



# РусГидро



Development strategy of RusHydro  
Group for the period until 2020  
with an outlook for 2025

June 2016

# SWOT ANALYSIS

## Strengths

- High market capitalization growth potential
- Company's scale as a factor of investment appeal
- Low exposure to fuel costs of the company's hydropower fleet
- Long lifetime of hydropower Facilities
- High manoeuvrability and flexibility of the Group's hydropower plants, capability for ancillary system Services
- Hydropower's ability to regulate water flows and output, reducing the risk of flooding in flood periods, to accumulate fresh water and ensure reliable water supply

## Weaknesses

- Dependence of hydropower on climate and natural conditions
- High level of wear and tear of production assets, especially in the Far Eastern Federal District
- Long investment cycle and high capital costs of investment projects
- Residual infrastructure costs and ongoing projects with limited economic efficiency
- Excessive debt of RusHydro Group, primarily due to debt overburden of RAO ES East Subgroup
- Significant discount gap between market and fundamental value of the company

## Opportunities

- Development of the market model incentivizing new projects
- High unutilized technical potential for development of new hydropower projects
- State involvement in strengthening of energy security
- Development and implementation of new types of equipment and technologies to increase operational efficiency
- Regulatory environment favourable for RES development
- Increase of the Company's investment appeal, cooperation with strategic investor (investors)

## Threats

- High cost of capital and limited access to long-term borrowings due international sanctions
- Declining investment opportunities of the state for finance infrastructure development
- Market model ignoring contribution of hydropower and pumped storage to power system stability
- Changes in regulatory mechanisms to support renewable energy development
- Lack of demand from industrial customers in Siberia and the Far East
- Low growth of unregulated wholesale electricity prices
- Shortage of expertise and resources of suppliers and contractors to implement large-scale programs of industry development, the disproportionate growth of prices for materials and equipment
- Threat of technological accidents

# Mission and strategic goals

## MISSION

**Efficient use of water resources, ensuing reliability of Russia's unified energy system, as well as favourable conditions for social and economic development of the Far Eastern regions by providing reliable Access to energy infrastructure for existing and prospective users.**

---

## STRATEGIC GOALS

**Reliable and safe  
operations of  
Company's facilities**

**Steady development  
of power generation**

**Development of  
the Far Eastern  
power generation**

**Growth of the  
Company's value \***

\* Taking into account the Company's priority to ensure reliable and safe operation of generating facilities and energy development in the Far East

# Corporate values

## Clean energy

Environmental safety and respect for natural resources

## Engineering culture

Safe and reliable operation of assets

## Prosperous society

Reliability and infrastructure development, water resources management, development of hydropower generation potential and expansion of renewable energy sources, contributing to the development of regions, the economic growth, welfare and prosperity of society

## Responsible business

Social policy aiming to support employees and residents of the regions where the Company operates

## Leading company

Commitment to leadership through joint efforts of the employees, consolidation of resources and business competence in pursuit of excellence in every aspect of its operations

## United team

Opportunities for further development and fair remuneration of employees to achieve the Company's competitive advantages in different areas of activity (team spirit, self-expression and fulfilment of each person's potential)

## Learning environment

New technologies and unlimited opportunities for development.

## New energy

Professional development of the youth since school years

# Relation between strategic goals, key tasks, measures and key strategy indicators

## STRATEGIC GOALS

Reliable and safe operations of Company's facilities

Steady development of power generation

Development of the Far Eastern power generation

Growth of the Company's value



## Key tasks for main areas

Development and improvement of production and technological complex performance

Investment policy and changing approaches to the investment program development

Operating efficiency and transparency

Improvement of the Far Eastern assets management and the Far East energy development

Human resources development



Implementation of measures in main strategic areas



Key strategy indicators

# Key pillars of value growth

**Increase in efficiency of rehabilitation and modernization program**

**Development of efficient new capacities**

**Reduction of debt of RAO ES East Subgroup**

**Optimization of financial investment portfolio**

**More efficient management of the Far Eastern assets and focus on their operational efficiency**

# Target corporate structure of RusHydro Group

## PJSC RUSHYDRO - GENERATION

### HYDROPOWER GENERATING BRANCHES AND SC SUBSIDIARIES

Bureyskaya HPP	Kabardino-Balkarian branch	Saratovskaya HPP
Volzhskaya HPP	Kamskaya HPP	Sayano- Shushenskaya HPP
Votkinskaya HPP	Karachaevo-Cherkessia branch	North-Osetian branch
Dagestan branch	Cascade of Verhnevolzhskie HPPs	Cheboksarskaya HPP
Zhigulevskaya HPP	Cascade of Kuban HPPs	JSC Kolyimaenergo
Zagorskaya PSHP	Nizhegorodskaya HPP	Boguchanskaya HPP <sup>2</sup>
Zeyskaya HPP	Novosibirskaya HPP	JSC Geoterm
	PJSC KamGEK	Ust-Srednekanskaya HPP <sup>3</sup>

### FOSSIL FUEL GENERATION, TRANSMISSION & DISTRIBUTION ASSETS IN THE FAR EAST <sup>1</sup>

JSC DGK	REGIONAL JSC-ENERGO
JSC DRSK	PJSC Yakutskenergo
PJSC DEK	PJSC Kamchatskenergo
JSC CHPP in Sovetskaya Gavan	JSC Magadanenergo
JSC Blagoveschenskaya CHPP	OJSC Sakhalinenergo
JSC Yakutskaya CHP-2	Others assets of the Far East
JSC Sakhalinskaya CHP-2	

## PJSC RUSHYDRO - OTHERS ASSETS

TECHNOLOGICAL COMPLEX	CONSTRUCTION	REPAIRS & MAINTENANCE	ELECTRICITY RETAIL	JOINT VENTURE COMPANY	PERSONNEL TRAINING
<b>PROJECT DEVELOPMENT</b> JSC Lengidoproekt JSC Lengidoproekt OJSC MOSOBLHYDROPROEKT	Developer <sup>4</sup> Gotsatlinskaya HPP Nizhne-Bureyskaya HPP Zagorskaya PSPP-2 Zaramagskie HPP Leningradskaya PSPP <sup>5</sup>	JSC Hydroremont - VKK Maintenance asset of the Far East <sup>6</sup>	<b>POWER RETAIL COMPANIES (PRC) <sup>7</sup></b> PJSC Krasnoyarskenergosbyt LLC PRC of Bashkorstan JSC Chuvash PRC PJSC Ryazanskaya Regional Power Supply Company	Boguchansky Energy and Metals Complex <sup>8</sup> Alstom-RusHydro Альстом-РусГидро <sup>9</sup> LLC VolgaHydro <sup>10</sup>	Hydropower Corporate University

<sup>1</sup> Currently, asset management functions are carried out by PJSC RAO ES East Subgroup.

<sup>2</sup> As part of the joint 50/50 project with UC RUSAL – Boguchansky Energy and Metals Complex.

<sup>3</sup> 168 MW is now in operation; work to increase capacity to 310.5 MW is underway.

<sup>4</sup> Currently, JSC Management Company HydroOGK is a subsidiary in charge of hydropower projects construction.

<sup>5</sup> The project implementation has been suspended.

<sup>6</sup> O&M assets may be consolidated into a single company on a territorial /specialized activity basis

<sup>7</sup> Currently, JSC ESC RusHydro is manages power retail assets.

<sup>8</sup> Boguchansky Energy and Metals Complex, which consists of Boguchanskaya hydropower plant and Boguchany aluminium smelter.

<sup>9</sup> The joint venture of PJSC RusHydro and Alstom (General Electric) for production of hydropower equipment.

<sup>10</sup> The joint venture of PJSC RusHydro and Voith Hydro for production of hydropower equipment.



**RusHydro**

**Thank you for your attention!**