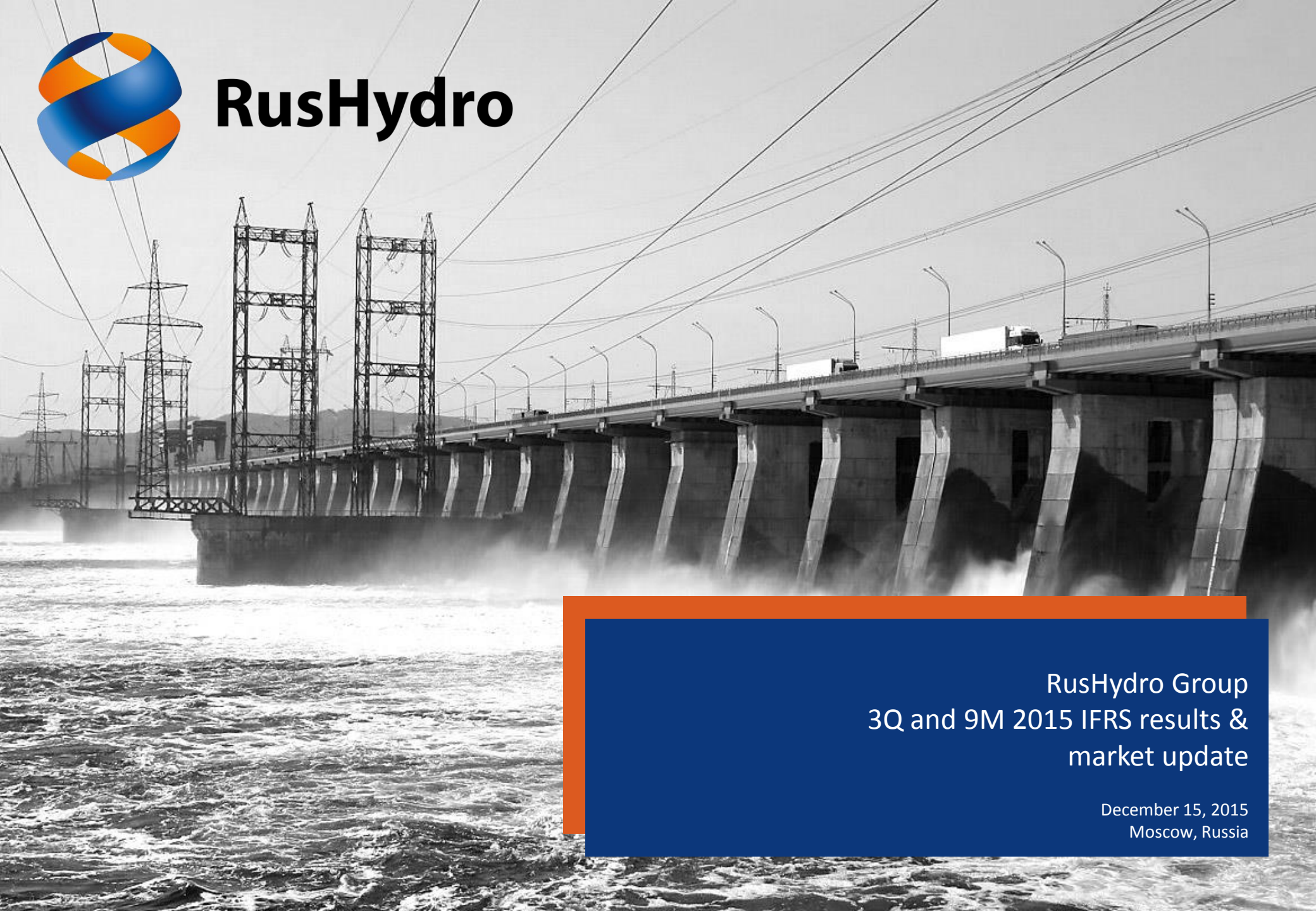




RusHydro



RusHydro Group
3Q and 9M 2015 IFRS results &
market update

December 15, 2015
Moscow, Russia

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Key events and developments in 9M'15 and beyond

January-September

- RusHydro successfully placed its local bonds of series 09 in total amount of RUB 10 bn with coupon rate of 12.75% per annum. The Company raised debt in order to refinance Eurobonds placed in October 2010
- RusHydro paid the dividends for 2014 in the amount of RUB 0.01561855 per share, or RUB 6 bn in total
- RusHydro signed a 5-year loan agreement in the amount of RUB 30 bn with VTB Bank, which allows to secure credit facilities in the shortest period of time on the best possible terms in case the Company requires credit resources and provided that VTB Bank offers the most favorable financing
- RusHydro placed three issues of local bonds in total amount of RUB 15 bn with coupon rate of 11.85% per annum. The Company raised debt in order to refinance Eurobonds placed in October 2010, as well as to finance the investment program
- RusHydro signed a cooperation agreement with VTB Bank aimed at refinancing of the debt portfolio of RusHydro's subsidiary, RAO Energy Systems of the East. According to the document, VTB may acquire up to RUB 85 bn of newly issued shares of RusHydro with conclusion of a 5-year forward contract
- Yuri Trutnev, Deputy Prime Minister and Presidential Plenipotentiary Envoy to the Far Eastern Federal District, was appointed Chairman of the Board of Directors of RusHydro
- RusHydro has fully repaid its Eurobond issue in total amount of RUB 20 bn
- Board of Directors appointed Nikolay Shulginov new Chairman of the Management Board, General Director of RusHydro. Before joining RusHydro, Mr Shulginov was Deputy General Director at System Operator of UES.

October-November

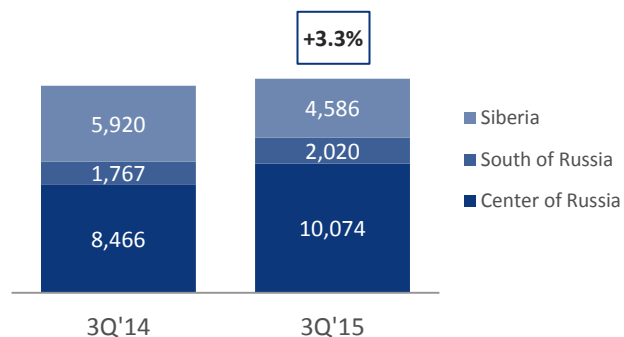
- Launch of the Gotsatlinskaya HPP in Dagestan with installed capacity of 100 MW
- The Board of Directors approved the structure of transaction aimed at refinancing of RAO ES of the East Group's debt
- The Board of Directors resolved to convene the EGM in absentee vote on December 25, 2015, to approve a series of transactions aimed at refinancing of debt portfolio of RAO ES of the East Subgroup
- 2016 capacity auction (KOM) has been held under new rules: price for European part of Russia – RUB 112,624 per MW/month; price for Siberia – RUB 189,191 per MW/month

3Q and 9M 2015 operating results

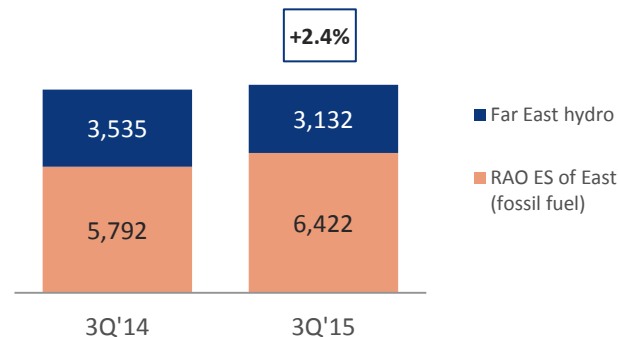
Key highlights

- Low hydro production across all major regions coupled with high base effect of 1Q'14 when production was still strong after ample water inflows in 2013;
- In 3Q'15, recovering hydropower production and water inflows in European part of Russia supported total 9M'15 output
- decrease in electricity generation by the Sayano-Shushenskaya hydropower plant as compared to the long-run average due to low water level in the basin of the Angara-Yenisey cascade;
- increase in electricity generation by TPPs of the Far East due to decreased hydro production in the unified power system of the Far East and electricity consumption at the level of 2014.

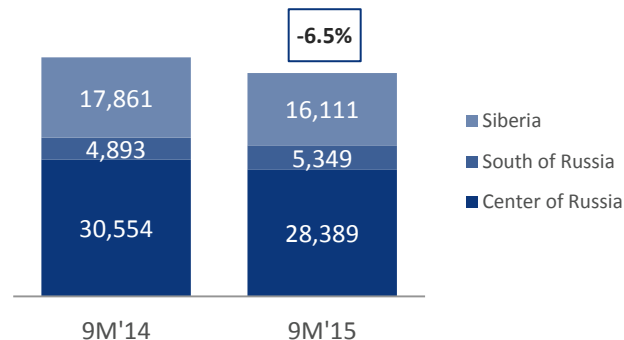
3Q'15/3Q'14 – Europe & Siberia (price zones), GWh



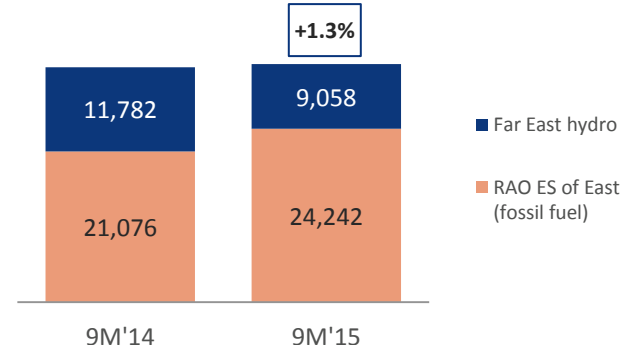
3Q'15/3Q'14 – Far East (non-price zone), GWh



9M'15/9M'14 – Europe & Siberia (price zones), GWh

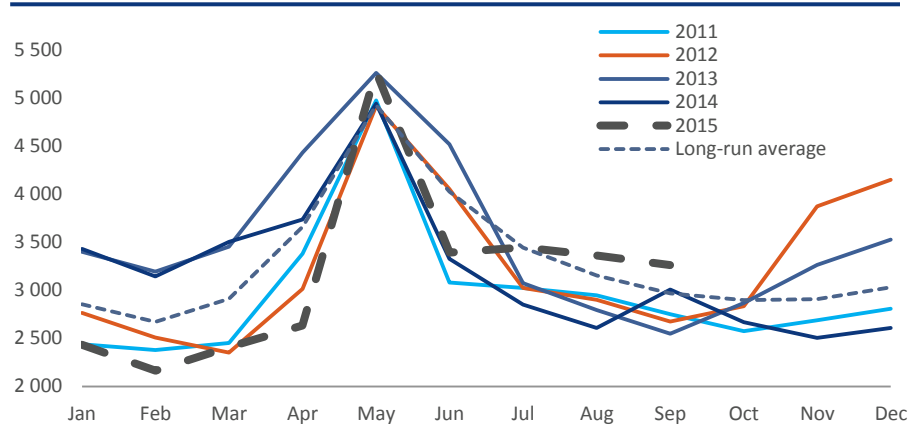


9M'15/9M'14 – Far East (non-price zone), GWh

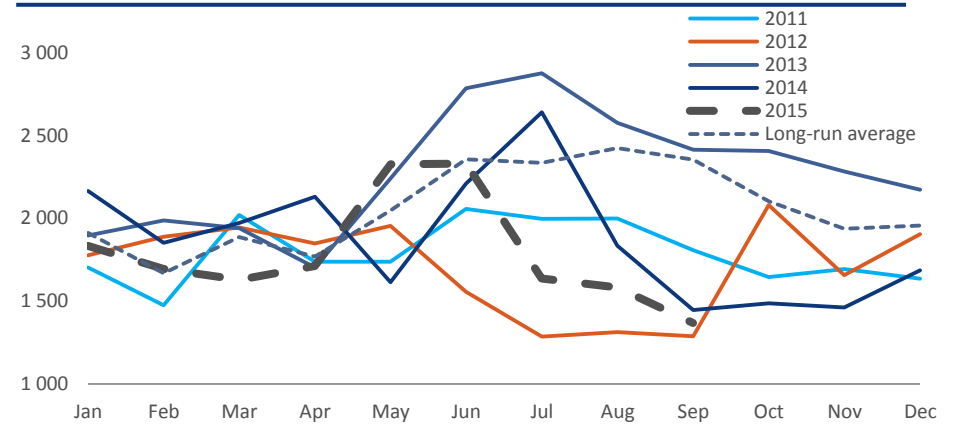


Hydro production trends 2011-2015 – recovery is on the way

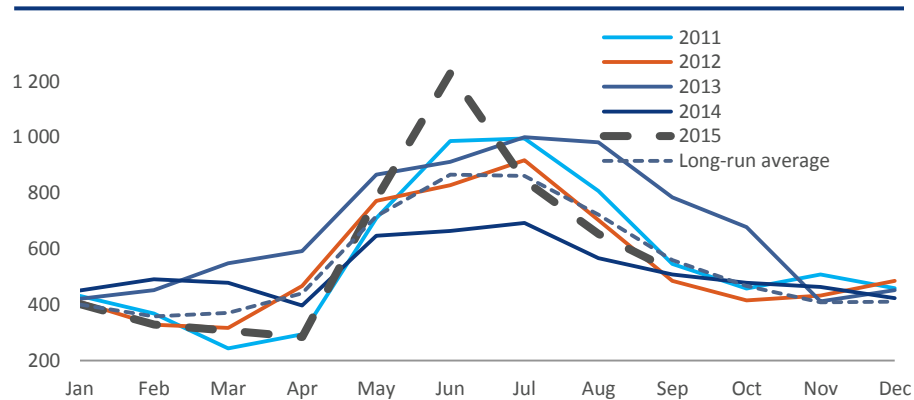
Center of Russia, GWh



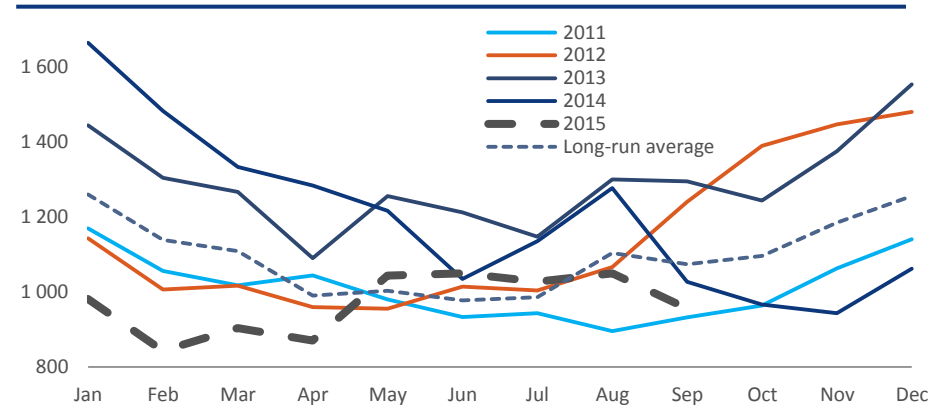
Siberia, GWh



South of Russia & N. Caucasus, GWh



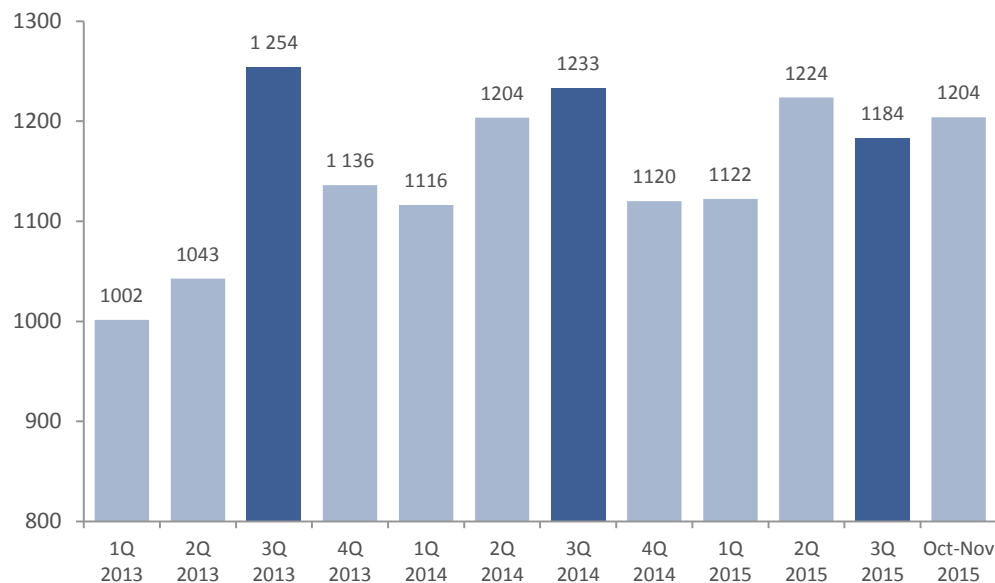
Far East, GWh



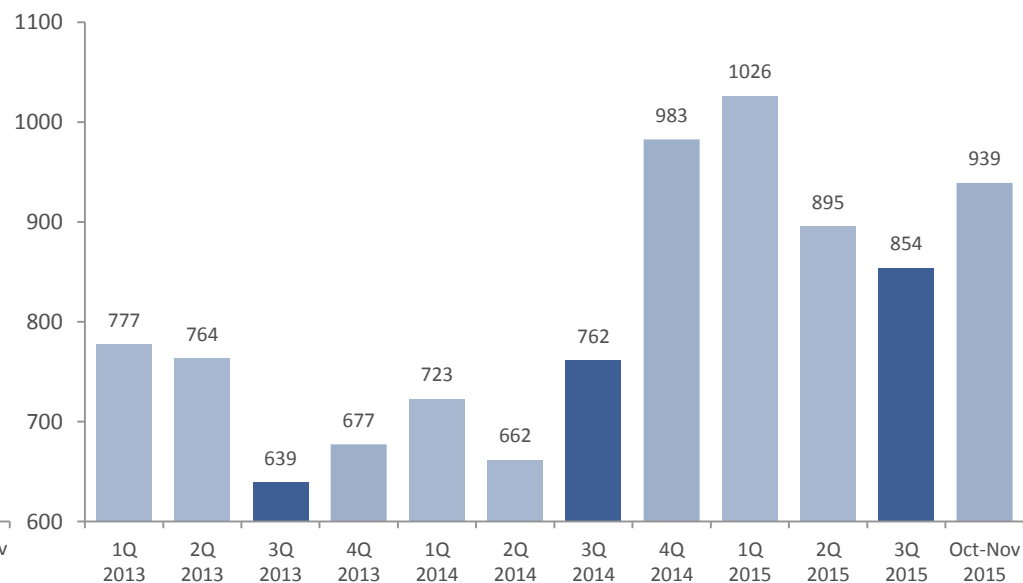
Spot market overview

- Average selling spot power prices in European Russia in 3Q'15 – RUB 1,241/MWh (-4.0%), in 9M2015 – RUB 1,190/MWh (-2.7%); in Siberia in 3Q'15 – RUB 918/MWh (+16.8%), in 9M2015 – RUB 894/MWh (+23.2%);
- Non-indexation of gas tariffs as of 2H'14 put downward pressure on spot prices in the 1st price zone;
- Removal of Siberia balance cross-flow restriction in August influenced spot prices in both price zones. Key factor that resulted in price decrease in the 1st price zone was higher nuclear generation in 2H2014;
- Recovery in hydro production in Siberia and new capacity launches until year-end will put further downward pressure on abnormally high prices, decreasing the risk of regulatory interference. However, increased interconnections with European power zone and coal prices are unlikely to bring prices to historic lows.
- Stagnating demand and general overcapacity on the market didn't lead to an expected upswing in European spot prices following 7.5% hike in regulated gas tariff in July 2015

Europe and Urals (1st price zone), RUB/MWh*



Siberia (2nd price zone), RUB/MWh*



3Q and 9M 2015 financial results overview

Key highlights

- 9M'15 EBITDA ⁽¹⁾ – **RUB 47,577 mn (-7.6%)**; 9M'15 underlying (adjusted) net profit⁽²⁾ – **RUB 28,214 mn (+6.7%)**;
- Weighted-average EPS in 9M 2015 increased to **RUB 0.0827 per share vs 0.0640 last year**;
- Key growth factors:
 - a) higher unregulated power prices in Siberia, almost flat prices in the European part of Russia (*see slide 6*);
 - b) continued partial liberalization of capacity sales in Siberia as of May 2014;
 - c) increase in revenue and profitability of electricity retail operations;
 - d) one-off insurance compensation in respect of Zagorskaya PSPP-2;
 - e) significantly higher profit from 50/50 JV Boguchanskaya HPP following its full commissioning in 2H'14.
- Negative factors affecting profitability:
 - a) low hydro output, especially in 1Q'15 (*see slides 4-5*);
 - b) inflationary leap starting from 4Q'14;
 - c) higher fuel costs on the back of increased output and fuel costs inflation, indexation of salaries for operating personnel, increase in electricity purchase (*see slide 10*)

RUB billion	3Q'15	3Q'14	chg	2Q'15	2Q'14	chg	1Q'15	1Q'14	chg	9M'15	9M'14	chg
Revenue, total, incl.:	77.0	70.2	9.6%	78.6	76.2	3.1%	97.7	94.7	3.2%	253.3	241.1	5.0%
Revenue from operations	74.3	68.0	9.3%	76.2	73.7	3.4%	94.6	91.6	3.3%	245.1	233.3	5.0%
Government grants	2.7	2.2	19.9%	2.4	2.5	-4.0%	3.1	3.1	0.0%	8.2	7.8	4.5%
Expenses	71.5	65.1	9.8%	69.8	65.4	6.7%	84.8	74.6	13.7%	226.1	205.1	10.2%
EBITDA ⁽¹⁾	13.9	10.1	37.4%	15.3	15.9	-3.8%	19.1	25.5	-25.1%	47.6	51.5	-7.6%
Net profit	5.5	1.1	419.4%	6.7	7	-4.3%	11.9	14.3	-16.8%	24.1	22.4	7.6%
Net profit (adj.) ⁽²⁾	8.1	2.1	285.8%	7.5	8.4	-10.7%	12.6	15.9	-20.8%	28.2	26.4	6.7%
EBITDA margin	18.1%	14.4%	+3.7pp	19.5%	20.9%	-1.4pp	19.5%	26.9%	-7.4pp	18.8%	21.4%	-2.6pp
Net margin	10.6%	3.0%	+7.6pp	9.5%	11.0%	-1.5pp	12.9%	16.8%	-3.9pp	11.1%	11.0%	0.2pp

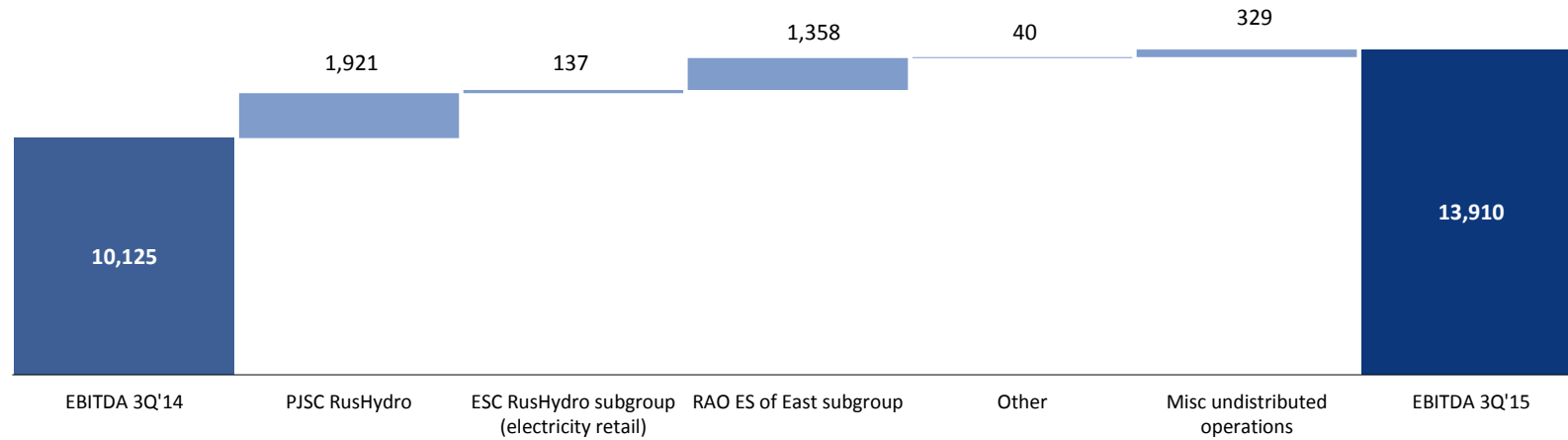
(1) EBITDA is calculated as operating profit / loss excluding insurance indemnity, depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, loss on disposal of property, plant and equipment, and other non-cash items of operating income and expenses.

(2) Net profit is adjusted for the effects of impairment of available-for-sale financial assets, accounts receivable, loss on disposal of property, plant and equipment, profit on disposal of subsidiaries.

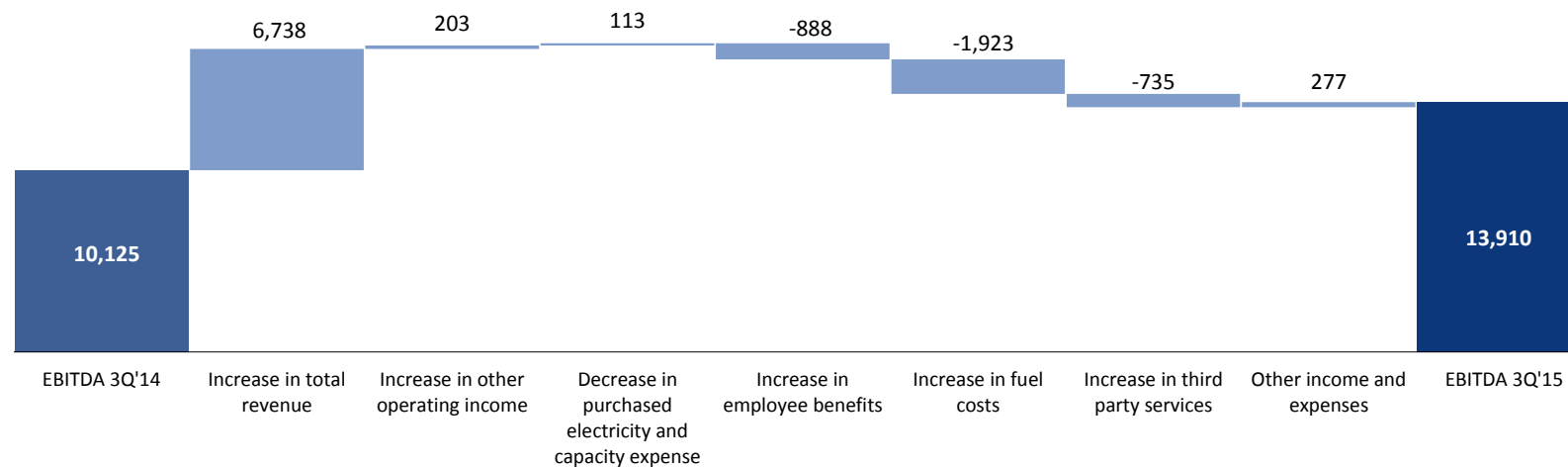


3Q'15 EBITDA: segment and cost analysis

EBITDA bridge – segment review

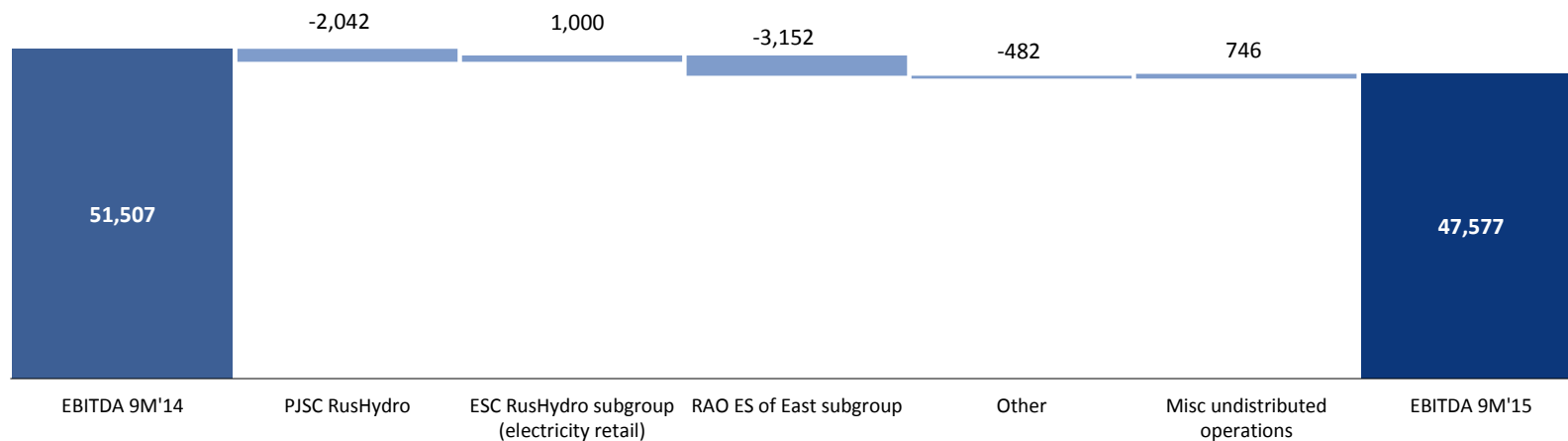


EBITDA bridge – costs analysis

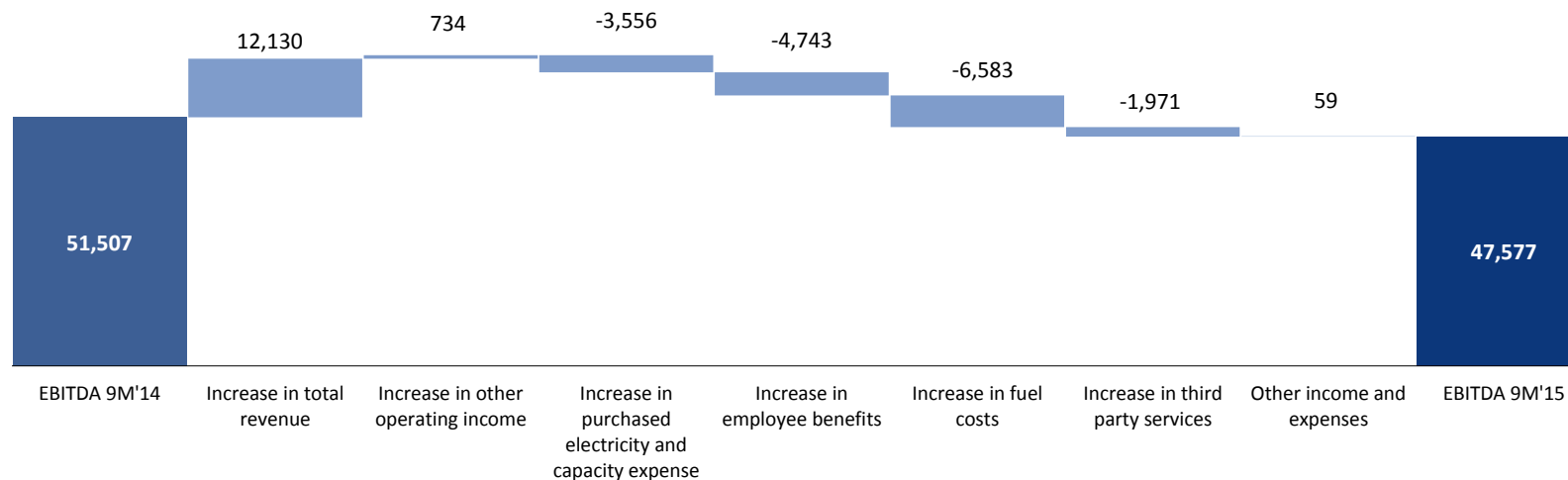


9M'15 EBITDA: segment and cost analysis

EBITDA bridge – segment review



EBITDA bridge – costs analysis



OPEX overview

Key highlights

- **Fuel costs:** a) increase in electricity production of fossil fuel power generation in the Far East due to low hydro output; b) higher load of a number of inefficient fossil fuel facilities in order to compensate the drop in electricity production by RusHydro's Zeyskaya and Bureyskaya hydropower plants; c) growth of fuel prices.
- **Employee benefit expenses:** indexation of tariff rates and salaries of personnel of RAO ES of the East Subgroup's subsidiaries, as well as quarterly indexation of salaries of operating personnel of PJSC RusHydro branches.
- **Purchased electricity and capacity:** a) higher purchase prices from unregulated market in Siberia (attributable mostly to electricity retail operations in Krasnoyarsk); b) higher purchase cost from Bilibinskaya nuclear power plant; c) start of electricity purchase from ALROSA's Vilyuskaya HPP-3 in Yakutia; d) growth of expenses following acquisition of new consumers.
- **Third party services:** increase is attributable to higher expense on sub-contractors services, as a result of engagement of sub-contractors in the repair of the equipment of RAO ES of the East subgroup and restoration works at Zagorskaya PSPP-2.

RUB mn	3Q'15	3Q'14	chg	2Q'15	2Q'14	chg	1Q'15	1Q'14	chg	9M'15	9M'14	chg
Employee benefit expenses	16,672	15,784	5.6%	18,065	16,585	8.9%	17,834	15,459	15.4%	52,571	47,828	9.9%
Purchased electricity and capacity	12,235	12,348	-0.9%	12,622	11,917	5.9%	17,863	14,899	19.9%	42,720	39,164	9.1%
Fuel expenses	9,051	7,128	27.0%	10,269	8,994	14.2%	18,491	15,106	22.4%	37,811	31,228	21.1%
Electricity distribution expenses	9,514	8,682	9.6%	9,189	9,376	-2.0%	11,535	11,769	-2.0%	30,238	29,827	1.4%
Third parties services	8,424	7,689	9.6%	7,518	7,055	6.6%	6,991	6,218	12.4%	22,933	20,962	9.4%
Depreciation of PP&E and intangible assets	5,826	5,077	14.8%	5,474	5,202	5.2%	5,683	5,205	9.2%	16,983	15,484	9.7%
Taxes other than on income	2,452	2,235	9.7%	2,399	2,252	6.5%	2,455	2,184	12.4%	7,306	6,671	9.5%
Other expenses	3,864	1,889	104.6%	1,368	1,072	27.6%	1,522	1,197	27.2%	6,754	4,158	62.4%
Other materials	2,256	3,522	-36.0%	2,034	2,254	-9.8%	1,676	1,613	3.9%	5,966	7,389	-19.3%
Water usage expenses	633	694	-8.8%	723	685	5.5%	686	683	0.4%	2,042	2,062	-1.0%
Purchase of oil products for sale	408	37	1002.7%	80	17	370.6%	61	226	-73.0%	549	280	96.1%
Loss on disposal of subsidiaries and JV	165	36	358.3%	31	-	-	-	-	-	196	36	444.4%
Total expenses	71,500	65,121	9.8%	69,772	65,409	6.7%	84,797	74,559	13.7%	226,069	205,089	10.2%

Segment review* (1/3) – PJSC RusHydro

3Q'15 results (IFRS), RUB mn

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Revenue	25,429	24,134	5.4%	73,721	75,578	-2.5%
from external companies	22,866	21,602	5.9%	66,536	68,041	-2.2%
- sales of electricity	16,704	15,683	6.5%	47,208	49,897	-5.4%
- heat sales	13	14	-7.1%	94	90	4.4%
- sales of capacity	5,899	5,656	4.3%	18,481	16,745	10.4%
- other revenue	250	249	0.4%	753	1,309	-42.5%
from intercompany operations	2,563	2,532	1.2%	7,185	7,537	-4.7%
Operating expenses	(10,751)	(11,377)	-5.5%	(29,355)	(29,170)	0.6%
Depreciation	(3,324)	(2,784)	19.4%	(9,622)	(8,499)	13.2%
Non-cash items	257	(2,136)	n/a	(34)	(4,508)	-99.2%
EBITDA	14,678	12,757	15.1%	44,366	46,408	-4.4%
EBITDA margin	57.7%	52.9%	4.8pp	60.2%	61.4%	-1.2pp
Capex	5,378	10,983	-51.0%	21,458	27,219	-21.2%
Debt				141,279	113,060	25.0%

Key highlights

- Average selling spot power prices in European Russia in 3Q'15 – RUB 1,241/MWh (-4.0%), in 9M2015 – RUB 1,190/MWh (-2.7%); in Siberia in 3Q'15 – RUB 918/MWh (+16.8%), in 9M2015 – RUB 894/MWh (+23.2%);
- In 9M'15, hydropower and pumped storage power plants decreased electricity generation by 9.1% to 60,501 GWh; in 3Q'15 – increased by 0.8% to 20,218 GWh;
- 1-year cancellation of gas tariff indexation (from mid-2014 to mid-2015) and poor electricity demand in 2015 coupled with overcapacity led to stagnating spot prices in the 1st price zone in the reporting period;
- Weak production from hydro in Siberia was partly offset by partial liberalization of capacity sales in Siberia;
- Operating expenses almost flat on lower power purchase, water usage expenses, decreased O&M costs and personnel optimization measures taken throughout 2015.

Segment review* (2/3) – RAO ES of East

3Q'15 results (IFRS), RUB mn

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Revenue	31,299	26,896	16.4%	112,466	101,950	10.3%
from external companies	31,256	26,864	16.3%	112,289	101,785	10.3%
- sales of electricity	21,467	19,568	9.7%	72,474	64,721	12.0%
- heat sales	2,826	2,590	9.1%	22,887	22,132	3.4%
- sales of capacity	2,409	1,178	104.5%	5,450	3,184	71.2%
- other revenue	4,554	3,528	29.1%	11,478	11,748	-2.3%
from intercompany operations	43	32	34.4%	177	165	7.3%
government grants	2,654	2,217	19.7%	8,159	7,824	4.3%
other operating income	202	-	n/a	486	-	n/a
Operating expenses	(35,220)	(31,536)	11.7%	(117,998)	(103,509)	14.0%
Depreciation	(2,025)	(1,708)	18.6%	(5,862)	(5,473)	7.1%
Non-cash items	(412)	158	n/a	(1,285)	(600)	114.2%
EBITDA	(1,065)	(2,423)	-56.0%	3,113	6,265	-50.3%
EBITDA margin	-	-	n/a	2.8%	6.1%	-3.4pp
Capex	5,699	5,622	1.4%	12,508	11,328	10.4%
Debt				73,361	54,496	34.6%

Key highlights

- The electricity generation by the plants of RAO ES of East in 9M'15 – 24,242 GWh (+15.0%) due to lower electricity output by Zeyskaya and Bureyskaya hydropower plants following low water inflows;
- Heat output was down by 3% due to warmer weather;
- Increase in USD-linked gas prices sourced Sakhalin-1 consortium following RUB devaluation;
- Higher fuel use due to increased load of a number of inefficient fossil fuel fired facilities to sustain demand for electricity against the background of low hydro output.



Segment review* (3/3) – Electricity retail

3Q'15 results (IFRS), RUB mn

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Revenue	18,155	17,325	4.8%	61,120	58,117	5.2%
from external companies	18,132	17,321	4.7%	61,092	58,103	5.1%
- sales of electricity	17,881	17,103	4.5%	60,334	57,474	5.0%
- other revenue	251	218	15.1%	758	629	20.5%
from intercompany operations	23	4	475.0%	28	14	100.0%
Operating expenses	(17,743)	(17,050)	4.1%	(59,154)	(57,151)	3.5%
Depreciation	235	(172)	-236.6%	(113)	(517)	-78.1%
Non-cash items	3	650	-99.5%	(345)	(34)	914.7%
EBITDA	412	275	49.8%	1,966	966	103.5%
EBITDA margin	2.3%	1.6%	0.7pp	3.2%	1.7%	1.6pp
Capex	63	47	34.0%	103	72	43.1%
Debt				3,628	3,403	6.6%

Key highlights

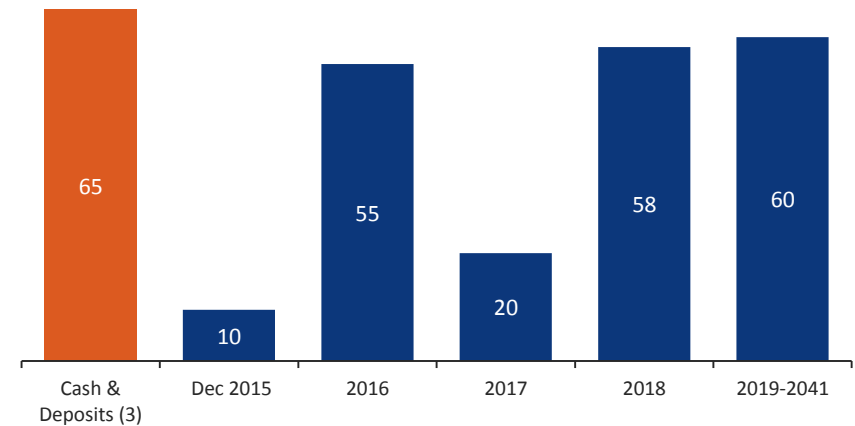
- Gradual recovery in profitability on the back higher operational efficiency even in continuing situation of insufficient retail tariffs;
- Total electricity output in 9M'15 – 36,413 GWh (-3.7% year-on-year); in 3Q'15 – 7,365 GWh (-5.4% year-on-year);
- In the 3rd quarter of 2015, JSC ESC RusHydro, a holding company for all electricity retail operations, increased electricity output by 15 GWh (or 3.9%), power retail company, operating in Chuvashia, also increased output by 47.2 GWh (or 7.3%) due to addition of major consumers.
- The decrease in electricity output by PJSC Krasnoyarskenergosbyt by 149.5 GWh or 5.2%, LLC ESC Bashkortostan by 315 GWh (-9.9%) and PJSC Ryazan power distributing company by 14.6 GWh (-2.2%) is attributable to temperature factor, transfer of a number of major consumers to independent wholesale electricity purchases as well as recession in manufacturing industry.

RusHydro Group debt profile ¹

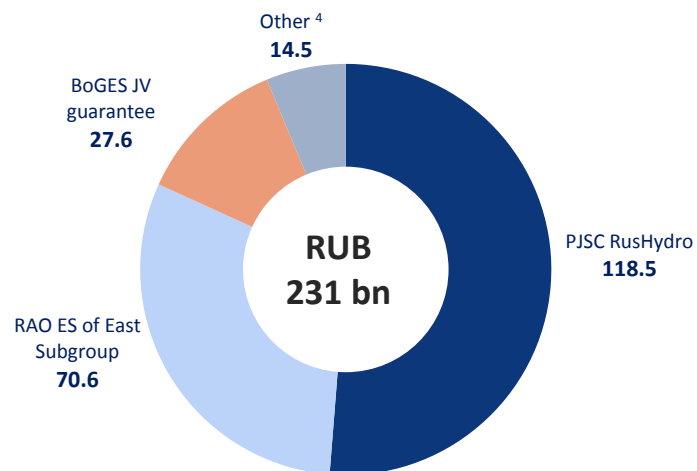
Key highlights

- A low interest and FX risk debt portfolio with ca. 89% of the facilities as of 30.11.2015 being RUB-denominated and ca. 83% bearing fixed interest rate
- Strong relationship with state-owned banks, that currently account for ca. 45% of the debt portfolio
- A stable multicurrency effective interest rate of ca. 10% and comfortable weighted-average duration of debt at the level of 3.7 yrs
- RusHydro successfully repaid of RUB 20 bn Eurobonds in October 2015

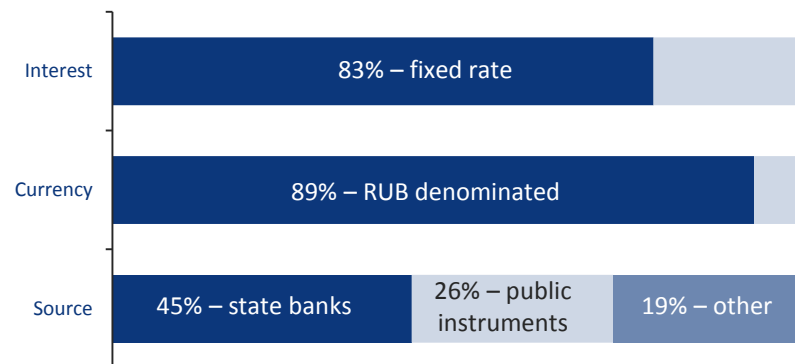
Debt repayment profile ⁽²⁾ (RUB bn)



Transparent debt composition (RUB bn)



Low-risk debt portfolio



(1) As of 30.11.2015.

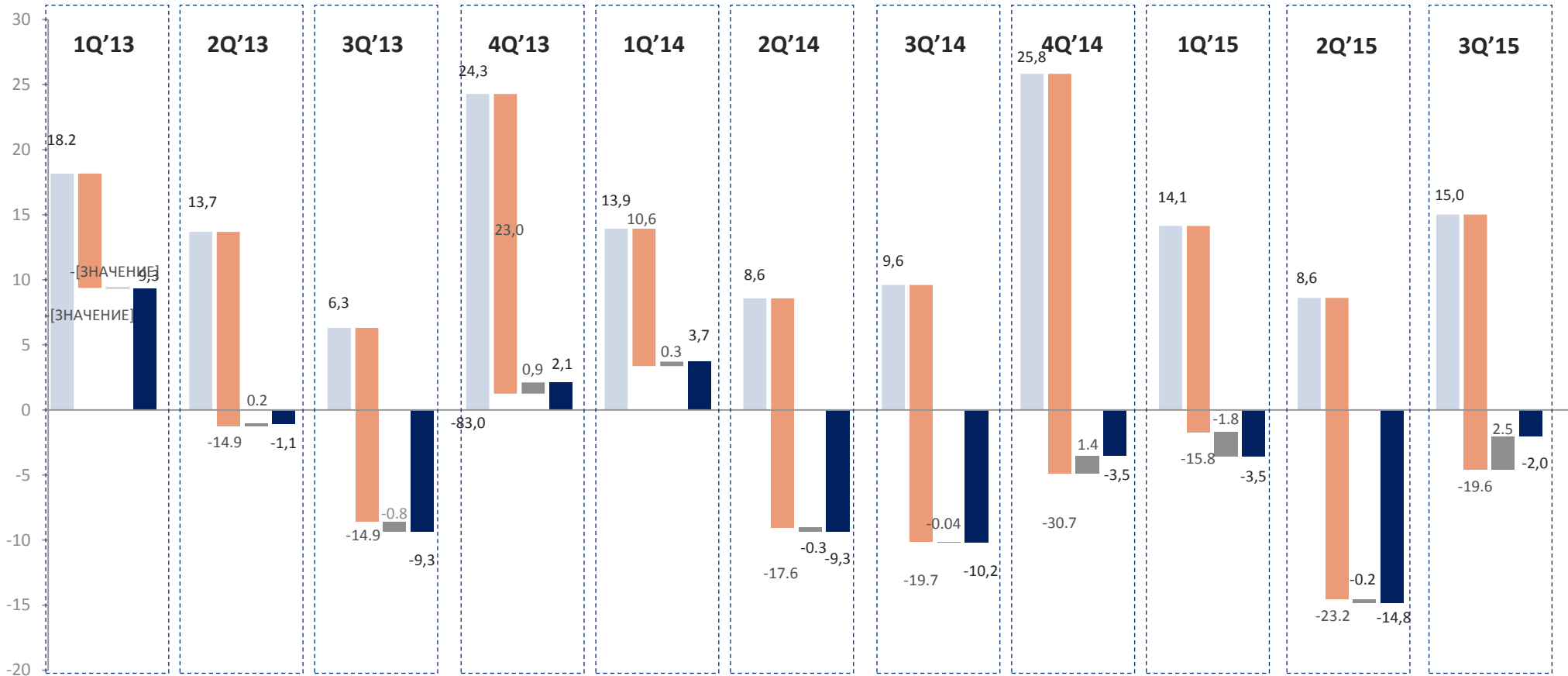
(2) Debt excluding BoGES guarantee (RUB 27.6 bn) and lease payments (RUB 1.06 bn).

(3) Excluding Committed credit lines (RUB 31.4 bn), Unissued Registered RUB bonds (RUB 195 bn), Investments available for sale.

(4) External debt: Geotherm (RUB 6.95 bn), IEC (RUB 4.4 bn), ESC RusHydro subgroup (RUB 3.13 bn), lease payments (RUB 1.06 bn).

Cash flow analysis

RUB
billion



- Operating cash flow
- Capex (PP&E)
- Net interest expense
- Unlevered free cash flow

The company will provide an extended yearly outlook in 1Q'16 following the release of water inflows forecast in 2016 from Hydrometeorological Centre of Russia, updated 2016 Group's CAPEX plan, 2017-2019 capacity auction

Construction / new capacity

- 🌀 **Boguchansky aluminium smelter (147,000 tonnes p.a.)** – expected launch in 1Q'16
- 🌀 Launch of **140 MW Zelenchukskaya PSPP-HPP** and **31 MW Zaragizhskaya HPP** in 2016
- 🌀 **2016 hydropower rehabilitation and modernization capex** cut by ca. RUB 10 vs initial plan

Regulatory environment/power market

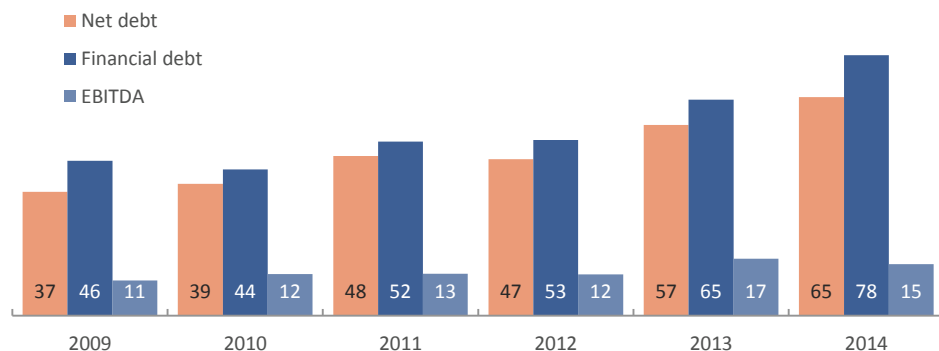
- 🌀 **Hydro production:** total output of core hydro (PJSC RusHydro) could increase by 4-5% in 2016 vs 2015 on the back of expected recovery in hydropower production in Siberia;
- 🌀 **Electricity consumption:** further demand slowdown in 2016, but impact on hydropower generation should still be limited;
- 🌀 **Spot prices:** recovery in hydro production and new capacity could put downward pressure on high prices in Siberia, decreasing the risk of regulatory interference. However, increased interconnections between Siberia and European power zones and coal prices are unlikely to bring prices in the 2nd price zone to historic lows;
- 🌀 **Deregulation of capacity sales in Siberia:** liberalization of 80% of capacity sales from hydro in Siberia in 2016 (up from 65% in 2015), 100% - in 2017 and onwards;
- 🌀 **New regulation / tariff support package** should be approved in 1Q'16 as per the president's request to speed up the smoothing of tariffs in Far Eastern regions with highest end-user electricity tariffs

Corporate development/Financials

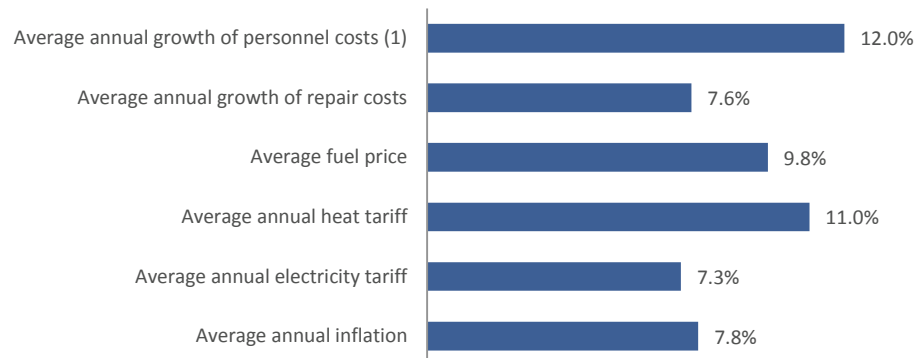
- 🌀 **RAO ES of East debt overhang:** pending approval only from the president for a capital-raising deal in the amount of RUB 85 bn
- 🌀 **Cost optimization:** efficiency improvements across all major segments, headcount reduction of 20% of non-operating personnel in parent company – PJSC RusHydro – and all major subsidiaries is now underway;
- 🌀 **Divestments:** potential sale of 4.9% in Inter RAO, 3 out of 4 electricity retail assets, Irkutsk Grid Co – no binding offers at this stage.

Origins and current state of RAO ES of the East debt problem

RAO ES of East Holding debt vs. EBITDA dynamics



Average annual inflation, tariffs, costs for 2009-14



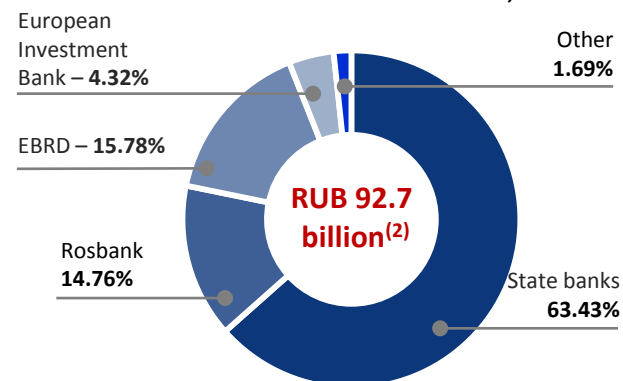
Contributing factors for high leverage of RAO ES of East

- **RUB 39.9 bn** of current loan portfolio were transferred to RAO ES of the East Holding on July 1, 2008, in the process of restructuring of JSC RAO UES of Russia;
- **RUB 32.3 bn** – borrowings to cover lack of funds as a result of insufficient tariffs;
- **RUB 20.5 bn** – Implementation of the investment projects with no return on investments (gas supply to generating facilities, preparation to APEC 2012) – as per government's requests

Current debt portfolio of RAO ES of the East

- Interest payments of RAO ES of the East in 2015 exceed expenses for repairs and maintenance and are not covered by tariff revenue;
- RusHydro Group's Debt/EBITDA has reached the critical threshold, further significant borrowings will have highly negative consequences

Gross debt structure as of November 1, 2015

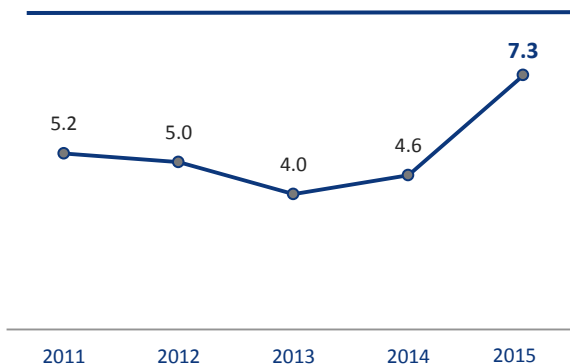


Implications of the debt problem and potential solution

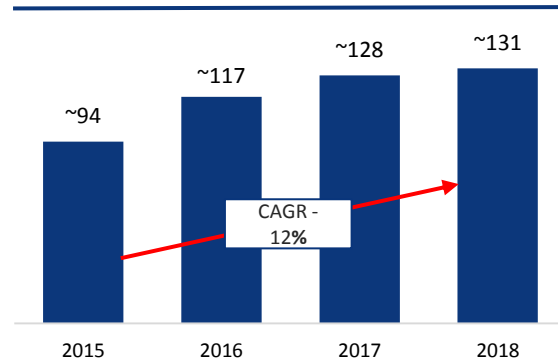
Key highlights

- As of Nov 1, 2015, the average interest rate on RAO ES of the East debt – 13%;
- Average duration – 2.7 yrs;
- Currently, holding companies of RAO ES of the East can only raise loans due to parent company's credit rating: in 2016, the share of loans with full guarantee from or provided by RusHydro in RAO ES of the East debt portfolio could amount to ¾ of all outstanding debt;
- Interest payments in 2015 exceed repairs and maintenance costs, and are not covered by tariff revenue.

RAO ES of East debt/EBITDA



RAO ES of East total debt forecast, RUB bn



Further debt increase could result in breach of covenants, increase in costs of debt financing for RusHydro Group, decrease in average duration of the debt portfolio and potential downgrades of Group's credit ratings

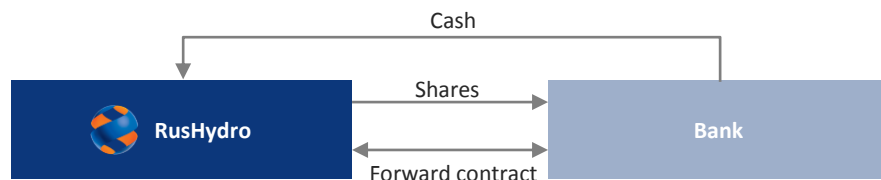
RusHydro evaluated offers from three major banks (VTB, Sberbank, Gazprombank). VTB Bank proposed the best terms of financing. In July 2015, RusHydro and VTB signed preliminary term sheet of the deal to refinance the debt of RAO ES of East

- VTB may acquire up to RUB 85 bn of newly issued shares of RusHydro with conclusion of a 5-year non-deliverable forward contract.
- The raised funds will be used to refinance debt portfolio of RAO ES of the East Holding.
- During the life span of the forward contract RusHydro jointly with VTB Bank will undertake a set of measures, aimed at increased shareholder value of RusHydro, with the view to sell the shareholding held by the bank to a strategic investor (or investors) in line with the plan for partial privatization of RusHydro, approved by the Government. The plan assumes that no less than 50% plus 1 share of the Company will remain under control of the Russian Federation.
- At maturity of the forward contract, provided that the shareholding is sold, one of the parties will pay up to the other party the difference between the sale price and the present value of financing.

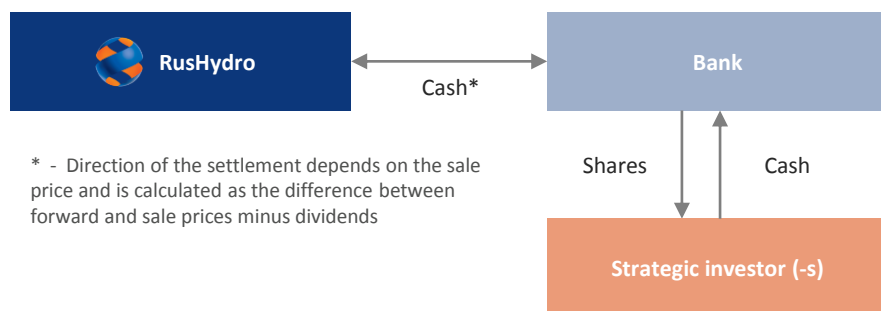
Overview of capital-raising transaction

Simplified structure

1 Signing of the forward purchase agreement and SPA



2 Settlement of the forward contract



Key transaction highlights

At the transaction's inception

- RusHydro sells to the bank newly issued shares not exceeding 19.9% in the share capital (post-money) at RUB 1 per share in the total amount of RUB 85 bn
- Simultaneously with the acquisition the parties sign a 5-year non-deliverable forward contract on 100% of these shares, acquired by the bank
- PJSC RAO ES of the East (a subsidiary of RusHydro Group) issues RUB 85 bn of bonds with 12 years maturity backed by the Russian government guarantee for 50% of the nominal bond value and transfers it to JSC Hydroinvest (100% subsidiary of RusHydro)

During the lifetime of the transaction

- The parties jointly implement all necessary measures aimed at increasing in RusHydro's shareholders value and market capitalization and subsequent sale of the stake to strategic investor (-s)

At maturity of the transaction

- Depending on the sale price, one of the parties will compensate to the other the difference between forward price and sale price
- Forward price includes nominal value of the financing, accrued interest payments, calculated based on the interest rate agreed by the parties in the forward agreement, and subtracts distributed dividends
- In case the sale to a strategic investor would take place, the sale price would be confirmed by an independent appraiser and agreed with the Russian gov't

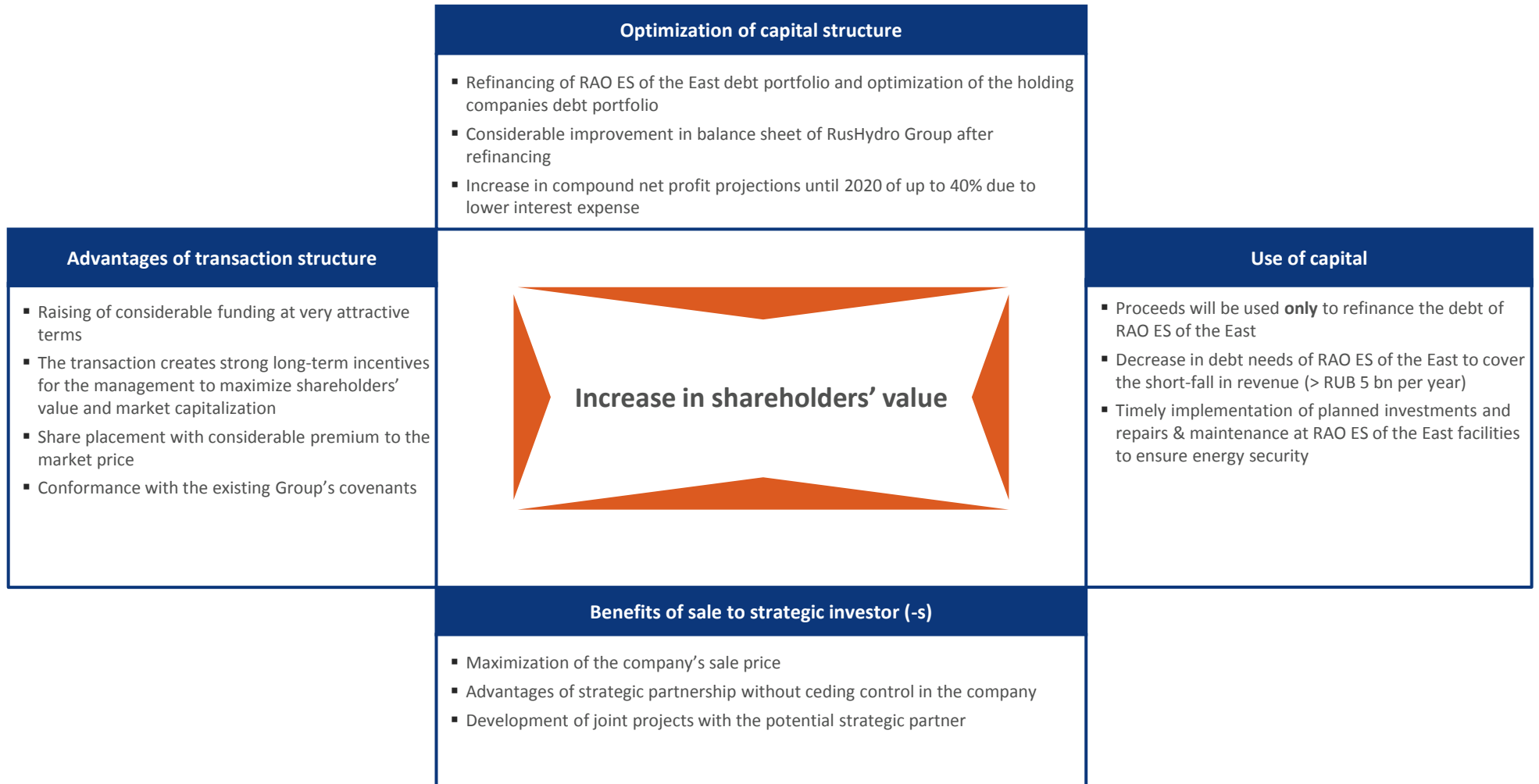
- 🌀 Non-deliverable forward agreement with the bank provides for a deferral of interest payments for at least during the first 2 yrs from the date of contract. Considerable amount of potential liabilities of RusHydro will be covered by proceeds from subsequent sale of RusHydro's shares. These terms represent the key advantages of the forward contract compared to debt financing.
- 🌀 The transaction creates strong long-term incentives for the management to maximize shareholders' value.
- 🌀 The sale to a strategic investor or public placement on Russian and international stock exchanges of the shareholding in RusHydro are the most likely options of shareholding sale.

Key preliminary terms of the forward contract

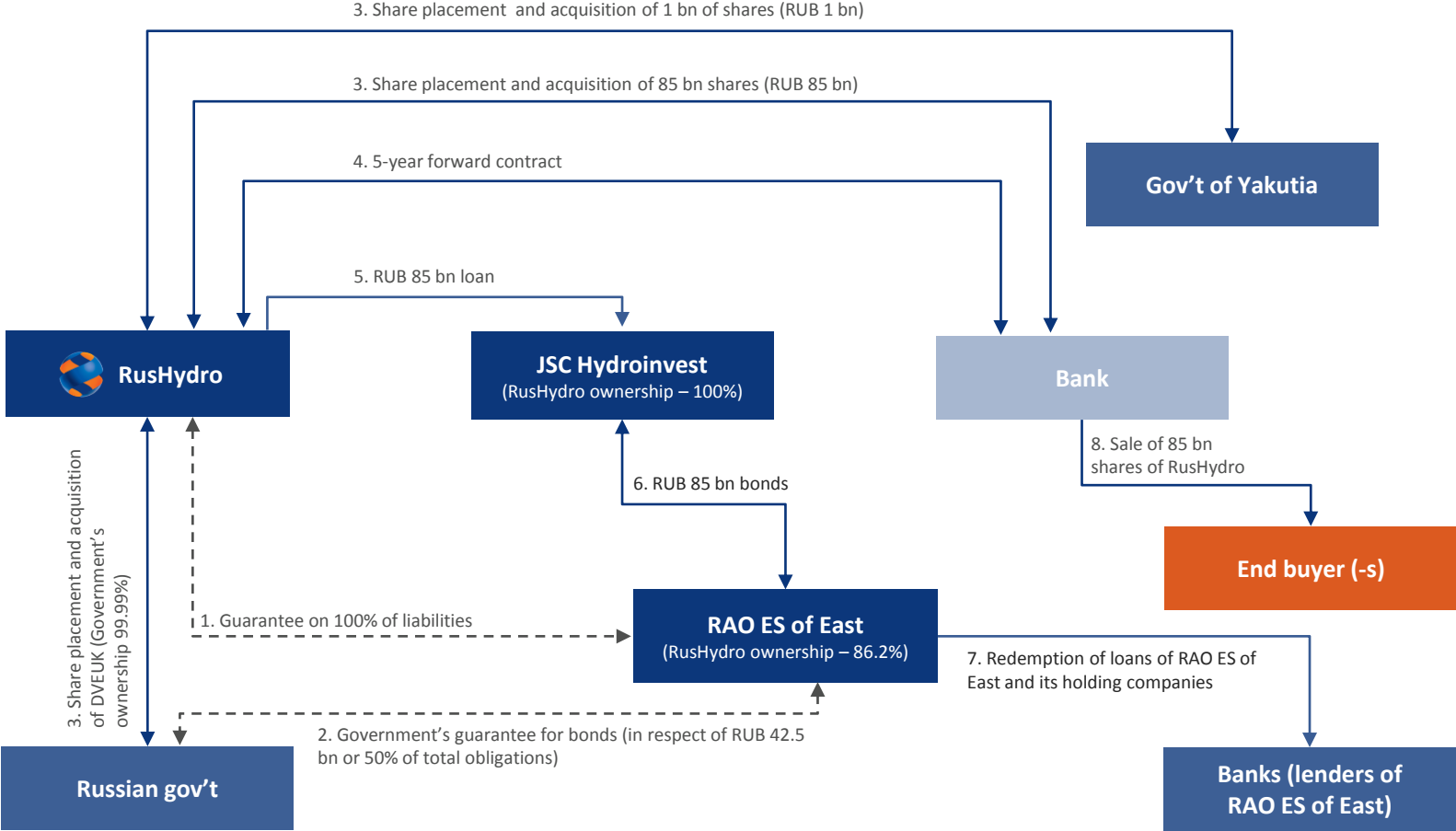
Amount of capital raise	RUB 85 bn
Bank's shareholding in RusHydro	85 bn shares (18% ≤ shareholding post-money ≤ 19.9%)
Maturity (base / maximum)	5 yrs (<i>forward contract</i>) / 12 yrs (<i>bond issue as potential instrument for forward contract settlement</i>)
Forward interest rate	Central Bank of Russia key rate + X
<i>Option 1</i> ⁽¹⁾	X = 2.95% (<i>2-year deferral of interest payments</i>)
<i>Option 2</i> ⁽¹⁾	X = 3.3% (<i>accrued interest payments are paid after 5 yrs</i>)
Terms of bond issue	12-year bonds issued by PJSC RAO ES of the East to JSC Hydroinvest (100% subsidiary of RusHydro)
<i>Issue amount</i>	RUB 85 bn (<i>100% of nominal financing</i>)
<i>Government's guarantee</i>	RUB 42.5 bn (<i>50% of nominal financing</i>)
<i>RusHydro's guarantee</i>	<i>In respect of 100% of bond issue</i>
Bank's ownership in RusHydro	Governed by shareholders' agreement between the Russian government and the bank, as well as forward contract between RusHydro and the bank
<i>Sale of shareholding</i>	<i>Shareholding may be sold at any time during the lifetime of forward contract</i>
<i>Dividends</i>	<i>Dividends are retained by the bank and decrease the obligations under forward contract</i>
Forward settlement	Depending on the chosen option of pre-payment of the forward price (see above) ⁽¹⁾
<i>Option 1</i> ⁽¹⁾	<i>Interest is paid quarterly starting from the 3rd year under the compound interest formula</i>
<i>Option 2</i> ⁽¹⁾	<i>Interest is calculated based on compound interest formula and paid at maturity</i>
Forward execution	
<i>Option 1. Sale price < obligations under forward contract</i> ⁽²⁾	RusHydro settles the difference with cash or/and issued bonds
<i>Option 2. Sale price ≥ obligations under forward contract</i> ⁽²⁾	Sale premium is transferred to RusHydro in full
<i>Option 3. Shareholding not sold</i>	The parties compensate the difference between forward price and the price of stake determined by an independent appraiser in compliance with Options 1-2



Key benefits of the non-deliverable forward agreement

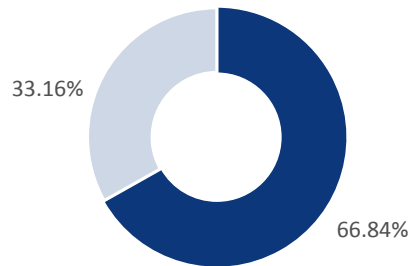


General scheme of transaction

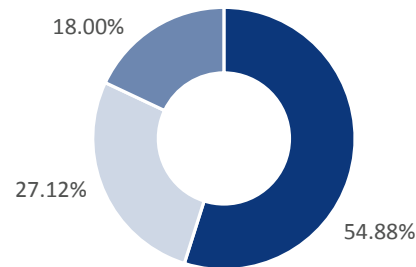


Target shareholder structure of RusHydro

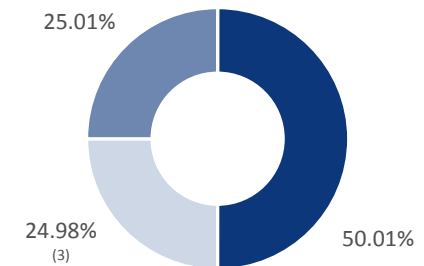
Current shareholder structure, 2015



Shareholder structure after the deal ⁽¹⁾



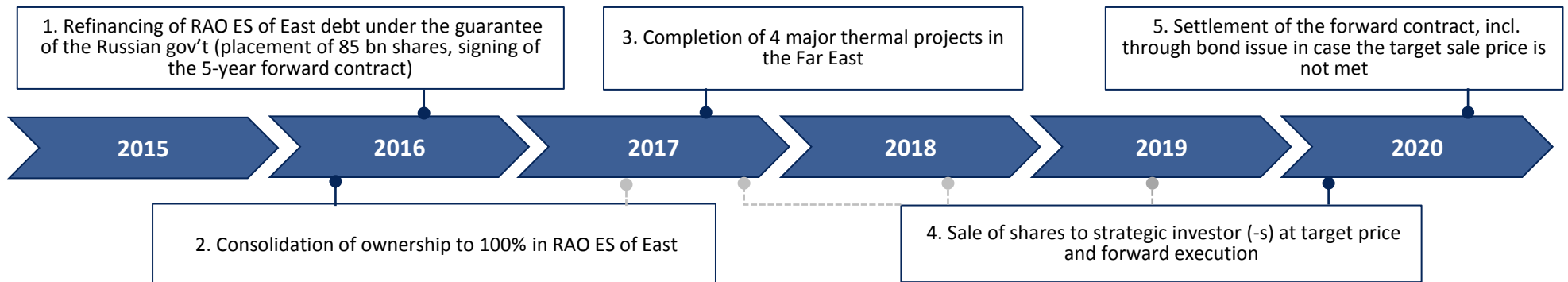
Target shareholder structure ⁽²⁾



■ Russian Federation

■ Bank / strategic investor

■ Other shareholders



(1) Calculated excluding contribution of shares of DEK and DVEUK and pre-emptive right execution by other shareholders

(2) The 2013 roadmap of RusHydro privatization approved by the federal authorities provides for a partial privatization of RusHydro until 2016 with Russian government's ownership at no less than 50%+1 share through sale to strategic investor (-s) or public placement

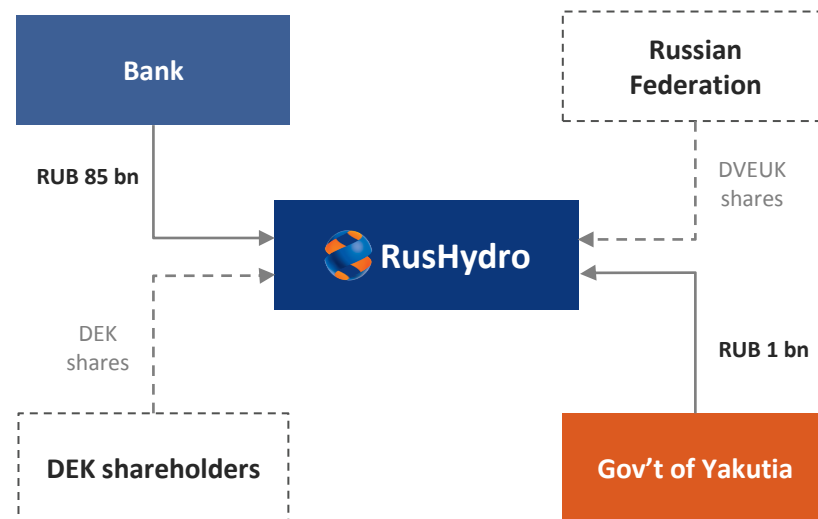
(3) In the case of an SPO, free float may increase to 45.33% or 48.99% in case part of the government's shareholding in excess of 50.01% and quasi-treasury shares are also sold.

RusHydro share issue overview

Share issue parameters ⁽¹⁾

Assets due for contribution in share capital	Value est., RUB
Cash to refinance RAO ES of East debt	85 bn
Cash from Yakutia government's budget ⁽²⁾	1 bn
99.99% in DVEUK from the Russian Federation ⁽³⁾	≤ 15 bn
Shares of DEK in free float ⁽⁴⁾	≤ 2.4 bn
Pre-emptive rights execution reserve ⁽⁵⁾	51.3 bn
TOTAL (maximum)	154.7 bn
TOTAL (minimum)	86 bn

Share placement overview

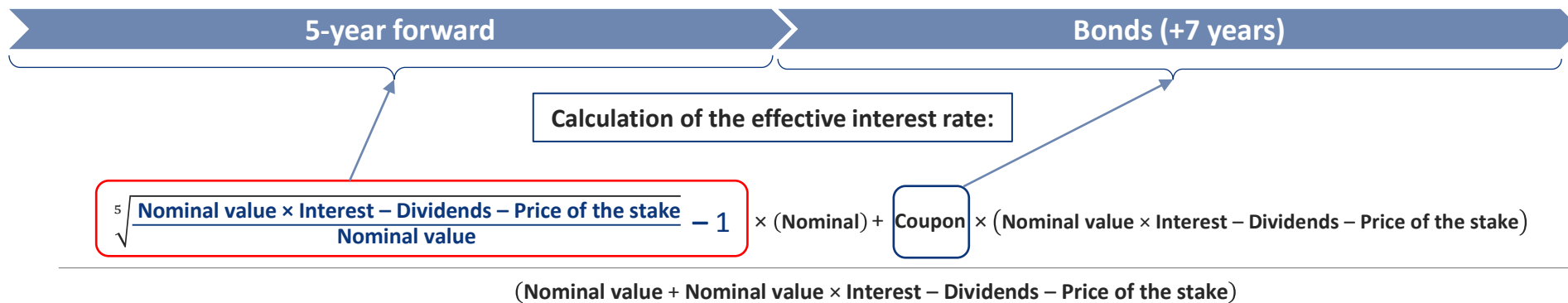


- Share placement is aimed at refinancing of RAO ES of the East and its subsidiaries' debt and potential consolidation of the Far Eastern power assets
- The placement will be done at a price far exceeding the market price that should mitigate the effect of dilution for minority shareholders

- (1) An independent appraisal is due. Expected news shares placement price is RUB 1 (par (nominal) value). According to the Russian legislation, the price of placement newly issued shares can not below their par (nominal) value.
- (2) Proceeds will be used for currently implemented project of Yakutskaya TPP-2.
- (3) A possible contribution is not yet approved by the Government. An independent appraisal is due. The total value shouldn't exceed RUB 15 bn. 0.01% of DVEUK are currently held by RAO ES of the East.
- (4) A possible contribution is not yet approved by the Government. An independent appraisal is due. The value is shown at current market price. RusHydro Group now owns 52.07% in DEK. Potential contribution of DEK shares from SUEK (2nd largest shareholder in DEK with 34%) is not expected.
- (5) Calculated as: «Total share issue amount less pre-emptive rights amount»/(«100% – share of minorities») – «Total share issue amount less pre-emptive rights amount». As placement will done at a price far exceeding the market price, RusHydro doesn't expect that many shareholders would participate in the pre-emptive purchase of newly-issued shares.

Evaluating the efficiency of the forward contract

- ✓ Even at the current price of RusHydro's shares (ca. RUB 0.6 per share in 2020) **the effective forward rate is substantially lower than the weighted average interest rate of RusHydro Group debt portfolio** and current debt capital offerings
- ✓ In case of growth of RusHydro's share price, implementation of forward will lead to a **significant optimization of the Company's capital structure**
- ✓ RusHydro Group's financial model confirms a possibility of growth of RusHydro's fair value in 2020 to a target level that will ensure zero or minimal liabilities of RusHydro under forward contract (incl. implementation of measures aimed to increase shareholders' value and Mcap)
- ✓ Signing of the forward contract will impede growth of loan servicing expenses and increase the average loan repayment period
- ✓ The refinancing transaction will eliminate loss of RAO ES of the East Holding resulting from debt servicing



Nominal value – forward par value
Interest – interest payments, accumulated for the term of the forward contract
Dividends – adjusted dividends, accumulated for the term of the forward
Price of the stake – selling price of RusHydro's shares at the end of the forward term
Coupon – bonds coupon rate

Recognition of the forward in RusHydro's consolidated accounts

- At initial recognition, the forward will be recorded at a fair value on the balance sheet of RusHydro Group as financial liability. Also, at initial recognition, the fair value of forward will be reflected in the Company's capital as a component of selling price of shares and will not affect P&L.
- As classification of the initial price of forward is a subject to assumptions, this information will be disclosed in detail in the Company's financial results prepared in accordance with IFRS
- Subsequent changes in fair value of forward as of each reporting date will be reflected in P&L.
- The fair value of forward capitalized at initial recognition is not subject to change, as subsequent changes in fair value do not result from interaction with shareholders.



Preliminarily fair value of the forward based on preliminary conditions of the transaction and current level of interest rates (key rate set by the Central Bank, market rate/discount rate for the Company)
amounts to around RUB 40 bn

Key provisions of RusHydro's Program of shareholder value growth

- **Draft of Presidential Decree has an unconditional requirement for the Company to approve and implement long-term program of market capitalization growth and increase of investment appeal of RusHydro.**
- Implementation of the Program in should create conditions for growth of RusHydro's Mcap and attaining by 2020 of the target price that will ensure zero or minimal liabilities of RusHydro according to the forward contract.
- One of key management tools should become development of financial/economic model which will serve as basis for strategic decision-making by the Board of Directors and key management decisions.
- The Ministry of Economic Development of the Russian Federation will coordinate management's efforts to implement the Program from the side of the Russian Federation (including development of recommendations with the help of external experts).

Key components

- **Change of approaches to investment program planning:** implementation of projects already in progress, reduction (smoothing) of financing of the projects in the framework of comprehensive modernization and rehabilitation of hydropower plants, cancelation of non-efficient projects, reduction of cost of construction and equipment modernization;
- **Stable growth of dividends** with potential increase in dividend payout ratio following an increase in free cash flow;
- **OPEX reduction policy and management optimization:** introduction of plan for reduction of controllable costs (personnel, repairs, management costs, consulting); effect of refinancing of RAO ES of the East debt (lower interest payment, lower growth of debt in the absence of need for additional financing for servicing debt);
- **Consolidation of assets in the Russian Far East on basis of RusHydro Group:** simplification of corporate procedures, maximization of cost effects for RusHydro Group from refinancing due to increased value of RAO ES of the East companies;
- **Increased role of value/financial KPI for management,** potential introduction of share ownership plan;
- **Change of tariff regulation in the Far East:** increasing tariffs to economically justifiable level, introduction of long-term tariff regulation.

2016 disclosure & IR calendar

January 20-21	Deutsche Bank CEEMEA Conference (London)
January 28	4Q & full year 2015 operating results
March 2	FY 2015 RAS results
March 3-4	JPMorgan CEEMEA Conference (London)
March 9-10	HSBC Conference (New York)
March 23	FY 2015 IFRS results & conference-call
April ⁽¹⁾	Analyst & Investor Day
April 11-13	Raiffeisen Bank Investor conference (Zurs, Austria)
April 21	1Q 2016 operating results
April 29	1Q 2016 RAS results
May 12-13	Morgan Stanley 3rd Annual GEMS (London)
May 15	Morgan Stanley Power and Utility Conference (London)
June ⁽¹⁾	BofA Merrill Lynch Utilities & Renewables Conference (London)
June ⁽¹⁾	Renaissance Capital Investor Conference (Moscow)
June	Annual General Meeting of Shareholders ⁽²⁾
June 23	1Q 2016 IFRS results & conference-call
July	Dividend record date ⁽³⁾
July 12-14	Morgan Stanley GEMs (New York)
July 21	1H 2016 operating results
July 29	1H 2016 RAS results
August 29	1H 2016 IFRS results & conference-call
September ⁽¹⁾	HSBC Conference (London)
September 15	Morgan Stanley Power and Utility Conference (London)
October ⁽¹⁾	VTB Capital Investment Forum "Russia calling!" (Moscow)
October 20	9M 2016 operating results
October 28	9M 2016 RAS results
November 7-8	Goldman Sachs CEEMEA Conference (London)
December 15	9M 2016 IFRS results & conference-call

(1) Dates of the events are TBC

(2) The Annual General Shareholders Meeting is held no earlier than two months and no later than six months after the end of the fiscal year.

(3) In accordance with the Federal law No. 282-FZ of December 29, 2013, from 2014 the dividend record date may not be earlier than 10 days, and may not be later than 20 days after, the date of the resolution of the general shareholders meeting approving the payment of the dividend.



RusHydro



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



Thomson Reuters Extel 2012:
No.1 IR Team in Russian Utilities



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



Thomson Reuters Extel 2014:

- No.1 IR Team in Russian Utilities
- Best IRO, Russian Utilities

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