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Responsibility Statement

We hereby confirm that to the best of our knowledge:

- (a) The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of RusHydro, and the undertakings included in the consolidation, taken as a whole; and
- (b) The annual report includes a fair review of the development and performance of the Company's business and position, together with a description of the principal risks and uncertainties that the Company faces.

Chairman of the Management Board –
CEO

E.V. Dod



Chief Accountant

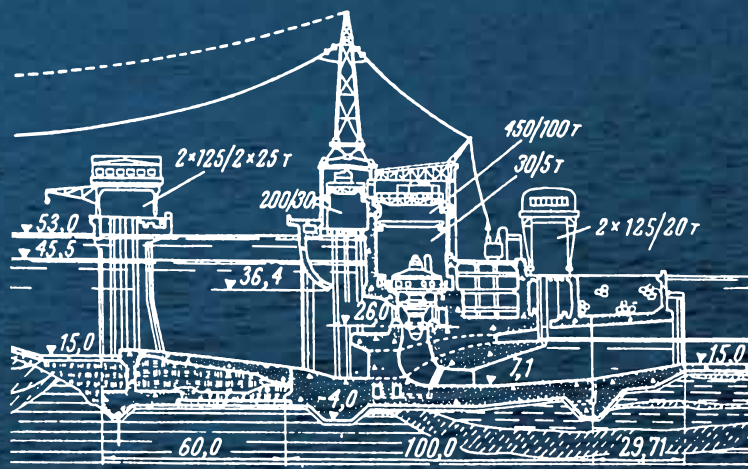
D.V. Finkel





1.

ABOUT RUSHYDRO



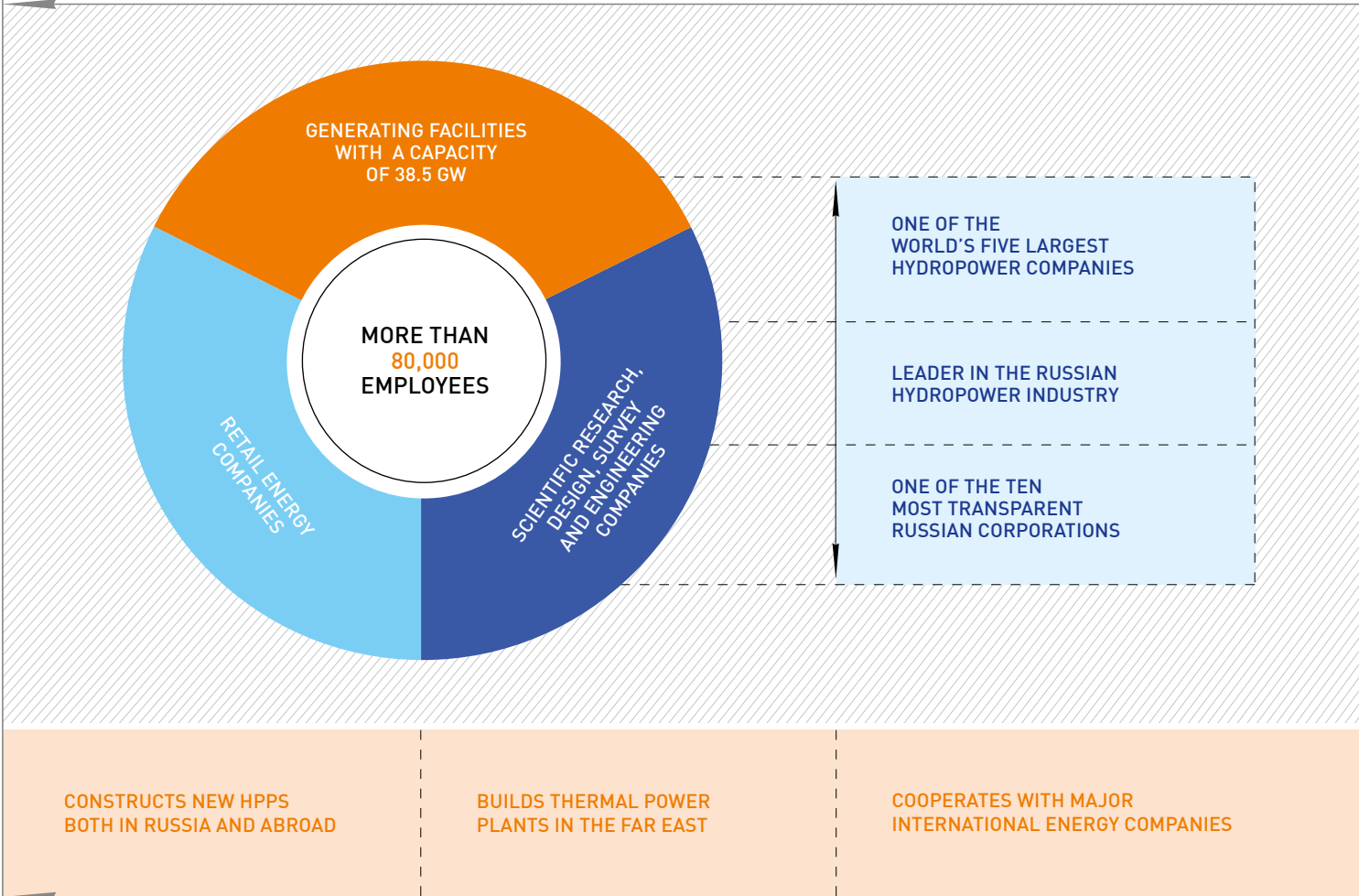
The Zhigulevskaya HPP







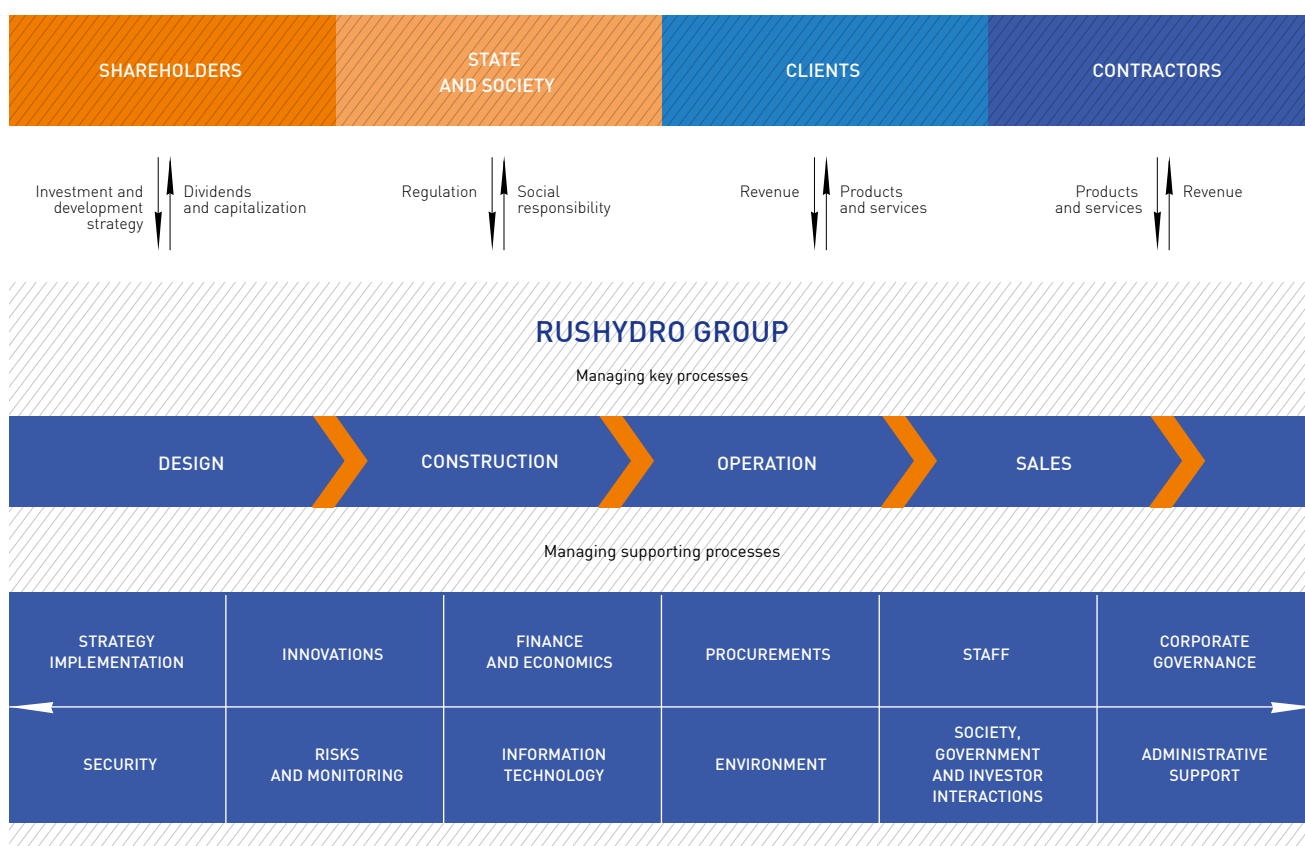
THE COMPANY'S MISSION is to effectively utilize hydro resources, to create the conditions required for the reliable performance of Russia's Unified Energy System (UES) and to enhance the usage of renewable energy sources (RES) to benefit the Company's shareholders and society as a whole.



RUSHYDRO'S ACHIEVEMENTS

JSC RusHydro was established December 26, 2004 as a 100%-owned subsidiary of RAO UES of Russia. It became an operating company which manages branches, hydropower plants and subsidiaries. Shares of JSCs – hydropower plants owned by RAO UES of Russia were transferred as payment for the authorized capital of JSC RusHydro. During our ten years of operation, the Company has become one of the world's largest hydropower holdings and the Russian leader in terms of energy production using renewable sources.

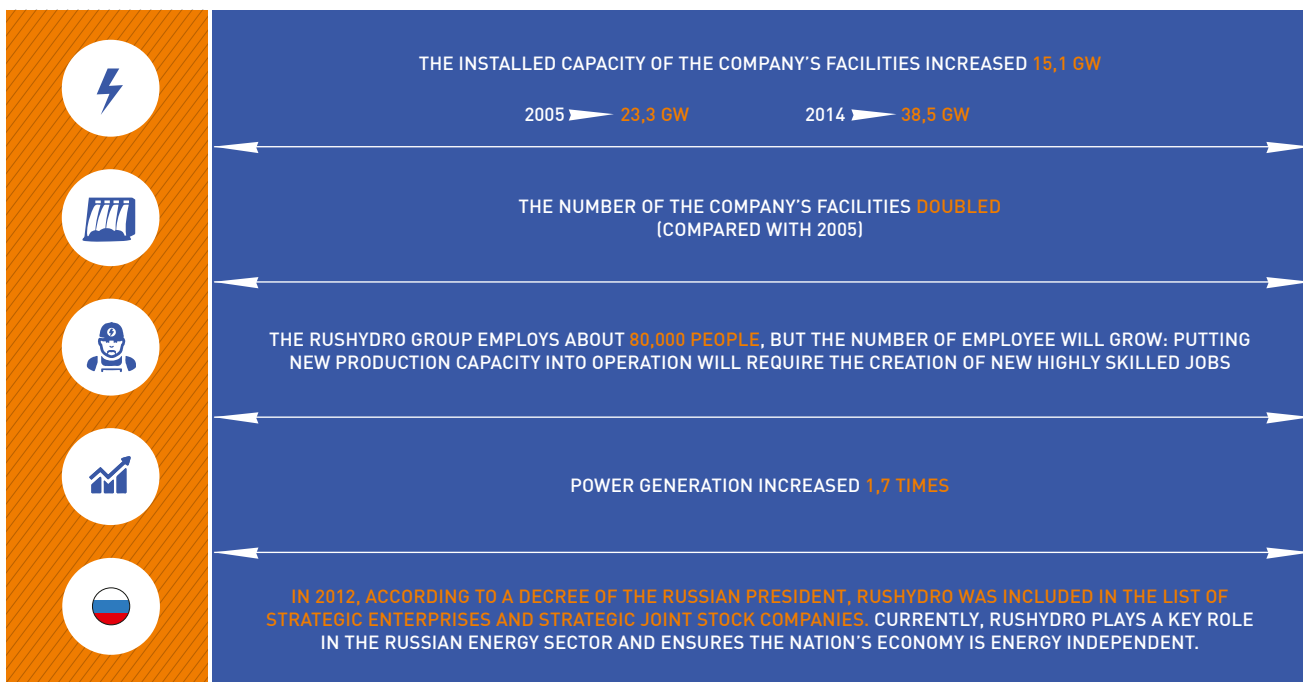
BUSINESS MODEL



Answers to Investors' Questions Asked during the Roadshow

Question: How do the infrastructure function and an increase in shareholder value correlate in the Company's business model?

Answer: Management strives to balance State interests in the Company exercising an infrastructure function and an increase in shareholder value. For example, total shareholder return (TSR) is one of the KPIs for senior managers. In this case, the State, as the owner of a controlling stake, is also interested in shareholder value creation, and an increase in corporate capitalization.

RUSHYDRO'S ACHIEVEMENTS OVER THE LAST 10 YEARS

2014 AWARDS AND RATINGS

2014 RATING OF COMPANIES' CORPORATE TRANSPARENCY	2014 RATING OF 250 LEADING GLOBAL ENERGY CORPORATIONS ACCORDING TO PLATTS	EXPERT RA EMPLOYER ATTRACTIVENESS RATING	NATIONAL COMPETITION OF CORPORATE MEDIA RESOURCES "SILVER THREADS 2014"
1ST PLACE AMONG RUSSIAN ELECTRIC POWER COMPANIES 2ND PLACE ON THE DISCLOSURE OF RISK INFORMATION 8TH PLACE AMONG STATE-OWNED COMPANIES 10TH PLACE AMONG 700 LARGEST RUSSIAN COMPANIES	130TH PLACE IN THE RATING ROSE 103 POSITIONS COMPARED WITH THE 2013 RATING	EMPLOYER ATTRACTIVENESS RATING WAS CONFIRMED AT A. HR, WHICH MEANS "HIGH LEVEL OF ATTRACTIVENESS OF THE EMPLOYER".	"COMPANY LEADER: THE BEST CORPORATE MEDIA COMMUNICATIONS SYSTEM" "FOR WINNER FROM WINNER" "THE BEST CORPORATE MEDIA PHOTOS"

2014 RESULTS

Construction and Reconstruction

Completion of Protracted Construction

The recently completed year draw a line under a major hydropower sector project – construction of the Boguchanskaya HPP, which had stopped in the 1990s. Now, the Boguchanskaya HPP has become an ultra-modern plant with a total capacity of 2,997 MW.

Restoration After the Accident

The Company has completed major restoration and reconstruction work at the Sayano-Shushenskaya HPP. The plant has not only been restored but the mechanical part was newly built. The new hydropower units and generators are not only more effective than the older ones, but also have tripled the safety margin. The reconstruction project, which was implemented on time, cost RusHydro RUR 41 billion, which is RUR 2 billion less than planned. The plant's capacity has reached the design value of 6,400 MW, which again makes the Sayano-Shushenskaya HPP the most powerful in Russia.

International Cooperation

Chairmanship of the Global Sustainable Electricity Partnership

RusHydro organized the summit of the Global Sustainable Electricity Partnership (GSEP) in Moscow, which unites 14 of the world's largest energy companies. One of the key outcomes of the Summit was the decision about the prospects for developing and the creating a new generation of energy systems.

Developing the Far East power industry

The Company signed an agreement with Three Groges, the Chinese company which manages the world's most powerful hydropower plant of the same name. The agreement is aimed at joining implementation of Russian Far East hydropower projects.

RusHydro entered into an agreement with a Chinese concern, PowerChina, on the joint construction of pumped storage plants.

“ Construction, which continued for more than forty years, is almost complete. This is evidence of the extraordinary purposefulness and perseverance of the plant's collective, which has continued to believe in its success, even during the most difficult times ”.

“ The Company fulfilled all social obligations to victims and made serious and the most important findings in terms of reliability and safety, but most importantly – in terms of new work quality standards for all Russian hydropower plants. We have greatly improved reliability and we are confident that the plants will be more efficient and safer for decades to come ”.

“ We will make every effort to implement GSEP initiatives. I am confident that this will allow us to unlock cooperation potential with major energy companies in the field of hybrid and RES-objects ”.

“ The commissioning of new hydropower plants will reliably protect the Amur Region against extreme floods and create new generating capacity both to ensure domestic demand and export electricity to China ”.

“ We believe that this cooperation will create additional value for our shareholders and will be useful for the Russian energy sector as a whole, because the development of highly maneuverable PSPP power is a key factor in enhancing energy system reliability ”.

Evgeny Dod,
Chairman of the Management Board –
CEO of RusHydro



Vladimir Tokarev
Capital Construction and Engineering



Boris Bogush
Production



Evgeny Dod
Chairman of the Management Board – CEO

NEW COMPOSITION OF JSC RUSHYDRO'S MANAGEMENT BOARD

Effective Organizational Structure

To reduce administrative and management costs, the Company's organizational structure was optimized:



George Rizhinashvili
Strategy and Innovation

Michael Mantrov
Finance and Economics

Sergei Kirov
Economics, investment, procurement

- the number of Management Board members was reduced to five*;
- the categories "Area Directors" and "Directorate" units were excluded from the organizational structure;
- the number of departments was cut almost in half – from 40 to 22 .

* In March 2015, the Company enlarged the membership of the Management Board to six people, including Sergei Kirov, the Deputy CEO for Economics, Investment and Procurement in its membership.

INTRODUCING A NEW KPI SYSTEM

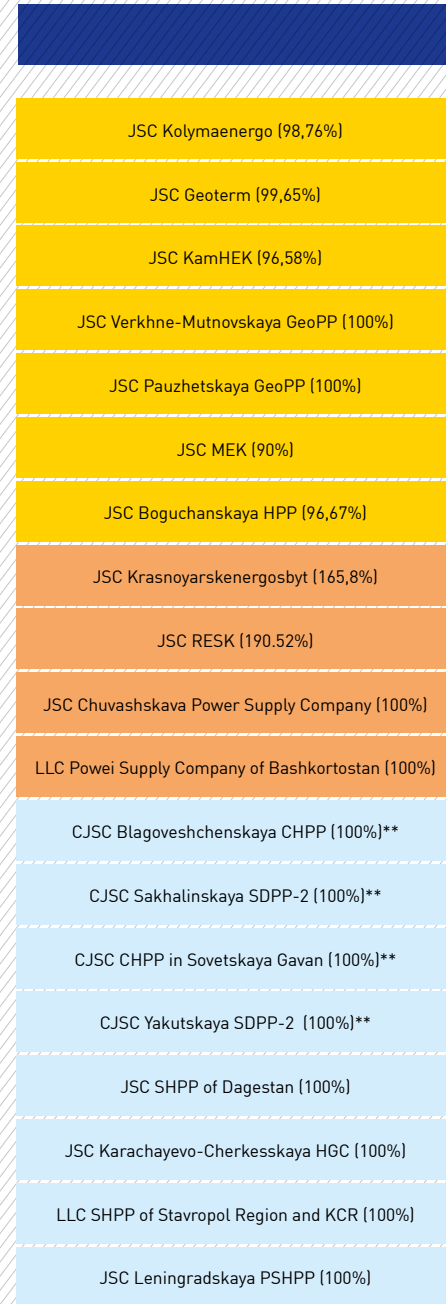
The key performance indicator (KPI) system for RusHydro to be put into effect in 2015 was developed:

YEARLY KPI	QUARTERLY KPI
SHAREHOLDERS' RETURN ON INVESTMENT	CURRENT LIQUIDITY RATIO
RETURN ON EQUITY	RELIABILITY CRITERION
SHARE OF PROCUREMENT FROM SMALL- AND MEDIUM-SIZED BUSINESSES	FULFILLING THE QUARTERLY TIMETABLES FOR FINANCING AND IMPLEMENTING THE INVESTMENT PROGRAM ON A CUMULATIVE TOTAL FROM THE BEGINNING OF THE YEAR
RELIABILITY CRITERION	
FULFILLING THE CAPACITY COMMISSIONING TIMETABLE AND THE FINANCE AND DISBURSMENT PLAN	
LEVERAGE RATIO	

Answers to Investors' Questions Asked during the Roadshow

Question: Does the Company plan to concentrate on its core business – power generation, or does it plan to diversify into related sectors, such as energy-intensive industries or energy equipment manufacturing?

Answer: It depends on the specific businesses and possible synergy with the core business. In other words, we are considering both the sale of non-core assets, and entry into new businesses under favorable conditions. In particular, we are cooperating with the Austrian company Voith Hydro and the French consolidated group Alstom in the localization of hydropower equipment manufacturing in Russia. Though, of course, we will primarily remain an energy company.



THE RUSHYDRO GROUP STRUCTURE AS OF 31.12 2014*

LLC Verkhnebalkarskaya SHPP (100%)	CJSC Construction Contractor of the Boguchansk Aluminum Smeelter (51%)	CJSC Holding Company BoHPP (100%)
JSC Small HPPs of Altay (100%)	CJSC Developer of the Boguchanskaya HPP (51%)	RUSSUNHydro limited (50%)
JSC Zagorskaya PSHPP-2 (100%)	JSC Hydroremont VCC (100%)	JSC IESK (42,75%)
JSC Renewable Energy Engineering Center (100%)	JSC ChirkeyGESstroy (100%)	JSC GVC Energetiki (42,53%)
JSC Nizhne-Zeyskaya HPP (100%)	LLC Montazhenergo(100%)	LLC VolgaHydro (40%)
JSC Nizhne-Bureyskaya HPP (100%)	JSC Ust-Srednekanskaya GESstroy (100%)	LLC SNPG (100%)
JSC Sibenergosbyt (100%)	JSC ESCO UES (100%)	LLC ITSPVE RusHydro (100%)
JSC Dalnevostochnaya WPP (100%)	JSC NIIES (100%)	LLC Energy Index – Hydro OGK (100%)
CJSCHydroEngineering Siberia (100%)	JSC Lengidroproject (100%)	CJSC Holding Company BoAS (100%)
JSC Sulaksky HydroCascade (100%)	JSC Hydroproject Institute (100%)	LLC EZOP (100%)
LLC Fiagdonskaya SHPP (100%)	JSC Vedenev VNIIG (100%)	Alstom RusHydro Holding B.V. (50%+1 share)
JSC Yuzhno-Yakutsky HEC (100%)	LLP VNIIG (100%)	LLC AlstomRusHydroEnergy (100%)
JSC Zaramagskye HPPs (99,75%)	JSC MOSOBLHYDROPROJECT (62,54%)	LLC ENEKS (100%)
JSC Ust-Srednekanskaya HPP (100%)	CJSC Malaya Dmitrovka (100%)	CJSC Technopark Rummyantsevo (100% +1 share)
CJSC Upper Naryn HPPs (50%)	RUSHYDRO INTERNATIONAL B.V. (100%)	HydroAir Limned (100%)BALP LIMITED (50%)
JSC SHPP of KBR (95,28%)	JSC Hydroinvest (100%)	HYDROOGK ALUMINIUM COMPANY LIMITED (100%)
CJSC Construction Contractor of the Boguchanskaya HPP (49%)	JSC TC RusHydro (100%)	BOGES LIMITED (50%)
CJSC Developer of the Boguchansk Aluminum Smelter (49%)	JSC SC SSHPP (100%)	CJSC BoAS (100%)
	LLC RusHydro IT Service (100%)	HYDROOGK POWER COMPANY LIMITED (100%)
	LLC MTC RusHydro (100%)	JSC ESK RusHydro (100%)
	JSC RBEF (51%)	JSC MC HydroOGK (100%)
	JSC Paviodolskaya HPP (100%)	JSC RAOEnergy Systems of the East (84,39%) and SDCs of the company

* Taking into account the intra-group holding

** The companies have been transferred to the trust management of JSC RAO Energy Systems of the East



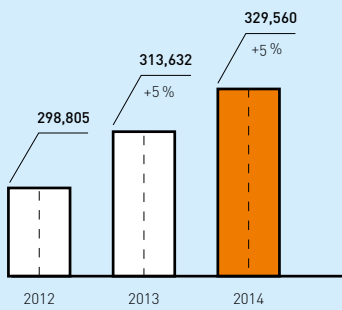
GEOGRAPHIC FOOTPRINT OF THE COMPANY



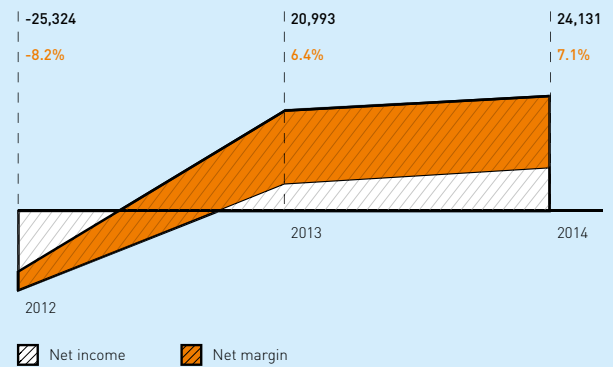


FINANCIAL INDICATORS

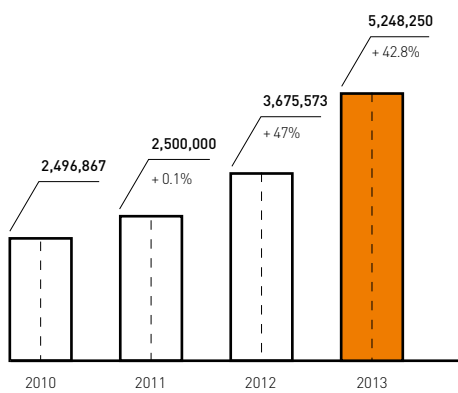
THE RUSHYDRO GROUP'S REVENUE, RUR MILLION



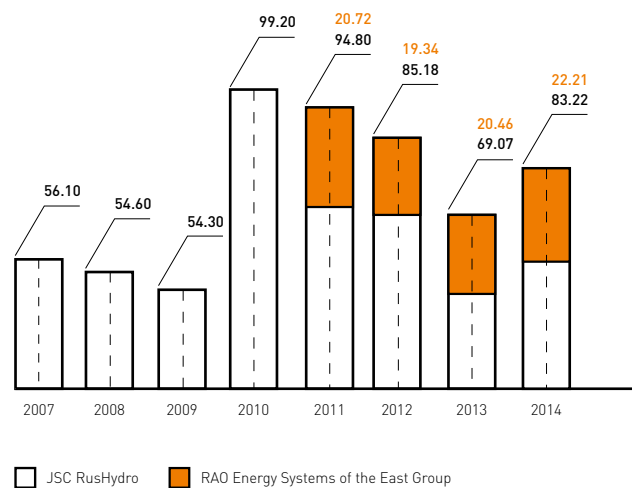
THE RUSHYDRO GROUP'S NET INCOME (RUR MILLION) AND NET MARGIN (%)



JSC RUSHYDRO'S DIVIDENDS, RUR THOUSAND

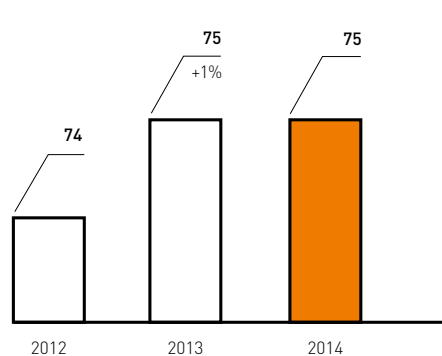


CAPEX DYNAMICS, RUR BILLION

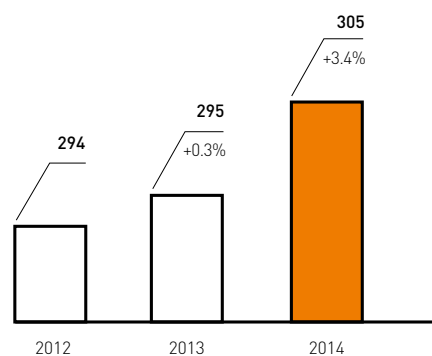


OPERATING INDICATORS

NUMBER OF GENERATING FACILITIES, UNITS

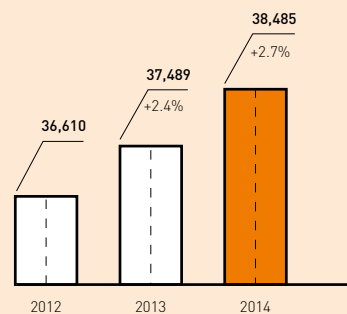


Electricity source: Water / geothermal energy
JSC RusHydro

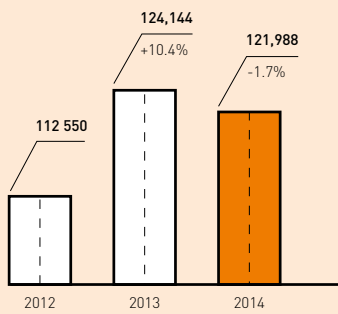


Electricity source: Fossil fuels
RAO Energy Systems of the East Group

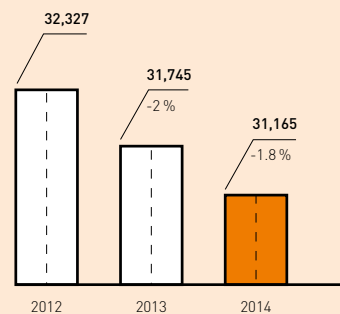
INSTALLED CAPACITY, MW*



ELECTRICITY PRODUCTION, MILLION KWH



HEAT ENERGY OUTPUT, THOUSAND GCAL

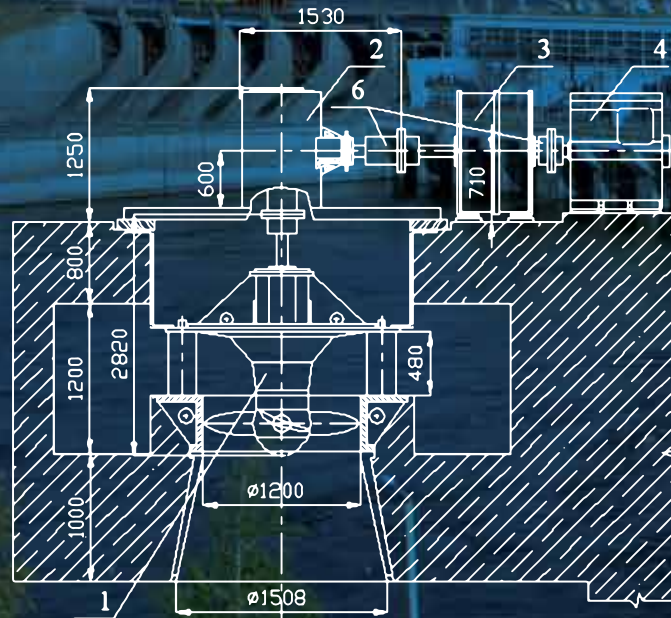


*Information about the Company is presented taking into account JSC RusHydro branches as well as JSC Kolymaenergo, JSC Geoterm, JSC Pauzhetskaya Geothermal Power Plant, CJSC MEK, JSC Boguchanskaya HPP, RAO Energy Systems of the East Group, JSC Ust-Srednekanskaya HPP and KamGEK.



2.

STRATEGY



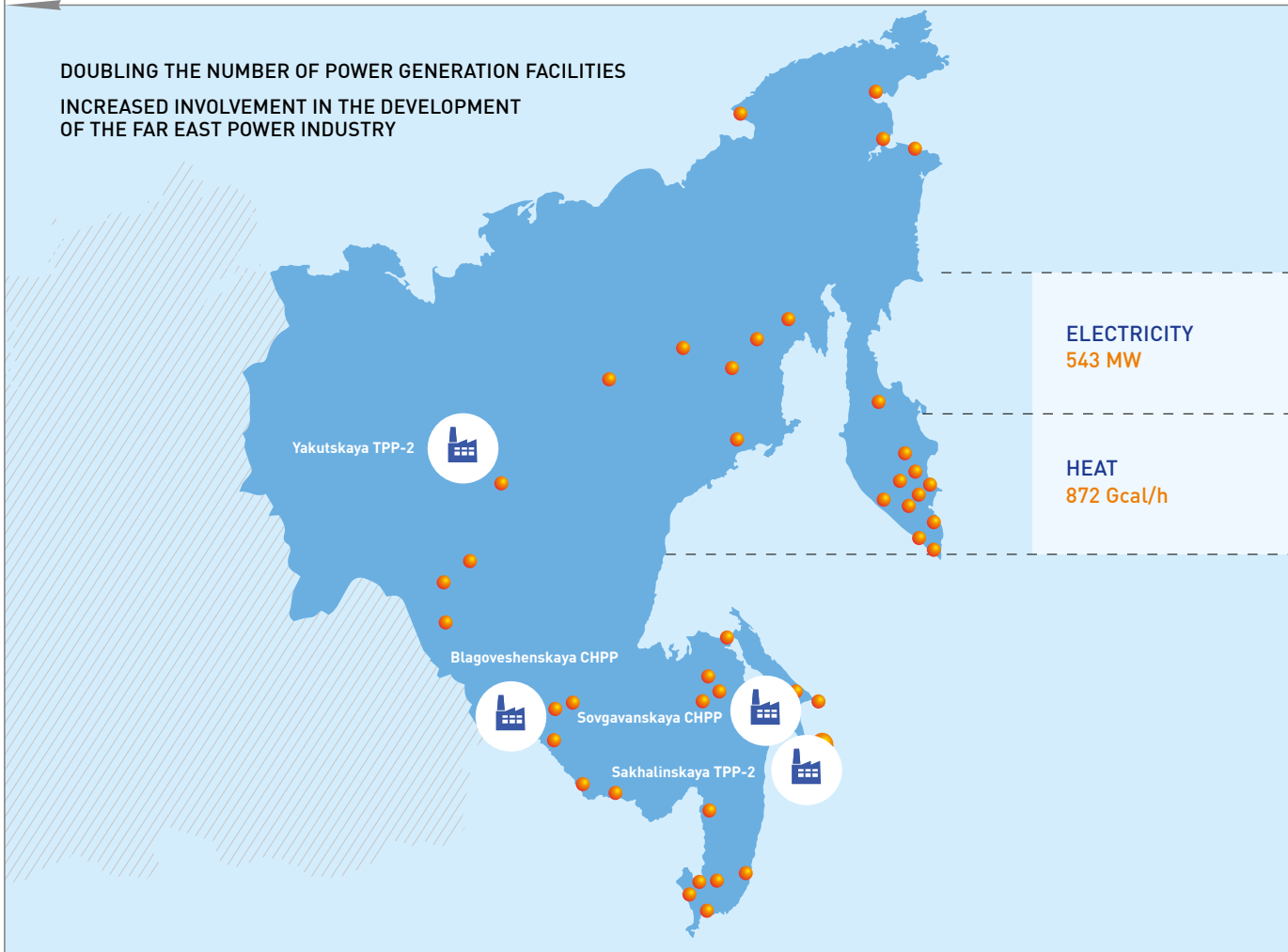
The Votkinskaya HPP





KEY ROLE IN THE RUSSIAN POWER INDUSTRY

DOUBLING THE NUMBER OF POWER GENERATION FACILITIES
INCREASED INVOLVEMENT IN THE DEVELOPMENT
OF THE FAR EAST POWER INDUSTRY



2014 MAJOR EVENTS

The Sayano-Shushenskaya HPP was restored.
The Boguchanskaya HPP was completed.
Cooperation agreements with the Chinese corporations were signed.



THE CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2014, our Company celebrated its 10th anniversary. In this report, we summarize the past decade. Our Company's success is not in doubt – we are building new plants, upgrading outdated equipment, expanding activities on the international market and introducing new energy-related technologies.

Modernization and Construction

One of our most important strategic objectives during this decade was modernizing existing facilities inherited from the Soviet era. We are continuing to work on implementing the Complex Modernization Program (for generating facilities). As part of this program, by 2025, half of the total HPP fleet of turbines, generators and transformers will be replaced; installed facility capacity will increase 779 MW; and equipment deterioration will be reduced to 25%.

RusHydro, unfortunately, did not avoid all the difficulties which Russia faced. We turned the pages on two tragic events in the history of the hydropower industry: in 2012, we returned the Baksanskaya HPP, which had been affected by the July 2010 terrorist attack, into operation, and in 2014, we restored the Sayano-Shushenskaya HPP (following the 2009 accident). Both plants have been fully modernized. Now, the Baksanskaya HPP is a state-of-the-art plant in the North Caucasus; its installed capacity increased from 25 to 27 MW. The Sayano-Shushenskaya HPP reached its design capacity of 6,400 MW, and regained the distinguished title of the Russian hydropower industry flagship and the status of Russia's most powerful electricity producer.

Another corporate strategic objective is to increase installed capacity via investment project implementation. The most important step in this direction was the completion of two large-scale previously uncompleted construction projects, the construction of which had begun in the Soviet era and had stopped during perestroika due to inadequate investment. The Bureyskaya HPP, the largest power plant in the Far East with an installed capacity of 2010 MW, was put into operation. And in 2014, we completed one of the most complicated projects in the history of the industry – construction of the Boguchanskaya HPP, which had been ongoing for 40 years. The final commissioning of the Boguchanskaya HPP, which is one of Russia's five largest hydropower plants, not only strengthens RusHydro's position, but also offers great prospects for Lower Angara Region development, and gives a powerful impetus to the economy of the Krasnoyarsk Territory, a region with huge potential.

Currently, we are building a total of more than 15 facilities on the territory of the Russian Federation, as well as abroad. In the coming years, we will continue to work with investment projects. In particular, in 2015, three HPPs will be simultaneously commissioned in the North Caucasus.

Developing the Power Industry in the Far East

Our main priority is the Far East, a region with great potential, where a significant number of the Group's large and small plants are located. In 2012, we launched the "Development of the Power Industry in the Far East" project. 50 billion rubles to finance the construction of the four facilities (CHP in Sovetskaya Gavan; the Sakhalinskaya SDPP-2 (1st stage); the Yakutskaya SDPP-2 (1st stage); and the Blagoveshchenskaya CHP (2nd stage) were transferred into the authorized capital of RusHydro by a Decree of the Russian President.

During the reporting year, we completed a full cycle of inspections and approvals for all four projects, selected general contractors and equipment suppliers, and began construction and installation work at the sites. These constructed facilities will replace the retired capacity of existing plants, cover the current thermal load deficit in Blagoveshchensk and provide comfortable living conditions for the population of Yakutsk, Sovetskaya Gavan, Blagoveshchensk and Sakhalin Island, as well as create more than 4,000 highly skilled jobs that will significantly improve the region's human and demographic potential.

We believe that the most important breakthrough is the agreement signed between RusHydro and Three Gorges Corporation in Beijing in 2014. In the Amur River basin, we plan to build four flood control hydropower plants with a total capacity of up to 2,000 MW, which will generate clean energy. Project implementation is vitally important for the people of the Far East region. It will provide for large industrial construction, new jobs, adjacent plants and modern infrastructure.

Expanding Our Presence in International Markets

Our strategy provides for participation in the hydropower industry and RES projects abroad, as well as cooperation with international partners in domestic projects. We are participating in the modernization of two HPPs in Nigeria, conducting pre-project work within the framework of a construction agreement for the largest HPP in India, and are cooperating with the Austrian company Voith Hydro and the French company Alstom in the localization of state-of-the-art hydropower equipment in Russia. In 2014, RusHydro's portfolio of foreign orders added agreements with two Chinese corporations: one of them, which I already stated above, was concluded with Three Gorges and the second, providing for the construction of a pumped storage power plant in Russia was signed with the PowerChina corporation. In Kyrgyzstan, we began construction of the major structures for the Upper Naryn Cascade of HPPs. In addition, RusHydro is preparing a reconstruction project for the three Perepadnaya HPPs in the Republic of Abkhazia; the aim of which is to replace core and auxiliary equipment and optimize the plants' installed capacity.

Financial Stability

2014 was not an easy year for the whole country from an economic point-of-view. However, RusHydro managed to maintain a stable financial position. Despite a production decline, we increased revenues 5%. Our net profit rose 15%. The Group's debt burden and relative profitability indicators remained at a comfortable level. The share of foreign currency debt is only 10% of RusHydro's liabilities. In addition, the percentage of imported products in the Company's capital expenditures structure is one of the lowest in the industry.



Year-on-year, we are increasing our dividends, taking into account the intention of the State, which is our key shareholder, to bring dividends up to 25% of net profit under IFRS. In the reporting year, RusHydro's dividend payments increased 43% year-on-year.

RusHydro feels optimistic about the future. Ten years of successful development and 2014, which tested our Company's strength, have formed our foundation. Our plans to develop Russia's power industry lie ahead. We are willing to strengthen international cooperation via the construction of new plants abroad and launching innovative equipment production for the Russian hydropower industry. We are doing our best to improve working conditions and enhance our

employees' skills, and we feel their reciprocal support. We extend our thanks to our shareholders, partners and employees for their contribution to RusHydro's development and will make every effort to fulfill our 2015 plans.



Michael Poluboyarinov,
Chairman of the Board of Directors



CEO'S STATEMENT

Dear Shareholders,

The past year was rich in events and achievements for our Company. We have done a lot to achieve our goals and fulfill our plans.

This year, the number of Group generating facilities increased due to assets located in the Far East. RusHydro became the leader in the Russian energy market in terms of installed capacity, which grew 3% largely due to the launch of our two large Siberian projects – the completed Boguchanskaya HPP and the restored Sayano-Shushenskaya HPP. We will continue to work on production development in 2015, and we expect that the installed capacity indicator will rise again.

Despite the difficult Russian economic situation, our financial position remains at the same level, and 2014 results were generally in line with our expectations. Our weighted average profit per share increased 8% and the dividend yield rose 2%. RusHydro is one of a few companies in the power sector which followed the dividend-paying practice, despite the significant investment program budget.

Maintaining and strengthening our Company's operating and financial positions became possible due to positive strategy and management changes. In particular, we adopted the RusHydro Group's long-term Development Program, designed to provide for the reliable and safe operation of facilities, and the sustainable

development of electricity generation and growth in the Company's value. The Program will help us make managerial decisions aimed at upgrading Company efficiency, and the remuneration of RusHydro's management will be directly dependent on strategic goal implementation.

We believe that one more way to improve operating efficiency is through employee motivation. During the reporting year, we increased labor costs 14%. In addition, the Company's human resource development costs increased 44%.

In 2014, we undertook a series of steps to upgrade corporate governance: for the first time in our history, an independent evaluation of the Board of Directors and its Committees was completed, and a "road map" to implement a new version of JSC RusHydro's Corporate Governance Code was developed, taking into account the recommendations of the Corporate Governance Code adopted and approved by the Bank of Russia last year.

Finally, to upgrade RusHydro's operating efficiency, we have developed and adopted a new KPI system of the RusHydro Group's Long-term Development Program, as well as changed the Company's organizational structure by optimizing management levels and the number of employees, personifying managerial responsibility and reducing the number of structural divisions.

Despite economic uncertainty and global geo-political tension, the foundation of our business – a stable asset base, a constant cash flow from operating activities and highly qualified staff – remains attractive in the long-term. We are facing important tasks, the solutions to which will largely determine the level and dynamics of Russian economic development. We are confident that our Company will successfully resolve them and continue to work effectively for the benefit of Russia and our shareholders.

On behalf of my colleagues, I would like to thank our employees, partners and suppliers for their support and assistance in RusHydro development. We are improving our business and are focused on becoming the most efficient and powerful company, not only in Russia, but also on the international level. I also thank Management Board members and the Board of Directors for their invaluable experience, which they have shared with me and my colleagues during the course of work, and which has helped us unlock the potential of our Company.



Evgeny Dod,
Chairman of the Management Board of JSC RusHydro

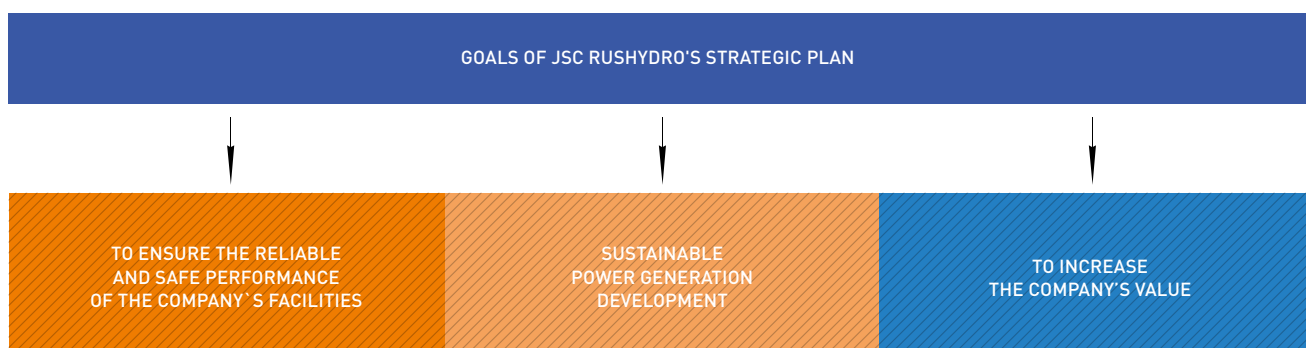
STRATEGIC MANAGEMENT SYSTEM

THE COMPANY'S DEVELOPMENT STRATEGY

THE COMPANY'S MISSION

is the efficient use of water resources, the creation of conditions to ensure Unified Energy System (UES) reliability and the expanded use of renewable energy sources to benefit shareholders and society.

The Company's strategy is presented as the Strategic Plan till 2015 with a view to 2020, approved by JSC RusHydro's Board of Directors in June 2010¹.



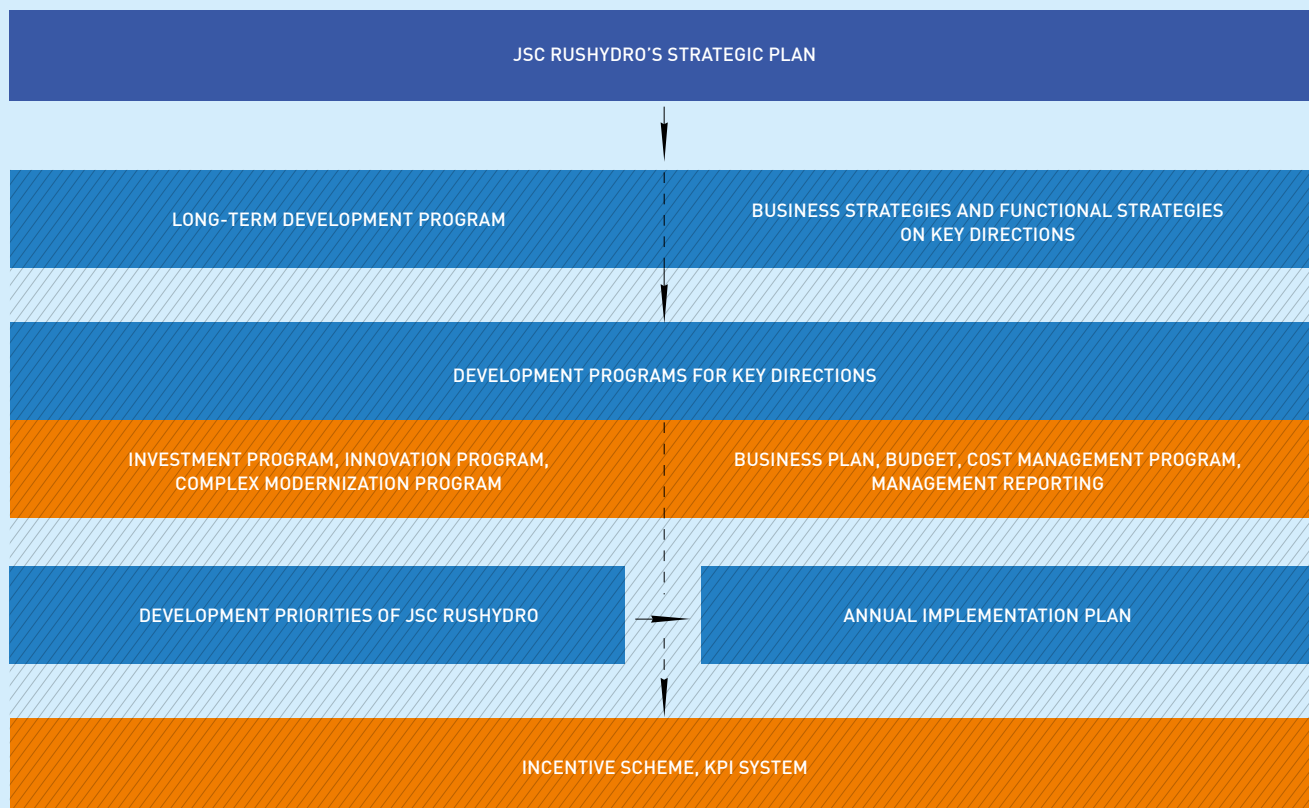
During Strategic Plan implementation, the Company relies on the following strategic indicators:

Strategic Indicator	2015 Target Value
Fulfilling the reliability criteria	Accident prevention
Commissioning new HPP capacity	5.6 GW
Installed capacity of assets attached / received under management	10 GW
Total installed RES capacity which are under project documentation development *	500 MW of SHPP, 1,000 MW of WPP
Installed capacity in overseas markets in the ownership and operational management / trust	1 GW
Yearly electricity output **	113 billion KWh

* in case of adopting State support measures to develop the renewable energy sector

** based on the current business and investment projects for Russian Federation construction

¹ The Strategic Plan approved by JSC RusHydro's Board of Directors (Minutes № 100 as of June 16, 2010).



MECHANISMS AND RESULTS OF STRATEGY IMPLEMENTATION

A system of strategic management is implemented and functions in the Company; it connects the strategic management processes with the motivation system. The main instruments to implement the Strategy are the Company's Growth Priorities for the current year and the Strategy Implementation Plan. Both documents refer to the annual strategic management cycle.

The Company's development priorities are a formalized list of key strategic goals, projects and programs, the implementation of which ensures achievement of the Company's strategic goals and maximum synergy during the current year. The purpose of the Priorities is to focus the Company's resources on the most important targets and indicators. Responsibility for implementing Priorities rests on the senior management team, which is jointly responsible for the comprehensive implementation of all Priorities within the framework of the annual bonus. The 2014 Report on the implementation of development priorities was pre-reviewed by the Management Board and the Strategy Committee of JSC RusHydro's Board of Directors, and further approved by the Board of Directors on February 27, 2015 (Minutes №210).

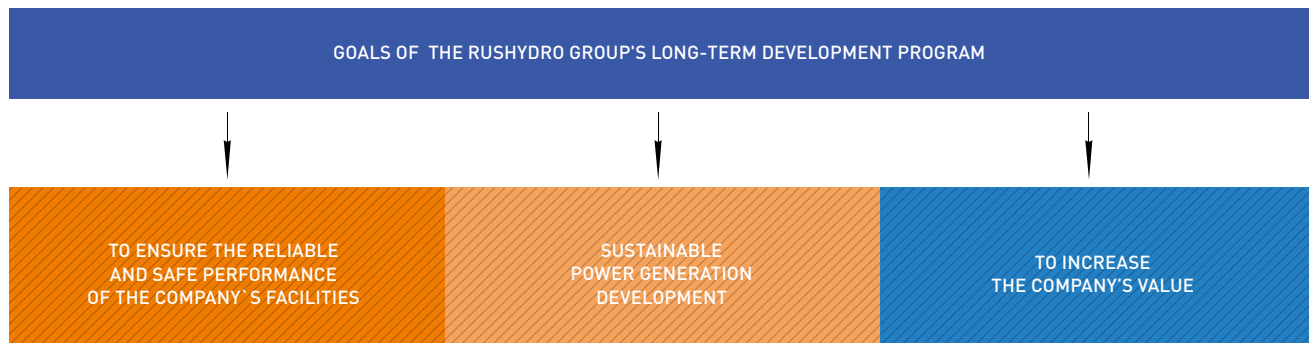
The Strategy Implementation Plan (SIP) is a detailed document that includes a set of annual tasks and performance indicators, the accomplishment of which provides for the Company's strategic goals. The SIP is aimed at implementing the strategy within a one-year period. It contains targets and indicators for the current year, indicating which of the Company's officials and departments are responsible for their implementation. The aggregate of the SIP's indicators in their areas of responsibility is one of the annual key performance indicators (KPIs), based on which corporate employees are rewarded.

THE RUSHYDRO GROUP'S LONG-TERM DEVELOPMENT PROGRAM

In accordance with the Instructions of the President of the Russian Federation² and the Government of the Russian Federation,³ the RusHydro Group's 2015-2019 Long-term Development Program was developed (hereinafter – the Long-term Development Program, the Program). The Program was reviewed at a meeting of the Government Commission on the development of the electric power industry⁴ and was approved November 20, 2014 by the Company's Board of Directors⁵.

² Instruction № Pr-3086 as of 27.12.2013.
³ Minutes № 3 as of 30.01.2014

⁴ Minutes № 16 as of 15.10.2014.
⁵ Minutes № 206 as of 21.11.2014.



The RusHydro Group's Long-term Development Program is based on the Strategic Plan, the medium-term consolidated business plan of the RusHydro Group and approved program documents of RusHydro Group (JSC RusHydro and JSC RAO Energy Systems of the East): production programs, investment programs, and the innovative development programs.

The Program, defining basic principles and directions which ensure the RusHydro Group's effective dynamic development, contains proposals to improve JSC RusHydro's operating and investment activities and proposals to enhance the efficiency and competitiveness of RAO Energy Systems of the East Group's activities, including the implementation of a public-private partnership mechanism in the hydropower industry, as well as measures to upgrade the corporate governance system.

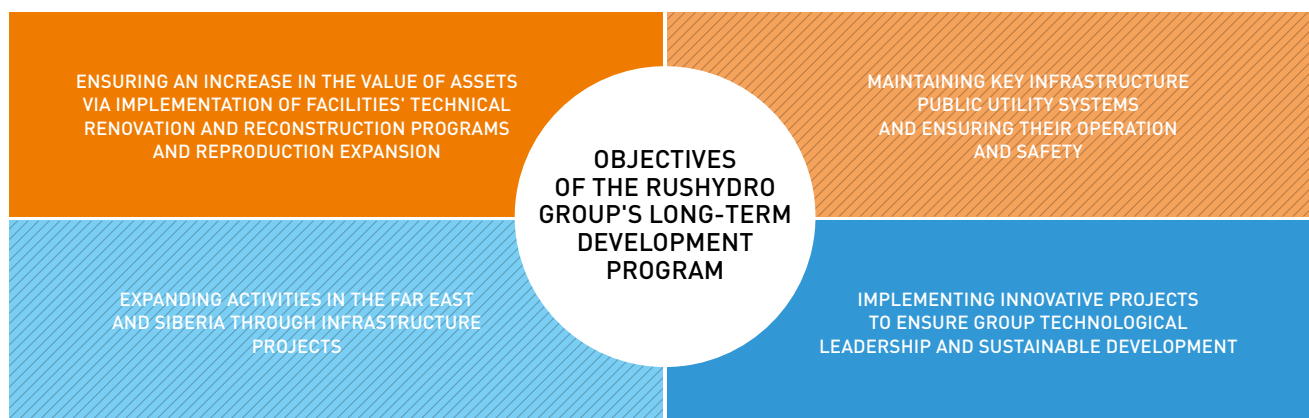
Due to the fact that the Long-term Development Program for RusHydro Group companies was approved in late 2014, and all Program indicators were set up starting from 2015, the Program Implementation Report, including the assessment of KPI achievement results, will be formed based on 2015 results.

To audit Program implementation in accordance with the Directive of the Government of the Russian Federation⁶ and Guidelines of

the Russian Ministry of Economic Development and Trade, the Audit Committee of the Board of Directors⁷ and the Board of Directors⁸ approved the Standard on auditing the implementation of the RusHydro Group's Long-term Development Program. The Standard was developed with consideration of the approved by the Instruction of the Government of the Russian Federation⁹ typical standard on auditing the implementation of long-term development programs of joint stock companies, included in a special list, approved by an Order of the Government of the Russian Federation¹⁰.

In accordance with the Standard (item 3.2), Program implementation audits will be conducted every year, starting from 2016 (performance audit of the RusHydro Group's Long-term Development Program at the end of 2015).

Based on the Directive of the Government of the Russian Federation¹¹, JSC RusHydro's Board of Directors made a decision¹² to enter information on measures aimed at the planned and phased substitution of import goods (work, services) for the equivalent by technical characteristics and consumer properties of Russian goods (work, services) used in the implementation of investment projects and ongoing activities in the Long-term Development Program.



⁶ Directive № 4955p-P13 as of 17.07.2014.

⁷ Minutes № 63 as of 14.11.2014.

⁸ Minutes № 206 as of 21.11.2014.

⁹ Instruction № ESH-P13-2583 as of 15.04.2014.

¹⁰ Order № 91-r as of 23.01.2003.

¹¹ Directive №134-з-313 dated 05.03.2015.

¹² Minutes №212 dated 03.04.2015.

STRATEGY IMPLEMENTATION: DEVELOPMENT PRIORITIES AND IMPLEMENTATION RESULTS IN 2014

ENSURING RELIABILITY AND UPGRADING EXISTING ASSETS	THE COMPANY CONTINUED TO IMPLEMENT THE COMPLEX MODERNIZATION PROGRAM FOR JSC RUSHYDRO'S GENERATING FACILITIES. AS A RESULT OF PROGRAM IMPLEMENTATION, THE INSTALLED CAPACITY OF THE EXISTING GENERATING FACILITIES INCREASED 56.5 MW. RESTORATION OF THE SAYANO-SHUSHENSKAYA HPP HAS BEEN COMPLETED.	2014 PRIORITY ACHIEVED
ENSURING SUSTAINABLE FUNCTIONING OF HYDROPOWER FACILITIES IN FLOOD PERIODS	JSC RUSHYDRO'S SCIENCE AND TECHNOLOGY COUNCIL DEVELOPED AND APPROVED THE CONSTRUCTION PROGRAM FOR NEW HYDROPOWER FACILITIES ON AMUR RIVER TRIBUTARIES.	2014 PRIORITY ACHIEVED
THE INCREASE IN INSTALLED CAPACITY VIA THE IMPLEMENTATION OF INVESTMENT PROJECTS	THE 9TH HYDROPOWER UNIT WITH 333 MW CAPACITY WAS PUT INTO OPERATION AT THE BOGUCHANSKAYA HPP.	2014 PRIORITY ACHIEVED
PROVIDING QUALITY SERVICE FOR CUSTOMERS OF RETAIL ENERGY COMPANIES	THE COMPANY CONTINUED TO IMPLEMENT THE PROGRAM FOR IMPROVING CUSTOMER LOYALTY FOR COMPANIES MANAGED BY JSC ESK RUSHYDRO FOR 2014-2015.	2014 PRIORITY ACHIEVED
IMPROVING PROJECT COMPLEX COMPETITIVENESS	THE MANAGEMENT BOARD DEVELOPED AND TOOK UNDER CONSIDERATION THE CONCEPT FOR THE REORGANIZATION OF JSC RUSHYDRO'S SCIENCE AND ENGINEERING AND TECHNOLOGICAL COMPLEX MANAGEMENT SYSTEM.	PRIORITY TRANSFERRED TO 2015
CREATING AN EFFECTIVE INNOVATION MANAGEMENT SYSTEM AND FORMING A CONTINUOUS INNOVATION PROCESS IN THE COMPANY	IN 2014, AS PART OF THE 2011-2015 INNOVATIVE DEVELOPMENT PROGRAM OF JSC RUSHYDRO WITH A VIEW TO 2021: <ul style="list-style-type: none"> • 22 R&D PROJECTS WORTH ABOUT 1 BILLION RUBLES SELECTED FOR IMPLEMENTATION; • 25 RUSSIAN PATENTS OBTAINED; • WORK UNDERWAY TO ESTABLISH A JOINT FUND WITH RUSSIAN DEVELOPMENT INSTITUTES. 	PRIORITY TRANSFERRED TO 2015
HUMAN RESOURCES DEVELOPMENT	THE COMPANY HAS DEVELOPED 8 PROFESSIONAL STANDARDS ON HPP OPERATION FOR EMPLOYEES WHICH HAVE BEEN SUBSEQUENTLY APPROVED BY AN ORDER OF THE RUSSIAN MINISTRY OF LABOR AND THE NATIONAL COUNCIL OF QUALIFICATIONS UNDER THE PRESIDENT OF RUSSIA.	2014 PRIORITY ACHIEVED
TRANSITIONING TO THE TARGET CAPITAL STRUCTURE AND EXPANDING THE SOURCES TO IMPLEMENT THE INVESTMENT PROGRAM	THE ROADMAP OF RUSHYDRO'S PRIVATIZATION* ASSUMES A PARTIAL PRIVATIZATION OF THE COMPANY BY 2016 WITH THE RETAINED SHARE OF THE RUSSIAN FEDERATION IN THE COMPANY'S AUTHORIZED CAPITAL BEING NOT LESS THAN 50% PLUS 1 SHARE AND THE SALE OF SHARES TO A STRATEGIC INVESTOR IN THE FORM OF DIRECT SALE AND IN THE FORM OF AN ADDITIONAL SHARE ISSUE. AS PART OF THE PREPARATION FOR A PARTIAL PRIVATIZATION, RUSHYDRO HAS UNDERTAKEN NUMEROUS MEASURES AIMED AT INCREASING THE COMPANY'S VALUE**. IT IS PLANNED TO CONDUCT THE ADDITIONAL SHARE ISSUE OF JSC RUSHYDRO AND TO ATTRACT A STRATEGIC INVESTOR FOR IMPLEMENTATION OF THE PROSPECTIVE INVESTMENT PROJECTS. A RESOLUTION ON THE ADDITIONAL SHARE ISSUE AND ON RESPECTIVE PARAMETERS OF THE ISSUE HAS NOT BEEN MADE BY RUSHYDRO SHAREHOLDERS YET.	2014 PRIORITY ACHIEVED
EXPANDING THE COMPANY'S PRESENCE IN FOREIGN MARKETS	IN OCTOBER 2014, THE COMPANY STARTED CONSTRUCTION OF THE MAIN STRUCTURES OF THE UPPER NARYN CASCADE OF HPPS (KYRGYZSTAN). THE COMPANY CARRIED OUT A PRE-PROJECT SURVEY OF THE HPP AS PART OF THE RECONSTRUCTION AND CONSTRUCTION PROJECT OF THE PEREPADNAYA HPPS IN THE REPUBLIC OF ABKHAZIA.	2014 PRIORITY ACHIEVED
UPDATING THE DEVELOPMENT STRATEGY	THE NEW STRATEGIC PLANNING INSTRUMENT – THE LONG-TERM DEVELOPMENT PROGRAM OF THE RUSHYDRO GROUP – WAS APPROVED BY JSC RUSHYDRO'S BOARD OF DIRECTORS.**	2014 PRIORITY ACHIEVED
STRUCTURING THE SERVICE TYPES OF THE GROUP'S ACTIVITIES	THE COMPANY ORGANIZED THE JOINT INFORMATION CENTER FOR JSC ESC RUSHYDRO, THE CENTRAL ARCHIVE OF JSC RUSHYDRO AND DOCUMENT FLOW. THE COMPANY COMPLETED THE TRANSPORT PROJECT OF JSC RUSHYDRO, WHICH GENERATES A TRANSPORT COMPANY WITH 5 GEOGRAPHICALLY DIVERSE BRANCHES. THE PERSONNEL OF THE TRANSPORT SECTIONS OF PLANTS WAS TRANSFERRED TO THE NEW COMPANY WITH PAY AND SOCIAL BENEFITS.	2014 PRIORITY ACHIEVED

* Approved by the Decree № 1111-r of the Government of the Russian Federation dated 01.07.2013.

** The measures are taken in compliance with the Presidential Decree № 362 "On Further Development of RusHydro" dated 23.05.2014.

THE STRATEGY OF RAO ENERGY SYSTEMS OF THE EAST GROUP

MISSION:

RAO Energy Systems of the East Group, as the main producer of electric and heat energy on the territory of the Far East Federal Region, sees its mission as ensuring a reliable and safe energy supply for existing and prospective consumers in the territory in which it is present.

The basis for developing the strategy of the RAO Energy Systems of the East Group is the Strategic Plan of JSC RusHydro for the period till 2015 with an outlook till 2020, approved by the Board of Directors

of JSC RusHydro on June 16, 2010, and RusHydro Group's Long-term Development Program, approved by JSC RusHydro's Board of Directors on November 21, 2014.

STRATEGIC GOALS OF RAO ENERGY SYSTEMS OF THE EAST GROUP

PROVISION OF A RELIABLE AND UNINTERRUPTED SUPPLY OF ELECTRIC AND HEAT ENERGY TO CONSUMERS	ENTERING NEW MARKETS	ENSURING SUSTAINABLE GROWTH OF THE FUNDAMENTAL VALUE IN THE LONG-TERM
<p>THE GROUP, AS THE MAIN PRODUCER OF ELECTRIC AND HEAT ENERGY IN THE FAR EAST FEDERAL REGION (DFO), UNDERSTANDS THE FULLNESS OF ITS SOCIAL RESPONSIBILITY AND SPENDS MAXIMUM EFFORT ON ENSURING SUSTAINABLE AND EFFECTIVE DEVELOPMENT OF THE ELECTRIC ENERGY INDUSTRY ON THE TERRITORY OF DFO, THE CREATION AND MAINTENANCE OF A SINGLE MANAGEMENT PATH, REALIZATION OF THE STATE POLICY IN THE FIELD OF THE DEVELOPMENT OF THE REGION'S POWER INDUSTRY, AS STIPULATED IN PROGRAM DOCUMENTS AT THE FEDERAL AND REGIONAL LEVELS, AND, PRIMARILY, ENSURING RELIABILITY AND SAFETY OF THE UTILIZED EQUIPMENT AND FACILITIES.</p>	<p>AMONG THE PROSPECTIVE DIRECTIONS OF BUSINESS EXPANSION IS THE DEVELOPMENT OF THE HEAT ENERGY BUSINESS IN THE REGIONS IN WHICH THE GROUP OPERATES AND DEVELOPMENT OF ELECTRIC ENERGY FOR EXPORT.</p>	<p>THE GROUP AIMS TO INCREASE ITS FUNDAMENTAL VALUE AND GROW ITS VALUE FOR SHAREHOLDERS, EMPLOYEES AND SOCIETY. INSTRUMENTS FOR ACHIEVING THIS GOAL INCLUDE BOTH GRADUAL VERTICAL INTEGRATION AND OPTIMIZATION OF THE GROUP'S OPERATIONAL ACTIVITIES AS WELL AS AN INCREASE IN THE EFFECTIVENESS OF BUSINESS PROCESSES AND THE DEVELOPMENT OF THE MANAGEMENT SYSTEM.</p>

**IMPLEMENTATION OF THE STRATEGY OF RAO ENERGY SYSTEMS OF THE EAST GROUP:
DEVELOPMENT PRIORITIES AND THE RESULTS OF THEIR 2014 IMPLEMENTATION**

REGIONAL DEVELOPMENT	PROSPECTIVE DEVELOPMENT PROGRAM OF ENERGY COMPLEX ON THE TERRITORY OF THE DFO IN THE GROUP'S AREA OF RESPONSIBILITY TILL 2025 HAS BEEN DEVELOPED AND APPROVED. COOPERATION AGREEMENTS WITH THE GOVERNMENT OF THE REPUBLIC OF SAKHA (YAKUTIA) AND THE CHUKOTKA AUTONOMOUS REGION WERE SIGNED. INVESTMENT SUBSTANTIATION, TECHNICAL SPECIFICATIONS AND PROSPECT PROJECTS DESIGN COMPETITIONS WERE PREPARED.	PRIORITY TRANSFERRED TO 2015
IMPLEMENTING THE INVESTMENT PROJECTS	CONSTRUCTION WORK ON INVESTMENT FACILITIES IS CARRIED OUT IN ACCORDANCE WITH THE TIME TABLE. A POSITIVE OPINION FROM GLAVGOSEXPERTISA WAS RECEIVED FOR THREE PROJECTS.	2014 PRIORITY ACHIEVED
ENSURING THE RELIABILITY AND MODERNIZATION OF EXISTING ASSETS	THE GROUP CONTINUED TO IMPLEMENT THE COMPLEX MODERNIZATION PROGRAM OF RAO ENERGY SYSTEMS OF THE EAST AND FULFILLED MEASURES INCLUDED IN THE GROUP'S 2014 INVESTMENT PROGRAMS IN FULL.	2014 PRIORITY ACHIEVED
OPTIMIZING THE CORPORATE STRUCTURE AND IMPROVING CORPORATE GOVERNANCE EFFECTIVENESS	THE GROUP'S ASSETS CONSOLIDATION PLAN INCLUDING PROPOSALS ON MAJOR STRATEGIC TRANSACTIONS IN RESPECT OF ASSETS OF JSC RAO ENERGY SYSTEM OF EAST WAS DEVELOPED.	2014 PRIORITY ACHIEVED
THE INCREASE IN REVENUES / REDUCTION IN LOST REVENUES	IMPROVING THE EFFICIENCY OF SALES ACTIVITIES THE GROUP'S SDC/VZO: <ul style="list-style-type: none"> • A BILATERAL AGREEMENT BETWEEN JSC DEC AND JSC RUSHYDRO WAS CONCLUDED • A BILATERAL AGREEMENT BETWEEN JSC DGC AND JSC INTER RAO WAS CONCLUDED ECONOMIC EFFECT FROM THESE AGREEMENTS EXCEEDED RUB 1 BILLION	2014 PRIORITY ACHIEVED
IMPROVING THE EFFICIENCY OF THE FUEL SUPPLY	DE-MONOPOLIZATION OF THE FUEL AND ENERGY MARKET OF DFO AND GREATER COMPETITION BETWEEN SUPPLIERS: <ul style="list-style-type: none"> • 7 TEST BURNINGS OF ALTERNATIVE TYPES COAL FROM DEPOSITS NOT PROVIDED BY THE ORIGINAL PROJECT WERE CARRIED OUT AND CONTRACTS ON THE ELGA COAL SUPPLY FOR THE GROUP'S PLANTS IN THE AMOUNT OF 219,000 TONS WERE CONCLUDED 	2014 PRIORITY ACHIEVED
UPGRADING THE REGULATORY FRAMEWORK IN THE ENERGY INDUSTRY	PROPOSALS FOR ESTABLISHING A RETURN ON THE INVESTMENT MECHANISM IN NON-PRICE ZONES WERE PREPARED AND SENT TO THE RUSSIAN MINISTRY OF ENERGY AND THE FTS OF RUSSIA	2014 PRIORITY ACHIEVED

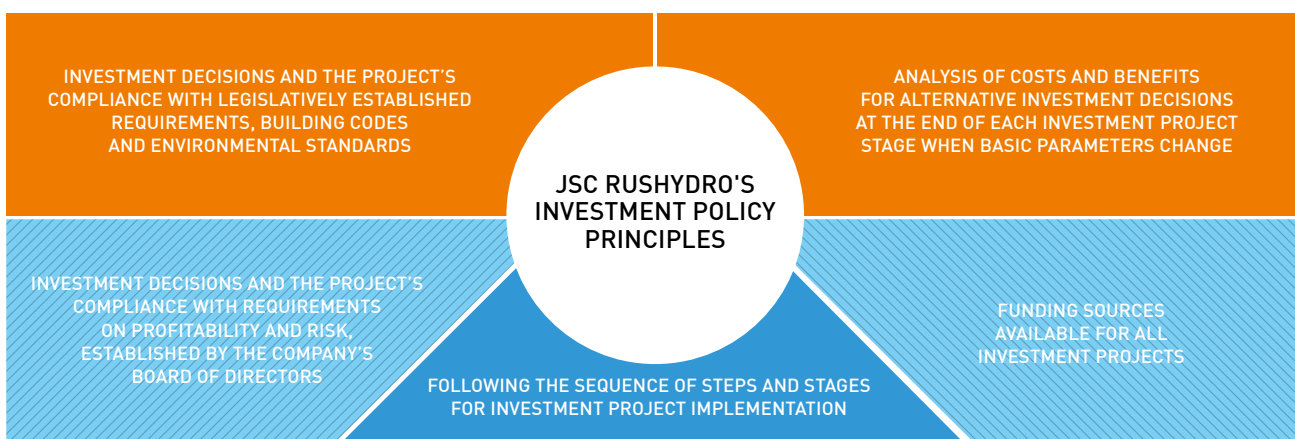
INVESTMENT

INVESTMENT POLICY PRINCIPLES

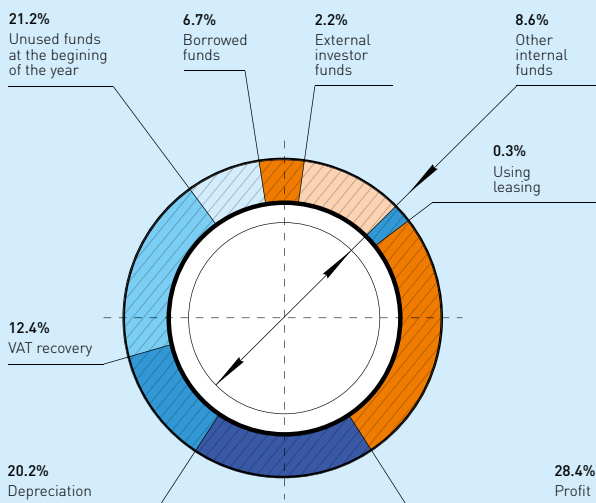
The Company's investment policy and the adoption of related decisions are based on the following principles:

The Company's investment activity is regulated by a single consolidated document – the Regulations on the Investment Management Process in the Form of Capital Investments.

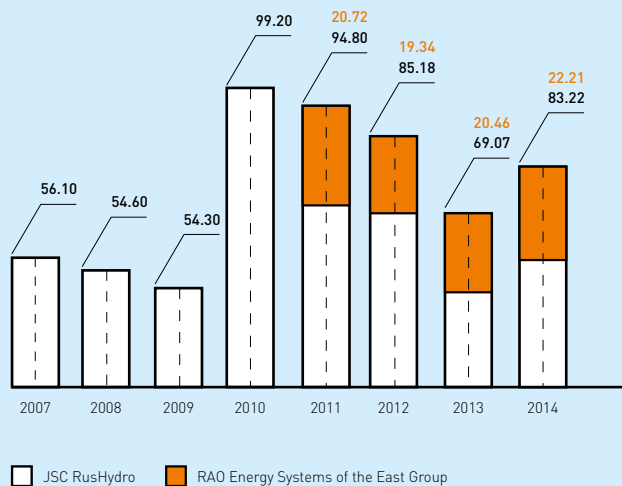
Approval of the Company's Investment Program is the responsibility of the Company's Board of Directors. The investment programs, before being approved by JSC RusHydro's Board of Directors, are agreed upon with executive authorities and approved by the Russian Ministry of Energy.

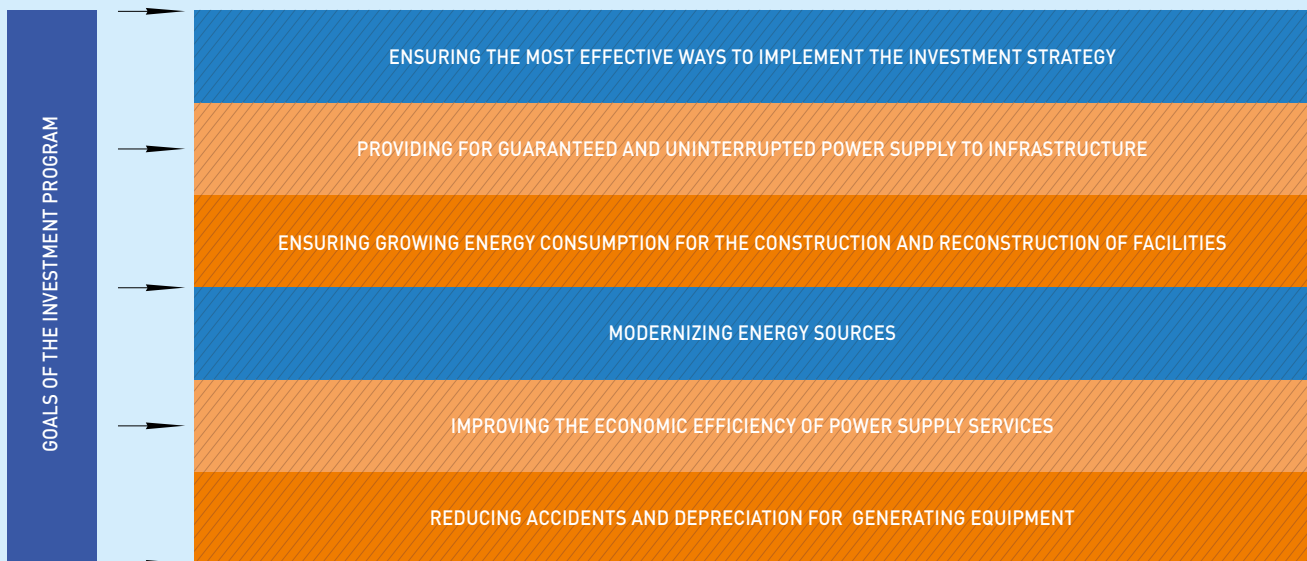


STRUCTURE OF FUNDING SOURCES USED IN 2014



CAPEX DYNAMICS, RUR BILLION



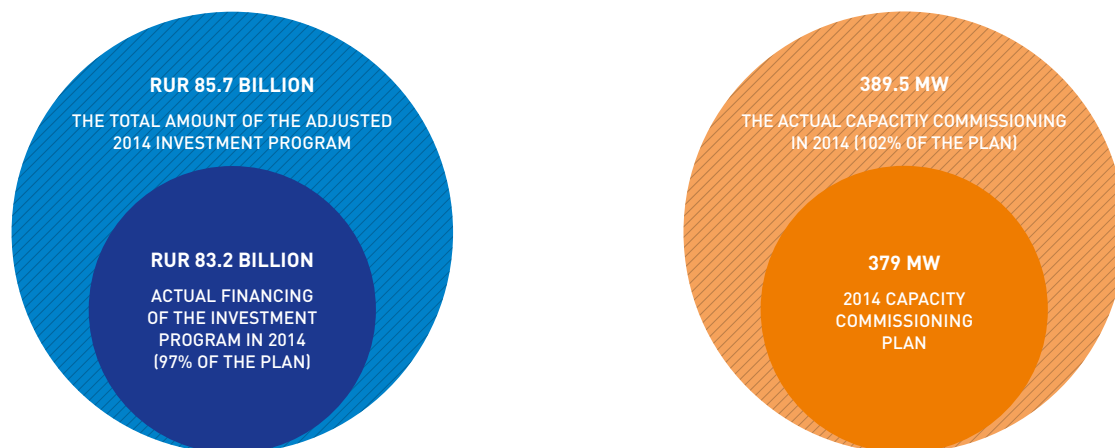


2014 INVESTMENT PROGRAM

The Company's 2014-2016 investment program was approved by Order No 640 of the Russian Ministry of Energy as of September 24, 2013¹³. In December 2014, the parameters of the 2014 investment program were adjusted due to the need to change the schedules of investment project implementation and, as a consequence, planning for financing them and commissioning capacities. The total amount

of the adjusted 2014 investment program¹⁴ was RUR 85,725.79 million. The investment program of RAO Energy Systems of the East Group for 2014 was formed in the amount of RUR 21,548.5 million including VAT. The financing plan for 2014 corresponds to the approved parameters of the Group's subsidiaries which passed the procedures of approval pursuant to the provisions of the Decree №977 of the government of the Russian Federation dated 01.12.2009.

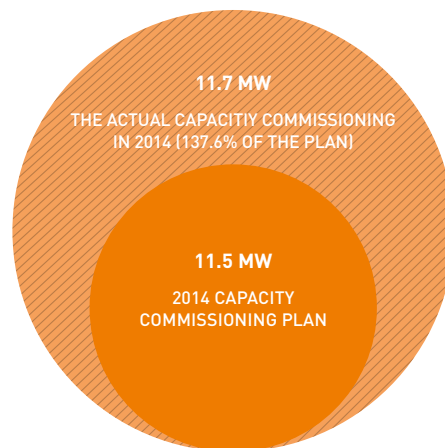
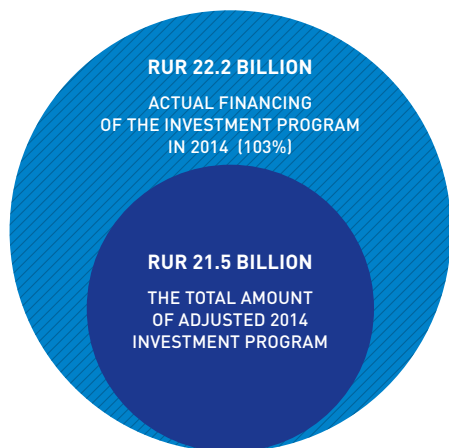
FULFILMENT OF JSC RUSHYDRO'S INVESTMENT PROGRAM IN 2014



¹³ The Board of Directors of JSC RusHydro (Minutes № 193 as of 19.02.2014), made a decision on the approval of JSC RusHydro's 2014 investment plan, including the 2014 investment program of JSC RusHydro, and approved the 2015-2018 business plan of RusHydro, including the 2015-2018 investment program of JSC RusHydro.

¹⁴ The adjusted investment program of JSC RusHydro for 2014 was approved by Order №919 of the Russian Ministry of Energy dated 12.12.2014, a resolution on the approval of the Company's adjusted Business Plan for 2014 in respect to the investment program of JSC RusHydro for 2014 was taken by JSC RusHydro's Board of Directors (Minutes № 209 dated 26.12.2014).

FULFILMENT OF THE INVESTMENT PROGRAM OF RAO ENERGY SYSTEMS OF THE EAST GROUP IN 2014

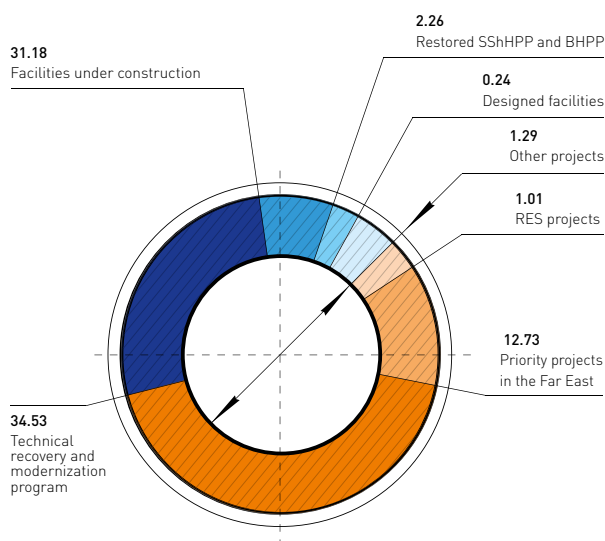


Overfulfillment of the capacity commissioning plan in 2014 became possible due to commissioning an additional 10.5 MW of the Zhigulevskaya HPP.

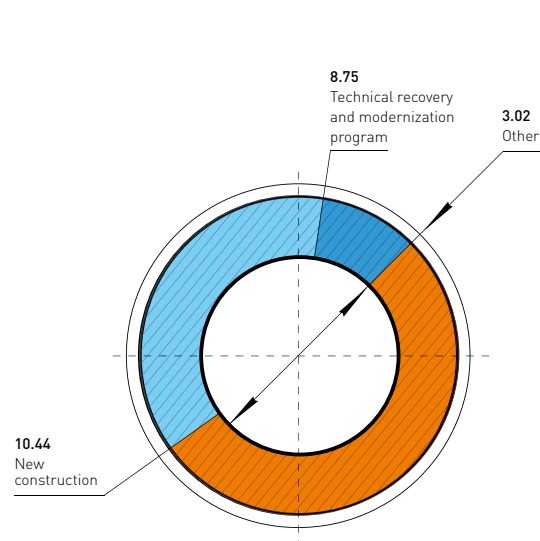
The 2014 investment program of the RAO Energy Systems of the East Group was formed in the amount of RUR 21,548.5 million,

including VAT. Following 2014 results, the parameters of the investment programs of the following RAO Energy Systems of the East Group's companies were adjusted: JSC RAO ES of the East, JSC Sakhalinenergo, DRSK, JSC DGC, JSC DEK, JSC Mobile Energy, JSC Kamchatskenergo, JSC IuESK, JSC Yakutskenergo, JSC Sakhaenergo, and JSC Chukotenergo.

2014 KEY DIRECTIONS OF JSC RUSHYDRO INVESTMENT, RUR BILLION



2014 KEY DIRECTIONS OF RAO ENERGY SYSTEMS OF THE EAST GROUP'S INVESTMENT, RUR BILLION



Answers to Investors' Questions Asked during the Roadshow

Question: What investment projects does the Company implement?

Answer: We won a tender to construct three small HPPs. The work is done in accordance with the approved plans. In addition, we conduct negotiations regarding joint implementation of these and other hydropower facility construction projects with different capacities and purposes with international partners.

Key Investment Projects

Object	Project Stage	Design Capacity, MW	Start of Construction	Completion of Construction	Capacity Commissioning 2014	Capacity Commissioning 2015 (plan)
Priority Projects in the Far East						
2nd stage of the Blagoveschenskaya CHP The aim of construction is to liquidate the existing capacity deficit and meet future heat energy consumption growth, improve energy supply reliability as well as to meet the irregular part of the load schedules of UES of the East.	Construction	120	2011	2015	-	120
1st stage of the Sakhalinskaya TPP-2 The new TPP will replace the decommissioned capacity of the Sakhalinskaya TPP, as well as increase the efficiency of Sakhalin energy system performance.	Construction	120	2011	2017	-	-
The CHP in Sovetskaya Gavan The CHP is constructed to substitute the decommissioned capacity of the Mayskaya TPP and ensure meeting the growing energy needs of the special economic zone in the Sovetskaya Gavan port	Construction	120	2010	2016	-	-
1st stage of the Yakutskaya TPP-2 The project is realized to replace the decommissioned capacity of the Yakutskaya TPP and meet consumption growth for energy and to enhance energy supply reliability	Construction	193.48	2011	2016	-	-
TOTAL:					-	120
Facilities under Construction						
The Ust-Srednekanskaya HPP The aim of the project is to supply electric energy to consumers of the central load center of the Magadan Region and partly of customers of the Oimyakon District of the Sakha Republic, as well as the supply of reasonably priced energy to new gold and other precious metals mining companies.	Construction	310.5	1991	2018	-	-
The Boguchanskaya HPP Completion of the construction of the HPP is critically important for the development of the Lower Angara Region and the Siberian economic region. More than half of all electric energy generated by the HPP will be used for the aluminum plant. In 2014, the whole design capacity of the plant was introduced (acceptance acts were signed by all nine hydropower units at 2,997 MW), until 2016 it is planned to complete end work that do not affect plant capacity commissioning.	Construction	2,997	1980	2016	333	-
The Gotsatinskaya HPP The aim of the project is to supply electricity and power to consumers of the deficient UES of the North Caucasus, which will have a beneficial impact on remedying the socio-political situation and improving the social status of the Republic of Dagestan	Construction	100	2007	2016	-	-
The Zagorskaya PSPP-2 The second stage of the Zagorskaya PSPP is built to partially solve the problem of maneuverable regulation power deficit in the Central Region of Russia, as well as preventing accidents in Moscow and the Moscow Region.	Construction	840	2006	2018	-	-

The Zaramagskie HPPs The hydropower complex on the Ardon River in the North Ossetia consists of two interconnected plants and aims to solve the problem of energy deficit in the Republic.	Construction	352	1976	2018	-	-
The Zelenchukskaya HPP-PSPP The aim of the project is to enhance the reliability of the energy supply to the North Caucasus energy system and balance the daily schedule of the Kuban River.	Construction	140	2009	2015	-	140
The Nizhne-Bureyskaya HPP This HPP will be a compensating reservoir of the Bureyskaya HPP, levelling daily water fluctuations in the river resulting from the work of the hydropower plant. This will remove the restrictions on the regimes of operation of the Bureyskaya HPP and prevent winter floods in several villages located downstream.	Construction	320	2010	2017	-	-
The Zaragizhskaya SHPP The start of the third stage of the Nizhne- Chereksky Cascade will be an important step towards fully achieving existing and future needs in electric power in Kabardino-Balkaria.	Construction	30.6	2011	2015	-	30.6
TOTAL:					333	170.6

2015 INVESTMENT PROGRAM

JSC RusHydro's 2015-2017 investment program was approved by Order No 93 of the Russian Ministry of Energy as of 26.02.2015.

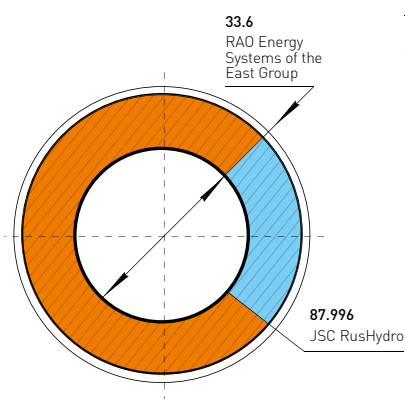
Pursuant to the instructions of the Deputy Prime Minister of the Russian Federation A.V. Dvorkovich as of 30.12.2014 No AD-P9-220pr (item 6) from 13.01.2015 № AD-P9-52 (item 8) and as of 30.01.2015 No AD-P9-25pr (item 5), an optimized version of the draft JSC RusHydro 2015-2017 investment program and RAO Energy Systems of the East Group 2015-2017 investment programs was prepared. It was considered at a meeting of the Government of the Russian

Federation on April 3, 2015. Following the results of the Government of the Russian Federation's consideration, the finalized version of the investment program was sent in its prescribed procedure to the Russian Ministry of Energy.

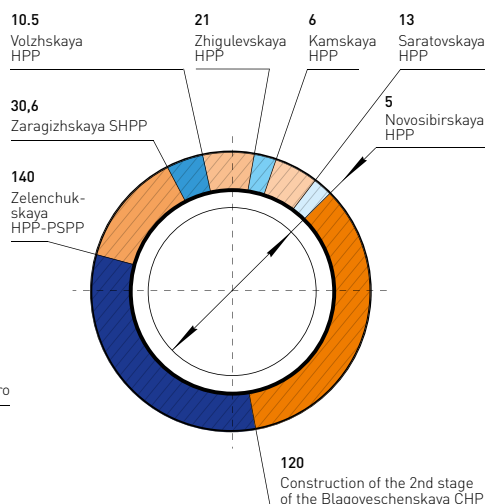
Considering the abovementioned, a draft 2015-2019 business plan for JSC RusHydro has been formed in accordance with the parameters of a draft adjustment of JSC RusHydro's 2015 investment program and a draft 2016-2018 investment program.

Currently, a draft 2015-2019 business plan for JSC RusHydro has been approved by the Management Board of JSC RusHydro (Minutes No 903pr as of 31.03.2015).

2015 PLANNED INVESTMENT AMOUNT, RUR



JSC RUSHYDRO 2015 PLAN FOR COMMISSIONING CAPACITY, MW



RAO ENERGY SYSTEMS OF THE EAST GROUP'S 2015 PLAN FOR COMMISSIONING CAPACITIES

Generation:	141.95 MW
Grid network:	513.32 km
Transformer capacity:	254.18 MVA
Heat energy:	121 Gcal*h

INNOVATIVE DEVELOPMENT

Today, RusHydro is the innovation leader in Russia's energy sector. New technologies are being actively implemented in all corporate activity areas – from design to production asset management.

INNOVATIVE DEVELOPMENT PROGRAM

JSC RusHydro's 2011-2015 Innovative Development Program with a prospective till 2021¹⁵ includes the following priority directions for innovation development:

SAFETY AND RELIABILITY	NEW GENERATION	ENERGY EFFICIENCY	ENVIRONMENT	THE WATER
PROJECTS THAT INCREASE THE SAFETY AND RELIABILITY OF FACILITY OPERATION DIAGNOSTICS AND MONITORING REDUCING THE INFLUENCE OF THE HUMAN FACTOR EXTENDING THE LIFE OF THE EQUIPMENT	DEVELOPMENTS IN THE FIELD OF NEW TYPES OF GENERATION	IMPROVING EXISTING GENERATION TECHNOLOGIES REDUCING THE LOSSES OF ELECTRIC ENERGY, HEAT AND WATER ENERGY RECUPERATION	REDUCING THE HARMFUL ANTHROPOGENIC IMPACT ON NATURE RECULTIVATION AND RESTORATION OF THE ECOSPHERE	TECHNOLOGIES RELATED TO WATER RESOURCES MANAGEMENT, STORAGE, CLEANING AND PREPARATION OF WATER EFFICIENT USE OF WATER RESOURCES
MATERIALS AND TECHNOLOGIES FOR CONSTRUCTION	GENERATION MATERIALS AND TECHNOLOGIES	IT PROJECTS	HR DEVELOPMENT	CORPORATE PROCESSES
DESIGN TECHNIQUES, DEVELOPMENT OF NEW MATERIALS AND METHODS OF THEIR USE NEW TECHNOLOGIES OF FACILITY CONSTRUCTION WHICH ALLOW SIGNIFICANTLY REDUCING THE PRODUCTION COST AND TERM OF CONSTRUCTION	NEW CONSTRUCTION MATERIALS, PROCESSING TECHNOLOGIS AND MODIFICATIONS WHICH REDUCE COST AND INCREASE GENERATION EFFICIENCY	KNOWLEDGE MANAGEMENT SYSTEMS TECHNOLOGICAL PROCESS CONTROL SYSTEMS MULTIDIMENSIONAL MODELING AND FACILITIES MANAGEMENT SYSTEMS	PROJECTS AIMED AT INNOVATIVE PERSONNEL TRAINING	INNOVATIVE PROJECTS IN THE FIELD OF CORPORATE GOVERNANCE AND A VARIETY OF SUPPORTED BUSINESS PROCESSES

In 2015, the innovative development program will be updated – it will be formulated for the whole RusHydro Group. The new integrated program will consist of a part which is common to all Group companies and include a description of the innovative development

management system, strategic goals of innovative activities, the basic principles, as well as two groups of priority directions for innovative development: for JSC RusHydro and RAO Energy Systems of the East Group.

¹⁵ 2011-2015 Innovative Development Program of JSC RusHydro with prospects till 2021 was approved by JSC RusHydro's Board of Directors, Minutes №130 as of 02.08.2011.



2014 Results of the implementation of the Innovation Development Program

SELECTING APPLICATIONS AND IMPLEMENTING PROJECTS



INTERACTION WITH HIGHER EDUCATIONAL INSTITUTIONS AND SCIENTIFIC ORGANIZATIONS

Developing the "Hydropower and RES" Department in NRU "MPEI"

A year ago, the Company opened the basic "Hydropower and renewable energy sources" Department in the National Research

University "MPEI". During the reporting year, the financing of equipment purchases consisting of five stands and the "smart grid" technology which models the joint work of the HPPs, PSPPs, WPPs, SPPs and power transmission lines in "smart grid" technology was started to equip the experimental laboratory complex. Switching the training simulator of the HPP on which students will learn during 2015 traineeship was also transferred to the department.

RusHydro and Universities – R&D Cooperation

The funding of R&D performed by universities at the request of RusHydro was RUR 31,892 million¹⁶. In 2014, the Company, in col-

laboration with leading Russian universities, has been working on the following R&D projects:

Improving the reliability of radial-axial turbines by extending the recommended areas of work	Optimizing the water and energy regime of the Volga-Kama HPP Cascade to increase power generation	Justifying parameters on greenhouse gas emissions of under construction and operated water-storage reservoirs of RusHydro's HPPs
<p>The Moscow Power Engineering Institute, one of the largest universities in the field of energy, electrical engineering, radio engineering, electronics and information technology, became a contractor for the project. University experts analyzed the effect of regime parameters on the dynamic load fastening elements of medium- and high-head hydropower plants, developed a procedure to assess the impact of dynamic loads on the strain-stress state of fastening elements of hydropower turbines, and conducted metallographic examination of samples of material of old and new studs of SSHPP. Currently, the Company is conducting bench tests of real studs from the mounting kit of the unit.</p>	<p>The Moscow State University of Environmental Engineering was selected to work on this project. Its staff has developed an optimization model for the Volga-Kama HPP cascade, model of runoff formation in the reservoir of the Volga-Kama HPP cascade, as well as a procedure to assess the energy effect from the optimization of the pre-flooding drawdown of reservoirs of the Volga-Kama Cascade and special spring water releases to the lower reaches of the Volga. The economic effect from the use of the model of runoff formation (in conjunction with a simulation model) will be more than RUR 2 billion per year.</p>	<p>At present, the internationally accepted procedure for calculating greenhouse gas emissions is a procedure developed for reservoirs located in areas of warm and temperate climates. Experts of the St. Petersburg Polytechnic University assessed the possible carbon neutrality of large HPP reservoirs in northern climatic zones. The study showed that the methane flux on average for the reservoirs is 0.7 mg / (m² · day), which is significantly lower than in most reservoirs of the Canadian HPPs (3-27 mg / (m² · day)) located in the boreal climate zone. The average value of the carbon dioxide flux (2,357 mg / (m² · day)) was close to the values of carbon dioxide fluxes from HPPs' reservoirs in Canada (1 000-3 000 mg / (m² · day)) of similar age (~ 35 years).</p>

Innovative Cooperation with Russian and Foreign Companies

RusHydro's Year of Chairmanship in the Global Sustainable Electricity Partnership (GSEP) ended with the Partnership Summit in the presence of representatives from the world's largest energy companies. The Partnership Project Committee defined and implemented joint pilot projects in terms of renewable energy sources and small HPPs on the territory of developing countries. Among the projects implemented within the GSEP involving the Company are the successful implementation of a joint program along with the Global BrightLight to install 5,000 solar panels for households in Nepal, the opening of a hybrid wind-diesel complex in Argentina, the commissioning of a biogas micro-station in Uruguay, the launch of a public-private partnership program for sustainable energy industry development and a cyber-security project.

In 2014, the Company worked jointly with JSC RUSNANO in the field of modern high-tech development, including nanotechnology equipment, materials and other products, as well as the creation of conditions to utilize the scientific and technical potential of project companies established with the participation of RUSNANO. Projects to be implemented have been selected.

In the reporting year, the Company has successfully worked on creating and coordinating project documents which regulate scientific and technological cooperation with the Canadian company Hydro Quebec.

In 2014, purposeful work to develop the renewable energy industry, including the hydropower industry, continued. A key element of these activities was the Company's work as a coordinator of the technology platform "Promising renewable energy technologies". In 2014, Platform participants fulfilled RES projects worth more than RUR 450 million (raised through the Platform).

2014 RUSHYDRO INNOVATIVE PROJECTS

Control and Accounting Instrumental-Technical System of water resources at the HPPs

In 2013, the Company began work to develop control and accounting instrumental and technical systems for water resources at the HPPs. The aim of the project was to update the initial data for setting water-power regimes of HPP operation and clarify operation characteristics of the hydropower units for working in the optimal efficiency ratio zone by the direct measurement of water flowing through the hydro turbine. The Uglichskaya HPP was chosen as a pilot object. 2014 work results were the creation of a prototype system, including software development which provides data on water flowing through the site of the hydropower complex in real time and transmit them to RusHydro's dispatching control center.

¹⁶ Including subcontracts.

The introduction of the turbine water flow measurement system, as part of the water resources accounting system, will allow operating HPPs in the area of the highest efficiency ratios of the turbine equipment. Output increases may exceed 1.5%. For the Uglichskaya HPP, proceeds from the sales of additional production will be RUR 5.76 million per year. In the future, the system will be introduced at the Company's run-of-river HPPs; it is expected that the annual revenue from the introduction of the system at all objects will reach RUR 852.3 million. In addition, production is expected to increase due to the more accurate setting of water and energy regimes.

Pumped storage power plant (PSPP) with an underground reservoir

In the European part of Russia, where PSPPs are required, elevation differences between the upper and lower reservoirs do not exceed 100 meters, so the cost of the construction of PSPPs in Russia's Central Region is quite high. One of the best solutions to this problem is to construct PSPPs with an underground location of the lower reservoir at great depths.

RusHydro, along with leading Russian design and research institutes, as well as with European partners, develops design solutions to the PSPP with an underground reservoir. In 2014, the Company has been working on a computational model to determine the stress-strain state of the rock mass and the hydropower model of the lower reservoir. In the future, promising sites for constructing PSPPs of this type will be selected.

A Procedure for Optimizing the Water and Energy Regime of the Volga-Kama HPP Cascade

Optimizing HPP operation with the use of additional design solutions in the tail pond will increase the production of the Volga-Kama HPP Cascade, and, at the same time, provide for the necessary level of flooding of the Volga-Akhtuba floodplain. During the reporting year, the Company's specialists worked to create a complex mathematical model which effectively manages water regimes and hydropower units across the whole HPP cascade.

2015 INNOVATIVE PLANS

In 2015, the Company plans to update the innovative development management system in accordance with recommendations received during the examination of the implementation of the innovative development program. In addition, the work to establish the RusHydro-RUSNANO joint venture fund will continue. In the field of design activities, RusHydro will implement innovative projects aimed at improving the operating efficiency of corporate divisions and key subsidiary and dependent companies.

Answers to Investors' Questions Asked during the Roadshow

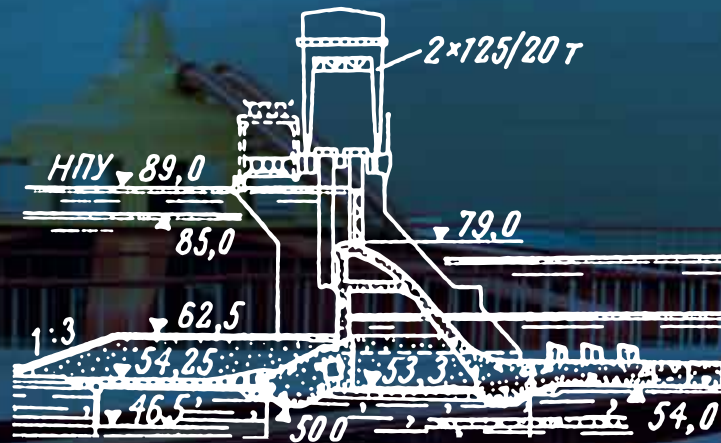
Question: What are the Company's short-term plans in relation to renewable energy?

Answer: RAO Energy Systems of the East is successfully implementing pilot projects in isolated areas where the use of solar cells and wind generation makes it possible to achieve significant savings over expensive diesel fuel.



3.

FINANCIAL PERFORMANCE



The machine hall of the Votkinskaya HPP



FINANCIAL STABILITY AND DIVIDEND GROWTH

10-years of success:

JSC RusHydro's dividend grew nine-fold

2014 key events:

5% revenue growth

15% profit growth

43% dividend growth

This section is prepared based on the consolidated financial statements of the RusHydro Group for 2014 in accordance with International Financial Reporting Standards (IFRS).

In 2014, the RusHydro Group maintained its stable financial position and succeeded in increasing revenue 5%, while the amount of government subsidies decreased (despite a decline in production volume and the net supply of electricity), at the same time maintaining the rate of increase in operational costs within the inflation rate, increasing dividend payments 39% and net profit 15%. The relative debt load indicators also remained at comfortable levels.

The key events influencing the financial performance of the RusHydro Group in 2014 were the following:

- 8.5% year-to-year decline in electricity output due to low water inflows at the Volzhsko-Kamskiy Cascade and the Sayano-Shushenskaya HPP, as well as a decrease in demand in the second price zone;
- Further implementation of the investment program: RusHydro's capital expenditures in 2014 increased 32% and amounted to RUR 93,022 million. For the implementation of its investment program, the Group attracted a number of loans, the largest of which was a loan in the amount of EUR 190 million with a 15 year-term provided for financing the modernization of the Saratovskaya HPP hydropower turbines by a syndicate of ING Bank and Credit Agricole Corporate & Investment Bank Deutschland;
- The Group put into operation all nine hydropower units of the Boguchanskaya HPP, the installed capacity of RusHydro increased to 38.5 GW¹⁷, which is the highest value in Russia;
- In June, the General Meeting of Shareholders adopted 2013 dividend payments in the amount of 0.0136 rubles per share in the overall amount of RUR 5,248 million;
- The Group closed a fully non-cash transaction with JSC EuroSibenergo involving a swap of 25 percent minus one share in JSC Krasnoyarskaya HPP against 3.39% own shares of JSC RusHydro, which were obtained by JSC Hydroinvest;
- RusHydro reaffirmed its status as a socially responsible company. The expenses for Group labor remuneration increased 14% as of the end of 2014 despite a decline in operational indicators and the deterioration of external economic conditions.

ASSETS, EQUITY AND LIABILITIES

(RUR million)	2012	2013	2014	Change
Property, plant and equipment	604,461	633,846	686,190	52,344
Other non-current assets	57,234	65,137	48,540	(16,597)
Current assets	192,572	157,129	149,040	(8,089)
Total assets	854,267	856,112	883,770	27,658
Equity	540,405	596,707	595,151	(1,556)
Liabilities	313,862	259,405	288,619	29,214
Total liabilities and equity	854,267	856,112	883,770	27,658

As of the end of 2014, the total assets of the RusHydro Group increased RUR 27,658 million (3%) amounting to RUR 883,770 million. The key factor contributing to Group asset growth during the reporting year was the increase in property, plant and equipment by RUR 52,344 million (8%) due to further implementation of the investment program and significant Group investment in infrastructural objects that are nationally significant.

At the same time, other non-current assets decreased 16,597 rubles (25%), which is due to an exchange of 25% minus 1 share of JSC Krasnoyarskaya HPP for 3.39% shares of the Company by the Group, while current assets decreased RUR 8,089 million (5%), mostly due

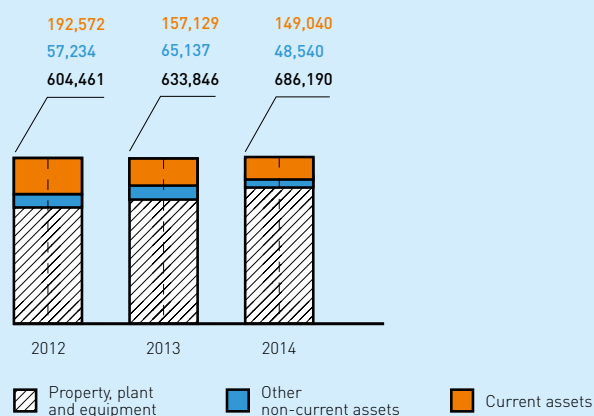
to reduced short-term deposits. At the same time, cash assets remained at the 2013 level.

As a result, the share of property, plant and equipment in the Group's 2014 total balance increased to 78%. The Group maintains a stable asset structure despite structural economic problems and a 2014 decrease in electricity output.

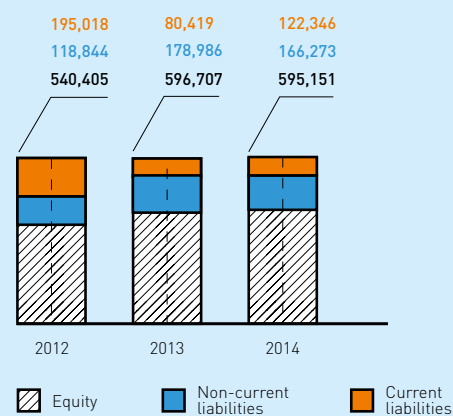
RusHydro Group equity, as of the end of 2014, amounted to RUR 595,151 million, which is marginally lower than the amount as of the end of the previous year. The increase in retained earnings and other Group reserves by RUR 14,821 million (9%) was offset by the growth

¹⁷ JSC Boguchanskaya HPP is a joint venture of the RusHydro Group. The results of JSC Boguchanskaya HPP are accounted for under the equity method in the Group's consolidated financial results (according to IFRS).

ASSET STRUCTURE AND DYNAMICS, RUR MILLION



LIABILITIES STRUCTURE AND DYNAMICS, RUR MILLION



in "treasury stock" after receiving own shares in payment for the disposal of share in PJSC Krasnoyarskaya HPP.

The total Group liabilities increased RUR 29,214 million (11%) and amounted to RUR 288,619 million in 2014, which is due to the

necessity of attracting funds for financing investment. Current liabilities constitute 42% of total liabilities, while such an increase during the reporting year was due to the approaching maturity of numerous significant loans.

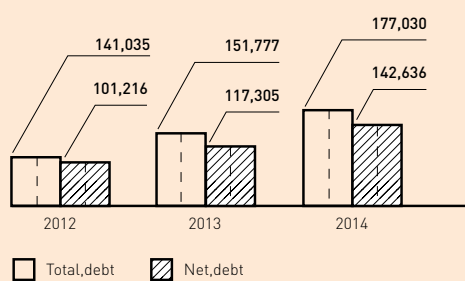
LIQUIDITY AND DEBT INDICES

	2012	2013	2014	Change
Current Ratio	0.99	1.95	1.22	(0.73)
Acid-Test Ratio	0.89	1.69	1.04	(0.65)
Absolute Liquidity Ratio	0.20	0.43	0.28	(0.15)
Financial Independence Ratio	0.63	0.70	0.67	(0.03)

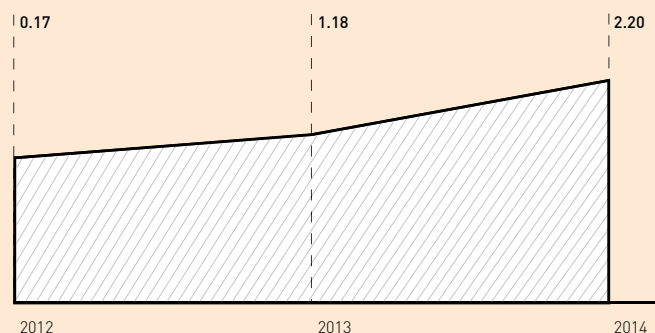
Against the background of a decrease in short-term liabilities in 2014, compared with the previous year, the relative liquidity ratios of the RusHydro Group decreased. At the same time, all key ratios

for current, quick assets and absolute liquidity significantly exceeded recommended values, which is evidence of RusHydro's high level of financial stability and the implemented prudent financial policy.

DEBT DYNAMICS, RUR MILLION

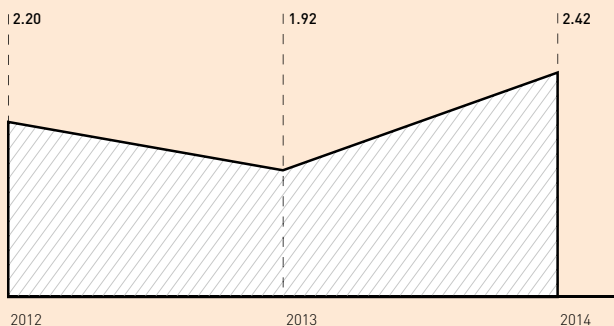


TOTAL DEBT/ASSETS

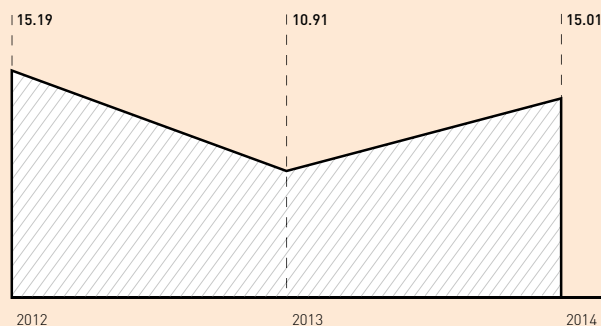




TOTAL DEBT/EBITDA



EBITDA/INTEREST EXPENSE

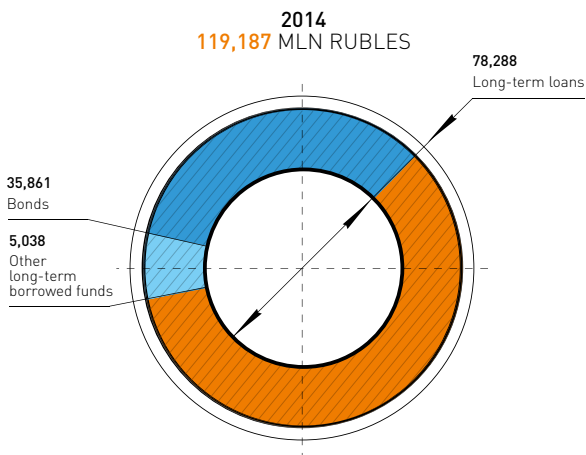


As of the end of 2014, the total debt of the RusHydro Group amounted to RUR 177,030 million, which exceeded the previous year's level by RUR 25,253 million (17%). The key factor contributing to the Group's debt increase during the reporting year was an increase in the volume of RusHydro's investment program together with maintaining profitability indicators at the 2013 level and an increase in dividend payments. The largest Group borrowing in 2014 was the attraction of a loan in the amount of EUR 190 million with a 15 year-

term provided for financing modernization of the Saratovskaya HPP hydro turbines by a syndicate of ING Bank, Credit Agricole Corporate & Investment Bank Deutschland.

The Group's net debt as of the end 2014 amounted to RUR 142,636 million rubles. The relative leverage ratios of RusHydro remain at comfortable levels which reaffirms the Group's stable financial position.

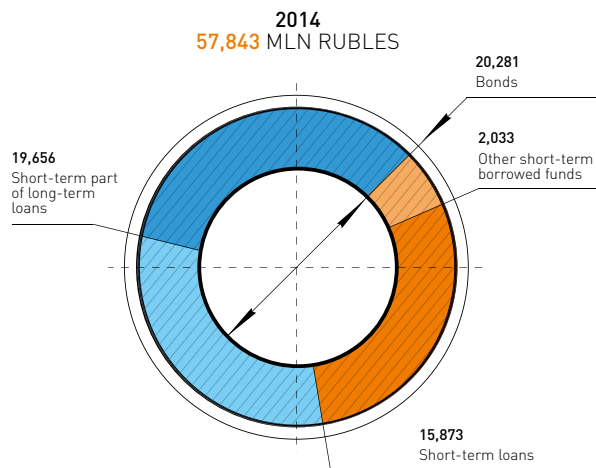
LONG-TERM DEBT STRUCTURE, RUR MILLION



The long-term debt of the Group decreased 12,703 million rubles (10%) in 2014 totaling 119,187 million rubles due to the approaching maturity of a number of significant loan agreements and Eurobonds. As of the end of 2014, 66% of the Group's long-term debt was formed by credit funds, while 30% was formed by bonds placed by the Group and 4% by other long-term financing sources.

The Group's short-term debt amounted to RUR 57,843 million as of the end of 2014. The significant increase in short-term debt was due to carrying over a part of long-term loans to short-term liabilities and bonds due to approaching maturity. As a result, the percentage of the part of long-term loans in the Group's short-

SHORT-TERM DEBT STRUCTURE, RUR MILLION



term debt amounted to 34%, whereas 27% are formed by short-term loans, 35% - by placed bonds and 4% - by other short-term financing sources.

As of the end of 2014, more than 90% of the debt is ruble-denominated, which makes the Group immune to currency risks. At the same time, more than 40% of the overall volume of debt financing are commitments to major Russian State banks. The Group also has open credit lines in the largest Russian banks. The sum of the unused loans amounted to approximately 13 million rubles¹⁸, which significantly decreases the potential negative impact of financial risks.

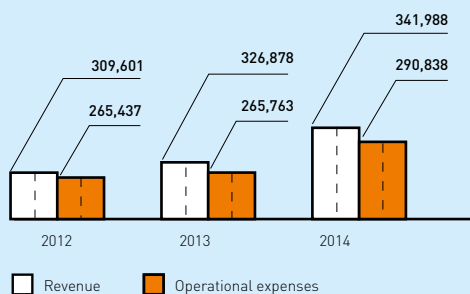
¹⁸ Given the conversion rate of foreign currency according to the Bank of Russia's rate, as of 31.12.2014.

Despite the increase in Group total debt and deterioration in the macroeconomic environment as of the end of 2014, the amount

of interest paid on RusHydro Group loans increased only RUR 128 million (1%), amounting to 13,708 million rubles.

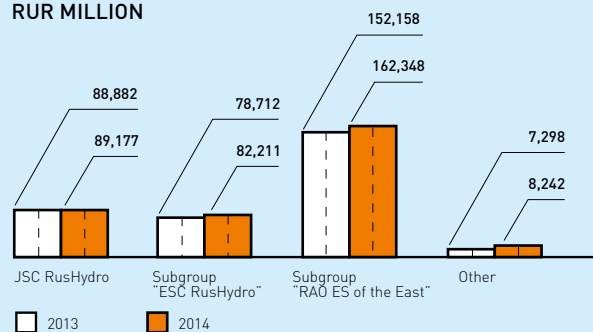
REVENUE AND EXPENSES

REVENUE AND EXPENSE DYNAMICS, RUR MILLION*



* In this section, the total revenue includes government subsidies.

REVENUE STRUCTURE FOR GROUP COMPANIES, RUR MILLION



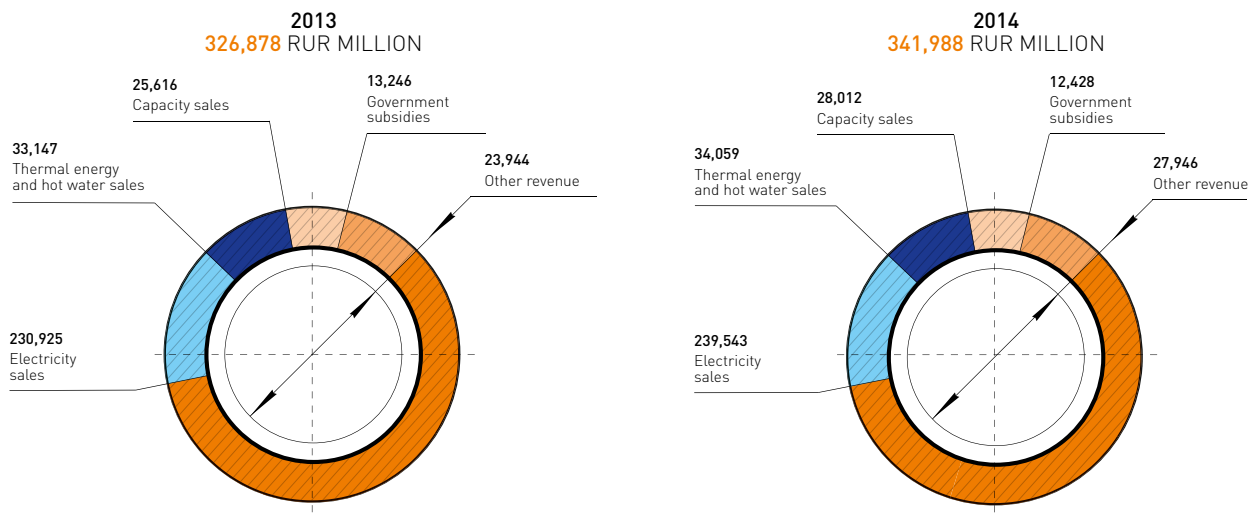
As of year-end 2014, RusHydro Group revenue (including government subsidies) increased 15,110 million rubles (5%), amounting to 341,988 million rubles. The following factors contributed to the increase in the Group's revenue:

- Price increase in the day-ahead market of the second price zone;
- Price increase for capacity at capacity auctions in the first price zone, due to indexation;
- Price growth for capacity at capacity auctions in the second price zone after market "liberalization" (since May 1, 2014);

- Tariff indexation for electricity and capacity starting from the second half of 2013;
- Increase in electricity output by companies of JSC RAO Energy Systems of the East.

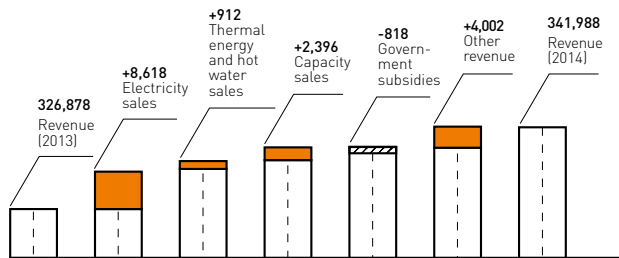
The operational expenses of the RusHydro Group in 2014 increased 25,075 million rubles (9%) to 290,838 million rubles, which corresponds with the task of limiting expense growth to the annual inflation rate. At the same time, the Group reaffirmed its status as a responsible employer – the key factor contributing to the increase in the Group's operational expenses was an increase in labor remuneration expenses.

REVENUE STRUCTURE BREAKDOWN BY TYPES OF ACTIVITIES, RUR MILLION





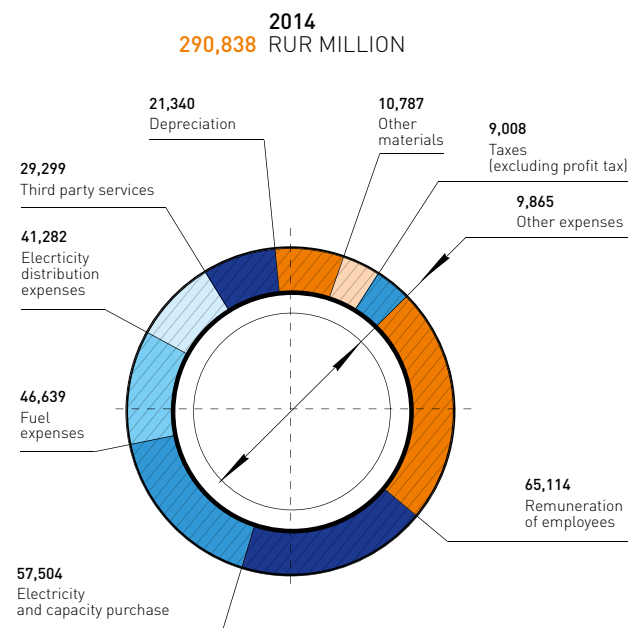
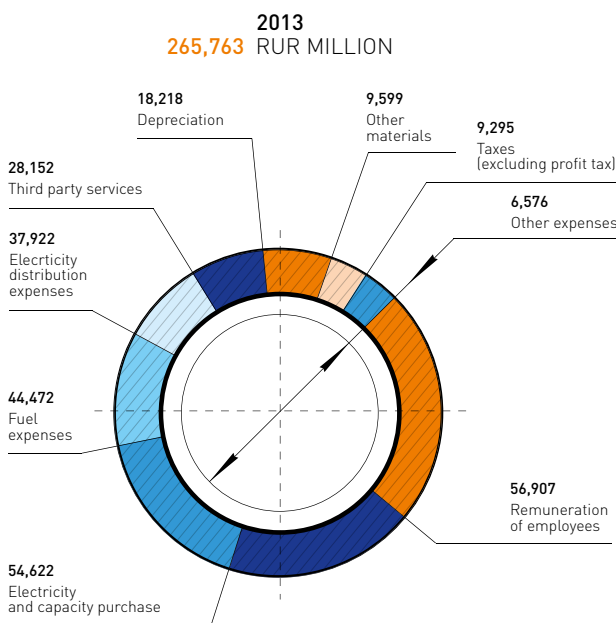
CHANGE IN REVENUE BY TYPES OF ACTIVITIES, RUR MILLION



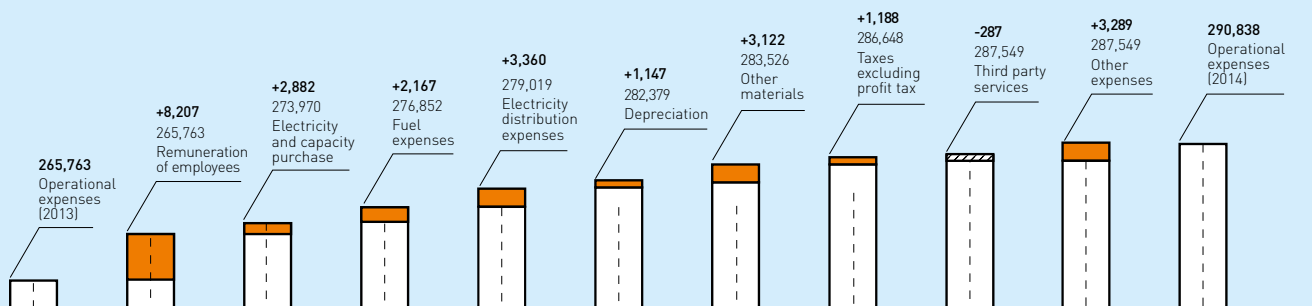
During the reporting year, revenue increased for all segments of RusHydro Group activities including electricity sales, the revenue from which increased RUR 8,618 million (4%) to RUR 239,543 million. At the same time, the amount of government subsidies received by the Group for the purpose of eliminating inter-regional cross-subsidization in electricity tariffs as well as compensation for the difference between approved electricity and heat energy rates and reduced rates for the consumers as well as compensation for the loss on fuel in the Far East regions by 818 million rubles (6%) to 12,428 million rubles.

The RusHydro Group maintains a stable revenue structure by activity types. In 2014, 70% of the revenue was formed by electricity sales, 10% by heat energy and hot water sales, 8% by capacity sales, 8% by other revenue, and 4% was formed by government subsidies.

STRUCTURE OF OPERATIONAL EXPENSES, RUR MILLION



CHANGE IN OPERATIONAL EXPENSES, RUR MILLION



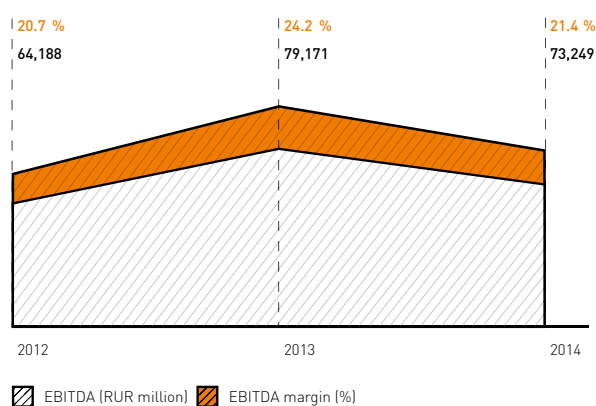
The most significant growth rate among the Group's operational expense items was demonstrated in 2014 by labor remuneration, which increased 8,207 million rubles (14%), reaching 65,114 million rubles. The RusHydro Group, adhering to high standards in the corporate social responsibility sphere, considers employee motivation with the purpose of improving operational efficiency as one of its priorities.

Within the structure of the Group's operational expenses, labor remuneration expenses form 22% of the total, being the most significant expense item. At the same time, 20% of costs are formed by expenses from the purchase of electricity and capacity, 16% are formed by fuel expenses, 14% are formed by expenses on electricity distribution, 7% by amortization, 3% by taxes paid, excluding profit tax, and 10% on expenses on services provided by third-party contractors, including the services of JSC "SO UES" and JSC "ATS", whereas 4% are formed by other materials and 4% – by other expenses.

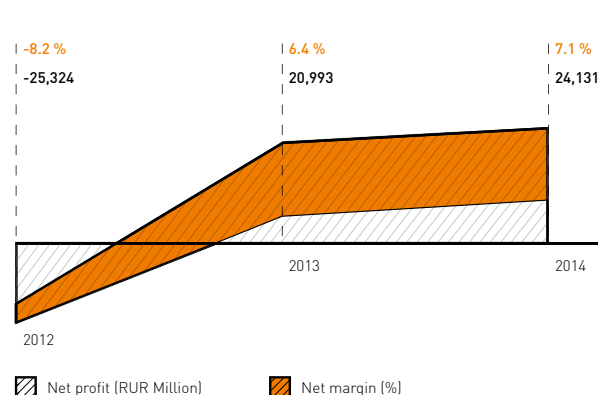
PROFITABILITY INDICATORS

	2012	2013	2014	Change
EBITDA, RUR million	64,188	79,171	73,249	(5,922)
EBITDA margin, %	20.7%	24.2%	21.4%	(2.8%)
Net profit (loss), RUR million	(25,324)	20,993	24,131	3,138
Net margin, %	(8.2%)	6.4%	7.1%	(0.7%)
Net profit (loss) per one share, RUR	(0.078)	0.0638	0.0689	0.0051
Return on assets (ROA), %	-3.0%	2.5%	2.7%	0.2%
Return on equity (ROE), %	-4.7%	3.5%	4.1%	0.6%

EBITDA DYNAMICS AND EBITDA MARGIN



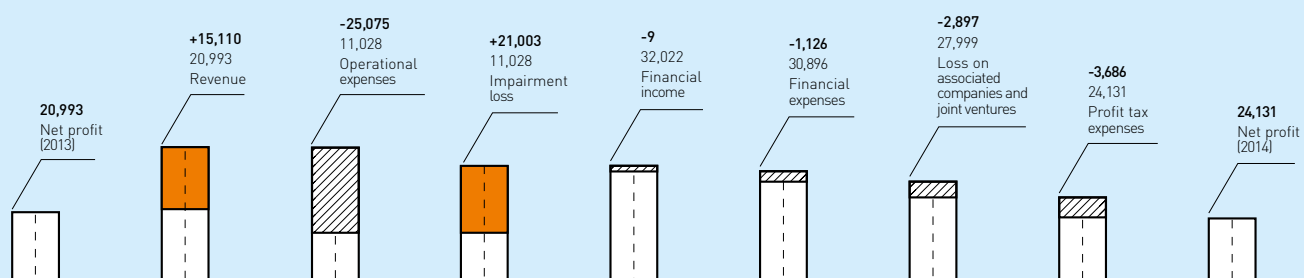
NET PROFIT DYNAMICS AND NET MARGIN



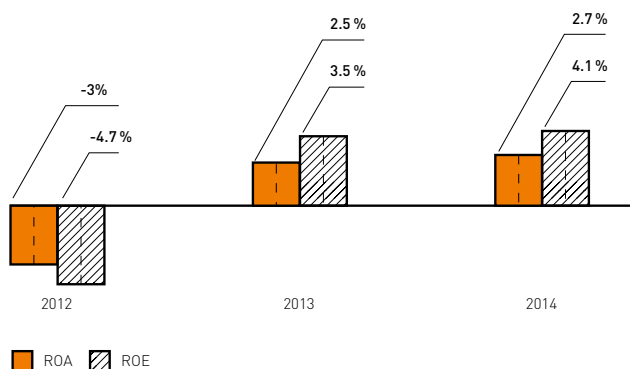
In 2014, Group EBITDA decreased 5,922 million rubles (7%) amounting to 73,249 million rubles, which can be attributed to lower revenue growth rates due to a decrease in production output relative to the rate of increase in operational expense items. At the same time, the Group's EBITDA margin remained at a high level, totaling 21.4% for the reporting year.

In 2013, the Group returned to net profit after a loss in the previous year. During the reporting period, the trend continued – at year-end 2014, RusHydro recorded net profit in the volume of 24,131 million rubles, which exceeds the previous year's result by 3,138 million rubles (15%). The Group's net margin increased to 7.1%.

CHANGE IN NET PROFIT, RUR MILLION



RETURN ON ASSETS AND RETURN ON EQUITY, %



The key factor contributing to the Group's increase in net profit in 2014 together with revenue growth was the significant decrease in non-cash losses from the impairment of RusHydro assets – property, plant and equipment, accounts receivable, financial assets available for sale and long-term notes, and also loss from the revaluation of net assets of a subsidiary acquired exclusively with a view to resale. As of year-end, the total of the respective losses, more than half of which was formed by the impairment of property, plant and equipment, amounted to 17,268 million rubles, which is 21,003 million rubles (55%) less than the respective indicator for the previous year.

The relative profitability indicators of the Group also increased in 2014 due to net profit growth, together with maintaining the debt structure, as well as the capital structure. Return on asset (ROA) increased from 2.5% to 2.7% during the year, while return on equity (ROE) increased from 3.5% to 4.1%.

CASH FLOW

(RUR million)	2012	2013	2014	Change
Net cash generated by operating activities	58,876	62,428	57,926	(4,502)
Net cash used in investment activities	(121,626)	(51,155)	(60,433)	(9,278)
Net cash generated by (used in) financing activities	55,213	(16,706)	1,091	17,797
Foreign exchange gain (loss) on cash balances	(20)	48	1,338	1,290
Decrease in cash and cash equivalents	(7,557)	(5,385)	(78)	5,307
Cash and cash equivalents at the end of the year	39,857	34,472	34,394	(78)

The Group's net cash generated by Group operating activities decreased 4,502 million rubles (7%) to 57,926 million rubles.

At the same time, the net flow of funds used in financing activities increased 9,278 million rubles (18%), reaching 60,433 million rubles. During 2014, the Group implemented a large-scale investment program, increasing capital expenditures 22,769 million rubles (32%) to 93,022 million rubles.

In RusHydro's financial activities, a net cash inflow in the amount of 1,091 million rubles was recorded during the reporting period against the background of a decrease in the volume of repaid borrowings compared with the previous year.

Despite the deterioration of macroeconomic conditions, the Group avoided a significant exchange rate loss in 2014 due to a significant share of ruble-denominated loans in the overall debt structure. At the same time, the foreign exchange gain on RusHydro Group cash balances decreased almost 28 times, totaling 1,338 million rubles.

It is against this background that the Group maintained the volume of cash and cash equivalents at a practically unchanged level as of end of the year; and it amounted to 34,394 million rubles, which is 78 million rubles (0.2%) less than the respective value as of the beginning of the year.

DISTRIBUTION OF THE COMPANY'S NET PROFIT

The issue of the distribution of the Company's net profit* based on FY 2014 results, including payment (declaration) of dividends, will be submitted for consideration to the Annual General Meeting of shareholders on June 26, 2015.

On June 27, 2014, the Annual General Meeting of shareholders approved the distribution of profits (including the payment (declaration) of dividends) and corporate losses based on FY 2013 financial results.

	Amount in RUR	Share, %
Retained profit (loss) of the reporting period	35,321,324,606.01	100%
Distribute to:		
Reserve fund	1,766,066,230.30	5%
Accumulation fund	28,307,008,383.96	80%
Dividends	5,248,249,991.75	15%
Covering losses from previous years	0	0%

* 15% of JSC RusHydro's RAS net profit or 25% of the Group RusHydro's IFRS net profit is allocated for dividends

CREDIT RATING

Rating Agency	Fitch Ratings	Standard&Poor's	Moody's (together with CJSC "Moody's Interfax Rating Agency")
National rating	AA(rus)	ruAA+	Aa1.ru
International rating (in foreign currency)	BB+	BB+	Ba1
Outlook	Negative	Negative	Negative
Outlook revision date	21.01.2015	28.03.2014	21.10.2014

KPI SYSTEM

The effectiveness of the Company's strategy implementation is evaluated using a system of key performance indicators (KPIs). The development and implementation of the KPI system is an important component in corporate strategic planning. The KPI system is designed to regularly plan and monitor performance indicators defined by the Company's strategy.

2014 KPIS OF RUSHYDRO

JSC RusHydro's 2014 KPI List approved by the Company's Board of Directors on 05.12.2013 (Minutes No191). The Company's target values for yearly and quarterly KPI approved by the Company's Board of Directors on 17.02.2014 (Minutes No193) (appendix to the Company's 2014-2018 business plan).

The 2014 KPIs have been fully implemented by the Company.

2014 KPIs Target and Actual Values

Nº	Name	2014 KPI target values
Yearly		
1.	Reducing goods (work, services) acquisition costs per unit produced (%)	10%
2.	Reliability criterion – both:	
	- Not exceeding the limit for accidents in the Company (pcs.)	0
	- Corporate readiness factor (coefficient)	> 1
3.	EBITDA ratio, RUR million	42,198
4.	Fulfilling capacity commissioning timetable and the finance and disbursement plan, %	100
5.	Leverage ratio (coefficient)	≤ 1.5
Quarterly		
6.	Reliability criterion – both:	
	- Accident rate (compared with the previous year) in the Company (coefficient)	< 1
	- Lack of fatal industrial accidents or group Company accidents, if there is a victim with a severe outcome (pcs.);	0
	- receipt (availability) of a readiness passport on the Company's facilities within a prescribed period (%) (Q1 and Q4)	100
7.	Current liquidity ratio (coefficient)	≥ 1
8.	Fulfilling quarterly timetables to finance and implement the investment program in a cumulative total from the beginning of the year, %	100

2013 – 2014 Actual KPI Values:

Nº	Name	2013 actual KPI values	Degree of target value achievement in 2013, %	2014 actual KPI value	Degree of target value achievement in 2014, %
Yearly					
1.	Reducing goods (work, services) acquisition costs per unit produced (%)	14.3%	100%	11.6%	100%
	Reducing costs due to the implementation of the cost management program, % *	4.9%*	100%	_*	_*
2.	Reliability criterion – both:				
	- Not exceeding the limit for accidents in the Company (pcs.)	0	100%	0	100%
	- Corporate readiness factor (coefficient)	> 1	100%	> 1	100%
3.	EBITDA ratio**, RUR million	58,334	100%	53,048	100%

Nº	Name	2013 actual KPI values	Degree of target value achievement in 2013, %	2014 actual KPI value	Degree of target value achievement in 2014, %
4.	Fulfilling capacity commissioning timetable and the finance and disbursement plan, %	97%	100%	101%	100%
5.	Leverage ratio (coefficient)	0.31	100%	0.2	100%
Quarterly					
6.	Reliability criterion – both:				
	- Accident rate (compared with the previous year) in the Company (coefficient).	< 1	100%	< 1	100%
	- lack of fatal industrial accidents or group Company accidents, if there is a victim with severe outcome (pcs.)	0	100%	0	100%
	- receipt (availability) of a readiness passport on the Company's facilities within a prescribed period (%) (Q1 and Q4)	100	100%	100	100%
7.	Current liquidity ratio (coefficient)	3.7	100%	6.4	100%
8.	Fulfilling quarterly timetables to finance and implement investment program in cumulative total from the beginning of the year, %	95%	100%	102%	100%

* The indicator "Lower costs due to the implementation of the cost management program, %" established in 2011 by an Order of the Russian Ministry of Energy (Minutes as of 23.12.2010 g-NoASH 446pr) was introduced according to said Minutes for a 3-year period. Within the framework of the established indicator, the Company implemented an adopted program for improving JSC RusHydro's 2011-2013 operational efficiency. The program provided for reducing costs, to a maximum allowable level that is not critical for ensuring the normal functioning of objects and maintaining technological reliability, by 10% of the 2010 base within three years. And, it has been fully implemented within the prescribed period. In accordance with the above-mentioned, the indicator was excluded from the list of 2014 target KPI values.

** The target EBITDA value is set in accordance with data from the Company's business plan for the reporting year.

CAUSES OF DEVIATIONS OF THE ACHIEVED KPIS FROM PLANNED INDICATORS

Actual EBITDA, calculated at the end of 2014, is RUR 10,823 million more than the planned value, which is due to an increase in net revenues from the sales of electricity / power and savings on operating costs (cost optimization measures introduced by the Company's management);

The KPI "Fulfilling quarterly timetables to finance and implement investment program on a cumulative total from the beginning of the year" was exceeded by 2% compared with the plan due to the actual fulfillment of development objects scope of the investment program at 107%;

The KPI "Fulfilling capacity commissioning timetable and the finance and disbursement plan" was exceeded by 1% due to the actual

fulfillment of the commissioning capacity plan at 103% within the framework of the investment program;

The KPI "Lower acquisition costs of goods (work, services) per unit of production" was exceeded by 1.6% due to savings in implementing the scheduled procurement program.

THE KPIS OF THE RUSHYDRO GROUP'S LONG-TERM DEVELOPMENT PROGRAM

The long-term development program contains key performance indicators established for the 2015-2019 period. The calculation of the target values for the KPIS of the RusHydro Group's long-term development program is made in compliance with the parameters for the 2015-2019 Business Plan and take into account measures provided for by the RusHydro Group's programs.

The KPIS of the RusHydro Group's Long-term Development Program for 2015 – 2019*

Indicator	2015	2016	2017	2018	2019
1 Total shareholders return (TSR) ¹⁹	100%	100%	100%	100%	100%
2 Return on equity (ROE), %	4.0%	3.4%	3.1%	3.2%	3.6%
3 Leverage ratio	≤ 1.5	≤ 1.5	≤ 1.5	≤ 1.5	≤ 1.5
4 Limitation on the debt burden (Net Debt/EBITDA)	≤ 4	≤ 3.8	≤ 3.5	≤ 3.5	≤ 3.5
5 Reliability criterion:					
Not exceeding the limit for accidents (pcs.)	0	0	0	0	0
Readiness factor	> 1	> 1	> 1	> 1	> 1

¹⁹ Achievement of the TSR target level.

	Indicator	2015	2016	2017	2018	2019
6	Compliance with the capacity commissioning schedule for core new construction facilities	313.5 MW	970 MW	762 MW	142.5 MW	0*
7	Share of buying from small- and medium-sized business entities ²⁰	≥ 18%	≥ 18%	≥ 18%	≥ 25%	≥ 25%
8	Effectiveness of share capital (EBITDA / yearly average share capital)	11,9%	11,7%	11,2%	11,6%	12,2%
9	Labor efficiency (number of employees per 100 MW of available capacity) ²¹	27,7	26,0	24,5	24,3	24,1
10	Introducing the corporate governance code and ensuring compliance with its requirements	The Code approved by the Board of Directors	100%	100%	100%	100%
11	Integral innovative KPI	85%	85%	90%	90%	95%

* In accordance with the draft of JSC RusHydro's 2015-2019 Investment Program and the draft of the 2015-2017 Investment Program of JSC RAO Energy Systems of the East, commissioning of core greenfields are not planned in 2019.

2014 KPIs of JSC RAO Energy Systems of the East

Indicator	Actual	Implementation
Achieving yearly KPIs and bonus conditions by SDCs and controlled companies, transferred under the trust agreement,	81%	Implemented
Reducing goods (work, services) acquisition costs per unit produced,%	12.1%	Implemented
Fulfilling the Annual Investment Program of JSC RAO Energy Systems of the East	98.2%	Implemented

RUSHYDRO KPIS FOR 2015

In December 2014, JSC RusHydro's Board of Directors approved and made a decision to enter into force from January 1, 2015, the following documents:

- Regulation on the key performance indicators system of JSC RusHydro;
- List of yearly and quarterly key performance indicators of JSC RusHydro for 2015;

- Procedure for calculating and evaluating JSC RusHydro's key performance indicators for 2015.

The list of KPIs has been significantly expanded compared with KPI lists from previous years. Now, it includes the criteria of the return on investment (TSR) and authorized capital (ROE), as well as a criterion for the share of purchases from small- and medium-sized enterprises.

The List of RusHydro's 2015 KPIs

KPI	Target, %
Yearly KPIs:	
Total shareholders return (TSR)	100%
Return on equity (ROE)	3,1% *
Share of buying from small- and medium-sized business entities	18% **
Reliability criterion – both:	
– Not exceeding the limit for accidents;	0
– Readiness factor;	> 1
Compliance with capacity commissioning schedules and with the finance and disbursement schedule;	100
Leverage ratio (LR)	≤ 1,5

²⁰ JSC RusHydro.

²¹ JSC RusHydro.

KPI	Target, %
Quarterly KPIs:	
Current liquidity ratio (CLR);	≥ 1
Reliability criterion – both:	< 1
– accident rate;	0
– lack of fatal industrial accidents or group accidents, if there is a victim with a severe outcome;	100
– receipt (availability) of a readiness passport in due time*	100
Compliance with quarterly finance and disbursement schedules of the investment program, in cumulative total from the beginning of the year	100

* The amount of equity capital as of the end of 2015 does not include a possible increase in the amount of the additional issue of Company shares to implement the priority projects "Construction of the Upper Naryn Cascade of HPPs in Kyrgyzstan" and "Reconstruction (construction) of the Perepadnye HPPs 2-4 in Abkhazia".

** Government Resolution No 1352 (dated 11.12.2014) "On the peculiarities of the participation of small- and medium-sized enterprises in the procurement of goods, work and services of certain types of legal entities".

*** The indicator is set for Q1 and Q4 of the reporting year.

THE COMPANY ON THE SECURITIES MARKET

AUTHORIZED SHARE CAPITAL

Authorized share capital of JSC RusHydro as of December 31, 2014

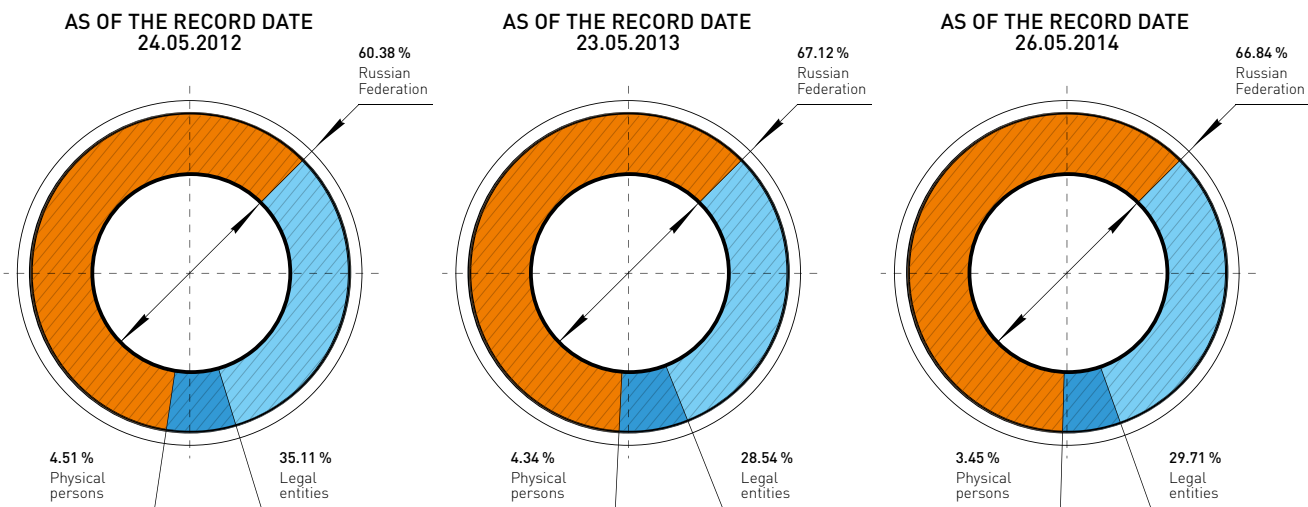
Nominal value, rubles	Number of ordinary shares	Nominal value of 1 share	Number of authorized ordinary shares	State registration number of the issue
386,255,464,890	386,255,464,890	1 ruble	54,047,237,489	1-01-55038-E

List of shareholders owning more than 2% shares (as of December 31, 2014)

Shareholder name	Type of registered entity	Number shares	Percentage of share capital
The Russian Federation represented by the Federal Agency for State Property Management	Holder	258,161,535,606	66.84
Non-bank credit organization CJSC National Settlement Depository	Nominee holder	112,435,510,802	29.11
Limited liability company Depository and Corporate Technologies	Nominee holder	8,370,726,663	2.17



SHAREHOLDING STRUCTURE



Source: JSC Registrator R.O.S.T.

More than 360 thousand foreign and domestic investors are corporate shareholders. The government holds the controlling stake in the Company. There were no significant changes in shareholder capital structure during 2014.

CIRCULATION OF SECURITIES ON THE RUSSIAN MARKET

Since 2008, RusHydro shares have been traded on the MICEX Stock Exchange under the ticker symbol HYDR, and in March 2013,

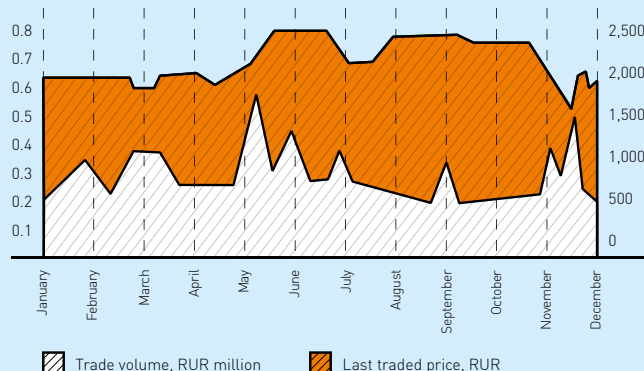
the Company's shares were among the first on the Russian Stock Market, which were admitted to trading on the T+2 trading system with partial collateral and deferred trade execution.

The Company's shares are included in the list of liquid securities traded on the Stock Exchange. They are included in the calculation base of the Russian MICEX and RTS indices, the blue chip index of the Moscow Exchange (RTSSTD), the Moscow Exchange Broad Market (MICEX BMI), and indices for the shares of utility sector companies (MICEX PWR and RTSeu), as well as the MSCI Russia international index.

Trading results for the Company's shares on the stock market, 2012-2014

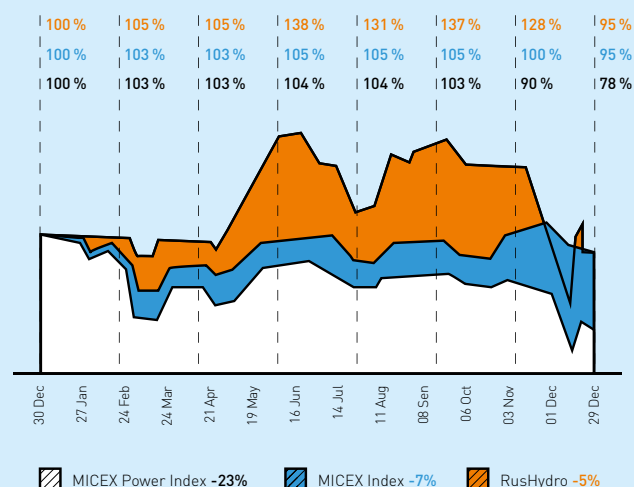
	2012		2013		2014	
Trading sectors	Main market	Standard market	T+2	T+2	T+Shares and DRs	T+Shares and DRs
Trading currency	RUR	RUR	RUR	RUR	RUR	RUR
The highest transaction price	1.2092	1.25	0.7920	0.7920	0.755	0.755
The lowest transaction price	0.7154	0.716	0.4537	0.4537	0.441	0.441
Year end transaction price	0.7335	0.73	0.5675	0.5675	0.5415	0.5415
Trading volume	140 billion	202 billion	181 billion	181 billion	130 billion	130 billion

2014 SHARE PERFORMANCE AND TRADE VOLUME DYNAMICS



Source: <http://moex.com/>

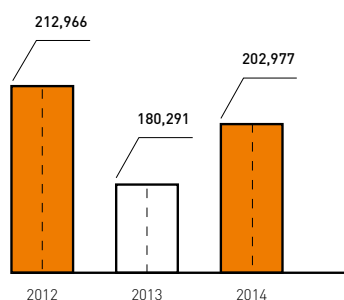
THE COMPANY'S 2014 SHARE PRICE PERFORMANCE VERSUS THE MICEX INDEX AND MICEX POWER INDEX



In 2014, the main indicator of the Russian stock market MICEX index decreased 7.1% while the MICEX Power Index decreased 23%. The main negative factors for the Russian market were a sharp decrease in oil prices in H2, as well as the economic sanctions of Western countries against Russia. The outpacing rate of the decrease for the industry index in comparison with the MICEX index was due to the low investment attractiveness of companies within the sector, against the background of the restraining tariff policy, including the 2014 zero tariff indexation.

RusHydro's shares generally performed better than the market and significantly better than the industry index, reaching peak values in June and September (+31%). The factors supporting the Company's shares were the following: liberalization of the capacity market for Siberian HPPs, results of the capacity auctions for 2015, which were favorable for the Company, an increase in the electricity price for the second price zone in H2, and the Company's stable financial position, as well as 2013 dividend payments. At the same time, the negative development of Russia's economic situation in Q4 led to the active sale of Russian assets by investors, which prevented the Company from maintaining positive share dynamics as of year-end.

COMPANY'S CAPITALIZATION, RUR MILLION



Source: <http://moex.com/>

The Company's market multipliers

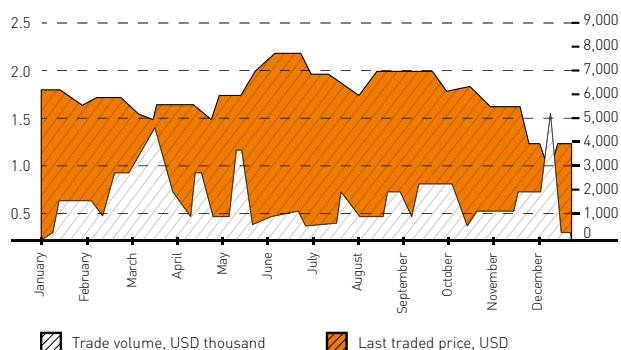
	2012	2013	2014
P/E	6.6	8.6	8.4
P/S	0.7	0.6	0.6
EV/EBITDA	8.2	5.6	6.7
P/BV	0.2	0.2	0.2

The calculation is based on the Company's IFRS financial statements.

COMPANY SECURITIES ON THE INTERNATIONAL SECURITIES MARKETS

As of December 31, 2014, 204,548,945 depositary receipts for 20,454,894,500 ordinary shares have been issued, which accounts for 5.3% of the Company's total number of ordinary shares.

2014 ADR PERFORMANCE AND TRADING VOLUME, LSE (IOB), 2014



DEVELOPMENT STAGES OF THE DR PROGRAM

JUNE 2008	JULY 2009	AUGUST 2009	AUGUST 2010
LAUNCH OF THE RULE 144A GDR PROGRAM	LAUNCH OF GDR TRADING ON THE LONDON STOCK EXCHANGE (LSE) IN THE INTERNATIONAL ORDER BOOK (IOB) SECTION	LAUNCH OF THE ADR LEVEL 1 PROGRAM AND THE CONVERSION OF THE GDR PROGRAM INTO THE ADR PROGRAM IN ACCORDANCE WITH REGULATION S	LAUNCH OF DEPOSITORY RECEIPTS TRADING ON THE OTCQX (USA) TRADING PLATFORM IN THE HIGHEST TIER OF THE UNLISTED MARKET, INTERNATIONAL PREMIER

Description of the depository receipts program

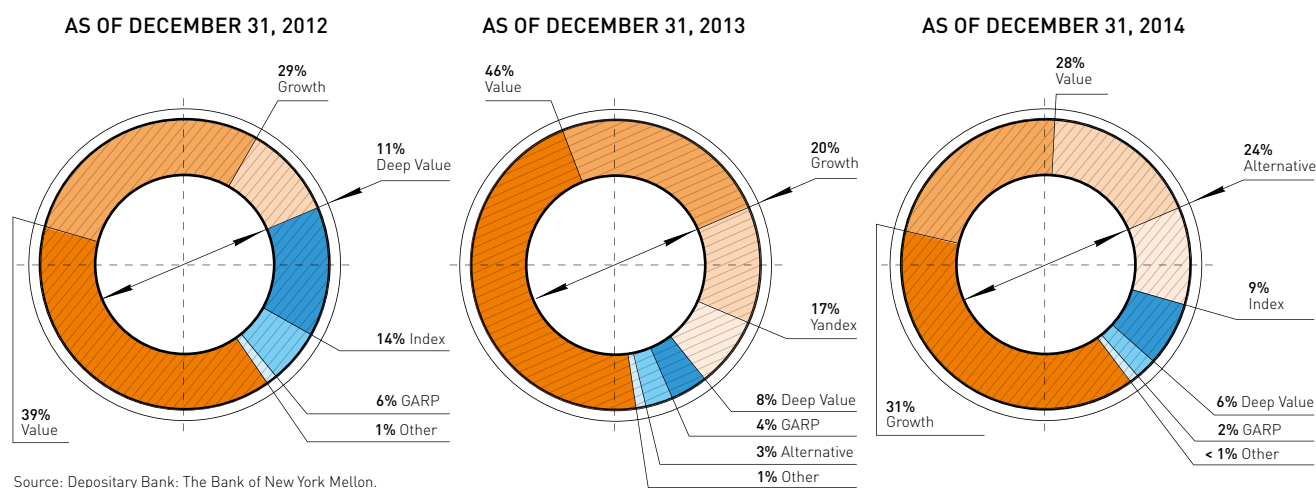
Type of program	Program launch date	Depository bank	Ratio	Ticker symbol	CUSIP number	Maximum volume of the program, shares	Trading floor
Rule 144A GDR	June 17, 2008	The Bank of New York Mellon	1 GDR = 100 ordinary shares	HYDR	466294204	832,131,000	London Stock Exchange (Main Market – IOB)
ADR level 1	August 7, 2009	The Bank of New York Mellon	1 ADR = 100 ordinary shares	HYDR	466294105		OTCQX International Premier Portal

Results of depositary receipts trading on the LSE

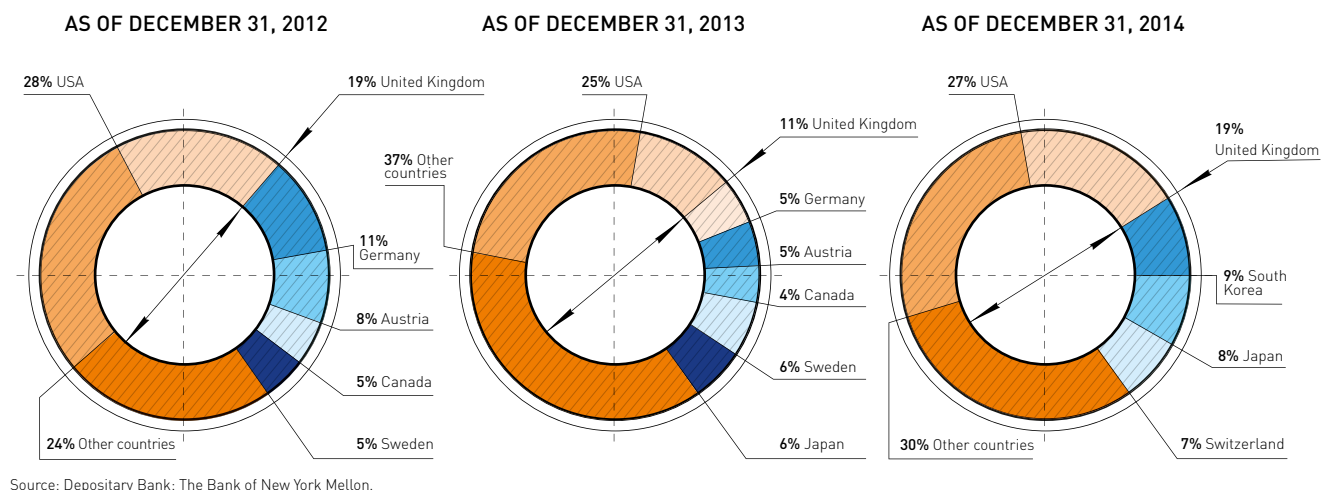
	2012	2013	2014
Ticker symbol	HYDR		
Trading currency	USD		
The highest transaction price	4.18	2.610	2.151
The lowest transaction price	2.21	1.366	0.736
Year-end transaction price	2.31	1.726	0.932
Trading volume	688 mln	473 mln	293 mln

The analysis of the structure of holders of the Company's depositary receipts for the last three years demonstrates a significant share of investors adhering to Value and Growth investment strategies. In 2014, the number of investors with an active Alternative Strategy significantly increased and a tendency was outlined toward a decline in demand for depositary receipts by investors holding an Index, Deep Value and GARP strategy.

2012-2014 DISTRIBUTION OF DR HOLDERS BY INVESTMENT STRATEGY



2012-2014 GEOGRAPHIC DISTRIBUTION OF DR HOLDERS



An analysis of the geographical structure of depositary receipts holders demonstrates that the main holders are investors from the United States and the United Kingdom, and during 2014, the number of investors from Japan and South Korea increased.

Answers to Investors' Questions Asked during the Roadshow

Question: Does the Company plan to have its securities listed on the Asian stock exchanges?

Answer: We do not have any specific plans for the listing procedure, but we are considering this possibility and monitoring the situation on these markets. In particular, we are examining the experience of other Russian companies that are working to attract Asian investors.

DIVIDEND POLICY

The main purpose of the Company's dividend policy is to provide for RusHydro's strategic development and increase shareholder wealth by establishing an optimal balance between dividend payments to shareholders and profit capitalization.

To ensure transparency on defining the size of dividends and their payment, RusHydro adopted a Provision on dividend policy. In March 2014, the amended version of the Provision was adopted. The Board of Directors prepares recommendations on the dividend size for adoption by the General Meeting of Shareholders, taking into account net profits in accordance with the RusHydro Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) and Russian Accounting Standards (RAS), as well as the need for financing the Company's investment program. A total of not less than 5% of the RusHydro Group's profit for the period in accordance with IFRS consolidated statements can be allocated to annual dividend payments.

Answers to Investors' Questions Asked during the Roadshow

Question: What plans does the Company have regarding future dividend payments?

Answer: The Company focuses on a progressive increase in dividend payments. This year, corporate dividends increased 43% compared with the previous year. Our dividend benchmark is 25% of net profit under IFRS.

Question: Did the fall in the ruble result in a substantial increase in investment program cost?

Answer: The ruble devaluation did not result in a significant increase in the cost of the investment program, as most of the equipment used in the comprehensive modernization program (it is the comprehensive modernization program that accounts for a large portion of our capital expenditures) is supplied by Russian manufacturers.

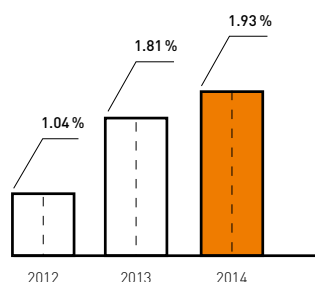
REPORT ON THE PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON THE COMPANY'S SHARES FOR 2013

In accordance with a resolution of the Annual General Meeting of Shareholders (dated June 27, 2014), 5,248,249,991.75 rubles (15% of the net profit calculated based on RAS or 25% of the net profit of the RusHydro Group calculated based on IFRS) was allocated to dividend payments for 2013, which is 43% more than 2012. The payments were

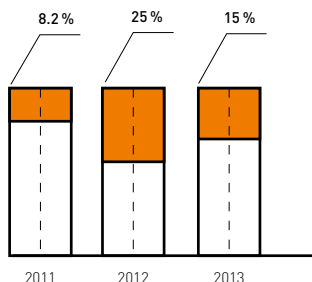
made in full to all persons registered in the shareholder register, excluding RUR 27,097,524.20, which were not paid due to reasons beyond the Company's control: absent or incorrect registration address or postal address; incorrect bank details provided to the registrar by shareholders, who had indicated "bank transfer" as the payment method.

The Company fully completed its obligations on dividend payments to the federal budget – a total of 3,507,772,000 rubles was paid to the budget. There are no dividend arrears payable to the federal budget.

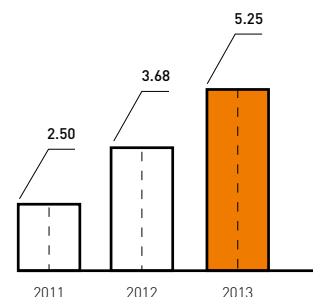
DIVIDEND YIELD OF THE COMPANY'S SHARES



SHARE OF NET PROFIT CALCULATED BASED ON RAS, ALLOCATED TO DIVIDEND PAYMENTS



AMOUNT ALLOCATED FOR THE DIVIDEND PAYMENT, BILLION RUBLES



2005-2013 dividend history

Reporting period, subject to the dividend payment	Total amount of declared (accrued) dividends, RUR thousand	Declared dividends per share, RUR
9M 2005	27,889	0.000268289
2005	565,695	0.005441922
Q1 2006	223,600	0.002151
H1 2006	110,588	0.00106384
9M 2006	1,146,504	0.005739439
Q1 2007	1,119,000	0.00793872
2010	2,496,867	0.00860091
2011	2,500,000	0.00789317
2012	3,675,573	0.00955606
2013	5,248,250	0.01358751

BONDS

As of December 31, 2014, there are four outstanding bond issues of RusHydro with a total nominal value of 35 billion rubles, as well as a Eurobond issue with a nominal value of 20 billion rubles.

Main parameters of the Eurobond issue

Type of securities	Eurobond (LPN Notes, Eurobond convention)
Issuer	Rushydro Finance Ltd. (Ireland)
Borrower	JSC RusHydro
Volume	RUR 20 billion
Maturity date	28.10.2015
Coupon rate	7.875% per annum
Issue rating	S&P: BB+ / Moody's: Ba1 / Fitch: BB+
Listing	London Stock Exchange
Regulating law	English law

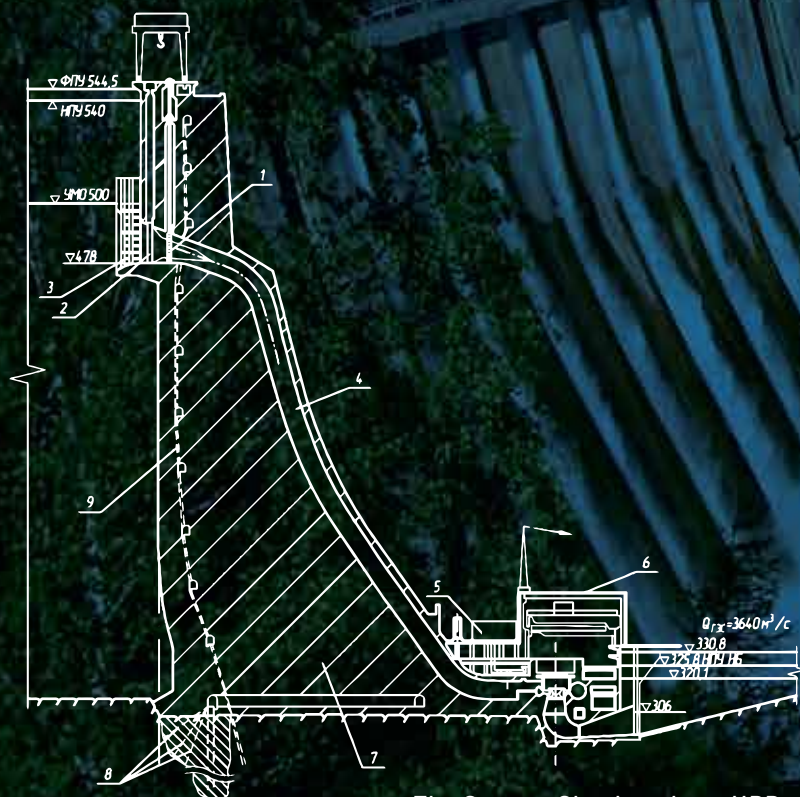
Main parameters of the bond issues

General parameters			Series 01, Series 02	Series 07, Series 08
Type of bond	Documentary non-convertible 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
Par value	1,000 rubles	Registration date	23.09.2010	27.12.2012
Nominal amount of issue	10 billion rubles	Placement date / Offer date / Maturity date	25.04.2011/ 22.04.2016, type - put, price 100%/ 12.04.2021	14.02.2013/ 15.02.2018, type - put, price - 100% 02.02.2023
Placement price	100%	Coupon rate	1-10 coupons - 8%, 11-20 coupons - determined by the Issuer	1-10 coupons - 8.5%, 11-20 coupons - determined by the Issuer
Placement method	Public offering, bookbuilding	Yield at pricing	8.16%	8.68%
Coupon frequency	On a biannual basis	Yield at last transaction price, as of 30.12.2014, %	Series 01 - 10.36, Series 02 - 16.47	Series 07 - 13.31 Series 08 - 10.69

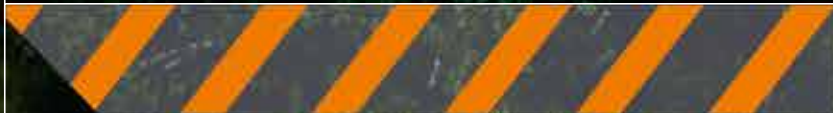


4.

BUSINESS OVERVIEW



The Sayano-Shushenskaya HPP







KEY 2014 EVENTS INCLUDE:

The start up of the Boguchanskaya HPP made Russia the world leader in terms of installed capacity.

The Company has concluded cooperation agreements with Chinese corporations concerning the construction of HPPs and PSPPs.

COMPETITORS AND COMPETITIVE ADVANTAGES

The RusHydro Group controls numerous Russian hydropower facilities, and is active in the popularization of renewable energy sources. The Group is fully aware of the significance of the tasks it deals with, striving to continuously develop its performance and participating in Russia's environmental and technological advances,

10 YEARS OF THE COMPANY'S OPERATION RESULTED IN THE FULFILLMENT OF THREE GOELRO²² PLANS:

Installed capacity has grown 65%.

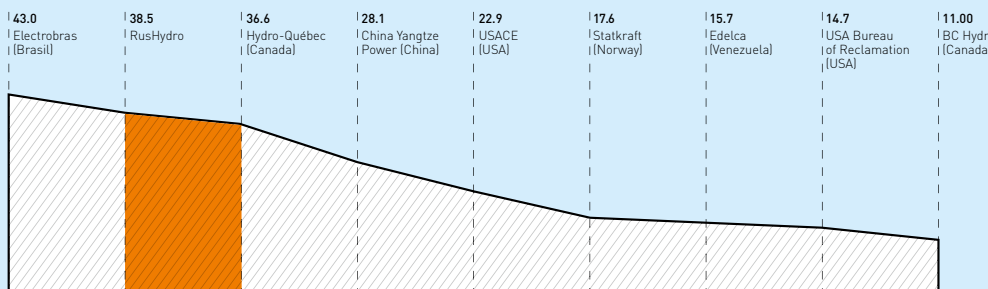
The number of generating facilities has doubled.

Electricity production has grown 1.7 times.

while recognizing the Group's high social responsibility. The Group currently controls more than 72 electric power facilities, including 30 hydropower plants, the Kislogubskaya power plant, the only tidal power generation facility in Russia, 3 geothermal power plants generating more than 90% of the country's geothermal energy, and thermal power plants and retail companies.

This body of assets makes the Group a unique power generating company globally, and the second largest company among the world's hydropower companies (in terms of installed capacity).

INSTALLED CAPACITY OF THE WORLD'S MAJOR PEER GROUP COMPANIES, GW



Sources: JSC RusHydro and competitor data

The world's major hydropower generating companies are controlled by the governments of their respective countries due to the strategic importance of the hydropower industry. Compared with global peers, RusHydro Group activities are characterized by very complex climatic and landscape conditions and widespread operational geography. The Group's facilities are located all over the country, ranging from Murmansk Region to the Primorie Region and from Chukotka to the Republic of Dagestan. Furthermore, the Group is engaged in international operations, managing the Sevan-Hrazdan Cascade of HPPs in Armenia and building the Upper Naryn Cascade of HPPs in the Kyrgyz Republic. The continuous, reliable and safe operation of

infrastructural facilities vital for the country, with facilities separated by tens of thousands kilometers, poses a Herculean task for Group employees, who have successfully dealt with these challenges for 10 years, striving to implement the Group's Mission and Strategic Goals.

Having implemented a large-scale investment program for more than 10 years of stand-alone operation, the Group has increased the installed capacity of its generating facilities more than 1.5 times. 2014 was a milestone year for the Group as the commissioning of the Boguchanskaya HPP increased the Group's total capacity to more than 38.5 GW, thus making the Group Russia's largest company in terms of said capacity.

²² The GOELRO plan was the first-ever Soviet plan for national economic recovery and development. It became the prototype for subsequent Five-Year Plans drafted by Gosplan. GOELRO is the transliteration of the Russian abbreviation for the "State Commission for the Electrification of Russia".

RusHydro Group's major Russian competitors in the electric energy generation sphere

Holding Company	Holding Company's Generating Companies
Rosatom	Rosenergoatom Corporation PPGHO SHK
Inter RAO UES	INTER RAO Electricity Generation (incorporates the assets owned by OGK-1 and OGK-3) TGK-11 Bashkirskaya Generating Company
EuroSibEnergy	Irkutskenergo Krasnoyarskaya HPP GAZ TPP
Gazprom Energy Holding	TGK-1 JSC Mosenergo (TGK-3) OGK-2 (incorporates the assets owned by former OGK-2 and OGK-6) MOEK
KES-Holding	TGK-5 TGK-6 TGK-7 (Volzhskaya TGK) TGK-9
E.ON	ОГК-4
Enel	ОГК-5
SGK (SUEK)	Kuzbassenergo (TGK 12) Eniseiskaya TGK-13 (TGK-13)
LUKOIL	LUKOIL-Ekoenergo (TGK 8)
RU-COM	SIBEKO (Novosibirskenergo)
Sintez Group	TGK-2
Unexim	Quadra (TGK-4)
Fortum	Fortum (TGK-10)
RZHD	TGK- 14
TAIF	TGK-16

Sources: data from JSC RusHydro and its competitors

The RusHydro Group's main competitors on the power generation market include independent Russian utility companies formed as a result of RAO UES of Russia reform. The Group considers the use of renewable energy sources as one of its priorities and increases installed capacity by building new power plants and commissioning new power generation facilities. The balanced decisions of the Group's Board of Directors based on the strategic advantages of the hydropower industry greatly contribute to the RusHydro Group achieving its leading position.

THE GROUP'S KEY COMPETITIVE ADVANTAGES

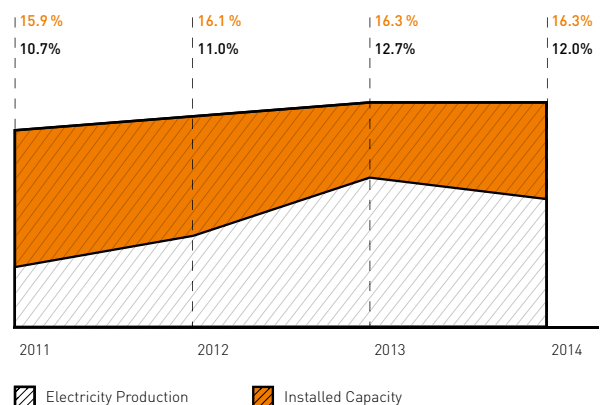
<p>ENVIRONMENTAL FRIENDLINESS</p>	<p>THE GROUP'S MAIN SEGMENT IS HYDROPOWER GENERATION. RUSHYDRO IS ALSO ACTIVE IN DEVELOPING OTHER RENEWABLE ENERGY SOURCES (RES), CONTRIBUTING TO A DECREASE IN HYDROCARBON EMISSIONS AND THE PRESERVATION OF FOSSIL FUEL RESOURCES.</p>
<p>FLEXIBILITY</p>	<p>THE HYDROPOWER INDUSTRY IS THE ONLY POWER INDUSTRY SECTOR CAPABLE OF INCREASING OR DECREASING THE VOLUME OF POWER GENERATION PROMPTLY WHEN REQUIRED TO COMPENSATE FOR PEAK LOADS OR EXCESS CAPACITY.</p>
<p>SELF-SUFFICIENCY</p>	<p>THE GENERATION OF ENERGY USING WATER RESOURCES IS INDEPENDENT FROM THE USE OF HYDROCARBONS. THEREFORE, THE GROUP'S PERFORMANCE IS NOT SUBJECT TO THE RISKS OF FUEL PRICE CHANGES. THIS ALLOWS FOR LONG-TERM GUARANTEES AT FIXED PRICES FOR GROUP GENERATED ENERGY SUPPLY.</p>
<p>SOCIAL SIGNIFICANCE</p>	<p>THE HYDROPOWER INDUSTRY IS SOCIALLY SIGNIFICANT, AS HPP WATER BODIES ARE USED TO SUPPLY WATER FOR INDUSTRIAL AND HOUSEHOLD NEEDS, THUS ENCOURAGING THE DEVELOPMENT OF AGRICULTURE AND TRANSPORT FACILITIES. IN ADDITION, THE HPPS SERVE AS MAJOR EMPLOYMENT PROVIDERS IN THE REGIONS OF ITS OPERATION.</p>

MARKET SHARE

The domestic market share of RusHydro, in terms of generation and installed capacity, are consistently high.

Due to the objective reasons listed in the "Performance Results" section below, the Group decreased its relative share in domestic power generation in 2014, but a favorable trend still prevails and the Group aspires to achieve record results for both indicators in 2015.

THE GROUP'S DOMESTIC MARKET SHARE IN TERMS OF INSTALLED CAPACITY AND POWER GENERATION



Sources: JSC SO UES, JSC RusHydro data, including the Boguchanskaya HPP, and excluding JSC MEK

PRICE FORMATION

2014 ELECTRICITY AND CAPACITY MARKET OVERVIEW

Electricity and capacity market structure

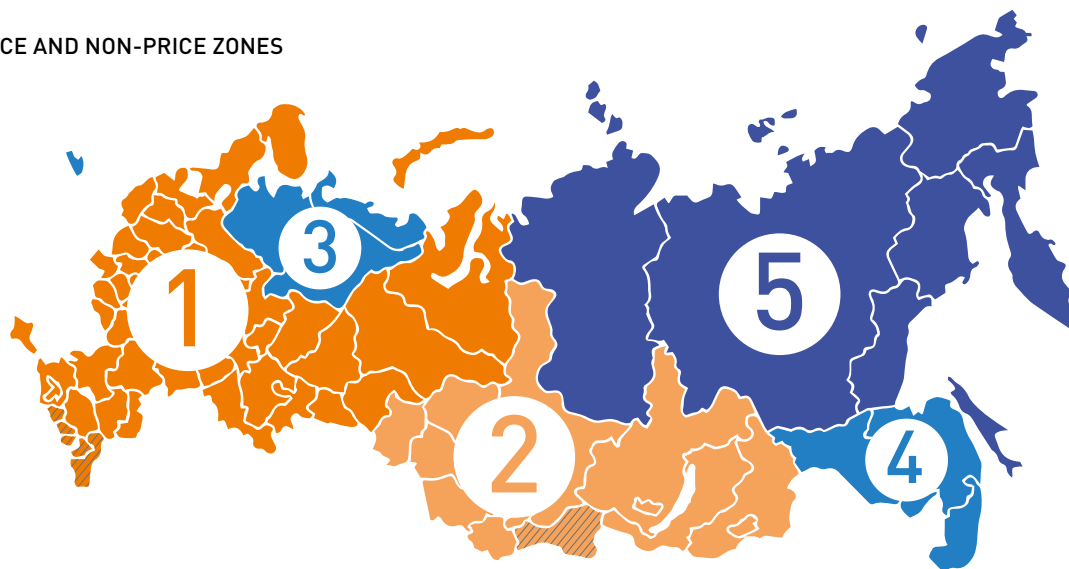
Currently, we have a two-level (wholesale and retail) electricity and capacity market. The sellers and buyers on the wholesale electricity and capacity market (WECM) include: generating companies and supply organizations, major electricity consumers, guaranteeing suppliers which became subjects of the wholesale market, the market council, commercial operators and other organizations providing for the functioning of the commercial infrastructure of the wholesale market and the functioning of the engineering infrastructure of the wholesale market (an organization managing the unified national (all-Russian) electric grid), the system's operator.

WECM PRICE AND NON-PRICE ZONES

The wholesale electricity and capacity market functions within the territory of regions united into price zones. The first price zone includes the territories of the European part of Russia and the Urals, while the second price zone includes Siberia. The WECM's non-price zones include: the Arkhangelsk and Kaliningrad Regions, the Komi Republic and the territories of the Far East and the Crimea Federal District. For process reasons, no market relations in the industry are presently possible. Therefore, electricity and capacity is sold in these areas in accordance with special rules.

There is no wholesale electricity and capacity market in stand-alone energy systems that are not integrated into the country's Unified Energy System.

WECM PRICE AND NON-PRICE ZONES



1 – First price zone

2 – Second price zone

3, 4, 5 – Non-price zones where due to technical reasons the organization of market relations in the power sector is not yet possible. In these regions, the sales of electricity and power on the wholesale market are carried out at regulated tariffs.

The Structure of the Wholesale Electricity and Capacity Market

Electricity market

There are numerous sectors functioning on the wholesale electricity market, which differ in terms of the conditions of transactions and supply terms. The sectors include a regulated contracts sector, a sector of non-regulated contracts, a day ahead market and a balancing market.

Regulated Contracts (RC) concerning electricity supplied to the public

Starting from 2011, the regulated contracts (RC) within the price zones of the wholesale electricity and the capacity market are concluded only in regard to the volumes of electricity intended for supply to the public and to consumer groups similar to the public, and till January 1, 2015 to the guaranteeing suppliers functioning in several zones of wholesale market (the Republic of Buryatia, the Republic of Dagestan, the Republic of Ingushetia, the Kabardino-Balkarian Republic, the Karachaevo-Cherkessian Republic, the Republic of North Ossetia-Alania, the Republic of Tuva and the Chechen Republic).

The prices (rates) for electricity supplied pursuant to the regulated contracts are calculated based on the indexation method: the base calculated in 2007 is adjusted annually according to consumer price index calculated by the Ministry of Economic Development of the Russian Federation. This method is used for the new plants from the second year of operation. The volumes of electricity and capacity supplied pursuant to regulated contracts are set within the frameworks of the consolidated forecast balance of production and the supply of electricity formed by the Federal Tariff Service. The balance is determined in such a manner as to make the volumes of electricity supplied per regulated contracts by any producer included into the balance not more than 35% from the total supply of electricity supplied to the wholesale market for the corresponding producer.

Non-regulated Bilateral Contracts (NRBC)

Concluding non-regulated contracts, the parties are free to determine contractors, prices and supply volumes.

The Day Ahead Market (DAM)

The Day-Ahead Market (DAM) consists of the competitive selection of price bids made by suppliers and buyers on the day preceding the day of the actual electricity supply, with the prices and volumes of electricity set for each hour of the day. The choice is made by the commercial operator (JSC ATS). The DAM determines marginal prices, i.e. the price is determined by balancing supply and demand. The marginal prices are valid for all market players.

According to the data supplied by Market Council Non-Commercial Partnership, the average weighted index of balanced prices for electricity in 2014 grew 5.4% in the European part of Russia and the Urals, totaling RUR 1 163.4 MWh. The Siberian average weighted balance prices index grew 9.9%, amounting to RUR 788.9 MWh

The Balancing Market (BM)

The volume of electricity sold pursuant to bilateral contracts and the DAM form planned electricity consumption. But, the actual consumption differs from the planned. The volumes deviating from the planned production/consumption are sold in real time on the balancing market. For each 3 hours preceding actual supply, the system's operator performs an additional competitive selection of suppliers' bids, taking into account forecast consumption in the energy system, the economic efficiency of the plants' load and the systems' reliability requirements.

The differences between actual and planned consumption are qualified by internal or external initiatives. An internal initiative occurs due to the actions of the market player (consumer or supplier), while an external initiative is caused by the commands of the system operator or by an accident resulting in a forced change in electricity production or consumption regime. The players on the Balancing Market with the most considerable differences between the actual and the planned consumption and production caused by the internal initiatives are fined, while the players adhering to the planned consumption and accurately following system operator commands are awarded.

Capacity market

Starting from June 1, 2008, capacity has been sold based on the capacity auctions (KOM) performed by the system operator. The participants of the wholesale market permitted to access the KOM are also allowed to submit bids in the volume not exceeding the maximum available capacity taken into account by the Russian Federal Tariff Service in the forecast balance for the corresponding regulatory period. The buyers are obliged to pay for the total capacity taken off in their price zone pursuant to the KOM. The suppliers in each price zone bear joint liability for the performance of their obligations in regard to capacity supply.

The intermediate capacity market provided for an opportunity to sell a part of capacity at non-regulated prices pursuant to electricity and capacity sales contracts (ECSC), including sales on the stock exchange and the sales and purchases of capacity based on competitive take off results.

Regulated Contracts (RC) concerning capacity supplied to the public

Starting from 2011, the regulated contracts (RC) within the price zones of the wholesale electricity and the capacity market are concluded only in regard to the volumes of capacity intended for supply to the public and to consumer groups similar to the public, and till January 1, 2015 to the guaranteeing suppliers functioning in several zones of wholesale market (the Republic of Buryatia, the Republic of Dagestan, the Republic of Ingushetia, the Kabardino-Balkarian Republic, the Karachaevo-Cherkessian Republic, the Republic of North Ossetia-Alania, the Republic of Tuva and the Chechen Republic).

Capacity market	
<p>The prices (rates) for capacity supplied pursuant to the regulated contracts are calculated based on the indexation method: the base calculated in 2007 is adjusted annually according to consumer price index calculated by the Ministry of Economic Development of the Russian Federation. This method is used for the new plants from the second year of operation. The volumes of electricity and capacity supplied pursuant to regulated contracts are set within the frameworks of the consolidated forecast balance of production and the supply of electricity formed by the Federal Tariff Service. The balance is determined in such a manner as to make the volumes of electricity supplied per regulated contracts by any producer included into the balance not more than 35% from the total supply of electricity supplied to the wholesale market for the corresponding producer.</p>	
Non-Regulated Bilateral Electricity and Capacity Supply Contracts (NRBECS)	
Non-regulated capacity supply contracts are concluded by a supplier and a consumer at the agreed upon price.	
Capacity Supply Contracts (CSC)	
<p>The Capacity Supply Contracts are concluded for the sale of capacity from new electricity generation plants. A generating facility commissioned pursuant to the CSC receives guaranteed capacity payments for 10 years (20 years for the NPPs and the HPPs), thus ensuring the return of capital and agreed upon operation costs;</p> <p>The capacity supply contracts similar to the CSC have been concluded with RusHydro and JSC Rosenergoatom Concern. RusHydro has completed construction of the Kashkhatau HPP pursuant to a corresponding CSC, while the projects involving the construction of the Gotsatlinskaya HPP, the Zagorskaya PSPP-2, and the Zelenchukskaya HPP-JSC totaling 1.4 GW are under implementation;</p> <p>The commissioning of new facilities will eliminate the lack of capacity in regions suffering from power shortages and improve entire market efficiency.</p>	
Capacity auctions (KOM)	
<p>The KOM is conducted annually by JSC SO UES based on the selection of the most efficient generating facilities, with hydropower being one of the most efficient. During the KOM, the capacity taken off in the first place includes the capacity taken off pursuant to the capacity supply contracts (CSC) and similar CSC contracts concluded with the NPPs and HPPs.</p>	
Capacity sales contracts are concluded with generating facilities supplying capacity in the forced regime (FR)	
<p>Capacity not taken off during the capacity auctions is not paid for, except for the capacity of generating facilities, operating to maintain the engineering regimes of the operation of the energy system, or to supply heat energy (forced generators). The capacity and electricity generated by forced generators is paid for based on the rate set by the Federal Tariff Service.</p>	

		New Plants		Existing Plants		
		CSC facilities	HPP non-CSC facilities	1st price zone	2nd price zone	Non-price zone
Electricity	RC	Tariff	Tariff	Tariff	Tariff	
	Quadripartite contracts					Tariff
	DAM	Non-regulated sector of the Wholesale Electricity Market (NRWEM)				WEM
	NRBECS					
	NRBC					
Capacity	RC		Tariff	Tariff	Tariff	
	Quadripartite contracts					Tariff
	KOM		WEM	WEM	Tariff/WEM	
	CSC	Tariff				
	NRBECS		WEM	WEM	WEM	

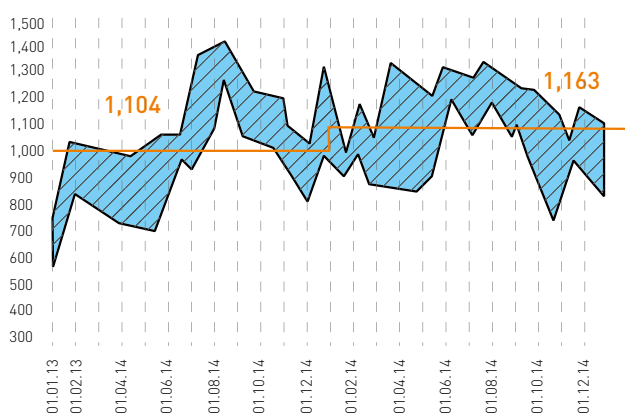
Until May 1, 2014, all capacity generated in the WEM's second price zone by RusHydro-owned facilities, taken off as the result of the KOM, was sold at prices equal to the RC prices. Starting from May 1, the price of the capacity generated by power plants located in the second price zone and sold as a result of the KOM is determined based on the RC capacity supply prices and the KOM prices. This resulted in an increase in KOM capacity sales by Group facilities, adding to RusHydro revenues from capacity sales.

2014 Market Trends

PRICE DYNAMICS

In 2014, the average weighted index of the equilibrium prices for electricity in the European part of Russia and the Urals increased 5.4% compared with 2013, to 1,163.4 rub./MWh. In Siberia, the average weighted index of equilibrium prices in the past year rose 9.9% – to 789.9 rub./MWh.

EQUILIBRIUM PRICE INDEX FOR BUYING ELECTRICITY IN THE FIRST PRICE ZONE

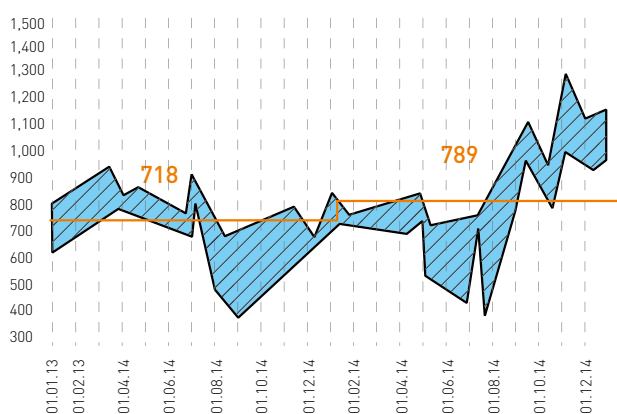


Source: NP "Market Council"

The lack of gas price indexation and an increase in power generation from nuclear power plants in H2 had a restraining effect on price increases in the first price zone in 2014.

The price increase in the second price zone, caused the renewal of a historical price peak in H2 2014, is driven by lower water inflows, as well as an increase in the volume of the power exchange between the first and second price zones in August after the removal of cross section restrictions between UES of Siberia and UES of Urals.

EQUILIBRIUM PRICE INDEX FOR BUYING ELECTRICITY IN THE SECOND PRICE ZONE



Freezing Tariffs in 2014

During the reporting period, the Government adopted a decision to freeze gas, electricity and rail freight service tariffs for the industry in 2014 to support companies facing seriously reduced demand, a negative trend in costs and a decline in profits. Consequences of this decision include: a rise in electricity, gas and heat prices:

	2014	2015F	2016F
Increase in electricity prices for the final consumer	7.3%	5.9%	6.2%
Average increase in electricity prices for the industry	7.2%	6.3%	6.7%
Growth in network tariffs for electricity	4.5%	2.5%	4.8%
Gas tariff growth for the industry	7.6%	2.2%	4.9%
Heat tariff growth	7.4%	3.7%	3.4%

Source: Russian Ministry of Economic Development and Trade

The Company analyzed the possible impact of freezing tariffs on its activities and developed the following optimization measures:

- reduction in financing capital expenditures relating to 2014 planned figures;
- reduction in commercial and administrative costs;
- asset sales.

Indexation of Prices for the 2014 Capacity Auctions

Applicable rules for trading power on the wholesale market based on capacity auctions' results provides for the indexation of prevailing prices based on outtake results for the consumer price index, calculated in accordance with the established procedure. In 2014, in general, the peak price level for the first price zone was set at 133,000 rub./MW per month; for the second – 144,000 rub./MW per month. This positively impacted the Company's 2014 financial position.

2014 ELECTRICITY AND CAPACITY SALE TARIFFS

WEM's Average Weighted Electricity Tariffs Dynamics, RUR/MWh

	2013	2014	Change, %
Center	382.24	378.97	-0.9%
Siberia	118.57	118.93	+0.3%
Far East	585.37	612.69	+4.7%
Caucasus	724.74	759.63	+4.8%
Wholesale market	323.36	325.36	+0.6%

2014 witnessed a moderate growth in average electricity supply tariffs in all regions in which RusHydro operates, except for Central Russia. On the whole, the WEM average weighted tariff grew 0.6%, amounting to 325.36 RUR/MWh.

RusHydro's DAM and KOM Price Dynamics

	2013	2014	Change, %
DAM price, RUR/MWh	957.8	1,072.9	+12.0%
1st price zone DAM price, RUR/MWh	1,124.4	1,126.9	+9.1%
2nd price zone DAM price, RUR/MWh	658.0	776.8	+18.1%
KOM price, RUR/MWh monthly	110,577.4	116,190.6	+5.1%
1st price zone KOM price, RUR/MWh monthly	134,435.7	140,566.7	+4.6%
2nd price zone KOM price, RUR/MWh monthly.	60,009.3	68,492.8	+14.1%
Single rate tariff, RUR/MWh	1,018.8	1,139.5	+11.8%

An increase in Siberian DAM and KOM prices is objectively caused by numerous factors: firstly, by low water inflows and a subsequent decrease in the HPPs' production volume, by the liberalization of the capacity market for HPPs, by peculiarities in the choice of working generating equipment, and by putting the new grid and generating equipment into operation; this eliminated limits for exchanges between the price zones, led to the emergence of competition between suppliers in the first and second price zones, and to a bigger load of Siberian generation.

Answers to Investors' Questions Asked during the Roadshow

Question: What are your expectations regarding energy consumption and price growth on the free market?

Answer: We expect that consumption growth will be insignificant. However, it should not affect hydro generation. As far as the free market price, the 7.5% gas tariff indexation, which is expected in H2, should provide some price support on the day-ahead market.

TARIFF FORMATION AT RAO ENERGY SYSTEMS OF THE EAST GROUP

RAO Energy Systems of the East Group operates based on tariffs set by the Russian Federal Tariff Service and by regional regulatory authorities. Non-regulated tariffs are not valid in the Far East Federal District. The tariffs for the production, transmission and sales of electricity (capacity) for the RAO Energy Systems of the East Group's member-companies are set using the following tariff regulation methods:

- The sale of electricity to end consumers. The tariff is set by the regulators within the limits of the threshold levels approved by the Russian Federal Tariff Service in accordance with the approved guidance pertaining to the calculation of regulated rates and prices for electric (heat) energy on the retail (consumer) market;
- The tariff for the production of electricity (capacity) on the territory of the Far East Federal District, a non-price zone, is set by the Russian Federal Tariff Service based on indexation. The basis calculated in 2010 is indexed yearly based on the consumer price index calculated by the Russian Ministry of Economic Development.



- Electricity transmission: tariffs for the transmission of electricity on the territory of the Far East Federal District, a non-price zone (except for the Republic of Sakha (Yakutia)), accomplished via the grids owned by JSC DRSK, are approved by the regulators on the basis of the RAB method, agreed upon with the Federal Tariff Service. The current long-term period of regulation will end in 2017. The method specified above provides for the return and profit on invested capital.

When calculating rates for the production and sale of heat energy:

- The tariffs for the heat generated in combined regime are approved by the regional regulatory authorities based on economically feasible costs (expenses). Tariffs are within the limits of the maximum rates for heat energy produced as the result of the combined generation of electric and heat energy;
- The sale of heat energy to end consumers. Tariffs are approved by regulatory authorities based on economically feasible costs (expenses). The tariffs are within the limits of the maximum rates for heat energy supplied to consumers by heating supply organizations.

In 2014, a moderate growth of tariffs for basic services provided by energy companies of RAO Energy Systems of the East Group was registered; the growth was within the limits established by the Federal Tariff Service of Russia.

2015 PRICE AND CONSUMPTION FORECAST

In 2014, the Russian government proceeded with support for the moderate growth in prices for goods and services provided by natural monopolies. In particular, an increase in 2015 prices for electricity transmission and gas for industrial consumers will be implemented as planned in accordance with forecast (and not actual) 2014 inflation. According to the approved 2015 forecast of Russian social and economic development and forecast development for the planned 2016-2017 period:

- The prices for electricity for all categories of consumers, including the public will grow 8.7-8.9% on average, and 8.6-9.6% annually in 2016-2017;
- In 2015-2017, the indexation of regulated electricity tariffs for the public will be carried out in July. The tariffs will grow 5.5-8.5% annually, starting from July 1 (2015-2017);
- The indexation of regulated tariffs for grid organizations will also be accomplished in July. Starting from July 1, 2015, the tariffs will be indexed by 7.5%; and they will be indexed annually by 4.5-5.5% in 2015-2016;
- The regulated natural gas tariffs for consumers including the public will be indexed 7.5% beginning from July 1, 2015 and by 3.6-5.5% annually in 2016-2017.

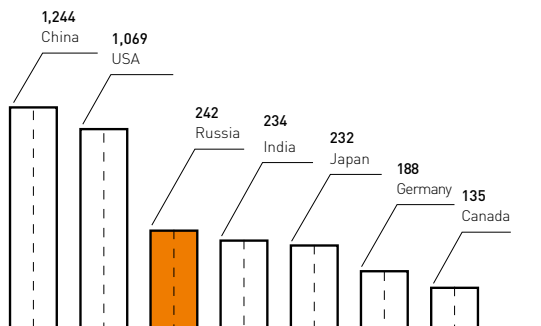
Pursuant to the country's social and economic development forecast (approved by the Russian Ministry of Economic Development, despite present economic problems), electricity (capacity) production in 2015 will be equal to that of 2014, amounting to 1 billion, 55.8 million KWh. The volume of electricity produced by Russian HPPs will grow 5.1% with its share in the total electricity production balance rising to 17.4%.

TOTAL INSTALLED CAPACITY AND POWER GENERATION BOTH IN RUSSIA AND GLOBALLY

As to installed capacity and production volumes, the Russian energy industry places third and fifth, respectively, in the world.

The installed capacity of UES of Russia as of January 1, 2015 totaled 232,451.81 MW.

CAPACITY, GW



Source: BP Statistical Review of World Energy 2014, EIA, IEA, Rosstat

The growth in the installed capacity of UES of Russia power plants is 5,981.63 MW.

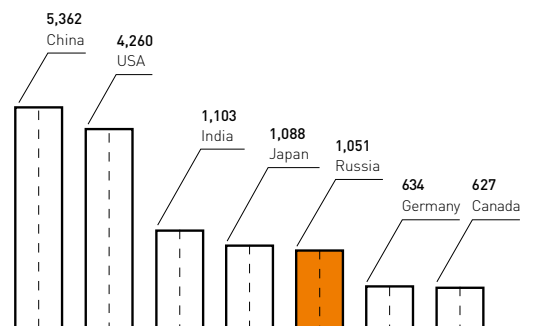
Decommissioned – 1,762 MW.

Consumption and energy production in UES of Russia

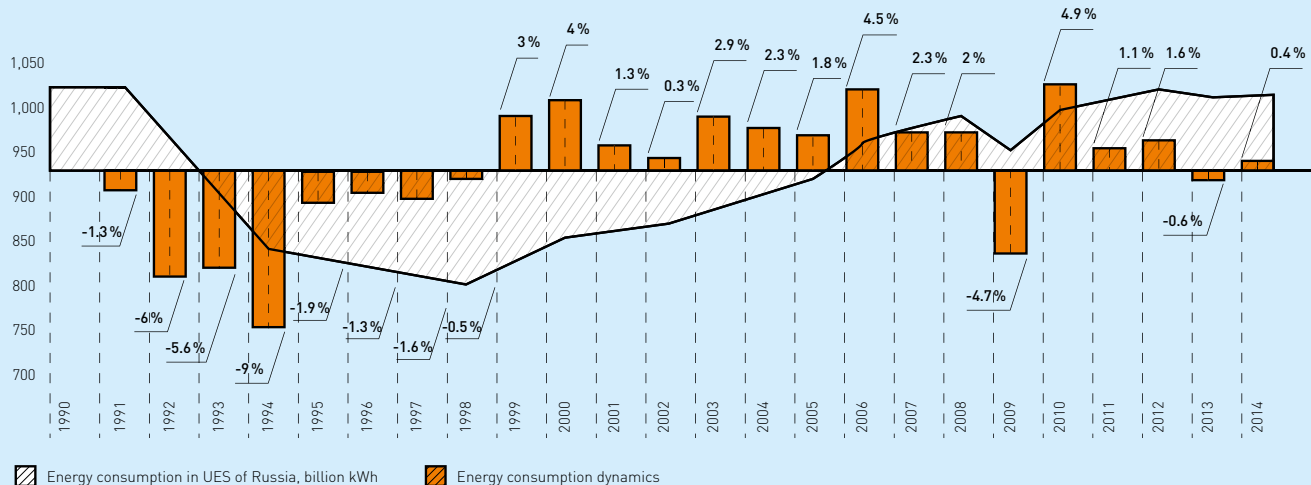
Energy consumption growth in UES of Russia is 0.4% (up to 1,013.86 billion kWh).

The growth in the power generation of UES of Russia power plants is 0.1% (1,024.94 billion kWh).

PRODUCTION, BILLION KWH



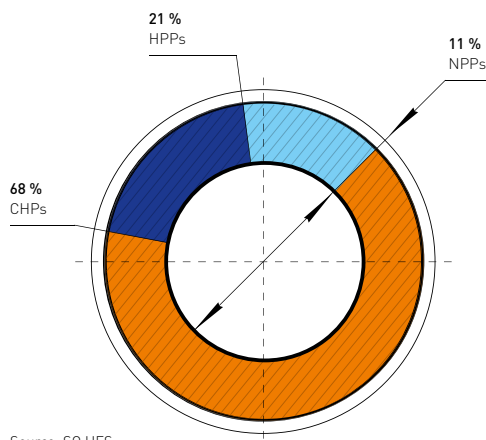
1990-2014 ENERGY CONSUMPTION DYNAMICS



Energy consumption in UES of Russia, billion kWh Energy consumption dynamics

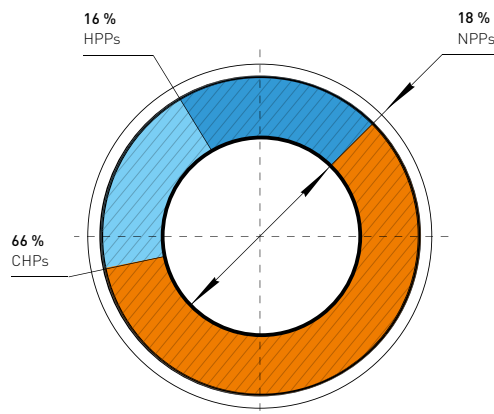
Source: SO UES

THE INSTALLED CAPACITY STRUCTURE OF UES OF RUSSIA POWER PLANTS AS OF JANUARY 1, 2015



Source: SO UES

THE STRUCTURE OF POWER GENERATION BY TYPES OF UES OF RUSSIA POWER PLANTS, 2014



PERFORMANCE RESULTS

The key events which influenced RusHydro's 2014 performance include the following:

- The inflow of water to the reservoirs of Volga-Kama Cascade of HPPs and the Sayano-Shushenskoye water reservoir was below its mean level;
- Other hydropower plants operated in average water inflow conditions;
- The last three generating units at the Boguchanskaya HPP were commissioned in H2 2014, resulting in decreased demand for electricity generated by RusHydro branches;
- The tenth (and last) generating unit started up in November, marking the completion of the modernization of the Sayano-Shushenskaya HPP;

- During 2014, new equipment was put into operation at the Volzhskaya HPP, Zhigulevskaya HPP, Kamskaya HPP, Rybinskaya HPP, Cheboksarskaya HPP, Novosibirskaya HPP, Votkinskaya HPP and at the Kubanskaya HPPs. The equipment was put into operation to implement the Group's Development Strategy and Comprehensive Modernization Program;
- An increase in the volume of electricity generated by the Far East thermal power plant, resulting from a decrease in the volume of electricity generated by the hydropower plant integrated into the United Energy System of the East and an increase in the region's electricity consumption;
- The consumption of electricity in Russia underwent a slight increase, with growth observed in almost all electricity and capacity sales tariff categories.

RusHydro Production Assets

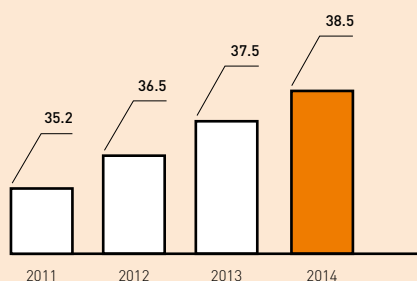
BES-UES of Russia	Regions of Operation	RusHydro Facility Description	Sector	Installed capacity, MW	Available capacity, MW	Change 2014/2013	Electricity production GWh	Change 2014/2013
East, non-price zone	Amur Region	The Bureiskaya HPP	WECM	2,010	1,988.9	-0.1%	6,114	-7.2%
		The Zeyskaya HPP	WECM	1,330	1,330	-	6,428	-6.3%
Isolated districts	Magadan Region	The Kolymkaya HPP	REM	900	878.3	-1.1%	1,558	-19.0%
		The Ust-Srednekanskaya HPP	REM	168	96.7	+101%	373	+208%
	Kamchatka Region	Geothermal Power Plant	REM	62	52	-1.7%	406	+3.3%
Siberia	Novosibirsk Region	The Novosibirskaya HPP	WECM	460	454.5	+2.9%	2,118	-11.8%
	Republic of Khakassia	The Sayano-Shushenskaya Cascade of HPPs	WECM	6,721	4,794.2	-25.8%	20,375	-18.1%
Ural	Perm Region	The Kamskaya HPP	WECM	543	517.1	+1.0%	1,998	+0.7%
		The Votkinskaya HPP	WECM	1,020	1,007.5	+1.1%	2,793	+10.5%
Center	Yaroslavl Region	The Upper Volga Cascade of HPPs	WECM / REM	476.6	437.6	+1.5%	863	-47.5%
	Moscow Region	The Zagorskaya pump storage plant	WECM	1,200	1,200	-	1,860	+24.8%
Middle Volga	Nizhny Novgorod Region	The Nizhegorodskaya HPP	WECM	520	514.6	+6.8%	1,281	-31.5%
	Chuvash Republic	The Cheboksarskaya HPP	WECM	1,370	639.3	+12.7%	1,890	-17.5%
	Samara Region	The Zhigulevskaya HPP	WECM	2,383	2,300.3	+3.1%	10,484	-10.4%
	Saratov Region	The Saratovskaya HPP	WECM	1,378	1,354.4	+2.5%	5,600	-6.7%
South	Volgograd Region	The Volzhskaya HPP	WECM	2,639.5	2,616.5	+1.7%	11,566	-9.9%
	Stavropol Region	The Kubanskaya Cascade of HPPs	WECM	476.5	424.3	+0.2%	1,384	-6.8%
	Karachaevo-Cherkessia Republic	Karachaevo-Cherkessia branch	WECM/REM	160.6	0.6	-99.2%	2	-99.6%
	Kabardino-Balkaria Republic	Kabardino-Balkaria branch	WECM / REM	157.5	107	+1.2%	565	-1.8%
	North Ossetia-Alania Republic	North Ossetia branch	WECM / REM	94.5	59	-3.1%	293	-17.9%
	Dagestan Republic	Dagestan branch	WECM / REM	1,785.5	1,730.4	+0.5%	4,014	-22.9%
		Total for Russia's HPPs and pump storage plants		25,856	22,503	-5.9%	81,963	-12.4%
East, isolated districts	Primorie Region, Khabarovsk Region, Sakhalin Region, Jewish Autonomous District, Amur Region, Magadan Region, Yakutia Republic, Kamchatka Region, Chukotka Autonomous District	RAO Energy Systems of the East	REM	9,020	8,702	+0.1%	31,237	+3.8%
---	Republic of Armenia	The Sevan-Hrazdan Cascade of HPPs	---	561.4	552.4	-	475	+1.5%
		Total for RusHydro Group		35,437	31,758	-4.2%	113,675	-8.4%
Siberia	Krasnoyarsk Region	The Boguchanskaya HPP	WREM	2,997	1,951.4	+32.7%	8,362	+70.7%

* taking into account the Pauzhetskaya geothermal power plant and the Kamchatka Geo-ecological Complex

In 2014, the Group's total installed capacity amounted to 38,458 MW, unchanged compared with the previous year. The decrease in the capacity of the power plants of JSC RAO Energy Systems of the East was offset by growth in the capacity of generating assets by 56.5 MW. Said growth was achieved due to re-labelling equipment at the HPPs of

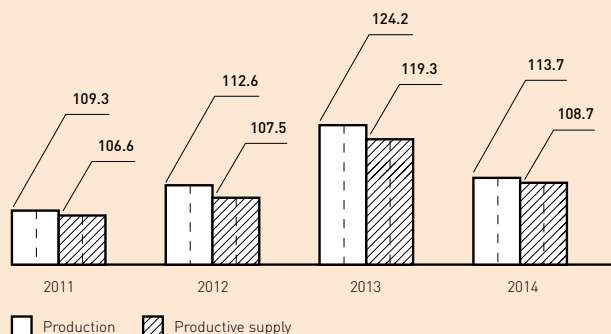
the Volga-Kama Cascade. Together with the Boguchanskaya HPP, the installed capacity of RusHydro power plants grew 3% year-on-year to amount to 38,458 MW. At the same time, the total available capacity fell 3% in 2014 due to systemic limitations at the Sayano-Shushenskaya HPP, which arose after repair and restoration completion at the HPP.

RUSHYDRO PPS INSTALLED CAPACITY DYNAMICS, GW*



*Taking into account the Boguchanskaya HPP

RUSHYDRO ELECTRICITY PRODUCTION AND SUPPLY DYNAMICS. MILLION MWH



In 2014, the RusHydro Group became Russian's top company in terms of power plants' installed capacity. The Group is consistent in increasing its production potential, with the Group's capacity growing more than 1.5 times over the 10 years of self-sustained operation. The Group's investment program provides every opportunity for further capacity growth.

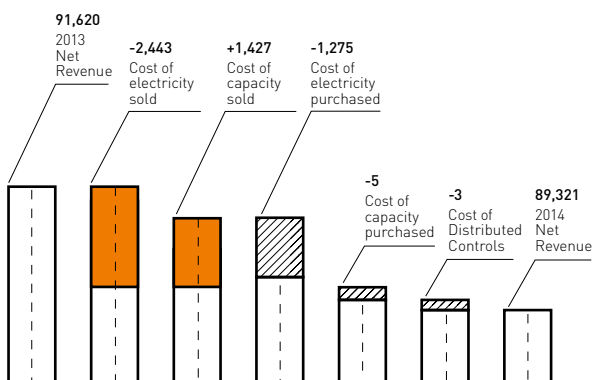
Based on 2014 results, electricity production by all Group facilities fell in all price zones due to the reasons listed above. A production increase was observed at JSC RAO Energy Systems of the East power plants and at the Sevano-Razdansky Cascade of HPPs in Armenia.

According to reporting year results, the volume of electricity generated by RusHydro Group fell 8.4% year-on year, amounting to 113 675 million kWh. The fall was caused mainly by insufficient water inflows at the Group's key facilities, including the Volga-Kama Cascade of HPPs and the Sayano-Shushenskaya HPP. Another reason was the decline in electricity demand after the start-up of the Boguchanskaya HPP. The commercial output of electricity by RusHydro fell 8.8% to 108,745 million kWh.

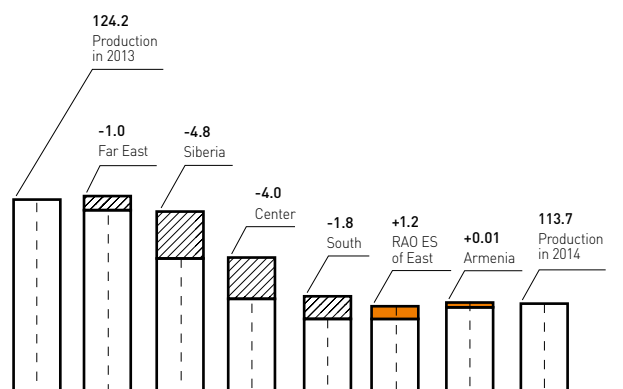
ELECTRICITY AND CAPACITY SALES

The Group's 2014 net revenue from electricity and capacity sales fell 2.5 pp year-on-year to RUR 89,321 million, taking into account the cost of electricity and capacity purchases. The decline was caused by an overall decrease in electricity production by RusHydro branch HPPs by 12.7%, while the tariffs for sales, as well as for the purchase of electricity and capacity, grew in both price zones. The growth in the first price zone was caused by price indexation, while prices in the second price zone grew due to the elimination of limits for inter-zone electricity overflow and the liberalization of the HPP capacity market.

RUSHYDRO'S NET REVENUE CHANGE, RUR MILLION



CHANGE IN THE GROUP'S ELECTRICITY PRODUCTION (IN 2014), MILLION MWH

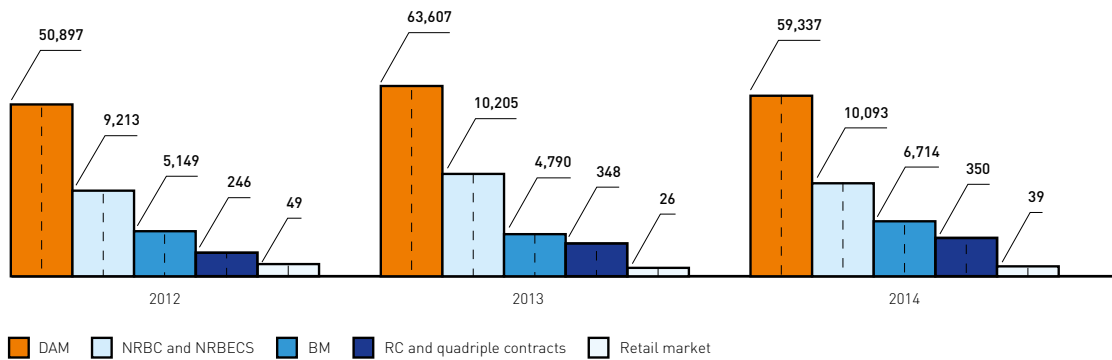
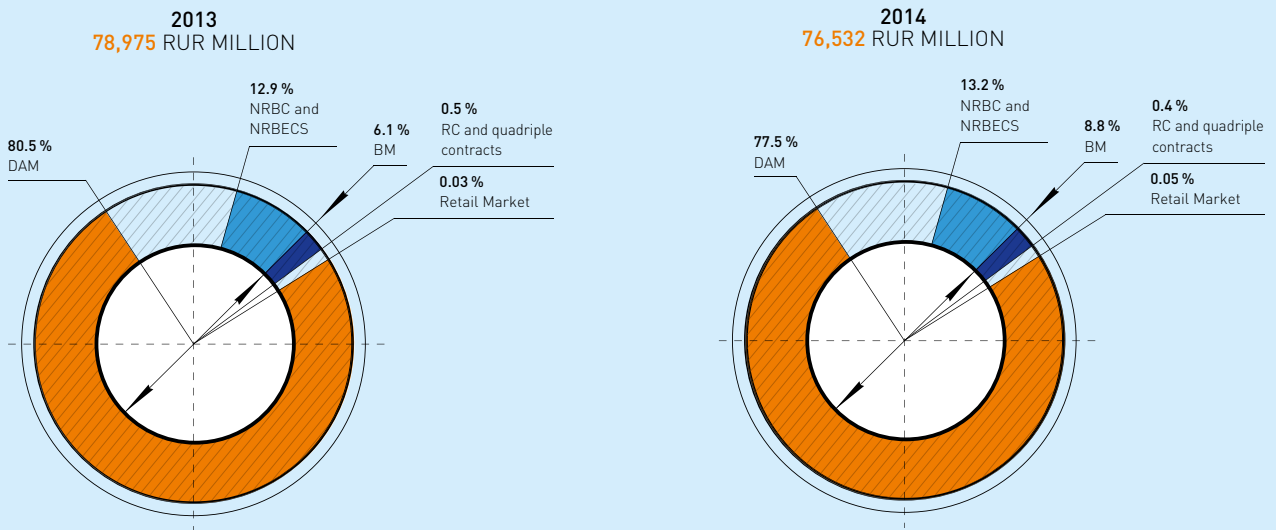


Electricity Sales

The majority component in the structure of revenue generated by RusHydro member-companies is DAM revenue. During 2014,

the share of DAM revenue fell from 80.5% to 77.5% on the back of growing volumes of electricity sold on the balancing market (40% growth) and the consistent sales of electricity pursuant to non-regulated bilateral contracts.

RUSHYDRO ELECTRICITY SALES STRUCTURE AND DYNAMICS, RUR MILLION

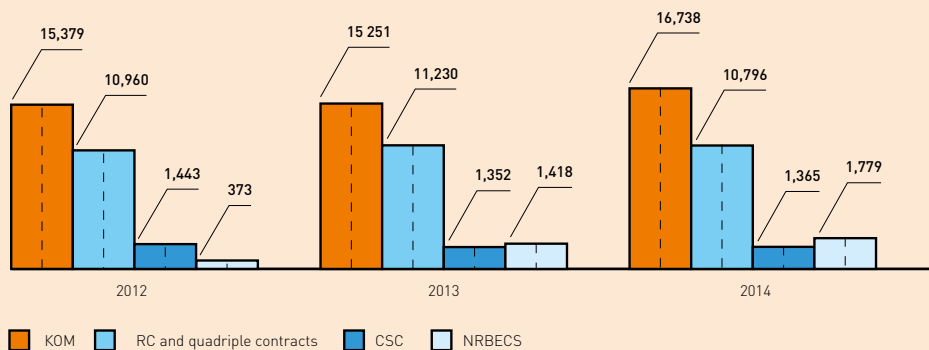
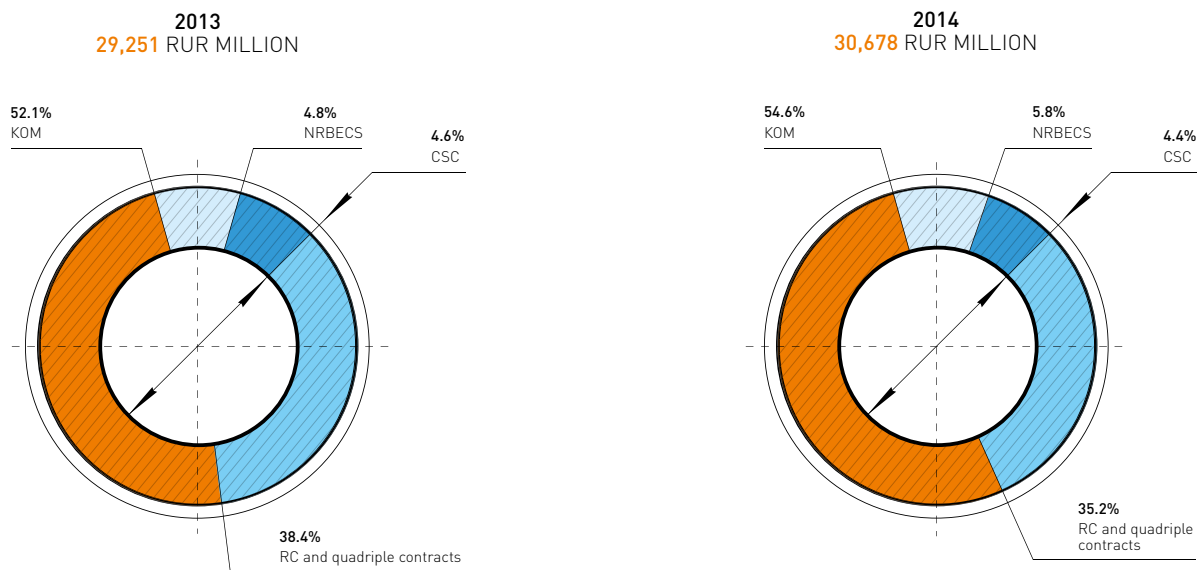


Capacity Sales

The major part of the revenue generated by RusHydro branches is made up of capacity auction contracts (KOM). In 2014, the share of

capacity sales pursuant to the KOM contracts grew 54.6%, with a corresponding 10% revenue increase. The share of capacity sales pursuant to NRBC and CSC contracts also grew, with corresponding 2014 revenue increasing 25.5% and 0.9%, respectively.

RUSHYDRO CAPACITY SALES STRUCTURE AND DYNAMICS



ENERGY EFFICIENCY

The Company's key segment is the hydropower industry, which is one of the most energy efficient sectors in the entire power industry. In addition, the Company is active in developing electricity generation from renewable sources, such as tides, geothermal energy, and wind. The renewable sources are environmentally friendly and efficient. RusHydro facilities are capable of increasing energy efficiency due to the modernization of capital equipment and the implementation of innovative energy-saving technologies and the optimal usage of water resources, as well as due to lowering power consumption for own needs.

The Company pays significant attention to environmental and energy efficiency issues. To develop the aspects in question, the Group has

adopted a program concerning energy saving and energy efficiency improvement for the 2010 to 2015 period.

Power consumption by hydropower plants depends essentially on water inflows and generation modes set by the system operator. Taking this into consideration, the main target selected during the development of the Group's Innovative Development Program consists in "providing a possibility for electricity production growth." The electricity production growth planned for the period from 2011 to 2020 is up to 3.3 billion KWh.

The Company has 6 key tasks to improve energy efficiency; it proceeded with active implementation of these tasks in 2014.

Energy Efficiency Tasks

Development of the hydropower industry and other renewable energy sources which reduce the use of organic fuel and atmospheric emissions

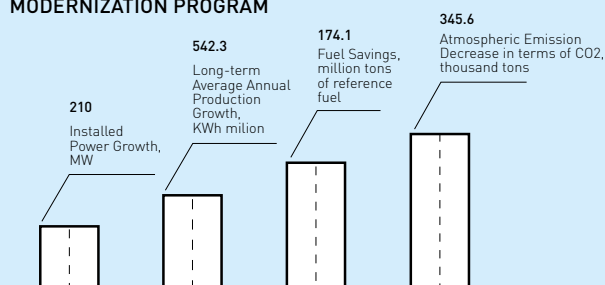
The development of renewable power sources is the Group's priority. Based on 2014 results, the installed capacity of such power plants grew 3.7%, amounting to 29.4 GW.

Construction of energy efficient generating facilities

The Boguchanskaya HPP, with 9 hydropower units put into operation in 2014, complies with the strictest global requirements on energy efficiency. The in-house energy consumption of the Boguchanskaya HPP is 0.7% of its productive output. The in-house energy consumption of the reconstructed Sayano-Shushenskaya HPP is 0.5% of its production output, which is several times less compared with the average market values.

Upgrading energy efficiency at the existing generating facilities

KEY RESULTS OF ENERGY EFFICIENCY IMPROVEMENT INITIATIVES IMPLEMENTED BY RUSHYDRO PURSUANT TO THE 2011-2014 MODERNIZATION PROGRAM



The Company is implementing a set of measures at the existing power plants to upgrade the plants' energy efficiency. RusHydro started performing an energy audit at its facilities in 2009, followed by the preparation of an energy efficiency improvement action plan for each facility. In 2014, the Company replaced turbines and generating sets at the Volzhskaya, Zhigulevskaya, Kamskaya, Saratovskaya and Sayano-Shushenskaya HPPs. The total replacement cost amounted to RUR 7.3 billion. The replacement positively impacts the energy efficiency of the HPPs in question.

In 2014, implementation of the Group's energy efficiency improvement program contributed to growth in the installed capacity of the Company's generating facilities (46.5MW), as well as to the increase of electricity production by 155 million KWh equivalent to fuel savings in the amount of 53.4 thousand tons of reference fuel, to the decrease of atmospheric emissions in terms of CO2 by 100.3 thousand tons. Furthermore, the Company implements initiatives to decrease harmful atmospheric emissions. The volume of said substances emitted to the atmosphere in 2014 amounted to 908 tons.

Optimizing water resource usage

The Company exercises great care in efficiently using water resources in its operations. To this effect, the Company implements numerous programs, including the following:

- The development of a network of weather observation facilities. In 2014, corresponding programs have been implemented in the Group's Dagestan branch, at the Sayano-Shushenskaya HPP and at the Volga-Kama Cascade of HPPs. The Group has installed and renovated 29 gauging stations and 20 snow-sampling heliport decks;
- The implementation of a mid-term planning program at the HPPs. In 2014, programs were implemented at the HPPs in the Far East, Siberia and the Volga-Kama Cascade of HPPs. The mid-term planning modules have been developed and implemented for more than 10 power plants;
- Implementation and control over the efficiency of intra-plant operation modes. Compared with the previous year, in 2014 the production growth resulting from controlling the optimal choice of equipment amounted to 90.9%.

According to 2014 results, the total water consumption by the RusHydro Group on the whole fell 1.5% to 63.4 million cubic meters.

Lowering power consumption for all operations

To foster successful operation, the Company needs to concentrate on savings due to lowering power consumption by all RusHydro facilities. In 2014, in-house electricity consumption for RusHydro totaled 1,192.2 million KWh, or 1.5% of the annual production volume. Compared with 2013, the Company's total in-house consumption fell 4% due to energy efficiency improvement initiatives.

Power resources used by RusHydro in 2014

Supply points group	Electricity purchased on the wholesale market, KWh	Cost of electricity purchased on the wholesale market, RUR billion	Volume of power resources consumed, KWh
In-house needs supply points group, HPP/pump storage plants	0.88	1.01	0.81
Consumption points group, pump storage plant (pumping mode)	2.99	2.76	2.60
Total	3.88	3.77	3.41

Encouraging electricity consumers to improve energy efficiency

RusHydro provides energy audit services and issues energy compliance certificates, which are available to the Group's companies, as well as to third-party organizations and external consumers.

When interacting with consumers, the Group's retail companies provide advice on the following:

- Organizational, normative, technical, financial and economic issues in regard to energy efficiency in industry, housing and utilities infrastructure and budget organizations;
- Energy audit performed in companies and organizations for the purpose to establish available fuel and energy saving options and prepare energy compliance certificates;
- Power supply services, including legal aspects and types of power supply contracts;
- Assistance in regards to handling databases on energy-saving equipment and technologies.

During 2014, the Company proceeded with the development of regional energy-saving and energy efficiency centers established by power supply subsidiaries in different Russian regions.

According to the 2014 results, RusHydro spent more than RUR 14.68 billion to implement energy efficiency improvement initiatives in its subsidiaries. Major projects included: the restoration of the Sayano-Shushenskaya HPP, accompanied by the commissioning of three generating sets, and the modernization of the Zhigulevskaya, Saratovskaya and Cheboksarskaya HPPs.

INTERNATIONAL ACTIVITY

International activity development is one of RusHydro's priority, with these operations aimed at broadening the Group's operational geography due to the implementation of projects abroad and the attraction of the best foreign investments and technologies to promising hydropower and renewable generation projects implemented in Russia. RusHydro makes every effort to establish long-term and mutually beneficial cooperation with international partners in compliance with Russia's strategic interests.

Investments

In 2011, the RusHydro Group acquired JSC "Mezhdunarodnaya Energeticheskaya Korporatsiya" (JSC MEK) (the International Energy Corporation), which owns seven hydropower plants at the Sevan-

Hrazdan Cascade of HPPs in Armenia with a total installed capacity of 561.4 MW. JSC MEK is one of the major players on the Armenian electricity market and the Group performs the modernization and technical re-equipment of the HPP Cascade pursuant to the Program adopted for the period till 2017. This process has affected Cascade performance results – in 2014, electricity production at the Sevan-Hrazdan Cascade of HPPs grew 1.5% to 475 GWh.

Starting from 2013, the company has begun implementing construction and operation of the Upper Naryn Cascade of HPPs. One of the largest infrastructure projects in Middle Asia is being implemented by the Group pursuant to the Inter-government Agreement between Russia and the Kyrgyz Republic. The Cascade in question will incorporate four consecutive stages with an installed capacity of 237.7 MW, with an average annual electricity production of approximately 1,000 GWh. In 2014, the Group completed preparations for the construction of the HPP Cascade, commencing survey work related to the project.

In 2014, the Company jointly with foreign engineering corporations proceeded with projects aimed at localizing Russian-based manufacturing of innovative hydropower equipment intended to modernize existing Group facilities.

International Partnership

In addition, during the reporting year, the Company has concluded a series of agreements with major foreign energy corporations concerning the cooperation and implementation of joint projects. The milestone agreements include contracts with Power Construction of China (PowerChina) and China Three Gorges Corporation, as well as the Cuban Union Electrica. The contracts were concluded during the

official visits of the President of Russia V.V. Putin to China and Cuba. The contracts in question stipulate the implementation of long-term joint projects, including the construction of new generating facilities in Russia using advanced technologies. The projects will contribute to the attraction of investment flows into the country, demonstrating the strategic importance of RusHydro and its global expansion.

Inter-corporate documents signed by RusHydro with international partner-companies in 2014

Contract Information	Description of Cooperation	Cooperation Advantages
Strategic Cooperation Agreement between RusHydro and PowerChina (20.05.2014)	Cooperation in the sphere of investment, design, construction, operation and the technological development of small-scale power generation on the territory of Russia and third party countries	<ul style="list-style-type: none"> The development of distributed generation on Russian territory Investment and technology attraction
Memorandum of Understanding between RusHydro and Union Electrica, Cuba (11.07.2014)	Cooperation development in the field of the modernization of reconstruction of the existing HPPs and the construction of new HPPs in Cuba, including the development of small-scale power plants and the use of renewable energy sources	<ul style="list-style-type: none"> Using the Group's resources on foreign markets having sustainable electricity demand
Strategic Cooperation Agreement between RusHydro and Siemens LLC, a subsidiary of Siemens AG (20.10.2014)	Cooperation in the field of reconstruction and modernization and technical re-equipment of the existing facilities and the construction of new hydro and heat power generation facilities in Russia, including joint participation in investment projects based on Russian renewable energy sources and third countries, and localizing the manufacturing of renewable source generation equipment in Russia	<ul style="list-style-type: none"> Use of advanced technologies in constructing and modernizing existing power production facilities Localization of power production equipment on Russian territory
Preliminary Shareholder Agreement between RusHydro and China Three Gorges Corporation (09.11.2014)	The Agreement stipulates basic conditions for the implementation of the project involving the construction of four flood control HPPs on Amur River tributaries, envisaging the establishment of a joint venture to finance, construct and manage the HPPs in question (with a total capacity of up to 2,000 MW)	<ul style="list-style-type: none"> Attracting investments to construct flood control HPPs Increasing electricity exports to Asian-Pacific countries
Cooperation Agreement between RusHydro and a consortium of Chinese companies – PowerChina and Zhefu Holding Group – concerning the construction of pump storage power plants (09.11.2014)	Cooperation development concerning the construction of pump storage power plants in Russia and third countries, envisaging financing and investing in the construction of "turn-key" projects (including with involvement of Chinese financial institutions), a long-term exchange of research data and technical support, equipment supply and further facilities operation	<ul style="list-style-type: none"> Attraction of investments for the construction of pump storage power plants on the territory of Russia and third countries Exchange in scientific and technological information

RusHydro is a regular participant in intergovernmental commissions on commercial-economic and research and technical cooperation between the Russian Federation and foreign countries. The Company is also a member of the power industry task forces formed by such commissions. It also participates in international forums hosted by the Russian Union of Industrialists and Entrepreneurs and by the Russian Chamber of Industry and Commerce.

The Company's representatives work in committees and task forces established by numerous non-commercial partnerships and international organizations in which RusHydro is a member, including the following:

- The Global Sustainable Electricity Partnership (GSEP);
- The World Economic Forum (WEF);
- The International Hydropower Association (IHA);
- The International Commission on Large Dams (ICOLD).

The Company cooperates with numerous industry-specific international organizations without assuming any membership. The cooperation involves joint scientific research, participation in expert groups, and professional seminars and conferences. These are the following organizations:

- The Canadian Center for Energy Advancement through Technological Innovation (CEATI);
- The International Council on Large Electric Systems (CIGRE);
- Reseau International des Organismes de Bassin (RIOB).

RusHydro also cooperates with governmental international organizations and integrational associations, including the following:

- The CIS Electric Power Council (SIC EPC);
- The Eurasian Economic Commission (EEC);
- The International Energy Agency (IEA)
- Asia-Pacific Economic Cooperation (APEC);
- The Baltic Sea Region Energy Cooperation (BASREC).

Interaction with major international organizations, associations and partnerships contributes significantly to the Company's successful operation, providing an opportunity for experience sharing and involvement in international projects, while defending and supporting Russian interests globally.

The Russian Year in the GSEP

For the period from June 2013 to July 2014, the Company chaired the Global Sustainable Energy Partnership (GSEP), the largest industry partnership. The agenda suggested by the Group and formulated as "Innovations – a fast track to a sustainable world" has determined the vector for discussions within the Partnership, as no sustainable development is possible without innovative breakthroughs.

In March 2014, the Company successfully hosted meetings of the Project, Political and Management Committees of the Partnership in Irkutsk. The GSEP summit, which was attended by leaders and representatives of the world's largest GSEP member-companies, was organized by the Group in May 2014 in Moscow. One of the Summit results included decisions made concerning the development prospects and the establishment of new generation (adaptive) energy systems. Furthermore, RusHydro participates in the GSEP-led Argentina-Patagonia Project. In 2014, the Company took part in completing and commissioning hybrid diesel power plants and a small-scale hydropower plant in Argentina.

Answers to Investors' Questions Asked during the Roadshow

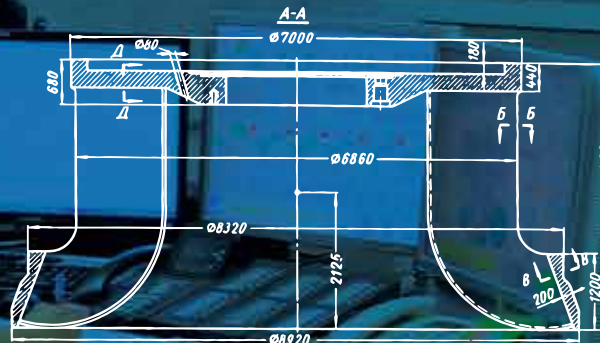
Question: What plans does the Company have for international expansion?

Answer: Our strategy is to participate in hydropower and renewable energy projects abroad and to develop mutually beneficial cooperation in respect to energy exchange with bordering countries, primarily with North East Asian countries. Currently, we are not planning to invest significant equity capital into foreign projects, but we are interested in providing services based on our expertise. Examples of the successful implementation of this approach to our international activities include our participation in the management and modernization of two hydropower plants in Nigeria, and a mandate for design work, as part of the agreement to construct India's largest hydro power plant.



5.

CORPORATE GOVERNANCE REPORT



The central control panel of the Boguchanskaya HPP





TRANSPARENCY AND EFFICIENCY GROWTH

Achievements during 10 years of operation:
 The highest corporate governance rating – 8.
 First place in the corporate transparency rating among Russian power companies.

Key 2014 events include:

Optimization of the Company's organizational structure.

Independent audit of the activities of the Company's Board of Directors and its Committees.

Adoption of a new KPI system for the 2015-2019 period.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

RusHydro is one of the largest Russian utility holding companies with the State being the main shareholder of the Company. The total number of the Company shareholders exceeds 360 thousand. The Group's corporate governance practices are based on the observance of the requirements of the Russian law and of the requirements set for the companies listed at Moscow and London stock exchange. The Group also maintains balance of the interests of the State and of all stakeholders.

The Group's highest governance body is the General Meeting of Shareholders which provides for the implementation of shareholders' right to participate in corporate governance. The Board of Directors is responsible for the development of the strategy and control over the executive bodies, providing for the observance of rights and legitimate interests of the Company shareholders. To facilitate the development of the most efficient solutions the Board of Directors has five committees, with two of the committees – the Audit Committee and the HR and Remuneration Committee consisting exclusively of independent directors. The Management Board is responsible for achieving goals, implementing development strategies and managing the Company's daily operations. The work of the Management Board is organized by the Chairman, the Chief Executive Officer, who is the sole executive body of the Company.

A new Code of Corporate Governance was recommended for joint stock companies by the Bank of Russia in the beginning of the last year. The Board of Directors of RusHydro assigned a task of performing a comparative analysis of the principles of corporate governance currently used in the Company and of the principles contained in the recommended new Russian Code of Corporate Governance. The analysis resulted in the preparation of an action plan (a road map) concerning the implementation of the new edition of the Group's Code of Corporate Governance, which is to be approved by the Board of Directors in 2015.

A report on the observance by RusHydro of principles and recommendations of the Code of Corporate Governance approved by the Bank of Russia and the British Code of Corporate Governance compliance report is to be found in the Supplement to the Annual Report. The observance of corporate governance principles by RusHydro was assessed by comparing each Code provision with the Company's corporate governance practices, taking into account confirming internal documents.

M.I. Poluboyarinov

The Chairman of the Board of Directors

RUSHYDRO'S CORPORATE GOVERNANCE PRACTICES

THE BOARD OF DIRECTORS HAS BROADER POWERS FOR MATERIAL DEALS	A MINIMAL SHARE OF NET PROFIT HAS BEEN DETERMINED FOR DIVIDEND PAYMENTS ON ORDINARY SHARES	INDEPENDENT DIRECTORS HAVE BEEN ELECTED TO THE COMPANY'S BOARD OF DIRECTORS
COMPREHENSIVE REGULATIONS FOR CONFLICTS OF INTEREST OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT IS IN PLACE	THE BOARD OF DIRECTORS HAS COMMITTEES ON AUDIT, HR AND REMUNERATION, STRATEGY, INVESTMENT, RELIABILITY, ENERGY EFFICIENCY AND INNOVATIONS	THE AUDIT, AND HR AND REMUNERATION COMMITTEES ARE CHAIRED BY AN INDEPENDENT DIRECTOR
AN INTERNAL CONTROL AND AUDIT DEPARTMENT SUBORDINATE TO THE AUDIT COMMITTEE IS IN PLACE	THE NORMATIVE BASIS FOR RISK MANAGEMENT HAS BEEN APPROVED, A RISK MANAGEMENT DEPARTMENT HAS BEEN ESTABLISHED	RAS AND IFRS FINANCIAL AND ACCOUNTING DOCUMENTS ARE FREELY ACCESSIBLE FOR ALL INTERESTED PARTIES
THE COMPANY ISSUES THE RUSHYDRO GROUP'S SUSTAINABLE DEVELOPMENT REPORT IN ACCORDANCE WITH GRI STANDARDS	THE COMPANY IMPLEMENTS SOCIAL PROGRAMS FOR EMPLOYEES AND THEIR FAMILY MEMBERS AND ACTIVELY PARTICIPATES IN CHARITABLE INITIATIVES	

Improving Corporate Governance Practices in 2014

The shareholders approved new versions of the Company's Articles of Association and the procedure for convening the General Meeting of Shareholders	The Company introduced new annual and quarterly KPI and KPI calculation and assessment methods. The KPIs will become effective as of January 1, 2015	The implementation of the Company's new organizational structure to optimize management levels and headcount	Board of Directors' work has been subjected to independent assessment
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According to the 2014 results, RusHydro's corporate governance was rated at the 8th level, the highest level of the National Corporate Governance Rating

In 2014, the Board of Directors, Committees of the Board of Directors, the Chairman of the Management Board – the Chief Executive Officer were successful in dealing with priority issues related to the development of RusHydro, including the approval of the Long-term Development Program, the approval of Key Performance Indicators (KPI), the optimization of the Company's organizational structure and the improvement of purchasing activities. On the whole, the work of the Company's management bodies can be considered successful and professional. Decisions of the Board of Directors were based on information materials prepared by the Management Board, as well as on the recommendations of the Board's committees. An independent assessment of the work of the Board of Directors and related committees was conducted for the first time, resulting in continuous improvement for the work in question.

M.I. Poluboyarinov

Chairman of the Board of Directors

RusHydro is a company with a well-developed corporate governance system, consisting of the Board of Directors with independent directors, Committees, and the Management Board. This system also includes control and risk management systems. One role of an independent director on the Board of Directors of a company which is partly State-owned is upgrading governance transparency and maintaining the balance of interests between the State and majority and minority shareholders, and corporate interests too.

The independent directors on the Company's Board of Directors contribute to more comprehensive discussions resulting in balanced decisions, including decisions on issues initiated by the State. The HR and Remuneration and Audit Committees under my chairmanship include only independent directors. We have dealt with such issues as the approval of the auditor and the rate of the auditor's remuneration, risk management, election of the CEO, optimization of the management structure and assigning personal responsibilities to members of the Management Board for the implementation of the Long-term Development Program, which were scrupulously reviewed by committee members, resulting in the development of recommendations to be followed by the Board of Director in its decision-making.

RusHydro focuses on following best corporate governance practice. During this time, we adopted and updated numerous internal corporate documents, such as: the Internal Audit, Internal Control and Risk Management Policy. The Dividend Policy has been amended, and we have also worked on increasing procurement transparency. In 2014, we optimized the Company's management system. Moreover, the Company issues a Sustainable Development Report meeting GRI standards on an annual basis.

V.I. Danilov-Danilyan

Deputy Chairman of the Board of Directors,
Independent Director

SHAREHOLDER AND INVESTOR RELATIONS

RusHydro is active in liaising with stock market players, improving information transparency and communicating the Group's strategic priorities and plans. Information is disclosed in accordance with Russian legal requirements, the regulators of Russian and foreign securities markets, the Company's internal regulations and the rules of the stock exchanges on which the Company's securities are listed.

Corporate website: www.rushydro.ru, www.eng.rushydro.ru
Information disclosure web-page: <http://www.e-disclosure.ru/portal/company.aspx?id=8580>
Official print publication: **Rossiyskaya Gazeta**
Hot line telephone number for shareholders: **8-800-555-99-97**
E-mail: rushydro@rrost.ru

The Company's home page, www.rushydro.ru, www.eng.rushydro.ru, offers basic information on RusHydro's current activities. The pages contain direct links to decisions of the Board of Directors and the information on past and upcoming general meetings of shareholders, and financial statements. Other content includes the latest news on the Company and its subsidiaries and dependent companies.

In 2014, the Company disclosed 132 material facts pertaining to its activities, including the decisions of its executive bodies, interested party transactions and messages that have an essential impact on the price of the securities. The Company publishes its press-releases daily at <http://www.rushydro.ru/press/news/>, and the website has a dedicated section for disclosing IR news at http://www.rushydro.ru/investors/IR_news/.

The IR Directorate, a specialized structural unit, is responsible for investor relations. According to a vote organized by ThomsonReutersExtel among market participants, the Company's IR Directorate was recognized as the best IR department in the industry.

In 2014, corporate representatives took part in major international investment conferences, including those hosted by the Bank of America Merrill Lynch, Morgan Stanley, Goldman Sachs, Deutsche Bank, and Sberbank CIB. Other events attended by corporate representatives included the "Russia is Calling" Forum hosted by VTB Capital. For corporate management, these conferences served as places to meet managers of international and Russian investment funds.

In addition, in April, the Company hosted RusHydro Investor's Day attended by Group managers and E.V. Dod, the Chairman of RusHydro's Management Board and the CEO. The Company organizes periodic conference calls for analysts, investors and rating agencies based on financial results. You can find the Company's IR events calendar at http://www.rushydro.ru/investors/IR_events/.

The shareholders can ask questions concerning their rights by dialing the hotline of JSC Registrator R.O.S.T., the Company's registrar, or by sending an e-mail. Depository receipt owners can forward their inquiries to the Bank of New York Mellon, or to the Company's Corporate Governance Department and the IR Division.

GOVERNING BODIES

GENERAL MEETING OF SHAREHOLDERS

The annual General Meeting of Shareholders²³ was held June 27, 2014 in Krasnoyarsk (Minutes No 12 dated June 27, 2014). The shareholders have approved the annual report, the annual accounting statement, and the allocation of profit according to 2013 results. Other approvals covered dividend amounts and the date for preparing the list of persons entitled to receive dividends. The shareholders have also elected the Board of Directors, the Audit Committee and the auditor (JSC PricewaterhouseCoopers Audit). Decisions were also made concerning the payment of remuneration to members of the Board of Directors based on results of their work from 28.06.2013 to 27.06.2014²⁴. Remuneration is to be paid in the amount and in accordance with the procedure set by the Payment of Remunerations to Members of the Board of Directors (more detailed information on remuneration is available in "Remuneration for Governing and Control Bodies Report"). The shareholders have also approved the new version of the Company's Articles of Association and the Policy for convening and conducting the General Shareholders Meeting. Other approvals included RusHydro leaving the Siberian Energy Association (SEA) and interested party transactions.

²³ Minutes №12 dated 27.06.2014.

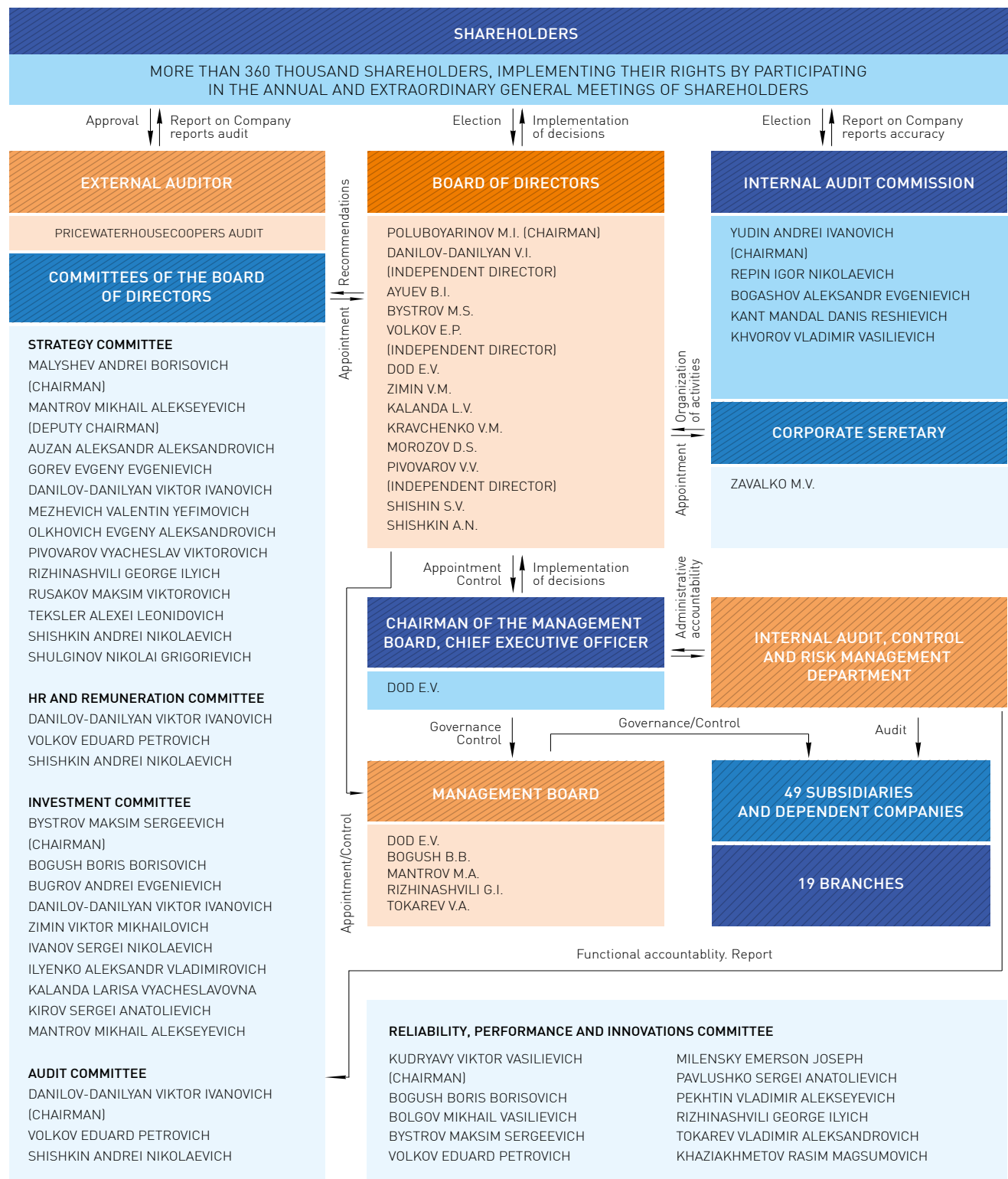
²⁴ More information is available in the section "Report on Remuneration of Governance and Control Bodies".

2015 IR Events Calendar

2015 IR Events Calendar	
January 21-23	Deutsche Bank Conference (London)
January 21-24	World Economic Forum (Davos)
January 29	2014 performance results
March 5	2014 RAS financial statements
March 25	2014 IFRS financial statements. Conference call
March 26-27	HSBC Conference (New York)
April 13	Investor's Day (Moscow)
April 14-17	Sberbank CIB's "Russia" Forum (Moscow)
April 15-18	Raiffeisen Bank Conference (Zurich)
April 23	Q1 2015 performance results
April 29	Q1 2015 RAS statements
April 28-30	JPMorgan CEEMEA Conference (London)
May 20-21	Morgan Stanley GEMs Conference (London)
June 9-10	BofA Merrill Lynch Utilities & Renewables Conference (London)
July*	Renaissance Capital Conference (Moscow)
End of June*	Annual General Meeting of Shareholders
Beginning of July*	Shareholders Registry closure date to receive dividends
July 8-9	Morgan Stanley GEMs Conference (New York)
June 30	Q1 2015 IFRS statements. A conference call
July 23	QII 2015 performance results
July 30	H1 2015 RAS statements
August 28	H1 2015 IFRS statements. Conference call
Beginning of September*	Sberbank CIB's Russia and CIS (London)
September 10	HSBC Conference (London)
September 17	Morgan Stanley Power & Utility Summit (London)
September 30-October 2	VTB Capital's "Russia is calling" Forum (Moscow)
October 22	9 months 2015 performance results
October 29	9 months 2015 RAS financial statements
November*	Bank of America Merrill Lynch Russia and CIS Conference (London)
November 9-10	Goldman Sachs CEEMEA Conference (London)
December 15	9 months 2015 IFRS statements. Conference call

* Event dates are to be determined

JSC RUSHYDRO CORPORATE GOVERNANCE MODEL



THE BOARD OF DIRECTORS

The Board of Directors acts on the basis of the Policy on the procedure for convening and conducting meetings of JSC RusHydro's Board of Directors. According to the Articles of Association, the Board of Directors consists of 13 members. The current membership of the Board of Directors was elected at the General Meeting of Shareholders on June 27, 2014. The Board of Directors includes three independent directors (Danilov-Danilyan V.I., Volkov E.P., and Pivovarov V.V.) and one executive director (Dod E.V.).

Directors elected to the Board are highly professional and experienced in the power industry, economics and corporate governance. Many Directors have academic titles, while some are graduates of international business schools.

V.I. Danilov-Danilyan, the Deputy Chairman of the Board of Directors and the Chairman of the HR and Remuneration Committee and the Audit Committee, has been included in the list of the "50 Best Independent Directors" based on the results of the "Director of the Year 2014," the IX National Prize.

CHANGES IN THE MEMBERSHIP OF THE BOARD OF DIRECTORS IN 2014

Changes in the membership of the Board of Directors in 2014 took place due to requirements stipulating an obligation to elect members of the Board of Directors at the General Meeting of Shareholders (June 27, 2014). In 2014, four new directors were included in the Board: Volkov E.P., Kalanda L.V., Kravchenko V.M. and Shishkin A.N. The remaining nine directors were elected as suggested by the Russian Federation, the Company's major shareholder. They are Poluboyarinov M.I., Danilov-Danilyan, Ayuev B.I., Bystrov M.S., Dod E.V., Zimin V.M., Kravchenko V.M., Morozov D.S. and Pivovarov V.V.

PERFORMANCE RESULTS OF THE BOARD OF DIRECTORS IN 2014

The Board of Directors conducts regular meetings in accordance with the approved Action Plan which contains issues to consider, the Board members responsible for the preparation of materials, the schedule and the form of conducting meetings. In 2014, the Board of Directors conducted 17 meetings (compared with 22 in 2013). Three of these 17 meetings were conducted in presentia.

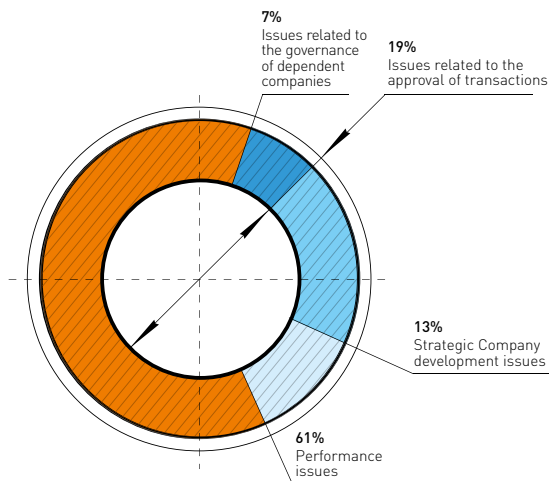
The average attendance at Board of Directors meetings in 2014 amounted to 90%.

During the reporting year, the Board of Directors reviewed more than one hundred issues. Apart from operating performance, other matters included: convening the annual General Meeting of Shareholders, the execution of orders, the approval of interested party transactions, the development of a transparent purchasing management system and improvement in purchasing control efficiency, and issues relating to subsidiary governance. The Board of Directors made numerous important decisions concerning corporate development. The decisions are the following:

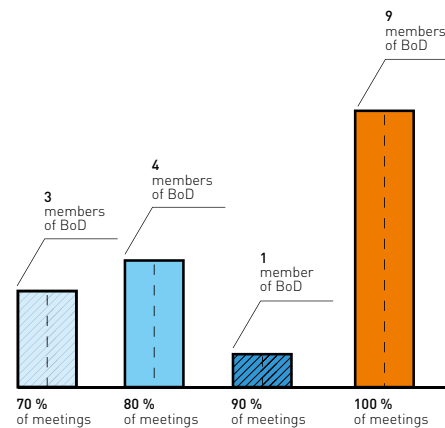
- Approval of 2014 Business Plan of JSC RusHydro, including investment program, the annual and quarterly KPI values, and the 2014 quarterly financing and capital investment implementation plans. Besides, the Board of Directors approved the Company's business plan for 2015-2018 period, including the corresponding investment program amounting to RUR 360,868.55 million.
- The approval of JSC RusHydro's Long-term Development Program till 2019 and of the standard procedure for annual checking of the Program implementation starting from 2016. The checking will result in the development of managerial decisions intended to improve the efficiency of the Group's activities. The remuneration for the Group's management is tied to the achievement of the Program's strategic goals.



THE STRUCTURE OF ISSUES REVIEWED AT BOARD OF DIRECTORS MEETINGS IN 2014, %



ATTENDANCE AT BOARD OF DIRECTORS MEETINGS²⁴



- The approval of the Policy on the system of key performance indicators and of a list of annual and quarterly KPI, and the method of KPI calculation and assessment. The KPI will become effective from January 1, 2015.
- The approval of electricity sales in 2015 to default power suppliers operating on the territories of the subjects of the Russian Federation representing the second price category of the wholesale electricity and capacity market. The sales will be effected pursuant non-regulated bilateral electricity sales contracts. The approval of the procedure of price formation for the electricity sold by RusHydro pursuant the sales contracts.
- The review and approval of the report on the execution of RusHydro's development priorities in 2013. The priority key tasks and initiatives pertaining to the implementation of the Strategic Plan of JSC RusHydro have been recognized as fulfilled. One of the 2013 priorities consisted in ensuring the reliability and modernization of the existing facilities. The implementation of the comprehensive modernization program at the Company facilities resulted in commissioning of 9 reconstructed generating sets with total capacity of 737 MW.
- The approval of the report on the implementation of the action plan of JSC RusHydro innovative development program for the first half of 2014 as part of the implementation of the mid-term action plan for 2014-2016. The total amount of financing of the initiatives pursuant to the Program during said period comprised RUR 781.2 million.
- The extension of the powers of E.V. Dod, the chairman of the Management Board, for the period of 5 years.
- The approval of the new organizational structure of RusHydro intended to improve the governance of the Company. The improvements include the optimization of the management levels and headcount, the personification of responsibilities of the leaders and the reduction of the number of structural units. The new organizational structure resulted in the decrease of the number of the members of the Management Board from 14 to 5. The deputy chairmen of the Management Board were excluded, while 8 deputy area CEOs were introduced to replace 18 area directors. The number of directorates was decreased by 10 structural units, while the number of departments fell from 40 to 22.

More detailed information on the issues reviewed by the Board of Directors is available at <http://www.rushydro.ru/corporate/board/minutes/> and in the Supplement to the Annual Report.

The optimization of the Company's organizational structure is expected to result in the following:

- Prompt solutions for issues facing the Company and a flexible response to new challenges;
- Well-managed "vertical," as well as "horizontal," allocation of tasks, powers and responsibilities among leaders, with the provision of required details at each management level;
- Well-managed and optimally staffed executive office;
- A decrease in the number of executive employees and a reduction in administrative and managerial costs.

²⁴ The attendance statistics for Board of Directors members with powers effective in the reporting year.

ASSESSING THE PERFORMANCE OF THE BOARD OF DIRECTORS

Two assessments of the performance of the Board of Directors were performed in 2014 for the first time, with one of the assessments evaluating the contribution of the Russian Federation's representatives to the Company's development, taking into account the corporate development strategy. Said assessment was performed based on a method approved by the Russian Federal Property Management Agency. The assessment confirmed the control of the federal authority

over State representatives on the Board of Directors. The second assessment was performed by "The Association of Independent Corporate Directors", an independent consultancy body, known as a non-commercial partnership assisting professional activities. The second assessment was performed at the end of 2014, in the beginning of 2015. The assessment was conducted remotely with Board of Directors members filling in questionnaires on the website of the above-mentioned partnership. The assessment resulted in a report that was presented to the Board of Directors in February 2015 and a plan of initiatives to improve the work of the Board.

Composition of the Board of Directors

Full name and position	BoD member status	Year of Birth	Citizen-ship information	Education	Biographical data	Owner-ship of the Company shares
POLUBOYARINOV Mikhail Igorevich Chairman of the Board of Directors First Deputy Chairman. Member of the Management Board of Vnesheconombank State Corporation	Non-executive director (professional counsel)	1966	Russian Federation	The Moscow Financial Institute (the Financial Academy attached to the Government of the Russian Federation), crediting and economics department, qualification – economist (1988) Ph.D. in Economics	Deputy General Director of JSC Aeroflot – Russian Airlines (2003 – 2009), various positions in Vnesheconombank State Corporation (2009), including: Director of the Infrastructure Department (2009-2011), Deputy Chairman (2011) and member of the Management Board (2012), First Deputy Chairman of Vnesheconombank State Corporation (since 2012) Current positions include the member of the Board of Directors of JSC Leader, JSC Sovkomflot, JSC Zarubezhneft and JSC Rostelecom Holds the position of a member of the Board of Directors of JSC RusHydro since 2011	Owens no Company Shares
DANILOV-DANILYAN Viktor Ivanovich Deputy Chairman of the Board of Directors Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (RAS)	Independent director	1938	Russian Federation	Moscow State University (named after M.V. Lomonosov), the Mechanical-Mathematical Department (1960) Ph.D. in Economics, Professor, Associate Member of the Russian Academy of Sciences (RAS)	Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (2003); Head of the Chair of Environmental Sciences and the Management of Water Resources and member of the Academic Board of the Russian University of People's Friendship (2005); Editor-in-Chief of the Encyclopedia Publishing House (2007); Head of the Chair of Natural Resources Management and member of the Academic Council of Moscow State University (named after M.V. Lomonosov) (since 2009) Currently, serves as the Chairman of the Board of Directors of the Sustainable Development Fund Holds the position of the member of the Board of Directors of JSC RusHydro since 2011	Owens no Company Shares

<p>AYUEV Boris Ilyich</p> <p>Chairman of the Management Board of JSC SO UES</p>	<p>Non-executive director (professional counsel)</p>	<p>1957</p>	<p>Russian Federation</p>	<p>The Urals Polytechnic Institute, electric power stations (1979)</p> <p>Ph.D in technical sciences, full member of the Academy of Engineering Sciences named after A.M. Prokhorov, the author of over 70 research and technical articles and monographs</p>	<p>Member of the Management Board of JSC RAO UES of Russia (2004-2008), Chairman of the Management Board and member of the Board of Directors of JSC SO UES (since 2004)</p> <p>Current positions include: member of the Board of Directors of JSC Russian Grids, and Chairman of RNK SIGRE Non-Commercial Partnership</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2012</p>	<p>0.008024%</p>
<p>DOD Evgeny Vyacheslavovich</p> <p>Chairman of the Management Board, the Chief Executive Officer of JSC RusHydro</p>	<p>Executive director (professional counsel)</p>	<p>1973</p>	<p>Russian Federation</p>	<p>Moscow Aviation Institute (the State Technical University), Machine-tool Facilities Management and Economics (1995).</p> <p>PhD in Economics</p>	<p>General Manager of CJSC INTER RAO UES (2000-2008); Chairman of the Management Board of JSC INTER RAO UES (2008-2010); Chairman of the Management Board of JSC RusHydro (since 2009); Chairman of the Management Board, the Chief Executive Officer of JSC RusHydro (since 2014).</p> <p>Current positions include the Chairman of the Board of Directors of JSC RAO ES of East, member of the Supervisory Board of JSC VBRR Russian Hydropower Non-commercial Partnership, RusHydro International B.V. , member of the Management Board of the all-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" and RSPP LLC, member of the Board of Managers of MCUER Autonomous Non-Commercial Association, member of the Russian National Committee of the World Energy Council, member of the Board of Trustees and the Foundation Council of the Non-Commercial Organization Charitable Foundation "Awareness"</p> <p>Holds the position of the member of the Board of Directors since 2010</p>	<p>0.118435%</p>
<p>BYSTROV Maksim Sergeevich</p> <p>Chairman of the Management Board of JSC ATS and of the Market Council Non-commercial Partnership for the organization of an efficient system of wholesale and retail electricity and capacity sales.</p>	<p>Non-executive director (professional counsel)</p>	<p>1964</p>	<p>Russian Federation</p>	<p>Moscow Civil Engineering Institute named after V.V. Kuibyshev, hydro-power engineering of river structures and hydro-power plants (1986), Russian Foreign Trade Academy, global economy (1998)</p>	<p>Ministry of Economic Development of the Russian Federation (2001-2007), the Federal Agency for Management of Special Economic Zones, Deputy Minister of Regional Development (2007). Director of work with government agencies and NGOs, En Management LLC (2008-2009), Deputy Plenipotentiary Representative of the President of the Russian Federation in the North Caucasus Federal District (2010 to 2013), Chairman of the Management Board of JSC ATS, Chairman of the NP Market Council. Member of the Board of Directors of JSC FGC UES, JSC SO UES and the Chairman of the Board of Directors of JSC North Caucasus Health Resorts and "Mineralnye Vody Airport Managing Company" LLC.</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2013</p>	<p>Owns no Company shares</p>



<p>VOLKOV Eduard Petrovich General Director of JSC Energy Institute named after G.M. Krzhizhanovsky</p>	<p>Independent director</p>	<p>1938</p>	<p>Russian Federation</p>	<p>Moscow Energy Institute, heat power engineering, 1961 Ph.D in Technical Sciences, an associate member of the Russian Academy of Sciences</p>	<p>General Director of JSC Energy Institute named after G.M. Krzhizhanovsky (since 1986), the member of the Board of Directors Holds the position of the member of the Board of Directors of JSC RusHydro since 2014</p>	<p>0.00002%</p>
<p>ZIMIN Viktor Mikhailovich Prime Minister of the Government of the Republic of Khakassia</p>	<p>Non-executive director (State official)</p>	<p>1962</p>	<p>Russian Federation</p>	<p>The Tomsk State Architectural and Construction University, motor car engineering, engineer (2007)</p>	<p>Deputy Head and Head of the Construction Department for newly constructed facilities of the Abakan Branch of the Krasnoyarsk Railways, a branch of JSC Russian Railways (2004-2007); member of the Russian State Duma (2007-2009) and member of the State Duma Committee on Agriculture; Head and the Chairman of the Government of the Republic of Khakassia (since 2009) Holds the position of the member of the Board of Directors of JSC RusHydro since 2010</p>	<p>Owns no Company shares</p>
<p>KALANDA Larisa Vyacheslavovna State Secretary – Vice President of JSC NK Rosneft, Acting General Director of JSC ROSNEFTEGAZ, Senior Vice President on Relations with Russian Authorities, JSC RN-Management</p>	<p>Non-executive director</p>	<p>1964</p>	<p>Russian Federation</p>	<p>Sverdlovsk Institute of Law, legal studies, 1985. Honoured Jurist of the Russian Federation</p>	<p>Vice-President of JSC NK Rosneft responsible for legal provisions concerning financial and operating activities of the company, development and organization of the legal policy in regard of the protection of the assets and interests of the company, its shareholders and subsidiaries and dependent companies (2006 – 2012). Deputy Chief of the Management Board of JSC NK Rosneft (2009). The member of the Management Board, the State Secretary and Vice-President of JSC NK Rosneft (since May 2012). The member of the Board of Directors of JSC ROSNEFTEGAZ Holds the position of the member of the Board of Directors of JSC RusHydro since 2014</p>	<p>Owns no Company shares</p>

<p>KRAVCHENKO Vyacheslav Mikhailovich</p> <p>Deputy Minister of Energy for the Russian Federation</p>	<p>Non-executive director (State official)</p>	<p>1967</p>	<p>Russian Federation</p>	<p>Moscow State University named after M.V. Lomonosov, law studies, 1995</p>	<p>General Director of RN-Energo LLC (2008-2011); General Director of the United Power Supply Company (2010-2012); Chairman of the Management Board of Market Council Non-commercial Partnership (2012-2013); Deputy Minister of Energy of the Russian Federation (2013)</p> <p>Current positions include the member of the Board of Directors of JSC INTER RAO, JSC Rossety, JSC FGC UES, JSC SO UES, JSC MOESK, the Chairman of the Board of Directors of CJSC Center for Financial Settlements”, represents the State in the Supervisory Board of Market Council Non-commercial partnership</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2014</p>	<p>Owns no Company shares</p>
<p>MOROZOV Denis Stanislavovich</p> <p>Representative of the Russian Federation on the Board of Directors for the European Bank for Reconstruction and Development, the Executive Director on behalf of the Russian Federation, Belarussia, and Tajikistan</p>	<p>Non-executive director</p>	<p>1973</p>	<p>Russian Federation</p>	<p>Moscow State University named after M.V. Lomonosov, political economy (1993), science of law (1996)</p> <p>Ph.D in Economics.</p> <p>Swiss Banking School (2000), Harvard Business School, in-depth business administration (2009), Foreign Relations and State Administration School, Columbia University, Master of Governmental Administration (Economics Management) (2011)</p>	<p>Various financial and credit organizations (1992-1999); leading positions in Norilsky Nickel Company (2007-2009); General Director of JSC Uralkaliy (2010- 2011); the Director of the European Bank for Reconstruction and Development on behalf of the Russian Federation (from March 2011). Current positions include the member of the Board of Directors of JSC Rossety; the member of the Supervisory Council of JSC AK AIROSA and the Chairman of the Supervisory Council of JSC RosSelkhozBank</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2013</p>	<p>Owns no Company shares</p>



<p>PIVOVAROV Vyacheslav Viktorovich</p> <p>General Director of Altera Capital LLC</p>	Independent director	1972	Russian Federation	The State Academy of Management named after Sergo Ordzhonikidze, global economy, 1995; the American University in Paris, applied economics, 1995; Stanford Business School, MBA, 2002	<p>An extraordinary adviser to the Minister of Economic Development (2009 – 2011); General Director of Altera Capital LLC (2011)</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2013</p>	Owens no Company shares
<p>SHISHIN Sergei Vladimirovich</p> <p>Senior Vice President of JSC Bank VTB</p>	Non-executive director	1963	Russian Federation	Higher Border Patrol Academy attached to KGB of USSR, 1984; Higher KGB Institute, 1990; Civil Service Academy attached to the President of the Russian Federation, governmental and municipal administration, 1999.	<p>Military service (1980 – 2007); Senior Vice-President of JSC Bank VTB; the member of the Supervisory Council of JSC VBRR</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2011</p>	Owens no Company shares
<p>SHISHKIN Andrei Nikolaevich</p> <p>Vice President for Energy, Health, Safety and Environment of JSC NK Rosneft</p>	Non-executive director	1959	Russian Federation	<p>Moscow Petrochemical and Gas Industry Institute named after I.M. Gubkin, industrial heat power engineering, 1985; Financial Academy attached to the Government of the Russian Federation, 1996; MIRBIS Moscow International Business School, industrial heat power engineering and banking MBA, 2002</p> <p>Ph.D in Economics</p>	<p>Various managerial positions in different financial and credit organizations (until 2005); General Director of the JSC Ural Energy Management Company (2005); head of JSC Tumen Power Supply Company; head of JSC TGK-10; First Vice-President of JSC Complex Energy Systems (KES-Holding) (2008-2009); Deputy Minister of Energy of the Russian Federation (2010-2012); Vice-President of JSC Rosneft (2012).</p> <p>Current positions include the member of the Board of Directors of JSC Tumen Power Supply Company; Rusenergo Fund; JSC Rossety; JSC United Shipbuilding Company; the member of the Supervisory Council of the Market Council Non-commercial Partnership, the Chairman of the Board of Directors of JSC Okha TPP</p> <p>Holds the position of the member of the Board of Directors of JSC RusHydro since 2014</p>	Owens no Company shares

* Information on the ownership of the Company shares by members of the Board of Directors is dated December 31, 2014. The ownership is represented in the form of shares of chartered capital and in the form of ordinary shares owned. The shares coincide, as the Company has issued only ordinary shares.

THE COMMITTEES OF THE BOARD OF DIRECTORS

JSC RusHydro's Board of Directors has five committees attached to it for the purpose of the preliminary investigation of essential issues referred to the competence of the Board of Directors. The committees are as follows: the Investment Committee, the HR and Remuneration Committee, the Reliability, Energy efficiency and Innovations Committee.

The committees are staffed with highly trained and experienced specialists who improve the efficiency and quality of the Board of Directors' functioning. The Committees' quantitative composition is optimized to enable comprehensive discussion of issues under review,

taking into account differing opinions. The Committees function based on the Policy on Committees attached to the Company's Board of Directors.

In accordance with best corporate governance practices, the Audit and HR and Remuneration Committees are staffed only with independent directors.

Committee members are elected for the period till the next General Meeting of Shareholders, when new members of the Board of Directors are elected. The changes in the membership of the Board of Directors in 2014 were due to the election of new members to the Board of Directors in June 2014. Current committee members were elected pursuant to a decision of the Board of Directors, as of August 8, 2014.

THE STRATEGY COMMITTEE REPORT

The Strategy Committee contributes to improving Company efficiency in the long run, developing recommendations to adjust the Company's current development strategy.

In 2014, Committee membership was extended to 13 members, with 3 elected corporate representatives (Mantrov M.A, Gorev E.E, and Rizhinashvili D.I.) and 3 members of the Board of Directors (Danilov-Danilyan V.I, Pivovarov V.V, and Shishkin A.N.).

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
Malyshev Andrei Borisovich (Chairman) Rizhinashvili George Ilyich (Deputy Chairman) Auzan Aleksandr Aleksandrovich Pivovarov Vyacheslav Viktorovich Gorev Evgeny Evgenievich Danilov-Danilyan Viktor Ivanovich Mantrov Mikhail Alekseevich Mezhevich Valentin Efimovich Shulginov Nikolai Grigorievich	Malyshev Andrei Borisovich (Chairman) Mantrov Mikhail Alekseevich (Deputy Chairman) Auzan Aleksandr Aleksandrovich Gorev Evgeny Evgenievich Danilov-Danilyan Viktor Ivanovich Mezhevich Valentin Efimovich Olkhovich Evgeny Aleksandrovich Pivovarov Vyacheslav Viktorovich Rizhinashvili George Ilyich Rusakov Maksim Viktorovich Texler Aleksei Leonidovich Shishkin Andrei Nikolaevich Shulginov Nikolai Grigorievich

In 2014, the Committee conducted 9 meetings (compared with 12 meetings in 2013). The Committee pays special attention to implementing priority projects involving the construction of four facilities in the Far East. Last year, information on project implementation was provided to the Committee by the Company's management on a periodic basis. The development of the Company's long-term development program is one more important issue in the Committee's work. The Committee has presented its remarks to the program developed by corporate management. This resulted in program approval, which was recommended for approval by the Board of Directors. The Committee has also performed a preliminary analysis of the terms of 13 transactions with the shares and interests of the organizations before said issues were suggested for consideration by the Board of Directors.

A list of all issues reviewed at Committee meetings is available in the Supplement and at the corporate website, <http://www.rushydro.ru/corporate/committees/stratcom/>.

THE AUDIT COMMITTEE REPORT

The Audit Committee is used by the Board of Directors to exercise control over the Company's financial and operating activities. The Audit Committee establishes tasks for the Company's internal audit, develops recommendations on the selection of independent auditing organizations and relations with the internal audit commission and the external auditor.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
Danilov-Danilyan Viktor Ivanovich (Chairman) Berndt Christian Andreas Ivanov Sergei Nikolaevich	Danilov-Danilyan Viktor Ivanovich (Chairman) Volkov Eduard Petrovich Shishkin Andrei Nikolaevich

In 2014, the Committee conducted 9 meetings (compared with 12 in 2013). The Committee pre-reviewed the Company's RAS and IFRS reports and developed recommendations for the Board of Directors concerning the choice of an external auditor (CJSC PriceWaterhouseCoopers) and remuneration for its services, approved the annual Plan of control measures of JSC RusHydro's internal audit. The Committee reviewed reports on the implementation of the Company's scheduled Action Plan on the Company's compliance with Russian Federation legal requirements concerning the prevention of the illegal use of insider information and market manipulations, and of the Insider Information Policy. The Committee also analyzed the Company's annual report on the implementation of the Comprehensive Program on the prevention of the performance of illegal acts by corporate employees in 2013. The Committee reviewed the Company's 2013 performance results report and recommended it to be presented for approval to the General Meeting of Shareholders. To improve efficiency and to optimize the cost of control in accordance with the recommendations of Code of Corporate Governance, the Committee suggested the candidates

for the Internal Audit Commission to be selected from employees of the Company's internal control department. Following 2014 results, the Committee approved initiatives on the development of the risk management system in RusHydro, and the development program for internal control and risk management systems.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at (<http://www.rushydro.ru/corporate/committees/audit/>).

HR AND REMUNERATION COMMITTEE REPORT

The HR and Remuneration Committee attached to the Board of Directors is intended to attract qualified specialists to the Company's management and to generate incentives required for their successful work. The Committee is tasked with the development of principles and criteria to determine the amount of remuneration and material incentives for members of the Board of Directors, the Chairman and Management Board members, and to issue recommendations (conclusions) to the Board of Directors concerning the issues above.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
Danilov-Danilyan Viktor Ivanovich Bugrov Andrei Evgenievich Ivanov Sergei Nikolaevich	Danilov-Danilyan Viktor Ivanovich (Chairman) Volkov Eduard Petrovich Shishkin Andrei Nikolaevich

In 2014, the Committee conducted 6 meetings (compared with 8 in 2013). The Committee reviewed the changes to the Policy on the procedure of payment of remunerations and compensations to the members of the Management Board. The Committee recommended to assign personal responsibilities to the members of the Management Board for the fulfillment of the Group's Long-term Development Program. The responsibilities will be assigned in the form of setting the Key Performance Indicators. The Committee also assessed the work of the sole executive body of JSC RusHydro, represented by Dod Evgeny Vyacheslavovich in the period from 2009 to 2014. The work was assessed positively and the Committee recommended to the Board of Directors to extend Mr. Dod powers for the next term. In order to approve a new organizational structure of the Company, the Committee recommended to the Board of Directors to appoint 5 members of the Management Board and to

terminate the powers of 10 members of the Management Board. This resulted in the Board of Directors extending the powers of the four members of the Management Board: Dod E.V, Bogush B.B, Mantrov M.A, and Rizhinashvili D.I. Tokarev V.A. was elected as a new candidate. The Committee also agreed the issue of combining by the members of the Management Board of positions in the management bodies of other organizations.

A list of issues reviewed at Committee meetings is available in the Supplement to this Report and at the corporate website at (<http://www.rushydro.ru/corporate/committees/hr/>).

INVESTMENT COMMITTEE REPORT

The Investment Committee performs preliminary reviews of investment projects and programs, and improves and develops the Company's investment practices.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
Bystrov Maksim Sergeevich (Chairman) Bogush Boris Borisovich Bugrov Andrei Evgenievich Danilov-Danilyan Viktor Ivanovich Zimin Viktor Mikhailovich Ivanov Sergei Nikolaevich Ilyenko Aleksandr Vladimirovich Kirov Sergei Anatolievich Mantrov Mikhail Alekseevich Rizhinashvili George Ilyich Snikkars Pavel Nikolaevich ²⁶	Bystrov Maksim Sergeevich (Chairman) Bogush Boris Borisovich Bugrov Andrei Evgenievich Danilov-Danilyan Viktor Ivanovich Zimin Viktor Mikhailovich Ivanov Sergei Nikolaevich Ilyenko Aleksandr Vladimirovich Kalanda Larisa Vyacheslavovna Kirov Sergei Anatolievich Mantrov Mikhail Alekseevich Rizhinashvili George Ilyich Snikkars Pavel Nikolaevich

²⁶ Snikkars P.N. was elected pursuant to a separate decision of the Board of Directors dated 19.02.2014 to replace Tikhonova M.G. who terminated her powers early.

In 2014, the Committee conducted 11 meetings (compared with 10 in 2013). The Committee paid special attention to issues pertaining to the fulfillment of the Group's Business Plan and the reports on the Group's Key Performance Indicators (KPIs). The Committee recommended that the General Meeting of Shareholders approve the allocation of the Group's 2013 profit in the amount of RUR 35 billion, including RUR 5.2 billion to be paid out in the form of dividends. The Committee also reviewed and recommended to approve the Policy on Key Performance Indicators, the list of annual and quarterly KPIs and the method of their calculation and assessment. The documents were approved by the Board of Directors and effected from January 1, 2015.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at <http://www.rushydro.ru/corporate/committees/investments/>.

RELIABILITY, ENERGY EFFICIENCY AND INNOVATIONS COMMITTEE REPORT

The Committee pre-reviews the issues pertaining to the formation of technical policy, environmental policy and energy-saving policy and energy efficiency, as well as the development of internal standards for technical regulations. Other issues in focus include long-term planning for the hydropower industry and renewable energy source (RES) development.

Committee members from 15.07.2013 to 27.06.2014	Committee members from 08.08.2014
Kudryavy Viktor Vasilievich (Chairman) Alzhanov Rakhmetulla Shamshievich Bellendir Evgeny Nikolaevich Bogush Boris Borisovich Bolgov Mikhail Vasilievich Bystrov Maksim Sergeevich Volkov Eduard Petrovich Voskresensky Sergei Modestovich Ivanov Sergei Nikolaevich Pavlushko Sergei Anatolievich Rizhinashvili George Ilyich Khaziakhmetov Rasim Magsumovich	Kudryavy Viktor Vasilievich (Chairman) Bogush Boris Borisovich Bolgov Mikhail Vasilievich Bystrov Maksim Sergeevich Volkov Eduard Petrovich Milensky Emerson Joseph Pavlushko Sergei Anatolievich Pekhtin Vladimir Alekseevich Rizhinashvili George Ilyich Tokarev Vladimir Aleksandrovich Khaziakhmetov Rasim Magsumovich Shkatov Vladimir Aleksandrovich

In 2014 the Committee conducted 5 meetings (compared with 12 in 2013). The issues reviewed at the meetings of the Committee included the fulfillment of the Company's Investment Program, including the Program for comprehensive modernization of generating facilities. The management's fulfillment reports were approved by the Committee. The Committee also analyzed and approved a transaction between JSC Leningradskaya Pump Storage Station and JSC RusHydro in the amount of RUR 718.9 million. The subject of the transaction in question is the sale of fixed assets, non-material assets and facilities under construction intended to produce, transmit, dispatch and distribute electricity and heat power.

A list of all issues reviewed at the meetings of the Committee is available in the Supplement to this Report and at the corporate website at <http://www.rushydro.ru/corporate/committees/reliability/>.

THE MANAGEMENT BOARD AND THE CHAIRMAN OF THE MANAGEMENT BOARD, THE CHIEF EXECUTIVE OFFICER

The Management Board acts based on the Policy on the Management Board, being guided by the decisions of the General Meetings of Shareholders and of the Company's Board of Directors. The general management of the Company's activities is performed by the Chairman of the Management Board, the Company's Chief Executive Officer, Dod Evgeny Vyacheslavovich, elected by the decision of the Board of Directors in 2009. Based on the decision of the Board of Directors dated June 27, 2014, the powers of the Chief Executive Officer were extended for another 5 years.

Top 1000 Leading Managers of Russia

Evgeny Dod, the Chairman of the Management Board, is ranked fifth among top managers

Boris Zverev, the Communications Director, is 1st in the rating of public and corporate relations directors

CHANGES IN THE MEMBERSHIP OF THE MANAGEMENT BOARD IN 2014

On October 28, 2014, the Board of Directors decided to make changes to the Company's organizational structure by reducing the number of members of the Management Board from 14 to 5 members²⁷. The new membership of the Management Board includes managers responsible for managing financial and economic activities, production activities, capital construction and engineering activities, innovations and strategy formation.

²⁷ On 16.03.2015, the Board of Directors elected Sergei Kirov, the Company's Deputy General Director responsible for economics, investment and procurement, to serve as a member of the Board of Directors. The expansion of the Board was conducted for strengthening the Company's financial and economic unit.

Members of the Management Board from 17.09.2013 to 28.10.2014	Members of the Management Board from 28.10.2014
Dod Evgeny Vyacheslavovich (Chairman of the Management Board) Alzhanov Rakhmetulla Shamshievich (Deputy Chairman of the Management Board) Mantrov Mikhail Alekseevich (Deputy Chairman of the Management Board) Pekhtin Vladimir Alekseevich (Deputy Chairman of the Management Board) Rizhinashvili George Ilyich (Deputy Chairman of the Management Board) Tsoi Sergei Petrovich (Deputy Chairman of the Management Board) Abrashin Sergei Nikolaevich Bessmertny Konstantin Valerievich Bogush Boris Borisovich Voskresensky Sergei Modestovich Gorbenko Yury Vasilievich Gorev Evgeny Evgenievich Savin Stanislav Valerievich Tolstoguzov Sergei Nikolaevich	Dod Evgeny Vyacheslavovich (Chairman of the Management Board, Chief Executive Officer) Bogush Boris Borisovich Mantrov Mikhail Alekseevich Rizhinashvili George Ilyich Tokarev Vladimir Aleksandrovich

REPORT ON THE 2014 ACTIVITIES OF THE MANAGEMENT BOARD

In 2014, the Management Board conducted 73 meetings, with more than 500 issues reviewed, said issues being related to the Company's current activities. Other activities included preliminary discussion for all strategically significant issues referred to the competence of the Board of Directors. The Management Board prepared reports on the fulfillment of the Key Performance Indicators, and the Company's Business Plan. The Management Board also approved the target

values for the Key Performance Indicators of the Company's subsidiaries and dependent companies. The Management Board reviewed reports on the achievement of said target values.

ATTENDANCE AT MANAGEMENT BOARD MEETINGS

On the average, the attendance at Management Board meetings in 2014 amounts to 80% of all meetings. Dod E. V., the Chairman of the Board, took part in all meetings.

Members of the Management Board

Full Name and Position	Frame of Reference	Year of birth	Citizenship information	Education	Biographical data	Ownership of Company Shares
DOD Evgeny Vyacheslavovich Chairman of the Management Board, Chief Executive Officer of JSC RusHydro	Managing the activities of the Company	1973	Russian Federation	Moscow Petrochemical and Gas Industry Institute named after I.M. Gubkin, industrial heat power engineering, 1985; Financial Academy attached to the Government of the Russian Federation, 1996; MIRBIS Moscow International Business School, industrial heat power engineering and banking MBA, 2002 Ph.D in Economics	Various managerial positions in different financial and credit organizations (until 2005); General Director of the JSC Ural Energy Management Company (2005); head of JSC Tumen Power Supply Company; head of JSC TGK-10; First Vice-President of JSC Complex Energy Systems (KES-Holding) (2008-2009); Deputy Minister of Energy of the Russian Federation (2010-2012); Vice-President of JSC Rosneft (2012). Current positions include the member of the Board of Directors of JSC Tumen Power Supply Company; Rusenergo Fund; JSC Rossety; JSC United Shipbuilding Company; the member of the Supervisory Council of the Market Council Non-commercial Partnership, the Chairman of the Board of Directors of JSC Okha TPP Holds the position of the member of the Board of Directors of JSC RusHydro since 2014	0,118435%

BOGUSH Boris Borisovich First Deputy Chief Executive Officer, Engineer in Chief of JSC RusHydro	Managing the production activities, Engineer in Chief	1952	Russian Federation	The Saratov Polytechnic Institute, mechanical engineering, 1975; Academy of the People's Economy attached to the government of the Russian Federation, 2004	Various positions in JSC RusHydro in 2007-2009 (the member of the Management Board, the Managing Director, the head of the Production Unit); the Managing Director, the head of the Production Unit of JSC RusHydro (2009-2010). Current positions include the member of the Board of Directors of VolgaHydro LLC, the member of the Board of Trustees of Involvement Charity Fund, the member of the Supervisory Board of Hydropower industry of Russia, non-commercial partnership. Holds the position of the member of the Management Board of JSC RusHydro since 2010.	0,004234%
MANTROV Mikhail Alekseevich First Deputy Chief Executive Officer of JSC RusHydro	Managing financial and economic activities	1965	Russian Federation	Moscow Energy Institute (Technical University), power systems cybernetics, electrical engineering, 1988; the Academy of People's Economy attached to the government of the Russian Federation, financial management, 1996	Deputy Chief Executive Officer of CJSC INTER RAO UES (2000-2008); Deputy Chairman of the Management Board, the head of the Corporate Center of JSC INTER RAO UES (2008-2009); works in JSC RusHydro since 2009 Holds the position of the member of the Board of Trustees of Involvement Charity Fund Holds the position of the member of the Management Board of JSC RusHydro since 2009	0,024186%
RIZHINASHVILI George Ilyich First Deputy Chief Executive Officer of JSC RusHydro	Managing strategy and innovation	1981	Russian Federation	Master Degree Program of the Moscow State University named after M.V. Lomonosov, economics, 2004 Ph.D in Economics	Head of the Department of Strategy and Investments of CJSC INTER RAO UES (2007-2008); the deputy head, Director for Strategy and Investment, the head of Strategy and Investment Unit, the member of the Management Board of JSC INTER RAO UES (2008-2009); works in JSC RusHydro since 2009. Holds the position of the member of the Board of Trustees of Involvement Charity Fund Holds the position of the member of the Management Board of JSC RusHydro since 2009	0,014193%
TOKAREV Vladimir Aleksandrovich First Deputy Chief Executive Officer of JSC RusHydro	Managing capital construction and engineering activities	1977	Russian Federation	Moscow State University for Economics, Statistics and Information, legal studies, 2000 Ph.D in Economics	Deputy head of the Directorate for the repair of the passenger rolling stock of JSC Russian Railway (2004-2006); deputy head of the Federal Agency for Railway Transportation (2006-2009); Deputy Minister of Regional Development of the Russian Federation (2009); Deputy Minister of the Regional Development of the Russian Federation, the head of the Federal Agency for Construction and Housing Utilities of the Russian Federation (2013); Deputy Minister of Construction and Housing Utilities of the Russian Federation (2013-2014); Chief Executive Officer of JSC MC Hydro UGC and first Deputy Chief Executive Officer of JSC RusHydro (2014) Current positions include the member of the Board of Directors of JSC MC Hydro UGC and the Chairman of the Board of EnergoStroiAliyans Non-commercial Partnership Holds the position of the member of the Management Board of JSC RusHydro since 2014	Owns no Company shares

* Information on the ownership of Company shares by members of the Board of Directors is dated December 31, 2014. The ownership is represented in the form of shares of the chartered capital and in the form of ordinary shares owned. The shares coincide, as the Company has issued only ordinary shares.

INFORMATION ON TRANSACTIONS INVOLVING SHARES OWNED BY MANAGEMENT BOARD MEMBERS

Full name of the member of the Management Board	Transaction date	Description of the transaction	Number of shares involved	Share of Chartered Capital before the transaction	Share of Chartered Capital after the transaction
Dod E.V., Chairman of the Management Board, Chief Executive Officer, member of the Board of Directors	24.03.2014	Purchase of shares	18 110 000	0.095461%	0.100150%
	27.03.2014	Purchase of shares	70 630 000	0.100150%	0.118435%

LIABILITY INSURANCE FOR MEMBERS OF THE MANAGEMENT BOARD AND OFFICERS

RusHydro has liability insurance practices in place (Director & Officers Insurance, otherwise known as D&O) to protect the Company, its subsidiaries and related members of the governing bodies from possible third-party suits which may arise as a result of the professional activities of the Company's directors and officers.

An open tender is carried out each year to select an insurance company for the D&O insurance contract. The insurance contract, which is concluded for a one-year term, implies a six-year period for the disclosure of insurance claims against officers who have resigned. The indemnity limit for an insurable event is USD 30 million. An additional indemnity limit of USD 1 million is set up for independent directors, with USD 2 million set as a total indemnity limit for independent directors.

The liability coverage for members of the governing bodies complies with international standards on this type of insurance in terms of the volume of risks insured.

EXTERNAL AND INTERNAL CONTROL SYSTEMS

RusHydro has an efficient system of financial and operating performance control, ensuring smooth interactions between the Company's governing bodies and the integrated internal and external control system.

The main principles, tasks, methods and processes of the control system are determined in internal documents approved by JSC RusHydro's Board of Directors, namely the following:

- The Corporate Governance Code;
- The Internal Control and Risk Management Policy;
- The Internal Audit Policy;
- The Policy on the Audit Committee of the Board of Directors;
- The Policy on the Internal Audit Commission.

INTERNAL AUDIT COMMISSION

The Internal Audit Commission operates in accordance with the norms of Russian law, the Articles of Association and the Policy on the Internal Commission. The five Commission members are elected by the General Meeting of Shareholders for a period of one year.

Members of the Internal Audit Commission from 28.06.2013 to 27.06.2014	Members of the Internal Audit Commission from 27.06.2014
Khadziev Alan Fedorovich (Chairman) Drokova Anna Valerievna Tikhonova Maria Gennadievna Neganov Leonid Valerievich Khvorov Vladimir Vasilievich	Yudin Andrei Ivanovich (Chairman) Repin Igor Nikolaevich Bogashov Aleksandr Evgenievich Kant Mandal Denis Rishievich Khvorov Vladimir Vasilievich

Members of JSC RusHydro's Internal Audit Commission own no Company shares and hold no positions in its governance bodies.

In 2014, the Internal Audit Commission checked the Company's 2013 financial and performance results. The Commission's opinion on the audit results were presented to the General Meeting of Shareholders (June 27, 2014). The audit confirmed that the data contained in the Company's reports and financial documents is true and that the accounting practices and financial statements comply with current legal requirements and the Company's internal regulations. In the opinion of the Commission, the Company's financial and operating activities were performed in the interests of the Company and its shareholders.

INTERNAL AUDIT, CONTROL AND RISK MANAGEMENT

The Company's internal control and risk management system complies with international standards. The System's general principles and approaches are listed in the Internal Control and Risk Management Policy and the Internal Audit Policy.

To improve the Company's governance system in relation to cutting administrative and managerial costs, the internal audit, control and risk management departments were re-organized in 2014: a unified Internal Audit, Control and Risk Management Department was established to replace the internal audit and internal control departments and the risk management directorate.

INTERNAL AUDIT

The internal audit provides independent and objective guarantees and advice meant to achieve corporate goals and to enhance its operations based on a systematic and comprehensive approach to the evaluation and improvement of the efficiency of risk management, control and corporate governance.

INTERNAL AUDIT FUNCTIONS

The internal audit provides independent and objective guarantees and advice meant to achieve corporate goals and to enhance its operations based on a systematic and comprehensive approach to the evaluation and improvement of the efficiency of risk management, control and corporate governance.

Internal audit function	<p>Organization and performance of internal audits of the Company and its subsidiaries and dependent companies.</p> <p>Evaluation of efficiency of the Company's internal control and risk management system and the system of corporate governance applicable to the Company, its subsidiaries and dependent companies.</p> <p>Organizing methodology support and control over the activities of the representatives of the Company in the audit commissions of the Company's dependent companies.</p> <p>Liaising with the Audit Committee attached to the Company' Board of Directors</p>
Organization and performance of internal audits of the Company and its dependent companies ²⁸ .	<p>Development of the draft and the preparation for the approval of risk-focused yearly control initiatives plan.</p> <p>Auditing the Company, its subsidiaries and dependent companies in accordance with the yearly plan approved by the Audit Committee attached to the Board of Directors.</p> <p>Performance of extraordinary audits as assigned by the Audit Committee attached to the Board of Directors, the Management Board of the Company, the Chairman of the Management Board, the Chief Executive Officer of the Company and the director of the Department.</p> <p>Preparation of reports and memorandums on essential violations in the activities of the Company, its subsidiaries and dependent companies. The reports and memorandums, as well as recommendations pertaining to the elimination of said violations are submitted to the sole executive bodies of the Company, its subsidiaries and dependent companies, the Audit Committee of the Board of Directors.</p> <p>Preparation of notices to the chairmen of the boards of directors of the Company subsidiaries and dependent companies and to the HR and Organizational Development Department, informing them on essential violations revealed during the audit of the Company, its subsidiaries and dependent companies.</p> <p>Preparation of administrative documents based on the results of audits for the purpose of development of assignments on the elimination of the violations revealed and on the accountability of those to blame.</p> <p>Collection of audit evidence, execution of the documents on the measures implemented within the specialized program in accordance with the adopted standards.</p> <p>Subsequent follow up on measures developed by the management of the Company, its subsidiaries and dependent companies to rectify the violations revealed.</p>

²⁸ In accordance with the Policy on Planning and Implementation of Control Measures approved by JSC RusHydro.



<p>Evaluation of the efficiency of the internal control, risk management and corporate governance systems of the Company, its subsidiaries and dependent companies^{29, 30}</p>	<p>Control over the compliance of business operations with the interests of the Company. Auditing the accuracy of the accounting (financial) and performance reports of the Company, its subsidiaries and dependent companies. Auditing business processes, including IT audits, audits of purchasing operations, goods (work, services) price analysis, etc. Auditing the security of assets owned by the Company, its subsidiaries and dependent companies. Checking the efficiency and expediency of use of the resources of the Company, its subsidiaries and dependent companies. Auditing the spending of funds allocated for the construction of generating facilities, their reconstruction and modernization. Analyzing the construction price formation system in use and controlling the maintenance of permissions and executive documents, as well as the performance of technical and designer supervision. Identifying the internal control system's defects which will prevent (or are preventing) the Company to achieve its goals. Evaluating the sufficiency and maturity of the elements of the risk management system (goals, infrastructure, process organization, normative provisions, reporting). Evaluating the completeness and correctness of assessment of the risks by the Company management at all management levels. Analyzing the efficiency of control procedures and other risk management tools. Analyzing the information on the risks that came true (identified during the internal audits and pertaining to violations or non-achievement of the Company goals, and the facts of court proceedings and accidents). Assessing the compliance of the efficiency of risk management measures with the Company's risk appetite. Evaluating the Company's and its subsidiaries and dependent companies' strategic goals, monitoring and controlling the achievement of said goals. Analyzing the execution by the Company management of decisions of the General Meeting of Shareholders and the Board of Directors of the Company, its subsidiaries and dependent companies. Evaluating the adequacy and reliability of procedures intended to prevent illegal actions, abuse and corruption.</p>
<p>Interaction with the Audit Committee of the Board of Directors³¹</p>	<p>Controlling the preparation of materials by the departments of the executive body of the Company, pertaining to the issues included into the frame of reference of the Audit Committee of the Board of Directors in accordance with the Audit Committee's plan for the corresponding corporate period. Preparing periodic reports for the Audit Committee based on the results of the audits conducted in accordance with the plan of control measures approved by the Audit Committee of the Board of Directors. Developing the agendas for the meetings of the Audit Committee of the Board of Directors, organizing the meetings, formation of minutes, decisions and assignments.</p>
<p>Organizing methodological support and control over the activities of corporate representatives in the internal audit commissions of the Company's subsidiaries</p>	<p>Employees of the Department acting as the members of the internal audit commissions of the Company' subsidiaries and dependent companies in accordance with the decisions of the annual General Meetings of Shareholders of said subsidiaries and dependent companies, the requirements of the federal law "On Joint Stock Companies" and the federal law "On Limited Liability Companies". Preparation of conclusions and reports expressing the opinion on the credibility of reports of the subsidiaries and dependent companies, followed by the submission of said opinion to the annual General Meetings of Shareholders of said subsidiaries and dependent companies. Preparation of minutes, inquiries and other documents of the internal audit commissions in accordance with the requirements of the policies on internal audit commissions approved by the annual General Meetings of Shareholders of said subsidiaries and dependent companies.</p>

The Company's policy on internal audit includes basic principles of organization and functioning of the Company's internal audit and requirements for the formation of unified approach to the implementation of the internal audit in the Company. The policy is based on the International Standards of the Internal Audit and the recommendations of the Federal Property Management Agency of Russia on organizing the internal audit functions in joint stock companies with the participation of the Russian Federation. The policy is

intended to present the information on the main principles of internal audit functions in the Company to interested parties, such as employees, shareholders, auditors, portfolio and strategic investors, as well as to financial and investment analysts, etc. The Policy is available on the corporate website at http://www.rushydro.ru/corporate/regulations_and_docs/documents/other_doc/. The Policy is mandatory for all internal auditors of the Company. It is also recommended for the internal auditors of the Company subsidiaries and dependent companies.

²⁹ In accordance with the Methodic recommendations on checking the internal control system and the business processes of RusHydro Group.

³⁰ In accordance with the Internal Audit Policy of JSC RusHydro.

³¹ In accordance with the Policy on the Audit Committee of the Board of Directors and the Policy on the interaction of the Audit Committee of the Board of Directors of the Company and the Director for Internal Control and Risk Management approved by the Company.

³² Approved by Order № 751 of JSC RusHydro dated 12.08.2013.

IMPROVING THE INTERNAL AUDIT FUNCTION IN 2014

In 2014, the Company has developed and approved the internal audit development program with integrated feedback (external evaluation) system to reflect the results of the control measures (questionnaires for leaders of the Company subsidiaries and dependent companies). The improvements included the automation of the assessment of the internal auditors based on the results of each project. The control over the dates of the implementation of control measures were also automated, using TeamMate software. Furthermore, in 2014, the Company has developed a policy on planning control measures to be performed by the Company's internal auditors³³, taking into account international internal audit standards. The policy also determines the main parameters, principles and procedures involving the planning of control measures performed by the internal auditors in regard to the Company and its subsidiaries and dependent companies, as well as the parameters, principles and procedures for the implementation of control measures. The Company has updated its regulations on the Internal Audit, Control and Risk Management Department, as well as the policy on the units of the department, the functional charts and job descriptions of the employees.

2014 INTERNAL AUDIT REPORT

In 2014, the Company's internal auditors have audited the Company's subsidiaries engaged in design, construction and operation, as well as the repair of generating facilities. The auditors also checked the implementation of measures pertaining to the management of the Company's critical risks. The reports generated in the result of the audits were submitted to the Chairman of the Management Board – the Chief Executive Officer and to directors of the Company's subsidiaries and dependent companies. Each audit resulted in the development of a set of measures to eliminate the violations and defects identified. The Company monitors the implementation of said program, and exercises control to prevent the occurrence of similar violations and future defects.

INTERNAL CONTROL

In 2014, in order to enhance the effectiveness of the Company management, including control over the targeted use of funds, the Company carried out staffing measures aimed at improving the existing internal control and risk management system, as well as bringing it into line with current requirements and recommendations of regulatory documents issued by the regulatory authorities, including information from the Russian Ministry of Finance № PZ-11/2013 dated December 25, 2013 "Organization and implementation by an economic entity of internal control over items of business operations, accounting records maintenance and preparation of accounting (financial) statements," letter of the Bank of Russia № 06-52/2463 dated April 10, 2014 "On the Corporate Governance Code" and a number of other documents.

In accordance with the approved Regulations on the Internal Audit, Control and Risk Management Department, the tasks of internal control structural divisions forming part of the Department include the organization of an effective corporate internal control system and anti-corruption system operation in the Company, the development and monitoring of implementation of plans and programs to improve the corporate internal control system of RusHydro, the interaction with external regulatory bodies and the Audit Commission of the Company on internal control and audit, as well as in the course of their audits of the Company and its SDCs.

As part of the implementation of these tasks, the internal control divisions fulfill, among other things, the following functions:

- Analyzing the design of control procedures as part of internal control audits in the Company's business processes;
- Maintaining and updating information and the Company's internal control system, including maintaining the register of control procedures in business processes;
- Ensuring control over execution of action plan to address deficiencies in the internal control system;
- Checking for compliance of business processes implemented by the Company with the laws, rules and standards in order to identify risks related to the failure to meet requirements (adherence to appropriate standards in the markets, management of conflicts of interest, anti-money laundering, anti-corruption, observance of ethic standards of conduct, etc.) and making an evaluation of the adequacy of control procedures being implemented by the Company and SDCs' management to reduce non-compliance risks in accordance with internal risk assessment methodology;
- Making sure the employees comply with the norms and rules of the Company's Code of Ethics;
- Monitoring conflicts of interest in the activities of the Company and its employees. Verifying income, property and liability information submitted by the Company and SDCs' management to detect characteristic features of a conflict of interest within the RusHydro Group;
- Completing a compliance verification of members of the executive bodies of the Company and its employees with the provisions of the legislation and the Company's internal documents relating to insider information;
- Participating in the development of internal documents and the organization of activities to combat corruption;
- Reviewing and responding to hotline messages in the manner approved by internal local regulatory documents;
- Implementing measures of the programs to improve the internal control and risk management systems in terms of Department responsibility;
- Developing methods and conducting regular maturity assessments of the corporate internal control systems of the Company and SDCs / second-tier subsidiary and dependent companies;
- Regularly monitoring infrastructure and other organizations' requirements to build a corporate internal control, internal audit and risk management system and making an analysis of the Company's compliance with the specified mandatory and recommendatory requirements, initiating necessary changes in the business processes of the Company and its SDCs following the results of the analysis;
- Monitoring targeted and efficient spending of special-purpose budgetary resources allocated to the Company and its subsidiaries;
- Coordinating activities with external control bodies, as well as persons providing advisory services in the area of internal control and risk management;
- Organizing external audits of the Company's long-term development programs.

³³ Approved by Order № 259 of JSC RusHydro dated 09.04.2014.

- Ensuring interaction and coordination of work with the Company's Audit Commission during audits of the Company's financial and economic activities and numerous other functions;

Improvement of the Company's internal control and risk management system is also provided through implementing the plan of activities approved in the Company to analyze and upgrade the internal control system of business processes, within the framework of which the Company is making an analysis, identification and evaluation of available risks and an inventory of control procedures to minimize these risks.

RISK MANAGEMENT

A unit for the organization of risk management processes has been established in the Company in 2010. In the end of 2014 it was transformed into the Risk Management Unit, an integral part of the Internal Audit, Control and Risk Management Department. The Department is tasked with the organization of an efficient corporate system for risk management and the assessment of its efficiency. The Department also controls the disclosure of information on the risks of the Company and its subsidiaries.

The main tasks set before the Risk Management Department include the following:

- Organizing the functioning of an efficient risk management system;
- Developing and monitoring the execution of plans and system improvement programs;
- Controlling the disclosure of information on the risks of the Company and its subsidiaries and dependent companies.

In accordance with its tasks, the Risk Management Department fulfills the following functions:

- Collecting, processing and analyzing the information on the identification of risks received from the Company's structural units;
- Classifying and analyzing Company-related risks, developing and updating the standard risk registries of the Company and its subsidiaries;
- Determining the risk appetite of the Company and calculating the Company's tolerance towards its risks and quantifying the risks using a corporate-approved method;
- Developing suggestions on risk management;
- Aligning suggestions and coordinating the interaction among structural units of the executive body during the development of plans pertaining to risk management in order to account for the risk management expenses in the course of strategic and financial and economic planning. Consolidating and providing for the approval by the units of the executive body of the risk management action plans;
- Administering the Automated System of Internal Control and Risk Management (ASICRM);
- Developing actions pertaining to the implementation of the Company's long-term development program in regard to risk management. Aligning said actions with the structural units of the executive body and preparing a set of documents for the approval of programs to upgrade the corporate risk management system according to preset procedures;
- Developing and monitoring key indicators on the implementation of initiatives to enhance and develop the corporate system of risk management;

- Developing methods and performing the periodic assessment of the maturity of the corporate risk management system;
- Periodically monitoring the requirements of infrastructural and other organizations concerning the establishment of the corporate risk management system and analyzing the Company's compliance with said mandatory and voluntary requirements. Initiating the introduction of necessary changes in business processes of the Company and its subsidiaries based on analysis results;
- Generating conclusions concerning risks and assessing the quality and completeness of information on risks contained in supporting materials within the frameworks of making Company managerial decisions, including strategic transactions and investment programs;
- Preliminarily reviewing and aligning reports on risk management before the reports are reviewed by the governing bodies of the Company and its subsidiaries;
- Preparing and aligning materials concerning the information on risks in the public reports of the Company and its subsidiaries;
- Interacting with the officials of the subsidiaries who are responsible for implementing the corporate risk management system, and the Boards of Directors of subsidiaries on the implementation of risk management procedures and business processes, and collecting reports on managing the risks of Company subsidiaries;
- Generating reports on the functioning and efficiency of the corporate risk management system to be presented to the Company's management, the Audit Committee of the Board of Directors and the Board of Directors.

The Company's risk management activities in fully described in the Risk Management section.

THE INDEPENDENT EXTERNAL AUDITOR

JSC RusHydro's financial (accounting) statements are subjected to an independent external audit in accordance with Russian and international accounting standards. In 2013 and 2014, the Company's approved auditor was PricewaterhouseCoopers Closed Joint Stock Company (CJSC PwC Audit), a member of the self-regulating body of auditors of the Russian Audit Chamber, a non-commercial partnership.

In 2014, CJSC PwC audited the Company's 2013 RUS and IFRS statements. The Audit Committee positively assessed the conclusion of the external auditor and recommended that the Board of Directors present the conclusion to the General Meeting of Shareholders. The conclusion was presented at the General Meeting of Shareholders in June 2014, along with other materials made available to shareholders.

CONTROL OVER MAJOR AND INTERESTED PARTY TRANSACTIONS

RusHydro has an efficient system of internal control over transactions in place. The policy adopted by the Company regulates a unified procedure for reconciliation, conclusion and execution of contracts concluded on behalf of RusHydro. The contract drafts are subjected to the corporate expert assessment in order to comply with the laws and to reduce the risk of challenging the contracts by the agents and shareholders of RusHydro. The assessment includes the identification of the need for the contracts to be approved by the governance bodies of RusHydro or these of the agent's.

In 2014 RusHydro concluded interested party transactions listed in the Supplement to the Annual Report, together with information on the related subjects, interested parties and approvals. All transactions

have been approved by the Board of Directors or the General Meeting of Shareholders in accordance with the requirement of the law, therefore the transactions concluded contain no conflict of interests.

PREVENTING THE USE OF INSIDER INFORMATION

A new version of the Insider Information Policy was approved in September 2014. The Policy regulates the Company practices of observing the Russian law pertaining to the prevention of illegal use of insider information and market manipulation. The Policy has been developed taking into account the international practices of corporate governance, including the requirements of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

The Policy sets the categories of persons included by RusHydro in the list of insiders. The Policy also regulates the access to the confidential insider information and the rules of its protection, as well as the limitations imposed on the use of such information by insiders for the purposes of operations with the Company's financial tools and the transfer of data on insider information to third parties. The list includes the employees of RusHydro having access to the data and documents containing insider information due to the performance of their duties as employees of the Company. In 2014 the Company issued 92 notices on the inclusion and exclusion of persons in/from the list.

A new version of the insider information list was approved in May 2014. The insider information list is drawn in Russian and in English languages to be published at the Company's website at www.rushydro.ru and www.eng.rushydro.ru. The insider information is published by the Company in Russian language in the newsfeed of Interfax, the authorized information agency at www.e-disclosure.ru. The English language version of the information is published in RNS newsfeed at <http://www.londonstockexchange.com/exchange/prices-andnews/news/market-news/market-news-home.html>.

The observance of the requirements pertaining to insider information is controlled by the Company's Auditor, who submits the resulting reports to the Audit Committee on a quarterly basis. The Audit Committee includes information on the observance of the abovementioned requirements in the corresponding report to be approved by the Board of Directors.

ANTI-CORRUPTION POLICY

The Company is consistent in its anti-corruption initiatives, having an integrated program intended to prevent the Company employees from performing illegal acts. When any violations are identified, the Company conducts on-site investigations, followed by the development and implementation of measures to prevent and eliminate the defects. The employees guilty of violations are subject to disciplinary measures in accordance with the current law. To prevent the conflict of interests the members of the Board of Directors are obliged to notify the Company of their affiliates in accordance with the provisions of the Corporate Code of Conduct.

RusHydro joined the Anti-corruption Charter of Russian Business approved by the Russian business community in 2012 to implement the National Anti-corruption Plan. The Charter was initiated by the Russian Chamber of Commerce and Industry, the Russian Union of Industrialists and Entrepreneurs, Business Russia, an all-Russian NGO and Opora Rossii, an all-Russian Small and Medium Business NGO. In 2014 the monitoring department of the Russian Union of Industrialists and Entrepreneurs analyzed the data on the implementation of anti-corruption initiatives in over 50 companies included in the Charter members' register. In the opinion of the experts the Company's anti-corruption practices were recognized among the best.

³⁴ Federal Intellectual Property, Patent and Trademark Service's certificate № 2014617320 dated 17.07.2014.

WHISTLE-BLOWING LINE

The Company has a Whistle-blowing Line at <http://www.rushydro.ru/form/>, which has been established to provide anonymous feedback in case any violations have been identified concerning HR issues, purchasing activities, environmental problems, or the illegal use of electricity or unlawful actions. All feedback sent via the whistle-blowing line in 2014 were analyzed and reviewed.

ADHERENCE TO THE CODE OF CONDUCT

The Company informs employees on ethical norms and recommendations in case any signs of illegal actions have been identified. The Company performs employee surveys to rate business processes in terms of the degree of the risk of illegal actions. The Company has an interactive anti-fraud training course to inform employees about initiatives intended to prevent fraud and corruption.

In addition to the following Corporate Ethics Code requirements, corporate employees shall:

- Abstain from actions leading or potentially leading to a conflict between the interests of an employee and Company interests;
- Notify the Company in case of illegal actions, the receipt of gifts, etc., and disclose information on any commercial activities not related to corporate interests;
- Inform the Company in writing about the absence of conflicts of interest on a quarterly basis;
- Inform the Company on income, property, or material obligations in relation to himself/herself, his/her family members and close relatives.

PREVENTING THE CONFLICT OF INTERESTS

To identify and prevent the conflict of interests of corporate employees, the Company established requirements for senior managers of the RusHydro Group to present annual declarations on income, property and material obligations in relation to themselves and their close relatives. The Company has a procedure for the disclosure of the chain of beneficiaries by agents and a HR Commission is in place.

The Company established an automated process for checking declarations. The automation is implemented in the form of Affiliated Persons' Customer software³⁴. To develop the software module intended to identify and control affiliated persons, in 2014, the Company established an automated process for collecting information and identifying conflicts of interest. Starting from 2014, all declarations of Company employees and their relatives will have been submitted, processed and analyzed using the software in question. The implementation of this software resulted in a considerable decrease in labor costs related to the checks of submitted data, thus allowing for the minimization of risks associated with the human factor.

The conflict of interests check conducted in 2014 showed that there appeared a tendency for a decrease in the number of the conflict of interest violations by the employees, which is proof of the positive results of the Company's activities.

To provide for additional transparency, the Company made its requirements for the contractors more stringent – in particular, when concluding contracts, each contractor shall provide information and confirming documents relative to the entire chain of owners of the contractor, including the ultimate final beneficiaries. The Company contractors shall also sign a guarantee letter on non-involvement of fly-by-night companies in the performance of the contractors' contractual obligations.

REPORT ON REMUNERATION FOR GOVERNANCE AND CONTROL BODIES

THE BOARD OF DIRECTORS

A decision on remuneration to the Board of Directors is made by the General Meeting of Shareholders in accordance with the amount and the procedure set by the Remuneration Policy for members of the Company's Board of Directors.

According to the abovementioned Policy, remuneration is calculated based on the basic part of remuneration amounting to RUR 900 thousand, taking into account the total number of Board of Directors meetings during the past corporate year and the number of meetings attended

by said member of the Board of Directors. Additional remuneration is based on the following:

- 30% for the Chairman of the Board of Directors;
- 20% for the Chairman of a Committee of the Board of Directors;
- 10% for a member of a Committee of the Board of Directors.

The total remuneration for a member of the Board of Directors shall not exceed RUR 1 million. No compensation (transportation costs, accommodation expenses, etc.) related to the exercise of the powers of a member of the Board of Directors shall be paid.

The Policy on the payment of remuneration to members of the Board of Directors does not cover members of the Board of Directors who at the same time are the sole executive body or members of the Management Board (during a part or the entire term of their powers), and Board of Directors members who are prohibited from receiving any payments from commercial organizations by Russian federal law.

Remuneration paid to the Board of Directors, RUR

	2012	2013	2014
Remuneration for work on the governing body	6,862,864.71	4,852,958.59	7,442,307.68
Salary			
Bonuses			
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	6,862,864.71	4,852,958.59	7,442,307.68

THE MANAGEMENT BOARD

The remuneration for the executive bodies (the Chairman of the Management Board – the Chief Executive Officer and members of the Management Board) is determined on the basis of the labor contracts and the Policy on the payment of remuneration and compensation to the members of JSC RusHydro's Management Board. To improve the dependency of remuneration on the Company's performance results a ratio of the fixed and variable parts of salary is set from 30% to 70% correspondingly. The motivation system is directly linked to the Company's Key Performance Indicators (KPIs) system³⁵. The Company has no long-term motivation program for its executive bodies.

The Remuneration Policy envisages quarterly and yearly bonuses for achievement of the KPIs set by the Board of Directors for the Company, its Chairman of the Management Board – Chief Executive

Officer and for members of the Management Board (50% bonus) and the individual KPI for each Management Board member (50% bonus), depending on the allocation of powers and responsibilities among leaders. The performance is assessed in terms of financial, as well as operating, results.

The Chairman of the Management Board – the Chief Executive Officer and the members of the Management Board achieved the KPIs set for 2014.

The amounts and conditions of compensation paid to the Chairman of the Management Board, Chief Executive Officer and to the members of the Management Board in connection with the termination of labor contracts are listed in the Policy. The Company provides no golden umbrellas for early termination of labor contracts concluded with the Chairman of the Management Board, Chief Executive Officer and/or members of the Management Board.

³⁵ Up to 2014 inclusive, the total fulfillment of priorities was the yearly KPI for JSC RusHydro's top managers. Starting from 2015, this KPI for top managers was replaced by the KPI "Implementation of the Long-term Development Program".

Remuneration paid to the Management Board, RUR

	2012	2013	2014
Remuneration for the work on the governing body			
Salary	125,973,836.86	111,936,811.92	137,114,174.90
Bonuses	799,240,671.00	500,324,406.00	769,336,045.00
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	925,214,507.86	612,261,217.92	906,450,219.90

INTERNAL AUDIT COMMISSION

The members of the Internal Audit Commission are subject to the payment of a lump sum remuneration in accordance with the Policy on the payment of remuneration and compensation to members of JSC RusHydro's Internal Audit Commission.

Remuneration is equal to a sum equivalent to twenty-five monthly base rates of a first degree worker set by the sectoral tariff

agreement in the Russian power industry during the examination period (revision), taking into account the indexation set by the agreement. Remuneration paid to the Commission Chairman is increased 50%.

No remuneration and compensation is paid to the members of the Internal Audit Commission who are limited or banned from receiving any payments from commercial organizations.

Remuneration paid to members of the Internal Audit Commission, RUR

	2012	2013	2014
Remuneration for work in the Commission		242,450.00	497,000.00
Salary			
Bonuses			
Commission			
Benefits			
Cost compensation			
Other types of remuneration			
Total	0	242,450,00	497,000,00

EXTERNAL AUDITOR

The amount of remuneration paid for the services of the Internal Auditor is approved by a decision of the Board of Directors based on the recommendation of the Audit Committee. In 2014, the actual amount paid to CJSC PwC Audit for auditing the 2013 Company statements in accordance with RAS and IFRS comprised RUR 72,303,750, including VAT.

LOANS (CREDITS) ISSUED TO THE GOVERNING AND CONTROL BODIES

JSC RusHydro or the Group's member companies issued no loans or credits to members of the governing and control bodies.

GOVERNANCE OVER THE COMPANY'S SUBSIDIARIES AND DEPENDENT COMPANIES

JSC RusHydro has its share in the chartered capital of the companies engaged in design, construction, repair, service, technical re-equipment and reconstruction of power facilities, as well as in production and electricity sales.

The Company interacts with subsidiaries and dependent companies for the purpose of implementing its strategy and ensuring sustainable economic development and investment attractiveness, as well as protecting the rights and interests of the Company and its subsidiaries and dependent companies.

The Company exercises governance over the dependent companies via its representatives at the general meetings of shareholders and in the Boards of Directors and control bodies of said dependent companies. The governance is exercised in accordance with the Articles of Association and the Interaction Policy of JSC RusHydro with organizations in which the Company has its interest.

Making decisions relating to governance over dependent companies 100%-owned by JSC RusHydro is within the framework of reference for the Company's Management Board. The Company's position on strategic issues relating to the activities of the dependent companies (concerning re-organization, liquidation, changes in the charter capital, approval of major transactions, the interest of a dependent company in other organizations) is determined by the Company's Board of Directors.

JSC RusHydro pays significant attention to improving corporate governance concerning its subsidiaries and dependent companies, implementing initiatives to increase the level of transparency of the dependent companies and controlling the adherence of the dependent companies to legal requirements pertaining to mandatory information disclosure.

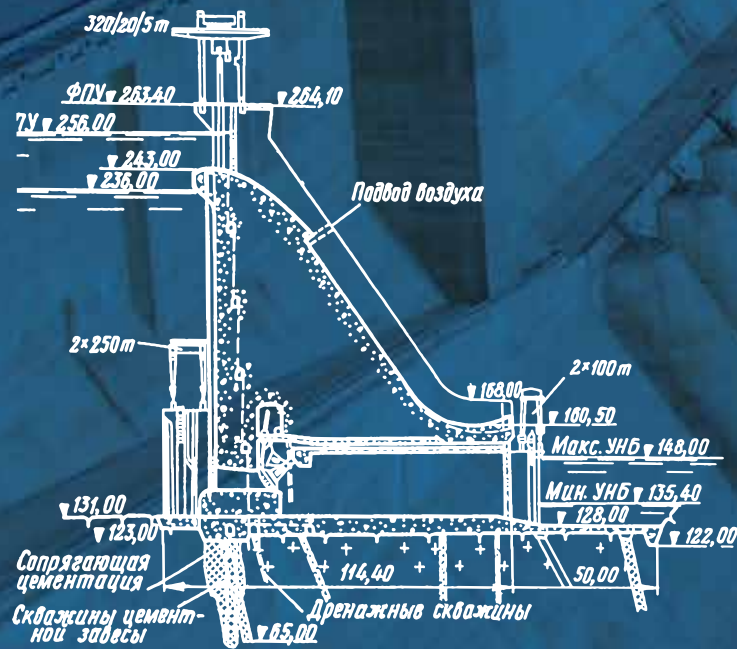






6.

RISK MANAGEMENT



The Bureyskaya HPP



CORPORATE RISK MANAGEMENT STRATEGY

The Company's activities are prone to numerous risks which under certain circumstances may affect its performance and financial results, as well as the Company's social and natural environment. To decrease the negative impact of potential hazards and to optimize favorable opportunities, the Company has established an efficient risk management system intended to ensure corporate strategy implementation.

THE MAIN STAGES AND METHODS OF RISK MANAGEMENT

The process for managing the Company's strategic risks and the corresponding KPI is set by the Company's Strategic Management Policy.

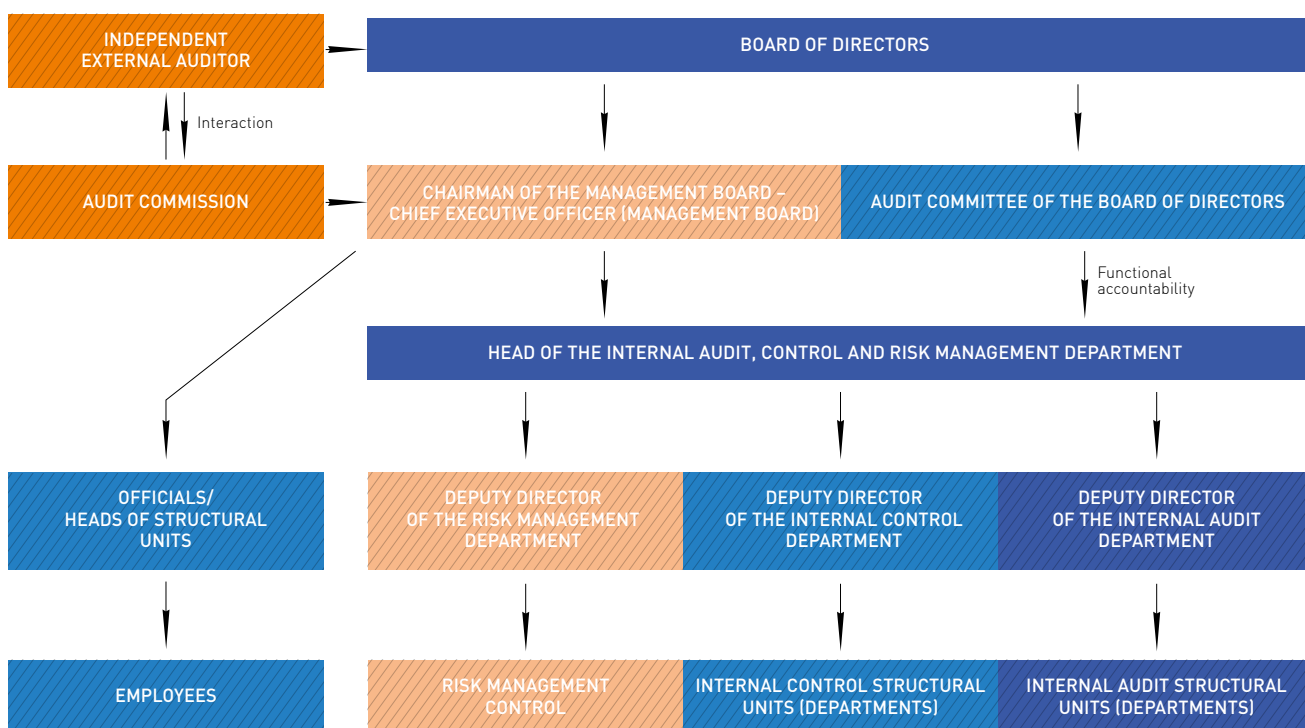
The Company draws up a list of strategic risks annually, specifying risk owners. The list is approved by the Company's Management Board. A strategic risk management plan is drawn up for critical and material risks, specifying the action implementation term and the results expected as of the end of the reporting period. The implementation

of actions is taken into account when issuing employee bonuses. The Company's risk managers conduct independent monitoring of the implementation of the strategic risk management plan, controlling its fulfillment.

At the end of the reporting period, the risk managers prepare reports on the implementation of the strategic risk management plan, which is then approved by the Chairman of the Management Board, the Chief Executive Officer. The Company's risk managers interact with the Board of Director's Audit Committee on a periodic basis to control the functioning of the corporate risk management system. This interaction fully complies with the Guidelines on the organization of the work of the committees of the Boards of Directors of joint stock companies with the Participation of the Russian Federation (approved by Order No 86 of the Russian Property Management Agency dated 20.03.2014).

Starting from 2012, the Company has implemented a project involving the use of an automated internal control and risk management system intended to provide technical support to the risk management process (by processing huge databases and accomplishing online monitoring of key risk indicators). The project was completed and put into operation in December 2014. In 2015, the Company will continue this system's development and its implementation in corporate subsidiaries.

ORGANIZATIONAL STRUCTURE OF CONTROL OVER JSC RUSHYDRO'S FINANCIAL AND OPERATIONAL PERFORMANCE AND RISK MANAGEMENT



RISK MANAGEMENT STAGES



IMPROVING THE RISK MANAGEMENT SYSTEM IN 2014 AND 2015 PLANS

In 2014, the Company continued development of its risk management system by approving a new version of RusHydro's Insurance Protection Policy. The new version of the Policy contains improved requirements for the insurance of construction and equipment installation risks, action plans for increasing the profitability and decreasing the liquidity deficit for each retail company and the analysis of the information security system and an independent expert and technical assessment of the Company's information security. The Company has also approved a Policy on the corporate project management system.

The Company has completed the process (which started in 2012) of implementing the corporate risk management system in JSC RAO Energy Systems of East. The system, which is based on RusHydro principles and standards, is fully functional now.

Risk management pertaining to the investment projects involving the construction of four power facilities in the Far East, the thermal power plant in Sovetskaya Gavan, a thermal power plant (TPP-2) (1st stage) in Sakhalin, the TPP-2 in Yakutsk (1st stage), and a thermal power plant in Blagoveschensk (2nd stage), which are RusHydro priorities, deserve special mention. To implement investment projects within the specified frameworks, the Company carries out risk management initiatives, such as concluding fixed price work and service contracts, the integrated incoming inspection of equipment and materials, and comprehensive control over adherence to the facilities' construction schedules, as well as the development of local regulations providing for the efficient interaction of all parties involved in investment project implementation.

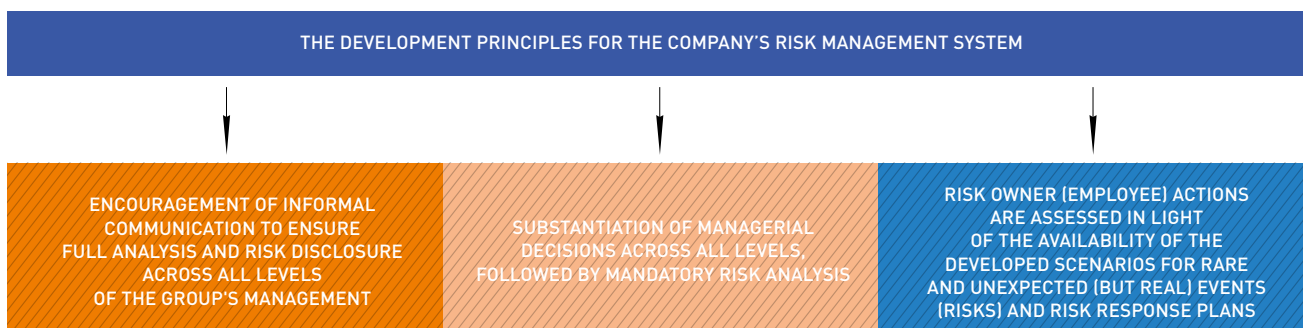
Based on the Internal Control and Risk Management Program adopted by JSC RusHydro for the period till 2019, the risk management systems of JSC RusHydro and Group member companies will be integrated, including the collection of reports and the aggregation of data on risk management using an automated internal control and risk management system.

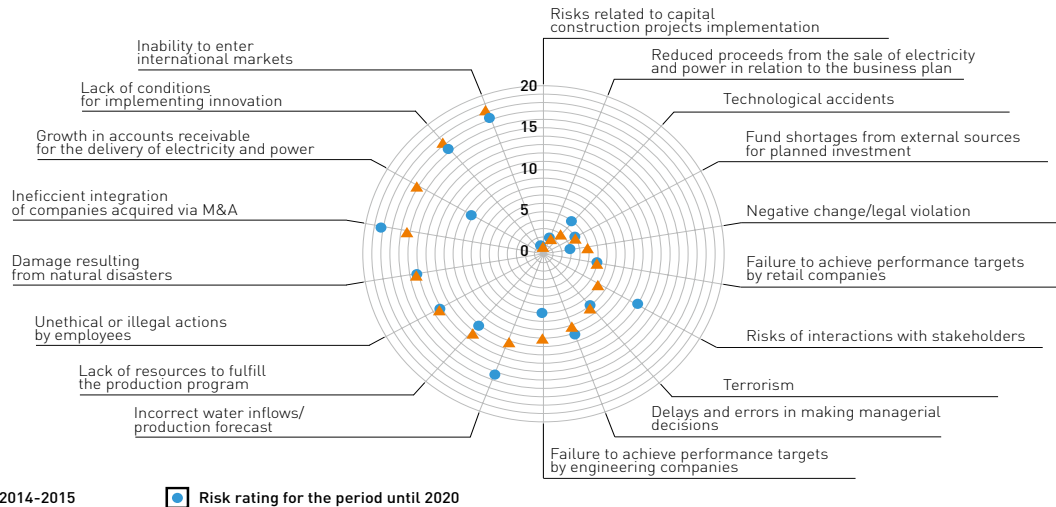
THIRD PARTY RISK ASSESSMENT

The Company has performed third party risk assessments on an ongoing basis. In 2014, the insurance broker Willis CIS LLC surveyed 10 Company facilities. In addition, the Company monitors the fulfillment of the surveyer's recommendations that have been issued in the past, with monitoring results sent to the re-insurance broker to assess risks by the Company's insurers and re-insurers. The risk assessment of mergers and acquisitions involves due diligence, taking into account the recommendations of the Company's external auditor.

RISK REGISTER

The Company's risk register is based on the 2013 Risk Registry, the analysis of the risk management of the world's largest power companies, reports generated by insurance and consulting companies in regard to typical risks for fuel and power companies and the report on global risks prepared at the annual Davos Economic Forum. The Company's Risk Register was reviewed with the risks rated against the critical ones specified in the international industry survey (conducted by Ernst & Young Company) and the top ten priority risks and opportunities in the power industry.



RISK RADAR FOR THE PERIOD UP TO 2020


The risks listed in the Radar are rated against their possible impact on RusHydro's business. The priority risks are located in the center, while

the less influential risks are located on the edges. The Radar reflects forecast changes in the Company's risk profile for the period up to 2020.

RUSHYDRO 2014 RISK REGISTER
Critical Risks

Risk Description	Risk Factors	Risk Neutralization Measures
Implementation risks for capital construction projects	<p>The risk is critical due to large scale investment projects implemented by the Company.</p> <p>Great uncertainty in the projects' feasibility studies;</p> <p>Non-compliance of the quality of design documents, work and services, as well as of the equipment with the requirements set; considerable dependence of the projects' economic parameters on the external factors (the availability of grid infrastructure and markets by the date of commissioning of the facility constructed);</p> <p>Increase of the cost of equipment and materials during the construction;</p> <p>Supply chain interruptions due to various reasons;</p> <p>Problems with the preparation of flood zones.</p>	<p>The existing corporate project management system systemizes the data on existing and designed facilities;</p> <p>Improvement of the efficiency of functioning of design institutes, optimization of purchasing activities intended to reinforce the role of the Company's own design institutes in performing the internal assessment of the design and tender documents;</p> <p>Regulating the internal expert assessment of design documents;</p> <p>Liability insurance of design organizations and contractors against any harm caused in the results of defects of construction;</p> <p>Optimization of insurance and purchasing systems in regard of construction and mounting activities;</p> <p>Development of regulatory documents in regard of performance of individual types of work, the implementation of an authorization system permitting the employees to perform such types of work, and enabling the suspension of individual employees from the performance of work in case of any material violations;</p> <p>Development of the quality control of supplied equipment (including equipment manufacture and shipment/delivery);</p> <p>Development and implementation of a unified system accounting the optimization of control and ongoing monitoring of repair and construction activities of the Company subsidiaries and dependent companies;</p> <p>Analysis of existing legal framework regulating the preparation of flood zones for the facilities under construction, followed by the development of design documents and sending to the federal executive power bodies of proposals concerning the formulation/conceptual changes of the legal framework. In 2014 JSC RusHydro developed a draft of the federal law "On Particular Parameters of Design, Construction and Commissioning of Water Bodies and the Introduction of Changes in Individual Acts of the Russian Federation". The draft was developed jointly with the Ministry of Construction of the Russian Federation.</p>

<p>Decrease in revenues generated by electricity and capacity sales as compared with indicators set by the business plan</p>	<p>The risk is critical due to over-regulation of the electricity and capacity market, highly volatile electricity prices on WECM, variability of fuel prices, decreasing payment capacity of contractors resulting from the effects of financial crisis, unfavorable conditions (dry years), difficulties in forecasting the payload of the equipment. The risk correlates closely to the risk of inaccurate forecast of water inflows.</p>	<p>Preparation of proposals on changes to be introduced in legal documents regulating power industry;</p> <p>Periodic review of the marketing policy of RusHydro, taking into account the changes in the risk situation;</p> <p>Implementation of a system of commercial dispatching;</p> <p>Activities intended to decrease the amount of debt for electricity and capacity supplied.</p>
<p>Accidents caused by human factor(s)</p>	<p>The Company pays much attention to the risk of different accidents caused by human factor which may threaten the lives and health of people or lead to interruptions in production and subsequent loss of revenues by the Company.</p> <p>Design defects revealed during operation, and physical equipment wear,</p> <p>Violations in the conditions of operation and untimely repair, re-equipment and reconstruction,</p> <p>Human factor and the effects of the environment, which may result in equipment failures and destruction of hydraulic structures.</p>	<p>The Company assesses the probability of equipment and structures failure as statistically average. All key production facilities of RusHydro are insured. Besides, the Company implements a set of measures to ensure proper reliability of equipment and structures, namely the following:</p> <p>Performance of full-scale repairs and the implementation of the Program of technical re-equipment and reconstruction;</p> <p>Development of the system controlling the quality of the equipment supplied, including the manufacturing and shipment/delivery/installation/construction and start-up, and improving the level of contractual responsibility of contractors involved in manufacture and delivery of equipment and materials;</p> <p>Claim administration in relation to unfair contractors/suppliers;</p> <p>Implementation of recommendations issued in the result of surveys performed at the facilities of RusHydro;</p> <p>Fostering control over contractor/subcontractor organizations at the production sites in order to decrease accident rate, number of fires, non-ethical conduct and thefts;</p> <p>Development of normative and technical documents intended to improve the quality of design and construction management;</p> <p>Development of lifecycle management system in regard to the equipment of existing power plants, and the inclusion in the production programs of the Company and its subsidiaries of information and analytical systems, gas-turbine power plants' equipment monitoring systems, based on the periodic analytical reports and recommendations issued by the Company's Analytical Center (JSC VNIIG named after B.E. Vedeneev and JSC NIIES) to provide for the safety and reliability of the Company's water control equipment and structures;</p> <p>Implementation of advanced methods of equipment diagnostics without stopping, and up-to-date production assets management technologies, including the information technologies required;</p> <p>Optimization of the structure of volume of spare parts inventory;</p> <p>Performance of periodic technical audits and implementation of initiatives to improve the quality of incoming control during repairs, retooling and reconstruction of equipment and structures;</p> <p>Preparing and certifying the personnel, advancing employee qualifications and performing psychologic examinations to mitigate risks caused by human factor.</p>
<p>Lack of money from external sources to make planned investments</p>	<p>This risk is closely related to the risk of implementation of capital construction projects. The reduction in the number of a part or of all sources to finance the investment program may result in violation of the terms of project implementation, or in triggering a scenario which will force the Company to suspend the construction</p>	<p>Maintaining the availability of money and financial resources in sufficient amounts by ensuring adequate loan facilities;</p> <p>Implementation of a balanced model of financing the working capital by using short and long-term sources;</p> <p>Control over the observance of credit agreements to prevent any violation of financial covenants of the Company;</p> <p>Placement of temporarily available funds in short-term financial tools (bank deposits and promissory notes);</p> <p>Contracting the contractors using standard financial conditions;</p>



	<p>or preserve a number of generating facilities. Taking into account high cost of preservation of facilities under construction, which in some cases is comparable with the cost of proceeding with the construction, this fact will affect the economic efficiency of the Company's investment projects, as well as its financial and performance results</p>	<p>Managing the interest and currency risks taking into account the credit policy of RusHydro;</p> <p>Preparing the flood zones of power plants under construction using the funds of the federal budget and of the budgets of the subjects of the Russian Federation;</p> <p>Monitoring the economic situation and undertaking additional prompt measures to manage the liquidity.</p>
Unfavorable changes and legal violations	<p>The critical risk of unfavorable changes/ violations of law is one of the most significant for the power industry not only in Russia, but worldwide.</p>	<p>Continuous monitoring of initiated and reviewed changes of the law which may affect the activities of the Company;</p> <p>Monitoring and review of existing standards and normative documents in the sphere of technical regulation;</p> <p>To present the Company interests, its representatives of the Company participate in major events and round table discussions concerning changes of the law, such events and discussions organized by the bodies of legislative, executive and judicial powers, by non-governmental organizations, industry associations, by legal unions and associations;</p> <p>Performance of periodic environmental audits and adhering to the resulting recommendations;</p> <p>Participation in the work of task forces of the Russian Ministry of Energy on issues of technical regulation (concerning Technical Procedures) and in the work of Technical Committee No 330 of the Russian Technical Regulation Authority (concerning national standards)</p>

Material Risks

Name of the Risk	Risk Factors	Measures to Mitigate the Risk
Failure to achieve performance targets set by retail companies	<p>High level of competition;</p> <p>Risk of losing the status of a guaranteeing supplier in retail regions;</p> <p>Possibility that large consumers will construct alternative electricity supply facilities.</p>	<p>Monitoring the Company's compliance as a guaranteeing supplier with financial stability criteria in accordance with retail market rules;</p> <p>Actively working with consumers to establish a mutually beneficial relationship, including through JSC ESK RusHydro. A program to retain customers has been approved.</p> <p>Introducing a corporate risk management system for JSC RusHydro in its subsidiary sales companies;</p> <p>The plans for anti-recessionary measures to improve profitability and reduce liquidity shortage in each subsidiary sales company have been developed.</p>
Lack of key personnel in all areas of the Company	<p>Inadequate legal framework and rigid mechanisms to change the education system, which makes the education system not ready to innovative introductions required by the Company;</p> <p>Insufficient mechanisms to retain qualified personnel;</p> <p>Non-conformity of the vocational training system to companies' needs and requirements imposed to personnel training;</p>	<p>On November 27, 2014, there was a meeting of the National Council under the President of the Russian Federation on Professional Qualifications. 8 draft professional hydropower standards are recommended for approval;</p> <p>The Company has made agreements with the following educational institutions:</p> <p>1. The Federal State Autonomous Educational Institution of Higher Professional Education "Siberian Federal University" (Supplementary Agreement);</p>

	<p>Lack of personnel reserve for certain divisional manager positions of operating personnel of JSC RusHydro's branches;</p> <p>Aging of qualified personnel.</p>	<p>2. The Federal State Budget Educational Institution of Higher Professional Education "Moscow State Institute of International Relations" (University) of the Ministry of Foreign Affairs of the Russian Federation). The Company made joint development plans of 4 secondary vocational education institutions with which agreements had been concluded in 2013;</p> <p>17 best graduates were given employment at JSC RusHydro's branches in accordance with their demands for young professionals.</p>
Risks of interactions with stakeholders	<p>Incorrect interpretation of information by representatives of the target audience, including environmental (ecological) organizations, which can damage the Company's reputation and/or cause its shares to fall;</p> <p>Dissemination of false and black information about the Company in the media and social networks, including projects;</p> <p>Delayed response to the information in the media.</p>	<p>To develop cooperation with stakeholders, the Company:</p> <ul style="list-style-type: none"> Organizes joint public events; Conducts special activities for the mass media; Regularly updates information in the corporate blog, in the community in LiveJournal, on Facebook; Regularly monitors the mass media. <p>Has approved the Public Activity Regulation and the Information Activity Regulation.</p>
Terrorism	<p>Due to the tense political and social situation, a high probability of local and regional armed conflict, a growing threat of international terrorism, increased political instability in several developing countries due to the economic crisis, the activity of radical organizations, development of industrial terrorism, JSC RusHydro is in fear of possible risks associated with terrorist activity, including at the facilities located in this region and the regions adjacent to the Ukrainian border. Special attention is paid to a growing threat of using undeclared capabilities and software and hardware bugs of the network and server equipment of foreign production to break operational capability of computer networks and production.</p>	<p>In order to minimize these risks, the following measures are regularly carried out to ensure the safety of the fuel and energy complex:</p> <ul style="list-style-type: none"> A comprehensive plan of main measures to ensure that the power facilities are safe has been developed and implemented; The Company conducts quarterly anti-terrorism exercises, as well as special tactical and command-and-staff training exercises; Technical security equipment packages have been created and are being modernized; Interaction Plans have been developed with the executive authorities to prevent acts of unlawful interference (AUI) from being carried out or the threat of acts of unlawful interference at corporate facilities; Access to JSC RusHydro's fuel and energy complex is effected in accordance with the requirements of access control and internal security regime. <p>In order to ensure physical security and anti-terrorist protection of RusHydro's power facilities, non-departmental security forces of the RF Ministry of Internal Affairs and Departmental Security forces of the Russian Ministry of Energy are used. In conjunction with law enforcement agencies, theft prevention measures are also organized.</p> <p>It is worth noting that this risk (terrorism) is marked as one of the three key risks for Russia in the Global Risks Report of the annual World Economic Forum in Davos (Global Risks 2015), along with the risk of inter-state conflicts and sharp fluctuations in energy prices.</p> <p>The Company's fixed assets insurance package includes insurance against the risks of terrorism and sabotage. In the period under review, the Company held a road-show and undertook other similar measures to mitigate negative effects on positioning the occurring insured events related to terrorism and the sabotage risk on the international insurance market.</p> <p>Due to a growing threat of using undeclared capabilities and software and hardware bugs of the network and server equipment of foreign production to break operational capability of computer networks and production, the Company has made a strategic decision to increase the share of equipment certified by the Federal Service for Technical and Export Control and home equipment when building protection systems.</p> <p>The Company on a regular basis carries out information and technical security audit to improve the security of corporate facilities from hacker attacks on the Company's information resources and external communication channels.</p>



<p>Delays and errors in management system upgrades</p>	<p>Changing structure of the Holding Company; Conflict of interests between shareholders and the Company's management, conflicts of interest between employees; Delayed approvals by the stakeholders of the Company; Imperfection of the Company's business processes; Imbalance between strategic objectives and the management system model; Slow rate of making approvals and management decision-making; Rejection of documents on formal grounds / artificial delays in business processes.</p>	<p>In order to manage this risk, the following activities are carried out: Developing a system to regulate business process activities and management; Optimizing the timing and coordination of procurement; Interacting with stakeholders; Analyzing the main business processes to improve the control system and upgrade process efficiency; The Company's management and officers have third party liability insurance; The Company is implementing corporate management standards into the newly acquired or founded SDCs and is introducing a management system for organizational projects, grading employees, and certifying management personnel and implementing individual employee development plans.</p>
<p>Failure to achieve performance targets by engineering companies;</p>	<p>Possible loss of the engineering part of the business due to inadequate efficiency and strong competition; Risks of loss of immovable property; Risks of inefficient management and use of immovable property.</p>	<p>To reduce the impact of this risk, the following activities are carried out: Implementing a development program of engineering subsidiaries; Developing personnel and training scientific manpower; Working out standard work scope sheets for equipment and waterworks repair operations; Creating a single repair and service company, JSC Hydroremont-VCC, which enables to optimize the cost of operating and maintenance expenses, ensuring the required level of reliability of production assets, as well as expands the technical competence and capabilities of maintenance personnel; Transfer of immovable property to the RusHydro Group's Unified Immovable Property Management Center.</p>
<p>Incorrect forecast for water inflows / production plans;</p>	<p>The inability to accurately predict the volume of electricity produced over both the medium- and long-term.</p>	<p>To reduce the negative impact of the risk on the Company, the following activities are carried out: Optimizing the water resource usage of RusHydro's Energy Saving Program; Developing an industry hydro-meteorological observation system and protecting the interests of the HPPs in inter-agency operational groups under the Federal Agency for Water Resources (Rosvodresurs). In 2014, the Company completed the installation of the automated hydrologic complex (AHC) on the island Kuzminskiy in Minusinsk; In 2014, the Company mounted 8 automated hydrologic complexes at the headrace of the Sayano-Shushenskaya HPP and 20 snow-measuring posts which are ready for acceptance, as part of the first stage of constructing the Hydrometeorological Forecasting Center.</p>
<p>Lack of resources to fulfill the production program</p>	<p>Failure of suppliers and contractors to meet their time limits due to insufficient production capacities and poor condition of the equipment used; Poor planning of the production program; Significant part of the equipment has exceeded its standard period of operation; Foreign power equipment is not adapted for use at power facilities of the Russian Federation; Adverse change in exchange rates, in particular, the significant increase of euro rate against ruble (correlates with risk 4 in terms of currency risk management); Low equipment quality (low technological production practices);</p>	<p>Prompt performance of claims work in response to low quality of repairs, inadequate quality of equipment, violation of delivery time; Using the recommendations of the Analytical Center when making production programs; Implementing the Comprehensive Modernization Program (CMP) until 2025; Creating an industry certification system for equipment and materials</p>

	Fund shortages from external sources for planned investment	
Unethical or illegal actions by employees;	Abuse by employees of their official powers and activities of employees, resulting in a conflict of interest; Disclosure of confidential information.	The Company is adopting a policy on combating corruption and fraud which includes the following measures: Carrying out a comprehensive program to prevent unlawful acts by employees; Introducing an integrated automated system to control the distribution of commercial information, Monitoring compliance by the Company's employees with Regulations on insider information; Monitoring compliance the Code of Conduct, Regulations on the procedure to notify the employer of any applications to impel the employees into illegal actions, the Regulations on reporting on any gifts received by employees in connection with their protocol events, business trips and other official events, Regulations on the procedure to prevent and resolve conflicts of interest. Maintaining a telephone trust line; Building a comprehensive automated system to monitor dissemination of confidential information, including information containing trade secrets and personal data.
Damage as a result of natural disasters and man-made accidents at locations other than the Company's facilities.	There is a possibility of accidents of a systemic nature, as well as of losses due to natural disasters.	To ensure reliability throughout the grid in the event of local failures, the Company has implemented a centralized emergency control system, which is being modernized to meet today's requirements; The Company complies with Russian legislation in the field of industrial safety and uses a production control system functioning on a legislative basis; The Company performs systematic monitoring of the situation at the projects that are in close proximity to the Company's facilities and carries out forecasting and planning of employees' actions in emergency situations in close cooperation with regional bodies of the Ministry of Emergency Situations of Russia; The Company's employees are provided with personal protective equipment, depending on the type of danger the Company's facility can be exposed to; The Company has made provision to use volunteer emergency response teams created in the Company to carry out accident rescue and other emergency operations in emergency situations.

Lower priority risks

Risks	Risk Factors
Growth in accounts receivable for the delivery of electricity and power	Reduced solvency of counterparties as a result of the financial crisis; Failure to perform obligations by counterparties due to bankruptcy; Lack of effective mechanisms to collect debt; Technical default of the counterparties in the event of changes in the regulatory environment and other market conditions.
Inefficient use of resources for implementing innovation	Lack of required expertise and experience to create and implement innovations; Widening gap between the applied technologies and international best practices; Intellectual property management risks.

Risks	Risk Factors
<p>Inability to enter international markets</p>	<p>Non-compliance with the legislation requirements due to frequent changes (unstable legal environment) outside the Russian Federation;</p> <p>Difficult economic conditions outside the Russian Federation, associated with large volumes of illegal activities and corruption;</p> <p>Great influence of organized crime and, as a consequence, the weakening of state power and the deterioration of the investment climate outside the Russian Federation;</p> <p>Adoption of government measures to tighten regulation of the financial sector outside the Russian Federation;</p> <p>Governmental support of weak corporations in the areas of finance and production outside the Russian Federation;</p> <p>Changes in the rules and bureaucratization of the various industry sectors outside the Russian Federation;</p> <p>High volatility in exchange rates due to the instability of the world economy because of the financial crisis;</p> <p>Rise in interest rates;</p> <p>High inflation outside the Russian Federation;</p> <p>Illegal activities related to political-military conflicts;</p> <p>Corruption component, including when entering foreign markets;</p> <p>Deterioration in the Chinese economy;</p> <p>Changing requirements of international regulators in respect of projects and activities of the Company;</p> <p>Nationalization / loss of assets (events in Africa and the Middle East, Libya, Egypt, Syria);</p> <p>Political and economic isolation of Russia and Russian companies;</p> <p>Establishment of barriers to cooperation of national (foreign) companies with companies which are of Russian origin and have Russian shareholders;</p> <p>Establishment of non-tariff restrictions on interaction with Russian companies and RusHydro;</p> <p>Establishment and / or strengthening of political and military instability in countries that are attractive in terms of business development of RusHydro;</p> <p>Zero (or low) cost-effectiveness to implement projects abroad.</p>
<p>Inefficient integration of companies acquired via mergers and acquisitions (M&A)</p>	<p>Deterioration of the market position and financial performance of the companies involved in mergers / acquisitions during the period prior to completion of the merger / acquisition;</p> <p>Challenging transactions, invalidation of merger and / or acquisition transactions in full or in part by virtue of legal restrictions or partnership agreements;</p> <p>Shortfall in cash from the sale of shares of acquired companies;</p> <p>Lack of state support to finance the needs of JSC RAO ES of the East;</p> <p>Failure to comply loan agreements;</p> <p>Gaps in protection against leaks of confidential information;</p> <p>Revaluation of shares of target company;</p> <p>Underestimation of the amount of additional investment, the purchase of a financially insolvent company;</p> <p>Suboptimal change in the structure of the project portfolio as a result of the consequences of the crisis.</p>

* Measures to mitigate the risks are not specified, as in accordance with the Internal Control and Risk Management Policy, insignificant risk management shall be exercised within the employment duties of each employee of the Company.

REPORT ON RISK REALIZATION IN 2014

In the reporting year, risks associated with the introduction of international sanctions against the Russian Federation, as well as currency and interest rate risks were relevant, but given the measures taken to mitigate the above-mentioned risks, these risks did not materially impact the Company.

In 2014, the risk of man-made accidents was realized. In June, there was a forced shutdown of hydropower generator №3 at the Zeyaskaya HPP due to a vibration increase above allowable values. It was discovered that a part of the impeller blade turning mechanism had gone wrong. RusHydro took timely measures to address the effects of risk realization: the Company sent the damaged part to the manufacturer and to JSC NIIES to identify the cause of the damage. In addition, the Company drew up an inspection report of the Zeyaakaya HPP equipment and performed procedures to compensate for damage.

COUNTRY RISKS

The Russian economy is vulnerable to market downturns and slowing global economic growth. Currently, a drop in world prices for natural gas and oil, as well as the outflow of foreign investment significantly impact the Russian economy. These events can limit RusHydro's access to the capital market and adversely affect the purchasing capacity of goods and service consumers. The Company plans to carry out all actions aimed at reducing the impact of such events on its operations by optimizing the use of credit resources during a crisis.

Under the global financial market crisis and the decline in industrial production, there is a risk of reduced demand for electricity, which can result in a reduction in sales and a decrease in corporate revenues, as well as the risk of growth in accounts receivable due to non-payment by electricity consumers.

Exposure to country risk with certain assumptions can be indirectly assessed by a credit rating (excluding political risk for business). Due to external factors such as a decrease in oil prices and the fall of the ruble at the end of 2014, Russia's sovereign rating was lowered from BBB with a stable outlook to BBB- with a negative outlook (according to Fitch) and to BB + by the rating agency Standard & Poor's, which is certainly a negative factor, but it has specifics related to the anti-Russian sanctions. Depending on the continuation of this policy or its cancellation, the level of country risk will be subject to change. In this regard, there might be an increase in risks associated with the failure of individual foreign suppliers to fulfill their commitments, the reduction of market outlets and the revision of contracts.

In addition to economic factors, the political situation in Russia (the State is the Company's largest shareholder), inconsistent and frequent changes in tax and currency legislation, imperfections in the judicial system and high levels of depreciation for infrastructure facilities in the energy and transportation spheres may negatively impact corporate activities.

In order to diversify the country risk, RusHydro is actively working with BRIC country partners in China and India. The Company has signed a number of agreements with Chinese power companies, which in the future will allow the RusHydro Group to expand cooperation with China both in constructing new power facilities and exporting electricity.

FINANCIAL RISKS

Financial risks can be categorized as the risk of growth interest rates in bank loans, foreign currency risk, inflation risk and liquidity risk. The impact of these risks on the Company's performance is not considered to be material to the Company.

Financial metrics, liquidity, financing sources and RusHydro's performance are not very responsive to changes in the exchange rate and interest rates, because the Company sells energy on the domestic market, as well as settles accounts with resource suppliers, and accrues and receives payments from consumers mainly in the national currency - Russian rubles. Besides, almost all corporate liabilities are ruble-denominated, while liabilities denominated in foreign currency are in total less than 10%.

The Company received several loans with floating interest rates that are ruble-denominated. To minimize the interest rate risk on financial liabilities, the Company entered into swap contracts; these swap contracts, for the most part, fixed the floating interest rates on all interest payments until the maturity date.

The inflation rate depends directly on Russia's political and economic situation in which the Company operates. The negative impact of inflation on the Company's financial and economic performance may be due to the following risks:

- risk of losses associated with a decrease in the true cost of the accounts receivable in case of a significant delay or past due payments;
- risk associated with an increase in the cost of debt;
- risk associated with an increase in the cost of goods, products, work and services due to an increase in energy prices, transport costs, and wages, etc.;
- risk associated with a reduction in the true cost of funds raised to finance the investment program;
- risk associated with an increase in the cost of borrowings.

According to forecasts of the Russian Ministry of Economic Development and Trade, taking into account all the negative factors, inflation is expected to peak in March-April 2015 at 15-17%. However, at the end of the year, its rate is expected to be 10-11%, below the critical inflation rate of at least 20% per annum (which is considered by the Company to be the rate at which it may experience difficulties).

The Company manages liquidity risk by maintaining sufficient cash and marketable securities to fulfill current obligations. Temporarily free funds placed in short-term financial instruments are mainly bank deposits and promissory notes.

Due to the aggravation of the international situation in 2014 and the worsening of international rating agencies' outlook for credit ratings of the Russian Federation and due to current economic sanctions and the possible occurrence of force majeure, the risks that the Company will have difficulties associated with the access to credit funds of foreign counterparts, appreciation of the Company's debt obligations and losses due to the rise of the exchange rates and interest rates are relevant. These risks are controlled by the reduction of the limits for counterparty banks with lowered ratings, stress-testing of possible losses due to the increase in exchange rates and interest rates based on the methods approved by the Company to manage currency and interest rate risks, and legal support of contract base. Practically all proceeds of the credit lines have been drawn down and there is no risk of unavailability of significant credit resources on previously opened credit lines.



INDUSTRY RISKS

The Company is exposed to industry-specific risks primarily due to possible changes in the power industry. It should be noted that this risk is offset by the adoption of the "target" Rules of the Wholesale Electricity and Capacity Market³⁶. To manage these risks, the Company is taking necessary measures to form a favorable regulatory and legal framework of the electricity and capacity market. The Company is actively taking part in the development of the power generating industry laws and regulations exercised by the RF Ministry of Energy, the NP Market Council and the Federal Tariff Service of Russia.

Norms that regulate the activities of Russian energy companies and relate to the establishment of electricity tariffs, power market operations and the relationships between electricity producers and consumers are undergoing significant changes. Under the current market model, the risk that the price level achieved on the long-term capacity market may be insufficient to cover fixed costs, remains relevant.

The government tightens control over the spending of allocated budget funds by electricity sector companies. RusHydro undertakes necessary measures to prevent the negative impact of the abovementioned risks on its activities. In particular, key attention is paid to ensuring the transparency and reliability of control procedures for budget fund expenditures in investment program execution and the implementation of risk management measures.

earnings, financial conditions, and the Company's performance and prospects. Within the foreseeable future, these risks are estimated as insignificant.

EARTHQUAKE-PRONE AREAS

Most of the Company's facilities are located in seismically quiet regions. However, such facilities as the Pauhetskaya GeoPP and the Verkhne-Mutnovskaya GeoPP are located in seismic zones, with possible earthquake intensity up to 9 points on the Richter scale. Currently, work to create the seismological network of the Dagestan Branch is underway. In 2014, VNIIG after B.E. Vedeneev performed seismic monitoring of the Bureyskaya HPP facilities. The Company has worked out an emergency plan in case of earthquakes and is constantly monitoring the situation. There are seismic monitoring stations at the Company's facilities. Issues relating to the transportation link are worked out in good time with a focus on the above-mentioned risk. Cargo and people delivery schemes are optimized. All corporate facilities comply with earthquake resistance standards.

SEASONAL FLOODING AREAS

The risk of seasonal floods plays an important role in corporate activities and is regularly included in the list of critical risks. To manage this, a water regime management, including: forecasting and monitoring hydrological regimes, reservoir regulation, spillway construction and operation and other measures, has been implemented.

To prepare for the spring-summer flood discharge at the Company's branches, flood commissions created. They implement numerous measures aimed at ensuring a trouble-free flood season. In particular, they were making a survey of ice conditions in the area of the dam location of the Bureyskaya HPP, inspecting permanent supports to make sure they are ready for work during the flood period, readiness checks of back-up power supply units (diesel generator sets), releasing the gates of the service spillway from icing and ice fringe so that they could be maneuvered, and performing inspections of hydropower structures, the drainage system of the dam, power house and the installation site, visual inspection of the dam body abutment to the shores from the upper pool and lower pool.

Traditional agreements were signed between the Bureyskaya HPP and the Government of the Amur Region, the administration of the Bureya District and territorial bodies of the Ministry of Emergency Situations and the Russian Technical Supervisory Authority on the procedure to interact on prompt reporting on and rapid response by the Parties to emergency situations during flood discharge. Agreements were signed between JSC RusHydro's Branch - the Zeiskaya HPP and the Zeiskoye Reservoir Management Office, the administration of the city of Zeya and the Zeya District on the procedure to interact on prompt reporting on and rapid response by the Parties to emergency situations during the flood discharge through the hydropower structures of the Zeiskaya HPP. Similar work is done at other corporate facilities.

In addition to the above, all the Company's facilities in the region worked in accordance with the instructions given by the inter-agency working group of the Federal Agency for Water Resources (WAWR of Russia). The Company has strengthened control over the condition of its production assets. No accidents took place, during the reporting period, at the Company's facilities.

INFORMATION ABOUT POSSIBLE CIRCUMSTANCES THAT OBJECTIVELY HAMPER THE COMPANY'S ACTIVITY

Risks associated with the region's geographical features include the risk of losses (for example, the risk related to the decommissioning of fixed assets) due to seismic activity, avalanches and mudslides, possible landslides and rainfall related floods and other adverse weather conditions (hurricanes, heavy snowfalls and frosts).

In general, the regions in which the Company operates have a developed transportation infrastructure and are not exposed to the risks associated with the disruption of the transportation link. However, some generating assets are located in remote areas with harsh climates, including in the Krasnoyarsk Region and in the areas of the Far Eastern Federal District. The Company is constantly working to upgrade the technologies of access and work in harsh climatic conditions in these areas. However, one cannot guarantee that no additional costs will be required to overcome technical difficulties associated with the climate and the accessibility of these locations, which may negatively impact

³⁶ Decree № 1172 of the Russian Government as of December 27, 2010.

RUSHYDRO INSURANCE PROTECTION

RusHydro's insurance protection is built based on the normalization principles of the insurance protection system, the optimization of insurance coverage, the unity of approaches to insurance organization, and insurance continuity.

INSURANCE COMPANY SELECTION

Insurance company selection is carried out on a competitive basis to select those that offer the best quality-to-price ratio for insurance services. Requirements for the insurance cover terms and conditions are formed based on the Company's current risk situation analysis, insurance market supply analysis, and social policy and legal requirements.

TYPES OF INSURANCE COVERAGE

In 2014, the insurance coverage for JSC RusHydro and its subsidiaries included the following types of insurance: property, automobile and water transport insurance, insurance against construction and installation risks, voluntary medical insurance, personal accident and sickness insurance, compulsory civil liability insurance for owners of motor vehicles and water crafts, third party insurance for owners of hazardous production facilities for causing harm in an accident at

the hazardous production facility, civil liability insurance for damage caused as a result of a terrorist attack or sabotage, civil liability insurance for injury resulting from defects of construction work, project documentation preparation work and engineering survey work, and third party insurance for JSC RusHydro's management team and executives.

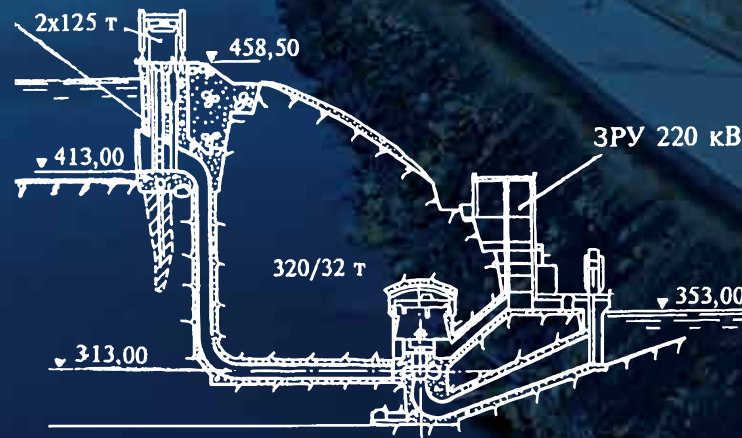
RusHydro imposes strict requirements with regard to insuring its assets (property insurance against all risks and insurance against construction and installation risks), and due to the limited resources of the Russian insurance market also puts forward additional demands and effects control over risk re-insurance. The Company is implementing a policy of openness to foreign insurance community representatives. Each year, the Company organizes insurance engineering surveys for its facilities, and holds road shows, negotiations and follows reinsurers' recommendations.

The reliability of insurance protection conditions, the experience of insurance settlement and accumulated extensive friendly contacts with both the international and Russian insurance markets help the Company successfully implement risk and finance management activities.



7.

SUSTAINABLE DEVELOPMENT



The Kolymskaya HPP





SOCIAL DEVELOPMENT AND THE ENVIRONMENTAL SECURITY OF RUSSIAN REGIONS

Achievements of ten years of work:
The Company has a high level of employee attractiveness
RUR 5.5 billion were spent on charitable projects

2014 Major Milestones:

The Company was named a winner in the all-Russian "Russian Business Leaders: Dynamics and Responsibility – 2013" contest in the category "For the Development of Human Resources."

Developing drafts of the first seven professional hydropower standards.

The new Collective Agreement with enhanced benefits came into effect.

PERSONNEL AND SOCIAL POLICY

HR POLICY

Staffing the Company with qualified and responsible managerial and engineering personnel is a major strategic objective in personnel management.

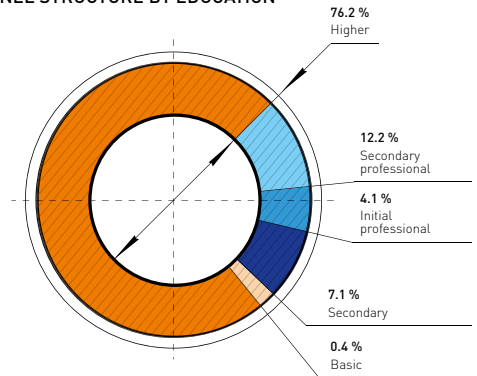
Attracting new employees with the necessary competencies, skills and knowledge, including young specialists, increasing employee loyalty and providing education and staff development are the cornerstone of the Company's HR policy.

Personnel Structure

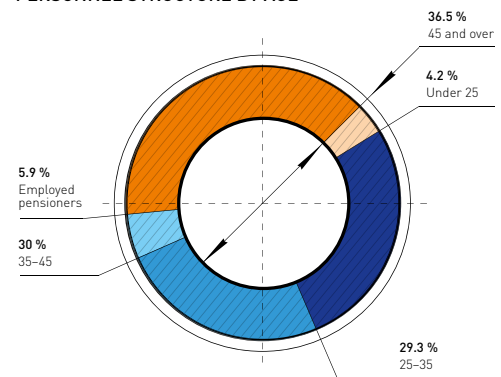
As of December 31, 2014, JSC RusHydro's headcount stood at 5,838 employees (compared with 6,305 employees as of December 31, 2013).

In 2014, the Company's headcount decreased 7.4% due to the improvement of the management system in the executive office and the removal of transportation department personnel to corporate branches.

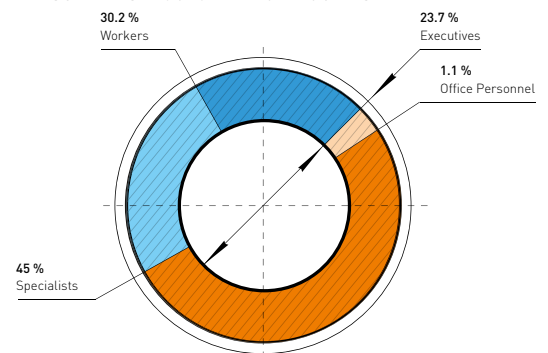
PERSONNEL STRUCTURE BY EDUCATION



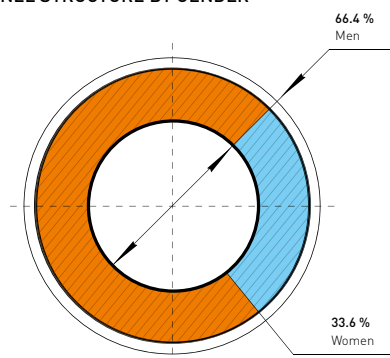
PERSONNEL STRUCTURE BY AGE



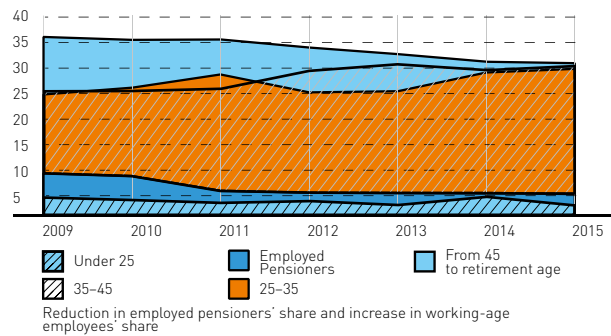
PERSONNEL STRUCTURE BY CATEGORIES



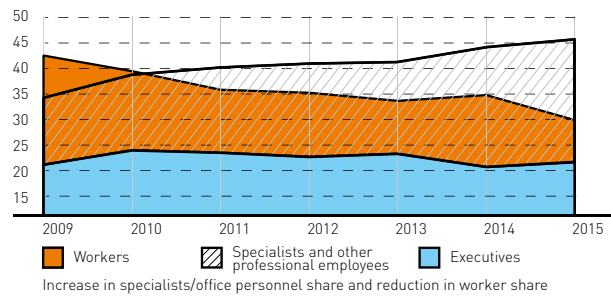
PERSONNEL STRUCTURE BY GENDER



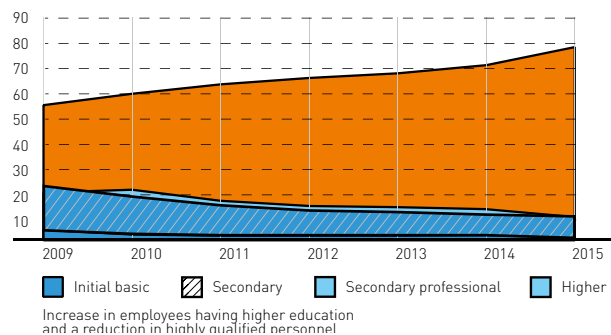
RUSHYDRO'S PERSONNEL STRUCTURE CHANGE BY AGE, 2009-2014, %



RUSHYDRO'S PERSONNEL STRUCTURE CHANGE BY CATEGORIES, 2009-2014, %



RUSHYDRO'S PERSONNEL STRUCTURE CHANGE BY EDUCATION, 2009-2014, %



The average duration of employment at the Company was 9.6 years (compared with 9.5 years in 2013). In 2014, the average monthly earnings of corporate employees grew 26% and stood at RUR 113,514 (compared with RUR 89,980.6 in 2013).

Over the past five years, the Company has enjoyed a rather stable personnel structure, with a trend to employ younger and more highly qualified professionals. The average age of corporate employees is now 41.3.

Developing Human Resource Potential

Human resource potential development is an important strategic activity area which provides for the effective implementation of its current and future goals and objectives. The Company's management considers expenditures on human resources development as an important component of human capital investment.

Development of professional standards

In 2014, the Company, together with the International Association for Corporate Education and the all-Russian Industrial Association of Electric Power Industry Employers, prepared drafts of the first seven professional hydropower standards. The final versions of the professional standards were approved by the National Council on Vocational Qualifications under the Russian President in Q4 2014.

Personnel recruitment

Personnel recruitment for all of the RusHydro Group's vacant positions, including corporate managerial positions, is performed on a competitive basis, which makes it possible to recruit highly qualified personnel that best meet the requirements of the vacant positions. All candidates (irrespective of gender or nationality) have equal opportunities to fill any vacancies, depending on the candidate's qualifications. The great majority of participants in the competitive procedure are locals, so no special personnel recruitment procedures are required.

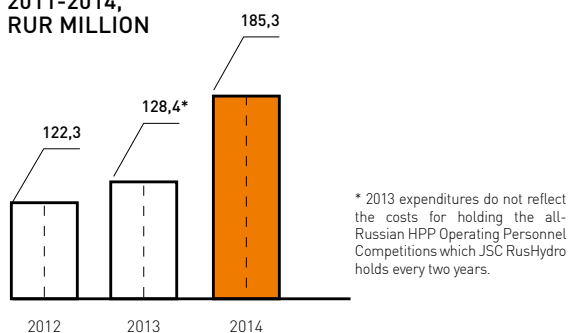
Personnel Rating

The Company's employees undergo periodic certification to check their adequacy for the positions that they hold within the Company. Checking involves rating the professional, business and personal attributes of employees, as well as the results of their occupational activities. The certification procedures, performed once every three years, cover managers, specialists and professional corporate employees regardless of gender.

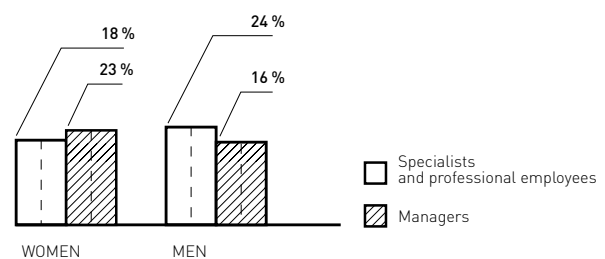
SOCIAL POLICY

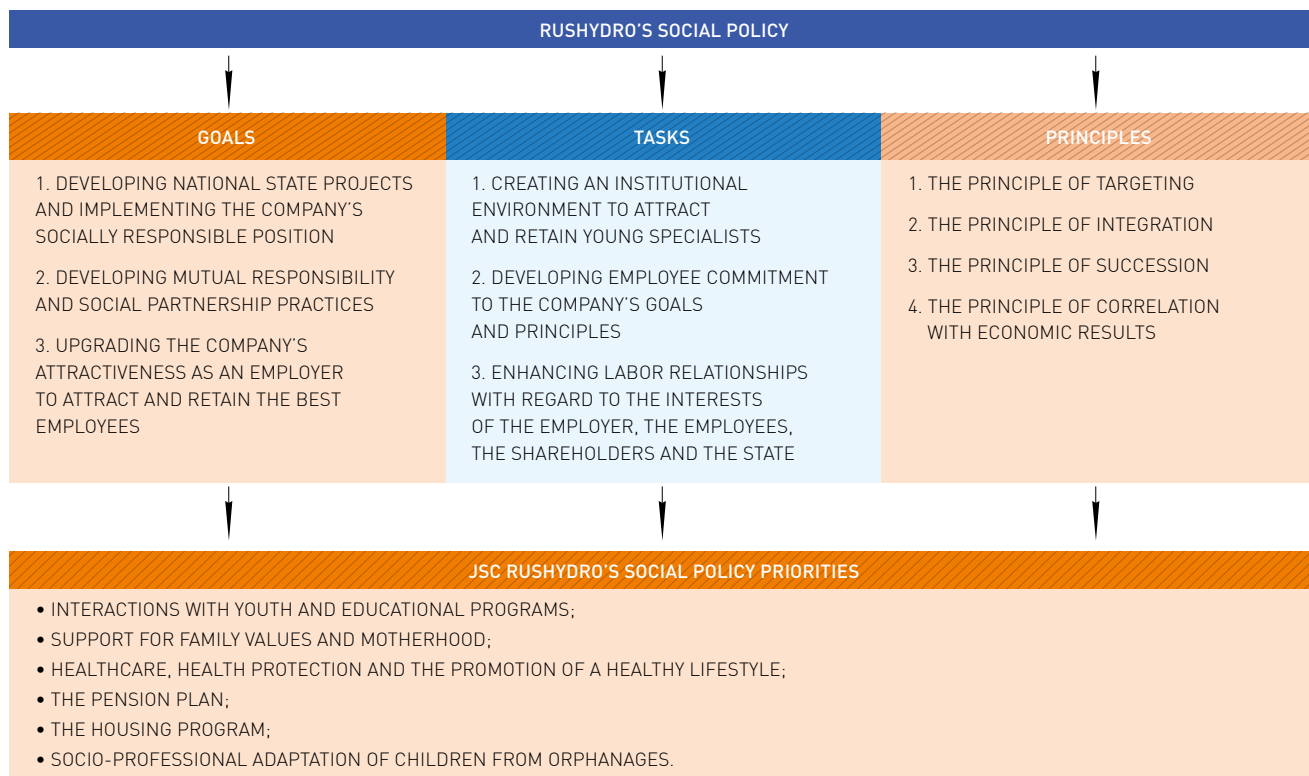
RusHydro's Social Policy was adopted in 2013 to address the problems of forming long-term human resource management as a major asset, staffing new facilities, performing production programs and attracting young professionals into the industry.

EXPENDITURES ON HUMAN RESOURCE DEVELOPMENT, 2011-2014, RUR MILLION



THE PERCENTAGE OF JSC RUSHYDRO BRANCH EMPLOYEES WHO UNDERWENT PERFORMANCE AND CAREER DEVELOPMENT ASSESSMENT, BY GENDER





INTERACTION WITH THE YOUTH AND EDUCATIONAL PROGRAMS

In 2014, RusHydro was named the winner of the all-Russian "Russian Business Leaders: Dynamics and Responsibility - 2013"

contest in the category "For the Development of Human Resources." The Company received an award for the implementation of a systematic approach to develop human resources and corporate social responsibility.

The following corporate Programs were given a high appraisal.

1. The Program of socio-professional adaptation for children from orphanages.

The main objective of the Program approved in 2013 is to form an environment for the social and professional adaptation of children from orphanages and train technical and labor manpower motivated to work for RusHydro. Within the framework of the Program, the following measures are being undertaken: social, professional, spiritual and moral development of the orphans and children left without parental care, equipping orphanages with teaching aids and educational games. As part of this Program, the Company has also organized a volunteer movement among its employees with the purpose of participating in the life of orphaned children in the regions in which RusHydro operates. The Program's social support involves introducing the list of benefits and incentive payments.

Key 2014 Projects

- The involvement of experts to develop teaching aids according to the Program;
- Developing a psychological testing program to assess the engineering abilities of orphans; the testing was carried out in all participating institutions;
- Training employees of the Company's branches, who are engaged in volunteer support to orphanages as part of the Program;
- Conducting training seminars and practical training for teachers from orphanages;
- Undertaking cooperation agreements with orphanages in 7 regions and with industry-specific technical schools;
- The Company held two charity events to raise funds for children from orphanages;
- In 2014, 5 children from orphanages entered industry-specific education institutions.

2. Advanced Human Resources Development Program "From the New School to the workplace"

<p>The main objective of the Program is to create a staffing system for RusHydro to maintain a reliable and trouble-free operation of its facilities and improve its operational efficiency. As part of this Program, the Company has created and implemented the permanently functioning corporate lifts system which has enabled the Company to create rules for interaction with the education community and mechanisms to cover the Company's short-term, medium-term and long-term needs for young professionals. These corporate lifts include: "Corporate Lift - New School", "Corporate Lift - Higher Education Institution", "Corporate Lift - the Company". The Corporate Lifts System provides a consistent development of motivation to work in the Company, necessary knowledge and skills, from their early school years till they join the Company's facilities.</p>	<p>Key 2014 Projects</p> <p>"Corporate Lift - New School:" Holding a corporate competition in physics "The Energy of Education," as part of the federal competition "The Hope of the Electric Power Industry" for pupils in grades 7-11 at general academic schools; Supporting Technical Creativity Centers for children and young people in the regions in which the Company operates; Holding "Power Classes" in the regions in which the Company operates; Holding the 2014 Summer Energy School in the Volgograd Region (35 children from 11 regions attended); The Company organized and conducted in the regions in which it operates seminars for school teachers from 7 Russian regions on using teaching aids for lessons on "The Theory of Inventive Problem Solving;" Delivering teaching aids for hydropower lessons in regional schools; "The History of Russian Hydropower" book was published.</p> <p>"Corporate Lift - Higher Education Institution" Purchasing laboratory facilities for the Company's chair "Hydropower and Renewable Energy Sources" at the National Research University MPEI; Developing standard lesson plans to improve corporate employees' skills in the hydropower sphere; Employing 55 graduates of higher educational institutions; Organizing corporate internships for 338 students; Cooperating with regional higher educational institutions in the field of education (the Sayano-Shushenskiy branch of the Siberian Federal University, the Amur State University); Holding "The Energy of Development 2014" contest for student papers on hydropower; Payment of corporate scholarships and compensation to children of corporate employees, who get good and high grades.</p> <p>"Corporate Lift - the Company" Holding the second and third training modules for the advanced personnel reserve "RES-2;" Forming personnel reserve for the position of Branch Director, Head of Production and Technical Department of the Branch and Department of Monitoring for Equipment and Hydropower Structures of the JSC RusHydro branch. Training four groups of personnel reserve participants as part of training module 1.</p>
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3. Training program for HPP technical personnel

This program was adopted in 2011 and is aimed at creating conditions to attract, retain, train and develop both young professionals and qualified personnel to address production process changes and HPP equipment modernization. The program includes several areas of activity, including: the formation of personnel reserve for the planned replacement of managerial positions at the production unit, functional training within the framework of the activities undertaken, and simulator training for production personnel to develop necessary skills.

4. The Corporate Hydropower University

In 2007, a special branch – the Corporate Hydropower University (CorHUn) – was set up in the RusHydro Group, which at first was given tasks to develop competencies and upgrade the qualifications of Group employees. Now, CorHUn is a real hydropower academy. With the participation of Corporate University specialists, RusHydro, in the regions of its presence, has opened Power Classes, Technical Creativity Centers for young people, has developed educational materials for teachers, and has organized internships for students from industry-specific higher educational institutions at corporate facilities. These activities make it possible to create a comprehensive training system for the personnel motivated to work in the Company and an effective system of corporate training and social support for young employees and qualified personnel.

2007-2014 Performance Results of CorHUN

Collective Agreement

During the reporting year, a new version of the Collective Agreement came into effect, which will be valid at RusHydro till the end of 2016. The document is supplemented by numerous new benefits. However, it did not result in the reduction of other items. The employee benefits package is preserved in full in the Company's new Collective Agreement.

Non-State pension coverage

Along with mandatory and voluntary pension and health insurance, RusHydro offers its employees the opportunity to participate in the non-State pension coverage programs. In 2014, the non-State pension coverage system covered approximately 45% of RusHydro employees (compared with 50% in 2013).

Voluntary health insurance

The benefits package for corporate employees includes voluntary health insurance (VHI). To date, VHI policies are provided to 100% of RusHydro employees, with the exception of part-time workers and those who are on probation. The health insurance costs for each employee are approximately RUR 30,550.

Under voluntary health insurance coverage, employees take advantage of out-patient medical treatment, urgent and non-urgent hospital services, emergency medical services, and healthcare services abroad. In addition, the Company's employees can undergo medical examinations and vaccinations, treatment and preventive examinations in the best Russian and foreign medical facilities.

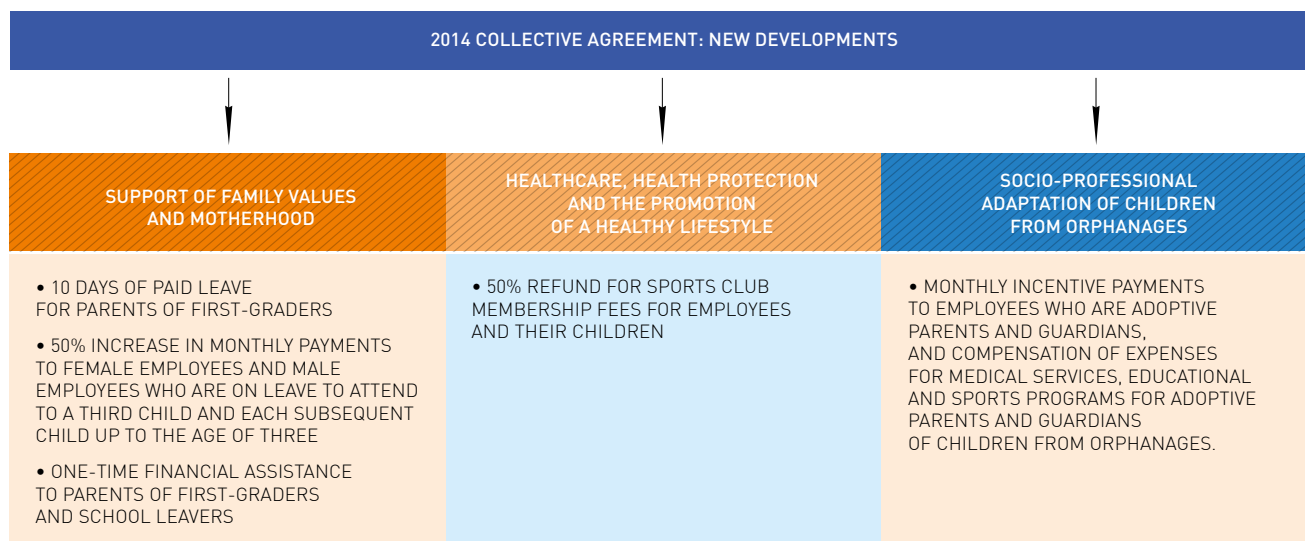
Housing program

Adopted in 2007, JSC RusHydro's Employee Housing Improvement Program is primarily focused on priority employee groups: young professionals, professionals who were offered branch positions and relocated from a different location, and production specialists taking key positions in the Company. The main forms of corporate support in upgrading employee housing conditions are granting

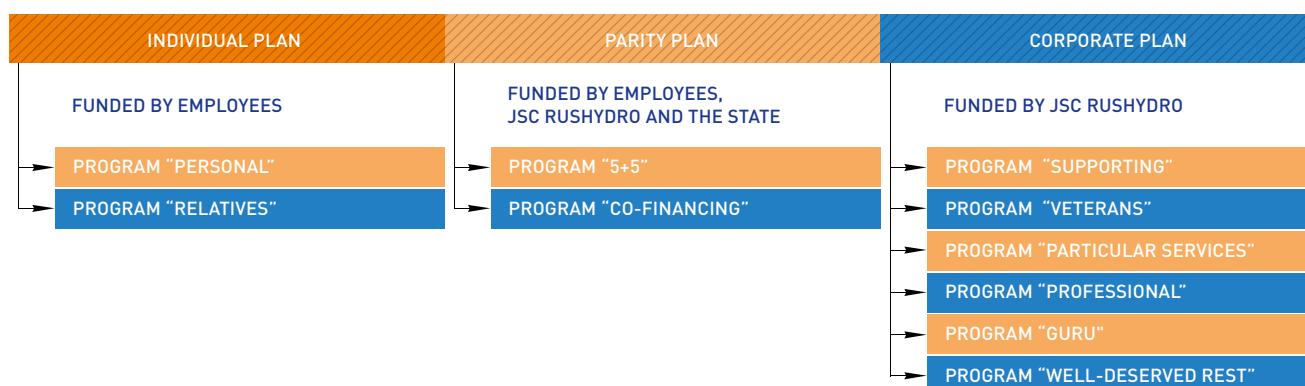
specific-purpose interest-free loans for the total or partial value of the acquired property and compensation for mortgage interest. In addition, the Company compensates the rental costs of young professionals who have graduated from higher education institutions with industry-specific specialization and who have found employment at the Company's branches. In 2014, 245 RusHydro employees received compensation for interest on mortgages and rental costs.

Healthy Generation Program

In June 2014, the Company's Board of Directors approved the re-drafted 2014 JSC RusHydro Insurance Coverage Program. Program changes are associated with implementing the assignment of the Government of the Russian Federation on providing State corporation employees and employees of Russian companies partially owned by the State with vouchers to sanatorium-and-spa resorts in the Crimean Autonomous Republic. The Company has developed the Healthy Generation program, under which during the reporting period the Company's employees, their parents and children were able to rest in sanatorium-and-spa resorts of the Crimean Federal District for free.



NON-STATE PENSION COVERAGE STRUCTURE OF RUSHYDRO



CHARITY AND SPONSORSHIP

The Charity and Sponsorship Program included in RusHydro's corporate strategy is focused on educating the new generation of professional power engineers and forming a favorable social environment in all regions in which the Company is present.

The Company's 2014 Charity and Sponsorship Program in the amount of RUR 708 million was approved in early 2013. In August 2014, the Company decided to increase the amount of the Program by RUR 500 million to accommodate financial assistance to the Dinamo hockey club. The final amount of the Program stood at RUR 1,208 million. The main areas of the Program include:

Funding for industry-specific and other higher education institutions

RusHydro spent approximately RUR 65 million to support the following Russian higher education institutions:

- The Moscow State University of Civil Engineering;
- The Saint Petersburg State Polytechnical University;
- The Moscow Power Engineering Institute;
- The Sayano-Shushenskiy Branch of the Siberian Federal University;
- The Amur State University;
- The Saint Tikhon Academy of Humanities.

Implementation of charitable environmental projects

More than RUR 10 million was spent organizing and conducting various charitable environmental activities, including the "Ecological Paths" project under which the Company organizes hiking routes, builds ecological paths and develops recreation areas in the following nature reserves and sanctuaries:

- The Zeisky State Nature Reserve;
- The Khinganskiy State Nature Reserve;
- The Homeland of the Crane Nature Reserve, the Moscow Region;
- Elnikovskaya Grove, Novocheboksarsk;
- The North Ossetian State Nature Reserve;
- The Kabardino-Balkar State High-Mountain Nature Reserve;
- The Samarskaya Luka National Park;
- The Preduralye Landscape Reserve, Perm;
- The Darwinsky Biosphere Reserve;
- The Nechkinsky National Park.

The "Ecological paths" project teaches respect for nature and provides an opportunity to get acquainted with rare animals and plants and enjoy the beauty of protected parts of Russia.

The "Born by Energy" Action

RusHydro steered more than RUR 10 million towards implementation of the "Born by Energy" Action which equips maternity hospitals and

the maternity wards of hospitals in the cities in which the Company's facilities are located with expensive diagnostic and rehabilitation equipment.

Educational activities

In 2014, the Company spent RUR 60 million to fund the Russian Geographical Society's activities, including the creation of a grant fund, the development of outreach and publishing activities, and expedition organization.

More than RUR 28 million were spent by the Company on overhauling Secondary School No. 44 (Sevastopol).

The Company allocated RUR 10 million to create the "Water Room" exhibition in the new building of the Moscow Experimental Museum. This is a unique set of exhibits which will tell you about hydropower, and show hydropower and hydrodynamics laws.

The Almanac for children and teenagers "I Want to Know Everything," which was published annually from 1957 to 1990 by the Leningrad branch of the Children's Literature Publishing House, received a second life thanks to mutual cooperation between the St. Petersburg DETGIZ Publishing House and RusHydro. The Almanac includes articles on topics, such as: "Out of the Ground. Space, Stars, Rockets," "The Earth. Atmosphere, ocean, mineral resources, and geography," "Life. Plants, animals, microbes," "Man. Evolution, body, psychology" and "The Second Nature. Energy, engineering, industry." The book has been presented in all regions in which the Company operates and a large part of the circulation has been given to children's homes, schools and libraries.

RusHydro held the ninth annual "Books as a gift" event. Visually impaired and blind children in 14 Russian regions received 513 sets of illustrated books in Braille. The action took place in the Dagestan, Kabardino-Balkaria, Karachay-Cherkessia, North Ossetia, Khakassia, Chuvashia, in the Volgograd, Saratov, Nizhny Novgorod, Novosibirsk, Samara and Yaroslavl Regions, and the Perm Territory. Specialized books for preschool age children were published at RusHydro's expense by Illustrated Books for Small Blind Children, a non-governmental charitable foundation. The books are not sold; they are distributed free-of-charge and in a targeted way thanks to contributions from art patrons and sponsors.

The comprehensive development program of the social infrastructure of the Cheryomushki Village

The comprehensive development program of the social infrastructure of the Cheryomushki Village is being developed and implemented by RusHydro, together with the Government of the Republic of Khakassia, with the participation of the Sayanogorsk city administration. The program provides for a complete renovation and modernization of the village's social facilities (schools, health facilities, roads, bridges, playgrounds and sports facilities). In 2014, the Company continued to fund the Program, allocating RUR 140.3 million for this objective.

Sports support

During the reporting year, the Company allocated more than RUR 560 million to support and develop Russian sports, including: financing the Dinamo hockey club, the Russian Whitewater Federation, the Practical Shooting Federation of Russia, the Russian Chess Federation, the Russian Union of Martial Arts and other sports institutions.

Corporate Volunteering

The Company develops corporate volunteering and supports individual employee participation in various social projects. Over the past two years, the Company has repeatedly organized charity events to raise funds for the needy, fairs involving charitable foundations, and donor days. In 2014, the total amount of employee donations was more than RUR 2.5 million.

INTERACTIONS WITH REGIONAL AND MUNICIPAL AUTHORITIES

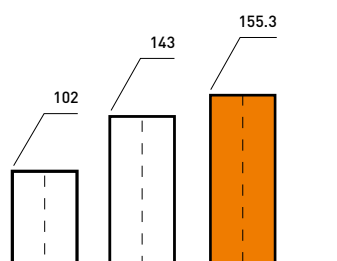
Along with international activity development, RusHydro is undertaking efforts to develop strategic interactions with local authorities in the regions in which it operates and create a favorable social climate for efficient Group development, including by developing effective social partnerships in these regions. Completing social and economic cooperation agreements is one of the ways in which RusHydro interacts with regional authorities to address regional socio-economic problems.

As of December 31, 2014, 13 cooperation agreements have been entered into with the following regions:

- The Republic of Altai;
- The Republic of Bashkortostan;
- The Republic of Dagestan;
- The Kabardino-Balkarian Republic;
- The Republic of North Ossetia-Alania;
- The Republic of Khakassia
- The Krasnoyarsk Region
- The Stavropol Region (two agreements);
- The Amur Region (two agreements);
- The Astrakhan Region;
- The Moscow Region;
- St. Petersburg;
- The Magadan Region.

The Group is convinced that only close interactions with local authorities when developing RusHydro's presence in the respective territories will guarantee continued success.

THE COMPANY'S EXPENDITURES ON OCCUPATIONAL SAFETY AND HEALTH, 2012-2014, RUR MILLION



SAFETY AND ENVIRONMENTAL PROTECTION

Industrial security

Ensuring a reliable energy supply and the safe operation of equipment and hydro-power engineering for the population and the environment is one of RusHydro's key strategic objectives.

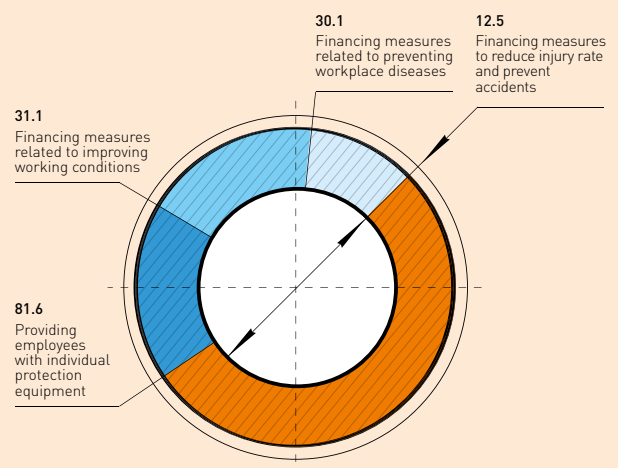
Approaches used to ensure energy supply reliability and the safety of equipment, buildings and structures are fixed in the provisions of RusHydro's Technical Policy, which came into effect in 2011. The instrument used to implement the Technical Policy is the Production Program which is developed based on the results of evaluating equipment condition, the forecasts for energy consumption in the regions and the water inflows of rivers, as well as industry standard requirements. The Program's activities are planned for the medium (6 years) and long-term (15 years).

To identify and analyze insurance risks at production assets, the Company conducts surveys (independent technical expertise), and introduces a system of key performance indicators (KPIs) and limits (control figures), including monitoring how the object can be protected in the event of natural disasters.

Occupational safety and health

As a responsible and socially oriented employer, RusHydro organizes and constantly improves its modern occupational health and safety management system which complies with the latest global trends. The Company implements measures related to preventing workplace accidents and diseases, improving general working conditions, and providing employees with individual protection equipment, as well as organizing medical examinations and special assessments of the personnel's working conditions.

THE COMPANY'S EXPENDITURES ON OCCUPATIONAL SAFETY AND HEALTH, 2014, RUR MILLION





Ecological safety

The Company fulfills Russian legislative requirements in the field of environmental protection; participates in the performance of Russia's obligations that arise from international conventions within the environmental protection sphere, as ratified by the Russian Federation; and aims to continually reduce its (negative) influence on the environment and to prevent environmental pollution.

The introduction of new techniques and technologies under the Comprehensive HPPs Modernization Program is carried out subject to the Company's Environmental Policy objectives and principles, which reduces production's environmental impact.

The Company supports the industry and international initiatives to reduce industrial load on the environment and the population, and to promote and establish environmental responsibility standards. The Company carries out compulsory compensatory measures to reduce the environmental load in zones impacted by the Company's facilities:

- Stocking and developing natural sites and protected areas;
- Carrying out voluntary environmental programs aimed at promoting environmental friendliness (cooperation with the reserves, national parks and other protected areas, as well as with educational institutions and environmental organizations).

RUSHYDRO GROUP'S SUSTAINABLE DEVELOPMENT REPORT

The Company prepares the RusHydro Group's Sustainable Development Report on an annual basis which covers the most notable corporate achievements in economic, environmental and social spheres. More information about the social reports of the Company can be found on the corporate website at the following link: http://www.rushydro.ru/sustainable_development/socialotvetstvenost/kso/.

The RusHydro Group's 2013 Sustainable Development Report won first place in a composite rating of the non-financial reporting of companies partially owned by the State, which was carried out by Emerging Communications at the end of 2013. According to analysts, the Company has demonstrated a high degree of corporate social responsibility and has fully disclosed its performance results. The RusHydro Group received the highest score on the extent of information disclosure, ranking first on parameters such as economic impact, and environmental and social details. The RusHydro Group was the only company whose report received assurance from the Global Reporting Initiative (GRI) and one of the two companies which held dialogues with stakeholders as part of report preparation.

The 2013 Report also received public acknowledgment from the Council on Non-financial Reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP), which proves the Company's consistency in developing a reporting process and ensuring activity transparency.

Contacts and Administrative Details

Full name:	"Open Joint Stock Company Federal Hydro-Generating Company – RusHydro"
Abbreviated name:	JSC RusHydro
Primary State registration number (OGRN)	1042401810494
Individual taxpayer number (INN)	2460066195
Tax registration code (KPP)	997450001
General classification of enterprises and organizations (OKPO)	75782411
Russian classification of economic activities (OKVED)	40.10.12

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Internet address in English:	www.eng.rushydro.ru

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BIC:	044525204
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Registrar

License No.:	10-000-1-00264 as of December 3rd, 2002
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	Maria Mozhina
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Fax:	+7 (495) 956-0938
E-mail:	bonds@nsd.ru
Internet address:	www.nsd.ru

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Abbreviated name:	CJSC PwC Audit
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Fax:	+7 (495) 967-6001
E-mail:	pwc.russia@ru.pwc.com
Internet address:	www.pwc.ru

Branches

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The Votkinskaya HPP Branch	Chaykovsky, the Perm Region, Russia Telephone +{7} 34241 7 03 59 http://www.votges.rushydro.ru/
The Dagestan Branch	5 M. Khalilova Street, Kaspiysk, the Republic of Dagestan, Russia Telephone: +{7} 8722 55 06 05 http://www.dagestan.rushydro.ru/
The Zhigulevskaya HPP Branch	Zhigulevsk, the Samara Region, Russia Telephone: +{7} 84862 7 93 59 http://www.zhiges.rushydro.ru/
The Zagorskaya PSPP Branch	100 Bogorodskoye, the Sergiev-Posad District, the Moscow Region, Russia Telephone: +{7} 495 957-2652, +{7} 49654 5 35 18 http://www.zagaes.rushydro.ru/
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Glossary of Key Terms and Abbreviations

Company, RusHydro	JSC RusHydro, including its branches and executive office
The RusHydro Group	JSC RusHydro, including its subsidiaries and dependent companies (SDCs)
RAO Energy Systems of the East Group	JSC RAO Energy Systems of the East
FTS	Federal Tariff Service
Gcal	Gigacalorie – a unit of measurement for heating energy
Gcalh	Gigacalorie-Hour – a unit of measurement for heating power
HPP	Hydropower plant – the power plant as a unified production and technological complex, combining hydro-technical constructions and equipment that transforms mechanical energy from water into electric energy. In the text of the annual report, except when otherwise noted, tidal power stations and PS HPPs are included as HPPs
HTC	Hydro-technical constructions – dams, hydropower plant constructions, spillways, drain and water-discharge constructions, tunnels, channels, pumping stations, navigation locks, boat lifts; buildings used to protect from floods and the destruction of water reservoir shores; dam constructions, protecting the liquid waste reservoirs of production and agricultural organizations; devices that protect against washing-away and other constructions designed to use water resources and to prevent any negative impact from water and liquid waste
IES	Integrated Energy System (IES) – aggregated production and other electricity property assets, connected via a unified production process (including production in the form of the combined generation of electrical and heat energy) and the supply of electrical energy under the conditions of a centralized operating and dispatch management.
Installed capacity	Total nominal active capacity of generators at electric power plants which are part of the Group's structure
JSC RAO UES of Russia	The Russian energy company (until July 1st, 2008). Full name – Open Joint Stock Company Unified Energy System of Russia. The Company previously united almost all of Russia's energy sector under its umbrella. JSC RAO UES of Russia ceased to exist as of June 30th, 2008 due to comprehensive energy sector reform
kWh	Kilowatt-Hour – a unit of measurement for produced electricity
MW	Megawatt – a unit of measurement for electrical capacity
NM WEM	The new model of the wholesale electricity and capacity market foresees the transformation of the regulated sector of the wholesale market into a system of regulated contracts (RCs), concluded by wholesale market participants. Electricity and capacity will be sold under RCs. The volume of electricity not sold under RCs will be sold/purchased at free prices on the "day-ahead market" (at prices established as a result of the competitive choice of price applications and with free agreements, where prices are regulated by participants in the agreement(s)). At the same time, if the volume from the price application of purchases did not undergo competitive choice on the day-ahead market, the purchaser will have to buy the respective volumes for consumption on the balancing market
PS HPP	Pump storage hydropower plant – pump-storage power plant, which works 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
RC	Regulated contracts are concluded by participants in the wholesale market for a term of 1 to 3 years. The prices in each of these agreements are tariffs for energy suppliers and the capacity set by the Russian FTS. The primary condition of the RC is "take or pay". The supplier has to provide the agreed upon amount of electricity (capacity) and (only for electricity) buy in the market at competitive prices on either the day-ahead market or via a free bilateral agreement. The purchaser has to pay for the agreed upon amount independent of its own planned consumption
RES	Renewable energy sources – examples include: hydro, solar, wind, geo-thermal, hydraulic energy, energy from water currents, waves, tides, the temperature gradient of sea water, temperature differences between air masses and the ocean, heat from the Earth, animal bio-masses and vegetable and household waste
SDCs	Subsidiaries and dependent companies - entities, in which another (main) economic entity due to its majority or greater participation in the charter capital or in accordance with a concluded agreement or in another way, has the opportunity to determine the decisions adopted by said entities.
TGCs	Territorial generating companies – companies formed during the inter-regional integration of generating assets of JSC-energy (regional generating companies), except generating assets that are included in the OGK(s)
WEM, WEEM	Wholesale electricity market (capacity) – sphere for the turnover of electrical energy (capacity) within the framework of Russia's integrated 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 objects, confirmed in full accordance with the Russian Federal Law "On the electric power industry" (by the Russian Government). The criteria for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian government
WGCs	Generating companies of the wholesale electricity market (WEM) – companies formed on the basis of the power plants.
WPS	Wind electric plants include two or more wind energy installations designed to convert wind energy into electric energy and its transmission to consumers

