

March 30, 2017

RusHydro announces full year 2016 RAS results

PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the full year ended December 31, 2016.

Key highlights:

- 4Q 2016 revenue – RUB 28,268 mn (-2.8%), for 2016 – RUB 115,033 mn (+7.4%);
- 4Q operating expenses – RUB 16,788 mn (-8.8%), for 2016 – RUB 56,356 mn (-11.9%);
- 4Q 2016 EBITDA – RUB 15,395 mn (+7.3%), 2016 EBITDA – RUB 73,890 mn (+28.8%);
- EBITDA margin in 4Q 2016 – 54.5% (+5.1 p.p.), in 2016 – 64.2% (+10.6 p.p.);
- Reported net profit for 2016 – RUB 41,877 mn (+39.5%), adjusted net profit – RUB 59,846 mn (+92.2%).

Key financials for 2016 under RAS (in RUB mn)

	2016	2015	chg	4Q'16	4Q'15	chg
Revenue	115,033	107,099	7.4%	28,268	29,076	-2.8%
Operating expenses	(56,356)	(63,969)	-11.9%	(16,788)	(18,411)	-8.8%
Operating profit	58,677	43,130	36.0%	11,480	10,665	7.6%
EBITDA ¹	73,890	57,387	28.8%	15,395	14,343	7.3%
Net profit	41,877	30,022	39.5%			
Net profit (adj.) ²	59,846	31,142	92.2%	20,136	5,969	237.3%

Revenue

In 2016, revenue increased by 7.4% to RUB 115,033 mn as compared to RUB 107,099 mn for 2015. The underlying factors behind the change in revenue were:

- strong operational results due to rational utilization of elevated inflows to a number of large reservoirs, commissioning of new power plants and modernization of operating plants;
- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the second price zone following full liberalization of capacity market for hydro in Siberia with increase of capacity sold at KOM price from 80% to 100% since May 1, 2016³;
- increase in day-ahead market prices in the first price zone;
- indexation of regulated electricity and capacity tariffs for RusHydro hydropower plants;
- decrease in cost of purchased electricity and capacity due to decrease in volumes of purchased electricity due to absence of free bilateral agreements in the price zone of wholesale market for electricity and capacity.

Revenue breakdown (RUB mn)

	2016	2015	chg	4Q'16	4Q'15	chg
Electricity sales	77,338	73,262	-5.6%	17,687	19,569	9.6%
Capacity sales	36,833	32,583	13.0%	10,401	9,177	13.3%
Other sales	862	1,254	-31.3%	180	330	-45.5%
TOTAL	115,033	107,099	-7.4%	28,268	29,076	-2.8%

Operating expenses

Operating expenses in January-December 2016 decreased by 11.9% to RUB 56,356 mn as compared to RUB 63,969 mn for the same period of 2015.

Operating expenses breakdown (in RUB mn)

	2016	2015	chg	4Q'16	4Q'15	chg
Depreciation	15,213	14,257	6.7%	3,915	3,678	6.4%
Labor expenses	9,408	10,113	-7.0%	4,312	4,166	-3.5%

Purchased electricity and capacity	7,023	13,970	-49.7%	1,802	4,020	-55.2%
Property tax	6,771	6,640	2.0%	1,722	1,676	2.7%
Repairs & maintenance	3,724	4,109	-9.4%	1,449	1,865	-22.3%
Other third-party services	3,720	3,725	-0.1%	1,523	1,589	-4.2%
Services of SO, ATS, CFS	2,813	2,884	-2.5%	701	751	-6.7%
Security expenses	1,730	1,729	0.1%	423	447	-5.4%
Insurance expenses	1,710	1,482	15.4%	510	402	26.9%
Rent	1,579	1,230	28.4%	508	338	50.3%
Water tax	1,267	934	35.7%	293	247	18.6%
Leasing expenses	186	479	-61.2%	31	259	-88.0%
Other	1,212	2,417	-49.9%	-401	-1027	61.0%
TOTAL	56,356	63,969	-11.9%	16,788	18,411	-8.8%

Highest constituents of operating expenses were depreciation and labor expenses (27% and 17% of the overall operating expenses respectively). Major factors of change in operating expenses were:

- increase in depreciation and appreciation (+7) and property tax (+2%) linked to increase in value of plant, property and equipment and non-tangible assets following commissioning of new plant, property and equipment and beginning of exploitation of SAP software in pilot regime;
- decrease in employee benefit expenses by 7% as a result of continuing headcount optimization and overhaul of employee and management compensation plans;
- decrease in expenses on purchased electricity and capacity by RUB 6,947mn or 50% due to a) increased output and b) decrease in volumes of purchased electricity due to decrease in purchased electricity in absence of free bilateral agreements in the price zone of wholesale market for electricity and capacity;
- other expenses for 2016 decreased by 50% or RUB 1,205 mn against 2015 and totaled RUB 1,212 mn due to cost cutting measures, undertaken by the Company.

Profit

Operating profit for 2016 increased by 36.0% to RUB 58,677 mn against RUB 43,130 mn for 2015.

EBITDA increased by 28.8% as compared to the same period of 2015 and amounted to RUB 73,890 mn.

RusHydro's net profit for the reporting period increased by RUB 11,855 mn or 39.5% and totaled RUB 41,877 mn. Net profit adjusted for non-cash items increased by 92.2% and totaled RUB 59,846 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- expenses (net) on provision for impairment of financial investments in the amount of RUB 17,644 mn, including: a) LLC ESC RusHydro in the amount of RUB 8,412 mn, b) JSC Hydroinvest in the amount of RUB 4,128 mn and c) ZAO Verkhne-Narynskye GES in the amount of RUB 2,265 mn;
- gain from revaluation of financial investment market-to-market in the amount of RUB 5,532 mn;
- expenses (net) on provision for accounts receivables in the amount of RUB 5,915 mn;
- gain from other reserves in the amount of RUB 253 mn;
- expenses on estimated liabilities in the amount of RUB 194 mn.

RusHydro's financial position as of December 31, 2016

The Company's total assets increased by RUB 16,042 mn as of December 31, 2016, or 2% against the similar figure as of December 31, 2015, reaching RUB 908,673 mn.

As of December 31, 2016, total liabilities decreased by 7% or RUB 10,825 mn and amounted to RUB 139,274 mn.

The Company's debt portfolio decreased by 12% from the beginning of the year from RUB 124,010 mn to RUB 108,873,010 mn; long-term loans make up 87% of total debt portfolio.

The Company's equity for 2016 increased by 4% to RUB 769,336 mn against RUB 742,469 mn as of the beginning of the reporting year.

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 38.7 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:

Investor Relations Department

Tel. +7 (800) 333 8000 ext. 1607, 1319, 1304

ir@rushydro.ru

DISCLAIMER

The information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of RusHydro. One can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "plan", "aim", "target", "forecast", "project", "should", "estimate," "intend," "will," "could," "may" or "might," the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially from these statements.

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.

¹ EBITDA calculated as gross profit before depreciation.

² Net profit adjusted for the mark-to-market revaluation of listed equity stakes, provisions for financial investments and other assets impairment, provisions for potentially uncollectible accounts receivable and other, estimated liabilities. This indicator is not reported in the official financial statements under RAS and has been calculated and put into the press release for reference.

³ According to the Decree of the government of the Russian Federation No. 379 of April 30, 2016, all limitations on sale of all capacity of hydropower plants located in the 2nd price zone at free (unregulated) prices have been lifted, Thus the entire volume of capacity of hydropower plants, located in the 2nd price zone, less volume volumes, provided under regulated contracts, will be sold at price determined by the competitive capacity auctions (KOM). Early liberalization introduced under condition that the limit on specific price of electricity and capacity for customers in Republic of Buryatia from May to December 2016 will not trespass 7.5%. In case such threshold will be trespassed, the 100% liberalization will be cancelled and 80% level of liberalization will be reintroduced.