

November 10, 2014

RusHydro to cooperate with China Three Gorges Corporation in development of hydropower projects in the Russian Far East

JSC RusHydro (ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces signing of preliminary agreement with China Three Gorges Corporation (CTG) on joint development of reservoir-based flood-control hydropower projects in the Russian Far East. The document was signed by CEO of RusHydro Evgeny Dod, and Vice President of CTG Fan QiXiang.

The parties have agreed to set up a joint venture (JV) with RusHydro's ownership of 51% and CTG holding the remaining 49% for financing, building and operating up to 2,000 MW hydroelectric plants in Russia's Amur Oblast and Khabarovskiy Kray. The total cost of the projects is estimated at ca. RUB 230 bn; however the construction cost of each project could be revised following the feasibility studies. The partners plan to raise at least 70% of required funds as project financing from primarily Chinese and Russian institutions backed by long-term power purchase agreements. As per the agreement, CTG will be responsible for negotiating the electricity off-take contracts with its Chinese counterparts.

RusHydro will prepare and provide detailed feasibility studies of each project approved by a reputable professional international financial advisor. The JV's management and Board of Directors will then evaluate the projects based on their economic feasibility and potential for electricity export under a power purchase agreement to establish further course of action in regard to each project.

Construction of four hydroelectric dams will not only provide reliable protection of the Amur region from periodic severe floodings, but will also create new power generation capacity for prospective increase in industrial consumption in Russia's Far East and potential for electricity export to China. JV will seek to evaluate and develop the following projects: Nizhne-Zeyskaya (400 MW), Selemdzhinskaya (300 MW), Giluyskaya (462 MW) and Nizhne-Nimanskaya (600 MW) hydropower plants.

CEO of RusHydro Evgeny Dod: "The agreement signifies a breakthrough in cooperation between our countries in the power sector and in attracting Chinese investment into the Russian electricity sector. We have signed not just a protocol of intent, but comprehensive practical documents, describing specific measures aimed at development of large-scale energy projects in the Russian Far East. Our Chinese partners will be actively involved on all stages of the projects' development – engineering, procurement and construction. In addition to protecting vast territories, both on Russian and Chinese banks of the Amur River from catastrophic floods and contributing to development of modern power infrastructure the region, the projects will provide additional stimuli for economic growth and job creation".

Chairman of CTG Lu Chun commented: «By signing this agreement, I hope that China and Russia can achieve a stronger cooperation in the clean energy development and a closer Sino-Russian strategic partnership, bringing benefits to the people in Russian Far East and along Helongjiang River in China».

In October 2013, RusHydro and CTG agreed to sign a cooperation agreement during their meeting in Beijing on potential construction of the reservoir-based hydroelectric facilities on the tributaries of the Amur river to contain floodings in the region.

The massive flooding in the Far East of Russia and North-Eastern region of China in 2013 caused by ample rainfalls revealed the necessity to work out the measures to mitigate the risks of floods in the future.

The flood of 2013 in the Amur River basin was the strongest in the entire history of hydrological observations. It had unique scope having covered all rivers of the basin, including those, located in

the Chinese part of the basin. The flood impact have been substantially mitigated by RusHydro's Zeyskaya and Bureyskaya hydropower plants. However, significant part of the Amur River still remains unregulated by reservoirs, leaving it open to periodic catastrophic floods.

About CTG

As part of the initiative to build the Three Gorges Project and develop the Yangtze River, the China Three Gorges Corporation (CTG) was founded on September 27, 1993. CTG is a wholly state-owned enterprise with registered capital of RMB 149.5 bn. CTG is strategically positioned to become a clean energy conglomerate specializing in large-scaled hydropower development and operation. CTG's principal operations include hydropower project engineering, construction and management, electricity production, and provision of related technical services. CTG manages the construction and operation of the Three Gorges Project. The Central Government has authorized CTG to develop the hydroelectric resources in the mainstream and tributaries of the upper reaches of the Yangtze River and to build four more large hydropower plants at Xiluodu, Xiangjiaba, Wudongde, and Baihetan. CTG has 11 wholly-owned and majority-stake subsidiaries. As a public company, China Yangtze Power Co., Ltd (CYPC) is the primary subsidiary of CTG in charge of electricity generation and management.

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 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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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.