JSC RusHydro presents the Interactive Annual Report —
a disclosure tool that ensures maximum ease in searching
and analyzing important information.

ar2013.rushydro.ru

Responsibility Statement

We confirm that to the best of our knowledge:

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

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

Effective utilize hydro resources, to create conditions
required for the reliable performance of Russia’s Unified
Energy System (UES) and to enhance renewable energy
source (RES) usage to benefit the Company’s shareholders
and society as a whole.

E.V. Dod
Chairman
of the Management Board

D.V. Finkel
Chief Accountant

Location: 51 Respubliki Street, Krasnoyarsk, the Krasnoyarsk Region, Russia, 660075
INN 2460066195 OGRN 1042401810494
Registration date: December 26th, 2004
The Zheleznodorozhsky Inspectorate of the Ministry of Taxation of the Russian Federation,
Krasnoyarsk, the Krasnoyarsk Region
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A Message to the Shareholders

Dear shareholders,

We have every reason to consider 2013 as an important and successful stage in JSC RusHydro’s development. In the past year, despite natural disasters in the Far Eastern regions, which required considerable financial, organizational and technical resources, we raised the total installed electrical capacity of our plants to 37.5 GW and strengthened our position among global hydro-power industry leaders. The Group’s employees can be proud of the 2013 achieved production figures. Total electricity production during the period was 124 billion kWh, which was 10.4% more than in 2012. This is an absolute record in corporate history.

The Group’s financial performance is undoubtedly positive. Adjusted net income increased 63% compared with the previous year and stood at RUR 52.7 billion. The key factors contributing to this strong performance included: increasing electricity generation by hydro-power plants, implementing programs to minimize operating costs, and reducing the cost of fuel and purchased electricity and capacity.

The unprecedented flooding in the Far East stands apart among 2013 events. It not only tested the strength of the Region’s residents and authorities, but also hydro-power engineers. The Zeya, Yenisei, Khatanga, and Kolyma hydro-power plants worked very effectively. They contained the flow of the flood, which significantly reduced the scale of the disaster. In doing so, the power plants’ hydro-power structures and equipment demonstrated reliability and trouble-free operation during extreme conditions.

Despite unexpected and unplanned tasks, the Company has never left existing projects unattended. So, Sayano–Shushenskaya HPP reconstruction in strict accordance with the schedule and increasing it to the designed capacity, but with a new and higher level of efficiency, reliability and security has always been a top priority over the last four years. In 2013, the Company started the third and final stage of restoring the power plant, during which another three new hydro-power units were commissioned. This immediately influenced power plant operation during extreme conditions.

In the year amounted to 25 billion kWh. In 2014, the remaining three hydro-power units will be replaced with new ones and the HPP will finally pick up its usual, the country’s record-breaking capacity of 6,400 MW.

The importance of commissioning the 148 MW first start-up complex of the Ust-Srednekanskaya HPP cannot be overstated for the energy-isolated Magadan Region. Up to now, the region’s power supply was provided by only one power plant, the Kolymskaya HPP. When the first two hydro-power units of the Ust-Srednekanskaya HPP were commissioned, the Magadan Region had a highly flexible backup power generation source, which will have the most positive impact on power supply reliability to both residents and industrial enterprises.

The power plant will provide electricity to the developing mining industry, primarily – the gold industry. Hydro-power generation development also stimulates the creation of new business enterprises that are unique to the region. An example is a liquefied hydrogen plant; an agreement on constructing one was signed in June between JSC RusHydro and the Japanese company, Kawasaki. In addition, the hydro-power plant will facilitate shipping, regulating the flow of the Kolyma River. It will be possible to refuse to construct thermal power plants, which will reduce the consumption of imported fuel and decrease electricity tariff growth by reducing the prime cost.

By mid-December, the country’s most modern hydro power plant, the Boguchanskaya HPP, had generated the first 5 billion kWh of electricity. This was preceded by the installation of all nine hydro-power units and the commissioning of five of them.

In 2013, the Company began construction of the Upper Naryn Cascade of HPPs in Kyrgyzstan. This is a very interesting project technically. There will be four dammed and diversion power plants, erected at a height of more than 2,000 m. The project is being implemented rapidly: many infrastructure facilities, including cofferdams and construction camp, have already been built, and a feasibility study has been approved. Work commencement on major structures will be a task for 2014.

Nine revamped hydro-power units with a total capacity of 737 MW were commissioned as part of the Comprehensive Modernization Program for JSC RusHydro’s Generating Facilities. In total, in 2013, the Company invested more than RUR 22 billion to implement programs to increase electricity generation by hydro-power plants, implementing programs to minimize operating costs, and reducing the consumption of imported fuel and decrease electricity tariff growth by reducing the prime cost.

In 2013, the Company continued the third stage of the Comprehensive Modernization Program with a total capacity of 737 MW. Nine revamped hydro-power units were commissioned, the Magadan Region had a highly flexible backup power generation source, which will have the most positive impact on power supply reliability to both residents and industrial enterprises.

In addition, the Company has carried out a major rehabilitation of the hydro-power turbines at the Saratovskaya HPP, starting priority work on revamping the HPPs of the North Ossetia branch and deploying reconstruction of the Kuban Cascade of HPPs. Four priority projects in the Far East, which the Company has implemented pursuant to Decree of Russian President Vladimir Putin, are being realized in strict accordance with the schedule. The Company has obtained a favorable opinion from the State Expertise of Russia on the technical and budget estimates of the design documentation, as well as favorable process and price audit conclusions for the 1st stage of the Sayano-Shushenskaya HPP. In 2014, as part of the modernization of existing projects unattended, the Company has had to do many things, including: mounting the first new vertical turbines at the Sayano-Shushenskaya HPP; making a contract for hydro-power units for the Yeniseiskaya HPP; starting priority work on revamping the HPPs of the North Ossetia branch and deploying reconstruction of the Kuban Cascade of HPPs.

International recognition of the Company is not unimportant either. For the period from June 2013 to June 2014, JSC RusHydro is the chair of the Global Sustainable Electricity Partnership (GSEP), an international energy organization that comprises the world’s largest electric power companies. As declared by the Company, the main focus of the partnership for this year is the theme “Innovations – A Fast Track to a Sustainable World”. In our opinion, this theme reflects the main challenge of the time, the development problem cannot be solved without innovation.

During the current year, JSC RusHydro continues to focus on strategic development objectives set for the Company by its shareholders. First of all, we have to finish the full restoration and modernization of equipment of the Sayano-Shushenskaya HPP. Commissioning all the hydro-power units of Russia’s largest power plant will allow for a new level of security and resolve the problem of sustainable energy supply for Siberian consumers. As part of the international program, the Company plans to put into operation 333 MW of the Boguchanskaya HPP in the Krasnoyarsk Region, 140 MW of the Zelenchukskaya HPP-PSP in Khabarovsk-Khabersk and 100 MW of the Gotsalinskaya HPP in Dagestania. In 2013, the intensive construction of four thermal generation plants in the Far East is the most significant aspect of our work this year. The Company has a very difficult and responsible task to face – it has to build and put into operation 543 MW of new capacity and 863 Gcal/h of thermal power within a very limited period of time (prior to the end of 2014). Commissioning these facilities will increase generating capacities in the Far East. These increasing capacities will become a strong base for further economic development of the region.

Ensuring the reliable operation of existing facilities also remains a priority task. To this end, in 2014, the Company will continue to implement comprehensive modernization of hydro-power turbines and hydro-power generators at the Volzhskaya HPP, reconstruction of a 500 kV outdoor switchgear at the Babulinskaya HPP, comprehensive reconstruction of 20 hydro-power units at the Zhigulevskaya HPP and replacement of three hydro-power units at the Sayano-Shushenskaya HPP, modernization of 22 hydro-power turbines at the Saratovskaya HPP and replacement of three hydro-power units at the Novosibirskaya HPP.

Carrying out these intense activities, the Company’s management follows the interests of shareholders and relies on the active support of JSC RusHydro’s Board of Directors. The combination of these factors suggests the Company’s confident forward movement, in the course of which, JSC RusHydro will confirm its status as a leader in both the Russian and global power industry.

M.I. Poluboyarinov
Chairman of the Board of Directors

E.V. Ded
Chairman of the Management Board

RusHydro Annual report 2013
Financial Performance

- Revenue, RUR billion:

- Operating expenses, RUR billion:

- CAPEX, RUR billion:
  - 2011: 92, 2012: 89, 2013: 70

- Number of Generating Facilities, units:

- Electricity Production, million kWh:

- Heat Energy Output, thousand Gcal:
  - 2011: 2,050, 2012: 1,950, 2013: 1,975

- Installed Capacity, MW:
  - 2011: 37,5, 2012: 37,4, 2013: 37,5

Production Performance

- Number of Generating Facilities, units
  - Source of Electric Power: Water / Geothermal Energy
    - JSC RusHydro
  - Source of Electric Power: Organic Fuel
    - JSC RAO Energy System of the East

- Installed Capacity, MW
  - JSC RusHydro: +3%, JSC RAO Energy System of the East: +0.3%

- Key Company Performance Indicators

Information about the Company is presented taking into account JSC RusHydro's branches, as well as JSC Kolymaenergo, JSC Geoterm, JSC Pauchetskaya GeoPP, CJSC MEK, JSC Boguchanskaya HPP, the Holding JSC “RAO Energy System of East” and JSC Ust-Srednekanskaya HPP.
The Volga

One of the largest rivers in the world and the biggest in Europe, the Volga is located in the European part of Russia. It springs from the Vaidai Hills at an altitude of 228 m and flows into the Caspian Sea. It is mentioned in Roman sources of the II-IV centuries as the river Ra — “generous”, and in Arabic texts of the IX century it is called Atel, the “river of rivers, the great river”.

Position among Russian rivers

4

Length

3,530 km

Total output of the power stations on the river

32,556 million kWh

Total capacity of the power stations on the river

8,726 MW

Catchment area

1,361,000 km²

Water consumption

8,060 m³/sec

1. About RusHydro Group

1.1. Company History

Company created under Russian Government Decree No 1254-r (dated 01.09.2003)

The Company’s shares are listed on the Russian stock market

A depositary receipt (DR) program is launched

A depositary receipt (DR) program is launched

Hydro-power generation assets of the re-organized JSC RAO UES of Russia

The Russian Federation becomes one of the Company’s shareholders via an additional share issue

Completion of the first stage of restoration at the Sayano-Shushenskaya HPP

Consolidation of existing hydro-power assets in Siberia

Completion of the first stage of construction of the Boguchanskaya HPP

Consolidation of existing hydro-power assets in Siberia

About 580 MW of generating capacity was updated

Recapitalization of the Company in compliance with the Russian President’s Decree No 1564

The construction of the first stage of Ust-Srednekanskaya HPP in the Magadan Region was completed

Modernization of 10 hydro-power units of HPPs with overall capacity of 705 MW

The Company chaired the Global Sustainable Electricity Partnership during the period from June 2013 to May 2014

2004

2005–2008

2007

2008

2009

2010

2011

2012

2013
1.2. RusHydro Today

RusHydro Group is one of the largest energy groups in Russia and is the Russian leader in terms of energy production using renewable energy sources (RES). The Company develops generation based on water flows, sea tides, wind and geothermal energy.

More than 70 renewable energy objects

The Company unites more than 70 renewable energy source facilities, among which are the largest Russian power plant, the Sayano-Shushenskaya HPP, the newest and most modern HPP in Russia, the Boguchanskaya HPP, nine HPPs of the Volzhsko–Kamskij Cascade, the Zeyskaya HPP, the Bureyskaya HPP, the Novosibirskaya HPP, HPPs in the North Caucasus region, geothermal plants in Kamchatka, the Zaqorskaya PSPP in the Moscow Region, and the Cascade of the Sevano-Razdansky HPPs in the Republic of Armenia, as well as the largest supplier of electrical and thermal energy on the territory of the Russian Far East, the Holding JSC “RusHydro Energy System of East” (more than 300 generating facilities).

The RusHydro Group also unites R&D, design and engineering facilities, as well as retail energy companies. Power sales assets are consolidated within the subsidiary, JSC ESK RusHydro, repair and maintenance functions are consolidated in the united repair and service company, JSC Hydroremon–WK, created on the basis of five companies in 2013, with the aim of fulfillment the Program for the complex modernization of JSC RusHydro’s production assets and their subsequent servicing.

Development and usage of renewable energy sources

The Company performs exploration and evaluation of potential wind sites, geothermal fields and the power sites of small HPPs, both with the usage of pilot projects and the organization of comprehensive work, for example, work upon the study of hydro energy potential for the river-basins in the North Caucasus, Siberian, North-West and Volga Federal Districts. This allows the selection of the most advanced technologies for design and construction.

Large scale investment projects

The Company realizes large-scale investment projects in various Russian regions: restoration of the Sayano-Shushenskaya HPP (the Khakassia Republic), the completion of construction and putting into operation the Boguchanskaya HPP (the Krasnoyarsk Region), the Bureyskaya HPP (the Amur Region), the Zaqorskaya PSPP-2 (the Karachay-Cherkessia Republic), the Zaragishskaya MHEP (the Kabardino-Balkar Republic), the Gotsatlinskaya HPP (the Dagestan Republic), and the realization of four projects for thermal generation development in the Far East (the first stage of the Sakhalinskaya TPP-2 (the Sakhalin Region), the CHP in Sovetskaya Gavan (the Khabarovsky Region), the second stage of the Blagoveschenskaya CHP (the Amur Region) and the first stage of the Yakutskaya TPP-2 (Yakutia)).

In 2012, according to a Decree of the President of the Russian Federation, JSC RusHydro was included in the list of strategic enterprises and strategic joint stock companies. Currently, JSC RusHydro plays a key role in the Russian energy sector and ensures national energy independence.

Capital construction

1. The Nizhne-Bureiskaya HPP (the Amur Region) – a foundation was unwatered, the construction of basic facilities was launched, and a contract for delivering hydro-power units was concluded;
2. The Verkhne-Naryn Cascade of HPPs (Kyrgyzstan) – the preparatory stage of work was started, a working village for hydro-constructors was constructed, and a feasibility study of the project was approved;
3. The Gotasatinskaya HPP (the Republic of Dagestan) - installation of hydro-power units began, construction of a dam is underway;
4. The Zelenchukskaya HPP-PSPP (the Karachay-Cherkessia Republic) – construction of a water passage for the tail pond was started, construction of the lower reservoir and the derivation is underway;
5. Small HPPs in Kabardino-Balkaria and Karachay-Cherkessia – the readiness of the Zaragishskaya HPP exceeded 50%, the project on the Big Zelenchuk Small HPP was approved.

Commissioning new hydro-generating capacities

1. Completing the construction of the Boguchanskaya HPP (the Krasnoyarsk Region) – construction work on eight hydro-power units out of nine with a total design capacity of 2,664 MW were fully completed;
2. Restoring the Sayano-Shushenskaya HPP (the Republic of Khakassia) – three hydro-power units were commissioned, as a result, operating capacity rose to 4,480 MW;
3. Constructing the Ust-Srednekanskskaya HPP (the Magadan Region) – two hydro-power units with a total capacity of 168 MW were put into operation.

Start of the construction programs for new thermal generating facilities in the Far East

1. The Yakutskaya SDPP-2 (Phase 1), Yakutsk (the Republic of Sakha (Yakutia));
2. The Blagoveschenskaya CHP plant (Phase 2), Blagoveschensk (the Amur Region);
3. The CHP plant in Sovetskaya Gavan (the Khabarovsky Region);
4. The Sakhalinskaya SDPP-2 (Phase 1), Ilyinskii village (the Sakhalin Region).

Total installed capacity of power plants

37.5 GW

17,912.7 thousand Gcal/h

RusHydro Annual report 2013
### 1.3. Holding Company’s Structure

**Holding JSC “RusHydro” on 31.12.2013**

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<tr>
<th>Company Name</th>
<th>Percentage</th>
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<tr>
<td>JSC Pavlodolskaya HPP</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Geoterm</td>
<td>99.65 %</td>
</tr>
<tr>
<td>JSC Kelimaenergo</td>
<td>98.76 %</td>
</tr>
<tr>
<td>JSC KamHEK</td>
<td>96.58 %</td>
</tr>
<tr>
<td>JSC MEK</td>
<td>90 %</td>
</tr>
<tr>
<td>JSC Verkhnemutnovskaya GeoPP</td>
<td>48.04 %</td>
</tr>
<tr>
<td>JSC Yakutskenergo</td>
<td>29.8 %</td>
</tr>
<tr>
<td>JSC Karachayevo-Cherkesskaya HGC</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Leningradskaya PSHPP</td>
<td>100 %</td>
</tr>
<tr>
<td>CJSC CHPP in Sovetskaya Gavan</td>
<td>100 % (in trust management)</td>
</tr>
<tr>
<td>JSC Renewable Energy Engineering Center</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Nizhne-Zeyskaya HPP</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Nizhne-Bureyskaya HPP</td>
<td>100 %</td>
</tr>
<tr>
<td>CJSC Verkhne-Narynskie HPPs</td>
<td>50 %</td>
</tr>
<tr>
<td>CJSC Yakutskaya SDPP-2</td>
<td>100 % (in trust management)</td>
</tr>
<tr>
<td>LLC Verkhnebalkarskaya SHPP</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Yuzhno-Yakutsky HEC</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Zaramagsky HPPs</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Dalnevostchnaya WPP</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Ust-Srednekekskskaya HPP</td>
<td>50.04 % (exclusively of the current issue)</td>
</tr>
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<td>JSC Sulaksky HydroCascade</td>
<td>100 %</td>
</tr>
<tr>
<td>CJSC HydroEngineering Siberia</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC SHPP of Dagestan</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC Zbariki</td>
<td>25 % + 1 share</td>
</tr>
<tr>
<td>JSC UEMC</td>
<td>20.6 %</td>
</tr>
<tr>
<td>JSC MC HydroOGK</td>
<td>100 %</td>
</tr>
<tr>
<td>LLC IT Energy Service</td>
<td>19.99 %</td>
</tr>
<tr>
<td>LLC VolgaHydro</td>
<td>50 % + 1 Rouble</td>
</tr>
<tr>
<td>JSC SSKT</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC SC SSHPP</td>
<td>100 %</td>
</tr>
<tr>
<td>JSC OVC Energetiki</td>
<td>42.53 %</td>
</tr>
<tr>
<td>JSC Hydoinvest</td>
<td>100 % (in trust management)</td>
</tr>
<tr>
<td>RUSHYDRO INTERNATIONAL B. V.</td>
<td>100 %</td>
</tr>
<tr>
<td>CJSC Malaya Dmitrovka</td>
<td>100 %</td>
</tr>
<tr>
<td>RUSSUNHydro limited</td>
<td>50 %</td>
</tr>
<tr>
<td>JSC IEKC</td>
<td>42.75 %</td>
</tr>
<tr>
<td>JSC RAO Energy Systems of the East</td>
<td>84.39 %</td>
</tr>
<tr>
<td>JSC Lengidroproy</td>
<td>100 %</td>
</tr>
<tr>
<td>LLS HydroService</td>
<td>100 %</td>
</tr>
</tbody>
</table>
1.4. Geographical Footprint of the Company
1.5. International Activity

JSC RusHydro continues to pay great attention to developing international cooperation, the aim of which is to broaden the geographic scope of the Company’s presence, and attracting foreign investment and technologies to new prospective projects within the sphere of hydro-power and renewable energy sources, as well as fostering lateral cooperation with foreign electric power, design and engineering companies.

Broadening the geography of the Company’s presence

JSC RusHydro owns CJSC International Energy Corporation (CJSC IEC), which possesses seven hydro power plants of the Seven-river Cascade with installed capacity of 561 MW, located on the Razdan River. In 2013, electricity generation amounted to 467.96 million kWh.

Currently, the state of the Cascade requires a number rehabilitation measures that will significantly prolong its service life and reduce the risk of accidents. The Company pursues a policy of restoration and technical upgrading of the Cascade power plants and plans to renovate the diversion channels of the system. The Cascade modernization and reconstruction program is scheduled to be realized until 2017.

In 2013, the Company began the practical realization of the Russian-Kyrgyz Inter-governmental Agreement on the modernization and technologies for new prospective projects within the sphere of hydro-power and renewable energy sources. Within the framework of the Agreement, the Narynskaya HPP-2 and the Narynskaya HPP-3. Optimizing the engineering and technological solutions will increase the installed capacity of the Cascade by 25%, and bring it to 237.7 MW, with an average annual electrical output energy of approximately 1 bn kWh.

Attracting foreign investment and technologies

Within the framework of the realization of joint projects with the French company Alstom and the Austrian company Voith Hydro, aimed at localizing modern hydro-power equipment production on the territory of the Russian Federation, which is planned to be used during modernization of the Company’s active HPPs, the formation of the required contractual and legal base is ongoing, as well as the development of technical documentation, the designation of construction sites and the fulfillment of relevant preliminary work.

Simultaneously, joint efforts are being made to search for new projects in Russia and the CIS to increase the load of the plants. In 2013, the main part of the design work for the plant was performed. Preparatory work is underway at the site.

Participating in inter-governmental cooperation

JSC RusHydro regularly participates in inter-governmental commissions for trade and the economy, as well as in scientific and technical cooperation between the Russian Federation and foreign countries, as well as in supporting the development of the energy sector within this framework. In 2013, Company representatives participated in 16 respective events. JSC RusHydro also participates in international forums organized within the framework of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and the Industry of Russia.

Cooperating with foreign companies

In 2013, JSC RusHydro concluded a number of business-to-business memorandums and agreements on cooperation with foreign companies:

• The Company concluded an agreement on cooperation in the sphere of the joint realization of projects for the construction of HPPs in the confluents of the Amur River and on conducting research and development work with the China Three Gorges Corporation;

• The Company signed a Memorandum of understanding providing for the possibility of cooperation in the modernization of current power plants and the construction of new power plants, as well as other energy objects and constructions on the territory of the Russian Federation with the Korean company Samsung Engineering;

• An agreement on cooperation in realizing the project of industrial production of liquefied nitrogen without CO2 emission on the territory of the Russian Far East was signed between the Japanese company Kawasaki Heavy Industries and the Holding JSC “RUS Hydro Energy System of East”;

• The Company signed a letter of intent to participate in the committees and working groups of numerous non-profit partnerships and international organizations, in which the Company participates:
  • The Global Sustainable Electricity Partnership, GSEP;
  • The World Economic Forum, WEF;
  • The International Hydropower Association, IHA;
  • The International Commission on Large Hydropower Dams, ICOLD;
  • The International Association for Hydro-Environment Engineering and Research, IAHR.

JSC RusHydro cooperates without being a member in some professional international organizations. Among these organizations, in particular, are:

• The Technology Association of Canada (The Centre for Energy Advancement through Technological Innovation, CEATI);

• The European Small Hydro Association, ESHA;

• The International Council on Large Electric Systems (Conseil International des Grands Réseaux Électriques – CIGRE);

• The International Network of Basin Organizations (Résolution International des Grandes Réserves Électriques – CIGRE);

• The Union of the Electricity Industry, Eurelectric.

Also, JSC RusHydro fosters cooperation within the work of international governmental organizations and integration associations. Among these are:

— the initiative of JSC RusHydro, elaboration on projects in the field of cyber-security and countering computer viruses in industrial systems was started within the framework of the Partnership. The Company also took part in a number of international events organized within the framework of the GSEP, including the events of the GSEP, which are part of the Davos Economic Forum (Switzerland) and the World Economic Forum Council (Korea).

RusHydro Annual report 2013

In June 2013, the Company officially chaired the Global Sustainable Electricity Partnership (GSEP) [http://www.globalelectricity.org/en] for the period from June 2013 to May 2014. Russia’s year of chairing GSEP is a milestone event for the Company as a Russian electrical energy industry, on the whole. The topic of the year was “Innovations – a foundation for breakthroughs”, and the development of sustainable development problems is impossible without innovation breakthroughs.

GSEP is an international organization founded in 1991 that unites the largest electric power companies from Group of Eight member states (except for the UK). At present, GSEP includes 14 of the world’s leading electricity companies. The main objectives of GSEP include, among others: the development of a joint policy for sustainable power industry development, the organization of large-scale discussions on issues related to environmental protection, climate change, globalization and social policy, the sharing of experiences in the sphere of electric power production and use, and the development of production and use, and the development of electric power markets and renewable energy sources, as well as the provision of assistance to developing countries.

Fulfilling the functions of the chair of the company’s partnership, in October 2013, JSC RusHydro held meetings of the project, policy and management committees in St. Petersburg. At the annual report 2013
**Key 2013 Events**

**January**
- Installed capacity of the Volzhskaya HPP was increased by 15.5 MW to 2,608 MW through the modernization of hydro-power units with the replacement of turbines.

**March**
- Hydro-power unit No.4 of the Boguchanskaya HPP is commissioned with an installed capacity of 333 MW.
- JSC RusHydro officially chaired the Global Sustainable Electricity Partnership (GSEP) for the period from June 2013 to June 2014.
- The Annual General Meeting of the Company was held, at which the annual report, as well as financial statements and a resolution on dividends payments in the amount of RUR 3.7 billion for 2012 were adopted.

**April**
- JSC RusHydro was admitted to trading of most liquid shares, which are included in T+2 system trading at the MICEX Stock Exchange, as the most liquid shares, admitted to trading.
- The first launch of the Unit No.5 of the Sayano-Shushenskaya HPP was put into operation.
- The first launch of the Unit No.6 of the Sayano-Shushenskaya HPP was put into operation.
- The first launch of the Unit No.4 of the Sayanogorskaya HPP was put into operation.
- The first launch of the Unit No.4 of the Sayanogorskaya HPP was put into operation.
- The Board of Directors approved creation of four companies to implement the construction of new generating facilities in the Far East: heat and power plant in Sovetskaya Gavan, the Sakhalinskskaya power plant No.2, the Yakutskskaya power plant No.2, and the Blagoveschenskaya power plant No.2.
- JSC RusHydro cooperated with the Global Sustainable Electricity Partnership (GSEP) for the period from June 2013 to June 2014.
- The Annual General Meeting of the Company was held, at which the annual report, as well as financial statements and a resolution on dividends payments in the amount of RUR 3.7 billion for 2012 were adopted.

**May**
- RusHydro International A.G., a subsidiary of JSC RusHydro, signed a contract on the administration and modernization of HPPs in Nigeria with an overall capacity of 1.3 GW.

**June**
- JSC RusHydro cooperated with the Global Sustainable Electricity Partnership (GSEP) for the period from June 2013 to June 2014.
- The Annual General Meeting of the Company was held, at which the annual report, as well as financial statements and a resolution on dividends payments in the amount of RUR 3.7 billion for 2012 were adopted.
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**August**
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**September**
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**October**
- The installed capacity of the Boguchanskaya HPP was increased by 10.5 MW to 2,629 MW through the modernization of hydro-power units at the power plant.
- The RusHydro Group provided own funds for the construction of four high priority thermal generation power facilities in the Far East in the amount of more than RUR 3 bln.
- The installed capacity of the Boguchanskaya HPP was increased by 10.5 MW to 2,629 MW through the modernization of hydro-power units at the power plant.
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**November**
- The Board of Directors approved creation of four companies to implement the construction of new generating facilities in the Far East: heat and power plant in Sovetskaya Gavan, the Sakhalinskskaya power plant No.2, the Yakutskskaya power plant No.2, and the Blagoveschenskaya power plant No.2.
- The Annual General Meeting of the Company was held, at which the annual report, as well as financial statements and a resolution on dividends payments in the amount of RUR 3.7 billion for 2012 were adopted.
- The first launch of the Unit No.6 of the Sayanogorskaya HPP was put into operation.

**December**
- Fitch Ratings agency affirmed the long-term credit ratings of the Company in foreign and national currency at the ‘BB+’ level and the national long-term credit ratings at the ‘A’ level with a ‘Stable’ outlook.
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**Events after the Reporting Date**
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**February**
- Hydro-power unit No.5 of the Volzhskaya HPP was commissioned after modernization.
- The Company successfully placed a bond issue in the amount of RUR 20 bln.

**March**
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2. Strategy and Investment

2.1. Strategy

The Company’s strategy is represented as the Strategic plan till 2015, with future development till 2020. JSC RusHydro’s Strategic plan was adopted by resolution No. 100 of the Company’s Board of Directors (dated June 16, 2010).

Ensuring the reliable and safe functioning of equipment and hydro-power structures for society and the environment, taking into account the economic feasibility of funds allocated to minimize risk and reduce potential damage.

The Company makes every effort to increase the share of renewable energy sources (RES), including hydro-generation, in the energy balance, holding Russia’s leading position in RES usage.

The Company seeks to maximize its value to the State, shareholders, society and employees.

THE COMPANY’S MISSION

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

The Kama

This is the left and biggest tributary of the Volga. Its name is of ancient Finno-Ugric origin. Some scholars believe that the name comes from the Udmurt word “Kema”, meaning “long”.

Position among Russian rivers: 19

Length: 1,805 km

Catchment area: 507,000 km²

Water consumption: 3,500 m³/sec

Total capacity of the power stations on the river: 1,557 MW

Total output of the power stations on the river: 3,990 million kWh

Kamskaya HPP

Votkinskaya HPP

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Kamskaya HPP

Votkinskaya HPP
The strategic plan was developed in accordance with the following documents in State strategic planning:

1. The Concept for Russia’s Long-term Socio-economic Development till 2020;
2. The Long-term Development Forecast of the Russian economy till 2030;
3. Russia’s Energy Strategy till 2030;
4. The General Lay-out of Power Facilities till 2020 [forecast till 2030];
5. Regional strategies for socio-economic development and energy strategies for the regions;
6. Sector strategies and long-term plans for the development of the oil and gas industry, ferrous metallurgy, transport infrastructure, etc.

Implementation mechanisms for the Company’s strategy

The Company has implemented and operates a strategic management system, which integrates strategic management processes with motivation system. The main instruments to implement the Strategy are the Company’s Growth Priorities for the current year (Priorities) and the Strategy Implementation Plan (SIP). Both documents refer to the annual strategic management cycle.

Priorities are a formalized list of key strategic goals, projects and programs, the implementation of which ensures the achievement of the Company’s strategic goals and maximum synergy during the current year. The purpose of the Priorities is to focus the Company’s resources on the most important targets and indicators. Responsibility for implementing Priorities rests on the Company’s senior management team, which is responsible for the comprehensive implementation of all Priorities.

The Strategy Implementation Plan is a detailed document that includes a set of annual objectives and performance indicators, the accomplishment of which provides for the Company’s strategic goals. The aim of forming the SIP is the Company’s communication and operationalization within a one-year period. The SIP contains targets and indicators for the current year, indicating which of the Company’s officials and departments are responsible for implementation. The aggregate of the SIP’s indicators in their areas of responsibility is one of the annual key performance indicators (KPIs).

2015 Target value

- Fulfillment of reliability criteria: Avoidance of accidents
  - 5.6 GW Introduction of new HPP capacities
  - 10 GW Installed capacity for merged assets/assets received under management*
  - 1,000 MW Total installed capacity of renewable energy sources (RES) at the stage of project documentation development**
  - 500 MW Installed capacity on the international markets, including capacity in property and in operating/trust management
  - 1 GW Annual electricity output***

RusHydro’s Strategic Plan

Strategic target indicators

Development programs for key directions

- Investment Program, Innovation program, Complex Modernization Program, Program for Strategic Transactions
- Business Plan, Budget, Cost Management Program, Management reporting

Motivation System

- Strategic Priorities
- Annual Strategy Implementation Plan (SIP)
- SIP techniques, List of annual strategic KPIs

Integrated tools:
- Unified Scenario Terms (UST)
- Summary Long-Term Model of the Company

* In case of the realization of all strategic initiatives
** In case of the adoption of State support measures for renewable energy, the indicator will be updated
*** For existing business and investment projects for construction on Russian territory
2013 Strategy Implementation

Development priorities for 2013 were adopted by a resolution of the Company’s Board of Directors dated February 20, 2013 (Minutes No. 175).

1. Ensuring the reliability and modernization of existing assets

A constant annual strategic priority for the Company is ensuring the operating reliability of existing assets. This is performed in numerous ways, including via the Complex Modernization Program for JSC RusHydro’s Generating Facilities till 2025.

Realization of the Complex Modernization Program for JSC RusHydro’s Generating Facilities

About the Complex Modernization Program

Most power plants in Russia were put into operation 40-50 years ago and many facilities are even older. Thus, much of the equipment needs to be replaced and/or overhauled.

The problem is complicated by the fact that during the Soviet period no large modernization projects in this sphere were conducted; and in the 1990s, there were simply not enough funds. During the early years of the 21st century, equipment replacement started, but at a rate which was evidently insufficient. The problem had to be resolved radically, and in 2012, RusHydro adopted a large-scale Complex Modernization Program for Generating Assets. In accordance with the Program, by 2025, the Company will replace all HPP equipment that has an expired operational lifetime.

Financing Requirement for the Complex Modernization Program

In 2013, the Company undertook the following measures

<table>
<thead>
<tr>
<th>Modernization</th>
<th>Reconstruction</th>
<th>Replacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Rybinskaya HPP</td>
<td>One 55 MW turbine</td>
<td>Two transformers</td>
</tr>
<tr>
<td>The Kamskaya HPP</td>
<td>Two generators with 41 MW total capacity</td>
<td>One transformer</td>
</tr>
<tr>
<td>The Zhigulovskaya HPP</td>
<td>Two 55 MW turbines</td>
<td>One dam</td>
</tr>
<tr>
<td>The Saratovskaya HPP</td>
<td>Two generators with 120 MW total capacity and one 65 MW hydro-power unit</td>
<td>One dam</td>
</tr>
<tr>
<td>The Volzhskaya HPP</td>
<td>Three turbines with 263 MW total capacity</td>
<td>One dam</td>
</tr>
<tr>
<td>The Kamskaya HPP</td>
<td>Three turbines with 63 MW total capacity</td>
<td>One dam</td>
</tr>
<tr>
<td>The Vetlinskaya HPP</td>
<td>One 55 MW turbine</td>
<td></td>
</tr>
<tr>
<td>The Kamskaya HPP</td>
<td></td>
<td></td>
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<tr>
<td>The Novosibirskaya HPP</td>
<td>One dam</td>
<td></td>
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<tr>
<td>The Maynskaya HPP</td>
<td></td>
<td></td>
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<tr>
<td>The Zeyskaya HPP</td>
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</tr>
</tbody>
</table>

The results of the fulfillment of the Complex Modernization Program in 2013

- The company took the following measures:
  1. One 55 MW turbine
  2. One 78 MW turbine
  3. One switchgear
  4. One dam
  5. One transformer
  6. One gate

Main parameters of the Complex modernization program

- Planned to be replaced
  - 154 hydro turbines or 55% of turbines
  - 119 generators or 42% of generator fleet
  - 8 thousand units of secondary control wiring equipment
  - 4 thousand unit of auxiliary equipment
  - 17% transformers or 61% of transformer fleet
  - 3% high voltage switches

Turbines, Generators, Auxiliary equipment, Safety, automation, Hydro-power structure reconstruction, Transformers, Design works.

RusHydro Annual report 2013
Introduction of capacities at the Sayano-Shushenskaya HPP (210 MW each)

In 2013, the supply of hydro-power equipment and transformers was completed, the last station service transformer and auxiliary equipment for reconstruction of the 500 kV outdoor switchgear was delivered, the 500 kV cable and equipment for automation, protection and alarm system were installed, 500 kV gas insulated system sections with T3 and T3 units and high voltage transmission lines 541, 543 and 544 were put into operation, and the reconstruction of the T3 unit’s transformer platform was completed.

With the aim of ensuring comprehensive quality control for the fulfilled construction and installation work and the supplied equipment, the Company actively attracts specialized organizations. Among these are: the autonomous non-commercial organization Soyuzekspertiza of the Russian Chamber of Commerce, which controls the production quality of the hydro-power equipment and welding work, as well as JSC KTB Zhelezobetona, which controls the quality of concrete work, as well as reinforcing work.

In addition, supervisory authorities (Rechestnadzor and Rosprirropnador) conduct inspections, as a result of which the Company undertakes required measures in a timely manner and ensures that work corresponds with the requirements of normative documents.

Ensuring (recovering) the readiness of the Company’s HPPs for automatic frequency regulation

In 2013, the Company reconstructed and put into operation systems for the group regulation of active capacity (GRAC) with the capability of participating in the automatic secondary regulation of current frequency and active electric capacity flows at the following JSC RusHydro facilities:

- the Bureinsky HPP,
- the Volzhskaya HPP,
- the Verkmaskaya HPP,
- the Zhigulevskaya HPP, the Zeya HPP,
- the Zelenchukskaya HPP,
- the Ingamskaya HPP,
- the Kamskaya HPP,
- the Nizhegorodskaya HPP, the Nevosibirska HPP,
- the Bybinskaya HPP,
- the Saratovskaya HPP, the Uglovskaya HPP,
- the Cheboksarskaya HPP.

In 2014, the Company plans to complete the reconstruction of the GRAC at the Sayano-Shushenskaya HPP, the Chirkeyskaya HPP, the HPP-2 of the Kuban Cascade of the HPPs and in JSC RusHydro, as a whole. In addition, the Company will continue the connection of modernized hydro-power units and their automatic systems to the GRAC.

Putting into operation the first start-up facility of Zagorskaya GAES-2 to 2017.

Introduction of capacities at the Boguchanskaya HPP (999 MW)

The planned volume of introduced capacities (999 MW hydro-power units No. 7, 8, 9 of 333 MW each) were indicated in accordance with the investment program adopted during the formation of priority development indicators for 2013 with reference to possible changes within the consideration of the report on the fulfillment of the investment program by JSC RusHydro’s Board of Directors.

The Russian Energy Ministry adopted the adjustment of JSC RusHydro’s investment program for 2013 in terms of postponing the launch of hydro-power unit No. 9 (333 MW) due to the unavailability of the 500 kV grid [Order No.639 dated September 24, 2013].

Thus, in accordance with JSC RusHydro’s Investment Program adopted by the Russian Energy Ministry in 2013, the Company plans to introduce two hydro-power units (hydro-power unit No.7 and hydro-power unit No.8 with a capacity of 333 MW each) at the Boguchanskaya HPP.

As of January 1, 2014 the permit to conduct start-up and adjustment operations of the hydro-power units No.7 and No.8 was received, the technical launch of hydro-power units No.7-9 was conducted, and the protocol of readiness of the waterfront up to 205 meters mark was signed. At the same time, the readiness of the power distribution scheme from part of the Kransayar Region was provided to an extent, allowing for the power distribution of four hydro-power units.

The construction preparedness of hydro-power units No.7 and No.8 of the Boguchanskaya HPP and the capacity of their placement under load, as well as the unavailability of the 500 kV power distribution scheme which did not allow for the provision of power distribution for more than four hydro-power units of the Boguchanskaya HPP, were noted at a meeting of the operations center of the Russian Energy Ministry dedicated to launch preparation of the Boguchanskaya HPP [Minutes No. Kv-3pr dated December 20, 2013].

4. Competitive increase of the project complex: managerial consolidation of project institutes

To solve the task of growth in competitiveness, JSC RusHydro plans to create a consolidated center for planning scientific and design studies and works, form a center to organize the execution of such works and control of their results, and organize a unified information space for design and research institutes. This will enable the Company to improve the quality of design solutions, ensure the safety and reliability of hydraulic works and equipment, synchronize the development of scientific and engineering SDGs, as well as optimize the performance of human resources.

5. Increase in the profitability of power sales companies

Centralized system for the management of power sales companies within JSC ESK RusHydro

In 2013, the Company undertook numerous actions aimed at centralizing the system for the management of JSC RusHydro’s power sales companies. This activity was conducted with the aim of fulfilling a resolution of the Management Board on the adoption of a centralized system for the management of power sales companies within JSC ESK RusHydro and the adoption of a Program for the development of JSC RusHydro’s power sales companies in 2012-2014.

Measures undertaken during the reporting year ensured the successful start of the centralization of the system for managing power sales companies and were aimed at:

- Fulfilling the functions of the sole executive body (SEB) for earlier concluded agreements;
- Elaborating on and introducing regulations for the interactions of the SEB and power sales SDGs;
- Standardizing the activity of power sales companies.

In 2014-2015, the Company plans to further enhance the management system of power sales holding JSC ESK RusHydro.

Improving the operational efficiency of power sales companies

The 2013 Strategy Implementation Plan of JSC RusHydro aims to increase the operational efficiency of power sales companies by decreasing expenses at least 10%.

According to managerial reporting data from 2012-2013, the plan to increase operational efficiency by decreasing expenses was fulfilled for each power sales company, among which are: JSC Krasnoyarskselektrobyt, JSC Ryazan Power Sales Company, JSC Chuvash Power Sales Company and LLC Power Sales Company of Bashkortostan.
6. Corporate consolidation of hydro-power assets: acquiring shares in or managing economically efficient hydrogeneration assets, which are privately owned in Russia

The Company’s Management Board annually adopts the Report on the Fulfillment of the Annual Program of Strategic and Other Material Transactions of RusHydro Group. The 2013 Report was adopted by a Management Board resolution (Minutes No. 814р dated December 20, 2013).

Key strategic and other material transactions concluded in 2013 are:

- Reorganization of JSC RusHydro’s repair SDCC (State registration of SDCCs was performed July 1, 2013);
- Project on the creation of a joint venture with Veith Hydro (a company to produce hydro-power equipment, LLC VolgaHydro, was registered August 19, 2013 on the territory of the Saratov Region);
- Disposal of shares of JSC Trust Gidromontazh (sale of 33.54% of shares to JSC TEK Mosenergo was performed October 16, 2013);
- In 2014, the realization of the following transaction will continue: transfer under Russian jurisdiction companies of the Boguchansky Energy and Metal Complex (BEMC), included in Annual Program of Strategic and Other Material Transactions for 2013.

7. Development of an effective system for innovation management and forming a sustainable innovation process in the Company’s activity: formation of a center for innovative solutions in the sphere of new technologies for producing electrical energy, design work and construction in the field of RES, including HPPs

The RusHydro Group has a design and research complex that integrates design institutes JSC Lenhydroproject Institute, JSC Mosobylhydroproject and research organizations JSC Vedenev VNII and JSC NIIIE. The complex activities aimed are at the development of innovative technologies in the field of “green” energy. In particular, in 2013, the specialists of JSC NIIIE obtained a positive opinion of the state examination for the Bolshoy Zelenchuk Small HPP project developed by them. In addition, JSC NIIIE is working on the design of orthogonal turbine impeller to be used in low-head mini HPPs and also participates in the construction of a binary power plant at the Pauzhetskaya GeoPP site as general designer.

8. Development of human resources potential: development of a system for primary and supplementary professional education on the basis of the Moscow Power Engineering Institute and the Corporate University of Hydro-power Engineering, as well as the Company’s Scientific and Production Information Center.

JSC RusHydro aims to create an educational environment on the basis of an internal system of workplace mentoring, the Corporate University of Hydro-power Engineering, the Sayano-Shushenskaya Branch of the Siberian Federal University located in close vicinity to the largest HPP and a network of field-oriented universities and technical schools both on the federal and regional level.

In October 2013, the Company opened the Department of Hydro-power Engineering and Renewable Energy Sources in the National Research Institute Moscow Power Engineering Institute. This will allow the Company to participate in training engineers for every stage of the production asset lifecycle: design, research, construction and operation. The Department will ensure the formation of a methodological center for increasing the effectiveness of professional development for personnel in production, repair and construction facilities, as well as the scientific and project complex of the hydro-power holding.

9. Development of activities in the field of water resources: development of a Concept for the modernization and effective management of Russia’s water resources complex

To fulfill the task of JSC RusHydro’s participation in the management of Russia’s water resources complex, a Concept for the modernization and effective management of Russia’s water resources complex was developed. The Concept, as well as suggestions on RusHydro Group’s participation in its realization were submitted for consideration by the interested Russian Ministry.

After a discussion of the matters on the form of JSC RusHydro’s potential participation in the development of Russia’s water resources complex, federal executive authorities suggested to designate sectors of water supply, water discharge and wastewater treatment. In addition, it was proposed that the Company exercise functions of strategic planning, the management of the modernization processes, the organization of inter-regional interaction, investment attraction, the development of international ties and the creation of an industrial base for industry equipment and component production on Russian territory.

10. Transition to a target capital structure and broaden sources for realizing the Investment Program

The attraction of additional financial resources for financing the investment program within the framework of JSC RusHydro’s re-capitalization

Effective usage of funds for the investment programs of the Holding JSC “RAO Energy System of East”

In 2012, a resolution was adopted to increase the charter capital of JSC RusHydro via an additional share issue (Decree of the Russian President No. 1544 dated November 22, 2012) on the condition that the share of the Russian Federation in the Company’s charter capital will not amount to less than 60.5%.

Raised funds will be channelled to finance the construction of the following facilities of the electrical energy industry on the territory of Russia’s Far East:

- CHP in Svotitskaya Gavan;
- Sakhalinskaya TPP-2 (first stage);
- Yakutskaya TPP-2 (first stage);
- Blagoveschenskaya CHP (second stage).

On November 26, 2013, the placement of the shares of the additional issue was completed, and the securities offering report was registered by the Bank of Russia on December 26, 2013.

On 3 December 2013, the Company’s Board of Directors approved the model for construction management of generating capacities in the Fair East. According to the model, the shares of four SDCs that belong to JSC RusHydro and to be subsequently purchased shall be transferred in trust management of the Holding JSC “RAO Energy System of East” without the right to receive dividends and without the ability to dispose of and encumber the shares and assign rights to the shares. On 23 December 2013, JSC RusHydro and the Holding JSC “RAO Energy System of East” signed an agreement for trust management of shares belonging to engineering SDCs.

Thus, the recapitalization of JSC RusHydro for financing its investment program was finalized. In 2014, the Company will continue to work on the construction of generating capacities in the Fair East. The next step will be carrying out the price and technological audit, obtaining positive conclusions by Federal Autonomous Establishment Glavgeoesperta of Russia, as well as concluding general contracts for the construction of facilities.

11. Broadening the Company’s presence on international markets: realization of the project to construct the Upper Naryn Cascade of HPPs (Kyrgyzstan), including elaborating on the technical and economic assessment of the investment and development of project work

Development of the Upper Naryn Cascade of HPPs is conducted within the framework of the Agreement between the Russian Government and the Government of the Kyrgyz Republic on the construction and operation of the Upper Naryn Cascade of HPPs, signed September 20, 2012.

In January 2013, JSC Lenhydroproject, a SDC of JSC RusHydro, won the tender for a feasibility study (FAS) for the construction of the Upper Naryn Cascade of HPPs. In November 2013, the feasibility study was approved by the Board of Directors of JSC Upper Naryn HPPs.

The project developed provides for the construction of the Cascade of HPPs, including: the Akbulinskaya HPP, the Narynskaya HPP-1, the Narynskaya HPP-2 and the Narynskaya HPP-3, with an overall installed capacity of 237.7 MW and an annual electricity output of 942.47 million kWh. The Cascade is situated in the Naryn Region of the Kyrgyz Republic.

Preparatory work on the construction of the cascade began in June 2013. As a result of this work, by the end of the reporting year, the first phase of the rotational camp with the necessary infrastructure was completed, a concrete plant and a crushing and grading complex were commissioned and access roads were constructed. In 2014, the Company will start construction work of the main structures of the cascade. The project is scheduled to be completed in 2013-2019.

In addition to the priorities listed above, due to the Company’s special importance or due to the necessity of continuing work, the following Priorities are transitional and are included in 2014 development priorities with new target indicators:

- Ensuring the reliability and modernization of existing assets;
- Increasing installed capacity through the realization of investment projects;
- Upgrading the competitiveness of the project complex;
- Creating an effective system for innovation management and forming a sustainable innovation process within the Company’s activity;
- Developing its human resource potential.
2014 Development Priorities

The Company’s 2014 development priorities were adopted by a resolution of the Board of Directors (Minutes No. 190 dated November 29, 2013).
Mission:

Ensuring reliable and uninterrupted power supply for consumers of electrical and thermal energy

Entry into new markets

Ensuring of sustainable growth of fundamental values in long term prospective

The Holding Company aims at the development of existing types of activity and at the entry into new markets. One of the prospective areas for business development is the export of electrical energy, which will allow the Holding Company to broaden the end markets.

The Holding Company aims at increasing its fundamental values and its value for shareholders, employees and the society as a whole. The instruments for pursuing of this goal include both gradual vertical integration and the optimization of operational costs of the Holding Company as well as the increase in efficiency of the business processes and development of governance system.

The Holding JSC “RAO Energy System of East” for the period till 2015 with an outlook till 2020, which is in turn aimed at realizing the Strategy of JSC RusHydro.

Significant attention is given to controlling the Holding’s assets through the realization of modernization program of the Holding JSC “RAO Energy System of East” for the Far Eastern Federal District in the area of responsibility for the Holding JSC “RAO Energy System of East” till 2025.

To enhance the efficiency of corporate governance and optimize the corporate structure a plan for consolidating the assets of the Holding JSC “RAO Energy System of East” will be formed.

The implemented policy of upgrading energy efficiency in the production of electrical and thermal energy through the use of modern technologies in modernizing existing and constructing new power generation facilities, as well as the policy for decreasing losses in thermal and electrical grids and developing renewable energy sources, will contribute to the enhancement of the Holding’s operational efficiency.

Enhancement of the efficiency of electric and thermal energy production will be ensured through optimizing the systems of the repair and maintenance service, decreasing expenses on fuel supply through the demonopolization of the fuel and energy market of the Far Eastern Federal District and the enhancement of the Holding’s operational efficiency.

In the sphere of tariff regulation, the key aims of the Holding are stimulating a transition to a long-term system of tariff setting, which will ensure maintaining of the economy from an increase in operational efficiency and a decrease of costs in the tariff revenue of the Company, as well as the capability of reflecting the costs of technical rehabilitation and modernization in the planned gross revenue requirement to the full (required) extent.

A constant priority of the Holding is ensuring the fullness of its social responsibility and attributes maximum efforts for ensuring of sustainable and efficient development of the power industry on the territory of the Far Eastern Federal District, stipulated by the program documents of the federal and regional levels and above all, ensuring of reliability and safety of functioning of the utilized equipment and facilities.

Priorities of Development of JSC RusHydro for the Far Eastern Federal District in accordance with the Russian Federation Presidential Decree on the further development of JSC RusHydro - Effective use of the money resources from the MNF for construction projects on the territory of the Far Eastern Federal District.
2.2. Investment

Principles of the Investment Policy

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

- investment decisions and the project’s compliance with legislatively established requirements, building codes and environmental standards;
- following the sequence of steps and stages for investment project implementation;
- investment decisions and the project’s compliance with profitability and risk requirements, established by the Company’s Board of Directors;
- analysis of costs and benefits for alternative investment decisions at the end of each investment project stage when basic parameters change;
- funding sources available for all investment projects.

The Company’s investment activity is regulated by a single consolidated document — the Regulations on the Investment Management Process in the Form of Capital Investments (approved September 30, 2013). Approval of the Company’s Investment Program is the responsibility of the Company’s Board of Directors. At the same time, in accordance with the Procedure for Approving Investment Programs for Electric Power Entities as a State-linked Company (approved December 1, 2009), the investment programs, before being approved by JSC RusHydro’s Board of Directors, are agreed upon with executive authorities and approved by the Russian Ministry of Energy.

Investment Dynamics, RUR billion

<table>
<thead>
<tr>
<th>Year</th>
<th>JSC RusHydro</th>
<th>The Holding JSC “RAO Energy System of East”</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>26.3</td>
<td>96.1</td>
</tr>
<tr>
<td>2008</td>
<td>56.3</td>
<td>190.2</td>
</tr>
<tr>
<td>2009</td>
<td>56.3</td>
<td>192.7</td>
</tr>
<tr>
<td>2010</td>
<td>56.3</td>
<td>197.4</td>
</tr>
<tr>
<td>2011</td>
<td>56.3</td>
<td>198.2</td>
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<tr>
<td>2012</td>
<td>56.3</td>
<td>198.2</td>
</tr>
<tr>
<td>2013</td>
<td>56.3</td>
<td>198.2</td>
</tr>
</tbody>
</table>


In 2013, the introduction of a corporate automated information system for investment management processes in the form of capital investments in JSC RusHydro and its SDCs and auxiliary dependent companies was finalized.

2013 Investment Program

Implementation of the Company’s Investment Program is one of the strategic objectives.


Investment program adjustment is due to:

- Necessity of including investment projects on the territory of the Far East into the overall investment program;
- Significant decrease in planned revenue growth mainly due to the impossibility of placement under load of constructed generation capacities, which in turn negatively influence the financial indicators of JSC RusHydro, and as a result affects the maximum possible volume of financing for the investment program;
- Necessity of adjusting the time schedule for a number of investment projects taking into account differences in financing investment projects resulting from investment program realization in 2012.

The overall volume of the 2013 adjusted investment program is RUR 78,870.09 mlr. In addition, in 2012 the Company plans to provide financing for the construction of the Boguchany Aluminium Smelter in the volume of RUR 18,930.51 mlr. The 2013 volume of commissioned capacity amounted to 896 MW.

The 2013 investment program of the Holding JSC “RAO Energy System of East” was formed in the amount of RUR 20,985.3 mlr., including VAT. The 2013 financing plan corresponds to the approved parameters of the Holding’s SDCs’ investment programs that underwent recalculation and approval procedures in accordance with the RF Government Decree No 977 (dated December 1, 2009).

2013 fulfillment of the Investment Program

<table>
<thead>
<tr>
<th>Actual financing in the amount</th>
<th>JSC RusHydro</th>
<th>The Holding JSC “RAO Energy System of East”</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted volume of investment, billion rubles</td>
<td>78.9</td>
<td>21.0</td>
<td>99.9</td>
</tr>
<tr>
<td>Fulfilment of the Investment Program, billion rubles</td>
<td>69.1</td>
<td>20.5</td>
<td>89.6</td>
</tr>
<tr>
<td>Fulfilment of the Investment Program, %</td>
<td>89</td>
<td>97</td>
<td>90.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commissioning of capacities</th>
<th>JSC RusHydro</th>
<th>The Holding JSC “RAO Energy System of East”</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan for commissioning capacities, MW</td>
<td>896</td>
<td>4.2</td>
<td>900.2</td>
</tr>
<tr>
<td>Fulfilment of the plan for commissioning capacities, MW</td>
<td>896</td>
<td>4.3</td>
<td>900.3</td>
</tr>
<tr>
<td>Fulfilment of the plan for commissioning capacities, %</td>
<td>100</td>
<td>102</td>
<td>100</td>
</tr>
</tbody>
</table>

Main investment directions in 2013

The main directions of investment for JSC RusHydro in 2013 were:

- Technical rehabilitation and modernization measures – RUR 31.48 bln;
- Complex reconstruction of the Sayano-Shushenskaya HPP – RUR 3.1 bln;
- Priority projects in the Far East – RUR 2.1 bln;
- Facilities under construction – RUR 30.1 bln;
- RES projects – RUR 0.9 bln;
- Facilities under design – RUR 0.2 bln;
- Other projects – RUR 1.2 bln

Among the main directions of investment of the Holding JSC “RAO Energy System of East” in 2013 were:

- Measures of technical rehabilitation and modernization – RUR 10.1 bln;
- New construction – RUR 7.8 bln;
- Other projects – RUR 2.6 bln.
Small HPPs
Caucasus UES, as well as carrying out the aim of the project is energy and produced by the HPP will be used for the Siberian economic region, as a whole. Completion of the construction of the HPP has great importance for the development of the Lower Angara region and the Sakha Republic, as well as the supply of electrical energy requirement of industrial facilities of the economic zone port in Sovetskaya Gavan.

Zelenchukskaya HPP-PSSP (140 MW)
The aim of the project is to enhance the reliability of the energy supply to the North Caucasian energy system and balance the daily schedule of the Kuban River. Construction of CHP in Sovetskaya Gavan with an electrical capacity of 120 MW and a thermal capacity of 200 Gcal/hr The plant is constructed to substitute the disabled facilities of the Mayskaya TPP and to ensure meeting the growing electric energy needs of the special economic zone port in Sovetskaya Gavan.

Constitution of the 1st phase of the Yakutskaya TPP-2 with an electric capacity of 193.48 MW and a thermal capacity of 449.6 Gcal/hr. The project is realized to replace the disabled facilities of the Yakutskaya TPP and meet consumption growth for energy and enhance energy supply reliability.

Constitution of the 2nd phase of the Blagoveschenskaya CHP with an electric capacity of 120 MW and a thermal capacity of 188 Gcal/hr. The aim of construction is to liquidate the existing capacity deficit and meet future thermal energy consumption growth; to enhance energy supply reliability, as well as to meet the irregular part of the load schedule of UES of the East.

Constitution of the Sakhalinska TPP-2 with an electric capacity of 120 MW and a thermal capacity of 150 Gcal/hr. The new TPP will replace the disabled capacities of the Sakhalinska TPP, as well as increase the efficiency of the Sakhalin energy system.

The Holding JSC “RAO Energy System of East”
The Holding JSC “RAO Energy System of East” investment program included the completion of designing the following facilities: CHP in Sovetskaya Gavan, the Sakhalinskaya SDPP-2 (Phase 11), the Yakutskaya SDPP-2 (Phase 1), the Blagoveschenskaya CHP (Phase 2) for transferring the project documentation for construction of power plants to JSC RusHydro in accordance with the Russian Federation Presidential Decree (No 1544 dated 22.11.2012) “On the further development of JSC RusHydro”, and the construction of associated infrastructure for the above facilities, including the construction of electric and thermal power distribution scheme for CHP in Sovetskaya Gavan; construction of electric power distribution schemes for the Sakhalinskaya SDPP-2 (Phase 1) and the Yakutskaya SDPP-2 (Phase 1); construction of off-site branch railways to CHP in Sovetskaya Gavan, etc.

Transition to natural gas burning of the Vladivostokskaya CHP-2 JSC DGK The purpose of reconstruction is to improve technical and economic parameters of the plant and reduce air emissions that have a negative impact on the environment. By the end of 2013, Phase 3 of the plant reconstruction was completed, 10 of 14 boiler units were shifted to gas.

Transition of the boiler units of the Blagoveschenskaya CHP with a natural gas burning (JSC Sakhalinenergo) The purpose of reconstruction is to upgrade technical and economic parameters of the plant, improve the environment situation in Yuzhno-Sakhalinsky by reducing harmful air emissions and enhance the level of energy security of the Sakhalin energy grid. The project was completed in the fourth quarter of 2013 and the facilities were commissioned.

Construction of CCGT with an electric capacity of 139.5 MW and a thermal capacity of 420 Gcal/hr at the site of the central steam water boiler 60. The new facilities will ensure stable energy supply for the southern part of the Primorski Region, as well as to meet load growth in Vladiostok.

Financing sources structure

In accordance with the adjusted Program of JSC RusHydro in 2013, the company plans to commission capacities in the volume of 8% MW, including:

- Volzhskaya HPP – 21 MW,
- Zhigulevskaya HPP – 21 MW,
- Kamskaya HPP – 6.0 MW,
- Saratovskaya HPP – 9.0 MW,
- Novosibirskaya HPP – 5.0 MW,
- Ust-Srednekanskaya HPP – 168.0 MW,
- Boguchanskaya HPP – 66.0 MW.

As a result of the fulfillment of the program in 2013, the company planned to commission capacities in the volume of:

- 4.2 MW [generation],
- 474.5 km [grid infrastructure].

Restoration of the Sayano-Shushenskaya HPP, 6,400 MW Work on maintaining the renovation of hydro-power units with the full replacement of hydro-generation, hydro-turbine equipment, automation and operation systems, alarm systems, safety communications system, and defense and devices.

Ust-Srednekanskaya HPP, 570 MW The aim of the project is to meet the electrical energy requirement of consumers of the central load center of the Magadan Region and partly of consumers of the Oymyakon District of the Sakha Republic, as well as the supply of reasonably priced energy to new gold and precious metal mining companies. The network’s activities schedule has been fulfilled on time and in full.

Boguchanskaya HPP, 2,997 MW Completion of the construction of the HPP has great importance for the development of the Lower Amur region and the Siberian economic area, as a whole. More than half of all electric energy produced by the HPP will be used for the constructed aluminum plant.

Gotsatlinskaya HPP, 100 MW The aim of the project is energy and capacity supply to the deficient North Caucasian UES, as well as carrying out the task of the Russian Prime Minister to undertake efforts to remedy the social and political situation in and to upgrade the social status of Dagestan.

Small HPPs
These advanced projects provide for commissioning new generating units using RES and the enhancement of the sustainable energy supply to mountainous regions of the North Caucasus.


The adopted investment volume for 2014 was RUR 122,391.96 mln, including:

- JSC RusHydro - RUR 96,641.06 mln;

Note: sums of investments in the section “Investment” exclude VAT.

Plan for commissioning capacities
In accordance with JSC RusHydro’s 2014 Investment Program, it is planned to commission capacities in the volume of 1,077.8 MW including:

- Branch of JSC RusHydro – the Volzhskaya HPP – 10.5 MW;
- Branch of JSC RusHydro – the Zheleznodorozhny HPP – 10.5 MW;
- Branch of JSC RusHydro – the Kamskaya HPP – 6.0 MW;
- Branch of JSC RusHydro – the Cascade of the Verkhnevolzhskie HPPs – 10.0 MW;
- Branch of JSC RusHydro – the Saratovskaya HPP – 9.0 MW;
- Branch of JSC RusHydro – the Novosibirskaya HPP – 5.0 MW;
- Branch of JSC RusHydro – the Ust-Srednekanskaya HPP – 168.0 MW;
- Branch of JSC RusHydro – the Boguchanskaya HPP – 66.0 MW.

As part of interaction with an independent Economic and Open Government, in order to upgrade the efficiency of using budgetary funds, cut costs and reduce construction time, as well as to improve the production competitiveness of major projects worth more than RUR 1.5 billion, the company performed a technological audit of JSC RusHydro investment projects for compliance with the best domestic and international construction technologies, technological and design solutions, modern building materials and equipment.

The issue of public and price audit is particularly relevant to the projects financed from the budget. In this regard, the Company adopted the Corporate Standard “On public and price audit of large investment projects” and performed an audit of the following projects: the construction of the Leningradskaya PSPP; the Kankunskaya HPP; the Ussursykskaya HPP, the Sakhalinskaya SDPP-2, the Blagoveschenskaya CHP and the Yakutskaya SDPP-2.

In accordance with the 2014 Investment Program of the Holding JSC “RAO Energy System of East”, it is planned to commission capacities in the volume of:

- 7.8 MW [generation],
- 750.2 km [grid infrastructure].
3. Risks

3.1. Risk Management Policy

The Company’s activities are associated with numerous risks, which under certain circumstances may affect the Company’s production and financial results, as well as its social and natural environment. To reduce the negative impact of potential risks and optimize valuable opportunities, a risk management system to ensure corporate strategy implementation was created.

JSC RusHydro’s organizational structure of financial and business operations control and risk management

To organize risk management processes, the Company has created and operates the Risk Management Division, as part of an internal control and risk management unit. In 2013, RusHydro’s risk management team won the international “Best Risk Management 2013” contest in the category “Best comprehensive risk management program” and the Head of the Risk Management Division, Mr. Konstantin Babayev, was a winner in the category “Best Risk Manager of Russia 2013”. This contest has been held every year since 2006 by the Russian Risk Management Society, RusRisk, a Russian national risk management association, which is part of FERMA, the Federation of European Risk Management Associations.
Documents Regulating the Risk Management System


Documents governing operational major strategic risk management

- **Method of risk assessment for production assets and the effect of equipment revamping options based on the method of real options and VaR calculation, taking into account an assessment of reputation consequences related to equipment failure;**

- **JSC RusHydro’s standard “Fundamental provisions on the scenario and risk analysis of accidents and catastrophic situations at hydro power plants and the development of prevention and elimination measures” (developed in collaboration with RAS (the Russian Academy of Sciences) staff;**

- **Quarterly project risk management reports to the Management Board of investment entities;**

- **Approved standard list of investment project risks as part of the Regulations on the management process of investments in the form of capital investments;**

- **Method to assess internal counter-party ratings, ratings of the Company’s counter-parties on the wholesale market for electricity and power, calibrated by Moody’s scale, fixing a limit for the credit rating of the contract portfolio;**

- **Strategic transaction passports approved by the Company’s Management Board;**

Independent Third Party Risk Assessment

On an on-going basis, the Company provides independent third party risk assessment. In 2013, 11 production facilities were surveyed by representatives of Willis O’Neil & Brokers LLC. Moreover, the Company is monitoring the implementation of plans for carrying out the survey company’s recommendations from previous years.

Mandatory due diligence, as part of merger and acquisition risk assessment, is performed and recommendations of the Company’s third party auditor are taken into account.

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Improving the Risk Management System in 2013

To improve the risk management system in 2013, the following activities were undertaken:

- for the first time ever, JSC RusHydro updated the register of strategic risks based on data from the automated internal control and risk management system, which increased the share of quantitative risk assessments and reduced the need for expert opinions;

- the Company continued to work on the draft for JSC RAO ObE of East’s risk management system, which is analogous to the approach implemented by JSC RusHydro;

- a standard risk management policy for subsidiaries was developed. This policy is being adopted in all newly established companies where JSC RusHydro has a participation share and has been implemented in existing SDCs;

- the method of currency and interest rate risk management was worked out and approved. The Company also developed a methodology to assess the level of these risks, as well as a model to calculate the efficiency of risk hedging by derivative financial instruments.

As part of implementing the project of an automated internal control and risk management system, a risk treatment module was introduced to perform the functions of monitoring and control over the implementation of risk management actions. The Company also performed work to produce the TeamMate system to automate the Company’s internal audit procedures and implemented a function for the automated verification of information on individuals’ affiliation with JSC RusHydro. This development was registered as a JSC RusHydro trade secret and the Company filed an application with the Russian Agency for Patents and Trademarks to register intellectual property rights.

Main Process Stages and Risk Management Methods

The Regulations on JSC RusHydro’s strategic management is a basic document that determines the process of making up a register/plan/report for strategic risk management and relevant performance indicators (KPIs)

Risk Management Stages

- Approving the annual register of strategic risks
- Adopting an action plan of strategic risk management for critical and material risks
- Implementing strategic risk management
- Reporting on the actual performance of the action plan of strategic risk management

The Company annually draws up a strategic risk register defining risk owners, which is approved by the Management Board. The register is used both to disclose information about risks to shareholders, rating agencies and the auditor and to further develop and control the implementation of risk management measures as part of implementing JSC RusHydro’s strategy. For risks that fall into the category of critical and material risks, the Management Board approves the strategic risk management action plan which defines for each action the period, people responsible for its implementation and the expected result at the end of the reporting period.

Implementing strategic risk management measures is accounted for in the approved performance indicators in accordance with JSC RusHydro’s Strategic Implementation Plan. Meeting KPIs is taken into account when awarding employees (via remuneration). Independent monitoring of Plan realization and control over its implementation are performed by the Company’s risk managers.

The report on the actual performance of the action plan for strategic risk management is prepared by the Risk Management Department at the end of the reporting period and submitted to the Chairman of the Board for approval.

Besides, the Company’s risk management regularly interacts with the Audit Committee of the Board of Directors as part of exercising control over the functioning of the risk management system of JSC RusHydro.

Since 2012, the Company has been implementing an automated internal control and risk management system project for the technical support of the risk management process due to the need to process data and provide for the operational monitoring of key risk indicators.
3.2. Risk Register

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

Financial Risks

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

Financial metrics, liquidity, financing sources and JSC RusHydro’s performance are not very responsive to changes in the exchange rate and interest rates, because the Company sells energy on the domestic market, as well as settles accounts with resource suppliers, and accrues and receives payments from consumers mainly in the national currency - Russian rubles. Besides, almost all corporate liabilities are denominated in rubles, while the liabilities denominated in foreign currency are in total less than 5%.

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

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

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

At the end of 2013, the inflation rate in Russia was 6.5%, well below the critical inflation rate of at least 20% per annum which is considered by the Company to be the rate at which the Company may experience difficulties.

Due to the aggravation of the international situation and the worsening of the outlook of international rating agencies’ credit ratings of the Russian Federation and state-controlled companies, including JSC RusHydro and due to the threat of economic sanctions and the occurrence of force majeure, there might be an increase of risks associated with difficulties in the Company’s access to credit funds of foreign counterparties, appreciation of the Company’s debt obligations and losses due to the rise of the euro exchange rate and interest rates.

These risks are controlled by the reduction of the limits for counterparty banks with a decreased rating, stress-testing of potential losses due to the rise of the euro exchange rate and interest rates, using the currency and interest rate risk management procedure approved by the Company, and legal support of contractual framework. Almost all funds of the credit lines have been received there is no risk of losses associated with a reduction in the true cost of the accounts receivable in case of a significant delay or past due payments.

Industry Risks

Risks relating to capital construction project implementation

This risk is critical to the Company and is associated with large-scale investment programs for the coming years. Risk factors are:

- a great deal of uncertainty in project justification;
- non-conformity in the quality of design documentation, the execution of work and services, and equipment supplied to stated requirements;

In 2013, the priority level of risks relating to capital construction project implementation, adverse changes in legislation (red zone), failure to reach the power industry. It should be noted that this risk is offset by the adoption of the “target” Rules of the Wholesale Electricity and Capacity Market (Decree No. 1172 of the Russian Government as of December 27, 2010). To manage these risks, the Company provides expert assistance in the development of the regulatory and legal framework of the electricity and capacity market exercised by the RF Ministry of Energy, the NP Market Council and the Federal Tariff Service of Russia.

The government tightens control over the spending of allocated budget funds by electricity sector companies. JSC RusHydro undertakes necessary measures to ensure the transparency and reliability of control procedures for budget fund expenditures in the execution of the investment program and implementation of risk management measures.

Risks Associated with Corporate Activities

The 2013-2014 Risk Register was made up based on the 2012-2013 Register, the analysis of external information, including the experience of the world’s largest companies in the electric power industry, consulting and insurance companies’ risk reports related to fuel & energy complex companies and business in general, and the global risk report of the annual World Economic Forum in Davos. In 2013, when revising the risk register, JSC RusHydro compared the rating (critical level) of risk monitoring for ten major risks and opportunities for the electric power industry. This monitoring was stated in the international industry survey performed by Ernst & Young.

Country Risks

The Company operates in the Russian Federation and therefore, it is influenced by economic and political risks that are inherent in Russia. The Russian national economy is vulnerable to market downturns and slowdowns in economic growth in other countries. As a result of the global financial crisis, financial problems or the heightened perception of risks related to investing in emerging market economies led to a decline in foreign investment in Russia and negatively impacted the Russian economy. In addition, Russia produces and exports large volumes of natural gas and oil.

Therefore, the Russian economy is particularly vulnerable to changes in global prices for natural gas and oil and a fall in natural gas and oil prices can slow or shake Russian economic development. These factors may constrain the Company’s access to funding sources and may adversely affect consumers’ purchasing power for the Company’s products.

RusHydro Annual report 2013
The 2012-2013/2013-2014 “Risk Radar”

The highest priority risks are in the center of the “radar”; while the lowest priority risks are on edges of the “radar”.

The risk of adverse changes in / violations of legislation

The critical risk of adverse changes in / violations of legislation is marked as one of the most significant risks for the electric power industry, not only in Russia, but also throughout the world. The Company is constantly monitoring initiated and pending legislative changes that could potentially impact its activities, and the monitoring and revision of existing standards and regulations in the field of technical regulations. JSC RusHydro representatives take part in important events and roundtables devoted to making legislative changes to represent corporate interests. Such events and roundtables are conducted by legislative, executive and judicial authorities, public associations, professional associations and legal associations.

Environmental audits are conducted on a regular basis and recommendations given are followed. JSC RusHydro takes part in the working groups of the RF Ministry of Energy on technical regulation issues (regarding Technical rules) and Technical Committee № 330 “Rostarchegradation” (regarding national standards).

To reduce the negative impact of the risk, the following activities are carried out by the Company:

• Implementing recommendations given as result of surveys made at JSC RusHydro facilities;
• Strengthening on-site control over contractors/sub-contractors, as related to reducing injuries, fires, unethical behavior and theft;
• Developing normative and technical documents aimed at upgrading design and construction management;
• Utilizing modern diagnostic methods without stopping equipment, modern technologies for production asset management, including necessary information technology;
• Optimizing the structure and size of spare parts volumes;
• Developing a life-cycle management process for equipment within the existing HPP system.

The risk relating to fund shortages from external sources for planned investment is critical for the Company. It is closely linked to the risk related to capital construction implementation. A reduction in all or part of the sources provided for funding the investment program can lead to the failure to meet JSC RusHydro’s implementation date for projects or a scenario in which JSC RusHydro will be forced to stop construction or even mothball numerous generating facilities that are under construction.

Taking into account the high conservatism cost of assets under construction, which in some cases is comparable to the cost of continuing construction, this fact will affect both the economic efficiency of the Company’s investment projects and the results of its financial and economic results, as a whole.

The Company manages this risk by the following methods:

• Maintaining sufficient cash and making financial resources available via the provision of credit lines;
• Implementing a balanced model of financing working capital through both short-term and long-term sources;
• Monitoring compliance with loan agreements to avoid breaking the Company’s financial covenants;
• Placing temporarily free funds in short-term financial instruments (bank deposits and promissory notes);
• Applying “standard financial terms” when making contracts with counter-parties; implementing management techniques for interest and currency risks (taking into account the Company’s credit policy);
• Working on preventing flood zones for HPP reserves under construction from federal budgetary resources and the budgets of Russian constituent entities.

The Company pays special attention to the risk of various man-made accidents, which can threaten the life and health of people, lead to interruptions in production and subsequent revenue shortfalls. These risk factors are design flaws that appear at the operational stage, wear and tear; the breach of operation conditions and untimely repairs and re-tooling and modernization, and human errors, and environmental influences. Equipment failure and waterwork destruction can result from these risks. According to a corporate assessment, the risk probability is average. All major production facilities are insured. A range of measures exist to ensure the reliability of equipment and facilities at an adequate level, including:

• Full implementing repairs and the fulfillment of a long-term modernization and reconstruction program;
• Developing a supplied equipment quality control system (including the process of its production and shipment/delivery).
This risk is the inability to accurately predict the volume of electricity produced over both the medium- and long-term. To reduce the negative impact of the risk on the Company, the following activities are carried out:

- Optimizing the water resource usage of JSC RusHydro’s Energy Saving Program;
- Developing an industry hydro-meteorological observation system and protecting the interests of the HPPs in inter-agency operational groups under the Federal Agency for Water Resources (Rosvodresurs).

There is a possibility of accidents of a systemic nature, as well as of losses due to natural disasters. To ensure reliability throughout the grid in the event of local failures, the Company has implemented a centralized emergency control system, which is being modernized to meet today’s requirements. The Company complies with Russian legislation in the field of industrial safety and uses a production control system functioning on a legislative basis.

To reduce the risk associated with lack of key personnel, the Company takes part in the Russian Ministry of Energy’s working groups on the development of professional standards and the staffing roadmap for fuel & energy companies, enters into agreements with specialized colleges and technical schools to upgrade the quality of education taking into account JSC RusHydro’s performance standards, forms talent pools for managerial positions, and introduces targeted benefits and programs to attract and retain personnel.

In order to manage this risk, the Company is developing a system to regulate business process activities and management, optimizing the timing and coordination of procurement, and is interacting with stakeholders. JSC RusHydro’s internal control unit analyzes the main business processes to improve the control system and upgrade process efficiency. The Company’s management and officers have third party liability insurance. The Company is implementing corporate management standards into the newly acquired or founded SDGs and is introducing a management system for organizational projects, grading employees, and certifying management personnel and implementing individual employee development plans.

To develop cooperation with stakeholders, the Company organizes joint public events, conducts special activities for the mass media, regularly updates information in the corporate blog, in the community in LiveJournal, on Facebook, and regularly monitors the mass media.

As part of upgrading the control system, to reduce the risk of unethical practices in the Company, the following measures are undertaken to prevent unlawful actions: introducing an integrated automated system to control the distribution of commercial information, monitoring compliance by the Company’s employees with Regulations on insider information, and implementing other measures to influence the factors and consequences of the risk related to unethical or illegal actions by employees.

The Company considers this risk significant due to the possible loss of the engineering part of the business due to inadequate efficiency and strong competition. To reduce the impact of this risk on the Company, the following activities are carried out:

- Implementing a development program of engineering subsidiaries;
- Developing personnel and training scientific manpower;
- Working out standard work scope sheets for equipment and waterwork repair operations;
- Creating a single repair and service company, JSC Hydroremont-VCC;
- Minimizing the risks associated with inefficient management of non-core activities by their consolidation in specialized service subsidiaries.

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This is a significant risk to the Company. Risk factors include a high level of competition, the risk of losing the status of a guaranteeing supplier in retail regions and the possibility that large consumers will construct alternative electricity supply facilities. To minimize the impact of this risk, the following activities are carried out:

- Monitoring the Company’s compliance as a guaranteeing supplier with financial stability criteria in accordance with retail market rules;
- Actively working with consumers to establish a mutually beneficial relationship, including through JSC ESK RusHydro;
- Introducing a corporate risk management system for JSC RusHydro in its subsidiary sales companies.

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Information about Possible Circumstances that Objectively Hamper the Company’s Activity

Risks associated with the region’s geographical features can include the risk of losses (for example, the risk related to the deterioration of fixed assets due to seismic activity, avalanches and mudslides, possible landslides and rainfall related floods and other adverse weather conditions (hurricanes, heavy snowfalls and frosts)). In general, the regions in which the Company operates have a developed transportation infrastructure and are not exposed to the risks associated with the disruption of the transportation link. However, some generating assets are located in remote areas with harsh climates, including in the Krasnoyarsk Region and in the areas of the Far Eastern Federal District. The Company is constantly working to upgrade the technologies of access and work in harsh climatic conditions in these areas. However, one cannot guarantee that no additional costs will be required to overcome technical difficulties associated with the climate and the (lack) accessibility of these location assets, which may negatively impact earnings, financial conditions, and the Company’s performance and prospects. Within the foreseeable future, these risks are estimated as insignificant.

Terrorism

Due to the tense political and social situation, the activities of armed gangs in the North Caucasian Region and their efforts to extend their activities to other regions of the Russian Federation, a high probability of local and regional armed conflict, a growing threat of international terrorism, increased political instability in several developing countries due to the ongoing economic crisis, the activity of radical organizations and the development of industrial terrorism, the Company assumes the occurrence of risks associated with terrorist activities directed to hydrogenation facilities, including in the regions adjacent to the border with the Ukraine. To reduce these risks, the Company regularly carries out measures to ensure safety. A comprehensive program to ensure that the Company’s facilities are safe and protected from terrorism has been developed and implemented. The Company regularly inspects anti-terrorism protection and conducts staff trainings, including specialized anti-terrorism exercises and trainings for security guards at corporate facilities. The Company has implemented a comprehensive plan of main measures to strengthen the security of the Company’s facilities and is conducting informational and technical security audits. Power facilities are protected by armed guards of the FSUE Departmental Security Agency of the Russian Ministry of Energy and non-departmental security forces of the RF Ministry of Internal Affairs, as well as extra-departmental guards from the Russian Ministry of Internal Affairs. Interaction Plans exist with law enforcement authorities to prevent terrorist acts from being carried out or the threat of terrorist acts at corporate facilities. On the territory of the hydropower facilities, there are robust access regimes and internal security regimes. In conjunction with law enforcement agencies, theft prevention measures are also organized. The most dangerous threats are assessed and plans are developed to eliminate consequences, in conjunction with the Russian Civil Defense and the Emergency Situations Agency at the Company’s generating assets.

The Company’s fixed assets insurance package includes insurance against terrorism. The Company will hold a roadshow and undertake other similar measures to mitigate negative effects on positioning the occurring insured events related to terrorism and the sabotage risk on the international insurance market.

Earthquake-prone areas

Most of the Company’s facilities are located in seismically quiet regions. However, such facilities as the Pauzhetskaya GeoPP and the Verkhne-Mutnovskaya GeoPP are located in seismic zones, with possible earthquake intensity up to 9 points on the Richter scale. The Company has worked out an emergency plan in case of earthquakes and is constantly monitoring the situation. There are seismic monitoring stations at the Company’s facilities. Issues relating to the transportation link are worked out in good time with a focus on the above-mentioned risk. Cargo and people delivery schemes are optimized. All corporate facilities comply with earthquake resistance standards.

Seasonal flooding areas

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

Last year’s unprecedented flood situation in the Far East significantly impacted the Company’s performance. However, all the Company’s facilities in the region worked in accordance with the instructions given by the inter-agency working group of the Federal Agency for Water Resources (WAWR of Russia). The Company has strengthened control over the condition of its production assets. No accidents took place at the Company’s facilities.

3.3. JSC RusHydro Insurance Protection

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

Selection of insurance companies

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

Types of insurance coverage

In 2013, the insurance coverage of JSC RusHydro and its subsidiaries included the following types of insurance:

• property insurance against all risks;
• automobile and water transport insurance;
• insurance against construction and installation risks;
• third party insurance of organizations that operate hazardous production facilities and waterworks;
• voluntary medical insurance and accident insurance;
• third party insurance of JSC RusHydro’s management team and executives.

JSC RusHydro imposes high requirements with regard to insuring its assets (property insurance against all risks and the insurance of construction and installation risks), and due to the limited resources of the Russian insurance market also puts forward additional demands and effects control over the reinsurance of its risks. Since 2010, the Company has been implementing a policy of openness to foreign insurance community representatives. Each year, the Company organizes insurance engineering surveys of its facilities, and holds road shows, negotiations and follows reinsurers’ recommendations.

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

4.1. About Hydro-power Generation

Hydro-power generation is one of the most effective areas of the electric power industry. It is based on using the power of water’s mass movement in channels, as well as tidal motion. In addition to producing electric energy, hydro-power generation solves numerous major economic and social problems. They include the creation of drinking and industrial water supply systems, navigation development, the implementation of irrigation systems, production development and the creation of new jobs.

Advantages of hydro-power generation:
- Constant natural renewability of water resources
- No harmful emissions when electric power is generated
- Controlled production, high flexibility of HPPs
- Low costs of electric energy due to the lack of fuel costs
- Efficiency factor (the hydro-turbine efficiency is 95%)
- Labor saving when hydro-power units are in use

Hydro-power plants account for approximately 20% of global electricity production. In many countries, the share of hydro-power generation is much higher. For example, Canada, the closest to Russia in terms of natural conditions, produces 62% of its electricity using hydro-power, Brazil - 86%, and Norway, known for its harsh environmental legislation, - 95%.

The Yenisei

One of the world’s largest rivers and the natural borderline between Western and Eastern Siberia. The name comes from the Evenk "Ionesi" – big water. The river flows mainly in the Krasnoyarsk Krai.

<table>
<thead>
<tr>
<th>Position among Russian rivers</th>
<th>Length (km)</th>
<th>Catchment area (km²)</th>
<th>Water consumption (m³/sec)</th>
<th>Total capacity of the power stations on the river (MW)</th>
<th>Total output of the power stations on the river (million kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>3,487</td>
<td>2,580,000</td>
<td>19,800</td>
<td>Mainskaya HPP</td>
<td>6,721</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>Sayano-Shushenskaya HPP</td>
<td>25,220</td>
</tr>
</tbody>
</table>
The Future of Hydro-power Generation

Development of small-scale hydro-power generation

In recent decades, small-scale hydro-power generation has gained a stable position in many countries. Developing the hydro-power potential of small rivers solves energy supply problems for small consumers. The construction of small HPPs does not require water reservoirs of considerable size, and the construction period and costs of a small HPP are much lower than those of a general one. Small HPPs are usually easily automated and can be operated without permanent maintenance personnel. In addition, the cost of 1 kWh of electricity generated by small HPPs is lower than the cost of 1 kWh of electricity generated by large HPPs.

Use of the world’s ocean energy

Tidal power plants use the energy of tides resulting from the gravitational interaction of the Earth rotating around its axis with the Moon and the Sun. Just one tidal cycle of the world’s ocean is equivalent to 8 trillion kWh in terms of energy. The Atlantic and Pacific Oceans have the largest tidal energy reserves. The advantages of tidal power plants include environmental safety, the low cost of electricity produced, and the possibility to be used with other types of power plants in electric power systems both in base-load demands and under peak loads.

Wave-cut generation - is another promising trend for hydro-power development. The technical potential of wave energy is estimated at approximately 3 billion kWh per annum.

Finally, another promising trend in hydro-power generation is the use of ocean's thermal energy. There is a very significant temperature difference between water on the surface and water at ocean depths, even in the first hundred meters. Pilot sea thermal plants have already been constructed near the Hawaiian Islands, Nauru, and off the coast of the Ivory Coast. Scientists are working to solve the problem of accumulating and transmitting produced energy to mainland consumers.

Russian Hydro-power Generation

Hydro-power generation is an important element in ensuring the reliability of Russia’s Unified Energy System. It provides more than 90% of regulating power reserve. Of all existing power plants, HPPs are the most flexible and can, if necessary, in a matter of minutes significantly increase the volume of generation to cover peak loads.

Currently, in Russia, there are 102 hydro-power plants with a capacity of more than 100 MW. The total installed capacity of hydro-power units at Russian HPPs is approximately 45 million kWh, whereas generation is approximately 165 billion kWh per annum. HPPs account for 20.6% of Russia’s total electricity production.

The RF Energy Strategy until 2020 assumes a growth in electricity consumption, including with a view to plans to accelerate natural resource development in Western and Eastern Siberia, the Far East, the European North and the Caspian Region. The country’s designed energy balance provides for improving the structure of electrical energy generation, including better utilizing hydro-power potential.

Now, Russia ranks second in the world in terms of hydro-power resources. But, its potential is even higher. New construction is planned mainly in Siberia and the Far East. In addition, the modernization of existing HPPs is an important aspect of developing the domestic hydro-power industry.

4.2. The Electricity and Capacity Market

Total installed capacity and generation in Russia and worldwide

Among the world’s largest electricity-producing countries are the USA, China, Japan, Russia and India. Globally, in terms of installed capacity and production volume, the Russian energy industry ranks third and fourth, respectively.

As of January 1, 2014, the installed capacity of Russian UES power plants was 226,470.16 MW. In terms of installed capacity, the share of thermal power plants (TPPs) is approximately 68.2%, the share of hydro-power plants (HPPs) is 20.6% and the share of nuclear power plants (NPPs) is 11.2%.

Breakdown of the installed capacity of Russian UES power plants as of January 1, 2014 (without isolation zones), %

2013 Structure of electric power production in the UES of Russia (without isolation zones), %

Historical energy consumption

In 2013, electricity consumption in the UES of Russia decreased for the first time since the 2009 crisis.

1990-2013 Energy consumption dynamics

According to JSC SO UES, in 2013, energy consumption in the UES of Russia declined 0.6% to 1,009.813 bln kWh. Energy production by Russian UES power plants decreased 0.8% - down to 1,023.48 bln kWh. Approximately 61% of total electric power was produced by TPPs, 17% by NPPs and 17% by HPPs.
The structure of the electricity and capacity market

Currently, the Russian Federation has a two-level (wholesale and retail) electricity and capacity market.

Generating companies, electricity export/import operators, energy sales organizations, (including guaranteed supply companies), Federal Grid Company (in terms of purchasing electricity to cover transmission losses), and major consumers are both buyers and sellers on the wholesale market.

Apart from Federal Wholesale Generating Company (JSC RusHydro), most of Russia’s generating assets are concentrated in 10 wholesale Generating Companies (WSGCs), 15 Territorial Generating Companies (TGCs), and the State Concern ROSATOM. Part of the thermal and territorial generating companies, in turn, is integrated into large state and private holdings. Also, among the top industry companies, we ought to separately mention JSC INTER RAO UES, an export and import energy operator that owns a range of generating assets, both in Russia and abroad.

State-owned shares of Federal Grid Company, which operates the main high-voltage transmission lines, and inter-regional Distribution Grid Companies (IDGCs) that own the medium to low voltage networks, were transferred to JSC Russian Grids. The system operator (JSC 50 UES) operates and develops the Russian Unified Energy System (UES).

The wholesale electricity and capacity market operates in regions that are incorporated into pricing zones. The first pricing zone covers the territory of European Russia and the Urals, whereas the second zone encompasses Siberia. In non-pricing zones (Arkhangelsk and the Kalingrad Region, the Komi Republic and Far East Region), where for technological reasons, the organization of market relationships in the electric power industry is not yet possible, electricity and capacity sales on the wholesale market are regulated by tariffs.

Starting January 1, 2011, power has been delivered to the wholesale electricity (capacity) market at free (non-regulated) prices, with the exception of power delivery in areas which are not part of the wholesale market pricing zones, in isolated territorial power systems, including constituent territories of the Russian Federation, combined in a pricing zones of the wholesale market within the boundaries of which an equilibrium price is not formed. In addition, prices for electricity delivered to the population and equivalent consumer categories, as well as to customers in certain Russian federal pricing zones in the territory of which the Russian government has established special conditions for the operation of the wholesale electricity and capacity market (in the North Caucasus Region, in the Republic of Tatar and till 1 January 2012 in the Republic of Buryatia) are subject to regulation.

Electric power volumes not covered by regulated contracts are sold at non-regulated prices under free bilateral contracts (FCs), on the day-ahead market (DAM) and on the balancing market (BM).

Capacity volumes not covered by regulated contracts are sold under free electricity and capacity supply contracts (FECCs), including the commodity market and contracts for capacity sales as a result of competitive capacity selection (CCS) conducted by the system operator. In addition, the long-term capacity market includes capacity supply contracts (CSCs), which allow for investment financing for new power generation.

In December 2010, the first campaign of CSCs signing ended. The thermal generating facility, commissioned under capacity supply contracts, guarantees capacity payments for 10 years (20 years for contracts similar to CSCs signed with NPPs and HPPs), which provide returns on CAPEX and operating expenses (as specified).

CSCs were signed with heat power industry generating companies, which were spun-off from RAO UES of Russia. The list includes constructing energy facilities with a total capacity of 28 GW by 2015. Most new facilities will be located in the European part of Russia, as well as in the Urals and Siberia.

Capacity supply contracts, similar to CSCs, were signed with JSC RusHydro and JSC Concern Rosenergoatom. As part of the HPPs/NPPs capacity supply contracts, JSC RusHydro has already finished construction of the Kashkhatte HPP and continues to implement the following projects: the Getasitsinskaya HPP, the Zagerskaya PSSP-2, and the Zelenchukskaya HPP-PSSP, with a total capacity of approximately 1.1 GW.

Commissioning new facilities will eliminate the problem of production capacity shortages in certain electricity zones; it will also upgrade sectoral efficiency, as a whole.

Grid infrastructure

The two principal types of activity conducted by grid organizations are: the transmission of electrical power over the electrical grids and the provision of technological connections for electricity consumers, the power plants of generating companies and the transmission facilities of other owners to the electric grid. These activities are both natural monopolies and are thus regulated by the State.

The operation and development of Russia’s electrical grid are the responsibility of JSC Russian Grids, a majority shareholder of Federal Grid Company, the operator of the Unified National (all-Russian) Electrical Grid (UNEG), JSC UES FGC, which operates the 110-1,150 kV high-voltage transmission networks, and Inter-regional Distribution Grid Companies (IDGCs) that control lower voltage distribution networks, from 0.4 to 220 kV. In addition, electric power transmission and distribution services are provided by more than 3,000 territorial network organizations (TNOs) that mainly operate the 0.4-10kV lines.

The Index of the Equilibrium Price for Power

The 2013 growth in electric power prices in the first price zone was mainly due to indexation, from July 1 and August 1, 2013, for gas prices, the main fuel for TPPs.

A reduction in prices in the second price zone in the second half of 2013 was caused by both a lower level of energy consumption and increased energy production at the Boguchanskaya HPP.

2014 Consumption and price forecast

In 2013, the Russian government continued to make decisions to ensure a moderate increase in prices and tariffs on goods (services) for natural monopolies. In particular, electricity transmission tariffs and gas tariffs for industrial consumers are frozen for 2014, with previously proposed indexation starting from July 2014. In addition, 2015-2016 tariff growth forecasts were reduced.

Based on the approved 2014 socio-economic development forecast and the 2016-2016 planning period:

• electricity prices for all consumers, except for the general population, will remain constant, with a 6-7% average weight index of equilibrium prices; in 2014 and in 2015-2016, 6.3-7.2% per annum;

• the 2014-2016 indexations of regulated electricity tariffs for the population (except for electricity supplied in excess of the social consumption norm) in 2014 will occur in July. As a result, from July 1, 2014-2016 tariffs will grow 3.3-4.2% per annum;

• the indexation of regulated tariffs for network organizations will also be in July: from July 1, 2014 there will be no indexation, and from July 1, 2015-2016 – by 4.8-4.9 % per annum;

• regulated tariffs for natural gas for consumers, except for the general population: from July 1, 2014 there will be no indexation, and from July 1, 2015-2016 - by 4.8-4.9 % per annum;

According to the adjusted balance forecast issued by the FTS in regard to electricity energy (capacity) production and supply within the Russian Unified Energy System to constituent Russian entities for 2014, Russian electricity consumption in 2014 will increase 1.2% compared with 2013 and amount to 1 trillion 54.30 billion kWh.
4.3. Description of the Company’s Business
JSC RusHydro business model

Peer group

There are numerous power companies globally which rely on hydro-power plants for the majority of their capacity and which are also State-owned.

- **JSC RusHydro**
  - The Company has two HPPs. The Three Gorges Dam is the world’s largest hydro-power plant with a project capacity of 22.5 GW, and the downriver Gezhouba Dam has a capacity of 2.8 GW. In addition, China Yangtze Power owns stakes in other generating companies, and accounts for 3 GW. The Company is controlled by the State.

- **China Yangtze Power (China)**
  - The Company has two HPPs: the Three Gorges Dam is the world’s largest hydro-power plant with a capacity of 22.5 GW, and the downriver Gezhouba Dam has a capacity of 2.8 GW. In addition, China Yangtze Power owns stakes in other generating companies, and accounts for 3 GW. The Company is controlled by the State.

- **Statkraft (Norway)**
  - The largest electricity producer in Norway and the third largest in Scandinavia. The Company owns approximately 290 HPPs. A significant number of these HPPs have long-term storage reservoirs. The Company is wholly owned by the State.

- **USA Bureau of Reclamation**
  - It is a government agency that operates numerous HPPs, including the famous Hoover Dam.

- **Eletrobras (Brazil)**
  - The leading power company in Brazil and Latin America. Its assets include numerous major HPPs, including Itaipu, the world’s second-largest hydro-power plant (located on the Parana River). The Company is controlled by the State, which owns 52% of its shares.

- **Hydro-Québec (Canada)**
  - Canada’s largest power company, which played a crucial role in the economic development of the Province of Quebec. The Company’s assets include numerous HPPs, such as major cascades on the Manicouagan River and the La Grande River. The Company is controlled by the Government of the Province of Quebec.

- **United States Army Corps of Engineers (USACE) (USA)**
  - It is a government agency focused on building and operating HPPs (electricity sales are the responsibility of other government agencies).

- **Edelca (Venezuela)**
  - The Company’s main asset is the world’s third-largest HPP – the Guri Dam – on the Caroni River, with a capacity of 10.3 GW. The Company supplies most of Venezuela’s electricity and is wholly owned by the State.

- **BC Hydro (Canada)**
  - The largest electricity producer in the Province of British Columbia. The Company owns 31 HPPs and is controlled by the provincial government.
The Company’s Key Competitive Advantages

- Environmentally friendly
  Hydro resources represent a renewable energy source that is the most environmentally friendly energy source, decreasing emissions from thermal and electricity power plants, while preserving hydro-carbon fuel reserves.

- Highly flexible
  HPPs offer the greatest degree of flexibility and can, if necessary, within minutes significantly increase energy generation to cover peak load.

- No fuel component in the cost of production
  Not dependency on energy price volatility and, as a consequence, offers long-term price guarantees to consumers.

The Company’s Share in the Market Segment and 2011-2013 Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption in Russia, million kWh</th>
<th>Company output, million kWh</th>
<th>Share</th>
<th>Installed capacity of Russian power plants, MW</th>
<th>Total installed capacity of the Company’s power plants, MW</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,000,049</td>
<td>109,204.6</td>
<td>10.9%</td>
<td>218,146</td>
<td>35,152.9</td>
<td>16.1%</td>
</tr>
<tr>
<td>2012</td>
<td>1,016,498</td>
<td>112,550.1</td>
<td>11.1%</td>
<td>223,071</td>
<td>36,500</td>
<td>16.4%</td>
</tr>
<tr>
<td>2013</td>
<td>1,009,813</td>
<td>124,144</td>
<td>12.3%</td>
<td>226,470</td>
<td>37,488.5</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

The Company’s share has been stable during the last three years, both in terms of energy generation performance and the share of Russian power plants’ total installed capacity.

Electricity market in Armenia

In 2011, JSC RusHydro acquired a 90% stake in the Sevan-Hrazdan HPP Cascade in the Republic of Armenia. Having entered the Armenian electricity market, JSC RusHydro has won a significant market share.

Generating Facility | Type | Installed Capacity, MW | Generating Company | Parent Company |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Sevan-Hrazdan HPP Cascade</td>
<td>HPP</td>
<td>582</td>
<td>CJSC International Energy Company</td>
<td>JSC RusHydro</td>
</tr>
<tr>
<td>The Vorotansky HPP Cascade</td>
<td>HPP</td>
<td>404</td>
<td>CJSC Vorotansky HPP Cascade</td>
<td>Armenian government (claimant to the purchase of CJSC Coupont Global Hydrocascade [USA])</td>
</tr>
<tr>
<td>The Dzoragetskaya HPP</td>
<td>HPP</td>
<td>25</td>
<td>CJSC Dzor HPP</td>
<td>Offshore company Global-Contact</td>
</tr>
<tr>
<td>Small HPPs</td>
<td>HPP</td>
<td>66</td>
<td>MGES</td>
<td>Private investors</td>
</tr>
<tr>
<td>The Armyanskaya NPP</td>
<td>NPP</td>
<td>440</td>
<td>CJSC Armyanskaya NPP</td>
<td>Armenian government</td>
</tr>
<tr>
<td>The Hrazdanskaya TPP</td>
<td>TPP</td>
<td>1,110</td>
<td>RazTPP LLC</td>
<td>JSC INTER RAO ES</td>
</tr>
<tr>
<td>The Hrazdanskaya TPP</td>
<td>TPP</td>
<td>467</td>
<td>CJSC ArmRosgazprom</td>
<td>JSC Gazprom</td>
</tr>
<tr>
<td>[5th Power Generating Unit]</td>
<td>TPP</td>
<td>467</td>
<td>CJSC ArmRosgazprom</td>
<td>JSC Gazprom</td>
</tr>
<tr>
<td>The Yerevanska CHPP</td>
<td>CHPP</td>
<td>100</td>
<td>CJSC Erevanskaya CHPP</td>
<td>Armenian government</td>
</tr>
</tbody>
</table>
4.4. Production Performance

2011-2013 Capacity sales structure of JSC RusHydro branches, RUR million

116,562 109,205 107,538 112,550 123,484 124,144

* JSC Kamchatskiy GEC includes HPP-1 and HPP-3,
Total installed capacity of JSC RusHydro’s Group, as of January 1, 2014, MW

9,590 10,960 11,230

In 2013, the totaled installed capacity of JSC RusHydro’s divisions grew 64.45 MW to 24,469.25 MW. The growth was driven mainly by re-labeling:

• at the Novosibirskaya HPP - 5 MW;
• at the Kamchatskiy HPP - 6.0 MW;
• at the Zhigulevskaya HPPC - 21.0 MW;
• at the Volzhskaya HPP - 21.0 MW;
• at the Saratovskaya HPP - 9.0 MW.

In total, the Company’s installed capacity was 37,488.5 MW including JSC Kolymaenergo, JSC Geoterm, JSC Pauzhetskaya GeoPP, CJSC MEC, JSC Boguchanskaya HPP, the Holding JSC “RAO Energy System of East”, and JSC Ust-Sredneionskanska HPP, a 2% growth compared with 2012.

Actual electricity output by RusHydro’s Group in 2013 was 10.4% higher than in 2012 (112,144 mln kWh), the HPP’s output increased by 16.3% and reached 93,690 kWh. The increase in electricity output was due to hydrological conditions that prevailed in the reporting period, caused by an increased inflow into reservoirs of the Volga-Kama Cascade, Siberia and the Far East.

In 2013, the Company’s net proceeds from the sales of goods, taking in to account the costs for the purchased electricity and capacity, work and systemic services provided by corporate branches increased 18.52%.

The main factors that influenced the change in proceeds from the sales of electricity and capacity in 2013 compared to 2012 include:

• increased electricity output at JSC RusHydro branch HPPs;
• higher electricity sales on the day-ahead market (DAM);
• increased electricity sales prices on the day-ahead market (DAM);
• increased capacity sales price based on competitive capacity selection (CCS) for HPPs in the first price zone;
• an indexation of regulated tariffs for electric energy and capacity;
• an increase in the volume and cost of electricity and capacity sales at regulated prices.

The Holding JSC “RAO Energy System of East”

JSC RAO ES of the East is the largest energy holding, which operates in the Far East and has been a part of the RusHydro Group since 2011.

As of December 31, 2013, the total installed capacity of JSC RAO ES of the East power plants was 9,870.94 MW - a 17,495 MW or 0.2% decline compared with 2012.

2012-2013 Sales structure of the Holding JSC “RAO Energy System of East”, RUR million

Electricity sales on the retail market
Electricity and capacity sales on the wholesale electricity and capacity market (WE CM)
Thermal energy sales on the retail market

Installed capacity of energy companies of the Holding JSC “RAO Energy System of East”, as of January 1, 2013, MW

Source: the Holding JSC “RAO Energy System of East” data

Total installed capacity of JSC RusHydro’s Group, as of January 1, 2014, MW

Source: Data from JSC RusHydro and the Holding JSC “RAO Energy System of East”

* JSC Kamchatskiy GEC includes HPP-1 and HPP-3, which have been in the trust management of JSC Kamchatskiy GEC since 01.01.2002
4.5. Tariff Regulation

Under statutory legal requirements, all plants with an installed capacity exceeding 25 MW can sell electricity only on the wholesale electricity and capacity market (WECM). A majority of the Company’s power plants are WECM operators. Power plants with capacity ranging from 5 MW to 25 MW are entitled to operate both on the wholesale and retail electricity and capacity markets. The Company’s plants in this category can sell their electricity and capacity on the WECM. Given that plants with a capacity of less than 25 MW and operating on the retail market are not regulated by the State and can sell electricity and capacity at unregulated prices. The table below provides a tariff scheme for HPPs which are operating on the WECM.

Electric power

<table>
<thead>
<tr>
<th>Capacity owned by capacity supply contracts</th>
<th>Facilities covered by capacity supply contracts</th>
<th>Price Zone 1</th>
<th>Price Zone 2</th>
<th>Non-price Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC</td>
<td>Tariff</td>
<td>Tariff</td>
<td>Tariff</td>
<td>Tariff</td>
</tr>
<tr>
<td>Four-lateral agreements</td>
<td>The unregulated WECM sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAM</td>
<td>The unregulated WECM sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free bilateral electricity and capacity contracts</td>
<td>WECM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC</td>
<td>Tariff</td>
<td>Tariff</td>
<td>Tariff</td>
<td>Tariff</td>
</tr>
<tr>
<td>Four-lateral agreements</td>
<td>WECM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity traded on a competitive basis</td>
<td>WECM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSC</td>
<td>WECM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free bilateral electricity and capacity contracts</td>
<td>WECM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In Prize Zone 2, capacity traded on a competitive basis is also sold under tariffs that are equal to RC tariffs.

Tariffs for plants that are WECM market players are established by the Russian Federal Tariff Service, in accordance with proprietary guidelines:

- The main tariff calculation methodology for existing plants (including those located in the non-price zone) is the indexation methodology: the base, which was calculated in 2007, is reviewed annually so that it can increase in line with the consumer price index (published by the Russian Ministry of Economic Development).
- The above-mentioned method is also applied to new plants starting from their second year of operation (for facilities covered by capacity supply contracts, it applies to electricity only).
- For the first year of a plant’s WECM operation, the tariff is based on the economically viable costs method, which helps identify the economically justified amount of financing that a company needs to carry out regulated operations during a specified time period.

In contrast with previous regulatory periods, the tariffs described above do not include an investment component. In 2011, the capacity price, based on competitive trading results, increased by a rate determined by the Federal Tariff Service, under approved guidelines that ensure the funding needed to construct (rebuild or upgrade) HPPs (PSPPs). For facilities covered by capacity supply contracts, the capacity price is also calculated by the Russian Federal Tariff Service under approved guidelines.

The Russian Federal Law “On the Electric Power Industry” sets forth a legislative framework and government regulation, as well as the scope of power for regulatory bodies in the electric power industry.

The procedure for calculating and setting electricity and capacity tariffs and timelines are set by the Rules of Government Regulation and the Application of Tariffs on Electric and Heat Energy in Russia and are approved by the Russian Federal Tariff Service.

4.6. Energy Efficiency

The energy efficiency of JSC RusHydro’s facilities is initially very high, since most of the electricity produced by the company is generated from renewable energy sources. Nevertheless, at the Company’s facilities, there are additional opportunities to upgrade energy efficiency through the modernization of primary equipment and the implementation of innovative energy-saving technologies, the optimization of using water resources, and the reduction of power consumption for in-house needs.

In 2013, the Company continued to implement the 2010-2015 Program on energy conservation and upgrading the wholesale market entities in non-price zones; the method of economically viable costs for other regions.

JSC RusHydro’s energy efficiency target:

- From 2011 to 2020, RusHydro’s energy efficiency target is to increase electricity output 3.3 billion kWh

HPP consumption is to a large extent shaped by water supply and generation modes, as established by the system operator. As a result, electricity output growth was chosen as the key indicator for the Program on energy conservation and upgrading energy efficiency and RusHydro’s Innovative Development Program.

Improving the energy efficiency of the Russian economy
- Reducing organic fuel use
- Constructing efficient HPPs
- Upgrading the efficiency of large-scale power generating units for thermal and nuclear generation due to the wider use of energy storage systems
- Promoting energy consumers to use energy-saving technologies

Improving the energy efficiency of JSC RusHydro’s business
- Improving the energy efficiency of existing HPPs
- Optimizing water resource usage
- Lowering power consumption for in-house needs for all activities

The above-mentioned method is also applied to new plants starting from their second year of operation (for facilities covered by capacity supply contracts, it applies to electricity only).

<table>
<thead>
<tr>
<th>Objectives of JSC RusHydro Energy Efficiency Improvement Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improving the energy efficiency of the Russian economy</td>
</tr>
<tr>
<td>- Improving the energy efficiency of JSC RusHydro’s business</td>
</tr>
</tbody>
</table>

RusHydro Annual report 2013
Implementation of the 2013 Energy Efficiency Improvement Program

Energy Efficiency Improvement in the Company’s branches and SDCs

Efforts to upgrade the capacity and efficiency of hydro-power units and to reduce electricity losses at power transformers brought the Company a 220.186 million kWh growth in long-term average output per annum. Progress to date has been the result of synergies from the technical rehabilitation and modernization program (technological loss reduction by replacing turbines and units, upgrading the quality and volume of repairs and installing the latest energy-saving equipment and devices).

In particular, in 2013, the Company replaced hydro-turbines with higher efficiency ones at the Sayano-Shushenskaya HPP, the Sayanskiye HPPs, the Karachaevo-Cherkessian Branch, the Volga branch, the Yenisei branch and the Zeyskaya HPP. Furthermore, hydro-power turbine units and hydro-turbines were replaced with more efficient equipment at the Zhigulevskaya HPP and the Volzhskaya HPP.

In 2013, the Company carried out energy audits at the Bureyskaya HPP, the Zeyskaya HPP, the Sayano-Shushenskaya HPP, the Sayanskiye HPPs, the Sayanskiye Shushenskaya HPP, the Kubanskiye HPPs, the Sayanskiye Shushenskaya HPP and the Mainskaya HPP, the Cascade of the Verkhnevolzhskie HPPs and the Cascade of the Kubanskiye HPPs. Based on energy audit results, the Company developed measures aimed at improving the energy efficiency of facilities and also prepared energy performance certificates.

Energy saving in sales activity is achieved by reducing technical and commercial electricity losses and by upgrading energy accounting. Principal efforts include:

• introducing new methods of forecast consumption;

• introducing the latest metering systems.

Businesses that do not have heavy energy consumption (e.g., design and engineering companies) are predominantly switching from incandescent lamps to energy efficient ones. These companies are also introducing automated control systems to monitor lighting and heating, etc.

Volume of each type of energy resource used by the Company in 2013

<table>
<thead>
<tr>
<th>Energy source type</th>
<th>Purchase of electric energy on the wholesale market, billion kWh</th>
<th>Cost of purchasing electric energy on the wholesale market, RUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-point deliveries to suit own needs of HPPs/PSPPs</td>
<td>0.92</td>
<td>0.97</td>
</tr>
<tr>
<td>Multi-point consumption of PSPPs (the pumping mode)</td>
<td>2.49</td>
<td>2.25</td>
</tr>
<tr>
<td>Total</td>
<td>3.41</td>
<td>3.22</td>
</tr>
</tbody>
</table>
Today, innovative development is one of the key priorities of JSC RusHydro. Annually, the Company channeled about 3% of the revenues according to RAS for innovative development.

In 2013, the Company operated within the framework of the Innovative Development Program for 2011-2015 with a view to 2021.

The Innovative Activities Concept of JSC RusHydro
The Company set objectives, drawn up “roadmaps” and set target indicators for each of them.

Establishing innovative development infrastructure
Implementing innovative development projects
Forming external environment management for innovations

1. Participating in expert fields, managerial and scientific initiatives
2. Interacting with State authorities and partners
3. Technology platforms
4. Experimental fields
5. Regional Innovation Clusters

Currently, the Company is completing the development of a new Innovative Development Program for 2014-2017 with a view to 2023. The Program will be approved by the Board of Directors of JSC RusHydro and integrated into the Company’s strategic documents and programs system (Strategic Plan, Technical Policy, Production Program, Facility Safety Operation Program, Energy Efficiency Program, etc.).

The only river flowing out of Lake Baikal and the largest right tributary of the Yenisei, the Angara flows through the Irkutsk Region and Krasnoyarsk Krai. The name comes from the Buryat root “anga” meaning “gaping”.

Position among Russian rivers: 21
Position among Russian rivers: 7
Length: 1,779 km
Water consumption: 4,530 m³/sec
Catchment area: 1,039,000 km²
Total capacity of the power stations on the river: 3,000 MW
Total output of the power stations on the river: 17,600 million kWh

The Angara

The Innovative Development

5.1. Establishing Innovative Development Infrastructure
5.2. Creating External Conditions for Innovative Activities
5.3. International Cooperation in the Field of Innovation
5.4. The Volume and Sources of Financing Innovation Program
5.5. Selecting Innovative Projects
5.6. Key Innovative Projects of JSC RusHydro
5.7. 2013 Innovative Activities of the Holding JSC “RAO Energy System of East”
5.8. 2014 Innovative Development Plans
5.1. Establishing Innovative Development Infrastructure

To meet future challenges, the JSC RusHydro intends to combine processes for seeking technical solutions of current problems and high-tech and advanced development into a single management system. In 2013, major efforts were focused primarily on the establishment of the Scientific and Technical Development Fund. In 2013, the Management Board of JSC RusHydro approved the establishment of the Scientific and Technical Development Fund, a wholly owned subsidiary of JSC NIIES in the legal form of CJSC (closed joint stock company) with registered capital of RUR 908 million. It is required to obtain Directive of the Government of the Russian Federation for ownership in the Scientific and Technical Development Fund.

5.2. Creating External Conditions for Innovative Activities

The idea to form an external innovative environment underlines JSC RusHydro concept of the interaction with a wide range of organizations, as well as expert community.

In 2013, the Company signed the following cooperation agreements on innovation:

1. On the scientific and technical cooperation with the Siberian Branch of the Russian Academy of Sciences to organize the introduction of innovative products and science-intensive technologies developed by IB RAS using RusHydro’s technological potential.

2. On interaction with the Russian Foundation for Basic Research to jointly implement conceptual stage of innovative projects.

The Scientific and Technical Council of JSC RusHydro (hereinafter – STC) and the Technology Platform “Advanced Technologies of Renewable Energy” (hereinafter – the Technology Platform) play an important role in forming innovative environment.

NTS includes about 200 best Russian experts, academics and industry practitioners. The decision of NTS launches the practical implementation of RusHydro Group’s innovative projects, or the objective professional external evaluation of the ideas contained in the projects and methods to implement them. The Technology Platform is another way of interacting with stakeholders in the field of innovation aimed at bringing together efforts of State authorities, the constituent entities of the Russian Federation, the investment community, industrial, scientific, design and educational spheres to create favorable conditions for introducing highly efficient generation technologies based on RES, meeting the needs of the domestic economy and ensuring the competitiveness of products and services on the domestic and global markets.

In October 2013, the First International Forum on Renewable Energy “Renewable Energy. Towards Raising Energy and Economic Efficiencies” (REENFOR-2013) was held under the auspices of the Platform. JSC RusHydro sponsored the forum, the Company’s representatives participated in the Forum’s events, roundtables on scientific and technological areas of RES.

Proposals to form topics within the framework of the Federal Target Program “Research and development on priority areas of scientific-technological complex of Russia for 2014-2020” (hereafter - FTP R&D) were selected with organizational and expert support of JSC RusHydro. These proposals were analyzed and selected (68 topics).

In 2013 the Platform’s participants implemented 18 projects totaling to RUR 536 million in accordance with the trends indicated in the Strategic Research Program of the Platform. The projects were financed by non-budgetary sources, the Russian Technological Development Fund and within the 2007-2013 Federal Target Program R&D formed by the Platform.

5.3. International Cooperation in the Field of Innovation

In 2008 JSC RusHydro joined the Global Sustainability Electricity Partnership (GSEP), an international organization that unites the major electric power companies from E-8 countries except the UK. The strategic management of GSEP is performed on a collegial basis by heads of all companies which have the status of chairpersons of GSEP.

Since 2008 JSC RusHydro is a member of E8

Cooperation in the framework of E8


The main objectives of the organization include:

- establishing a common policy on sustainable development for electric power industry;
- organizing large-scale debates on the environment, globalization and social policy;
- exchanging experience in the field of the production and use of electricity and electricity markets' development;
- assistance to developing countries.

One of the major topics discussed in October 2013 at GSEP meetings in St. Petersburg - energy security. Sustainable power industry minimizes the risks to the environment and to the world at large. One of the overlooked risks today is considered the risk of cyber threats. GSEP members supported the initiative of JSC RusHydro to explore the topic of cyber security and the fight against computer viruses in industrial systems. The Company has a successful track record in this area in conjunction with the Kaspersky Lab and considers that today more than ever, it is important to move towards more vigorous joint actions. As part of this topic, the Company intends to work together with the Kaspersky Lab. To implement the pilot project the Company will select one hydropower plant. In 2014 power engineers plan to discuss in more detail, select and adapt the solutions most applicable to hydropower industry. Duplication of technology will begin only after the program is tested on a pilot plant.

Objectives of JSC RusHydro’s participation in GSEP

expanding bilateral cooperation with companies-members of GSEP, including the possibility of implementing multi-partner projects in countries outside the GSEP

defending the positions of large hydro-power players internationally

successfully positioning the Russian hydro-power industry via participation in GSEP demi “green projects”

organizing an international seminar “Energy Development in 21 Century - World Experience and Best Practices”, Tokyo, 24-25 April, 2013

Fulfilling GSEP chair’s function, in October 2013 JSC RusHydro held meetings of project, political and steering committees of GSEP in St. Petersburg. Moscow. In the reporting year the Company participated in the activities of GSEP on program of governmental and private partnership development held in Warsaw and Belgrade, as well as in the 22nd World Energy Congress.
5.4. The Volume and Sources of Financing Innovation Program

In 2013, the innovative activities was funded from own and borrowed funds. The total volume of financing innovation program of JSC RusHydro exceeded RUR 3.644 billion.

The Innovative Development Program’s funding of the Holding JSC “RAO Energy System of East” was over RUR 3.97 billion, or 3.2% of the total revenues of the Holding companies participating in the Program.

5.5 Selecting Innovative Projects

JSC RusHydro permanently applies multilevel system to search and select innovative projects. Typically, these are high-tech developments, focused on the prospective development of the electric power industry.

For practical implementation the Company selects projects that lay the foundation for the prospective development of the electric power industry, coincide with the needs of RusHydro Group and capabilities of the external environment. So, in 2013, 16 new projects were approved for implementation, and in general in the reporting year, the Company has worked to implement 34 R&D projects.

As a result of the work the Company developed new equipment that can improve the efficiency (increasing the coefficient of performance and output) and the reliability of mini-HPPs, reduce costs and time to construct hydropower facilities of small hydropower industry. In addition, this will improve the efficient use of water resources for electricity generation at small HPPs, enhance the reliability of basic equipment of small hydropower plants and increase investment attractiveness of the construction of small hydropower industry’s facilities.

5.6. Key Innovative Projects of JSC RusHydro

The unique home-grown development to generate power at geothermal plants using binary technology. The feature of this development is the implementation of the project in severe climatic conditions (northern variant), using an inexpensive working body on the basis of the domestic equipment.

Binary cycle technology is based on the use of hot water heat that goes along with the steam from geothermal wells (the separat). Previously, the heat is not used in the power generation process. Today closed cycle is designed, in which the water is directed to a specially designed vaporizer, where it heats and vaporizes boiling halocarbon at a low temperature. The pressurized resultant halocarbon steam accelerates a turbine. Further, halocarbon is cooled, condensed and re-converted to liquid, ready for reuse.

This technology will significantly improve the utilization of geothermal resources of the existing deposits, as well as increase the volume of beneficial out-feed of thermal energy without drilling additional wells. In 2013, the structural improvements to equipment and technology were made. A variety of experimental runs was carried out to test the binary power unit.

Water content of natural object became completely dependent on operation modes of the Volzhsko-Kamskiy cascade of HPPs due to the transportation of the river source Akhtuba downstream from the dam site of the Volga HPP. The need for flooding the Volga-Akhtuba floodplain involves additional waste water discharges through waterworks facilities of the Volzhsko-Kamskiy cascade of HPPs.

The optimization of HPP operation modes by using additional design solutions in the tail water will increase generation of the Volzhsko-Kamskiy cascade of HPPs and at the same time provide necessary level of flooding for the Volga-Akhtuba floodplain.

Development of the procedure for optimizing modes is a very complicated work from mathematical point of view. At the present time such a problem has not yet been addressed in any country or in any power system in the world, so creating a mathematical model to effectively control hydropower units as part of this project will be a unique world-class innovation.

5.7. 2013 Innovative Activities of the Holding JSC ”RAO Energy System of East”

The principal document defining the innovative development of the Holding JSC “RAO Energy System of East” is the Innovative Development Program of the Holding JSC “RAO Energy System of East” for the period up to 2015 with a view to 2020. The main objective in the medium term is to create scientific and technical potential for the development of innovative-based technologies. The Holding Company’s key innovation areas include the learning to use new technologies and innovations in management.

The most significant innovative projects of the Holding Company in 2013 include the Project “Introduction of innovative technologies (gas turbine units, GTU) as part of the implementation of the Project “Construction of gas turbine cogeneration plant at the site of central steam water boiler house CSWBH (thermal power plant “Eastern”), as well as the Project to construct wind-diesel complex in the village of Nikoloskoe on Bering Island.

5.8. 2014 Innovative Development Plans

In 2013, JSC RusHydro developed a new version of the Innovative Development Program and the 2014-2016 medium-term plan that is part of the Program. Currently, the Program and the plan are under consideration and will be published after approval.

- The Holding JSC “RAO Energy System of East” plans in the field of innovative development in 2014 include:
  - Integrating the innovative development management system of the Holding JSC “RAO Energy System of East” with JSC RusHydro, including the joint development of JSC RusHydro’s innovative development program integrated with the innovative development program of the Holding JSC “RAO Energy System of East”;
  - Improving the innovative development management system, regulatory and methodological support;
  - Searching and selecting innovative ideas aimed at achieving the targets of the Company and the Holding, launching the most effective innovative development projects;
  - Forming a community of experts (including external) that provide the expertise of innovative projects;
  - Enhancing cooperation in the area of innovation with development institutions, research organizations, companies and public authorities;
  - Continuing the work on promotion of public and private investment for R&D, facilitating the development of regulatory norms, rules and standards that enable to design, construct and operate generating and transmission facilities on the basis of new technologies.
6. Financial Performance

In 2013, the RusHydro Group strengthened its financial position, effectively coping with the consequences of Far East floods, and simultaneously implementing the investment program, reducing key comparative figures for the debt burden and significantly increasing revenues and EBITDA, when returning to net profit.

Key events that have affected the Group’s 2013 financial performance included:

- the Group’s companies increased power generation 10.4% compared to 2012;
- in 2013, the Group continued to implement its investment program, investing RUR 70,254 million in property, plant and equipment acquisition, with nine hydro-power units commissioned in the reporting period;
- the Group successfully restructured its debt, significantly reducing the share of short-term debt in the total value of borrowed funds by placing bonds in the amount of RUR 20,000 million and repaying bank loans;
- in June, JSC RusHydro’s General Shareholders Meeting approved 2012 dividend payments in the amount of RUR 3,676 million, or 25% of the Company’s net profit under RAS for 2012;
- in December, the Company registered an additional share issue report and completed the placement of additional shares, as a result of which, the total number of outstanding shares increased to 386,255,464,890 shares;
- the Group recognized an impairment loss of JSC INTER RAO UES shares in the amount of RUR 7,594 million, and the impairment loss of receivables in the amount of RUR 4,895 million.

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

6.1. Assets, Equity and Liabilities

<table>
<thead>
<tr>
<th>(RUR million)</th>
<th>2012</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>604,461</td>
<td>633,846</td>
<td>29,385</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>57,234</td>
<td>61,071</td>
<td>3,837</td>
</tr>
<tr>
<td>Current assets</td>
<td>192,572</td>
<td>157,129</td>
<td>(35,443)</td>
</tr>
<tr>
<td>Total assets</td>
<td>854,267</td>
<td>852,046</td>
<td>(2,221)</td>
</tr>
<tr>
<td>Equity</td>
<td>540,405</td>
<td>594,707</td>
<td>54,302</td>
</tr>
<tr>
<td>Liabilities</td>
<td>313,842</td>
<td>255,339</td>
<td>(58,523)</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>854,267</td>
<td>852,046</td>
<td>(2,221)</td>
</tr>
</tbody>
</table>
As of year-end 2013, the Group’s assets slightly declined by RUR 2,221 million (0.3%). The main reason for this decline was the impairment of the Group’s financial assets.

Property, plant and equipment are a significant portion of the Group’s assets. In the reporting period, the share of property, plant and equipment increased from 71% to 74% due to the implementation of investment programs. As of December 31, 2013, the Group’s property, plant and equipment was RUR 56,302 million, an increase of RUR 8,869 million (16%) compared with the end of year 2012.

In 2013, the Group’s current assets decreased by RUR 35,443 million (18%) due to a reclassification of the Group’s debt burden to EBITDA. A decrease in trade receivables was noted during the reporting period, which share amounted to 67% of receivables during the reporting period. The largest part is RUR 1,285 million (3%), with a slight change in the structure of accounts payable as of the end of 2012.

In 2013, the RusHydro Group also restructured obligations to improve the efficiency of using borrowed funds. During the reporting year, current liabilities decreased RUR 114,599 million (59%) to RUR 80,419 million, whereas the non-current liabilities increased RUR 56,076 million (47%) to RUR 174,920 million.

In 2013, the Group’s accounts receivable decreased by RUR 3,309 million (7%) to RUR 49,473 million, due to a 4% increase in trade payables to RUR 30,948 million and in advances received by the Group by 17% to RUR 8,869 million. As of December 31, 2013, all payables were Russian ruble-denominated.

As of year-end 2013, the Group achieved a significant improvement in all key liquidity indices, with all of them being significantly higher than the recommended levels. It suggests a high degree of financial stability of the RusHydro Group and an efficiency improvement during the reporting period.

In 2013, the total debt of the RusHydro Group increased RUR 10,742 million (8%) to RUR 151,777 million, primarily due to bond placements in the amount of RUR 20,000 million. Net debt increased RUR 16,089 million (16%) to RUR 117,305 million.

In 2013, the share of the Group’s current debt in total debt declined from 52% to 13%, a comfortable level for further JSC RusHydro activities and investment program implementation.
In the reporting year, the Group placed bonds in the amount of RUR 20,000 million and received RUR 10,613 million under the credit facility agreement with JSC Sberbank of Russia to refinance the debt of the Holding JSC “RAO Energy System of East” companies. Also, the Group restructured its debt to JSC Sberbank of Russia in the amount of RUR 40,000 million, repaying RUR 20,000 million in 2013 and extending the repayment period of the remaining debt for 7 years till 2020.

As of the end of 2013, more than 90% of the Group’s debt is denominated in Russian rubles. Commitments to competent State-owned banks account for 40% of total debt financing, and the effective interest rate on RusHydro Group loans is 8.5%. The Group also has open credit lines in the largest Russian banks which significantly reduces the likelihood of adverse impacts from financial risks.

### 6.4. Financial Highlights

In 2013, RusHydro Group increased total revenue, maintaining operating expenses at the previous year’s level.

During the reporting year, the Group’s revenue increased RUR 17,277 million (6%) to RUR 326,878 million. A key factor for this increase was the growth in energy generation at JSC RusHydro’s HPPs with the indexation of electricity and capacity tariffs.

The Group’s operating expenses rose only RUR 1,603 million (1%) to RUR 272,784 million, which not only meets the task to limit the rate of expense increases to the annual inflation rate, but also significantly exceeds it.

In 2013, the Group’s non-current debt nearly doubled to RUR 131,890 million, which reflects the desires of JSC RusHydro to improve the efficiency of using borrowed funds and reduce the impact of numerous financial risks. In the structure of non-current debt, long-term loans account for 55%, bonds placed by the Group – 42% and other long-term borrowings – 3%.

As of the end of the financial year, the Group’s current debt decreased RUR 53,865 million (73%) to RUR 19,887 million, due to the repayment of borrowed funds. In the structure of current debt, current loans account for 45%, the current portion of non-current loans – 44% and other borrowed funds – 9%.

As of December 31, 2013, RUR million

<table>
<thead>
<tr>
<th>Structure of Operating Expenses, RUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
</tr>
<tr>
<td>Purchased electricity and capacity</td>
</tr>
<tr>
<td>Fuel expenses</td>
</tr>
<tr>
<td>Electrically distribution expenses</td>
</tr>
<tr>
<td>Other materials</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
</tr>
<tr>
<td>Third party services</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td>Total expenses</td>
</tr>
<tr>
<td>Operating expenses</td>
</tr>
</tbody>
</table>

### Revenue and Expenses Dynamics, RUR million*

<table>
<thead>
<tr>
<th>Revenue Structure, RUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>Total revenue</td>
</tr>
<tr>
<td>Operating expenses</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2012</td>
</tr>
</tbody>
</table>

* Total revenue includes government subsidies

The structure of operating expenses also did not change significantly in 2013. Payroll expenses rose in proportion with inflation (6%) and amounted to RUR 56,907 million. Expenses for third parties services slightly (2%) increased. Taxes other than on income rose 26% to RUR 9,295 million, whereas other expenses increased 2% to RUR 13,597 million.

The Group’s operating expenses rose 2% to RUR 13,597 million, whereas other expenses increased 26% to RUR 9,295 million, whereas other expenses increased 2% to RUR 13,597 million.

In 2013, the structure of the Group’s revenue did not change significantly. Proceeds from electricity sales provide more than 71% of revenue; their volume in the reporting year increased 5% to RUR 231,241 million. Proceeds from the sales of heat energy and hot water rose 5% to RUR 33,147 million, the sales of capacity increased 5% to RUR 25,300 million. Other revenue, which includes the return on electricity transmission, grid connection, repair and construction and other services, increased 1% to RUR 23,944 million.

In 2013, in the Far East regions, the Group was also given government subsidies in the amount of RUR 13,246 million to eliminate inter-regional cross-subsidization in electricity rates, the compensation for the difference between approved electricity rates and the reduced rates, as well as compensation for the loss on fuel.
As of year-end 2013, the Group recorded EBITDA growth of RUR 14,983 million (23%) to RUR 79,171 million, with the Group’s EBITDA margin increasing from 21.5% to 25.2%. The main factors behind these increases included: rising operating costs at the previous year’s operating results and maintaining operating costs at the previous year’s level as tariffs increased.

In 2013, the RusHydro Group returned to a net profit of RUR 20,993 million against a loss of RUR 25,324 million in the previous year: Adjusted net profit in 2013 amounted to RUR 52,473 million, a 63% increase as compared to the same period of the previous year. The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects: recognition of impairment loss on numerous property, plant and equipment and financial investments (generating facilities, shares of JSC INTER RAO UES, and promissory notes (generating facilities, shares of JSC Boguchansky Aluminum Plant), impairment loss on accounts receivable and the recognition of income from the reduced pension plan of JSC DBG.

Adjusted net profit margin increased from 10.8% in 2012 to 16.8% in 2013. As of year-end 2013, the Group’s comparable profit margins also improved due to a significant increase in adjusted net profit. During the reporting year, return on assets (ROA) increased from 6.0% to 9.3%, and return on equity (ROE) increased from 3.8% to 6.2%.

Upgrading JSC RusHydro’s operational efficiency, while increasing the role of non-regulated and regulated electricity and capacity supply contracts, has led to a reduction in the costs of purchased electricity and capacity (6% to RUR 54,622 million), fuel expenses (2% to RUR 44,472 million), electricity distribution expenses (1% to RUR 37,922 million), depreciation (0.1% to RUR 18,218 million) and the cost of other materials (2% to RUR 9,599 million).

In 2013, net cash generated by operating activities increased RUR 3,552 million (6%) to RUR 62,248 million due to a return to net profit. Net cash used in investing activities decreased more than two times to RUR 51,155 million due to a significantly lower difference between amount of investments in bank deposits and their redemption in 2013 compared to 2012. At the same time, during the reporting year, the Group’s financial activities saw a net outflow of RUR 16,704 million against an inflow of RUR 55,213 million in the previous year, due to the repayment of borrowings in the amount of RUR 153,114 million.

As a result, in 2013, the RusHydro Group recorded a reduction in negative cashflow of RUR 2,772 million (29%) to RUR 5,385 million. However, successful repayment of a portion of the Group’s debt via debt restructuring and the increase in cash flow from operating activities allows the Group to count on a positive value for the index in 2014.

The Group’s cash and cash equivalents in the reporting year decreased RUR 5,385 million (14%) to RUR 34,472 million, mainly due to dividend payments.

### 6.5. Distribution of the Company’s Net Profit

The issue of the distribution of the Company’s net profit* based on 2013 FY results, including the issue of the payment (declaration) of dividends, will be submitted for consideration to the Annual General Meeting of Shareholders in 2014.

On June 28, 2013, the Annual General Meeting of Shareholders approved the distribution of profits (including the payment (declaration) of dividends) and losses of the Company based on 2012 financial year results.

<table>
<thead>
<tr>
<th>Amount in RUR</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,702,294,636.95</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Distribute to:

- **Reserve fund**: 735,114,731.85 (5%)
- **Accumulation fund**: 10,291,606,695.37 (70%)
- **Dividends**: 3,675,573,209.73 (25%)
- **Covering losses from previous years**: 0 (0%)

*The information is presented in accordance with RAS

### 6.6. Distribution of the Company’s Net Profit

#### Rating Agency

<table>
<thead>
<tr>
<th>Fitch Ratings</th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>International rating</td>
<td>BB+</td>
<td>BB+</td>
</tr>
<tr>
<td>National rating</td>
<td>ruAA</td>
<td>ruAA+</td>
</tr>
<tr>
<td>Outlook</td>
<td>Negative</td>
<td>Negative</td>
</tr>
</tbody>
</table>

| Outlook revision date | 24.03.2014 | 28.03.2014 | 24.07.2013 |
7. Corporate Governance

7.1. Corporate Governance Principles

Since 2010, the Company has had a Corporate Governance Code, according to which the Company assumes its obligations to comply with the norms and principles set forth in it: accountability, transparency, good faith and fairness.

1. Accountability
The Board of Directors is accountable to all shareholders, the Management Board and the Chairman of the Management Board are accountable to the Company’s Board of Directors and the General Meeting of Shareholders.

2. Fairness and equitable treatment for all shareholders
Protect shareholders’ rights and ensure equitable treatment for all shareholders.

3. Transparency
Disclose accurate information about all material facts relating to the Company’s activities, and offer free access to such information for all stakeholders.

4. Good faith
Faithfully implement rights by all shareholders, the Company, its bodies, officials and other stakeholders, preventing abuse(s) of rights.

The Code, according to which corporate governance is implemented in the Company, is based on Russian Law; the Russian Corporate Conduct Code, recommended and internationally recognized principles of corporate governance, such as the UK Corporate Governance Code and the Corporate Governance Principles of the Organization for Economic Cooperation and Development (OECD).

In 2013 the Russian Institute of Directors, based on monitoring results, confirmed JSC RusHydro’s National Corporate Governance Rating at 7+, evaluating it as a company with well-developed corporate governance practices.
7.2. Shareholder and Investor Relations

New versions of internal documents were adopted, which now comply with applicable changes in Russian laws: the Articles of Association, the Regulations on the procedure for convening and holding the General Meeting of Shareholders, and the Regulations on committees of the Board of Directors.

JSC RusHydro’s Policy on Internal Audit to provide independent and objective guarantees aimed at achieving and upgrading the Company’s operations via a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and corporate governance processes was approved.

Increasing the public transparency of procurement procedures: the Company’s procurement management system is recognized as one of the most effective by the execution quality of federal legal requirements and generally accepted business practices in procurement.

Joining the Anti-corruption Association of Russian Businesses for independent expert’s assessment of the Company’s anti-corruption policy and its further improvement.

The board of directors:
- Chairman: Alexei Chikhachev
- First Deputy Chairman: Alexander Khramov
- Deputy Chairmen: Yuri Aksenov, Igor Diasamidze, Petr Blagov
- Members: Andrei Leonov, Alexander Vasin, Dmitry Khmelev, Valeriy Shumilin, Sergei Shyshkin

The Company’s corporate governance risks are low, because the Company adheres to the requirements of applicable Russian laws and acts in accordance with the majority of recommendations contained within the Russian Corporate Conduct Code, as well as international best corporate governance practices, including requirements set forth for companies listed on the London Stock Exchange.

The website’s home page contains information on JSC RusHydro’s current activities. The home page contains direct links to resolutions of the Board of Directors, as well as information on forthcoming and past General Meetings of Shareholders and financial statements. The page also contains news updates concerning the Company, as well as its SDCs.

In 2013, the Company disclosed some 177 significant facts pertaining to corporate activities, the decisions of the management bodies, data on the issue of securities, interested party transactions and information that impacts the price of the Company’s securities. The Company actively publishes press releases on a daily basis.

Investor relations functions are actively carried out by the structural IR Department, which has been recognized as the best IR department in Russia’s power sector among market participants, according to voting results of ThomsonReuters Extel. By the end of 2013, more than 200 individual and group meetings of the Company’s management with managers of Russian and foreign securities market regulators, as well as the rules of the relevant stock exchanges where the corporate securities are traded.

The shareholders can make enquiries as to exercising their rights using the hotline telephone number of JSC R.O.S.T. Registrar, the Company’s registrar. They can also send enquiries by e-mail. Depositary receipt holders can address their enquiries to the Bank of New York Mellon, or to the Company’s Corporate Governance Department and/or IR Department.

In 2013, the Company’s Annual Report was included for the first time in the ReportWatch Rating, where it took 251st place among more than 400 international companies and 3rd place among Russian companies. In addition, the 2013 Annual Report was recognized at competitions in Russia: the Best Annual Report of the Siberian Federal District (JSC Moscow Exchange MICEX - RTS), the Best Interactive Annual Report (the rating agency “Expert RA”), Best Interactive Annual Report (Journal “Securities Market”); nominations: “Electric power industry (mining, oil and gas extraction, production of electricity) – 1st place”; “Best Electronic Annual Report - 1st place” (competition held in the Krasnodar Region).

7.3. Management and Control Bodies

The General Meeting of Shareholders

The Board of Directors

The Audit Commission

The Corporate Secretary

The Management Board

The Internal Control and Risk Management Director

The SDCs

The Chairman of the Management Board

The Committees:
- Committee on Reliability, Energy Efficiency and Innovation;
- Audit Committee;
- HR and Remuneration Committee;
- Investment Committee;
- Strategy Committee

The External Auditor

The Management/Control

The Operations/Management

The Reporting

The Inspection

The Branches

RusHydro Annual report 2013
General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest management body, the competency of the General Meeting of Shareholders is defined by the Russian Federal Law on Joint Stock Companies, as well as by RusHydro’s Articles of Association. The procedure for preparing and convening the meeting and the shareholders’ decision-making process is set forth in the Regulations on Convening and Holding the Company’s General Meeting of Shareholders.

A decision to convene the General Meeting of Shareholders is made by the Company’s Board of Directors at its own initiative or at the request of the Audit Commission, the Auditor or by shareholder(s) owning at least ten percent of the Company’s voting shares (as of the date of said request).

Shareholders owning at least two percent of the Company’s voting shares are entitled to include items on the agenda of the Annual General Meeting of Shareholders and nominate candidates to the Board of Directors and the Audit Commission. Such proposals shall be received at least 90 days after the expiration of the fiscal year.

Shareholders shall be given notice of the General Meeting at least 30 days prior to the date of the General Meeting; and if the agenda of an Extraordinary General Meeting includes items on electing members of the Company’s Board of Directors, such notice shall be given at least 70 days prior to said General Meeting.

The Company provides shareholders with timely information about the General Meetings(s), including via the corporate website (http://www.rushydro.ru/corporate/general-meeting/forthcoming/), which also discloses all materials for the forthcoming meeting.

The right to participate in voting on agenda issues at the General Meeting of Shareholders is one of the key rights of shareholders, which can be exercised either by voting in person at the Meeting, or by mailing in ballots. The function of the counting commission to vote and count votes at the General Meeting of Shareholders shall be performed by the Company’s independent registrar.

Concerning issues related to exercising the rights of depository receipt holders, pertaining to their participation in voting on agenda issues for the General Meeting of Shareholders, JSC RusHydro interacts with the Bank of New York Mellon, the depositary bank of record, as well as with Bank VTB (open joint-stock company), the custodian.

In 2013, the Company held one annual and one extraordinary meeting of shareholders. Information on the issues discussed is given in the Appendix and on the corporate website http://www.rushydro.ru/corporate/general-meeting/everpast/.

The Board of Directors

The Board of Directors is a collegial body responsible for general corporate management. The Board of Directors develops JSC RusHydro’s strategy and controls its executive bodies to protect the rights and lawful interests of the Company’s shareholders.

Members of the Board of Directors are elected by a cumulative vote at the General Meeting of Shareholders for the period till the next Annual General Meeting of Shareholders. Members may be re-elected an unlimited number of times. The Board of Directors shall consist of 13 members. The right to propose a candidate for the Board of Directors belongs to shareholders that own at least two percent of the Company’s voting shares.

The Board of Directors operates in accordance with Russian laws, the Articles of Association, the Corporate Governance Code and Regulations on Convening and Holding Meetings of the Company’s Board of Directors.

JSC RusHydro’s Articles of Association stipulate that the following issues fall under the exclusive competence of the Company’s Board of Directors: defining priority business areas, approving long-term corporate development programs, including: approval of the Investment Program and the approval (update) of the Company’s key performance indicators (KPIs) and the business plan. The Board of Directors decides on the approval of transactions related to the Company’s non-current assets exceeding 10% of the balance value of these assets as of the date of the decision on such a transaction, as well as equity transactions and the shares of entities in which the Company participates,

Structure issues reviewed at meetings of the Board of Directors in 2013

Changes that occurred in the membership of the Board of Directors in 2013 are linked to compliance with the requirements of the mandatory election of the Board of Directors at the Annual General Meeting of Shareholders (June 2013) and the requirement of shareholders on the early termination of powers and the election of a new Board of Directors (April 2013). In 2013, seven new members were included in the Board of Directors.
## Members of the Board of Directors

### Chairman of the Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position &amp; Status</th>
<th>Year of birth</th>
<th>Citizenship</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikhail Igorevich POLUBOYARINOV</td>
<td>Member of the Management Board, First Deputy Chairman of Vneshekonombank State Corporation, Non-executive Director (professional counsel)</td>
<td>1966</td>
<td>Russian</td>
<td>The Moscow Financial Institute (the Financial Academy attached to the Government of the Russian Federation), crediting and economics department, qualification - economist (1988), post-graduate studies at the Academy of People’s Economy (named after G.V. Plekhanov) (1998), Ph.D. in Economics</td>
</tr>
</tbody>
</table>

### Deputy Chairman of the Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position &amp; Status</th>
<th>Year of birth</th>
<th>Citizenship</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boris Ilyich AYUEV</td>
<td>Chairman of the Management Board and member of the Board of Directors of JSC SO UES, Non-executive Director (professional counsel)</td>
<td>1957</td>
<td>Russian</td>
<td>The Ural's Polytechnic Institute, electric power stations (1979)</td>
</tr>
</tbody>
</table>

### Ownership of Company shares

<table>
<thead>
<tr>
<th>Name</th>
<th>Ownership of Company shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boris Ilyich AYUEV</td>
<td>Owns no Company shares</td>
</tr>
<tr>
<td>Evgeny Vyacheslavovich DOD</td>
<td>0.095441%</td>
</tr>
</tbody>
</table>
### Kristian Andreas BERNDT

**Position**
General Director of EF-TEK LLC

**Status as a member of the Board of Directors**
Independent Director

**Year of birth**
1956

**Citizenship**
Germany

**Education**
Moscow Civil Engineering Institute named after VV Kuibyshev, construction of thermal and nuclear power plants, Ph.D. (1985, USSR), holder of Doctor of Engineering (Dr.-Ing) under German standards (1991)

**Curriculum Vitae**

**Ownership of Company shares**
Owns no Company shares

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### Maksim Sergeevich BYSTROV

**Position**
Chairman of the Management Board JSC ATS
Acting Chairman of the Management Board of the Non-Commercial

**Status as a member of the Board of Directors**
Non-executive Director

**Year of birth**
1964

**Citizenship**
Russian

**Education**
Moscow Civil Engineering Institute named after V. V. Kuibyshev, hydro-power engineering of river structures and hydro-power plants (1984), Russian Foreign Trade Academy, global economy (1998)

**Curriculum Vitae**

**Ownership of Company shares**
Owns no Company shares

---

### Andrey Evgenievich BUGROV

**Position**
Vice President of CJSC INTERROS Holding Company, Deputy General Director of JSC MMC Norilsk Nickel working with the investment community and government bodies, Vice President, Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs (RSPP)

**Status as a member of the Board of Directors**
Independent Director

**Year of birth**
1952

**Citizenship**
Russian

**Education**
Moscow State Institute of International Relations, international economic relations (1974), PhD in Economics

**Curriculum Vitae**
Executive positions in Interros Group (2002) Vice President of JSC Interros (since 2013), Member of the Board of Directors of JSC MMC Norilsk Nickel (since 2002), Chairman of the Board of Directors (since 2011), Deputy Chairman of the Board of Directors (since March 2013), since April 2013 - Deputy General Director of JSC MMC Norilsk Nickel working with the investment community and government bodies. Member of the Council of the Non-Governmental Organization "Council on Foreign and Defense Policy”

**Ownership of Company shares**
Owns no Company shares

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### Victor Mikhailovich ZIMIN

**Position**
Head and Chairman of the Government of the Republic of Khakassia

**Status as a member of the Board of Directors**
Non-executive Director [government official]

**Year of birth**
1962

**Citizenship**
Russian

**Education**
The Tomsk State Architectural and Construction University, motor car engineering, engineer (2007)

**Curriculum Vitae**
Deputy Head and Head of the Construction Department for newly constructed facilities of the Abakan Branch of the Krasnoyarsk Railways, a branch of JSC Russian Railways (2004-2007); member of the Russian State Duma (2007-2009) and member of the State Duma Committee on Agriculture; Head and the Chairman of the Government of the Republic of Khakassia (since 2009)

**Ownership of Company shares**
Owns no Company shares
Sergey Nikolaevich IVANOV

Position
General Director of JSC Russian Energy Company

Status as a member of the Board of Directors
Independent Director

Year of birth
1961

Citizenship
Russian

Education
Moscow Engineering Physics Institute, Theoretical Nuclear Physics (1984), Doctor of Economics, Professor, Corresponding Member of the Russian Academy of Sciences

Curriculum Vitae

Ownership of Company shares
Owns no Company shares

Vyacheslav Victorovich PIVOVAROV

Position
General Director of Altera Capital LLC

Status as a member of the Board of Directors
Non-executive Director (professional counsel)

Year of birth
1972

Citizenship
Russian

Education

Curriculum Vitae
Advisor to the Minister of Economic Development (2009 - 2011), General Director of Altera Capital LLC (since 2011)

Ownership of Company shares
Owns no Company shares

Vladimir Mikhailovich STOLYARENKO

Position
Professor at the National Research University "Higher School of Economics"

Status as a member of the Board of Directors
Non-executive Director (professional counsel)

Year of birth
1961

Citizenship
Russian

Education
Leningrad Finance and Economics Institute (named after N.A. Voznesensky), Finance and credit (1983), Moscow State Law Academy, jurisprudence (2002), School of Law at Harvard University (2002), London Business School and the School of Business, Columbia University, Executive MBA-GLOBAL (2008), PhD in Economics, Doctor of Laws

Curriculum Vitae
The banking sector (since 1991). From 2003 to 2012 President - Chairman of the Management Board of JSC AKB EVROFINANCE MOSNARBANK (2003-2012), Professor of the "Theory and practice of business and government relations" in the National Research University "Higher-School of Economics" (since 2009), Chairman of the Supervisory Board of JSC AKB EVROFINANCE MOSNARBANK, Member of the Council of the Russian Banks Association, Member of the Board of Trustees of the St. Petersburg University of Economics and Finance, Member of the Council of the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation, Member of the Council of the Banking Law Institute, Moscow State Law Academy (named after O.E. Kutafin), Member of the Supervisory Council of the Non-commercial Partnership "Harvard Alumni Club” (Moscow), Member of the Public Council attached to the Federal Security Service of the Russian Federation

Ownership of Company shares
Owns no Company shares

Denis Stanislavovich MOROZOV

Position
Representative of the Russian Federation in the Board of Directors of the European Bank for Reconstruction and Development, Executive Director for the Russian Federation, Belarus and Tajikistan

Status as a member of the Board of Directors
Independent Director

Year of birth
1973

Citizenship
Russian

Education
Moscow State University named after M.V. Lomonosov, political economy (1993), jurisprudence (1996), PhD in Economics, Swiss Banking School (2000), Harvard Business School in-depth program management training (2009), School of International and Public Affairs at Columbia University, Master of Public Administration, Program for economic policy management (2011)

Curriculum Vitae

Ownership of Company shares
Owns no Company shares

Vyacheslav Victorovich STOLYARENKO

Position
Non-executive Director (professional counsel)

Year of birth
1961

Citizenship
Russian

Education
Leningrad Finance and Economics Institute (named after N.A. Voznesensky), Finance and credit (1983), Moscow State Law Academy, jurisprudence (2002), School of Law at Harvard University (2002), London Business School and the School of Business, Columbia University, Executive MBA-GLOBAL (2008), PhD in Economics, Doctor of Laws

Curriculum Vitae
The banking sector (since 1991). From 2003 to 2012 President - Chairman of the Management Board of JSC AKB EVROFINANCE MOSNARBANK (2003-2012), Professor of the "Theory and practice of business and government relations" in the National Research University "Higher-School of Economics" (since 2009), Chairman of the Supervisory Board of JSC AKB EVROFINANCE MOSNARBANK, Member of the Council of the Russian Banks Association, Member of the Board of Trustees of the St. Petersburg University of Economics and Finance, Member of the Council of the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation, Member of the Council of the Banking Law Institute, Moscow State Law Academy (named after O.E. Kutafin), Member of the Supervisory Council of the Non-commercial Partnership "Harvard Alumni Club” (Moscow), Member of the Public Council attached to the Federal Security Service of the Russian Federation

Ownership of Company shares
Owns no Company shares

Ownership of Company shares
Owns no Company shares
The Strategy Committee

The Strategy Committee is responsible for enhancing the Company’s long-term performance and developing recommendations on current adjustments in growth strategy.

Members of the Committee served from July 25, 2012 to May 14, 2013

1. Andrey Borisovich Malyshov – Chairman of the Committee
2. George Ilyich Rizhinashvili – Deputy Chairman of the Committee
3. Mikhail Viktorovich Voyevodin
4. Vladimir Olegovich Volik
5. Vsevolod Valeryanovich Gavrilov
6. Evgeny Evgenievich Gorev
7. Viktor Ivanovich Danilev-Danilyan
8. Mikhail Alekseyevich Mantrov
9. Valentin Yefimovich Mezhevich
10. Maria Gennadievna Tikhonova
11. Nikolay Grigorievich Shulginov

RusHydro Annual report 2013

The Company has implemented the practice of holding joint committee meetings to ensure a more detailed and efficient review of relevant issues.

The Strategy Committee is responsible for enhancing the Company’s long-term performance and developing recommendations on current adjustments in growth strategy.

Report on the Committee Activities in 2013

In 2013, the Committee held twelve meetings (compared with 11 in 2012), including two meetings that were held jointly with other committees. The list of all issues reviewed at the meetings is available in the Appendix and on our website (http://www.rushydro.ru/corporate/committees/stratcom). The Committee continued to implement the Company’s Innovative Development Program. The Committee also periodically reviewed management’s reports on the implementation of priority projects under the Program. Prior to the Board of Directors of JSC Rushydro’s review of these issues related to transactions with the Company’s shares and stakes in organizations, such transactions shall be analyzed by the Committee. In total, nine such transactions were analyzed. Work to develop the Concept of the Fund for Scientific and Technological Development was carried out jointly with the Reliability Committee.

Committees of the Board of Directors

The Committees of the Board of Directors are established to preliminarily review the most critical matters that fall under the competence of the Board of Directors. The Committees must report to the Board of Directors. The Board of Directors is responsible for ensuring regular and efficient cooperation with its Committees. Reports on the Committees’ operations are reviewed annually at meetings of the Company’s Board of Directors.

The Committees include persons with expertise and knowledge in the relevant areas, which enhances the performance and quality of the Board of Directors’ activities. The number of members on each Committee is defined to ensure a thorough discussion of the addressed issues and to reasonably consider different points of view. The Committees act in accordance with the Regulations on the Committees of the Company’s Board of Directors. In accordance with best corporate governance practices, the Audit Committee and the HR and Remuneration Committee shall include only independent directors who are members of the Company’s Board of Directors.

Members of a Committee are elected for a period prior to the General Shareholders’ Meeting, which elects a new Board of Directors. In 2013, changes in the membership of the Committees are explained by the election of new Members of the Board of Directors in April and June 2013. Acting members of the Committees were elected by the Board of Directors July 15, 2013.

Ownership of Company shares

- Owns no Company shares

* Company shares owned by members of the Board of Directors are represented as of 31.12.2013, as a share in the Company’s share capital and as a stake in the ordinary shares owned by a member of the Company’s Board of Directors. These portions are equal, as the Company has issued only ordinary shares.

*Maria G. Tikhonova’s term of office is from 15.10.2013 to 17.02.2014

Members of the Committee served from July 15, 2013

Andrey Borisovich Malyshov
Chairman of the Committee
President of JSC Group E4

George Ilyich Rizhinashvili
Deputy Chairman of the Committee
Deputy Chairman of the Management Board of JSC RusHydro

Alexander Aleksandrovich Auzan
Acting Dean of the Faculty of Economics of Moscow State University (named after M.V. Lomonosov)

Vyacheslav Viktorovich Pivovarov
General Director of Altera Capital LLC
Member of the Board of Directors

Evgeny Evgenievich Gorev
Member of the Management Board of JSC Rushydro

Viktor Ivanovich Danilev-Danilyan
Deputy Chairman of the Board of Directors of JSC RusHydro (Independent Director), the Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (RAS)

Mikhail Alekseyevich Mantrov
Deputy Chairman of the Management Board of JSC Rushydro

Valentin Yefimovich Mezhevich
Member of the Federation Council of the Federal Assembly of the Russian Federation, First Deputy Chairman of the Economic Policy Committee of the Federation Council

Nikolay Grigorievich Shulginov
First Deputy Chairman of the Management Board of JSC SO UES

Maria Gennadievna Tikhonova*
Deputy Chairman of the Management Board, Member of the Management Board of JSC FSC UES

* Maria G. Tikhonova’s term of office is from 15.10.2013 to 17.02.2016
Activities in 2013

The Audit Committee enables the Board of Directors to control the Company’s financial and economic activities by developing recommendations on the selection of an independent audit organization and on the procedure for interacting with the Audit Commission and the external auditor.

The Audit Committee

Viktor Ivanovich Danilov-Danilyan
Chairman of the Committee
Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (RAS), Deputy Chairman of the Board of Directors of JSC RusHydro (Independent Director)

Kristian Andreas Berndt
General Director of EF-TEK LLC, member of the Board of Directors of JSC RusHydro (Independent Director)

Sergey Nikolaevich Ivanov
General Director of JSC Russian Energy Company, member of the Board of Directors of JSC RusHydro (Independent Director)

Members of the Committee served from July 25, 2012 to May 14, 2013
1. Danilov-Danilyan Viktor Ivanovich – Chairman of the Committee
2. Kurtser Grigory Markovich
3. Malyshev Andrey Borisovich

Members of the Committee served from May 16, 2013 to July 15, 2013
1. Danilov-Danilyan Viktor Ivanovich – Chairman of the Committee
2. Kurtser Grigory Markovich
3. Nozdrachev Denis Aleksandrovich

The HR and Remuneration Committee

Viktor Ivanovich Danilov-Danilyan
Chairman of the Committee
Director and Chairman of the Academic Board of the Institute for Aquatic Issues of the Russian Academy of Sciences (RAS), Deputy Chairman of the Management Board of JSC RusHydro (Independent Director)

Andrey Evgenievich Bugrov
Vice President of CJSC INTERROS Holding Company, Deputy General Director of JSC MMC Norilsk Nickel working with the investment community and government bodies, Vice President, Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs (RSPP) Member of the Board of Directors of JSC RusHydro (Independent Director)

Sergey Nikolaevich Ivanov
General Director of JSC Russian Energy Company, Member of the Board of Directors of JSC RusHydro (Independent Director)

The HR and Remuneration Committee of the Company’s Board of Directors is focused on attracting qualified management to manage corporate activities and to develop necessary incentives for their successful operation. The Committee is tasked with developing principles and criteria for determining the remuneration and material incentives for members of the Board of Directors, the Chairman and members of the Management Board and to issue recommendations (conclusions) on the above-mentioned issues to the Board of Directors.

The list of all issues reviewed at the meetings is available in the Appendix and on our website (http://www.rushydro.ru/corporate/committees/hr/). The Committee reviewed issues on changing membership of the Management Board, including: the approval of new candidates to the Board’s members, as well as the approval of a new Corporate Secretary of JSC RusHydro. The Committee allowed the Management Board’s members to hold concurrently positions in the management of other organizations and prepared recommendations related to the approval of the 2014-2016 Collective Agreement of RusHydro’s branches.

Report on the Committee Activities in 2013

In 2013, the Committee held twelve meetings (compared with 11 in 2012). The list of all issues reviewed at the meetings is available in the Appendix and on our website (http://www.rushydro.ru/corporate/committees/audits/). The main issues reviewed at the meetings included a preliminary review of the Company’s statements (prepared in accordance with RAS and ISFR), the development of recommendations for the Board of Directors on the selection of an external auditor and issues related to controlling the use of insider information and implementing measures of the Comprehensive Program for the Prevention of Commissioning Illegal Actions by JSC RusHydro Employees, a review of the 2013 RusHydro strategic risks Registry and a report on the architecture of the corporate risk management system. The Committee also studied the issue on the Procedure for the selection of appraisers and/or candidate(s) for determining the value of shares, property and other assets of the Company and the Board of Directors’ recommendation to approve the Procedure was issued.

In 2013, the Committee held eight meetings (compared with 5 in 2012). The list of all issues reviewed at the meetings is available in the Appendix and on our website (http://www.rushydro.ru/corporate/committees/hr/). The Committee reviewed issues on changing membership of the Management Board, including: the approval of new candidates to the Board’s members, as well as the approval of a new Corporate Secretary of JSC RusHydro. The Committee allowed the Management Board’s members to hold concurrently positions in the management of other organizations and prepared recommendations related to the approval of the 2014-2016 Collective Agreement of RusHydro’s branches.
The Investment Committee

The Investment Committee is tasked with preliminary reviews of investment projects and programs, and the enhancement and development of the Company’s investment policy.

The Reliability, Energy Efficiency and Innovations Committee

The Committee is tasked with the preliminary review of issues pertaining to technical, environmental and energy-saving and efficiency policies, and the development of standards in the sphere of technical regulation, the long-term planning of hydro-power and power industry development, based on the use of other renewable energy sources (RES).

Report on 2013 Committee Activities

In 2013, the Committee held twelve meetings (compared with nine in 2012), focusing on issues including implementing JSC RusHydro’s Business Plan and reports on the implementation of the Company’s key performance indicators (KPIs). The Committee periodically issued recommendations to determine the Company’s position (its representatives) on the agenda issues of management bodies of subsidiary and dependent companies (SDCs). The list of all issues reviewed at the meetings is available in the Appendix and on our website http://www.rushydro.ru/corporate/committees/Investments/committees/Investments/.
The Management Board

The Management Board is responsible for implementing corporate goals and the development strategy and manages the Company’s day-to-day operations to ensure high asset yield and maximum operational profitability.

Evgeny Vyacheslavovich Dod
Chairman of the Management Board and member of the Board of Directors of JSC RusHydro

Terms of reference
Managing corporate operations

Year of birth 1973
Citizenship Russian
Education The Moscow Aviation Institute (the State Technical University), machine-tool facilities management and economics (1995), PhD in Economics

Curriculum Vitae
• General Manager of CJSC INTER RAO UES (2000–2008);
• Chairman of the Management Board of JSC INTER RAO UES (2008–2010);
• Chairman of the Management Board of JSC RusHydro (since 2009).

Current positions include: Chairman of the Board of Directors of JSC “RAD Energy System of East”, member of the Board of Directors of JSC SOE UES, member of the Supervisory Board of Russian Hydro-power Non-Commercial Partnership, member of the Management Board of the all-Russian Association of Employers the “Russian Union of Industrialists and Entrepreneurs” and ROSPP LLC, member of the Board of Managers of MCUEER Autonomous Non-Commercial Association, member of the Russian National Committee of the World Energy Council, member of the Board of Trustees and Foundation Council of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares 0.095461%

Sergey Nikolayevich Abrashin
Member of the Management Board of JSC RusHydro

Terms of reference
Managing the operations of the Economic Security Department

Year of birth 1959
Citizenship Russian
Education Higher education, radio communications and law major

Curriculum Vitae
• Head of the Security Department of YUKOS Oil Company (2006–2008);
• Vice President of JSC AK Transneft (2008–2010);
• Advisor to the Chairman of the Management Board and a member of the Management Board of JSC RusHydro (since 2010).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares 0.003577%

Rakhmetulla Shamshievich Alzhanov
Member of the Management Board of JSC RusHydro

Terms of reference
Managing capital construction operations

Year of birth 1950
Citizenship Russian
Education The Novosibirsk Polytechnic Institute, majoring in electric power plants (electrical engineer) (1972)

Curriculum Vitae
• General Director of JSC Sangtudinskaya HPP-1 (2005–2009),
• Deputy Chairman of the Management Board, Engineer-in-Chief, member of the Management Board of JSC RusHydro (since 2010).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares 0.003955%

Konstantin Valerievich Bessmertny
Member of the Management Board of JSC RusHydro

Terms of reference
Managing financial operations

Year of birth 1973
Citizenship Russian
Education The Moscow State Technical University (named after N.E. Bauman), majoring in mechanical engineering (1996), the Academy of the People’s Economy attached to the Government of the Russian Federation, majoring in organizational finance control (Master of Business Administration) (2008)

Curriculum Vitae
• Advisor, CFO of JSC INTER RAO UES (2008–2010),
• Advisor of JSC INTER RAO UES (2008–2010),
• Director of the Moscow Branch of the Nizhnevartovskaya SDPP (2009–2010),
• CFO of JSC RusHydro (2011),
• member of the Management Board of JSC RusHydro (since 2010).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares 0.009061%

Boris Borisovich Bogush
Member of the Management Board of JSC RusHydro

Chief Engineer of JSC RusHydro

Terms of reference
Managing production operations, Chief Engineer

Year of birth 1952
Citizenship Russian
Education The Saratov Polytechnic Institute, majoring in mechanical engineering (1975), the Academy of the People’s Economy attached to the Government of the Russian Federation (2004)

Curriculum Vitae
• Member of the Management Board (2007–2009),
• Managing Director and Head of the Production Business Unit of JSC RusHydro (2007–2010),
• member of the Management Board of JSC RusHydro (since 2010).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares 0.004234%
In 2013, the Management Board addressed issues related to the Company’s current operations.

Members of the Management Board are elected and terminated by a resolution of the Board of Directors. The right to propose the number of members of the Management Board and its candidates belongs to the Chairman of the Management Board, who exercises this right after preliminary discussions and recommendations issued by the HR and Remuneration Committee.

As of year end, JSC RusHydro’s Management Board includes 14 persons. In 2013, the Board of Directors made changes in the membership of the Management Board: Vladimir Alekseyevich Pekhtin was elected as a member in April last year, in September, the powers of Alexey Viktorovich Maslov were terminated, and at the same time, Sergey Nikolaevich Tolstoguzov was elected as a member.

Since 2009, Evgeny Vyacheslavovich Dod has been the Chairman of the Management Board. His term of office is five years. The terms and conditions of the employment agreement of the Chairman of the Management Board are determined by the Company’s Board of Directors.

In 2013, the Management Board addressed issues related to the Company’s current operations. The Management Board also discussed all strategic issues that fall under the competence of the Company’s Board of Directors. The Management Board prepared reports on the achievement of performance indicators, the Company’s Business Plan and approved target values of key performance indicators of subsidiary and dependent companies, and reviewed implementation reports.

Sergey Modestovich Voskresensky
Member of the Management Board of JSC RusHydro

Terms of reference
Managing operations of the design and research division

Year of birth
1956

Citizenship
Russian

Education
The All-Union Extra-mural Polytechnic Institute, majoring in Economics and construction organization (engineering economics) [1964], Ph.D. in Economics

Curriculum Vitae
• From 2007 to 2014 he was General Director of JSC Lenhydroprom,  
• Member of the Management Board of JSC RusHydro (since 2012).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”, Member of the Board of Directors of JSC Lenhydroprom

Ownership of Company shares
Owes no Company shares

Yuri Vasilievich Gorbenko
Member of the Management Board of JSC RusHydro

Terms of reference
Managing construction operations in the implementation of the BEMO project, the construction project of the Upper Naryn Cascade of HPPs and the restoration and reconstruction project of the Sayano-Shushenskaya HPP named after P.S. Napiornikov

Year of birth
1958

Citizenship
Russian

Education
The Krasnoyarsk Construction Engineering Institute, majoring in industrial and civil construction (construction engineer) [1973], the Academy of the People’s Economy attached to the Government of the Russian Federation, majoring in corporate development management [2004], Ph.D. in Economics

Curriculum Vitae
• General Director of JSC Bureyskaya HPP [1998–2008],  
• Managing Director and Head of the Far East Division of JSC RusHydro and JSC UK Hydrom/DSK [2007–2009],  
• member of the Management Board of JSC RusHydro (since 2009).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness”

Ownership of Company shares
0.005410%

Evgeny Evgenievich Gorev
Member of the Management Board of JSC RusHydro

Terms of reference
Managing the operations of the Corporate and Legal Departments

Year of birth
1975

Citizenship
Russian

Education
The Law Department of the Moscow State University (named after M.V. Lomonosov) [1998]

Curriculum Vitae
• Deputy Director for Corporate Development, Head of the Legal Department of the Corporate Center of CJSC INTER RAO UES (2006–2008),  
• Deputy Director of the Corporate Center, Corporate Governance Director of JSC INTER RAO UES (2008),  
• Head of the Corporate Center, Corporate Governance Director of JSC INTER RAO UES (2008–2009),  
• Deputy Chairman of the Management Board, Head of the Corporate Center of JSC INTER RAO UES (2008–2009),  
• Deputy Chairman, member of the Management Board of JSC RusHydro (since 2009).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness” and Member of the Board of Directors of LLC VolgaHydro

Ownership of Company shares
0.006472%

Mikhail Alekseyevich Mantrov
Member of the Management Board of JSC RusHydro

Deputy Chairman of the Management Board of JSC RusHydro

Terms of reference
Managing the operations of the Finance and Economics Departments

Year of birth
1965

Citizenship
Russian

Education
The Moscow Power Engineering Institute (Technical University), majoring in electrical systems cybernetics [1988], the Academy of the People’s Economy attached to the Government of the Russian Federation, majoring in financial management [1996]

Curriculum Vitae
• Deputy General Director of CJSC INTER RAO UES [2000–2008],  
• Deputy Chairman of the Management Board, Head of the Corporate Center of JSC INTER RAO UES [2008–2009],  
• Deputy Chairman, member of the Management Board of JSC RusHydro (since 2009).

Current positions include: member of the Board of Trustees of the Non-Commercial Organization Charitable Foundation “Awareness” and Member of the Board of Directors of LLC VolgaHydro

Ownership of Company shares
0.024198%
Vladimir Alekseyevich Pekhtin

Member of the Management Board of JSC RusHydro
Deputy Chairman of the Management Board of JSC RusHydro
General Director of JSC Lenhydroproject and JSC Hydroproject Institute

Terms of reference: Managing scientific and project activities

Year of birth: 1950
Citizenship: Russian

Education: The Leningrad Order of the Lenin Polytechnic Institute (named after M.I. Kalinin) majoring in hydro-power engineering of river structures and hydro-power plants (1974), Doctor of Engineering Sciences

Curriculum Vitae:
- Kolymaegyssre, all positions from foreman to Head of the Kolymaegyssre construction (1974–1994).
- Chairman of the Magadan Oblast Duma of the second convocation, member of the Federation Council (1997–2000).
- Deputy Chairman and member of the Management Board of JSC RusHydro (since 2013).

Current positions include: member of the Supervisory Board of the Hydro-power Industry of Russia non-commercial partnership, President of the National Association of Self-Regulatory Organizations in the Sphere of Energy Audit Non-commercial Partnership.

Ownership of Company shares: 0.0000001%
Information on Transactions with the Company’s Shares Performed by Members of the Management Bodies

<table>
<thead>
<tr>
<th>FULL NAME</th>
<th>Transaction Date</th>
<th>Transaction Description</th>
<th>Number of Shares Involved in the Transaction</th>
<th>Share of Charter Capital before the Transaction</th>
<th>Share of Charter Capital after the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abramish S.N.</td>
<td>23.04.2013</td>
<td>Purchase of shares</td>
<td>9,954,000</td>
<td>0%</td>
<td>0.003134%</td>
</tr>
<tr>
<td>Bessmertny K.V.</td>
<td>12.04.2013</td>
<td>Purchase of shares</td>
<td>10,000,000</td>
<td>0.007871%</td>
<td>0.01019%</td>
</tr>
<tr>
<td>Maslov A.V.</td>
<td>23.04.2013</td>
<td>Purchase of shares</td>
<td>3,150,000</td>
<td>0.002408%</td>
<td>0.003408%</td>
</tr>
<tr>
<td>Rizhinasvili D.I</td>
<td>10.04.2013</td>
<td>Purchase of shares</td>
<td>21,940,000</td>
<td>0.002914%</td>
<td>0.009821%</td>
</tr>
<tr>
<td></td>
<td>26.04.2013</td>
<td>Purchase of shares</td>
<td>5,647,000</td>
<td>0.009821%</td>
<td>0.011599%</td>
</tr>
<tr>
<td></td>
<td>29.04.2013</td>
<td>Purchase of shares</td>
<td>17,980,000</td>
<td>0.011599%</td>
<td>0.017259%</td>
</tr>
</tbody>
</table>

Liability Insurance for Management Bodies and Executive Officers

JSC RusHydro insures the civil liability of members of the management bodies and executive officers (including independent directors, except for civil servants) to protect the Company, its subsidiaries and members of the management bodies from possible suits from third parties which may result from the professional activities of the Company’s directors and executive officers.

To select an insurance company and sign a D&O (director and officer) insurance agreement, the Company holds an open tender each year. The insurance agreement, with a single limit of the insurer’s liability, shall be valid for one year and provide for a one-year claim detection period, as well as a six-year claim detection period for retired persons. The total for all insurance coverage is USD 30 million. Additional insurance for an independent director stands at USD 1 million. The aggregate additional insurance for independent directors is USD 2 million. Liability coverage for members of the management bodies complies with international insurance standards both in the volume of insured risks and in the limits on indemnity and other terms and conditions of said insurance.

7.4. The Company’s Internal and External Audit System

The Company’s efficient system for controlling financial and business operations guarantees finely-tuned mechanisms of the management bodies and integrated internal and external control system relations.

The main principles, goals, objectives, methods and processes of the internal audit system are defined in the following internal corporate documents (approved by the Company’s Board of Directors):

- The Internal Audit Policy;
- Regulations on the Board of Director’s Audit Committee;
- Regulations on the Audit Commission.

The Audit Commission

The key responsibilities of the Audit Commission include: controlling financial and business operations, carrying out supervision over how the Company’s business and financial transactions comply with both Russian laws and JSC RusHydro’s Articles of Association and conducting an independent evaluation of the Company’s financial condition.

The Audit Commission acts in accordance with Russian laws, the Articles of Association and the Regulation on the Audit Commission and is elected by the General Meeting of Shareholders for a one-year term. The Commission consists of 5 members.

Members of the Commission served from June 29, 2012 to June 28, 2013

1. Dmitry Mikhailovich Gorovoy
2. Elena Yurevna Litvina
3. Anna Valerievna Drokova
4. Adilya Iskanderovna Vyaseleva
5. Alan Fedorovich Khadziev

In 2013, the Audit Commission carried out one audit of the Company’s financial and business operations based on 2012 corporate performance results. The audit revealed no corporate violations of Russian laws. The audit confirmed the validity of data contained in the 2012 Annual Report and the corresponding financial statements.

<table>
<thead>
<tr>
<th>FULL NAME</th>
<th>Year of birth</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Fedorovich Khadziev</td>
<td>1981</td>
<td>Chairman of the Commission</td>
</tr>
<tr>
<td>Leonid Valeriyevich Neganov</td>
<td>1972</td>
<td>The Deputy Director of the Electric Power Development Department of the Russian Ministry of Energy</td>
</tr>
<tr>
<td>Anna Valerievna Drokova</td>
<td>1985</td>
<td>The Deputy Head of the Division of the Fuel and Energy Complex and Coal Industry Organizations of the Department of Infrastructural Sectors and Organizations of the Military Industrial Sector of the Federal Agency for State Property Management</td>
</tr>
<tr>
<td>Maria Gennadiievna Tkhenkova</td>
<td>1980</td>
<td>Deputy Chairman of the Management Board, Member of the Management Board of JSC FGC UES</td>
</tr>
<tr>
<td>Vladimir Vasilevich Kharov</td>
<td>1947</td>
<td>Leading expert of the Department of the Ministry of Economic Development of the Russian Federation</td>
</tr>
</tbody>
</table>

Members of the Audit Commission elected by a resolution of the General Meeting of Shareholders June 28th, 2013
The Internal Control and Risk Management

The Company’s internal control and risk management system operates in full compliance with international standards, general principles and approaches as set forth in the Internal Control and Risk Management Policy and the Internal Audit Policy adopted in 2013. The Internal Control and Risk Management Unit is responsible for the Company’s internal audit and risk management. It includes the following departments:

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

The Director for Internal Audit and Risk Management is the Head of the Internal Audit and Risk Management Unit. The Director for Internal Audit and Risk Management reports directly to the Chairman of the Management Board and is accountable to the Audit Committee.

Report on Internal Audit activities in 2013

In 2013, the Internal Audit Department fulfilled all control efforts set out in the 2013 timelines, including: a comprehensive audit of six branches and twenty-seven subsidiary and dependent companies; a brief description of significant violations, criticisms and shortcomings in corporate operations and those of its subsidiary and dependent companies, which are revealed through monitoring, as well as proposals to eliminate them and to enhance the internal control system’s effectiveness.

In 2013, the Internal Audit Department fulfilled all control efforts set out in the 2013 timelines, including: a comprehensive audit of six branches and twenty-seven subsidiary and dependent companies; inter alia design institutes, subsidiary and dependent companies engaged in the generation and sale of electricity, and SDCs engaged in the construction and repair of power generating facilities. Detailed reports based on the results of the audits were submitted to the audited companies and branch directors, and members of the Management Board who supervises the respective companies, to the Chairman of the Management Board of JSC RusHydro.

Each audit resulted in the development of a plan of action to eliminate revealed violations and shortcomings. Monitoring of the implementation of these programs and controls aimed at preventing further similar violations and shortcomings are provided.

The External Independent Auditor

JSC RusHydro carries out an annual external independent audit of its financial (accounting) statements in accordance with both RAS and IFRS. The candidate to perform an independent audit is reviewed by the Audit Committee and is determined based on an open tender. Based on recommendation of the Company’s Board of Directors, the Annual General Meeting of Shareholders approves an independent auditor. For 2012–2013, the Company approved Closed Joint Stock Company PricewaterhouseCoopers Audit (CJSC PwC Audit) as the Company’s independent external auditor. CJSC PwC Audit is a member of a self-regulating organization of auditors of the Russian Chamber Non-commercial Partnership.

In 2013, CJSC PwC Audit conducted an audit of the Company’s 2012 RAS and IFRS financial statements. The Audit Committee took a favorable view of the auditor’s opinion and recommended that the Board of Directors submit an opinion to the Annual General Meeting of Shareholders. Finally, in June 2013, the Company submitted it, as part of the materials provided to shareholders, to the General Meeting of Shareholders.

The Anti-Corruption Policy

The Company seeks to prevent and uncover corrupt practices. The Company has developed a comprehensive program to prevent employees from committing illegal actions. If any violations are identified, the Company carries out internal investigations, develops and implements measures to eliminate and prevent these problems and applies disciplinary measures toward employees who are guilty under applicable law(s). In accordance with the Corporate Conduct Code, to prevent conflicts of interest, members of the Company’s Board of Directors are obliged to notify the Company of their affiliation.

To minimize the risk of involving the Company and its employees, regardless of position, in corrupt activities, as well as the explanation of the Company’s position with regard to matters related to all its forms and manifestations, RusHydro has the following internal regulations:

- The Corporate Governance Code;
- The Internal Audit Policy;
- Regulations for the submission and verification of income, assets and property liabilities;
- Regulations on the Audit Committee.

Efforts to Prevent the Use of Insider Information

The Company has an approved Regulation on Insider Information, which is aimed at complying with Russian laws preventing the use of insider information and market abuse. The Regulation takes into account international corporate governance practices, including requirements of the Disclosure and Transparency Rules (as authored by the British Financial Services Authority).

The Regulation defines the categories of persons that are qualified by the Company as insiders, as well as limitations on the use of insider information by insiders for the purpose of dealing with corporate financial instruments, and on the transfer of corporate information to third parties. In 2013, the Company prepared 52 notifications for the inclusion and exclusion of persons in/from the list of insiders.


Verification of the heads’ income, assets and property liabilities

In order to ensure the disclosure of 2013 information about the income, assets and property liability of the heads of JSC RusHydro, its branches and SDCs, the Company has drawn up a complete list of executive officers (including members of their families and close relatives) who are obliged to submit above-mentioned information.

Last year, information obtained from more than 1,500 employees and their relatives was verified. Revealed inconsistencies were submitted to the Company’s HR Commission. The Commission examined the facts of the declaration of false information, conflict of interests and based on the results, the disciplinary measures were proposed.
7.5. Remuneration due to Management and Control Bodies

The Board of Directors
In 2013, the Annual Shareholders Meeting made a decision to pay remuneration to members of the Board of Directors for the period from June 29, 2012 to April 18, 2013, and for the period from April 19, 2013 to June 28, 2013 in the amount and manner specified in the Regulations on Remuneration to Members of JSC RusHydro’s Board of Directors. Remuneration is defined in accordance with the Regulation on Remuneration to Members of JSC RusHydro’s Board of Directors based on fixed remuneration in the amount of RUR 100 thousand, taking into account the number of Board meetings for the past corporate year and the number of said meetings attended by an individual member of the Board. Additional remuneration premiums are payable as follows:

- 30% to the Chairman of the Board of Directors;
- 20% to the Chairpersons of the Committees of the Board of Directors;
- 10% to members of the Committees of the Board of Directors.

Total remuneration due to a member of the Company’s Board of Directors shall not exceed RUR 1 million, taking into account all additional premiums.

The Company makes no payments to members of the Board of Directors to compensate for the cost of transportation, lodgings, etc. that are related to performing duties.

The Regulation on Remuneration to Members of the Board of Directors does not apply to members of the Board of Directors who simultaneously hold the position of Chairman, or are a member of the Management Board (for a complete term or a part of it), and to members of the Board of Directors who are not eligible to receive any payments from commercial organizations in accordance with Russian federal laws.

In 2013, total remuneration paid to members of the Board of Directors amounted to RUR 4,852,958.59 (for the period from June 30, 2011 to June 28, 2012 amounted to RUR 6,862,864.71).

The Management Board
Remuneration to the Chairman and members of the Management Board is defined by the conditions of labor contracts and the Regulation on the Procedure of Paying Remuneration and Compensation to Members of the Company’s Management Board. To emphasize the dependence of remuneration on the performance results of the Chairman and members, the relationship between the fixed and variable portions of remuneration is set at 30/70. The Regulation stipulates the payment of quarterly and annual bonuses for achieving key performance indicators (KPIs) set for the Company, the Chairman and members of the Management Board by the Company’s Board of Directors (a 50% bonus). Achievements of individual KPIs are awarded with a 50% bonus also. Key performance indicators imply assessing performance in terms of financial, as well as production business indicators.

In 2013, KPIs were achieved by the Chairman and members of the Management Board. The total amount of salaries and bonuses paid to the Chairman and members of the Management Board in 2013 amounted to RUR 4,412,241,217.92 (compared with RUR 925,214,507.86 in 2012).

The Audit Commission
Members of the Audit Commission receive a lump sum remuneration, in accordance with the Regulation on the Payment of Remuneration and Compensation to Members of the Audit Commission of JSC RusHydro.

Remuneration is equal to the sum of twenty-five monthly tariff rates for a first-class worker, as set by the industry-wide Tariff Agreement adopted for the Russian electric power industry for the period of the audit, taking into account indexing set by the Tariff Agreement. Remuneration for the Chairman of the Commission is increased 50%.

No remuneration and/or compensation is charged or paid to members of the Audit Commission who are subject to limitations or bans pertaining to the receipt of any payments from commercial organizations.

The total amount of remuneration paid to members of the Audit Commission in 2013 amounted to RUR 242,450.00 (in 2012, no remuneration was charged and/or paid to members of the Company’s Audit Commission).

The External Auditor
The Auditor’s remuneration is approved by the Board of Directors on the recommendation of the Audit Committee. In 2013, the Company paid RUR 15,000,000 including VAT, to JSC PWC Audit for services related to the audit of the Company’s 2012 accounting statements (according to RAS). The same services related to the audit of the Company’s 2012 accounting statements (according to IFRS) cost RUR 57,947,500 including VAT.

7.6. Managing Subsidiary and Dependent Companies

JSC RusHydro has a participatory interest in the authorized capital of companies engaged in design, construction, repair, servicing, technical renovation and reconstruction of power facilities, as well as in electric power production and supply.

The Company’s interactions with SDCs is intended to implement corporate strategy, to ensure stable economic development and to provide for the Company’s investment attractiveness, as well as to protect the rights and interests of the Company and SDC shareholders.

The Company’s SDCs are managed via corporate representatives that are present at the General Meetings of Shareholders and are on the SDCs’ Board of Directors and control bodies. Management is achieved in accordance with the Articles of Association and the Procedure for JSC RusHydro’s interested organizations.

Decision-making on the management of SDCs, in which the Company owns 100% of the share capital is the competence of the Company’s Management Board. Defining the Company’s position on strategic issues of SDCs activities (reorganization, liquidation, change in the share capital, approval of major operations, participation of SDCs in other organizations) is the responsibility of the Board of Directors.

JSC RusHydro pays significant attention to upgrading the SDCs corporate governance by carrying out measures intended to increase SDCs transparency and to supervise SDCs compliance with information disclosure law requirements.

Changes in the RusHydro Group structure in 2013
Information about changes that occurred in the RusHydro Group structure in 2013 is given in the Appendix. Key events include:

- creating four subsidiaries that are fully owned by JSC RusHydro to implement the construction projects of new generating facilities in the Far East;
- creating VolgaHydro LLC - a joint venture with the Austrian company Voith Hydro to produce hydraulic turbine equipment;
- combining repair and maintenance functions in JSC Hydroreomont-WK and liquidating subsidiaries: JSC REMIK, JSC Sayan-Shudshenskaya Hydroenergogradenergidseremont (SSHGER), JSC Tberebenomont-WK and JSC Elektroreomont-WK;
- creating CJSC Holding Company BoA2 and CJSC Holding Company BoHPP.
8. The Company
On The Securities Market

8.1. Authorized Share Capital

As of December 31, 2013, JSC RusHydro’s authorized share capital amounted to RUR 317,637,520,094, divided into 317,637,520,094 non-documentary registered ordinary shares with a par value of 1 ruble each.

The State registration number of the share issue is 1-01-55038-E. The Company does not issue preferred shares. The number of declared ordinary shares is 122,665,182,285.

Since 2006, the Company has increased authorized share capital annually through the additional issues of ordinary shares. The funds raised from the Company’s share placement are mainly directed to finance its large-scale investment program. In 2008, the authorized share capital increase was carried out to convert merging companies’ shares into JSC RusHydro shares.

Additional Share Issue 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>The date of the decision to increase authorized share capital</td>
<td>16.11.2012</td>
</tr>
<tr>
<td>State registration date of the issue</td>
<td>03.12.2012</td>
</tr>
<tr>
<td>Total volume of the additional issue at nominal value</td>
<td>RUR 110 bln</td>
</tr>
<tr>
<td>Category (type) of shares</td>
<td>Ordinary registered shares</td>
</tr>
<tr>
<td>Placement method</td>
<td>Public offering</td>
</tr>
<tr>
<td>The form of payment for shares</td>
<td>Monetary and non-monetary assets</td>
</tr>
<tr>
<td>The offering price per share</td>
<td>1 ruble</td>
</tr>
<tr>
<td>Start date of the placement</td>
<td>20.12.2012</td>
</tr>
<tr>
<td>End date of the placement</td>
<td>26.11.2013</td>
</tr>
<tr>
<td>The volume of outstanding shares at par value, rubles</td>
<td>68,617,964,796</td>
</tr>
<tr>
<td>Outstanding shares/total share issue</td>
<td>62.38%</td>
</tr>
</tbody>
</table>

8.2. Circulation of Securities on the Russian Market

8.3. The Company Securities on the International Securities Markets

8.4. Dividend Policy

8.5. Bonds

The Bureya

This river in the Far East of Russia flows through the Khabarovsk Krai and the Amur Region; it is formed by the confluence of the Right Bureya and Left Bureya. During the Cossack campaigns to the Amur in the XVII century, the river was known as Bystraya (‘fast’).

The total output of power stations on the river is 7,100 million kWh, and the total capacity of power stations on the river is 2,010 MW.

- Length: 623 km
- Catchment area: 70,700 km²
- Water consumption: 890 m³/sec
- Water consumption: 7,100 million kWh
- Total capacity of power stations on the river: 2,010 MW
In November 2012, the General Meeting of Shareholders made a resolution about increasing the Company’s share capital to RUR 110 billion. The additional share issue was assigned the State registration number 1-01-55038-E-0410. The Company gave its shareholders the right to exercise their pre-emptive right to purchase shares of the additional issue. More than 70 shareholders (legal entities and individuals) exercised this right, including the holders of depositary receipts for the Company’s shares, and the Russian Federation.

RUR 50 billion to finance the construction of four thermal power plants in the Far East has been allocated from the budget of the Russian Federation. In addition, the shares of the Holding JSC “RAO Energy System of East”, JSC SEC, JSC Ust-Srednekanskaya HPP, JSC Irkutsk Electric Grid Company and JSC Irkutskenergo were transferred as payment for additional shares. Outstanding shares/total share issue amounted to 62.38 %. In December 2013, the Bank of Russia registered the report on the results of the issue, and in January 2014 amendments to the Company’s Articles of Association were registered. The authorized share capital, including outstanding shares, amounted to RUR 386,255,444,890.

JSC RusHydro’s shareholders include over 340,000 Russian and foreign investors. The largest Company’s shareholder is the Russian Federation represented by the Federal Agency for State Property Management. The Government owns a controlling stake totaling 66.84% of the Company’s authorized share capital. In 2013 there were not any significant changes in the structure of the owners and holders of the authorized share capital.

Since 2008, JSC RusHydro shares have been traded on the MICEX Stock Exchange under the ticker symbol HYDR, and in March 2013 the Company’s shares were among the first on the Russian Stock Market which were admitted to trading on the T+2 trading system (with partial collateral and deferred execution of trades). The Company’s shares are included in the list of liquid securities traded on the Stock Exchange. They are included in the calculation base of the Russian MICEX and RTS indices, the MICEX BMI index, the MICEX PWR index and the RTSeu indexes, as well as in the foreign MSCI Russia index.

Trading Results with the Company’s Shares 2012-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Main market</th>
<th>Standard market</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>RUR</td>
<td>RUR</td>
<td>RUR</td>
</tr>
<tr>
<td>2013</td>
<td>1.2092</td>
<td>0.7154</td>
<td>0.7335</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Main market</th>
<th>Standard market</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.25</td>
<td>0.716</td>
<td>0.73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Main market</th>
<th>Standard market</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.7920</td>
<td>0.4537</td>
<td>0.5675</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Main market</th>
<th>Standard market</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.4537</td>
<td>0.5675</td>
<td>0.5675</td>
</tr>
</tbody>
</table>

Trading volume: 140 billion, 202 million, 181 billion rubles.

Circulation of Securities on the Russian Market

8.2. Circulation of Securities on the Russian Market

The Shareholding Structure

As of 31.12.2012

- Russian Federation: 66.84%
- Legal entities: 31.33%
- Individuals: 1.26%

As of 31.12.2013

- Russian Federation: 66.84%
- Legal entities: 31.33%
- Individuals: 1.26%

Source: JSC Registrator R.O.S.T.
In 2013, the main indicator of the Russian MICEX Stock Exchange index showed a slight increase of 2%. The main constraint against Russian securities market growth was the slowdown in Russia’s economic growth, as well as the outflow of foreign investors’ funds from emerging markets. In general, 2013 was an unsuccessful year for the electric power industry - the MICEX power index fell 40%. The Government of the Russian Federation’s solutions related to restricting growth in electricity prices continues to impose pressure on electricity sector shares. JSC RusHydro shares which followed the MICEX power index during the first five months demonstrated better trends in the second half of the year (compared with the industry), and fell 23% at year-end 2013. Quotations of JSC RusHydro shares in the second half of the year were supported by the Company’s strong operating and financial results.

The Company’s Market Multipliers

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/E</td>
<td>6.1</td>
<td>6.6</td>
<td>3.4</td>
</tr>
<tr>
<td>P/S</td>
<td>0.9</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>P/EBITDA</td>
<td>7.4</td>
<td>8.2</td>
<td>5.5</td>
</tr>
<tr>
<td>P/BV</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

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

8.3. The Company Securities on the International Securities Markets

JSC RusHydro has launched a depository receipts (DR) program for its ordinary shares. As of December 31, 2013, 20,198,374,900 depository receipts for 20,198,374,900 ordinary shares have been issued, which accounts for 5.2% of the total number of ordinary corporate shares.

Stages of Development of the DR Program

- **June 2008**: Launch of the GDR Program, according to Rule 144A
- **July 2009**: Launch of GDR trading on the London Stock Exchange (LSE) in the International Order Book (IOB) section
- **August 2009**: Launch of the ADR Level 1 Program and the conversion of the GDR Program into the ADR Program, according to Provision S
- **August 2010**: Launch of depository receipts trading on the OTCQX (USA) on the International Premier segment of the unlisted market

Description of the Depository Receipt Program

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Program launch date</th>
<th>Depository bank</th>
<th>Ratio</th>
<th>Ticker symbol</th>
<th>CUSIP number</th>
<th>Maximum volume of the program</th>
<th>Trading floors</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDR</td>
<td>June 17, 2008</td>
<td>The Bank of New York Mellon</td>
<td>1 GDR = 100 ordinary shares</td>
<td>HYDR</td>
<td>46629404</td>
<td>832,131,000</td>
<td>London Stock Exchange [Main Market – IOB]</td>
</tr>
<tr>
<td>ADR Level 1</td>
<td>August 7, 2009</td>
<td>The Bank of New York Mellon</td>
<td>1 ADR = 100 ordinary shares</td>
<td>HYDR</td>
<td>466294105</td>
<td>832,131,000</td>
<td>OTCQX International Premier Portal</td>
</tr>
</tbody>
</table>
An analysis of the structure of the Company's DR holders indicates that a significant proportion of investors use the "Value" and "Growth" approaches in their investment strategies. In addition, it should be noted that "GARP" investors (value and growth investments) have increased since 2012, as well as investor demand for those who adhere to the passive strategy Index for Depositary Receipts. This has gone up from 2011-2013, whereas the number of investors who adhere to the active Deep Value strategy has gone down.

**8.4. Dividend Policy**

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

To ensure the transparency of principles for calculating dividends and the order and terms for their payments, the Company has a Dividend Policy. The Company can pay annual dividends of at least 5% of net income, as well as to decide on paying interim dividends. Dividends are paid from the Company's profit after tax (net profit under RAS). The dividend payment period is not more than 60 calendar days after the decision has been adopted by the General Meeting of Shareholders.

The Company informs shareholders about the beginning of dividend payment by posting a message on its corporate website. Shareholders may specify their preferred method for receiving dividends by post or by bank transfer or at the cash desk of the Registrar, JSC Registrar R.O.S.T.

The Company performed its obligations to pay dividends to the federal budget in full in the amount of RUR 2,467,007 thousands. There is no debt payable to the federal budget.

An analysis of the structure of DR holders by geography shows that the major holders are U.S. and U.K. investors.
8.5. Bonds

The Company continues to use public funding. In February 2013, two bond issues with a total nominal value of RUR 20 billion were placed to partially refinance a loan in the amount of RUR 40 billion, which had been provided by Sberbank of Russia. Despite the high volatility of the Russian debt market during the marketing period, the placement of JSC RusHydro’s bonds attracted the attention of a wide range of investors - during book-building more than 50 investor bids were received with a coupon rate falling in the range of 8.35% to 8.60% per annum. Aggregate demand on the bonds exceeded the nominal volume.

As of December 31, 2013, there are four RusHydro bond issues outstanding with a total nominal value of RUR 35 billion, as well as one Euro bond issue with a nominal value of RUR 20 billion.

In accordance with legislative amendments on the securities market entered into force in 2013 related to changes in decisions on the issuance of bonds and the prospectus of the Company’s bonds with regard to the extension of the securities placement with a total nominal value of RUR 20 billion for one calendar year to December 27, 2014 were approved in December. The extension of the issuing documentation will ensure prompt placement of bonds in 2014 in case of favorable public debt market trends (debt financing is used, when necessary, for the Company’ investment or current activities).

### Euro Bond Main Parameters

<table>
<thead>
<tr>
<th>Type of securities</th>
<th>Euro Bonds (LPN Notes, Eurobond convention)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Rushydro Finance Ltd. (Ireland)</td>
</tr>
<tr>
<td>Ultimate borrower</td>
<td>JSC RusHydro</td>
</tr>
<tr>
<td>Volume</td>
<td>RUR 20 billion</td>
</tr>
<tr>
<td>Period</td>
<td>5 years</td>
</tr>
<tr>
<td>Coupon rate</td>
<td>7.875% per annum</td>
</tr>
<tr>
<td>Issue rating</td>
<td>S&amp;P: BB+ / Moody’s: B1 / Fitch: BB+</td>
</tr>
<tr>
<td>Listing</td>
<td>London Stock Exchange</td>
</tr>
<tr>
<td>Regulating law</td>
<td>English law</td>
</tr>
</tbody>
</table>

State registration number: 4-01-55038-E, 4-02-55038-E, 4-07-55038-E, 4-08-55038-E
Type of bond: documentary interest non-convertible bearer with mandatory centralized custody
Nominal: RUR 1,000, RUR 1,000, RUR 1,000, RUR 1,000
Offering price: 100%, 100%, 100%, 100%
Method of placement: Public offering, bookbuilding
Placement date: 25.04.2011, Start date - 25.04.2011, Expiration date - 03.05.2011, 14.02.2013, 14.02.2013
Start date of circulation: 17.05.2011, 17.05.2011, 06.03.2013, 06.03.2013
Coupon: 1-10 coupons - 8%, 11-20 - determined by the Issuer
Coupon frequency: On a bi-annual basis
Yield at Pricing: 8.16%, 8.16%, 8.68%, 8.68%
Put-option: 22.04.2016, type - put, price - 100%
Maturity date: 12.04.2021, 12.04.2021, 02.02.2023, 02.02.2023
Issue rating: Fitch: BB+, Fitch: BB+
The Kuban
Where today the Kuban delta is found, tens of thousands years ago was a huge Bay of the Azov Sea, which stretched from the Taman Peninsula to the present Primorsko-Akhtarsk and further into the continent up to Krasnodar. Gradually, a bay bar was formed under the impact of the river and the sea, separating the sea from the bay; the bay turned it into a lagoon, which was eventually filled with river sediments and became the low delta of the Kuban.

9. Social Responsibility

HR Policy

The Expert RA rating agency awarded A.hr rating (high level of employee attractiveness) to JSC RusHydro

Staffing with qualified and responsible managerial and engineering personnel is a major strategic objective that is the Company’s focus in personnel management. The Company’s HR policy addresses the following problems:

- attracting new employees with the necessary competencies, skills and knowledge, including young specialists;
- increasing employee loyalty;
- providing education and staff development.

The Rating Committee noted that the Company provides high quality professional development for its employees and helps them upgrade their living standards. Positive factors, such as: the Company’s average wage, a transparent system of allowances, bonuses and increments, a decent level and quality of employee social protection, a clear definition of criteria for career growth, the possibility of obtaining additional education and re-training at the Corporate Hydro-power University, as well as in external training centers, allowed the Company to receive the highest rating.

Characteristics of personnel structure

As of December 31, 2013, JSC RusHydro’s headcount increased 3.3% and amounted to 6,305 employees (compared to 6,101 employees in 2012). Last year, the increase was due to the following factors:

- connecting a hydro-power plant to the branch in North Ossetia;
- employing personnel to meet Rostekhnadzor’s requirements on strengthening responsibilities for equipment operation and improving power facility reliability.

The average duration of employment at the Company was 9.5 years (compared with 10.9 years in 2012). In 2013, the average monthly earnings of corporate employees grew 5.5% and stood at RUR 89,980.6 (compared to RUR 85,256 in 2012).
Developing Human Resource Potential

One of the Company’s strategic priorities is to grow and develop human resources potential to successfully meet current and future targets, aims and objectives. The Company uses measures on forming personnel reserve, and developing an incentive and social support system that can create a long-term competitive advantage to attract and retain qualified employees.

The Company has the Fast-Track Human Resource Development Concept – From New School to Workplace in which a Corporate Elevator Program is created: Corporate Elevator – New School, Corporate Elevator – Higher Institutions/Secondary Specialized College, Corporate Elevator – the Company.

As part of the Program, the Company has target projects underway to develop key competencies for future hydro-power professionals starting from elementary school, activities aimed at offering guidance for middle and high school students, energy power training for students based on RusHydro’s requirements, and efforts to create a corporate environment that promotes effective performance for the Company’s young employees.

The Company has an ongoing employee training system, helping to grow the competencies of its personnel in line with their job requirements, and to rotate and transfer employees as part of developing a succession pool.

JSC RusHydro set up a branch – the Corporate Hydropower University (CorHyUn), which is an active participant in the Company’s educational initiatives and one of the key elements in the Company’s knowledge management system. In its practice, the Corporate University develops and implements face-to-face and distance learning programs based on JSC RusHydro’s competencies and carries out training of corporate employees. All programs for training HPP employees contain three disciplines: corporate, general professional and special.

Wide opportunities for professional personnel development (including simulator training) are offered by a new IT-based Training and Industrial Centers.


<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>123,0</td>
<td>122,7</td>
<td>129,4</td>
</tr>
</tbody>
</table>
Implementing Key Measures of the Corporate Elevator Program in 2013

RusHydro Annual report 2013

• Holding Corporate Olympics in Physics “Energy of Education” for high school students (more than 100 students from 34 regions of Russia and CIS countries participated in it);

• Creating Technical Creativity Centers for children and young people in the village of Cheremushki and Volchuky (16 study groups were created and 338 students attend);

• Creating secondary school-based “Hydroenergoclasses” in the regions in which the Company operates. The class was opened in Uglich.

• Holding 2013 Summer Energy School in Rybinsk (60 children from 12 regions attended).

• The book “The History of Engineering Education in the USSR” was prepared and published in 1,000 copies.

• The Company organized and conducted in the regions where it operates methodical seminars for school teachers on the use of teaching aids for hydropower lessons and professional orientation lectures for high school students (300 students, 205 teachers, 128 schools).

• Opening the base chairs “Hydro-power and Renewable Energy Sources” at the National Research University MIET;

• Organizing the preparation of a Bachelor’s on the profile “Hydropower Plants” in the Velga branch of the MIET;

• Organizing an internship for 313 students in the Company’s branches and employing 35 graduates of the Sayan-Shushenskaya branch of the Siberian Federal University;

• Holding scientific and practical conferences, educational seminars and trainings for students and post-graduates.

• Concluding a strategic partnership agreement between the Company and Amur State University and four profile colleges.

• Payment of scholarships and compensation to 52 children of corporate employees, who get good and high grades in profile higher educational institutions and for profile professions;

• Holding a contest for young specialists Internal Energy Source-2, to form the strategic personnel reserve of RusHydro Group managers and initiating career movement to managerial positions, as well as forming sustainable professional growth and loyalty to the Company’s values;

• Developing a corporate simulator of switches in electrical installations, hydropower generator and hydro-mechanical equipment control and introducing it in the Company’s branches;

• Conducting distance learning for 1,475 employees in 25 training courses, including newly developed courses for the production staff “Technical Policy of JSC RusHydro”, “Fundamentals of energy efficiency” and 15 courses on the organization’s standards, based on orders of JSC RusHydro;

• Holding contests on creating a database of personnel reserves in the branches;

• Conducting psycho-physiological studies of the functional state of the branches operational services employees.

Social Policy

In 2013, the Board of Directors approved JSC RusHydro’s Social Policy. In this document, the Company addresses the problems of forming long-term human resource management as a major asset of staffing new facilities, performing production programs and attracting young profile professionals into the industry.

Collective agreement

Caring about the well-being and social protection of its employees and their families is one of RusHydro’s priorities. At each of its branches, the Company has a collective agreement in place. RusHydro offers its staff a strong social package, ensuring that the Company remains an attractive competitive employer on the labor market.

- Existing social programs, benefits, corporate payments and compensation:
  - non-State pension coverage and voluntary insurance;
  - additional paid days for family leave;
  - material aid to branch employees, pensioners and their families;
  - health resort treatment and rest for employees;
  - employee child care.

To implement the Action Plan for the development of Social Policy in 2013, the Company developed a new version of a model collective agreement for the Company’s branches for 2014-2016, which included the current social package and new social programs:

- family and maternal support;
- support to employees who took orphans in their families;
- socio-professional adaptation of children from orphanages.

Non-State pension coverage

In 2013, the current NCO Program of JSC RusHydro received the main award at the all-Russian competition for non-material motivation – first place in the category, “The best NPF project to attract/retain staff”. GlobalForum held the competition within the auspices of the 7th Annual Conference “Compensation & Benefit Forum Russia – 2014”. It is the largest event that brings together personnel management specialists from leading Russian and foreign companies operating in Russia.

The Program is designed to create a long-term system of non-State pension coverage under a single approach, with common goals and principles. The program is focused on providing both a decent standard of living for RusHydro’s employees at retirement, and on effectively addressing personnel issues related to attracting, retaining and motivating personnel. The program is also designed to generate additional retirement savings for different target groups, especially employees with significant industry experience, who have received industry and State awards, and for employees with particular specializations where there is a labor shortage.

Expenditures on Social Policy, 2011-2013, RUR billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.54</td>
</tr>
<tr>
<td>2012</td>
<td>0.40</td>
</tr>
<tr>
<td>2013</td>
<td>0.44</td>
</tr>
</tbody>
</table>

* Excluding non-State pension coverage program expenses

Voluntary health insurance and voluntary accident and illness insurance

The Company annually revises and signs agreements for voluntary health insurance and voluntary accident and illness insurance to expand and upgrade the list of medical services available to employees. The program covers 100% of the Company’s workforce. Under voluntary health insurance coverage, employees take advantage of out-patient medical treatment (including home visits by doctors), urgent and non-urgent hospital services, emergency medical services, healthcare services abroad, regular medical examinations and employee vaccinations, the start of treatment and preventive examinations in Russia’s best medical facilities, and if necessary, in foreign clinics. The Company supports employees’ acquisition of medical insurance for family members at competitive prices, the Company also provides informational support concerning the registration policy for compulsory health insurance.
began to implement the Employee Housing Improvement Program. The priority right to participate in the program is provided to young employees under the age of 30 who do not own a separate residential property, professionals who were offered branch positions and relocated from a different location, and to key and highly skilled professionals.

The main forms of corporate support in upgrading employee housing conditions are compensation for interest on mortgages and rental costs. In addition, the company provided corporate support to all its employees in improving their housing conditions through the interaction of employees and credit, realtor and insurance organizations on better terms than market ones (lower mortgage interest, shorter time for application processing, and providing favorable insurance rates).

The socio-professional adaptation program for children from orphanages has been implemented since May 2013 in the framework of the Advanced Human Resources Development Concept “From the New School to the workplace”. This program helps children who have experienced loss or parents’ refusal adapt to the orphanage and post-orphanage life and purposefully prepare for admission to industry-specific schools after graduation of which they will come to work for the company. Children get acquainted with the specifics of the profession and have the opportunity to attend the company’s facilities. They are attended to by volunteers from the personnel of the RusHydro Group of companies.

In 2013, the company was actively working with six orphanages: Orphanage Volzhsky (Krybinsk), Volzhsky Orphanage (Volzhsky), Comprehensive Boarding School named after 37 Gvardeyskaya Strelkovaya Divizii (Volzhsky), Orphanage Lastochka (Sayanogorsk), Orphanage No 3 (Perm), Orphanage Nadezhda (Kochubeyevskiy District, Balahonovskoye).

In the framework of the 2013 Program, the following areas of activities were identified:

- social, professional, spiritual and moral development of orphan children and children left without parental care;
- equipping orphanages with teaching aids, educational games;
- psychological support for the target group of the Program participants;
- interaction with industry-specific educational institutions;
- interaction with ministries, departments and other government bodies authorized to deal with orphans and children left without parental care.

In 2013, hydro-power volunteers from the company’s employees conducted thirty events for 270 children from orphanages in the Volgograd Regions, Perm and Stavropol Regions. During the year, the company carried out training seminars and practical training for teachers and volunteers of the Program, the training business game “My Rights” for children from orphanages in the five regions. In December 2013, in JSC RusHydro a pre-New Year’s charity event was held to raise funds for children from orphanages. The funds raised were transferred to the company’s volunteers for holding the New Year’s holidays for children from orphanages participating in the Program.

Public receptions
To implement a socially responsible position, highly valued in the life of orphan children in the regions where JSC RusHydro operates;
- consulting, organizational and psychological support for the target group of the Program participants;
- interaction with industry-specific educational institutions;
- public reception was introduced after the accident at the Sayano-Shushenskaya HPP (named after P.S. Neporozhny) in August 2009. A similar experience was gained during the liquidation of flooding consequences in 2013 in the Far East.

Interaction with regional authorities
By virtue of social and economic cooperation agreements is one of the forms JSC RusHydro interacts with regional authorities to address socio-economic problems of the regions. At the end of the reporting year, 16 cooperation agreements were entered into with the following regions:
- The Republic of Altai;
- The Republic of Bashkortostan;
- The Republic of Dagestan;
- The Kabardino-Balkarian Republic;
- The Republic of North Ossetia-Alania;
- The Republic of Khakassia;
- The Krasnoyarsk Region;
- The Stavropol Region (two agreements);
- The Astrakhan Region (two agreements);
- The Moscow Region;
- The Saratov Region;
- St. Petersburg;
- The Magadan Region.

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Charity and Sponsorship

Social responsibility is an integral and important part of JSC RusHydro’s activities. Fully involved in the economic and social life in the regions in which its facilities are present, the Company develops long-term programs to address societal humanitarian and educational problems.

Assistance to flood victims in the Far East

As part of implementing a full-scale assistance program to flood victims in the Far East, RusHydro Group has transferred more than RUR 245 million.

Based on a decision of the Company’s Chairman of the Management Board, Evgeny Ovchinnikov, the Company transferred its funds to the Amur Region, which was the first region to be affected by the natural disaster, and RUR 50 million was transferred to both the Khabarovsk Region and the Jewish Autonomous Region.

JSC RusHydro took part in a charity event “All Together”, organized by Channel One, and allocated RUR 28 million as a contribution to assisting the Far East.

Thanks to corporate employees who wished to transfer their one-day earning to help victims in the Far East, the Charity Fund “Awareness” received more than RUR 9.4 million. The Company’s subsidiaries, including the Holding JSC “RAO Energy System of East”, transferred more than RUR 14 million to the Charity Fund “Awareness”.

JSC RusHydro’s contribution to the construction of a new kindergarten “Ostrovok”, which is equipped with state-of-the-art technologies of life support, sports and games facilities at playgrounds. To construct and equip the kindergarten, the Company transferred RUR 150 million.

In 2012, the “Born by Energy” project started. The project’s main purpose is to provide maternity hospitals and maternity departments with costly diagnostic and rehabilitation equipment in cities in which the Company’s facilities are located. Continuing this work in 2013, the Company allocated RUR 6 million to Charitable and Sponsorship Activities, 2011-2013, RUR billion

Charitable and Sponsorship Activities, 2011-2013, RUR billion

Last year, the Company continued to provide financial assistance for sponsored orphanages and boarding schools, comprehensive and music schools, and creative teams.

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From August 15 to November 1, JSC RusHydro’s public reception processed data on victims and provided targeted assistance to them. For victims in the Amur Region, where the Zeya-Khaba HPP is located. Based on the results of its activities, more than 309 families received lump sum payments, including families of injured employees of the Holding JSC “RAO Energy System of East”, in the total amount of RUR 13 million. The Company provided aid to four infrastructure sites most affected by the flooding in the Amur Region. The boarding school in the village of Ovsyanka was completely renovated and newly furnished. For this purpose, the Company transferred RUR 6.6 million.

JSC RusHydro repaired the water intake from the Zeya River worth more than RUR 1.6 million. The Company acquired a special vehicle for sewage suction in Beregovoye worth RUR 779 thousand. The Company allocated RUR 7.5 million for the construction and renovation of the “Kolosok” kindergarten in the village of Ovsyanka.

JSC RusHydro has adjusted its charity and sponsorship program in connection with implementing the assistance program to flooding victims in the Far East. In addition, all funds intended for the purchase of gifts for the Company’s partners were also transferred to support the Far East.

The Corporate Charity Fund “Awareness”

For the purpose of assisting employees and persons, who are particularly in need of corporate support, a Corporate Charity Fund “Awareness” was established.

In 2013, the Fund implemented programs worth more than RUR 48 million, namely assisting employees and other applied persons in handling difficult life situations, implementing target church restoration programs, helping religious organizations, renovating the profile chair of the Moscow Power Engineering Institute, and implementing assistance program to flooding victims in the Far East.

Motherhood and Childhood

In 2013, in the Saratov Region, JSC RusHydro acted as the patron for the construction of a new kindergarten “Ostrovok”, which is equipped with state-of-the-art technologies of life support, sports and games facilities at playgrounds. To construct and equip the kindergarten, the Company transferred RUR 150 million.

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In 2013, for example, the Company provided financial assistance for orphanages and boarding schools, comprehensive and music schools, and creative teams.

Purchase hematology analyzers which can promptly calculate a number of blood factors for newborns, computer devices for diagnosing the condition of a fetus during a high-risk pregnancy, artificial lung ventilators, an intensive phototherapy care system for newborns with jaundice, and an automatic defibrillator.

In 2013, assistance for various religious organizations amounted to more than RUR 50 million.

Cultural and Historic Heritage

The Company attaches great importance to preserving cultural and historical heritage and renovating Christian shrines. In 2013, assistance for various religious organizations amounted to more than RUR 50 million.

With the participation of JSC RusHydro, a new Cathedral to honor the Annunciation of the Blessed Virgin Mary was constructed on the territory of the Holy Trinity Seraphim-Diveevo Monastery. The Charity Program’s funds were directed to restoring the Church of the Tikhvin Icon of the Mother of God, renovating the Ascension of the David Desert Monastery and restoring the Assumption Cathedral of the Joseph-Volotsky Monastery.

In the past year, the Company continued to collaborate with the Russian Geographical Society. The Company has assisted in forming a grant fund for carrying out thematic research expeditions and compiling a cartographic encyclopedia of Russia.
Safety and Environmental Protection

Ensuring a reliable energy supply and the safe operation of equipment and hydropower engineering for the population and the environment is one of the key strategic objectives of JSC RusHydro.

Approaches used to ensure energy supply reliability and the safety of equipment, buildings and structures are fixed in provisions of JSC RusHydro’s Technical Policy, which came into force in 2011. The instrument used to implement the Technical Policy is the Production Program, which consists of several sub-programs.

The Production Program is developed based on the results of evaluating equipment condition, the forecasts of energy consumption in the regions and the water content of rivers, as well as the requirements of industry standards. The Program’s activities are planned for the medium (6 years) and long-term (15 years).

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

Comprehensive Modernization Program of power generating facilities

The main problem of the Russian hydropower industry is high equipment wear. In 2011, the Board of Directors approved a Comprehensive Modernization Program (CMP) for the generating facilities of JSC RusHydro for the 2012-2025 period. Its objective is to maintain the reliability and safety of the Company’s generating facilities in the long run.

In 2013, as part of the Program of Operational Actions to Prevent Industrial Injuries at the Facilities of JSC RusHydro, the Company has implemented measures in occupational safety and health and production safety:

• upgrading the quality of safety inductions and initial trainings, carried out by occupational safety and the health and production monitoring divisions in generating branches, on occupational and fire safety for organizations-contractors’ employees and monitoring the organization of safe working conditions at the facilities;

• holding monthly conference calls with the personnel of occupational safety and health and production monitoring divisions of the branches and subsidiaries on issues related to production activities;

• introducing a new level of the single corporate system of production monitoring for compliance with safety standards;

• introducing the comprehensive emergency database registrar (KRAB-3), which can upgrade the efficiency of monitoring processes via the automation of recording, analysis and scheduling of the performance of measures pertaining to occupational, production and fire safety as prescribed by the government, and departmental and corporate supervisory bodies;

• conducting technical audits of the Company’s facilities: the Upper Volga HPP Cascade, the Cheboksarskaya HPP, the Volzhskaya HPP, the Zhigulevskaya HPP and the Ust-Sredne Kasanskaya HPP.

<table>
<thead>
<tr>
<th>2013 Plan, RUR million</th>
<th>Program performance, RUR million</th>
<th>Execution, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Rehabilitation and Reconstruction Program</td>
<td>27,096.8</td>
<td>25,257.4</td>
</tr>
<tr>
<td>Repair Program</td>
<td>2,766.6</td>
<td>2,610.1</td>
</tr>
<tr>
<td>Maintenance Program</td>
<td>884.3</td>
<td>806.7</td>
</tr>
<tr>
<td>R&amp;D Program</td>
<td>646.2</td>
<td>632.8</td>
</tr>
</tbody>
</table>

Policy of ensuring safety for the production processes

Ensuring reliable and safe energy production is one of the Company’s major problems. To address this problem, the Company implements the Policy of Ensuring Safety for Production Processes.

In 2013, as part of the Program of Operational Actions to Prevent Industrial Injuries at the Facilities of JSC RusHydro, the Company has implemented measures in occupational safety and health and production safety:

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Basic principles of the Policy of Ensuring Safety for the Production Processes

- Preserving employees’ life and health during employment
- Fulfilling the requirements of Russian legislation, international agreements of the Russian Federation, standards in the field of occupational safety, industrial, fire and environmental safety
- Management’s responsibility for ensuring the safety of production processes
- Transparency and information accessibility of the Company’s activities

RusHydro Annual report 2013
Occupational safety and health and production monitoring

The Company has implemented an information system “Production Monitoring of JSC RusHydro”. This system is an integral part of the production monitoring system “Monitoring” of the Federal Service for Ecological, Technological and Nuclear Supervision (Rostechnadzor) and forms a single information space between JSC RusHydro and Rostechnadzor in the field of industrial safety. The system unified and enhanced the quality of the preparation processes and reporting in a timely manner concerning production safety at the Company’s hazardous production facilities.

The Company has a modern occupational safety and health management system, which is being updated to reflect changes in federal legislation in this area, as well as structural changes within the Company. The Company annually implements measures related to preventing accidents, carrying out sanitary and hygienic measures to prevent workplace diseases, improving general working conditions, and providing employees with individual protection equipment, as well as certifying employee workplaces.

Environmental Policy

RusHydro is one of Russia’s largest electricity producers, providing consumers with highly effective, environmentally-friendly energy from renewable sources.

The Environmental Policy of RusHydro defines environmental protection as one of the most important and ongoing priorities, following the general principles of environmental safety, as well as continuously upgrading both the Company’s environmental performance and its management system.

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

The Company develops and implements standards in the environmental safety sphere. Also, in the environmental safety sphere, the following projects have been implemented by the Company:

• developing effective methods to protect the flow of the HPP from forming riverborne zebra mussels;
• increasing HPP eco-efficiency with hydro-power units that allow fish passage through the hydro-power tract;
• parameter ground of under construction and operated reservoirs of the HPP on greenhouse gas emissions;
• optimizing the usage of environmentally-friendly lubricants in hydro-power turbines.

The introduction of new techniques and technologies is subject to environmental policy requirements, in terms of reducing the negative impact of the Company’s technical system on the environment across all stages of the life cycle, including its impact on the aquatic environment.

RusHydro Group’s Sustainable Development Report

To provide more details about RusHydro’s sustainable development, the Company prepares its Sustainable Development Report, which covers the most notable corporate achievements in the economic, environmental and social spheres.

The 2012 Report received public acknowledgment from the Council on Non-financial Reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP). Experts emphasized that the Report reflects the Company’s contribution to socio-economic development in the regions in which it operates. JSC RusHydro Group’s enterprises provide the infrastructure base for many of these regions’ economic development. Constructing new hydro-power facilities, creating power generation complexes, developing mechanical and industrial engineering and improving regional energy efficiency were highlighted as key activity areas for regional development.

For a second consecutive year, the Social Report received public acknowledgment from RSPP, proving the Company’s consistency in developing a reporting process and ensuring the transparency of its activities.
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--- | ---
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Glossary of Key Terms and Abbreviations

Company

Holding company

The Holding JSC "RAO Energy System of the East"

SDCs

JSC RAO UES of Russia

WGCs

TGCs

IES

HPP

PS HPP

HTC

RES

WPS

FTS

WEM, WECM

Installed capacity

NM WEM

The new model of the wholesale electricity and capacity market foresees the transformation of the regulated sector of the wholesale market into a system of regulated contracts (RCs), concluded by wholesale market participants. Electricity and capacity will be sold under RCs. The volume of electricity not sold under RCs will be sold/purchased at free prices on the "day-ahead market" (at prices established as a result of the competitive choice of price applications and with free agreements, where prices are regulated by participants in the agreement). At the same time, if the volume from the price application of purchases did not undergo competitive choice on the day-ahead market, the purchaser will have to buy the respective volumes for consumption on the balancing market.

RC

Regulated contracts are concluded by participants in the wholesale market for a term of 1 to 3 years. The prices in each of these agreements are tariffs for energy suppliers and capacity set by the Russian FTS. The primary condition of the RC is "take or pay." The supplier has to provide the agreed upon amount of electricity (capacity) and (only for electricity) buy in the market at competitive prices on either the day-ahead market or via a free bilateral agreement. The purchaser has to pay for the agreed upon amount independent of its own planned consumption.

MW

Mega-watt – a unit of measurement for electrical capacity

kWh

Kilowatt-Hour – a unit of measurement for produced electricity

Gcal

Gigacalorie – a unit of measurement for heating energy

Gcalth

Gigacalorie-Hour – a unit of measurement for heating power

JSC RusHydro, including its branches and executive office

JSC RusHydro, including its subsidiaries and dependent companies (SDCs)

JSC RAO Energy System of the East

Subsidiaries and dependent companies - entities, in which another (main) economic entity due to its majority or greater participation in the charter capital or in accordance with a concluded agreement or in another way, has the opportunity to determine decisions adopted by said entities.

The Russian energy company (until July 1st, 2008). Full name - Open Joint Stock Company Unified Energy System of Russia. The Company previously united almost all Russia’s energy sector under its umbrella. JSC RAO UES of Russia ceased to exist as of June 30th, 2008 due to comprehensive energy sector reform

Generating companies of the wholesale electricity market (WEM) – companies formed on the basis of power plants.

Territorial generating companies – companies formed during the inter-regional integration of generating assets of JSC-energy (regional generating companies), except generating assets that are included in OGKs

Integrated Energy System (IES) – aggregated production and other electricity property assets, connected via a unified production process (including production in the form of the combined generation of electrical and thermal energy) and the supply of electrical energy under conditions of a centralized operating and dispatch management.

Hydro-electric power plant – the power plant as a unified production and technological complex, combining hydro-technical constructions and equipment that transforms mechanical energy from water into electric energy. In the text of the annual report, except when otherwise noted, tidal power stations and PS HPPs are included as HPPs

Pump storage hydro-electric power plant – pump-storage power plant, which works by transforming electricity from other power plants into the potential energy of water; during reverse transformation, accumulated energy is contributed to the energy system primarily to cover deficits that may occur during peak load periods

Hydro-technical constructions - dams, hydro-electric power plant constructions, spillways, drain and water-discharge constructions, tunnels, channels, pumping stations, navigation locks, boat lifts; buildings used to protect from floods and the destruction of water reservoir shores; dam constructions, protecting the liquid waste reservoirs of production and agricultural organizations; devices that protect against washing-away and other constructions designed to use water resources and to prevent any negative impact from water and liquid waste

Renewable energy sources – examples include: hydro, solar, wind, geo-thermal, hydraulic energy, energy from water currents, waves, tides, the temperature gradient of sea water, temperature differences between air masses and the ocean, heat from the Earth, animal biomass and vegetable and household waste

Wind electric plants include two and more wind energy installations designed for conversion of wind energy into electric energy and its transmission to consumers

Federal Tariff Service

Wholesale electricity market (capacity) – sphere for turnover of electrical energy (capacity) within the framework of Russia’s integrated energy system within the country’s unified economic space with the participation of large electricity producers and consumers that have the status of wholesale market objects, confirmed in full accordance with the Russian Federal Law "On the electric power industry" by the Russian Government. The criteria for including large electricity producers and consumers in the category of large producers and large consumers are also established by the Russian Government

Total nominal active capacity of generators at electric power plants which are part of the Group’s structure