if he/she has a formal connection with the State (Sergey Ivanov). However, the formal connection of Mr. Ivanov with the State is expected to cease on February 5, 2019 - after one year from the date Mr. Ivanov's work in LLC RT –Capital was terminated.

				<p>However, most issues shall be considered by the Committees of the Board of Directors before bringing them for the Board of Directors' consideration. The Committees shall include independent directors who can declare their position on these issues.</p> <p>The decisions of the Committees of the Company's Board of Directors shall be communicated to the Board of Directors prior to the start of voting.</p> <p>During 2019, the Company will consider the possibility of fixing all the issues that meet the criteria for significant corporate actions of the Corporate Governance Code among the competence of the Audit Committee to allow forming by independent directors an opinion on such actions related to a possible conflict of interest.</p>
2.5.	The chairperson of the Board of Directors should help it carry out the functions imposed thereon in a most efficient manner.			
2.5.1	It is recommended to either elect an independent director to the position of chairperson of the Board of Directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairperson of the Board of Directors.	<p>1. The chairperson of the Board of Directors is an independent director or a senior independent director who was appointed from among the independent directors.</p> <p>2. The role, rights and responsibilities of the chairperson of the Board (and, if applicable, of the senior independent director) are clearly determined in the internal documents of the Company/</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	The Company chose an approach for electing a senior independent director, in view of the fact that during the reporting period Deputy Chairman of the Government of the Russian Federation - Presidential Plenipotentiary Presidential Representative in the Far Eastern Federal District, Yu. Trutnev, representing the Russian Federation on the Company's Board of Directors, was elected as the Chairman of the Board of Directors.
2.5.2	The Board chairperson should ensure that Board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairperson should also monitor fulfillment of decisions made by the Board of Directors.	1. The performance of the chairperson of the Board of Directors was evaluated within the framework of the Board performance assessment procedure in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

2.5.3	The chairperson of the Board of Directors should take any and all measures as may be required to provide the Board members in a timely fashion with information required to make decisions on issues on the agenda.	1. The obligation of the chairperson of the Board of Directors to take any and all measures to provide the Board members in a timely fashion with information required to make decisions is stipulated in the internal documents of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6.	Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1	Acting reasonably and in good faith means that Board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	1. Internal documents of the company should stipulate that if a Board member has a conflict of interest, he/ she should promptly inform the Board of Directors (through its chairman or the company's corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the Board of Directors or by any of its committees at which such Board member is present. 2. According to internal documents of the company, if a Board member has a conflict of interest, he/she may not take part in decision-making. He/ she should abstain from voting on any issues in which he/she has a conflict of interest. 3. The company should provide for a procedure (and a related budget) enabling Board members to receive, at the expense of the company, professional advice on issues relating to the jurisdiction of the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6.2	Rights and duties of Board members should be clearly stated and documented in the company's internal documents.	1. The company adopted and published an internal document whereby the rights and duties of Board members are clearly stated.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6.3	Board members should have sufficient time to perform their duties.	1. Individual attendance at Board and committee meetings and time devoted to the preparation for the participation in meetings was considered during the procedure of assessment of the Board of Directors in the reporting period. 2. In accordance with internal documents of the company, Board members should notify the company's Board of directors of their intention to take a position in management bodies of other entities and, immediately after their election (appointment) to the management bodies of such other entities, of such election (appointment).	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.6.4	All Board members should have equal opportunity to access the company's documents and information. Newly elected Board members should be provided with sufficient information about the company and work of its Board of directors as soon as possible.	1. In accordance with internal documents of the company, Board members are given an opportunity to obtain any and all information required to perform their duties, including information on legal entities controlled by the company. The duty of the company's officials to provide the Board members with such information is set forth by the company's internal documents. 2. The company has a formal induction program for newly elected Board members.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

2.7.	Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.			
2.7.1	It is recommended to hold meetings of the Board of Directors as needed, with due account of the company's scope of activities and its then current goals.	1. The Board of Directors held at least 6 meetings in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the Board of Directors and setting it out in the company's internal documents. The above procedure should enable the shareholders to prepare themselves properly for such meetings.	1. The company has an internal document in place regulating the procedure of preparation and holding of Board meetings which, inter alia, requires that the notice of a meeting must be made, as a rule, at least 5 days before the date of the meeting.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.3	The form of a meeting of the Board of Directors should be determined with due account of the importance of the issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.	1. According to the charter or an internal document of the company, the most important issues (in accordance with the list provided in recommendation 168 of the Code) must be considered and decided at meetings held in person.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the Board of Directors by a qualified majority vote or by a majority vote of all elected Board members.	1. According to the charter of the company, the most important issues as described by recommendation 170 of the Code must be decided by a qualified majority vote of at least three quarters of the votes or by a majority vote of all elected Board members.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>Clause 15.6 of RusHydro's Charter stipulating the adoption of paragraphs 23-25, 31 of Clause 12.1. of Art. 12 of the Charter by a two-thirds majority of the Board of Directors' members participating in the meeting allows considering the maximum number of opinions of the Board of Directors' members.</p> <p>The introduction of this criterion in the Charter might lead to the risk of not making individual decisions in certain situations, for example, when considering issues with a minimum quorum of 7 people and having at least one negative vote.</p> <p>Through the turnout of members of the Board of Directors is usually high, and the voting is generally close to unanimity, it is not advisable to create legal prerequisites for the impossibility of making individual decisions by the Board of Directors, specifically</p>



				to the fact that in corporate practice such changes are generally irreversible. In this regard, the Company did not introduce this criterion in the Charter in previous periods but plans to consider the introduction of a qualified majority in 2019.
2.8.	The Board of Directors should form committees for preliminary consideration of the most important issues of the company's business.			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	1. The Board of Directors formed an audit committee comprised exclusively of independent directors. 2. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company. 3. At least one member of the audit committee, who is an independent director, has experience and knowledge of preparation, analysis, evaluation and audit of accounting (financial) statements. 4. Meetings of the audit committee were held at least once every quarter during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	The requirement specified in Clause 3 of para. 2.8.1 is met by a member of the Board of Directors, V. Pivovarov, since he has experience in analyzing accounting (financial) statements.
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the Board chairperson.	1. The Board of Directors formed a remuneration committee comprised exclusively of independent directors. 2. The committee is chaired by an independent director who is not the Board chairperson at the same time. 3. The objectives of the remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the Board of Directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	1. The Board of Directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee), with a majority of its members being independent directors. 2. The objectives of the nominations committee (or the relevant committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.8.4	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the Board of Directors, it is	1. The Board of Directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee), with a majority of its members being independent directors. 2. The objectives of the nominations committee (or the relevant	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company		
2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due consideration of differing opinions.	<p>1. Board committees are chaired by independent directors.</p> <p>2. Given the specific nature of issues considered by the audit committee, the nominating committee and the remuneration committee, persons who are not members of the above committees can attend their meetings only at the invitation of their chairpersons.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Para. 1 is partially observed.</b>  <b>Para. 2 is fully observed.</b></p> <p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>In accordance with the requirements of the Company's Corporate Governance Code, the Committees should be headed by independent directors. The Audit Committee, the Nomination and Compensation Committee, and the Investment Committee are headed by independent directors.</p> <p>The Reliability, Energy Efficiency, and Innovations Committee and the Committee on Energy Development of the Far East are narrow-focused committees that consider issues of territorial development and issues related to technical policy, reliable and safe operation of the Company's production facilities, energy conservation policy, and innovative and environmental policy.</p> <p>Given the specific features of the issues addressed by these Committees, the Chairman of the Committee shall primarily possess professional skills, experience in the operative sphere of the relevant Committee and other special knowledge.</p> <p>Having regard to the above, the members of the Committees were elected as Chairmen of the respective Committees based on</p>

				their professional skills and experience in the relevant operative sphere of the Committees. If possible, in 2019 the Company plans to consider the possibility of electing an independent director as the Chairman of the Strategy Committee.
2.8.6	Committee chairpersons should inform the Board of Directors and its chairperson of the work of their committees on a regular basis.	1. During the reporting period chairpersons of Board committees presented regular reports to the Board of Directors on their activities.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.9.	The Board of Directors should make an exhaustive evaluation of the quality of its work and that of its committees and Board members.			
2.9.1	Evaluation of quality of the Board of Directors' work should be aimed at determining how efficiently the Board of Directors, its committees and Board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	1. Self-evaluation or external evaluation of the work of the Board of Directors in the reporting period included the evaluation of the work of the Board committees, separate members of the Board of Directors and of the Board of Directors as a whole. 2. The results of the self-evaluation or external evaluation of the Board of Directors in the reporting period were reviewed by the Board of Directors at meetings held in person	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.9.2	Quality of work of the Board of Directors, its committees and Board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the Board of Directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years	1. An external organization (consultant) was retained to evaluate the work of the Board of Directors at least once in the last three reporting periods.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
3.1.	The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of directors.			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	1. The company has adopted and disclosed an internal document – regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to Board members and members of the executive bodies of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approves the appointment, termination of appointment, and additional remuneration of the corporate secretary.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1.	The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to Board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company			
4.1.1	It is recommended that the level of	1. The company has adopted an internal document (documents)	<input checked="" type="checkbox"/> observed	<b>Regarding paragraph 1, the</b>

	remuneration paid by the company to its Board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, nor allowing for an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	– a remuneration policy (policies) in relation to its Board members, members of executive bodies and other key managers whereby the approaches to the remuneration of the indicated persons are clearly determined.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Company shall provide the following explanations:</b> Since the category of “other key executives” was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees.
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the Board of Directors. With the help of its remuneration committee, the Board of Directors should monitor	1. During the reporting period the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, when necessary, provided the Board of Directors with the relevant recommendations.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1, the Company shall provide the following explanations:</b> The Company's Remuneration policy was developed by the Nomination and Compensation Committee and approved by the Company's Board of Directors in 2016 and implemented during the reporting period. During the reporting period, the Nomination and Compensation Committee submitted relevant recommendations to the Board of Directors.
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The remuneration policy (policies) of the company contains (contain) transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, executive bodies and other key managers of the company and regulates (regulate) all types of payments, benefits and privileges provided to any of the indicated persons.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1, the Company shall provide the following explanations:</b> Since the category of “other key executives” was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees. The Remuneration and Compensation Policy of all employees of the Company has been determined with due account to the principles of the Remuneration and Compensation Policy for members of the

				Company's executive bodies approved by the Board of Directors, and contains transparent mechanisms for determining the amount of remuneration, and also regulates all types of payments and benefits.
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the Board of Directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy (policies) of the company or other internal documents of the company set forth the rules of reimbursement of expenses of Board members, members of executive bodies and other key managers of the company	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1, the Company shall provide the following explanations:</b> Since the category of "key executives" was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees. The Remuneration and Compensation Policy of all employees of the Company has been determined with due account to the principles of the Remuneration and Compensation Policy for members of the Company's executive bodies approved by the Board of Directors.
4.2.	The system of remuneration of Board members should ensure harmony between the financial interests of the directors and the long-term financial interests of the shareholders.			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the Board members. It is not advisable to pay a fee for participation in individual meetings of the Board of Directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of Board members.	1. A fixed annual fee has been the only form of monetary remuneration of Board members for their services on the Board in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.2.2	Long-term ownership of shares in the company contributes most to aligning the financial interests of Board members with the long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should Board members take part in the	1. If the company has a practice (policy) of paying remuneration to the Board members in the form of its shares, its policy (internal document) of remuneration payable to the Board members should set out clear and transparent rules regulating the ownership of shares by the Board members. These rules should encourage them to increase their shareholdings and own the shares on a long-term basis.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1, the Company shall provide the following explanations:</b> Non applicable. The Company does not stipulate for the equity compensation.

	company's option plans.			
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of Board members in connection with a change of control over the company or other circumstances.	1. The company does not provide for any additional allowance of compensation in the event of early dismissal of Board members in connection with a change of control over the company or other circumstances.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.3.	The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof.			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	1. In the reporting period annual key performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the company. 2. During the last evaluation of the system of remuneration of members of executive bodies and other key managers of the company the Board of Directors (remuneration committee) made sure that the company used an effective ratio between the fixed and variable remuneration. 3. The company has a procedure ensuring that any award/bonus funds wrongfully obtained by members of executive bodies or managers are repaid to the company	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Regarding paragraphs 1-3, the Company shall provide the following explanations:</b></p> <p>Since the category of "other key executives" was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees. Annual performance indicators established by the Board of Directors for members of the Company's executive bodies are used in determining the size of the variable remuneration of all Company's employees.</p> <p><b>Regarding paragraph 3, the Company shall provide the following explanations:</b></p> <p>All bonus payments to members of executive bodies are made in accordance with the Remuneration Policy approved by the Company's Board of Directors. The Regulations on Remuneration and Labor Contracts of the Executive Bodies contain provisions stipulating the possibility to offset the losses incurred by the Company. Moreover, in the context of the existing provisions of the labor legislation, the establishment of formal mechanisms for the return of bonus payments illegally received</p>

				by members of the executive bodies is difficult to implement.
4.3.2	Companies whose shares are admitted to trading at organized markets are recommended to put in place a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	<p>1. The company has put in place a long-term incentive program for the company's executive bodies and other key managers of the company involving the company's shares (financial instruments for which the company's shares are the underlying assets).</p> <p>2. The long-term incentive program should provide that the right to dispose of shares or exercise options shall arise no earlier than in three years from the date when such shares were provided. In addition, the right to dispose of the same, upon the expiration of a respective period, should be made conditional on the achievement of certain targets by the company, including nonfinancial targets, if applicable.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>Since the category of "other key executives" was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees. Company managers may be included into this Program by a separate decision of the Board of Directors regarding the recommendations of the Nomination and Compensation Committee.</p>
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed double the fixed portion of his/her annual remuneration.	1. The amount of severance pay (golden parachute) payable by the company in the event of early dismissal of an executive or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such persons did not exceed double the fixed portion of his/her annual remuneration.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Regarding paragraph 1, the Company shall provide the following explanations:</b></p> <p>Since the category of "other key executives" was not defined and not approved by the Board of Directors, the Remuneration and Compensation Policy was not approved by the Board of Directors for this category of employees. There are no "Golden parachutes" in Company for any category of workers.</p>
5.1.	The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.			
5.1.1	The Board of Directors should determine the principles of and approaches to creation of the risk management and internal control system in the company	1. The functions of various governance bodies and divisions of the company in the risk management and internal control system are clearly determined in the internal documents of the company/policy of the company approved by the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions and authority in relation to risk management and internal control among managers (heads) of divisions and departments subordinate to them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.3	The company's risk management and internal control system should enable all concerned to	<p>1. The company has a corruption prevention policy in place.</p> <p>2. The company has developed a procedure of informing the</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	



	obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	Board of Directors or the audit committee of violations of the law, internal procedures and the ethics code of the company.	<input type="checkbox"/> not observed	
5.1.4	The Board of Directors is recommended to take required and sufficient measures to guarantee that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the Board of Directors and that it operates efficiently.	1. During the reporting period the Board of Directors reviewed the organization, operation, and efficiency of the risk management and internal control system and, if necessary, made recommendations toward its improvement. The results of such review of the system's efficiency were communicated to the shareholders as part of the annual report of the company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.2.	To independently evaluate, on a regular basis, the reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the Board of Directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. A separate structural division (internal audit department) that reports directly to the Board of Directors or the audit committee was created in the company; an external independent organization with the same status was retained to conduct the audit.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.2.2	When carrying out an internal audit, it is recommended to evaluate the efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	1. In the reporting period, within the framework of internal audit procedures, the efficiency of the internal control system and the risk management system was evaluated. 2. The company uses generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.1.	The company and its activities should be transparent to its shareholders, investors, and other stakeholders.			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	1. The Board of Directors approved an information policy developed in compliance with the recommendations of the Code. 2. The Board of Directors (or one of its committees) reviewed the company's compliance with the information policy at least once in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.1.2	The company should disclose information on	1. The company discloses information on its corporate	<input checked="" type="checkbox"/> observed	<b>Regarding paragraph 3, the</b>

	its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	governance system and the corporate governance principles applied in the company on its official website. 2. The company discloses information regarding the composition of its executive bodies and the Board of Directors, independence of Board members and their membership in Board committees (in compliance with the Code). 3. If there is a person who controls the company, that person sets its plans with respect to the company in a special memorandum which is then disclosed.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p><b>Company shall provide the following explanations:</b></p> <p>According to the information provided by the Federal Agency for State Property Management (Rosimushchestvo), the Company's controlling entity, the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo), did not prepare a separate memorandum on plans for the Company.</p> <p>Information about this, along with information about the inclusion of the Company in certain program documents of the Russian Federation, shall be disclosed on the Company's website at <a href="http://www.rushydro.ru/investors/stockmarket/capital/svedeniya-onalichii-memoranduma-o-planakh-kontroliruyushchegogo-obshchestvo-litsa-v-otnoshenii-obshch/">http://www.rushydro.ru/investors/stockmarket/capital/svedeniya-onalichii-memoranduma-o-planakh-kontroliruyushchegogo-obshchestvo-litsa-v-otnoshenii-obshch/</a></p>
6.2.	The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	1. The information policy of the company determines the approaches and criteria of identifying information which may substantially affect the standing of the company and the value of its securities and the procedures which ensure that such information is disclosed in a timely fashion. 2. If the company's securities are traded on international organized markets, material information is disclosed both in the Russian Federation and on such markets in the same amount and at the same time or within the reporting period. 3. If foreign shareholders own a substantial number of shares in the company, the company discloses information not only in Russian, but in one of the most commonly-used foreign languages as well.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material	1. During the course of the reporting period the company disclosed annual and semiannual financial statements prepared in compliance with IFRS. The annual report of the company for	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

	information on its activities, even if disclosure of such information is not required by law.	the reporting period contains annual financial IFRS statements and the relevant audit report. 2. The company discloses full information about the structure of the capital of the company in compliance with Recommendation 290 of the Code in the annual report and on the website of the Company on the Internet.		
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	1. The annual report of the company contains information about the key aspects of the company's operational activities and financial results. 2. The annual report of the company contains information about the environmental and social aspects of the company's activities.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.3.	The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. The procedure of information provision to shareholders (including information about the organizational controlled by the company) upon their request is not unreasonably burdensome.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	1. During the reporting period the company did not deny shareholders' requests to provide information or such refusals were justified. 2. In cases specified in the information policy of the company shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.1.	Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.			
7.1.1	Material corporate actions shall be deemed to include reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in the rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's Board of directors.	1. The company's articles of association (charter) include a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions fall within the jurisdiction of the company's Board of directors. In cases when the indicated actions are within the purview of the general shareholders meeting in compliance with the requirements of the law, the Board of Directors issues recommendations to the shareholders. 2. The charter of the company determines the following (as a minimum) as material corporate actions: reorganization of the company, acquisition of 30% and more of voting shares (takeover), major transactions, increase or reduction of the charter capital of the company as well as the listing or delisting of the company's shares.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.1.2	The Board of Directors should play a key role	1. The company has a procedure in place whereby independent	<input checked="" type="checkbox"/> observed	

	in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on the opinions of the company's independent directors	directors state their position/opinion on material corporate actions prior to their approval.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.1.3	When taking any material corporate actions which would affect the rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this <a href="#">Code</a> .	1. The company's articles of association (charter) establish lower criteria than those specified under the law for the categorization of the company's transactions as material corporate actions. 2. During the reporting period all material corporate actions were subject to approval prior to their execution.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.2.	The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.			
7.2.1	The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.	1. The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, and which would also guarantee that the shareholders' rights are observed and duly protected in the event of taking such actions.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Regarding paragraph 1, the Company shall provide the following explanations:</b> During the reporting period, there were no extraordinary significant corporate actions that required, in the opinion of the Company, additional disclosure, except for the decision to increase the authorized capital. These events were comprehensively disclosed and covered. Other corporate actions were disclosed in running order.
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	1. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the value of the property being transferred or acquired under a major transaction or an interested-party transaction. 2. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the purchase or buyback value of the shares of the company. 3. Internal documents of the company provide an extended list	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<b>Paras. 1 and 2 are fully observed. Para. 3 is partially observed. Regarding paragraph 3, the Company shall provide the following explanations:</b> Since January 1, 2017, amendments to the legislation regarding related party transactions have come into force, these amendments completely revise the approaches to

		of grounds on which members of the Board of Directors and other stipulated by the legislation the parties are considered interested in the transactions of the Company.		the approval of related party transactions and tend to liberalize the regulation of interested-party transactions. The Company does not plan to expand the requirements of the legislation in relation to related party transactions.
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**Appendix No.2 Information on major transactions and interested party transaction in 2018 with an indication of the Parties concerned, date and Protocol number of the management body meeting approving the transaction, and description of the transaction (including its subject, Agreement price and term), of the Interested Party(ies), and of the Person(s), treated as a non-independent Director**

<b>Ser. No.</b>	<b>List of Transactions with an Indication of the Parties Concerned</b>	<b>No. and Date of Minutes Management Body Approving the Transaction</b>	<b>Material Terms of a Transaction</b>	<b>Interested Party</b>
1	The Loan Agreement between VTB Bank (PJSC) and RusHydro with the Addendum hereto.	In accordance with Clause 1.1 of Article 81 of Federal Law No. 208-FZ dated December 26, 1995 “On Joint-Stock Companies”, the members of the Board of Directors and the Management Board of the Company were notified of this transaction. The requirement to obtain consent (approval) for the transaction has not been received. The Addendum to the Loan Agreement did not change the material terms.	<p><u>Parties:</u> VTB Bank, PJSC (Lender); RusHydro, PJSC (Borrower).</p> <p><u>Subject of the Agreement:</u> The Lender provides loans to the Borrower through loan applications in line with the procedure established by the Agreement, and the Borrower undertakes to repay loans within the established time limits, pay interest on loans, and fulfill other obligations stipulated by the Agreement.</p> <p>VTB Bank opens a line of credit to RusHydro with a debt limit of RUB 30,000,000,000.00 (thirty billion) for a period of 15 years from the date the Agreement becomes effective. The maximum interest rate on Loans is the Bank of Russia Key Rate increased by 3% per annum. Within the Credit Line, loans with a Term from 365 (three hundred and sixty five) calendar days to 3,650 (three thousand six hundred fifty) calendar days (inclusive) can be granted, given that the Loan repayment date comes earlier or on the end date of the Credit Line.</p> <p><u>Transaction Size in Money Terms:</u> The maximum size of the transaction shall not exceed RUB 76,125,000,000.00.</p> <p><u>Maturity Date:</u> The Borrower undertakes to make the final repayment (refund) of all Loans received under the Agreement on the date commencing 5,475 (five thousand four hundred seventy-five) calendar days from the effective date of the Agreement.</p>	<p>N. Podguzov, who is a member of RusHydro’s Board of Directors and also holding a position in the management body of the legal entity that is a related party to the transaction (a member of the supervisory board of VTB Bank).</p> <p>According to the information available to RusHydro, the interested person did not hold a stake in RusHydro’s authorized capital (shares) at the time of the transaction. According to the information available to RusHydro, the interested person did not hold a stake in VTB Bank’s authorized capital (shares) at the time of the transaction.</p>

2	<p>The Loan Agreement between JSC Far East and Baikal Region Development Fund and RusHydro with the Addendum hereto.</p>	<p>The consent to the transaction was given by the Board of Directors (Minutes No. 265 dated February 6, 2018). The Addendum to the Loan Agreement did not change the conditions, on which the Board of Directors agreed to conclude the Loan Agreement.</p>	<p><u>Parties to the Loan Agreement:</u> Far East and Baikal Region Development Fund, JSC (Lender); RusHydro, PJSC (Borrower). <u>Subject of the Loan Agreement:</u> The Lender provides a loan to the Borrower, and the Borrower undertakes to return the outstanding loan to the Lender and to pay interest on it. <u>Loan amount:</u> RUB 5,000,000,000 (five billion) 00 kopecks maximum, which may be received by the Company from the Fund within one or several drawdowns. <u>Loan Interest:</u> 5 (five)% per annum. <u>Loan Agreement Price:</u> the price of the Agreement is defined as the aggregate of the following obligations of the Company under the Loan Agreement: – obligations to repay the loan in the amount of RUB 5,000,000,000 (five billion) 00 kopecks maximum; – obligation to pay interest for the loan(s) at the rate of 5 (five)% per annum in the amount of RUB 2,000,000,000 (two billion) 00 kopecks maximum. The Loan Agreement price does not exceed RUB 7,000,000,000 (seven billion) 00 kopecks. <u>Loan Maturity:</u> - the first down-payment: December 31, 2019; - then - quarterly in equal installments; - last payment: no later than 25 June, 2026. <u>Purpose of the Loan(s):</u> financing in favor of Joint-Stock Company RAO ES East (OGRN 1087760000052) (hereinafter referred to as the Design Company) for the implementation of the project for the construction of off-site infrastructure facilities to operate the Sakhalinskaya GRES-2: - construction, installation and supervision of works, works and commissioning services, supervised installation of off-site infrastructure facilities to operate the Sakhalin SDPP-2 (namely: electrical power distribution schemes, ash and slag removal</p>	<p>A. Chekunkov, who is a member of the Company's Board of Directors and also holding a position in the management body of a legal entity that is a related party to the transaction (the General Director of the Fund).</p>
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			<p>systems, drinking water and industrial water supply systems, access roads (including the road to the ash dump) and the access railway), as well as equipment, machinery and other fixed assets for equipping off-site infrastructure facilities, and/or for the purposes of co-investment in the design, construction and commissioning of off-site infrastructure facilities, and/or for the purpose of the refundable acquisition by the Design Company of ownership of third-party off-site infrastructure facilities under the project (always provided that the Design Company acquires (upon completion of construction and/or completion of the relevant transaction) ownership of the relevant off-site infrastructure facilities), and/or for the purpose of repaying the cost of utility connection of off-site infrastructure facilities (including value added tax payable to contractors and/or suppliers under relevant contracts),</p> <ul style="list-style-type: none"> <li>- purchase of equipment, vehicles, and other fixed assets for equipping off-site infrastructure facilities, including design, manufacturing, supply, insurance, and other related expenses, including those included in the price of the relevant agreement (including value-added tax payable under relevant contracts to contractors and/or to suppliers), and</li> <li>- payment of taxes, customs duties and fees payable against the importation into the Russian Federation and customs clearance of imported off-site infrastructure facilities listed in above paragraphs 1 and 2;</li> <li>- reimbursement of expenses actually incurred by the Design Company for the purposes specified in the paragraphs above, after the date the Fund's Board of Directors made the decision on the Loan Agreement (Minutes No. 57 dated December 29, 2017);</li> <li>- other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties.</li> </ul>	
3	Addenda to Non-state Pension Provision Agreements between JSC NPF LUKOIL-GARANT and	In accordance with Clause 1.1 of Article 81 of Federal Law No. 208-FZ dated December 26, 1995 "On Joint-Stock	<p><u>Parties to Addenda:</u> NPF LUKOIL-GARANT, JSC (Party 1); RusHydro, PJSC (Party 2). Beneficiaries are current employees of the Company, in whose favor pension savings are formed, and former employees of the Company - participants of pension programs who receive a non-</p>	A. Kazachenkov, who is a member of the Management Board and First Deputy General Director of RusHydro, and also holding a position in the management

	RusHydro (executive office and branches) (Addenda to 49 Non-state Pension Provision Agreements out of 51 planned ones, considered by the Company as interrelated transactions)	Companies”, the members of the Board of Directors and the Management Board of the Company were notified of these transactions. The requirement to obtain consent (approval) for the transaction has not been received.	<p>state pension or are entitled to receive a non-state pension upon reaching the pension qualification under the Non-state Pension Provision Agreements in accordance with the local regulatory documents (acts) of the Company.</p> <p><u>Subject of Addenda:</u> from October 1, 2018, reduction in the cost of non-state pension coverage services of NPF LUKOIL-GARANT from 2% to 1% of the transferred pension contributions.</p> <p>Exclusion of fixed parity ratios from parity-based Non-state Pension Provision Agreements.</p> <p><u>Price of Addenda:</u></p> <p>1% of the total pension contributions to be transferred from October 1, 2018 under 51 Non-state Pension Provision Agreements, not exceeding the amounts approved by the Board of Directors of the Company as part of the Company's Business Plan.</p> <p>The total amount of obligations fulfilled by the Company from 2010 till September 30, 2018 under 51 Non-state Pension Provision Agreements does not change due to the planned conclusion of Addenda and amounts to RUB 3,759,217,075 (three billion seven hundred fifty nine million two hundred seventeen thousand seventy five) 51 kopecks.</p> <p>Duration of Non-state Pension Agreements: until the Fund fully fulfills its obligations to pay pensions to all participants under the Agreement.</p>	body of the legal entity that is a related party to the transaction (a member of the Board of Directors of NPF LUKOIL-GARANT).
4	Addenda to transport services and transport leasing agreements between RusHydro and JSC TK RusHydro	In accordance with Clause 1.1 of Article 81 of Federal Law No. 208-FZ dated December 26, 1995 “On Joint-Stock Companies”, the members of the Board of Directors and the Management Board of the Company were	<p><u>Parties to Addenda:</u> TK RusHydro, PJSC (Party 1); RusHydro, PJSC (Party 2).</p> <p><u>Subject of Addenda:</u> - change in the list of vehicles and transport facilities (including but not limited to: inland vessels and floating facilities and/or hovercraft and/or specialty vehicles and/or fire vehicles and/or railway transport and machinery and/or automobile cargo vehicles and/or passenger cars and/or buses and/or minibuses and/or trams and/or lifting structures) for leasing and provision of integrated transport services;</p>	S. Kirov, who is a member of the Management Board, First Deputy General Director of RusHydro, whose brother occupies a position in the governing body of the related party to the transaction (A. Kirov, General Director of JSC TK RusHydro).

		<p>notified of these transactions. The requirement to obtain consent (approval) for the transaction has not been received.</p>	<ul style="list-style-type: none"> <li>- change in the price of transactions, including price components, within the aggregate price of six agreements for transport services and leasing;</li> <li>- change in schedules and/or shift timetables for provision of vehicles and machinery within the terms of the validity of agreements and terms of services, change of the planned mileage and operating time;</li> <li>- change of obligation execution schedules within the terms of validity of agreements and terms of services.</li> </ul> <p><u>The Ceiling Price of Addenda:</u> ceiling aggregate price of six agreements for transport services and leasing, including the Addenda thereto, and Addenda thereto, which are related party transactions, amounts to RUB 5,088,759,252.51, inclusive of VAT.</p>	
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In 2018, RusHydro did not make transactions recognized as major in accordance with Federal Law No. 208-FZ of the Russian Federation dated December 26, 1995 On Joint-Stock Companies.

### Appendix No.3 Information on participation in other organizations

#### 3.1 Information Concerning All Forms of the Company's Shareholding in Commercial Entities, including its Objectives, Form and Financial Involvement, Basic Data on the Entities (Main Statutory Activities, Earnings, Profit), and Efficiency Indicators, in Particular, the Amount of Dividends Received for the Owned Shares in the Reported Period

Company Name	Objectives of the Involvement	Form of the Involvement	Financial Indicators		Earnings in 2018, thou. RUB	Net Profit in 2018, thou. RUB	Dividends/Profit Received by PJSC RusHydro in 2018 for Owned Shares (reporting period - 2017), thou. RUB	Main Activities
			Book Value of the Contribution, RUB	PJSC RusHydro's stake in the Authorized Capital, %				
JSC HydroEngineering Siberia	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	2,291,979,300.00	100	0	(2,645)	-	design and survey work
JSC Vedeneyev VNIIG	Supporting the Company's core business	Shareholding in the Company's authorized capital	8,160,200.00	100	1,143,072	68,672	-	research and development activities in the field of electric power industry
JSC Geotherm	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	1,323,065,148	99.74	1,268,856	43,073	-	power generation
JSC Zaramagskiye HPPs	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	17,933,142,000.00	99.75	262,940	(120,915)	-	construction of Zaramagskiye HPPs, power generation
JSC Hydroinvest	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	9,553,493,704.00	66.81	238,785	(3,431,010)	-	securities transactions
JSC Leningradskaya PSHP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	6,663,565,938.00	100	-	(1,230,198)	-	redesign of the pilot Northern MPP, construction of the Leningradskaya PSPP
JSC NIIES	Supporting the Company's core business	Shareholding in the Company's authorized capital	649,970,985.00	100	186,692	(62,359)	-	research and development activities in the field of electric power industry

JSC MC HydroOGK	Supporting the Company's core business	Shareholding in the Company's authorized capital	150,000.00	100	735,169	21,055	26,784	managing organization
JSC ESCO UES	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	15,000,000.00	100	-	(10,198)	-	construction works
JSC Boguchanskaya HPP Construction Organizer	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	5,100.00	51	38,630	1,684	-	construction of the Boguchanskaya HPP
CJSC Boguchanskaya HPP Construction Customer	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	4,900.00	49	23,776	1,077	-	construction of the Boguchanskaya HPP
CJSC Boguchanskiy Aluminum Smelter Construction Organizer	Developing new type of business	Shareholding in the Company's authorized capital	4,900.00	49	461,225	113	-	construction of the Boguchanskiy aluminum smelter
JSC Boguchanskiy Aluminum Smelter Construction Customer	Developing new type of business	Shareholding in the Company's authorized capital	5,100.00	51	85,077	29	-	construction of the Boguchanskiy aluminum smelter
JSC Nizhne-Bureyskaya HPP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	38,392,689,509.00	100	46,534	30,154	-	construction of the Nizhne-Bureyskaya HPP
JSC Zagorskaya PSHP-2	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	62,681,508,646.00	100	4,513	(764,293)	-	construction of the Zagorskaya PSHP-2
JSC Transport Company RusHydro	Supporting the Company's core business	Shareholding in the Company's authorized capital	18,057,693.00	100	1,744,388	48,874	-	provision of transportation services
JSC Engineering Center for Renewable Energy	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	694,072,210.00	100	-	-	-	construction of an experimental binary power unit
JSC RusHydro CAC	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	3,255,023,323.00	100	-	(2,951,515)	-	an independent assessment of qualifications in the form of a professional exam for applicants in the field of electric power industry
JSC Sulaksky HydroCascade	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	10,347,673,015.00	100	530,774	91,304	-	construction of the Sulaksky hydropower cascade
JSC SSHPP SC	Supporting the Company's core	Shareholding in the Company's	482,153,947.00	100	95,471	(12,871)	-	Training and Production Information and

	business	authorized capital						Innovation Center
JSC Hydroremont – VCC	Supporting the Company's core business	Shareholding in the Company's authorized capital	535,040.00	100	8,040,224	105,835	344,860	repair of electric power facilities
JSC Karachay-Cherkessia Hydrogeneration Company	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	6,582,581.00	100	0	1,783	-	construction
HydroOGK Aluminium Company Limited	Financial investments	Shareholding in the Company's authorized capital	34,200.00 EUR	100	-	490	-	holding company
HydroOGK Power Company Limited	Financial investments	Shareholding in the Company's authorized capital	99.37 EUR	100	-	(829)	-	holding company
JSC Lenhydroproject	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	174,451.00	100	1,360,760	53,752	15,604	research and development activities in the field of electric power industry
PJSC Kolymaenergo	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	12,063,052,613.00	98.76	3,500,722	(69,641)	-	power generation
JSC ChirkeiHPPstroy	Supporting the Company's core business	Shareholding in the Company's authorized capital	249,690,071.50	74.99	6,195,224	(810,596)	-	construction works
JSC Dyakov Ust-Srednekanskaya HPP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	18,809,586,927.00	67.82	898,123	(4,928)	-	construction of the Ust-Srednekanskaya HPP
JSC ESC RusHydro	Supporting the Company's core business	Shareholding in the Company's authorized capital	11,981,227,367.00	99.99	5,349,527	(24,748)	-	wholesale trade in electric and thermal energy
JSC Malaya Dmitrovka	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	4,819,782,000.00	100	582,671	76,961	70,477	property management
JSC Small HHPs of Altai	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	500,000.00	100	-	(7,882)	-	construction of small HPPs in Altai
JSC SHPP of Dagestan	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	161,500,000.00	100	-	(21,462)	-	construction of small HPP in Dagestan
RusHydro International B.V.	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	5,800,000.00 EUR	100	306 (000 EUR)	(844) (000 EUR)	-	investment activities

PJSC Yakutskenergo	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	2,769,811,893.00	29.8	34,605,440	29,750	-	power generation, transmission, and distribution
PJSC Boguchanskaya HPP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	163,578,869.00	2.9	16,878,587	5,349,547	-	power generation
PJSC KamHEC	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	1,187,917,534.00	96.58	307,795	5,134	-	power generation
JSC RHS	Supporting the Company's core business	Shareholding in the Company's authorized capital	3,809,000.00	100	481,925	61,674	92,560	provision of consulting services in procurement
JSC RAO ES East	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	19,171,124,235.50	84.39	1,211,076	3,092,511	-	management of holding companies
JSC CEK	Strategic, financial investments	Shareholding in the Company's authorized capital	3,507,568,000.00	26.94	614,877	(67,326)	-	power generation
JSC Verkhne-Naryn HPPs	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	2,500,000 som	50	4	(28,738)		construction of the Verkhne-Naryn cascade of HPPs
JSC IEGC	Strategic, financial investments	Shareholding in the Company's authorized capital	8,861,928,328.00	42.75	20,919,626	(1,231,473)		power transmission
JSC Blagoveshchenskaya CHPP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	6,301,500,000.00	100	460,974	186,236	-	CHPP construction
JSC Sakhalinskaya SDPP-2	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	15,011,980,000.00	100	-	23,038	-	construction of GRES
JSC Yakutskaya SDPP-2	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	16,861,500,000.00	100	1,912,322	(68,176)	-	construction of GRES
JSC CHPP at Sovetskaya Gavan	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	13,843,500,000.00	100	-	374,666	-	CHPP construction
JSC BoAZ Holding Company	Strategic, financial investments	Shareholding in the Company's authorized capital	500,000.00	100	0	(759)	-	investment activities



JSC BoHPP Holding Company	Strategic, financial investments	Shareholding in the Company's authorized capital	500,000.00	100	0	(552)	-	investment activities
LLC RusHydro IT Service	Supporting the Company's core business	Shareholding in the Company's authorized capital	500,000.00	100	782,786	111,283	48,226	provision of consulting services in the field of IT
LLC Verkhnebalkarskaya SHPP	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	581,256,768.00	100	2,555	23,455	-	construction of the Verkhnebalkarskaya SHPP
LLC SHPPs of Stavropol Krai and Karachay-Cherkessia	Ensuring the development of the Company's core business	Shareholding in the Company's authorized capital	47,694,908.51	100	13,764	(860)	-	construction of small HPPs in Karachay-Cherkessia
LLC VolgaHydro	Developing new type of business	Shareholding in the Company's authorized capital	449,814,356.00	40	648,155	15,766	-	production of hydraulic equipment
JSC Technopark Rumyantsevo	Supporting the Company's core business	Shareholding in the Company's authorized capital	10.00	0.000005	9,071	179,099	-	construction and installation works
PJSC Far-Eastern Energy Company (FEEC)	Strategic, financial investments	Shareholding in the Company's authorized capital	178,714,322.00	1.04	86,056,216	1,110,337	-	purchase and sale of electricity (power)
Bank of Cyprus Public Company Ltd <sup>2</sup>	shares entered into ownership upon liquidation of RusSUNHydro Limited	Shareholding in the Company's authorized capital	-	0.000186				banking operations

<sup>2</sup> Information on revenue and net profit is not provided, since Bank of Cyprus Public Company Ltd is not an associate and/or a joint company of the RusHydro Group and is also not a part of it. PJSC RusHydro does not have the accounting statements of the said company.

### 3.2 Information Concerning All Forms of the Company's Participation in Non-Commercial Entities, including the Entity Name, Date of Joining, Subscription Fee in RUB/other currency, Area of the Entity's Activities

RusHydro Group is a member of several Russian industry associations and non-commercial partnerships. Some of these organizations are given below. RusHydro Group considers its participation in few of them as strategic. **(102-13)**

No.	Name of the Entity	Area of Activities	Membership Subscription in 2018
1.	International Hydropower Association, IHA	Support and dissemination of hydro power industry knowledge under the auspices of UNESCO International Hydrological Program	USD 19,345.69 (RUB 1,190,802.67 at the exchange rate on the date of payment)
2.	Global Sustainable Energy Partnership, GSEP	Elaboration of joint policy platforms and implementation of relevant initiatives, both on domestic and international markets	USD 118,521.54 (RUB 7,389,782.46 at the exchange rate on the date of payment)
3.	Market Council Association	Arrangement of electric power trade in the wholesale market The Group considers its participation as strategic.	RUB 5,347,000 per year
4.	Association of Land and Real Estate Owners and Investors	The partnership serves a discussion panel used by RusHydro to promote its interests and dialogue with the government authorities concerning improvement of the legal environment in the area of land and property ownership.	RUB 300,000 per year
5.	Hydropower of Russia Association	Improvement of the performance of hydropower facilities and the use of hydropower resources in Russia The Group considers its participation as strategic.	RUB 7,140,000 per year
6.	Russian Union of Industrialists and Entrepreneurs	Protection of economic and social interests and legal rights common for members and necessary for the sustainable development of companies and the market economy as a whole The Group considers its participation as strategic.	RUB 600,000 per year
7.	Council of Energy Industry Veterans	Promotion of the members' activities in comprehensive support of the energy industry veterans The Group considers its participation as strategic.	RUB 15,000,000 per year
8.	National Network of the Global Compact Association	Representation and protection of the common interests of the Association's members aimed at observing and consistently introducing into business practice the principles of responsible business conduct based on cooperation with all interested parties in accordance with the provisions of the Global Compact - the largest UN initiative for sustainable development.	8,000 - entrance subscription fee RUB 250,000 - regular membership subscription fee USD 15,000 - fee to the Foundation for the Global Impact (stipulated by the terms of membership)
9.	Club of Directors for Science and Innovation	The Club is a communications forum for the professionals in research, development, and implementation of innovations	RUB 330,000 per year
10.	Scientific and Technical Council of the Unified Energy System	Support to the Partnership's members in the efforts to formulate the Research & Technology and Economic Policy of the	RUB 2,000,000 per year

		Unified Energy System of Russia	
11.	All-Russian Industry Association of Employers of the Power Sector (RaEI Association)	Representation of the interests of employers in the electric power industry, protection of their rights in government bodies, local governments, in relations with trade unions and their associations; representation of the interests of industry employers when entering into industry-specific tariff agreements and other agreements governing social & labor and associated relations.	RUB 2,450,000 per year
12.	Self-regulatory Organizations (SRO)	Representation of the interests of organizations specializing in the construction, reconstruction, and overhaul of capital construction projects. These organizations include: <ul style="list-style-type: none"> <li>– EnergoStroyAlyans Association;</li> <li>– SRO Union of Builders of the Amur Region;</li> <li>– Self-Regulating Corporation of Builders of the Krasnoyarsk Territory;</li> <li>– And other SROs at the location of RusHydro</li> <li>– Self-Regulating Corporation of Builders of the Krasnoyarsk Territory</li> <li>– Engineering Surveys in Construction Association.</li> </ul>	EnergoStroyAlyans Association - no participation;  SRO Union of Builders of the Amur Region - no participation;  Self-Regulating Corporation of Builders of the Krasnoyarsk Territory - RUB 320,000 per year;  and other SROs at the location of RusHydro - none Self-Regulating Corporation of Builders of the Krasnoyarsk Territory - ditto, see above  Engineering Surveys in Construction Association - no participation.

#### Charters, Principles, and Initiatives Supported by the Company (102-12)

Name	Year of Joining	Document Scope
Declaration on Reservoirs for Sustainable Development (ICOLD)	2012	International document
Russian Business Social Charter (RSPP)	2013	Russian Federation
Anti-Corruption Charter of Russian Business (RSPP)	2013	Russian Federation
Concept of Long-term Socio-economic Development of Russia until 2020	2008	Russian Federation
Methodology for Assessing the Compliance of Hydropower Projects with Sustainable Development Criteria (International Hydropower Association (IHA-MAG))	2011	International Document
Sectoral Tariff Agreement in the Electric Power Industry of the Russian Federation for 2016-2018	2016	Russian Federation
United Nations Global Compact	2017	International Document

### 3.3 Information Concerning Shares/Stakes Purchase Contracts made by PJSC RusHydro in 2018, Indicating the Parties to the Contracts, their Subject, Price, and other Terms

#### 1) Alienation of shares as part of their redemption by the issuer in accordance with Art. 75 of the Federal Law "On Joint-Stock Companies".

Date of the contract (date of the request for the redemption of shares): April 11, 2018

##### Parties:

Seller - PJSC RusHydro

Acquirer - JSC NPF of Electric Power Industry (issuer)

##### Subject:

Alienation of shares as part of their redemption by the issuer in accordance with Art. 75 of the Federal Law "On Joint-Stock Companies".

<b>Issuer</b>	<b>Joint-Stock Company NPF of Electric Power Industry</b>
Number of shares	73,090,614 (seventy-three million ninety thousand six hundred and fourteen)
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	RUB 0.01
Acquisition price of 1 share	RUB 1.01
issue state registration number	1-01-50170-A, Issue registration date: May 20, 2014
Price of alienated shares	RUB 73,821,520 (seventy three million eight hundred twenty one thousand five hundred twenty) 14 kopecks

## 2) The alienation of shares under the contract of sale.

Date of the Agreement: July 5, 2018

### Parties:

Seller - PJSC RusHydro

Acquirer - JSC Inter RAO Capital

### Subject:

The Seller shall transfer into the ownership of the Acquirer the securities (hereinafter - the Shares), and the Acquirer shall pay and accept the following Shares:

<b>Issuer</b>	<b>Public Joint-Stock Company Inter RAO UES, OGRN 1022302933630, location: Russian Federation, Moscow (hereinafter - PJSC Inter RAO, the company)</b>
Number of shares	2,029,197,475.41 (two billion twenty nine million one hundred ninety seven thousand four hundred seventy five point and forty one hundredth)
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	RUB 2.809767 (two point eight hundred nine thousand seven hundred sixty seven millionth)
Acquisition price of 1 share	RUB 3.3463 (three point and three thousand four hundred sixty-three ten thousandths)
Issue state registration number	1-04-33498-E, Issue registration date: December 23, 2014
Price of alienated shares	RUB 6,790,303,511 (six billion seven hundred ninety million three hundred three thousand five hundred eleven) 96 kopecks

## 3) Acquisition of shares under additional issue.

Date of the Agreement: July 6, 2018

### Parties:

Issuer - JSC BoHPP Holding Company

Acquirer - PJSC RusHydro

### Subject:

The Issuer shall place additional shares (hereinafter - the Shares) by private offering in favor of the Acquirer, and the Acquirer shall pay for and accept the following Shares:

<b>Issuer</b>	<b>Joint-Stock Company BoHPP Holding Company</b>
Maximum number of shares	10,113,689,287 (ten billion one hundred thirteen million six hundred eighty nine thousand two hundred eighty seven)
Type, category (type) of securities	Registered ordinary uncertificated shares
The nominal value of 1 share	RUB 1 (one)
Share offering price of 1 share	RUB 1 (one)
Additional issue state registration number	1-01-81906-H-001D, Issue registration date: April 16, 2018
Price of shares acquired	10,113,689,287 (ten billion one hundred thirteen million six hundred eighty nine thousand two hundred eighty seven)

The Company in 2018 did not conclude contracts for the sale of shares and equity interests of economic partnerships and companies.

## Appendix No.4 Information on the Decisions Adopted by RusHydro's Board of Directors in 2018

Date and No. of Minutes	Issue Discussed	Decisions Taken
Minutes No. 265 dtd February 6, 2018	1. About the Charity and Sponsorship Program of the Company.	<p><b>Issue 1.1:</b> On approval of the Progress Report on the Company's Charity and Sponsorship Program in 2017.  <b>Decision Taken:</b> Approve the Progress Report on the Company's Charity and Sponsorship Program in 2017 (Annex No. 1 to the Minutes of Meeting).</p> <p><b>Issue 1.2:</b> On approval of the Company's Charity and Sponsorship Program for 2018.  <b>Decision Taken:</b> Approve the Company's Charity and Sponsorship Program for 2018 (Annex No. 2 to the Minutes of Meeting).</p>
	2. On making RusHydro's Procurement Policy: On approval of the revised Regulation on the Procurement of Products for RusHydro's needs.	<p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Approve the revised Regulation on the Procurement of Products for RusHydro's Needs (Annex No. 3 to the Minutes of Meeting).</li> <li>2. Invalidate the Regulation on the Procurement of Products for RusHydro's Needs approved by the decision of the Company's Board of Directors (Minutes No. 239 dated June 23, 2016) as amended (Minutes No. 240, No. 242, No. 243, No. 246, No. 250, and No. 254 dated August 11, 2016, October 10, 2016, November 14, 2016, December 27, 2016, April 7, 2017, and June 22, 2017, respectively).</li> </ol>
	3. On measures to enhance the reliability at RusHydro Group's power facilities.	<p><b>Decision Taken:</b></p> <p>Take due note of the information on measures to enhance the reliability at RusHydro Group's power facilities (Annex No. 4 to the Minutes of Meeting).</p>
	4. On contributions to the authorized capital of JSC Chukotenergo.	<p><b>Decision Taken:</b></p> <p>Pursuant to the adoption of the Federal Law "On the Federal Budget for 2018 and for the Planning Period of 2019 and 2020", which envisages the allocation of budgetary investments to the Company, as well as in accordance with the requirements of Decree No. 1692 of the Government of the Russian Federation dated December 29, 2017 On the Procedure for Making Decisions on Providing Budgetary Investments to Legal Entities that are not State or Municipal Institutions and State or Municipal Unitary Enterprises as a Contribution to Authorized (share) Capital of Subsidiaries of these Legal Entities for Capital Investments in Capital Construction Projects owned by such Subsidiaries, and (or) for the Acquisition of Real Properties by these Subsidiaries from Federal Budget Resources", it shall be considered appropriate for the Company to provide contributions to the authorized capital of JSC Chukotenergo in order to make capital investments in capital construction projects as part of the investment project "Construction of Two Single-Circuit 110 kV Pevek-Bilibino Overhead Lines" (construction stage No. 1) in the amount of not more than RUB 18 bn - including from the Company's funds in the amount of not more than RUB 5 bn, as well as from funds allocated to the authorized capital of the Company (if relevant decisions are taken by the Government of the Russian Federation):</p> <ul style="list-style-type: none"> <li>- budget investments in the amount of RUB 10 bn, - including RUB 1 bn in 2018, RUB 3 bn in 2019 and RUB 6 bn in 2020;</li> <li>- budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3 bn.</li> </ul>
	5. On the Taishet Aluminum Smelter Construction Project.	<p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Take due note of the information on the status of fulfillment of the conditions of RusHydro's participation in the</li> </ol>

		<p>construction of the Taishet Aluminum Smelter approved by the Company's Board of Directors (Minutes No. 257 dated September 1, 2017) (Annex No. 5 to the Minutes of Meeting).</p> <p>2. Defer to Q1 2018 the deadline for execution of the assignment stipulated by paragraph 2 of the decision of the Company's Board of Directors (Minutes No. 257 of September 1, 2017) on issue No. 1 On the Priority Areas of the Company's Activities: On the Taishet Aluminum Smelter construction project as to the submission of the material conditions for the Company's participation in the Taishet Aluminum Smelter construction project for approval to the Board of Directors.</p>
	6. On the agreement of concurrent employment of the Management Board's members in the management bodies of other organizations.	<p><b>Decision Taken:</b></p> <p>1. Agree the concurrent employment of the following people:</p> <p>1.1. Nikolay Shulginov, Chairman of the Management Board - General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</p> <p>1.2. Boris Bogush, a member of the Management Board, First Deputy General Director - Chief Engineer of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</p> <p>1.3. George Rizhinashvili, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</p> <p>1.4. Andrey Kazachenkov, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</p> <p>1.5. Sergey Kirov, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</p> <p>2. Agree the concurrent employment of the Chairman of the Management Board - General Director of the Company and members of the Management Board of the Company at the positions in the management bodies of RusHydro's controlled entities.</p>
	7. On consent to conclude a loan agreement between the Company and JSC Far East and Baikal Region Development Fund as a related-party transaction.	<p><b>Decision Taken<sup>3</sup>:</b></p> <p>1. Determine the price of the Loan Agreement between the Company and Far East and Baikal Region Development Fund (hereinafter referred to as the "Loan Agreement"), which is a related party transaction, as a pool of the following debt obligations of the Company under the Loan Agreement:</p> <ul style="list-style-type: none"> <li>– obligations to repay the loan in the amount of RUB 7,000,000,000 (seven billion) 00 kopecks maximum;</li> <li>– obligation to pay interest on loan(s) at the rate of 5 (five)% per annum in the amount of RUB 3,150,000,000 (three billion one hundred fifty million) 00 kopecks maximum.</li> </ul> <p>The price of the Loan Agreement does not exceed RUB 10,150,000,000 (ten billion one hundred fifty million) 00 kopecks.</p> <p>2. Agree to the conclusion of a loan agreement by the Company in a related party transaction (with due regard to sub-clause 25, clause 12.1 of Art. 12 and clause 15.3 of Art. 15 of the Company's Charter) on the following material terms:</p> <p><u>Parties to the Loan Agreement:</u></p> <ul style="list-style-type: none"> <li>- Lender - Far East and Baikal Region Development Fund (OGRN 1112721010995);</li> <li>- Borrower - RusHydro (Company).</li> </ul> <p><u>Subject of the Loan Agreement:</u></p>

<sup>3</sup>The loan agreement concluded between RusHydro and Far East and Baikal Region Development Fund shall be deemed, in accordance with Article 81 of the Federal Law "On Joint-Stock Companies", to be a related-party transaction, in which there is an interest of a member of RusHydro's Board of Directors, A. Chekunkov, who is also the General Director of the Far East and Baikal Region Development Fund, the lender of the transaction. In line with Art. 83 of the Federal Law "On Joint-Stock Companies", the decision on this issue shall be taken by the Board of Directors of the company by a majority vote of independent directors who are not interested therein. When summarizing the voting results on this issue, the votes of A. Chekunkov, a member of RusHydro's Board of Directors, who shall be deemed, in accordance with Art. 81 of the Federal Law "On Joint-Stock Companies", to be a person interested in making the transaction, as well as N. Shulginov, who shall be deemed, in accordance with Art. 83 of the Federal Law "On Joint-Stock Companies", to be a dependent director.

		<p>The Lender provides a loan to the Borrower, and the Borrower undertakes to return the outstanding loan to the Lender and to pay interest on it.</p> <p><u>Loan amount:</u> RUB 7,000,000,000 (seven billion) 00 kopecks maximum, which may be received by the Company from the Fund within one or several drawdowns.</p> <p><u>Loan Interest:</u> 5 (five)% per annum.</p> <p><u>Loan Agreement Price:</u> Determined according to paragraph 1 of this decision.</p> <p><u>Loan Maturity:</u> - the first down-payment: December 31, 2019; - then - quarterly in equal installments; - last payment: no later than June 30, 2026.</p> <p><u>Purpose of the Loan(s):</u> Financing in favor of Joint-Stock Company RAO ES East (OGRN 1087760000052) (hereinafter referred to as the Design Company) for the implementation of the project for the construction of off-site infrastructure facilities to operate the Sakhalin GRES-2:</p> <ul style="list-style-type: none"> <li>- construction, installation and supervision of works, works and commissioning services, supervised installation of off-site infrastructure facilities to operate the Sakhalin GRES-2 (namely: electrical power distribution schemes, ash and slag removal systems, drinking water and industrial water supply systems, access roads (including the road to the ash dump) and the access railway), as well as equipment, machinery and other fixed assets for equipping off-site infrastructure facilities, and/or for the purposes of co-investment in the design, construction and commissioning of off-site infrastructure facilities, and/or for the purpose of the refundable acquisition by the Design Company of ownership of third-party off-site infrastructure facilities under the project (always provided that the Design Company acquires (upon completion of construction and/or completion of the relevant transaction) ownership of the relevant off-site infrastructure facilities), and/or for the purpose of repaying the cost of utility connection of off-site infrastructure facilities (including value added tax payable to contractors and/or suppliers under relevant contracts),</li> <li>- purchase of equipment, vehicles, and other fixed assets for equipping off-site infrastructure facilities, including design, manufacturing, supply, insurance, and other related expenses, including those included in the price of the relevant agreement (including value-added tax payable under relevant contracts to contractors and/or to suppliers), and</li> <li>- payment of taxes, customs duties and fees payable against the importation into the Russian Federation and customs clearance of imported off-site infrastructure facilities listed in above paragraphs 1 and 2;</li> <li>- reimbursement of expenses actually incurred by the Design Company for the purposes specified in the paragraphs above, after the date the Fund's Board of Directors made the decision on the Loan Agreement (Minutes No. 57 dated December 29, 2017);</li> <li>- other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties.</li> </ul> <p>The person who has an interest in the transaction and the standing: A. Chekunkov, who is a member of the Company's Board of Directors and also holding a position in the management bodies of a legal entity that is a related party to the transaction (the Director General of the Fund). State that the decision referred to in paragraph 2 is valid until June 30, 2019.</p>
	8. On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of	<p><b>Decision Taken:</b> Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue: On consent for a major transaction involving the lease of the Sakhalin GRES-2's assets to vote in favor of the following decision:</p>

	<p>Shareholders of JSC Sakhalin GRES-2: On consent for a major transaction involving the lease of the Sakhalin GRES-2's assets.</p>	<p>Consent to a major transaction - the conclusion of the Property Lease Agreement (hereinafter referred to as the Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms:</p> <p>Parties to the Agreement:</p> <p>Lessor - JSC Sakhalin GRES-2;</p> <p>Lessee - PJSC Sakhalinenergo.</p> <p>Subject of the Agreement:</p> <p>In accordance with the terms of this Agreement, the Lessor shall deliver, and Lessee shall accept, for a consideration, the leasehold of the assets that obtained permission to put the facility into operation, created as part of the investment project "Construction of the Sakhalin GRES-2 (1st stage) "(hereinafter - the Facility), directly used in the process of production and transmission of electric and thermal energy and fully owned by the Lessor, with an address at: Sakhalin Region, Tomarinsky Urban Okrug Municipality, close to Ilinskoe settlement.</p> <p>The list of leased assets is specified in Annex No. 6 to the Minutes of Meeting.</p> <p>Rental margin (marginal price of the Agreement):</p> <p>RUB 2,437,022,412 (two billion four hundred thirty seven million twenty two thousand four hundred and twelve) 04 kopecks with VAT (18%).</p> <p>The rent amount shall be determined in accordance with the Rent Calculation Procedure (Annex No. 7 to the Minutes of Meeting) and shall be updated against the total value of the facilities included in the assets complex determined after the commissioning based on the acceptance certificate of the completed construction of the facility by the Acceptance Committee (KS-14), by signing an addendum to the Agreement.</p> <p>Lease Term:</p> <p>364 days from the date of transfer of the Facility under the Certificate of Transfer and Acceptance.</p> <p>If 30 (thirty) calendar days before the expiration of the lease term none of the Parties to the Agreement expresses a written intention to terminate it, the Agreement shall be considered renewed on the same conditions and for the same term.</p>
	<p>9. On approval of the progress report on the Action Plan for the Disposal of Non-core Assets of the Company.</p>	<p><b>Decision Taken:</b></p> <p>Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q4 2016-2017. (Annex No. 8 to the Minutes of Meeting).</p>
	<p>10. On approval of the performance reports of the Committees of the Company's Board of Directors.</p>	<p><b>Issue 10.1:</b> On approval of the performance reports of the Audit Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b></p> <p>Approve the performance reports of the Audit Committee of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 9 to the Minutes of Meeting).</p> <p><b>Issue 10.2:</b> On approval of the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b></p> <p>Approve the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 10 to the Minutes of Meeting).</p> <p><b>Issue 10.3:</b> On approval of the performance reports of the Strategy Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b></p>



		<p>Approve the performance reports of the Strategy Committee of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 11 to the Minutes of Meeting).</p> <p><b>Issue 10.4:</b> On approval of the performance reports of the Investment Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b> Approve the performance reports of the Investment Committee of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 12 to the Minutes of Meeting).</p> <p><b>Issue 10.5:</b> On approval of the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b> Approve the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 13 to the Minutes of Meeting).</p> <p><b>Issue 10.6:</b> On approval of the performance reports of the Committee on Reliability, Energy Efficiency, and Innovation of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Decision Taken:</b> Approve the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 14 to the Minutes of Meeting).</p>				
Minutes No. 266 dtd April 4, 2018	1. On the consideration of proposals of the Company's shareholders for the nomination of candidates for election to RusHydro's management and control bodies.	1. Include the following candidates in the nominee voting list for election to the Board of Directors of the Company at the Annual General Meeting of Shareholders of the Company following the results of 2017:				
		No.	A candidate proposed by shareholder(s) to include in the voting list for elections to the Board of Directors of the Company	Position, place of work of the candidate <sup>4</sup> proposed by shareholder(s) to include in the voting list for elections to the Board of Directors of the Company	Name of the shareholder(s) who proposed the candidate for inclusion in the voting list for elections to the Board of Directors of the Company	Number of the Company's voting shares owned by shareholder(s) <sup>5</sup> (as a percentage of the authorized capital)
		1.	Artem Avetisyan	Director of New business division, Agency for Strategic Initiatives for New Projects Promotion	Russian Federation represented by the Federal Agency for State Property Management	60.56
		2.	Vyacheslav Kravchenko	Deputy Minister of Energy of the Russian Federation		
		3.	Pavel Livinsky	General Director of Public Joint-Stock Company Rossiyskiye Seti (Russian Networks)		
		4.	Mikhail Rasstrigin	Deputy Minister of Economic Development of the Russian Federation		

<sup>4</sup>Position, place of work of the candidate on the date of nomination according to the request of the shareholder.

<sup>5</sup>Number of the Company's voting shares owned by shareholder(s), on the date of nomination.

		5.	Nikolay Rogalev	Rector of the Federal State Budgetary Educational Institution of Higher Education National Research University, MPEI			
		6.	Yury Trutnev	Deputy Chairman of the Government of the Russian Federation - envoy from the President of the Russian Federation in the Far Eastern Federal District			
		7.	Nikolay Shulginov	Chairman of the Management Board - General Director of the Public Joint-Stock Company Federal Hydrogeneration Company - RusHydro			
		8.	Maxim Bystrov	Chairman of the Management Board of the Association "Non-commercial Partnership Market Council on the organization of an effective system of wholesale and retail trade in electric energy and power"			
		9.	Pavel Grachev	President of Public Joint-Stock Company Polyus			
		10.	Sergey Ivanov	General Director of Limited Liability Company RT-Capital			
		11.	Vyacheslav Pivovarov	General Director of Limited Liability Company Altera Capital			
		12.	Alexey Chekunkov	General Director of Joint-Stock Company Far East and Baikal Region Development Fund			
		13.	Sergey Shishin	Senior Vice President of VTB Bank (Public Joint-Stock Company)			
		14.	Mikhail Voevodin	General Director of Public Joint-Stock Company VSMPO-AVISMA Corporation	Limited Liability Company Avitrans	2.9	
		15.	Andrey Shishkin	Vice President for Energy, Localization, and Innovation of Public Joint-Stock Company Rosneft; President, Chairman of the Management Board of Public Joint-Stock Company “Joint Stock Oil Company Bashneft”			
		2. Include the following candidates in the nominee voting list for election to the Internal Audit Commission of the Company at the Annual General Meeting of Shareholders of the Company following the results of 2017:					

		No.	A candidate proposed by shareholder(s) to include in the voting list for elections to the Internal Audit Commission of the Company	Position, place of work of the candidate <sup>6</sup> proposed by shareholder(s) to include in the voting list for elections to the Internal Audit Commission of the Company	Name of the shareholder(s) who proposed the candidate for inclusion in the voting list for elections to the Internal Audit Commission of the Company	Number of the Company's voting shares owned by shareholder(s) <sup>7</sup> (as a percentage of the authorized capital)
		1.	Natalia Annikova	First Deputy General Director of Open Joint-Stock Company Construction Department No. 308	Russian Federation represented by the Federal Agency for State Property Management	60.56
		2.	Tatyana Zobkova	Chief of Branch of Department of the Ministry of Energy of Russia		
		3.	Igor Repin	Deputy Executive Director of the Professional Investors Association		
		4.	Marina Kostina	Deputy Director of the Ministry of Economic Development of Russia		
		5.	Dmitry Simochkin	Deputy Chief of the Department of Management of the Federal Agency for State Property Management		
	2. On consideration of the proposals of the Company's shareholders on the inclusion of issues on the agenda of RusHydro's annual General Shareholders Meeting.	<b>Decision Taken:</b> Accept the proposal of the Company's shareholder - the Russian Federation represented by the Federal Agency for State Property Management <sup>8</sup> , which owns 60.56% of the Company's voting shares, to include the following issues in the agenda of the annual General Shareholders Meeting for 2017:				
		No.	Issue wording proposed by the shareholder	Decision wording proposed by the shareholder		
		1.	Approval of the Company's annual report.	Not presented		
		2.	Approval of the annual accounting (financial) statements of the Company.	Not presented		

<sup>6</sup>Position, place of work of the candidate on the date of nomination according to the request of the shareholder.

<sup>7</sup>Number of the Company's voting shares owned by shareholder(s), on the date of nomination.

<sup>8</sup>Number of the voting shares owned by shareholder(s), on the date of nomination.

		3.	Approval of the distribution of the Company's profit based on the results of 2017.	Not presented
		4.	On the amount of dividends, time and form of dividend payout based on their performance in 2017 and the establishment of the date to determine the persons entitled to receive dividends.	Not presented
		5.	On the payment of remuneration for work on the Board of Directors to members of the Board of Directors, who are not public servants, in the amount established by the Company's internal documents.	Not presented
		6.	On the payment of remuneration for work on the Internal Audit Commission to the Commission members, who are not public servants, in the amount established by the Company's internal documents.	Not presented
		7.	Election of members of the Board of Directors of the Company.	Not presented
		8.	Election of members of the Internal Audit Commission of the Company.	Not presented
		9.	Approval of the Company's auditor.	Not presented
	3. On the creation of committees under RusHydro's Board of Directors.	<b>3.1. On the composition of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.</b> <b>Decision Taken:</b> 1. Prematurely terminate the powers of the members of the Committee on Reliability, Energy Efficiency, and Innovations at the Board of Directors of the Company: - Roman Gromov; - Sergey Tolstoguzov. 2. Elect the following people to the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors: - Oleg Barkin, Deputy Chairman of the Management Board of Market Council Association; - Viktor Gvozdev, Deputy Director of the Far East Division for production of RusHydro.  <b>3.2. On the composition of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.</b> <b>Decision Taken:</b> 1. Prematurely terminate the powers of Sergey Tolstoguzov, a member of the Committee on Energy Development of the Far East at RusHydro's Board of Directors. 2. Elect Sergey Vasilyev to the Committee on Energy Development of the Far East at the Company's Board of Directors, First Deputy Director of the Far East Division of the Company.		
	4. On approval of the Action Plan of RusHydro's Board of Directors for H1 2018.	<b>Decision Taken:</b> Approve the Action Plan of RusHydro's Board of Directors for H1 2018 (Annex No. 1 to the Minutes of Meeting).		
	5. On termination of RusHydro's membership in other organizations.	<b>Decision Taken:</b> Terminate RusHydro's membership in JSC SHPP of Dagestan.		

	<p>6. On the determination of the position of RusHydro (RusHydro's representatives) in the management bodies of subsidiaries.</p>	<p><b>Issue 6: On determination of the position of RusHydro (RusHydro's representatives) in the management bodies of subsidiaries: on determination of the position of RusHydro (the Company's representatives) on the agenda issues of the meeting of SHPP of Dagestan's management bodies on the liquidation of the latter.</b></p> <p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Assign RusHydro's representatives in the management bodies of SHPP of Dagestan on the issue On liquidation of JSC SHPP of Dagestan to vote FOR the decision to liquidate JSC SHPP of Dagestan.</li> <li>2. Assign RusHydro's representatives in the management bodies of SHPP of Dagestan to vote FOR the decisions related to the liquidation of JSC SHPP of Dagestan reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.</li> </ol>
	<p>7. On approval of the Report on RusHydro's Insurance Coverage in 2017.</p>	<p><b>Decision Taken:</b></p> <p>Approve the Report on RusHydro's Insurance Coverage in 2017 (Annex No. 2 to the Minutes of Meeting).</p>
	<p>8. On RusHydro Group's draft Consolidated Investment Program for 2019–2023 and for 2018 (amended), and on RusHydro's draft Investment Program for 2019-2028 and for 2018 (amended).</p>	<p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Take due note of RusHydro Group's draft Consolidated Investment Program for 2019–2023 and for 2018 (amended) (Annexes Nos. 3, 4, and 5 to the Minutes of Meeting) and their financing sources (Annex No.6 to the Minutes of Meeting).</li> <li>2. Pre-approve RusHydro's draft Investment Program for 2019-2028 and the draft amendments thereto for 2018-2027 approved by order No. 34 @ of the Ministry of Energy of Russia dated December 29, 2017 On Approval of RusHydro's Investment Program for 2018-2027 and the Amendments thereto approved by order No. 1458 of the Ministry of Energy of Russia dated December 30, 2016 (Annexes Nos. 7, 8, and 9 to the Minutes of Meeting) in order to disclose information in line with Decree No. 24 of the Government of the Russian Federation dated January 21, 2004 On Approval of Information Disclosure Standards of the Wholesale and Retail Electricity Markets.</li> <li>3. Chairman of the Management Board - RusHydro's General Director, N. Shulginov, shall ensure: <ol style="list-style-type: none"> <li>3.1. that the approved draft RusHydro's Investment Program for 2019-2028 and the draft amendments thereto for 2018-2027 approved by order No. 34 @ of the Ministry of Energy of Russia dated December 29, 2017 On Approval of RusHydro's Investment Program for 2018–2027 and the amendments thereto, approved by order No. 1458 of the Ministry of Energy of Russia dated December 30, 2016 is forwarded to the Ministry of Energy of Russia in the manner established by Decree No. 977 of the Government of the Russian Federation dated December 1, 2009 On Investment Programs of Electric Power Engineering Entities.</li> <li>3.2. that RusHydro's business plan is revised against the parameters of the Investment Program in accordance with paragraphs 1 and 2 of this decision.</li> </ol> </li> </ol>
	<p>9. On approval of the report on the public process and pricing audit of RusHydro's investment projects for 2017 containing the results of the summary analysis of the audits conducted and the conclusions of the public and expert hearings.</p>	<p><b>Decision Taken:</b></p> <p>Approve the report on the public process and pricing audit of the Company's investment projects for 2017 containing the results of the summary analysis of the audits conducted and the conclusions of the public and expert hearings (Annexes Nos. 10, 11 to the Minutes of Meeting).</p>
	<p>10. On approval of the list of RusHydro's investment projects for public process and pricing audit in 2018-2019.</p>	<p><b>Decision Taken:</b></p> <p>Approve the list of investment projects implemented and planned to be implemented under RusHydro's Investment Program for conducting a public process and pricing audit in 2018-2019 (Annex No. 12 to the Minutes of Meeting).</p>

	<p>11. On RusHydro's priority activities.</p>	<p><b>11.1. On the implementation of recommendations on the management of Intellectual Property Rights at RusHydro.</b>  <b>Decision Taken:</b>  In order to implement the provisions of Directive No. 9177p-P13 of the Government of the Russian Federation dated December 12, 2017, the Chairman of the Management Board - the General Director shall ensure:</p> <ol style="list-style-type: none"> <li>1. conducting an analysis of the management of Intellectual Property Rights at the Company in accordance with the provisions of the Recommendations on the Management of Intellectual Property Rights in Organizations approved by order No. ISh-P8-5594 of the Government of the Russian Federation dated August 25, 2017 (hereinafter referred to as Recommendations), before June 30, 2018.</li> <li>2. drafting an internal document - the Program on Management of Intellectual Property Rights at the Company (hereinafter referred to as the Program) in accordance with the Recommendations and its approval by the Company's Board of Directors before October 31, 2018</li> <li>3. posting and subsequent updating the information on the progress of the Program at the Company on the Interdepartmental Portal on State Property Management.</li> </ol> <p><b>11.2: On the progress status of the priority projects for the construction of four facilities in the Far East: (Yakutsk GRES-2 (1st stage), the Blagoveshchenskaya CHPP (2nd stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage).</b>  <b>Decision Taken:</b>  Take due note of the information on the progress status of the priority projects for the construction of four facilities in the Far East: (Yakutsk GRES-2 (1st stage), the Blagoveshchenskaya CHPP (2nd stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of December 31, 2017 (Annex No. 13 to the Minutes of Meeting).</p> <p><b>11.3: On the construction progress of the Ust-Srednekanskaya HPP</b>  <b>Decision Taken:</b>  Take due note of the information On the construction progress of the Ust-Srednekanskaya HPP (Annex No. 14 to the Minutes of Meeting).</p> <p><b>11.4: On reviewing the results of inspections by the Ministry of Energy of Russia, on reviewing draft action plans for rectifying violations found, and on the progress in rectifying violations found:</b>  <b>11.4.1. On the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of design, construction, and commissioning activities at the Boguchanskaya HPP stipulated by the Company's Investment Program for 2014–2016.</b>  <b>Decision Taken:</b>  Take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of design, construction, and commissioning activities at the Boguchanskaya HPP stipulated by the Company's Investment Program for 2014–2016 (Annex No. 15 to the Minutes of Meeting).</p> <p><b>11.4.2. On the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the investment project Supply and Replacement of Six Hydro Turbines at the Novosibirsk HPP on a turnkey basis</b>  <b>Decision Taken:</b>  Take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of</p>
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		<p>Russia following the results of the field check on the progress of the investment project Supply and Replacement of Six Hydro Turbines at the Novosibirsk HPP on a turnkey basis (Annex No. 16 to the Minutes of Meeting).</p> <p><b>11.4.3. On the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the Ust-Srednekanskaya HPP investment project (including the analysis of the measures necessary to fill the Ust-Srednekansky reservoir to the design level and to drive the Srednekanskaya HPP up to the design capacity.</b></p> <p><b>Decision Taken:</b> Take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the Ust-Srednekanskaya HPP investment project (including the analysis of the measures necessary to fill the Ust-Srednekansky reservoir to the design level and to drive the Srednekanskaya HPP up to the design capacity (Annex No. 17 to the Minutes of Meeting).</p> <p><b>11.4.4. On the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the following investment projects in 2016: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage).</b></p> <p><b>Decision Taken:</b> Take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the following investment projects in 2016: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage) (Annex No. 18 to the Minutes of Meeting).</p> <p><b>11.4.5. On the results of the field inspection by the Ministry of Energy of Russia on the progress of the investment project Facility No. 1- HPP of the 2nd Stage, Zaramagskiye HPPs and the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the above-said field inspection.</b></p> <p><b>Decision Taken:</b> Take due note of the results of the field inspection by the Ministry of Energy of Russia on the progress of the investment project Facility No. 1- HPP of the 2nd Stage, Zaramagskiye HPPs and the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the above-said field inspection (Annex No. 19 to the Minutes of Meeting).</p> <p><b>11.4.6. On reviewing the results of the field inspections by the Ministry of Energy of Russia on the progress the following investment projects in 2017: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage).</b></p> <p><b>Decision Taken:</b> Take due note of the results of the field inspections by the Ministry of Energy of Russia on the progress the following investment projects in 2017: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage) (Annex No. 20 to the Minutes of Meeting).</p> <p><b>11.5. On appointment of an independent consultant to assess the performance of the Company's Board of Directors.</b></p> <p><b>Decision Taken:</b> 1. Approve the engagement of an independent consultant (PricewaterhouseCoopers Consulting LLC) to evaluating the</p>
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		<p>performance of the Company's Board of Directors.</p> <p>2. Recommend to members of the Company's Board of Directors to take part in the questionnaire survey and interviewing conducted by the independent consultant.</p> <p>3. Assign the Company to ensure that the Company's Board of Directors performance appraisal results are presented at the meeting of the Company's Board of Directors with a preliminary consideration of the issue at the meeting of the Nomination and Compensation Committee of the Company.</p>
Minutes No. 267 dtd April 4, 2018	1. On the consideration of RusHydro Group's Consolidated Business Plan (including the Consolidated Investment Program) for 2018–2022 and approval of the Targets of annual Key Performance Indicators (hereinafter - KPI) for members of RusHydro's Management Board for 2018 and the KPI Targets of under Cycle-two of RusHydro's Long-term Motivation Program for 2018 - 2020.	<p><b>Decision Taken:</b></p> <p>1.1. Approve the Consolidated Business Plan (including the Consolidated Investment Program) of the RusHydro Group for 2018-2022 (Annex No. 1 to the Minutes of Meeting).</p> <p>1.2. Defer the approval of the annual KPI Targets for members of RusHydro's Management Board for 2018 and the KPI Targets under Cycle-two of RusHydro's Long-term Motivation Program for 2018 - 2020 (hereinafter - KPI) to the regular meeting of the Company's Board of Directors.</p>
	<p>2. On RusHydro's priority activities:</p> <p>2.1. On the Taishet Aluminum Smelter Construction Project.</p>	<p><b>Decision Taken:</b></p> <p>1. Approve RusHydro's participation in the construction project of the Taishet Aluminum Smelter (hereinafter referred to as TaAS) subject to conditions previously determined by the Company's Board of Directors (Minutes No. 257 dated September 1, 2017).</p> <p>2. Define the following additional conditions for the Company's participation in the TaAS project:</p> <p>2.1. RusHydro's liability limit for sponsorship obligations assumed as part of project financing attracted for the implementation of the TaAS project shall not exceed 7.5% (USD 60 bn) of the TaAS further construction cost.</p> <p>2.2. The cost of RusHydro's entry into the TaAS project (hereinafter referred to as the Entry Cost) is no more than USD 319.5 mn (RusHydro's stake in the project is 50%), while the cost of a 50% share in the authorized capital of RUSAL Tayshet LLC (hereinafter - the Joint Venture) shall not exceed USD 169.5 mn, which shall be confirmed on the basis of an independent appraiser's report, and shall be paid as follows:</p> <p>–</p> <p>UC RUSAL shall accept, as a partial payment, 42.75% of shares of JSC Irkutsk Electric Grid Company (JSC IEGC), owned by RusHydro, at a value of USD 150 mn;</p> <p>– installment payment in the amount of USD 19.5 mn (within 3 years after TaAS reached its design capacity (hereinafter referred to as Reaching Design Capacity)) shall be provided free of charge; subsequently, interest shall be charged at the average weighted rate as part of the Project Financing raised for the TaAS Project).</p> <p>The remaining part of the Entry Cost (USD 150 mn) is paid by the Joint Venture by repaying the debt to UC RUSAL Group companies under a loan agreement from the cash flow after the Smelter reaches its design capacity.</p> <p>2.3. In case the design capacity will fail to be reached by January 1, 2035, the Parties shall jointly implement the procedure for RusHydro's exit from the Project without deterioration of the financial situation of the Company.</p> <p>2.4. If RusHydro does not resolve to expand the TaAS's design capacity (within a year after reaching the design capacity, but not later than December 31, 2024), the Entry Cost shall be reduced by USD 50 mn as follows:</p> <p>– through a decline in value of a 50% stake in the Joint Venture by USD 19.5 mn.</p>



In this case, RusHydro's obligations to UC RUSAL to pay for the stake in the specified amount shall be terminated;

- through the implementation of the procedure for reducing the Joint Venture's debt to the UC RUSAL Group companies by USD 61 mn without deterioration of the conditions of RusHydro's participation and the financial position of the Joint Venture and without increasing the stake of UC RUSAL in the Joint Venture (taking into account the need to transfer to UC RUSAL the facilities and rights that were defined following the due diligence as facilities and rights necessary for the implementation of the TaAS Project).

2.5. The possibility of increasing the amount of the TaAS Project Financing (subject to approval of such resolution by creditor banks) to improve the financial sustainability of the Project and ensure the possibility of changing the nomenclature of finished products with a higher yield, subject to the confirmation by independent auditors of the improvement of the economic efficiency indicators of the TaAS Project through these measures. At the same time, the limit of RusHydro's liability for the sponsorship obligations assumed as part of the TaAS project financing shall not exceed the limit specified in Clause 2.1 of this decision (USD 60 mn).

2.6. No restrictions for the exercise of the RusHydro's right to alienate the stake (part of the stake) in the authorized capital of the Joint Venture after the Joint Venture has repaid the debt on the loan raised as part of the Project Financing of the construction of the TaAS first start-up facilities, while preserving the Parties' preferential right to repurchase the stakes.

2.7. The expediency of granting privileges and advantages to the Joint Venture in connection with its conclusion of a special investment contract in accordance with Federal Law No. 488-FZ dated December 31, 2014 On Industrial Policy in the Russian Federation (SPIC).

2.8. Protection of RusHydro against the risks and negative effects of the implementation of the TaAS Project arising from the activities of the Joint Venture and/or actions of its participants with respect to the Joint Venture committed before the closing date of the stake acquisition transaction (including, but not limited to, tax risks, claims of equipment suppliers, failure to comply with mandatory instructions of state bodies, etc.) by incorporating in the legally binding documentation the provisions on compensation by UC RUSAL for RusHydro's damages or property losses suffered as a result of the materialization of such risks.

2.9. Transfer of facilities (equipment) that are not related to the TaAS Project from the balance sheet of the Joint Venture without deterioration of its financial position (taking into account the possible expansion of the TaAS's design capacity).

2.10. Provision of guarantees and obligations for financing the additional capital costs of the TaAS Project (an overrun of the TaAS further construction cost by over 15%) by making a contribution to the assets of the Joint Venture or using another procedure to be agreed upon by RusHydro and UC RUSAL that does not entail the deterioration of the financial situation of the Joint Venture or an increase in UC RUSAL's stake in the Joint Venture.

2.11. A resolution documented in a legally binding form that the acquisition of RusHydro's stake in the Joint Venture envisages that the Parties may withdraw from the joint completion of the Boguchanskiy Aluminum Smelter to the contracted design capacity (construction of the third and fourth start-up facilities).

2.12. Provision of a conclusion on the Project economic efficiency based on the results of sensitivity analysis to the Board of Directors of the Company.

3. After the fulfillment of the conditions of participation in the TaAS Project stipulated by this decision and the resolution of the Board of Directors of the Company dated August 30, 2017 (Minutes No. 257 dated September 1, 2017), and after reconciliation of draft legally binding documentation with UC RUSAL, assign the Management Board of the Company to ensure the submission of the documentation to the Federal Agency for State Property Management in order to obtain the necessary decisions of state authorities (including the consent of the Government of the Russian Federation to the alienation of JSC IEGC's shares and a directives to representatives of the Russian Federation in the Board of Directors of the Company) for the purpose of the subsequent submission of the issue on the Company's participation in LLC RUSAL Tayshet and the issue on termination of the Company's participation in JSC IEGC for consideration to the Board of Directors of the Company.

Minutes No. 268 dtd April 12, 2018	On termination of RusHydro's membership in other organizations.	<b>Decision Taken:</b> Approve the termination of Company's participation in the authorized capital of JSC NPF Elektroenergetiki by way of disposing 73,090,614 (seventy three million ninety thousand six hundred and fourteen) uncertificated registered ordinary shares of NPF JSC Elektroenergetiki owned by the Company at a price of RUB one (1) 01 kopeck each by calling for redemption of NPF Elektroenergetiki's shares in pursuance of Article 75 of Federal Law No. 208-FZ dated December 26, 1995 On Joint-Stock Companies.
Minutes No. 269 dtd April 25, 2018	1. On fulfillment of the Business Plan of the Company for 2017 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities) and the Annual Comprehensive Procurement Program for 2017).	<b>Decision Taken:</b> Approve the report on the fulfillment of the Business Plan of the Company for 2017 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities) and the Annual Comprehensive Procurement Program for 2017) (Annex No. 1 to the Minutes of Meeting).
	2. On consideration of the report on the implementation of the Consolidated Business Plan (including the Consolidated Investment Program) of RusHydro Group for 2017.	Take due note of the report on the fulfillment of the Consolidated Business Plan (including the Consolidated Investment Program and the cost optimization plan based on the results of the RusHydro's external independent cost audit, including subsidiaries) of RusHydro Group for 2017 (Annex No. 2 to Minutes of Meeting).
	3. Approval of the report on the achievement of key performance indicators of the Company (members of the Management Board).	<b>3.1. On the achievement of annual key performance indicators by members of the Company's Management Board for 2017.</b> <b>Decision Taken:</b> 3.1.1. Deem the KPI "Reduction of Operating Expenses (costs), %" for 2017 calculated with regard to factors that are beyond the control of the Company's management, to have been achieved. 3.1.2. Approve the Report on the Achievement of Annual Key Performance Indicators by the Company's Management Board Members for 2017 (Annex No. 3 to the Minutes of Meeting). 3.1.3. Confidentially  <b>3.2. On approval of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of RusHydro's Management Board Members.</b> <b>Decision Taken:</b> 3.2.1. Approve amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of RusHydro's Management Board Members (Annex No. 4 to the Minutes of Meeting). 3.2.2. Establish that the amendments specified in Clause 3.2.1 hereof shall apply from January 1, 2018.  <b>3.3. On approval of the annual KPI Targets for members of RusHydro's Management Board for 2018 and the KPI Targets under Cycle Two of RusHydro's Long-term Motivation Program for 2018 - 2020.</b> <b>Decision Taken:</b> 3.3.1. Approve: 3.3.1.1. Targets of the Annual KPIs of the Company's Management Board Members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") (Annex No. 5 to the Minutes of Meeting). 3.3.1.2. Target KPIs under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (KPI "Free Cash

		<p>Flow (FCF), RUB mn") (Annex No. 6 to the Minutes of Meeting).</p> <p>3.3.2. Based on the results of an evaluation of RusHydro's financial and economic activity for H1 2018, bring the issue of approval of the Target Values of the Annual KPIs of RusHydro's Management Board Members for 2018 to the consideration of the Board of Directors no later than July 31, 2018, if adjustment is needed.</p> <p><b>3.4. On approval of adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019.</b></p> <p><b>Decision Taken:</b></p> <p>3.4.1. Approve amendments to the Target KPI Values under Cycle One of the Company's Long-Term Motivation Program for 2017–2019 (for the KPI "Free cash flows (FCF), RUB mn") (Annex No. 7 to the Minutes of Meeting).</p> <p><i>Furthermore, during the discussion of the last agenda item, the Chairman of the Board of Directors Yu. Trutnev assigned the Company's management to submit to him within a month an analytical memo on import substitution of production equipment used in the operating activities of RusHydro Group.</i></p>
Minutes No. 270 dtd May 28, 2018.	1. On Approval of the agenda of the Company's Annual General Meeting of Shareholders.	<p><b>Decision Taken:</b></p> <p>Approve the agenda of the Annual General Meeting of Shareholders held based on the results of 2017:</p> <ol style="list-style-type: none"> <li>1. Approval of the Company's Annual Report for 2017.</li> <li>2. Approval of the annual accounting (financial) statements of the Company based on the results of 2017.</li> <li>3. Approval of the distribution of the Company's profit based on the results of 2017.</li> <li>4. On the amount of dividends, time and form of dividend payout based on their performance in 2017 and the establishment of the date to determine the persons entitled to receive dividends.</li> <li>5. On the payment of remuneration for work on the Board of Directors to members of the Company's Board of Directors, who are not public servants, in the amount established by the Company's internal documents.</li> <li>6. On the payment of remuneration for work on the Internal Audit Commission to the Company's Commission members, who are not public servants, in the amount established by the Company's internal documents.</li> <li>7. Election of members of the Board of Directors of the Company.</li> <li>8. Election of members of the Internal Audit Commission of the Company.</li> <li>9. Approval of the Company's auditor.</li> <li>10. Participation of RusHydro in the Association National Network of the Global Compact.</li> <li>11. On participation of RusHydro in the self-regulatory organization Self-Regulatory Corporation of Builders of the Krasnoyarsk Territory Association.</li> <li>12. On the participation of RusHydro in the self-regulatory organization ENERGOPROEKT Association.</li> <li>13. On the participation of RusHydro in the Engineering Surveys in Construction Association.</li> <li>14. On the termination of participation of RusHydro in the noncommercial partnership Russian-Chinese Business Council.</li> <li>15. Approval of the new version of the Company's Charter.</li> <li>16. Approval of the new version of the Regulation on the Procedure for Convening and Holding the Company's General Meeting of Shareholders.</li> <li>17. Approval of the new version of the Regulation on the Procedure for Convening and Holding the Meetings of the Company's Board of Directors.</li> <li>18. Approval of the new version of the Regulation on the Company's Management Board.</li> </ol>
	2. On preapproval of the Company's annual report for 2017.	<p><b>Decision Taken:</b></p> <p>Pre-approve the Company's Annual Report for 2017 (Annex No. 1 to the Minutes of Meeting) and submit the same for the approval at the Company's Annual General Meeting of Shareholders.</p>
	3. On approval of the report on	<p><b>Decision Taken:</b></p>

related party transactions made by the Company in 2017.	Approve the report on related party transactions made by the Company in 2017 (Annex No. 2 to the Minutes of Meeting).												
4. On approval of the annual accounting (financial) statements of the Company based on the results of 2017.	<b>Decision Taken:</b> Pre-approve the Company's annual accounting (financial) statements for 2017 (Annex No. 3 to the Minutes of Meeting) and submit the same for approval at the Company's Annual General Meeting of Shareholders.												
5. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the distribution of the Company's profit based on the results of 2017.	<b>Decision Taken:</b> Pre-approve and recommend that the Annual General Meeting of Shareholders of the Company approve the following distribution of profits (losses) of the Company based on the results of 2017: <table border="1"> <thead> <tr> <th></th><th>(RUB)</th></tr> </thead> <tbody> <tr> <td>Retained earnings (loss) of the reporting period</td><td>36,148,608,891.19</td></tr> <tr> <td>Distribute to: Reserve fund</td><td>1,807,430,444.56</td></tr> <tr> <td>Development of the Company</td><td>23,115,501,974.98</td></tr> <tr> <td>Dividends</td><td>11,225,676,471.65</td></tr> <tr> <td>Recovery of losses of previous years</td><td>0.00</td></tr> </tbody> </table>		(RUB)	Retained earnings (loss) of the reporting period	36,148,608,891.19	Distribute to: Reserve fund	1,807,430,444.56	Development of the Company	23,115,501,974.98	Dividends	11,225,676,471.65	Recovery of losses of previous years	0.00
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Recovery of losses of previous years	0.00												
6. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the amount of dividends, time and form of dividend payout based on their performance in 2017 and the establishment of the date to determine the persons entitled to receive dividends.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Pay dividends on ordinary shares of the Company based on the results of 2017 in the amount of RUB 0.0263335 per one share. Form of payment of dividends: monetary. Establish the 10th day from the date when the resolution to pay dividends was taken as the date, on which the persons entitled to receive dividends shall be determined. The term of dividend payment to a nominal holder and a professional securities market participant to a trustee manager who is registered in the shareholder register of the Company shall not exceed 10 business days, and to other persons registered in the shareholder register of the Company shall be 25 business days from the date, on which the persons entitled to receive dividends shall be determined.												
7. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the payment of remuneration for work on the Board of Directors to members of the Company's Board of Directors, who are not public servants, in the amount established by the Company's internal documents.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Pay remuneration to the members of the Board of Directors based on their performance in the Board of Directors during the period from June 26, 2017 to June 27, 2018, in the amount, manner, and time specified by the Resolution on the Payment of Remunerations and Compensations to the Members of RusHydro's Board of Directors approved by the resolution of the Annual General Meeting of Shareholders of the Company dated June 26, 2017 (Minutes No. 16 dated June 27, 2017).												
8. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the payment of remuneration for work on the Internal Audit Commission to the	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Pay remuneration to the members of the Internal Audit Commission based on their performance in the Commission during the period from June 26, 2017 to June 27, 2018, in the amount, manner, and time specified by the Resolution on the Payment of Remunerations and Compensations to the Members of RusHydro's Internal Audit Commission approved by the resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 16 dated June 27, 2017).												

	Company's Commission members, who are not public servants, in the amount established by the Company's internal documents.	
	9. On recommendations to the Annual General Meeting of Shareholders of the Company on the candidate for a Company's Auditor.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Approve Joint-Stock Company PricewaterhouseCoopers Audit (OGRN 1027700148431) as RusHydro's auditor.
	10. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the new version of the Company's Charter.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to approve the new version of the Company's Charter.
	11. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the new version of the Regulation on the Procedure for Convening and Holding the Company's General Meeting of Shareholders.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to approve the new version of the Regulation on the Procedure for Convening and Holding the General Meeting of Shareholders of the Company.
	12. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the new version of the Regulation on the Procedure for Convening and Holding the Meetings of the Company's Board of Directors.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to approve the new version of the Regulation on the Procedure for Convening and Holding the Meetings of the Company's Board of Directors.
	13. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the new version of the Regulation on the Company's Management Board.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to approve the new version of the Regulation on the Company's Management Board.
	14. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Participation of RusHydro in the Association National Network of the Global Compact.	<b>Decision Taken:</b> Promote the main principles of the United Nations Global Compact on the protection of the environment, human rights, combating corruption, and fair labor relations and in pursuance of the resolution of the Board of Directors of the Company dated October 27, 2017 (Clause 2.1 of Minutes No. 259 dated October 30, 2017), recommend to RusHydro's Annual General Meeting of Shareholders to adopt the following resolution: Approve the entry of RusHydro into the Association National Network of the Global Compact on the terms determined by internal documents and decisions of the management bodies of the Association National Network of the Global Compact, including those regulating the amount, frequency, and procedure for payment of membership fees.

	15. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On participation of RusHydro in the self-regulatory organization Self-Regulatory Corporation of Builders of the Krasnoyarsk Territory Association.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders to adopt the following resolution: Approve the entry of RusHydro into the self-regulatory organization Self-Regulatory Corporation of Builders of the Krasnoyarsk Territory Association (OGRN 1082400002156) (hereinafter - the Association) on the terms determined by the internal documents and decisions of the authorized management bodies of the Association, including those regulating the amount, frequency, and procedure for payment of membership fees at the time of entry.
	16. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the participation of RusHydro in the self-regulatory organization ENERGOPROEKT Association.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Approve the entry of RusHydro into the self-regulatory organization Association of Organizations engaged in the design of energy facilities ENERGOPROEKT (OGRN 1097799022903) (hereinafter - the ENERGOPROEKT Association) on the terms determined by the internal documents and decisions of the authorized management bodies of the ENERGOPROEKT Association, including those regulating the amount, frequency, and procedure for payment of membership fees.
	17. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the participation of RusHydro in the Engineering Surveys in Construction Association.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Approve the entry of RusHydro into the Association Engineering Surveys in Construction (OGRN 1067799027977) (hereinafter - SRO AESC) on the terms determined by the internal documents and decisions of the authorized management bodies of SRO AESC, including those regulating the amount, frequency, and procedure for payment of membership fees.
	18. On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the termination of participation of RusHydro in the noncommercial partnership Russian-Chinese Business Council.	<b>Decision Taken:</b> Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Terminate RusHydro's participation in the non-commercial partnership Russian-Chinese Business Council.
	19. On matters related to the convening, preparation, and conduct of the Annual General Meeting of Shareholders of the Company.	<b>Decision Taken:</b> 1. Convene the Annual General Meeting of Shareholders of RusHydro (hereinafter - the Company) as a meeting (joint presence) (hereinafter - the General Meeting of Shareholders or the Meeting). Determine the date of the Annual General Meeting of Shareholders of the Company: June 27, 2018. 2. Determine the time of the Meeting: the beginning of the Meeting shall be at 10:30 a.m. (MSK). 3. Determine the start time of registration of the Meeting participants: 9:00 a.m. (MSK). 4. Determine the venue of the Meeting: 12 Krasnopresnenskaya Naberezhnaya, Congress Hall, Floor 2, Congress Center, Entrance No. 4, World Trade Center (WTC), Moscow, Russia. 5. Approve the date, on which the persons entitled to participate in the Meeting shall be determined (fixed): June 5, 2018. 6. Video broadcast the Meeting on the corporate website of the Company. 7. Determine that the information (materials) to be made available to the persons entitled to participate in the Meeting shall be as follows: The Annual Report of the Company for 2017 and the opinion of the Internal Audit Commission based on its audit findings;

		<p>The annual accounting (financial) statements on the results of 2017, including the auditor's report and the opinion of the Company's Internal Audit Commission based on its audit findings;</p> <p>A justification of the proposed distribution of net profit and an assessment of its compliance with the Dividend Policy adopted in the Company, including for dividend payment and the Company's own needs, with explanations and economic justification for the need to allocate a certain part of the net profit for the Company's own needs;</p> <p>Information on shareholder's agreements concluded during the year before June 27, 2018;</p> <p>A report on related party transactions made by the Company in 2017;</p> <p>Recommendations of the Board of Directors of the Company on agenda items of the Annual General Meeting of Shareholders of the Company, as well as minority reports of members of the Board of Directors on each agenda item;</p> <p>Information on proposals to include items in the agenda of the Annual General Meeting of Shareholders, including information on who proposed each of the items included in the agenda of the Meeting;</p> <p>Extracts from the Minutes of the Audit Committee under the Company's Board of Directors, the Investments Committee under the Company's Board of Directors, and the HR and Remuneration (Nominations) Committee under the Company's Board of Directors on the respective items to be considered at the Meeting;</p> <p>Details of candidates to the Board of Directors of the Company, including who nominated them, and information on their compliance with independence criteria;</p> <p>Details of candidates to the Internal Audit Commission of the Company, including who nominated them</p> <p>Information regarding the presence or absence of the written consent of candidates nominated to the Board of Directors and the Internal Audit Commission to be elected to the respective body of the Company;</p> <p>Details of the candidate for the Company's ;</p> <p>The Company's Charter (amended and revised);</p> <p>The draft of the new version of the Company's Charter;</p> <p>A comparative table of changes to the Company's Charter with the justification for the need to adopt the respective resolutions;</p> <p>The current version and the draft of a new version of the Regulation on Convening and Holding the annual Meeting of Shareholders of the Company;</p> <p>A comparative table of amendments to the Regulation on the Procedure for Convening and Holding the General Meeting of Shareholders of the Company with the justification for the need to adopt the respective resolutions;</p> <p>The current version and the draft of a new version of the Regulation on Convening and Holding the Meetings of the Company's Board of Directors;</p> <p>A comparative table of amendments to the Regulation on the Procedure for Convening and Holding the Meetings of the Board of Directors of the Company with the justification for the need to adopt the respective resolutions;</p> <p>The current version and the draft of a new version of the Regulation on the Management Board of the Company;</p> <p>A comparative table of amendments to the Regulation on the Management Board of the Company with the justification for the need to adopt the respective resolutions;</p> <p>An explanation of the consequences that may occur for the Company and its shareholders in the case of the adoption of amendments to the Charter of the Company and internal documents;</p> <p>Information on corporate actions that entailed the deterioration of shareholders' dividend rights and/or dilution of their shares and information on the court decisions that established the cases when the shareholders used different methods, apart from dividends and liquidation value, for obtaining income at the expense of the Company;</p> <p>Draft resolutions of the Meeting on the agenda items.</p> <p>8. Determine that persons entitled to participate in the Meeting may familiarize themselves with the information (materials) for the Meeting at the location of the Meeting (on the date of the Meeting) and within 30 days before the date of the Meeting at the following addresses:</p>
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		<p>Malaya Dmitrovka St., Moscow (on business days from 10:00 a.m. to 5:00 p.m. local time), tel. 8-800-333-80-00 /(495) 225-32-32 ext. 4215; 4256; 1824; acceptance/delivery of correspondence: ext. 1832, 4185;</p> <p>23/10 Pravdy St., JSC VTB Registrar (on business days from 10.00 a.m. to 5.00 p.m. local time), tel. (495) 787-44-83;</p> <p>- 43/1 Dubrovinskogo St., Krasnoyarsk (on business days from 10:00 a.m. to 5:00 p.m. local time), tel. 8-913-031-71-04 and</p> <p>on the Company's website: <a href="http://www.rushydro.ru">www.rushydro.ru</a>.</p> <p>9. Approve the form and text of the notice on the holding of the Meeting (Annex No. 4 to the Minutes of Meeting).</p> <p>10. Publish the notice on the holding of the Meeting on the Company's website, <a href="http://www.rushydro.ru">www.rushydro.ru</a>, at least 30 days before the date of the Meeting.</p> <p>11. Approve the form and text of the ballots for voting at the Annual General Meeting of Shareholders of the Company (Annex No. 5 to the Minutes of Meeting).</p> <p>12. Determine that ballots for voting on the Meeting's agenda items shall be sent by registered mail or be delivered against signature to each person registered in the Company's shareholder registers and entitled to participate in the Meeting not later than June 6, 2018 (inclusive).</p> <p>13. Approve the wording of resolutions on the agenda items of the General Meeting of Shareholders, which shall be sent electronically (in the form of electronic documents) to nominal holders of shares registered in the Company's shareholder register (Annex No. 6 to the Minutes of Meeting).</p> <p>14. Determine that when determining the quorum and summing up the voting results, votes represented by voting ballots and declarations of will received not later than two days prior to the date of the Annual General Meeting of Shareholders, namely, not later than June 24, 2018 (inclusive), shall be counted.</p> <p>15. Determine that filled-in voting ballots may be sent to the following postal address:</p> <p>- JSC VTB Registrar, PO Box 54, Moscow 127137.</p> <p>16. Elect Natalia Kovalyova as the Secretary of the Meeting.</p>
Minutes No. 271 dtd June 1, 2018	1. On recognizing candidates to the Company's Board of Directors (members of the Company's Board of Directors) as independent.	<p><b>Decision Taken:</b></p> <p>In line with the recommendations of the Nomination and Compensation Committee under the Company's Board of Directors adopted on May 18, 2018 (Minutes No. 74 dated May 18, 2018):</p> <p>1. Take due note of the information on the results of evaluation of the compliance of a member of the Board of Directors (a candidate nominated for election to the Company's Board of Directors at the Annual General Meeting of Shareholders in 2018), Maksim Bystrov, with the independence criteria stipulated in Annex 4.1 to the Listing Rules of the Moscow Exchange.</p> <p>There is no connection between Maksim Bystrov and the Company, a substantial shareholder, competitors, the State, or a municipal entity.</p> <p>Maksim Bystrov meets the formal criteria of connection with the Company's significant counterparties - JSC ATS, JSC SO UES, JSC FSC<sup>9</sup>, and ANO Market Council Training Center<sup>10</sup>, as the scope of obligations between the Company and each of the said counterparties performed during the last year exceeds 2% of the book value of assets and 2% of the revenue of each counterparty.</p> <p>Note that the connection between Maksim Bystrov and significant counterparties of the Company – JSC ATS, JSC SO UES, JSC FSC, and ANO Market Council Training Center – is formal in nature and does not affect Mr. Bystrov's ability to act as a member of the Board of Directors in the interests of the Company and its shareholders for the</p>

<sup>9</sup>The scope of obligations between the Company and JSC FSC performed during the last year exceeds 2% of the book value of assets and 2% of the revenue of JSC FSC.

<sup>10</sup>M. Bystrov is a member of the Boards of Directors of JSC ATS, JSC SO UES. JSC FSC (through JSC ATS) and ANO Market Council Training Center are controlled by the Association NP Market Council, the Supervisory Board of which includes M. Bystrov, who is also the Chairman of the Management Board of Association NP Market Council.



		<p>following reasons:</p> <ul style="list-style-type: none"> <li>- JSC ATS<sup>11</sup> (Joint-Stock Company Administrator of the Trade System of the Wholesale Electricity Market) renders the services of a commercial operator of the wholesale electricity and capacity market (hereinafter - the wholesale market) to the Company in the manner stipulated in Clause 7 of Article 33 of Federal Law No. 35-FZ dated March 26, 2003 On the Electric Power Industry (the Law on the Electric Power Industry) under an Agreement for Integration into the trade system of the wholesale market. Commercial relations between the Company and JSC ATS are based on the principle of nondiscriminatory access to the services of commercial infrastructure organizations of the wholesale market (Article 20 of the Federal Law on the Electric Power Industry, Regulation No. 861 of the Government dated December 27, 2004) and on the principle of state regulation of tariffs for the services of a commercial operator of the wholesale market (Article 23.1 of the Federal Law on the Electric Power Industry);</li> <li>- JSC SO UES (Joint-Stock Company System Operator of the Unified Energy System) provides the Company with operational dispatch management services in the electric power industry due to its status as a system operator established by Clause 1 of Article 12 of the Federal Law on the Electric Power Industry and under the Agreement for Integration into the trade system of the wholesale market. Commercial relations between the Company and JSC SO UES are based on the principle of nondiscriminatory access to operational dispatch management services in the electric power industry (Clause 6 of Article 20 of the Federal Law on the Electric Power Industry, Government Decree No. 861 dated December 27, 2004) and on the principle of state regulation of tariffs for operational dispatch management services (Article 23.1 of the Federal Law on the Electric Power Industry).</li> <li>- JSC FSC (Joint-Stock Company Financial Settlement Center) is classified among the commercial infrastructure organizations of the wholesale electricity and capacity market of the Russian Federation; it ensures the functioning of the contractual structure of the wholesale market and the system of financial settlements between its participants and renders services to the Company under the Agreement for Integration into the trade system of the wholesale market. The Agreement was concluded in accordance with Clause 1 of Article 32 of the Federal Law on the Electric Power Industry and Clause 40 of the Rules for the Wholesale Electricity and Capacity Market approved by Regulation No. 1172 of the Government of the RF dated December 27, 2010. Commercial relations between the Company and JSC FSC are based on the principle of nondiscriminatory access to the services of commercial infrastructure organizations of the wholesale market (Article 20 of the Federal Law on the Electric Power Industry, Regulation No. 861 of the Government of the RF dated December 27, 2004). The uniform charge for the service package provided by JSC FSC (for all counterparties) is approved by the Supervisory Board of the Association NP Market Council.</li> <li>- ANO Market Council Training Center (Autonomous Noncommercial Organization of Continuing Professional Education NP Market Council Training Center), established under the Association NP Market Council, is an infrastructure organization of wholesale and retail trade in electricity and capacity; it renders services to the Company in the field of education and training of specialists in organizing an effective system of wholesale and retail trade in electricity and capacity.</li> </ul> <p>Considering that the wholesale market regulations adopted by the Supervisory Board of the Association NP Market Council are amended monthly, to maintain a high level of knowledge in the field of wholesale market procedures and to obtain information on current and planned changes in the wholesale market, the employees of the Company need to undergo training at the primary source, ANO Market Council Training Center. The training contracts between the Company and ANO Market Council Training Center are concluded on arm's length terms.</p> <p>Mr. Bystrov's track record in the Company's Board of Directors proves his ability to make independent, unbiased, and</p>
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<sup>11</sup>By decision of the Supervisory Board of the Association NP Market Council (the previous name is NP ATS) dated November 30, 2007, starting from April 1, 2018 ATS JSC has been assigned the functions of a commercial operator of the wholesale market referred to in paragraph 1 of Art. 33 Federal Law on Electric Power Industry to the organizations of the commercial infrastructure of the wholesale market.

		<p>conscientious judgments, since Mr. Bystrov's stand on agenda items of meetings of the Board of Directors and committees under the Board of Directors is based on his expertise and experience, is autonomous and independent, and the decisions made by Mr. Bystrov bring us to the conclusion that his formal connection with significant counterparties of the Company—JSC ATS, JSC SO UES, JSC FSC, and ANO Market Council Training Center—does not influence his decision making, as Mr. Bystrov acts in the interests of the Company and all its shareholders.</p> <p>Based on Clause 2 of Section 2.18 of Annex 2 and on Annex 4.1 to the Listing Rules of the Moscow Exchange, recognize Maksim Bystrov as an independent director.</p> <p>2. Take due note of the information on the results of the compliance of a member of the Board of Directors (a candidate nominated for election to the Company's Board of Directors at the Annual General Meeting of Shareholders in 2018), Sergey Ivanov, with the independence criteria stipulated in Annex 4.1 to the Listing Rules of the Moscow Exchange. There is no connection between S. Ivanov and the Company, a substantial shareholder, competitors, the State, or a municipal entity.</p> <p>Sergey Ivanov meets the formal criteria of connection with the State, since during the year preceding his election to the Company's Board of Directors Mr. Ivanov acted as General Director of LLC RT-Capital, an entity controlled by the Russian Federation.</p> <p>Note that the connection between Mr. Ivanov and the State is formal in nature and does not affect his ability to act as a member of the Board of Directors in the interests of the Company and all its shareholders for the following reasons:</p> <ul style="list-style-type: none"> <li>- In accordance with order No. 405-r of the Government of the Russian Federation dated March 9, 2018, Mr. Ivanov has been nominated by the Russian Federation as an independent director; therefore, Mr. Ivanov has no obligation to vote on the instructions of the Government of the Russian Federation (Clause 16 of Regulation No. 738 of the Government of the RF dated December 3, 2004).</li> <li>- Mr. Ivanov's connection with the state is formal due to the fact that the employment relations with RT-Capital, which were terminated in February 2018, did not and will not influence the making of unbiased and independent decisions by Mr. Ivanov, since the control of the Russian Federation over RT-Capital is indirect and is carried out through the State Corporation for the Promotion of the Development, Production, and Export of High-Tech Industrial Products Rostek, which is operated through management bodies typical of a commercial organization.</li> <li>- Mr. Ivanov's track record in the Company Board of Directors proves his ability to make independent, unbiased, and conscientious judgments, since Mr. Ivanov's stand on agenda items of meetings of the Board of Directors and committees under the Board of Directors is based on his expertise and experience and is autonomous and independent, and the decisions made by Mr. Ivanov bring us to the conclusion that his formal connection with the State does not influence his decision making as Mr. Ivanov acts in the interests of the Company and all its shareholders.</li> </ul> <p>Based on Clause 2 of Section 2.18 of Annex 2 and on Annex 4.1 to the Listing Rules of the Moscow Exchange, recognize Sergey Ivanov as an independent director.</p>
	<p>2. On approval of the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q1 2018.</p>	<p><b>Decision Taken:</b></p> <p>1. Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q1 2018 (Annex No. 1 to the Minutes of Meeting).</p> <p>2. Make the following amendments to the Register of Non-core Assets of the Company approved by the decision of the Company's Board of Directors dated December 28, 2017 (Minutes No. 263):</p> <ul style="list-style-type: none"> <li>- Change the planned disposition of the facilities "Road No. 1-2 of the 4th cat." and "Road No. 2-3 of the 4th cat." (Clauses 6 and 8 of the "Gratuitous Transfer" section) from "gratuitous transfer" to "liquidation"</li> <li>- Change the planned disposition of the facility LLC VolgaHydro (Clause 4 of the "Retention of noncore assets" section) from "holding" to "sale"</li> <li>- Exclude the facility JSC Yuzhno-Yakutskiy HPC (Clause 4 of the "Liquidation" section).</li> </ul>

	<p>3. On the performance of transactions by RusHydro related to the gratuitous transfer of the Company's property to a third party.</p>	<p><b>Decision Taken:</b>          Approve the conclusion of a Property Donation Agreement on the following material terms:  <u>Parties to the Agreement:</u>          The Donor is the Company;          The Donee is a federal subject of the Russian Federation, the Karachay-Cherkess Republic.  <u>Subject of the Agreement:</u>          The Donor shall gratuitously transfer, and the Donee shall take into possession the following fixed properties for use as public transportation facilities:          - The overpass (bridge) over the Kardonikskiy inverted siphon, cadastral number 09:06:0000009:114, located at: Karachay-Cherkess Republic, Zelenchukskiy District, Zelenchukskaya Stanitsa, facilities of the Zelenchukskiye HPPs power complex.          - The bridge on PK-26 + 81.8 channel B. Zelenchuk—Husa-Kardonikskaya, cadastral number 09:06:0000009:109, located at: Karachay-Cherkess Republic, Zelenchukskiy District, facilities of the Zelenchukskiye HPPs power complex.  <u>The book value of the transferred property as of March 31, 2018 is:</u>          RUB 6,297,418 (six million two hundred ninety-seven thousand four hundred and eighteen).</p>
	<p>4. On RusHydro's priority activities.</p>	<p><b>4.1. On consideration of the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in the Company's operations.</b>  <b>Decision Taken:</b>          Approve the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in RusHydro's operations in Q4 2017 and Q1 2018 (Annex No. 2 to the Minutes of Meeting).</p> <p><b>4.2. On progress in executing individual assignments of the President of the Russian Federation and the Government of the Russian Federation regarding the refinancing of the loan debt of the Holding Company RAO ES East.</b>  <b>Decision Taken:</b>          Take due note of the report on the completion of measures related to the refinancing of the debt of the Holding Company RAO ES East (Annex No. 3 to the Minutes of Meeting).</p> <p><b>4.3. On approval of the progress report on RusHydro Group's Innovative Development Program for 2016–2020 with an outlook till 2025 in 2017.</b>  <b>Decision Taken:</b>          1. Approve the progress report on RusHydro Group's Innovative Development Program for 2016–2020 with an outlook till 2025 in 2017 (Annex No. 4 to the Minutes of Meeting).          2. For the purpose of implementing the provisions of Directives No. 3262p-P13 of the Government of the Russian Federation dated April 27, 2018, reword the resolution of the Company Board of Directors (Minutes No. 263 dated December 28, 2017) on agenda item 4.4 "On Consideration of Proposals for Improving the Quality of the Preparation and Implementation of RusHydro Group's Innovative Development Program for 2016–2020 with an outlook till 2025" as follows:          Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to ensure:          1. that the Company benchmarked its level of technological development and current KPIs against the level of development and indicators of leading peer companies, including foreign ones, in accordance with the Methodological Recommendations for comparing the level of technological development and KPIs of partially government-owned joint-stock companies, state corporations, state companies, and federal state unitary enterprises with the level of development and indicators of leading peer companies approved by the Interagency Working Group on the Implementation of Priorities for Innovative Development at the Presidium of the Presidential Council for the Modernization of the Economy and the</p>

		<p>Innovative Development of Russia (hereinafter - the IWG) (Minutes No. 2 dated September 19, 2017) with the involvement of an external consultant in accordance with the established procedure by July 30, 2018.</p> <p>2. that the Company submitted the following for consideration of the Board of Directors no later than October 15, 2018 and send the same to the Ministry of Economic Development and Trade of the Russian Federation and the federal executive body coordinating the Company's operations no later than November 1, 2018:</p> <ul style="list-style-type: none"> <li>- The results of the comparison of the level of technological development;</li> <li>- Proposals for adjusting the innovative development program and the long-term development program;</li> <li>- Proposals concerning the composition and values of the integral key performance indicator (hereinafter - IKPI) for 2019.</li> </ul> <p><b>4.4. On updating RusHydro Group's Long-Term Development Program for 2018–2022.</b>  <b>Decision Taken:</b>  Approve the updated RusHydro Group's Long-Term Development Program for 2018–2022 (Annex No. 5 to the Minutes of Meeting).</p>
	<p>5. On determining the stands of RusHydro (the Company's representatives) on the agenda items of meetings of the Boards of Directors and general meetings of shareholders of subsidiaries.</p>	<p><b>5.1. On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of RAO ES East.</b>  <b>Decision Taken:</b>  Assign the Company's representative in the management bodies of JSC RAO ES East to vote FOR the following resolution on the item "On the Company's related transactions associated with the disposal of property constituting fixed assets whose target use is the generation, transmission, and distribution of electricity and thermal energy":  Approve the Company's related transactions associated with the disposal of property constituting fixed assets whose target use is the generation, transmission, and distribution of electricity and thermal energy" on the following material terms:  <u>Parties to the Transaction:</u>  The Alienator is JSC RAO ES East.  The Acquirer is PJSC Sakhalinenergo.  <u>Subject of the Transaction:</u>  The Alienator shall transfer the title to the property of the 5th power unit of Yuzhno-Sakhalinskaya CHPP-1 and the network property in accordance with Annex No. 6 to the Minutes (hereinafter - the Property) to the Acquirer, and the Acquirer shall offer additional publicly-traded ordinary shares in favor of the Alienator (state registration number of the additional issue of securities: 1-03-00272-A-001D dated December 7, 2017) (hereinafter - the Shares) in an amount determined based on the Property Price and the offering price of the Shares, which is RUB 10 00 kopecks per 1 (one) share.  <u>Property Price:</u>  To be determined based on an asset valuation report prepared by a qualified appraiser.</p> <p><b>5.2. On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of Shareholders of JSC Sakhalin GRES-2: On consent to perform a major transaction - the conclusion by JSC Sakhalin GRES-2 of an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002.</b>  <b>Decision Taken:</b>  Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue: On consent to perform a major transaction - the conclusion by JSC Sakhalin GRES-2 of an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production</p>

		<p>complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 to vote FOR the following decision:</p> <p>Consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 (hereinafter - the Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms:</p> <p><u>Parties to the Transaction:</u>  Customer - JSC Sakhalinskaya SDPP-2;  General Contractor - JSC TEK Mosenergo.</p> <p><u>Subject of the Transaction:</u>  1. Alteration of the terms previously approved by the general meeting of shareholders of JSC Sakhalin GRES-2 (resolution No.03/2014-SGRES of the trustee of JSC RAO ES East dated December 29, 2014) with regard to the terms of deadlines:  Scheduled date of readiness for commissioning: October 26, 2018.  Scheduled actual completion date: December 1, 2018.  2. Preservation of the Customer's right to present claims to the General Contractor related to violations of the terms of the Agreement committed prior to the conclusion hereof.</p> <p><u>Price of the Transaction:</u>  The ceiling price of the Agreement shall not change as a result of the conclusion of the Addendum and amounts to RUB 30,236,000,000 (thirty billion two hundred thirty-six million) 00 kopecks, including VAT (18%).</p>
	6. On the review of the results of the assessment of the Company's corporate governance practices.	<p><b>Decision Taken:</b>  Take due note of the results of the assessment of the Company's corporate governance practices and the recommendations for improving corporate governance.</p>
Minutes No. 272 dtd June 22, 2018	1. On matters related to the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).	<p><b>1.1. On the progress of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).</b>  <b>Decision Taken:</b>  1. Take due note of the information on the progress the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (hereinafter - Project), and on the progress of financing the Project from the federal budget resources (RUB 13 bn), and partially from the Company's own funds (up to RUB 5 bn) (Annex No. 1 of the Minutes of Meeting).  2. Assign the Chairman of the Management Board and General Director of the Company, N. Shulginov, to keep the Project name unchanged in the design documentation.</p> <p><b>1.2. On determining the offering price of additional shares of the Company.</b>  <b>Decision Taken:</b>  Set the offering price of additional shares of the Company (inter alia, upon exercising the preemptive right to acquire additional shares) in the amount of RUB 1 (one) for 1 (one) additional registered ordinary uncertified share.</p> <p><b>1.3. On increasing the authorized capital of the Company by placing additional shares within the number of declared shares.</b>  <b>Decision Taken:</b>  Increase the authorized capital of RusHydro by placing additional registered ordinary uncertified shares in the amount of 14,013,888,828 shares with a par value of RUB 1 each, for a total amount (at par value) of RUB 14,013,888,828 on the following conditions:</p>

		<p>Placement method: open subscription. The offering price of additional shares of RusHydro (inter alia, upon exercising the preemptive right to acquire additional shares): 1 (one) ruble 00 kopecks for 1 (one) additional registered ordinary uncertified share; Form and procedure of payment for additional shares: shares shall be paid in Russian Rubles in non-cash form.</p> <p><b>1.4. On the approval of the Decision on the additional issue of securities.</b> <b>Decision Taken:</b> Approve the Decision on the additional issue of RusHydro's securities (registered ordinary uncertified shares) in accordance with Annex No. 2 to the Minutes of Meeting.</p> <p><b>1.5. On the approval of the Securities Prospectus.</b> <b>Decision Taken:</b> Approve the Prospectus for RusHydro's Securities (registered ordinary uncertified shares) in accordance with Annex No. 3 to the Minutes of Meeting.</p>
	2. On participation in other organizations: Participation of the Company in the authorized capital of JSC Chukotenergo through the acquisition of Chukotenergo's additional registered ordinary uncertified shares.	<p><b>Decision Taken:</b> Postpone consideration of the item to a later date.</p>
	3. On the approval of the report on the functioning and results of the internal assessment of the corporate system of internal control and risk management.	<p><b>Decision Taken:</b> Approve the report on the functioning and results of the internal assessment of the corporate system of internal control and risk management.</p>
	4. On the results of an independent evaluation of the performance of RusHydro's Board of Directors.	<p><b>Decision Taken:</b> Take due note of the results of an independent evaluation of the performance of RusHydro's Board of Directors (Annex No. 4 to the Minutes of Meeting).</p>
Minutes No. 273 dtd June 27, 2018	1. On interim results of the Business Plan of the Company for 2018 with actual data for Q1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities)).	<p><b>Decision Taken:</b> Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for Q1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating for Q1 2018)) (Annex No. 1 to the Minutes of Meeting).</p>
	2. On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for Q1 2018.	<p><b>Decision Taken:</b> Approve the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for Q1 2018 (Annex No. 2 to the Minutes of Meeting).</p>
	3. On approval of the performance reports of the Committees of	<p><b>3.1. On approval of the performance reports of the Committee on Reliability, Energy Efficiency, and Innovation of the Company's Board of Directors for 2017-2018 corporate year.</b></p>

	RusHydro's Board of Directors for 2017-2018 corporate year.	<p><b>Decision Taken:</b> Approve the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 3 to the Minutes of Meeting).</p> <p><b>3.2. On approval of the performance reports of the Strategy Committee of the Company's Board of Directors for 2017-2018 corporate year.</b> <b>Decision Taken:</b> Approve the performance reports of the Strategy Committee of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 4 to the Minutes of Meeting).</p> <p><b>3.3. On approval of the performance reports of the Investment Committee of the Company's Board of Directors for 2017-2018 corporate year.</b> <b>Decision Taken:</b> Approve the performance reports of the Investment Committee of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 5 to the Minutes of Meeting).</p> <p><b>3.4. On approval of the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for 2017-2018 corporate year.</b> <b>Decision Taken:</b> Approve the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 6 to the Minutes of Meeting).</p> <p><b>3.5. On approval of the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for 2017-2018 corporate year.</b> <b>Decision Taken:</b> Approve the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 7 to the Minutes of Meeting).</p> <p><b>3.6. On approval of the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year.</b> <b>Decision Taken:</b> Approve the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 8 to the Minutes of Meeting).</p>
	4. On the consideration of the performance report on the Company's Management Board for 2017.	<p><b>Decision Taken:</b> Take due note of the performance report on the Company's Management Board for 2017 (Annex No. 9 to the Minutes of Meeting).</p>
	5. On the Company's priority activities:	<p><b>5.1. On the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of March 31, 2018.</b> <b>Decision Taken:</b> Take due note of the information on the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of March 31, 2018 (Annex No. 10 to the Minutes of Meeting).</p>
	6. On the Company's transaction	<p><b>Decision Taken:</b></p>

	with the gratuitous transfer of the Company's property to third parties (a bridge in the Karachay-Cherkess Republic, Zelenchuksky District).	<p>Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property under the following material terms:</p> <p><u>Parties to the Agreement:</u> The Donor is the Company; The Donee is the Zelenchuk Municipal District, a municipal entity in the Karachay-Cherkess Republic.</p> <p><u>Subject of the Agreement:</u> The Donor shall transfer on a gratis basis, and the Donee shall accept for use pro bono publico (as a public transportation facility) the motor road bridge across the river Khusa with an area of 298 sq. m registered under cadastral number 09:06:0000009:106 and located at: the facilities of the Zelenchukskiye HPPs power complex, Zelenchukskaya Stanitsa, Zelenchuk District, the Karachay-Cherkess Republic.</p> <p><u>The book value of the transferred property as of May 31, 2018 is:</u> RUB 1,386,221 (one million three hundred eighty-six thousand two hundred twenty-one) 63 kopecks.</p>
	7. On approval of the Company's internal documents.	<p><b>7.1. On approval of the Regulation on RusHydro's Business Planning System.</b></p> <p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Approve the new version of the Regulation on RusHydro's Business Planning System according to Annex No. 11 to the Minutes of Meeting.</li> <li>2. Consider the Regulation on RusHydro's Business Planning System approved by the decision of the Board of Directors of the Company (Minutes No. 233 dated April 1, 2016) to be outdated.</li> </ol>
Minutes No. 274 dtd June 28, 2018	1. On termination of the Company's membership in other organizations.	<p><b>Decision Taken:</b></p> <ol style="list-style-type: none"> <li>1. Determine that the price (monetary value) of 5,131,669,622.18 (five billion one hundred thirty-one million six hundred sixty-nine thousand six hundred twenty-two and 18/100) registered ordinary uncertificated shares of PJSC Inter RAO with a par value of RUB 2.809767 (two point eight hundred nine thousand seven hundred sixty seven million) each to be alienated by RusHydro and its controlled entities, the state registration number of the share issue 1-04-33498-E (hereinafter - the Shares) shall be RUB 3.3463 per share, which is not lower than the market price determined on the basis of the report of an independent appraiser.</li> <li>2. Approve the termination of the Company's participation in the authorized capital of Public Joint-Stock Company Inter RAO UES (PJSC Inter RAO, location: Russian Federation, Moscow, OGRN 1022302933630, INN 2320109650) through the sale to JSC Inter RAO Capital of 2,029,197,475.41 (two billion twenty-nine million one hundred ninety-seven thousand four hundred seventy-five and 41/100) registered ordinary shares of PJSC Inter RAO owned by the Company, which is 1.944% of its authorized capital, at the alienation price of RUB 3.3463 per share, which is not lower than the market price determined on the basis of the report of an appraiser, on material terms (stipulated by the laws on share purchase agreements), including the procedure for payment of shares by installment (the payment schedule), as per Annex No. 1 to the Minutes of Meeting.</li> <li>3. Approve the termination of the Company's controlled entities participation in the authorized capital of Public Joint-Stock Company Inter RAO UES (PJSC Inter RAO, location: Russian Federation, Moscow, OGRN 1022302933630, INN 2320109650) through the conclusion of contracts with Inter RAO Capital for the sale of 3,102,472,146.77 (three billion one hundred two million four hundred seventy-two thousand one hundred forty-six and 77/100) registered ordinary uncertificated shares of PJSC Inter RAO, which is 2.972% of the authorized capital of PJSC Inter RAO, at the alienation price of RUB 3.3463 per share, which is not lower than the market price determined on the basis of the report of an appraiser, on material conditions (stipulated by the laws on share purchase agreements), including the procedure for payment of shares by installment (the payment schedule), as per Annexes 2-4 to the Minutes of Meeting.</li> <li>4. RusHydro Group's stake in the authorized capital of Inter RAO is: Before the alienation of the Shares: 4.915%</li> </ol>



		After the alienation of the Shares: 0% 5. Consider the resolution on item 2 to be an approval in accordance with Sub-clause 24 c) of Clause 12.1 of the Company's Charter.																				
Minutes No. 275 to the August 9, 2018	1. On the election of the Chairman of the Company's Board of Directors.	<b>Decision Taken:</b> Elect Yury Trutnev as the Chairman of RusHydro's Board of Directors.																				
	2. On the election of the Deputy Chairman of the Company's Board of Directors.	<b>Decision Taken:</b> Elect Sergey Ivanov as the Deputy Chairman of RusHydro's Board of Directors.																				
	3. On the creation of committees under the Company's Board of Directors.	<p><b>3.1. On the creation of the Audit Committee under the Company's Board of Directors.</b>  <b>Decision Taken:</b>  1. Elect the following people to the Audit Committee of the Company's Board of Directors:</p> <table border="1"> <tr> <td>1.</td><td>Maxim Bystrov</td><td>member of RusHydro's Board of Directors, the Chairman of the Management Board of NP Market Council Association</td></tr> <tr> <td>2.</td><td>Sergey Ivanov</td><td>member of RusHydro's Board of Directors</td></tr> <tr> <td>3.</td><td>Vyacheslav Pivovarov</td><td>member of RusHydro's Board of Directors, President of LLC Altera Capital</td></tr> </table> <p>2. Take due note of the information that all members of the Audit Committee of RusHydro's Board of Directors have experience and knowledge relating to preparation, analysis, evaluation, and audit of accounting (financial) statements.  3. Elect Sergey Ivanov as the Chairman of the Audit Committee of the Company's Board of Directors.</p> <p><b>3.2. On the creation of the Nomination and Compensation Committee under the Company's Board of Directors.</b>  <b>Decision Taken:</b>  1. Elect the following people to the Nomination and Compensation Committee under RusHydro's Board of Directors:</p> <table border="1"> <tr> <td>1.</td><td>Vyacheslav Pivovarov</td><td>member of RusHydro's Board of Directors, President of LLC Altera Capital</td></tr> <tr> <td>2.</td><td>Sergey Ivanov</td><td>member of RusHydro's Board of Directors</td></tr> <tr> <td>3.</td><td>Maxim Bystrov</td><td>member of RusHydro's Board of Directors, the Chairman of the Management Board of NP Market Council Association</td></tr> </table> <p>2. Elect Vyacheslav Pivovarov as the Chairman of the Nomination and Compensation Committee at RusHydro's Board of Directors</p> <p><b>3.3. On the creation of the Strategy Committee under the Company's Board of Directors.</b>  <b>Decision Taken:</b>  1. Determine the numerical composition of the Strategy Committee of the Company's Board of Directors – 14 people.  2. Elect the following people to the Strategy Committee of the Company's Board of Directors:</p> <table border="1"> <tr> <td>1.</td><td>Pavel Grachev</td><td>Member of RusHydro's Board of Directors, President of PJSC Polyus</td></tr> </table>	1.	Maxim Bystrov	member of RusHydro's Board of Directors, the Chairman of the Management Board of NP Market Council Association	2.	Sergey Ivanov	member of RusHydro's Board of Directors	3.	Vyacheslav Pivovarov	member of RusHydro's Board of Directors, President of LLC Altera Capital	1.	Vyacheslav Pivovarov	member of RusHydro's Board of Directors, President of LLC Altera Capital	2.	Sergey Ivanov	member of RusHydro's Board of Directors	3.	Maxim Bystrov	member of RusHydro's Board of Directors, the Chairman of the Management Board of NP Market Council Association	1.	Pavel Grachev
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		2.	Sergey Ivanov	member of RusHydro's Board of Directors
		3.	Vyacheslav Pivovarov	Member of RusHydro's Board of Directors, President of LLC Altera Capital
		4.	Nikolay Rogalev	Member of RusHydro's Board of Directors, rector of the National Research University Moscow Power Engineering Institute
		5.	Sergey Shishin	Member of RusHydro's Board of Directors, Senior Vice President of VTB Bank
		6.	Alexander Bogashov	Director of the Department of Corporate Governance, Pricing, and Audit in the Fuel and Energy Sectors of the Ministry of Energy of Russia
		7.	Dmitry Denisov	Advisor to the Minister of Economic Development of the Russian Federation
		8.	Igor Zadvornov	Head of the Secretariat of the Deputy Chairman of the Government of the Russian Federation - envoy from the President of the Russian Federation in the Far Eastern Federal District of Yu. Trutnev
		9.	Andrey Kazachenkov	Member of the Management Board, RusHydro's First Deputy General Director
		10.	Boris Livshits	Deputy Head of the Competitive Pricing Development Department of the NP Market Council Association
		11.	Vasily Nikonov	Director of Rosneft's Energy Department
		12.	Yevgeny Olkhovich	Rosseti's Deputy General Director for Strategic Development
		13.	George Rizhinashvili	Member of the Management Board, RusHydro's First Deputy General Director
		14.	Pavel Snikkars	Director of the Department of Electric Power Industry Development at the Ministry of Energy of Russia
		3. Elect Igor Zadvornov as the Chairman of the Strategy Committee of the Company's Board of Directors.		
		<b>3.4. On the creation of the Investment Committee under the Company's Board of Directors.</b> <b>Decision Taken:</b> 1. Elect the following people to the Investment Committee of RusHydro's Board of Directors:		
		1.	Maxim Bystrov	member of RusHydro's Board of Directors, the Chairman of the Management Board of NP Market Council Association

		2.	Sergey Ivanov	member of RusHydro's Board of Directors
		3.	Vyacheslav Pivovarov	member of RusHydro's Board of Directors, President of LLC Altera Capital
		4.	Nikolay Rogalev	member of RusHydro's Board of Directors, Rector of the National Research University Moscow Power Engineering Institute
		5.	Mikhail Bychko	Director of Rosseti's Capital Construction Department
		6.	Andrey Gabov	Acting Deputy Director of the Department for State Regulation of Tariffs, Infrastructure Reforms, and Energy Efficiency of the Ministry of Economic Development of Russia
		7.	Sergey Zhuravleva	Vice President for Government Relations, LLC UK Polyus
		8.	Denis Milyutina	Head of the Department for Fuel & Energy Resources Cost Control of Rosneft's Energy Department
		9.	Pavel Snikkars	Director of the Department of Electric Power Industry Development at the Ministry of Energy of Russia
		10.	Andrey Kazachenkov	Member of the Management Board, RusHydro's First Deputy General Director
		11.	Sergey Kirov	Member of the Management Board, RusHydro's First Deputy General Director
		12.	Viktor Khmarin	Deputy General Director for Resource Support and Prospective Development
		2. Elect Maxim Bystrov as the Chairman of the Investment Committee of the Company's Board of Directors.		
<b>3.5. On the creation of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.</b>				
<b>Decision Taken:</b>				
1. Elect the following people to the Committee on Energy Development of the Far East at RusHydro's Board of Directors:				
1.	Yury Trutnev	Deputy Chairman of the Government of the Russian Federation - envoy from the President of the Russian Federation in the Far Eastern Federal District		
2.	, a member of RusHydro's Board of Directors Pavel Grachev	Member of RusHydro's Board of Directors, President of PJSC Polyus		
3.	Vyacheslav Kravchenko	Member of RusHydro's Board of Directors, Deputy Minister of Energy of the Russian Federation		
4.	Sergey Vasiliev	Deputy General Director - Director of the Far East Division		
5.	Igor Zadvornov	Head of the Secretariat of the Deputy Chairman of the Government of the Russian Federation - envoy from the President of the Russian Federation in the Far Eastern Federal		

				District of Yu. Trutnev
		6.	Andrey Kazachenkov	Member of the Management Board, RusHydro's First Deputy General Director
		7.	Denis Konstantinov	Acting Head of the Department for the Development of the Electric Power Industry and Energy Efficiency of the Department for State Regulation of Tariffs, Infrastructure Reforms, and Energy Efficiency of the Ministry of Economic Development of the Russian Federation
		8.	Denis Pilenieks	Deputy Director for Control of Development of the Unified Energy System, JSC SO UES
		9.	Alexander Pyatigor	Rosseti's Acting Deputy General Director for Service Development and Sales
		10.	Alexey Molsky	Deputy Chairman of the Management Board of PJSC FGC UES
		11.	Vladimir Tupikin	Deputy Chairman of the Management Board of NP Market Council Association
		12.	Sergey Tyrtsev	First Deputy Minister for the Development of the Far East
		13.	Alexey Chekunkov	General Director of Far East and Baikal Region Development Fund
		2. Elect Yury Trutnev as the Chairman of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.		
		<b>3.6. On the creation of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.</b>		
		<b>Decision Taken:</b>		
		1. Determine the numerical composition of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors – 11 people.		
		2. Elect the following people to the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors:		
		1.	Nikolay Rogalev	member of RusHydro's Board of Directors, Rector of the National Research University Moscow Power Engineering Institute
		2.	Vyacheslav Kravchenko	member of RusHydro's Board of Directors, Deputy Minister of Energy of the Russian Federation
		3.	Oleg Barkin	Member of the Management Board - the Deputy Chairman of the Management Board of NP Market Council Association
		4.	Boris Bogush	Member of the Management Board, RusHydro's First Deputy General Director - RusHydro's Chief Engineer
		5.		Deputy Director for Mode Management of the Unified Energy System,

			Yuri Vishnevsky	JSC SO UES	
		6.	Viktor Gvozdev	RusHydro's Deputy Chief Engineer	
		7.	Dmitriy Gvozdev	Rosseti's Chief Engineer	
		8.	Sergey Zhuravleva	Vice President for Government Relations, LLC UK Polyus	
		9.	George Rizhinashvili	Member of the Management Board, RusHydro's First Deputy General Director	
		10.	Mikhail Fedorov	President of the Peter the Great St.Petersburg Polytechnic University, the Chairman of RusHydro's Scientific and Technical Council Bureau	
		11.	Kirill Frolov	Deputy General Director for RusHydro's Research and Design Activities	
		3. Elect Nikolay Rogalev as the Chairman of the Committee on the Reliability, Energy Efficiency, and Innovations at RusHydro's Board of Directors.			
		4. Recognize the compliance of the composition of the committees with the tasks of the Board of Directors and the objectives of the Company's activities and the absence of the need to create new committees.			
		4. On approval of the Action Plan of RusHydro's Board of Directors for H2 2018.			
		<b>Decision Taken:</b> Approve the Action Plan of RusHydro's Board of Directors for H2 2018 (Annex No. 1 to the Minutes of Meeting).			
	5. On approval of the Company's internal documents.	<b>5.1. On approval of RusHydro Group's Environmental Policy.</b> <b>Decision Taken:</b> 1. Approve RusHydro Group's Environmental Policy (Annex No. 2 to the Minutes of Meeting). 2. Consider RusHydro's Environmental Policy approved by RusHydro's Board of Directors dated April 7, 2016 (Minutes No. 235 dated April 8, 2016) to be outdated.			
		<b>5.2. On approval of RusHydro's Auditor Rotation Policy.</b> <b>Decision Taken:</b> Approve RusHydro's Auditor Rotation Policy (Annex No. 3 to the Minutes of Meeting).			
	6. On review of material issues for the Company.	<b>6.1. On approval of Addendum No. 5 to Agreement No. 01-08/827 on the Provision of Budget Investments dated December 18, 2012.</b> <b>Decision Taken:</b> Approve the conclusion of Addendum No. 5 (hereinafter - the Addendum) to Agreement No. 01-08/827 on the provision of budget investments dated December 18, 2012 (hereinafter - the Agreement) on the following material terms: <u>Parties to the Addendum:</u> Ministry of Energy of the Russian Federation, Federal Agency for State Property Management, the Company. <u>Subject of the Addendum:</u> Incorporation of the following amendments to the Agreement: 1. The increase in the marginal estimated cost of construction of CHPP at Sovetskaya Gavan in Q3 2013 and Q3 2017 prices, which, as reported by FAA Glavgosexpertiza of Russia dated December 22, 2017 No. 287-17/HGE-2257/04, amounts to RUB 33,536 032,140 (thirty-three billion five hundred thirty-six million thirty-two thousand one hundred forty) 00 kopecks, including VAT. 2. Change in the input power ratings of the CHPP at Sovetskaya Gavan from 120 MW to 126 MW.			

		<p>3. The increase in the cost of construction of the Sakhalin GRES-2 (1st stage) for the cost of additional work at the current price level of the respective years of Q3 2014 - Q4 2017, which, as reported by FAA Glavgosexpertiza of Russia dated May 5, 2018 No. 485- 18/GGE-9164/10, amounts to RUB 9,280,200,570 (nine billion two hundred and eighty million two hundred thousand five hundred seventy) 00 kopecks, including VAT.</p> <p>4. Change in the input power ratings of the 1st construction stage of the Sakhalin GRES-2 from 60 MW, 18.2 Gcal/h to 60 MW.</p> <p><b>6.2. On the development and implementation of import substitution plans.</b>  <b>Decision Taken:</b>  1. Approve a set of measures aimed at the planned and phased replacement of purchases of foreign products (works, services) with the purchase of Russian products (works, services) equivalent in technical characteristics and consumer properties and used in the investment projects and current activities (Annex No. 4 to the Minutes of Meeting).  2. Approve the Roadmap on import substitution for the period up to 2025 (Annex No. 5 to the Minutes of Meeting).</p> <p><b>6.3. On the agreement of concurrent employment of the Management Board's member in the management bodies of other organizations.</b>  <b>Decision Taken:</b>  Agree on the concurrent employment of a member of the Management Board, First Deputy General Director of the Company, Kazachenkov Andrey, in the position of a member of the Board of Directors of JSC Far Eastern Energy Management Company and JSC NPF LUKOIL-GARANT.</p>
Minutes No. 276 dtd October 4, 2018	1. On approval of the interim results of the Business Plan of the Company for 2018 with actual data for H1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities, for H1 2018).	<b>Decision Taken:</b> Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for H1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating for H1 2018) (Annex No. 1 to the Minutes of Meeting).
	2. On the revision of the Business Plan (including the Investment Program) of the Company for 2018.	<b>Decision Taken:</b> 1. Approve the revised Business Plan of the Company for 2018 (Annex No. 2 to the Minutes of Meeting). 2. Approve RusHydro's revised Investment Program for 2018 (Annex No. 2 to the revised Business Plan of the Company for 2018). 3. Approve the targets on RusHydro's investment objects and new construction facilities of subsidiaries included in calculating the performance indicator of the members of RusHydro's Management Board "Meeting the Capacity Commissioning Schedules and Plan for Financing and Absorption,%" for 2018 (Annex No. 2a to the revised Business Plan of the Company for 2018).
	3. On the revision of RusHydro Group's Consolidated Business Plan (including the Consolidated Investment Program) for 2018 and approval of the adjusted Target Values of the annual KPIs of the Company's Management Board members for 2018.	<b>Decision Taken:</b> 1. Approve RusHydro Group's revised Consolidated Business Plan (including the Consolidated Investment Program) for 2018 (Annex No. 3 to the Minutes of Meeting). 2. Approve the adjusted Target values of the Annual KPIs of the Company's Management Board members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") (Annex No. 4 to the Minutes of Meeting).

	4. On incorporation of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of the Company's Management Board Members.	<p><b>Decision Taken:</b> Assign the Management Board of the Company, with due allowance for the negotiations held, finalize proposals for revising the Methodology of Calculating Annual KPIs and submit them for reconsideration to the Board of Directors of the Company.</p> <p><i>In addition, as part of the discussion of agenda issues, Chairman of the Board of Directors, Yu. Trutnev, assigned the Company's Management Board before November 15, 2018 to submit the effectiveness review of the non-deliverable share forward contract signed with the VTB Bank (PJSC), as well as a report on the activities already taken and planned to be taken under Group RusHydro's Value Appreciation Plan, for the consideration of the Strategy Committee at the Company's Board of Directors.</i></p>
Minutes No. 277 dtd October 4, 2018	1. On approval of the Company's internal documents: On approval of the Unified Regulation on the Procurement of Products for RusHydro's needs.	<p><b>Decision Taken:</b> 1. Approve the Unified Regulation on the Procurement of Products for RusHydro's Needs (Annex No. 1 to the Minutes of Meeting). 2. Effective date of the Unified Regulation on the Procurement of Products for RusHydro's needs shall be November 1, 2018. 3. From the moment the Unified Regulation on Procurement of Products for RusHydro's needs comes into force (Clause 2), the Regulation on Procurement of Products for RusHydro's needs approved by the decision of the Board of Directors of the Company (Minutes No. 265 dated February 6, 2018) shall be deemed to be invalid</p>
	2. On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for H1 2018.	<p><b>Decision Taken:</b> Approve the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for H1 2018 (Annex No. 2 to the Minutes of Meeting).</p>
	3. On the approval of the revised list of investment projects implemented and planned to be implemented under RusHydro's Investment Program for conducting a public process and pricing audit in 2018-2019.	<p><b>Decision Taken:</b> Approve the revised list of investment projects implemented and planned to be implemented under RusHydro's Investment Program for conducting a public process and pricing audit in 2018-2019 (Annex No. 3 to the Minutes of Meeting).</p>
	4. On of RusHydro's membership in other organizations.	<p><b>Decision Taken:</b> Approve the termination of the Company's participation in the authorized capital of LLC VolgaHydro through a Stake sale transaction (hereinafter - the Transaction) on the following terms: <u>Parties to the Transaction:</u> Buyer - VHГ AUSLANDSBETEILIGUNGEN GmbH; Seller - PJSC RusHydro. <u>Subject of the Transaction:</u> The Seller shall sell the Stake to the Buyer, and the Buyer shall accept and pay for the Share in accordance with the terms of the Transaction. The size of the Stake held by the Seller is 40% (forty percent), with a nominal value of RUB 449,814,356 (four hundred forty-nine million eight hundred fourteen thousand three hundred fifty-six). The size of the alienated Stake is 40% (forty percent), with a nominal value of RUB 449,814,356 (four hundred forty-nine million eight hundred fourteen thousand three hundred fifty-six). After the alienation of the Stake in VolgaHydro's authorized capital, there will be no shares belonging to the Seller in VolgaHydro's authorized capital.</p>

		<p><b>Price of the Transaction:</b> The value of the stake shall be determined on the basis of evaluation report No. 2842/18/1 dated August 20, 2018 at the amount of RUB 450,000,000 (four hundred fifty million).</p>
Minutes No. 278 dtd October 26, 2018	<p>1. On the priority areas of the Company's activities: on reviewing the results of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies.</p>	<p><b>Decision Taken:</b> 1. Take due note of the Report on benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies (Annex No. 1 to the Minutes of Meeting). 2. Deem the following to meet target date: - Clause 1 of the decision of the Board of Directors of the Company on issue 4.4 (Minutes No. 263 dated December 28, 2017 as amended by Minutes No. 271 dated June 1, 2017, hereinafter - the Decision) in terms of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies; - Clause 2 of the decision regarding the submission to the Ministry of Economic Development of Russia and the Ministry of Energy of Russia of the results of benchmarking the level of technological development, proposals for the revision of the Innovative Development Program and the Long-term Development Program, proposals for the composition and values of the integral KPI for 2019. 3. Defer the due date of Clause 2 of the decision regarding the results of benchmarking the level of technological development for the consideration of the Company's Board of Directors to the period after receiving the approval of the same results by the Interdepartmental Commission for Technological Development of the Presidium of the Presidential Council for Economic Modernization and Innovative Development of Russia, but no later than March 31, 2019.</p> <p><i>In addition, as part of the discussion of issues on the agenda, Chairman of the Board of Directors, Yu. Trutnev, assign to the Board of the Company to do as follows:</i> 1. Within a month, submit to the Chairman of the Board of Directors a list of problematic issues of RusHydro's activities (creating payback conditions for a PSPP, integrating the mechanisms for guaranteed return on investment, and establishing long-term tariffs in the Far Eastern Federal District, etc.) requiring the participation of the Russian Government. 2. By the end of 2018, submit proposals on the formation of RusHydro's Competence Center on Russky Island.</p>
	<p>2. On approval of the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q2 and Q3 2018.</p>	<p><b>Decision Taken:</b> 1. Take due note of the efforts made by the Company on the disposal of non-core assets and optimization of RusHydro Group's structure for 3 years. 2. Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q2 and Q3 2018 (Annexes Nos. 2 and 3 to the Minutes of Meeting). 3. Make the following amendments to the Register of Non-core Assets of the Company approved by the decision of the Company's Board of Directors dated December 28, 2017 (Minutes No. 263): - include the object of CJSC Verkhne-Naryn HPPs with the disposal method - sale; - change the planned disposal method of JSC Rumyantsevo Technopark object from holding to liquidation. 4. Make the following amendments to the Action Plan on the Disposal of RusHydro's Non-core assets for Q4 2017 - 2018 approved by the decision of the Board of Directors of the Company dated December 28, 2017 (minutes No. 263): - change the sale period of JSC IEGC for Q4 2019; - change the liquidation period of JSC HydroEngineering Siberia for Q1 2019; - change the period of gratuitous transfer (donation) of railway infrastructure of the Izvestkovaya-Chegdomyn line (1/6 of the stake for 78 objects) for Q1 2019.</p>



		5. The Board of the Company shall initiate measures to revise Directives No. 7601p-P13 of the Government of the Russian Federation dated October 7, 2016 in terms of payment for the authorized capital of LLC ServisNedvizhimost RusHydro (SNRG) only with shares of JSC Malaya Dmitrovka.
	3. On review of material issues for the Company. 3.1. On the execution of assignment received at the Annual General Meeting of Shareholders of the Company on June 6, 2018.	<b>Decision Taken:</b> Take due note of the progress of the assignment received at the Annual General Meeting of Shareholders of the Company on June 6, 2018. (Annex No. 4 to the Minutes of Meeting).
Minutes No. 279 dtd October 26, 2018	1. On participation in other organizations.	<b>Decision Taken:</b> Terminate the Company's participation in JSC Boguchanskaya HPP Construction Organizer and CJSC Boguchanskaya HPP Construction Customer against their voluntary liquidation.
	2. On review of material issues for the Company.	<b>2.1. On Management of Intellectual Property Rights:</b> <b>2.1.1. On the inventory of intellectual property rights for the purpose of subsequent organization</b> <b>2.1.2. On the Approval of the Program on the Management of Intellectual Property Rights at RusHydro Group.</b> <b>Decision Taken:</b> 1. Approve the Program on the Management of Intellectual Property Rights at RusHydro Group (hereinafter - the Program) (Annex No. 1 to the Minutes of Meeting). 2. Assign to Chairman of the Management Board - RusHydro's General Director, N. Shulginov to post and subsequently update the information on the progress of the Program on the Interdepartmental Portal on State Property Management. measures to ensure the legal protection of identified results, the rights to which belong to RusHydro Group's companies, entry of these rights to the books as intangible assets for their subsequent introduction into economic circulation and, if necessary, assessment of the value of rights to the said results. <b>Decision Taken:</b> Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to do as follows: 1. to inventory the intellectual property rights owned by RusHydro Group's companies before November 30, 2018. 2. to develop and approve by RusHydro's order before December 31, 2018 the Action Plan to ensure the legal protection of identified intellectual results, the rights to which belong to RusHydro Group's companies, entry of these rights to the books as intangible assets for their subsequent introduction into economic circulation and, if necessary, assessment of the value of rights to the said results.  <b>2.2. On the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of June 30, 2018.</b> <b>Decision Taken:</b> Take due note of the information on the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of June 30, 2018 (Annex No. 2 to the Minutes of Meeting).  <b>2.3. Confidentially</b> <b>The decision is taken</b>
	3. On RusHydro Group's Long-Term Development Program.	<b>3.1. On the progress of RusHydro Group's Long-Term Development Program for H1 2018.</b> <b>Decision Taken:</b> Take due note of the information on the progress of RusHydro Group's Long-Term Development Program for H1 2018

		<p>(Annex No. 3 to the Minutes of Meeting).</p> <p><b>3.2. On approval of the Terms of Reference to check on the progress of RusHydro Group's Long-Term Development Program for 2018, 2019, and 2020.</b>  <b>Decision Taken:</b>  Approve the Terms of Reference to check on the progress of RusHydro Group's Long-Term Development Program for 2018, 2019, and 2020. (Annex No. 4 to the Minutes of Meeting).</p> <p><b>3.3. On the consideration of the Long-Term Program for Replacement of Retired Capacities and the Development of Far East Energy Systems.</b>  <b>Decision Taken:</b>  Take due note of the Long-Term Program for Replacement of Retired Capacities and the Development of Far East Energy Systems (Annex No. 5 to the Minutes of Meeting).</p> <p><b>3.4. On amendments to RusHydro Group's Long-Term Development Program.</b>  <b>Decision Taken:</b>  1. Supplement RusHydro Group's Long-Term Development Program for the period of 2018 - 2022 with activities pursuant to Decree No. 204 of the President of the Russian Federation dated May 7, 2018 On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024 (Annex No. 6 to the Minutes).  2. Approve changes in KPIs of RusHydro Group's Long-term Development Program for 2018 (KPI "Return on Equity (ROE)", "Earnings before Interest, Tax and Depreciation Expenses (EBITDA)", "Labor productivity, thousand rubles/man-hour" in accordance with the updated annual KPIs of the members of the Company's Management Board (Annex No. 7 to the Minutes of Meeting).</p>
	4. On transactions.	<b>4.1. Confidentially</b> <b>Decision taken</b>
	5. On determination of the stand of the Company (representatives of the Company) on the agenda items of the management bodies of subsidiary economic entities.	<p><b>5.1. On determination of the stand of the Company (representatives of the Company) on the agenda items of the management bodies of subsidiary economic entities: On the liquidation of JSC Boguchanskaya HPP Construction Organizer.</b>  <b>Decision Taken:</b>  Assign to the representatives of the Company in the management bodies of JSC Boguchanskaya HPP Construction Organizer with regard to the item related to the liquidation of the same to vote FOR:</p> <ul style="list-style-type: none"> <li>– adoption of a decision on the liquidation of JSC Boguchanskaya HPP Construction Organizer;</li> <li>– adoption of the decisions related to the liquidation of JSC Boguchanskaya HPP Construction Organizer reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.</li> </ul>
Minutes No. 280 dtd December 7, 2018	1. On participation in other organizations.	<p><b>1.1. On termination of the Company's membership in JSC Small HPPs of Altai.</b>  <b>Decision Taken:</b>  Terminate the Company's participation in the authorized capital of JSC Small HPPs of Altai in accordance with the Program for the Disposal of Non-Core Assets of RusHydro.</p> <p><b>1.2. On termination of the Company's membership in CJSC Verkhne-Narynskie HPPs.</b>  <b>Decision Taken:</b>  Approve the termination of the Company's participation in CJSC Verkhne-Narynskie HPPs by selling 2,500,000 ordinary registered shares of the said joint-stock company, constituting 50% of its authorized capital, to OJSC Electric Power Plants</p>

	<p>(Kyrgyz Republic) in accordance with the terms of the agreement concluded between the Government of the Russian Federation and the Government of the Kyrgyz Republic on the construction and operation of the Verkhne-Narynsky cascade of hydroelectric power plants, at a price determined by the Board of Directors of the Company on the basis of the report of an appraiser.</p> <p><b>1.3. On termination of the Company's membership in LLC VolgaHydro.</b>  <b>Decision Taken:</b>  Supplement the resolution of the Board of Directors of the Company dated October 3, 2018 on item No. 4 On participation of RusHydro in other organizations: On termination of participation in VolgaHydro (Minutes No. 277 dated October 4, 2018) with clause 2 worded as follows:  2. Determine that if VH Auslandsbeteiligungen GmbH (a participant of VolgaHydro) declines to purchase the Stake (including under the preemptive right), the Company shall have the right to sell the Stake to VH Auslandsbeteiligungen GmbH on the same conditions.</p>
2. On transactions.	<p><b>2.1. On preliminary approval of transactions with shares of organizations the Company participates in.</b>  <b>Decision Taken:</b>  Approve the transaction for the sale of shares of CJSC Verkhne-Narynskie HPPs (hereinafter - the Agreement) on the following terms:  <u>Parties to the Agreement:</u>  Seller - PJSC RusHydro;  The Buyer is OJSC Electric Power Plants.  <u>Subject of the Agreement:</u>  The Seller shall transfer ordinary registered shares of Verkhne-Narynskie HPPs with a nominal value of 1 (one) Kyrgyzstani som each in the amount of 2,500,000 (two million five hundred thousand) shares (hereinafter - the Shares) to the Buyer, and the Buyer shall accept and pay for the Shares in the manner, time and on terms specified by the Agreement. The size of the stake in the authorized capital of Verkhne-Narynskie HPPs owned by the Seller is 50 (fifty)%, with a nominal value of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms.  The size of the stake in the authorized capital of Verkhne-Narynskie HPPs to be alienated by the Seller is 50 (fifty)%, with a nominal value of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms.  The size of the stake in the authorized capital of Verkhne-Narynskie HPPs owned by the Seller after the alienation of the Shares in accordance with this decision is 0 (zero)%.  <u>Agreement Price:</u>  The value of the Shares shall be determined based on valuation report No. 18-22027 dated September 10, 2018 prepared by LLC Swiss Appraisal Russia and amounts to the equivalent of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms in Russian rubles at the exchange rate set by the Central Bank of the Russian Federation on the date of payment.</p> <p><b>2.2. On preliminary approval of transactions with shares of organizations the Company participates in.</b>  <b>Decision Taken:</b>  In order to optimize the corporate governance process of the Company's controlled organizations, where RusHydro Group holds 100% of the authorized capital, preliminarily approve the conclusion of trust management agreements (hereinafter - the Agreements) by the Company under the following material terms:  <u>Parties to the Agreements:</u>  The Trustee Manager is the Company;  The Trustors are JSC ESC RusHydro, JSC RAO ES East, JSC Hydroinvest, and PJSC Kolymaenergo.</p>

**Subject of the Agreements:**

The Trustors shall transfer the rights certified by the following shares belonging to them on the basis of the right of ownership to the Company in trust management:

- 3,036,387,330 ordinary shares of JSC Hydroinvest (state registration number of the issue: 1-01-04339-D-003D);
- 1,709,801,779 ordinary shares of JSC Hydroinvest (state registration number of the issue: 1-01-04339-D-004D);
- 1 ordinary share of JSC ESC RusHydro (state registration number of the issue: 1-01-55437-E);
- 166,460,049 ordinary shares of JSC ChirkeyGESstroy (state registration number of the issue: 1-01-35249-E);
- 8,923,739,178 ordinary shares of Ust-Srednekanskaya HPP named after A.F. Dyakov (state registration number of the issue: 1-01-55315-E).

The Trustee Manager shall, for a remuneration, manage the rights attached to the shares transferred in trust management in the interests of the Trustors during the term of the Agreements.

**The scope of transferred rights attached to the shares:**

The entire set of rights attached to the shares, except for the right to receive dividends.

**The amount of remuneration of the Trustee Manager:**

RUB 1,000 per year (including VAT) under each trust management agreement.

**Effective Term of the Agreements:**

5 years.

**2.3. On approval of a transaction for the gratuitous transfer of the Company's property to third parties.**

**Decision Taken:**

1. Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property (hereinafter - the Agreement) under the following material terms:

**Parties to the Agreement:**

The Donor is the Company;

The Donee is the municipal formation of the workers' settlement (urban settlement) of Talakan, the Bureysky District, the Amur Region, represented by the Municipal Public Institution of the administration of the workers' settlement of Talakan, the Bureysky District, the Amur Region.

**Subject of the Agreement:**

The Donor shall gratuitously transfer, and the Donee shall accept in ownership for use as an object of public transport infrastructure, the Access road to the solid waste landfill, cadastral number: 28:11:000000:2663, 3,173 m length, address: Talakan, the Bureysky District, the Amur Region (entry for the right in the Unified State Register of Real Estate No. 28:11:000000:2663-28/012/2018-1 dated January 24, 2018) (hereinafter - the Property).

**Price (book value) of the transferred Property (as of October 31, 2018):**

RUB 66,104,713 (sixty-six million one hundred four thousand seven hundred thirteen) 37 kopecks.

2. Amend the Register of Non-core assets of the Company approved by the decision of the Board of Directors of the Company dated December 28, 2017 (Minutes No. 263) to include the item of immovable property "Access road to the solid waste landfill", with a length of 3,173 m, located at: Talakan, the Bureysky District, the Amur Region, with the disposal method of gratuitous transfer.

**2.4. On approval of a transaction for the gratuitous transfer of the Company's property to third parties.**

**Decision Taken:**

Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property under the following material terms:

**Parties to the Agreement:**

		<p>The Donor is the Company;  The Donee is the Russian Federation represented by the Interregional Territorial Administration of the Federal Agency for State Property Management in the Krasnoyarsk Territory, the Republic of Khakassia, and the Republic of Tyva.  <u>Subject of the Agreement:</u>  The Donor shall gratuitously transfer, and the Donee shall take into possession non-residential buildings in accordance with Annex No. 1 to the Minutes of Meeting (hereinafter - the Property).  <u>The purpose of the transferred Property</u> is to accommodate the Federal State Autonomous Educational Institution of Higher Education "Siberian Federal University".  <u>Price (book value) of the transferred Property (as of September 30, 2018):</u>  RUB 1,276,053 (one million two hundred seventy-six thousand fifty-three) 88 kopecks.</p>
	<p>3. On determination of the stand of the Company (representatives of the Company) on the agenda items of the management bodies of subsidiary economic entities.</p>	<p><b>3.1. On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of JSC Sulaksky HydroCascade: On consent to a transaction, being a major one, related to the alienation of the property of a subsidiary company constituting fixed assets whose purpose is the production, transmission, dispatching, and distribution of electrical power.</b>  <b>Decision Taken:</b>  Assign to RusHydro's representatives at the General Meeting of Shareholders of JSC Sulaksky HydroCascade with regard to the item: On consent to a transaction, being a major one, related to the alienation of the property of a subsidiary company constituting fixed assets whose purpose is the production, transmission, dispatching, and distribution of electrical power to vote FOR the following decision:  Coordinate the conclusion of a contract for the sale and purchase of the property complex of the Gotsatlinskaya HPP owned by JSC Sulaksky HydroCascade on the following material terms:  <u>Parties to the Agreement:</u>  The Seller - JSC Sulaksky HydroCascade;  The Buyer is RusHydro.  <u>Subject of the Agreement:</u>  The Seller shall transfer the property complex of the Gotsatlinskaya HPP (hereinafter - the Property) specified in Annex No. 2 to the Minutes of Meeting to the Buyer's ownership, and the Buyer shall accept and pay for the Property.  <u>Property Price:</u>  RUB 10,100,000,000 (ten billion one hundred million) without VAT; furthermore, VAT shall be calculated additionally at the rate established by Art. 164 of the Tax Code of the Russian Federation.</p> <p><b>3.2. On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of JSC Small HHPs of Altai: On the liquidation of JSC Small HHPs of Altai.</b>  <b>Decision Taken:</b>  1. Assign the Company's representatives in the management bodies of JSC Small HHPs of Altai on the issue On liquidation of JSC Small HHPs of Altai to vote FOR the decision to liquidate the same.  2. Assign the Company's representatives in the management bodies of JSC Small HHPs of Altai to vote FOR the decisions related to the liquidation of JSC Small HHPs of Altai reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.</p> <p><b>3.3. On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of Shareholders of JSC Sakhalin GRES-2: On the consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of</b></p>

		<p><b>the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002.</b></p> <p><b>Decision Taken:</b> Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue: On the consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 to vote FOR the following decision: Consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 (hereinafter - the Addendum, Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms: <u>Parties to the Addendum:</u> Customer - JSC Sakhalinskaya SDPP-2; General Contractor - JSC TEK Mosenergo. <u>Subject of the Addendum:</u> increase in the price of the Agreement by RUB 3,512,170,090 (three billion five hundred twelve million one hundred seventy thousand ninety) 00 kopecks, including VAT (18%). <u>The maximum price of the Agreement (including Addenda):</u> RUB 33,511,170,090 (thirty three billion five hundred eleven million one hundred seventy thousand ninety rubles) 00 kopecks, including VAT (18%).</p>
	4. On approval of the interim results of the Business Plan of the Company for 2018 with actual data for nine months of 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities, for nine months of 2018).	<p><b>Decision Taken:</b> Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for nine months of 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating for nine months of 2018) (Annex No. 3 to the Minutes of Meeting).</p>
	5. On review of material issues for the Company.	<p><b>5.1. On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for nine months of 2018.</b> <b>Decision Taken:</b> Approve the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for nine months of 2018 (Annex No. 4 to the Minutes of Meeting).</p> <p><b>5.2. On approval of the revised Company's Charity and Sponsorship Policy.</b> <b>Decision Taken:</b> Approve the revised Company's Charity and Sponsorship Policy (Annex No. 5 to the Minutes of Meeting).</p> <p><b>5.3. On the progress of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).</b> <b>Decision Taken:</b> Take due note on the information of the progress of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (Annex No. 6 to the Minutes of Meeting).</p>

		<p><b>5.4. On consideration of the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in the Company's operations.</b>  <b>Decision Taken:</b>  Approve the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in the Company's operations in Q2 and Q3 2018 (Annex No. 7 to the Minutes of Meeting).</p> <p><b>5.5. On the Committee on Energy Development of the Far East at RusHydro's Board of Directors.</b>  <b>Decision Taken:</b>  1. Reword paragraph 6.1. of Article 6 of the Regulation on the Committee on Energy Development of the Far East at RusHydro's Board of Directors as follows: The numerical composition of the Committee shall be determined by the decision of the Board of Directors in the amount of not less than 3 (three) people and not more than 14 (fourteen) people.  2. Determine the numerical composition of the Committee on Energy Development of the Far East at RusHydro's Board of Directors – 14 people.  3. Prematurely terminate the powers of Vladimir Tupikin, a member of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.  4. Elect the following people to the Committee on Energy Development of the Far East at RusHydro's Board of Directors:  - Sergey Lebedev, Deputy Chairman of the Management Board of NP Market Council Association;  - Leonid Petukhov, General Director of ANCO Agency of the Far East for Attracting Investments and Supporting Exports.</p> <p><b>5.6. Confidentially</b>  <b>Decision taken</b></p>
Minutes No. 281 dtd December 27, 2018	On approval of the Company's internal documents.	<p><b>1.1. On internal documents in the field of the Company's corporate governance</b>  <b>Decision Taken:</b>  1. Take due note of the report on the compliance with the Regulation on the Information Policy of the Company as per Annex No. 1 to the Minutes of Meeting.  2. Approve the new version of the Regulation on the Information Policy of the Company as per Annex No. 2 to the Minutes of Meeting.  3. Approve the Policy for Shareholding by Members of the Board of Directors and Members of the Management Board in RusHydro and in Entities Controlled by RusHydro as per Annex No. 3 to the Minutes of Meeting.  4. Amend the RusHydro's Code of Corporate Ethics approved by the decision of the Company's Board of Directors dated April 7, 2016 (Minutes No. 235 dated April 8, 2016) as per Annex No. 4 to the Minutes of Meeting.</p> <p><b>1.2. On the approval of the Standard for Checking on the Progress of RusHydro Group's Long-Term Development Program.</b>  <b>Decision Taken:</b>  Approve the Standard for Checking on the Progress of RusHydro Group's Long-Term Development Program (Annex No. 5 to the Minutes of Meeting).</p>
	2. On the Company's non-core assets	<p><b>Decision Taken:</b>  1. Approve a new version of the Register of RusHydro's Non-core Assets (Annex No. 6 to the Minutes of Meeting).  2. Approve the Action Plan for the Disposal of RusHydro's Non-core Assets for 2018 (Q4)–2019 (Annex No. 7 to the Minutes of Meeting).</p>
	3. On the revision of the	<p><b>Decision Taken:</b></p>

	Comapany's Business Plan for 2018 - 2022 as to RusHydro's Investment Program for 2018.	<p>1. Take due note of the information on the incident at Sakhalin GRES-2 (Annex No. 8 to the Minutes of Meeting).</p> <p>2. Note the absence of additional financial burden on the Company due to the need to eliminate the consequences of the incident thanks to the presence of a mechanism to translate financial responsibility for meeting the commissioning deadlines to the General Contractor.</p> <p>3. Approve the Company's revised Business Plan for 2018 in terms of changing the parameters of RusHydro's Investment Program for 2018 considering their influence on the KPI "Compliance with the Capacity Commissioning Schedules and Financing and Absorbtion Plan, %" for 2018 (Annexes Nos. 9 and 10 to the Minutes of Meeting).</p>
	4. On approval of RusHydro's Annual Comprehensive Procurement Program for 2019.	<p><b>Decision Taken:</b> Approve RusHydro's Annual Comprehensive Procurement Program for 2019 (Annex No. 11 to the Minutes of Meeting).</p>
	5. On the approval of the Insurance Coverage Program of the Company for 2019.	<p><b>Decision Taken:</b> Approve RusHydro's Insurance Coverage Program for 2019 (Annex No. 12 to the Minutes of Meeting).</p>
	6. On review of material issues for the Company.	<p><b>6.1 On forming RusHydro's management bodies:</b>  <b>6.1.1 On determining the number of members of RusHydro's Management Board.</b>  <b>Decision Taken:</b>  Determine the numerical composition of the Company's Management Board - 7 people.</p> <p><b>6.1.2. On election of a member of RusHydro's Management Board.</b>  <b>Decision Taken:</b>  1. Elect Viktor Khmarin as a member of the Company's Management Board starting from January 16, 2019.  2. Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to determine the terms and conditions of an agreement with a member of the Management Board, Viktor Khmarin, and to issue and sign the documents needed to perform Clause 1 of this resolution in accordance with the labor laws of the Russian Federation.</p> <p><b>6.2. On execution of Decree No. 232 of the Government of the Russian Federation dated March 6, 2018 concerning approval of planning and targeted program documents that are to be implemented by the Company in the territory of the Far Eastern Federal District by the Ministry of the Russian Federation for Far East Development.</b>  <b>Decision Taken:</b>  On execution of Decree No. 232 of the Government of the Russian Federation dated March 6, 2018 concerning approval of planning and targeted program documents that are to be implemented by the Company in the territory of the Far Eastern Federal District by the Ministry of the Russian Federation for Far East Development, the following decision shall be taken:  1. Approve the Regulation on the procedure for approval by the Ministry of the Russian Federation for Far East Development of planning and targeted program documents that are to be implemented by RusHydro Group in the territory of Far Eastern Federal District as per Annex No. 13 to the Minutes of Meeting.  2. Assign to the Chairman of the Management Board and General Director, N. Shulginov, to publish the Regulation in the Company's account on the Interdepartmental Portal for the State Property Management by December 29, 2018.  3. Deem the Regulation on the procedure for approval by the Ministry of the Russian Federation for Far East Development of investment programs and other infrastructure development plans that are to be implemented by RusHydro in the territory of Far Eastern Federal District approved by Resolution No. 254 the Company's Board of Directors dated June 21, 2017 to be outdated.</p> <p><b>6.3. On amendments to the Regulation on the Audit Committee of RusHydro's Board of Directors</b></p>



**Decision Taken:**

Incorporate amendments to the Regulation on the Audit Committee of RusHydro's Board of Directors approved by Resolution of the Company's Board of Directors (Minutes No. 239 dated June 26, 2016, No. 254 dated June 21, 2017) (Annex No. 14 to the Minutes of Meeting).

**6.4. On the progress status of the priority projects for the construction of four facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) for nine months of 2018.****Decision Taken:**

Take due note of the information on the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of September 30, 2018 (Annex No. 15 to the Minutes of Meeting).

**6.5. On the consideration of the progress report on the Action Plan at Zagorskaya PSPP-2.****Decision Taken:**

1. Take due note of the interim progress report on the further action plan at Zagorskaya PSPP-2 (Annex No. 16 to the Minutes of Meeting).
2. Take due note of the information on the completed preparations for the alignment of the plant assembly building at the Zagorskaya PSPP-2.
3. Approve the proposal of the Company's Management Board to start with the actions for alignment of the plant assembly building at the Zagorskaya PSPP-2.

**6.6. On contributions to the authorized capital of JSC CHPP at Sovetskaya Gavan.****Decision Taken:**

If the respective resolutions are adopted by the Government of the Russian Federation, the following shall be deemed reasonable and expedient:

1. The Company's contributions to the authorized capital of CHPP in Sovetskaya Gavan for the purpose of capital investments in capital construction projects under the investment project "Construction of the CHPP at Sovetskaya Gavan, the Khabarovsk Territory. Revision of 2017" in the amount of RUB 899,304,159.70 (eight hundred ninety-nine million three hundred four thousand one hundred fifty-nine) according to Article 21 of Federal Law No. 459-FZ dated November 29, 2018 "On the Federal Budget for 2019 and for the Planning Period of 2020 and 2021" using unspent contributions to the Company's authorized capital (hereinafter - the balance of target funds) received by the Company:

**1.1.**

In accordance with Part 6 of Article 25 of Federal Law 204-FZ dated November 24, 2008 "On the Federal Budget for 2009 and for the Planning Period of 2010 and 2011" for completing construction of the shore spillway at Sayano-Shushenskaya HPP in the amount of RUB 476,934,684 (four hundred seventy six million nine hundred thirty four thousand six hundred and eighty-four) 55 kopecks

- 1.2. In accordance with Part 1 of Clause 2 of Article 12 of Federal Law No. 204-FZ dated November 24, 2008, "On the Federal Budget for 2009 and for the Planning Period of 2010 and 2011" for the implementation of the comprehensive investment project "Development of Design Documentation for the Investment Project of Comprehensive development of South Yakutia in the amount of RUB 422,369,475 (four hundred twenty-two million three hundred sixty-nine thousand four hundred seventy-five) 15 kopecks through a transaction for the purchase of additional shares of JSC CHPP in Sovetskaya Gavan.

2. Conclusion of addenda stipulating the possibility of allocating the balance of target funds for the investment project of Construction of the CHPP in Sovetskaya Gavan, Khabarovsk Territory. Revision of 2017" to:

- Budget Investment Contract No. 01-08/827 dated December 18, 2012;
- Budget Investment Agreement for financing the construction of Electrical Power Facilities in the Far East No. S-718-AB/D07 dated December 14, 2012;
- Budget Investment Contract No. 01-13/307 dated June 24, 2009;
- Budget Investment Contract No. 09/0412.3400200.082/08/392 dated December 14, 2009.

**6.7. On financing of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).**

**Decision Taken:**

For the purpose of timely implementation and financing of the investment project of the Construction of Two Single-Circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (hereinafter - the Project), assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to ensure as follows:

1. Making of contributions to the authorized capital of JSC Chukotenergo in 2019 and 2020 in an amount not exceeding RUB 13.0 billion (if the corresponding resolutions are adopted by the Government of the Russian Federation) from the following funds allocated to the Company's authorized capital:

- Budget investments in the amount of RUB 10.0 billion, including RUB 4.0 billion in 2019 and RUB 6.0 billion in 2020 in accordance with Article 9 of Federal Law No. 459-FZ dated November 29, 2018 On the Federal Budget for 2019 and for the Planning Period of 2020 and 2021;
- budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3,0 bn in 2019.

2. Financing of the first stage of the Project, including costs for the development of design & estimate documentation, using the Company's own funds in an amount not exceeding RUB 6.294 billion.

3. An increase in the loan amount by RUB 1.294 billion by concluding Addendum No. 1 (hereinafter - the Addendum) to Loan Agreement No. 1010-235-59-2017 dated December 28, 2017 (hereinafter - the Loan Agreement) concluded by the Company and Chukotenergo in pursuance of the decision of the Company's Board of Directors dated October 27, 2017 (Minutes No. 259 dated October 30, 2017), on the following material terms:

Parties to the Addendum:

The Borrower - Chukotenergo;

The Lender - the Company.

Subject of the Addendum:

Clause 1.1 of the Loan Agreement shall be amended to read as follows:

1.1. Under this Agreement, the Lender shall transfer into the Borrower's ownership an amount of money not exceeding RUB 6,294,000,000 (six billion two hundred ninety four million) 00 kopecks, and the Borrower shall repay the amount of the loan to the Lender in the manner and on the conditions established by the Agreement.

**6.8. On the transition of the Company to the predominant use of domestic software.**

**Decision Taken:**

Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to do as follows:

1. Ensure that RusHydro's Board of Directors by agreement with the Center of Competences for Import Substitution in the Field of Information and Communications Technology prepares and approves, within 2 months, an action plan for 2018–2021 for the transition to predominant use of domestic software in the Company (hereinafter - the Plan), including the determination of the following:

		<ul style="list-style-type: none"> <li>- An authorized officer ranked not lower than deputy head of the sole executive body of the Company responsible for the implementation of measures for the transition to predominant use of domestic software in the Company;</li> <li>- Organizational and technical measures aimed at ensuring the transition to predominant use of domestic software in the Company within the prescribed time limits;</li> <li>- Financial resources, indicating the time frames, amounts, and sources of financing, to ensure the transition to predominant use of domestic software in the Company; and</li> </ul> <p>Key performance indicators for the transition to predominant use of domestic software.</p> <p>2. Incorporation the Plan's activities that envisage the Company's transition to the predominant use of domestic software as part of import substitution measures into the Long-Term Development Program of the RusHydro Group for the period 2018-2022 during the regular planned revision.</p> <p>3. Implementation of the above said approach in subsidiary companies, where the Company holds, directly and/or indirectly, 50% stake and larger.</p> <p>4. Presentation of reports on the execution of directives No. 10068p-P13 of the Government of the Russian Federation dated December 6, 2018 (hereinafter - the Directives and on the implementation of the Plan in the scope as per the schedule to the Directive to the Ministry of Digital Development, Telecom, and Mass Communications of the Russian Federation on a quarterly basis, on or before the 10 day of the month following the reporting quarter, by publishing them on the Interdepartmental Portal for State Property Management.</p>
Minutes No. 282 dtd December 27, 2018	1. On the consideration of the Business Plan (including the Investment Program) of the Company for 2019-2023.	<p><b>Decision Taken:</b></p> <p>1. Approve RusHydro's Business Plan for 2019 (Annex No. 1 to the Minutes of Meeting).</p> <p>2. Approve RusHydro's Investment Program for 2019 (Annex No. 2 to the RusHydro's Business Plan for 2019-2023).</p> <p>3. Approve the targets on RusHydro's investment objects and new construction facilities of subsidiaries included in calculating the performance indicator of the members of RusHydro's Management Board "Meeting the Capacity Commissioning Schedules and Plan for Financing and Absorption,%" for 2019 (Annex No. 2a to the Business Plan of the Company for 2019 - 2023).</p> <p>4. Take due note of RusHydro's Business Plan for 2020-2023 (Annex No. 1 to the Minutes of Meeting), including RusHydro's Investment Program for 2020-2023 (Annex No. 2 to RusHydro's Business Plan for 2019-2023).</p>
	2. On consideration of the Consolidated Business Plan (including the Consolidated Investment Program) of RusHydro Group for 2019 - 2023.	<p><b>Decision Taken:</b></p> <p>1. Approve the Consolidated Business Plan (including the Consolidated Investment Program) of the RusHydro Group for 2019-2023 (Annex No. 2 to the Minutes of Meeting).</p> <p>2. Based on the results of an evaluation of RusHydro's financial and economic activity for H1 2019, bring the issue of approval of RusHydro's revised Consolidated Business Plan for 2019 to the consideration of the Board of Directors no later than September 30, 2019, if needed.</p> <p>In addition, Chairman of the Board of Directors, Yu. Trutnev, assigned the Management Board to conduct a factor analysis of changes in the financial and economic indicators and to prepare proposals for a set of measures aimed at improving the financial and economic indicators of the consolidated Business Plan of RusHydro Group.</p>
	3. On the approval of annual key performance indicators for members of RusHydro's Management Board for 2019.	<p><b>Decision Taken:</b></p> <p>1. Approve the list of annual key performance indicators of RusHydro's Management Board Members for 2019 (hereinafter - the annual KPIs) (Annex No. 3 to the Minutes of Meeting) and put them into effect starting from January 1, 2019.</p> <p>2. When calculating and assessing the annual KPIs, follow the Methodology for the Calculation and Assessment of the Annual KPIs of RusHydro's Management Board Members approved by the resolution of the Board of Directors of the Company (Minutes No. 245 dated December 26, 2016, No. 251 dated April 18, 2017, and No. 269 dated April 25, 2018).</p>
	4. On review of material issues for	<b>Decision Taken:</b>

	<p>the Company. On the approval of target values of key performance indicators for members of RusHydro's Management Board for 2019.</p>	<p>1. Approve:</p> <ul style="list-style-type: none"> <li>- Target values of annual key performance indicators for members of RusHydro's Management Board for 2019 (Annex No. 4 to the Minutes of Meeting).</li> <li>- Target KPI values under Cycle Three of RusHydro's Long-Term Motivation Program for 2019–2021. (Annex No. 5 to the Minutes of Meeting);</li> <li>- Changes in the adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019. (Annex No. 6 to the Minutes of Meeting);</li> <li>- Changes in the adjusted target KPI values under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020. (Annex No. 7 to the Minutes of Meeting).</li> </ul> <p>2. When calculating and evaluating the key performance indicators under Cycle Three of RusHydro's Long-term Motivation Program for 2019-2021 (hyphen 2 of Clause 1 of this decision), follow the Methodology for calculating and evaluating key performance indicators of RusHydro's Long-Term Motivation Program approved by a decision of the Company's Board of Directors dated December 26, 2017 (Minutes No. 264 dated December 28, 2017).</p> <p><i>In addition, as part of the discussion of issues on the agenda, Chairman of the Board of Directors, Yu. Trutnev, assign to the Board of the Company to do as follows before February 15, 2019:</i></p> <ol style="list-style-type: none"> <li>1. <i>Submit materials to the Chairman of the Board of Directors of the Company for initiating a meeting with the participation of representatives of federal executive bodies on the following items:</i> <ol style="list-style-type: none"> <li>1.1. <i>Development and adoption of legal acts on the introduction of a mechanism of guaranteed return on investment to implement the long-term program for replacement of retired capacities in the Far Eastern Federal District;</i></li> <li>1.2. <i>Accelerated adoption of legal acts providing for a change in the tariff setting system in the Far Eastern Federal District with the introduction of a mechanism for setting long-term tariffs covering economically reasonable expenses and rate of return;</i></li> <li>1.3. <i>Taking measures to regulate fuel (coal) prices on the domestic market of the Russian Federation, including through the conclusion of long-term contracts for the supply of fuel to energy facilities in the Far Eastern Federal District.</i></li> </ol> </li> <li>2. <i>Promptly provide information on the performance of RusHydro Group for 2018.</i></li> </ol>
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## Appendix No.5 Information on the Meetings of the Committees under the Board of Directors

### The Audit Committee of the Company's Board of Directors

Date and No. of Minutes	Items on the Agenda	Decisions Taken
January 22, 2018 (Minutes No. 108)	1. On approval of the performance reports of the Chairman of the Audit Committee of the Company's Board of Directors for H1 2017-2018 corporate year.	Pre-Approve the performance reports of the Audit Committee of the Company's Board of Directors for H1 2017-2018 corporate year.
February 1, 2018 (Minutes No. 109)	1. On recommendations to the Board of Directors of the Company on the item: On approval of the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q4 2016-2017.	Recommend to the Company's Board of Directors to make the following decision: Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q4 2016-2017 in line with the Annex to the present decision.
	2. On consideration of the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q4 2017.	Approve the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q4 2017 (Annex No. 1).
February 26, 2018 (Minutes No. 110)	1. On recommendations to the Board of Directors of the Company on the item: On approval of the Report on RusHydro's Insurance Coverage in 2017.	Recommend to the Company's Board of Directors to approve the Report on RusHydro's Insurance Coverage in 2017 in line with the Annex to the present decision.
	2. On determination of the procedure for selecting the Company's Auditor for 2018-2020.	Agree on the open tender documentation for the right to conclude a contract for services to audit RusHydro's accounting reports prepared in accordance with Russian accounting and auditing (review) standards of RusHydro Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards for 2018, 2019, and 2020 (attached).
March 23, 2018 (Minutes No. 111)	1. On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: on considering the results of the Action Plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the investment project Supply and Replacement of Six Hydro Turbines at the Novosibirsk HPP on a turnkey basis	Recommend to the Company's Board of Directors to take due note of the results of the Action Plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the investment project Supply and Replacement of Six Hydro Turbines at the Novosibirsk HPP on a turnkey basis in line with the Annex to the present decision.

	<p>2. On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: on considering the results of the Action Plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of design, construction, and commissioning activities at the Boguchanskaya HPP stipulated by the Company's Investment Program for 2014–2016.</p>	<p>Recommend to the Company's Board of Directors to take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of design, construction, and commissioning activities at the Boguchanskaya HPP stipulated by the Company's Investment Program for 2014–2016 in line with the Annex to the present decision.</p>
	<p>3. On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: on considering the results of the Action Plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the Ust-Srednekanskaya HPP investment project of the Company (including the analysis of the measures necessary to fill the Ust-Srednekansky reservoir to the design level and to drive the Srednekanskaya HPP up to the design capacity).</p>	<p>Recommend to the Company's Board of Directors to take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the Ust-Srednekanskaya HPP investment project of the Company (including the analysis of the measures necessary to fill the Ust-Srednekansky reservoir to the design level and to drive the Srednekanskaya HPP up to the design capacity), in line with the Annex to the present decision.</p>
	<p>4. On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: on considering the results of the field inspection by the Ministry of Energy of Russia on the progress of the investment project Facility No. 1- HPP of the 2nd Stage, Zaramagskiye HPPs and the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the above-said field inspection.</p>	<p>Recommend to the Company's Board of Directors to take due note of the results of the field inspection by the Ministry of Energy of Russia on the progress of the investment project Facility No. 1- HPP of the 2nd Stage, Zaramagskiye HPPs and the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the above-said field inspection in line with the Annex to the present decision.</p>
	<p>5. On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: on considering the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia</p>	<p>Recommend to RusHydro's Board of Directors to take due note of the results of the action plan to rectify violations and shortcomings recorded by the Ministry of Energy of Russia following the results of the field check on the progress of the following investment projects in 2016: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage) in line with the Annex to the present decision.</p>

	following the results of the field check on the progress of the following investment projects in 2016: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage).	
	6. On recommendations to the Board of Directors of the Company on the item: On reviewing the results of the field inspections by the Ministry of Energy of Russia on the progress the following investment projects in 2017: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage).	Recommend to the Company's Board of Directors to take due note of the results of the field inspections by the Ministry of Energy of Russia on the progress the following investment projects in 2017: construction of the Yakutsk GRES-2 (1st stage), construction of CHPP in Sovetskaya Gavan, and construction of the Sakhalin GRES-2 (1st stage) in line with the Annex to the present decision.
April 24, 2018 (Minutes No. 112)	1. On approval of the Action Plan of the Audit Committee of RusHydro's Board of Directors for H1 2018.	Approve the Action Plan of the Audit Committee of RusHydro's Board of Directors for H1 2018 (Annex No. 1).
	2. On the Report of JSC PwC Audit (the Company's Auditor) on the results of the interim audit of RusHydro's accounting reports under RAS and a review of RusHydro Group's consolidated interim condensed financial information under IFRS for nine months ended September 30, 2017.	Take due note of PwC Audit's Report on the results of the interim audit of RusHydro's accounting reports under RAS and a review of RusHydro Group's consolidated interim condensed financial information under IFRS for nine months ended September 30, 2017 (attached).
	3. On recommendations to the Company's Board of Directors on the item "On recommendations for the Annual General Meeting of Shareholders of the Company concerning": Approval of the Company's auditor.	Recommend to the Company's Board of Directors to make the following decision: Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following decision concerning the approval of the Company's auditor: Approve Joint-Stock Company PricewaterhouseCoopers Audit (OGRN 1027700148431) as RusHydro's auditor.
	4. On the implementation of RusHydro's Control Activities Schedule for Q4 2017.	Approve the Report of the Head of the Internal Audit Service on the implementation of RusHydro's Control Activities Schedule for 2017, for Q4 2017 (Annex 4).
	5. On the assessment of the current status of RusHydro's Internal Audit Function for 2017.	Approve the results of the assessment of the current status of RusHydro's Internal Audit Function for 2017 in line with the Annex No. 5.
	6. On amendments to the Control Activities Schedule of RusHydro's Internal Audit Service for 2018.	Amend the Control Activities Schedule of RusHydro's Internal Audit Service for 2018, approving the same as amended in Annex No. 5.
	7. On recommendations to the Board of Directors of the Company on the item: On	Recommend to the Company's Board of Directors to make the following decisions: 1. Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q1

	the Company's non-core assets.	<p>2018 in line with the Annex to the present decision.</p> <p>2. Make the following amendments to the Register of Non-core Assets of the Company approved by the decision of the Company's Board of Directors dated December 28, 2017 (Minutes No. 263):</p> <ul style="list-style-type: none"> <li>- Change the planned disposition of the facilities "Road No. 1-2 of the 4th cat." and "Road No. 2-3 of the 4th cat." (Clauses 6 and 8 of the "Gratuitous Transfer" section) from "gratuitous transfer" to "liquidation"</li> <li>- Change the planned disposition of the facility LLC VolgaHydro (Clause 4 of the Retention of noncore assets section) from "holding" to "sale"</li> <li>- Exclude the facility JSC Yuzhno-Yakutskiy HPC (Clause 4 of the "Liquidation" section).</li> </ul>
May 17, 2018 (Minutes No. 113)	1. On consideration of the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q1 2018.	Approve the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q1 2018 (Annex No. 1).
	2. On consideration of the Report on the Action Plan for RusHydro's Comprehensive Program of Anti-corruption Activities in 2017	Take due note of the Report on the Action Plan for RusHydro's Comprehensive Program of Anti-corruption Activities in 2017.
	3. On recommendations to RusHydro's Board of Directors concerning the performance of transactions related to the gratuitous transfer of the Company's property to a third party.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve the conclusion of a Property Donation Agreement on the following material terms:</p> <p>Parties to the Agreement:</p> <p>The Donor is the Company;</p> <p>The Donee is a federal subject of the Russian Federation, the Karachay-Cherkess Republic.</p> <p>Subject of the Agreement:</p> <p>The Donor shall gratuitously transfer, and the Donee shall take into possession the following fixed properties for use as public transportation facilities:</p> <ul style="list-style-type: none"> <li>- The overpass (bridge) over the Kardonikskiy inverted siphon, cadastral number 09:06:0000009:114, located at: Karachay-Cherkess Republic, Zelenchukskiy District, Zelenchukskaya Stanitsa, facilities of the Zelenchukskiy HPPs power complex.</li> <li>- The bridge on PK-26 + 81.8 channel B. Zelenchuk—Husa-Kardonikskaya, cadastral number 09:06:0000009:109, located at: Karachay-Cherkess Republic, Zelenchukskiy District, facilities of the Zelenchukskiy HPPs power complex.</li> </ul> <p>The book value of the transferred property as of March 31, 2018 is:</p> <p>RUB 6,297,418 (six million two hundred ninety-seven thousand four hundred and eighteen).</p>
	4. On the preview of the assessment results of the corporate governance practices.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Take due note of the results of the assessment of the Company's corporate governance practices and the recommendations for improving corporate governance.</p>
May 18, 2018 (Minutes No. 114)	1. On recommendations to the Board of Directors of the Company on the item: On pre-approval of the Company's Annual Report (including sustainable development) for 2017.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Pre-approve the Company's Annual Report (including sustainable development) for 2017 in line with the Annex to the present decision and submit it for approval at the Annual General Meeting of Shareholders of the Company.</p>



	2. On recommendations to the Board of Directors of the Company on the item: On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the annual accounting reports (financial statements) of the Company.	Recommend to the Company's Board of Directors to make the following decision: Recommend to the Annual General Meeting of Shareholders of the Company to approve the annual accounting reports (financial statements) for 2017 (Annex No. 2).
	3. On the opinion of the Internal Audit Commission based on its audit findings of the Company for 2017.	Take due note of the opinion of the Internal Audit Commission based on its audit findings of the Company for 2017 (attached).
	4. On the Report of JSC PwC Audit (the Company's Auditor) on the audit results of RusHydro's accounting reports prepared under Russian Accounting Standards for 2017.	Take due note of the report of JSC PwC Audit (the Company's Auditor) on the audit results of RusHydro's accounting reports prepared under Russian Accounting Standards for 2017 (Annex No. 4).
	5. On the opinion of the Company's Auditor following the audit of its accounting reports prepared under Russian Accounting Standards for 2017.	1. Take due note of the opinion of Joint-Stock Company PricewaterhouseCoopers Audit (hereinafter- the Auditor) following the audit of its accounting reports prepared under RAS for 2017 (Annex No. 5). 2. Recommend to the Company's Board of Directors to submit the Auditor's opinion based on the audit results of the Company's accounting reports for 2017 at the Annual General Meeting of Shareholders of the Company.
	6. On the estimation of the external audit process efficiency in 2017.	Given the estimation conducted, recognize the external audit process in 2017 to be efficient.
June 13, 2018 (Minutes No. 115)	1. On recommendations to the Board of Directors of the Company on the item: On the approval of the report on the functioning and results of the internal assessment of the corporate system of internal control and risk management.	1. Take due note of the report on the functioning and results of the internal assessment of the corporate system of internal control and risk management. 2. Recommend to the Company's Board of Directors to make the following decision: Approve the report on the functioning and results of the internal assessment of the corporate system of internal control and risk management.
June 20, 2018 (Minutes No. 116)	1. On the Report of JSC PwC Audit (the Company's Auditor) on the audit results of RusHydro Group's consolidated financial statements under IFRS for the year ended December 31, 2017.	Take due note of the Report of JSC PwC Audit (the Company's Auditor) on the audit results of RusHydro Group's consolidated financial statements under IFRS for the year ended December 31, 2017 (attached).
	2. On pre-approval of the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year.	Pre-Approve the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year.
June 26, 2018 (Minutes No. 117) <sup>12</sup>	On recommendations to the Board of Directors of the Company on the item: On the pre-approval of the Company's decisions to made as follows: On approval of	Recommend to the Company's Board of Directors to make the following decision: Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property under the following material terms: Parties to the Agreement:

<sup>12</sup>An extraordinary meeting held to approve the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year.

	a transaction related to the gratuitous transfer of the Company's property to third parties.	<p>The Donor is the Company; The Donee is the Zelenchuk Municipal District, a municipal entity in the Karachay-Cherkess Republic.</p> <p>Subject of the Agreement: The Donor shall transfer on a gratis basis, and the Donee shall accept for use pro bono publico (as a public transportation facility) the motor road bridge across the river Khusa with an area of 298 sq. m registered under cadastral number 09:06:0000009:106 and located at: the facilities of the Zelenchukskiye HPPs power complex, Zelenchukskaya Stanitsa, Zelenchuk District, the Karachay-Cherkess Republic.</p> <p>The book value of the transferred property as of May 31, 2018 is: RUB 1,386,221 (one million three hundred eighty-six thousand two hundred twenty-one) 63 kopecks.</p>
June 6, 2018 (Minutes No. 118)13	1. On the implementation of RusHydro's Control Activities Schedule for Q1 2018.	Approve the Report of the Head of the Internal Audit Service on the implementation of RusHydro's Control Activities Schedule for 2018, for Q1 2018.
	2. On reviewing the proposals to improve the Company's performance following the check on the Long-term Development Program results in 2017.	<p>1. Approve the proposals to improve the Company's performance following the check on the Long-term Development Program results in 2017.</p> <p>2. The Director for Internal Control and Risk Management - Chief Auditor should inform the Audit Committee of the Board of Directors of the progress results of the submitted proposals.</p>
August 6, 2018 (Minutes No. 119)14	1. On the appointment of the Secretary of the Audit Committee.	Appoint A. Pyatova as the secretary of the Audit Committee of the Company's Board of Directors, the chief expert of RusHydro's Internal Audit Service.
	2. On recommendations to the Company's Board of Directors concerning the approval of the Company's internal documents: On approval of RusHydro's Auditor Rotation Policy.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve RusHydro's Auditor Rotation Policy.</p>
September 14, 2018 (Minutes No. 120)	1. On the election of the Deputy Chairman of the Audit Committee.	Elect V. Pivovarov as the Deputy Chairman of the Audit Committee at RusHydro's Board of Directors.
	2. On approval of the Action Plan of the Audit Committee of RusHydro's Board of Directors for H2 2018.	Approve the Action Plan of the Audit Committee of RusHydro's Board of Directors for H2 2018.
	3. On consideration of the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q2 2018.	Approve the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q2 2018.
September 27, 2018 (Minutes No. 121)	1. On the report on meeting the RusHydro Group auditing plan by PwC Audit (the Company's Auditor) in 2018.	Take due note of the report on meeting the RusHydro Group auditing plan by PwC Audit in 2018.
	2. On PwC Audit Report on the results of the review of RusHydro Group's consolidated interim condensed financial information under IFRS for three and six	Take due note of PwC Audit Report on the results of the review of RusHydro Group's consolidated interim condensed financial information under IFRS for three and six months ended June 30, 2018.

<sup>13</sup>The meeting not included in the reporting period. Held in accordance with clause 6.8 of the Regulation on the Audit Committee of RusHydro's Board of Directors.

<sup>14</sup>The meeting not included in the reporting period. Held in accordance with clause 6.8 of the Regulation on the Audit Committee of RusHydro's Board of Directors.

October 2, 2018 (Minutes No. 122)	months ended June 30, 2018.	
	3. On PwC Audit's Report on the results of the interim audit of RusHydro's accounting reports under RAS for H1 2018.	Take due note of PwC Audit's Report on the results of the interim audit of RusHydro's accounting reports under RAS for H1 2018.
	1. On the implementation of RusHydro's Control Activities Schedule for Q2 2018.	Approve the Report of the Head of the Internal Audit Service on the implementation of RusHydro's Control Activities Schedule for 2018, for Q2 2018.
	2. On amendments to the Control Activities Schedule of RusHydro's Internal Audit Service for 2018.	Amend and approve the Control Activities Schedule of RusHydro's Internal Audit Service for 2018.
	3. On recommendations to the Board of Directors of the Company on the item: On termination of RusHydro's membership in other organizations.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>1. Determine the price (monetary value) of the stake in LLC VolgaHydro's authorized capital alienated by the Company (hereinafter - the Stake) in the amount of RUB 450,000,000 (four hundred fifty million).</p> <p>2. Approve the termination of the Company's participation in the authorized capital of LLC VolgaHydro through a Stake sale transaction (hereinafter - the Transaction) on the following terms:</p> <p>Parties to the Transaction: Buyer - VHG AUSLANDSBETEILIGUNGEN GmbH; Seller - PJSC RusHydro.</p> <p>Subject of the Transaction: The Seller shall sell the Stake to the Buyer, and the Buyer shall accept and pay for the Share in accordance with the terms of the Transaction.</p> <p>The size of the Stake held by the Seller is 40% (forty percent), with a nominal value of RUB 449,814,356 (four hundred forty-nine million eight hundred fourteen thousand three hundred fifty-six).</p> <p>The size of the alienated Stake is 40% (forty percent), with a nominal value of RUB 449,814,356 (four hundred forty-nine million eight hundred fourteen thousand three hundred fifty-six).</p> <p>After the alienation of the Stake in VolgaHydro's authorized capital, there will be no shares belonging to the Seller in VolgaHydro's authorized capital.</p> <p>Price of the Transaction: Determined in paragraph 1 of this decision.</p>
	4. On recommendations to the Board of Directors of the Company on the item: On approval of the Terms of Reference to check on the progress of RusHydro Group's Long-Term Development Program for 2018, 2019, and 2020.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve the Terms of Reference to check on the progress of RusHydro Group's Long-Term Development Program for 2018, 2019, and 2020.</p>
October 22, 2018 (Minutes No. 123)	1. On consideration of the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q3 2018.	Approve the Report on the Company's compliance with the requirements of the legislation of the Russian Federation in the field of countering the unlawful use of insider information and market manipulation and RusHydro's Regulation on Insider Information for Q3 2018.
	2. On pre-approval of the Methodology for assessing RusHydro's corporate governance	<p>1. Pre-approve the Methodology for assessing RusHydro's corporate governance system as revised.</p> <p>2. Recommend to the Chairman of the Management Board, the Company's General Director, to approve the</p>

	system. 3. On recommendations to the Board of Directors of the Company on the item: On approval of the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q2 and Q3 2018.	Methodology for assessing RusHydro's corporate governance system. Recommend to the Company's Board of Directors to make the following decision: 1. Take due note of the efforts made by the Company on the disposal of non-core assets and optimization of RusHydro Group's structure for 3 years. 5. Approve the progress report on the Action Plan for the Disposal of Non-core Assets of the Company for Q2 and Q3 2018. 6. Make the following amendments to the Register of Non-core Assets of the Company approved by the decision of the Company's Board of Directors dated December 28, 2017 (Minutes No. 263): - include the object of CJSC Verkhne-Naryn HPPs with the disposal method - sale; - change the planned disposal method of JSC Rumyantsevo Technopark object from holding to liquidation. 7. Make the following amendments to the Action Plan on the Disposal of RusHydro's Non-core assets for Q4 2017 - 2018 approved by the decision of the Board of Directors of the Company dated December 28, 2017 (minutes No. 263): - change the sale period of JSC IEGC for Q4 2019; - change the liquidation period of JSC HydroEngineering Siberia for Q1 2019; - change the period of gratuitous transfer (donation) of railway infrastructure of the Izvestkovaya-Chegdomyn line (1/6 of the stake for 78 facilities) for Q1 2019. 5. The Board of the Company shall initiate measures to revise Directives No. 7601p-P13 of the Government of the Russian Federation dated October 7, 2016 in terms of payment for the authorized capital of LLC ServisNedvizhimost RusHydro (SNRG) only with shares of JSC Malaya Dmitrovka.
November 23, 2018 (Minutes No. 124)	1. On recommendations to the Company's Board of Directors concerning the approval of transactions related to the gratuitous transfer of the Company's property to third parties.	Recommend to the Company's Board of Directors to make the following decision: Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property under the following material terms: Parties to the Agreement: The Donor is the Company; The Donee is the Russian Federation represented by the Interregional Territorial Administration of the Federal Agency for State Property Management in the Krasnoyarsk Territory, the Republic of Khakassia, and the Republic of Tyva. Subject of the Agreement: The Donor shall gratuitously transfer, and the Donee shall take into possession non-residential buildings in line with the Annex (hereinafter - the Property). The purpose of the transferred Property is to accommodate the Federal State Autonomous Educational Institution of Higher Education "Siberian Federal University". Price (book value) of the transferred Property (as of September 30, 2018): RUB 1,276,053 (one million two hundred seventy-six thousand fifty-three) 88 kopecks.
	2. On recommendations to the Board of Directors of the Company on the item: On incorporating amendments to the Regulation on the Audit Committee of RusHydro's Board of Directors approved by Resolution of RusHydro's Board of Directors (Minutes No. 239 dated June 23, 2016, as revised No. 254 dated June 21, 2017).	Recommend to the Company's Board of Directors to make the following decision: Incorporate amendments to the Regulation on the Audit Committee of RusHydro's Board of Directors approved by Resolution of the Company's Board of Directors (Minutes No. 239 dated June 26, 2016, No. 254 dated June 21, 2017).
	3. On recommendations to the Company's Board of Directors concerning the approval	Recommend to the Company's Board of Directors to make the following decisions: 1. Approve the conclusion of an Agreement on the Gratuitous Transfer (Donation) of Property (hereinafter - the

	of transactions related to the gratuitous transfer of the Company's property to third parties.	<p>Agreement) under the following material terms:</p> <p>Parties to the Agreement:</p> <p>The Donor is the Company;</p> <p>The Donee is the municipal formation of the workers' settlement (urban settlement) of Talakan, the Bureysky District, the Amur Region, represented by the Municipal Public Institution of the administration of the workers' settlement of Talakan, the Bureysky District, the Amur Region.</p> <p>Subject of the Agreement:</p> <p>The Donor shall gratuitously transfer, and the Donee shall accept in ownership for use as an object of public transport infrastructure, the Access road to the solid waste landfill, cadastral number: 28:11:000000:2663, 3,173 m length, address: Talakan, the Bureysky District, the Amur Region (entry for the right in the Unified State Register of Real Estate No. 28:11:000000:2663-28/012/2018-1 dated January 24, 2018) (hereinafter - the Property).</p> <p>Price (book value) of the transferred Property (as of October 31, 2018):</p> <p>RUB 66,104,713 (sixty-six million one hundred four thousand seven hundred thirteen) 37 kopecks.</p> <p>2. Amend the Register of Non-core assets of the Company approved by the decision of the Board of Directors of the Company dated December 28, 2017 (Minutes No. 263) to include the item of immovable property "Access road to the solid waste landfill", with a length of 3,173 m, located at: Talakan, the Bureysky District, the Amur Region, with the disposal method of gratuitous transfer.</p>
December 21, 2018 (Minutes No. 125)	1. On recommendations to the Company's Board of Directors concerning: On internal documents in the field of the Company's corporate governance	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>1.1. Take due note of the report on the compliance with the Regulation on the Information Policy of the Company.</p> <p>1.2. Approve the new version of the Regulation on the Information Policy of the Company.</p> <p>1.3. Approve the Policy for Shareholding by Members of the Board of Directors and Members of the Management Board in RusHydro and in Entities Controlled by RusHydro.</p> <p>Amend the RusHydro's Code of Corporate Ethics approved by the decision of the Company's Board of Directors dated April 7, 2016 (Minutes No. 235 dated April 8, 2016).</p>
	2. On recommendations to the Board of Directors of the Company on the item: On the approval of the Standard for Checking on the Progress of RusHydro Group's Long-Term Development Program.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve the Standard for Checking on the Progress of RusHydro Group's Long-Term Development Program.</p>
	3. On recommendations to the Board of Directors of the Company on the item: On the Company's non-core assets	<p>Recommend to the Company's Board of Directors to make the following decisions:</p> <p>1. Approve a new version of the Register of RusHydro's Non-core Assets.</p> <p>2. Approve the Action Plan for the Disposal of RusHydro's Non-core Assets for 2018 (Q4)–2019.</p>
	4. On recommendations to the Board of Directors of the Company on the item: On the approval of RusHydro's Insurance Coverage Program for 2019.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve RusHydro's Insurance Coverage Program for 2019.</p>
December 21, 2018 (Minutes No. 126)	1. On approval of the Control Activities Schedule of RusHydro's Internal Audit	Approve the Control Activities Schedule of RusHydro's Internal Audit Service for 2019.

	Service for 2019.	
	2. On the implementation of RusHydro's Control Activities Schedule for Q3 2018.	Approve the Report of the Head of the Internal Audit Service on the implementation of RusHydro's Control Activities Schedule for 2018, for Q3 2018.

## The Nomination and Compensation Committee of RusHydro's Board of Directors

Date and No. of Minutes/No. of Item	Item	Decision taken
Minutes No. 70/1 dtd January 18, 2018	On pre-approval of the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for H1 2017-2018 corporate year.	<ol style="list-style-type: none"> <li>1. Pre-approve the performance reports of the Nomination and Compensation Committee of RusHydro's Board of Directors for H1 2017-2018 corporate year (Annex No. 1 to the Minutes of Meeting).</li> <li>2. Recommend to the Company's Board of Directors to approve the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</li> </ol>
Minutes No. 71/1 dtd January 30, 2018	On recommendations to the Board of Directors of the Company on the item "On the agreement of concurrent employment of the Management Board's members in the management bodies of other organizations".	<ol style="list-style-type: none"> <li>1. Recommend to the Company's Board of Directors to make the following decision: <ol style="list-style-type: none"> <li>1.1. Agree the concurrent employment of the following people: <ol style="list-style-type: none"> <li>1.1.1. Nikolay Shulginov, the Chairman of the Management Board - General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</li> <li>1.1.2. Boris Bogush, a member of the Management Board, First Deputy General Director - Chief Engineer of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</li> <li>1.1.3. George Rizhinashvili, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</li> <li>1.1.4. Andrey Kazachenkov, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</li> <li>1.1.5. Sergey Kirov, a member of the Management Board, First Deputy General Director of the Company and a member of the Board of Directors of JSC Institute Hydroproject.</li> </ol> </li> <li>1.2. Agree the concurrent employment of the Chairman of the Management Board - General Director of the Company and members of the Management Board of the Company at the positions in the management bodies of RusHydro's controlled entities.</li> </ol> </li> </ol>
Minutes No. 72/1 dtd March 23, 2018	On the assessment of the performance of RusHydro's Board of Directors.	<ol style="list-style-type: none"> <li>1. Assess the performance of the Company's Board of Directors by engaging an independent consultant in accordance with the assessment methodology proposed by LLC PricewaterhouseCoopers Consulting.</li> <li>2. Recommend to RusHydro's Board of Directors to make the following decision: <ol style="list-style-type: none"> <li>1. Approve the engagement of an independent consultant (LLC PricewaterhouseCoopers Consulting) to evaluating the performance of the Company's Board of Directors.</li> <li>2. Recommend to members of the Company's Board of Directors to take part in the questionnaire survey and interviewing conducted by the independent consultant.</li> <li>3. Assign the Company to ensure that the Company's Board of Directors performance appraisal results are presented at the meeting of the Company's Board of Directors with a preliminary consideration of the issue at the meeting of the Nomination and Compensation Committee of the Company.</li> </ol> </li> </ol>
Minutes No. 103/73/1 dtd April 23, 2018	On recommendations to RusHydro's Board of Directors on the item: On the	<ol style="list-style-type: none"> <li>1. Recommend to the Company's Board of Directors to make the following decisions: <ol style="list-style-type: none"> <li>1.1. Deem the KPI "Reduction of Operating Expenses (costs), %" for 2017 calculated with regard to factors that are</li> </ol> </li> </ol>

(joint meeting)	achievement of annual key performance indicators by members of the Company's Management Board for 2017.	beyond the control of the management, to have been achieved. 1.2. Approve the Report on the Achievement of Annual Key Performance Indicators by RusHydro's Management Board Members for 2017 (Annex No. 1 to the present decision). 1.3. The decision taken contains confidential information. 2. Approve the payment of the annual bonus to the members of RusHydro's Management Board with reference to the achieved annual KPIs of the members of RusHydro's Management Board for 2017 after the Company's Board of Directors approves the report on the achievement of the annual KPIs of RusHydro's Management Board members for 2017.
Minutes No. 103/73/2 dtd April 23, 2018  (joint meeting)	On recommendations to RusHydro's Board of Directors on the item: On approval of amendments to the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members.	1. Recommend to the Company's Board of Directors to make the following decisions: 1.1. Amend the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members (without effect of fuel costs). - according to clause 2.1.1 as for KPI "Return on Equity (ROE), %"; - according to clause 2.2.1 as for KPI "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn"; - according to clause 2.5.1 as for KPI "Reduction of Operating Expenses (costs), %" in line with Annex No. 2 to the present decision. 1.2. Include clause 1.5. of Section 1. "General Provisions" of the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members reworded as follows: 1.5. If there are objective reasons for the non-achievement of any KPI, the Company's Board of Directors may decide to recognize this indicator as achieved and to pay the full amount of material incentives attributable to it. 1.3. Establish that the changes indicated in para. 1.1 and 1.2 of this decision shall apply from January 1, 2018.
Minutes No. 103/73/3 dtd April 23, 2018  (joint meeting)	On recommendations to RusHydro's Board of Directors on the item: On approval of the annual KPI Targets for members of RusHydro's Management Board for 2018 and the KPI Targets under Cycle Two of RusHydro's Long-term Motivation Program for 2018 - 2020.	1. Recommend to the Company's Board of Directors to make the following decisions: 1.1. Approve the Target values of the Annual KPIs of RusHydro's Management Board members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") in line with Annex No. 3.1 to the present decision. 1.2. Target KPIs under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (KPI "Free Cash Flow (FCF), RUB mn") in line with Annex No. 3.2 to this decision).
Minutes No. 103/73/4 dtd April 23, 2018  (joint meeting)	On recommendations to RusHydro's Board of Directors on the item: On approval of adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019.	1. Recommend to the Company's Board of Directors to make the following decisions: 1.1. Approve the adjusted target values of the performance indicator under Cycle One of RusHydro's Long-Term Motivation Program for 2017-2019. (KPI "Free Cash Flow (FCF), RUB mn") (Annex No. 4 to this decision).
Minutes No. 74/1 dtd May 18, 2018	On recommendations to the Board of Directors of the Company on the item: On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the payment of remuneration for work on the Board of Directors to members of the Board of Directors, who are not public servants, in the amount established by the Company's internal documents.	Recommend to the Company's Board of Directors to make the following decision: Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Pay remuneration to the members of the Board of Directors based on their performance in the Board of Directors during the period from June 26, 2017 to June 27, 2018, in the amount, manner, and time specified by the Resolution on the Payment of Remunerations and Compensations to the Members of RusHydro's Board of Directors approved by the resolution of the Annual General Meeting of Shareholders of the Company dated June 26, 2017 (Minutes No. 16 dated June 27, 2017).

Minutes No. 74/2 dtd May 18, 2018	On the analysis of professional qualifications of candidates to the Board of Directors of the Company, the presence or absence of a conflict of interest with the Company, and on the recommendations for the Company's shareholders regarding voting on the issue of electing candidates to the Board of Directors of the Company.	<p>The Nomination and Compensation Committee of the Company's Board of Directors based on the results of preliminary assessment of candidates to the Company's Board of Directors with reference to the information provided by candidates to the Board of Directors for compliance with the criteria/recommendations defined by the Corporate Governance Code recommended for use by the Bank of Russia and Corporate Governance Code of the Company approved by the decision of the Company's Board of Directors (Minutes No. 218 dated June 22, 2015) made the following decisions:</p> <ol style="list-style-type: none"> <li>1. All candidates nominated to the Board of Directors of the Company have a higher professional education and have high professionalism and qualifications: <ul style="list-style-type: none"> <li>- are acknowledged experts in the field of energy, finance, law, strategic and corporate management, audit, risk management, personnel management, innovation and investment, as well as in the industrial and scientific fields (details are given in the Annex to this decision);</li> <li>- have experience of working in boards of directors or in senior positions of other joint-stock companies, whose shares are included in quotation lists of organized trading facilities (stock exchanges);</li> <li>- have an impeccable business and personal reputation and have the knowledge, skills, and experience necessary for making decisions related to the competence of the Board of Directors and required for the effective performance of its functions.</li> </ul> </li> <li>2. As of the date of nomination, all candidates to the Board of Directors of the Company have no conflict of interests.</li> <li>3. Shareholders of the Company on the issue of electing members of the Board of Directors of the Company at the Annual General Meeting of Shareholders following the results of 2017 are recommended to vote in such a way as to balance the composition of the Board of Directors in terms of experience, knowledge, and business proficiency.</li> </ol>
Minutes No. 74/3 dtd May 18, 2018	On compliance of candidates to RusHydro's Board of Directors with independence criteria.	Approve the results of assessing the compliance of candidates to RusHydro's Board of Directors with independence criteria in line with Annex No. 2.
Minutes No. 74/4 dtd May 18, 2018	On recommendations to the Board of Directors of the Company on the item: On recognizing candidates to the Company's Board of Directors (members of the Company's Board of Directors) as independent.	<p>Recommend to the Board of Directors to take the following decision concerning the recognition of candidates to the Company's Board of Directors (members of the Company's Board of Directors) as independent</p> <ol style="list-style-type: none"> <li>1. Take due note of the information on the results of evaluation of the compliance of a member of the Board of Directors (a candidate nominated for election to the Company's Board of Directors at the Annual General Meeting of Shareholders in 2018), Maksim Bystrov, with the independence criteria stipulated in Annex 4.1 to the Listing Rules of the Moscow Exchange.</li> </ol> <p>There is no connection between Maksim Bystrov and the Company, a substantial shareholder, competitors, the State, or a municipal entity.</p> <p>Maksim Bystrov meets the formal criteria of connection with the Company's significant counterparties - JSC ATS, JSC SO UES, JSC FSC, and ANO Market Council Training Center, as the scope of obligations between the Company and each of the said counterparties performed during the last year exceeds 2% of the book value of assets and 2% of the revenue of each counterparty.</p> <p>Note that the connection between Maksim Bystrov and significant counterparties of the Company – JSC ATS, JSC SO UES, JSC FSC, and ANO Market Council Training Center – is formal in nature and does not affect Mr. Bystrov's ability to act as a member of the Board of Directors in the interests of the Company and its shareholders for the following reasons:</p> <ul style="list-style-type: none"> <li>- JSC ATS 3 (Joint-Stock Company Administrator of the Trade System of the Wholesale Electricity Market) renders the services of a commercial operator of the wholesale electricity and capacity market (hereinafter - the wholesale market) to the Company in the manner stipulated in Clause 7 of Article 33 of Federal Law No. 35-FZ dated March 26, 2003 On the Electric Power Industry (the Law on the Electric Power Industry) under an Agreement for Integration into the trade system of the wholesale market. Commercial relations between the</li> </ul>



		<p>Company and JSC ATS are based on the principle of nondiscriminatory access to the services of commercial infrastructure organizations of the wholesale market (Article 20 of the Federal Law on the Electric Power Industry, Regulation No. 861 of the Government dated December 27, 2004) and on the principle of state regulation of tariffs for the services of a commercial operator of the wholesale market (Article 23.1 of the Federal Law on the Electric Power Industry);</p> <p>JSC SO UES (Joint-Stock Company System Operator of the Unified Energy System) provides the Company with operational dispatch management services in the electric power industry due to its status as a system operator established by Clause 1 of Article 12 of the Federal Law on the Electric Power Industry and under the Agreement for Integration into the trade system of the wholesale market. Commercial relations between the Company and JSC SO UES are based on the principle of nondiscriminatory access to operational dispatch management services in the electric power industry (Clause 6 of Article 20 of the Federal Law on the Electric Power Industry, Government Decree No. 861 dated December 27, 2004) and on the principle of state regulation of tariffs for operational dispatch management services (Article 23.1 of the Federal Law on the Electric Power Industry).</p> <p>JSC FSC (Joint-Stock Company Financial Settlement Center) is classified among the commercial infrastructure organizations of the wholesale electricity and capacity market of the Russian Federation; it ensures the functioning of the contractual structure of the wholesale market and the system of financial settlements between its participants and renders services to the Company under the Agreement for Integration into the trade system of the wholesale market. The Agreement was concluded in accordance with Clause 1 of Article 32 of the Federal Law on the Electric Power Industry and Clause 40 of the Rules for the Wholesale Electricity and Capacity Market approved by Regulation No. 1172 of the Government of the RF dated December 27, 2010.</p> <p>Commercial relations between the Company and JSC FSC are based on the principle of nondiscriminatory access to the services of commercial infrastructure organizations of the wholesale market (Article 20 of the Federal Law on the Electric Power Industry, Regulation No. 861 of the Government of the RF dated December 27, 2004). The uniform charge for the service package provided by JSC FSC (for all counterparties) is approved by the Supervisory Board of the Association NP Market Council.</p> <p>- ANO Market Council Training Center (Autonomous Noncommercial Organization of Continuing Professional Education NP Market Council Training Center), established under the Association NP Market Council, is an infrastructure organization of wholesale and retail trade in electricity and capacity; it renders services to the Company in the field of education and training of specialists in organizing an effective system of wholesale and retail trade in electricity and capacity.</p> <p>Considering that the wholesale market regulations adopted by the Supervisory Board of the Association NP Market Council are amended monthly, to maintain a high level of knowledge in the field of wholesale market procedures and to obtain information on current and planned changes in the wholesale market, the employees of the Company need to undergo training at the primary source, ANO Market Council Training Center. The training contracts between the Company and ANO Market Council Training Center are concluded on arm's length terms.</p> <p>Mr. Bystrov's track record in the Company's Board of Directors proves his ability to make independent, unbiased, and conscientious judgments, since Mr. Bystrov's stand on agenda items of meetings of the Board of Directors and committees under the Board of Directors is based on his expertise and experience, is autonomous and independent, and the decisions made by Mr. Bystrov bring us to the conclusion that his formal connection with significant counterparties of the Company—JSC ATS, JSC SO UES, JSC FSC, and ANO Market Council Training Center—does not influence his decision making, as Mr. Bystrov acts in the interests of the Company and all its shareholders.</p> <p>Based on Clause 2 of Section 2.18 of Annex 2 and on Annex 4.1 to the Listing Rules of the Moscow Exchange, recognize Maksim Bystrov as an independent director.</p>
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		<p>2. Take due note of the information on the results of the compliance of a member of the Board of Directors (a candidate nominated for election to the Company's Board of Directors at the Annual General Meeting of Shareholders in 2018), Sergey Ivanov, with the independence criteria stipulated in Annex 4.1 to the Listing Rules of the Moscow Exchange.</p> <p>There is no connection between S. Ivanov and the Company, a substantial shareholder, competitors, the State, or a municipal entity.</p> <p>Sergey Ivanov meets the formal criteria of connection with the State, since during the year preceding his election to the Company's Board of Directors Mr. Ivanov acted as General Director of LLC RT-Capital, an entity controlled by the Russian Federation.</p> <p>Note that the connection between Mr. Ivanov and the State is formal in nature and does not affect his ability to act as a member of the Board of Directors in the interests of the Company and all its shareholders for the following reasons:</p> <ul style="list-style-type: none"> <li>- In accordance with order No. 405-r of the Government of the Russian Federation dated March 9, 2018, Mr. Ivanov has been nominated by the Russian Federation as an independent director; therefore, Mr. Ivanov has no obligation to vote on the instructions of the Government of the Russian Federation (Clause 16 of Regulation No. 738 of the Government of the RF dated December 3, 2004).</li> <li>- Mr. Ivanov's connection with the state is formal due to the fact that the employment relations with RT-Capital, which were terminated in February 2018, did not and will not influence the making of unbiased and independent decisions by Mr. Ivanov, since the control of the Russian Federation over RT-Capital is indirect and is carried out through the State Corporation for the Promotion of the Development, Production, and Export of High-Tech Industrial Products Rostek, which is operated through management bodies typical of a commercial organization.</li> <li>- Mr. Ivanov's track record in the Company Board of Directors proves his ability to make independent, unbiased, and conscientious judgments, since Mr. Ivanov's stand on agenda items of meetings of the Board of Directors and committees under the Board of Directors is based on his expertise and experience and is autonomous and independent, and the decisions made by Mr. Ivanov bring us to the conclusion that his formal connection with the State does not influence his decision making as Mr. Ivanov acts in the interests of the Company and all its shareholders.</li> </ul> <p>Based on Clause 2 of Section 2.18 of Annex 2 and on Annex 4.1 to the Listing Rules of the Moscow Exchange, recognize Sergey Ivanov as an independent director.</p>
Minutes No. 74/5 dtd May 18, 2018	The item taken contains confidential information.	-
Minutes No. 74/6 dtd May 18, 2018	The item taken contains confidential information.	-
Minutes No. 74/7 dtd May 18, 2018	On recommendations to the Board of Directors of the Company on the item: On consideration of the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in the Company's operations.	Recommend to the Company's Board of Directors to make the following decision: Approve the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in RusHydro's operations in Q4 2017 and Q1 2018.
Minutes No. 75/1 dtd June 21, 2018	On recommendations to the Board of Directors of the Company on the item: On the results of an independent evaluation of the performance of RusHydro's Board of Directors.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the results of an independent evaluation of the performance of RusHydro's Board of Directors.

Minutes No. 75/2 dtd June 21, 2018	On pre-approval of the performance reports of the Nomination and Compensation Committee of RusHydro's Board of Directors for 2017-2018 corporate year.	1. Approve the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 1 to the Minutes of Meeting). 2. Recommend to the Company's Board of Directors to approve the performance reports of the Nomination and Compensation Committee of the Company's Board of Directors for 2017-2018 corporate year.
Minutes No. 76/1 dtd August 3, 2018	On election of the Secretary of the Nomination and Compensation Committee of the Company's Board of Directors.	Elect Margarita Budkova as the Secretary of the Nomination and Compensation Committee of the Company's Board of Directors.
Minutes No. 76/2 dtd August 3, 2018	On recommendations to the Board of Directors of the Company on the item "On the agreement of concurrent employment of the Management Board's member in the management bodies of other organizations".	Recommend to the Company's Board of Directors to make the following decision: Agree on the concurrent employment of a member of the Management Board, First Deputy General Director of the Company, Andrey Kazachenkov, in the position of a member of the Board of Directors of JSC Far Eastern Energy Management Company and JSC NPF LUKOIL-GARANT.
Minutes No. 77/1 dtd August 13, 2018	On the election of a senior independent director of the Company.	Elect Sergey Ivanov, a member of the Company's Board of Directors, an independent director, as a senior independent director.
Minutes No. 78/1 dtd September 27, 2018	On the assessment of the performance of RusHydro's Board of Directors in 2018-2019 corporate year.	1. Given the assessment of the performance of the Company's Board of Directors in 2018 by engaging an external independent consultant, PricewaterhouseCoopers Consulting LLC (external independent assessment), determine that the assessment of the Board of Directors elected at the annual General Shareholders Meeting of the Company on June 27, 2018 (Minutes No. 17 dated June 28, 2018), according to their performance in the 2018-2019 corporate year, is carried out through self-assessment. 2. The Company's Corporate Secretary, N. Kovaleva, shall submit for consideration by the Nomination and Compensation Committee of the Company's Board of Directors no later than December 31, 2018: 2.1. draft local regulatory document (act) regulating the assessment of the performance of the Company's Board of Directors; 2.2. proposals on the timing of the self-assessment of the Board of Directors elected at the Annual General Meeting of Shareholders of the Company held on June 27, 2018 (Minutes No. 17 dated June 28, 2018), based on the results of the 2018-2019 corporate year.
Minutes No. 78/2 dtd September 27, 2018	On recommendations to the Board of Directors of the Company on the item: On incorporation of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of the Company's Management Board Members.	1. Item "On recommendations to the Board of Directors of the Company concerning": the incorporation of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of the Company's Management Board Members has been reviewed and taken note of. 2. Recommend negotiating the issue of initiating the cancellation or recognition of Directive No. 2303p-P13 of the Government of the Russian Federation dated April 16, 2015 as performed. 3. Recognize as reasonable the approach to calculating the KPI "Reduction of Operating Expenses (costs),%" based on a comparison of the planned and actual indicators of RusHydro Group's consolidated Business Plan, with due account to the improved quality of planning.
Minutes No. 79/1 dtd December 4, 2018	On analysis of the compliance of independent members of the Company's Board of Directors with independence criteria.	Following the conducted analysis of the compliance of independent members of the Company's Board of Directors with independence criteria: Take due note of the information on compliance of P. Grachev, V. Pivovarova, M. Bystrov, and S. Ivanova with independence criteria stipulated by Annex No. 4.1 to the Listing Rules of PJSC Moscow Exchange, including the recommendations of the Nomination and Compensation Committee dated May 18, 2018 (Minutes No. 74 dated May 18, 2018) and the decision of the Company's Board of Directors dated May 31, 2018 (Minutes No. 271 dated June 1, 2018), in line with Annex No. 1 to this decision.
Minutes No. 79/2 dtd December 4, 2018	On recommendations to the Board of Directors of the Company on the item: On	Recommend to the Company's Board of Directors to make the following decision: Approve the progress report on the Action Plan (the list of measures) for the implementation of occupational

	material issues for the Company: On consideration of the progress report on the Action Plan (the list of measures) for the implementation of occupational standards in the Company's operations.	standards in the Company's operations in Q2 and Q3 2018.
Minutes No. 79/3 dtd December 4, 2018	On election of the Deputy Chairman of the Nomination and Compensation Committee of the Company's Board of Directors.	Elect Sergey Ivanov the Deputy Chairman of the Nomination and Compensation Committee of the Company's Board of Directors.
Minutes No. 80/1 dtd December 14, 2018	On recommendations to RusHydro's Board of Directors on the item: On the approval of annual key performance indicators for members of RusHydro's Management Board for 2019.	1. Recommend to the Company's Board of Directors to make the following decisions: 1.1. Approve the list of annual key performance indicators of RusHydro's Management Board Members for (hereinafter - annual KPIs) and put it into effect starting from January 1, 2019. 1.2. When calculating and assessing the annual KPIs, follow the Methodology for the Calculation and Assessment of the Annual KPIs of RusHydro's Management Board Members approved by the resolution of the Board of Directors of the Company (Minutes No. 245 dated December 26, 2016, No. 251 dated April 18, 2017, and No. 269 dated April 25, 2018).
Minutes No. 80/2 dtd December 14, 2018	On recommendations to the Board of Directors of the Company on the item: On approval of the Company's internal documents: On approval of the Regulation on the assessment of the performance of RusHydro' Board of Directors, committees of the Board of Directors.	Recommend to the Board of Directors to make the following decision: Approve the Regulation on the assessment of the performance of RusHydro' Board of Directors, committees of the Board of Directors \.
Minutes No. 80/3 dtd December 14, 2018	On the time frames for assessment of RusHydro's Board of Directors performance in 2018-2019 corporate year.	The Company's Corporate Secretary, N. Kovaleva, shall ensure the conduct of self-assessment of the Company's Board of Directors performance in the 2018-2019 corporate year no later than April 30, 2019.
Minutes No. 80/4.1 dtd December 14, 2018	On recommendations to the Board of Directors of the Company on the item: On forming RusHydro's management bodies. On recommendations to the Board of Directors of the Company on the item: On determining the number of members of RusHydro's Management Board.	Recommend to the Company's Board of Directors to make the following decision: Determine the numerical composition of the Company's Management Board - 7 people.
Minutes No. 80/4.2 dtd December 14, 2018	On recommendations to the Board of Directors of the Company on the item: On forming RusHydro's management bodies. On recommendations to the Board of Directors of the Company on the item: On election of a member of RusHydro's Management Board.	Recommend to the Company's Board of Directors to make the following decision: 1. Elect Viktor Khmarin as a member of the Company's Management Board starting from January 16, 2019. 2. Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to determine the terms and conditions of an agreement with a member of the Management Board, Viktor Khmarin, and to issue and sign the documents needed to perform Clause 1 of this resolution in accordance with the labor laws of the Russian Federation.
Minutes No. 81/1 dtd December 21, 2018	On recommendations to RusHydro's Board of Directors on the item: On review of material issues for the Company: On the approval of target values of key performance	Recommend to the Company's Board of Directors to make the following decisions: 1.1. Approve: - Target KPI values under Cycle Three of RusHydro's Long-Term Motivation Program for 2019–2021; - Changes in target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019;

	indicators for members of RusHydro's Management Board for 2019.	<p>- Changes in the target KPI values under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020/</p> <p>1.2. When calculating and evaluating the key performance indicators under Cycle Three of RusHydro's Long-term Motivation Program for 2019-2021 (hyphen 1 of para.1 of this decision), follow the Methodology for calculating and evaluating key performance indicators of RusHydro's Long-Term Motivation Program approved by a decision of the Company's Board of Directors dated December 26, 2017 (Minutes No. 264 dated December 28, 2017).</p>
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## The Strategy Committee of RusHydro's Board of Directors

Date and No. of Minutes	Item	Decision taken
Minutes No. 107 dtd January 22, 2018	1. On recommendations to the Board of Directors of the Company on the item: On approval of the performance reports of the Strategy Committee of the Company's Board of Directors for H1 2017-2018 corporate year.	Recommend to the Company's Board of Directors to make the following decision: Approve the performance reports of the Strategy Committee of the Company's Board of Directors for H1 2017-2018 corporate year (Annex No. 1).
	2. On approval of the Action Plan of the Strategy Committee of RusHydro's Board of Directors for H1 2018.	Approve the Action Plan of the Strategy Committee of RusHydro's Board of Directors for H1 2018 (Annex No. 2).
Minutes No. 108 dtd March 19, 2018	1. On recommendations to the Board of Directors of the Company on the item: "On termination of RusHydro's participation in other organizations: termination of RusHydro's participation in JSC SHPP of Dagestan".	Recommend to RusHydro's Board of Directors to make the following decision: Terminate RusHydro's participation in JSC SHPP of Dagestan.
	2. On recommendations to the Board of Directors of the Company on the item: On the determination of the position of RusHydro (RusHydro's representatives) in the management bodies of subsidiaries: taking decisions related to the liquidation of JSC SHPP of Dagestan	Recommend to RusHydro's Board of Directors to make the following decision: 1. Assign RusHydro's representatives in the management bodies of SHPP of Dagestan on the issue concerning the liquidation of JSC SHPP of Dagestan to vote FOR the decision to liquidate JSC SHPP of Dagestan. 2. Assign to RusHydro's representatives in the management bodies of the SHPP of Dagestan to vote FOR the decisions related to the liquidation of JSC SHPP of Dagestan reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.
Minutes No. 109 dtd March 30, 2018	1. On recommendations to the Board of Directors of the Company concerning the Company's priority activities: On the Taishet Aluminum Smelter Construction Project.	<p>1. Recommend to the Company's Board of Directors to make the following decision:</p> <p>1. Take due note of the information on the status of fulfillment of the preliminary conditions of RusHydro's participation in the Taishet Aluminum Smelter (hereinafter - TaAS) construction project approved by the Company's Board of Directors (Minutes No. 257 dated September 1, 2017).</p> <p>2. Define the following additional conditions for the Company's participation in the TaAS project:</p> <p>2.1. RusHydro's liability limit for sponsorship obligations assumed as part of project financing attracted for the implementation of the TaAS project shall not exceed 7.5% (USD 60 bn) of the TaAS further construction cost.</p> <p>2.2. The cost of RusHydro's entry into the TaAS project (hereinafter referred to as the Entry Cost) is no more than USD 319.5 mn (RusHydro's stake in the project is 50%), while the cost of a 50% share in the authorized capital of RUSAL Tayshet LLC (hereinafter - the Joint Venture) shall not exceed USD 169.5 mn, which shall be</p>

		<p>confirmed on the basis of an independent appraiser's report, and shall be paid as follows:</p> <ul style="list-style-type: none"> <li>- UC RUSAL shall accept, as a partial payment, 42.75% of JSC Irkutsk Electric Grid Company (JSC IEGC)'s shares owned by RusHydro at a value of USD 150 mn;</li> <li>- installment payment in the amount of USD 19.5 mn (within 3 years after TaAS reached its design capacity (hereinafter - Reaching Design Capacity)) shall be provided free of charge; subsequently, interest shall be charged at the average weighted rate as part of the Project Financing raised for the TaAS Project).</li> </ul> <p>The remaining part of the Entry Cost (USD 150 mn) is paid by the Joint Venture by repaying the debt to UC RUSAL Group companies under a loan agreement from the cash flow after the Smelter reaches its design capacity.</p> <p>2.3. In case the design capacity will fail to be reached by January 1, 2035, the Parties shall jointly implement the procedure for RusHydro's exit from the Project without deterioration of the financial situation of the Company.</p> <p>2.4. If RusHydro does not resolve to expand the TaAS's design capacity (within a year after reaching the design capacity, but not later than December 31, 2024), the Entry Cost shall be reduced by USD 50 mn as follows:</p> <ul style="list-style-type: none"> <li>- through a decline in value of a 50% stake in the Joint Venture by USD 19.5 mn. In this case, RusHydro's obligations to UC RUSAL to pay for the stake in the specified amount shall be terminated;</li> <li>- through the implementation of the procedure for reducing the Joint Venture's debt to the UC RUSAL Group companies by USD 61 mn without deterioration of the conditions of RusHydro's participation and the financial position of the Joint Venture and without increasing the stake of UC RUSAL in the Joint Venture (taking into account the need to transfer to UC RUSAL the facilities and rights that were defined following the due diligence as facilities and rights necessary for the implementation of the TaAS Project).</li> </ul> <p>2.5. The possibility of increasing the amount of the TaAS Project Financing (subject to approval of such resolution by creditor banks) to improve the financial sustainability of the Project and ensure the possibility of changing the nomenclature of finished products with a higher yield, subject to the confirmation by independent auditors of the improvement of the economic efficiency indicators of the TaAS Project through these measures. At the same time, the limit of RusHydro's liability for the sponsorship obligations assumed as part of the TaAS project financing shall not exceed the limit specified in Clause 2.1 of this decision (USD 60 mn).</p> <p>2.6. No restrictions for the exercise of the RusHydro's right to alienate the stake (part of the stake) in the authorized capital of the Joint Venture after the Joint Venture has repaid the debt on the loan raised as part of the Project Financing of the construction of the TaAS first start-up facilities, while preserving the Parties' preferential right to repurchase the stakes.</p> <p>2.7. The expediency of granting privileges and advantages to the Joint Venture in connection with its conclusion of a special investment contract in accordance with Federal Law No. 488-FZ dated December 31, 2014 On Industrial Policy in the Russian Federation (SPIC).</p> <p>2.8. Protection of RusHydro against the risks and negative effects of the implementation of the TaAS Project arising from the activities of the Joint Venture and/or actions of its participants with respect to the Joint Venture committed before the closing date of the stake acquisition transaction (including, but not limited to, tax risks, claims of equipment suppliers, failure to comply with mandatory instructions of state bodies, etc.) by incorporating in the legally binding documentation the provisions on compensation by UC RUSAL for RusHydro's damages or property losses suffered as a result of the materialization of such risks.</p> <p>2.9. Transfer of facilities (equipment) that are not related to the TaAS Project from the balance sheet of the Joint Venture without deterioration of its financial position (taking into account the possible expansion of the TaAS's design capacity).</p> <p>2.10. Provision of guarantees and obligations for financing the additional capital costs of the TaAS Project (an overrun of the TaAS further construction cost by over 15%) by making a contribution to the assets of the Joint</p>
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		<p>Venture or using another procedure to be agreed upon by RusHydro and UC RUSAL that does not entail the deterioration of the financial situation of the Joint Venture or an increase in UC RUSAL's stake in the Joint Venture.</p> <p>2.11. A resolution documented in a legally binding form that the acquisition of RusHydro's stake in the Joint Venture envisages that the Parties may withdraw from the joint completion of the Boguchanskiy Aluminum Smelter to the contracted design capacity (construction of the third and fourth start-up facilities).</p> <p>3. After the fulfillment of the conditions of participation in the TaAS Project stipulated by this decision and the resolution of the Board of Directors of the Company dated August 30, 2017 (Minutes No. 257 dated September 1, 2017), and after reconciliation of draft legally binding documentation with UC RUSAL, assign the Management Board of the Company to ensure the submission of the documentation to the Federal Agency for State Property Management in order to obtain the necessary decisions of state authorities (including the consent of the Government of the Russian Federation to the alienation of JSC IEGC's shares and a directives to representatives of the Russian Federation in the Company's Board of Directors) for the purpose of the subsequent submission of the issue on the Company's participation in LLC RUSAL Tayshet and the issue on termination of the Company's participation in JSC IEGC for consideration to the Board of Directors of the Company.</p> <p>2. Assign as follows to the Company's Management:</p> <p>1. Before considering the issue of RusHydro's participation in RUSAL Taishet at the Company's Board of Directors, supplement the presented materials with an estimation of the efficiency in delivering the Boguchanskiy Aluminum Smelter construction project, a benchmarking study of the effectiveness of the Taishet Aluminum Smelter construction project and the Boguchansky Aluminum Smelter further construction project (construction of the third and fourth start-up facilities), as well as a sensitivity analysis of the integral effect for RusHydro from the participation in the TaAS project to the variation in the main parameters of the project.</p> <p>2. Familiarize the members of the Strategy Committee with the financial and economic model of the TaAS project, which was used as the basis to calculate the integral effect for RusHydro from participating in this investment project.</p> <p>3. Submit for consideration to the Federal Agency for State Property Management the material terms for the distribution of rights and obligations between the Parties under the TaAS project agreed upon when drafting the legally-binding transaction documentation.</p>
Minutes No. 110 dtd May 10, 2018	1. On RusHydro Group's Long-Term Development Program for 2017.	<p>1. Take due note of the progress report on RusHydro Group's Long-term Development Program for 2017 in line with Annex No. 1 to this decision (hereinafter - the Report).</p> <p>2. Recommend to the Company's Executive Office to include the Progress Report in the Company's Annual Report for consideration at the Annual General Meeting of Shareholders of the Company on the results of 2017.</p>
	2. On recommendations to the Board of Directors of the Company on the item: "On determined the Company's priority activities" "On progress in executing individual assignments of the President of the Russian Federation and the Government of the Russian Federation regarding the refinancing of the loan debt of the Holding Company RAO ES East".	Recommend to the Company's Board of Directors to make the following decision: Take due note of the report on the completion of measures related to the refinancing of the debt of the Holding Company RAO ES East (Annex No. 2 to this decision).
	3. On recommendations to the Board of Directors of the Company on the item:	Recommend to the Company's Board of Directors to make the following decision: Assign the Company's representative in the management bodies of JSC RAO ES East to vote FOR the following resolution on the item

	On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of RAO ES East.	<p>"On the Company's related transactions associated with the disposal of property constituting fixed assets whose target use is the generation, transmission, and distribution of electricity and thermal energy":</p> <p>Approve the Company's related transactions associated with the disposal of property constituting fixed assets whose target use is the generation, transmission, and distribution of electricity and thermal energy" on the following material terms:</p> <p><u>Parties to the Transaction:</u></p> <p>The Alienator is JSC RAO ES East.</p> <p>The Acquirer is PJSC Sakhalinenergo.</p> <p><u>Subject of the Transaction:</u></p> <p>The Alienator shall transfer the title to the property of the 5th power unit of Yuzhno-Sakhalinskaya CHPP-1 and the network property in accordance with Annex No. 3 to this decision (hereinafter - the Property) to the Acquirer, and the Acquirer shall offer additional publicly-traded ordinary shares in favor of the Alienator (state registration number of the additional issue of securities: 1-03-00272-A-001D dated December 7, 2017) (hereinafter - the Shares) in an amount determined based on the Property Price and the offering price of the Shares, which is RUB 10 00 kopecks per 1 (one) share.</p> <p><u>Property Price:</u> To be determined based on an asset valuation report prepared by a qualified appraiser.</p>
Minutes No. 111 dtd May 17, 2018	1. On recommendations to the Board of Directors of the Company on the item: On termination of the Company's membership in PJSC Inter RAO.	<p>1. Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve the termination of the Company's participation in Inter RAO's authorized capital by concluding a contract of sale of Inter RAO's shares (hereinafter - the Contract) on the following material terms:</p> <p><u>Parties to the Agreement:</u></p> <p>Seller - PJSC RusHydro;</p> <p>Buyer - JSC Inter RAO Capital.</p> <p><u>Subject of the Agreement:</u></p> <p>The Seller shall transfer to the Buyer InterRAO's ordinary shares in the amount of 2,029,197,475.41 (two billion twenty nine million one hundred ninety seven thousand four hundred seventy five point and forty one hundredth) shares with a nominal value of 2.809767 (two point eight hundred nine thousand seven hundred and sixty-seven millionths) each (hereinafter - the Shares), and the Buyer shall accept and pay for them.</p> <p><u>Share price and payment procedure:</u></p> <ul style="list-style-type: none"> <li>- RUB 3.3463 (three point and three thousand four hundred sixty-three ten thousandths) for one ordinary share;</li> <li>- Payment for Shares shall be made in cash by installments for 18 months.</li> </ul> <p>The Company's stake in Inter RAO before the alienation of shares is 1.944%, after the alienation is 0.00%.</p> <p>2. Assign as follows to the Company's Management:</p> <p>Before considering the issue of terminating the Company's participation in Inter RAO at the Company's Board of Directors, supplement the submitted materials with information based on the positions set forth by members of the Committee.</p>
Minutes No. 112 dtd May 25, 2018	1. On recommendations to the Board of Directors of the Company on the item: On approval of RusHydro Group's Long-Term Development Program for 2018–2022.	Recommend to the Company's Board of Directors to make the following decision: Approve the updated RusHydro Group's Long-Term Development Program for 2018–2022 in line with Annex No. 1 to this decision.
Minutes No. 113 dtd June 20, 2018	1. On recommendations to the Board of Directors of the Company on the items related to the investment project "Construction of two single-circuit Pevek-Bilibino 110 kV overhead lines"	



	(construction stage No. 1):	
	1.1. On determining the offering price of additional shares of the Company.	Recommend to the Company's Board of Directors to make the following decision: Set the offering price of additional shares of the Company (inter alia, upon exercising the preemptive right to acquire additional shares) in the amount of RUB 1 (one) for 1 (one) additional registered ordinary uncertified share.
	1.2. On increasing the authorized capital of the Company by placing additional shares within the number of declared shares.	Recommend to the Company's Board of Directors to make the following decision: 1. Increase the authorized capital of RusHydro by placing additional registered ordinary uncertified shares in the amount of 14,013,888,828 shares with a par value of RUB 1 each, for a total amount (at par value) of RUB 14,013,888,828 on the following conditions: Placement method: open subscription. The offering price of additional shares of RusHydro (inter alia, upon exercising the preemptive right to acquire additional shares): 1 (one) ruble 00 kopecks for 1 (one) additional registered ordinary uncertified share; Form and procedure of payment for additional shares: shares shall be paid in Russian Rubles in non-cash form.
	1.3. On the approval of the Decision on the additional issue of securities.	Recommend to the Company's Board of Directors to make the following decision: Approve the Decision on the additional issue of RusHydro's securities (registered ordinary uncertified shares) in line with Annex No. 1.
	1.4. On the approval of the Securities Prospectus.	Recommend to the Company's Board of Directors to make the following decision: Approve the Prospectus for RusHydro's Securities (registered ordinary uncertified shares) in line with Annex No. 2.
	2. On recommendations to the Board of Directors of the Company on the item: On approval of the performance reports of the Strategy Committee of RusHydro's Board of Directors for 2017-2018 corporate year.	Approve the performance report for the Strategy Committee of RusHydro's Board of Directors for the 2017-2018 corporate year and recommend to the Company's Board of Directors to consider this report (Annex No. 3).
Minutes No. 114 dtd August 20, 2018	1. On the election of the Deputy Chairman of the Strategy Committee.	Elect D. Rizhinashvili, the member of the Management Board, RusHydro's First Deputy General Director, as Deputy Chairman of the Strategy Committee at RusHydro's Board of Directors.
	2. On approval of the Action Plan of the Strategy Committee for H2 2018.	Approve the Action Plan of the Strategy Committee for H2 2018 (Annex No. 1).
	3. On the election of the Secretary of the Strategy Committee.	Elect P. Krasovskaya, the chief expert of the Strategy and IR Department, as the Secretary of the Strategy Committee of RusHydro's Board of Directors.
Minutes No. 115 dtd September 27, 2018	• 1. On recommendations to the Board of Directors of the Company on the item: On the progress of RusHydro Group's Long-Term Development Program for H1 2018.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the progress of RusHydro Group's Long-Term Development Program for H1 2018 in line with Annex No. 1 to this decision.
Minutes No. 116 dtd October 11, 2018	1. On recommendations to the Board of Directors of the Company on the item: On amendments to RusHydro Group's Long-Term Development Program <sup>15</sup> .	Recommend to the Company's Board of Directors to make the following decision: 1. Supplement RusHydro Group's Long-Term Development Program for the period of 2018 - 2022 with activities pursuant to Decree No. 204 of the President of the Russian Federation dated May 7, 2018 On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024 (Annex No. 1 to this decision). 2. Approve changes in KPIs of RusHydro Group's Long-term Development Program for 2018 (KPI "Return on Equity (ROE)", "Earnings before Interest, Tax and Depreciation Expenses (EBITDA)", "Labor productivity, thousand rubles/man-hour" in accordance with the updated annual KPIs of the members of the Company's Management Board (Annex No. 2 to the present decision).
	2. On recommendations to the Company's	Recommend to the Company's Board of Directors to make the following decision: 1. Specify that the price of

<sup>15</sup>The Long-Term Development Program for the period of 2018-2022 approved by Minutes No. 271 of the Company's Board of Directors dated June 1, 2018.

	Board of Directors concerning: On approval of transactions with shares of organizations the Company participates in.	<p>HYDROOGK ALUMINUM COMPANY LIMITED shares (Republic of Cyprus) acquired by the Company is not more than RUB 2,918,002,000.00 (two billion nine hundred and eighteen million two thousand 00/100) per share, the nominal value of which is EUR 1.71 (one 71/100).</p> <p>2. Approve the acquisition of the HYDROOGK ALUMINUM COMPANY LIMITED shares by the Company on the following material terms and conditions:</p> <p><u>Parties to the Transaction:</u>  Issuer - HydroOGK Aluminum Company Limited  Acquirer is PJSC RusHydro.</p> <p><u>Subject of the Transaction:</u> The Issuer shall transfer to the ownership of the Acquirer 1 (one) share placed in accordance with the decision of the Issuer.</p> <p><u>Price of the Transaction:</u> The acquisition price of the Issuer's shares is not more than RUB 2,918,002,000.00 (two billion nine hundred and eighteen million two thousand 00/100).</p> <p>Payment is allowed by offsetting (capitalizing) the outstanding debt of HYDROOGK ALUMINUM COMPANY LIMITED to the Company in line with Annex No. 3.</p> <p>The Stake of the Acquirer in the authorized capital of the Issuer will not change and will be 100%.</p>
	<p>3. On recommendations to the Company's Board of Directors concerning: the determination of the stand of the Company (representatives of the Company) on the agenda items of the management body of HYDROOGK ALUMINIUM COMPANY LIMITED:</p> <ul style="list-style-type: none"> <li>– the determination of the quantity and nominal value of a declared share of HYDROOGK ALUMINUM COMPANY LIMITED;</li> <li>– the increase in the authorized capital of HYDROOGK ALUMINUM COMPANY LIMITED.</li> </ul>	<p>Recommend to the Company's Board of Directors to make the following decision: Assign the Company's representatives at the General Meeting of HYDROOGK ALUMINUM COMPANY LIMITED (Republic of Cyprus) to vote FOR the following decisions:</p> <ul style="list-style-type: none"> <li>– Specify the number of declared shares of HYDROOGK ALUMINUM COMPANY LIMITED is increasing by 1 (one) ordinary share with a nominal value of EUR 1.71 (one 71/100);</li> <li>– Increase the authorized capital of HYDROOGK ALUMINUM COMPANY LIMITED by placing in favor of the Company 1 (one) share with a nominal value of EUR 1.71 (one 71/100) with the amount equal to RUB 2,918,002,000.00 (two billion nine hundred and eighteen million two thousand 00/100) paid by RusHydro in favor of HYDROOGK ALUMINUM COMPANY LIMITED. Payment is allowed by offsetting (capitalizing) the outstanding debt of HYDROOGK ALUMINUM COMPANY LIMITED to the Company in line with Annex No. 3 to this decision.</li> </ul>
Minutes No. 54/117 dtd October 23, 2018	On recommendations to the Board of Directors of the Company on the item: "On the Company's priority activities: on reviewing the results of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies."	<ul style="list-style-type: none"> <li>• 1. Recommend to the Company's Board of Directors to make the following decision: 1. Take due note of the Report on benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies (Annex to this decision).</li> <li>2. Deem the following to meet target date: <ul style="list-style-type: none"> <li>– Clause 1 of the decision of the Board of Directors of the Company on issue 4.4 (Minutes No. 263 dated December 28, 2017 as amended by Minutes No. 271 dated June 1, 2017, hereinafter - the Decision) in terms of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies;</li> <li>– Clause 2 of the decision regarding the submission to the Ministry of Economic Development of Russia and the Ministry of Energy of Russia of the results of benchmarking the level of technological development, proposals for the revision of the Innovative Development Program and the Long-term Development Program, proposals for the composition and values of the integral KPI for 2019.</li> </ul> </li> <li>3. Defer the due date of Clause 2 of the decision regarding the results of benchmarking the level of technological</li> </ul>

		<p>development for the consideration of the Company's Board of Directors to the period after receiving the approval of the same results by the Interdepartmental Commission for Technological Development of the Presidium of the Presidential Council for Economic Modernization and Innovative Development of Russia, but no later than March 31, 2019.</p> <p>2. Assign as follows to the Company's Management:</p> <p>When further negotiating the results of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies (hereinafter - Benchmarking) before bringing the benchmarking results for consideration by the Board of Directors of the Company before March 31, 2019, consider the following recommendations:</p> <p>2.1. When benchmarking the indicator "Installed Capacity of Renewables", take into account both the total power of renewables, including the HPP capacities, and separately - SPPs and WPPs.</p> <p>2.2. Benchmark the state of technological development in the areas of the network complex and operational dispatch management.</p> <p>2.3. When analyzing the prospects for applying the PSPP technology, take into account promising technological aspects, such as the use of asynchronous generators, as well as carry out a feasibility study to compare with existing regulatory gas capacities.</p> <p>2.4. If a decision is made to merge the Innovative Development Programs (IDP) of RusHydro and the RAO ES East Holding Company, prepare, as part of the consolidated IDP, selected sections on technologies taking into account the specifics of various generation types.</p> <p>2.5. Prepare conclusions and recommendations on the use of the technologies considered at RusHydro Group, determine the list of priority technologies to be developed within RusHydro Group.</p> <p>2.6. In case of refusal from the IDP indicator "Fuel Utilization Factor", consider the possibility of replacing it with the "Specific Fuel Consumption" indicator or with another indicator reflecting the efficiency of innovation activities.</p>
Minutes No. 118 dtd October 23, 2018	1. On the effectiveness of the forward contract and on the progress on the Plan to increase the value of RusHydro Group for the period until 2021	<p>1. Take due note of the information on the effectiveness of the forward contract and on the progress on the Plan to increase the value of RusHydro Group for the period until 2021 in line with Annex No. 1 to this decision.</p> <p>2. The Company's Management Board should finalize the reviewed materials on this issue in line with Annex 2 and submit them for consideration by the Company's Board of Directors.</p>
Minutes No. 119 dtd October 24, 2018	1. On recommendations to the Board of Directors of the Company on the item: On termination of the Company's membership in other organizations.	Recommend to the Company's Board of Directors to make the following decision: Terminate the Company's participation in JSC Boguchanskaya HPP Construction Organizer and CJSC Boguchanskaya HPP Construction Customer against their voluntary liquidation.
	2. On recommendations to the Board of Directors of the Company on the item: On determination of the stand of the Company (representatives of the Company) on the agenda items of the management bodies of subsidiary economic entities: On the liquidation of JSC Boguchanskaya HPP Construction Organizer.	Recommend to the Company's Board of Directors to make the following decision: Assign to the representatives of the Company in the management bodies of JSC Boguchanskaya HPP Construction Organizer with regard to the item related to the liquidation of the same to vote FOR: adoption of a decision on the liquidation of JSC Boguchanskaya HPP Construction Organizer; adoption of the decisions related to the liquidation of JSC Boguchanskaya HPP Construction Organizer reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.
Minutes No. 120 dtd	1. On recommendations to the Board	Recommend to the Company's Board of Directors to make the following decision: 1.

November 16, 2018	of Directors of the Company on the item: On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of JSC Small HHPs of Altai concerning the liquidation of the same.	Assign the Company's representatives in the management bodies of JSC Small HHPs of Altai on the issue On liquidation of JSC Small HHPs of Altai to vote FOR the decision to liquidate the same. 2. Assign the Company's representatives in the management bodies of JSC Small HHPs of Altai to vote FOR the decisions related to the liquidation of JSC Small HHPs of Altai reviewed in line with Articles 61-64 of the Civil Code of the Russian Federation and Articles 21-24 of the Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995.
	2. On recommendations to the Board of Directors of the Company on the item: On termination of the Company's membership in JSC Small HHPs of Altai.	Recommend to the Company's Board of Directors to make the following decision: Terminate the Company's participation in JSC Small HHPs of Altai in accordance with the Program for the Disposal of Non-Core Assets of the Company against against the voluntary liquidation of Small HHPs of Altai.
	3. On recommendations to the Board of Directors of the Company on the item: On determination of the stand of the Company (representatives of the Company) on the agenda item of the management bodies of the subsidiary: On consent to a transaction, being a major one, related to the alienation of the property of a subsidiary company constituting fixed assets whose purpose is the production, transmission, dispatching, and distribution of electrical power.	Recommend to the Company's Board of Directors to make the following decision: Assign to the RusHydro's representatives at the General Meeting of Shareholders of JSC Sulaksky HydroCascade on the item concerning the consent to a transaction, being a major one, related to the alienation of the property of a subsidiary company constituting fixed assets whose purpose is the production, transmission, dispatching, and distribution of electrical power to vote FOR the following decision: Coordinate the conclusion of a contract for the sale and purchase of the property complex of the Gotsatlinskaya HPP owned by JSC Sulaksky HydroCascade on the following material terms: Parties to the Agreement: The Seller - JSC Sulaksky HydroCascade; The Buyer is RusHydro. Subject of the Agreement: The Seller shall transfer the property complex of the Gotsatlinskaya HPP (hereinafter - the Property) specified in Annex No. 1 to this decision to the Buyer's ownership, and the Buyer shall accept and pay for the Property. Property Price: RUB 10,100,000,000 (ten billion one hundred million) without VAT; furthermore, VAT shall be calculated additionally at the rate established by Art. 164 of the Tax Code of the Russian Federation.
Minutes No. 121 dtd November 23, 2018	1. On recommendations to the Board of Directors on the item: On preliminary approval of transactions with shares of organizations the Company participates in.	Recommend to the Company's Board of Directors to make the following decision: In order to optimize the corporate governance process of the Company's controlled organizations, where RusHydro Group holds 100% of the authorized capital, preliminarily approve the conclusion of trust management agreements (hereinafter - the Agreements) by the Company under the following material terms: <u>Parties to the Agreements:</u> The Trustee Manager is the Company; The Trustors are JSC ESC RusHydro, JSC RAO ES East, JSC Hydroinvest, and PJSC Kolymaenergo. <u>Subject of the Agreements:</u> The Trustors shall transfer the rights certified by the following shares belonging to them on the basis of the right of ownership to the Company in trust management: – 3,036,387,330 ordinary shares of JSC Hydroinvest (state registration number of the issue: 1-01-04339-D-003D); – 1,709,801,779 ordinary shares of JSC Hydroinvest (state registration number of the issue: 1-01-04339-D-004D); – 1 ordinary share of JSC ESC RusHydro (state registration number of the issue: 1-01-55437-E); – 166,460,049 ordinary shares of JSC ChirkeyGESstroy (state registration number of the issue: 1-01-35249-E); – 8,923,739,178 ordinary shares of Ust-Srednekanskaya HPP named after A.F. Dyakov (state registration number of the issue: 1-01-55315-E). The Trustee Manager shall, for a remuneration, manage the rights attached to the shares transferred in trust management in the interests of the Trustors during the term of the Agreements.

		<p><u>The scope of transferred rights attached to the shares:</u> The entire set of rights attached to the shares, except for the right to receive dividends.</p> <p><u>The amount of remuneration of the Trustee Manager:</u> RUB 1,000 per year (including VAT) under each trust management agreement.</p>
Minutes No. 122 dtd December 4, 2018	1. On recommendations to the Board of Directors of the Company on the item: On material issues for the Company: On the effectiveness of the forward contract and on the progress on the Plan to increase the value of RusHydro Group for the period until 2021.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the effectiveness of the forward contract and on the progress on the Plan to increase the value of RusHydro Group for the period until 2021 in line with Annex No. 1 to this decision.
	2. On recommendations to the Board of Directors of the Company on the item: On termination of the Company's membership in other organizations.	Recommend to the Company's Board of Directors to make the following decision: Approve the termination of the Company's participation in CJSC Verkhne-Narynskie HPPs by selling 2,500,000 ordinary registered shares of the said joint-stock company, constituting 50% of its authorized capital, to OJSC Electric Power Plants (Kyrgyz Republic) in accordance with the terms of the agreement concluded between the Government of the Russian Federation and the Government of the Kyrgyz Republic on the construction and operation of the Verkhne-Narynsky cascade of hydroelectric power plants, at a price determined by the Board of Directors of the Company on the basis of the report of an appraiser.
	3. On recommendations to the Board of Directors of the Company on the item: On preliminary approval of transactions with shares of organizations the Company participates in.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Approve the transaction for the sale of shares of CJSC Verkhne-Narynskie HPPs (hereinafter - the Agreement) on the following terms:</p> <p><u>Parties to the Agreement:</u>  Seller - PJSC RusHydro;  The Buyer is OJSC Electric Power Plants.</p> <p><u>Subject of the Agreement:</u>  The Seller shall transfer ordinary registered shares of Verkhne-Narynskie HPPs with a nominal value of 1 (one) Kyrgyzstani som each in the amount of 2,500,000 (two million five hundred thousand) shares (hereinafter - the Shares) to the Buyer, and the Buyer shall accept and pay for the Shares in the manner, time and on terms specified by the Agreement.</p> <p>The size of the stake in the authorized capital of Verkhne-Narynskie HPPs owned by the Seller is 50 (fifty)%, with a nominal value of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms.</p> <p>The size of the stake in the authorized capital of Verkhne-Narynskie HPPs to be alienated by the Seller is 50 (fifty)%, with a nominal value of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms.</p> <p>The size of the stake in the authorized capital of Verkhne-Narynskie HPPs owned by the Seller after the alienation of the Shares in accordance with this decision is 0 (zero)%.</p> <p><u>Agreement Price:</u> The value of the Shares shall be determined based on valuation report No. 18-22027 dated September 10, 2018 prepared by LLC Swiss Appraisal Russia and amounts to the equivalent of 2,500,000 (two million five hundred thousand) Kyrgyzstani soms in Russian rubles at the exchange rate set by the Central Bank of the Russian Federation on the date of payment.</p>
Minutes No. 123 dtd December 5, 2018	1. On recommendations to the Board of Directors of the Company on the item: On RusHydro's participation in other organizations: On termination of the Company's membership in LLC	<p>Recommend to the Company's Board of Directors to make the following decision: Supplement the resolution of the Board of Directors of the Company dated October 3, 2018 on item No. 4 On participation of RusHydro in other organizations: On termination of participation in VolgaHydro (Minutes No. 277 dated October 4, 2018) with clause 2 worded as follows:</p> <p>2. Determine that if VH Auslandsbeteiligungen GmbH (a participant of VolgaHydro) declines to purchase the</p>

	VolgaHydro.	Stake (including under the preemptive right), the Company shall have the right to sell the Stake to VHG Auslandsbeteiligungen GmbH on the same conditions.
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## The Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors

Date and No. of Minutes	Item	Decision taken
Minutes No. 50 dtd January 30, 2018	Issue: On approval of the performance reports of the Committee on Reliability, Energy Efficiency, and Innovation of the Company's Board of Directors for H1 2017-2018 corporate year.	Decision Taken: Approve the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for H1 2017-2018 corporate year.
Minutes No. 51 dtd May 18, 2018	Issue: On approval of draft Terms of Reference to benchmark the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies and to make proposals for updating the KPIs of innovation activities and the Innovation Development Program of RusHydro Group for 2016-2020 with an outlook until 2025.	Decision Taken: Approve draft Terms of Reference to benchmark the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies and to make proposals for updating the KPIs of innovation activities and the Innovation Development Program of RusHydro Group for 2016-2020 with an outlook until 2025 in line with Annex No. 1.
Minutes No. 52 dtd May 30, 2018	Issue 1: On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: On approval of the progress report on RusHydro Group's Innovative Development Program for 2016–2020 with an outlook until 2025 in 2017.	Decision Taken: Recommend to the Company's Board of Directors to make the following decision: 1. Approve the progress report on RusHydro Group's Innovative Development Program for 2016–2020 with an outlook till 2025 in 2017 (Annex No. 1 to this decision). 2. For the purpose of implementing the provisions of Directives No. 3262p-P13 of the Government of the Russian Federation dated April 27, 2018, reword the resolution of the Company Board of Directors (Minutes No. 263 dated December 28, 2017) on agenda item 4.4 "On Consideration of Proposals for Improving the Quality of the Preparation and Implementation of RusHydro Group's Innovative Development Program for 2016–2020 with an outlook till 2025" as follows: Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to ensure: 1. that the Company benchmarked its level of technological development and current KPIs against the level of development and indicators of leading peer companies, including foreign ones, in accordance with the Methodological Recommendations for comparing the level of technological development and KPIs of partially government-owned joint-stock companies, state corporations, state companies, and federal state unitary enterprises with the level of development and indicators of leading peer companies approved by the Interagency Working Group on the Implementation of Priorities for Innovative Development at the Presidium of the Presidential Council for the Modernization of the Economy and the Innovative Development of Russia (hereinafter - the IWG) (Minutes No. 2 dated September 19, 2017) with the involvement of an external consultant in accordance with the established procedure by July 30, 2018.

		<p>2. that the Company submitted the following for consideration of the Board of Directors no later than October 15, 2018 and send the same to the Ministry of Economic Development and Trade of the Russian Federation and the federal executive body coordinating the Company's operations no later than November 1, 2018:</p> <ul style="list-style-type: none"> <li>- The results of the comparison of the level of technological development;</li> <li>- Proposals for adjusting the innovative development program and the long-term development program;</li> <li>- Proposals concerning the composition and values of the integral key performance indicator (hereinafter - IKPI) for 2019.</li> </ul>
	Issue 2: On approval of the performance reports of the Committee on Reliability, Energy Efficiency, and Innovation of the Company's Board of Directors for 2017-2018 corporate year.	Decision Taken: Approve the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for 2017-2018 corporate year (Annex No. 2 to this decision).
Minutes No. 53 dtd October 19, 2018	Issue 1: On the election of the Deputy Chairman of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.	Decision Taken: Elect Boris Bogush, a member of the Management Board, First Deputy General Director - Chief Engineer of RusHydro, as Deputy Chairman of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.
	Issue 2: On the election of the Secretary of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.	Decision Taken: Elect Mikhail Lunatsi, the Deputy Director of the Development and Standardization of Production Processes Department for the Scientific and Technical Development of RusHydro to be the Secretary of the Committee on Reliability, Energy Efficiency and Innovations at the Company's Board of Directors.
	Issue 3: On recommendations to the Board of Directors of the Company on the item: On review of material issues for the Company. On Management of Intellectual Property Rights: On the inventory of intellectual property rights for the purpose of subsequent organization of measures to ensure the legal protection of identified intellectual results, the rights to which belong to RusHydro Group's companies, entry of these rights to the books as intangible assets for their subsequent introduction into economic circulation and, if necessary, assessment of the value of rights to the said results.	<p>Decision Taken: 1. Recommend to the Company's Board of Directors to make the following decision: Assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to ensure:</p> <p>3. to inventory the intellectual property rights owned by RusHydro Group's companies before November 30, 2018.</p> <p>4. to develop and approve by RusHydro's order before December 31, 2018 the Action Plan to ensure the legal protection of identified intellectual results, the rights to which belong to RusHydro Group's companies, entry of these rights to the books as intangible assets for their subsequent introduction into economic circulation and, if necessary, assessment of the value of rights to the said results.</p> <p>2. If the Company's Board of Directors takes a positive decision on this issue, the following people shall be appointed responsible executives:</p> <ul style="list-style-type: none"> <li>- under para. 1: D. Rizhinashvili, Member of the Management Board, First Deputy General Director, and B. Bogush, Member of the Management Board, First Deputy Director General - Chief Engineer.</li> <li>- under para. 2: D. Rizhinashvili, Member of the Management Board, First Deputy General Director</li> </ul>
	Issue 4: On recommendations to the Board of Directors of the Company on the item: On review of material issues for the Company. On Management of Intellectual Property Rights: On the Program of managing the Intellectual Property Rights at the Company in accordance with the	<p>Decision Taken: 1. Recommend to the Company's Board of Directors to make the following decision:</p> <p>1.1. Approve the Program on the Management of Intellectual Property Rights at RusHydro Group (hereinafter - the Program) in line with Annex to this decision).</p> <p>1.2. Assign N. Shulginov, Chairman of the Management Board - RusHydro's General Director, to post and subsequently update the information on the progress of the Program on the Interdepartmental Portal on State Property Management.</p> <p>2. If the Company's Board of Directors makes a positive decision referred to in clause 1:</p>

	Recommendations on the Management of Intellectual Property Rights in Organizations approved by order No. ISh-P8-5594 of the Government of the Russian Federation dated August 25, 2017.	<p>2.1. The members of the Management Board, First Deputies General Director, D. Rizhinashvili and A. Kazachenkov, member of the Management Board, First Deputy General Director - Chief Engineer, B. Bogush, Deputy General Director for Personnel Management and Organizational Development, B. Pervееva, shall ensure the delivery of RusHydro's Action Plan for the Program (hereinafter - the Action Plan) (Annex No. 1 to the Program).</p> <p>2.2. Deputy General Director - Director of the Far East Division, S. Vasilyev, Deputy General Director for Research and Design Activities, K. Frolov, together with a member of the Management Board, First Deputy General Director, A. Kazachenkov, within 60 calendar days from the date the decision is taken by the Company's Board of Directors shall organize the consideration of the following issues by the Boards of Directors of the supervised controlled entities<sup>16</sup>:</p> <p>2.2.1. On joining to the Program on the Management of Intellectual Property Rights at RusHydro Group.</p> <p>2.2.2. On the Approval of the Action Plans to implement the Program on the Management of Intellectual Property Rights at RusHydro Group.</p> <p>2.3. Appoint D. Rizhinashvili, a member of the Management Board, First Deputy General Director, to be responsible for the execution of the decision referred to in paragraph 1.2.</p>
Minutes No. 54-117 dtd October 23, 2018	Issue: On recommendations to the Board of Directors of the Company on the item: "On the Company's priority activities: on reviewing the results of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies."	<p>Decision Taken:</p> <p>1. Recommend to the Company's Board of Directors to make the following decision:</p> <p>1. Take due note of the Report on benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies (Annex to this decision).</p> <p>2. Deem the following to meet target date:</p> <p>– Clause 1 of the decision of the Board of Directors of the Company on issue 4.4 (Minutes No. 263 dated December 28, 2017 as amended by Minutes No. 271 dated June 1, 2017, hereinafter - the Decision) in terms of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies;</p> <p>– Clause 2 of the decision regarding the submission to the Ministry of Economic Development of Russia and the Ministry of Energy of Russia of the results of benchmarking the level of technological development, proposals for the revision of the Innovative Development Program and the Long-term Development Program, proposals for the composition and values of the integral KPI for 2019.</p> <p>3. Defer the due date of Clause 2 of the decision regarding the results of benchmarking the level of technological development for the consideration of the Company's Board of Directors to the period after receiving the approval of the same results by the Interdepartmental Commission for Technological Development of the Presidium of the Presidential Council for Economic Modernization and Innovative Development of Russia, but no later than March 31, 2019.</p> <p>2. Assign as follows to the Company's Management:</p> <p>When further negotiating the results of benchmarking the level of technological development and the KPI values of RusHydro Group's innovation activities against the level of development and indicators of the leading peer companies (hereinafter - Benchmarking) before bringing the benchmarking results for consideration by the Board of Directors of the Company before March 31, 2019, consider the following recommendations:</p> <p>2.1. When benchmarking the indicator "Installed Capacity of Renewables", take into account both the total power of</p>

<sup>16</sup> JSC DGK, JSC DRSK, PJSC Kamchatskenergo, PJSC Magadanenergo, PJSC Mobile Energy (Peredvizhnaya Energetika), PJSC Sakhalinenergo, JSC Sakhaenergo, JSC Chukotenergo, JSC UESK, PJSC Yakutskenergo, JSC Vedeneyev VNIIG, JSC Institute Hydroproject, JSC Lengidropoekt, JSC Mosoblhidroproekt.



		<p>renewables, including the HPP capacities, and separately - SPPs and WPPs.</p> <p>2.2. Benchmark the state of technological development in the areas of the network complex and operational dispatch management.</p> <p>2.3. When analyzing the prospects for applying the PSPP technology, take into account promising technological aspects, such as the use of asynchronous generators, as well as carry out a feasibility study to compare with existing regulatory gas capacities.</p> <p>2.4. If a decision is made to merge the Innovative Development Programs (IDP) of RusHydro and the RAO ES East Holding Company, prepare, as part of the consolidated IDP, selected sections on technologies taking into account the specifics of various generation types.</p> <p>2.5. Prepare conclusions and recommendations on the use of the technologies considered at RusHydro Group, determine the list of priority technologies to be developed within RusHydro Group.</p> <p>2.6. In case of refusal from the IDP indicator "Fuel Utilization Factor", consider the possibility of replacing it with the "Specific Fuel Consumption" indicator or with another indicator reflecting the efficiency of innovation activities.</p>
Minutes No. 55 dtd December 4, 2018	Issue: On approval of the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for H1 2018-2019 corporate year.	Decision Taken: Approve the performance reports of the Committee on Reliability, Energy Efficiency, and Innovations of the Company's Board of Directors for H1 2018-2019 corporate year.
Minutes No. 56 dtd December 21, 2018	Issue: On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: On the implementation of the Action Plan for rescue, recovery, and conservation of the Zagorskaya PSPP-2.	<p>Decision Taken: Recommend to the Company's Board of Directors to make the following decisions:</p> <ol style="list-style-type: none"> <li>1. Take due note of the interim progress report on the further action plan at Zagorskaya PSPP-2 (Annex No. 1 to this decision).</li> <li>2. Take due note of the information on the completed preparations for the alignment of the plant assembly building at the Zagorskaya PSPP-2.</li> <li>3. Approve the proposal of the Company's Management Board to start with the actions for alignment of the plant assembly building at the Zagorskaya PSPP-2.</li> </ol>

## The Committee on Energy Development of the Far East at RusHydro's Board of Directors

Date and No. of Minutes	Item	Decision taken
Minutes No. 10 dtd February 5, 2018	On pre-approval of the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for H1 2017-2108 corporate year.	Pre-approve the performance report of the Committee on Energy Development of the Far East of the Company's Board of Directors for H1 2017-2018 corporate year.
Minutes No. 10 dtd February 5, 2018	On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of Shareholders of JSC Sakhalin GRES-2: On consent for a major transaction involving the lease of the	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue:</p> <p>On consent for a major transaction involving the lease of the Sakhalin GRES-2's assets to vote in favor of the following decision:</p>

	Sakhalin GRES-2's assets.	<p>Consent to a major transaction - the conclusion of the Property Lease Agreement (hereinafter referred to as the Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms:</p> <p>Parties to the Agreement:</p> <p>Lessor - JSC Sakhalin GRES-2;</p> <p>Lessee - PJSC Sakhalinenergo.</p> <p>Subject of the Agreement:</p> <p>In accordance with the terms of this Agreement, the Lessor shall deliver, and Lessee shall accept, for a consideration, the leasehold of the assets that obtained permission to put the facility into operation, created as part of the investment project "Construction of the Sakhalin GRES-2 (1st stage) "(hereinafter - the Facility), directly used in the process of production and transmission of electric and thermal energy and fully owned by the Lessor, with an address at: Sakhalin Region, Tomarinsky Urban Okrug Municipality, close to Ilinskoe settlement.</p> <p>The list of leased assets is specified in Annex No. 2 to the Minutes of Meeting.</p> <p>Rental margin (marginal price of the Agreement):</p> <p>RUB 2,437,022,412 (two billion four hundred thirty-seven million twenty-two thousand four hundred and twelve) 04 kopecks with VAT (18%).</p> <p>The rent amount shall be determined in accordance with the Rent Calculation Procedure (Annex No. 3 to the Minutes of Meeting) and shall be updated against the total value of the facilities included in the assets complex determined after the commissioning based on the acceptance certificate of the completed construction of the facility by the Acceptance Committee (KS-14), by signing an addendum to the Agreement.</p> <p>Lease Term:</p> <p>364 days from the date of transfer of the Facility under the Certificate of Transfer and Acceptance.</p> <p>If 30 (thirty) calendar days before the expiration of the lease term none of the Parties to the Agreement expresses a written intention to terminate it, the Agreement shall be considered renewed on the same conditions and for the same term.</p>
Minutes No. 10 dtd February 5, 2018	On contributions to the authorized capital of JSC Chukotenergo.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Pursuant to the adoption of the Federal Law "On the Federal Budget for 2018 and for the Planning Period of 2019 and 2020", which envisages the allocation of budgetary investments to the Company, as well as in accordance with the requirements of Decree No. 1692 of the Government of the Russian Federation dated December 29, 2017 "On the Procedure for Making Decisions on Providing Budgetary Investments to Legal Entities that are not State or Municipal Institutions and State or Municipal Unitary Enterprises as a Contribution to Authorized (share) Capital of Subsidiaries of these Legal Entities for Capital Investments in Capital Construction Projects owned by such Subsidiaries, and (or) for the Acquisition of Real Properties by these Subsidiaries from Federal Budget Resources",</p>

		<p>it shall be considered appropriate for the Company to provide contributions to the authorized capital of JSC Chukotenergo in order to make capital investments in capital construction projects as part of the investment project “Construction of Two Single-Circuit 110 kV Pevek-Bilibino Overhead Lines” (construction stage No. 1) in the amount of not more than RUB 18 bn - including from the Company’s funds in the amount of not more than RUB 5 bn, as well as from funds allocated to the authorized capital of the Company (if relevant decisions are taken by the Government of the Russian Federation):</p> <ul style="list-style-type: none"> <li>- budget investments in the amount of RUB 10 bn, - including RUB 1 bn in 2018, RUB 3 bn in 2019 and RUB 6 bn in 2020;</li> <li>- budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3 bn.</li> </ul>
Minutes No. 10 February 5, 2018	dtd On consent to conclude a loan agreement between the Company and JSC Far East and Baikal Region Development Fund as a related-party transaction.	<p>Recommend to the Company’s Board of Directors to make the following decisions:</p> <ol style="list-style-type: none"> <li>1. Determine the price of the Loan Agreement between the Company and Far East and Baikal Region Development Fund (hereinafter referred to as the “Loan Agreement”), which is a related party transaction, as a pool of the following debt obligations of the Company under the Loan Agreement: <ul style="list-style-type: none"> <li>– obligations to repay the loan in the amount of RUB 7,000,000,000 (seven billion) 00 kopecks maximum;</li> <li>– obligation to pay interest on loan(s) at the rate of 5 (five)% per annum in the amount of RUB 3,150,000,000 (three billion one hundred fifty million) 00 kopecks maximum.</li> </ul> <p>The price of the Loan Agreement does not exceed RUB 10,150,000,000 (ten billion one hundred fifty million) 00 kopecks.</p> </li> <li>2. Agree to the conclusion of a loan agreement by the Company in a related party transaction (with due regard to sub-clause 25, clause 12.1 of Art. 12 and clause 15.3 of Art. 15 of the Company's Charter) on the following material terms: <p>Parties to the Loan Agreement:</p> <ul style="list-style-type: none"> <li>- Lender - Far East and Baikal Region Development Fund (OGRN 1112721010995);</li> <li>- Borrower - RusHydro (Company).</li> </ul> <p>Subject of the Loan Agreement:</p> <p>The Lender provides a loan to the Borrower, and the Borrower undertakes to return the outstanding loan to the Lender and to pay interest on it.</p> <p>Loan amount:</p> <p>RUB 7,000,000,000 (seven billion) 00 kopecks maximum, which may be received by the Company from the Fund within one or several drawdowns.</p> <p>Loan Interest:</p> <p>5 (five)% per annum.</p> </li> </ol>

		<p>Loan Agreement Price:</p> <p>Determined according to paragraph 1 of this decision.</p> <p>Loan Maturity:</p> <ul style="list-style-type: none"> <li>- the first down-payment: January 31, 2019;</li> <li>- then - quarterly in equal installments;</li> <li>- last payment: no later than June 30, 2026.</li> </ul> <p>Purpose of the Loan(s):</p> <p>Financing in favor of Joint-Stock Company RAO ES East (OGRN 1087760000052) (hereinafter referred to as the Design Company) for the implementation of the project for the construction of off-site infrastructure facilities to operate the Sakhalin GRES-2:</p> <ul style="list-style-type: none"> <li>- construction, installation and supervision of works, works and commissioning services, supervised installation of off-site infrastructure facilities to operate the Sakhalin GRES-2 (namely: electrical power distribution schemes, ash and slag removal systems, drinking water and industrial water supply systems, access roads (including the road to the ash dump) and the access railway), as well as equipment, machinery and other fixed assets for equipping off-site infrastructure facilities, and/or for the purposes of co-investment in the design, construction and commissioning of off-site infrastructure facilities, and/or for the purpose of the refundable acquisition by the Design Company of ownership of third-party off-site infrastructure facilities under the project (always provided that the Design Company acquires (upon completion of construction and/or completion of the relevant transaction) ownership of the relevant off-site infrastructure facilities), and/or for the purpose of repaying the cost of utility connection of off-site infrastructure facilities (including value added tax payable to contractors and/or suppliers under relevant contracts),</li> <li>- purchase of equipment, vehicles, and other fixed assets for equipping off-site infrastructure facilities, including design, manufacturing, supply, insurance, and other related expenses, including those included in the price of the relevant agreement (including value-added tax payable under relevant contracts to contractors and/or to suppliers), and</li> <li>- payment of taxes, customs duties and fees payable against the importation into the Russian Federation and customs clearance of imported off-site infrastructure facilities listed in above paragraphs 1 and 2;</li> <li>- reimbursement of expenses actually incurred by the Design Company for the purposes specified in the paragraphs above, after the date the Fund's Board of Directors made the decision on the Loan Agreement (Minutes No. 57 dated December 29, 2017);</li> <li>- other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties.</li> </ul> <p>The person who has an interest in the transaction and the standing:</p> <p>A. Chekunkov, who is a member of the Company's Board of Directors and also holding a position in the management bodies of a legal entity that is a related party to the transaction (the Director General of the Fund).</p>
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		State that the decision referred to in paragraph 2 is valid until June 30, 2019.
Minutes No. 11 dtd March 30, 2018	On recommendations to RusHydro's Board of Directors on the item: On RusHydro's priority activities: On the progress status of the priority projects for the construction of four facilities in the Far East: (Yakutsk GRES-2 (1st stage), the Blagoveshchenskaya CHPP (2nd stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of December 31, 2017.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the progress status of the priority projects for the construction of four facilities in the Far East: (Yakutsk GRES-2 (1st stage), the Blagoveshchenskaya CHPP (2nd stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of December 31, 2017 (Annex No. 1 to the Minutes of Meeting).
Minutes No. 11 dtd March 30, 2018	On recommendations to RusHydro's Board of Directors on the item: On RusHydro's priority activities: On the construction progress of the Ust-Srednekanskaya HPP	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the construction progress of the Ust-Srednekanskaya HPP (Annex No. 2 to the Minutes of Meeting).
Minutes No. 12 dtd May 31, 2018	On recommendations to RusHydro's Board of Directors on the item: On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of Shareholders of JSC Sakhalin GRES-2: On consent to perform a major transaction - the conclusion by JSC Sakhalin GRES-2 of an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002.	Recommend to the Company's Board of Directors to make the following decision: Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue: On consent to perform a major transaction - the conclusion by JSC Sakhalin GRES-2 of an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 to vote FOR the following decision: Consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 (hereinafter - the Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms: Parties to the Transaction: Customer - JSC Sakhalin GRES-2; General Contractor - JSC TEK Mosenergo. Subject of the Transaction: 1. Alteration of the terms previously approved by the general meeting of shareholders of JSC Sakhalin GRES-2 (resolution No.03/2014-SGRES of the trustee of JSC RAO ES East dated December 29, 2014) with regard to the terms of deadlines: Scheduled date of readiness for commissioning: October 26, 2018. Scheduled actual completion date: December 1, 2018. 2. Preservation of the Customer's right to present claims to the General Contractor related to violations of the terms of the Agreement committed prior to the conclusion hereof.

		<p>Price of the Transaction:</p> <p>The ceiling price of the Agreement shall not change as a result of the conclusion of the Addendum and amounts to RUB 30,236,000,000 (thirty billion two hundred thirty-six million) 00 kopecks, including VAT (18%).</p>
Minutes No. 13 dtd June 25, 2018	On recommendations to the Board of Directors of the Company on the item: On approval of the performance reports of the Committee on Energy Development of the Far East of the Company's Board of Directors for 2017-2018 corporate year.	Approve the performance report of the Committee on Energy Development of the Far East of the Company's Board of Directors for 2017-2018 corporate year and recommend to the Company's Board of Directors to review this Report (Annex No. 1 to the Minutes of Meeting).
Minutes No. 13 dtd June 25, 2018	On recommendations to RusHydro's Board of Directors on the item: On RusHydro's priority activities: On the progress status of the priority projects for the construction of facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of March 31, 2018.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the progress status of the priority projects for the construction of facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of March 31, 2018 (Annex No. 2 to the Minutes of Meeting).
Minutes No. 14 dtd October 24, 2018	On the election of the Deputy Chairman of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.	Elect I. Zadornov as the Deputy Chairman of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.
Minutes No. 14 dtd October 24, 2018	On the election of the Secretary of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.	Elect N. Kovaleva as the Secretary of the Committee on Energy Development of the Far East at RusHydro's Board of Directors.
Minutes No. 14 dtd October 24, 2018	On the approval of the Action Plan of the Committee on Energy Development of the Far East at RusHydro's Board of Directors for H2 2018.	Approve the Action Plan of the Committee on Energy Development of the Far East at RusHydro's Board of Directors for H2 2018 Annex No. 1 to the Minutes of Meeting).
Minutes No. 14 dtd October 24, 2019	On recommendations to RusHydro's Board of Directors on the item: On the consideration of the Long-Term Program for Replacement of Retired Capacities and the Development of Far East Energy Systems.	Recommend to the Company's Board of Directors to make the following decision: Take due note of the Long-Term Program for Replacement of Retired Capacities and the Development of Far East Energy Systems (Annex No. 2 to the Minutes of Meeting).
Minutes No. 14 dtd October 24, 2019	On recommendations to RusHydro's Board of Directors on the item: On the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage).	Recommend to the Company's Board of Directors to make the following decision: Take due note of the information on the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) (Annex No. 3 to the Minutes of Meeting).

Minutes No. 15 December 12, 2018	dtd	On recommendations to RusHydro's Board of Directors on the item: On determination of the stand of the Company (representatives of the Company) on the agenda item of the General Meeting of Shareholders of JSC Sakhalin GRES-2: On the consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Assign the Company's representatives at the General Meeting of Shareholders of the Sakhalin GRES-2 on the issue:</p> <p>On the consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 to vote FOR the following decision:</p> <p>Consent to perform a major transaction - the conclusion an Addendum to the General Contractor Agreement for the construction of the facility Construction of the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002 (hereinafter - the Addendum, Agreement), which is a major transaction with the value exceeding 50% of the Sakhalin GRES-2's book value, on the following material terms:</p> <p>Parties to the Addendum:</p> <p>Customer - JSC Sakhalin GRES-2;</p> <p>General Contractor - JSC TEK Mosenergo.</p> <p>Subject of the Addendum:</p> <p>increase in the price of the Agreement by RUB 3,512,170,090 (three billion five hundred twelve million one hundred seventy thousand ninety) 00 kopecks, including VAT (18%).</p> <p>The maximum price of the Agreement (including Addenda):</p> <p>RUB 33,511,170,090 (thirty three billion five hundred eleven million one hundred seventy thousand ninety rubles) 00 kopecks, including VAT (18%).</p>
Minutes No. 15 December 12, 2018	dtd	On recommendations to RusHydro's Board of Directors on the item: On the construction progress of the Ust-Srednekanskaya HPP	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <p>Take due note of the information on the construction progress of the Ust-Srednekanskaya HPP (Annex No. 1 to the Minutes of Meeting).</p>
Minutes No. 16 December 24, 2018	dtd	On recommendations to RusHydro's Board of Directors on the item: On execution of Decree No. 232 of the Government of the Russian Federation dated March 6, 2018 concerning approval of planning and targeted program documents that are to be implemented by the Company in the territory of the Far Eastern Federal District by the Ministry of the Russian Federation for Far East Development.	<p>Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> <li>1. Approve the Regulation on the procedure for approval by the Ministry of the Russian Federation for Far East Development of planning and targeted program documents that are to be implemented by RusHydro Group in the territory of Far Eastern Federal District (hereinafter - the Regulation) (Annex No. 1 to the Minutes of Meeting).</li> <li>2. Assign to the Chairman of the Management Board and General Director, N. Shulginov, to publish the Regulation in the Company's account on the Interdepartmental Portal for the State Property Management by December 29, 2018.</li> <li>3. Deem the Regulation on the procedure for approval by the Ministry of the Russian Federation for Far East Development of investment programs and other infrastructure development plans that are to be implemented by RusHydro in the territory of Far Eastern Federal District approved by Resolution No. 254 the Company's Board of Directors dated June 21, 2017 to be outdated.</li> </ol>
Minutes No. 16	dtd	On recommendations to RusHydro's Board of Directors on the item: On the progress	Recommend to the Company's Board of Directors to make the following decision:

December 24, 2018	status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) for nine months of 2018.	Take due note of the information on the progress status of the priority projects for the construction of three facilities in the Far East: (Yakutsk GRES-2 (1st stage), CHPP in Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of September 30, 2018 (Annex No. 2 to the Minutes of Meeting).
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## The Investment Committee of the Company's Board of Directors

Date and No. of Minutes	Item	Decision taken
Minutes No. 99 dtd February 2, 2018	<p><b>Issue 1:</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the performance reports of the Investment Committee of the Company's Board of Directors for H1 2017-2018 corporate year.</p> <p><b>Issue 2:</b> On recommendations to RusHydro's Board of Directors on the item: On making RusHydro's Procurement Policy: including the approval of the Regulation on the Procurement of Products for RusHydro's needs, and adoption of decisions in line with the Regulation approved.</p>	<p><b>Issue 1:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the performance report of the Investment Committee of the Company's Board of Directors for H1 2017-2018 corporate year (<b>Annex No. 1</b>).</p> <p><b>Issue 2:</b> Recommend to RusHydro's Board of Directors to make the following decision: 1. Approve the revised Regulation on the Procurement of Products for RusHydro's Needs in line with <b>Annex No. 2</b> to this decision). 2. Invalidate the Regulation on the Procurement of Products for RusHydro's Needs approved by the decision of the Company's Board of Directors (Minutes No. 239 dated June 23, 2016) as amended (Minutes No. 240, No. 242, No. 243, No. 246, No. 250, and No. 254 dated August 11, 2016, October 10, 2016, November 14, 2016, December 27, 2016, April 7, 2017, and June 22, 2017, respectively).</p>
Minutes No. 100 dtd March 22, 2018 (joint meeting)	<p><b>Issue 1.</b> On recommendations to RusHydro's Board of Directors on the item: On RusHydro Group's draft Consolidated Investment Program for 2019–2023 and for 2018 (amended), and on RusHydro's draft Investment Program for 2019-2028 and for 2018 (amended).</p> <p><b>Issue 2.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the report on the public process and pricing audit of RusHydro's investment projects for 2017 containing the results of the summary analysis of the audits conducted and the conclusions of the public and expert hearings.</p> <p><b>Issue 3.</b> On recommendations to RusHydro's Board of Directors on the</p>	<p><b>Issue 1:</b> Recommend to RusHydro's Board of Directors to make the following decision: 1. Take due note of RusHydro Group's draft Consolidated Investment Program for 2019–2023 and for 2018 (amended) (Annexes Nos. 1a, 1b, and 1c to this decision) and their financing sources (Annex No. 1d to this decision). 2. Pre-approve RusHydro's draft Investment Program for 2019-2028 and the draft amendments thereto for 2018 approved by order No. 34 @ of the Ministry of Energy of Russia dated December 29, 2017 On Approval of RusHydro's Investment Program for 2018-2017 and the Amendments thereto approved by order No. 1458 of the Ministry of Energy of Russia dated December 30, 2016 (Annexes Nos.2a, 2b, and 2c to this decision) in order to disclose information in line with Decree No. 24 of the Government of the Russian Federation dated January 21, 2004 On Approval of Information Disclosure Standards of the Wholesale and Retail Electricity Markets.</p> <p>3. Chairman of the Management Board - RusHydro's General Director, N. Shulginov, shall ensure that the approved draft RusHydro's Investment Program for 2019-2028 and the draft amendments thereto for 2018-2027 approved by order No. 34 @ of the Ministry of Energy of Russia dated December 29, 2017 On Approval of RusHydro's Investment Program for 2018–2027 and the amendments thereto, approved by order No. 1458 of the Ministry of Energy of Russia dated December 30, 2016 is forwarded to the Ministry of Energy of Russia in the manner established by Decree No. 977 of the Government of the Russian Federation dated December 1, 2009 On Investment Programs of Electric Power Engineering Entities and that RusHydro's</p>



Date and No. of Minutes	Item	Decision taken
	item: On approval of the list of RusHydro's investment projects for public process and pricing audit in 2018-2019.	<p>business plan is revised against the parameters of the Investment Program in accordance with paragraphs 1 and 2 of this decision.</p> <p><b>Issue 2.</b> Recommend to the Company's Board of Directors to make the following decision: Approve the report on the public process and pricing audit of the Company's investment projects for 2017 containing the results of the summary analysis of the audits conducted and the conclusions of the public and expert hearings (Annexes Nos. 3 and 4 to this decision).</p> <p><b>Issue 3:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the list of investment projects implemented under RusHydro's Investment Program for conducting a public process and pricing audit in 2018-2019 in line with Annex No. 5 to this decision.</p>
Minutes No. 101 dtd March 29, 2018 (joint meeting)	<b>Issue 1.</b> On the consideration of RusHydro Group's Consolidated Business Plan (including the Consolidated Investment Program) for 2018–2022 and approval of the Targets of annual Key Performance Indicators for members of RusHydro's Management Board for 2018 and the KPI Targets under Cycle-two of RusHydro's Long-term Motivation Program for 2018 - 2020.	<p><b>Issue 1:</b> Recommend to the Company's Board of Directors to make the following decisions: 3. Take due note of the Consolidated Business Plan (including the Consolidated Investment Program) of RusHydro Group for 2018-2022 in line with Annex No. 1 to this decision).</p> <p>2. Approve:</p> <p>2.1. Approve Target values of the annual KPIs of the Company's Management Board Members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") in line with Annex No. 2 to the present decision).</p> <p>2.2. Target KPIs under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (KPI "Free Cash Flow (FCF), RUB mn") (Annex No. 3 to the Minutes of Meeting).</p>
Minutes No. 102 dtd April 23, 2018	<p><b>Issue 1.</b> On recommendation to RusHydro's Board of Directors on the item: On the approval of the progress report on the Business Plan of the Company for 2017 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities) and the Annual Comprehensive Procurement Program for 2017).</p> <p><b>Issue 2.</b> On recommendations to RusHydro's Board of Directors concerning the consideration of the report on the implementation of the Consolidated Business Plan (including the Consolidated Investment Program) of RusHydro Group for 2017.</p>	<p><b>Issue 1:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the report on the fulfillment of the Business Plan of the Company for 2017 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities) and the Annual Comprehensive Procurement Program for 2017) (<b>Annex No. 1</b>).</p> <p><b>Issue 2:</b> Recommend to the Company's Board of Directors to make the following decision: Take due note of the report on the fulfillment of the Consolidated Business Plan (including the Consolidated Investment Program and the cost optimization plan based on the results of the RusHydro's external independent cost audit, including subsidiaries) of RusHydro Group for 2017 (<b>Annex No. 2</b>).</p>
Minutes No. 103 dated	<b>Issue 1.</b> On recommendations to	<b>Issue 1:</b> 1. Recommend to the Company's Board of Directors to make the following decisions:

Date and No. of Minutes	Item	Decision taken										
April 23, 2018 (Joint meeting of the Investment Committee and the Nomination and Compensation Committee)	<p>RusHydro’s Board of Directors on the item: On the achievement of annual key performance indicators by members of the Company’s Management Board for 2017.</p> <p><b>Issue 2.</b> On recommendations to RusHydro’s Board of Directors on the item: On approval of amendments to the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members.</p> <p><b>Issue 3.</b> On recommendations to RusHydro’s Board of Directors on the item: On approval of the annual KPI Targets for members of RusHydro’s Management Board for 2018 and the KPI Targets under Cycle Two of RusHydro’s Long-term Motivation Program for 2018 - 2020.</p> <p><b>Issue 4.</b> On recommendations to RusHydro’s Board of Directors on the item: On approval of adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019.</p>	<p>1.1. Deem the KPI “Reduction of Operating Expenses (costs), %” for 2017 calculated with regard to factors that are beyond the control of the management, to have been achieved.</p> <p>1.2. Approve the Report on the Achievement of Annual Key Performance Indicators by RusHydro’s Management Board Members for 2017 (Annex No. 1 to the present decision).</p> <p>2. Approve the payment of the annual bonus to the members of RusHydro’s Management Board with reference to the achieved annual KPIs of the members of RusHydro’s Management Board for 2017 after the Company’s Board of Directors approves the report on the achievement of the annual KPIs of RusHydro’s Management Board members for 2017.</p> <p><b>Issue 2:</b></p> <p>1. Recommend to the Company’s Board of Directors to make the following decisions:</p> <p>1.1. Amend the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members (without effect of fuel costs).</p> <ul style="list-style-type: none"><li>– according to clause 2.1.1 as for KPI “Return on Equity (ROE), %”;</li><li>– according to clause 2.2.1 as for KPI “Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn”;</li><li>– according to clause 2.5.1 as for KPI “Reduction of Operating Expenses (costs), %”</li></ul> <p>in line with Annex No. 2 to the present decision.</p> <p>1.2. Include clause 1.5. of Section 1. “General Provisions” of the Methodology for the Calculation and Evaluation of the annual KPIs of RusHydro's Management Board Members reworded as follows: 1.5. If there are objective reasons for the non-achievement of any KPI, the Company’s Board of Directors may decide to recognize this indicator as achieved and to pay the full amount of material incentives attributable to it.</p> <p>1.3. Establish that the amendments specified in Clauses 1.1 and 1.2 hereof shall apply from January 1, 2018.</p> <p><b>Issue 3:</b> 1. Recommend to the Company’s Board of Directors to make the following decisions:</p> <p>1.1. Approve the Target values of the Annual KPIs of RusHydro's Management Board members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") in line with Annex No. 3.1 to the present decision.</p> <p>1.2. Target KPIs under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (KPI “Free Cash Flow (FCF), RUB mn”) in line with Annex No. 3.2 to this decision).</p> <p><b>Issue 4:</b> 1. Recommend to the Company’s Board of Directors to make the following decisions:</p> <p>1.1. Approve the adjusted target values of the performance indicator under Cycle One of RusHydro's Long-Term Motivation Program for 2017-2019. (KPI "Free Cash Flow (FCF), RUB mn") (Annex No. 4 to this decision).</p>										
Minutes No. 104 dtd May 25, 2018	<p><b>Issue 1.</b> On recommendations to RusHydro’s Board of Directors on the item: On recommendations for the Annual General Meeting of Shareholders of the Company concerning: Approval of the distribution of the Company's profit based on the results of 2017.</p>	<p><b>Issue 1:</b> Recommend to RusHydro’s Board of Directors to make the following decision:</p> <p>Pre-approve and recommend that the Annual General Meeting of Shareholders of the Company approve the following distribution of profits (losses) of the Company based on the results of 2017:</p> <table><tr><td></td><td>(RUB)</td></tr><tr><td>Retained earnings (loss) of the reporting period</td><td>36,148,608,891.19</td></tr><tr><td>Distribute to: Reserve fund</td><td>1,807,430,444.56</td></tr><tr><td>Development of the Company</td><td>23,115,501,974.98</td></tr><tr><td>Dividends</td><td>11,225,676,471.65</td></tr></table>		(RUB)	Retained earnings (loss) of the reporting period	36,148,608,891.19	Distribute to: Reserve fund	1,807,430,444.56	Development of the Company	23,115,501,974.98	Dividends	11,225,676,471.65
	(RUB)											
Retained earnings (loss) of the reporting period	36,148,608,891.19											
Distribute to: Reserve fund	1,807,430,444.56											
Development of the Company	23,115,501,974.98											
Dividends	11,225,676,471.65											

Date and No. of Minutes	Item	Decision taken			
	<b>Issue 2.</b> On recommendations to RusHydro’s Board of Directors on the item: On recommendations for the Annual General Meeting of Shareholders of the Company concerning: On the amount of dividends, time and form of dividend payout based on their performance in 2017 and the establishment of the date to determine the persons entitled to receive dividends.	<table border="1"><tr><td>Recovery of losses of previous years</td><td>0.00</td></tr></table>	Recovery of losses of previous years	0.00	<b>Issue 2:</b> Recommend to RusHydro’s Board of Directors to make the following decision: Recommend to the Annual General Meeting of Shareholders of the Company to adopt the following resolutions: Pay dividends on ordinary shares of the Company based on the results of 2017 in the amount of RUB 0.0263335 per one share. Form of payment of dividends: monetary. Establish the 10th day from the date when the resolution to pay dividends was taken as the date, on which the persons entitled to receive dividends shall be determined. The term of dividend payment to a nominal holder and a professional securities market participant to a trustee manager who is registered in the shareholder register of the Company shall not exceed 10 business days, and to other persons registered in the shareholder register of the Company shall be 25 business days from the date, on which the persons entitled to receive dividends shall be determined. Moreover, the amount of accrued dividends per each shareholder of the Company is determined with an accuracy of one kopeck, and figures in the calculation is rounded according to the mathematical rounding rules.
Recovery of losses of previous years	0.00				
Minutes No. 105 dtd June 7, 2018	<b>Issue 1.</b> On recommendations to RusHydro’s Board of Directors on the item: On the Company’s priority activities: On the progress of the investment project of the construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1). <b>Issue 2.</b> On recommendations to RusHydro’s Board of Directors on the item: On approval of the interim results of the Business Plan of the Company for 2018 with actual data for Q1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities, for Q1 2018). <b>Issue 3.</b> On approval of the Action Plan of the investment Committee of RusHydro’s Board of Directors for H1 2018.	<b>Issue 1:</b> Recommend to RusHydro’s Board of Directors to make the following decision: 1. Take due note of the information of the progress of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (hereinafter - the Project). 2. Ensure the full financing of the Project from the federal budget resources (budget investments - RUB 13 billion) and the Company's own funds (up to RUB 5 billion). 3. Assign the Chairman of the Management Board - RusHydro’s General Director, N. Shulginov, to ensure as follows: – obtaining a positive consolidated conclusion on the process and pricing audit of the capital construction project in accordance with the Regulations on the public process and pricing audits of large partially government-owned investment projects approved by Decree No. 382 of the Government of the Russian Federation dated April 30, 2013, no later than June 26, 2018; – non-admission of changes of the Project name in the project documentation. <b>Issue 2:</b> Recommend to RusHydro’s Board of Directors to make the following decision: Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for Q1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating for Q1 2018) ( <b>Annex No. 1</b> ). <b>Issue 3:</b> Approve the Action Plan of the Investment Committee of RusHydro’s Board of Directors for H1 2018 ( <b>Annex No. 2</b> ).			
Minutes No. 106 dtd June 21, 2018	<b>Issue 1.</b> On recommendations to RusHydro’s Board of Directors on the item: On approval of the report on the fulfillment of RusHydro’s Annual Comprehensive Procurement Program for Q1 2018.	<b>Issue 1:</b> Recommend to RusHydro’s Board of Directors to make the following decision: Approve the report on the fulfillment of RusHydro’s Annual Comprehensive Procurement Program for Q1 2018 ( <b>Annex No. 1</b> ). <b>Issue 2:</b> Recommend to RusHydro’s Board of Directors to make the following decision: 1. Approve the new version of the Regulation on RusHydro’s Business Planning System according to Annex No. 2 to this decision.			

Date and No. of Minutes	Item	Decision taken
	<p><b>Issue 2.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the revised Regulation on RusHydro's Business Planning System.</p> <p><b>Issue 3.</b> On the execution of the assignment of the Chairman of the Company's Board of Directors given following the review of issues 1.3, 1.4 of the agenda of the meeting of the Company's Board of Directors held on October 27, 2017 (Minutes No. 259 dated October 30, 2017).</p> <p><b>Issue 4.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the performance report of the Investment Committee of the Company's Board of Directors for 2017-2018 corporate year.</p>	<p>2. Consider the Regulation on RusHydro's Business Planning System approved by the decision of the Board of Directors of the Company (Minutes No. 233 dated April 1, 2016) to be outdated.</p> <p><b>Issue 3:</b> Take note of the results of the analysis of the impact of investment projects on the second stage of grid connection of 220 kV Orotukan - Palatka - Tsentralnaya high voltage line, Construction of two single-circuit 110 kV Pevek - Bilibino OHLs on the level of tariffs in the Magadan Region and the Chukotka Autonomous District and evaluation of the possibility to include in the tariff the loan service costs in line with Annex 3 to this decision.</p> <p><b>Issue 4:</b> Approve the performance report for the Investment Committee of RusHydro's Board of Directors for the 2017-2018 corporate year and recommend to the Company's Board of Directors to consider this report (Annex No. 4 to the Minutes of Meeting).</p>
Minutes No. 107 dtd September 26, 2018	<p><b>Issue 1.</b> On election of the Deputy Chairman of the Investment Committee of the Company's Board of Directors.</p> <p><b>Issue 2.</b> On the election of the Secretary of the Investment Committee of the Company's Board of Directors.</p> <p><b>Issue 3.</b> On approval of the Action Plan of the investment Committee of RusHydro's Board of Directors for H2 2018.</p> <p><b>Issue 4.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for H1 2018.</p> <p><b>Issue 5.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the Unified Regulation on the Procurement of Products for RusHydro's needs.</p>	<p><b>Issue 1:</b> Elect S. Kirov, the member of the Management Board, RusHydro's First Deputy General Director, as Deputy Chairman of the Investment Committee at RusHydro's Board of Directors.</p> <p><b>Issue 2:</b> Elect E. Gogotova, the lead specialist of the Office for Monitoring and Evaluating the Efficiency of Investment Programs of RusHydro's Economic Planning and Investment Programs Department, as the Secretary of the Investment Committee at RusHydro's Board of Directors.</p> <p><b>Issue 3:</b> Approve the Action Plan of the Investment Committee of RusHydro's Board of Directors for H2 2018 (<b>Annex No. 1</b>).</p> <p><b>Issue 4:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for H1 2018 (<b>Annex No. 2</b>).</p> <p><b>Issue 5:</b> Recommend to RusHydro's Board of Directors to make the following decision: 1. Approve the Unified Regulation on the Procurement of Products for RusHydro's Needs (<b>Annex No. 3</b>). 2. Effective date of the Unified Regulation on the Procurement of Products for RusHydro's needs shall be October 1, 2018. 3. From the moment the Unified Regulation on Procurement of Products for RusHydro's needs comes into force (Clause 2), the Regulation on Procurement of Products for RusHydro's needs approved by the decision of the Board of Directors of the Company (Minutes No. 265 dated February 6, 2018) shall be deemed to be invalid</p> <p><b>Issue 6:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the revised list of investment projects implemented and planned to be implemented under RusHydro's Investment Program for conducting a public process and pricing audit in 2018-2019</p>

Date and No. of Minutes	Item	Decision taken
	<p><b>Issue 6.</b> On recommendations to RusHydro's Board of Directors on the item: On the revised list of RusHydro's investment projects for public process and pricing audit in 2018-2019.</p> <p><b>Issue 7.</b> On recommendations to RusHydro's Board of Directors on the item: On approval of the interim results of the Business Plan of the Company for 2018 with actual data for H1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities, for H1 2018).</p> <p><b>Issue 8.</b> On recommendations to RusHydro's Board of Directors on the item: On the revision of the Business Plan (including the Investment Program) of the Company for 2018.</p> <p><b>Issue 9.</b> On recommendations to RusHydro's Board of Directors on the item: On the revision of RusHydro Group's Consolidated Business Plan (including the Consolidated Investment Program) for 2018 and approval of the adjusted Target Values of the annual KPIs of the Company's Management Board members for 2018.</p>	<p>(<b>Annex No. 4</b>).</p> <p><b>Issue 7:</b> Recommend to RusHydro's Board of Directors to make the following decision: Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for H1 2018 (including progress reports of the Investment Program (including the Program for Comprehensive Upgrading of Generating for H1 2018) (<b>Annex No. 5</b>).</p> <p><b>Issue 8:</b> Recommend to RusHydro's Board of Directors to make the following decision: 1. Approve the revised Business Plan of the Company for 2018 (<b>Annex No. 6</b>). 2. Approve RusHydro's revised Investment Program for 2018 (Annex No. 2 to the revised Business Plan of the Company for 2018). 3. Approve the targets on RusHydro's investment objects and new construction facilities of subsidiaries included in calculating the performance indicator of the members of RusHydro's Management Board "Meeting the Capacity Commissioning Schedules and Plan for Financing and Absorption,%" for 2018 (Annex No. 2a to the revised Business Plan of the Company for 2018).</p> <p><b>Issue 9:</b> Recommend to RusHydro's Board of Directors to make the following decision: 4. Approve RusHydro Group's revised Consolidated Business Plan (including the Consolidated Investment Program) for 2018 (<b>Annex No. 7</b>). 5. Approve the adjusted Target values of the Annual KPIs of the Company's Management Board members for 2018 (KPI "Return on Equity (ROE), %," "Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn," "Labor productivity, RUB thousand/man-hours") (<b>Annex No. 8</b>).</p>
Minutes No.108 dtd September 26, 2018	<p><b>Issue 1:</b> On recommendations to the Board of Directors of the Company on the item: On incorporation of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of the Company's Management Board Members.</p>	<p><b>Issue 1:</b> Recommend to the Company's Board of Directors to make the following decision: 1. Approve amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of the Company's Management Board Members regarding KPI "Reduction of Operating Expenses (costs), %" in line with Annex No. 1 to this decision. 2. Approve the target value of the annual KPI of the Company's Management Board Members for 2018 (KPI "Reduction of Operating Expenses (costs), %") in line with Annex No. 2 to this decision.</p>
Minutes No.109 dtd October 19, 2018 (joint meeting)	The item taken contains confidential information.	
Minutes No.110 dtd November 30, 2018 (joint meeting)	<p><b>Issue 1.</b> On recommendations to the Board of Directors of the Company on the item: On approval of the interim</p>	<p><b>Issue 1:</b> Recommend to the Company's Board of Directors to make the following decision: Approve the report on the interim results of the Business Plan of the Company for 2018 with actual data for nine months of 2018 (including progress reports of the Investment Program (including the Program for</p>

Date and No. of Minutes	Item	Decision taken
	<p>results of the Business Plan of the Company for 2018 with actual data for nine months of 2018 (including progress report of the Investment Program (including the Program for Comprehensive Upgrading of Generating Facilities, for nine months of 2018).</p> <p><b>Issue 2.</b> On recommendations to the Board of Directors of the Company on the item: On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for none months of 2018.</p> <p><b>Issue 3.</b> On recommendations to the Board of Directors of the Company on the item: On the progress of the investment project of the construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).</p>	<p>Comprehensive Upgrading of Generating for nine months of 2018) (<b>Annex No. 1</b>).</p> <p><b>Issue 2:</b> Recommend to the Company's Board of Directors to make the following decision: Approve the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for nine months of 2018 (<b>Annex No. 2</b>).</p> <p><b>Issue 3:</b> Recommend to the Company's Board of Directors to make the following decision: Take due note on the information of the progress of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (<b>Annex No. 3</b>).</p>
Minutes No. 111 dtd December 21, 2018 (joint meeting)	<p><b>Issue No. 1.</b> On recommendations to the Board of Directors of the Company on the item: On the consideration of the Business Plan (including the Investment Program) of the Company for 2019-2023.</p> <p><b>Issue No. 2.</b> On recommendations to the Board of Directors of the Company on the item: On consideration of the Consolidated Business Plan (including the Consolidated Investment Program) of RusHydro Group for 2019 - 2023.</p> <p><b>Issue No. 3.</b> On recommendations to the Board of Directors of the Company on the item: On the approval of target values of key performance indicators for members of RusHydro's Management Board for 2019.</p> <p><b>Issue No. 4.</b> On recommendations to the Board of Directors of the Company on the item: On the revision of the</p>	<p><b>Issue 1:</b> Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> <li>1. Approve RusHydro's Business Plan for 2019 (<b>Annex No. 1</b>).</li> <li>2. Approve RusHydro's Investment Program for 2019 (Annex No. 1.2 to the RusHydro's Business Plan for 2019–2023).</li> <li>3. Approve the targets on RusHydro's investment objects and new construction facilities of subsidiaries included in calculating the performance indicator of the members of RusHydro's Management Board "Meeting the Capacity Commissioning Schedules and Plan for Financing and Absorption,%" for 2019 (Annex No. 1.2a to the Business Plan of the Company for 2019 - 2023).</li> <li>4. Take due note of RusHydro's Business Plan for 2020–2023 (<b>Annex No. 1</b>), including RusHydro's Investment Program for 2020–2023 (Annex No. 1.2 to RusHydro's Business Plan for 2019–2023).</li> </ol> <p><b>Issue 2:</b> Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> <li>1. Approve the Consolidated Business Plan (including the Consolidated Investment Program) of the RusHydro Group for 2019-2023 (<b>Annex No. 2</b>).</li> <li>2. Based on the results of an evaluation of RusHydro's financial and economic activity for H1 2019, bring the issue of approval of RusHydro's revised Consolidated Business Plan for 2019 to the consideration of the Board of Directors no later than September 30, 2019, if needed.</li> </ol> <p><b>Issue 3:</b> Recommend to the Company's Board of Directors to make the following decisions:</p> <ol style="list-style-type: none"> <li>1. Approve: <ul style="list-style-type: none"> <li>– Target values of annual key performance indicators for members of RusHydro's Management Board for 2019 (<b>Annex No. 3.1</b>).</li> <li>– Target KPI values under Cycle Three of RusHydro's Long-Term Motivation Program for 2019–2021</li> </ul> </li> </ol>

Date and No. of Minutes	Item	Decision taken
	<p>Company's Business Plan for 2018 - 2022 as to RusHydro's Investment Program for 2018.</p> <p><b>Issue No. 5:</b> On recommendations to the Board of Directors of the Company on the item: On approval of RusHydro's Annual Comprehensive Procurement Program for 2019.</p> <p><b>Issue No. 6:</b> On recommendations to the Board of Directors of the Company on the item: On the Company's priority activities: On financing of the investment project of the Construction of two single-circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1).</p> <p><b>Issue No. 7:</b> On recommendations to the Board of Directors of the Company on the item: On contributions to the authorized capital of JSC CHPP at Sovetskaya Gavan.</p>	<p>(<b>Annex 3.2</b>);</p> <ul style="list-style-type: none"> <li>- Changes in the adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019 (<b>Annex 3.3</b>);</li> <li>- Changes in the adjusted target KPI values under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (<b>Annex 3.4</b>).</li> </ul> <p>2. When calculating and evaluating the key performance indicators under Cycle Three of RusHydro's Long-term Motivation Program for 2019-2021 (hyphen 2 of Clause 1 of this decision), follow the Methodology for calculating and evaluating key performance indicators of RusHydro's Long-Term Motivation Program approved by a decision of the Company's Board of Directors dated December 26, 2017 (Minutes No. 264 dated December 28, 2017).</p> <p><b>Issue 4:</b> Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> <li>1. Take due note of the information on the incident at Sakhalin GRES-2 (<b>Annex No. 4.1</b>).</li> <li>2. Recognize as objective the reasons for insufficient technical resources to commission the Sakhalin GRES-2 within the time limit established by the Budget Investments Agreement No. 01-08/827 dated December 18, 2012 and the Budget Investments Agreement No. C-718-AB/D07 dated December 14, 2012.</li> <li>3. Note the absence of additional financial burden on the Company due to the need to eliminate the consequences of the incident thanks to the presence of a mechanism to translate financial responsibility for meeting the commissioning deadlines to the General Contractor.</li> <li>4. Approve the Company's revised Business Plan for 2018 in terms of changing the parameters of RusHydro's Investment Program for 2018 considering their influence on the KPI "Compliance with the Capacity Commissioning Schedules and Financing and Absorption Plan, %" for 2018 (<b>Annexes Nos. 4.2, 4.2a</b>).</li> </ol> <p><b>Issue 5:</b> Recommend to the Company's Board of Directors to make the following decision: Approve RusHydro's Annual Comprehensive Procurement Program for 2019 (<b>Annex No. 5</b>).</p> <p><b>Issue 6:</b> Recommend to the Company's Board of Directors to make the following decision: For the purpose of timely implementation and financing of the investment project of the Construction of Two Single-Circuit 110 kV Pevek-Bilibino OHLs (construction stage No. 1) (hereinafter - the Project), assign the Chairman of the Management Board - RusHydro's General Director, N. Shulginov, to ensure as follows:</p> <ol style="list-style-type: none"> <li>1. Making of contributions to the authorized capital of JSC Chukotenergo in 2019 and 2020 in an amount not exceeding RUB 13.0 billion (if the corresponding resolutions are adopted by the Government of the Russian Federation) from the following funds allocated to the Company's authorized capital: <ul style="list-style-type: none"> <li>- Budget investments in the amount of RUB 10.0 billion, including RUB 4.0 billion in 2019 and RUB 6.0 billion in 2020 in accordance with Article 9 of Federal Law No. 459-FZ dated November 29, 2018 On the Federal Budget for 2019 and for the Planning Period of 2020 and 2021;</li> <li>- budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3,0 bn in 2019.</li> </ul> </li> <li>2. Financing of the first stage of the Project, including costs for the development of design &amp; estimate documentation, using the Company's own funds in an amount not exceeding RUB 6.294 billion.</li> <li>3. An increase in the loan amount by RUB 1.294 billion by concluding Addendum No. 1 (hereinafter - the Addendum) to Loan Agreement No. 1010-235-59-2017 dated December 28, 2017 (hereinafter - the Loan Agreement).</li> </ol>

Date and No. of Minutes	Item	Decision taken
		<p>Agreement) concluded by the Company and Chukotenergo in pursuance of the decision of the Company's Board of Directors dated October 27, 2017 (Minutes No. 259 dated October 30, 2017), on the following material terms:</p> <p><u>Parties to the Addendum:</u>  The Borrower - Chukotenergo;  The Lender - the Company.</p> <p><u>Subject of the Addendum:</u></p> <ul style="list-style-type: none"> <li>• Clause 1.1 of the Loan Agreement shall be amended to read as follows: 1.1. Under this Agreement, the Lender shall transfer into the Borrower's ownership an amount of money not exceeding RUB 6,294,000,000 (six billion two hundred ninety four million) 00 kopecks, and the Borrower shall repay the amount of the loan to the Lender in the manner and on the conditions established by the Agreement.</li> </ul> <p><b>Issue 7:</b>  Recommend to the Company's Board of Directors to make the following decision:  If the respective resolutions are adopted by the Government of the Russian Federation, the following shall be deemed reasonable and expedient:</p> <p>3. The Company's contributions to the authorized capital of CHPP in Sovetskaya Gavan for the purpose of capital investments in capital construction projects under the investment project "Construction of the CHPP at Sovetskaya Gavan, the Khabarovsk Territory. Revision of 2017" in the amount of RUB 899,304,159.70 (eight hundred ninety-nine million three hundred four thousand one hundred fifty-nine) according to Article 21 of Federal Law No. 459-FZ dated November 29, 2018 "On the Federal Budget for 2019 and for the Planning Period of 2020 and 2021" using unspent contributions to the Company's authorized capital (hereinafter - the balance of target funds) received by the Company:</p> <p>3.1. In accordance with Part 6 of Article 25 of Federal Law 204-FZ dated November 24, 2008 "On the Federal Budget for 2009 and for the Planning Period of 2010 and 2011" for completing the construction of the shore spillway at the Sayano-Shushenskaya HPP in the amount of RUB 476,934,684 (four hundred seventy six million nine hundred thirty four thousand six hundred and eighty-four) 55 kopecks.</p> <p>3.2. In accordance with Part 1 of Clause 2 of Article 12 of Federal Law No. 204-FZ dated November 24, 2008, "On the Federal Budget for 2009 and for the Planning Period of 2010 and 2011" for the implementation of the comprehensive investment project "Development of Design Documentation for the Investment Project of Comprehensive development of South Yakutia in the amount of RUB 422,369,475 (four hundred twenty-two million three hundred sixty-nine thousand four hundred seventy-five) 15 kopecks through a transaction for the purchase of additional shares of JSC CHPP in Sovetskaya Gavan.</p> <p>4. Conclusion of addenda stipulating the possibility of allocating the balance of target funds for the investment project of Construction of the CHPP in Sovetskaya Gavan, Khabarovsk Territory. Revision of 2017" to:</p> <ul style="list-style-type: none"> <li>– Budget Investment Contract No. 01-08/827 dated December 18, 2012;</li> <li>– Budget Investment Agreement for financing the construction of Electrical Power Facilities in the Far East No. S-718-AB/D07 dated December 14, 2012;</li> <li>– Budget Investment Contract No.</li> </ul>



Date and No. of Minutes	Item	Decision taken
		01-13/307 dated June 24, 2009. – Budget Investment Contract No. 09/0412.3400200.082/08/392 dated December 14, 2009 .

## Appendix No.6 Information on the Sale of Non-core Assets of PJSC RusHydro for 2018

In order to fulfill the directives of the Government of the Russian Federation, the Company's Board of Directors (Minutes No. 263 dated December 28, 2017) approved the revised Program for the Divestment of Non-Core Assets of PJSC RusHydro, updated in line with by the Methodological Recommendations of the Government of the Russian Federation (hereinafter referred to as the Program).

The Program defines of the Company's general principles and procedures for disposing its non-core assets.

The goal of the Program is to formulate a methodology for managing non-core assets of the Company.

The main directions of the Program:

- formation and maintenance of the Non-core Assets Register and the Action Plan for the Disposal of Non-core Assets;
- ways and procedures for the disposal of non-core assets;
- information support for the disposal of non-core assets;
- reporting on the disposal of non-core assets.

The updated and revised Non-core Assets Register of PJSC RusHydro and the Action Plan for the Disposal of Non-core Assets of PJSC RusHydro for 2017 (Q4) - 2018 were approved by the Board of Directors (Minutes No. 263 dated December 28, 2017).

The Non-core Assets Register contains the basic information about non-core assets, their book value, the type of the proposed action with respect to non-core assets, and other necessary information.

The Action Plan for the Disposal of Non-core Assets includes non-core assets planned to be sold in 2018, detailing the timing of the sale of non-core assets and their market value, as determined by an appraisal organization.

In 2018, the Company planned to sell 25 non-core assets. In fact, 29 non-core assets were sold.

The progress report on the disposal of non-core assets for 2018 was approved by the Board of Directors (Minutes No. 283 dated February 21, 2019).

Information on the disposal of non-core assets is quarterly reported to the Company's Board of Directors and posted on the Interdepartmental Portal of the Federal Agency for State Property Management.

**INFORMATION**  
**on the Disposal of Non-core Assets in 2018**  
**PJSC RusHydro**

No.	Asset	Asset Inventory No. (if applicable)	Balance Sheet Item Containing an Asset as at the Reporting Date prior to the Asset Divestment	Items (Analytics Included) Containing Gains and Expenses from the Disposal of an Asset (91.1xxx/91.2xxx)	Book Value of the Assets, thou. RUB	Actual Realizable Value, thou.RUB, excluding VAT	Deviation of Actual Realizable Value from the Book Value, thou.RUB	Reason for Deviation of Actual Realizable Value from the Book Value
1	Shareholding of PJSC Inter RAO (1.9437%)	-	1170	9101040101/ 9102040101	8,257,819	6,790,304	-1,467,515	Direct selling at market price in favor of JSC Inter RAO Capital
2	Shareholding of JSC NPF of Electric Power Industry (0.609%)	-	1170	9101040101/ 9102040101	8,925	73,822	+64,897	Selling at market price by requesting a buyout
3	LLC Fiagdonskaya SHPP (100%)	-	1170	9101040101/ 9102040101	741	8,803*	+8,062	The company is dissolved.
4	JSC Nizhne- Zeykaya HPP (100%)	-	1170	9101040101/ 9102040101	25,114	86*	-25,028	The company is dissolved.
5	JSC Far Eastern WPP (100%)	-	1170	9101040101/ 9102040101	0	0	0	The company is dissolved.
6	JSC Power Industry Head Data Processing Center (100%)	-	1170	9101040101/ 9102040101	21,423	10,679*	-10,744	The company is dissolved.
7	JSC SHPP of Dagestan	-	1170	9101040101/ 9102040101	100,757	94,650*	-6,107	The company is dissolved.
8	13 apartments in the urban village of Talakan, the Amur Region	10301010000004190000 10301010000005930000 10301010000005940000 10301010000005950000 10301010000005970000 10301010000005990000 10301010000006000000 10301010000006010000 10301010000006020000 10301010000006030000 10301010000006040000 10301010000006050000	1151	9101010101/ 9102010101	125,665	27,533	- 98,132	Direct sale at market price to employees of PJSC RusHydro's branch - the Bureyskaya HPP

No.	Asset	Asset Inventory No. (if applicable)	Balance Sheet Item Containing an Asset as at the Reporting Date prior to the Asset Divestment	Items (Analytics Included) Containing Gains and Expenses from the Disposal of an Asset (91.1xxx/91.2xxx)	Book Value of the Assets, thou. RUB	Actual Realizable Value, thou.RUB, excluding VAT	Deviation of Actual Realizable Value from the Book Value, thou.RUB	Reason for Deviation of Actual Realizable Value from the Book Value
		10301010000006060000						
9	2 apartments in the Republic of Khakassia	2700000151 2700000152	1213	9001180101/ 9002180101	8,630	6,370	-2,260	Sale by the bidding results
10	2 roads in the Karachay- Cherkess Republic	400016 400017	1151.3	-/9102010701	5,747	0	- 5,747	Facilities are written-off from accounting
11	3 bridges in the Karachay- Cherkess Republic	5745 400018 400019	1151.3	- /9102051100	7,580	0.00	- 7,580	Gratuitous transfer to the republican ownership.
12	The Izvestkovaya- Chegdomyn railway infrastructure line (1/6 stake at 78 facilities)	BP12123 - BP12200	1151	- /9102051100	564,559	0	- 564,559	Gratuitous transfer to the federal ownership.
13	Access road to the solid waste landfill	BP12613	1151	- /9102051100	65,682	0	- 65,682	Gratuitous transfer to the municipal ownership.
<b>Total</b>					9,192,642.00	7,012,247.00	-2,180,395.00	

\* Amount (value of the property) distributed in favor of PJSC RusHydro following the results of liquidation procedures.

## **Appendix No.7 Information on Pending Legal Proceedings that may have a Significant Impact on the Activities of RusHydro Group's Companies**

1. Pursuant to the denunciation of the Agreement between the Government of the Kyrgyz Republic and the Government of the Russian Federation on the construction and operation of the Verkhne-Naryn cascade of HPPs and the refusal of the Kyrgyz Republic to return the funds spent by RusHydro on the construction of the Verkhne-Naryn cascade of HPPs, international arbitration proceedings were initiated to recover USD 37,191,306.61 as compensation for expenses transferred under loan agreements, interest on loan agreements in the amount of USD 1,628,692.54, the obligation to accept 50% of the joint venture shares, and recovery of cost of the said shares in the amount of 2,500,000 Kyrgyz soms. The case is governed by the Permanent Court of Arbitration at the Hague (Netherlands).

2. Due to the violation of by OJSC GlobalElectroService's obligations for the construction of CHPP at Sovetskaya Gavan in terms of the quality of work performed and the timing of their fulfillment, JSC CHPP at Sovetskaya Gavan filed lawsuits against OJSC GlobalElectroService for a penalty of RUB 621 mn (case A73-8490 / 2018) and against JSC Transcapitalbank on recovery of the cost of eliminating identified defects in the amount of RUB 168 mn as part of a bank guarantee ensuring proper fulfillment of obligations (case A40-15285/2018).

3. The prosecutor's office of the Ust-Yansky district filed a lawsuit to force JSC Sakhaenergo to make changes to the water supply project of the CHPP at Deputatsky settlement and to build a standby water supply line. Satisfaction of claims entails the risk of expenses for JSC Sakhaenergo amounting to more than RUB 100 mn (case No. 2-271/2018).

4. With reference of the lease of the Sakhalin GRES-2 assets by Sakhalinenergo, a minority shareholder complained to the court to invalidate the lease agreement concluded between Sakhalinenergo and Sakhalin GRES-2 (case A59-4791/2018).

## **Appendix No.8 Information Concerning the State Support Funds Received by the Company in the Reporting Year, Including the Amount of Subsidies Granted (in Rubles), Planned and Actual Destinations of Funds as of the End of the Year**

In 2018, PJSC RusHydro did not receive any allocations from the federal budget for the Investment Program projects.

For 2018, the Company used the budget funds received earlier (in the amount of RUB 4,127.9 mn) by Decree No. 1564 of the President of the Russian Federation dated November 22, 2012 for the construction of heat generation facilities in the Far East, including:

- CHPP at Sovetskaya Gavan – RUB 4127.9 mn (including the partial refund of the advance payment by the General Contractor);
- Sakhalinskaya SDPP-2 (1st stage) – RUB 0.0 mn;
- Yakutskaya SDPP-2 (1st stage) - RUB 0.0 mn (the plant was launched on October 31, 2017);
- Blagoveshchenskaya CHPP (2nd stage) - RUB 0.0 mn (the plant was launched on December 22, 2016).

As of January 1, 2019, the balance of budget allocations previously received by the Company against the sale of PJSC RusHydro's additional shares to the Russian Federation amounts to

RUB 899.3 mn, including:

- the balance of available budget investments saved - RUB 899.3 mn (allocated for the completion of the onshore spillway of the Sayano-Shushenskaya HPP - completed) - RUB 476.9 mn; for the design of the Kankunskaya HPP - completed) - RUB 422.4 mn.

## Appendix No.9 Report on the Long-term Development program implementation of the RusHydro Group for the year of 2018

### 1. GENERAL INFORMATION

RusHydro's Long-term Development Program for 2018–2022 is prepared in accordance with the instructions of the President of the Russian Federation (No. Pr-3086 dated December 27, 2013) and the Russian Government (Minutes No. 3 dated January 30, 2014, Decree No. 4955p-P13 of the Government of the Russian Federation dated July 17, 2014). The Long-term Development Program was approved by the decision of the Company's Board of Directors in June 2018 (Minutes No. 271 dated June 1, 2018). In October 2018, pursuant to Decree No. 204 of the President of the Russian Federation dated May 7, 2018 On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024, amendments were made to the Program as approved by the decision of the Board of Directors (Minutes No. 279 dated October 26, 2018).

RusHydro Group's Long-term Development Program sets out the main principles and activities for the Company's rapid growth, seeking to ensure efficient use of water resources, sustainability of Russia's Unified Energy System, as well as social and economic development of the Russian regions, including the Far East, by providing its existing and prospective consumers with access to energy infrastructure.

Pursuant to Decree No. 4955p-P13 of the Government of the Russian Federation dated July 17, 2014, the progress of the Long-term Development Program is annually audited in accordance with the Audit Standard approved by the Company's Board of Directors<sup>17</sup> and the Terms of Reference for auditing the progress on the Long-term Development Program<sup>18</sup> developed in line with the recommendations of the Russian Government<sup>19</sup>.

### 2. IMPLEMENTATION OF THE PLANNED AND ESTIMATED INDICATORS BASED ON RUSGIDRO GROUP'S CONSOLIDATED BUSINESS PLAN

The main element of economic planning at RusHydro Group is a medium-term Business Plan. The Company's Board of Directors resolved to approve the Regulation on the Business Planning System (Minutes No. 273 dated June 27, 2018) to be used to prepare RusHydro Group's Consolidated Business Plan in accordance with IFRS<sup>20</sup>.

The Long-term Development for 2018-2022 is based upon RusHydro Group's Consolidated Business Plan approved by the Company's Board of Directors on April 3, 2018 (Minutes No. 267 dated April 4, 2018)<sup>21</sup>.

In October 2018, the Company's Board of Directors approved the adjustment of the planned indicators of RusHydro Group's Consolidated Business Plan for 2018 (Minutes No. 276 dated October 4, 2018) pertaining to the following factors: changes in RusHydro's income basis indicators; reduced funding allocated for the project "Construction of two single-circuit Pelek-Bilibino 110 kV overhead lines" (construction stage No. 1); change in business plan indicators of RAO ES East Subgroup's companies in view of approving the adjustments to the business plans of subsidiaries by the respective Boards of Directors; changes in the size of financing for the consolidated Investment Program; reduced dividend payouts by RusHydro in 2017 against the targets; the sale of assets not covered by the approved business plan. The plan considers additional factors within RusHydro Group's adjusted Consolidated Business Plan for 2018<sup>22</sup>, allowing for the adjustment to RusHydro's Investment Program<sup>23</sup>.

The actual data of the Long-term Development Program progress report for 2018 is based on RusHydro Group's audited Consolidated Financial Statements prepared under IFRS for the year ended December 31, 2018, and as of this date.

<sup>17</sup>(Minutes No. 281 of the Board of Directors dated December 27, 2018)

<sup>18</sup>(Minutes No. 279 of the Board of Directors dated October 26, 2018)

<sup>19</sup>Decree NO. Ish-P13-2583 of the Russian Government dated April 15, 2014.

<sup>20</sup> Hereinafter referred to as the International Financial Reporting Standards.

<sup>21</sup> RusHydro Group's Consolidated Business Plan for 2018-2022 was prepared on the basis of business plan forms of RusHydro and companies (directly and indirectly) owned by RusHydro, as well as transformational and consolidation amendments incorporated to bring the information in compliance with IFRS.

<sup>22</sup> The adjustment to RusHydro Group's Consolidated Business Plan for 2018 was approved by the Company's Board of Directors (Minutes No. 276 dated October 4, 2018).

<sup>23</sup> The Board of Directors resolved to postpone the commissioning of the Sakhalin GRES-2 to 2019 (Minutes No. 281 dated December 27, 2018).

The progress report on RusHydro Group's Consolidated Business Plan for 2018 was approved by the Company's Board of Directors on March 26, 2019 (Minutes No. 284 dated March 29, 2019).

According to RusHydro Group's consolidated financial statements under IFRS, the Company's authorized capital as of December 31, 2018 was RUB 426,289 million.

### Revenues

RusHydro Group's actually received operating income for the year 2018 correspond to the targets.

#### Revenue structure for 2018, RUB million

Item	2018 target	2018 actual	Deviation actual/target	
			Abs.	Rel.
Sales of electricity (power)	286,869	287,201	332	0.1%
Heat and hot water sales <sup>24</sup>	41,021	40,150	-871	-2.1%
Government subsidies	39,669	41,648	1,979	5.0%
Other revenues <sup>9</sup>	34,716	31,419	-3,297	-9.5%
Other operating income	4,247	5,452	1,205	28.4%
<b>Total operating income and government subsidies</b>	<b>406,522</b>	<b>405,870</b>	<b>-652</b>	<b>-0.2%</b>

In the revenue structure, proceeds from the sales of electricity (power) hold the largest share (71% of total revenues).

The increase in revenues from the sale of electricity by RusHydro is associated with an increase in actual generation and net supply of electricity during the reporting period against RusHydro's business plan indicators and is attributable to the efficient planning of water and energy regimes amid the high water content in the reservoirs of the Volgo-Kama cascade HPP (H1 2018) and in the Siberian rivers (Q1 and Q4 2018).

RAO ES East Subgroup provides revenues from the sales of heat and hot water (almost 100% of the total for this income item), government subsidies (almost 100% of the total for this income item), and other revenues (more than 70% of the total on this income item).

A 2.1% decrease in revenues from the sales of heat and hot water against the plan is due to the actual temperature in the Amur Region and the Republic of Sakha (Yakutia).

As for Government Subsidies item, the increase in electricity consumption and the change in the relationship between PJSC Kamchatskenergo and energy providers supplying energy within the activity zone of a guaranteed supplier, Kamchatskenergo, contributed to a 5.0% increase in revenues.

The decrease in revenues under the Other revenues item in the RAO ES East Subgroup's segment was conditioned by the change in the share of intragroup proceeds against the targets and the decrease in revenues from grid connections related to the unavailability of contractors (RUB 524 million), lower revenues of JSC Far Eastern Electrotechnical Company (DETK) (RUB 824 million), JSC Khabarovsk Repair and Installation Company (KhRMK) (348 million rubles) and JSC ETS (RUB 136 million).

Revenue growth under the Other Revenues item amounted to RUB 1,205 million, including RUB 884 million from gains from penalties received, and RUB 133 million from proceeds from the sales of shares of JSC Non-State Pension Fund of the Electric Power Industry.

### Expenses

Within RusHydro Group, actual expenses for 2018 decreased by RUB 16,742 million (-5.0%) against the targets. Expenses are decreasing across all items, except for such items as Purchase of Fuel, Water Use Costs, Acquisition Costs of Other Materials.

#### Cost structure for 2018, RUB million

Item	2018 target	2018 actual	Deviation actual/target
------	-------------	-------------	-------------------------

<sup>24</sup> For comparing target and actual data with the plan, revenues from the sales of hot water in the amount of RUB 3,972 million were reclassified from Other revenues into the Sales of Heat and Hot Water due to the differences in approaches to recognize this type of earnings during planning.

			<b>Abs.</b>	<b>Rel.</b>
Purchase of Fuel	61,478	64,791	3,313	5.4%
Depreciation of fixed and intangible assets	30,032	22,310	-7,722	-25.7%
Payroll, employee benefits and payroll taxes, contributions to non-state pension provision	76,667	75,876	-791	-1.0%
Taxes, other than income tax	13,792	12,242	-1,550	-11.2%
Outsourced services	37,083	27,745	-9,338	-25.2%
Water Use Costs	3,591	4,018	427	11.9%
Acquisition Costs of Other Materials <sup>25</sup>	10,239	13,345	3,106	30.3%
Infrastructure payments related to the sales of electricity and heat <sup>26</sup>	48,398	46,806	-1,592	-3.3%
Purchased energy (power)	43,296	41,811	-1,485	-3.4%
Other expenses (balance) <sup>27</sup>	7,017	5,906	-1,111	-15.8%
<b>TOTAL current operating expenses</b>	<b>331,592</b>	<b>314,850</b>	<b>-16,742</b>	<b>-5.0%</b>

Expenses under Purchase of Fuel item are generated in RAO ES East Subgroup segment. The increase in actual costs against the planned ones is mainly associated with an increase in the supply of electricity and heat by JSC DGK's stations, an increase in coal prices, and an increase in selling prices for petroleum products in Q2 2018 at PJSC Kamchatskenergo.

The decrease in expenses under the item Depreciation of Fixed and Intangible Assets is due to a change in the accounting policy for fixed assets, as well as the rescheduled commissioning of facilities. Also, this factor has a downward impact on expense under the items Taxes, other than Income Tax, Outsourced Services, Water Use Costs, and Acquisition Costs of Other Materials.

The reduction in expenses under the item Outsourced services according to the results of 2018 is due to the effective procurement procedures, support for the asset lifecycle management system, and measures to optimize costs and business processes.

The growth of expenses under the item Acquisition Costs of Other Materials was affected by deviations prevailing at RAO ES East Subgroup at year-end 2018 due to differences in the methods for reflecting planned and actual costs for fuel and materials (intragroup transactions in the plan are excluded from the revenues of JSC VOSTEK and from corresponding fuel costs of operating companies).

The decrease under item Other Expenses (balance) constitutes an insignificant share in the operating cost structure (about 2%).

### **RusHydro Group's Financial Results**

#### **Statement of Profit or Loss for 2018, RUB ml**

<b>Items</b>	<b>2018 target</b>	<b>2018 actual</b>	<b>Target/actual deviation</b>	
			<b>Abs.</b>	<b>Rel.</b>
Operating income	362,606	358,770	-3,836	-1.1%
Government subsidies	39,669	41,648	1,979	5.0%
Other operating income	4,247	5,452	1,205	28.4%
Current operating expenses	-331,592	-314,850	16,742	-5.0%

<sup>25</sup> In fact, the item includes costs under items Other Materials in the amount of RUB 10,905 million and Expenses for Purchase of Petroleum Products for Resale in the amount of RUB 2,440 million, in accordance with Note 26 Operating Expenses (without impairment losses) to RusHydro Group's consolidated financial statements under IFRS for the year ended December 31, 2018 and as of the date.

<sup>26</sup> In fact, the item includes costs under items Electricity distribution costs in the amount of RUB 39,463 million, Costs for the Operation of the Electricity and Capacity Market in the amount of RUB 3,714 million, and Costs for Heat Acquisition and Transmission in the amount of RUB 3,629 million, in accordance with Note 26 Operating Expenses (without impairment losses) to RusHydro Group's consolidated financial statements under IFRS for the year ended December 12, 2018 and as of the date.

<sup>27</sup> In fact, the item includes costs under items Social Spending in the amount of RUB 1,083 million, Business Trip Expenses in the amount of RUB 997 million, Net Loss from Asset Sale in the amount of RUB 1,757 million, and Other Expenses in the amount of RUB 2,069 million, in accordance with Note 26 Operating Expenses (without impairment losses) to RusHydro Group's consolidated financial statements under IFRS for the year ended December 31, 2018 and as of the date.



Items	2018 target	2018 actual	Target/actual deviation	
			Abs.	Rel.
Loss from economic impairment of fixed assets	-35,726 <sup>28</sup>	-24,221	11,505	-32.2%
Loss from impairment of accounts receivable, net	-4,156	-5,379	-1,223	29.4%
<b>Operating profit</b>	<b>35,048</b>	<b>61,420</b>	<b>26,372</b>	<b>75.2%</b>
Financial income/(expenses), net	-9,205	-15,421	-6,216	67.5%
Profits of joint ventures and associates	4,002	1,860	-2,142	-53.5%
<b>Profit before tax</b>	<b>29,845</b>	<b>47,859</b>	<b>18,014</b>	<b>60.4%</b>
Income tax expenses	-15,043	-16,022	-979	6.5%
<b>Profit for the period</b>	<b>14,803</b>	<b>31,837</b>	<b>17,034</b>	<b>-115.1%</b>

Analysis of the statement of profit or loss shows that the RusHydro Group profit earned by the results of 2018 exceeds the planned values by RUB 17,034 million or 115.1%.

A positive change in financial results was caused by a decrease in operating expenses and a decrease in the loss from impairment of fixed assets. RusHydro Group's actually received operating income for the year 2018 correspond to the <sup>29</sup>adjusted targets.

Long-term loans and borrowings as of December 31, 2018 amounted to RUB 157,948 million. As of December 31, 2018, short-term borrowings and current portion of long-term loans amounted to RUB 38,899 million.

Pursuant to the Regulation on the Dividend Policy approved by the decision of the Company's Board of Directors (Minutes No. 195 dated March 28, 2014) and Decree No. 944-p<sup>30</sup> of the Government of the Russian Federation dated May 18, 2017, according to the results of 2017, the dividends of RusHydro amounted to 50% of RusHydro Group's financial performance defined in the consolidated financial statements under IFRS, or RUB 11,226 million. In fact, from 2016 onwards, the Company has been allocating 50% of its profits determined in the consolidated financial statements under IFRS for dividend payment.

### 3. RUSGIDRO GROUP'S PROGRAM ACTIVITIES

#### RusHydro Group Investment Program

The approved Long-term Development accommodates financing of RusHydro Group's investment projects for the period of 2018-2022 in the amount of RUB 396,344.51 million <sup>31</sup>(including in the Far East in the amount of RUB 228,384.06 million), which in 2018 covers RUB 124,485.64 million (including in the Far East - RUB 81,980.26 million).

Based on RusHydro Group's Consolidated Investment Program for 2018-2022, with due consideration of the updates consistent with the consolidated opinions of Russia's Ministry of Energy under the procedure of approving RusHydro Group's Investment Program for electric power industry facilities by executive authorities, as well as updating the cost and schedules for the implementation and financing several investment projects against the updated project documentation and the actual progress of construction and installation work, the Company's Board of Directors on October 2, 2018 (Minutes No. 276 dated October 4, 2018) approved the amended RusHydro Group's Consolidated Investment Program for

<sup>28</sup> The planning data include the results of the test for impairment of assets commissioned in 2018, with the exception of the expected impairment of the Sakhalin GRES-2 in the amount of RUB 32,900 million attributable to the postponed commissioning of the Sakhalin GRES-2 to 2019 (Minutes No. 281 of the Company's Board of Directors dated December 27, 2018).

<sup>29</sup> RusHydro Group's adjusted Consolidated Business Plan for 2018 was approved by the Company's Board of Directors (Minutes No. 276 dated October 4, 2018), in line with the decision of the Company's Board of Directors (Minutes No. 281 dated December 27, 2018).

<sup>30</sup> The said Decree amended Order No. 774-p of the Government of the Russian Federation dated May 29, 2006 stipulating the allocation an amount, for the payment of dividends, determined on the basis of net profit according to financial statements, including consolidated ones, in line with the International Financial Reporting Standards if under the existing laws of the Russian Federation the joint-stock company has the obligation to prepare such statements.

<sup>31</sup> RusHydro Group's Consolidated Investment Program for 2018-2022 was approved by the decision of the Company's Board of Directors dated April 3, 2018 (Minutes No. 267 dated April 4, 2018) as part of the Consolidated Business Plan for 2018-2022 and comprises investment projects of RusHydro and its subsidiaries to be covered by RusHydro Group's Consolidated Business Plan.

2018.<sup>32</sup> The updated size of funding for 2018, adjusted for the revised RusHydro's Business Plan<sup>33</sup> and RusHydro Group's Consolidated Investment Program<sup>34</sup>, amount to RUB 90,281.83 million.

In the reporting year, in line with RusHydro Group's Investment Program, the amount financed was RUB 82,826.28 million, or 92% of the planned amount, including RUB 51,507.22 million, or 91% of the planned amount, in the Far East.

**RusHydro Group's investment composition in 2018<sup>35</sup>**

<b>Funding stream</b>	<b>Financing plan for 2018, RUB million</b>	<b>Actual Financing for 2018, RUB million</b>	<b>Delivery of the annual plan, %</b>
<b>RusHydro Group's core business companies</b>	88,423.34	81,334.80	<b>92%</b>
TR&M	29,570.34	25,902.51	88%
New construction	43,391.28	43,824.47	101%
Grid connection	10,434.99	7,985.57	77%
Others	5,026.73	3,622.25	72%
<b>RusHydro Group's non-core business companies</b>	1,858.49	1,491.48	<b>80%</b>
<b>Total Consolidated Investment Program</b>	<b>90,281.83</b>	<b>82,826.28</b>	<b>92%</b>
<i>including in the Far East</i>	56,537.33	51,507.22	91%

The main reasons behind the deviation from the target financing for RusHydro Group's Consolidated Investment Program in 2018 were as follows:

Rehabilitation & modernization. The deviation from the planned targets was caused by the updated timelines for the implementation of TR&M activities, increased duration of contractors works, a decrease in the cost of projects according to the results of the approved project documentation.

Grid connection. The major deviations were revealed for the following investment projects:

- Construction of a 110 kV overhead line to supply power for 110/6 Chayka substation, 110/6 Bogatyrevka substation, 110/6 Steller substation (PJSC Kamchatskenergo), deviation RUB (-) 464.86 million on grounds of declaring the trading and procurement procedures for selecting a construction and installation contractor to be failed. The works on the implementation of this facility were rescheduled for the following years.

- Modernization of 220 kV Orotukan, Palatka, and Tsentralnaya substations. 2 STAGE. Expansion (Construction) of 220 kV outdoor switchgear at 220 kV Palatka substation (PJSC Magadanenergo), deviation of RUB (-) 379.26 million due to an economy based on the results of the tender procedures (equipment and construction & installation), and also due to default on General Contractor's contractual obligations.

- Construction of a 220 kV Omsukchan-PP-Peschanka overhead transmission line to ensure grid connection of 220 kV Peschanka/Eastern ES /(PJSC Magadanenergo) substation, deviation of RUB (-) 302.31 million. In accordance with letter No. 01-10(11)/261 dated December 13, 2018, the Applicant (JSC Dalenergomost) declared its intention to design and construct the facility on its own, and therefore the obligations of the Grid Operator under Decree of the Russian Government dated December 27, 2004 № 861 were not accrued.

<sup>32</sup> Approved as part of RusHydro Group's Consolidated Business Plan.

<sup>33</sup> RusHydro's revised Business Plan for 2018 in terms of changing the parameters of RusHydro's Investment Program for 2018 was approved by the Board of Directors on December 24, 2018 (Minutes No. 281 dated December 27, 2018).

<sup>34</sup> RusHydro Group's Consolidated Investment Program for 2019-2023 was approved by the decision of the Company's Board of Directors on December 25, 2018 (Minutes No. 282 December 27, 2018) as part of the Consolidated Business Plan for 2019-2023.

<sup>35</sup> As related to financing.

Others. The major deviations were revealed for the following projects:

- R&D, the deviation of RUB (-) 406.71 million was caused by rescheduling the financing for three R&D projects to 2019-2020.

- Transferring the ownership of assets to PJSC Sakhalinenergo, deviation of RUB (-) 561.04 million due to the cancellation of the need to repay the payables of Sakhalinenergo to RAO ES East, caused by the consolidation of energy assets being on the balance of RAO ES East, to the authorized capital of Sakhalinenergo.

According to the 2018 schedule, RusHydro Group plans to commission the capacity in the amount of 338.04 MW and 442.33 Gcal/h. The actually commissioned capacities in 2018 amounted to 345.20 MW and 442.47 Gcal/h<sup>36</sup>.

### **RusHydro's Production Program**

The approved Long-term Development Program accommodates the costs<sup>37</sup> for production programs for 2018-2022<sup>38</sup>:

- According to the program of repairs in the amount of RUB 15,985.83 million<sup>21</sup>, including in 2018 – RUB 2,972.98 million.

- According to the maintenance program in the amount of RUB 6,180.87 million<sup>21</sup>, including in 2018 – RUB 1,082.74 million.

- According to the R&D program in the amount of RUB 3,352.52 million<sup>21</sup>, including in 2018 – RUB 620.55 million.

In 2018, the production programs for 2018-2022 were adjusted<sup>39</sup> resulting in the following amount of costs:

- According to the program of repairs – RUB 16,589.49 million<sup>23</sup>, including in 2018 – RUB 2,970.83 million.

- According to the maintenance program – RUB 6,381.15 million<sup>23</sup>, including in 2018 – RUB 1,083.52 million.

- According to the R&D program – RUB 3,556.00 million<sup>23</sup>, including in 2018 – RUB 616.39 million.

### **The Progress on the Programs in 2018**

<b>Program progress<sup>40</sup></b>	<b>Target Disbursement in 2018, RUB ml</b>	<b>Actual Disbursement in 2018 RUB million</b>	<b>Delivery of the annual plan, %</b>
Repairs program	2,970.83	2,839.13	95.6%
Maintenance program	1,083.52	1,021.50	94.3%
R&D program	616.39	516.85	83.9%

The deviation from the targets for the maintenance program of the main, auxiliary equipment and systems of hydroelectric power plants is attributable to significant savings exceeding RUB 40 mn achieved in the bidding procedures for the procurement of services.

The deviation from the targets for the R&D program is attributable to significant savings exceeding RUB 80 mn achieved in the bidding procedures for the procurement of services.

2018 Key Achievements:

<sup>36</sup> As of January 1, 2019.

<sup>37</sup> The amounts were aligned with the Company's draft production program for 2018–2023 available at the time of the approval of the Long-term Development Program, and the scope of costs until 2022. The basis is not the amount of financing, but the scope of costs (excluding VAT). The costs were recalculated in the forecast prices for 2020-2022 in line with the basic variant of industrial production deflator indices of RusHydro's Uniform Scenario Conditions.

<sup>38</sup> The TR&M Program in terms of financing is presented in the section RusHydro Group's Investment Program.

<sup>39</sup> The production programs of repairs, maintenance, and R&D for 2018-2023 were approved by the decision of the Management Board of the Company (see Minutes below: No. 1099/1pr dated April 26, 2018, No. 1105pr dated June 1, 2018, No. 1108pr dated June 8, 2018, No. 1109pr dated June 14, 2018, No. 1113pr dated June 22, 2018, No. 1115pr dated June 29, 2018, No. 1119pr dated July 17, 2018, No. 1122pr dated July 26, 2018). The Company's Management Board resolved to take the amount of costs as a basis, not the amount of financing. The costs were recalculated in the forecast prices in line with the basic variant of indices of RusHydro's Uniform Scenario Conditions.

<sup>40</sup> Data on the TR&M Program progress in terms of financing is presented in the RusHydro Group's Investment Program section.

- Six hydroturbines were replaced (Volzhskaya HPP, Votkinskaya HPP, Rybinskaya HPP, Novosibirskskaya HPP, and Saratovskaya HPP - 2 pcs.) and three hydrogenerators (Volzhskaya HPP, Votkinskaya HPP, and Rybinskaya HPP).

- Two hydroelectric generating units were upgraded (Cheboksarskays HPP, Bureiskaya HPP).

The production program delivered in 2018 resulted in an additional capacity gain amounted to 55.5 MW, including due to the capacity gain of the Votkinskaya HPP (15 MW), the Zhigulevskaya HPP (10.5 MW), the Saratovskaya HPP (12 MW), the Novosibirskskaya HPP (5 MW), the Rybinskaya HPP (10 MW), and the Nizhny Novgorod HPP (3 MW).

### **RAO ES East Holding's Production Program**

The Long-term Development Program reflects the cost of the Production Program of repairs of RAO ES East Holding for 2018-2022 in the amount of RUB 69,854.11 mn<sup>41</sup>, of which RUB 12,992.60 mn for 2018<sup>42</sup>.

In 2018, changes were made to the target volumes of the Production Program of repairs of RAO ES East Holding, the adjusted volume of costs for 2018-2022 is RUB 71,478.31 mn, with RUB 14,616.83 mn for 2018<sup>43</sup>.

### **The Progress on the Program in 2018**

<b>Progress on the focus area<sup>44</sup></b>	<b>Target Disbursement for 2018, RUB mn</b>	<b>Actual Disbursement for 2018, RUB mn</b>	<b>Delivery, %</b>
Repairs program	14,616.83	14,426.39	99%

The main results of the Production Program of RAO ES East Holding for 2018:

- Under the TR&M program: the boiler unit of <sup>45</sup>the Khabarovskaya CHPP-1 of JSC DGK were updated; the boiler unit of station No. 8 of the Khabarovskaya CHPP-1 of JSC DGK was gasified; the power unit of station No. 1, as well as hot water boilers of stations<sup>46</sup> Nos. 3 and 6 of the Neryungraya GRES of JSC DGK were modernized; the boiler unit of station No. 10 of the Artyomovskaya CHPP of JSC DGK was updated; the Anadyrskaya CHPP of JSC Chukotenergo were gasified (one boiler unit of <sup>47</sup>the nuclear heat and power plant was converted to combined combustion of coal and natural gas; a 177-meter internal station gas pipeline, a gas distribution plant were built<sup>48</sup>); substations and power lines were modernized to ensure reliable power supply to consumers and connection of new applicants; heating networks were modernized to prepare the facilities for the heating season.

- According to the program of repairs: in the reporting year, capital and medium repairs of 25 turbine units were completed (vs target of 25); 28 boilers (vs target of 28); 23 generators (vs target of 23); 48 transformers<sup>49</sup> (vs target of 43).

- 4,485 km of electric and 59.9 km of heating lines were repaired.

- Additional repair measures were taken to ensure the readiness of the Far Eastern Federal District subsidiaries to work in the autumn-winter period of 2018/2019 in the amount of RUB 1,476.1 mn: JSC

<sup>41</sup> Reviewed and approved by the management bodies of RusHydro's subsidiary in the prescribed manner. The taken basis is not the amount of financing, but the scope of costs (excluding VAT).

<sup>42</sup> Repair programs for 2018 were agreed upon by Minutes No. 25 dated February 8, 2018 "On Protection of 2018 Production Programs for RusHydro's subsidiaries of the Far Eastern Federal District.

<sup>43</sup> The adjustment of the Production Repair Program for 2018 was agreed upon by Minutes No. 07BC of RusHydro's Budget Committee "On Consideration of Adjusted Business Plans for 2018–2022" dated July 18, 2018, reviewed and approved in the prescribed manner by RusHydro's management bodies, including adjustments to production repair programs agreed by the Minutes on the protection of subsidiaries' production programs for 2018: PJSC Sakhalinenergo - dated August 27, 2018 No. 7, PJSC Yakutskenergo - dated August 28, 2018 No. 19, JSC DGK - dated September 19, 2018 No. 8, JSC DRSK - dated September 28, 2018 No. 14, PJSC Mobile Energy (Peredvizhnaya Energetika) - dated September 28, 2017 No. 10/2018, JSC Sakhaenergo - dated August 27, 2017 No. 15, JSC Teploenergoservice dated August 17, 2018 No. 15, PJSC Kamchatskenergo - dated August 28, 2018 No. 6, JSC UESK - dated August 31, 2018 No. 5, PJSC Magadanenergo - dated August 15, 2018 No. 18-18, JSC Chukotenergo - dated August 30, 2018 No. 18-18.

<sup>44</sup> Data on the TR&M Program progress in terms of financing is presented in the RusHydro Group's Investment Program section.

<sup>45</sup> BKZ-210-140, station No. 10.

<sup>46</sup> KBTK-100-150.

<sup>47</sup> BKZ-160-100-20, station No. 2.

<sup>48</sup> Modular ready-to-operate gas distribution unit.

<sup>49</sup> Only transformers of 35-220 kV class are included.

DGK, JSC DRSK, PJSC Yakutskenergo, JSC Sakhaenergo, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC Chukotenergo.

### **RusHydro Group's Innovative Development Program**

In accordance with RusHydro Group's Innovative Development Program for 2016–2020 with an outlook until 2025<sup>50</sup>, financing for 2018–2020 activities amounts to RUB 7,325.7mn<sup>51</sup>, including: for RusHydro<sup>52</sup> - RUB 1,666.2 mn; for RAO ES East Holding - RUB 5,659.5mn, including RUB 2,197.0 mn for 2018, for RusHydro - RUB 459.3 mn and for RAO ES East Holding - RUB 1,737.7 mn.

2018-2022 medium-term action plan<sup>53</sup> approved by the decision of the Company's Board of Directors (Minutes No. 271 dated June 1, 2018), as it pertains to RusHydro, adjusted the amount of funding for 2018-2020 activities to RUB 2,115.6 mn<sup>54</sup>, with RUB 909.4 mn for 2018, including in the following areas:

- Innovative projects and activities - RUB 886.2 mn, including R&D - RUB 759.7 mn.
- Promoting relationships with third-party organizations, applying open innovation principles - RUB 23.2 mn.

The actual amount of funding for RusHydro's activities in 2018 was RUB 655.4 mn<sup>55</sup>, or 72.1% of the annual target, including the following areas:

- Innovative projects and activities - RUB 621.2 mn, or 70.1% of the annual target, including R&D - RUB 494.9 mn, or 65.1% of the annual target.
- Promoting relationships with third-party organizations, applying open innovation principles - RUB 34.0 mn, or 146.6% of the annual target.

Main reasons behind poor performance versus plan

- reducing the cost of activities and the adjustment of financing schedules due to procurement procedures;
- postponing the financing of some works to 2019 due to the failure of contractors to fulfil their contractual obligations and the need to eliminate gaps and observations to the work results.

The most significant projects of 2018:

- Measures to implement the project for the development, manufacture and testing of a commercial prototype of a phase-shifting transformer were taken.
- A hardware-software complex for monitoring and predicting the reliability of hydro-technical facilities of a hydroelectric power plant (PSPP) under difficult engineering and geological conditions was developed.
- A study of new technologies for the repair and restoration of elements of hydro-technical facilities with increased service life and reliability was conducted and a guide for their integration was developed.

2018-2022 medium-term action plan approved by the decision of the Company's Board of Directors on May 31, 2018 (Minutes No.271 dated June 1, 2018), as it pertains to RAO ES East, adjusted the amount

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<sup>50</sup> Approved by the decision of the Company's Board of Directors on November 22, 2016 (Minutes No. 244 dated November 23, 2016).

<sup>51</sup> In line with RusHydro Group's Innovative Development Program for 2016–2020 with an outlook until 2025, approved by a decision of the Company's Board of Directors dated November 22, 2016 (Minutes No. 244 dated November 23, 2016).

<sup>52</sup> PJSC RusHydro (subsidiaries and branches), JSC NIIES, JSC Vedenev VNIIG, JSC Institute Hydroproject, JSC Lengidropoekt, JSC Mosoblgidropoekt.

<sup>53</sup> In line with the Methodological materials on the annual reporting on the progress of innovative development programs for partially government-owned joint-stock companies, government-owned corporations, government-owned companies and federal government-owned unitary enterprises approved on February 27, 2018 by the meeting of the Interdepartmental Working Group on the progress of Innovative Development Priorities of the Presidium of the Presidential Council on the modernization of the economy and innovative development of Russia, the planning period in preparing medium-term action plan to implement innovative development programs for the electric power companies should be four to five years. RusHydro's medium-term action plan to implement innovative development programs was prepared for a 5-year period to synchronize with RusHydro Group's Consolidated Investment Program. RusHydro Group's Innovative Development Program covers PJSC RusHydro (subsidiaries and branches), JSC NIIES, JSC Vedenev VNIIG, JSC Institute Hydroproject, JSC Lengidropoekt, JSC Mosoblgidropoekt.

<sup>54</sup> The data on the Innovative Development Program of RAO ES East is presented in a separate section.

<sup>55</sup> Preliminary data.

of funding for 2018-2020 activities to RUB 5,725.8 mn, with RUB 2,330.3 mn for 2018, including in the following areas:

- Innovative projects and activities - RUB 2,260.1 mn, including R&D - RUB 203.5 mn.
- Development of innovation management system and innovation infrastructure - RUB 11.0 mn.
- Promoting relationships with third-party organizations, applying open innovation principles - RUB 59.2 mn.

The actual amount of funding for RAO ES East's activities in 2018 was RUB 1,717.5 mn<sup>56</sup>, or 73.7% of the annual target, including the following areas:

- Innovative projects and activities - RUB 1,640.3 mn, or 72.6% of the annual target, including R&D - RUB 147.8 mn, or 72.6%.
- Development of innovation management system and innovation infrastructure - RUB 5.1 mn, or 46.4% of the annual target.
- Promoting relationships with third-party organizations, applying open innovation principles - RUB 72.2 mn, or 122.0% of the annual target.

Main reasons behind poor performance versus plan

- reducing the cost of activities and the adjustment of financing schedules due to procurement procedures;
- postponing the financing of some works to 2019 due to the failure of contractors to fulfil their contractual obligations and the need to eliminate gaps and observations to the work results.

The most significant projects of 2018:

- The Khabarovskaya CHPP-1 was modernized to utilize natural gas as a fuel using innovative technologies for preparing and supplying fuel.
- The wastewater treatment plant of the joint venture Khabarovskaya CHPP-2 with the introduction of innovative technologies of chemical and biological treatment and disinfection.

#### **4. ON PERFORMANCE OF FAR EASTERN ASSETS**

##### **Tariff Regulation**

In order to enhance the performance of RusHydro Group's Far Eastern assets, the Company is making efforts to introduce long-term tariff regulation methods.

The Company is involved in drafting regulatory legal acts aimed at introducing these methods through active interaction with federal executive authorities, NP Market Council Association, and other organizations.

In the reporting year, proposals were prepared and sent to the relevant federal executive authorities for changing the regulatory legal acts in regard to the implementation of long-term tariff regulation in relation to existing facilities; the introduction of a mechanism similar to the DPM, which provides for the return of, and on, capital; criteria for the selection of projects for the modernization of thermal power plants in the Far Eastern Federal District, and other proposals.

Taking into account RusHydro's proposals, the specialized federal executive authorities developed and initiated the introduction of drafts of the following regulatory legal act, as prescribed:

- draft resolution of the Government of the Russian Federation "On Amendments to Certain Acts of the Government of the Russian Federation Concerning the Regulation of Prices (Tariffs) for Electric Power (Capacity) Supplied in Technologically Isolated Territorial Energy Systems and Territories Not Connected to the Unified Energy System of Russia and Technologically Isolated Territorial Energy Systems" (Resolution No. 64 of the Government of the Russian Federation dated January 30, 2019);
- the draft resolution of the Government of the Russian Federation "On Amendments to the Principles of Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry".

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<sup>56</sup> Preliminary data.

The mentioned regulatory legal acts drafts ensure the implementation of long-term tariff regulation in the non-price zone, isolated energy systems and energy systems that are not connected to the UES and isolated energy systems.

In addition, a draft resolution of the Government of the Russian Federation “On the selection of projects for the modernization of generating facilities of thermal power plants” was developed and negotiated as required, which ensures the introduction of a return on investment mechanism similar to DPM (Resolution No. 43 of the Russian Federation dated January 25, 2019).

The introduction of long-term tariff regulation with respect to the existing generation of the non-price zone of the wholesale electricity and capacity market will allow revising the base of indexed expenses in the required gross revenues of energy companies and bringing the revenue and generation tariffs to an economically viable level.

In 2018, to address the shortage of funds received as part of the tariff revenues to cover economically justified costs, the following measures were taken:

- Tariff-related decisions for 2019 were adjusted to the price of fuel adopted in 2018 contracts signed as a result of bidding, using fuel price indices published by the Ministry of Economic Development of Russia for a regulated period (except for JSC DGK, where tariffs are regulated by indexing method).
- Energy companies signed Agreements on the contribution for lost income to organizations that render heat supply services to the population at rates (tariffs) that fail to reimburse the costs (including reimbursing a portion of fuel costs) granted by the Far Eastern Federal District budget.
- RUB 15.4 bn of subsidies were received from the regional budget to offset the difference in tariffs, which cater for, among other things, the losses incurred by the companies due to actual current fuel prices for previous periods of regulation.
- Received surcharge funds amounted to RUB 26.5 bn<sup>57</sup> to offset the difference in electricity tariffs between the economic tariff and the tariff brought to the base level set annually by the relevant Governmental Order of the Russian Federation (for 2018, the base level of prices (tariffs) is set at RUB 4.3 per kilowatt-hour<sup>58</sup> (without value added tax).
- The shortfall in revenues generated due to changes in fuel types, volumes, and prices in 2018 will be reported by energy companies as lost income to be covered by tariffs for 2020.
- All Far Eastern Federal District energy companies developed and implemented programs to improve the fuel utilization efficiency, including measures aimed at reducing the fuel and energy costs of generating electrical and heat energy during heat transportation through increasing the operating efficiency of generating equipment, heat supply systems and approximating technical and economic performance indicators to benchmarks.

### **Fuel Cost Cutting**

In 2018, RAO ES East continued its efforts to optimize the fuel supply system:

1) Within the decisions of the meeting with the Deputy Prime Minister of the Russian Federation - Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu. Trutnev dated May 18, 2018 No. UT-P9-27pr, interested federal executive authorities are working on options for supplying gas to Petropavlovsk-Kamchatsky and adjacent areas, given the reduction in gas production at the Sobolevskoye field and plans for an investment project for the construction of the LNG marine transshipment complex in the Bechevinskaya Bay, the Kamchatka Territory.

Pursuant to Instruction No. Pr-2486 of the President of the Russian Federation dated December 25, 2018 on the gas supply to the region, the Ministry of Energy of Russia, together with PJSC Gazprom, is working to create a forecast balance for the distribution of Sakhalin gas for the period until 2035, which will determine the source of gas supply sufficient to cover the total natural gas demand of the Sakhalin Region, Primorsky and Khabarovsk Territories.

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<sup>57</sup> Including JSC Pauzhetskaya GeoPP - RUB 0.077 bn and PJSC Kolymaenergo - RUB 0.103 bn.

<sup>58</sup> Decree No. 2527-r of the Russian Government dated November 15, 2017.

2) The procurement procedures to supply fuel for the needs of RusHydro's subsidiaries are exclusively on a competitive basis in accordance with federal law No. 223-FZ "On the procurement of goods, works, services by certain types of legal entities".

During the procurement procedures, participants were offered to split the price of coal by components. Depending on the rail transport price and if there are alternative, less expensive offers for transportation services, the delivery basis and the lower price of the transport component are selected.

3) Conclusion of long-term (at least three years) coal supply contracts, with the terms of contracts including the provisions on the pricing procedure for each subsequent calendar year, given the prevailing market conditions. Coal supply contracts were signed to cater for the needs of the power plants of PJSC Sakhalinenergo (Yuzhno-Sakhalinskaya CHPP-1, Sakhalinskaya GRES, Sakhalinskaya GRES-2) and for the needs of JSC UESK.

4) When concluding fuel supply contracts, RAO ES East Holding foresaw the terms for reducing the price of coal products when making deliveries, depending on its quality (humidity, ash content, heat of combustion). At the end of 2018, savings in payment for the current coal supplies were estimated at RUB 1,026.8 mn.

5) To purchase fuel in the spot market, based on the lowest bid price of the participants, the following framework agreements were concluded in 2018: to supply coal for the over-balance demand of JSC DGK stations - 8 contracts; to supply petroleum products (diesel fuel, gasoline, and fuel oil) - 10 contracts.

### **Receivables Management**

The consumer receivables for electric and thermal energy to RusHydro's subsidiaries in the Federal District<sup>59</sup> (hereinafter RusHydro's Far Eastern subsidiaries) as of December 31, 2018 amounted to RUR 33,808 mn<sup>60</sup> (debt growth for 2018 was RUR 1,102 mn, or 3.4%).

#### *Electric Energy*

As of December 31, 2018, consumer receivables for electricity to RusHydro's Far-Eastern subsidiaries amounted to RUB 15,087 mn<sup>44</sup> (a decrease in the debt of the reporting period to RUB 219 mn).

The decrease was across the following groups: wholesalers-resellers; utilities; enterprises financed from the regional/territory budget; grid operators that purchase electricity to offset losses.

The bulk of accounts receivable is held by the following groups of consumers: households - 26.0%, utility companies - 20.8%, management companies and housing cooperatives - 11.8%, industry - 10.9%, federal budget - 9.1%. The share of these groups is 78.6% of the total accounts receivable.

#### *Heat energy*

As of December 31, 2018, consumer receivables for electricity to RusHydro's Far-Eastern subsidiaries amounted to RUB 18,721 mn<sup>44</sup> (a decrease in the debt of the reporting period to RUB 1,321 mn).

The main growth was across the following groups: households; heat supply organizations; management companies and housing cooperatives. The share of these consumer groups in the structure of receivables was 88.0% of total debt.

RusHydro's Far Eastern subsidiaries take all measures stipulated by the current legislation to ensure timely receipt of funds for current payments and repayment of receivables:

1. In 2018, 195,520 lawsuits were filed for electricity and heat, totalling RUB 12,091 mn.

For 2018, RUB 7,658 mn were collected through claims and receiving orders for electric and thermal energy (including previously filed lawsuits).

2. Working with federal, regional level authorities to assist in the payment of debts of subordinate budget organizations, as well as in the allocation of additional funds to housing and utility enterprises and heat supply organizations for settlements with resource providers.

2018 year-end showed a positive trend in payments for housing and public utilities in the territories of PJSC DEK: the debt of housing and utility enterprises/wastewater disposal organizations as of December 31, 2018 decreased by RUB 237 mn, or 7% of debt at the beginning of the year.

<sup>59</sup>The control covers PJSC DEK, JSC DGK, PJSC Yakutskenergo, PJSC Kamchatskenergo, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC Chukotenergo, JSC UESK, JSC Sakhaenergo, JSC Teploenergoservis, and PJSC Mobile Energy (Peredvizhnaya Energetika).

<sup>60</sup> According to the consolidated data of the sales units of RusHydro's Far Eastern subsidiaries.



3. Control and monitoring of calculations made by suppliers of electrical and heat energy for the needs of enterprises of the Ministry of Defense of Russia. As of December 31, 2018, the total debt of consumers subordinated to the Ministry of Defense of Russia WAS RUB 3,156 mn.

4. As part of the efforts to increase the revenues of JSC DGK, bilateral electricity contracts were concluded with PJSC Inter RAO and LLC Transneftnergo in 2018.

In line with the cost-cutting program, in order to reduce the cost of purchased energy from the wholesale market by sales companies, PJSC DEK and RusHydro, PJSC Yakutskenergo and RusHydro signed bilateral agreements in 2018. The volume of electrical energy purchased amounted to 339.2 million kWh.

### **Developing generating capacities in the Far Eastern Federal District**

Considering the significant deterioration of the main production equipment of power plants, the Company developed and its Board of Directors reviewed a long-term program for replacing retired facilities and developing the energy systems of the Far East for the period until 2027<sup>61</sup>, according to which priority projects are identified.

A list of measures needed to replace the retired facilities and proposals for the introduction of mechanisms for returning investments in the construction and modernization of electric power facilities in the Far Eastern Federal District were prepared, including a list of the most critical projects:

1. Construction of Artyomovskaya CHPP-2 to replace the decommissioned Artyomovskaya CHPP-1;
2. Construction of Khabarovskaya CHPP-4 to replace the decommissioned Khabarovskaya CHPP-1;
3. Construction of the 2nd stage of the Yakutskaya GRES-2 to replace the decommissioned Yakutskaya GRES;
4. Modernization of turbine units No. 2, 3 of the Vladivostokskaya CHPP-2;
5. Modernization of turbine units No. 7, 8 of the Komsomolskaya CHPP-2;
6. Construction of a thermal power plant in the town of Pevek (36 MW) to replace the Chaunskaya CHPP to be decommissioned by 2025;

The first five projects (on the territory of non-price zones) are proposed to be implemented within the framework of the Russian Government program for the implementation of thermal generation modernization projects that ensure the target rate of return on investment (analogous to the DPM mechanism). At present, survey and design contracts have been concluded under these projects, the first design stage - a study of financiability of the projects - is in the planning stage. In addition, the Company, together with the entities of the Far Eastern Federal District, where generation facilities are planned to be built and modernized, are preparing documentation required for submitting the projects to the Government Commission for the development of the electric power industry in accordance with the requirements of Government Decree No. 43 dated January 25, 2019.

On the construction of a heat and power plant in Pevek, with reference to the instructions of Minutes No. DK-P9-250pr of the meeting held at Deputy Prime Minister's of the Russian Federation, D. Kozak, on December 12, 2018, RusHydro sent proposals pertaining to budget financing of the project to the Ministry of Energy of Russia and the Ministry of Finance of Russia.

The long-term program for replacing retired facilities and developing the energy systems of the Far East implemented by RusHydro Group will help ensure sustainable energy supply to consumers in the Far East, given the development of the economy of the Far Eastern Federal District aligned with the national goals and strategic objectives of the Russian Federation, improve the technical and economic generating indicators in the Far Eastern Federal District, ensure the transition to automated management of electric power industry-based systems, better working conditions of employees of power plants, and to achieve a fuel-saving and environmental effect.

Moreover, the construction of the Ust-Srednekanskaya HPP (replacement of impellers on hydraulic units No. 1, 2; construction of hydraulic unit No. 4) with a design capacity of 570 MW is currently

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<sup>61</sup> Reviewed by the Company's Board of Directors on October 25, 2018 (Minutes No. 279 dated October 26, 2018).

underway. It should be noted that at present the project is being implemented without attracting budget financing.

### **Developing renewable energy in the Far Eastern Federal District**

Promising activity of RusHydro Group in the Far East is an increase in the share of generation based on renewable energy sources.

In 2018, the Company implemented a project for the construction of a 900 kW wind power station in the village of Tiksi of the Sakha Republic (Yakutia). The cost of construction was RUB 294.96 mn (including VAT). The project includes the installation of three wind turbines with a unit rating of 300 kW manufactured by the Japanese company Komaihaltek and designed to operate in harsh climatic conditions (wind turbines can operate at temperatures up to –50 °C and can withstand wind speeds of up to 70 m/s).

## **5. REFINING THE CORPORATE GOVERNANCE SYSTEM**

In the reporting year, the following measures were taken to improve the corporate governance system:

- The Company's internal documents Include the guides aimed at: forming an introductory course program for members of the Board of Directors elected for the first time; preventing and resolving conflicts of interest of members of the Board of Directors; creating the possibility for the Board of Directors to involve external independent experts (consultants) to study the issues that are the subject under consideration; creating opportunities to improve the performance of members of the Board of Directors through training and improving their skills; gaining by members of the Board of Directors an access to documents of the Company's subsidiaries; making recommendations on significant corporate actions by the statement of independent directors about their position on significant corporate actions prior to their approval; gaining by shareholders of the Company an access to documents containing information about the Company's subsidiaries.

- The candidates to the Board of Directors were evaluated against the availability of the necessary experience, knowledge, business reputation, absence of a conflict of interests, the results of this evaluation were presented to shareholders as part of the materials for the Meeting;

- An independent performance assessment of the Board of Directors was conducted, the results of this assessment were reviewed at the in-person meeting of the Company's Board of Directors;

- The number of in-person meetings of the Board of Directors of the Company was increased;

- The quality and detail of disclosing information in the Annual Report and on the Company's website was improved;

- The Regulation on the Information Policy was updated against the best world and Russian practices;

- The Board of Directors approved the Company's Auditor Rotation Policy and the Policy for Shareholding by Members of the Board of Directors and Members of the Management Board in RusHydro and its subsidiaries.

In September 2018, NP RID conducted a reassessment of RusHydro's corporate governance system, taking into account the changes that occurred here during the year, which resulted in a higher corporate governance rating of 8 Best Corporate Governance Practice according to the NRCU scale.

In January 2019, the Internal Audit Service assessed corporate governance practices for 2018 by matching its components with the criteria determined by the Methodology of evaluating RusHydro's corporate governance system agreed by the Audit Committee of RusHydro's Board of Directors (Minutes No. 123 dated October 22, 2018). This Methodology was developed on the basis of the Rosimushchestvo Methodology approved by order No. 306 dated August 22, 2014.

RusHydro's overall corporate governance rating was 89% out of 100% (83% by the end of 2017). According to the results of the assessment of the current state of the corporate governance system components, the Company's system is recognized as "Effective". This assessment indicates that the system is

functioning properly in all essential aspects, but there are some moderate deficiencies and the potential for improvement.

In addition, throughout 2018, the Company continued to comply with the norms of the Corporate Governance Code, among others, a senior independent director was elected, the effectiveness of the Company's risk management and internal control systems was assessed, the issue of corporate governance practices at the Company was reviewed, the report on the implementation of the Regulations on Information Policy of the Company, etc. The implemented Code norms resulted in the significantly increased share of principles fully complied with at RusHydro, reaching 92% in 2018.

## **6. IMPROVING THE TALENT POOL**

In the reporting year, the following measures were taken to improve the talent pool:

- Active participation in the development of the national qualification system in the Russian Federation. As part of the integration of professional standards in 2018, RusHydro implemented the first project in the Russian electricity industry for professional public accreditation of corporate training center programs based on the requirements of professional standards. RusHydro Group's Far Eastern Training Centers in Magadan, Khabarovsk and Artem of the Primorsky Territory received accreditation certificates for a period of seven years.

- In June and December 2018, RusHydro's Board of Directors approved the progress reports on the Action Plan (the list of measures) for the implementation of occupational standards in RusHydro's operations (Minutes No. 271 dated May 31, 2018 and Minutes No. 280 dated December 6, 2018).

- 33 standard training programs for professional development and professional retraining for production personnel were developed, given the requirements of professional standards for the implementation of training at the Corporate University of Hydropower.

- A specialized legal entity, JSC RusHydro's Qualifications Assessment Center, was established with the authorities to conduct an independent assessment of professional qualifications granted by the Council on Professional Qualifications in the Electric Power Industry.

- The Eighth All-Russian competition of the operational personnel of hydroelectric power stations was organized. Under the competition, together with the Ministry of Labor and Social Protection of the Russian Federation, the All-Russian professional Best in Profession skill competition was organized and held in the Best Duty Electrician nomination.

- In October 2018, at the sites of RusHydro's branch, the Volzhskaya HPP, the Volga training center of the Corporate University of Hydropower and the Volga branch of the National Research University Moscow Power Engineering Institute, the corporate professional skills championship was held on the Operational and technological control of hydraulic units and auxiliary equipment competence according to WorldSkills standards.

- RusHydro teams took 1st and 3rd places in the "Forecast of technological development of the fuel and energy complex of Russia on the back of world trends until 2030" competition supported by the Ministry of Energy of Russia. The winners were presented with diplomas by the Minister of Energy, A. Novak, and the Minister of Science and Higher Education, M. Kotyukov.

- RusHydro Group's employees were involved in the All-Russian "New Idea" competition for the best scientific and technical development among the youth of the fuel and energy enterprises. An employee of the Nizhny Novgorodskaya HPP took the 1st place.

The following activities in the development of strategic partnerships with relevant higher professional establishments were undertaken:

- With the support of RusHydro, the Institute of Hydropower and Renewable Energy Sources was opened at the National Research University Moscow Power Engineering Institute.

– Together with the Siberian Federal University (SFU) and the Sayano-Shushensky branch of the Siberian Federal University, the Company organized and held the V All-Russian Scientific and Practical Conference of Young Scientists, Specialists, Postgraduates, and Students "Hydroelectric Power Plants in the XXI Century".

– In the framework of the III Eastern Economic Forum, a protocol was signed for equipping the laboratories of the Engineering School of Far Eastern Federal University for 2019-2022.

The early career choice measures aimed at developing the engineering abilities and talents of schoolchildren and students in RusHydro Group's presence regions:

– In 2018, RusHydro acted as a partner for thematic and project shifts at the All-Russian Children's and Educational Centers (Sirius Educational Center, Okean, Smena, and Orlyonok All-Russian Children's Centers), which were attended by 462 high school students. The hydropower module of the All-Russian project "Lessons of the Present" involved senior students in 28 regions of Russia.

– More than seventy RusHydro's employees in seven regions of its presence joined the volunteering movement created by RusHydro's Young Energy program for the social and professional adaptation of orphans and parentless children. The Young Energy program was mentioned at the Mentor All-Russian Forum dedicated to the Year of Volunteering in the Russian Federation.

## **7. IMPROVING ANTI-TERRORISTIC, ECONOMIC, AND INFORMATION SECURITY SYSTEM**

In 2018, a set of measures was taken to improve the safety of the Company:

1. In order to improve the anti-terrorism security system of RusHydro Group's facilities, the next stage of modernization of the security systems at the facilities was delivered in line with the requirements of the RF Government Decree No. 458 dated May 5, 2012.

2. In cooperation with federal executive authorities and law enforcement agencies, pursuant to the requirements of the Federal Law No. 256-FZ dated July 21, 2011 "On Security of Fuel and Energy Complex Facilities", comprehensive surveys of all power facilities of RusHydro of high and medium hazard categories were conducted. Their anti-terrorism security and protection system was tried and tested.

3. In order to improve the anti-terrorism security system of RusHydro Group's facilities, improve the quality and effectiveness of interaction with the Russian Federal Security Service, the Ministry of Internal Affairs of Russia, the Operational Headquarters of the National Anti-Terrorism Committee, Federal National Guard Troops Service (the Rosgvardia), the EMERCOM of Russia, and FSUE Departmental Security Service of the Ministry of Energy of Russia conducted as follows:

3.1. Integrated special tactical training exercises at three facilities of the Company (Bureyskaya, Volzhskaya, and Zhigulevskaya HPPs) according to the plan of the National Antiterrorism Committee of the Russian Federation and 124 antiterrorist drills according to RusHydro's plan.

3.2. Five training programs for managers and specialists of RusHydro Group's security divisions.

4. Based on the analysis of the routine activities of RusHydro Group's security divisions in 2018, eight proposals were worked out and sent to the federal state authorities to improve legislation as to ensuring the safety of fuel and energy facilities. The bulk of the proposals were considered in the draft federal law "On Amending the Federal Law "On Safety and Security of the Fuel and Energy Complex Facilities", in projects to amend the regulatory legal acts of the Government of the Russian Federation.

## **8. DEVELOPING INTERNATIONAL ACTIVITIES**

Activities taken in 2018:

1. As part of cooperation with foreign partners, on February 27 in Moscow, a Memorandum of Cooperation was signed between RusHydro, NEDO (Japan), and the Republic of Sakha (Yakutia), securing

the parties' agreements regarding the construction of a wind-diesel complex. Meanwhile, a joint activity agreement was signed between JSC Sakhaenergo and Takaoka Toko.

The construction of a WPP in Tiksi was completed. The demonstration period of operation of three wind turbines of 300 kW each (two for cold climates, one for the Arctic climate) in the isolated power system of Ust-Kamchatsk village, the Kamchatka Territory. In December, wind turbines were transferred into the ownership of the Kamchatka Territory.

2. Promotion of RusHydro Group's engineering services in the field of hydropower to foreign markets, including consulting and design activities:

JSC Institute Hydroproject: development of working documentation for the Kudankulam NPP project in India and the Akkuyu NPP project in Turkey; technical audit of the Sekaman-1 HPP and design activities on the restoration of the Sekaman-3 HPP in Laos; a survey of the Kiteshwar hydropower station in India; design activities on the Rogun hydropower plant in Tajikistan.

JSC Lengidproekt: design activities on the Pskem HPP in Uzbekistan; design of the onshore spillway of the Kambarata HPP in Kyrgyzstan, inspection of the facilities and equipment of the Shikapa HPP in Angola.

JSC Vedeneyev VNIIG: design activities and research for hydrotechnical facilities of ArcelorMittal Temirtau, Bukhtarma hydropower complex of LLP Kazzinc in the Republic of Kazakhstan, estimations of dam condition and stability for the construction of the Rogun HPP in Tajikistan.

3. As part of expanding the range of products and services offered by JSC JSC Vedeneyev VNIIG, the following activities were made for JSC Atomproekt: physical modeling of filtering devices of emergency core-cooling zones, physical and mathematical modeling of NPP technical water supply systems, estimation of the stress-strain state of the footing of NPP buildings, development of concrete production technology during construction and engineering and technical maintenance (Akkuyu NPP), justification of the cooling capacity of cooling towers (Ruppur NPP).

JSC Mosoblgidproekt: a contract was signed with Dansk IngeniørService A/S (Denmark) to provide consulting services for the construction of the 1st stage of the Adygea WPP.

JSC NIIES signed contracts with Kiel Marketing (India) and Larsen & Toubro Limited (India) to supply batches of test equipment to the existing and under construction units of the Kudankulam NPP.

4. The Company takes an active part in projects in the development of HPPs, PSPPs, and renewables in various international organizations, sites and projects, intergovernmental commissions, and business associations.

On November 28, in Beijing (China), RusHydro's management took part in the First Russian-Chinese Energy Forum, a cooperative agreement was signed between RusHydro and the Chinese corporation PowerChina on cooperation under joint projects.

Within the framework of the First Forum of interregional cooperation between Russia and Uzbekistan presided over by the heads of the states (October 18-19 in Tashkent (Uzbekistan)), RusHydro and Uzbekgidroenergo signed an Agreement on mutual understanding and cooperation in hydropower.

As part of participation in the Global Energy Partnership for Sustainable Development (GSEP) in 2018, RusHydro's representatives were involved in meetings of the Political, Project, and Governing Committees.

## **9. IMPROVING THE ENVIRONMENTAL MANAGEMENT SYSTEM**

RusHydro Group's environmental protection and environmental management activities are aligned with RusHydro Group's approved Environmental Policy<sup>62</sup>, which defines a list of key tasks aimed at improving the environmental management system:

- Increasing the installed capacity of low-carbon generation in RusHydro Group's energy balance;
- Reducing direct and specific greenhouse gas emissions at RusHydro Group's facilities;
- Conserving the biological diversity;

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<sup>62</sup> Approved by the decision of the Company's Board of Directors (Minutes No. 275 dated August 9, 2018).

- Taking measures aimed at finding and using the best available technical solutions and technologies to reduce the negative impact on the environment and minimize the environmental risks of RusHydro Group's activities;
- Reducing the oil content in switching gears at RusHydro Group's facilities;
- Introducing corporate standards to environmental activities of RusHydro Group.

In order to improve the environmental safety of existing and newly created energy facilities, the Company takes measures to modernize and replace HPP hydroelectric generating units and repair hydro-turbine equipment, given the task of reducing environmental pollution. To maintain the proper condition of the water protection zones, shore/bank protection measures were taken in 2018. In the reporting year, RusHydro Group replaced the oil-filled electrical equipment with vacuum and gas-insulated equipment. RusHydro Group is also taking measures to modernize the boiler equipment of TPPs to use natural gas, which allows reducing emissions of pollutants into the atmosphere, as well as ensuring the efficiency of the gas cleaning and ash collecting equipment of TPPs.

Moreover, in the reporting year the Company undertook the following activities aimed at reducing the negative impact on the environment: construction of sites for the accumulation of production and consumption waste; reconstruction of sewage systems and wastewater treatment plants; collection of floating debris from water areas and its transfer to waste disposal facilities; landscaping and gardening; repair of ash and slag waste storage facilities.

## 10. RUSHYDRO GROUP'S RISK MANAGEMENT

To improve its corporate system of internal control and risk management, RusHydro Group took the following key measures in 2018:

1. The Company's auditors conducted an independent assessment of the internal control and risk management system of RusHydro Group. The report outlining the outcomes of the assessment was reviewed and approved by the Company's Board of Directors in June 2018<sup>63</sup>.

2. In the reporting year, a new structure of the Internal Control and Risk Management Division was reorganized and the local normative acts were approved, regulating the work of the structural units of the Internal Control and Risk Management Division.

3. In order to improve the methodological support to the internal control and risk management system, the RusHydro Group analyzed the best practices, including international experience in internal control and risk management. Following the results of this methodological work, the following documents corresponding best practices of risk management were drafted (including the COSO concept "Organization's Risk Management". Integration with Strategy and Performance", 2017; ISO 31000: 2018 international standard "Risk Management - manual") for further submission to the Company's Board of Directors for consideration and approval:

- Provisions on RusHydro Group's risk appetite;
- RusHydro Group's Internal Control and Risk Management Policies;
- The target model of RusHydro Group's internal control and risk management system, which determines the direction of long-term development of the system.

4. Hot lines of RusHydro Group's companies were integrated into a single "Line of Trust", a new "Regulation on the procedure for receiving, reviewing, and preparing responses to appeals received via the Line of Trust" was approved.

5. Amendments were made to the Corporate Ethics Code regarding the regulation of measures aimed at preventing unfair actions of shareholders related to concluding transactions with the Company amid conflict of interests and minimizing the consequences of such actions (Minutes No. 281 of the Board of Directors dated December 27, 2018).

<sup>63</sup>Minutes No. 272 of the Board of Directors dated June 22, 2018.

6. 47 RusHydro's subsidiaries approved the Regulations on the Commission for Compliance with Corporate Ethics and the Settlement of Conflicts of Interest, as well as the membership of ethics committees.

Annually, the Strategic Risk Management Plan of the RusHydro Group is updated and approved by the Company's Management Board, including planned measures to improve risk management measures at the business level. Close-out of activities is checked through the collection of a plan progress report. The report on the progress of the action plan for managing strategic risks of RusHydro Group for 2018 was approved by the Company's Management Board (Minutes No. 1158pr dated February 13, 2019). All key group companies also approve risk management plans with an annual review of reports at meetings of the boards of directors of the respective companies.

## **11. IMPLEMENTING RUSGIDRO GROUP'S LONG-TERM DEVELOPMENT PROGRAM ACTIVITIES ENVISAGED BY THE DIRECTIVES OF THE GOVERNMENT OF THE RUSSIAN FEDERATION**

### **On increasing labor productivity (dated October 31, 2014 No. 7389p-P13)**

In pursuance of the directives of the Government of the Russian Federation dated October 31, 2014 No. 7389p-P13, the Long-term Development Program includes the key performance indicator "Labor productivity"<sup>64</sup> calculated by the Rosstat methodology<sup>65</sup>.

#### **Achievement of target values for the Labor productivity indicator**

<b>Indicator</b>	<b>2018 target</b>	<b>2018 actual</b>
Labor productivity (thousand rubles/man-hours)	5.30	6.12

### **On reducing operating expenses (costs) (dated April 16, 2015 No. 2303p-P13)**

In pursuance of the directives of the Government of the Russian Federation dated April 16, 2015 No. 2303p-P13, the Long-term Development Program includes the key performance indicator "Reducing operating expenses (costs)".

<b>Indicator</b>	<b>2018 target</b>	<b>2018 actual</b>
Reduction of operating expenses (costs)	2%	2.69% <sup>66</sup>

### **On the need for labor resources, including engineering specialties (dated November 5, 2014 No. 7439p-P13)**

The main parameters of the need for labor resources of RusHydro Group are determined with due account to the time employees reach retirement age, as well as the possibility of internal relocation of workers with appropriate recommendations based on the employee rating, formed talent pool, and candidate databases. The demand for engineering and technical specialists also includes job vacancies that require a level of professional training not lower than a bachelor of a technical educational establishment. This approach is stipulated by the requirements of the technological process of operation, repair, and maintenance of HPP/PSPP main equipment.

#### **Satisfying the main parameters of the labor resources needs of RusHydro Group, including engineering and technical specialties in 2018**

<b>Indicator</b>	<b>2018 target</b>	<b>2018 actual</b>
Total number of planned vacancies:	617	1,368
including engineering specialties	395	672

### **On the planned and phased replacement of purchases of foreign products (works, services) with the purchase of Russian products (works, services) equivalent in technical characteristics and**

<sup>64</sup> The list of legal entities accepted for the calculation of the indicator: RusHydro, PJSC DEK, PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC UESK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC DGK, JSC DRSK, Mobile Energy, JSC Chukotenergo, JSC Sakhaenergo, JSC Teploenergosservis, JSC ESC RusHydro, PJSC Krasnoyarskenergobyt, PJSC RESK, JSC Chuvash Energy Retail Company, JSC Geotherm, PJSC Kolymaenergo, Puzhetskaya GeoPP, PJSC KamGEK, PJSC Boguchanskaya HPP.

<sup>65</sup> Rosstat Order No. 576 dated September 23, 2014.

<sup>66</sup> The decision of the Company's Board of Directors (Minutes No. 286 dated April 5, 2019).

**consumer properties and used in the investment projects and current activities dated March 5, 2015 No. 1346p-P13.**

As part of the Program for Integrated Modernization of the Generating Facilities, RusHydro ramps up the supplies of products of domestic machine builders, which is also driven by localizing the production of certain types of equipment and components in Russia.

In 2018, the share of imported equipment purchased as part of production activities was reduced as a result of measures for the gradual replacement of purchases of foreign products (works, services) with purchases of Russian products (works, services) equivalent in technical characteristics and consumer properties:

**Share of imported equipment**

	<b>2018 target</b>	<b>2018 actual</b>
Share of imported equipment, %	23	23

In 2018, the Company finalized and the Board of Directors<sup>67</sup> approved the Roadmap for import substitution for the period until 2025 and the Corporate Plan for import substitution, including measures to form proposals to stimulate domestic producers (participation in joint projects to localize production of foreign products, creation and using of testing sites of domestic prototype products, the conclusion of medium-term and long-term products supply contracts with domestic producers). In line with the approved Corporate Import Substitution Plan, the Company performs the following activities:

1. Under the operation of the Digital Range (Nizhegorodskaya HPP), domestic equipment prototypes were tested.
2. Long-term products supply contracts were concluded with domestic manufacturers to replace of hydraulic units of the Mainskaya HPP and the Nizhny Novgorodskaya HPP.
3. When participating in joint projects to localize the production of analogous foreign products or projects to create (modernize) the production of domestic products, RusHydro Group made a list of projects to introduce and commercialize its R&D results.

**Import substitution measures taken by RAO ES East**

RAO ES East Holding actively cooperates with Russian suppliers and manufacturers of equipment and components (PJSC Power Machines; CJSC Ural Turbine Works; CJSC Energomash-Uralelektrotyazhmash; LLC Prosoft-Systems; LLC Unitel-Engineering; LLC Togliatti Transformer; CJSC ChEAZ; LLC Moselectroshchit; CJSC Elektroshchit Group of Companies, and others).

Already implemented and ongoing projects of the Holding, such as Vostochnaya TPP, Blagoveshchenskaya TPP (2nd stage), Sakhalinskaya GRES-2 (1st stage), Yakutskaya GRES-2 (1st stage), CHPP in Sovetskaya Gavan, mainly use equipment produced in the Russian Federation.

Within the production activities, during TR&M in the energy companies of the Holding, priority is given to the procurement of equipment from domestic manufacturers.

According to the results of the consolidated analysis of Holding's procurement for 2018<sup>68</sup>, the share of purchased domestic equipment is 94%<sup>69</sup>.

**12. ACHIEVEMENT OF KEY PERFORMANCE INDICATORS OF RUSGIDRO GROUP'S LONG-TERM DEVELOPMENT PROGRAM AT 2018 YEAR-END**

	<b>Indicator</b>	<b>Target 2018</b>	<b>2018 actual</b>	<b>Evaluation</b>
1	Non-admission of more than the limit number of accidents: - The number of occupational accidents - The number of major accidents	0 ≤ average for 5 years 0	0 ≤ average for 5 years 0	Achieved

<sup>67</sup> Minutes No. 275 of the Board of Directors dated August 9, 2018.

<sup>68</sup> Based on the analysis of purchases worth over RUB 250,000.

<sup>69</sup> From the total cost of purchases in the amount of RUB 3,159.6 mn.



2	Return on Equity (ROE)	15.86%	23.88%	Achieved
3	Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA), RUB mn	170,932	181,526	Achieved
4	The share of purchases from small and medium-sized businesses, among them, following the results of only SMEs purchases <sup>70</sup>	18%	76%	Achieved
		15%	46%	
5	Implementation of capacity commissioning schedules and financing and development plan <sup>71</sup>	85%	92.8%	Achieved
6	Labor productivity (thousand rubles / man-hours)	5.30	6.12	Achieved
7	Reduction of operating expenses (costs)	2%	2.69%	Achieved <sup>72</sup>
8	Integral Innovative KPI	85%	96%	Achieved
9	Total shareholder return	100%	0	Not achieved <sup>73</sup>
10	Free cash flow to the firm (FCFF), RUB mn	- 66,079	- 41,789	Achieved

<sup>70</sup> RusHydro's subsidiary.

<sup>71</sup> The capacity commissioning schedule and the financing and development plan are based on the planned data on the Company's investment objects and new construction facilities of subsidiaries approved by the Company's Board of Directors in the prescribed manner.

<sup>72</sup> In accordance with the decision taken at the meeting of the Company's Board of Directors (Minutes No. 286 dated April 5, 2019).

<sup>73</sup> TSR value in 2018 was -32.8%, while the MOEX Index was + 12.2%. The market value of RusHydro's shares in 2018 decreased on the back of general decline in investor interest in shares of electric power industry companies, as evidenced by a decrease in the Electric Power Index. RusHydro's shares was under downward pressure of sanctions against UC RUSAL and geopolitical risks, including discussion of the introduction of new sanctions by the United States (DASKA bill, August 2018). The largest driver behind the fall in quotations was the exclusion of the company from the MSCI Russia index at the end of November 2018.

**1. Indicator: “Accident prevention to keep their number within the established limit”**

**1.1. Calculation of the indicator**

**The list of legal entities included in the calculation of the indicator (generating assets):**

PAO RusHydro (18 generating branches), PAO Far East Energy Company, PAO Yakutskenergo, PAO Kamchatskenergo, PAO YuESK, PAO Magadanenergo, PAO Sakhalinenergo, AO DGK, AO DRSK, PAO Peredvizhnaya Energetika, PAO Chukot-energo, OAO Sakha-energo, AO Teploenergосervice, AO Geoterm, PAO Kolymaenergo, AO Paugetskaaya GeoES, PAO KamGEK, PAO Boguchanskaya GES.

**For calculating the actual values,** the following sources of information were used: statements on industrial accidents (form N-1) generated in accordance with the Resolution of the Russian Ministry of Labour No. 73 of 24.10.2002 ‘On approval of forms of documents for investigating and accounting for industrial accidents and regulations on specifics of investigating industrial accidents in industries and entities’; reports on investigating the causes of accidents in the utilities sector generated in accordance with Order of the Russian Ministry of Energy No. 90 of 02.03.2010 ‘On approval of the form of reports on investigating the causes of accidents in the utilities sector and the procedure for its completion’; reports on technical investigation of causes of the accidents in hazardous production sites and hydro engineering structures generated in accordance with order of Rostekhnadzor No. 480 of 19.08.2011 ‘On approval of the Procedure for technical investigation of causes of the accidents, incidents and loss of industrial-purpose explosives in the production sites under the supervision of the Federal service of ecological, technological and nuclear supervision’; reports on investigation of causes of emergency situations in the heating supply process generated under order of Rostekhnadzor No. 157 of 25.04.2016 ‘On approval of the form and procedure for preparing reports on investigating the causes of emergency situations in the heating supply process’.

The indicator consists of the following parameters:

- Number of industrial accidents
- Number of major accidents

Parameter “Number of industrial accidents” is calculated as the amount of all industrial accidents that have been investigated, documented and accounted for in accordance with:

- Articles 227, 228, 228.1, 229, 229.1, 229.2, 229.3, 230, 230.1 of the Russian Labour Code;
- Resolution of the Russian Ministry of Labour No. 73 of 24.10.2002 ‘On approval of forms of documents for investigating and accounting for industrial accidents and regulations on specifics of investigating industrial accidents in industries and entities’.

The calculation of the parameter “Number of industrial accidents” includes industrial accidents where the report on investigation (para 10 of the report in accordance with form N-

1) specifies, among the persons who violated labour safety standards, the CEO<sup>74</sup>, managers<sup>75</sup> and heads of business units of the entity<sup>76</sup> (paragraphs 2.1, 2.2, 2.4 of the Rules of dealing with personnel in entities operating in the Russian utilities sector that are approved by the Russian Ministry of Fuel and Energy No. 49 dated 19.02.2000).

Parameter “Number of major accidents” is calculated as the amount of all accidents in the utilities sector in the heat supply process, accidents in hazardous production sites or hydro engineering structures that have been investigated, documented and accounted for by Rostekhnadzor's commissions in accordance with:

- Para 4 of the Rules for investigating the causes of the accidents in the utilities sector approved by the Russian Government Resolution No. 846 dated 28.10.2009;

- Para 3 of the Rules for investigating the causes of the emergency situations in the heat supply process approved by the Russian Government Resolution No. 1114 dated 17.10.2015;

- Order of Rostekhnadzor No. 480 of 19.08.2011 ‘On approval of the Procedure for technical investigation of causes of the accidents, incidents and loss of industrial-purpose explosives in the production sites under the supervision of the Federal service of ecological, technological and nuclear supervision’;

- order of Rostekhnadzor No. 157 of 25.04.2016 ‘On approval of the form and procedure for preparing reports on investigating the causes of emergency situations in the heating supply process’;

- Order of the Russian Ministry of Energy No. 90 of 02.03.2010 ‘On approval of the form of reports on investigating the causes of accidents in the utilities sector and the procedure for its completion’,

and meet the following criteria:

- Damage of a hydro engineering structure that led to the violation of its safe operation and caused the decrease in the water level in the reservoir (river) or its increase in the lower level in excess of allowed limits;

- Failure of structural members of technological buildings, utilities structures, including those that occurred as a result of an explosion or fire, if such failure led to introduction of emergency limitation of electric power (capacity) consumption of 100 MW and above for the term of 25 days and more;

- Destruction or damage of equipment of the heating assets, which led to outage of heating sources or heating networks for 3 days and more;

- Destruction or damage of structures that house heating assets, which resulted in heat outage for consumers;

- Damage of a turbine with the nominal capacity of 100 MW and more, with the

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<sup>74</sup> CEO is the person that directly manages the entity irrespective of the form of ownership (hereinafter in the Rules, the “CEO”) and has the powers, without a power of attorney, to act on behalf of the entity, represent its interests in any authority, including the court authorities.

The entity’s owner that directly manages its entity is included into the CEO category.

<sup>75</sup> The managers of the entity are those persons who are assigned, in accordance with the established procedure, as the deputy CEOs with certain administrative functions and responsible for certain areas of operations (chief engineer, vice president, technical director, deputy director, etc.).

<sup>76</sup> Head of business units is the person who entered into a labour contract with CEO and assigned by the CEO to manage the operations of the business unit (head, supervisor, chief, etc.) and their deputies.

destruction of the turbine wheel space, the change in the form and geometric size or shift of the turbine shell on the foundation, if such damage led to the turbine's breakdown maintenance for 25 days or more;

- Damage of a generator with installed capacity of 100 MW and more, with the destruction of its stationary element, rotor, isolation of the stationary element's electric winding, isolation of the rotor's electric winding, if such damage led to the generator's breakdown maintenance for 25 days or more;

- Damage of a supply transformer (autotransformer) with the capacity of 100 MVA and more, with the destruction, the change in the form and geometric size or shift of the shell, if such damage led to the transformer's breakdown maintenance for 25 days or more;

- Damage of a power boiler with steam rate of 100 tonnes per hour and more or hot water boiler with the rate of 50 gigacalories per hour and with the destruction, change in the form and geometric size or shift of the boiler's units (components) or metal case, if such damage led to the boiler's breakdown maintenance for 25 days or more;

- Outage of generating equipment or electricity grid infrastructure that leads to lower reliability of the Unified Energy System of Russia or technologically independent stand-alone power systems, with application of trip time chart, with the total volume of 100 MW and more or electric power outage of 25% or more of the total consumption in the dispatch centre's operating zone;

- Outage of electric facilities (highest voltage class of 110 kV and higher), generating equipment with the capacity of 100 MW and more at 2 or more electric facilities that led to power outage for consumers with the total capacity of consumption of 100 MW and more for 30 minutes and more;

- Malfunction of automatic emergency response or operating system, including due to personnel error, which resulted in electric outage for consumers with the total capacity of consumption of 100 MW and more.

The calculation of the parameter "Number of major accidents" includes accidents where the relevant paragraphs of the reports on investigation of their causes by Rostekhnadzor's commission established erroneous or incorrect actions (or omission thereof) of the managers, excluding the accidents, for which, according to the report of Rostekhnadzor's commission, preconditions and reasons were as follows:

- Weaknesses of the design, structure, production, construction and equipment installation;

- Fault of third parties involved in the technological process (support entities);

- Any illegal or negligent action of third parties;

- Any force majeure event that it was impossible to predict (fall of aircraft or their components; natural disasters, for which resistance was not calculated for a hydro technological structure or power equipment, etc.), which is beyond RusHydro Group's responsibility.

### **1.1.2. Measurement of the indicator**

KPI: “Accident prevention to keep their number within the established limit” is deemed met (zero value) – the target value is achieved when all of the following conditions are met:

- the value of the parameter “Number of industrial accidents” does not exceed the average number of industrial accidents over the five years preceding the planning period;
- the value of the parameter “Number of major accidents” (zero target value) when the target value is not exceeded.

In all other cases, KPI “Accident prevention to keep their number within the established limit” is deemed not met.

## 2. Indicator “Return on Equity (ROE)”

### 2.1.1 Calculation of the indicator

**The list of legal entities included in the calculation of the indicator:**

- ***for calculating the planned (target) value***  
is determined based on the existing Regulations on PAO RusHydro's business planning system as part of PAO RusHydro's consolidated business plan;
- ***for calculating the actual value***  
is determined based on PAO RusHydro's audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), Note "Principal subsidiaries".

**For calculating the planned (target) value** RusHydro Group uses its consolidated business plan data:

$$ROE = [(Profit\ for\ the\ period + Non-cash\ expense\ items - Non-cash\ income\ items + Fuel\ expense)$$

$\text{[Average annual share capital]}*100\%$ , where

**Profit for the period** is the line item ‘Profit for the period’ of the form “RusHydro Group’s consolidated statement of income”.

*Average annual share capital* is determined using the following formula:

$$\text{Average annual share capital} = \frac{(TOTAL\ EQUITY_0 + TOTAL\ EQUITY_1)}{2}, \text{where}$$

***TOTAL EQUITY<sub>0</sub>*** is the sum of line items “Equity attributable to RusHydro Group’s shareholders” and “Minority interest” as of the beginning of the period of the form “RusHydro Group’s consolidated balance sheet”;

***TOTAL EQUITY<sub>I</sub>*** is the sum of line items “Equity attributable to RusHydro Group’s shareholders” and “Minority interest” as of the end of the period of the form “RusHydro Group’s consolidated balance sheet”.

***Non-cash expense/income items*** – the line item “Other non-cash operating expense/income items (“Explanatory notes to RusHydro Group’s consolidated business plan, chapters “Financial income and expenses” “Segment reporting analysis”, “Financial results”) includes:

Non-cash expenses include:

- Impairment loss on property plant and equipment;

- Impairment loss on long-term promissory notes;
- Impairment loss on available-for-sale financial assets;
- Loss on revaluation of net assets of a subsidiary acquired solely for resale;
- Loss on disposal of property, plant and equipment;
- Balance of income and expenses from accrual of provisions;
- Discounting expense;
- Provision for inventory impairment;
- Foreign exchange losses;
- Other non-cash expenses.

Non-cash income includes:

- Income from pension plan curtailment;
- Discounting income;
- Foreign exchange gains;
- Income from revaluation of investments;
- Other non-cash income.

Fuel expense is the planned expenses under the line item “Fuel expense” (“Explanatory notes to RusHydro Group’s consolidated business plan, Chapter “RusHydro Group’s expenses”).

The value of the indicator is rounded to one decimal place. Rounding is performed in accordance with the mathematical rules to the nearest number.

### **For calculating the actual value**

PAO RusHydro uses its audited consolidated financial statements prepared in accordance with IFRS: Consolidated Statement of Financial Position, Consolidated Statement of Income, and the Note “Segment information”.

$$ROE = [(Profit\ for\ the\ period\ (year) + Non-cash\ expense\ items - Non-cash\ income\ items + Fuel\ expense)$$

$$/Average\ annual\ share\ capital]*100\%,\ where$$

*Profit for the period* is the line item ‘Profit for the period’ of the form “Consolidated Statement of Income”.

*Average annual share capital* is determined using the following formula:

$$Average\ annual\ share\ capital = \frac{(TOTAL\ EQUITY_0 + TOTAL\ EQUITY_1)}{2},\ where$$

*TOTAL EQUITY<sub>0</sub>* is the sum of line items “Equity attributable to RusHydro Group’s shareholders” and “Non-controlling interest” as of the beginning of the period of the form “Consolidated statement of financial position”;

*TOTAL EQUITY<sub>1</sub>* is the sum of line items “Equity attributable to RusHydro Group’s shareholders” and “Non-controlling interest” as of the end of the period of the form “Consolidated statement of financial position”.

*Non-cash expense/income items* – the line item “Other non-cash operating expense/income items” (the Notes “Segment information” and “Financial income and

expenses” to RusHydro Group’s consolidated financial statements prepared in accordance with IFRS for the reporting period) includes:

Non-cash expenses include:

- Impairment loss on property plant and equipment;
- Impairment loss on long-term promissory notes;
- Impairment loss on available-for-sale financial assets;
- Loss on revaluation of net assets of a subsidiary acquired solely for resale;
- Loss on disposal of property, plant and equipment;
- Balance of income and expenses from accrual of provisions;
- Discounting expense;
- Provision for inventory impairment;
- foreign exchange losses;
- Other non-cash expenses.

Non-cash income includes:

- Income from pension plan curtailment;
- Discounting income;
- foreign exchange gains;
- Income from revaluation of investments;
- Other non-cash income.

**Fuel expense** is the actual expense under the line item “Fuel expense” (Note “Operating expenses” to RusHydro Group’s consolidated financial statements prepared in accordance with IFRS for the reporting period).

The value of the indicator is rounded to one decimal place. Rounding is performed in accordance with the mathematical rules.

### **2.1.2. Measurement of the indicator**

It is deemed that the indicator is met when the actual value achieves 95% of the target value established for the reporting period. Otherwise, it is deemed that the indicator is not met.

## **3. Indicator: “Earnings before interest, tax, depreciation and amortisation (EBITDA)”**

### **The list of legal entities included in the calculation of the indicator:**

- *for calculating the planned (target) value*

is determined based on the existing Regulations on PAO RusHydro’s business planning system as part of PAO RusHydro’s consolidated business plan;

- *for calculating the actual value*

is determined based on PAO RusHydro’s audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), Note “Principal subsidiaries”.

### **3.1. 1Calculation of the indicator**

For calculating the planned (target) value RusHydro Group uses its consolidated business plan data:

$$EBITDA = \textit{Profit before tax} + \textit{Depreciation and amortisation} + \textit{Non-cash expense items} - \textit{Non-cash income items} + \textit{Interest payable} + \textit{Fuel expense}.$$

*Profit before tax* is the line item ‘Profit before tax’ of the “Consolidated Statement of Income”.

*Depreciation and amortisation* is the line item “Depreciation and amortisation” (Table “Breakdown of operating expenses”).

*Non-cash expense/income items* are determined in accordance with para 2.2.1 of this Methodology.

*Interest payable* – line item “*Interest payable*” (“Explanatory notes to RusHydro Group’s consolidated business plan, Chapter “RusHydro Group’s financial results”).

*Fuel expense* is determined in accordance with para 2.2.1 of this Methodology. **For calculating the actual value**

PAO RusHydro uses its audited consolidated financial statements prepared in accordance with IFRS: Consolidated Statement of Financial Position, Consolidated Statement of Income, the Note “Segment information” and the Note “Financial income and expenses”.

$$EBITDA = \textit{Profit before tax} + \textit{Depreciation and amortisation} + \textit{Non-cash expense items} - \textit{Non-cash income items} + \textit{Interest payable} + \textit{Fuel expense}.$$

*Profit before tax* is the line item ‘Profit before tax’ of the “Consolidated Statement of Income”.

*Depreciation and amortisation* is the line item “Depreciation and amortisation” (the Note “Segment information”).

*Non-cash expense/income items* are determined in accordance with para 2.2.1 of this Methodology.

*Interest payable* – the Note “Financial income and expenses”, line item ‘Interest expense’.

*Fuel expense* is determined in accordance with para 2.2.1 of this Methodology.

The value of the indicator is calculated without decimals. Rounding is performed in accordance with the mathematical rules to the nearest integer number.

### **3.1.2 Measurement of the indicator**

It is deemed that the indicator is met when the actual value achieves 95% of the target value established for the reporting period. Otherwise, it is deemed that the indicator is not met.

## **4. Indicator: “The share of purchases from small and medium businesses, including based on the results of purchases only among small and medium businesses”**

**The list of legal entities included in the calculation of the indicator:**



PAO RusHydro.

#### 4.1.1. Calculation of the indicator

The **planned (target) value** is a statutory value, which is **determined** in accordance with Section 1 of the Regulation “On specifics of participation of small and medium businesses in purchases of goods, work, services by certain types of legal entities, annual volume of such purchases and the procedure for calculating such volume” approved by Resolution of the Russian Government No. 1352 dated 11.12.2014 “On specifics of participation of small and medium businesses in purchases of goods, work, services by certain types of legal entities” (Regulation No. 1352).

##### **For calculating the actual value**

the Group uses the data from the Register of contracts entered into based on the results of the Company's purchases. The actual value is determined as a share (%) of purchases for which contracts are entered into with small and medium businesses in the total annual volume of product purchases for the needs of PAO RusHydro where the contracts are entered into in the reporting period, using the following formulas:

$$ShSMBTOTAL = (PurcheffSMB + PurchSMB + PurchSMBsub) / Purchtot \times 100$$

$$CSMB = PurcheffSMB / Purchtot \times 100$$

where

ShSMBTOTAL is the share of contracts entered into with small and medium businesses (SMBs) in the total annual volume of contracts entered into based on the results of the effected purchases, including purchases effected only among SMBs. These contracts include but are not limited to level 1 subcontractor agreements. Level 1 subcontractor agreements mean contracts for supply of goods, work, services entered into directly between SMBs and companies regardless of their organisational and legal form that have entered into direct contracts with the Company, %;

CSMB is the share of contracts entered into with SMBs based on the results of purchases effected only among SMBs, in accordance with Regulation No. 1352, in the total annual volume of contracts, %;

***PurcheffSMB*** is the sum of contracts entered into with SMBs based on the results of purchases effected only among SMBs, in accordance with Section 2 of Regulation No. 1352, RUB;

***PurchSMBsub*** is the sum of Level 1 subcontractor agreements entered into directly between SMBs and companies regardless of their organisational and legal form that have entered into direct contracts with the Company, RUB;

***PurchSMB*** is the sum of contracts entered into with small and medium businesses based on the results of purchases effected, excluding purchases made only among SMBs, in accordance with Section 2 of Regulation No. 1352, RUB;

***Purch<sup>tot</sup>*** is the sum of contracts entered into based on the results of the effected purchases, including purchases effected only among SMBs, in accordance with Section 2 of Regulation No. 1352, RUB.

The calculation of KPIs does not take into account purchases effected in the reporting period that are listed in para 7 of Regulation No. 1352.

#### 4.1.2.Measurement of the indicator

It is deemed that the indicator is met when the actual value achieves 95% of the target value established for the reporting period. Otherwise, it is deemed that the indicator is not met.

### 5. Indicator: “Meeting the capacity commissioning schedule and implementing the financing and spending plan”

#### 5.1.1.Calculation of the indicator

The indicator is calculated for PAO RusHydro and new construction projects of subsidiaries that are determined by the Company's business plan approved in accordance with the established order.

The planned (target) value is taken based on the planned data on the Company's investees and new construction projects of subsidiaries approved as part of the Company's business plan by the Company's Board of Directors in accordance with the established order.

#### For calculating the actual value

the source of information is the actual data on the Company's investees and new construction projects of subsidiaries as part of the report on the performance against the Company's business plan approved by the Company's Board of Directors in accordance with the established order.

The indicator “Meeting the capacity commissioning schedule and implementing the financing and spending plan, %” is calculated using the formula:

$$K^{com\ fin\ sp} = 0,75 \cdot K^{cap\ com} + 0,25 \cdot K^{vol\ fin\ sp\ year},$$

where  $K^{com\ fin\ sp}$  stands for meeting the capacity commissioning schedule and implementing the financing and spending plan (for the year);

$K^{cap\ com}$  is the summary (for all types of commissioned capacities) indicator of meeting the capacity commissioning schedule;

$K^{vol\ fin\ sp\ year}$  stands for the implementation of the annual financing and spending plan.

The summary (for all types of commissioned capacities) indicator of meeting the capacity-commissioning schedule is calculated for the reporting year, using the formula:

$$K^{cap\ com} = 100 \frac{V^{pl\ cap}}{V^{act\ cap}}, \text{ where:}$$

$K^{cap\ com}$  stands for meeting the capacity-commissioning schedule for the reporting year (for all types of commissioned capacities<sup>77</sup>);

$V^{pl\ cap}$  stands for the planned volume of commissioned capacities (MW);

<sup>77</sup>For KPIs calculation purposes, the Company's Board of Directors approves the planned indicators for capacity commissioning as part of the Company's business plan. The fact of capacity commissioning in the reporting period is recognised when there is a supervisory body's permission for the start of permanent operation of the power unit of committed capacity in accordance with the form of Rostekhnadzor's order No. 212 dated 07.04.2008 and the Statement of the working commission on equipment acceptance following a comprehensive testing.

$V^{act\ cap}$  stands for capacities actually commissioned in the reporting year (MW).

When there is no established capacity-commissioning plan for the reporting year, indicator  $K^{cap\ com}$  is not calculated, and the respective share is allocated to

$$K^{vol\ fin\ sp}_{year}.$$

The calculation does not take into account capacity commissioning related to the projects that were planned for commissioning in previous periods.

The indicator of the implementation of the annual financing and spending plan is calculated using the formula:

$$K^{vol\ fin}_{year} = 0,5 \cdot K^{vol\ fin}_{year} + 0,5 \cdot K^{vol\ sp}_{year}, \text{ where:}$$

$K^{vol\ fin\ sp}_{year}$  stands for the implementation of the annual financing and spending plan;

$K^{vol\ fin}_{year}$  stands for the implementation of the annual financing plan.

$K^{vol\ sp}_{year}$  stands for the implementation of the annual spending plan.

The indicator of the implementation of the annual financing plan is calculated using the formula:

$$K^{vol\ fin}_{year} = \frac{K^{объемфин}_{год}}{K^{фин}_{пл}} = \left[ \frac{\Phi_{ин\ пл}^{ТПуР}}{\Phi_{ин\ пл}} * \left( 1 - \frac{|\Delta\Phi_{ин\ отчет}^{ТПуР}|}{\Phi_{ин\ пл}} \right) + \frac{\Phi_{ин\ пл}^{НС}}{\Phi_{ин\ пл}} * \left( 1 + \frac{\sum \Delta\Phi_{ин\ отчет}^{НС}}{\Phi_{ин\ пл}} \right) \right] * 100\%$$

, where:

$Fin_{pl}$  stands for the planned annual volume of financing;

$\Phi_{ин\ пл}^{ТПуР}$  stands for the planned annual volume of financing for the Company's investees;

$\Phi_{ин\ пл}^{НС}$  stands for the summary planned annual volume of financing for the new construction projects;

$|\Delta\Phi_{ин\ отчет}^{ТПуР}|$  stands for the module of deviation of the actual volume of financing for the Company's investees<sup>78</sup> in the reporting year from the planned volume.

$\sum \Delta\Phi_{ин\ отчет}^{НС}$  stands for the sum of deviations of the actual volume of financing from the planned volume for each new construction project in the reporting year. If the actual summary volume of financing is below 100% of the summary planned volume, then the new construction element in the calculation formula is taken to be equal to zero in the reporting year.

The indicator of the implementation of the annual spending plan is calculated using the formula:

<sup>78</sup> The financing and development volume under the technical re-equipping and reconstruction program is taken for calculating the indicator "Meeting the capacity commissioning schedule and implementing the financing and spending plan, %" using the summary value of the line item "Technical re-equipping and reconstruction" approved as part of the Company's business plan by the Company's Board of Directors.

$$K_{\text{зод}}^{\text{объёмов}} = \left[ \frac{O\text{сб}_{\text{пл}}^{\text{ТПуР}}}{O\text{сб}_{\text{пл}}} * \left( 1 + \frac{\Delta O\text{сб}_{\text{отч}}^{\text{ТПуР}}}{O\text{сб}_{\text{пл}}} \right) + \frac{O\text{сб}_{\text{пл}}^{\text{НС}}}{O\text{сб}_{\text{пл}}} * \left( 1 + \frac{\sum \Delta O\text{сб}_{\text{отч}}^{\text{НС}}}{O\text{сб}_{\text{пл}}} \right) \right] * 100\%$$

, where:

$Sp_{\text{пл}}$  stands for the planned annual volume of spending;

$O\text{сб}_{\text{пл}}^{\text{ТПуР}}$  stands for the planned annual volume of spending for the Company's investees;

$O\text{сб}_{\text{пл}}^{\text{НС}}$  stands for the summary planned annual volume of spending for the new construction projects;

$\Delta O\text{сб}_{\text{отч}}^{\text{ТПуР}}$  stands for the deviation of the actual volume of spending from the planned volume for the Company's investees<sup>54</sup> in the reporting year.

$\sum \Delta O\text{сб}_{\text{отч}}^{\text{НС}}$  stands for the sum of deviations of the actual volume of spending from the planned volume for each new construction project in the reporting year. If the actual summary volume of spending is below 100% of the summary planned volume, then the new construction element in the calculation formula is taken as zero in the reporting year.

The planned annual volume of financing and spending on each of the Company's investees are approved as part of the Company's business plan by the Company's Board of Directors in accordance with the established order.

Adjustment of the planned annual volume of financing and spending and indicators related to capacity commissioning for each investee is proposed for consideration of the Company's Board of Directors for approval as part of the adjusted business plan of the Company.

### 5.1.2. Measurement of the indicator

It is deemed that the indicator is met when the actual value achieves 100% of the target value established for the reporting period. Otherwise, it is deemed that the indicator is not met.

## 6. Labor productivity

### 6.1. Calculation

**Based on results of the following legal entities:**

PJSC RusHydro, PJSC Far Eastern Energy Company (DEK), PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC UESK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC DGK, PJSC Far Eastern distribution company (DRSK), PJSC Mobile Energy, JSC Chukotenergo, JSC Sakha Energy, JSC Teploenergосervis, JSC ESC RusHydro, PJSC Krasnoyarskenergosbyt, PJSC RESK, JSC Chuvash Energy Retail Company, JSC Geoterm, PJSC Kolymaenergo, JSC Pauzhetskaya GeoPP, PJSC KamGEK, PJSC Boguchanskaya HPP (PJSC Boguchanskaya HPP is a joint venture of RusHydro Group and RUSAL Group, not part of RusHydro Group).

**Target value** is based on the Company's and its subsidiaries' Business Plans:

Revenue is based on Total Net Revenue from Sales of Goods and Services, which reflects the relevant items of the Company's and its subsidiaries' approved Business Plan for the corresponding period;

Man-hours are calculated using the following formula

$$(N_{days} - N_{leave}) * 8 * E_{target},$$

where:

$N_{days}$  is the number of business days in the period according to the business calendar;

$N_{leave}$  is the number of business days in the paid leaves;

$E_{target}$  is the target number of employees as per the Company's and its subsidiaries' approved Business Plan for the corresponding period.

**Actual value** is based on forms of federal statistical observation No. PT (GS) *Labor Productivity in the Sector of Non-financial Corporations At Least Partially Owned by the Government* (Rosstat's Order No. 576 of September 23, 2014 *On Approval of Statistical Tools for the Federal Agency for State Property Management to Perform Federal Statistical Observation of Labor Productivity in the Sector of Non-financial Corporations At Least Partially Owned by the Government*).

This is the ratio of the Company's and its subsidiaries' aggregate revenue (as per reports on the implementation of the Company's and its subsidiaries' business plans) to man-hours worked by employees on payroll and external part-timers (as per Form of Federal Statistical Observation No. P4 *Headcount, Payroll and HR Flows*) and is calculated using the following formula

$$LP = Revenue / Man-hours,$$

where:

**LP** is labor productivity, RUB '000/man-hour;

**Revenue** is Revenue from Sales of Goods and Services, RUB '000;

**Man-hours** are man-hours worked by employees on payroll and external part-timers.

The result shall have two decimal digits. The rounding is mathematical.

## 6.2. Indicator evaluation

The KPI is considered to meet the established target if its actual value is at least 95% of the target for the reporting period. Otherwise, the indicator is considered not to meet the established target.

## 7. Decrease in operating expenses (costs)

### 7.1. Calculation

**Based on results of the following legal entities:**

PJSC RusHydro, PJSC RAO ES East, PJSC Far Eastern Energy Company, PJSC Yakutskenergo, PJSC Kamchatskenergo, JSC UESK, PJSC Magadanenergo, PJSC Sakhalinenergo, JSC DGK, PJSC Far Eastern distribution company (DRSK), PJSC Mobile Energy, JSC Chukotenergo, JSC Sakha Energy, JSC Teploenergосervis, JSC ESC RusHydro, PJSC Krasnoyarskenergосbyт, PJSC RESK, JSC Chuvash Energy Retail Company, JSC Geoterm, PJSC Kolymaenergo, JSC Pauzhetskaya GeoPP, PJSC KamGEK, PJSC Boguchanskaya HPP (PJSC Boguchanskaya HPP is a joint venture of RusHydro Group and RUSAL Group, not part of RusHydro Group).

• **Target value** is calculated as per Directive of the Russian Government No. 2303p-P13 of April 16, 2015.

• **Actual value** is based on the report on the implementation of the Company's and its subsidiaries' Business Plan.

This is the ratio of the reporting year's operating expenses (costs) discounted to the base year to the base year's operating expenses (costs) and is calculated using the following formula

$$DC = \left( 1 - \frac{\sum OE_i^{actual}}{\sum OE_{i-1}^{base} \cdot CPI} \right) \cdot 100\%$$

where:

*DC* is decrease in operating expenses (costs), %;

*i* is the reporting year;

$$\sum OE_i^{actual}$$

is the Company's and its subsidiaries' operating expenses (costs) in the reporting year discounted to the base year, RUB '000;

$$\sum OE_{i-1}^{base}$$

is the Company's and its subsidiaries' operating expenses (costs) in the base year (which is the year preceding the reporting year), RUB '000;

100 is a multiplier used to arrive at a percentage.

The Company's and its subsidiaries' operating expenses (costs) in the reporting year are calculated using the following formula

$$\sum OE_i^{actual} = \sum OE_i^{reporting\ year} \text{ Expenses}_i$$

where:

$$\sum OE_i^{reporting\ year}$$

is the Company's and its subsidiaries' operating expenses (costs) in the reporting year, RUB '000;

$$\Delta \text{Expenses}$$

is the reporting year's operating expenses (costs) not used in the indicator calculation;

*CPI* is the actual consumer price index for the reporting year.

#### **List of items used for calculating the decrease in operating expenses (costs)**

**Cost estimate form of the Business Plan, including business and management costs**

<b>o.</b>	<b>Item</b>
	<b>Raw materials and supplies</b>
	<b>Production-related work and services</b>
	except:
	– <i>Power transmission by grid companies</i>
	– <i>Commercial power metering</i>
	– <i>Cash collection</i>
	<b>Labor</b>
	<b>Compulsory social insurance</b>
	<b>Private pension plans</b>
	<b>Third-party work and services</b>
	except:
	– <i>R&amp;D write-off</i>
	– <i>Services rendered by state (regulated) bodies (agencies)</i>
	<b>Travel and hospitality</b>
	<b>Lease with a breakdown by areas (lessors)</b>
	except:
	– <i>Power generating and grid assets lease</i>
	<b>Voluntary health insurance</b>
<b>0</b>	<b>Accident insurance</b>
<b>1</b>	<b>Other costs attributable to the cost of revenue</b>
	except:
	– <i>Software and licenses</i>
	– <i>Remuneration of Board and Internal Audit Commission members</i>
	– <i>Estimated liabilities other than labor costs</i>
	<b><i>Other income and expenses form of the Business Plan</i></b>
<b>o.</b>	<b>Item</b>
<b>2</b>	<b>Other taxes recognized as part of opex</b>
<b>3</b>	<b>Maintenance of mothballed facilities</b>
<b>4</b>	<b>Social</b>
<b>5</b>	<b>Program of housing conditions improvement</b>
<b>6</b>	<b>Social facilities</b>
<b>7</b>	<b>Payroll out of other expenses</b>
<b>8</b>	<b>Voluntary health insurance</b>
<b>9</b>	<b>Annual General Meeting of Shareholders</b>
<b>0</b>	<b>Contributions to non-profit foundations and partnerships</b>

1	Charity
2	Non-capitalized construction costs (impoundment areas, etc.)
3	Miscellaneous
	except:
	– State duties, reimbursements
	– Retiring and written-off assets and materials
	– Estimated liabilities, other prepaid expense
	– Borrowing and hedging

## 7.2 Indicator evaluation

The KPI is considered to meet the established target if its actual value is at least 95% of the target for the reporting period. Otherwise, the indicator is considered not to meet the established target.

## 8. Integrated innovative KPI

### 8.1. Calculation

**Based on results of the following legal entities:**

PJSC RusHydro, JSC NIIES, JSC Vedenev VNIIG, JSC Hydroproject Institute, JSC Lenhydroproject, JSC Institute HYDROPROJECT (Dedovsk), JSC RAO ES East, JSC DGK, JSC Far Eastern distribution company (DRSK), PJSC Kamchatskenergo, PJSC Magadanenergo, PJSC Mobile Energy, PJSC Sakhalinenergo, JSC Sakhaenergo, JSC Chukotenergo, JSC UESK, PJSC Yakutskenergo.

The calculation is based on each of the integrated innovative KPI components:

- R&D expenses, % of revenue;
- increase in IP assets on the balance sheet in the reporting period;
- thermal efficiency in terms of heat generation;
- HPP capacity management efficiency;
- quality of Innovative Development Program design (update) vs innovative development program implementation.

The target is calculated using the duly approved Innovative Development Program of RusHydro effective during the reporting period<sup>79</sup>.

The actual values of R&D expenses as a percentage of revenue, increase in IP assets on the balance sheet in the reporting period, and thermal efficiency in terms of heat generation are assumed as per duly approved annual progress report on the Group's Innovative Development Program.

The actual values for calculating the efficiency of HPP capacity management are determined as per the annual progress report on RusHydro's Business Plan. To this end, the actual HPP installed capacity is assumed as at the last day of the reporting year.

<sup>79</sup> For amendments made by the Interagency Working Group for Implementing the Innovative Development Priorities of the Presidium of the Russian President's Council for Modernization of the Economy and Innovative Development of Russia to the target values or methodologies of calculating the components of the *integrated innovative KPI* and for the updated program approval, including the program to be approved for a new planning horizon, the *integrated innovative KPI* is summarized using the updated data.



The actual values of the quality of Innovative Development Program design (update) / innovative development program implementation are established in accordance with the Regulations on the Quality Assessment Procedure for the Development, Update, and Annual Independent Assessment of Innovative Development Programs of Joint-Stock Companies At Least Partially Owned by the Government, State-Owned Companies and Federal State Unitary Enterprises (appendix to Russian Government's Decree No. AD-P36-621 of February 9, 2016).

#### **8.1.1. R&D expenses, % of revenue ( $P_1$ )**

The indicator is calculated using the following formula

$$R_{R\&D} = (R\&D/S) \cdot 100\%, \text{ where}$$

R&D is the annual R&D expenses of the companies used in the indicator calculation, including:

a) cost of acquiring exclusive intellectual property rights (under contracts for the alienation of exclusive right under Article 1234 of the Russian Civil Code) or rights to intellectual property use (pursuant to license contracts under Article 1234 of the Russian Civil Code) with respect to the following intellectual property types:

- inventions, utility models or industrial designs (as patented objects);
- software (as patented objects), databases (as objects of related rights), and semiconductor topographies;
- manufacturing processes (know-how).

b) contributions to venture capital funds or private equity funds with a focus on small innovative and high-tech businesses;

c) investments in high-tech manufacturing projects in cooperation with Russian universities and government research institutions as part of Russian Government's Resolution No. 218 of April 9, 2010;

d) procurement of research equipment for Russian educational institutions;

e) contributions to non-profit organizations supporting priority technology platforms as per the list approved by the Presidium of the Russian President's Council for Modernization of the Economy and Innovative Development of Russia and contributions to specialized entities managing the operations of regional innovation clusters as per the list set forth in Appendix 6 to Russian Government's Resolution No. 316 of April 15, 2014;

f) cost of continuing education (professional development and retraining of staff) and targeted training of students at universities and vocational schools.

S is the revenue of the companies used in the indicator calculation according to RAS financial statements for the year less the cost of purchased electricity and heat, cost of power and heat transmission by grid companies, intercompany operations, including the revenue of JSC Far Eastern distribution company (DRSK) and the revenue from utility connection.

#### **8.1.2. Increase in IP assets on the balance sheet in the reporting period ( $P_2$ ).**

The indicator is calculated using the following formula

$$N_{patents} = \left( \frac{P_i}{P_{i-1}} - 1 \right) \cdot 100\%$$

$P_i$  is the actual number of IP assets on the balance sheet of the companies used in the indicator calculation (with the copyright protection available) in the reporting year.

$P_{i-1}$  is the actual number of IP assets on the balance sheet of the companies used in the indicator calculation (with the copyright protection available) in the year preceding the reporting year.

Copyright protection means duly executed (with the copyright protection available) patents for inventions, patents for utility models, software registration certificates, database and semiconductor topography (including know-how) registration certificates.

### **8.1.3. Thermal efficiency in terms of heat generation ( $P_3$ ) (for JSC RAO ES East only).**

The indicator is calculated using the following formula

$$Teh = \frac{(0,86 W_{supply} + Q_{supply}) * 1000}{7 * B} \quad \%, \text{ where}$$

$W_{supply}$  is total electricity supply from the busbars to the companies used in the indicator calculation during the reporting year, mn kWh;

$Q_{supply}$  is total heat supply from the boiling stations to the companies used in the indicator calculation during the reporting year, '000 Gcal;

0.86 is a conversion factor for kWh to Gcal;

7 is a ratio of calorific value of equivalent fuel, kcal/kg;

B is total consumption per unit of equivalent fuel for electricity and heat generation across the companies used in the indicator calculation during the reporting year, tonnes of equivalent fuel.

### **8.1.4. HPP capacity management efficiency ( $P_4$ ), number of employees per 100 MW (for RusHydro only)**

The indicator is calculated using the following formula

$$W_{HPP} = \text{average headcount involved in core operations} / \text{HPP installed capacity} * 100$$

The planned (target) values of headcount and installed capacity for a planning horizon are calculated based on RusHydro's Business Plan.

HPP capacity management efficiency, number of employees per 100MW ( $P_4$ ) represents inverse proportion: the lower the value, the higher the efficiency.

### **8.1.5. Quality of Innovative Development Program design (update) vs Innovative Development Program implementation ( $P_5$ ), %**

The target value of the indicator is set at 90%.

Specific weights are assigned to the components of the quality of Innovative Development Program design (update) vs the quality of Innovative Development Program implementation as resolved by the Interagency Working Group for Implementing the Innovative Development Priorities of the Presidium of the Russian President's Council for Modernization of the Economy and Innovative Development of Russia.

If, at the time the indicator is calculated, any of the component values is not available, its weight is assigned to another component of the indicator.

The evaluation of whether and to what extent the indicator meets the established target is based on the results of the final assessment of the quality of Innovative Development

Program design (update) vs Innovative Development Program implementation for the reporting period as provided by the Interdepartmental Commission on Technological Development of the Presidium of the Council under the President of the Russian Federation for the modernization of the economy and innovative development of Russia and approved by the resolution of the Interdepartmental Working Group on the Implementation of Priorities of Innovative Development of the Presidium of the Council under the President of the Russian Federation for the Modernization of the Economy and Innovative Development of Russia.

## 8.2. Indicator evaluation

The evaluation of whether and to what extent the integrated innovative KPI meets the established target is based on the values of its components as shown below:

$$P_{integrated} = \sum_{i=1}^5 P_i^0 \cdot weight_i, \%$$

where:

$P_{integrated}$  is the integrated innovative KPI in the reporting year.

$P_i^0$  is the indicator value n(i) characterising the Company's innovation activity in the reporting year.

is the weight of the indicator in the reporting year.

Weights for the calculation of the integrated innovative KPI are provided in the table below:

o.	Component	Weight, %
	R&D expenses, % of revenue	15
	Increase in IP assets on the balance sheet in the reporting period, %	15
	Thermal efficiency, % (for JSC RAO ES East only)	20
	HPP capacity management efficiency, number of employees per 100 MW (RusHydro)	20
	Quality of Innovative Development Program design (update) vs Innovative Development Program implementation, %	30

### 8.2.1. R&D expenses, % of revenue ( ). $P_1^0$

The indicator is considered to fully meet the established target if its actual value is not below the target set in the Innovative Development Program for the reporting year. Otherwise, it is assessed by the extent to which the target has been met (the ratio of the indicator's actual value to its target value as provided in the Innovative Development Program and the relevant progress report).

### 8.2.2. Increase in IP assets on the balance sheet in the reporting period ( ). $P_2^0$

The indicator is considered to fully meet the established target if its actual value is not below the target set in the Innovative Development Program for the reporting year. Otherwise, it is assessed by the extent to which the target has been met (the ratio of the indicator's actual value to its target value as provided in the Innovative Development Program and the relevant progress report).

### 8.2.3. Thermal efficiency (for JSC RAO ES East only) ( ).

The indicator is considered to fully meet the established target if its actual value is not below the target set in the Innovative Development Program for the reporting year. Otherwise, it is assessed by the extent to which the target has been met (the ratio of the indicator's actual value to its target value as provided in the Innovative Development Program and the relevant progress report).

### 8.2.4. HPP capacity management efficiency, numbers of employees per 100 MW (for RusHydro only) ( ). $P_4^o$

HPP capacity management efficiency, number of employees per 100MW ( $P_4$ ) represents inverse proportion: the lower the value, the higher the efficiency. The indicator is considered to fully meet the established target if its actual value is not above the target set in the Innovative Development Program for the reporting year. Otherwise, it is assessed by the extent to which the target has been met (the ratio of the indicator's actual value to its target value as provided in the Innovative Development Program and the relevant progress report).

### 8.2.5. Quality of Innovative Development Program design (update) vs Innovative Development Program implementation ( ). $P_5^o$

Whether and to what extent the indicator meets the established target is evaluated as provided in paragraph 2.8.1.5.

#### 8.2.6. Evaluation of the integrated innovative KPI:

– the indicator is considered to meet the established target if  $P_{integrated\_actual} \geq 0.95 \cdot P_{integrated\_plan}$ , where

$P_{integrated\_actual}$  is the actual value of the integrated innovative KPI in the reporting year.

$P_{integrated\_plan}$  is the established (target) value of the integrated innovative KPI in the reporting year.

– the indicator is considered not to meet the established target if  $P_{integrated\_actual} < 0.95 \cdot P_{integrated\_plan}$ .

## 9. Total shareholder return (TSR)

### 9.1. Calculation

**The target is not calculated since it is a standard value.**

The target is calculated for one year using the data about the Company's shares quotation on the Moscow Exchange and RusHydro Group's consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) using the following formula

$$TSR = \frac{(\bar{P}_1 - \bar{P}_0) + DPS}{\bar{P}_0}, \text{ where}$$

$\bar{P}_0$  is the average price per share in RUB on the Moscow Exchange over 22 trading days as at the end of the year preceding the reporting year;

$\bar{P}_1$  is the average price per share in RUB on the Moscow Exchange over 22 trading days as at the end of the reporting year;

$DPS$  (dividend per share) is the total amount of dividends or other disbursements

(special dividends, redemption of shares, etc.) in RUB payable to shareholders per share during the reporting period.

The calculated indicator is rounded to the nearest whole number. The rounding is mathematical.

## 9.2. Indicator evaluation

The indicator is evaluated by comparing the Company's actual TSR against changes in the key composite index of the Moscow Exchange (the "Index"). The Index change is calculated as a percentage of changes in the average Index over 22 trading days as at the end of the year preceding the reporting year and the average Index for 22 trading days as at the end of the reporting year. The indicator is considered to fully meet the established target (the actual value is assumed to be 100%) if the estimated actual indicator grew faster than the Index in the reporting period.

Otherwise, the indicator is not considered to meet the established target (the actual value is assumed to be 0%).

## 10. Free cash flow (FCF)

### 10.1. Calculation

**The list of legal entities to be used in the calculation is established:**

- *for the target calculation*, based on RusHydro's effective Regulations on the Business Planning Framework subject to RusHydro Group's Consolidated Business Plan;
- *for the actual value calculation*, based on RusHydro Group's audited consolidated financial statements prepared under the International Financial Reporting Standards (IFRS), note *Material subsidiaries*.

**For the target calculation**, RusHydro Group uses the data from its Business Plan duly approved by the Company.

**For the actual value calculation**, RusHydro Group uses the data from its audited consolidated financial statements prepared under the IFRS Consolidated Statement of Cash Flows.

The indicator for RusHydro Group is calculated as the difference between balanced operating cash flow adjusted to the sum of interest paid on borrowings, financial lease and derivatives, and capex. Free Cash Flow ("FCF") is the consolidated balance of cash obtained as a result of operating activities, payment of statutory charges, and investment spending required to maintain and/or expand the existing assets.

FCF calculation is based on RusHydro Group's consolidated annual financial statements prepared under the IFRS, using the following formula

$$FCF = CFO - CAPEX - interest\ paid - financial\ lease\ payments$$

where

**CFO** is the amount of the line *Total cash flows (balance) from operating activities* of the Consolidated Statement of Cash Flows for the reporting period;

**CAPEX** is the amount of cash outflows in the *Investing cash flow* section of the Consolidated Statement of Cash Flows for the reporting period;

**Interest paid and financial lease payments**<sup>80</sup> are the amounts of relevant lines of the *Financing cash flow* section of the Consolidated Statement of Cash Flows for the reporting period.

#### **10.2. Indicator evaluation**

The KPI is considered to meet the established target if its actual value is at least 95% of the target for the reporting period. Otherwise, the indicator is not considered to meet the established target.

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<sup>80</sup> Line titles may differ from those published in the IFRS financial statements or business plan, but their meaning and content correspond to those specified in this Methodology.



## Appendix No.10 The auditor's report on the Long-term Development program implementation in 2018 of RusHydro Group for the period 2016-2020

### *Independent Assurance Report on the Fulfilment of the Long-Term Development Programme of RusHydro Group for 2018*

To the Management of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro (PJSC RusHydro):

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#### *Introduction*

We have been engaged by management of PJSC RusHydro to provide limited assurance on the selected information included in the Report on the Fulfilment of the Long-Term Development Programme of RusHydro Group for 2018.

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#### *Selected Information*

The subject matter of our engagement was actual performance indicators of RusHydro Group (the “Group”) set out in the Long-Term Development Programme (the “LTDP”) and included in the Report on the Fulfilment of the LTDP for 2018 (the “Selected Information”).

The Group’s actual performance indicators represent information on the Group’s achievement of its key performance indicators under the Group’s LTDP, included in Section 12 of the Report on the Fulfilment of the LTDP for 2018.

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#### *Reporting Criteria*

We assessed the calculation and measurement of the Selected Information using the KPIs Calculation and Measurement Methodology (the “Methodology”) included in Appendix 4 of the Group’s LTDP for the period from 2018 to 2022<sup>i</sup> together with the decision of PJSC RusHydro’s Board of Directors meeting on 4 April 2019 (Minutes No. 286) that the key performance indicator “Reduction of operating expenses, %” for 2018, calculated allowing for certain factors beyond PJSC RusHydro’s management’s control, has been fulfilled. The Methodology is also included in Appendix to the Report on the Fulfilment of the LTDP for 2018.

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#### *Management responsibilities*

PJSC RusHydro’s management is responsible for:

- designing, implementing and maintaining internal controls over the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- publishing the Methodology;
- preparing the Selected Information in accordance with the legislative requirements, standards and internal corporate regulations, including the Reporting Criteria;
- assessing and presenting the Selected Information based on these requirements; and
- ensuring that the Selected Information is accurate, complete and fairly presented.

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<sup>i</sup> Approved by PJSC RusHydro’s Board of Directors on 31 May 2018 (Minutes No. 271) as amended by the resolution of PJSC RusHydro’s Board of Directors on 25 October 2018 (Minutes No. 279).

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

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### *Our responsibilities*

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is prepared in accordance with the Reporting Criteria and whether there are material reasons for deviations of actual indicators from target other than those included in the Selected Information;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to PJSC RusHydro's management.

This report, including our conclusions, has been prepared solely for PJSC RusHydro's management in accordance with the agreement between us, to assist management in reporting on the Group's performance under the LTDP for 2018. We permit this report to be disclosed, in particular in the Annual Report<sup>ii</sup> of PJSC RusHydro for 2018 to enable management to confirm that they have obtained an Independent Limited Assurance Report in connection with the Selected Information for 2018. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than PJSC RusHydro's management for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

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### *Professional standards applied and level of assurance*

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our limited assurance procedures in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and appropriately maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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### *Work Done*

We are required to plan and perform our work in order to consider the risks of material misstatement of the Selected Information. For this purpose, our procedures included:

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<sup>ii</sup> PJSC RusHydro's management is responsible for placing information on PJSC RusHydro's web-site and for accuracy of such information. The scope of our performed work does not include reviewing these matters; consequently, we do not assume any responsibility for any amendments that might have been made to the Selected Information underlying the Independent Limited Assurance Report or any differences between the report issued by us and the information presented on PJSC RusHydro's web-site.



- enquiries of PJSC RusHydro's management;
- interviews of the Group's officials responsible for the preparation of the Selected Information and collection of underlying data;
- analysis of the Reporting Criteria and gaining an understanding of the design of the key systems, processes and controls for preparing and reporting the Selected Information;
- assessment of the accuracy of the Selected Information and the reasons for deviations of the Selected Information from target performance indicators in case of non-fulfilment; and
- limited substantive testing of the Selected Information on a sample basis to verify that data have been appropriately measured, recorded, collated and reported in line with the Reporting Criteria.

We have not performed any audit or review procedures in accordance with International Standards on Auditing or International Standards on Review Engagements on the underlying data based on which the Selected Information was prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

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### *Reporting and measurement methodologies*

The Selected Information and this Independent Limited Assurance Report should be read and considered together with the Reporting Criteria as the absence of generally accepted and established practice for measurement and assessment of the Selected Information may lead to the application of different, but acceptable, techniques to calculate and assess key performance indicators, which may affect its comparability with other organisations and prior period information.

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### *Limited assurance conclusion*

Based on the procedures performed and evidence obtained nothing has come to our attention that causes us to believe that the Selected Information is not presented in the attached Report on the Fulfilment of the Group's LTDP for 2018, in all material respects, in accordance with the Reporting Criteria and that there are material reasons for deviations of actual indicators from target other than those included in the Selected Information.

24 April 2019

Moscow, Russian Federation

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

AO PricewaterhouseCoopers Audit

Engaging party: Public joint stock company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Audit organization:  
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

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

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

## Appendix No.11 Information Concerning Establishment of Unified Treasuries in the Head Companies, Subsidiaries, and Affiliates

Pursuant to the Directives No. 5110 p-P13 and No. 1796p-P13 of the Government of the Russian Federation dated August 8, 2014 and March 26, 2015, respectively, the Board of Directors of PJSC RusHydro (hereinafter- the Company) made a resolution "On the Establishment of a Unified Treasury of PJSC RusHydro, its Subsidiaries, and Affiliates (Minutes No. 203 dated September 15, 2014) and issued an order (Minutes No. 215 dated May 5, 2015) to conduct an annual analysis following the establishment of a Unified Treasury of RusHydro Group. The Unified Treasury (hereinafter - UT) has been functioning as a methodological and information center since June 30, 2015, whose activities are aimed at regulating the work of the UT, optimizing cash flows, and centralizing the management of RusHydro Group's financial risks.

The UT represents a vertically integrated three-level organizational system of RusHydro Group's treasury:

- the UT - at the top level of management;
- a treasury of Subgroups - at the middle management level;
- a treasury of Subsidiaries - at the lower management level.

The settlement and payment system of RusHydro Group is subject to the annual inventory check, following which a report on the annual outcomes of RusHydro Group's UT establishment is sent to the Ministry of Finance of the Russian Federation and the Federal Financial Monitoring Service.

In 2018, the Company continued with its efforts aimed at centralizing risk management and optimizing the management structure and operating expenses of RusHydro Group, including:

- monitoring the level of reliability and financial stability of partner banks within RusHydro Group's system for selecting lenders to place funds and pursuant to the instructions of the Audit Committee of RusHydro's Board of Directors (Minutes No. 98 dated May 31, 2017)
- reducing the number of operating accounts used and optimizing the terms of service (tariffs) under loan contracts;
- optimizing cash flows of RusHydro Group's companies in financing the investment and operating expenses;
- introducing standard business processes to secure the obligations of counterparties to Group's companies.

In the reporting period, as part of treasury function automation:

- a standard Unified Accounting System of JSC RAO ES East was implemented in the largest subsidiaries of the Far Eastern Federal District;
- technical requirements for an automated information system of the unified treasury were drafted.

## Appendix No.12 Information on the Results of the Implementation of Executive Orders and Instructions issued by the President of the Russian Federation, and Instructions issued by the Government of the Russian Federation in 2018

No.	Registration number	The Body that issued Executive Orders/Instructions	Brief contents of the Executive Orders/Instructions	Date of issue of the Executive Orders/Instructions	Date of execution of the Executive Orders/Instructions
1.	Bx-12.HIII	Office of the Government of the Russian Federation	On the financing of works on the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP	January 9, 2018	January 10, 2018
2.	Bx-341.HIII	Office of the Government of the Russian Federation	About revenues for 2017	January 15, 2018	January 15, 2018
3.	Bx-669.HIII	Office of the Government of the Russian Federation	On proposals to improve RusHydro's efficiency	January 19, 2018	January 29, 2018
4.	Bx-733.HIII	Office of the Government of the Russian Federation	On further activities on the Zagorskaya PSHPP-2	January 22, 2018	January 31, 2018
5.	Bx-935.HIII	Office of the Government of the Russian Federation	On the outstripping development of the Far Eastern infrastructure	January 24, 2018	January 30, 2018
6.	Bx-993.HIII	Office of the Government of the Russian Federation	On the need for timely updating of information on reservists, as well as on their exclusion from the federal reserve of managerial personnel in the prescribed manner	January 25, 2018	February 9, 2018
7.	Bx-1614.HIII	Office of the Government of the Russian Federation	On holding the meeting on February 13, 2018 at 17.00 on the accession of the Western and Central regions of the electric power system of the Republic of Sakha (Yakutia) to the Unified Energy System of Russia	February 5, 2018	February 9, 2018
8.	Bx-1161.HIII	Office of the Government of the Russian Federation	On the progress of elaboration of issues related to the development of the power complex in the Sakhalin Region in pursuance of instructions from the Government of the Russian Federation from March 18, 2016 No. UT-P9-13pr (paragraph 2) and from April 24, 2017 No. DM-P9-2593r (Letter dated December 21, 2017, No. AN-14307/09)	January 29, 2018	February 12, 2018
9.	Bx-1647.HIII	Office of the Government of the Russian Federation	On holding a strategic session on the development of export priorities for the industrial complex of the Russian Federation	February 6, 2018	February 8, 2018
10.	Bx-1866.HIII	Office of the Government of the Russian Federation	On holding the II All-Russian Water Congress	February 12, 2018	February 27, 2018

11.	Bx-3370.HIII	Office of the Government of the Russian Federation	On financing sources from the year 2019 of the capital construction project "Construction of two single-circuit 110 kV Pevek-Biliino overhead lines"	March 2, 2018	March 12, 2018
13.	Bx-3662.HIII	Office of the Government of the Russian Federation	On considering the appeal of the Fund "Russian Middle Eastern Society"	March 7, 2018	March 26, 2018
14.	Bx-4309.HIII	Office of the Government of the Russian Federation	On considering and approving the draft Decree elaborated in the Government Office of the Russian Federation	March 21, 2018	March 23, 2018
15.	Bx-4909.HIII	Office of the Government of the Russian Federation	On training of the seventh stream participants in the federal program "Training and retraining of the reserve of management personnel (2018-2018)"	March 30, 2018	April 24, 2018
16.	Bx-5148.HIII	Office of the Government of the Russian Federation	About the preparation of a feasibility study of an option to complete the construction of the Cheboksary HPP	April 4, 2018	April 28, 2018
17.	Bx-5431.HIII	Office of the Government of the Russian Federation	On the submission of the draft report on the monitoring of the construction of electric power facilities in the Far East	April 9, 2018	July 3, 2018
18.	Bx-6434.HIII	Office of the Government of the Russian Federation	On the financing of works on the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP	April 26, 2018	May 24, 2018
19.	Bx-7383.HIII	Office of the Government of the Russian Federation	On permission to conduct an excursion to the Sayano-Shushenskaya HPP named after P. Neporodny on May 23, 2018.	May 16, 2018	May 18, 2018
20.	Bx-7714.HIII	Office of the Government of the Russian Federation	On improving the reliability of the operation of the electric grid complex of the Sakhalin Region	May 23, 2018	June 7, 2018
21.	Bx-7985.HIII	Office of the Government of the Russian Federation	On the preparation of materials for the meeting on May 29, 2018 at 19.00 on the sale of shares of PJSC Inter RAO owned by PJSC RusHydro and PJSC FGC UES	May 29, 2018	May 29, 2018
22.	Bx-8425.HIII	Office of the Government of the Russian Federation	On ensuring the priority nature of financing the Far East socio-economic development tasks	June 5, 2018	June 9, 2018
23.	Bx-8707.HIII	Office of the Government of the Russian Federation	On the use of existing balances of unused contributions to RusHydro's authorized capital for the implementation of investment projects	June 9, 2018	June 19, 2018
24.	Bx-9409.HIII	Office of the Government of the Russian Federation	On the results of XVI meeting of the Mixed Russian-Austrian Trade and Economic Cooperation Commission	June 25, 2018	August 22, 2018
25.	Bx-9794.HIII	Office of the Government of the Russian Federation	On the execution of orders	June 29, 2018	June 14, 2018
26.	Bx-11150.HIII	Office of the Government of the Russian Federation	On the assistance to the South Ossetian side	July 23, 2018	August 13, 2018

27.	Bx-11327.HIII	Office of the Government of the Russian Federation	On the assignment of decree No. 378 of the President of the Russian Federation dated June 29, 2018 "On the National Anti-Corruption Plan for 2018-2020"	July 25, 2018	August 2, 2018
28.	Bx-12762.HIII	Office of the Government of the Russian Federation	On the progress report on the Comprehensive Plan to Implement the Climate Doctrine of the Russian Federation	August 17, 2018	September 10, 2018
29.	Bx-12763.HIII	Office of the Government of the Russian Federation	On measures to support and preserve production at UC RUSAL enterprises (confidential dupl. No. 17)	August 17, 2018	August 22, 2018
30.	Bx-12887.HIII	Office of the Government of the Russian Federation	About the Minutes of the Meeting at the First Deputy. Chairman of the Government of the Russian Federation - Minister of Finance of the Russian Federation, A. Siluanov, "On reducing the negative effects of restrictive measures imposed by foreign countries against the companies	August 21, 2018	August 22, 2018
31.	Bx-12942.HIII	Office of the Government of the Russian Federation	On providing information on financing the Ust-Srednekanskaya HPP	August 22, 2018	September 6, 2018
32.	Bx-13206.HIII	Office of the Government of the Russian Federation	On forwarding Minutes of the Meeting No. MA-II9-53pr on the logistical support of the Russian coal products exports and developing the railway infrastructure for these purposes dated August 13, 2018	August 27, 2018	October 31, 2018
33.	Bx-13554.HIII	Office of the Government of the Russian Federation	About forwarding the Minutes of the Meeting on energy supply of the Chukotka Autonomous Region	September 3, 2018	September 11, 2018
34.	Bx-13555.HIII	Office of the Government of the Russian Federation	On the reorganization of JSC Far Eastern Energy Management Company in the form of a spin-off	September 3, 2018	September 24, 2018
35.	Bx-14071.HIII	Office of the Government of the Russian Federation	On the federal program "Training and retraining of the managerial personnel reserve (2010-2018) - overseas internship from September 29 to October 6, 2018 in Malaysia	September 12, 2018	September 18, 2018
36.	Bx-14072.HIII	Office of the Government of the Russian Federation	On forwarding the Minutes of the Meeting at the Prime Minister's of the Russian Federation on the functioning of the electric grid complex of the Russian Federation	September 12, 2018	October 8, 2018
37.	Bx-14135.HIII	Office of the Government of the Russian Federation	On providing information on the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP	September 13, 2018	September 13, 2018

38.	Bx-14304.HIII	Office of the Government of the Russian Federation	On ensuring the priority nature of financing the Far East socio-economic development tasks	September 17, 2018	November 29, 2018
39.	Bx-14574.HIII	Office of the Government of the Russian Federation	About providing the report	September 20, 2018	September 25, 2018
40.	Bx-14922.HIII	Office of the Government of the Russian Federation	On the submission of the draft report on the monitoring of the construction of electric power facilities in the Far East	September 26, 2018	October 4, 2018
41.	Bx-15097.HIII	Office of the Government of the Russian Federation	On forwarding a list of instructions from the President of the Russian Federation and the Government of the Russian Federation	September 28, 2018	October 8, 2018
42.	Bx-15806.HIII	Office of the Government of the Russian Federation	On forwarding the Minutes of the Meeting No. DK-P9-179pr on the expediency of changing the reservoir water surface of the Cheboksary HPP from October 1, 2018.	October 11, 2018	October 22, 2018
43.	Bx-16253.HIII	Office of the Government of the Russian Federation	On the marginal levels of tariffs for electric energy	October 18, 2018	October 22, 2018
44.	Bx-16255.HIII	Office of the Government of the Russian Federation	About providing information	October 18, 2018	October 26, 2018
45.	Bx-16642.HIII	Office of the Government of the Russian Federation	On the execution of order No. DK-P9-7007 of the Government of the Russian Federation dated October 16, 2017	October 25, 2018	October 29, 2018
46.	Bx-17715.HIII	Office of the Government of the Russian Federation	On addressing violations	November 12, 2018	November 23, 2018
47.	Bx-18948.HIII	Office of the Government of the Russian Federation	On proposals made	December 3, 2018	December 19, 2018
48.	Bx-19084.HIII	Office of the Government of the Russian Federation	On providing information on the financing the preparations of the bed of the reservoir of the Ust-Srednekanskaya HPP	December 5, 2018	January 9, 2019
49.	Bx-19085.HIII	Office of the Government of the Russian Federation	On considering the appeal of the Governor of the Amur Region	December 5, 2018	December 13, 2018
50.	Bx-19086.HIII	Office of the Government of the Russian Federation	On holding a meeting on proposals for the delivery of large joint investment projects in the field of energy	December 5, 2018	December 6, 2018
51.	Bx-19175.HIII	Office of the Government of the Russian Federation	On considering the appeal of the Prime Minister of the Kyrgyz Republic	December 6, 2018	December 13, 2018
52.	Bx-19661.HIII	Office of the Government of the Russian Federation	On proposals made	December 13, 2018	December 28, 2018
53.	Bx-19662.HIII	Office of the Government of the Russian Federation	On proposals made	December 13, 2018	December 28, 2018

54.	Bx-19728.HIII	Office of the Government of the Russian Federation	On forwarding the Minutes of the Meeting	December 17, 2018	January 15, 2019
55.	Bx-20450.HIII	Office of the Government of the Russian Federation	About providing the draft report	December 27, 2018	December 25, 2018
56.	Bx-14094.HIII	Administration of the President of the Russian Federation	On inviting RusHydro to participate in the second cycle of the Leaders of Russia Competition as a partner	September 12, 2018	September 18, 2018
57.	Bx-1509.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On financing the works on the preparation of the bed of the reservoir of the Ust-Srednekanskaya HPP	February 2, 2018	February 15, 2018
58.	Bx-285.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing the information on the proposed reductions in staffing size	January 12, 2018	February 9, 2018
59.	Bx-2686.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing information on the main results of activities in 2017 in the territory of the Far Eastern Federal District	February 20, 2018	March 23, 2018
60.	Bx-3390.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On considering the appeal	March 2, 2018	March 14, 2018
61.	Bx-3978.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the appeal of the Governor of the Chukotka Autonomous Region, R. Kopina, on energy supply of the Region	March 15, 2018	March 27, 2018
62.	Bx-4493.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing the information on measures aimed at fulfilling the instructions of the President of the Russian Federation and the Government of the Russian Federation regarding the provision of electricity to gas production, gas transportation, and gas processing facilities in the Far Eastern Federal District	March 23, 2018	April 16, 2018
63.	Bx-4901.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing the information on the passage of the energy and utilities enterprises of the heating period of 2017–2018, as well as on the existing issues and measures that need to be taken in preparation for the autumn–winter period of 2018–2019	March 30, 2018	April 9, 2018

64.	Bx-6595.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the preparation of draft regulatory legal acts on changing the tariff setting system for energy facilities in the Far Eastern Federal District; Long-term energy development program of the Far Eastern Federal District.	April 28, 2018	March 1, 2018
65.	Bx-6694.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding Minutes of the Meeting No. UT-P44-24pr on the consolidation of the development of tourism in the Kamchatka Territory dated April 11, 2018	May 3, 2018	May 18, 2018
66.	Bx-6769.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding the Minutes of the Meeting of the Office of the plenipotentiary representative of the President of the Russian Federation in the Far Eastern Federal District dated April 25, 2018 on the issue of putting the Nizhne-Bureyskaya HPP into operation	May 4, 2018	May 15, 2018
67.	Bx-7807.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding comments to an expert-analytical event - monitoring of priority projects for the fuel and energy complex implemented by PJSC Federal Hydrogenation Company - RusHydro- in Eastern Siberia and the Far East (construction of a CHPP in Sovetskaya Gavan, construction of Sakhalin GRES-2 (1st stage), construction of the Yakutsk GRES-2 (1st stage), construction of the Blagoveshchenskaya CHPP (2nd stage) in H2 2017 and H1 2018	May 24, 2018	June 4, 2018
68.	Bx-7802.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On participating in the All-Russian Youth Educational Forum "Amur" June 5-27, 2018	May 24, 2018	June 6, 2018
69.	Bx-8360.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding the Minutes of the Meeting on the investment project of PJSC NOVATEK LNG transshipment complex in the Bechevinskaya bay, the Kamchatka Territory dated May 18, 2018 No. YuT-P9-27pr	June 4, 2018	June 26, 2018
70.	Bx-8306.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	About providing information	June 4, 2018	June 26, 2018
71.	Bx-8510.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	About providing information	June 6, 2018	June 15, 2018
72.	Bx-10569.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing the information on the preparation for the autumn-winter period of 2018-2019	July 12, 2018	July 19, 2018



73.	Bx-12095.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the transfer of the Telman networks and repayment of debt obligations of the municipality	August 6, 2018	August 14, 2018
74.	Bx-14068.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing a position (proposal) on the construction project of the Amur TPP	September 12, 2018	September 17, 2018
75.	Bx-14202.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding the report of the Government of the Russian Federation on projects for the development of the power industry in Siberia and the Far East	September 14, 2018	September 27, 2018
76.	Bx-14217.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On forwarding the report of the Government of the Russian Federation on projects for the development of the power industry in Siberia and the Far East	September 14, 2018	September 24, 2018
77.	Bx-16576.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On the reorganization of PJSC DEK	October 24, 2018	November 12, 2018
78.	Bx-19935.HIII	Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District	On providing the contact information on the appointment of responsible persons	December 19, 2018	December 26, 2018

### Appendix No.13 Information about Legal Entities Controlled by the Company that are of Material Significance<sup>81</sup>

In the IFRS financial statements of RusHydro Group, information about material subsidiaries is disclosed by particular segments arranged into groups by activity areas.<sup>82</sup> RusHydro Group performs its activities in three main reporting segments, one of which is represented by the parent company of the Group, RusHydro.

#### 1. Joint-Stock Company RAO ES East (JSC RAO ES East)

The role performed for RusHydro Group and key activity areas:

The Company owns equity stakes in electricity companies operating in the Integrated Energy System of the East (Primorye, Khabarovsk Territory, Amur Region, Jewish Autonomous Region, and the south of Yakutia) and in isolated energy systems (Yakutia, Sakhalin Region, Magadan Region, and Kamchatka Territory), and implements investment projects of RusHydro Group in the Far Eastern Federal District (Vostochnaya TPP, off-site facilities of Yakutsk GRES-2, Sakhalin GRES-2, CHPP in Sovetskaya Gavan, etc.).

Mechanisms ensuring accountability and controllability within the Group:

<sup>81</sup>There was no change in material control over significant controlled legal entities.

<sup>82</sup>More details on significant companies is given in the IFRS statements posted in the Reports section at <http://www.eng.rushydro.ru/investors/reports/>

- RusHydro owns 84.39% of the voting shares of JSC RAO ES East, and 99.98% of voting shares are consolidated in the ownership of RusHydro Group;
- RusHydro exercises the powers of the sole executive body of JSC RAO ES East;
- the Board of Directors of JSC RAO ES East is entirely made up of representatives of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, JSC RAO ES East interacts with RusHydro, JSC MC HydroOGC (which renders agency services for the investment projects to JSC RAO ES East), and electricity companies of the Group in the Far Eastern Federal District.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of RAO ES East".

## **2. Public Joint-Stock Company Far East Electricity Company (PJSC FEEC/DEK)**

The role performed for RusHydro Group and key activity areas:

The share of PJSC FEEC in the consolidated proceeds of RusHydro Group is 19.17%.

The Company is the main guaranteeing supplier of electricity for the public and enterprises of non-price zone II of the wholesale electricity market and has the status of a Single Purchaser performing the function of purchase and sale of electricity (capacity) to participants of the wholesale market of non-price zone II.

Mechanisms ensuring accountability and controllability within the Group:

- RusHydro controls PJSC FEEC through a controlled organization, JSC RAO ES East.
- JSC RAO ES East owns 51.03% of voting shares of PJSC FEEC, and 52.16% of voting shares are consolidated in the ownership of RusHydro Group.
- JSC ESC RusHydro, 100% of whose voting shares are owned by RusHydro Group, exercises the powers of the sole executive body of the Company.
- Nine members of the Board of Directors of PJSC FEEC out of 15 were elected by the votes of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, PJSC FEEC deals with electricity companies of the Group in the Far Eastern Federal District.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of RAO ES East".<sup>83</sup>

## **3. Joint-Stock Company Far East Generating Company (JSC FEGC /DGK)**

The role performed for RusHydro Group and key activity areas:

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<sup>83</sup>This segment consists of JSC RAO ES of the East and its subsidiaries that generate, distribute, and market electricity and heat mainly in the Far East, as well as transport, construction, repair, and other companies rendering serving functions.

The share of PJSC FEEC in the consolidated proceeds of RusHydro Group is 6.90%.

The Company produces heat and electricity and provides centralized heat supply for consumers in areas where power plants are located in the Khabarovsk and Primorsky Territories, Amur Region, Jewish Autonomous Region, and the southern region of the Republic of Sakha (Yakutia). JSC FEGC is also assigned the function of heat sales to end consumers.

Mechanisms ensuring accountability and controllability within the Group:

- RusHydro controls PJSC FEGC through a controlled organization, PJSC FEEC.
- PJSC FEEC owns 100% – 1 share of voting shares of JSC FEGC, and 100% of voting shares are consolidated in the ownership of RusHydro Group.
- The Board of Directors of JSC FEGC is entirely made up of representatives of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, JSC FEGC deals with electricity companies of the Group in the Far Eastern Federal District.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of RAO ES East".

#### **4. Public Joint-Stock Company Yakutskenergo (PJSC Yakutskenergo)**

The role performed for RusHydro Group and key activity areas:

The share of PJSC Yakutskenergo in the consolidated proceeds of RusHydro Group is 8.26%.

The Company produces electricity and heat and provides the functions of the guaranteeing supplier of electricity in the Republic of Sakha (Yakutia).

Mechanisms ensuring accountability and controllability within the Group:

- JSC RAO ES East owns 49.37% of voting shares of PJSC Yakutskenergo.
- RusHydro owns 27.80% of voting shares of PJSC Yakutskenergo.
- 77.17% of voting shares are consolidated in the ownership of RusHydro Group.
- The Board of Directors of PJSC Yakutskenergo is entirely made up of representatives of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, PJSC Yakutskenergo deals with electricity companies of the Group in the Far Eastern Federal District.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of RAO ES East".

#### **5. Public Joint-Stock Company Krasnoyarskenergosbyt (PJSC Krasnoyarskenergosbyt)**

The role performed for RusHydro Group and key activity areas:

The share of PJSC Krasnoyarskenergosbyt in the consolidated proceeds of RusHydro Group is 8.14%.

The Company is the main guaranteeing supplier of electricity for the public and enterprises on the territory of the Krasnoyarsk Territory.

PJSC Krasnoyarskenergosbyt also offers services for the sale, maintenance, and repair of energy accounting meters, high-voltage testing of electrical equipment, and energy audit of facilities, and renders services under agency contracts.

Starting December 1, 2009, the Company renders services for management of multi-unit residential buildings.

Mechanisms ensuring accountability and controllability within the Group:

- RusHydro controls PJSC Krasnoyarskenergosbyt through the controlled companies JSC ESC RusHydro and JSC Hydroinvest.
- JSC ESC RusHydro owns 66.33% of voting shares of PJSC Krasnoyarskenergosbyt, and 69.4% of voting shares are consolidated in the ownership of RusHydro Group.
- JSC ESC RusHydro, 100% of whose voting shares are owned by RusHydro Group, exercises the powers of the sole executive body of the Company.
- seven out of nine members of the Board of Directors of Krasnoyarskenergosbyt were elected by the votes of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, PJSC Krasnoyarskenergosbyt interacts with electricity companies of the Group, including JSC ESC RusHydro, which organizes electricity sales in RusHydro Group.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of ESC RusHydro".<sup>84</sup>

## **6. Joint-Stock Company Zagorskaya PSHPP-2 (JSC Zagorskaya PSHPP-2)**

The role performed for RusHydro Group and key activity areas:

The share of JSC Zagorskaya PSHPP-2 in the value of consolidated assets of RusHydro Group is 6.70%.

The Company implements measures for the organization of construction of the Zagorskaya PSHPP-2. Mechanisms ensuring accountability and controllability within the Group:

- RusHydro owns 100% of voting shares of JSC Zagorskaya PSHPP-2;
- JSC MC HydroOGC, 100% of whose voting shares are owned by RusHydro, exercises the powers of the sole executive body of the Company.

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<sup>84</sup> This segment consists of the Group's subsidiaries selling electricity to end consumers. All companies in this segment, except for JSC ESC RusHydro, have the status of guaranteed suppliers, that is, suppliers who are obliged to sign contracts for the supply of electricity with all end consumers within their region subject to an respective application.

- The Board of Directors of JSC Zagorskaya PSHPP-2 is entirely made up of representatives of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, JSC Zagorskaya PSHPP-2 interacts with JSC MC HydroOGC, which performs the functions of the sole executive bodies of the majority of controlled companies of RusHydro Group that are customers of construction, and with design organizations of RusHydro Group.

Supplementary information: In the IFRS financial statements of RusHydro Group, JSC Zagorskaya PSHPP-2 is placed in "Other segments".

## **7. Joint Stock Company Far-Eastern Grids Company (JSC FEGrC)<sup>85</sup>**

The role performed for RusHydro Group and key activity areas:

The share of PJSC FEGrC in the value of consolidated assets of RusHydro Group is 5.24%.

The company is conducting operations within the United Power System of the East by transmitting electricity through power distribution networks in the Amur Region, Khabarovsk Territory, Jewish Autonomous Region, Primorsky Territory, and the southern region of Sakha Republic (Yakutia).

Mechanisms ensuring accountability and controllability within the Group:

- RusHydro controls PJSC FEGrC through a controlled organization, PJSC FEEC.
- PJSC FEEC owns 100% of voting shares of JSC FEGrC.
- The Board of Directors of JSC FEGrC is entirely made up of representatives of RusHydro Group.

Information about functional relations between key companies of the Group:

in its activity, JSC FEGrC deals with electricity companies of the Group in the Far Eastern Federal District.

Supplementary information:

In the IFRS financial statements of RusHydro Group, the Company is placed in the segment "Subgroup of RAO ES East".

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<sup>85</sup> Included in the list of significant entities in 2019.

## Appendix No.14 Information on Significant Transactions of the Company and other Major Controlled Legal Entities

### Significant Transactions of the Company

The criteria for classifying the Company's transactions as significant are defined in sub-clause 8.2 of Article 8 of the Company's Charter. In 2018, RusHydro committed no significant transactions as specified in sub-clause 8.2. of the Charter.

### Significant Transactions of Controlled Legal Entities

The criteria for the “most significant transactions” of major controlled legal entities are not defined in their Charters. Since sub-clause 8.2. of Article 8 of the Company’s Charter, in relation to significant transactions of the Company, established the criterion of their assignment to significant category in the amount of 10 (ten) and more percent of the Company's book value, in relation to the controlled legal entities, in order to disclose these data, the same criterion is applied and the transactions of major controlled legal entities (except for intragroup transactions) are given as significant, with their price exceeding 10 (ten) or more percent of the book value of the assets of the respective entity on the last reporting date preceding the date of the transaction.

#### The entities controlled by RusHydro and significant for it as of December 31, 2018:

1. Full corporate name: **Joint-Stock Company RAO ES East**
2. Full corporate name: **Public Joint-Stock Company Far Eastern Energy Company**
3. Full corporate name: **Joint-Stock Company Far Eastern Generating Company**
4. Full corporate name: **Public Joint-Stock Company Yakutskenergo**
5. Full corporate name: **Public Joint-Stock Company Krasnoyarskenergosbyt**
6. Full corporate name: **Joint-Stock Company Zagorskaya PSHPP-2**

From January 1, 2018 to December 31, 2018, among the controlled organizations significant for RusHydro, such transactions were made by Krasnoyarskenergosbyt, DGK, and Yakutskenergo:

Ser.No.	Type and Subject of the Transaction	Parties to the Transaction	Content of a transaction, including civil rights and obligations, the establishment, modification of which or termination a transaction is aimed at	Deadline for the fulfillment of obligations under the transaction, designated parties and beneficiaries, amount of the transaction in money terms and as a percentage of the value of the issuer's assets	The value of assets of a controlled entity significant for RusHydro at the end of the reporting period (quarter, year) preceding the transaction (date of contract) and for which the accounting (financial) statements were prepared in accordance with the legislation of the Russian Federation	Date of the transaction (contract)	Information about the approval of the transaction by RusHydro	Transaction category with regard to a controlled entity significant for RusHydro	The management body of the controlled entity significant for RusHydro, which made the decision to approve the transaction	Date of the decision to approve the transaction	Date and number of the Minutes of Meeting of the authorized management body of the controlled entity significant for RusHydro, at which the decision was made to approve the transaction
1	Loan Agreement No. 00.19-3/01-026/18	Lender - JSC Joint-Stock Bank Russia, Borrower - PJSC Krasnoyarsk energosbyt	Lending funds in Russian rubles in the form of a revolving credit line within the established amount at %.	The agreement term is 12 months, the maximum amount of the transaction is RUB 823,125,000 kopecks, which is 18.59% of the company's book value as of September 30, 2017	RUB 4,428,250 thousand as of September 30, 2017	February 13, 2018		A transaction with the value exceeding 10% of the company's book value	The Board of Directors	December 29, 2017	Minutes No. 153 dtd January 10, 2018
2	Loan Agreement No. 4041-KRS	Bank - JSC Raiffeisenbank, Borrower - PJSC	Lending funds within the credit line on the terms of repayment,	The contract is concluded from the date of Agreement until December 31, 2018 included, the	RUB 4,428,250 thousand as of September 30, 2017	February 26, 2018		A transaction with the value exceeding	The Board of Directors	December 29, 2017	Minutes No. 153 dtd January 10, 2018

		Krasnoyarsk energosbyt	serviceability, maturity, and targeted use.	maximum amount of the transaction is RUB 1,097,700,000 00 kopecks, which is 24.79% of the company's book value as of September 30, 2017				10% of the company's book value			
3	Loan Agreement	JSC DGK (Borrower) and PJSC ROSBANK (Lender)	The Lender opens a revolving credit line to the Borrower to finance current operating activities, investment activities and refinancing of existing loans and borrowings. Loan amount is RUB 10,000,000 thousand; estimated interest amount: RUB 7,313,250 thousand	June 20, 2025	RUB 80,375,972 thousand	June 21, 2018	-	It is not a major transaction not a related-party transaction	-	-	-
4	Suretyship contracts to secure fulfillment of obligations of Subsidiary PJSC Yakutskenergo to JSC Sakhaenergo	Public Joint Stock Company Yakutskenergo (PJSC Yakutskenergo) (Provider of Surety) and Public Joint Stock Company Sberbank of Russia (PJSC	As a security of the Debtor's obligations to the Bank under the Principal Agreement, the Provider of Surety undertakes to be jointly and in full liable with the Debtor to the Bank for the Debtor's performance of any or all of its	From the moment of signing and is effective until the complete fulfillment of obligations by the parties; PJSC Yakutskenergo (Provider of Surety) and PJSC Sberbank (Lender), JSC Sakhaenergo (Beneficiary); Cumulative price for interrelated	RUB 38,182,486 thousand as of December 31, 2017	June 13, 2018 (lot No. 1) June 13, 2018 (lot No. 2) June 13, 2018 (lot No. 3) May 3, 2018 (lot No. 4) May 3, 2018 (lot No. 5) May 3,	The transaction was not approved by RusHydro	Interrelated transactions, which are interested-party transactions and are interrelated with previously made transactions	The decision by the General Meeting of Shareholders on the consent to, or on the subsequent approval of, related transactions was not taken. Notification of	April 27, 2018 (as a transaction in excess of 5% of the company's book value is approved by	Minutes No. 7 dated April 27, 2018 (as a transaction in excess of 5% of the company's book value).



		Sberbank) (Lender)	obligations (including these obligations and obligations that may arise in the future) arising out of or in connection with the Principal Agreement, including but not limited to, the obligation to pay the principal, interest, any other payments, fees and refunds, including, if applicable, compensation (payment) of any costs (including, but not limited to, legal expenses), as well as interest, forfeits (fines, penalties), and losses of the Bank arising in connection with the protection and observance of the rights of the Bank under the Principal Agreement and/or late performance.	surety commitments - RUB 5,112,185,481 .82 (VAT free), which is 13.39% of the book value of Yakutskenergo's assets as of December 31, 2017.		2018 (lot No. 6) May 3, 2018 (lot No. 7) June 13, 2018 (lot No. 8) June 13, 2018 (lot No. 9)			forthcoming interrelated transactions in line with sub-clause 1.1 of article 81 of the Federal Law "On Joint- Stock Companies" dtd March 30, 2018 was sent to the members of the Board of Directors and the Management Board of the Company. The Company has not received any request for approval by the relevant management body of the Company in accordance with clause 1 of Article 83 of the Federal Law "On Joint- Stock Companies".	the Board of Directo rs of Yakuts kenerg o).	
5	Loan Agreement	JSC DGK (Borrower), PJSC VTB	The Lender opens to the Borrower the	<b><u>Maturity Date:</u></b> The full loan repayment dates on	RUB 84,564,4 52 thousand	Decembe r 11, 2018	RusHydr o's manage	It is neither a major nor	The Board of Directors	Decem ber 5, 2018	(Minutes No. 13 of the Board of

		BANK (Lender)	Revolving Aggregate Credit Limit to finance current operating activities, investment activities and refinancing of existing loans and borrowings for a period up to 2,555 (two thousand five hundred fifty five) calendar days from the effective date of the Agreement with the limit of RUB 10,000,00 0,000 (ten billion 00/100).	credit transactions concluded within the Agreement shall be set to the date, which is 2,555 (two thousand five hundred fifty five) calendar days from the effective date of the Agreement. Under the Agreement, separate credit transactions are concluded. The loan term for any Credit Transaction shall not exceed 1,825 (one thousand eight hundred twenty- five) calendar days. <b>Parties and Beneficiaries to the Transaction:</b> JSC DGK (Borrower), PJSC VTB BANK (Lender) <b>Amount of a Transaction:</b> RUB 10,000,000,00 0 (ten billion 00/100) with loan interest accrued at an interest rate, the maximum amount of which cannot exceed the value of the Bank of Russia Key Rate increased by no more than 2.16% per annum. The amount of the transaction is			ment bodies did not approve this transacti on.	a related- party transaction .			Directors dtd December 5, 2018)
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				11.83% of the value of the issuer's assets as of September 30, 2018.							
6	Loan Agreement No. 8196-NSK	Bank - JSC Raiffeisenbank, Borrower - PJSC Krasnoyarsk energosbyt	Lending funds within the credit line on the terms of repayment, serviceability, maturity, and targeted use.	The contract is concluded from the date of Agreement until December 31, 2019 included, the maximum amount of the transaction is RUB 1,188,306,380 00 kopecks, which is 24.99% of the company's <i>book</i> value as of September 30, 2018	RUB 4,754,289 thousand as of December 30, 2018	December 18, 2018		A transaction with the value exceeding 10% of the company's book value	The Board of Directors	December 13, 2018	Minutes No. 166 dtd January 17, 2018
7	Loan Agreement No. 3418-116-KL	Bank - JSC Gazprombank; Borrower - PJSC Krasnoyarsk energosbyt	Lending funds within the credit line on the terms of repayment, serviceability, maturity, and targeted use.	The contract is concluded from the date of Agreement until December 31, 2021 included, the maximum amount of the transaction is RUB 1,927,500,000 00 kopecks, which is 40.54% of the company's <i>book</i> value as of September 30, 2018	RUB 4,754,289 thousand as of December 30, 2018	December 27, 2018		Major transaction	The Board of Directors	December 13, 2018	Minutes No. 166 dtd January 17, 2018

**Appendix No.15 Accounting statements and the Independent Auditor's audit report as of December 31, 2018 (in accordance with RAS)**



**PJSC «RusHydro»**

Financial statements and  
Independent Auditor's report

31 December 2018

Translation from Russian original

## Content

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## *Independent Auditor's Report*

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

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### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro (the “Company”) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

### **What we have audited**

The Company's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of financial results for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the balance sheet and statement of financial results.

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### *Basis for opinion*

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

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

### **Independence**

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

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### *Emphasis of matter*

We draw attention to Note 2.5 Investments and Note 3.1.2 Long-term investments (balance sheet line 1170) to the balance sheet and statement of financial results which describe the reasons for departure from accounting rules in respect of non-revaluation of quoted financial investments in shares of AO RAO ES of East which previously had current market value, at their last available market value, PAO Yakutskenergo and PAO Far East Energy Company at their current market values. As of 31 December 2018 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is RUB 6,670 million, as of 31 December 2017 – RUB 6,702 million. Our opinion is not modified in respect of this matter.

---

### *AO 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.

## Our audit approach

### Overview

<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall materiality: Russian Roubles ("RUB") 2,570 million, which represents 5% of the average profit before tax for the last three years.</li> </ul>
<b>Key audit matter</b>	<ul style="list-style-type: none"> <li>Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties</li> </ul>

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

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

### Materiality

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

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

<b>Overall materiality</b>	RUB 2,570 million
<b>How we determined it</b>	5% of the average profit before tax for the last three years
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b><i>Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties</i></b></p> <p><i>See paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement.</i></p> <p>At 31 December 2018, the aggregate carrying amount of the Company's investments in equity and debt securities of its subsidiaries and other related parties was RUB 349,789 million (net of the impairment provision of RUB 33,374 million), or 34% of the total value of Company's assets.</p> <p>At 31 December 2018, the carrying amount of accounts receivable from subsidiaries and other related parties was RUB 142,792 million (net of the doubtful debt provision of RUB 4,946 million), or 14% of the total value of Company's assets.</p> <p>As part of the annual reporting process the Company performs a comprehensive analysis of all investments that are not carried at their current market value and of accounts receivable from related parties (primarily in the form of interest-free loans and bills) as at the reporting date, to identify any indications of impairment and its amount.</p> <p>The Company decides on the need to recognise impairment of the above assets following the results of the comprehensive analysis of the current and expected financial position of the issuer taking into account impairment criteria established in PBU 19/02, and the assessment of the debtor's solvency, individual specifics, payment dynamics and other factors.</p>	<p>Our audit procedures aimed at analysing the impairment testing by the management of Company's investments in equity and debt securities of related parties and accounts receivable from related parties, included:</p> <ul style="list-style-type: none"> <li>• understanding of how impairment estimates were calculated;</li> <li>• review of the methodology used by Company's management for the impairment test purposes;</li> <li>• review of reasonableness of accounting estimates made by the management and management's position on whether there are indicators of assets' potential impairment;</li> <li>• review on a test basis of key assumptions and source data used in the impairment tests and their compliance with the approved budgets and business plans, external available and reliable information and our expert knowledge of industry specifics;</li> <li>• review of the collectability analysis performed by management taking into account the solvency analysis of contractors as at the reporting date, any intention to allow payment by instalments and other factors considered by management;</li> <li>• review on a test basis of the calculation accuracy and appropriateness of presentation in the financial statements of</li> </ul>

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Key audit matter	How our audit addressed the Key audit matter
<p>We focused on the impairment assessment of investments in and receivables from related parties due to significance of their carrying value and because the assessment process is complicated and requires significant management's judgements, and impairment provisions for investments and doubtful debts can be significant.</p>	<p>impairment provisions for investments and doubtful debts;</p> <ul style="list-style-type: none"> <li>• receipt and analysis of management's written representations related to performed impairment testing of these assets.</li> </ul> <p>Following the results of our procedures, we believe that estimates and judgements made by management with regard to the impairment of investments and accounts receivable of related parties are relevant for the purposes of the attached financial statements.</p> <p>Acceptability of the current estimates made by the Company management for the purpose of the financial statements for the year ended 31 December 2017 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>In addition, we verified compliance of disclosures in paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement, with the disclosure requirements as per PBU 1/2008, PBU 19/02.</p> <p>Our procedures have not identified any findings that evidence that there is a need for any significant adjustments to these financial statements.</p>

### Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, but does not include the financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019 are expected to be made available to us after the date of this auditor's report.

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

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

When we read PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

---

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

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

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

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

---

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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



the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

28 February 2019  
Moscow, Russian Federation

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

Audited entity: Public Joint Stock Company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:  
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890  
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

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

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

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# BALANCE SHEET

## as at 31 December 2018

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

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

CODES
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75782411
2460066195
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12247 / 41
385

Note	Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5	6
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets	1110	1,070	1,267	1,324
	Results of research and development	1120	1,097	920	1,077
3.1.1	Property, plant and equipment, incl.:	1150	419,084	419,635	409,109
	fixed assets	1151	386,401	382,007	372,514
	construction in process	1152	32,683	37,628	36,595
3.1.2	Financial investments, incl.:	1170	343,606	312,149	292,273
	investments in subsidiaries, associates and other entities	1171	277,478	256,730	264,587
	loans issued	1172	66,128	55,419	27,085
	promissory notes	1173	-	-	601
3.1.3	Other non-current assets	1190	2,629	4,222	4,703
	<b>Total Section I</b>	<b>1100</b>	<b>767,486</b>	<b>738,193</b>	<b>708,486</b>
	<b>II. CURRENT ASSETS</b>				
3.2.1	Inventories	1210	4,765	4,258	4,252
3.9	Value added tax on goods purchased	1220	19	30	51
3.2.2	Accounts receivable, incl.:	1230	185,770	177,308	149,614
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	53,687	54,713	62,615
	buyers and customers	1231.1	41	34	178
	advances issued	1231.2	16,453	19,819	20,004
	promissory notes	1231.3	30,974	29,931	29,312
	loans issued	1231.4	441	2,600	11,258
	other debtors	1231.5	5,778	2,329	1,863
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	132,083	122,595	86,999
	buyers and customers	1232.1	6,879	6,726	7,120
	advances issued	1232.2	7,059	4,276	10,206
	promissory notes	1232.3	2,343	2,385	5,459
	loans issued	1232.4	94,181	64,331	30,792
	other debtors	1232.5	21,621	44,877	33,422
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	35,770	12,450	5,305
	bank deposits	1241	29,585	163	4,075
	loans issued	1242	5,584	11,686	1,230
	promissory notes	1243	601	601	-
3.2.4	Cash and cash equivalents	1250	42,971	50,929	40,954
	Other current assets	1260	26	11	11
	<b>Total Section II</b>	<b>1200</b>	<b>269,321</b>	<b>244,986</b>	<b>200,187</b>
	<b>TOTAL</b>	<b>1600</b>	<b>1,036,807</b>	<b>983,179</b>	<b>908,673</b>

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Note	Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5	6
	<b>EQUITY AND LIABILITIES</b>				
	<b>III. CAPITAL AND RESERVES</b>				
3.3.1	Charter capital	1310	426,289	426,289	386,255
3.3.2	Revaluation of non-current assets	1340	52,437	52,606	52,705
3.3.3	Additional capital (excl. revaluation)	1350	58,424	58,424	58,424
3.3.4	Reserve capital	1360	15,179	13,371	11,278
	Retained earnings (loss), incl.:	1370	298,877	274,994	260,674
	undistributed profit of previous years	1371	262,151	238,845	218,797
	undistributed profit of the current year	1372	36,726	36,149	41,877
	<b>Total Section III</b>	<b>1300</b>	<b>851,206</b>	<b>825,684</b>	<b>769,336</b>
	<b>IV. LONG-TERM LIABILITIES</b>				
3.4.1	Borrowings and bank loans	1410	128,177	71,698	94,848
3.9	Deferred tax liabilities	1420	19,308	17,113	13,676
3.4.2	Other liabilities	1450	2,840	4,264	3,746
	<b>Total Section IV</b>	<b>1400</b>	<b>150,325</b>	<b>93,075</b>	<b>112,270</b>
	<b>V. SHORT-TERM LIABILITIES</b>				
3.5.1	Borrowings and bank loans	1510	19,769	50,258	14,025
3.5.2	Accounts payable, incl.:	1520	11,703	10,563	9,681
	suppliers and contractors	1521	4,978	4,040	4,190
	payables to employees	1522	211	244	24
	payables to state non-budgetary funds	1523	143	134	14
	taxes payable	1524	5,408	5,242	4,697
	dividends payable	1525	143	141	122
	payables in respect of shares issued	1526	-	-	33
	other creditors	1527	820	762	601
	Income of future periods	1530	63	67	73
3.5.3	Estimated liabilities	1540	2,863	2,976	2,447
	Other liabilities	1550	878	556	841
	<b>Total Section V</b>	<b>1500</b>	<b>35,276</b>	<b>64,420</b>	<b>27,067</b>
	<b>TOTAL</b>	<b>1700</b>	<b>1,036,807</b>	<b>983,179</b>	<b>908,673</b>

Chairman of Management Board – General Director

N. G. Shulginov  
(clarification of signature)

Chief accountant

Y. G. Medvedeva  
(clarification of signature)

28 February 2019

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# STATEMENT OF FINANCIAL RESULTS

## for the year ended 31 December 2018

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

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

CODES
<b>0710002</b>
<b>2018/12/31</b>
<b>75782411</b>
<b>2460066195</b>
<b>35.11.2</b>
<b>12247 / 41</b>
<b>385</b>

Note	Narrative	Line code	Year ended 31 December 2018	Year ended 31 December 2017
1	2	3	4	5
3.7.1	Revenue	2110	162,813	144,697
3.7.2	Cost of sales	2120	(96,847)	(83,807)
	<b>Gross profit</b>	<b>2100</b>	<b>65,966</b>	<b>60,890</b>
	<b>Profit from sales</b>	<b>2200</b>	<b>65,966</b>	<b>60,890</b>
3.12.7	Income from participation in other companies	2310	829	2,563
	Interest income	2320	8,213	8,759
	Interest expense	2330	(7,772)	(8,280)
3.8	Other income	2340	14,840	7,895
3.8	Other expense	2350	(31,978)	(22,349)
	<b>Profit before tax</b>	<b>2300</b>	<b>50,098</b>	<b>49,478</b>
3.9	Current income tax, incl.:	2410	(11,044)	(9,868)
	permanent tax liabilities	2421	3,196	3,088
	Change in deferred tax liabilities	2430	(2,309)	(3,232)
	Change in deferred tax assets	2450	114	(205)
	Other	2460	(133)	(24)
	<b>Net profit</b>	<b>2400</b>	<b>36,726</b>	<b>36,149</b>
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	36,726	36,149
	REFERENCE			
3.11	Basic earnings per share, RR	2900	0,0862	0,0890

Chairman of Management Board – General Director

**N. G. Shulginov**  
(clarification of signature)

Chief accountant

**Y. G. Medvedeva**  
(clarification of signature)

28 February 2019

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# STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

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

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CODES	
0710003	
2018/12/31	
75782411	
2460066195	
35.11.2	
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 2016</b>	<b>3100</b>	<b>386,255</b>	<b>111,129</b>	<b>11,278</b>	<b>260,674</b>	<b>769,336</b>
<b>for 2017</b>						
Increase of equity, including:	3210	40,034	-	-	36,149	76,183
net profit	3211	-	-	-	36,149	36,149
additional shares issue	3214	40,034	-	x	x	40,034
Decrease of equity, including:	3220	-	-	-	(19,835)	(19,835)
dividends	3227	x	x	x	(19,835)	(19,835)
other	3228	-	-	x	-	-
Additional capital change	3230	x	(99)	x	99	x
Reserve capital change	3240	x	x	2,093	(2,093)	x
<b>Equity as of 31 December 2017</b>	<b>3200</b>	<b>426,289</b>	<b>111,030</b>	<b>13,371</b>	<b>274,994</b>	<b>825,684</b>
<b>for 2018</b>						
Increase of equity, including:	3310	-	-	-	36,748	36,748
net profit	3311	-	-	-	36,726	36,726
additional shares issue	3314	-	-	x	x	-
other	3317	-	-	x	22	22
Decrease of equity, including:	3320	-	-	-	(11,226)	(11,226)
dividends	3327	x	x	x	(11,226)	(11,226)
other	3328	-	-	x	-	-
Additional capital change	3330	x	(169)	x	169	x
Reserve capital change	3340	x	x	1,808	(1,808)	x
<b>Equity as of 31 December 2018</b>	<b>3300</b>	<b>426,289</b>	<b>110,861</b>	<b>15,179</b>	<b>298,877</b>	<b>851,206</b>

## III. Net assets

Narrative	Line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
1	2	3	4	5
Net assets	3600	851,265	825,745	769,399

Chairman of Management Board – General Director

**N. G. Shulginov**  
(clarification of signature)

Chief accountant

**Y. G. Medvedeva**  
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28 February 2019

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# STATEMENT OF CASH FLOWS

## for the year ended 31 December 2018

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**  
 Taxpayer identification number  
 Type of activity **Electricity generation by hydroelectric power plants**  
 Form of incorporation/form of ownership  
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CODES
<b>0710004</b>
<b>2018/12/31</b>
<b>75782411</b>
<b>2460066195</b>
<b>35.11.2</b>
<b>12247 / 41</b>
<b>385</b>

Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	<b>Cash flows from operating activities</b>			
	Receipts, including:	4110	172,151	145,899
	sales of products, goods, work and services	4111	161,297	143,005
	lease payments, license payments, royalties, commissions and other payments	4112	95	680
3.2.4	other receipts	4119	10,759	2,214
	Payments including:	4120	(105,843)	(91,517)
	to suppliers (contractors) – raw materials, works and services	4121	(60,098)	(47,352)
	wages and salaries	4122	(7,435)	(6,855)
	interest on debt liabilities	4123	(8,404)	(7,890)
	corporate income tax	4124	(11,343)	(12,521)
3.2.4	other payments	4129	(18,563)	(16,899)
	<b>Net cash flows from operating activities</b>	<b>4100</b>	<b>66,308</b>	<b>54,382</b>
	<b>Cash flows from investing activities</b>			
	Receipts, including:	4210	13,385	39,893
	sale of non-current assets (except for investments)	4211	20	267
	sale of shares of other organisations (ownership interest)	4212	939	90
	from return of loans, sales of debt securities (chose of possession of cash from third parties)	4213	6,925	27,396
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	5,501	8,206
3.2.4	other receipts	4219	-	3,934
	Payments, including:	4220	(102,166)	(117,042)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(16,096)	(21,679)
	related to purchase of shares of other organisations (ownership interest)	4222	(14,917)	(7,591)
	purchase of debt securities (chose of possession of cash from third parties), loans issued	4223	(39,648)	(85,860)
	borrowing costs included in the cost of the investment assets	4224	(2,083)	(1,912)
3.2.4	other payments	4229	(29,422)	-
	<b>Net cash flows from investing activities</b>	<b>4200</b>	<b>(88,781)</b>	<b>(77,149)</b>

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Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	<b>Cash flows from financing activities</b>			
	Receipts, including:	4310	78,436	70,675
	borrowings and bank loans	4311	78,436	20,676
	issue of shares, increase in ownership interest	4313	-	40,000
	issue of bonds, promissory notes and other debt securities, etc.	4314	-	9,999
	Payments, including:	4320	(64,174)	(37,912)
	dividends and other distributions to owners	4322	(11,135)	(19,771)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(53,037)	(18,135)
3.2.4	other payments	4329	(2)	(6)
	<b>Net cash flows from financing activities</b>	<b>4300</b>	<b>14,262</b>	<b>32,763</b>
	<b>Net cash flows for the reporting period</b>	<b>4400</b>	<b>(8,211)</b>	<b>9,996</b>
3.2.4	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>4450</b>	<b>50,929</b>	<b>40,954</b>
3.2.4	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>42,971</b>	<b>50,929</b>
	Foreign exchange rate difference	4490	253	(21)

Chairman of Management Board – General Director

**N. G. Shulginov**  
 (clarification of signature)

Chief accountant

**Y. G. Medvedeva**  
 (clarification of signature)

28 February 2019

## **I. General information**

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

Principal activities of public joint stock company Federal Hydro Generating Company - RusHydro (PJSC RusHydro, hereinafter - the Company) are the generation of electricity (power). The Federal Agency for State Property Management is the Company's major shareholder.

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

As of 31 December 2018 the Company employed 5 538 people (as of 31 December 2017 – 5,547 people, as of 31 December 2016 – 5,499 people).

The Company's shares are traded on MOEX stock exchange (<http://moex.com>). American depositary receipts, each of which corresponds to 100 ordinary shares of the Company are traded on the Main Market of London Stock Exchange and over-the-counter market of the USA.

As of 31 December 2018 the ownership share of the Russian Federation in the Company's share capital amounted to 60,56% (as of 31 December 2017 – 60.56%, as of 31 December 2016 – 66.84%).

As of 31 December 2018 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 2018 is as follows:

- Trutnev Yury Petrovich, Chairman of the Board of Directors, Deputy Prime Minister - Plenipotentiary Representative of RF President in the Far Eastern Federal District;
- Ivanov Sergey Nikolaevich, Deputy chairman of the Board of Directors
- Avetisyan Artem Davidovich, head of "New business" stream of autonomous non-profit organization "Agency of strategic initiatives for promotion of new projects";
- Bystrov Maxim Sergeevich, Chairman of the Management Board NP Market Council responsible for organization of effective system of energy power and capacity wholesale and retail;
- Grachev Pavel Sergeevich, General Director of PJSC "Polyus", General Director of LLC "Polyus";
- Kravchenko Vyacheslav Mikhailovich
- Livinskiy Pavel Anatolyevich, Chairman of the Board of Directors and General Director of PJSC "Rosseti";
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Rasstrigin Mikhail Alekseevich, Depute Minister of Economic Development of the Russian Federation;
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Shishin Sergey Vladimirovich, Senior Vice-President, VTB Bank (PJSC);
- Shishkin Andrey Nikolaevich, Vice President for power and localisation PJSC Rosneft; member of Board of PJSC "NK "Rosneft", Chief Executive Officer and Chairman of the Management Board PJSC ANK "Bashneft", General Director of LLC "RN-Aktiv";
- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PJSC RusHydro.

By the decision of the Annual General Meeting of Shareholders dated 28 June 2018 (protocol No.17) Livinskiy Pavel Anatolyevich were elected members of Board of Directors, Rasstrigin Mikhail Alekseevich and the authority of Podguzov Nikolay Radievich and Chekunkov Aleksey Olegovich.

As of 31 December 2018 the Company's Management Board includes:

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

In 2018 there was no change in the composition of the Company's Management Board.

As of 31 December 2018 members of the Company's Internal Audit Commission included:

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

The above members of the Revision Group were elected by the decision of the Annual General Meeting of Shareholders dated 28 June 2018 (protocol No.17).

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

The Russian economy displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and customs frameworks continue to develop and are subject varying interpretation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018..

This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future impact of the current economic situation is difficult to predict, and the current expectations and assessments by management may differ from any actual results.

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

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (COSO ERM 2004, ISO 31000-2018, GOST R ISO 31000-2010, COSO ERM 2017 etc.), Code of corporate governance Central Bank of RF, methodological recommendations of the Federal Property Management Agency and the Ministry of Finance of the Russian Federation in the field of risk management and internal control.

### **Financial risks**

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

Financial position of the Company, its liquidity, sources of financing, performance results do not depend significant on changes of rate of exchange and changes of interest rates.

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

***Legal risks***

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

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

The Company manages these risks by developing a Company-friendly legal framework for operations of the electricity and capacity market. To accomplish this task the Company participates in the processes undertaken by the Russian Ministry of Energy, the NP Market Council and FTS in the area of developing the electric power industry regulations, and carries out continuous monitoring of changes in the legislation.

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.

***Country and regional risks***

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

Exposure to the country risk can be indirectly assessed, subject to some assumptions, based on the credit rating (the business exposure to political risks is not taken into account). At the end of 2018, Russia's foreign currency obligations were rates as follows: BBB- (Standard & Poor's), Ba1 (Moody's) and BBB- (Fitch). At the same time these three international agencies improved the outlook for Russia's sovereign rating to: stable (Moody's) and positive (Standard & Poor's and Fitch). According to analysts, 'external risks' to Russia have decreased and the Russian economy continuous adjustment to lower feedstock prices.

Also in 2018 international rating agencies raised the long-term credit rating of the Company as follows: Moody's improved the rating to Ba1 with stable outlook, Standard & Poor's – to BB+ with positive outlook, Fitch confirmed the rating at BB+ and revised the outlook from negative to stable.

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

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

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

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

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

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

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

***Reputation risks***

Reputation risks are associated with negative perception of the quality of Company's products, works, services sold, the ability to meet the deadlines for payment discipline, work performance, etc.

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

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references of the Company in mass media, control over compliance with production discipline, cooperating actively with all stakeholders to maintain high reputation. The company organizes public events jointly with interested parties; special events for mass media, analytics and investors. Also, the Company regularly updates information on official Internet sources and prepares official comments on key activities questions.

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

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

***Other risks***

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

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

## **II. Accounting policies**

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

### **2.1 Basis of presentation**

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

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

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

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable, denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 69.4706 as of 31 December 2018 (31 December 2017: USD 1 = RUB 57.6002, 31 December 2016: USD 1 = 60.6569), EUR 1 = RUB 79.4605 as of 31 December 2018 (31 December 2017: EUR 1 = RUB 68.8668, 31 December 2016: EUR 1 = RUB 63.8111) and CNY 1 = RUB 10.0997 as of 31 December 2018.

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

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

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

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

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

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

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

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

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

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

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

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit are accounted for within inventories.

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 historical cost less depreciation, while fixed assets received in 2008 due to the merger of a number of subsidiaries and affiliates to the Company are depicted at historical cost less depreciation accumulated from the time of independent valuation in order to merge with the subsidiaries.

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

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

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

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

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

Depreciation is not accrued on:

- land plots and natural resources;
- 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.

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), taking into account the rules adopted by the Company for reflecting financial investments in subsidiaries that have a current market value at the reporting date or earlier.

Investments include:

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

The initial cost of financial investments purchased at a charge is the sum of the Company's actual expenses for their 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.

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 claims from investments are recognised in the balance sheet line 1230 "Accounts receivable".

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

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

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

***Investments in subsidiaries that have a current market value at the reporting or earlier date***

The Company records investments in charter capital of its subsidiaries (irrespective of current market quotes available for them) within financial investments that are not revalued at current market value. These financial investments on the Company's balance sheet include: AO RAO Energy Systems of the East, PAO Yakutsenrgo and PAO DEK, i.e. entities obtained in 2011-2013 as a result of the Company's additional share issues. These investments are recorded at value that is agreed with the Company's shareholders, including the controlling shareholder - the Russian Federation represented by the Federal Agency for State Property Management. The value measurement is based on an independent market appraisal.

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

Management of the Company does not follow the Accounting Regulation "Accounting for Investments" (PBU 19/02) in the part related to accounting for investments in subsidiaries that have a current market value as at the reporting or earlier date and has not performed any market revaluation of such investments after they were obtained.

Management of the Company believes that market quotes do not fairly present the estimated value of the Company's controlling stakes in its subsidiaries at relevant dates because the number of shares traded in the market is not representative: less than 1% of the total number of outstanding shares are daily traded in the market.

In 2016 the interest of RusHydro Group (RusHydro Group means the Company and entities that the Company controls directly or through other subsidiaries) in AO RAO Energy Systems of the East increased from 86.20% to 99.98% as a result of the consolidation process by buying shares from minority shareholders. In 2016, shares of AO RAO Energy Systems of the East stopped being quoted and in 2017 the company was de-listed from the Moscow Exchange and removed from quotation lists.

The Company's management plans to benefit 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 from their market value fluctuations. In view of these circumstances and taking into account the fact that the Company has no plans to sell these investments, in accordance with para 6 of the Russian Accounting Regulation "Accounting Reports of an Entity" (PBU 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided not to follow the accounting rules and not to perform any market revaluation of its investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company after their purchase date.

Therefore, the valuation approach used by the Company to record these investments, i.e. at value that is agreed with the shareholders and is based on an independent market appraisal, allows to avoid inappropriate presentation of the Company's financial position and financial results.

Additionally, the Company's management reviewed IAS 27 "Separate Financial Statements", IFRS 9 "Financial Instruments" and IFRS 13 "Fair Value Measurement".

IAS 27 sets the rules of recognizing investments in subsidiaries, joint ventures and associates in the process of preparing separate financial statements. In accordance with para 10 of IAS 27, an entity can choose to account for such investments at cost or in accordance with IFRS 9 at fair value. IFRS 13 gives the highest priority in fair value measurement to quoted prices in active markets for identical assets. The term 'active market' is defined as one in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The market for investments under review is not deemed active.

The alternative accounting treatment of investments in subsidiaries as per IAS 27, i.e. at cost without any revaluation at market quotes, complies with the Company's accounting policies that

provide for the departure from the Accounting Regulation "Accounting for Investments" (PBU 19/02).

***Impairment of financial investments***

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.

**2.6 Inventories**

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

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

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

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

**2.7 Expenses of future periods**

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

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

**2.8 Accounts receivable**

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

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

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

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

Uncollectable receivables are written-off when recognized as such. These receivables are recorded in off-balance-sheet accounts over five years after the debt is written off for monitoring

whether there is a possibility of their collection in case of any changes in the debtor's property status.

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

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

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

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

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

- indirect taxes within receipts from buyers and customers and payments to suppliers and contractors;
- cash flows used for investing activities and received on repayment of short-term bank deposits (with a maturity of more than three months) within the same reporting period and included in the line 4219 "Other receipts" and in the line 4229 "Other payments".

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

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

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

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

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

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

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

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

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

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

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

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

### ***Estimated liabilities***

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

The Company recognises an estimated liability:

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

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

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

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

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

## **2.13 Revenue recognition**

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

Other revenues of the Company include:

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

## **2.14 Recognition of expenses**

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

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

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

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

Other expenses include:

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

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

There are no significant changes in the Company's accounting policies for 2018.

### III. Disclosure of material indicators

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

##### 3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet),

PP&E group	Net book value		
	31 December 2018	31 December 2017	31 December 2016
<b>Line 1151 Property, plant and equipment, including:</b>			
Facilities and transmission equipment	185,342	189,107	192,240
Machinery and equipment	162,476	153,576	140,215
Buildings	38,193	38,903	39,539
Motor vehicles	6	6	6
Production and maintenance tools	154	220	293
Land plots	4	4	4
Other types of property, plant and equipment	176	191	217
<b>Total line 1151 "Property, plant and equipment"</b>	<b>386,401</b>	<b>382,007</b>	<b>372,514</b>

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**Availability and movement of property, plant and equipment**

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:	2017	470,944	(98,430)	27,220	(1,075)	743	(17,395)	497,089	(115,082)
	2018	497,089	(115,082)	21,584	(2,369)	1,390	(16,211)	516,304	(129,903)
Facilities and transmission equipment	2017	226,077	(33,837)	1,428	(59)	47	(4,549)	227,446	(38,339)
	2018	227,446	(38,339)	1,469	(912)	308	(4,580)	228,003	(42,611)
Machinery and equipment	2017	198,113	(57,898)	25,391	(841)	652	(11,841)	222,663	(69,087)
	2018	222,663	(69,087)	19,732	(1,194)	992	(10,630)	241,201	(78,725)
Buildings	2017	45,244	(5,705)	366	(141)	20	(881)	45,469	(6,566)
	2018	45,469	(6,566)	343	(236)	63	(880)	45,576	(7,383)
Motor vehicles	2017	13	(7)	-	-	-	-	13	(7)
	2018	13	(7)	1	-	-	(1)	14	(8)
Production and maintenance tools	2017	1,075	(782)	31	(22)	12	(94)	1,084	(864)
	2018	1,084	(864)	32	(25)	25	(98)	1,091	(937)
Land plots	2017	4	-	-	-	-	-	4	-
	2018	4	-	-	-	-	-	4	-
Other types of property, plant and equipment	2017	418	(201)	4	(12)	12	(30)	410	(219)
	2018	410	(219)	7	(2)	1	(22)	415	(239)

\* Cost of property, plant and equipment received in 2017 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements of RUB 1,150 million and accumulated depreciation of RUB 998 million. Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.



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

Narrative	2018	2017
<b>Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:</b>	<b>11,168</b>	<b>14,885</b>
Machinery and equipment	10,121	13,472
Facilities and transmission equipment	946	1,099
Buildings	89	314
<b>Business and administrative equipment and stock</b>	<b>12</b>	<b>-</b>
<b>Decrease in value of property, plant and equipment as a result of partial liquidation including:</b>	<b>85</b>	<b>85</b>
Machinery and equipment	80	77
Other types of property, plant and equipment	5	8

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

Narrative	31 December 2018	31 December 2017	31 December 2016
Leased out PP&E recognised on the balance sheet	1,023	1,308	1,451
Leased PP&E recognised in the off-balance-sheet accounts	36,256	35,760	33,862
Real estate assets which were put into operation and actually used but are in the process of state registration	856	1,178	5,924
PP&E that have been temporarily shut down	100	71	80

**Construction-in-progress and purchase of property, plant and equipment**

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
<b>Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:</b>	<b>2017</b>	<b>36,595</b>	<b>27,209</b>	<b>(58)</b>	<b>29</b>	<b>(26,147)</b>	<b>37,628</b>
	<b>2018</b>	<b>37,628</b>	<b>16,732</b>	<b>(85)</b>	<b>(8)</b>	<b>(21,584)</b>	<b>32,683</b>
Construction-in-progress	2017	33,238	13,171	(58)	11,539	(25,676)	32,214
	2018	32,214	8,979	(80)	8,688	(21,357)	28,444
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2017	24	471	-	(2)	(471)	22
	2018	22	236	-	-	(227)	31
Equipment for installation	2017	3,333	13,567	-	(11,508)	-	5,392
	2018	5,392	7,517	(5)	8,696	-	4,208

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

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

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

<b>Narrative</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Investments in subsidiaries	264,824	237,257	244,104
Investments in associates	11,110	11,110	11,110
Investments in other entities	1,544	8,363	9,373
Long-term loans issued	66,128	55,419	27,085
Debt securities	-	-	601
<b>Total line 1170 "Financial investments"</b>	<b>343,606</b>	<b>312,149</b>	<b>292,273</b>

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

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

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
Long-term investments including:	2017	320,913	(28,640)	56,192	(893)	(27,692)	16	(7,747)	349,412	(37,263)
	2018	349,412	(37,263)	45,455	1,448	(13,580)	3,330	(5,196)	381,287	(37,681)
Investments in subsidiaries	2017	261,933	(17,829)	900	-	-	-	(7,747)	262,833	(25,576)
	2018	262,833	(25,576)	34,247	-	(1,484)	-	(5,196)	295,596	(30,772)
Investments in associates	2017	11,126	(16)	-	-	(16)	16	-	11,110	-
	2018	11,110	-	-	-	-	-	-	11,110	-
Investments in other entities	2017	13,269	(3,896)	-	(893)	(117)	-	-	13,151	(4,788)
	2018	13,151	(4,788)	-	1,448	(11,597)	3,330	-	1,554	(10)
Long-term loans issued	2017	27,085	-	55,292	-	(26,958)	-	-	55,419	-
	2018	55,419	-	11,208	-	(499)	-	-	66,128	-
Debt securities	2017	7,500	(6,899)	-	-	(601)	-	-	6,899	(6,899)
	2018	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".

**(a) Investments in subsidiaries, associates and other entities**

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

Subsidiaries and associates and other entities	31 December 2018		31 December 2017		31 December 2016	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
<b>Subsidiaries</b>	<b>264,824</b>		<b>237,257</b>		<b>244,104</b>	
JSC Zagorskaya GAES-2	69,691	100.00%	60,691	100.00%	60,691	100.00%
JSC Nizhne-Bureiskaya GES	38,393	100.00%	14,611	100.00%	14,611	100.00%
JSC Ust-Srednekanskaya GES	23,111	67.82%	23,111	67.82%	23,111	67.82%
JSC RAO ES of East	18,495	84.39%	18,495	84.39%	18,495	84.39%
JSC Zaramagskie GES	17,216	99.75%	17,216	99.75%	17,216	99.75%
JSC Yakutskaya GRES-2	16,862	100.00%	16,862	100.00%	16,862	100.00%
JSC Sakhalinskaya GRES-2	15,012	100.00%	15,012	100.00%	15,012	100.00%
JSC CCGT in the City of Sovetskaya Gavan	13,844	100.00%	13,844	100.00%	13,844	100.00%
PJSC Kolymaenergo	13,187	98.76%	13,187	98.76%	13,187	98.76%
JSC Sulakskiy Hydrocascade	11,480	100.00%	10,094	100.00%	10,094	100.00%
JSC Malaya Dmitrovka	6,394	100.00%	6,394	100.00%	6,394	100.00%
JSC Blagoveschenskaya TEC	4,285	100.00%	4,285	100.00%	4,285	100.00%
JSC ESK RusHydro	3,358	100.00% - 1 share	3,358	100.00% - 1 share	3,420	100.00% - 1 share
JSC Lenhydroproject	3,260	100.00%	3,260	100.00%	3,260	100.00%
JSC Geoterm	2,493	99.74%	2,425	99.65%	2,425	99.65%
JSC Leningradskaya GAES	1,987	100.00%	1,987	100.00%	4,994	100.00%
PJSC Yakutskenergo*	1,671	29.80%	1,671	29.80%	1,671	29.80%
JSC NIIES	1,067	100.00%	1,067	100.00%	1,067	100.00%
LLC Verkhnebalkarskaya MGES	937	100.00%	937	100.00%	937	100.00%
OJSC P. S. Neporozhny Sayano-Shushenskaya HPP	589	100.00%	589	100.00%	589	100.00%
PJSC Kamchatsky gas and energy complex	531	100.00%	531	96.58%	531	96.58%
JSC Yuzhno-Yakutskiy GEK	49	100.00%	2,993	100.00%	3,005	100.00%
JSC Gidroinvest***	-	66.81%	3,255	100.00%	5,422	100.00%
HydroOGK Power Company Ltd	-	100.00%	-	100.00%	1,171	100.00%
Other	912		1,382		1,810	
<b>Associates:</b>	<b>11,110</b>		<b>11,110</b>		<b>11,110</b>	
PJSC Irkutsk Electric Grid Company	8,543	42.75%	8,543	42.75%	8,543	42.75%
PJSC Sakhalin energy company	2,567	26.94%	2,567	26.94%	2,567	28.09%
<b>Other entities:</b>	<b>1,544</b>		<b>8,363</b>		<b>9,373</b>	
PJSC Boguchanskaya GES	1,081	2.88%	1,081	2.88%	1,081	2.88%
PJSC Inter RAO	-	-	6,809	1.94%	7,709	1.94%
Other	463		473		583	
<b>Total:</b>	<b>277,478</b>		<b>256,730</b>		<b>264,587</b>	

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

\*\* JSC Yuzhno-Yakutskiy GEK was renamed to JSC TSOK RusHydro in 2018.

\*\*\* The ownership percentage of shares changed due to reorganisation through merger LLC Index energetiki – HydroOGK, LLC EZOP, LLC Vostok-Finans into JSC Gidroinvest.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2018 are as follows:

- acquisition of additionally issued shares of subsidiaries for the total of RUB 34,246 million, including AO Nizhne-Bureyskaya GES of RUB 23,782 million, AO Zagorskaya HAEPP-2

of RUB 9,000 million, AO Sulaksky Hydrocascade of RUB 1,386 million, other subsidiaries of RUB 78 million;

- measurement of investments that have current market value and recognition of the resulting gain of RUB 1,449 million on shares of PAO Inter RAO;
- sale in July 2018 of PAO Inter RAO's shares with the carrying value of RUB 8,267 million; AO Inter RAO Capital with the sales cost of 6,790 million (as at 31 December 2018 short-term receivables contains RAO Inter RAO's receivables in the amount of RUB 5 936 million (see paragraph 3.2.2 of the Explanatory Notes) in accordance with the terms of repayment under the sales contract;
- creating an investment impairment provision of RUB 6,452 million, including RUB 3,255 million for AO Gidroinvest, RUB 2,943 million for AO TSOK RusHydro and RUB 254 million for other subsidiaries;

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

As of 31 December 2018, 31 December 2017 and 31 December 2016, investments included shares of the Company's subsidiaries, i.e. JSC RAO ES of East, PJSC Yakutskenergo and PJSC DEK, received in 2011–2013 as a result of the additional issue of the Company's shares which are recognised on the Company's balance sheet. These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling RUB 20 204 million as of 31 December 2018. This valuation exceeds the current market value of the shares (for JSC RAO ES of East - the cost of the last valuation at the current market value) as of 31 December 2018, 31 December 2017 and 31 December 2016 by RUB 6 670 million, RUB 6,702 million and RUB 6,614 million, respectively.

Description of the Company's accounting policies and explanation of the departure from PBU 19/02 in the accounting treatment of the above investments are provided in para 2.5 of the Notes.

Items of the financial statements that change as a result of the departure from the accounting rules and the adjustment amount for each such item are presented below:

Items of the financial statements	Date/period	Item value as if there were no departure	Adjustment amount	Items of the financial statements
Net assets	31.12.2016	762 785	6 614	769 399
	31.12.2017	819 043	6 702	825 745
	31.12.2018	844 595	6 670	851 265
Line 1170 "Financial investments"	31.12.2016	285 659	6 614	292 273
	31.12.2017	305 447	6 702	312 149
	31.12.2018	336 936	6 670	343 606
Line 1370 "Retained earnings (loss)"	31.12.2016	254 060	6 614	260 674
	31.12.2017	268 292	6 702	274 994
	31.12.2018	292 207	6 670	298 877
Line 2340 "Other income"	2017	7 895	-	7 895
	2018	14 872	(32)	14 840
Line 2350 "Other expense"	2017	(22 437)	88	(22 349)
	2018	(31 978)	-	(31 978)
Line 2340 "Net income"	2017	36 061	88	36 149
	2018	36 758	(32)	36 726
Line 2340 "Basic earning per share, RR"	2017	0,0888	0,0002	0,0890
	2018	0,0862	-	0,0862

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2018.

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

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

As a result of the analysis, a number of subsidiaries and other organizations were impaired and a provision was made in the total amount RUB 6 453 million (for 2017 - RUB 7,747 million).

The initial value of equity financial investments in respect of which a provision for impairment of financial investments was created is RUB 36 318 million as of 31.12.2018 (as of 31.12.2017 – RUB 37,166 million, as of 31.12.2016 – RUB 35,096 million). The amount of provision for impairment of these financial investments as of 31 December 2018 is RUB 30 781 million (as of 31.12.2017 – RUB 25,586 million, as of 31.12.2016 – RUB 17,855 million).

**JSC Zagorskaya GAES-2.** As of 31 December 2018 the balance sheet includes JSC Zagorskaya GAES-2 shares as long-term financial investments in the amount of RUB 69,691 million.

The analysis of recoverability of these assets performed by the Company as of 31 December 2018 was based on the following key factors:

- Management plans to perform recovery work and complete construction of Zagorskaya GAES-2. As of 31 December 2018 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya GAES-2. However, these expenses can be significant.
- Capacity supply contracts were concluded in respect of Zagorskaya GAES-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- By the decision of the Association "NP Market Council" dated April 18, 2018, the date of commencement of the fulfillment of PJSC RusHydro's obligations for the supply of capacity to JSC Zagorskaya GAES-2 was postponed in respect of the first and second stages - on January 1, 2024.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya GAES-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2018.

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

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

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Maturity date	Annual rate, %
<b>Long-term loans issued to related parties, including:</b>					
JSC Far East Generating Company	40,546	35,608	4,538	2021-2023	5,9%-8,0%
JSC RAO ES Vostoka	8,523	8,523	-	2022	5,9% - 6,4%
JSC Sakhaenergo	5,426	1,950	3,476	2021-2022	5,9%-8,0%
PJSC Yakutskenergo	2,400	2,400	-	2022	5,9% - 6,4%
PJSC Kamchatskenergo	2,004	2,004	-	2022	5,9% - 6,4%
JSC Hydroinvest	1,748	-	12,137	2021	10,1%
PJSC Magadanenergo	1,618	1,618	-	2022	5,9% - 6,4%
JSC Teploenergoservice	1,517	588	929	2021-2022	5,9%-8,0%
PJSC Sakhalinenergo	1,345	1,345	-	2022	5,9% - 6,4%
JSC Far East Distribution Grid Company	-	-	4,846		

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Maturity date	Annual rate, %
Other	1,001	1,085	1,159		
<b>Total long-term loans issued</b>	<b>66,128</b>	<b>55,419</b>	<b>27,085</b>		

As of 31 December 2018 the balance sheet line 1170 "Financial investments" includes the target loan granted to subsidiaries of the Company in the amount of RUB 55 000 million in 2017 for refinancing their current liabilities (as of JSC Far East Generating Company – RUB 35 608 million, JSC RAO ES Vostoka – RUB 8 523 million, PJSC Yakutskenergo – RUB 2 400 million, PJSC Kamchatskenergo – RUB 2 004 million and others in the amount of RUB 6 465 million).

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

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

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

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

Narrative	31 December 2018	31 December 2017	31 December 2016
Zelenchuiskaya GAES connections to the grid	1,704	1,817	1,931
Software and licenses	693	734	984
Borrowing costs	540	420	891
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	-	1,620	1,620
Other	369	243	150
<b>Total expenses of future periods, including:</b>	<b>3,306</b>	<b>4,834</b>	<b>5,576</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)	2,629	4,222	4,703
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)	677	612	873

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

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

Narrative	31 December 2018	31 December 2017	31 December 2016
Spare parts, materials and other inventories	4,063	3,614	3,328
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)	677	612	873
Other	25	32	51
<b>Total line 1210 "Inventories"</b>	<b>4,765</b>	<b>4,258</b>	<b>4,252</b>

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2018 the provision for their impairment amounted to RUB 45 million (31 December 2017: RUB 155 million, 31 December 2016: RUB 157 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 53 687 million, 54,713 million and 62,615 million as of 31 December 2018, 2017 and 2016, respectively.

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

Type of long-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
Interest-free promissory notes received	30,974	29,931	29,312
Advances issued to suppliers of equipment and capital construction contractors	16,373	19,697	19,676
Interest-free loans issued	441	2,600	11,258
Buyers and customers	41	34	178
Lease receivables	-	-	152
Other long-term accounts receivable	5,858	2,451	2,039
<b>Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"</b>	<b>53,687</b>	<b>54,713</b>	<b>62,615</b>

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

Issuer	31 December 2018	31 December 2017	31 December 2016
<b>Other related parties, including:</b>	<b>25,689</b>	<b>25,689</b>	<b>25,689</b>
PJSC Boguchanskaya GES	21,027	21,027	21,027
CJSC Boguchansky Aluminium Plant	4,662	4,662	4,662
<b>Total interest-free promissory notes received from related parties</b>	<b>25,689</b>	<b>25,689</b>	<b>25,689</b>
VTB Bank (PJSC)	2,307	1,361	742
PJSC Rosbank	1,491	1,491	1,491
JSC Alfa-Bank	1,280	1,280	1,280
PJSC Ulyanovskenergo	207	110	110
<b>Total interest-free promissory notes received from other counterparties</b>	<b>5,285</b>	<b>4,242</b>	<b>3,623</b>
<b>Total long-term interest-free promissory notes receivable</b>	<b>30,974</b>	<b>29,931</b>	<b>29,312</b>

As of 31 December 2018, 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:

- PJSC 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 2018 is RUB 7,551 million);
- CJSC Boguchansky Aluminium Plant: promissory notes for RUB 4,662 million payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2018 is RUB 2,630 million);

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>89</b>	<b>782</b>	<b>645</b>
JSC Hydroremont-VKK	5	747	616
Other	84	35	29
<b>Other related parties, including:</b>	<b>-</b>	<b>-</b>	<b>325</b>
LLC VolgaHydro	-	-	325
<b>Total advances issued to related parties</b>	<b>89</b>	<b>782</b>	<b>970</b>
Voith Hydro GmbH & Co KG	8,266	10,537	9,371
PJSC Silovye Mashiny	7,404	7,990	9,220
LLC Siemens	266	266	-
Other	348	122	115
<b>Total advances issued to other counterparties</b>	<b>16,284</b>	<b>18,915</b>	<b>18,706</b>
<b>Total advances issued to suppliers of equipment and capital construction contractors</b>	<b>16,373</b>	<b>19,697</b>	<b>19,676</b>

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.

With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2019 are included within short-term advances issued.

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>148</b>	<b>2,232</b>	<b>10,890</b>
JSC Nizhne-Bureiskaya GES	148	1,198	4,653
JSC ESK RusHydro	-	1,034	1,034
JSC CCGT in the City of Sovetskaya Gavan	-	-	2,355
JSC Ust-Srednekanskaya GES	-	-	2,111
JSC MGES Kabardino-Balkarii	-	-	407
JSC Sakhalinskaya GRES-2	-	-	330
<b>Other related parties</b>	<b>-</b>	<b>2</b>	<b>7</b>
<b>Total interest-free loans issued to related parties</b>	<b>148</b>	<b>2,234</b>	<b>10,897</b>
Other	293	366	361
<b>Total interest-free loans issued to other counterparties</b>	<b>293</b>	<b>366</b>	<b>361</b>
<b>Total long-term interest-free loans issued</b>	<b>441</b>	<b>2,600</b>	<b>11,258</b>

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Interest receivable accrued on loans issued and promissory notes received, including:</b>	<b>5,766</b>	<b>2,243</b>	<b>1,702</b>
Subsidiaries	5,766	2,243	1,702
<b>Other accounts receivable</b>	<b>92</b>	<b>208</b>	<b>337</b>
<b>Total other long-term accounts receivable</b>	<b>5,858</b>	<b>2,451</b>	<b>2,039</b>

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

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer to provision for short-term receivables	At the end of the year
<b>Impairment provision for long-term accounts receivable, including:</b>	<b>2017</b>	<b>2,879</b>	-	-	-	(144)	<b>2,735</b>
	<b>2018</b>	<b>2,735</b>	-	-	-	-	<b>2,735</b>
Trade receivables	2017	144	-	-	-	(144)	-
	2018	-	-	-	-	-	-
Other	2017	2,735	-	-	-	-	2,735
	2018	2,735	-	-	-	-	2,735

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

Total short-term accounts receivable less doubtful debt provision were RUB 132,083 million, RUB 122,595 million and RUB 86,999 million as of 31 December 2018, 2017 and 2016, respectively.

Type of short-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
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Type of short-term accounts receivable	31 December 2018	31 December 2017	31 December 2016
<b>Buyers and Customers, including:</b>	<b>6,879</b>	<b>6,726</b>	<b>7,120</b>
Accounts receivable for electricity and capacity	6,822	6,649	6,214
Other	57	77	906
<b>Advances issued, including:</b>	<b>7,059</b>	<b>4,276</b>	<b>10,206</b>
Advances issued to suppliers of equipment and capital construction contractors	6,496	3,754	9,641
Other advances issued	563	522	565
<b>Other debtors, including:</b>	<b>118,145</b>	<b>111,593</b>	<b>69,673</b>
Interest-free promissory notes received	2,343	2,385	5,459
Interest-free loans issued	94,181	64,331	30,792
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	10,272	29,621	22,997
Indebtedness under assignment agreement	-	9,962	8,257
Taxes receivable	3,437	3,322	676
Lease receivables	-	-	95
PJSC Inter RAO	5,936	-	-
Other	1,976	1,972	1,397
<b>Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)</b>	<b>132,083</b>	<b>122,595</b>	<b>86,999</b>

Short-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply within 12 months of the reporting date.

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>1,999</b>	<b>1,013</b>	<b>1,207</b>
JSC Hydroremont – VKK	1,303	582	838
Other	696	431	369
<b>Other related parties, including:</b>	<b>-</b>	<b>3</b>	<b>475</b>
LLC VolgaHydro	-	3	475
<b>Total advances issued to related parties</b>	<b>1,999</b>	<b>1,016</b>	<b>1,682</b>
PJSC Silovye Mashiny	2,552	1,118	22
Voith Hydro GmbH & Co KG	1,127	903	6,538
JSC VNIIR Hydroelectroautomatics	180	420	111
Other	638	297	1,288
<b>Total advances issued to other counterparties</b>	<b>4,497</b>	<b>2,738</b>	<b>7,959</b>
<b>Total advances issued to suppliers of equipment and capital construction contractors</b>	<b>6,496</b>	<b>3,754</b>	<b>9,641</b>

With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

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

Issuer	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>2,142</b>	<b>2,142</b>	<b>5,457</b>
JSC MGES Kabardino-Balkarii	2,142	2,142	2,142
JSC Zaramagskie GES	-	-	3,090
Other	-	-	225
<b>Total interest-free promissory notes from related parties</b>	<b>2,142</b>	<b>2,142</b>	<b>5,457</b>
Other	201	243	2
<b>Total interest-free promissory notes from other counterparties</b>	<b>201</b>	<b>243</b>	<b>2</b>
<b>Total short-term interest-free promissory notes received</b>	<b>2,343</b>	<b>2,385</b>	<b>5,459</b>

As of 31 December 2018, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company are represented by promissory notes payable on demand.

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>94,113</b>	<b>64,253</b>	<b>30,700</b>
JSC Zaramagskie GES	17,122	8,769	-
JSC Hidroinvest	16,533	1,896	-
JSC Ust-Srednekanskaya GES	15,463	11,551	6,303
JSC RAO ES Vostoka	14,867	7,745	-
JSC Sakhalinskaya GRES-2	9,217	2,020	-
JSC Yakutskaya GRES-2	5,912	6,463	1,353
JSC Nizhne-Bureyskaya GES	5,275	3,779	-
JSC CCGT in the City of Sovetskaya Gavan	2,645	2,355	-
LLC Malye GES Stavropolya and KChR	1,833	816	31
LLC Verkhnebalkarskaya MGES	1,790	641	165
JSC MGES Kabardino-Balkarii	1,352	1,444	851
JSC Magadanenergo	543	85	-
JSC Sulaksky Hydrocascade	35	538	1,559
LLC Index energetiki – HydroOGK	-	13,014	13,521
LLC Vostok-finans	-	2,246	2,337
LLC EZOP	-	-	2,902
Other	1,526	891	1,678
<b>Other related parties, including:</b>	<b>-</b>	<b>4</b>	<b>7</b>
Loans issued to the Company's key management	-	4	7
<b>Total interest-free loans issued to related parties</b>	<b>94,113</b>	<b>64,257</b>	<b>30,707</b>
Total short-term interest-free loans issued to other counterparties	68	74	85
<b>Total short-term interest-free loans issued</b>	<b>94,181</b>	<b>64,331</b>	<b>30,792</b>

As of 31 December 2018, short-term interest-free loans issued include:

- at call loans of RUB 17,122 million provided to AO Zaramagskie GES to finance expenditures under the investment project Zaramagskie GES and to replenish its working capital to be used for refinancing payables ;
- at call loans of RUB 16,533 million provided to AO Hidroinvest, including loans of RUB 14,878 million received from OOO Index Energetiki – HydroOGK and OOO Vostok-Finance as a result of the reorganisation.
- at call loans of RUB 15,463 million provided to AO Ust-Srednekanskaya GES to finance expenditures under the investment project Ust-Srednekanskaya GES;
- at call loans of RUB 14,867 million provided to AO RAO Energy System of the East to finance its investment program and other projects as well as to refinance bank loans payable;
- at call loans of RUB 9,217 million provided to AO Sakhalin GRES-2, including to finance its investment project "Sakhalin GRES-2 Construction" (1st stage).

Interest-free loans of RUB 94,113 million provided to subsidiaries as at 31 December 2018 are recorded within short-term accounts receivable in line with effective contract terms.

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
JSC Holding company BoGES	9,963	-	-
JSC TK RusHydro	309	309	10
JSC Nizhne-Bureyskaya GES	-	21,279	16,128

JSC Zagorskaya GAES-2	-	6,647	5,473
JSC Sulaksky Hydrocascade	-	1,386	1,386
<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>10,272</b>	<b>29,621</b>	<b>22,997</b>

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

Item	31 December 2018	31 December 2017	31 December 2016
Income tax	3,039	2,905	438
Other taxes and levies	398	417	238
<b>Total tax receivables</b>	<b>3,437</b>	<b>3,322</b>	<b>676</b>

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

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer*	At the end of the year
<b>Provision for short-term accounts receivable, including</b>	<b>2017</b>	<b>13,129</b>	<b>3,508</b>	<b>(3,965)</b>	<b>(97)</b>	<b>144</b>	<b>12,719</b>
	<b>2018</b>	<b>12,719</b>	<b>4,409</b>	<b>(2,652)</b>	<b>(95)</b>	<b>-</b>	<b>14,381</b>
Trade receivables	2017	5,539	1,970	(1,141)	(23)	144	6,489
	2018	6,489	3,248	(2,604)	(8)	-	7,125
Advances issued	2017	87	307	(1)	(54)	-	339
	2018	339	34	(12)	(3)	-	358
Other	2017	7,503	1,231	(2,823)	(20)	-	5,891
	2018	5,891	1,127	(36)	(84)	-	6,898

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

#### **Overdue accounts receivable**

Item	31 December 2018		31 December 2017		31 December 2016	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
<b>Total, including:</b>	<b>10,045</b>	<b>624</b>	<b>9,098</b>	<b>810</b>	<b>8,594</b>	<b>1,721</b>
Buyers and customers	6,998	169	6,127	126	5,423	320
Advances issued	706	348	556	217	1,332	1,246
Other debtors	2,341	107	2,415	467	1,839	155

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

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

Type of investment	31 December 2018	31 December 2017	31 December 2016
Bank deposits	29,585	163	4,075
Loans issued	5,584	11,686	1,230
Promissory notes	601	601	-
<b>Total line 1240 "Investments" (excluding cash equivalents)</b>	<b>35,770</b>	<b>12,450</b>	<b>5,305</b>

# PJSC RusHydro

## Explanatory Notes to the 2018 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			
<b>Short-term investments, including:</b>	<b>2017</b>	<b>7,561</b>	<b>(2,256)</b>	<b>50,589</b>	<b>(43,551)</b>	-	<b>107</b>	<b>14,599</b>	<b>(2,149)</b>
	<b>2018</b>	<b>14,599</b>	<b>(2,149)</b>	<b>50,660</b>	<b>(26,896)</b>	-	<b>(444)</b>	<b>38,363</b>	<b>(2,593)</b>
Bank deposits	2017	4,075	-	21,966	(25,878)	-	-	163	-
	2018	163	-	43,738	(14,316)	-	-	29,585	-
Loans issued	2017	3,486	(2,256)	28,022	(17,673)	-	107	13,835	(2,149)
	2018	13,835	(2,149)	6,922	(12,580)	-	(444)	8,177	(2,593)
Promissory notes	2017	-	-	601	-	-	-	601	-
	2018	601	-	-	-	-	-	601	-

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

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

**(a) Bank deposits**

As at 31 December 2018, the Company had Rouble deposits with banks of RUB 29,585 million, due in 2019. As at 31 December 2018, interest rates on Rouble deposits were 5.85% – 8.15% p.a. (31 December 2017: 5.55%, 31 December 2016: 10.75% – 10.85%).

Credit institution	Rating on 31 December 2018	Rating agency	31 December 2018	31 December 2017	31 December 2016
JSC UniCredit Bank	BBB-	Fitch	9 000	-	-
Bank GPB (JSC)	BB+	Fitch	6 500	-	-
PJSC Rosbank	BBB-	Fitch	6 000	-	-
VTB Bank (PJSC)	BBB-	S&P	5 000	-	-
PJSC Sberbank	BBB-	Fitch	3 085	163	4 075
<b>Total bank deposits</b>			<b>29 585</b>	<b>163</b>	<b>4 075</b>

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

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Annual rate, %
<b>Short-term loans issued to related parties, including:</b>				
PJSC Kamchatskenergo	3 975	-	-	7,51%
PJSC Sakhalinenergo	650	-	-	7,51%
PJSC Yakutskenergo	507	-	-	10,14%
JSC ESK RusHydro	197	420	446	10,10%
JSC Yakutskaya GRES-2	97	495	231	10,14%
JSC Far East Distribution Company	49	4,538	-	7,25%-7,75%
JSC Sakhaenergo	-	3,476	-	
JSC Hydroinvest	-	1,748	-	
JSC Teploenergосervice	-	929	-	
Other	109	80	553	
<b>Total short-term loans issued</b>	<b>5,584</b>	<b>11,686</b>	<b>1,230</b>	

As of 31 December 2018 provision was made RUB 2,593 million for CJSC Verkhne-Narynskie GES (31 December 2017: RUB 2,149 million, 31 December 2016: RUB 2,256 million).

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

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

Item	31 December 2018	31 December 2017	31 December 2016
Cash in bank	7,902	2,194	7,206
Cash equivalents	34,170	47,836	32,849
Cash at accounts in the Office of the Federal Treasury	899	899	899
<b>Total line 1250 "Cash and cash equivalents"</b>	<b>42,971</b>	<b>50,929</b>	<b>40,954</b>

As of 31 December 2018, 2017 and 2016, there is no restricted cash.

The balance of the target cash in the amount of RUB 899 million, received by the Company within the framework of an additional issue in previous periods for the implementation of investment projects for the construction of electric power facilities, as of 31 December 2018 is placed on special accounts in the Office of the Federal Treasury for Moscow (as of 31 December 2017 - RUB 899 million, as of 31 December 2016 - RUB 899 million). These funds can be used by the Company only after passing the approval procedure by the Federal Treasury on the basis of the established procedure for authorizing the expenses of organizations by Order No. 213n of the Ministry of Finance of the Russian Federation of 25 December 2015.

As of 31 December 2018, 2017 and 2016, cash equivalents included short-term bank deposits with original maturities of three months or less.

As of 31 December 2018 there were cash balances denominated in US dollars equivalent to RUB 0 million (31 December 2017: RUB 477 million; 31 December 2016: RUB 312 million).

As of 31 December 2018, interest rates on Rouble deposits were 7.50% – 8.22% p.a. (31 December 2017: 5.55% – 7.50%, 31 December 2016: 9.55% – 10.41%).

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

Credit institution	Rating on 31 December 2018	Rating agency	31 December 2018	31 December 2017	31 December 2016
<b>Bank deposits, including:</b>					
VTB Bank (PJSC))	BBB-	S&P	18,497	32,034	20,430
Bank GPB (JSC)	BB+	Fitch	13,100	15,329	12,107
JSC UniCredit Bank	BBB-	Fitch	2,573	-	-
PJSC Sberbank	BBB-	Fitch	-	472	312
<b>Total cash equivalents</b>			<b>34,170</b>	<b>47,835</b>	<b>32,849</b>
<b>Cash in banks, including:</b>					
Bank GPB (JSC)	BB+	Fitch	3,827	20	4,918
JSC Bank «ROSSIYA»	A+	AKPA	3,740	1,811	4
PJSC Sberbank	BBB-	Fitch	205	313	479
VTB Bank (PJSC)	BBB-	S&P	126	47	1,803
Other			4	3	2
<b>Total cash in bank</b>			<b>7,902</b>	<b>2,194</b>	<b>7,206</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.

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

Item	2018	2017
<b>Other receipts from operating activities (line 4119), including:</b>	<b>10,759</b>	<b>2,214</b>
Value added tax	372	1,625
Penalties, interest and fines recognised or for which court rulings on collection have been received	70	237
GDR	223	219
Income from assignment of rights	10,080	34
Other receipts from operating activities	14	99
<b>Other payments related to operating activities (line 4129), including:</b>	<b>(18,563)</b>	<b>(16,899)</b>
Taxes and levies	(8,571)	(7,831)
Non-budget funds	(2,003)	(1,783)
Charity payments	(1,397)	(1,726)
Business trip expenses	(335)	(225)
Water usage expenses	(1,824)	(1,401)
Payments of non-deliverable forward contract for shares	(2,813)	(3,243)
Payment of expenses for raising borrowed capital	(1,207)	(298)
Other payments related to operating activities	(413)	(392)
<b>Other payments related to investing activities (line 4219), including:</b>	<b>-</b>	<b>3,934</b>
Cash placement on a short-term deposit other than cash equivalent	-	3,918
Other payments related to investing activities	-	16



Other payments related to investing activities (line 4229), including:	(29,422)	-
Cash placement on a short-term deposit other than cash equivalent	(29,244)	-
Other payments related to financing activities (line 4329), including:	(2)	(6)
Settlement of finance lease obligations (payments under lease contracts)	-	(2)
Other payments related to financing activities	(2)	(4)

In 2018 other payments related to operating activities include the payment of assigned receivables of JSC Holding company BoGES in the amount of RUB 9 962 million (Note 3.2.2), that were received in payment for dividends from HydroOGK Power Company Ltd. in 2017 and 2016.

### 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 2018, 2017 and 2016, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2018	Number of shares at 31 December 2017	Number of shares at 31 December 2016
Ordinary shares with nominal value of RUB 1 per share	426,288,813,551	426,288,813,551	386,255,464,890

As of 31 December 2018, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	258,161,535,606	60.56%
Non-Banking Credit Organisation JSC National Settlement Depository	nominee holder	157 874 433 885	37.03%
Other		10 252 844 060	2.41%
<b>Total</b>		<b>426,288,813,551</b>	<b>100.00%</b>

The members of the Management Board of the Company hold 16 million shares of the total number of ordinary shares as of 31 December 2018 (as of 31.12.2017 - 71 million shares, as of 31.12.2016 - 71 million shares). Subsidiaries and associates own 3,852 million shares of the Company (as of 31.12.2017 - 3,852 million shares, as of 31.12.2016 - 18,852 million shares).

#### **Additional issue in 2018-2019**

On 21 June 2018, the Company's Board of Directors approved (Minutes No.272 of 22 June 2018) the decision to have an additional issue of the Company's securities in the amount of 14,013,888,828 shares through their public offering with payment in cash, the placing price for the Company's additional share issue was set at RUB 1 per share.

On 27 August 2018, the Central Bank of the Russian Federation registered the additional issue of the Company's 14,013,888,828 ordinary registered shares No. 1-01-55038-E-043D

#### **Additional issue in 2016-2017**

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

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

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

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

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

By the results of emission 40 033 348 661 shares were actually placed. That takes 99.02% of the additional issue.

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

As of 31 December 2018, the amount of accumulated revaluation of non-current assets is RUB 52,437 million (31 December 2017: RUB 52,606 million, 31 December 2016: RUB 52,705 million). This metric consists of the amounts of revaluation accumulated by subsidiaries and associate which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 169 million in 2018 due to disposal of items of property, plant and equipment revalued earlier (2017: RUB 99 million).

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

As of 31 December 2018, 2017 and 2016, the Company's additional paid capital was RUB 58,424 million, RUB 58,424 million and RUB 58,424 million, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

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

As of 31 December 2018, 2017 and 2016, the Company's reserve capital was RUB 15,179 million, RUB 13,371 million and RUB 11,278 million, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 28 June 2018 (Minutes No. 17), the Company allocated 5% of its net profit for 2017 in the amount of RUB 1,808 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:

<b>Lender / creditor</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
PJSC Sberbank	20,000	20,000	33,389
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	20,000	20 000	-
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	20,000	-	-
VTB Bank (PJSC)	20,000	-	-

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

Lender / creditor	31 December 2018	31 December 2017	31 December 2016
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	15,150	-	-
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	15,000	-	-
Russian bonds issued in June 2017	10,000	10,000	-
Far East Development Fund	4,814	-	-
Russian bonds issued in February 2013	2,196	-	20,000
Russian bonds issued in April 2016	-	15,000	15,000
UniCredit Bank Austria AG	-	4,749	4,951
Russian bonds issued in July 2015	-	-	15,000
Crédit Agricole Corporate and Investment Bank Deutschland	-	-	5,552
Other	1,017	1,949	956
<b>Total line 1410 "Borrowings"</b>	<b>128,177</b>	<b>71,698</b>	<b>94,848</b>

In February 2018, holders of February 2013 Russian bonds called for an early redemption of a part of these securities in the framework of a corresponding offer. As a result, the Company obtained bonds of RUB 17,804 million in nominal value. Bonds of RUB 2,196 million in nominal value that were not presented for an early redemption will remain in circulation until their final maturity in February 2023 with the coupon yield of 0.10%.

In February 2018, the Company made a placement of Eurobonds of RUB 20 billion due in February 2021 with the coupon yield of 7.4% p.a. The issuer is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of a loan. The Company used proceeds from the Eurobond issue to finance its current activities and to refinance the debt.

In April 2018 the Company signed a special purpose financing agreement with AO "Far East and Baikal Region Development Fund" for RUB 5 billion due in 2019-2026 with the interest rate of 5% p.a. The received special purpose funds were used to finance the "Sakhalin GRES-2 Construction" project (1st stage).

In July 2018, a drawdown of RUB 20 billion was made under the credit facility of 30 March 2018 with PAO Bank VTB. The proceeds were used to refinance the debt of the Company and its subsidiaries.

In November 2018, the Company placed two Eurobond issues of CNH 1.5 billion due in November 2021 with the coupon yield of 6.125% p.a., and of RUB 15 billion due in 2022, with the coupon rate of 8.975 p.a. The issuer of the two placements is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of loans. The Company used proceeds from the Eurobond issues to finance its current operations and to refinance the debt.

In November 2018, the Company entered into a cross currency and interest rate swap with PAO Bank VTB to fix in CNH the Company's liability related to Eurobonds. The swap is signed for three years and fixes the nominal amount (CNH 1.5 billion) as at the redemption date (November 2021) at the level of RUB 14,430 million based on the effective market rate at the swap signing date, as well as interim payments that are set for the Company in Russian Roubles at the floating rate determined as an arithmetical mean of the values of the key rate of the Central Bank of Russia plus a spread of 1.5% p. a. from the nominal value set for the Company in roubles.

In November 2018 the loan of Euro 68.97 million dated 12.12.2011 from UniCredit Bank Austria AG was early repaid in full.

As of 31 December 2018 terms of material received long-term borrowings were the following:

Lender / creditor	Contract year	Maturity year	Sum in mln units of borrowing currency	Currency of borrowing	Interest rate of borrowing
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2017	2022	20 000	RUB	8,13%

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Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	2018	2021	20 000	RUB	7,40%
VTB Bank (PJSC))	2018	2033	20 000	RUB	7,50%
PJSC Sberbank	2011	2020	20 000	RUB	8,30% / 9,30%*
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	2018	2021	1 500	CNY	6,125%
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	2018	2022	15 000	RUB	8,975%
Russian bonds issued in June 2017	2017	2020	10 000	RUB	8,20%

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

Apart from the fully used (as at 31 December 2018) credit facility from PAO Bank VTB of RUB 10,000 million due in 2033, after 31 December 2018 the Company can raise funds under credit agreements with PAO Bank VTB of up to RUB 30,000 million due in 2020, with PAO Sberbank of up to RUB 40,000 million due in 2026, with AO Bank GPB of up to RUB 20,000 million due in 2026 and with AO AB Rossia of up to RUB 7,000 million due in 2023, with PAO Rosbank of up to RUB 8,000 million due in 2025, with AO Alfa-Bank of up to RUB 10,000 million due 2023, for the total amount of RUB 125,000 million.

**Ageing analysis:**

Due for repayment	31 December 2018	31 December 2017	31 December 2016
From 1 to 2 years	30,741	16,526	46,495
From 2 to 3 years	36,140	30,594	16,480
From 3 to 4 years	35,741	844	21,105
From 4 to 5 years	2,936	20,594	1,355
Over five years	22,619	3,140	9,413
<b>Total line 1410 "Borrowings"</b>	<b>128,177</b>	<b>71,698</b>	<b>94,848</b>

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

In 2018, the amount of interest on borrowings included into the cost of investment assets was RUB 1,833 million (2017: RUB 1,699 million), of which RUB 1,666 million was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2017: RUB 1,476 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 912 million as of 31 December 2018 (31 December 2017: RUB 1,153 million, 31 December 2016: RUB 1,289 million) and trade payables in the amount of RUB 1,928 million as of 31 December 2018 (31 December 2017: RUB 3,111 million, 31 December 2016: RUB 2,457 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	31 December 2018	31 December 2017	31 December 2016
<b>Borrowings, including:</b>	<b>17 802</b>	<b>47 412</b>	<b>11 367</b>
Russian bonds issued in April 2016	15 000	-	-
AO Malaya Dmitrovka	1 107	-	-
JSC Zagorskaya GAES-2	929	-	-
Russian bonds issued in February 2013	-	20 000	-
Russian bonds issued in July 2015	-	15 000	-
PJSC Sberbank	-	10 613	-
UniCredit Bank Austria AG	-	593	550
Russian bonds issued in April 2015	-	-	10 000

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Lender / creditor	31 December 2018	31 December 2017	31 December 2016
Other	766	1 206	817
<b>Interest on borrowings, including:</b>	<b>1 967</b>	<b>2 846</b>	<b>2 658</b>
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	557	-	-
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	423	423	-
Russian bonds issued in April 2016	374	370	371
PJSC Sberbank	296	447	522
Russian bonds issued in February 2013	1	666	661
Russian bonds issued in July 2015	-	872	867
Other	316	68	237
<b>Total line 1510 "Borrowings"</b>	<b>19 769</b>	<b>50 258</b>	<b>14 025</b>

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

Total short-term accounts receivable were RUB 11,703 million, RUB 10,563 million and RUB 9,681 million as of 31 December 2018, 2017 and 2016, respectively:

Type of payables	31 December 2018	31 December 2017	31 December 2016
Trade payables	4,978	4,040	4,190
Settlements with personnel	211	244	24
Payables to state off-budget funds	143	134	14
Tax payables	5,408	5,242	4,697
Settlements with participants (founders) in payment of income	143	141	122
Settlements for the payment of own shares before the change of the charter capital in the constituent documents	-	-	33
Other	820	762	601
<b>Total line 1520 "Accounts payable"</b>	<b>11,703</b>	<b>10,563</b>	<b>9,681</b>

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

Type of payables	31 December 2018	31 December 2017	31 December 2016
Payables to capital construction contractors	723	705	773
Payables to suppliers of equipment and other non-current assets	2,731	1,842	1,801
Payables for purchase of electricity and capacity	480	427	432
Payables to suppliers of repair and maintenance services	319	381	322
Other	725	685	862
<b>Total line 1521 "Trade accounts payable"</b>	<b>4,978</b>	<b>4,040</b>	<b>4,190</b>

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

Tax	31 December 2018	31 December 2017	31 December 2016
Property tax payable	1,316	1,291	1,338
VAT payable	4,031	3,902	3,113
Income tax payable	2	-	239
Other taxes payable	59	49	7
<b>Total line 1524 "Taxes payable"</b>	<b>5,408</b>	<b>5,242</b>	<b>4,697</b>

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

As of 31 December 2018 the total estimated liabilities are RUB 2,863 million (31 December 2017: RUB 2,976 million, 31 December 2016: RUB 2,447 million). The estimated liabilities have a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
<b>Estimated liabilities, including:</b>	<b>2017</b>	<b>2,447</b>	<b>3,201</b>	<b>(2,381)</b>	<b>(291)</b>	<b>2,976</b>
	<b>2018</b>	<b>2,976</b>	<b>3,204</b>	<b>(2,953)</b>	<b>(364)</b>	<b>2,863</b>
for remuneration payments	2017	1,364	1,876	(1,321)	(43)	1,876
	2018	1,876	1,990	(1,762)	(113)	1,991
for litigation	2017	627	181	(125)	-	683
	2018	683	57	(250)	-	490
for forthcoming payment of earned but unused employee vacations	2017	456	1,144	(935)	(248)	417
	2018	417	1,157	(941)	(251)	382

### 3.6. Off-balance-sheet valuables

#### 3.6.1 Leased property, plant and equipment

As of 31 December 2018, the total rented property, plant and equipment are RUB 36,256 million (31 December 2017: RUB 35 760 million, 31 December 2016: RUB 33,862 million). In 2018 and 2017, the Company did not receive any property, plant and equipment under lease contracts.

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

Lessor	31 December 2018	31 December 2017	31 December 2016
JSC Sulakskiy HydroKaskad	10,478	10,478	9,463
JSC Zaramagskie GES	5,138	4,927	4,927
Administration of Sergiev Posad Municipal District *	4,996	4,996	4,996
JSC Malye GES Kabardino-Balkarii	3,567	3,567	-
JSC Malaya Dmitrovka	3,395	3,394	3,381
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	3,122	2,771	3,185
Novosibirsk Department of Land and Property Relations	777	777	777
Territorial Office of Federal Property Management Agency in the Volgograd region	604	604	604
Territorial Office of Federal Property Management Agency in the Nizhny Novgorod region	569	569	569
Territorial Department of FA for the management of state. property in the Republic of Mordovia, the Republic of Mari El, the Republic of Chuvashia	451	451	451
Perm Department of Land and Property Relations	138	502	1,307
Other	3,021	2,724	3,011
<b>Total rent of property, plant and equipment</b>	<b>36,256</b>	<b>35,760</b>	<b>32,671</b>
LLC Leasefinance	-	-	1,022
CJSC Business Alliance	-	-	169
<b>Total lease of property, plant and equipment under lease contracts</b>	<b>-</b>	<b>-</b>	<b>1,191</b>
<b>Total rent and lease of property, plant and equipment</b>	<b>36,256</b>	<b>35,760</b>	<b>33,862</b>

*\*In 2018 the owner of plot of land was changed from the Ministry of Property Relations of the Moscow Region to the Administration of the Sergiev Posad Municipal District.*

#### 3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>5,530</b>	<b>5,320</b>	<b>9,029</b>
JSC Gidroinvest	5,320	-	984

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.

Counterparty	31 December 2018	31 December 2017	31 December 2016
<b>Subsidiaries, including:</b>	<b>5,530</b>	<b>5,320</b>	<b>9,029</b>
LLC EZOP	-	3,214	5,428
LLC Vostok-finans	-	2,106	2,106
Others	210	-	511
<b>Other related parties</b>	<b>8</b>	<b>18</b>	<b>33</b>
<b>Total liabilities and payments received from related parties</b>	<b>5,538</b>	<b>5,338</b>	<b>9,062</b>
<b>Other counterparties, including:</b>	<b>18,333</b>	<b>16,337</b>	<b>17,991</b>
PJSC Silovye Mashiny	10,014	7,878	8,780
Voith Hydro GmbH & Co KG	5,339	4,809	5,433
JSC VNIIR Hydroelectroavtomatika	870	857	429
JSC Hydroelectromontazh	-	453	453
Other	2,110	2,340	2,896
<b>Total collateral for liabilities and payments received</b>	<b>23,871</b>	<b>21,675</b>	<b>27,053</b>

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PJSC Silovye Mashiny, JSC VNIIR Hydroelectroavtomatika, 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 2018	31 December 2017	31 December 2016
<b>Collateral for liabilities and payments issued to subsidiaries, including:</b>		<b>28,699</b>	<b>30,688</b>	<b>48,853</b>
PJSC Sberbank	PJSC Far East Generating Company	7,603	5,400	10,760
PJSC Rosbank	JSC Far East Generating Company	6,295	2,395	2,704
PJSC Sberbank	PJSC Far East Energy Company	5,384	7,460	-
VTB Bank (PJSC)	JSC Far East Generating Company	3,327	4,521	11,556
European Bank for Reconstruction and Development (EBRD)	CJSC International Energy Corporation	1,533	1,367	1,538
Asian Development Bank, ADB	CJSC International Energy Corporation	1,533	1,367	1,538
PJSC Sberbank	PJSC Magadanenergo	1,150	1,248	500
PJSC Sberbank	PJSC Kamchatskenergo	200	4,768	3,978
PJSC Rosbank	PJSC Far East Energy Company	-	-	3,313
European Bank for Reconstruction and Development (EBRD)	JSC RAO ES of East	-	-	3,276
PJSC Sberbank	JSC RAO ES of East	-	-	2,878
VTB Bank (PJSC)	JSC RAO ES of East	-	-	1,831
Bank GPB (JSC)	JSC RAO ES of East	-	-	1,323
Bank GPB (JSC)	PJSC Magadanenergo	-	-	1,012
Others	Others	1,674	2,162	2,646
<b>Collateral for liabilities and payments issued to other related parties, including:</b>		<b>25,642</b>	<b>52,228</b>	<b>53,073</b>
GC Vnesheconombank	PJSC Boguchanskaya GES	21,027	46,962	47,777
GC Vnesheconombank	CJSC Boguchansky Aluminium Smelter	4,615	4,615	4,615
Others	Others	-	651	681
<b>Total collateral for liabilities and payments issued</b>		<b>54,341</b>	<b>82,916</b>	<b>101,926</b>

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In 2018 the Company issued guarantees:

- Guarantees provided for liabilities of JSC Far East Generating Company under its loan agreements with PJSC Sberbank, VTB Bank (PJSC) and PJSC Rosbank cover the principle amount and interest. The guarantees expire in 2019, 2021, 2022, 2023.
- Guarantees provided for liabilities of PJSC DEK under its loan agreements with PJSC Sberbank cover the principle amount and interest. The guarantees expire in 2023.
- Guarantees provided for liabilities of PJSC Magadanenergo under its loan agreements with PJSC Sberbank and VTB Bank (PJSC) cover the principle amount and interest. The guarantees expire in 2021 and 2023.

As at 31 December 2018, 2017 and 2016, guarantees issued by the Company for liabilities of PAO Boguchanskaya GES under its loan agreement with GK Vnesheconombank are represented by the pledge of OAO Boguchanskaya GES's interest-free promissory notes for the total of RUB 21,027 million (see Note 3.2.2 of the Explanatory Notes) and the pledge of shares for the total of RUB 14 thousand.

Apart from the above pledges as at 31 December 2017 and 2016 the guarantees included total liabilities of PAO Boguchanskaya GES under the loan agreement, including accumulated interest, in the amount of RUB 25,935 million and RUB 26,750 million respectively. In February 2018, the Company signed an agreement on the termination of the surety agreement with GK Vnesheconombank with regard to performance by PAO Boguchanskaya GES of its obligations under the loan agreement.

### **3.6.4 Non-deliverable forward contract for shares**

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

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

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

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

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

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



received by the Bank does not directly represent a return of dividends, and, therefore, does not limit the Bank in terms of receiving benefits from the share ownership.

As at 31 December 2018 the fair value of the liability under the non-deliverable equity forward calculates in accordance with IFRS was RUB 31,896 million (31 December 2017: RUB 20,716 million).

As at 31 December 2018 the Company's management believe that there will be no return of prepaid amounts to the Company upon expiry of the five year period at the time of the forward contract closure. Given the above and following the prudence, principle prepayments of RUB 2,813 million made under the non-deliverable forward contract in 2018 (2017: RUB 3,243 million) are recognised within other expenses (see paragraph 3.8 of the Explanatory Notes).

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

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

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (99.8%).

<b>Item</b>	<b>2018</b>	<b>2017</b>
Sale of electricity	85,059	78,900
Sale of capacity	77,359	65,393
Sale of heat	166	157
Other	229	247
<b>Total line 2110 "Revenue"</b>	<b>162,813</b>	<b>144,697</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)**

<b>Item</b>	<b>2018</b>	<b>2017</b>
Fees for administering the wholesale market of electricity and capacity (JSC SO UES, JSC ARS, JSC CFR), incl.:	38,050	26,947
Earmarked contributions to the budget of constituent entities of the Russian Federation	35,032	23,995
Depreciation and amortisation	16,532	16,680
Wages and social insurance contributions	10,584	10,444
Purchased electricity and capacity	8,236	7,015
Property tax	7,140	6,744
Repairs and maintenance	3,861	3,729
Third party services	3,854	4,286
Lease expenses	1,938	1,933
Water usage expenses, water tax	1,887	1,464
Insurance expenses	1,756	1,660
Fire and other security services	1,748	1,712
Other expenses	1,261	1,193
<b>Total line 2120 "Cost of sales"</b>	<b>96,847</b>	<b>83,807</b>

The cost of sales include administrative expenses. In 2018, administrative expenses totalled RUB 7,337 million (2017: RUB 7,567 million). Administrative expenses include expenses on the maintenance of subdivisions and premises of the Executive Body and the branch "Corporate University of the Hydro Power Industry" (including payroll and social expenses, PP&E depreciation charge, lease expenses, security costs etc.), insurance, legal, advisory, information, audit and other similar services, representation and other expenses.

Electricity and capacity market administration expenses include RUB 35,032 million (2017: RUB 23,995 million) of special-purpose contributions to the budgets of Russian constituent regions in

the Far Eastern Territory in accordance with the Rules of targeted use of funds received from applying a mark-up on the cost of capacity sold in the price ranges of the wholesale power and capacity market in 2018.

Operating expenses broken down by cost elements are as follows:

Item	2018	2017
Material expenses	19,327	17,389
Payroll expenses	8,514	8,422
Social contributions	2,422	2,318
Depreciation and amortisation	16,532	16,680
Other costs	50,052	38,998
<b>Total for elements of costs</b>	<b>96,847</b>	<b>83,807</b>
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
<b>Total expenses incurred on operating activities</b>	<b>96,847</b>	<b>83,807</b>

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

Item	2018		2017	
	Income	Expenses	Income	Expenses
Income and expenses due to sale or other disposal of securities (exception promissory notes)	6,864	(8,300)	125	(133)
Doubtful debt provision	2,652	(4,409)	3,965	(3,508)
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	1,848	(3,187)	1,661	(2,080)
Gains / (losses) from revaluation of investments measured at current market value	1,449	(1)	531	(1,424)
Income and expenses from sales, write-off and other transactions with assets	682	(3 110)	540	(754)
Provision for impairment of investments	-	(6,453)	16	(7,755)
Expenses on operations with derivatives	-	(2,813)	-	(3,243)
Charity donations	-	(1,276)	-	(1,667)
Expenses for social events	-	(456)	-	(425)
OeKV commission for early repayment of a loan from UniCredit Bank Austria AG	-	(746)	-	-
Other income and expenses	1,345	(1,227)	1,057	(1,360)
<b>Total line 2340 "Other income" and 2350 "Other expenses"</b>	<b>14,840</b>	<b>(31,978)</b>	<b>7,895</b>	<b>(22,349)</b>

### 3.9 Taxes

#### Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 10,020 million (2017: RUB 9,884 million).

The Company applied tax rate of 20% in the calculation of income tax based on accounting profit received by the Company's branches.

According to the tax accounting data, the taxable profit for 2018 was RUB 55,220 million (2017: RUB 49,399 million).

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 15,959 million (2017: RUB 15,458 million).

The above non-temporary differences arise from differences in recognising certain income and expenses for accounting and income tax purposes.

Non-temporary differences resulted in permanent tax assets amounted to RUB 11,334 million for 2018 (2017: 3,190 million), including:

- income from participation in other entities (dividends) in the amount of RUB 859 million for 2018 (2017: RUB 2,563 million);
- increase in value of financial placements determined in fair value in the amount of RUB 1,449 million (2017: RUB 531 million);
- release of the provision for impairment of investments in the amount of RUB 1,258 million (2017: RUB 16 million);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 6,790 million (2017: RUB 0 million);
- other permanent differences in the amount of RUB 978 million (2017: RUB 80 million).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 27,293 million for 2018 (2017: 18,648 million), including:

- depreciation of RUB 3,068 million (2017: RUB 3,209 million);
- charity donations in the amount of RUB 1,241 million (2017: RUB 1,644 million);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 908 million (2017: RUB 253 million);
- provision for impairment of financial investments in the amount of RUB 6,453 million (2017: RUB 7,755 million);
- loss on transactions in derivative financial instruments not traded on the organized financial market, RUB 2,813 million (2017: RUB 3,220 million);
- loss on operations with securities not traded on the organized financial market in the amount of 890 million rubles. (2017: RUB 10 million);
- decrease in the value of financial investments, which determine the current market value, in the amount of RUB 1 million (2017: RUB 1,424 million);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 8,261 million (2017: RUB 112 million);
- value of written-off assets (RAR) RUB 1,671 million (2017: RUB 0 million)
- other non-temporary differences in the amount of RUB 1,987 million (2017: RUB 1,021 million).

As at 31 December 2018, 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 565 million (2017: RUB 1,041 million), including those originated – RUB 11,331 million (2017: RUB 11,981 million) and settled – RUB 10,766 million (2017: RUB 13,022 million).

As at 31 December 2018, 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 11,408 million (2017: RUB 15,585 million), including those originated – RUB 18,602 million (2017: RUB 22,011 million) and settled – RUB 7,194 million (2017: RUB 6,426 million).

In 2018 movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;

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

Deferred tax assets and deferred tax liabilities were:

Item	31 December 2018	31 December 2017	31 December 2016
Deferred income tax assets	(3,157)	(3,043)	(3,248)
Deferred tax liabilities	22,465	20,156	16,924
<b>Total line 1420 "Deferred tax liabilities"</b>	<b>19,308</b>	<b>17,113</b>	<b>13,676</b>

Line 2430 "Change in deferred tax liabilities" includes increase of deferred tax liabilities in amount of RUB 136 million (2017: RUB 125 million) with no effect on current income tax. Line 2450 "Change in deferred tax assets" includes decrease of deferred tax assets in amount of RUB 112 million (2017: RUB 211 million) with no effect on current income tax.

### **Value Added Tax**

Total VAT calculated with due account of recovered tax amounts was RUB 41,944 million in the reporting year (2017: RUB 38,350 million).

Total VAT recoverable in the reporting period was RUB 19,554 million (2017: RUB 20,393 million).

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

### **Other taxes and levies**

In 2018, operating expenses include other taxes, levies, and also insurance contributions in the amount of RUB 8,834 million (2017: RUB 8,401 million), including:

- property tax in the amount of RUB 7,140 million (2017: RUB 6,744 million);
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,684 million (2017: RUB 1,648 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 10 million (2017: RUB 9 million).

### **Relations with tax authorities**

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiated this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk, not having a clear financial and business objectives or transactions with counterparties not complying with the requirements of tax legislation. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

As of 31 December 2018, the Company's management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company's tax and currency positions will be sustained.

In 2016, the tax authorities conducted an on-site tax audit for 2012-2014, according to which the Company was presented claims, part of which were successfully challenged by the Company. For the rest of the claims, the Company will file an appeal with the higher tax authority and, if necessary, intend to appeal the claims in court in the future. At the end of 2018, the tax authorities settled an on-site tax audit for 2015-2017.

### 3.10 Dividends

The Company's annual general meeting of shareholders held on 28 June 2018 (Minutes No. 17) made the decision to pay dividends on the Company's ordinary shares for 2017 in the amount of RUB 0,0263335 per 1 share for the total of RUB 11,226 million.

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

### 3.11 Earnings per share

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

Item	2018	2017
Basic profit for the reporting year (RUB million)	36,726	36,149
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	426,288,813,551	406,272,139,221
<b>Basic earnings per share (RUB)</b>	<b>0,0862</b>	<b>0,0890</b>

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

Item	2018
Number of ordinary shares outstanding as of 1 January 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 1 December 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2018 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2018 (shares) (426 288 813 551 * 12 month) / 12 months	426,288,813,551
Item	2017
Number of ordinary shares outstanding as of 1 January 2017 (shares)	386,255,464,890
Number of additional shares outstanding in 2017, registered 07.12.2016, paid by shareholders (see paragraph 3.3.1 Explanatory Notes) (pieces of shares)	40,033,348,661
Number of ordinary shares outstanding as of 1 December 2017 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2017 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2017 (shares) (386,255,464,890 * 6 months + 426,288,813,551 * 6 months) / 12 months	406,272,139,221

In 2018 and 2017, the Company had no debt securities potentially convertible to shares.

### 3.12 Related Parties

The Company's related parties are its subsidiaries and affiliates, including organizations over which the Company indirectly controls or has a significant influence, as well as key management personnel and non-state pension funds acting in the interests of the Company's employees.

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).

#### 3.12.1 Controlling entity

As of 31 December 2018 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 60.56% of the Company's ordinary shares (see paragraph 3.3.1 of the Explanatory Notes).

#### 3.12.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2018	2017
<b>Revenue from sales to subsidiaries, including:</b>		
PJSC Far East Energy Company	6,990	6,557
PJSC Krasnoyarskenergosbyt	1,802	919
JSC Chuvashskaya Energy Sales Company	847	742
JSC ESK RusHydro	690	583
PJSC Ryazanskaya Energy Sales Company	606	249
Other subsidiaries	91	106
<b>Revenue from sales to related parties, including:</b>		
PJSC Boguchanskaya GES	115	112
CJSC Boguchanskiy Alluminievy zavod	160	54
<b>Total sales to related parties</b>	<b>11,301</b>	<b>9,322</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).

### 3.12.3 Purchases from related parties

The cost of services provided by related parties was:

Name of the supplier	2018	2017
<b>Construction-and-assembling operations, survey and design works, research and development, including:</b>		
<b>Subsidiaries</b>		
JSC Hydroremont-VKK	1,259	1,559
JSC Institut Hydroproject	257	309
JSC Mosoblhydroproject	111	228
JSC Lenhydroproject	89	240
Other	251	327
<b>Total construction-and-assembling operations, survey and design works, research and development:</b>	<b>1,967</b>	<b>2,663</b>
<b>Services rendered by related parties, including:</b>		
<b>Subsidiary company:</b>		
JSC Hydroremont-VKK	3,116	2,925
JSC Transport company Rushydro	1,448	1,433
JSC Sulaksky HydroKaskad	531	527
JSC Malaya Dmitrovka	514	514
LLC RusHydro IT Servis	458	416
JSC Zaramagskiye GES	243	249
LLC SNRG	234	260
Other	642	642
<b>Other related parties</b>	<b>-</b>	<b>7</b>
<b>Services rendered by related parties, total</b>	<b>7,186</b>	<b>6,973</b>
<b>Purchased electricity</b>	<b>2</b>	<b>2</b>
<b>Total purchases from related parties</b>	<b>9,115</b>	<b>9,638</b>

### 3.12.4 Settlements with non-state pension fund

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

The expenses of the Company's contributions to non-state pension funds are recorded as expenses for ordinary activities. The total amount of contributions to the pension fund was RUB 321 million and RUB 265 million for 2018 and 2017, respectively.

### 3.12.5 Settlements with related parties

As of 31 December 2018, 2017 and 2016, 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 2018	31 December 2017	31 December 2016
Short-term interest-free promissory notes received	2,142	2,142	5,457
Short-term interest-free loans issued	94,113	64,257	30,707
Long-term interest-free promissory notes received	25,689	25,689	25,689
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	10,272	29,621	22,997
Indebtedness under the assignment agreement	-	9,962	8,257
Long-term interest-free loans issued	148	2,234	10,897
Accounts receivable related to other sales	1,098	952	1,217
Accounts receivable of interest accrued on loans issued and promissory notes received	6,698	3,488	2,219
Advances	2,560	2,240	3,334
Other settlements with related parties	72	141	113
<b>Total accounts receivable from related parties</b>	<b>142,792</b>	<b>140,726</b>	<b>110,887</b>

Doubtful debt provision for related parties' accounts receivables as of 31 December 2018 was RUB 4,946 million (31 December 2017: RUB 4,123 million; 31 December 2016: RUB 5,904 million).

As of 31 December 2018, 2017 and 2016, the Company's accounts payable to the related parties were:

	31 December 2018	31 December 2017	31 December 2016
Subsidiaries	978	1,001	1,164
Other related parties	-	18	81
<b>Total accounts payable to related parties</b>	<b>978</b>	<b>1,019</b>	<b>1,245</b>

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

### 3.12.6 Related parties' debt within investments

As of 31 December 2018, 2017 and 2016, 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 2018	31 December 2017	31 December 2016
Loans issued to related parties	71,712	67,105	28,315
Other investments	601	601	601
<b>Total related parties' debt within investments</b>	<b>72,313</b>	<b>67,706</b>	<b>28,916</b>
Total debt within long-term investments (Line 1170 of the Balance sheet)	66,128	55,419	27,686
Total debt within short-term investments (Line 1240 of the Balance sheet)	6,185	12,287	1,230

As of December 31, 2018, the total amount of the Company's equity and debt financial investments in subsidiaries and other related parties amounted to RUB 349,789 million. (2017 - RUB 317,615 million, 2016 - RUB 285,672 million). The provision for impairment of these financial investments as of December 31, 2018 amounted to RUB 33,374 million. (2017 - RUB 27,735 million, 2016 - RUB 20,111 million).

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

Entity	2018	2017
<b>Subsidiaries, including:</b>	<b>4,538</b>	<b>3,689</b>
JSC Far East Generating Company	2,527	1,797
JSC RAO Energy Systems of the East	517	339
JSC Sakhaenergo	388	358
JSC Kamchatskenrgo	248	82
PJSC Yakutskenergo	183	97
JSC Hydroinvest	151	312
JSC Teploenergосervis	108	98
JSC Far East Distribution Grid Company	-	212
Other	416	394
<b>Other subsidiaries</b>	<b>91</b>	<b>63</b>
<b>Total interest income</b>	<b>4,629</b>	<b>3,752</b>

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

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 599 million for 2018 (2017: RUB 2,303 million):

Entity	2018	2017
JSC Hydroremont-VKK	345	154
HydroOGK Power Company Ltd	-	1,706
JSC Blagoveschenskaya TETS	-	176
Other	254	267
<b>Total income from investments in subsidiaries</b>	<b>599</b>	<b>2,303</b>

### 3.12.8 Remuneration to key management personnel

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

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to PJSC RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 26 June 2017 (Minutes No. 16).

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

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

In 2018 and 2017, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,145 million and RUB 1,141 million, respectively. The insurance contributions amounted to RUB 189 million for 2018 (2017: RUB 190 million). In addition, in 2018, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 398 million (2017: RUB 400 million). In calculation of the estimated liability for remuneration payments includes the expected remuneration for 2018 as part of the Long-Term Motivation Program of the Company's key management.

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



Item	Line code	2018	2017
<b>Cash flows from operating activities</b>			
<b>Receipts, including:</b>	4110	19,875	8,126
sales of products, goods, work and services	4111	9,853	8,026
lease payments, license payments, royalties, commission and other payments	4112	59	67
other receipts, including:	4119	9,963	33
<i>receipts on assignment of the right of claim (see 3.2.4 of the Explanatory Notes)</i>		9,962	-
<b>Payments, including:</b>	4120	(7,666)	(7,237)
suppliers (contractors) – raw materials, work and services	4121	(7,508)	(7,095)
interest on debt liabilities	4123	(15)	(39)
other payments	4129	(143)	(103)
Net cash flows from operating activities	4100	12,209	889
<b>Cash flows from investing activities</b>			
<b>Receipts, including:</b>	4210	8,548	30,667
sale of non-current assets (except for investments)	4211	8	241
sale of shares of other organisations (ownership interest)	4212	11	9
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	6,677	27,384
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	1,852	3,017
other receipts	4219	-	16
<b>Payments, including:</b>	4220	(57,322)	(96,487)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(2,845)	(3,103)
purchase of shares (interest) in other entities	4222	(14,829)	(7,524)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(39,648)	(85,860)
Net cash flows from investing activities	4200	(48,771)	(65,821)
<b>Cash flows from financing activities</b>			
<b>Receipts, including:</b>	4310	4,247	676
borrowings and bank loans	4311	4,247	676
<b>Payments, including:</b>	4320	(3,754)	(22)
dividends and other payments on distribution of profit in favor of owners (participants)	4322	(9)	(15)
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(3,745)	(7)
Net cash flows from financing activities	4300	493	654
<b>Net cash flows for the reporting period</b>	<b>4400</b>	<b>(36,072)</b>	<b>(64,277)</b>

### 3.13 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 99.8%. The individuals credentialed to make the decisions concerning allocation of the resources within the Company and assess the results of its performance analyse the Company's activity as a whole segment.

### 3.14 Contingent liabilities

As of 31 December 2018, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 54,341 million (31 December 2017: RUB 82,916 million, 31 December 2016: RUB 101,926 million) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

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

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

Tax liabilities arising as a result of operations between the Company and its subsidiaries are determined based on the actual transaction price. There is a probability that the prices may be disputed as practice for application of the transfer rules changes. The effect of such course of events cannot be estimated reliably but may have a material effect on the Company's financial results and/or operations. At the same time, there has recently been a certain easing of the transfer pricing rules, characterized by a decrease in cases in which transactions may be deemed controlled, which is expected to reduce the possible impact on the Company's financial position. The management plans to defend with resolve the Company's position on transfer pricing in case of disputes with tax authorities.

New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and also the rules for determining the tax residence of foreign legal entities at the place of their actual management (in case of a foreign company recognition as a Russian tax resident, all income of such a company will be subject to taxation in the Russian Federation). Management of the Company conducts analysis of impact of new rules on Companies' activity and takes necessary measures to meet new requirements of Russian Tax legislation. Likelihood of claims from Russian tax authorities (and probability of positive resolution of disputes) can't be reliably measured because there's no practice of new tax rules. Financial statements of the Company can be affected if tax disputes arise. The Company carries out systematic work to decrease the number of its foreign subsidiaries, which should reduce the impact of this factor on the financial position and results of the Company's business.

### **3.15 Financial risk management**

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

#### ***Market risks***

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

**Currency risk.** The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency. In November 2018, the Company placed Eurobonds in Chinese yuan offshore, while the management of currency risk was eliminated by concluding a hedging transaction (currency swap interest), details of the transaction are described in paragraph 3.4.1 of the Notes. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

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

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
<b>31 December 2018</b>			
US Dollars	161	-	161
Euro	-	(1,237)	(1,237)
Chinese yuan*	-	(15,254)	(15,254)
<b>Total</b>	<b>161</b>	<b>(16,491)</b>	<b>(16,330)</b>
<b>31 December 2017</b>			
US Dollars	704	-	704
Euro	-	(6,112)	(6,112)
<b>Total</b>	<b>704</b>	<b>(6,112)</b>	<b>(5,408)</b>
<b>31 December 2016</b>			
US Dollars	547	-	547
Euro	-	(11,716)	(11,716)
<b>Total</b>	<b>547</b>	<b>(11,716)</b>	<b>(11,169)</b>

\*Management of currency risk on obligations expressed in Chinese yuan offshore is excluded by entering into a currency-interest swap transaction (Note 3.4.1).

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

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

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

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

The Company's loan portfolio as at 31 December 2018, as at 31 December 2017 and as at 31 December 2016 is represented by borrowings with a fixed interest rate. The influence of changes in these rates on the Company's profit is insignificant.

The Company monitors the loan market in order to identify favorable credit conditions, and also monitors interest rate risk for its financial instruments. Effective interest rates as of the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

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

Electricity at the wholesale market is realized by Company mainly at the market for the days ahead. Weighted average price of sale of electricity for the days ahead for the Company in 2018 didn't change significantly in comparison with an indicator of 2017.

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

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

In general, the risks associated with a possible reduction in the price of sales of electricity and power in the wholesale market are assessed as insignificant.

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.

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.

Category of investments	31 December 2018	31 December 2017	31 December 2016
Equity investments for which current market value can be determined, including:	-	6,809	7,818
PJSC Inter RAO	-	6,809	7,709
PJSC Irkutskenergo	-	-	65
PJSC Krasnoyarskaya GES	-	-	44
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date*	1,709	1,709	20,204
Equity investments for which current market value cannot be determined*	275,769	248,212	236,565
<b>Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)</b>	<b>277,478</b>	<b>256,730</b>	<b>264,587</b>

\* As of 31.12.2018 and 31.12.2017, the financial investment in JSC RAO ES of the East in the amount of RUB 18,495 million was included in the line "Equity investments for which the current market value is not determined", as in 2017 the company's shares were delisted from the Moscow exchange. As at 31.12.2016 the financial investments were included in the line "Equity investments in subsidiaries subject to fair value, but revaluation at the reporting date was not made".

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

### Credit risk

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

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded. The Company regularly monitors existing receivables and undertakes actions to collect them and minimize losses.

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

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

### Liquidity risk

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

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

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

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

### **3.16 Subsequent events**

There are no significant events which have affected or could affect the Company's financial position, cash flows or its performance in the period between the reporting date and the date of signing the financial statements for 2018.

Chairman of Management Board - General Director  
of PJSC RusHydro

N.G. Shulginov

Chief Accountant of PJSC RusHydro

Y. G. Medvedeva

28 February 2019

**Appendix No.16 Consolidated financial statements prepared in accordance with IFRS  
and an audit opinion for the year ended December 31, 2018 and as of that date**



**RUSHYDRO GROUP**

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

**As at and for the year ended 31 December 2018**

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## *Independent Auditor's Report*

To the Shareholders and Board of Directors of Public joint stock company Federal Hydro-Generating Company – RusHydro:

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### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public joint stock company Federal Hydro-Generating Company (PJSC RusHydro) and its subsidiaries (together – the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

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

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

### **Independence**

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



## Our audit approach

### Overview

PJSC RusHydro's shares are listed on the Moscow Exchange. The Group's principal business operations are generation and sales of electricity, capacity and heat energy in the Russian wholesale and retail markets. The Group companies are also involved in other operations, including electricity transmission and distribution, construction, repairs and provision of other services.



- Overall group materiality: Russian Roubles ("RUB") 4,000 million, which represents 1% of total revenues and government grants.
- We conducted audit procedures in respect of those companies of the Group that were considered significant components based on their individual share in the Group's aggregate revenue: PJSC RusHydro, JSC DGK, and also in respect of individual balances and types of operations for other components of the Group where necessary.
- Our audit scope covered *inter alia* 70% of the Group's revenues and 77% of the Group's total carrying value of property, plant and equipment.

### Key audit matters

- Transition to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses
- Assessment of impairment of property, plant and equipment
- Assessment of expected credit losses in relation to trade receivables
- Treatment of the non-deliverable forward contract for shares

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

### Materiality

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

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

<b>Overall group materiality</b>	RUB 4,000 million
<b>How we determined it</b>	1% of total revenues and government grants
<b>Rationale for the materiality benchmark applied</b>	We chose total revenues and government grants as the benchmark because, in our view, it is the benchmark which best represents the Group's performance. We chose 1% as the materiality level, which falls within the range of quantitative materiality thresholds used for companies in this sector.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Transition to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses</b></p> <p><i>For matters requiring disclosure and related significant accounting policies see Notes 2, 3 and 8 to these consolidated financial statements.</i></p> <p>As of 1 January 2018 the Group changed its accounting policy and now property, plant and equipment are reported in the consolidated financial statements at cost less accumulated depreciation and impairment losses (where necessary).</p> <p>The Group management believes that the transition from the revaluation model to the cost model provides more relevant and reliable information on the financial position and financial performance of the Group to the users as it improves comparability of items in the consolidated financial statements of the Group between the reporting periods considering information needs of the users, as well as against the Group's industry peers.</p> <p>The retrospective application of the new policies led to changes in the comparative information included in these consolidated financial statements. The Group's aggregate carrying amount of property, plant and</p>	<p>We obtained and analysed the recalculated registers of the Group's property, plant and equipment. We engaged our valuation experts to form our conclusion on the methodology and approaches that were used in the recalculation of the value of property, plant and equipment.</p> <p>Our audit procedures to address the change in the accounting policy implemented by the Group management and recalculation of the historical cost of property, plant and equipment less accumulated depreciation and impairment losses (where necessary) included:</p> <ul style="list-style-type: none"> <li>• analysis of management's judgements made when changing the accounting policy for property, plant and equipment, for reasonableness;</li> <li>• evaluation of whether the Group management used reasonable and relevant methodology for the transition to the new property, plant and equipment accounting model;</li> <li>• assessment of competence, skills, experience and objectivity of the management's experts;</li> </ul>

Key audit matter	How our audit addressed the Key audit matter
<p>equipment was RUB 643,150 million at 31 December 2017 and RUB 604,197 at 1 January 2017 as compared to the initially recorded amounts (prior to the change in the accounting policies) of RUB 799,855 million and RUB 765,047 million at 31 December 2017 and 1 January 2017, respectively. Thus, the change in the accounting policy for property, plant and equipment led to a reduction in the carrying amount of property, plant and equipment in the statement of financial position by RUB 156,705 million and RUB 160,850 million at 31 December 2017 and 1 January 2017, respectively.</p> <p>The impact of the change in the accounting policy on other items in the Group's consolidated financial statements is disclosed in detail in Note 3 to the consolidated financial statements.</p> <p>We focused on the change in the Group's accounting policy for property, plant and equipment as the transition to another model of accounting for property, plant and equipment is a complicated process and such change in accounting policies has a significant impact on the Group's consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>• examination, on a sample basis, of the recalculated registers of property, plant and equipment for compliance with the chosen transition methodology, as well as the mathematical accuracy of the calculations made;</li> <li>• obtaining and analysing written representations from the management with regard to the change in the accounting policy for property, plant and equipment and its impact on the consolidated financial statements.</li> </ul> <p>Based on the above procedures we believe that the methodology used by the management to obtain the recalculation results when transferring to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses is appropriate for the purposes of the accompanying consolidated financial statements.</p> <p>In addition, we verified compliance of disclosures in Notes 2, 3 and 8 to the consolidated financial statements with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and IAS 16 'Property, plant and equipment'.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments to the carrying amounts of property, plant and equipment and other recalculated items or related disclosures in the accompanying consolidated financial statements.</p>

### **Assessment of impairment of property, plant and equipment**

*For matters requiring disclosure and related significant accounting policies, judgements and accounting estimates see Notes 2 and 8 to the consolidated financial statements.*

At 31 December 2018, the Group's aggregate carrying amount of property, plant and

We obtained and examined the financial models that management used for assessing impairment of property, plant and equipment. We engaged our valuation experts to form our conclusion on the assumptions and methodology that were used in the impairment assessment.

Key audit matter	How our audit addressed the Key audit matter
<p>equipment was RUB 669,424 million. This is the most significant asset on the Group's balance sheet, accounting for 72% of the total assets.</p> <p>The Group management analysed the Group's financial performance, industry outlook and operational plans, and assessed whether there are indicators of impairment of property, plant and equipment or potential release of previously recognised impairment losses, by cash generating unit. For cash generating units where such indicators were identified, the management assessed the recoverable amounts of property, plant and equipment.</p> <p>As a result of management's impairment test, the Group accrued an impairment loss of RUB 24,221 million in the consolidated income statement for the year ended 31 December 2018.</p> <p>The impairment test is sensitive to reasonably possible changes in assumptions. The most significant judgements are related to the applied discount rate together with the assumptions supporting the relevant forecast cash flows, in particular those concerning the electricity and capacity tariff rates and volumes of investments.</p> <p>We focused on the property, plant and equipment impairment assessment as this process is complicated, requires significant management's judgements and is based on assumptions that are affected by the projected future market and economic conditions that are inherently uncertain.</p>	<p>Our audit procedures related to the management's assessment of impairment of property, plant and equipment, included the following:</p> <ul style="list-style-type: none"> <li>• evaluation of the methodology used by the Group management for the impairment test;</li> <li>• examination, on a sample basis, of key assumptions used in financial models and whether they are in line with the approved budgets and business plans, available reliable external sources (including macroeconomic forecasts, information on regulated and market electricity and capacity prices, etc.) and our industry-specific expertise;</li> <li>• assessment of competence, skills, experience and objectivity of the management's experts;</li> <li>• examination, on a sample basis, of accuracy and relevance of inputs that management incorporated in the financial models for assessing the impairment of property, plant and equipment;</li> <li>• examination, on a sample basis, of mathematical accuracy of financial models used by management to assess the impairment of property, plant and equipment ;</li> <li>• consideration of potential impact of reasonably possible changes in key assumptions;</li> <li>• obtaining and reviewing management's written representations related to their property, plant and equipment impairment test.</li> </ul> <p>As a result of the above procedures, we believe that the key assumptions used by the management are acceptable for the purposes of preparing the accompanying consolidated financial statements.</p> <p>Acceptability of management's current estimates regarding the property, plant and equipment impairment for the purpose of preparing the financial statements for the year ended 31 December 2018 does not guarantee that</p>

Key audit matter	How our audit addressed the Key audit matter
	<p>future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>We note that management's financial models are to a significant extent sensitive to the changes in key assumptions. It could reasonably be expected, that if actual results differ from assumptions made, accordingly, there could arise either additional losses from impairment in the future or gains from the release of previously recognised impairment.</p> <p>We also assessed the compliance of disclosures in Notes 2 and 8 to the consolidated financial statements with the disclosure requirements of IAS 36 'Impairment of Assets'.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments to the recorded amount of impairment of property, plant and equipment or to the respective disclosures in the consolidated financial statements.</p>

### **Assessment of expected credit losses in relation to trade receivables**

*For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2 and 13 to the consolidated financial statements.*

At 31 December 2018, the carrying amount of the Group's trade receivables was RUB 36,256 million (RUB 65,147 million less the credit loss allowance of RUB 28,891 million).

Thus, at 31 December 2018, the allowance for credit losses is significant and accounts for 44% of the total trade receivables.

In accordance with IFRS 9 'Financial Instruments', starting from 1 January 2018, the Group management assesses expected credit losses in relation to trade receivables prospectively and recognises an allowance for credit losses at each reporting date. The estimate of expected credit losses represents an unbiased and probability weighted amount

Our audit procedures in respect of the management's assessment of expected credit losses in relation to trade receivables included:

- evaluation of the methodology used by the Group's management to assess expected credit losses in relation to trade receivables, including definition of default;
- examination, on a sample basis, of accuracy of management's classification of trade receivables for their further assessment on a collective or individual basis depending on the credit risk characteristics and the length of payment delinquency;
- examination, on a sample basis, of the ageing of trade receivables to confirm the length of payment delinquency;
- examination, on a sample basis, of the models and calculations used for the

Key audit matter	How our audit addressed the Key audit matter
<p>that is determined by evaluating a range of possible outcomes, and reflects all reasonable and supportable information that is available at each reporting date about past events, current conditions and forecasts of future economic conditions. The degree of accuracy of the management's estimate will be confirmed or rebutted depending on the future developments that are inherently uncertain. We focused on assessing the allowance for credit losses in relation to trade receivables as the estimation process is complicated and requires significant management's judgements, and the amount of allowance is significant.</p>	<p>assessment of credit losses on a collective or individual basis;</p> <ul style="list-style-type: none"> <li>• examination, on a sample basis, of prior period payments, if the information on such payments was used in the calculation of expected credit losses;</li> <li>• analysis of external information from the regulators of the electricity (capacity) market, including the Supervisory Board of NP Market Council, which regularly makes decisions on excluding companies from the register of participants of the wholesale electricity (capacity) market; among these excluded companies there are buyers of the Group's electricity (capacity) whose balances of receivables bear an increased credit risk;</li> <li>• obtaining and analysing written representations from the management with regard to the assessment of the allowance for credit losses in relation to trade receivables.</li> </ul> <p>In addition, we assessed compliance of the disclosures in Notes 2, 13 and 31 to the consolidated financial statements with the presentation and disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'.</p> <p>Acceptability of the current estimates of the Group management regarding the credit losses on trade receivables for the purpose of preparing the consolidated financial statements for the year ended 31 December 2018 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments to the amount of allowance for credit losses in relation to trade receivables or related disclosures in the accompanying consolidated financial statements.</p>



Key audit matter	How our audit addressed the Key audit matter
<p><b><i>Treatment of the non-deliverable forward contract for shares</i></b></p> <p><i>For matters requiring disclosure, and related significant accounting policies, judgements and accounting estimates see Notes 2, 20 and 33 to the consolidated financial statements.</i></p> <p>In March 2017, PJSC RusHydro simultaneously signed a contract with Bank VTB (PJSC) under which the Bank acquired 55 billion ordinary shares of PJSC RusHydro, and a non-deliverable forward contract for these shares for a five-year period.</p> <p>Following the analysis performed, the Group management decided to treat the above transactions separately and to recognise the sale of shares in equity and a derivative financial instrument.</p> <p>As at 31 December 2018, the liability under the forward contract of RUB 31,896 million is recorded as a long-term derivative financial instrument at fair value through profit or loss. Loss from change of fair value of the non-deliverable forward contract for shares of RUB 13,993 million was accounted within finance costs in the consolidated income statement for the year ended 31 December 2018.</p> <p>We focused on the treatment of this non-deliverable forward contract in the consolidated financial statements due to the complexity of its accounting and of the assessment of the instrument's fair value, which requires management to exercise professional judgement, and because the liability recognised under the forward contract and the corresponding effects on the consolidated income statement are material.</p>	<p>We obtained and reviewed the model that was used to measure the fair value of the non-deliverable forward contract at 31 December 2018. We engaged our valuation experts in order to form a conclusion on the assumptions and the methodology used in the fair value assessment.</p> <p>Our audit procedures in respect of the recognition of the non-deliverable forward contract for shares included:</p> <ul style="list-style-type: none"> <li>• evaluation of the reasonableness of the judgements that the Group management applied to determine the treatment of the non-deliverable forward contract in the consolidated financial statements;</li> <li>• evaluation of the validity and appropriateness of the methodology used by the Group management to develop the fair value model for the non-deliverable forward contract;</li> <li>• testing accuracy and relevance of the key assumptions and source data used in the model, and their consistency with available reliable external information, including market value of the Company's shares, and our expert knowledge of industry specifics;</li> <li>• assessment of competence, skills, experience and objectivity of the management's experts;</li> <li>• testing the mathematical accuracy of the financial instrument fair value calculation;</li> <li>• consideration and assessment of the potential impact of reasonably possible changes in the key assumptions;</li> <li>• obtaining and analysing management's written representations related to the treatment of the non-deliverable forward contract.</li> </ul> <p>As a result of the above procedures, we believe that the estimates and judgements made by management with regard to the treatment of the non-deliverable forward contract are appropriate for the purposes of preparation of</p>

Key audit matter	How our audit addressed the Key audit matter
	<p>the accompanying consolidated financial statements.</p> <p>In addition we assessed compliance of the disclosures in Notes 2, 20 and 33 to the consolidated financial statements with the presentation and disclosure requirements of IFRS 9 ‘Financial Instruments’, IFRS 7 ‘Financial Instruments: Disclosures’ and IFRS 13 ‘Fair Value Measurement’.</p> <p>As a result of our procedures, we have not identified any evidence that would require significant adjustments in respect of the treatment of the non-deliverable forward contract or the respective disclosures in the accompanying consolidated financial statements.</p>

### How we tailored our Group audit scope

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

The Group’s consolidated financial statements are prepared based on the financial information of its components, i.e. individual companies of the Group. If we considered a component to be significant, we audited its financial information based on the materiality level established for each such component.

Similar to the determination of the overall materiality, significance of components was assessed based on the component’s individual share in the Group’s revenue. We determined the following significant components: PJSC RusHydro and JSC DGK.

If we did not consider that the procedures performed at the level of significant components provided adequate audit evidence for expressing our opinion on the consolidated financial statements as a whole, we performed analytical procedures at the Group level and audit procedures in respect of individual balances and types of operations for other components of the Group.

We chose other components of the Group for audit procedures in respect of individual balances and types of operations separately for each financial statement line item included in the scope of our audit, and our choice depended inter alia on the following factors: level of audit evidence obtained from the audit of significant components and level of concentration of balances and types of operations in the Group’s structure. We also change our selection of a number of other components on a rotation basis.

On the whole, our audit procedures that were performed at the level of significant and other components of the Group and included, in particular, detailed testing and testing of controls on a sample basis, in our opinion, provided adequate coverage of individual line items in the consolidated financial statements. Thus, for example, our procedures covered 70% of the Group’s revenue and 77% of the total carrying value of the Group’s property, plant and equipment.



When performing the audit procedures the audit team engaged specialists in taxation, IFRS methodology, as well as experts in valuation of property, plant and equipment, financial instruments and pension liabilities.

We believe that the results of procedures performed on a sample basis at the level of the Group's components, analytical procedures at the Group's level and procedures over the consolidated financial reporting have provided sufficient and appropriate audit evidence for expressing our opinion on the Group's consolidated financial statements as a whole.

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### *Other information*

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, but does not include the consolidated financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019 are expected to be made available to us after the date of this auditor's report.

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

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

When we read PJSC RusHydro's Annual Report for 2018 and Issuer's Report of PJSC RusHydro for Q1 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

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



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

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

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

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



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

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

*AO PricewaterhouseCoopers Audit*  
14 March 2019  
Moscow, Russian Federation  
*Alexey S. Ivanov*  
  
A. S. Ivanov, certified auditor (licence no. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Public joint stock company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:  
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

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

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

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



	Note	31 December 2018	31 December 2017 (restated)	1 January 2017 (restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	669,424	643,150	604,197
Investments in associates and joint ventures	9	19,828	20,018	20,174
Financial assets at fair value through profit or loss	10	656	-	-
Financial assets at fair value through other comprehensive income		594	-	-
Available-for-sale financial assets	10	-	18,493	21,149
Deferred income tax assets	17	9,999	9,592	6,918
Other non-current assets	11	22,028	25,331	21,847
<b>Total non-current assets</b>		<b>722,529</b>	<b>716,584</b>	<b>674,285</b>
<b>Current assets</b>				
Cash and cash equivalents	12	65,432	70,156	67,354
Income tax receivable		3,737	3,839	889
Accounts receivable and prepayments	13	75,189	51,201	47,076
Inventories	14	30,721	25,523	24,037
Other current assets	15	33,873	4,400	9,097
		<b>208,952</b>	<b>155,119</b>	<b>148,453</b>
Non-current assets classified as held for sale	9	450	-	-
<b>Total current assets</b>		<b>209,402</b>	<b>155,119</b>	<b>148,453</b>
<b>TOTAL ASSETS</b>		<b>931,931</b>	<b>871,703</b>	<b>822,738</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	16	426,289	426,289	386,255
Treasury shares	16	(4,613)	(4,613)	(22,578)
Share premium		39,202	39,202	39,202
Retained earnings and other reserves		115,523	99,624	108,197
<b>Equity attributable to the shareholders of PJSC RusHydro</b>		<b>576,401</b>	<b>560,502</b>	<b>511,076</b>
Non-controlling interest		9,818	9,106	10,505
<b>TOTAL EQUITY</b>		<b>586,219</b>	<b>569,608</b>	<b>521,581</b>
<b>Non-current liabilities</b>				
Non-current debt	19	157,948	90,912	158,046
Non-deliverable forward contract for shares	20	31,896	20,716	-
Deferred income tax liabilities	17	13,803	11,103	7,729
Other non-current liabilities	21	21,987	28,116	18,726
<b>Total non-current liabilities</b>		<b>225,634</b>	<b>150,847</b>	<b>184,501</b>
<b>Current liabilities</b>				
Current debt and current portion of non-current debt	19	38,899	78,613	41,757
Accounts payable and accruals	22	64,633	55,625	58,784
Current income tax payable		1,191	976	858
Other taxes payable	23	15,355	16,034	15,257
<b>Total current liabilities</b>		<b>120,078</b>	<b>151,248</b>	<b>116,656</b>
<b>TOTAL LIABILITIES</b>		<b>345,712</b>	<b>302,095</b>	<b>301,157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>931,931</b>	<b>871,703</b>	<b>822,738</b>

Chairman of Management Board – General Director

N. G. Shulginov

Chief Accountant

IU. G. Medvedeva



14 March 2019

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 31 December 2018	Year ended 31 December 2017 (restated)
	Note		
Revenue	24	358,770	348,119
Government grants	25	41,648	32,745
Other operating income		5,452	690
Operating expenses (excluding impairment losses)	26	(314,850)	(299,662)
<b>Operating profit excluding impairment losses</b>		<b>91,020</b>	<b>81,892</b>
Impairment of property, plant and equipment	8	(24,221)	(25,301)
Impairment of financial assets, net		(5,379)	-
Impairment of accounts receivable, net		-	(5,957)
<b>Operating profit</b>		<b>61,420</b>	<b>50,634</b>
Finance income	27	7,667	8,443
Finance costs	27	(23,088)	(21,133)
Share of results of associates and joint ventures	9	1,860	442
<b>Profit before income tax</b>		<b>47,859</b>	<b>38,386</b>
Income tax expense	17	(16,022)	(13,612)
<b>Profit for the year</b>		<b>31,837</b>	<b>24,774</b>
Attributable to:			
Shareholders of PJSC RusHydro		31,229	26,403
Non-controlling interest		608	(1,629)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	28	0.0739	0.0656
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	28	422,436,552	402,655,108

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 31 December 2018	Year ended 31 December 2017 (restated)
	Note		
Profit for the year		31,837	24,774
<b>Other comprehensive income, net of tax:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of pension benefit obligations	18	388	344
Gain arising on financial assets at fair value through other comprehensive income		70	-
<b>Total items that will not be reclassified to profit or loss</b>		<b>458</b>	<b>344</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss arising on available-for-sale financial assets	10	-	(2,532)
Reclassification of accumulated loss on available-for-sale financial assets to profit or loss	10	-	(19)
Other comprehensive income / (loss)		71	(8)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>71</b>	<b>(2,559)</b>
<b>Total other comprehensive income / (loss)</b>		<b>529</b>	<b>(2,215)</b>
<b>Total comprehensive income for the year</b>		<b>32,366</b>	<b>22,559</b>
Attributable to:			
Shareholders of PJSC RusHydro		31,556	24,059
Non-controlling interest		810	(1,500)

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



		Year ended 31 December 2018	Year ended 31 December 2017 (restated)
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>47,859</b>	<b>38,386</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 26	22,310	21,340
Loss on disposal of property, plant and equipment, net	26	1,757	688
Share of results of associates and joint ventures	9	(1,860)	(442)
Other operating income		(5,452)	(690)
Finance income	27	(7,667)	(8,443)
Finance costs	27	23,088	21,133
Impairment of property, plant and equipment	8	24,221	25,301
Impairment of financial assets, net		5,379	-
Impairment of accounts receivable, net		-	5,957
Other (income) / loss		(236)	326
<b>Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities</b>		<b>109,399</b>	<b>103,556</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(10,027)	(13,483)
(Increase) / decrease in other current assets		(299)	859
Increase in inventories		(4,848)	(1,604)
Increase / (decrease) in accounts payable and accruals		5,705	(2,236)
(Decrease) / increase in other taxes payable		(703)	891
Increase in other non-current assets		(1,739)	(1,592)
Increase in other non-current liabilities		573	7,674
Income tax paid		(13,510)	(15,940)
<b>Net cash generated by operating activities</b>		<b>84,551</b>	<b>78,125</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(67,423)	(71,693)
Proceeds from sale of property, plant and equipment		977	213
Investment in bank deposits and purchase of other investments		(44,545)	(19,837)
Redemption of bank deposits and proceeds from sale of other investments		15,374	23,428
Proceeds from sale of subsidiaries, net of disposed cash		-	28
Proceeds from sale of investment in joint venture		871	-
Proceeds from sale of shares of PJSC Inter RAO		2,160	-
Interest received		5,545	7,848
<b>Net cash used in investing activities</b>		<b>(87,041)</b>	<b>(60,013)</b>



	Note	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from share issue	16	-	40,000
Proceeds from sale of treasury shares	16	-	15,000
Payments for non-deliverable forward for shares	19, 20	(2,813)	(3,243)
Proceeds from current debt	19	41,267	55,773
Proceeds from non-current debt	19	127,760	63,499
Repayment of debt	19	(142,102)	(149,976)
Interest paid		(14,217)	(15,794)
Dividends paid to the shareholders of PJSC RusHydro		(11,113)	(19,673)
Dividends paid by subsidiaries to non-controlling interest holders		(172)	(127)
Other payments		(746)	-
Finance lease payments		(155)	(523)
<b>Net cash used in financing activities</b>		<b>(2,291)</b>	<b>(15,064)</b>
Effect of foreign exchange differences on cash and cash equivalents balances		57	(246)
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(4,724)</b>	<b>2,802</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>70,156</b>	<b>67,354</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>65,432</b>	<b>70,156</b>



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



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on property, plant and equipment	Revaluation reserve on available-for-sale financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
<b>As at 1 January 2017</b>		<b>386,255</b>	<b>(22,578)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(538)</b>	<b>182,968</b>	<b>16,909</b>	<b>459</b>	<b>179,067</b>	<b>646,669</b>	<b>4,263</b>	<b>650,932</b>
Effect of changes in accounting policy	3	-	-	-	-	132	(182,968)	(32)	-	47,275	(135,593)	6,242	(129,351)
<b>As at 1 January 2017 (restated)</b>		<b>386,255</b>	<b>(22,578)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(406)</b>	<b>-</b>	<b>16,877</b>	<b>459</b>	<b>226,342</b>	<b>511,076</b>	<b>10,505</b>	<b>521,581</b>
Profit for the year		-	-	-	-	-	-	-	-	26,403	26,403	(1,629)	24,774
Loss arising on available-for-sale financial assets	10	-	-	-	-	-	-	(2,505)	-	-	(2,505)	(27)	(2,532)
Accumulated loss on available for-sale financial assets recycled to profit or loss	10	-	-	-	-	-	-	(19)	-	-	(19)	-	(19)
Remeasurement of pension benefit obligations	18	-	-	-	-	-	-	-	188	-	188	156	344
Other comprehensive loss		-	-	-	-	(9)	-	-	-	1	(8)	-	(8)
Total other comprehensive loss		-	-	-	-	(9)	-	(2,524)	188	1	(2,344)	129	(2,215)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(2,524)</b>	<b>188</b>	<b>26,404</b>	<b>24,059</b>	<b>(1,500)</b>	<b>22,559</b>
Share issue	16	40,034	-	-	-	-	-	-	-	-	40,034	-	40,034
Sale of treasury shares	16	-	17,965	-	-	-	-	-	-	(2,965)	15,000	-	15,000
Dividends	16	-	-	-	-	-	-	-	-	(19,696)	(19,696)	(127)	(19,823)
Non-deliverable forward contract for shares	20	-	-	-	-	-	-	-	-	(10,013)	(10,013)	-	(10,013)
Effect of changes in non-controlling interest due to disposal of subsidiaries	16	-	-	-	-	-	-	-	-	-	-	228	228
Other movements		-	-	-	-	-	-	-	-	42	42	-	42
<b>As at 31 December 2017 (restated)</b>		<b>426,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(415)</b>	<b>-</b>	<b>14,353</b>	<b>647</b>	<b>220,114</b>	<b>560,502</b>	<b>9,106</b>	<b>569,608</b>
<i>Reference:</i>													
<b>As at 31 December 2017</b>		<b>426,289</b>	<b>(4,613)</b>	<b>39,202</b>	<b>(135,075)</b>	<b>(547)</b>	<b>181,163</b>	<b>14,356</b>	<b>647</b>	<b>171,423</b>	<b>692,845</b>	<b>2,719</b>	<b>695,564</b>
Effect of changes in accounting policy	3	-	-	-	-	132	(181,163)	(3)	-	48,691	(132,343)	6,387	(125,956)

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

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



	Note	Share capital	Treasury shares	Share premium	Merger reserve	Foreign currency translation reserve	Revaluation reserve on available-for-sale financial assets	Reserve for remeasurement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of PJSC RusHydro	Non-controlling interest	Total equity
<b>As at 1 January 2018 (restated)</b>	3	426,289	(4,613)	39,202	(135,075)	(415)	14,353	647	220,114	560,502	9,106	569,608
Application of IFRS 9	3,13,16	-	-	-	-	-	(13,894)	-	14,562	668	55	723
<b>As at 1 January 2018 (restated)</b>		426,289	(4,613)	39,202	(135,075)	(415)	459	647	234,676	561,170	9,161	570,331
Profit for the year		-	-	-	-	-	-	-	31,229	31,229	608	31,837
Gain arising on financial assets at fair value through other comprehensive income	10	-	-	-	-	-	70	-	-	70	-	70
Remeasurement of pension benefit obligations	18	-	-	-	-	-	-	186	-	186	202	388
Other comprehensive income		-	-	-	-	71	-	-	-	71	-	71
Total other comprehensive income	-	-	-	-	-	71	70	186	-	327	202	529
<b>Total comprehensive income</b>		-	-	-	-	71	70	186	31,229	31,556	810	32,366
Dividends	16	-	-	-	-	-	-	-	(11,124)	(11,124)	(172)	(11,296)
Sale of shares of PJSC Inter RAO	16	-	-	-	-	-	-	-	(5,223)	(5,223)	-	(5,223)
Other movements		-	-	-	-	-	-	-	22	22	19	41
<b>As at 31 December 2018</b>		426,289	(4,613)	39,202	(135,075)	(344)	529	833	249,580	576,401	9,818	586,219

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



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

PJSC RusHydro (hereinafter referred to as “the Company”) was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by value of shares and was set up in accordance with Russian regulations.

The primary activities of the Company and its subsidiaries (hereinafter together referred to as “the Group”) are generation and sale of electricity, capacity and heat.

**Economic environment in the Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The tax, currency and customs legislation continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018.

This economic environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

**Relations with the Government and current regulation.** As at 31 December 2018 the Russian Federation owned 60.56 percent of the total voting ordinary shares of the Company (31 December 2017: 60.56 percent). As at 31 December 2018 PJSC Bank VTB that is controlled by the Russian Federation owned 13.34 percent of the Company's shares (31 December 2017: 13.34 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 7).

In addition, the Government influences 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.** In 2018 the following significant changes were made to the rules of electricity and capacity wholesale and retail markets, their operation procedures and pricing mechanisms:

- In order to provide for the connection of Western and Central Regions of Sakha Republic (Yakutia) into the unified energy system of the Russian Federation, Federal Law No.172-FZ of 29 June 2018 established a special regulation for situations when one energy system gets connected to another. Russian Government Resolutions No. 1496 of 8 December 2018 and No. 761 of 30 June 2018 introduced the terms and timing of connection of these territories to the unified energy system of the Russian Federation as well as the specifics of electricity and capacity trading on them. Since 1 January 2019 these territories became a part of non-pricing zone of the Far East.
- Federal Law No.254-FZ of 29 July 2018 established the possibility of concluding bilateral electricity sale-purchase contracts in technologically isolated territorial energy systems at prices determined by the parties' agreement but not exceeding the threshold levels approved by regulatory authorities for the term of not less than five years.

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

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the financial instruments initially recognised at fair value, financial instruments categorised at fair value through profit or loss and at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes concerning accounting for property, plant and equipment and those resulting from the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” effective from 1 January 2018 (Note 3), these policies have been consistently applied to all the periods presented.



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”). These 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 presentation currency for these consolidated financial statements is the national currency of the Russian Federation, the Russian Ruble.

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

As at 31 December 2018, 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 69.47 : USD 1.00 (31 December 2017: RR 57.60 : USD 1.00), between Russian Ruble and Euro was RR 79.46 : EUR 1.00 (31 December 2017: RR 68.87 : EUR 1.00), between Russian Ruble and China Yuan was RR 10.10 : CNY 1.00.

**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, either at: (a) fair value, or (b) the non-controlling interest’s proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of 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 the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill” or a “bargain purchase”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the 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, that do not result in a loss of control. 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 the carrying amount of non-controlling interest sold as a capital transaction in the Consolidated statement of changes 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. 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 or the date when the combining entities were first brought under common control if later. 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.

**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 (directly or indirectly) 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 share of results 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 the making of decisions about the relevant activities requiring 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, unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**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 the 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.

**Property, plant and equipment.** Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is highly probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is written off.





Social assets are not capitalised if they are not expected to result in future economic benefits to the Group. Maintenance costs of social assets are expensed as incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

**Depreciation.** Depreciation on items of property, plant and equipment (except for land and assets under construction) 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 the Group 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 use. Land and assets under construction are not depreciated.

**Impairment of property, plant and equipment.** Impairment testing of property, plant and equipment is 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 8). If any such indication exists, the Group management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

The carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognised in Consolidated Income Statement for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a positive change in the estimates used to determine the asset's recoverable amount.

**Intangible assets and goodwill.** The Group's intangible assets other than goodwill have definite useful lives and primarily include 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 of disposal. 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.

**Key measurement terms for financial instruments.** 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 upon sale of the asset or paid to transfer the 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 valuation 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 33).

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Initial recognition of financial instruments.** Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

**Classification of financial assets.** The Group classifies financial assets in the following measurement categories: to be measured at fair value through profit or loss (FVPL), to be measured at fair value through other comprehensive income (FVOCI), and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For *investments in equity instruments* that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

There are three measurement categories into which the Group classifies its *debt instruments*:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.



**Subsequent measurement of financial assets.** The Group subsequently measures all equity investments at fair value. Where the Group management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of such investments. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised as other operating income or expense. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

All the Group's debt instruments are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

**Reclassification of financial assets.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current period and did not make any reclassifications.

**Impairment of financial assets: allowance for expected credit losses (ECL).** The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (a) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (b) time value of money and (c) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

In accordance with IFRS 9, the Group applied a simplified approach to determining ECL in relation to trade accounts receivable that requires that full lifetime ECL are to be recognised. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

**Write-off of financial assets.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Derecognition of financial assets.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

**Derivative financial instruments** Derivative financial instruments are carried 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 (gains less losses on derivatives). The Group does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.





**Classification of financial liabilities.** Financial liabilities are classified as subsequently measured at amortised costs, except for financial liabilities at FVPL: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition.

**Derecognition of financial liabilities.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**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 because: (a) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and (b) they are not designated at FVPL.

**Trade and other receivables.** Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

**Trade and other payables.** Trade and other payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised costs using the effective interest method.

**Debt.** Debt is recognised initially at fair value, net of transaction costs incurred and is subsequently carried at amortised cost using the effective interest method. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price.

**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 in Consolidated Statement of Cash Flows.

**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 highly probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost of inventory that is expensed is determined on the weighted average basis.

**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. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.



Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantially enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is highly probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

**Uncertain tax positions.** The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

**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.

**Defined benefit plans.** The Group operates defined benefit plans that cover the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, minimum tariff rate of remuneration and others.

The net liability recognised in the Consolidated 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 resulting from changes in the actuarial assumptions in the measurement of defined benefit plans are recognised in other comprehensive income as they arise within remeasurement of pension benefit obligations. Past service cost is immediately recognised in profit or loss within operating expenses.

**Defined contribution plans.** For defined contribution plans, the Group pays contributions and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the consolidated income statement.



*Other benefit obligations.* The Group pays a one-off financial aid on occasion of an employee's jubilee. The amount of the benefit depends on one or more factors, such as the age, length of service in the company, salary and others.

For the purpose of calculating benefit obligations of these types, actuarial gains and losses arising as a result of adjustments or changes in actuarial assumptions are recognised within profit or loss in the consolidated statement of income in the period when they arise. All other aspects of accounting for these obligations are similar to those of accounting for defined benefit obligations.

**Finance lease liabilities.** Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

**Operating leases.** Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including payments in relation to expected rent cancellation, are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

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 highly probable and reliable estimates exist.

**Revenue recognition.** Revenue is recognised in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for the transfer of goods or services promised to the customer, when (or as) control is transferred.

The Group defines the following performance obligations: sales of electricity in the wholesale market, sales of capacity in the wholesale market, sales of electricity and capacity in the retail market, sales of heat and hot water, rendering services for electricity transportation, rendering services for connections to the grid, other revenue.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time for the following revenue: sales of electricity and capacity in the retail and wholesale markets, sales of heat and hot water and rendering services for electricity transportation. Revenue is recognised in the amount which the Group has the right to invoice, as this amount represents the value the customer receives upon fulfillment of the contract. Other revenue is recognised at a point in time.

Contracts for all types of revenue do not contain a significant financing component as the terms of payments agreed by contracting parties do not provide to the customers or to the Group significant benefit of financing. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract assets are not significant. Accounts receivable are recognised when the Group receives the unconditional right to get the remuneration under the contract.

Contract liabilities are represented by advances received included in accounts payable and accruals and other non-current liabilities.

**Government grants.** Government grants are a compensation for the incurred expenses, losses and reduced tariffs to the guarantying suppliers – Group companies, in relation to the achievement of basic rates (tariffs). Government grants are accounted for within operating income and if there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions and are recognised at fair value. Grants are recognised during the period so as to match costs with respective compensation or, if grants are compensating for the losses incurred previously, they are recognised when receipt of the grant becomes probable. Government grants are included in cash flows from operating activities.



**Earnings per share.** The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

**Share capital.** Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the placement value over the par value of shares issued is recorded as share premium in equity.

**Treasury shares.** Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are reissued, disposed of or cancelled. In case the consideration paid is non-cash asset, the treasury shares received are recognised at the fair value of this asset. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

**Dividends.** Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing of amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

**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 they are recognised in the income statement as incurred.

**Financial guarantees.** Financial guarantees 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 original or modified 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 amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

**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:

**ECL measurement.** Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk, probability of default. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual losses on accounts receivable.





In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the reporting date. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular groups of customers. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporates appropriate forward looking information into the credit risk assessment, either for an individual counterparty, or for groups of counterparties.

The ECL rates are based on the payment profiles of sales over a period of 48 months before 31 December 2018 and 36 months before 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation to be the most significant factor, and accordingly adjusts the historical loss rates based on expected changes in the inflation rate. A change of the inflation rate by +/- 0.5% would result in the expected level of losses changing by +/- 0.7% respectively.

**Method of accounting for and valuation of a non-deliverable forward contract for the shares.** The management treats the transaction on acquisition by PJSC Bank VTB (the "Bank") of 55 billion of the Company's ordinary shares – 40 billion of additionally issued shares and 15 billion of treasury shares carried on the Group subsidiaries' balance sheet (Note 16) and entering into a non-deliverable forward contract for these shares (Note 20) in March 2017 as two separate transactions. The sale of shares was recorded in equity and a derivative financial instrument was recognised.

The terms and conditions of the share sale imply transfer of risks and rewards in connection with these shares, such as dividend payments received by the Bank and participation in the Company's management. No obligations for their repurchase and conversion into a different financial instrument, guarantees or binding agreements arise for the Company. Given the above and the fact that the international financial reporting standards do not prescribe accounting treatment for the risks and rewards transfer procedure for treasury shares, the Group management concluded that the transaction should be presented on the basis that the Bank is the beneficial owner of the Company's shares.

In the Group management's opinion, the decrease in the prepaid forward value by the amounts equivalent to dividends received by the Bank does not directly represent return of dividends, and, therefore, does not limit the Bank in terms of obtaining rewards from share ownership. According to the forward contract, there will be significant delays in the offset of cash flows (for a period exceeding three months from the date when dividends are received by the Bank), and the Bank will be able to place the received dividends not only in cash and cash equivalents but other instruments for the period exceeding three months as well, and it will be able to receive income and subsequently reinvest it multiple times.

As the issue of shares is recorded in equity and also as both the issue of shares and the conclusion of the non-deliverable forward contract are carried out by decision and in the interests of the state as the ultimate controlling party, the initial recognition of the non-deliverable forward contract for these shares is also recorded in equity as a shareholder transaction.

The effect of these critical accounting estimates in respect of a non-deliverable forward contract fair value and the key assumptions are disclosed in Note 20.

**Recognition of a premium to the price of capacity with subsequent transfer of the collected amounts to the budgets of the respective regions.** In July 2017, Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region" became effective. This Resolution stipulates the application of a premium to the price of capacity provided by the Group in the price zones of the wholesale electricity and capacity market with subsequent transfer of the amounts collected to the constituent budgets of the Far East Federal region in the form of free-of-charge targeted contributions.

Constituent regions are obliged to use these contributions to compensate the guaranteeing suppliers of the Far East Federal region for the reduction in tariffs to the basic levels. According to the Resolution tariffs were reduced retrospectively starting from 1 January 2017.



The amount of the premium that should be transferred to the regional budgets in the form of free-of-charge targeted contributions is stipulated by the Resolution of the Russian Government and for the year ended 31 December 2018 was RR 35,032 million (for the year ended 31 December 2017: RR 23 995 million). Taking into account that the Group collects the premium and subsequently transfers it to the respective regional budgets on behalf of the Russian Government, the management of the Group concluded that the Group's revenue from the sale of capacity in the amount of the premium should be presented in the consolidated income statement net of related free-of-charge targeted contributions.

Government subsidies receivable by the Group's companies – guaranteeing suppliers under the rules of the Resolution of the Russian Government No. 895 are recognised in government grants (Note 25). Government grants are recognised when there is a reasonable assurance that the grant will be received and the Group will be able to comply with all attached conditions (Note 13).

**Impairment of non-financial assets.** Accounting for impairment of non-financial assets includes impairment of property, plant and equipment and impairment of investments in associates and joint ventures.

The effect of these critical accounting estimates and assumptions is disclosed in Notes 8 and 9.

**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 taxpayer basis. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium-term business plans of the Group companies prepared by management and extrapolated results thereafter.

Management considered the recoverability of recognised deferred tax assets, including those on tax losses carried forward, as probable due to existence of taxable temporary differences which recoverability is expected in future and of high probability of deferred tax assets being recoverable through future taxable profits (Note 17).

**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 judgement 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 to future depreciation rates which can affect the reported income and the carrying value of property, plant and equipment.

In 2018, management of the Group reassessed the useful life of some items of property plant and equipment due to modernisation of these items and actualisation of the expected useful lives. As a result, the depreciation charge for 2018 decreased by approximately RR 905 million (4 percent) compared to the depreciation charge that would have been charged if the useful lives were not reassessed.

### **Note 3. Changes in accounting policies and adoption of new or revised standards and interpretations**

**Changes in accounting policies.** With effect from 1 January 2018, the Group changed its accounting policy to measuring property, plant and equipment at cost less accumulated depreciation and impairment losses (where required). Management of the Group believes that transition from revaluation model to cost model results in a more relevant and reliable presentation to the users of the Group's financial position and financial performance due to greater comparability of the Group's consolidated financial statements between reporting periods considering information needs of the users as well as with other companies in the industry. Accounting policies in respect of the Group's office buildings, land and assets under construction did not change. As before office buildings owned by the Group are stated at historical cost less accumulated depreciation and accumulated impairment; land and assets under construction are stated at historical cost less accumulated impairment.

The changes to the comparative figures in these consolidated financial statements as a result of the retrospective application of the change in the accounting policy in respect of property, plant and equipment are presented below.



Impact on the Consolidated Statement of Financial Position and Statement of Changes in Equity:

	31 December 2017			1 January 2017		
	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated	As reported	Changes in accounting policies in respect of property, plant and equipment	Restated
Property, plant and equipment	799,855	(156,705)	643,150	765,047	(160,850)	604,197
Investments in associates and joint ventures	20,097	(79)	20,018	20,278	(104)	20,174
Available-for-sale financial assets	18,495	(2)	18,493	21,181	(32)	21,149
Deferred income tax assets	9,354	238	9,592	6,640	278	6,918
<b>Total non-current assets</b>	<b>873,132</b>	<b>(156,548)</b>	<b>716,584</b>	<b>834,993</b>	<b>(160,708)</b>	<b>674,285</b>
<b>TOTAL ASSETS</b>	<b>1,028,251</b>	<b>(156,548)</b>	<b>871,703</b>	<b>983,446</b>	<b>(160,708)</b>	<b>822,738</b>
Retained earnings and other reserves	231,967	(132,343)	99,624	243,790	(135,593)	108,197
<b>Equity attributable to the shareholders of PJSC RusHydro</b>	<b>692,845</b>	<b>(132,343)</b>	<b>560,502</b>	<b>646,669</b>	<b>(135,593)</b>	<b>511,076</b>
Non-controlling interest	2,719	6,387	9,106	4,263	6,242	10,505
<b>TOTAL EQUITY</b>	<b>695,564</b>	<b>(125,956)</b>	<b>569,608</b>	<b>650,932</b>	<b>(129,351)</b>	<b>521,581</b>
Deferred income tax liabilities	41,695	(30,592)	11,103	39,086	(31,357)	7,729
<b>Total non-current liabilities</b>	<b>181,439</b>	<b>(30,592)</b>	<b>150,847</b>	<b>215,858</b>	<b>(31,357)</b>	<b>184,501</b>
<b>TOTAL LIABILITIES</b>	<b>332,687</b>	<b>(30,592)</b>	<b>302,095</b>	<b>332,514</b>	<b>(31,357)</b>	<b>301,157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,028,251</b>	<b>(156,548)</b>	<b>871,703</b>	<b>983,446</b>	<b>(160,708)</b>	<b>822,738</b>



Impact on the Consolidated Income Statement, Statement of Comprehensive Income and Statement of Cash Flows:

	Year ended 31 December 2017 (as reported)	Changes in accounting policies in respect of property, plant and equipment	Year ended 31 December 2017 (restated)
Operating expenses (excluding impairment losses), including	(303,805)	4,143	(299,662)
Depreciation of property, plant and equipment and amortisation of intangible assets	(25,023)	3,683	(21,340)
Loss on disposal of property, plant and equipment, net	(1,006)	318	(688)
Other loss	(468)	142	(326)
<b>Operating profit excluding impairment losses</b>	<b>77,749</b>	<b>4,143</b>	<b>81,892</b>
Impairment of property, plant and equipment	(24,000)	(1,301)	(25,301)
<b>Operating profit</b>	<b>47,792</b>	<b>2,842</b>	<b>50,634</b>
Share of results of associates and joint ventures	417	25	442
<b>Profit before income tax</b>	<b>35,519</b>	<b>2,867</b>	<b>38,386</b>
Income tax expense	(13,068)	(544)	(13,612)
<b>Profit for the year</b>	<b>22,451</b>	<b>2,323</b>	<b>24,774</b>
Attributable to:			
Shareholders of PJSC RusHydro	24,013	2,390	26,403
Non-controlling interest	(1,562)	(67)	(1,629)
Earnings per ordinary share for profit attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0596	0.006	0.0656
Impairment of revalued property, plant and equipment	(1,043)	1,043	-
<b>Total items that will not be reclassified to profit or loss</b>	<b>(699)</b>	<b>1,043</b>	<b>344</b>
Loss arising on available-for-sale financial assets	(2,561)	29	(2,532)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(2,588)</b>	<b>29</b>	<b>(2,559)</b>
<b>Other comprehensive loss</b>	<b>(3,287)</b>	<b>1,072</b>	<b>(2,215)</b>
<b>Total comprehensive income for the year</b>	<b>19,164</b>	<b>3,395</b>	<b>22,559</b>
Attributable to:			
Shareholders of PJSC RusHydro	20,809	3,250	24,059
Non-controlling interest	(1,645)	145	(1,500)

#### **Adoption of new or revised standards and interpretations**

- **Adoption of IFRS 9, Financial Instruments.** The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat disclosures made in the Consolidated financial statements for the year ended 31 December 2017.





(in millions of Russian Rubles unless noted otherwise)

The table below provides a reconciliation of carrying value of each class of equity financial assets under IAS 39 with new measurement categories of IFRS 9 Financial instruments, adopted from 1 January 2018:

	Available-for-sale financial assets / measured at fair value through OCI (FVOCI)	Financial assets / measured at fair value through PL (FVPL)	Total
<b>As at 31 December 2017 – IAS 39</b>	<b>18,493</b>	<b>-</b>	<b>18,493</b>
Reclassification of available-for-sale financial assets to FVPL	(17,953)	17,953	-
<b>As at 1 January 2018 – IFRS 9</b>	<b>540</b>	<b>17,953</b>	<b>18,493</b>

Investments in shares of listed companies are reclassified from available-for-sale financial assets which were included in non-current assets as at 31 December 2017 to financial assets at fair value through profit or loss. The gains from revaluation at fair value of the shares of listed companies accumulated as at 1 January 2018 in revaluation reserve on available-for-sale financial assets in the amount of RR 13,894 million were transferred to retained earnings as at 1 January 2018. Subsequent revaluations of the fair value of these shares after reclassification are reported in profit or loss as “Other operating income/expense”.

Other investments in shares of unquoted companies are reclassified to financial assets at fair value through other comprehensive income due to the fact that management of the Group treats them as long-term strategic investments and does not expect to sell them in the short to medium term. The accumulated gain from their revaluation in the amount of RR 459 million as at 1 January 2018 is recognised in the revaluation reserve for financial assets.

The total impact of the change of classification and measurement on the Group’s retained earnings as at 1 January 2018:

<b>Retained earnings as at 31 December 2017 (restated)</b>	<b>220,114</b>
<b>Non-controlling interest as at 31 December 2017 (restated)</b>	<b>9,106</b>
Reclassification of accumulated gains on available-for-sale financial assets to retained earnings	13,894
Reversal of impairment of financial assets measured at amortised cost in accounts receivable due to transfer to ECL model	749
Change in deferred taxes relating to impairment provisions of financial assets measured at amortised cost in accounts receivable due to transfer to ECL model	(26)
<b>Total change in retained earnings</b>	<b>14,562</b>
<b>Total change in non-controlling interest</b>	<b>55</b>
<b>Retained earnings as at 1 January 2018</b>	<b>234,676</b>
<b>Non-controlling interest as at 1 January 2018</b>	<b>9,161</b>

- **Adoption of IFRS 15, Revenue from Contracts with Customers.** The Group applied the simplified method of transition to IFRS 15, and elected to apply the practical expedient available for the simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018). The Group analysed the effect of the retrospective application of the standard in relation to such contracts and concluded that it was immaterial.

*Received compensation of losses in grids.* From 1 January 2018, the Group recognises revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a net basis. Compensation of transmission losses that the Group receives from grid companies is not treated as a separate performance obligation in accordance with IFRS 15. Therefore, this compensation cannot be recognised within revenues as the contract on compensation of losses is not a contract with a customer in the context of IFRS 15 and is outside the scope of IFRS 15. The compensation of transmission losses that entities of the Group received in the year ended 31 December 2018 amounted to RR 8,458 million (for the year ended 31 December 2017: RR 8,153 million).

*Purchase of electricity for own needs.* The cost of electricity that the Group buys at WEM to support the technological process and for other own needs, in accordance with IFRS 15 represents compensation to be paid to the customer. From 1 January 2018 this compensation is recognised as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the Group. The cost of electricity purchased to support the technological process and for other own needs for the year ended 31 December 2018 totalled RR 619 million (for the year ended 31 December 2017: RR 583 million).



The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 36.

The following new standards, amendments to standards and interpretations became effective from 1 January 2018 but did not have any material impact on the Group's consolidated financial statements:

- Amendments to IFRS 2, Share-based Payments (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40, Transfers of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

**Reclassifications.** In addition to the changes in accounting policies as described above, certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

#### **Note 4. New accounting pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted. These standards and interpretations have been approved for adoption in the Russian Federation unless noted otherwise.

**IFRS 16, Leases** (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. According to preliminary estimates made by the Group, one-off recognition of non-current assets and financial liabilities as at 1 January 2019 will amount to RR 4,200–6,200 million.

**IFRIC 23, Uncertainty over Income Tax Treatments** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new



information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The new interpretation will have no significant impact on the Group's consolidated financial statements.

**Definition of a business – Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.



## **Note 5. 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 shares of limited liability companies (LLC).

The Group operates in the three main reportable segments one of which is represented by the Group's parent company – PJSC RusHydro (Note 6). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 31 December 2018 and 31 December 2017.

### **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 JSC 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.

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>% of ownership</b>	<b>% of voting</b>	<b>% of ownership</b>	<b>% of voting</b>
JSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
PJSC Krasnoyarskenergosbyt	65.81%	69.40%	65.81%	69.40%
PJSC Ryazanenergosbyt	90.52%	90.52%	90.52%	90.52%
JSC Chuvashskaya Electricity Sales Company	100.00%	100.00%	100.00%	100.00%

### **RAO ES East subgroup segment**

RAO ES East subgroup segment consists of JSC RAO ES East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>% of ownership</b>	<b>% of voting</b>	<b>% of ownership</b>	<b>% of voting</b>
JSC RAO ES East	99.98%	99.98%	99.98%	99.98%
PJSC DEK	52.11%	52.17%	52.11%	52.17%
JSC DGK	52.11%	100.00%	52.11%	100.00%
JSC DRSK	52.11%	100.00%	52.11%	100.00%
PJSC Kamchatskenergo	98.72%	98.74%	98.72%	98.74%
PJSC Magadanenergo*	48.99%	49.00%	48.99%	49.00%
PJSC Sakhalinenergo	57.80%	57.82%	57.80%	57.82%
PJSC Yakutskenergo	79.15%	79.16%	79.15%	79.16%

\* Control over PJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting because the remaining part of the shares not owned by the Group are distributed among a large number of shareholders the individual stakes of which are insignificant.

### **Other segments**

Other segments include:

- the Group's subsidiaries engaged in 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 other segments are presented below:

		<b>31 December 2018</b>		<b>31 December 2017</b>	
		<b>% of ownership</b>	<b>% of voting</b>	<b>% of ownership</b>	<b>% of voting</b>
JSC	Blagoveschensk TPP	100.00%	100.00%	100.00%	100.00%
JSC	VNIIG named after B. E. Vedeneev	100.00%	100.00%	100.00%	100.00%
JSC	Geotherm	99.74%	99.74%	99.65%	99.65%
JSC	Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
JSC	Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
JSC	Zaramag HS	99.75%	99.75%	99.75%	99.75%
JSC	Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
PJSC	Kolimaenergo	98.76%	98.76%	98.76%	98.76%
JSC	Lenhydroproject	100.00%	100.00%	100.00%	100.00%
JSC	NIIES	100.00%	100.00%	100.00%	100.00%
JSC	Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
JSC	Sakhalin GRES-2	100.00%	100.00%	100.00%	100.00%
JSC	Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
JSC	TPP in Sovetskaya Gavan	100.00%	100.00%	100.00%	100.00%
JSC	Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
JSC	Ust'-Srednekanskaya HPP named after A. F. Dyakov	99.63%	100.00%	99.63%	100.00%
JSC	Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
JSC	Yakutskaya GRES-2	100.00%	100.00%	100.00%	100.00%



### **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 is presented below:

	<b>RAO ES East subgroup</b>		<b>including DEK subgroup</b>	
<b>Financial position</b>	<b>31 December 2018</b>	<b>31 December 2017 (restated)</b>	<b>31 December 2018</b>	<b>31 December 2017 (restated)</b>
Share of non-controlling interest	0.02%	0.02%	47.89%	47.89%
Share of voting rights, attributable to non-controlling interest	0.02%	0.02%	47.83%	47.83%
Non-current assets	126,987	117,525	63,618	66,170
Current assets	83,725	64,971	44,565	28,543
Non-current liabilities	(114,492)	(89,604)	(70,153)	(61,946)
Current liabilities	(88,971)	(89,500)	(50,474)	(40,998)
<b>Net assets / (liabilities)</b>	<b>7,249</b>	<b>3,392</b>	<b>(12,444)</b>	<b>(8,231)</b>
<b>Calculated value of non-controlling interest</b>	<b>13,226</b>	<b>12,354</b>	<b>5,183</b>	<b>6,949</b>
Adjustment to non-controlling interest due to recognition of loan received from the parent company of the Group at fair value	(4,309)	(4,309)	(3,438)	(3,438)
<b>Carrying value of non-controlling interest</b>	<b>8,917</b>	<b>8,045</b>	<b>1,745</b>	<b>3,511</b>
	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017 (restated)</b>	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017 (restated)</b>
<b>Financial results</b>				
Revenue	177,877	168,714	124,929	123,406
Loss for the year	(207)	(14,129)	(4,043)	(3,086)
Total comprehensive income / (loss) for the year	236	(13,856)	(3,694)	(2,827)
Profit / (loss) for the year, attributable to non-controlling interest	566	(1,763)	(1,936)	(1,461)
Changes in other comprehensive income, attributable to non-controlling interest	202	156	166	124
<b>Cash flows</b>				
Cash generated by operating activities	17,051	14,481	3,880	2,499
Cash used in investing activities	(23,643)	(19,208)	(6,070)	(8,052)
Cash generated by financing activities	11,701	7,562	6,139	6,899
<b>Increase in cash and cash equivalents</b>	<b>5,109</b>	<b>2,835</b>	<b>3,949</b>	<b>1,346</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 JSC RAO ES East and PJSC DEK.





**Note 6. 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 operating segments, which based on the same principles as the present consolidated financial statements, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 5). Transactions of other segments are not disclosed as reportable segments based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are assessed on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and amortisation of intangible assets, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of accounts receivable, gain / loss on disposal of property, plant and equipment, gain / loss on disposal of subsidiaries and joint ventures, and other non-monetary items of operating income and expenses. This definition of EBITDA may differ from the methods applied by other companies. Management believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Group's operating segments, as it reflects the earnings trends excluding the impact of the above charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt balances are eliminated from these disclosures.

Other information provided to the CODM is consistent with the information presented in the Group's consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information as at and for the years ended 31 December 2018 and 31 December 2017 is presented below.

**RusHydro Group**  
**Notes to the Consolidated Financial Statements as at and for the year ended**  
**31 December 2018**

(in millions of Russian Rubles unless noted otherwise)



						Unallocated adjustments and intercompany operations	
<b>Year ended 31 December 2018</b>	<b>PJSC RusHydro</b>	<b>ESC RusHydro subgroup</b>	<b>RAO ES East subgroup</b>	<b>Other segments</b>	<b>Total segments</b>		<b>TOTAL</b>
<b>Revenue</b>	<b>127,386</b>	<b>58,176</b>	<b>177,877</b>	<b>39,228</b>	<b>402,667</b>	<b>(43,897)</b>	<b>358,770</b>
<i>including:</i>							
<i>from third parties</i>	116,131	58,124	177,398	7,117	358,770	-	358,770
<i>sales of electricity</i>	81,866	57,021	103,666	815	243,368	-	243,368
<i>sales of capacity</i>	33,955	-	9,306	572	43,833	-	43,833
<i>sales of heat and hot water</i>	166	-	39,982	2	40,150	-	40,150
<i>other revenue</i>	144	1,103	24,444	5,728	31,419	-	31,419
<i>from intercompany operations</i>	11,255	52	479	32,111	43,897	(43,897)	-
Government grants	-	37	41,378	233	41,648	-	41,648
Operating expenses (excluding depreciation and other non-monetary items)	(45,165)	(58,091)	(195,535)	(36,224)	(335,015)	44,270	(290,745)
<b>EBITDA</b>	<b>82,221</b>	<b>122</b>	<b>23,720</b>	<b>3,237</b>	<b>109,300</b>	<b>373</b>	<b>109,673</b>
Other operating income	601	-	66	940	1,607	-	1,607
Depreciation of property, plant and equipment and amortisation of intangible assets	(12,071)	(140)	(7,194)	(3,080)	(22,485)	175	(22,310)
Other non-monetary items of operating income and expenses	(7,885)	(581)	(8,425)	(10,684)	(27,575)	25	(27,550)
<i>including:</i>							
<i>gain / (loss) arising on financial assets at fair value through profit or loss</i>	1,551	-	(37)	2,331	3,845	-	3,845
<i>impairment of property, plant and equipment</i>	(7,430)	-	(4,788)	(12,003)	(24,221)	-	(24,221)
<i>impairment of accounts receivable, net</i>	(936)	(531)	(3,661)	(251)	(5,379)	-	(5,379)
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(1,163)	(19)	39	(639)	(1,782)	25	(1,757)
<i>profit / (loss) on disposal of subsidiaries and joint venture, net</i>	93	(31)	22	(122)	(38)	-	(38)
<b>Operating profit / (loss)</b>	<b>62,866</b>	<b>(599)</b>	<b>8,167</b>	<b>(9,587)</b>	<b>60,847</b>	<b>573</b>	<b>61,420</b>
Finance income							7,667
Finance costs							(23,088)
Share of results of associates and joint ventures							1,860
<b>Profit before income tax</b>							<b>47,859</b>
Income tax expense							(16,022)
<b>Profit for the year</b>							<b>31,837</b>
<b>Capital expenditure</b>	<b>18,016</b>	<b>150</b>	<b>26,845</b>	<b>31,994</b>	<b>77,005</b>	<b>-</b>	<b>77,005</b>
<b>31 December 2018</b>							
<b>Non-current and current debt</b>	<b>144,751</b>	<b>1,769</b>	<b>44,759</b>	<b>5,568</b>	<b>196,847</b>	<b>-</b>	<b>196,847</b>



**RusHydro Group**  
**Notes to the Consolidated Financial Statements as at and for the year ended**  
**31 December 2018**

(in millions of Russian Rubles unless noted otherwise)



						Unallocated adjustments and intercompany operations	
<b>Year ended 31 December 2017 (restated)</b>	<b>PJSC RusHydro</b>	<b>ESC RusHydro subgroup</b>	<b>RAO ES East subgroup</b>	<b>Other segments</b>	<b>Total segments</b>		<b>TOTAL</b>
<b>Revenue</b>	<b>120,493</b>	<b>61,817</b>	<b>168,714</b>	<b>29,039</b>	<b>380,063</b>	<b>(31,944)</b>	<b>348,119</b>
<i>including:</i>							
<i>from third parties</i>	111,091	61,799	168,398	6,831	348,119	-	348,119
<i>sales of electricity</i>	77,059	60,657	102,867	826	241,409	-	241,409
<i>sales of capacity</i>	33,723	-	6,856	302	40,881	-	40,881
<i>sales of heat and hot water</i>	158	-	38,747	2	38,907	-	38,907
<i>other revenue</i>	151	1,142	19,928	5,701	26,922	-	26,922
<i>from intercompany operations</i>	9,402	18	316	22,208	31,944	(31,944)	-
Government grants	-	-	32,567	178	32,745	-	32,745
Other operating income (excluding non-monetary items)	259	-	-	431	690	-	690
Operating expenses (excluding depreciation and other non-monetary items)	(44,075)	(60,239)	(177,768)	(27,174)	(309,256)	31,882	(277,374)
<b>EBITDA</b>	<b>76,677</b>	<b>1,578</b>	<b>23,513</b>	<b>2,474</b>	<b>104,242</b>	<b>(62)</b>	<b>104,180</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	(11,213)	(162)	(7,867)	(2,308)	(21,550)	210	(21,340)
Other non-monetary items of operating income and expenses	(3,588)	(1,020)	(14,529)	(13,064)	(32,201)	(5)	(32,206)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(2,414)	-	(10,128)	(12,759)	(25,301)	-	(25,301)
<i>impairment of accounts receivable, net</i>	(1,324)	(1,011)	(3,385)	(237)	(5,957)	-	(5,957)
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	110	(9)	(706)	(78)	(683)	(5)	(688)
<i>profit / (loss) on disposal of subsidiaries and associates, net</i>	40	-	(310)	10	(260)	-	(260)
<b>Operating profit / (loss)</b>	<b>61,876</b>	<b>396</b>	<b>1,117</b>	<b>(12,898)</b>	<b>50,491</b>	<b>143</b>	<b>50,634</b>
Finance income							8,443
Finance costs							(21,133)
Share of results of associates and joint ventures							442
<b>Profit before income tax</b>							<b>38,386</b>
Income tax expense							(13,612)
<b>Profit for the year</b>							<b>24,774</b>
<b>Capital expenditure</b>	<b>25,559</b>	<b>156</b>	<b>23,332</b>	<b>38,321</b>	<b>87,368</b>	<b>-</b>	<b>87,368</b>
<b>31 December 2017</b>							
<b>Non-current and current debt</b>	<b>120,070</b>	<b>1,268</b>	<b>43,348</b>	<b>4,839</b>	<b>169,525</b>	<b>-</b>	<b>169,525</b>



## **Note 7. Related party transactions**

Parties are generally considered to be related if they 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 years ended 31 December 2018 and 31 December 2017 were joint ventures, associates of the Group (Note 9) and government-related entities.

### **Joint ventures**

The Group had the following balances with its joint ventures:

	Note	31 December 2018	31 December 2017
Promissory notes	11	7,551	6,880
Advances to suppliers		8	172
Loans received		-	750

The Group had the following transactions with its joint ventures:

	Year ended 31 December 2018	Year ended 31 December 2017
Sales of electricity and capacity	293	337
Other revenue	468	622
Purchased electricity and capacity	517	2,835

### **Associates**

The Group had the following balances with its associates:

	31 December 2018	31 December 2017
Trade and other receivables	513	456
Accounts payable	1,593	1,277

The Group had the following transactions with its associates:

	Year ended 31 December 2018	Year ended 31 December 2017
Sales of electricity and capacity	2,857	2,673
Other revenue	111	153
Rent	615	605

### **Government-related entities**

In the normal course of business the Group enters into transactions with the entities related to the Government.

The Group had transactions during the years ended 31 December 2018 and 31 December 2017 and balances outstanding as at 31 December 2018 and 31 December 2017 with the government-related banks (Notes 11, 12, 15, 19). All transactions with the banks are carried out at market rates. The Company had an additional issue of shares and sold treasury shares of its subsidiaries (Note 16). The Company also entered into a non-deliverable forward contract for its treasury shares and cross-currency and interest rate swap arrangement with PJSC VTB Bank (Notes 11 and 20).

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 20 percent of total sales of electricity, capacity and heat for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 30 percent). Sales of electricity and capacity under the regulated contracts are made directly to the consumers, within the day-ahead market (DAM) – through commission agreements with JSC Centre of Financial Settlements (CFS). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants.



During the year ended 31 December 2018 the Group received government subsidies of RR 41,648 million (in 2017: RR 32,745 million) (Note 25).

Government subsidies receivable comprised RR 2 539 million as at 31 December 2018 (31 December 2017: RR 3,401 million) (Note 13). There were no accounts payable on free-of-charge targeted contributions of the Group as at 31 December 2018 and 31 December 2017.

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 30 percent of total expenses on purchased electricity, capacity and fuel for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 30 percent).

Grid companies services on electricity distribution provided to the Group by government-related entities comprised approximately 80 percent of total electricity distribution expenses for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately 80 percent). The distribution of electricity is subject to tariff regulations.

**Key management of the Group.** Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, heads of the business subdivisions of the Company and their deputies, key management of subsidiaries of RAO ES East subgroup segment.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the year ended 31 December 2018 comprised RR 1,623 million including an accrual for bonuses in the amount of RR 398 million (for the year ended 31 December 2017: RR 1,877 million including accrual for bonuses in the amount of RR 400 million). The accrual for bonuses for the year ended 31 December 2018 includes remuneration under the Company's top management long-term motivation program as expected based on the 2018 results.



**Note 8. Property, plant and equipment**

<b>Cost</b>	<b>Buildings</b>	<b>Facilities</b>	<b>Plant and equipment</b>	<b>Assets under construction</b>	<b>Other</b>	<b>Total</b>
<b>Balance as at 31 December 2017 (restated)</b>	<b>83,938</b>	<b>308,921</b>	<b>358,685</b>	<b>296,572</b>	<b>15,100</b>	<b>1,063,216</b>
Reclassification	51	(735)	153	402	129	-
Additions	143	355	1,913	73,196	1,398	77,005
Transfers	3,938	14,472	38,650	(57,257)	197	-
Disposals of subsidiaries	(30)	(5)	(3)	-	(1)	(39)
Disposals and write-offs	(572)	(780)	(2,899)	(3,914)	(1,480)	(9,645)
<b>Balance as at 31 December 2018</b>	<b>87,468</b>	<b>322,228</b>	<b>396,499</b>	<b>308,999</b>	<b>15,343</b>	<b>1,130,537</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 31 December 2017 (restated)</b>	<b>(39,986)</b>	<b>(173,658)</b>	<b>(164,391)</b>	<b>(32,609)</b>	<b>(9,422)</b>	<b>(420,066)</b>
Reclassification	(11)	47	67	2	(105)	-
Impairment charge	(2,062)	(8,743)	(16,767)	(13,752)	(59)	(41,383)
Reversal of impairment	2,470	4,524	8,565	1,557	46	17,162
Depreciation charge	(1,402)	(5,961)	(14,253)	-	(1,110)	(22,726)
Transfers	(307)	(1,353)	(1,157)	2,828	(11)	-
Disposals of subsidiaries	18	2	3	-	1	24
Disposals and write-offs	442	598	2,592	2,041	203	5,876
<b>Balance as at 31 December 2018</b>	<b>(40,838)</b>	<b>(184,544)</b>	<b>(185,341)</b>	<b>(39,933)</b>	<b>(10,457)</b>	<b>(461,113)</b>
<b>Net book value as at 31 December 2018</b>	<b>46,630</b>	<b>137,684</b>	<b>211,158</b>	<b>269,066</b>	<b>4,886</b>	<b>669,424</b>
<b>Net book value as at 31 December 2017 (restated)</b>	<b>43,952</b>	<b>135,263</b>	<b>194,294</b>	<b>263,963</b>	<b>5,678</b>	<b>643,150</b>

<b>Cost</b>	<b>Buildings</b>	<b>Facilities</b>	<b>Plant and equipment</b>	<b>Assets under construction</b>	<b>Other</b>	<b>Total</b>
<b>Balance as at 31 December 2016 (restated)</b>	<b>74,091</b>	<b>282,313</b>	<b>316,881</b>	<b>292,837</b>	<b>14,875</b>	<b>980,997</b>
Reclassification	68	4,895	(5,121)	265	(107)	-
Additions	111	173	1,281	84,843	960	87,368
Transfers	10,221	23,011	47,442	(80,759)	85	-
Disposals of subsidiaries	(272)	(87)	(176)	(27)	(127)	(689)
Disposals and write-offs	(281)	(1,384)	(1,622)	(587)	(586)	(4,460)
<b>Balance as at 31 December 2017 (restated)</b>	<b>83,938</b>	<b>308,921</b>	<b>358,685</b>	<b>296,572</b>	<b>15,100</b>	<b>1,063,216</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 31 December 2016 (restated)</b>	<b>(34,266)</b>	<b>(155,610)</b>	<b>(145,496)</b>	<b>(32,937)</b>	<b>(8,491)</b>	<b>(376,800)</b>
Impairment charge	(4,349)	(8,517)	(9,128)	(3,855)	(49)	(25,898)
Reversal of impairment	-	-	-	597	-	597
Depreciation charge	(1,532)	(6,326)	(12,668)	-	(1,143)	(21,669)
Transfers	(226)	(3,929)	1,175	3,127	(147)	-
Disposals of subsidiaries	267	86	167	6	85	611
Disposals and write-offs	120	638	1,559	453	323	3,093
<b>Balance as at 31 December 2017 (restated)</b>	<b>(39,986)</b>	<b>(173,658)</b>	<b>(164,391)</b>	<b>(32,609)</b>	<b>(9,422)</b>	<b>(420,066)</b>
<b>Net book value as at 31 December 2017 (restated)</b>	<b>43,952</b>	<b>135,263</b>	<b>194,294</b>	<b>263,963</b>	<b>5,678</b>	<b>643,150</b>
<b>Net book value as at 31 December 2016 (restated)</b>	<b>39,825</b>	<b>126,703</b>	<b>171,385</b>	<b>259,900</b>	<b>6,384</b>	<b>604,197</b>

Assets under construction represent the expenditures for property, plant and equipment that are being constructed, including power plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2018 such advances amounted to RR 33,281 million (31 December 2017: RR 36,577 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 8,370 million, the capitalisation rate was 8.31 percent (for the year ended 31 December 2017: RR 11,584 million, the capitalisation rate was 9.50 percent).

Additions to assets under construction included capitalised depreciation in the amount of RR 342 million (for the year ended 31 December 2017: RR 696 million).

Other property, plant and equipment include motor vehicles, land, office fixtures and other equipment.



**Impairment of property, plant and equipment as at 31 December 2018 and 31 December 2017**

The following key assumptions were used in the impairment testing for the years ended 31 December 2018 and 31 December 2017:

Key assumptions used in the impairment testing	Year ended 31 December 2018	Year ended 31 December 2017
Information used	Actual operating results of generating units for the respective period and business plans for 5 years	
	(2019–2023)	(2018–2022)
	For the generating units operating hydro- and geothermal power plants and for units dealing with electricity transmission – 10 years	
	(2019–2028)	(2018–2027)
Forecast period*	For the generating units supplying capacity under capacity sale contracts at new hydropower plants, including hydro-accumulating power plants – until the completion of the capacity sale contracts	
	14–17 years (2019–2035)	15–18 years (2018–2035)
	For the generating units operating thermal power plants – based on the remaining useful life of the key equipment	
	11–35 years (2019–2053)	11–35 years (2018–2052)
Forecasted growth rates in terminal period	4.3 percent	4.2 percent
Discount rate before tax (based on weighted average cost of capital)	14.2–16.8 percent	14.4–17.0 percent
Forecast of electricity and capacity tariffs in the isolated energy systems and in non-pricing zone of the Far East	Based on methodology of tariffs calculation adopted by regulatory authority	
Forecast of electricity and capacity prices in competitive market	Based on the forecast of JSC TSA and forecast rates on energy prices growth prepared by the Ministry of Economic Development of RF	
Forecast of capacity prices related to competitive capacity selection	For 2019–2021 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2022–2025 - in accordance with the Decree of the Government of the Russian Federation from 25.01.2009 №43 For 2026 and after – adjusted on consumer index price	For 2018–2021 – based on the results of competitive capacity selection, except for stations, where regulated tariffs are used For 2022 and after – 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 it is expected that cash flow projections will not be stabilised within five years. However a forecast period of cash flows was mainly defined by remaining useful life of assets tested. For hydroelectric power plants this period may amount up to 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.

Management of the Group analysed the current economic situation, in which the Group operates, in order to detect the indicators of impairment of property, plant and equipment or indicators that an impairment loss recognised in prior periods no longer exists or decreased.

As a result of the impairment test of property, plant and equipment as at 31 December 2018 the impairment loss of RR 41,383 million was recognised in the Consolidated Income Statement, mainly related to the following cash-generating units:



(in millions of Russian Rubles unless noted otherwise)

- "Kolymaenergo" (Ust'-Srednekanskaya HPP and Kolymskaya HPP) – in the amount of RR 14,808 million and "TPP Vostochnaya" in the amount of RR 7,176 million due to the fact that the economically feasible tariffs being set at the assets commissioning date allow recovering capital expenditure without required return on investment.
- "Saratovskaya HPP" – in the amount of RR 12,405 million due to the fact that a significant increase in the carrying amount of property, plant and equipment, given that the complex modernisation programme is implemented, is limited to the recoverable amount, which is the present value of the future cash flows from the operation of this generating unit.

In addition, impairment loss of RR 17,162 million recognised in respect of property, plant and equipment in previous reporting periods was reversed in the Consolidated Income Statement, mainly related to the following cash-generating units:

- "Zagorskaya GAES", "Novosibirskaya HPP", "Karachaevo-Cherkessky branch" – in the amount of RR 8,150 million due to the faster growth of the competitive capacity selection price index for 2022-2025 under Resolution of the Russian Government No. 43 dated 25.01.2019 as compared to the earlier expected one.
- "Kamchatskenergo", "Sakhalinenergo", "Sakhaenergo" – in the amount of RR 4,747 million due to the due to the fact that the maximum growth of economically feasible tariffs is not restricted by the growth index of fees collected from the population.
- "Blagoveshchenskaya CHP" – in the amount of RR 3,619 million due to the update of data on the power plant loading, taking into account the priority given to loading more efficient power plants when distributing required production volumes.

The table below shows the sensitivity of the recoverable amount of cash-generating units to key assumptions as at 31 December 2018:

	Recoverable amount	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity of recoverable amount
Property, plant and equipment	669,424	Discounted cash flows	Electricity and capacity prices and electricity tariff forecast in isolated power systems and non-price zone of the Far East	-10%	(34,156)
			Discount rate	+1%	(16,416)
			Capital expenditures	+10%	(3,136)

Management of the Group believes that property, plant and equipment at Zagorskaya GAES-2 with carrying amount of RR 60,552 million is not impaired as at 31 December 2018 as there were capacity supply contracts concluded in respect of new power generation facilities of Zagorskaya GAES-2, that guarantee the payback period of 20 years for the total cost of construction for the period. In April 2018 the date of fulfilment of obligations as for capacity supply contracts was deferred to 1 January 2024 by decision of NP Council Market.

As a result of the impairment analysis of property, plant and equipment as at 31 December 2017 their carrying amount decreased by RR 25,301 million, impairment loss was recognised in the Consolidated Income Statement.

**Leased equipment.** As at 31 December 2018 the net book value of assets held under finance lease and included in property, plant and equipment was RR 272 million (31 December 2017: RR 1,372 million). Assets held under finance leases were mainly represented by plant and equipment.

**Operating leases.** The Group leases a number of land plots owned by local governments, and production buildings under non-cancellable operating lease agreements. Lease payments are determined by the agreements. The land plots leased by the Group are those where the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land plots are limited in their alienability and cannot be privatised. The Group's operating leases typically run for an initial period of 5–49 years with an option to renew the lease after that date. Lease payments are reviewed regularly.



**RusHydro Group**  
**Notes to the Consolidated Financial Statements as at and for the year ended**  
**31 December 2018**

(in millions of Russian Rubles unless noted otherwise)



The future payments under non-cancellable operating leases in accordance with the rates as at the reporting date, are as follows:

	31 December 2018	31 December 2017
Less than one year	2,223	2,115
Between one and five years	7,361	7,774
After five years	27,738	32,582
<b>Total operating lease</b>	<b>37,322</b>	<b>42,471</b>

**Pledged assets.** As at 31 December 2018 and 31 December 2017, no property, plant and equipment have been pledged as collateral for borrowings.

**Note 9. Investments in associates and joint ventures**

The Group's interests in associates and joint ventures and their carrying values were as follows:

	Place of business	% held		Carrying value	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017 (restated)
<b>Associates</b>					
OJSC Irkutsk Electronetwork Company (OJSC IENC)	Russia	42.75%	42.75%	7,465	7,656
OJSC Sakhalin Energy Company (OJSC SEC)	Russia	34.62%	34.62%	2,155	1,895
Other				110	143
<b>Total associates</b>				<b>9,730</b>	<b>9,694</b>
<b>Joint ventures</b>					
BoGES Group	Russia	50.00%	50.00%	10,098	8,946
BALP Group	Russia	50.00%	50.00%	-	-
Other				-	1,378
<b>Total joint ventures</b>				<b>10,098</b>	<b>10,324</b>
<b>Total investments in associates and joint ventures</b>				<b>19,828</b>	<b>20,018</b>

The amounts in respect of associates and joint ventures recognised in the Consolidated Income Statement are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
<b>Associates</b>		
OJSC IENC	(192)	129
OJSC SEC	261	(33)
Other	(34)	(50)
<b>Total associates</b>	<b>35</b>	<b>46</b>
<b>Joint ventures</b>		
BoGES Group	1,809	362
BALP Group	-	-
Other	16	34
<b>Total joint ventures</b>	<b>1,825</b>	<b>396</b>
<b>Share of results of associates and joint ventures</b>	<b>1,860</b>	<b>442</b>



## **Associates**

### *OJSC Irkutsk Electronetwork Company (OJSC IENC)*

OJSC IENC operates electric power transmission grids with voltage of 220-500 kV and distribution grids with voltage of 0.4-110 kV in the Irkutsk region. The total length of overhead and cable power lines is over 40,000 km. OJSC IENC also maintains and ensures operation of over 10,000 transforming substations of 6-500 kV in voltage and over 28,000 MVA in total capacity. The core activities of OJSC IENC include provision of services in the area of electric power transmission and distribution, technological connection of consumers to power grids and maintenance of power grids' operating capacity. OJSC IENC's controlling shareholder is EN+ Group.

The Group's investment in OJSC IENC is non-core and is considered one of the priority assets for sale.

### *OJSC Sakhalin Energy Company (OJSC SEC)*

OJSC SEC is a special project developer company involved in construction of a number of new power sector assets in the Sakhalin region to be financed from the federal and regional budgets. OJSC SEC's major project was construction of Power Generating Unit No. 4 (with total capacity of 139 MWt) at Yuzhno-Sakhalinsk Thermal Power Plant-1 (that was put into operation in the fourth quarter of 2013). OJSC SEC also built a number of power supply network facilities. The above units of generation and power supply network are leased to and operated by PJSC Sakhalinenergo, the Group's subsidiary. Other OJSC SEC's shareholders, in addition to the Group, are the Russian Government represented by the Federal Agency for State Property Management, and the Sakhalin region represented by the Ministry of Land and Property Affairs of the Sakhalin region.

The Group's investments in OJSC SEC are of strategic nature and are considered to be used in the project aimed at consolidating key energy assets of the Sakhalin region on the basis of the core vertically integrated entity PJSC Sakhalinenergo.

Summarised financial information for significant associates for the years ended 31 December 2018 and 31 December 2017 and as at 31 December 2018 and 31 December 2017:

	<b>OJSC SEC</b>		<b>OJSC IENC</b>	
<b>As at 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Non-current assets	7,452	6,960	23,897	22,960
Current assets	1,795	1,540	764	1,151
Non-current liabilities	-	-	(4,057)	(2,580)
Current liabilities	(52)	(59)	(5,356)	(5,835)
<b>Net assets</b>	<b>9,195</b>	<b>8,441</b>	<b>15,248</b>	<b>15,696</b>
<b>For the year ended 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	615	605	20,998	20,632
Impairment of property, plant and equipment	905	-	-	-
<b>Profit / (loss) for the year</b>	<b>754</b>	<b>130</b>	<b>(448)</b>	<b>301</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>754</b>	<b>130</b>	<b>(448)</b>	<b>301</b>





Reconciliation of the summarised financial information of the associates to the carrying value of the Group's investment:

	<b>OJSC SEC</b>	<b>OJSC IENC</b>	<b>Others</b>	<b>Total</b>
<b>Net assets as at 31 December 2016</b>	<b>7,781</b>	<b>15,395</b>	<b>701</b>	
Profit / (loss) for the year	130	301	(202)	
Additional share issues	530	-	-	
<b>Net assets as at 31 December 2017</b>	<b>8,441</b>	<b>15,696</b>	<b>499</b>	
Interest in associates	2,923	6,710	143	9,776
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
<b>Carrying value as at 31 December 2017</b>	<b>1,895</b>	<b>7,656</b>	<b>143</b>	<b>9,694</b>
<b>Net assets as at 31 December 2017</b>	<b>8,441</b>	<b>15,696</b>	<b>499</b>	
Profit / (loss) for the year	754	(448)	(116)	
<b>Net assets as at 31 December 2018</b>	<b>9,195</b>	<b>15,248</b>	<b>383</b>	
Interest in associates	3,183	6,519	110	9,812
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
<b>Carrying value as at 31 December 2018</b>	<b>2,155</b>	<b>7,465</b>	<b>110</b>	<b>9,730</b>

### **Joint ventures**

#### *BoGES Group and BALP Group*

Starting from 2006 the Company and RUSAL Group have been jointly implementing the Boguchansky Energy-Metallurgical Association (BEMA) project based on an agreement for joint financing, completion and subsequent operation of Boguchanskaya HPP and Boguchansky aluminium plant. Within the BEMA project, joint ventures BoGES Ltd (Cyprus) and BALP Ltd (Cyprus) were formed on a parity basis, which have controlling interests in PJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant, respectively.

BoGES Ltd and PJSC Boguchanskaya HPP 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 electricity sales companies. The installed capacity of Boguchanskaya HPP is 2,997 MW, long-term average project production – 17 600 million kWh.

The capacity of Boguchansky Aluminium Plant is almost 600 thousand tonnes of aluminium per annum. The plant comprises two series with a capacity of 296 thousand tonnes each. The construction of the 1st series of Boguchansky Aluminium Plant is ongoing. The decision about the construction of the 2nd series of the plant has not been made by the investors. Boguchansky Aluminium Plant will become one of the key consumers of energy generated by Boguchanskaya HPP.



Summarised financial information for the significant joint ventures as at and for the years ended 31 December 2018 and 31 December 2017:

	<b>BoGES Group</b>		<b>BALP Group</b>	
<b>As at 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Non-current assets	64,048	65,851	40,891	34,411
Current assets including:	7,377	3,393	9,668	7,796
<i>Cash and cash equivalents</i>	5,405	815	1,588	1,260
Non-current liabilities including:	(43,769)	(43,911)	(134,826)	(103,833)
<i>Non-current financial liabilities (excluding trade payables)</i>	(38,055)	(38,147)	(134,806)	(103,827)
Current liabilities including:	(7,510)	(7,459)	(2,169)	(2,258)
<i>Current financial liabilities (excluding trade payables)</i>	(1,446)	(1,110)	(23)	(17)
<b>Net assets</b>	<b>20,146</b>	<b>17,874</b>	<b>(86,436)</b>	<b>(63,884)</b>
<b>For the year ended 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	16,872	15,724	20,210	17,081
Depreciation of property, plant and equipment	(2,156)	(1,867)	(1,325)	(1,191)
Impairment on financing of CJSC Boguchansky Aluminium Plant	(2,673)	(5,180)	-	-
Interest income	206	134	110	19
Interest expense	(2,420)	(2,893)	(5,575)	(6,230)
Foreign exchange differences	(9)	(4)	(17,329)	3,951
<b>Profit / (loss) before income tax</b>	<b>2,782</b>	<b>(388)</b>	<b>(22,552)</b>	<b>(1,489)</b>
Income tax expense	(478)	(83)	-	-
<b>Profit / (loss) for the year</b>	<b>2,304</b>	<b>(471)</b>	<b>(22,552)</b>	<b>(1,489)</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>2,304</b>	<b>(471)</b>	<b>(22,552)</b>	<b>(1,489)</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 2016</b>	<b>18,345</b>	<b>(62,395)</b>	<b>2,529</b>	
(Loss) / profit for the year	(471)	(1,489)	102	
<b>Net assets as at 31 December 2017</b>	<b>17,874</b>	<b>(63,884)</b>	<b>2,631</b>	
Interest in joint ventures	8,937	(31,942)	1,173	(21,832)
Non-controlling interest	9	-	-	9
Accumulated losses	-	31,942	205	32,147
<b>Carrying value as at 31 December 2017</b>	<b>8,946</b>	<b>-</b>	<b>1,378</b>	<b>10,324</b>
<b>Net assets as at 31 December 2017</b>	<b>17,874</b>	<b>(63,884)</b>	<b>2,631</b>	
Profit / (loss) for the year	2,304	(22,552)	(75)	
Purchase of treasury shares	(32)	-	-	
Disposal / reclassification to non-current assets classified as held for sale	-	-	(3,029)	
<b>Net assets as at 31 December 2018</b>	<b>20,146</b>	<b>(86,436)</b>	<b>(473)</b>	
Interest in joint ventures	10,073	(43,218)	(237)	(33,382)
Non-controlling interest	25	-	-	25
Accumulated losses	-	43,218	237	43,455
<b>Carrying value as at 31 December 2018</b>	<b>10,098</b>	<b>-</b>	<b>-</b>	<b>10,098</b>

As at 31 December 2017 the Group had an outstanding guarantee issued for PJSC Boguchanskaya HPP in respect of its loan facility in favour of State Corporation Vnesheconombank, which was revoked in 2018 (Note 30).

As at 31 December 2018 the investment in LLC VolgaHydro of RR 450 million was classified as a non-current asset held for sale following the decision made in October 2018 by the Board of Directors of the Company to sell the Group's share in LLC VolgaHydro (Note 35).



**Note 10. Financial assets at fair value through profit or loss and available-for-sale financial assets (as at 31 December 2017)**

Information on the financial assets at fair value through profit or loss is presented below:

<b>As at 1 January 2018 (Note 3)</b>	<b>17,953</b>
Gain arising on financial assets at fair value through profit or loss within other operating income	3,845
Sale of shares of PJSC Inter RAO	(21,142)
<b>As at 31 December 2018</b>	<b>656</b>

Gain arising on financial assets at fair value through profit or loss for the year ended 31 December 2018 totalled RR 3,845 million, including the change in the fair value of PJSC Inter RAO's shares of RR 3,923 million, and was recorded within other operating income.

In July 2018 the Group completed the transaction to sell shares of PJSC Inter RAO, with the result of the transaction recorded within equity (Note 16).

Information on the available-for-sale financial assets as at 31 December 2017 is presented below:

	<b>31 December 2017</b>	
	<b>% of ownership</b>	<b>Fair value</b>
PJSC Inter RAO	4.915%	17,219
Other	-	1,274
<b>Total available-for-sale financial assets</b>		<b>18,493</b>

Loss arising on available-for-sale financial assets for the year ended 31 December 2017 (restated) totalled RR 2,551 million was recorded within other comprehensive income.

**Note 11. Other non-current assets**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Long-term promissory notes	40,475	39,549
Discount on long-term promissory notes	(14,826)	(15,662)
Credit loss allowance for long-term promissory notes	(14,025)	-
Impairment provision for long-term promissory notes	-	(14,025)
Long-term promissory notes, net	11,624	9,862
VAT recoverable	2,115	2,957
Cross-currency and interest rate swap	1,238	-
Goodwill	481	481
Long-term advances to suppliers	44	5,024
Other non-current assets	6,526	7,007
<b>Total other non-current assets</b>	<b>22,028</b>	<b>25,331</b>

Other non-current assets in the amount of RR 6,526 million (31 December 2017: RR 7,007 million) mainly include intangible assets, research and development costs and long-term accounts receivable.

Information on the credit loss allowance in relation to other non-current financial assets is presented in Note 34.

	<b>Rating</b>	<b>Rating agency</b>	<b>Effective interest rate</b>	<b>Maturity date</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Interest-free long-term promissory notes</b>						
PJSC Boguchanskaya HPP	-	-	9.75%	2029	7,551	6,880
PJSC Bank VTB	BBB-	Standard & Poor's	8.45–10.42%	2020–2021	1,884	1,044
PJSC ROSBANK	BBB-	Fitch Ratings	10.90–14.58%	2020–2022	1,138	1,005
JSC Alfa Bank	BB+	Fitch Ratings	11.90–16.35%	2020–2022	961	860
Other	-	-	-	-	90	73
<b>Total long-term promissory notes</b>					<b>11,624</b>	<b>9,862</b>

**Promissory notes of PJSC Boguchanskaya HPP.** As at 31 December 2018 the amortised cost of interest-free long-term promissory notes of PJSC Boguchanskaya HPP (payable on demand but not earlier than 31 December 2029, with the total nominal value of RR 21,027 million) pledged as collateral to SC Vnesheconombank amounted to RR 7,551 million (31 December 2017: RR 6,880 million) (Note 9).



**Goodwill.** As at 31 December 2018 and 31 December 2017, the Group tested goodwill related to JSC Institute Hydroproject for its potential impairment. As a result the recoverable amount of JSC Institute Hydroproject as a cash generating asset was higher than the carrying amount - there is no economic impairment.

**Cross-currency and interest rate swap.** In November 2018 the Group concluded a cross-currency and interest rate swap arrangement with PJSC Bank VTB with a view to fix the Group's liabilities under the Eurobonds denominated in Chinese Yuan placed in November 2018 maturing in November 2021 (Note 19). The Eurobond issue amount of CNH 1,500 million is fixed in Russian Rubles at the market exchange rate in the amount of RR 14,430 million. Interim payments by PJSC Bank VTB are determined in Chinese Yuan at the fixed interest rate of 6.125 percent per annum based on the nominal amount and are made twice a year. Interim payments by the Company are set in Russian Rubles at the floating rate defined as an average of key interest rates of the Bank of Russia for the interest period plus a spread of 1.5 percent per annum based on the nominal principal in Russian Rubles, also made twice a year.

As at 31 December 2018 the asset for cross-currency and interest rate swap arrangement is recognised as long-term derivative financial instrument at fair value through profit or loss in the amount of RR 1,238 million.

## **Note 12. Cash and cash equivalents**

	31 December 2018	31 December 2017
Cash equivalents (contractual interest rate: 4.06-8.22%)	45,451	59,029
Cash at bank	19,961	11,106
Cash in hand	20	21
<b>Total cash and cash equivalents</b>	<b>65,432</b>	<b>70,156</b>

Cash equivalents held as at 31 December 2018 and 31 December 2017 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 2018 were RR 34 million (31 December 2017: RR 576 million). Cash and cash equivalents balances denominated in Euros as at 31 December 2018 were RR 39 million (31 December 2017: RR 63 million).

Cash and cash equivalents are deposited in several institutions as follows:

	Rating	Rating agency	31 December 2018	31 December 2017
<b>Cash at banks</b>				
Bank GPB (JSC)	BB+	Fitch Ratings	9,520	3,347
PJSC Sberbank	BBB-	Fitch Ratings	3,885	4,372
BANK ROSSIYA	A+(RU)	AKPA	3,804	1,888
PJSC ROSBANK	BBB-	Fitch Ratings	1,314	1,011
PJSC Bank VTB	BBB-	Standard & Poor's	1,090	190
Other	-	-	348	298
<b>Total cash at banks</b>			<b>19,961</b>	<b>11,106</b>
<b>Bank deposits</b>				
PJSC Bank VTB	BBB-	Standard & Poor's	26,137	35,394
Bank GPB (JSC)	BB+	Fitch Ratings	14,145	16,720
JSC UniCredit Bank	BBB-	Fitch Ratings	2,650	-
PJSC Sberbank	BBB-	Fitch Ratings	1,111	6,025
JSC Rosselkhozbank	BB+	Fitch Ratings	955	760
BANK ROSSIYA	A+(RU)	AKPA	262	-
Other	-	-	191	130
<b>Total cash equivalents</b>			<b>45,451</b>	<b>59,029</b>



**Note 13. Accounts receivable and prepayments**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade receivables	65,147	61,279
Credit loss allowance for trade receivables	(28,891)	-
Provision for impairment of trade receivables	-	(26,571)
<b>Trade receivables, net</b>	<b>36,256</b>	<b>34,708</b>
<b>VAT recoverable</b>	<b>8,175</b>	<b>7,841</b>
Advances to suppliers and other prepayments	11,400	2,944
Provision for impairment of advances to suppliers and other prepayments	(834)	(837)
<b>Advances to suppliers and other prepayments, net</b>	<b>10,566</b>	<b>2,107</b>
Other receivables	22,720	7,959
Credit loss allowance for other receivables	(5,067)	-
Provision for impairment of other receivables	-	(4,815)
<b>Other receivables, net</b>	<b>17,653</b>	<b>3,144</b>
Government grants receivables	2,539	3,401
<b>Total accounts receivable and prepayments</b>	<b>75,189</b>	<b>51,201</b>

As at 1 January 2018 the net amount of trade receivables was restated in accordance with IFRS 9 (Note 3).

Included in accounts receivable are government subsidies receivable from constituent budgets of the Far East Federal region including those for compensation of the tariffs reduction to guaranteeing suppliers under Resolution of the Russian Government No. 895 (Note 2).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (Note 2).

The ageing analysis of trade accounts receivable as at 31 December 2018 is as follows:

	<b>31 December 2018</b>		
	<b>Expected credit loss, %</b>	<b>Gross carrying amount</b>	<b>Credit loss allowance</b>
Not past due	2.81%	24,686	(694)
Past due for less than 3 months	18.26%	7,185	(1,312)
Past due for 3 months to 1 year	51.26%	8,985	(4,606)
Past due for more than 1 year	91.72%	24,291	(22,279)
<b>Total</b>		<b>65,147</b>	<b>(28,891)</b>

Movements in the credit loss allowance for trade accounts receivable for the year ended 31 December 2018 are as follows:

	<b>Year ended 31 December 2018</b>
As at 1 January	26,571
Recalculation due to adoption of IFRS 9	(749)
<b>As at 1 January (restated)</b>	<b>25,822</b>
Charge for the year	6,914
Reversal of credit loss allowance	(2,613)
Trade receivables written off as uncollectible	(1,232)
<b>As at 31 December</b>	<b>28,891</b>

Information on the credit loss allowance in relation to other accounts receivable is presented in Note 34.



The ageing analysis of trade and other financial accounts receivable as at 31 December 2017 is as follows:

	<b>31 December 2017</b>	
	<b>Carrying amount</b>	<b>Provision</b>
Not past due	26,802	(1,215)
Past due for less than 3 months	8,410	(2,112)
Past due for 3 months to 1 year	10,326	(5,271)
Past due for more than 1 year	23,213	(22,788)
<b>Total</b>	<b>68,751</b>	<b>(31,386)</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.

Movements in the impairment provision for trade and other accounts receivable for the year ended 31 December 2017 are as follows:

	<b>Year ended 31 December 2017</b>
As at 1 January	27,662
Charge for the year	7,261
Reversal of impairment	(1,626)
Trade receivables written off as uncollectible	(1,902)
Elimination of impairment provision due to disposal of subsidiaries	(9)
<b>As at 31 December</b>	<b>31,386</b>

The Group does not hold any accounts receivable pledged as collateral.

#### **Note 14. Inventories**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Fuel	20,146	16,162
Materials and supplies	7,915	6,782
Spare parts	2,438	2,466
Other materials	368	386
<b>Total inventories before provision for impairment</b>	<b>30,867</b>	<b>25,796</b>
Provision for impairment of inventories	(146)	(273)
<b>Total inventories</b>	<b>30,721</b>	<b>25,523</b>

There are no inventories pledged as collateral for borrowings as at 31 December 2018 and as at 31 December 2017.

#### **Note 15. Other current assets**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Deposits</b>	<b>29,967</b>	<b>790</b>
<b>Special funds</b>	<b>3,821</b>	<b>3,429</b>
Loans issued	3,072	2,472
Credit loss allowance for loans issued	(3,050)	-
Provision for impairment of loans issued	-	(2,447)
<b>Loans issued, net</b>	<b>22</b>	<b>25</b>
<b>Other short-term investments</b>	<b>63</b>	<b>156</b>
<b>Total other current assets</b>	<b>33,873</b>	<b>4,400</b>

As at 31 December 2018 the balance of special funds in the amount of RR 3,821 million received by the Group to fund construction of generating facilities, is placed to the special accounts of the Federal Treasury of Russia (as at 31 December 2017: RR 3,429 million). These special funds may be used by the Group only upon approval by the Federal Treasury of Russia according to the authorisation procedure, prescribed by the Order of the Ministry of Finance of the Russian Federation No. 213n dated 25 December 2015.

Credit loss allowance for loans issued includes credit loss allowance for loans issued to ZAO Verkhne-Narynskye HPPs in the amount of RR 2,908 million as at 31 December 2018 (provision as at 31 December 2017: RR 2,328 million) due to denouncement of agreements between Russian Government and Kyrgyzstan Republic on construction of the Upper Naryn cascade of hydropower plants.





	Rating	Rating agency	Effective interest rate	31 December 2018	31 December 2017
<b>Deposits</b>					
JSC UniCredit Bank	BBB-	Fitch Ratings	7,50%	9,000	-
Bank GPB (JSC)	BB+	Fitch Ratings	8,11%	6,500	-
PJSC ROSBANK	BBB-	Fitch Ratings	8,15%	6,000	-
PJSC Bank VTB	BBB-	Standard & Poor's	7,58–8,00%	5,100	-
PJSC Sberbank	BBB-	Fitch Ratings	4,78–8,10%	3,123	642
Other	-	-	-	244	148
<b>Total deposits</b>				<b>29,967</b>	<b>790</b>

## Note 16. Equity

	Number of issued and fully paid ordinary shares (Par value of RR 1.00)
As at 31 December 2018	426,288,813,551
As at 31 December 2017	426,288,813,551
As at 31 December 2016	386,255,464,890

**Changes in the equity as at 1 January 2018 due to changes in accounting policies.** The Group recalculated equity as at 1 January 2018 due to adoption of IFRS 9 (Note 3). The revaluation reserve on available-for-sale financial assets for those financial assets reclassified to fair value through profit or loss in the amount of RR 13,894 million as at 1 January 2018 was transferred to retained earnings. As a result of the recalculation of the provision for impairment of trade receivables, retained earnings as at 1 January 2018 increased by RR 668 million. Non-controlling interest increased by RR 55 million.

**Additional share issue 2018.** On 21 June 2018, the Board of Directors of the Company adopted a resolution to make a placement of 14,013,888,828 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 27 August 2018, the share issue was registered with the Bank of Russia. As at the date of the issue of these financial statements no shares are placed under this additional share issue.

**Additional share issue 2016–2017.** On 22 November 2016 the Board of Directors of the Company adopted a resolution to make a placement of 40,429,000,000 ordinary shares by open subscription. The placement price of the additional shares was determined at RR 1.00 per share. On 7 December 2016 the share issue was registered with the Bank of Russia.

In January 2017, as a result of certain shareholders exercising their pre-emptive right, the Company placed 33,348,661 additional shares, which were paid in December 2016.

In March 2017 PJSC Bank VTB purchased 40 billion additional shares under the agreement related to the purchase of 55 billion ordinary shares of the Company for a total amount of RR 55 billion (Note 2). The other 15 billion shares were sold to the bank by the Group's subsidiaries. The full amount of cash received by the Group was used to repay the debts of RAO ES East subgroup.

On 11 May 2017 the placement of ordinary shares of the Company under the additional share issue 2016–2017 was completed.

On 5 June 2017 the results of the additional share issue were registered. 40,033,348,661 shares were placed as a result of the additional issue which represents 99.02 percent of the additional issue's total number of shares registered. The shares issued were fully paid for in cash.

**Treasury shares.** As at 31 December 2018 treasury shares were represented by 3,852,259,680 ordinary shares in the amount of RR 4,613 million (31 December 2017: 3,852,267,925 ordinary shares in the amount of RR 4,613 million).

In March 2017, 15 billion treasury shares were sold to PJSC Bank VTB at the price of RR 1.00 per share in accordance with the agreement described above. Weighted average cost of these treasury shares was RR 17,965 million; the loss on disposal of RR 2,965 million was accounted for within equity.

**Sale of shares of PJSC Inter RAO.** On 5 July 2018, the Group completed the transaction to sell 5,131,669,622 shares of PJSC Inter RAO owned by the Group (4.915 percent of share capital) to JSC Inter RAO Capital. The value of shares as at disposal date amounted to RR 21,142 million (Note 10). The selling price was RR 3.3463 per share. The total consideration for all PJSC Inter RAO shares sold was



RR 17,172 million. Under the contracts the consideration receivable is settled by instalments, as a result the Group recognised the discount in the amount of RR 1,253 million. As at 31 December 2018 consideration receivable is included in other receivables (Note 13). The transaction is under common control, so the result is recorded within equity.

**Effect of changes in non-controlling interest of subsidiaries.** In October 2017 the Group's share in a subsidiary JSC SK Agroenergo was sold, as a result non-controlling interest increased by RR 228 million.

**Dividends.** On 27 June 2018, the Company declared dividends for the year ended 31 December 2017 of RR 0.0263 per share in the total amount of RR 11,226 million (RR 11,124 million excluding dividends payable to the Group's subsidiaries).

On 26 June 2017, the Company declared dividends for the year ended 31 December 2016 of RR 0.0466 per share in the total amount of RR 19,876 million (RR 19,696 million excluding dividends to subsidiaries).

Declared dividends of the Group's subsidiaries in favour of non-controlling interest holders amounted to RR 172 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RR 127 million).

#### **Note 17. Income tax**

Income tax expense is as follows:

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017 (restated)</b>
Current income tax expense	13,856	12,985
Deferred income tax expense	2,166	627
<b>Total income tax expense</b>	<b>16,022</b>	<b>13,612</b>

The income tax rate applicable to the majority of the Group's entities for the year ended 31 December 2018 was 20 percent (for the year ended 31 December 2017: 20 percent).

A reconciliation between the expected and actual income tax expense is provided below:

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017 (restated)</b>
<b>Profit before income tax</b>	<b>47,859</b>	<b>38,386</b>
Theoretical tax expense at a statutory rate of 20 percent	(9,572)	(7,677)
Tax effect of items which are not deductible or assessable for taxation purposes	(970)	(2,344)
Increase in other unrecognised deferred tax assets	(5,742)	(3,090)
Effect of applying different tax rates for separate transactions	785	-
Change in unrecognised deferred tax assets in respect of associates and joint ventures	372	88
Other	(895)	(589)
<b>Total income tax expense</b>	<b>(16,022)</b>	<b>(13,612)</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 2018 was RR 122,770 million (31 December 2017 (restated): RR 96,327 million). These temporary differences mainly relate to accumulated impairment of property, plant and equipment, assets under construction, changes in the fair value of the non-deliverable forward contract for shares and pension liabilities of several Group's subsidiaries.

**Deferred income tax.** Differences between IFRS and statutory taxation regulations in the Russian Federation give rise to temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (for the year ended 31 December 2017: 20 percent).



**RusHydro Group**  
**Notes to the Consolidated Financial Statements as at and for the year ended**  
**31 December 2018**

(in millions of Russian Rubles unless noted otherwise)



	31 December 2017 (restated)	Recalculation due to adoption of (IFRS) 9	Income tax charge	Charged directly to other comprehensive income	Other movements	31 December 2018
<b>Deferred income tax assets</b>	<b>9,592</b>	<b>(28)</b>	<b>495</b>	<b>(54)</b>	<b>(6)</b>	<b>9,999</b>
Property, plant and equipment	6,760	-	(447)	-	-	6,313
Accounts receivable	6,359	(28)	69	-	-	6,400
Losses carried forward	1,024	-	531	-	(6)	1,549
Other	3,594	-	595	(54)	-	4,135
<i>Deferred tax offset</i>	<i>(8,145)</i>	<i>-</i>	<i>(253)</i>	<i>-</i>	<i>-</i>	<i>(8,398)</i>
<b>Deferred income tax liabilities</b>	<b>(11,103)</b>	<b>2</b>	<b>(2,661)</b>	<b>(43)</b>	<b>2</b>	<b>(13,803)</b>
Property, plant and equipment	(18,606)	-	(2,341)	-	2	(20,945)
Accounts receivable	(115)	-	(475)	-	-	(590)
Loans and borrowings	(325)	-	70	(43)	-	(298)
Other	(202)	2	(168)	-	-	(368)
<i>Deferred tax offset</i>	<i>8,145</i>	<i>-</i>	<i>253</i>	<i>-</i>	<i>-</i>	<i>8,398</i>

	31 December 2016 (restated)	Income tax charge (restated)	Charged directly to other comprehensive income (restated)	31 December 2017 (restated)
<b>Deferred income tax assets</b>	<b>6,918</b>	<b>2,721</b>	<b>(47)</b>	<b>9,592</b>
Property, plant and equipment	4,888	1,872	-	6,760
Accounts receivable	6,444	(85)	-	6,359
Losses carried forward	980	44	-	1,024
Other	3,183	458	(47)	3,594
<i>Deferred tax offset</i>	<i>(8,577)</i>	<i>432</i>	<i>-</i>	<i>(8,145)</i>
<b>Deferred income tax liabilities</b>	<b>(7,729)</b>	<b>(3,348)</b>	<b>(26)</b>	<b>(11,103)</b>
Property, plant and equipment	(15,772)	(2,834)	-	(18,606)
Accounts receivable	(57)	(58)	-	(115)
Loans and borrowings	(351)	26	-	(325)
Other	(126)	(50)	(26)	(202)
<i>Deferred tax offset</i>	<i>8,577</i>	<i>(432)</i>	<i>-</i>	<i>8,145</i>

Under the existing Group structure tax losses and current income tax assets of different Group entities may not be offset against current income tax liabilities and taxable profits of other Group entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has legal rights to offset it.

**Note 18. Pension benefit obligations**

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2018 and 31 December 2017.

Amounts recognised in the Group's Consolidated Statement of Financial Position among other non-current liabilities (Note 21):

	31 December 2018	31 December 2017
Fair value of plan assets	(1,062)	(1,111)
Present value of defined benefit obligations	8,480	9,745
<b>Net liability</b>	<b>7,418</b>	<b>8,634</b>



The movements in the defined benefit liability for the years ended 31 December 2018 and 31 December 2017 are presented in the tables below:

	Present value of defined benefit obligations	Fair value of plan assets	Total
<b>At 1 January 2018</b>	<b>9,745</b>	<b>(1,111)</b>	<b>8,634</b>
Current service cost	399		399
Interest expense / (income)	700	(83)	617
Past service cost	(764)	6	(758)
Remeasurement effects (for other long-term benefits):			
Actuarial gain - changes in actuarial assumptions	(145)	-	(145)
Actuarial gain - experience adjustment	(73)	-	(73)
<b>Recognised in profit or loss for the year ended 31 December 2018</b>	<b>117</b>	<b>(77)</b>	<b>40</b>
Remeasurements (for post-employment benefits):			
Actuarial loss - change in demographic assumptions	143	-	143
Actuarial gain - change in financial assumptions	(665)	-	(665)
Actuarial (gain) / loss - experience adjustments	(52)	89	37
<b>Recognised other comprehensive income for the year ended 31 December 2018 (before income tax charge of RR 97 million)</b>	<b>(574)</b>	<b>89</b>	<b>(485)</b>
Employer contributions for funded pension plan	-	(253)	(253)
Benefit payments (Funding NSPF pensions)	(487)	290	(197)
Benefit payments (Non-funded pension plan)	(321)	-	(321)
<b>At 31 December 2018</b>	<b>8,480</b>	<b>(1,062)</b>	<b>7,418</b>

	Present value of defined benefit obligations	Fair value of plan assets	Total
<b>At 1 January 2017</b>	<b>9,894</b>	<b>(1,090)</b>	<b>8,804</b>
Current service cost	428	-	428
Interest expense / (income)	788	(89)	699
Past service cost	(167)	-	(167)
Remeasurement effects (for other long-term benefits):			
Actuarial loss - changes in actuarial assumptions	18	-	18
Actuarial loss - experience adjustment	1	-	1
<b>Recognised in profit or loss for the year ended 31 December 2017</b>	<b>1,068</b>	<b>(89)</b>	<b>979</b>
Remeasurements (for post-employment benefits):			
Actuarial gain - change in demographic assumptions	(36)	-	(36)
Actuarial gain - change in financial assumptions	(289)	-	(289)
Actuarial (gain) / loss - experience adjustments	(124)	19	(105)
<b>Recognised other comprehensive income for the year ended 31 December 2017 (before income tax charge of RR 86 million)</b>	<b>(449)</b>	<b>19</b>	<b>(430)</b>
Employer contributions for funded pension plan	-	(233)	(233)
Benefit payments (Funding NSPF pensions)	(489)	282	(207)
Benefit payments (Non-funded pension plan)	(279)	-	(279)
<b>At 31 December 2017</b>	<b>9,745</b>	<b>(1,111)</b>	<b>8,634</b>



Principal actuarial assumptions for the Group are as follows:

	31 December 2018	31 December 2017
Nominal discount rate	8.50%	7.50%
Inflation rate	4.10%	4.00%
Wage growth rate	5.60%	5.50%
Staff turnover	Depending on length of service based on statistical data	
Mortality table	Russia-2016*	Russia-2014*

\* Taking into account the pull down adjustment calculated based on statistical data of mortality for employees of the Group of age till 60 years old for years 2012–2018 (31 December 2017: 2012–2017)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2018 is presented below:

	Change in assumption	Effect on net liability	Effect on net liability, %
Nominal discount rate	+ 1%	(650)	- 8%
	- 1%	763	9%
Inflation rate	+ 1%	476	6%
	- 1%	(409)	- 5%
Wage growth rate	+ 1%	320	4%
	- 1%	(277)	- 3%
Staff turnover	+ 3%	(880)	- 10%
	- 3%	1 278	15%
Mortality Rates	+ 10%	(109)	- 1%
	- 10%	117	1%

The Group expects to contribute RR 582 million to the defined benefit plans in 2019.

The weighted average duration of the defined benefit obligation of the Group is 9 years.

**Retirement benefit plan parameters and related risks.** The Group has liabilities under retirement benefit plans in Russia. The retirement benefit plan includes benefits of the following types: lump sum payment upon retirement, jubilee benefits paid at certain age or upon completion of a certain number of years of service, financial aid and compensation to cover funeral expenses in the event of an employee's or pensioner's death, financial aid provided to pensioners, pension benefits paid to former employees through the non-state pension fund (hereinafter referred to as the "NPF").

The amount of benefits depends on the period of the employees' service (years of service), salary level over the recent years preceding retirement, predetermined fixed amount or minimum tariff rate of remuneration or salary or a combination of these factors.

As a rule, the above benefits are indexed according to the inflation rate and salary growth for benefits that depend on the salary level, excluding the retirement benefits paid through NPF, which are not indexed for the inflation rate at the time the payment is made (following the retirement of employees, all risks are borne by NPF).

In addition to the inflation risk, all retirement benefit plans of the Group are exposed to mortality and survival risks. Plan assets held on NPF's accounts are governed in accordance with the local legislation and regulatory practices.

The Group and NPF are jointly and severally liable for the plans management, including investment 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 19. Current and non-current debt**

*Non-current debt*

	Effective interest rate	Due date	31 December 2018	31 December 2017
PJSC Sberbank	7.31–9.24%	2019–2023	45,487	54,790
PJSC Bank VTB	7.50–9.43%	2019–2025	24,045	5,046
Eurobonds (RusHydro Capital Markets DAC), issued in February 2018	7.40%	2021	20,434	-
Eurobonds (RusHydro Capital Markets DAC), issued in September 2017	8.13%	2022	20,275	20,235
Russian bonds (PJSC RusHydro) issued in April 2016	10.35%	2019	15,191	15,357
Eurobonds in Chinese Yuan (RusHydro Capital Markets DAC), issued in November 2018	6.13%	2021	15,121	-
Eurobonds (RusHydro Capital Markets DAC), issued in November 2018	8.98%	2022	14,993	-
Russian bonds (PJSC RusHydro) issued in June 2017	8.20%	2020	10,205	10,016
PJSC ROSBANK	7.48–9.84%	2019–2022	9,172	4,520
Far East and Baikal Region Development Fund	5.00%	2019–2026	5,004	-
Russian bonds (PJSC RusHydro) issued in February 2013	8.50%	2023	2,184	20,650
Municipal authority of Kamchatka region	8.57%	2019–2034	1,560	1,560
EBRD	LIBOR 6M+3.45%	2019–2027	1,509	1,350
ASIAN Development bank	LIBOR 6M+3.45%	2019–2027	1,461	1,310
Bank GPB (JSC)	8.20–10.25%	2020–2027	1,428	1,794
Russian bonds (PJSC RusHydro) issued in July 2015	-	-	-	15,868
UniCredit Bank Austria AG	-	-	-	5,113
Other long-term debt	-	-	1,940	1,853
Finance lease liabilities	-	-	729	1,586
<b>Total</b>			<b>190,738</b>	<b>161,048</b>
Less current portion of non-current debt			(32,688)	(69,877)
Less current portion of finance lease liabilities			(102)	(259)
<b>Total non-current debt</b>			<b>157,948</b>	<b>90,912</b>

**Eurobond issue (February 2018).** In February 2018 the Group placed Eurobonds, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 20,000 million. The term of the bonds is 3 years, the coupon rate is 7.4 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement and listing of the Eurobonds took place on the Irish Stock Exchange under Reg S rule. Eurobonds could have been partly purchased by government-related entities.

**PJSC Bank VTB.** In July 2018 the Group obtained RR 20,000 million under the loan agreement with PJSC Bank VTB at a rate of 7.5 percent per annum for a period of 7 years.

**Eurobond issue denominated in Chinese Yuan.** In November 2018, the Group placed Eurobonds denominated in Chinese Yuan issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue amounted to CNH 1,500 million maturing in November 2021, the coupon rate is 6.125 percent per annum. VTB Capital, JP Morgan and Gazprombank acted as the issue organizers. The placement of the Eurobonds took place on the Irish Stock Exchange under Reg S rules. The Group's liabilities are fixed in Rubles on conditions comparable to conditions, prevailing on the Ruble-denominated debt market, enabling the Group to mitigate the currency risk (Note 11).

**Eurobond issue (November 2018).** In November 2018 the Group placed Eurobonds denominated in Rubles, issued by the special purpose company RusHydro Capital Markets DAC. The volume of the issue was RR 15,000 million maturing in January 2022, the coupon rate is 8.975 percent per annum. VTB Capital, JP Morgan, Gazprombank and Sberbank CIB acted as joint lead managers of the issue. The placement of the Eurobonds took place on the Irish Stock Exchange under Reg S rule.



*Current debt*

	Effective interest rate	31 December 2018	31 December 2017
PJSC ROSBANK	7.05–7.92%	3,899	930
BANK ROSSIYA	7.90–9.50%	1,762	1,000
PJSC Sberbank	9.75%	21	5,428
Other current debt	-	427	1,119
Current portion of non-current debt	-	32,688	69,877
Current portion of finance lease liabilities	-	102	259
<b>Total current debt and current portion of non-current debt</b>		<b>38,899</b>	<b>78,613</b>
<i>Reference:</i>			
Interest payable		2,216	3,012

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its debt. As at 31 December 2018 and 31 December 2017 and during the reporting period the Group met all required covenant clauses of the credit agreements.

**Finance lease liabilities.** Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
<b>Minimum lease payments as at 31 December 2018</b>	<b>109</b>	<b>376</b>	<b>2,256</b>	<b>2,740</b>
Less future finance charges	(7)	(118)	(1,887)	(2,011)
<b>Present value of minimum lease payments as at 31 December 2018</b>	<b>102</b>	<b>258</b>	<b>369</b>	<b>729</b>
<b>Minimum lease payments as at 31 December 2017</b>	<b>275</b>	<b>797</b>	<b>4,154</b>	<b>5,226</b>
Less future finance charges	(16)	(316)	(3,308)	(3,640)
<b>Present value of minimum lease payments as at 31 December 2017</b>	<b>259</b>	<b>481</b>	<b>846</b>	<b>1,586</b>

**Reconciliation of liabilities from financing activities.** The table below sets out an analysis of movements in the Group's liabilities from financing activities for the years ended 31 December 2018 and 31 December 2017:

	Current and non-current debt	Non-deliverable forward contract for shares	Finance lease liabilities	Total
<b>Liabilities from financing activities as at 31 December 2017</b>	<b>167,939</b>	<b>20,716</b>	<b>1,586</b>	<b>190,241</b>
Cash flows	12,708	(2,813)	(155)	9,740
Interest accrued	13,385	-	94	13,479
Change in fair value of non-deliverable forward contract for shares	-	13,993	-	13,993
Other changes	2,086	-	(796)	1,290
<b>Liabilities from financing activities as at 31 December 2018</b>	<b>196,118</b>	<b>31,896</b>	<b>729</b>	<b>228,743</b>
<b>Liabilities from financing activities as at 31 December 2016</b>	<b>197,830</b>	<b>-</b>	<b>1,973</b>	<b>199,803</b>
Cash flows	(46,498)	(3,243)	(523)	(50,264)
Interest accrued	15,405	-	221	15,626
Initial recognition of non-deliverable forward contract for shares	-	10,013	-	10,013
Change in fair value of non-deliverable forward contract for shares	-	13,946	-	13,946
Other changes	1,202	-	(85)	1,117
<b>Liabilities from financing activities as at 31 December 2017</b>	<b>167,939</b>	<b>20,716</b>	<b>1,586</b>	<b>190,241</b>



**Note 20. Non-deliverable forward contract for shares**

In March 2017 the Company entered into a non-deliverable forward transaction for 55 billion shares with PJSC Bank VTB for 5 years.

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank for the shares plus the amount of quarterly payments made by the Company to the Bank. The amounts of these interim payments are determined using a certain formula that *inter alia* reduces the payments by the amounts equivalent to the dividends received by the Bank over the period of the forward contract.

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

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company's shares at the time of sale / expiry of the transaction term and their forward value.

Note 2 describes the key estimates and judgements made by the Group management in respect of recognition and recording of this derivative financial instrument.

At 31 December 2018, the liability under the forward contract is recorded as a long-term derivative financial instrument at fair value through profit or loss in the amount of RR 31 896 million (as at 31 December 2017: RR 20,716). The fair value of the forward contract at the initial recognition of the instrument was RR 10,013 million and it was recorded within equity as the result of a shareholder transaction. Deferred tax asset was not recognised based on management's probability assessment of its recoverability. Subsequent changes in the fair value of the non-deliverable forward contract are recorded within profit or loss (Note 27).

A reconciliation of movements in the fair value of the forward contract for the year ended 31 December 2018 is presented in Note 19.

The table below includes the key assumptions made to determine the forward contract's fair value using the Monte-Carlo model:

<b>Key assumptions made to assess the forward contract's fair value</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Expected term of the forward transaction	3.17 years	4.17 years
Market value of the share	RR 0.4871	RR 0.7264
CB RF key refinancing rate	7.75 percent	7.75 percent
Volatility of shares	28.82 percent	34.85 percent
Risk-free rate	8.06 percent	7.01 percent
Discount rate	9.05 percent	7.84 percent
Expected dividend yield	7.00 percent	5.10 percent

The sensitivity analysis of the fair value of the forward contract to the key assumptions is presented in Note 33.

**Note 21. Other non-current liabilities**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Pension benefit obligations (Note 18)	7,418	8,634
Non-current advances received	6,743	10,766
Other non-current liabilities	7,826	8,716
<b>Total other non-current liabilities</b>	<b>21,987</b>	<b>28,116</b>





**Note 22. Accounts payable and accruals**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade payables	31,119	30,949
Advances received	17,909	11,664
Settlements with personnel	9,156	8,880
Accounts payable under factoring agreements	2,753	258
Dividends payable	170	159
Other accounts payable	3,526	3,715
<b>Total accounts payable and accruals</b>	<b>64,633</b>	<b>55,625</b>

All accounts payable and accruals are denominated in Russian Rubles.

Advances received are mainly represented by advances under contracts on connections to the grid.

**Note 23. Other taxes payable**

	<b>31 December 2018</b>	<b>31 December 2017</b>
VAT	9,185	10,236
Insurance contributions	2,996	3,160
Property tax	2,526	2,038
Other taxes	648	600
<b>Total other taxes payable</b>	<b>15,355</b>	<b>16,034</b>

**Note 24. Revenue**

In accordance with IFRS 15 effective from 1 January 2018 the Group's revenue for the year ended 31 December 2018 by performance obligations is as follows:

	<b>Year ended 31 December 2018</b>
Sales of electricity and capacity in the retail market	149,542
Sales of electricity in the wholesale market	93,826
Sales of capacity in the wholesale market	43,833
Sales of heat and hot water	40,150
Rendering services for electricity transportation	14,668
Rendering services for connections to the grid	3,623
Other revenue	13,128
<b>Total revenue</b>	<b>358,770</b>

Other revenue includes revenue earned from rendering of construction, repairs and other services.

For the year ended 31 December 2018 the Group's revenue recognised over time comprised RR 342,019 million, recognised at a point in time – RR 16,751 million.

The Group's revenue under the revenue recognition guidance effective prior to 1 January 2018 is presented below:

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
Sales of electricity	243,368	241,409
Sales of capacity	43,833	40,881
Sales of heat and hot water	40,150	38,907
Other revenue	31,419	26,922
<b>Total revenue</b>	<b>358,770</b>	<b>348,119</b>

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repair and other services.

Short-term advances received as at 31 December 2017 were recognised in revenue for the year ended 31 December 2018.

Management of the Group expects that the full amount of short-term advances received as at 31 December 2018 will be recognised as revenue during the next reporting period, the amount of long-term advances received – mainly during 2020.



**Note 25. Government grants**

In accordance with the legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and the actual reduced tariffs and for compensation of losses on purchased fuel, purchased electricity and capacity.

During the year ended 31 December 2018, the Group received government subsidies of RR 41,648 million (for the year ended 31 December 2017: RR 32,745 million). The subsidies were received in the following territories: Kamchatsky territory, Sakha Republic (Yakutia), Magadan Region, Chukotka Autonomous Area and other Far East regions.

The total amount of government grants received by the Group companies – guaranteeing suppliers, under the Resolution of the Russian Government No. 895 “On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region” (Note 2), for the year ended 31 December 2018 was RR 26,300 million (for the year ended 31 December 2017: RR 17,254 million).

**Note 26. Operating expenses (excluding impairment losses)**

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Employee benefit expenses (including payroll taxes and pension benefit expenses)	75,876	74,390
Fuel expenses	64,791	58,098
Purchased electricity and capacity	41,811	40,747
Grid companies services on electricity distribution	39,463	43,482
Depreciation of property, plant and equipment and amortisation of intangible assets	22,310	21,340
Taxes other than on income	12,242	10,681
Other materials	10,905	10,170
Third parties services, including:		
Repairs and maintenance	5,859	4,634
Support of electricity and capacity market operation	3,714	3,639
Purchase and transportation of heat power	3,629	3,513
Security expenses	3,434	3,391
Services of subcontracting companies	2,254	1,982
Insurance cost	2,112	1,940
Rent	1,972	2,081
Consulting, legal and information expenses	1,754	2,222
Transportation expenses	1,269	1,185
Other third parties services	9,091	8,051
Water usage expenses	4,018	3,370
Purchase of oil products for resale	2,440	642
Loss on disposal of property, plant and equipment, net	1,757	688
Social charges	1,083	1,098
Travel expenses	997	843
Other expenses	2,069	1,475
<b>Total operating expenses (excluding impairment losses)</b>	<b>314,850</b>	<b>299,662</b>





**Note 27. Finance income, costs**

	Year ended 31 December 2018	Year ended 31 December 2017
<i>Finance income</i>		
Interest income	4,957	7,150
Cross-currency and interest rate swap (Note 11)	1,238	-
Income on discounting	669	389
Foreign exchange gain	94	599
Other income	709	305
<b>Total finance income</b>	<b>7,667</b>	<b>8,443</b>
<i>Finance costs</i>		
Change in fair value of the non-deliverable forward contract for shares (Note 20)	(13,993)	(13,946)
Interest expense	(5,185)	(4,019)
Foreign exchange loss	(1,424)	(1,218)
Expense on discounting	(415)	(363)
Finance lease expense	(94)	(221)
Other costs	(1,977)	(1,366)
<b>Total finance costs</b>	<b>(23,088)</b>	<b>(21,133)</b>

**Note 28. Earnings per share**

	Year ended 31 December 2018	Year ended 31 December 2017
Weighted average number of ordinary shares issued (thousands of shares)	422,436,552	402,655,108
Profit for the period attributable to the shareholders of PJSC RusHydro	31,229	26,403
<b>Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted</b> (in Russian Rubles per share)	<b>0.0739</b>	<b>0.0656</b>

**Note 29. Capital commitments**

In accordance with the consolidated investment programme approved as part of the Group's consolidated business plan, the Group has to invest RR 378,241 million in the period 2019-2023 for reconstruction of the existing and construction of new power plants and grids, including RR 122,458 million for 2019, RR 71,363 million for 2020, RR 69,284 million for 2021, RR 56,418 million for 2022, RR 58,718 million for 2023 (31 December 2017: RR 391,711 million for the period 2018-2022).

**Note 30. 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 and other social needs in the geographical areas in which it operates. Management believes that there are no significant commitments that should be recognised as at reporting date.

**Insurance.** The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to 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 financial position and results of the Group.

**Tax contingencies.** Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to transactions and activities of the Group, at the same time tax control strengthens in relation to certain Group transactions and activities. Consequently, tax positions taken by management and their supporting documentation may be challenged by tax authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. The impact of this course of



events cannot be assessed with sufficient reliability, but it can be significant in terms of the financial position and / or the overall business of the Group. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when the decision about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions with related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

During the year ended 31 December 2018, the Group's subsidiaries had controlled transactions and transactions which will probably be considered by tax authorities to be controlled after the end of the period. Management has implemented internal controls to be in compliance with this transfer pricing legislation. In case of receipt of a request from tax authorities, the management of the Group will provide documentation meeting the requirements of Art. 105.15 of the Tax Code.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

New provisions aimed at countering tax evasions have been added to the Russian tax legislation and became effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies and the concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation. Also, the new provisions introduce the rules for determining tax residency for foreign legal entities at the place of their actual management (if a foreign company is recognised as a Russian tax resident, the whole amount of such company's income will be subject to taxation in Russia).

The Group is currently assessing the effects of new tax rules on the Group's operations and takes necessary steps to comply with the new requirements of the Russian tax legislation. However, there are no sustainable practices yet as to how to apply the new rules; therefore, at present, it does not seem practicable to reliably estimate the probability of claims from Russian tax authorities in relation to the compliance of the Group's companies with the new legislation and the probability of positive outcome of tax disputes (if any). Tax disputes (if any) may have an impact on the Group's overall financial position and results of operations.

Management believes that as at 31 December 2018, its interpretation of the relevant legislation was appropriate and the Group's tax positions would be sustained.

**Environmental matters.** The Group companies 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 companies periodically evaluate their obligations under environmental regulations. The assets retirement obligation for ash dumps used by the Group comprised RR 1 324 million as at 31 December 2018 (31 December 2017: RR 1,348 million).

Potential liabilities may 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.** In February 2018 the Group signed an agreement on the termination of the surety agreement with SC Vnesheconombank with regard to the fulfilment by PJSC Boguchanskaya HPP of its obligations under the loan agreement, which did not have a significant impact on the Consolidated financial statements of the Group. The nominal value of the guarantees issued is shown in the table below:

Counterparty	31 December 2018	31 December 2017
<i>for PJSC Boguchanskaya HPP:</i>		
State Corporation Vnesheconombank	-	25,935
<b>Total guarantees issued</b>	<b>-</b>	<b>25,935</b>



## **Note 31. Financial risk management**

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to provide reasonable assurance for achievement of the Group's objectives by establishing the overall framework for identifying, analysing and evaluating risks to establish risk limits, and then to ensure that exposure to risks stays within these limits and in case of exceeding these limits to mitigate the impact of the risks.

In order to optimise the Group's exposure to risks, management 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 processes.

**Credit risk.** The Group is exposed itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet a contractual obligation.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in Note 34.

Although redemption of financial instruments can be influenced by economic factors, the management believe that there is no significant risk of loss to the Group beyond the provision for expected credit losses already recorded.

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

For reducing the credit risk exposure for its operations on WEM, the Group adopted sales policies and methodology, which provides for calculation of the counterparty's internal rating in the sector of non-regulated contracts based on the frequency of counterparties' bankruptcies and sets up limitations on the credit rating for a portfolio of counterparties.

The Group monitors maturity of trade accounts receivable and identifies past due accounts. Information on past due trade accounts receivable is disclosed in Note 13.

*Measurement of expected credit losses.* Expected credit losses are measured by discounting future probability-weighted uncollected cash flows.

The level of expected credit losses depends on whether the debtor's credit risk has increased significantly since initial recognition. This approach is based on a 3-stage ECL model, as described in Note 2.

The Group determines that the credit risk of a financial instrument has increased significantly, when the counterparty has defaulted on contractual payment terms, when insolvency signs are identified and the Group has no reasonable information that rules out the fact of increased credit risk.

For assessing the probability of default on financial instruments, the Group defines default as an event where the risk exposure meets one or more of the following criteria:

- The counterparty is more than 3 months past due on its contractual payments;
- International/national rating agencies include the counterparty in the default rating class;
- The counterparty is insolvent;
- It became probable that the counterparty will enter bankruptcy.

In accordance with IFRS 9, the Group applied a simplified approach to determining expected credit losses in relation to trade accounts receivable. This approach requires that full lifetime expected credit losses be recognised at initial recognition of debt. For assessing expected credit losses, trade accounts receivable are divided into groups based on similar credit risk characteristics for each group and delay periods under similar contracts. Trade accounts receivable were grouped based on the above principles for each Group company, and the Group determined the share of expected losses in line with the credit risk for each length of overdue payment for each group of counterparties. Expected loss levels are disclosed in Note 13.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Group's management approves deposit banks as well as rules for making cash deposits.



In addition, the Group performs regular reviews of financial position, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions. Expected credit losses for cash, cash equivalents and bank promissory notes were insignificant.

Summary information on deposits of cash, cash equivalents and bank promissory notes, including names of banks and other financial institutions and their ratings as at the end of the reporting period, is provided in Notes 11, 12 and 15.

Measurement stages for expected credit losses for other financial instruments are disclosed in Note 34.

**Market risk.** The Group takes on exposure to market risks. Market risks arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which are 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 generated 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 risks. The financial condition of the Group, its liquidity, financing sources and the results of operations do not considerably depend significantly on exchange 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 monetary financial assets and liabilities exposed to foreign currency exchange rate risk:

	31 December 2018			31 December 2017		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD	34	(3,069)	(3,035)	663	(2,748)	(2,085)
EUR	39	(470)	(431)	63	(5,482)	(5,419)
Chinese Yuan	-	(15,121)	(15,121)	-	-	-
Other	14	-	14	8	-	8
<b>Total</b>	<b>87</b>	<b>(18,660)</b>	<b>(18,573)</b>	<b>734</b>	<b>(8,230)</b>	<b>(7,496)</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. The Group controls the currency risk in respect of the liabilities denominated in Chinese Yuan by means of cross currency and interest rate swap (Note 11).

There is no significant effect of the changes of foreign exchange rates on the Group's financial position.

**Interest rate risk.** The Group's operating profits and cash flows from operating activities are not significantly dependent on the changes in the market interest rates. Borrowings issued at variable rates based on Libor (Note 19) as well as cross currency and interest rate swap (Note 11) slightly expose the Group to cash flow interest rate risk.

The Group monitors interest rates for its financial instruments. Effective interest rates are disclosed in Note 19.

For the purpose of interest rate risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions,
- diversification of credit portfolio by raising of borrowings at fixed rates and, if necessary, at 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 volume of committed credit facilities. The Group adheres to a balanced model of financing of working capital from both short-term 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.



(in millions of Russian Rubles unless noted otherwise)

The Group has implemented a control system under its contracting process by introducing and applying typical financial arrangements which include standardised payment structure, payment terms, ratio between advances and final settlements, etc. In such a manner the Group controls the debt maturity structure.

The table below shows liabilities as at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including future interest payments and gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amounts included in the Consolidated Statement of Financial Position because those are based on discounted cash flows.

The maturity analysis of financial liabilities as at 31 December 2018 is as follows:

	2019 year	2020 year	2021 year	2022 year	2023 year	Starting from year 2024
<b>Liabilities</b>						
Current and non-current debt	50,729	65,689	42,856	39,837	5,807	30,578
Trade payables (Note 22)	31,119	-	-	-	-	-
Accounts payable under factoring agreements (Note 22)	2,753	-	-	-	-	-
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Dividends payable (Note 22)	170	-	-	-	-	-
Non-deliverable forward contract for shares (Note 20)	2,795	2,362	1,615	10,516	-	-
Finance lease liabilities (Note 19)	109	94	94	94	94	2,256
<b>Total future payments, including principal and interest payments</b>	<b>87,678</b>	<b>68,145</b>	<b>44,565</b>	<b>50,447</b>	<b>5,901</b>	<b>32,834</b>

Loans and borrowings totalling RR 50,729 million will mature in 2019 (Note 19). The Group management plans to repay these borrowings both from the Group's own funds and through new financing. The group has a positive credit history, works with large credit institutions, including those controlled by the state, and also has access to public borrowings in the capital market

The maturity analysis of financial liabilities as at 31 December 2017 is as follows:

	2018 year	2019 year	2020 year	2021 year	2022 year	Starting from year 2023
<b>Liabilities</b>						
Current and non-current debt	85,762	36,103	34,882	3,234	22,555	9,407
Trade payables (Note 22)	30,949	-	-	-	-	-
Accounts payable under factoring agreements (Note 22)	258	-	-	-	-	-
Obligation to JSC RAO ES East shares purchase	3	-	-	-	-	-
Financial guarantees (Note 30)	747	977	1,230	1,489	1,737	19,755
Dividends payable (Note 22)	159	-	-	-	-	-
Non-deliverable forward contract for shares (Note 20)	2,874	2,795	2,362	1,615	10,516	-
Finance lease liabilities (Note 19)	275	199	199	199	200	4,154
<b>Total future payments, including principal and interest payments</b>	<b>121,027</b>	<b>40,074</b>	<b>38,673</b>	<b>6,537</b>	<b>35,008</b>	<b>33,316</b>

As at 31 December 2018 the Group had an available amount of long-term financing under the existing loan agreements with banks of RR 191,708 million (31 December 2017: RR 98,359 million), including RR 184,708 million in banks included in the approved list of systemically important credit institutions of Bank of Russia (31 December 2017: RR 91,409 million) which exceeds the Group's needs for short-term repayment of debt by 4.9 times (31 December 2017: 1.2 times). As at 31 December 2018 approximately 70 percent of these funds relate to the government-related banks (PJSC Sberbank, PJSC Bank VTB, Bank GPB (JSC)) (31 December 2017: approximately 90 percent). Furthermore, the Group has a perpetual non-renewable exchange bonds program in the amount of RR 200,000 million with a maturity of up to 20 years, the unused limit of which as at 31 December 2018 was RR 160,000 million (31 December 2017: RR 160,000 million).





### **Note 32. Management of capital**

Compliance with Russian legislation requirements and capital cost reduction are the key objectives of the Group's capital risk management.

As at 31 December 2018 and 31 December 2017 the Company was in compliance with the share capital requirements as established under legislation.

The Group's goal in respect of capital management is to guarantee 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 2018 was RR 576,401 million (31 December 2017: RR 560,502 million).

Consistent with other companies in the industry, the Group monitors the gearing ratio, that is calculated as the total debt divided by the total capital attributable to the shareholders. Debt is calculated as a sum of non-current and current debt, as shown in the Consolidated Statement of Financial Position. Total capital attributable to the shareholders is equal to the equity attributable to the shareholders, as shown in the Consolidated Statement of Financial Position. The gearing ratio was 0.34 as at 31 December 2018 (31 December 2017: 0.30).

### **Note 33. 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:

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Equity investments: Financial assets at fair value through profit or loss	656	-	-	<b>656</b>
Equity investments: Financial assets at fair value through other comprehensive income	-	-	594	<b>594</b>
Cross currency and interest rate swap	-	-	1,238	<b>1,238</b>
<b>Total assets requiring recurring fair value measurements</b>	<b>656</b>	<b>-</b>	<b>1,832</b>	<b>2,488</b>
<b>Financial liabilities</b>				
Non-deliverable forward contract for shares	-	-	31,896	<b>31,896</b>
<b>Total liabilities requiring recurring fair value measurements</b>	<b>-</b>	<b>-</b>	<b>31,896</b>	<b>31,896</b>
<b>31 December 2017 (restated)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale financial assets	18,020	-	473	<b>18,493</b>
<b>Total assets requiring recurring fair value measurements</b>	<b>18,020</b>	<b>-</b>	<b>473</b>	<b>18,493</b>
<b>Financial liabilities</b>				
Non-deliverable forward contract for shares	-	-	20,716	<b>20,716</b>
<b>Total liabilities requiring recurring fair value measurements</b>	<b>-</b>	<b>-</b>	<b>20,716</b>	<b>20,716</b>

There were no changes in the valuation techniques, inputs and assumptions for recurring fair value measurements during the year ended 31 December 2018.



At 31 December 2018 the fair value of the non-deliverable forward contract for shares is determined based on the Monte-Carlo model, taking into account adjustments and using unobservable inputs, and included in Level 3 of fair value hierarchy (Note 20).

The valuation of the Level 3 financial liability and the related sensitivity to reasonably possible changes in unobservable inputs are as follows at 31 December 2018 and 31 December 2017:

	Fair value	Valuation technique	Significant unobservable /observable inputs	Reasonably possible change	Reasonably possible values	Change of fair value measurement
Financial liability						
As at 31 December 2018						
Non-deliverable forward contract for shares	31,896	Monte-Carlo model	Dividend yield	-2%	5.00 percent	(157)
				+2%	9.00 percent	254
			Market value of the share	-20%	RR 0.3897	5,048
				+20%	RR 0.5845	(5,040)
As at 31 December 2017						
Non-deliverable forward contract for shares	20,716	Monte-Carlo model	Dividend yield	-2%	3.10 percent	(472)
				+2%	7.10 percent	618
			Market value of the share	-20%	RR 0.5811	7,502
				+20%	RR 0.8717	(7,504)

Based on management's assessment, possible changes of unobservable inputs do not have a significant impact on the fair value of the non-deliverable forward contract.

The estimated fair value of the non-deliverable forward contract is significantly influenced by observable inputs, in particular, by the market value of the shares which was RR 0.4871 as at 31 December 2018 (RR 0.7264 as at 31 December 2018) (Note 20).

**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

**Financial assets carried at amortised cost.** The Group considers that the fair value of cash (Level 1 of the fair value hierarchy), cash equivalents and short-term deposits (Level 2 of the fair value hierarchy), short-term accounts receivable (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value of long-term accounts receivable, other non-current and current assets is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy); the fair value of these assets approximates their carrying value.

**Liabilities carried at amortised cost.** The fair value of floating rate liabilities approximates their carrying value. The fair value of bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

The fair value of current liabilities carried at amortised cost approximates their carrying value.

As at 31 December 2018 the carrying value of bonds exceeded their fair value by RR 1,243 million. As at 31 December 2017 the fair value of bonds exceeded their carrying value by RR 1,073 million.

As at 31 December 2018 the carrying value of non-current fixed rate debt was RR 69,901 million and exceeded its fair value by RR 3,263 million. As at 31 December 2017 the carrying value of non-current fixed rate debt was RR 39,396 million and exceeded its fair value by RR 925 million.



**Note 34. Presentation of financial instruments by measurement category**

The following table provides a reconciliation of classes of financial assets with the measurement categories of IFRS 9 Financial instruments and information about the balance of special funds held on the accounts at the Federal Treasury as at 31 December 2018.

As at 31 December 2018	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
<b>Assets</b>				
<b>Other non-current assets (Note 11)</b>	<b>12,370</b>	<b>1,238</b>	-	<b>13,608</b>
Promissory notes	11,624	-	-	11,624
Cross currency and interest rate swap	-	1,238	-	1,238
Long-term receivables	250	-	-	250
Long-term loans issued	496	-	-	496
<b>Financial assets at fair value through profit or loss (Note 10)</b>	-	<b>656</b>	-	<b>656</b>
<b>Financial assets at fair value through other comprehensive income</b>	-	-	<b>594</b>	<b>594</b>
<b>Trade and other receivables (Note 13)</b>	<b>53,426</b>	-	-	<b>53,426</b>
Trade receivables	36,256	-	-	36,256
Other financial receivables	17,170	-	-	17,170
<b>Other current assets (Note 15)</b>	<b>33,810</b>	-	-	<b>33,810</b>
Special funds	3,821	-	-	3,821
Deposits	29,967	-	-	29,967
Short-term loans issued	22	-	-	22
<b>Cash and cash equivalents (Note 12)</b>	<b>65,432</b>	-	-	<b>65,432</b>
<b>Total financial assets</b>	<b>165,038</b>	<b>1,894</b>	<b>594</b>	<b>167,526</b>
<b>Non-financial assets</b>				<b>763,955</b>
<b>Non-current assets classified as held for sale</b>				<b>450</b>
<b>Total assets</b>				<b>931,931</b>

Reclassifications of financial assets by measurement categories as at 1 January 2018 are presented in Note 3.

The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39 Financial instruments: Recognition and Measurement and information about the rest of special funds on the accounts of the Federal Treasury as at 31 December 2017:

As at 31 December 2017	Loans and receivables	Available-for- sale financial assets	Total
<b>Assets</b>			
<b>Other non-current assets (Note 11)</b>	<b>10,646</b>	-	<b>10,646</b>
Promissory notes	9,862	-	9,862
Long-term receivables	252	-	252
Long-term loans issued	532	-	532
<b>Available-for-sale financial assets</b>	-	<b>18,493</b>	<b>18,493</b>
<b>Trade and other receivables (Note 13)</b>	<b>37,370</b>	-	<b>37,370</b>
Trade receivables	34,708	-	34,708
Other financial receivables	2,662	-	2,662
<b>Other current assets (Note 15)</b>	<b>4,244</b>	-	<b>4,244</b>
Special funds	3,429	-	3,429
Deposits	790	-	790
Short-term loans issued	25	-	25
<b>Cash and cash equivalents (Note 12)</b>	<b>70,156</b>	-	<b>70,156</b>
<b>Total financial assets</b>	<b>122,416</b>	<b>18,493</b>	<b>140,909</b>
<b>Non-financial assets</b>			<b>730,794</b>
<b>Total assets</b>			<b>871,703</b>





The table below includes information about gross carrying amounts and credit loss allowance for promissory notes, loans issued and other financial receivables related to Stage 3 of the 3-stage impairment accounting model for financial assets (Note 2):

	31 December 2018	
	Gross carrying amount	Lifetime expected credit losses allowance
Promissory notes	14,025	(14,025)
Loans issued	3,050	(3,050)
Other financial receivables	7,282	(5,067)

The movement of credit loss allowance for these financial assets for the year ended 31 December 2018 was insignificant.

The amount of credit loss allowance for trade receivables is disclosed in Note 13.

All other financial assets largely belong to Stage 1 of the 3-stage impairment accounting model, and the expected credit losses for these assets are insignificant at both reporting dates.

As at 31 December 2018 financial liabilities of the Group carried at fair value are represented by the non-deliverable forward contract for shares in the amount of RR 31,896 million (Note 20) (31 December 2017: RR 20,716 million).

All other financial liabilities of the Group are carried at amortised cost and are represented mainly by the current and non-current debt (Note 19), trade payables, accounts payable under factoring agreements and other accounts payable (Note 22).

#### **Note 35. Subsequent events**

In February 2019 the Group sold its share in LLC VolgaHydro (40 percent, Note 9) for a cash consideration in amount of RR 450 million.

#### **Note 36. Accounting policies before 1 January 2018**

Accounting policies applicable to the comparative period ended 31 December 2017 in accordance with IAS 18 and IAS 39 are presented below.

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

**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.

*Financial assets at fair value through profit or loss.* This category is presented by derivative financial instruments which are carried 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.

**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 on available-for-sale investments 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.

**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) the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains; (ii) the counterparty considers bankruptcy or a financial reorganisation; (iii) there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or (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. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

**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 amortised 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.

**Revenue recognition.** The Group recognises revenue upon delivery of electricity, heat and provision of capacity and upon sale of other goods and provision of services during the period. Revenue is recognised at the fair value of the consideration receivable. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

## Appendix No.17 Internal Audit Committee conclusion of the PJSC RusHydro based on the results of the audit of financial and economic activities for 2018

The appendix will be prepared in May 2019.

## Appendix No.18 Consideration of stakeholders' recommendations given at the Public Hearings in 2018 (Report for 2017 Draft)

№	Stakeholders' recommendations	PJSC RusHydro's response
1.	Eliminate information on corporate governance duplication.	It is considered. Duplication in the section "Corporate governance" is minimal.
2.	In the next reports, for even better disclosure of the topic of remuneration of management bodies, it makes sense to focus on global research on this topic and directives, in particular - the second directive on the rights of shareholders in the European Union.	It is considered. The information on the amount of personal remuneration to members of the Board of Directors is disclosed in the section "Corporate governance".
3.	In the next reports it is proposed to disclose in details information on procedures for recognizing the Board of Directors members independence (independent directors).	It is considered. The description of the procedure for recognizing the independence of members of the Board of Directors is expanded in the section "Corporate Governance".
4.	To disclose in the next reports information on utility connection of small and medium-sized businesses, including the cost of utility connection and the prospects for reducing this cost.	It is considered. The information is disclosed as part of the GRI EU23 indicator in the section "Operating performance".
5.	Give more detailed description of the plan for the development of renewable energy in the Far Eastern Federal District.	It is considered in the section "Program for the development of energy based on renewables".
6.	Show the connection between the Group's ongoing activities with the universities and the Company's staffing.	It is considered in the section "HR and social policy".
7.	Add to the Report information on professional standards development in the power industry and RusHydro Group's participation in this activity.	It is considered. The information is disclosed in the section "Program for the development of energy based on renewables".  There were no significant R&D projects in the RusHydro Group in the field of renewable energy in 2018.
8.	Include in the report information on the conclusion of agreements between employers and trade unions, as well as on the qualification centers establishment and operation.	It is considered. The information is disclosed in the section "HR and social policy".
9.	Add information about the ongoing scientific and technological developments in the Group for the development of the grid infrastructure of the Far East, related to the specific climate of this region.	It is considered. The result of R & D on the development of poles and foundations of 220 kV overhead lines resistant to the effects of snow avalanches is described in the section "Innovations, R&D projects"
10.	Give the report an interpretation of understanding human rights in the Company's activities framework.	In the activities of the Company and in the annual report for 2018, the term "Human Rights" is understood in accordance with the norms of the Russian legislation.
11.	In prospect, when disclosing the theme of sustainable development, the Company should also focus on the methodology for disclosing indicators of sustainable development, which Federal State Statistics Service began to develop to describe Russia's progress in achieving the UN Sustainable Development Goals.	The development of Rosstat indicators in the area of achieving the Sustainable Development Goals has not yet been completed, but most of the GRI indicators presented in the annual report are related to the them.

12.	To provide more information on cooperation with international organizations - the international hydropower association, etc.	It is considered in the section “Environmental protection”.
13.	In more detail, in the next report, the information on the Value Growth Plan, including the results of its implementation.	It is considered in the section “Strategy and its implementation”.
14.	Provide information on the LDP implementation.	It is considered in Appendix No. 9.

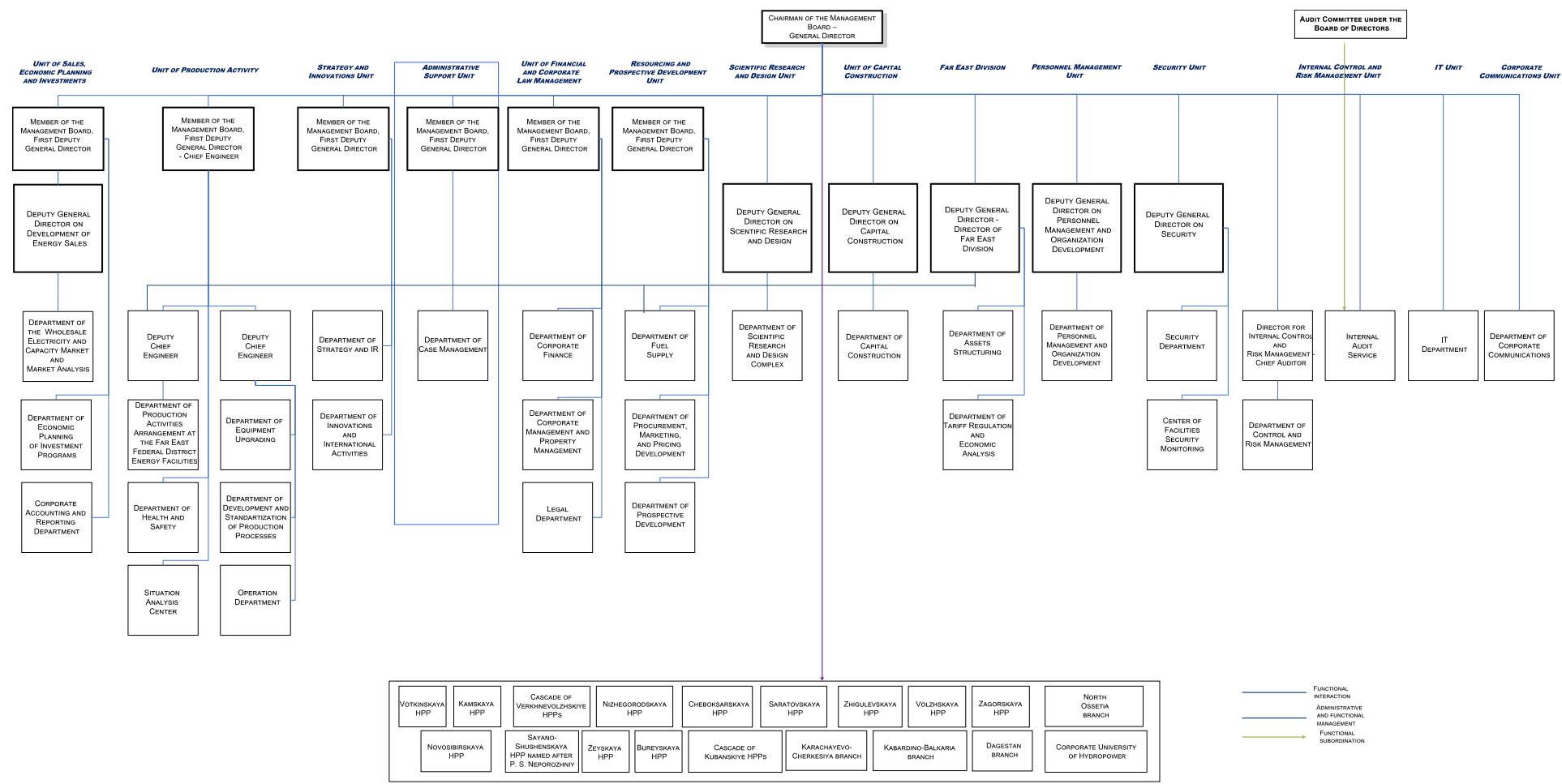
### **Appendix No.19 Consideration of stakeholders’ recommendations given at the Public Hearings in 2019 (Report for 2018 Draft)**

The appendix will be prepared in May 2019.

### **Appendix No.20 Certificate of Public Certification of the Report by the RUE Council on Non-Financial Reporting**

The appendix will be prepared in May 2019.

Appendix No.21 Organizational structure of PJSC RusHydro



FUNCTIONAL INTERACTION  
ADMINISTRATIVE AND FUNCTIONAL MANAGEMENT  
FUNCTIONAL SUBORDINATION