

MESSAGE

FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear shareholders,

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

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

The Russian government places a great emphasis on the development of the Far East, with the region's investment appeal rising, new businesses emerging, and the economy booming. 2018 saw electricity consumption in the region growing twice as fast as across Russia. Still, we have to focus on energy sector development and modernization and

power grid expansion – this is the only way to accelerate the improvement of quality of living in the Far East going forward.

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

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

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

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

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

healthcare institutions, along with culture, education, sports and environment projects.

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

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

**Yury
TRUTNEV**

Chairman of the Board of Directors of RusHydro