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RusHydro to cooperate with PowerChina in development of pumped storage capacity in Russia

JSC RusHydro (ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces signing today of the agreement with Power Construction Corporation of China, Ltd on cooperation in development of Leningradskaya pumped storage plant (PSP) in Russia and potentially other PSP capacity. The document was signed by the CEO of RusHydro, Evgeny Dod, and the Chairman of PowerChina, Fan Jixiang.

RusHydro and PowerChina have agreed to establish a joint venture (JV) with RusHydro's ownership at 51% and the remaining 49% held by PowerChina. The partners have also agreed that PowerChina can partner with other Chinese companies to create a consortium.

The agreement outlines a number of pumped storage projects that could be developed jointly in Russia and other countries. At the first stage the JV will focus on development of the Leningradskaya pumped storage plant near St. Petersburg with installed capacity of 1,560 MW (in generation mode) as a pilot project. The cost of the PSP is estimated at RUB 138 bn.

The partners plan to raise 70-75% of required funds as project financing from primarily Chinese and Russian institutions following the review of the feasibility study prepared by RusHydro earlier, project's economic parameters and selection of EPC contractor.

CEO of RusHydro Evgeny Dod commented: «The agreement marks a major milestone in cooperation between Russia and China in attracting Chinese investment, technology and expertise into the Russian power sector. We strongly believe that this cooperation will create value for our shareholders and benefit the Russian electricity sector, as the development of highly maneuverable pumped storage capacity in Russia is a key to improving reliability of the power system and electricity supply».

Chairman of PowerChina Fan Jixiang commented: «PowerChina attaches great importance to Russia's electricity, infrastructure and road development. Today the largest companies of China and Russia – PowerChina и RusHydro – join their efforts to pursue the construction of the largest pumped storage plant in Russia. I am confident that our project has great prospects and will be a success».

About PowerChina

The Power Construction Corporation of China (PowerChina) was founded in September 2011. The company consists of Sinohydro Corporation with 32 subsidiaries, HYDROCHINA Corporation with 12 subsidiaries, China Renewable Energy Engineering Institute, 12 survey and design institutes, 23 construction companies, and 18 manufacturing and maintenance companies. The group provides comprehensive and full-range of services from planning, investigation, designing, consulting, civil works construction to M&E installation and manufacturing services in the fields of hydropower, thermal power, new energy and infrastructure. The business of PowerChina also extends into real estate, investment, finance, and O&M services.

By the end of 2013, PowerChina had a total assets of RMB 350.83 billion yuan, annual revenue of RMB 226.3 billion yuan and 200,000 employees. By the end of June 2014, POWERCHINA performed 1336 overseas contracts in the fields of engineering construction, design consultation and equipment manufacturing in 95 countries. PowerChina ranked 390th in the Fortune 500 in 2012, the 354th in 2013 and the 313th in 2014.

About the Leningradskaya PSP

The site of Leningradskaya pumped storage plant is located in the North-West of Russia, near St. Petersburg, on Shapsha River. Designed installed capacity of the plant in generation mode is 1,560 MW with planned average annual output in generation mode of 2.9 TWh; designed installed capacity in pump mode is 1,760 MW with planned average annual input in pump regime of 3.79 TWh. The plant will be equipped with 8 reversible hydro-units. Main facilities include: upper and lower basins, plant building, 8 pressure water conduits, water intake, two switchgears (330 kV and 750 kV), operational spillway. The plant will be built in the region with the shortage of maneuverable capacity. Addition

of pumped-storage capacity will eliminate the need to upkeep the expensive fossil fuel fired units in reserve, making the entire system more efficient, improving reliability of power supply in the region, and ultimately decreasing the electricity price for end-users.

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.