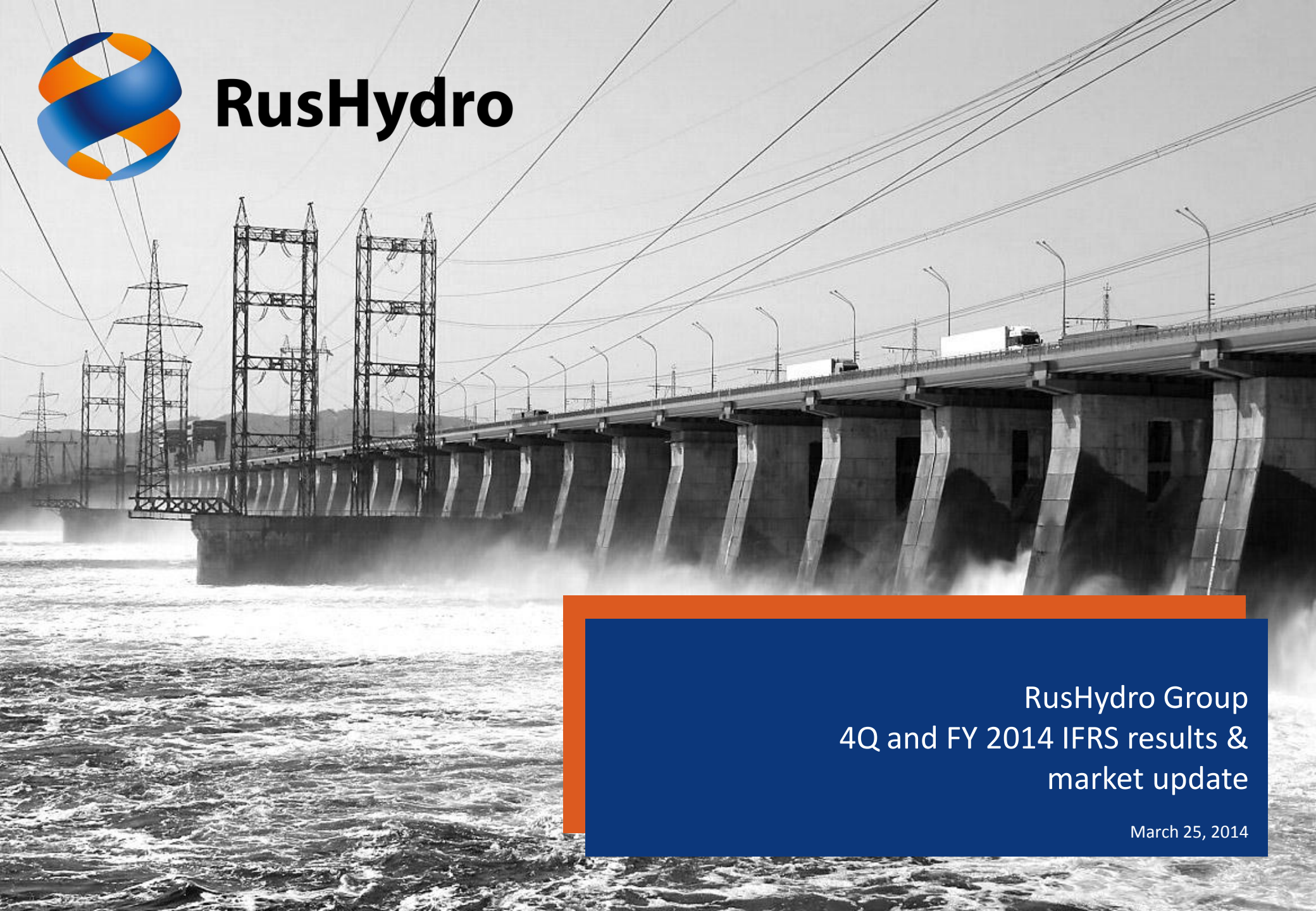




# RusHydro



## RusHydro Group 4Q and FY 2014 IFRS results & market update

March 25, 2014

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# Key points of 2014

## January-September 2014

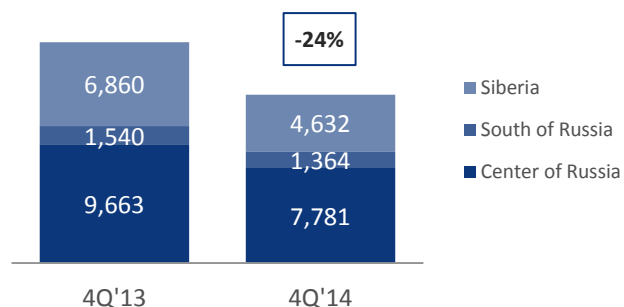
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- Securing facilities in total amount of EUR 190 mn from ING Bank and Crédit Agricole Corporate & Investment Bank Deutschland for modernization of Saratovskaya HPP
- RusHydro approved a new dividend policy providing a payout taking into consideration consolidated net profit under IFRS
- Liberalization of 65% of capacity sales from hydro in Siberia from May 1, 2014 (fully regulated as of 2011)
- AGM approved payment of the dividend for 2013 in the amount of RUB 0.01358751 per share, or RUB 5.2 bn in total (25% of reported net profit under IFRS)
- Evgeny Dod was reappointed as Chairman of the Management Board of RusHydro for the next 5-year period
- RusHydro Group acquired 3.39% of its own shares via a swap for 25% minus 1 share stake in JSC Krasnoyarskaya HPP between JSC Hydroinvest, 100% subsidiary of RusHydro, and JSC Eurosibenergo
- Launch of two 333 MW hydropower units at the Boguchanskaya hydropower plant
- The Board of Directors approved changes in organizational structure of JSC RusHydro aimed at creation of a “flatter” management structure, reduction of number of employees and lowering costs
- Successful completion of restoration of the Sayano-Shushenskaya HPP by launch of hydro-unit No.2 the most damaged during the accident
- RusHydro agreed to cooperate with PowerChina in development of the Leningradskaya PSPP and China Three Gorges Corporation (CTG) on joint development of reservoir-based flood-control hydropower projects in the Russian Far East
- The Board of Directors approved a long-term development program of RusHydro Group aimed at reliability and safety improvement of the Company’s generating facilities, sustainable development of electricity generation and the Company’s value growth

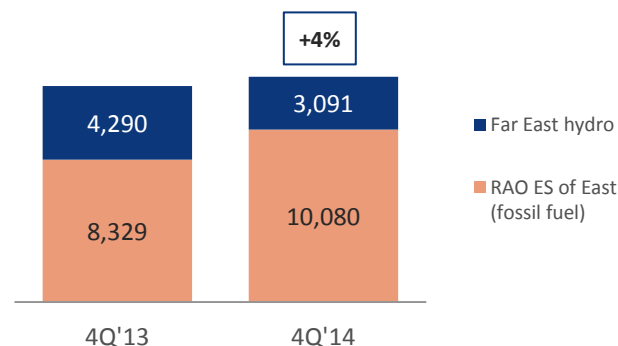
# 4Q'14 and FY'14 operating results

- lower than FY2013 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.

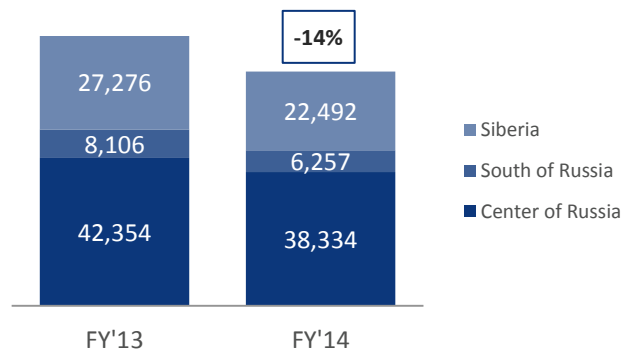
4Q'14/4Q'13 – Europe & Siberia (price zones), GWh



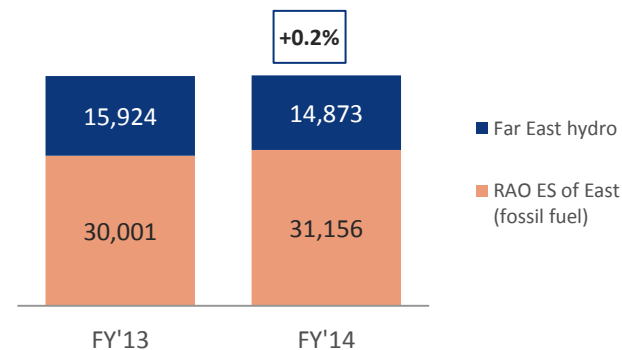
4Q'14/4Q'13 – Far East (non-price zone), GWh



FY'14/FY'13 – Europe & Siberia (price zones), GWh

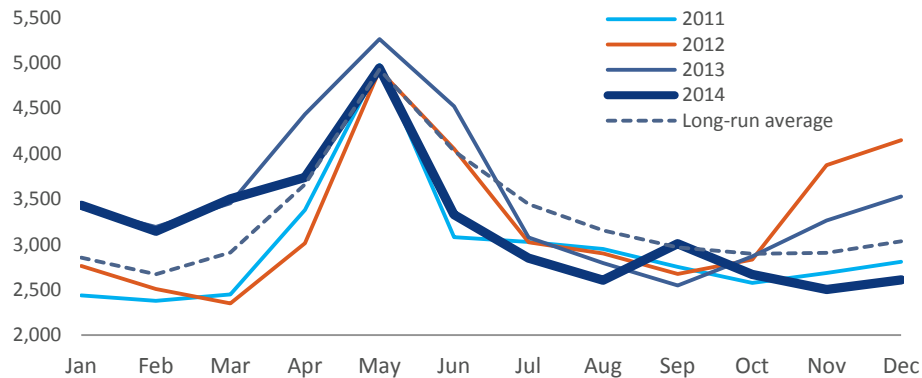


FY'14/M'13 – Far East (non-price zone), GWh

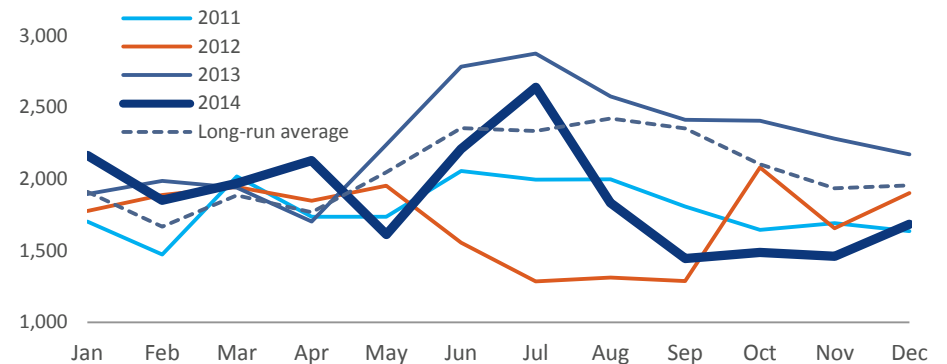


# Hydro production trends 2011-2014

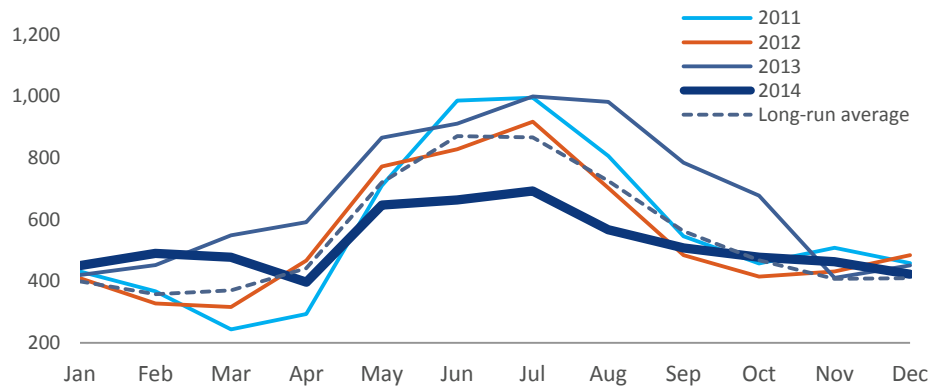
## Center of Russia, GWh



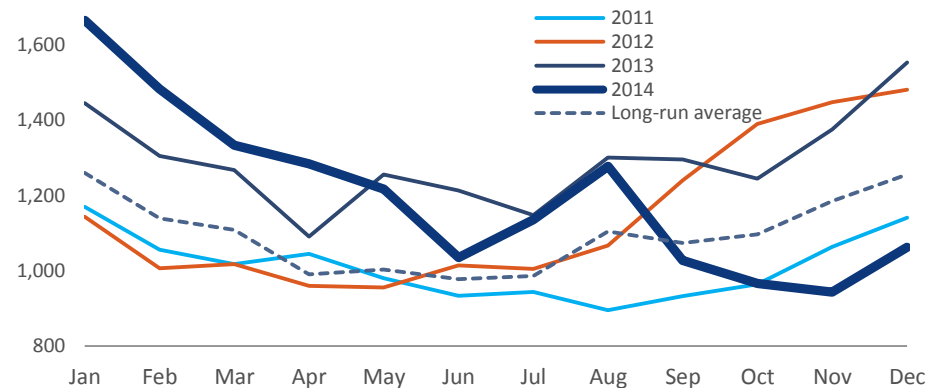
## Siberia, GWh



## South of Russia & N. Caucasus, GWh



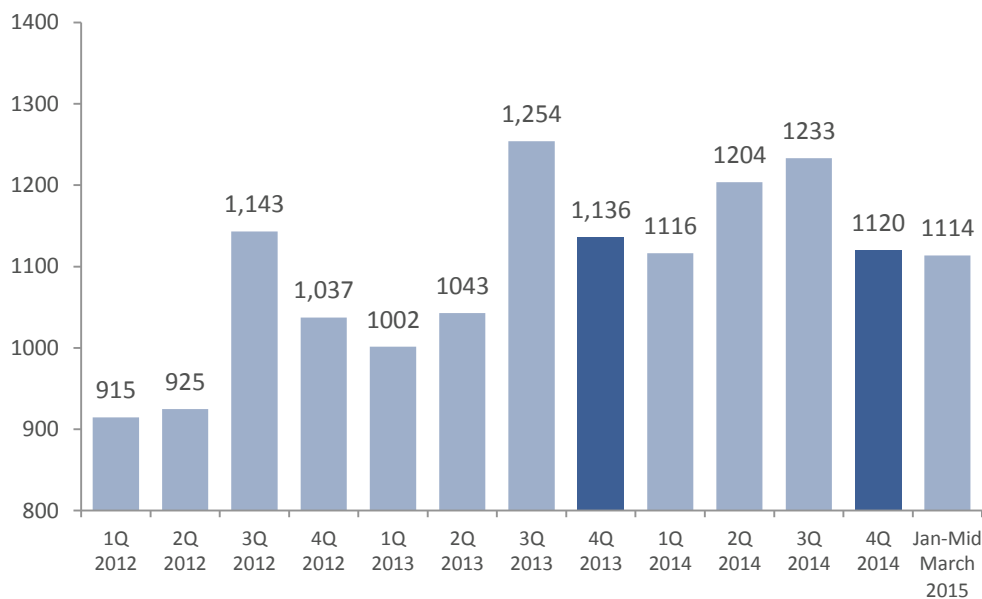
## Far East, GWh



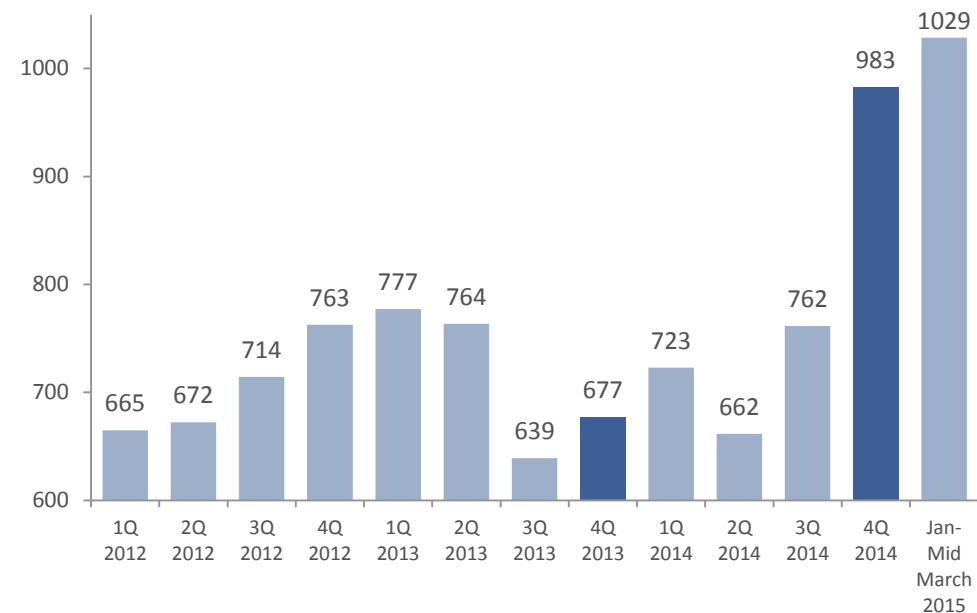
# Spot market overview

- Average selling spot power prices in European Russia in FY'14 – RUB 1,227/MWh (+9.1%), in 4Q'14 – RUB 1,241/MWh (+4.8%); in Siberia in FY'14 – RUB 777/MWh (+18.1%), in 4Q'14 – RUB 977/MWh (+48.9%);
- Non-indexation of gas tariffs as of 2H'14 put downward pressure on spot prices in the 1<sup>st</sup> price zone;
- Important factor that resulted in price decrease in the 1<sup>st</sup> price zone was higher nuclear generation in 2H'2014;
- Apart from the removal of Siberia-Ural cross-flow restriction, the main reason for significant increase in the 2<sup>nd</sup> price zone – prices reached historical highs – was hydro generation drop to 2.5-year lows due to low water levels.

Europe and Urals (1<sup>st</sup> price zone), RUB/MWh\*



Siberia (2<sup>nd</sup> price zone), RUB/MWh\*



# Financial results overview

## Key highlights

- Decrease in year-on-year electricity output was partly offset by:
  - a) higher unregulated prices in Siberia, almost flat price in the European part of Russia;
  - b) resumption of “last mile” arrangement in the Far East;
  - c) partial liberalization of capacity sales in Siberia as of May 2014;
- Negative factors affecting profitability:
  - a) low hydro output;
  - b) non-indexation of regulated gas tariffs (“tariff freeze”) resulting in flattish unregulated power prices in the 1<sup>st</sup> price zone;
  - c) higher inflation in 4Q’14;
  - d) higher expenses for personnel, depreciation and electricity distribution;
- FY’14 EBITDA – **RUB 73,249 (-7.5%)**; FY’14 underlying (adjusted) net profit\*\* – **RUB 39,777 mn (-24.5%)**;
- Weighted-average EPS for 2014 increased by 8% to **RUB 0.0689 per share**;

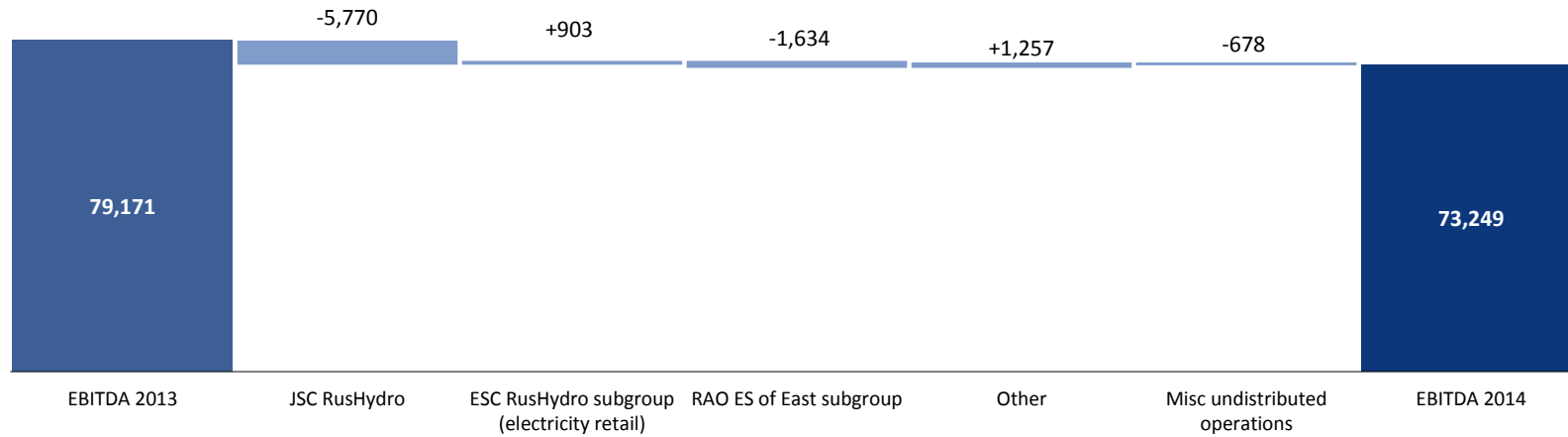
RUB billion	FY’14	FY’13	chg	4Q’14	4Q’13	chg	3Q’14	3Q’13	chg	2Q’14	2Q’13	chg	1Q’14	1Q’13	chg
<b>Revenue, total, incl.:</b>	<b>342.0</b>	<b>326.9</b>	<b>4.6%</b>	<b>100.9</b>	<b>94.2</b>	<b>7.1%</b>	<b>70.2</b>	<b>69.0</b>	<b>1.7%</b>	<b>76.2</b>	<b>74.4</b>	<b>2.4%</b>	<b>94.7</b>	<b>89.3</b>	<b>6.0%</b>
Revenue from operations	329.6	313.6	5.1%	96.3	88.2	9.2%	68.0	67.1	1.3%	73.7	71.7	2.8%	91.6	86.5	5.9%
Government grants	12.4	13.3	-6.8%	4.6	6.0	-23.3%	2.2	1.9	15.8%	2.5	2.7	-7.4%	3.1	2.8	10.7%
Expenses	290.8	265.8	9.4%	85.8	72.9	17.7%	65.1	60.3	8.0%	65.4	62.1	5.3%	74.6	70.5	5.8%
<b>EBITDA*</b>	<b>73.2</b>	<b>79.2</b>	<b>-7.6%</b>	<b>21.7</b>	<b>26.6</b>	<b>-18.4%</b>	<b>10.1</b>	<b>13.5</b>	<b>-25.2%</b>	<b>15.9</b>	<b>15.7</b>	<b>1.3%</b>	<b>25.5</b>	<b>23.4</b>	<b>9.0%</b>
Net profit	24.1	21.0	14.8%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net profit (adj.)**</b>	<b>39.8</b>	<b>52.7</b>	<b>-24.5%</b>	<b>13.4</b>	<b>22.8</b>	<b>-41.2%</b>	<b>2.1</b>	<b>6.8</b>	<b>-69.1%</b>	<b>8.5</b>	<b>8.5</b>	<b>0.0%</b>	<b>15.9</b>	<b>14.6</b>	<b>8.9%</b>
EBITDA margin	21.4%	24.2%	-2.8pp	21.5%	28.2%	-6.7pp	14.4%	19.6%	-5.2pp	20.9%	21.1%	-0.2pp	26.9%	26.2%	+0.7pp
Net margin	11.6%	16.1%	-4.5pp	13.3%	24.2%	-10.9pp	3.0%	9.9%	-6.9pp	11.2%	11.4%	-0.2pp	16.8%	16.3%	+0.5pp

\* EBITDA is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale, and gain from curtailment in pension plan and pension payment, disposal of subsidiaries and associates.

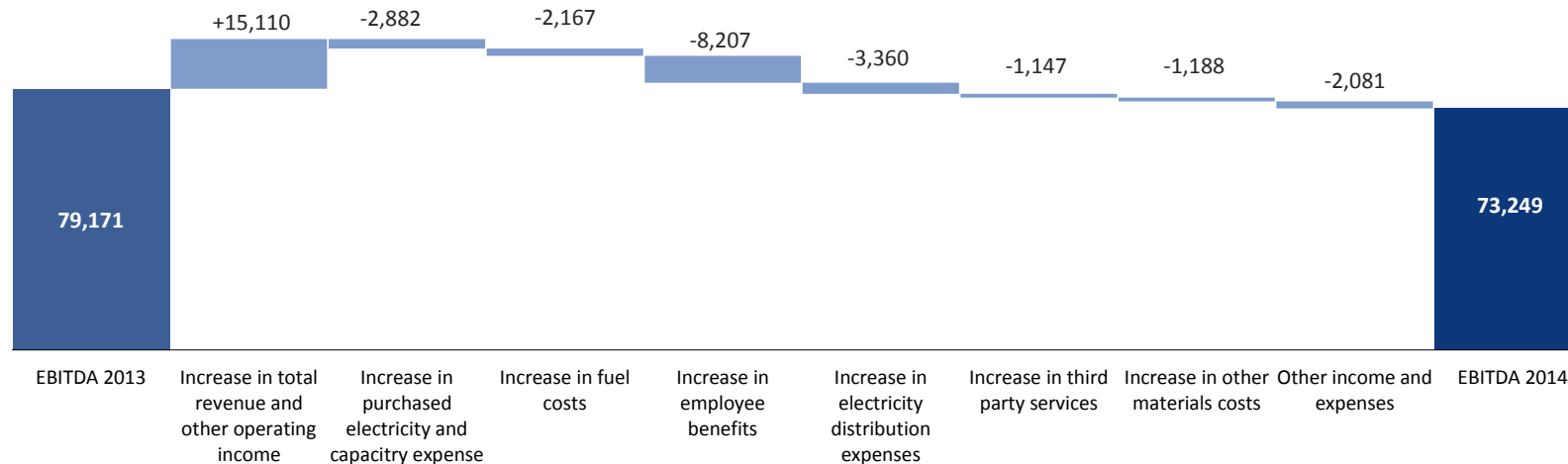
\*\* Net profit is adjusted for the effects of impairment of property, plant and equipment and remeasurement of net assets of subsidiary acquired exclusively with a view for resale, impairment of available-for-sale financial assets, accounts receivable, property, plant and equipment of associates, long-term promissory notes, loss on disposal of property, plant and equipment, reversal of impairment of investments and property, plant and equipment of associates and gain from curtailment in pension plan and pension payment.

# FY14 EBITDA: segment and cost analysis

## EBITDA bridge – segment review



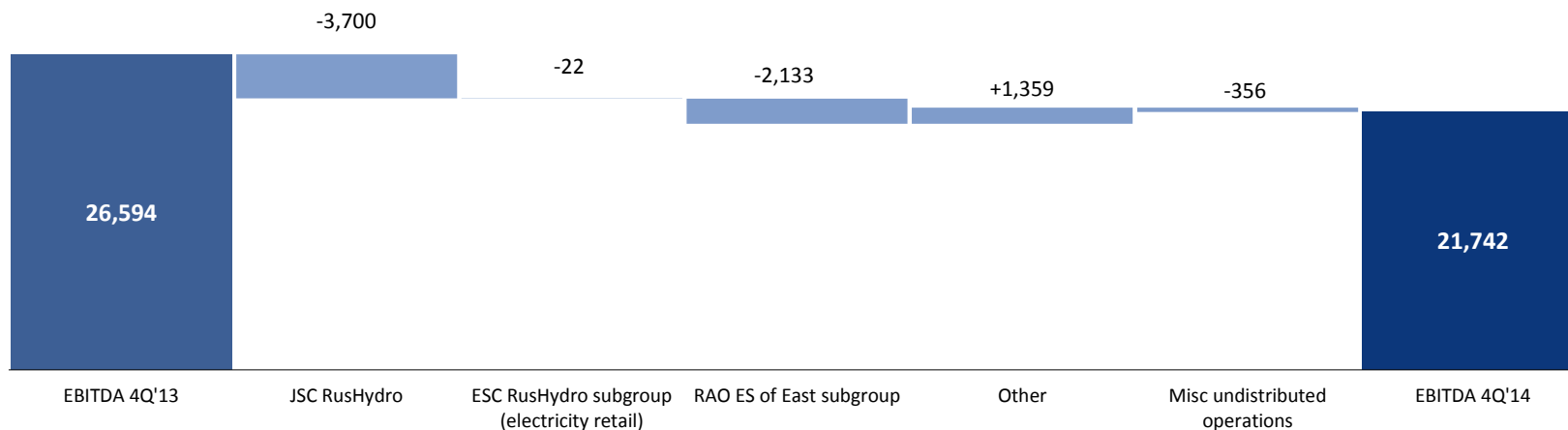
## EBITDA bridge – cost analysis



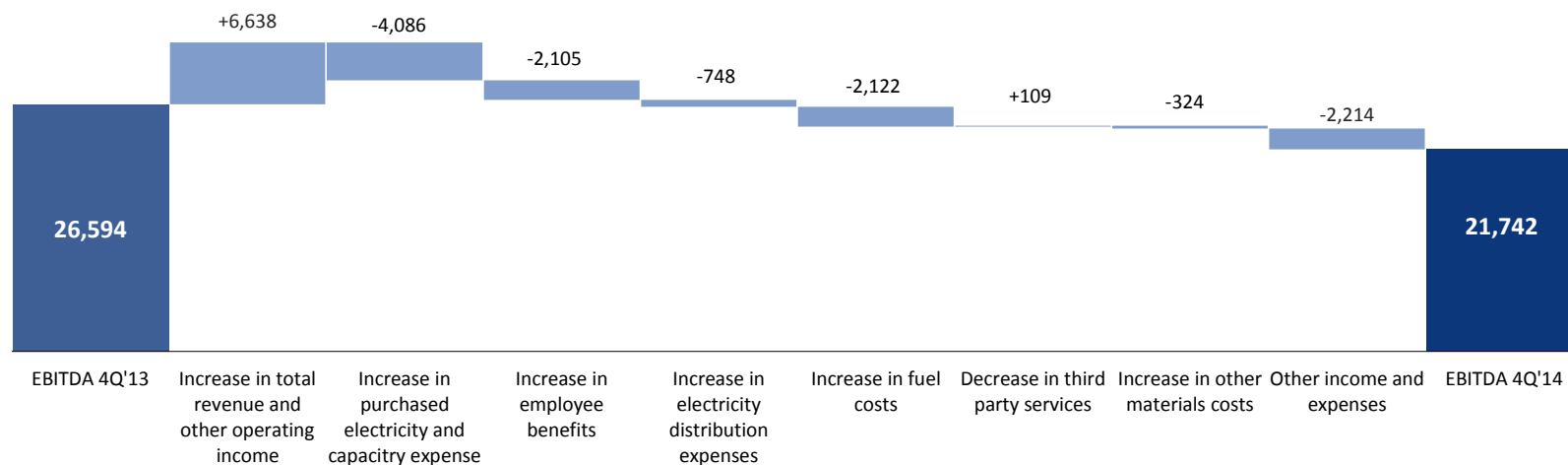


# 4Q'14 EBITDA: segment and cost analysis

## EBITDA bridge – segment review



## EBITDA bridge – cost analysis



# OPEX overview

## Key highlights

- **Employee benefit expenses:** indexation of salaries of personnel of JSC RusHydro branches as well as annual indexation of salaries of personnel of subsidiaries and associates of RusHydro Group; one-off bonus payment to the Company's employees for execution of a three-year program aimed to enhance operational and investment efficiency.
- **Purchased electricity and capacity:** electricity and capacity expense was up mostly due to higher purchase prices from unregulated market, increase in electricity purchase by Zagorskaya PSP and higher purchase cost from Bilibinskaya NPP.
- **Electricity distribution expenses:** an increase in electricity distribution expenses is attributable to higher electricity transmission tariffs
- **Depreciation of property, plant and equipment and intangible assets:** increase in depreciation of fixed assets due to reclassification of DRSK (Far Eastern grid operations) following the management's decision not to sell DRSK

RUB mn	FY'14	FY'13	chg	4Q'14	4Q'13	chg
Employee benefit expenses	65,114	56,907	14.4%	17,668	15,563	13.5%
Purchased electricity and capacity	57,504	54,622	5.3%	18,340	14,254	28.7%
Fuel expenses	46,639	44,472	4.9%	15,411	13,199	16.8%
Electricity distribution expenses	41,282	37,922	8.9%	11,455	10,707	7.0%
Third parties services	29,299	28,152	4.1%	8,737	8,846	-1.2%
Depreciation of PP&E and intangible assets	21,340	18,218	17.1%	5,856	4,346	34.7%
Other materials	10,787	9,599	12.4%	2,616	2,292	14.1%
Taxes other than on income	9,008	9,295	-3.1%	2,337	1,778	31.4%
Water usage expenses	2,656	2,742	-3.1%	594	705	-15.7%
Social charges	2,274	2,082	9.2%	564	474	19.0%
Other expenses/income	4,935	1,752	181.7%	2,235	713	213.5%
<b>Total expenses</b>	<b>290,838</b>	<b>265,763</b>	<b>9.4%</b>	<b>85,813</b>	<b>72,877</b>	<b>17.8%</b>

# Segment review\* (1/3) – Hydropower: hit by low water and “tariff freeze”

FY'14 and 4Q'14 results (IFRS), RUB mn

	4Q'14	4Q'13	chg	FY'14	FY'13	chg
<b>Revenue</b>	<b>23,433</b>	<b>25,303</b>	<b>-7.4%</b>	<b>98,581</b>	<b>99,138</b>	<b>-0.6%</b>
from external companies	21,136	21,636	-2.3%	89,177	88,882	0.3%
- sales of electricity	14,119	15,747	-10.3%	64,016	66,132	-3.2%
- heat sales	54	47	14.9%	144	141	2.1%
- sales of capacity	6,722	5,783	16.2%	23,467	22,317	5.2%
- other revenue	241	59	308.5%	1,550	292	430.8%
from intercompany operations	2,297	3,667	-37.4%	9,404	10,256	-8.3%
Gain on disposal of subsidiaries and associates	-	224	n/a	-	224	n/a
<b>Operating expenses</b>	<b>(12,080)</b>	<b>(10,474)</b>	<b>15.3%</b>	<b>(41,233)</b>	<b>(36,244)</b>	<b>13.8%</b>
Depreciation	(3,674)	(2,408)	52.6%	(12,173)	(11,380)	7.0%
Non-cash items	(5,358)	(17,628)	-69.6%	(9,560)	(28,826)	-66.8%
<b>EBITDA</b>	<b>11,353</b>	<b>15,053</b>	<b>-24.6%</b>	<b>57,348</b>	<b>63,118</b>	<b>-9.1%</b>
EBITDA margin	48.4%	59.5%	-11.1pp	58.2%	63.7%	-5.5pp
Capex	15,277	10,819	41.2%	42,496	35,632	19.3%
Debt				113,060	102,576	10.2%

Key highlights

- Average selling spot power prices in European Russia in FY'14 – RUB 1,227/MWh (+9.1%), in 4Q'14 – RUB 1,241/MWh (+4.8%); in Siberia in FY'14 – RUB 777/MWh (+18.1%), in 4Q'14 – RUB 977/MWh (+48.9%);
- In 4Q'14, hydropower and pumped storage power plants decreased electricity generation by 23.5% to 17,527 GWh, in FY'14 – by 12.1% to 84,115 GWh;
- Gas tariffs were hiked 15% from July 1, 2012 and July 1, 2013; cancellation of gas tariff indexation in 2014 so far led to stabilization of spot prices in the 1st price zone;
- Weak production was partly offset by partial liberalization of capacity sales in Siberia.

# Segment review\* (2/3) – RAO ES of East: supported by low hydro and T&D business

## FY'14 and 4Q'14 results (IFRS), RUB mn

	4Q'14	4Q'13	chg	FY'14	FY'13	chg
<b>Revenue</b>	<b>52,925</b>	<b>48,908</b>	<b>8.2%</b>	<b>162,699</b>	<b>152,829</b>	<b>6.5%</b>
from external companies	48,150	42,494	13.3%	149,935	138,925	7.9%
- sales of electricity	29,167	25,059	16.4%	93,888	86,550	8.5%
- heat sales	11,780	11,111	6.0%	33,912	33,002	2.8%
- sales of capacity	1,084	910	19.1%	4,268	3,102	37.6%
- other revenue	6,119	5,414	13.0%	17,867	16,271	9.8%
from intercompany operations	186	407	-54.3%	351	671	-47.7%
government grants	4,589	6,007	-23.6%	12,413	13,233	-6.2%
<b>Operating expenses</b>	<b>(43,792)</b>	<b>(37,642)</b>	<b>16.3%</b>	<b>(147,301)</b>	<b>(135,797)</b>	<b>8.5%</b>
Depreciation	(1,816)	(1,486)	22.2%	(7,289)	(5,174)	40.9%
Non-cash items	(4,772)	(4,875)	-2.1%	(5,372)	(4,830)	11.2%
<b>EBITDA</b>	<b>9,133</b>	<b>11,266</b>	<b>-18.9%</b>	<b>15,398</b>	<b>17,032</b>	<b>-9.6%</b>
EBITDA margin	17.3%	23.0%	-5.7pp	9.5%	11.1%	-1.6pp
Capex	8,158	7,838	4.1%	19,486	16,821	15.8%
Debt				54,496	44,492	22.5%

## Key highlights

- The electricity generation by the plants of RAO ES of East in 4Q 2014 – 10,079 GWh (+21.0%), in FY 2014 – 31,155 GWh (+3.8%);
- Heat output was down by 2%;
- Ca. 7% average power tariff increase in FY'14
- Government grants in FY'14 decreased by 6% to RUB 12.4 bn;
- Additional revenue as a result of resumption of “last mile” arrangement in the Far East;

# Segment review\* (3/3) – Retail: slow recovery

FY'14 and 4Q'14 results (IFRS), RUB mn

	4Q'14	4Q'13	chg	FY'14	FY'13	chg
<b>Revenue</b>	<b>24,113</b>	<b>22,209</b>	<b>8.6%</b>	<b>82,230</b>	<b>79,168</b>	<b>3.9%</b>
from external companies	24,108	21,765	10.8%	82,211	78,712	4.4%
- sales of electricity	23,833	22,026	8.2%	81,307	77,951	4.3%
- other revenue	275	-261	n/a	904	761	18.8%
from intercompany operations	5	444	-98.9%	19	456	-95.8%
<b>Operating expenses</b>	<b>(23,941)</b>	<b>(22,015)</b>	<b>+8.7%</b>	<b>(81,092)</b>	<b>(78,933)</b>	<b>+2.7%</b>
Depreciation	(178)	(173)	2.9%	(695)	(670)	3.7%
Non-cash items	(526)	(527)	-0.2%	(560)	(1,170)	-52.1%
<b>EBITDA</b>	<b>172</b>	<b>194</b>	<b>-11.3%</b>	<b>1,138</b>	<b>235</b>	<b>384.3%</b>
EBITDA margin	0.7%	0.9%	-0.2pp	1.4%	0.3%	1.1pp
Capex	74	114	-35.1%	146	233	-37.3%
Debt	-	-		3,403	2,196	55.0%

## Key highlights

- Gradual recovery in profitability on the back of higher retail tariffs;
- Total electricity output in 1Q'14 – 10,632 GWh (-9.6% year-on-year); in 2Q'14 – 7,937 GWh (-13% year-on-year) in 3Q'14 – 7,776 GWh (+0,7 year-on-year); in 4Q'14 – 10,622 GWh (+3% year-on-year).
- In FY'14, RusHydro's electricity retail companies have decreased output by 5% to 37,564 GWh as several major industrial consumers switched to their own wholesale purchases following market liberalization.

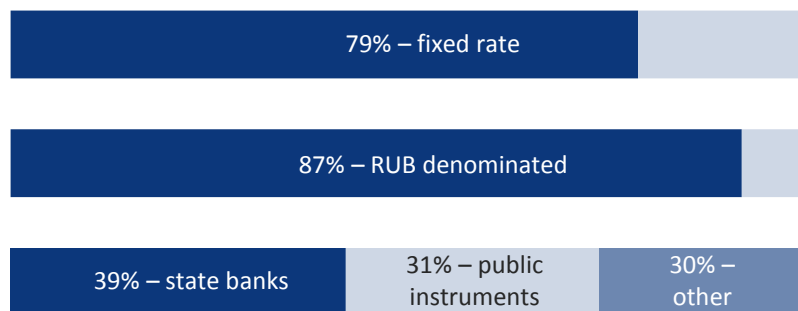
# Debt profile update (Feb'14): low interest and FX risk<sup>(1)</sup>

## Key highlights

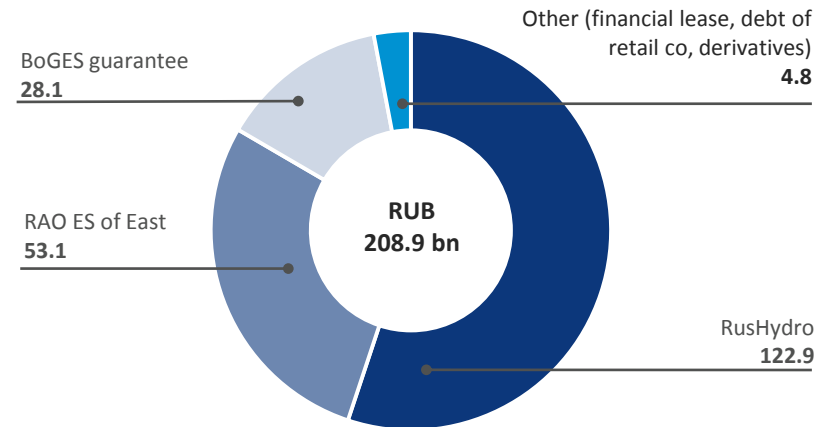
- A **low interest and FX risk** debt portfolio with over **85%** of the facilities as of 28.02.2015 being RUB-denominated and almost **80%** bearing fixed interest rate
- Strong relationship with state-owned banks, that currently account for ca. **40%** of the debt portfolio
- Significant **liquidity cushion**, that comfortably covers upcoming redemptions
- A stable multicurrency **effective interest rate** of ca. **10.63%**

## Low risk debt portfolio structure

Total = RUB 176 bn

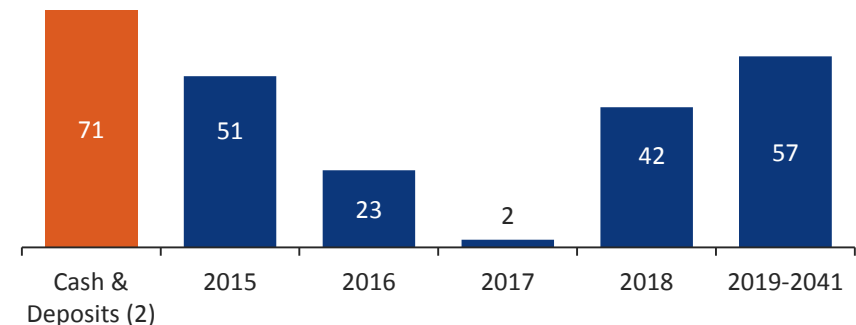


## Transparent debt composition



## Comfortable debt repayment profile, RUB bn

Total repayments = RUB 176 bn



(1) As of 28.02.2015 excluding BoGES guarantee (RUB 28.1 bn), debt of retail companies (RUB 3.2 bn), lease payments (RUB 1.7 bn) and liabilities under derivative contracts (RUB -0.01 bn)

(2) Excluding Committed credit lines (RUB 12.6 bn), Investments available for sale (RUB 25.7 bn), Registered RUB bonds (RUB 20 bn), open limits in banks (RUB 229 bn). In current market conditions open limits might be subject to revision before withdrawal of funds

**Management will provide a more detailed outlook for the company and the sector at the analyst and investor day in April 2015**

## Construction

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- Revision of 2015 capex plan as compared to earlier funding plan in 1Q'15 based on external funding availability, observance of covenants and prioritization of projects;
- Completion and launch of 100 MW Gotsatlinskaya hydropower plant in mid-2015;
- Commissioning of 140 MW Zelenchukskaya hydropower plant in 2H'15 or no later than Jan 2016;
- Increase of Boguchanskaya reservoir level and hydropower plant's rated capacity during spring flooding in 2015;
- Further rehabilitation and modernization of hydropower plants

## Regulatory environment/power market

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- Weak consumption dynamics in 2015 (-1.5-2 p.p. vs GDP dynamic) expected, but effect on hydropower generation will be limited
- Indexation of regulated gas tariffs at least 7.5% starting from 2H'15 should somewhat support unregulated power prices
- No change in DPM contracts (at least until 2021) or KOM remuneration for hydro
- Deregulation of 65% of capacity sales from hydro in Siberia as of May 2014 through 2016, 80% - in 2016, 100% - in 2017 and onwards. Additional EBITDA from deregulation in 2015 – ca. RUB 2-2.5 bn
- Updated capacity auctions (KOM) rules for 2016 expected by year-end

## Corporate development/Financials

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- Further divestment of non-core assets or non-controlling stakes
- Headcount reduction of 20% of non-operating personnel in parent company – JSC RusHydro – and all major subsidiaries
- Focus on repayment of outstanding debt with own cash, existing committed credit lines and potential refinancing with domestic or other sources
- Development of updated strategy; incorporation of new KPIs in corporate and managerial evaluation (TSR, ROE etc.)



# RusHydro



**Thomson Reuters Extel 2011:  
No.1 IR Team in Russian Utilities**



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**Thomson Reuters Extel 2013:**

- No.1 IR Team in Russian Utilities
- Best CFO, mid-cap (Russia), #1
- Best IRO, mid-cap (Russia), #2
- Best overall IR, mid-cap (Russia), #3

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