



RusHydro

JSC RusHydro

ANNUAL FINANCIAL REPORT

2010

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RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with IFRS, give a true and fair view of assets, liabilities, financial position and profit or loss of JSC RusHydro, and undertakings included in the consolidation as a whole; and

(b) the management report includes a fair review of the development and performance of the business and JSC RusHydro's position and undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that the Company faces.

Chairman of the Management Board

Chief Accountant



E.V. Dod

D.V. Finkel

KEY 2010 EVENTS

January

01	Approved 2010 Insurance Program which set planned insurance costs at RUR 583 million.
13	RusHydro's Research and Technical Board approved the Nizhne-Kurejskaya HPP design project developed by Lengidroproject and submitted it to the General Director for State Environmental Review (Glavgosekspertiza). The installed capacity of the plant located on the Kureyka River in the Turukhansky District of the Krasnoyarsk Region is 150 MW, with a long-term average output of 890 million kWh.
25	The Kolymkaya HPP, part of RusHydro's subsidiary, generated its 50 th billion kWh.
29	The Company executed an Agreement with the Khakassia Government to establish a mechanism to distribute charitable funds collected after the Sayano-Shushenskaya HPP accident and allocated for victims' family members.

February

01	Reviewed the 2010 Technical renovation and reconstruction program, which is included in the Investment Program.
03	Established the Expert Commission to evaluate conditions of the foundation-dam system of the Sayano-Shushenskaya HPP. The Commission included prominent Russian hydro-power scientists, who regularly evaluate the carrying capacity of the foundation-dam system.
10	Executed an agreement with JSC Power Machines on turn-key renovation of four units of the Volzhskaya HPP. Upon completion, the nominal capacity of each unit will increase from 118 MW to 129 MW, with a maximum of 145 MW. The Agreement was concluded for the 2011-2013 period.
24	Launched the renovated unit 6 of the Sayano-Shushenskaya HPP, with an installed capacity of 640 MW. The start-up ceremony was led by Russian Prime Minister Vladimir Putin.

March

01	Introduced the HPP Operation standard: planning methods and managing emergency reserve to establish unified rules for all RusHydro HPPs – allowing the Company to minimize property loss from any possible technological equipment disturbance.
03	Approved the 2010 Investment Program, totaling RUR 97.1 billion.
16	Launched a joint project with RIA News "The Sayano-Shushenskaya HPP: A New Life" to promote plant renovation.
22	Connected unit 5 of the Sayano-Shushenskaya HPP to the grid under load.
29	Approved the Employee Energy Saving Program to promote energy conservation efforts in 2010.
30	RusHydro published 2009 results prepared in accordance with Russian Accounting Standards.

April

02	Approved the 2010 Charity and Sponsorship Program.
02	Approved a new version of the Company's Corporate Governance Code.
12	Two restored units of the Sayano-Shushenskaya HPP generated the first billion kWh.
13	The first section of the Boguchanskaya HPP under construction reached the projected height of 214 meters
19	Adopted the 2010-2015 Safe operation program for RusHydro's Hydro-power facilities to enhance integrated measures for preventing accidents.
20	President Dmitry Medvedev signed an order to award State decorations of the Russian Federation to seven Sayano-Shushenskaya HPP employees for courage and professionalism in discharging their duties in the extreme conditions of the Sayano-Shushenskaya HPP accident.
20	The Company's Board of Directors made changes in RusHydro's Management Board.
30	Published RusHydro's 2009 audited financial statements under IFRS.

May

05	Published RusHydro's Q1 2010 financial results under Russian Accounting Standards (RAS).
12	Completed the assembly phase of hydropower unit No 4 at the Sayano-Shushenskaya HPP.
12	Signed a cooperation agreement with the Astrakhan Government to ensure sustainable development of the natural and economic system of the Volgo-Akhtubinsky low land and the Volga Delta in the Astrakhan Region and to improve the Region's environmental and social situation.
17	RusHydro's Board of Directors approved a targeted loan in the amount of RUR 2,166 billion to the Yuzhno-Yakutsk Geo-ecological Complex to fund the development of design documentation to construct the Kankunsky HPP.
28	The Company engaged in a transaction with RAO UES of the East and acquired majority stakes in

	utility companies to ensure consumer access.
31	The first 2010 International Conference and Exhibition on RES and Alternative Fuels was held in Moscow under the auspices of RusHydro.

June

16	The Board of Directors approved the Strategic Plan till 2015, which defines the Company's mid-term strategic goals and also approved the Company's Business Plan and development prospects.
18	Signed a hydro-power cooperation memorandum with Enel (Italy).
18	Signed a cooperation agreement with the Saint-Petersburg Administration, which envisages cooperating on implementing energy supply projects to upgrade energy efficiency.
24	The Russian Federal Service for Ecological, Technical and Atomic Supervision approved a declaration on the safety of the Sayano-Shushenskaya HPP's hydro-power facilities.
28	Signed a cooperation agreement to ensure sustainable power supply to JSC Polyus Gold's plants.
29	The Board of Directors approved RusHydro's membership in the self-regulating organization (SRO) and Non-commercial Partnership "The Union of Construction Organizations" (EnergoStroyAlliance (SRO NP EnergoStroyAlliance)).
30	At the Annual General Shareholders Meeting, shareholders approved the annual report and the annual financial statements and decided not to pay dividends for 2009. The meeting adopted a new version of the Charter, the Regulation on the Procedure for Convening and Holding General Shareholders Meetings and the Regulation on Remunerations to Members of the Company's Board of Directors.

July

02	Launched open subscription for RusHydro's shares as part of the additional issue of 19 billion shares (State registration number 1-01-55038-E-038D, as of November 19 th , 2009).
02	Signed letter of intent on energy supply for the Inaglinsky Coal Integrated Plant which is being constructed by ZAO Yakutsk Coal – New Technologies (a subsidiary of Kolmar Coal Holding), involving the South Yakutia Development Corporation.
09	Summed up the exercise of pre-emptive rights by RusHydro's shareholders relative to the additional share issue (State registration number 1-01-55038-E-038D, as of November 19 th , 2009) in which shareholders acquired 42% of the issue or 7,982,104,363 shares.
09	Announced RusHydro's preliminary performance results for H1 2010.
13	Signed cooperation agreement with the Altai Republic Government, focused on coordinating efforts to implement the Program for the Development of Small-Scale Power Generation to prevent power shortages and to upgrade power supply security for consumers in the Altai Republic.
14	Presented the 2011-2015 Program of Energy Saving and Upgrading Energy Efficiency. Energy efficiency of the Company's facilities will be increased by upgrading existing basic equipment and introducing innovative technologies to save energy, improve water resource usage and reduce energy consumption for own needs.
15	Concluded tri-lateral partnership agreement with SIEMENS AG and Rostechnology aimed at establishing business relationships for strategic cooperation to produce and market industrial products using RES.
16	The Company's Board of Directors made changes in the Management Board.
21	A terrorist act occurred at the Baksanskaya HPP (part of RusHydro's Kabardino-Balkarian Branch), damaging the turbine hall and killing two people.
29	The Board of Directors approved raising loan funds by placing two bond issues with a total nominal value of RUR 20 billion to finance investment activity.
29	Approved a new version of RusHydro's Credit Policy Regulation to adjust for planned international expansion.
30	Published RAS results of RusHydro's H1 2010 financial and economic performance.

August

02	At the Sayano-Shushenskaya HPP, the third unit (No. 4), with a capacity of 640 MW, was connected to the grid. The operating capacity of the renovated plant including two commissioned units reached 1,920 MW.
05	Updated key safety and reliability standards for RusHydro's units.
10	To develop international activity, the Board of Directors approved incorporating RusHydro International B.V. in the Netherlands.
10	The Board of Directors agreed to place in trust for INTER RAO UES its shares in utility companies owned by ESC RusHydro: Mosenergosbyt (50.9%), JSC St. Petersburg Energy Supply (61.51%), Altaienergosbyt (100%), Tambov Energy Supply (49.01%), Saratovenergo (48.36%) and Unified Energy Supply Company (100%).
27	Completed placement of the additional issue of RusHydro ordinary shares (State registration number

	1-01-55038-E-038D, as of November 19 th , 2009) – placed 100% of issued shares and raised RUR 21.85 billion.
27	A ceremony to lay the first cubic meter of concrete at the Nizhne-Bureyskaya HPP in the Amur Region was held. The Plant's projected capacity is 320 MW. Commissioning the first phase (2 units of 80 MW) is planned for 2014; the second phase will be commissioned in 2015 and full projected capacity will be reached in 2016. The projected construction cost is RUR 31.3 billion.
30	Trading of RusHydro's American Depositary Receipts (ADRs) on ordinary shares launched on OTCQX Platform.
31	The Company's Board of Directors made changes in RusHydro's Management Board.

September

01	RusHydro opened a new school in Cheremushki settlement timed to the beginning of a new school year under the Program for integrated development of social infrastructure of Cheremushki settlement
02	Launched a Concept and Program for personnel development "From New School to Work Place," creating conditions to meet RusHydro's needs for qualified personnel.
07	The turbine hall of the Irganayskaya HPP caught fire which had no effect on power supply to Dagestan and numerous customers.
13	Fitch International Rating Agency upgraded RusHydro's credit rating outlook from stable to positive and confirmed the Company's long-term rating of BB+.
15	The Company confirmed that the Investment Program will increase to RUR 100.4 billion.
15	RusHydro's service agreement with the Central Moscow Depository for maintaining the Company's shareholders register is terminated (based on CMD having its license withdrawn).
22	Signed cooperation memoranda with Voith Hydro GmbH & Co.KG (Austria) and Alstom Hydro (France), aimed at cooperation on renovation, upgrades and the technical re-equipment of HPPs.
28	Signed a memorandum with the Zhambylsk Regional Administration of Kazakhstan to cooperate on developing the RES industry.
29	Executed an agreement to supply power from the Mutnovsky Geo-thermal plant to consumers in the Far East
30	Registered the Report on the Company's additional share issue (State registration number 1-01-55038-E-038D, as of November 19 th , 2009).

October

07	The Zhigulevsky HPP increased its installed capacity to 2,330.5 MW from 2,320 MW after integrated testing of unit 9 (which was commissioned upon its renovation).
08	Obtained certificate of readiness for the 2010-2011 winter period for the Sayano-Shushenskaya HPP.
11	Signed a cooperation agreement with the Bashkortostan Government aimed at mutually beneficial cooperation in the energy industry, as well as for providing assistance in raising funds to build RES projects in the Republic.
11	Fitch Ratings assigned RusHydro a long-term issuer default rating in the national currency of BB+, with a positive outlook.
11	Fitch Ratings assigned RusHydro Finance Limited's prospective ruble-denominated Eurobond issue an expected local currency senior unsecured rating of BB+.
14	Launched trading of RusHydro's additional share issue (State registration number 1-01-55038-E-038D, as of November 19 th , 2009) on the RTS Stock Exchange.
14	Moody's Investor Service assigned a (P)Ba1 rating with stable outlook to the proposed ruble-denominated Eurobond to be issued by RusHydro Finance Limited.
15	Standard & Poor's assigned a BB+ rating to RusHydro Finance Limited's proposed Eurobond issue.
15	Signed a cooperation agreement with VNIIR HydroElectroAutomatica to establish a long-term partnership to implement construction, production, technical and research projects.
15	The Board of Directors approved a new registrar, Registrar ROST, which was selected via tender.
15	Approved 2011-2013 Investment Program totaling RUR 308 billion.
15	Obtained the compliance certificate of RusHydro Branch - Cascade of Kubanskiye HPPs job safety management system with OHSAS 18001-2007
21	Signed a memorandum with the Alma-Ata Regional Administration of Kazakhstan aimed at cooperation in developing hydro-power, wind power and other RES.
21	RusHydro acquired 100% of OJSC Research Institute Hydroproject's shares to develop the scientific and design spheres and consolidate scientific and engineering assets.
22	Held an Extraordinary Meeting of RusHydro's shareholders via absentee voting to approve an interested party transaction with Vneshekonombank (security and guarantee agreements) to finance BEMO project and increase the Company's charter capital by RUR 1.86 billion.
26	Completed the Company's preliminary performance results for 9 months 2010.
26	Published the Company's RAS financial and business performance results for 9 months 2010.

28	Successfully placed first ruble-denominated Eurobonds of RusHydro Finance Limited, which secured a RUR 20 billion loan for the Company.
29	The Company's Board of Directors approved an additional share issue with a nominal value of RUR 1.86 billion and the issue prospectus.
31	Signed a letter of intent with the Daktrin Hydropower Company (Vietnam) to acquire a controlling stake.

November

03	For the first time, RusHydro was included in the ranking of the world's 250 largest energy companies - 2010 Top 250 Global Energy Company Rankings™, compiled by Platts Agency. The Company was ranked 113 th in the composite ranking and second among the world's 50 fastest growing energy companies.
10	Trading of the Company's additional share issue (State registration number 1-01-55038-E-038D, as of November 19 th , 2009) began on the MICEX Stock Exchange on the 'A' quotation list.
10	RusHydro became a 100% owner of ChirkeiGESstroy by acquiring Gidroinvest, the Company's subsidiary, a 25% stake of ChirkeiGESstroy.
12	RusHydro obtained a certificate of readiness for the 2010-2011 winter period.
12	Signed a memorandum of cooperation and understanding with JSC Bashkirenergo to implement power industry projects. The agreement is related to implementing energy saving, hydro-power development and RES and innovative technology projects.
16	Approved a new version of the Regulation on Remunerations for Members of the Company's Management Board.
16	As part of its new corporate strategy, RusHydro's Board of Directors approved a new branding.
17	Signed a memorandum of understanding with ANDRITZ HYDRO GmbH (Austria) focused on cooperation in the spheres of renovating, upgrading and technically re-equipping existing HPPs.
20	Obtained compliance certificates for environmental management systems of RusHydro Branches – Cheboksarskaya HPP and Kamskaya HPP with ISO-14001-2004
23	Published H1 2010 IFRS performance results.
24	Signed an agreement with Sanxia HPP aimed at hydro-power cooperation and exchanging experience in design, construction and the safe operation of hydro-power facilities.
29	Signed an agreement to develop the technical design of the Upper Subansiry Hydro System on the Subansiri River in India between Hydroproject Institute, a part of RusHydro's science and design complex, and KSK Energy Ventures Limited K.A., Sastri, India.
30	The Company' Board of Directors made changes in RusHydro's Management Board.

December

01	JSC Boguchanskaya HPP and Vneshechnombank concluded an agreement to issue a RUR 28.1 billion loan to fund completion of the Boguchanskaya HPP, a part of the Boguchansky Power and Metallurgical Complex (BEMO). RusHydro acted as a guarantor for this loan.
02	RusHydro registered an additional RUR 1.86 billion issue and ordinary share prospectus with state registration number 1-01-55038-E-039D.
08	RusHydro consolidated approximately 25% of Krasnoyarskaya HPP shares.
08	As part of the placement, was set the price of ordinary shares at RUR 1.61 per share (state registration number 1-01-55038-E-039D, as of November 19 th , 2010).
08	Approved RusHydro's 2010 Insurance coverage program.
08	The Board of Directors approved the Standard collective agreement for RusHydro branches for 2011-2013.
09	Signed an agreement with Alstom Hydro (France) to renovate and upgrade the Kuban HPP Cascade.
09	Signed a tri-lateral agreement with RusHydro, the Bashkortostan Government and Alstom Hydro (France) to establish a joint venture to produce hydro-power equipment in Bashkortostan.
10	Placed RusHydro's additional share issue (State registration number 1-01-55038-E-039D, as of December 2 nd , 2010), under pre-emptive rights to purchase shares.
15	Vestnik RusHydro ranked among Russia's three best corporate newspapers in the Fifth National Contest of Corporate Mass Media Silver Threads-2010.
22	RusHydro completed the first phase of the Sayano-Shushenskaya HPP restoration by connecting unit 3 to the grid for performance tests.
22	The Board of Directors approved the Option program of RusHydro
23	Started the placement of RusHydro additional share issue (state registration number 1-01-55038-E-039D, as of December 2 nd , 2010).
26	The second plant of the Nizhne-Cherekskaya HPP – the Kashkhatau HPP Cascade in Kabardino-Balkaria, with installed capacity of 65.1 MW, was connected to the grid under load for performance tests.
29	Completed construction of the priority facility of the Yergolykskaya HPP 2 in the Stavropol Region,

with an installed capacity of 14.2 MW.

29

The Company approved 2011-2015 Innovative Development Program

ABOUT THE COMPANY

History

RusHydro, Russia's largest power sector company in the renewable energy sector, was incorporated in December 2004 as part of the State program for power sector reform and creating a competitive industry in accordance with Resolution No. 1254-r of the Russian Government (dated September 1st, 2003).

OJSC RAO UES of Russia's hydro-power assets were united as part of RusHydro between 2005 and 2008; the process had multiple stages, including: an additional share issue, which was paid for with shares of HPPs and the property complex used by HPPs in electricity production, and consolidation - re-organizing via merging the Company's subsidiary and dependent companies.

In 2007, as a result of the additional share issue, the Russian Federation, represented by the Federal Agency for State Property Management (Rosimushchestvo), became one of the Company's shareholders.

In January 2008, RusHydro completed the first stage of consolidation by merging twenty joint stock companies. The end stage of the merger took place in July 2008, when OJSC State Holding HydroOGK and OJSC Minority Holding HydroOGK were spun off from RAO UES of Russia and OJSC Irganayskaya HPP and OJSC Cascade of the Nizhne-Cherekskaya HPPs were re-organized as part of RusHydro; the shares of these companies were converted into RusHydro shares.

As a result, the Company achieved its target model in July 2008. In the same year, the Company's stock was listed on the Russian stock market. To increase liquidity, raise market capitalization, attract new investors and grant rights to former depositary receipt holders of OJSC RAO UES of Russia, the Company launched a depositary receipt (DR) program. The program is managed by The Bank of New York Mellon.

Following consolidation, the Company united more than 50 HPPs in 18 Russian regions, with a total installed capacity of more than 25 GW.

In 2009, an accident occurred at Russian's largest HPP, the Sayano-Shushenskaya HPP. This accident marked a turning point for the Company. Lessons learned from the accident and results of the investigation carried out by ad hoc commissions from the Federal Service for Environmental, Technological and Nuclear Supervision (Rostekhnadzor), the Russian State Duma and an ad hoc commission of RusHydro resulted in the revision of the majority of safety norms and standards in hydro-power facility construction and maintenance. In addition, the Company focused on technical rehabilitation and modernization for existing HPPs, including raising financing for the Company's Technical renovation and reconstruction program.

In 2010, the Company completed the first stage of restoration of the Sayano-Shushenskaya HPP, successfully launching four hydro-power units with a capacity of 640 MB of each unit.

During the reporting period, the Company remained committed to further developing production potential: construction was wrapped up at the Kashkhatau HPP and the Egorlykskaya HPP-2 in 2010, and consolidating existing hydro-power assets in Siberia (acquiring a blocking stake in the Krasnoyarskaya HPP).

Furthermore, the Company actively developed its priority areas: power sales (by acquiring several specialized companies), innovations and R&D (by acquiring 100% of shares in JSC Institute Hydroproject). The Company resumed the launch of its foreign market program, which was halted during the 2008 economic crisis. Special attention was paid to alternative energy projects in Russia, as well as energy conservation and energy efficiency improvement programs, which were named as power sector priorities by the national government.

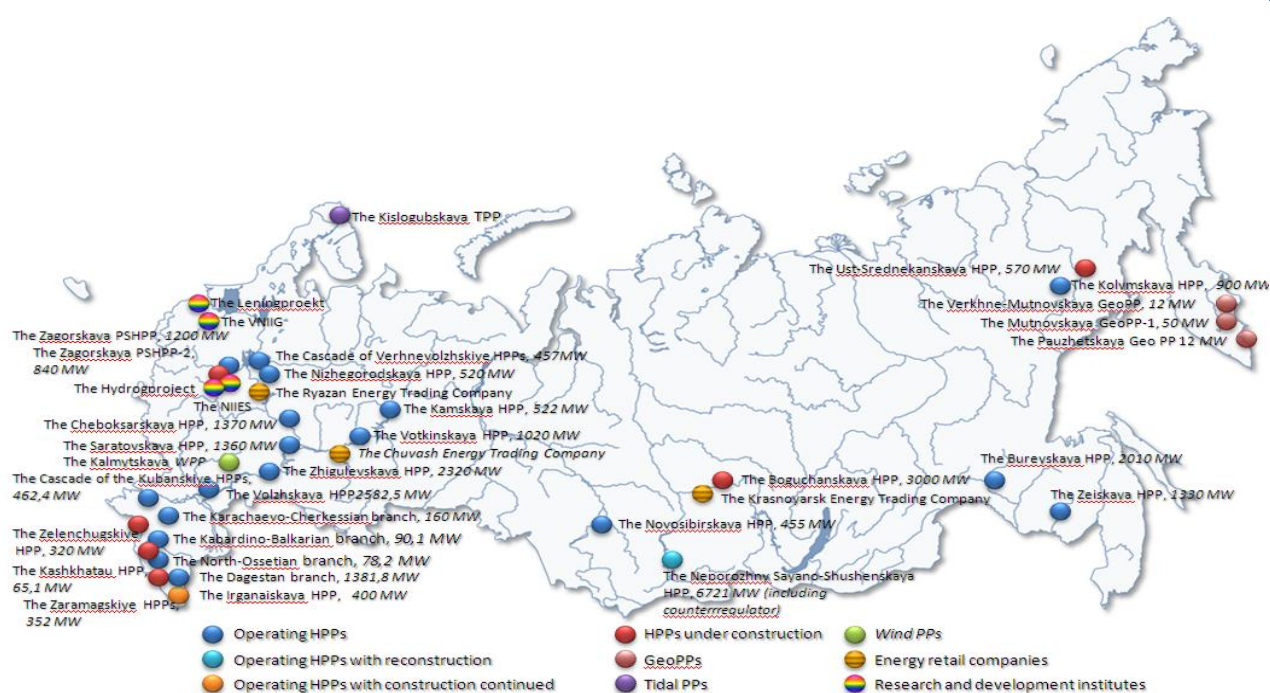
Today, RusHydro plays a system-forming role in the Russian power sector and supports the performance and safety of Russia's vital life-sustaining systems.

The Company today

RusHydro is Russia's largest hydro-power generation company, based on installed capacity, and the leader in renewable energy using water currents, sea tides, wind and geo-thermal energy.

Charter capital structure	as of December 31st, 2010	Credit ratings	as of December 31st, 2010
Russian Federation	57.97%	Standard & Poor's	BB+
Minority shareholders	42.03%	Fitch Ratings	BB+
including ADR holders	10.05%	Moody's	Ba1

Highlights	as of December 31st, 2010
Installed capacity, GW	25.5
2010 power generation, mln. kWh	72,045
Number of generating facilities	61
2010 revenue, RUR mln.	418,003
2010 EBITDA, RUR mln.	61,575
Market capitalization, USD mln.	15,503



Including the Sayano-Shushenskaya HPP, which is the largest HPP in Russia, the Company unites 61 renewable energy source (RES) facilities, including: nine HPPs of the Volzhskaya-Kamskaya Cascade with a total installed capacity of more than 10,000 MW, the Zeyskaya HPP (installed capacity of 1,330 MW) in the Far East, the Bureyskaya HPP (installed capacity of 2,010 MW), the Novosibirskaya HPP (installed capacity of 455 MW) and several dozen HPPs in the North Caucasus Region, including the Kashkhatau HPP (installed capacity of 65.1 MW), which was launched in the Kabardino-Balkar Republic at the end of 2010. RusHydro also includes geo-thermal stations in Kamchatka and the highly maneuverable capacities of the Zagorskaya Pumped Storage Power Plant (PSPP) in the Moscow Region, which are used to cover irregularities in the daily power load in the Central IES. RusHydro Holding also includes organizations focused on R&D, planning and surveying and engineering, along with retail power sales companies.

In addition to managing existing HPPs and RES facilities, RusHydro continues to implement investment projects for HPP construction in various Russian regions. The largest ones include: the Boguchanskaya HPP (installed capacity of 3,000 MW) construction project, which is being built jointly with UC RUSAL on the Angara River in the Krasnoyarsk Region; the second part of the Cascade of Zaramagskiye HPPs (installed capacity of 352 MW) on the Ardon River in the Republic of North Ossetia – Alania; the Zagorskaya PSPP-2 (installed capacity of 840 MW) in the Sergievo-Posadskiy District of the Moscow Region; the Ust-Srednekanskaya HPP (installed capacity of 570 MW) in the Magadan Region and the Nizhne-Bureyskaya HPP (installed capacity of 320 MW, a counter-regulator of the Bureyskaya HPP) in the Amur Region, along with others.

Mission and Strategy

RusHydro's mission is to effectively utilize hydro resources, to create conditions required for the reliable performance of the Unified Energy System (UES) and to enhance renewable energy source usage to benefit the Company's shareholders and society as a whole.

RusHydro's strategy

The Strategic Plan up to 2015 and future development to 2020, approved by the Company's Board of Directors in 2010, outlines a wide range of strategic areas for corporate development.

Strategic aims:

- ❖ To ensure the reliable and safe performance of the Company's facilities;
- ❖ To upgrade energy efficiency by driving sustainable development of power generation based on RES;
- ❖ To increase market capitalization.

The Company boasts unique advantages that leave it well-positioned to strengthen its positions and enhance its role both domestically and abroad:

- ❖ Clean power generation: the renewable nature and environmental friendliness of sources used in production;
- ❖ Energy efficient production: hydro-power guarantees reduced dependence of Russian electricity costs on organic fuel as its power generation has no fuel component;
- ❖ The basis for system reliability: HPPs perform system-forming functions, alongside functions of immediate (highly maneuverable capacities) and strategic reserves for power production and guaranteed reliable performance of the unified energy system (HPPs with long-term storage reservoirs);
- ❖ The driver of renewable energy innovations: a priority focus on technical upgrades, which promote R&D and the practical implementation of new power generation technologies that utilize RES;
- ❖ State-of-the-art management with extensive experience in creating and managing hydro-power assets, including in foreign markets.

For the period till 2020, RusHydro is positioned as a global multinational vertically integrated holding and as one of the world leaders in RES development.

The Company's distinguishing features will include:

- ❖ A multi-focused engineering complex capable of driving highly effective competitive RES development both in Russia and abroad;
- ❖ An established retail power sales business ensuring high quality service and uninterrupted consumer supply;
- ❖ Equipment and supply manufacturers within the Company, alongside major energy-intensive consumers;
- ❖ A balanced business portfolio that builds the Company's maximum value;
- ❖ Fast rates of introducing innovations – across technical and technological solutions, as well as management systems.

The Company is the State's key agent in implementing hydro-power projects in accordance with Russia's Energy Strategy for the Period till 2030 and is also a consolidation platform for Russia's hydro-power industry.

Strategic activities of the Company's management team are focused on numerous key areas:

Hydro-power generation

Guaranteed reliability and the renovation of existing assets is a key task in hydro-power generation and will primarily be addressed via technical upgrades and reconstruction programs, restoration of the Sayano-Shushenskaya HPP and construction of the second stage of the coastal spillway, creation of a service center for HPP monitoring and maintenance, a switch-over to long-term contracts for equipment maintenance and delivery and rapid introduction of innovations. At the same time, the Company plans to undertake active measures to optimize HPP operating modes and to increase electricity and power sales from operating assets. The Company's hydro-power generation assets will be expanded by launching new capacities at hydro-power plants (HPPs) and pumped storage power plants (PSPPs), as well as by gaining control/acquiring shareholdings in hydro-power generation companies.

Engineering and R&D

The key tasks in engineering include: upgrading R&D competencies; creating a full-service EPC(M) sub-contractor in the hydro-power industry holding a competitive edge in foreign markets; optimizing design timeframes, upgrading the quality of project solutions and reducing construction costs and timeframes for new corporate facilities.

RusHydro also plans to achieve marked efficiency improvement in repair and maintenance service offered to the Company's assets by developing and introducing a target model for repair and maintenance organizations and by switching over to long-term partnerships with repair services providers.

Retail power sales business

The key activities in this area will include enhancing the Company's presence and sales across retail electricity markets, driven by the acquisition of shares in retail power sales companies, as well as by maintaining and expanding the customer base and attracting new large consumers.

One of the priorities of JSC "RusHydro" in this area is to form on the basis of JSC "ESK RusHydro" (100% subsidiary of the Company) the retail power sales companies providing integrated services in power supplies, power savings, public utility and other services (Multi-utility companies).

Innovations and energy efficiency

An effective system for managing innovations and developing innovative areas with strong upside potential, including those outlined in Russia's Energy Strategy till 2030, will deliver greater competitive advantages for RusHydro and drive further successful corporate evolution. Key measures in this area include: creating a program for innovation-based development, establishing an innovations R&D center; creating a scientific center for upgrading design and construction technology; developing engineering foresight and monitoring systems for new technologies and innovations; creating a knowledge management system.

Renewable energy

A key measure that underpins Russia's effective RES development is creating normative documentation aimed at providing incentives for RES usage. In conjunction with this, special activities to promote corporate technological and technical conditions that contribute to RES development are required to drive large-scale construction of small hydro-power plants (HPPs), wind power plants (WPPs), geo-thermal power plants (GeoPPs), biofuel-based energy facilities and tidal power plant projects.

International activities

In accordance with foreign energy policy targets outlined by Russia's Energy Strategy till 2030, the Russian hydro-power industry will be integrated into the global energy market. In the medium term, RusHydro plans to implement integrated infrastructure investment projects abroad, provide hydro-power asset management services, engineering services and hydro-power maintenance services; promote bi-lateral cooperation with foreign electricity, design and engineering companies and set up experience exchange cooperation to introduce innovations and new technologies in hydro-power and RES.

Hydro-economic complex

RusHydro's expanded operations in the hydro-economic sector can open up new corporate opportunities and introduce a range of synergistic effects with key corporate business. In line with this, RusHydro will study possibilities for entering respective markets via pilot projects.

Human resources

RusHydro sees development of human resources in all its business areas as a strategic direction and understands that the Company must participate in planning and implementation of national and industry-related programs of development; in particular, it intends to form a target order for training of professionals, support secondary vocational training of skilled workers for the hydropower industry, participate in organization of the School for Young Hydraulic Power Engineers, reinforce interaction with industry-related higher educational establishments and research institutes.

Progress across main development areas are illustrated by the following target indicators:

Strategic indicator	2015 target
Reliability criteria compliance	No accidents
Launch of new HPP capacities and capacities of acquired/managed hydro-power assets	10 GW
Launch of RES capacities	approx. 140 MW
Total installed RES capacity currently at the design document development stage	500 MW in small HPPs, 1,000 MW in WPPs
Installed capacity, in ownership and in operating/trust management, in foreign markets	1 GW by 2015 5 GW by 2020
Annual electricity output	113 billion kWh

The Company introduced its new brand identity in 2010. Brand identity changes occurred due to implementing the new corporate strategy that involves developing international operations and actively participating in projects involving RES use.

RISKS

Risk Management Policy

The Company identifies, assesses and minimizes the potential effects of risks on operations and looks to comply with international and domestic risk management standards. By effectively reducing negative effects, the Company upgraded its investment attractiveness for many potential investors and existing shareholders.

The Strategic Risk Register is updated annually and is assessed based on the Strategic Risk Register for the previous period and a review of internal documents taking into account the current business process changes in the Company with a view to RusHydro's strategic development priorities for the period in question and external public information featuring the effects of external changes on the Company's operations.

For risk management purposes, in the Company was established and runs the internal control and risk management department; it develops and introduces new methods of risk identification and measurement and risk response systems in accordance with Company's risk appetite based on the best practice and risk management standards COSO ERM, ISO31000 и ISO31010.

RusHydro independently performs risk assessments. Suregrove Limited, an independent surveyor company, carried out survey inspections of several corporate branches. In 2011, these surveys will be performed at all RusHydro branches. The quality evaluation of Company's risk management system is regularly carried out in the process of preparation the auditing reports by CJSC PricewaterhouseCoopers Audit, which is selected as Company's auditor.

The risks that the Company faces can be divided into three categories: country-, sector- and company-specific risks.

Country-Specific Risks

The Company operates in the Russian Federation (Russia) and is exposed to specific economic and political risks for the country.

Russia's investment ratings, established by the world's leading rating agencies, reflect low public debt and high liquidity level, on the one hand, and high political risk, on the other hand, which remains the principal impediment to higher ratings.

Russia is especially dependent on global fluctuations in raw materials prices, so a drop in natural gas and oil prices may negatively affect Russian economic development. In addition, global economic challenges may reduce foreign investment in Russia. The above factors may limit RusHydro's access to funding sources and negatively impact the purchasing power of the Company's consumers.

In addition to economic factors, the Company's performance may be affected by the political situation in Russia (the State is the Company's largest shareholder), creating impediments to efficient bureaucratic reform, inconsistency and frequent changes in tax and currency laws, an incomplete judicial system and a depreciation in power industry and transportation infrastructure.

Sector-Specific Risks

Russia's power industry underwent reform related to the 2011 establishment of a liberalized energy market in which all energy (with the temporary exception of energy distributed to the residential sector and supplied to non-price and isolated regions) will be marketed at non-regulated prices based on market supply and demand.

Dramatic changes will affect regulations governing power generating companies in Russia, including in areas such as market liberalization, establishing energy tariffs, capacity market and relationships between energy producers and consumers.

Due to the reform process and an indefinite completion timeframe and scale, the Russian electricity market has experienced dramatic changes and continues to operate under relative uncertainty.

Operational (production) risks (man-made accident risk)

These risks are related to physical depreciation, the violation of operating conditions and critical changes in equipment operation parameters. These risks may lead to equipment breakdowns, accidents or the destruction of structures.

HPPs play a significant role in providing required energy supply, by covering the irregular part of the daily load pattern and becoming a short-term operative and emergency capacity reserve. The hard operating mode for basic plant equipment triggers the aging process.

Based on in-house assessments, the probability that basic equipment and hydro-power structures will break down is at an average statistical level. All major industrial facilities are insured against these types of risks.

Furthermore, the Company has undertaken a series of measures to ensure the reliability of equipment and structures at an adequate level:

- ❖ Performs full-scale repairs and maintenance, puts in place an advanced technical renovation and reconstruction program approved by the Company's Board of Directors;
- ❖ Introduces sophisticated methods for equipment diagnostics without interrupting operations, up-to-date business asset management technologies, including necessary information technology, and continuously updating the structure and number of spare parts;
- ❖ Develops a life-cycle management system for equipment at existing HPPs;
- ❖ The Company pursues regular development of standards in design, construction and safe operation of hydropower facilities in accordance with RusHydro's Standardization program on technical regulation; and
- ❖ In 2010, the Company has developed and introduced updates on 19 current corporate standards aimed at regulating requirements on large-scale HPPs operation and approved new Company standards with a view to the recommendations on the regulatory framework improvement included in the Accident investigation report on the Sayano-Shushenskaya HPP.

Environmental risks

Environmental risks involve possible oil leakages from HPP power units into rivers and exceeding head water and downstream dam (reservoir) levels. Exceeding the reservoir level in head water and downstream water may lead to coastal zone flooding, which could affect industrial and residential facilities and natural resources.

To minimize risks, the Company replaces elements and units of power turbines with up-to-date ones which ensure the high environmental sustainability of generation. The reservoir level is regulated in strict compliance with a schedule established by the Inter-agency Task Group. Emergency dams and structures are used to prevent flooding.

To further upgrade environmental protection, the Company has implemented an environmental management system that meets ISO-14001-2004.

Risks related to building alternative power supply facilities

One goal of Russia's power sector reform is to establish competition in the sphere of Russian energy generation and supply. Alternative power supply facilities set up by large-scale consumers may increase competition and reduce the Company's future generation and sales volumes.

To minimize this risk, RusHydro actively communicates with its customers to establish beneficial and stable relationships, increases performance efficiency by implementing cost-cutting programs and ensures savings, increases the share of long-term power supply contracts in the total number of executed contracts and follows a balanced issuer's policy.

Risk of indefinite generation volumes

This risk involves the inability to accurately forecast the volume of generated energy in the mid- and long-term. This risk primarily affects performance obligations for power supply on the wholesale electricity and power market.

This risk is minimized in the process of RusHydro's generating and supply operations via the following steps:

- ❖ Preparing proposals to change the existing legislative framework regarding HPPs' freedom in the intra-day planning of their own generation and submitting price bids;
- ❖ Protecting the interests of HPPs in inter-departmental operational groups at Russia's Federal Agency on Water Resources;
- ❖ Concluding bi-lateral hedging contracts on the day-ahead market (including for electric power purchases to meet obligations).

Company-specific risks

Currently, important corporate risks include: developing and operating the largest hydro-power company in today's conditions with a view to the physical and moral depreciation of assets and technologies, an ageing workforce and a shortage of qualified personnel and the ongoing risk of political instability and terrorism.

In the short-term, the Company has identified the following key risks: risks of man-made environmental accidents, risks of fluctuations in market and investment projects parameters and risks related to energy supply during ongoing sector reform.

In the longer-term, it is reasonable to expect increased personnel risks and risks related to relatively new technologies and business developments, including RES use and innovative activity.

Risks of man-made environmental accidents

The most significant risk (based on the effect on the Company) is the risk of man-made environmental accidents interrupting generation and further decreasing revenues required to carry out business operations, including investment and dividend payments. Risk factors include: a high level of physical depreciation, violation of operating requirements and untimely repairs and technical renovation and reconstruction, which may cause basic equipment default and the destruction of hydro-power facilities.

The Company's efforts to minimize these risks are outlined in the Section Sector-Related Risks.

Risk of fluctuations in market and investment project parameters

This risk is critical for the Company primarily due to the high cost of suspending investment projects; at the same time, the most probable risk-related loss not exceeds 10-15% of the total annual investment program. Essential over-expenditures may cause the re-allocation of investment resources and a negative revaluation of the Company's market value by shareholders and investors.

Risk factors include: growing equipment and material prices, low quality design documents, negative changes in currency rates, high cost of suspending investment projects and low equipment quality (low technological culture of manufacturers).

To mitigate negative effects, the Company has undertaken the following efforts:

- ❖ Develops corporate project management system to collate data for existing and contemplated projects;
- ❖ Updates insurance and purchase systems regarding construction and installation;
- ❖ Improves own design institutes in terms of internal inspections of design and operating documents; and
- ❖ Develops quality control system for supplied equipment (including manufacturing and delivery).

Falling revenues from energy and capacity sales

This risk is critical as the basic risk for corporate sales. It will challenge the Company's strategic goal to maximize value to shareholders, the State, community and employees.

Basic risk factors include: changes in the market model related to 2011 liberalization, reduced target investment component included in capacity payments (or its complete cancellation as of 2013) and falling consumption volumes in WME (and, thus, DAM prices) due to economic stagnation.

- ❖ Drop in selling prices on the non-regulated market due to reduced consumption in WME;
- ❖ Regulator interference in pricing on the competitive energy and capacity market;
- ❖ Growing social load from energy prices;

- ❖ Changes in price/tariff calculation methods;
- ❖ Increases in consumer energy efficiency;
- ❖ Delay in entering HPPs in the WME;
- ❖ No compensation for HPPs and PSHPPs for their contribution to energy system regulation in market rules;
- ❖ Reduced target investment component included in capacity payment or its complete cancellation as of 2013.

The Company uses the following sales efforts to minimize risk:

- ❖ Preparing proposals to change the existing legislative framework regarding HPPs' freedom for intra-day planning for production and giving price bids;
- ❖ Protecting the interests of HPPs in inter-departmental operational groups in Russia's Federal Agency on Water Resources;
- ❖ Concluding hedging bi-lateral contracts on the day-ahead market (including for electric power purchases to meet obligations on the wholesale market for electricity and capacity);
- ❖ Hedging market risks for price fluctuations and receiving additional income, the Company intends to participate in exchange auctions in derivative financial instruments on power energy.

Risk of inefficient mergers and acquisitions

This risk is relevant due to the Company's intensive operations on the M&A market. Principal risk factors include: revaluing shares of the merging company, underestimating additional investments, acquiring insolvent enterprises, falling shares of M&A participants and deteriorating market position and financial condition during the period for completing the M&A.

The Company looks to upgrade methods and procedures for merger and acquisition transactions, including adjusting transaction conditions, if any of the above negative effects arise in relation to the acquired asset.

Risk of delays and errors in management decision-making

Compliance measures reveal frequent cases of inaccurate or incomplete performance of management decisions made and approved procedures. A conflict may arise between the Company's strategic goals and shareholders' interests.

Risk factors include:

- ❖ Continuous process of corporate restructuring;
- ❖ Increase in internal transaction costs related to changes in the organizational structure;
- ❖ Imbalance between strategic goals and the management system model;
- ❖ Delays in approvals by the Company's internal stakeholders; and
- ❖ Possible conflicts of interests between shareholders and corporate management.

It should be noted that the risk of delays and errors in management decision-making is correlated with many corporate strategic risks because its occurrence, in particular, regarding external risk factors may catalyze other risks and, thus, lead to a cumulative effect and a significant loss with regard to reducing financial performance indicators and the Company's market value.

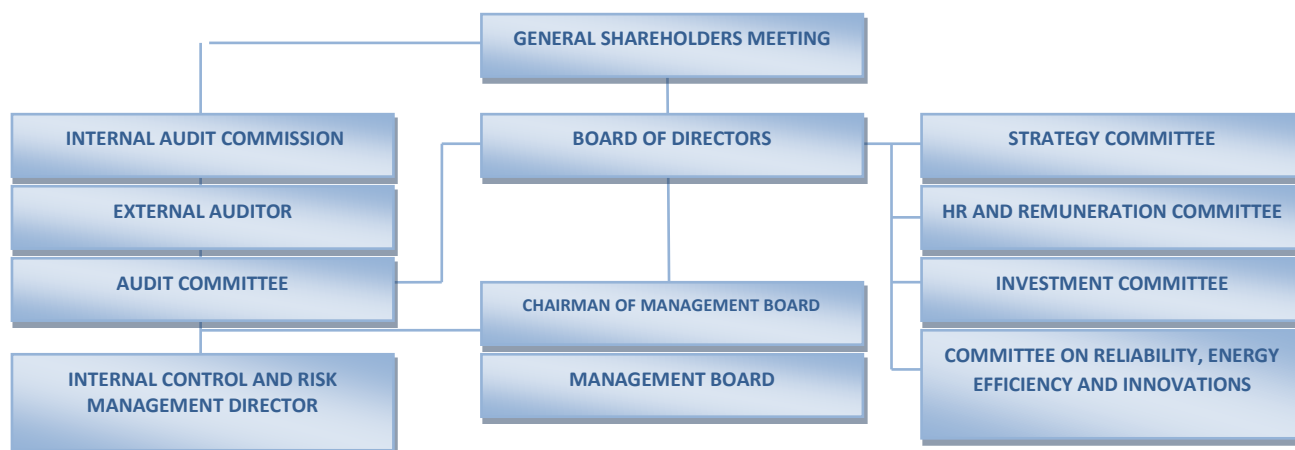
Along with the above-mentioned risks, the Company places a specific emphasis on terrorism risks. To mitigate such risks, the Company makes consistent efforts to step up security of Company's facilities, carry out independent audit of vulnerable spots in the security system, develop and introduce the policy of operation and information behavior in the politically unstable regions for the purposes of the anti-terrorism campaign.

To manage risks related to personnel, the Company develops training standards for RusHydro's employees and a priority development program for human resources. It actively pursues cooperation with sector-specific universities to meet future human resources needs.

CORPORATE GOVERNANCE

As a public company, RusHydro considers that the existence of an effective corporate governance system is a fundamental factor driving increased equity value, strengthening good standing and reducing investment risks.

RusHydro's corporate governance



RusHydro's corporate governance system is based on adherence to Russian legislative norms, the Corporate Charter and the Company's Code of Corporate Governance (approved by the Board of Directors on April 2nd, 2010, Minutes No 94) which contains generally recognized Russian and international corporate governance principles.

Accountability	Transparency
The Code stipulates the accountability of the Company's Board of Directors to all shareholders in accordance with current legislation. The Code also provides guidelines for the Board of Directors on strategy development and the implementation of supervision and control over the Company's executive bodies. The Management Board and the Chairman of the Management Board are accountable to the Company's Board of Directors and the General Shareholders Meeting.	RusHydro discloses credible information on all essential facts related to the Company's operation, including its financial condition, social and environmental indices and performance results in a timely manner. The Company also discloses information on the structure of the Company's property and governance. The above information is available to all interested parties.
Conscientiousness	Fair and unbiased attitude toward all shareholders
Conscientiousness implies that all shareholders, the Company and its bodies, officials and other stakeholders exercise their rights in good faith and prevent the abuse of said rights.	RusHydro undertakes to protect the rights of its shareholders and to exercise an unbiased attitude toward all shareholders. The Board of Directors guarantees that every shareholder is entitled to effective protection in case his/her rights are infringed upon.

The Company adheres to the fundamental principles of the UK Corporate Governance Code (information on Code compliance can be found in the Appendix).

Corporate Internal Documents

The Company continues to upgrade its internal documents regulating operation and the activities of the governing bodies. Revised editions approved in 2010 included the following documents: the Charter, the Regulation on the procedure for convening and conducting a General Shareholders Meeting, the Regulation on remuneration for members of the Board of Directors, the Corporate Governance Code and the Regulation on Corporate Secretary.

The consortium of the Russian Institute of Directors and the Rating Agency Expert RA (RMA Expert RA) confirmed the corporate governance rating of RusHydro as "well-developed corporate governance practice" under the National corporate governance rating scale.

Information disclosure

RusHydro's shareholders include more than 300 thousand Russian and foreign investors. The Company makes every reasonable effort to provide shareholders with unbiased access to information on corporate operations in compliance with procedures and legal requirements. To protect and adhere to information disclosure rights, the Company guarantees compliance with information disclosure requirements established by law.

The Company does not limit itself to information disclosure which is mandated by law. The Company also discloses additional information, which contributes to achieving the transparency policy implemented by the Company. The list of data disclosed by the Company, as well as disclosure procedures and terms, is specified in the Company's Information policy.

Operational information is available on the Company's official web site in Russian and in English, at www.rushydro.ru and www.eng.rushydro.ru, respectively. The official printed periodical used by the Company to inform its shareholders is "Izvestia" newspaper (Russia).

The Company established a special telephone hot line to make information available to its shareholders. Shareholders may call +7-800-555-9997 or write rushydro@rost.ru. Depository receipt owners can address all questions to The Bank of New York Mellon, which is the Company's depository bank of record, or to the Company's Department of Corporate Governance to ZavalkoMV@gidroogk.ru or to the Company's Investor Relations Division to NovikovMG@gidroogk.ru, at contact phone/fax: +7 (495) 225-3232/225-3737.

General Shareholders Meeting

The General Shareholders Meeting is the Company's supreme governing body whose competencies are defined by the Russian Federal Law "On Joint Stock Companies" and the Company's Charter. A new Regulation on convening and conducting General Shareholders Meetings was approved during the reporting period. The Regulation contains a detailed description on procedures for preparing and conducting the General Shareholders Meeting, as well as on carrying out resolutions.

A decision to convene a General Shareholders Meeting is made by the Company's Board of Directors at the initiative of the Board, as called for by the Internal Audit Commission or the Company Auditor or by shareholder(s) who own at least ten percent of the Company's voting stock as of the date that such a request is submitted.

The shareholders are informed of the date of the General Shareholders Meeting at least 30 days prior to the Meeting. In case the agenda of the Extraordinary General Shareholders Meeting contains an issue related to electing members of the Board of Directors, shareholders are informed of the date of the General Shareholders Meeting at least 70 days prior to the Meeting.

The right to vote on agenda issues at the General Shareholders Meeting constitutes one of the basic shareholders rights; shareholders can vote either in person or by submitting ballots. The site for the General Shareholders Meeting must be accessible to all shareholders, with quick and simple registration procedures.

To protect the voting rights of depository receipt owners, during voting at the General Shareholders Meeting, the Company cooperates with The Bank of New York Mellon, its depository bank of record, and JSC ING BANK (EURASIA), its custodian.

Members of the Company's Board of Directors, executive body participants, the Internal Audit Commission and the Company's Auditor are granted the possibility to attend RusHydro's General Shareholders Meetings.

Two General Shareholders Meetings were held in 2010.

Resolutions passed at the General Shareholders Meeting held June 30th, 2010 included the following:

- ❖ Approving the Company's yearly report, annual accounting statement and the 2009 profit and loss report;
- ❖ Not paying 2009 dividend payments;
- ❖ Channeling 2009 un-distributed profit in the amount of RUR 10,328,994.7 thousand to the reserve fund (RUR 516,449.735 thousand) and the accumulation fund (RUR 9,812,544.965 thousand);
- ❖ Approving CJSC PricewaterhouseCoopers Audit as the Company's Auditor;

- ❖ Approving revised versions of internal corporate documents, including: the Charter, the Regulation on convening and conducting General Shareholders Meetings and the Regulation on remuneration for members of the Company's Board of Directors;
- ❖ Electing new members of the Company's Board of Directors;
- ❖ Electing new members of the Internal Audit Commission.

Resolutions passed at the Extraordinary General Shareholders Meeting held October 22nd, 2010 included the following:

- ❖ Approving security agreements concluded with Vneshekonombank to finance the BEMO project, as an interested party transaction;
- ❖ Approving a resolution to increase charter capital by placing an additional ordinary share issue in the amount of RUR 1.86 billion to finance reconstruction of the Baksanskaya HPP and the Company's Investment Program.

The Board of Directors

The Company's Board of Directors is a collegial body that exercises the overall governance of corporate operations. The Board of Directors is responsible for developing corporate strategy. The Board of Directors supervises the activities of the Company's executive bodies, ensuring that the rights and legitimate interests of shareholders are observed.

The Board of Directors operates in accordance with Russian law, the Charter, the Corporate Governance Code and the Regulation on the procedure for convening and conducting meetings of the Company's Board of Directors.

Exclusive competencies of the Company's Board of Directors listed in the Charter include: issues related to determining corporate priorities, approving long-term development programs, including the investment program and approving (modifying) key performance efficiency indicators and the Company's business plan.

The Company's Board of Directors currently has 13 members who were elected at the General Shareholders Meeting (June 30th, 2010).

The Board of Directors includes 5 independent directors who meet independence requirements established by the Code of Conduct of the FSFM (the Federal Service for Financial Markets) and who meet directors' independence criteria set by the UK Code on Corporate Governance. The independent directors are: Andrei Borisovich Malyshev, Boris Yurievich Kovalchuk, Viktor Vasilievich Kudryavy, Grigory Markovich Kurtser, Rashid Ravelevich Sharipov.

The following are members of the Company's Board of Directors:

Sergei Ivanovich Shmatko

Chairman of the Board of Directors

Born September 26th, 1966

Citizenship: Russian

Educational background:

From 1983 to 1990, Mr. Shmatko studied in the Mathematics and Mechanics Department, then later in the Political Economics Department at Urals State University (Sverdlovsk). From 1990-1992, he studied in the Economics Department at Marburg University (the Federal Republic of Germany). In 2004, Mr. Shmatko graduated the Highest Academic Courses of the Military Academy of the General Staff of the Armed Forces of the Russian Federation, majoring in defense and security maintenance of the Russian Federation.

Positions held during the previous 5 years:

Chairman of the Conversion State Fund (2002-2005);

President of CJSC Atomstroieksport (2005-2008);

Deputy Director of OJSC Atomenergoprom (2008);

Russian Energy Minister (beginning June 2008).

Owns no shares of the Company.

Anatoly Borisovich Ballo

Born April 18th, 1961

Citizenship: Russian

Educational background:

Mr. Ballo graduated from the Moscow Financial Institute in 1983, majoring in international economic relations.

Positions held during the previous 5 years:

Head of OJSC Vnesheconombank's Department of Design and Structural and Trade Financing (2002 – 2005);
Member of Vnesheconombank's Management Board, Deputy Chairman of the Management Board (since 2005).
Owns no shares of the Company.

Sergei Sergeevich Beloborodov

Born July 8th, 1967

Citizenship: Russian

Educational background:

In 1991, Mr. Beloborodov graduated the Moscow Physics and Technology Institute with honors, majoring in applied mathematics and physics. He is an engineer-physicist.

From 1991 to 1993, Mr. Beloborodov studied at the School of Business of the Michigan Technological University (received a MS in Operations Management).

Positions held during the previous 5 years:

General Manager of EuroSibEnergO Ltd. (2003-2005);

Advisor to the Administration of the Board of Directors of Bazovy Element Ltd. (2005-2006);

First Deputy General Director of GAZENERGOPROM Corporation (2006-2007);

General Director of GAZENERGOPROM Corporation (since 2007);

Member of the Supervisory Council of the Administrator of the Trade System of the Wholesale Market for Electrical Energy in the Unified Energy System, Non-profit Partnership (NP ATS). Chairman of the Supervisory Council of NP ATS (since July 2008). In September, 2008 NP ATS was re-named The Market Council for the Organization of an Efficient System of Wholesale and Retail Trade of Electrical Energy and Power Non-profit Partnership (NP Sovet Rynka).

Owns no shares of the Company.

Eduard Petrovich Volkov

Born July 18th, 1938

Citizenship: Russian

Educational background:

Mr. Volkov graduated from the Moscow Energy Institute, with a major in thermal power engineering.

Mr. Volkov is a full member of the Russian Academy of Sciences and holds a ph.D. in Engineering. He is a professor.

Positions held during the previous 5 years:

General Director of OJSC Energy Institute named after G.M. Krzhizhanovsky (since 2004);

Chair of the Moscow Energy Institute (2004-2008).

Owns shares in the amount of 0.00003% of the Company's charter capital.

Evgeny Vyacheslavovich Dod

Born April 17th, 1973

Citizenship: Russian

Educational background:

Mr. Dod graduated from the Moscow Aviation Institute (the State Technical University) MAI, with a major in economics and machine tool plant management. Mr. Dod holds a ph.D. in economics.

Positions held during the previous 5 years:

General Manager of CJSC INTER RAO UES (2000-2008);

Chairman of the Management Board of OJSC INTER RAO UES (May 2008-2009);

Chairman of RusHydro's Management Board (since November 2009).

Owns no shares of the Company.

Viktor Mikhailovich Zimin

Born August 23rd, 1962

Citizenship: Russian

Educational background:

Mr. Zimin graduated from the Tomsk State University for Architecture and Construction in 2007, with a major in motor vehicles and fleets.

Positions held during the previous 5 years:

Deputy Head of the Department for Newly Constructed Facilities at the Abakan branch of the Krasnoyarsk Railway of OJSC Russian Railways (2004–2007);

Deputy of the State Duma of Russian Federal Assembly (2007–2009);

Chairman of the Government of the Republic of Khakassia (since 2009).

Owns no shares of the Company.

Boris Yurievich Kovalchuk

Born December 1st, 1977

Citizenship: Russian

Educational background:

Mr. Kovalchuk graduated from Saint Petersburg State University in 1999, with a major in law.

Positions held during the previous 5 years:

Assistant to Mr. D.A. Medvedev, First Deputy Prime Minister of the Russian Government, Director of the Department for Russian Priority National Projects (2006–2009);

Member of the Management Board, Deputy General Director for Organizational Development of Rosatom State Nuclear Energy Corporation;

Acting Chairman of the Management Board of OJSC INTER RAO UES (2009-2010);

Chairman of the Management Board of OJSC INTER RAO UES (since 2010).

Owns no shares of the Company.

Viktor Vasilievich Kudryavy

Born October 4th, 1937

Citizenship: Russian

Educational background:

Mr. Kudryavy graduated from the Ivanovo Energy Institute in 1961, with a major in thermal power plants for electrical stations.

Positions held during the previous 5 years:

Vice President of OJSC Eurocement Group, CJSC Eurocement Group (2005–2008);

Advisor to the President of CJSC Eurocement Group (since 2008).

Owns shares in the amount of 0.00025% of the Company's charter capital.

Grigory Markovich Kurtser

Born December 3rd, 1980

Citizenship: Russian

Educational background:

Mr. Kurtser graduated from the Financial Academy of the Russian Government in 2003, with a major in securities market.

Positions held during the previous 5 years:

Head of the Resource Management Service of the Finance Department's Treasury; Deputy Head of the Treasury, Head of Treasury Resources for the Finance Department of the Foreign Trade Bank (open joint stock company) (2007–2009);

Director, President of Public Joint Stock Company «Russian regional development bank» (since 2010).

Owns no shares of the Company.

Nikolai Georgievich Kutjin

Born July 24th, 1965

Citizenship: Russian

Educational background:

Mr. Kutjin graduated from the New Moscow Law Institute in 1998, majoring in law. Mr Kutjin holds a ph.D. in legal sciences.

Positions held during the previous 5 years:

Deputy Head of the Federal Service for Environmental, Engineering and Nuclear Supervision (2005–2008);

Head of the Federal Service for Environmental, Engineering and Nuclear Supervision (since 2008).

Owns no shares of the Company.

Andrei Borisovich Malyshev

Born September 26th, 1959

Citizenship: Russian

Educational background:

Mr. Malyshev graduated from the Moscow Energy Institute in 1982, majoring in thermal power automation technologies.

Mr. Malyshev holds a ph.D. in sociology and engineering.

Positions held during the previous 5 years:

Deputy Head of the Federal Agency for Nuclear Power (2006–2007);

Member of the Management Board, Deputy General Director of the Russian Nano-technologies State Corporation (since 2007).

Owns no shares of the Company.

Marina Valerievna Seliverstova

Born March 8th, 1963

Citizenship: Russian

Educational background:

Mrs. Seliverstova graduated from the Moscow Law Institute in 1991, majoring in law.

Positions held during the previous 5 years:

Deputy Head of the Federal Water Resources Agency (2005–2009);

Head of the Federal Water Resources Agency (since 2009).

Owns no shares of the Company.

Rashid Ravelevich Sharipov

Born February 20th, 1968

Citizenship: Russian

Educational background:

Mr. Sharipov graduated from the Moscow Institute for International Relations in 1991, majoring in international relations.

Graduated from the West California School of Law in 1993.

Positions held during the previous 5 years:

Deputy Head of KFK-Consult Ltd. (since 1999).

Owns no shares of the Company.

No transactions involving the Company's shares were performed by members of the Board of Directors in 2010.

2010 activities of the Board of Directors

Board of Directors' meetings are held regularly – at least one time per month, as stipulated by the approved Working Plan. During 2010, 25 meetings of the Company's Board of Directors were held either in person or in absentia.

In 2010, strategy and programs approved by the Company's Board of Directors included the following:

- ❖ The 2010 investment program and its increase from 97.06 to RUR 100.4 billion;
- ❖ The 2011-2013 investment program in the amount of RUR 308 billion;
- ❖ The Company's strategic plan for the period till 2015. The Plan includes the Company's mid-term strategic goals;
- ❖ The 2010 business plan and development priorities;
- ❖ The 2010 insurance coverage program in the amount of RUR 583 billion;
- ❖ The 2010 charity and sponsorship program;
- ❖ The 2010-2015 safe operation program for corporate facilities. The Program is designed to develop preventive measures;
- ❖ RusHydro's 2010-2012 Standardization Program for technical regulation to formalize and control requirements aimed at boosting reliability and safety of hydropower facilities operation;
- ❖ The fundraising in an amount up to RUR 20 billion to finance investment operations.

The Board of Directors also made decisions to approve interested party transactions. Detailed information on these transactions can be found in the Appendix.

Committees under the Board of Directors

Committees under the Board of Directors preliminarily review the most significant issues that fall within the competencies of the Company's Board of Directors. The Committees are accountable to the Board of Directors. Committee reports are reviewed at Board meetings on an annual basis.

Committee members include persons that have considerable experience in the corresponding activity spheres. This upgrades the efficiency and quality of the Board's performance. Membership numbers for Committees are determined to foster comprehensive discussion of issues under consideration, taking into account varying opinions. Committee work is based on the Regulation on Committees under the Board of Directors.

The Strategy Committee

The Strategy Committee contributes to improving long-term efficiency of corporate operations. The Strategy Committee develops recommendations on adjusting the Company's existing development strategy.

The Chairman and Committee members as approved by a resolution of the Board of Directors as of 28.07.2010

Malyshev Andrei Borisovich	Committee Chairman Deputy Director of Rosnanotech State Corporation
Tikhonova Maria Gennadievna	Director of the Department of Economic Regulation and Property Relations in the Fuel and Energy Complex of the Russian Ministry of Energy
Yugov Aleksandr Sergeevich	Head of the Department of Oil, Gas and Mineral Industry Organizations in the Administration of Infrastructure Industries and Organizations for the Military-Industrial Complex of the Russian Federal Property Management Agency
Mezhevich Valentin Efimovich	Member of the Federation Council of the Russian Federal Assembly, First Deputy Chairman of the Federal Council's Commission on Natural Monopolies
Gavrilov Vsevolod Valerianovich	Head of the Division for Managing Energy Saving and Natural Resource Projects at the Russian Savings Bank (Sberbank)
Beloborodov Sergei Sergeevich	Member of the Board of Directors of RusHydro
Volkov Eduard Petrovich	Member of the Board of Directors of RusHydro
Danilov-Danilyan Viktor Ivanovich	Director of the Institute for Water Issues at the Russian Academy of Sciences
Rizhinashvili George Ilyich	Deputy Chairman of RusHydro's Management Board
Gorev Eugene Evgenievich	Member of RusHydro's Management Board

In 2010, the Strategy Committee held 14 meetings. Key recommendations that the Committee made to the Board of Directors included:

- ❖ On the approval of the Report on the fulfillment of the Company's 2009 Business Plan;
- ❖ On the approval of the Company's Strategic Plan up to 2015 and future development to 2020;
- ❖ On the approval of the Company's 2010 Development Priorities;
- ❖ On the approval of the Company's 2010 Business Plan;
- ❖ On taking into account the Report on the fulfillment of the RusHydro Group's 2009 consolidated Business Plan, including the report on the fulfillment of measures to reduce 2009 investment costs.

The Audit Committee

The Audit Committee's goal is to ensure that the Board of Directors' controls the Company's financial and economic operations. The Committee develops recommendations for the Company's Board of Directors on selecting an independent auditor organization and the interactions between the Company's Internal Audit Commission and the Company's Auditor.

A revised version of the Regulation on the Audit Committee was adopted in 2010. The revised version takes into account best corporate practices on organizing the operation of audit committees, including recommendations in the Manual on audit committee operations (prepared by the UK Council for Financial Reporting). The Regulation contains amendments related to corporate organizational changes. The Regulation complies with internal corporate documents.

The Chairman and Audit Committee members as approved by a resolution of the Board of Directors, as of 28.07.2010

Sharipov Rashid Ravelevich	Audit Committee Chairman, member of RusHydro's Board of Directors, independent director
Kurtser Grigory Markovich	Member of RusHydro's Board of Directors, independent director
Malyshev Andrei Borisovich	Member of RusHydro's Board of Directors, independent director

In 2010, the Audit Committee held 9 meetings. Key recommendations that the Committee made to the Board of Directors included:

- ❖ On the candidate for the position of Auditor to perform the audit of 2010 financial (accounting) statements of RusHydro based on Russian Accounting Standards (RAS);
- ❖ On the pre-approval of the Annual Report on RusHydro's 2009 performance;
- ❖ On the pre-approval of the Auditor's conclusion on results of the audit of 2009 financial (accounting) statements, prepared in accordance with Russian Accounting Standards;

- ❖ On determining the price of Auditor services related to performing the audit of the Company's 2010 financial (accounting) statements, according to Russian Accounting Standards. The price was set at RUR 9.5 million (excluding VAT);
- ❖ On determining the maximum price for services related to performing the audit of the Company's 2011 financial (accounting) statements, according to Russian Accounting Standards. The price was set at RUR 15 million (excluding VAT);
- ❖ On approving a revised version of the Company's Regulation on internal control and risk management.

The Audit Committee reviewed reports from the Internal Audit Department, reports on the fulfillment of the 2010 Control Measures Schedule, reports on transactions with securities owned by the Company carried out by persons with access to insider information, the risk registry of the Company and its management and Auditor reports from CJSC PriceWaterhouseCoopers on the results of the audit of Company reports. All reports listed above are reviewed on a quarterly basis.

The HR and Remuneration Committee

The HR and Remuneration Committee aimed to attract qualified specialists to the Company's management team and create motivations for the successful work of said specialists. The Committee is to carry out the principles and criteria to establish the volumes of remuneration and material motivation of the Board of Directors' members, the Chairman of the Management Board and the members of the Management Board, as well as preparing recommendations to the Board of Directors on said issues.

The Chairman and members of the HR and Remuneration Committee, as approved by a resolution of the Company's Board of Directors as of 28.07.2010

Kurtser Grigory Markovich	Member of RusHydro's Board of Directors, independent director
Zimin Viktor Mikhailovich	Member of RusHydro's Board of Directors
Volkov Eduard Petrovich	Member of RusHydro's Board of Directors

In 2010, the HR and Remuneration Committee held 6 meetings. Key recommendations that the Committee made to the Board of Directors included:

- ❖ On the approval of modifications introduced in the Regulation on material remuneration for RusHydro's top managers ;
- ❖ On the non-payment of bonuses for the Company's top managers (Management Board members, directors of branches) for financial and economic performance in H2 2009 and FY 2009, due to the accident at the Sayano-Shushenskaya HPP;
- ❖ On the approval of the Regulation on the procedure for remunerating and compensating members of RusHydro's Management Board;
- ❖ On the approval of the Company's options program.

The Investment Committee

The Investment Committee is primarily focused on giving preliminary consideration to investment projects and programs and on improving and developing the Company's investment policy.

The Chairman and members of the Investment Committee, as approved by a resolution of the Board of Directors as of 28.07.2010

Ballo Anatoly Borisovich	Chairman of the Investment Committee, Deputy Chairman of the Management Board of the Bank of Development and Foreign Economic Operations (Vneshekonombank) State Corporation
Nozdrachov Denis Aleksandrovich	Chairman of the Management Board of OJSC Svyaz-Bank
Poluboyarinov Mikhail Igorevich	Director of the Infrastructure Department of Vneshekonombank
Yegorov Maksim Borisovich	Head of the Department for Controlling and Regulating Prices in the Power Industry for the Federal Tariff Service (FTS)
Mantrov Mikhail Alekseevich	Deputy Chairman of RusHydro's Management Board
Rizhinashvili George Ilyich	Deputy Chairman of RusHydro's Management Board
Tatsiy Vladimir Vitalieevich	First Vice President of OJSC Gazprombank
Taits Matvei Vladimirovich	Senior Analyst in the Department of Analytical Research of Uralsib

Tikhonova Maria Gennadievna	Capital Ltd. Director of the Department of Economic Regulation and Property Relations in the Fuel and Energy Complex of the Russian Ministry of Energy
Nikonov Vasily Vladislavovich	Director of the Department of Electrical Energy Development of the Russian Ministry of Energy

In 2010, the Investment Committee held 9 meetings. Key recommendations provided to the Company's Board of Directors included:

- ❖ On the approval of RusHydro's 2010 Investment Program, and Program adjustment;
- ❖ On the approval of RusHydro's 2011-2013 Investment Program;
- ❖ On the introduction of modifications in the Regulation of RusHydro's investment operations;
- ❖ On the modification of the calculation method and the assessment of the Company's key performance indicators;
- ❖ On the necessity to re-distribute the BEMO investment project financing.

The Investment Committee also reviewed reports on the fulfillment of the 2009 and 2010 Investment Program, and the report on the fulfillment of the financing plan and the application of funds to facilities under construction, as planned by RusHydro's 2010 Investment Program.

The Committee on Reliability, Energy Efficiency and Innovations

The Committee's function is primarily made up of giving preliminary consideration to issues related to forming policies on engineering, environmental issues, energy saving and energy efficiency and developing technical regulations standards. The scope of issues that fall under Committee's competencies also includes the long-term planning system for the development of hydro-power facilities using RES.

The Chairman and members of the Committee, as approved by a resolution of the Board of Directors as of 28.07.2010

Kutjin Nikolai Georgievich	The Chairman of the Committee, head of the Federal Service for Environmental, Engineering and Nuclear Supervision, member of RusHydro's Board of Directors
Volkov Eduard Petrovich	Member of RusHydro's Board of Directors
Rizhinashvili George Ilyich	Deputy Chairman of RusHydro's Management Board
Alzhanov Rakhmetulla Shamshievich	Deputy Chairman of RusHydro's Management Board
Kudryavy Viktor Vasilievich	Member of RusHydro's Board of Directors
Mikhailov Sergei Alekseevich	Director of the Department of the State Energy Saving Policy of the Russian Ministry of Energy
Bogush Boris Borisovich	Member of RusHydro's Management Board
Bellendir Eugene Nikolaevich	General Director of OJSC VNIIG named after B.E. Vedenev
Maslov Aleksei Viktorovich	Deputy Chairman of RusHydro's Management Board
Zimin Viktor Mikhailovich	Member of RusHydro's Management Board

In 2010, the Committee held 4 meetings. Key recommendations provided to the Company's Board of Directors included:

- ❖ On the approval of the 2010-2015 Program on energy saving and upgrading energy efficiency;
- ❖ On the approval of the draft target program to modernize and upgrade the safety of HPPs, taking into account financing at the expense of the Company measures specified in the corporate program on the safe operation of the Company's hydro-power facilities;
- ❖ On the approval of OJSC NIIES, a RusHydro subsidiary, as the main contractor for implementing the program on modernizing and upgrading HPP safety of the Company's DSCs.
- ❖ On the approval of the program for the complex modernization of RusHydro's generating facilities.

The Management Board

The Management Board is a collegial executive body of the Company, operating in accordance with Russian legal norms, the Charter, the Code of Corporate Governance and the Regulation on RusHydro's Management Board. The Management Board is guided by resolutions of the General Shareholders Meeting and the Board of Directors.

The Management Board is responsible for practically implementing the Company's goals and development strategy. The Management Board controls daily corporate operations to achieve high yield and maximum profit from the Company's operations.

Management Board functioning is organized by the Chairman of the Management Board, who is the sole executive body of the Company.

Changes introduced by the Board of Directors in the membership of the Management Board in 2010 included the following:

- ❖ The persons whose powers were terminated April 20th, 2010 included: Zubakin Vasily Aleksandrovich, Konovalov Andrei Pavlovich, Kuznetsov David Feliksovich and Sharov Yuri Vladimirovich. Newly elected members of the Management Board included: Abrashin Sergei Nikolaevich, Bessmertny Konstantin Valerievich, Bogush Boris Borisovich, Maslov Aleksei Viktorovich and Savin Stanislav Valerievich;
- ❖ The powers of Khamitov Rustem Zakievich were terminated July 16th, 2010 in connection with the appointment of the latter to an official position;
- ❖ Kalamanov Vladimir Avdashevich was elected to the Management Board August 31st, 2010;
- ❖ The powers of Kalamanov Vladimir Avdashevich were terminated November 30th, 2010. Mr. Kalamanov was replaced by Tsoi Sergei Petrovich.

The Management Board consists of 12 members.

The following are members of the Company's Management Board:

Evgeny Vyacheslavovich Dod

Chairman of the Management Board

Born April 17th, 1973

Citizenship: Russian

Educational background:

Mr. Dod graduated from the Moscow Aviation Institute (the State Technical University) "MAI," majoring in economics and machine tool plant management. Mr. Dod holds a ph.D. in economics.

Positions held during the last 5 years:

General Manager of CJSC INTER RAO UES (2000-2008);

Chairman of the Management Board of OJSC INTER RAO UES (May 2008-2009);

Chairman of RusHydro's Management Board (since November 2009);

Member of the Board of Directors of RusHydro, JSC Irkutskenergo, OJSC INTER RAO UES, JSC Financial Settlement Center; member of the Supervisory Board of JSC Russian Regional Development Bank and NPP Hydropower Industry of Russia and member of the Management Board of the Russian Union of Industrialists and Entrepreneurs.

Owns no shares of the Company

Rakhmetulla Shamshievich Aljanov

Deputy Chairman of the Management Board

Born in 1950

Citizenship: Russian

Educational background:

Mr. Aljanov graduated from the Novocherkassk Polytechnical Institute in 1972, majoring in electric power plants, systems and networks (as an electrical engineer).

Positions held in the previous 5 years:

Deputy General Director of OJSC Sevkavkazgidroenergostroi, first Deputy General Director for Operations at OJSC Zelenchukskiye HPP, General Director of OJSC Sangtudinskaya HPP-1 (1995-2005);

Member of the Management Board of RusHydro (since November 2009).

Owns shares in the amount of 0.00005% of the Company's charter capital.

Mikhail Alekseevich Mantrov

Deputy Chairman of the Management Board

Born in 1965

Citizenship: Russian

Educational background:

Mr. Mantrov graduated from the Moscow Energy Institute (Technical University) in 1988, majoring in electrical systems cybernetics (electrical engineer). He also graduated from the Academy of People's Economy attached to the Government of the Russian Federation in 1996, majoring in financial management.

Positions held during the previous 5 years:

Deputy General Director of CJSC INTER RAO UES (2000-2008);
Deputy Chairman of the Management Board, Head of the Corporate Center of OJSC INTER RAO UES (2008-2009);
Deputy Chairman of RusHydro's Management Board (since November 2009).
Owns shares in the amount of 0.00073% of the Company's charter capital.

Andrei Viktorovich Maslov

Deputy Chairman of the Management Board

Born in 1975

Citizenship: Russian

Educational background:

Mr. Maslov graduated from the Moscow Higher Technical School (named after N.E. Bauman) in 1998, majoring in rocket building (mechanical engineering). Also graduated from the Financial Academy attached to the Government of the Russian Federation in 2000, majoring in economics.

Positions held during the previous 5 years:

Various positions at OJSC UES of Russia and OJSC FGC UES (1999-2008);

Member of OJSC FGC UES Management Board (since July 2008);

General Director of OJSC Center for Engineering and Managing Construction in the Unified Energy System (OJSC TSIUS UES) (2008–2010);

RusHydro's Executive Director for Capital Construction (January-April 2010);

Chairman of the Board of EnergoStroiAljans Construction Holding Non-profit Agency (since 2010);

Deputy Chairman of RusHydro's Management Board (since April 2010).

Owns no shares of the Company.

George Ilyich Rizhinashvili

Deputy Chairman of the Management Board

Born in 1981

Citizenship: Russian

Educational background:

Mr. Rizhinashvili received a B.A. with honors in 2002 and a M.A. from Moscow State University in 2004, majoring in economics.

Positions held during the previous 5 years:

Various positions at CJSC INTER RAO UES (2003-2007);

Deputy Director for Strategy and Investments for OJSC INTER RAO UES (since May 2008);

Member of the Board of Directors of OJSC Vostochnaya Enegeticheskaya Kompaniya (2008-2009).

Member of OJSC INTER RAO UES' Committee on Strategy and Investments (since February 2009);

Member of RusHydro's Management Board, Deputy Chairman of the Management Board (since November 2009)

Owns no shares of the Company.

Sergei Petrovich Tsoi

Deputy Chairman of the Management Board

Born in 1957

Citizenship: Russian

Educational background:

Mr. Tsoi graduated from Rostov State University in 1982 named after M.A. Syslov, majoring in journalism. He also graduated from Moscow State University in 2005, majoring in political psychology.

Positions held during the previous 5 years:

Head of the PR department for the Moscow Government, press secretary for the Mayor of Moscow (2003-2010);

Chairman of the Board of Directors of OJSC TV Center (since 2006, part-time).

Owns no shares of the Company.

Sergei Nikolaevich Abrashin

Born in 1959

Citizenship: Russian

Educational background:

Radio engineering and law

Positions held during the previous 5 years:

Head of the Security Department of NK YUKOS (2006–2007);

Vice President of OJSC AK Transnefteprodukt (2007–2009);

Advisor to the Chairman of RusHydro's Management Board (since January 2010);

Member of RusHydro's Management Board (since April 2010).

Owns no shares of the Company.

Konstantin Valerievich Bessmertny

Born in 1973

Citizenship: Russian

Educational background:

Mr. Bessmertny graduated from the Moscow Higher Technical School in 1996, majoring in automated data processing and control systems (systems engineering). Also graduated from the Academy of People's Economy in 2008 with an MBA.

Positions held during the previous 5 years:

Advisor and Finance Director for CJSC INTER RAO UES (2000–2009);

Director of the Moscow branch of OJSC Nizhnevartovskaya HPP (2009–2010);

RusHydro's Finance Director (March 2010 - April 2010);

Member of the Company's Management Board (since April 2010).

Owns no shares of the Company.

Boris Borisovich Bogush

Born in 1952

Citizenship: Russian

Educational background:

Mr. Bogush graduated from the Togliatti Polytechnical Institute in 1975, majoring in motor cars and tractors (mechanical engineering). Also graduated from the Academy of People's Economy in 2004, majoring in corporate development management.

Positions held during the previous 5 years:

Head of the Department for Production and Technical Policy of the Hydro-Generation Business Unit of OJSC RAO UES of Russia (2004–2005);

Deputy Head of the Production Business Unit of OJSC UK HydroOGK (2005–2007);

Member of RusHydro's Management Board, Managing Director, Head of the Production Business Unit (2007–2009);

Managing Director, Head of RusHydro's Production Business Unit (2009–2010);

Member of the Management Board (since April 2010).

Owns shares in the amount of 0.00001% of the Company's charter capital.

Yuri Vasilievich Gorbenko

Born in 1958

Citizenship: Russian

Educational background:

Mr. Gorbenko graduated from the Krasnoyarsk Engineering and Construction Institute in 1992, majoring in construction engineering. He holds a ph.D. in economics.

Positions held during the previous 5 years:

Director of OJSC Bureiskaya HPP (1998);

Director of Bureiskaya HPP, a RusHydro branch (since January 2008);

Managing Director, Head of RusHydro's Far Eastern division (since January 2008);

Member of RusHydro's Management Board (since September 2009).

Owns shares in the amount of 0.0004% of the Company's charter capital.

Evgeny Evgenievich Gorev

Born in 1975

Citizenship: Russian

Educational background:

Mr. Gorev graduated from the Moscow State University in 1998, majoring in law.

Positions held during the previous 5 years:

Deputy Head of the Corporate Center of OJSC INTER RAO UES – Corporate Governance Director (2006-2009);

Member of RusHydro's Management Board (since November 2009).

Owns no shares of the Company.

Stanislav Valerievich Savin

Born in 1972

Citizenship: Russian

Educational background:

Mr. Savin graduated from the Moscow State Railways University in 1997, majoring in railway carriages (mechanical engineering).

Positions held during the previous 5 years:

Head of the Central Asian division, Deputy Head of the geographic division, Head of the Department for Foreign Economic Activities on Central Asian and Far Eastern markets, Head of the Division for Central Asian and Far Eastern

markets, Deputy Head of the geographic division “Russia”, Regional Director of the Regional Division for Kazakhstan and Central Asian countries for OJSC INTER RAO UES (2003–2010);
Member of RusHydro’s Management Board (since April 2010).

Owns no shares of the Company.

Members of the Management Board carried out no transactions with the Company’s shares in 2010.

Internal and External Audit

Efficiently controlling the Company’s financial and economic operations protects the Company’s assets.

Implemented control in RusHydro includes: key elements of the internal control system, namely the Company’s Internal Audit Commission, the Board of Directors (acting directly and through the Audit Committee), the corporate official authorized to implement said control, namely the Director for Internal Control and Risk Management, who carries out his/her control functions through the Company’s Internal Audit Department. External control is carried out by the independent auditor.

The main principles, goals, tasks, methods and processes of the Company’s internal control system are defined by internal documents approved by RusHydro’s Board of Directors. Internal documents include:

- ❖ The Company’s Corporate Governance Code;
- ❖ The Regulation on the Company’s internal control and risk management policy;
- ❖ The Regulation on the Board of Directors’ Audit Committee;
- ❖ The Regulation on the Company’s Internal Audit Commission.

The Internal Audit Commission

The principal functions of the Internal Audit Commission consist of controlling the Company’s financial and economic activities, ensuring compliance with Russian laws and the Corporate Charter. The Commission also independently assesses data on the Company’s financial condition.

The Commission operates in accordance with Russian legal norms, the Company Charter and the Regulation on the Internal Audit Commission. The Commission is elected by the General Shareholders Meeting for a one year term. The Commission consists of five members.

Members of the Internal Audit Commission, as approved by a resolution of the Annual General Shareholders Meeting as of 30.06.2010:

Tikhonova Maria Gennadievna	Chairman of the Internal Audit Commission Director of the Department of Economic Regulation and Property Relations in the Fuel and Energy Complex of the Russian Ministry of Energy
Kolyada Andrei Sergeevich	Leading expert in the Management Department of the Russian Property Management Agency
Kurjanov Aleksander Mikhailovich	Advisor with the Management Department of the Russian Property Management Agency
Oreshkin Oleg Anatolievich	Head of the Management Department of the Russian Property Management Agency
Yugov Aleksandr Sergeevich	Head of the Management Department of the Russian Property Management Agency

The Internal Audit and Risk Management Division

The Department of Internal Audit and Risk Management was established in 2007 and conducts internal control procedures. The Department was re-organized into the Internal Audit and Risk Management Division at the end of 2010. Today, the Division includes the following departments:

- ❖ The Internal Audit Department;

- ❖ The Internal Control Department;
- ❖ The Risk Management Division.

The Internal Audit and Risk Management Division is headed up by Mrs. Irina Olegovna Posevina, the Internal Control and Risk Management Director. The Director is directly accountable to the Chairman of the Management Board, and functionary to the Audit Committee.

The Operations Plan for the Internal Audit and Risk Management Division was approved by the Audit Committee attached to the Company's Board of Directors.

In accordance with the acting on December 31st, 2010, internal documents the main tasks and functions of internal control and audit include:

- ❖ Controlling the compliance of corporate operations, as well as its branches and structural departments, with the Company's interests;
- ❖ Checking accounting and operations data supplied by departments of the executive administration and corporate branches;
- ❖ Organizing checks of the Company's property availability;
- ❖ Assessing and analyzing the Company's financial condition, its branches and structural departments, as ordered by the Chairman of the Company's Management Board;
- ❖ Exerting control over interested party and major transactions;
- ❖ Monitoring internal control procedures over the Company's operations and analyzing the efficiency of the Company's internal control system;
- ❖ Developing and implementing guidelines for organizing the Company's internal control system, its branches and structural departments;
- ❖ Identifying, classifying and analyzing financial and economic risks, and developing suggestions on mitigating said risks;
- ❖ Cooperating with the Internal Audit Commission and external auditors;
- ❖ Notifying the Chairman of the Company's Management Board in a timely manner regarding infringements on corporate operations, and submitting suggestions on rectifying violations revealed during checking and monitoring, as well as recommendations on upgrading management efficiency;
- ❖ Analyzing and developing measures to upgrade efficiency and the outcomes of the Company's financial and economic operations, assessing the applicability of standards, regulations and methods, approved and used in the Company
- ❖ Performing internal control functions in subsidiaries and dependent companies through the Internal Audit Commissions of said dependent companies;
- ❖ Organizing cooperation with the Russian Federation Audit Chamber and other State bodies for financial supervision;
- ❖ Cooperating with the Audit Committee attached to the Company's Board of Directors;
- ❖ Controlling the adherence of members of the Board of Directors, the Company's executive bodies and other employees to legal norms and special requirements stipulated by internal corporate documents, to prevent conflicts of interest and to limit insider information abuse.

In 2010, the Internal Audit and Risk Management Division performed all control measures stipulated by corresponding Operations Plan for 2010, which were approved by the Audit Committee attached to the Company's Board of Directors.

The External Independent Auditor

RusHydro performs an annual audit of financial (accounting) statements according to both Russian Accounting Standards and International Financial Reporting Standards (IFRS). The external independent auditor's audit of financial reports according to Russian Accounting Standards as recommended by the Company's Board of Directors is subject to approval by the General Shareholders Meeting.

In accordance with Article 5 of the Federal Law No 307-FZ "On Auditing Activities," as of 30.12.2008, an agreement on the performance of mandatory audits of accounting (financial) reports of an organization with a charter capital having at least 25% State property, is concluded based on an open tender conducted according to the procedure stipulated by the Federal Law No 94-FZ "On the Placement of Orders for the Supply of Goods, the Performance of Work and the Rendering of Services for State and Municipal Needs" as of July 21st, 2005.

To comply with the above requirement, RusHydro decided that members of the tender commission elect the Company's Auditor (Minutes No 17/1 of the Audit Committee attached to the Board of Directors as of 05.02.2010).

According to Minutes No 13-pr (100305/901806/1/3) as of 09.04.2010, the Tender Commission assessed and compared bids submitted for tender participation to conclude an agreement on auditing RusHydro's 2010 financial (accounting) statements according to Russian Accounting Standards; the tender winner was Closed Joint Stock Company "PricewaterhouseCoopers Audit."

The Remuneration

Remuneration for the Board of Directors

The 2010 Annual General Shareholders Meeting approved the Regulation on the payment of remuneration to members of the Board of Directors. Remuneration is determined via a formula, which includes basic remuneration in the amount of RUR 900 thousand, taking into account the number of Board of Directors' meetings during the previous corporate year and the number of Board meetings that the member participated in.

Remuneration is supplemented in the following amounts:

- ❖ 30% - for the Chairman of the Board of Directors;
- ❖ 20% - for the Chairman of a Committee of the Board of Directors;
- ❖ 10% - for membership in a Committee of the Board of Directors.

Taking into account these additional amounts, total remuneration for a member of the Board of Directors shall not exceed RUR 1 million.

No compensation (for transportation and accommodation) related to exercising the powers of a Board member is paid.

The Regulation on the payment of remuneration to members of the Company's Board of Directors does not apply to members of the Board of Directors who simultaneously perform (either during their entire term in office or during a part of their term) the functions of Chairman or member of the Management Board, or to members of the Board of Directors who are subject to prohibitions or limitations on payments received from commercial organizations, as stipulated by applicable law.

In 2010, total remuneration and compensation paid to members of the Company's Board of Directors (taking into account members of the Board of Directors in office till 30.06.2011) stood at RUR 2,412,190 (compared with RUR 3,833,510 in 2009).

Management Board Remuneration

Remuneration to the Chairman and members of the Company's Management Board is paid in accordance with the Regulation on the Procedure for payment of remuneration and compensation to the members of RusHydro's Management Board.

To maintain the dependence of remuneration on the performance of Chair of the Management Board and members of the Management Board, the ratio of the fixed and variable salary components shall be 30/70, respectively. The Regulations contemplate quarterly and annual rewards for meeting key performance indicators (KPI) set forth by the Board of Directors for the Company, Chair of the Management Board and members of the Management Board at the rate of 50% of reward and individual KPIs for each member of the Management Board at the rate of 50% of reward. KPIs involve performance assessment by both financial and production figures.

Total remuneration and compensation paid to the Chairman and members of the Company's Management Board in 2010 (taking into account changes in the membership of executive bodies) stood at RUR 145,138,233 (this compares with RUR 97,995,399 in 2009).

Remuneration to the Internal Audit Commission

Members of the Company's Internal Audit Commission are entitled to lump sum remuneration, as stipulated by the Regulation on the payment of remuneration and compensation to members of RusHydro's Internal Audit Commission.

Remuneration is equivalent to twenty-five minimum monthly rates for first class workers, as established by the Russian Federation electrical power industry rate agreement for the audited period, taking into account indexing specified in the rate agreement. Remuneration for the Commission Chairman is increased 50%.

No remuneration or compensation is paid to Internal Audit Commission members who are subject to prohibitions or limitation concerning payments from commercial organizations.

In 2010, total remuneration and compensation for Internal Audit Commission members (taking into account members of the Internal Audit Commission in office till 30.06.2010) stood at RUR 249,438 (in 2009, the amount was RUR 421,425).

Dividend Policy

The Company's dividend policy is designed to ensure the strategic development of RusHydro and its shareholders' wealth by achieving an optimal balance between dividends paid to shareholders and profit capitalization.

To ensure transparency in determining the amount of dividends, their payment and corresponding payment restrictions, the Company utilizes the Regulation on dividend policy. The Company may allocate up to 5% of net profit for dividend payments, and may also decide to pay interim dividends.

The Board of Director may recommend to the General Shareholders Meeting that dividends not be paid on FY results.

Dividend History

Reporting period for which dividends were paid	Total amount of declared (accrued) dividends, RUR thousand	Declared dividends per share, RUR
9 months of 2005	27,889	0.000268289
2005	565,695	0.005441922
Q1 2006	223,600	0.002151
H1 2006	110,588	0.00106384
9 months of 2006	809,000	0.005739439
2006	The decision was made not to pay dividend	
Q1 2007	1,119,000	0.00793872
2007	The decision was made not to pay dividend	
2008	The decision was made not to pay dividend	
2009	The decision was made not to pay dividend	

Governance of Subsidiaries and Dependent Companies

RusHydro participates in the charter capital of companies engaged in the design, construction, servicing, technical renovation and reconstruction of energy facilities, as well as in generation and marketing power energy.

The Company's interactions with subsidiaries and dependent companies (SDCs) allow it to implement its strategy in the hydro-power industry and to ensure stable economic development and investment attractiveness, and to protect the rights and interests of the Company's shareholders and its SDCs.

The Company governs its SDCs via corporate representatives at General Shareholders Meetings, on the Board of Directors and in the controlling bodies of SDCs, as stipulated by the Company charter and the Regulation on RusHydro's interaction with organizations in which it participates.

Decisions relating to the governance of SDCs fall under the competence of the Company's Management Board, except for decisions on the strategies of SDCs that relate to restructuring, liquidation, amendments to charter capital, approval of major transactions and the participation of SDCs in other organizations.

RusHydro pays significant attention to upgrading the governance of SDCs, implementing measures to upgrade transparency and control SDCs' compliance with legal requirements related to information disclosure.

2010 Changes in the RusHydro Holding Structure

A transaction involving the purchase of shares of the following retail companies: OJSC Mosenergosbyt, OJSC Peterburgskaya Sbytovaya Kompaniya, OJSC Saratovenergo, OJSC Tambovskaya Energosbytovaya Kompaniya and OJSC Altaienergosbyt from OJSC RAO Energeticheskie Systemy Vostoka closed **May 28th**.

RusHydro purchased retail companies to implement the development strategy for the energy retail sector. The purchased shares became the property of OJSC Energosbytovaya Kompaniya RusHydro, (OJSC ESK RusHydro), a subsidiary of the Holding, responsible for retail operations.

June 1th, was completed the transaction to acquire 100% of shares of JSC Malaya Dmitrovka.

June 29th, RusHydro's Board of Directors approved the Company's participation in EnergoStroiAliyans Construction Organization Union non-profit partnership, a self-regulated organization (SRO NP EnergoStroiAliyans).

August 10th, the Company's Board of Directors approved RusHydro's participation in RusHydro International B.V., a company with responsibility limited by share capital. Participation was made by establishing said company in accordance with laws of the Netherlands.

RusHydro International's tasks include:

- ❖ Investing in hydro-generation projects at the initial development stage;
- ❖ Accumulating, transferring and implementing best global practices in the sphere of facility construction and operation;
- ❖ Promoting the services of RusHydro's design and R&D subsidiaries and dependent companies, as well as supporting the export of Russian equipment.

August 31st, the Company's Board of Directors approved RusHydro's participation in OJSC Dagestan Small HPP, Fiagdonsk Small HPP Ltd, Verkhnebalkarsk Small HPP Ltd and KCHR HPP Ltd by purchasing shares of said companies from the Novaya Energiya Fund.

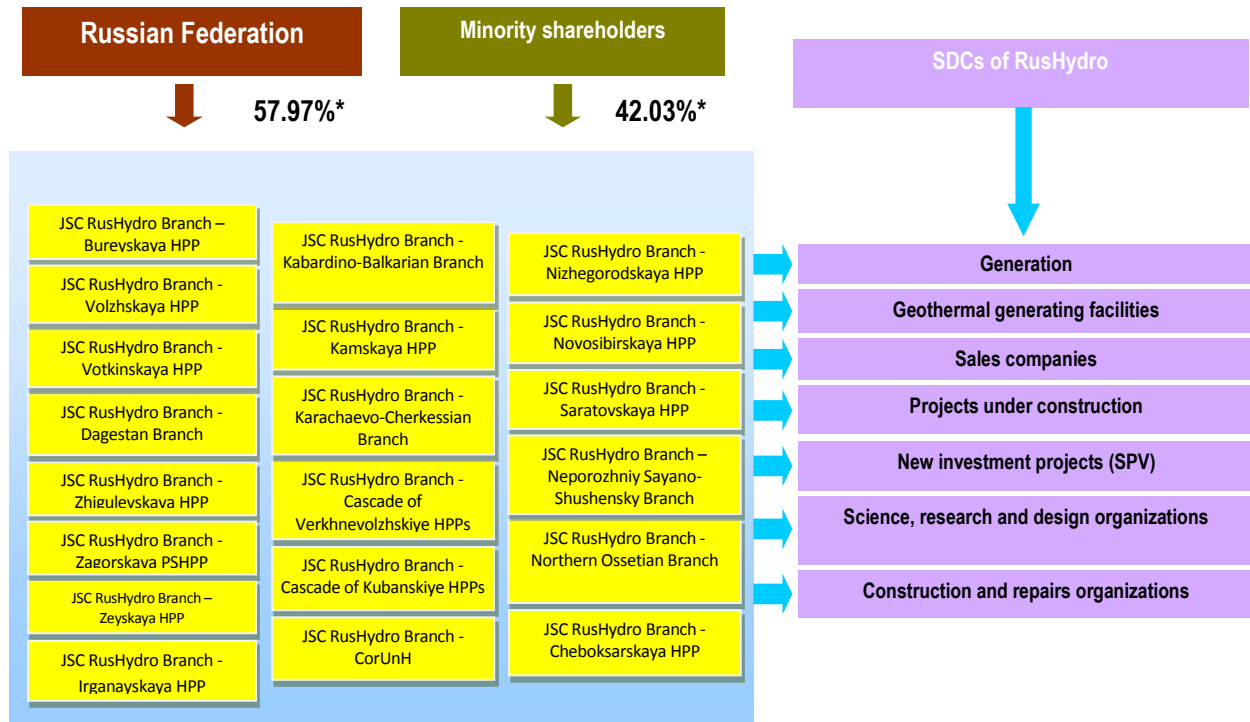
August 31st, the Company's Board of Directors approved RusHydro's participation in OJSC Malye GES Altaya (Small HPP in Altai) by establishing said companies. The establishment of OJSC Malye GES Altaya (a 100%-owned subsidiary of RusHydro) in the city of Gorno-Altaysk is necessary to launch construction of the Chibit HPP.

October 21st, the Company purchased 100% of the shares of OJSC Hidroproject Design and Research and Development Institute named after S.J. Zuk, to develop the research and development complex and to consolidate the Company's scientific and engineering assets.

November 16th, RusHydro's Board of Directors approved the transaction on 90% of shares in JCS International Energy Corporation (IEC) which main asset is the Cascade of Sevano-Razdansky HPPs in Armenia between JSC RusHydro subsidiary – JSC Hydroinvest and INTER RAO HOLDING B.V. (member of INTER RAO UES Group).

December 8th, RusHydro consolidated about 25% shares of JSC Krasnoyarskaya HPP. These non-monetary transaction was executed via exchanging 4.35% of RusHydro shares owned by JSC Hydroinvest, a 100% subsidiary of RusHydro.

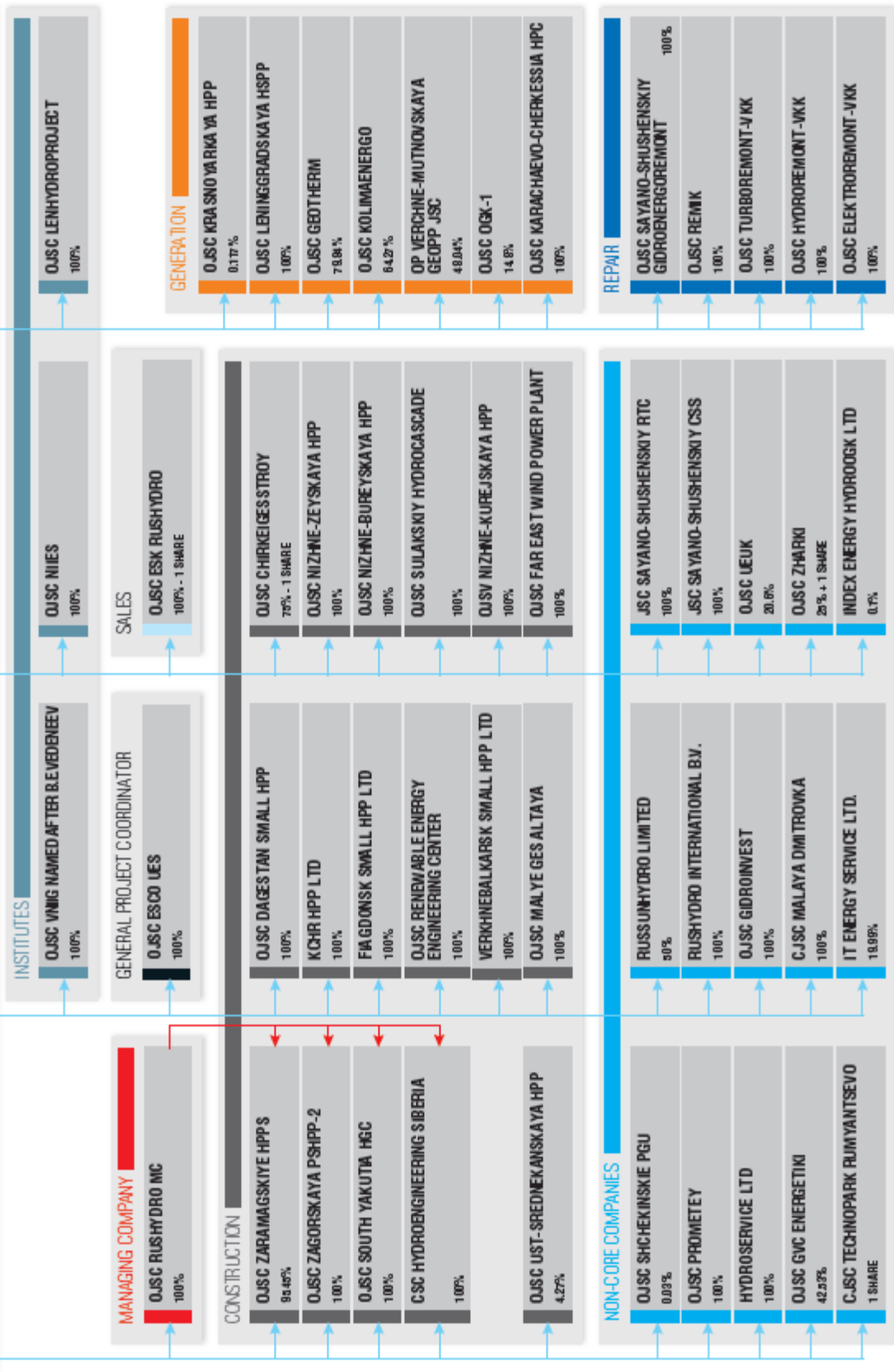
Structure of RusHydro Holding



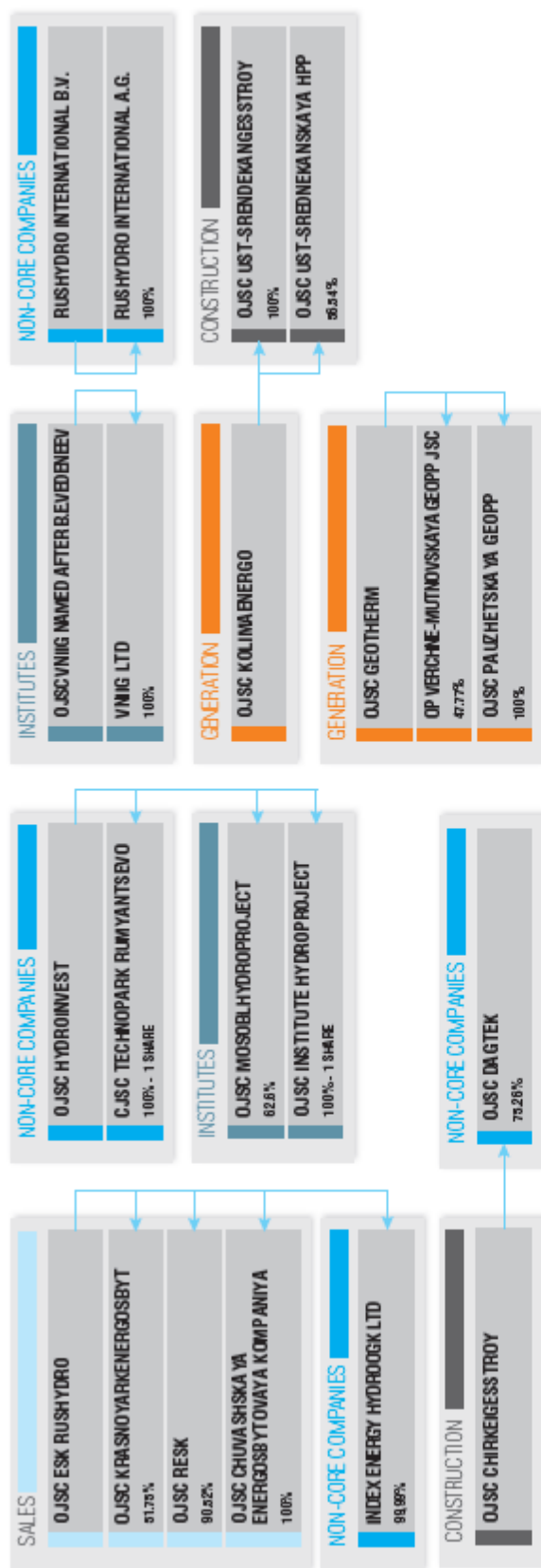
* As of December 31, 2010, the share of the Russian Federation in the Company's charter capital was 57.97 percent excluding the actual additional placement of Company's 931, 677,018 shares under the additional issue of 1,860,000,000 shares. Including the additional placement of Company's shares, the Russian Federation share in the Company's charter capital as of December 31, 2010 was 58.10 percent.

RUSHYDRO HOLDING

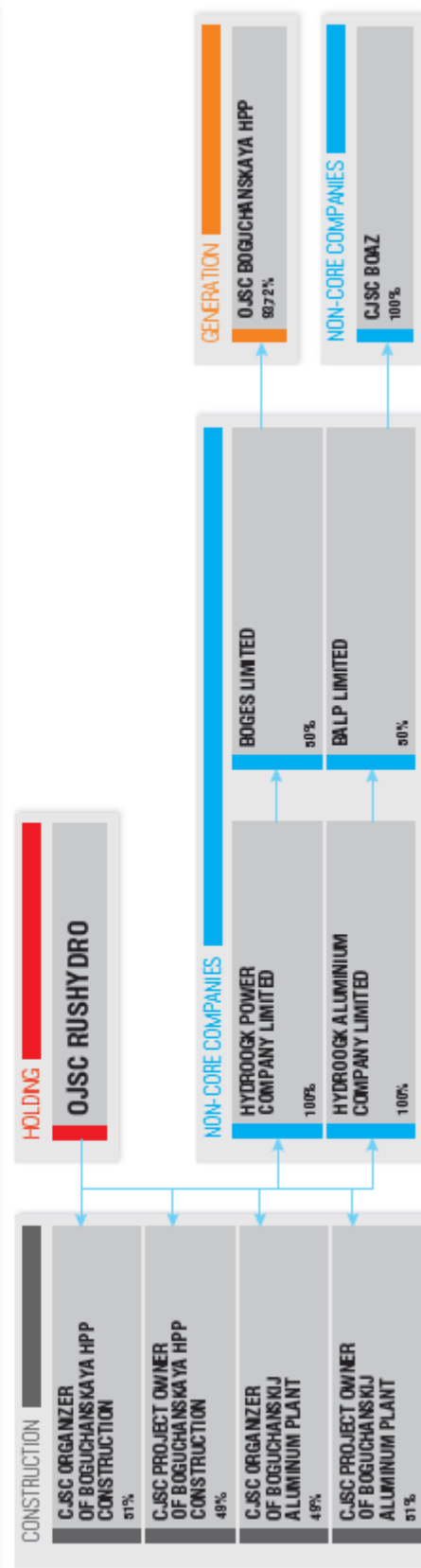
OJSC RUSHYDRO



AUXILIARY DEPENDENT COMPANIES INFORMATION



COMPANIES WITH RUSHYDRO PARTICIPATION UNDER BEMO PROJECT



RUSHYDRO ON THE SECURITIES MARKET

Charter Capital

As of December 31st, 2010, RusHydro's authorized charter capital is RUR 288,695,430,802 divided into 288,695,430,802 ordinary registered shares with a nominal value of RUR 1 per share. Subject to the Corporate Charter, the number of authorized shares is 1,864,560,041. There are no preferred shares.

The state registration number of the ordinary registered share issue is 1-01-55038-E, as of February 22nd, 2005.

Since 2006, RusHydro's authorized charter capital has increased due to additional ordinary share issues. Funds generated from these issues have been used to finance the Company's investment program, as well as for converting shares of consolidated companies that have been incorporated under the RusHydro umbrella.

2004-2010 charter capital changes

Change date*	Charter capital, RUR	Reason for change
26.12.2004	103,951,322,702	At establishment; closed subscription in favor of JSC RAO UES of Russia
21.12.2006	140,954,759,856	Charter capital increase to finance the Company's investment program, closed subscription in favor of JSC RAO UES of Russia
01.11.2007	156,864,373,776	Charter capital increase to finance the Company's investment program, closed subscription in favor of JSC RAO UES of Russia, the Russian Federation and the operator of the Company's option program
31.01.2008	195,860,496,735	Conversion of shares of consolidated companies into RusHydro shares
24.07.2008	245,014,059,191	Conversion of shares of consolidated companies into RusHydro shares
19.03.2009	255,014,018,667	Charter capital increase Open subscription
24.09.2009	269,695,430,802	Charter capital increase Open subscription
30.09.2010	288,695,430,802	Charter capital increase Open subscription

* The date of state registration of the report on share issue results

Information on 2010 additional share issues

	1-01-55038-E-038D	1-01-55038-E-039D
Date of the decision to increase charter capital	10.06.2009	22.10.2010
Total value of the issue at par value, RUR	19,000,000,000	1,860,000,000
Category (type) of shares	Ordinary registered	Ordinary registered
Placement method	Open subscription	Open subscription
Share payment method	1) monetary funds; 2) non-monetary funds (under issue decision)	monetary funds
Placement price per 1 share	RUR 1.15	RUR 1.61
Start date for placement	12.12.2009	23.12.2010
Close date for placement	27.08.2010	*
Actual volume of placed shares at par value, RUR	19,000,000,000	*
Amount of raised funds, RUR	21,850,000,000	*

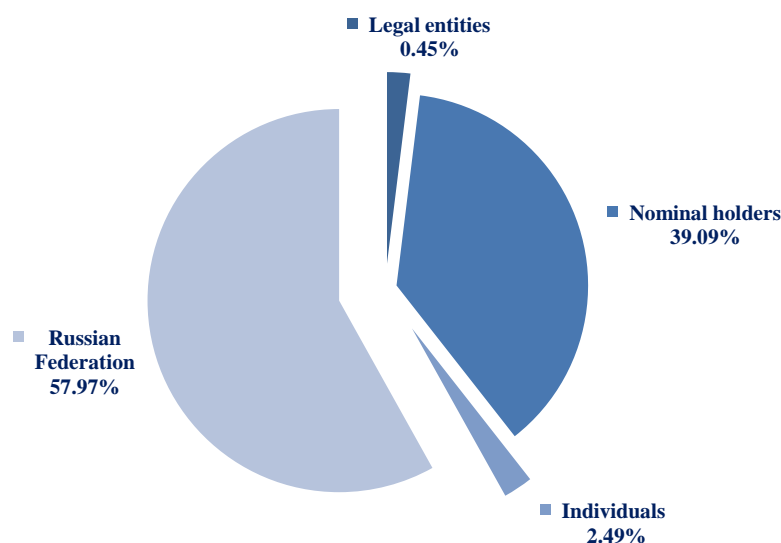
* The December 31st, 2010 placement has not been completed

Charter capital structure

Shareholder name	Share in charter capital as of:	
	31.12.2009	31.12.2010*
Federal property	60.38	57.97
Minority shareholders	39.62	42.03
including depositary receipts (DRs) owners	8.08	10.05
Total number of shareholders	312,075	310,912

* excluding the actual additional placement of Company's 931, 677,018 shares under the additional issue of 1,860,000,000 shares. Including the additional placement of Company's shares, the Russian Federation share in the Company's charter capital as of December 31, 2010 was 58.10 percent.

Charter capital distribution, as of 31.12.2010*



* According to JSC Registrar R.O.S.T. information

The Russian Federation – represented by the Federal Agency for State Property Management – holds a controlling interest in the Company – this stake totals 57.97 percent of charter capital. Large share blocks are held nominally by ING Bank Eurasia (12.77%), the Depository Clearing Company (10.73%), the National Settlement Deposit (7.50%) and Depository Corporate Technologies (6.46%).

Securities on the Capital Market

The Company's shares are traded on the highest quotation lists of Russia's two leading stock exchanges – MICEX and RTS – as well as outside the Russian Federation as American Depositary Receipts (ADRs) on the London Stock Exchange (LSE) and on the OTCQX.

Since its 2008 listing, the Company's shares have been considered "blue chip" Russian stocks and are included in the list of the ten most liquid securities traded on MICEX last three years in a row, and are included in the MICEX 10 pricing index base.

The Company's shares are also included in the following important Russian indices: MICEX and RTS indices and sector (power)- specific indices: the RTS Electric Utilities (EU) index and the MICEX Power (PWR) iIndex; as well as foreign indices: MSCI Russia, MSCI Emerging Market and MSCI Global Value and Growth.

Shares in trade systems: 2010

Exchange	Ticker symbol	Trade currency	Closing price			Trading volume monetary units
			max	min	last	
RTS Classic	HYDR	USD	0.062	0.039	0.054	41 mln.
RTS Standard	HYDRS	RUR	1.827	1.184	1.648	18 bln.
MICEX	HYDR	RUR	1.820	1.182	1.649	251 bln.
LSE	HYDR	USD	6.260	3.940	5.450	2 bln.

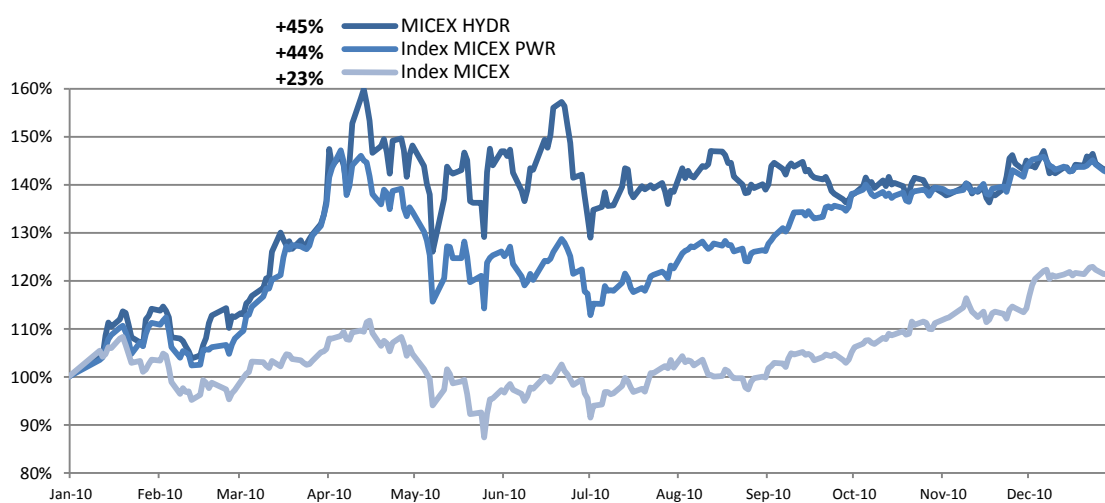
Shares in trade systems: 2009

Exchange	Ticker symbol	Trade currency	Closing price			Trading volume
			max	min	last	
RTS Classic	HYDR	USD	0.045	0,015	0.038	91 mln.
RTS Standard*	HYDRS	RUR	1.208	1,005	1.155	74 mln.
MICEX	HYDR	RUR	1.434	0,507	1.138	149 bln.
LSE	HYDR	USD	4.310	3,290	3.940	783.9 mln.

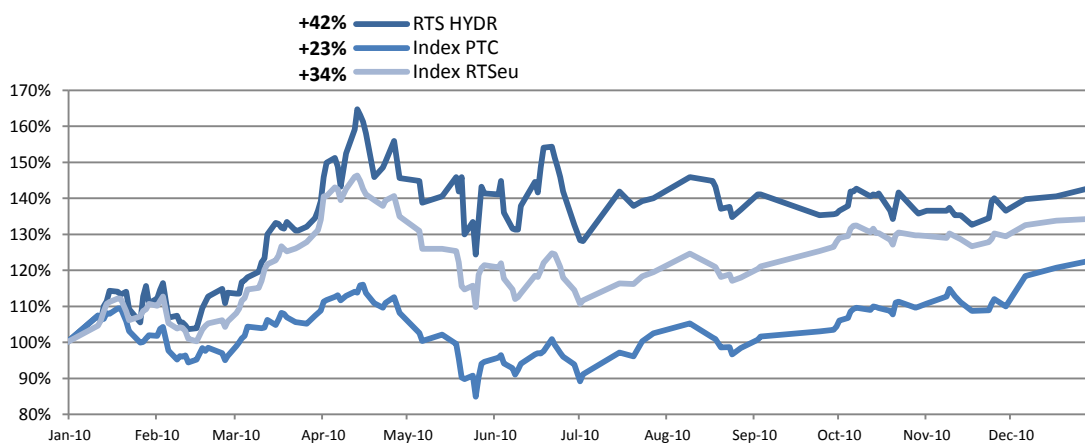
* Corporate shares traded since June 27th, 2009

During the last several years, there has been a stable trend in increased trade volumes and the number of transactions involving Company shares: the trading volume on MICEX, the main trading floor, increased 1.6 times compared with 2009.

2010 RusHydro's share performance compared with the MICEX Index and MICEX power sector indices



2010 RusHydro's share performance compared with the RTS Index and RTS power sector indices



2010 was a successful year for RusHydro on the capital market. During the reporting period, the Company's shares outperformed the market, despite negative effects of various factors: external – debt problems of the Euro-zone states – and external – abnormal summer heat.

In 2010, the Company's shares demonstrated better dynamics than the market of energy sector companies. According to RTS, share price increased 42%, whereas the sector index grew 34% (on MICEX, these figures were +45% and 44% respectively).

Capitalization

Exchange		as of 31.12.2008	as of 31.12.2009	as of 31.12.2010
RTS Classic	USD	5,120,793,837	10,167,517,741	15,502,944,634
MICEX	RUR	147,988,491,751	306,913,400,253	476,058,765,392

From 2008, RusHydro's capitalization increased three times. In addition to the additional issue placement and increased charter capital, this was the result of the Company's market position with highly profitable assets which appeal to investors and RusHydro entering into the 2011-2013 forecast privatization plan for federal property. Investors' positive attitude toward the Company in 2010 was also affected by its strong financial and operational performance, successful efforts to generate its own supply network and published plans for future development.

Depository Receipts (DR) Program

Depository receipts are derivative financial instruments that circulate outside the country where the issuer is registered and carry property rights to a certain number of the issuer's underlying shares.

Description of the Company's DR program

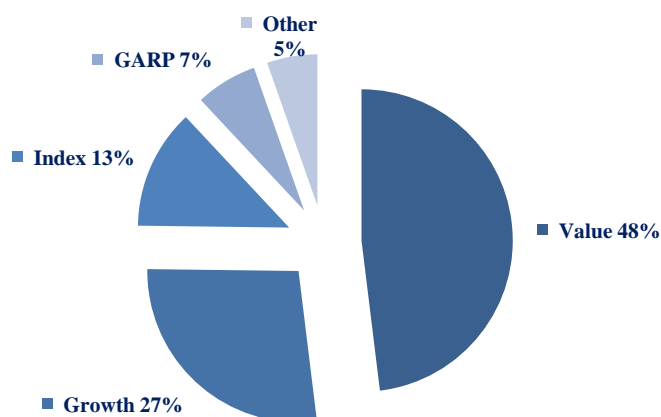
Depository bank	The Bank of New York Mellon http://www.adrbnymellon.com/
Ratio	1 DR gives rights to 100 ordinary shares
Program launch date	144A GDR June 17 th , 2008 Level 1 ADR August 7 th , 2009
CUSIP number (Level 1 ADR)	466294105
Trading platforms	London Stock Exchange (Main Market – IOB) OTCQX International Premier
Ticker symbol	LSE: HYDR; OTCQX: RSHYY
Program size as of December 31 st , 2010, % of authorized capital	10.05%
Maximum program size, number of ADR	375,000,000

In July 2009, trading of the Company's DRs was launched on the London Stock Exchange's (LSE) Main Market in the International Order Book (IOB) regulated segment.

In August 2009, RusHydro launched a Level 1 American Depository Receipt (ADR) program. The Reg S GDR program was terminated following its conversion into the ADR program. All Reg S GDR holders received the equivalent number of ADRs included in the LSE quotation list as of the issue date.

In August 2010, the Company received registration on the OTCQX platform in the International Premier segment, the highest segment of the United States OTC market; beginning on August 30th, RusHydro's ADRs were traded on the above-mentioned trading platform.

Distribution of ADR holders by investment type



A review of the Company's ADR holders shows that a significant percentage of investors follow the value investment strategy. This strategy involves investing in securities of companies that have a stable financial position and good revenue growth, but that are underestimated by the market.

Bonds

RusHydro has expanded its funding possibilities for its large-scale investment program via new instruments – entering the public bond market.

In June 2010, the Company's Board of Directors approved attracting borrowed funds not to exceed RUR 20 billion through corporate bonds or ruble-denominated Eurobonds depending on the existing market situation.

In October 2010, the Company successfully placed its initial Eurobond issue by RusHydro Finance Ltd., a SPV company, under the corporate program for issuing medium-term notes (LPN).

Eurobonds have a maturity date of 2015 and hold a 7.875 percent coupon rate per annum. The issue was organized by JP Morgan, Gazprombank and Troika Dialog. It is listed on the London Stock Exchange and has a Reg S prospectus.

The issue has the same ratings as RusHydro as a whole.

The issue marks the first ruble-denominated Eurobond placement by a real sector Russian company. There was great interest in these Eurobonds: at bid book closing, the oversubscription rate was 29% and the coupon rate was reduced compared to the initial price range.

The Company's Eurobond coupon rate is only nominally higher (12.5 base points) than the coupon rate for FGS UES' issue of comparable duration, despite the fact that RusHydro's corporate rating is 2 grades lower than for FGC UES. This should correspond to a 50-70 base point spread.

The ruble-denominated Eurobond placement allowed RusHydro to ensure demand from the maximum number of investors, both domestically and abroad, and to maintain a balanced currency structure of cash flow.

INDUSTRY REVIEW

Business Environment: Energy and Capacity Markets in 2010

Overview and Trends

2010 marked an interesting crossroad for the Russian power sector, since it was scheduled to be the last year in the *transition period* (which ran from September 2006 to the end of 2010) before the country achieved full power sector liberalization (with the exception of the Far Eastern region of Russia and some other non-price zones and isolated territories which has intentionally been excluded from the reform package due to the lack of competitive conditions in the Region, caused in large part by its geographically remote location, lack of necessary infrastructure and the absence of market players (necessary to establish a competitive framework)).

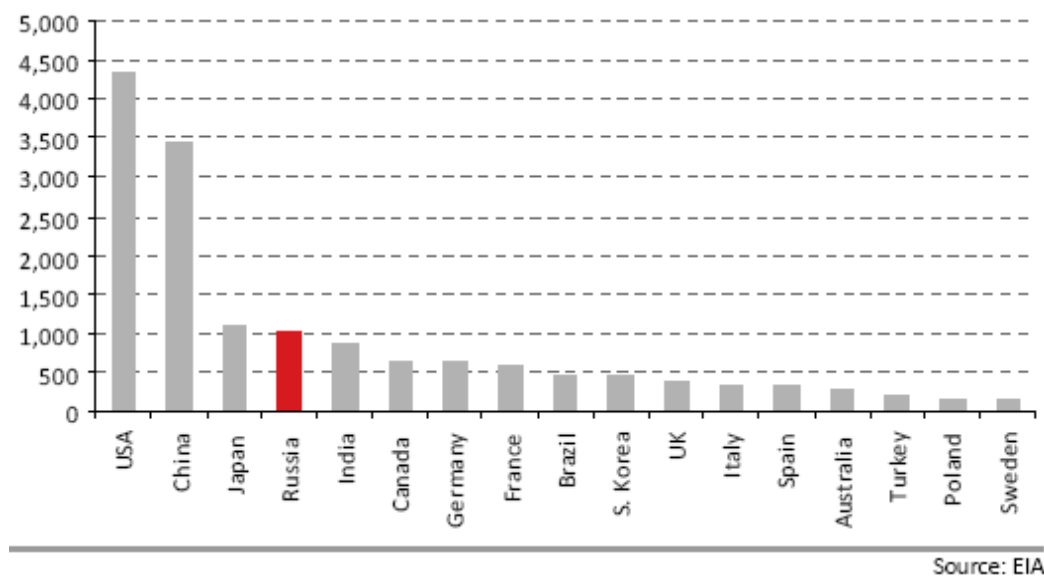
Reform was a multi-step process with numerous important milestones along the way – ultimately leading to the goal of full market liberalization as of January 1st, 2011.

Sector reform was originally driven by real capacity shortages, which have become less of a pressing concern (for reasons discussed below). It should be noted that although the technical liberalization process has now been completed for the electricity market, tariffs for residential consumers are still capped by the Russian Federal Tariff Service. It remains unclear when these caps will be removed and/or phased out – initially reform legislation called for full liberalization by 2014. The legislation has since been amended and reference to a date has been removed; the Company expects that controls on consumer prices will likely remain through 2012. As of the end of the reporting period, approximately 80% of electricity is sold at unregulated prices – with the vast majority of these unregulated sales occurring on the day-ahead market. These unregulated sales prices are significantly higher than previous HPP prices.

The capacity market was originally introduced to help ensure longer-term planning in the sector, as well as to upgrade investor attractiveness for companies (including JSC RusHydro) operating in the sector – which would in turn foster improved operational efficiency. The Government recognized the need for an enormous injection of funds for CapEx programs. In 2007, the Russian Ministry of Energy and RAO UES of Russia estimated that CapEx costs for the period till 2020 would total USD 880 bln. It was further estimated that of this total 10% of funds would need to be devoted to the hydro-power sector.

Liberalization to date has been extremely favorable to hydro-power producers (compared to thermal power producers). RusHydro has benefitted more from sector reform than many of its peer group competitors.

Electricity Generation by Country



Russia still has a vast amount of untapped or unutilized/under-utilized hydro-power energy, compared to countries, such as: Norway, Japan and the United States.

Another attractive component of Russian market reform is that new capacity commissioned under commissioning agreements are subject to an extended time period during which power produced at these sites will be priced at a premium price (new facilities are defined as any project that was launched in 2008 or later). Research suggests that there will be a significant amount of new capacity commissioned prior to 2017 – approximately 40 GW – with the vast majority of this new capacity in European Russia, the Urals and Siberia.

This above-mentioned premium period depends on the type of power and is longer for hydro-power vis-à-vis other energy sources – 10-years for thermal power and 20-years for new hydro capacity and nuclear generation. The special pricing agreement will make sector investment more attractive. The introduction of new capacity will also address power deficits that exist in many areas, including in some large urban centers.

Both globally and inside Russia, there has been a continuing focus on improving the efficiency of power production and continuing to ensure that power production is as environmentally friendly. As a result of this, renewable energy source (RES) production continues to be a buzzword and investors have focused increased attention on potential investment projects in this area. Despite multiple benefits inherent in RES, the production cost of RES-generated energy is on average higher than that of energy generated from traditional sources.

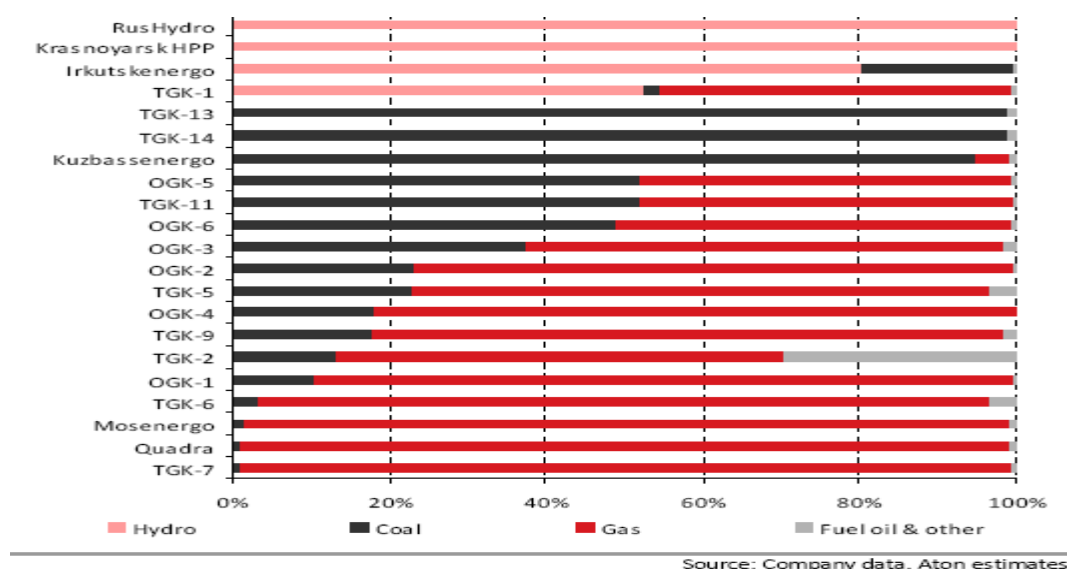
It should be noted that although Russia currently lags behind some of the Western, industrialized countries in power production from RES sources (with almost 2/3 of its production still coming from thermal power sources), the Soviet Union had a long tradition of attempting to focus on this area with varying degrees of success – including investment programs in geo-thermal and tidal energy. Along with Canada, the Soviet Union was considered a leader in finding innovative solutions in the hydro-power sphere.

RusHydro is Russia’s undisputed market leader in efforts to increase the percentage of power produced domestically using RES capabilities. The Company actively focuses on projects using a variety of renewable energy sources and particularly emphasizes its in-house R&D efforts in these areas.

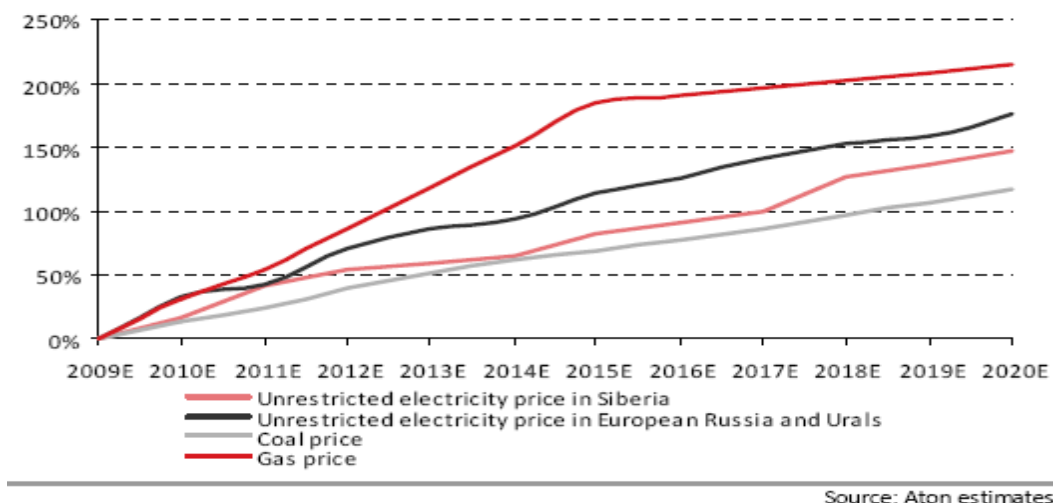
Given the general trend of growing prices on fossil fuel, the Company, unlike its competitors, will bear no additional costs related to the increase in energy source prices but rather will benefit from the growing energy prices.

The Russian Ministry of Economic Development predicts that gas prices will increase 15.3%, 15.6% and 15% respectively in 2011, 2012 and 2013.

The chart below illustrates the greater degree of fuel dependence for RusHydro’s domestic peer group:



Across-the-board price increases



Peer Group

The Company's peer group can be divided into three general categories:

- ❖ Other Russian generating companies that were spun off from RAO UES during the decade-long industry reform;
- ❖ Generating companies operating in BRIC countries; and
- ❖ Companies operating in the RES (renewable energy source) sphere, particularly hydro-power producers (since hydro-power production tends to be the most large scale and practically implemented production out of all RES production alternatives).

The graph below outlines on how RusHydro stands vis-à-vis its BRIC peers:

	Mcap	Installed capacity	Controlling shareholder	Free float	Weight in MSCI EM	ADV	Capacity structure	
	US\$ mn	MW, 2010		%		US\$ mn	hydro/renewable	thermal
Brazil								
Tractebel	9,841	6,641	Private	21%	0.0545%	7.7	81%	19%
CESP	5,362	7,456	State	59%	0.0714%	12.7	100%	
Tiete	5,243	2,658	Private	40%	0.0382%	5.5	100%	
Russia								
RusHydro	14,024	20,327	State	40%	0.1635%	47.0	100%	
OGK-4	5,233	9,030	Private	22%	0.0386%	1.7		100%
India								
NHPC	8,694	5,175	State	14%	not included	7.2	100%	
NTPC	35,822	28,345	State	11%	0.1134%	13.4		100%
China								
CRP	8,667	21,542	State		0.0872%	17.8	9%	91%
Huaneng	6,890	54,502	State	48%	0.0482%	22.2	5%	95%
Datang	4,772	38,290	State	33%	0.0360%	18.5	14%	86%
Yangtze	18,573	20,976	State	45%	not included	52.3	91%	9%
Guodian	5,743	23,202	State	12%	not included	35.8	26%	74%

Source: Quantum database, Goldman Sachs Research estimates, Gao Hua Securities Research estimates. We use OGK-4's RTS last deal price of US\$0.069 as of November 3, 2010 for the purposes of market cap calculation in this exhibit.

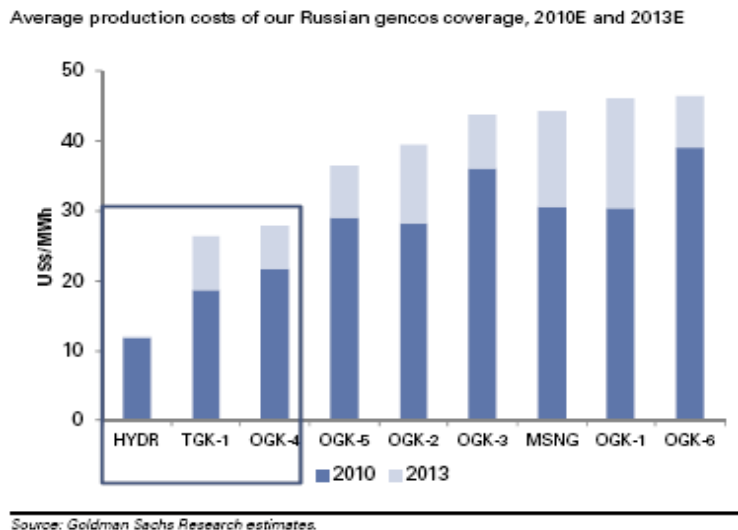
Focusing on the RES sphere, the most obvious company for peer group comparison would be Hydro Quebec (the world's largest hydro-power producer, which operates in a relatively similar, climatically-challenging environment to RusHydro). However, it must be noted that Hydro Quebec is not publicly traded. In addition to Hydro Quebec, other global peers include: a trio of Norwegian companies (E-CO, Norsk Hydro and Elkem) and Wien Energie (Austria), a diversified RES producer.

Competitive Advantages

The Company has numerous competitive advantages that help set RusHydro apart from both its Russian and global peers, making it an attractive investment opportunity for both sector specific investors (looking to capitalize on recent Russian market reform which particularly benefitted hydro-power producers); geographic/regional/emerging market investors who are looking for exposure to the Russian markets via a stable Company with significant liquidity on both domestic and foreign exchanges and green investors who see the upside of focusing on RES production and who are willing to take a long-term view when evaluating a Company's investor attractiveness.

One of RusHydro’s principal competitive advantages, vis-à-vis its domestic peers, is that it is the lowest cost producer in Russia, which is largely explained by the fact that hydro-power producers do not have the fuel costs of other energy producers. In terms of Russian production costs, RusHydro is the lowest – followed by TGK-1 (whose relatively low costs can be attributed to its relatively high share of hydro-power production in its output profile) and OGK-4 (whose low costs are explained by its favourable geographic location in a gas-producing region of Russia and the low cost associated gas supplied for the Company’s major facility, Surgutskaya 2).

Average production costs of Russian generating companies, 2010E and 2013E



In addition, the Company has a large amount of capacity scheduled to come on line in the mid-term, including: the rehabilitated Sayano-Shushenskaya HPP and the Boguchanskaya HPP, which is a part of the ambitious BEMO project in conjunction with UC RUSAL. It is important to note that once these projects come on-line (assuming proper maintenance and upkeep during their lifespan) HPP facilities tend to have a significantly longer productive lifespan than thermal power plants.

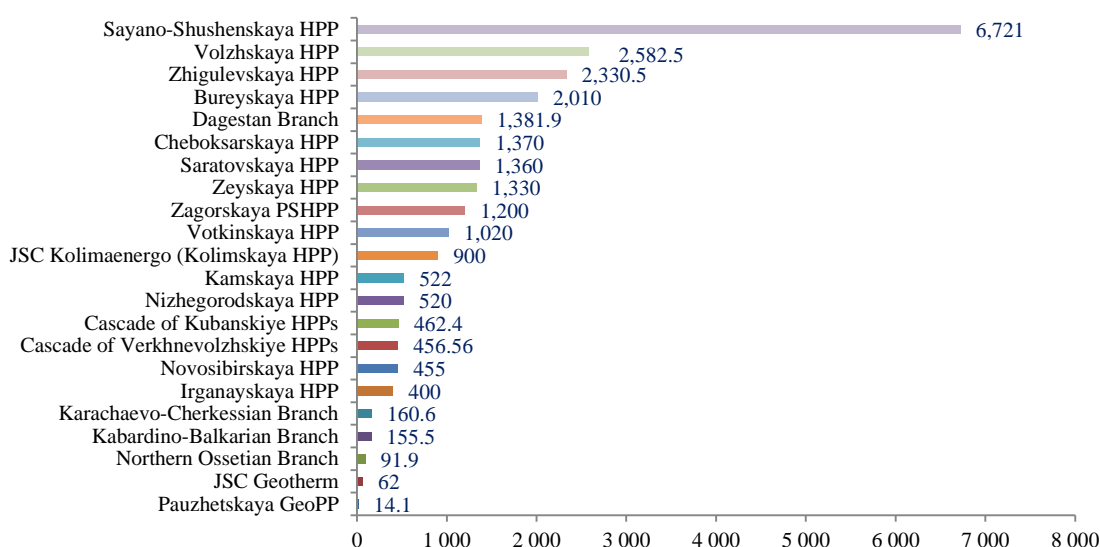
Yet another competitive advantage that the Company holds is a highly skilled labor force focused on meeting RusHydro’s medium- and long-term goals (which have been developed as part of the Company’s comprehensive strategy). Taking into account the skilled labor shortage that exists in numerous Russian regions (particularly in remote regions), the Company has implemented numerous measures to attract and retain highly skilled young professionals. To ensure that investors recognize the Company’s comparative advantages and see the Company as an attractive investment option, RusHydro continues to focus on proactively upgrading its corporate governance system to meet international best practice standards.

Production Performance

Key Annual Results

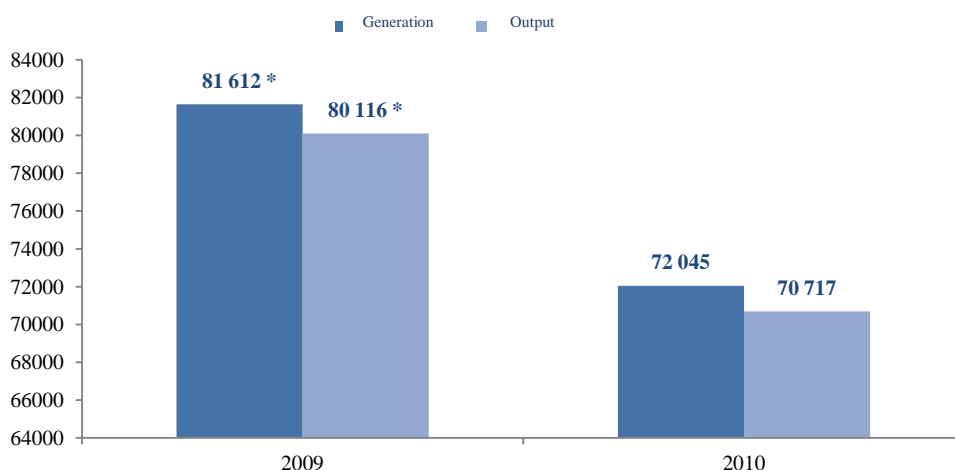
RusHydro's total installed capacity at the end of 2010 is 25,505.96 MW (including JSC Kolymenergo, JSC Geoterm, Pauzhetskaya GeoPP, JSC Zamarynskie HPPs and the Eshkakonskaya HPP) – a 108 MW increase compared with installed capacity at the end of 2009.

Company's installed capacity



In the reporting period, the Company generated 72,045 million kWh of power, which is 9,609 million kWh less than in 2009. The operating capacity decrease in 2010 compared with 2009 is caused by an increased volume of repair work and unscheduled equipment repair at the Sayano-Shushenskaya HPP after the accident in August 2009 and the fire at the Irganayskaya HPP in September 2010.

Power generation and output dynamics



* Generation and output in 2009 are indicated excluding the Pauzhetskaya GeoPP which joined the Company in 2010.

Actual power generation was 98.2% of the projected rate which also resulted from low water level in the region of the Volga-Kama Cascade HPPs. Despite the unfavourable hydrological situation (annual water input was 16% less than the long-term average level), Cascade power generation in 2010 was almost equal to the long-term average indicator due to

efficient hydro-resource management control during the whole year. Optimal water resource usage for energy generation by RusHydro's branches ensured up to 930 kWh of power.

In 2010, RusHydro reviewed its approach to the HPP upgrading program and began to conclude contracts with strategic partners for the integrated upgrading and renovating of HPP facilities and equipment.

To support this concept, in 2010, RusHydro:

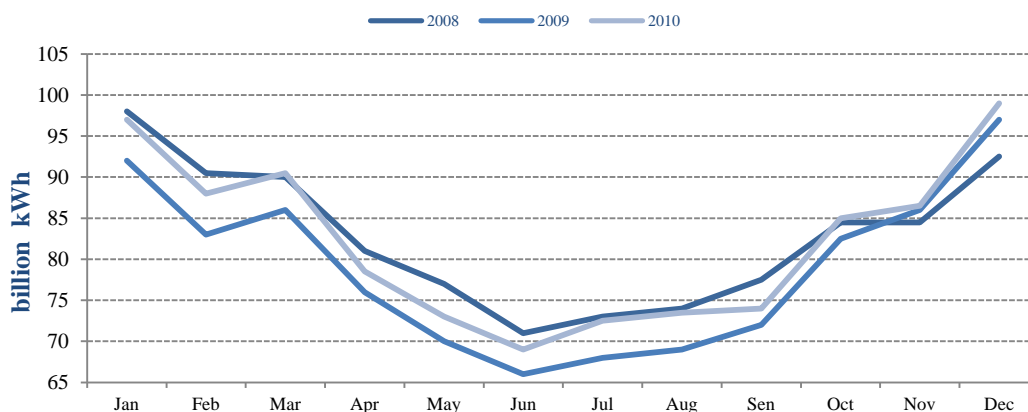
- ❖ Concluded an agreement with Alstom Hydro (France), Alstom LLC and JSC OEK on the contract's primary conditions to renovate and upgrade the Kuban HPP Cascade;
- ❖ Signed an agreement with JSC Power Machines to upgrade 14 hydro-units at the Zhigulevskaya HPP;
- ❖ Signed a contract with JSC Power Machines to upgrade 4 hydro-units at the Volzhskaya HPP as part of cooperation with the European Bank for Reconstruction and Development (EBRD);
- ❖ Signed a contract with JSC Power Machines to upgrade hydro-unit No. 2 at the Rybinskaya HPP as part of cooperation with EBRD;
- ❖ Signed a contract for supplying and replacing 4 turbines produced at Turboatom for the Company's Kamskaya HPP.

Sales Activities

RusHydro has successfully expanded the retail energy trade – the most important of its new business ventures. As part of its strategy of energy sales development, the Company acquired stakes in several energy supply companies to advance its energy supply business with a view to retail market potential, generation synergy and the marketing of energy, as well as providing energy services and ensuring access to end users.

During the reporting period, the actual energy consumption for UES Russia reached 988.9 billion kWh, a 4.5% increase compared with 2009 results and a 0.2% increase over 2008. During the first nine months of 2010, the average decrease in energy consumption for UES Russia was 1.9% compared with the same pre-crisis period in 2008 (energy consumption for the same 2009 period showed a 5.4% increase). In Q4 2010, energy consumption for UES Russia was only 2.2 percent higher than in the same 2009 period.

Power consumption dynamics



Therefore, actual energy consumption for UES Russia in 2010 returned to pre-crisis 2008 level.

Due to unchanged energy consumption, there was no material change in HPPs generation volumes because HPP load is the principal objective under the accepted wholesale market model for electricity and power and primarily depends on the mode of operation and filling HPP reservoirs.

Principal reasons for the higher cost of energy purchases in 2010 include:

- ❖ Material growth in purchases on the day-ahead market to support non-regulated bilateral agreements;
- ❖ A 25.3 percent price increase on the day-ahead market and a 31.6 percent increase on the balancing market.

Major efforts to upgrade marketing efficiency during the reporting period include:

- ❖ Expanding own sales and distribution options by concluding non-regulated bilateral agreements on mutually beneficial conditions in light of the Company's distribution policy;
- ❖ Introducing a commercial dispatching process to upgrade HPP efficiency on wholesale markets for electricity and power;
- ❖ Utilizing financial instruments to hedge price risks and receive additional revenues;
- ❖ Automating business processes on the wholesale markets for electricity and power: introducing the Energotrading information system and short-, medium- and long-term systems on the wholesale market for electricity and power with a view to HPP water conditions; and
- ❖ Initiating claims administration against deliberate non-payers for power and capacity.

Key Competitive Advantages

Regulated Agreements (RA)	RA prices include the Company's target investment component. Sales are guaranteed at prices at least equal to tariffs.
Day-ahead Markets (DAM)	Relatively low variable costs which are always below DAM prices. Primarily hydro-generation to be included in the trade pattern.
Balancing Market Sector of the WEM (BM)	BM participation is initiated only externally to HPPs (PSHPPs) involved in regulation. A comparatively low share of unsolicited deviations and a high demand for mobile capacity.
Acting Capacity Market (ACM)	High competitive power of mobile capacity. No connection between capacity and energy supply. Guaranteed capacity supply at prices that are at least equal to established tariffs. Relatively low capacity tariff, granting the opportunity to conclude non-regulated bilateral power and capacity contracts
Retail Energy Market for Retail Generation Facilities (REM RGF)	No cost for purchased energy. No basic infrastructure costs (payments to OJSC ATS and CJSC CFR).

Capacity Market

In 2010, there were no key changes in the capacity market. The transitional capacity market model was introduced July 1st, 2008 and continues to be applied.

The Company applies the above transitional capacity market model to utilize basic mechanisms for receiving the additional economic benefits listed below:

- ❖ Selling the capacity of existing HPPs under non-exchange, non-regulated bilateral power and capacity contracts. 2010 benefits totaled RUR 113.7 million; and
- ❖ Selling "new" capacity received from implementing the re-equipment and renovation program at the Volga-Kama Cascade. 2010 benefits totaled RUR 333 million.

The Company trades energy and capacity on wholesale and retail markets under the following types of agreements:

- ❖ Regulated energy and capacity contracts (selling under tariffs approved by the Federal Tariff Service);
- ❖ Sales and purchase agreements for capacity generated by pump storage hydro plants and hydro-power plants (selling under tariffs approved by the Federal Tariff Service) - were was not such contracts in 2010;
- ❖ Commission contracts to sell capacity (capacity is traded on a competitive basis);
- ❖ Commission contracts to sell energy on a competitive procedure for day-ahead price bids (energy is traded at a price equal to DAM prices);
- ❖ Commission contracts to sell energy on a competitive basis for balancing system price bids (energy is traded within the range of fluctuations equal to BM prices);
- ❖ Non-regulated bilateral agreements to trade energy (energy is traded at non-regulated prices agreed upon by the parties);
- ❖ Non-regulated bilateral electricity and capacity contracts (energy and capacity are traded at non-regulated prices agreed upon by the parties); and
- ❖ Sales and purchase agreements on retail markets (energy and capacity are traded at prices set in accordance with the decisions of regional administrative bodies, which are authorized to set tariffs, and at free prices).

Supplementary Information

The Company has never carried out any direct export of energy supplies. The Far Eastern HPPs (the Zeyskaya and Bureyskaya HPPs) have generated additional capacity exceeding the balance set by Russia's Federal Tariff Service, totaling 2.6 billion kWh to ship export supplies to China. RusHydro received extra benefits from selling the above volumes; these benefits totaled RUR 1,273.8 million. It is worth noting that the supply to China may differ from the HPPs' extra generation.

INVESTMENTS

Investment policy principles

RusHydro's investment policy and relevant decision - making are based on the following principles:

- ❖ Ensuring that investment decisions and all projects fully comply with legal regulations, construction norms and requirements and environmental standards;
- ❖ Comply with the sequence of stages in implementing investment projects;
- ❖ Guaranteeing that investment decisions and select projects meet profitability and risk management guidelines established by the Company's Board of Directors;
- ❖ Carrying out cost-benefit analysis for alternative investment solutions at the end of each stage of the investment program, as well as when key parameters change;
- ❖ Finding appropriate financing sources to cover individual investment projects (and the program as a whole).

Prior to 2010, Company's investment activity was not regulated by a single comprehensive document. In 2010, the Company adopted Investment Activity Regulations, which enabled it to form a unified information archive on corporate investment activities and optimize the project data base.

The following efforts to implement RusHydro's investment policy were made in 2010:

- ❖ Approving RusHydro 2010 Investment Program (Minutes of the Board of Directors No. 93 of March 4, 2010) with total amount of financing of RUR 97,057 million;
- ❖ Approving updated RusHydro 2010 Investment Program (Minutes of the Board of Directors No. 108 of September 17, 2010) with total amount of financing of RUR 100,407 million; and
- ❖ Subject to the decision of the Board of Directors of December 29, 2010 (Minutes No. 116 of December 30, 2010), the Company has cut financing of the BEMO project at RUR 7,133 million due to delayed commissioning date of the facilities with further redistribution of the relevant funds for 2011-2013 and updating RusHydro Investment Program as applicable.

Besides, the approved Investment Program updates include the limitation on financing the Wind Energy project: "additional financing in amount of RUR 896 million provided the execution of a long-term agreement on sales of energy generated by the Dalnevostochnaya WPP to ensure acceptable performance indicators."

Given that the applicable regulatory framework of the Russian Federation does not contemplate such long-term agreements, no relevant decision has been made. The projected financing amount of the above project to construct the Dalnevostochnaya WPP, therefore, totals RUR 125.7 million.

Subject to the above, the planned volume of RusHydro's 2010 Investment Program is RUR 92,378 million.

According to 2010 Investment Program Report, the implementation of the investment program during the reporting period amounted to RUR 99,221 million or 107 percent.

This plan deviation resulted from:

- ❖ On TRR projects - according to the decision of the Company's Board of Directors, it is authorized to use for realization of prime urgent actions for strengthening of security of objects under the realization of corporate complex system of safety of objects the additional funds which were not included in the 2010 budget. Besides, according to the contract provisions and the additional agreement between JSC RusHydro and JSC Power Machines on manufacturing and delivery of the equipment for hydrounits of the Company's branch Zhigulevskaya HPP, approved by the Board of Directors decisions, was carried out the additional financing of the said branch under the TRR projects financing;
- ❖ Raising extra loan funds from Vneshekonombank under the BEMO project. The actual overrun of planned project financing is RUR 253.3 million. The Boguchansky Aluminum Smelter received extra funding in the amount of RUR 229.6 million to pay a commission to Vneshekonombank;
- ❖ Additional funding in the amount of RUR 131.5 million was allocated to complete the integrated safety system of the Irganayskaya HPP project;
- ❖ Extra funding in the amount of RUR 177.01 million was granted to commission generating facilities of the Yegorlykskaya HPP-2 in Q4 2010;

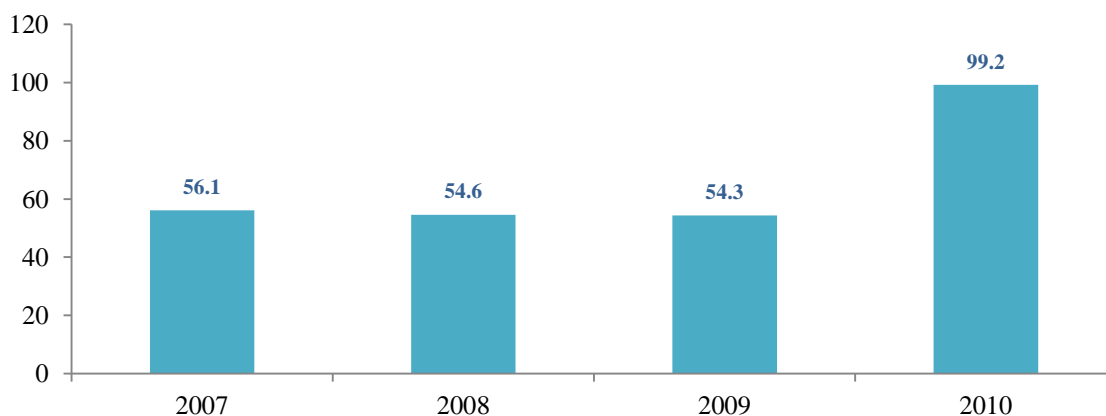
- ❖ A RUR 61 million payment was postponed from 2009 to 2010 under the Vetroenergetika (Wind Energy) project agreement to develop design and engineering documents for the Dalnevostrochnaya Wind Power Plant; and
- ❖ The Company's decision to launch construction of the Nizhne-Bureyskaya HPP in 2010 and allocate an extra RUR 350 million for this project subject to an Order of the Russian President as of July 16th, 2010 No. Pr-2060 and an Order of the Deputy Russian Prime Minister Ivan Sechin as of July 19th, 2010 No. I-P9-4881.

RusHydro 2010 Investment Program funding, RUR million, VAT inc.



* Subject to the decision of the Board of Directors of December 29, 2010 (Minutes No. 116 of December 30, 2010), the Company has cut financing of the BEMO project. With a view to limitations imposed on financing of the Wind Energy Projects under RusHydro Investment Program approved by the Board of Directors on September 15, 2010 (Minutes No. 108 of September 17, 2010) the Company has cut the amount of this project financing.

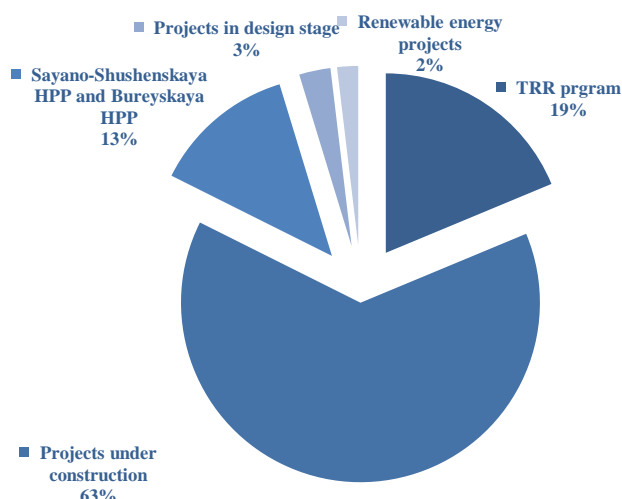
Investments, RUR bln.



2010 principal investment priorities included:1

- ❖ Technical renovation and reconstruction program (TRR) – RUR 18.58 billion;
- ❖ Projects under construction – RUR 63.06 billion;
- ❖ Restoring the Sayano-Shushenskaya HPP and Bureyskaya HPP – RUR 12.8 billion;
- ❖ Projects in the design stage – RUR 2.8 billion; and
- ❖ RES projects – RUR 1.87 billion.

2010 Investment Structure



The 2010 commissioning plan was fulfilled at 100 percent. Subject to its Investment Program, the Company commissioned 108 MW of facilities, including:

- ❖ 29 MW under TRR program projects (15.5 MW at the Volzhskaya HPP; 10.5 MW at the Zhigulevskaya HPP; and 3 MW at the Kamskaya MW);
- ❖ 65 MW by commissioning the Kashkhatau HPP; and
- ❖ 14 MW by commissioning the Egorlykская HPP.

Commissioned capacities, MW

Project	Capacities Commissioning, MW	
	planned	actual
TRR program, including	29	29
Volzhskaya HPP (units No. 3 and 9)	15.5	15.5
Zhigulevskaya HPP	10.5	10.5
Kamskaya HPP	3	3
Kashkhatau HPP	65	65
Yegorlykская HPP-2	14	14
TOTAL:	108	108

Major Investment Projects

- ❖ **Restoring the Sayano-Shushenskaya HPP:** As of the end of 2010, the project funding balance stands at RUR 21,222.76 million. During the reporting period, hydro-power units 3-6 were commissioned as planned. Building and installation work is carried out according to a calendar schedule;
- ❖ **Coastal spillway construction at the Sayano-Shushenskaya HPP:** As of the end of 2010, the project funding balance is RUR 1,103.96. Construction will be completed in September 2011 (within the projected period);
- ❖ **The Bureyskaya HPP:** As of the end of 2010, the project funding balance is RUR 5,082.9 million. Installed capacity is 2,010 MW;
- ❖ **Construction of the Ust-Srednekanskaya HPP on the Kolyma River:** As of the end of 2010, the project funding balance stands at RUR 27,709.73. Planned production capacity is 570 MW. The project's planned capacity will be reached in 2017;
- ❖ **The Boguchanskaya HPP:** Planned production capacity is 3,000 MW. Planned commissioning dates by year: Hydro-power units 1-6 – 2012; and hydro-power units 7-9 – 2013;
- ❖ **The Gotzalynskaya HPP:** In 2013, installed capacity will be 100 MW. The project funding balance as of the end of 2010 is RUR 6,411.2 million;
- ❖ **The Zamaragskye HPPs:** In 2014, installed capacity will be 342 MW. As of the end of 2010, the cost estimate balance is RUR 3,677.28 million;
- ❖ **The Kashkhatau HPP:** Installed capacity (including growth) – 65 MW;
- ❖ **The Zagorskaya PSHP-2:** As of the end of 2010, the cost estimate balance is RUR 36,774.73 million. Installed capacity (including growth): 2012 – 420 MW; 2013 – 420 MW;

- ❖ **The Yergolykskaya HPP-2:** Installed capacity (including growth) as of December 2010 is 14 MW. The cost of work is RUR 2,342.3 million.

In 2010, the Company completed design of the Nizhne-Kurejskaya HPP and the Leningradskaya PSHPP. Completion of the Kanunskaya HPP is planned for 2012. The Company also anticipates a range of small HPPs being built:

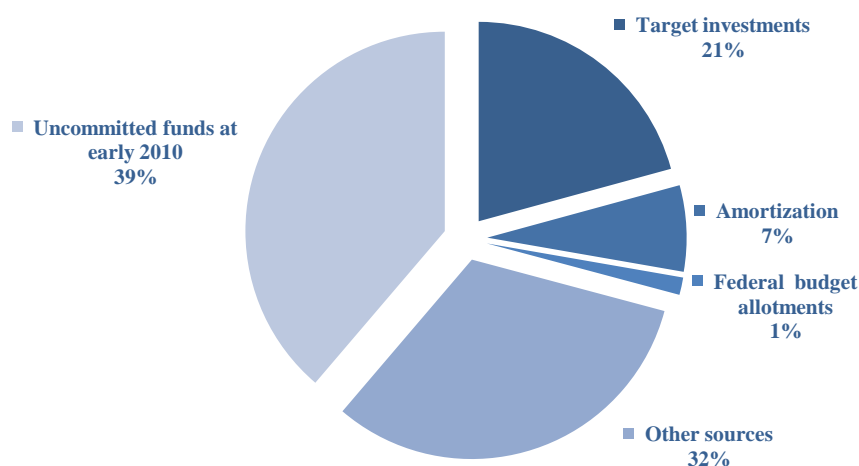
- ❖ The Chibit SHPP;
- ❖ The Verkhnebalkarskaya SHPP;
- ❖ The Zaragizhskaya SHPP;
- ❖ The Fiagadonskaya SHPP; and
- ❖ The SHPP on the Large Zelenchuk River.

Investment Program Funding

In 2010, the Company's funding sources totaled RUR 117,405 million, including:

- ❖ Target investments of RUR 24,374 billion;
- ❖ Amortization of RUR 8,197.4 million (including tariff amortization of RUR 6,727 million);
- ❖ Federal budget allotments of RUR 1,654.8 million;
- ❖ Other sources – RUR 37,679 million; and
- ❖ Non-committed funds as of the beginning of 2010 were RUR 45,499.4 million, including target investments – RUR 8.261 million; amortization – RUR 1,128 million; federal budget allotments – RUR 8,820 million; and other sources – RUR 27,290.4 million.

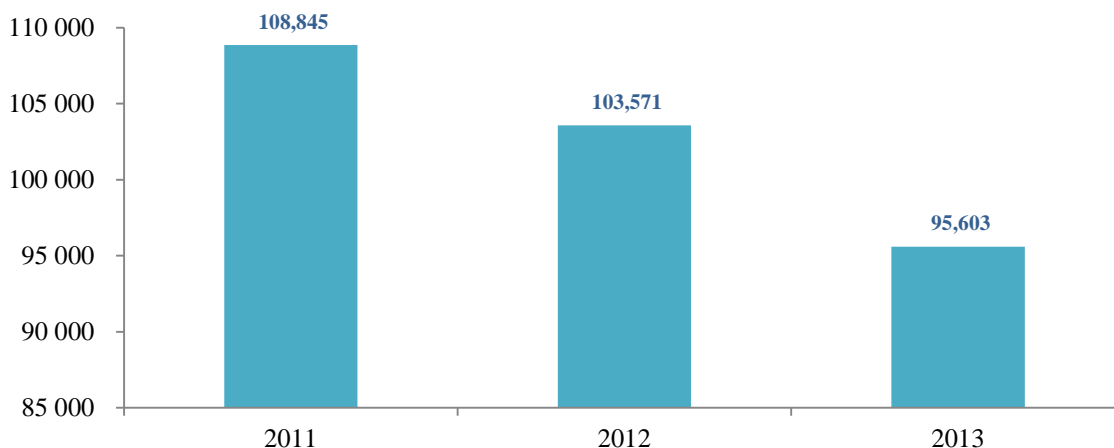
The 2010 Funding Structure



2011-2013 RusHydro Investment program

The 2011-2013 Investment Program envisions the following financing (Minutes of the Board of Directors of RusHydro No. 109 of October 15, 2010): 2011 – RUR 108,845 million; 2012 – RUR 103,571 million; and 2013 – RUR 95,603 million.

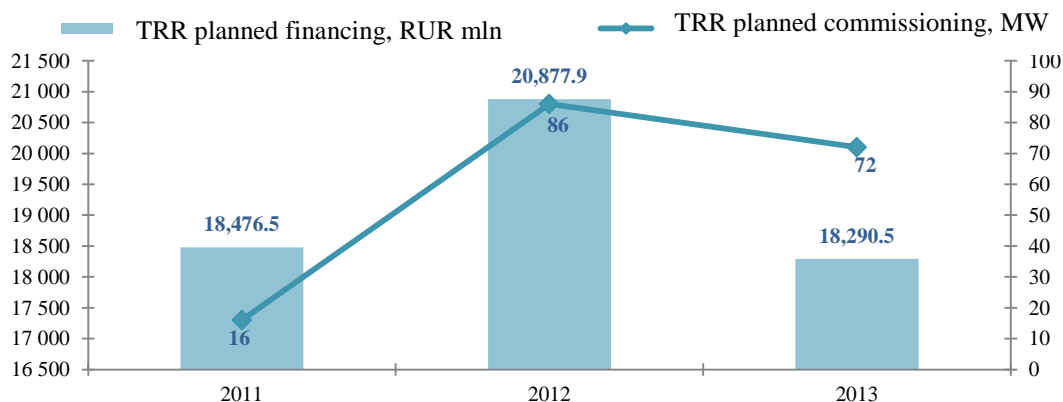
Planned Financing, RUR mln.



The 2011-2013 Investment Program contemplates implementing several investment projects, including: renovating the Sayano-Shushenskaya HPP, the BEMO project and construction of the Ust-Srednekanskaya HPP, the Gotzalinskaya HPP, Zagorskaya PSHP-2 and the Nizhne-Bureyskaya HPP.

In planning its investment program, the Company focuses on continuous upgrading and the safety and technical reliability of its projects (as part of a total package of technical renovation and reconstruction). The approved 2011-2013 investment program involves the following funding patterns for the technical renovation and reconstruction of existing facilities: 2011 – RUR 18,476.5 million, 2012 – 20,877.9 million and 2013 – RUR 18,290.5 million.

The Technical renovation and reconstruction program covers commissioning additional capacity without building generating facilities: 2011 – 16 MW, 2012 – 86 MW and 2013 – 72 MW.



At the same time, the 2011-2013 Investment Program stipulates the following funding for corporate R&D projects: 2011 – RUR 655 million, 2012 – RUR 1,277 million and 2013 – RUR 1,384 million.

Program for comprehensive upgrading of generating facilities

Today, the average physical wear of generating equipment across the industry reaches 65-70 percent; and the share of equipment which has run out of its service life is approximately 50 percent of the total fleet.

Aging equipment growth outstrips the replacement efforts due to underfunding of TRR program of hydropower sector in 1990-2000.

The Company developed the program for comprehensive upgrading of generating facilities (PCU) to ensure the required level of technical reliability and perform RusHydro's strategic plan approved by the Board of Directors on June 16, 2010.

Key objective of PCU is to take the main generating equipment with expired service life out of operation.

PCU key areas:

- ❖ Upgrade main equipment and introduce innovative energy saving technologies;
- ❖ Streamline the use of water resources;
- ❖ Reduce own energy consumption; and
- ❖ Implement innovation decisions.

The Program contemplates the following:

- ❖ Carry out a comprehensive pre-project survey of equipment, buildings and structures;
- ❖ Develop the comprehensive upgrading project;
- ❖ Upgrade main and service equipment;
- ❖ Integrated upgrading of common stations's systems (auxiliary process systems, the systems of process water supply, ventilation, conditioning, etc.); and
- ❖ Perform complete automation of basic production processes.

The following equipment shall be replaced under PCU program:

- ❖ 140 turbines or 50% of total turbine fleet;
- ❖ 114 generators or 40% of total generator fleet;
- ❖ 173 transformers or 60% of total transformer fleet;
- ❖ 349 high-voltage switchers;
- ❖ 7,000 units of secondary switching equipment; and
- ❖ 3,000 units of auxiliary equipment.

INNOVATIVE DEVELOPMENT

RusHydro states advanced launch of innovations as a top priority of RusHydro Strategic Plan. To meet this challenge, the Company needs to establish an efficient innovation management system. Therefore, in 2010, the Company developed RusHydro 2011-2015 Innovative Development Program in line with the Strategic Plan up to 2015 and future development to 2020. The Program was approved by the Board of Directors of RusHydro on December 29, 2010.

The Program is designed to define the priorities of innovative development, set goals and objectives of such development and generate the framework of innovation management relative to strategic, investment and operating management.

The document was drawn up in accordance with guidelines for drafting innovative development programs for joint stock companies with a state share, state-owned corporations and Federal State Unitary Enterprises, as approved by a decision of the Russian Government Commission for High Technologies and Innovation (as of August 3rd, 2010).

The Program is part of a series of program documents of the Company is related to:

- ❖ Company's Technical policy: technologies and technical solutions developed under the Program shall be included in the list of applicable technologies in case of their successful introduction;
- ❖ Production program: technologies and technical solutions performance indicators shall define benchmarks for production program performance;
- ❖ Investment program: the Program outcomes relative to technologies and technical solutions development shall be considered in drafting the Investment Program and shall define investment scope. The limit of investment funds applied to the Program's projects shall be approved by a special decision of the Board of Directors;
- ❖ Program for safe operation of hydropower facilities: the Program projects shall maintain the required reliability and safety levels in operating Company's facilities; and
- ❖ Energy Efficiency Program: the developed technologies and technical solutions are focused, in particular, on improving energy efficiency and saving.

The program addresses RusHydro's general development and defines the following:

- ❖ Goals and objectives for innovative activities;
- ❖ Dates and steps for Program completion;
- ❖ Innovative development priorities;
- ❖ Selection criteria and evaluation model for innovative development performance;
- ❖ Innovative development targets; and
- ❖ Planned funding for innovative development, including R&D.

Goals and objectives of innovation

The goals of innovative development include growing Company's value, generating strategic competitive development by applying innovative solutions, methods, competencies and technologies to business processes of the Company and its subsidiaries and affiliates, increasing labour productivity, material reduction in costs of energy generation, design and construction, promoting environmental friendliness of production, enhancing reliability and safety of Company's facilities.

Main objectives are:

- ❖ create optimum conditions to develop innovative technologies in priority growth areas;
- ❖ establish the system to evaluate decisions made on major business processes of the Company in terms of their compliance with the goals of innovative development;
- ❖ develop the system to source and select innovative technologies;
- ❖ promote efficient use of intellectual potential and boost intangible asset value;
- ❖ establish the unified knowledge management system and Company's intellectual property management system;
- ❖ encourage employees to generate orders on innovation and improve their competence; and
- ❖ establish the system for long-term financing and innovation project management.

Program schedule and phases

The Innovative Development Program is a regularly updated unlimited document with a planning horizon of 5 years. The first version of the Program is drafted for 2011-2015. The Program will be updated in the 3rd quarter of 2011. In 2012 and the following years, the Program will be updated annually in the 4th quarter providing planning for the next year and forward planning for the year following the planning year.

Program implementation phases include:

- ❖ Phase I: Program launching (2011-2012). The launching phase involves drafting local regulations and guidelines to support results-oriented innovative growth of the Company; arrangements to establish and duly authorized management bodies and Company's units subject to innovative development listed in Innovative Development Management System section; generating sources to fund innovative projects; establishing innovative project management system; generating data base of initiatives and potential projects and defining the main partners to perform innovative activities.
The Program launching phase aligns projects under the Innovative Development Program with technological platforms in line with the Company's innovation priorities.
This phase contemplates generating and launching priority innovative development projects.
- ❖ Phase II: Company's strong innovative growth (2013 and further). The Company's strong innovative growth phase involves taking practical steps and measures under the Program, carrying out annual updates of the Program action plan, updating innovative development priorities once in 2 years and adjusting Program targets, and continuous monitoring of Program performance.

Priorities for RusHydro's Innovation Development

To streamline resource distribution and structure the innovative growth processes, the Company drafted a list of priority avenues to pursue projects which will form the Program action plan. Top priorities involve areas where innovation may materially affect meeting Company's strategic goals.

The corporate process and methodology:

- ❖ Introduces best management practices in corporate business processes.

Technology:

- ❖ Upgrades reliability and safety;
- ❖ Enhances energy efficiency;
- ❖ Provide new generation technologies;
- ❖ New materials and technologies for design and construction;
- ❖ New materials and technologies for equipment;
- ❖ Environment control;
- ❖ Manages the environment, hydro-infrastructure and water resources; and
- ❖ Develops new business areas.

Information management technologies:

- ❖ Arrange and analyze external information; and
- ❖ Knowledge management.

Human resources:

- ❖ Personnel training in innovative activity; and
- ❖ Use new technologies and develop existing ones to train corporate personnel.

Selection criteria and evaluation of innovative development performance

A set of criteria and principles is used to generate a list of projects to be included in the Program.

Projects included in the Program fall into two categories with different selection criteria:

- ❖ breakthrough projects: have a relatively high risk exposure in reaching positive results and may produce groundbreaking innovation products which will bring about meaningful improvements of the existing technologies or business processes; and
- ❖ improvement projects: have a moderate risk exposure in reaching positive results aimed at improving the existing technologies, as well as lower investment risk exposure and potentially lower implementation effects.

Selection criteria for breakthrough projects include: a high level of novelty; hi-tech project outcomes, significant prospective economic, social or environmental effects; increased Company's process performance; expected material effect on capitalization, etc.

Improvement projects use such selection criteria as positive total effect within a 5 year horizon, possible expansion of project outcomes to other Company's facilities, and compliance with the priorities of innovative development.

For selected projects, the Company will create a priorities hierarch by ranging projects according to selection criteria figures. Breakthrough and improvement projects have different evaluation and ranging criteria which prevent their competition for being included in the Program.

Subject to the main research and development avenues set forth by the Program, the Company generated a list of relevant innovation projects which includes research efforts, development efforts and innovation projects.

In accordance with basic trends in research and development projects (as indicated in the Program), the Company drafted the list of the most important innovative projects, including those defined as R&D and innovative projects.

Breakthrough projects include:

Modular block development for tidal power plants

Work focuses on developing technologies to build floating blocks and industrial units with a 3-layer 12 MW orthogonal turbine for constructing the Northern Tidal Power Plant in the Barents Sea and other projected tidal plants. The next coming project, the Maly Mezenskaya TPP, contemplates using this type of unit as well.

Develop new type of generating equipment and wave power plant design

Work continues on developing new efficient equipment for wave power plants to considerably extend wave power industry prospects and reduce current costs of constructing wave power facilities.

Develop technologies for combined power generation based on ocean energy

The efforts are focused on developing domestic combined power generation technology based on tidal stream and wave energy and installation of a pilot experimental unit with the capacity of 20 kW.

The above-mentioned projects will be launched in 2011-2012, during the Program's second stage.

A set of indicators has been develop to carry out quantitative estimation of the Program implementation efficiency; they describe the quality of management systems, the degree of lagging behind or outstripping the current technical development level by the Company, innovative growth performance of branches and dependent companies, and statistical and financial indicators. An independent audit will be carried out at the first phase of Program implementation to evaluate the degree of lagging behind or outstripping the current technical level; and the audit results will be updated once every three years.

To encourage and control innovation growth, the branches and subsidiaries will regularly perform a dedicated inspection to rate there business-units by their innovation performance.

Innovative development funding

Company's own funds are the main innovative growth funding source. Subject to the Instruction of the Russian Federation President of January 4, 2010, the Company shall establish the Dedicated Research and Technology Fund to

raise financing of the innovative activities. The Company will transfer a set percent of its revenues to the Fund at the rate of up to 3% annually.

To raise funds for specific innovation projects in cooperation with outside investors, the Program contemplates the establishment of the Corporate Fund for Investment in Innovation which shares financial resources with the Dedicated Research and Development Fund.

Other funding sources include grants, Federal target programs and long-term target programs and programs for regional development.

2010 RusHydro innovative development

In 2010, RusHydro completed innovative projects aimed at applying RES technologies: building a pilot binary power unit on the base of the Puzhetskaya GeoPP and increasing installed capacity of the Mutnovskaya GeoPP by using heat from waste.

In 2010, the Company began restructuring its research and design activities. JSC NIIES established the project management center, which focuses on searching for and selecting innovative ideas, performing feasibility studies for innovative projects and preparing and holding tenders for project management.

RusHydro has established a cooperation system with leading universities, research institutes and state-owned corporations.

RusHydro concluded cooperation agreements with five leading field-specific universities to establish the Company's human resource reserve and jointly implement projects important to its R&D policy:

- ❖ The Siberian Federal University;
- ❖ Moscow State University of Civil Engineering;
- ❖ Saint Petersburg State Polytechnical University;
- ❖ Volzhsky Polytechnical Institute, a branch of Volgogradsky State Technical University; and
- ❖ Moscow Power Engineering Institute (the Technical University).

In 2010, RusHydro signed the General Agreement for Strategic Partnership with state-owned corporation Rosnano, which gives the Company additional opportunities to select relevant projects and make research more productive.

In 2010, RusHydro, together with the Energy Forecasting Agency (EFA), initiated establishment of the Technology Platform "Advanced Renewable Energy Technologies" (TP).

TP involves developing renewable and hydro-energy technologies:

- ❖ Hydro-power (including small hydro-power);
- ❖ Wind power;
- ❖ Tide, wave and flood power;
- ❖ Solar energy;
- ❖ Geo-thermal energy;
- ❖ Energy storage; and
- ❖ Energy supply systems based on integrated RES use.

RusHydro supervises the Platform. Several research institutes, universities and sector companies contributed to TP's operations.

2010 Plans

The first step in the Innovative Development Program involves generating an information development management system, implementing separate elements in the knowledge management system and drafting regulations and work methods.

The Company will launch the most relevant innovative development projects. At the same time, it will continue to look for and select breakthrough innovative ideas to build future strategic competitive advantages for the Company.

For the purpose of this project package's quality and risk management, RusHydro plans to establish an expert association (including independent experts) to perform independent expertise at all stages of the project lifecycle.

The Technology Platform also contemplates expanding cooperation with development institutes, research organizations, state-owned companies and government bodies to:

- ❖ Perform market research and monitoring, assess technical levels and application challenges for RES both in Russia and abroad;
- ❖ Draft a general strategic research program to coordinate and direct scientific achievements to meet the interests of the industry and customers;
- ❖ Define relevant commercial projects in building and implementing basic equipment, as well as their joint completion;
- ❖ Boost state and private R&D investments under the strategic development program;
- ❖ Encourage the development of regulations, rules and standards for the design, construction and operation of generating facilities based on sophisticated RES technologies; and
- ❖ Promote education and advanced training in the RES sphere.

GLOBAL OPERATIONS

Understanding the importance of expanding to foreign markets, the Company concluded several landmark transactions in 2010 to pursue its international strategy.

Acquiring Shares of International Power Corporation (IPC), Armenia

In 2010, RusHydro agreed with INTER RAO UES to acquire 90% of shares of International Power Corporation, a closed joint stock company (Armenia), from INTER RAO Holding B.V.

International Power Corporation was incorporated in Armenia July 8th, 2003. Its assets include seven HPPs of the Sevan-Razdan Cascade located on the Razdan River in Armenia. The Company's installed capacity is 560 MW.

The Company anticipates that the transaction will close in Q1 2011.

Cooperation with Enel, Italy

RusHydro signed a cooperation agreement with Enel June 18th, 2010. This agreement contemplates cooperation in the following areas:

- ❖ Prospective cooperation in Russia in the RES sphere (including: tide power generation projects);
- ❖ prospective cooperation and experience sharing in the energy supply (energy service) business, including: installing metering systems and automated metering system operation;
- ❖ Sharing best practices in innovation and the joint implementation of advanced research developments and technologies based on both parties' research departments; and
- ❖ Sharing experience and knowledge in relevant spheres and on target markets through participation in seminars, conferences, inter-governmental commissions, business forums and other events hosted and initiated by the parties.

Enel is one of Europe's largest power generating companies; and it is involved in the whole energy production chain: power generation, transportation and marketing. Enel owns 100% of ENEL Green Power which operates in the RES sphere and owns 5,700 MW facilities utilizing RES.

Vietnam (acquisition of a stake in Daktrin Hydropower)

Subject to an agreement signed October 31st, 2010 between RusHydro and the state-owned Oil and Gas Corporation of Vietnam, RusHydro intends to acquire a 51 percent stake in the company constructing HPPs in Quang Ngai Province, Vietnam. Currently, the parties have completed the design stage of the project. The installed capacity of the contemplated HPP is 125 MW and long-term average annual capacity is 540.25 kWh.

The Company selected the Daktrin HPP project because Vietnam is now one of the most stable and fast growing Asian markets. It has a stable investment environment and the government is pursuing power generation industry liberalization. Vietnam intends to increase the installed capacity of domestic HPPs from 26,000 MW in 2010 to 60,000 MW in 2015. Today, the country has 31 HPPs under construction with a total capacity of 7,500 MW.

Cooperation with Ukrhydroenergo, Ukraine

On April 30th, 2010, RusHydro and Ukrhydroenergo signed a cooperation agreement. It involves:

- ❖ Constructing the Dnestrovskaya PSHP;
- ❖ Possibly contributing to funding the Kanevskaya PSHP project under construction and the contemplated Kakhovskaya HPP-2;
- ❖ Prospective cooperation between the parties in the following areas:
 - ✓ Technical renovation and reconstruction of existing HPPs;
 - ✓ design, construction and commissioning of new HPPs, including PSHPs, and facilities that utilize RES;
 - ✓ services related to the design and construction of small HPPs;
 - ✓ production, supply, installation and operation of basic power generation equipment; and
 - ✓ sharing information on upgrading hydro-power legal regulations.

Agreement with Alstom and Bashkortostan

On December 8th 2010, in Moscow RusHydro, Alstom and Bashkortostan signed a tri-lateral cooperation agreement to address options for establishing a joint venture in Bashkortostan to produce hydro-power generating equipment.

Subject to this agreement, the participants established a working group to examine in detail the option of constructing a plant in Bashkortostan. The plant will allow RusHydro to purchase up-to-date hydro-power equipment produced in Russia using modern Western technologies to implement its TRR program, as well as new construction projects.

Cooperation with Three Gorges Corporation, China

RusHydro signed a cooperation agreement with Three Gorges Corporation on November 24th, 2010. The agreement considers the following:

- ❖ Prospective cooperation and experience sharing in hydro-power innovations and R&D, joint implementation of scientific developments and technologies based on the current operations of the parties' research departments;
- ❖ Sharing experience in management and ensuring the safe, reliable and efficient operation of existing hydro-power facilities;
- ❖ Sharing experience in the design and construction of large-scale HPPs;
- ❖ Sharing experience in the design, construction and operation of PSHPPs;
- ❖ Sharing experience, knowledge and best practices in RES (for example, tidal power and wind);
- ❖ Prospective cooperation in implementing joint projects in hydro-power generation, including in third countries; and
- ❖ Coordinating actions in international organizations in which both parties are represented.

Three Gorges is a Chinese hydro-power corporation which includes the Three Gorges Dam (the world's largest operating power plant on the Yangtze River). The Three Gorges HPP is located near the town of Sandouping; its design capacity is 22.4 GW.

The Company researches options for different projects in Southeast Asia, Latin America, Turkey and Europe.

Cooperation with SIEMENS AG, Germany

On July 15, 2010, in Yekaterinburg, JSC RusHydro, the Russian Technologies State Corporation and SIEMENS AG signed a partnership agreement in the presence of the Russian and German government leaders to establish business relations for further strategic cooperation in manufacturing and sales of industrial products in renewable energy area. The Agreement contemplates the establishment of a joint venture (JV) in the wind energy sector.

Condition precedent: availability of the backup system to use energy generated from renewable energy sources.

This Agreement contemplates the main JV operations in the following areas:

- ❖ assemble wind-driven power plants (WDPP) based on SIEMENS SWT-2.3 and SWT-3.0 with annual capacity of 250 MW and provide their warranty service and maintenance;
- ❖ purchase component parts, including vanes and wind towers, from Russian companies for the industrial assembly and construction of WDPP across the Russian Federation and CIS;
- ❖ establish the Technical Center for WDPP technical development, production maintenance and qualifying new component parts suppliers; and
- ❖ perform step-by-step localization to reach the maximum production level of sophisticated WDPPs of 60-65% across Russia which involves the transfer of technical experience and innovations and creating new jobs in domestic design and construction organizations.

Purchasing spare parts for assembly from Russian companies will boost the production level and allow certifying such companies by international standards; and the companies will be given the opportunity to manufacture new products with sophisticated materials, equipment and innovative technologies and create new jobs.

The above will boost innovation in the Russian Federation, in particular, in the renewable energy sector.

Several efforts have been recently made under the Partnership Agreement:

- ❖ RusHydro's order No. 852 of October 12, 2010 established a work group responsible for incorporating JV and defined target indicators (to sign the Members (Shareholders) Agreement and register JV before the end of the current year)
- ❖ the parties held tri-lateral working meetings to agree upon the main terms and conditions of the Members Agreement and make certain arrangements;
- ❖ the parties are in the process of approving business calculations on the JV business model with a view to the maximum localization (up to 60-65%) of the wind power equipment production at the Russian enterprises; and
- ❖ the Wind Power Design Center of JSC Research Institute for Energy Constructions (NIIES) (a 100% subsidiary and associate company of RusHydro) measures annual wind potential power at the sites selected for the construction of the wind farm in the Volgograd region. The results will be used to define final specifications of WDPPs and basic wind part economic indicators.

Besides, JSC RusHydro and SIEMENS AG are acting in accordance with the Agreement on Non-Disclosure and Limited Use signed on July 8, 2010.

SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Key to the Company's employee relations is the understanding that human resources are a vital corporate value. RusHydro works to ensure that its employees see professional success as their contribution to the Company's growth and success on the whole.

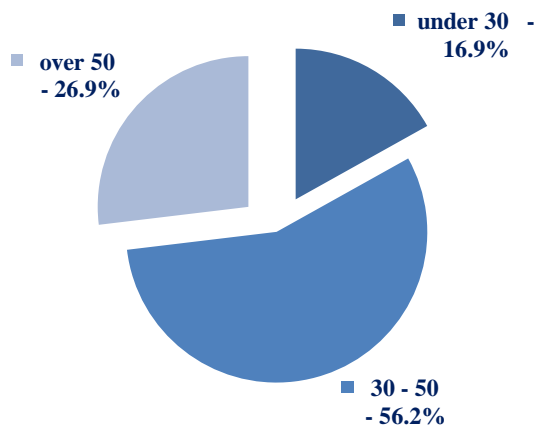
Personnel

Personnel headcount

As of the end of the year, RusHydro's headcount stood at 5,745 employees.

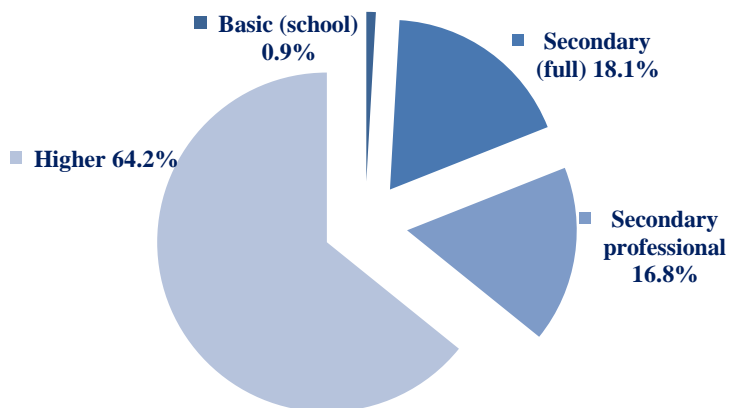
Personnel structure

By age



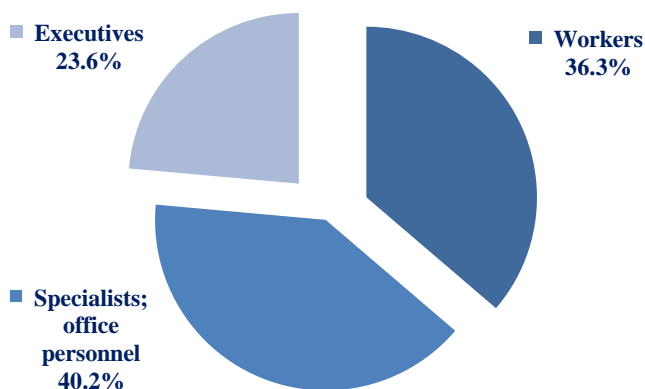
In 2010, the number of employees from 30 to 50 years old declined 0.8%, whereas the category of employees below age 30 increased 0.4% compared to 2009.

By education



Employees with a higher education (university degree) grew 3.8 percent during the reporting period (compared with 2009), and the number of employees without a higher education decreased 4 percent.

By categories



Employee motivation

A priority for employee relations is constantly improving the Company's rewards system – aimed at keeping employees motivated. In line with this goal, in 2010, the Company analyzed and made necessary changes in the employee compensation system for employees from eligible categories.

In addition to cash incentives, the Company also uses non-cash rewards to build employee relationships. In 2010, to upgrade the efficiency of hydro-power companies, corporate culture, employee motivation and rewards, and to ensure the reliable, non-disrupted performance of hydro-power facilities, the Company introduced the corporate awards.

In 2010, 14 corporate employees received state awards, ten received governmental awards, 132 received ministerial awards, 57 received industry awards and 634 received corporate awards to recognize high levels of professional skills and rigorous and effective performance.

Developing human resource potential

An important strategic area in corporate operations is human resource development to ensure that current and future corporate goals and objectives are effectively met.

In 2010 approved the Fast-Track Human Resource Development Concept – From New School to Workplace – and its Implementation Program. The Program's key task is promoting engineering education, upgrading the prestige of technical occupations and building an environment that meets RusHydro's needs for highly skilled professionals to maintain the Company's existing capacities, launch new ones and ensure reliable accident free performance.

Programs already underway include: target projects to develop key competencies for future hydro-power professionals starting from elementary school, activities aimed at offering career guidance for middle and high school students, energy power training for students based on RusHydro's requirements and creating an environment that will ensure effective performance for the Company's young employees.

The Company launched the system "Corporate Elevators", which has three stages steps:

- ❖ The system's first stage, "Corporate Elevator – New School," aims to raise school students' awareness of the importance of hydro-power engineering as a profession, to create an environment that foster the effective development of engineering capabilities and to provide students with training across principal and additional education programs focusing on the Company's profile and activities, offering career guidance and assisting enrollment in power engineering universities;
- ❖ The system's second stage, "Corporate Elevator – Higher Education Institution", aims to train and recruit the RusHydro's future workforce. Based on the partnership between Company and vocational and higher education

institutions (which benefits all involved parties). The second stage helps develop and deliver effective applicant selection and evaluation tools meeting the Company's target, to oversee and support targeted training for the Company's future workforce, and to create an environment that contributes to the continuous development of the Company's scientific, engineering and technical potential and power engineering universities;

- ❖ The third stage, "Corporate Elevator – The Company", involves providing adaptive help and development for RusHydro's young employees, creating a mentorship and knowledge sharing system and establishing an effective competency growth environment.

The Company has also created a talented pool of professionals under 30 and has a professional training program in place. The Company's young employees can engage in R&D projects alongside university students and post-graduates. Furthermore, they assist with data monitoring and analysis for use in future scientific research projects.

RusHydro creates and develops an institutional environment that attracts children of its employees to power engineering universities: the template collective bargaining agreement for the Company's branches include corporate benefits for employees' children who study power engineering, offering them corporate scholarships and travel expenses to get to their university and internship locations.

In 2010, RusHydro and the Siberian Federal University signed a strategic partnership agreement. Cooperation between RusHydro and the Siberian Federal University is principally focused on the University's Sayano-Shushenskaya branch. In 2010, the Sayano-Shushenskaya branch of the Siberian Federal University received more than RUR 19 million from RusHydro as financial support. Graduates of the Sayano-Shushenskaya branch of the Siberian Federal University are employed in various roles at the Company's facilities in different regions.

Social policy

Collective agreement

In December 2010, RusHydro's Board of Directors approved a new version of the Company's branches template for the 2011-2013 collective agreement. The document offers significant improvement in social guarantees for the Company's employees.

The new collective agreement upgrades the prestige of the engineering profession, as well as employment at the Company, helps retain skilled employees and attracts young professionals who hold degrees in various power engineering spheres.

Measures carried out to date will ensure that the Company is not understaffed and that the reliability of its equipment and hydro-power facilities is not compromised.

Non-state pension coverage

The Company strives to develop non-state pension coverage (NPC) for its employees. Providing employees with competitive retirement benefits will help the Company forecast and manage workforce needs (with a specified skill set), while also allowing the Company to recruit new employees in a timely manner for soon to be vacant posts and to revitalize its team.

As a socially responsible company, RusHydro improves its NPC Program on an annual basis.

In 2010, the NPC Program was complemented by additional pension plans: «Guru», «Special Honors», «Professional», «Co-Financing», «Close relatives», etc. These plans provide additional retirement savings for eligible groups, for example, employees with significant industry experience, those holding industry and State awards, and those who work in the most sought after positions, etc.

Following the launch of new pension plans, in 2010, the number of employees involved in the NPC Program increased by more than 300 people.

Voluntary health insurance and voluntary accident and illness insurance

In 2010, the Company upgraded its Insurance Coverage Program for employees. RusHydro annually revises and signs agreements for voluntary health insurance and voluntary accident and illness insurance to expand and upgrade the list of medical services available to employees. The Program involves 100% of the Company's workforce. Under voluntary

health insurance coverage, employees take advantage of out-patient medical treatment (including home visits by doctors), urgent and non-urgent medical care and rehabilitation therapy services, etc.

Housing program

During the reporting period, RusHydro passed a new version of the Regulation on Corporate Assistance and Corporate Support in Housing Improvement for Employees of the Company's Branches. Young employees below the age of 30 who do not own a separate residential property, professionals who were offered branch positions and relocated from a different place and key and highly skilled professionals are eligible to participate in the Program. Company's corporate support takes the following principal forms: a purpose non-interest-bearing loan, compensation for interests paid on home mortgages, compensation for housing rental expenses.

Additionally, all Company employees can access corporate support to upgrade their housing, for example, help in relationships with banks, real estate agencies and insurance companies that offer better than average market conditions (lower mortgage interest rates, better loan consideration timing and competitive insurance rates, etc.).

In 2010, a total of 155 employees participated in the Housing Program.

Charity

RusHydro is fully involved in the economic and social aspects of life in the regions in which it is present. For this purpose, the Company adopted a charitable program aimed at educating a new generation of professional power engineers and establishing a favorable social environment in all regions in which the Company has HPPs.

Under its approved Concept of Charity and Sponsorship, the Company allocates funds for the following purposes:

- ❖ Assist poor and needy citizens, disabled persons and pensioners, primarily through charitable funds and organizations;
- ❖ Help retired power engineers and workers and honoured industry workers;
- ❖ Aid children's organizations and institutions;
- ❖ Assist medical institutions and health organizations; and
- ❖ Promote the restoration of Russia's historical and architectural monuments and the development of culture, education, science and sport.

In 2010, RusHydro devoted RUR 434 million to charitable and sponsorship activities, including RUR 34 million for the "Sail of Hope" charity program.

Sail of Hope: Charity Projects

Since 2008, RusHydro has implemented an integrated charity program, the «Sail of Hope». Its name reflects one of the project's goals – to give hope and open possibilities to people who are in difficult circumstances. First of all, this includes the most vulnerable citizens – children from problematic families and orphans. The «Sail of Hope» program combines social adjustment, education, including professional training in areas related to the power generation industry, and additional professional training for these children. This program may assist children who are enthusiastic about the power generating industry become new potential workers for the industry.

Support to children's homes and children's educational institutions

While assisting children in children's homes, the Company looks to avoid limiting itself only to material help (building repairs, purchasing equipment, computers and educational material, etc.). The project also involves educational programs, contests to find young talent, charitable New Year's parties, building children's playgrounds, supporting children's sport clubs and many other objectives. The Sail of Hope seeks to demonstrate to these children that Russia needs their talent, knowledge and skills.

In 2010, RusHydro supported children from 16 orphanages, 6 social adjustment centers for minors and physically challenged children, more than 10 sport schools and clubs in the regions in which it is present. This assistance also covers regular schools, music schools and different creative teams.

This project also involves various educational schools which look to spur children's interest in the hydro- power industry. These programs include contests for children's drawings, publishing new university textbooks and student grants.

Educational project – Energy Development, a competition for students' projects

The main objective of these annual competitions is to create conditions for finding and developing talents, offering assistance in receiving higher education and pursuing the most challenging professional and career ambitions.

In 2010, Energy Development was held for the second time on the theme Energy Efficiency and Saving. More than 200 students from 57 Russian universities took part in the competition.

Charitable environmental campaigns

As a Company that represents 'green' energy, RusHydro pursues charitable programs which emphasize children's environmental education.

Charitable environmental campaigns include such projects as oBEREGay (Save!), an environmental educational project, Moy Zhyravlik (My Little Crane), an environmental program in cooperation with the Khngansky Preserve, and an environmental tourist camp in cooperation with the Zeysky Preserve.

The oBEREGay campaign is focused on cleaning rivers and reservoirs, taking care of coastal territories and making children aware of the role of HPPs in regulating water treatment. The program is aimed at promoting a responsible attitude to nature, an interest in the environment and patriotism.

In 2010, on the eve of International Children's Day (July 1st), RusHydro – the Bureyskaya HPP and the Khingansky Preserve held their first joint educational and environmental campaign, Moy Zhuravlik.

The campaign covered several months of the 2010 summer-autumn period and was aimed at children without parents and other vulnerable minors in order to accustomize them to nature and useful work and to give them environmental knowledge. Forty children from Boarding School 5 of the Novobureysky village and Children's Home 16 of the Novoraychikhinskaya village could become more aware of nature and examine cranes.

RusHydro – the Zeyskaya HPP branch and the Zeysky Preserve, located on the territory of the Bekeldeoul Reservation, held three environmental sessions in a summer tourist camp for schoolchildren.

Sports-related projects

This important avenue allows RusHydro to use sporting events to make young people aware of the Company's HPPs – which are located on the largest Russian rivers. These charitable projects involve fitting gym halls and fitness centers with the necessary equipment and building sporting areas. In addition, the Company promotes local sporting events by taking part in them and sponsors international and regional competitions.

The Company places a particular emphasis on water sports. Since 2007, RusHydro has supported the Whitewater Federation of Russia. It was the general sponsor of the First All-Russia Competition in Whitewater held in Vladikavkaz. The event was held on the diversion channel of the Dzauzhikaukaya HPP, which is part of RusHydro's North Ossetian branch.

Cultural heritage projects

Since 2007, RusHydro has been contributing to the building and decoration of the Assumption Church in the Bogorodskoye village of the Sergievo-Posadsky District on the territory of the Zagorskaya PSHP.

For three years, the Company has been the General Sponsor of the Moscow Easter Festival. In 2010, it covered a large-scale area of 30 Russian cities and presented five weeks of great revival music.

RusHydro also sponsored the renovation of the Krasnoyarsk Opera and Ballet Theater.

65th Anniversary of the Great Victory

RusHydro joined the nation in celebrating the 65th anniversary of victory in World War II. Before and during the festivities, 700 war veterans of RusHydro received a special tribute. The Company hosted many events, including without limitation: veteran meetings and concerts, special presents and awards and financial support. Special anniversary events

were held in all corporate branches. In addition to congratulations, each veteran received a Sberbank plastic card with a RUR 10,000 account.

Social support for families of employees that were killed and injure in the Sayano-Shushenskaya HPP accident

Since the first day in the Sayano-Shushenskaya HPP accident, the Company has rolled out a major social support and rehabilitation program for affected employees and families of those killed in the accident. RusHydro's Board of Directors approved allocating RUR 185 million to address social implications of the accident.

Along with one-time payments to the families of victims, the Company assumed the obligation to pay monthly allowances to the families with children under 18 in amount of one official salary of a person killed in the accident from the accident date and grant scholarships to children of the victims who are first-time students of Russian education institutions. The Company will fund the program of non-government pension provision to parents and widows of employees who had lost their lives in the accident.

To date, RusHydro has provided approximately RUR 162,5 million in financial assistance and continues to pay compensation and benefits.

The Coordination Council for supporting families of employees killed and injured in the Sayano-Shushenskaya HPP accident

RusHydro established the Coordination Board to organize efficient target help to the families of accident victims. The Coordination Board includes representatives of Khakassia's Government, RusHydro, Sayanogorsk Administration, Holding IDGC, and different non-government and trade union organizations.

The Coordination Council approved financial assistance to parents of those killed in the accident in the form of damage repair, including moral damage compensation. As of December 31st, 2010, payouts were made available to 50 people and reached a total of RUR 7.5 million, coming from funds raised as part of RusHydro's charitable program "We're With You, Sayano." The Company continues to provide this assistance.

The program of resort therapy and treatment of the injured in the accident and their family members started in June 2010 and is designed for 5 years. The program covers 290 people. A total of RUR 58,6 million of voluntary donations raised by charitable foundations has been used to implement decisions of the Coordination Council.

Social infrastructure development in the Cheremushki settlement

In 2010, RusHydro, with support from the Government of the Republic of Khakassia and the Administration of Sayanogorsk, developed the Program for Integrated Social Infrastructure Development of the Cheremushki settlement.

Program development highlighted the need to renovate a number of social infrastructure facilities in the Cheremushki settlement due to their poor condition and changed social needs of local residents. The program also outlined the highest priority tasks, which were completed by August 1st, 2010, as well as objectives to achieve by 2014. RusHydro has implemented the highest priority tasks worth RUR 212 million.

Safety and Environmental Protection

RusHydro's environmental policy is focused on upgrading environmental safety, increasing capitalization by securing reliable and environmentally friendly power generation and pursuing an integrated approach to using energy resources.

Safety and environmental protection are ensured under the 2010-2012 Environmental Policy Program, which contemplates efforts to minimize negative environmental impact. The Company pursues the following environmental policy principles:

- ❖ Includes environmental safety as a priority component of national security;
- ❖ Pursues energy saving and the rational use of natural and energy resources at all stages of the HPPs life-cycle;
- ❖ Mitigates any possible negative environmental effects at all stages of the HPPs life-cycle;
- ❖ Prioritizes taking preventive measures over efforts to relieve negative environmental consequences;
- ❖ Makes management and investment decisions based on multiple-option development scenarios with a view to environmental priorities; and
- ❖ Promotes the image of infrastructure-building and a socially responsible Company.

The Company mitigates negative environmental effects by addressing the following challenges:

- ❖ The rational use of water facilities;
- ❖ Reducing flooding to the maximum degree possible within the Company's competency;
- ❖ Minimizing pollutant discharge at water facilities;
- ❖ Cutting production waste;
- ❖ Reducing specific pollutant discharges and dumps per unit of production (kg/kW/h);
- ❖ Providing full and appropriate compensation for damage to biological water resources caused by new HPP construction; and
- ❖ Prioritizing the preservation of bio-diversity and protecting specially protected natural territories when designing new HPPs.

The Company creates conditions and mechanisms to minimize negative environmental effects:

- ❖ Upgrading the law, developing and promoting technical regulations and standards;
- ❖ Implementing an environmental management system in accordance with requirements of ISO 14000 for continually improving environmental protection;
- ❖ Creating the system of conditions and mechanisms to include environmental aspects and reduce environmental risks at all production stages;
- ❖ Preventing pollution and reducing the consequences of environmental impact by implementing the best existing technologies; and
- ❖ Ensuring that the Company's employers and contractors engaged at corporate facilities comply with standards and norms of environmental protection and job safety.

To meet the requirements of natural protection laws, Federal State Institutions (the Center for Laboratory Testing and Technical Metrology, the Federal Service for Hydrometeorology and Environment Monitoring, etc.), the Company's services and HPPs' laboratories carry out environmental monitoring at the Company's facilities.

Several Federal bodies of the Russian Federation supervise compliance with environmental standards. The Company's activity in safety and environment protection area in 2010 resulted in unessential penalties imposed on it.

FINANCIAL RESULTS

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

Financial Position

2010 milestones that affected the Group’s financial performance include:

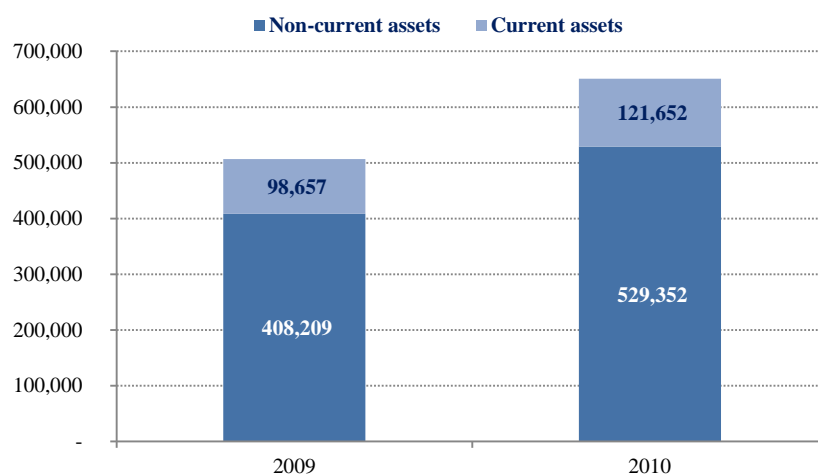
- ❖ American Depositary Receipts (hereinafter “ADRs”) began trading on the over-the-counter market of the highest level OTCQX on August 30th, 2010. RusHydro launched its ADR program in 2009. Each ADR represents 100 ordinary shares of the Company. ADR transactions have been concluded on both the Main Market of the London Stock Exchange and on the US over-the-counter market since August 7, 2009. The Bank of New York Mellon is the depository bank of record for the ADR program;
- ❖ On July 29th, 2010 the Company’s Board of Directors approved new borrowing of RUR 20,000 million through the placement of Ruble-denominated Loan Participation Notes which were issued by RusHydro Finance Ltd (special purpose vehicle) on October 28th, 2010;
- ❖ As of 31st, December 2010 the share of the Russian Federation in the Company’s share capital was 57.97% (not including the actual placement of 931,677,018 shares as part of the additional issue of 1,860,000,000 shares). Including the additional shares placed the Russian Federation’s share as of 31st, December 2010 comprised 58.10%;
- ❖ In 2010 the Company continued restoration of Sayano-Shushenskaya HPP in line with the restoration plan. The total installed capacity of hydro-power units put into operation during the reporting period was 2,560 MW.

Corporate assets, equity and liabilities

RUR million	2009	2010
Total assets	506,866	651,004
Non-current assets	408,209	529,352
Current assets, including:	98,657	121,652
<i>Non-current assets and assets of disposal group classified as held for sale</i>	-	55,193
Total equity and liabilities	506,866	651,004
Equity capital	405,800	518,112
Non-current liabilities	54,942	76,806
Current liabilities, including:	46,124	56,086
<i>Liabilities of disposal group classified as held for sale</i>	-	29,506

Total corporate assets increased by 28.44% in 2010 or by RUR 144,138 million. As of December 31st, 2010 they comprised RUR 651,004 million.

Assets structure, RUR million

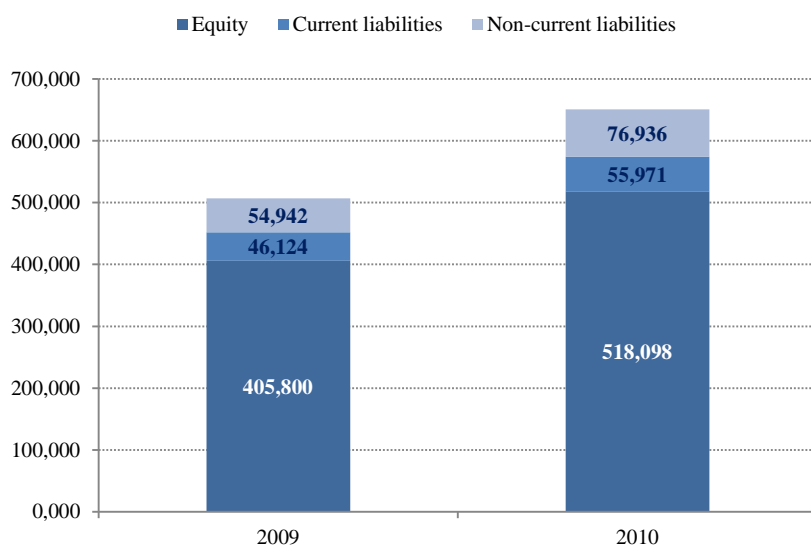


Property, plant and equipment (hereinafter “PPE”) are the principal component of the Group’s assets (72.08% of total assets or RUR 469,273 million.) The PPE share in total assets increased by 1.59% in 2010.

As of December 31st, 2010 the Group performed revaluation of PPE (December 31st, 2009: no revaluation was performed). The revaluation was carried out by an independent appraiser. As a result of the revaluation the Group’s equity increased by RUR 75,740 million, comprising an increase in the carrying value of PPE of RUR 94,675 million, net of related deferred tax liability of RUR 18,935 million. Where the recoverable value was lower than the carrying value of PPE after the revaluation performed as of December 31st, 2010, but above the historic carrying value excluding the effect of past revaluations, the reduction in the carrying value was taken directly to equity and shown as a reduction in the revaluation surplus.

As of December 31st, 2010 equity comprised 79.59% of total equity and liabilities. At the end of 2010 the Group equity was RUR 518,112 million (compared with RUR 405,800 million as of December 31st, 2009), representing a 27.68% growth.

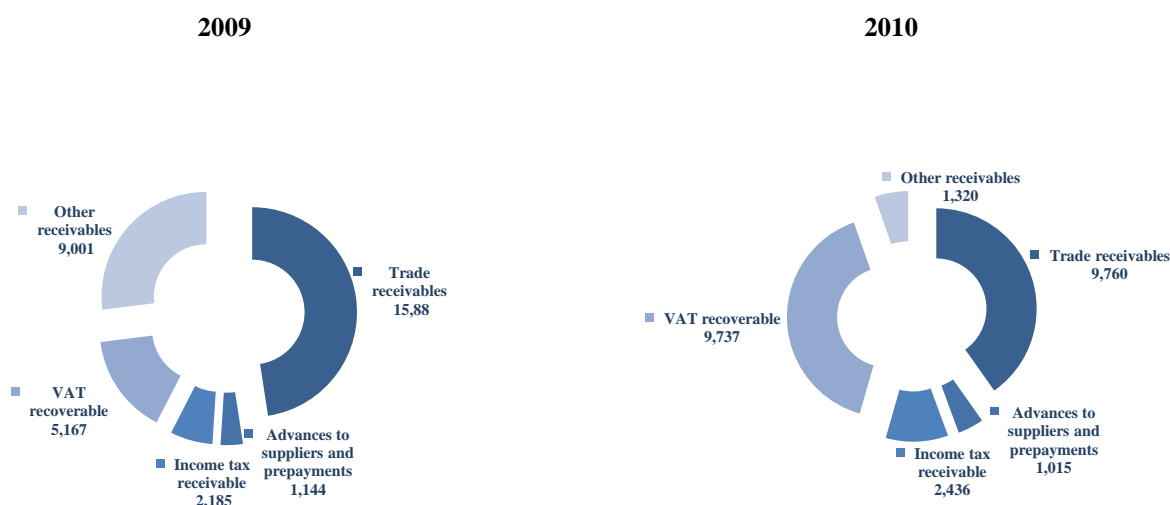
Equity and liabilities structure, RUR million



As of December 31st, 2010, total corporate liabilities equaled to RUR 132,892 million, a 31.49% increase in 2010. Current liabilities increased by RUR 9,962 million (or 21.60%), and non-current liabilities – by RUR 21,864 million (or 39.79%).

The total liabilities/net assets ratio reached 25.62% as of December 31st, 2010, compared with 24.91% as of December 31st, 2009.

Accounts receivable and prepayments structure, RUR million



As of December 31st, 2010 RUR 20,951 million of accounts receivable and prepayments were presented within assets of the disposal group classified as held for sale.

As of 31st, December 2009 the principal portion of other receivables was an amount receivable under an insurance indemnity in the amount of RUR 6,046 million from OJSC IC ROSNO in connection with the accident at Sayano-Shushenskaya HPP. The final payment of the insurance indemnity was made in July 2010.

As of 31st, December 2010 accounts receivable and prepayments of RUR 3,439 million (compared with RUR 3,012 million as at 31st, December 2009) were past due but not impaired. These accounts receivable and prepayments included the debts of companies which had no history of defaults on their obligations during the most recent period.

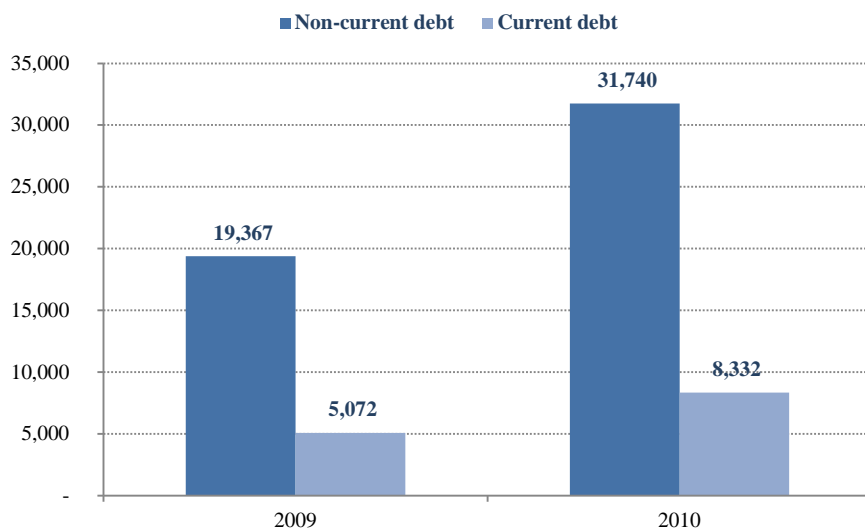
Accounts payable and accruals structure, RUR million

RUR million	As of December 31 st , 2009	As of December 31 st , 2010
Trade payables	17,549	7,108
Settlements with personnel	1,219	1,562
Accounts payable in respect of share issue	4,330	1,500
Advances received	8,660	1,372
Dividends payable	35	26
Derivative financial instruments	1,164	-
Other accounts payable	3,525	1,349
Total accounts payable and accruals	36,482	12,917

As at 31st, December 2010 RUR 24,899 million of accounts payable and accruals were presented within liabilities of the disposal group.

As of 31st, December 2010 the Group had an obligation of RUR 1,500 million to the Russian Federation, represented by the Federal Agency for State Property Management, in respect of an additional issue of ordinary shares in the amount of 1,860,000,000 approved by the Extraordinary General Meeting of shareholders of the Company on 22nd, October 2010. The results of the share issue had not been registered by the FSFM as of 31st, December 2010.

Non-current and current debt structure, RUR million

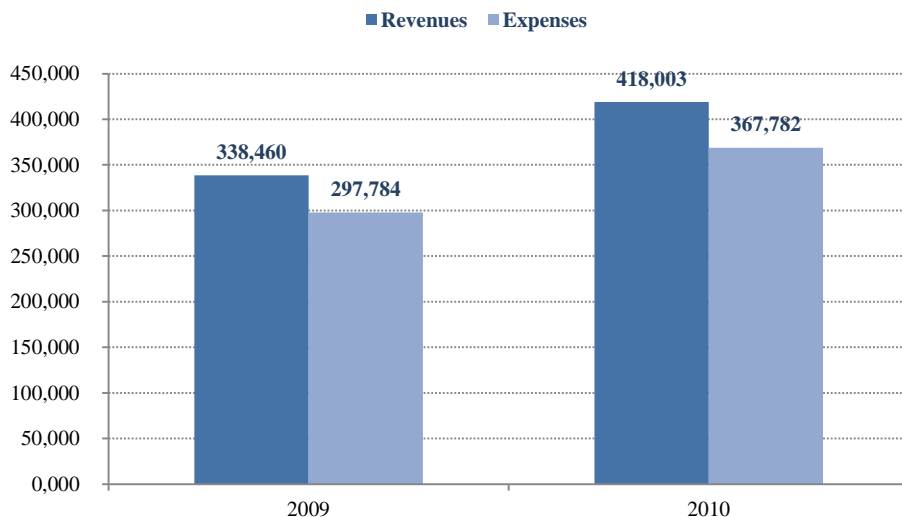


During the reporting period the Group's non-current and current debt increased by RUR 12,373 million and RUR 3,260 million, respectively.

As of December 31st, 2010, the Group's principal creditors were:

- ❖ Holders of loan participation notes (LPNs) placed on 28 October, 2010. The funds received were used to finance the investment programme and operating activities;
- ❖ European Bank for Reconstruction and Development (EBRD) (a loan to fund the Programme for the upgrading and re-equipment of Volzhsko-Kamskiy Cascade HPPs);
- ❖ Holders of bonds issued by JSC RusHydro MC. Funds received were used to finance the completion of Boguchanskaya HPP and other needs of the Group's subsidiaries;
- ❖ Morgan Stanley Bank International Ltd (the loan was taken to fund the capital expenditure projects in accordance with the investment programme);
- ❖ Municipal authority of Kamchatka Region (the loan was used to finance the construction of Verhne-Mutnovskaya GeoPP); and
- ❖ CF Structured Products B.V. (the loan was used to finance the construction of Kaskad NChHPPs).

Revenue and expenses structure, RUR million



In 2010 the Group's revenues increased by RUR 79,543 million (or 23.50% from 2009) and totaled RUR 418,003 million.

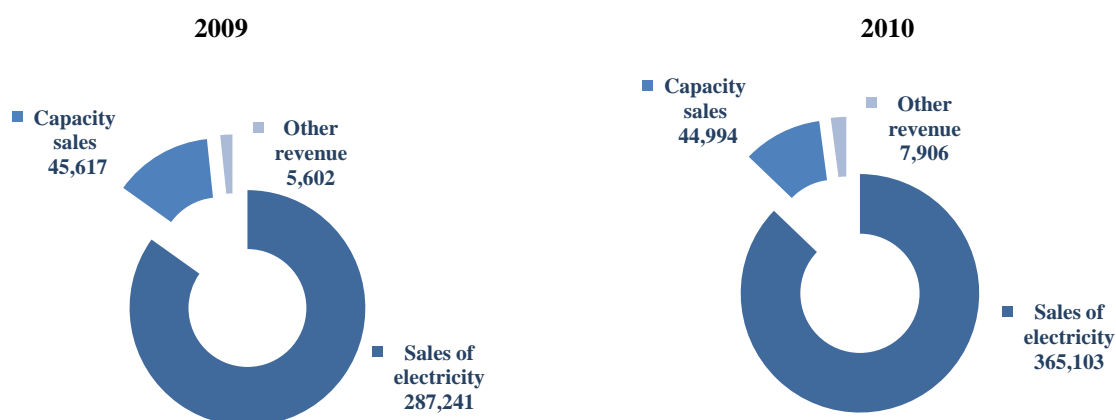
Expenses increased by 23.51% and reached RUR 367,782 million (from RUR 297,784 million in the previous year). In 2010 the Group earned an operating profit of RUR 25,928 million, a 36.26% decline in comparison with 2009. The Group's operating margin was 6.20%. This decline reflected the recognition of an impairment of property, plant and equipment.

RUR million	2009	2010
Revenue	338,460	418,003
Expenses	(297,784)	(367,782)
Impairment of property, plant and equipment	-	(24,293)
Operating profit	40,676	25,928

Due to the deterioration in expectations as regards the achievable sales prices and volumes in the new market conditions, for a number of cash-generating units (mainly located in the Far East region) an additional impairment loss was recognized in the amount of RUR 24,293 million as of 31st, December 2010.

In 2010 there were no significant changes to the structure of revenue. Revenue from sales of electricity amounted to RUR 365 103 million and accounted for 87.34% of total revenue. Capacity sales remained almost unchanged at 2009 level; and other revenue increased by RUR 2,304 million in comparison with 2009.

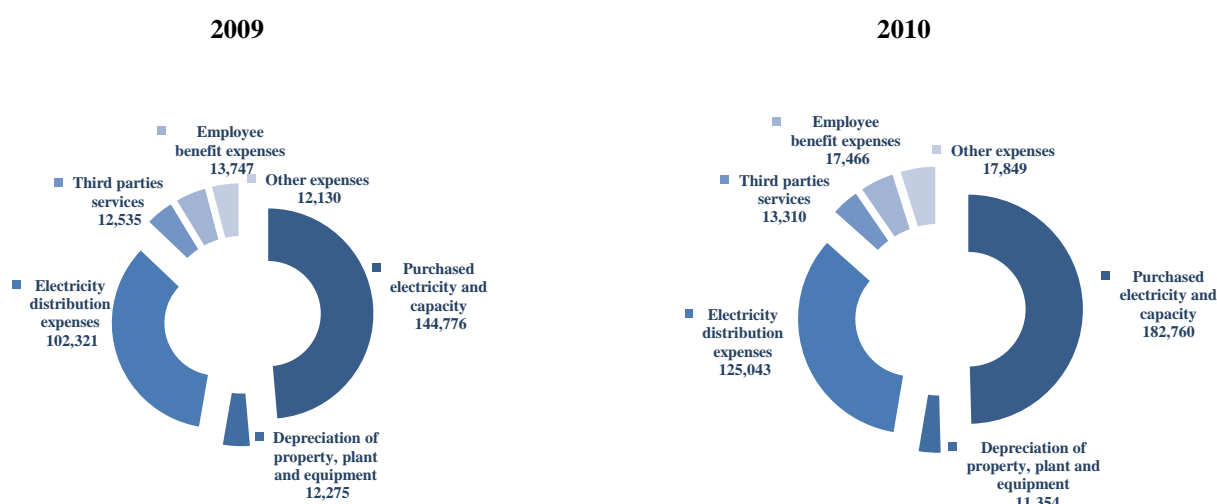
Revenue structure, RUR million



The principal drivers that affected the revenue included:

- ❖ increase in share of sales at unregulated prices according to the liberalization schedule for the wholesale market for electricity and capacity;
- ❖ increase in unregulated electricity prices on the day-ahead market;
- ❖ increase in volume of electricity sales on the retail market (retail segment).

Expenses structure, RUR million



During the reporting period the Group expenses increased by RUR 69,998 million. The increase principally related to higher expenses on purchased electricity and capacity and higher electricity distribution expenses which increased by RUR 37,984 million and RUR 22,722 million, respectively.

In addition to purchased electricity and capacity and electricity distribution expenses, there was an increase in other expenses by 47.15%, third parties services expenses – by 6.18% and employee benefit expenses – by 27.05%.

As a result, the Group's 2010 profit declined and equaled to RUR 11,330 million for 2010. The Group's net profit margin was 2.71%. The above indicators experienced a decline principally due to property, plant and equipment impairment recognized in 2010.

Performance results, RUR million

RUR million	2009	2010
Operating profit	40,676	25,928
Profit before income tax	40,196	16,952
Profit for the period	32,112	11,330
Earnings per ordinary share, RUR	0.1246	0.0402

In 2010 EBITDA increased by RUR 8.624 million compared to 2009 and totaled RUR 61,575 million. EBITDA was calculated as operating profit less depreciation and impairment of property, plant and equipment.

Cash flows

RUR million	2009	2010
Net cash generated by operating activities	41,339	41,241
Net cash used in investing activities	(34,764)	(88,290)
Net cash generated by financing activities	15,784	19,629
Decrease/increase in cash and cash equivalents	22,334	(27,456)

In 2010 the Group's net cash generated by operating activities remained at the same level - RUR 41,241 million (compared to RUR 41,339 million in 2009).

Net cash used in investing activities increased by RUR 53,526 million and equaled RUR 88,290 million in 2010. This was the result of higher purchases of property, plant and equipment, promissory notes and other short-term investments.

Cash flows from the Group's financing activities increased by 24.36% to RUR 19,629 million from RUR 15,784 million in the previous year. The principal factor behind this increase was the raising of RUR 20,000 million through the issue of Loan Participation Notes issued by the special purpose vehicle RusHydro Finance Ltd.

In total 2010 cash flow was negative and comprised RUR 27,456 million – due to growing investment expenses.

As of December 31st, 2010 cash and cash equivalents held by the Group totaled RUR 19,090 million (excluding RUR 5,896 million of cash and cash equivalents held by the disposal group).

CONTACTS

Full name	Open Joint Stock Company Federal Hydro-generating Company
Abbreviated name	JSC RusHydro
English name	JSC RusHydro
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Fax	+7 (495) 225-3737
E-mail	office@rushydro.ru
Russian-language web site	www.rushydro.ru
English-language web site	www.eng.rushydro.ru

Bank details

Current account	40702810800205771190
Bank name	JSC JSCB EVROFINANCE MOSNARBANK, Moscow
Bank Identification Code (BIC)	044525204
Correspondent account	30101810900000000204

Shareholder relations

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E-mail	ZavalkoMV@gidroogk.ru

Registrar

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Abbreviated name	JSC Registrar R.O.S.T.
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APPENDICES

Branches

Branch Name	Location and Contact Information
The Bureyskaya HPP Branch	Talakan, the Bureysky District, the Amur Region, Russia Phone: +7 (416) 34 5-2359 bureyahpp@gidroogk.ru http://www.burges.rushydro.ru/
The Volzhskaya HPP Branch	1A Prospekt Lenina, Volzhskiy, the Volgograd Region, Russia Phone: +7 (844) 334-1313 http://www.volges.rushydro.ru/
The Votkinskaya HPP Branch	Tchaikovsky, the Perm Territory, Russia Phone: +7 (342) 417-0359 borisovalp@votges.voheg.ru http://www.votges.rushydro.ru/
The Dagestan Branch	5 M. Khalilova St., Kaspiysk, the Republic of Dagestan, Russia Phone: +7 (872) 255-0605 drgk@drk.ru http://www.dagestan.rushydro.ru/
The Zhigulevskaya HPP Branch	Zhigulevsk, the Samara Region, Russia Phone: +7 (848) 627-9359 kutianina@volges.vohec.ru http://www.zhiges.rushydro.ru/
The Zagorskaya PSHP Branch	100 Bogorodskoye, the Sergievo-Posadskiy District, the Moscow Region, Russia Phone: +7 (495) 957-26 52 and +7 (496) 545-3518 zagaes@zagaes.ru http://www.zagaes.rushydro.ru/
The Zeiskaya HPP Branch	Zeiya, the Amur Region, Russia Phone: +7 (416) 58 2-4531 kirianenko@zges.amur.ru http://www.zges.rushydro.ru/
The Irganaiskaya HPP Branch	Shamilkala, the Untsukul'skiy District, the Republic of Dagestan, Russia http://www.irgges.rushydro.ru/
The Kabardino-Balkarian Branch	1A Mechieva St., the Cherek District, the Kabardino-Balkar Republic, Russia Phone: +7 8662 77 94 05 TakuevaMM@gidroogk.ru http://www.kbf.rushydro.ru/
The Kamskaya HPP Branch	The Kamskaya HPP, Perm, Russia Phone: +7 (342) 273-4684 officekamges@kamges.gidroogk.ru http://www.kamges.rushydro.ru/
The Karachay-Cherkessian Branch	Pravokubanskiy, the Karaechovo-Cherkessia Republic, Russia Phone: +7 8782 26 70 40 priemges@zelges.ru http://www.kchf.rushydro.ru/
The Cascade of Verkhnevolzhskiy HPPs Branch	Rybinsk, the Yaroslavl Region, Russia Phone: +7 (485) 529-7459 office@kvvges.vohec.ru http://www.kvvges.rushydro.ru/
The Cascade of Kubanskiye HPPs Branch	360A Vodoprovodnaya St., Nevinnomyssk, the Stavropol Territory, Russia Phone: +7 (865) 546-8001 kanz@segk.ru http://www.kkges.rushydro.ru/
The Corporate Hydro-power University Branch	8A Prospekt Vernad'skogo, Moscow, Russia Phone: +7 (495) 540-3012, ext. 4008 LebedevaAV@gidroogk.ru http://www.korong.rushydro.ru/
The Nizhegorodskaya HPP Branch	Zavolzhye, the Gorodets District, the Nizhniy Novgorod Region, Russia Phone: +7 (831) 693-2140 http://www.nizhges.rushydro.ru/

The Novosibirskaya HPP Branch	4 Novomorskaya St., Novosibirsk, Russia Phone: +7 (383) 345-9555 Svarcvd@gidroogk.ru kutkinasg@gidroogk.ru http://www.nges.rushydro.ru/
The Saratovskaya HPP Branch	Balakovo, the Saratov Region, Russia Phone: +7 (845) 344-2065 goryunovaen@gidroogk.ru http://www.sarges.rushydro.ru/
The Neporozhniy Sayano-Shushenskaya HPP Branch	Cheremushki, Sayanogorsk, the Republic of Khakassia, Russia Phone: +7 (390) 423-2627 offissges@gidroogk.ru http://www.sshges.rushydro.ru/
The Northern Ossetian Branch	63 Vaso Abaev St., Vladikavkaz, the Republic of North Ossetia-Alania, Russia Phone: +7 (867) 253-66 34 sogk@osetia.ru http://www.osetia.rushydro.ru/
The Cheboksarskaya HPP Branch	34 Naberezhnaya St., Novocheboksarsk, the Chuvash Republic, Russia Phone: +7 (835) 273-7506 office@chenges.vohec.ru http://www.cheges.rushydro.ru/

Report on compliance with the UK Code on Corporate Governance

In 2010, RusHydro was in compliance with most mandates found in the UK Code of Corporate Governance.

	Mandate	Compliance
Board		
A1	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	Complies
A2	There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	Complies
A3	The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	Complies
A4	As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	Complies
The Composition of the Board		
B1	B1 The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	Complies
B2	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	Complies
B3	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	Complies
B4	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	Complies
B5	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	Complies
B6	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	Complies
B7	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	Complies
Financial And Business Reporting		
C1	The board should present a balanced and understandable assessment of the company's position and prospects.	Complies
C2	The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	Complies
C3	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.	Complies
Remuneration		
D1	Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	Complies
D2	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	Complies
Relations with shareholders		
E.1	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	Complies
E2	The board should use the AGM to communicate with investors and to encourage their participation	Complies

Glossary of key terms and abbreviations

Company	RusHydro, including its branches and representative offices.
Holding Company	RusHydro, including its subsidiaries and dependent companies (SDCs).
SDC	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 decisions adopted by said entities.
JSC RAO UES of Russia	The Russian energy company until July 1 st , 2008. Full name - Open joint stock company “Unified Energy System of Russia.” The Company previously united almost all Russia’s energy sector under its umbrella. “UES” ceased to exist as of June 30 th , 2008 due to comprehensive energy sector reform.
OGK	Generating companies on the wholesale electricity market (WEM) – companies formed on the basis of power plants.
TGK	Territorial generating companies – companies formed during the inter-regional integration of the generating assets of JSC-energy (regional generating companies), except for generating assets that are included in OGK(s).
IES	Integrated Energy System (IES) – aggregate production and other electricity property assets, connected through a unified production process (including combined generation using electrical and thermal energy) and electrical energy supply under conditions of a centralized operating and dispatching management.
HPP	Hydro-electric power 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 PSHPPs are included as HPPs.
PSHPP	Pump storage hydro-electric power 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 crop up during peak load periods.
HTC	Hydro-technical constructions – dams, hydro-electric power 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 liquid waste reservoirs of production and agricultural organizations; devices to protect against washing-away and other constructions designed for using water resources and preventing any negative impact from water and liquid waste.
RES	Renewable energy sources – examples include: hydro, solar, wind, geo-thermal, hydro-power 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-mass, as well as vegetable and household waste.
WPS	Wind-power stations – equipment that is able to transform kinetic wind energy into electricity (wind-powered generators), located in one or more places. Large wind-power stations may consist of 100 or more wind-powered generators.
FTS	Federal Tariff Service.
ATS	Non-commercial partnership “Administrator of the trading system” which was created in 2001 in accordance with Government Decree N526 “On the reform of the power sector in the Russian Federation.” It focuses on organizing trade and financial payments in the wholesale energy market (WEM).
WEM	Wholesale electricity market (capacity) – turnover sphere for 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 having the status of wholesale market objects, confirmed in full accordance with the Federal Law “On the electric power industry” (by the Russian Government). The criterion for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian Government.
Installed capacity	Total nominal active capacity of generators at electric power plants which are part of the Group’s structure.
NM WEM	The new model of the wholesale electricity and capacity market foresees transforming the regulated sector of the wholesale market into a system of regulated agreements (RAs), concluded by participants in the wholesale market. Electricity and capacity will be sold under RAs. The volume of electricity not sold under RAs 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 respective volumes for consumption on the balancing market.
RA	Regulated agreements are concluded by wholesale market participants for a term of anywhere from 1

to 3 years. The prices in each of these agreements are tariffs for energy suppliers and capacity set by the Russian FTS. The primary condition of the RA 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 through a free bilateral agreement. The purchaser has to pay for the agreed upon amount independent of the amount of its own planned consumption.

Regulated sector of the wholesale electricity market	The portion of the wholesale electricity market, in which, the wholesale trade of a portion of the volume of electricity and capacity are sold at tariffs approved by Russian federal executive organs on regulating natural monopolies in an order set by the Federal Law “On the state regulation of electricity and thermal energy tariffs in the Russian Federation.”
Free trade sector	The sector, in which, the wholesale trade of a portion of produced electricity is concluded and executed in the form of buying and selling contracts and in the form of price bids from buyers and sellers at free (unregulated) prices.
DAM	Day-ahead market – the system of competitively determining the price for suppliers and purchasers on the wholesale electricity market a day ahead of real energy supply, defining hourly equilibrium key prices and supply volumes, conducted by the non-commercial partnership “ATS.” The day-ahead market defines full production and consumption volumes for electricity at each hour of the following day.
BM	Balancing market – the wholesale electricity market, where trade(s) of electricity volumes that deviate from plans are performed; this deviation is a result of differences between actual and planned volumes of supply/consumption.
ACM	Acting Capacity Market. High competitive power of mobile capacity. No connection between capacity and energy supply. Guaranteed capacity supply at prices that are at least equal to established tariffs. Relatively low capacity tariff, granting the opportunity to conclude non-regulated bilateral power and capacity contracts
REM RG	Retail Energy Market for Retail Generation Facilities. No cost for purchased energy. No basic infrastructure costs (payments to OJSC ATS and CJSC CFR).
MW	Megawatt – a unit of measure for electrical capacity.
kWh	Kilowatt-Hour – a unit of measure for produced electricity.