

RusHydro announces 9M 2017 RAS results

October 31, 2017. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the nine months of 2017¹.

Key highlights:

- Introduction of a surcharge (premium) to capacity prices in I and II price zones to attain base level of end-user tariffs in the Far East of Russia had a major effect on PJSC RusHydro indicators in 3Q 2017²;
- 3Q 2017 revenue – RUB 45,624 mn (+54%), 9M 2017 revenue – RUB 103,855 mn (+20%);
- 3Q operating expenses – RUB 28,847 mn (+113%), 9M 2017 – RUB 56,254 mn (+42%);
- 3Q 2017 EBITDA – RUB 20,944 mn (+6%), 9M 2017 EBITDA – RUB 60,054 mn (+3%);
- Reported net profit for 9M 2017 – RUB 33,544 mn (-22%), adjusted net profit for 9M 2017 – RUB 32,193 mn (-19%).

Key financials for the 9 months of 2017/2016 under RAS (in RUB mn)

	9M'17	9M'16	chg	3Q'17	3Q'16	chg
Revenue	103,855	86,765	20%	45,624	29,554	54%
Operating expenses	(56,254)	(39,568)	42%	(28,847)	(13,558)	113%
Operating profit	47,601	47,197	1%	16,777	15,996	5%
EBITDA ³	60,054	58,495	3%	20,945	19,784	6%
Net profit	33,544	42,806	-22%	9,773	14,380	-32%
Net profit (adj.) ⁴	32,193	39,710	-19%	10,011	13,266	-25%

Revenue

In the 9 months of 2017, revenue increased by 20% to RUB 103,855 mn as compared to RUB 86,765 mn for the same period of 2016. The underlying factors behind the change in revenue were:

- introduction of a surcharge (premium) to capacity prices in I and II price zones to attain base level of end-user tariffs in the Far East of Russia had a major effect on PJSC RusHydro indicators in 3Q 2017²;
- increase in revenue from capacity sales under capacity sales agreements (DPM);
- increase in day-ahead prices in the 2nd price zone;
- indexation of regulated electricity and capacity tariffs.

Revenue breakdown (RUB mn)

	9M'17	9M'16	chg	3Q'17	3Q'16	chg
Electricity sales	59,306	59 651	-1%	21 528	20 718	4%
Capacity sales	44,264	26 432	67%	24 010	8 649	178%
Other sales	285	682	-58%	86	187	-54%
TOTAL	103,855	86,765	20%	45 624	29 554	54%

Operating expenses

Operating expenses in the 9 months of 2017 increased by 42% to RUB 56,254 mn as compared to the same period of 2016.

Operating expenses breakdown (in RUB mn)

	9M'17	9M'16	chg	3Q'17	3Q'16	chg
Power system services, incl.:	16,611	2,112	687%	15,137	707	2,041%
<i>Special purpose contributions to regional budgets</i>	14,397	-	-	14,397	-	-
Depreciation	12,453	11,298	10%	4,168	3,788	10%
Labor expenses, taxes and contributions	5,407	5,096	6%	1,732	1,538	13%
Property tax	5,103	5,049	1%	1,687	1,688	0%
Purchased electricity and capacity	5,072	5,221	-3%	1,730	1,792	-3%
Other third-party services	2,991	2,349	27%	999	906	10%
Repairs & maintenance	2,004	2,275	-12%	1,010	975	4%
Security expenses	1,287	1,307	-2%	425	428	-1%
Rent	1,331	1,071	24%	506	357	42%
Insurance expenses	1,143	1,200	-5%	384	457	-16%
Water tax	1,102	974	13%	387	360	8%
Leasing expenses	58	155	-63%	12	51	-76%
Other	1,692	1,461	16%	670	509	32%
TOTAL	56,254	39,568	42%	28,847	13,558	113%

Major factors of change in operating expenses were (among the highest constituent expenses):

- obligation to pay special purpose contributions to budgets of Far Eastern regions in compliance with federal regulations specifying the use of surcharge (premium) to capacity prices in I and II price zones to attain base level of end-user tariffs in the Far East of Russia. The special purpose contributions in the reporting period amounted to RUB 14,397 mn².
- increase in depreciation and amortization (by 10%) and property tax (by 1%) as a result of commissioning of new facilities (including commissioning of Zelenchukskaya HPP-PSHPP) as well as reconstruction and modernization of operating assets;
- increase in labor expenses, taxes and contributions (by RUB 311 mn or 6%) following indexation of salaries of operating personnel as of January 1 and July 1 2017, as well as completion of integration of PJSC RusHydro and PJSC RAO ES East headquarters.

Profit

Operating profit for the period decreased by 1% to RUB 47,601 mn.

EBITDA increased by 3% as compared to the same period of 2016 and amounted to RUB 60,054 mn.

RusHydro's net profit for the reporting period decreased by 22% to RUB 33,544 mn.

Major factors responsible for decrease of the net profit were:

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- RUB 3,728 mn – slight decrease in market value of PJSC Inter RAO against a significant share price appreciation in 2016;
 - RUB 3,243 bn – payments under the non-deliverable forward contract with VTB Bank.

Adjusted net profit for the period decreased by 19% to RUB 32,193 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- loss on mark-to-market revaluation of financial investments (RUB 143 mn);
- gain on reversal of bad debt reserves in the amount of RUB 1,329 mn;
- gain on reversal of other reserves in the amount of RUB 165 mn.

RusHydro's financial position as of September 30, 2017

The Company's total assets increased by RUB 85,312 mn as of September 30, 2017, or 9% against the similar figure as of December 31, 2016, reaching RUB 993,985 mn.

As of September 30, 2017, total liabilities increased by 23% or 31,591 mn as compared to the similar figure as of December 31, 2016 and reached RUB 170,865.

The Company's debt portfolio increased by 20% or RUB 1,624 mn as compared to the beginning of the year from RUB 108,873 mn to RUB 130,363 mn, long-term loans comprise 74% of the total portfolio. The increase resulted from raising RUB 20 bn from RUB-denominated Eurobond placement. The proceeds from the placement were used to refinance outstanding debt, funding of capital expenditures and operating expenses.

The Company's equity for the 9 months of 2017 increased by 7% to RUB 823,058 mn against RUB 769,336 mn as of the beginning of the reporting year.

In March 2017, the Company signed agreement with VTB Bank on purchase of RUB 55 bn shares and a 5-year non-deliverable forward contract in respect of these shares. In accordance with the agreement, the Bank purchased 40 bn newly issued shares of the Company and 15 bn quasi-treasury shares from RusHydro Group at RUB 1 per share for total amount of RUB 55 bn.

The funds received from VTB Bank were fully used to refinance loans of subsidiaries of PJSC RAO ES East.

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 9 months of 2017 under International financial reporting standards (IFRS) on November 29, 2017.

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.

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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. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "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 conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to RusHydro and its operations.

¹ PJSC RusHydro, the parent company of RusHydro Group, includes 19 branches registered in the Russian Federation, including: branch Bureyskaya GES, branch Volzhskaya GES, branch Votkinskaya GES, Dagestan branch, branch Zhigulevskaya GES, branch Zagorskaya GAES, branch Zeiskaya GES, Kabardino-Balkarsky branch, branch Kamskaya GES, Karachaevo-Cherkessky branch, branch Cascade of Verkhne-Volzhsky GES, branch Cascade of Kuban GES, branch Corporate Energy University, branch Nizhegorodskaya GES, branch Novosibirskaya GES, branch Saratovskaya GES, branch Sayano-Shushenskaya GES named after P.S. Neporozhny, Severo-Osetinsky branch, branch Cheboksarskaya GES.

² 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 (RUB 4.00 / 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.

³ EBITDA calculated as gross profit before depreciation.

⁴ 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.