

April 14, 2016. Moscow, Russia.

## RusHydro initiates optimization of CAPEX plan

PJSC RusHydro (ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) suggests amendments to consolidated investment program of RusHydro Group for 2016-2019. Capex optimization is aimed at ensuring the Group's financial stability, increase in operational and investment efficiency and improvement of the RusHydro investment profile.

*Consolidated investment program of RusHydro Group includes investment programs of PJSC RusHydro and its key operating subsidiaries, as well as the investment program of RAO ES of the East Holding.*

Total capital spending in 2016-2019 amounts to RUB 352.7 bn (including VAT), which is by RUB 31.8 bn (-8%) lower than previously planned amount of RUB 384.5 bn.

### Consolidated capex plan for 2016-2019 (RUB bn, incl. VAT)

	2016 old	2016 new	chg	2017 old	2017 new	chg	2018 old	2018 new	chg	2019 old	2019 new	chg
Hydro rehab & modernization	35.0	29.2	-17%	44.0	28.9	-34%	46.0	28.8	-37%	41.8	29.5	-29%
New thermal capacity construction in the Far East*	35.2	31.3	-11%	27.2	34.6	27%	-	-	-	-	-	-
New hydro capacity construction	38.2	30.8	-19%	21.3	32.0	50%	10.0	15.9	58%	0.8	7.7	904%
RAO ES of the East	25.3	21.5	-15%	19.7	25.1	27%	20.1	20.8	3%	19.9	16.7	-16%
<b>Total</b>	<b>133.8</b>	<b>112.9</b>	<b>-16%</b>	<b>112.1</b>	<b>120.4</b>	<b>7%</b>	<b>76.2</b>	<b>65.5</b>	<b>-14%</b>	<b>62.4</b>	<b>53.9</b>	<b>-14%</b>

\* - four priority projects in the Far East of Russia (1<sup>st</sup> stage of Yakutskaya TPP-2, 2<sup>nd</sup> stage of Blagoveshenskaya TPP, TPP in Sovetskaya Gavan', 1<sup>st</sup> stage of Sakhalinskaya TPP-2)

\*\* - including rehabilitation and technical upgrade and new construction

The Company's Board of Directors took a note of draft investment program for 2016 and 2017-2019 on April 7, 2016.

The main items of the capex plan optimization include:

- Introduction of a cap on annual funding of hydropower rehabilitation and technical upgrade plan at no more than RUB 30 bn (incl. VAT) through smoothing funding schedule of Comprehensive modernization projects and lowering their cost. The change will not affect the quality of works and target parameters of facilities reliability and safety;
- Funding of small hydropower plants projects in the North Caucasus are reduced to levels sufficient for completion of design documents in 2016. Construction of Zaragizhskaya small hydropower plant will be completed in full with commissioning of 30.6 MW of capacity in 2016.

Consolidated capex plan of the Group from 2016 to 2019 foresees completion of construction projects in progress with commissioning of 2.67 GW of new electric capacity and 1,461 GCal/h of heat capacity.

Key investment projects in the North Caucasus include:

- Zelenchykская HPP-PSHPP (140 MW in generation mode) in the Karachay-Cherkessya Republic;
- Zaramagskaya HPP-1 (342 MW) in the North-Ossetia-Alania Republic;

Key investment projects in the Far East include:

- The third hydro-unit of Ust-Srednekanskaya HPP (142.5 MW) in Magadan region;

- Nizhne-Bureyskaya HPP (320 MW) in Amur region;
- Priority projects built in accordance with Presidential decree in the Far East (1<sup>st</sup> stage of Yakutskaya TPP-2, TPP in Sovetskaya Gavan', 1<sup>st</sup> stage of Sakhalinskaya TPP-2, 2<sup>nd</sup> stage of Blagoveshchenskaya TPP-2), including adjacent infrastructure);
- Vostochnaya TPP (139.5 MW/421 GCal/h) in Vladivostok.

In 2016-2019, RusHydro Group plans to add 231.5 MW through rehabilitation and modernization projects of hydropower plants, as well as commission 1,167 km of overhead electricity transmission lines and 46.7 km heat transmission pipes in the Far East.

*Optimization of consolidated investment program of RusHydro is carried out pursuant decrees by the President and the Government of the Russian Federation aimed to improve the efficiency of expenses of the government-controlled companies. A program of investment and operational efficiency increase and cost reduction was approved by RusHydro's Board of Directors in December 2015 as part of the company's business plan.*

RusHydro will continue systemic efforts aimed to increase the efficiency of capex programs, analysis of economic efficiency of its projects with the view of exclusion of projects, failing the Company's profitability criteria. The Company is aimed at development of new decision-making system, under which start of new projects, not providing sufficient return on investment and serving exclusively social functions, will be possible only in case of special decisions by the President and the Government of the Russian Federation.

As already announced earlier, RusHydro and the Russian Government have agreed on external audit of the Company to be conducted in the 1<sup>st</sup> half of 2016 with the view of identifying additional sources and scope of economy of operational and investment expenses of RusHydro Group for the medium term.

## **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 38.5 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 Moscow Exchange (MOEX), and included in MSCI EM и MSCI Russia indexes. Company's GDRs in the IOB section of LSE, ADRs – in OTCQX.

### **For more information:**

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## **DISCLAIMER**

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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 and political 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.*