



RusHydro

**RusHydro Group
1Q 2012 IFRS results &
market update**

August 2, 2012

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- 🌐 **Russia's largest genco and one of the world's largest publicly traded hydro generation companies, with capacity of ca. 35 GW**
- 🌐 **The biggest winner from electricity market liberalization in Russia due to extensive exposure to low-cost hydro generation**
- 🌐 **Focus on improving efficiency of existing assets and successful completion of ongoing M&A deals**
- 🌐 **The most liquid generation company of the Russian stock market, with average daily trading volume of more than USD 50mn**
- 🌐 **Included in the MSCI Emerging Markets and MSCI Russia indices, with weights of 0.09% and 2.1%, respectively**
- 🌐 **GDRs listed on the LSE, ADRs trading OTC and OTC QX in New York**



1Q 2012 operating results update

Generation volumes in 1Q 2012 as well as 4Q2011 results signal of recovery from unprecedented draught of 2010. This coupled with new capacity launches should boost RusHydro output in the mid-term

Electricity generation, GWh

	1Q 2012	1Q 2011	change
Far East	3,277	3,349	-2%
Siberia, including <i>Sayano-Shushenskaya hydropower plant</i>	5,608	5,195	8%
Center	5,408	4,931	10%
South and Northern Caucasus	7,625	7,267	5%
Armenia	1,054	1,042	1%
RAO ES of the East	54	73	-25%
RusHydro Group, total	10,181	9,329	9%
RusHydro Group, total excl. RAO ES of the East	27,800	26,255	6%
	17,619	16,926	4%

Results mainly driven by:

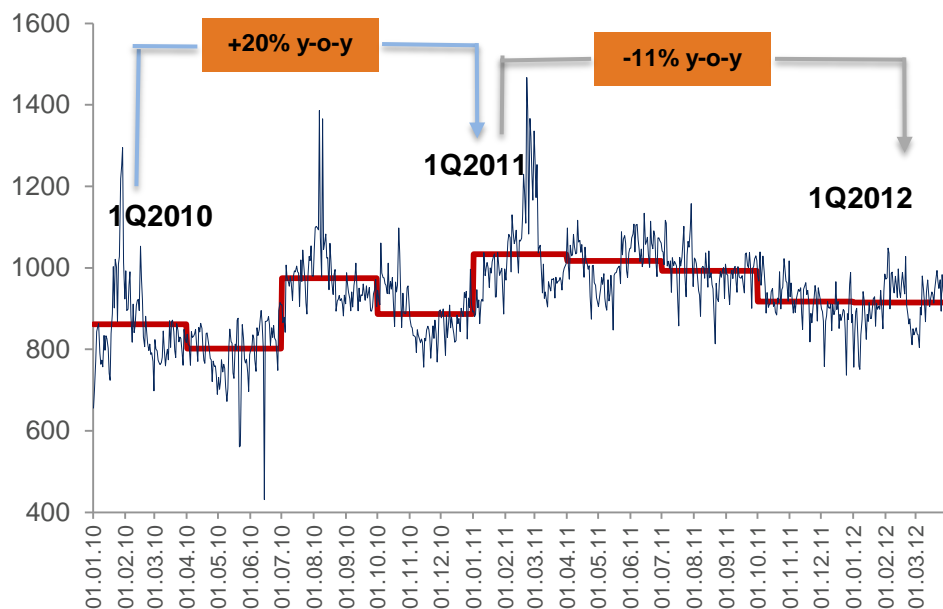
- launch of a fifth 640MW brand new hydro-unit at Sayano-Shushenskaya in December 2011;
- rigorous policy of water usage optimization;
- 5% increase in generation in the Center of Russia, primarily the hydropower plants of Volga-Kama on the back of better hydrological conditions
- 12% increase in generation volumes by Far East Generation Company in 1Q2012 vs 1Q2011, the largest asset of the RAO ES of the East holding

* - the figures are not included in the total sum, as RusHydro acquired Sevan-Hrazdan cascade of hydropower plants in Armenia in March 2011

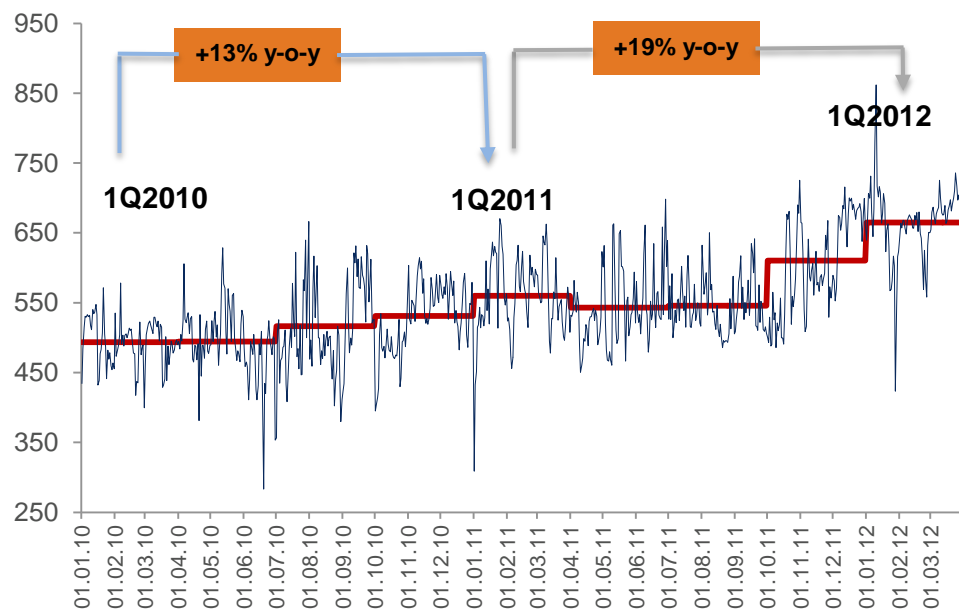
Electricity spot prices dynamics in 1Q 2011/2012

As of 2012 the regulatory period for gas and electricity tariffs was moved to the middle of the year shifting a hike in spot prices to July. Challenging market environment was unfavorable for spot prices in European Russia in 1Q

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



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



- increase of price-taking capacity volumes due to changes in regulation in the 1st price zone;
- lack of high price bids among price-setting generators in the 1st price zone;
- increase of power demand on the day-ahead market in the 2nd price zone

1Q 2012 IFRS financial highlights

Adjusted for disposal group and special investment component RusHydro managed to increase quarterly EBITDA despite challenging market environment and weak spot prices in European Russia

RUR mn	1Q 2012	1Q 2011	Change
Revenue, total (reported), incl.:	85,185	169,944	-50%
Revenue from operations	82,609	168,084	-51%
Government grants (to RAO ES of East)	2,576	1,860	+38%
Comparable revenue *	85,185	74,159	+15%
Expenses	71,280	140,725	-49%
Comparable expenses *	71,280	53,556	+33%
EBITDA**	19,316	30,890	-37%
EBITDA excl. investment component and disposal group ***	19,316	17,590	+9.8%
Net income	10,652	25,858	-59%

Results mainly driven by:

- removal of special investment component in RusHydro's capacity prices as of 2012, which accounted for RUR 4.4 bn of earnings in 1Q 2011 and RUR 12.9 bn – in FY 2011
- weak electricity spot prices in European Russia in 1Q 2012 vs. 1Q 2011
- disposal of 5 electricity retail co's in late March 2011 and acquisition of Bashkortostan retail co in Sep 2011;
- increased electricity generation by hydropower plants on the back of the restoration of the Sayano-Shushenskaya plant, improved hydrology and rigorous water saving policy;
- increased electricity generation (+9%) and heat output (+8.5%) by thermal power plants of RAO ES of East on the back of high consumption growth in the region
- increase in fuel expenses due to gas shortages in the Far East and higher power purchases costs due do acquisition of Bashkortostan retail co

* - excluding financials of disposal group (i.e. financials of 5 retail companies deconsolidated as of March 28, 2011)

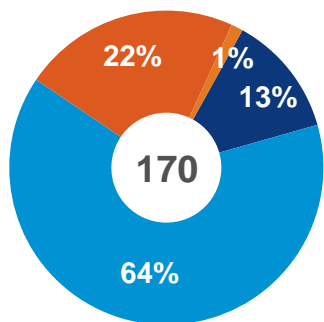
** - EBITDA is calculated as operating profit before depreciation of PP&E and non-cash impairment and disposal charges

*** - 1Q 2011 EBITDA calculation is done based on a number of internal assumptions and may be inaccurate

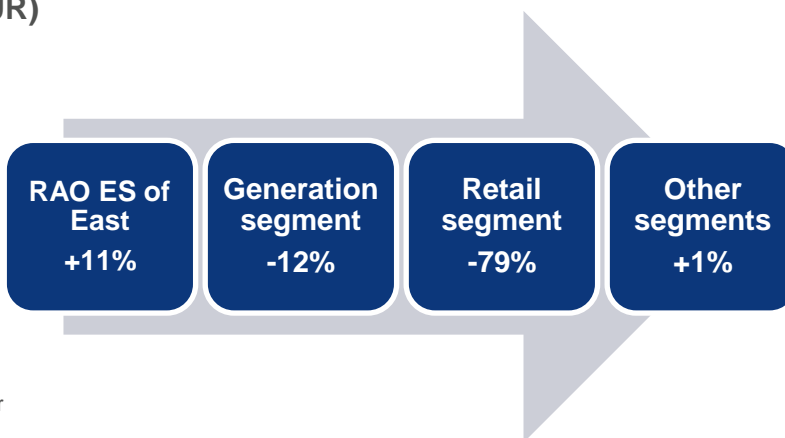
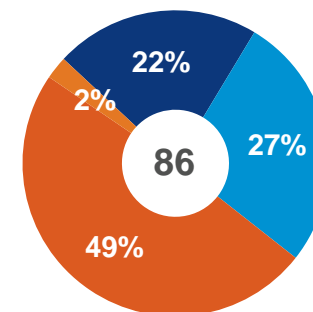
Revenue and EBITDA dynamics

Revenue breakdown highlights 1) the decrease in retail sales following the deconsolidation of 5 retail companies in late March 2011; 2) expected reduction in generation segment after regulatory removal of investment add-on in tariffs; 3) strong seasonal contribution from RAO ES of the East, which generates most of its earnings in 1st and 4th quarters operating in cogeneration mode

Total Revenue* 1Q2011 (bn RUR)

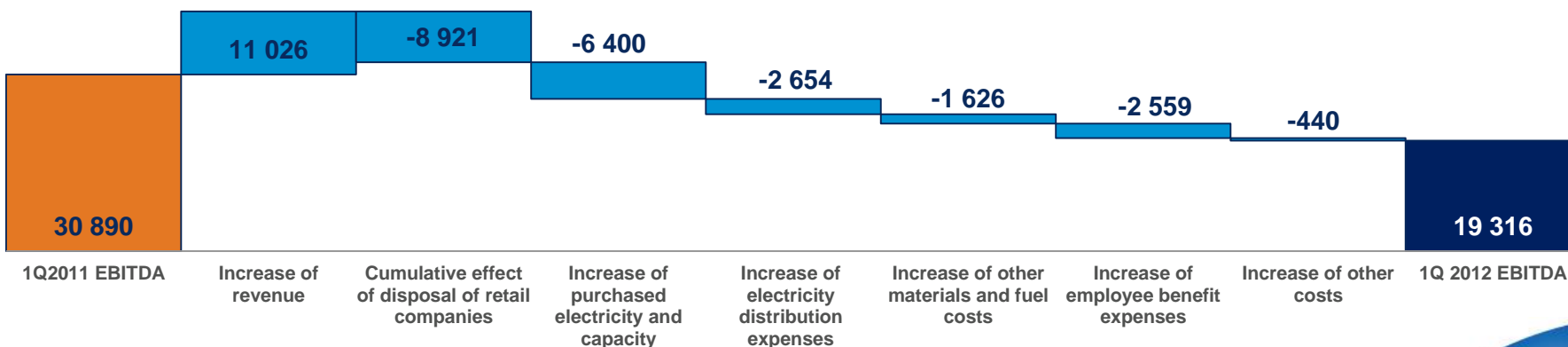


Total Revenue* 1Q 2012 (bn RUR)



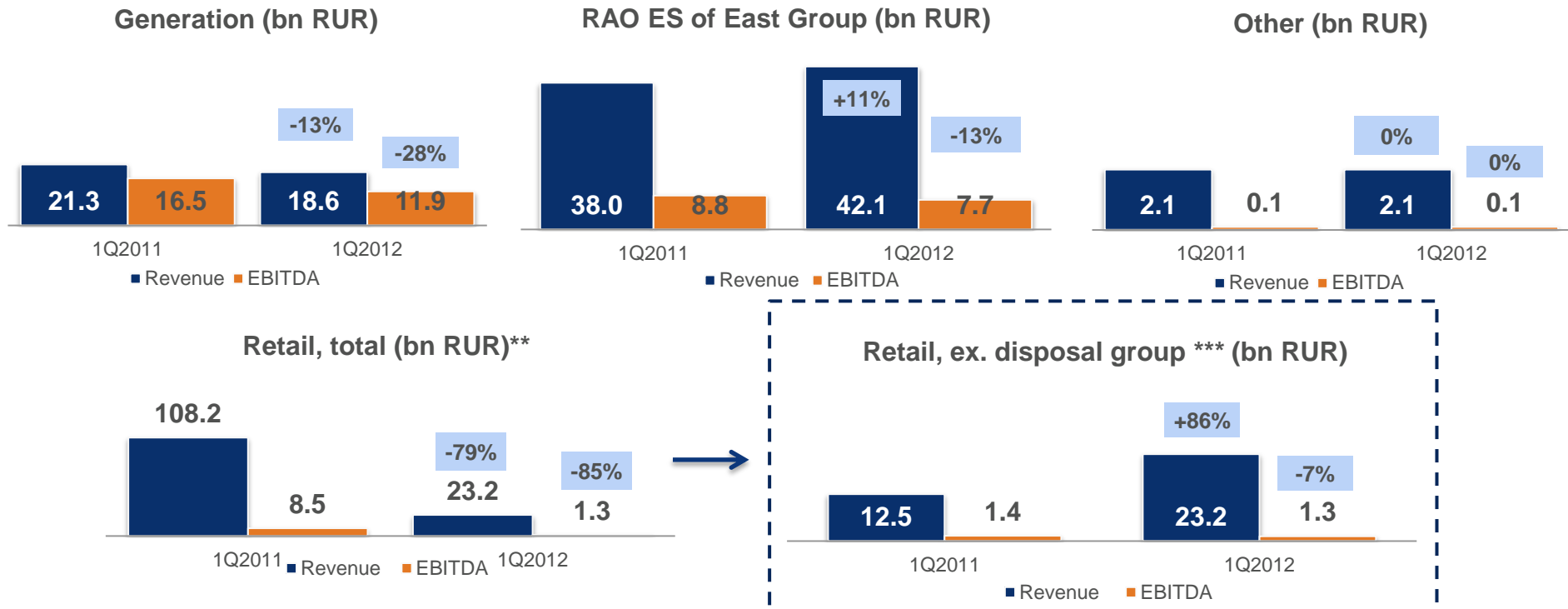
■ Generation ■ Retail ■ RAO ES of East ■ Other

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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 6 of full IFRS report.

Segment Breakdown*



- Revenue and EBITDA reduction in generation segment was a result of expected regulatory removal of investment add-on in tariffs and weak spot prices in the European Russia
- Despite challenging market environment generation segment contributed almost 60% to consolidated EBITDA, remaining the major driver of the Group's profitability
- The revenue from retail segment decreased following the disposal of 5 retail companies, yet despite unfavorable regulation for retail the segment EBITDA (not accounting for disposed operations) remained flat due to strong contribution from newly acquired Bashkortostan retail co

* - currently, RusHydro does segment reporting only based on Russian accounting standards (RAS). Presented revenue figures represent only revenue from external customers under RAS. For details see Note 6 of full IFRS report.

** - 1H 2011 financials include financial results of the disposed retail companies only until the date of their disposal (March 28, 2011)

*** - excluding financials of 5 retail companies divested in March, 2011

Operating Expenses Breakdown

	Reported			excl. disposal group		
	1Q 2012	1Q 2011	chg	1Q 2012	1Q 2011	chg
Purchased electricity and capacity	14,481	54,543	-73%	14,481	8,081	79%
Electricity distribution expenses	13,005	47,209	-72%	13,005	10,351	26%
Fuel expenses	16,576	14,017	18%	16,576	14,017	18%
Depreciation of property, plant and equipment	4,967	4,461	11%	4,967	4,461	11%
Loss on disposal of property, plant and equipment, net	66	-154	-143%	66	-154	-143%
Employee benefit expenses*	11,632	11,863	-2%	11,632	10,086	15%
Taxes other than on income	1,747	1,618	8%	1,747	1,568	11%
Third parties services, including:	4,609	5,206	-11%	4,609	4,272	8%
Repairs and maintenance	489	435	12%	489	354	38%
Rent	539	593	-9%	539	380	42%
Consulting, legal and information expenses	267	355	-25%	267	228	17%
Insurance cost	254	209	22%	254	206	23%
Security expenses	552	507	9%	552	481	15%
Transportation expenses	360	511	-30%	360	482	-25%
Services of SO UES, ATS, CFS	763	869	-12%	763	761	0%
Services of subcontracting companies	503	462	9%	503	448	12%
Agency expenses	87	252	-65%	87	156	-44%
Other third parties services	795	1,013	-22%	795	776	2%
Water usage expenses	1,239	1,984	-38%	1,239	1,212	2%
Other materials	630	627	0%	630	627	0%
Social charges	172	211	-18%	172	192	-10%
Accrual of impairment for accounts receivable, net	378	-2,636	-114%	378	-2,940	-113%
Other expenses	1,778	1,776	0%	1,778	1,783	0%
Total expenses	71,280	140,725	-49%	71,280	53,556	33%

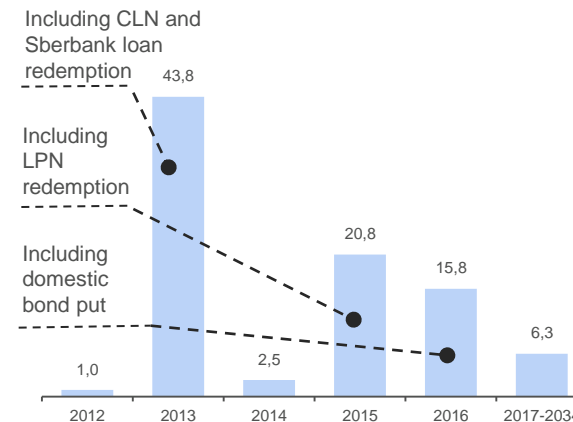
- The overall drop in reported expenses y-o-y was due to disposal of 5 retail companies in March 2011;
- Like-for-like expenses (ex. disposal group) grew by 33% mainly due to payments for purchased electricity, increase of fuel costs of the thermal generation, distribution tariffs;
- Depreciation rose following the commissioning of coastal spillway of Sayno-Shushenskaya hydropower plant

* - incl. payroll taxes, employee stock option plans. expenses and pension benefit expenses

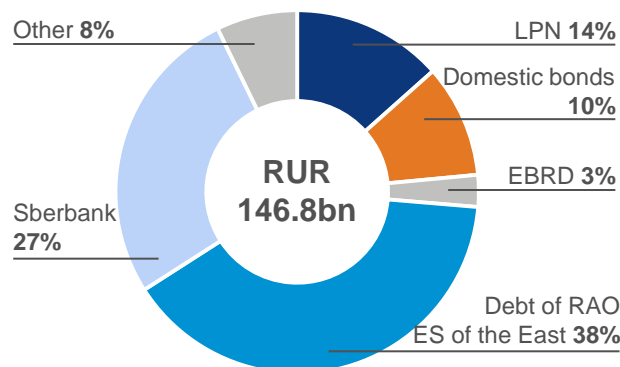
Leverage Profile (as at 1Q 2012)

- Stable share of long term debt at above 80% in 2010-2012
- Low FX risk: RUB denominated borrowings account for major part of debt – over 90%
- Low interest rate risk: floaters account for 4% of the debt book, of which practically 100% hedged
- Current average multicurrency effective interest rate of ca. 8.1% down from 8.9% in 2009
- In May 2011, RusHydro placed a domestic RUB 15bn bond issue, with 8% coupon rate and a put option after 5 years
- In November 2011, Sberbank provided RusHydro with a loan in the amount of RUB 40bn
- In December 2011, RusHydro entered into a credit agreement with UniCredit Bank in the total amount of US\$ 127.8 mn, according to which drawdowns can be made until 2017. As of 31.03.2012 the disbursed amount of the loan was EUR 37.2mn
- Borrowings of RusHydro’s subsidiary, RAO ES of the East, account for RUB 55.6bn and consist of the loans from local banks. Ca. 33% of the outstanding amount is short-term

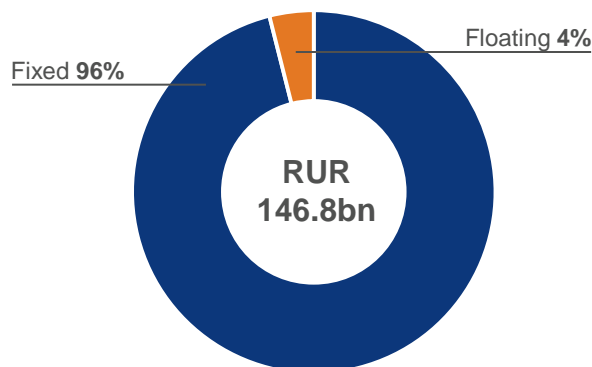
Debt Repayment Profile**, RUR bn



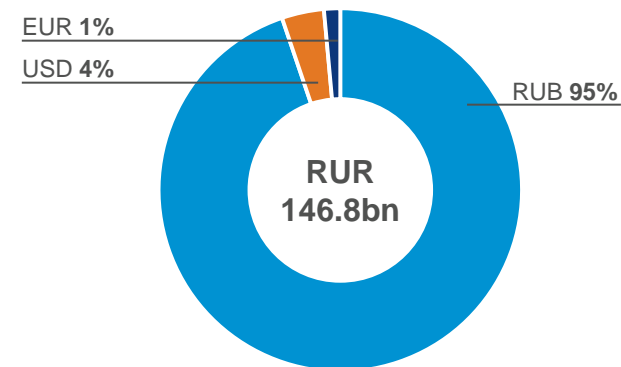
By Sources*



By Interest Rate*



By Currency*



*Excluding derivatives, interest payments, debt of retail companies and BEMA guarantees. Under the BEMA project RusHydro is accountable for a RUB 12.8bn (as of 31.03.2012) drawdown of a loan from VEB to Boguchanskaya HPP (total credit limit is RUB 28.1bn)

** Excluding repayments of RAO ES of the East, leasing and undrawn credit lines

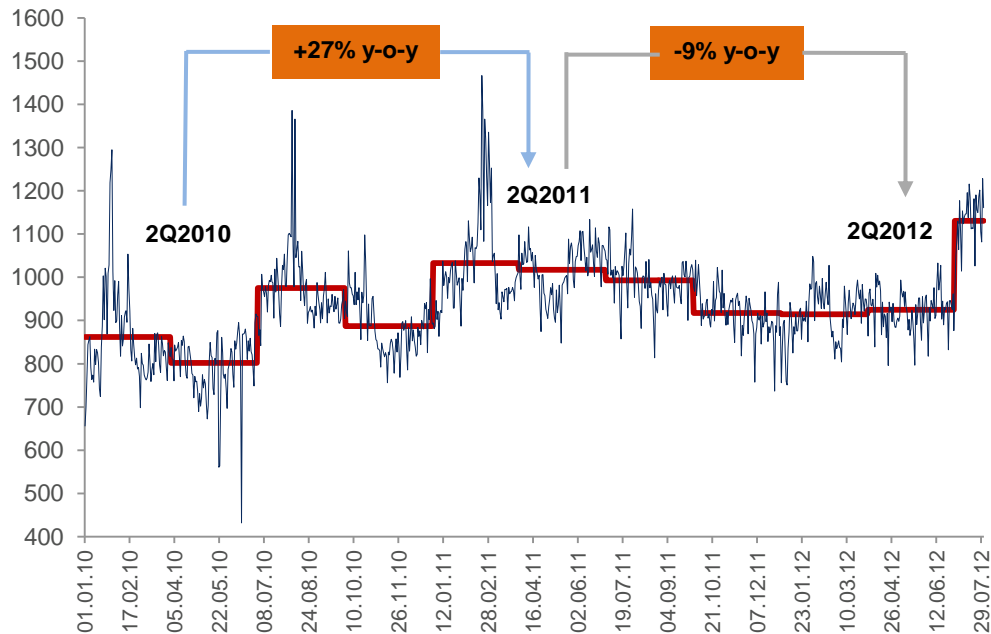
Market update



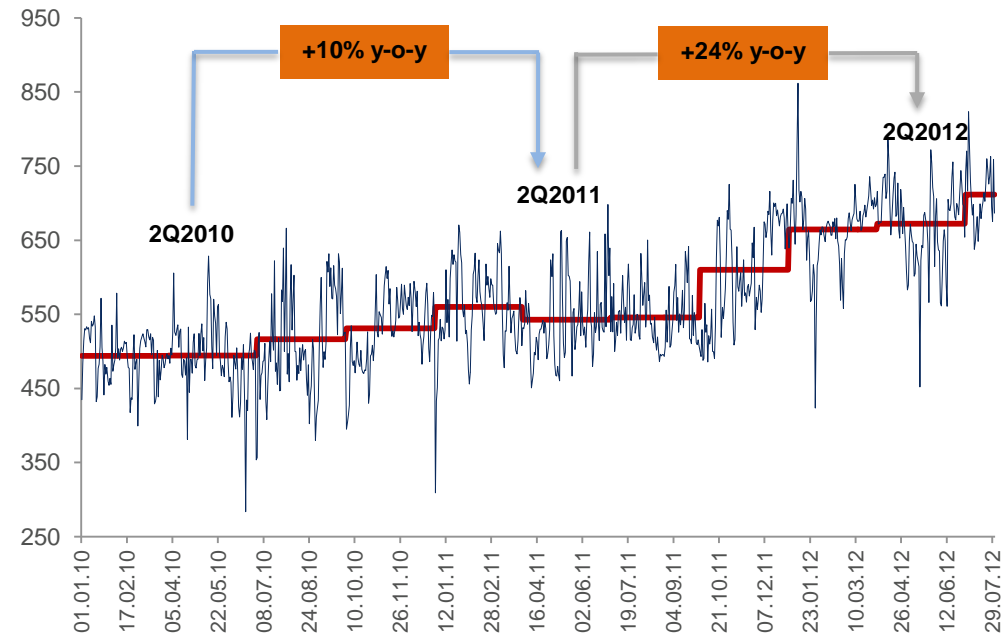
Electricity spot prices dynamics in 2Q 2012

Spot prices continued to be weak in the 1st price zone in 1Q 2012, which was partly offset by strong price dynamics in Siberia. As of July the spot market enjoys a significant price spike following the indexation of gas tariffs and seasonal thermal capacity outages. Higher prices are expected to be sustained through 2012.

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



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



* - the data from the trading operator – JSC ATS

2Q 2012 operating results update

Despite challenging hydrologic conditions in Siberia and the Far East, the favorable situation in European Russia led to an almost 2% increase in hydro generation in 2Q 2012.

RusHydro now expects growth in hydro output of 1-1.5% in FY2012 vs. FY2011, and at least 3.5% growth for RAO ES of East if electricity consumption growth remains strong in 2H 2012

Electricity generation, GWh

	2Q 2012	2Q 2011	chg, %	1H 2012	1H 2011	chg, %
Far East	3,037	3,065	-0.9	6,314	6,414	-1.6
Siberia	5,357	5,531	-3.2	10,965	10,726	2.2
incl. Sayano-Shushenkaya HPP	4,993	4,782	4.4	10,401	9,712	7.1
Center of Russia	11,991	11,437	4.8	19,616	18,704	4.9
South of Russia and North Caucasus	2,066	1,988	3.9	3,120	3,030	3
Armenia	283	315	-10.3	337	388	-13.1
RAO ES of the East	6,836	6,366	7.4	17,025	15,702	8.4
TOTAL	29,569	28,702	3	57,377	54,965	4.4
TOTAL (excl. RAO ES of the East)	22,733	22,336	1.8	40,351	39,262	2.8

Results mainly driven by:

- launch of a fifth 640MW brand new hydro-unit at Sayano-Shushenskaya in December 2011;
- rigorous policy of water usage optimization;
- good water inflow to major reservoirs of Volga-Kama cascade
- 5% increase in generation in the Center of Russia, primarily the hydropower plants of Volga-Kama on the back of better hydrological conditions
- 10.8% increase in generation volumes by Far East Generation Company in 1H 2012 vs 1H 2011, the largest asset of the RAO ES of the East holding, due to growth in electricity consumption of transportation infrastructure

* - the figures are not included in the total sum, as RusHydro acquired Sevan-Hrazdan cascade of hydropower plants in Armenia in March 2011

1H 2012 RAS financial highlights*

Adjusted for disposal group and special investment component RusHydro managed to sustain an almost flat quarterly EBITDA despite challenging market environment and weak spot prices in European Russia

Key financials under RAS, reported (in RUR mn)

	1H 2012	1H 2011	chg
Revenue	44,149	47,005	-6%
Operating costs	(25,697)	(19,033)	+35%
Operating profit	18,452	27,971	-34%
Other revenue	1,713	19,029	-91%
Other expenses	(4,217)	(23,638)	-82%
EBITDA***	23,725	32,335	-27%
Net profit	13,251	18,531	-28%
Net profit (adj.) ****	10,363	14,585	-29%

Comparable key financials under RAS (in RUR mn)**

	1H 2012	1H 2011	chg
Revenue	44,149	39 602	+11%
EBITDA	23,725	24 932	-5%
Net profit (adj.)	10,363	7 182	+48%

Results mainly driven by:

- removal of special investment component in RusHydro's capacity prices as of 2012, which accounted for RUR 7.4 bn of earnings in 1H 2011 and RUR 12.9 bn – in FY 2011
- increased hydroelectricity generation (+2.8%) in 1H 2012
- weak electricity spot prices in European Russia in 1H 2012 vs. 1H 2011
- growth in expenses for purchased power in connection with free bilateral agreements for the sale of electricity concluded in the 1st half of 2012 to optimize the company's cash flow
- higher depreciation due to commissioning of a number of facilities into operation, including the coastal spillway of the Sayano-Shushenskaya hydropower plant (put into operation in 2011) and acquisition of five dams (dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya hydropower plants) from the Russian state as payment for shares of the additional share issue

* - RusHydro RAS financials include only JSC RusHydro, which comprises segment 'Generation' in IFRS accounts

** - Excludes investment component. Until January 1, 2012 RusHydro's tariffs received by hydropower plants included special investment component to ensure the safe operation of hydropower plants and pumped storage plants as well as financing their investments needs. For 2011 the total amount of this tariff mark-up was set at RUR 12.9 bn. As of 2012, the investment component for RusHydro was cancelled.

*** - EBITDA calculated as gross profit before depreciation

**** - Net profit adjusted for the mark-to-market revaluation of listed equity stakes, reserves for financial investment impairment, assets and potentially uncollectible accounts receivable

2012 outlook and key priorities

Production and investments

- Company expects further recovery in electricity production: 1-1.5% yearly growth for hydro, at least 3.5% - for thermal generation
- Better hydrological conditions expected for 2012, water levels in Siberia and the Far East most likely will remain below normal
- Boguchanskaya hydropower plant, JV of RusHydro and RUSAL, will launch 2-4 first 333 MW hydro-units in late 2012 after reservoir filling to project level
- RusHydro will complete the 1st stage (420 MW) of Zagorskaya pumped storage in late 2012, and launch it as of 2013

Market development & regulation

- The impact of regulated capacity tariffs introduced for Siberian hydropower generation and non-indexation of capacity tariffs are non-material for 2012
- Price-capped KOM prices were increased by 6.1% as of July 2012. Gas tariffs increase as of 2H 2012 will improve spot pricing environment
- Retail business will most likely be in the red in 2012 after regulation change; Bashkiria retail company should improve the overall picture

M&A Strategy

- RusHydro plans to sell Far East distribution company to FGC UES in 2012, proceeds will be used to finance key investment projects and optimization of debt portfolio
- RusHydro is actively developing the strategy for integration, streamlining of operations and optimization of the corporate structure of RAO ES of the East
- RusHydro and EuroSibenergo will seek to complete the swap of assets in 2012



Thank you!



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