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RusHydro Group announces its operating results for the 4Q and FY2014

JSC RusHydro (ticker symbol: MICEX-RTS, LSE: HYDR; OTCQX: RSHYY) announces operating results for the 4th quarter and full year ended December 31, 2014, of its branches and the companies of RusHydro Group reflected in consolidated financial statements.

Key highlights:

- Total electricity generation by power plants of RusHydro Group in 4Q 2014 amounted to 26,989 GWh (-12.1%), in 2014 – 113,586 GWh (-8.5%);
- In 4Q 2014, total production by HPPs/PSPPs amounted to 17,527 GWh (-23.5%), in 2014 – 84,115 GWh (-12.1%);
- In 2014, total water inflow to reservoirs of the Volga-Kama cascade, HPPs of the South of Russia and Far East was lower than long-run average, water inflow to major reservoirs of Siberia was close or slightly higher than normal;
- Electricity generation by the plants of RAO ES of East in 4Q – 10,080 GWh (+21.0%), in 2014 – 31,156 GWh (+3.9%);
- The electricity generation by the Boguchanskaya hydropower plant in 4Q 2014 amounted to 2,037 GWh (+23.4%)^[1]; in 2014 – 8,362 GWh (+70.8%);
- Water inflow to reservoirs of major hydropower plants of RusHydro Group in 1Q 2015 is expected to be close to or slightly higher than long-run average.

In the 4th quarter of 2014, total electricity generation by power plants of RusHydro amounted to 26,989 GWh, a 12.1% decrease as compared to the same period of 2013; total power generation in 2014 amounted to 113,586 GWh (-8.5%). In the 4th quarter of 2014, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group decreased electricity generation by 23.5% to 17,527 GWh, in 2014 - by 12.1% to 84,115 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia in the 4th quarter of 2014 increased by 21.5% to 9,460 GWh, in 2014 output rose by 3.8% to 29,470 GWh.

Electricity generation by the plants of RusHydro Group, GWh

	4Q'14	4Q'13	chg, %	2014	2013	chg, %
Center of Russia	7,781	9,663	-19.5%	38,334	42,354	-9.5%
S. of Russia and N.Caucasus	1,364	1,540	-11.5%	6,257	8,106	-22.8%
Siberia	4,632	6,860	-32.5%	22,492	27,276	-17.5%
Total for the price zones	13,777	18,063	-23.7%	67,083	77,736	-13.7%
Far East	3,091	4,290	-28.0%	14,873	15,924	-6.6%
RAO ES of the East	10,080	8,329	21.0%	31,156	30,001	3.9%
Armenia	41	26	59.5%	475	468	1.5%
TOTAL	26,989	30,708	-12.1%	113,586	124,129	-8.5%
incl. by HPPs, PSPPs ^[2]	17,527	22,918	-23.5%	84,115	95,739	-12.1%
incl. by TPPs and other	9,460	7,783	21.5%	29,470	28,390	3.8%
Boguchanskaya HPP	2,037	1,651	23.4%	8,362	4,897	70.8%

The underlying factors of the production change in 2014 were:

- lower than in 2013 and long-run average water inflow to reservoirs of the Volga-Kama cascade;
- water inflow to Sayano-Shushenskoe reservoir – lower than normal;
- increase in electricity generation by TPPs of the Far East due to decreased hydro production in the unified power system of the Far East as well as growth in electricity consumption;

- launch of the last three hydropower units at the Boguchanskaya HPP in the second half of 2014.

Center of Russia

Water inflow to reservoirs of the Volgo-Kama cascade from the beginning of 2014 was lower than long-run average. In the beginning of the spring flood the snow packs at the Upper Volga were close to its historical minimum, water storage in reservoirs of the Volgo-Kama cascade amounted to 26.5 km³ which is by 11 km³ lower than last year. In the 3rd and the 4th quarter of 2014 water inflow to reservoirs located on the Upper Volga was 35-60% of normal. Water inflow to the Cheboksarskoe and Kamskoe reservoirs was close to normal, to Kuibyshevskoe and Nizhnekamskoe reservoirs 10-20% higher than normal.

Total water inflow to reservoirs of the Volgo-Kama cascade in the 4th quarter of 2014 amounted to 34.0 km³ as compared to the average of 36.6 km³. In 2014 water inflow amounted to 223.7 km³ as compared to the average of 255.9 km³. Water reserves in reservoirs of the Volgo-Kama cascade in the beginning of the 1st quarter of 2015 amounts to 41.7 km³ which is 22.5% lower than long-run average.

Total electricity generation by RusHydro's hydropower plants of the Volgo-Kama cascade together with Zagorskaya pumped storage plant in the 4th quarter of 2014 amounted to 7,781 GWh, 19.5% decrease as compared to the same period of 2013. In 2014, generation reached 38,334 GWh, which is 9.5% lower than in the same period of the previous year.

South of Russia and North Caucasus

Water conditions on the rivers of the South of Russia and North Caucasus in 2014 were close or lower than the long-run average.

In 2014 water inflow to Dzauzhikavskaya and Chirkeyevskaya HPPs was close or slightly lower than normal. In the 4th quarter of 2014 water inflow to Krasnodarskoe reservoir on the Kuban' river and Dzauzhikavskaya HPP was 20-60% lower than normal. Water inflow to Chirkeyevskaya HPP was close to long-run average.

The electricity generation by the hydropower plants of the South of Russia and North Caucasus in the 4th quarter of 2014 decreased by 11.5% to 1,364 GWh, in 2014 - by 22.8% to 6,257 GWh.

Siberia

In the 1st half of 2014, water inflow to major reservoirs of Siberia was close or slightly higher than long-run average. From May 31, 2014, due to increase in forecasted water inflows in the beginning of June the Novosibirskaya HPP has been releasing water through spillways which allowed to increase flood-control storage to carry flood water over during overflow in Altayskiy region. In the 3rd quarter of 2014, water inflow to major reservoirs of Siberia was 20-60% lower than long-run average.

In December and the 4th quarter of 2014, water inflow to Novosibirskoe reservoir was 25% higher than long-run average; to Sayano-Shushenskoe reservoir – 15% lower than long-run average.

In the 4th quarter of 2014 the Boguchanskaya hydropower plant increased electricity generation by 23.4% to 2,037 GWh as compared to the same period of 2013, in 2014 the plant generated 8,362 GWh as compared to 4,897 GWh generated in the same period of the previous year. In December 2014, the last 333 MW hydropower unit has been commissioned and put into commercial operation at the Boguchanskaya hydropower plant. Total installed capacity of all nine hydro-units in operation amounts to 2,997 MW. Actual capacity of nine hydro-units in operation amounts to 2,880 MW. The plant will reach its full capacity of 3,000 MW once the reservoir level is filled to the design reservoir level is 208 m (the reservoir level as of the end of December was 204.5 m). The reservoir should be filled during 2015.

Total electricity generation by RusHydro's Siberian hydropower plants in the 4th quarter of 2014 decreased by 32.5% to 4,632 GWh, in 2014 - by 17.5% to 22,492 GWh.

Far East

Water level during flood period in 2014 in the Far East of Russia was low. Total water inflow to reservoirs of the Zeyskaya and Bureyskaya HPPs in the 3rd quarter of 2014 amounted to 23.3 km³ which is 2x less than in the same period of 2013.

In the 2nd and 3rd quarter of 2014 Magadan region experienced intensive floods. The average water inflow to hydropower plants of RusHydro located on the Kolyma river amounted to 3100 m³/s, which is almost twice as high as normal level of 1740 m³/s. The main reason for high water inflow was intensive snow melting as well as heavy rains in the region. In September, the Kolymaskaya HPP had been releasing water through spillways to provide for navigable water level on the Kolyma river. Currently, all Far eastern hydropower plants are experiencing a substantial lowering of water inflows due to subzero temperatures, all plants are operating normally.

In December and the 4th quarter of 2014, water inflow to Zeyskoe reservoir amounted to 85% and 55% of normal level respectively; to Kolymskoe reservoir – 40-70% higher than long-run average.

Total electricity generated by hydro and geothermal power plants of the Far East in the 4th quarter decreased by 28.0% to 3,091 GWh. In 2014, the generation decreased by 6.6% to 14,873 GWh.

In the 4th quarter of 2014, the generating assets of RAO ES of the East, a subsidiary of RusHydro, produced 10,080 GWh of electricity, 21% increase as compared to the 4th quarter of 2013. In 2014, the generation increased by 3.9% to 31,156 GWh. Of this total, 74% (23,124 GWh) was generated by JSC Far East Generating Company, which increased production by 4.9%, mainly due to 7.1 % decrease in electricity output by the Zeyskaya and Bureyskaya hydropower plants, as well as increase in electricity consumption by 0.6% as compared to the previous year. In 2014, electricity generation by the companies operating in isolated energy systems of the Far East and JSC Mobile energy (Peredvizhnaya energetika) amounted to 8,032 GWh, which is 0.8% higher than in 2013.

In 2014, heat output by thermal plants of RAO ES of the East decreased by 2%, as compared to 2013, and amounted to 31,165 thousand GCal.

Armenia

In the 4th quarter of 2014, electricity generation by the Sevan-Hrazdan cascade of hydropower plants in Armenia increased by 59.5% to 41 GWh, in 2014, electricity generation increased by 1.5% to 475 GWh. The power generation by the plants of the cascade is dependent on water inflows of the Hrazdan river and water releases from lake Sevan.

Power retail

In the 4th quarter of 2014, total electricity output by RusHydro's retail companies, operating in Bashkiria, Chuvashia, Ryazan and Krasnoyarsk regions, amounted to 10,622 GWh, a 3% increase as compared to the same period of 2013. In 2014, electricity output by RusHydro's retail companies totaled 37,564 GWh, which is 5% lower than in 2013.

The decrease in electricity output is primarily attributable to transfer of a number of major consumers of Bashkiria power retail company to independent wholesale electricity purchases within electricity market liberalization in the second half of 2013.

Water inflows forecast

According to the forecast of the Hydrometeorologic Center of Russia, the following dynamics of water inflows to the major reservoirs is expected in the 1st quarter of 2015:

- water inflow to the Uglichskoe and Rybinskoe reservoirs is expected to be 10-25% lower than normal, to the Gorkovskoe, Cheboksarskoe, Kamskoye reservoirs - close to long-run average; to Kuibyshevskoe, and Nizhekamskoye reservoirs – 65% higher than normal; total water inflow to major reservoirs of the Volgo-Kama cascade in the 1st quarter is expected to be 23.5-28.5 km³ as compared to the average of 21.3 km³;
- water inflow to the reservoirs of hydropower plants located in the North Caucasus is expected to be close to long-run average; to Krasnodarskoe reservoir – close or slightly lower than normal;
- water inflow to major reservoirs of Siberia is expected to be close to normal;

- water inflow to the Zeyskoe reservoir is expected to be 10-15% higher than normal; to the Kolymskoe reservoir will remain high, as well as in the second half of 2014, and will be 2.2-2.6x higher than normal.

[1] The Boguchanskaya hydropower plant 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 press-release for general reference.

[2] Includes generation by HPPs of JSC RusHydro, Kolymskaya HPP and Viluiskie HPPs, part of RAO ES of East group.

About RusHydro

RusHydro Group is one of Russia's largest generating companies. RusHydro is the leading producer of renewable energy in Russia with over 70 generating facilities in Russia and abroad. The company also manages a number of R&D, engineering and electricity retail companies. Group's thermal assets are operated by subsidiary – RAO Energy System of East in the Far East of Russia. Total electricity generation capacity of the Group is 37.5 GW, heat capacity – 16.2 thousand GCal/h.

Russian Federation owns 66.8% in RusHydro, the rest is held by other institutional and individual shareholders (over 360,000). The company's stock is traded on Moscow Exchange (MOEX), and included in MSCI EM и MSCI Russia indexes. Company's GDRs in the IOB section of LSE, ADRs – in OTCQX.

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We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia and rapid technological and market changes in our industries, as well as many other risks specifically related to RusHydro and its operations.