



RusHydro

**RusHydro Group
1H 2012 IFRS results**

October 22, 2012

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RusHydro: 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 ca. 35 GW**
- 🌐 **The biggest winner from electricity market liberalization in Russia due to extensive exposure to low-cost hydro generation**
- 🌐 **Focus on improving efficiency of existing assets and successful completion of ongoing M&A deals**
- 🌐 **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**
- 🌐 **GDRs listed on the LSE, ADRs trading OTC and OTC QX in New York**



2Q 2012 operating results update

Despite challenging hydrologic conditions in Siberia and the Far East, the favorable situation in European Russia led to an almost 2% increase in hydro generation in 2Q 2012.

RusHydro now expects growth in hydro output of 1-1.5% in FY2012 vs. FY2011, and at least 3.5% growth for RAO ES of East if electricity consumption growth remains strong in 2H 2012

Electricity generation, GWh

	2Q 2012	2Q 2011	chg, %	1H 2012	1H 2011	chg, %
Far East	3,037	3,065	-0.9	6,314	6,414	-1.6
Siberia	5,357	5,531	-3.2	10,965	10,726	2.2
incl. Sayano-Shushenkaya HPP	4,993	4,782	4.4	10,401	9,712	7.1
Center of Russia	11,991	11,437	4.8	19,616	18,704	4.9
South of Russia and North Caucasus	2,066	1,988	3.9	3,120	3,030	3
Armenia	283	315	-10.3	337	388	-13.1
RAO ES of the East	6,836	6,366	7.4	17,025	15,702	8.4
TOTAL	29,569	28,702	3	57,377	54,965	4.4
TOTAL (excl. RAO ES of the East)	22,733	22,336	1.8	40,351	39,262	2.8

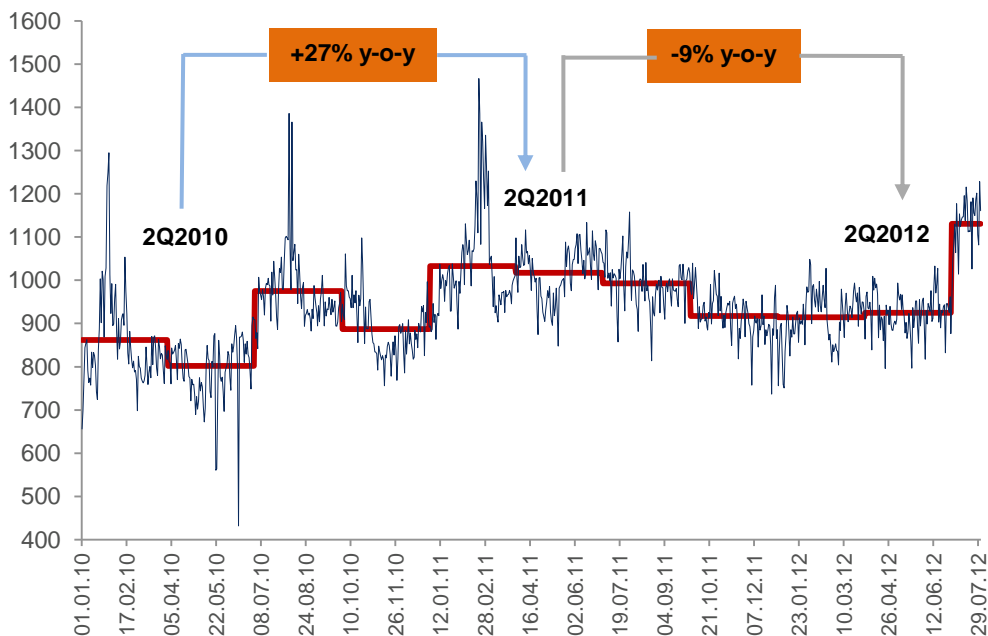
Results mainly driven by:

- launch of a fifth 640MW brand new hydro-unit at Sayano-Shushenskaya in December 2011;
- rigorous policy of water usage optimization;
- good water inflow to major reservoirs of Volga-Kama cascade
- 5% increase in generation in the Center of Russia, primarily the hydropower plants of Volga-Kama on the back of better hydrological conditions
- 10.8% increase in generation volumes by Far East Generation Company in 1H 2012 vs 1H 2011, the largest asset of the RAO ES of the East holding, due to growth in electricity consumption of transportation infrastructure

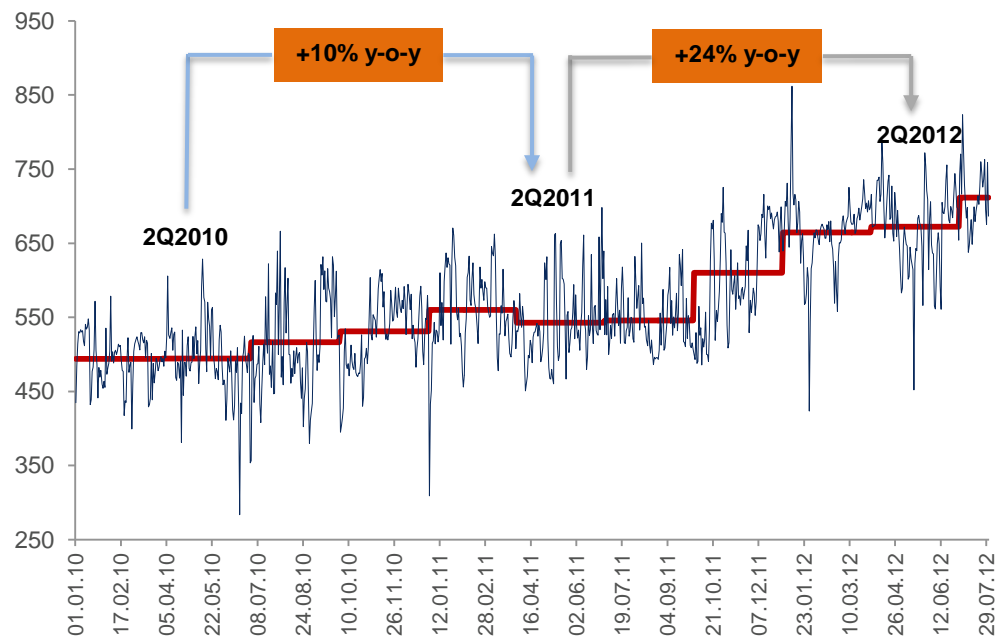
Electricity spot prices dynamics in 2Q 2012

Spot prices continued to be weak in the 1st price zone in 1Q 2012, which was partly offset by strong price dynamics in Siberia. As of July the spot market enjoys a significant price spike following the indexation of gas tariffs and seasonal thermal capacity outages. Higher prices are expected to be sustained through 2012.

Day-ahead market - Europe and Urals (1st price zone), RUR/MWh*



Day-ahead market – Siberia (2nd price zone), RUR/MWh*



* - the data from the trading operator – JSC ATS

1H 2012 IFRS financial highlights

2Q 2012 profitability was under pressure of a difficult market environment in pricing zones and a seasonal loss-making quarter of the fossil fuel fired generation of RAO ES of the East

RUR mn	1H 2012	1H 2011	Change	2Q 2012*	2Q 2011*	Change
Revenue, total (reported), incl.:	151,155	230,698	-34.5%	65,970	60,754	8.6%
Revenue from operations	145,802	226,565	-35.6%	63,193	58,481	8.1%
Government grants (to RAO ES of East)	5,353	4,133	29.5	2,777	2,273	22.2%
Comparable revenue **	151,155	134,913	12%	65,970	60,754	8.6%
Expenses	132,614	188,553	-29.7%	61,334	47,828	28.2%
Comparable expenses **	132,614	101,384	30.8%	61,334	47,828	28.2%
EBITDA***	31,149	49,312	-36.8%	11,833	18,422	-35.7%
EBITDA adj. (excl. investment component and disposal group)****	31,149	34,692	-10.2%	11,833	17,102	-30.8%
Net income	(468)	32,360	n/a	n/a	n/a	n/a
Net income (adj.)	13,438	33,072	-59.4%	n/a	n/a	n/a

Results mainly driven by:

- removal of special investment component in RusHydro's capacity prices as of 2012, which accounted for ca. RUR 7.4 bn of earnings in 1H 2011 and RUR 12.5 bn – in FY 2011
- weak electricity spot prices in European Russia in 2Q 2012 vs. 2Q 2011 (see slide 5) and unfavorable hydrological conditions in Siberia
- disposal of 5 electricity retail co's in late March 2011 and acquisition of Bashkortostan retail co in Sep 2011;
- increased electricity generation by hydropower plants on the back of the restoration of the Sayano-Shushenskaya plant, improved hydrology and rigorous water saving policy;
- seasonally loss-making 2nd quarter for thermal power and heat generation in the Far East
- increase in fuel expenses due to gas shortages in the Far East and higher power purchases costs due do acquisition of Bashkortostan retail co

* - quarter-to-quarter figures are based on internal calculations and analysis, and may be inaccurate as the company did not run revaluation tests in the 1Q

** - excluding financials of disposal group (i.e. financials of 5 retail companies deconsolidated as of March 28, 2011)

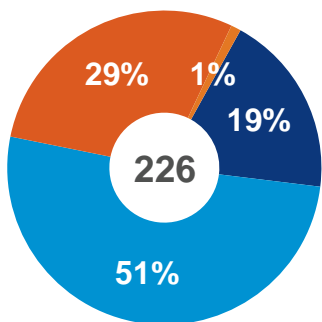
*** - EBITDA is calculated as operating profit before depreciation of PP&E and non-cash impairment

**** - 1H 2011 EBITDA calculation is done based on a number of internal assumptions and may be inaccurate

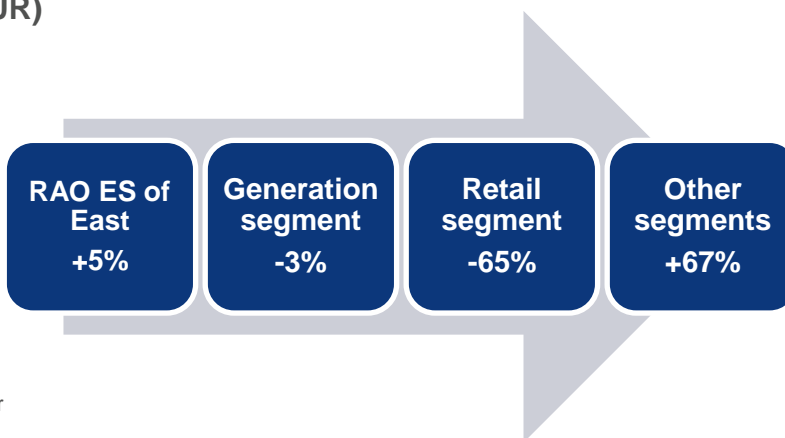
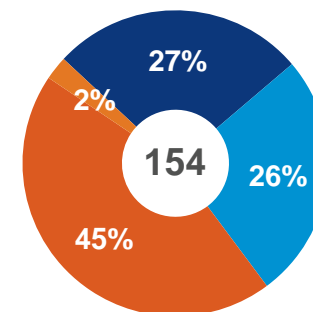
Revenue and EBITDA dynamics

Revenue breakdown highlights 1) the decrease in retail sales following the deconsolidation of 5 retail companies in late March 2011; 2) expected reduction in generation segment after regulatory removal of investment add-on in tariffs; 3) strong 1Q 2012 contribution from RAO ES of the East, which generates most of its earnings in 1st and 4th quarters operating in cogeneration mode, was offset by loss-making 2Q

Total Revenue* 1H 2011 (bn RUR)

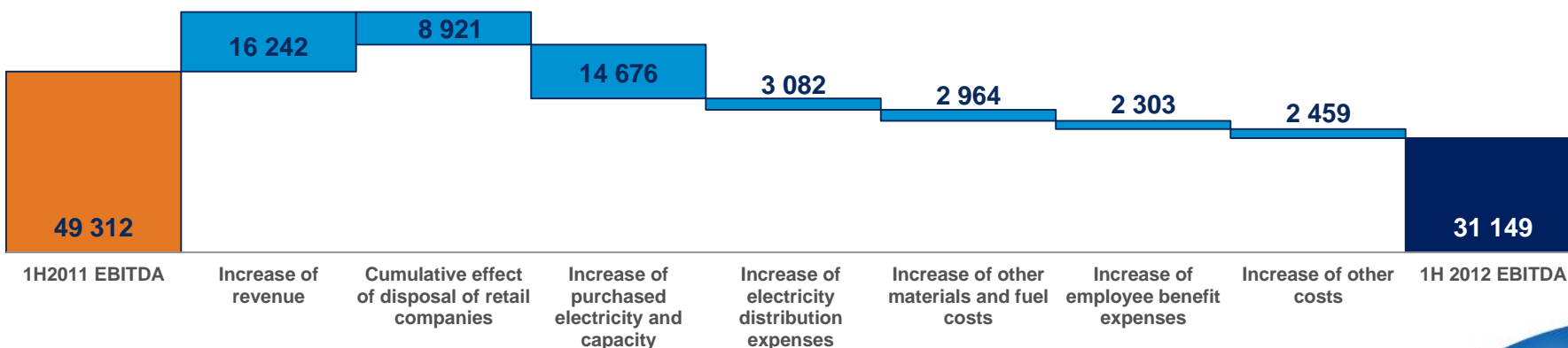


Total Revenue* 1H 2012 (bn RUR)



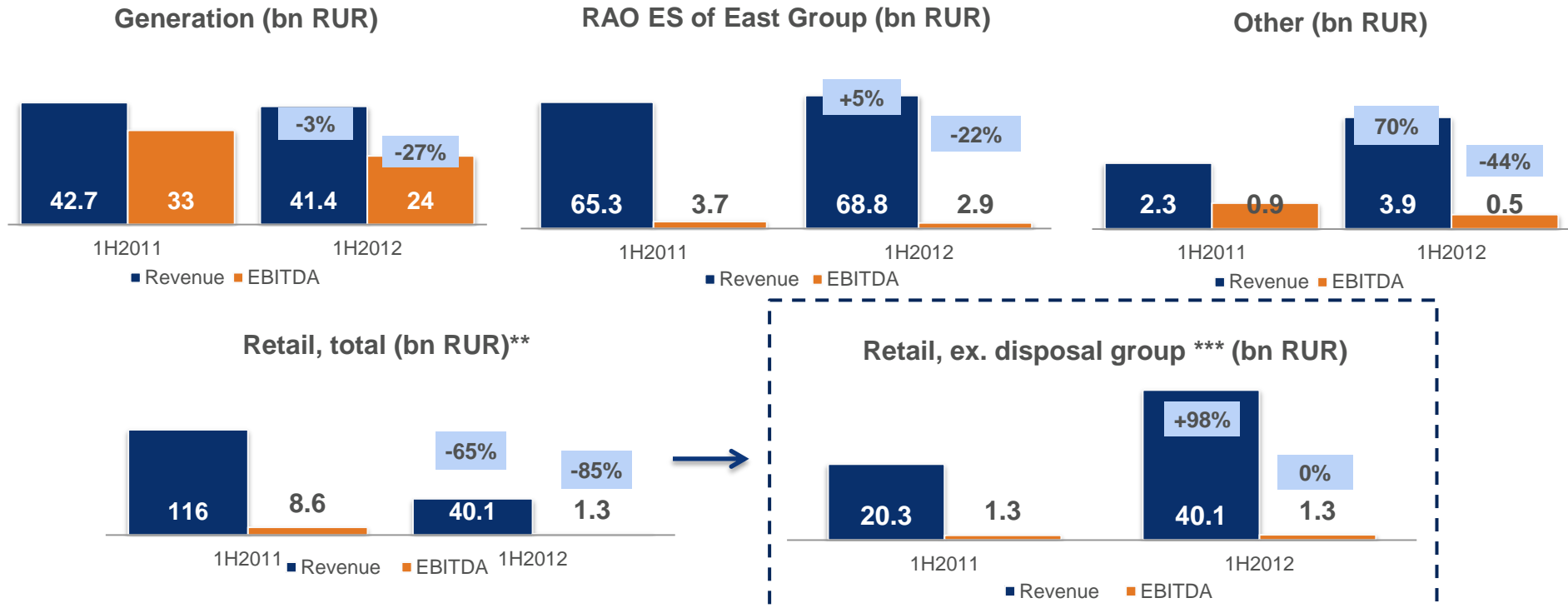
■ Generation ■ Retail ■ RAO ES of East ■ Other

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* - currently, RusHydro does segment reporting only based on Russian accounting standards (RAS). Presented breakdown figures represent only revenue from external customers under RAS. For details see Note 5 of full IFRS report.

Segment Breakdown*



- Revenue and EBITDA reduction in generation segment was a result of expected regulatory removal of investment add-on in tariffs and weak spot prices in the European Russia
- Despite challenging market environment generation segment contributed 84% to consolidated EBITDA, remaining the major driver of the Group's profitability
- The revenue from retail segment decreased following the disposal of 5 retail companies, yet despite unfavorable regulation for retail segment EBITDA (not accounting for disposed operations) remained flat due to strong contribution from newly acquired Bashkortostan retail co

* - currently, RusHydro does segment reporting only based on Russian accounting standards (RAS). Presented revenue figures represent only revenue from external customers under RAS. For details see Note 6 of full IFRS report.

** - 1H 2011 financials include financial results of the disposed retail companies only until the date of their disposal (March 28, 2011)

*** - excluding financials of 5 retail companies divested in March, 2011

Operating Expenses Breakdown

	Reported			Comparable (excl. disposal group)		
	1H 2012	1H 2011	chg	1H 2012	1H 2011	chg
Purchased electricity and capacity	28,578	60,364	-53%	28,578	13,902	106%
Fuel expenses	24,548	21,383	15%	24,548	21,383	15%
Employee benefit expenses*	24,123	23,561	2%	24,123	21,784	11%
Electricity distribution expenses	20,671	54,447	-62%	20,671	17,589	18%
Depreciation of property, plant and equipment	8,836	8,247	7%	8,836	8,247	7%
Other materials	4,156	4,357	-5%	4,156	3,585	16%
Taxes other than on income	3,586	3,283	9%	3,586	3,233	11%
Third parties services, including:						
Services of SO UES, ATS, CFS	1,517	1,617	-6%	1,517	1,509	1%
Repairs and maintenance	1,190	1,138	5%	1,190	1,056	13%
Security expenses	1,175	1,041	13%	1,175	1,015	16%
Rent	1,078	1,121	-4%	1,078	909	19%
Services of subcontracting companies	1,056	1,105	-4%	1,056	1,091	-3%
Consulting, legal and information expenses	768	867	-11%	768	740	4%
Insurance cost	511	424	21%	511	422	21%
Transportation expenses	412	329	25%	412	300	37%
Agency expenses	164	133	-51%	164	176	-7%
Other third parties services	2,743	2,619	5%	2,743	2,381	15%
Accrual/(reversal) of impairment for accounts receivable, net	3,698	-1,596	n/a	3,698	-1,901	-n/a
Water usage expenses	1,319	1,283	3%	1,319	1,283	3%
Social charges	426	672	-37%	426	654	-35%
Loss on disposal of property, plant and equipment, net	74	516	-86%	74	516	-86%
Other expenses	1,985	1,442	38%	1,986	1,512	31%
Total expenses	132,614	188,553	-30%	132,614	101,384	31%

- The overall drop in reported expenses y-o-y was due to disposal of 5 retail companies in March 2011;
- Like-for-like expenses (ex. disposal group) grew by 31% mainly due to payments for purchased electricity, increase of fuel costs of the thermal generation, distribution tariffs, and a booked loss on accounts receivable mainly on sales in the Far East

* - incl. payroll taxes, employee stock option plans expenses and pension benefit expenses

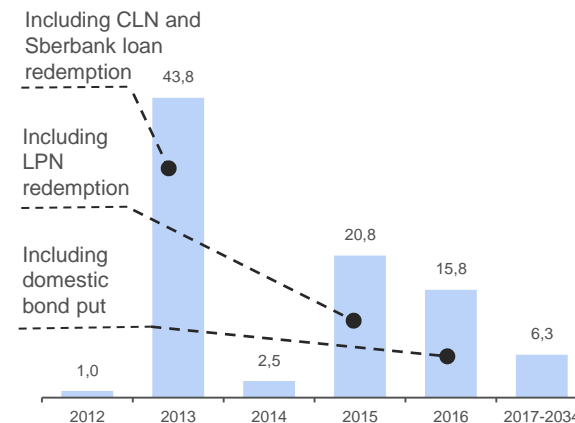
Appendices



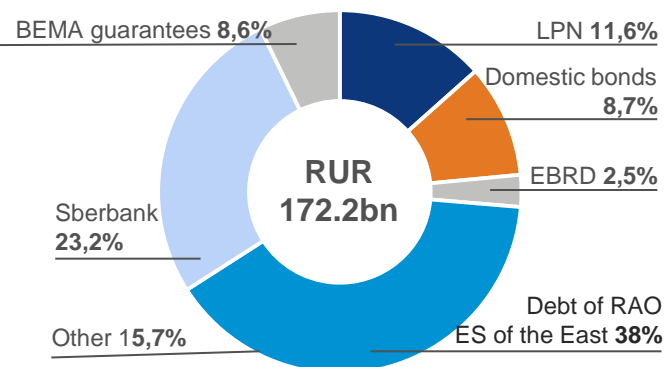
Leverage Profile (as at 2Q 2012)

- Stable share of long term debt at above 75% in 2010-2012
- Low FX risk: RUB denominated borrowings account for major part of debt – over 90%
- Low interest rate risk: floaters account for 3,4% of the debt book, of which practically 100% hedged*
- Current average multicurrency effective interest rate of ca. 8.3%
- In May 2011, RusHydro placed a domestic RUB 15bn bond issue, with 8% coupon rate and a put option after 5 years
- In November 2011, Sberbank provided RusHydro with a loan in the amount of RUB 40bn
- In December 2011, RusHydro entered into a credit agreement with UniCredit Bank in the total amount of US\$ 127.8 mn, according to which drawdowns can be made until 2017. As of 30.06.2012 the disbursed amount of the loan was EUR 42.6mn
- Borrowings of RusHydro’s subsidiary, RAO ES of the East, account for RUB 66bn and consist of the loans from local banks. Ca. 54% of the outstanding amount is short-term

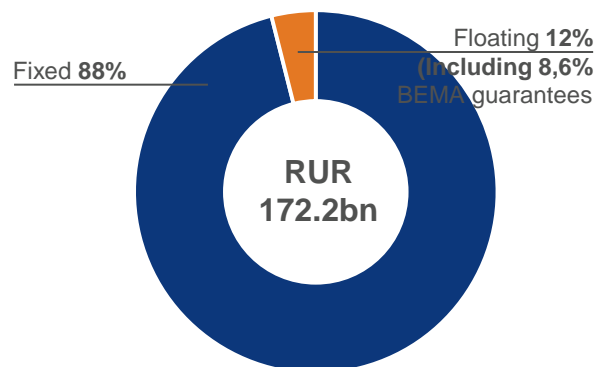
Debt Repayment Profile**, RUR bn



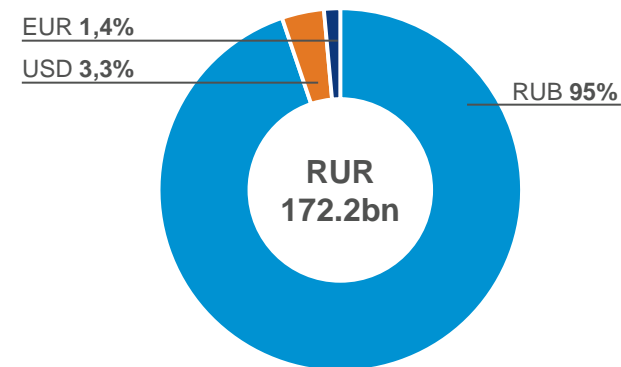
By Sources**



By Interest Rate*



By Currency*



*Excluding BEMA guarantees

**Excluding derivatives, interest payments, debt of retail companies

*** Excluding repayments of RAO ES of the East, leasing and undrawn credit lines

1H 2012 RAS financial highlights*

Adjusted for disposal group and special investment component RusHydro managed to sustain an almost flat quarterly EBITDA despite challenging market environment and weak spot prices in European Russia

Key financials under RAS, reported (in RUR mn)

	1H 2012	1H 2011	chg
Revenue	44,149	47,005	-6%
Operating costs	(25,697)	(19,033)	+35%
Operating profit	18,452	27,971	-34%
Other revenue	1,713	19,029	-91%
Other expenses	(4,217)	(23,638)	-82%
EBITDA***	23,725	32,335	-27%
Net profit	13,251	18,531	-28%
Net profit (adj.) ****	10,363	14,585	-29%

Comparable key financials under RAS (in RUR mn)**

	1H 2012	1H 2011	chg
Revenue	44,149	39 602	+11%
EBITDA	23,725	24 932	-5%
Net profit (adj.)	10,363	7 182	+48%

Results mainly driven by:

- removal of special investment component in RusHydro's capacity prices as of 2012, which accounted for RUR 7.4 bn of earnings in 1H 2011 and RUR 12.9 bn – in FY 2011
- increased hydroelectricity generation (+2.8%) in 1H 2012
- weak electricity spot prices in European Russia in 1H 2012 vs. 1H 2011
- growth in expenses for purchased power in connection with free bilateral agreements for the sale of electricity concluded in the 1st half of 2012 to optimize the company's cash flow
- higher depreciation due to commissioning of a number of facilities into operation, including the coastal spillway of the Sayano-Shushenskaya hydropower plant (put into operation in 2011) and acquisition of five dams (dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya hydropower plants) from the Russian state as payment for shares of the additional share issue

* - RusHydro RAS financials include only JSC RusHydro, which comprises segment 'Generation' in IFRS accounts

** - Excludes investment component. Until January 1, 2012 RusHydro's tariffs received by hydropower plants included special investment component to ensure the safe operation of hydropower plants and pumped storage plants as well as financing their investments needs. For 2011 the total amount of this tariff mark-up was set at RUR 12.9 bn. As of 2012, the investment component for RusHydro was cancelled.

*** - EBITDA calculated as gross profit before depreciation

**** - Net profit adjusted for the mark-to-market revaluation of listed equity stakes, reserves for financial investment impairment, assets and potentially uncollectible accounts receivable



Thank you!



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