RusHydro

RusHydro Group
1Q 2013 IFRS results & market update

July 4, 2013

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“Big water” driving 1Q 2013 production, continues into 2Q 2013

Hydrological situation in the center of Russia can be characterized as favorable. In the 1Q 2013, the water inflow in Volga-Kama cascade amounted to 29 km^3 as compared to the average of 21 km^3. As at the end of the 1Q the total accumulation of water in snowpacks in the Volga basin was 24% of long-run average. Good storage levels and above average inflows from snow melt in 1H will support 2013 production

Electricity generation, GWh

	1Q 2013	1Q 2012	change	4Q 2012	4Q 2011	change	FY2012	FY2011	change
Far East	4,122	3,277	26%	4,434	3,277	35.3%	14,157	12,548	12.8%
Siberia*	6,622	5,608	18%	5,884	4,973	18.3%	20,735	21,503	-3.6%
Center of Russia	10,057	7,625	32%	10,858	8,072	34.5%	39,076	35,503	10.1%
Russian South & N.Caucasus	1,421	1,054	35%	1,332	1,424	-6.5%	6,557	6,802	-3.6%
Armenia	84	54	54%	45	51	-10.9%	631	651	-3.0%
RAO ES of East	9,657	10,190	-5%	8,702	8,994	-3.2%	31,541	30,341	4.0%
TOTAL	**31,962**	**27,808**	**15%**	**31,255**	**26,792**	**16.7%**	**112,697**	**107,349**	**5.0%**
TOTAL (excl. RAO ES of East)	**22,305**	**17,619**	**27%**	**22,553**	**17,797**	**26.7%**	**81,156**	**77,007**	**5.4%**

Results mainly driven by:

- higher than average water resources in reservoirs in the Far East and Center of Russia following the heavy rainfalls and floods in late 2012;
- water inflow to reservoirs of the Volga-Kama cascade higher than long-run average, water inflow to major reservoirs of Siberia slightly higher or close to long-run average;
- launch of the first 4 hydro-units of the Boguchanskaya hydropower plant into operation starting from late 2012;
- decrease in electricity generation by the Zagorskaya pumped storage plant due to the technical constraints related to the construction works at Zagorskaya pumped storage plant No. 2;
- 5% decrease in thermal power generation on higher hydro output.

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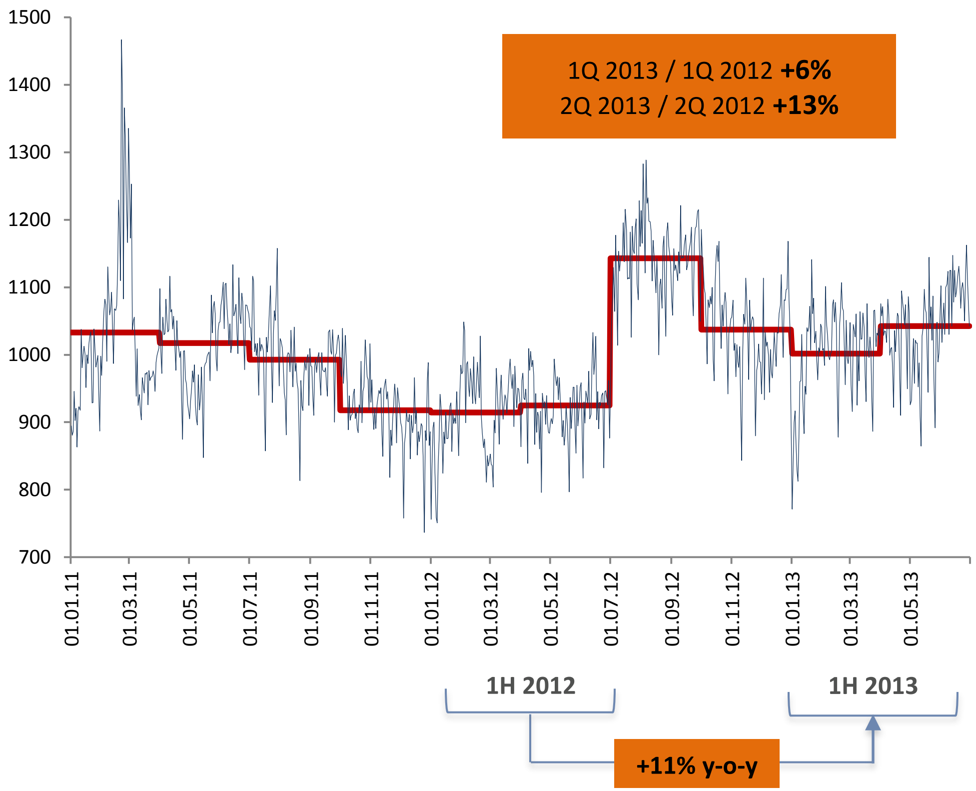
* - including the results of 3 GW Boguchanskaya hydropower plant , a 50/50 JV with UC RUSAL, not consolidated in the Group’s financial results. 1/3 of the plant’s nominal capacity was launched in December 2012

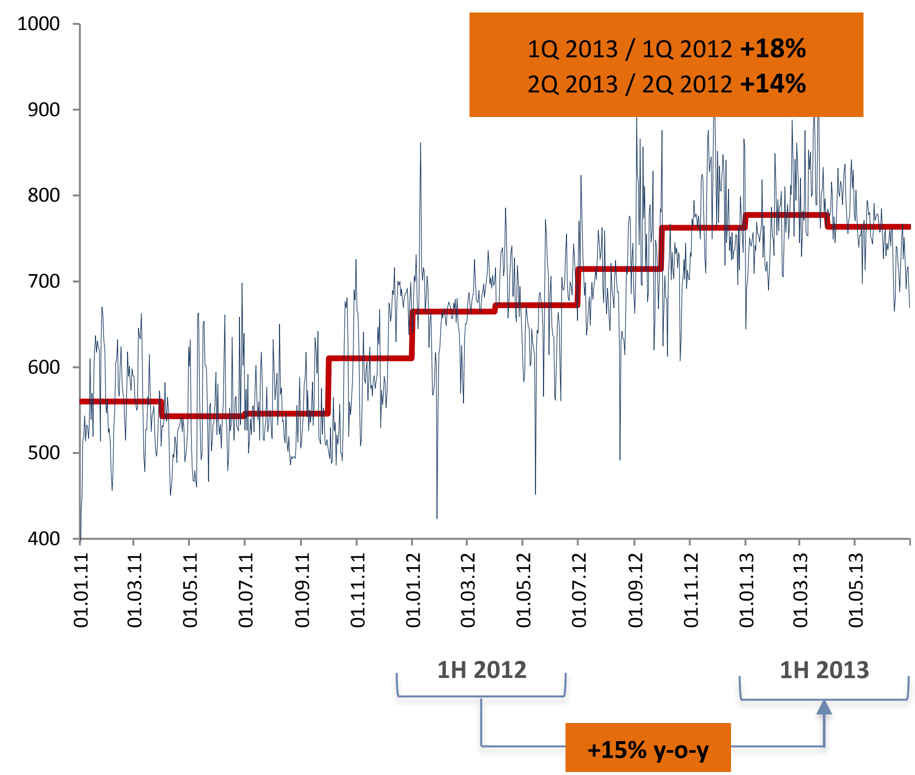
Siberian “spot” leads the way, European prices follow gas

- In 2012, gas and electricity tariffs indexation was shifted from January 1 to July 1 (applicable to future years as well)
- Gas tariffs were hiked 15% from July 1, 2012 and July 1, 2013
- Average RusHydro selling prices on the day-ahead market in European Russia in 1Q 2013 – 1,051 RUR/MWh (+6%), in Siberia – 744 RUR/MWh (+18%)
- Market Council comments that a significant increase in prices on the “day-ahead” in Siberia in 2013 as compared to 2012 was a “result of planned and emergency outages of major fossil-fuel power stations, decrease in volumes of price-taking supply in generator’s bids in excess of technological minimum, price increase in bids of certain power stations”
- RusHydro sees the current spot prices in Siberia as quite sustainable throughout the whole year

Day-ahead market – Europe and Urals (1st price zone), RUR/MWh*



Day-ahead market – Siberia (2nd price zone), RUR/MWh*



Strong quarterly results – a good start for the year

RUR mn	1Q 2013	1Q 2012	change	4Q2012	4Q2011	change
Revenue, total, incl.:	**88,358**	**85,185**	**3,7%**	90,700	86,464	5%
Revenue from operations	**85,582**	**82,609**	**3,6%**	86,541	83,128	4%
Government grants (to RAO ES of East)	**2,776**	**2,576**	**7,8%**	4,159	3,336	25%
Expenses	**(70,270)**	**(71,280)**	**-1,4%**	(75,144)	(76,579)	-2%
EBIT*	**18,088**	**13,905**	**30.1%**	15,556	9,885	57%
EBITDA**	**23,122**	**19,316**	**19.7%**	23,044	17,735	30%
EBITDA margin	**26.2%**	**22.7%**	**+3.5 pp**	25.4	20.5	+4.9 pp
Net profit	**10,698**	**10,652**	**0.4%**	n/a	n/a	n/a
Net profit (adj.)***	**14,588**	**11,020**	**32.4%**	n/a	n/a	n/a

Results mainly driven by:

- strong quarterly operating results on the back of increased hydro output in all 3 macro-regions of RusHydro operations (see slide 3) due to high water levels and strong water inflows;
- growth in unregulated power prices – 6% in European Russia, 18% – in Siberia;
- indexation of KOM capacity prices in 2013;
- fuel costs decrease due to “squeeze out” of thermal generation by hydro in the Far East and downward/flat dynamics for other major expenses;
- successful implementation of comprehensive cost control program in RusHydro and subsidiaries in 2012;
- accrual impairment of shares of Inter RAO UES in the amount of RUR 3,541 mn (non-cash)

* EBIT is calculated excluding loss from impairment charges
** EBITDA is calculated as operating profit before depreciation of property, plant and equipment and non-cash impairment charges
*** Net profit is adjusted for the effects of impairment of the Group's available-for-sale financial assets, effects of accounts receivable impairment

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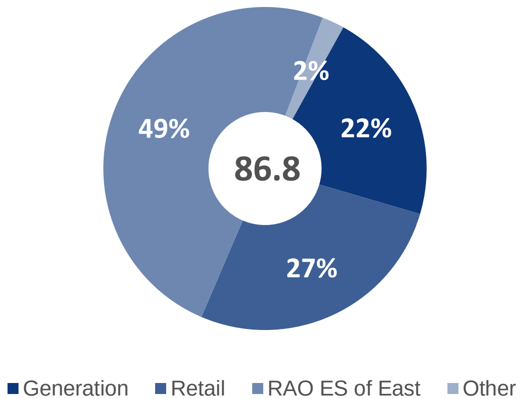
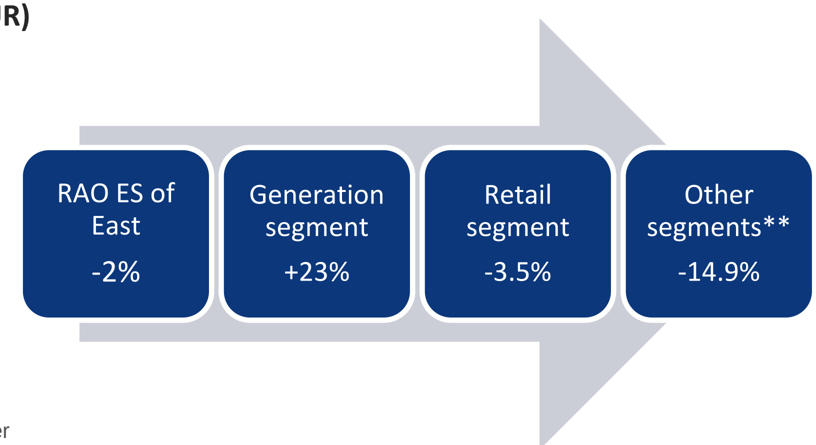
Earnings expansion on high hydro output and cost optimization

Revenue breakdown highlights:

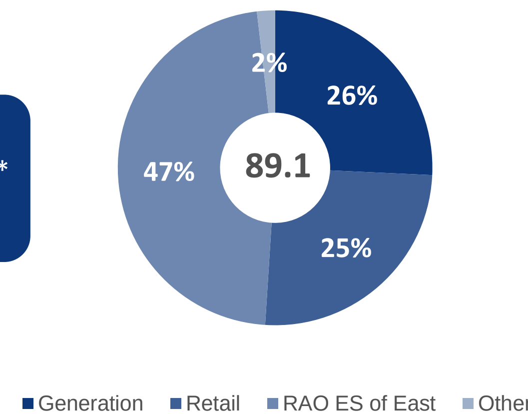
1) an increase in generation segment sales on the back high generation from hydro and unregulated prices growth
2) the decrease in retail sales following the decrease in electricity output and change in regulation
3) decrease in revenue of RAO ES of the East following lower power and heat output from thermal stations squeezed out by hydro

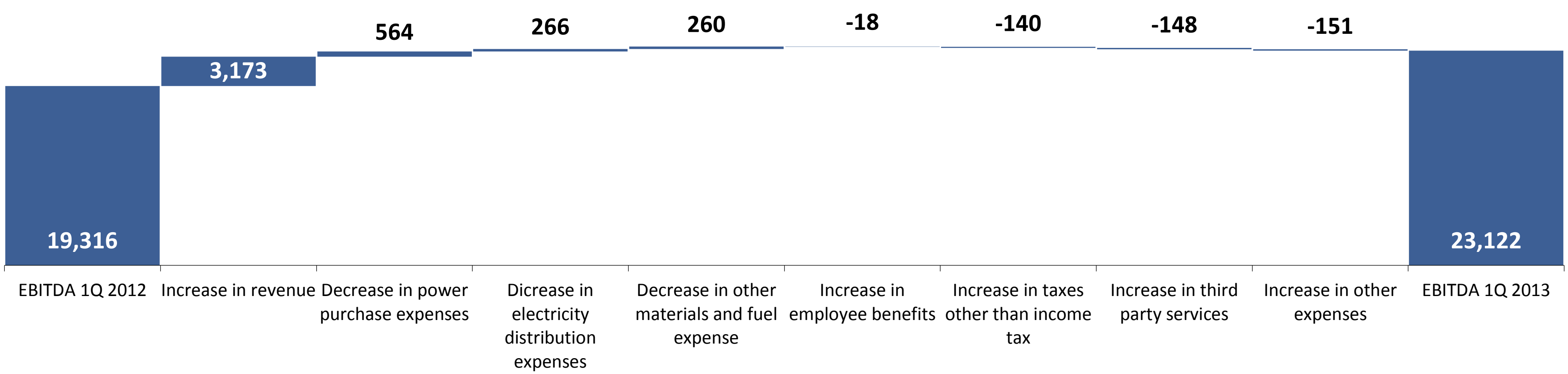
Total Revenue* 1Q 2012 (bn RUR)





Total Revenue* 1Q 2013 (bn RUR)





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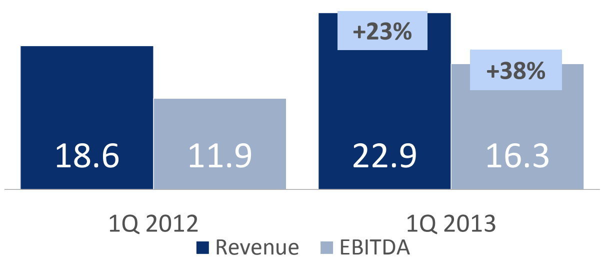
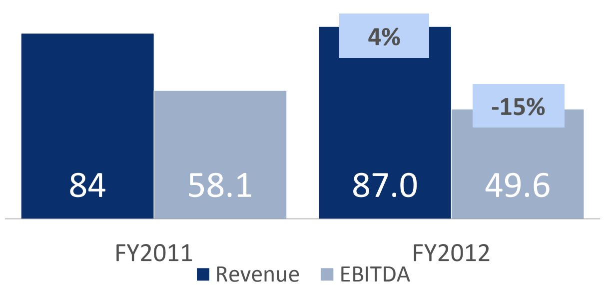
* - currently, RusHydro does segment reporting only based on Russian accounting standards (RAS). Presented breakdown figures represent only revenue from external customers under RAS. For details see Note 5 of full IFRS report.
** - includes R&D institutes, general contractors, repairs and maintenance companies.

Segment review* (1/3) – Generation: driving the growth

1Q 2012/2013 results, RUR bn



FY 2011/2012 results, RUR bn



Key highlights

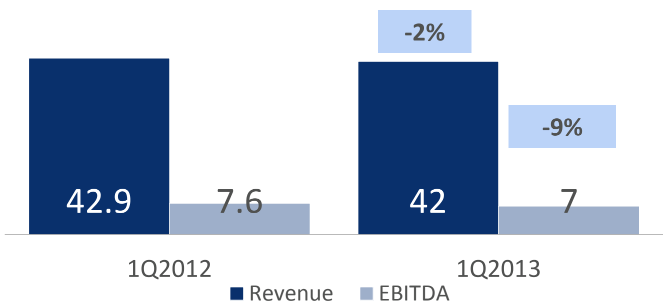
- Ca. 70% of EBITDA came from the segment
- Strong 1Q operating results by hydro in all 3 macro-regions in Russia: hydropower plants, including Boguchanskaya**, increased electricity generation by 27% as compared to the same period of 2012;
- Average spot power prices in European Russia in 1Q – 1,051 RUR/MWh (+6%), in Siberia – 744 RUR/MWh (+18%);
- Increase in capacity prices under competitive capacity selection (KOM) following regular indexation;
- Increase in volumes and tariffs of regulated power sales;
- RusHydro implemented measures aimed at lowering power purchase by hydropower plants and optimization of hydropower plants' load (in coordination with the System Operator)
- Gas tariffs indexation by 12% from July 1, 2013 should support unregulated prices in 2H 2013;

* currently, RusHydro does segment reporting only based on Russian accounting standards (RAS). Presented breakdown figures represent only revenue from external customers under RAS. For details see Note 5 of full IFRS report.

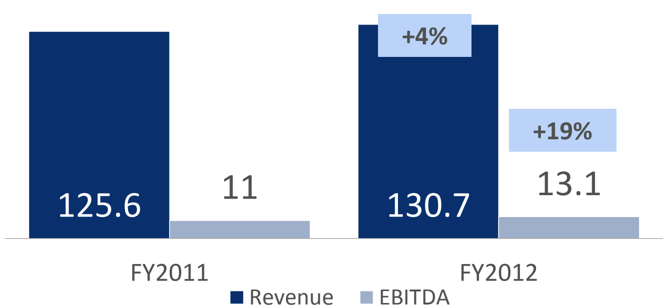
** Boguchanskaya HPP is part of the Boguchanskiy Energy and Metals Complex (BEMO), a 50/50 joint venture (JV) between RusHydro and UC RUSAL, and is not part of RusHydro Group. According to RusHydro's shareholding in the JV (50%), the results of the plant are reported in the official financial statements in "Share of results of associates and jointly controlled entities". Operations of the HPP have been put into the presentation for general reference

Segment review* (2/3) – RAO ES of East: ousted by hydro, but gaining efficiency

1Q 2012/2013 results, RUR bn



FY 2011/2012 results, RUR bn



Key highlights

- Ca. 29% of EBITDA came from the segment
- Power generation from thermal power plants decreased 4.8% in 1Q, heat output – down 1%, as hydro squeezed out thermal production
- Ca. 2% average power tariff increase to 3.13 RUR/kWh mostly due to tariff indexation in isolated zones
- Ca. 4% average heat tariff increase
- A 116% increase in power sales for export to 0.8 TWh following the partial launch of the 500 kW transmission line to China
- Average fuel consumption came down ca.1% to 362 g/kWh following the launch of a new gas-fired unit in Sakhalin

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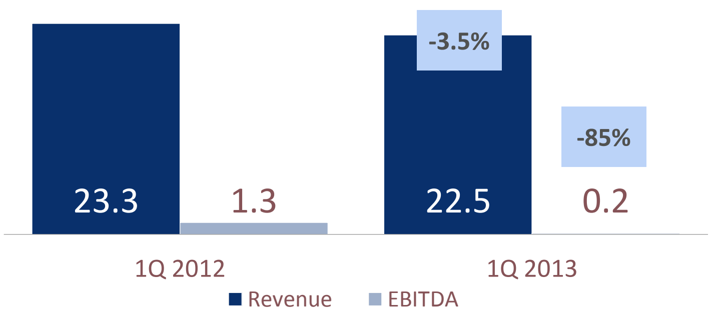
Segment review* (3/3) – Retail: adjusting to new regulation

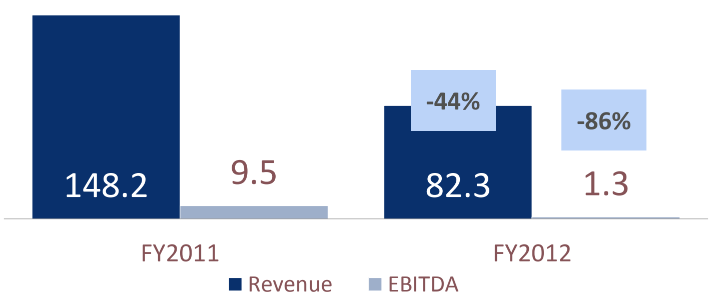
1Q 2012/2013 results, RUR bn



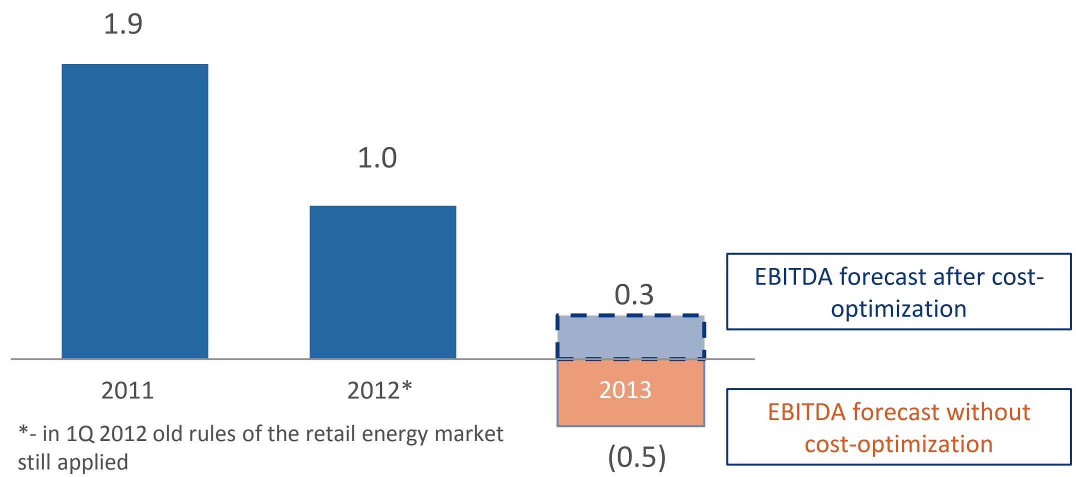
Key highlights

- Tariff hike in power retail starting from July 1, 2013, should somewhat improve FY earnings, but the previous margins are not achievable under current regulation;
- Changes in power retail regulation became effective starting from 2Q 2012, hence the steep decline in earnings in 1Q 2013;
- In 2012, RusHydro introduced a cost-cutting program in power retail to address a worsening financial outlook, reducing headcount by 12% (senior management by 57%), introducing cost benchmarking, streamlining organizational structures and business processes

FY 2011/2012 results, RUR bn



EBITDA of retail operations, RUR bn



*- in 1Q 2012 old rules of the retail energy market still applied

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OPEX optimization shows in figures

Key comments

- Fuel expense: decrease in fossil-fuel generation in the Far East ousted by hydro and modest average fuel price growth
- Purchased power / electricity distribution expenses: down by 3.5% and 2.3% respectively, mostly due to decrease in electricity output by retail companies
- **In 2012, RusHydro developed and launched a comprehensive cost optimization program**, including improvement of maintenance works, rationing of power consumption of generating facilities, decrease in expenses for transportation, telecommunications, security, banking, utility, audit, consulting, legal and information services; sale of non-core assets
- In retail segment RusHydro reduced headcount by 12% (senior management by 57%), introduced cost benchmarking, streamlined organizational structures and business processes
- **For FY2013, RusHydro expects OPEX growth below CPI**

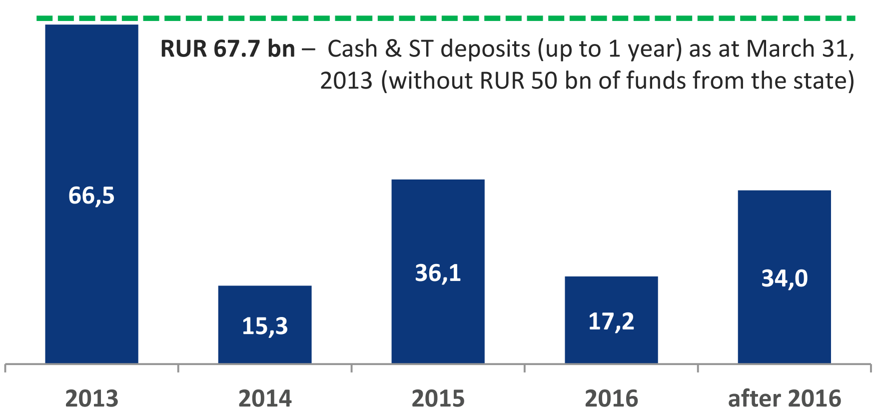
	1Q 2013	1Q2012	change
Fuel expenses	15,519	15,569	-0.3%
Purchased electricity and capacity	15,398	15,962	-3.5%
Employee benefit expenses	12,282	12,264	0,1%
Electricity distribution expenses	11,320	11,586	-2.3%
Third parties services	5,568	5,443	2.3%
Depreciation of property, plant and equipment and intangible assets	4,595	4,967	-7.5%
Taxes other than on income	1,925	1,785	7.8%
Other materials	1,739	1,930	-9.9%
Water usage expenses	685	630	8.7%
Accrual of impairment of accounts receivable, net	450	378	19%
Social charges	142	172	-17.4%
(Gain) / Loss on disposal of property, plant and equipment, net	(11)	66	n/a
Other expenses	658	528	24.6%
Total expenses	**70,270**	**71,280**	**-1.4%**
Non-manageable expenses	**51,280**	**52,239**	**-1,8%**
Manageable expenses	**18,990**	**19,041**	**-0,3%**

RusHydro leverage profile

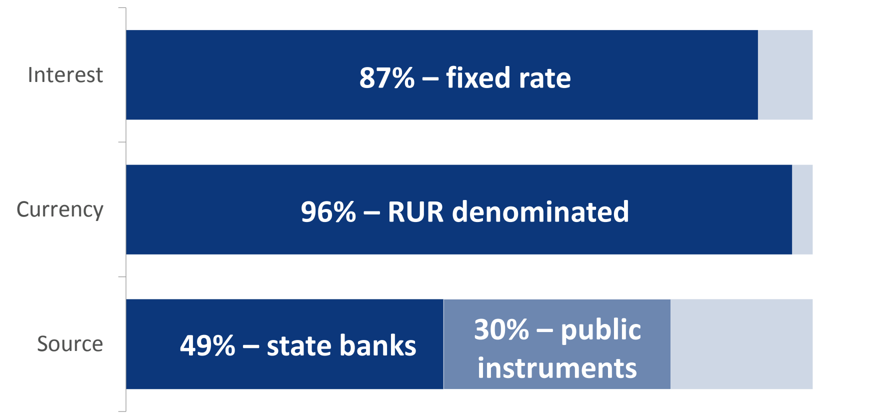
Key Comments

- Total financial debt as at Mar 31 2013 amounted to **RUR 182 bn****, total net debt amounted to **RUR 138 bn**
- Multicurrency effective interest rate of ca. **8.5%**
- In February 2013, RusHydro issued a local RUR 20 bn bond, with 8.5% coupon and a put option after 5 years to refinance RUB40 bn loan from Sberbank; RUR 20 bn of local bonds are ready to be placed until year end
- In February 2013, RusHydro successfully redeemed **USD 60 mn** CLN
- In May 2013, IEC (Armenia) signed an agreement with ADB (covered by JSC RusHydro's guarantee) to receive **USD 25 mn** loan for 14.5 years. Previously, **USD 25 mn** loan from EBRD at the same terms was agreed to in December 2012
- In April 2013, Standard & Poor's Ratings Services affirmed the 'BB+/B' and 'ruAA+' credit ratings on RusHydro and **revised its outlook from 'Negative' to 'Stable'**

Debt repayment profile, RUR bn *



Low Risk Debt Portfolio Structure **



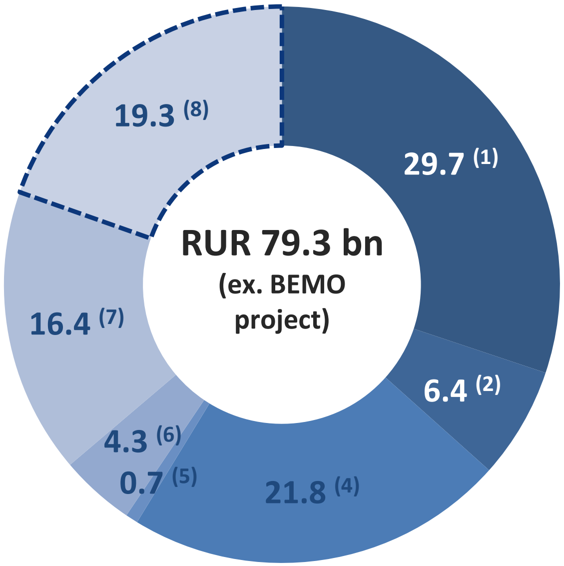
* Nominal current and non-current debt of RusHydro Group only, without repayment of VEB loan to Boguchanskaya HPP.
** Includes current and non-current debt of RusHydro Group (see Note 17), BEMO guarantee (VEB loan to Boguchanskaya HPP, see Note 28 of IFRS as at March 31 ,2013.

RusHydro

Market Update

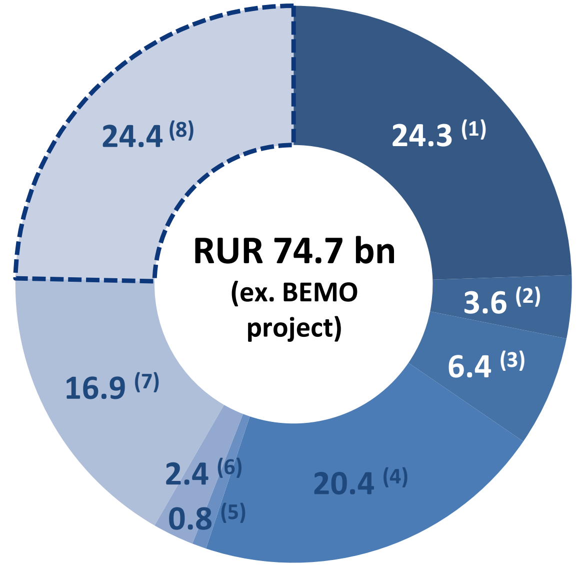
2013 investment plan – more with less*

2012 CAPEX (bn RUR, ex. VAT)



- 1) Rehabilitation and modernization
- 2) Reconstruction of the Sayano-Shushenskaya HPP
- 3) 4 thermal power projects in the Far East
- 4) Hydropower construction
- 5) Alternative renewables
- 6) Other projects
- 7) RAO ES of East Group
- 8) BEMO - Boguchansky energy and metals compex (JV w/RUSAL)

2013 CAPEX plan (bn RUR, ex. VAT)



- the initial 2013 capex plan was cut **by ca. RUR 10 bn (ca. RUR 13 bn incl. VAT)** due to optimization of rehab/modernization and new build capex spend;
- BEMO and 4 priority projects in the Far East are mostly covered by financing (VEB project financing and RUR 50 bn from 2012/2013 equity offering, respectively) and **do not require significant additional outlays from RusHydro cashflow**)
- an increase in BEMO capex spend is attributable to higher outlays for smelter as it the 1st stage (150 t p.a.) prepares for launch in 2013/14 and the construction of the 2nd stage is underway
- rehab/modernization capex plan is now being optimized from initially high figures, and should remain in the range of **RUR 24-27 bn (ex. VAT) in the next few years**

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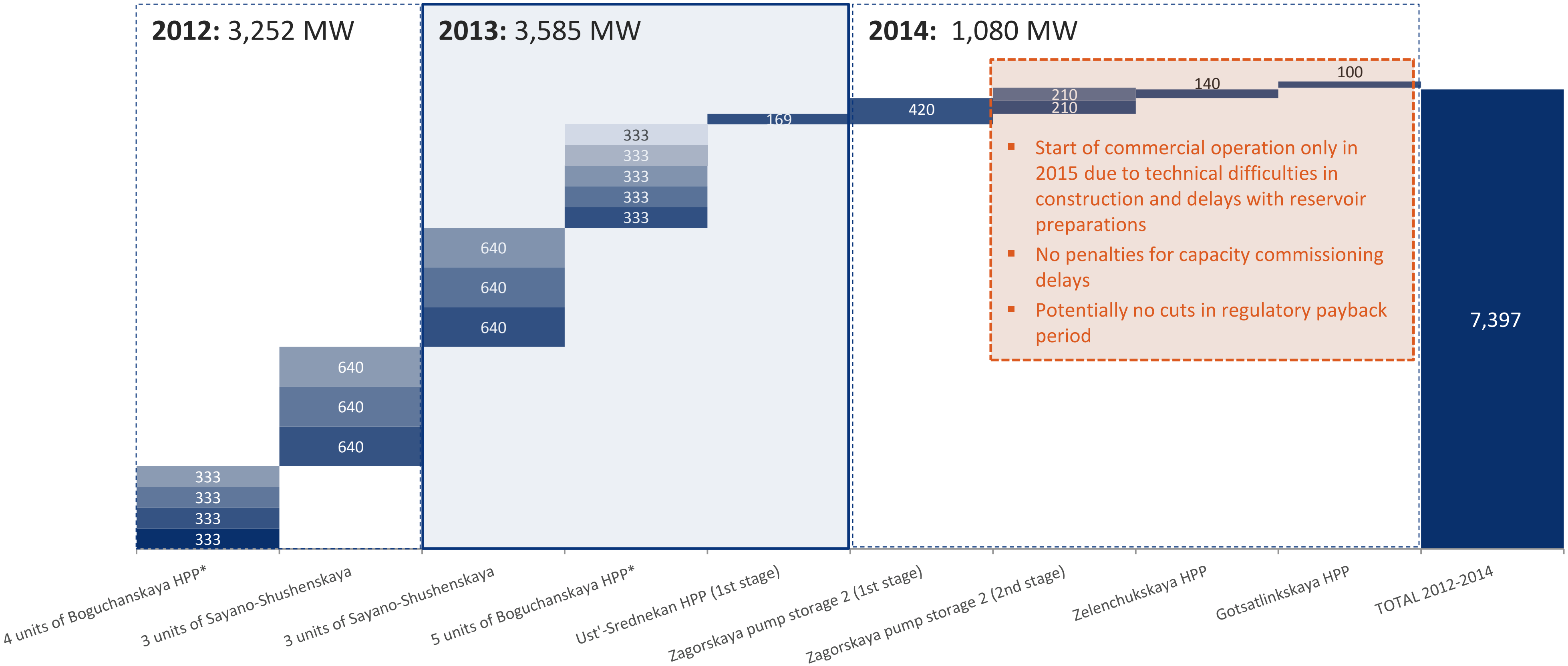
* preliminary figures approved by the Management Board of RusHydro; the updated investment plan for 2013 is now under review in the Ministry of Energy, and other regulatory bodies

Hydro capacity commissioning – the year of Siberian hydro

- **Over 7 GW** of new hydro and pumped storage capacity coming online in 2012-2014 vs less than 3 GW in the whole decade since 2000
- Over **1.4 GW** are contracted under Capacity Supply Agreements (DPM), providing a rate of return of 10.5% for 20 yrs
- **1,920 MW** will be launched each year in 2012-2013 on Sayano-Shushenskaya plant, bringing its total installed capacity to pre-accident level by 2014. Replacement of 3 restored units by new ones will be finished by 2016
- Almost **1 GW** of capacity will be added through 2025-2030 as a result of extensive rehabilitation and modernization of hydropower plants, primarily of the Volga-Kama cascade, along with efficiency improvements and extension of lifetime for existing assets



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* - Boguchanskaya HPP is part of the Boguchansky energy and metals complex, 50/50 JV with RUSAL

2013 outlook and key priorities

Capacity construction and rehabilitation	▪ **Boguchanskaya**: putting online of all the remaining units and increase its installed capacity up to 3,000 MW ▪ **Sayano-Shuhsneskay**a: launch of a new unit in March 2013 and replace two units in June and November in accordance with the restoration plan ▪ Launch of the 1st stage of **Zagorskaya pump storage-2 (210 MW), 1st stage of Ust-Srednekan HPP (169 MW)** ▪ Start of financing and construction of the **4 new Far East projects** ▪ Further **rehabilitation and modernization of hydropower plants** (priority projects for 2013: Volzhskaya, Zhigulevskaya, Votkinskaya, Saratovskaya, Novosibirskaya hydropower plants) ▪ Successful implementation of **JV projects** (with Alstom and Voith Hydro)
Production	▪ Lower production from hydro in 2H 2013 due to summer heat, but FY2013 expected to be strong – an **increase of 8-10% compared to 2012 for core hydro**
Corporate development	▪ **Consolidation of 3 hydro engineering operations** into a unified company to improve project complex efficiency and increase the total economic effect through better usage and planning of resources ▪ Finalize the **creation of a unified O&M** (operations and maintenance) company through consolidation of RusHydro's O&M subsidiaries ▪ Creation of RusHydro's **R&D fund** to bolster innovation and development of technical expertise in energy-related areas
Market	▪ The Government rolled out a legislative support package for construction of 6 GW of renewables (small hydro, wind, solar): RusHydro develops a roadmap for renewables, may participate in the first competitive auction in September 2013 ▪ RusHydro is actively engaged in litigation with a number of retail companies and consumers for non-payments. Doesn't expect significant impairment of accounts receivable in 2013
Leverage	▪ **Refinance a part of RUR 31 bn short-term debt of RAO ES of East** due in 2013 into long-term debt, possibly at lower rates ▪ RUR 4 bn loan facility from EIB by the end of 2013 to finance GTU-CHPP construction in Vladivostok ▪ **Refinance RUR 40 bn Sberbank's loan facility** (repayment date – November 2013). Partially done by bond issuances in February 2013

2012/2013 share issue – nearing completion

1 stage – launch of the share issue, transfer of RUR 50 bn to RusHydro

COMPLETE

- **Nov 16 2012** – EGM approves the new share issue:
  - 110 bn shares;
  - Payment for shares by cash and non-cash assets
- **Nov 22 2012** – President's decree on further development of RusHydro. Decree earmarks the funds for 4 power generation projects in the Far East
- **Dec 3 2012** – FCSM of Russia registered the share issue of RusHydro
- **Dec 10 2012** – Board of Directors approved the placement of new shares at RUR 1 per share
- **Dec 12 2012** – Government's decree authorizing the transfer of a number of assets to RusHydro share capital
- **Dec 19 2012** – Start of pre-emptive rights period
- **Dec 20 2012** – Transfer of RUR 50 bn to RusHydro share capital

2 stage – open subscription to shares, finalization of all corporate procedures

COMPLETE

- **Jan-Feb 2013** – Board of Directors to approve valuations of assets, which can act as payment for new shares
- **Feb 26 2013** – End of pre-emptive rights period
- **Mar 15 2013** – Start of open subscription to shares

- **August 15 2013** – End of open subscription to shares
- **3Q 2013** – Registration of the report on the results of the share issue

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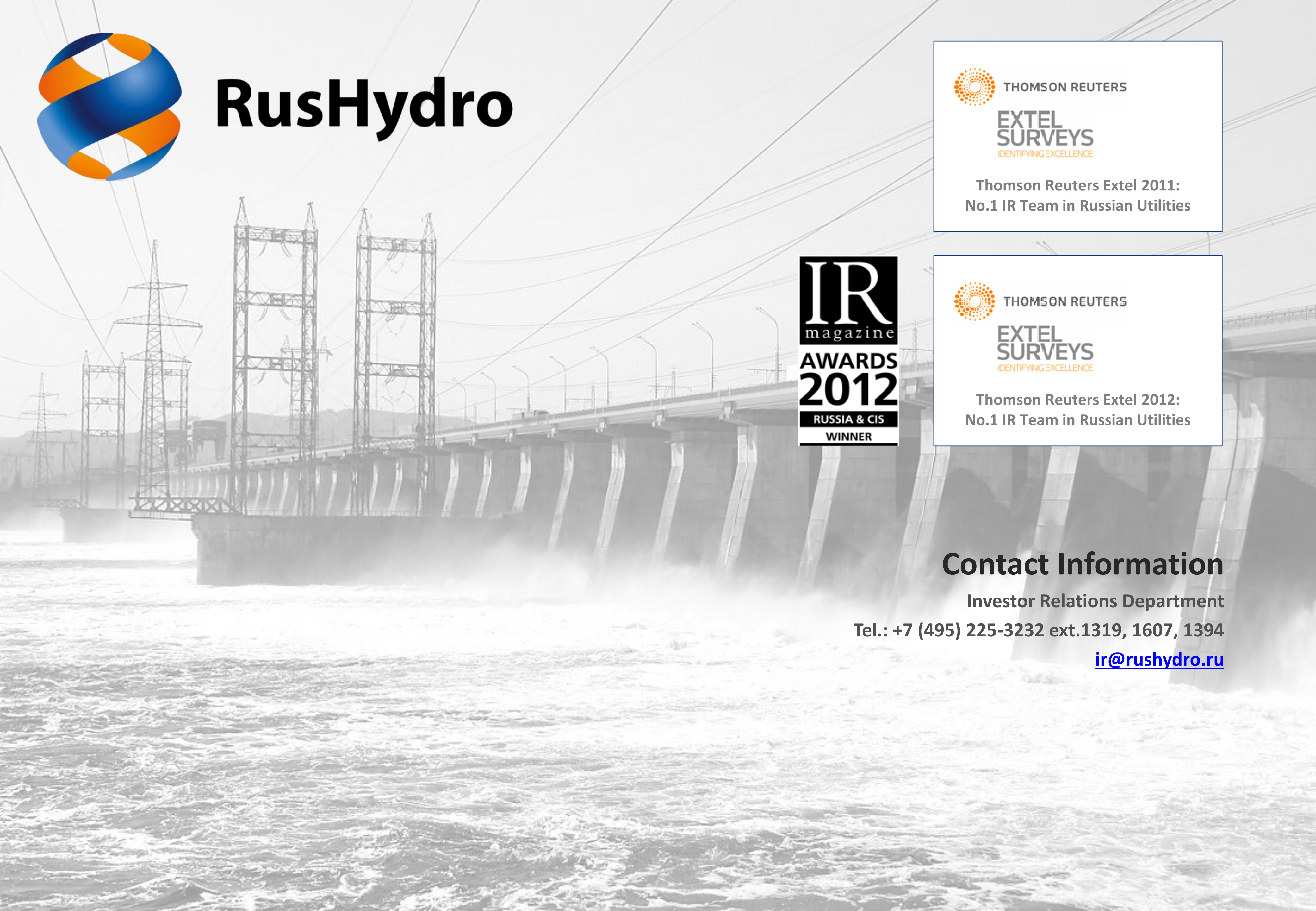
IR calendar 2H 2013

3 quarter	23 July	**2Q 2013 operating update**
	29 August	**1H 2013 IFRS results**
	5-6 September	Sberbank CIB Russia & CIS conference (London)
	9-11 September	HSBC Annual CEEMEA Investor Forum (London)
	11-13 September	Deutsche Bank Global Emerging Markets conference (New York)
	12 September	Morgan Stanley Power & Utility Summit (London)
4 quarter	1-3 October	VTB Capital «Russia calling!» conference (Moscow)
	23 October	**3Q 2013 operating update**
	30 October	**9M 2013 RAS results**
	11-12 November	Bank of America Merrill Lynch Russia & CIS conference (London)
	19-20 November	Goldman Sachs - LatAm & GEMs conference (New York)
	18 December	**9M 2013 IFRS results**

RusHydro



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Thomson Reuters Extel 2011:
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