



RusHydro

**Presentation of issues submitted
to the AGM of RusHydro
held on June 30, 2011**

June 2011

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The Leading Russian Utility & Renewables Player

- 🌐 **Russia's largest genco and one of the world's largest publicly traded hydro generation companies, with capacity of 26 GW and market capitalization of USD 14bn**
- 🌐 **Focus on acquiring new generation assets in Russia, which remain undervalued**
- 🌐 **The biggest winner from electricity market liberalization in Russia due to extensive exposure to low-cost hydro generation**
- 🌐 **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**
- 🌐 **An extremely strong balance sheet with just 0.3X net debt/EBITDA in 2010**
- 🌐 **GDRs listed on the LSE, ADRs trading OTC and OTC QX in New York**

Key Achievements and Events in 2010

- **Restoration of 2560 MW at the Sayano-Shushenskaya HPP**
- **Strategic plan until 2015 approved by the Board of Directors**
- **Acquisition of blocking stake in Krasnoyarskaya HPP**
- **Government decreed to transfer 40% stake in Irkutskenergo, 5 dams in Siberia and other hydro assets to RusHydro**
- **Project financing for completion of JV project with RUSAL (HPP + Aluminum smelter construction) secured from state-owned VEB**
- **Acquisition of a 100% stake in Moscow Hydroproject institute as part of expanding engineering and R&D capability**
- **Successful ruble-denominated Eurobond placement**
- **Launch of a new stock options program for the management and employees**

2011 Outlook and Key Priorities

Production

- The Company expects an increase of electricity generation in 2011 by 11-15% vs. 2010 on the back of further restoration of Sayano-Shushenskaya HPP

Market development & regulation

- The impact of regulated capacity tariffs introduced for Siberian hydropower generation is non-material for 2011 financials
- Regulated electricity sales (for households) expected at 26% of planned output in 2011, capacity sales – 28%

M&A Strategy

- Further consolidation of Siberian assets
- RusHydro will seek new acquisitions in Russia and abroad at attractive valuations
- The development of the generation sector in Siberia and in the Russian Far East seen as a priority
- RusHydro will intensify negotiations with foreign strategic investors

Corporate Governance

- Board of Directors approved dividends for 2010
- Quarterly IFRS as of 2H 2011



Overview of Issues Submitted to the AGM



Agenda of AGM

- 1. Approve the 2010 Annual Report and annual financial statements, including the Company's profit and loss statement*
- 2. Profit distribution (including: dividend payments (announcement) and the Company's losses based on results of FY 2010)*
- 3. Elect members of the Company's Board of Directors*
- 4. Elect members of the Company's Audit Commission*
- 5. Approve the appointment of the Company's auditor*
- 6. Pay remuneration to members of the Company's Board of Directors*
- 7. Determine the quantity, face value and category (type) of the Company's declared shares and the rights attached to these shares*
- 8. Approve the Company's Articles of Association, as amended*
- 9. Increase the Company's authorized capital*
- 10. Approve the Provision on the Procedure for Convening and Running the Board of Directors meetings*
- 11. Approve interested-party transactions.*

Key BoD proposals:

- **The Board of Directors proposes the dividend payment in the amount of RUR 2,497 mn;**
- **The Board of Directors proposes the increase of the number of authorized share capital by 100 bn shares;**
- **The Board of Directors proposes the issue of additional 89 bn shares;**
- **The Board of Directors proposes transactions between RusHydro and VTB.**



RusHydro

Share issue 2011: List of Acquired Assets & Corporate Actions Agenda

Russian Federation

Budget funding of RUR 3.13 bn to complete Gotsatlinskaya HPP

Boguchanskaya HPP (2.87%)

JSC Geotherm (12.96%)

JSC Zaramagskie HPPs (2.89%)

JSC KamGEK (96.58%)

JSC Kolymaenergo (34.49%)

JSC Pavlodol'skaya HPP (100%)

JSC Trest Hydromontazh (25.62%)

JSC Ust'-Srednekanskaya HPP (37.21%)

5 dams of Angara HPPs cascade

JSC RAO ES of East (52.68%)

JSC Sakhalin energy company(19.36%)

JSC Yakutskenergo (1.54%)

JSC DEK (1.04%)

Inter RAO UES

JSC Irkutskenergo (40%)

June

•AGM to approve the additional share issue of 89 bn shares

Jul

•BoD to approve valuation parameters of assets to be contributed to RusHydro and the price of issued shares

Aug-Sep

•**Pre-emption rights period.** Russian Government to contribute 52.68% in JSC RAO Energy Systems of East, 5 dams of Angara cascade, shares of a number of energy companies

Sep-Oct

•**Open subscription to shares.** At this stage Inter RAO to contribute its 40% stake in Irkutskenergo

Nov-Dec

•Approval of the results of additional share issue by the Federal Financial Markets Service of Russia

Jan-Feb 2012

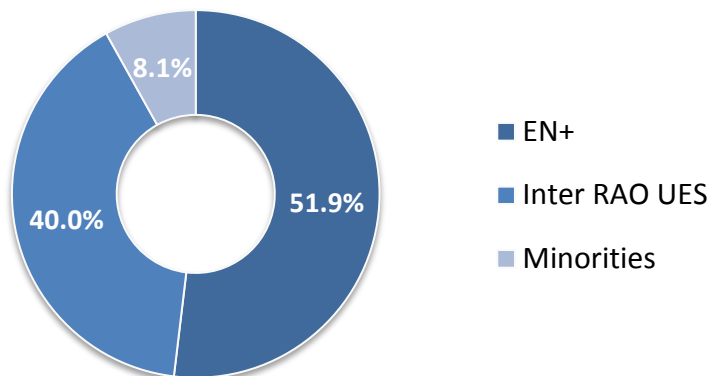
•Combination of new share issue with outstanding stock

Consolidation of these assets will create operational and financial synergies, strengthen company's position vis-à-vis its peers and give RusHydro a stronger foothold in Siberia and Far East of Russia

Key Assets Acquired via Share Issue (1): 40% of Irkutskenergo

JSC Irkutskenergo is a large vertically-integrated power company in Siberia with low-cost hydro representing 70% of generation mix, significant heat output, coal mines and electricity T&D assets under operation

Current Shareholding



- 12.9 GW of installed electric capacity, of which 9 GW is represented by 3 large hydropower plants
- 61.4 TWh of electricity and 25.7 mn Gcal generated in 2010
- 14.6 mn tons of coal mined in 2010, covering ca. 85% of Irkutskenergo needs
- EBITDA in 2010 totaled RUR 16.4bn (+56%), EBITDA margin – 26% (vs. 20% in 2009)

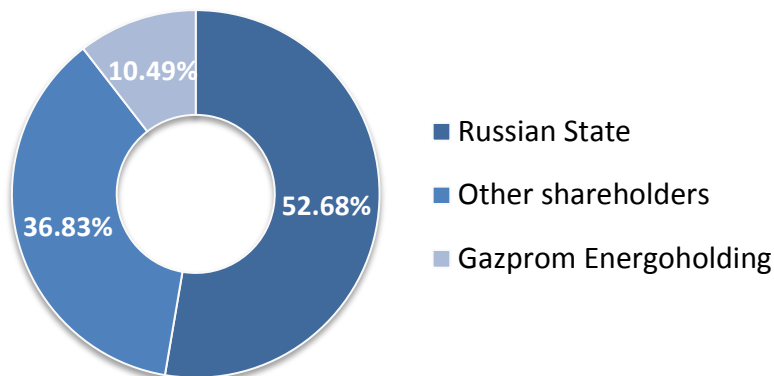
Transaction rationale and sources of additional value for RusHydro

- Ownership of 40% of Irkutskenergo, 25% of Krasnoyarskaya HPP and 5 dams of Irkutskenergo could be swapped (subject to negotiation) to at least a blocking stake in EuroSibenergo, that will become a very liquid asset after potential IPO in Hong Kong;
- Synergies with RusHydro's existing businesses, including project design, engineering, R&D
- Additional value from exposure to increasing aluminum prices
- Opportunities for closer cooperation between power generating business of RusHydro and one of the largest industrial consumers of electricity – UC RUSAL.

Key Assets Acquired via Share Issue (2): 52.8% of RAO ES of East

JSC RAO Energy Systems of East and its subsidiaries form a vertically-integrated holding, comprising power and heat generating plants, transmission and distribution assets of the Russian Far East

Current Shareholding



- 8.8 GW of installed electric capacity
- 16.7 thousand GCal/h of installed heat capacity
- 35 thousand km of electricity T&D lines (30-220 kV)
- 27.5 TWh of electricity and 30.5 mn GCal/h of heat generated in 2010
- Fuel mix - 73% of coal, 20% - gas, 7% - fuel oil and diesel
- Area of operations accounts for over 1/3 of Russia's territory

Development agenda for Far Eastern assets and sources of additional value

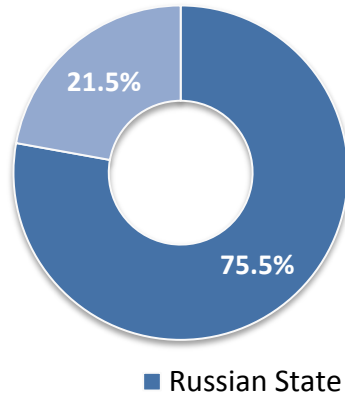
- 🌀 **Redistribution of load from inefficient thermal power plants to more efficient low-cost hydropower plants, which should attract larger industrial customer base**
- 🌀 **Gradual decommissioning of the most inefficient and expensive thermal plants on the back of higher load of existing hydro plants and commissioning of new hydro capacities;**
- 🌀 **Export of electricity surplus to China which currently seeks greater exposure to clean energy and faces constant electricity demand increase**



Transactions qualified as “interested parties transactions” with VTB Bank

JSC VTB Bank is one the largest banking groups in Russia. With its unique position on the Russian market the bank offer highly competitive terms and quality of service for clients like RusHydro

Current Shareholding



- 2nd largest bank in Russia by assets
- Baa1/BBB ratings from S&P, Moody’s and Fitch rating agencies
- RusHydro and VTB have a successful track-record of cooperation (from 2001 till 2008 before RAO UES reorganization)

- **Transactions between RusHydro and VTB Bank proposed by the BoD and qualified as related-party transactions:**
- *Approval of a contract (inter-connected contracts) for depositing monetary assets*
- *Approval of a transaction (inter-connected transactions) for establishing a minimum balance for monetary assets on the account(s)*
- *Approval of a transaction (inter-connected transactions) on the procedure for a credit overdraft in the Bank*
- *Approval of a contract (inter-related contracts) for opening a credit line*
- *Approval of a contract (inter-connected contracts) for credit extension*
- *Approval of a contract (inter-connected contracts) for a bank guarantee*
- *Approval of a contract (inter-connected contracts) for opening a letter of credit*
- *Approval of a contract (inter-connected contracts) for remote banking*

In compliance with regulations the Russian Federation cannot vote for these transactions, thus they are subject to approval by a simple majority (>50%+1) of non-related shareholders

The agreements between RusHydro and VTB Bank could be approved only by non-related shareholders. In case the agreements approved, there’s no risk of “exclusivity” or non-market pricing, as RusHydro will keep on working with a wide selection of leading financial institutions on arm’s length basis.



Thank you!

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