



RusHydro

APPROVED
By Annual General Meeting
of Shareholders decision
Minutes of _____. 2019 No. ____

PRELIMINARILY APPROVED
By Board of Directors decision
Minutes of _____. 2019 No. ____

ANNUAL REPORT

PUBLIC JOINT-STOCK COMPANY FEDERAL HYDROGENERATING COMPANY - RUSHYDRO (including information on sustainable development) 2018

Translation from Russian original

**(In case of inaccuracies, ambiguities, and other contradictions, the Russian version is
a priority)**

Chairman of Management Board, CEO
N. Shulginov

Responsibility statement

Management's responsibility statement in respect of the annual report and consolidated financial statements

We hereby confirm that to the best of our knowledge

(a) the consolidated financial statements of PJSC RusHydro and its subsidiaries (RusHydro Group), prepared in accordance with the IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of RusHydro Group;

(b) this annual report includes a fair review of the development and performance of the business and the position of RusHydro Group, as well as a description of the principal risks and uncertainties affecting the operations of PJSC RusHydro and its subsidiaries.

N. Shulginov, Chairman of the Management Board – General Director

Y. Medvedeva, Chief Accountant

Disclaimer: forward-looking information

The report contains information on RusHydro Group's plans and intentions in the medium and long term. These plans and intentions are forward-looking and their feasibility depends, among other things, on a number of economic, political and legal factors beyond the Company's control (the global financial, economic and political situation, key markets, changes in tax, customs and environmental legislation, etc.). As such, actual future performance indicators may differ from the forward-looking statements published in this annual report.

Information on the report

The annual report of Public Joint-Stock Company Federal Hydro-Generating Company RusHydro ("PJSC RusHydro" or the "Company") for 2018 **(102-5) (102-50)** is the 14th annual report prepared by the Company and addressed to a diverse range of stakeholders. The report has been prepared in an integrated format and contains comprehensive information on the financial, operational and sustainability performance of RusHydro Group¹ (the "Group") in 2018, as well as plans and forecasts for the medium and long term.

The appendices to this annual report are available in the Appendices Book at the Company's website:	
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The Company issues reports annually to inform stakeholders about its operations. (102-52) Paper and electronic versions of the 2017 annual report were published at the Company's website on July 2, 2018. (102-51)	
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See PJSC RusHydro's annual reports for the previous years here:	http://www.eng.rushydro.ru/investors/reports/
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See PJSC RusHydro's corporate social responsibility and sustainability reports for the previous years here:	http://www.rushydro.ru/sustainable_development/socialotvetstvenost/kso/
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Comparability with the previous annual reports

In 2018, there were no significant changes in the scale of the Group's operations, wording, or fundamental changes in the calculation of indicators, which could affect the assessment of the Group's key performance indicators as compared to the previous annual report.

Additional comments to the calculation of indicators are provided in the footnotes. **(102-48)**

A representative of the senior management responsible for the preparation of the report and the quality of its information is a Member of the Management Board – First Deputy General Director, who is also in charge of the Unit of financial and corporate law management. **(102-32)**

Compliance with standards and requirements

The report was prepared in line with the principles and requirements of:

- the Russian laws;
- Moscow Exchange;
- London Stock Exchange;
- the Disclosure Guidance and Transparency Rules of the UK Listing Authority;
- the Corporate Governance Code recommended by the Bank of Russia;
- RusHydro's Corporate Governance Code;
- RusHydro's Information Policy Regulations;
- the International Integrated Reporting Framework (<IR>);
- GRI Sustainability Reporting Standards (GRI SRS), adherence level – Core;
- the GRI Electric Utilities Sector Supplement (GRI G4 – Electric Utilities (EU));
- specific provisions of the AA1000 Institute of Social and Ethical Accountability Series of Standards (AA1000AP and AA1000SES).

¹ For the purpose of this report, RusHydro Group means a group of companies which include PJSC RusHydro and its subsidiaries. The control is determined in accordance with Article 2 of Federal Law No. 39-FZ On Securities Market dated April 22, 1996.

Content and boundaries of the report

The content of this report has been determined in accordance with the requirements of the applicable regulations and standards, with the Group's stakeholders being engaged in the process. For more information on the content determination process and the materiality matrix, see page 208. The report has been prepared in accordance with the GRI SRS: Core option. **(102-54)**

The operational results of RusHydro Group (including financial and production ones) have been disclosed in line with the IFRS reporting boundaries², unless otherwise specified in the notes to the disclosure.

The boundaries of GRI SRS disclosure are indicated in the GRI Index on page 213.

The Group's subsidiaries not included in the boundaries of the disclosure are not material for the purposes of reporting.

The full list of legal entities belonging to RusHydro Group is available in the section "Structure of RusHydro Group" on page 210.

Assurance of the report **(102-56)**

The accuracy of data provided in the annual report has been confirmed by the Company's Internal Audit Commission. The accuracy of the financial report has been confirmed by the Company's auditor opinion provided in Appendix 16.

Reliability of qualitative and quantitative information prepared in accordance with the GRI SRS (Selected Information) has been verified in line with the Assurance Engagements Other than Audits or Reviews of Historical Financial Information of International Standard for Assurance Engagements (ISAE) 3000 (revised). The auditor's report on the independent audit results, which provides limited assurance regarding the Selected Information, can be found on page 208. The independent audit was performed by AO PricewaterhouseCoopers Audit.

The report has also taken into account feedback and recommendations from the expert committees of the Moscow Exchange and Expert RA rating agency judging the annual report competitions, as well as the recommendations of the RSPP Committee on Social Responsibility.

² The report also covers information on PJSC Boguchanskaya HPP, which is not a subsidiary or part of RusHydro Group, but a joint venture of RusHydro Group and RUSAL Group.

Message from the Chairman of the Board of Directors

Dear shareholders,

2018 marked yet another year for RusHydro Group's ongoing growth and development. We commissioned new power plants in the Far East and modernized existing hydropower plants to increase our total installed capacity to 39.4 GW, setting a new record for the fourth consecutive year.

As a matter of strategic importance, we help deliver on the national goals in the Far Eastern Federal District. In 2018, we launched Vostochnaya CHPP in Vladivostok, the third hydropower unit of Ust-Srednekanskaya HPP in the Magadan Region, and a wind power plant in the Arctic settlement of Tiksi in Yakutia. We are also completing the construction of Sakhalinskaya GRES-2 and a CHPP in Sovetskaya Gavan. Grid infrastructure projects are underway, including in priority development areas.

The Russian government places a great emphasis on the development of the Far East, with the region's investment appeal rising, new businesses emerging, and the economy booming. 2018 saw electricity consumption in the region growing twice as fast as across Russia. Still, we have to focus on energy sector development and modernization and power grid expansion – this is the only way to accelerate the improvement of quality of living in the Far East going forward.

The Long-Term Program for Replacement of Retiring Capacities developed in 2018 by RusHydro's management and approved by its Board of Directors is key to address the problem of ageing HPP equipment in this strategically important and rapidly growing macroregion.

The alignment of tariffs in the Far East's isolated areas outside of UES East with average national rates helps promote further investments in the region's economy. The Russian Government is going to extend the tariff adjustment mechanism up to 2028, with RusHydro as its operator.

In 2018, the Company continued its efforts to improve corporate governance. RusHydro Group delivered 15% optimization in its structure by consolidating businesses with similar functions or closing down poor performers. The Group introduced and has ever since been improving its vertically integrated audit, control and risk management framework to enhance the quality of asset management.

As Russia's leader in generating green energy, RusHydro Group remains committed to the principles of sustainable development. In 2018, the Company made strong progress in this field, including targets approved to reduce greenhouse gas emissions and the mechanisms for their achievement, with the regulations on procurements now requiring bidders' compliance with the principles of social responsibility and sustainable development. In 2018, RusHydro's Board of Directors approved its updated Environmental Policy, which sets targets to increase the installed capacity of low-carbon generation, reduce direct and per unit greenhouse gas emissions by 6.1% by 2025 vs 2015, and prevent species elimination as a result of the Group's operating activities.

RusHydro Group focuses on the development of local communities across its footprint, providing for better living and health conditions. A major employer and taxpayer in the regions of its operations, RusHydro created 1,250 new jobs in 2018. Its tax payments to budgets of different levels exceeded RUB 81 bn. The Company implements charitable projects prioritizing support to vulnerable population groups, people with disabilities, veterans and healthcare institutions, along with culture, education, sports and environment projects.

Over the past year, the Board of Directors held 18 meetings, both in person and in absentia, and considered more than 100 key matters related to RusHydro Group's general management and strategic development.

We are grateful to our shareholders, partners and employees for their contribution to RusHydro's development and confidence in the Company's governing bodies.

Yury Trutnev

Chairman of the Board of Directors of RusHydro

Message from the Chairman of the Management Board – General Director

Dear shareholders, colleagues and partners,

The year of 2018 was another confident step forward for RusHydro as we registered record-high power generation and ensured financial growth, including through consistent cost optimization. In addition to bringing to completion several major investment projects, RusHydro drove home the need to build new and upgrade existing thermal power generation facilities in the Far East while maintaining a high return on invested capital. We are also working towards establishing long-term tariff regulation in the Far Eastern Federal District that would take due account of energy companies' economically justified expenses. Taken together, these initiatives represent a concerted effort on our part to boost the Company's fundamental value for the benefit of all shareholders.

The Group's power generation, bolstered by the contribution from Boguchanskaya HPP, increased 2.8% y-o-y to reach an all-time peak of 144.3 bn kWh, while power output across Russia grew 1.6% y-o-y. Our strong operating performance was the result of effective management of hydropower operational regimes amid higher-than-usual water levels in rivers and the growing demand for electricity in the Far Eastern Federal District, which is almost entirely powered by RusHydro Group.

In 2018, RusHydro launched Vostochnaya CHPP in Vladivostok (the new capital of the Far Eastern Federal District) and the third hydropower unit at Ust-Srednekanskaya HPP in the Magadan Region. The Group also commissioned a unique wind power plant in the Arctic locality of Tiksi in the Republic of Sakha (Yakutia) and completed the first stage of Anadyr CHPP gasification in Chukotka.

As part of its HPP Comprehensive Modernization Program, RusHydro upgraded eight hydropower units with a total capacity of 659 MW at seven HPPs.

By the end of the year, the installed capacity at the Company's plants reached 39.4 GW, putting RusHydro ahead of all its Russian peers.

RusHydro's Board of Directors supported the Management Board's initiative to start levelling the station node building at Zagorskaya PSP-2 using the compensation grouting technology to inject special solutions under the foundation. Once the project is completed, RusHydro will make further decisions on how to finish construction of this essential element in Russia's unified energy system.

In 2018, the Company completed the construction of 110 kV and 35 kV approach lines to the 220 kV Maya substation. Thanks to this major infrastructure project in the Far Eastern Federal District, starting 2019, the frequencies of the Central and Western energy hubs of Yakutia were synchronized with the UES of East, thereby ensuring a more reliable power supply for the republic.

RusHydro continues to develop power distribution, having opened 17 single settlement centers in the Krasnoyarsk and Khabarovsk territories and in the Sakhalin Region, with two more centres in the Primorye Territory set to follow in 2019. This aligns perfectly with the Russian President's Order *On National Goals and Strategic Objectives of the Russian Federation through to 2024*, as such centers contribute to fostering a comfortable urban environment and promoting digital economy. Single settlement centers help create synergies for RusHydro by consolidating the Group's distribution functions, improving payment discipline, slashing consumer debt, and diversifying the utilities business.

The Group's investment program through to 2023 (as approved by the Board of Directors) sets out the scope of mid-term initiatives, providing for an estimated RUB 383 bn to be spent on commissioning around 1.4 GW and over 560 Gcal/h of power and heat capacities, respectively, as well as on building and refurbishing more than 130 km of heat and 7,600 km of electric power supply networks. During this period, the Group plans to launch Sakhalinskaya GRES-2, a CHPP in Sovetskaya Gavan, Nizhne-Bureyskaya HPP, Zaramagskaya HPP-1, and smaller HPPs in the North Caucasus (Ust-Dzhegutinskaya, Barsuchkovskaya, Verkhnebalkarskaya, and Krasnogorskaya HPP-1 and HPP-2), while also completing the construction of Ust-Srednekanskaya HPP as per the design parameters and building a 110 kV Pevek-Bilibino power line. The upgrade and modernization program is expected to yield 163.7 MW of additional capacity at the existing hydropower generation facilities during its runtime.

Among other things, RusHydro focuses on implementing the Long-Term Program for Replacement of Retired Capacities and Power System Development in the Far East that was drafted by the Company's management team and approved by the Board of Directors in 2018. Key projects under the Program include

the construction of Khabarovskaya CHPP-4, Artyomovskaya CHPP-2 and the second stage of Yakutskaya GRES-2, the upgrade of Vladivostokskaya CHPP-2. Following the inclusion of these projects in the state heat upgrade program, RusHydro will proceed with the construction and modernization of power plants with guaranteed return on invested capital.

In order to ensure a sustainable power supply to the Far East, RusHydro is investing in distributed generation in isolated areas. The Company's management team is also working on the Far East Renewable Energy Program, which promotes the use of renewables and state-of-the-art technologies to cut fuel consumption of power generation operations.

RusHydro's Value Growth Plan through 2021 includes a number of initiatives, but most importantly it promotes the principles of guaranteed ROIC in the Far East thermal generation, introduction of long-term tariff regulation in the Far Eastern Federal District, stronger efficiency and lower operating costs.

In 2017–2018, savings from initiatives aimed at cutting operating costs amounted to over RUB 12 bn, while total procurement savings across RusHydro Group came in at RUB 9.55 bn for 2018 alone. We intend to continue our cost reduction and efficiency improvement efforts to maximize savings.

The management's work to optimize operating costs coupled with strong operational performance were the main drivers behind strong consolidated financials. RusHydro Group's revenue grew by 5.1% to RUB 400.4 bn, EBITDA increased by 5.3% to a record RUB 109.7 bn, and net profit rose by 28.5% to RUB 31.8 bn.

RusHydro Group boasts a robust credit profile, which makes it highly attractive for investors. In 2018, the Company successfully completed three Eurobond offerings, including two ruble-denominated issues and a debut dim sum bond issue, with the books substantially oversubscribed by international investors. The year marked the first time all three major international rating agencies – S&P, Moody's, and Fitch – upgraded the Company's credit ratings to sovereign (investment grade). At the same time, ACRA confirmed RusHydro's top credit rating on the national scale, noting the critical systemic importance of the Company for the Russian economy.

I would like to take this opportunity to express deep gratitude to the employees engaged in the generation, transmission, distribution, design and other operations of our unique energy holding. At the end of the day, it was your hard work that made this year a success for RusHydro Group. We have no intention of slowing down. Instead, we will continue raising the bar to bring the best value to our shareholders, consumers, and the country's economy.

Nikolay Shulginov,
Chairman of the Management Board – General Director

Company profile

RusHydro is the largest hydro-generating company in Russia and among the top global hydropower companies in terms of installed capacity of power plants. RusHydro Group is a leader in generating renewable energy from water flows, solar, wind, and geothermal energy. **(102-1) (102-2)**

The Company is registered in Krasnoyarsk and headquartered in Moscow. **(102-3)** RusHydro Group operates within the Unified Energy System (UES) of Russia. One of the Group's key assets is JSC RAO ES East Subgroup representing the most part of the Far Eastern Federal District's power grid. The Company also operates in the global market by managing Armenia-based Sevan-Hrazdan Cascade HPP **(102-4)**.

In accordance with the Russian President's Order No. 1009 dated August 4, 2004, PJSC RusHydro has been included in the list of strategic enterprises and joint stock companies since 2012.

Installed electrical capacity of RusHydro Group is 39.4 GW.

Installed heat capacity of RusHydro Group is 18,924 Gcal/h.

Headcount as at December 31, 2018 totaled 69,700 people.

Currently, RusHydro Group comprises over 400 power generation facilities, including Russia's largest Sayano-Shushenskaya HPP named after P.S. Neporozhniy (capacity of 6,400 MW), nine facilities of Volga-Kama cascade (total installed capacity over 10,000 MW), Bureyskaya HPP (capacity of 2,010 MW), Zeyskaya HPP (capacity of 1,330 MW), Novosibirskaya HPP (capacity of 480 MW), several dozen hydroelectric power plants in the North Caucasus and highly maneuverable capacities of pumped storage power plants (PSPP). RusHydro Group also includes thermal power plants in the Far East with a total capacity of over 8,000 MW and geothermal power plants in Kamchatka.

RusHydro's background

2004–2005

As part of the government program to reform the power sector, PJSC RusHydro (previously, OJSC HydroOGK) was established in accordance with Government's Decree No. 1254-r dated September 1, 2003.

2006

RusHydro and RUSAL signed a joint agreement on the implementation of the Boguchanskaya Power and Metallurgical Association project to complete Boguchanskaya HPP – one of the largest and longest construction projects of the Soviet time and build an aluminium smelter.

The Company put into operation the first stage of Irganayskaya (400 MW), Gelbakhskaya (44 MW), Maginskaya (1.2 MW) and Agulskaya (0.6 MW) smaller HPPs in the Republic of Dagestan, and the third stage of Zelenchukskaya HPP in Karachay-Cherkessia.

2007–2008

The Company achieved its target model. PJSC RusHydro consolidated more than 50 hydroelectric power plants in 18 Russian regions.

Two 335 MW hydroelectric units of Bureyskaya HPP were put into operation.

2009

An accident took place at Sayano-Shushenskaya HPP. RusHydro arranged for the recovery operations and engaged Power Machines as a supplier of the core equipment. The first three units were restored and put into operation in next to no time.

2010

For the first time in its history, RusHydro was named among the world's Top 250 largest energy companies, according to the 2010 Top 250 Global Energy Company Rankings by Platts. The Company ranked 113th in the consolidated rating and 2nd in the list of the world's fastest-growing energy companies.

2011

The Russian Federation contributed a controlling stake in RAO ES East to the Company's authorized capital, increasing the installed capacity of RusHydro Group from 26.1 to 35.2 GW.

2012

In accordance with the Russian President's Order, RUB 50 bn were contributed to RusHydro's authorized capital for the implementation of four priority thermal generation projects in the Far East, including the construction of the second stage of Blagoveshchenskaya CHPP, the first stage of Yakutskaya GRES-2 and Sakhalinskaya GRES-2, and CHPP in Sovetskaya Gavan.

2013–2014

The main recovery and reconstruction operations of Sayano-Shushenskaya HPP were completed, with the HPP reaching its design capacity of 6,400 MW. In addition, a major upgrade took place at the entire technological complex of the plant, making Sayano-Shushenskaya HPP the most advanced and the safest hydroelectric power plant in Russia.

The Company commissioned the first two hydropower units at Ust-Srednekanskaya HPP in the Magadan Region, with the plant capacity reaching 168 MW.

Boguchanskaya HPP ramped up to the designed installed capacity of 2,997 MW.

Yuzhno-Sakhalinskaya CHPP-1 saw its 139 MW power unit No. 4 start generating electricity.

2015

100 MW Gotsatlinskaya HPP was put into operation in the Republic of Dagestan. The Company also commissioned 1 MW Batagay SPP, the world's largest solar power plant beyond the Arctic Circle, as well as four smaller SPPs.

2016

The Company completed the construction of Zelenchukskaya HPP-PSPP with a capacity of 140 MW and 156 MW in turbine and pump modes, respectively.

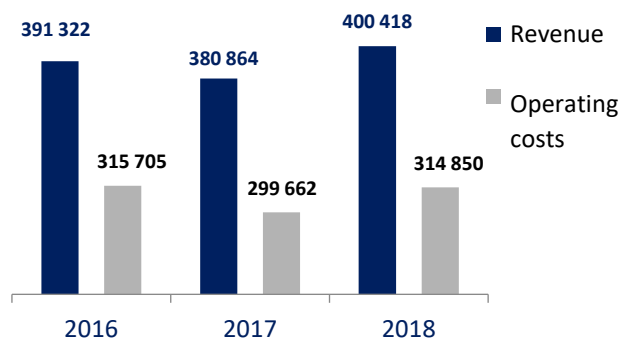
The Company completed the second construction stage of Blagoveshchenskaya CHPP, increasing its electricity and heat capacity by 120 MW to 400 MW and by 188 Gcal/h to 1,005 Gcal/h, respectively.

2017

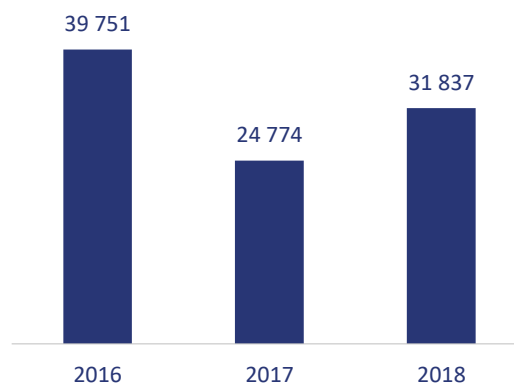
RusHydro and VTB Bank completed the unique for the Russian market transaction on acquiring 13% of RusHydro's shares and concluding a five-year forward contract. All proceeds were used to refinance the debt of RusHydro Group's Far Eastern energy companies.

The Company completed the first construction stage of 193.5 MW Yakutskaya GRES-2, the largest power plant built under the Presidential Decree.

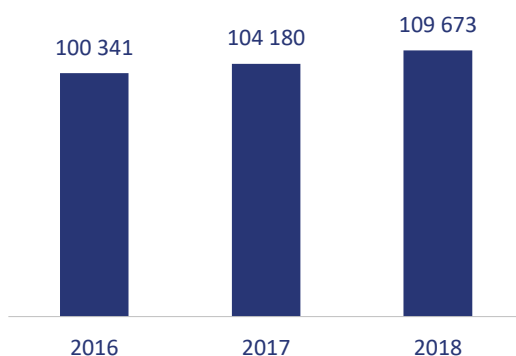
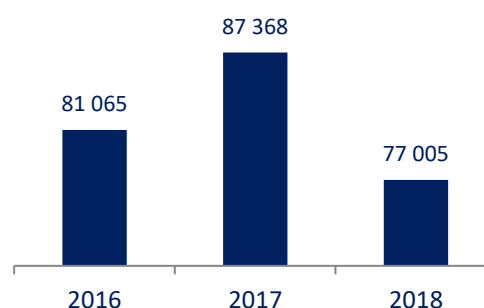
Key figures (102-7)

Financial data in accordance with IFRS³Revenue and operating costs⁴, RUB mn

Net income, RUB mn



EBITDA, RUB mn

CAPEX⁵, RUB mnTotal and net financial debt (RUB bn) and leverage (as at the year-end)^{6,7}

³ Hereinafter, operating costs, profit, EBITDA and margins for 2017–2018 are aligned with the Group's 2018 consolidated financial statements stated using the new accounting method. The 2017 reporting data were restated due to changes in the Group's accounting policy with PP&E recognized at historical cost less accumulated depreciation, amortization and impairment losses. The 2016 reporting data do not take into account the change in the accounting policy. The full text of the accounting policy is included in the Group's 2018 consolidated financial statements.

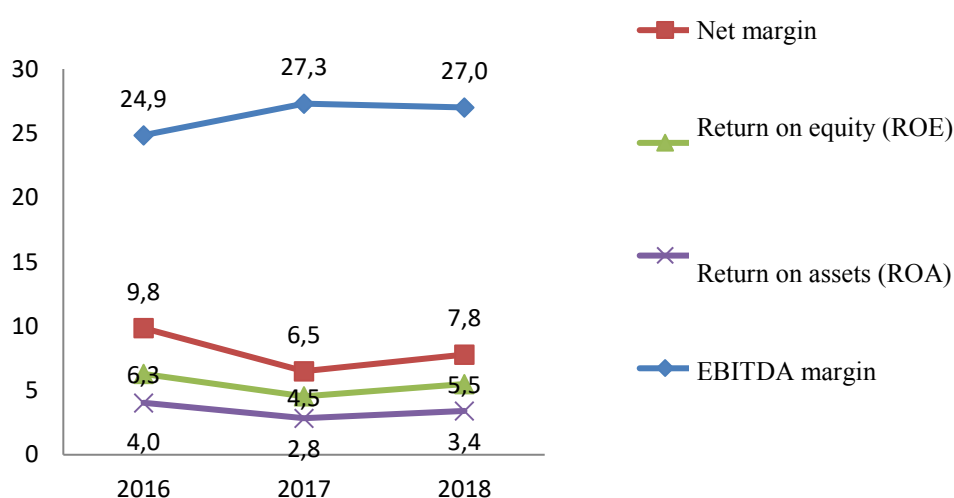
⁴ Revenue includes government grants.

Revenues and operating expenses for 2016 and 2017 are reported without effect of the new IFRS 15 "Revenue from contracts with customers". The Group has been applying IFRS 15 requirement prospectively since January 1, 2018.

⁵ Excl. VAT

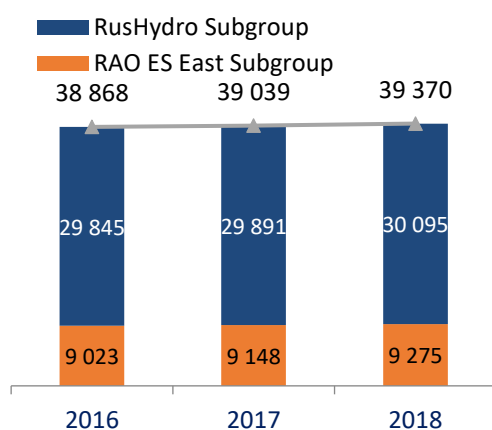
⁶ Financial debt is calculated as the sum of long-term and short-term liabilities (less accrued interest payable as at the reporting date), liabilities on the non-deliverable forward with VTB Bank at the end of 2017–2018, and RusHydro's guarantee obligations on Boguchanskaya HPP loan by Vnesheconombank under the Group's IFRS financial statements at the end of 2016–2017.

⁷ Net financial debt is calculated as financial debt less cash and cash equivalents (including bank deposits for up to one year). Therefore, the data for 2016–2017 may differ from the data included in the Company's annual report for 2017.

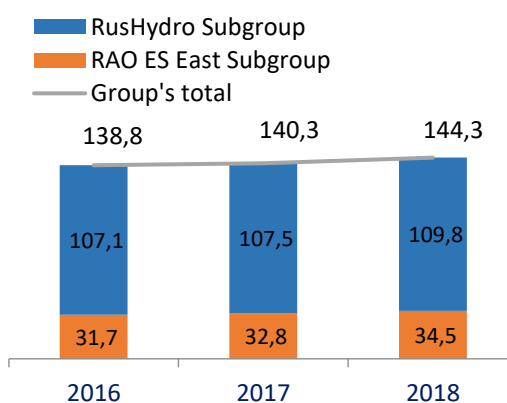


Operational performance

Installed capacity⁹, MW



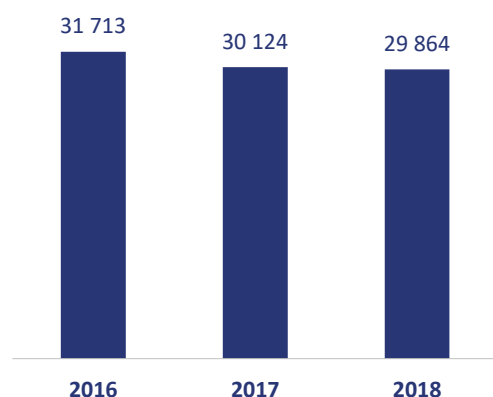
Electricity generation¹⁰, bn kWh



⁸ EBITDA margin and net margin factors in other operating income generated by RusHydro Group in 2016 (RUB 12.4 bn), in 2017 (RUB 0.7 bn) and in 2018 (RUB 5.5 bn) and is calculated as insurance proceeds and profits from changes in the value of financial assets at fair value through profit or loss, from sale of assets and subsidiaries, and dividends received.

^{9,11} Including PJSC Boguchanskaya HPP (a joint venture of PJSC RusHydro and RUSAL) and HPP-2 of PJSC KamGEK and excluding HPP-1 and HPP-3 of PJSC KamGEK, assets held in trust.

Heat supply, '000 Gcal (EU2)



2018 milestones

February	RusHydro was the first of the Russian corporates to issue three-year ruble-denominated Eurobonds with a coupon rate of 7.4% in 2018. The issue was oversubscribed by four times of the necessary volume of RUB 20 bn. ¹¹
	The Group's financial debt went down by RUB 26 bn following exclusion of guarantee obligations between RusHydro and Vnesheconombank on PJSC Boguchanskaya HPP.
	PJSC RusHydro was named Approved Employer by the Association of Chartered Certified Accountants (ACCA).
	S&P Global Ratings (S&P) upgraded the Company's long-term credit rating to an investment grade BBB- (stable outlook).
March	Volzhskaya HPP, the largest HPP of the Volga-Kama cascade, commissioned a new hydropower unit and replaced a turbine, generator and auxiliary equipment as part of the Comprehensive Modernization Program.
	The first gas power boiler of Anadyr TPP was launched under a gasification agreement between RusHydro and the Government of the Chukotka Autonomous Area to carry out an extensive upgrade of the plant's equipment and build gas pipelines.
May	RusHydro's Dagestan branch commissioned Miatlinskaya HPP's hydropower unit No. 2. Now all HPP's turbines were replaced as part of the Comprehensive Modernization Program.
June	Votkinskaya HPP's hydropower unit No. 7 was upgraded as part of RusHydro's Comprehensive Modernization Program, becoming the second fully modernized hydropower unit at the plant.
July	RusHydro Group sold its stock in PJSC Inter RAO (5,131,669,622.18 shares) to JSC Inter RAO Capital, which accounts for 4.915% of the authorized capital. The decision was part of non-core asset divestment effort in accordance with the orders and directives of the Russian Government.
	At Novosibirskaya HPP, the turbine replacement was followed by commissioning of the hydropower unit No. 7, as part of the Comprehensive Modernization Program. The upgrade will boost Novosibirskaya HPP's installed capacity by 5 MW.
	The Alania National Park and RusHydro released two leopards on the IUCN Red List into the wild. RusHydro's leopard conservation project in the North Ossetia received the Vernadsky National Environmental Award as the Best Social and Environmental Initiative.
	Cheboksarskaya HPP put into operation hydropower unit No. 14 as part of the Comprehensive Modernization Program, which included the recovery of the adjustable blade pitch and the replacement of the generator stator.
August	The Company paid out RUB 11.2 bn as dividends for 2017. ¹²
	PJSC Sakhalinenergo completed the first stage of power asset consolidation in the Sakhalin Region, which

¹¹ At the end of the reporting year, the issue won annual Cbonds Award 2018 as Best Primary Eurobond Deal through open voting among professional bond market participants.

¹² as at December 31, 2018, RUB 11.188 bn was paid to all persons and entities listed in the dividend records, excluding those who had not provided full and accurate banking details for the payment on their registration form, and those for whom the nominal holder has not fulfilled their dividend transfer obligations for reasons outside their control.

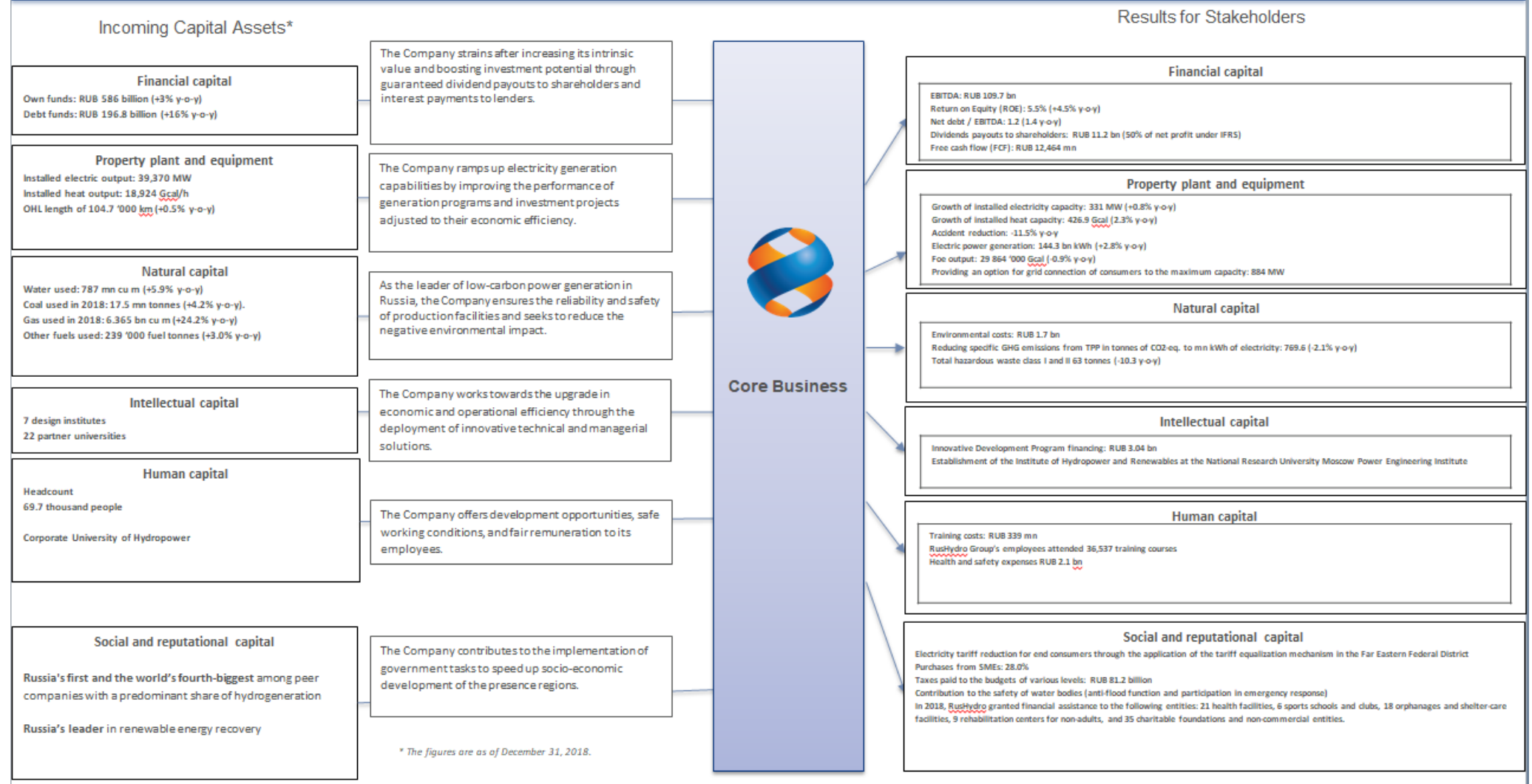
	<p>increased the Group's voting share holding to above 75%. As part of the additional issue of PJSC Sakhalinenergo's shares, 91 MW power unit No. 5 at Yuzhno-Sakhalinskaya CHPP-1 and the electricity grid infrastructure were transferred from JSC RAO ES East into the ownership of PJSC Sakhalinenergo.</p> <p>The Bank of Russia registered RusHydro's additional share issue and the prospectus. The issue size totaled RUB 14 bn. The decision was made by RusHydro's Board of Directors in June 2018 as part of the first stage of construction of two 110 kV high-voltage single-circuit power lines between Pevek and Bilibino towns in Chukotka.</p> <p>Fitch Ratings (Fitch) upgraded the Company's long-term credit rating and the credit ratings of its bonds to an investment grade BBB- (stable outlook).</p>
September	CHPP Vostochnaya commissioned in Vladivostok is the first large-scale power plant going into operation in the capital of the Primorye Territory in the last 45 years. It is expected to produce 791 mn kWh of electricity and 1.377 mn Gcal of heat annually.
October	<p>RusHydro and Uzbekgidroenergo, the Uzbek national hydro-generating company, signed a cooperation agreement to develop hydropower generation in Uzbekistan. The agreement provides for a feasibility study of 240 MW Mullalaksкая HPP and 200 MW Verkhne-Pskemskaya HPP construction projects on the Pskem River in Uzbekistan, including design and survey, and research and development.</p> <p>RusHydro's updated environmental policy came into effect seeking to increase the installed capacity of low-carbon generation, reduce direct and per unit greenhouse gas emissions, and prevent species elimination as a result of operating activities.</p> <p>RusHydro established the Institute of Hydropower and Renewable Energy Sources as part of Moscow Power Engineering Institute to train engineers for hydro- and renewable power generation.</p>
November	<p>A unique 900 kW wind power plant was commissioned in the settlement of Tiksi, the Republic of Sakha (Yakutia). It produces green energy for over 4,500 inhabitants of the isolated polar settlement.</p> <p>RusHydro became the first Russian corporate borrower to issue three-year dim sum bonds (Eurobonds denominated in offshore Chinese renminbi) for CNH 1.5 bn. The issue is the largest public financing transaction denominated in CNH by a Russian borrower. The coupon rate was set at 6.125% per annum.</p> <p>The first unit was commissioned at Rogun HPP, which is under construction on the Vakhsh River (Tajikistan) according to the resolution of the national government. The project was developed by the Moscow-based Hydroproject Institute, part of RusHydro Group.</p> <p>The dam of unique Rogun HPP is set to reach 335 m, breaking the world's record.</p> <p>RusHydro issued ruble-denominated eurobonds in the amount of RUB 15 bn maturing in 2022. The issue was oversubscribed three times, and the coupon rate was set at 8.975% per annum. The eurobonds were placed on the Irish Stock Exchange.</p> <p>During the first Russian-Chinese Energy Business Forum, RusHydro and PowerChina (China) signed a cooperation agreement to implement joint electric power projects in Russia.</p>
December	<p>RusHydro's Board of Directors adopted the resolution to begin the levelling of Zagorskaya PSPP-2 building. The works will kick off in 2019 and will take some 2.5 years.</p> <p>RusHydro Group put into operation the third hydropower unit at Ust-Srednekanskaya HPP in the Magadan Region, increasing the plant's capacity by 142.5 MW to 310.5 MW.</p>
	Events after the reporting date
January	The Central and Western districts of Yakutia are connected to the Unified Energy System of Russia. PJSC Yakutskenergo, a subsidiary of PJSC RusHydro, transferred the supervision and control over the territory to the System Operator.
February	<p>The divestment of RusHydro's 40% share in VolgaHydro, a hydropower equipment manufacturing joint venture in the Saratov Region, to Voith. The sale price (RUB 450 mn) was determined by an independent appraiser and fully covered RusHydro's investment into the project.</p> <p>Moody's Investors Service Inc. (Moody's) upgraded the Company's long-term credit rating and Eurobonds rating to an investment grade Baa3 (stable outlook).</p>

Geographical spread



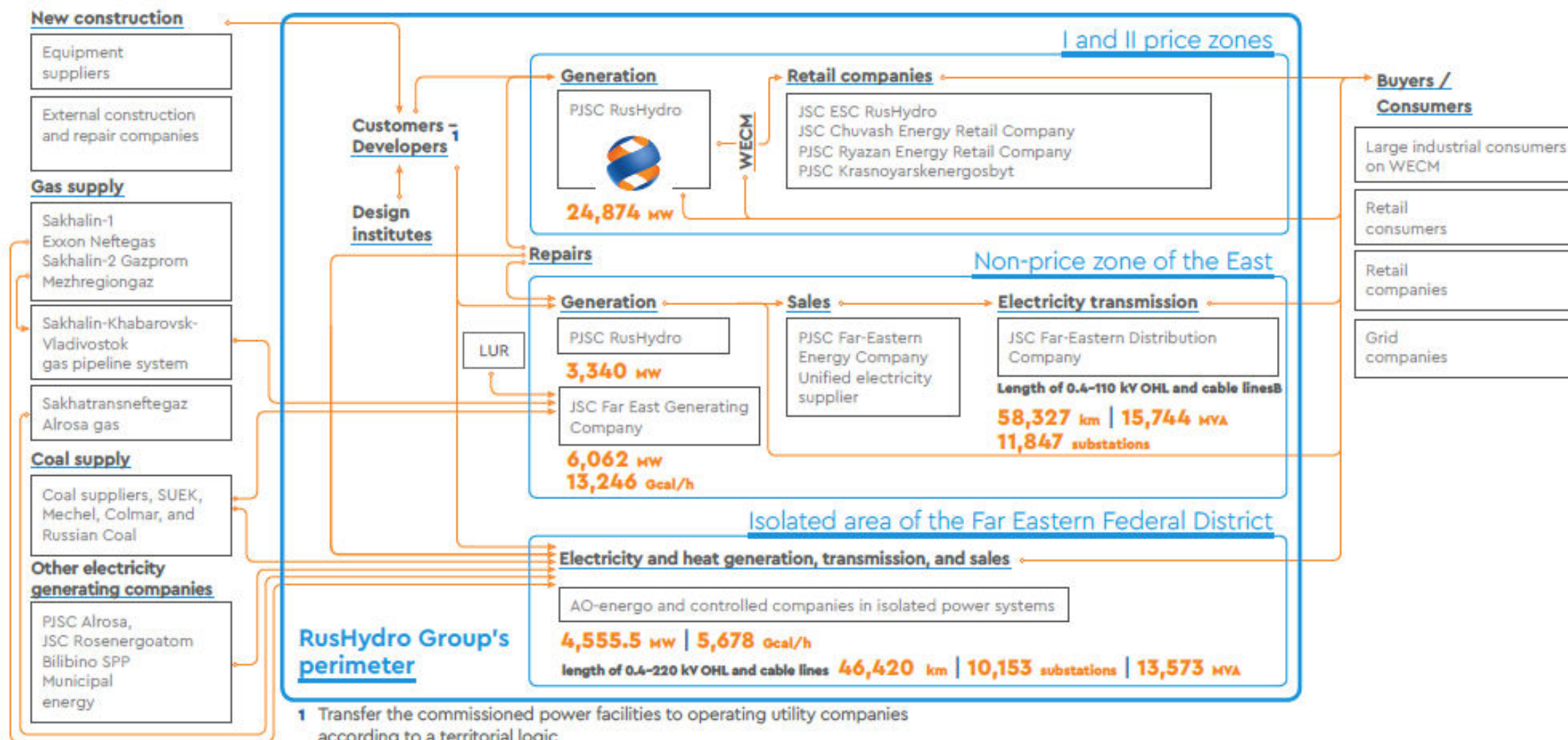
Business model

Description of the Business Model



BUSINESS MODEL

PRODUCTION CHAINS



Key awards and ratings

Credit ratings

International:

S&P Global Ratings

In February 2018, the agency upgraded long-term credit rating of RusHydro and its Eurobonds at investment grade BBB- (stable outlook), which was affirmed in April 2018.

Fitch Ratings

In August 2018, the agency upgraded the Company's long-term credit rating and the credit ratings of its bonds to an investment grade BBB- (stable outlook).

Moody's

In October 2018, the agency upgraded the Company's BCA; in February 2019, it upgraded credit ratings of RusHydro and its bonds to an investment grade Baa3 (stable outlook).

National:

ACRA

In June 2018, ACRA affirmed its long-term credit rating on RusHydro and its bonds at AAA(RU) (stable outlook), which represents the top reliability level.

For the first time in the Company's history, international rating agencies put RusHydro in the investment category.

National Corporate Governance Rating

RusHydro's corporate governance rating upgraded to level 8 (Best Corporate Governance Practice). It is the highest rating assigned by the National Corporate Governance Rating to its Russian members.

RusHydro enjoys a leading position in corporate social responsibility

ranks among Top 3 most transparent electricity companies, according to Transparency in Corporate Reporting analysis conducted by the Russian branch of Transparency International;
leads the Responsibility and Transparency and Sustainability Vector indices of the Russian Union of Industrialists and Entrepreneurs;
ranks second in the environmental rating of the Russian energy companies and the best electricity company according to *Environmental Initiatives of the Russian Companies in Media: Energy and Metals* study.
ranks among world's Top 20 green energy companies according to Energy Intelligence.

Awards

Cbonds Awards

RusHydro won annual Cbonds Award 2018 as its ruble-denominated notes placement in February 2018 was named Best Primary Eurobond Deal.

Report Watch

Report Watch maintained its rating on RusHydro's annual report for 2017 at B+ (the top rating among the Russian companies).

LACP 2018 Spotlight Awards

RusHydro's annual report for 2017 won international LACP 2018 Spotlight Awards and made it to the Top 100 Worldwide.

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Strategic review

Markets served (102-6)

Position in the industry

The Russian electricity and capacity market is comprised of the wholesale electricity and capacity market and the retail electricity market (REM), with RusHydro operating in the wholesale electricity and capacity market.

The wholesale market is a place where a special type of commodities – electricity and capacity – are traded within the Unified Energy System across Russia's economic space. Capacity as a commodity is an obligation to properly maintain power generating facilities in order to timely meet the consumer demand for electric power. The retail market trades in only one commodity – electric power.

With acquisition of a number of electricity retailers and the companies of RAO ES East, RusHydro Group has significantly increased its visibility in the retail electricity and heat markets of Russia. The Group also owns distribution grids in the Far East, the Luchegorsky coal strip mine, construction and repair companies, and design institutes, which makes it one of Russia's largest energy infrastructure holdings.

RusHydro's key competitive advantages include:

1. HPP/PSPP-based power generation does not require fuel and is therefore not susceptible to fluctuations in fossil fuel prices (natural gas, oil, coal, and other). Moreover, it remains highly profitable as pricing in the electricity and capacity markets reflects the cost of heat generation, which includes fuel expenses.
2. HPPs can adjust output in response to changing demand for power supply, which provides them with guaranteed load during the times of peak demand when electricity price is the highest.
3. Low production cost of power generated by HPPs is the main reason why extra hydropower supplies and capacities are fully consumed within the unified energy systems.
4. As a renewable resource, hydropower ranks among the most environmentally friendly sources of energy. Its use helps reduce emissions from thermal power plants and save hydrocarbons for future generations. Hydropower produced at RusHydro's HPPs annually saves the planet 50 mt of CO₂ emissions;
5. To bring electricity tariffs in the Far East in line with the Russian base (average) rate, a surcharge was added to the capacity price in the first and second price zones of the WECM. RusHydro has been designated by the Russian Government to collect and transfer the surcharge amount to the Far East. This measure has helped reduce the accounts receivable from current consumers in the Far Eastern Federal District and attract investments in the region's energy-intensive industrial projects to help create potential effective demand for electricity.

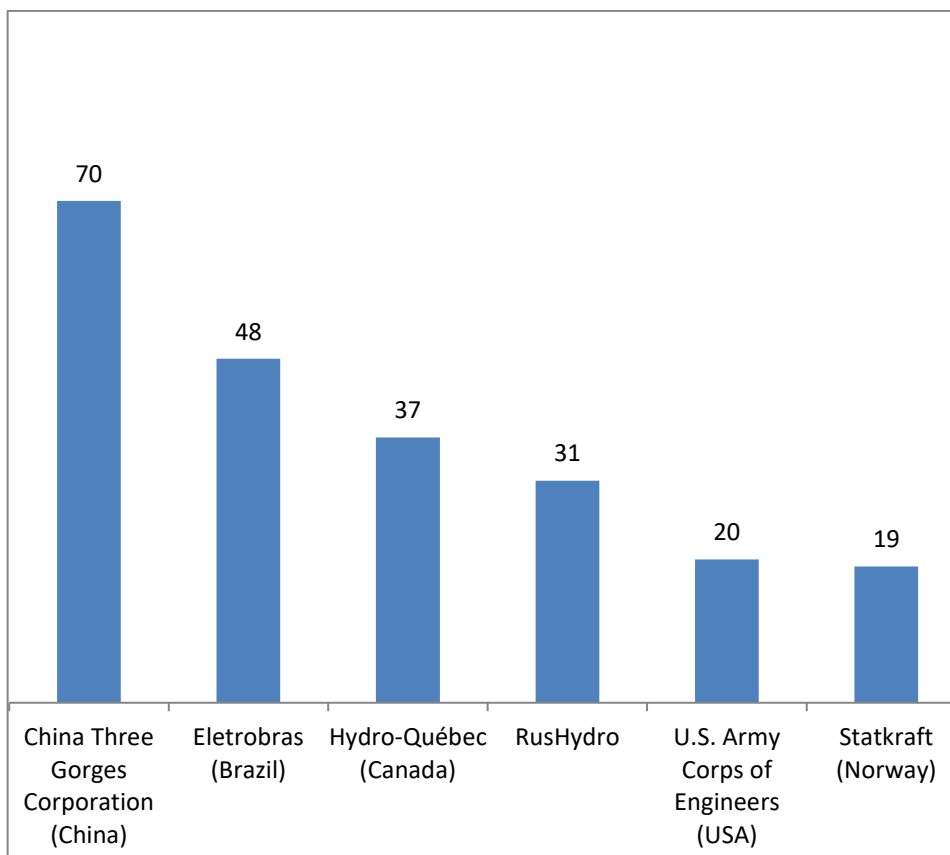
RusHydro's share in Russia's electric power market¹³

Year	Electricity			Capacity		
	Output in Russia	Output by RusHydro	Share, %	Total installed capacity, Russia	Total installed capacity, RusHydro	Share, %
	mn kWh	mn kWh		MW	MW	
2016	1,071,800	138,405	12.91	244,100	38,309	15.71
2017	1,073,700	139,820	13.02	246,868	38,479	15.59
2018	1,091,700	143,853	13.18	250,400	38,803	15.50

¹³ Excluding International Energy Corporation.

With the generating assets of the Group boasting a total installed capacity of 31 GW, RusHydro ranks among the world's top hydropower generating companies.

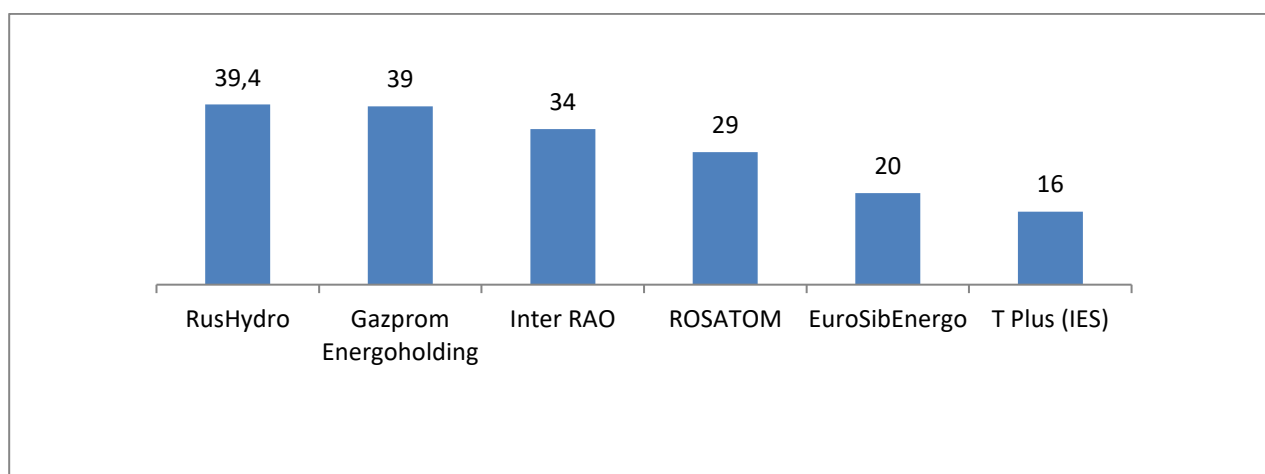
The world's largest hydropower generating companies, GW



Competitive landscape

RusHydro Group is one of Russia's leading electric power producers, with Rosatom State Corporation and the independent energy companies emerging from the restructuring of RAO UES of Russia acting as its main competitors.

RusHydro's competitors in Russia, GW



Strategy of RusHydro Group

Mission and values

RusHydro Group's mission is to ensure efficient use of water resources and reliability of the Unified Energy System of Russia, as well as to support the social and economic development of the Far Eastern regions by providing its existing and prospective consumers with access to energy infrastructure.

RusHydro Group's corporate values:

Clean energy – ensuring environmental safety and protection of natural resources.
 Engineering culture – operating assets in a safe and reliable manner.
 Prosperous society – promoting reliability and infrastructure development, efficient use of water resources, utilization of hydropower potential and expanded use of renewable energy sources which contribute to the development of territories, economic growth and society's welfare and prosperity.
 Reliable business – implementing social policy which supports the Company's employees and residents across its footprint.
 Leading company – striving for the Company's success and leadership by combining its employees' efforts, resources and business components to achieve excellence in every aspect of the Company's operations.
 United team – providing opportunities for the development and fair remuneration of the employees to build a competitive edge across RusHydro's operations (team spirit, self-expression and unlocking employees' potential).
 Developmental environment – implementing new technologies and offering infinite opportunities to foster further development.
 Young energy – promoting energy-related careers among schoolchildren.

Strategy and its implementation

RusHydro Group's Development Strategy¹⁴ until 2020 with an outlook for 2025 was approved by RusHydro's Board of Directors in 2016 (Minutes No. 238 of June 8, 2016).

The Group's strategy stems from the draft energy strategy of the Russian Federation until 2035 developed jointly with RusHydro. The industry strategy centres around the transition from resource-based to innovative development of the energy sector, focusing on the comprehensive upgrade of the Russian energy companies. RusHydro Group's strategy seeks to implement the tasks outlined in the draft energy strategy of the Russian Federation until 2035.

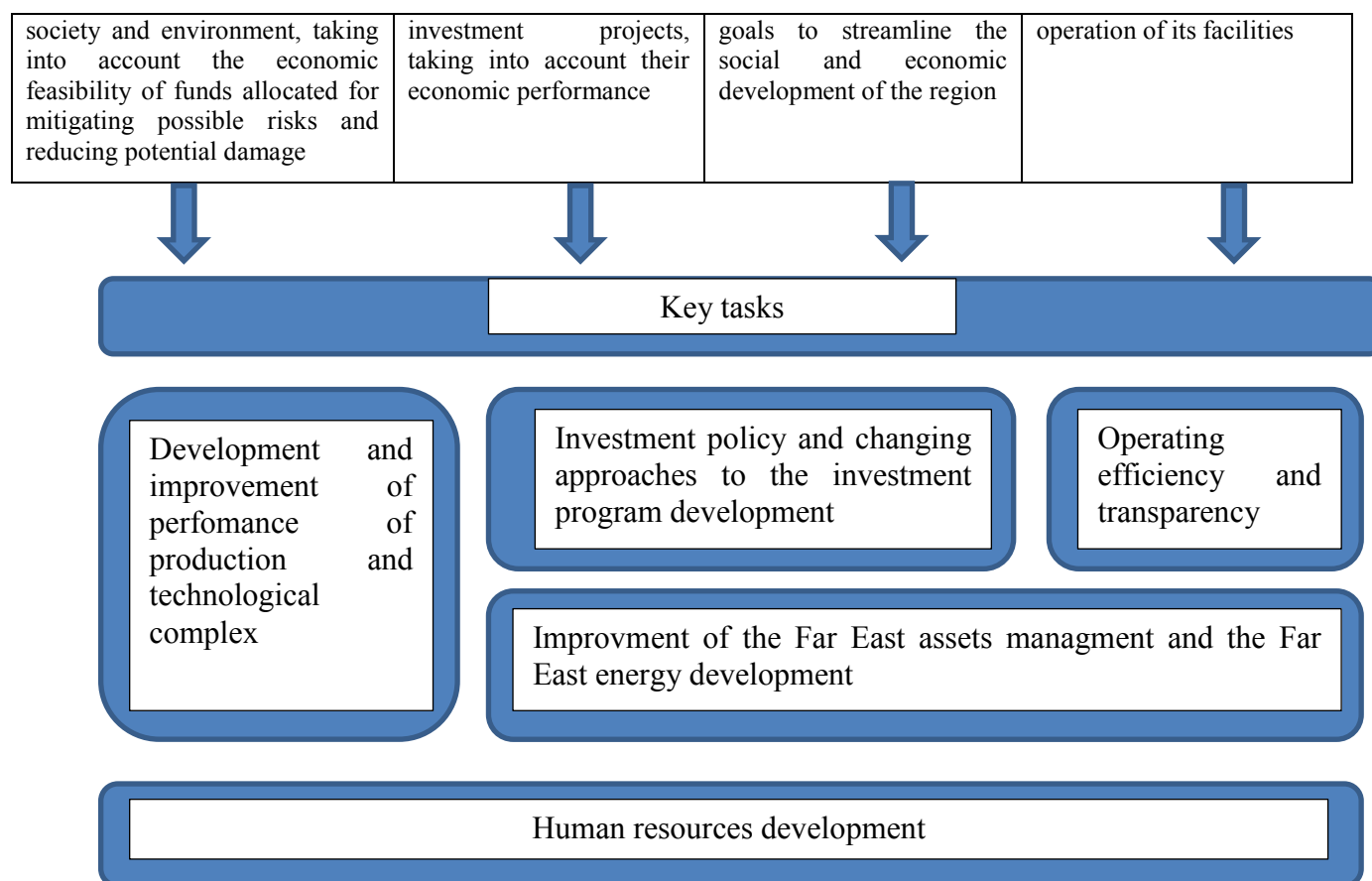
The strategy sets out development goals for the entire RusHydro Group along with specific objectives for their achievement.

RusHydro Group's strategic goals

Ensuring reliable and safe operations of the Company's facilities	Promoting stable development of electricity generation	Developing the Far Eastern energy sector	Increasing the Company's value
The Company ensures the reliable and safe operation of equipment, hydraulic structures and thermal power plant infrastructure with regard to	The Company expands its electricity generation volumes by improving the efficiency of the production programs and	The Company ensures steady development of the Far Eastern energy sector and participates in the implementation of national	The Company strives to increase its fundamental value, investment appeal and value growth while ensuring reliable and safe

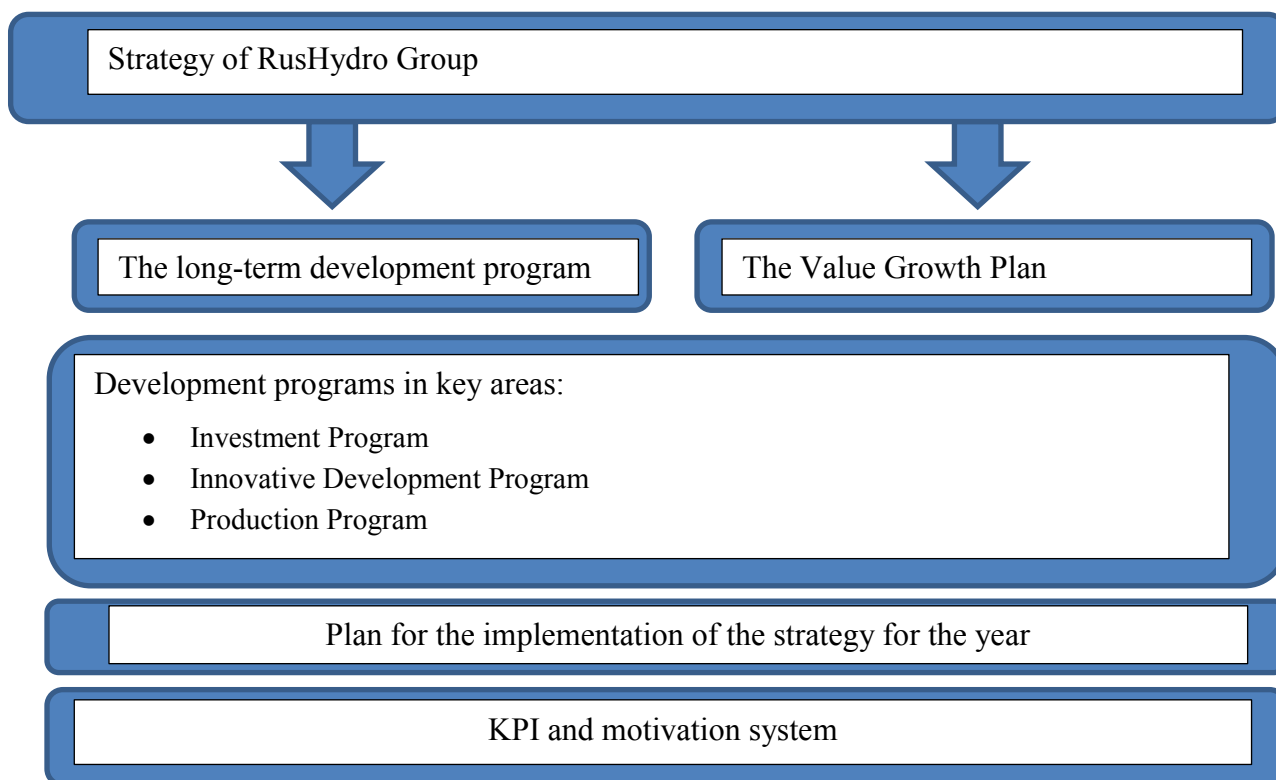
¹⁴RusHydro Group's strategy was drafted in line with the following documents:

- Concept of long-term social and economic development of the Russian Federation until 2020.
- National Security Strategy of the Russian Federation.
- Long-term forecast of economic development of the Russian Federation until 2030.
- Draft energy strategy of the Russian Federation until 2035.
- Scheme and program for the development of Russia's Unified Energy System.
- General layout of power generation facilities until 2020.
- Regional social and economic strategies, energy strategies.
- Industry strategies.



Strategic management system

The Company has a strategic management system in place¹⁵, which links strategic management processes with the incentive system.



¹⁵ The system factors in the recommendations of the Federal Agency for State Property Management on the development of key strategic documents (Recommendations of the Federal Agency for State Property Management No. OD-11/18576 of April 29, 2014).

The main tools for implementing the strategy are RusHydro Group's Long-term Development Program and Strategy Implementation Plan outlining the Company's development priorities, objectives and indicators aimed at achieving its strategic goals, as well as the Value Growth Plan.

Long-term Development Program

RusHydro's Long-term Development Program for 2018–2022 has been prepared in accordance with the instructions of the President of the Russian Federation¹⁶ and the Russian Government¹⁷.

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.

RusHydro Group's Long-term Development Program for 2018–2022 has been prepared in accordance with RusHydro Group's Development Strategy until 2020 with an outlook for 2025¹⁸ and sets key parameters for the production programs, investment program, Innovative Development Program, and the Consolidated Business Plan of the Group, while also featuring the analysis of implementation risks and key performance indicators of the Long-term Development Program.

Objectives of RusHydro Group's Long-term Development Program:

- Ensuring reliable and safe operations of the Company's facilities
- Promoting stable development of electricity generation
- Developing the Far Eastern energy sector
- Increasing the Company's value

In the reporting year, RusHydro Group's Long-term Development Program was implemented within the framework of production, investment and innovative programs. Information on the program implementation and on Long-term Development Program's KPI achievement is provided in the following sections: Key performance indicators, Economics and finance, Production and sales, Investment activities, Innovations, as well as in Appendix No. 9 *Report on the Long-term Development program implementation of the RusHydro Group for the year of 2018 u Мемо́дука па́счета* and Appendix No. 10 *The auditor's report on the Long-term Development program implementation in 2017 of RusHydro Group for the period 2016-2020.*

The progress on RusHydro Group's Long-term Development Program is monitored in accordance with the Long-term Development Program audit standard approved by RusHydro's Board of Directors¹⁹ and the Terms of Reference for auditing the implementation of the Long-term Development Program²⁰, developed in line with the recommendations of the Russian government²¹.

Value Growth plan

RusHydro Group's Value Growth Plan through to 2021 was approved by RusHydro's Board of Directors on October 27, 2017²² to maximize the Company's value and its investment appeal for shareholders and investors.

Value Growth Plan aims to increase RusHydro's fundamental and market value as fundamental value drives market capitalization, which is particularly important in view of the fact that shares of RusHydro and other Russian power companies are currently traded with a significant discount to global majors.

To secure effective implementation of the Value Growth Plan, it is planned to introduce a cost approach to the Company's management for the management processes, systems and solutions to maximize value while ensuring safe operations at generating facilities. At the same time, the Value Growth Plan includes tasks and initiatives to streamline operational and investment activities, both controlled by the management and dependent on external factors.

¹⁶ Instruction No. Pr-3086 of December 27, 2013.

¹⁷ Minutes No. 3 of January 30, 2014, Directive of the Russian Government No. 4955p-P13 of July 17, 2014.

¹⁸ Minutes of the Board of Directors No. 238 of June 8, 2016.

¹⁹ Minutes of the Board of Directors No. 281 of December 27, 2018.

²⁰ Minutes of the Board of Directors No. 279 of October 26, 2018.

²¹ Instruction of the Russian Government No. ISH-P13-2583 of April 15, 2014.

²² Minutes of the Board of Directors No. 259 of October 30, 2017.

Moreover, the Value Growth Plan outlines the Company's key focus areas aimed at improving the openness and transparency of RusHydro Group in regards to the market participants and minimizing the gap between the fundamental and market value of the Company.

The focus area of the Company's efforts in 2018 to pursue the Value Growth Plan was a change in approaches to setting tariffs in the Far Eastern Federal District. A Decree of the Government of the Russian Federation was drafted to introduce long-term tariffs for non-price zones in the Far Eastern Federal District, which makes it possible for the energy companies to accommodate economically justified costs in the tariff and to retain the effect of cost savings. Within the framework of the heat generation modernization program of the Government of the Russian Federation, a return on investment is expected at a rate consistent with that of the projects for replacing retired capacities in the Far East.

In terms of optimization measures for investment and operating activities, as well as activities for the sale of non-core assets, the resulting effect has already exceeded RUB 55 bn.

In addition, in order to minimize the impact of ongoing non-monetary impairment on the amount of dividends paid, proposals were made for adjusting the Dividend Policy to establish the minimum level of dividend payout. The revised Dividend Policy was approved by the Company's Board of Directors (Minutes No. 287 of April 22, 2019).

Strategy implementation in 2018

The Strategy Implementation Plan for 2018 sets the following strategic goals.

Key strategic goals for 2018

Goal	Progress
Ensuring reliability of existing assets and their upgrade, enhancing management efficiency with respect to the production complex	RusHydro Group's Technical Policy is being developed to reconcile top-level documents of RusHydro and RAO ES East aiming to determine the scope and development trends of technologies and technical solutions improving reliability and efficiency of RusHydro Group's production facilities in the short and long term, while also ensuring safe operations. RusHydro Group's Environmental Policy has been approved, which, along with the principles of environmental protection and safety, sets out key tasks aimed at improving the environmental management system.
Enhancing the operating performance and transparency	Cost optimization plan is being implemented based on the results of the external independent cost audit of RusHydro and its subsidiaries.
Improving the efficiency of the Far Eastern asset management system and developing the Far Eastern energy sector	In 2017–2018, the economic effect of the initiatives to optimize operating costs and the management model amounted to RUB 10,552 mn and RUB 1,863 mn, respectively.
Increasing the competitive edge of the engineering design complex	The Company is preparing a development strategy for its scientific and engineering design complex.
Drafting the Company's strategic documents	The Group's Long-Term Development Program for 2018–2022 has been updated. RusHydro has approved the concept of the Company's positioning in the international market seeking to determine the main development areas of RusHydro Group's international activities and its approaches to fostering a positive image of the Company in the global business arena.
Improving the corporate governance system	The number of corporate governance standards and principles set forth in the Corporate Governance Code and implemented in RusHydro's corporate governance practices grew to 92.4%.
Expanding the talent pool	The Action Plan for the Introduction of Professional Standards into RusHydro's Operations is being implemented, including 33 standard training programs for the professional development and retraining of facility personnel at the Corporate Hydropower University based on the professional standards framework. RusHydro Group's employees completed 36,537 training courses. RusHydro participated in the creation of Institute of Hydropower and Renewable Energy Sources (part of Moscow Power Engineering Institute) acting as a single center

	for education and training of engineers specializing in hydropower and renewables.
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Strategic risks

The Company maintains a strategic risk register which identifies risk owners and is reviewed on an annual basis. The register is used to disclose risk-related information to shareholders, rating agencies, auditor and other stakeholders, and to further promote and control risk optimization initiatives.

The list of strategic risks and information on the risk management system are available in the Risk management section.

Key performance indicators²³

The system of key performance indicators (“KPI”) for RusHydro's management is based on national statutory requirements²⁴ and is designed to improve the Company's performance and achieve the goals set by its shareholders. Since 2017, the management KPI system includes annual key performance indicators of the Management Board and key performance indicators of RusHydro's Long-Term Incentive Plan (“LTIP”).

In 2016, based on recommendations of an independent advisor²⁵, the Company developed its annual KPI list, as well as calculation and evaluation methodology for the KPI of RusHydro's Management Board, and KPI of the LTIP aimed at motivating the Company's management to achieve strategic goals and thus balancing the interests of the Company's management and shareholders. In 2019, the independent advisor updated the list of the LTIP KPI by introducing *Earnings per share (EPS)*, RUB/share as a KPI with a 15% weight. The RusHydro Management Board's KPI and the Company's LTIP KPI are calculated and evaluated using the calculation and evaluation methodology (approved by the Board of Directors²⁶) for the Management Board's KPI²⁷ and the calculation and evaluation methodology for the KPI of RusHydro's Long-Term Incentive Plan²⁸.

Annual KPI of RusHydro's Management Board in 2018

The annual KPI of RusHydro's Management Board for 2018 consist of five financial and two industry-specific indicators. Financial indicators of the annual KPI of RusHydro's Management Board include a mandatory indicator required by the Federal Agency for State Property Management – return on equity (ROE). The Company's financial indicators are calculated based on the Group's consolidated financial statements prepared under the IFRS.

Resolution of the Board of Directors approved the target annual KPI of RusHydro's Management Board for 2018 and target KPI of the second cycle of the Long-Term Incentive Plan for 2018–2020.²⁹

²³In the Key Performance Indicators section, a special methodology is used to calculate KPIs, and therefore the values of indicators with the same name may differ in other sections of the report. The methodology for calculating the KPI of the Long-term Development Program is disclosed in Appendix No. 9 to the Report.

²⁴Clause 4 of the List of Russian President's Instructions No. Pr-1474 of July 5, 2013, Instruction of the Russian Government No. ISH-P13-2043 of March 27, 2014, and Directives of the Russian Government No. 2579p-P13 of April 25, 2014, No. 7558p-P133 of November 12, 2014, in accordance with Methodological Guidelines of the Federal Agency for State Property Management

²⁵Recommendations of an independent advisor (Ernst & Young (CIS) B.V.) on the methodology for the Management Board's remuneration system were approved by the Board of Directors (Minutes No. 241 of September 23, 2016).

²⁶Minutes No. 245 of December 26, 2016.

²⁷As amended (Minutes No. 251 of April 18, 2017 and No. 269 of April 25, 2018).

²⁸The latest version approved by the Board of Directors (Minutes No. 283 of February 21, 2019).

²⁹Minutes No. 264 of December 28, 2017 as amended by resolutions of the Board of Directors (Minutes No. 269 of April 25, 2018, No. 276 of October 4, 2018, and No. 283 of February 21, 2019).

Target and actual KPI of RusHydro's Management Board members

KPI	Period	Target	Actual	Target KPI achievement	Weight, %	KPI achievement in 2018, %
EBITDA ³⁰ , RUB mn	2017	97,993	110,323	Achieved	15	100
	2018	170,932	181,526	Achieved		
ROE, %	2017	6.10	10.13	Achieved	15	100
	2018	15.86	23.88	Achieved		
Share of procurement from small and medium businesses, %:	2017	≥18	85	Achieved	10	100
	2018	≥18	76	Achieved		
– Including: based on procurement from small and medium businesses only, %	2017	≥10	38	Achieved		
	2018	≥15	46	Achieved		
Accident prevention	2017	0	0	Achieved	20	100
	2018	0	0	Achieved		
– Number of production-related accidents	2017	≤ 5-year average ³¹	14	Achieved		
	2018	≤ 5-year average ³²	9	Achieved		
– Number of major accidents	2017	0	0	Achieved	20	100
	2018	0	0	Achieved		
Adherence to the capacity commissioning schedule, funding and spending plan, %	2017	85	92.8	Achieved	20	100
	2018	85	92.8	Achieved		
Labor productivity, RUB '000/man-hour	2017	4.74	5.20	Achieved	10	100
	2018	5.30	6.12	Achieved		
Decrease in operating expenses (costs), %	2017	2	2.26	Achieved (subject to factors beyond control of the management ³³)	10	100
	2018	2	2.69	Achieved (subject to factors beyond control of the management ³⁴)		

³⁰ According to the applicable calculation and evaluation methodology for the KPI of RusHydro's Management Board, the EBITDA approved by resolution of the Board of Directors shall be calculated on the basis of RusHydro Group's audited consolidated financial statements under the IFRS using the following formula: EBITDA = EBT + depreciation and amortization + non-cash expenses – non-cash revenue + interest payable + fuel cost.

The EBITDA calculated using this formula is different from that used in RusHydro Group's IFRS financial statements due to different approaches to calculating the indicator. According to Note 6 to the IFRS consolidated financial statements of RusHydro Group, EBITDA is calculated as operating profit/loss net of depreciation and amortization, gain on financial assets at fair value through profit or loss, impairment of fixed assets, impairment of receivables, gain/loss on disposal of fixed assets, gain/loss on disposal of subsidiaries and joint ventures, and other non-cash operating income and expenses.

³¹ 25.2.

³² 22.8.

³³ Resolution of the Board of Directors of April 24, 2018 (Minutes No. 269).

³⁴ Resolution of the Board of Directors of April 4, 2019 (Minutes No. 286).

KPI of the Long-Term Incentive Plan

The first and second cycles of RusHydro's LTIP consist of the following KPI: three financial indicators (including total shareholder return (TSR) as a mandatory indicator required by the Federal Agency for State Property Management) and an integrated innovative KPI³⁵.

Target KPI for the first LTIP cycle for 2017–2019³⁶

KPI	Target
Total shareholder return (TSR), %	100
Integrated innovative KPI, %	85
Free cash flow (FCF), RUB mn	-138,601
Earnings per share (EPS), RUB/share	0.85

Target KPI for the second LTIP cycle for 2018–2020³⁷

KPI	Target
Total shareholder return (TSR), %	100
Integrated innovative KPI, %	85
Free cash flow (FCF), RUB mn	-92,284
Earnings per share (EPS), RUB/share	0.81

The achievement of target KPI for the Long-Term Incentive Plan will be assessed upon expiry of the respective period.

KPI of the Long-Term Development Program

RusHydro's Long-Term Development Program consists of KPI established for 2018–2022.

The target KPI were calculated in accordance with RusHydro Group's draft Consolidated Business Plan for 2018–2022 (including the consolidated investment program) and subject to the activities stipulated in the Group's programs.

The list of KPI for RusHydro's Long-Term Development Program for 2018–2022 includes the list of annual KPI of the Management Board and the list of LTIP KPI. **(103)**

³⁵Approved by resolution of 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 (Minutes No. AD-P36-247pr of December 17, 2015). The integrated innovative KPI is listed among KPI in compliance with Directives of the Russian Government No. 1427p-P13 of March 3, 2016 and Resolution of the Board of Directors (Minutes No. 242 of October 10, 2016).

³⁶Pursuant to Resolution of the Company's Board of Directors No. 282 of December 25, 2018 amending target performance indicators for the first cycle of RusHydro's Long-Term Incentive Plan for 2017–2019 and the second cycle of the Plan for 2018–2020, and Resolution No. 283 of February 21, 2019 approving the target KPI "Earnings per share (EPS), RUB/share".

³⁷Pursuant to Resolution of the Company's Board of Directors No. 282 of December 25, 2018 amending target performance indicators for the first cycle of RusHydro's Long-Term Incentive Plan for 2017–2019 and the second cycle of the Plan for 2018–2020, and Resolution No. 283 of February 21, 2019 approving the target KPI "Earnings per share (EPS), RUB/share".

Target and actual KPI for the Long-Term Development Program³⁸

KPI	2018			2019	2020	2021	2022
	Target	Actual	Progress	Target			
Total shareholder return (TSR) ³⁹ , %	100	0	Not achieved	100	100	100	100
ROE, %	15.86	23.88	Achieved	16.36 ⁴⁰	16.12	16.70	16.03
EBITDA ⁴¹ , RUB mn	170,932	181,526	Achieved	175,629 ¹⁷	193,795	209,894	207,698
Accident prevention:	0	0	Achieved	0	0	0	0
– number of production-related accidents	≤ 5-year average ⁴²	9	Achieved	≤ 5-year average	≤ 5-year average	≤ 5-year average	≤ 5-year average
– number of accidents	0	0	Achieved	0	0	0	0
Adherence to the capacity commissioning schedule, funding and spending plan	85	92.8	Achieved	85	85	85	85
Share of procurement from small and medium businesses, %	18	76	Achieved	18	18	18	18
Including procurement from small and medium businesses only, %	15	46		15	15	15	
Labor productivity, RUB '000/man-hour	5.30	6.12	Achieved	5.72 ¹⁷	5.31	5.60	5.75
Integrated innovative KPI, %	85	96	Achieved	85	85	85	85
Decrease in operating expenses (costs), %	2	2,69	Achieved ⁴³	2	2	2	2
Free cash flow (FCF), RUB mn	-66,079	-41,789	Achieved	11,704	25,498	54,277	56,424

³⁸Target KPI for the LTDP for 2018–2022 were approved as part of RusHydro's LTDP for 2018–2022 (Minutes of the Board of Directors No. 271 of June 1, 2018, as amended by Minutes of the Board of Directors No. 279 of October 26, 2018). The actual KPI for 2018 are calculated using RusHydro's KPI calculation and evaluation methodology approved by the Board of Directors (Minutes No. 271 of June 1, 2018).

³⁹The TSR in 2018 was -32.8%, while the MOEX Russia Index grew by 12.2% over the same period. In 2018, the MOEX Russia Index was up 7.8% y-o-y, while the Moscow Stock Exchange Power Index was down 11.4%, with shares in RusHydro losing 33.4%. In 2018, the market value of RusHydro shares decreased against a backdrop of the general lack of investor interest in the electric power industry, as evidenced by the Power Index downward trend. RusHydro shares were under pressure from sanctions imposed on RUSAL and geopolitical risks, including the proposed new US sanctions (DASKA, August 2018). The exclusion of the Company from the MSCI Russia Index in late November 2018 was the strongest contributor to the decline.

⁴⁰As resolved by the Company's Board of Directors (Minutes No. 282 of December 27, 2018)

⁴¹The methodology of calculating EBITDA for the purpose of the LTDP KPI is similar to that for EBITDA of the Management Board's KPI.

⁴²22.8.

⁴³As resolved by meeting of the Board of Directors of April 4, 2019 (Minutes No. 286).

Investment activities

Investment policy and its principles (103-2)

The Company's investments are governed by the Regulations on Managing Investing Activities Performed in the Form of Capital Investments.

RusHydro's investment policy principles

Compliance of investment decisions and projects with statutory requirements, building codes and regulations, and environmental standards

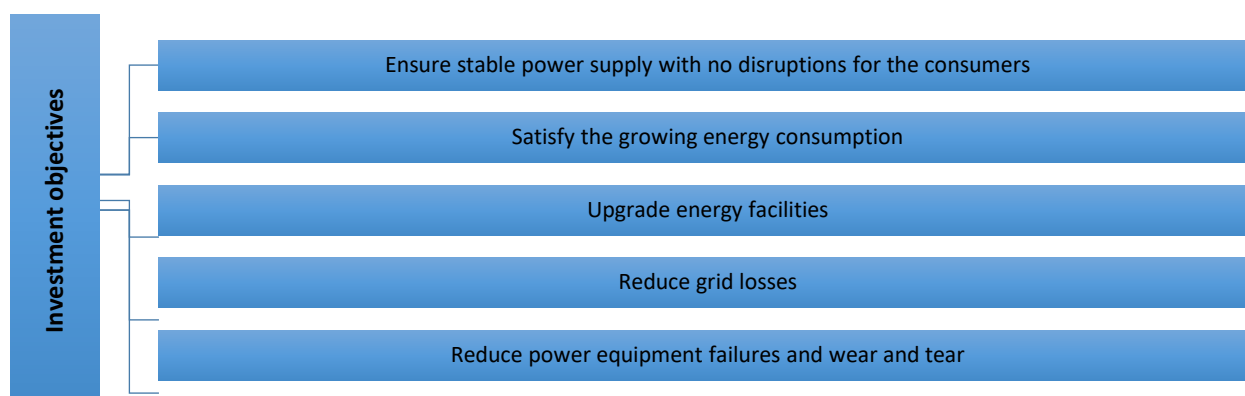
Step-by-step approach to implementation of investment projects

Compliance of investment decisions and projects with risk-return profiles approved by the Board of Directors

Analysis of costs and benefits associated with alternative investment decisions (performed at the end of each stage in case of a change in key project metrics)

Access to financing for all investment projects

Investment programs are approved by the respective boards of directors within RusHydro Group, with the programs of members involved in the electricity sector additionally reviewed by the authorized government agencies. The drafts are based on the Group's consolidated investment program, which is approved by the Management Board and presented to the Board of Directors. In the case of entities involved in the electricity sector, the drafts are submitted to the authorized government agencies after being reviewed by their boards of directors.



Role of federal and regional governments in the program development (EU19)

Our cooperation with the country's federal and regional governments extends beyond developing and reviewing our investment program, with working on proposals and updates to energy policy papers (the "Policy Papers") also on our agenda. These documents include:

- the schemes and programs to develop regional energy systems (the "DSPs");
- the Scheme and Program to Develop the Unified Energy System of Russia (the "UES DSP");
- the general layout of power generation facilities in Russia (the "General Layout"); and
- the territorial planning layout for the Russian power industry (the "TPL").

Both the DSPs and the UES DSP focus on developing the grid infrastructure and the generating capacities, meeting the mid- to long-term demand for electricity and heat (capacity-wise), and creating a stable and favorable environment for investments in the electricity infrastructure.

The General Layout provides a foundation for organizing the power generation facilities and the grid infrastructure in a way to proactively balance production, consumption and capacities in UES Russia and

technologically isolated local energy systems, prevent the forecasted power and capacity shortages, identify the key locations for placing transmission lines and substations, and ensure the normal operating conditions for UES Russia and the actual output from new power plants.

The TPL aims to consolidate data on prospective energy facilities of federal importance, including their types, purposes, names, key specifications, and locations.

RusHydro Group works to ensure that the Policy Papers contain only the most recent information on its energy facilities and plans, providing materials, commentary and suggestions as necessary.

The Group's cooperation with regional governments extends to drafting proposals and updating information on heating layouts for Russian cities and towns.

Developing and updating heating layouts for cities and towns across the Far Eastern Federal District ensures efficient and safe performance of heat supply systems and help improve them as heat suppliers within RusHydro Group upgrade their fixed assets and implement energy conservation and efficiency initiatives.

RusHydro's subsidiaries have participated in public hearings on heat supply schemes for the Khabarovsk, Vladivostok and Artyom urban districts and other Far Eastern municipalities.

Long-term Program for Replacement of Retiring Capacities

The Long-term Program for Replacement of Retiring Capacities and Power System Development in the Far East drafted by RusHydro's management aims to ensure a stable and robust power supply to existing and prospective customers in the Far Eastern Federal District by formulating solutions to develop the region's energy infrastructure as necessary.

The Program provides a foundation for developing the electrical power industry in the Russian Far East⁴⁴.

Its key objectives include:

- drafting capacity retirement and replacement proposals (including possible alternatives);
- drafting proposals to satisfy the prospective demand and develop the energy infrastructure;
- identifying the best courses of action in respect of the proposed initiatives; and
- assessing the economic effect of the Program.

The Program includes projects to build or upgrade energy facilities in the Russian Far East with a view to replacing 1.6 GW of retiring capacities and satisfy the prospective demand from regional energy systems.

- Chaunskaya CHPP to be decommissioned (30 MW)
CHPP to be commissioned in Pevek (36 MW);
- Yakutskaya GRES-1 to be decommissioned (368 MW)
The second stage of Yakutskaya GRES-2 to be commissioned (226 MW);
- Ust-Srednekanskaya HPP to be commissioned (260 MW, the fourth hydropower unit, new runners);
- Khabarovskaya CHPP-1 to be decommissioned (435 MW)
Khabarovskaya CHPP-4 to be commissioned (320 MW);
- Artyomovskaya CHPP to be decommissioned (400 MW)
Artyomovskaya CHPP-2 to be commissioned (420 MW);
- Vladivostokskaya CHPP-2 to be upgraded (bringing the installed capacity of heat power units No. 1, 2, 3 to 360 MW).

The Program seeks to provide a rationale for including RusHydro Group's projects in a program being developed by the Russian Government to raise funds for upgrading the heat generation infrastructure, and a foundation for proposals related to investment programs within the Group.

Design and survey works are currently underway for the stage 2 of Yakutskaya GRES-2, Artyomovskaya CHPP-2, Khabarovskaya CHPP-4 construction projects and Vladivostokskaya CHPP-2 upgrade project; the project parameters will be specified following their completion. Construction (upgrade)

⁴⁴ - The Long-term Program for Replacement of Retiring Capacities was reviewed at RusHydro's Board of Directors meeting on October 25, 2018 (Minutes No. 279 of October 26, 2018).

of these generation facilities is planned to be carried out by introducing the capacity price surcharge as part of the program to upgrade generation facilities approved by the Government of the Russian Federation.

In order to implement the CHPP construction project in Pevek, it is necessary to determine the budget financing mechanisms for the financial standing of RusHydro to remain unaffected. The corresponding instruction is reflected in the minutes of the meeting with Dmitry Kozak, Deputy Chairman of the Government of the Russian Federation (Minutes No. DK-P9-250pr (section I, para. 8) dated December 12, 2018).

Construction of Ust-Srednekanskaya HPP is planned as part of the consolidated investment program of RusHydro Group and will be financed internally.

RusHydro's investment program for 2020–2027 and its objectives

RusHydro's updated investment program for 2018 and investment program for 2019-2028 were approved by the Russian Ministry of Energy's Order No. 6@ *On Approval of RusHydro's Investment Program for 2019-2028 and Amendments to RusHydro's Investment Program Approved by the Russian Ministry of Energy's Order No. 34@ of December 29, 2017* of October 22, 2018.

The Group's updated consolidated investment program for 2018 was approved by RusHydro's Board of Directors (Minutes No. 276 of October 4, 2018) as part of RusHydro Group's Consolidated Business Plan for 2018. In addition, the updated Business Plan for 2018, as approved by the Board of Directors (Minutes No. 281 of December 27, 2018), included updates to RusHydro's investment program for the same year.

The draft RusHydro Group's consolidated investment program for 2020-2024 and for 2019 (revised) was reviewed by RusHydro's Board of Directors (Minutes No. 285 of March 29, 2019).

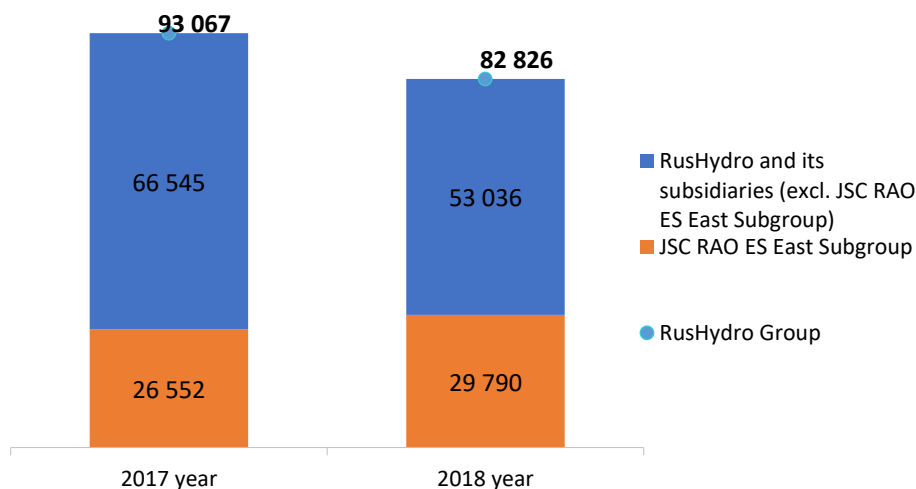
There are no investments with the projected return exceeding 10% per year.

Implementation of RusHydro Group's consolidated investment program⁴⁵

Spending on the consolidated investment program in 2018 totaled RUB 82.8 bn, including RUB 53.0 bn for RusHydro Group's investment projects (without JSC RAO ES East Subgroup's) and RUB 29.8 bn for JSC RAO ES East Subgroup.

New capacities were commissioned, including 345.2 MW in power generation, 442.47 Gcal/h in heat, 972.23 MVA of transformer capacities, and 1,336.15 km of power lines.

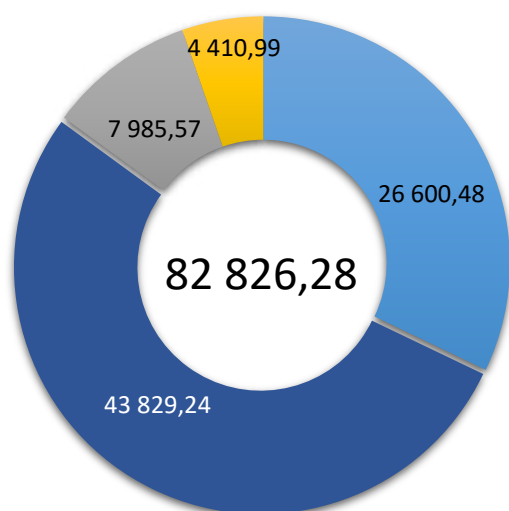
Actual spending in 2017–2018, RUB mn (incl. VAT)



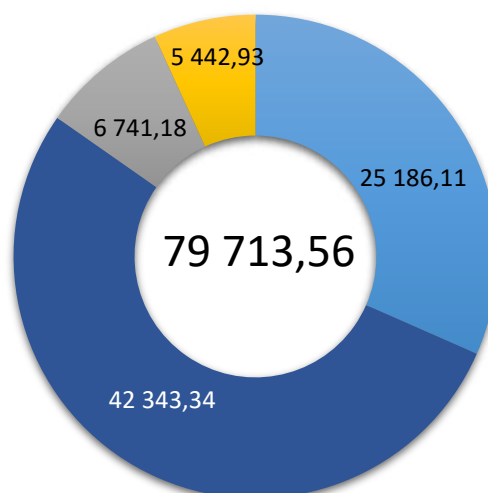
⁴⁵ Includes RusHydro's subsidiaries covered by the Consolidated Business Plan for the period, such as SHPPs of Stavropol Krai and Karachay-Cherkessia, Smaller HPPs of Kabardino-Balkaria, Verkhnebalkarskaya SHPP, RusHydro's R&D institutes, Leningradskaya PSHP, Pauzhetskaya GeoPP, NDES, Verkhne-Mutnovskaya GeoPP, Montazhenergo, Agroenergo, and Rodnik Zdorovya.

Key investment areas under RusHydro Group's consolidated investment program in 2018

Spending, RUB mn (incl. VAT)¹



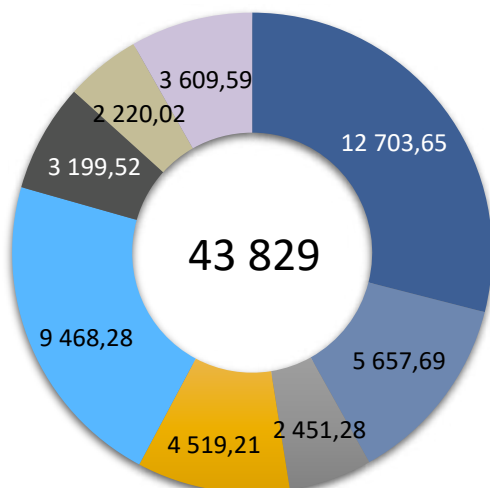
CAPEX, RUB mn (excl. VAT)²



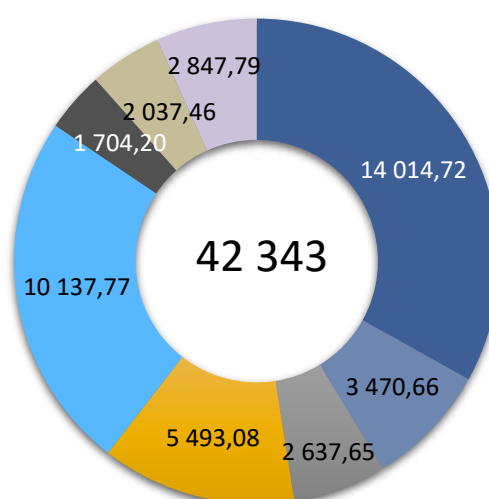
- Rehabilitation and modernization
- Construction of new facilities
- Utility connection
- Other

Investments in construction of new facilities in 2018

Spending, RUB mn (incl. VAT)¹



CAPEX, RUB mn (excl. VAT)²



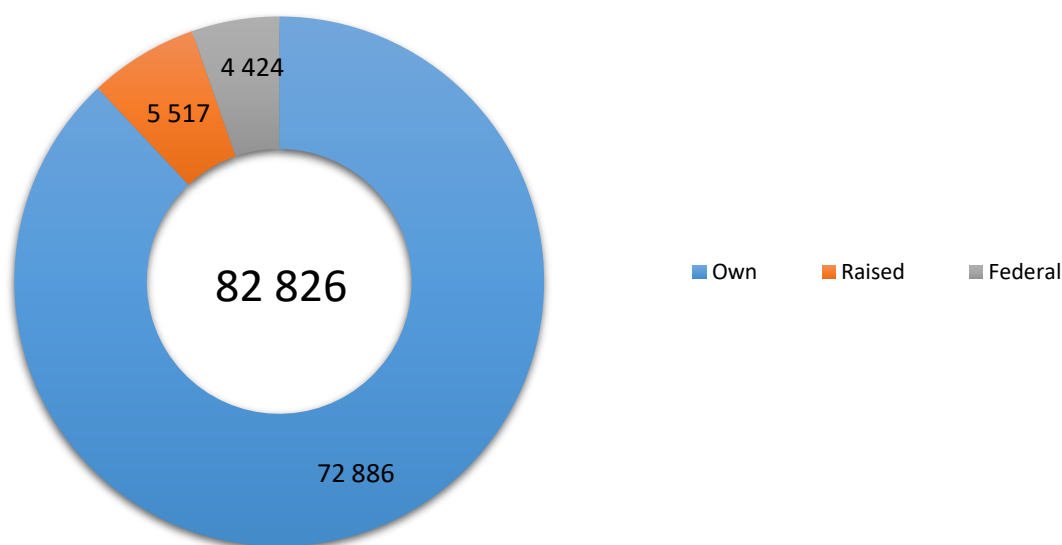
- Priority projects in the Russian Far East
- Off-site infrastructure for priority projects in the Russian Far East
- Vostochnaya CHPP
- Ust-Srednekanskaya HPP
- Zaramagskiye HPPs
- Nizhne-Bureyskaya HPP
- SHPPs in the North Caucasian Federal District
- Other

Under the management accounting standards adopted,

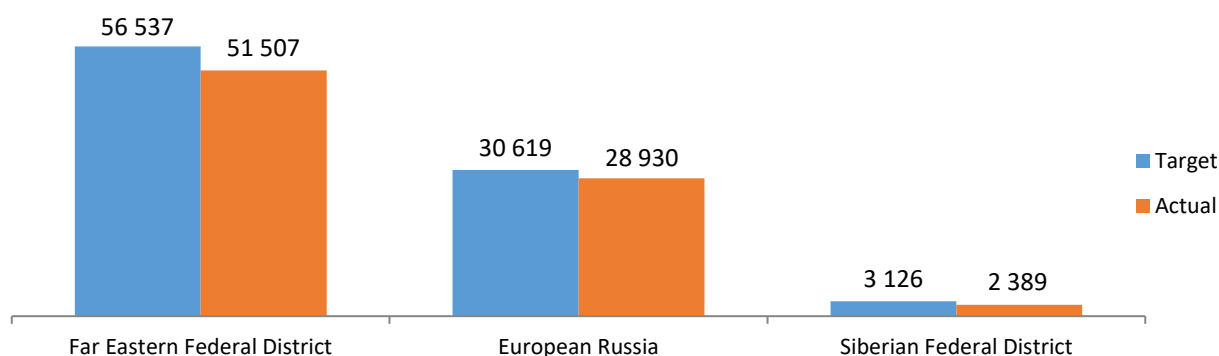
¹ investment program spending means the total amount spent by the members of RusHydro Group to implement investment projects, including disbursements to suppliers and contractors and project administrators' expenses; and

² CAPEX mean the capital investments recognized on the basis of amounts specified in delivery and acceptance certificates signed with suppliers and contractors and accounted for as the respective project administrators' expenses.

Spending by source of funds in 2018, RUB mn (incl. VAT)



Consolidated investment program spending by region in 2018 vs the Business Plan, RUB mn



Capacity commissioning in 2018

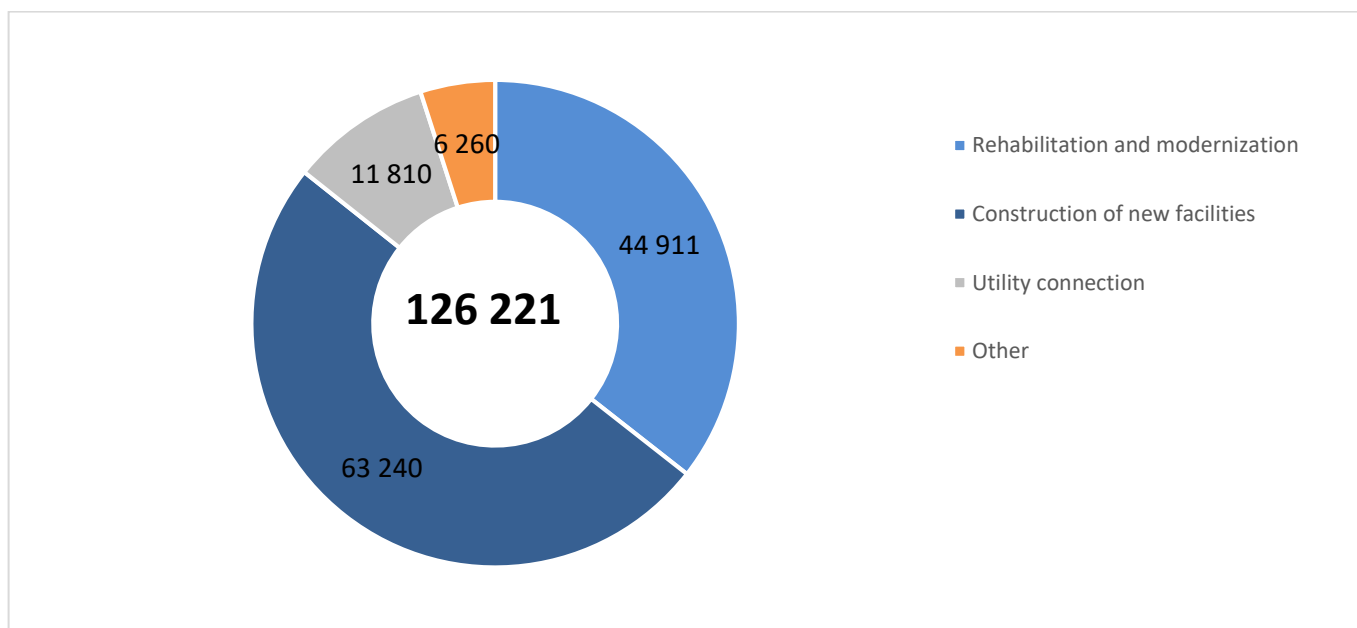
Type	Russian Far East		European part of Russia and Siberia	
	Target	Actual	Target	Actual
Power generation, MW	285.29	289.45	52.75	55.75
Heat, Gcal/h	442.33	442.47	—	—
Power lines, km	1,378.93	1,336.15	—	—
Transformer capacities, MVA	1,100.74	972.23	—	—

The RUB 7.46 bn difference between the actual spending under the consolidated investment program and the 2018 target was mainly attributable to:

- updates on the work schedules for rehabilitation and modernization, with the reasons including more time required for contractors to complete their assignments and reductions in project costs following approval of design documentation (RUB 4.04 bn); and
- updates on the work schedules for utility connection upon customer requests (RUB 2.45 bn).

Investment plans for 2019

Planned financing in 2019, RUB mn (incl. VAT)



Targets for capacity commissioning

Type	2019
Power generation, MW	982.35
Heat, Gcal/h	529.59
Transformer capacities, MVA	548
Power lines, km	1,647.7

Construction production facilities

Key investment projects and their impact on local economies across the Group's footprint⁴⁶ (203-2)

Project	Indirect economic impact
Zaramagskiye HPP Installed capacity 356 MW Average annual output 842 mn kWh Year of commissioning 2019	Social and economic effects Higher tax revenues at every government level. Supply stability effects Addressing the electricity shortage in the Republic of North Ossetia – Alania. Reducing exchange-related grid losses. Addressing supply disruptions that might be experienced by remote communities.
Nizhne-Bureyskaya HPP Installed capacity 320 MW Average annual output 1,670 mn kWh Year of commissioning 2019	Social and economic effects Reducing current heat generation expenses for the Unified Energy System of the East. Creating an opportunity for nearby settlements to use electric boiler facilities instead of expensive coal or fuel oil and lower heat tariffs for customers. Higher tax revenues at every government level. Supply stability effects Managing load irregularities of Bureyskaya HPP, contributing to power generation and supply within the Unified Energy System of the East, and ensuring flood control.
Ust-Srednekanskaya HPP Installed capacity	Social and economic effects Generates power for Matrosov Mine (the Natalka gold deposit) to support the

⁴⁶ In 2018, no economic migration came as a result of building RusHydro Group's new facilities. (EU22)

570 MW (142.5 MW third stage commissioned in 2018) Average annual output 2,555 mn kWh Year of commissioning 2022	mining industry in driving the region's economic growth. Higher tax revenues at every government level. Supply stability effects Making the isolated Magadan energy system more reliable.
Sakhalinskaya GRES-2 Installed capacity 120 MW Average annual output 840 mn kWh Year of commissioning 2019	Social and economic effects Sakhalinskaya GRES-2 should have a positive social and economic effect on Sakhalin's west coast by creating new jobs and driving housing and social infrastructure development. It should also provide a capacity margin for connecting new customers. Supply stability effects Making the isolated Sakhalin energy system more reliable. Replacing retiring capacities at the existing Sakhalinskaya GRES.
CHPP in Sovetskaya Gavan Installed capacity 126 MW, 200 Gcal/h Average annual output 630 mn kWh Year of commissioning 2019	Social and economic effects Satisfying the rising local demand for electricity as a result of the sea port expansion, the construction of the the Russian Far East's largest coal terminal and the town's development as a transport hub. Providing for centralized heat supply to Sovetskaya Gavan. Higher tax revenues at every government level. Supply stability effects Replacing retiring capacities and inefficient equipment at Mayskaya GRES. Making the Sovetskaya Gavan energy hub more reliable.
CHPP Vostochnaya in Vladivostok Installed capacity 139.5 MW, 432 Gcal/h Average annual output 792 mn kWh Year of commissioning 2018	Social and economic effects Reducing the load of Vladivostokskaya CHPP-2 will make it possible to supply heat to new customers, including those in the Patroclus and Zeleny Ugol districts. Creating a heat capacity margin should support the city's further development. The hot gases discharged by the plant's three modern gas turbine units are used to heat water in waste heat boilers. This improves the overall fuel efficiency and makes pollutant emissions three to four times lower than the maximum permissible rates. Supply stability effects Absorbing the heat load from the now connected adjacent area previously serviced by the central steam and water boiler facility. Addressing shortages with a more reliable energy system in the south of the Primorye Territory.
The second stage of gasification at Anadyr CHPP Year of commissioning 2020	Social and economic effects Allowing a slowdown in tariff increases and making power generation in Anadyr more sustainable. Supply stability effects Ensuring stable power and heat supply for the Anadyr energy hub and improving the power generation efficiency at Anadyr CHPP by using a cheaper fuel.
Connecting the 220 kV Orotukan-Palatka-Tsentralnaya power line Year of commissioning 2019	Supply stability effects The line will be connected to PJSC Magadanenergo's electrical grids under Contract No. 797/20-2016 of July 29, 2016.
Construction of two single-circuit 110 kV Pevek-Bilibino power lines Installed capacity 490.59 km 12.6 MVA Year of commissioning 2022	Social and economic effects Supporting the development of the mining and metals cluster within the Chaun and Bilibino energy hub. Supply stability effects Allowing the Chaun and Bilibino energy hub to carry out power exchange for the construction of a floating nuclear power plant and making the local energy system more reliable.

Comprehensive modernization, rehabilitation, and update programs

Comprehensive Modernization Program

As many large HPPs were commissioned in the 1950s and 1960s, the need arose in the early 2000s to upgrade or replace the existing equipment. Tough economic conditions prevented RusHydro from replacing obsolete and worn-out equipment and forced it to focus on maintenance and partial replacements instead.

Since mid-2000s, a number of RusHydro's HPPs began replacing equipment on a case-by-case basis, but the overall trend of ageing prevailed.

This was true until December 2011, when the Board of Directors approved the Comprehensive Modernization Program to upgrade the Company's power generation facilities by 2025. Its key priority is to ensure that no core generation equipment with expired safe operation life remains in place by then.

Key results of RusHydro's Comprehensive Modernization Program

Results, pcs			Additions to installed capacity, MW		
	2018	2019 E		2018	2019 E
Turbines	7	10	Zhigulevskaya HPP	10.5	10.5
Generators	8	10	Saratovskaya HPP	12.0	12.0
Transformers	6	3	Novosibirskaya HPP	5.0	5.0
High-voltage circuit breakers	76	12	Votkinskaya HPP	15.0	15.0
Hydraulic structures	25	22	Cascade of Verkhnevolzhskiy HPPs	10.0	0.0
Secondary switches	342	191	Nizhegorodskaya HPP	3.0	0.0
Secondary equipment	360	178	TOTAL	55.5	42.5

Health of RusHydro's core equipment in 2018, %

Turbines	78.41
Generators	76.15
Transformers	67.50

In 2018, Votkinskaya HPP's hydropower unit No. 7 was upgraded as part of RusHydro's Comprehensive Modernization Program, becoming the second fully modernized hydropower unit at the plant.

Over the five decades since its commissioning in 1962, this unit had worn down to a significant extent. It took about a year to replace its turbine, generator and secondary equipment and upgrade its automatic control system. The new hydropower unit was manufactured by Power Machines – a Russian company.

The second unit's runner, turbine chamber and automatic control and excitation system were replaced entirely. Designed to prevent lubes from being released to the environment, the new runner is expected to contribute more to ecological sustainability. The upgraded automatic control system will update the operators on the equipment status while also enhancing the operating efficiency and mitigating the risk of malfunctions.

In 2018, Volzhskaya HPP commissioned a new hydropower unit and replaced a turbine, generator and auxiliary equipment as part of the Comprehensive Modernization Program.

At Novosibirskaya HPP, the turbine replacement was followed by commissioning of the hydropower unit No. 7. The upgrade will boost Novosibirskaya HPP's installed capacity by 5 MW.

Cheboksarskaya HPP put into operation hydropower unit No. 14 following its upgrade, which included the recovery of the adjustable blade pitch and the replacement of the generator stator.

Rehabilitation and modernization program

The rehabilitation and modernization program draws upon the Comprehensive Modernization Program. While focused on ensuring adequate maintenance and commissioning new capacities, it differs from the Comprehensive Modernization Program in that it looks to replace equipment on a case-by-case basis, bringing more advanced alternatives to RusHydro's facilities. Its other priorities include extending lifespans of the core generation equipment, reducing production costs and enhancing the overall economic efficiency.

Driven by the need to ensure long-term reliability throughout its technological complex, JSC RAO ES East Subgroup runs its own rehabilitation and modernization program (as part of its investment program). The development and implementation of this initiative is regulated by RusHydro Group's Technical Policy.

The rehabilitation and modernization program saw Anadyr CHPP launch its first gas power boiler under a gasification agreement signed by RusHydro and the Government of the Chukotka Autonomous Area in May 2017 to carry out an extensive upgrade of the plant's equipment and build gas pipelines. It took less than a year to build the infrastructure for an on-site gas pipeline and gas distribution station, implement key utility systems and rehabilitate the boiler to feed on natural gas. All gas equipment has been pre-commissioned successfully. The plant feeds on the natural gas coming from the Zapadno-Ozernoye field, which is operated by Sibneft-Chukotka.

RusHydro's Dagestan branch commissioned Miatlinskaya HPP's hydropower unit No. 2. Now all HPP's turbines were replaced (hydropower unit No. 1 was upgraded in 2015).

Program for the development of energy based on renewables⁴⁷

Using renewables is a top priority for RusHydro Group, which keeps ramping up installed capacities by building new HPPs and commissioning new power generation facilities.

RusHydro was among the first in Russia to start developing projects relying on geothermal, solar and wind power generation. One of RusHydro Group's objectives for 2016–2020 with an outlook until 2025 is to improve energy efficiency by using alternative energy sources. Most of the projects are implemented in isolated energy hubs of the Far Eastern Federal District outside of the Unified Energy System.

Solar and wind power in isolated energy hubs

Since 2012, RusHydro Group has launched 19 solar power plants with a total capacity of 1.6 MW and four wind power plants with a total capacity of 3.6 MW.⁴⁸

Given the local specifics, none of the projects are standard by design, the 1 MW northernmost SPP in Batagay is not an exception. Our R&D specialists have designed wind diesel and solar diesel power stations and tested a range of equipment, including energy storage units, all to be used in isolated energy hubs of the Far Eastern Federal District.

Commissioned in November 2018, a unique 900 kW wind power plant in Tiksi, an isolated polar settlement in the Republic of Sakha (Yakutia), generates green power for over 4,500 residents. This facility ensures a more stable power supply in Tiksi and makes Yakutia's Bulunsky District less dependent on expensive diesel fuel deliveries – expected to shrink by 500 tonnes in annual terms. Its three unique turbines were designed to operate in an Arctic climate at temperatures as low as -50°C and withstand winds of up to 70 m/s. Manufactured by Japan's Komaihaltec, each turbine is 41.5 m high and has 33 m blades. In 2019, RusHydro will continue working to build a diesel power plant equipped with three 3 MW diesel generators and an energy storage system. Once the project is completed, all these systems will be integrated into a single power generation complex.

⁴⁷ Any renewable energy sources specified in Article 3 of Federal Law No. 35-FZ On Electric Power Industry dated March 26, 2003, excluding HPPs with an installed capacity of over 30 MW

⁴⁸ Including the WPP in Tiksi, which is under pre-commissioning.

Smaller HPPs

RusHydro is active in developing smaller HPPs, which are vital for remote, hard-to-reach and power-deficient areas as well as for local water supply to towns and settlements. These plants are sustainable and provide additional benefits, including the opportunity to store drinking water for future use. In Russia, smaller HPPs are defined as those with a capacity of 30 MW or less (as per GOST R51238-98). They are built on rivers as well as on lake spillways, irrigation channels, etc.

2018 saw the commissioning of a 1.26 MW SHPP on the Bolshoy Zelenchuk River.

Ongoing RES projects

Project	RES	Capacity, MW	Year of commissioning	Indirect economic impact
900 kW wind power plant in Tiksi, Bulunsky District	Wind	0.9	2019	Replacing the output of a local diesel power plant (operated by JSC Sakha Energy's Bulun Electric Power Grids) with renewable energy and reducing the consumption of expensive diesel fuel as a result. In addition, a 3,000 kW diesel power plant will be constructed, providing an energy storage unit for the wind diesel power station in Tiksi, Bulunsky District.
Krasnogorskaya SHPP	Water	24.9	2021	Addressing shortages within the energy system of Karachay-Cherkessia.
Pravokubanskaya SHPP		24.9	2022	
Verkhnebalkarskaya SHPP		10	2019	Enhancing the power supply to the Balkarian hub.
Ust-Dzhegutinskaya SHPP		5.6	2019	Alleviating electricity shortages in Karachay-Cherkessia and enhancing the power supply by using water flows from the Ust-Dzhegutinskiy Main Hydrotechnical Complex.
Barsuchkovskaya SHPP		5.25	2019	Creating new generating capacities in the North Caucasian Federal District.

RusHydro Group construction quality assurance (103-2)

Construction and installation quality assurance is performed to ensure the following:

- compliance with the Urban Development Code, design documentation, technical regulations, and results of engineering surveys; and
- reliable and trouble-free operation of energy facilities and lower unproductive costs after commissioning.
- Quality assurance
- means developing engineering requirements for deliverables and verifying their compliance with these requirements and internal and statutory regulations;
- is performed by all parties involved in construction, including the general contractor, developer/administrator and designer (during field supervision);
- includes incoming, operational and acceptance inspections, progress control, final checks and issuing quality assurance reports; and

- involves external supervision by the Federal Environmental, Industrial and Nuclear Energy Supervision Service and other government agencies in the field of industrial supervision.

Regulation and supervision

Our quality assurance procedures for construction and installation, materials, structures and assemblies are compliant with Russian laws, industry standards and regulations, internal engineering standards, and regulatory requirements for design documentation.

In addition to primary and secondary federal legislation⁴⁹, all construction works are subject to both industry and RusHydro's own internal quality assurance standards. Our key design quality management principles and the employees in charge are specified in the Regulations on Managing and Monitoring Investment Projects during the Development of Documentation for Construction of RusHydro Group's New Facilities as approved by RusHydro's Order No. 1021 of December 28, 2018.

The Supervisory Board of the Uniform System of Conformity Assessment for Health, Safety and Environment, and Safety in the Energy and Construction Industries is developing the Uniform System of Conformity Assessment in Construction (Modernization and Renovation of Immovable Property) and requirements in respect of the corresponding control activities. Compliance monitoring is performed by the Federal Environmental, Industrial and Nuclear Energy Supervision Service.

Before a power plant is commissioned, it receives an automated diagnostic control system that will read and process measurements to help analyze the status of facilities across the hydrotechnical complex. After completion of a hydraulic structure, its measuring equipment, along with all data collected, is handed over by the construction company to the project administrator.

Quality assurance systems for new energy facilities are developed individually under agreements with the respective general contractors.

1. For the first stage of Sakhalinskaya GRES-2,

- the general contractor (JSC HPC Mosenergo) has developed and implemented a quality management system that is now certified under ISO 9001:2008, ISO 14001:2004 (GOST R ISO 14001-2007); and
- the project administrator and developer (JSC Sakhalinskaya GRES-2) has adopted construction and installation quality assurance guidelines for building control.

2. For the CHPP in Sovetskaya Gavan,

- the project administrator and developer (JSC CHPP in Sovetskaya Gavan) has adopted construction and installation quality assurance guidelines for building control; and
- contractors (JSC Ust-SrednekanGESstroy, JSC Gidroremont-VKK, ARSENAL PLUS, and Corporation of JSC ESKM) have developed a quality assurance system to facilitate planning and management in the corresponding domain.

3. For Zagorskaya PSPP-2, Nizhne-Bureyskaya HPP, Ust-Srednekanskaya HPP and Zaramagskiye HPP, the respective project administrators have developed deliverable acceptance regulations and quality assurance systems.

4. For the SHPPs in the Stavropol Krai and Karachay-Cherkessia, the respective project administrators have adopted construction and installation quality assurance guidelines for building control.

5. Both JSC Chirkeigesstroy and JSC Ust-SrednekanGESstroy have developed and implemented quality management systems for all hydropower facilities they have been assigned to as the general contractor. The systems are now certified under ISO 9001:2008 and ISO 14001:2004 (GOST R ISO 14001-2007).

Sustainable development

As the largest Russian energy holding, RusHydro Group is fully aware of its responsibility to the government and society and is focused on the development of socially responsible business, while pursuing a consistent policy of introducing elements of sustainable development into its operational and management

⁴⁹ The Urban Development Code and the Russian Government's Resolution No. 468 of June 21, 2010 On the Procedure for Building Control during Construction, Modernization and Renovation of Immovable Property.

processes be relying on Russian and international best practices. Sustainable development is an important value and is outlined in the Company's strategic goals.

The Company adheres to the corporate social responsibility concept as defined by ISO 26000. According to the standard, a company is responsible for the impact of its decisions and operations on society and the environment and must act in a transparent and ethical way that:

- promotes sustainable development, including public health and well-being;
- takes into account the expectations of stakeholders;
- complies with applicable laws and international standards of conduct;
- is integrated into the operation of the entire company and is applied with regard to its stakeholders.

One of RusHydro Group's strategic goals is to ensure the reliable and safe operation of its facilities, taking into account the economic feasibility of funds allocated for mitigating possible risks and reducing potential damage.

The Company is committed to increasing the share of renewables in the country's energy mix by means of commissioning new facilities and increasing the generation of clean energy, while also improving energy efficiency.

RusHydro Group's another priority is its contribution to the development of the regions where it operates. RusHydro Group facilitates the growth of welfare, creating new jobs, paying taxes, and delivering positive multiplier effects by developing energy infrastructure (connection of new consumers to power grids, water supply, etc.). RusHydro Group supports education, culture, sports, and environmental protection and provides assistance to socially vulnerable population groups across its footprint.

A comprehensive approach to addressing RusHydro Group's sustainable development objectives ensures the most efficient transition to low-carbon development with minimal environmental impact, as well as compliance with all occupational health and safety standards for employees and residents across the Company's operations.

Sustainable development governance

Responsibility for providing control, methodology support and regulation of RusHydro Group's sustainable low-carbon development, as well as preserving cultural heritage sites and biological diversity in accordance with Order No. 420 of June 15, 2018⁵⁰ is assigned to member of the Management Board, First Deputy General Director – Chief Engineer.

Sustainable development activities are carried out by specialized units within the area of their functional responsibility:

- Social responsibility – personnel management unit;
- Cooperation with government authorities in the regions of the Company's operations and creation of a favorable social environment for the Company's efficient development – corporate communications unit, Far East Division;
- Economic responsibility – unit of economic planning and investments, unit of production activity, unit of capital construction, and unit of financial and corporate law management;
- Power generation, improvement of energy efficiency and environmental responsibility – unit of production activity; charity – corporate communications unit;
- Providing charitable aid – corporate communications unit.

Operation of RusHydro's different subdivisions and subsidiaries is coordinated at regular meetings of the working group on sustainable development to monitor the efficiency of implementation of key tasks in sustainable development for the period through to 2020, approved by RusHydro's Order No. 614 of September 11, 2017.

Key sustainable development issues are reviewed at the meetings of the Board of Directors and the Company's Management Board. The Committee on Reliability, Energy Efficiency and Innovation under RusHydro's Board of Directors plays an important role in RusHydro's sustainable development management and also preliminary reviews matters of long-term development of hydropower and energy based on other renewables (“RES”), as well as development of functional policies (technical, environmental, etc.),

⁵⁰ On Distribution of Tasks, Powers and Responsibilities Among RusHydro's Managers.

corporate standards in technical regulation, etc.

The Company has adopted a number of internal regulations outlining and governing the approach to sustainable development and corporate social responsibility (“CSR”). In 2018, a number of new internal regulations on environmental protection and social development were approved, including the new consolidated Environmental Policy of RusHydro Group (approved by Minutes of the Board of Directors No. 275 of August 9, 2018), as well as the Uniform Regulations on RusHydro Group's Procurements (approved by Minutes of the Board of Directors No. 277 of October 4, 2018).

Internal regulations

CSR area	Internal regulations
Sustainable production	RusHydro Group's Development Strategy until 2020 with an outlook until 2025; RusHydro's Long-term Development Program for 2018–2022; RusHydro's Regulations on the Working Group on Technical Standards; Regulations on Managing Investing Activities Performed in the Form of Capital Investments; RusHydro's Regulations on the Standardization System; RusHydro's Regulations on Internal Controls.
Procurement	The Uniform Regulations on RusHydro Group's Procurements and other internal regulations developed to provide further details, including the Methodology for Reviewing the Reliability (Business Reputation) and Financial Standing of the Bidders.
Corporate ethics and anti-corruption	RusHydro's Code of Corporate Ethics; RusHydro's Anti-Corruption Policy; RusHydro's Regulations on the Prevention and Management of Conflicts of Interest; Regulations on the Procedure to Report Presents Received by RusHydro's Employees during Official Events, Business Trips, etc.; RusHydro's Regulations on the Committees for Compliance with the Corporate Ethics Standards and Management of Conflicts of Interest; Rules of RusHydro's Line of Trust Operation; RusHydro's Comprehensive Program of Anti-Corruption Activities for 2016–2019.
Environmental impact	RusHydro Group's Environmental Policy; RusHydro's Program of Energy Saving and Increased Energy Efficiency through to 2020; RAO ES East Subgroup's Energy Saving and Energy Efficiency Improvement Policy.
Health and safety	RusHydro's Health and Safety Policy; Policies on occupational health and safety of RusHydro's subsidiaries.
Charity	The Company's Charity and Sponsorship Policy; Charity and Sponsorship Policy of the Company's Subsidiaries;
Innovative development	Innovative Development Program of RusHydro Group for 2016–2020 with an outlook until 2025; RAO ES East's Innovative Development Program for 2016–2020 with an outlook

	<p>until 2025;</p> <p>Regulations on Design and Implementation of RusHydro's Innovative Development Program;</p> <p>Regulations on R&D Management Process in RusHydro's Operations;</p> <p>Regulations on the Intellectual Property Management Process in RusHydro Group;</p> <p>Regulation on Planning and Monitoring the Progress of Activities as Part of the Innovative Development Programs of RusHydro Group and RAO ES East;</p> <p>Regulation on Preparation, Adjustment and Monitoring of Implementation of Procurement Plans for Innovative and/or High-Tech Products;</p> <p>Methodology for Assessment of Technical and Economic efficiency of Innovative Projects and the Temporary Procedure for Assessment of Technical and Economic Efficiency of Innovative Projects Implemented as R&D.</p>
Personnel management	<p>RusHydro's Social Policy;</p> <p>Regulations on RusHydro's Employee Training;</p> <p>Regulations on Personnel Certification at RusHydro's Branches;</p> <p>Regulations on the Database Formation of Candidates to Be Recruited at RusHydro's Branches;</p> <p>Regulations on RusHydro's Talent Pool;</p> <p>Concept of advanced human resource development <i>From School to Workplace</i>.</p>

Compliance of the Group's operations with the UN Sustainable Development Goals

In 2017, RusHydro joined the UN Global Compact, the largest business initiative in sustainable development⁵¹. The Company shares ten principles on human rights, labor, anti-corruption, and the environment, and strives to ensure that the needs of the current generation will not compromise the opportunities of those who will come next.





On June 27, 2018, the Annual General Meeting of Shareholders resolved on RusHydro's participation in the National Network of Global Compact Association. At the General Meeting of the members of the National Network of Global Compact Association held on September 26, 2018, Boris Bogush, Member of the Management Board, First Deputy General Director – Chief Engineer, was elected member of the Governing Board.




Sustainable development activities of RusHydro Group are focused on achieving a number of Sustainable Development Goals (SDGs), adopted by the UN in September 2015. The Company has identified 13 SDGs which are particularly important for its operations, while sharing other SDGs and contributing to their achievement.

RusHydro's main goals, objectives and corporate programs for achieving sustainable development goals

Goals and objectives	Programs, projects and initiatives
<p>ECONOMIC TARGETS</p> <div>       </div>	
Regulatory framework of water regimes	Implementing program of efficient collaboration with the

⁵¹ The decision on the Company's joining the UN Global Compact was made by RusHydro's Board of Directors (Minutes No. 259 of October 30, 2017).

<p>and protection of territories and population from floods.</p> <p>Affordable energy. Increasing the share of renewables in the energy mix.</p> <p>Maximization of value for the state, shareholders, the Company and its employees.</p> <p>Innovative development.</p> <p>Energy conservation and efficiency.</p>	<p>System Operator and the Federal Water Resources Agency in terms of planning and managing the HPP water and energy regime.</p> <p>Ensuring the functioning of the tariff adjustment mechanism in five out of nine regions of the Far Eastern Federal District to the average Russian level of RUB 4.38 per kWh. Acting as the scheme's operator, RusHydro collects the surcharge to the capacity price (KOM price) and transfers these funds in full to energy companies of the Far Eastern Federal District to offset lost revenue caused by sales of power at subsidized tariffs.</p> <p>Launching new energy facilities (including HPPs and renewables).</p> <p>Implementing RusHydro Value Growth Plan through to 2021 aimed at increasing the Company's fundamental and market value.</p> <p>Implementing Innovative Development Program of RusHydro Group for 2016–2020 an outlook until 2025.</p> <p>Implementing the Concept for Reforming RusHydro's Scientific and Design Capacities.</p> <p>Implementing the Program of Energy Saving and Increased Energy Efficiency of RusHydro and RAO ES East through to 2020.</p> <p>Achieving and improving ratings from the leading ratings agencies as recognition of socially responsible investments.</p> <p>Implementing charity programs of the Company and its subsidiaries.</p>
<p style="text-align: center;">SOCIAL TARGETS</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> <div style="text-align: center;">  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> <div style="text-align: center;">  <p>17 PARTNERSHIPS FOR THE GOALS</p> </div> </div>	
<p>Reducing the risks of injuries and occupational diseases.</p> <p>Ensuring availability of qualified personnel.</p> <p>Fighting corruption and promoting efficient procurement.</p> <p>Joining international initiatives and non-financial disclosures.</p>	<p>Carrying out initiatives to improve industrial safety and reduce injuries of RusHydro Group's employees, contractors and third parties.</p> <p>Insuring employees against industrial accidents.</p> <p>Implementing programs for advanced personnel development (system of corporate elevators: supporting future specialists from school to RusHydro's facilities).</p> <p>Signing partnership and cooperation agreements with specialized universities.</p> <p>Implementing the Anti-Corruption Policy and Conflict of Interest Management Policy. Initiatives to ensure compliance with the Code of Corporate Ethics.</p> <p>Complying with and improving regulations on procurement of RusHydro Group and its subsidiaries.</p>

	<p>Joining the UN Global Compact.</p> <p>Annual sustainable development and CSR disclosures in accordance with GRI</p> <p>(as part of the integrated report since 2018).</p>
<p>ENVIRONMENTAL TARGETS</p> <div>    </div>	
<p>Contributing to low-carbon development.</p> <p>Preserving biodiversity. Conserving and restoring fish reserves in water bodies.</p> <p>Promoting efficient water use.</p>	<p>Implementing the Environmental Policy in terms of ensuring low-carbon development.</p> <p>Developing target indicators to reduce greenhouse emissions, and mechanisms for their achievement.</p> <p>Developing and implementing a biodiversity conservation program.</p> <p>Carrying out initiatives aimed at restoring fish reserves.</p> <p>Installing fish protection equipment.</p> <p>Implementing RusHydro Group's programs in terms of rational use of water resources.</p> <p>Carrying out the oBEREGAi annual program for cleaning up rivers and reservoirs.</p> <p>Creating nature trails in protected natural areas.</p>

Stakeholder relations

Stakeholder relations principles and approaches

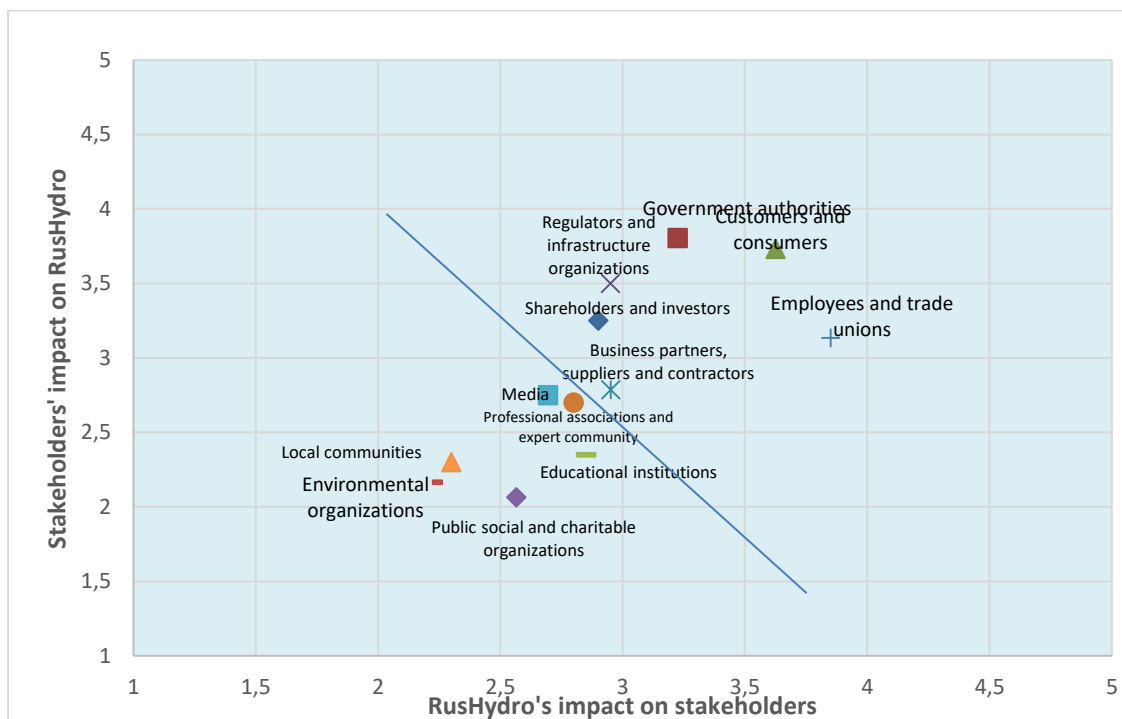
In the course of its operations, RusHydro strives to balance the interests of all its stakeholders, ensuring the most complete and timely disclosure of relevant information.

To this end, in preparation of the integrated annual report for 2018, RusHydro Group's stakeholders ranking map was updated following a survey among internal and external stakeholders. Those who scored over 2.8 points as part of the assessment of stakeholder group impact on RusHydro Group (and vice versa) were recognized as the key stakeholders. (102-42)

In building a framework for successful relations with stakeholders, RusHydro Group follows four fundamental principles of the AA1000 (102-43)⁵² Series of Standards:

- **Inclusivity** – relates to identifying stakeholders and their needs and arranging interaction with them on material sustainability topics.
- **Materiality** – relates to identifying and prioritizing the most relevant sustainability topics, taking into account the effect each topic has on the stakeholders.
- **Responsiveness** – relates to providing timely reaction from the Company to events related to material sustainable topics, expressed in specific actions or communication with the stakeholders.
- **Impact** – relates to assessing the Company's positive and/or negative effect on sustainable development aspects and stakeholders' interests.

Stakeholder map (102-40)



⁵² AA1000AP (2018) Standard.

RusHydro Group's stakeholder relations in 2018 (102-43, 102-44)

No.	Stakeholder	Stakeholders' interests	Key mechanisms	Responses to requests and relations stakeholders in 2018
1	Shareholders and investors	Economic efficiency Business resilience Business process transparency	Preparing and holding Annual General Meetings of Shareholders Preparing IR presentations and arranging IR activities Public reporting Maintaining business contacts with analysts of investment banks and other financial institutions Preparing press releases and information materials about the Company Arranging meetings between investors and the Company's management Preparing and conducting roadshows Disclosing information on the Company and its subsidiaries' websites in accordance with the disclosure rules as per resolutions of the Government of the Russian Federation The Investors section is available on the Company's website at http://www.eng.rushydro.ru/investors/	The meetings focused on discussing RusHydro Group's strategic priorities and plans, including those related to the dividend policy, implementation of the Value Growth Plan, management efforts aimed at improving operational efficiency, and plans for asset modernization. Feedback from the investment community, including weekly analytical coverage of RusHydro and the industry's other companies, was communicated to the Company's management. For more information see the Shareholder and Investor Relations section.
2	Customers and consumers	Reliable power supply Improved quality of products and services High standards of service	Online consultations on the websites of sales companies Line of Trust Mobile service centers Online reception desk Contact center Personal accounts for consumers of guaranteed suppliers Developing front offices More information for potential energy-intensive consumers is available on the Company's website at: http://www.rushydro.ru/activity/elektrosnabzhenie-krupnykh-potrebiteley/ Single information and settlement centers	Carrying out activities to change the tariff system in the Far East in order to switch to long-term tariff regulation methods. Implementing agreements related to regional energy development, ensuring sustainable power and heat supply to consumers, as well as social and economic activities. For more information see the Markets Served section.
3	Business partners, suppliers and contractors	Fair competition and responsible market behavior	Forums, exhibitions, conferences, dialogues	In 2018, RusHydro became a partner of the Eastern Economic Forum and took part in the Russian Energy Week international forum and the

		Transparent operations, including procurement	Open and competitive procurement procedures Joint projects	<p>St. Petersburg International Economic Forum.</p> <p>RusHydro, the Government of the Sakha Republic (Yakutia) and Japan's New Energy and Industrial Technology Development Organization signed memorandum on the construction of a wind diesel power station in the Tiksi settlement.</p> <p>RusHydro, the Government of the Magadan Region and Polyus Magadan signed cooperation agreements.</p>
4	Environmental organizations	Environmental protection	Environmental impact assessments Environmental projects in the regions of operations	<p>Development and approval of low-carbon development goals as part of RusHydro Group's Environmental Policy.</p> <p>Improvement of the volunteer movement and initiatives aimed at environmental protection.</p> <p>Environmental awareness raising.</p> <p>Implementation of biodiversity protection programs.</p> <p>For more information, see the Environmental Protection section.</p>
5	Employees and trade unions	Professional and career development Safe working conditions Solid remuneration	Personnel training Social support of employees Communication through internal channels Interaction with trade unions	<p>In 2018, RusHydro Group trained more than 36,000 employees while also holding regular professional skills competitions and providing career guidance.</p> <p>RusHydro Group provides voluntary health insurance and non-government pension insurance plans. Employees receive support as part of existing collective bargaining agreements and internal documents.</p> <p>In 2018, Chairman of the Management Board – General Director of RusHydro Nikolay Shulginov and managers of RusHydro met with representatives of territorial and regional organizations of the All-Russian Electrounion in the Far Eastern Federal District.</p> <p>Following the meeting, minutes No. 56pr/2 of December 11, 2018 was signed in order to further improve social partnership at all levels, enhance social dialogue between authorized representatives of employers and employees of RAO ES East, and maintain the existing level of social guarantees.</p> <p>RusHydro has a corporate newsletter and runs an intranet portal.</p> <p>For more information, see the HR and Social Policy section.</p>
6	Professional industry associations and expert community	Energy science development Development of innovative technologies Partnership prospects Transparent operations	Forums, conferences, exhibitions Joint programs Public reporting Implementation/association programs	<p>RusHydro's participation in committees and working groups of a number of non-profit partnerships and international organizations, including:</p> <p>Global Sustainable Energy Partnership;</p> <p>International Hydropower Association;</p>

				International Commission on Large Dams; World Energy Council.
7	Federal and local executive authorities	<p>Development and modernization of power and heat generation facilities</p> <p>Local development</p> <p>Development of renewables and other power generation facilities</p> <p>Improvement of the Company's regulatory and legal support</p> <p>Reliable and smooth power supply</p>	<p>Agreements on social and economic cooperation with regions of the Russian Federation</p> <p>Public hearings on plant construction projects</p> <p>Engagement in joint committees, commissions, and expert groups on energy sector development</p> <p>In 2018, a working group was set up to address matters related to the development of hydro power generating facilities of the Republic of Dagestan and social and economic matters in the regions of the Company's operations.</p>	<p>As part of cooperation with federal authorities, the management of RusHydro took part in commissions and working groups under the President and the Government of the Russian Federation on development of the energy sector and social economic development of Russian regions, including development of proposals and updates for the Schemes and Programs to Develop Regional Energy Systems, heating layouts for Russian cities and towns, the general layout of power generation facilities in Russia, and the territorial planning layout for the Russian power industry.</p> <p>RusHydro works with committees of the Federal Assembly of the Russian Federation on matters related to the Company's operations. RusHydro is actively involved in the preparation and holding of the round table session <i>Development of Hydropower in Russia: Prospects and Challenges</i>, arranged by the State Duma Committee on Energy.</p> <p>In promoting development of Russian regions, RusHydro and government authorities are governed by agreement on social and economic cooperation with regional and a number of municipal governments. As at December 31, 2018, agreements and memoranda were signed with government authorities of the following regions: Republic of Dagestan, Republic of Sakha (Yakutia), Republic of Tatarstan, Republic of Khakassia, Kamchatka Territory, Chukotka Autonomous Area, Volgograd Region, Magadan Region, Moscow Region, and Sverdlovsk Region.</p> <p>Preparation of proposals for facilities to be included in RusHydro's Long-term Program for Replacement of Retiring Capacities, primarily of the government program of the thermal power plants modernization with a return on invested capital of at least 14% (the cost of projects is determined based on design and cost estimate documents), with all consumers of the wholesale market paying for the cost of new projects.</p> <p>Calculation of a possible option to complete the construction of Cheboksarskaya HPP at the full reservoir level of 63.0 m as per instruction by RusHydro for the Analytical Center for the Government of the Russian Federation was carried out. The calculation served as the basis for the decision of the Government of the Russian Federation (No. DK-P9-179pr of October 1, 2018) on maintaining the full reservoir level of Cheboksarskaya HPP at 63.0 m.</p>
8	Regulators and infrastructure	Compliance with Russian and	Reporting	Disclosure of information in accordance with the requirements of the

	organizations	international laws	Development of proposals to improve legislation	Bank of Russia and other regulators.
9	Educational institutions	<p>Targeted training programs</p> <p>Energy science development</p> <p>Development of innovative technologies, including those which reduce the environmental impact</p>	<p>Cooperation in R&D</p> <p>Training, retraining, and skills improvement for employees</p> <p>Orders for R&D projects</p>	<p>Launching the Institute of Hydropower and Renewable Energy Sources, part of Moscow Power Engineering Institute, in 2018 supported by RusHydro; implementation of the advanced personnel development program <i>From School to Workplace</i>; and participation in the organization of various events, including Energy for Education Industry contest, ProeKTOriYa, a national career guidance forum, and project sessions in the Russian Children's Education Centers (Sirius, Ocean, Smena, Orlyonok).</p> <p>Energy for Development contest for university undergraduates.</p> <p>For more information, see the HR and Social Policy section.</p>
10	Local communities and regions of presence	<p>Local development</p> <p>Reliable and smooth power supply</p> <p>Creation of new jobs at the Group's facilities</p>	<p>Conducting public hearings on energy construction projects</p> <p>Providing good working conditions and solid remuneration</p>	<p>RusHydro builds and commissions energy facilities that help create new jobs. In 2018, 1,253 new jobs were provided, mainly in the Far Eastern Federal District.</p> <p>RusHydro helps develop social infrastructure in the regions where it operates. As one example, construction of the new department of the Srednekansk Central Hospital supported by RusHydro Group makes free medical care more available to people and creates additional jobs for healthcare professionals.</p> <p>Implementation of over 300 charitable projects to provide financial support to educational, medical, social, environmental, cultural, and sports institutions and organizations across the Company's footprint. Involvement of RusHydro Group's employees as corporate volunteers in socially important projects and events in the Company's regions of operations.</p> <p>For more information, see the HR and Social Policy section.</p>
11	Media	<p>Receiving full reliable information on the Company's operations</p> <p>Quick informed responses to media inquiries</p> <p>Timely handling of media inquiries</p>	<p>Preparing and providing the media with press releases, statements, and comments of the Company</p> <p>Publishing information on the corporate website and social media</p> <p>Preparation of background materials, presentations, and other information</p> <p>Organizing and holding briefings, press conferences, interviews, media scrums, press tours and other media events</p> <p>Timely provision of information in response to media inquiries</p>	<p>Coverage of RusHydro Group's key projects and focus areas across its footprint. Media coverage, including arranging and holding of press tours, of the launches of Vostochnaya CHPP in Vladivostok, the third hydropower unit of Ust-Srednekanskaya HPP in the Magadan Region, and a wind power plant in the Arctic settlement of Tiksi, as well as projects for comprehensive modernization of RusHydro's HPPs, construction of power facilities, and HPP operations during high water seasons and floods.</p> <p>Information support for events in the financial sector: the first offshore renminbi-denominated offering among Russian corporates and Eurobonds offerings in rubles.</p> <p>Information support during the engineering and blasting works for clearing a landslide at the Bureyskoye water reservoir.</p> <p>Information coverage for RusHydro's social initiatives, such as a</p>

				project to recover the population of leopards in North Ossetia, as well as projects aimed at developing internal corporate culture and professional training: RusHydro's spartakiads and contests among HPP and CHPP operating personnel.
12	Public social and charitable organizations	Support for social activities and securing financial assistance Environmental protection Support for charitable initiatives and volunteers	Social and charitable programs Public reporting Social events and initiatives Regular meetings with charitable foundations and non-governmental organizations	<p>In 2018, RusHydro provided support across all the focus areas outlined by the Company's Charity and Sponsorship Policy. In 2018, RusHydro provided financial support to 18 kindergartens, 28 secondary schools, 10 music schools and community centers, 13 centers of additional education and leisure for children and youth, and 5 universities. As part of the Ecological Paths project, an additional tourist route was laid out in the Prielbrusye National Park, RusHydro continued working on a joint project with Severtsov Institute of Ecology and Evolution (Russian Academy of Sciences) to recover the population of Persian leopards in North Ossetia, having released two specimens of this rare species in the Alaniya National Park (Republic of North Ossetia) in summer 2018. As part of the Energy Born charity event, RusHydro provided medical equipment for 14 healthcare facilities. A total of 26 sports schools and clubs in the Company's regions of presence received charitable assistance. Financial support was also provided to the Russian Whitewater Slalom Federation, the Russian Union of Martial Arts, the Russian Judo Federation, the Karachayevo-Cherkessian Regional Sports Federation of Kyokushin, and the Yenisei-STM Rugby Club. Last year, the Company provided financial assistance for the Russian Geographical Society to put in place a grant fund designed to encourage research on natural disasters and rare animal species, while also supporting the organization's publishing activities and environmental and geographical expeditions. Financing was also allocated to ensure the preservation of cultural and historical heritage by upgrading a wide range of cultural institutions, including museums, community centers, and libraries. In 2018, 18 orphanages and asylums and nine rehabilitation centers for children and teenagers became eligible for financial support. Funds were allocated to support 35 charitable foundations and non-profit organizations at the regional and national levels. In 2018, charitable foundations benefiting from the Company's financial assistance included the Vera Hospice Charity Fund, Center for Humanitarian Programs, Russian Children's Foundation, Live Now Charity Foundation, and Illustrated Books for Little Blind Children, a regional charitable foundation.</p> <p>For more information, see the HR and Social Policy section.</p>

Our performance

Economics and finance

Key financial results⁵³

Income indicators

	2017	2018	2018-2017
EBITDA, RUB mn	104,180	109,673	5,493
EBITDA margin ⁵⁴ , %	27.3	27.0	-0.3 p.p.
Net income, RUB mn	24,774	31,837	7,063
Net margin ⁵⁵ , %	6.5	7.8	1.3 p.p.
Earnings per share (EPS), RUB	0.0656	0.0739	0.0083
Return on assets (ROA), %	2.8	3.4	0.6 p.p.
Return on equity (ROE) ⁵⁶ , %	4.5	5.5	1.0 p.p.
Adjusted net income, RUB mn	65,738	70,757	7.6 p.p.

In the reporting period, EBITDA increased by 5.3% year-on-year to RUB 109,673 mn.

RusHydro Group's net income in 2018 grew by 28.5% to RUB 31,837 mn. Adjusted net income in the reporting period totaled RUB 70,757 mn, up 7.6% compared to 2017.

The difference between the reported and adjusted figures mainly reflects key non-cash metrics, including:

- recognition of RUB 3,845 mn gain on financial assets at fair value through profit or loss (PJSC Inter RAO shares);
- recognition of RUB 24,221 mn loss from impairment of fixed assets and construction in progress, mostly connected with Ust-Srednekanskaya HPP and Vostochnaya CHPP commissioned in 2018;
- recognition of RUB 13,993 mn loss on fair value of the non-deliverable forward transaction for shares due to lower RusHydro's share price in the reporting period;
- recognition of RUB 5,379 mn loss from impairment of receivables due to expected credit losses.

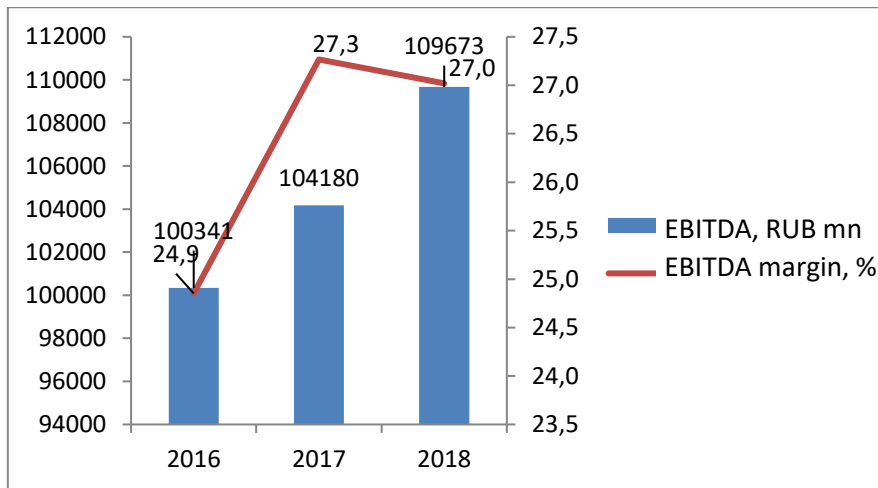
EBITDA (RUB mn) and EBITDA margin (%)

⁵³ This section provides data in line with 2018 RusHydro Group's IFRS consolidated statements incorporating the changed in Group's accounting policy.

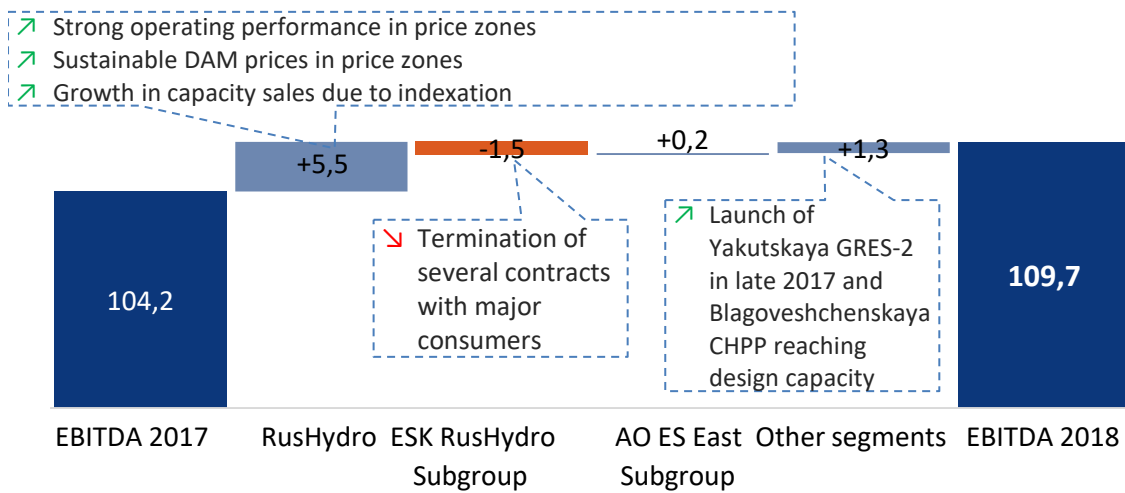
⁵⁴ This indicator factors in other operating income generated by RusHydro Group in 2017 (RUB 0.7 bn) and in 2018 (RUB 5.5 bn) and is calculated as profits from sales and from changes in the value of financial assets at fair value through profit or loss, dividends received, and income from court rulings awarded.

⁵⁵ This indicator factors in other operating income generated by RusHydro Group in 2017 (RUB 0.7 bn) and in 2018 (RUB 5.5 bn) and is calculated as profits from sales and from changes in the value of financial assets at fair value through profit or loss, dividends received, and income from court rulings awarded.

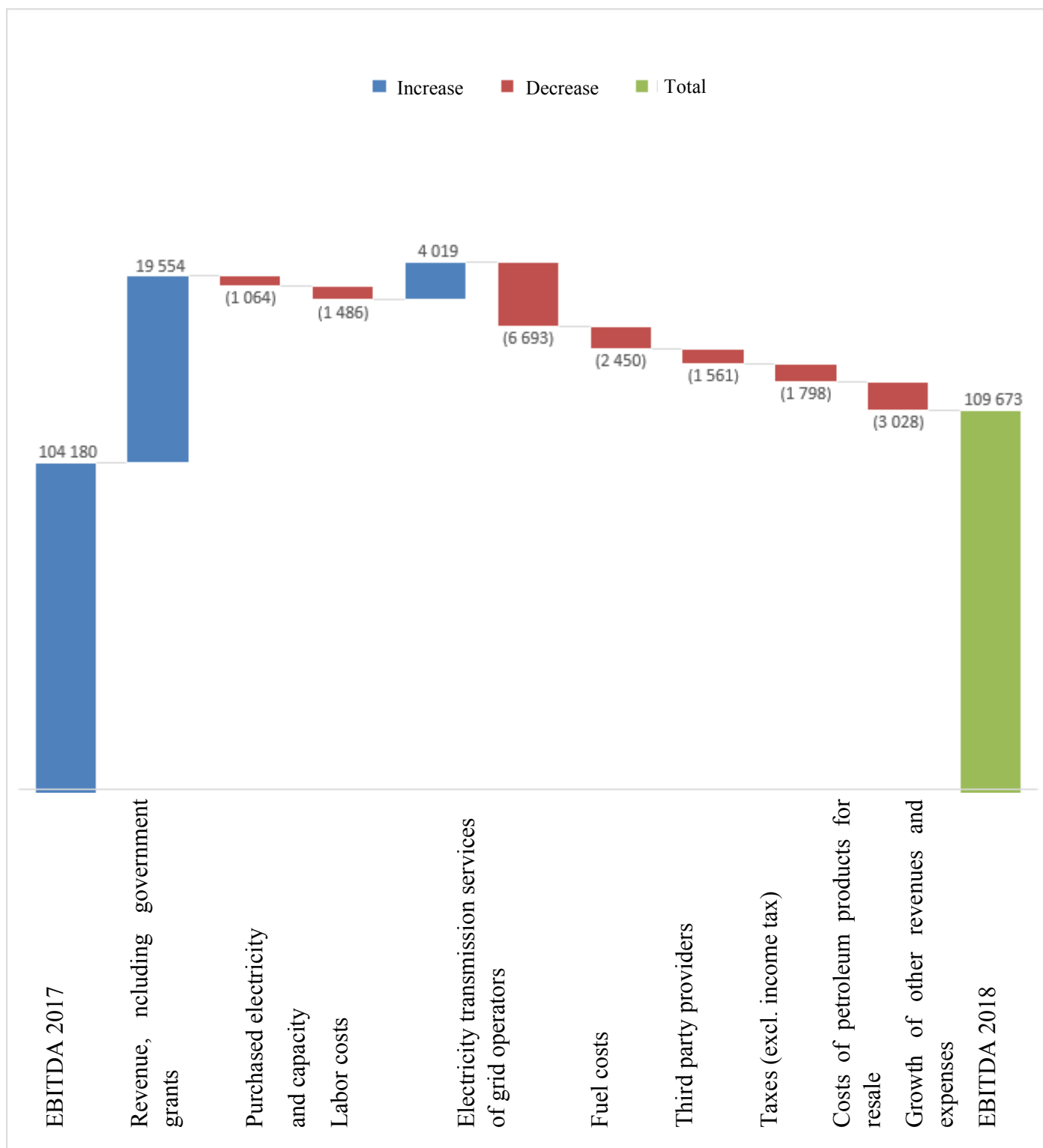
⁵⁶ ROE is calculated as net income to the year's average equity.



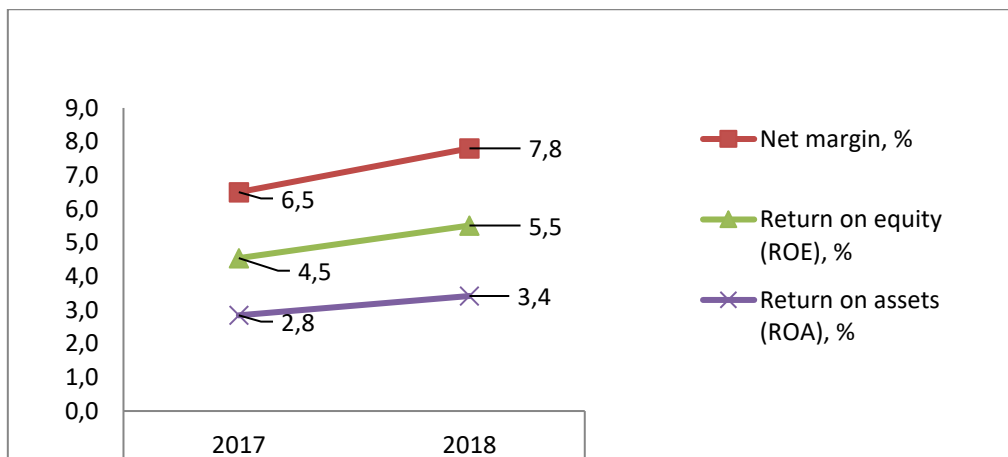
Factor analysis of EBITDA by segment, RUB bn



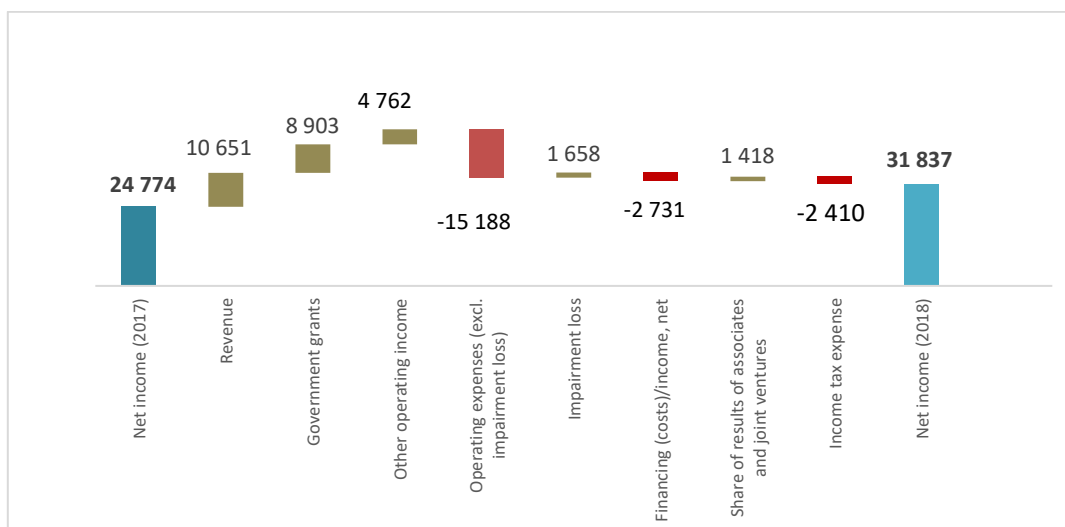
Factor analysis of EBITDA (expenses), RUB mn



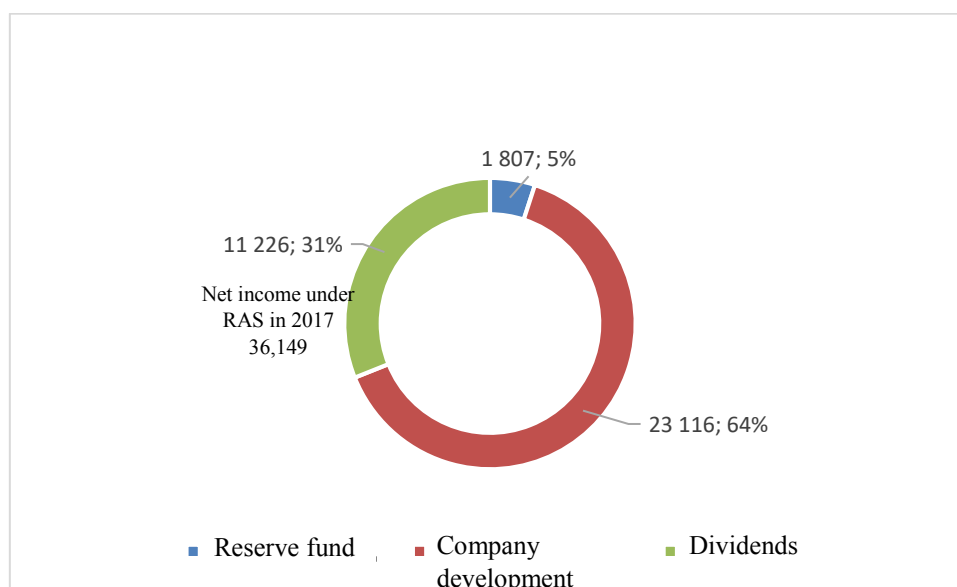
Margin performance, %



Factor analysis of net income, RUB mn



Profit distribution, RUB mn (% of net income)⁵⁷

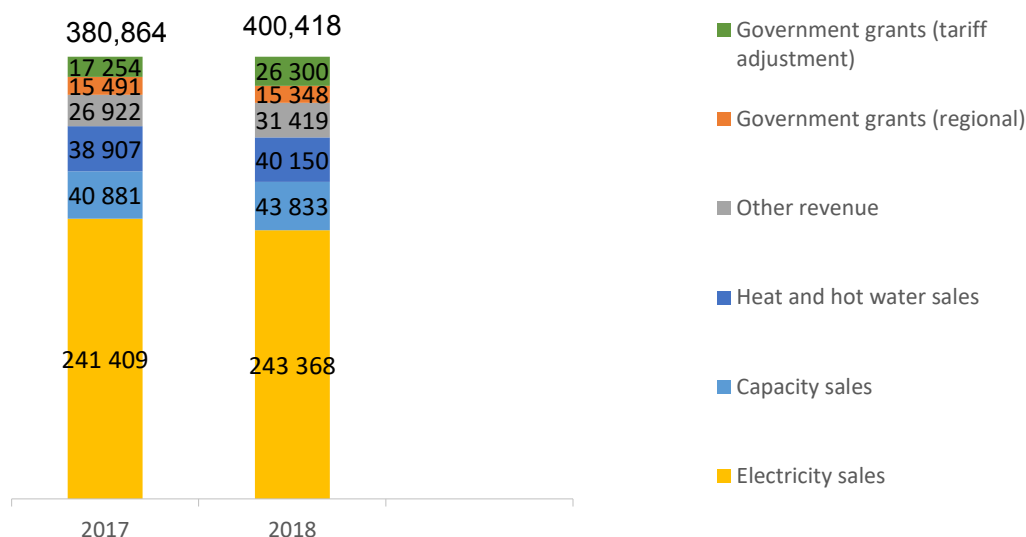


⁵⁷ Net income is as per RAS.

Detailed information on the distribution of profit allocated, inter alia, to the Company's development is disclosed on its website at: <http://www.rushydro.ru/upload/iblock/3ac/5.3.-Obosnovanie-raspredeleniya-pribili.pdf>

Revenue

Total revenue performance and breakdown, RUB mn



The Group's total revenue in 2018 increased by 5.1% year-on-year to RUB 400,418 mn against RUB 380,864 mn in the previous reporting period. Key drivers of the change in revenue include:

- increase of RUB 13,220 mn in total revenue from electricity sales (including government grants) by RAO ES East Subgroup mostly due to higher prices and volumes;
- growth in RusHydro's revenue of RUB 4,807 mn from electricity sales driven by higher output resulting from the increased water inflow in reservoirs of the Volga-Kama cascade in H1 2018 and in Siberian HPPs in H2 2018;
- growth in revenue from the sale of capacity by RUB 2,952 mn on the back of higher sales volume at PJSC DEK;
- increase of RUB 1,448 mn in ESK RusHydro Subgroup revenue from the sale of electricity driven by higher net supply and average tariffs;
- increase in revenue of RUB 1,243 mn from heat and hot water sales resulting from increased heat prices and net supply;
- growth of other revenue of RUB 4,497 mn, mainly from RAO ES East Subgroup driven by higher electricity transmission and volumes of contractual petrochemical sales to third parties.

From January 1, 2018, the Group's revenue from offset of electricity transmission losses and Group's expenses for electricity transmission services of grid operators under relevant contract has been reported in an aggregated form. Offset of grid losses received by the Group from grid operators shall not be deemed as separate obligations under IFRS 15, the loss offset contract shall not be an agreement with the consumer in the IFRS 15 context, therefore, these offsets cannot be recognized as revenue. The grid loss offset received by the Group's companies for the year ended December 31, 2018 amounted to RUB 8,459 mn, including RAO ES East Subgroup – RUB 3,375 mn. **(102-48)**

Government grants (201-4)

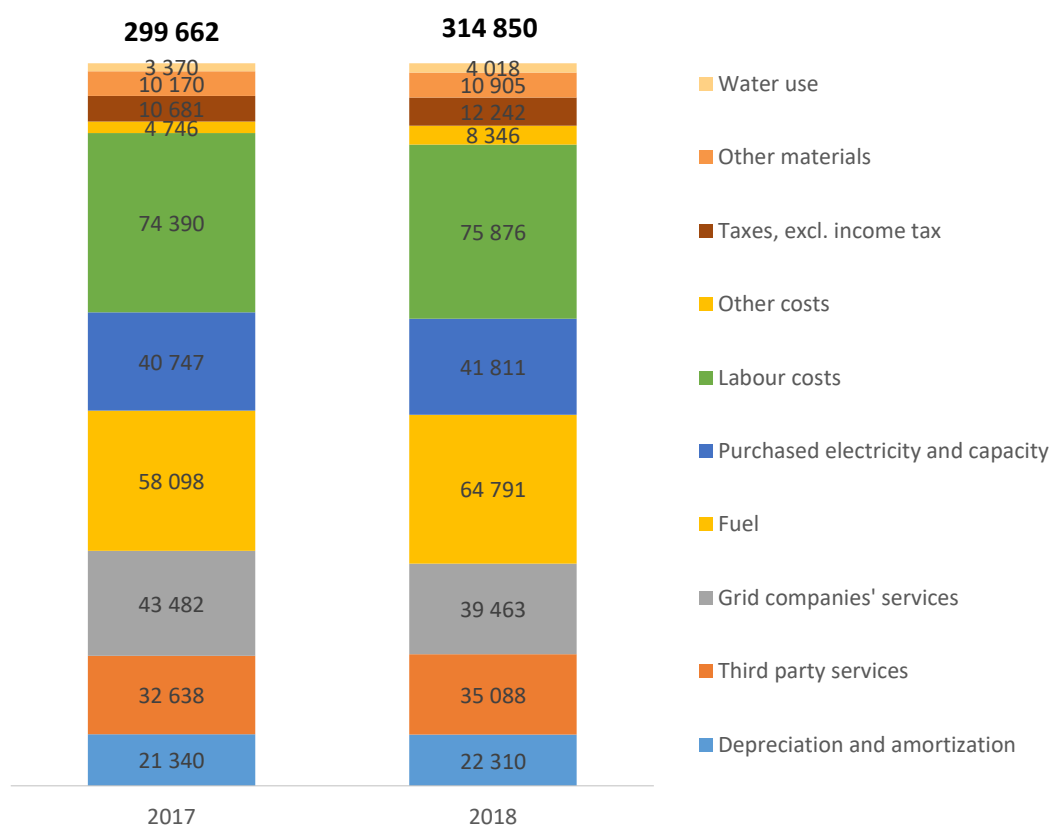
In accordance with the Russian legislation, some companies of the Group received government grants to fund the costs for difference between the approved electricity and heat tariffs assumed in the economic feasibility study and the actual reduced tariffs applied to consumers, as well as the costs for fuel and purchased electricity and capacity.

In 2018, the Group received RUB 41,648 mn in government grants (2017: RUB 32,745 mn). The grants were provided to companies in the following regions: the Kamchatka Territory, the Republic of Sakha (Yakutia), Magadan Region, Chukotka Autonomous Area and other regions of the Russian Far East.

The total grants received by the Group's guaranteed suppliers under Russian Government Decree No. 895 *On the establishment of base rates (tariffs) for electricity (capacity) in the Far Eastern Federal District* grew to RUB 26,300 mn in 2018, a 52.4% increase from the previous year due to tariff adjustment started in H2 2017.

Operating costs

Operating costs by year and type (excluding impairment losses), RUB mn

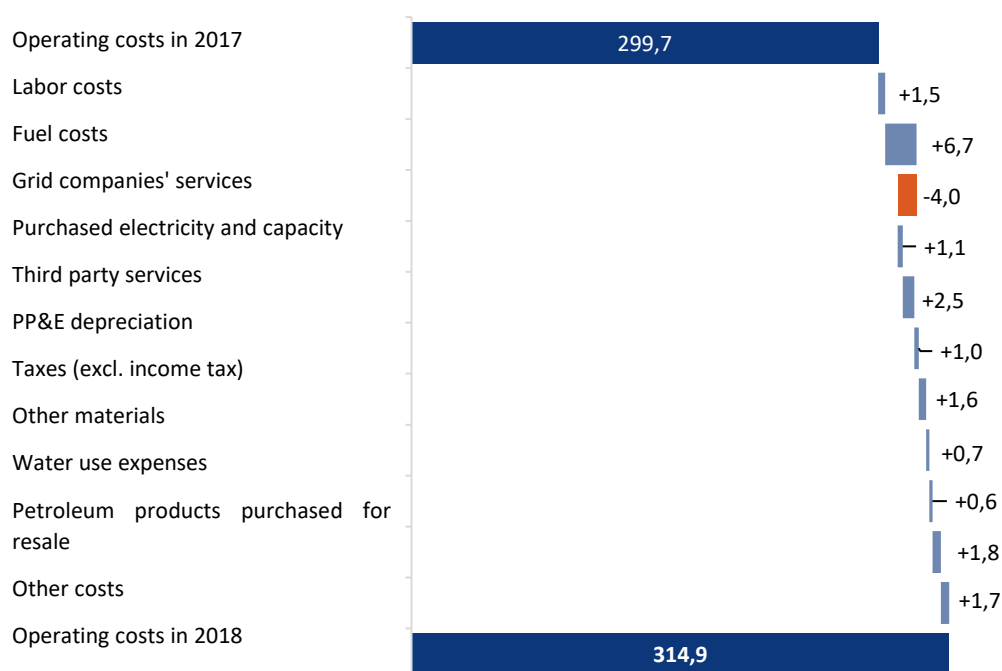


Total operating costs incurred from day-to-day operations increased by 5.1% to RUB 314,850 mn with revenue up 5.1% in 2018 year-on-year. This is mainly driven by:

- a rise in fuel costs due to increased electricity and heat generation by JSC DGK's stations, a higher price of coal and higher purchase prices of petroleum products at PJSC Kamchatskenergo in H2 2018;
- an increase in labor costs due to indexation of rates and salaries according to the effective collective bargaining agreements;
- a rise in costs for third party services as a result of growing repair and maintenance expenses, primarily at PJSC Yakutskenergo and PJSC Sakhalinenergo, and costs for other third-party services at JSC LUR due to increased use of third party services in coal production;

- an increase in costs depreciation and amortization caused by an uplift in PP&E costs as a result of the launch of new facilities (namely Yakutskaya GRES-2 with off-site infrastructure commissioned in 2017 and through 2018) and refurbishment and upgrade of PP&E at RusHydro's branches;
- higher costs for taxes (excluding income tax) due to an increase in property tax rate for grid assets and higher costs for property tax due to the launch of Yakutskaya GRES-2 and the off-site infrastructure;
- a rise in costs for purchased electricity and capacity due to growing expenses at JSC RAO ES East Subgroup in the wake of transition to a new settlement system at PJSC Kamchatskenergo;
- a rise in costs for petroleum products purchased for resale due to an increase in volumes to be supplied to external buyers under petroleum product sales contracts;
- an increase in other expenses as a result of changes in loss from write-off or other disposal of PP&E and assets under construction.

Operating costs, RUB bn



Direct economic value generated and distributed

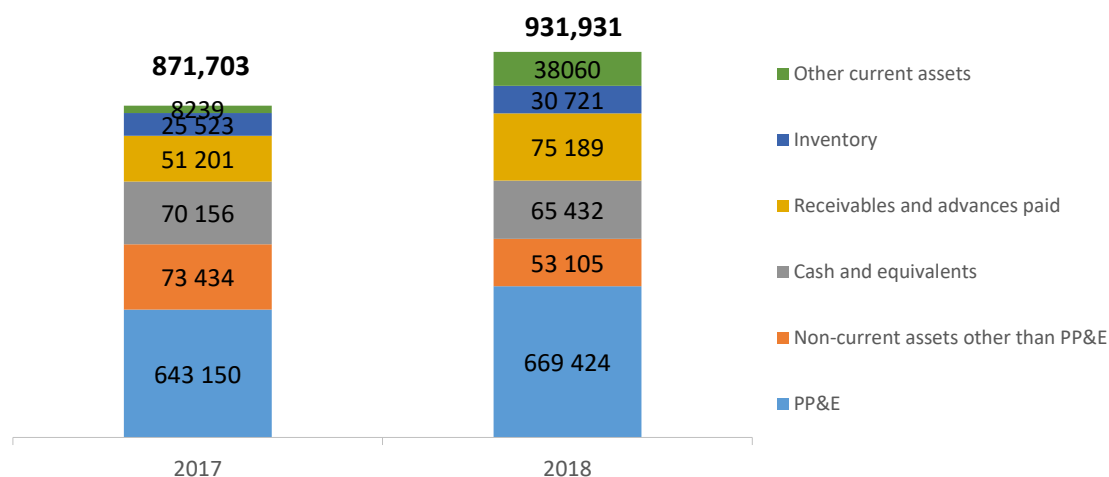
Direct economic value generated and distributed, RUB mn (201-1)

	RusHydro Group	
	2017	2018
Economic value generated	383,534	402,123
Operating profit after impairment loss on receivables	342,162	353,391
Government grants	32,745	41,648
Interest income and dividends received	9,575	8,879
(Losses)/gains from sale of assets	(948)	(1,795)
Economic value distributed	300,789	316,509
Operating costs	190,539	201,270

Salaries, allowances and other benefits	74,390	75,876
Payments to capital providers	10,430	11,908
Payments to government	23,666	26,098
Investments in communities	1,764	1,357
Economic value retained	82,745	85,614

Assets, equity and liabilities

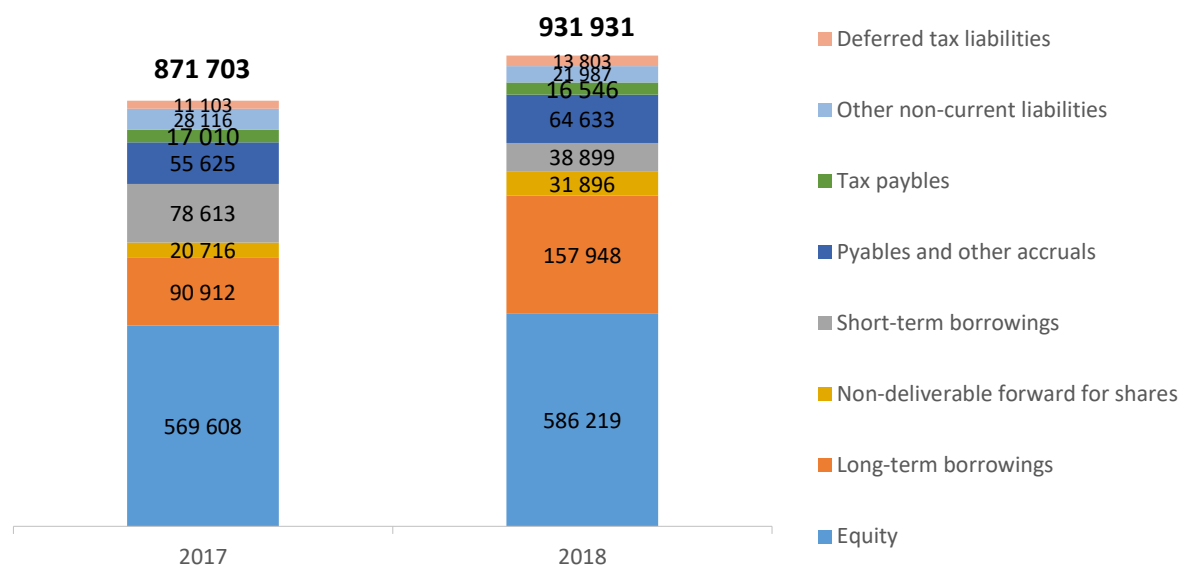
Assets, RUB mn



As at December 31, 2018, the Group's assets grew by 6.9% (RUB 60,228 mn) to RUB 931,931 mn year-on-year. The change is mainly driven by:

- an increase in PP&E costs (due to the implementation of the Group's investment program);
- an increase in other current assets due to a larger share of funds placed on deposits with maturities of over 90 days;
- an increase in advance payments made to Far Eastern distribution company mainly by DRSK for grid connection.

Equity and liabilities, RUB mn



As at December 31, 2018, the Group's liabilities grew by 14.4% (RUB 43,617 mn) to RUB 345,712 mn year-on-year. The Group's liabilities changed as follows: non-current liabilities rose by RUB 74,787 mn due to an increase in long-term borrowings, while current liabilities declined by RUB 31,170 mn mainly due to a reduction in short-term borrowings and current portion of long-term borrowings.

Fair value of the non-deliverable forward for the Group's shares recognized in accordance with the terms of the transaction with VTB Bank (PJSC) increased from RUB 20,716 mn (as at December 31, 2017) to RUB 31,896 mn (as at December 31, 2018). The change in fair value of the non-deliverable forward is mainly attributable to movements in RusHydro's share prices in 2018.

Debt portfolio management

Total and net financial debt (RUB bn) and leverage (as at the year-end)^{58,59}



In 2018, the Group's short-term debt and leverage decreased, while the long-term debt went up. At the end of 2018, RusHydro Group's total and net financial debt⁶⁰ stood at RUB 226.5 bn and RUB 131.1 bn, respectively. Given higher consolidated operating income in 2018 and smart intesting policy, net financial

⁵⁸ Financial debt is calculated as the sum of long-term and short-term liabilities (less accrued interest payable as at the reporting date), liabilities on the non-deliverable forward with VTB Bank at the end of 2017–2018, and RusHydro's guarantee obligations on Boguchanskaya HPP loan by Vnesheconombank under the Group's IFRS financial statements at the end of 2016–2017.

⁵⁹ Net financial debt is calculated as financial debt less cash and cash equivalents (including bank deposits for up to one year). Therefore, the data for 2016–2017 may differ from the data included in the Company's annual report for 2017.

⁶⁰ Net financial debt is calculated as financial debt less cash and cash equivalents (including bank deposits for up to one year) under the Group's IFRS financial statements at the end of the reporting year.

debt / EBITDA declined to 1.2x as at December 31, 2018 vs 1.4x as at December 31, 2017. This means sustainable improvement of the Group's financial position since 2016.

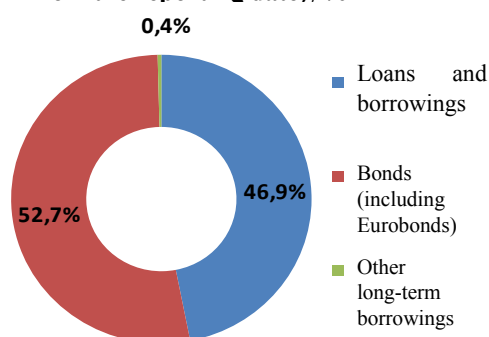
The period under review saw an increase in long-term borrowings, mainly due to the placement of three Eurobond issues in 2018 (one issue worth RUB 20 bn⁶¹ placed in February and two issues worth RUB 15 bn and 1.5 bn offshore Chinese renminbi placed in November). On top of that, in April 2018, RusHydro and the Far East and Baikal Region Development Fund entered into a special-purpose loan agreement worth RUB 5 bn to finance the construction of off-site facilities of Sakhalinskaya GRES-2. In July 2018, the Group also successfully raised RUB 20 bn under a loan agreement with VTB Bank. At the end of 2018, the rate of ruble-denominated borrowings averaged about 8% per annum. In December 2018, RusHydro prepaid an ECA-covered FX loan of some EUR 69 mn from UniCredit Bank Austria AG

In 2018, the Group was also bringing down its short-term debt. In February 2018, RusHydro repurchased its series 07 and 08 ruble bonds⁶² under the put option for a total of about RUB 18 bn. In March, the Group repaid a loan of RUB 10.6 bn from Sberbank. July saw a successful redemption of series BO-P01, BO-P02 and BO-P03 exchange bonds worth RUB 15 bn. In February 2018, the Group terminated its contract of guarantee to meet obligations of PJSC Boguchanskaya HPP under a loan agreement with VEB worth RUB 25.9 bn as at December 31, 2017, which also helped reduce leverage.

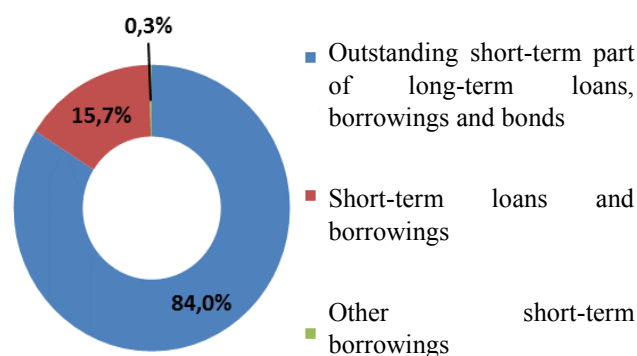
As at December 31, 2018, the shares of the Group's ruble-denominated and fixed-rate consolidated financial debt (excluding liabilities on the non-deliverable forward with VTB Bank (PJSC), including hedging ruble liabilities to issue Eurobonds denominated in offshore Chinese renminbi) account for about 98% and 91%, respectively. This means the minimum level of currency and interest risks for the Group in terms of financial debt.

More information on the main changes in the structure of long- and short-term debt (excluding forward) is available below.

Structure of the long-term debt (to be redeemed after twelve months from the reporting date), %



Structure of the short-term debt (to be redeemed within twelve months from the reporting date), %



⁶¹ The issue won annual Cbonds Award 2018 as Best Primary Eurobond Deal.

⁶² In February 2018, the holders of RusHydro's series 07 and 08 ruble bonds issued in February 2013 for a total amount of RUB 20 bn, partially used their put option for securities. Bonds that were not put by the holders for early redemption, with the nominal value of RUB 2,196 mn will be floating before the maturity date in 2023.

In 2018, the long-term part of the Group's borrowings surged by RUB 67.036 bn (73.7%) to RUB 157.9 bn, mainly driven by long-term financing raised through three Eurobond issues in 2018 (two denominated in rubles and one – in offshore Chinese renminbi) and bilateral loan agreements.

In 2018, the short-term part of the Group's borrowings dropped by RUB 39.7 bn (50.5%) to RUB 38.9 bn, primarily due to the maturity of long-term loans and bonds (including exchange and local bonds totaling about RUB 15 bn and about RUB 18 bn, respectively). As the remaining drawdown for the Group's current loan agreements amounted to more than RUB 191 bn at the end of 2018 and substantially exceeds the need for short-term debt refinancing, financial risks are considered as insignificant.

Bonds

As at December 31, 2018, the outstanding bonds of RusHydro include seven issues for a total of RUB 70.0 bn (the aggregate value of outstanding bonds is RUB 28.2 bn).

Key parameters of RusHydro's bond issues

Issue parameters			Series 01 and 02 bonds	Series 07 and 08 bonds	Series 09 bonds	Series BO-P04 exchange bonds	Series BO-P05 exchange bonds
Bond type	Non-convertible certificated interest-bearing bearer bonds with mandatory centralized custody	State registration number	4-01-55038-E 4-02-55038-E	4-07-55038-E 4-08-55038-E	4-09-55038-E	4B02-04-55038-E-001P	4B02-05-55038-E-001P
Face value	RUB 1,000	Registration date	September 23, 2010	December 27, 2012	December 27, 2012	April 1, 2016	June 9, 2017
Nominal amount of each issue	Series 01 – RUB 10 bn Series 02 – RUB 5 bn Series 07, 08, 09 – RUB 10 bn each Series BO-P04 – RUB 15 bn Series BO-P05 – RUB 10 bn	Placement date	April 25, 2011	February 14, 2013	April 28, 2015	April 7, 2016	June 16, 2017
		Offer date	April 22, 2016	February 13, 2018	October 27, 2017 April 21, 2023		
		Maturity date	April 12, 2021	February 02, 2023	April 15, 2025	April 4, 2019	June 12, 2020
Offering price	100%	Coupon rate	Coupons 1–10 – 8.0% p.a. Coupons 11–20 – 9.5% p.a.	Coupons 1–10 – 8.5% p.a. Coupons 11–20 – 0.1% p.a.	Coupons 1–5 – 12.75% p.a. Coupons 6–16 – 7.5% p.a. Coupons 6–16 – coupon rate to be determined by the issuer	Coupons 1–6 – 10.35% p.a.	Coupons 1–6 – 8.2% p.a.
Form of offering	open subscription, bookbuilding	Yield	8.16%	8.68%	13.16%	10.62%	8.37%
Coupon	semi-annual	Last trade yield as	Series 01 –	Series 07 –	Series 09 – 8.22%	Series BO-	Series BO-

payments		at December 28, 2018 , % p. a.	7.75% Series 02 – 8.19%	8.1% Series 08 – 8.93%		P04 – 7.69%	P05 – 7.75%
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Credit ratings

RusHydro's high credit quality is confirmed by S&P, Moody's and Fitch, the three leading international rating agencies.

The Company's strong operating performance, solid position in the domestic electricity market, coupled with healthy liquidity and leverage levels contributed to RusHydro's improved credit standing in 2018 and early 2019. For the first time in the Company's history, its long-term credit rating was upgraded to the investment grade to become on a par with the sovereign rating of the Russian Federation by all three rating agencies.

RusHydro's rating is assigned under the national scale by the Analytical Credit Rating Agency (ACRA). In the reporting period, the Group enjoyed the top credit rating by ACRA.

Credit ratings as at March 31, 2019

Rating agency	S&P	Moody's	Fitch	ACRA
Long-term credit rating ⁶³	BBB–	Baa3	BBB–	AAA(RU)
Credit rating outlook	Stable	Stable	Stable	Stable
Changed/reaffirmed	April 27, 2018	February 12, 2019	August 1, 2018	June 29, 2018

Cash flows

Cash flows, RUB mn

	2017	2018	2018/2017, %
Cash flows from operating activities (after accounting for changes in working capital)	78,125	84,551	8.2
Cash for PP&E acquisition	-71,693	-67,423	-6.0
Proceeds from sale of PP&E	213	977	358.7
Proceeds from sale of Inter RAO shares	–	2,160	–
Proceeds from disposal of joint venture	–	871	–
Interest received	7,848	5,545	-29.3
Interest paid	-15,794	-14,217	-10.0
Free cash flow (FCF)	-1,301	12,464	–

In 2018, the Group's cash flow from operating activities (after changes in working capital) increased by RUB 6,426 mn (up 8.2%) to RUB 84,551 mn.

Cash spent to purchase PP&E decreased by RUB 4,270 mn, or 6.0% to RUB 67,423 mn in 2018 due to the completion of the investment cycle of the Far Eastern investment projects.

In 2018, RusHydro Group for the first time generated positive free cash flow sufficient to fund dividend payments.

Tax payments

RusHydro Group is one of the main taxpayers in the regions of its operation.

Tax payments to budgets of different levels, RUB mn⁶⁴

⁶³International scale foreign currency credit ratings by S&P, Moody's, and Fitch.

	RusHydro Subgroup			JSC RAO ES East Subgroup			RusHydro Group		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Federal	17,093	22,026	29,432	19,873	20,878	16,736	36,966	42,904	46,168
including insurance contributions	4,302	4,494	4,954	11,404	11,469	11,910	15,706	15,963	16,864
Regional	21,647	23,578	23,971	8,992	10,075	10,304	30,639	33,653	34,275
Local	434	424	403	371	364	330	805	788	733
Total	39,174	46,028	53,806	29,236	31,317	27,370	68,410	77,345	81,176

Production and sales

Key production assets

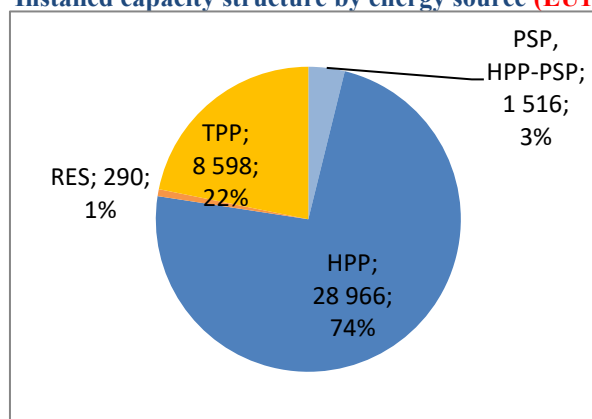
Electricity and heat production is the key business of RusHydro Group. The Group's asset structure includes over 90 renewable energy facilities, both in Russia and abroad, along with some thermal power plants and electrical grid assets in the Far East. As at January 1, 2019, the installed capacity of RusHydro power plants, including Boguchanskaya HPP, totaled 39,370 MW⁶⁵, up 331 MW year-on-year. The installed heat capacity increased to 18,924 Gcal/h, up 426.9 Gcal/h.

The growth in the installed capacity of the Group's facilities was driven also by the commissioning of Vostochnaya CHPP (139.5 MW, 432.6 Gcal/h) in Vladivostok and hydroelectric unit No. 3 at Ust-Srednekanskaya HPP (142.5 MW) as well as the implementation of the Comprehensive Modernization Program at Saratovskaya HPP (+12 MW), Nizhegorodskaya HPP (+3 MW), Novosibirskaya HPP (+5 MW) and Rybinskaya HPP (+10 MW).

The installed capacity structure shows the prevalence of large HPPs generating 28,966 MW,⁶⁶ or 74% of the total installed capacity, while 8,598 MW, or 22% of the installed capacity, is generated by the TPPs of RAO ES East Subgroup. The Group's assets also include 1,200 MW Zagorskaya PSPP, 300 MW Zelenchukskaya HPP-PSPP and 16 MW Kubanskaya PSPP. The Group's renewable energy facilities, including SHPP (up to 30 MW), GeoPP, WPP and SPP, account for a total installed capacity of 290 MW.

Installed capacity⁶⁷, MW

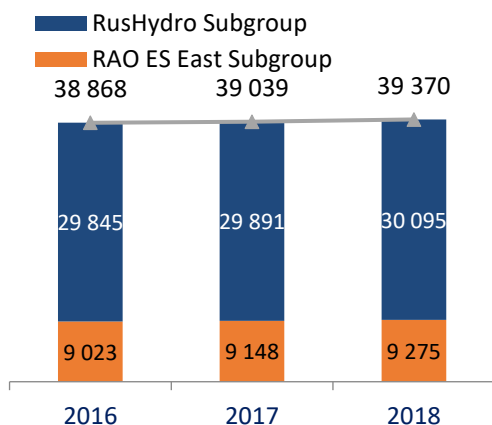
Installed capacity structure by energy source (EU1)



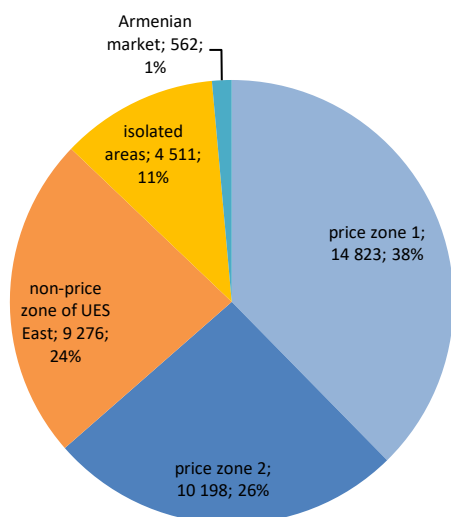
⁶⁴ In the table for 2017–2018, tax payments are allocated to the federal and regional budgets according to the budget level (income tax, water tax, mineral extraction tax, payment for the use of water bodies, pollution charge).

^{65,67} Including PJSC Boguchanskaya HPP (a joint venture of PJSC RusHydro and RUSAL) and HPP-2 of PJSC KamGEK, and excluding HPP-1 and HPP-3 of PJSC KamGEK, assets held in trust.

⁶⁶ Large HPPs are those with the capacity of over 30 MW that do not fall into the category of small HPPs.



Installed capacity structure by regulatory regime, MW (EU1)



RAO ES East electrical grids

The businesses of PJSC RAO ES East ensure power transmission and distribution both in UES East and in isolated energy systems.

In UES East, the power from higher voltage grids in 220 kV UNEG is transmitted to the consumers by JSC DRSK, while in isolated electrical grids – by AO-energo. At the end of 2018, the total length of 35–220 kV transmission grids was 34,966 km.

The distribution grid transmits power from a 35–220 kV grid to low and medium (MV-2) voltage consumers. At the end of 2018, the total length of low voltage overhead and cable power lines made up 69,781 km, up 526 km year-on-year.

At the end of the reporting period, the total number of transformer substations increased to 22,000, up 336, with their total capacity hitting 29,317.3 MVA, up 540 MVA. For the low-voltage category, changes in the length of transmission power lines and in the number and capacity of transformer substations are primarily associated with the housing construction in large cities of the Far East, recognition of abandoned rural grids and grid reconstruction.

The construction of 110, 35 kV approach lines to the 220 kV Maya substation was completed that helped integrate the Central and Western energy hubs of Yakutia into UES East.

The number of utility connection contracts executed during the year rose by 1% (to 22,500). The Group made it technologically possible to connect consumers (including in ASEZs) to the maximum capacity of 884.3 MW.

Length of overhead and underground transmission and distribution power lines by regulatory regime

(EU4)

Length of transmission power lines, km (measured by chain)			
Grid class	2017	2018	Δ., km
WECM – regulated prices			
Overhead power lines			
110 kV	7,940	7,975	35
35 kV	8,807	8,856	49
Cable power lines			
110 kV	40	40	0
35 kV	84	92	8
REM – regulated prices			
Overhead power lines			
220 kV	5,180	5,180	0
110 kV	5,904	5,898	-6
35 kV	6,997	6,917	-80
Cable power lines			
110 kV	2	5	3
35 kV	4	4	0
Total transmission power lines	34,958	34,967	9
WECM – regulated prices			
Overhead power lines			
6 (10) kV	20,540	20,622	82
0.4 kV	20,532	20,503	-29
Cable power lines			
6 (10) kV	1,156	1,268	112
0.4 kV	1,120	1,120	0
REM – regulated prices			
Overhead power lines			
6 (10) kV	10,957	11,025	68
0.4 kV	11,459	11,677	218
Cable power lines			
6 (10) kV	2,041	2,085	44
0.4 kV	1,451	1,480	29
Total distribution power lines	69,256	69,780	524
Total length of power lines	104,214	104,747	533

Number and installed capacity of 06–220 kV transformer substations

	Unit	2017	2018	2018-2017
WECM – regulated prices				
Number of 220 kV transformer substations	pcs	1	1	0
Capacity of 220 kV transformer substations	MVA	80	80	0
Number of 110 kV transformer substations	pcs	242	246	4
Capacity of 110 kV transformer substations	MVA	7,370.8	7,667.4	296.6
Number of 35 kV transformer substations	pcs	476	479	3

Capacity of 35 kV transformer substations	MVA	4,380.8	4,445.9	65.1
Number of 6(10) kV transformer substations	pcs	10,943	11,121	178
Capacity of 6(10) kV transformer substations	MVA	3,511.8	3,565.1	53.3
REM – regulated prices				
Number of 220 kV transformer substations	pcs	28	27	-1
Capacity of 220 kV transformer substations	MVA	3,652.3	3,351	-301.3
Number of 110 kV transformer substations	pcs	140	139	-1
Capacity of 110 kV transformer substations	MVA	4,496.3	4,694	197.7
Number of 35 kV transformer substations	pcs	383	386	3
Capacity of 35 kV transformer substations	MVA	1,613	1,715.2	102.2
Number of 6(10) kV transformer substations	pcs	9,451	9,601	150
Capacity of 6(10) kV transformer substations	MVA	3,672.3	3,798.7	126.4
Total substations	pcs	21,664	22,000	336
Total capacity of substations	MVA	28,777	29,317	540

In 2018, total electricity fed to the grids of JSC RAO ES East Subgroup stood at 35,427.2 mn kWh, up 1,139.3 mn kWh year-on-year. The grid losses amounted to 9.6%. **(EU12)**

Operating performance

Electricity and heat generation

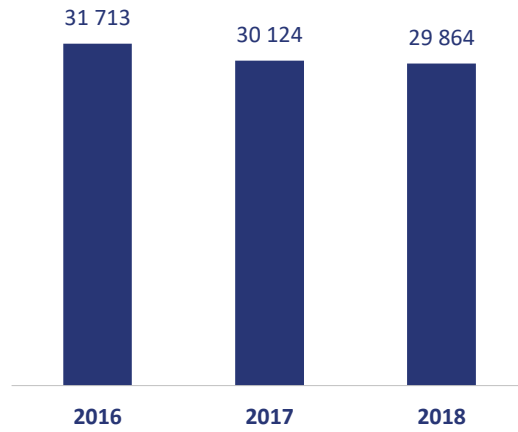
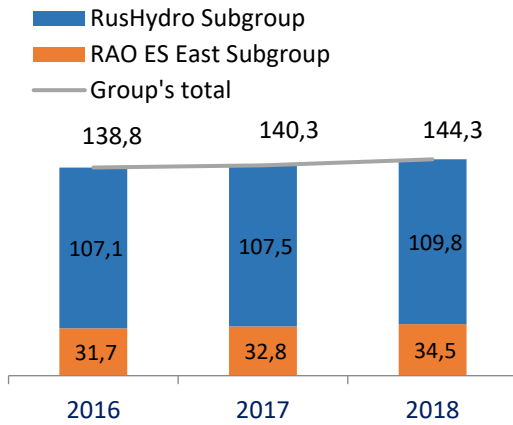
2018 saw a new record for the Group's electricity generation. In the reporting period, the Group's power generation, including Boguchanskaya HPP, added 2.8% year-on-year, peaking at 144.3 bn kWh. According to the System Operator of the Unified Energy System, last year saw the growth in Russia's electricity generation and consumption by 1.7% and 1.6%, respectively. The Group's electricity generation made up 13.2% of the Russian total power generation, demonstrating an upward trend for the fourth year in a row.

In 2018, the electricity generation at the Group's HPPs, PSPPs, and geothermal power plants increased by 2% year-on-year, reaching 109.8 bn kWh. During the same period, the electricity generation at the Sevan–Hrazdan Cascade HPPs in Armenia fell by 11.5%, accounting for 412 mn kWh.

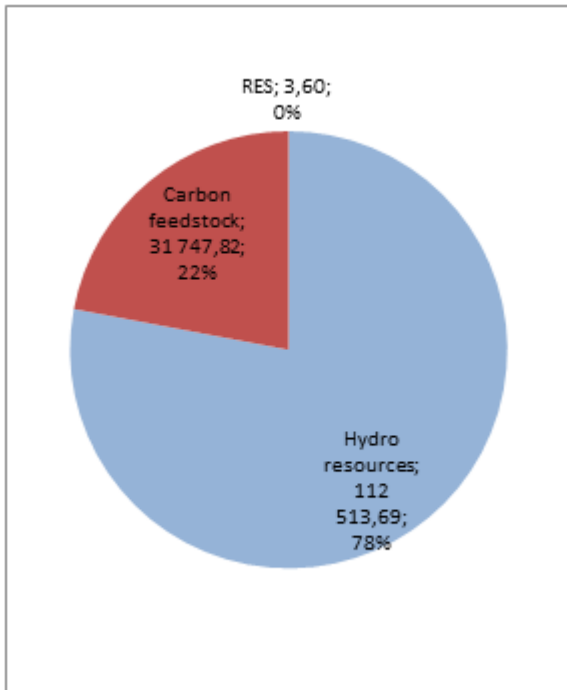
The Group's thermal power plants in the Far East demonstrated a positive trend with their generation of 31.7 bn kWh, up 3.9% year-on-year. The Group's wind, solar and geothermal power plants generated 431 mn kWh, while the heat supply stood at 29.9 mn Gcal.

Electricity generation, bn kWh

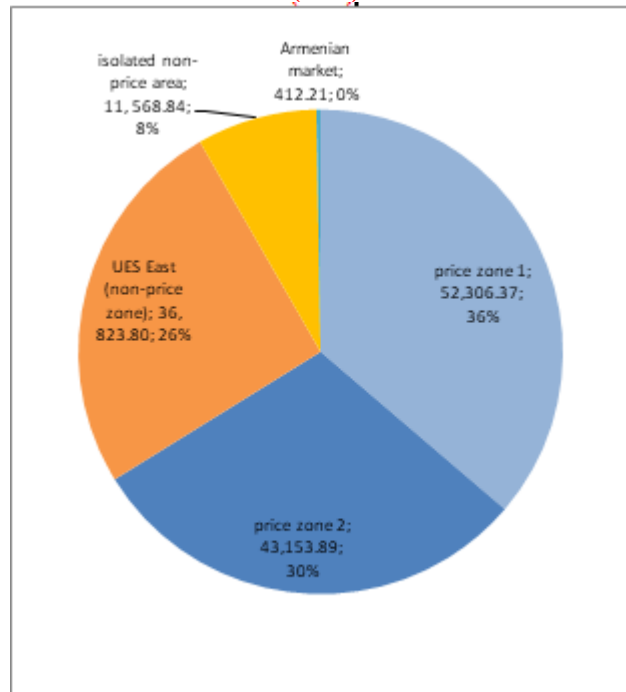
Heat supply, '000 Gcal (EU2)



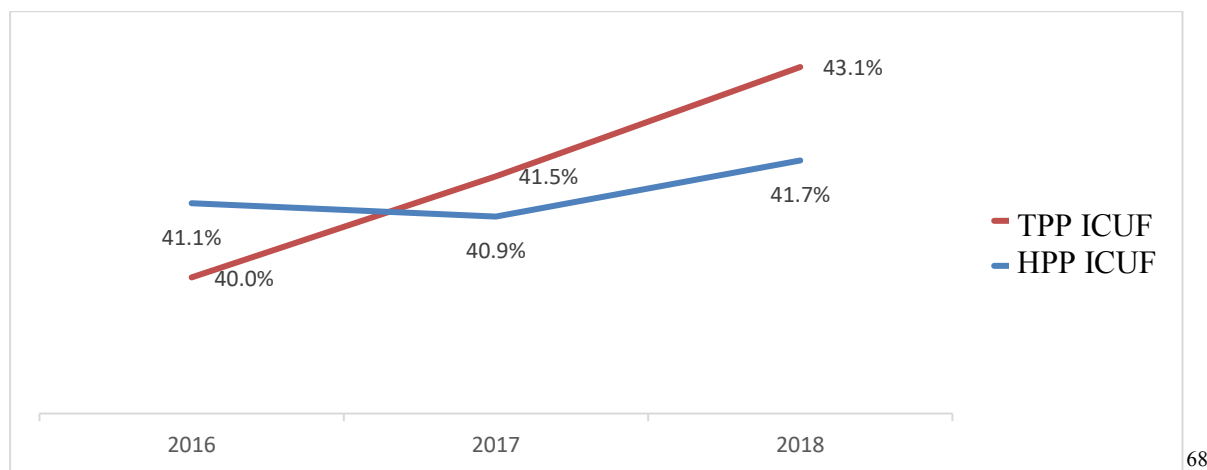
Generation structure by primary energy source, mn kWh (EU2)



Generation structure by regulatory regime, GWh (EU2)



HPP and TPP installed capacity utilization factor (ICUF), %



In 2018, the main factors affecting the Group's electricity generation and heat supply included:

- water inflow to most Volga and Kama reservoirs at a level higher than the long-term annual average;
- water inflow to HPPs in Siberia at the same or slightly higher level than the long-term annual average; water inflow to HPPs in the South of Russia at a level equal to the long-term annual average;
- growing electricity generation at TPPs in the Far East, up 5.0% (to 34,464 mn kWh) due to the year-on-year drop in electricity generation at HPPs in UES East and a 3.7% increase in electricity consumption in the Far East;
- heat output of 29.650 mn Gcal, down 0.9% year-on-year, by the Group's power plants and boiler houses in the Far Eastern Federal District due to higher actual outdoor temperatures across the Far East but for the Kamchatka Territory.

Measures for simplifying utility connection to electrical grids (EU23)

In 2018, the Group's businesses were involved in implementing the Target Model for *Utility Connection to Electrical Grids* approved by the Russian Government's Decree No. 147-r *On target models for simplifying business procedures and enhancing investment appeal of the Russian regions* dated January 31, 2017 (the "Program").

The project seeks to simplify the procedure for utility connection (the "UC") for legal entities or sole proprietors requesting the power of up to 150 kW with reliability category 2 and 3 (shorter timing, enabling interaction with the grid company via a personal account without a need to visit the client office).

The Group's participants in the Program comprise JSC DRSK, PJSC Kamchatskenergo, PJSC Sakhalinenergo, PJSC Magadanenergo, JSC Chukotenergo and PJSC Yakutskenergo.

The Program made it possible to introduce an online service to the energy companies' websites featuring personal accounts for the applicant to interact with the grid company and to make preliminary calculations of the UC cost (UC tariff calculator), apply for a UC, receive a UC contract and sign the necessary UC documents, including their electronic versions.

The applications filed by the applicant through the Personal Account differ in their share, with, for example, 1% at JSC Chukotenergo, 17% at JSC DRSK and 44% at PJSC Sakhalinenergo.

Sales of electricity and heat

RusHydro Group's steady development depends on stable electricity and capacity sales in the wholesale market and the growing retail business providing for smooth and efficient power supply to consumers, which remains one of its priorities.

⁶⁸ Excluding RES ICUF.

The Group sells electricity in Russia both in the wholesale electricity and capacity market (first and second price zones of the wholesale market and UES East's non-price zone) to major consumers and to retail consumers via its retail companies and guaranteed suppliers.

WECM price zones



1 – first price zone; 2 – second price zone; 3,4,5 – non-price zones and isolated energy systems.

WECM performance

The wholesale electricity and capacity market (WECM) participants include generating companies, electric power exporters/importers, electricity retailers, electric grid companies (electricity purchases to cover transmission losses), and large consumers. The wholesale electricity and capacity market covers both price and non-price zones. The first price zone comprises the European part of Russia and Urals, while the second price zone encompasses Siberia. Special wholesale trading rules apply to the non-price zones that include the Arkhangelsk and Kaliningrad Regions, Komi Republic, and regions in the Far East, including the Western and Central Energy Districts of the Republic of Sakha (Yakutia).

Under the Russian law, all electricity and capacity facilities with an installed capacity of over 25 MW located in the price and non-price zones are required to sell their products in the WECM only. Power plants with a capacity below 5 MW are required to trade in the retail electricity market (REM) only, while power plants with a capacity between 5 MW and 25 MW can trade in both WECM and REM.

The WECM has several sectors that offer different transaction terms and delivery times:

- regulated contracts (RC) cover electricity and capacity volumes supplied to households and equivalent consumer categories under regulated prices (tariffs) approved by Russia's Federal Antimonopoly Service. Total electricity and capacity supplies under regulated contracts may not exceed 35% of electricity and capacity output;
- the day-ahead market (DAM) is a place where power generated in excess of the RC volumes is traded at market prices. Prices are determined through a competitive bidding process one day ahead of the delivery, with bids accepted from both the suppliers and buyers. The DAM market uses the marginal pricing mechanism, which balances supply and demand and applies to all market participants;
- the balancing market (BM) is a real-time vehicle used to balance discrepancies between the power volumes actually produced/consumed and those originally planned. Discrepancies between the planned and actual consumption occur as a result of internal and external initiatives. Internal initiatives come from the market participants (consumers or suppliers), while external initiatives are reserved to the System Operator. The discrepancies are priced in such a way as to encourage market participants to

adhere to the planned electricity consumption and production volumes as determined in the DAM and to follow the System Operator's instructions;

- capacity auctions (KOM) enable capacity trading at market (unregulated) prices determined through a competitive bidding process. Close to 50% of the capacity in the first price zone and the overwhelming majority of capacity volumes in the second price zone of the wholesale market are sold through capacity auctions;
- capacity supply agreements (DPM) target power generating facilities included in the designated list approved by the Russian Government's Decree No 1334-r dated August 11, 2010. Similar capacity sale agreements exist with respect to newly built HPPs (PSPPs) and NPPs (capacity sale agreements for new NPPs/HPPs). Capacity supply agreements and capacity sale agreements for new NPPs/HPPs ensure fulfillment of supplier obligations under approved investment programs, while also providing payment guarantees for the capacities of newly built (upgraded) generating facilities. A thermal power plant built under a capacity supply agreement is provided with capacity payment guarantees effective for a period of 10 years (20 years under capacity sale agreements for new NPPs/HPPs), which ensures recovery of the capital and maintenance expenditures and the target level of return. The capacity price under capacity supply agreements and capacity sale agreements for new NPPs/HPPs is paid by all consumers of the relevant price zone. The main restraining factor for prices under capacity sale agreements for new NPPs/HPPs is the decrease in the average yield of long-term Russian Government bonds used to calculate the capacity price for suppliers from 10.04% in 2017 to 8.393% in 2018;
- capacity sale contracts for must-run generating facilities are signed by suppliers with respect to generating facilities designated by the Russian Government (based on proposals from the Government Commission on the Development of the Electric Power Industry) or generating facilities ordered by an authorized body to suspend decommissioning in accordance with the rules for decommissioning of electric power facilities and their shutting down for repairs. The capacity of must-run facilities generating electricity to avoid power shortages is paid for by consumers of the relevant free power transfer zone. The capacity of must-run facilities generating power to avoid heating shortages is paid for by consumers of the relevant Russian region;
- unregulated bilateral contracts, as well as unregulated electricity and/or capacity sales contracts (FBC, FECC, FCC) allow the WECM participants to sign electricity and/or capacity sales contracts at unregulated prices.

The Russian energy system is served by dedicated technological and commercial infrastructure operators.

Non-Profit Partnership Council for Organizing Efficient System of Trading at Wholesale and Retail Electricity and Capacity Markets (Market Council Non-Profit Partnership established under Federal Law No. 35-FZ *On Power Industry* dated March 26, 2003) is responsible for running the wholesale market's commercial infrastructure.

Trading System Administrator of the Wholesale Electricity and Capacity Market (JSC TSA) is responsible for administering electricity transactions in the wholesale market (the trading system of the wholesale market).

Financial settlements between the WECM participants are handled through the Center for Financial Settlements (CFS).

The WECM technological infrastructure is administered by the System Operator of the Unified Energy System which exercises exclusive and centralized operational management of Russia's Unified Energy System and monitors compliance with the system's technological parameters. The System Operator supports the wholesale electricity and capacity market by updating the calculation model, based on which the Commercial Operator determines the WECM power volumes and prices. In addition, it decides on the structure of operating generating facilities, administers capacity auctions, and provides support to the balancing market.

The market's technological infrastructure is also supported by the Federal Grid Company (FGC UES), which manages the unified national electric grid (UNEG), and interregional distribution grid companies (IDGC).

The activities of infrastructure operators, including their pricing policies and counterparty relations, are subject to government regulation and control.

Regulatory framework for tariff-related decision making

Federal Law No. 35-FZ *On Electric Power Industry* dated March 26, 2003 outlines the basic principles and methods of state regulation in the electric power industry and the regulators' scope of authority.

The Russian Government's Resolution No. 1172 *On Approval of Rules for the Wholesale Electricity and Capacity Market and on Amendments to Certain Acts of the Government of the Russian Federation Concerning Organization of the Wholesale Electricity and Capacity Market* dated December 27, 2010 establishes the legal framework governing the wholesale electricity and capacity market.

The procedure and timing for financial settlements and approval of electricity and capacity tariffs are set out in the Russian Government's Resolution No. 1178 *On Pricing in the Field of Regulated Prices (Tariffs) for Electric Power* dated December 29, 2011.

Tariff setting for generating facilities across the price zones of the wholesale electricity (capacity) market:

Tariffs for the generating facilities operating within the WECM are set by Russia's Federal Antimonopoly Service (FAS) in line with a methodology developed by the Federal Tariff Service (FTS abolished in 2015 to be succeeded by FAS).

The primary tariff calculation methodology for the WECM generating facilities (including those located in the non-price zone) is the one based on indexation. It was approved by FTS Order No. 210-e/1 *On Approval of Indexation Formulas for Regulated Prices (Tariffs) of Electricity (Capacity) Used in Electricity (Capacity) Sale Contracts, Procedure for their Application, and the Procedure for Calculating Planned and Actual Indicators for the Purposes of Such Formulas* dated August 28, 2014. The base tariff calculated in 2007 is annually adjusted to factor in the index of changes in semi-fixed costs as determined by the Russian Ministry of Economic Development. The 4% deflator index in the 2018 tariff was in line with the PPI (excluding contribution from the energy sector). This methodology is also used for new generating facilities starting from the second year of their operation. With respect to the facilities operating under supply and sale agreements, the methodology applies to electricity generation only.

During the first year in the wholesale market, the tariff for generating facilities located in non-price zones is set based on economically justified expenses approved by FTS Decree No. 199-e/6 *On Approval of Guidelines for Calculation of Regulated Wholesale Electricity and Capacity Tariffs (Prices) under Sale Contracts* dated September 15, 2006. This methodology determines the economically justified amount of financial resources a company needs to operate at regulated tariffs within a specific regulation period (the return on investments, which is accrued through amortization, is not taken into consideration).

For facilities operating under sale agreements for new NPPs/HPPs, the capacity price is calculated by FAS in line with the methodology approved by FTS Decree No. 486-e *On Approval of Capacity Pricing Procedure for Newly Built Nuclear and Hydroelectric Power Plants (including Pumped Storage Power Plants)* dated October 13, 2010.

Average tariffs under regulated contracts (RC) and gross revenue requirement (GRR) for electric power generation

	2017	2018	Growth in 2018 – 2017	Growth rate, y-o-y
Average tariff under RC, RUB / '000 kWh	340.67	357.39	16.72	4.91 %
GRR, RUB '000	23,049,819	23,130,894	81,075	0.35 %

Key WECM tariff drivers:

- tariff indexation, with the 2018 deflator index standing at 4% (in line with the PPI, excluding the energy sector's contribution);

- increase of tax rates for facilities using water bodies for the purposes of hydropower generation without water withdrawal (as required by Russia's Tax Code, a coefficient of 1.75 was applied to the tax rates in 2018).

Major regulatory changes included amendments to the Russian Government's Resolution No. 876 dated December 30, 2006 which, among other things, raised the fees paid for using water bodies or parts thereof for the purpose of electric power generation with no water withdrawal operations by approximately 10%. These amendments have been in effect since 2018.

Electricity sales in the first and second price zones

RusHydro directly sells electricity in the WECM's first and second price zones.

Electricity sales are governed by the Company's local internal documents:

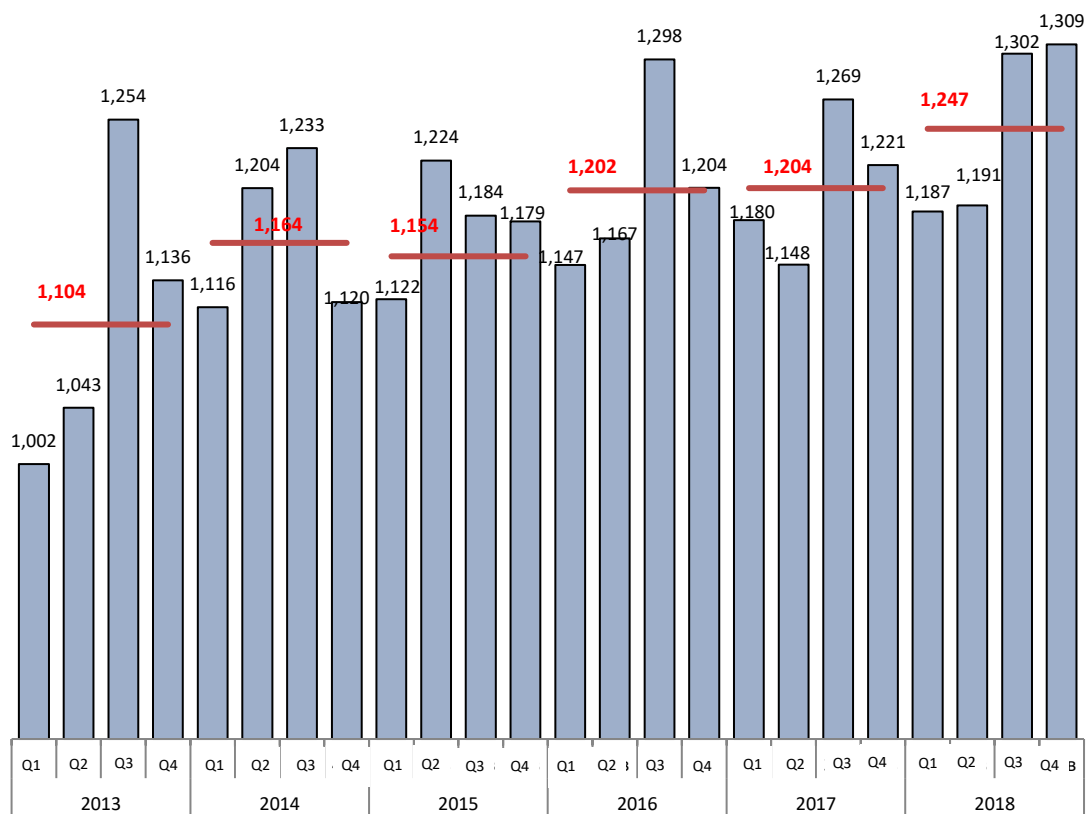
- Regulations for Information Exchange in the Economic Dispatching Business Process;
- RusHydro's Sales Policy Regulations;
- Regulations for Developing Annual and Forward-Looking Long-Term Balance Projections for Production and Consumption of Electricity and Capacity and Heat in the Areas outside of the Price Zones of the Wholesale Market;
- Regulations on RusHydro's Sales Management;
- Regulations for Interaction between RusHydro's Business Units Following up on Contracts Related to Electricity and Capacity Sales.

Net supply of electricity and capacity by RusHydro (branches)

Item	2017	2018	Δ, %
Output, mn kWh	91,146	92,927	2.0
Net supply (excluding electricity purchases), mn kWh	89,887	91,684	2.0
Electricity purchased, mn kWh	9,192	10,116	10.1
Total sales, mn kWh	96,350	99,093	2.8
Capacity, MW	21,645	21,423	-1.0

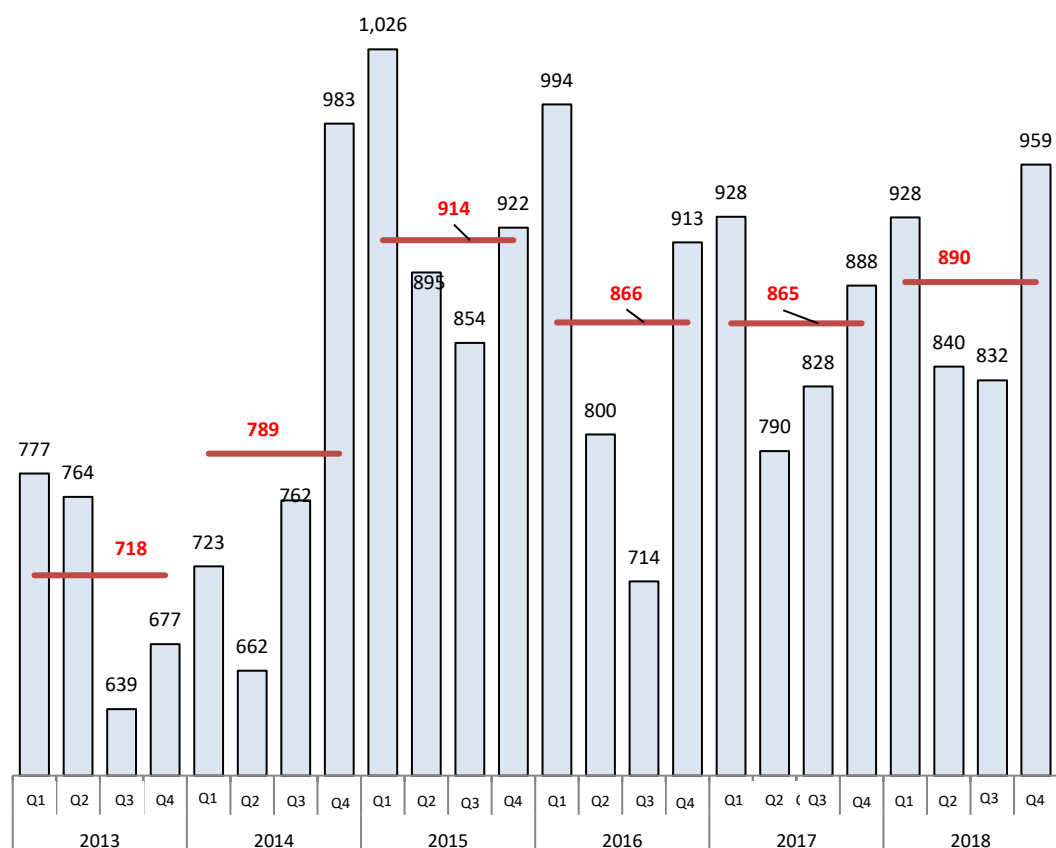
The Group increased actual output and net supply of electricity by 2.0% y-o-y, mainly due to higher power generation by HPPs in Siberia and in the Far East thus boosting sales volumes, including in the day-ahead market (DAM). In 2018, RusHydro's average DAM price was RUB 1,285 per MWh (+ 6.0%) for the European part of Russia and RUB 825 per MWh (-3.6%) for Siberia.

Electricity prices in the first price zone (TSA data), RUB/MWh



■ Average quarterly DAM price
— Average annual DAM price

Electricity prices in the second price zone (TSA data), RUB/MWh



■ Average quarterly DAM price

— Average annual DAM price

RusHydro's electricity and capacity sales prices

	2014	2015	2016	2017	2018	Δ	
DAM price, RUB/MWh	1,072.9	1,096.0	1,080.0	1,094	1,114	20	1.8%
1 PZ DAM price, RUB/MWh	1,226.9	1,207.1	1,267.2	1,224	1,285	61	5.0%
2 PZ DAM price, RUB/MWh	776.8	882.5	793.3	824	825	1	0.1%
KOM price, RUB / MW per month	116,190.6	127,564.1	139,780.8	580,558	783,822	203,264	35.0%
1 PZ KOM price, RUB / MW per month	140,566.7	125,524.0	111,627.7	3,212,516	4,312,779	1,100,263	34.2%
2 PZ KOM price, RUB / MW per month	68,492.8	131,695.6	178,724.1	283,873	342,675	58,802	20.7%

The DAM price in the first price zone grew on the back of lower price-taking supply of HPP electricity in the first price zone in H2 2018 and the rising supply of expensive TPP electricity.

The DAM price in the second price zone changed only marginally.

Capacity sales price changes were mainly attributable to rising KOM (capacity auction) prices.

The KOM price growth was driven by the capacity price surcharge effective from January 2018 (vs 2017 when the surcharge was introduced effective from July 2017) as the Russian Government designated RusHydro to collect and transfer the surcharge amount to the Far East in order to bring the region's tariffs in line with the Russian base rate.

RusHydro's electricity and capacity sales rose mainly due to the rising power generation and a higher base of funds used for calculating the capacity price surcharge.

Sales of electricity and heat in retail markets

Companies operating within the designated price zones of the retail electricity market are guided by the retail market pricing rules based on the WECM tariffs, while also taking into account approved tariffs for services subject to government regulation.

Electricity sold in the retail market is either purchased in the WECM or sourced from generating companies that do not operate in the wholesale market. In the Russian regions included in non-price zones of the wholesale market, the retail electricity price for end consumers is set based on the wholesale market prices. Prices aligned with the wholesale market apply to all end consumers, with the exception of households and equivalent consumer categories.

Households and equivalent consumer categories are supplied with power at regulated prices (tariffs) approved by the regional executive authorities in charge of tariff regulation.

On November 16, 2018, FAS published Order No. 1413/18 of October 12, 2018 introducing amendments to the Guidelines for Calculation of Electricity (Capacity) Tariffs for Households and Equivalent Consumer Categories. These amendments updated the formulas for calculating the electricity (capacity) tariff for households within the social consumption limit differentiated by the time of use during the day (two and three-rate tariffs). In addition, they adjusted the formulas for calculating the electricity (capacity) tariff for households in excess of the social consumption limit and formulas for calculating tariffs for the transmission of electric power supplied to households within and in excess of the social consumption limit. Finally, the maximum value of coefficient reflecting alignment of multiple rate tariffs for households with the single-rate electricity (capacity) tariff was raised to 4.0.

The sales in the first and second price zones are consolidated within JSC ESC RusHydro Subgroup (JSC ESC RusHydro, PJSC Krasnoyarskenergosbyt, PJSC RESK, JSC Chuvash Energy Retail Company) whose core business is to supply electricity both directly and via its retail subsidiaries acting as guaranteed suppliers in three Russian regions. In 2018, ESC RusHydro Subgroup supplied electricity to 1,843,222 consumers in the retail market, including 1,786,334 households on direct contracts. Total net supply of electricity amounted to 20,272.5 mn kWh in 2018.

The number of consumers (households and corporates) in service in the first and second price zones EU3

Consumer	Active contracts from January 1, 2018 to December 31, 2018
	Electricity
Manufacturing industry	3,761
Transport and communications	1,135
Agriculture	2,282
State-financed	5,628
Management companies, condominiums, housing associations, etc.	1,864
Resource providers	75

Housing and utilities	908
Heat suppliers	89
Other	41,146
Households on direct contracts	1,786,334
Total accounts	1,843,222

JSC ESC RusHydro seeks to consolidate retail companies and create a unified sales framework to introduce uniform operating standards in line with RusHydro's approved corporate standards, create a single retail name brand, common standards of retail sales, expand its footprint elsewhere in Russia, establish a center of excellence for retail sales, minimize costs through centralization of certain functions of acquired retail companies within ESC RusHydro as RusHydro's specialized subsidiary, increase margins for RusHydro Group through vertical integration, and acquire guaranteed consumers for electricity produced by RusHydro's HPPs.

The companies selling electricity to retail consumers in the Far East are:

- PJSC DEK acting as a guaranteed supplier in UES East's non-price zone.
- In the Far East, retail sales of electricity and heat in isolated energy systems are covered by PJSC Yakutskenergo, PJSC Sakhalinenergo, PJSC Magadanenergo, JSC Chukotenergo, PJSC Kamchatskenergo, and JSC UESK.

JSC DGK, JSC Teploenergосervis and JSC Sakhaenergo supply retail consumers with heat only.

In 2018, RAO ES East Subgroup served retail consumers under 2,565,255 electricity supply contracts, including 2,478,200 households, and 884,542 heat supply contracts, including 864,182 households.

In 2018, total net supply of electricity under RAO ES East Subgroup's retail contracts amounted to 30,153.6 mn kWh, while net supply of heat reached 22,370,500 Gcal.

The number of consumers (households and corporates) in service in the Far Eastern Federal District (RAO ES East Subgroup)⁶⁹ EU3

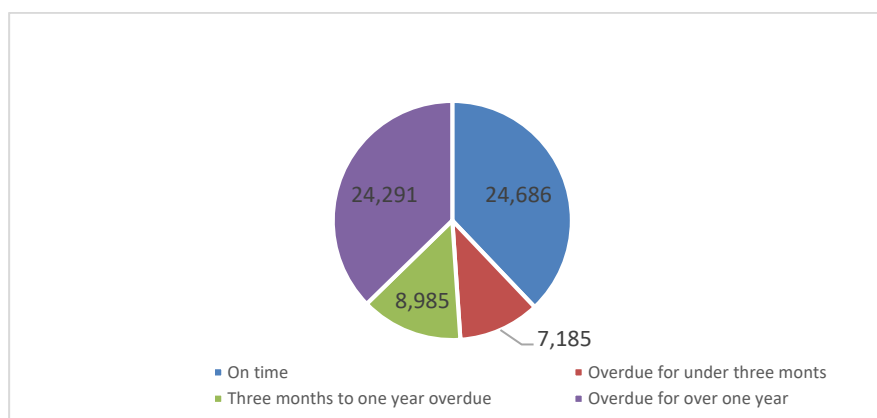
Consumer	Active contracts from January 1, 2018 to December 31, 2018	
	Electricity	Heat
Manufacturing industry	3,169	436
Transport and communications	2,137	59
Agriculture	1,655	32
State-financed	11,179	3,308
Management companies, condominiums, housing associations, etc.	12,154	2,497
Resource providers	24	2
Housing and utilities	957	23
Heat suppliers	-	8
Other	55,780	13,995
Households	2,478,200	864,182
Total accounts	2,565,255	884,542

Results of activities aimed at reducing consumer debt

⁶⁹ Data provided for retail subsidiaries.

Debt recovery is one of RusHydro Group's key focus areas for reducing receivables. As at December 31, 2018, RusHydro Group's receivables from buyers and consumers grew by 6% to RUB 65,147 mn.

Receivables from buyers and consumers, RUB mn



As at December 31, 2018, payments received by RusHydro for electricity supplies to WECM stood at 99.1%. In the same period, payments received for electricity supplies to retail markets of the European part of Russia and Siberia stood at 100.2% at PJSC Krasnoyarskenergosbyt (RUB 41,820 mn, incl. VAT), 98.3% at JSC Chuvash Energy Retail Company (RUB 13,143 mn, incl. VAT), 99.3% at PJSC RESK (RUB 12,034 mn, incl. VAT), and 99.4% at JSC ESC RusHydro (RUB 5,963 mn, incl. VAT).

At JSC RAO ES East Subgroup, as at December 31, 2018, total payments received for electricity and heat in the retail market totaled 97.2%, with receivables of RUB 33,869 mn (incl. VAT). The company received 97.6% of payments for electricity and 96.4% for heat in the retail market. The receivables for electricity and heat amounted to RUB 15,148 mn (incl. VAT) and RUB 18,721 mn (incl. VAT), respectively.

RusHydro Group companies use the following three approaches to improve debt recovery:

1. interacting with consumers and executive authorities and introducing outreach measures aimed at improving payment discipline;
2. recovering debt through court;
3. disconnecting the electricity supply for non-payment.

Improvement of payment discipline through outreach measures

Drawing attention to systemic non-payment of energy bills is an effective way to improve payment discipline among households, businesses and public sector.

- The prompt payment culture is created through measures encouraging regular and timely payment. Given that utility service providers are among the biggest debtors, these initiatives seek to incentivize those management companies, condominiums and housing associations that fulfil their payment obligations promptly.
- Other actions include regular posting of 'black lists' of persistent non-payers featuring organizations with the worst payment discipline and the highest debt levels.
- Encouraging early payment has also been proven effective in addressing the debt issue. In 2018, Far Eastern Energy Company and JSC DGK ran a joint campaign 'New Year Without Debts' writing off penalties accrued in unpaid electricity and heat bills (unless claimed through court) for the debtors from the Primorye and Khabarovsk Territories, Amur Region and Jewish Autonomous Region who had paid their electricity and heat arrears before December 20, 2018.

Debt recovery through court

As part of its efforts to reduce receivables, RusHydro Group works to enforce debt recovery through court action:

– In 2018, ESC RusHydro Subgroup filed 40,876 claims to recover debt on electricity bills for a total of RUB 4,514 mn, of which 4,598 claims against legal entities, including 94 claims of RUB 918 mn against grid companies purchasing electricity to offset grid losses, 643 claims of RUB 454 mn against state-funded organizations, and 36,184 claims of RUB 249 mn against individuals. Courts of different instances satisfied 30,204 claims for RUB 2,945 mn, and issued 31 759 writs of execution for over RUB 2,394 mn. The measures that bailiffs may use for non-payment include direct debiting, freezing injunction, travel restriction, and restriction on disposal (sale, transfer by gift, etc) of cars and real estate.

– In 2018, RAO ES East Subgroup filed 197,021,000 claims to recover debt on electricity and heat bills for a total of RUB 12,144 mn, including 7,191 claims of RUB 9,336 mn against legal entities, of which 1,089 claims against state-funded organizations, and 189,830 claims of RUB 2,808.3 mn against individuals. Courts of different instances satisfied 186,139 claims for RUB 9,364 mn.

Disconnection for non-payment

Disconnection for non-payment is an effective measure, but a last resort in ensuring debt recovery. The supply is disconnected upon notice made in accordance with the applicable legislation and delivered by hand, on signature of a delivery receipt, by registered post, via text message or by phone. The notice is sent 10 days before the actual disconnection. After disconnection, the electricity supply may not be resumed until the debt has been paid in full (or a debt restructuring agreement has been signed), including the penalties and reconnection fees.

ESC RusHydro Subgroup:

In 2018, RUB 14,963 mn of debt was repaid by 300,000 consumers after receiving notices, RUB 466 mn by 22,522 consumers after disconnection, including RUB 73 mn by households. Total number of consumers disconnected in 2018 amounted to 66,577, including 64,093 consumers from the Households group.

RAO ES East Subgroup:

Total number of disconnections for non-payment in 2018 amounted to 244,775, including 239,550 disconnections in the Households group.

Electricity markets in the Far Eastern Federal District

Tariffs in the non-price and isolated zones of the Far Eastern Federal District are set by the federal executive authorities (FTS until July 21, 2015, and FAS after July 21, 2015) and the regional executive authorities in charge of tariff regulation (regional regulators). There are no unregulated tariff zones in the Far Eastern Federal District.

In the non-price zone of the WECM, a single purchaser model has been put in place, with suppliers selling electricity and capacity to a single purchaser at set rates. Wholesale customers buy electricity and capacity from the single purchaser at prices calculated by the Commercial Market Operator (JSC TSA), based on indicative buyer prices set by FAS.

In accordance with paragraph 170 of the Russian Government's Resolution No. 1172 of December 27, 2010, Far Eastern Energy Company (DEK) has been designated as the single purchaser in the Far East. Accounting for over 50% of retail electricity supplies in the Far East, DEK is an electricity retailer created through restructuring of regional energy and electrification companies. The company is the guaranteed supplier in the Amur Region, Jewish Autonomous Region, and Khabarovsk and Primorye Territories. DEK's share in the total retail UES East electricity consumption stands at over 85%.

In some areas of the Far East, including the isolated energy systems of the Kamchatka Territory, Magadan Region, Chukotka Autonomous Area, Western and Central districts of the Republic of Sakha (Yakutia) and Sakhalin Region, retail market is the only available option as these areas are not linked to the Unified Energy System of Russia.

According to the Russian Government's Resolution No. 1496 *On Connecting the Western and Central Energy Districts of the Republic of Sakha (Yakutia) to the Unified Energy System of Russia, and on*

Amending and Classifying as Invalid Certain Acts of the Government of the Russian Federation dated December 8, 2018 and published on December 10, 2018, the Western and Central Energy Districts of the Republic of Sakha (Yakutia) are included in the non-price zone of the Far Eastern WECM effective from January 1, 2019.

Electricity tariffs and supply in the Far Eastern Federal District

Federal Law No. 35-FZ *On Electric Power Industry* dated March 26, 2003 outlines the basic principles and methods of state regulation in the electric power industry and the regulators' scope of authority. The basic principles and methods of price (tariff) regulation in the electric power industry and the procedure for setting tariffs are set out in the Russian Government's Resolution No. 1178 *On Pricing in the Field of Regulated Prices (Tariffs) for Electric Power* dated December 29, 2011.

For the purpose of tariff determination, regulators used the following regulation methods:

- tariffs for JSC DGK electricity (capacity) supplies in the WECM non-price zones (as approved by FAS Order No. 1736/16 of December 8, 2016) were calculated using the indexation methodology;
- DRSK electricity transmission tariffs for services provided by Amur and Khabarovsk Power Systems were determined based on the regulatory asset base method (RAB), while tariffs for services provided by Primorye Power System, Electric Networks of the Jewish Autonomous Region and South-Yakutsk Power System were set using long-term indexation of required gross revenue;
- sales surcharge for PJSC DEK was determined using the comparative method;
- electricity tariffs for end consumers in isolated zones were determined using the method of economically justified expenses.

Since July 1, 2016, in the WECM non-price zone numerical tariff values are no longer set for other consumers. In accordance with the estimated tariff values determined based on indicative prices, the uniform transmission tariff and the sales surcharge approved by the regulator, the tariff increase in the WECM non-price zone ranged from 0.35 to 23.64%.

In 2018, the overall increase in average electricity tariffs for consumers in the isolated zone of the Far Eastern Federal District amounted to 14.44% y-o-y. The smallest increase was registered by JSC UESK (6.1%), while the largest one (88.1%) was delivered by JSC Chukotenergo (owing to inclusion of additional costs to the required gross revenue to offset the cost of electricity purchased from Bilibino NPP in 2017).

The average annual increase in wholesale energy price of JSC DGK in 2018 amounted to 0.97% y-o-y, with the electricity rates declining by 0.5% and capacity rates growing by 4.1%.

The weighted average energy rate for all of the DGK plants was: RUB 1,321.33 per MWh in H1 2018 and RUB 1,327.98 per MWh in H2 2018 (an increase of 0.5% over H1 2018).

Key factors behind changes in the DGK electricity tariff rates in H2 2018 compared to the rates approved for H2 2017 included lower per unit fuel consumption at production facilities, 2018 gas prices under the Consortium-1 project, and application of growth indices for coal and fuel oil in 2018 with downward adjustment based on the actual 2016 indices.

The average DGK capacity tariff rate was:

RUB 262,332 / MW per month in H1 2018;

RUB 272,172 / MW per month in H2 2018 (an increase of 3.7% over H1 2018).

Power transmission tariffs at DRSK

For the branches of JSC DRSK (Primorye Power System, Amur Power System, Khabarovsk Power System, and Electric Networks of the Jewish Autonomous Region (ES EAO)), 2018 marked the beginning of the second long-term regulation period. During this period (2018–2022), electricity transmission tariffs for Amur and Khabarovsk Power Systems will be regulated using the ROIC method, while tariffs for Primorye Power System and Electric Networks of the Jewish Autonomous Region will be set using long-term indexation of required gross revenue.

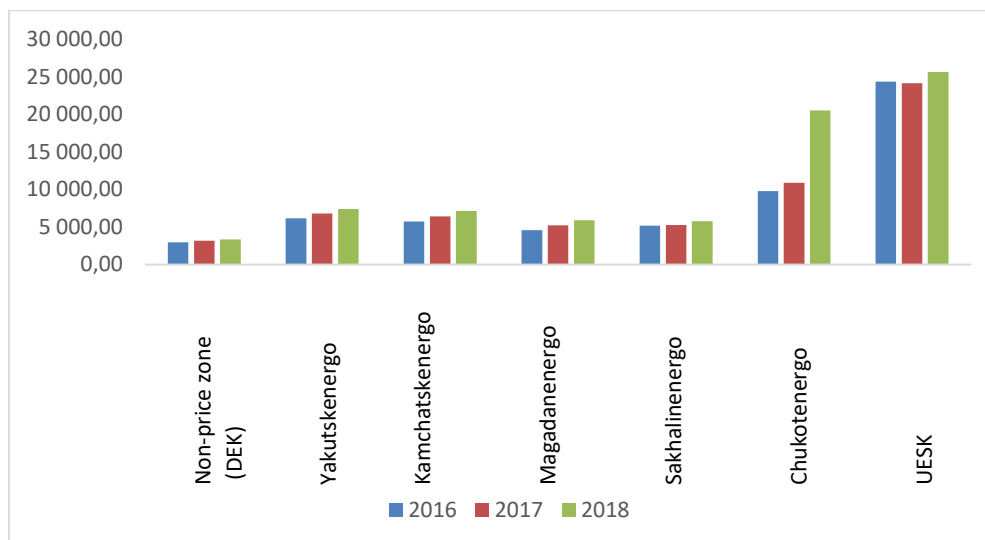
For South-Yakutsk Power System, 2018 was the last year of the long-term regulation period, with tariffs for 2014–2018 set using the long-term indexation method.

In 2018, the average power transmission tariff growth within the footprint of DRSK was 1.14% y-o-y, with net supply and required growth revenue increasing by 2.28% and 3.44%, respectively.

For the purposes of transition to the next long-term regulation period (effective for all branches except for South-Yakutsk Power System), the base level of controllable expenses was determined using the comparative method, with the company-wide controllable costs growing by 19.06%. The opex efficiency ratio was approved at 2% for the entire duration of the long-term regulation period.

The company-wide per unit opex accounted for in the 2018 tariffs rose by 15.38% compared with 2017.

Average electricity tariffs in the Far Eastern Federal District, RUB/MWh



Alignment of tariffs in the Far Eastern Federal District with national averages: impact on the regions and RusHydro (EU23)

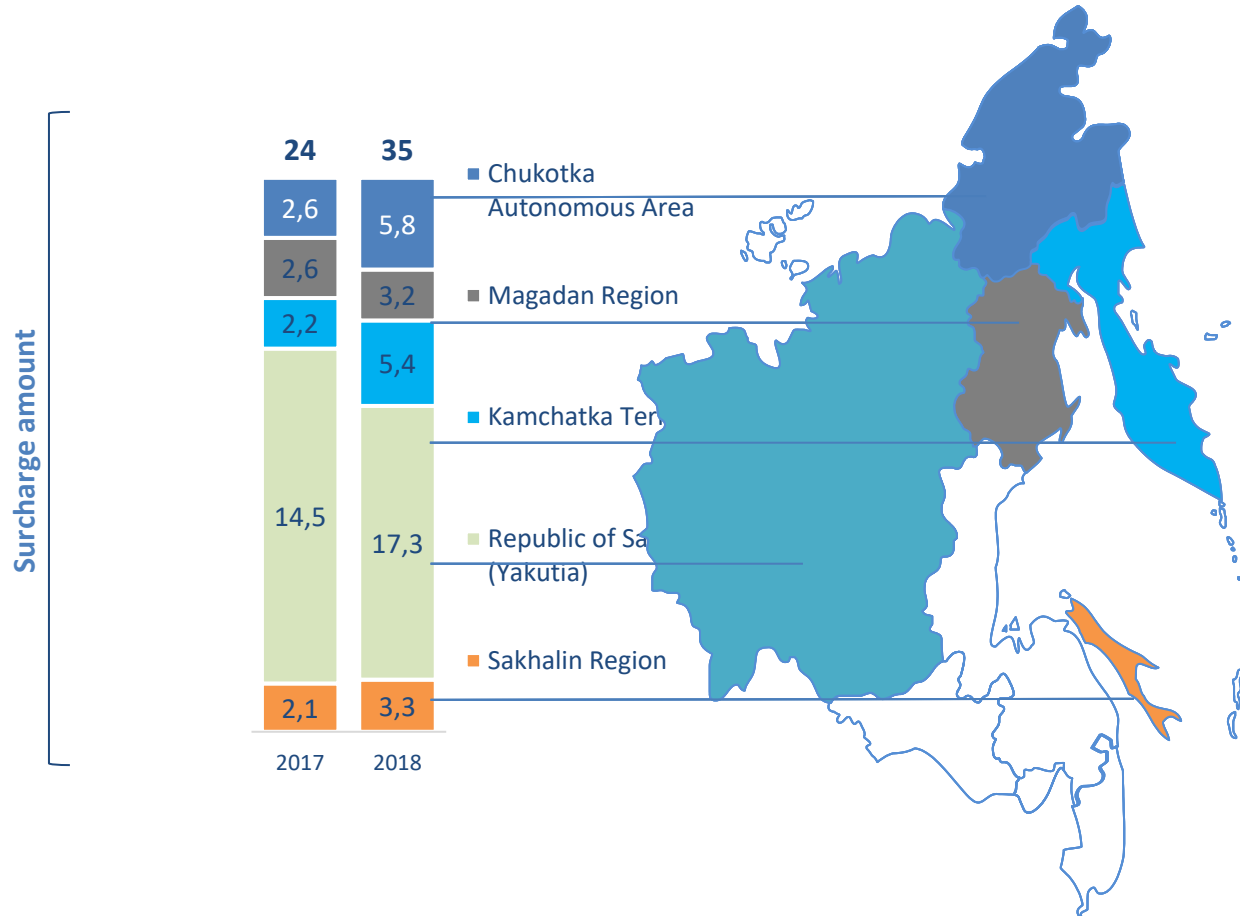
Federal Laws No. 508-FZ dated December 28, 2016 and No. 129-FZ dated June 30, 2017 *On Amendments to the Federal Law On Electric Power Industry* introduced a surcharge to the capacity price in the first and second price zones, helping to bring tariffs in the Far East down to the Russian base (average) rate.

These amendments provide for a surcharge to be applied to the capacity price in the WECM price zones, with proceeds from the surcharge transferred to the regional budgets of the Far Eastern Federal District in the form of target non-repayable contributions.

As part of the effort to bring electricity (capacity) prices (tariffs) for the Far Eastern consumers other than households to the base rate, the Government issued Decree No. 2527 dated November 15, 2018 to set the base electricity (capacity) price (tariff) for 2018 at RUB 4.3 per kWh. Currently, the effective average tariff for industrial consumers in the above areas ranges from RUB 4.58 to RUB 32.3 per kWh.

As part of the effort to align prices in the Far East with the Russian base rate, the surcharge amount for 2018 was approved by the Russian Government at RUB 35,032.3 mn.

In 2018, the alignment mechanism was used in five out of nine regions of the Far Eastern Federal District. In all of those regions, before introducing this mechanism, the average electricity tariff for consumers was higher than RUB 4.3 per kWh. Tariff reduction does not result in lower revenue, as it is fully offset by government subsidies paid from the budget funds generated by surcharge to the capacity auction rate. Total subsidies received by guaranteed suppliers from RusHydro Group as compensation for the shortfall in income following tariff alignment amounted to RUB 26,480.6 mn in 2018.



In 2018, the Group was actively involved in the work on the Russian Government's draft resolution aimed at changing the tariff system. The new system provides for a switch to long-term tariff regulation for existing power generation facilities to reflect the actual fuel costs incurred by energy companies.

Long-term regulation takes into account, among other things:

- base operating costs;
- opex efficiency ratio (X factor);
- energy saving and energy efficiency indicators.

This project is currently assessed for its regulatory impact and is awaiting the conclusion of the Russian Ministry of Justice.

Electricity sales in the Far East's non-price zone

In 2018, PJSC DEK acting as the single purchaser in the non-price zone of the Far East's wholesale electricity (capacity) market purchased 30,998 mn kWh. Its commercial purchases of electricity and capacity in the WECM for PJSC DEK amounted to RUB 51,646 mn in 2018.

Electricity sales stood at 11,157 mn kWh in the WECM (besides, the company sells electricity in the retail market). DEK's commercial sales of electricity and capacity in the WECM amounted to RUB 20,198 mn 2018.

Item	2017	2018	Y-o-y change, %
WECM electricity purchases by PJSC DEK, mn kWh	30,738	30,998	1
Cost of WECM electricity (capacity) purchases by PJSC DEK, RUB mn	50,388	51,646	2
WECM electricity sales by PJSC DEK, mn kWh	8,229	11,157	36
Cost of WECM electricity (capacity) sales by PJSC DEK, RUB mn	15,202	20,198	33

As new consumers were tapping into the wholesale market, the volumes and cost of electricity (capacity) sales grew by a sound 36% and 33% y-o-y, respectively. The bulk of demand came from Rusenergobytt LLC building up purchases for PJSC Russian Railways in the Amur Region.

In 2018, PJSC DEK supplied 22,391 mn kWh in the non-price zone of the Far East's wholesale electricity (capacity) market. Its commercial sales of electricity and capacity in the WECM for JSC DGK amounted to RUB 49,711 mn in 2018.

Item	2017	2018	Y-o-y change, %
Supply of electricity by JSC DGK, mn Wh	21,388	22,391	5
Cost of WECM electricity (capacity) supplied by JSC DGK, RUB mn	48,445	49,711	3

The cost of electricity (capacity) supply grew by 3% y-o-y, mainly due to the rising electricity sales volumes and tariff indexation.

Heat market

In the heat generation market of the Far Eastern Federal District, RusHydro is represented by RAO ES East Subgroup and Bureyskaya and Zeyskaya HPPs.

Heat is supplied on a centralized basis from the thermal power plants and boiler stations operated by energy systems. Some energy systems engage in both heat production and distribution, while others do not go beyond production operations.

Unless stipulated otherwise, sale of heat is fully regulated under the Russian law.

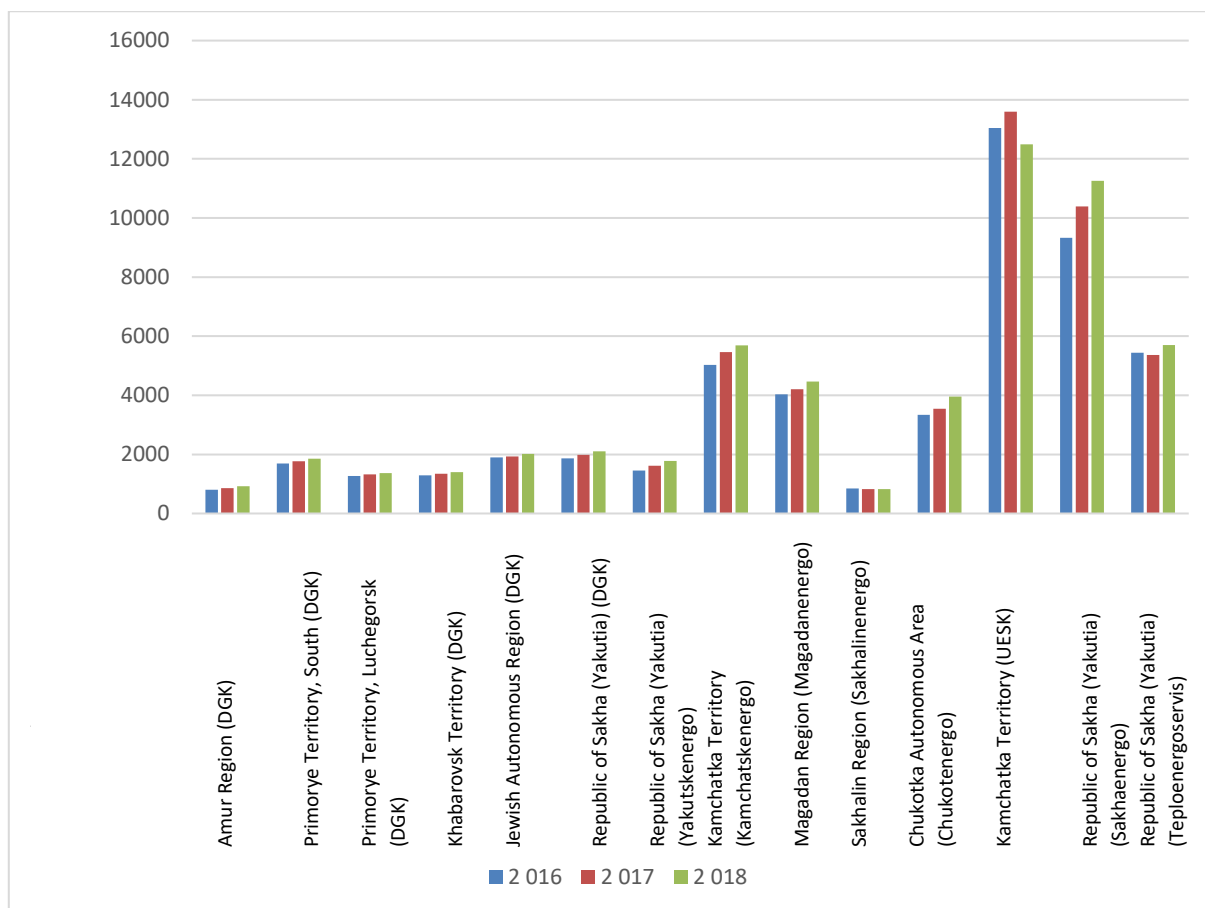
Federal Law No. 190-FZ *On Heat Supply* dated July 27, 2010 sets out the basic price (tariff) regulation principles for heat supply and the scope of authority of regulators in charge of heat supply price (tariff) regulation. The Russian Government's Resolution No. 1075 *On Pricing in the Field of Heat Supply* dated October 22, 2012 outlines the main regulation principles and procedures for calculating and approving heat tariffs.

On July 19, 2017, amendments were introduced to Federal Law No. 190-FZ *On Heat Supply* dated July 27, 2010 to enable transitioning from fully regulated prices (tariffs) for heat supplies to contractual prices (with certain caps provided for the benefit of consumers). This approach is based on the so-called "alternative boiler" principle, which provides for capping the contractual consumer price at a level sufficient to cover for the construction and maintenance of an alternative boiler station not included in the centralized heat supply system. In some municipalities, a transition to this model has been underway since 2018.

In the Far East, heat tariffs in 2018 were set using the long-term indexation method in line with the Guidelines for Calculation of Regulated Prices (Tariffs) for Heat Supplies approved by FTS Order No. 760-e dated June 13, 2013.

Consumer tariffs for heat supplies in the Far Eastern Federal District, RUB/Gcal⁷⁰

⁷⁰ Sakhalinenergo and Chukotenergo supply heat from power plants and boiling stations to the wholesale reselling consumers.



The average tariff in DGK zones of operation rose by 4.44%, with the smallest increase (2.74%) registered by LuTEK in the Primorye Territory and the largest increase (56.97%) recorded by Volochayevskaya boiling station in the Khabarovsk Territory (due to revenue adjustment to account for the discrepancy between the actual tariff calculation metrics and the metrics used for setting the 2016 tariff).

In the isolated zones, average consumer tariffs for heat supplies added 5.57%, with the smallest increase (4.24%) recorded by PJSC Kamchatskenergo and the largest increase (11.4%) registered by JSC Chukotenergo. JSC UESK reported an average tariff decline of 8.17% compared to the rate approved for 2017 due to the exclusion of RUB 72.2 mn excess fuel income received in 2016 from the required gross revenue for Penzhinsky Municipal District. Tariffs set for PJSC Sakhalinenergo for 2018 were the same as in 2017.

Reliability and safety of production facilities

RusHydro Group's reliability and safety policy (103-2)

One of RusHydro Group's strategic goals is to provide reliable power supply that will be safe for people, environment in which the equipment operates, hydraulic structures, and production facilities.

The RusHydro Group's Technical Policy defines requirements for the integrated process safety management system, including the industrial safety management subsystem.

The following documents were developed and adopted as part of the industrial safety management system:

1. Standard Regulations on In-Process Monitoring of Compliance with Industrial Safety Requirements at Subsidiary's Hazardous Production Facilities approved by RusHydro's Order No. 190 of March 11, 2015;

2. RusHydro's In-Process Monitoring Information System ("IPMIS") commissioned by RusHydro's Order No. 1170 of November 27, 2013. The IPMIS has been deployed across all RusHydro's branches;

3. Integrated analytical database recorder (KRAB-3) improving monitoring efficiency and automating the recording, analysis, and planning of measures prescribed by federal, institutional and internal health, industrial and fire safety supervisory bodies. The recorder was commissioned by Decree No. 467r of December 8, 2015 *On Using a Data Reporting Form – Integrated Recorder for the Analytical Database of Supervisory Activities*. Decree No. 157r of May 14, 2018 *On Using a Data Reporting Form – Integrated Recorder for the Analytical Database of Supervisory Activities* redistributed the responsibilities for the KRAB-3 recorder and monitoring compliance with supervisory bodies' instructions among departments of the Production Unit at RusHydro's HQ.

4. RusHydro's methodology of identification, classification and recording of hazardous production facilities in the State Register of Hazardous Production Facilities with due regard to operational risks and new requirements of the Russian laws on industrial safety (the "Methodology") approved by the Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor) as compliant with Russian industrial safety laws (Rostekhnadzor letter No. 00-02-07/1695 of September 29, 2014).

5. RusHydro's Regulations on the Reliability and Safety Management System for Hydraulic Structures and Hydroelectric Power Plants (approved by RusHydro's Order No. 515 of August 8, 2017).

The industrial safety priorities are:

- to continuously enhance and improve industrial safety of the Company's hazardous production facilities in line with the global best practices by ensuring timely upgrades of process equipment and its safe, reliable and trouble-free operation;
- to establish and maintain an efficient on-site safety monitoring system to enable industrial safety planning and tackling major challenges faced by the Company.

Meeting the above industrial safety goals helps reduce industrial risks associated with hazardous production facilities as a result of better process control, quality of repairs and industrial safety audits.

Ways of ensuring reliable and safe facility operation include:

- quality assurance at design and construction phase;
- external regulatory supervision;
- internal process monitoring;
- compliance with industry and corporate operating standards and procedures;
- implementation of the Technical Policy and engineering system controls.

In pursuance of RusHydro's Decree No. 50r of February 22, 2018 *On the Approval of Target Audit Schedule*, Production Unit departments performed target audits of branches and subsidiaries to improve the effectiveness and control of process compliance with applicable safety requirements.

The dual control and monitoring of compliance with industrial safety requirements at hazardous production facilities – both internally and externally (by state supervisory bodies) – secures efficient control over safety and reliability of existing assets.

Allocation of industrial safety responsibilities

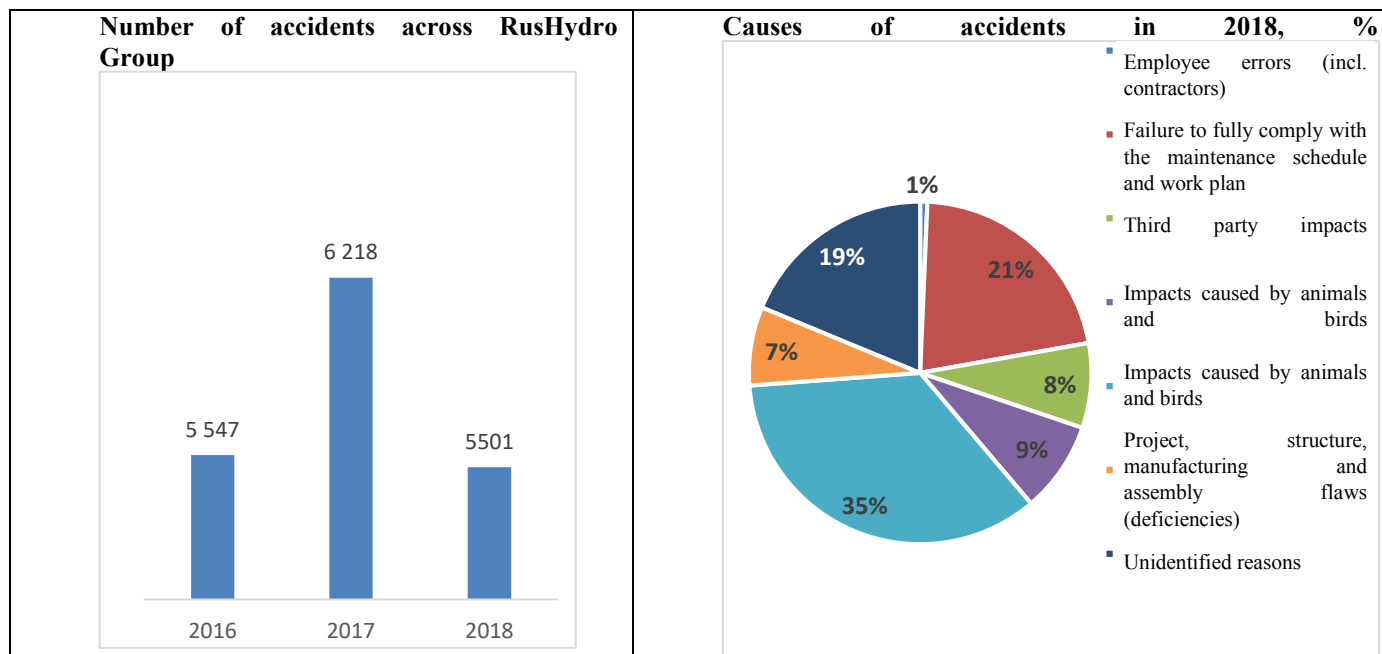
<ul style="list-style-type: none"> – general control of compliance with industrial safety requirements at hazardous production facilities of RusHydro and production subsidiaries; – methodological support and coordination of industrial safety efforts at the Company's hydropower facilities, including recording of violations, emergency prevention and response; 	<p>Boris Bogush, Member of the Management Board, First Deputy Director General — Chief Engineer</p>
<ul style="list-style-type: none"> – setting up and running internal controls of compliance with industrial safety requirements at hazardous production facilities and hydropower facilities of RusHydro and its production subsidiaries; – coordination and control of HQ units, branches and subsidiaries as regards in-process monitoring and compliance with industrial safety requirements; – methodological support of the Company's branches and subsidiaries as regards in-process monitoring of compliance with industrial safety requirements, operation of industrial safety management systems; – control over the development and implementation of action plans by Company branches and subsidiaries, to eliminate industrial safety gaps identified by supervisory bodies, as well as annual industrial safety action plans. 	<p>Industrial and Fire Safety Office of the Industrial and Occupational Safety Department</p>
<ul style="list-style-type: none"> – ensuring operation of hazardous production facilities as required by the Russian laws and RusHydro Group's internal regulations; 	<p>Industrial and occupational safety functions in branches</p>

– in-process monitoring along with the development and implementation of industrial safety efforts.	and subsidiaries
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All of RusHydro Group’s production facilities have put in place regulations on in-process monitoring of compliance with industrial safety requirements at hazardous production facilities.

RusHydro Group has 478 hazardous production facilities registered in the State Register of Hazardous Production Facilities, including: 177 RusHydro’s hazardous production facilities and 301 subsidiaries’ hazardous production facilities.

Accident rate at RusHydro Group’s facilities



RusHydro Group accident rate was down 11.5% year-on-year. The vast majority of accidents (over 90%) occurred at RusHydro Group’s grid facilities. In 2018, most accidents (52%) were caused by adverse weather conditions, third parties, animals, or birds. 21% of accidents were due to untimely or insufficient equipment maintenance and repair.

System Average Interruption Frequency Index (SAIFI)⁷¹ (EU28)

Grid subsidiaries	2016	2017	2018
JSC UESK	0.31	0.199	0.35
PJSC Kamchatskenergo	0.547	2.045	1.3177
JSC Sakhaenergo	12.93	11.43	11.79
PJSC Yakutskenergo	4.716	3.261	3.755
PJSC Sakhalinenergo	31.945	12.8345	6.205
PJSC Magadanenergo	2.599	1.8329	2.3035
Far Eastern	3.702	6.3886	6.223

⁷¹ The System Average Interruption Frequency Index (SAIFI) is calculated using the formula $(\sum l_i * N_i) / N_T$, where l_i is the failure rate, N_i is the number of customers for location i , and N_T is the total number of customers served. The index is calculated for the entire location served.

Distribution Company			
JSC Geoterm	6.7	9	1.23
JSC Chukotenergo	4.72	6.99	5.26
PJSC Mobile Energy	0.005	0.0043	0.0054

System Average Interruption Duration Index (SAIDI)⁷² (EU29)

Grid subsidiaries	2016	2017	2018
JSC UESK	2.138	2.138	1.309
PJSC Kamchatskenergo	3.247	5.079	1.86
JSC Sakhaenergo	45.54	44.9	35.88
PJSC Yakutskenergo	4.927	8.906	9.051
PJSC Sakhalinenergo	18.341	39.296	20.97
PJSC Magadanenergo	7.8258	4.333	5.453
Far Eastern Distribution Company	9.19	13.2202	26.034
JSC Geoterm	10.8	7.2	0.48
JSC Chukotenergo	60.06	52.51	50.17
PJSC Mobile Energy	2.5	1.9	2.6

Program of Stable Power Grid Operation in the Sakhalin Region

The Sakhalin Region has one of the most troublesome power grids in terms of power outages, as the island is exposed to violent winds and heavy snowfalls.

As instructed by Minutes No. YUT-P9-13 of March 18, 2016 of the meeting at the office of Yury Trutnev, Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Envoy to the Far Eastern Federal District, the Government of the Sakhalin Region and RusHydro Group developed the Program of Stable Power Grid Operation in the Sakhalin Region.

The Program is expected to help tackle the key issues causing disruptions in Sakhalin's power grid, including inadequate design solutions used in the construction of high-voltage overhead power lines, which do not take into account actual local weather conditions, as well as increasing wear and tear of the equipment and power transmission lines.

The Program saw 55 priority projects listed with respect to PJSC Sakhalinenergo's (included in RusHydro Group) area of responsibility and operation, including renovation/construction projects for 35–220 kV overhead power lines (33 lines, 936 km) and 22 substations (789 MVA). With total investments over a ten-year horizon estimated at RUB 40 bn, the projects are now facing a financing shortage of RUB 25 bn. The Program has been approved by the Government of the Sakhalin Region, Russian Ministry of Energy and PJSC RusHydro. To the extent permitted by tariffs, Sakhalinenergo is implementing the Program as part of its own investment program.

Preparedness for natural disasters and emergencies

⁷² The System Average Interruption Duration Index (SAIDI) is calculated using the formula 1), where N_i is the number of customers and U_i is the annual outage time for location i , and N_T is the total number of customers served. The index is calculated for the entire location served.

RusHydro Group is responsible for reliable and uninterrupted operation of its facilities. To this end, a system was implemented at the Group's assets to prevent and respond to natural disasters and emergencies. In particular, efforts are made to prevent process upsets and accidents, and if an interruption occurs, the Company does its best to bring the facility operation back to normal as soon as reasonably possible. Furthermore, employees of RusHydro have regular trainings in civil defense and emergency response.

Key potential sources of natural disasters at RusHydro's production facilities:

- high magnitude low-frequency flood may result in boosting the headrace, overflowing hydraulic structures, waterfront destruction in junction areas, and a hydrodynamic accident followed by the flooding of adjacent areas;

- during emergency alerts, there is a risk of electrical grid accidents caused by wire breaks or overlapping and short circuits at transformer stations followed by power outages in residential areas, administrative buildings, and production facilities;

- river overflowing its banks may cause the flooding and failure of pylons, possibly resulting in power outages in commercial and residential buildings.

- technological emergencies affecting equipment (including electrolysis plants (hydrogen receivers), gas distribution stations, boiler units and turbo generators) and grid infrastructure may cause interruptions or failures of power and heat generation or supply;

- accidental oil spill affecting economic assets and people.

In RusHydro Group, the following parties are responsible for the protection of population and territories from emergencies:

- Situation Analysis Center and Industrial and Occupational Safety Department (as regards fire safety) at the Headquarters. They report to Member of the Management Board, First Deputy Director General – Chief Engineer of the Company;
- first deputy directors – chief engineers with the direct involvement of civil defense and emergency response engineers reporting to them – at the Group's branches;
- employees authorized to deal with the issues of civil defense and protection of population from natural and industrial emergencies – at RusHydro's subsidiaries.

RusHydro prevents and responds to emergencies in full accordance with regulatory requirements of Russian laws applicable to hydraulic structures and hazardous production facilities. For the purpose of rescue and emergency recovery operations, the Company has established an insurance fund of documentation for RusHydro Group's hazardous facilities. The insurance fund is held on file by authorities.

All RusHydro Group's facilities have:

- action plans for natural and industrial emergency prevention and response, as well as action plans for oil and petrochemicals spill prevention and response approved by local bodies of the Ministry of the Russian Federation for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM);
- hydraulic structures safety declarations updated (revised) at least once in every five years subject to obligatory audit of such hydraulic structures by ad hoc commissions in collaboration with design and R&D institutions;
- facility safety certificates;
- special machinery for prompt response to potential damage or accidents (for facilities with own (or contractor's) fire stations);
- emergency and rescue equipment.

Volunteer emergency response teams and contractors' professional emergency response teams have been established and maintained at all RusHydro Group's facilities operating extremely dangerous and highly dangerous hydraulic structures or class 2 and class 3 hazard class facilities with civil defense categories duly assigned.

Functional subsystem of the National Emergency Management System

In pursuance of the Order of the Russian Ministry of Energy⁷³, RusHydro Group established functional subsystem of the National Emergency Management System (NEMS).

The Company's emergency prevention and response and fire safety commission (the "Commission") is the supervisory body of the subsystem responsible for the timely situation assessment and decision-making on emergency prevention. The Commission's annual action plans stipulate efforts to facilitate the safe passage of flood water during the spring and summer period, prepare for the fall and winter peak loads, and secure the stable operation during the fire and storm seasons. The Commission manages and coordinates the operations of permanent bodies and management bodies responsible for day-to-day operations of the functional subsystem.

Permanent bodies of the Company's functional subsystem management – the Situation Analysis Center's team specializing in civil defense, emergency prevention and response, and civil defense and emergency engineers at generating branches and subsidiaries – are responsible for the planning of emergency prevention and response, coordination of emergency prevention and response activities in accordance with laws and regulations of the Russian Federation and internal documents of the Company.

Management bodies responsible for day-to-day operations of the Company's functional subsystem – the Situation Analysis Center's duty shift and duty shifts at generating branches and subsidiaries – conduct 24/7 situation monitoring at facilities, give notices of any equipment failures identified, and carry out priority emergency prevention activities.

Local alarm systems are in place at 31 facilities of the Group.

For the purpose of emergency prevention and response, RusHydro established resource stockpiles at its branches operating hydraulic structures and a dedicated financial reserve at RusHydro. The dedicated financial reserve for emergencies was established on a centralized basis in the interests of RusHydro's branches by transferring 1% of the average monthly revenue from electricity and capacity sales. All subsidiaries have established the required financial reserves and resource stockpiles for emergency prevention and response.

Emergency recovery exercises

Employees are trained in emergency recovery as part of the corporate civil defense and emergency response training program. The list of persons to be trained was made in accordance with Russian laws and regulations.

Pursuant to the schedule for 2018, RusHydro Group conducted:

- 32 comprehensive exercises;
- 433 facility-based exercises;
- 97 table top exercises and training sessions;
- 60 tactical training exercises.

In 2018, 244 people passed training or advanced professional training at training centers and civil defense courses, including three civil defense managers and 53 chairmen and members of emergency prevention and response and fire safety commissions.

Prevention of injuries and fatalities involving the Company's assets (EU 25)

A special occupational safety focus is the prevention of individual injuries arising from interaction with the Company's assets. This issue is primarily covered through mass media (articles published in printed and online media) and safety lessons at school on hazardous and harmful health impact of various power installations in the event of exposure within the hazard distance.

Legal proceedings were launched in 2018 in connection with two individual injuries, including those taking place at JSC DRSK assets. A compensation for moral damages of RUB 200,000 was awarded on one of the cases (injury suffered in 2016), while the second suit was dismissed without hearing.

⁷³ Order of the Russian Ministry of Energy No. 222 On the Functional Emergency Management Subsystem at Organizations (Facilities) of the Energy Industry and Organizations (Facilities) Subordinate to the Russian Ministry of Energy dated June 9, 2011.

Occupational health and workplace injuries

Workplace safety management framework (103-2)

The fundamental document that defines the principles of workplace safety at RusHydro is the Health and Safety Policy (approved by RusHydro's Order No. 327 of April 20, 2015).

Also, the Company has health and safety regulations in place as follows: Regulations on Occupational and Fire Safety Day at RusHydro's branches (approved by Order No. 300 of April 25, 2016) and Temporary Regulations for Authorization of Building and Fitting Contractors and Seconded Staff to Operate at RusHydro's Sites (approved by Order No. 736 of November 13, 2008).

RusHydro Group's labor protection and industrial safety objectives

- protecting the life and health of the Group's employees in the workplace;
- preventing occupational injuries and diseases;
- creating safe employee behavior patterns and hazard prevention skills;
- improving working conditions on an ongoing basis.

Occupational health and safety management (403-1) includes:

- management decisions on organizational, technical, sanitary and hygienic, treatment and preventive, medical and social measures aimed at ensuring safety;
- protection of employee capability, health and life in the workplace, monitoring of employee compliance with occupational safety, fire prevention and industrial safety requirements.

Distribution of responsibility for occupational health and safety management at RusHydro (103-2)

Member of the Management Board, First Deputy General Director – Chief Engineer	Industrial and Occupational Safety Department	Health and safety functions at branches and subsidiaries
<ul style="list-style-type: none">• Management of health and safety activities at hydropower facilities• Setting up and ensuring oversight over health and safety activities, including preventive measures to minimize operational risks and protect employee health	<ul style="list-style-type: none">• Development, oversight and control of occupational health and industrial safety measures at the Company level	<ul style="list-style-type: none">• Development, oversight and control of occupational health and industrial safety measures directly at branches and subsidiaries

Key focus areas in occupational health and safety management for 2018

Occupational safety training and knowledge assessment (403-5)	Identification of occupational hazards (403-2)	Employee health screening and voluntary health insurance for the working environment and operating process (403-6)
<ul style="list-style-type: none">– Free-of-charge occupational safety training and knowledge assessment for employees and labor safety officers.– Employee training for a new job with internship in the workplace.– Emergency and fire response drills.– Occupational health and safety briefings for in-house and contractor staff.– Special and advanced staff training.– Demonstrations for crews before work	<ul style="list-style-type: none">– Special assessment of working conditions to identify occupational hazards. Assessment of workplace conditions, definition of their class.– Operational control of compliance with sanitary rules as well as sanitation and epidemic prevention measures (laboratory tests, working environment surveys).	<ul style="list-style-type: none">– Social guarantees and compensations to employees working in hazardous conditions following the special assessment (reduced hours, additional leave, therapeutic and preventive nutrition);– Mandatory regular medical and psychiatric examinations (check-ups).– Medical aid to the insured in the form of outpatient care and emergency and routine

<p>authorization.</p> <ul style="list-style-type: none"> – Occupational Safety Days on a monthly basis; – Thematic events, including those aimed at: <ul style="list-style-type: none"> - preventing injuries in electrical installations, work at height, confined spaces, pressure equipment, construction work, loading and unloading operations, lifting equipment, appliances and mechanisms; - enhancing workplace culture; promoting traffic safety, training staff for winter seasons; – - training staff for maintenance campaigns. Staff training in safe work methods, adequate use of tools and personal protective equipment. – Training efficiency is assessed based on tests and knowledge checks (protocols). – Training efficiency can be assessed by both trainees and managers, training officers, teachers, experts and dedicated assessment teams. 	<ul style="list-style-type: none"> – Staff interviews and meetings (403-4). – Overviews of injuries in electrical installations and development of injury prevention measures. – Workplace rounds to identify violations of occupational, industrial and fire safety rules by in-house and contractor staff. – Reviews of proposals from employees, trade unions or other employee authorized bodies aimed at improving working conditions and occupational safety. (403-4) – (Occupational) health and safety provisions in formal agreements with trade unions (403-4). – 	<ul style="list-style-type: none"> – inpatient treatment. – with health disorders or conditions (if required) as part of VHI. – Outpatient care, emergency and routine inpatient treatment, emergency medical aid and foreign travel insurance as part of VHI. – Annual preventive measures (employee vaccination and examinations) to reduce threats to human life or health, as part of VHI.
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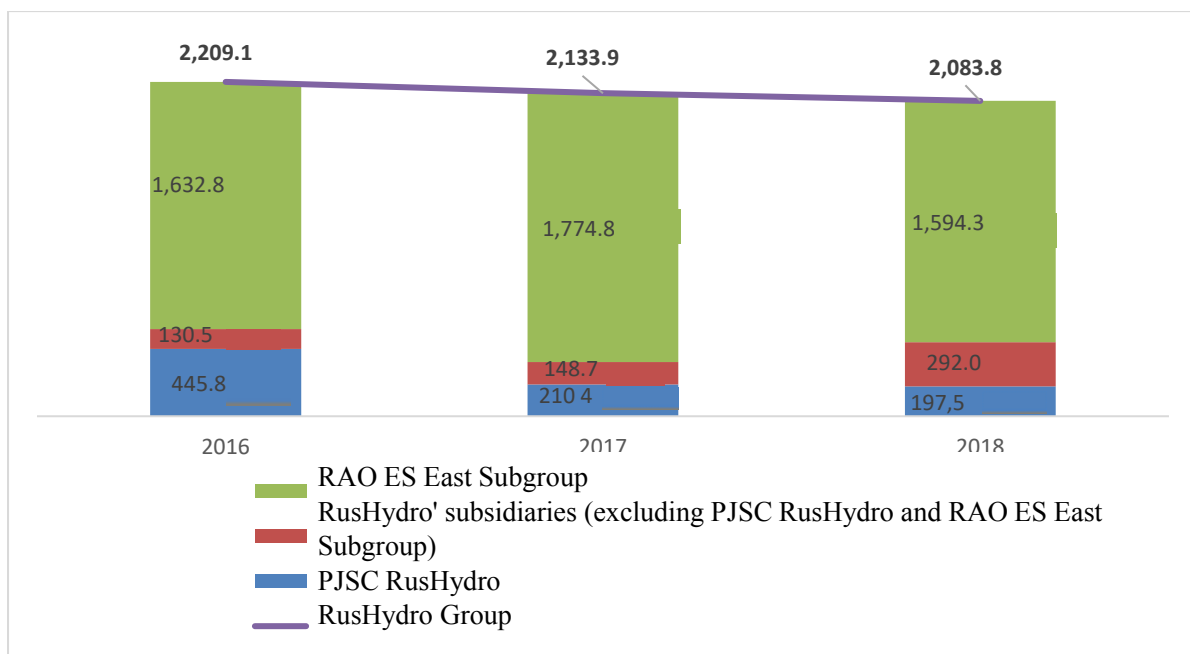
Health and safety measures (103-2)

In 2018, health and safety measures taken at RusHydro Group included:

- on-site control of occupational hazards to reduce their impact on employees;
- ensuring compliance with health and safety requirements by contractors' teams engaged by the Company's branches;
- drafting RusHydro Group's accident response guidelines to prevent injuries;
- monthly and quarterly Group-wide occupational safety (including fire safety) days with progress reviews;
- measures to prevent occupational injuries;
- mandatory medical examinations of employees working in hazardous and harmful conditions, and implementation of measures recommended in post-examination reports;
- mandatory psychiatric examination of employees engaged in certain activities, including high-hazard operations (with exposure to harmful substances and occupational hazards), or working in a high-risk environment;
- purchasing and restocking first-aid kits;
- potable water supply to employees;
- infectious disease prevention;
- personnel preventive vaccination;
- health and safety briefings;
- inspections of workplaces;
- setting up health and safety rooms and areas across the Company, purchasing stands, equipment and simulators, visual aids, learning software;
- buying technical standards documents, including their electronic versions;
- holding health and safety trainings and employee knowledge checks;
- training employees on first aid to the injured using robot simulators and distance learning;
- overviews of injuries in the Russian electric power industry;
- arranging for employee visits to sports facilities and swimming pools;
- centralized procurement of protective clothing and footwear for the Company's branches;

- providing employees with protective clothing, footwear and personal protective equipment (PPE);
- organizing PPE storage, care, repair and replacement;
- providing employees with detergents and decontaminants;
- providing milk or equivalent products to employees working in hazardous conditions;
- disinsection and deratization measures;
- assessment of working conditions and implementation of follow-up action plans to provide better and healthier working conditions.

Health and safety expenses, RUB mn



Assessment of workplace conditions and identification of occupational hazards (403-9, 403-10)

One of the Company's priorities is to make sure that the special assessment of workplace conditions covers more employees and workplaces comply with statutory health and safety requirements. The assessment of 100% workplaces takes place as scheduled.

Overall, review of occupational injuries and diseases helped identify six occupational hazards that had led to a serious injury or occupational disease.

Hazardous factors (occupational hazards) that may cause injuries or occupational diseases

		Number of severe injuries and occupational diseases caused by an occupational hazard	Action taken
1	Mechanical hazards	5	The Company has taken urgent preventive measures and developed an action plan to eliminate the impact on others
2	Electrical hazards	1	
3	Thermal hazards	1	
4	Labor severity and intensity hazards	2	Control over medical examinations, PPE availability and use, supervision of weight lifting in excesses of approved limits
5	Noise hazards	2	
6	Other	1	Control of medical

			examinations
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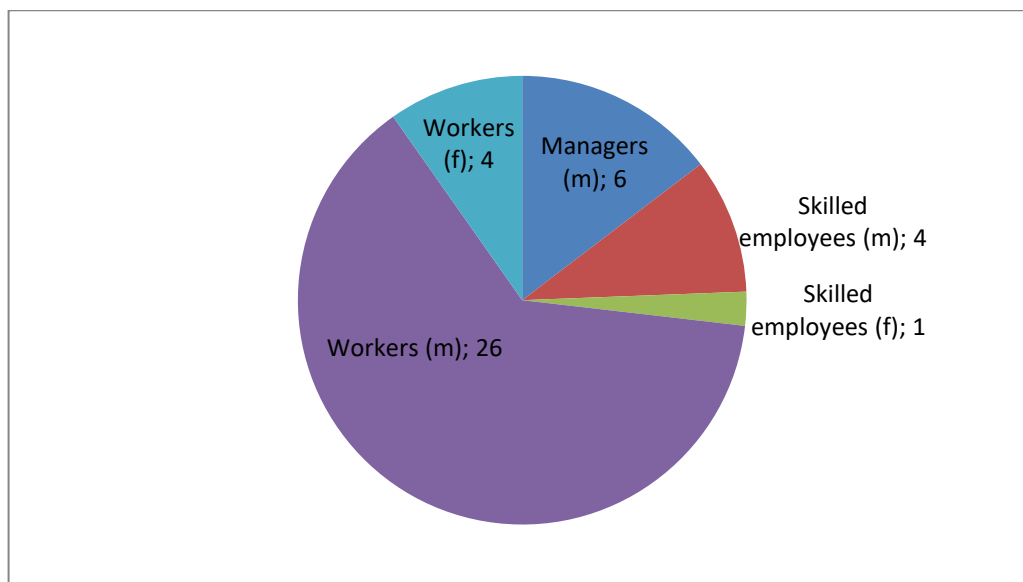
Injuries and occupational diseases (403-9, 403-10)

In 2018, RusHydro Group had 32 accidents to their own staff that resulted in 41 injuries, including six fatalities. The accidents caused injuries to six managers, five skilled specialists and 30 workers.

Number of casualties in 2016–2018 (403-9)

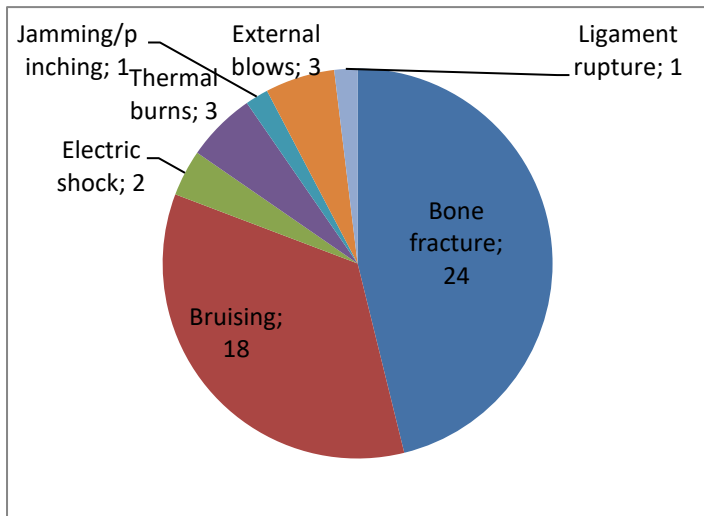
Year	Indicator	RusHydro	RusHydro (excluding RAO ES East Subgroup)	RAO ES East Subgroup	Total
2016	Number of injuries, employees	1	12	27	40
	incl. fatalities	0	1	3	4
	Rate of recordable work-related injuries ⁷⁴	0.19	0.96	0.54	0.59
2017	Number of injuries, employees	0	12	21	33
	incl. fatalities	0	1	3	4
	Rate of recordable work-related injuries ⁷⁵	0.000	0.96	0.43	0.49
2018	Number of injuries, employees	5	12	24	41
	incl. fatalities	0	2	4	6
	Rate of recordable work-related injuries ⁷⁶	1.07	0.89	0.52	0.64

Categories of injured employees in 2018 (403-9)

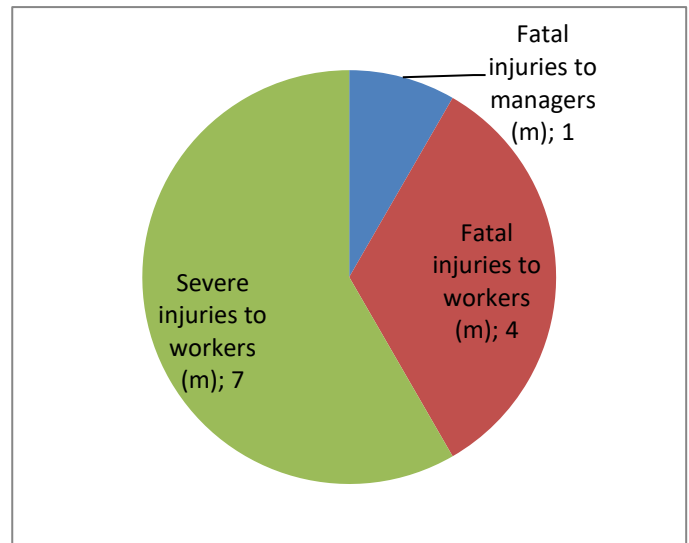


^{74, 71, 72} Rate of recordable work-related injuries = Number of recordable work-related injuries * 1,000,000 man-hours / average number of workers in the reporting year.

Number and types of injuries in 2018 (403-9)



Categories of employees with fatal and severe injuries in 2018 (403-9)



Injuries mainly occurred due to inadequate work management by contractors' employees in charge (code 08). Each accident was investigated, with urgent preventive measures put in place.

In 2018, RusHydro Group recorded five occupational diseases. Occupational diseases (hazards) are caused by noise and labor severity.

In each case, the Company issued a relevant report followed by stricter control over medical examinations to enable early diagnosis and minimize the risks of developing chronic diseases.

The following measures were taken to prevent occupational diseases:

- providing milk or equivalent products to employees working in hazardous conditions;
- supplying effective individual hearing protection means;
- reimbursing for costs related to additional medical check-ups;
- organizing health resort treatment and sports activities;
- educating on how to prevent infectious diseases;
- personnel preventive vaccination;
- restocking first aid kits;
- supply of potable water and vitamins;
- supply of detergents and decontaminants.

Plans for improving health and safety in 2019 (103-2)

1. Draft a policy in line with the Group's risk-based approach.
2. Actively engage employees in occupational health and safety improvements to boost performance and reduce occupational diseases and workplace accidents.
3. Maintain strong employee competencies, leverage innovative health and safety practices, ensure collaboration and exchange of information between health and safety experts and employees, develop and implement effective initiatives to identify, eliminate or limit hazards and risks and preserve employee life and health throughout the employment period.

Energy consumption and efficiency

The Russian Federation as RusHydro's main shareholder ensures energy companies' commitment to increasing energy security and reducing energy intensity. The *Energy Efficiency and Development* national program approved by Resolution No. 321 of the Russian Government of April 15, 2014 sets out three key areas for improving energy efficiency across all types of energy resources:

- energy saving and improving energy efficiency;
- development and modernization of electric power industry; and
- promotion of renewables.

RusHydro Group's energy saving initiatives are governed by Federal Law No. 261-FZ *On Energy Saving and Improving Energy Efficiency and Amendments to Certain Legislative Acts of the Russian Federation* dated November 23, 2009 and the respective programs of energy saving and increased energy efficiency.

HPPs have their own specifics, which requires a special approach to assessing and improving their energy efficiency. That is why RusHydro launched the Program of Energy Saving and Increased Energy Efficiency through to 2020 (ESIEEP) specifically intended for HPPs and providing for the list of key initiatives for increasing the efficiency of energy and water resources as well as a number of priority energy saving solutions. In 2017, the program was updated following the review by the Russian Ministry of Energy to be aligned with changes to the applicable laws and regulations. The updated program is based on energy audits held in 2010 through 2016. In 2018, the Ministry of Energy registered RusHydro's Energy Performance Certificate for another five-year period.

That same year, JSC RAO ES East's companies engaged in regulated activities⁷⁷ updated and approved their programs of energy saving and increased energy efficiency for 2019–2024 in reliance on the updated *Regulations for Developing, Negotiating, Approving, Implementing and Monitoring Programs for Energy Saving and Improving Energy Efficiency for Subsidiaries Engaged in Regulated Activities* approved by RusHydro's Order No. 462 of July 2, 2018.

Energy efficiency of hydropower

In addition to power generation, HPPs serve multiple functions which are critically important both for the industry and the communities at large. These include hydrotechnical tasks (river runoff control, flood prevention), irrigation of agricultural lands, transportation (vehicle and railway traffic across rivers) as well as waterborne traffic.

In this connection, HPPs sometimes have to meet direct opposite requirements, so it is quite a hard task to analyze their performance. For example, discharge of water reduces the overall energy efficiency but provides a vital river runoff. Moreover, the generators operating in the synchronous compensator mode also reduces the overall efficiency but ensures the stability of the energy system as a whole. **(103)**

Since HPPs require no specific fuel to produce electricity, the performance analysis counts out this main cost item inherent in other types of power plants, with the exception of renewables. Therefore, the focus is on own consumption by HPPs.

Key areas for improving RusHydro's energy efficiency:

- modernization of interior and exterior, routine and emergency lighting systems (partially based on automatic controls);
- modernization of HVAC systems for powerhouses and auxiliary buildings (including weather controls);
- rehabilitation of heated buildings and facilities, elimination of warm air leaks, reduction in indoor infiltration;
- rehabilitation of heating and hot water supply systems, electric boiler houses, modernization of pump stations, elevators (replacing mechanisms for frequency-regulated drives);

⁷⁷ JSC DGK, AO DRSK, PJSC Kamchatskenenergo, PJSC Magadanenergo, PJSC Mobile Energy, PJSC Sakhalinenergo, JSC Sakhaenergo, JSC Teploenergoservis, JSC Chukotenergo, JSC UESK, PJSC Yakutskenergo.

- replacement of hydropower units with ones with a higher efficiency rate, modernization of automatic control and excitation systems;
- modernization and rehabilitation of hydraulic structures, including service, emergency and repair gates, phased rehabilitation of water intakes and industrial water disposal areas; and
- replacement of power transformers with energy saving ones, replacement of air circuit breakers with gas-insulated ones (as compressors are phased out).

Better use of water resources

Better use of water resources is another way to improve the HPP energy efficiency which helped reduce water discharge above turbine flows and increase carbon-free generation by at least **530 mn kWh** in 2018 through the following initiatives:

- RusHydro, JSC SO UPS and PJSC FGC UES teamed up to optimize the repair schedules for power generation facilities and grids at Sayano-Shushenskaya HPP, which translated into an additional output of 250 mn kWh thanks to the ruling out of water discharge above turbine flows in August 2018;
- RusHydro efficiently redistributed automatic load-frequency control (ALFC) reserves at the Volga-Kama cascade in a high-water season, which translated into additional output of 200 mn kWh (reducing water discharge above turbine flows by 3.5 cu km); and
- following its modernization, Zhigulevskaya HPP now operates at full capacity in a high-water season. Its capacity gained 177.5 MW translating into an additional 80 mn kWh in a high-water season.

Energy efficiency of heat

Key ESIEE initiatives in 2018:

- rehabilitation of power generation facilities (turbo generators, boiler units, secondary equipment) for better cost effectiveness, including steam path improvement, heating surface replacement, sealing off air gas ducts, etc.;
- rehabilitation of boiler houses, including boiler replacement;
- replacing existing inefficient capacities through construction and rehabilitation of diesel power plants;
- modernization of lighting systems based on high-performance illuminants and light control systems; and
- modernization and scheduled maintenance with a view to extending the operational life of the equipment.

Key technical arrangements for improving energy efficiency in 2018:

- energy audits; and
- optimized operating modes for the equipment and systems by redistributing loads and matching the plant mix to its operating mode.

Energy efficiency of electrical grids

Key ESIEE initiatives in 2018:

- replacement of wires with heavier-gauge ones at overloaded power transmission lines and replacement of overhead power lines with self-supporting insulated wires; and
- replacement of underloaded and overloaded transformers.

To reduce grid losses and optimize energy consumption, the Company kept on installing commercial-grade electricity and heat meters while also modernizing and introducing the automated electric power accounting system.

Energy efficiency of heating grids

Key ESIEE initiatives in 2018:

- comprehensive equipment modernization at heat substations; and

- rehabilitation of heat pipelines using heat proof materials.

TPPs heavily rely on electricity for own consumption accounting for a hefty 10–16% of RusHydro Group’s electricity generation. By contrast, HPPs rarely consume more than 1.5%.

Own consumption by energy resource (302-1)

Non-renewables	2018, in-kind	2018, in monetary terms, RUB mn
Electricity consumption, mn kWh	6,579	1,624.8
Heat consumption, Gcal	716,422	142.16
Boiler and furnace fuels, tonnes	17,687,304	63,771.16
Motor gasoline, l	5,619,939	224.20
Diesel fuel, l	23,566,189	1,069.68
Natural gas, cu m	6,365,269	6,555.12

Energy efficiency

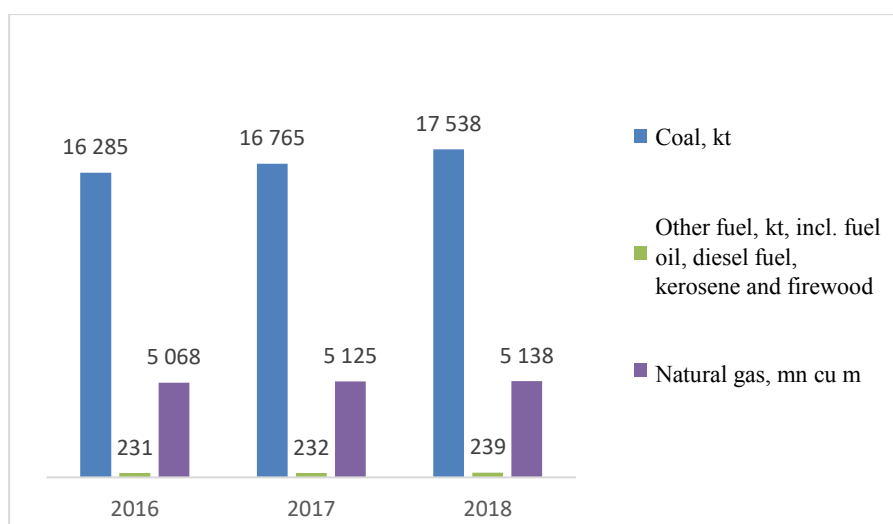
JSC RAO ES East’s subsidiaries mainly use coal, natural gas and fuel oil along with some other non-renewables, including diesel fuel and firewood.

As for renewables, geothermal steam from the Mutnovskoye hydrothermal deposit in the Kamchatka Territory is used, with consumption standing at 308,065 GJ.

The fuel mix of JSC RAO ES East’s TPPs remained virtually unchanged. Gas consumption also remains flat over the years, which contributes to better environmental conditions across its footprint, including lower greenhouse gas emissions as well as ash and slag waste.

In 2018, RAO ES East’s TPPs produced more electricity as compared to 2017 marginally increasing their consumption, with JSC DGK accounting for the bulk of electricity generation. In 2018, its electricity output rose by 4.4% y-o-y, or 1,099 mn kWh (2017: 24,758 mn kWh).

Fuel consumption in 2016–2018



RAO ES East Subgroup’s consumption per unit of equivalent fuel (302-3)

Indicator	2016	2017	2018
Consumption per unit of equivalent fuel for electricity generation, g/kWh	385,319	385,174	385,858
Consumption per unit of equivalent fuel for heat generation, kg/Gcal	161,216	159,867	160,084

In 2018, the ESIEE helped RusHydro and its subsidiaries (HPPs) save 41,443,000 kWh on own consumption and additionally generate 56,915,000 kWh, having spent RUB 2,874 mn on energy saving and energy efficiency initiatives.

RAO ES East Subgroup's companies⁷⁸ spent RUB 2,153 mn in 2018 under their respective programs for energy saving and improving energy efficiency, with annual economic benefits amounting to RUB 444 mn, or 59,303 tonnes of equivalent fuel.

Energy savings by RAO ES East Subgroup's (302-4)

Energy resource saved	2016	2017	2018
Natural gas, '000 cu m	446	270	4,328
Diesel fuel, tonnes of natural fuel	7	45	46
Other fuel, tonnes of equivalent fuel	18,045	27,467	29,322
Heat, Gcal	19,482	27,868	28,443
Electricity, '000 kWh	70,610	87,151	91,099

Plans to improve energy efficiency in 2019

In 2019, RusHydro and its subsidiaries (HPPs) plan to spend RUB 16,235 mn on energy saving and energy efficiency initiatives, which is set to bring RUB 1,985 mn kWh of annual benefits

RAO ES East Subgroup's companies⁷⁹ plan to spend RUB 2,262.75 mn under their updated ESIEEs for 2019–2024, which is set to bring RUB 519.06 mn of annual benefits.

Energy saving initiatives in cooperation with stakeholders in 2018

In 2018, RusHydro held energy audits at 12 branches: Volzhskaya HPP, Votkinskaya HPP, Dagestan branch, Zhigulevskaya HPP, Kamskaya HPP, Kabardino-Balkaria branch, Cascade of Verkhnevolzhskiy HPPs, Cascade of Kubanskiye HPPs, Karachay-Cherkessia branch, Nizhegorodskaya HPP, Novosibirskaya HPP, Saratovskaya HPP and two power generating subsidiaries (Geoterm and HPP-3 of PJSC KamGEK).

As a result, all branches and subsidiaries being audited now have energy performance certificates, programs for energy saving and improving energy efficiency and audit reports with recommendations.

In 2018, PJSC Yakutskenergo's integrated management system was recertified for compliance with four international standards, including ISO 50001. No material inconsistencies were identified by the audit which confirmed the continuous success of its energy management system. PJSC Yakutskenergo's certificate No. RU229041EN for compliance with ISO 50001:2011 issued by Bureau Veritas Certification Rus on August 24, 2016 was extended until August 23, 2019.

⁷⁸ JSC DGK, AO DRSK, PJSC Kamchatskenergo, PJSC Magadanenergo, PJSC Mobile Energy, PJSC Sakhalinenergo, JSC Sakhaenergo, JSC Teploenergoservis, JSC Chukotenergo, JSC UESK, PJSC Yakutskenergo.

⁷⁹ JSC DGK, AO DRSK, PJSC Kamchatskenergo, PJSC Magadanenergo, PJSC Mobile Energy, PJSC Sakhalinenergo, JSC Sakhaenergo, JSC Teploenergoservis, JSC Chukotenergo, JSC UESK, PJSC Yakutskenergo.

Building a lean consumer behavior model

RusHydro Group promotes energy saving awareness arranging for training events at schools.

In line with the national policy for energy saving and improving energy efficiency, RusHydro's PJSC RESK assists the Ryazan Region in implementing the *Development of Utilities Infrastructure, Energy Saving and Improving Energy Efficiency for 2015–2020* state program approved by Resolution No. 314 of the Government of the Ryazan Region of October 29, 2014.

Innovations

Innovative Development Program of RusHydro Group for 2016–2020 with an outlook until 2025⁸⁰

The Innovative Development Program of RusHydro Group is a policy paper that sets out the focus and framework of the Group's innovations and specifies the amounts and sources of funds to be spent on its innovative projects.

Prior to approval by the Board of Directors, RusHydro's draft Innovative Development Program was agreed with the Ministry of Education and Science of the Russian Federation and the Ministry of Energy of Russia, and then reviewed and approved by the Interdepartmental Commission for Technological Development of the Presidium of the Presidential Council for Economic Modernization and Innovative Development of Russia (Minutes No. 8-DO1 of September 23, 2016).

RusHydro's approved Innovative Development Program was reviewed and evaluated by the Interdepartmental Working Group on the Implementation of Innovative Development Priorities under the Presidium of the Presidential Council for Economic Modernization and Innovative Development of Russia, the final quality assessment of RusHydro's Innovative Development Program was 95.2% (Minutes No. 1 of April 14, 2017).

In the medium term, it aims to improve RusHydro Group's economic and operational efficiency by using innovative engineering, technical and management solutions focused on:

- extending lifespans and improving performance of equipment;
- enhancing reliability and economic efficiency of equipment;
- improving the quality of equipment diagnoses coupled with proactive identification and mitigation of operational risks;
- import substitution and reducing the dependence on imported equipment;
- reducing the environmental footprint; and
- improving energy efficiency and cutting losses.

In the long term, the Innovative Development Program of RusHydro Group aims to:

1. Assure the Company's position as one of the most technologically advanced energy companies, both domestic and international, including via:
 - development of efficient construction, modernization and repair processes for power generation facilities;
 - development of real-time monitoring technologies for the core equipment;
 - automation and robotization of maintenance and repair; and
 - development of new innovative products based on RusHydro's know-how and expertise (e.g. energy efficiency and storage solutions, EV infrastructure, and advanced materials).
2. Ensure deeper engagement in green energy, including via:
 - development of hydropower potential in certain regions of Russia;
 - development of RES-based alternative energy infrastructure (geothermal power generation); and
 - analysis and development of mini-hydro solutions.

⁸⁰ Approved by RusHydro's Board of Directors on November 22, 2016 (Minutes No. 244 of November 23, 2016).

KPI for the Innovative Development Program of RusHydro Group

KPI	Target			Result	
	2018	2019	2020	2018	Delivered or not
R&D expenses, % of revenue	0.25	0.25	0.25	0.28	Delivered
Growth in the quantity of IP assets on the balance sheet, %	5.5	6.5	7	6.7	Delivered
Efficiency of hydropower capacity management, employees per 100 MW	20.52	20.36	20.13	21.19	96.9% delivered
Innovative products purchased, % of total volume	1.21	1.33	1.46	1.21	Delivered
HPP repair expenses, '000 RUB/MW (at 2000 prices)	19.9	19.8	19.6	12.86%	Delivered ⁸¹

Integrated innovative development management for RusHydro and RAO ES East Subgroup

The innovative development programs of RusHydro Group and RAO ES East Subgroup have been integrated as follows:

- The programs have been aligned to contribute in the same way to the following components of RusHydro's integrated KPI for innovations:
 - R&D expenses, % of revenue;
 - growth in the quantity of IP assets on the balance sheet in the reporting period, %; and
 - heat efficiency, % (for JSC RAO ES East only).
- The Innovative Development Program of JSC RAO ES East and the corresponding annual progress reports are reviewed and approved by RusHydro's Board of Directors as part of the Innovative Development Program of RusHydro Group.

Amounts and sources of funds spent on the Innovative Development Program

In 2018, spending on the Innovative Development Program of RusHydro Group totaled RUB 655.4 mn (without the Innovative Development Program of JSC RAO ES East), while the figure for the Innovative Development Program of RAO ES East Subgroup amounted to RUB 1,717.5 mn. The Innovative Development Program of RusHydro Group is funded solely with its own capital.

The equivalent KPI for R&D expenses across RusHydro Group stood at 0.28, or 112% of the target, in 2018.

Key innovative projects in 2018

- Development of a hardware and software system for monitoring and predicting the reliability of HPP/PSPP hydraulic structures in geologically challenging environments. The objective was to test and implement a hardware and software system for safety and reliability monitoring of hydraulic structures at Zagorskaya PSPP and Zagorskaya PSPP-2.
- Research into new processes to repair and restore hydraulic structures, extend their lifespans and enhance their reliability, and drafting implementation guidelines. The objective was to develop robust techniques for repair and restoration of hydraulic structures.
- Development of recommendations on assessing the human impact on tailraces with regard to the HPP equipment, hydraulic structures and energy efficiency. The objective was to develop and justify an action plan to raise and stabilize the water levels in separate outlets for better performance of HPP turbine equipment.

⁸¹ An "inverse" indicator (the lower the better).

- Expansion of the digital testing complex at RusHydro's branch Nizhegorodskaya HPP. The objective was to evaluate the iSAS automated protection and management system and assess the feasibility of its implementation at energy facilities with a view to a commercial rollout at Nizhegorodskaya HPP.
- Modernization of reinforced concrete penstock encasements, including application of protective coatings. The objective was to insulate penstocks with waterproofing coatings based on advanced materials, extend time between repairs and cut repair expenses.

As regards RAO ES East Subgroup, its key innovative project was to develop technical solutions to reduce the erosive wear and enhance the reliability of moving blades at the downstream stages of steam turbines by using multifunctional nanocomposite coatings. The initiative carried over from 2017.

Focus of innovations in 2018

Given the industry's rapid technological development, it is no longer sufficient to adjust corresponding priorities once in five years (as requires the planning horizon for our Innovative Development Program).

In 2018, RusHydro compared the Group's technological capabilities and innovation KPI with those of its major peers (the "Comparison") to review its development priorities in this field.

The key objective was to identify attractive areas and technologies, assess their actual potential, and set ambitious but feasible technological development goals for RusHydro Group.

The results are now used to draft proposals on amending the Innovative Development Program, compile a list of technologies crucial to the Group's further development, and plan measures to bring it on a par with more technologically advanced peers.

Program for Intellectual Property Rights Management within RusHydro Group

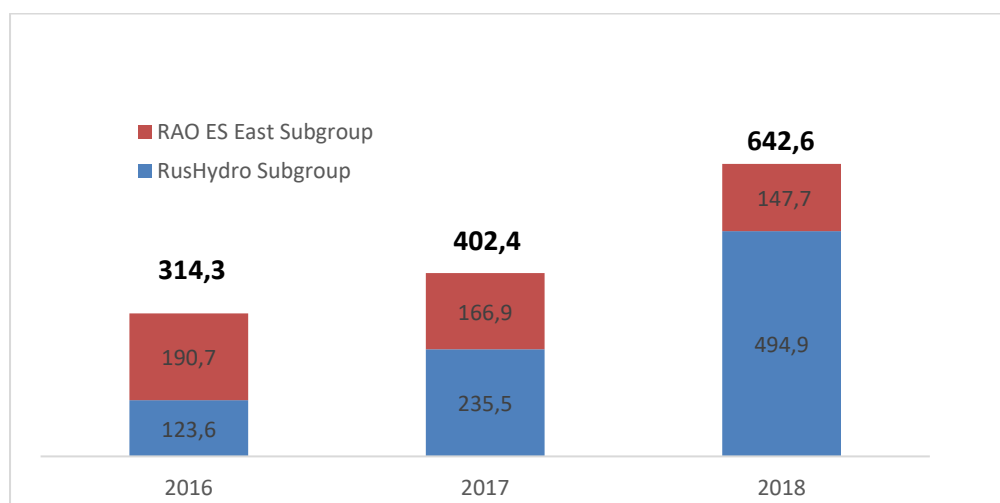
The Russian Government has toughened innovation requirements for companies where it is a shareholder, including those on intellectual property management.

In 2017–2018, it issued a number of directives setting IP management requirements for such organizations, which resulted in the Company's Board of Directors approving the Program for Intellectual Property Rights Management within RusHydro Group along with a corresponding action plan.

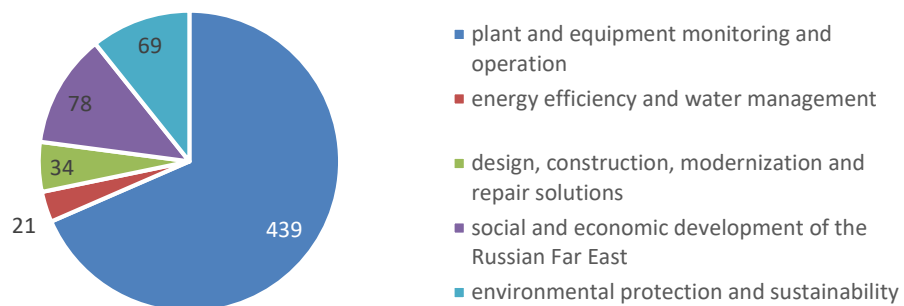
R&D projects

RusHydro Group is committed to ramping up its R&D investments. In 2018, they grew by 59.7% to RUB 642.6 mn (incl. VAT).

R&D spending, RUB mn (incl. VAT)



R&D spending by area in 2018, RUB mn (incl. VAT)



Key R&D projects implemented by RusHydro Group to ensure sustainable development

Description	Progress in 2018
Pilot testing of the digital testing complex at Nizhegorodskaya HPP	
Objective: to increase the guaranteed measurement accuracy, ensure high electromagnetic immunity and low susceptibility to vibration and temperature fluctuations, improve the electromagnetic compatibility of modern protective relaying equipment with automated process control systems by using optical fibers, prevent saturation, ferroresonance and undesirable transient events, and perform self-diagnosis and online monitoring. Solution: to install optical and electronic measuring devices.	Pilot testing of the digital complex followed integrated tests in 2018 as part of the <i>Development and Implementation of an Automated Protection and Management System for Next-Generation Electrical Substations</i> national project, which had been initiated by the Russian Ministry of Energy. Results will be used to draft recommendations on a further rollout across RusHydro Group.
Development and implementation of a process to partially restore heat transfer surface elements of cogeneration heat exchange equipment (tubes) instead of replacing the entire tube bundle	
Objective: to develop and implement a process to partially restore heat transfer surface elements of cogeneration heat exchange equipment (tubes) instead of replacing the entire tube bundle and thereby improve its performance, which includes exploring the properties of a set of thermal conductive materials and developing a process and a commercial prototype for application of a protective coating to damaged elements (tubes) of a heat exchanger's tube bundle. Solution: to apply a specialty epoxy coating (BLOKOR-MKK115).	Epoxy coating (BLOKOR-MKK115) developed in 2018 along with a modular (block) pilot machine designed to apply it evenly along the inner surfaces of heat exchange tubes. Pilot testing (application of the protective coating and in situ tests) underway at Khabarovskaya CHPP-3.
Design of avalanche-resistant pylons and foundations for 220 kV power lines	
Objective: to cut operating costs for overhead power lines by reducing expenses associated with emergency recovery operations to fix pylons damaged by avalanches. Solution: to design special avalanche-resistant pylons and foundations compliant with building codes and regulations, including seismic performance requirements.	Detailed design drawings of pylons and foundations made along with a prototype of an avalanche-resistant angle pylon for overhead power lines. Following utility models obtained: multisided steel pole for overhead power line pylons; and reinforced cast-in-place concrete foundation.
Design of a composite power line conductor core based on thermoplastic resins	
Objective: to achieve a 50% higher current-carrying capacity and reliability vs ACSR conductors without adding weight (resulting in savings on account of the increased quantities of transmitted power), and make overhead power lines and the entire grid more reliable by reducing the ice and wind load on pylons (resulting in extended conductor lifespans and 15% to 40% lower costs of building new crossings as fewer pylons will be required). Solution: to design a composite power line conductor core based on thermoplastic matrices along with manufacturing equipment.	Manufacturing equipment engineering and production documentation drafted. Patents for composite cores and corresponding production processes explored. Plans made to develop an experimental pultrusion machine, manufacture and test core prototypes, draft specifications for the core and conductors, and perform field tests on the conductors to verify their compliance with standards and requirements.

Our R&D achievements in 2018 were focused on addressing RusHydro Group's most important (critical) issues related to preventing process upsets resulting in undersupply of electricity and significant economic losses.

R&D effect on the Company's risks

Damage caused by natural and industrial disasters outside RusHydro Group's facilities is one of the key risks for the Company.

This risk results from the underprotection of RusHydro Group's production assets against natural disasters.

The risk management initiatives provided for by the 2018 calendar plan include the following R&D projects:

- Research and development in the field of remote monitoring of HPP facilities condition and operating modes. Development of a technique to assess the condition of hydraulic structures and hydropower units at HPPs based on the monitoring of the amplitude and frequency of vibrations along with the earth foundation;
- Development and testing of a technology to monitor structural stress in case of a tensiometer failure;
- Development of a hardware and software system for monitoring and forecasting the reliability of HPP/PSPP hydraulic structures in geologically challenging environments;
- Development of an automated warning system to detect ruptures and measure turbine flows at RusHydro's diversion and impoundment HPPs;
- Development of recommendations on how to assess human impact in the tailrace on the condition of machinery and hydraulic structures and HPP energy efficiency;
- Research into new technologies to repair and rehabilitate hydraulic structures and their elements extending their lifespan and reliability, development of implementation guides; and
- Introduction of an expert system to support decision-making in response to incidents, accidents and emergencies at RusHydro Group's production facilities.

Business process digitalization at RusHydro Group

RusHydro Group launched its Digitalization Program in 2018 and plans to develop a Digital Transformation Blueprint in 2019. Currently, the Program includes 22 digital projects covering virtually all business lines of the Group such as hydropower and heat generation, grid assets, and sales.

Key focus areas:

- Supporting operational management of RusHydro's production and grid assets and developing internal capabilities for condition-based repairs;
- Building infrastructure to collect, process, store and escalate know-how up the ladder;
- Developing internal capabilities for remote control over facilities and systems; and
- Leveraging advanced technologies to ensure external communications, including transfer of technical data.

Key milestones:

- Building advanced integrated multi-service information and telecommunications infrastructure;
- Transforming production chains and processes, governance models and planning procedures;
- Using analytical systems to process Big Data to support decision-making; and
- Relying on cross-industry cooperation to build shared services in support of governance models.

RusHydro Group has a distance learning system up and running which is made accessible to the employees of RusHydro's HQ, branches and subsidiaries.

In compliance with the respective import substitution directives of the Russian Government, RusHydro Group developed and approved the Action Plan for 2018–2021 which provides for the Group’s increased reliance on domestically developed software.

Procurement

Procurement management

To support its activities, RusHydro Group purchases large quantities of works, services, raw materials (including fuel) and products from third parties. RusHydro Group has in place a number of internal by-laws to prevent inappropriate and inefficient use of funds.

Procurement by RusHydro is governed by the applicable Russian laws, including Federal Law No. 223-FZ *On Procurement of Goods, Works and Services by Certain Types of Legal Entities* dated July 18, 2011 and the Regulations on Procurement (approved in 2018 by resolution of RusHydro’s Board of Directors No. 265 dated February 6, 2018, restated as the Uniform Regulations on RusHydro Group’s Procurement Policy effective as of November 1, 2018 pursuant to resolution of RusHydro’s Board of Directors No. 277 dated October 4, 2018), whereby:

- The Company’s Board of Directors oversees procurement management, approves the annual comprehensive procurement program and its progress report.
- The Central Procurement Commission (CPC) is a permanent collective body which shapes and carries out the uniform procurement policy as well as exercises control and coordination of procurement activities. The CPC Chairman is responsible for procurement management within RusHydro.
- The CPC appoints standing procurement commissions which are directly authorized to arrange for and carry out procurement procedures. Depending on the scope of powers, there are procurement commissions of level 1 and level 2 as well as ad hoc commissions.

The objectives and principles of the Uniform Regulations on RusHydro Group’s Procurement Policy

The Regulations on Procurement set out the following objectives and principles:

1. Procurement regulation aims to ensure timely and efficient supply of goods, works and services to the customer as well as prudent use of the customer’s funds.
2. Procurement regulation relies on rational use of special procedures to make purchases on an arm’s length basis as closely as practicable and provides for mandatory procedures to be followed by the officers in charge of procurement. These procedures ensure:
 - careful planning of demand;
 - market research;
 - procurement transparency;
 - focus on equality and fairness, with no discrimination or unreasonable restrictions on competition among participants where possible, or, if impossible, enhanced internal control;
 - intended and efficient use of funds allocated for purchasing goods, works and services (taking into account their life cycle cost, where applicable), and implementation of cost-cutting initiatives;
 - no restrictions on participation in the procurement in the form of non-measurable requirements for participants;
 - efficient and fair selection of preferred suppliers following a comprehensive SWOT analysis (with price and quality being the key factors); and
 - follow-up on contracts and use of goods, works and services purchased.

Procurement regulation is based on a systemic approach which ensures that uniform corporate rules are laid down and followed, also determining the authority and responsibility of the officers in charge of procurement. As a result, the customer enjoys:

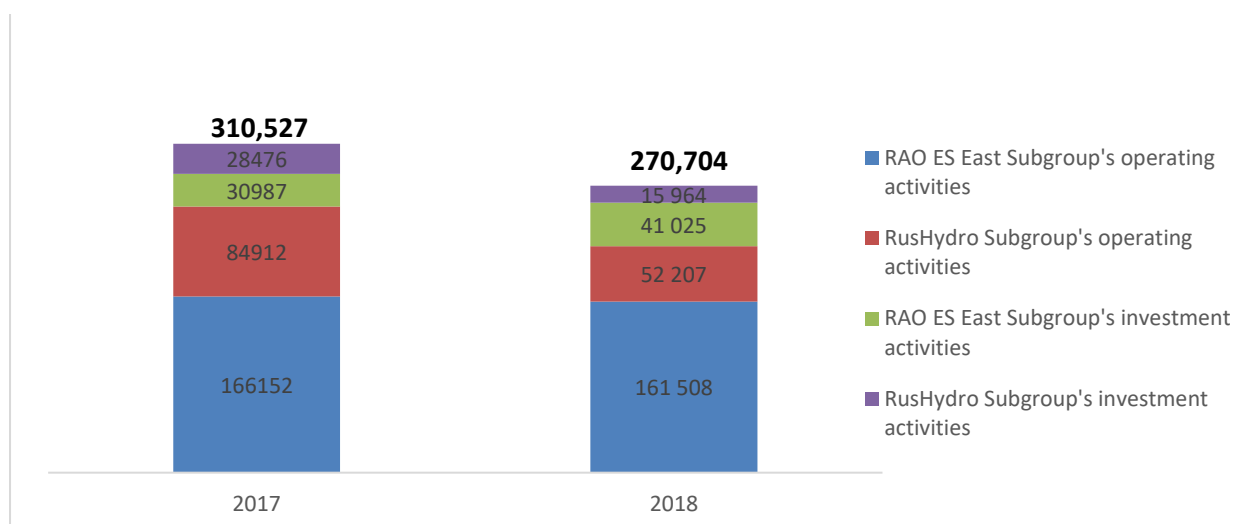
- benefits of a regulatory framework;
- effective platform for procurement management and follow-up control;
- qualified procurement professionals;
- well-established procurement infrastructure (information support, e-commerce tools, certification, professional consultants, etc.).

RusHydro publishes information on planned procurement activities and places up-to-date official announcements describing the scope of procurement (item name), material terms of the competitive procurement and other details on its official website in Russia at www.zakupki.gov.ru as well as on the electronic trading platform at <https://rushydro.roseltorg.ru>. Following the competitive procedure, the Company publishes the procurement results specifying the winning bidder and the respective price. **(103-2)**

Implementation of the annual comprehensive procurement program

In 2018, total value of contracts awarded under procurement procedures at RusHydro Group amounted to RUB 270,704 mn (incl. VAT), down by 13% year-on-year, mainly due to a 39% decrease at RusHydro Subgroup. At the same time, the number of procurement procedures rose by 10% to 17,445 due to a 14% increase at JSC RAO ES East Subgroup. Open bidding accounts for over 50% of all procurement procedures, of which 99% run on an electronic trading platform. **(102-9)**

Procurement, RUB mn (incl. VAT)



Procurement by method, %

	2017		2018	
	RusHydro Subgroup	RAO ES East Subgroup	RusHydro Subgroup	RAO ES East Subgroup
Electronic procurement, %	87.95	99.40	98.62	99.77
Procurement through open bidding, %	67.79	42.37	52.69	48.31
Single-source procurement, %	32.09	57.10	45.95	50.03
Procurement through closed bidding, %	0	0	0.29	0.82

Procurement is mostly (in money terms) for works and services related to repair and investment programs (upgrade, capital construction projects) of the companies within RusHydro Group.

The procurement items include goods usually purchased by energy companies (core equipment (boilers and turbines), transformers, switchgear cells, package transformer substations, isolation valves, control valves, line accessories, cable fittings, pipelines, steam pipelines and spare parts, cabling and wiring, electrical appliances, metal goods, insulators, heat insulators, etc.).

One of the Group's most important strategic priorities in procurement is to ensure, in a timely and efficient manner, competitive awarding of contracts for fuel supplies (mainly coal and diesel fuel) to meet the needs of its generating facilities (GRES, CHPP, etc.). In 2018, the value of contracts awarded for fuel supplies amounted to RUB 83,042.59 mn (incl. VAT), or 30.7% of total value of contracts awarded under procurement procedures.

The years 2016 through 2018 were characterized by high export prices for coal products, including in the Asia-Pacific market. As a result, the domestic market faced shortage of coal supply nudging up prices that steadily rose at a rate of up to 20% a year. During the period of low coal prices, RusHydro Group's subsidiaries entered into a number of long-term contracts that expired in 2018. The price terms in these contracts were based on the tariffs then applicable. RusHydro Group intends to adjust the coal purchase price so that it equals the fair price reflecting the fuel cost component and use it as a base price in bidding for long-term coal supply contracts. **(103)**

Sustainable procurement

Being one of Russia's largest purchasers of goods, products, services and raw materials, RusHydro Group is fully aware of its responsibility to the regions where it operates, communities and environment and relies on the Uniform Regulations on RusHydro Group's Procurement Policy (approved by resolution of RusHydro's Board of Directors No. 277 dated October 4, 2018). According to the regulation, any design works (including pre-feasibility studies) for new hydropower and thermal power projects, their construction and modernization, any core equipment and technical specifications and the terms of contracts awarded under procurement procedures must be aligned with the customer's approved internal sustainability by-laws to ensure:

- compliance with environmental requirements;
- protection of cultural heritage sites;
- industrial and occupational safety;
- protection of indigenous peoples and socially vulnerable groups;
- control over negative footprint on climate change and environment; and
- biodiversity conservation and restoration.

Procurement procedures based on tenders or requests for bids may include relevant sustainability criteria.

Procurement through small and medium-sized businesses (SMEs)

To facilitate competition and development of SMEs, RusHydro Group seeks to partner with small and medium-sized businesses as part of its procurement activities.

RusHydro launched a partnership program with small and medium-sized businesses (the "Partnership Program") approved by RusHydro's Order No. 568 dated July 16, 2014). The Partnership Program is developed in accordance with the Russian Ministry of Economic Development's guidelines (letter No. 23941-EE/D28i dated November 1, 2013) and is available on the Company's website at (<http://zakupki.rushydro.ru/References/PartnerProgramMsp?sectionId=7>). The register of small and

medium-sized businesses included in the Partnership Program is published on RusHydro's official website in the Procurement section and is updated as necessary.

The list of goods, works and services purchased from SMEs can be found on the website of the Unified Information System for Procurement (<http://zakupki.gov.ru/epz/gws/quicksearch/search.html>) and on RusHydro's website.

RusHydro's target for contracts awarded to SMEs in 2018 was determined by Russian Government's Resolution No. 1352 *On Special Aspects of Participation of Small and Medium Enterprises in Procurement of Goods, Works and Services for Certain Types of Legal Entities* dated December 11, 2014. As at December 31, 2018, the Group significantly exceeded the target.

Procurement through SMEs in 2018, %

Indicator		Target	Actual
Procurement through businesses including SMEs, % of annually awarded contracts	RusHydro	18	70.77
	RusHydro Group		77.86
Procurement only through SMEs, % of annually awarded contracts	RusHydro	15	42.15
	RusHydro Group		28.03

RusHydro Group's planned target for contracts to businesses including SMEs in 2019 is at least 18%, with at least 15% of its procurement to be delivered only through SMEs.

Import substitution projects

As part of the Comprehensive Modernization Program for RusHydro's generating facilities, the Company plans to increase supplies from domestic machinery producers given that, among other things, certain types of equipment and components will be produced in Russia.

To increase supplies from local manufacturers in 2018, RusHydro reduced the share of imported equipment for its operations so that foreign goods, works and services are gradually phased out and replaced by local goods, works and services of equivalent performance and properties.

As part of import substitution, in compliance with Federal Law No. 223-FZ *On Procurement of Goods, Works and Services by Certain Types of Legal Entities* dated July 18, 2011 as well as Russian Government's Directive No. 1659p-P1383 dated March 15, 2016⁸², the Company approved the Regulations on Registering Investment Projects Included in the List of RusHydro Group's Investment Projects⁸³ which determine a set of standards, rules and requirements for selecting investment projects and obtaining approval to include the investment projects in the Register approved by the Government Commission on Import Substitution⁸⁴. The Standard Regulations for RusHydro's Subsidiaries on Registering Investment Projects Included in the List of RusHydro Group's Investment Projects were approved by RusHydro's Management Board.

In 2018, the share of imported equipment stood at 23%, which is in line with the Roadmap target capped at 23%.

⁸² On Approval of Procedure for Registering Investment Projects Included in the List of Investment Projects

⁸³ Resolution of RusHydro's Board of Directors dated May 31, 2016 (Minutes No. 237)

⁸⁴ Established by Russian Government's Resolution No. 785 *On the Government Commission on Import Substitution* dated August 4, 2015

As part of efforts to gradually substitute purchases of foreign goods, works and services with Russian ones that have equivalent performance and properties, the Company is supposed to reduce the share of imported equipment in the course of its operations.

The Roadmap until 2025 was amended along with RusHydro Group's updated Long-Term Development Program for 2018–2022 (Minutes of the Board of Directors No. 271 dated June 1, 2018).

Share of imported equipment, %

	2015	2016	2017	2018	2019
target	58	56	52	23	20
actual	39	25	12	23	–

Procurement improvement in 2019

- Optimization of procurement processes.
- Further automation of the Group's procurement processes, including the development of an automated analytical reporting system.
- Development of the reference data system.

HR and social policy

Our people

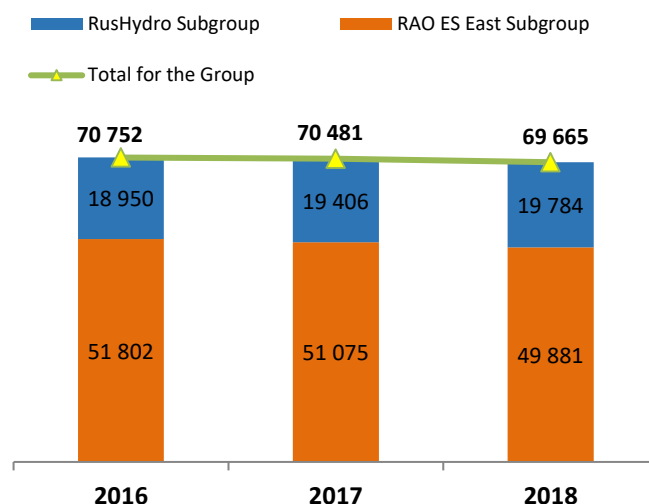
The employees of RusHydro Group are the Company's key asset. The Group's power facilities in Russia and abroad are staffed with professionals with extensive operational experience and superior technical expertise. The HR policy of RusHydro seeks to unlock the potential of its people and use it to deliver on the strategic priorities of the Group. RusHydro is committed to promoting workplace stability by adopting a socially responsible attitude towards its employees, which means that the HR strategy is closely linked to the Group's social policy. In particular, the Group protects the social and economic rights of its employees, ensures their financial stability and social guarantees.

Employee overview

As at December 31, 2018, RusHydro Group employed 69,665 people (including RAO ES East Subgroup, facilities in Russia and abroad), down by 816 employees, or 1.2%, compared to the previous reporting period.

RusHydro Group – headcount⁸⁵

⁸⁵ The RusHydro Group headcount figures for 2016 and 2017 may be different from the previous annual reports due to changes in the reporting boundaries applied in 2018 report.



Most of RusHydro employees work full-time (98.6% for RusHydro Subgroup and 99.6% for RAO ES East Subgroup) and under permanent employment contracts (87.5% for RusHydro Subgroup and 97.2% for RAO ES East Subgroup).

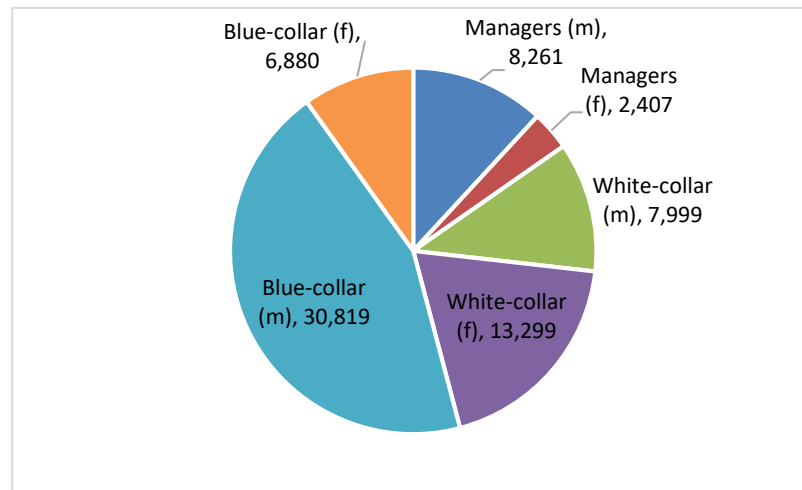
Headcount by country and region as at December 31, 2018 (102-7, 102-8)

Country, region		Headcount, people
Russia	Central Federal District	3,858
	Southern Federal District	621
	North-Western Federal District	919
	Ural Federal District	311
	Far Eastern Federal District	52,801
	Siberian Federal District	3,439
	Volga Federal District	3,557
	North Caucasian Federal District	3,727
Foreign countries	Republic of Armenia	401
	Republic of Tajikistan	31

Workforce by gender, region, type of employment and kind of employment contract (102-8)

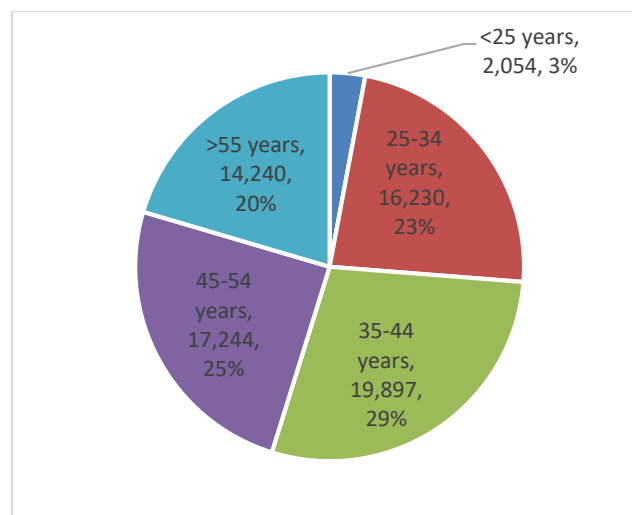
Gender distribution varies depending on the category of employees. In the management cohort, there are 3 times as many men as women; in the white-collar category – 1.7 times as many women as men; and in the blue-collar category – 4 times as many men as women, which reflects the specifics of RusHydro Group's operations.

Workforce structure as at December 31, 2018 (102-8) (405-1)



26% of RusHydro Group's employees are aged 35 or younger. One of RusHydro Group's key tasks on the personnel management front is to attract young talent.

Workforce structure by age, people (405-1)



Seasonal employment (102-8)

RusHydro Group hires seasonal labor. In 2018, one seasonal worker was hired to control water flows from Lake Sevan, 27 workers were hired for the heating season, 62 workers were hired to manage children's recreation camp *Energetik* during the summer vacation, 16 workers were hired to restore ice fields and ski trails.

Recruitment

RusHydro Group recruits staff, including management, on a competitive basis. This approach enables the Company to recruit motivated people who meet the qualification requirements and have potential to grow professionally. Candidates of any gender, age and nationality are allowed to compete for vacancies, with professional skills being the main selection criterion.

**Total number of employees starting or leaving employment at RusHydro Group in 2018,
by age, gender and region, people (401-1)**

Region	<25 years		25–34 years		35–44 years		45–54 years		>55 years		TOTAL
	M	F	M	F	M	F	M	F	M	F	
Starting employment											
Central Federal District	45	19	98	72	91	79	44	44	68	35	595
Southern Federal District	14	1	11	1	13	5	9	1	3	2	60
North-Western Federal District	19	10	9	15	7	6	10	4	7	13	100
Far Eastern Federal District	829	312	1,724	870	1,378	753	815	425	511	268	7,885
Siberian Federal District	38	29	89	74	86	82	48	45	58	37	586
Ural Federal District	3	0	5	2	3	2	2	0	3	0	20
Volga Federal District	79	5	183	28	135	18	74	11	34	7	574
North Caucasian Federal District	160	3	269	23	179	33	161	24	114	11	977
Republic of Armenia	0	0	6	2	6	2	2	1	10	2	31
Republic of Tajikistan	0	0	2	0	1	1	1	0	0	0	5
Total	1,187	379	2,396	1,087	1,899	981	1,166	555	808	375	10,833
Leaving employment											
Central Federal District	32	15	92	90	81	74	51	30	127	61	653
Southern Federal District	15	0	11	2	14	3	6	0	14	5	70
North-Western Federal District	9	1	12	15	5	6	5	4	14	25	96
Far Eastern Federal District	456	180	1477	713	1274	824	1004	567	1605	840	8940
Siberian Federal District	21	11	65	58	66	86	67	51	85	65	575
Ural Federal District	4	0	2	1	4	1	0	2	7	6	27
Volga Federal District	63	1	166	19	140	22	59	9	84	26	589
North Caucasian Federal District	76	4	171	22	109	17	115	16	109	17	656
Republic of Armenia	2	0	10	3	8	2	6	2	14	3	50
Republic of Tajikistan	0	0	0	0	0	0	0	0	0	0	0
Total	678	212	2,006	923	1,701	1,035	1,313	681	2,059	1,048	11,656

In 2018, RusHydro Group created 1,253 new jobs as the scope of work increased and additional power capacities were put into operation.

Entry-level wages at RusHydro Group are either equal to the statutory minimum monthly wage or up to 9.4 times higher than that depending on the region of presence, which means that RusHydro is a competitive and reliable employer. **(202-1).**

Percentage of employees who will reach retirement age⁸⁶ in the next 5 and 10 years EU15

⁸⁶ Age of retirement on general or special terms.

Indicator	5 years, people ⁸⁷	5 years, %	10 years, people ⁸⁸	10 years, %	Total in the next 10 years (on an accrual basis), people ⁸⁹	Total in the next 10 years (on an accrual basis), %
RusHydro Group	6,856	9.8%	7,718	11%	14,574	21%
management	1,131	10.6%	1,372	13%	2,503	23%
white-collar employees	1,586	7.4%	2,040	10%	3,626	17%
blue-collar employees	4,139	11.0%	4,306	11%	8,445	22%

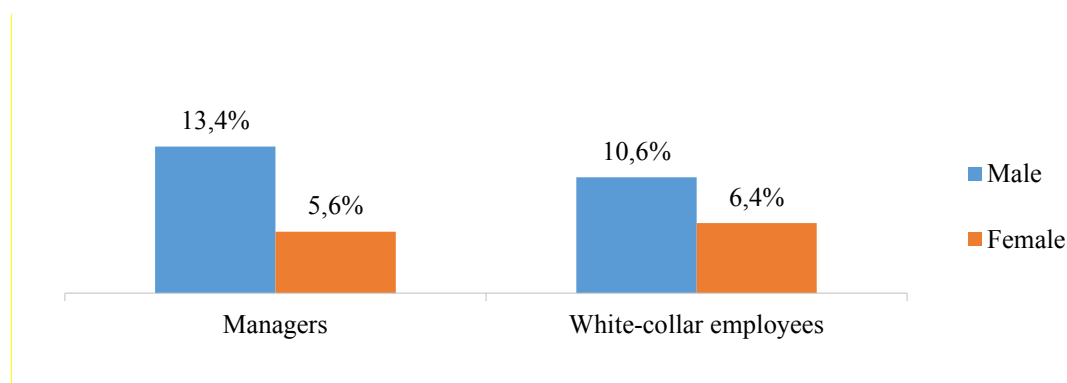
Personnel assessment

The Corporate Hydropower University, a branch of RusHydro, assesses employee potential to join the Company's management talent pool using various professional and managerial competency appraisal methods, including the Assessment Center.

The Company's employees are also tested for adequacy to the job and have their professional, business and personal qualities and achievements assessed. Managers and white-collar employees, regardless of gender, are assessed once every three years. **(404-3)**

Percentage of RusHydro Group employees who undergo periodic performance and career development appraisal, by gender and category (% of total headcount across the specified category), 2018 **(404-3)**

RusHydro Subgroup

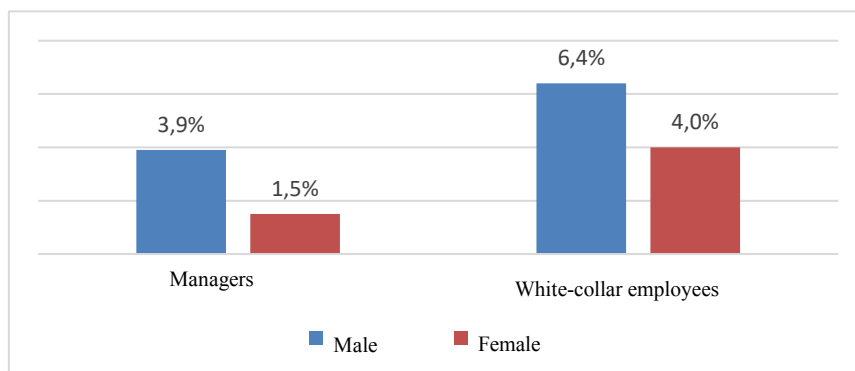


⁸⁷ Employees who will reach retirement age during 5 years from the reporting date (in 2019–2023)

⁸⁸ Employees who will reach retirement age in 5 to 10 years from the reporting date (in 2024–2028)

⁸⁹ Employees who will reach retirement age during 10 years from the reporting date (on an accrual basis, in 2019–2028)

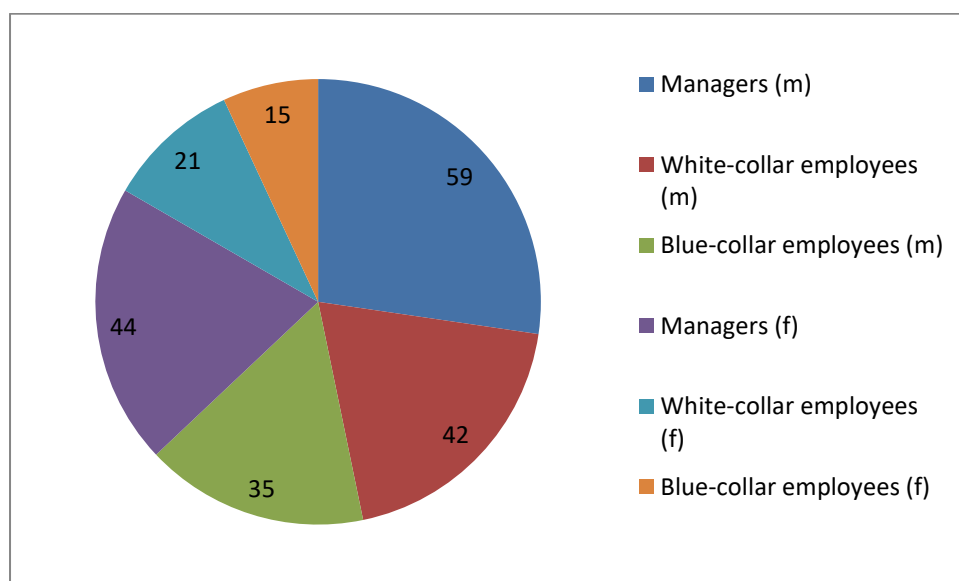
RAO ES East



Further professional training

To achieve its strategic goals, RusHydro Group participates in the development and integration of occupational standards, develops employee professional and managerial competencies, implements career guidance programs for talented students. For this purpose, RusHydro Group implements advanced personnel development programs, builds a talent pool and trains employees.

Average number of training hours per employee (404-1)



The continuous training system serves to develop employee competencies to meet their current job requirements and to be promoted as part of the talent pool arrangement. The Company offers employees professional retraining opportunities, including in accordance with occupational standards.

RusHydro Group's personnel training and development costs rose to RUB 339 mn in 2018 as the Company held the 8th biennial All-Russia HPP Operations Staff Competition and the Open Corporate WorldSkills Competition in the reporting year and also increased spending on employee training under the education license issued to RusHydro's Corporate Hydropower University in December 2017. Specifically, the Company increased training hours, conducted out-of-office sessions, developed new training and methodological materials and updated the existing ones in accordance with occupational standards and

requirements of the Ministry of Education and Science of the Russian Federation for advanced and occupational training.

In 2018, average training expenses for different employee categories were as follows: RUB 7,789.28 for managers of RusHydro Subgroup; RUB 8,134.21 for managers of RAO ES East Subgroup; RUB 8,393.76 for white-collar employees of RusHydro Subgroup; RUB 9,266.49 for white-collar employees of RAO ES East Subgroup; RUB 5,138 for blue-collar employees of RusHydro Subgroup, and RUB 6,904.12 for blue-collar employees of RAO ES East Subgroup. **(404-1)**

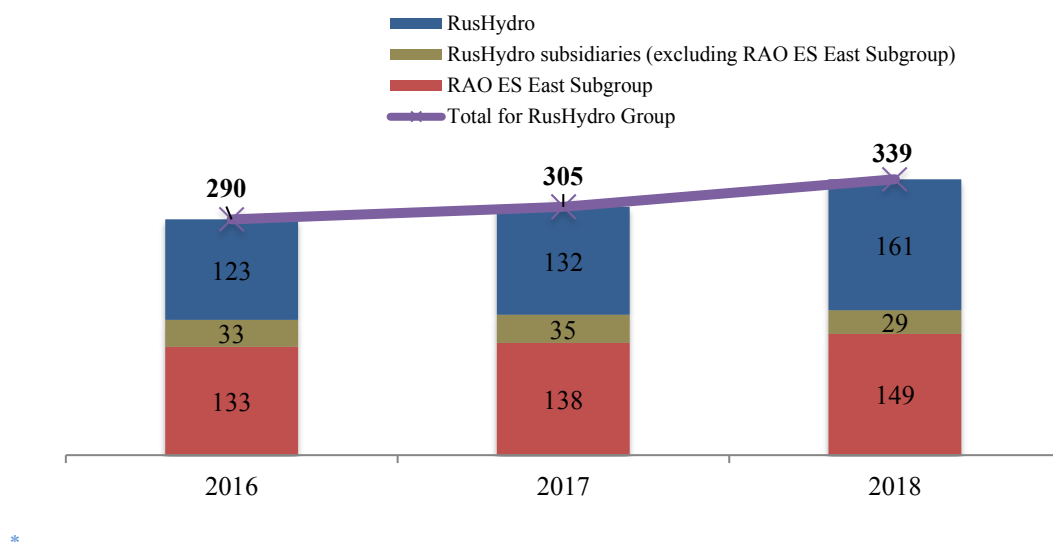
Key areas of employee training:

- Statutory training under the requirements of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia, the Federal Service for Labor and Employment, and other controlling authorities;
- Technical and statutory trainings required for performing job duties;
- Management and leadership trainings;
- Project management training;
- Corporate governance training;
- Graduate degrees;
- Second professional degree.

In 2018, RusHydro Group provided 36,537 training courses to its employees under corporate training programs, further professional education and occupational training programs.

RusHydro became the first company in the Russian power sector to implement in 2018 a project for professional and public accreditation of programs run by its corporate training centers based on occupational standards. In particular, the Company's Far Eastern centers in Magadan, Khabarovsk and Artyom (Primorye Territory) were awarded accreditation certificates for the next 7 years.

RusHydro Group's personnel development costs, RUB mn



Lifelong learning and training programs that support the continued employability of employees and assist them in managing career endings **(404-2)**

Form of training	Frequency
Further professional training	At least once every five years
Occupational training	As required by regulators, in case of retraining for a new career
Occupational retraining	As required for operational reasons to enable employees to do a new type of work or to receive additional qualifications as well as for talent pool training
Corporate trainings	On an as-needed basis when required to solve specific tasks
Internal training in production and technical skills	Annually
Short-term training programs (seminars, conferences, forums)	Annually, with the content depending on business needs
Distance learning	Annually, with the content depending on business needs

The Corporate Hydropower University

In 2018, the Corporate Hydropower University developed 10 occupational retraining programs and 44 further professional training programs for operational staff in accordance with the education license issued in 2017. 153 employees were retrained in 5 programs, 190 employees received further professional training in 14 programs. Furthermore, the Corporate University conducted 51 corporate programs for other RusHydro Group personnel, with 3,244 employees participating in 2018. 12,356 distance training courses were completed. Training sessions covered employees of RusHydro and its subsidiaries.

Training at the Corporate Hydropower University, number of courses

Employee categories	Onsite	Online
RusHydro, including:	2,466	10,875
managers	1,200	2,921
white-collar employees	1,029	5,396
blue-collar workers	237	2,558
Subsidiaries	1,121	1,481
Total	3,587	12,356

In 2018, RusHydro held its Corporate WorldSkills Russia Juniors Competiton in *Electrical Installations* at the Sayano-Shushensky training center of excellence of its Corporate Hydropower University. The competition was entered by 14 juniors up to 16 years old from orphanages in Rybinsk, Nevinnomyssk, Perm, Novosibirsk, Khabarovsk and Sayanogorsk under the patronage of RusHydro.

The winning team participated in the 5th National Championship of Cross-Industry Working Professions in High-Tech Industries –WorldSkills Hi-Tech 2018. Team RusHydro came fourth in the Electrical Installations category among juniors aged 14 to 16.

In October, RusHydro's branch Volzhskaya HPP, the Volga Training Center of the Corporate Hydropower University and the Volga Branch of the Moscow Power Engineering Institute (National Research University) hosted a corporate championship of professional skills in operational and technical control of hydraulic units and auxiliary equipment, according to WorldSkills standards. 21 hydraulic unit operators from RusHydro's branches and subsidiaries as well as other electrical power companies, aged up to 28, and three fourth-year students from the Volga Branch of the Moscow Power Engineering Institute (as part of a trial demonstration exam) participated in the championship.

Talent pool

In order to ensure management succession, improve management appointment process and to incentivize employees to enhance their professional skills and knowledge for career development purposes, RusHydro Group has management talent pool building and development programs in place.

The programs are divided into two levels. The talent pool for any given position is a specially trained group of employees from the headquarters and branches, who combine strong leadership competencies and professional skills commensurate with corporate requirements for a particular managerial position.

In 2018, the Company arranged and conducted the following talent pool training modules:

- Occupational training;
- Personal performance improvement;
- Project management;
- Production asset management;
- Digital transformation.

161 employees were trained in these modules.

In 2018, 10 employees from the first group of talent pool candidates for key positions at the chief engineer's office defended their diploma projects and completed training under the talent pool program. The diploma projects were written under the guidance of mentors from the production unit and assessed by an expert committee for applicability at RusHydro Group, the maturity and viability of the projects.

The Company's young talent pool called "Internal Source of Energy" is a group of young specialists up to 30 years old, who have been assessed and selected as potential professionals and/or leaders and receive regular targeted training to improve their qualifications.

The "Internal Source of Energy" project is aimed at identifying, developing and retaining young talent. In 2018, the third intake of young professionals completed a modular program that covered project management, operational excellence, finance for non-finance managers, and went on to work on their diploma projects to be presented at a later stage. A new pool of young talent will be selected and trained in 2019.

Apart from offering training modules for talent pool candidates, RusHydro Group arranged a number of other events for young employees in 2018, including participation in industry-wide competitions in innovation, the engineering training initiative Technological Leadership School run as part of the Youth Day at the St. Petersburg International Economic Forum and development of young people's vision of technological growth of Russia's energy sector in the context of global trends until 2030. The vision was elaborated in the format of a competition among young energy professionals. The research by RusHydro's young specialists won the competition and was showcased to the Ministry of Energy during the Youth Day of the Russian Energy Week.

In 2018, RusHydro's young specialists participated in the 8th International Forum of Young Power Professionals and Industrialists called the Fast and the Furious 2018. It was for the first time that the vast majority of RusHydro's branches and subsidiaries, including those from the Far East, were represented at the event. At the forum, the Young Employees' Community started work under the guidance of RusHydro's senior management and experts.

The key goals of this professional community are as follows:

- to communicate RusHydro Group's values to young people;
- to position RusHydro Group as an employer brand across its geographies;
- to create opportunities for proactive young employees;
- to develop young employees' competencies and skills and create opportunities for promotion at RusHydro Group.

The community operates, on a voluntary basis, to implement joint projects, share experience and practices, search for new, more efficient approaches and solutions to deliver on RusHydro Group's strategic priorities. The community set the key project streams as follows: Technology Leadership, Professional Development, Health and Safety, Comfortable Environment in the Regions of Operation. For each stream, community participants designed a work plan for 2019 and determined mentors from among the managers and experts of RusHydro's headquarters.

The first project implemented by the community in 2018 was a virtual walking marathon across RusHydro Group's sites called "Walking from the Far East to North Caucasus" aimed at promoting a healthy life style and building communications among employees. 6,000 employees from 28 regions participated in the walking marathon. The project won the first prize in the Life Style nomination at the 9th International Competition for Internal Communication Projects INTERCOMM-2018.

Personnel management system development plans for 2019

In 2018, RusHydro Group established a Qualifications Assessment Center as a separate legal entity to assess employees for compliance with industry occupational standards. In September 2018, the Energy Sector Occupational Qualifications Council authorized the Qualifications Assessment Center to conduct independent assessments of professional qualifications under the occupational standards for the electrical and heating power sector. The assessments will be conducted starting from 2019, in line with statutory regulations, as an occupational examination, which includes a theory test and a practical section to check skills and competencies.

The tests will be run in Moscow as well as in the Volga Training Center of the Corporate Hydropower University, the Artyom Training Centers in the Far East, and the Dolzhenko Personnel Training Center of DGK's branch Khabarovsk Generation. The examination board will include RusHydro production experts, who contributed to the development of occupational standards and assessment materials.

In 2019, RusHydro Group, at its Sakhalinenergo Training Center, will hold the 2nd corporate competition for operations staff at cross-connection thermal power plants. Teams from DGK, Kamchatskenergo, Magadanenergo, Sakhalinenergo and Chukotenergo will take part in the competition.

Other plans for 2019 include:

- the 1st Corporate Engineering Case Championship of Innovation and Work Improvement Proposals called Ratsenergy;
- the 2nd Corporate Championship WorldSkills Russia Juniors in Electrical Installations;
- the Industry (Corporate) Championship for protective relaying and automation of hydro power plants and pumped storage power plants, arranged to WorldSkills standards;

- a conference of RusHydro Group's young talent community at the International Innovation Forum of Industrialists and Power Professionals called the Fast and the Furious 2019.

Social policy

Objectives and results of the social policy

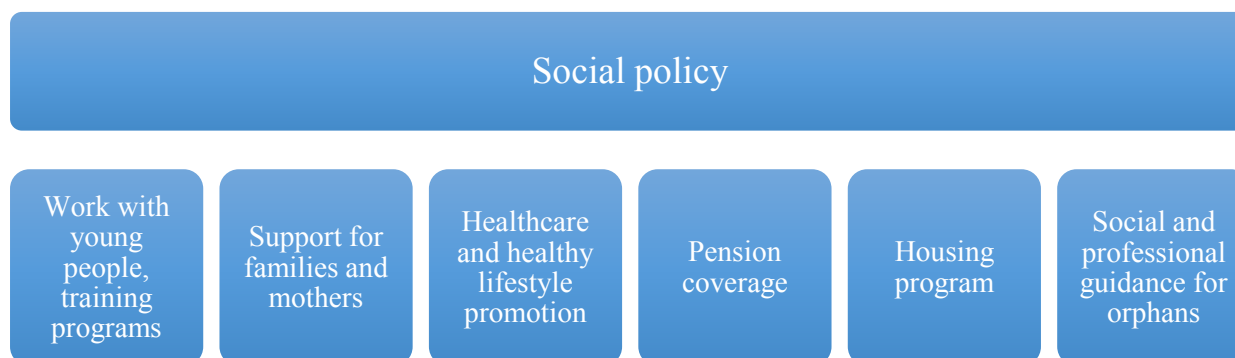
In order to implement RusHydro's socially responsible position, the Board of Directors approved the Company's Social Policy in 2013. The document established the key principles, goals and objectives for RusHydro Group's social development across the regions of operation.

Objectives of the social policy:

- furthering the Company's socially responsible agenda,
- promoting shared social responsibility and social partnership practices,
- making RusHydro Group more attractive as an employer to recruit and retain the best talent.

Tasks of the social policy:

- creating an institutional environment for attracting and retaining young talent,
- maximizing employee commitment to RusHydro's goals and principles,
- improving occupational relations taking into account the interests of the employer, employees, shareholders, and the government.



In its social policy, RusHydro Group follows international standards and best practices in the field of human rights, labor relations, environmental protection, anti-corruption initiatives and stakeholder relations. The Company relies on the Guidance on Social Responsibility (ISO 26000) and the universal principles enshrined in the UNGC Guide to Corporate Sustainability in the field of human rights, labor relations, environmental protection and anti-corruption initiatives, as well as the Social Charter of the Russian Business and the Tariff Agreement for the Electrical Power Industry of the Russian Federation. **(102-12).** RusHydro Group grants benefits to full-time employees:

- voluntary medical insurance;
- insurance against accidents and diseases;
- disability/temporary disability compensation;
- maternity/paternity leave;
- one-off financial aid in case of death of a close relative;
- other payments and benefits in accordance with collective bargaining agreements and in-house rules and regulations.

To support young families, the Group provides them with one-off payments in connection with the registration of marriage, the birth of a child, childcare allowance for up to three years, compensation of expenses for nursery and kindergarten daycare costs.

RusHydro also contributes to local employment, fiscal sustainability, construction and financing of social infrastructure facilities, urban improvement, supporting education, healthcare, culture and sports, caring for veterans and disabled people, making technical arrangements to reduce environmental footprint and providing assistance to those affected by natural and other disasters.

Private pension plans

In 2018, the private pension coverage for employees at RusHydro's branches included several pension plans designed to finance the pension savings of different target employee groups.

The private pension plans include:

Individual plans (financed by an employee) consisting of:

- the "Individual" option (employees finance their pension savings);
- the "Close People" option (employees finance pension savings for the benefit of third parties).

The parity plan (financed on the basis of equal participation by an employee and the Company or an employee, the Company and the state) consisting of:

- the "5+5" option (an employee and the Company jointly finance his or her pension savings);
- the "Co-financing" option (an employee, the Company and the state jointly finance his or her pension savings).

The corporate plan (financed by the Company) consisting of:

- the "Supporting" option (the Company accumulates pension contributions on registered pension accounts of employees who, as a result of the reform of the state pension system, do not receive or have a limited opportunity to form the funded part of the work pension (for employees born before 1966);
- the "Veterans" option (the Company accumulates pension savings on the pension accounts of its former employees as a supplementary pension for retired employees).

Similar programs are in place at several subsidiaries, including Gidroremont-VKK, Transport Company RusHydro, Kolymaenergo, DGK, Far Eastern distribution company (DRSK), Far Eastern energy company (DEK), Kamchatskenergo, etc.

Security for RusHydro Group's liabilities under pension plans⁹⁰ (201-3)

Net pension liabilities as at December 31, 2018, RUB mn	7,418
Estimated coverage ratio of special assets vs. liabilities under the scheme (fair value of plan assets / current value of plan liabilities)	12.52%

Improving housing conditions for employees

RusHydro continues implementing a program to improve housing conditions for employees. The priority right to participate in the program is given to young professionals under the age of 30, who do not have their own apartment or house, relocated specialists, key and highly qualified specialists, as well as employees with many children, and single parents.

In 2018, pursuant to Regulations on Improving Employee Housing Conditions at Branches of PJSC RusHydro, approved by Company's Order No. 702 dated September 8, 2016, 139 employees received

⁹⁰ Liabilities under IFRS as appraised by Actuarial and Financial Services LLC

compensation of interest payments on mortgage loans and lease expenses. Furthermore, in 2018 employee housing programs were introduced at Yakutskenergo, Sakhaenergo and Kolymaenergo.

Employee rights, trade unions

At RusHydro Group, employees are free to fully exercise their right to freedom of association. Most of RusHydro Group's companies have trade unions in place, with a total of 35,882 members in 2018. (407-1).

On December 11, 2018, Chairman of the Management Board – General Director of RusHydro Nikolay Shulginov and the senior management of RusHydro had a meeting with the leaders of the Far Eastern sections of the All-Russian Electric Trade Union.

At the meeting, memorandum No. 56 pr/2 was signed with a view to developing social partnerships at all levels, improving a social dialogue between authorized representatives of employers and employees at RAO ES East Subgroup, as well as maintaining the existing social benefits.

All of RusHydro Group's generation branches and 40 subsidiaries have collective bargaining agreements in place. In 2018, 96% of the Group's employees were covered by collective bargaining agreements.

The collective bargaining agreements signed at RusHydro Group regulate the social and labor relations taking into account the interests of employees and the employer. (102-41)

RusHydro and its 12 subsidiaries are members of the All-Russian Industry Association of Employers of the Power Sector "ERA of Russia", while another 3 subsidiaries have joined the Industry Tariff Agreement for the Electrical Power Industry of the Russian Federation. The Industry Tariff Agreement provides a single standard for regulating social and labor relations in the industry and sets a minimum level of guarantees for employees. This standard significantly facilitates the dialogue in social partnerships at the levels of industry companies and the Group, enabling RusHydro to compare and assess the level of guarantees provided to employees.

All companies that are "ERA of Russia" members comply with the key provisions of the Industry Tariff Agreement pertaining to the amount and frequency of indexation of the minimum monthly rate of pay, additional benefits and guarantees such as one-off payments made prior to a paid leave, financial assistance provided in the face of certain events (marriage, childbirth, death of close relatives), one-off payments to retiring employees, compensation to families in cases of work-related fatalities and deaths caused by common diseases or home accidents, as well as other benefits provided for by the Industry Tariff Agreement if the company is financially able to make the payments (50% discount of the regular charge for electricity and heat, compensation of childcare expenses, monthly compensation payments to employees on childcare leave, etc.). Notably, RusHydro provides employee benefits and guarantees that are higher than those set forth in the Industry Tariff Agreement in terms of both scope and amounts paid. (103)

Pursuant to the Labor Code of the Russian Federation, specifically article 74 concerning changes in organizational or technical conditions of labor, article 75 concerning changes of control and restructuring, employees must be notified in simple written form within at least two months from the date of such material changes in an employment contract. In collective bargaining agreements, Section 4 "Employment" also makes reference to the Industry Tariff Agreement, which reflects duties of employers and trade unions in the event of material changes in employment contracts.

More information on the Industry Tariff Agreement is available at: http://www.orael.ru/union/OTS/2019-2021/OTS_2019-2021.pdf (402-1)

Charity projects and volunteering

Charity programs

RusHydro pursues charitable activities in accordance with the Company's Charity and Sponsorship Policy approved by its Board of Directors (Minutes No. 280 of December 7, 2018).

The main objective of RusHydro's charity programs is to set the stage for sustainable development in the Company's regions of operation, foster a favorable social environment and help unlock Russia's spiritual, scientific, technical and intellectual potential.

RusHydro's charitable priorities include:

- education;
- environment;
- healthcare;
- sports;
- culture;
- support of social institutions and organizations;
- initiatives promoting the social and economic development of the Russian regions;
- support of charitable foundations and non-profit organizations;
- improving the living standards of low-income households and people in need.

Education

Support for educational institutions translates itself into technical upgrade initiatives and implementation of educational projects. In 2018, RusHydro provided financial support to 18 kindergartens, 28 secondary schools, 10 music schools and community centers, 13 centers of additional education and leisure for children and youth, and five universities.

RusHydro staged the 10th edition of the Energy for Development contest for undergraduates and postgraduates of technical universities, aiming to put in place a long-term framework for consistent professional training in the energy sector and facilitate industry-specific education. Over the years, some 1,000 undergraduates and postgraduates submitted their applications to take part in the contest, with several dozen winners opting to pursue a career in the energy sector after the competition.

Environment

RusHydro's environmental initiatives include oBEREGAi, an environmental program designed to clean up the banks of local water bodies, and a project offering students a wide choice of environmental sessions, festivals, contests, excursions focusing on local history and culture, field schools and classes in the school's forest and nature reserve facilities during their vacations. The Company provides support to specially protected natural areas (nature reserves, protected areas and national parks) at both the regional and national levels. As part of the Ecological Paths project, an additional tourist route was laid out in the Prielbrusye National Park, with the number of nature trails created in 15 regions of the Company's operations reaching 23.

Healthcare

Every year, in the run-up to the Energy Worker's Day, RusHydro holds an *Energy Born* charity event, aiming to provide maternity hospitals, perinatal care centers and maternity wards from across the Company's footprint with state-of-the-art medical equipment. In 2018, as part of this initiative, the Group

purchased cardiocographs / fetal monitors, neonatal intensive care units, air recirculation and irradiation systems, electrocoagulators and pulse oximeters for 14 healthcare institutions.

The total number of medical organizations benefiting from financial support in 2018 reached 21.

Sports

A total of 26 sports schools and football, basketball, hockey, tennis, chess, water sports and martial arts clubs from the Company's regions of operation became eligible for charitable assistance, with sports equipment and accessories supplied with the support of RusHydro. Moreover, young athletes from the patronized sports schools now have an opportunity to participate in European and international competitions to vie for gold and silver medals.

Financial support was also provided to the Russian Whitewater Slalom Federation, Russian Union of Martial Arts, Russian Judo Federation, Karachayevo-Cherkessian Regional Sports Federation of Kyokushin, and Yenisei-STM Rugby Club.

Culture

For several years now, cooperation with the Russian Geographical Society has been one of RusHydro's major projects in the realm of culture. Last year, the Company provided financial assistance for the Society to put in place a grant fund designed to encourage research on natural disasters and rare animal species, while also supporting the organization's publishing activities and environmental and geographical expeditions.

Financing was also allocated to ensure the preservation of cultural and historical heritage by upgrading a wide range of cultural institutions, including museums, community centers, and libraries. The financial assistance provided by the Company made it possible to stage a large number of creative festivals, contests and exhibitions and to promote book publishing.

In 2018, three religious organizations also benefited from RusHydro's financial support.

Support of social institutions and organizations

RusHydro pays close attention to the problems of children without parental care and kids with special needs. In 2018, 18 orphanages and asylums and 9 rehabilitation centers for children and teenagers became eligible for financial support. The Company's charitable assistance helped upgrade and refurbish the institutions' facilities, prepare orphan undergraduates for adult life, furnish playgrounds for children with special needs, purchase special educational equipment, set up rehabilitation courses, and organize educational excursions and sports competitions.

Support of charitable foundations and non-profit organizations

Funds were allocated to support 35 charitable foundations and non-profit organizations at the regional and national levels. This financing helped implement socially significant charitable projects in the Company's regions of operation, including the Far East, focusing on education, environment, healthcare, sports, culture, support for low-income families and people in need, and initiatives promoting the social and economic development of the Russian regions.

In 2018, charitable foundations benefiting from the Company's financial assistance included the Vera Hospice Charity Fund, Center for Humanitarian Programs, Russian Children's Foundation, Live Now

Charity Foundation, and Illustrated Books for Little Blind Children, a regional charitable foundation. The financial allocations were used to lend a helping hand to low-income households and distressed families.

Each year, RusHydro's Board of Directors approves the Company's Charity and Sponsorship Program. In 2018, the total amount of allocations under the charitable programs stood at RUB 1,240.5 mn, with funds used to support charity and socially significant projects and programs in RusHydro Group's regions of operation.

In the Far Eastern Federal District, the social projects of critical importance for the macroregion and its residents are supported by the Far Eastern Energy Company, Far Eastern Generating Company, Far Eastern Distribution Company, Yakutskenergo, Magadanenergo, Sakhaenergo, Kamchatskenergo, Energotranssnab, Teploenergосervіs, Yakutsk Energy Repair Company, UESK, and Kolymaenergo. Boguchanskaya HPP and International Energy Corporation also make significant contributions to the social development in the regions of the Company's operations. In 2018, RusHydro's subsidiaries allocated some RUB 120 mn for charitable purposes in addition to the funds earmarked under the Company's Charity and Sponsorship Program, with support provided to orphanages and asylums, boarding schools, rehabilitation centers for minors, educational and cultural institutions, children's performance groups, sports clubs and societies, and veteran organizations.

Programs to promote skills and knowledge in the professional community or across the region

As part of RusHydro's advanced personnel development program – *From New School to Workplace*, an extensive student and undergraduate engagement exercise has been launched across the Group's footprint. This effort seeks to raise awareness about the importance of engineering and blue-collar jobs as a prerequisite for the development of the energy sector in the Company's regions of operation. The central element of RusHydro's school-based talent pooling exercise comes in the shape of career-oriented educational programs (energy classes) launched in nine regions across the Company's footprint. In 2018, 670 school students of the ninth to eleventh grades completed training under such programs. 2018 also saw the launch of optional classes in Theory of Inventive Problem Solving and extra-curriculum engineering activities for more than 400 students from the Company's technical creativity centers (technical workshops).

Each year, the Company holds Energy for Education, an industry-specific school contest which has attracted over 5,000 students since its kick-off. In 2018, 680 schoolchildren submitted applications to take part in the online competition, with 20 winners admitted to the final stage of the nationwide Energy Sector Hope school contest.

The brightest participants of career guidance projects become eligible to join Energy Summer School, a corporate R&D camp run by RusHydro on an annual basis. In 2018, the summer school was hosted by Novosibirskaya HPP. The event was attended by 32 schoolchildren from 14 Russian regions (including those enlisted in RusHydro's energy classes) who prepared and presented six team projects focusing on synergies between Novosibirskaya HPP and the nearby megapolis.

In 2018, the Company became a partner of discipline-specific and project-based sessions in the Russian Children's Education Centers (Sirius, Ocean, Smena, Orlyonok) as part of RusHydro's career guidance program, with 462 high school students attending the events.

In 2018, RusHydro became a theme-based partner of [ProeKTOriYa](#), a national career guidance forum, which was attended by students of energy classes from Rybinsk and their mentor. As part of the forum, experts from the Corporate University staged a hydropower case solving competition with online contributions from the employees of Saratovskaya HPP and the laboratory of Moscow Power Engineering Institute.

The key 2018 event in terms of collaboration with professional educational institutions was RusHydro-sponsored opening of the Institute of Hydropower and Renewable Energy Sources (part of Moscow Power Engineering Institute) designed as a single center for education and training of engineers specializing in

hydropower and renewables. The training center leverages the capacities of the departments of Hydropower and Renewables, Hydromechanics and Hydraulic Machines, and Innovative Technogenic Safety Solutions, which are responsible for training bachelors, masters and postgraduates in the key areas of the Company's business.

RusHydro has received numerous corporate awards confirming the Company's commitment to raising awareness about energy sector jobs and providing training opportunities to students and undergraduates across the regions of its operation:

1. The Company won a first grade award in the Technology Transfer nomination at Enabling Our Future, Russia's fifth nationwide contest for best employer practices in human capital development.
2. At Graduate Awards 2018, RusHydro came in the third place in the nomination for the Best Schoolchildren Engagement Program with its project focusing on the implementation of career guidance initiatives at the Information Center for On-site Training in Cheryomushki.
3. RusHydro won the 2018 Leaders of Russian Business: Dynamics and Responsibility contest sponsored by the Russian Union of Industrialists and Entrepreneurs, receiving an award for its contribution to the social development of the Company's regions of operation. The key evaluation criteria included contributions to solving economic and social problems, efficiency of proposed projects and initiatives, and replicability of gained experiences outside the company.
4. Young Energy, a program aiming to provide social and professional guidance for children from orphanages, won the first place and the Grand Prix in the nomination for Collaboration Synergies of the Enabling Our Future contest held as part of the Moscow International Education Fair (MIEF-2018); ranked second in the nomination for the Best Program (Project) Promoting Volunteering in Russia at the awards ceremony of the Leaders of Corporate Charity in Russia 2018 initiative; came in the second place at Champions of Goodness, Russia's first nationwide corporate volunteering contest; and made it to Top 20 in the Social Mentoring nomination in the first edition of Russia's Best Mentoring Practices competition.

Volunteering initiatives

RusHydro Group promotes corporate volunteering, encouraging individual and team-based involvement of its employees in socially important projects.

RusHydro's corporate volunteers take an active part in oBEREGAi, an environmental program designed to clean up the banks of rivers, reservoirs and lakes in the Group's regions of operation.

RusHydro employees also participate in blood donation campaigns organized by the Company jointly with the Blood Service, with up to 75% of volunteers foregoing their compensation for charitable purposes.

The Company holds charity fairs, with proceeds donated to the charitable foundations' treatment, rehabilitation, training and development programs. Volunteers are also involved in fundraising and drives for people in need. In 2018, as part of the Suitcase of Goodness campaign, the Company's volunteers collected over 2,000 toys for kids undergoing treatment in children's haematology centers and oncology hospitals. Over one hundred gifts were collected before the New Year to cater for the basic needs of the elderly people placed in care homes or under custody of the Vera Miloserdiya foundation.

RusHydro's employees arrange tours around the Group's facilities. In 2018, more than 4,000 tours were organized for students in an attempt to stir interest in engineering and energy sector professions among the youth.

Annually, RusHydro's volunteers come to schools from across the Company's footprint to give over 15,000 schoolchildren lessons about energy saving technologies and energy security.

RusHydro Group's corporate volunteers stage festive events (as part of the Brightest Christmas Tree initiative) and collect stationery (as part of the Get Ready for School campaign) for children from distressed families and kids placed under the custody of socially responsible charitable foundations, orphanages and boarding schools.

On occasion of the Energy Worker's Day and other holidays, corporate volunteers come to visit retirees at their homes and organize retiree meetings enabling energy sector workers of different generations to share their experiences. On such days, volunteers from RusHydro's North Caucasus branches clean up areas around monuments to Russia's defenders and organize excursions to the Caucasus Mountains to honor the heroic deed of soldiers who died in defense of the North Caucasus region during World War II.

In retail companies, RusHydro's corporate volunteers teach pensioners how to use their personal online accounts and give digital literacy classes.

In 2018, RusHydro Group mobilized its volunteers to streamline the implementation of Young Energy, a program aiming to provide social and professional guidance for children from orphanages. The volunteers helped children choose a career path, prepare for exams and studies at specialized technical schools, and seek employment with RusHydro or other companies. The program covering nine regions of the Company's operations has been in place since 2013. RusHydro's volunteers are the main driver behind the initiative. In 2018, 120 volunteers took part in the Program.

Volunteers work with children on an ongoing basis, having encouraged more than 55 students to take specialized training at technical schools. Five of those students are now employed with the Company. Volunteers regularly arrange socialization and career guidance events for children living in orphanages. These events come in all sorts of formats – from financial literacy classes and lessons in independent living to a series of occupational insight sessions, professional tests, and tutoring courses.

Since 2015, the Company has been using a training program for participants of the WorldSkills Russia Juniors championship as one of the main career guidance and professional development tools for orphans and children without parental care. RusHydro is the only company with children from orphanages in its teams.

In 2018, volunteers organized a large number of socialization and career guidance events for children, including:

- preparation for the WorldSkills Junior championships;
- visits to the Company's facilities;
- lectures and workshops on technology and energy (for example, Denis Ivashkin, Head of Energy Market Support Novosibirskaya HPP (RusHydro's branch), delivered a lecture on renewables in our life for children from the Novosibirsk Orphanage);
- creative workshops (decoupage, scrapbooking, drawing contests, etc.);
- clean-up days;
 - energy efficiency and financial literacy lessons, rundown on the Constitution of the Russian Federation, etc.;
- festivals held on occasion of the New Year, Defender of the Fatherland Day, International Women's Day, Maslenitsa, school graduation, Knowledge Day, Energy Worker's Day, etc.;
- visits to cultural events, theatres, exhibitions, etc. (for example, on February 2, 2019, volunteers from Volzhskaya HPP (RusHydro's branch) took children from the Volzhsky Orphanage on a trip to the

Panorama Museum of the Stalingrad Battle (Volgograd) to commemorate the anniversary of the Battle of Stalingrad);

– sports events and contests (football and volleyball competitions, school sports days, rafting excursions, health days, etc.).

The Company's volunteers organized a training session for children from Lastochka Orphanage (Republic of Khakassia) in an attempt to facilitate their transition to adult life after they leave school. Moreover, additional training in maths, Russian and physics is available to orphans and children without parental care as part of their preparation for the high school graduation exams and entrance exams at technical schools.

A team of volunteers led by Natalya Gordeyeva, an HR specialist at Volzhskaya HPP (RusHydro's branch), helped Denis Tsygankov, a student under the custody of the Volzhsky Orphanage, to successfully pass entrance exams at the Volzhsky branch of Moscow Power Engineering Institute.

Environmental protection

Environmental friendliness and awareness is a mandatory part of policy for any socially responsible business. Ongoing modernization initiatives together with energy conservation and higher energy efficiency, advancement of renewable energy and innovative development are set to reduce negative environmental footprint and increase the Company's shareholder value.

RusHydro Group is the largest Russian energy holding and a leader in generating renewable energy. RusHydro Group's operations span most of Russia, making it a major user of national water resources and the largest electricity and heat supplier in the Far East.

Environmental policy

Environmental impact management (103-1)

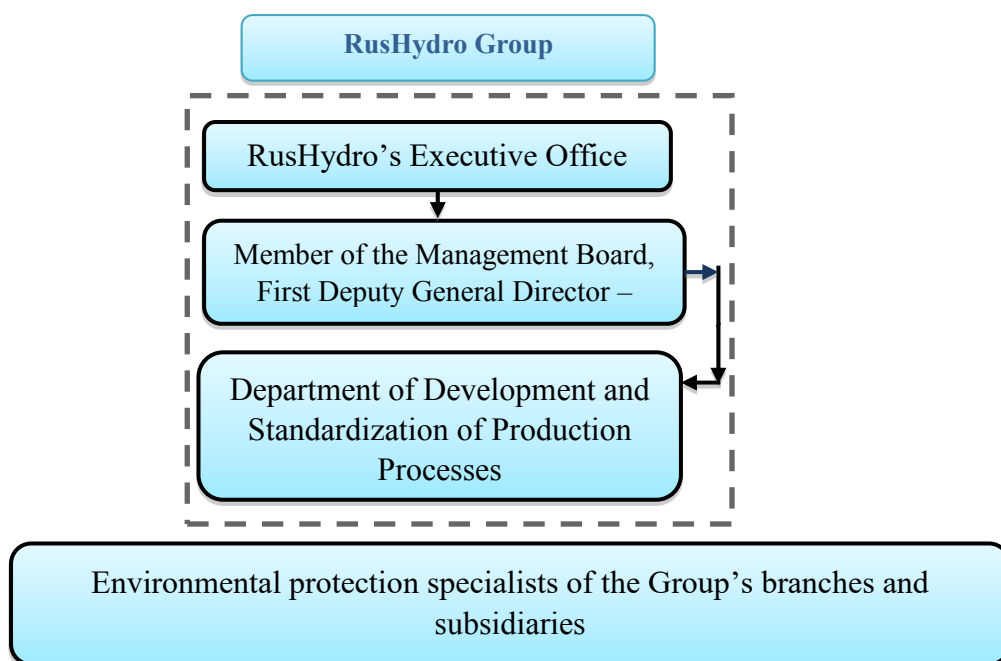
RusHydro Group adheres to environment protection and sustainable use of natural resources while observing the approved Environmental Policy, which is based on Russia's national policy for environmentally sustainable development and safety, the Constitution of the Russian Federation, federal laws and regulations, and international treaties of the Russian Federation governing the same.

RusHydro Group also takes into account global standards for environmental management and international best practices applicable to energy projects.

While planning and carrying out its operations, the Group abides by the precautionary approach adopted by the UN Conference on Environment and Development in 1992.⁹¹ (102-11)

Environmental impact management

⁹¹ "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." (Rio Declaration on Environment and Development, 1992).



The integration of RusHydro and RAO ES East had an impact on the Group's operations, changing the perimeter of its operations and causing the Group to revise its Environmental Policy, which now addresses today's challenges and trends in environmental protection while taking into account the specific operating environment of RusHydro's hydropower and heat assets.

The updated Environmental Policy sets out KPI seeking to increase the installed capacity of low-carbon generation, reduce direct and per unit greenhouse gas emissions, prevent species elimination as a result of operating activities, additionally train staff in environmental protection, etc.

The plan by 2025 is to increase the installed capacity of low-carbon generation by 632.3 MW and reduce greenhouse gas emissions by more than 6% as compared to 2015. The intensity of CO₂ emissions is set to decrease 7.7% in the electricity generation segment and 6.4% in the heat production segment.

The restated Environmental Policy addresses today's challenges and trends in environmental protection. The document was prepared on the basis of federal government authorities' proposals, specifically those by the Ministry of Energy, Ministry of Economic Development and the Ministry of Natural Resources and the Environment of the Russian Federation as well as the UN Sustainable Development Goals.

The Environmental Policy won recognition during public hearings attended by representatives of the World Wide Fund for Nature (WWF), Russian Union of Industrialists and Entrepreneurs, Moscow State University, RUSAL, EuroSibEnergo, Rosseti, etc.

It is worth noting that the Environmental Policy is binding on all companies within RusHydro Group as well as entities that collaborate with the Group on contractual terms.

Enablers of RusHydro's Environmental Policy

RusHydro approved the Implementation Program for the Environmental Policy. As part of the Rehabilitation and Modernization Program, RusHydro procures to upgrade and replace hydropower units and repair HPP turbines, including to prevent environmental contamination in the course of its operations. Bank protection efforts are ongoing to maintain water conservation zones in good repair. RusHydro Group seeks to replace oil-filled electrical equipment with vacuum or SF₆ gas, which contains no oil, or with that

with lower oil content. RusHydro Group procures to upgrade TPP boilers to feed on natural gas, which helps reduce pollutant emissions into the air and enhance the efficiency of gas purification and dust collecting equipment.

The Company also employs other initiatives to reduce its negative environmental footprint, including:

- construction of industrial waste landfills;
- rehabilitation of storm drains and waste water treatment facilities;
- collection of floating rubbish and transfer to waste disposal facilities;
- landscaping and planting of greenery;
- repair of ash and slag disposal facilities.

Key environmental protection initiatives in 2018 as part of the Rehabilitation and Modernization Program

Branch/subsidiary	Initiatives
Votkinskaya HPP (RusHydro's branch)	<ul style="list-style-type: none"> - Downstream water management at earth dam No. 3 - Replacement and rehabilitation of overflow dam bars and construction of a transfer platform
Saratovskaya HPP (RusHydro's branch)	<ul style="list-style-type: none"> - Current repairs of concrete and earth slopes of the left-bank dam and channel dam
Kamskaya HPP (RusHydro's branch)	<ul style="list-style-type: none"> - Current repairs of overflow dam sealing off concrete surfaces - Repair of drainage systems
Volzhskaya HPP (RusHydro's branch)	<ul style="list-style-type: none"> - Sealing off oil-filled runners of turbines - Landscaping of upstream and downstream penstocks
Cheboksarskaya HPP (RusHydro's branch)	<ul style="list-style-type: none"> - Rehabilitation of drainage water treatment facilities adjacent to the HPP building and storm and thaw water treatment facilities adjacent to the logistics base
Kolymaenergo	<ul style="list-style-type: none"> - Installation of water meters (as part of hydroelectric unit upgrade) (Kolymskaya HPP)
Boguchanskaya HPP	<ul style="list-style-type: none"> - Search for latent flaws at ERSCh E-200 BKh biological sewage treatment plant of KOS-240 treatment facilities complex at Boguchanskaya HPP - Fishery protection (ongoing monitoring) - Inspection to identify causes for poor performance of the waste water treatment process against discharge limits for oil-contaminated water (20 l/s)
JSC DGK	<ul style="list-style-type: none"> - Minor and major repairs, tests and adjustments at dust collecting equipment and aspiration bunkers, gas purification units (scrubbing towers, Venturi tubes) for Blagoveshchenskaya CHPP, Raychikhinskaya CHPP, Primorskaya GRES, Neryungrinskaya CHPP, Artyomovskaya TPP, Vladivostokskaya CHPP-2, Partizanskaya GRES, Amurskaya CHPP, Komsomolskaya CHPP-2, Mayskaya GRES, Khabarovskaya CHPP-1, Khabarovskaya CHPP-3, and Urgalskaya boiler plant - Repair of ash dump and sluice discharge piping at Blagoveshchenskaya CHPP, Chulamskaya CHPP - Construction of dam at the 3rd tier of ash dump No. 2 (upstream dam) at Primorskaya GRES, construction of ash dump at Amurskaya CHPP, ash dump expansion at Khabarovskaya CHPP-3 - Repair of clarified water treatment facilities and pump station at Blagoveshchenskaya CHPP, construction of a waste water treatment station at Khabarovskaya CHPP-2 using innovative technologies of biochemical purification and disinfection - Repair of industrial, storm and household drains at Vladivostokskaya CHPP-2, repair of equipment and facilities at sewage treatment plant of Mayskaya GRES - Rehabilitation of Khabarovskaya CHPP-1 and Khabarovskaya CHPP-3 to upgrade boilers and hot-water peaking boiler plant to feed on natural gas
JSC DRSK	<ul style="list-style-type: none"> - Replacement of oil-filled electrical equipment with vacuum equipment

PJSC Magadanenergo	<ul style="list-style-type: none"> - Repair of fly-ash collectors at Arkagalinskaya GRES boilers - Maintenance of oil separators at Magadanskaya CHPP
PJSC Mobile Energy	<ul style="list-style-type: none"> - Introduction of gas monitors
PJSC Kamchatskenergo	<ul style="list-style-type: none"> - Repair and maintenance of waste water treatment facilities at Kamchatskaya CHPP-1 and Kamchatskaya CHPP-2, Central Power Grids, Yuzhno-Sakhalinskaya CHPP-1
PJSC Sakhalinenergo	<ul style="list-style-type: none"> - Repair, tests and adjustments at boilers (including dust collecting equipment), gas turbine units and diesel power plant of Yuzhno-Sakhalinskaya CHPP-1 - Instrumentation to monitor pollutant emissions into the air - Replacement of oil-filled electrical equipment with vacuum or SF6 gas equipment, which contains no oil, or with equipment with lower oil content at Yuzhno-Sakhalinskaya CHPP-1 - Current repairs of gas purification equipment at boilers of Yuzhno-Sakhalinskaya CHPP-1 - Replacement of straight runs of ash and slag pipe at Yuzhno-Sakhalinskaya CHPP-1
JSC Chukotenergo	<ul style="list-style-type: none"> - Tests on dust collecting equipment and measurements of gaseous effluents from boilers of Anadyr CHPP and Chaunskaya CHPP - Procurement of gas analyzers and components for Anadyr CHPP
UESK	<ul style="list-style-type: none"> - Flue gas scrubbing from smoke and dust using special equipment (cyclones) - Rehabilitation of diesel power plant No. 23 and replacement of diesel generator in Ust-Kamchatsk
PJSC Yakutskenergo	<ul style="list-style-type: none"> - Replacement and repair of boiler burners at Yakutskaya GRES - Repair of mechanical-draft tower at Yakutskaya GRES - Replacement of oil-filled circuit breakers with vacuum ones at Yakutskaya GRES
JSC Sakhaenergo	<ul style="list-style-type: none"> - Current repairs to prevent air inflow at uniflow cyclone and multi-cyclone (boilers No. 4 and 5) of Deputatsky CHPP - Commissioning equipment for disposal of hazard classes 1–4 waste (Tiksi, Olekminsk, Batagay) - Replacement of oil-filled circuit breakers with vacuum ones - Rehabilitation of ash and slag pipe for recycling water supply at Deputatsky CHPP
JSC LUR	<ul style="list-style-type: none"> - Water spraying (dust suppression) of roads, coal faces and open-pit crushing and screening area - Repair of oil separators at vehicle handling facilities in the mining area

2018 saw no incidents or accidents causing environmental damage within RusHydro Group.

Technical regulations for environmental safety

RusHydro adheres to a number of technical standards providing for environmental safety.

To assess the impact on environment and ensure industrial control, RusHydro introduced corporate standards such as *Hydroelectric Power Plants: Environment Protection, Environmental Impact Assessment. Guidelines* and *Hydroelectric Power Plants: Industrial Environmental Control. Standards and Requirements*.

National Standard GOST R 58 224-2018 *Hydroelectric Power Plants, Loss Allowance for Turbine Oil While in Operation, Method of Calculation for Turbine Oil Losses While in Operation* applies to both the Company's day-to-day management and state supervision.

Environmental impact assessment

RusHydro ensures environmental safety at all stages of the life cycle of its industrial facilities. Prior to starting a new project or modifying the existing facilities (at the project initiation and design stages), the Company procures to assess their impact on environment.

Assessment and controls over environmental impact at all stages of the project life cycle

Stage	Controls over environmental impact
Planning (pre-project stage)	R&D with a focus on environment Preliminary environmental impact assessment for new construction and rehabilitation planning
Design	Environmental impact assessment: assessment of the facility impact on environment in order to decide whether construction or rehabilitation is feasible Designing initiatives to ensure the required level of environmental safety
Construction	Implementation and follow-up on the initiatives provided for by the project and aimed at ensuring environmental safety Compliance with environmental laws during construction and installation
Operation	Industrial environmental control: initiatives preventing any deviation from the given level of environmental safety Voluntary initiatives to preserve biodiversity and improve environmental awareness among employees and communities

In 2018, there was no need to hold public hearings on environmental impact assessment for projects being designed or constructed.

Ensuring compliance with environmental laws

It is mandatory for the Company to develop draft standards applicable during the construction and operation of its facilities which establish permissible pollutant emission and discharge limits, waste generation and disposal limits as well as design documentation related to environmental protection, including initiatives to reduce negative environmental footprint and preserve biodiversity.

These documents are to be approved by the respective government agencies in charge of environmental protection, including:

- Ministry of Natural Resources and the Environment of the Russian Federation;
- Federal Service for Supervision over Natural Resources Management;
- Federal Agency for Water Resources;
- Federal Fishery Agency;
- Federal Service for Supervision over Consumer Rights Protection and Human Welfare.

The Company relies on the documents so approved to carry on its business in compliance with environmental protection standards.

Scientific and Technical Council

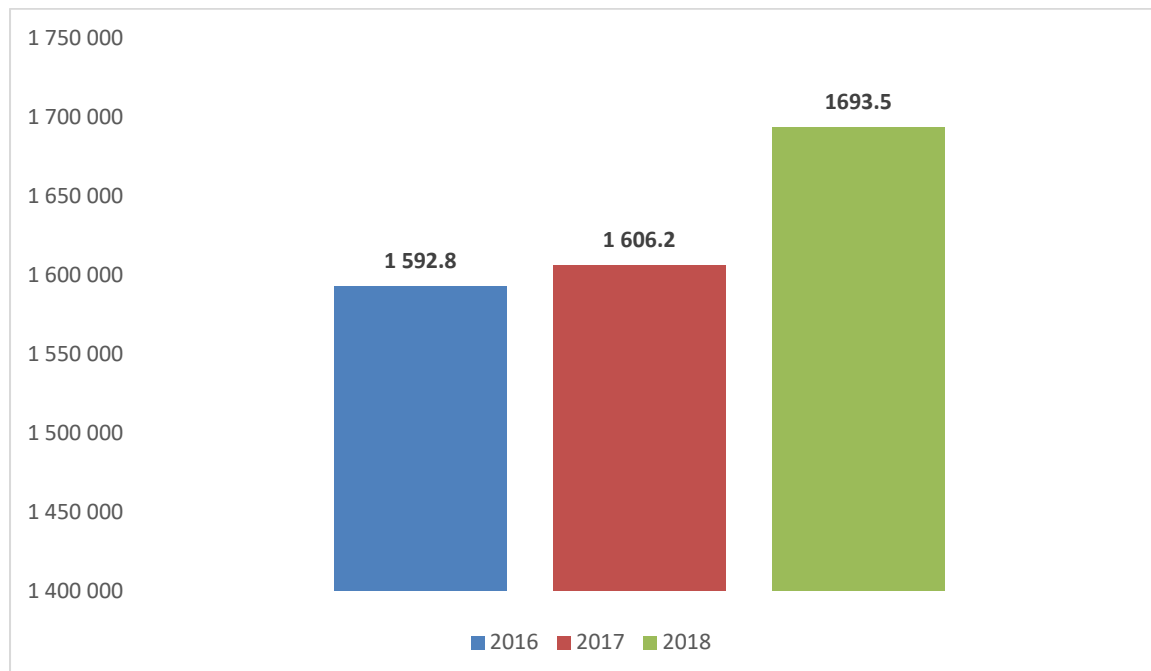
The Company has a permanent expert collective body, the Scientific and Technical Council (STC), which provides for a unified system of technical expertise ensuring that R&D solutions, projects and programs are examined for compliance with the Technical Policy and applicable technical regulations.

To ensure environmental safety while developing new technical solutions, the Company established the STC's task force on water reservoirs and environmental protection. It includes representatives of R&D institutions, the Chair for General Ecology of the Department of Biology at the Moscow State University, the Information Fund for Water Resources of the Federal Agency for Water Resources, and the Papanin Institute of Biology of Inland Waters (Russian Academy of Sciences).

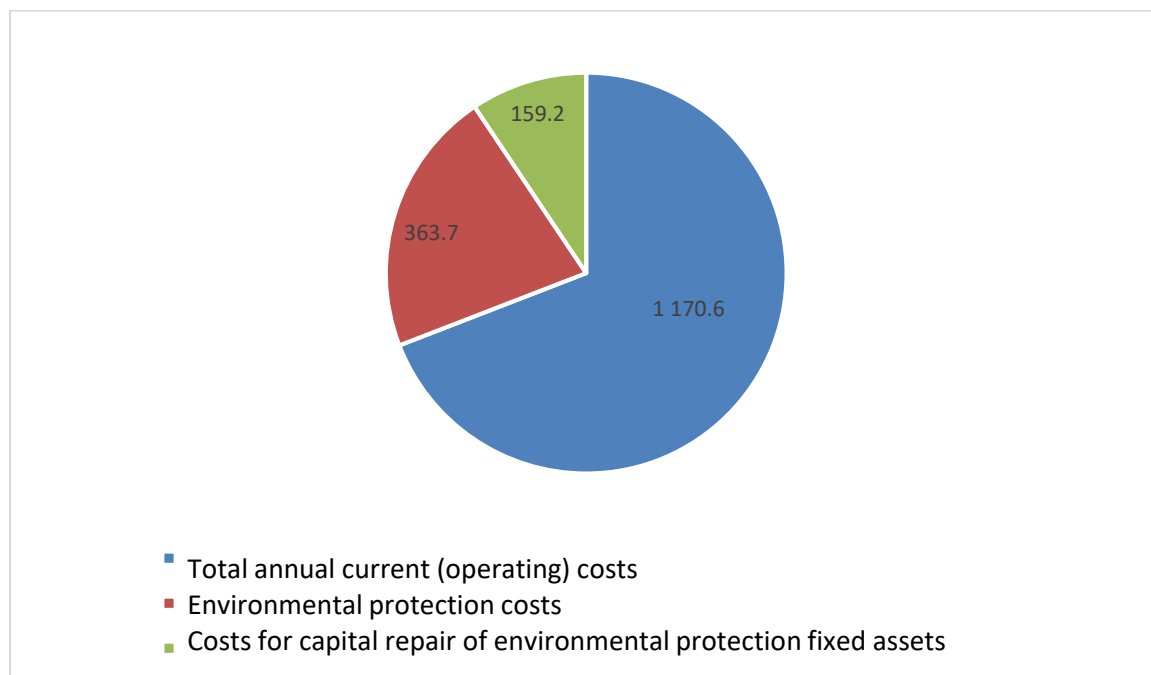
Investments in environmental protection

In 2018, total environmental protection expenses and investments amounted to RUB 1,694 mn, up by 5% year-on-year.

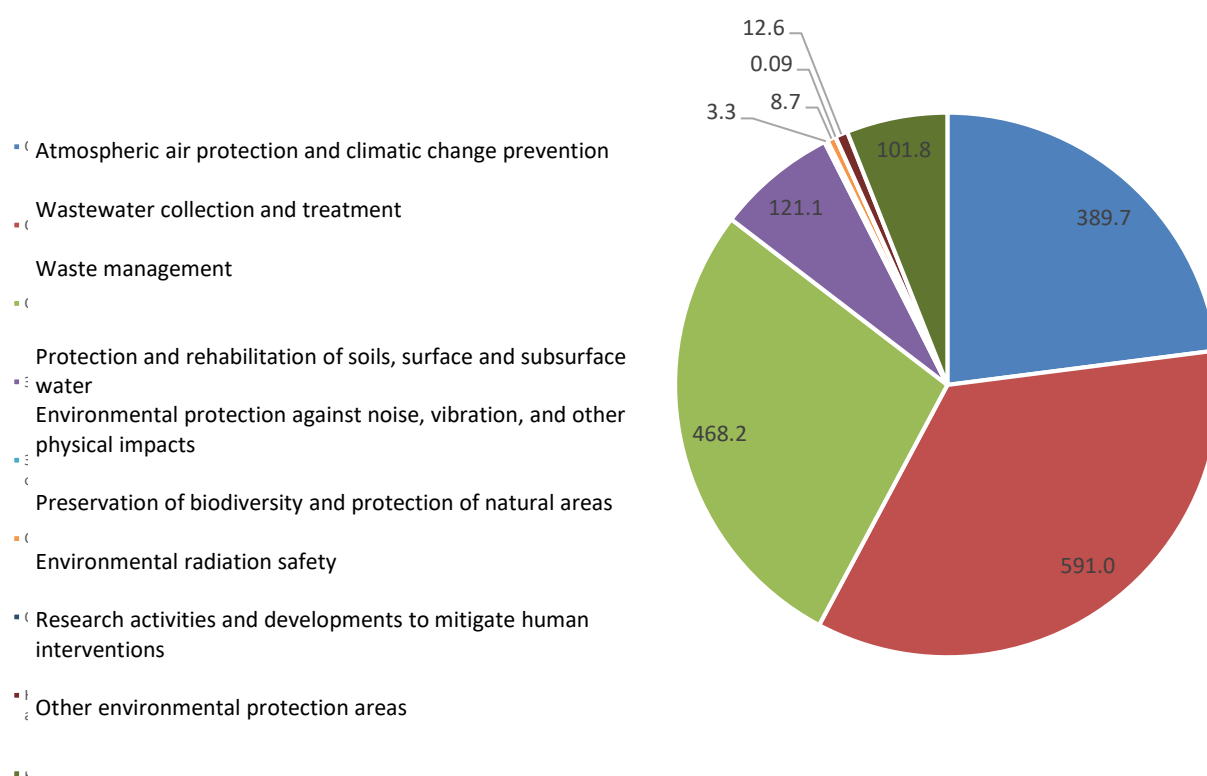
Total environmental protection expenses and investments of RusHydro Group in 2016-2018, RUB mn (103)



RusHydro Group's Total Environmental Expenses and Investments by Type of Costs, RUB mn (103)



RusHydro Group's Total Environmental Expenses and Investments by Distribution of Costs, RUB mn (103)



Cooperation in environmental protection

RusHydro Group actively cooperates with international organizations on matters of environment protection and conservation of biological diversity. The Company supports industry-specific and international initiatives to reduce the man-made load on the environment and strives to adopt best practices for the successful implementation of its environmental projects.

Prior to March 2018, RusHydro had been a partner of *Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations* project run by the United Nations Development Program, the Global Environmental Facility and the Ministry of Natural Resources and the Environment of the Russian Federation (the "UNDP Project"). The Project was implemented in Russia between 2012 and 2018. The Project's objectives were as follows:

- demonstration and introduction of international best practices in the field of biodiversity conservation in Russia's energy sector;
- improving biodiversity status in industrialized regions of Russia;
- assistance in the set-up of a monitoring system for biodiversity status and testing of environmental technologies in oil producing, coal mining, and hydropower production; and
- promoting the adoption of policies and guidelines on biodiversity conservation in the energy sector.

Within the UNDP Project, RusHydro was focusing on:

- biodiversity conservation;
- sustainable development of hydropower; and
- development of guidelines on biodiversity conservation in the hydropower sector.

In 2018, RusHydro continued its membership in international industry associations such as the Centre for Energy Advancement through Technological Innovation (CEATI), the International Hydropower Association (IHA) and the International Commission on Large Dams (ICOLD). Membership in these organizations enables the Company to interact with the world community on the safe, innovative and sustainable development of hydropower. (102-13)

To promote the principles of sustainable development in Russia, the Company contributes to the implementation of the Hydropower Sustainability Assessment Protocol (HSAP) as a statutory instrument.

Cooperation to combat climate change

In late 2015, RusHydro supported an initiative to unite the efforts in Russia to reduce the impact on the environment and prevent climate change, signing the Statement of the Russian Business on the Negotiation Process and Adoption of a New Climate Agreement at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC).

The 24th session of the Conference of the Parties to the UNFCCC was held on December, 2018 in Katowice (Poland), whereby Timur Khaziakhmetov, Director of RusHydro's Department of Development and Standardization of Production Processes, presented his report *RusHydro Group's Low-Carbon Development* at the *Russian Investments for a Transition to the Low GHG Emission Development* round table and spoke on RusHydro's sustainable development policy at the Day of Sustainable Energy. Both events were sponsored by the Russian Ministry of Energy to discuss sustainable development and Russia's transition to low-carbon development, improving the greenhouse gas emissions inventory, including the preparation of a national greenhouse gas emissions survey.

The participants included Ruslan Edelgeriyev, special representative of the Russian President on climate issues, as well as representatives of the Ministry of Energy, Ministry of Economic Development of the Russian Federation, Russian Meteorological Service (Roshydromet), RUSAL, EuroSibEnergo, SUEK, etc.

Since 2015, RusHydro has been a member of the Climate Partnership of Russia, which seeks to unite the efforts of businesses in the interests of transition to environmentally friendly technologies.

In 2018, the Company continued to report on greenhouse gas emissions to the CDP (Carbon Disclosure Project), having been its participant since 2015.

In 2018, RusHydro also continued its work, together with EuroSibEnergo and the Association of Hydropower of Russia, within the working group on developing a methodological approach to understanding global climate change processes in terms of greenhouse gas emissions from the surface of HPP freshwater reservoirs and evaluating their absorbing capacity.

In March 2018, RusHydro and the Hydropower of Russia Association held a round table in Moscow "Hydropower in the context of the transition of the energy sector of the Russian Federation to sustainable and low-carbon development". The event discussed a wide range of issues related to the sustainable development of hydropower, existing methodologies for assessing the compliance of hydropower projects with sustainable development criteria, ensuring reliable operation of hydroelectric power plants amid climate change, minimizing the negative impact on biodiversity during construction and subsequent operation of hydroelectric power plants, the impact of hydroelectric power plants and their reservoirs on the balance of greenhouse gases.

B. Bogush, member of the Board, First Deputy General Director - Chief Engineer of RusHydro, representatives of federal authorities, energy companies, the Association of Hydropower of Russia, scientific and environmental organizations took part in the round table.

Based on the results of the round table, a decision was made on the desirability of adapting the existing international and Russian methods of calculating and studying the effect of reservoirs on the greenhouse gas balance in order to properly take into account the natural conditions Russian hydroelectric reservoirs operate in, and the need to develop methodological approaches to ensuring and assessing projects criteria for sustainable development.

Water use and discharge

With most of its operations based around water bodies, RusHydro Group is a major user of national water resources. In 2013, the Company began disclosing HPP reservoir level data on a designated web page at <http://www.rushydro.ru/hydrology/informer/>

RusHydro strictly adheres to the applicable Russian laws and timely obtains all necessary permits and licenses for water use and protection of water bodies from the authorised government agencies. The Company's water withdrawal activities have no significant impact on water sources. **(303-2)**

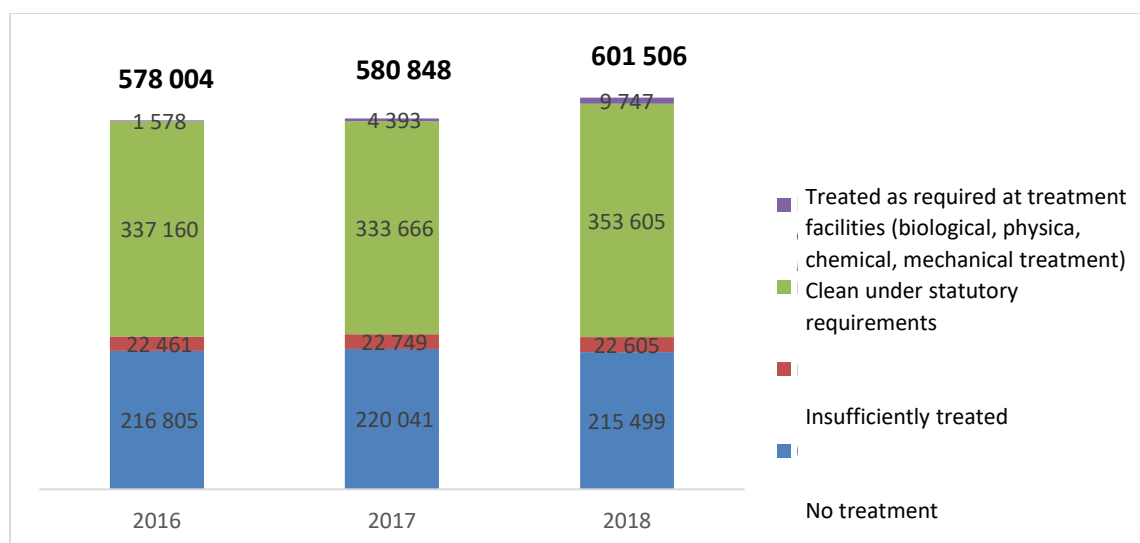
In 2018, RusHydro Group's water consumption increased by 5.86% y-o-y to 786,864,000 m³, with 97% of water taken for operational purposes. **(303-5)**

Impact on water bodies

The Group's waste and drainage water is discharged in strict compliance with the applicable Russian laws. The rights to use water bodies for such purposes are confirmed by relevant permits and licenses duly issued by the authorised government agencies. The same permits and licenses set out the applicable discharge limits.

In 2018, waste water discharges totaled 601,506,000 m³. **(303-4)**

Waste water discharge by treatment method, '000 m³ per annum **(303-4)**



Biodiversity conservation

Impact on biodiversity

While none of RusHydro's power generation facilities is located within specially protected natural areas, RAO ES East's grid infrastructure does extend to such places, sharing them with rare plant and animal species. **(304-1)**

As the Group seeks to minimize its impact on biodiversity and protected natural areas, none of its activities cause reduction of species, habitat conversion, or introduction of invasive species, pests or pathogens. **(304-2)**

Protected species' habitats affected by activities of RusHydro Group **(304-4).**

The habitat of the mandarin duck (*Aix galericulata*) in the Amur Region is impounded by the Nizhne-Bureyskaya HPP. As a rare species, the bird is on the Russian Red List and the 1996 IUCN Red List of Threatened Animals, and mentioned in Appendix 2 to the Bonn Convention and migratory bird protecting appendices to bilateral agreements between Russia, Japan, the Republic of Korea and the DPRK.

The impoundment area of the dam also covers a primary habitat of *Aleuritopteris kuhnii*, a rare fern listed in Russia as a threatened plant species.

The process of impounding Nizhne-Bureyskaya HPP reservoir also affected the habitats of local ungulates.

Another rare species affected by the construction of Nizhne-Bureyskaya HPP and activities of JSC DRSK is the Far Eastern stork (*Ciconia boyciana*). The Far Eastern stork is on the Russian Red List and the 1996 IUCN Red List of Threatened Animals, and mentioned in Appendix 1 to the CITES and migratory bird protecting appendices to bilateral agreements between Russia, Japan, the Republic of Korea and the DPRK. In 2018, JSC DRSK proposed an initiative to install supports for stork nests.

Water bodies affected by wastewater discharges of RAO ES East Subgroup: affiliation, volume and biodiversity **(306-5)**

RAO ES East Subgroup Subsidiary	Water body ⁹²	Volume or average discharge, mn m ³	Biodiversity value ⁹³
PJSC Kamchatskenergo	Avacha Bay	3,800	supreme
	Khalaktyrka River	—	supreme
	Lake Halaktyrskoye	11	supreme
	Lake Sypuchka	—	supreme
JSC UESK	Bystraya River	43.2	high
PJSC Magadanenergo	Magadanka River	127.5	supreme
	Kamenushka River	37.9	high
	Myaunja River	37.9	supreme
PJSC Sakhalinenergo	Gulf of Patience (Sea of Okhotsk)	211,250	supreme
PJSC Yakutskenergo	Lena River	515,610	supreme

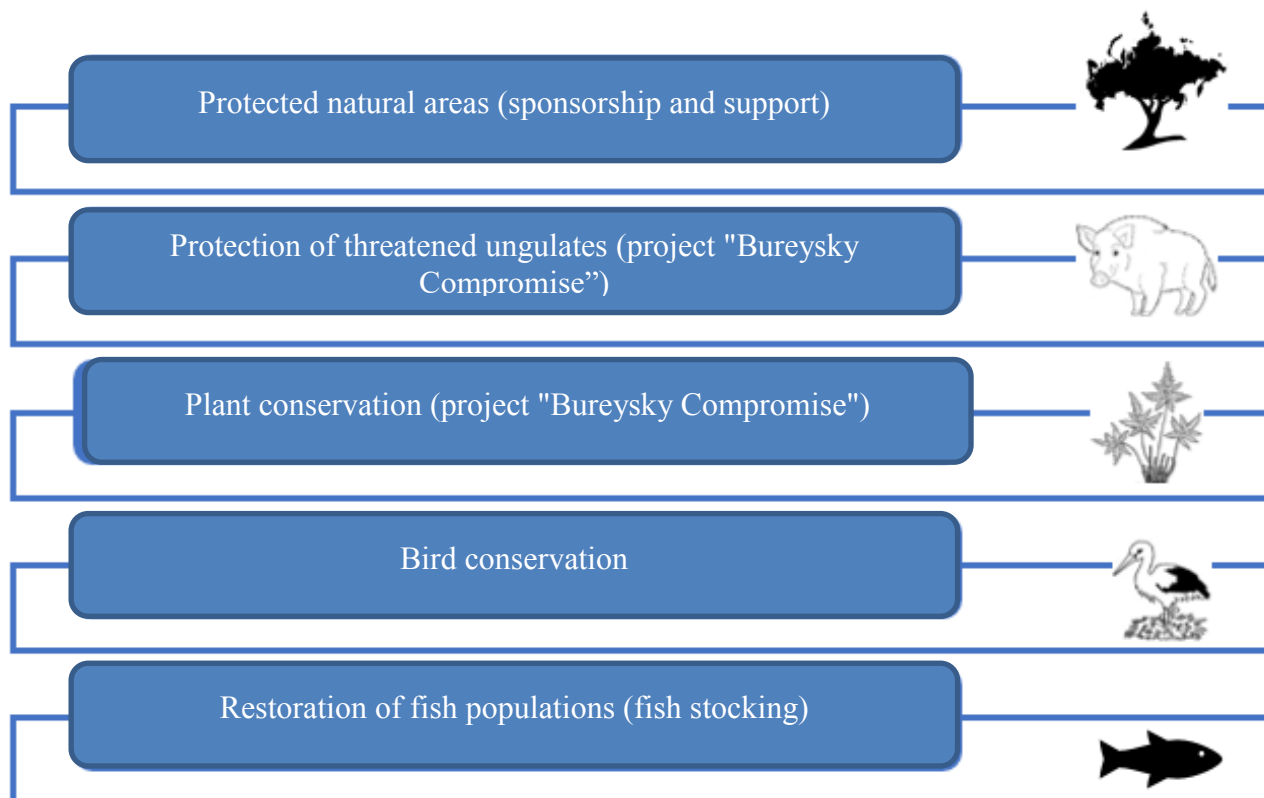
⁹² No water body is a protected natural reserve.

⁹³ S – supreme, H – high, M – medium

	Vilyuy River	21,290	supreme
JSC Chukotenergo	Kazachka River	22	medium
	Lake Okhotnichye	0.25	medium
	Chaun Bay	—	high
JSC DGK	Kivdinskoye reservoir	9.6	high
	Kontrovod River	—	supreme
	Unnamed stream discharging into Knevichanka River	—	supreme
	Promezhutochnaya Bay	—	supreme
	Obyasneniye River	—	high
	Lozovy Klyuch Stream	—	high
	Partizanskaya River	—	high
	Rudka Stream	—	medium
	Olongoro River reservoir	43.2	high
	Semyonovskiy Stream	—	medium
	Bezmyanny Stream	—	medium
	Amnunakta River	—	high
	Amurskaya Anabranh	—	supreme
	Amur River	—	supreme
	Lake Khorpy	—	supreme
	Galbon Anabranh (Old Amur)	—	supreme
	Zapadnaya Bay	—	supreme
	Nante Stream	—	supreme
	Pravaya Beryozovaya River	—	medium
	Chernaya River	—	medium
	Polezhaevka Stream	—	medium
	Gnilaya Pad Stream	—	medium
	Malaya Sita River	—	high
JSC Teploenergoservis	Vilyuy River	72,400	supreme
	Yana River	29,297	supreme
	Aldan River	154,683	supreme
	Indigirka River	14,002	supreme
	Allakh-Yun River	5,550	supreme
	Nera River	3,658	supreme
JSC LUR	Kontrovod River	—	supreme

Biodiversity conservation

RusHydro Group focuses its biodiversity conservation efforts on five major areas.



RusHydro supports international initiatives in environment protection and biodiversity conservation. As part of Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations, a UNDP-GEF project run by the Ministry of Natural Resources and the Environment of the Russian Federation ("the Project"), RusHydro took a number of biodiversity conservation measures in 2012–2017. In particular, borders of protected natural areas were changed to move them away from the impoundment area of Nizhne-Bureyskaya HPP and lift restrictions on the dam construction. **(EU13)**

Potential environmental impact of suitable dam sites in the Amur Region was assessed to proactively evaluate risks of local hydropower projects and plan biodiversity conservation measures. As part of the project "Bureysky Compromise", a nature park was established to protect local ungulates and move threatened plants from the impoundment area. These activities were financed with the funds of the UNDP Project and, in fact, are compensatory measures provided for by the Nizhne-Bureyskaya HPP construction project. In 2018, two forest guard lodges were built in the Bureysky Nature Park. A plan was developed to minimize the impact on animals during the construction of Nizhne-Zeyskaya HPP.

The Biodiversity Conservation Projects section was added to the corporate website through joint efforts of the Project's stakeholders.

In 2018, effectiveness of RusHydro's biodiversity conservation initiatives was confirmed by Stewart Williams, an independent UNDP expert, during the final audit of the Project.

Starting from 2016, biodiversity conservation costs have been reported as a separate item and subject to disclosure by the Company.

RusHydro Group's Environmental Policy (approved by the Board of Directors on August 9, 2018) provides for biodiversity conservation as the Company's primary goal and sets a zero plant and animal extinction target for 2025.

At present, RusHydro is developing a three-year action plan for biodiversity conservation. It will incorporate approaches of the Project and provide for their roll-out at other facilities of RusHydro. In 2018, a working group was formed at RusHydro for this purpose to include biodiversity conservation experts from the Company and academic community.

Fish stocking initiatives

With most of the Company's activities centered on rivers, much attention is paid to the restoration of fish populations through voluntary annual stocking initiatives at water reservoirs and rivers since 2003.

In April 2018, RusHydro's branch Cascade of Kubanskiye HPPs released 165,000 juvenile silver carp into the Yegorlyk Reservoir. The event was staged on the left bank of the reservoir and supported by the Azov and Black Sea Department of the Federal Fishery Agency.

In July, Votkinskaya HPP released over 600 juvenile sterlet, an especially valuable fish species on the Russian Red List, into the Votkinsk Reservoir. In August 2018, Ust-Srednekanskaya HPP and the Okhotsk Department of the Federal Fishery Agency released 300,000 juvenile peled, a commercially valuable fish species, into the Elikchan Lakes of the Kolyma. RusHydro's Kabardino-Balkaria branch and the West Caspian Department of the Federal Fishery Agency released 74,000 juvenile brown trout, a fish species on the Red List, into the Baksan and its tributaries. Bureyskaya HPP supported a fish stoking initiative on the Amur's largest tributary Zeya in the Amur Region. As part of RusHydro's Clean Energy Program, 3,600 less-than-year-old Amur sturgeon, a very rare and especially valuable fish species, were released into the river near the village of Krasnoyaroovo. The initiative was aimed at maintaining the fish population upstream and midstream of the Amur.

Additionally, Boguchanskaya HPP monitored and assessed the impact of its water reservoir on the environment and water life in 2018.

RAN IEE and RusHydro's Persian leopard reintroduction program in Ossetia

The North Ossetia branch of RusHydro supports the Persian leopard reintroduction program initiated by the Russian Academy of Sciences' Severtsov Institute of Ecology and Evolution (RAN IEE) in the Caucasus region. The joint RAN IEE and RusHydro program for the Persian leopard reintroduction in Ossetia provides for comprehensive measures in research, environment protection and awareness building to make the region and communities ready for Persian leopards to be released under the international program run by the Ministry of Natural Resources and the Environment of the Russian Federation.

In 2015, zoologists were totally surprised to see a Persian leopard for the first time in 60 (!) years. It was captured on a CCTV camera near Gizeldonskaya HPP although the species was thought to have been extinct in Russia since the 1950s. An unprecedented reintroduction program was launched in the Caucasus region in 2007. As part of it, a breeding center was established in the Sochi National Park to house purebred Persian leopards brought from all over the world. Their offsprings are prepared to be released into the wild and repopulate the Caucasus. The animal captured on camera near the HPP in Ossetia shows that the unprecedented reintroduction program is a success.

The joint program of RusHydro and RAN IEE was designed to create necessary conditions for the rare predators to repopulate the region. Entitled *Reintroduction of Leopards in Ossetia*, the program studied the possibility of releasing leopards into the wild, comprised area preparation measures and provided for awareness initiatives aimed at picturing the leopard as a national heritage and forming a responsible attitude to the environment among local communities.

In July 2018, two non-relative species of the Persian leopard – Elbrus (male) and Volna (female) – were released in the Alania National Park with support from RusHydro. They were raised in the Sochi Breeding Center, which is now home to several purebred leopards brought from different countries to

become parents of the reviving population. Their offsprings are trained to live in the wild without human assistance. They learn to avoid humans, settlements and domestic animals and hunt prey independently.

Elbrus and Volna, who completed a similar training course, spent two years in the Sochi Breeding Center after birth preparing for their life in the wild. In the meantime, a team of zoologists, hydropower engineers and volunteers analyzed natural ecosystems in North Ossetia to select the best site for leopards to be released. As a result, the Alania National Park was selected for the first release. The national park was fitted with photo and video cameras, and the leopards were carrying GPS tracking collars to make it possible for researchers to monitor the animals in their habitats.

The joint program of RusHydro and Severtsov Institute of Ecology and Evolution for the reintroduction of Persian leopards in North Ossetia received the Vernadsky National Environmental Award as the Best Social and Environmental Initiative in 2018.

“The return of the Persian leopard is extremely important for us. It is this animal that is featured on the coats of arms of North and South Ossetia. We are happy that Russia’s Ministry of Natural Resources and management of the Institute are carrying out their program in our region. The first step to save the leopard has been made.”

T. Balataev, Director of North Ossetia branch, RusHydro

Rehabilitation of disturbed areas

Habitats preserved and rehabilitated by RAO ES East Subgroup (304-3)

Name	JSC DGK (Far Eastern Federal District)	PJSC Magad anenergo (Far Eastern Federal District)	PJSC Sakhali nenergo (Far Eastern Federal District)	JSC Chukot energo (Far Eastern Federal District)	JSC LUR (Far Eastern Federal District)	Total
January 1, 2018						
Total disturbed area, ha	2,300.52	272.00	255.02	174.14	4,027.19	7,028.87
including:						
Total post-construction area, ha	59.00	51.00	3.22	0.50	24.39	138.11
Topsoil stockpiled, '000 m ³	275.61	0.00	0.00	0.00	578.78	854.39
Total in 2018						
Total disturbed area, ha	15.00	0.00	0.1	0.51	83.60	99.21
Total post-construction area, ha	0.00	0.00	0.1	0.00	0.00	0.10
Total rehabilitated area, ha	0.00	0.00	0.1	0.00	0.00	0.10
December 31, 2018						
Total disturbed area, ha	2,315.52	272.00	255.02	174.66	4,110.79	7,127.99
Total post-construction area, ha	59.00	51.00	3.22	0.50	24.39	138.11

Topsoil stockpiled, '000 m ³	275.61	0.00	0.00	0.00	578.78	854.39
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Greenhouse gas and air pollutant emissions

RusHydro uses renewables in its operation. HPPs produce no greenhouse gas emissions.

Still, emissions of greenhouse gas by the facilities of RAO ES East Subgroup were calculated in accordance with Order No. 300 issued by the Ministry of Natural Resources and the Environment of the Russian Federation on June 30, 2015, *Guidelines for Calculation of Gross Carbon Dioxide Emissions by TPPs and Boilers* (RD 153-34.0-02.318-2001), and data from the Carbon Fund. Greenhouse gas emissions were calculated per facility based on the fuel consumption of each facility.

In 2018, emissions of greenhouse gas went up 1.41% driven by higher power output at the facilities of RAO ES East Subgroup and an increase in reference fuel consumption.

Direct greenhouse gas emissions by RAO ES East (coverage area 1), '000 tonnes (305-1)

No.	Item	2016	2017	2018	Δ, %
Total					
1	CO ₂ emissions, '000 tonnes	34,096.5	34,457.1	34,942.3	1.41
2	N ₂ O emissions, '000 tonnes CO ₂ -eq.	119.1	117.1	120.2	2.65
3	CH ₄ emissions, '000 tonnes CO ₂ -eq.	14.4	13.9	14.6	5.04
	Total emissions	34,229.9	34,588.2	35,077.1	1.41
Including:					
	natural gas combustion	9,936.0	10,101.5	10,147.9	0.46
	fuel oil combustion	693.5	712.0	723.1	1.56
	solid fuel combustion	23,600.4	23,774.6	24,206.1	1.81

Intensity of greenhouse gas emissions by RAO ES East

The CO₂-equivalent emission intensity is calculated as a ratio of total emissions (tonnes CO₂-eq.) to electric power (mn kWh) and heat ('000 Gcal) produced.

Intensity of greenhouse gas emissions by RAO ES East, tonnes⁹⁴ (305-4)

Item	2017	2018	Δ, %
Intensity of CO ₂ emissions from power generation, tonnes CO ₂ -eq.	785.8	769.58	-2.06
Intensity of CO ₂ emissions from heat production, tonnes CO ₂ -eq.	373.9	366.95	-1.86

One of the key challenges accounted for by RusHydro in its updated Environmental Policy (approved by the Board of Directors on August 9, 2018) is the global climate change and need to adapt to global warming effects threatening human life and health, flora and fauna, and causing changes in long-standing hydrological and meteorological patterns. Low-carbon development is therefore a primary objective for RusHydro Group. Its Environmental Policy sets a number of 2025 low-carbon targets, including reduction of greenhouse gas emissions and emission intensity and expansion of low-carbon installed capacity. RusHydro

⁹⁴ Net of Cascade of Viluytsky HPPs and solar power plants producing no greenhouse gas emissions

Group plans to achieve a 6% decrease in its greenhouse gas emissions by 2025 as compared to 2015. The year 2015 was recommended by the Ministry of Economic Development of the Russian Federation to be used as the base year in the greenhouse gas reduction roadmap for the Russian public sector companies. The intensity of CO₂ emissions is set to decrease 7.7% in the electricity generation segment and 6.4% in the heat production segment.

The Expansion of Installed Low-Carbon Capacity target is planned to be achieved with the Comprehensive Modernization Program (Long-Term Development Program for 2012–2020 with an outlook until 2025) providing for retrofit of RusHydro’s generating facilities. RusHydro is also heavily engaged in renewable energy projects.

In particular, the Company builds smaller HPPs in Northern Caucasus. In November 2018, RusHydro commissioned a 900 kW wind power plant in the Arctic settlement of Tiksi in the Republic of Sakha (Yakutia).

In 2018, measures were taken at the Company's subsidiaries in the Far East to reduce air pollutant emissions:

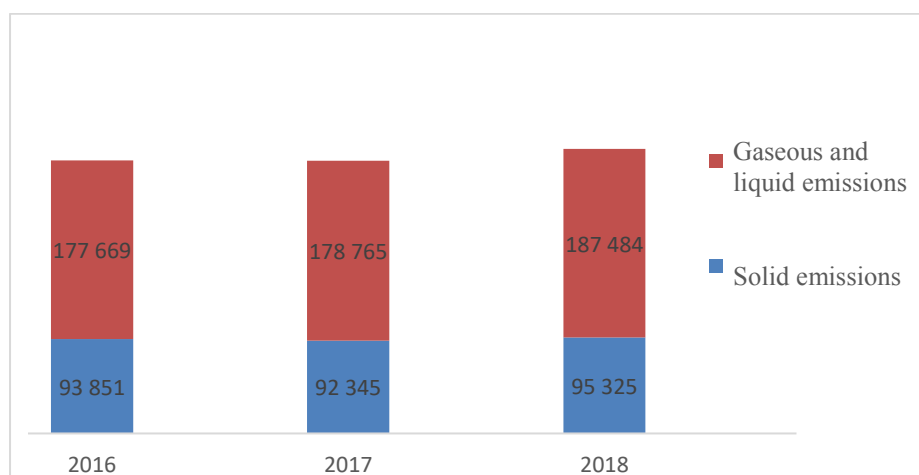
- Minor and major repairs at dust collecting equipment, aspiration bunkers and scrubbing towers to maintain the flue gas quality at the required level. Such measures were taken at Blagoveshchenskaya CHPP, Raychikhinskaya CHPP, Primorskaya GRES, Neryungrinskaya GRES, Artyomovskaya CHPP, Vladivostokskaya CHPP-2, Partizanskaya GRES, Amurskaya CHPP, Komsomolskaya CHPP-2, Mayskaya GRES, Khabarovskaya CHPP-1, Khabarovskaya CHPP-3, Urgalskaya boiler plant, and Arkagalinskaya GRES;

- Rehabilitation of Khabarovskaya CHPP-1 and Khabarovskaya CHPP-3 to upgrade boilers and hot-water peaking boiler plant to feed on natural gas (305-5)

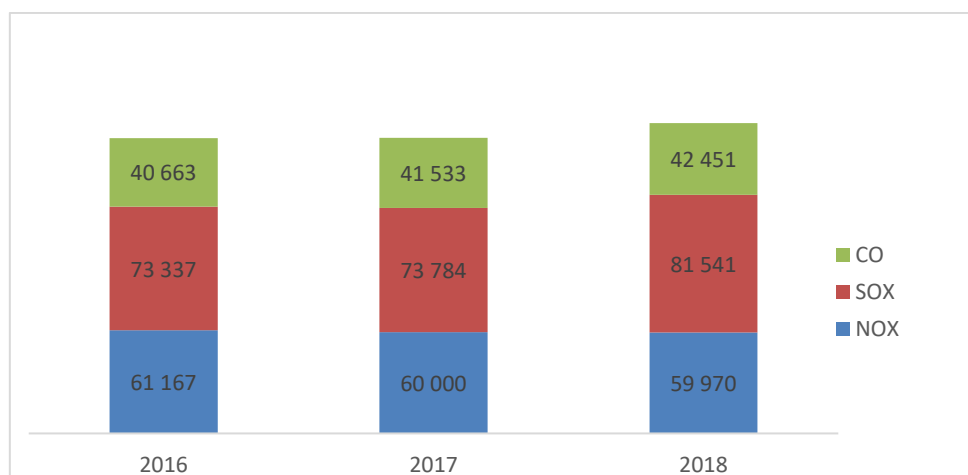
Air pollutant emissions

Air pollution is monitored at all production facilities of RusHydro Group. In 2018, SO_x emissions increased by 11% on the back of a higher power output at gas-fired thermal power plants.

Air pollutant emissions by major categories, tonnes (305-7)



Air pollutant emissions, tonnes (305-7)



Waste

Most wastes from RusHydro Group's generating assets are wastes belonging to hazardous classes IV and V. They include low-hazard wastes, such as soil stripped during coal mining, bottom coal ashes, and waste from construction and repairs. Accumulated waste is collected by specialized contractors duly licensed to collect, transport and treat such waste. **(306-4)**.

Total waste by hazard class in 2018, tonnes **(306-2)**

No.	Item	2016	2017	2018	Δ, %
1	Hazardous waste class I and II	21.0	31.2	18.0	-42
2	Hazardous waste class III, IV and V	29,179	29,191	23,178	-21
3	RusHydro Subgroup total	29,200	29,222	23,196	-21
4	Hazardous waste class I and II	33	39	45	15
5	Hazardous waste class III, IV and V	24,743,429	26,570,307	29,596,949	11
6	RAO ES East Subgroup total	24,743,462	26,570,346	29,596,995	11
7	Hazardous waste class I and II	54	70	63	-10
8	Hazardous waste class III, IV and V	24,722,608	26,599,498	29,620,127	11
9	RusHydro Group total	24,772,662	26,599,569	29,620,190	11

A 11% year-on-year increase in wastes is mostly attributable to an increase in wastes belonging to hazardous class V due to:

- more bottom ash produced as a result of higher coal consumption at JSC DGK, PJSC Sakhalinenergo, PJSC Kamchatskenergo, and PJSC Magadanenergo;
- more overburden resulting from larger-scale stripping operations at JSC LUR.

Corporate governance

Corporate governance

RusHydro Group's corporate governance aims to protect the rights and interests of the shareholders, build and maintain trusted relationships between the Company and its investors, and grow the Company's value and dividend yields.

It complies with applicable laws and reflects today's trends and best practices, while fulfilling the requirements associated with the listing of shares on the Moscow Exchange and of depositary receipts on the London Stock Exchange and on the U.S. OTCQX over-the-counter market.

RusHydro Group has the state as its controlling shareholder, which has, due to its majority stake in the authorized capital, significant power with respect to corporate governance. However, this power is corporate rather than administrative by nature. Certain procedures for the state to exercise its rights as a shareholder are stipulated by law, setting out the process for the government to make decisions as regards the Company using its corporate rights.

The Group's corporate governance principles and procedures are laid out in the Company's Charter and internal regulations. The corporate practices are formalized in the Corporate Governance Code.

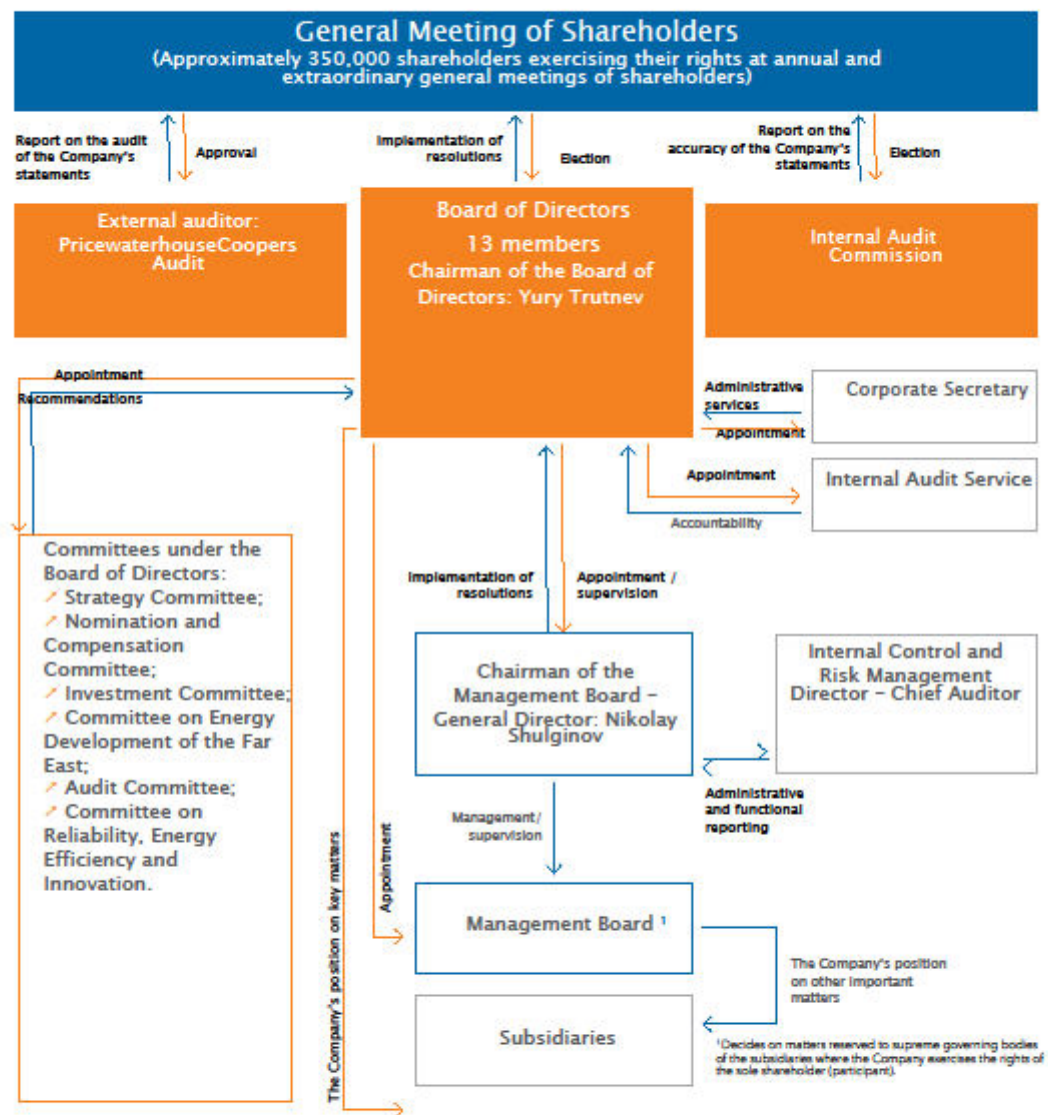
Its adoption confirms the Company's commitment to complying with the best corporate governance practices, including the recommendations of the Bank of Russia's Corporate Governance Code.

Key principles (102-16)

The Group's corporate governance is based on the following key principles:

- equitable and fair treatment of all shareholders;
- professionalism, responsibility and accountability of the Board of Directors to the Company's shareholders;
- transparency and accessibility of information about the Company;
- effective system of internal control and risk management;
- exercise by all shareholders, the Company, its management bodies, officers and other stakeholders of their rights in good faith, prevention of abuse of rights;
- prevention of any shareholder actions aimed at causing harm to other shareholders or the Company;
- continuous improvement of corporate governance practices.

Corporate governance structure (102-18)



Subsidiary management

RusHydro (including indirectly through subsidiaries) has stakes in authorized capital of companies engaged in electricity and heat generation and distribution, energy facilities design, construction, repair, maintenance, rehabilitation and modernization, and other activities.

The Company contributes to subsidiaries' strategy delivery, stable economic growth and investment appeal, and protection of rights and interests of the shareholders of both the Company and its subsidiaries.

The Company manages its subsidiaries by being represented at general meetings of shareholders/participants, on boards of directors and supervisory bodies of the subsidiaries.

Deciding on matters reserved to supreme governing bodies of the subsidiaries where the Company exercises the rights of the sole shareholder (participant) falls within the remit of the Management Board. Establishing the Company's position on key matters regarding subsidiaries (reorganization, liquidation, increase of the authorized capital, approval of major transactions, participation of the subsidiary in other energy organizations, disposal of energy assets) falls within the remit of the Board of Directors. The Company's position on other important matters regarding subsidiaries (KPI approval (adjustment), participation of the subsidiary in non-energy organizations, nomination of candidates to the subsidiary's management and supervisory bodies, etc.) is established by the Management Board.

In 2018, aiming to improve the quality and transparency of the corporate governance with respect to subsidiaries, the Company's internal regulations were amended to provide members of RusHydro's Board of Directors with the right to access documents and make inquiries as regards subsidiaries and to go into matters relating to material aspects of their business.

Improving the corporate governance system

In 2018, the Company continued to implement the standards set forth in the Code and aimed at corporate governance improvement by consistently amending the internal regulations and applying the standards in the day-to-day operations.

The following key actions were taken in 2018:

- The Company's internal regulations were amended to include standards on:
 - development of an onboarding program for first-time elected members of the Board of Directors;
 - prevention and resolution of conflicts of interest on the Board of Directors;
 - engagement by the Board of Directors of independent external experts (advisors) to work on matters within its remit;
 - improvement of the Board of Directors' performance through offering educational and professional development opportunities for its members;
 - recommendations regarding material corporate actions by independent directors before their approval by the Board of Directors;
 - access by the Company's shareholders and members of the Board of Directors to the documents containing information on the Company's subsidiaries;
- Candidates to the Board of Directors were assessed with respect to necessary experience and knowledge, good reputation and absence of conflict of interest, with the results of the assessment included in the materials for the Annual General Meeting of Shareholders;
- The Board of Directors' performance was independently assessed, with the results reviewed by the Board of Directors at a meeting held in person;
- The number of meetings of the Board of Directors held in person was increased;
- The quality and level of detail of information disclosed in the Company's annual report and on the Company's website were improved;

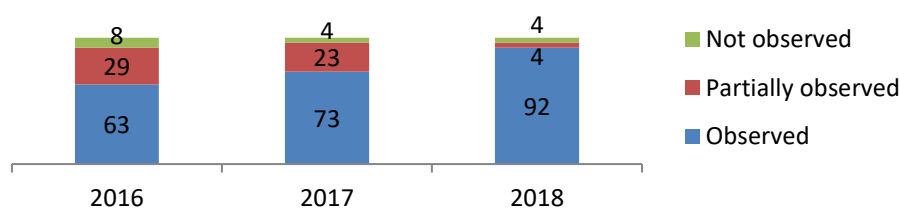
- The Information Policy Regulations were updated to reflect global and Russian best practices;
- Policy on Rotation of Auditors and Policy on the Ownership of Shares in PJSC RusHydro and Shares (Interests) in PJSC RusHydro's Subsidiaries by Members of the Board of Directors and Management Board were approved by the Board of Directors.

In addition, the Company was fully committed to compliance with the Corporate Governance Code over the reporting period: Senior Independent Director was elected; performance of the Company's risk management and internal control system was assessed; corporate governance practices in the Company were discussed; report on the implementation of the Company's Information Policy Regulations was reviewed; etc.

Compliance with the Corporate Governance Code

As a result of corporate governance improvement efforts and implementation of the standards set forth in the Code, RusHydro came to observe 92% of the principles in 2018, compared to 63% in 2016.

Compliance with the Corporate Governance Code, %



Compliance with the principles of the Corporate Governance Code⁹⁵

Observance of standards and principles of the Code	Year	Shareholder rights and equitable treatment of shareholders	The Company's Board of Directors	The Company's Corporate Secretary	Remuneration of the Company's directors, executives and other key managers	Risk management and internal control system	Disclosures and the Company's information policy	Material corporate actions
Observed	2016	10	20	2	10	5	3	–
	2017	11	23	2	10	6	6	–
	2018	12	32	2	10	6	7	4
Partially observed	2016	2	12	–	–	1	4	4
	2017	2	10	–	–	–	1	5
	2018	1	1	–	–	–	–	1

⁹⁵ Compliance with the principles of the Corporate Governance Code was assessed based on the Bank of Russia's methodology and reporting recommendations with respect to such compliance (annex to Bank of Russia letter No. IN-06-52/8 dated February 17, 2016). For a full report on the Company's compliance with the principles and recommendations of the Corporate Governance Code, including explanation of deviations from the compliance assessment criteria, see Appendix X to RusHydro's annual report.

Not observed	2016	1	4	–	–	–	–	1
	2017	–	3	–	–	–	–	–
	2018	–	3	–	–	–	–	–
Total 2018		13	36	2	10	6	7	5

For a detailed report on the Company's compliance with the Corporate Governance Code, see Appendix.

Corporate governance quality assessment

In 2018, corporate governance quality was externally assessed by the Russian Institute of Directors (RID).

In September 2018, the RID increased RusHydro's corporate governance rating according to the National Corporate Governance Rating (NCGR) scale from level 7++ to level 8 "Advanced Corporate Governance Practice".

The Company's corporate governance practices were assessed based on four components, each including a set of criteria to reflect corporate governance policies, procedures and structures as required by applicable Russian laws, the Moscow Exchange's Listing Rules, recommendations of the Russian Corporate Governance Code and global best practices.

The RID has concluded that the Company complies with the Russian legislative requirements with respect to corporate governance and observes many of the recommendations of the Russian Corporate Governance Code. In addition, the Company runs a rather low risk of losses to owners due to corporate governance issues.

The Company intends to further improve its corporate governance rating.

Corporate governance improvement prospects

Key areas for improvement as regards the Company's corporate governance in 2019 include the following:

Amend the Company's Charter and internal regulations to reflect the following standards:

- resolutions on critical matters set forth in recommendation 170 of the Code to be passed by a qualified majority of at least three-quarters or a majority vote involving all elected directors;
- shareholders to be granted the right to access the list of persons entitled to attend General Meetings of Shareholders from the date following the date they submit their request to the Company (from the date the list is drawn up if the request is submitted beforehand);

Enable shareholders to vote at Annual General Meetings of Shareholders via an electronic voting system;

Arrange for a comprehensive formal self-assessment of the Board of Directors and its committees with a focus on their performance as a single body and individual contributions of directors to the proceedings of the Board of Directors and its committees; draft recommendations to the Board of Directors to improve the operating performance of the Board of Directors and its committees; and prepare a report on the results of the self-assessment exercise to be reviewed by the Board of Directors at a meeting held in person;

Disclose in the Company's annual report the amount of remuneration of each member of the Board of Directors.

Shareholders and investors

Share capital and securities

RusHydro's authorized capital⁹⁶

The authorized capital of the Company amounts to 426,288,813,551 ordinary shares, each with a par value of RUB 1.⁹⁷

Additional share issuance

On June 1, 2018, the Board of Directors resolved to increase the authorized capital by RUB 14,013,888,828 with an additional placement via open subscription. The decision to issue additional shares was registered by the Bank of Russia on August 27, 2018, with the issuance being assigned the registration number of 1-01-55038-E-043D.

The proceeds from the additional issue are going to the construction of 110 kV Pevek-Bilibino high-voltage power lines in Chukotka and to the upcoming refurbishment of the Chaun and Bilibino energy hub following the transformation of the power units at Bilibino NPP, which has reached the end of its service life.

Information on the Company's shares

- the governing bodies of the Russian Federation have no special right to participate in the management of the Company (“golden share”);
- the executive bodies have no information on any interests in the share capital of over 5%, apart from those already disclosed by the Company⁹⁸;
- the total number of voting shares with breakdown by categories (types): 426,288,813,551 ordinary registered shares. the Company did not issue preferred or ordinary shares with differing par values;
- the Company does not hold any of its own shares;
- Company's subsidiaries hold 3,852,259,680 shares, or 0.9% of the Company's authorized capital⁹⁹.

The number of shares at the disposal of the Company's subsidiaries

Name	Number of shares, pcs	Share in authorized capital, %
JSC Hydroinvest	3,430,091,314	0.804640
JSC Zaramagskiye HPP	271,302,097	0.063643
JSC ChirkeyGESstroy	29,205,310	0.006851
JSC RAO ES East	48,511,987	0.011380
PJSC DEK	73,093,031	0.017146
PJSC Yakutskenergo	55,941	0.000013

Shareholders

The Company's shares are held by around 350,000 Russian and foreign investors. The Russian Federation owns the controlling stake of 258,161,535,606 shares, or 60.56% of the Company's authorized capital.¹⁰⁰ (102-5)

⁹⁶ As at December 31, 2018

⁹⁷ State registration number of the issue: 1-01-55038-E, dated February 22, 2005.

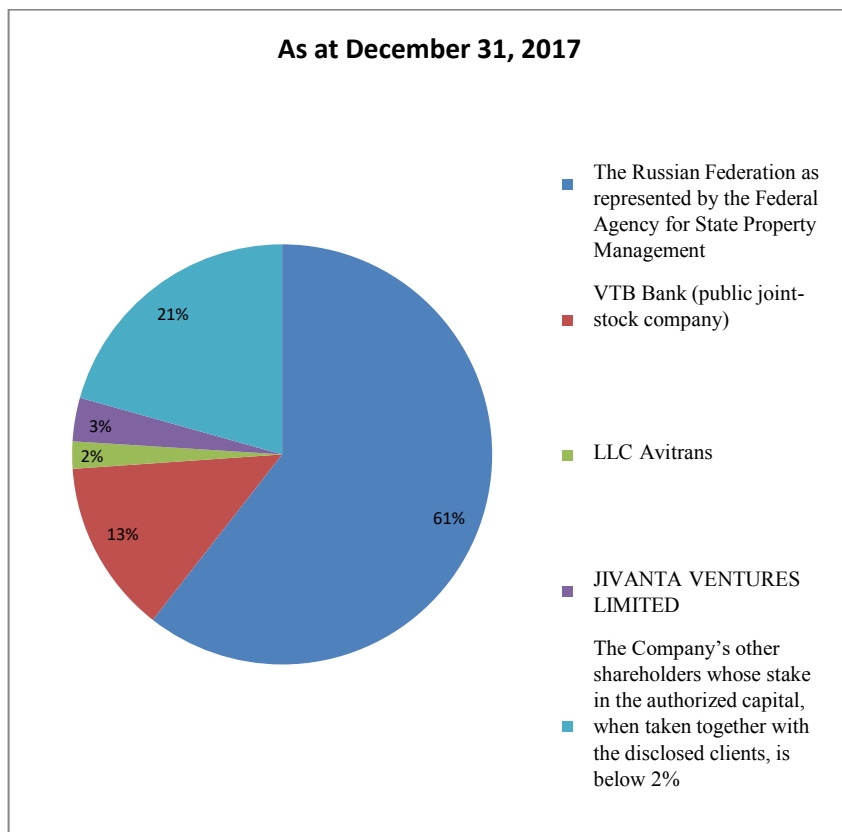
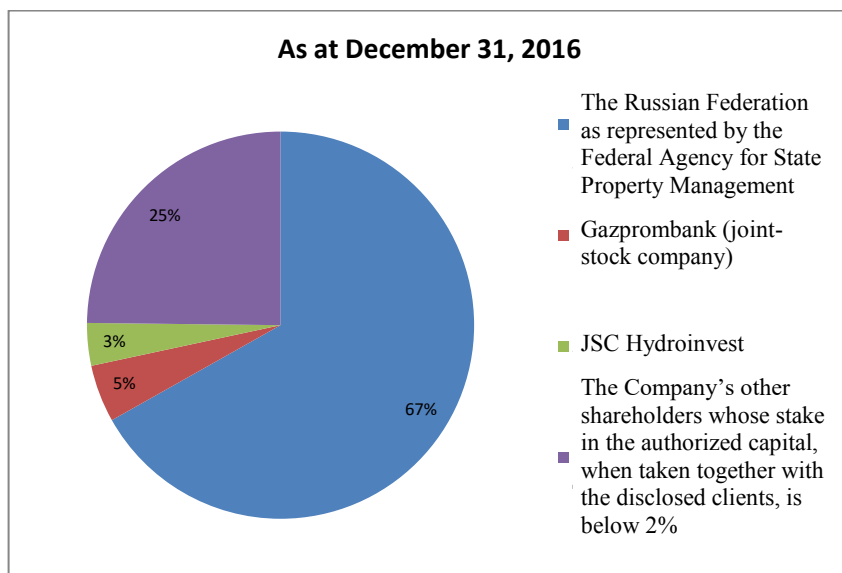
⁹⁸ See the full version of the document at:

<http://www.rushydro.ru/upload/iblock/9f7/Zayavlenie-ispolnitelnih-organo-2.pdf>

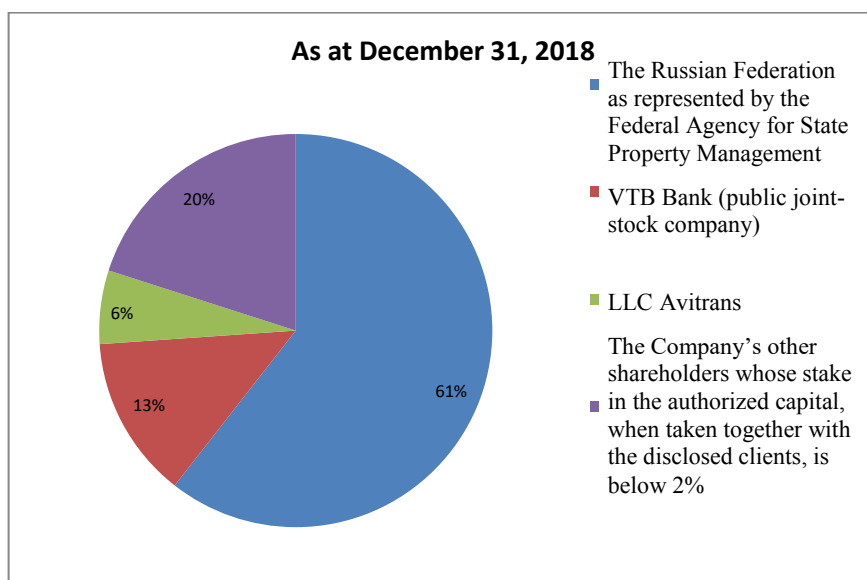
⁹⁹ RusHydro's shares held by the Company's subsidiaries were not used in voting at the Annual General Meeting of Shareholders that took place on June 27, 2018.

The Company's shareholders whose stake in the authorized capital, when taken together with the disclosed clients of nominal holders, exceeds 2% as at December 31, 2016, December 31, 2017, and December 31, 2018, respectively.

Changes in the group of persons with the right to execute, directly or indirectly, at least 2% of the voting rights attached to the Company's voting shares



¹⁰⁰ The Russian Federation (state property) owns the Company's shares via the Federal Agency for State Property Management (258,161,535,606 pcs) and ITAR-TASS News Agency (248,527 pcs).



Changes in the shareholding structure by shareholder category, %

Name of the registered entity	Percentage share in the authorized capital as at May 23, 2016	Percentage share in the authorized capital as at December 31, 2017	Percentage share in the authorized capital as at December 31, 2018
The Russian Federation as represented by the Federal Agency for State Property Management	66.8	60.6	60.6
Legal entities	30.1	38.1	38.1
Individuals	3.1	1.3	1.3

Free float¹⁰¹

Date	Free-float factor (share of securities in free float)
Last trading day of 2016	0.23
Last trading day of 2017	0.25
Last trading day of 2018	0.19

Shareholder agreements

RusHydro's shareholders can enter into shareholder agreements, including those that afford them an extent of control disproportionate to their contribution to the authorized capital¹⁰².

Notifications on concluded shareholder agreements received by RusHydro

¹⁰¹ In accordance with the Moscow Exchange's methodology for calculating the free-float factor published at <http://www.moex.com/ru/index/MICEXINDEXCF/constituents/>.

¹⁰² For information on the ability of certain shareholders to obtain or actual cases of them obtaining an extent of control disproportionate to their contribution to the authorized capital, including through shareholder agreements or based on them holding ordinary and preferred shares with differing par values, please see the website at: <http://www.rushydro.ru/upload/iblock/65a/Svedeniya-o-vozmozhnosti-priobreteniya-stepeni-kontrolya.pdf>.

Parties to the shareholder agreement	Date of the shareholder agreement
- The Russian Federation as represented by the Federal Agency for State Property Management - VTB Bank (PJSC)	March 7, 2017
- The Russian Federation as represented by the Federal Agency for State Property Management - RusHydro's subsidiaries: Hydroinvest ¹⁰³ , EZOP, Energy Index – HydroOGK	June 23, 2016

Outstanding shares

Moscow Exchange listing

The Company's shares have traded on the Moscow Exchange since February 4, 2008 (ticker: HYDR). The securities are listed in Level 1, the Exchange's top quotation list. Index inclusion:

- MOEX Russia Index (previous name – MICEX Index) IMOEX
- Electric Utilities Index MOEXEU
- Broad Market Index MOEXBMI
- State-Owned Companies Index MOEXSCI
- FTSE Emerging Index AWALLE
- FTSE All-World Index AWORLDS
- FTSE4Good Emerging
- NASDAQ Russia NQRU
- Nasdaq AlphaDEX Emerging Markets NQDXEM
- STOXX Russia Total Market TCRUP
- STOXX Optimized Russia EEORGT

Moscow Exchange trading information

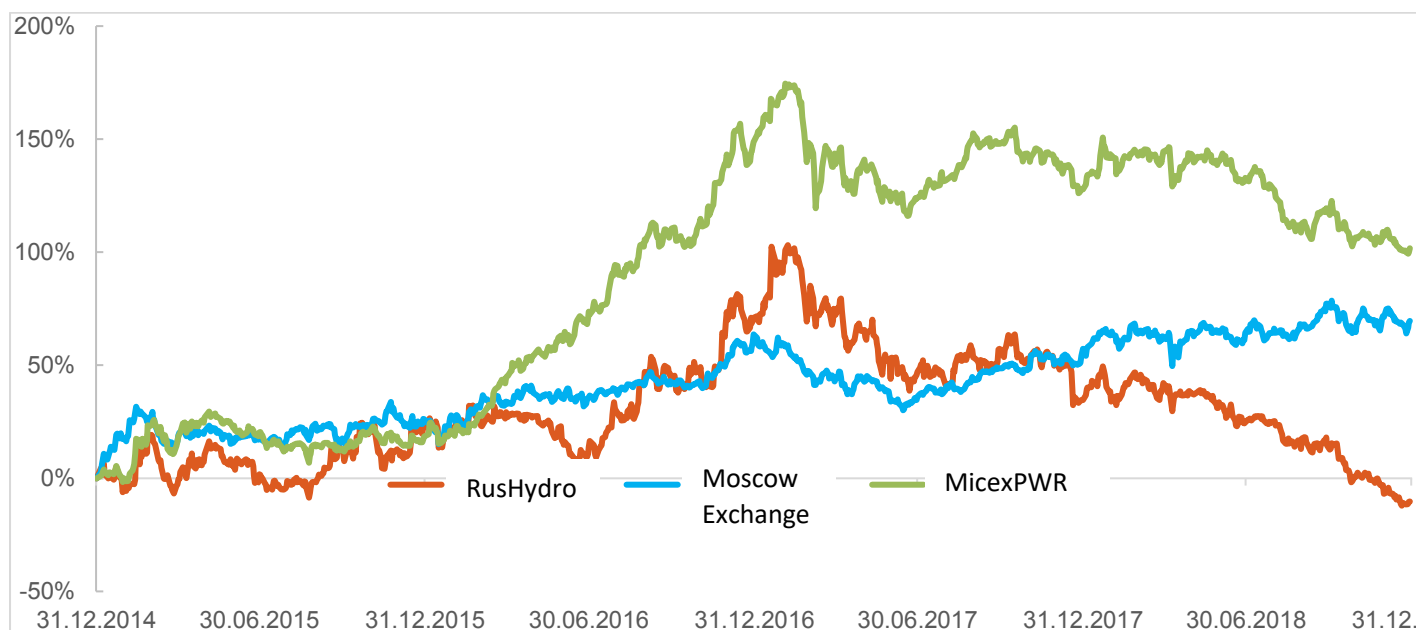
	2015	2016	2017	2018
Trading mode	T+: stocks and DRs	T+: stocks and DRs	T+: stocks and DRs	T+: stocks and DRs
Currency	RUB			
Maximum trade price	0.679	0.994	1.100	0.810
Minimum trade price	0.496	0.575	0.717	0.476
Year-end trade price	0.679	0.926	0.729	0.486
Trading volume, bn pcs	116	134	173	136

Share performance on the Moscow Exchange

¹⁰³ As at March 7, 2017, Hydroinvest was no longer the Company's shareholder, while the aggregate stake of EZOP and Energy Index – HydroOGK in the Company's authorized capital went down to 0.8% due to the sale of shares to VTB Bank (PJSC). As at September 28, 2018, Hydroinvest held 0.8% in RusHydro's authorized capital following the incorporation of EZOP and Energy Index – HydroOGK into Hydroinvest.



Shares vs key indices of the Moscow Exchange



Shares traded on the global market

As at December 31, 2018, the number of shares traded outside of the Russian Federation in the form of ADRs and GDRs stood at 11,639,652,200, or 2.73% of the Company's authorized capital.

GDR and ADR program structure as at December 31, 2018

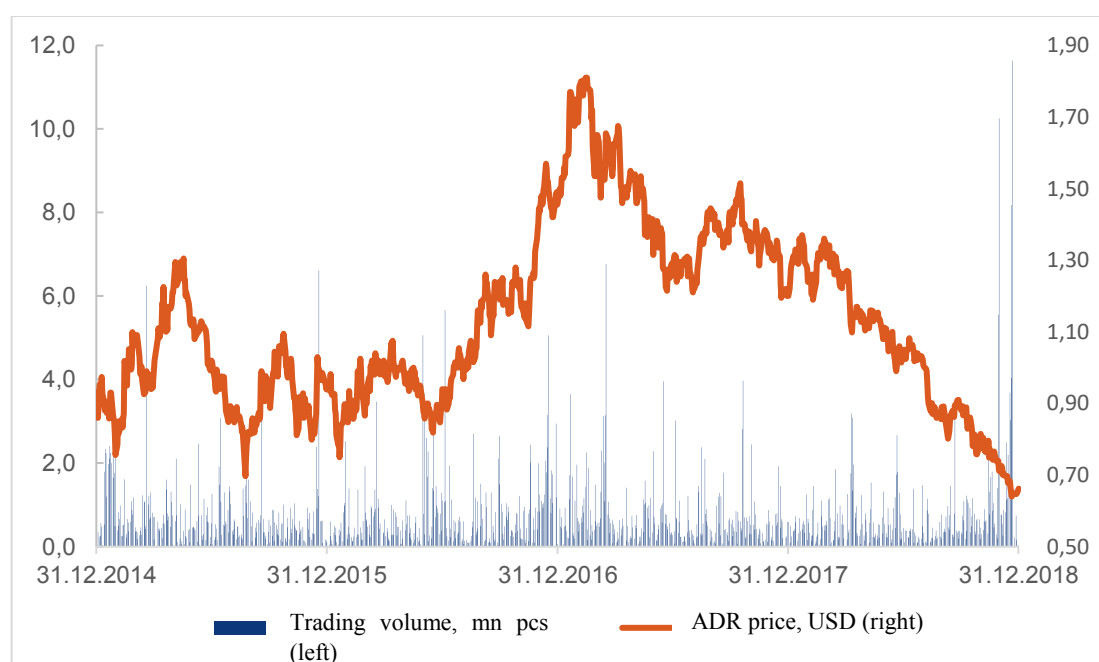
Type	Start of trading	Depository bank	Ratio	Ticker	Quantity as at December 31, 2018, pcs	Trading platforms
Rule 144A GDRs	June 17, 2008	The Bank of New	1 GDR = 100 ordinary	HYDR	78,273	London Stock

		York Mellon	shares			Exchange (Main Market – IOB)
Level I ADRs	August 7, 2009	The Bank of New York Mellon	1 ADR = 100 ordinary shares	RSHYY HYDR	116,318,249	OTCQX London Stock Exchange

ADR trading on the London Stock Exchange

	2015	2016	2017	2018
Maximum trade price, USD	1.305	1.57	1.81	1.37
Minimum trade price, USD	0.697	0.75	1.20	0.64
Year-end trade price, USD	0.956	1.455	1.20	0.66
Trading volume, bn pcs	182	188	175	195

ADR performance on the London Stock Exchange



Share performance over the last three years

2016

In 2016, the MOEX Russia Index added 27%, the MOEX Electric Utilities Index – 110%, and RusHydro shares grew by 36%. The domestic market was buoyed by the expected recovery of the Russian economy and ruble appreciation in the second half of the year. RusHydro shares grew on the back of high dividend payments, full liberalization of the HPP capacity market in Siberia, as well as overall strong hydro performance thanks to higher water levels. An additional boost to shares was provided by measures to optimize operating and investment expenses, decisions on refinancing the debt of RAO ES East Subgroup by signing a forward contract for RUB 55 bn in equity capital with VTB Bank (PJSC), and full

consolidation of the RAO ES East shares for 100% ownership. The shares also benefited from the disposal of major assets by the Company for a total amount of over RUB 15 bn.

2017

In 2017, the MOEX Russia Index was down 6%, the MOEX Electric Utilities Index – 110%, and RusHydro shares lost 21%. The Russian market faced headwinds in the form of geopolitical risks, which included talks on new US sanctions as well as lower interest in Russian companies on the part of global investors given the stricter monetary policy in the US and oil price volatility. For most of the year, RusHydro's shares traded in line with the market. At the end of the year, the share price was driven down by the news of RusHydro's Board of Directors resolving to suspend the construction of Zagorskaya PSPP-2.

2018

In 2018, the MOEX Russia Index was up 7.8% year-on-year, while the Moscow Stock Exchange Power Index was down 11.4%, with shares in RusHydro losing 33.4%. In 2018, the market value of RusHydro shares decreased against a backdrop of the general lack of investor interest in the electric power industry. In Q1 2018, RusHydro's shares traded in line with the market. From Q2 2018 onwards, the Russian market and RusHydro shares were under pressure from sanctions on RUSAL Group, the biggest power consumer in Siberia and the Group's partner on the BEMO project, geopolitical risks, including talks on introducing new sanctions by the US (DASKA, August 2018), as well as lower interest in emerging market companies with no USD-denominated export revenue on the part of global investors while the US was tightening its monetary policy. Starting mid-October, RusHydro's shares began dropping in price due to investor and analyst expectation of MSCI deleting the Company from its Russia index, which it did in late November 2018.

Capitalization

RusHydro's market capitalization, RUB mn¹⁰⁴

Date	Value
December 30, 2016	356,166
December 29, 2017	309,656
December 29, 2018	207,091

Dividends

RusHydro's dividend policy is focused on supporting the Company's strategic development for the benefit of its shareholders by striking an optimal balance between dividend payouts and profit capitalization.

To ensure transparency in determining the amount of dividends and dividend payments, the Company has Regulations on the Dividend Policy in place, which was approved by the resolution of RusHydro's Board of Directors (minutes No. 195 dated March 28, 2014). When determining the recommended amount of dividends and submitting it to the General Meeting of Shareholders for approval, the Board of Directors considers the Company's net profit in accordance with the consolidated financial statements of RusHydro Group in accordance with the International Financial Reporting Standards (IFRS) and the Russian Accounting Standards (RAS), as well as the Company's need to finance the investment program. The Company allocates no less than 5% of its profit under the IFRS consolidated financial

¹⁰⁴ Source: the official website of the securities market operator (PJSC Moscow Exchange): <http://www.moex.com/s26> Market capitalization is calculated as the number of shares of the respective category (type) multiplied by the market price of one share as disclosed by the market operator.

statements of RusHydro Group to pay dividends at the end of the period (<http://www.eng.rushydro.ru/investors/Dividends/>).

The Development Strategy of RusHydro Group until 2020 with an outlook for 2025 sets the dividend payout ratio of at least 50% of net profit, and the Company is always going to target the maximum level of dividend yield for its shareholders. **(103)**

Based on RusHydro's performance in 2017, the Annual General Meeting of Shareholders on June, 27, 2018 resolved to pay out dividends on the ordinary shares in the amount of RUB 11.23 bn, or 50% of the IFRS net profit.

Over the last three years, the Company has paid out a total of RUB 46.1 bn in dividends.

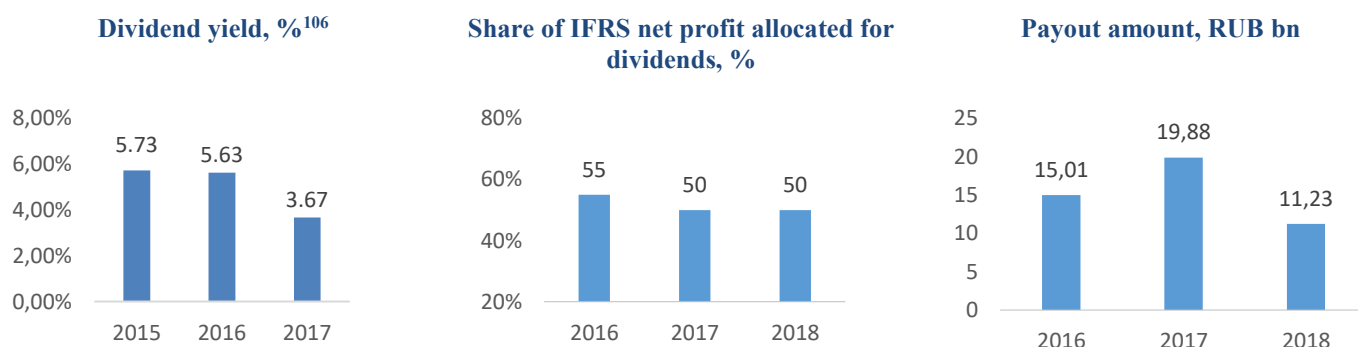
On April 19, 2019, RusHydro's Board of Directors approved an amended version of the dividend policy¹⁰⁵ setting the base value for calculating the amount of dividends in the amount of 50% of RusHydro Group's net profit for the relevant reporting year under IFRS and the minimum dividend (lower threshold) at the level of average dividend for the previous three years using the following formula:

$$Div_{threshold} = (Div_{-3\ years} + Div_{-2\ years} + Div_{-1\ year}) / 3$$

Information on payment of declared (accrued) dividends on the Company's shares in 2017

As at December 31, 2018, the Company had paid out RUB 11.19 bn in dividends, with unpaid dividends amounting to RUB 38 mn. The latter was due to reasons beyond the Company's control: the Company or the Registrar (nominal holder) did not have the exact and necessary address details or bank details.

The Company made the dividend payments to the federal budget in full, in the amount of RUB 6.8 bn. The Company has no dividends to the federal budget that are in arrears.



Dividend history for the five years preceding the reporting year

Reporting period for which the dividends	Total amount of declared (accrued)	Amount of dividends declared per share,
--	------------------------------------	---

¹⁰⁵ Minutes No. 287 of April 22, 2019. For more details on RusHydro's Dividend Policy see http://www.rushydro.ru/corporate/regulations_and_docs/documents/board.

¹⁰⁶ The dividend yield is calculated upon the adoption of the resolution on the size of the annual dividend by dividing the annual dividend per one share by that share's median market price in the reporting period (dividends – PJSC Moscow Exchange, <http://moex.com>).

were paid	dividends, RUB '000	RUB
2013	5,248,250	0.01358751
2014	6,032,750	0.01561855
2015	15,011,046	0.038863
2016	19,875,503	0.0466245
2017	11,225,676	0.0263335

Total shareholder return

Since 2016, total shareholder return (TSR), the Company's central KPI metric, has been assessed by comparing the actual TSR values delivered by RusHydro against changes in the MOEX Russia Index, the key composite index of the Moscow Exchange (IMOEX, previously MICEX Index). Changes in the MOEX Russia Index are calculated as a relation between changes in the average Index value over the last 22 trading days of the reporting year and the average Index value of the last 22 trading days in the year preceding the reporting year. The KPI is deemed to be achieved (100% match) if the Company's actual TSR grew faster than the MOEX Russia Index in the reporting period.

In 2018, the TSR was -32.8%, while the MOEX Russia Index grew by 12.2% over the same period.

Shareholder and investor relations

During the reporting period, the Company focused closely on maximizing engagement with participants of the exchange market and improving efficiency of information disclosures. As part of the investor engagement exercise, the Company held:

- more than 100 one-on-one and group meetings with the managers of major international and Russian investment funds;
- four quarterly conference calls for analysts, investors and rating agencies with the participation of the Company's management;
- a visit to the Zaramagskaya HPP-1 construction site for analysts and investors.

The meetings focused on discussing RusHydro Group's strategic priorities and plans, including its dividend policy, implementation of the Value Growth Plan, management efforts aimed at improving operational efficiency, and plans for asset modernization.

In 2018, the Company also closely engaged with the leading global analytical agencies seeking to enforce compliance with the sustainable development criteria. Those agencies included:

- CDP (Carbon Disclosure Project);
- Sustainalytics;
- MSCI-ESG;
- FTSE-Russel;
- Eiris-Vigeo;
- Robeco-SAM;
- Trucost;
- Energy Intelligence.

Governing bodies

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of the Company, which operates in accordance with the laws of the Russian Federation, the Company's Charter and the Regulations on the Procedure for Convening and Holding General Meetings of Shareholders of RusHydro.

On June 27, 2018, the Annual General Meeting of Shareholders was held in Moscow (Minutes No. 17 of June 28, 2018) and was attended by 501 shareholders, as well as media representatives, nominees to the governing and supervisory bodies of the Company, and other invitees. The meeting quorum stood at 87%.

More information on the Annual General Meeting of Shareholders, including materials made available to shareholders and the Minutes of the Annual General Meeting of Shareholders, is available on the Company's website at: <http://www.rushydro.ru/corporate/general-meeting/overpast/2018/>

No Extraordinary General Meetings of Shareholders were held in 2018.

Board of Directors

The Board of Directors is a governing body that sets the priority areas of the Company's operations, approves its development strategy and determines the core principles and approaches to the organization of the Company's internal control and risk management functions. The Board of Directors also supervises the Company's executive bodies and performs other key functions, including such as investment and business planning, performance management, innovative development, risk management, and sustainable development, including social policy, charity and environmental aspects. The Board of Directors is also involved in some of the most important operational matters or those requiring regular supervision, such as reliable functioning of the Company's facilities, including in the Far Eastern Federal District, approval of individual transactions, management of subsidiaries, etc. (102-26)

The Board of Directors consists of 13 directors and operates based on the Regulations on the Procedure for Convening and Holding the Board of Directors' meetings of RusHydro.¹⁰⁷

The transparency of the Board of Directors election process is ensured by a dedicated Board of Directors' committee assessing candidates for compliance with the independence criteria.

Independent Directors and their role

Independent directors bring in well-balanced opinions and exercise unbiased judgment based solely on their experience and expertise. Independent directors and their input to the work of the Board of Directors enhance the trust and confidence of shareholders and a wide range of investors, improve the quality of management decisions, and promote compliance with corporate governance principles.

RusHydro meets Moscow Exchange's requirements in terms of the number of independent directors serving on its Board of Directors. There are four independent directors serving on the Company's Board of Directors: Maxim Bystrov, Pavel Grachev, Sergey Ivanov and Vyacheslav Pivovarov. Independent directors monitor the Company's statement of financial results and analyze its financial performance and delivery against targets.

The existing independent directors are assessed for compliance with the independence criteria on a quarterly basis during their tenure as part of the procedure for confirming compliance with the Moscow Exchange listing requirements, and their personal details and information provided by them on a regular basis are used for this purpose.

¹⁰⁷ Regulations on the Procedure for Convening and Holding the Board of Directors' meetings of RusHydro are available on the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/6be/3.-Regulations-on-the-Procedure-for-convening-and-holding-meetings-of-BoD-of-PJSC-RusHydro.pdf>

Composition of the Board of Directors

The Board of Directors consists of 13 members, 11 of whom were re-elected. In 2018, there were two Boards of Directors: one elected by the Annual General Meeting of Shareholders on June 26, 2017 and the other elected on June 27, 2018.

All candidates nominated to the Company's Board of Directors have higher education and are highly-professional and qualified, and:

- are recognized experts in energy, finance, law, strategic and corporate governance, audit, risk management, HR, innovation and investment, as well as production and R&D;
- have a track record of serving on boards of directors or in senior positions at other joint-stock companies listed on organized exchanges;
- have impeccable business and personal reputation, sufficient skills, expertise and experience to make decisions falling within the Board of Directors' remit and perform their responsibilities efficiently.

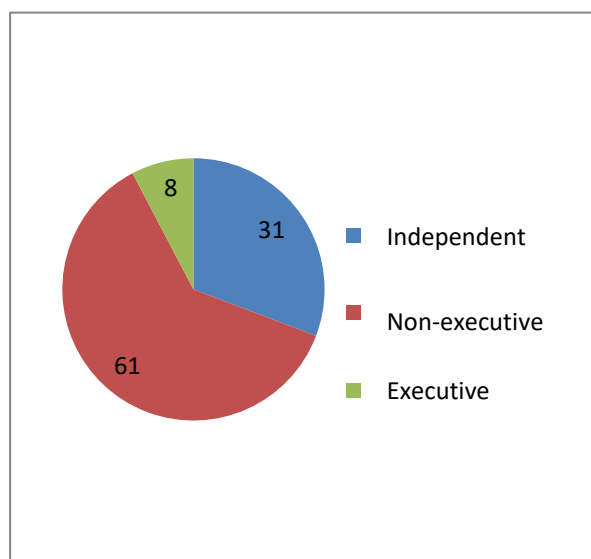
Full name	Year of appointment	Status	Nominated by	Committee membership					
				Audit Committee	Nomination and Compensation Committee	Strategy Committee	Committee on Energy Development of the Far East	Committee on Reliability, Energy Efficiency and Innovation	Investment Committee
Artem Avetisyan	2015	Non-executive	Russian Federation						
Maxim Bystrov	2013	Independent	Russian Federation	+	+				+
Pavel Grachev	2016	Independent	Russian Federation			+	+		
Sergey Ivanov	2015 ¹⁰⁸	Independent	Russian Federation	+	+	+			+
Vyacheslav Kravchenko	2014	Non-executive	Russian Federation				+	+	
Pavel Livinsky	2018	Non-executive	Russian Federation						
Vyacheslav Pivovarov	2013	Independent	Russian Federation	+	+	+			+
Mikhail Rasstrigin	2018	Non-executive	Russian Federation						
Nikolay Rogalev	2016	Non-executive	Russian Federation			+		+	+
Yury Trutnev	2015	Non-executive	Russian Federation				+		
Sergey Shishin	2011	Non-executive	Russian Federation			+			
Andrey Shishkin	2014	Non-executive	Gazprombank						
Nikolay Shulginov	2016	Executive	Russian Federation			+ ¹⁰⁹			

The current composition of RusHydro's Board of Directors is well-balanced in terms of necessary competencies and professional experience. The balance of the Board of Directors is achieved through a high level of professional knowledge and expertise, sufficient time for performing the duties of a member of the Board of Directors, and absence of a conflict of interest, all of which contribute to effective decision-making.

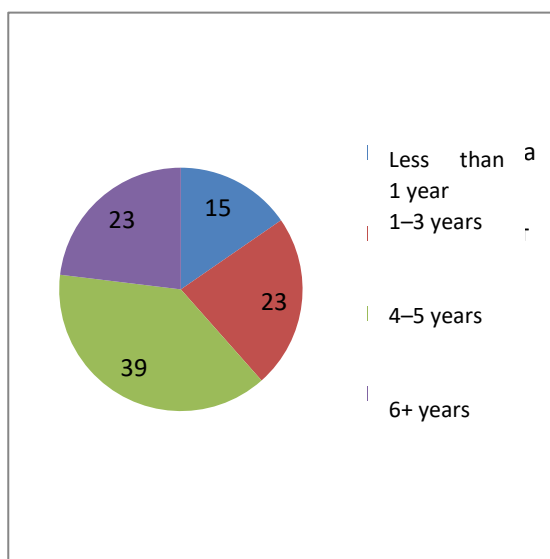
¹⁰⁸ Served on the Board of Directors from 2013 to 2014, and then starting from 2015.

¹⁰⁹ Until August 7, 2018.

Director status, %



Years served on the Board of Directors, %



Experience and competencies of the Board of Directors members¹¹⁰

Full name	Energy	Finance and audit	Management	Production	Research and development	Other competencies
Artem Avetisyan		V	V			Promotion of entrepreneurship
Maxim Bystrov	V	V	V	V		Global economics
Pavel Grachev		V	V			Law, Doctor of Law
Sergey Ivanov		V	V		V	Nuclear Physics, Professor, corresponding member of the Russian Academy of Sciences, Doctoral Degree in Economics
Vyacheslav Kravchenko	V		V			Law
Pavel Livinsky		V	V			Economics
Vyacheslav Pivovarov		V	V			Global Economics, Applied Economics, MBA
Mikhail Rasstrigin	V	V	V			Economics
Nikolay Rogalev	V		V		V	Doctoral Degree in Technical Sciences, Professor
Yury Trutnev	V	V	V	V	V	
Sergey Shishin		V			V	Doctoral Degree in Economics
Andrey Shishkin	V	V	V	V		
Nikolay Shulginov	V	V	V	V	V	PhD in Technical Sciences
Total	7	11	12	4	5	

¹¹⁰ Relevant experience of the candidates to the Board of Directors in various areas of activity, based on the data received from candidates to the Board of Directors, including education, professional track record, and other publicly available information.

Induction program

A newly elected member of the Board of Directors takes an induction program, including introduction to the members of the Management Board and familiarizing with:

- the Company's by-laws;
- the Company's key performance indicators;
- RusHydro Group Development Strategy and RusHydro Group's Long-term Development Program;
- the specifics of the Company's operations as a joint-stock company with a majority government stake and other specific aspects;
- the software and technical facilities used in the work of the Board of Directors.

Independent directors also acquaint themselves with additional rights and obligations of independent directors, their functions and roles in the Company's corporate practice.

In addition, the Corporate Secretary arranges for the newly elected members of the Company's Board of Directors to receive answers to their questions and sets up meetings with the Company's officers.

Education and further professional training

To improve its overall performance, the Board of Directors may decide to send its individual members for training and further professional development programs at the Company's expense within the limits of the Company's budget allocated for these purposes.

The training and further professional development programs for Board of Directors members are subject to approval by the Nomination and Compensation Committee.

Short biographies of the Board of Directors members¹¹¹

Yury Trutnev

Position	Chairman of the Board of Directors Non-Executive Director Representative of the Russian Federation, public officer
Born in	1956
Education, academic degree	Graduated from the Perm National Research Polytechnic University with a degree in Mining Engineering
Experience over the last 5 years	2013–present: Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Envoy to the Far Eastern Federal District
Positions held in collective governing bodies	Member of the Supervisory Board of Rosatom State Corporation Chairman of the Supervisory Board of the Far Eastern Federal University Co-Chairman of the Russian Union of Martial Arts

Artem Avetisyan

Position	Non-Executive Director Representative of the Russian Federation, professional representative
Born in	1976

¹¹¹ As at December 31, 2018

Education, academic degree	Graduated from the Financial University under the Government of the Russian Federation with a degree in Finance and Lending Postgraduate studies at the Financial University under the Government of the Russian Federation Audit retraining program at Moscow State University
Experience over the last 5 years	2011–present: Head of New Business at the Agency for Strategic Initiatives 2012–present: Chairman of the Leaders Club 2014–2016: Vice President of the NEO Centre
Positions held in collective governing bodies	Chairman of the Board of Directors of Vostochny Bank Chairman of the Board of Directors of Modulbank

Maxim Bystrov

Position	Independent Director ¹¹²
Born in	1964
Education, academic degree	Graduated from the National Research Moscow State University of Civil Engineering with a degree in Hydraulic Engineering and Power Plant Construction Graduated from the Russian Foreign Trade Academy with a degree in International Economics
Experience over the last 5 years	2013–present: Chairman of the Management Board of NP Market Council 2013–present: Chairman of the Management Board of JSC ATS
Positions held in collective governing bodies	Member of the Supervisory Board of the NP Market Council Member of the Board of Directors at JSC ATS Member of the Board of Directors at JSC SO UES

Pavel Grachev

Position	Independent Director
Born in	1973
Education, academic degree	Graduated from the Saint Petersburg State University and the University of Trieste (Italy) with degrees in law, Doctor of Law
Experience over the last 5 years	2016–present: General Director of MC Polyus LLC 2014–present: Chief Executive Officer of PJSC Polyus 2014–2016: President of JSC Polyus Krasnoyarsk 2013–2016: Interim Chief Executive Officer, Chief Executive Officer of Polyus Gold International Limited
Positions held in collective governing bodies	Chairman of the Board of Directors at SL Gold Member of the Board of Directors of PJSC Polyus Member of the Board of Directors at PJSC FGC UES

¹¹²Maxim Bystrov was recognised by the Board of Directors as an Independent Director because at the date of recognition he met the formal criteria of being related to the Company's substantial counterparties, including JSC ATS, JSC SO UES, JSC FSC and NP Market Council. The abovementioned relation is formal and does not affect Maxim Bystrov's ability to act as a member of the Board of Directors in the interests of the Company and all of its shareholders.

For more information, see the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/fe6/Extract-from-the-minutes-June-1-2018--271.pdf>

Sergey Ivanov

Position	Independent Director ¹¹³
Born in	1961
Education, academic degree	Graduated from the National Research Nuclear University with a degree in Theoretical Nuclear Physics PhD degree in Economics, Professor Corresponding member of the Russian Academy of Natural Sciences
Experience over the last 5 years	2016–2018: General Director at RT-Capital 2015–2016: General Director of Nechernozemagropromstroy Corporation 2012–2015: General Director of LENSENT 2011–2016: General Director of Energetic Russian Company (ERCO) 2007–2014: Chairman of the Presidium of the National Institute of Energy Security
Positions held in collective governing bodies	–

Vyacheslav Kravchenko

Position	Non-Executive Director Representative of the Russian Federation, public officer
Born in	1967
Education, academic degree	Graduated from the Moscow State University with a degree in Law
Experience over the last 5 years	2013–2018: Deputy Minister of Energy of the Russian Federation
Positions held in collective governing bodies	State representative in the Supervisory Board of the NP Market Council Chairman of the Board of Directors at JSC SO UES Member of the Board of Directors of Rosseti

Pavel Livinsky

Position	Non-Executive Director
Born in	1980
Education, academic degree	Graduated from the Moscow State University with a degree in Economics in 2001 Graduated from the Moscow State University with a Master's degree in Management in 2003

¹¹³ Sergey Ivanov was elected Senior Independent Director by the Nomination and Compensation Committee of the Board of Directors of RusHydro.

He was recognized by the Board of Directors as an Independent Director because at the date of recognition he met the formal criteria of being related to the state: he held the position of General Director at RT-Capital LLC, which is controlled by the Russian Federation, during the year prior to the election to the Board of Directors of RusHydro.

The abovementioned relation is formal and does not affect Sergey Ivanov's ability to act as a member of the Board of Directors in the interests of the Company.

For more information, see the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/fe6/Extract-from-the-minutes-June-1-2018--271.pdf>

Experience over the last 5 years	2017–present: General Director, Chairman of the Management Board at Rosseti 2017: Head of the Moscow Department of Housing, Utilities and Amenities 2015–present: President of the Sport Federation of Firefighters and Rescuers 2013–2017: Head of the Moscow Department of Fuel and Energy
Positions held in collective governing bodies	Chairman of the Board of Directors at PJSC FGC UES Member of the Board of Directors of Rosseti Member of the Board of Directors at JSC SO UES Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs (RSPP)

Vyacheslav Pivovarov

Position	Independent director
Born in	1972
Education, academic degree	Graduated from the Sergo Ordzhonikidze State Academy of Management with a degree in International Economics Graduated from the American University of Paris with a degree in Applied Economics Received MBA from Stanford University
Experience over the last 5 years	2017–present: President of Altera Capital ¹¹⁴ 2011–2017: President of Altera Capital ¹¹⁵
Positions held in collective governing bodies	Member of the Board of Directors at GeoProMining Investment Ltd (Cyprus)

Mikhail Rasstrigin

Position	Non-Executive Director
Born in	1983
Education, academic degree	Graduated from Ivanovo State Power Engineering University – Degree in Heat Power Station Engineering, 2005; – Bachelor of Economics, 2005.
Experience over the last 5 years	2017–present: Deputy Minister of Economic Development 2017: Assistant Minister of Economic Development 2011–2017: Head of Electric Power, Natural Resources Directorate, Research Department, VTB Capital
Positions held in collective governing bodies	Member of the Board of Directors of Rosseti Member of the Board of Directors at JSC SO UES Member of the Management Board of the Federal Antimonopoly Service

Nikolay Rogalev

¹¹⁴ INN: 7714961556.

¹¹⁵ INN: 7703741291.

Position	Non-Executive Director Representative of the Russian Federation, professional representative
Born in	1962
Education, academic degree	Graduated from the Moscow Power Engineering Institute (heat power stations), Professor
Experience over the last 5 years	2016–present: President of NP Scientific and Technical Council of the Unified Energy System 2015–present: Head of Department at the Moscow Power Engineering Institute (part-time) 2013–present: Dean of the Moscow Power Engineering Institute
Positions held in collective governing bodies	Member of the Board of Directors of Rosseti Member of the Board of Trustees of the Energy Without Borders foundation

Sergey Shishin

Position	Non-Executive Director Representative of the Russian Federation
Born in	1963
Education, academic degree	Graduated from the KGB Moscow Higher Frontier Guards Command Academy KGB Military School Russian Presidential Academy of National Economy and Public Administration, degree in Public and Municipal Administration PhD in Economics
Experience over the last 5 years	2007–present: Senior Vice President at VTB Bank
Positions held in collective governing bodies	–

Andrey Shishkin

Position	Non-Executive Director
Born in	1959
Education, academic degree	Graduated from the Gubkin Moscow Institute of Petrochemical and Gas Industry with a degree in Industrial Heat and Power Engineering
Experience over the last 5 years	2016–present: President, Chairman of the Management Board at Bashneft 2015–present: General Director at RN-Assets 2012–present: Vice President for Energy, Localization and Innovation; since 2015: member of the Management Board at Rosneft
Positions held in collective governing bodies	Member of the Board of Directors at RN-Assets Deputy Chairman of the Board of Directors at Bashneft Chairman of the Board of Directors at Okha CHPP

Nikolay Shulginov

Position	Executive Director Representative of the Russian Federation, professional representative
Born in	1951
Education, academic degree	Sergo Ordzhonikidze Novocherkassk Polytechnic Institute awarded the Order of the Red Banner of Labor; holds a PhD degree in Technology
Experience over the last 5 years	2015–present: Chairman of the Management Board – General Director of RusHydro 2009–2015: First Deputy Chairman of the Management Board of JSC SO UES
Positions held in collective governing bodies	Member of the Board of Directors of Global Sustainable Energy Partnership Member of the Board of Directors of Rosseti Chairman of the Supervisory Board of Association Hydropower of Russia Member of the Supervisory Board of the NP Market Council Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs (RSPP) Member of the Board of Trustees of the National Research University Moscow Power Engineering Institute Deputy Chairman of the Supervisory Board of NP Scientific and Technical Council of the Unified Energy System

Short biographies of members of the Board of Directors prior to June 27, 2018

Alexei Chekunkov

Position	Representative of the Russian Federation
Born in	1980
Education, academic degree	Graduated from Moscow State Institute of International Relations with a degree in Economics
Experience over the last 5 years	Experience over the last 5 years: 2014–present: Chief Executive Officer of the Far East and Baikal Region Development Fund 2013–2014: First Deputy CEO at Kada-Neftegaz
Positions held in collective governing bodies	Member of the Board of Directors at Skolkovo Ventures Member of the Board of Directors at Voskhod Member of the Supervisory Board at ALROSA Chairman of the Supervisory Board at the Far East Investment and Export Agency

Nikolay Podguzov

Position	Representative of the Russian Federation
Born in	1974
Education, academic degree	St. Petersburg State Institute of Technology Moscow State Institute of International Relations (University) under the Ministry of Foreign Affairs
Experience over the last 5 years	2017–present: Chief Executive Officer at the Russian Post 2013–2017: Deputy Minister of Economic Development of the Russian Federation

Positions held in collective governing bodies	<ul style="list-style-type: none"> – member of the Supervisory Board at VTB Bank – member of the Supervisory Board at Post Bank – member of the Board of Directors at Rosseti – member of the Board of Directors at the Deposit Insurance Agency
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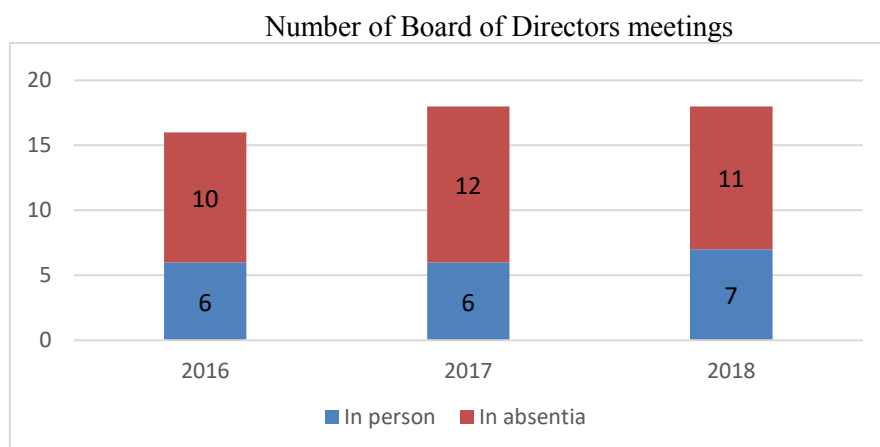
Additional information on the members of the Board of Directors

- As at December 31, 2018, the directors held (directly or indirectly) no shares of the Company or Company's subsidiaries. In the reporting year, members of the Board of Directors did not buy or sell the Company's shares.
- No loans were issued by the Company or RusHydro Group to any members of the Board of Directors.
- Duties of officials representing the Russian Federation are set forth in Resolution No. 738 of the Russian Government dated December 3, 2004.
- The independence of the members of the Board of Directors is defined in line with the independence criteria of the Moscow Exchange and the Corporate Governance Code recommended by the Bank of Russia.
- As at the date of appointment and during 2018, no conflicts of interest (including participation in the governing bodies of the Company's competitors) of any member of the Board of Directors was reported.

For more information on the members of the Board of Directors, see section 5.2.1 of the Company's quarterly report for Q4 2018 on the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/be6/Angl-ezhekvtarnij.pdf>

Board of Directors' report

In 2018, the Board of Directors held 18 meetings, including seven meetings in person, and considered 169 matters. In 2018, the attendance at meetings of the Board of Directors stood at 90% of all meetings held during the year.



Attendance in 2018 by director

Full name	Meetings attended / Total	Attendance (%)
Artem Avetisyan	13/18	72
Maxim Bystrov	17/18	94
Pavel Grachev	18/18	100
Sergey Ivanov	17/18	94
Vyacheslav Kravchenko	15/18	83
Vyacheslav Pivovarov	15/18	83

Mikhail Rasstrigin (starting June 27, 2018)	7/8	88
Nikolay Rogalev	18/18	100
Yury Trutnev	17/18	94
Pavel Livinsky (starting June 27, 2018)	8/8	100
Sergey Shishin	17/18	94
Andrey Shishkin	16/18	89
Nikolay Shulginov	18/18	100
Alexei Chekunkov (member until June 27, 2018)	10/10	100
Nikolay Podguzov (member until June 27, 2018)	5/10	50

Breakdown of items considered by the Board of Directors

Indicator	Number of items	%
Strategy and strategic transactions	17	10.1
Business planning and investments	23	13.6
Performance management and KPI	17	10.1
Corporate governance	58	34.3
Transactions	7	4.2
Subsidiary management	8	4.7
Other	39	23
Total	169	100

In 2018, in addition resolutions on the convocation of the Annual General Meeting of Shareholders, approval of transactions, including related-party transactions, development of a transparent procurement management framework, enhancement of the control and audit system and subsidiary management matters, the Board of Directors made a number of other important decisions related to the Company's development (see the key matters reviewed by the Board in 2018 in the table below).

Key agenda items reviewed by the Board of Directors in the reporting year

Item ¹¹⁶	Decision
<i>Growth of the Company's value for the state, shareholders, communities and its employees</i>	
Approval of the changes to the Group's Long-term Development Program for 2018–2022.	Adjustments to the Long-term Development Program provide for additional measures to upgrade the thermal power infrastructure in the Far Eastern Federal District, improve the environmental management system, roll out intelligent systems and digital technology, and enhance the staffing system.
Approval of the updated import substitution roadmap for the period up to 2025.	Developed a set of measures aimed at scheduled step-by-step substitution of imported products with those of Russian origin having similar specifications and usability.
Approval of RusHydro's Policy on Rotation of Auditors	The Policy on Rotation of Auditors governs the auditor selection procedure and the rules for altering the composition of the audit team.

¹¹⁶ See the minutes of the previous Board of Directors meetings here: <http://www.eng.rushydro.ru/governance/board/minutes/>

Approval of the termination of RusHydro and its subsidiaries' participation in the authorized capital of PJSC Inter RAO UES	Approved the sale of 5,131,669,622 shares of PJSC Inter RAO UES (4.915% of the authorized capital) to JSC Inter RAO Capital at the price of RUB 3.3463 per share.
Dividends for 2017	The Board recommends paying out dividends in the amount of RUB 0.0263335 per share, or 50% of the IFRS net profit for 2017.
<i>Sustainable development of the Company</i>	
Approval of RusHydro's Business Plan for 2019 and RusHydro Group's Consolidated Business Plan for 2019–2023, including the consolidated investment program.	The Group's investment program for 2019–2023 provides for an estimated RUB 382.9 bn to be spent on commissioning around 1.4 GW of new power capacity, 565 Gcal/h of heat capacity, as well as on building and refurbishing more than 130 km of heat and 7,600 km of electric power supply networks.
Approval of RusHydro Group's New Environmental Policy through 2025.	Set new KPIs, including those seeking to increase the installed capacity of low-carbon generation, reduce direct and per unit greenhouse gas emissions, and prevent species elimination.
<i>Ensuring reliable and safe operations of the Company's facilities</i>	
Review of information on measures ensuring equipment reliability that are implemented at RusHydro's facilities	Since the launch of the program in 2012, 87 turbines, 67 generators and 59 transformers have been replaced (43%, 36% and 32% of the plan, respectively). The program will boost the installed capacity of the Company's power plants by 779 MW.
<i>Development of the Far Eastern energy sector</i>	
Review of the Long-term Program for Replacement of Retired Capacities and Power System Development in the Far East	Key projects under the Program include the construction of Artyomovskaya TPP-2, Khabarovskaya TPP-4, the second stage of Yakutskaya GRES-2, a TPP in Pevek, the upgrade of Vladivostokskaya TPP-2 and Komsomolskaya TPP-2, and commissioning of the fourth hydropower unit of Ust-Srednekanskaya HPP.
Approval of the contributions to JSC Chukotenergo's authorized capital for the implementation of the initial construction stage of two 110 kV high-voltage power lines Pevek – Bilibino	The construction of high-voltage power lines in Chukotka due to the decommissioning of the power units at Bilibino NPP, which has reached the end of its service life. Financing is expected to be provided in the amount of RUB 13 bn from the federal budget and RUB 6.3 bn from the Company's funds.

Assessment of the Board of Directors performance

Independent assessment

In 2018, an independent assessment of the Company's Board of Directors was carried out by LLC PricewaterhouseCoopers Advisory, a world-renowned external independent consultant¹¹⁷. The Board of Directors' performance was assessed from April to June 2018 via a survey among the directors, individual interviews with the directors and several key managers of the Company, as well as through reviewing the by-laws that govern the activities of the Board of Directors and its Committees, the meeting minutes of the Board of Directors and Committees, and other relevant materials.

The scope of the assessment included:

- Overall assessment of the Board of Directors' performance;
- Assessment of each Committee's performance;

¹¹⁷ The word independent means the consultant has no ties to the Company.

- Performance assessment for the Chairman of the Board of Directors and Senior Independent Director;

- Individual assessment of the Board of Directors members.

The results of the independent assessment demonstrate that the Company largely complies with the principles and recommendations of both the Russian and British corporate governance codes and also highlight some key strengths of RusHydro's Board of Directors:

- Collectively, the members of the Board of Directors possess a strong set of competencies, expertise, skills and leadership qualities that contribute to their efficient performance.

- The Board of Directors and the Audit Committee include a director with experience and expertise in preparation, analysis, assessment and audit of accounting (financial) statements.

- The Board of Directors includes the main stakeholders of the Company. The Board of Directors also maintains a balance between ensuring succession and systematically bringing in new members.

- The meetings of the Board of Directors feature active discussions on the agenda items and resolutions where new ideas and diverse opinions are welcome.

- Attendance of the Board of Directors meetings is high.

- The most important matters pertaining to the operations of the Company and its subsidiaries are normally discussed at the meetings of the Board of Directors that are held in person.

- The directors ask the management hardball questions and provide constructive criticism on proposed resolutions, which enables well-informed decision-making.

- Independent directors play an important and active role in the work of the Board of Directors and its Committees.

- The Committees of the Board of Directors review the agenda items in more depth and contribute to the overall efficiency of the Board of Directors.

The previous independent assessment was done in 2016 by the Independent Directors Association, whose recommendations led to many improvements in the work of the Board of Directors, including:

- Approval of a number of strategic decisions, including in relation to the JSC RAO ES East debt refinancing;

- The Board of Directors regularly monitors the development and implementation of RusHydro subsidiaries' business plans based on RusHydro Group's Consolidated Business Plan;

- The position of Senior Independent Director was Introduced;

- Board of Directors' meetings scheduling was improved.

Self-assessment

RusHydro conducted an annual assessment of the Board of Directors performance to evaluate the contribution of the Russian Federation representatives to the Company's operations and to the implementation of the development strategy. The assessment was based on the methodology for individual assessment of the Board of Directors members in joint-stock companies partially owned by the government, as approved by the Federal Agency for State Property Management (Rosimushchestvo), and was carried out in the Company's personal account on Rosimushchestvo's inter-agency portal using questionnaires for members of the Board of Directors. As a result, duly supervision by the federal executive body over the state representatives' work on the Board of Directors was confirmed.

Areas for development

In order to continue improving its efficiency, the Board of Directors is going to take the following key actions based on the assessment results:

- Hold a strategic session with external experts to discuss the strategy, its implementation and possible updates (in light of systematic renewal of the Board of Directors, as well as changes in the business landscape since the approval of the strategy).
- Expand the list of speakers invited to the meetings of the Board of Directors with members of the Company's management and external experts.
- Hold comprehensive Board of Directors discussions addressing the matters of risk appetite and key risk management as they pertain to the Company's operations.
- Maintain and expand the practice of the Board of Directors members and independent directors in particular attending the most important investor and analyst engagement events.

Liability insurance

Since 2007, RusHydro has provided liability insurance for the members of the Board of Directors and the Management Board, as well as for the persons in the capacity of sole executive bodies at the Company's subsidiaries and branches and for those managing the Company's units and subsidiaries. In a tender to select a provider of directors and officers (D&O) civil liability insurance for 2018, JSC SOGAZ was chosen based on its ability to provide the most reliable and comprehensive coverage when it comes to this type of insurance. The insurer selection process complied with the requirements of the Company's by-laws and Federal Law of the Russian Federation No. 223-FZ *On Procurement of Goods, Works, Services by Certain Types of Legal Entities* dated July 18, 2011.

The amount of coverage is RUB 10,604,715,160 (USD 178,100,000 at the rate of the Bank of Russia as at July 31, 2017). In addition, the independent directors' liability is insured for RUB 136,950,280 (USD 2,300,000 at the rate of the Bank of Russia as at July 31, 2017). TThe insurance premium amounted to RUB 13,552,825.97 (USD 227,611.80 at the rate of the Bank of Russia as at July 31, 2017).

The insurance policy covers:

- property interests of the insured related to other persons' claims for damages arising from the insured person's claimed (alleged, supposed) wrongdoing (error, omission, improper performance, etc.);
- property interests of the Company and/or any subsidiary related to any claims made by other persons that were initially brought against the insured;
- property interests of the Company and/or any subsidiary related to any claims in respect of securities brought against the Company and/or any subsidiary.

Committees of the Board of Directors

RusHydro's Board of Directors has six committees:

- Audit Committee¹¹⁸;
- Nomination and Compensation Committee¹¹⁹;
- Strategy Committee¹²⁰;
- Committee on Energy Development of the Far East¹²¹;
- Committee on Reliability, Energy Efficiency and Innovation¹²²;
- Investment Committee¹²³.

Report on performance of the Board committees

Committee and its composition	Committee competencies	Key performance results and recommendations issued to the Board of Directors								
<div><div>Audit Committee</div><table><tr><td colspan="2">Independent members of the Board of Directors</td></tr><tr><td>Sergey Ivanov (Chairman of the Committee)</td><td>19/19</td></tr><tr><td>Vyacheslav Pivovarov¹²⁴</td><td>14/19</td></tr><tr><td>Maxim Bystrov</td><td>18/19</td></tr></table></div>	Independent members of the Board of Directors		Sergey Ivanov (Chairman of the Committee)	19/19	Vyacheslav Pivovarov ¹²⁴	14/19	Maxim Bystrov	18/19	<div>The Committee is designed to assist the Board of Directors in exercising control over the Company's financial and business operations, with its key responsibilities including oversight of the financial statements, internal controls, risk management, corporate governance, and misconduct reporting systems, and ensuring independence and impartiality of the internal and external audit functions.</div>	<div>Reviewed the Company's auditor candidacy and recommended it for approval Recommended approval of a standard to control implementation of the Group's Long-Term Development Program. Recommended approval of RusHydro's Insurance Program for 2019 Approved a methodology for Assessment of RusHydro's Corporate Governance Framework Provided corporate governance assessment results with a focus on internal audit review. Recommended approval of the annual report Recommended approval of the annual financial (accounting) statements Assessed the internal audit system Assessed the efficiency of external audit for 2017 Recommended approval of the Report on Compliance with the Company's Information Policy</div>
Independent members of the Board of Directors										
Sergey Ivanov (Chairman of the Committee)	19/19									
Vyacheslav Pivovarov ¹²⁴	14/19									
Maxim Bystrov	18/19									
<div><div>Nomination and Compensation Committee</div><table><tr><td colspan="2">Independent members of the Board of</td></tr></table></div>	Independent members of the Board of		<div>The Committee is designed to provide recommendations on composition and set of skills of the Company's governing</div>	<div>Reviewed report on achievement of the Management Board's KPI for 2017 Reviewed KPI targets for the Management Board for 2018 and 2019, and KPI targets under the Company's Long-Term Incentive Plan</div>						
Independent members of the Board of										

¹¹⁸ Regulations on the Audit Committee are approved by resolution of RusHydro's Board of Directors (Minutes No. 239 of June 23, 2016, as amended on June 21, 2017 (No. 254) and December 24, 2018 (No. 281))

¹¹⁹ Regulations on the Nomination and Compensation Committee are approved by resolution of RusHydro's Board of Directors (Minutes No. 239 of June 23, 2016, as amended on June 21, 2017 (No. 254))

¹²⁰ Regulations on the Strategy Committee are approved by resolution of RusHydro's Board of Directors (Minutes No. 242 of October 10, 2016)

¹²¹ Regulations on the Committee on Energy Development of the Far East are approved by resolution of RusHydro's Board of Directors (Minutes No. 225 of October 30, 2015)

¹²² Regulations on the Committee on Reliability, Energy Efficiency and Innovation are approved by resolution of RusHydro's Board of Directors (Minutes No. 188 of October 15, 2013)

¹²³ Regulations on the Investment Committee are approved by resolution of RusHydro's Board of Directors (Minutes No. 240 of August 11, 2016)

¹²⁴ Vyacheslav Pivovarov has extensive experience and knowledge in preparation, analysis, assessment and audit of financial (accounting) statements.

Directors		bodies, and recommend tools to enhance efficiency and transparency of the remuneration system. Its primary objective is to review relevant items on a preliminary basis and draft recommendations on matters reserved to the remit of the Board of Directors.	Reviewed annual KPI of the Management Board for 2019 Analyzed qualifications of nominees to the Board of Directors and vetted them for potential conflicts of interest Assessed nominees to the Board of Directors and independent directors for compliance with the independence criteria Reviewed reports on progress against the Action Plan for the Introduction of Professional Standards into RusHydro's Operations in Q4 2017 and Q1–Q3 2018 Oversaw external independent assessment of the Board of Directors’ performance Reviewed draft internal regulations on the assessment of performance of the Board of Directors and its committees
Vyacheslav Pivovarov (Chairman of the Committee)	12/12		
Sergey Ivanov	11/12		
Maxim Bystrov	11/12		
Strategy Committee		The Committee is designed to ensure efficient performance of the Board of Directors in strategic areas. The Committee determines the Group's strategic development priorities, approves the Company’s development strategy and long-term development program (including review of the strategy implementation reports), provides recommendations on the dividend policy, makes decisions on the Company’s investments in and divestments from other organizations, considers authorized capital increases and other share offering and purchase matters, and reviews the Group's financial and valuation models.	Recommended approval of a resolution to divest from PJSC Inter RAO Recommended approval of the property disposal deal between JSC RAO ES East and PJSC Sakhalinenergo Set preliminary additional terms and conditions for participation in the construction of Tayshet Aluminium Smelter (the project was put on hold due to the US sanctions) Recommended approval of the Group's Long-Term Development Program for 2018–2022 Provided recommendations on report regarding the finalization of initiatives to refinance the debt of JSC RAO ES East Provided recommendations on information about the efficiency of forward contracting and progress against Rushydro's Value Growth Plan through 2021 Recommended approval of an investment project to construct two 110 kV single-circuit Pevek–Bilibino power lines Provided recommendations on a report comparing the technological advancement and innovation KPI of RusHydro Group against the leading peers Recommended approval of a resolution to divest from Boguchanskaya HPP Construction Organizer, Boguchanskaya HPP Construction Customer, Small HHPs of Altai, Verkhne-Naryn HPPs, and VolgaHydro
Members of the Board of Directors			
Pavel Grachev	17/17		
Sergey Ivanov (since August 7, 2018)	10/17		
Vyacheslav Pivovarov	14/17		
Nikolay Rogalev	17/17		
Sergey Shishin	17/17		
Committee members			
Aleksandr Bogashov	15/17		
Dmitriy Denisov (since August 7, 2018)	9/17		
Igor Zadvornov (Chairman of the Committee)	16/17		
Boris Livshits	17/17		
Vasiliy Nikonov	15/17		
Yevgeniy Olkhovich (since August 7, 2018)	9/17		
Pavel Snikkars	15/17		
Yevgeniy Stolvarov (until August	5/17		

7, 2018)			
Andrey Gabov (until August 7, 2018)	7/17		
Members of the executive bodies			
George Rizhinashvili	17/17		
Andrey Kazachenkov (since August 7, 2018)	9/17		
Nikolay Shulginov (until August 7, 2018)	7/17		
Investment Committee		The Committee is designed to preview new investment projects and programs, and contribute to the enhancement of the Company’s investment policy.	Approved RusHydro’s draft investment program for 2019–2028 and draft amendments to RusHydro's investment program for 2018–2027 Pre-approved the Group’s Consolidated Business Plan (including consolidated investment program) for 2018–2022 Pre-approved KPI targets for the Management Board for 2018, and KPI targets under the second cycle of the Company’s Long-Term Incentive Plan for 2018–2020 Pre-approved distribution of the Company’s profit (loss) for 2017 and recommended that the Annual General Meeting of Shareholders approve the same Approved the amount of dividends paid for the Company's ordinary shares for 2017 at RUB 0.0263335 per share Pre-approved updated versions of the Company's Business Plan and investment program for 2018 Pre-approved the updated version of the Company's Consolidated Business Plan (including consolidated investment program) for 2018 Pre-approved updated KPI targets for the Company's Management Board for 2018 Recommended approval of RusHydro’s business plan and Consolidated Business Plan for 2019, including RusHydro’s investment program and consolidated investment program for 2019–2023
Independent members of the Board of Directors			
Maxim Bystrov (Chairman of the Committee)	13/13		
Vyacheslav Pivovarov	10/13		
Sergey Ivanov	10/13		
Members of the Board of Directors			
Nikolay Rogalev	13/13		
Alexei Chekunkov (until September 21, 2018)	8/13		
Members of the executive bodies			
Andrey Kazachenkov	13/13		
Sergey Kirov	13/13		
Committee members			
Mikhail Bychko	4/13		
Andrey Gabov	7/13		

Sergey Zhuravlev	13/13		
Denis Milyutin	13/13		
Pavel Snikkars	7/13		
Viktor Khmarin	13/13		
Committee on Energy Development of the Far East		The Committee is designed to ensure efficient performance of the Board of Directors in developing the power industry of the Far Eastern Federal District of Russia within the scope of responsibility of the Company and its subsidiaries. Among other things, the Committee is responsible for determining the Company’s priority areas in the Far East, including by considering matters related to the consolidation of power assets in the Far East, growth of energy exports to the Asia-Pacific, and power supply to the consumers in the Far East.	Recommended approval of contributions to the authorized capital of JSC Chukotenergo for the construction of two 110 kV single-circuit Pevek-Bilibino power lines in an amount not exceeding RUB 18 bn, with up to RUB 5 bn coming from RusHydro and RUB 10 bn coming from the Government in the form of contributions to the authorized capital of RusHydro Pre-approved the loan agreement between RusHydro and the Far East and Baikal Region Development Fund in the amount of RUB 5 bn to finance the construction of off-site facilities of Sakhalinskaya GRES-2 for a period of eight years and an interst rate of 5% per annum Approved an increase in the price of the General Contractor Agreement (Construction of Sakhalinskaya GRES-2. Key Production Capacities. On-Site Facilities. Stage 1) by RUB 3.5 bn to RUB 33.5 bn
Members of the Board of Directors			
Yury Trutnev (Chairman of the Committee)	0/7		
Pavel Grachev	7/7		
Vyacheslav Kravchenko	3/7		
Alexei Chekunkov	7/7		
Members of the executive bodies			
Sergey Vasilyev (since April 4, 2018)	4/7		
Andrey Kazachenkov	7/7		
Sergey Tolstoguzov (until April 4, 2018)	0/7		
Committee members			
Igor Zadvornov	7/7		
Denis Konstantinov	6/7		
Aleksey Molskiy	5/7		
Denis Pileniyeks	7/7		
Aleksandr Pyatigor (since August 9, 2018)	2/7		
Vladimir Tupikin (until December 6, 2018)	7/7		
Sergey Tyrtsev (since August 9,	2/7		

2018)				
Mikhail Kolesnikov (until August 9, 2018)	3/7			
Sergey Lebedev (since December 6, 2018)	1/7			
Leonid Petukhov (since December 6, 2018)	1/7			
Committee on Reliability, Energy Efficiency and Innovation		The Committee is designed to ensure efficient performance of the Board of Directors in the realms of the Company’s Technical Policy, reliable and safe operation of hydraulic facilities, energy efficiency, innovation and environmental policies, and other areas reserved to the remit of the Committee.	Approved the proposal of the Company's Management Board to start levelling the station node building at Zagorskaya PSP-2 Prepared a resolution to build an inventory of intellectual property rights of RusHydro Group, with the deadline set for November 30, 2018 Drafted a resolution for the Board of Directors to approve RusHydro Group's Intellectual Property Rights Management Program Approved draft terms of reference for comparing the technological advancement and innovation KPI of RusHydro Group against the leading peers and submitting proposals to update the Company's innovation KPI and Innovative Development Program for 2016–2020 with an outlook until 2025	
Members of the Board of Directors				
Nikolay Rogalev (Chairman of the Committee)	7/7			
Vyacheslav Kravchenko	4/7			
Committee members				
Oleg Barkin (since April 4, 2018)	6/7			
Yuriy Vishnevskiy	6/7			
Dmitriy Gvozdev (since August 9, 2018)	4/7			
Sergey Zhuravlev (since August 9, 2018)	4/7			
Mikhail Fedorov	7/7			
Elena Belchenko (until August 9, 2018)	3/7			
Alexei Chekunkov (until August 9, 2018)	3/7			
Roman Gromov (until April 4, 2018)	1/7			
Members of the executive bodies				
Boris Bogush	7/7			

George Rizhinashvili	7/7		
Kirill Frolov	7/7		
Dmitriy Gvozdev (since April 4, 2018)	5/7		
Sergey Tolstoguzov (until April 4, 2018)	0/7		
Nikolay Karpukhin (until August 7, 2018)	1/7		

Corporate Secretary

Natalya Kovaleva

Born in	1972
Education, academic degree	In 1996, graduated from Irkutsk State University with a degree in Law
Professional experience over the last five years	2016–present: Corporate Secretary, RusHydro 2016–present: Deputy Head of Corporate Governance and Property Management, RusHydro 2010–2015: Head of Corporate Governance, PJSC MOESK
Positions held in collective governing bodies	member of the Board of Directors at Blagoveshchenskaya CHPP member of the Board of Directors at Boguchanskiy Aluminum Smelter member of the Board of Directors at PJSC DEK member of the Board of Directors at Malaya Dmitrovka member of the Board of Directors at SNRG member of the Board of Directors at JSC Chuvash Energy Retail Company

Natalya Kovaleva has no stake in RusHydro's authorized capital. She does not hold, either directly or indirectly, any ordinary shares of RusHydro and, consequently, did not buy or sell the Company's shares during the reporting year.

The Corporate Secretary holds no shares in RusHydro's subsidiaries.

No loans were issued by PJSC RusHydro or RusHydro Group companies to Natalya Kovaleva, Corporate Secretary of RusHydro.

The Corporate Secretary has no conflict of interest (including participation in the governing bodies of the Company's competitors).

Executive bodies

Executive bodies are in charge of the day-to-day operations of the Company.

Powers of the Management Board and the Chairman of the Management Board – General Director are defined by Articles 18 and 19 of the Company's Charter, respectively. Executive bodies' competence include matters that are not reserved to the Company's General Meeting of Shareholders and the Board of Directors.

The number of the Management Board members is determined by the Board of Directors. In 2018, the Management Board consisted of six members, including the Chairman of the Management Board – General Director.

On December 24, 2018, the Board of Directors elected Victor Khmarin, Deputy General Director for Resources and Prospective Development, as a new member of the Management Board.

Victor Khmarin took office on January 16, 2019. His election was in line with the Company's focus on resources and future development of RusHydro Group, including the implementation of the Long-Term Program for Replacement of Retired Capacities and Energy System Development in the Far East.

The Management Board's powers include developing the Company's business priorities and respective implementation plans and submitting them to the Board of Directors for review, reporting on KPI achievement and business plan implementation, approving budget parameters as regards income and expenditures, deciding on matters reserved to supreme governing bodies of the subsidiaries where the Company exercises the rights of the sole shareholder (participant), as well as approving (adjusting) KPI of the Company's employees, and reviewing relevant implementation reports.

Powers of the Chairman of the Management Board – General Director include managing the Company's day-to-day operations, approving internal regulations that are mandatory for all the Company's employees, exercising employer functions, approving regulations on the Company's branches and representative offices and appointing heads thereof, making transactions on behalf of the Company within the scope set out in laws and the Charter, arranging for accounting and reporting, arranging operations of the Management Board, as well as addressing other matters of the Company's day-to-day operations that do not fall within the remit of the General Meeting of Shareholders, Board of Directors or Management Board.

Information on the Management Board members¹²⁵

Nikolay Shulginov

Position	Chairman of the Management Board – General Director
Born in	1951
Education, academic degree	Sergo Ordzhonikidze Novocherkassk Polytechnic Institute awarded the Order of the Red Banner of Labor; holds a PhD in Engineering
Professional experience over the last five years	2015–present: Chairman of the Management Board – General Director of RusHydro 2009–2015: First Deputy Chairman of the Management Board of JSC SO UES
Positions held in collective governing bodies	member of the Board of Directors of Global Sustainable Energy Partnership member of the Board of Directors at Rosseti Chairman of the Supervisory Board of Association Hydropower of Russia member of the Supervisory Board of the Market Council Non-Profit Partnership member of the Executive Board of the Russian Union of Industrialists and Entrepreneurs (RSPP) member of the Board of Trustees of the National Research University Moscow Power Engineering Institute Deputy Chairman of the Supervisory Board of NP Scientific and Technical Council of the Unified Energy System
Year of election to the Management Board	2015
Participation in the Board of Directors' committees	Strategy Committee of the Board of Directors of RusHydro (until August 7, 2018)

Boris Bogush

Position	Member of the Management Board, First Deputy General Director – Chief Engineer
Supervised units	Production unit
Born in	1952

¹²⁵ As at December 31, 2018

Education, academic degree	Graduated from Saratov State Technical University with a degree in Mechanical Engineering; Graduated from Russian Presidential Academy of National Economy and Public Administration with a degree in Management of Business / Organization Development
Professional experience over the last five years	2009–present: Managing Director, Head of Business Unit "Production"; member of the Management Board; member of the Management Board – Chief Engineer; member of the Management Board, First Deputy General Director – Chief Engineer
Positions held in collective governing bodies	member of the Supervisory Board of Association Hydropower of Russia member of the Board of Trustees of Soprichastnost charitable fund member of the Board of Directors of JSC Hydroproject Institute
Year of election to the Management Board	2010
Participation in the Board of Directors' committees	Committee on Reliability, Energy Efficiency and Innovation of the Board of Directors of RusHydro

Andrey Kazachenkov

Position	Member of the Management Board, First Deputy General Director
Supervised units	Unit of financial and corporate law management
Born in	1980
Education, academic degree	Graduated from Saint Petersburg State University of Engineering and Economics with a degree in Economics and Management at Mechanical Engineering Enterprises; Has an MBA from the University of Wisconsin-Madison, USA
Professional experience over the last five years	2015–present: Advisor for the Chairman of the Management Board – General Director; member of the Management Board and First Deputy General Director of RusHydro 2012–2015: First Deputy Chairman of the Management Board, Deputy Chairman of the Management Board of PJSC FGC UES
Positions held in collective governing bodies	Chairman of the Board of Directors at JSC RAO ES East member of the Board of Directors of JSC Hydroproject Institute member of the Board of Directors at JSC Far East Energy Management Company
Year of election to the Management Board	2016
Participation in the Board of Directors' committees	Committee on Energy Development of the Far East of the Board of Directors of RusHydro, Investment Committee of the Board of Directors of RusHydro, Strategy Committee of the Board of Directors of RusHydro and Committee on Reliability, Energy Efficiency and Innovation of the Board of Directors of RusHydro

Sergey Kirov

Position	Member of the Management Board, First Deputy General Director
Supervised units	Unit of sales, economic planning and investments
Born in	1976
Education, academic degree	Graduated from Perm State Agro-Technological University with a degree in Economics and Agricultural Production Management; Graduated from the Regional Interdisciplinary Retraining Center of Perm National Research Polytechnic University with a degree in Economics and Management

Professional experience over the last five years	2010–present: Director of Economic Affairs; Deputy General Director on Economics, Investment and Procurement, member of the Management Board and First Deputy General Director 2010–2014: General Director of LLC RusHydro IT Service
Positions held in collective governing bodies	member of the Board of Directors of JSC Hydroproject Institute
Year of election to the Management Board	2015
Participation in the Board of Directors' committees	Investment Committee of the Board of Directors of RusHydro

Vladimir Markin¹²⁶

Position	Member of the Management Board, First Deputy General Director
Supervised units	Administrative unit
Born in	1956
Education, academic degree	Graduated from Moscow State University with a degree in Journalism; Graduated from the Institute of Economics and Culture with a degree in Law
Professional experience over the last five years	2011–2016: Head of Media Relations Directorate of the Investigative Committee of Russia 2016: First Deputy General Director; member of the Management Board and First Deputy General Director of RusHydro
Positions held in collective governing bodies	Head of Security and Fan Relations Committee of Football Union of Russia
Year of election to the Management Board	2017
Participation in the Board of Directors' committees	–

George Rizhinashvili

Position	Member of the Management Board, First Deputy General Director
Supervised units	Strategy and innovation unit
Born in	1981
Education, academic degree	Graduated from Moscow State University with a degree in Economics; holds a PhD in Economics
Professional experience over the last five years	2009–present: member of the Management Board and Deputy Chairman of the Management Board; member of the Management Board and First Deputy General Director of RusHydro 2016–present: Chairman of the Management Board of the Moscow State University Faculty of Economics Development Fund
Positions held in collective governing bodies	member of the Board of Trustees of Moscow State University Faculty of Economics member of the Board of Trustees of Soprichastnost charitable fund member of the Board of Directors of JSC Hydroproject Institute

¹²⁶ Left office on February 24, 2019 pursuant to the resolution of the Board of Directors dated February 19, 2019.

Year of election to the Management Board	2009
Participation in the Board of Directors' committees	Committee on Reliability, Energy Efficiency and Innovation of the Board of Directors of RusHydro, Strategy Committee of the Board of Directors of RusHydro and Strategy Committee the Board of Directors of Rosseti

Changes in the Management Board composition after the reporting date

Victor Khmarin

Position	Member of the Management Board, Deputy General Director
Supervised units	Resources and future development unit
Born in	1978
Education, academic degree	Graduated from Saint Petersburg State University with a degree in Law
Professional experience over the last five years	2014: Deputy Director for Business Development, LLC Vita-X 2014–2015: Advisor to the First Deputy President – Chairman of the Management Board – Vice President, Department for work with clients of market sectors, PJSC VTB Bank 2015–present: Deputy General Director on Economics, Investment and Procurement, Deputy General Director for Resources and Prospective Development, member of the Management Board, Deputy General Director at RusHydro
Positions held in collective governing bodies	–
Year of election to the Management Board	2019
Participation in the Board of Directors' committees	–

Vladimir Markin left office on February 24, 2019 pursuant to the resolution of the Board of Directors dated February 19, 2019.

Additional information on the members of the Management Board

- In the reporting period, RusHydro's executive bodies had no conflict of interest (including participation in the governing bodies of the Company's competitors).
- No decisions on the early termination of powers of the Management Board members were made in the reporting period. Nikolay Shulginov's appointment terminates on September 14, 2020, in accordance with his employment contract. Other RusHydro's Management Board members have no fixed terms of appointment.
- In the reporting period, members of the Management Board received no loans from the Company or RusHydro Group.
- Boris Bogush (the Management Board member) holds 0.003843% of RusHydro's ordinary shares.
- George Rizhinashvili (the Management Board member) no longer holds 0.01286% of RusHydro's ordinary shares¹²⁷.

¹²⁷These material facts are disclosed on the Company's website at: <http://www.rushydro.ru/upload/iblock/80d/Soobshenie.pdf> and <http://www.rushydro.ru/upload/iblock/3ac/Soobshenie-o-sushestvennom-fakte.pdf>

- Members of the Management Board do not indirectly hold any of RusHydro shares or own shares in any of RusHydro's subsidiaries.

For more information on the positions held by the Management Board members in other companies' governing bodies over the last 5 years, see section 5.2.3 of the Company's quarterly report for Q4 2018 on the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/be6/Angl-ezhekvertalnij.pdf>

Report on the Management Board's performance

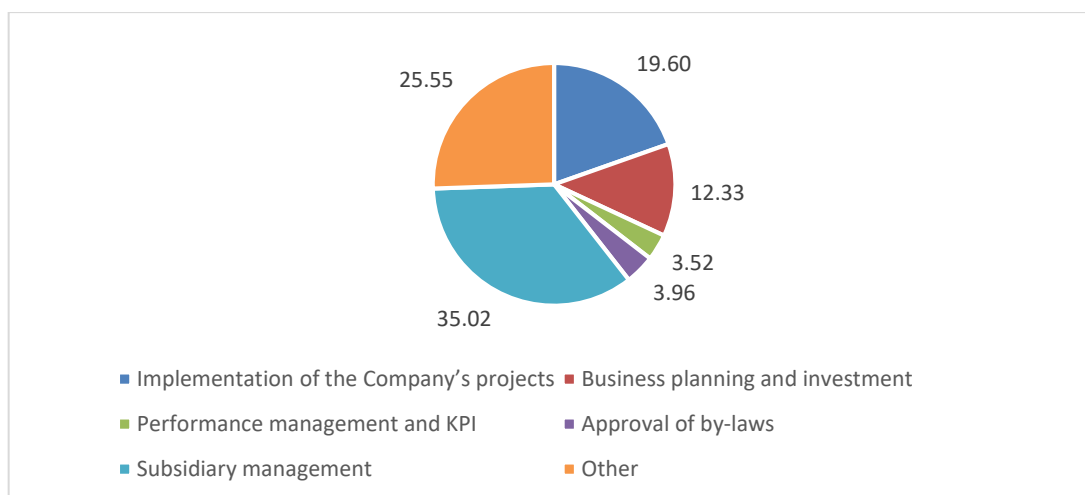
In 2018, RusHydro managed to secure strong progress, which helped underpin its solid performance. RusHydro achieved its target KPI thanks to the Company's team governed by the Management Board in close cooperation with the Board of Directors.

To protect the rights of investors and shareholders, the Company continued to implement its key strategic goals, including safe operation of the Company's production facilities, value growth and investment returns to the shareholders, as well as the enhancement of corporate governance and social and environmental responsibility mechanisms.

In 2018, the Company approved a number of internal regulations on Company's governing bodies and other by-laws (regulations and policies).

In 2018, the Management Board held 68 meetings, including 22 in person, and reviewed 454 matters on the day-to-day operations of the Company, including preliminary consideration of the matters submitted for the Board of Directors' review.

Items reviewed by RusHydro's Management Board in 2018, %



Management Board performance

The Board of Directors evaluates the performance of the Management Board and its Chairman by reviewing the following matters:

- the Company's business plan implementation;
- the Company's Consolidated Business Plan implementation;
- RusHydro's KPI achievement;
- corporate governance assessment;
- the report on the Management Board's performance.

In 2018, RusHydro's corporate governance system for 2017 was assessed, including the executive bodies' performance. The assessment report included the following recommendations:

- develop and approve by the Board of Directors the Company's executive management succession plan;
- consider including into the contracts signed with members of the executive bodies and other key officers the provision which will enable the Company to reclaim funds wrongfully obtained by members of the executive bodies and other key officers in case they commit financial statement fraud or other misconduct aimed at formal achievement of the Company's KPI and performed to the detriment of the shareholders' long-term interests.

Audit and control

RusHydro controls its financial and business operations by using a combination of internal regulations, operational practices, procedures, and methodologies involving the following key parties:

- Internal Audit Commission;
- independent auditor;
- Audit Committee of the Board of Directors of RusHydro;
- Internal Audit Service.

The key principles, goals, objectives, methods, and processes of the control framework are set forth in the following documents approved by RusHydro's General Meeting of Shareholders and Board of Directors:

- Regulations on Internal Audit Commission;
- Corporate Governance Code;
- Internal Control and Risk Management Policy;
- Internal Audit Policy;
- Regulations on the Audit Committee of the Board of Directors;
- Code of Corporate Ethics;
- Anti-Corruption Policy.

The documents are available on the Company's website at:

- http://www.rushydro.ru/corporate/regulations_and_docs/documents/controls/
- http://www.rushydro.ru/corporate/regulations_and_docs/documents/board/

RusHydro's Code of Corporate Ethics¹²⁸ sets forth the ethical standards and rules of conduct for employees and members of the Company's Board of Directors and seeks to improve their job performance. The key principles and ethical standards that employees, managers, and members of the Board of Directors must comply with are outlined in Clauses 2 and 4 of the Code¹²⁹. Provisions of the Code are introduced through the adoption and implementation of in-house rules and regulations, including:

- Anti-Corruption Policy;
- Conflict of Interest Regulations.

The Company's Internal Audit Commission reports to the General Meeting of Shareholders. The Internal Audit Commission's opinion is submitted to the Audit Committee of the Board of Directors of RusHydro. The Internal Audit Commission's opinion issued after the audit of the annual report, RAS financial statements and report on the Company's related-party transactions is a mandatory document that must be submitted to the General Meeting of Shareholders.

¹²⁸ Approved by Board of Directors resolution of April 7, 2016.

¹²⁹ More information is available at: <http://www.rushydro.ru/upload/iblock/3fa/Kodeks-korporativnoj-etiki-s-izmeneniyami-ot-27.12.2018.pdf>

An Auditor's opinion is submitted to the Board of Directors' Audit Committee and to the Internal Audit Commission. The Audit Committee discusses the auditor's plan of annual audits of RusHydro Group.

The Board of Directors represented by its Audit Committee is responsible for the functional management of the Internal Audit Service, including approval of the annual schedule of control activities and quarterly reports on adherence to that schedule.

Internal Audit Commission

The Internal Audit Commission is a permanent body responsible for the monitoring of the Company's financial and business operations. The Commission consists of five elected members. The Commission's opinion on the audit results was submitted to the Annual General Meeting of Shareholders. The audit confirmed that the data contained in the reports and financial documents of the Company were reliable, the accounting and financial reporting functions were performed in compliance with applicable laws and internal regulations, and financial and business operations were conducted in the best interests of the Company and its shareholders. The opinion also confirms the accuracy of data contained in the Company's Annual Report and report on interested-party transactions consummated in 2018.

For the full text of Internal Audit Commission's opinion on the audit of financial and business operations for 2018, see Appendix No. 17.

Members of the Internal Audit Commission

Members	Primary employment	Nominated by	Shareholding
Natalia Annikova	–	Russian Federation in 2018	None
Igor Repin	Deputy Executive Director, Association of Institutional Investors	Russian Federation in 2018	None
Tatyana Zobkova (Chair of the Internal Audit Commission)	Deputy Director of the Department of Corporate Governance, Price Environment and Control in the Energy Sector of the Russian Ministry of Energy	Russian Federation in 2018	None
Marina Kostina	Deputy Director of the Corporate Governance Department of the Russian Ministry of Economic Development	Russian Federation in 2018	None
Dmitry Simochkin	Head of Department, Federal Agency for State Property Management	Russian Federation in 2018	None

There were no changes in the composition of the Internal Audit Commission in 2018.

For details on the remuneration of the Internal Audit Commission members, see the *Report on remuneration of the governing and control bodies*.

Auditor

RusHydro's accounts (financial statements) prepared in accordance with Russian and international standards are audited on an annual basis. The auditor responsible for the independent audit of RusHydro's RAS and IFRS accounts (financial statements) for 2018 was selected through an open tender process.

RusHydro's auditor was selected in a competitive process pursuant to Article 5 of Federal Law No. 307-FZ of December 30, 2008 *On Auditing*, Federal Law No. 44-FZ of April 5, 2013 *On the Contract System in the Federal and Municipal Procurement of Goods, Works and Services*, the Charter, and internal documents of RusHydro.

Following the tender procedures, AO PricewaterhouseCoopers Audit (PwC Audit: 10, Butyrsky Val, 125047, Moscow) was declared the preferred bidder as was approved by resolution of RusHydro's General Meeting of Shareholders of June 27, 2018.

PwC Audit is a member of self-regulating organization of auditors Russian Union of Auditors (Association). Number in the Register of Auditors: principal number of registration entry 11603050547.

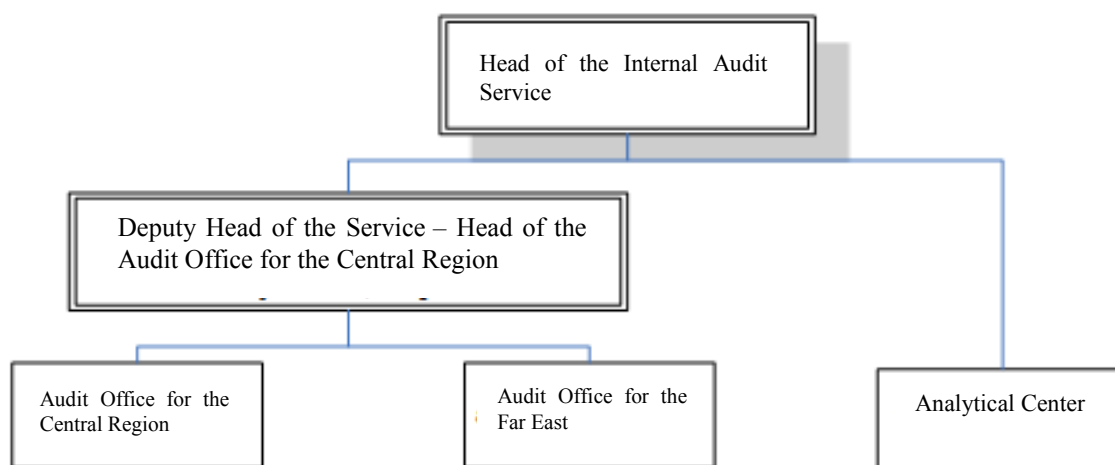
No consulting services were rendered by PwC Audit to the Company.

For details of the independent auditor's remuneration, see the *Report on remuneration of the governing and control bodies*.

Internal Audit Service

The key objective of RusHydro's internal audit function is to assist the Board of Directors and executive bodies of RusHydro Group in enhancing the Group's management efficiency and improving its operations, including by adopting a systematic and consistent approach to the analysis and evaluation of the risk management, internal control and corporate governance systems.

The Internal Audit Service is RusHydro's standalone business unit that reports to the Board of Directors through the Audit Committee and has an administrative reporting line to the Chairman of the Management Board – General Director of RusHydro. The Head of the Internal Audit Service was approved by resolution of RusHydro's Board of Directors. Structure of RusHydro's Internal Audit Service (15 people):



The Internal Audit Service has the following objectives and functions:

- to conduct regular audits of business units, Company's branches/subsidiaries, processes, lines of business, projects of the Company/subsidiaries, collect and analyze audit evidence for an independent assessment and expression of opinion on the reliability and effectiveness of the:
 - internal control system;
 - risk management system;
 - corporate governance system.
- to liaise with the Audit Committee of the Company's Board of Directors;
- to liaise with local executive authorities of the Russian Federation, Accounts Chamber of the Russian Federation, the Company's Internal Audit Commission, and other supervisory bodies in connection with internal control issues and in the course of audits and inspections of the Company or its subsidiaries conducted by such bodies.

The general principles of, and approaches to the Company's internal audit system are set forth in the Internal Audit Policy approved by RusHydro's Board of Directors. The Policy is aligned with RusHydro's Corporate Governance Code, Methodological Guidelines and Instructions of the Federal Agency for State Property Management and is designed, *inter alia*, to contribute to the compliance of RusHydro's Internal Audit Service with the International Professional Standards of Internal Audit.

In 2018, the Internal Audit Service worked to update internal regulations applicable to the Internal Audit Service and Audit Committee, and to this end:

- updated the Regulations on the Audit Committee of the Board of Directors;
- updated the Regulations on the planning and implementation of control activities of the Internal Audit Service;
- updated the Regulations on the Internal Audit Service;
- developed and implemented the methodology of annual independent assessment of the corporate governance system by the Company's Internal Audit Service.

The schedule of control activities is approved by the Audit Committee on an annual basis and defines the priorities of the internal audit work subject to RusHydro Group's objectives, resources available, and risk-based approach to control activities.

In 2018, the Internal Audit Service conducted 12 scheduled control procedures and three unscheduled audits as provided by the schedule of control activities approved by the Board of Directors' Audit Committee.

The control activities involved an assessment of effectiveness of internal controls over RusHydro Group's activities aimed at ensuring reliable and safe operation of RusHydro Group's facilities and the stable development of electricity generation, including:

- investment program efficiency as regards rehabilitation & modernization at existing generation facilities;
- implementation efficiency of investment projects involving construction of new generation facilities;
- R&D efficiency of the Company's subsidiaries (RusHydro Group institutes).

In 2018, the Internal Audit Service assessed the Company's system of internal control, risk management, corporate governance, and non-core asset management. The Board of Directors reviewed the Internal Audit Service's assessment of the internal control, risk management and corporate governance systems of the Company and recommendations on their improvement.

The Internal Audit Service submits its quarterly report on the control activities to the Audit Committee of the Company's Board of Directors. The report describes key/system weaknesses identified in RusHydro Group's internal control system and gives recommendations on possible improvements.

The results of the control activities carried out by the Internal Audit Service are used by RusHydro Group's management to design and roll out a corrective action plan to address the identified gaps, improve the internal control system efficiency, and avoid repeated violations. The Internal Audit Service is also involved in the coordination and follow-up control of corrective actions. Corrective actions taken after inspections by supervisory authorities are monitored in a similar manner.

The Internal Audit Service is also responsible for the liaison with supervisory authorities, if and when examinations and inspections are carried out at RusHydro Group. In 2018, the Internal Audit Service worked with supervisory authorities (Accounts Chamber of the Russian Federation, Prosecutor General's Office, and Russia's Ministry of Energy) in the course of nine audits conducted by them.

Based on the management's feedback on the results of control activities, the internal audit function was highly effective in 2018 in terms of identifying gaps to be resolved in order to reduce or eliminate any negative factors impairing the efficiency of RusHydro's and its subsidiaries' operations.

In accordance with the approved Internal Audit Quality Assurance and Improvement Program, in order to ensure adequate control and assessment of the internal audit function and to identify improvement areas, the Internal Audit Service conducted an annual self-assessment of the internal audit function based on which the Audit Committee recognized that the internal audit function performed by the Company's Internal Audit Service "meets the relevant requirements".

Internal audit system development plans

In 2019, further steps will be taken to enhance the Company's internal audit function, including:

- update of the regulatory framework of the Internal Audit Service in compliance with the International Professional Practices Framework (IPPF);
- further automation of RusHydro's internal audit function, including in terms of follow-up control of corrective actions based on internal or external audits.

A third-party independent assessment of the Company's internal audit system is planned to be held in 2019–2020 to ensure its compliance with the International Professional Practices Framework governing internal auditing.

Assessment of the efficiency of internal and external audit by the Audit Committee of RusHydro Board of Directors

On a quarterly basis, the Audit Committee reviews the report on the implementation of the schedule of control activities prepared by Head of the Internal Audit Service. Report describes material violations, flaws and gaps identified in the operations of RusHydro and its subsidiaries, includes information on substantial risks and issues of controls and corporate governance, and provides recommendations on remedial actions and improvement of internal controls.

According to feedback received on control activities, the internal audit function performed very effectively in 2018 in terms of identifying matters to be resolved in order to mitigate or eradicate any negative factors impairing the efficiency of RusHydro and its subsidiaries.

Throughout 2018, the Company's auditor regularly reported to the Audit Committee on plans and results of the audits, shared its vision on important qualitative aspects of RusHydro's accounting practices, including its accounting policy, estimates, and disclosures in financial statements, and raised matters that based on the auditor's professional judgment are important for the oversight over the financial reporting process.

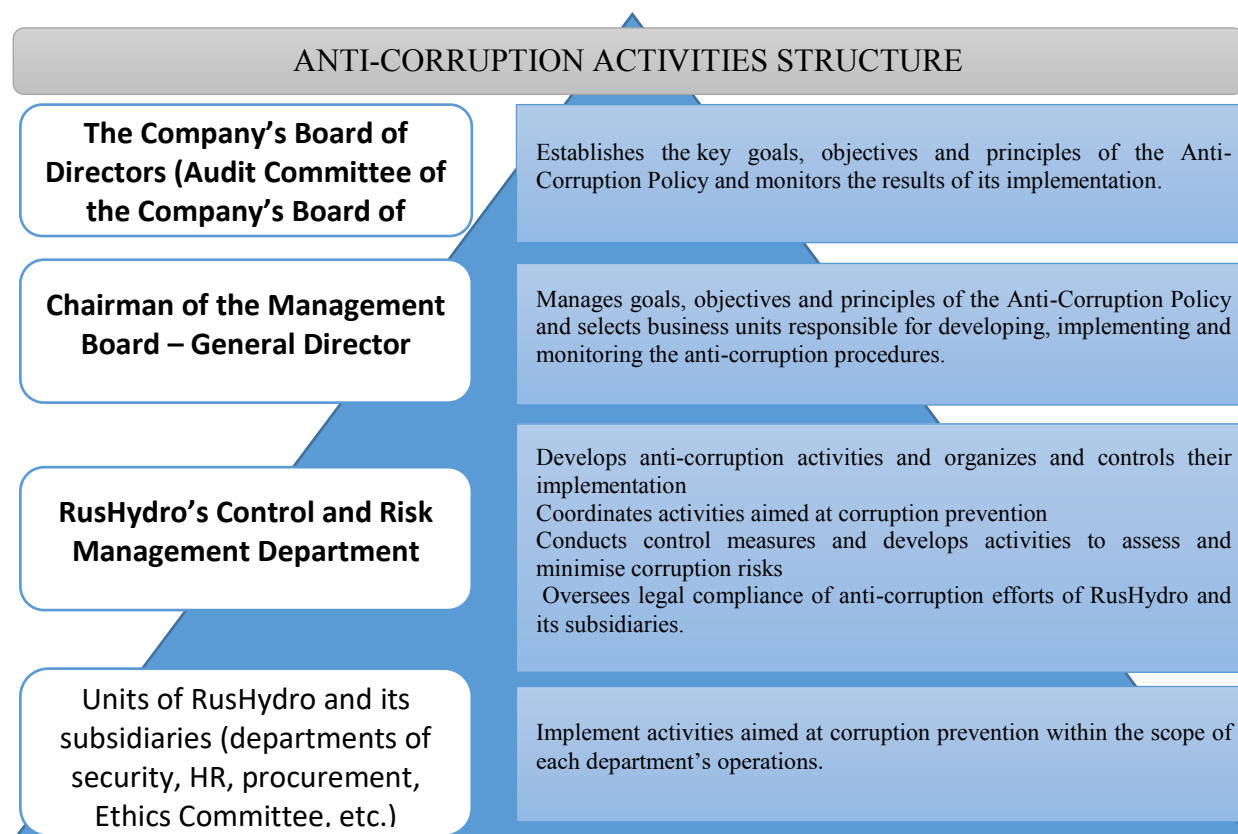
In 2018, The Audit Committee assessed the performance of the Company's auditor (including the auditor's reports) and the effectiveness of external audit as a process. Based on the assessment, the Audit Committee found the process to be effective. The Company's auditor is unbiased and independent from RusHydro, has no conflict of interest or any circumstances that might challenge its independence. Materials that the external auditor prepares and presents to the Audit Committee are informative and enable the Audit Committee to control the quality of the auditor's performance.

Anti-corruption efforts

RusHydro Group's anti-corruption framework is aligned with the laws of Russia in order to reflect the national policy in internal measures that the Group takes to combat corruption, minimize corruption risks, provide for transparent and honest operations, improve corporate culture, follow best practices of corporate governance, and maintain strong business reputation.

RusHydro and its subsidiaries use a system of corporate policies and standards to regulate anti-corruption measures and define the main objectives, goals and focus areas of activities aimed at preventing and combating corruption. These documents include the Code of Corporate Ethics, Anti-Corruption Policy, Regulations on the Prevention and Management of Conflicts of Interest, Regulations on the Procedure to Report Presents Received by RusHydro's Employees, RusHydro's Regulations on the Committees for Compliance with the Corporate Ethics Standards and Management of Conflicts of Interest¹³⁰.

¹³⁰ Documents are available online at:
<http://www.rushydro.ru/activity/antikorrupsionnaya-devatelnost/>



In order to improve the performance of RusHydro's anti-corruption efforts, the Group has developed and approved the Comprehensive Program of Anti-Corruption Activities for 2016–2019 (the "Program") to define the focus areas of corruption prevention:

- Developing and updating the Company's anti-corruption regulations and by-laws;
- Providing for transparency and availability of information on the Company's anti-corruption policy and ensuring employees' awareness of anti-corruption legislation;
- Providing for investigations into any reports of wrongdoings;
- Cooperation with state regulatory bodies and law enforcement authorities responsible for combating corruption;
- Measures to prevent wrongdoings by the Company's employees;
- Enhancing internal controls.

Comprehensive Program of Anti-Corruption Activities

In 2018, the Company rolled out a number of anti-corruption initiatives in accordance with the approved action plan for implementing the Comprehensive Program of Anti-Corruption Activities for 2018–2019.

No.	Program workstreams	What we did in 2018
1.	Developing and updating the Company's anti-corruption regulations and by-laws	1. Approval of a new Regulation on RusHydro Group's Line of Trust (Order No. 689 of September 12, 2018) updating the procedure for processing and responding to the reports received through the Line of Trust. 2. Amendment of the Rules of RusHydro's Line of Trust Operation to change the 24/7

No.	Program workstreams	What we did in 2018
		<p>hotline number (Order No. 1018 of December 27, 2018);</p> <p>3. Amendment of the Code of Corporate Ethics in terms of the measures designed to prevent the substantial shareholders' misconduct in connection with the Company's transactions involving a conflict of interest¹³¹, as well as mitigating the effects of such misconduct (the Board of Directors minutes No. 281 of December 27, 2018);</p> <p>4. Update of the Regulations on the Procedure to Report Presents Received by RusHydro's Employees (Order No. 60 of February 5, 2019);</p> <p>5. Amendment of RusHydro's Regulations on the Prevention and Management of Conflicts of Interest in terms of the procedure for considering notices of potential conflicts of interest of employees holding positions named in the list approved by Resolution of the Government of the Russian Federation No. 613 of July 22, 2013 and clarified by the Executive Office of the Government of the Russian Federation¹³² (Order No. 44 of January 29, 2019).</p>
2	Providing for transparency and availability of information on the Company's anti-corruption policy and ensuring employees' awareness of anti-corruption legislation	<p>1. The following information is published on RusHydro's website and intranet portal and updated on a timely basis:</p> <ul style="list-style-type: none"> the Company's local internal documents on combating corruption and preventing wrongdoings and conflicts of interest; action plans and reports on the implementation of the Comprehensive Program of Anti-Corruption Activities; information, effective laws and regulations, and guidance on combating corruption. <p>RusHydro has put in place a permanent Line of Trust (http://www.eng.rushydro.ru/form/), a communication channel available to RusHydro Group's employees and third parties (including anonymous) to report issues in an effort to combat fraud and corruption, prevent wrongdoings and conflicts of interest, and improve RusHydro's operations.</p> <p>2. In 2018, the Company developed and placed in its offices and branches new roll up banners providing information about the Line of Trust, and released a video displayed regularly in the Company's offices.</p>
3	Providing for investigations into any reports of wrongdoings	<p>In 2018, the Company considered 195 reports received through the Line of Trust, of which 67 (34%) were confirmed to be true and involve violations of rights and/or other wrongdoings.</p> <p>The Company took measures to eliminate all verified violations.</p>
4	Cooperating with the state regulatory bodies and law enforcement authorities responsible for combating corruption	<p>In 2018, the areas of the Company's cooperation with government authorities (the Government of the Russian Federation, the Ministry of Energy of Russia, etc.) included:</p> <ul style="list-style-type: none"> disclosure of information upon an authorized request; reporting on the Company's anti-corruption practices; filing queries for the clarification of anti-corruption law enforcement practices; sending proposals on amending Article 13.3 of Federal Law No. 273-FZ <i>On Combating Corruption</i> of December 25, 2008 (draft).
5.	Measures to prevent wrongdoings by the Company's employees	<p>1. In 2018, following the amendments of legislation and RusHydro's internal local documents, the Company updated its corporate distance learning courses: <i>Combating Fraud at RusHydro</i> and <i>Combating Procurement Fraud</i>.</p> <p>2. In December 2018, the employees of the Headquarters, branches and subsidiaries of RusHydro holding positions exposed to corruption risks¹³³ were tested to check their knowledge of Russian anti-corruption laws and the Company's local internal documents on combating corruption.</p> <p>3. In 2018, as part of the effort to identify and resolve conflicts of interest, the Company collected and checked 2017 income records of 387 employees (the top management of RusHydro and its subsidiaries).</p> <p>As a result, 40 officers failed to comply with the relevant requirements.</p> <p>In response to all 40 cases of non-compliance, RusHydro's Central Ethics Committee, after reviewing the results of the declaration for 2017, issued recommendations on the elimination of the identified gaps and violations, prevention or resolution of actual and/or potential conflicts of interest and use of disciplinary action.</p>

¹³¹ Transactions involving a conflict of interest are the Company's transactions with persons affiliated with (related to) substantial shareholders of RusHydro (other than the Russian Federation) aimed at receiving unjustified profit (enrichment) at the Company's expense.

¹³²No. P17-69370 of December 29, 2018.

¹³³ The list of the positions exposed to corruption risks was approved in accordance with the Company's Anti-Corruption Policy.

No.	Program workstreams	What we did in 2018
6	Enhancing internal control system.	RusHydro develops, updates and implements internal control improvement plans on an annual basis. For more information on relevant initiatives, see <i>Risk management</i> section of this report.

Anti-corruption awareness program and training (205-2)

The Company promotes awareness and educates employees on anti-corruption practices. The Company's anti-corruption measures include, among other things:

- distance learning induction for new (newly hired) employees of the Company, featuring information on this Policy;
- regular training on preventing and combating corruption in the Company;
- individual consultations for the Company's employees regarding the application of anti-corruption standards and procedures.

RusHydro conducts annual assessment of employees in the positions with high exposure to corruption risk in order to test their knowledge of the anti-corruption laws.

Employee training in the existing anti-corruption policies in 2018								
Region	Top management		Middle management		Junior management		White-collar employees	
	Number of people	% of employees in this category	Number of people	% of employees in this category	Number of people	% of employees in this category	Number of people	% of employees in this category
Moscow	14	11.67	30	25.00	63	52.50	13	10.83
Republic of Dagestan	3	27.27	3	27.27	1	9.09	4	36.36
Kabardino-Balkarian Republic	1	14.29	6	85.71				
Karachay-Cherkess Republic	1	7.14	9	64.29			4	28.57
Republic of North Ossetia – Alania	1	11.11	2	22.22	5	55.56	1	11.11
Amur Region	8	36.36	10	45.45			4	18.18
Volgograd Region	3	37.50	4	50.00			1	12.50
Perm Territory	6	28.57	10	47.62	1	4.76	4	19.05
Samara Region	4	30.77	4	30.77			5	38.46
Moscow Region	5	55.56	3	33.33			1	11.11
Yaroslavl Region	5	55.56	2	22.22			2	22.22
Stavropol Territory	5	62.50	2	25.00			1	12.50
Nizhny Novgorod Region	5	50.00	4	40.00			1	10.00
Novosibirsk Region	3	21.43	7	50.00			4	28.57
Saratov Region	3	37.50	3	37.50			2	25.00
Republic of Khakassia	4	36.36	6	54.55			1	9.09
Chuvash Republic	4	36.36	5	45.45			2	18.18
TOTAL	75	24.59	110	36.07	70	22.95	50	16.39

Key developments in 2018

In order to keep the Company's anti-corruption regulations updated, RusHydro undertook the following in 2018:

1. Approved a new Regulation on the Procedure for Accepting, Processing and Responding to the Reports received through RusHydro Group's Line of Trust¹³⁴, including the following additions and amendments:

- adding and modifying terms and definitions;
- updating a list and responsibilities of the officers and divisions in charge of receiving and considering reports received through the Line of Trust;
- updating the procedure for responding to the reports received through the Line of Trust.

2. Amended the Rules of RusHydro's Line of Trust Operation¹³⁵ to change the dial-in hotline number.

3. Amended¹³⁶ the Code of Corporate Ethics in terms of the measures designed to prevent the substantial shareholders' misconduct in connection with the Company's transactions involving a conflict of interest, as well as mitigating the effects of such misconduct.

4. Approved the Regulations on the Procedure to Report Presents Received by RusHydro's Employees¹³⁷ updating the reporting procedure and the criteria, limits and restrictions for giving presents and using of representation allowances and hospitality expenses.

5. Amended RusHydro's Regulations on the Prevention and Management of Conflicts of Interest in terms of the procedure for considering notices of potential conflicts of interest of employees holding positions named in the list approved by Resolution of the Government of the Russian Federation No. 613 of July 22, 2013 and clarified by the Executive Office of the Government of the Russian Federation (Order No. 44 of January 29, 2019).

Anti-corruption program implementation roadmap for 2019

In 2019, the Company will continue rolling out the Comprehensive Program of Anti-Corruption Activities, which will include:

1. Developing and updating the Company's anti-corruption regulations and by-laws.
2. Providing for transparency and availability of information on the Company's anti-corruption policy and ensuring employees' awareness of anti-corruption legislation.
3. Providing for investigations into any reports of wrongdoings.
4. Cooperating with the state regulatory bodies and law enforcement authorities responsible for combating corruption.
5. Measures to prevent wrongdoings by the Company's employees
6. Other measures for improving efficiency of anti-corruption efforts.

Providing for transparency and availability of information (102–17)

The following information is published on RusHydro's website and intranet portal and updated on a timely basis:

- the Company's local internal documents on combating corruption and preventing wrongdoings and conflicts of interest;
- action plans and reports on the implementation of the Comprehensive Program of Anti-Corruption Activities;
- information, effective laws and regulations, and guidance on combating corruption.

¹³⁴ Order No. 689 of September 12, 2018.

¹³⁵ Order No. 1018 of December 27, 2018.

¹³⁶ Board of Directors minutes No. 281 of December 27, 2018.

¹³⁷ Order No. 60 of February 5, 2019.

RusHydro works in close cooperation with the law enforcement authorities and supervisory bodies and provides assistance to them in case of audits and inspections, requests of information on the Company's anti-corruption compliance (including with respect to storage and transfer to the authorities of the information and documents on corruption offences), investigations of corruption cases, and inspections seeking to check how the Company prevents and combats corruption.

In 2018, the Company completed the integration of RusHydro Group's hotlines into the single Line of Trust and updated the Regulation on the Procedure for Accepting, Processing and Responding to the Reports Received through the Line of Trust, which sets the list and responsibilities of the officers and divisions in charge of receiving and considering reports, and defines the procedure for responding to them.

There are several ways to file a report via the Line of Trust:

- email: ld@rushydro.ru;
- online feedback form on the Company's website at: <http://www.rushydro.ru> and intranet portal at <https://my.rushydro.ru/helpful/pubrec/default.aspx>;
- hotline answerphone (service available 24/7): +7 495 785 0937;
- Line of Trust boxes placed in the Company's offices;
- Russian Post service;
- in-person meeting with the Internal Control and Risk Management Director – Chief Auditor. **(102-17)**

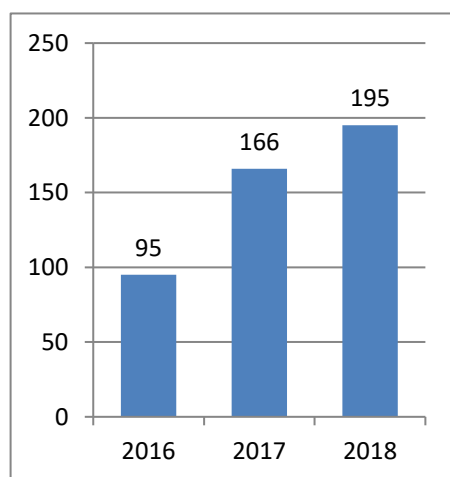
The information on the ways to file a report is available on notice boards and information screens in the offices of RusHydro Group companies.

The results of the Line of Trust's operation are disclosed on the Company's intranet portal and in the corporate newsletter.

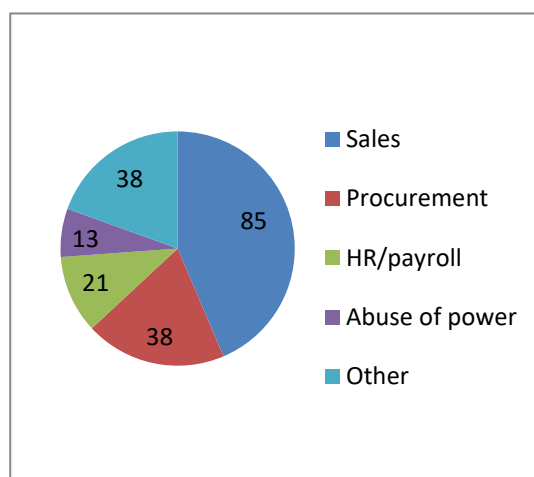
Line of Trust

In 2018, the Company considered 195 reports received through the Line of Trust. The reports that did not meet the criteria set by the Rules of RusHydro's Line of Trust Operation (email spam, advertisements, mass mailing, etc.) were not accepted. The number of reports increased by 17% year-on-year.

Number of reports considered



Reports by topic



The increase was mainly driven by the integration of RusHydro's Line of Trust, its promotion, as well as the Group's organizational changes made to improve performance of electricity retailers that included deployment of new software, unified payment documents, etc.

Information contained in 67 (34%) was confirmed to be true and involve violations of rights and/or other wrongdoings. The Company took measures to eliminate the verified violations:

3. Based on three reports, disciplinary action (reprimand, censure) was taken against five employees (managers) of RusHydro Group, who committed violations.
4. Two reports resulted in the managers being stripped of their bonuses.
5. Two employees (one of them being a manager) faced termination of their employment contracts by mutual consent.
6. Organizational measures, including:
 - Preventive discussions;
 - Necessary employee training;
 - Amendments made to procurement documents, cancellation/postponement of procurement procedures;
 - Payment adjustments;
 - Other measures aimed at eliminating identified gaps and violations.

Control over major transactions and interested-party transactions

RusHydro has a transaction control system in place. RusHydro's Regulations on Contracts and Agreements govern a common procedure for negotiating, concluding and executing contracts on behalf of the Company. Draft contracts are subject to review to ensure compliance with Russian laws.

Depending on transaction value, the review is done by legal departments of the Company's branches or at the Company's Headquarters.

For the list of interested-party transactions concluded by RusHydro in 2018, including the subject of the transaction, interested parties involved and approval details, see Appendix No.2 to the annual report. All the transactions requiring approval by the Company's governing bodies were approved. Consequently, none of them involved conflict of interest.

In 2018, RusHydro made no major transactions.

Preventing the use of insider information

RusHydro has put in place Regulations on Insider Information to secure compliance with laws and regulations of the Russian Federation in terms of prevention of unauthorized use of insider information and market manipulation. The Regulations are in line with the world's best corporate governance practices, including Disclosure and Transparency Rules of the Financial Conduct Authority.

The Regulations specify the persons that are included in the Company's list of insiders, the rules of access to the insider information and its confidentiality protection, as well as restrictions on the use of insider information in transactions with the Company's financial instruments and disclosure thereof to the third parties.

The list of insider information is made in Russian and English and published on the Company's website. In Q2 2018, the Company approved a new revised list of insider information¹³⁸.

The data that constitutes the Company's insider information is also published in Russian in the news feed of an authorized news agency Interfax Corporate Information Disclosure Center (for more information, see www.e-disclosure.ru) and in English in the London Stock Exchange's News Monitoring Service (for more information, see <https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/exchange-insight/company-news.html?fourWayKey=US7821834048USUSDILOBE>).

RusHydro's list of insiders is updated upon inclusion or exclusion of insiders. As at December 31, 2018, the Company's list of insiders included 18 legal entities and 86 individuals. During 2018, six legal entities and 16 individuals were added to the list, while four individuals and one legal entity were excluded.

RusHydro sends proper inclusion/exclusion notifications to the insiders. In 2018, 27 notifications were sent.

¹³⁸ Order No. 236 of April 18, 2018.

In response to the requests of security market operator (PJSC Moscow Exchange), RusHydro provided it with 12 lists of insiders as of the respective dates of the requests.

In 2018, RusHydro received two notifications from its insider George Rizhinashvili, the member of the Management Board, First Deputy General Director of the Company, regarding the sale of his ordinary registered shares in RusHydro through organized trading.

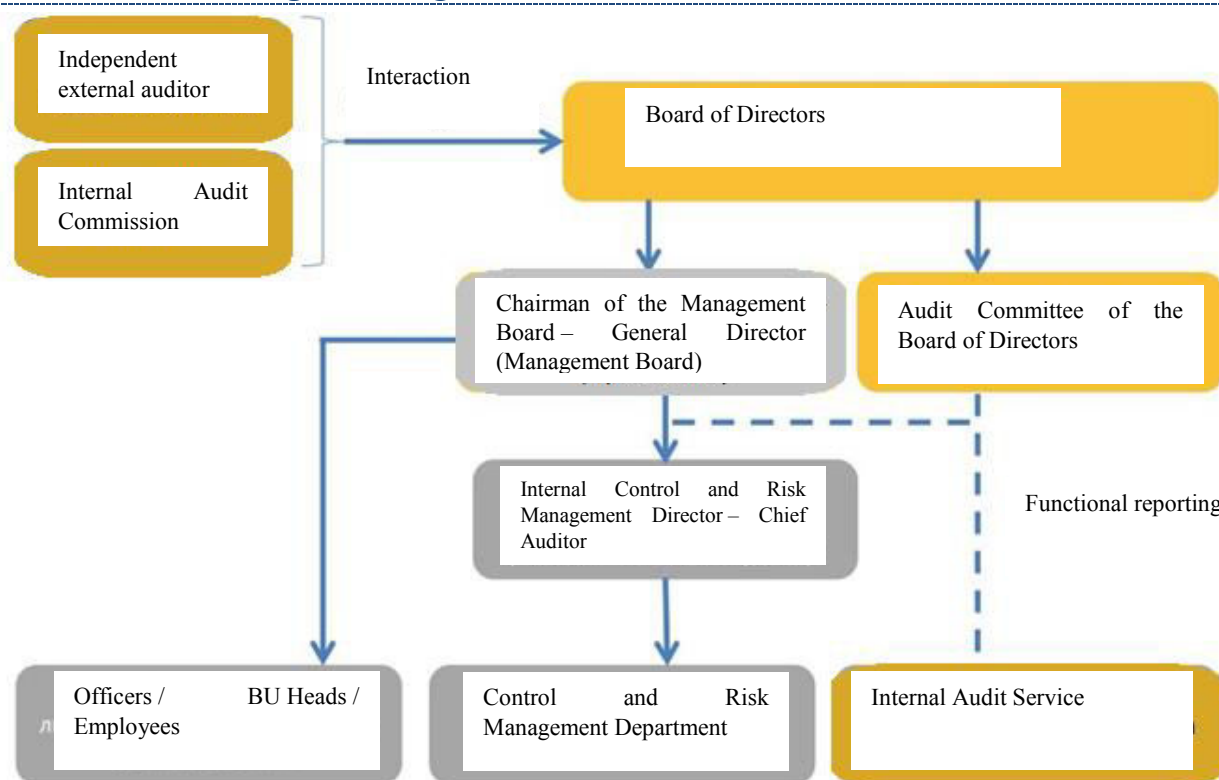
The member of the Management Board and First Deputy General Director in charge of the unit of financial and corporate law management supervises the Company's compliance with the laws on insider information and submits quarterly reports to the Audit Committee of the Board of Directors of RusHydro. The Audit Committee includes the information on the Company's compliance with these requirements into its annual report.

Risk management

System of internal control and risk management

RusHydro's operations are subject to a number of risks that, in certain circumstances, may have an adverse impact on the Company's operating and financial performance and its social and environmental footprint. The Company has a risk management system in place to mitigate negative effects of potential threats while capturing favorable opportunities in line with the Development Strategy of RusHydro Group until 2020 with an outlook for 2025.

Control and Risk Management Organizational Chart



The Company's risk management processes are coordinated by the Control and Risk Management Department set up as part of the internal control and risk management unit. Its headcount as at 31 December 31, 2018 was 26 employees.

The Control and Risk Management Department is responsible for:

- maintaining an effective internal control and risk management framework at RusHydro Group,
- coordinating risk identification, assessment and management at RusHydro Group,

- carrying out centralized day-to-day control over RusHydro Group’s operations, including assessment of the management’s performance in relation to internal control function;
- maintaining an effective anti-corruption framework and coordinating RusHydro Group’s anti-corruption activities.

Internal regulations

The key regulation defining the goals, objectives and principles of the Company’s corporate system of internal control and risk management is RusHydro’s Internal Control and Risk Management Policy.

The Internal Control and Risk Management Policy is available on the Company’s website at: http://www.rushydro.ru/upload/iblock/c9c/Politika-VKiUR-PAO-RusGidro_16.11.2015_utv.pdf

More information of the relevant regulations is also available on the Company’s website at: http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/dokumenty-reglamentiruyushchie-sistemu-upravleniya-riskami/

Risk management: methods and approaches

The Company applies the following set of risk management methods and approaches in line with its Internal Control and Risk Management Policy:

- risk management is an integral part of all organizational processes: it is not segregated from the Company’s key business activities and processes;
- risk management is an integral part of decision-making: it helps the decision makers to make informed choices, prioritize initiatives and find the best solutions among alternatives;
- risk management is essential to RusHydro’s continuous improvement: the Company refines and enhances its corporate system of internal control and risk management to raise the level of its risk management maturity;
- the Company fosters a risk-focused organizational culture;
- the top management sets risk management as a priority, makes sure that risk management knowledge and skills are shared throughout the Company and the Group, promotes learning of the basics of risk management and advances the corporate culture centred around the risk-based approach to management;
- the Company’s management ensures effective information exchange and setting of communication standards as part of corporate risk management.

Pursuant to RusHydro’s Strategic Management Regulations, the Company maintains a strategic risk register which identifies risk owners and is reviewed annually and approved by the Management Board. Strategic risks that are deemed critical or material are addressed in the risk mitigation plan which identifies action owners, deadlines and deliverables and is approved by the Management Board. Performance against the risk mitigation plan is measured when determining employees’ bonus awards. The implementation of the risk mitigation plan and its progress are monitored and overseen by the Company’s risk managers.

Strategic risk management cycle



Risk managers maintain an ongoing interaction with the Audit Committee of the Board of Directors as the body overseeing RusHydro’s risk management system in line with the Guidelines on Audit Committees of

the Boards of Directors of Joint-Stock Companies with a Stake Owned by the Russian Federation (approved by order No. 86 of the Federal Agency for State Property Management (Rosimuschestvo) of March 20, 2014).

More information on RusHydro's risk management cycle and methods is available on the Company's website at: http://www.rushydro.ru/sustainable_development/riski/politika-upravleniya-riskami/osnovnye-etapy-protssessa-i-metody-upravleniya-riskami/

Independent assessment of the corporate system of internal control and risk management

External assessment of the corporate system of internal control and risk management

The Audit Committee of the Board of Directors or the Chairman of the Management Board – General Director may seek an external independent assessment of the corporate system of internal control and risk management by independent third-party experts.

In 2018, no external independent assessment was performed.

Internal assessment of the corporate system of internal control and risk management

The internal assessment of the corporate system of internal control and risk management is performed annually by the Company's Internal Audit Service to provide the Company's Board of Directors and the Group's executive bodies with independent and objective information about the current state of the corporate system of internal control and risk management against its target state and to identify areas for its improvement.

In 2018, RusHydro's Board of Directors performed an assessment of the corporate system of internal control and risk management.

The assessment relied on the methodology agreed with the Audit Committee of the Board of Directors and designed to assess the current state of the corporate system of internal control and risk management against its target state set by the methodology.

The assessment results were presented in a follow-up report on the operation of the corporate system of internal control and risk management that was reviewed by the Company's Board of Directors at a meeting held in person and approved by resolution of the Board of Directors on June 21, 2018.

The report revealed that the Company's corporate system of internal control and risk management had a moderate level of maturity, with elements of both systems being generally in line with the target state set by the assessment methodology as approved by the Audit Committee of the Company's Board of Directors.

The priority areas for the improvement of the corporate system of internal control and risk management identified by the Board of Directors based on the report findings include updating the model of the Company's business processes, benchmarking, and revising the Company's approach to further development of the corporate system of internal control and risk management.

Improvement of the corporate system of internal control and risk management

In 2018, the Company implemented a set of key initiatives listed below to improve its corporate system of internal control and risk management.

- In 2018, the Company reorganized its internal control and risk management unit. As a result, the unit successfully managed a transition to a new organizational structure and the Company approved new internal regulations governing the activities of the structural units within the internal control and risk management unit.
- In 2018, the Company started drafting internal regulations governing the operation of the corporate system of internal control and risk management at the Group level along with the methodology for supporting the internal control and risk management process.
- The Company completed the integration of RusHydro Group's hotlines into the single Line of Trust and introduced amendments to the Code of Corporate Ethics in terms of the measures preventing the substantial shareholders' misconduct in connection with the Company's transactions involving a conflict of interest, as well as mitigating the effects of such misconduct. RusHydro's key subsidiaries adopted Regulations on the Committees for Compliance with the Corporate Ethics Standards and Management of Conflicts of Interest, as well as Ethics Committees' composition. For more information on the above initiatives, see Anti-corruption efforts section of this report.
- RusHydro's subsidiaries were assessed and prioritized by risk level and progress in implementing risk management processes with a view to developing a risk-based approach to building the 2018 internal control action plan and assess the efficiency and form of control activities.
- The implementation of improvements in internal control over RusHydro's key business processes is monitored on a systemic basis, with more proposals developed for introducing new or strengthening the existing business process controls.
- The subsidiaries' risk mitigation plans for 2018–2019 are being developed subject to regular reviews and approvals, and progress against the risk mitigation plans is monitored on an ongoing basis.

Risk management report for 2018

Risks and opportunities are prioritized according to their impact on key financial, environmental and social aspects of the Company's operations, with the strategic targets, development priorities and the Company's mission factored in. **(103)**

In 2018, RusHydro Group's register consisted of 15 risks, with no changes taking place throughout the year. **(102-15)**




During 2018, the risk management activities centered around the critical risks associated with key construction projects, including:

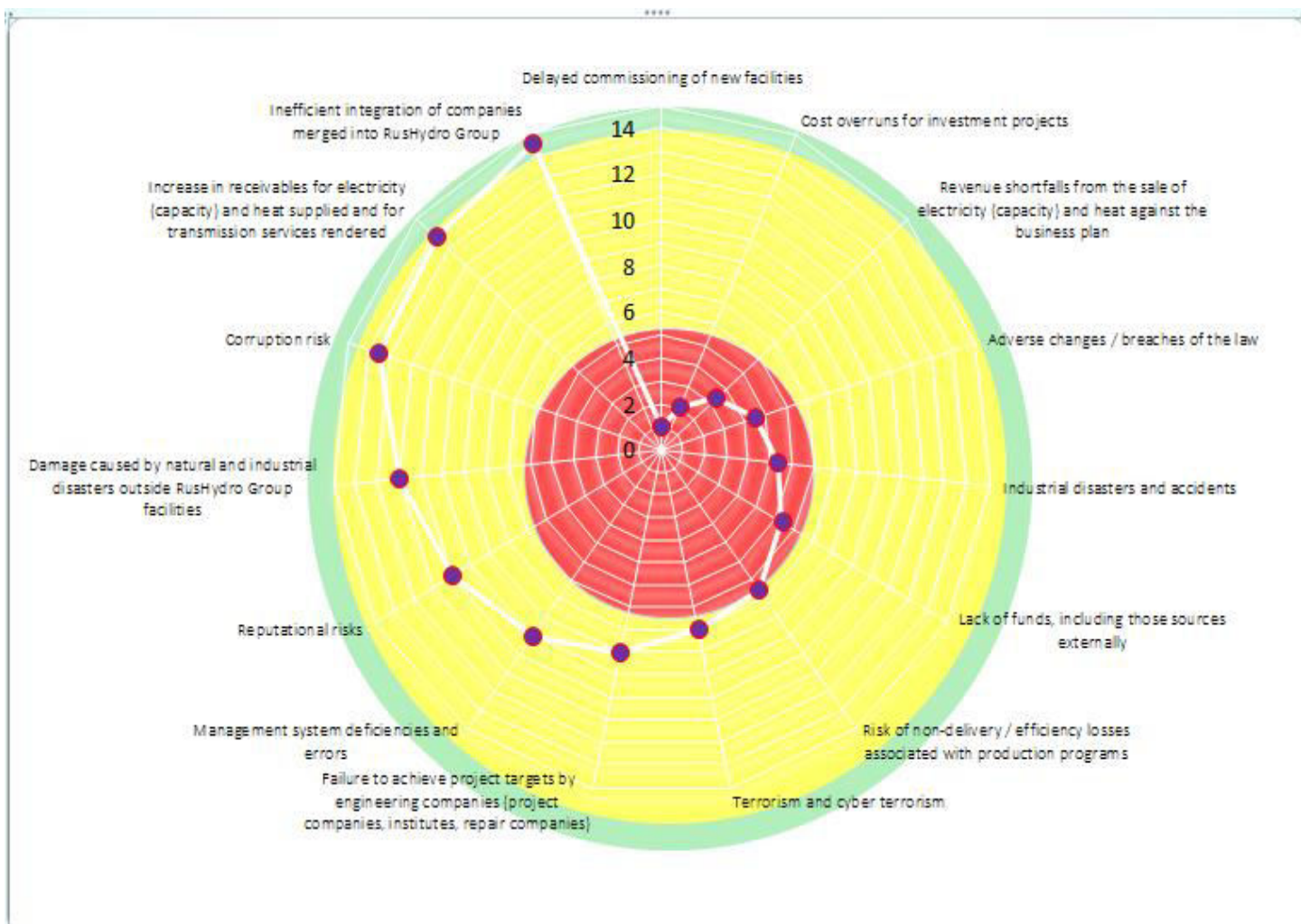
- *Delayed commissioning of new facilities* at Zaramagskiye HPP (346 MW, under capacity sale agreements for new NPPs/HPPs); Sakhalinskaya GRES-2 (120 MW);
- Cost overruns for investment projects at Verkhnebalkarskaya SHPP, Zagorskaya PSPP-2 (first stage of switchgear construction), GTP-CHPP at the central steam and water boiler site in Vladivostok.

Delays in commissioning and project cost overruns were caused by the need to specify and amend the design and cost estimate documents, coupled with low financial stability and qualification of contractors, as well as contractors' errors during the pre-commissioning stage.

In 2018, measures were taken to mitigate these risks to an acceptable level.

RusHydro Group's strategic risk radar for 2018–2019

	Critical risks
	Significant risks
	Low priority risks



Strategic risk management at RusHydro Group

Risk priority	Risk	Long-term Development Program initiatives for core business lines. Impact on Long-term Development Program KPI	Stakeholders	Key risk mitigants
Economic aspect				
1	Delayed commissioning of new capacities (critical risk)	<u>RusHydro Group's investment program implementation</u> <u>Direct:</u> Adherence to the capacity commissioning schedules, funding and spending plan ROE EBITDA ¹³⁹ <u>Indirect:</u> Total shareholder return (TSR)	Shareholders and investors Employees Federal government authorities Regional and municipal government authorities Suppliers and contractors	Data systematization for designed facilities: <ul style="list-style-type: none"> developing a corporate project management system to systematize data on the existing and designed facilities. Building internal capabilities for expert review of design and detailed design documents: improving efficiency of design institutes and procurement processes to strengthen in-house capabilities for performing expert review of design and detailed design documents; formalizing activities involving in-house expert review of design documents. Control over the quality, timing and cost of works: keeping a blacklist of unreliable designers, participating in selecting subdesigners; keeping a register of contractors' failures to meet deadlines under contracts for new construction projects and rehabilitation & modernization (TR&M) projects; streamlining insurance and procurement processes as applicable to construction and installation (reducing the risk of project cost overruns due to the facility damage or loss caused by design or construction deficiencies or external impact); drafting internal regulations for the performance of certain types of work and introducing a work permit system for such works enabling employee suspension from further projects in case of material violations; developing a quality control system for the supplied equipment (including its production and shipment/delivery); monitoring the progress of building grid infrastructure; using a system for supervising and
2	Project cost overruns for permanent facilities construction (critical risk)	<u>RusHydro Group's investment program implementation</u> <u>Direct:</u> Free cash flow (FCF) <u>Indirect:</u> Total shareholder return (TSR)	Shareholders and investors Employees Federal government authorities Regional and municipal government authorities Suppliers and contractors	<ul style="list-style-type: none"> keeping a blacklist of unreliable designers, participating in selecting subdesigners; keeping a register of contractors' failures to meet deadlines under contracts for new construction projects and rehabilitation & modernization (TR&M) projects; streamlining insurance and procurement processes as applicable to construction and installation (reducing the risk of project cost overruns due to the facility damage or loss caused by design or construction deficiencies or external impact); drafting internal regulations for the performance of certain types of work and introducing a work permit system for such works enabling employee suspension from further projects in case of material violations; developing a quality control system for the supplied equipment (including its production and shipment/delivery); monitoring the progress of building grid infrastructure; using a system for supervising and

¹³⁹ In this section, EBITDA refers to the indicator used for KPI calculations.

				<p>monitoring the timing and cost of new construction projects based on the SAP permanent facilities construction management system; as part of the 2018–2023 investment program review, the Company measured the risk-adjusted rate of return on investment projects for permanent facilities construction;</p> <ul style="list-style-type: none"> • taking a more stringent stance on the contractors' compliance with the terms of contracts; • filing complaints and claims.
3	Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan (critical risk)	<p><u>Production program implementation; development of a hydrometeorological observation network; tariff management; improvement of the regulatory framework governing the power industry in the Far Eastern Federal District of Russia</u></p> <p><u>Direct:</u></p> <p>ROE</p> <p>EBITDA</p> <p>Labor productivity</p> <p><u>Indirect:</u></p> <p>Free cash flow (FCF)</p> <p>Total shareholder return (TSR)</p>	<p>Shareholders and investors</p> <p>Employees</p> <p>Suppliers and contractors</p>	<p>Automating the water level scenarios generation and refining the process methodology;</p> <p>taking part in shaping the Water Use Rules as part of the interagency working groups for setting HPP operation modes;</p> <p>implementing the Comprehensive Modernization Program;</p> <p>drafting proposals on amending laws and regulations governing the power industry; liaising with the federal government authorities and the Market Council Non-Profit Partnership;</p> <p>improving transparency of the economic dispatching business process;</p> <p>preparing the areas to be flooded to form water reservoirs for the hydro power plants under construction with financing coming out of the state budgets and budgets of constituent entities of the Russian Federation;</p> <p>liaising with the federal and regional government authorities on the matters of tariff regulations with a view to eliminating the cost-tariff gap in the Russian Far East.</p>
4	Lack of funds, including those sources externally (critical risk)	<p><u>Refinancing the debt of RAO ES East</u></p> <p><u>Direct:</u></p> <p>Adherence to the capacity commissioning schedules, funding and spending plan</p> <p><u>Indirect:</u></p>	<p>Shareholders and investors</p> <p>Federal government authorities</p> <p>Suppliers and contractors</p>	<p>Maintaining sufficient cash levels and securing access to liquidity through credit facilities;</p> <p>maintaining a well-balanced model of working capital financing from both short-term and long-term sources;</p> <p>overseeing compliance with the terms of loan agreements to exclude any breach of financial covenants by the Company;</p> <p>using short-term financial instruments (bank deposits) to invest idle cash balances;</p> <p>introducing an interest rate and currency risk management methodology subject to RusHydro's credit policy;</p>

		<p>ROE</p> <p>EBITDA</p> <p>Total shareholder return (TSR)</p>		<p>divesting non-core assets;</p> <p>RusHydro completed an additional issue of shares to reduce the debt</p> <p>hedging financial risks;</p> <p>diversifying the debt portfolio.</p>
5	<p>Risk of non-delivery / efficiency losses associated with production programs</p> <p>(significant risk)</p>	<p><u>Production program implementation</u></p> <p><u>Direct:</u></p> <p>Meeting the accident prevention target</p> <p>ROE</p> <p>EBITDA</p> <p>Adherence to the capacity commissioning schedules, funding and spending plan</p> <p><u>Indirect:</u></p> <p>Total shareholder return (TSR)</p> <p>Labor productivity</p>	<p>Shareholders and investors</p> <p>Employees</p> <p>Suppliers and contractors</p>	<p>prompt filing of complaints and claims with regard to the poor quality of repairs, delivery of substandard equipment and violation of delivery deadlines;</p> <p>setting up production programs based on recommendations of the Analytical Center;</p> <p>streamlining the contract approval process, amending the Company's internal regulations governing the contracting process;</p> <p>cutting costs (in line with the Value Growth Plan);</p> <p>maintaining control over the implementation of rehabilitation and modernization projects in compliance with the Company's standards.</p>
6	<p>Terrorism and cyber terrorism</p> <p>(significant risk)</p>	<p><u>Improving the counter-terrorism and information security system</u></p> <p><u>Direct:</u></p> <p>Meeting the accident prevention target</p> <p>Adherence to the capacity commissioning schedules, funding and spending plan</p> <p>ROE</p> <p>EBITDA</p> <p><u>Indirect:</u></p> <p>Decrease in operating expenses (costs)</p> <p>Total shareholder return</p>	<p>Shareholders and investors</p> <p>Employees</p> <p>Suppliers and contractors</p> <p>Federal government authorities</p> <p>Regional and municipal government authorities</p>	<p>Improving armed protection of the Company's facilities by engaging the private guarding units of the National Guard of Russia (Rosgvardia), Guard Federal State Unitary Enterprise of Rosgvardia, and Departmental Protection Federal State Unitary Enterprise of the Ministry of Energy of Russia;</p> <p>amending and maintaining up-to-date plans for the interaction with law enforcement agencies to protect the Company's facilities in case of threatened or attempted terrorist attacks;</p> <p>improving access and on-site security control systems at the Company's facilities;</p> <p>planning and taking measures to identify, prevent and suppress acts of unlawful interference against the Company's facilities in cooperation with law enforcement agencies;</p> <p>identifying the most probable threats and developing response plans to remedy acts of unlawful interference against the Company's facilities in cooperation with the local bodies of the Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters in the regions of the Company's operations;</p>

		(TSR)		<p>equipping the Company's facilities with engineering and technical means of protection;</p> <p>setting up and maintaining control of access to information about on-site engineering and technical means of protection and their condition;</p> <p>maintaining property insurance against terrorism and sabotage risks;</p> <p>increasing the share of equipment certified by the Federal Service for Technical and Export Control of Russia, and the share of domestically manufactured equipment;</p> <p>conducting information and technical security audits;</p> <p>setting up and maintaining control of access to software and hardware of control systems and information systems;</p> <p>protecting remote access to the Company's information systems and taking measures to ensure information security of virtual, mobile and cloud services and solutions.</p>
7	<p>Failure to achieve project targets by engineering companies (subsidiary engineering design institutes) (significant risk)</p>	<p><u>RusHydro Group's investment program implementation</u></p> <p><u>Rehabilitation and modernization program</u></p> <p><u>Direct:</u></p> <p>Integrated innovative KPI</p> <p>ROE</p> <p>EBITDA</p> <p><u>Indirect:</u></p> <p>Total shareholder return (TSR)</p> <p>Labor productivity</p>	<p>Shareholders and investors</p> <p>Suppliers and contractors</p>	<p>Setting up a single engineering design complex of RusHydro through reorganization of subsidiary engineering design companies;</p> <p>implementing a development program for subsidiary engineering design companies;</p> <p>implementing international experience exchange programs at subsidiaries engaged in repairs and engineering design;</p> <p>organizing personnel development and training of scientific staff;</p> <p>developing standard repair scope sheets for equipment and hydraulic structures;</p> <p>creating and maintaining a database of advanced and innovative technologies;</p> <p>mitigating the risks associated with inefficient management of non-core activities by their consolidation in specialized service subsidiaries.</p>
8	<p>Management system deficiencies and errors (significant risk)</p>	<p><u>Improving the corporate governance system</u></p> <p><u>Direct:</u></p> <p>Adherence to the capacity commissioning schedules, funding and spending plan</p> <p>Share of procurement from SMEs</p> <p>Labor productivity</p>	<p>Shareholders and investors</p> <p>Employees</p> <p>Suppliers and contractors</p>	<p>Exercising control over the implementation of directives of the federal government authorities;</p> <p>monitoring, analysis, and control of document management procedures;</p> <p>ensuring civil liability insurance of the members of the Company's management bodies and its officers, including liability to third parties and the Company;</p> <p>using an automated procurement management system;</p> <p>exercising coordination and control of work on formalizing the activities of structural units and officers;</p> <p>implementing the Company's IT strategy;</p>

		<u>Indirect:</u> ROE EBITDA Total shareholder return (TSR)		ensuring support and maintenance of the Company's information systems; improving the formalization of activities and business process management. RusHydro introduces corporate management standards in all its newly acquired or newly established subsidiaries and rolls out systems for managing organizational projects, employee grading ¹⁴⁰ , management personnel certification and individual employee development plans.
9	Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered (significant risk)	<u>Managing receivables</u> <u>Direct:</u> Free cash flow (FCF) <u>Indirect:</u> Total shareholder return (TSR)	Shareholders and investors Federal government authorities Suppliers and contractors	monitoring data on suppliers' and contractors' financial health to prevent the risk of counterparty bankruptcy. filing complaints and claims. Claims and complaints management, settlements other than through the authorized credit institution on the wholesale electricity and capacity market in accordance with the Agreement for Accession to the Wholesale Market Trading System;
Environmental aspect				
10	Adverse changes / breaches of the law (critical risk)	<u>Improvement of the regulatory framework governing the power industry in the Far Eastern Federal District of Russia</u> <u>Direct:</u> ROE EBITDA Decrease in operating expenses (costs) <u>Indirect:</u> Total shareholder return (TSR) Labor productivity	Shareholders and investors Consumers Employees Trade unions Federal government authorities Regional and municipal government authorities Local communities Environmental organizations Media Suppliers and contractors	Ongoing monitoring of initiated and reviewed changes to the legislation that may affect the Company's operations; monitoring and revising the existing technical oversight standards and regulations; participating in any relevant activities related to legislative changes and arranged by legislative, executive and judicial bodies, public associations, professional legal unions and associations; conducting regular environmental audits and implementing received follow-up recommendations; participating in working groups of the Ministry of Energy of Russia on technical regulation matters; filing and managing complaints and claims.
11	Industrial disasters and accidents (critical risk)	<u>Staffing system improvement</u> <u>Production program implementation, roll-out of intelligent systems and digital technology</u>	Shareholders and investors Consumers Employees Trade unions	Implementing the full scope of the repairs program and the rehabilitation and modernisation program; developing a quality assurance system for equipment supplies (including the quality of production and shipment/delivery), construction, installation and start-up operations, and tightening contractual liability of

¹⁴⁰ Building a system of employee grades based on the assessment of the Company's staff list, its strategy and corporate culture.

		<u>Direct:</u> Meeting the accident prevention target and ensuring zero major accidents <u>Indirect:</u> ROE EBITDA Labor productivity Decrease in operating expenses (costs) Total shareholder return (TSR)	Federal government authorities Regional and municipal government authorities Local communities Environmental organizations Professional communities and higher education institutions Media Suppliers and contractors Non-profit organizations	suppliers/contractors for the quality of equipment and materials production and delivery; filing and managing complaints and claims against unreliable contractors/suppliers; implementing recommendations made in follow-up of surveyor inspections of RusHydro's facilities; tightening control over contractors'/subcontractors' activities at production sites to reduce the opportunity for injuries, fires, unethical behavior and theft; developing technical regulations to improve the quality of design and construction management processes; introducing advanced diagnostics methods eliminating the need to take equipment offline, as well as modern technologies for managing production assets, including the required information technologies; conducting technical equipment inspections at hazardous production facilities and expert examinations of industrial safety of technical equipment at hazardous production facilities, as well as buildings and structures accommodating hazardous production facilities; developing a life cycle management system for existing hydroelectric power plants; monitoring compliance with regulations, guidelines and other documents applicable to any operations, services and works by the Company's officers responsible for such monitoring; reviewing design documents by the customer-side experts and training the general designer's personnel to minimize the number of design errors.
12	Damage caused by natural and industrial disasters outside RusHydro Group facilities (significant risk)	<u>Direct:</u> Meeting the accident prevention target and ensuring zero major accidents Adherence to the capacity commissioning schedules, funding and spending plan ROE EBITDA <u>Indirect:</u> Decrease in operating expenses (costs) Total shareholder return (TSR) Labor productivity	Shareholders and investors Consumers Employees Federal government authorities Regional and municipal government authorities Environmental organizations Non-profit organizations	Upgrading centralized automatic emergency response systems to the most advanced standards; implementing civil defense and emergency prevention measures; carrying out research and development in the field of remote monitoring of HPP facilities condition and operating modes. ensuring compliance with and maintaining a production control system based on the Russian industrial safety laws; maintaining property insurance of RusHydro Group.

Social aspect				
13	Reputational risks (significant risk)	<u>Improving the corporate governance system</u> <u>Direct:</u> Total shareholder return (TSR) <u>Indirect:</u> ROE EBITDA Labor productivity	Shareholders and investors Consumers Employees Trade unions Federal government authorities Regional and municipal government authorities Local communities Environmental organizations Professional communities and higher education institutions Media	Ensuring compliance with the Company's regulations governing information activities, participation in public events and information disclosure; engaging with stakeholders across the Company's core operations, including through joint public events; distributing regular press releases to share the Company's view of the matters pertaining to its operations; holding press tours and special media events.
14	Corruption risk (significant risk)	<u>Improving the corporate governance system</u> <u>Improving the corporate system of internal control and risk management</u> <u>Improving the economic and information security system</u> <u>Indirect:</u> ROE EBITDA Total shareholder return (TSR) Labor productivity	Shareholders and investors Consumers Employees Trade unions Media Suppliers and contractors Non-profit organizations	Developing, implementing and monitoring the Company's anti-corruption procedures; coordinating activities aimed at preventing corruption; devising and supervising activities aimed at assessing and mitigating corruption risks; supervising the compliance of RusHydro's and its subsidiaries' anti-corruption activities with the legislation; implementing procedures to prevent conflicts of interest in the workplace; monitoring data on income, expenditures, property and property-related liabilities of the Company's officers holding positions exposed to corruption risks; conducting expert review of procurement documents; checking counterparties for any conflicts of interest; maintaining RusHydro's anti-corruption Trust Line, checking reported allegations of wrongdoings; conducting internal investigations of alleged wrongdoings involving the Company's employees; developing and implementing measures to eliminate identified violations/deficiencies.

Report on remuneration of the governing and control bodies

Remuneration of the Board of Directors and Board committees

Remuneration of the Board of Directors is based on the following principles approved by the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Board of Directors¹⁴¹:

- the Regulations are not applicable to the members of the Board of Directors who act (during their term in office as members of the Board of Directors whether partial or entire) as members of the Company's collegial executive body or as the Company's sole executive body;
- remuneration is not set or paid to the Chairman and members of the Board of Directors who are (during their term in office as members of the Board of Directors whether partial or entire) subject to restrictions or bans on receiving any payments from business entities in accordance with the applicable Russian laws;
- the base remuneration of a member of the Board of Directors is RUB 3.51 mn;
- the remuneration depends on the number of meetings attended;
- the remuneration is increased if the member of the Board of Directors is Chairman of the Board of Directors (by 30%), Chairman of a Board committee (by 20%), Senior Independent Director (by 15%), or member of a Board committee (by 10%);

The Board of Directors annually takes a decision on the Recommendations to the Annual General Meeting of Shareholders Regarding Payment of Remuneration to Members of the Board of Directors Who are Not Public Officers in the Amount Set by the Internal Regulations as provided for in the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Board of Directors (the "Remuneration Regulations"). The remuneration is paid to the members of the Board of Directors for the period from their appointment as members of the Board of Directors to the election of a new Board of Directors.

On June 27, 2018, RusHydro's General Meeting of Shareholders resolved¹⁴² to pay remuneration to the members of the Board of Directors for their services for the period from June 26, 2017 to June 27, 2018 in the amount, within the timeframes, and in accordance with the procedure, set out in the Remuneration Regulations.

The Board of Directors' remuneration policy was revised after Ernst & Young (CIS) B.V. conducted research on board remuneration policies at Russian companies of comparable scale in 2016. The research results were used to develop a new calculation methodology setting a base remuneration of each member of the Board of Directors at RUB 3.51 mn, which is in line with the market average. This approach allowed the Company to retain and attract professionals to the Company's Board of Directors.

Board of Directors' remuneration, RUB '000 ¹⁴³

	2016	2017	2018
Remuneration for membership in governing bodies	5,561.5	7,472.3	27,945.0
Salary	0	0	0
Bonus	0	0	0
Commissions	0	0	0
Other types of remuneration	0	0	0
Total	5,561.5	7,472.3	27,945.0

¹⁴¹ The Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Board of Directors as amended were approved by the General Meeting of Shareholders on June 26, 2017 and is available on the Company's website at: <http://www.eng.rushydro.ru/upload/iblock/977/1.5.-R-E-G-U-L-A-T-I-O-N-S-on-payment-of-remuneration-and-compensation-to-members-of-the-Board-of-Directors.pdf>

¹⁴² Minutes No. 17 of June 28, 2018.

¹⁴³ Including personal income tax.

Costs related to services of members of governing bodies compensated by the issuer	52.5	0	0
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Personal remuneration of the Board of Directors in 2018, RUB '000

No.	Full name	Meetings held	Meetings attended	Senior Independent Director	Member of a Board committee	Multiplier	Remuneration	Bonus	Total remuneration	Remuneration payable ¹⁴⁴
1	Artem Avetisyan	20	13		0	0	1,755	0	1,755	1,526.9
2	Maxim Bystrov	20	18		40	40	2,430	972	3,402	2,959.7
3	Pavel Grachev	20	20		20	20	2,700	540	3,240	2,818.8
4	Sergey Ivanov	20	18	15	40	55	2,430	1,336.5	3,766	3,276.9
5	Vyacheslav Pivovarov	20	18		50	50	2,430	1,215	3,645	3,171.2
6	Nikolay Rogalev	20	20		40	40	2,700	1,080	3,780	3,288.6
7	Alexei Chekunkov	20	20		30	30	2,700	810	3,510	3,053.7
8	Sergey Shishin	20	19		10	10	2,565	256.5	2,821.5	2,454.7
9	Andrey Shishkin	20	15		0	0	2,025	0	2,025	1,761.8
	Total						21,735	6,210	27,945	24,312.2

Remuneration of the Management Board

Remuneration to members of the Management Board, including Chairman of the Management Board – General Director in 2018, was paid in accordance with the employment contracts and the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Management Board approved by the Company's Board of Directors on November 11, 2016 (Minutes No. 243 of November 14, 2016).

In 2016, the Company engaged Ernst & Young (CIS) B.V. (Moscow branch), a global consultancy firm, to conduct large-scale research on top management remuneration policies at Russian companies of comparable scale. The research results were used to revise the methodology for calculating remuneration of the Management Board.

Since January 1, 2017, the remuneration is directly dependent on the achievement of the Company's short- and long-term KPI recommended by the Nomination and Compensation Committee and approved by the Board of Directors.

The current incentive system relies on the following principles: transparency, balanced approach (interests of shareholders are aligned with the management's interests in achieving the Company's long- and short-term goals), impartiality (the remuneration depends on the RusHydro's performance and outcomes from the implementation of significant projects).

¹⁴⁴ Excluding personal income tax.

The current remuneration system includes a Long-Term Incentive Plan for the Management Board linked to the growth in share price and KPI set by the Company's Board of Directors. The Plan aims to ensure closer alignment of interests of the management and shareholders in delivering consistent growth of the company's value and developing the business. The key objectives and principles underpinning the Plan are to motivate the Company's management to achieve strategic objectives and pursue openness to shareholders as remuneration is dependent on the achievement of the KPI, is calculated using the unified methodology and is based on equal payment conditions.

The amount and terms of payment of remuneration to the members of the Management Board upon early termination of employment are determined in the regulation on payment of remuneration and compensation to RusHydro's Management Board approved by the Board of Directors. The Company does not make "golden parachute" payouts for early termination. The maximum compensation paid to members of the Management Board upon early termination of employment is limited to three average monthly salaries as provided for by the Russian legislation.

For more information on the Management's KPI and performance, see the Key Performance Indicators section.

The remuneration of the members of the Management Board, including Chairman of the Management Board – General Director, is disclosed on the Company's website in quarterly reports (<http://www.eng.rushydro.ru/investors/disclosure/quarterly-report/>).

Remuneration of the Management Board, RUB '000¹⁴⁵

	2016	2017	2018
Remuneration for membership in governing bodies	0	0	0
Salary	71,655.3	185,393.1	157,616.6
Bonus	153,917.2	344,618.0	244,368.6
Commissions	0	0	0
Other types of remuneration	0	0	0
Total	225,572.5	530,011.1	401,985.2
Compensations	6,993.9	1,697.4	861.6

Remuneration of the Internal Audit Commission

Remuneration to members of the Internal Audit Commission in 2018 was paid for the period determined in the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Internal Audit Commission amended to clarify the calculation methodology.

There are no agreements in place on the amount of remuneration to members of the Internal Audit Commission.

Remuneration of the Internal Audit Commission, RUB '000

	2016	2017	2018
Remuneration for membership in a control body overseeing the Company's financial and business activities	629.5	530.5	370.8
Total	629.5	530.5	370.8
Expenses related to duties in the control body overseeing the Company's financial and business activities and compensated by the Company	0	0	0

Individual disclosure of remuneration for work in RusHydro's Internal Audit Commission

¹⁴⁵ Including personal income tax.

Internal Audit Commission members	Remuneration, RUB
Natalia Annikova	163,145.12
Igor Repin	207,639.24
Tatyana Zobkova (Chairman of the Internal Audit Commission)	-
Marina Kostina	-
Dmitry Simochkin	-

Auditor's fee

The auditor's fee is determined by the Board of Directors based on the results of competitive bidding and after prior consideration of the matter by the Audit Committee under the Board of Directors of PJSC RusHydro.

Auditor's fee, RUB mn (incl. VAT)

Audited reporting year	2016	2017 ¹⁴⁶	2018
Audit of the annual RAS financial (accounting) statements and IFRS consolidated statements, including review of the consolidated statements for six months	120.0	136.1	84.2
Non-audit services	N/a	N/a	N/a

¹⁴⁶ The auditor's fee for 2017 includes the review of the consolidated statements for nine months ended September 30, 2017.

Appendices

Auditor's opinion



Independent Limited Assurance Report to the Management of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro (PJSC RusHydro)

Introduction

We have been engaged by management of PJSC RusHydro to provide limited assurance on the selected information described below and included in the Annual report (including information on Sustainable Development) of PJSC RusHydro ("Report") for the year ended 31 December 2018.

The selected subsidiaries ("RusHydro Group") are listed in the Group structure section of the Report.

Selected Information

We assessed the qualitative and quantitative information that is included in the «GRI Standards Compliance Table» for standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope (the "Selected Information"). The scope of our limited assurance procedures was limited to Selected Information for the year ended 31 December 2018.

Reporting Criteria

We assessed the Selected Information using Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and GRI Electric Utilities Sector Supplement (collectively, GRI Standards). We believe that these criteria are appropriate given the purpose of our limited assurance engagement.

Management responsibilities

Management of PJSC RusHydro is responsible for:

- designing, implementing and maintaining internal systems, processes and controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective reporting criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- ensuring that the Selected Information is accurate, complete and fairly presented.

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;

ⁱ The term "RusHydro Group" in this Report relates only to PJSC RusHydro and its selected subsidiaries included in the Report and is not equivalent to the similar term used in the Consolidated IFRS financial statements.

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



- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of PJSC RusHydro.

This report, including our conclusions, has been prepared solely for the management of PJSC RusHydro in accordance with the agreement between us, to assist management in reporting on RusHydro Group sustainability performance and activities. We permit this report to be disclosed in the Reportⁱⁱ for the year ended 31 December 2018, to assist management in responding to their government responsibilities by obtaining 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 management of PJSC RusHydro for our work or this report except where terms are expressly agreed in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a 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.

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 accordingly 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.

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:

- enquiries of PJSC RusHydro's management;
- interviews of RusHydro 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; and

ⁱⁱ 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 the PJSC RusHydro's web-site.

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.



- 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.

Reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Reporting Criteria used as a basis of RusHydro Group sustainability reporting should therefore be read in conjunction with the Selected Information and associated statements reported on PJSC RusHydro's web-site.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained:

- nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the requirements of GRI Standards; and
- nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines of GRI Standards.

30 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

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.

Defining materiality and creating a materiality matrix (102-46)

Material topics were defined while preparing this annual report to ensure its compliance with international standards – the International Integrated Reporting Framework (<IR>), GRI SRS, and AA1000SES (the “applicable standards”).

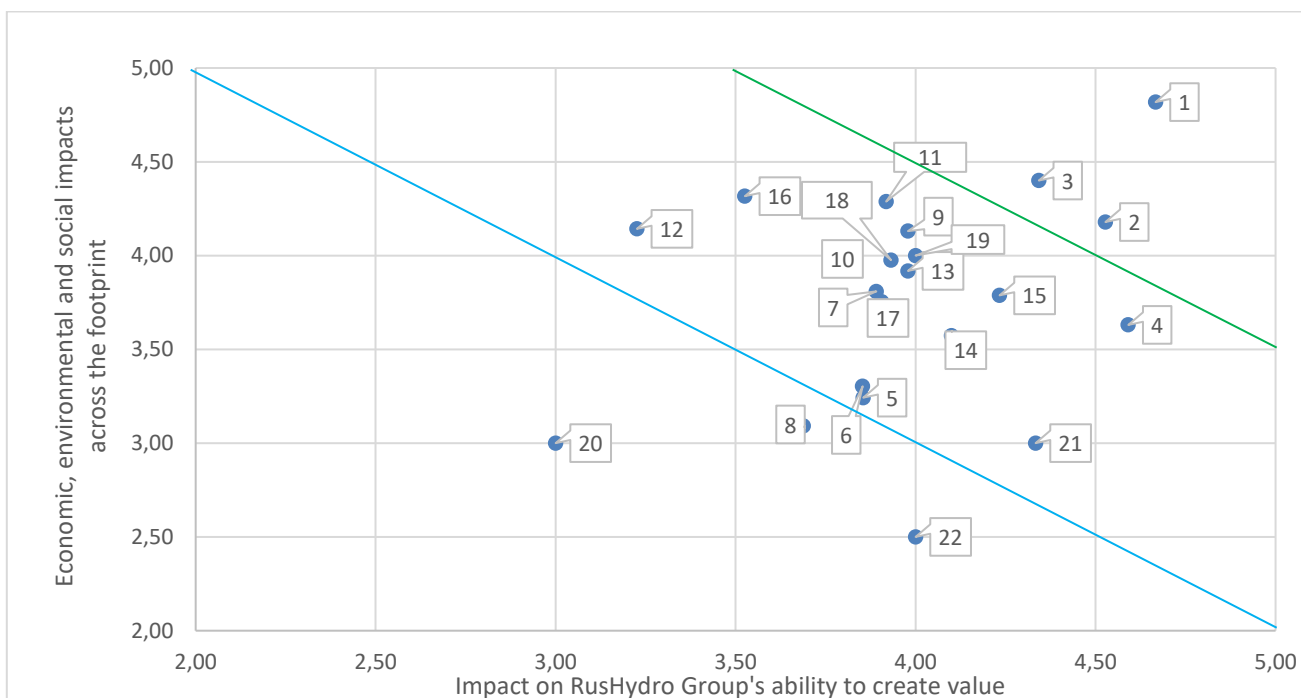
In 2018, the Company used an updated step-by-step methodology for defining material topics that involved the following stages:

1. The Annual Report Working Group prepared a master list of material topics (based on the analysis of the operational context of RusHydro Group's business in the reporting year and analysis of best public reporting practices, including peer analysis both in Russia and globally);
2. RusHydro's management verified the proposed list of topics, updating content and wording;
3. Stakeholders assessed the significance of the topics submitted (with the possibility of adding topics significant for specific stakeholders);
4. Stakeholders' proposals were analyzed with additional material topics defined;
5. The final materiality matrix (matrix of material topics, or aspects of operations) was created.

As required by applicable standards, stakeholders defined the materiality of relevant topics using the following two criteria:

1. Significant economic, environmental, and social impacts of RusHydro Group on stakeholders (102-47);
2. Impact on RusHydro Group's ability to create value (<IR>).

Materiality matrix



List of material topics (102-47) (102-49)

No.	Material topic
1	Ensuring reliable and safe operation of RusHydro Group's facilities
2	Investment program implementation: new construction and replacement of retiring capacities and power facilities
3	RusHydro Group's role in developing the Far Eastern energy sector
4	Ensuring financial strength and improving operational efficiency of RusHydro Group
5	Innovative development of RusHydro Group
6	Improving procurement excellence and countering unfair competition
7	Renewable energy promotion
8	Business process digitalization at RusHydro Group
9	Improving energy efficiency
10	Efforts to reduce GHG emissions
11	Efforts to reduce discharges and emissions of pollutants and waste
12	Saving rare species and other efforts to conserve biodiversity
13	Good working conditions and respect for employees' rights
14	Personnel development
15	Occupational health and safety

16	Contribution to the social and economic development of regions where RusHydro Group operates (including charity projects)
17	Transparent operations and stakeholder relations
18	Anti-corruption initiatives

Besides, based on the results of a stakeholder survey, as resolved by the Annual Report Working Group¹⁴⁷, the list of material topics was expanded to include the following topics:

1. Performing obligations under collective bargaining agreements and the Industry Tariff Agreement;
2. RusHydro Group's policy of long-term fuel contracts;
3. RusHydro Group's dividend policy;
4. Introducing long-term tariff regulation in the Far East;

The Company decided to focus on *Energy infrastructure expansion as an impetus to regional development* as the central topic of this report as it covers material topics 1, 2 and 3, and offers an opportunity to discuss RusHydro Group's contribution to the energy infrastructure expansion across its footprint.

Structure of RusHydro Group (102-45)

- RusHydro's Executive office and branches and its subsidiaries within report boundaries, excluding RAO ES East Subgroup.
- RAO ES East Subgroup's companies within report boundaries.
- Companies that are part of RusHydro Group, but not within report boundaries.

Branches

- PJSC RusHydro's branch Bureyskaya HPP
- PJSC RusHydro's branch Volzhskaya HPP
- PJSC RusHydro's branch Votkinskaya HPP
- PJSC RusHydro's Dagestan branch
- PJSC RusHydro's branch Zhigulevskaya HPP
- PJSC RusHydro's branch Zagorskaya PSP
- PJSC RusHydro's branch Zeyskaya HPP
- PJSC RusHydro's Kabardino-Balkaria branch
- PJSC RusHydro's branch Kamskaya HPP
- PJSC RusHydro's Karachay-Cherkessia branch
- PJSC RusHydro's branch Cascade of Verkhnevolzhskiy HPPs
- PJSC RusHydro's branch Cascade of Kubanskiye HPPs
- PJSC RusHydro's branch Nizhegorodskaya HPP
- PJSC RusHydro's branch Novosibirskaya HPP
- PJSC RusHydro's branch Saratovskaya HPP
- PJSC RusHydro's branch Sayano-Shushenskaya HPP named after P. S. Neporozhniy
- PJSC RusHydro's North Ossetia branch

¹⁴⁷ - Minutes (unnumbered) dated

- PJSC RusHydro's branch Cheboksarskaya HPP
- PJSC RusHydro's branch CorUnH

Subsidiaries combining generation, transfer and sales of electricity

- PJSC Yakutskenergo
- JSC Sakhaenergo
- PJSC Kamchatskenergo
- JSC SENK
- PJSC Magadanenergo
- JSC Chukotenergo
- PJSC Sakhalinenergo
- PJSC Peredvizhnaya Energetika

Subsidiaries – management companies

- JSC MC HydroOGK
- JSC ESC RusHydro

Electricity retail subsidiaries

- PJSC Krasnoyarskenergosbyt
- PJSC RESK
- JSC Chuvash Energy Retail Company
- PJSC Far-Eastern Energy Company (FEEC)

Generating subsidiaries

- JSC FEGC
- JSC Geotherm
- PJSC KamHEC
- CJSC MEC
- JSC NDES
- PJSC Kolymaenergo

Other specialized companies

- JSC DRSK
- JSC Teploenergoservis
- JSC LCM

Subsidiaries that are customer-developers

- JSC CHPP at Sovetskaya Gavan
- JSC Sakhalinskaya SDPP-2
- JSC Nizhne-Bureyskaya HPP
- JSC Leningradskaya PSHPP
- JSC Zagorskaya PSHPP-2
- LLC SHPPs of Stavropol Krai and Karachay-Cherkessia
- LLC Verkhnebalkarskaya SHPP
- JSC Zaramagskiye HPPs
- JSC Dyakov Ust-Srednekanskaya HPP

Subsidiaries engaging in construction and repairs

- JSC Hydroremont – VCC
- JSC ChirkeiHPPstroy
- JSC Ust-Srednekan HPPstroy
- JSC KhPRC
- JSC KhRAC
- JSC Neryungrienergoremont

- JSC KhETC
- JSC YaERC
- JSC Magadanenergoremont
- JSC Magadanelectrosetremont
- LLC HYDROPROJECT-SERVIS

Subsidiaries that are service providers

- JSC RHS
- RusHydro CAC JSC
- LLC RusHydro IT Service
- JSC SSHPP SC
- JSC Transport Company RusHydro
- RusHydro International India Private Limited
- JSC Vehicle Fleet Operator LuTEC
- LLC DUZ
- LLC SNRG
- JSC Rodnik Zdorovya
- JSC VOSTEC
- JSC Energotranssnab
- RusHydro International B.V.
- RusHydro International A.G.

Subsidiaries that are institutes

- JSC Vedeneyev VNIIG
- JSC NIIES
- JSC Lenhydroproject
- JSC Mosoblhydroproject
- JSC Hydroproject Institute
- LLP VNIIG

Companies within the structure of BEMO

- PJSC Boguchanskaya HPP¹⁴⁸
- JSC BoAP
- JSC BoHPP Holding Company
- HYDROOGK ALUMINIUM COMPANY LIMITED
- HYDROOGK POWER COMPANY LIMITED
- BOGES LIMITED
- BALP LIMITED
- JSC Boguchanskiy Aluminum Smelter Construction Customer
- JSC Boguchanskaya HPP Construction Organizer
- CJSC Boguchanskaya HPP Construction Customer
- CJSC Boguchanskiy Aluminum Smelter Construction Organizer
- LLC CKHK BoGES

Subsidiaries that do not have any relevant activities or the liquidation (preparation for liquidation) of which is in progress

- JSC RHBE
- JSC Karachay-Cherkessia Hydrogeneration company
- JSC HydroEngineering Siberia
- CJSC Verkhne-Naryn HPPs
- JSC Technopark Rumyantsevo

¹⁴⁸ PJSC Boguchanskaya HPP is a joint venture of RusHydro Group and RUSAL Group, not part of RusHydro Group.

- JSC FEETC
- JSC Small HHPs of Altai
- JSC HUA
- JSC ESKO UES
- JSC Engineering Center for Renewable Energy
- JSC AvtotransportEnergo
- JSC KRSK

Holding companies and asset holders

- JSC RAO ES East
- JSC Hydroinvest
- JSC Malaya Dmitrovka
- JSC Blagoveshchenskaya CHPP
- JSC Yakutskaya SDPP-2
- JSC MGES CBR
- JSC Sulaksky HydroCascade

Other investments ranging from 1 to 50%

- LLC Transbaikal Development Corporation
- JSC Magadanelectroset
- JSC IEGC
- LLC VolgaHydro
- JSC CEK
- JSC ENIN
- LLC INTERNATIONAL INSTITUTE OF GEOMECHANICS AND HYDRAULIC STRUCTURES
- JSC Krasnoyarsk Krai Development Corporation
- JSC SKK
- JSC NGES
- JSC Shakhta Ugolnaya
- JSC Okhinskaya TPP
- CJSC Verkhne-Narynskie HPPs

Tables of compliance with GRI SRS (102-55)

Disclosure	Page	Omissions
GRI 102. Standard elements 2016		
102-1. Name of the organisation		
102-2. Activities, brands, products, and services		
102-3. Location of headquarters		
102-4. Location of operations		
102-5. Ownership and legal form		
102-6. Markets served		
102-7. Scale of the organisation		
102-8. Information on employees and other workers		
102-9. Supply chain		
102-10. Significant changes to the organisation and its supply chain		No significant changes in 2018
102-11. Precautionary Principle or approach		
102-12. External initiatives		
102-13. Membership of associations		
102-14. Statement from senior decision-maker		
102-15. Key impacts, risks, and opportunities		

102-16. Values, principles, standards, and norms of behavior		
102-17. Mechanisms for advice and concerns about ethics		
102-18. Governance structure		
102-26. Role of highest governance body in setting purpose, values, and strategy		
102-32 Highest governance body's role in sustainability reporting		
102-40. List of stakeholder groups		
102-41. Collective bargaining agreements		
102-42. Identifying and selecting stakeholders		
102-43. Approach to stakeholder engagement		
102-44. Key topics and concerns raised		
102-45. Entities included in the consolidated financial statements		
102-46. Defining report content and topic boundaries		
102-47. List of material topics		
102-48. Restatements of information		
102-49. Changes in reporting		
102-50. Reporting period		
102-51. Date of most recent report		
102-52. Reporting cycle		
102-53. Contact information		
102-54. Claims of reporting in accordance with the GRI Standards		
102-55. GRI content index		
102-56. External assurance		
Standard elements of electric utilities sector disclosures 2013		
EU1. Installed capacity		
EU2. Net supply by primary energy source and by regulatory regime		
EU3. Number of residential, industrial, institutional and commercial customer accounts		
EU4 Length of overhead and underground transmission and distribution lines by regulatory regime		
EU12 Transmission and distribution losses as a percentage of total energy		
EU13 Biodiversity of offset habitats compared to the biodiversity of the affected areas		
EU15 Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region		
EU22. Number of people economically displaced and compensated, by type of project		
EU23. Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services		
EU25 Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases		
EU28. Power outage frequency		
EU29. Average power outage duration		
Material topics		
<i>103 Management approach:</i> Ensuring reliable and safe operation of RusHydro Group's facilities		
<i>103 Management approach:</i> Investment program implementation: new construction and replacement of retiring capacities and power facilities		
<i>103 Management approach:</i> RusHydro Group's role in developing the Far		

Eastern energy sector		
<i>103 Management approach:</i> Introducing long-term tariff regulation in the Far East		
<i>103 Management approach:</i> Renewable energy promotion		
<i>103 Management approach:</i> Innovative development of RusHydro Group		
<i>103 Management approach:</i> Business process digitalization at RusHydro Group		
<i>103 Management approach:</i> RusHydro Group's dividend policy		
<i>103 Management approach:</i> Transparent operations and stakeholder relations		
201: Economic performance 2016		
<i>103. Management approach:</i> Ensuring financial strength and improving operational efficiency of RusHydro Group		
201-1. Direct economic value generated and distributed		
201-3. Defined benefit plan obligations and other retirement plans		
201-4. Financial assistance received from government		
202 Market presence 2016		
<i>103 Management approach:</i> Contribution to the social and economic development of regions where RusHydro Group operates (including charity projects)		
202-1. Ratios of standard entry level wage by gender compared to local minimum wage		
203: Indirect economic impacts 2016		
203-1. Infrastructure investments and services supported		
203-2. Significant indirect economic impacts		
204 Procurement practices 2016		
<i>103 Management approach:</i> Improving procurement excellence		
<i>103. Management approach:</i> RusHydro Group's policy of long-term fuel contracts		
205. Anti-corruption 2016		
<i>103. Management approach:</i> Anti-corruption initiatives		
205-2 Communication and training about anti-corruption policies and procedures		
205-3. Confirmed incidents of corruption and actions taken		
206 Anti-competitive behavior 2016		
<i>103. Management approach:</i> Countering unfair competition		
302. Energy 2016		
<i>103. Management approach:</i> Improving energy efficiency		
302-1. Energy consumption within the organization		
302-3. Energy intensity		
302-4. Reduction of energy consumption		
303. Water and Effluents 2018		
303-1 Interactions with water as a shared resource		
303-2 Management of water discharge-related impacts		
303-3. Water withdrawal		
303-4 Water discharge		
303-5 Water consumption		
304. Biodiversity 2016		
<i>103. Management approach:</i> Saving rare species and other efforts to conserve biodiversity		
304-1. Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside		

protected areas		
304-2. Significant impacts of activities, products, and services on biodiversity		
304-3. Habitats protected or restored		
304-4. IUCN Red List species and national conservation list species with habitats in areas affected by operations		
305. Emissions 2016		
<i>103. Management approach:</i> Efforts to reduce GHG emissions		
305-1. Direct (Scope 1) GHG emissions		
305-4. GHG emissions intensity		
305-5. Reduction of GHG emissions		
305-7. Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		
306. Effluents and Waste 2016		
<i>103. Management approach:</i> Efforts to reduce discharges and emissions of pollutants and waste		
306-2. Waste by type and disposal method		
306-4. Transport of hazardous waste		
306-5. Water bodies affected by water discharges and/or runoff		
401. Employment 2016		
<i>103. Management approach:</i> Good working conditions and respect for employees' rights		
401-1. New employee hires and employee turnover		
401-2. Benefits provided to full-time employees that are not provided to temporary or part-time employees		
402 Labor/Management Relations 2016		
402-1. Minimum notice periods regarding operational changes		
403. Occupational health and safety 2018		
<i>103. Management approach:</i> Occupational health and safety		
403-1 Occupational health and safety management system		
403-2 Hazard identification, risk assessment, and incident investigation		
403-4 Worker training on occupational health and safety		
403-5 Worker training on occupational health and safety		
403-6 Promotion of worker health		
403-9. Work-related injuries		
403-10 Work-related ill health		
404. Training and Education 2016		
<i>103. Management approach:</i> Personnel development		
404-1. Average hours of training per year per employee		
404-2. Programs for upgrading employee skills and transition assistance programs		
404-3. Percentage of employees receiving regular performance and career development reviews		
405. Diversity and Equal Opportunity 2016		
405-1. Diversity of governance bodies and employees		
407. Freedom of Association and Collective Bargaining 2016		
<i>103. Management approach:</i> Performing obligations under collective bargaining agreements and the Industry Tariff Agreement		
407-1. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		

Tables of compliance with IIRC Integrated Reporting Framework (<IR>)

1. The reflection in the report of the fundamental concepts of <IR>		
Fundamental concepts	Use/ do not use	
Creating value for the organization and stakeholders	Use	
Capitals	Use	
Value creation	Use	
2. Conformity of the report with the core principles of the <IR>Standard		
Leading principles	Corresponds / does not correspond	
Strategic focus and future orientation	Corresponds	
Connectivity of information	Corresponds	
Stakeholder relationships	Corresponds	
Materiality	Corresponds	
Conciseness	Corresponds	
Reliability and completeness	Corresponds	
Constancy and comparability	Corresponds	
3. The presence in the report of the content elements of the <IR>		
Content elements	Report section	Page
Organization overview and external environment	Company profile, Markets served	8, 19-20
Management	Corporate governance	142-207
Business model	Business model	15-16

Risks and opportunities	Risk management	193-204
Strategy and resource allocation	Strategic review	20-25
Performance	Our performance	51-141
Outlook	Strategic review	20-25

Glossary and list of abbreviations

Glossary

Wind power plant	A power plant consisting of two or more wind power installations designed to convert wind energy into electrical energy and transmit it to the consumer
Day-ahead market	The competitive selection of suppliers and consumers price bids by JSC ATS a day before the actual delivery of electricity with the determination of prices and delivery volumes for each hour of the day
Energy efficiency	Effective (rational) use of energy resources. Use less energy to provide buildings or production processes with the same level of energy
Generating companies (OGKs) of the wholesale electricity and capacity market	Electricity and power suppliers who received the status of wholesale market entities entered into contracts binding on wholesale market participants and made other actions necessary for trading in electricity and capacity on the wholesale market in accordance with the agreement on joining the wholesale market trading system
Gigacalorie	A unit of measurement for heating energy
Gigacalorie-Hour	A unit of measurement for heating power
Hydroelectric power plant	The power plant as a single production and technological complex, including waterworks/hydro-technical facilities and equipment that converts mechanical energy of water into electrical energy. In the annual report, unless otherwise noted, HPPs and PSPP are also classified as hydroelectric power plants.
Hydro-technical facilities	Dams, buildings of hydroelectric power stations, water discharge, drainage and outlet structures, tunnels, channels, pumping stations, shipping locks, ship elevators; structures designed to protect against floods and destruction of the banks of reservoirs, banks and the bottom of river beds; structures (dams) enclosing liquid waste storage facilities of industrial and agricultural organizations; facilities against washing-away in channels, as well as other structures designed to use water resources and prevent the harmful effects of

	water and liquid waste
Installed capacity	Total nominal active capacity of generators at electric power plants which are part of the Group's structure
Kilowatt-Hour	A unit of measurement of generated electrical energy
Megawatt	A unit of measurement for electrical capacity
Net electricity delivered	Electricity received by consumers
Net heat delivered	Heat energy delivered to the consumer (consumers) at the boundary of operational responsibility (balance sheet attribution)
PJSC RusHydro, the Company	Public Joint-Stock Company Federal Hydro-generating Company - RusHydro, including the executive office and branches
Pumped storage power plant	Power plant working by transforming electricity from other power plants into the potential energy of water; during reverse transformation, accumulated energy is contributed to the energy system primarily to cover deficits that may occur during peak load periods
RAO ES East	A holding established to manage energy companies operating in the Unified Energy System of the East (Primorye, Khabarovsk Territory, Amur Region, Jewish Autonomous Region, and South of Yakutia), as well as in six isolated energy systems
RAO ES East Subgroup	JSC RAO ES East, including its subsidiaries
Renewables	Renewables include all renewable energy sources defined in Art. 3 of Federal Law No. 35-FZ dated March 26, 2003 On Electric Power Industry, except for HPPs with an installed capacity of more than 30 MW.
RusHydro Group	PJSC RusHydro, including its subsidiaries
RusHydro Subgroup	RusHydro and its subsidiaries, without those belonging to the RAO ES East Subgroup
Subsidiary	A legal entity that is under the direct or indirect control of a controlling person
Unified Energy System	The combination of industrial and other property facilities of electric power industry interconnected through a single process of generation (including the combined generation of electric and heat energy) and transmission of electric energy under centralized operational dispatch management in electric power industry
Wholesale electricity and capacity market	Sphere for the circulation of electric energy and capacity under Russia's Unified Energy System within the country's unified economic space with the participation of large electricity producers and consumers that have the status of wholesale market entities, confirmed in full accordance with the Russian Federal Law on

	Electric Power Industry (by the Russian Government). The criteria for including electricity producers and consumers in the category of large producers and large consumers are also established by the Russian Government
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List of abbreviations

CHPP	Central heating and power plant
DAM	Day-ahead market
FEC	Fuel & energy complex
Gcal	Gigacalorie
Gcal/h	Gigacalorie-Hour
GRES	State district power plant
HPP	Hydroelectric power plant
JSC RAO ES East	Joint-Stock Company RAO Energy Systems of the East
CPA	Capacity price auction
KPI	Key performance indicator
kWh	Kilowatt-Hour
MPP	Mobile power plant
MW	Megawatt
PJSC RusHydro	Public Joint-Stock Company Federal Hydro-generating Company - RusHydro, including the executive office and branches
PSPP	Pumped storage power plant
R&D	Research and development
REM	Retail electricity market
SPP	Solar power plant
the report, the annual report	the present annual report
TPP	Thermal power plant
TR&M	Rehabilitation & modernization
UES	Unified Energy System
VNIIG	All-Russian Hydraulic Engineering Research Institute
WECM	Wholesale electricity and capacity market

Feedback questionnaire

Dear reader!

You are now familiar with PJCS RusHydro's annual report. When drafting it, we tried to take note of all suggestions on disclosing material information. Please help us improve the annual report for 2019 by selecting the most relevant topics in the form. We value the opinion of every client, shareholder, contractor, and employee. The results of the stakeholder questionnaires are published in every annual report and on the Company's website. See the list of important matters for the previous periods here: <http://www.eng.rushydro.ru/Sustainability/corporate-social-responsibility-reports/>

Please also follow the link to fill in the questionnaire

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RusHydro



APPENDICES



to 2018 Annual report

Content

Appendix No.1. Information on compliance with the Russian Corporate Governance Code.....	1
Appendix No.2. Information on major transactions and interested party transaction in 2016 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	26
Appendix No.3. Information on participation in other organizations.....	31
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	31
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	36
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	37
Appendix No.4. Information on the Decisions Adopted by RusHydro's Board of Directors in 2018	39
Appendix No.5. Information on the Meetings of the Committees under the Board of Directors.....	87
Appendix No.6. Information on the Sale of Non-core Assets of PJSC RusHydro for 2018.....	132
Appendix No.7. Information on Pending Legal Proceedings that may have a Significant Impact on the Activities of RusHydro Group's Companies.....	135
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	135
Appendix No.9. Report on the Long-term Development program implementation of the RusHydro Group for the year of 2018.....	136
Appendix No.10. The auditor's report on the Long-term Development program implementation in 2017 of RusHydro Group for the period 2016-2020	177
Appendix No.11. Information Concerning Establishment of Unified Treasuries in the Head Companies, Subsidiaries, and Affiliates.....	180
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	181
Appendix No.13. Information about Legal Entities Controlled by the Company that are of Material Significance.....	187
Appendix No.14. Information on Significant Transactions of the Company and other Major Controlled Legal Entities	192
Appendix No.15. Accounting statements and the Independent Auditor's audit report as of December 31, 2018 (in accordance with RAS)	198
Appendix No.16. 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.....	264
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.....	341
Appendix No.18. Consideration of stakeholders' recommendations given at the Public Hearings in 2018	341
Appendix No.19. Consideration of stakeholders' recommendations given at the Public Hearings in 2019 (Report for 2018 Draft).....	342
Appendix No.20. Certificate of Public Certification of the Report by the RUIE Council on Non-Financial Reporting	342
Appendix No.21. Organizational structure of PJSC RusHydro.....	343

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. With regard to paragraph 2, the Company shall provide the following explanations: 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>Regarding paragraph 1, the Company shall provide the following explanations:</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. 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	Regarding paragraph 1,2, the Company shall provide the following explanations: 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>Regarding paragraph 1, the Company shall provide the following explanations:</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 Directors¹), 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>Regarding paragraph 1, the Company shall provide the following explanations:</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>

¹ 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>Regarding paragraph 1, the Company shall provide the following explanations:</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>Para. 1 is partially observed. Para. 2 is fully observed.</p> <p>Regarding paragraph 1, the Company shall provide the following explanations:</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	Regarding paragraph 1, the

	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	Company shall provide the following explanations: 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	Regarding paragraph 1, the Company shall provide the following explanations: 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	Regarding paragraph 1, the Company shall provide the following explanations: 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	Regarding paragraph 1, the Company shall provide the following explanations: 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	Regarding paragraph 1, the Company shall provide the following explanations: 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.	<p>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.</p> <p>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.</p> <p>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</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>Regarding paragraphs 1-3, the Company shall provide the following explanations:</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>Regarding paragraph 3, the Company shall provide the following explanations:</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.</p> <p>The Regulations on Remuneration and Labor Contracts of the Executive Bodies contain provisions stipulating the possibility to offset the losses incurred by the Company.</p> <p>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>Regarding paragraph 1, the Company shall provide the following explanations:</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>Regarding paragraph 1, the Company shall provide the following explanations:</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	Regarding paragraph 3, the

	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	Company shall provide the following explanations: 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. 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 http://www.rushydro.ru/investors/stockmarket/capital/svedeniya-onalichii-memoranduma-o-planakh-kontroliruyushchegogo-obshchestvo-litsa-v-otnoshenie-obshch/
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 Code .	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	Regarding paragraph 1, the Company shall provide the following explanations: 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	Paras. 1 and 2 are fully observed. Para. 3 is partially observed. Regarding paragraph 3, the Company shall provide the following explanations: 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

Ser. No.	List of Transactions with an Indication of the Parties Concerned	No. and Date of Minutes Management Body Approving the Transaction	Material Terms of a Transaction	Interested Party
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"> - 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 - 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; - 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); - other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties. 	
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"> - change in the price of transactions, including price components, within the aggregate price of six agreements for transport services and leasing; - 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; - change of obligation execution schedules within the terms of validity of agreements and terms of services. <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 ²	shares entered into ownership upon liquidation of RusSUNHydro Limited	Shareholding in the Company's authorized capital	-	0.000186				banking operations

² 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 (RaEl 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"> – EnergoStroyAlyans Association; – SRO Union of Builders of the Amur Region; – Self-Regulating Corporation of Builders of the Krasnoyarsk Territory; – And other SROs at the location of RusHydro – Self-Regulating Corporation of Builders of the Krasnoyarsk Territory – Engineering Surveys in Construction Association. 	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".

Issuer	Joint-Stock Company NPF of Electric Power Industry
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:

Issuer	Public Joint-Stock Company Inter RAO UES, OGRN 1022302933630, location: Russian Federation, Moscow (hereinafter - PJSC Inter RAO, the company)
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:

Issuer	Joint-Stock Company BoHPP Holding Company
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>Issue 1.1: On approval of the Progress Report on the Company's Charity and Sponsorship Program in 2017. Decision Taken: Approve the Progress Report on the Company's Charity and Sponsorship Program in 2017 (Annex No. 1 to the Minutes of Meeting).</p> <p>Issue 1.2: On approval of the Company's Charity and Sponsorship Program for 2018. Decision Taken: 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>Decision Taken:</p> <ol style="list-style-type: none"> 1. Approve the revised Regulation on the Procurement of Products for RusHydro's Needs (Annex No. 3 to the Minutes of Meeting). 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).
	3. On measures to enhance the reliability at RusHydro Group's power facilities.	<p>Decision Taken:</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>Decision Taken:</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"> - 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; - budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3 bn.
	5. On the Taishet Aluminum Smelter Construction Project.	<p>Decision Taken:</p> <ol style="list-style-type: none"> 1. Take due note of the information on the status of fulfillment of the conditions of RusHydro's participation in the

		<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>Decision Taken:</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>Decision Taken³:</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"> – obligations to repay the loan in the amount of RUB 7,000,000,000 (seven billion) 00 kopecks maximum; – 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. <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"> - Lender - Far East and Baikal Region Development Fund (OGRN 1112721010995); - Borrower - RusHydro (Company). <p><u>Subject of the Loan Agreement:</u></p>

³The 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"> - 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), - 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 - 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; - 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); - other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties. <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>Decision Taken: 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>Decision Taken:</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>Issue 10.1: 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>Decision Taken:</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>Issue 10.2: 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>Decision Taken:</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>Issue 10.3: 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>Decision Taken:</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>Issue 10.4: 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>Decision Taken: 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>Issue 10.5: 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>Decision Taken: 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>Issue 10.6: 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>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 (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 ⁴ 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) ⁵ (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		

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

⁵Number 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 ⁶ 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) ⁷ (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.	Decision Taken: Accept the proposal of the Company's shareholder - the Russian Federation represented by the Federal Agency for State Property Management ⁸ , 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		

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

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

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

		<table> <tr> <td>3.</td><td>Approval of the distribution of the Company's profit based on the results of 2017.</td><td>Not presented</td></tr> <tr> <td>4.</td><td>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.</td><td>Not presented</td></tr> <tr> <td>5.</td><td>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.</td><td>Not presented</td></tr> <tr> <td>6.</td><td>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.</td><td>Not presented</td></tr> <tr> <td>7.</td><td>Election of members of the Board of Directors of the Company.</td><td>Not presented</td></tr> <tr> <td>8.</td><td>Election of members of the Internal Audit Commission of the Company.</td><td>Not presented</td></tr> <tr> <td>9.</td><td>Approval of the Company's auditor.</td><td>Not presented</td></tr> </table>	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.	Approval of the distribution of the Company's profit based on the results of 2017.	Not presented																					
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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.	<p>3.1. On the composition of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors. Decision Taken: 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.</p> <p>3.2. On the composition of the Committee on Energy Development of the Far East at RusHydro's Board of Directors. Decision Taken: 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.</p>																					
	4. On approval of the Action Plan of RusHydro's Board of Directors for H1 2018.	<p>Decision Taken: Approve the Action Plan of RusHydro's Board of Directors for H1 2018 (Annex No. 1 to the Minutes of Meeting).</p>																					
	5. On termination of RusHydro's membership in other organizations.	<p>Decision Taken: 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>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.</p> <p>Decision Taken:</p> <ol style="list-style-type: none"> 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. 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.
7. On approval of the Report on RusHydro's Insurance Coverage in 2017.	<p>Decision Taken:</p> <p>Approve the Report on RusHydro's Insurance Coverage in 2017 (Annex No. 2 to the Minutes of Meeting).</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>Decision Taken:</p> <ol style="list-style-type: none"> 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). 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. 3. Chairman of the Management Board - RusHydro's General Director, N. Shulginov, shall ensure: <ol style="list-style-type: none"> 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. 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.
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>Decision Taken:</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>
10. On approval of the list of RusHydro's investment projects for public process and pricing audit in 2018-2019.	<p>Decision Taken:</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>11.1. On the implementation of recommendations on the management of Intellectual Property Rights at RusHydro. Decision Taken: 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"> 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. 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 posting and subsequent updating the information on the progress of the Program at the Company on the Interdepartmental Portal on State Property Management. <p>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). Decision Taken: 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>11.3: On the construction progress of the Ust-Srednekanskaya HPP Decision Taken: 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>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: 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. Decision Taken: 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>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 Decision Taken: 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>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.</p> <p>Decision Taken: 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>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).</p> <p>Decision Taken: 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>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.</p> <p>Decision Taken: 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>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).</p> <p>Decision Taken: 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>11.5. On appointment of an independent consultant to assess the performance of the Company's Board of Directors.</p> <p>Decision Taken: 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>Decision Taken:</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>Decision Taken:</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.	Decision Taken: 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).	Decision Taken: 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).	3.1. On the achievement of annual key performance indicators by members of the Company's Management Board for 2017. Decision Taken: 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 3.2. On approval of amendments to the Methodology for the Calculation and Evaluation of the Annual KPIs of RusHydro's Management Board Members. Decision Taken: 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. 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. Decision Taken: 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>3.4. On approval of adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019.</p> <p>Decision Taken:</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>Decision Taken:</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"> 1. Approval of the Company's Annual Report for 2017. 2. Approval of the annual accounting (financial) statements of the Company based on the results of 2017. 3. Approval of the distribution of the Company's profit based on the results of 2017. 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. 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. 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. 7. Election of members of the Board of Directors of the Company. 8. Election of members of the Internal Audit Commission of the Company. 9. Approval of the Company's auditor. 10. Participation of RusHydro in the Association National Network of the Global Compact. 11. On participation of RusHydro in the self-regulatory organization Self-Regulatory Corporation of Builders of the Krasnoyarsk Territory Association. 12. On the participation of RusHydro in the self-regulatory organization ENERGOPROEKT Association. 13. On the participation of RusHydro in the Engineering Surveys in Construction Association. 14. On the termination of participation of RusHydro in the noncommercial partnership Russian-Chinese Business Council. 15. Approval of the new version of the Company's Charter. 16. Approval of the new version of the Regulation on the Procedure for Convening and Holding the Company's General Meeting of Shareholders. 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. 18. Approval of the new version of the Regulation on the Company's Management Board.
	2. On preapproval of the Company's annual report for 2017.	<p>Decision Taken:</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>Decision Taken:</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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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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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>Decision Taken: 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): 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. There is no connection between Maksim Bystrov and the Company, a substantial shareholder, competitors, the State, or a municipal entity. Maksim Bystrov meets the formal criteria of connection with the Company's significant counterparties - JSC ATS, JSC SO UES, JSC FSC⁹, and ANO Market Council Training Center¹⁰, 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. 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>

⁹The 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.

¹⁰M. 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"> - JSC ATS¹¹ (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); - 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). - 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. - 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>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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¹¹By 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"> - 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). - 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. - 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. <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>Decision Taken:</p> <ol style="list-style-type: none"> 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). 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): <ul style="list-style-type: none"> - 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" - Change the planned disposition of the facility LLC VolgaHydro (Clause 4 of the "Retention of noncore assets" section) from "holding" to "sale" - Exclude the facility JSC Yuzhno-Yakutskiy HPC (Clause 4 of the "Liquidation" section).

	3. On the performance of transactions by RusHydro related to the gratuitous transfer of the Company's property to a third party.	<p>Decision Taken: Approve the conclusion of a Property Donation Agreement on the following material terms:</p> <p><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.</p> <p><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:</p> <ul style="list-style-type: none"> - 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. - 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. <p><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>
	4. On RusHydro's priority activities.	<p>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. Decision Taken: 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>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. Decision Taken: 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>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. Decision Taken: 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"> - The results of the comparison of the level of technological development; - Proposals for adjusting the innovative development program and the long-term development program; - Proposals concerning the composition and values of the integral key performance indicator (hereinafter - IKPI) for 2019. <p>4.4. On updating RusHydro Group's Long-Term Development Program for 2018–2022. Decision Taken: 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>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. Decision Taken: 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>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. Decision Taken: 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>Decision Taken: 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>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). Decision Taken: 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>1.2. On determining the offering price of additional shares of the Company. Decision Taken: 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>1.3. On increasing the authorized capital of the Company by placing additional shares within the number of declared shares. Decision Taken: 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>1.4. On the approval of the Decision on the additional issue of securities. Decision Taken: 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>1.5. On the approval of the Securities Prospectus. Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>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.</p>

	RusHydro's Board of Directors for 2017-2018 corporate year.	<p>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. 3 to the Minutes of Meeting).</p> <p>3.2. On approval of the performance reports of the Strategy Committee of the Company's Board of Directors for 2017-2018 corporate year. Decision Taken: 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>3.3. On approval of the performance reports of the Investment Committee of the Company's Board of Directors for 2017-2018 corporate year. Decision Taken: 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>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. Decision Taken: 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>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. Decision Taken: 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>3.6. On approval of the performance reports of the Audit Committee of the Company's Board of Directors for 2017-2018 corporate year. Decision Taken: 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>Decision Taken: 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>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. 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 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>Decision Taken:</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>7.1. On approval of the Regulation on RusHydro's Business Planning System.</p> <p>Decision Taken:</p> <ol style="list-style-type: none"> 1. Approve the new version of the Regulation on RusHydro's Business Planning System according to Annex No. 11 to the Minutes of Meeting. 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.
Minutes No. 274 dtd June 28, 2018	1. On termination of the Company's membership in other organizations.	<p>Decision Taken:</p> <ol style="list-style-type: none"> 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. 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. 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. 4. RusHydro Group's stake in the authorized capital of Inter RAO is: Before the alienation of the Shares: 4.915%

		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.	Decision Taken: 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.	Decision Taken: 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>3.1. On the creation of the Audit Committee under the Company's Board of Directors.</p> <p>Decision Taken:</p> <p>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.</p> <p>3. Elect Sergey Ivanov as the Chairman of the Audit Committee of the Company's Board of Directors.</p> <p>3.2. On the creation of the Nomination and Compensation Committee under the Company's Board of Directors.</p> <p>Decision Taken:</p> <p>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>3.3. On the creation of the Strategy Committee under the Company's Board of Directors.</p> <p>Decision Taken:</p> <p>1. Determine the numerical composition of the Strategy Committee of the Company's Board of Directors – 14 people.</p> <p>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.		
		3.4. On the creation of the Investment Committee under the Company's Board of Directors. Decision Taken: 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.		
3.5. On the creation of the Committee on Energy Development of the Far East at RusHydro’s Board of Directors.				
Decision Taken:				
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.		
		3.6. On the creation of the Committee on Reliability, Energy Efficiency, and Innovations at the Company's Board of Directors.		
		Decision Taken:		
		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.	Decision Taken: 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.	5.1. On approval of RusHydro Group's Environmental Policy. Decision Taken: 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. 5.2. On approval of RusHydro's Auditor Rotation Policy. Decision Taken: Approve RusHydro's Auditor Rotation Policy (Annex No. 3 to the Minutes of Meeting).			
	6. On review of material issues for the Company.	6.1. On approval of Addendum No. 5 to Agreement No. 01-08/827 on the Provision of Budget Investments dated December 18, 2012. Decision Taken: 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>6.2. On the development and implementation of import substitution plans. Decision Taken: 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>6.3. On the agreement of concurrent employment of the Management Board's member in the management bodies of other organizations. Decision Taken: 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).	Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Decision Taken: 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>Price of the Transaction: 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>Decision Taken: 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>Decision Taken: 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.	Decision Taken: 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.	Decision Taken: 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.	2.1. On Management of Intellectual Property Rights: 2.1.1. On the inventory of intellectual property rights for the purpose of subsequent organization 2.1.2. On the Approval of the Program on the Management of Intellectual Property Rights at RusHydro Group. Decision Taken: 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. Decision Taken: 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. 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. 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 at Sovetskaya Gavan, Sakhalin GRES-2 (1st stage) as of June 30, 2018 (Annex No. 2 to the Minutes of Meeting). 2.3. Confidentially The decision is taken
	3. On RusHydro Group's Long-Term Development Program.	3.1. On the progress of RusHydro Group's Long-Term Development Program for H1 2018. Decision Taken: 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>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. Decision Taken: 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>3.3. On the consideration of the Long-Term Program for Replacement of Retired Capacities and the Development of Far East Energy Systems. Decision Taken: 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>3.4. On amendments to RusHydro Group's Long-Term Development Program. Decision Taken: 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.	4.1. Confidentially Decision taken
	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>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. Decision Taken: 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"> – 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. 280 dtd December 7, 2018	1. On participation in other organizations.	<p>1.1. On termination of the Company's membership in JSC Small HPPs of Altai. Decision Taken: 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>1.2. On termination of the Company's membership in CJSC Verkhne-Narynskie HPPs. Decision Taken: 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>1.3. On termination of the Company's membership in LLC VolgaHydro. Decision Taken: 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>2.1. On preliminary approval of transactions with shares of organizations the Company participates in. Decision Taken: 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>2.2. On preliminary approval of transactions with shares of organizations the Company participates in. Decision Taken: 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>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. Decision Taken: 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>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. Decision Taken: 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>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</p>

		<p>the Sakhalin GRES-2. Main production complex. On-site facilities (1st stage) dated January 23, 2015, No. SGRES-15/0002.</p> <p>Decision Taken: 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>Decision Taken: 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>5.1. On approval of the report on the fulfillment of RusHydro's Annual Comprehensive Procurement Program for nine months of 2018. Decision Taken: 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>5.2. On approval of the revised Company's Charity and Sponsorship Policy. Decision Taken: Approve the revised Company's Charity and Sponsorship Policy (Annex No. 5 to the Minutes of Meeting).</p> <p>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). Decision Taken: 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>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. Decision Taken: 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>5.5. On the Committee on Energy Development of the Far East at RusHydro's Board of Directors. Decision Taken: 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>5.6. Confidentially Decision taken</p>
Minutes No. 281 dtd December 27, 2018	On approval of the Company's internal documents.	<p>1.1. On internal documents in the field of the Company's corporate governance Decision Taken: 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>1.2. On the approval of the Standard for Checking on the Progress of RusHydro Group's Long-Term Development Program. Decision Taken: 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>Decision Taken: 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>Decision Taken:</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>Decision Taken: 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>Decision Taken: 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>6.1 On forming RusHydro's management bodies: 6.1.1 On determining the number of members of RusHydro's Management Board. Decision Taken: Determine the numerical composition of the Company's Management Board - 7 people.</p> <p>6.1.2. On election of a member of RusHydro's Management Board. Decision Taken: 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>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. Decision Taken: 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>6.3. On amendments to the Regulation on the Audit Committee of RusHydro's Board of Directors</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"> - 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; - Organizational and technical measures aimed at ensuring the transition to predominant use of domestic software in the Company within the prescribed time limits; - 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 <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>Decision Taken:</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>Decision Taken:</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>Decision Taken:</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	Decision Taken:

	<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"> – Target values of annual key performance indicators for members of RusHydro's Management Board for 2019 (Annex No. 4 to the Minutes of Meeting). – Target KPI values under Cycle Three of RusHydro's Long-Term Motivation Program for 2019–2021. (Annex No. 5 to the Minutes of Meeting); – 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); – 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). <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"> 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"> 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> 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> 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> 2. <i>Promptly provide information on the performance of RusHydro Group for 2018.</i>
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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"> - 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" - Change the planned disposition of the facility LLC VolgaHydro (Clause 4 of the Retention of noncore assets section) from "holding" to "sale" - Exclude the facility JSC Yuzhno-Yakutskiy HPC (Clause 4 of the "Liquidation" section).
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"> - 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. <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) ¹²	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:

¹²An 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.

¹³The 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.

¹⁴The 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.
October 22, 2018 (Minutes No. 123)	3. On recommendations to the Board of Directors of the Company on the item: On termination of RusHydro's membership in other organizations.	Recommend to the Company's Board of Directors to make the following decision: 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). 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: Parties to the Transaction: Buyer - VHГ AUSLANDSBETEILIGUNGEN GmbH; Seller - PJSC RusHydro. 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. 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. Price of the Transaction: Determined in paragraph 1 of this decision.
	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.	Recommend to the Company's Board of Directors to make the following decision: Approve the Terms of Reference to check on the progress of RusHydro Group's Long-Term Development Program for 2018, 2019, and 2020.
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	1. Pre-approve the Methodology for assessing RusHydro's corporate governance system as revised. 2. Recommend to the Chairman of the Management Board, the Company's General Director, to approve the

	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"> 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). 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.
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"> 1. Recommend to the Company's Board of Directors to make the following decision: <ol style="list-style-type: none"> 1.1. Agree the concurrent employment of the following people: <ol style="list-style-type: none"> 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. 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. 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. 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. 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. 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.
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"> 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. 2. Recommend to RusHydro's Board of Directors to make the following decision: <ol style="list-style-type: none"> 1. Approve the engagement of an independent consultant (LLC PricewaterhouseCoopers Consulting) to evaluating the performance of the Company's Board of Directors. 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. 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.
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"> 1. Recommend to the Company's Board of Directors to make the following decisions: <ol style="list-style-type: none"> 1.1. Deem the KPI "Reduction of Operating Expenses (costs), %" for 2017 calculated with regard to factors that are

(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"> 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"> - 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); - 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); - 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. 2. As of the date of nomination, all candidates to the Board of Directors of the Company have no conflict of interests. 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.
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"> 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>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"> - 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

		<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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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"> - 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; - 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). <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"> - 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; - 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). <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> The Alienator is JSC RAO ES East. The Acquirer is PJSC Sakhalinenergo.</p> <p><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. 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: 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> Seller - PJSC RusHydro; Buyer - JSC Inter RAO Capital.</p> <p><u>Subject of the Agreement:</u> 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"> - RUB 3.3463 (three point and three thousand four hundred sixty-three ten thousandths) for one ordinary share; - Payment for Shares shall be made in cash by installments for 18 months. <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: 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 Pevk-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 ¹⁵ .	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

¹⁵The 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"> – the determination of the quantity and nominal value of a declared share of HYDROOGK ALUMINUM COMPANY LIMITED; – the increase in the authorized capital of HYDROOGK ALUMINUM COMPANY LIMITED. 	<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"> – 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); – 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.
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"> • 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). 2. Deem the following to meet target date: <ul style="list-style-type: none"> – 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

		<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"> - The results of the comparison of the level of technological development; - Proposals for adjusting the innovative development program and the long-term development program; - Proposals concerning the composition and values of the integral key performance indicator (hereinafter - IKPI) for 2019.
	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"> - 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. - under para. 2: D. Rizhinashvili, Member of the Management Board, First Deputy General Director
	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 entities¹⁶:</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>

¹⁶ 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 Lengidroproekt, JSC Mosoblidroproekt.

		<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"> 1. Take due note of the interim progress report on the further action plan at Zagorskaya PSPP-2 (Annex No. 1 to this decision). 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.

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"> - 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; - budget allocations from the Reserve Fund of the Government of the Russian Federation in the amount of RUB 3 bn.
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"> 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"> – obligations to repay the loan in the amount of RUB 7,000,000,000 (seven billion) 00 kopecks maximum; – 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. <p>The price of the Loan Agreement does not exceed RUB 10,150,000,000 (ten billion one hundred fifty million) 00 kopecks.</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>Parties to the Loan Agreement:</p> <ul style="list-style-type: none"> - Lender - Far East and Baikal Region Development Fund (OGRN 1112721010995); - Borrower - RusHydro (Company). <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>

		<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"> - the first down-payment: January 31, 2019; - then - quarterly in equal installments; - last payment: no later than June 30, 2026. <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"> - 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), - 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 - 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; - 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); - other purposes related to the work at the off-site infrastructure facilities agreed in writing by the Parties. <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 dtd December 12, 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 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 dtd December 12, 2018	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 dtd December 24, 2018	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"> 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). 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.
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>Issue 1: 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>Issue 2: 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>Issue 1: 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 (Annex No. 1).</p> <p>Issue 2: 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 Annex No. 2 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>Issue 1. 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>Issue 2. 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>Issue 3. On recommendations to RusHydro's Board of Directors on the</p>	<p>Issue 1: 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>Issue 2. 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>Issue 3: 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)	Issue 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 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>Issue 1: 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>Issue 1. 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>Issue 2. 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>Issue 1: 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) (Annex No. 1).</p> <p>Issue 2: 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 (Annex No. 2).</p>
Minutes No. 103 dated	Issue 1. On recommendations to	Issue 1: 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>Issue 2. 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>Issue 3. 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>Issue 4. 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>Issue 2:</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">– 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), %” <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>Issue 3: 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>Issue 4: 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>Issue 1. 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>Issue 1: 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			
	Issue 2. 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	Issue 2: 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	Issue 1. 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). Issue 2. 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). Issue 3. On approval of the Action Plan of the investment Committee of RusHydro’s Board of Directors for H1 2018.	Issue 1: 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. Issue 2: 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) (Annex No. 1). Issue 3: Approve the Action Plan of the Investment Committee of RusHydro’s Board of Directors for H1 2018 (Annex No. 2).			
Minutes No. 106 dtd June 21, 2018	Issue 1. 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.	Issue 1: 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 (Annex No. 1). Issue 2: 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>Issue 2. 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>Issue 3. 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>Issue 4. 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>Issue 3: 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>Issue 4: 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>Issue 1. On election of the Deputy Chairman of the Investment Committee of the Company's Board of Directors.</p> <p>Issue 2. On the election of the Secretary of the Investment Committee of the Company's Board of Directors.</p> <p>Issue 3. On approval of the Action Plan of the investment Committee of RusHydro's Board of Directors for H2 2018.</p> <p>Issue 4. 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>Issue 5. 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>Issue 1: 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>Issue 2: 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>Issue 3: Approve the Action Plan of the Investment Committee of RusHydro's Board of Directors for H2 2018 (Annex No. 1).</p> <p>Issue 4: 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 (Annex No. 2).</p> <p>Issue 5: 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 (Annex No. 3). 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>Issue 6: 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>Issue 6. 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>Issue 7. 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>Issue 8. 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>Issue 9. 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>(Annex No. 4).</p> <p>Issue 7: 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) (Annex No. 5).</p> <p>Issue 8: Recommend to RusHydro's Board of Directors to make the following decision: 1. Approve the revised Business Plan of the Company for 2018 (Annex No. 6). 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>Issue 9: 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 (Annex No. 7). 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") (Annex No. 8).</p>
Minutes No.108 dtd September 26, 2018	<p>Issue 1: 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>Issue 1: 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>Issue 1. On recommendations to the Board of Directors of the Company on the item: On approval of the interim</p>	<p>Issue 1: 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>Issue 2. 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>Issue 3. 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) (Annex No. 1).</p> <p>Issue 2: 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 (Annex No. 2).</p> <p>Issue 3: 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) (Annex No. 3).</p>
Minutes No. 111 dtd December 21, 2018 (joint meeting)	<p>Issue No. 1. 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>Issue No. 2. 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>Issue No. 3. 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>Issue No. 4. On recommendations to the Board of Directors of the Company on the item: On the revision of the</p>	<p>Issue 1: Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> 1. Approve RusHydro's Business Plan for 2019 (Annex No. 1). 2. Approve RusHydro's Investment Program for 2019 (Annex No. 1.2 to the RusHydro's Business Plan for 2019–2023). 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). 4. Take due note of RusHydro's Business Plan for 2020–2023 (Annex No. 1), including RusHydro's Investment Program for 2020–2023 (Annex No. 1.2 to RusHydro's Business Plan for 2019–2023). <p>Issue 2: Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> 1. Approve the Consolidated Business Plan (including the Consolidated Investment Program) of the RusHydro Group for 2019-2023 (Annex No. 2). 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>Issue 3: Recommend to the Company's Board of Directors to make the following decisions:</p> <ol style="list-style-type: none"> 1. Approve: <ul style="list-style-type: none"> – Target values of annual key performance indicators for members of RusHydro's Management Board for 2019 (Annex No. 3.1). – Target KPI values under Cycle Three of RusHydro's Long-Term Motivation Program for 2019–2021

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>Issue No. 5: 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>Issue No. 6: 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>Issue No. 7: 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>(Annex 3.2);</p> <ul style="list-style-type: none"> – Changes in the adjusted target KPI values under Cycle One of RusHydro's Long-Term Motivation Program for 2017–2019 (Annex 3.3); – Changes in the adjusted target KPI values under Cycle Two of RusHydro's Long-Term Motivation Program for 2018–2020 (Annex 3.4). <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>Issue 4: Recommend to the Company's Board of Directors to make the following decision:</p> <ol style="list-style-type: none"> 1. Take due note of the information on the incident at Sakhalin GRES-2 (Annex No. 4.1). 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. 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. 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 (Annexes Nos. 4.2, 4.2a). <p>Issue 5: Recommend to the Company's Board of Directors to make the following decision: Approve RusHydro's Annual Comprehensive Procurement Program for 2019 (Annex No. 5).</p> <p>Issue 6: 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"> 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"> – 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

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"> • 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. <p>Issue 7: 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"> – 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.

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.
Total					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 Directors¹⁷ and the Terms of Reference for auditing the progress on the Long-term Development Program¹⁸ developed in line with the recommendations of the Russian Government¹⁹.

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 IFRS²⁰.

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)²¹.

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 2018²², allowing for the adjustment to RusHydro's Investment Program²³.

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.

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

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

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

²⁰ Hereinafter referred to as the International Financial Reporting Standards.

²¹ 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.

²² 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).

²³ 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 ²⁴	41,021	40,150	-871	-2.1%
Government subsidies	39,669	41,648	1,979	5.0%
Other revenues ⁹	34,716	31,419	-3,297	-9.5%
Other operating income	4,247	5,452	1,205	28.4%
Total operating income and government subsidies	406,522	405,870	-652	-0.2%

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
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²⁴ 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.

			Abs.	Rel.
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 ²⁵	10,239	13,345	3,106	30.3%
Infrastructure payments related to the sales of electricity and heat ²⁶	48,398	46,806	-1,592	-3.3%
Purchased energy (power)	43,296	41,811	-1,485	-3.4%
Other expenses (balance) ²⁷	7,017	5,906	-1,111	-15.8%
TOTAL current operating expenses	331,592	314,850	-16,742	-5.0%

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

Items	2018 target	2018 actual	Target/actual deviation	
			Abs.	Rel.
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%

²⁵ 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.

²⁶ 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.

²⁷ 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 ²⁸	-24,221	11,505	-32.2%
Loss from impairment of accounts receivable, net	-4,156	-5,379	-1,223	29.4%
Operating profit	35,048	61,420	26,372	75.2%
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%
Profit before tax	29,845	47,859	18,014	60.4%
Income tax expenses	-15,043	-16,022	-979	6.5%
Profit for the period	14,803	31,837	17,034	-115.1%

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 ²⁹adjusted 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-p³⁰ 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 ³¹(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

²⁸ 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).

²⁹ 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).

³⁰ 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.

³¹ 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.

2018.³² The updated size of funding for 2018, adjusted for the revised RusHydro's Business Plan³³ and RusHydro Group's Consolidated Investment Program³⁴, 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 2018³⁵

Funding stream	Financing plan for 2018, RUB million	Actual Financing for 2018, RUB million	Delivery of the annual plan, %
RusHydro Group's core business companies	88,423.34	81,334.80	92%
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%
RusHydro Group's non-core business companies	1,858.49	1,491.48	80%
Total Consolidated Investment Program	90,281.83	82,826.28	92%
<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.

³² Approved as part of RusHydro Group's Consolidated Business Plan.

³³ 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).

³⁴ 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.

³⁵ 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/h³⁶.

RusHydro's Production Program

The approved Long-term Development Program accommodates the costs³⁷ for production programs for 2018-2022³⁸:

- According to the program of repairs in the amount of RUB 15,985.83 million²¹, including in 2018 – RUB 2,972.98 million.

- According to the maintenance program in the amount of RUB 6,180.87 million²¹, including in 2018 – RUB 1,082.74 million.

- According to the R&D program in the amount of RUB 3,352.52 million²¹, including in 2018 – RUB 620.55 million.

In 2018, the production programs for 2018-2022 were adjusted³⁹ resulting in the following amount of costs:

- According to the program of repairs – RUB 16,589.49 million²³, including in 2018 – RUB 2,970.83 million.

- According to the maintenance program – RUB 6,381.15 million²³, including in 2018 – RUB 1,083.52 million.

- According to the R&D program – RUB 3,556.00 million²³, including in 2018 – RUB 616.39 million.

The Progress on the Programs in 2018

Program progress⁴⁰	Target Disbursement in 2018, RUB ml	Actual Disbursement in 2018 RUB million	Delivery of the annual plan, %
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:

³⁶ As of January 1, 2019.

³⁷ 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.

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

³⁹ 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.

⁴⁰ 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 mn⁴¹, of which RUB 12,992.60 mn for 2018⁴².

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 2018⁴³.

The Progress on the Program in 2018

Progress on the focus area⁴⁴	Target Disbursement for 2018, RUB mn	Actual Disbursement for 2018, RUB mn	Delivery, %
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 ⁴⁵the 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 stations⁴⁶ 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 ⁴⁷the 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 built⁴⁸); 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 transformers⁴⁹ (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

⁴¹ 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).

⁴² 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.

⁴³ 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.

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

⁴⁵ BKZ-210-140, station No. 10.

⁴⁶ KBTK-100-150.

⁴⁷ BKZ-160-100-20, station No. 2.

⁴⁸ Modular ready-to-operate gas distribution unit.

⁴⁹ 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 2025⁵⁰, financing for 2018–2020 activities amounts to RUB 7,325.7mn⁵¹, including: for RusHydro⁵² - 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 plan⁵³ 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 mn⁵⁴, 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 mn⁵⁵, 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

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

⁵¹ 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).

⁵² PJSC RusHydro (subsidiaries and branches), JSC NIIES, JSC Vedeneev VNIIG, JSC Institute Hydroproject, JSC Lengidroproekt, JSC Mosoblgidroproekt.

⁵³ 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 Vedeneev VNIIG, JSC Institute Hydroproject, JSC Lengidroproekt, JSC Mosoblgidroproekt.

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

⁵⁵ 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 mn⁵⁶, 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".

⁵⁶ 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 bn⁵⁷ 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-hour⁵⁸ (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.

⁵⁷ Including JSC Pauzhetskaya GeoPP - RUB 0.077 bn and PJSC Kolymaenergo - RUB 0.103 bn.

⁵⁸ 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 District⁵⁹ (hereinafter RusHydro's Far Eastern subsidiaries) as of December 31, 2018 amounted to RUR 33,808 mn⁶⁰ (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 mn⁴⁴ (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 mn⁴⁴ (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.

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

⁶⁰ 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 2027⁶¹, 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

⁶¹ 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 Policy⁶², 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;

⁶² 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 2018⁶³.

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).

⁶³Minutes 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"⁶⁴ calculated by the Rosstat methodology⁶⁵.

Achievement of target values for the Labor productivity indicator

Indicator	2018 target	2018 actual
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)".

Indicator	2018 target	2018 actual
Reduction of operating expenses (costs)	2%	2.69% ⁶⁶

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

Indicator	2018 target	2018 actual
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

⁶⁴ 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.

⁶⁵ Rosstat Order No. 576 dated September 23, 2014.

⁶⁶ 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

	2018 target	2018 actual
Share of imported equipment, %	23	23

In 2018, the Company finalized and the Board of Directors⁶⁷ 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 2018⁶⁸, the share of purchased domestic equipment is 94%⁶⁹.

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

	Indicator	Target 2018	2018 actual	Evaluation
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

⁶⁷ Minutes No. 275 of the Board of Directors dated August 9, 2018.

⁶⁸ Based on the analysis of purchases worth over RUB 250,000.

⁶⁹ 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 ⁷⁰	18%	76%	Achieved
		15%	46%	
5	Implementation of capacity commissioning schedules and financing and development plan ⁷¹	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 ⁷²
8	Integral Innovative KPI	85%	96%	Achieved
9	Total shareholder return	100%	0	Not achieved ⁷³
10	Free cash flow to the firm (FCFF), RUB mn	- 66,079	- 41,789	Achieved

⁷⁰ RusHydro's subsidiary.

⁷¹ 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.

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

⁷³ 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 CEO⁷⁴, managers⁷⁵ and heads of business units of the entity⁷⁶ (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

⁷⁴ 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.

⁷⁵ 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.).

⁷⁶ 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:

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

/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 EQUITY₀ 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_I 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 EQUITY₀ 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 EQUITY₁ 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, %;

Purch^{eff}SMB 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^{tot} 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 capacities⁷⁷);

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

⁷⁷For 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:

$$K^{vol\ fin}_{year} = \frac{Fin_{pl}}{K_{год}^{объемфин}} = \left[\frac{\Phi_{ин\ на\ ТП\ и\ Р}}{\Phi_{ин\ на}} * \left(1 - \frac{|\Delta\Phi_{ин\ на\ ТП\ и\ Р}|}{\Phi_{ин\ на}} \right) + \frac{\Phi_{ин\ на\ НС}}{\Phi_{ин\ на}} * \left(1 + \frac{\sum \Delta\Phi_{ин\ на\ НС}}{\Phi_{ин\ на}} \right) \right] * 100\%$$

, where:

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

$\Phi_{ин\ на\ ТП\ и\ Р}$ stands for the planned annual volume of financing for the Company's investees;

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

$|\Delta\Phi_{ин\ на\ ТП\ и\ Р}|$ stands for the module of deviation of the actual volume of financing for the Company's investees⁷⁸ in the reporting year from the planned volume.

$\sum \Delta\Phi_{ин\ на\ НС}$ 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:

⁷⁸ 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.

$$K_{\text{зод}}^{\text{объёмов}} = \left[\frac{Ocb_{nl}^{TIlup}}{Ocb_{nl}} * \left(1 + \frac{\Delta Ocb_{omchem}^{TIlup}}{Ocb_{nl}} \right) + \frac{Ocb_{nl}^{HC}}{Ocb_{nl}} * \left(1 + \frac{\sum \Delta Ocb_{omchem}^{HC}}{Ocb_{nl}} \right) \right] * 100\%$$

, where:

Sp_{pl} stands for the planned annual volume of spending;

Ocb_{nl}^{TIlup} stands for the planned annual volume of spending for the Company's investees;

Ocb_{nl}^{HC} stands for the summary planned annual volume of spending for the new construction projects;

$\Delta Ocb_{omchem}^{TIlup}$ stands for the deviation of the actual volume of spending from the planned volume for the Company's investees⁵⁴ in the reporting year.

$\sum \Delta Ocb_{omchem}^{HC}$ 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

$$\sum OE_i^{actual} = \sum OE_i^{reporting\ year} \cdot Expenses_i$$

where:

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

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

$$\Delta Expenses$$

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

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

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 period⁷⁹.

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.

⁷⁹ 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 payments⁸⁰ 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.

⁸⁰ 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):

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.

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.

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 2022ⁱ 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.

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.

ⁱ 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.

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 Reportⁱⁱ 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.

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.

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.

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:

ⁱⁱ 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.

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.

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 Significance⁸¹

In the IFRS financial statements of RusHydro Group, information about material subsidiaries is disclosed by particular segments arranged into groups by activity areas.⁸² 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:

⁸¹There was no change in material control over significant controlled legal entities.

⁸²More 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".⁸³

3. Joint-Stock Company Far East Generating Company (JSC FEGC /DGK)

The role performed for RusHydro Group and key activity areas:

⁸³This 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".⁸⁴

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.

⁸⁴ 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 PSHP-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 PSHP-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 PSHP-2 is placed in "Other segments".

7. Joint Stock Company Far-Eastern Grids Company (JSC FEGrC)⁸⁵

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".

⁸⁵ 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 PSHP-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	<u>Maturity Date:</u> 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. Parties and Beneficiaries to the Transaction: JSC DGK (Borrower), PJSC VTB BANK (Lender) Amount of a Transaction: 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

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET	1
STATEMENT OF FINANCIAL RESULTS	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
I. General information	7
1.1 Information about the Company.....	7
1.2 The Company's operating environment	8
II. Accounting policies	11
2.1 Basis of presentation	11
2.2 Assets and liabilities denominated in foreign currency.....	11
2.3 Accounting for assets and liabilities.....	11
2.4 Property, plant and equipment, construction-in-progress and income-bearing investments in tangible assets	12
2.5 Investments.....	13
2.6 Inventories.....	15
2.7 Expenses of future periods.....	15
2.8 Accounts receivable	15
2.9 Cash equivalents and presentation of cash flows in the statement of cash flows ...	16
2.10 Share capital, additional and reserve capital	16
2.11 Loans and bank credits received	16
2.12 Estimated liabilities, contingent liabilities and contingent assets	16
2.13 Revenue recognition.....	17
2.14 Recognition of expenses.....	17
2.15 Changes in the accounting policies	18
III. Disclosure of material indicators	19
3.1 Non-current assets (Section I of the balance sheet).....	19
3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet),.....	19
3.1.2 Long-term investments (line 1170 of the balance sheet)	23
3.1.3 Other non-current assets (line 1190 of the balance sheet)	28
3.2 Current assets (Section II of the balance sheet)	28
3.2.1 Inventories (line 1210 the balance sheet)	28
3.2.2 Accounts receivable (line 1230 of the balance sheet)	28
3.2.3 Short-term investments (Line 1240 of the balance sheet).....	33
3.2.4 Cash and cash equivalents (line 1250 of the balance sheet).....	35
3.3. Equity and reserves (Section III of the balance sheet)	37
3.3.1 Share capital (line 1310 of the balance sheet)	37

3.3.2	Revaluation of non-current assets (line 1340 of the balance sheet)	38
3.3.3	Additional paid-in capital (line 1350 of the balance sheet)	38
3.3.4	Reserve capital (line 1360 of the balance sheet)	38
3.4.	Non-current liabilities (Section IV of the balance sheet)	38
3.4.1	Long-term borrowings (line 1410 of the balance sheet)	38
3.4.2	Other non-current liabilities (line 1450 of the balance sheet)	40
3.5.	Current liabilities (Section V of the balance sheet)	40
3.5.1	Short-term borrowings (line 1510 of the Balance sheet)	40
3.5.2	Accounts payable (line 1520 of the balance sheet)	41
3.5.3	Estimated liabilities (line 1540 of the balance sheet)	41
3.6.	Off-balance-sheet valuables	42
3.6.1	Leased property, plant and equipment	42
3.6.2	Collateral for liabilities and payments received	42
3.6.3	Collateral for liabilities and payments issued	43
3.6.4	Non-deliverable forward contract for shares	44
3.7	Income and expenses on operating activities (statement of financial results)	45
3.7.1	Revenue (line 2110 of the statement of financial results)	45
3.7.2	Cost of sales (line 2120 of the statement of financial results)	45
3.8	Other income and expenses (line 2340 and line 2350 of the statement of financial results)	46
3.9	Taxes	46
3.10	Dividends	49
3.11	Earnings per share	49
3.12	Related Parties	49
3.12.1	Controlling entity	49
3.12.2	Sales to related parties	49
3.12.3	Purchases from related parties	50
3.12.4	Settlements with non-state pension fund	50
3.12.5	Settlements with related parties	51
3.12.6	Related parties' debt within investments	51
3.12.7	Income from investments in other companies (related parties)	52
3.12.8	Remuneration to key management personnel	52
3.12.9	Cash flows between the Company and subsidiaries/associates	52
3.13	Segment Information	53
3.14	Contingent liabilities	53
3.15	Financial risk management	54
3.16	Subsequent events	57

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PJSC RusHydro (the “Company”) as at 31 December 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.

Basis for opinion

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

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

Independence

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

Emphasis of matter

We draw attention to Note 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*

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

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> Overall materiality: Russian Roubles (“RUB”) 2,570 million, which represents 5% of the average profit before tax for the last three years.
Key audit matter	<ul style="list-style-type: none"> Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties

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.

Overall materiality	RUB 2,570 million
How we determined it	5% of the average profit before tax for the last three years
Rationale for the materiality benchmark applied	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><i>Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties</i></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"> • understanding of how impairment estimates were calculated; • review of the methodology used by Company's management for the impairment test purposes; • review of reasonableness of accounting estimates made by the management and management's position on whether there are indicators of assets' potential impairment; • review on a test basis of key assumptions and source data used in the impairment tests and their compliance with the approved budgets and business plans, external available and reliable information and our expert knowledge of industry specifics; • review of the collectability analysis performed by management taking into account the solvency analysis of contractors as at the reporting date, any intention to allow payment by instalments and other factors considered by management; • review on a test basis of the calculation accuracy and appropriateness of presentation in the financial statements of

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"> • receipt and analysis of management's written representations related to performed impairment testing of these assets. <p>Following the results of our procedures, we believe that estimates and judgements made by management with regard to the impairment of investments and accounts receivable of related parties are relevant for the purposes of the attached financial statements.</p> <p>Acceptability of the current estimates made by the Company management for the purpose of the financial statements for the year ended 31 December 2017 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>In addition, we verified compliance of disclosures in paras 2.5, 2.8, 3.1.2, 3.2.2, 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)
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 OKVED
 OKOPF/OKFC
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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
	ASSETS				
	I. NON-CURRENT ASSETS				
	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
	Total Section I	1100	767,486	738,193	708,486
	II. CURRENT ASSETS				
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
	Total Section II	1200	269,321	244,986	200,187
	TOTAL	1600	1,036,807	983,179	908,673

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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
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
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
	Total Section III	1300	851,206	825,684	769,336
	IV. LONG-TERM LIABILITIES				
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
	Total Section IV	1400	150,325	93,075	112,270
	V. SHORT-TERM LIABILITIES				
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
	Total Section V	1500	35,276	64,420	27,067
	TOTAL	1700	1,036,807	983,179	908,673

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

28 February 2019

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
0710002
2018/12/31
75782411
2460066195
35.11.2
12247 / 41
385

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)
	Gross profit	2100	65,966	60,890
	Profit from sales	2200	65,966	60,890
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)
	Profit before tax	2300	50,098	49,478
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)
	Net profit	2400	36,726	36,149
	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**

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

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
Equity as of 31 December 2016	3100	386,255	111,129	11,278	260,674	769,336
for 2017						
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
Equity as of 31 December 2017	3200	426,289	111,030	13,371	274,994	825,684
for 2018						
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
Equity as of 31 December 2018	3300	426,289	110,861	15,179	298,877	851,206

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
(clarification of signature)

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
Public joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **RUB mln**

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CODES
0710004
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35.11.2
12247 / 41
385

Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	Cash flows from operating activities			
	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)
	Net cash flows from operating activities	4100	66,308	54,382
	Cash flows from investing activities			
	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)	-
	Net cash flows from investing activities	4200	(88,781)	(77,149)

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Note	Narrative	Line code	For 2018	For 2017
1	2	3	4	5
	Cash flows from financing activities			
	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)
	Net cash flows from financing activities	4300	14,262	32,763
	Net cash flows for the reporting period	4400	(8,211)	9,996
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	50,929	40,954
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	42,971	50,929
	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.

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

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

Depreciation is not accrued on:

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

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

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

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

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in

their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

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

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
Line 1151 Property, plant and equipment, including:			
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
Total line 1151 "Property, plant and equipment"	386,401	382,007	372,514

PJSC RusHydro
Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

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
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:	11,168	14,885
Machinery and equipment	10,121	13,472
Facilities and transmission equipment	946	1,099
Buildings	89	314
Business and administrative equipment and stock	12	-
Decrease in value of property, plant and equipment as a result of partial liquidation including:	85	85
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

PJSC RusHydro
Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Construction-in-progress and purchase of property, plant and equipment

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2017	36,595	27,209	(58)	29	(26,147)	37,628
	2018	37,628	16,732	(85)	(8)	(21,584)	32,683
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:

Narrative	31 December 2018	31 December 2017	31 December 2016
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
Total line 1170 "Financial investments"	343,606	312,149	292,273

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

PJSC RusHydro
Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results
(in millions of Russian Roubles unless otherwise stated)

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
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, %
Subsidiaries	264,824		237,257		244,104	
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	
Associates:	11,110		11,110		11,110	
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%
Other entities:	1,544		8,363		9,373	
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	
Total:	277,478		256,730		264,587	

* 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, %
Long-term loans issued to related parties, including:					
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		
Total long-term loans issued	66,128	55,419	27,085		

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
Total expenses of future periods, including:	3,306	4,834	5,576
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
Total line 1210 "Inventories"	4,765	4,258	4,252

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
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	53,687	54,713	62,615

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

Issuer	31 December 2018	31 December 2017	31 December 2016
Other related parties, including:	25,689	25,689	25,689
PJSC Boguchanskaya GES	21,027	21,027	21,027
CJSC Boguchansky Aluminium Plant	4,662	4,662	4,662
Total interest-free promissory notes received from related parties	25,689	25,689	25,689
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
Total interest-free promissory notes received from other counterparties	5,285	4,242	3,623
Total long-term interest-free promissory notes receivable	30,974	29,931	29,312

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
Subsidiaries, including:	89	782	645
JSC Hydroremont-VKK	5	747	616
Other	84	35	29
Other related parties, including:	-	-	325
LLC VolgaHydro	-	-	325
Total advances issued to related parties	89	782	970
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
Total advances issued to other counterparties	16,284	18,915	18,706
Total advances issued to suppliers of equipment and capital construction contractors	16,373	19,697	19,676

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
Subsidiaries, including:	148	2,232	10,890
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
Other related parties	-	2	7
Total interest-free loans issued to related parties	148	2,234	10,897
Other	293	366	361
Total interest-free loans issued to other counterparties	293	366	361
Total long-term interest-free loans issued	441	2,600	11,258

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

Counterparty	31 December 2018	31 December 2017	31 December 2016
Interest receivable accrued on loans issued and promissory notes received, including:	5,766	2,243	1,702
Subsidiaries	5,766	2,243	1,702
Other accounts receivable	92	208	337
Total other long-term accounts receivable	5,858	2,451	2,039

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

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer to provision for short-term receivables	At the end of the year
Impairment provision for long-term accounts receivable, including:	2017	2,879	-	-	-	(144)	2,735
	2018	2,735	-	-	-	-	2,735
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
Buyers and Customers, including:	6,879	6,726	7,120
Accounts receivable for electricity and capacity	6,822	6,649	6,214
Other	57	77	906
Advances issued, including:	7,059	4,276	10,206
Advances issued to suppliers of equipment and capital construction contractors	6,496	3,754	9,641
Other advances issued	563	522	565
Other debtors, including:	118,145	111,593	69,673
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
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	132,083	122,595	86,999

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
Subsidiaries, including:	1,999	1,013	1,207
JSC Hydroremont – VKK	1,303	582	838
Other	696	431	369
Other related parties, including:	-	3	475
LLC VolgaHydro	-	3	475
Total advances issued to related parties	1,999	1,016	1,682
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
Total advances issued to other counterparties	4,497	2,738	7,959
Total advances issued to suppliers of equipment and capital construction contractors	6,496	3,754	9,641

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
Subsidiaries, including:	2,142	2,142	5,457
JSC MGES Kabardino-Balkarii	2,142	2,142	2,142
JSC Zaramagskie GES	-	-	3,090
Other	-	-	225
Total interest-free promissory notes from related parties	2,142	2,142	5,457
Other	201	243	2
Total interest-free promissory notes from other counterparties	201	243	2
Total short-term interest-free promissory notes received	2,343	2,385	5,459

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
Subsidiaries, including:	94,113	64,253	30,700
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
Other related parties, including:	-	4	7
Loans issued to the Company's key management	-	4	7
Total interest-free loans issued to related parties	94,113	64,257	30,707
Total short-term interest-free loans issued to other counterparties	68	74	85
Total short-term interest-free loans issued	94,181	64,331	30,792

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
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	10,272	29,621	22,997

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
Total tax receivables	3,437	3,322	676

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

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer*	At the end of the year
Provision for short-term accounts receivable, including	2017	13,129	3,508	(3,965)	(97)	144	12,719
	2018	12,719	4,409	(2,652)	(95)	-	14,381
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
Total, including:	10,045	624	9,098	810	8,594	1,721
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	-
Total line 1240 "Investments" (excluding cash equivalents)	35,770	12,450	5,305

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			
Short-term investments, including:	2017	7,561	(2,256)	50,589	(43,551)	-	107	14,599	(2,149)
	2018	14,599	(2,149)	50,660	(26,896)	-	(444)	38,363	(2,593)
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
Total bank deposits			29 585	163	4 075

(b) Short-term loans issued

Loan recipient's name	31 December 2018	31 December 2017	31 December 2016	Annual rate, %
Short-term loans issued to related parties, including:				
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	
Total short-term loans issued	5,584	11,686	1,230	

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
Total line 1250 "Cash and cash equivalents"	42,971	50,929	40,954

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
Bank deposits, including:					
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
Total cash equivalents			34,170	47,835	32,849
Cash in banks, including:					
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
Total cash in bank			7,902	2,194	7,206

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
Other receipts from operating activities (line 4119), including:	10,759	2,214
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
Other payments related to operating activities (line 4129), including:	(18,563)	(16,899)
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)
Other payments related to investing activities (line 4219), including:	-	3,934
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%
Total		426,288,813,551	100.00%

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:

Lender / creditor	31 December 2018	31 December 2017	31 December 2016
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	-	-

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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
Total line 1410 "Borrowings"	128,177	71,698	94,848

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%

PJSC RusHydro

Explanatory Notes to the 2018 Balance sheet and Statement of Financial Results

(in millions of Russian Roubles unless otherwise stated)

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
Total line 1410 "Borrowings"	128,177	71,698	94,848

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
Borrowings, including:	17 802	47 412	11 367
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
Interest on borrowings, including:	1 967	2 846	2 658
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
Total line 1510 "Borrowings"	19 769	50 258	14 025

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
Total line 1520 "Accounts payable"	11,703	10,563	9,681

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
Total line 1521 "Trade accounts payable"	4,978	4,040	4,190

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
Total line 1524 "Taxes payable"	5,408	5,242	4,697

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
Estimated liabilities, including:	2017	2,447	3,201	(2,381)	(291)	2,976
	2018	2,976	3,204	(2,953)	(364)	2,863
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
Total rent of property, plant and equipment	36,256	35,760	32,671
LLC Leasefinance	-	-	1,022
CJSC Business Alliance	-	-	169
Total lease of property, plant and equipment under lease contracts	-	-	1,191
Total rent and lease of property, plant and equipment	36,256	35,760	33,862

*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
Subsidiaries, including:	5,530	5,320	9,029
JSC Gidroinvest	5,320	-	984

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Counterparty	31 December 2018	31 December 2017	31 December 2016
Subsidiaries, including:	5,530	5,320	9,029
LLC EZOP	-	3,214	5,428
LLC Vostok-finans	-	2,106	2,106
Others	210	-	511
Other related parties	8	18	33
Total liabilities and payments received from related parties	5,538	5,338	9,062
Other counterparties, including:	18,333	16,337	17,991
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
Total collateral for liabilities and payments received	23,871	21,675	27,053

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
Collateral for liabilities and payments issued to subsidiaries, including:		28,699	30,688	48,853
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
Collateral for liabilities and payments issued to other related parties, including:		25,642	52,228	53,073
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
Total collateral for liabilities and payments issued		54,341	82,916	101,926

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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%).

Item	2018	2017
Sale of electricity	85,059	78,900
Sale of capacity	77,359	65,393
Sale of heat	166	157
Other	229	247
Total line 2110 "Revenue"	162,813	144,697

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

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

Item	2018	2017
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
Total line 2120 "Cost of sales"	96,847	83,807

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
Total for elements of costs	96,847	83,807
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	96,847	83,807

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)
Total line 2340 "Other income" and 2350 "Other expenses"	14,840	(31,978)	7,895	(22,349)

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
Total line 1420 "Deferred tax liabilities"	19,308	17,113	13,676

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
Basic earnings per share (RUB)	0,0862	0,0890

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.

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
Revenue from sales to subsidiaries, including:		
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
Revenue from sales to related parties, including:		
PJSC Boguchanskaya GES	115	112
CJSC Boguchanskiy Alluminievy zavod	160	54
Total sales to related parties	11,301	9,322

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
Construction-and-assembling operations, survey and design works, research and development, including:		
Subsidiaries		
JSC Hydroremont-VKK	1,259	1,559
JSC Institut Hydroproject	257	309
JSC Mosoblhydroproject	111	228
JSC Lenhydroproject	89	240
Other	251	327
Total construction-and-assembling operations, survey and design works, research and development:	1,967	2,663
Services rendered by related parties, including:		
Subsidiary company:		
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
Other related parties	-	7
Services rendered by related parties, total	7,186	6,973
Purchased electricity	2	2
Total purchases from related parties	9,115	9,638

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
Total accounts receivable from related parties	142,792	140,726	110,887

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
Total accounts payable to related parties	978	1,019	1,245

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
Total related parties' debt within investments	72,313	67,706	28,916
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
Subsidiaries, including:	4,538	3,689
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
Other subsidiaries	91	63
Total interest income	4,629	3,752

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
Total income from investments in subsidiaries	599	2,303

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
Cash flows from operating activities			
Receipts, including:	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	-
Payments, including:	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
Cash flows from investing activities			
Receipts, including:	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
Payments, including:	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)
Cash flows from financing activities			
Receipts, including:	4310	4,247	676
borrowings and bank loans	4311	4,247	676
Payments, including:	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
Net cash flows for the reporting period	4400	(36,072)	(64,277)

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
31 December 2018			
US Dollars	161	-	161
Euro	-	(1,237)	(1,237)
Chinese yuan*	-	(15,254)	(15,254)
Total	161	(16,491)	(16,330)
31 December 2017			
US Dollars	704	-	704
Euro	-	(6,112)	(6,112)
Total	704	(6,112)	(5,408)
31 December 2016			
US Dollars	547	-	547
Euro	-	(11,716)	(11,716)
Total	547	(11,716)	(11,169)

*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
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	277,478	256,730	264,587

* 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

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Income Statement	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Changes in Equity	6

Notes to the Consolidated Financial Statements

Note 1.	The Group and its operations	8
Note 2.	Summary of significant accounting policies	8
Note 3.	Changes in accounting policies and adoption of new or revised standards and interpretations	19
Note 4.	New accounting pronouncements	23
Note 5.	Principal subsidiaries	25
Note 6.	Segment information	28
Note 7.	Related party transactions	31
Note 8.	Property, plant and equipment	33
Note 9.	Investments in associates and joint ventures	36
Note 10.	Financial assets at fair value through profit or loss and available-for-sale financial assets (as at 31 December 2017)	40
Note 11.	Other non-current assets	40
Note 12.	Cash and cash equivalents	41
Note 13.	Accounts receivable and prepayments	42
Note 14.	Inventories	43
Note 15.	Other current assets	43
Note 16.	Equity	44
Note 17.	Income tax	45
Note 18.	Pension benefit obligations	46
Note 19.	Current and non-current debt	49
Note 20.	Non-deliverable forward contract for shares	51
Note 21.	Other non-current liabilities	51
Note 22.	Accounts payable and accruals	52
Note 23.	Other taxes payable	52
Note 24.	Revenue	52
Note 25.	Government grants	53
Note 26.	Operating expenses (excluding impairment losses)	53
Note 27.	Finance income, costs	54
Note 28.	Earnings per share	54
Note 29.	Capital commitments	54
Note 30.	Contingencies	54
Note 31.	Financial risk management	56
Note 32.	Management of capital	59
Note 33.	Fair value of assets and liabilities	59
Note 34.	Presentation of financial instruments by measurement category	61
Note 35.	Subsequent events	62
Note 36.	Accounting policies before 1 January 2018	62



Independent Auditor's Report

To the Shareholders and Board of Directors of Public joint stock company Federal Hydro-Generating Company – RusHydro:

Our opinion

In our opinion, the 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.

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.

Overall group materiality	RUB 4,000 million
How we determined it	1% of total revenues and government grants
Rationale for the materiality benchmark applied	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>Transition to the model of accounting for property, plant and equipment at cost less accumulated depreciation and impairment losses</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"> • analysis of management's judgements made when changing the accounting policy for property, plant and equipment, for reasonableness; • evaluation of whether the Group management used reasonable and relevant methodology for the transition to the new property, plant and equipment accounting model; • assessment of competence, skills, experience and objectivity of the management's experts;

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"> • 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; • 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. <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"> • evaluation of the methodology used by the Group management for the impairment test; • 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; • assessment of competence, skills, experience and objectivity of the management's experts; • 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; • examination, on a sample basis, of mathematical accuracy of financial models used by management to assess the impairment of property, plant and equipment ; • consideration of potential impact of reasonably possible changes in key assumptions; • obtaining and reviewing management's written representations related to their property, plant and equipment impairment test. <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"> • examination, on a sample basis, of prior period payments, if the information on such payments was used in the calculation of expected credit losses; • 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; • obtaining and analysing written representations from the management with regard to the assessment of the allowance for credit losses in relation to trade receivables. <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'. 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><i>Treatment of the non-deliverable forward contract for shares</i></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"> • 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; • 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; • 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; • assessment of competence, skills, experience and objectivity of the management's experts; • testing the mathematical accuracy of the financial instrument fair value calculation; • consideration and assessment of the potential impact of reasonably possible changes in the key assumptions; • obtaining and analysing management's written representations related to the treatment of the non-deliverable forward contract. <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.

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.

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.

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)
ASSETS				
Non-current assets				
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
Total non-current assets		722,529	716,584	674,285
Current assets				
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
		208,952	155,119	148,453
Non-current assets classified as held for sale	9	450	-	-
Total current assets		209,402	155,119	148,453
TOTAL ASSETS		931,931	871,703	822,738
EQUITY AND LIABILITIES				
Equity				
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
Equity attributable to the shareholders of PJSC RusHydro		576,401	560,502	511,076
Non-controlling interest		9,818	9,106	10,505
TOTAL EQUITY		586,219	569,608	521,581
Non-current liabilities				
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
Total non-current liabilities		225,634	150,847	184,501
Current liabilities				
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
Total current liabilities		120,078	151,248	116,656
TOTAL LIABILITIES		345,712	302,095	301,157
TOTAL EQUITY AND LIABILITIES		931,931	871,703	822,738

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)
Operating profit excluding impairment losses		91,020	81,892
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)
Operating profit		61,420	50,634
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
Profit before income tax		47,859	38,386
Income tax expense	17	(16,022)	(13,612)
Profit for the year		31,837	24,774
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
Other comprehensive income, net of tax:			
<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	-
Total items that will not be reclassified to profit or loss		458	344
<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)
Total items that may be reclassified subsequently to profit or loss		71	(2,559)
Total other comprehensive income / (loss)		529	(2,215)
Total comprehensive income for the year		32,366	22,559
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		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		47,859	38,386
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
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		109,399	103,556
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)
Net cash generated by operating activities		84,551	78,125
CASH FLOWS FROM INVESTING ACTIVITIES:			
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
Net cash used in investing activities		(87,041)	(60,013)



	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES:			
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)
Net cash used in financing activities		(2,291)	(15,064)
Effect of foreign exchange differences on cash and cash equivalents balances		57	(246)
(Decrease) / increase in cash and cash equivalents		(4,724)	2,802
Cash and cash equivalents at the beginning of the year		70,156	67,354
Cash and cash equivalents at the end of the year	12	65,432	70,156

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
As at 1 January 2017		386,255	(22,578)	39,202	(135,075)	(538)	182,968	16,909	459	179,067	646,669	4,263	650,932
Effect of changes in accounting policy	3	-	-	-	-	132	(182,968)	(32)	-	47,275	(135,593)	6,242	(129,351)
As at 1 January 2017 (restated)		386,255	(22,578)	39,202	(135,075)	(406)	-	16,877	459	226,342	511,076	10,505	521,581
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)
Total comprehensive income		-	-	-	-	(9)	-	(2,524)	188	26,404	24,059	(1,500)	22,559
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
As at 31 December 2017 (restated)		426,289	(4,613)	39,202	(135,075)	(415)	-	14,353	647	220,114	560,502	9,106	569,608
<i>Reference:</i>													
As at 31 December 2017		426,289	(4,613)	39,202	(135,075)	(547)	181,163	14,356	647	171,423	692,845	2,719	695,564
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
As at 1 January 2018 (restated)	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
As at 1 January 2018 (restated)		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
Total comprehensive income		-	-	-	-	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
As at 31 December 2018		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
Total non-current assets	873,132	(156,548)	716,584	834,993	(160,708)	674,285
TOTAL ASSETS	1,028,251	(156,548)	871,703	983,446	(160,708)	822,738
Retained earnings and other reserves	231,967	(132,343)	99,624	243,790	(135,593)	108,197
Equity attributable to the shareholders of PJSC RusHydro	692,845	(132,343)	560,502	646,669	(135,593)	511,076
Non-controlling interest	2,719	6,387	9,106	4,263	6,242	10,505
TOTAL EQUITY	695,564	(125,956)	569,608	650,932	(129,351)	521,581
Deferred income tax liabilities	41,695	(30,592)	11,103	39,086	(31,357)	7,729
Total non-current liabilities	181,439	(30,592)	150,847	215,858	(31,357)	184,501
TOTAL LIABILITIES	332,687	(30,592)	302,095	332,514	(31,357)	301,157
TOTAL EQUITY AND LIABILITIES	1,028,251	(156,548)	871,703	983,446	(160,708)	822,738

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)



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)
Operating profit excluding impairment losses	77,749	4,143	81,892
Impairment of property, plant and equipment	(24,000)	(1,301)	(25,301)
Operating profit	47,792	2,842	50,634
Share of results of associates and joint ventures	417	25	442
Profit before income tax	35,519	2,867	38,386
Income tax expense	(13,068)	(544)	(13,612)
Profit for the year	22,451	2,323	24,774
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	-
Total items that will not be reclassified to profit or loss	(699)	1,043	344
Loss arising on available-for-sale financial assets	(2,561)	29	(2,532)
Total items that may be reclassified subsequently to profit or loss	(2,588)	29	(2,559)
Other comprehensive loss	(3,287)	1,072	(2,215)
Total comprehensive income for the year	19,164	3,395	22,559
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
As at 31 December 2017 – IAS 39	18,493	-	18,493
Reclassification of available-for-sale financial assets to FVPL	(17,953)	17,953	-
As at 1 January 2018 – IFRS 9	540	17,953	18,493

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:

Retained earnings as at 31 December 2017 (restated)	220,114
Non-controlling interest as at 31 December 2017 (restated)	9,106
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)
Total change in retained earnings	14,562
Total change in non-controlling interest	55
Retained earnings as at 1 January 2018	234,676
Non-controlling interest as at 1 January 2018	9,161

- **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.

	31 December 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
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:

	31 December 2018		31 December 2017	
	% of ownership	% of voting	% of ownership	% of voting
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.

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)



Principal subsidiaries included in other segments are presented below:

		31 December 2018		31 December 2017	
		% of ownership	% of voting	% of ownership	% of voting
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:

	RAO ES East subgroup		including DEK subgroup	
Financial position	31 December 2018	31 December 2017 (restated)	31 December 2018	31 December 2017 (restated)
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)
Net assets / (liabilities)	7,249	3,392	(12,444)	(8,231)
Calculated value of non-controlling interest	13,226	12,354	5,183	6,949
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)
Carrying value of non-controlling interest	8,917	8,045	1,745	3,511
	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Financial results				
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
Cash flows				
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
Increase in cash and cash equivalents	5,109	2,835	3,949	1,346

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	
Year ended 31 December 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments		TOTAL
Revenue	127,386	58,176	177,877	39,228	402,667	(43,897)	358,770
<i>including:</i>							
<i>from third parties</i>	<i>116,131</i>	<i>58,124</i>	<i>177,398</i>	<i>7,117</i>	<i>358,770</i>	<i>-</i>	<i>358,770</i>
<i>sales of electricity</i>	<i>81,866</i>	<i>57,021</i>	<i>103,666</i>	<i>815</i>	<i>243,368</i>	<i>-</i>	<i>243,368</i>
<i>sales of capacity</i>	<i>33,955</i>	<i>-</i>	<i>9,306</i>	<i>572</i>	<i>43,833</i>	<i>-</i>	<i>43,833</i>
<i>sales of heat and hot water</i>	<i>166</i>	<i>-</i>	<i>39,982</i>	<i>2</i>	<i>40,150</i>	<i>-</i>	<i>40,150</i>
<i>other revenue</i>	<i>144</i>	<i>1,103</i>	<i>24,444</i>	<i>5,728</i>	<i>31,419</i>	<i>-</i>	<i>31,419</i>
<i>from intercompany operations</i>	<i>11,255</i>	<i>52</i>	<i>479</i>	<i>32,111</i>	<i>43,897</i>	<i>(43,897)</i>	<i>-</i>
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)
EBITDA	82,221	122	23,720	3,237	109,300	373	109,673
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>	<i>1,551</i>	<i>-</i>	<i>(37)</i>	<i>2,331</i>	<i>3,845</i>	<i>-</i>	<i>3,845</i>
<i>impairment of property, plant and equipment</i>	<i>(7,430)</i>	<i>-</i>	<i>(4,788)</i>	<i>(12,003)</i>	<i>(24,221)</i>	<i>-</i>	<i>(24,221)</i>
<i>impairment of accounts receivable, net</i>	<i>(936)</i>	<i>(531)</i>	<i>(3,661)</i>	<i>(251)</i>	<i>(5,379)</i>	<i>-</i>	<i>(5,379)</i>
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	<i>(1,163)</i>	<i>(19)</i>	<i>39</i>	<i>(639)</i>	<i>(1,782)</i>	<i>25</i>	<i>(1,757)</i>
<i>profit / (loss) on disposal of subsidiaries and joint venture, net</i>	<i>93</i>	<i>(31)</i>	<i>22</i>	<i>(122)</i>	<i>(38)</i>	<i>-</i>	<i>(38)</i>
Operating profit / (loss)	62,866	(599)	8,167	(9,587)	60,847	573	61,420
Finance income							7,667
Finance costs							(23,088)
Share of results of associates and joint ventures							1,860
Profit before income tax							47,859
Income tax expense							(16,022)
Profit for the year							31,837
Capital expenditure	18,016	150	26,845	31,994	77,005	-	77,005
31 December 2018							
Non-current and current debt	144,751	1,769	44,759	5,568	196,847	-	196,847

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	
Year ended 31 December 2017 (restated)	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments		TOTAL
Revenue	120,493	61,817	168,714	29,039	380,063	(31,944)	348,119
<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)
EBITDA	76,677	1,578	23,513	2,474	104,242	(62)	104,180
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)
Operating profit / (loss)	61,876	396	1,117	(12,898)	50,491	143	50,634
Finance income							8,443
Finance costs							(21,133)
Share of results of associates and joint ventures							442
Profit before income tax							38,386
Income tax expense							(13,612)
Profit for the year							24,774
Capital expenditure	25,559	156	23,332	38,321	87,368	-	87,368
31 December 2017							
Non-current and current debt	120,070	1,268	43,348	4,839	169,525	-	169,525



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

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2017 (restated)	83,938	308,921	358,685	296,572	15,100	1,063,216
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)
Balance as at 31 December 2018	87,468	322,228	396,499	308,999	15,343	1,130,537
Accumulated depreciation (including impairment)						
Balance as at 31 December 2017 (restated)	(39,986)	(173,658)	(164,391)	(32,609)	(9,422)	(420,066)
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
Balance as at 31 December 2018	(40,838)	(184,544)	(185,341)	(39,933)	(10,457)	(461,113)
Net book value as at 31 December 2018	46,630	137,684	211,158	269,066	4,886	669,424
Net book value as at 31 December 2017 (restated)	43,952	135,263	194,294	263,963	5,678	643,150

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Balance as at 31 December 2016 (restated)	74,091	282,313	316,881	292,837	14,875	980,997
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)
Balance as at 31 December 2017 (restated)	83,938	308,921	358,685	296,572	15,100	1,063,216
Accumulated depreciation (including impairment)						
Balance as at 31 December 2016 (restated)	(34,266)	(155,610)	(145,496)	(32,937)	(8,491)	(376,800)
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
Balance as at 31 December 2017 (restated)	(39,986)	(173,658)	(164,391)	(32,609)	(9,422)	(420,066)
Net book value as at 31 December 2017 (restated)	43,952	135,263	194,294	263,963	5,678	643,150
Net book value as at 31 December 2016 (restated)	39,825	126,703	171,385	259,900	6,384	604,197

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:



- "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	-10%	(34,156)
			forecast in isolated power systems and non-price zone of the Far East	-1%	
			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
Total operating lease	37,322	42,471

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)
Associates					
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
Total associates				9,730	9,694
Joint ventures					
BoGES Group	Russia	50.00%	50.00%	10,098	8,946
BALP Group	Russia	50.00%	50.00%	-	-
Other				-	1,378
Total joint ventures				10,098	10,324
Total investments in associates and joint ventures				19,828	20,018

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)
Associates		
OJSC IENC	(192)	129
OJSC SEC	261	(33)
Other	(34)	(50)
Total associates	35	46
Joint ventures		
BoGES Group	1,809	362
BALP Group	-	-
Other	16	34
Total joint ventures	1,825	396
Share of results of associates and joint ventures	1,860	442



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:

	OJSC SEC		OJSC IENC	
As at 31 December	2018	2017	2018	2017
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)
Net assets	9,195	8,441	15,248	15,696
For the year ended 31 December	2018	2017	2018	2017
Revenue	615	605	20,998	20,632
Impairment of property, plant and equipment	905	-	-	-
Profit / (loss) for the year	754	130	(448)	301
Total comprehensive income / (loss) for the year	754	130	(448)	301



Reconciliation of the summarised financial information of the associates to the carrying value of the Group's investment:

	OJSC SEC	OJSC IENC	Others	Total
Net assets as at 31 December 2016	7,781	15,395	701	
Profit / (loss) for the year	130	301	(202)	
Additional share issues	530	-	-	
Net assets as at 31 December 2017	8,441	15,696	499	
Interest in associates	2,923	6,710	143	9,776
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
Carrying value as at 31 December 2017	1,895	7,656	143	9,694
Net assets as at 31 December 2017	8,441	15,696	499	
Profit / (loss) for the year	754	(448)	(116)	
Net assets as at 31 December 2018	9,195	15,248	383	
Interest in associates	3,183	6,519	110	9,812
Additional share issue	(1,028)	-	-	(1,028)
Goodwill	-	946	-	946
Carrying value as at 31 December 2018	2,155	7,465	110	9,730

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:

	BoGES Group		BALP Group	
As at 31 December	2018	2017	2018	2017
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)
Net assets	20,146	17,874	(86,436)	(63,884)
For the year ended 31 December	2018	2017	2018	2017
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
Profit / (loss) before income tax	2,782	(388)	(22,552)	(1,489)
Income tax expense	(478)	(83)	-	-
Profit / (loss) for the year	2,304	(471)	(22,552)	(1,489)
Total comprehensive income / (loss) for the year	2,304	(471)	(22,552)	(1,489)

Reconciliation of the summarised financial information presented to the carrying value of interest in joint ventures:

	BoGES Group	BALP Group	Others	Total
Net assets as at 31 December 2016	18,345	(62,395)	2,529	
(Loss) / profit for the year	(471)	(1,489)	102	
Net assets as at 31 December 2017	17,874	(63,884)	2,631	
Interest in joint ventures	8,937	(31,942)	1,173	(21,832)
Non-controlling interest	9	-	-	9
Accumulated losses	-	31,942	205	32,147
Carrying value as at 31 December 2017	8,946	-	1,378	10,324
Net assets as at 31 December 2017	17,874	(63,884)	2,631	
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)	
Net assets as at 31 December 2018	20,146	(86,436)	(473)	
Interest in joint ventures	10,073	(43,218)	(237)	(33,382)
Non-controlling interest	25	-	-	25
Accumulated losses	-	43,218	237	43,455
Carrying value as at 31 December 2018	10,098	-	-	10,098

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:

As at 1 January 2018 (Note 3)	17,953
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)
As at 31 December 2018	656

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:

	31 December 2017	
	% of ownership	Fair value
PJSC Inter RAO	4.915%	17,219
Other	-	1,274
Total available-for-sale financial assets		18,493

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

	31 December 2018	31 December 2017
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
Total other non-current assets	22,028	25,331

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.

	Rating	Rating agency	Effective interest rate	Maturity date	31 December 2018	31 December 2017
Interest-free long-term promissory notes						
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
Total long-term promissory notes					11,624	9,862

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
Total cash and cash equivalents	65,432	70,156

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
Cash at banks				
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
Total cash at banks			19,961	11,106
Bank deposits				
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
Total cash equivalents			45,451	59,029



Note 13. Accounts receivable and prepayments

	31 December 2018	31 December 2017
Trade receivables	65,147	61,279
Credit loss allowance for trade receivables	(28,891)	-
Provision for impairment of trade receivables	-	(26,571)
Trade receivables, net	36,256	34,708
VAT recoverable	8,175	7,841
Advances to suppliers and other prepayments	11,400	2,944
Provision for impairment of advances to suppliers and other prepayments	(834)	(837)
Advances to suppliers and other prepayments, net	10,566	2,107
Other receivables	22,720	7,959
Credit loss allowance for other receivables	(5,067)	-
Provision for impairment of other receivables	-	(4,815)
Other receivables, net	17,653	3,144
Government grants receivables	2,539	3,401
Total accounts receivable and prepayments	75,189	51,201

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:

	31 December 2018		
	Expected credit loss, %	Gross carrying amount	Credit loss allowance
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)
Total		65,147	(28,891)

Movements in the credit loss allowance for trade accounts receivable for the year ended 31 December 2018 are as follows:

	Year ended 31 December 2018
As at 1 January	26,571
Recalculation due to adoption of IFRS 9	(749)
As at 1 January (restated)	25,822
Charge for the year	6,914
Reversal of credit loss allowance	(2,613)
Trade receivables written off as uncollectible	(1,232)
As at 31 December	28,891

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:

	31 December 2017	
	Carrying amount	Provision
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)
Total	68,751	(31,386)

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:

	Year ended 31 December 2017
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)
As at 31 December	31,386

The Group does not hold any accounts receivable pledged as collateral.

Note 14. Inventories

	31 December 2018	31 December 2017
Fuel	20,146	16,162
Materials and supplies	7,915	6,782
Spare parts	2,438	2,466
Other materials	368	386
Total inventories before provision for impairment	30,867	25,796
Provision for impairment of inventories	(146)	(273)
Total inventories	30,721	25,523

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

	31 December 2018	31 December 2017
Deposits	29,967	790
Special funds	3,821	3,429
Loans issued	3,072	2,472
Credit loss allowance for loans issued	(3,050)	-
Provision for impairment of loans issued	-	(2,447)
Loans issued, net	22	25
Other short-term investments	63	156
Total other current assets	33,873	4,400

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
Deposits					
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
Total deposits				29,967	790

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:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Current income tax expense	13,856	12,985
Deferred income tax expense	2,166	627
Total income tax expense	16,022	13,612

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:

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Profit before income tax	47,859	38,386
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)
Total income tax expense	(16,022)	(13,612)

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
Deferred income tax assets	9,592	(28)	495	(54)	(6)	9,999
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>
Deferred income tax liabilities	(11,103)	2	(2,661)	(43)	2	(13,803)
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)
Deferred income tax assets	6,918	2,721	(47)	9,592
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>
Deferred income tax liabilities	(7,729)	(3,348)	(26)	(11,103)
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
Net liability	7,418	8,634



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
At 1 January 2018	9,745	(1,111)	8,634
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)
Recognised in profit or loss for the year ended 31 December 2018	117	(77)	40
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
Recognised other comprehensive income for the year ended 31 December 2018 (before income tax charge of RR 97 million)	(574)	89	(485)
Employer contributions for funded pension plan	-	(253)	(253)
Benefit payments (Funding NSPF pensions)	(487)	290	(197)
Benefit payments (Non-funded pension plan)	(321)	-	(321)
At 31 December 2018	8,480	(1,062)	7,418

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 January 2017	9,894	(1,090)	8,804
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
Recognised in profit or loss for the year ended 31 December 2017	1,068	(89)	979
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)
Recognised other comprehensive income for the year ended 31 December 2017 (before income tax charge of RR 86 million)	(449)	19	(430)
Employer contributions for funded pension plan	-	(233)	(233)
Benefit payments (Funding NSPF pensions)	(489)	282	(207)
Benefit payments (Non-funded pension plan)	(279)	-	(279)
At 31 December 2017	9,745	(1,111)	8,634



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
Total			190,738	161,048
Less current portion of non-current debt			(32,688)	(69,877)
Less current portion of finance lease liabilities			(102)	(259)
Total non-current debt			157,948	90,912

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
Total current debt and current portion of non-current debt		38,899	78,613
<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
Minimum lease payments as at 31 December 2018	109	376	2,256	2,740
Less future finance charges	(7)	(118)	(1,887)	(2,011)
Present value of minimum lease payments as at 31 December 2018	102	258	369	729
Minimum lease payments as at 31 December 2017	275	797	4,154	5,226
Less future finance charges	(16)	(316)	(3,308)	(3,640)
Present value of minimum lease payments as at 31 December 2017	259	481	846	1,586

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
Liabilities from financing activities as at 31 December 2017	167,939	20,716	1,586	190,241
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
Liabilities from financing activities as at 31 December 2018	196,118	31,896	729	228,743
Liabilities from financing activities as at 31 December 2016	197,830	-	1,973	199,803
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
Liabilities from financing activities as at 31 December 2017	167,939	20,716	1,586	190,241



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:

Key assumptions made to assess the forward contract's fair value	31 December 2018	31 December 2017
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

	31 December 2018	31 December 2017
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
Total other non-current liabilities	21,987	28,116



Note 22. Accounts payable and accruals

	31 December 2018	31 December 2017
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
Total accounts payable and accruals	64,633	55,625

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

	31 December 2018	31 December 2017
VAT	9,185	10,236
Insurance contributions	2,996	3,160
Property tax	2,526	2,038
Other taxes	648	600
Total other taxes payable	15,355	16,034

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:

	Year ended 31 December 2018
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
Total revenue	358,770

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:

	Year ended 31 December 2018	Year ended 31 December 2017
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
Total revenue	358,770	348,119

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
Total operating expenses (excluding impairment losses)	314,850	299,662



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
Total finance income	7,667	8,443
<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)
Total finance costs	(23,088)	(21,133)

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
Earnings per share attributable to the shareholders of PJSC RusHydro – basic and diluted (in Russian Rubles per share)	0.0739	0.0656

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
Total guarantees issued	-	25,935



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
Total	87	(18,660)	(18,573)	734	(8,230)	(7,496)

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
Liabilities						
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
Total future payments, including principal and interest payments	87,678	68,145	44,565	50,447	5,901	32,834

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
Liabilities						
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
Total future payments, including principal and interest payments	121,027	40,074	38,673	6,537	35,008	33,316

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:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Equity investments: Financial assets at fair value through profit or loss	656	-	-	656
Equity investments: Financial assets at fair value through other comprehensive income	-	-	594	594
Cross currency and interest rate swap	-	-	1,238	1,238
Total assets requiring recurring fair value measurements	656	-	1,832	2,488
Financial liabilities				
Non-deliverable forward contract for shares	-	-	31,896	31,896
Total liabilities requiring recurring fair value measurements	-	-	31,896	31,896
31 December 2017 (restated)	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	18,020	-	473	18,493
Total assets requiring recurring fair value measurements	18,020	-	473	18,493
Financial liabilities				
Non-deliverable forward contract for shares	-	-	20,716	20,716
Total liabilities requiring recurring fair value measurements	-	-	20,716	20,716

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
Assets				
Other non-current assets (Note 11)	12,370	1,238	-	13,608
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
Financial assets at fair value through profit or loss (Note 10)	-	656	-	656
Financial assets at fair value through other comprehensive income	-	-	594	594
Trade and other receivables (Note 13)	53,426	-	-	53,426
Trade receivables	36,256	-	-	36,256
Other financial receivables	17,170	-	-	17,170
Other current assets (Note 15)	33,810	-	-	33,810
Special funds	3,821	-	-	3,821
Deposits	29,967	-	-	29,967
Short-term loans issued	22	-	-	22
Cash and cash equivalents (Note 12)	65,432	-	-	65,432
Total financial assets	165,038	1,894	594	167,526
Non-financial assets				763,955
Non-current assets classified as held for sale				450
Total assets				931,931

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
Assets			
Other non-current assets (Note 11)	10,646	-	10,646
Promissory notes	9,862	-	9,862
Long-term receivables	252	-	252
Long-term loans issued	532	-	532
Available-for-sale financial assets	-	18,493	18,493
Trade and other receivables (Note 13)	37,370	-	37,370
Trade receivables	34,708	-	34,708
Other financial receivables	2,662	-	2,662
Other current assets (Note 15)	4,244	-	4,244
Special funds	3,429	-	3,429
Deposits	790	-	790
Short-term loans issued	25	-	25
Cash and cash equivalents (Note 12)	70,156	-	70,156
Total financial assets	122,416	18,493	140,909
Non-financial assets			730,794
Total assets			871,703



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

