

INFORMATION ON POSSIBLE CIRCUMSTANCES OBJECTIVELY IMPEDING THE GROUP'S ACTIVITIES

The risks associated with the geographical features of the regions include: the risk of loss (for example, the disruption of fixed assets) due to seismic activity, avalanches and mudflows, likely landslides and rain floods, as well as other unfavourable weather conditions (hurricanes, heavy snowfalls, frosts, etc.).

Most regions of the Group's operations are characterised by a developed transport infrastructure and are not subject to risks associated with the termination of transport links. At the same time, some generating assets are located in remote areas with harsh climate, including the Krasnoyarsk Region and parts of the Far Eastern Federal District. RusHydro Group is working to improve access to technologies and activities in severe climatic conditions in these territories. However, there can be no guarantee that additional costs will not be required to overcome the technical difficulties associated with the climate and the accessibility of these sites, which may have a negative impact on RusHydro Group's revenues, financial conditions, results of operations, and the subsequent prospects. In the foreseeable future, these risks are assessed as insignificant.



Terrorism

In the event of possible military conflicts, as well as threats of terrorist attacks on sites (including aggravation of international relations), there are risks of danger to the lives of personnel and the damaging of its fixed assets. The registration region and the main part of the PJSC RusHydro's controlled companies business regions are characterised by a calm political environment. The probability of military conflicts, the introduction of a state of emergency in these regions is minimal, with the exception of the regions of the Russian Federation located near the border with Ukraine and in the North Caucasus Federal District. PJSC RusHydro is concerned about the possible risks associated with terrorist activity, including at facilities located in the North Caucasus. In connection with the possible exacerbation of the Georgian-Ossetian conflict, this risk may occur in the region of the Issuer's activities - in the Republic of North

Ossetia-Alania. To mitigate these risks, a comprehensive programme to ensure the safety of the facilities of PJSC RusHydro is being implemented. Regular checks of the anti-terrorism protection of the PJSC RusHydro's controlled companies' facilities and training of personnel are carried out, inclusive of the conduct of antiterrorist exercises and training.

Armed protection of sites and facilities is carried out by units of extra-departmental protection of Rosgvardia, FSUE "Okhrana" of Rosgvardia and FSUE "Departmental Security" of the Ministry of Energy of the Russian Federation. Plans for cooperation with law enforcement agencies on the protection of sites in the case of committing or the threat of committing a terrorist act have been developed. On the territory of the Group's facilities, access and intra-building access systems have been introduced. Together with law enforcement agencies, measures are taken to identify, prevent and suppress acts of unlawful interference in the activities of the PJSC RusHydro and its subsidiaries. The most topical threats are assessed and the plans for mitigating the consequences are worked out jointly with the territorial bodies of the Ministry of Emergencies of Russia in the regions of the Russian Federation (at the location of generating assets). The main equipment of the PJSC RusHydro and its controlled companies are insured, including against terrorist acts.

According to the global risks report of the annual Global Economic Forum in Davos (Global Risks 2018), in 2018 there was a rise in the level of risk of terrorist attacks in the Russian Federation in comparison with 2017. Therefore, international experts do not currently place the risk of terrorist attacks in the group of key risks of the Russian business community - the risk of terrorist attacks ranks 7th in the ranking on the significance of risks to doing business in the Russian Federation.



To find the rating see the website:
<http://reports.weforum.org/global-risks-2018/global-risks-of-highest-concern-for-doing-business-2018/#country/RUS>

Seismic hazardous areas

Most of the Group's facilities are located in seismically quiet regions; however, such facilities as Pauzhetskaya GeoPP and Verkhne-Mutnovskaya GeoPP are located in an earthquake zone, with a possible earthquake magnitude of up to 9 on the Richter scale. In 2014, the seismological chain of the Dagestan branch of VNIIG named after B.I. Vedeneev is established. In case of an earthquake, an emergency action plan has been developed, featuring constant monitoring of the situation, while seismic monitoring stations operate at the Group's facilities. Matters of transport links are worked out in advance considering the aforementioned risk, the scheme for the transportation of goods and people is optimised. All sites of the Group comply with the requirements of seismic standards.

Zone of seasonal flooding

The risks of seasonal floods play an important role in the Company's operations and are included in the list of significant risks for the Group. For their minimisation, water management is carried out, including forecasting and monitoring of hydrological regimes regulation of reservoirs, construction and operation of spillways, and other measures.

To prepare for the spring-summer floods, flood commissions are created in the Company's branches. Their purpose is to ensure a trouble-free flood season.

The Group's facilities operate in accordance with the instructions of the interdepartmental working group under the Federal Agency for Water Resources.

INSURANCE COVERAGE

Insurance coverage in RusHydro Group is based on the principles of rationing insurance protection system, optimisation of insurance coverage, unity of approaches to the organisation and continuity of insurance.

RusHydro Group has strict requirements to the insurance of its assets (property insurance against all risks and insurance against construction and installation risks). As a result of limited resources of the insurance market in the Russian Federation, the Group puts forward additional requirements and controls the reinsurance of risks. The Group pursues a policy of openness towards representatives of the foreign insurance community: it annually conducts engineering insurance inspections of the Company's facilities, "road show", negotiations, and execution of the reinsurers' recommendations.

Objectives of insurance protection:

- providing reliable guarantees for the compensation of possible losses of the Company in the event of unfavorable situations (insurance cases), minimisation of the Group's financial resources allocated for the limiting the consequences of such occasions;
- ensuring the social protection of employees and other persons insured by the Company, at the expense of a corporate social package using personal insurance mechanisms;
- reducing the cost of providing insurance protection by unifying the insured types of risks, a unified approach to the selection of insurance companies and reducing the amount of insurance premiums paid;
- reducing the terms of payment of insurance compensation in the event of insurance events;
- increasing investment attractiveness of the Company by maintaining the guaranteed amount of assets under insurance coverage.