

APPROVED
By decision of the Board of Directors of JSC "RusHydro"
Minutes as of April 30th, 2009 No.75

APPROVED
By the decision of the annual General
Meeting of Shareholders of
JSC "RusHydro"
Minutes as of _____ No. _____

Annual Report **Joint-Stock Company** **"RusHydro"**

2008

Acting Chairman of
the Management Board of JSC "RusHydro" _____ **/V.A. Zubakin/**
April 27th, 2009.

Chief Accountant of JSC "RusHydro" _____ **/O.V. Otto/**
April 27th, 2009.

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1. General information on JSC “RusHydro”

1.1. Address of the Chairman of the Board of Directors and Chairman of the Management Board to shareholders

Address of the Chairman of the Board of Directors and the Chairman of the Management Board to the Company’s shareholders

Dear shareholders!

The key results for JSC “RusHydro’s” 2008 activity were to provide for the efficient operation of hydraulic power plants and to fulfill tasks related to maintaining systemic safety and reliability. Due to the coordinated and professional efforts of our specialists, the Company was the first in the Russian power industry to receive the “readiness passport” for the autumn and winter 2008 – 2009 season.

We pay special attention to the reliable operation of our generating equipment. Therefore, one of the Company’s priorities is to realize a maintenance, technical rehabilitation and re-organization program at our HPPs. As for this program, 2008 marked a turning point – the average physical wear of fixed assets ceased increasing and in fact, there was a trend toward decreasing physical wear.

At the time of its founding in 2004, the Company not only faced the task of integrating all hydro-electric power plants owned by RAO UES of Russia into a single joint-stock company, but also of rehabilitating and developing a complete technological cycle in the area of hydro-electric power. The unique experience of the Soviet Union period, broad knowledge and expertise accumulated throughout the history of national hydraulic construction industry should be preserved and augmented. As a result of the two-stage asset consolidation process and the forming of a target structure on July 1st, 2008, we became Russia’s largest power company – managing 19 branches created on the basis of hydro-electric power plants, the corporate university, research and design institutes and subsidiaries with the goal of constructing renewable energy facilities. Today, JSC “RusHydro’s” specialists conduct research and design activity, construct and exploit HPPs and train new staff in the power industry.

In 2008, JSC “RusHydro” broadened its business by acquiring retail electricity supply companies and joining them together in a single subsidiary. This represents a new direction for the Company and we are focused on making it efficient.

On the whole, 2008 was a year of radical changes within the Russian electricity sector. The majority of these changes were at the behest of the Russian government and the President. Most significantly, JSC “RAO UES of Russia” ceased to exist as a company. The new structure of electric energy obtained its new center of industry administration – the Ministry of Energy for the Russian Federation, created in spring 2008. As a result of this comprehensive reform, as of July 2008, the Russian government became the principal owner of JSC “RusHydro,” while at the same time, the number of minority shareholders increased to 310,000.

During the reported period, JSC “RusHydro” confirmed its status as a public company – with listings on the Russian MICEX and RTS Stock Exchanges (on both exchanges, the Company’s shares are traded on the “A1” quotation list). To increase liquidity, the Company launched a global depository receipt (GDR) program in June 2008. One positive result was the inclusion of the Company’s shares in the MSCI EM and MSCI Russian indices in August 2008. And in November 2008, there was a significant increase in the Company’s weight in the aforementioned indices. This is evidence of how promising the international investment

community sees the Company and its activities. The entrance of the Company to Russian exchanges, and the possibility of an international listing in the future, led to the need for a name and corporate logo change. These changes were accomplished in 2008.

During the reported period, we continued to strengthen the position of the Company in the industry and also the development of the hydro-power business. However, due to unfavorable conditions in the international and domestic financial markets, we were forced to correct our plans. In 2008, the Company continued construction on the first large energy project in modern Russia – the Bureyskaya HPP. In July, the first hydro unit underwent full-scale industrial exploitation, and in December, on the industrial holiday “The Day of Power Engineers,” the second hydro unit was launched into operation. During the reported period, the Bureyskaya HPP added 300 Mw of new capacity. In addition, we continued to build the Boguchanskaya HPP in Siberia, the Zaramagskie HPP in the Caucasus Region, and we also poured the first cubic meter of concrete at the Zagorskaya PSHPP-2 in the Moscow region.

Apart from developing hydro- potential, JSC “RusHydro” also develops renewable energy on the basis of sea tides, wind and geo-thermal energy. In addition to this, the Company also actively takes part in developing the legal framework in this sphere. As a result of cooperative work between the Russian government and the Company’s specialists, documents were prepared and adopted that lay the foundation for supporting and stimulating RES projects. With the goal of fulfilling the State’s tasks in the field of renewable energy, a comprehensive strategy for using new renewable energy sources was adopted till 2020.

JSC “RusHydro” formed and adopted an energy-saving program for 2008- 2012. This program is based on a set of corporate measures designed to shift generation toward renewable energy and to upgrade the energy efficiency of acting HPPs, as well as HPPs that are in either the design or construction phase. A separate direction that the Company is pursuing is increasing the energy efficiency of its assets by optimizing the water regime of water storage, the intra-stational load of hydro- units, as well as by decreasing the internal energy consumption at the Company’s own power plants.

Since the moment that the Russian federal law “On technical regulation” came into effect on December 27th, 2002, discussing how to create conditions for systemic safety and reliability, 33 standards in the sphere of technical regulation have been implemented at JSC “RusHydro.” Additionally, the Company began to develop 28 organizational standards in the “hydro-electric power plant” section, as well as 6 standards in the “renewable energy and non-traditional power plant” section.

Being the largest generating company in Russia is honorable, but our size also means that we carry certain obligations. We are focused on many different spheres of activity. However, environmental protection is one of the most important of these areas. During the reported period, JSC “RusHydro” continued working on improving its ecological management system. The Company also concluded a pilot project in which it implemented this system at both the Volzhskaya HPP and the Zhigulevskaya HPP. These power plants were the first in Russia to be granted international standard ISO 14001:2004, confirming that these plants complied with international ecological management expectations. This certificate is our passport of responsibility toward the state, business community and the population. In 2008, the Company prepared its first report on social responsibility and corporate responsibility. Undoubtedly, in the future, we will continue to develop this type of report to detail our results in this sphere.

In 2009, we recognize that we will have to work in challenging conditions. But, we are prepared to face the global financial crisis that began in 2008. At the end of the reported period,

the Company developed and began implementing a large-scale cost-cutting program. The realities of the economic and financial environment that we are operating in are taken into account at the planning stage. The process of providing a minimum level of funds in the corporate accounts – a “liquidity cushion” – was launched in the Company. We are also conducting a review of our relations with contractors, tightening the conditions of new and existing agreements in areas such as: cost decreases, increased payment terms and the adherence to quality guarantees. We are also working on claims with unscrupulous contracting parties. The primary focus of our attention is increasing payment discipline for our retail companies’ consumers and ensuring the timely collection of payments.

In 2009, the central issue facing the Company will be to increase energy efficiency and to reinforce the Company’s financial foundation. We will resolve the tasks we face and will continue to develop renewable energy in Russia.

Chairman of JSC “RusHydro’s” Board of Directors
Minister of Energy for the Russian Federation
S.I. Shmatko

Acting Chairman of the Management Board for JSC “RusHydro”
V.A. Zubakin

1.2. 2008 key events

JANUARY

January 9th. Re-organization of JSC “RusHydro” took place through the merger of 20 joint stock companies.

January 16th. Stock from the 20 merged companies was converted into ordinary shares of JSC “RusHydro.” The shareholders of the companies participating in the merger received shares of JSC “RusHydro” in direct proportion to the shares that they held in the 20 companies (based on a share conversion ratio).

FEBRUARY

February 1st. Russia’s Sberbank and JSC “RusHydro” signed a general cooperation agreement for financing investment projects, including creating energy industrial clusters. The agreement also foresaw further development in crediting day-to-day operations, the organization of the issue and placement of securities and organizing the Company’s cash management.

February 11th. Trading of JSC “RusHydro” shares launched on both Russian stock exchanges – MICEX and RTS.

February 16th. Krasnoyarsk Regional Governor Alexander Khloponin and the Company’s Chairman of the Management Board Vyacheslav Sinyugin signed a cooperation agreement to develop both the hydro-electric power of the region, as well as to improve its social and economic conditions.

MARCH

March 18th. A special division was created in JSC “RusHydro.” The commission for the prevention and liquidation of emergency situation(s), organizing the channeling of flood waters (CES).

APRIL

April 3rd. The Russian Union of Industrialists and Entrepreneurs, with active support from JSC “RusHydro,” carried out a roundtable on climate change issues within the framework of the 3C international business initiative.

April 24th. At the initiative of JSC “RusHydro”, a practical, scientific seminar – “Framework and methods for implementing ecological, archeological and land survey work during the design and building of hydro-technical installations” – was held.

MAY

May 6th. The Company’s shares were included in the “B”-level quotation list of Russia’s RTS Exchange.

19 May. The Company was recognized as the 2007 winner of a national award (Heritage of Generations) in the area of protecting the nation’s archeological legacy, within the category “For significant contributions to the organization of work to protect archeological heritage.”

May 28th. The MICEX Stock Exchange included JSC “RusHydro’s” shares in its “B” quotation list.

May 29th. At the Company’s initiative, an international conference – “Renewable energy” – was held at the European Parliament in Brussels, Belgium.

JUNE

June 4th. During the yearly e8 summit, it was announced that JSC “RusHydro,” which had inherited a portion of RAO UES’ international representative functions, officially joined the e8 group.

June 18th. The Company’s GDR program was officially launched. JSC “RusHydro’s” official depositary bank is The Bank of New York Mellon (BoNY).

June 25th. JSC RusHydro held its annual general shareholders meeting (AGM).

JULY

July 1st. The target model of JSC “RusHydro” was formed. JSC “RusHydro” includes: OJSC “Irganaiskaya HPP,” OJSC “Cascade of Nizhne-Cherekskie HPPs,” OJSC the State holding “HydroOGK” and OJSC the minority holding “HydroOGK.”

June 18th. Pouring of the first cubic meter of concrete at Zagorskaya PSHPP-2 was completed.

July 21st. Public hearings on preparing materials for the “Evaluation of the environmental impact of Evenkian HPP” project started.

July 31st. Russia’s FSFM (financial regulatory service) registered JSC “RusHydro’s” report for the additional issue of common shares.

AUGUST

August 13th. JSC “RusHydro” and IDS Scheer Company announced the completion of a key stage of the Company’s process-oriented management system.

August 14th. The RTS Exchange included JSC “RusHydro’s” shares in the “A1” quotation list.

August 18th. JSC “RusHydro’s” shares were included in the “A1” quotation list of the MICEX Exchange.

29 August. The Company’s shares were included as part of the international indices MSCI Russia and MSCI EM.

OCTOBER

October 16th. The pilot project for implementing ecological management was successfully completed at both the Volzhskaya and Zhigulevskaya HPP branches. These hydro-electric power plants were the first in Russia to receive ISO 14001:2004 certification.

NOVEMBER

November 14th. Standard & Poor’s Governance Services announced that it had raised the Company’s corporate governance score (CGS) to 'CGS-5+'. At the same time, Standard & Poor’s raised its Russia national scale CGS on JSC “RusHydro” to 'CGS-5.7' from 'CGS-5.2'.

November 17th. An extraordinary general meeting (EGM) of the Company’s shareholders was held to decide on raising JSC “RusHydro’s” charter capital through the placement of additional shares.

DECEMBER

December 22nd. The second hydro unit at the Bureyskaya HPP became fully operational. This increased the hydro output by 150 megawatts (to a total of 335 megawatts); and the total capacity of the plant reached 1,950 megawatts.

December 27th. An extraordinary general meeting (EGM) of JSC “RusHydro’s” shareholders was held for the purpose of re-electing the Board of Directors.

1.3. The history of JSC “RusHydro’s” development

JSC “RusHydro” was initially formed on December 26th, 2004 as part of the Russian government’s program on energy sector reform, in full accordance with Directive № 1254-p issued by the Russian government on September 1st, 2003.

At the moment of its founding and initial registration, the official name of JSC “RusHydro” was OJSC “Federal Hydro-generating Company” (JSC “HydroOGK”).

The Company was initially created as a 100%, fully owned subsidiary of OJSC RAO UES – with the payment of charter capital via shares in hydro-electric power plant shares and their property complexes.

From 2005 – 2008, the Company issued additional shares, which were paid for with shares of hydro-electric power plants and other assets.

In January 2008, the first stage of the consolidation of JSC “RusHydro” was completed by combining the following joint-stock companies: OJSC “Volzhskaya HPP,” OJSC “Zhigulevskaya HPP,” OJSC “Votkinskaya HPP,” OJSC “P.S. Neporozhny Sayano-Shushenskaya HPP,” OJSC “Zeyskaya HPP,” OJSC “Bureyskaya HPP,” OJSC “Kamskaya HPP,” OJSC “Cascade of Verkhnevolzhskiy HPPs,” OJSC “Nizhegorodskaya HPP,” OJSC “Saratovskaya HPP,” OJSC “Cheboksarkaya HPP,” OJSC “Zagorskaya PSHP,” OJSC “Stavropolskaya Electric Generating Company,” OJSC “Dagestanskaya Regional Generating Company,” OJSC “Kabardino-Balkanskaya Hydro-generating Company,” OJSC “Sulakenergo,” OJSC “Zelenchukskie HPP,” OJSC “Severo-Ossetinskaya Hydro-generating Company,” OJSC “Kabardino-Balkanskaya Hydro-generating Company” and CJSC “EOZ”.

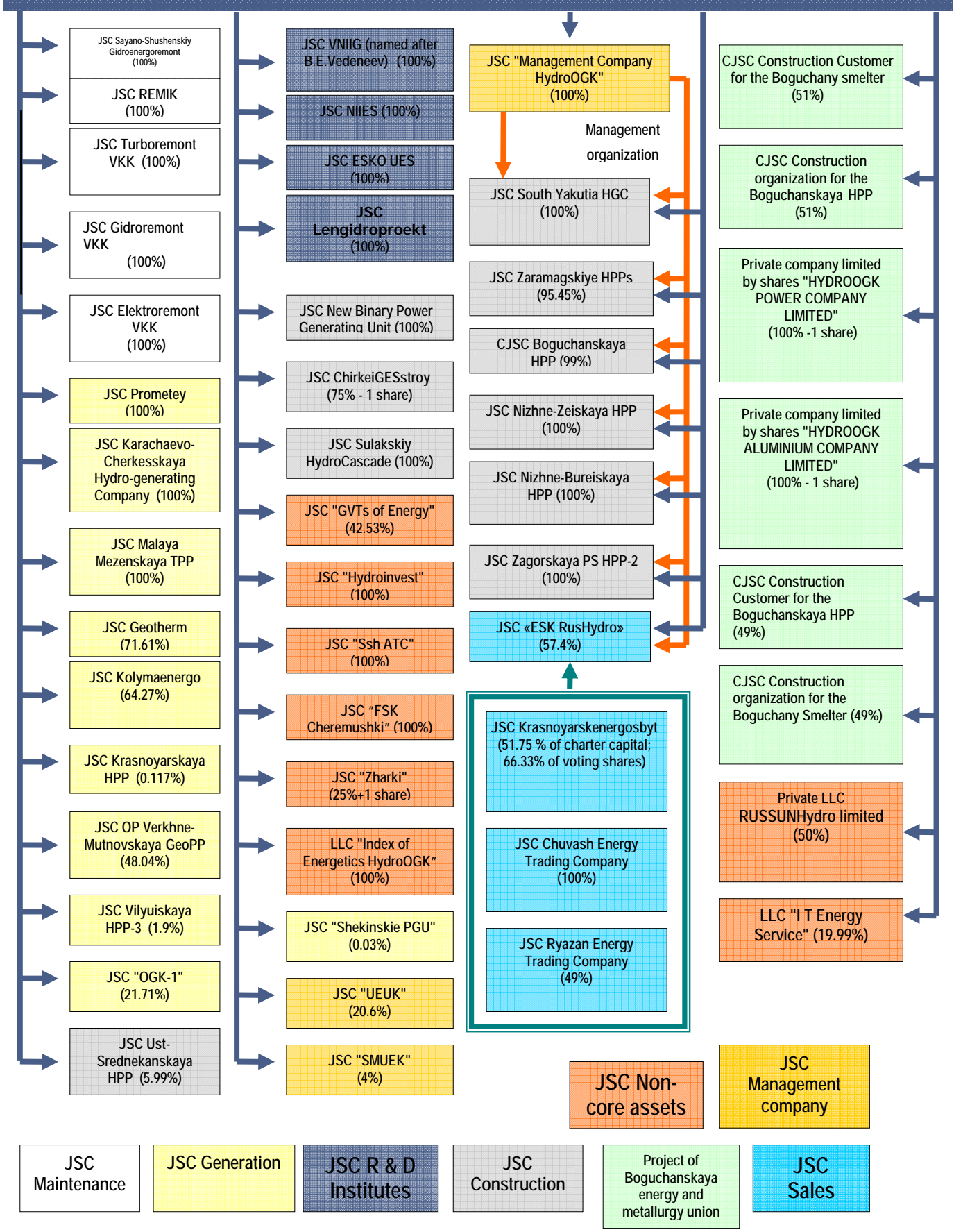
In July 2008, the final stage of the merger took place as the following companies were spun off from RAO UES Russia – OJSC “State Holding HydroOGK,” OJSC “Minority Holding HydroOGK” and OJSC “Irganayskaya HPP,” as well as OJSC “Cascade of Nizhne-Cherekskiye HPPs.” These companies were then re-organized into JSC “RusHydro,” and shares of these companies were converted into shares of JSC “RusHydro.”

The re-organization of RAO UES was the next logical step in reforming the Russian power sector and creating a competitive structure for the industry. During the final re-organization of the Russian power sector, assets belonging to RAO UES were distributed to both the state and minority shareholders. The proportion(s) for this re-distribution was determined based on the shareholders’ share in the charter capital of RAO UES. At the same time, the Russian state (as foreseen by legislation) became direct owners of shares in infrastructure organizations, including JSC “RusHydro” (which now united most of Russia’s HPPs).

In July 2008, the target model for JSC “RusHydro” was created. The Company acts as an operating company managing the operations of its branch HPPs, which were created on the basis of joint stock companies (JSCs), HPPs, during the course of the re-organization and the merger of subsidiary and dependent companies (SDCs) into JSC “RusHydro.”

1.4. JSC "RusHydro's" structure as of December 31st, 2008

JSC "RusHydro's" Group Structure



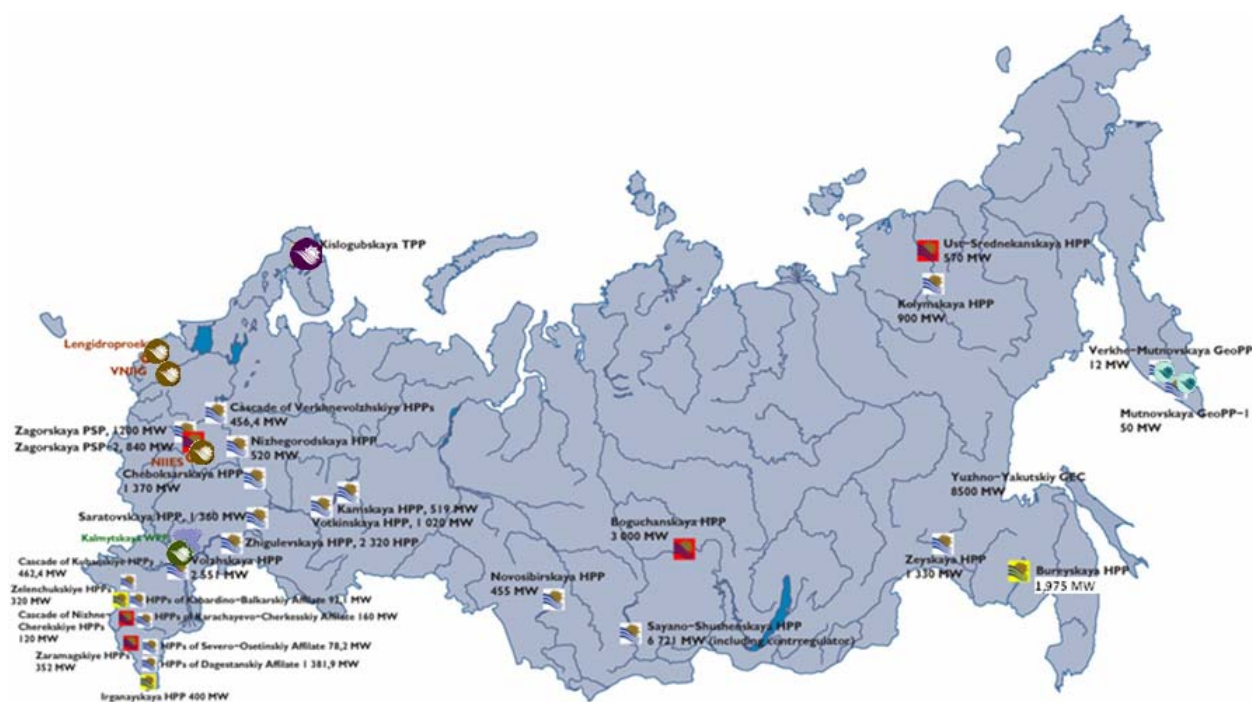
2. Overview of JSC “RusHydro’s” operations

2.1. JSC “RusHydro” today. The Company’s position in the industry

JSC “RusHydro” today

- JSC “RusHydro” is Russia’s largest generating company;
- The Company has 20 branches – 19 of which are generating enterprises with an overall installed capacity of 24,372 MW. Based on this figure, JSC “RusHydro” is the world’s second largest hydro-generating company (in terms of installed capacity);
- The Company’s share of the electricity market is 12% (as a percentage of installed capacity);
- The Company occupies a leading position in the renewable (hydro, tidal, wind and geothermal) energy sector;
- In 2008, the Company generated over 77,703.9 million kWh¹ of electricity;
- Electrical output during the reported period was 76,284.5 million kWh;
- Net proceeds from the sale of electricity totaled 50.2 billion rubles;
- JSC “RusHydro’s” 20 branches are located in 17 Russian regions.

Geographical scope



	- HPPs in operation
	-HPPs in operation (construction work not yet completed)
	-HPPs under construction
	-Geothermal PP
	-Portable PP
	-Wind PP
	-Scientific, research and development organizations

¹ Not taking into account the SDCs

JSC “RusHydro’s” position in the industry

In July 2008, reform of the Russian power sector was completed. The reforms were designed to upgrade the efficiency of enterprises operating in the industry and to ensure the reliable and uninterrupted supply of electricity to consumers. To achieve these purposes, the structure of the industry fundamentally changed – generating, trading and maintenance companies were mainly privatized, whereas in areas where natural monopolies existed government control was strengthened.

As a result of the power sector reform, JSC “RusHydro” is now a public company with the highest installed capacity of any Russian energy company. The Company’s scale provides it with a competitive advantage.

Principal Russian power sector participants and the relative position of JSC “RusHydro”

	Installed capacity, MW	Share of installed capacity, as a % of Russia’s total installed capacity	Operating regions
RusHydro	25,336.60	11.96%	All territories of the Russian Federation
OGK-1	9,531	4.50%	Central and Urals
OGK-2	8,695	4.10%	Northwest, Urals and the South
OGK-3	8,497	4.01%	Northwest, Central, Urals and Siberia
OGK-4	8,630	4.07%	Central, Urals and Siberia
OGK-5	8,672	4.09%	Central, Urals and the South
OGK-6	9,052	4.27%	Northwest, Central, the South and Siberia
Mosenergo	11,500	5.43%	Central
Rosenergoatom	23,242	10.97%	All territories of the Russian Federation
TGKs and other generating objects	98,665	46.58%	All territories of the Russian Federation

JSC “RusHydro’s” main competitors

Main competitors	Characteristics	Competitive sphere
Federal State Unitary Enterprise “Rosenergoatom”	Strengths: broad territorial scope across European Russia (near to optimal capacity) Weaknesses: low maneuverability and low effect of balancing market, not represented in either Siberia or the Far East	In the area of sales – competition will arise only if demand significantly outstrips supply In the area of development – competition for state financing
Generating companies	Strengths: broad territorial	In the area of sales – volume

(OGKs, TGKs)	scope, ability to submit price applications to the day-ahead market with load priority in the heating cycle Weaknesses: relatively low maneuverability, dependent on increases in fuel prices and gas supply limitations	competition during certain points of the heating cycle In the area of development – competition within the mechanism of investment guarantees
JSC "TGK-1" (approx. 2,900 Mw of HPPs), JSC "TGK-8" (approx. 350 Mw of HPPs) and other TGKs with HPPs	Strengths: the possibility to hedge against fuel and water shortage risks Weaknesses: mainly high cost, small HPPs	In the area of sales – volume competition at certain points In the area of development – competition for the right to develop hydro potential
HPPs that are not part of "RusHydro" or other OGKs and TGKs – Irkutskenergo (with over 9000 MW per HPP), Krasnoyarskaya HPP (6000 Mw), Tatenergo (with more than 1200 Mw) and others	Strengths: the possibility to hedge against fuel and water shortage risks Weaknesses: sales restricted to the retail market, high social and partnership liabilities	In the area of sales – volume competition during flood period(s) In the area of development – competition with the shareholders of private HPPs for the right to develop hydro potential
Far East thermal generating (coal TES and SDCs belonging to a single purchaser – the Far Eastern energy company)	Strengths: guaranteed output in the volume of the heating season Weaknesses: mainly high cost, small HPPs	In the area of sales – logistical competition (competition in the dispatching schedule) In the area of development – competition for new investment projects for export and sales to new consumers
OJSC "INTER RAO UES"	Strengths: full possibilities of both generating and energy trading (the only Company in Russia that is allowed to engage in both activities) Weaknesses: regulated activities, decreased export possibilities in supply shortage conditions	In the area of sales — practically no competition In the area of development — competition for the right to be a state agent for realizing international projects and competition around participation in alliances and consortiums

At present, JSC "RusHydro's" primary competitors are other Russian power companies. However, as the Company moves forward with its strategic goals in the renewable energy sector and increases its presence in international markets, it is assumed that the following international companies will become competitors: EdF, Statkraft, Iberdrola, Enel, Eon, Lahmeyer International, Mott MacDonald, SNC-Lavalin, Hindustan Construction Co (HCC), VA TECH Hydro, North American Hydro, GE Energy Financial Services, Electricité du Laos, Electricité du Vietnam, NHPC and NTPC.

The main factors that offer JSC "RusHydro" a competitive advantage are:

- The high ecological quality of hydro-electricity production, since hydro resources are renewable. Using hydro-power (the most ecologically friendly source of energy) allows for decreased atmospheric emissions from thermal power plants and protects hydrocarbon fuel reserves;
- High maneuverability (HPPs are the most maneuverable assets in the sector) and can substantially and quickly increase output to cover peak loads;
- The absence of a fuel component in the production cost, which provides a long-term price guarantee (to at least some degree) for consumers.

Industry development trends

As a whole, the Russian energy market underwent significant changes in 2008. These changes included: the introduction of numerous regulatory documents (which changed the market's infrastructure), as well as new market segments.

In 2008, based on Russian government resolution №476 (from June 28th, 2008), a new segment of the wholesale electricity market was launched – the capacity power market. Based on this resolution, 25% of the approved balance from generation can be sold at a free market price, and in other respects, the timeline for liberalization of the capacity market corresponds with the timeline for liberalizing electricity, which was approved by resolution №643 (dating from October 24th, 2003).

The government plans that by January 1st, 2011, 100% of the country's electricity and capacity will be sold at free market prices. In addition to this significant change, a number of innovations have been introduced:

- transfer from paying for installed capacity to paying for available capacity;
- new instruments appear, such as free contracts on electrical energy and capacity, including: exchange and over-the-counter agreements.

In addition to government reform, the sector was also affected by the global economic crisis (as were many other sectors and businesses in the Russian economy).

Thus, a number of Russian companies — which are the primary consumers of electricity in Russia – were forced to cut their production and entered cost-cutting modes.

Taking this situation into account, JSC “RusHydro” re-adjusted (decreased) its investment program for Q4 2008 and FY 2009.

Despite this, the future of the hydro-electric industry is seen to be favorable. The primary competitive advantage of companies operating in this sphere (vis-à-vis other power companies) is their independence from fuel (gas and coal) prices, which continue to be high.

Furthermore, JSC “RusHydro's” activities are relatively low risk. Additionally, the strategic importance of the power sector for the state means that companies (including “RusHydro”) operating in the sector can rely on the Russian government adopting and implementing anti-crisis measures.

2.2. JSC “RusHydro's” mission and strategy

JSC “RusHydro's” mission

The Company sees its priorities as the following: to enable the efficient use of hydro resources, high reliability of a united energy system and to more widely utilize renewables for the benefit of both its shareholders and the public as a whole. ***JSC “RusHydro” strives towards long-term, organic growth – allowing the Company to develop into a leading global renewable energy company.***

JSC “RusHydro” has carried out its activities with the goal of implementing state policy in the hydro-electric sector, creating conditions for the efficient functioning of the wholesale electric market, ensuring the effective usage and centralized (technical) management of hydro-electric assets, realizing a consistent investment and capital raising strategy (to address system-wide issues in hydro-electric development), elaborating and implementing research-and-development policy and introducing innovative types of equipment and technology, including developing renewable energy sources.

Strategic goals, include:

- **To increase the Company's value;**
- **To provide conditions for systematic reliability and security;**
- **To enable the sustainable development of renewable electricity production**

2.3. JSC "RusHydro's" development priorities

During the reported period, the Company (and the industry as a whole) faced a new challenge: the global economic crisis. Financial conditions had the following effects (direct and indirect) on the Company: decreased energy consumption, lowered need for new capacity, limited credit resources, increased cost of borrowing and decreased state support, among others. t

These new macroeconomic conditions require the Company to implement corrective, as well as anti-crisis, measures. JSC "RusHydro's" key task in 2009 will be to successfully adapt to these new conditions and to upgrade its efficiency across-the-board.

The Company's main priorities for 2009 include:

- To ensure the reliability of its existing HPPs;
- To increase the operational efficiency of the Company's activities;
- To minimize strategic risks;
- To provide for the Company's financial stability;
- To improve the Company's organizational and business model and to upgrade personnel development;
- To maximize revenues and protect profits;
- To realize the Company's approved investment program, increasing the efficiency of designing and constructing assets for the JSC "RusHydro" investment program.
- To ensure the efficiency and continued development of connected businesses (such as, energy selling and engineering).
- To list the Company's shares on a foreign exchange;
- To create conditions that ensure that investors see renewable energy as an attractive investment.

3. Corporate governance

3.1. Corporate governance principles

JSC “RusHydro’s” corporate governance is focused on the following: shaping a positive corporate image in the eyes of the Company’s stakeholders, exercising control and minimizing risks, supporting the stable growth of key financial indicators and providing for the successful performance of JSC “RusHydro” activities, as well as for the activities of the Holding as a whole.

JSC “RusHydro’s” corporate governance is based on the following principles:

1. Responsibility

The Company’s Code of Corporate Governance calls for the Board of Directors to be accountable to all shareholders, in full compliance with current legislation. The Code also serves as a guideline for the Board in developing corporate strategy and performing governance and control over executive bodies. The Management Board and its Chair are accountable to both the Board of Directors and to the General Meeting of shareholders.

2. Fairness and equal rights for all shareholders

JSC “RusHydro” is committed to protecting shareholder rights and to ensuring equal rights for all shareholders. The Company’s Board of Directors protects all shareholders’ rights in the case of infringement and/or violation.

3. Transparency

The Company discloses all material facts in a timely and accurate manner, including: its financial position, key social and ecological indicators, results of activity, ownership structure and Company management. The Company also guarantees equal information access to all interested parties.

4. Integrity

The Company operates in good faith in its dealings with the Company, its shareholders, organizations, officials and other interested parties; and does not tolerate any abuse of these groups’ rights.

During the reported period, JSC “RusHydro” adopted the following documents focused on ensuring full compliance with the above principles:

- **Code of Corporate Governance** (approved by the new Board of Directors on October 31st, 2008), aimed both at improving the transparency of the Company’s governance and confirming its commitment to best practice corporate governance. The Code was brought in to full conformity with the updated JSC “RusHydro” charter and the Company’s internal documents. The Code also takes into account best practice corporate governance at Russia’s largest public companies;

- **Provision on insider information** (approved by the Board of Directors on November 28th, 2008), regulating how employees, the Company’s management team and JSC “RusHydro’s” control organs use information about the Company and its activity(ies) that is not public and the disclosure of which may substantially affect the Company’s market value;

- **Provision on the Management Board** (approved by the General Meeting of shareholders on June 25th, 2008);

- **Provision on internal control and risk management policy** (approved by the Board of Directors on April 4th, 2008), containing a combination of organizational structure, methods and

procedures adopted by the Company's management team to help ensure well-ordered and effective financial and economic activity;

- **Provision on the HR and Remunerations Committee of the Board of Directors and Provision on the Investment Committee of the Board of Directors** (approved by the Board of Directors on July 18th, 2008).

JSC "RusHydro's" corporate governance policy is also regulated by the following documents:

- **Provision on information policy** (approved by the Board of Directors on December 26th, 2007), comprising a broad list of voluntarily disclosed information, as well as obligations for members of the Board of Directors and Management Board to disclose information about their ownership of securities (including information about their buying and/or selling);

- **Provision on how to prepare and conduct the General Meeting of Shareholders** (approved by the Annual General Meeting (AGM) of shareholders on June 22nd, 2007);

- **Provision on the order of convocation and conduct of meetings of the Board of Directors** (approved by the Annual General Meeting (AGM) of shareholders on June 22nd, 2007);

- **Provision on the Audit Committee of the Board of Directors** (approved by the Board of Directors on December 26th, 2007);

- **Provision on the Strategy Committee of the Board of Directors** (approved by the Board of Directors on April 25th, 2005).

The text of these documents can be found on the Company's website at: <http://www.eng.rushydro.ru/investors/disclosure/intdoc>.

Due to a variety of factors – bringing the Company's corporate governance in line with investors' expectations, requirements of Russian and international public companies, Russian and international stock exchanges, international energy companies and an increase in the number of shareholders — the Company needed to introduce a number of new corporate governance practices and standards.

Measures that JSC "RusHydro" took in 2008 to upgrade its corporate governance practices include:

- Building up procedures for the Company's Annual General Meeting (AGM), to ensure the participation of a significant number of minority shareholders;

- Introducing amendments to the Company's internal documents;

- Electing five independent directors to the Company's Board of Directors;

- Forming and organizing the work of the Company's Audit, HR and Remunerations and Investment Committees;

- Developing an English language version of JSC "RusHydro's" website, which has translated information from the existing Russian site and contains corporate news, press releases, material facts and other information. The aim of the English language site is to offer foreign investors (and potential investors) full information;

- On July 2nd, 2008, the Company launched a hotline. Either via telephone or e-mail (see the contact details below), shareholders may receive answers to their questions:

- Tel.: 8-800-555-9997

- e-mail: rusgidro@mcd.ru

During the reported period, JSC "RusHydro's" management team met with shareholders, investors and the mass media to discuss a range of issues, including: sector reform and results of the Company's activity.

In addition to the regulatory documents referenced above and various Company bodies (such as the Board of Directors, the Management Body and committees), the Company's registrar – OJSC "Central Moscow Depository" (CMD) – plays a vital role in protecting the rights and interests of shareholders.

CMD is Russia's largest registrar with a broad branch network (21 branches) throughout Russia's regions and the possibility of using the potential of its extensive branch transfer-agent network (with over 160 transfer agents). The scope and scale of CMD's operations allow the registrar to quickly and effectively interact with JSC "RusHydro's" shareholders throughout Russia.

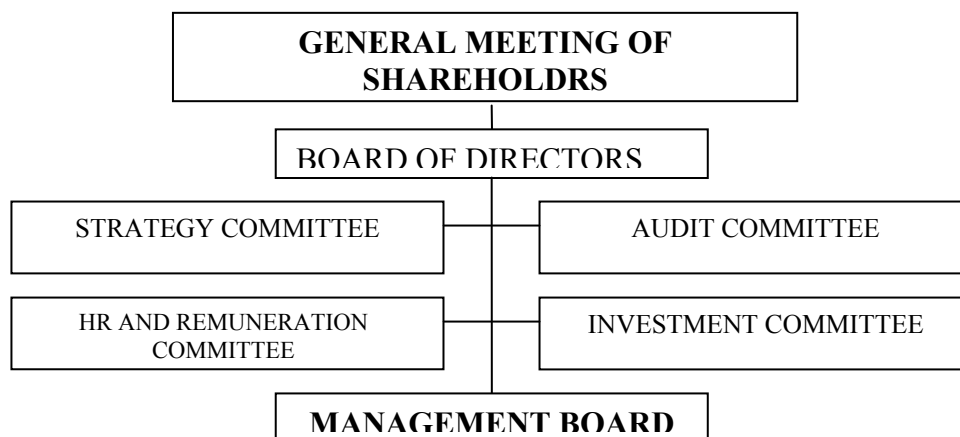
As a result of these measures to upgrade corporate governance, *in November 2008 Standard & Poor's Governance Services increased JSC "RusHydro's" corporate governance score to "CGS-5+" and to "CGS-5.7" on the Russian national CGS scale.* The following were highlighted as reasons for the increase:

- Alignment of the government's goals with the interests of minority shareholders. This reflects an understanding of the significant scale of the Company's investment activity, which in turn leads JSC "RusHydro" to be dependent on the financial market, as well as its requirements and expectations. In turn, this requires the Company to continuously upgrade corporate governance practices (to help bring them in line with international best practice standards);
- High transparency levels compared with most Russian generating companies;
- Existence of effective procedures for preparing and conducting shareholder meetings;
- Improvement of the Company's internal audit system and the creation of an Audit Committee (as part of the Board of directors);
- The usage of an effective bonus system for the Company's top management.

In December 2008, the Consortium of the Russian Institute of Directors and "Expert RA" (the rating agency "RID-Expert RA") awarded JSC "RusHydro" a corporate governance rating of 7 – "Developed corporate governance practices." (This score was based on the Russian corporate governance rating scale).

With the goal of continuously improving the Company's corporate governance practices, the Company has developed a comprehensive program of measures to implement in 2009.

3.2. JSC "RusHydro's" governance structure



The General Meeting of Shareholders is the highest management body of the Company and adopts decisions on key corporate issues, in accordance with Russian legislation and the Company charter. The order for convening, preparing and conducting the General Meeting of

Shareholders is regulated by the Company's provision(s) on preparing and conducting the General Meeting of Shareholders.

During the reported period, due to reform and re-organization in the power sector, substantial changes occurred in the Company's shareholder structure. JSC "RusHydro" ceased to be a subsidiary of RAO UES of Russia (which as of January 9th, 2008 had held 77.93% of the Company's charter capital); and the Company became public. The Russian government holds 60.37% of the Company's charter capital and minority shareholders held the remaining 39.63% of charter capital.

During the year 2008, the Company held three general shareholder meetings:

- June 25th, 2008 – Annual General Meeting (AGM) of shareholders on the Company's 2007 results;
- November 17th, 2008 – Extraordinary General Meeting (EGM) of shareholders on increasing the Company's charter capital;
- December 27th, 2008 – Extraordinary General Meeting (EGM) of shareholders on electing a new Board of Directors.

The Board of Directors is a collective organ, which performs overall corporate management, defines the Company's development strategy and controls the executive bodies of JSC "RusHydro" and their activities – ensuring that the rights and interests of the Company's shareholders are protected.

The 2008 meetings of the Company's Board of Directors yielded the following results:

- Defining the Company's strategic priorities, including in the areas of energy sales and international activities;
- Approving the Company's energy saving program, which was adopted in response to a decree of the Russian President on June 4th, 2008 – № 889 "On some measures to improve the energy and ecological efficiency of the Russian economy";
- Creating policies for internal control and risk management;
- Instituting a new committee – the Board of Director's Investment Committee;
- Adopting provision on the Company's dividend policy;
- Approving parameters for additional share issue(s);
- Defining the Company's procurement policy.

The Management Board of JSC "RusHydro" is a collective executive organ of the Company and acts in accordance with the Provision on the Management Board, **which was** approved by the General Meeting of Shareholders (held on June 26th, 2008). The Board is responsible for practically implementing the Company's goals and development strategy, as well as managing current operations to ensure that they are aligned with the interests of JSC "RusHydro" and its shareholders.

The work of JSC "RusHydro's" Management Board is organized by the Chairman of the Management Board, who in addition acts as an individual executive organ.

From December 2004 to June 2008, the Chairman of the Company's Management Board was **Vyacheslav Yurievich Sinyugin**.

On June 10th, 2008, the Company's Board of Directors made the decision (protocol №57, adopted on June 10th, 2008) to terminate the authority of the previous Chairman of the Management Board V.Y. Sinyugin in connection with his transfer to position of Deputy Minister of Energy of the Russian Federation

Since June 2008, Vasilij Aleksandrovich Zubakin has been the Acting Chairman of the Company's Management Board.

3.2.1. JSC “RusHydro’s” Board of Directors

Membership of the Board of Directors. New members of the Board were elected by an extraordinary general meeting (EGM) of the Company’s shareholders held on December 27th, 2008:

Name	Position
<p>Sergei Ivanovich Shmatko (Chairman of the Board of Directors) Born 1966</p>	<p>Russian Minister of Energy 2002 – 2005 Chairman of the State Conversion Fund 2005 – 2008 President of JSC “Atomstroyexport” 2008 Deputy Director of OJSC “Atomenergoprom”</p> <p>Education: Ural State University, mathematics and mechanics faculty, political economy faculty; Marburg University, economics faculty; Military Academy of the General Headquarters of the Russian Armed Forces, higher academic courses on: “Defense and ensuring the security of the Russian Federation” Holds no shares in the Company</p>
<p>Rustem Zakievich Khamitov (Deputy Chairman of the Board of Directors) Born 1954</p>	<p>CEO of the Russian Federal Water Resources Agency 2003 – 2004 Head of the largest taxpayers department in the Russian Tax Ministry</p> <p>Education MSTU (named after Bauman), majoring in mechanical engineering Holds no shares in the Company</p>
<p>Vasiliy Aleksandrovich Zubakin Born 1958</p>	<p>Acting Chairman of the Company’s Management Board 2000 – 2006 Held top management positions in RAO UES of Russia 2006 – present Member of JSC “RusHydro’s” Management Board</p> <p>Education Omsk Polytechnical University Ph.D. in Economics, Russian Academy of Economics (named after Plekhanov) Share in the Company’s charter capital – 0.0122%</p>
<p>Anatoly Borisovich Ballo Born 1961</p>	<p>Deputy Chairman of JSC “Vneshekonombank’s” 2002 – 2005 Head of the department for project, structured and trade financing at JSC “Vneshekonombank”</p> <p>Education Moscow Institute of Finance, majoring in international financial relations Holds no shares in the Company</p>
<p>Andrei Vladimirovich Sharonov Born 1964</p>	<p>Chairman of the Board of Directors, CJSC “IC Troika Dialog” 2003 – 2007 Held top management positions in the Russian Ministry of Economic Development and Trade</p> <p>Education Ufa Aviation Institute (named after Ordzhonikidze), majoring in electrical engineering Russian Academy of the State Service under the President of Russia, majoring in jurisprudence Holds no shares in the Company</p>
<p>Sergei Sergeevich Beloborodov Born 1967</p>	<p>General Director of LLC “Gazenergoprom Corporation” 2003 – 2005 General director of LLC “EuroSibEnergopro” 2005 – 2006 Advisor to the Board of Director’s of LLC “Basic Element” 2006 –2007 Deputy General Director, LLC “Gazenergoprom” Corporation</p> <p>Education Moscow Institute of Physics and Technology, majoring in applied mathematics and physics Michigan Technological University Holds no shares in the Company</p>
<p>Sergei Vladimirovich Serebryannikov</p>	<p>Rector at SEIHVT Moscow Energy Institute (University of Technology)</p>

<p>Born 1952</p>	<p>2004 - 2005 Holds top positions at SEIHVT Moscow Energy Institute (University of Technology) 2004 – present Department Chair, Professor at SEIHVT Moscow Energy Institute (University of Technology)</p> <p>Education Moscow Energy Institute, majoring in electrical engineering Holds no shares in the Company</p>
<p>Vladimir Vitalyevich Tatsiy Born 1960</p>	<p>First Vice President of JSC “Gazprombank” 2003 – 2007 Vice president of JSC “Gazprombank”</p> <p>Education Moscow Energy Institute, majoring in engineering and cryo-physicist Holds no shares in the Company</p>
<p>Eduard Petrovich Volkov Born 1938</p>	<p>Executive Director of JSC “Krzhizhanovsky Energy Institute” 2004 – 2008 Chair of a sub-department of the Moscow Energy Institute</p> <p>Education Moscow Energy Institute, majoring in heat-and-power engineering Share in the Company’s charter capital – 0.000035%</p>
<p>Sergei Vladimirovich Maslov Born 1960</p>	<p>President of JSC “Saint Petersburg International Commodity Exchange” 2001 – 2008 President of JSC “SC Transnefteproduct”</p> <p>Education Moscow State Legal Academy, majoring in jurisprudence Holds no shares in the Company</p>
<p>Boris Feliksovich Vainzikher Born 1968</p>	<p>Chairman of the Management Board of JSC “TGK-1” 2002 – 2005 Executive director and General director of OJSC “Kirishskaya HPP” 2005 – 2008 Member of the Management Board and technical director at RAO UES of Russia 2007 – 2007 General director of JSC “Power Machines”</p> <p>Education St. Petersburg State Technical University, majoring in turbine construction Open University Business School (of the UK), majoring in management Share in the Company’s charter capital - 0.0086%</p>
<p>Vadim Stanislavovich Belyayev Born 1966</p>	<p>General Director of LLC “FC OTKRYTIYE” 2002 – 2004 Chairman of the Management Boar of JSC “VEO-Otkrytiye” 2004 – present General director of LLC “FC OTKRYTIYE”</p> <p>Education Moscow Institute of Radio-engineering, Electronics and Automation, majoring in electrical acoustics and ultrasonic engineering Financial Academy under the Government of Russia, qualification: economist, specializing in banking and insurance Holds no shares in the Company</p>
<p>Viktor Ivanovich Danilov-Danilyan Born 1938</p>	<p>Director of the Water Engineering Institute, RAS 2005 – present Chair of a sub-department of the Russian People’s Friendship University 2006 – present Chief editor of the “Encyclopedia” publishing house at the “Infra-M” publishing firm 2009 – present Department Head, Moscow State University</p> <p>Education Moscow State University, majoring in mathematics Holds no shares in the Company</p>

The membership of the Board of directors of the Company is formed of highly-qualified specialists in the field of administrative and corporate governance, which is a determining factor for investor and guarantee of protection for all groups of shareholders, including the state.

In accordance with best practice corporate governance and the Company’s Corporate Governance Code, JSC “RusHydro’s” Board of Directors includes five members who qualify as independent based on Russian legislation: Sergei Serebryannikov, Vladimir Tatsiy, Boris Vainzikher, Vadim Belyayev and Viktor Danilov-Danilyan. Three members of the Board of Directors - Sergei Serebryannikov, Vadim Belyayev and Viktor Danilov-Danilyan — also meet the independence definition of the UK Combined Code on Corporate Governance.

During the reported period, three compositions of the Company’s Board of Directors changed.²

Remuneration to members of the Company’s Board of Directors is paid in accordance with a provision adopted by the General Meeting of Shareholders on June 26th, 2008. Remuneration is not paid to members of the Board of Directors who are limited or banned from obtaining payments from commercial organizations (under Russian legislation) and to those individuals who are also members of the Company’s Management Board.

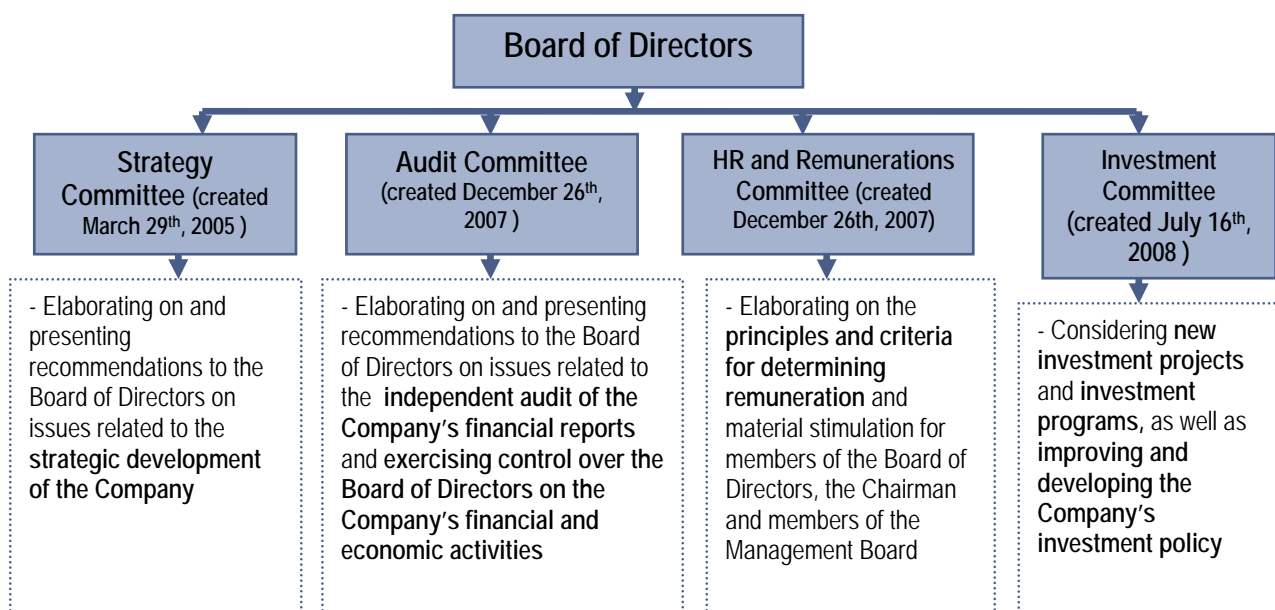
Members of the Board of Directors are paid remuneration equal to ten minimum tariff rates for first grade workers (as established by the tariff agreement for the Russian electrical energy complex) for participating in a Board meeting (regardless of the form of the meeting).

Members of the Board of Directors may receive additional compensation in situations where a General Meeting of Shareholders decides either to pay dividends for common shares and/or when the market capitalization of the Company increases.

The total remuneration and compensation paid to all members of the Company’s Board of Directors in 2008 was 10,181,388 rubles.

Committees of the Board of Directors of JSC “RusHydro”

The committees of the Board of Directors were created to improve the efficiency of the Board in numerous areas, including: working out issues under the competency of the Board, studying questions while in the order of control over the Company’s executive organ and elaborating on recommendations to the Company’s executive organs.



² Members of the Board of Directors that were active in 2008 are listed in Appendix 1.

2008 results from the Board of Director's activities of the Board of Directors

Strategy Committee:

- The Committee considered the issue of 2009 key performance indicators (KPIs) and offered recommendations to the Company's Board of Directors on approving this list of KPIs;
- The Committee adopted a provision on the Company's dividend policy. Taking into account issues raised by the Committee, the Board of Directors approved this provision on May 19th, 2008 (protocol № 55);
- The Company's 2008-2012 investment program was considered and will serve as the basis for further development. The Committee also recommended that the Board of Directors approve the program;
- The concept of the Company's energy-selling activities was considered and adopted;
- The Committee also considered JSC "RusHydro's" participation in energy industry development projects in India and other countries. Recommendations were also developed for long-term participation in projects in India and other Southeast Asian countries;

Audit Committee:

- The Committee adopted the plan and timeline for the Company's 2008-2009 control measures;
- Provisions on internal control and risk management were adopted by the Committee and offered to the Company's Board of Directors for approval;
- Reviewed information on existing strategic level critical risks at JSC "RusHydro" and measures on mitigating these risks for 2008 and 2009 were considered, along with measures on developing a complex internal control and risk management system at the Company, including the subsequent organization of strategic level risk management work at the Company;
- The Committee considered the following documents and recommended that the Board of Directors preliminarily adopt them: JSC "RusHydro's" 2007 annual report, the 2007 yearly financial (accounting) reports and the auditor's (CJSC "Pricewaterhouse Audit" (PwC)) conclusions on the results of the 2007 audit of the financial reports.

HR and Remuneration Committee:

- The Committee approved conditions of the labor agreement with the Chairman of the Management Board and recommended that the Board of Directors approve the type and size of compensation for members of the Company's;
- The official salary of the Chairman of the Management Board and the CEOs of the Holding's companies was approved;
- The Committee decided on 2007 remuneration payments for independent directors and minority shareholder representatives of the Company's SDCs, which participated on the Board of Directors of SDCs that were merged into the Company;
- The Committee also offered recommendations on the motivational system for general directors and other top managers at the Holding's subsidiaries.

Investment Committee:

- The Committee considered issues related to correcting the 2008 investment program, as well as planning 2009 committee meetings and deciding on the format of presenting data on the Company's investment programs.

3.2.2. JSC "RusHydro's" Management Board

Name	Position
Vasily Aleksandrovich Zubakin Born 1958	Acting Chairman of the the Management Board at JSC "RusHydro" (development projects, investment planning) 2000 – 2006 Held top management positions in RAO UES of Russia 2006 – present Member of JSC "RusHydro's" Management Board Education

	<p>Graduated from Omsk Polytechnical University Ph.D. in Economics, Russian Academy of Economics (named after Plekhanov) Professor at St. Petersburg State University Share in the Company's charter capital – 0.0122%</p>
<p>Oleg Borisovich Oksuzian Born 1960</p>	<p>Executive director for corporate governance at JSC “RusHydro” (corporate governance, reform, managing the property complex, protecting property interests)</p> <p>1998 – 2005 Held top management positions in RAO UES of Russia 2005 – present Member of JSC “RusHydro’s” Management Board</p> <p>Education: Novorossiisk Higher School for Naval Engineers, majoring in marine power plant operations Russian Federation Government Academy of the National Economy, majoring in management and strategic administration Share in the Company’s charter capital – 0.0074%</p>
<p>Boris Borisovich Bogush Born 1952</p>	<p>Managing Director, CEO, Production Business Unit (regime change management of HPPs, planning and organizing maintenance, as well as technical re-equipment and reconstruction, technical and ecological inspection)</p> <p>2002 – 2004 Held top management positions in JSC “VoGEK MC” 2004 – 2005 Director, Department for Production and Engineering Policy, Hydro-generating Business Unit, RAO UES of Russia 2005 – 2007 Deputy CEO, Production Business Unit, JSC “HydroOGK MC” 2007 – present Member of JSC “RusHydro’s” Management Board</p> <p>Education: Togliatti Institute of Technology, majoring in automobile and tractor building Holds no shares in the Company</p>
<p>Aleksander Yurievich Sergeev Born 1977</p>	<p>Managing Director, CEO, Sales Business Unit</p> <p>(balances and tariffs, marketing, energy sales and accounts, commercial production control)</p> <p>2002 – 2005 Held top management positions in JSC “RAO UES of Russia” 2005 – present Member of JSC “RusHydro’s” Management Board</p> <p>Education: Economics and company management department (fuel and energy complex): Urals State Technical University (Yekaterinburg), USTU-UIT</p> <p>Postgraduate studies at the Urals State Technical University</p> <p>Holds no shares in the Company</p>
<p>Aleksander Valentinovich Toloshinov Born 1957</p>	<p>Managing director, CEO, Siberian division (organizing the construction of HPPs in the Siberian region)</p> <p>2002 – 2006 Held top management positions in JSC “Neporozhny Sayano-Shushenskaya HPP” 2005 – present Held top management positions in JSC “RusHydro,” including being a member of the Company’s Management Board</p> <p>Education: Hydraulic engineering department, Leningrad Institute of Technology, majoring in hydraulic engineering</p> <p>Postgraduate studies at the Krasnoyarsk Construction Engineering Academy, majoring in hydraulic engineering; Ph.D. in technology Holds no shares in the Company</p>
<p>Rasim Magsumovich</p>	<p>Managing director, Engineering business unit (engineering (planning and</p>

<p>Khaziakhmetov Born 1954</p>	<p>implementation), selecting sites for hydro-electric facilities,, standardizing and organizing external interaction)</p> <p>Merited worker for Unified Energy System (UES), Honorary Energy Sector Worker, Honorary Fuel and Energy Complex Worker 2001 – 2005 General Director, JSC “VoGEK MC” 2005 – present Member of JSC “RusHydro’s” Management Board</p> <p>Education: Kazan branch of the Moscow Energy Institute, majoring in thermal engineering Holds no shares in the Company</p>
<p>Sergei Aleksandrovich Yushin Born 1972</p>	<p>Executive director for economics and finance (economic planning, reporting and accounting, financial management, treasury, purchasing management) 2004 – Held top management positions in JSC “RAO UES of Russia” 2004 – present Member of the Company’s Management Board</p> <p>Education: Moscow Energy Institute, majoring in dynamics and strength Holds no shares in the Company</p>
<p>Konstantin Vladimirovich Belyaev Born 1968</p>	<p>Executive director for organizational development and control (organizational management, risk management and internal control, informational technology, human resources policy) 2005 – 2007 Held top management positions in JSC “Svyazinvest” 2007 – present Deputy director, Asset management department, CJSC Sistema Telecom, Member of JSC “RusHydro’s” Management Board</p> <p>Education: Russian Finance and Economics Institute (Distance Learning), majoring in business accounting and auditing Holds no shares in the Company</p>

Remuneration is paid to members of the Management Board for fulfilling their Board positions and is comprised of salary, non-monetary benefits, bonuses (defined by the Company’s Board of Directors based on meeting key performance indicators (KPI)) and payments of the option program (which foresees the opportunity for members of the Management Board to purchase shares at a fixed price).

Payment to the Chairman and members of the Management Board is performed in accordance with conditions of labor agreement(s) and according to the provision for motivating JSC “RusHydro’s” top management.

Remuneration paid to the Chairman and members of the Management Board totaled 59,559,839 rubles in 2008.

3.2.3. The SDC’s Corporate Governance

The corporate governance of the SDCs is governed by principles laid out in the Code of Corporate Governance, which was recommended by a resolution (№ 421/p) of Russia’s FSFM, which passed on April 4th, 2002.

JSC “RusHydro’s” interactions with its subsidiaries and dependent companies is principally focused on implementing the Company’s strategy in hydro-electrical engineering, providing stable economic development, ensuring investor attractiveness for the Company and its SDCs and protecting the rights and interests of shareholders (both in the Company and in the SDCs).

Prior to the end of October, 2008, interaction(s) between JSC “RusHydro” and its subsidiaries and dependent companies was based on the “Order for interaction between JSC

“RusHydro” and the organizations in which it participates,” which was approved by the Company’s Board of Directors on December 4th, 2007. However, within the context of upgrading the Company’s corporate governance practices, on October 31st, 2008, the Board of Directors approved an amended order (hereafter referred to in the text as the Order). The Order applies both to the SDCs and also regulates issues related to JSC “RusHydro’s” rights when it is a participant in non-commercial organizations.

The amended Order focuses particular attention on improving the governance level of the SDCs. With the aim of ensuring compliance with best practice standards, the Company is focused on increasing the SDCs’ transparency in dealing with shareholders, creditors, potential investors, security market participants, state organs and other interested parties (primarily through developing and adopting appropriate internal documents at the SDCs). In particular, the SDCs apply standards developed by JSC “RusHydro” in the areas of corporate governance, business management and purchasing activity.

The Company also controls the SDCs’ compliance with Russian legislative requirements in the area of mandatory information disclosure in securities market(s) by monitoring the SDCs’ information disclosure and providing clarification when needed.

The principal interactions between JSC “RusHydro” and the SDCs (as defined by the Company’s Board of Directors) include the following:

- determining the agenda for the respective general shareholder meetings for the SDCs;
- deciding on the re-organization and/or liquidation of the SDCs;
- deciding on increasing SDCs’ charter capital, defining the number, nominal value and category (type) of their quoted shares and the rights provided by these shares;
- approving large transactions carried out by the SDCs;
- allowing (or not) the SDCs to participate in other organizations, etc.

The Management Board of JSC “RusHydro” defines the position of the Company upon the issues of approving (correcting) target values for key performance indicators (KPI) at the SDCs.

During the reported period, the Company’s Board of Directors adopted 29 resolutions which detailed its position on agenda issues being decided by the SDCs’ management organs.

At present, the JSC “RusHydro” Holding includes 41 SDCs (a full list of these SDCs is provided in Appendix 5).

3.2.4. Control over financial and economic activity

Auditing financial reports

JSC “RusHydro” conducts yearly audits of its financial reports.

The Annual General Meeting (AGM) of shareholders approves the Company’s choice of auditor on a yearly basis.

For 2008, the Company selected CJSC “PricewaterhouseCoopers Audit” (PwC) as its auditor (protocol № 1 from the General Meeting of Shareholders on June 26th, 2008). PwC has verified the Company’s financial reports since 2005 (in full accordance with Russian requirements).

CJSC “PricewaterhouseCoopers Audit” is one of the world’s largest audit consulting companies and consistently leads the ratings (of audit consulting groups) compiled by “Expert RA” agency during the last few years.

To ensure the objectivity of the financial and economic audit, the Company has set up a yearly rotation of auditors.

Internal control

JSC “RusHydro” defines **internal control** as the process of providing a reasonable guarantee of effectively using the Company’s resources, protecting the integrity of assets, complying with legal requirements and filing accurate financial reports.

The Company’s main internal control principles, aims, methods and processes are defined by:

- The Provision on internal control and risk management policy approved by the Company's Board of Directors on April 4th, 2008 (protocol № 50);
- The Provision on the Audit Committee of the Board of Directors approved by the Board of Directors on December 26th, 2007 (protocol № 45);
- The Provision on the Audit Commission, which has been in effect since 2005;
- The Provision on the Internal Audit and Risk Management Department, approved by the Company's Board of Directors on August 15th, 2007 (protocol № 37).

Organizing the Company's internal audit falls under the domain of the Audit Committee of the Board of the Directors, the Audit Commission and the Company's management.

Audit Commission:

The Company's Audit Commission is a permanent internal control organ, performing regular supervision over the Company's financial and economic activities, as well as for its divisions, its officials and management organs (in compliance with Russian legislation, the Company's charter and internal documents).

Members of the Company's Audit Commission

(Approved by a decision at the Annual General Meeting (AGM) of JSC "RusHydro" on June 25th, 2008)

Sergey Borisovich Sidorov	2008 – present – Head of the Internal Audit Department at JSC "MRSK Holding"
Dmitriy Aleksandrovich Burnashev	2008 – present – Deputy Head of the Project Center at JSC "MRSK Holding"
Denis Vladislavovich Gataulin	2007 – present - Deputy Head of the Capital Management and Control Department at JSC "RusHydro"
Vadim Anatolyevich Zakharov	2007 – present - Head of the Internal Audit and Risk Management Department at JSC "RusHydro"
Artem Vladislavovich Lukashov	2007 – present - Leading expert in the Asset and Business Processes Department at JSC "RusHydro"

Remuneration for Audit Commission members is carried out in accordance with the Provision on Payment (remuneration and compensation) to members of the Committee, which was approved by the Company's Annual General Meeting (AGM) of Shareholders (protocol № 1 on June 26th, 2008).

Internal audit and risk management department

The Company's internal audit and risk management department was created on November 28th, 2007 with the dual goals of protecting the rights and legitimate interests of the Company's shareholders and retaining the Company's assets.

During 2008, the Department carried out the following activities:

1. A timeline for 2008 control measures was compiled, which was approved by a resolution of the Audit Committee on March 4th, 2008;
2. The Company's 2007 social responsibility and corporate sustainability report was prepared;
3. Development of a complex system of internal control and risk management was conducted, including organizing future work on strategic risk management. The Department also developed an automated system of internal control and risk management (connected with the Company's production and the reliability of its production assets);
4. An update of the register of Company strategic risks for 2009 was conducted. The measures of strategic risk management for 2009 were included in the Plan of Company strategy implementation (approved by a Management Board decision on December 24th, 2008);
5. The following regulatory documents of the Company were prepared and approved, in accordance with established procedures:
 - Provision on JSC "RusHydro's" internal control and risk management policy (approved by the Company's Board of Directors on April 4th, 2008)

- Methodological recommendation on evaluating investment project risks for JSC “RusHydro”(approved by the Investment Committee on February 9th, 2009)
- Methodological recommendation on managing the Company’s non-financial risks (approved by the Management Board on March 14th, 2008)
- The standard “Hydroelectric power plants: Managing operational risk of HPPs and PSHPPs” is included in the 2009 program for developing organizational standards in the technical regulation field.

3.3. JSC “RusHydro’s” joint-stock capital

3.3.1. Charter capital

As of December 31st, 2008, JSC “RusHydro’s” authorized equity capital totaled **245,014,059,191 (two hundred and forty-five billion, fourteen million, fifty-nine thousand, one hundred and ninety- one) rubles** and was comprised of ordinary shares with a par value of 1 ruble each.

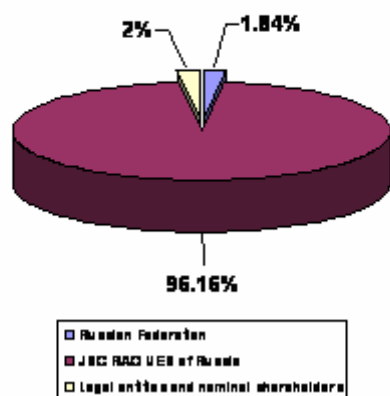
Changes in charter capital from 2004-2008

December 26 th , 2004	January 1 st , 2007	January 1 st , 2008	January 9 th , 2008	July 1 st , 2008
Upon incorporation	Increase of the authorized charter capital with the aim of financing the Company’s investment program; closed subscription in favor of RAO UES of Russia.	Increase of the authorized charter capital with the aim of financing the investment program; closed subscription (in favor of RAO UES of Russia, the Russian Federation and LLC “EZOP”)	Converting shares from the merged companies into JSC “RusHydro” shares	
103,951,322,702	140,954,759,856	156,864,373,776	195,860,496,735	245,014,059,191

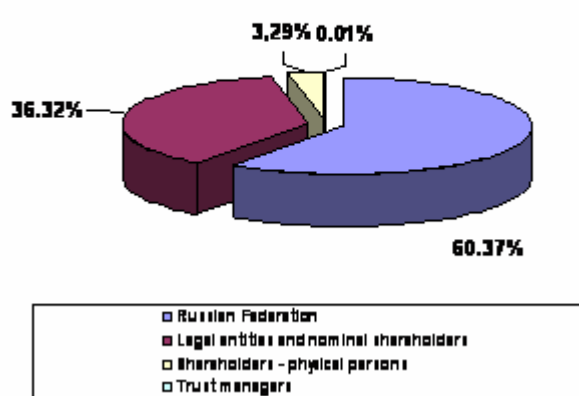
Shareholder capital structure

Shareholder	Share in authorized capital as of:			
	January 1 st , 2008	January 9 th , 2008 (after merging the 20 SDCs)	July 1 st , 2008 (as a result of the re-organization of RAO UES of Russia)	December 31 st , 2008 (not accounting for disclosure on nominee shareholders)
JSC RAO UES of Russia	96.16%	77.93%	-	-
Federal property	1.84%	1.53%	60.37%	60.37%
Other legal entities and nominal shareholders	2.00%	17.55%	36.20%	35.89%
Individuals	-	2.99%	3.41%	3.72%
Trust managers	-	-	0.01%	0.01%
Stock in common share property	-	-	0.01%	0.01%
Total number of shareholders	3	28,386	312,795	312,062

Structure of shareholder capital as of 01.01.2008



Structure of shareholder capital as of 31.12.2008



An additional share issue was completed in February 2009. As a result of this, the Company's authorized capital (at the time of approving the annual report) was **255, 014, 018, 667 (two hundred fifty-five billion, fourteen million and eighteen thousand, six hundred sixty-seven) rubles.**

3.3.2. Information on additional 2008 issues of JSC "RusHydro" securities

1. Additional share issues for converting merged company shares into JSC "RusHydro" shares

Total volume of issue (nominal value)	230,000,000,000 rubles
Converting ratio	Converting ratios for shares of the merged companies are determined based on an independent evaluation of the market value of the merged companies' shares and the shares of JSC "RusHydro" as of April 1 st , 2007
Date of completing the security issue	Shares of the merged companies are recognized as having been converted into JSC "RusHydro" shares at the moment of their inclusion into the Unitary State Register of legal entities of an entry on the cessation of the merged companies' on the basis of its shareholder registry as of the indicated date.
Date of adopting the resolution on the placement of additional shares by the General Meeting of Shareholders	October 12 th , 2007
Date of the registration of additional shares by Russia's FSFM	December 27 th , 2007 (state registration numbers of issue from 1-01-55038-E-003D to 1-01-55038-E-028D); April 29 th , 2008 (state registration numbers of issue from 1-01-55038-E-029D to 1-01-55038-E-034D)
Placement methods	Converting the merged companies' shares into JSC "RusHydro": <u>1st Stage</u> (January 2008): the shares of 20 merged companies were subject to being converted. <u>2nd Stage</u> (July 2008): the shares of JSC "Irganaiskaya HPP," JSC "Cascade of Nizhne-Cherekskie HPPs," JSC "State Holding HydroOGK" and JSC "Minority Holding HydroOGK" were subject to being converted
Volume of shares placed (nominal value)	
As a result of the 1 st stage (as of January 31 st , 2008)	38,996,122,959 rubles
As a result of the 2 nd stage (as of July 2008)	145,457,945,389 rubles

2. Additional share issue (open subscription)

On November 17th, 2008, the General Meeting of Shareholders made a decision on increasing the Company's charter capital by placing additional shares with the following parameters:

Total volume of the issue (at the nominal price)	10,000,000,000 rubles
Price per share	1 (one) ruble
Payment method for securities	Cash
Date that the General Meeting of Shareholders adopted a resolution on increasing the Company's charter capital	November 17 th , 2008
Date that additional shares were registered by Russia's FSFM	December 2 nd , 2008 (state registration number of the issue 1-01-55038-E-036D)
Completion date for the security issue	February 20 th , 2009
Volume of shares placed (nominal value)	9,999,959,476 rubles

3. The additional share issue (reg. № 1-01-55038-E-035D from September 16th, 2008), the issue of which was adopted at the Annual General Meeting (AGM) of the Company's shareholders on June 25th, 2008 was determined to be invalid by Russia's FSFM due to the fact that no shares from the issue were placed.

2009 planned increase in charter capital

Main parameters for the Company's 2009 additional share issue

Total volume of the issue (at the nominal price)	16,000,000,000 rubles
Placement method	Open subscription
Payment method for securities	cash
Price per share	1 (one) ruble
Date that the General Meeting of Shareholders adopted a resolution on increasing the Company's charter capital	November 17 th , 2008
Date of the Board of Director's approval of a resolution on an additional share issue and of the security prospectus	March 11 th , 2009
Date of additional shares registered by Russia's FSFM	May 14 th , 2009 (state registration number of the issue 1-01-55038-E-037D)
Placement term	<u>Date of the beginning of the placement</u> – fifteenth day from the date of the publication of the notice on the state registration of the securities placement <u>Ending date of the placement</u> – one hundred eleventh day from the date of the state registration of the placement or the date of the placement of the last security of the issue, whichever is earlier

3.3.3. JSC "RusHydro's" shares on the stock market

With the goal of publicly trading the Company's common shares, in February 2008, the Company (and its shares) was admitted to trading on the Moscow Interbank Currency Exchange (MICEX) and RTS Stock Exchange (RTS).

Trading on both exchanges was launched on February 11th, 2008. In August 2008, the Company's securities were included in the "A1" quotation list for both JSC "RTS" and the

“MICEX” Stock Exchange and also was included for calculating the indices of the MSCI Barra Agency: “MSCI Russia,” “MSCI Emerging Markets,” and the “MSCI Global Value and Growth Indices.”

The Company’s market capitalization, as of December 31st, 2008, totaled 5,224,866,186. 47 USD

Shares of JSC “RusHydro” in the main trading systems in 2008

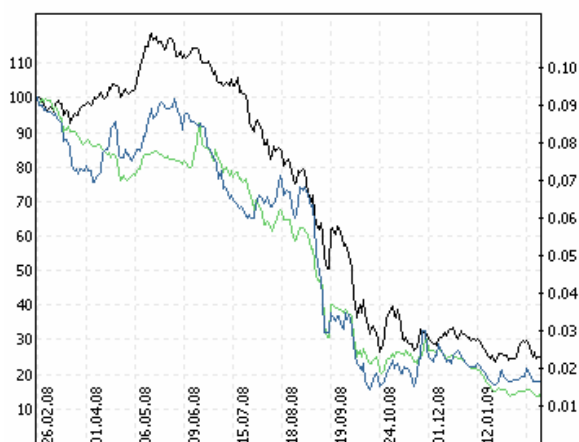
Stock Exchange	Ticker symbol	Price		Trading volume from February 11 th , 2008 to December 31 st , 2008,		Overall number of transactions, units
		Max	Min	units	Dollars/rubles	
JSC “RTS”						
Classic market	HYDR	0.093 USD	0.014 USD	1,467,054,754	91,497,473 USD	1,908
Exchange market	HYDRG	2.299 RUR	0.37 RUR	79,967,926	124,121,029 RUR	1,558
MICEX SE	HYDR	2.37 RUR	0.359 RUR	23,759,278,000	25,275,373,028 RUR	366,576

JSC “RusHydro’s” securities in Russian and international indices

Index	Date of JSC “RusHydro’s” shares inclusion in the index calculation	Share in the index (as of November 28 th , 2008)
RTS	March 13 th , 2008	3.30%
RTS-electrical utilities		25% (maximum share in the sectoral index)
MICEX SE	April 15 th , 2008	(as of October 27 th , 2008)
MICEX Power		1%
MSCI Russia	August 29 th , 2008	0.1350%
MSCI Emerging Markets		(as of November 25 th , 2008)
		1.5%
		0.12%

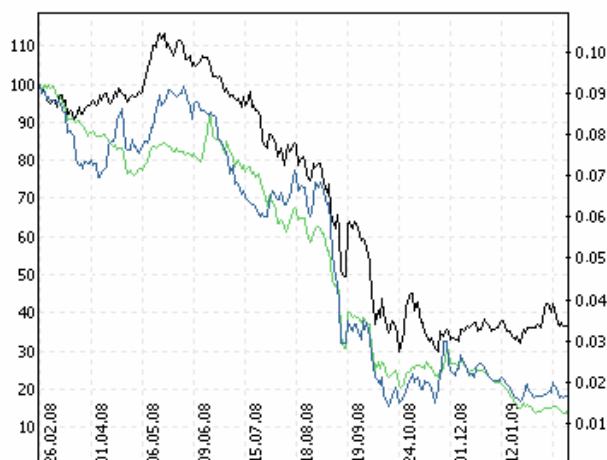
Comparative dynamics of JSC “RusHydro’s” share price against the market indices

JSC “RTS”



■ RTS index
■ Power industry
■ RusHydro (HydroOGK)

MICEX SE



■ MICEX index
■ Power industry
■ RusHydro (HydroOGK)

The above graphs show that JSC “RusHydro’s” securities showed dynamics similar to the market indices and the energy sector as a whole over the past year. 2008 was a difficult year for the power sector. The impact of the financial crisis on Russia’s economy, higher fuel prices and increasing tariffs for electricity, negatively influenced generating companies’ revenues. The liquidation of JSC RAO UES of Russia led to an excessive offer (supply outstripping demand) of its subsidiaries’ shares, which against a backdrop of low liquidity, led to the shares of most energy companies trading significantly worse than the market as a whole.

Electricity consumption in Russia has increased over the last few years. The average rate of growth in consumption was 1.7% from 2001 to 2005, 4.2% in 2006 and 2.2% in 2007. October 2008 saw a minimal increase in electrical consumption compared with the same period in 2007, and in November, consumption even fell. These dynamics were the result of two things: first, the general crisis in the Russian economy and the country’s largest electricity consumers (the metallurgic, engineering, chemical, oil and gas industries) were decreasing their production volumes and consequently, were lowering their power consumption. Second, most parts of Russia recorded abnormally warm weather, which led to a decrease in energy consumption. As a result of this, producers decreased their generation volumes.

However, there are a number of objective prerequisites to expect an increase in the Company’s production indicators and capitalization in 2009:

- Including JSC “RusHydro” in the list of strategic companies, ensuring that it will receive top priority support from the Russian government;
- Increased tariffs for electricity supplied by JSC “RusHydro” in 2009 (the Company’s average tariff increased 31.3%);
- ***JSC “RusHydro” became the first Russian energy company among those spun off from JSC RAO UES of Russia whose shares were included in the MSCI Barra Agency’s calculation of indices***, which has spurred additional interest in the Company on the part of institutional investors;
- JSC “RusHydro” is Russia’s largest generation company and the largest global public hydro-generating company. In addition, the Company’s large free float (30%) illustrates the high level of liquidity in this sector;
- Plans to engage in a GDR listing on an international exchange in 2009;
- JSC “RusHydro” is the largest renewable energy producer. According to Russian government plans, future development of renewable energy sources and their increase in the overall volume of the country’s energy production will fall under the domain of the Company;
- Increased efficiency of the Company’s investment projects, primarily through decreased construction costs;
- The Company’s management declared 2009 to be “the year of operational efficiency.” To achieve this goal, the Company plans to implement a number of measures to decrease operating costs and increase the efficiency of water resource usage;
- JSC “RusHydro’s” placement of an additional share issue of 10 billion rubles (at a price higher than the current market price) will build additional value for the Company’s minority shareholders;
- JSC “RusHydro” concluded “swap” agreements (with fixed interest rates on borrowings). These agreements allowed the Company to hedge currency risks connected with changes in interest rates on long-term credit.
- An option program for JSC “RusHydro’s” management that spurs the Company’s top management to seek the most rational and effective solutions to issues facing the Company;

- The main catalyst for increasing the Company's market capitalization is the next stage of electricity market liberalization, which is scheduled to begin on July 1st, 2009.

In addition, JSC "RusHydro's" lack of dependence on gas prices and the absence of a fuel component in its cost structure provides the Company with a competitive advantage vis-à-vis other generating companies (in particular thermal generating companies). Furthermore, the Company's revenues do not depend on a consumption decrease from the global economic crisis because all generated energy and power is distributed to consumers in advance.

Most independent analysts agree that the Company's shares are currently undervalued compared with its competitors from developing markets (a 47% discount based on comparative ratios). Thus, the fair price of JSC "RusHydro's" shares substantially exceeds its current values. Therefore, various experts estimate that the end-of-year target price for the Company's shares should be from 0.04 - 0.07 USD per share (illustrating an attractive investment upside).

Derivative instruments on JSC "RusHydro's" securities

In 2008, derivative instruments on the Company's securities were introduced on the derivative market of the RTS Stock Exchange. Initially, this instrument was a deliverable futures contract on JSC "RusHydro's" common shares and later options on future contracts were introduced.

Using fixed-term contracts significantly broadens the range of possibilities for both individual investors and institutions, including those working in the field of trust management and collective investments (bank-managed mutual funds, mutual funds and non-governmental pension funds). This results in increased transaction costs, the possibility of conducting arbitrage transactions and the ability to hedge the value of the assets.

GDR program³

Under the Federal Service on Financial Markets (FSFM) Resolution № 08-EK-03/10335 (from May 23rd, 2008), the Company was allowed to place and circulate 37,500,000,000 (thirty-seven billion five hundred million) common, non-documentary shares outside Russia.

The Bank of New York (BoNY) Mellon issued the Company's global depository receipts (GDRs), certifying ownership rights in respect to JSC "RusHydro's" common shares, in full accordance with applicable foreign legislation.

GDR program description

Depository bank	The Bank of New York Mellon (BoNY)
Ratio:	1 GDR = 100 common shares
Stock ticker:	HYDR
CUSIP number (144A): CUSIP number (Reg.S):	44880R103 44880R202
Effective date:	June 17 th , 2008
Nominal price per share	1 ruble

³ The GDR is a derivative financial instrument, circulating in the US and Europe, certifying ownership rights for a certain quantity of shares for a Russian issuer.

Authorized capital size:	245,014,059,191 rubles
Volume of the Program, as % of authorized capital (as of December 31 st , 2008):	1.55%
Maximum available volume of program, as % of authorized capital	15%
Information on the program (website of the depository bank):	http://www.adrbny.com/dr_profile.jsp?cusip=44880R202&acct=1219219237110&nx=

Goals for launching the RusHydro GDR program

- Allowing RAO UES of Russia depository receipt holders the opportunity to participate in the re-organization of OJSC “RAO UES of Russia” by offering them the possibility to purchase RusHydro GDRs.
- Increasing the liquidity of RusHydro stock;
- Creating the necessary conditions for the circulation of the Company’s shares in foreign markets.

Foreign market(s) listing.

In 2009, JSC “RusHydro” plans to list its depository receipts on one of the leading international stock exchanges. The Company is currently preparing for this listing.

4. Principal activities of JSC “RusHydro”

4.1. Production activity

4.1.1. Generating assets

In 2008, JSC “RusHydro’s” total installed capacity – made up of 19 generating subsidiaries – equals 24,372 Mw.⁴

Generating capacity as of December 31st, 2008

№	Name	Installed capacity	Production	Output
		Mw	Mln KWh	Mln KWh
1	Cascade of Verkhnevolzhskiy HPPs Branch	456.4	1,288.3	1,242.4
2	Nizhegorodskaya HPP Branch	520	1,685	1,659.2
3	Zhigulevskaya HPP Branch	2,320	10,722.5	10,606.6
4	Saratovskaya HPP Branch	1,360	5,743.8	5,607.9
5	Volzhskaya HPP Branch	2,551	11,816.6	11,575.8
6	Kamskaya HPP Branch	519	2,264.7	2,216.5
7	Votkinskaya HPP Branch	1,020	2,975.5	2,921.1
8	Cheboksarskaya HPP Branch	1,370	2,266	2,210.2
9	Zeyskaya HPP Branch	1,330	4,911.9	4,648.7
10	Neporozhniy Sayano-Shushensky Branch	6,721	19,983.9	19,859.4
11	Karachaevo-Cherkessian Branch	160	418.1	414.6
12	Irganayskaya HPP* Branch	400	775	772.4
13	Dagestan Branch	1,381.9	3,906.8	3,866.4
14	Cascade of Kubanskiye HPPs Branch	462.4	1,463.5	1,439.1
15	Zagorskaya PSHPP Branch	1,200	1,933.8	1,881.8
16	Novosibirskaya HPP Branch	455	1,620.5	1,586.6
17	Northern Ossetian Branch	78.2	340.4	337.2
18	Kabardino-Balkarian Branch**	92.1	236.5	235.10
19	Bureyskaya HPP Branch	1,975	3,351.1	3,203.5
	Total:	24,372	77,703.9	76,284.5

* The output of the Irganayskaya HPP is given from June 1st, 2008, when it was no longer part of the Dagestan branch.

** The output of the Kabardino-Balkarian Branch is given since July 1st, 2008 when the branch was initially formed.

4.1.2. Production results

During the reported period, the Company’s installed capacity increased by 324 Mw and stood at 24,372 Mw as of December 31st, 2008. Electrical output from the hydro-electric power plants equaled 77,703.9 million kWh, with useful output standing at 76,284.5 million kWh. The drop in production and useful output compared to the previous year was caused by the low actual water flow to Siberian and Far Eastern water reservoirs. In 2008, the flow of water into the Novosibirsk water reservoir totaled 69% of the norm, in Sayano-Shushenskoe – 82% and in Bureyskoe - 76%.

During average water content conditions, in accordance with decision(s) by the Russian Federal Agency for Water Resources, the work mode for HPPs of the Volzhsko-Kamskiy Cascade was defined by economic conditions and accumulated water resources, which led to a

⁴ Not including SDCs

decrease in water flow through hydro-electric power plants of the Cascade and to decreased annual output.

By the end of the reported period, water resources in reservoirs were 36% higher than at the end of 2007.

Based on 2009 plans, electricity production from the Company's hydro-electric power plants (19 generating branches) will total 79,905 million kWh, with output reaching 78,214 million kWh.

4.1.3. Technical rehabilitation and modernization

The Company's technical rehabilitation and modernization program foresees work at all of JSC "RusHydro's" objects.

To ensure the Company's long-term efficiency, a rehabilitation and modernization program from now until 2030 was developed and the 2008 program was instituted.

The technical rehabilitation and modernization program is developed taking into account both the actual and forecast condition of equipment, buildings and construction, as well as industry requirements and corporate standards. The Company has determined how much technical rehabilitation is required at each of its hydro-electric power plants.

The program also takes into account technical possibilities (and limitations) for carrying out work based on current site limitations, cranes and subcontractors' and equipment producers' resources, as well as operational regimes, conditions and other real limitations.

The average amortization for the Company's equipment ranges from 20 to 35%. The Company's programs for technical rehabilitation and equipment modernization allow the Company to use its production assets reliably and efficiently, taking into account all possible risks.

During the reported period, the Company continued to work to overcome the physical aging of its infrastructure. In addition, JSC "RusHydro" focused on increasing the technological and ecological security of its hydraulic engineering assets and equipment as part of the Company's efforts to ensure power production reliability and security.

Therefore, during the reported period, the Company conducted rehabilitation work at the Baksanskaya HPP in the amount of 37.2 million rubles and at the Gizeldonskaya HPP for an overall sum of 11.1 million rubles.

From 2008 – 2012, the Company forecasts total investment for the hydroelectric power plants of the North Caucasus region to total 6,706 million rubles, including 1,225 million rubles during the reported period.

Financing for the investment program totaled 8,719.8 million rubles in 2008, which was 97.29% of the planned investment.

Fulfillment of the technical rehabilitation and modernization investment program, million RUR				
	Real financing, million RUR (including VAT)	Fulfillment, as a % of the plan	Real disbursement, million rubles (not including VAT)	Fulfillment, as a % of the plan
Center	6,140.2	99.83%	4,460.5	93.53%
South	1,023.5	98.01%	941.4	82.51%
Far East	721.9	96.14%	588.6	77.91%
Siberia	834.2	81.98%	740.1	101.14%
TOTAL	8,719.8	97.29%	6,730.5	90.99%

4.2 JSC “RusHydro’s” sales activity

To upgrade its sales activity efficiency, the Company is focused on:

- Increasing the volume of electricity sales:
 - On the wholesale and retail market by building and introducing new capacities;
 - On the day-ahead market at free prices in accordance with the liberalization of the Company’s wholesale electricity market;
- Concluding long-term free bilateral agreements with current electricity consumers and consumers in areas where assets are being constructed;

Generating object	Consumer	Status of negotiations
Boguchanskaya HPP	JSC “Polymetal”	Preliminary agreement signed ex parte by JSC “Polymetal”
	JSC “Krasnoyarskenergosbyt”	In the process of the coordination of the edit of off-exchange agreement for the purchase of electrical energy and capacity
Nizhne-Kureyskaya HPP	Municipal Unitary Enterprise “Turukhanskenergo”	Preliminary agreement signed
Ust'-Srednekamskaya HPP	JSC “Polyus Gold”	Preliminary agreement signed
Nizhn-Zeyskaya HPP, Nizhne-Bureyskaya HPP	MC “Petropavlovsk”	Preliminary agreement signed
Mokskaya HPP, Ivanovskaya HPP	LLC “Metals of the East Siberia Corporation”	Preliminary agreement signed
Egorlykская HPP-2	LLC “Municipal electric network of Stavopol”	Agreement on the provision of electric capacity (power) signed
Small HPPs, WPPs	JSC “Dagenergosbyt”	Preliminary agreement signed
	JSC “Sevkazenergo”	Preliminary agreement signed
	JSC “Karachaevo-Cherkessenergo”	Preliminary agreement signed

- Participating in the capacity market and concluding bilateral agreements on both electricity and capacity;
- Participation in the market for system services, as well as the market for financial contracts for energy (the launch is planned for no sooner than 2010);
- Conducting electricity (capacity) supply to neighboring foreign countries.

In 2008, the following regional sales companies became part of the RusHydro Holding Group: JSC “Krasnoyarskenergosbyt,” JSC “Chuvash Energy Retail Company,” JSC “Ryazan Energy Retail Company,” which merged during the reported period into JSC “ESC RusHydro” (JSC “RusHydro’s” ownership share in the company – 57.4%). Andrey Borisovich Goncharov, the Head of the Department of Sales and Pricing, was appointed General Director of JSC “ESC RusHydro.”

4.2.1. Results of the Company's activities in the new wholesale electricity and capacity markets

In 2008, JSC "RusHydro" realized 94,394.3 million kWh of electricity in various segments of the wholesale energy market. Revenue from selling electricity and capacity equaled 61,623.1 million rubles.

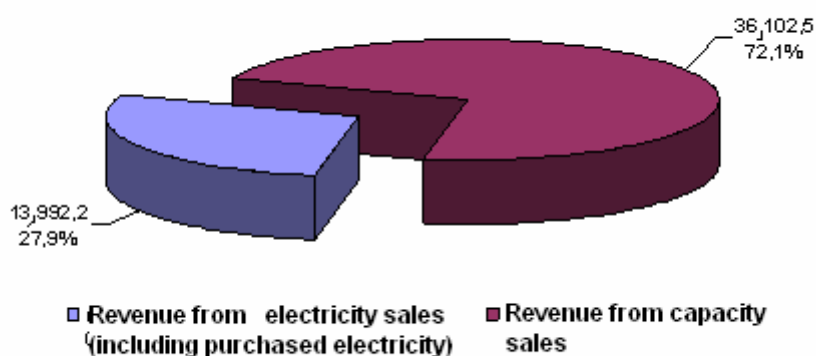
During the reported period, net revenue⁵ from electricity and capacity sales (taking into account purchased electricity) totaled 50,205.1 million rubles. Revenue from electricity sales were 14,102.6 million rubles, whereas capacity sales revenue stood at 36,102.5 million rubles.

JSC "RusHydro's" 2008 key indicators in the wholesale electricity market

Indicators	Sales volume		Purchase volume		Net revenue
	Volume	Value	Volume	Value	
	Million kWh	Million rubles	Million kWh	Million rubles	Million rubles
Wholesale market:	93,804.7	61,324.7	20,810.6	11,528.5	49,796.2
Regulated sector (regulated agreements)	65,770.2	42,291.6	2,291.0	1,225.5	41,066.1
Day-ahead market, including free bilateral agreements	21,920.6	13,843.3	12,054.0	8,171.9	5,671.4
Balancing market (BM)	6,113.8	3,953.4	6,465.5	2,131.1	1,822.2
Capacity market (including free bilateral agreements on buying and selling capacity)	-	1,236.4	-	-	1,236.4
Retail market	589.6	298.4	-	-	298.4
Thermal energy		110.5			110.5
Other revenue from capacity sales		399.3			399.3
Total:	94,394.3	62,132.9	20,810.6	11,528.5	50,604.4

Note: Other revenue obtained under the Agreement on Power Supply totalled 399.3 million rubles as of the end of 2008.

Revenue structure from 2008 electricity sales (including purchased electricity), million rubles



4.2.2. Capacity market

The principles of generating capacity trade were changed due to Decree № 476 of the Russian Government (on June 28th, 2008) "On the introduction of amendments to some government regulations upon issues of organization of competitive trade of generation capacities on the wholesale market of electricity (capacity)."

⁵ Net revenue is the difference between revenues from electricity sales and the costs of purchased electricity.

Until July 1st, 2008, all installed capacity at power plants was sold under regulated agreements (later referred to as RA) at regulated prices (tariffs) approved by the Federal Service for Tariffs (FST). Beginning on July 1st, 2008, only a portion of capacity is sold at tariffs approved by the FST. As liberalization continues, the number of RAs will decline – freeing up more capacity to be sold via competitive trade. The competitive trade of generating capacity is conducted using a competitive procedure of looking at and selecting capacity suppliers based on price.

Regulations on the wholesale electrical capacity market foresee the possibility of buying and selling capacity under free bilateral agreements on energy and capacity (referred to hereafter in the text as FBEC). Concluding FBECs is possible only with counteragents in RAs, and at the same time, price(s) and volume(s) are determined independently by counteragents.

Capacity not “covered” by either RA or FBEC sales are realized by capacity purchase and sale agreements regulated by the FST.

The cost of supplied capacity takes into account the “quality of capacity.” The government believes that this market mechanism stimulates suppliers to ensure that their generating equipment is prepared to produce energy.

The functional model of the capacity market allows JSC “RusHydro” to guarantee a gain in target investment funds (TIF), included in the tariff on capacity, which totals 85% of the overall volume of the TIF.

Since July 1st, 2008, JSC “RusHydro” has concluded 35 free bilateral agreements on electricity capacity with a total value of 1,214.8 million rubles. The additional cumulative economic effect of bilateral agreements during the reported period totaled 100.2 million rubles.

4.3. Investment activity

4.3.1 Principles of the Company’s investment policy

JSC “RusHydro’s” investment policy is based on the following key principles:

- Ensuring that investment decisions and projects are aligned with legal regulations, construction norms and regulations and ecological standards.
- Abiding by the sequence of stages and steps⁶ for implementing the investment projects.
- Guaranteeing that investment decisions and selected projects meet profitability and risk requirement guidelines set by the Company’s Board of Directors.
- Conducting cost-benefit analysis of alternative investment solutions (continuing, delaying/postponing or ceasing the realization of the investment project) at the end of each stage and step of the investment program, as well as when any key parameters change.
- Covering investment project(s) (and the program as a whole) with financing sources.

The primary directions of the Company’s investment program are the technical rehabilitation and modernization of active power plants, the completion of ongoing construction projects and the design and building of new objects.

Other investment decisions, including decisions to enter into investment projects, and approving and correcting investment projects, are adopted by the Company’s Board of Directors.

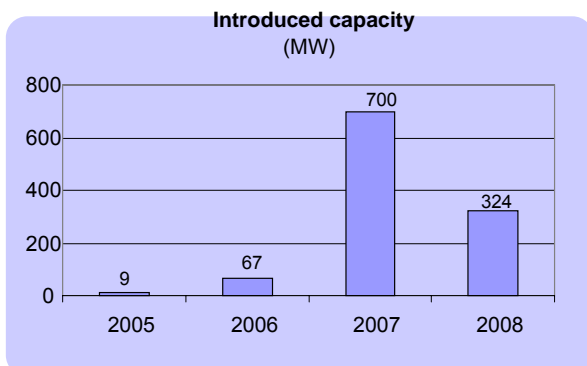
⁶Stages and corresponding steps of investment project(s) include:

- Feasibility study (water usage scheme(s), grounds for investment, investment assessment, as well as technical and economic assessment (project));
- building: start-up complexes.

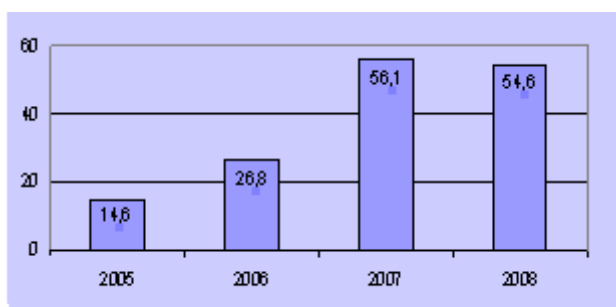
4.3.2 2008 investment program and its results. Key principles of the Company's investment program

In 2008, the Company introduced 324 Mw of additional capacity. JSC "RusHydro" invested 54.6 billion rubles during the reported period.

Key indicators of the Company's investment activity from 2005 to 2008.



Investment (billion rubles)



Key investment directions in 2005 – 2008 were:

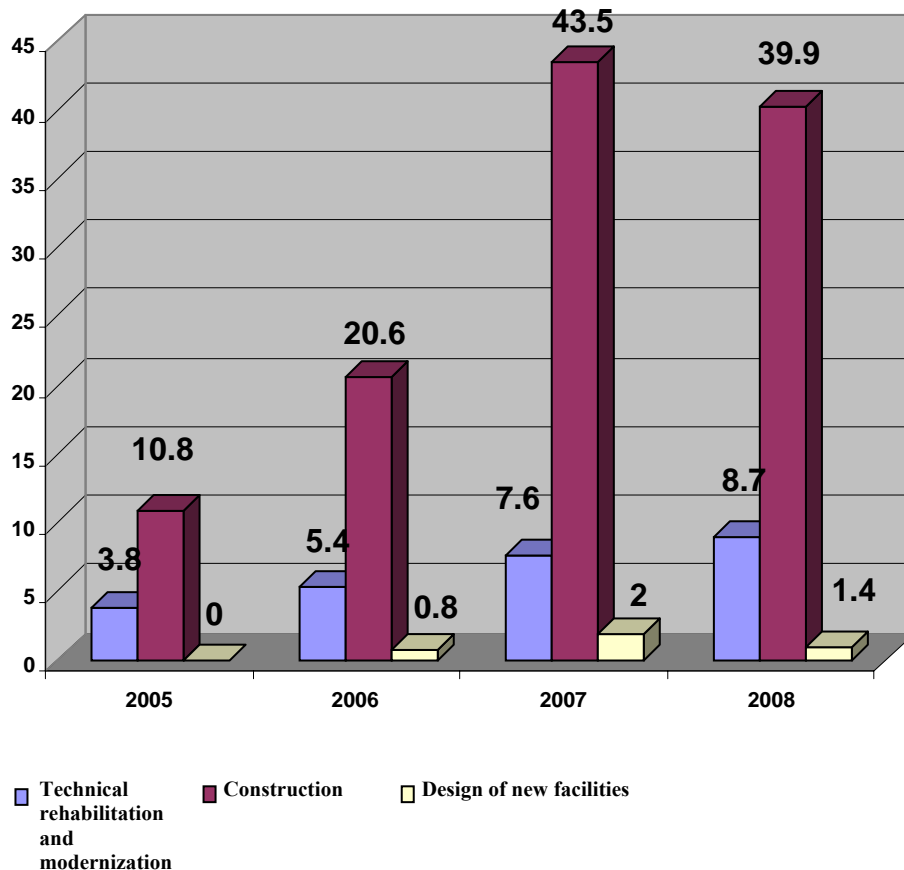
- Technical rehabilitation and modernization projects at the Company's active power plants;
- Finishing construction of previously incomplete facilities: the Bureyskaya HPP, the Ust-Srednekanskaya HPP, the Srednekanskaya HPP, the Boguchanskaya HPP, the riverbank spillway of the Sayano-Shushenskaya HPP, the Irganayskaya HPP, the Zaramagskiye HPPs and the Kashhatau HPP⁷;
- Constructing new facilities: the Gelbachskaya HPP and small HPPs in the Dagestan Republic since 2005, the Malaya Mezenskaya tidal power plant (TPP) since 2006, the Gotsatinskaya HPP, the Zagorskaya PSHPP-2 and the Kalmytskaya wind-power plant since 2007;
- Designing new facilities and a building resolution that has not yet been adopted, the South Yakutia hydro-energy complex, the Nizhne-Zeyskiy HPP and the Nizhne-Bureyskaya HPP of the Far East, the Evenkiya HPP with counter-regulator, the Nizhne-Kureyskaya HPP, the Motynginskaya HPP, the Mokskaya HPP in Siberia; the Zelenchukskaya HPP-PSHPP in the South and the Leningrad PSHHP in the North-West, as well as renewable energy objects (tidal and wind-power plants).

From 2005 to 2008, investment volume and structure changed significantly:

⁷ The Company's principal 2009 investment projects are listed in Appendix 7.

- Investment in technical rehabilitation and modernization increased from 3.8 billion rubles in 2005 to 8.7 billion rubles during the reported period.
- Investment in constructing facilities rose significantly from 10.8 billion rubles in 2005 to 43.5 billion rubles in 2007 – before dropping slightly in 2008 to 39.9 billion rubles. This small drop-off was primarily due to the contraction in available sources of financing (principally a result of the global economic crisis).
- Investment in designing new renewable energy resource assets totaled 0.8 billion rubles in 2006, 2 billion rubles in 2007 and 1.4 billion rubles in 2008;
- Building new facilities started: since 2005, the Gelbachskaya HPP, since 2006, small-size HPPs in the Dagestan Republic and since 2007 the Gotsatlinskaya HPP and the Zagorskaya PSHPP-2.

Investment according to the type of activity, billion rubles

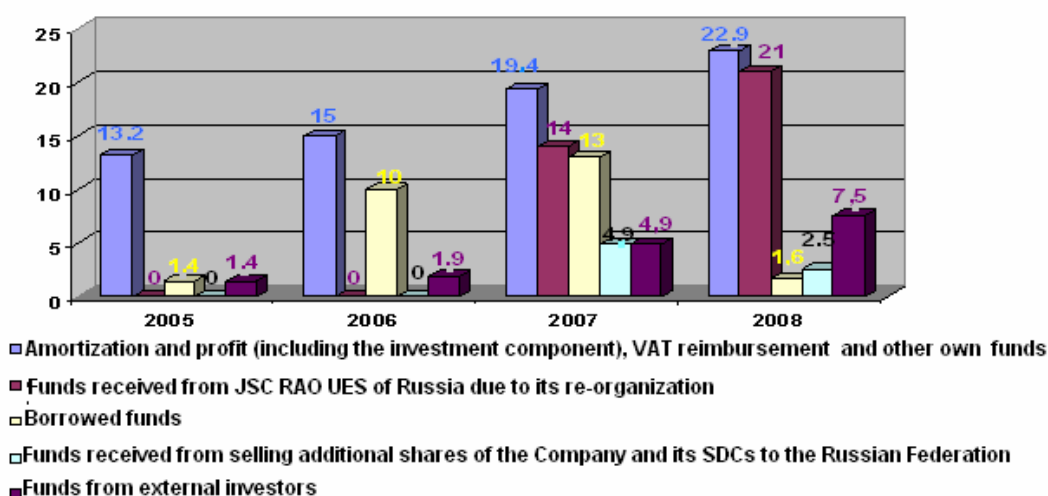


- In addition, the **structure of investment financing changed significantly:**
- From 2007, the special investment funds of JSC RAO UES of Russia (for hydro-power assets) were transformed into the special investment component of JSC “RusHydro’s” tariff;
 - Starting in 2007, the Company received investment funds from JSC RAO UES of Russia due to its re-organization;
 - In 2006, the Russian Government approved the financing of JSC “RusHydro’s” investment program since 2007 using federal budget funds to pay for an additional issue of the Company’s shares (in accordance with the Russian Federal Law “On the electric power

industry,” from February 26th, 2003). The receipt of funds from the government enabled the Company to launch construction at the Zagorskaya PSHPP-2 in 2007;

- Since 2007, the Company began financing hydro-power investment through the participation of external investors — JSC “RusHydro” together with UC “RUSAL” is financing the project of the Boguchan energy-metallurgy union (building the Boguchanskaya HPP and the Boguchany smelter);
- For the first time in 2006, the Company attracted long-term loans to finance investment: a bond issue (in the amount of 5 billion rubles till 2011), credit from the European Bank for Reconstruction and Development (EBRD) (totaling 6.3 billion rubles up to 2013) and credit from Morgan Stanley (equal to 3 billion rubles up to 2013); in 2007, JSC “RusHydro” and Morgan Stanley signed a loan provision agreement (for 1.5 billion rubles till 2014);
- In 2007, the Company and KIT Finance organized the placement of credit linked notes (CLNs) for JSC “Cascade of Nizhne Cherekskie HPPs” to finance the completion of building the Kashkhatau HPP.

2005 – 2008 financing structure, billion rubles



JSC “RusHydro’s” 2008 investment program totaling 78.1 billion rubles was approved by the Company’s Board of Directors on May 19th, 2008.

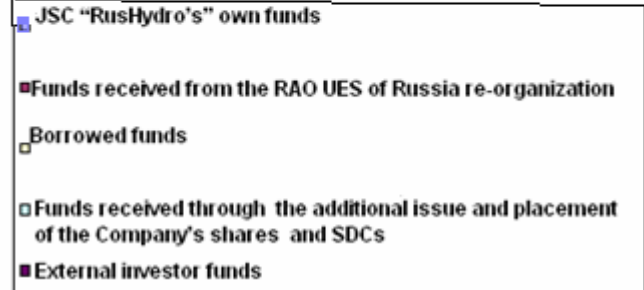
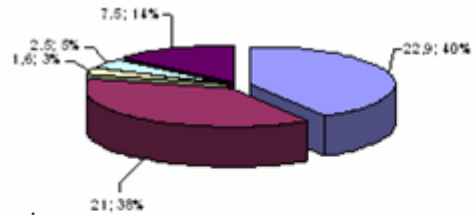
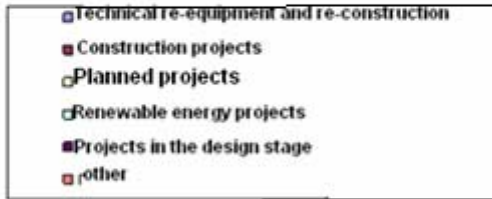
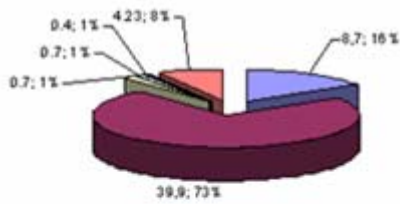
Later, the Board of Directors approved the Company’s adjusted 2008 investment program, which reduced total spending to 55.5 billion rubles.

The adjustment occurred because 29% of the planned financing was not obtained due to unfavorable conditions in financial markets, including:

- Tariff sources equal to 2.85 billion rubles;
- Funds from selling additional shares of the Company and its SDCs to the Russian Federation totaling 5.5 billion rubles;
- Funds received from RAO UES of Russia due to its re-organization in the amount of 9.2 billion rubles;
- Means from VAT recovery in the sum of 1.9 billion rubles;
- Other means (including external investor funds) totaling 3.4 billion rubles.

2008 investment structure
(billion rubles; %)

2008 financing structure
(billion rubles; %)



2008 Capital investment structure, based on business directions

Investment projects	Investment funds used in 2008, billion rubles	Introduced capacity, Mw
Technical rehabilitation and modernization	8.7	24
Construction projects	39.9	300
Planned projects	0.7	0
Renewable energy projects	0.7	0
Renewable energy projects	0.4	0
Projects in the design stage	4.23	0
Total	54.6	324

4.3.3 2009 investment program

JSC "RusHydro's" 2009 investment program – totaling 79.5 billion rubles – was preliminarily approved by the Company's Board of Directors on January 23rd, 2009*.

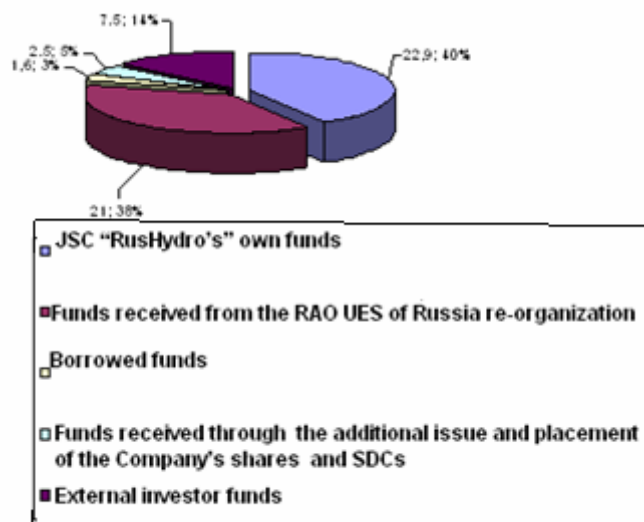
The Company's investment program focuses on the following:

- Introducing an additional 145 Mw of capacity;
- Financing key projects, such as: the technical re-equipment and re-construction of operating facilities (in the sum of 13.2 billion rubles), new construction (equal to 64.1 billion rubles) and designing new objects (in the sum of 1.3 billion rubles).

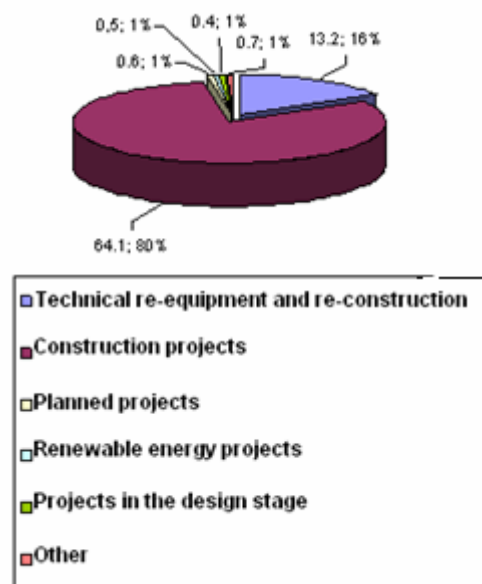
The main sources of investment financing include: JSC "RusHydro's" own funds (equal to 32.3 billion rubles, including: target investment funds – 21.2 billion rubles, amortization – 6.6 billion rubles; other own funds, including VAT reimbursement – 4.5 billion; and undistributed profits from previous years – 0.03 billion rubles); funds received from RAO UES of Russia due to its re-organization; funds received from selling additional shares of the Company to the Russian Federation — 18 billion rubles; funds from external investors — 13.4 billion rubles and subsidized lending/infrastructure bonds equal to 9 billion rubles.

*As of the date of this Annual Report publication, The 2009 Investment Program was amended under the decision of RF-Government of April 9th, 2004; the amended 2009 investment program was approved by the Board of Directors of JSC "RusHydro" on May 18th, 2009.

**2008 investment structure
(billion rubles; %)**



**2008 financing structure
(billion rubles; %)**



4.3.4 RES (renewable energy source) projects

Within the strategy of fostering the development and usage of RES, the Company invests in generating capacities based on renewable energy sources, actively participating in the development and construction of these projects, and subsequently their use in various Russian regions (depending on how promising the Company believes that they are).

The Company engages in the following operational sequence in the area of potential RES development:

- The search for and analysis of RES potential;
- Research and development;
- The launch of pilot projects within which are worked out the technologies of designing, building and using capacities of a given type, as well as the technologies for interactions between the energy system and consumers,
 - The implementation of full-scale projects provided that these projects are technically and economically efficient (based on feasibility studies).

JSC "RusHydro" and its SDCs have research and development institutes and sufficient intellectual, scientific and technical capabilities for the design and construction of renewable energy assets. Some of these objects have already been constructed and/or are in the process of being constructed:

Project name	Renewable energy source	Region	Project capacity, Mw
Binary power block at Paugetsckaya GeoPP	Geo-thermal energy	Kamchatka	2.5
Mutnovskaya GeoPP-2	Geo-thermal energy	Kamchatka	50
Power block on secondary steam at the Mutnovskaya GeoPP	Geo-thermal energy	Kamchatka	12
Severnaya tidal plant	Tidal energy	Murmansk	12
Dalnevostochnaya WPP	Wind energy	Primorye	30
Vorkuta ETK	Wind energy and the usage of river energy	Komi	8

Analysis of prospective areas for building wind farms	Wind energy	Krasnodar, Povolzhye and Kalmikiya	Up to 1 Gw
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Developing the legal and normative basis in the area of the Russian government's support for renewable energy

To elaborate on Russian Federal Law №35-FZ (from March 26th, 2003) "On electric power," with regard to legal documents specifying and bringing under regulation the usage, functioning of and support for renewable energy, in 2008, a Coordination Group under the direction of the Company's acting Chairman of the Management Board V.A. Zubakin was created.

The Coordination Group included representatives from the main participants in the electrical energy system – JSC "FGC UES," JSC "MRSK-Holding," the non-commercial partnership "ATS," JSC "SO UES," the non-commercial partnership "Market Board," as well as independent experts in the area of renewable energy.

In 2008, the Company filed the developed and agreed upon documents as proposals with the Energy Ministry.

As a result of this, three legal documents addressing renewable energy have taken effect:

- Government Regulation № 426 (June 3rd, 2008) "On the qualification of generating assets, functioning using renewable energy sources."

- Government Decree № 1-R (January 8th, 2009) "Principal directions for the state policy of increasing the efficiency of electrical energy from renewable energy resources until 2020."

- Order №187 from the Russian Energy Ministry (November 17th, 2008) "Maintaining a register of the issue and cancellation of certificates, confirming the volume of electricity produced at generating assets that use renewable energy."

The adoption of a complete set of documents by the Russian Federation will help ensure an institutional environment (in the given type of generation) that investors and others will find economically attractive.

5. JSC "RusHydro's" financial results

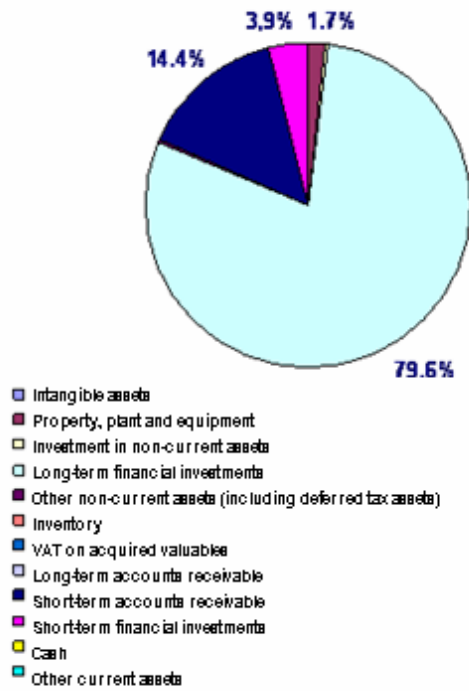
5.1 The Company's consolidated balance sheet, thousand rubles

	As of December 31st, 2006	As of December 31st, 2007	As of December 31st, 2008
ASSETS	157,642,744	194,041,167	441,293,808
I. Non-current assets	128,751,028	129,426,267	342,034,770
Intangible assets	-	-	55,095
Property, plant and equipment	2,680,942	3,062,766	244,340,764
Investment in non-current assets	206,754	1,063,915	33,702,694
Long-term financial investments	125,475,214	124,872,069	62,949,148
Other non-current assets (including deferred tax assets)	388,118	427,517	987,069
II. Current assets	28,891,716	64,614,900	99,259,038
Inventory	49,115	104,651	717,039
VAT on acquired valuables	20,807	36,788	300,497
Long-term accounts receivable	-	5,564,265	9,767,197
Short-term accounts receivable	22,636,097	42,885,503	60,258,419
Short-term financial investments	6,097,515	14,117,927	23,036,307
Cash	88,182	1,905,766	5,179,445

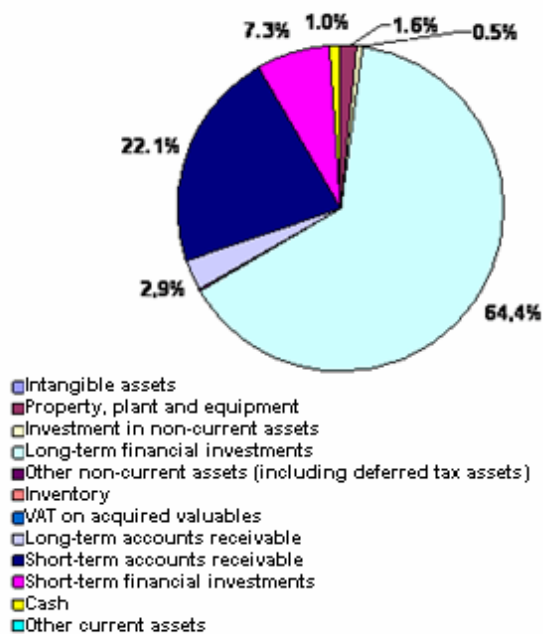
Other current assets	-	-	134
LIABILITIES	157,642,744	194,041,167	441,293,808
III. Capital and reserves	141,734,822	176,755,185	410,103,939
Authorized capital	140,954,760	156,864,374	245,014,059
Additional capital	391,080	12,005,098	92,369,450
Reserve capital	31,241	106,453	970,610
Targeted financing	-	-	
Prior years` retained profit	-	282,529	55,299,581
Current year`s retained profit	357,741	7,496,731	16,450,239
IV. Long-term liabilities	14,300,000	15,800,000	17,756,008
Long-term loans and credits	14,300,000	15,800,000	17,562,824
Other long-term liabilities	-	-	193,184
V. Short-term liabilities	1,607,922	1,485,982	13,433,861
Short-term loans and credits	278,032	465,254	1,073,584
Accounts payable	520,890	1,020,728	12,261,424
Debt to founders on payment of income	809,000	-	18,457
Deferred income	-	-	80,396

Structure of balance sheet assets

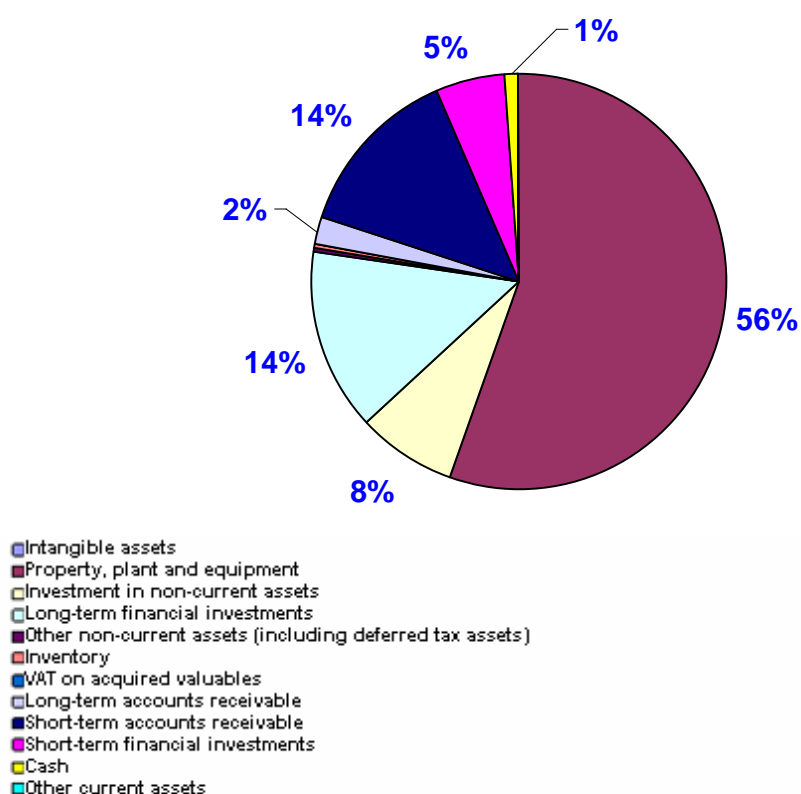
Structure of balance sheet assets as of December 31st, 2006



Structure of balance sheet assets as of December 31st, 2007



Structure of balance sheet assets as of December 31st, 2008



During 2008, the Company's balance sheet asset structure underwent significant changes:

1. Section I: "Non-current assets:"

- Non-current assets, property, plant and equipment, in-progress construction and other non-current assets: the increased value of these categories is connected with the Company's re-organization via the merger of SDC assets (Chapter 1.3 "The history of JSC "RusHydro's" development" contains a list of the merged companies). An appraisal of the merged companies was carried out by the appraiser, LLC "Institute of Entrepreneurial Problems" (reflecting market value as of January 8th, 2008).

- Long-term financial investments: the decrease in **investment to subsidiaries, affiliates and other entities** is due to the fact that the merged SDCs ceased to exist as independent legal entities following the Company's re-organization as of January 9th, 2008.

2. Section II "Current assets:"

- As of December 31st, 2008, inventory and VAT on acquired valuables stood at 1,017.5 rubles. The increase from the previous period is primarily due to the merger of SDCs' assets as a result of the Company's re-organization.

- As of December 31st, 2008, long-term accounts receivable totaled 9,767.2 million rubles.

The change in the outstanding balance of long-term accounts receivable in 2008 compared to 2007 is principally due to the merger of SDCs as a result of the Company's re-organization. The majority of long-term accounts receivable are long-term interest-free loans, including:

- Loan to LLC “EZOP,” which operates the Company’s option program, in the amount of 5,204 million rubles on August 17, 2007 for the purchase of up to 2,890,173,410 common non-documentary shares from the Company’s additional share issue. The agreement on this loan is valid through May 16th, 2011;

- Loan to JSC “Hydroproject” totaling 1,051.5 million rubles to finance the “Creation of an energy management center,” which included paying for 19,407,399 common personal shares of CJSC “Technopark Rumyantsevo” with a nominal value of 10 rubles per share. The agreement on this loan is valid through August 1st, 2010;

- A loan to the “New Energy” Fund in the amount of 138,000 thousand rubles in order to increase the authorized capital of LLC “EZOP” in the size of 24% of its authorized capital. The loan agreement is valid through December 31st, 2011.

• Short-term accounts receivable stood at 60,258.4 million rubles, the majority of which (70.5%) are liabilities on interest-free bills obtained from the SDCs to finance components of JSC “RusHydro’s” investment program and as a result of the Company’s re-organization in the context of the merger of JSC “HydroOGK State Holding.”

Structure of the Company’s long-term financial investments, thousand rubles

Item	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Contributions to subsidiaries and dependent companies	118,593,378	124,818,876	50,698,365
Contributions to other entities	-	-	276,734
Loans granted	3,922,556	21,932	-
Debt securities (promissory notes)	2,959,280	31,261	9,457,492
Deposits	-	-	2,516,503
Other long-term financial investments	-	-	54
TOTAL	125,475,214	124,872,069	62,949,148

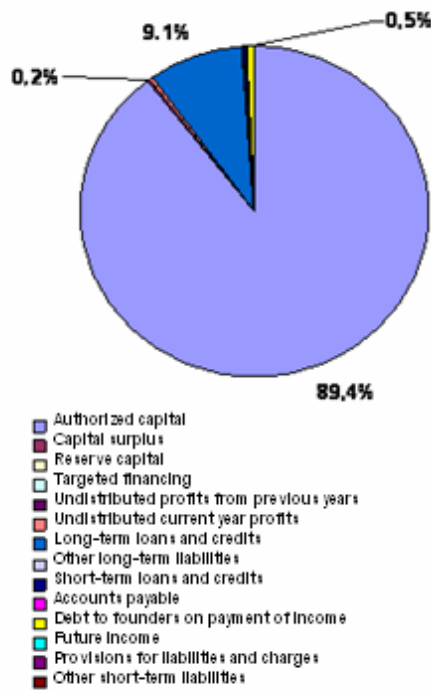
Structure of the Company’s short-term accounts receivable, thousand rubles

Item	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Purchasers and customers	498,554	1,791,170	3,386,573
Advances issued	158,287	436,064	2,073,279
Other debtors	21,979,363	40,664,425	54,798,567
Including non-interest bearing exchange bills	20,487,845	37,996,791	42,498,649
TOTAL	22,636,097	42,885,503	60,258,419

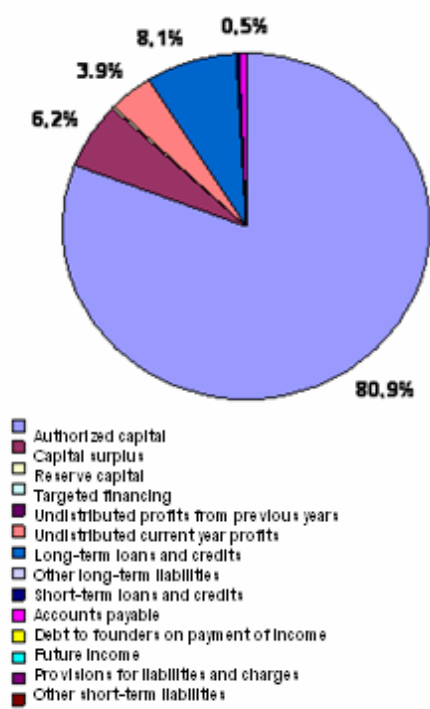
Structure of short-term financial investments, thousand rubles

Item	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Short-term promissory notes	3,097,515	11,512,887	10,692,755
Deposits	3,000,000	2,300,000	11,374,631
Other short-term financial investments	-	-	868,921
Loans granted	-	305,040	100,000
TOTAL	6,097,515	14,117,927	23,036,307

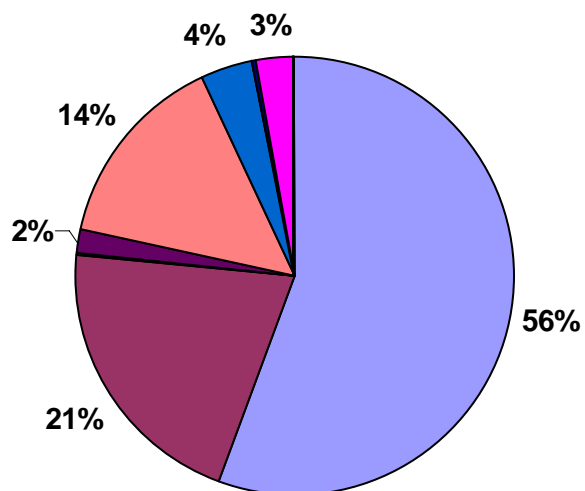
Structure of balance sheet liabilities
Structure of balance sheet liabilities as of December 31st, 2006



Structure of balance sheet liabilities as of December 31st, 2007



Structure of balance sheet liabilities as of December 31st, 2008



Authorized capital
Capital surplus
Reserve capital
Targeted financing
Undistributed profits from previous years
Undistributed current year profits
Long-term loans and credits
Other long-term liabilities
Short-term loans and credits
Accounts payable
Debt to founders on payment of income
Future income
Provisions for liabilities and charges
Other short-term liabilities

During 2008, the structure of balance sheet liabilities underwent substantial changes:

1. Section III “Capital and reserves:”

- Authorized capital: increased 88,149.7 million rubles due to the registration of additional common shares of the Company, which were placed to convert shares of the above-mentioned merged entities.
- Additional capital increased 80,364.3 billion rubles due to surplus capital of the SDCs which merged as a result of the Company’s re-organization.
- Reserve capital: increased by the amount of reserve capital of the SDCs that merged as a result of JSC “RusHydro’s” re-organization (+433.4 million rubles); additionally, according to a resolution from the Annual General Shareholders Meeting (AGM) on June 26th, 2008 (protocol №1) profits were redistributed into the Reserve Fund (+430.8 million rubles).

2. Section IV “Long-term liabilities:”

- The Company attracted long-term credits during the reported period. These credits were directed at financing the technical re-equipment and re-construction program at hydro-electric power plants and also for financing the Holding’s investment program in full accordance with Board of Directors’ resolutions from March 24th, 2006 (protocol № 17) and April 10th, 2007 (protocol № 30).

3. Section V: “Short-term liabilities:”

- Loans and credits: the sum of debt on short-term loans and credits and interest accrued on attracted long-term credits and loans is reflected (additional details are given in the table below).
- The growth in accounts payable is due to the merger of SDCs’ liabilities, as a result of Company re-organization; and in addition, due to liabilities as a result of an increase in JSC “RusHydro’s authorized capital toward the Federal Agency for Federal Property Management as a result of an addition 6,000,000 thousand ruble share issue on December 2nd, 2008.

Structure of long-term credits and loans of the Company, thousand rubles

Lender/Creditor	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
European Bank for Reconstruction and Development (EBRD)	6,300,000	6,300,000	6,300,000
JSC “Managing Company HydroOGK”	5,000,000	5,000,000	5,000,000
JSC “Saratovskaya HPP” (Morgan Stanley)	3,000,000	3,000,000	-

Morgan Stanley	-	1,500,000	4,500,000
CF Structured Products B.V.	-	-	1,762,824
TOTAL	14,300,000	15,800,000	17,562,824

Structure of short-term credits and loans of the Company, thousand rubles

Lender/Creditor	As of December 31st, 2006	As of December 31st, 2007	As of December 31st, 2008
European Bank for Reconstruction and Development (EBRD) (interest)	95,944	121,063	225,074
JSC “Managing Company HydroOGK” (interest)	172,020	177,520	184,070
JSC “Saratovskaya HPP” (Morgan Stanley) (interest)	10,068	10,068	-
Morgan Stanley	-	17,399	48,228
CF Structured Products B.V.	-	-	69,411
Russian Ministry of Railway Communications (interest)	-	-	28,592
Other (own promissory notes)	-	139,204	517,969
Other loans	-	-	240
TOTAL	278,032	465,254	1,073,584

Accounts payable structure, thousand rubles

Creditor	As of December 31st, 2006	As of December 31st, 2007	As of December 31st, 2008
Suppliers and contractors	407,889	797,572	1,739,286
Debt to the budget and extra-budgetary funds	25,896	30,590	4,063,545
Advances received	85,031	168,584	28,578
Debt to founders	809,000	-	18,457
Other	2,074	23,982	6,703,595
TOTAL	1,329,890	1,020,728	12,553,461

All in all, total assets increased 127.4% (by 247,252.6 million rubles).

Calculating net asset value

The Company’s net asset value is calculated in full accordance with Order №10n, 03-6/pz (from January 29th, 2003) of the Russian Ministry of Finance and the Federal Commission for the Securities Market “On approving the procedure for assessing the value of the net assets of joint stock companies.”

Indicators	As of December 31st, 2006	As of December 31st, 2007	As of December 31st, 2008
ASSETS			
1. Intangible assets	0	0	55,095
2. Property, plant and equipment	2,680,942	3,062,766	244,340,764
3. Construction in progress	206,754	1,063,915	33,702,694
4. Income-bearing investments in material valuables	0	0	0
5. Short-term and long-term financial investments	131,572,729	138,989,996	85,985,454
6. Other non-current assets	388,118	427,517	987,070
7. Inventory	49,115	104,651	717,039

8. VAT on valuables acquired	20,807	36,788	300,497
9. Accounts receivable	22,636,097	48,449,768	70,025,617
10. Cash	88,182	1,905,766	5,179,445
11. Other current assets	0	0	134
12. Total assets taken into account (the sum of items 1-11)	157,642,744	194,041,167	441,293,808
LIABILITES			
13. Long-term liabilities on credits and loans	14,300,000	15,800,000	17,562,824
14. Other long-term liabilities	0	0	193,184
15. Short-term liabilities on credits and loans	278,032	465,254	1,073,584
16. Accounts payable	520,890	1,020,728	12,261,424
17. Debt to owners on the payment of income	809,000	0	18,457
18. Accruals	0	0	0
19. Other short-term liabilities	0	0	0
20. Total liabilities taken into account (the sum of items 13-19)	15,907,922	17,285,982	31,109,473
21. Value of net assets (item 12 – item 20)	141,734,822	176,755,185	410,184,335

JSC “RusHydro’s” net assets totaled 410,184,335 thousand rubles at the end of 2008. During the reported period, this indicator demonstrated a 132.1 % increase (by 233,429.2 thousand rubles) primarily due to the following factors:

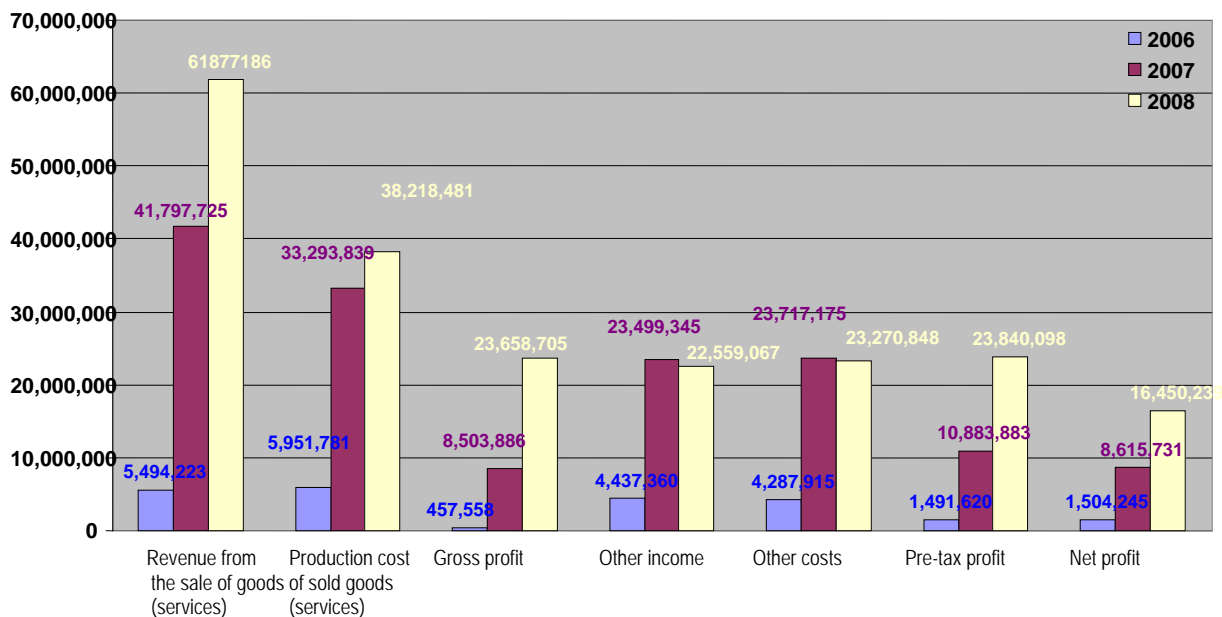
- Re-organization of the Company in the form of merging 24 joint-stock companies with a value of 224,475.6 million rubles (the list of merged companies is given in chapter 1.3. “The history of JSC “RusHydro’s” development”).
- For the year, the Company’s net profit was equal to 16,450,239 thousand rubles, which was 8,953.5 million rubles more than the 2007 balance sheet profit (net profit on the Company’s balance sheet is shown net of accrued dividends).

5.2. Financial results

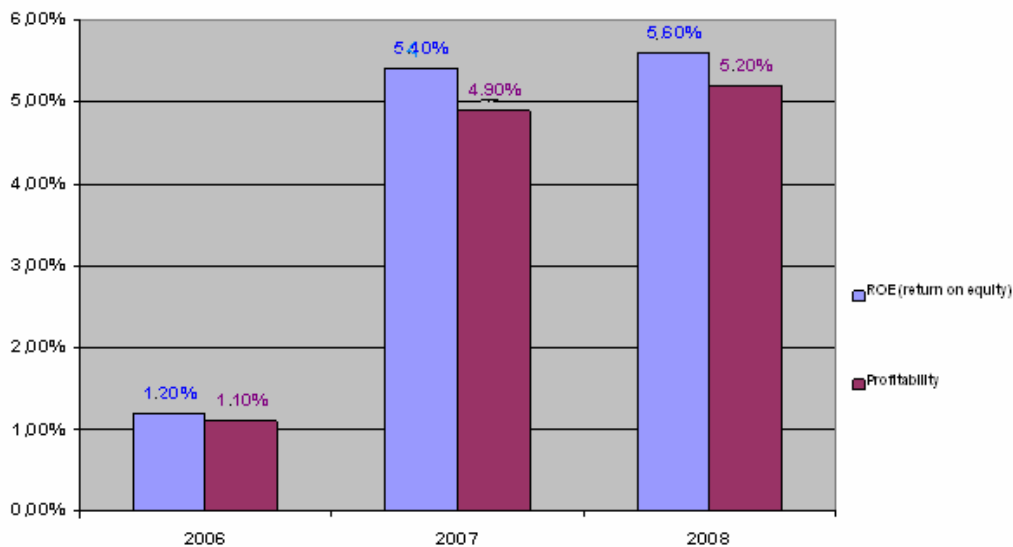
Key financial and economic indicators for JSC “RusHydro,” thousand rubles

Indicators	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Revenues from the sale of goods (services)	5,494,223	41,797,725	61,877,186
Cost of goods (services) sold	(5,951,781)	(33,293,839)	(38,218,482)
Gross profit	457,558	8,503,886	23,658,705
Administrative expenses			
Profit from sales	457,558	8,503,886	23,658,705
Interest receivable	325,262	1,430,145	2,215,241
Interest payable	(312,594)	(1,300,174)	(1,382,963)
Income from interest in other organizations	1,787,065	2,467,857	60,895
Other income	4,437,360	23,499,345	22,559,067
Other costs	(4,287,915)	(23,717,175)	(23,270,848)
Pre-tax profit	1,491,620	10,883,883	23,840,098
Profit tax and other similar payments	12,625	(2,268,152)	(7,389,859)
Net profit	1,504,245	8,615,731	16,450,239
ROE (return on equity)	1.2%	5.4%	5.6%
Return on assets	1.1%	4.9%	5.2%

3-year financial results for the Company, thousand rubles



Profitability ratio dynamics for the Company



Analysis of 2007 financial results compared to 2006 results

In 2006, by Order № 96-e/7 of the Russian Federal Tariff Service (April 25th, 2006), the Company was given the status of a wholesale electricity (capacity) market object and the Company concluded agreements for the rent and use of power equipment with 8 JSCs – HPPs. These agreements documented the Company’s ownership rights to produced electricity and heat power.

The substantial increase in the Company’s 2007 revenues compared to 2006 (7.6 times or 36,303.5 million rubles) is due to the following factors:

- Increase in rented power equipment (15 JSCs-HPPs);

- An increase in electricity tariffs due to a resolution by the Russian Federal Tariff Service on including the special investment component in JSC “RusHydro’s” 2007 tariff in the amount of 5,864 million rubles (profit tax excluded).

The cost increase (5.6 times or 27,342.1 million rubles) compared to the previous year is primarily due to increases in the following costs:

- Expenses to purchase electricity to fulfill obligations under regulated agreements. These costs appeared in the Company’s cost structure with the introduction of new wholesale electricity and capacity markets since September 1st, 2006;
- Rental expenses and costs from using power equipment based on agreements concluded with JSCs – HPPs (revenue received by the Company from electricity sales is transferred to power plants exclusive of infrastructure payments, purchased electricity and the investment component of the tariff). The increase in such costs is roughly proportional to the increase in the number of such agreements with SDCs HPPs.

Changes in the “other income” and “other costs” items – an approximately 5-times increase – are due to increased turnover of securities and financial instruments. The Company purchased promissory notes of the JSCs HPPs so that it could carry out its investment program and placed the temporarily available funds in short-term financial investments.

The significant increase in net profit (5.7 times by 7,111.5 million rubles) is due to the target investment component being included in the 2007 tariff in the amount of 5,864 million rubles. These funds were directed at financing the construction of key hydro-power assets in 2007.

Analyzing 2008 financial results compared to 2007 results

A substantial increase in the Company’s 2008 revenue compared to the previous year (a 1.5 times increase by 20,079.5 million rubles) can be attributed to the following factors:

- Merger of SDCs HPPs, an increase in the number of groups of supply nodes: in 2008 — 19 generating branches (earlier SDCs-HPPs), in 2007 – 15 JSCs-HPPs and one branch;
- An increase in electricity tariffs due to a resolution of the Russian Federal Tariff Service on including the special investment component in the tariff for JSC “RusHydro” for 2008 in the amount of 16,772.7 million rubles (excluding the profit tax) compared to 5,864 million rubles in 2007;
- Market liberalization: 2008 – 20%, 2007 – 10%.

2007 costs increased by only 14.8% (or 4,924.6 million rubles) compared to the previous year. A low percentage of the cost increase is due to transferred expenses from the merged (rented) SDCs-HPPs in 2007. The SDCs-HPPs contributed to costs in the form of both rent and usage of the main production equipment at these facilities.

The reasons for the increase are the following:

- Inflation;
- Property re-evaluation: merger of the SDCs-HPPs property, plant and equipment at market prices and, consequently, the growth in depreciation, property tax and insurance expenses.

The growth in net income by 7,834.5 million rubles is due to the inclusion in the 2008 tariff of the special investment component of 16,772.7 million rubles, directed at financing the construction of important hydro-power objects in 2008.

During the reported period, the Company’s credit portfolio changed as a result of consolidation.

In Q1 2008, as part of the first stage of consolidation, JSC “RusHydro” acted as the legal successor for JSC “Saratovskaya HPP” on a loan from Morgan Stanley Bank for 3 billion rubles. The loan, which matures in 2013, has a fixed interest rate of 8.75% and was attracted in 2006. The attracted funds were used to finance JSC “RusHydro’s” target investment program.

In Q3 2008, during the final stage of consolidation, JSC “RusHydro” acted as the legal successor on credit linked notes (CLN) for JSC “Cascade of Nizhne-Cherekskie HPPs.” The

CLNs were issued in 2007 in the volume of 60 million USD for a term up to 2013. The coupon rate is 10.5% annually.

JSC “RusHydro” attracted no additional borrowed funds in 2008.

During the reported period, the Company’s credit ratings remained at the same level as in the previous year.

Standard & Poor's International Services Rating Agency confirmed the Company’s international credit rating at the BBB- level (according to the international scale in foreign and domestic currency). The rating of the Company on the national scale is ruAAA. Companies with this rating level are characterized by a sufficient ability to fulfill debt obligations and by a higher sensitivity toward the impact of unfavorable changes in the commercial, financial and economic environment.

Also in 2008, Fitch Ratings Rating Agency confirmed the Company’s international credit rating at the BBB- level. On the national scale, the Company’s rating was AA(rus)+, which indicates a very high level of credit worthiness. “AA” level ratings indicate very low credit risk expectations and a very high ability to discharge financial obligations in a timely manner. As a result of this, the Company faces insignificant risks from foreseeable circumstances.

These ratings are investment level ratings which reflect the stable financial conditions of the Company, as well as the Company’s strategic importance to the Russian economy. International credit ratings are one of the most important guides for JSC “RusHydro’s” potential creditors when they analyze the Company, its development prospects and risk evaluation. This rating also determines, at least in part, interest rates for the Company’s future borrowings.

Additionally, in 2008 Moody’s Investors Service Ltd. Rating Agency along with CJSC “Rating Agency Moody’s Interfax” confirmed the Company’s international credit rating at the Baa3 level. On the national scale, assigned by Moody’s Interfax Rating Agency, the Company’s rating is Aaa.ru. Issuers with this rating level are characterized by the highest creditworthiness relative to other issuers in the country.

Credit ratings

Rating agency	Rating (international scale)	Rating (domestic scale)
Fitch Ratings	BBB-	AA(rus)+
Standard & Poor's International Services	BBB-	ruAAA
Moody’s Investors Service Ltd.	Baa3	Aaa.ru

JSC “RusHydro” Group key financial and economic indicators, thousand rubles

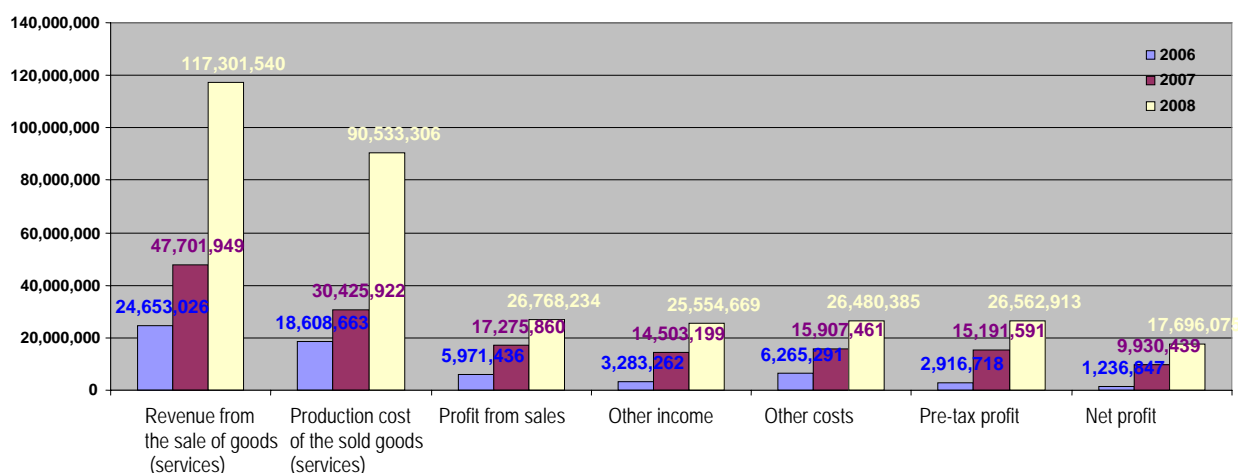
Indicator	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Revenues from the sales of goods (services)	24,653,026	47,701,949	117,301,540
Cost of goods (services) sold	(18,608,663)	(30,425,922)	(90,533,306)
Profit from sales	5,971,436	17,275,860	26,768,234
Interest receivable	161,083	710,806	1,904,519
Interest payable	(236,590)	(1,390,813)	(1,186,131)
Income from interest in other organizations	2,818		2,007
Other income	3,283,262	14,503,199	25,554,669
Other costs	(6,265,291)	(15,907,461)	(26,480,385)
Pre-tax profit	2,916,718	15,191,591	26,562,913
Profit on ordinary operations	1,307,021	10,531,757	18,045,398
Net profit	1,236,847	9,930,439	17,696,075

Based on the above results, the following conclusions can be drawn:

- During the reported period, Group revenue increased 2.5 times (by 69,599.6 thousand rubles) compared to 2007. At the same time, the cost of realized products rose 2.9 times (by 60,107.4 thousand rubles)
- The changes in “Other income” and “Other costs” (respectively a 1.8 and 1.7 times increase) took place due to increased turnover in securities and the realization of financial instruments.

The Holding’s net profit increased 1.8 times or by 7,765.6 million rubles, compared with 2007.

Dynamics of the Company’s financial indicators



RusHydro Holding’s condensed balance sheet, thousand rubles

Indicator	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
ASSETS	237,746,247	283,651,369	474,436,091
I. Non-current assets			
Intangible assets	6,459	4,047	55,524
Fixed assets	87,097,626	108,726,025	259,772,692
Investments in non-current assets	31,707,476	27,007,190	66,766,594
Long-term financial investments	3,953,610	3,568,405	33,926,833
Other non-current assets (including deferred tax assets)	780,013	836,019	1,278,430
Goodwill from subsidiaries	80,807,955	84,151,709	35,170,512
II. Current assets			
Inventory	1,087,003	1,457,914	2,730,885
VAT on acquired valuables	2,105,838	687,103	1,485,827
Long-term accounts payable	1,348,913	7,137,271	9,377,176
Short-term accounts payable	2,218,8653	38,760,110	33,923,473
Short-term financial investments	4,867,994	7,895,103	22,742,320

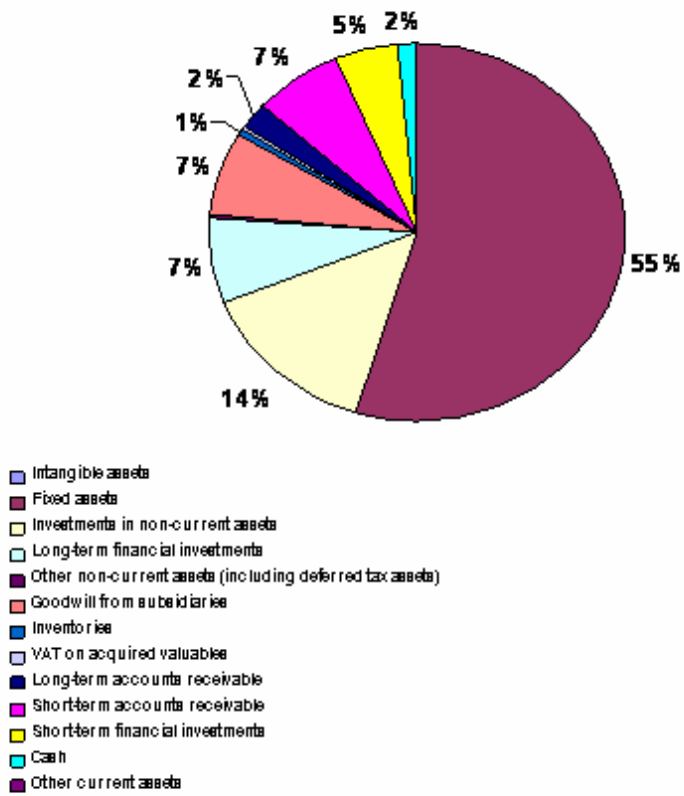
Cash	1,794,450	3,419,474	7,156,782
Other current assets	257	999	49,043
LIABILITIES	237,746,247	283,651,369	474,436,091
III. Capital and reserves			
Authorized capital	140,954,760	156,864,374	245,014,059
Treasury stock	-	(2,493)	(2,829,626)
Capital surplus	32,746,894	52,270,883	96,343,560
Reserve capital	312,486	465,090	1,068,832
Targeted financing	-	-	
Retained profit from previous years	1,079,729	1,706,151	58,822,744
Retained current year profit	1,175,262	9,131,818	17,762,444
Goodwill from subsidiaries	9,109,124	7,412,777	197,074
Minority interest	23,758,818	24,183,606	9,180,364
IV. Long-term liabilities			
Long-term loans and credits	14,310,068	15,969,323	18,539,619
Other long-term liabilities	5,329,585	4,456,151	5,253,134
V. Short-term liabilities			
Short-term loans and credits	2,478,041	3,625,158	2,460,227
Accounts payable	4,865,849	6,894,327	19,994,652
Debt to founders on payment of income	932,060		22,015
Deferred income	101,482	82,224	2,557,904
Provisions for liabilities and charges	97,031	96,980	32,099
Other short-term liabilities	495,058	495,000	16,990

During 2008, the structure of balance assets experienced the following significant changes:

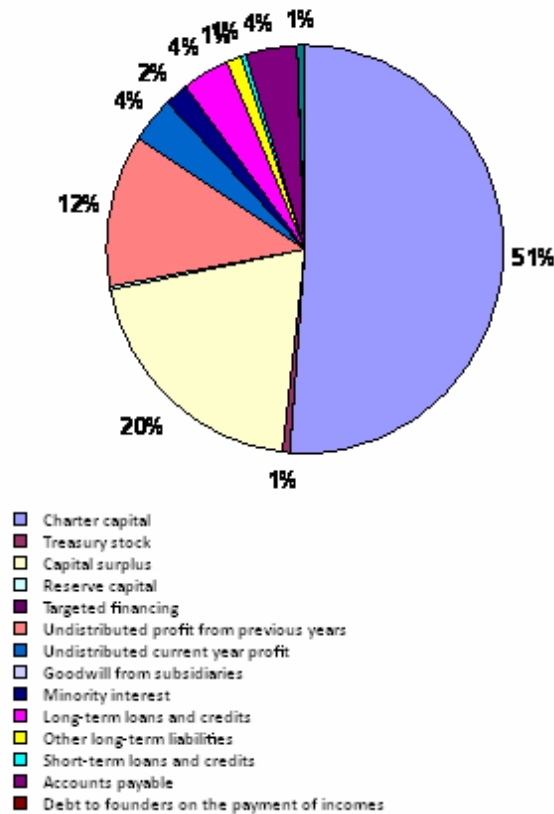
- Fixed assets increased 139% (by 151,046.7 million rubles).
- Long-term accounts receivable increased 1.3 times (by 2,239.9 million rubles).
- Short-term accounts receivable decreased 12.4 % (by 4,836.6 million rubles).

Stable financing sources (own capital and long-term borrowed funds) account for 90% of the liabilities indicating the Holding's significant financial stability. During the reported period, own capital increased 107% (by 205,123.6 thousand rubles).

Structure of the Company's balance assets, as of December 31st, 2008



Structure of the Company's balance liabilities as of December 31st, 2008



5.3. Analytical ratios

Liquidity and financial stability ratios for the Company

Compared with previous reporting periods, the Company's liquidity ratios were lower – primarily a result of significantly increased short-term liabilities. Significant ratio changes during the reported period are primarily due to the Company's re-organization (in the form of mergers), which provided a target model for the Company, including: forming an operational company which manages hydro-electric plants and its subsidiaries, organizes new activities and implements the investment program. Liquidity and financial stability ratios during the reported period illustrate JSC "RusHydro's stable and sustainable position and also demonstrate the Company's ability to meet its obligations using own funds.

Financial independence (autonomy) is calculated as the relative weight of own funds in total capital – with a larger ratio indicating greater financial independence. This ratio for the Company exceeds industry standards. Own funds exceed borrowed funds for JSC "RusHydro," meaning that most projects are self-financed.

The Company's financial stability index is approximately 97%, which reflects the fact that nearly all assets are financed through stable sources – own capital and long-term borrowed funds.

Business activity indices (turnover ratio)

The turnover ratio is a general index measuring how a company uses its resources. It is calculated as the volume of products sold per one ruble of funds invested in the business. As of December 31st, 2008, the turnover ratio for accounts receivable was 1.04 turnovers per year. The

payables turnover ratio fell from 35.56 turnovers per year in 2007 to 9.3 in 2008.

Indices	As of December 31 st , 2006	As of December 31 st , 2007	As of December 31 st , 2008
Liquidity and financial stability ratios			
Current ratio (from 1 to 2.5)	17.97	43.5	6.70
Quick asset ratio (from 0.8 to 1.5)	17.92	39.6	6.63
Cash ratio (from 0.2 to 0.8)	3.85	10.8	2.1
Autonomy ratio (>0.5)	0.90	0.91	0.93
Financial stability ratio (>0.8-0.9)	0.99	0.99	0.97
Business activity indices (turnover ratio)			
Asset turnover ratio	0.04	0.24	0.20
Receivables turnover ratio	0.47	1.18	1.04
Payables turnover ratio	14.49	35.56	9.3

5.4. Profit distribution and dividend policy

“JSC RusHydro’s” dividend policy is aimed to observe the balance of interests of the Company and its shareholders, increase investment appeal of the Company and observance shareholders’ rights provided for in the Russian Federation laws, the Charter and internal documents of JSC "RusHdro".

According to the Provision on dividend policy of JSC “RusHydro” approved by the Company Board of Directors on May 19th, 2008 (protocol No.55), the Company dividend policy is based on the following principles:

- Conformity with the best standards of corporate conduct, including:
 - to provide a transparent and clear mechanism of the dividends amount forming;
 - to realize the measures excluding incomplete or untimely payment of declared dividends;
- to maintain necessary level of the current financial and engineering status of the Company;
- to increase the Company’s investment appeal and capitalization;
- to ensure stability, standing and predictability of the dividend policy for shareholders and potential investors.

According to the dividend policy, JSC “RusHydro’s” assigns at least 5% of its consolidated net profit for payment of dividends for the financial year performance. This is a fixed level of dividend payments.

If the amount of additional dividends does not exceed the unallotted balance of net profit and the consolidated net profit, the Company may assign up to 100 % of the unallotted balance of the consolidated net profit for payment of additional dividends.

The decision on allocation of funds for payment of dividends is taken in view of priority value of distribution of profit on the investment in the volume of the target investment means stipulated in the tariff of the Company on financing of target investment projects due to profit.

Dividend payment dynamics from 2005 to 2007

Reporting period, during which dividends were paid	2005		2006			2007
	9 months	As of year end	Q1	H1	9 months	Q1
Total declared dividends per share (thousand RUR)	0.000268289	0.005441922	0.002151	0.00106384	0.005739431	0.00793872

Total declared dividends (thousand RUR)	593,584	1,146,503.6	1,119,000
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At the end of the reported period, the Holding's net profits totaled 17,696,075 thousand rubles and 884,804 thousand rubles should have been devoted to dividend payments. During the reported period, JSC "RusHydro's" net profit was 16,450,239 thousand rubles, taking into account the distribution of:

- 822,512 thousand rubles to the reserve fund (compulsory deduction of 5% of net income in full accordance with Russian legislation);

- 15,179,453 thousand rubles to the special investment component (SIC) foreseen by the tariff. Of that amount, in 2008, 12,327,454 thousand rubles were spent on advances and the remainder of 2,851,999 thousand rubles will be directed at the accumulation fund for financing the 2009 investment program;

- The remainder of net profit totals 448,274 thousand rubles.

However, given the financial and economic crisis, coupled with uncertainty in energy consumption forecasts, price fluctuations and variability in collecting payments for electricity and consumption, the Company proposes not paying dividends in 2008. Instead, the Company suggests directing 448,274 thousand rubles to its accumulation fund. At the same time, distribution of the accumulation fund is proposed to be carried out by a separate decision of the Company's Board of Directors.

The final decision on 2008 dividend payments will be made at the General Meeting of Shareholders on June 10th, 2009, based on the recommendation of the Board of Directors.

6. Industry specific and financial risks for JSC “RusHydro’s” activity and their management

The developing wholesale and retail electricity markets have a higher risk level than developed markets for other products and services and include substantial industry specific and financial risks.

Ensuring a reliable operating level needed for the stable functioning of HPPs and the achievement of strategic goals will require the Company to implement a complex program of property, plant and equipment renovation over the next 15 years.

To mitigate risks, the Company conducts constant work to detect and evaluate any risks.

6.1. Industry specific risks

JSC “RusHydro” is subject to industry specific risks, primarily a result of the tariff system that was established in the industry.

Risk management consists of forming economically justified tariffs taking into account possible fluctuations in determining and asserting the planned balance in the Federal Tariff Service. Despite changes in the rules for the wholesale energy and capacity market, established tariffs do not provide for the profitable sale of electricity, nor for obtaining needed investment resources.

All in all, deterioration in the industry situation may be caused by:

- *Exploitation (production) risks*, connected with physical wear, the breach of exploitation conditions and critical changes in equipment operating parameters, which may lead to equipment being inoperable (due to accidents) and the destruction of buildings.

Production risk management activities:

The possibility of equipment breakdown is at the statistically expected level. All of the Company’s main production objects are insured. In addition, a full set of measures to ensuring the reliability of equipment and construction at an adequate level is undertaken, in particular:

- Requirements of federal legislation in the field of industrial safety and technical regulation are fully observed. For instance, in 2008, Company 33 standards in the sphere of technical regulation have been developed, and development of 28 standards in “hydroelectric power stations” sphere have been started;

- Maintenance work is systematically conducted;

- The prospective program for technical rehabilitation and modernization for the period of 2006 - 2020, which was approved by the Company’s Board of Directors, is being implemented;

- Modern methods are implemented, which allow diagnostics to be conducted on operating equipment without interrupting its functioning;

- The structure and amount of spare parts constantly increases;

- A tender process for service and supply organizations is used with the aim of increasing the quality of provided services and materials, ensuring that counteragents are more responsible, as well as in order to decrease unit costs.

- *Competitive risks connected with large consumers developing their own generation capacity*, which may lead to decrease in production volume and JSC “RusHydro’s” electricity sales in the future.

Activities on competitive risk management:

- Active interaction with consumers is conducted to help ensure mutually beneficial relations;

- Operational effectiveness is increased by realizing a program to decrease production costs and economy;

- Work on increasing the share of long-term electricity contracts in the overall number of concluded contracts.

- *Risk of uncertain energy production (“water” risk)*

The risk of uncertain energy production for the Company arises because of the impossibility of precisely forecasting the volume of produced energy in the medium- and long-term. This risk primarily affects the Company’s ability to fulfill its obligations to supply electricity on the new wholesale energy and capacity market.

Activities related to “water” risk management:

- Preparing suggestions on changes in the existing regulatory environment in the area of intra-day planning by the HPPs (both for production and for price applications);
- HPPs’ interests are protected by the inter-departmental operating group under the Russian Federal Water Resources Agency;
- Two-way hedging agreements are concluded in the day-ahead market (including buying energy as a provision for liabilities).

- *Risks connected with price increases for equipment and other material and technical resources used by the Company*

These risks are primarily due to Russian inflation and can be mitigated by the following measures:

- Increasing operational effectiveness by implementing cost-cutting programs (creating a competitive environment for purchasing products and services, optimizing repair and usage, as well as capital construction costs, etc.);
- Implementing a balanced financial policy.

Risks connected with a possible change (decrease) in energy price on the wholesale market (day-ahead market and the balancing market) are material to the Company.

Because the greatest part of the “liberalized” volume of electricity will be sold by the Company at free, non-regulated prices, there is a risk that revenues will decrease (vis-à-vis planned indicators) due to a drop in the weighted average price of electricity on the wholesale market.

To hedge price risks in the day-ahead market, JSC “RusHydro” aims to increase the share of the “liberalized” volume of electricity sold via free bilateral agreements.

There are also risks associated with increased expenses for the purchase of electricity in order to satisfy regulated agreements (regulated agreements foresee selling electricity (capacity) at tariffs approved by the Federal Tariff Service). These risks would occur in the event of either decreased generation volumes or electricity prices on the day-ahead market exceeding Federal Tariff Service tariffs.

However, as a result of step-by-step planned increases in the volume of electricity sales at free unregulated prices, the risks connected with increased expenses for electricity purchases in the provision of regulated agreements will become less substantial and by 2011, this risk will become irrelevant as a 100% “liberalization” of the wholesale electricity (capacity) market is planned.

The situation with a change in price on the capacity market is not similar. This risk is not material for JSC “RusHydro,” since the transitional model of the capacity market (which was launched on July 1st, 2008) foresees that capacity will not be sold at a price lower than the level of conditionally fixed costs (the capacity tariff).

6.2. Financial risks

JSC “RusHydro’s” financial position may be affected by:

- *Risks connected with interest rate changes*, arising as a result of borrowings in the Company’s credit portfolio in which the interest rate is tied to floating interest rates (MOSPRIME).

Currently and in the medium-term, there is a very negative situation in the domestic financial market, which has resulted in a higher re-financing rate at the Central Bank of Russia and significantly increased interest rates at the country’s commercial banks.

Measures aimed at managing indicated risks:

- The Company concluded swap agreements to fix interest rates for attracted borrowings, which considerably diminishes the impact of short-term interest rate fluctuations.

• *Inflation risks*, which may increase the Company's costs (primarily through increased energy resources and inventory prices), and, as a result, lead to decreased revenues and lower profitability.

During financial crises, the Russian economy tends to be characterized by high inflation levels, which also negatively impact the Company and its activities.

However, taking into account that tariff increases are limited to 7 – 10% annually until 2012 and considering potential profitability levels, inflation risks may substantially impact the Company's financial situation (particularly if the inflation rate reaches at least 20% annually).

Managing inflation risks:

- During inflationary periods, the Company plans to increase working capital turnover by changing contractual relationships with consumers.

• *Liquidity risks*, which reflect decreased possibilities to attract finances in capital markets, lower liquidity levels in the Russian banking sector and increased inter-bank lending rates, all of which may affect the Company's ability to attract new borrowings and to refinance existing borrowings with the same conditions as before.

Global uncertainty, coupled with several local factors in 2008, contributed to high volatility in the Russian stock market indices and to higher inter-bank lending rates (sometimes greatly higher than the rates one would have expected).

Liquidity management activities:

- A system of the sliding planning of the Company's cash flow is introduced for all types of activities. The planning periods are: 20 years, 5 years, 1 year and 1 quarter with a month-by-month breakdown;

- Maintaining sufficient cash-on-hand and liquid securities to ensure that the Company can fulfill its current obligations;

- Temporarily available cash is invested in short-term financial instruments, primarily in bank deposits;

- The contract control system is implemented by introducing "typical financial clauses" (the structure of payments, payment date, advance ratio, final payment, etc.) when interacting with counter-agents. This allows the Company to regulate the periods of capital turnover.

The Company's financial condition, its liquidity, financing sources and production results are largely independent of exchange rate fluctuations, due to the fact that JSC "RusHydro" sells electricity on the domestic market and settlements with resource suppliers, as well as the accrual and receipt of payments from electricity consumers are conducted in the Russian currency.

The volume of JSC "RusHydro's" activity on the external market in 2008 is not insignificant.

However, to decrease the Company's costs for fulfilling liabilities denominated in foreign currency, the Company concluded forward transactions on currency delivery for planned 2009 payments.

7. Foreign economic and international activity

The Company considers developing international partnerships and broadening its participation in international political, industry and business spheres in the area of hydro-power to be some of its most important tasks.

By analyzing world tendencies, a conclusion can be reached that growing energy, ecological and social needs in many states contribute or will contribute to the creation of conditions for launching multi-way infrastructure projects in the field of hydro-generation and the usage of renewable energy sources.

In accordance with its mission statement, JSC “RusHydro” studies the possibility of developing business on the territory on foreign states, with a high potential of developing renewable energy sources (above all hydro- potential).

The main priorities of the Company’s international activity are broadening the geography of activities and providing for growth in new markets, as well as improving the Company’s competitiveness.

The main directions for the Company’s development in international markets are:

- provision of management, engineering (project and construction) and exploitation (including: maintenance and technical rehabilitation) services for international hydro-energy objects;
- the implementation of investment projects.

One of the first steps in deploying international activity for JSC “RusHydro” was the creation of a joint-venture “RusSUNHydro,” in conjunction with the large Indian company, Sun Group. Today, the Company is engaged in studying the Indian market for engineering, exploitation and maintenance services, as well as exploring potential investment opportunities in India and neighbouring countries.

The engineering SDCs of JSC “RusHydro” already are active participants in international markets.

JSC “RusHydro’s” international cooperation

During the year 2008, the Company participated in a full and equal manner in leading global economic and energy organizations, including:

- the World Economic Forum (WEF)
- the Big Eight of Energy (e8)
- the World Energy Council (WEC)

The Company also participated (either plenipotentiary or affiliated) in the work of the following international organizations:

- the Russian-Chinese Business Council (RCBC)
- the International Hydro-power Association (IHA)
- the Commission Internationale des Grandes Barrages (CIGB)
- the International Association for Hydraulic Research (IAHR)

Partnerships have been established and are being developed with foreign national committees, commissions and organizations specializing in international cooperation in the power generation field, with international non-governmental organizations in energy efficiency issues, as well as sustainable development and the development of renewable energy and the development of hydro-energetics and water resource problems. Among these international organizations are the

United Nations Development Program (UNDP) and the United Nations Economic Commission for Europe (UNECE), as well as the International Energy Agency (IEA).

The participation of Company representatives (of various levels and experience) in managing organs of committees and working groups of international non-governmental organizations has been organized and launched. Representatives participate in the International Hydro-power Association (IHA), WEF, UNDP and e8, among others.

Significant efforts have been made to promote the Company's strategy with the use of international organizations: the international initiatives "Gleneagles Dialogue" (WEF) and Wattenfall 3C on the issue of climate change and decreases in CO₂ emission.

Under these initiatives – the goal of which is to develop a consolidated position for creating a strategic basis of supporting market methods for solving climate change and CO₂ emission problems — roundtables were organized in Moscow and Saint Petersburg. These roundtables included top managers from large Russian companies, as well as leading governmental and non-governmental officials. The documents developed under these initiatives were transferred to leaders of the Group of Eight (e8) countries at the Hokkaido summit.

During the reported period, representatives from JSC "RusHydro" participated in numerous international conferences and forums. Important events and conferences during the year included: the General Meeting of the WEF, a roundtable on water resources organized in conjunction with the Russian State Duma during the Saint Petersburg Economic Forum, the e8 Montreal Summit, the 76th Annual meeting of ICOLD – CIGB, the international IHA Summit in Sophia, international conferences on renewable energy and energy effectiveness in Brussels, the meeting of the Energy Regulators Regional Association (ERRA) in Budapest and UNECE in Brussels, international conferences on the issue of sustainable development within the UNDP and the UN Special Program for Economics of Central Asia (UN SPECA) in Moscow, the international conference "Russian Energy" and the International Energy Week in Moscow, a series of roundtables on ecological management and many others.

To increase capitalization and promote the Company's investment program, bilateral cooperation has been established with leading foreign energy companies, including: Fortum (Finland), Enel (Italy), HydroQuebec (Canada), Wattenfall (Sweden), Verbund (Austria), Three Gorges (China), Itaipu Binacional (Brazil-Paraguay), Alcoa (USA), among others.

In 2008, the Company held more than 30 meetings with top management and specialists from foreign companies and international organizations.

8. Human resources policy

8.1. Goals of human resources policy

In January 2008, JSC “RusHydro” became an operating company. Following the re-organization and merger, 20 production branches were created and employees were transferred from subsidiaries and dependent entities (SDCs) to the Company.

The number of employees at the Company as of December 31st, 2008 stood at 5,748 people – a 5,295-person increase compared to the previous year.

Taking into account staff changes and increased headcount, the Company developed unified requirements and new social programs.

Priority tasks for the Company’s human resources department and its policies include: upgrading qualification levels, developing social program packages for employees and improving the motivation system.

During the reported period, the Company’s Board of Directors, with the goal of improving social and labor relations, approved a standard collective bargaining agreement, as well as additional employee medical insurance and non-governmental pension coverage. The Management Board of the Company approved a program to improve employees’ housing conditions.

Social protection for JSC “RusHydro’s” employees relies on the following: collective agreements with branches of JSC “RusHydro”, the Provision for Material Stimulation, the Provision on Non-governmental Pensions, the Provision on Social Protection and the Provision on Corporate Assistance and Support for Improving Housing Conditions.

In 2008, as a result of launching a program to improve housing conditions, 59 employees received interest-free loans in the amount of 70,744 thousand rubles to improve their homes. An additional 43 employees received compensation totaling 2,679 thousand rubles for interest paid on their mortgages.

Training and personnel development

Effective and uninterrupted functioning of new systems and equipment is not possible without having highly qualified personnel with necessary management and technological skills.

In the field of training and developing its personnel, JSC “RusHydro” aims to not only increase its employees’ qualifications, but also looks to create conditions that allow workers to use their creative potential and to achieve maximum personal fulfillment.

“Corporate hydro-power university” – 2008 results

During the reported period, the corporate hydro-power university began forming a corporate training system, including developing and implementing a full-time instruction program for production and management personnel at active assets.

Due to the geographic scope of the Company’s operations, the Company began introducing distance learning technologies, which serves as the method of ensuring unified information for administration and budgeting across all of the Company’s operations.

To optimize the process of introducing new employees into the Company and to decrease adaptation costs, an “adaptation” course was introduced. This course allows employees to rapidly familiarize themselves with corporate culture, the Company’s main production activities and structure, work principles, regulatory documents and corporate rules.

Personnel development occurs through investing in training employees at qualification courses and having employees participate in scientific conferences, as well as in distance education at universities and the “international exchange” (a state program launched in 2008 which foresees placing young employees abroad. The program is financed by the Russian Federal Agency for Youth Affairs).

The Company also launched a program to speed up young specialists' skills acquisition through scientific and production placement at HPPs, via the organization of student units at HPP construction sites and by organizing lectures and specialized courses (conducted by highly qualified Company specialists).

2,463 employees at the Company underwent staff development training in 2008. The training costs totaled 46,210.1 thousand rubles.

8.3. Labor and health protection

The main aim of JSC "RusHydro's" policy in the area of labor protection is to create safe labor conditions at all stages of the production process. The goal is to ensure not only the timely elimination of any breaches in labor protection, but also to prevent these breaches from occurring in the first place.

The Company's guiding principle in creating workplace safety policy is to recognize and provide for the priority of employees' life and health over any production results.

All of JSC "RusHydro's" staff is insured against production accidents and diseases occurring as a result of work. Compensation to employees for events covered by insurance are paid by the Social Insurance Fund.

The activity of JSC "RusHydro" in the area of workplace safety is directed at:

- Improving working conditions for employees;
- Training and preparing employees in the area of production safety, in particular, providing protective gear to employees and ensuring that this equipment is appropriately used;
- Upgrading technological and ecological safety and ensuring the reliable functioning of hydro-electric power plants, hydro-technical constructions and the equipment;
- Control over the execution of recommendations from federal supervisory organs and labor protection inspectors.

To ensure that the Company continues to maintain necessary labor safety standards, conference calls are regularly organized with the chief engineers of JSC "RusHydro's" HPPs on issues of safely and reliably using hydro-technical installations and potentially dangerous production objects. The calls also touch on fire safety, labor protection, accident prevention and systematic (complex and target) checks for labor safety in the workplace.

In 2008, work was carried out to prepare the HPPs for the storm season, as well as for potential floods, fires and avalanches. The Company also carried out maintenance work during the spring and summer months.

The Nizhegorodskaya HPP also obtained the safety certificate.

Work was started to develop and introduce professional safety and health management systems.

In general, 2008 saw a marked improvement in the Company's safety indicators. The number of production accidents for the Holding Company declined from 22 in 2007 to 11 as of the end of the reported period.

In 2008, the Company spent 110,148 thousand rubles on labor protection measures.

9. Social responsibility

9.1. Corporate social responsibility

Corporate social responsibility (CSR) defines the Company's strategy and goals.

Key elements of JSC "RusHydro's" social responsibility include fulfilling state policy, such as implementing projects that will help create energy production clusters. These clusters will help spur development in the Russian regions. Using hydro-electric power plants as development clusters allows the Company to build a stable infrastructure foundation for the Russian energy system.

JSC "RusHydro" considers CSR, in general, as a responsibility voluntarily assumed by the Company toward interested parties (stakeholders). The Company implements its CSR policy publicly, systematically and in constant back-and-forth interaction with stakeholders.

The Company's 2008 activity in the sphere of CSR within the GRI standard was primarily directed at:

- Strictly observing labor and tax legislation norms;
- Realizing JSC "RusHydro's" principles of a public company;
- Increasing the Company's investor attractiveness.

Main tasks in the CSR field during the reported period were:

- Studying CSR issues and its normative documents;
- Internal determination and in-house identification within the framework of the CSR standard (developing a report that complies with GRI standards);
- Determining stakeholders' (interested parties) field and systematically interacting with them;
- Forming obligatory plans for the Company's future.

Among key measures taken by the Company to upgrade corporate governance are the following:

- Electing independent directors to the Company's Board of Directors;
- Adopting a dividend policy;
- Creating committees of the Board of Directors (on strategy, investment, audit and HR and remuneration);
- Increasing investor transparency.

To implement CSR and sustainable development policies, the Company has created a permanent working group for the preparation of social reporting in accordance with the Instruction of JSC "RusHydro" on September 1st, 2008, №717r "On amendments to the instruction of JSC "RusHydro" from July 17th, 2008 № 558r/1r-128 "On the organization of preparing social reporting for JSC "RusHydro" for 2007."

In 2008, for the first time, the Company prepared the "2007 report on social responsibility and corporate sustainability" (hereafter referred to as the social report).

While preparing the social report, the Company engaged in dialogues with stakeholders – representatives from ecological and other public organizations, labor unions, subcontractors, mass media and the investment community. The social report was presented to participants at the September 24th, 2008 meeting of The Public Chamber of Russia. The 2007 social report Social was approved by a resolution of the Company's Management Board on October 7th, 2008 and was attested to at a public hearing on October 29th, 2008.

In the future, the Company intends to produce a social report annually.

9.2. Charitable and sponsorship activity

Based on its conception of charitable and sponsorship activity, as well as the Provision on Charitable and Sponsorship Activity approved in 2007, the Company continues to engage in activities focused on strengthening its reputation as an extremely socially responsible company that makes a significant positive contribution to the economic and social development of the regions in which it operates.

JSC “RusHydro” upholds its traditional obligations:

- In the Perm Region, the Company conducted the third charitable festival “Energy to children!” which involved children from orphanages and boarding schools. The most gifted children appeared on the same stage with the best children’s music and choreographic troupes from Moscow. The children also received grants to stimulate continued development of their creative skills. From 2006 – 2009, underprivileged and socially unprotected youth from Yaroslavl, Volgograd, Samara, Saratov and the Nizhniy Novgorod Regions participated in the festival, as well as those from the Chuvash Republic and the Perm Region. Apart from identifying and supporting the most gifted children from orphanages and boarding schools, the Festival also helps acquaint youth with the best examples of children’s art and upgrades living standards for disadvantaged children.

- Within the framework of cooperating with the charitable foundation “Offer life,” the Company offered support to severely ill children undergoing treatment for hematological oncology at the Russian Children’s Clinical Hospital. The Company also offered support to children with cranio-facial developmental issues, as well as for those with congenital nervous system diseases.

- For the third time, the Company offered its support to organize charitable football matches within the framework of the “Under the flag of good!” program. The Campaign provided 185 seriously ill children throughout Russia’s regions with certificates guaranteeing medical care.

- The Company became the general sponsor of the Moscow Easter Festival. Due to this sponsorship, a chamber program took place in Yakutsk starring young soloists from Saint Petersburg’s Mariinskiy Theater under the direction of L.A. Gergieva, and in Vladikavkaz, the performance of the V.A. Gergiev Symphony Orchestra.

In addition to fulfilling its traditional obligations, the Company recognized the needs of orphaned children, socially vulnerable families and regional youth in general, and thus decided to launch the long-term charitable program “Sail of hope” in Q3 2008.

During the reported period, within the framework of realizing its program, the Company provided charitable support to 10 orphanages and boarding schools, 20 schools, gymnasiums and pre-schools, 10 rehabilitation centers for children and youth, 20 sports organizations for children and youth, high school and specialized secondary educational institutions and public organizations that work with children and adolescents.

The “Sail of hope” program also includes a number of educational projects, united under the umbrella of the “Hydro-academy” program and directed at discovering and supporting gifted schoolchildren, students and young scientists, who have the desire to pursue careers in the hydro-power sector. In 2008, a pilot project was launched at six industry-specific universities located in regions in which the Company operates – a contest of student works in the field of hydro-energy and renewable energy “Development energy – 2009.”

In addition, during Q3 2008, the Company provided material assistance to the South Ossetian Republic which had suffered during the Georgian-South Ossetian conflict. In particular, the Company provided funds to reconstruct a children’s milk kitchen that had been destroyed in the city of Tskhinvali.

JSC “RusHydro’s” funds for 2008 charitable and sponsorship activities

Company	Sail of hope, RUR	Other programs and events, RUR	2008 total, RUR
JSC “RusHydro”	4,617,372.00	79,079,668.00	82,779,989.00
Regions in which the HPPs are present			
The Saratov Region	2,235,000.00	765,000.00	3,000,000.00
The Moscow Region	330,000.00	200,000.00	530,000.00
The Dagestan Region	6,444,460.00	6,633,540.00	13,078,000.00
The Yaroslavl Region	1,607,457.63	190,000.00	1,797,457.63
The Perm Region	2,729,010.00	1,670,990.00	4,400,000.00
The Volgograd Region	1,800,548.00	650,000.00	2,450,548.00
The Samara Region	1,749,766.00	190,000.00	1,939,766.00
The Chuvash Region	1,043,000.00	957,000.00	2,000,000.00
The North Ossetia – Alaniya Republic	3,300,000.00	5,000,000.00	8,300,000.00
The Amur Region	1,116,000.00	2,244,080.00	3,360,080.00
The Nizhniy Novgorod Region	1,870,000.00	210,000.00	2,080,000.00
The Stavropol Region	480,000.00	-	480,000.00
The Khakassia Republic	2,523,444.00	4,016,566.00	6,540,000.00
The Karachayev-Cherkessian Republic	200,000.00	-	200,000.00
TOTAL	32,046,057.63	101,806,834.00	132,935,480.63

10. Environmental policy

JSC “RusHydro’s” primary aim in the area of effectively managing ecological impact is to upgrade the Company’s ecological safety level – ensuring reliable and ecologically sound electricity production and a comprehensive approach toward using natural energy resources.

JSC “RusHydro” is governed by the following basic principles in the areas of ecological safety and environmental protection:

- Taking into account ecological safety as an important component in national safety;
- Energy efficiency and the rational usage of energy resources, as well as decreasing possible negative environmental impacts at all stages of the HPP’s lifecycle;
- Placing a priority on preventive measures that mitigate negative ecological impact;
- Making managerial and investment decisions based on multi-choice scenarios that take into account ecological priorities.

Ensuring ecological safety is one of the Company’s key priorities. Due to the Company’s activity, the following ecological risks may occur:

- The risk of exceeding the water level of dams (water reservoirs) in upper or lower pools, which could lead to flooding in coastal areas, where industrial facilities, residential areas and nature complexes are located. However, to minimize these risks, the Company has constructed protective dams and other facilities. The owners of these facilities maintain them and perform timely maintenance as required.

In addition, the Company promptly notifies the necessary parties of any possible changes in water levels (based on forecasts) so that the necessary preventive measures can be launched.

- The risk of oil flowing from hydro-power units into rivers. Managing this risk requires implementing technical rehabilitation steps, as well as a maintenance program. Within these programs, old elements and parts of hydro-turbines are replaced with new parts, thus, improving the environmental performance of the Company and its producing assets.

The Company’s ecological policy is performed in accordance with the “2008 – 2010 Program of Implementing Ecological Policy at JSC “RusHydro.” Among other things, this policy addresses specific measures to decrease environmental impact.

In 2008, each of the Company’s hydro-generating objects carried out their activities in full accordance with Russian legislative requirements in the area of environmental protection. The subsidiaries were also in full compliance with JSC “RusHydro’s” internal environmental policy requirements:

- Filed necessary documents to obtain regulatory and other documents for the usage of water objects, waste management and air pollutant emissions;
- Filed reports in a timely manner, in full accordance with state statistical reporting norms to state organs;
- Made payments in a timely manner for environmental contamination;
- Conducted planned environmental measures to decrease the Company’s negative environmental impact;
- Performed production activity in full accordance with Russian legislative requirements in the area of environmental protection and natural resource usage.

In 2007, the Company began to implement the project “Introduction of an ecological management system in JSC “RusHydro” in full accordance with the requirements of international standard ISO 14001-2004:”

- “Ecological management system and ecological audit” training was conducted for JSC “RusHydro’s” managers, as well as for top managers and specialists at its branches and SDCs;
- At the “Volzhskaya HPP” and “Zhigulevskaya HPP” branches, the Company introduced the ecological management systems (EMS), which was successfully certified to comply with the ISO 14001-2004 international standard;
- Introduction of EMS at the “Cheboksarskaya HPP,” “Zagorskaya PSHP,” and “Cascade of the Kubanskiye HPPs” has begun;

- Launched the pilot project on introducing the integrated management system (Ecological management system (ISO 14001), quality system (ISO 9001), occupational health & safety management system (OHSAS 18000)) at the “Neporozhniy Sayano-Shushenskaya HPP” branch;
- Conducted internal ecological audits at the “Cheboksarskaya HPP,” “Zagorskaya PSHP,” “Cascade of the Kubanskiye HPPs,” “Volzhskaya HPP,” and “Zhigulevskaya HPP” branches;
- Carried out an independent ecological audit at the “Votkinskaya HPP,” “Cascade of the Kubanskiye HPPs,” and the “Volzhskaya HPP” branches.

As a result of both internal ecological audits and audits carried out by independent experts, corrective measures were developed and performed to improve ecological protective measures at the Company’s HPPs.

JSC “RusHydro” continues active dialogues with a coalition of non-governmental ecological organizations within the framework of the “White book. Dams and development,” project. This project will present an objective, multi-sided and critical review of all of the consequences of building large HPPs in the USSR and Russia.

In 2008, JSC “RusHydro” took part in:

- Parliamentary proceedings conducted by the Russian State Duma on the topic: On the project of Federal Law “On the protection of the primordial living environment and traditional lifestyles of native Russian minorities” and “On the improvement of legislation in the area of providing ecological oversight.”

- Proceeding of the Russian Public Chamber on the topic “Prospects of hydro-power development,, where the Company presented a report on its approaches toward decision-making at all stages of the investment projects’ life-cycle, allowing for the minimization of ecological risks.

- Symposium in China, where the Company presented the report “Experience of JSC “RusHydro’s” ecological impact management”

- 2nd international symposium on water resources and renewable energy in Asia;

- Meeting between JSC “RusHydro’s” Management Board and national journalists, dedicated to the World Day of Water;

- the IV international conference "Rivers of Siberia;"

- the 6th all-Russian energy forum “Russian fuel-and-energy complexes in the 21st century,” participating in the “energy and environment” roundtable;

- Public hearings on the issue of social responsibility in the electrical energy industry;

- “Business and Ecology” (IBLF) roundtable;

- “Ecological management” (IBLF) roundtable;

- 10th international scientific and industrial forum “Great rivers (ecological, hydro-meteorological and energy security)”;

- International conference “Managing water resource systems in extreme conditions” at the “ECWATECH-2008 Forum;”

- 4th all-Russian ecological conference “New priorities in national ecological policy in the real sector of the economy;”

- Ernst&Young roundtable “Business and ecology” series on the topic “Suspension of operations of organizations in cases when ecological legislation has been breached;”

- Public-private partnership roundtable on the topic “Condition of the public-private partnership in the Russian economy and improvement of its legal base;”

- Fourth all-Russian Conference “New priorities in national ecological policy in the real sector of the economy.” By the decision of the Conference organizing committee, JSC “RusHydro” was recognized as the “2008 leader in environmental protection activity.” Acting Chairman of the Management Board V. A. Zubakin, Director of JSC “Rushydro” “Volzhskaya HPP” branch A. V. Klimenko, Director of JSC “RusHydro” “Zhigulevskaaya HPP” branch V. N. Dolgikh were awarded a medal of honor “For outstanding ecological activity.”

In May 2008, the Company received a national award for 2007 archeological legacy protection “Assets of generations” in the category “For a significant input in the organization of

work to protect the objects of archeological legacy.” The Company’s work was primarily directed at protection and conservation measures on the territory of buildings at the Kashkhatau HPP and the bedding of the water reserve at the Zaramagskiye HPP (with funds from the Company’s investment program).

11. Scientific and research activity

Four scientific and research, as well as project institutes, are part of the RusHydro Holding Company:

JSC VNIIG im.B.E.Vedeneeva – one of Russia’s largest scientific centers, the main aim of this institute is to perform scientific and research work, as well as experimental work and work on design and implementation.

JSC Lenhydroproject RusHydro – one of Russia’s oldest planning and surveying institutes, the primary aim is the design, observation and control over building hydro-technical constructions, hydraulic power plants, navigation facilities and production plants.

JSC Scientific Research Institute of Energy Structures (NIIES), priority directions of this institute include: safety evaluation of hydraulic works at active power plants and those plants under construction, the development and production of technical means of building diagnostics; and research in the fields of small-scale power generation and non-traditional power generation.

JSC “Mosoblhydroproject” – provides services across all types of project work connected with hydro-technical construction, hydro-power, water supply and ecology.

The Company also participates in the non-commercial partnership “Russian Hydro-power,” which is focused on protecting the interests of the hydro-power industry, including during the preparation of regulatory legal documents, which regulate relations in the sphere of electricity and water resource complexes.

JSC “RusHydro” regularly conducts scientific and research work with the aim of determining ways to improve technological processes (research of material properties, equipment conditions, test operations, etc.), aimed at upgrading the reliability, safety and effectiveness of HPPs’ functioning.

Within the framework of scientific and research activity, for the fourth consecutive year, JSC “RusHydro” was one of the organizers of the scientific and technical conference “Hydroenergetics: New developments and technologies,” conducted on the basis of JSC VNIIG im.B.E.Vedeneeva and the St. Petersburg State Polytechnical University. The main aim of the conference is to maintain and develop the scientific potential of the Russian hydro-power industry.

In 2008, the Company took part in various conferences and seminars including:

- at the initiative of JSC “RusHydro” and the Siberian Coal Energy Company (JSC “SUEK”), a working seminar on the topic “HVDC and FACTS and the development of the Russian power industry” was conducted. The seminar was attended by representatives from Russian energy companies and institutes, as well as representatives of “Siemens AG,” which is the largest producer of equipment for the power industry using HVDC (High Voltage Direct Current) and FACTS (Flexible AC Transmission Systems) methods;

- In the fall of 2008, with the support of the Executive Committee of the Electrical Energy Council of the CIS, JSC “RusHydro” participated in the second international educational and practical seminar: “Energy characteristics and hydro-power modes of the HPPs and their management under conditions in the CIS electricity market.” This seminar included site visits to the Zagorskaya PSHPP and Zagorskaya PSHPP-2;

- In the area of renewable energy usage, the European Parliament in Brussels conducted an international “Renewable energy” conference with the active participation of JSC “RusHydro.”

12. Glossary of key terms and abbreviations

Company	JSC “RusHydro,” including its branches and representative offices.
Holding company	JSC “RusHydro,” including its subsidiaries and dependent companies.
SDC	Subsidiaries and dependent companies – entities, in which another (main) economic entity due to its majority or greater participation in charter capital or in accordance with a concluded agreement or in another way, has the opportunity to determine decisions adopted by these entities.
JSC RAO “UES of Russia”	Russian energy company until July 1 st , 2008. Full name - Open joint-stock company of energy and electrification the “Unified Energy System of Russia.” The Company united almost all of Russia’s energy sector under its umbrella. UES ceased its existence on June 30 th , 2008.
OGK	Generating companies of the wholesale electricity market – companies formed on the basis of power plants.
TGK	Territorial generating companies – companies formed during the inter-regional integration of generating assets of JSC-energy (regional generating companies), except generating assets that are subject to being included in OGK(s).
Concluding re-organization	The Company is considered to be re-organized, except in cases of re-organization in the form of merger(s), since the moment that the State registered newly formed legal entities During the re-organization of the Company in the form of a merger, the first of the companies is considered to be re-organized since the moment of its inclusion in the State Register of legal entities of a record on the cessation of activity of the merged company
IES	Integrated Energy System (IES) – aggregated production and other electricity property assets, connected by a united production process (including production in the mode of the combined generation of electrical and thermal energy) and the supply of electrical energy under conditions of a centralized operative and dispatching management.
HPP	Hydro-electric power plant – the power plant as a united production and technological complex, uniting hydro-technical constructions and the equipment that transforms the mechanical energy of water into electrical energy. In the text of the annual report, except when otherwise noted, tidal power stations and PSHPPs are also included in the 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 the reverse transformation, accumulated energy is given to the energy system primarily to cover peak loads.
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 flood and destruction of water reservoir shores; dam constructions, protecting liquid waste reservoirs of production and agricultural organizations; devices to protect from wash-away and other constructions designed for using water resources and preventing the negative impact of water and liquid waste.
RES	Renewable energy sources – hydro, solar, wind, geo-thermal, hydraulic energy, energy from water currents, waves, tides, the temperature gradient of sea water, temperature differences between air masses and the ocean,

	heat from the Earth , animal biomasses, vegetable and household waste.
WPS	Wind-power stations – equipment set 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.
FST	Federal Service for Tariffs
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 electrical energy industry in the Russian Federation.” It focuses on organizing trade and financial payments in the wholesale energy market.
WME	Wholesale electricity market (capacity) – sphere of turnover of electrical energy (capacity) within the framework of Russia’s integrated energy system within the country’s unified economic space with the participation of large electricity producers and consumers having the status of wholesale market objects, confirmed in full accordance with the Federal Law “On the electrical power industry” (by the Government of Russia). The criteria for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian government.
NWMEC	New model of the wholesale electricity and capacity market electricity foresees the transformation of the regulated sector of the wholesale market into a system of regulated agreements (RAs), concluded by participants in the wholesale market. Electricity and capacity is sold under RAs. The volume of electricity not sold under RAs is 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 volumes from the price application of purchases did not undergo competitive choice on the day ahead market, the purchaser will have to buy the respective volumes for consumption on the balancing market.
RA	Regulated agreements are concluded by participants in the wholesale market for a term of from 1 to 3 years. The prices in each agreement are tariffs for energy suppliers and capacity set by the Russian FST. 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 not dependent on the amount of its own planned consumption.
Regulated sector of the wholesale electricity market	The portion of the wholesale electricity market, in which, wholesale trade of part of the volume of electricity and capacity are sold at tariffs approved by the Russian federal executive organs on the regulation of natural monopolies in an order set by the Federal Law “On the state regulation of electricity and thermal energy tariffs in the Russian Federation.”
	The sector, in which, the wholesale trade of a portion of produced

Free trade sector	electricity is concluded and executed in the form of buying and selling contracts and in the form of price bids for 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 for each hour of the next day.
BM	Balancing market – the wholesale electricity market, where trade(s) of electricity volumes that deviate from plans are performed, which occurs due to a difference between the actual and planned volumes of supply/consumption.
Installed capacity	Total nominal active capacity of generators of electric power plants which are part of the Company structure
Mw	Megawatt – a unit of measure for electrical capacity.
kWh	Kilowatt-Hour – a unit of measure for produced electricity.

Audit Committee resolution for JSC “RusHydro,” as of the end of 2008

Moscow

March 27th, 2009

In accordance with JSC “RusHydro’s” audit committee decision (meeting minutes №2 on February 2nd, 2009), presented by the following committee members: Chairman Denis Vladislavovich Gataulin, Sergey Borisovich Sidorov, Vadim Anatolyevich Zakharov and Artem Vladislavovich Lukashov, an audit verifying the 2008 economic and financial results for JSC “RusHydro” (later referred to in the text as the Company) was conducted.

The General Meeting of Shareholders (minute №1 from June 26th, 2008) selected “PricewaterhouseCoopers Audit” to conduct the financial audit for the Company for the period from January 1st, 2008 till December 31st, 2008. In the audit report dated March 25th, 2009, the auditor issued an opinion stating that the Company’s financial reports accurately reflect the Company’s financial position as of December 31st, 2008 and that the results from FY 2008 are in full compliance with all Russian legislative provisions applicable for the preparation of financial statements.

The Company’s charter capital as of December 31st, 2008 stood at 245,014,059 thousand rubles. During the reporting period, JSC “RusHydro’s” charter capital increased by 88,149,685 thousand rubles. The increase in charter capital occurred because the Company issued additional shares for the purpose of converting shares of subsidiaries merged into the Company (on December 27th, 2007, the Russian FSFM registered the Company’s share issue which converted the shares of 20 joint-stock companies; and then, on April 29th, 2008, the FSFM registered an additional share issue for the Company designed to convert the shares of four joint-stock companies).

The substantial changes in the Company’s key performance indicators during the reporting period and reflected in the accounting statements are due to re-organization. This re-organization provided the foundation for JSC “RusHydro’s” new target model – the formation of an operating company which manages its HPPs and SDCs in an effort to organize new activities and achieve investment projects.

During 2008, the Company’s proceeds from the sale of goods, works and services were 61,877,186 thousand rubles – a 48% increase from the previous year. The cost of sold goods, works and services amounted to 38,218,482 thousand rubles (15% higher than in 2007). The cost structure changed significantly during the reported period. The primary source of increased costs can be attributed to material costs which increased 4,785,712 thousand rubles and depreciation which rose 7,250,829 thousand rubles. The principal source of decreased costs can be found in the other cost indicator, which fell by 10,211,778 thousand rubles.

Profits on 2008 sales totaled 23,658,704 thousand rubles – a 178% increase from the previous year.

Other income in 2008 fell 4% and totaled 22,559,068 thousand rubles.

During the reported period, other costs dropped 2% and equaled 23,270,848 thousand rubles.

Net profit for 2008 equaled 16,450,239 thousand rubles – a 91% increase compared to the previous reported period.

The book value of the Company’s assets as of December 31st, 2008 stood at 441,293,808 thousand rubles – a 127% increase from January 1st, 2008.

The Company’s property, plant and equipment increased by 241,277,998 thousand rubles and reached 233,340,764 thousand rubles. This increase can primarily be attributed to the “installations and transmission facilities” indicator.

The Company's short-term accounts receivable stood at 60,258,419 thousand rubles as of December 31st, 2008 – a 41% increase from January 1st, 2008.

Accounts payable totaled 12,261,424 thousand rubles as of December 31st, 2008 – a 1,101% increase compared to the indicator on January 1st, 2008.

The Company's net assets as of December 31st, 2008 totaled 410,184,335 thousand rubles, which is 132% higher than the same indicator on January 1st, 2008.

Solvency and liquidity indices:

Cash ratio shows what share of the Company's short-term liabilities can be covered in short order by cash funds and their equivalent in either market securities and/or deposits. As of the end of the reported period, the cash ratio had decreased and stood at 2.1, which is higher than the recommended level of 0.15. This means that the Company is capable of covering all of its obligations with either cash funds or short-term financial investments.

Quick ratio is the ratio between the most liquid part of current assets and short-term liabilities. During the reported period, the quick ratio fell to 6.63.

Current ratio indicates if the Company has enough funds on hand to pay its short-term liabilities. At the end of 2008, the current ratio had dropped to 6.7.

Autonomy ratio is the Company's percentage of own funds in overall capital, which stood at 93% as of December 31st, 2008. This coefficient is higher than the normative indicator (50%). Own funds exceed borrowed funds in overall capital. In other words, the majority of the Company's assets continue to be financed with own capital.

Profitability ratios

Sales profitability shows the actual profitability of sales. Unlike for other ratios in this group, this indicator is unaffected by elements not related to sales, for example, those included in other expenses and other income. Thus, this ratio allows us to precisely evaluate sales management efficiency during the Company's principal activity. During the reported period, this indicator increased and stood at 38% (which is a rather high figure for this industry).

Return on equity characterizes the Company's ability to increase equity and, consequently, the Company's financial stability, the rationality of capital structure management and the effectiveness of investment activity. Looking at fluctuations in this indicator allows investors and analysts to evaluate the Company's operational and financial risks. During the reported period, this indicator was 5.6% – higher than the recommended level.

Return on assets shows the profit that the Company receives per ruble invested in assets. During the reported period, return on assets stood at 5.2%, which is higher than the recommended level and a definite positive for investors.

Therefore, the Company's current financial situation can be termed stable with highly profitable sales and assets.

Based on the inspection that was carried out and taking into account the auditor's opinion, the Commission has sufficient grounds to confirm the adequacy of the data contained in both the Company's annual report and its annual financial accounting statements.

Chairman of JSC
"RusHydro's" Audit
Commission

D.V. Gataulin



Information on members of the Company's managing organs active in 2008

Members of the Board of Directors, from June 22nd, 2007 to June 25th, 2008:

Name	Position held
<p>Christenko Victor Borisovich</p> <p>(Chairman of the Board of Directors)</p>	<p>Minister of Production and Energy for the Russian Federation</p> <p>Holds no shares in the Company</p>
<p>Sinyugin Vyacheslav Yurievich</p> <p>(Chairman of the Board of Directors)</p>	<p>Chairman of the Management Board of JSC "HydroOGK"</p> <p>Holds no shares in the Company</p>
<p>Chubais Anatoliy Borisovich</p>	<p>Chairman of the Board for JSC "RAO UES of Russia"</p> <p>September 2008 – present – General Director of the State Corporation "The Russian Nanotechnology Corporation"</p> <p>Holds no shares in the Company</p>
<p>Askinadze Denis Arkadyevich</p>	<p>Director of the Tariff State Regulation and Infrastructure Reform Department of the Russian Ministry of Economic Trade and Development</p> <p>Holds no shares in the Company</p>
<p>Urinson Yakov Moiseevich</p>	<p>Deputy Chairman of the Management Board of JSC "RAO UES of Russia," Head of JSC "RAO UES of Russia" Corporate Center</p> <p>Holds no shares in the Company</p>
<p>Rappoport Andrey Natanovich</p>	<p>Chairman of JSC "FGC's" Management Board</p> <p>Holds no shares in the Company</p>
<p>Ayuev Boris Ilyich</p>	<p>Chairman of the Management Board of JSC "SO-CDU UES"</p> <p>Share in the Company's charter capital – 0.126%</p>
<p>Udaltsov Yuri Arkadyevich</p>	<p>Member of JSC "RAO UES of Russia" Management Board, Head of Center for managing the reform of JSC "RAO UES of Russia"</p> <p>Holds no shares in the Company</p>
<p>Ponomarev Dmitriy</p>	<p>Chairman of the Management Board of the non-commercial partnership</p>

⁸ Member's positions are given as of the date of their election.

Valerievich	“Administrator of the Trade System” Holds no shares in the Company
Medvedev Yuri Mitrofanovich	Deputy Head of the Federal Agency for Federal Property Management Holds no shares in the Company
Remes Seppo Juha	Senior Adviser to the Chairman of the Finnish Strategic Institute under the Parliament of the Finnish Republic Holds no shares in the Company
Khamitov Rustem Zakievich	Head of the Federal Agency for Water Resources Holds no shares in the Company
Herne David Alexander	CEO of Halcyon Advisors Holds no shares in the Company

Members of the Company’s Board of Directors, from June 25th, 2008 to December 27th, 2008:

Name	Position held
Sinyugin Vyacheslav Yurievich (Chairman of the Board of Directors)	Deputy Minister of Energy for the Russian Federation Holds no shares in the Company
Christenko Victor Borisovich	Minister of Production and Trade for the Russian Federation Holds no shares in the Company
Akhanov Dmitriy Sergeevich	October 2007 – August 2008, Head of the Federal Agency for Energy Holds no shares in the Company
Sharonov Andrey Vladimirovich	Managing Director of the Presidential Apparatus for the investment company “Troika Dialog” Holds no shares in the Company
Vyazalov Sergey Yurievich	Deputy head of the Presidential Administration for external policy Holds no shares in the Company
Urinson Yakov Moiseevich	Deputy Chairman of the Management Board of JSC “RAO UES of Russia,” Head of JSC “RAO UES of Russia” Corporate Center Holds no shares in the Company
Rappoport Andrey	

Natanovich	Chairman of JSC “FGC’s” Management Board Holds no shares in the Company
Ayuev Boris Ilyich	Chairman of the Management Board, member of the Board of Directors for JSC “System Operator of UES” Share in the Company’s charter capital – 0.126%
Udaltsov Yuri Arkadyevich	Member of JSC “RAO UES of Russia” Management Board, Head of the Center for managing the reform of JSC “RAO UES of Russia” Holds no shares in the Company
Ponomarev Dmitriy Valerievich	Chairman of the Management Board of JSC “Administrator of Trade System” Holds no shares in the Company
Remes Seppo Juha	General Director of LLC “Kiuru” Holds no shares in the Company
Medvedev Yuri Mitrofanovich	Deputy Head of the Federal Agency for State Property Management Holds no shares in the Company
Khamitov Rustem Zakievich	Head of the Federal Agency for Water Resources Holds no shares in the Company

Active membership of the Board of Director’s committees

The Strategy Committee, as of July 16th, 2008

Per-Christian Endsho (Committee Chairman)	Former president of Hydro Energy - Chairman of the Strategic Committee
Gavrilov Vsevolod Valeryanovich	Deputy Director of the Department for the State Regulation of Tariffs, Infrastructure Reforms and Environmental Management in the Russian Ministry of Economic Development and Trade
Mezhevich Valentin Efimovich	Member of The Federation Council of the Russian Federation, First Deputy Chairman of the Commission for Natural Monopolies (of the Russian Federation Council)
Khamitov Rustem Zakievich	Head of the Federal Agency for Water Resources
Akhanov Dmitriy Sergeevich	Member of JSC “RusHydro’s” Board of Directors
Zarkhin Vitaliy Yurievich	Leading analyst at East Capital
Herne David Alexander	CEO of Halcyon Advisors
Vyazalov Sergey Yurievich	Deputy head of the Russian Presidential Administration for external policy
Zhuravlev Sergey Igorevich	Head of Fuel and Energy Sector Property Management for the Commercial Sector Department of the Federal Agency for Federal Property Management
Sharonov Andrey Vladimirovich	Managing Director of “Troika Dialog Group”

Tikhonova Maria Gennadyevna	Deputy Head of the Sector for the Department for Legal Support and Property Relations in the Fuel and Energy Complex, “Rosenergo”
Balashov Maxim Genrikhovich	Deputy Director of the Electrical Power Department at the Russian Ministry for Industry and Power
Zubakin Vasily Alexandrovich	Deputy Management Board Chairman for JSC “RusHydro”
Oksuzyan Oleg Borisovich	Member of JSC “RusHydro’s” Management Board

Investment Committee since July 16th, 2008

Kurbatov Mikhail Yurievich	Acting Director for the Department for State Regulation of Tariffs, Infrastructure Reforms and Power Efficiency for the Russian Ministry of Economic Development
Kravchenko Vyacheslav Mikhailovich	Director of the Department for the Russian Ministry of Energy
Kozlov Dmitriy Aleksandrovich	Deputy Director for the Department for Development and Investment Policy of the Fuel and Energy Complex of the Ministry for Energy of the Russian Federation
Pomchalova Elena Valentinovna	Head of the Administration for Pricing Regulation and Control in the Electric Power Industry of the Federal Tariff Service
Remes Seppo Juha	Senior adviser to the Chairman of the Finnish Strategic Institute under the Parliament of the Finnish Republic
Herne David Alexander	CEO of Halcyon Advisors
Sharonov Andrey Vladimirovich	Managing Director of “Troika Dialog Group”
Wolfgang Skribot	Head of the Department for Property Management and Corporate Relations at JSC “Gazprom”
Kobzev Andrei Nikolaevich	Deputy Head of the Department for Legal Support and Property Relations in the fuel and energy complex of “Rosenergo”
Zubakin Vasily Aleksandrovich	Acting Chairman of the Management Board of JSC “RusHydro”
Yushin Yuri Aleksandrovich	Member of the Management Board of JSC “RusHydro”
Sergeev Aleksandr Yurievich	Member of the Management Board of JSC “RusHydro”

Audit Committee since January 24th, 2008

Ponomarev Dmitriy Valerievich (committee Chairman)	Member of the Board of Directors of JSC “RusHydro”
Ayuev Boris Ilyich	Member of the Board of Directors of JSC “RusHydro”
Akhanov Dmitriy Sergeevich	Member of the Board of Directors of JSC “RusHydro”

HR and Remuneration Committee since July 16th, 2008

Remes Seppo Juha (committee Chairman)	Member of the Board of Directors of JSC “RusHydro”
Urinson Yakov Moiseevich	Member of the Board of Directors of JSC “RusHydro”
Sharonov Andrei Vladimirovich	Member of the Board of Directors of JSC “RusHydro”

JSC “RusHydro’s” branch

Name of the branch	Director of the branch	Location	Contacts
Bureiskaya HPP	Yuri V. Gorbenko	the Amur Region	Tel. 8(41634)5-23-59 e-mail: PecherkinaOV@burg.es.gidroogk.ru
Volzhskaya HPP	Andrei V. Klimenko	the Volgograd Region	Tel. 8(8443)34-13-13 e-mail: officevges@gidroogk.ru
Votkinskaya HPP	Alexei G. Byakov	the Perm Region	Tel.8(34241)7-03-59 e-mail: office@votges.gidroogk.ru
Dagestan Branch	Timur G. Gamzatov	the Republic of Dagestan	Tel. 8(8722) 78-05-79 e-mail: drgk@drgk.ru
Zhigulevskaya HPP	Vera N. Dolgikh	the Samara Region	Tel. 8(84862)7-93-59 e-mail: PopovaSA@zhiges.gidroogk.ru KutianinaLA@zhiges.gidroogk.ru
Zagorskaya PSHP	Vladimir I. Magruk	the Moscow Region	Tel. 8(49654)5-34-20, e-mail: zagaes_office@zagaes.gidroogk.ru
Zeiskaya HPP	Irina D. Savelyeva	the Amur Region	Tel. 8(41658)2-45-31 e-mail: inform@zges.amur.ru
Kabardino-Balkarsky branch	Ali A. Sottaev	the Kabardino-Balkarsky Republic	Tel.8(8662)97-52-38 e-mail: SottaevAA@gidroogk.ru TakuevaMM@gidroogk.ru
Kamskaya HPP	Sergey N. Bologov	the Perm Region	Tel. 8(342)273-46-84 e-mail: Officekamges@kamges.gidroogk.ru
Karachaevo- Circassian Branch	Grigor A. Saratikyan	the Karachaevo- Circassian Republic	Tel. 8(8782)26-70-40 e-mail: Office@zelges.gidroogk.ru
Upper Volga HPP Cascade	Andrei V. Derezhkov	the Yaroslavl Region	Tel.8(4855)29-74-59 e-mail: Officekvvges@kvvges.gidroogk.ru
Kuban HPP Cascade	Victor A. Machejev	the Stavropol Region	Tel.8(86554)6-89-01 e-mail: GrabelnikovaAA@segk.gidroogk.ru
Corporate Hydro energy University	Elena A. Aksenova	Moscow	Tel.8(495)225-32-32 (доб.4008)
Nizhegorodskaya HPP	Evgeny A. Dikov	the Nizhniy Novgorod Region	Tel. 8(83161)5-83-59 e-mail: og_nigges@gidroogk.ru
Novosibirskaya HPP	Victor I. Sershun	the Novosibirsk Region	тeл. +7 (383) 345-06-30 e-mail: KutkinaSG@novges.gidroogk.ru AltukhovaLA@novges.gidroogk.ru
Saratovskaya HPP	Lyudmila V. Odintsova	the Saratov Region	Tel. 8(8453)44-20-65 e-mail: office@sarges.gidroogk.ru
P.S. Neporozhny Sayano-Shushenskaya HPP	Nikolay N. Nevolko	the Republic of Khakassia	Tel. 8(39042)3-23-00 e-mail: ofissges@gidroogk.ru
North Ossetian branch	Vitaly B. Totrov	the Republic of North Ossetia-Alania	Tel. 8-8672-53-66-34 e-mail soggk@osetia.ru
Cheboksarskaya HPP	Vladimir G. Drorfeyev	the Chuvash Republic	Tel. 8(8352)30-19-59 e-mail: office@cheges.vohec.ru
Irganaiskaya HPP	Nurmagomed A. Aliev	the Republic of Dagestan	Tel.8(8722)51-55-00 iges@sulak.ru

Subsidiaries and dependent companies of JSC “RusHydro” as of December 31st, 2008

Name of SDCs	Share of JSC “RusHydro” in the charter capital of SDCs	Internet address of SDC
JSC-Production		
Open joint-stock company “Malaya Mezenskaya TPP”	100%	http://www.tidal-mezen.rushydro.ru/
Open joint-stock company “Karachaevo-Circassian Hydro-generating Company”	100%	http://www.rushydro.ru/kchggk/
Open joint-stock company “Prometey”	100%	http://www.prometey.rushydro.ru/
Open joint-stock company “Geotherm”	71.61%	http://www.geotherm.rushydro.ru/
Open joint-stock company “Kolymaenergo”	64.27%	http://www.kolymaenergo.rushydro.ru/
Open joint-stock company “Test output Verkhne-Mutnovskaya GeoPP (OP Verkhne-Mutnovskaya GeoPP)”	48.04%	http://www.vmggeopp.rushydro.ru/
Open joint-stock company “First generation company of the wholesale electricity market (JSC “OGK-1”)” ⁹	21.71%	http://www.ogk1.com/
AO-Maintenance		
Open joint-stock company “Elektroremont – VKK”	100%	http://www.ervkk.rushydro.ru/
Open joint-stock company “Hydroremont-VKK”	100%	http://www.hvkk.rushydro.ru/
Open joint-stock company “Turboremont – VKK”	100%	http://www.turboremont.ru/
Open joint-stock company “Regional Energy Marketing and Investment Corporation (JSC “REMIK”)”	100%	http://www.remik.rushydro.ru/
Open joint-stock company “Sayano-Shushenskiy Hydro-energy maintenance (JSC “SSHGER”)”	100%	http://www.rushydro.ru/sshger/
JSC-Retailing		
Open joint-stock company “Energy Retailing Company RusHydro (JSC “ESK RusHydro”)”	57.44%	-
JSC Construction		
Open joint-stock company “Zagorskaya PSHPP-2”	100%	http://www.zagaes2.rushydro.ru/
Open joint-stock company “Nizhne-Bureyskaya HPP”	100%	http://www.nbgges.ru/
Open joint-stock company “Sulakskiy Hydro-energy Cascade” (JSC “Sulakskiy HydroCascade”)	100%	http://www.sulak.ru/
Open joint-stock company “Nizhne-Zeyskaya HPP”	100%	http://www.nzges.rushydro.ru/
Open joint-stock company “South Yakutia Hydro-generation” (JSC “South Yakutia HGC”)	100%	http://www.yakutia.rushydro.ru/
Open joint-stock company “New Binary Power Generating Unit”	100%	-
Closed joint-stock company “Boguchanskaya HPP”	99%	http://www.rushydro.ru/boges/
Open joint-stock company “Zaramagskie HPPs” ¹⁰	95.45%	http://www.zaramag.rushydro.ru/
Open joint-stock company “ChirkeiGESstroy”	74.99%	http://www.chirkeigesstroy.ru/
Project of the Boguchan energy-metallurgy union		

⁹ Share of JSC “OGK-1” in the charter capital of the Company is 0.018%

¹⁰ Share of JSC “Zaramagskie HPPs” in the charter capital of Company is 0.11%

Limited liability private company "HYDROOGK ALUMINIUM COMPANY LIMITED "	99.99% (100% - 1 share)	-
Limited liability private company "HYDROOGK POWER COMPANY LIMITED"	99.99% (100% - 1 share)	-
Closed joint-stock company "Construction Organizer for the Boguchanskaya HPP"	51%	http://www.osboges.ru/
Closed joint-stock company "Construction Customer for the Boguchany smelter"	51%	-
Closed joint-stock company "Construction Organizer for the Boguchany smelter"	49%	-
Closed joint-stock company "Construction Customer for the Boguchanskaya HPP"	49%	-
JSC Institutes		
Open joint-stock company "Lengidroproekt"	100%	http://www.lhp.rushydro.ru/
Open joint-stock company "Energy Construction Complex of UES (JSC "ESKO UES")"	100%	http://www.esko-ees.rushydro.ru/
Open joint-stock company "Scientific Research Institute of Power Structures (JSC NIIES)"	100%	http://www.niies.ru/
Open joint-stock company "VNIIG im. B.E.Vedeneeva"	100%	http://www.vniig.rushydro.ru/
Others		
Open joint-stock company "Hydroinvest" ¹¹	100%	http://www.rushydro.ru/hydroinvest/
Open joint-stock company "Sayano-Shushenskiy Road Transport Centre (JSC "SS ATC")"	100%	http://www.rushydro.ru/ssatc/general
Open joint-stock company "Physical Culture and Sports Complex Cheremushki (JSC "FSK "Cheremushki")"	100%	http://www.rushydro.ru/cheremushki/
Limited liability company "Energy index – HydroOGK"	100%	-
Open joint-stock company "Managing Company RusHydro (JSC MC RusHydro)"	100%	http://www.mc.rushydro.ru/
"RusSUNHydro Limited"	50%	-
Open joint-stock company "Main Computation Center for Energy (JSC "GVC Energetiki")"	42.53%	http://www.gvc.elektra.ru/show.cgi?main.htm
Open joint-stock company "Zharky"	25.001%	-
Open joint-stock company "Ural Energy Managing Company (OJSC "UEUK")"	20.66%	-

¹¹ The share of JSC "Hydroinvest" in the charter capital of the Company is 0.356%

Appendix 6¹²

Information on Compliance with the Corporate Governance Code

N	Corporate Governance Code rule	Information on compliance or non-compliance/note
General Meeting of Shareholders		
1.	The announcement of the holding of the General Meeting of Shareholders at least 30 days in advance, unless the legislation envisages a longer period, regardless of the meeting's agenda	Observed In accordance with item 10.11 of the Articles of Association ¹³ notice of the forthcoming General Meeting of Shareholders shall be published by the Company in the "Vedomosti" newspaper and placed on the Company's website on the Internet no less than 30 days prior to the date thereof.
2.	Observance of the right of shareholders to acquaint themselves with the list of persons entitled to participate in a General Meeting of Shareholders from the day on which the holding of the General Meeting of Shareholders is announced until closure of an in presentio General Meeting of Shareholders and, in the event of an in absentia General Meeting of Shareholders – until the final date on which the ballot sheets are accepted	Observed The right of persons having the right to participate in the General Meeting of Shareholders and having not less than 1% of shares to acquaint with the indicated list of persons is foreseen by item 4 of article 51 of the Federal Law "On joint-stock companies" and is observed by the Company.
3.	Observance of the possibility of shareholders to acquaint with information (materials) that is subject to disclosure in preparation for the General Meeting of Shareholders via electronic means of communication including Internet	Observed Information (materials) on the issues of the agenda of the General Meeting of Shareholders are published 20 days in advance on the Company website and in case if the agenda has an issue related to Company re-organization such information is published on the website 30 days in advance.
4.	Shareholders' opportunity to introduce matters to the agenda for the Annual General Meeting of Shareholders or to demand that an Extraordinary General Meeting of Shareholders be convened without presenting an excerpt from the shareholders' register if their rights to shares are recorded in the system for maintaining the register and, if their rights to shares are booked in a deposit account – with presentation only of a statement on the deposit account.	Observed The order of introducing matters to the agenda of the Annual General Meeting is set by article 11 of the Articles of Association. The order of collocation for calling the shareholders for an extraordinary meeting upon the demand of shareholder(s) holding not less than 10% of voting shares of the Company is set by article 10 of the Articles of Association.
5.	Availability in the Company Bylaws or internal documents of a requirement of mandatory presence of General Director, Managing Board members, Board of director members, Internal Audit Committee members and the Company Auditor at the General Meeting of Shareholders	Partly observed In accordance with article 5.2.2. of the Corporate Governance Code Members of the Board of Directors, of the executive bodies, of the Audit Committee and the auditor are provided by the Company with an opportunity to attend General Meetings of Shareholders of the Company.
6.	Mandatory presence of candidate when discussing the issues of election of Board of Director members, General Director, Management Board members, Internal Audit Committee and issues of approving the Company Auditor at the General Meetings of Shareholders	Partly observed In accordance with article 5.2.2. of the Corporate Governance Code when the General Meeting of Shareholders considers questions relating to election of members of the Board of Directors and of the members of the Audit Committee and concerning approval of the Auditor of the Company, candidates (candidates' representatives) shall, when possible, attend the General Meeting of Shareholders.
7.	Availability of a description of the registration procedure for participants of the General	Observed The registration procedure for participants of the General Meetings of

¹² The format of the report on compliance with the Corporate Governance Code of JSC "RusHydro" is adopted by the Board of Directors of the Company.

¹³ The Articles of Association of JSC "RusHydro" are placed on the Company's website at:
http://www.rushydro.ru/file/main/global/investors/disclosure/regulations/Ustav_OAO_RusGidro.pdf

	Meeting(s) of Shareholders	Shareholders is set by item 7.1. of the Regulations on Procedure for the Preparation and Holding of the General Meeting of Shareholders, approved by the General Meeting of Shareholders of 22.06.2007 ¹⁴ .
Board of Directors		
8.	Availability in the Articles of Association of the authority of the Board of Directors on annual approval of the Company's financial and economic plan	Observed In accordance with items 14 and 12.1 of the Articles of Association of the Company the issues of approving (correcting) the business plan of the Company and considering the report of its fulfillment are included in the competence of the Board of Directors. The Board of Directors of the Company approved on August 18 th , 2008 the "Business planning system" Standard, according to which the Company's business plan is annually approved by the Board of Directors.
9.	Availability of risk management procedure in the Company approved by the Board of Directors	Observed On April 4 th , 2008 was approved the Regulations of the Internal Audit and the Risk Management Department ¹⁵ .
10.	Availability in the Articles of Association of the right of the Board of Directors to cease powers of the general director appointed by the General Meeting of Shareholders	Observed In accordance with article 12 and article 19 of the Articles of Association of the Company the issues of the election and cessation of powers of the Chairman of the Management Board are included in the competence of the Board of Directors.
11.	Availability in the Articles of Association of the fixed right of the Board of Directors to set requirements for the size of remuneration to the General Director, Management Board members and top-managers of the main structural divisions of the Company	Partly observed In accordance with article 12 and 17 of the Articles of Association the Board of Directors is given the right to set requirements on the size of remuneration paid to the Chairman and members of the Management Board.
12.	Availability in the Articles of Association of a fixed right of the Board of Directors to approve the conditions of agreements with the General Director and members of the Management Board	Partly observed In accordance with article 12 and 17 of the Articles of Association. the Board of Directors is given a right to approve the conditions of agreements with the Chairman of the Management Board.
13.	Availability in the Articles of Association or the internal documents of the Company a requirement providing that in concluding agreements with the General Director (managing organization, manager) and the members of the Management Board the votes of members of the Board of Director that are general director and members of the Management Board are not taken into account during the calculation of the vote	Not observed The indicated requirements are not included in the internal documents of the Company or the Articles of Association.
14.	Availability of not less than 3 independent directors in the membership of the Board of Directors, complying with the requirements of the FSFM Corporate Governance Code	Observed During the Extraordinary General Meeting of Shareholders on December 27 th , 2008 five independent directors complying with the requirements of the FSFM Corporate Governance Code were elected to the Board of Directors: <ul style="list-style-type: none"> • Belyaev Vadim Stanislavovich, • Vainzikher Boris Feliksovich, • Danilov-Danilyan Viktor Ivanovich, • Serebryannikov Sergey Vladimirovich, • Tatsiy Vladimir Vitalyevich.
15.	Absence on the Board of Directors of persons, which were recognized as guilty of crimes in the economic sphere or crimes against state authorities, interests of state service and local authorities' service or which were invoked on administrative punishment for breaches of regulations in the field of entrepreneurial activity or in the field of finance, taxes and duties or the stock market	Observed There are no such persons on the Board of Directors.

¹⁴ Regulations on the Procedure for the Preparation and Holding of the General Meeting of Shareholders are available at the Company website at: <http://www.rushydro.ru/res/files/hydroogk/meeting.pdf>

¹⁵ Provision on the internal control and risk management policy of JSC "RusHydro" is available at the Company website at: <http://www.rushydro.ru/investors/disclosure/documents/3343.html>

16.	Absence on the Board of Directors of persons participating, being general director (manager) or member of managerial organs or an employee of an entity that is a competitor of the Company	Not observed By the request of a shareholder – the Russian Federation represented by Federal Property Management Agency Boris Feliksovich Vainzikher, who is also the Chairman of the Board of the competing entity JSC “TGK-1”.
17.	Availability in the Articles of Association of a requirement on cumulative voting when electing the Board of Directors	Observed In accordance with item 13.2. of the Articles of Association and item 7.4.2. of Regulations on Procedure for the Preparation and Holding of the General Meeting of Shareholders as well as basing on the requirement of Federal Law “On joint-stock companies” members of the Board of Directors are elected by the General Meeting of Shareholders through cumulative voting.
18.	Availability in the Company’s internal documents of an obligation of members of the Board of Directors to undertake to refrain from any actions that might entail a conflict between their own interests and those of the Company and of an obligation to notify other members of the Board of Directors to this effect and to refrain from voting on the relevant matter(s) in the event that such a conflict does arise.	Observed By item 4.1.6. of the Corporate Governance Code, it is provided that members of the Board of Directors agree to refrain from any actions that might entail a conflict between their own interests and those of the Company. In the event that such a conflict does arise, the member of the Board of Directors undertakes to notify other members of the Board of Directors to this effect and to refrain from voting on relevant matter(s).
19.	Availability in internal documents of the Company of an obligation for members of the Board of Directors to inform the Board of Directors in writing on the intention to perform transactions with securities of the Company, in the Board of Directors of which they participate or its subsidiary (dependent) companies and also to disclose information on transactions with such securities performed by them.	Partly observed In accordance with the Regulation on Insider Information of JSC “RysHydro” ¹⁶ approved by the Board of Directors on November 28 th , 2008 (protocol № 68 from December 1 st , 2008), members of the Board of Directors are obliged during the 3 days after the end of each calendar month, in which the transaction was concluded or were informed or had to be informed of the transaction, to file with the Audit Committee the declaration on transactions involving Company securities.
20.	Availability in the internal documents of a requirement on conducting meetings of the Board of Director not less frequently than once in every six weeks	Observed in practice In accordance with item 5.1. of the Regulations on Procedures for the Convocation and Holding of meetings of the Board of Directors ¹⁷ , the meetings are conducted in accordance with the adopted plan of work, and when necessary but not less frequently than once per quarter. In actuality, meetings of the Board of Directors are conducted 1-2 times during a month.
21.	Conducting meetings of the Board of Directors during the year, for which the annual report was prepared, with a frequency of not less than once in every six weeks.	Observed In 2008, 25 meetings of the Board of Directors were held
22.	Availability in internal documents of the order on conducting the Board of Directors	Observed Regulations on Procedure for the Preparation and Holding of the General Meeting of Shareholders are in effect in the Company, approved on June 22 nd , 2007.
23.	Availability in internal documents of a provision on the necessary approval by the Board of Directors of Company transactions with a value of 10 percent or more of the value of Company assets, except for the transactions performed in the process of common economic activity	Observed In accordance with article 12 of the Articles of Association of the Company, transactions with non-circulating assets of the Company in excess of 10 percent of the balance sheet value of such assets of the Company as of the date of the decision to enter into said transaction are subject to preliminary approval by the Board of Directors.
24.	Availability in internal documents of the Company of a right for members of the Board of Directors to obtain from executive organs and heads of structural divisions the information needed for fulfilling their functions and of responsibility for the non- provision of such information	Observed In accordance with item 3.1. of Regulations on Pcedures for the Convocation and Holding of the Board of Directors, the members of Board of Directors have the right to obtain information on the activity of the Company, including information that is a commercial secret and to get acquainted with all founding, normative, accounting, reporting and other documents of the Company in accordance with legislation of the Russian Federation and the internal documents of the Company.

¹⁶ Provision on Insider Information is placed on the Company’s website at: http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_OAO_RusGidro_ob_insajdorovskoj_informaczii_2008.pdf

¹⁷ Provision on how to carry out meeting of the Company’s Board of Directors is placed on the Company website in the Internet at: http://www.rushydro.ru/res/files/hydroogk/council_meeting_22062007.pdf

25.	Existence of a committee of the Board of Directors on strategic planning or entitling the functions of such committee to another committee (except the Audit Committee and/or the HR and Remuneration Committee)	Observed The Strategy Committee under the Board of Directors was created in 2005 (protocols of the Board of Directors № 4 of March 29 th , 2005, № 5 of April 25 th , 2005). The current membership of the Strategy Committee was elected by the Board of Directors on January 23 rd , 2009.
26.	Availability of a committee of the Board of Directors (Audit Committee), which makes recommendations to the Board of Directors as to the Company auditor and interacts with the auditor and the Internal Audit Committee of the Company	Observed The Audit Committee under the Board of Directors was created in 2007 (protocol of the Board of Directors № 45 of December 26 th , 2007). The current membership of the Audit Committee was elected on December 30 th , 2008.
27.	Composition of the Audit Committee of only independent and non-executive directors.	Partly observed The Board of Directors elected the following members to the Audit Committee on December 30 th , 2008: <ul style="list-style-type: none"> • Danilov-Danilyan Viktor Ivanovich – independent and non-executive director; • Belyaev Vadim Stanislavovich – independent and non-executive director; • Sharonov Andrey Vladimirovich – non-executive director. In accordance with the Order of the Federal Service for Financial Markets of the Russian Federation N 07-102/pz-n of October 9 th , 2007 (amended on December 23 rd , 2008) "On the approval of the Provision on the organization of trade in the stock market," the Audit Committee should consist only of independent directors and if it is not possible due to objective reasons, only of independent directors and members of the Board of Directors not being a sole executive body or members of collegial executive bodies of issuers.
28.	Performance of the Chairmanship of the Audit Committee by an independent director	Observed The Board of Directors elected independent director Danilov-Danilyan Viktor Ivanovich as the Chairman of the Audit Committee on December 30 th , 2008
29.	Availability of a provision on the internal documents of the Company on the access of all members of the Audit Committee to any documents and information on the Company on conditions of the confidentiality of information	Observed In accordance with item 4.1. of the Provision on the Audit Committee ¹⁸ , the members of the Committee have the right to request and obtain all information needed for the fulfillment of their duties as well as documents from Company officials. In accordance with item 12.1. of the same Provision, members of the Committee have to comply with confidentiality requirements in respect to information obtained by them due to their activity on the Committee.
30.	Creation of a committee under the Board of Directors (the HR and Remuneration Committee) the function of which would define the criteria of selecting candidates to be members of the Board of Directors and elaboration on Company policy in the area of remuneration	Observed HR and Remuneration Committee under the Board of Directors was created in 2007 (the protocol of the Board of Directors № 45 of December 26 th , 2007). The current membership of the HR and Remuneration Committee was elected by the Board of Directors on December 30 th , 2008.
31.	Performance of the Chairmanship of the HR and Remuneration Committee by an independent director	Observed The Board of Directors elected independent director Serebryannikov Sergey Vladimirovich as Chairman of the HR and Remuneration Committee on December 30 th , 2008.
32.	Absence of Company executives in the membership of the HR and Remuneration Committee	Observed The Board of Directors elected independent directors to the Audit Committee on December 30 th , 2008: <ul style="list-style-type: none"> • Serebryannikov Sergey Vladimirovich; • Vainzikher Boris Feliksovich; • Tatsiy Vladimir Vitalyevich.
33.	Creation of a committee on risks under the Board of Directors or entitling another committee with the functions of the indicated one (apart from the Audit Committee and HR and Remuneration Committee)	Not observed The Committee on Risks under the Board of Directors was not created; the functions of the committee are not entitled to another committee.

¹⁸ Provision on the Audit Committee is placed on the Company's website in the Internet at: http://www.rushydro.ru/res/files/hydrogk/committee_audit.pdf

34.	Creation of committee under the Board of Directors on the regulation of corporate conflicts or entitling another committee with the functions of the indicated committee (apart from the Audit Committee and HR and Remuneration Committee).	Not observed The Committee on the Regulation of Corporate Conflicts under the Board of Directors was not created; the functions of the committee are not entitled on another committee.
35.	Absence of Company executives on the Committee on the Regulation of Corporate Conflicts	Not observed The Committee on the Regulation of Corporate Conflicts under the Board of Directors was not created.
36.	Performance of the Chairmanship of the Committee on the Regulation of Corporate Conflicts by an independent director	Not observed The Committee on the Regulation of Corporate Conflicts under the Board of Directors was not created.
37.	Availability of internal documents of the Company, providing the order for forming and the work of the Board of Directors' committee	Observed The order of forming and the work of committees of the Board of Directors are set by provisions on the committees approved by the Board of Directors ¹⁹ : <ul style="list-style-type: none"> • Provision on the Audit Committee (protocol № 45 of December 26th, 2007). • Regulations on the HR and Remuneration Committee under the Board of Directors (protocol № 59 of July 16th, 2008). • Regulations on the Investment Committee under the Board of Directors (protocol № 59 of July 16th, 2008). • Regulations on the Strategy Committee under the Board of Directors (protocol № 5 of April 25th, 2005).
38.	Availability in the Articles of Association of the Company of the order defining the quorum for the Board of Directors, allowing to provide compulsory participation of the independent directors in the meetings of the Board of Directors	Not observed In accordance with article 15 of the Articles of Association, the quorum for conducting Board of Directors' meetings is not less than half of the members of the Board of Directors from the overall number of elected members of the Board of Directors of the Company.
Executive bodies		
39.	Availability of collegial executive organ(s) (management board) of the Company	Observed In accordance with articles 17, 18 of the Articles of Association of the Company, a collegial executive organ is formed in the Company: the Management Board. Its members are elected by the Board of Directors at the suggestion of the Chairman of the Management Board, the quantitative composition of the Management Board is determined by the resolution of the Board of Directors.
40.	Availability in the Articles of Association or internal documents of the Company of a provision on the need to approve transactions with real estate and obtaining credits by the company, if the indicated transactions are not considered material transactions and their execution is not included in the common economic activity of the Company.	Partly observed In accordance with the article 12 of the Articles of Association of the Company, the competence of the Board of Directors includes the issue of: defining the credit policy of the Company in the field of providing loans, concluding credit and loan agreements, issue of collaterals, taking obligations on promissory notes (the issue of ordinary bills and bills of exchange) and adopting decisions on conducting the indicated transaction by the Company in case if the order of taking decisions of such issues is not defined by the credit policy of the Company, adopting of decisions in accordance with approved credit policy. The provision on credit policy is approved by the Board of Directors on April 21 st , 2008 (Protocol № 51).
41.	Availability in the internal documents of the procedure on agreement of operations, which are not included in the margins of the financial and economic plan of the Company	Observed By item 4.1. of the business planning system standard of JSC "RusHydro" (approved by the Board of Directors on August 18 th , 2008, protocol № 61) is provided the correction of the business plan of the Company, which is conducted upon the decision of the Board of Directors.
42.	Absence in the membership of executive organs of persons that are participants, general directors (managers), members of managerial organs or an employee of a legal entity engaged in competition with the Company.	Observed The indicated persons do not participate in the executive organs of JSC "RusHydro."
43.	Absence in the executive organs of the Company of persons, which were recognized as guilty of crimes in the economic sphere or crimes against state authorities, interests of state service and local authorities service or which were invoked administrative punishment for breaches of regulations in the field of entrepreneurial activity or	Observed The indicated persons do not participate in the executive organs of JSC "RusHydro."

¹⁹ The regulations on Committees are published at the Company website at: <http://www.rushydro.ru/investors/disclosure/documents>

	in the field of finance, taxes and duties or stock market	
44.	Availability in the Articles of Association or internal documents of the Company of a prohibition to the managing organization (manager) to perform similar functions in a competing entity and to be engaged in any material relations with the Company, apart from providing services of the managing organization (manager)	Not applicable The functions of the sole executive body of the Company are performed by the Chairman of the Management Board.
45.	Availability in the internal documents of the Company an obligation of executive bodies to refrain from any actions that might entail a conflict between their own interests and those of the Company and, in the event that such a conflict does arise, an obligation to the Board of Directors to this effect	Observed In accordance with item 4.2.7. of the Corporate Governance Code, the Chairman of the Management Board and members of the Management Board undertake to refrain from any actions that might entail a conflict between their own interests and those of the Company. In the event that such a conflict does arise, the Chairman of the Management Board and members of the Management Board undertake to notify the Board of Directors to this effect and to refrain from discussing and voting on relevant matter(s).
46.	Availability in the Articles of Association or internal documents of the Company of criteria for choosing the managerial organization (manager)	Not applicable The functions of the sole executive body of the Company are performed by the Chairman of the Management Board.
47.	Submission by executive bodies of the Company of monthly reports on their work to the Board of Directors	Partly observed The reports on work of the Management Board are considered by the Board of Directors once every six months.
48.	Setting in agreements concluded by the Company with the general director (managerial organizations, manager) and members of the Management Board of responsibility for the breach of provisions on the usage of confidential and inside information	Observed
Secretary of the Company		
49.	Availability in the Company of a special position (Company Secretary), the aim of which is to ensure the compliance of organs and officials of procedural requirements, guaranteeing the realization of rights and legitimate interests of shareholders of the Company	Not observed The position of Company Secretary is not provided within the Company.
50.	Availability in the Articles of Association or internal documents of the Company of the order for appointing (electing) the Company Secretary and assignment of his/her duties	Not observed The position of Company Secretary is not provided within the Company.
51.	Availability in the Articles of Association of requirements to the candidacy of the Company Secretary	Not observed The position of Company Secretary is not provided within the Company.
Material corporate actions		
52.	Availability in the Articles of Association or internal documents of requirements on approving major transactions before they are concluded	Not observed There are no such requirements in the Articles of Association and internal documents of the Company.
53.	Obligatory participation of an independent appraiser for the appraisal of the market cost of property being subject to a major transaction	Observed in practice
54.	Availability in the Articles of Association of the Company of the prohibition to undertake any measures for the protection of interests of executive bodies (and its members) and members of the Board of Directors in the case of acquiring a large portfolio of shares (takeover) and on measures making the position of shareholders worse-off in comparison with the current (in particular, the prohibition of adopting resolutions by the Board of Directors before the end of the suggested term of stock portfolio acquisition on the issue of securities that are convertible into stock or securities giving	Not observed There are no such restrictions in the Company's Articles of Associations.

	the right to purchase Company shares, even if the right of adopting such decisions is provided by the Articles of Association)	
55.	Availability in the Articles of Association a requirement on the obligatory participation of an independent appraiser for appraising the current market cost of shares and its possible fluctuation as a result of a takeover	Not observed There are no such restrictions in the Company's Articles of Associations.
56.	Absence in the Company's Articles of Association for releasing the purchaser from the obligation to offer the shareholders to buy out the common shares belonging to them (equity securities, convertible in common shares) during takeover	Not observed There are no such restrictions in the Company's Articles of Association.
57.	Absence in the Articles of Association or the Company's internal documents of a requirement on the obligatory participation of an independent appraiser for appraising the shares' converting coefficient during reorganization	Observed in practice
Information disclosure		
58.	Availability of an internal document approved by the Board of Directors, which defines rules and approaches of the Company to information disclosure (Regulations on Information Policy)	Observed Regulations on the Information Policy 20 were approved by the Company's Board of Directors on December 26 th , 2007 (protocol № 45).
59.	Availability in the Company's internal documents of requirements on the disclosure of information on the goals of share placements, on persons intending to purchase the placed securities and information, whether the top managers of the Company would participate in purchasing the placed shares	Not observed There are no such requirements in the Company's Articles of Association and internal documents.
60.	Availability in the internal documents of a list of information, documents and materials that have to be provided to the shareholders for making decisions upon issues, submitted to the General Meeting of Shareholders	Observed The list of information, documents and materials, which have to be provided to the shareholders for making decisions upon issues, submitted to the General Meeting of Shareholders are indicated by item 5.3. of the Regulations on Procedures for the Preparation and Holding of the General Meeting of Shareholders, approved by the Board of Directors of the Company on June 22 nd , 2007.
61.	Availability of the Company website on the Internet and regular information disclosure on the website	Observed Information that is subject to disclosure on the Company's website is published at: www.rushydro.ru
62.	Availability in internal documents of the company of a requirement on information disclosure on transactions of the company with persons, which, according to the Articles of Association, are included in the top executives of the Company and on transactions with entities, in which 20 or more percents of charter capital belong to the top executives of the company directly or indirectly or which may be in other way materially affected by such persons.	Partly observed. In accordance with item 5.2.8. of the Regulations on the Information Policy the information on transactions between the members of executive bodies and the Company is disclosed at the company website at: www.rushydro.ru
63.	Availability in the Company's internal documents of a requirement on information disclosure about all transactions, which may substantially affect the market value of the Company's shares.	Observed The information disclosure is performed in accordance with the requirements of the legislation of the Russian Federation and of the Regulations on Information Policy.

²⁰ Regulations on Information Policy are published on the Company's website at:
http://www.rushydro.ru/res/files/hydroogk/information_policy_26122007.pdf

64.	Availability of an internal document approved by the Board of Directors on the usage of material information on Company activity, shares and other securities as well as transactions with them, which is not public and may substantially affect the market value of Company shares and other Company securities.	Observed Regulations on Insider Information of JSC “RusHydro” ²¹ were approved by the Board of Directors on November 28 th , 2008 (protocol № 68 on December 1 st , 2008).
Control over financial and economic activity		
65.	Availability of procedures of internal control over the Company’s financial and economic activity, approved by the Board of Directors	Observed Article 3 of the Regulations of the Internal Audit and Risk Management Department ²² approved by the Board of Directors on August 15 th , 2007 (protocol № 37).
66.	Availability of a special division in the Company, providing for following internal control procedures (supervision and auditing service)	Observed The Internal Audit and Risk Management Department was created in the Company.
67.	Availability in internal documents of the Company of a requirement for defining the structure and membership of the supervisory and auditing services of the company by the Board of Directors	Observed The requirements toward the structure and composition of the Internal Audit and Risk Management Department are contained in article 1 of the Regulations of the Internal Audit and Risk Management Department.
68.	Absence in the membership of the supervisory and auditing services of persons, which were recognized as guilty of crimes in economic spheres or crimes against state authorities, interests of state services and local authorities service or which were invoked administrative punishment for breaches of regulations in the field of entrepreneurial activity or in the field of finance, taxes and duties or stock market	Observed There are no indicated persons in the membership of the Internal Audit and Risk Management Department.
69.	Absence in the membership of supervisory and auditing services of persons, that are participants in the executive bodies of the Company as well as persons, which serve as participants, general directors (managers), members of executive organs or employees of competing entities.	Observed There are no indicated persons in the membership of the Internal Audit and Risk Management Department.
70.	Availability in the internal documents of the Company of the term of providing to the supervisory and auditing service of documents and materials for providing for the appraisal of conducted financial and economic operation as well as the responsibility of Company officials and employees for their non-presentation during the indicated term.	Observed. Item 6.4.7. of the Regulations on the Internal Audit and Risk Management Department.
71.	Availability in the internal documents of the Company of an obligation of the supervisory and auditing service to notify the Audit Committee about reflected breaches, and in case of its absence – the Board of Directors	Observed Item 4.4.2. of the Regulations on the Internal Audit and Risk Management Department.
72.	Availability in the Company’s Articles of Association of a requirement on preliminary expediency in the consideration of operations, which are not provided for in the financial and economic plan of the Company (non-standard operations)	Not observed There are no such requirements in the Company’s Articles of Association.

²¹ Regulations on Insider Information are published on the Company’s website at http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_OAO_RusGidro_ob_insajdorovskoj_informaczii_2008.pdf

²² Regulations on the Internal Audit and Risk Management Department are published on the Company’s website at http://www.rushydro.ru/file/main/global/investors/disclosure/documents/Polozhenie_o_Departamente_vnutrennego_audita.pdf

73.	Availability in the internal documents of the order of agreement for non-standard operations with the Board of Directors	Observed. By item 4.1. of the business planning system Standard of JSC “RusHydro” (approved by the Board of Directors on August 18 th , 2008, protocol № 61) is provided for the correction of the Company’s business plan, which is made by a decision of the Company’s Board of Directors.
74.	Availability of internal document regulating the order of conducting verifications of the Company’s financial and economic activity by the Internal Audit Committee	Observed Item 7 of Regulations on the Internal Audit Committee of the Company 23, approved by the General Meeting of Shareholders on April 6 th , 2005.
75.	Execution of a verification of the audit report evaluation by the Audit Committee before its submission to shareholders at the General Meeting of Shareholders	Observed In accordance with item 3.1.1. of the Provision on the Audit Committee, the issue of the preliminary evaluation of the report of the Company Auditor before its submission for approval to the General Meeting of Shareholders is included in the competence of the Committee.
Dividends		
76.	Availability of an internal document approved by the Board of Directors by which the Board of Directors is governed when making decisions on the size of dividends (Regulations on dividend policy)	Observed Regulations on dividend policy ²⁴ were approved by the Board of Directors on May 19 th , 2008 (protocol № 55).
77.	Availability in the Regulations on dividend policy of an order to define the minimum amount of net profit of a Company directed at the payment of dividends and conditions, in which dividends are not paid or are not fully paid on privileged shares, the amount of dividends which is defined by the Company’s Articles of Association	Observed Items 4.3. and 5.1. of the Company’s Regulations on dividend policy.
78.	Publishing information on the Company’s dividend policy and amendments made to it in periodic publication, provided by the Company’s Articles of Association for publishing notices on holding General Meetings of Shareholders and publishing indicated information on the Company’s website on the Internet	Partly observed Regulations on the Company’s dividend policy are available on the Internet at: http://www.rushydro.ru/file/main/global/investors/reports/dividends/Polozhenie_o_dividendnoj_politike.pdf Regulations on the Company’s dividend policy were not published in periodic publications.

²³ Regulations on the Internal Audit Committee are published on the Internet at:
http://www.rushydro.ru/res/files/hydroogk/auditing_committee.pdf

²⁴ Regulations on dividend policy of the Company are published on the Company’s website in the Internet at:
http://www.rushydro.ru/file/main/global/investors/reports/dividends/Polozhenie_o_dividendnoj_politike.pdf

2009 principal investment projects for JSC "RusHydro"*

Investment project	Location	Installed capacity, Mw	Introduction of capacity in 2009 (planned), Mw	Volume of financing in 2009, billion rubles (in 2009 price, VAT included)	Financing conditions
Technical rehabilitation and modernization					
Objects of technical rehabilitation and modernization		24,372	30	13.21	
Objects in construction including:					
Bureyskaya HPP	the Amur Region	2,010	35	6.86	
Ust-Srednekanskaya HPP	the Magadan Region	69.4	-	2.41	Budget financing
Project of Boguchan energy-metallurgy union	the Krasnoyarsk Region	3,000	-	26.75	External investor
<i>Boguchanskaya HPP</i>		3,000		17.75	
<i>Aluminum smelter</i>		-		9.0	
Zaramagskiye HPPs	the Republic of North Ossetia - Alaniya	357	15	3.61	
Kashkhatau HPP	the Kabardino-Balkarian Republic	65	65	1.99	
Construction of spillway of Sayano-Shushenskaya HPP	the Khakassia Republic	-	-	3.98	
Gotsatlinskaya HPP	the Republic of Dagestan	100	-	0.71	
Irganayskaya HPP	the Republic of Dagestan	-	-	0.65	
Zagorskaya PSHP-2	the Moscow region	840	-	17.17	Budget financing

*on the basis of the Board of Directors' decision of January 23rd, 2009.

Transactions concluded by the Company in 2008 and recognized as interested-party transactions by the Federal Law “On Joint-Stock Companies”

List of transactions (with description of the parties in the transaction)	No./Date of management body approving the transaction	Description of the transaction (subject, price, date of transaction)	Interested party (parties) and the person (persons) being dependent directors
Transaction between OJSC “RAO UES of Russia,” JSC “HydroOGK,” JSC “RUSAL,” “RUSAL Limited,” “RUSAL Energy Limited,” “RUSAL BoAZ Limited,” “HydroOGK Power Company Limited,” “HydroOGK Aluminium Company Limited,” “BOGES Limited,” “BALP Limited” and JSC “FGC UES”	Protocol №46 of the Board of Directors of JSC “RusHydro” of January 24 th , 2008 №46	Subject Defining the scheme of power supply by Boguchanskaya HPP Price Not more than 3,250,000,000 rubles Date April 30 th , 2008	Interested parties: JSC “RAO UES of Russia,” Chubais A.B., Khristenko V.B., Askinadze D.A., Ayuev B.I., Medvedev Y.M., Remes Seppo Juha, Sinyugin V.Y., Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Additional agreement on the agreement for the rent of non-residential premises between JSC “HydroOGK” and JSC “Mosenergo”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Rent of non-residential premises Price Monthly rent payment in the amount of 119,613.06 rubles, including VAT Date April 15 th , 2008	Interested parties: JSC “RAO UES of Russia,” Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “NTC Electroenergetiki”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Contract agreement “Evaluation of the technical condition of steel constructions of stator and rotor of hydro units №4 and № 1 at the Zagorskaya PSHP” Price 698,560 rubles including VAT Date February 18 th , 2008	Interested parties: JSC “RAO UES of Russia,” Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “Mosenergo”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Contract on repairing additional equipment for the needs of the Zagorskaya PSHP Price 15,084,638.84 rubles, including VAT Date February 18 th , 2008	Interested parties: JSC “RAO UES of Russia,” Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “Mosenergo”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Contract on the advanced capital repairs of hydro unit № 4 and the current maintenance of hydro units №№ 1, 2, 3, 4, 5, 6 (hydraulic equipment, electrical equipment) for the needs of the Zagorskaya PSHP Price 48,775,124.89 rubles Date February 18 th , 2008	Interested parties: JSC “RAO UES of Russia,” Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “NIIES”	Protocol №47 of the Board of Directors of JSC	Subject Contract upon the following works: “Defining the criteria values for	Interested parties: JSC “RAO UES of Russia,” Dependent director:

	“RusHydro” on February 18 th , 2008	indicators of the condition of the Zagorskaya PSHPP, review of the declaration on the safety of the hydraulic engineering installations” Price 1,534,000 rubles Date February 18 th , 2008	Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “NIIES”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Contract on the performance of the condition of evaluating the hydraulic engineering installations of the Zagorskaya PSHPP Price 1,180,000 rubles Date February 18 th , 2008	Interested parties: JSC “RAO UES of Russia,” Dependent director: Sinyugin V.Y.
Additional agreement on changing the party in the contract between JSC “HydroOGK,” JSC “MC HydroOGK” and the non-commercial partnership of management consultants “Prostranstvo Razvitiya” to agreement № 14 on July 10 th , 2007	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Changing the party in the agreement № 14 from July 10 th , 2007 – instead of JSC “MC HydroOGK” the party in the agreement will be JSC “HydroOGK” Price To the moment of concluding the agreement JSC “MC HydroOGK” fulfilled its obligations on the payment for contractor services upon the Agreement in the amount of 225,000 rubles, including VAT. JSC “HydroOGK” undertakes to pay the remaining part of the payment obligation for contractor services in the amount of 190,678 rubles, not including VAT, not later than April 1 st , 2008. Date February 20 th , 2008	Interested parties: JSC “RAO UES of Russia,” Zubakin V.A. Dependent director: Sinyugin V.Y.
Additional agreement on changing the party in the contract between JSC “HydroOGK,” JSC “MC HydroOGK,” State Educational Institution of Higher Professional Training “Academy of the National Economy under the Government of the Russian Federation” and Levchenko N. I. to the agreement № 63MVA-vo-2006 on October 1 st , 2007	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Subject Changing the party in the agreement № 63MVA-vo-2006 from October 1 st , 2007 – instead of JSC “MC HydroOGK” the party in the agreement will be JSC “HydroOGK” Date February 20 th , 2008	Interested parties: JSC “RAO UES of Russia,” Dependent director: Sinyugin V.Y.
Agreement on the distribution of responsibilities between companies acquiring assets in the process of the re-organization of JSC “RAO UES of Russia”	Protocol №47 of the Board of Directors of JSC “RusHydro” on February 18 th , 2008	Parties JSC “FGC UES,” JSC “HydroOGK,” JSC “OGK-1,” JSC “OGK-2,” JSC “OGK-3,” JSC “OGK-4,” JSC “OGK-6,” JSC “TGK-1,” JSC “TGK-2,” JSC “TGK-6,” JSC “Volzhskaya TGK,” JSC “YuGK TGK-8,” JSC “TGK-9,” JSC “TGK-10,” JSC “TGK-11,” JSC “Kuzbassenergo,” JSC “Enisseyskaya TGK (TGK-13),” JSC “TGK-14,” JSC “Sochinskaya TPP” and OJSC “Holding MRSK,” JSC “RAO Energy Systems of East,” JSC “Centerenergoholding,” JSC “Sibenergoholding,” JSC	Interested parties: Khristenko V.B. Chubais A.B. Ayuev B.I. Askinadze D.A. Medvedev Y.M. Rappoport A.N. Remes Seppo Juha Sinyugin V.Y. Udaltsov Y.A. Herne David Dependent director: Sinyugin V.Y.

		<p>“Intergeneration” (after the state registration of the indicated legal entities in case of their joining the Agreement)</p> <p>Subject Setting of principles for the division of income by Parties, which arose or may arise as a result of the fulfillment by Party/Parties of obligations toward creditors, which appeared before the re-organization of JSC “RAO UES of Russia” and were not reflected in the dividing balance sheet of JSC “RAO UES of Russia”</p> <p>Date July 1st, 2008</p>	
Agreement on renting production premises between JSC “HydroOGK” and “VNIIG named after B.E.Vedeneev”	Protocol №48 of the Board of Directors of JSC “RusHydro” on March 3 rd , 2008	<p>Subject Rent of production premises and property located in the premises (rent of office № 213 in the administrative building of the 4th line construction department, located at the address: the Amur Region, the Bureya District, the Talakan Settlement and of property in the indicated premises: set of furniture and air conditioner)</p> <p>Price 66,514.69 rubles, including VAT for the whole rental period (11 months)</p> <p>Date March 3rd, 2008</p>	<p>Interested parties: JSC “RAO UES of Russia,”</p> <p>Dependent director: Sinyugin V.Y.</p>
Agreement on conducting scientific research, experimental production and technological work between JSC “HydroOGK” and JSC “ENIN”	Protocol №50 of the Board of Directors of JSC “RusHydro” on April 4 th , 2008	<p>Subject Fulfillment of the work: “The formalization of the task of the complex optimization of the development and functioning of various types of generating capacities (HPP, NPP, TPP) of “UES of Russia” and the development of its mathematical description and solution algorithm”</p> <p>Price 23,600,000 rubles, including VAT</p> <p>Date May 19th, 2008</p>	<p>Interested parties: JSC “RAO UES of Russia,”</p> <p>Urinson Y.M.</p> <p>Dependent director: Sinyugin V.Y.</p>
Agreement on conducting scientific research, experimental production and technological work between JSC “HydroOGK” and JSC “ENIN”	Protocol №50 of the Board of Directors of JSC “RusHydro” on April 4 th , 2008	<p>Subject Fulfillment of the work: "Grounding of the level of development of hydro-electricity in the energy strategy of Russia "</p> <p>Price 41,300,000 rubles, including VAT</p> <p>Date May 19th, 2008</p>	<p>Interested parties: JSC “RAO UES of Russia,”</p> <p>Urinson Y.M.</p> <p>Dependent director: Sinyugin V.Y.</p>
Agreement on conducting scientific research, experimental production and technological work between JSC “HydroOGK” and JSC “ENIN”	Protocol №50 of the Board of Directors of JSC “RusHydro” on April 4 th , 2008	<p>Subject Fulfillment of the work: "The study of conditions on the sustainability of non-traditional power plants in the energy system. Defining and grounding possible and expedient relative weight of non-traditional power plants in the structure of generating capacities "</p> <p>Price</p>	<p>Interested parties: JSC “RAO UES of Russia,”</p> <p>Urinson Y.M.</p> <p>Dependent director: Sinyugin V.Y.</p>

		70,800,000 rubles, including VAT Date May 19 th , 2008	
Agreement on conducting scientific research, experimental production and technological work between JSC "HydroOGK" and JSC "ENIN"	Protocol №50 of the Board of Directors of JSC "RusHydro" on April 4 th , 2008	Subject Fulfillment of the work: "Mathematic modeling of non-traditional power plants and results of the modeling" Price 17,700,000 rubles, including VAT Date May 19 th , 2008	Interested parties: JSC "RAO UES of Russia," Urinson Y.M. Dependent director: Sinyugin V.Y.
Additional agreement on the investment agreement № 164d from October 20 th , 2006 between the Federal Agency of Railway Transport (FAZT), JSC "Russian Railways (RZD)" and JSC "HydroOGK"	Protocol №50 of the Board of Directors of JSC "RusHydro" on April 4 th , 2008	Subject Residential premises for the exploitation of personnel acquired in accordance with project documentation on the creation of the investment object, that is registered as JSC "RZD" property for the period of the realization of the investment agreement on account of its share of investment Date July 3 rd , 2008	Interested parties: JSC RAO UES of Russia, Dependent director: Sinyugin V.Y.
Agreement on the order of the interaction of issuers and registrars participating in the process of the reorganization of JSC "RAO UES of Russia"	Protocol №51 of the Board of Directors of JSC "RusHydro" on April 21 st , 2008	Parties "RAO UES of Russia;" CJSC "Status," JSC "HydroOGK," JSC "CMD" Subject Setting the order of interaction between parties in the process of forming the register of owners of personal shares of JSC "State Holding HydroOGK" and of the order of interaction between parties during the conversion of shares of JSC "State Holding HydroOGK" into shares of JSC "HydroOGK" Price 600,000 rubles, including VAT Date June 16 th , 2008	Interested parties: Khristenko V.B., Chubais A.B., Sinyugin V.Y., Remes Seppo Juha, Udaltsov Y.A., Rappoport A.N., Ayuev B.I., Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and the State Educational Institution of Higher Professional Training the "State University of Management"	Protocol №51 of the Board of Directors of JSC "RusHydro" on April 21 st , 2008	Parties The rights and obligations of the customer for JSC "MC HydroOGK" on the agreement №VIBP-07-8200 from September 1 st , 2007 are ceased and transferred to JSC "HydroOGK" Price 60,000 rubles, including VAT Date April 29 th , 2008	Interested parties: Zubakin V.A. Dependent director: Sinyugin V.Y.
Additional agreement on the agreement on the rent of non-residential premises № 551-26-07 from December 29 th , 2007 between open joint-stock company "Far Eastern Energy Company (JSC "FEEC") and JSC "HydroOGK"	Protocol №51 of the Board of Directors of JSC "RusHydro" on April 21 st , 2008	Subject Change in the term of rent and the cost of rent Price The price of rent since April 1 st , 2008 is 6,742.87 rubles per month, including VAT Date April 21 st , 2008	Interested parties: JSC RAO UES of Russia, Dependent director: Sinyugin V.Y.
Contract agreement between JSC "HydroOGK" and JSC "NTC Electroenergetiki"	Protocol №51 of the Board of Directors of JSC	Subject Contract on the fulfillment of works "The evaluation of technical conditions	Interested parties: JSC "RAO UES of Russia,"

	“RusHydro” on April 21 st , 2008	of the lapping and core of the GD-4 stator during the capital repairs using the methods of VNIIE” Price 159,300 rubles Date April 21 st , 2008	Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “NTC Electroenergetiki”	Protocol №51 of the Board of Directors of JSC “RusHydro” on April 21 st , 2008	Subject Provision by the contractor of services on accompanying the tasks of monitoring and diagnosing technological processes at the Zagorskaya PSHP Price 1,026,600 rubles Date April 21 st , 2008	Interested parties: JSC RAO UES of Russia, Dependent director: Sinyugin V.Y..
Contract agreement between JSC “HydroOGK” and JSC “Mosenergo”	Protocol №51 of the Board of Directors of JSC “RusHydro” on April 21 st , 2008	Subject Fulfillment of repair of electrical engine types AB2-101-8, 220/380V 735 rpm. Price The overall price of works fulfilled – 235,341.02 rubles Date May 4 th , 2008	Interested parties: JSC RAO UES of Russia, Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Contract agreement between JSC “HydroOGK” and JSC “FGC UES”	Protocol №51 of the Board of Directors of JSC “RusHydro” on April 21 st , 2008	Subject Capital repairs of transformers T4 and T6 Price The overall price of works fulfilled – 4,933,844.78 rubles Date April 24 th , 2008	Interested parties: JSC “RAO UES of Russia,” Chubais A.B., Khristenko V.B., Sinyugin V.Y., Askinadze D.A., Ayuev B.I., Rappoport A.N., Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Agreement on the fulfillment of project and prospecting work between JSC “HydroOGK” and JSC “Lenhydroproject HydroOGK”	Protocol №53 of the Board of Directors of JSC “RusHydro” on May 14 th , 2008	Subject The fulfillment of work: “The complex project of reconstruction of unit № 7 of Novosibirskaya HPP” Price 36,580,000 rubles, including VAT Date May 14 th , 2008	Interested parties: JSC “RAO UES of Russia,” Dependent director: Sinyugin V.Y.
Supply contract between JSC “HydroOGK” and JSC “Engineering Center UES”	Protocol №53 of the Board of Directors of JSC “RusHydro” on May 14 th , 2008	Subject Supply of print media materials – industrial normative as well as reference and information documentation Price The overall price can not exceed 200,000 rubles plus VAT. Date May 14 th , 2008	Interested parties: JSC “RAO UES of Russia,” Dependent director: Sinyugin V.Y.
Agreement on the provision of transportation services between JSC “REMIK” and JSC “HydroOGK”	Protocol №53 of the Board of Directors of JSC “RusHydro” on May 14 th , 2008	Subject Provision of services on transportation for JSC “REMIK’s” employees for the itinerary of the transportation of passengers of the Zeyskaya HPP branch of “HydroOGK”	Interested parties: Bogush B.B. Dependent director: Sinyugin V.Y.

		<p>Price The price of transportation for one person per day is 45.90 rubles, including VAT</p> <p>Date May 30th, 2008</p>	
Agreement on the provision of transportation services between JSC "REMIK" and JSC "HydroOGK"	Protocol №53 of the Board of Directors of JSC "RusHydro" on May 14 th , 2008	<p>Subject Provision of transportation services on the basis of written applications by JSC "REMIK," coordinated with JSC "RusHydro"</p> <p>Price 11,940.4 rubles – cost per vehicle hour</p> <p>Date May 16th, 2008</p>	<p>Interested parties: Bogush B.B.</p> <p>Dependent director: Sinyugin V.Y.</p>
Contract agreement between JSC "REMIK" and JSC "HydroOGK"	Protocol №53 of the Board of Directors of JSC "RusHydro" on May 14 th , 2008	<p>Subject Fulfillment of work on the repair of the fence of electric boards of the 400RF crane</p> <p>Price 52,295.24 rubles, including VAT</p> <p>Date May 16th, 2008</p>	<p>Interested parties: Bogush B.B.</p> <p>Dependent director: Sinyugin V.Y.</p>
Contract agreement between JSC "HydroOGK" and "VNIIG named after B.E.Vedeneev"	Protocol №53 of the Board of Directors of JSC "RusHydro" on May 14 th , 2008	<p>Subject Contract agreement on the fulfillment of work on the processing and interpretation of seismometric data, obtained from the automated system of seismometric control (ASSC) of the Bureyskaya HPP</p> <p>Price 1,250,000 rubles plus VAT</p> <p>Date June 27th, 2008</p>	<p>Interested parties: JSC "RAO UES of Russia,"</p> <p>Dependent director: Sinyugin V.Y.</p>
Paid service agreement between JSC "HydroOGK" and JSC "Siberian Power Industry Research and Development Center"	Protocol №53 of the Board of Directors of JSC "RusHydro" on May 14 th , 2008	<p>Subject Services of "Development on the declaration of safety of the hydro-technical constructions of the Sayano-Shushenksiy hydro-energy complex "</p> <p>Price 3,500,000 rubles, including VAT</p> <p>Date May 14th, 2008</p>	<p>Interested parties: Bogush B.B.</p> <p>Dependent director: Sinyugin V.Y.</p>
Agreement on information exchange between companies, acquiring assets as a result of the re-organization of JSC "RAO UES of Russia"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	<p>Parties JSC "FGC UES," JSC "HydroOGK," JSC "OGK-1," JSC "OGK-2," JSC "OGK-3," JSC "OGK-4," JSC "OGK-6," JSC "TGK-1," JSC "TGK-2," JSC "Mosenergo," JSC "TGK-6," JSC "Volzhskaya TGK," JSC "YuGK TGK-8," JSC "TGK-9," JSC "TGK-10," JSC "TGK-11," JSC "Kuzbassenergo," JSC "Enisseyskaya TGK (TGK-13)," JSC "TGK-14," JSC "Inter RAO UES" and OJSC "Holding MRSK," JSC "RAO Energy Systems of the East (after state registration of the indicated legal entities in case of their joining the Agreement)</p> <p>Subject Organization of interaction between the parties with the aim of information</p>	<p>Interested parties: JSC "RAO UES of Russia," Chubais A.B., Khristenko V.B., Rappoport A.N., Askinadze D.A., Ayuev B.I., Medvedev Y.M., Remes Seppo Juha, Sinyugin V.Y., Udaltsov Y.A., Herne David.</p>

		exchange, assisting the performance by each party of its activities in accordance with the legislation of the Russian Federation Date July 1 st , 2008	Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and LLC "SCPI Pravovest"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract № 361-457/2007 from February 21 st , 2007 – instead of JSC "MC HydroOGK" the party in the agreement will be JSC "HydroOGK" Date June 2 nd , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and JSC "Moscow Communication Center of Energetics"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract № 583 from May 29 th , 2002 – instead of JSC "MC HydroOGK" the party in the agreement will be JSC "HydroOGK" Date June 2 nd , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and LLC "FortelT"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract on informational service (update) of the legal information system "CODEX" № 111/04 from July 27 th , 2004 – instead of JSC "MC HydroOGK" the party in the agreement will be JSC "HydroOGK" Date June 2 nd , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and LLC "SCS Sovintel"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract № 6M#583 from January 31 st , 2007 – instead of "MC HydroOGK," the party in the agreement will be JSC "HydroOGK" Date July 1 st , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and JSC "ARCTEL"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract on telecommunication services № 2005-118-NS from April 21 st , 2005 – instead of "MC HydroOGK" the party in the agreement will be JSC "HydroOGK" Date June 2 nd , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on changing the party in the contract between JSC "HydroOGK," JSC "MC HydroOGK" and JSC "ARCTEL"	Protocol №56 of the Board of Directors of JSC "RusHydro" on May 28 th , 2008	Subject Changing a party in the contract on telecommunication services № 2005-INS-95 from April 21 st , 2005 – instead of "MC HydroOGK," the party in the agreement will be JSC "HydroOGK" Date June 2 nd , 2008	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director: Sinyugin V.Y.
Additional agreement № 1 to the contract of electricity (capacity) № 21-04/06 on April 1 st , 2006 between JSC "Sevkavenergo" and	Protocol №58 of the Board of Directors of JSC "RusHydro" on	Subject Change in paragraph 3.4. of the section "Volumes of electrical energy supply"	Interested parties: JSC "RAO UES of Russia," Zubakin V.A. Dependent director:

JSC "HydroOGK"	June 23 rd , 2008	Date August 4 th , 2008	Sinyugin V.Y.
Agreement on the rent of non-residential premises between JSC "REMIK" and JSC "HydroOGK"	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject Rent of non-residential premises located in the building of the Zeyskaya HPP (space of 382.54 sq. meters), technology housing (space of 79 sq. meters) and switch room (area of 30 sq. meters). Price 65,985.60 rubles Date June 23 rd , 2008	Interested parties: Bogush B.B. Dependent director: Sinyugin V.Y.
Additional agreement to the contract for the rent of non-residential premises № 408-26-07 on October 30 th , 2007 between JSC "REMIK" and JSC "HydroOGK"	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject Change in the term of rent Price 9,558 rubles per month, including VAT Date October 30 th , 2007	Interested parties: Bogush B.B. Dependent director: Sinyugin V.Y.
License agreement between JSC "HydroOGK" and the non-commercial partnership "INVEL"	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject Non-commercial partnership "INVEL" undertakes to provide JSC "HydroOGK" with the right to use the documents indicated in appendix 1 to the agreement on the conditions of the ordinary (non-exclusive) license Price 65,666,000 rubles, including VAT Date June 27 th , 2008	Interested parties: Urinson Y.M. Dependent director: Sinyugin V.Y.
Agreement on purchases between JSC "HydroOGK" and JSC "ATS"	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject JSC "ATS" undertakes to provide for the ownership of JSC "HydroOGK" and JSC "HydroOGK" undertakes to accept and pay for the storage of key information eToken PRO 32K in the number of 27 items Price 40,500 rubles, including VAT Date June 26 th , 2008	Interested parties: Ponomarev D.V., Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Agreement on the provision of services of the verification center between JSC "HydroOGK" and JSC "ATS"	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject JSC "ATS" undertakes to provide verification services to the center at JSC "HydroOGK" and JSC "HydroOGK" undertakes to accept and pay for services with a view to 27 keys of the electronic digital signature Price 56,700 rubles, including VAT Date June 26 th , 2008	Interested parties: Ponomarev D.V., Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Agreement on the fulfillment of work on providing organizational and methodological help to the metrological service of the "Cheboksarskaya HPP" branch of JSC "HydroOGK" in metrology works between JSC "HydroOGK" and JSC "Engineering Center of	Protocol №58 of the Board of Directors of JSC "RusHydro" on June 23 rd , 2008	Subject Works on providing organizational and methodological help to the metrological service of the "Cheboksarskaya HPP" branch of JSC "HydroOGK" in metrology works between Price 100,000 rubles, including VAT	Interested parties: JSC RAO UES of Russia, Dependent director: Sinyugin V.Y.

Ural Energetics”		Date February 21 st , 2008	
Agreement on the storage of industrial equipment between JSC “HydroOGK” (the North-Ossetian branch) and JSC “Zaramagskie HPPs”	Protocol №58 of the Board of Directors of JSC “RusHydro” on June 23 rd , 2008	Subject Storage of industrial equipment Price 3,185.50 rubles, including VAT Date June 26 th , 2008	Interested parties: Zubakin V.A. Dependent director: Sinyugin V.Y.
Agreement on the purchase of industrial equipment between JSC “HydroOGK” (North-Ossetian branch) and JSC “Zaramagskie HPPs”	Protocol №58 of the Board of Directors of JSC “RusHydro” on June 23 rd , 2008	Subject Sale of industrial equipment Price 1,870,000 rubles, including VAT Date June 26 th , 2008	Interested parties: Zubakin V.A. Dependent director: Sinyugin V.Y.
Additional agreements to the Agreement on dissolving contracts on the transfer of powers to the executive body of HPPs between JSC “HydroOGK” and JSC “MC HydroOGK”	Protocol №58 of the Board of Directors of JSC “RusHydro” on June 23 rd , 2008	Subject Dissolving of the contracts on the transfer of powers of the sole executive body of entities merged into JSC “HydroOGK” Date June 27 th , 2008	Interested parties: Zubakin V.A. Dependent director: Sinyugin V.Y.
Additional agreement № 1 between JSC “RusHydro” and JSC “Mosenergo” to agreement № 29 on February 18 th , 2008	Protocol №59 of the Board of Directors of JSC “RusHydro” on July 16 th , 2008	Subject Work on the transfer of damaged foot-step bearing of hydro unit №2 of the Zagorskaya PSHPP to a permanent stiff bearing with the installation of new bearing tube and bolts Price 50,710,905.92 rubles, including VAT Date August 12 th , 2008	Interested parties: Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Supply contract between JSC “RusHydro” and JSC “GVTs of Energy”	Protocol №59 of the Board of Directors of JSC “RusHydro” on July 16 th , 2008	Subject Supply of licensed software produced by “Microsoft Ireland Operations Limited” Price 5,679,262.68 rubles, including VAT Date September 1 st , 2008	Interested parties: Belyaev K.V. Dependent director: Sinyugin V.Y.
Supply contract between JSC “RusHydro” and JSC “GVTs of Energy”	Protocol №62 of the Board of Directors of JSC “RusHydro” on September 26 th , 2008	Subject Supply of licensed software produced by “Microsoft Ireland Operations Limited” Price 9,059,820.12 rubles, including VAT Date November 14 th , 2008	Interested parties: Belyaev K.V. Dependent director: Sinyugin V.Y.
Non-exchange trade free bilateral agreement on the purchase of energy and capacity between JSC “RusHydro” and JSC “Permenergosbyt”	Protocol №66 of the Board of Directors of JSC “RusHydro” on October 31 st , 2008	Subject Supply of energy and capacity Price 4,527,055.5 rubles, including VAT Date November 3 rd , 2008	Interested parties: Urinson Y.M. Dependent director: Sinyugin V.Y.
Non-exchange trade free bilateral agreement on the purchase of energy and capacity between JSC “RusHydro” and JSC “Permenergosbyt”	Protocol №66 of the Board of Directors of JSC “RusHydro” on October 31 st , 2008	Subject Supply of energy and capacity Price 4,120,040.5 rubles, including VAT Date November 3 rd , 2008	Interested parties: Urinson Y.M. Dependent director: Sinyugin V.Y.
Agreements between JSC “HydroOGK” and the non-state pension fund (NPF) of the electrical	Protocol №66 of the Board of Directors of JSC	Subject Provision of pension coverage services Price	Interested parties: Belyaev K.V.

power industry	“RusHydro” on October 31 st , 2008	297,796,795 rubles, including VAT Date June 2008	Dependent director: Sinyugin V.Y.
Agreement between JSC “RusHydro” and JSC “FGC UES”	Protocol №68 of the Board of Directors of JSC “RusHydro” on November 28 th , 2008	Subject Fulfillment of works on the technical rehabilitation of object ORU 330 HPP-2 – line protection L-330-03 (line termination “Mashuk” – “HPP-2” Price 35,029,872.32 rubles, including VAT Date December 20 th , 2008	Interested parties: Medvedev Y.M., Ayuev B.I., Remes Seppo Juha, Khristenko V.B., Sharonov A.V., Rappoport A.N. Dependent director: Sinyugin V.Y.
Additional agreement to supply contract between JSC “RusHydro” and JSC “GVTs of Energy”	Protocol №68 of the Board of Directors of JSC “RusHydro” on November 28 th , 2008	Subject Supply of licensed software produced by “Microsoft Ireland Operations Limited” Price 5,098,489.50 rubles, including VAT Date November 28 th , 2008	Interested parties: Belyaev K.V. Dependent director: Sinyugin V.Y.
Additional agreement to supply contract between JSC “RusHydro” and JSC “GVTs of Energy”	Protocol №68 of the Board of Directors of JSC “RusHydro” on November 28 th , 2008	Subject Setting a timeline for the final payments for licensed software Date November 28 th , 2008	Interested parties: Belyaev K.V. Dependent director: Sinyugin V.Y.
Agreement on the rent of non-residential premises between JSC “HydroOGK” and JSC “Mosenergo”	Protocol №68 of the Board of Directors of JSC “RusHydro” on November 28 th , 2008	Subject Rent of non-residential premises Price 248,196.48 rubles per month, including VAT Date December 29 th , 2008	Interested parties: Udaltsov Y.A. Dependent director: Sinyugin V.Y.
Agreement on the purchase of interest-bearing promissory notes of JSC “GVTs of Energy” between JSC “RusHydro” and JSC “GVTs of Energy”	Protocol №69 of the Board of Directors of JSC “RusHydro” on December 24 th , 2008	Subject Purchase of promissory notes Price 40,000,000 rubles, including VAT Date December 30 th , 2008	Interested parties: Belyaev K.V. Dependent director: Sinyugin V.Y.

During the reported period, the Company conducted no transactions, which are recognized as major transactions in accordance with the Federal law “On joint-stock companies.”

Contact information

Full business name for the Company:	Open joint-stock company JSC “RusHydro”
Abbreviated business name for the Company	JSC "RusHydro"
Abbreviated business name for the Company (English)	JSC "RusHydro"
PSRN	1042401810494
Taxpayer identification number	2460066195
KPP code	997450001
Operating account	40702810400020107810
Bank name	JSC Sberbank of Russia
Bank identification code	044525225
Correspondent account	30101810400000000225
Company location:	51 Respubliki Street, Krasnoyarsk, the Krasnoyarsk Region
Mailing address	51 Architectora Vlasova Street, Moscow 117393
RNNBO	75782411
OKVED	40.10.12
Phone	(495) 225-3232
Fax	(495) 225-3737
Website	www.rushydro.ru

Contact information for the Company’s shareholders and investors

Shareholders of JSC “RusHydro” have the opportunity to ask questions on the Company’s hotline phone (toll-free for residents of all Russian regions) and by e-mail, as well.

Contacts for the center for interacting with JSC “RusHydro” shareholders:

Hotline phone: 8-800-555-9997

E-mail address: rusgidro@mcd.ru

Information on the Company’s registrar

Open Joint Stock Company Central Moscow Depository (OJSC Central Moscow Depository, OJSC CMD)

Location: Building B, 3 Orlikov Lane, Moscow 107078

Mailing address: Building 8, 34 B. Pochtovaya Street, Moscow 105082

Phone: (495) 221-1333; fax: (495) 221-1383

E-mail address: mcdepo@dol.ru

Website: www.mcd.ru

Information on the Company’s auditor

Full business name: Closed Joint Stock Company “PriceWaterhouseCoopers Audit” (CJSC “PwC Audit”)

Location: Building 5, 52 Kosmodamianskaya Embankment, Moscow 115054

Mailing address: Building 5, 52 Kosmodamianskaya Embankment, Moscow 115054

Phone and fax: (495) 967-6000

Fax: (495) 967-6001

E-Mail address: olga.kornilovskaya@ru.pwc.com

