

## RusHydro announces 1H 2018 IFRS results

**August 28, 2018. Moscow, Russia.** RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its condensed consolidated interim unaudited financial information prepared in accordance with International Financial Reporting Standards (IFRS) for the 2<sup>nd</sup> quarter and 1<sup>st</sup> half of 2018.

### Key highlights for 2Q and 1H of 2018:

- Financial results reflected strong operational results driven by increased water inflows to major reservoirs of the Volga-Kama cascade and electricity production growth of RAO ES East subgroup’s facilities following increase in power demand;
- Total revenue in 2Q – RUB 92,219 mn (+9.4% y-o-y); in 1H – RUB 200,877 mn (+7.0% y-o-y);
- EBITDA increased by 32.4% in 2Q to RUB 28,212 mn; in 1H – RUB 59,949 mn (+16.3% y-o-y);
- Operating expenses increased in 2Q and 1H by 2.3% y-o-y and 4.3% y-o-y, respectively, mainly as a result of fuel cost increase;
- Net profit – RUB 36,688 mn (+64.5% y-o-y); adjusted net profit – RUB 38,432 mn (+19.0% y-o-y).

### 2Q and 1H 2018/2017 highlights (in RUB mn)

	2Q/18	2Q/17	chg.	1H'18	1H'17	chg.
<b>Revenue</b>	<b>92,219</b>	<b>84,295</b>	<b>9.4%</b>	<b>200,877</b>	<b>187,654</b>	<b>7.0%</b>
Operating expenses	70,434	68,867	2.3%	154,075	147,736	4.3%
Other operating profit	2,270	-	-	4,896	-	-
Operating profit*	24,055	15,428	55.9%	51,698	39,918	29.5%
<b>EBITDA**</b>	<b>28,212</b>	<b>21,313</b>	<b>32.4%</b>	<b>59,949</b>	<b>51,547</b>	<b>16.3%</b>
Net profit	13,737	3,497	292.8%	36,688	22,303	64.5%
Net profit (adj.)***	17,538	11,908	47.3%	38,432	32,298	19.0%

### Operating results

Total electricity generation by RusHydro Group’s power plants reached 35,357 GWh (+3.2%) in the second quarter of 2018, in 1H – 67,372 (+6.0%). In 2Q of 2018 total electricity generation by RusHydro Group’s hydropower and pumped storage plants increased by 3.5% to 28,481 GWh, by the Group’s thermal power plants – by 2.3% to 6,943 GWh, while electricity generation by renewables decreased by 3.9% to 113 GWh as compared to the same period of 2017. In 1H of 2018 total electricity generation by RusHydro Group’s hydropower and pumped storage plants increased by 5.5% to 50,621 GWh, by the Group’s thermal power plants – by 7.7% to 16,525 GWh, while electricity generation by renewables decreased by 1.8% to 227 GWh as compared to the same period of 2017. Total electricity generation by Boguchanskaya hydropower plant\*\*\*\* in 2Q 2018 amounted to 3,361 GWh (-5.9%), in 1H – 6,164 (-8.6%).

The underlying factors of the production change in January-June 2018 were:

- total water inflow to reservoirs of the Volga-Kama cascade in the second quarter of 2018 was lower than normal;
- water inflow to hydropower plants of Siberia and South of Russia – on the normal level;

- growth of electricity generation by thermal power plants in the Far East by 3.8% in the second quarter (to 10,205 GWh) following increase in consumption in the region;
- increase in electricity sales to China and UES of Siberia by 4.8% (to 894 GWh) as compared to the same period last year.

In the first half of 2018, heat output by thermal plants of RAO ES of East increased by 5.4% to 17,659 thousand GCal as compared to the corresponding period of 2017. The increase came on the back of lower temperatures in all the regions of the Far East with an exception of Chukotka Autonomous Okrug in the first quarter as well as increase in consumption. Decrease in heat output in the second quarter is driven by reduced length of heating season in a number of towns of the region compounded by higher air temperatures.

In the second quarter of 2018, total electricity output by RusHydro's retail companies (JSC RusHydro, PJSC Krasnoyarskenergosbyt, JSC Chuvashskaya Electricity Sales Company, PJSC Ryazanenergosbyt) amounted to 4,524 GWh, a 1.8% decrease as compared to the same period of 2017, in the first half of 2018 – 10,516 GWh, insignificantly lower as compared to the corresponding period last year. The decrease in output is driven by record low output of PJSC Ryazanenergosbyt in May as well as negative performance of ESC RusHydro after cancelation of service agreement with customers.

### Key events of the first half of 2018

- On February 7, 2018, RusHydro Group's financial debt decreased by RUB 26 bn following exclusion of guarantee obligation between PJSC RusHydro and State Corporation Vnesheconombank on PJSC Boguchanskaya HPP loan given out by the bank in 2010. The lending bank supported the termination following completion of construction and ramp-up of the hydropower plant, and taking into consideration PJSC Boguchanskaya HPP's stable financial and operational results and its ability to service the loan independently. As a result, the Group's total debt load decreased significantly;
- On February 15, 2018, PJSC RusHydro has successfully placed loan participation notes (LPNs) issued by RusHydro Capital Markets DAC. RusHydro used the proceeds from the RUB 20 bn Eurobond issue to refinance its current loan portfolio and for general corporate purposes. The LPNs will mature in 2021 and bear an interest rate of 7.4% per annum. The following ratings have been assigned to the issue: S&P: "BB+" / Moody's: 'Ba1' / Fitch: 'BB+' / ACRA 'AAA(RU)';
- On February 27, 2018, Standard & Poor's Global Ratings Services raised long-term corporate credit ratings on PJSC RusHydro to 'BBB-' with 'Stable' outlook. Short-term corporate credit was raised to 'A-3' respectively;
- On June 27, 2018, AGM of PJSC RusHydro elected new Board of Directors and approved 2017 dividends of RUB 0.0263335 per share in total amount of RUB 11.2 bn;
- On June 27, 2018, the Board of Directors approved divestment by PJSC RusHydro and its subsidiaries of shares held in PJSC Inter RAO in the total amount of 5,131,669,622.18 representing 4.915% of authorized share capital of PJSC Inter RAO to JSC Inter RAO Capital.

### Revenue

*Revenue breakdown in 2Q and 1H 2018/2017 (in RUB mn)*

	2Q'18	2Q'17	chg	1H'18	1H'17	chg
Electricity sales	65,403	60,109	8.8%	136,594	126,708	7.8%

<i>Incl. grants as per Resolution of the Russian Gov't No. 895 *****</i>	6,600	-	-	13,196	-	-
Heat and hot water sales	7,423	6,999	6.1%	24,093	22,667	6.3%
Capacity sales	9,962	9,252	7.7%	20,761	19,840	4.6%
Other sales	6,405	5,727	11.8%	12,601	11,651	8.2%
Government grants	3,026	2,208	37.0%	6,828	6,788	0.6%
<b>Total revenue</b>	<b>92,219</b>	<b>84,295</b>	<b>9.4%</b>	<b>200,877</b>	<b>187,654</b>	<b>7.0%</b>

In the first half of 2018, total revenue of the Group increased by 7.0% to RUB 200,877 mn as compared to RUB 187,654 in the first half of 2017. The change is associated with the following key factors:

- increase in revenue from electricity (including government grants\*\*\*\*\*) of RAO ES East subgroup by RUB 8,256 mn on the back of tariff and sales volume growth;
- increase in revenue from electricity sales of PJSC RusHydro by RUB 4,042 mn due to production growth by hydroelectric plants following increased water inflows to reservoirs, primarily of the Volga-Kama cascade;
- increase in revenue of ESC RusHydro subgroup by RUB 1,819 mn as a result of higher and production and increase in tariffs;
- increase in heat and hot water sales revenue by RUB 1,426 mn following tariff and production volume growth;
- increase in capacity sales revenue by RUB 921 mn on the back of sales volume growth of PJSC “DEK” due to price increase;
- increase in other sales revenue of RUB 950 mn is mainly driven by increase in electricity distribution services in RAO ES East subgroup’s companies such as JSC DRSK, PJSC Yakutskenergo and PJSC Magadanenergo.

*Following adoption of IFRS 15 standard from January 1, 2018, the Group recognizes revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a net basis (in 1H 2018 – RUB 4,184 mn including RAO ES East subgroup of RUB 1,573 mn and ESC RusHydro subgroup of RUB 2,611 mn).*

## Operating expenses\*\*\*\*\*

### Operating expenses in 2Q and 1H 2018/2017 (in RUB mn)

	2Q'18	2Q'17	chg	1H'18	1H'17	chg
Employee benefit expenses	18,152	17,715	2.5%	37,158	36,377	2.1%
Fuel expenses	13,021	12,069	7.9%	34,260	29,969	14.3%
Grid company services on electricity distribution	9,217	9,439	-2.4%	20,071	21,241	-5.5%
Purchased electricity and capacity	8,201	8,284	-1.0%	19,602	19,906	-1.5%
Third parties services	8,008	8,014	-0.1%	15,722	15,223	3.3%
Depreciation	6,507	5,725	13.7%	13,131	11,408	15.1%
Taxes other than on income	3,031	2,729	11.1%	6,077	5,409	12.3%
Other materials	2,509	2,498	0.4%	4,008	4,310	-7.0%
Water usage expenses	1,093	881	24.1%	1,996	1,678	19.0%
Other expenses	695	1,513	-54.1%	2,050	2,215	-7.4%
<b>TOTAL</b>	<b>70,434</b>	<b>68,867</b>	<b>2.3%</b>	<b>154,075</b>	<b>147,736</b>	<b>4.3%</b>

Total operating expenses in the first half of 2018 compared to the same period last year increased by 4.3% to RUB 154,075 mn due to the following factors:

- increase in fuel expenses mostly due to fuel cost increase of JSC DGK as well as increase in electricity and heat output of JSC DGK (+9% and +7%, respectively) as well as commissioning of Yakutskaya GRES-2 and Blagoveshenskaya TPP reaching full operating capacity as compared with the same period last year;
- increase in employee benefit expenses following indexation of salaries in accordance with existing collective agreements;
- increase in electricity distribution expenses of grid companies (excluding netted compensation of losses in grids) due to planned tariffs increase and higher volumes of electricity transmission following increase of useful output;
- increase in depreciation expense due to increase in value of property plant and equipment after commissioning new facilities (including JSC Yakutskaya GRES-2 with off-site construction in 2017 – 1Q 2018) as well as planned renovation and modernization of the Group's facilities.

## Profit

In the first half of 2018, EBITDA increased by 16.3% to RUB 59,949 mn compared to the same period of 2017.

The Group's net profit increased by 64.5% to RUB 36,688 mn. Adjusted net profit in the reporting period amounted to RUB 38,432 – an increase of 19.0% as compared to the same period last year.

The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before income tax) and recognition of change in fair value of the derivative financial instrument:

- gain arising on financial assets at fair value through profit or loss in the amount of RUB 3,673 mn (mostly shares of PJSC Inter RAO);
- financial expense in the amount of RUB 2,433 mn as a result of change in fair value of non-deliverable forward contract following decrease of market price of RusHydro's shares in the reporting period;
- impairment of accounts receivable in the amount of RUB 2,404 mn resulting from analysis of expected losses;
- impairment of property, plant & equipment in the amount of RUB 1,144 million.

### **Key indicators of financial position**

As of June 30, 2018, the Group's assets increased by RUB 32,756 mn or 3.2% to RUB 1,061,007 mn against the comparable figure as at December 31, 2017. Change in assets is primarily attributable to:

- increase in property, plant & equipment (following execution of the Group's investment program);
- increase in accounts receivable.

As at the end of the reporting period, the Group's liabilities increased by RUB 6,532 mn or 2.0% to RUB 339,219 mn as compared to December 31, 2017. The structure of liabilities has changed accordingly: long-term liabilities increased by RUB 29,602 mn following increase of non-current debt and short-term liabilities decreased by RUB 23,070 mn mainly due to decrease of current debt and current portion of non-current debt.

Structure of the liabilities of the Group underwent the following changes:

- in February 2018, RusHydro has placed eurobonds in the amount of RUB 20 bn issued by RusHydro Capital Markets DAC with a maturity of 3 years and a coupon rate of 7.4%. The proceeds of the issue were used to refinance the Group's current loan portfolio;
- in March 2018, the Group has repaid long-term loan from PJSC Sberbank in the amount of RUB 10,613 mn.

The fair value of the non-deliverable forward contract, recognized under the terms of transaction with PJSC VTB Bank, increased from RUB 20,716 mn (as of December 31, 2017) to RUB 21,536 mn (as of June 30, 2018).

The main reason of the change in fair value of the forward contract is the local dynamics in the change of market price of RusHydro's shares in the first half of 2018.

### **Events after the reporting date**

- On August 1, 2018, Fitch Ratings Ltd. raised PJSC RusHydro's long-term foreign currency issuer default rating to 'BBB-' from 'BB+' with 'Stable' outlook. Fitch quoted the Company's solid financial and operational performance, reduction of debt aided by high level of government support;
- On August 7, 2018 the Board of Directors re-elected Deputy Chairman of the Government of the Russian Federation – Plenipotentiary Representative of the President in the Far Eastern Federal District Yury Trutnev as its Chairman and elected members to the Committees of the Board of Directors.

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The full financial statements are available on the Company's website at:  
<http://www.eng.rushydro.ru/investors/reports>

\* Operating profit is calculated as the difference between revenue, other operating profit and operating expenses.

\*\* EBITDA is calculated as operating profit/loss excluding depreciation of property, plant and equipment, amortization of intangible assets, income arising from the change in fair value of financial assets measured through profit or loss, impairment of property, plant and equipment, impairment of accounts receivable, profit / loss on disposal of property and subsidiaries and other non-cash items of operating income and expenses.

\*\*\* Net profit is adjusted for the effects of recognition of financial income/expense arising from the change in fair value of non-deliverable forward contract, impairment of fixed assets, impairment of accounts receivable, profit / loss on disposal of property, plant and equipment, as well as other operating income arising from the change in fair value of financial assets measured through profit or loss.

\*\*\*\* The Boguchanskaya hydropower plant is part of the Boguchanskiy Energy and Metals Complex (BEMO), a joint venture (JV) between RusHydro and UC RUSAL, and is not part of RusHydro Group. According to RusHydro's shareholding in the JV (50%), the results of the plant are reported in the official financial statements in "Share of results of associates and jointly controlled entities". Operations of the HPP have been put into the press-release for general reference.

\*\*\*\*\* In July 2017, the Resolution of the Russian Government No. 895 "On reaching basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region (the "Far East")" became effective, under which rates for consumers in the territories of the Far East should be reduced starting from 1 January 2017 to the basic level of RUB 4.00 / kWh, from 1 January 2018 to RUB 4.30 / kWh. According to the Resolution of the Russian Government No. 1614-r of 28 July 2017, PJSC RusHydro was appointed as the recipient of a premium to the price for capacity provided by the Company in the price zones of the wholesale market under CCS agreements. The premium to the price for capacity is set in order to achieve the basic level of rates (tariffs) for electricity (capacity) planned for the next regulation period in the Far East constituent regions. Within the amounts defined by Resolution No. 1615-r of the Russian Government dated 28 July 2017, the Company translates the collected amounts of margin in the form of free-of-charge targeted contributions to the budgets of the respective regions. The Group companies being guaranteeing suppliers will receive compensation for the shortage of income related to the reduction of rates, through subsidies from the Far East constituent regions.

\*\*\*\*\* Here and hereinafter the operating expenses do not include impairment loss.

## 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 39 GW, heat capacity – 18.5 thousand GCal/h.

Russian Federation owns 60.56% in RusHydro, the rest is held by other institutional and individual shareholders (over 360,000). The company's stock is traded on the Moscow stock 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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*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.*