

July 29, 2014

RusHydro announces 1H 2014 RAS results

JSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the six months of 2014.

Key highlights:

- 2Q 2014 revenue – RUB 28.5 bn (-1%), 1H 2014 revenue – RUB 55.4 bn (+2%);
- 1H 2014 operating expenses – RUB 29.2 bn (+10%);
- 2Q 2014 EBITDA – RUB 16.4 bn (-6%), 1H 2014 EBITDA – RUB 32.6 bn (-3%);
- EBITDA margin in 2Q 2014 – 58% (-3 p.p.), in 1H 2014 – 59% (-3 p.p.);
- Reported net profit for 1H 2014 – RUB 22 bn (+12%), adjusted net profit – RUB 22.2 bn (-6%).

Key financials for the 1H 2013/2014 under RAS (in RUB mn)

	1H'14	1H'13	chg	2Q'14	2Q'13	chg
Revenue	55,426	54,177	2%	28,508	28,734	-1%
Operating expenses	(29,233)	(26,520)	10%	(15,294)	(14,262)	7%
Operating profit	26,193	27,657	-5%	13,214	14,472	-9%
EBITDA ^[1]	32,586	33,525	-3%	16,414	17,411	-6%
Net profit	22,000	19,559	12%	12,336	10,222	21%
Net profit (adj.) ^[2]	22,228	23,602	-6%	12,023	12,443	-3%

Revenue

In the 1st half of 2014, revenue increased by 2% to RUB 55,426 mn as compared to RUB 54,177 mn for the same period of 2013. The underlying factors behind the change in revenue were:

- increase in electricity sales volumes and prices on the “day-ahead” market in the 1st pricing zone due to indexation of fuel prices;
- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the first price zone due to indexation for consumer price index;
- decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013 following liberalization of hydro capacity market from May 1, 2014^[3];
- indexation of regulated electricity and capacity tariffs from the 2nd half of 2013;
- decrease in electricity sale prices on the “day-ahead” market in the 2nd pricing zone due to increase in electricity generation by hydropower plants.

Revenue breakdown (RUB mn)

	1H'14	1H'13	chg	2Q'14	2Q'13	chg
Electricity sales	40,075	39,063	3%	21,164	21,883	-3%
Capacity sales	14,703	14,815	-1%	6,841	6,707	2%
Other sales	648	299	117%	503	143	252%
TOTAL	55,426	54,177	2%	28,508	28,733	-1%

Operating expenses

Operating expenses in January-June 2014 increased by 10% to RUB 29,233 mn as compared to the same period of 2013.

Operating expenses breakdown (in RUB mn)

	1H'14	1H'13	chg	2Q'14	2Q'13	chg
Purchased electricity and capacity	8,443	7,262	16%	4,559	3,931	16%
Depreciation	6,393	5,868	9%	3,200	2,939	9%
Property tax	2,997	2,762	9%	1,495	1,381	8%
Labor expenses	2,552	2,366	8%	1,331	1,381	-4%
Services of System Operator, ATS, CFS	1,387	1,286	8%	694	646	7%
Repairs & maintenance	1,253	1,251	0%	753	790	-5%
Security expenses	820	706	16%	412	361	14%
Other third-party services	765	687	11%	482	416	16%
Other taxes and fees	692	613	13%	339	318	7%
Insurance expenses	544	532	2%	282	310	-9%
Rent expenses	544	512	6%	300	255	18%
Leasing expenses	485	565	-14%	230	313	-27%
Water tax	463	497	-7%	238	276	-14%
Other	1,895	1 612	18%	979	944	4%
TOTAL	29,233	26,519	10%	15,294	14,261	7%

Major factors of change in operating expenses were:

- increase in depreciation and property tax as a result of commissioning of new assets, including in terms of reconstruction of the Sayano-Shushenskaya HPP;
- increase electricity consumption by the Zagorskaya PSPP (by 405 GWh or RUB 506 mn);
- increase in volumes of electricity purchased for resale.

Profit

The higher growth rate in operating expenses versus revenue growth in the 1st half of 2014 as compared to the 1st half of 2013 (10% versus 2% respectively) resulted in decline in operating profit by 5% as compared to the same period of the previous year.

EBITDA decreased by 3% as compared to the same period of 2013 and amounted to RUB 32,586 mn.

RusHydro's net profit for the reporting period increased by 12% to RUB 22,000 mn. Net profit adjusted for non-cash items decreased by 6% to RUB 22,228 mn as compared to RUB 23,602 mn in the same period of the previous year.

The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- mark-to-market revaluation of listed equity stakes in the amount of RUB 418 mn, of which shares of Inter RAO UES account for RUB 409 mn;
- accrued reserves in the amount of RUB 162 mn (an 87% decrease as compared to RUB 1,428 mn in the previous year).

RusHydro's financial position as of June 30, 2014

The Company's total assets increased by RUB 27,558 mn as of June 30, 2014, or 3% against the similar figure as of December 31, 2013, reaching RUB 843,764 mn.

The growth in assets mainly in terms of long-term financial investments is related to acquisition of shares of JSC Ust'-Srednekanskaya HPP, a subsidiary of RusHydro, in the amount of RUB 4,517 mn, as well as shares of JSC Blagoveschenskaya TPP in the amount of RUB 6,301 mn and JSC Yakutskaya TPP No. 2 in the amount of RUB 1,029 mn, which are in trust management of RAO ES of East.

As of June 30, 2014, total liabilities stood at RUB 133,971 mn as compared to RUB 191,787 mn as of December 31, 2013. The decrease was attributed primarily to reduction of liabilities to acquirers of the Company's shares of additional issue after registration of the amendments to the Company's share capital (certificate of registration of the amendments to the Articles of Association of January 28, 2014). The

Company's debt portfolio rose by 3% from the beginning of the year to RUB 105,553 mn; long-term loans make up 98% of total debt portfolio.

The Company's equity for January-June 2014 increased by 14% to RUB 709,714 mn against RUB 624,343 mn as of the beginning of the reporting year.

The full financial statements are available on the Company's website at:

<http://www.rushydro.ru/investors/reports>

The Company plans to publish its consolidated results for the 1st half of 2014 under International financial reporting standards (IFRS) on August 29, 2014.

[1] EBITDA calculated as gross profit before depreciation.

[2] Net profit adjusted for the mark-to-market revaluation of listed equity stakes, reserves for financial investment impairment, assets and potentially uncollectible accounts receivable, contingencies 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. 374 of April 28, 2014, "On amendments to the Regulations of wholesale electricity and capacity market in terms of special aspects of participation of gencos, owners of hydropower plants located in the 2nd pricing zone, in the wholesale market" from May 1, 2014 till December 31, 2015, 35% of capacity of the hydropower plants located in the 2nd pricing zone is sold at the regulated tariffs based on the results of the competitive capacity auctions (KOM). Actual decrease in capacity sale price of KOM is related to decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013 from RUB 86,825.85 per MW to RUB 35,955.02 per MW.

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.