

Justification of the proposed distribution of net profit and an assessment of its compliance with the dividend policy adopted in the Company, including for payment of dividends and the Company's own needs, with explanations and economic justification for the need to allocate a certain portion of the net profit for the Company's own needs.

Decree of the Government of the Russian Federation No. 774-r dated May 29, 2006 (as amended by Decree 944-r dated May 18, 2017) stipulates: "allocation for payment of dividends of an amount determined based on net profit in the financial statements, including consolidated financial statements, prepared according to International Financial Reporting Standards (IFRS), provided that, as per the applicable laws of the Russian Federation, the joint stock company is obligated to prepare such statements". As per Federal Law No. 208-FZ dated July 27, 2010 "On consolidated financial statements", the Company is an organization which must prepare its consolidated financial statements according to IFRS.

In accordance with the practice of determining the amount of the Company's dividends over recent years according to Decree of the Government of the Russian Federation No. 705-r dated April 18, 2016, and Instruction of the Chairman of the Government of the Russian Federation No. DM-P13-2672 dated April 26, 2017, the share of dividend payments of the Company accounted for 50% of the financial result of RusHydro Group, as defined in the consolidated financial statements prepared in accordance with IFRS.

At year-end 2018, net profit in the Company's annual financial statements prepared according to Russian Accounting Standards (RAS) was **36,725.6** million rubles.

It is proposed to distribute the profit as follows:

- **1,836.3** million rubles, which is 5 % of net profit, to the reserve fund in accordance with Clause 1 of Article 35 of Federal Law No. 208-FZ dated November 24, 1995, "On Joint-Stock Companies", and Clause 2.11. of the Articles of Association of the Company. The reserve fund of the Company is to be formed by mandatory annual contributions until it reaches the amount established by the Articles of Association of the Company – five (5) percent of the authorized capital. The amount of annual contributions is stipulated by the Articles of Association of the Company, but may not be less than 5 percent of the net profit before reaching the established amount. According to Clause 4.1. of the Articles of Association of the Company and the annual financial statements of the Company for 2018 prepared according to Russian Accounting Standards, the authorized capital is 426,288.8 million rubles, and the actual size of the reserve capital (fund) is 15,178.8 million rubles, or 3.56% of the authorized capital of the Company. Taking into account the proposed results of profit distribution at the end of 2018, the actual size of the reserve

capital (fund) will be 17,015.1, million rubles or 3.99% of the authorized capital of the Company;

- **15,918.5** million rubles for payment of dividends, which is 50% of the financial result of RusHydro Group as defined in the consolidated financial statements prepared in accordance with IFRS for the year ended on December 31, 2018, and as of that date (31,837 million rubles);

- **18,970.8** million rubles (which is 51.66% of the total net profit according to RAS) for the development of the Company.

The share of profit to be allocated for the Company's development was calculated as follows:

- **6,885.0** million rubles for the Investment Program of RusHydro for 2018 approved by Decree of the Government of the Russian Federation No. 977 dated December 1, 2009, "On investment programs of electric power industry entities" and by Decree of the Ministry of Energy of Russia No. 6@ dated November 22, 2018, "On approval of RusHydro's Investment Program for 2019–2028 and changes made to RusHydro's Investment Program as approved by Decree of the Ministry of Energy of Russia No. 34 dated December 29, 2017". The Investment Program includes financing of the Company's investments (technical reconstruction and modernization, facilities under construction, etc.) and the construction of priority projects in the Russian Far East;

- **5,345.4** million rubles for the Company's investments in investment projects of controlled entities as approved in the Company's adjusted business plan for 2018 by resolution of the Board of Directors (Minutes No. 276 dated October 4, 2018; Minutes No. 281 dated December 27, 2018);

- **6,740.4** million rubles for the Company's investments in 2019, within the limits approved in the business plan of the Company for 2019—2023 (Minutes No. 282 of the meeting dated December 27, 2018) for the source "equity balance at the beginning of the year".

The distribution of net profit proposed by the management of RusHydro makes it possible to reach strategic objectives and ensures the high efficiency of the Company's activities, including the financing of the Investment Program with the peak of capacity commissioning falling on 2018—2019 (up to 1.3 GW), with an increase in the share of equity in the structure of sources of financing, which at the same time will have a positive impact on the level of the debt burden of RusHydro Group and will form reserves for the further development of RusHydro Group.

The proposed amount of dividend payments corresponds to the Company's Dividend Policy approved by the Board of Directors of the Company (Minutes of the Board of Directors No. 287 dated April 22, 2019), as it is 50% of the net profit

according to the consolidated financial statements of RusHydro Group for 2018 and exceeds the average amount of dividend payments for the previous three years.