

November 27, 2013

Results of survey of the sagging of the powerhouse of Zagorskaya pumped storage plant No.2

JSC RusHydro (ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces that according to the preliminary data the erosion of the foundation soil of the Zagorskaya pumped storage plant No. 2 was caused by inefficient performance of impervious system of the plant. Insufficient efficiency of the impervious system is explained by particularities of the system design and insufficient exploration of the foundation soil. The final conclusion on the causes of the accident will be made following additional surveys of the powerhouse after it's fully dried up.

The impervious system of the pumped storage plant is situated below the powerhouse foundation, and is designed to protect hydraulic facilities from ground water.

The facilities of the Zagorskaya pumped storage plant No. 2 are unique: the plant is built on soft soil, which is a rare technical solution for such hydraulic facilities. As a rule, the pump storage plants are being built on hard-rock foundations, but hard rocks foundations are not very typical for the Central region of Russia. Weak foundation soil and insufficient measurement instrumentation provided by the design of the plant didn't allow to forecast negative development of the situation. The situation was also complicated by the fact that Hydroproject, the design institute responsible for the design of both Zagorskaya pumped storage plant No. 1 and No. 2, was acquired by RusHydro only in the fall of 2010.

The design of the Zagorskaya pumped storage plant No. 2 was in development since 1990. In 2007 it was approved by the Federal main directorate for government expert evaluation (Glavgosexpertisa). The project documentation had been developed de facto in the absence of normative documentation regulating construction of pump storage hydropower plants.

Immediately after the accident, restoration operations began. On the side of the tailrace an earthfill link was built during September 18 and October 7, isolating the plant building from the lower reservoir and allowing gradual pumping of water to begin. Currently, practically all water had been pumped out and is now below the floor of the powerhouse, and part of the equipment has been examined. Examination of the equipment will be completed after the power house building will be fully dried up.

The conditions of hydrotechnical facilities have been stabilized. According to the timeline of restoration works, the powerhouse and the adjacent territories will be fully dried up by the middle of February 2014. The next step will include measures aimed at restoring the powerhouse to the proper position, after that fine-tuning of equipment will begin in order to prepare the plant for commissioning.

Currently, RusHydro prepares the necessary documents for the insurance companies. The evaluation of the damage may take several months. The total indemnity has already been estimated, however, the total compensation will be determined after full restoration plan is developed.

Seepage of water into the turbine room of the Zagorskaya pumped storage plant No. 2 in construction was noticed at 10.57 p.m. MSK on September 17, 2013. At the moment of accident 15 people were working inside the powerhouse, all of them managed to leave the building. During subsequent several hours the turbine room and the adjacent territory have been flooded. Inspection has revealed that the plant building has subsided. The flooding of the powerhouse took place via broken expansion joints and intakes of unfinished water pipes. The follow-up research, including via drilling wells in the vicinity of the right-wing part of the plant building, has identified erosion of soil. It is this soil erosion that has caused the building to sag.

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 36.5 GW, heat capacity – 16.2 thousand GCal/h.

Russian Federation owns 67.1% in RusHydro, the rest is held by other institutional and individual shareholders (over 360,000). The company's stock is traded on the MICEX and RTS stock exchanges, 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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