

RusHydro announces 3Q and 9M 2015 IFRS results

December 15, 2015. Moscow, Russia. RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its unaudited condensed consolidated interim financial information prepared in accordance with International Financial Reporting Standards (IFRS) for the nine months of 2015.

Key highlights for 9M 2015:

- Good 3Q 2015 financial results on the back of recovering hydropower output on the Volgo-Kama cascade and the South of Russia, healthy pricing environment on the electricity spot market and continued deregulation of hydro capacity sales in Siberia, and significantly increased profit from JV of Boguchanskaya hydropower plant;
- Increase in revenue in 9M 2015 – 5.0%;
- 3Q 2015 EBITDA – RUB 13,910 mn (+37.4%), 9M 2015 EBITDA – RUB 47,577 mn (-7.6%);
- Operating expenses in 3Q 2015 increased by 9.8%, in 9M 2015 – by 10.2% mainly due to growth of fuel costs, employee benefit expenses, expenses for purchased electricity and capacity, as well as third-party services;
- Net profit for 9M 2015 – RUB 24,098 mn (+7.6%); net profit adjusted for non-cash items – RUB 28,214 mn (+6.7%).

9M 2015/2014 highlights (in RUB mn)

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Revenue, including	76,963	70,225	9.6%	253,271	241,141	5.0%
<i>Revenue</i>	74,295	67,999	9.3%	245,083	233,308	5.0%
<i>Government grants</i>	2,668	2,226	19.9%	8,188	7,833	4.5%
Operating expenses	71,500	65,121	9.8%	226,069	205,089	10.2%
EBITDA*	13,910	10,125	37.4%	47,577	51,507	-7.6%
Net profit	5,516	1,062	419.4%	24,098	22,398	7.6%
Net profit (adj.)**	8,148	2,112	285.8%	28,214	26,446	6.7%

Operating results

In the 3rd quarter of 2015, total electricity generation by power plants of RusHydro Group amounted to 26,396 GWh, a 2.9% increase as compared to the same period of 2014, total power generation in the 9 months of 2015 amounted to 83,569 GWh (a 3.5% decline as compared to the same period of 2014). In the 3rd quarter of 2015, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group increased electricity generation by 0.8% to 20,218 GWh, in the 9 months of 2015 generation decreased by 9.1% to 60,501 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia in the 3rd quarter of 2015 increased by 10.4% to 6,178 GWh, in the 9 months of 2015 – by 15.3% to 23,068 GWh.

The underlying factors of the production change in January-September of 2015 were:

- total water inflow to reservoirs of the Volga-Kama cascade in the 3rd quarter of 2015 was higher than normal, in the 9 months - slightly lower than long-run average;
- water inflow to major reservoirs of Siberia in the 3rd quarter of 2015 was substantially lower than long-run average level;
- low water inflow to reservoirs of HPPs of the South of Russia and North Caucasus in the 3rd quarter of 2015;

- increase in electricity generation by TPPs of the Far East due to lower hydro production in the unified power system of the Far East as well as growth in electricity consumption.

Events in January – September 2015

- In April, PJSC RusHydro successfully placed its bonds of series 09 with par value of RUB 1,000 per bond and total par value of RUB 10 bn. The coupon rate was set at 12.75% per annum;
- RusHydro's largest hydroelectric power plant – Sayano-Shushenskaya – increased its maximum capacity output to 5,100 MW following the modernization of automatic reliability system installed at the station;
- Reservoir of the Boguchanskaya hydropower plant (a 50/50 JV of RusHydro and UC RUSAL) has been filled to its design level of 208 m (above sea level) allowing the plant to reach its full capacity of 2,997 MW and produce 17.6 TWh of electricity per year;
- In June, PJSC RusHydro signed a 5-year loan agreement in the amount of RUB 30 bn with JSC VTB Bank. The facility may be used to finance the Company's current operating and investment activities;
- In July 2015, PJSC RusHydro placed three issues of exchange traded bonds in total amount of RUB 15 bn with coupon rate of 11.85% per annum;
- PJSC RusHydro paid the dividend for 2014 in total amount of RUB 6 bn. On June 26, 2015, the AGM resolved to pay dividends for 2014 in the amount of RUB 0.0156 per share;
- In September 2015, PJSC RusHydro signed a cooperation agreement with VTB Bank (PJSC) aimed at refinancing of the debt portfolio of RAO ES of the East subgroup, increasing the investment appeal of RusHydro shares and seeking strategic investors in the Company's share capital. ;
- On September 14, 2015, Nikolay Shulginov was appointed Chairman of the Management Board, General Director of PJSC RusHydro.

Revenue

Revenue breakdown 9M 2015/2014 (in RUB mn)

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Electricity sales	56,165	52,424	7.1%	180,347	172,326	4.7%
Heat and hot water sales	2,839	2,604	9.0%	22,981	22,224	3.4%
Capacity sales	8,418	6,911	21.8%	24,223	20,134	20.3%
Other sales	6,873	6,060	13.4%	17,532	18,624	-5.9%
Revenue from operations, total	74,295	67,999	9.3%	245,083	233,308	5.0%
Government grants	2,668	2,226	19.9%	8,188	7,833	4.5%
Total revenue	76,963	70,225	9.6%	253,271	241,141	5.0%

In the nine months of 2015, total revenue of the Group increased by 5.0% to RUB 253,271 mn. The change is associated with the following key factors:

- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the second pricing zone following partial liberalization of hydro capacity market of Siberia from May 1, 2014;
- increase in revenue from electricity sales of ESC RusHydro subgroup segment following an increase in electricity output, planned tariff growth as well as new consumers acquisition;
- increase in electricity prices on the “day-ahead” market of the second price zone following decrease in electricity generation by hydropower plants;
- decrease in electricity generation by hydropower plants due to: a) low water level in the basin of the Angara-Yenisey cascade (excluding Novosibirskoe reservoir); b) lower than long-run average water inflow to reservoirs of the Volga-Kama cascade;

- decrease in the average prices on the “day ahead” market in the first pricing zone against the background of non-indexation of gas tariffs for industrial consumers starting from the second half of 2014 as well as sluggish electricity demand.

Operating expenses***

Operating expenses in 9M 2015/2014 (in RUB mn)

	3Q'15	3Q'14	chg	9M'15	9M'14	chg
Employee benefit expenses	16,672	15,784	5.6%	52,571	47,828	9.9%
Purchased electricity and capacity	12,235	12,348	-0.9%	42,720	39,164	9.1%
Fuel expenses	9,051	7,128	27.0%	37,811	31,228	21.1%
Electricity distribution expenses	9,514	8,682	9.6%	30,238	29,827	1.4%
Other third-party services	8,424	7,689	9.6%	22,933	20,962	9.4%
Depreciation	5,826	5,077	14.8%	16,983	15,484	9.7%
Taxes other than on income	2,452	2,235	9.7%	7,306	6,671	9.5%
Other materials	2,256	3,522	-36.0%	5,966	7,389	-19.3%
Loss / (gain) on disposal of property, plant and equipment, net	2,253	(92)	-	2,463	(65)	-
Water usage expenses	633	694	-8.8%	2,042	2,062	-1.0%
Travel expenses	560	454	23.3%	1,498	1,188	26.0%
Social charges	339	981	-65.4%	1,066	1,710	-37.7%
Purchase of oil products for sale	408	37	1002.7%	549	280	96.1%
Loss on disposal of subsidiaries and joint venture, net	165	36	358.3%	196	36	444.4%
Other expenses	712	546	30.4%	1,727	1,325	30.3%
TOTAL	71,500	65,121	9.8%	226,069	205,089	10.2%

Total operating expenses in the nine months of 2015 compared to the same period of 2014 increased by 10.2% from RUB 205,089 mn to RUB 226,069 mn.

Major factors affecting expenses:

- growth of fuel expenses mainly as a result of increased electricity output of JSC Far-Eastern Generating company (DGK), increase in fuel consumption due to increased electricity generation by a number of inefficient plants in order to compensate the drop in electricity production by hydropower plants, as well as growth of fuel prices;
- growth of employee benefit expenses as a result of quarterly indexation of tariff rates and salaries of personnel of RAO ES of the East subgroup’s subsidiaries, as well as quarterly indexation of salaries of operating personnel of PJSC RusHydro branches;
- increase in purchased electricity and capacity expenses as a result of: a) growth of expenses of PJSC Yakutskenergo (RAO ES of the East subgroup) due to start of electricity purchase from JSC Vilyuiskaya HPP-3 (ALROSA group); b) increase in tariffs for electricity and capacity purchase from the Bilibinskaya NPP (Rosenergoatom Concern JSC) by JSC Chukotenergo; c) growth of purchased electricity and capacity expenses of PJSC Krasnoyarskenergobyt mainly due to increase in electricity prices on the “day-ahead” market, as well as increase in the amount of capacity purchased under capacity supply agreements and free agreements; d) growth of expenses following acquisition of new consumers;
- increase in depreciation following commissioning of new assets of PJSC RusHydro;

- growth of the third-party services expenses, as a result of engagement of sub-contractors in the repair of the equipment of RAO ES of the East subgroup and restoration works at the Zagorskaya PSPP-2.

Profit

In the reporting period, EBITDA decreased by 7.6% to RUB 47,577 mn compared to RUB 51,507 mn for the same period of previous year. Decrease in EBITDA is related to growth of operating expenses exceeding revenue growth.

In the nine months of 2015, the Group's net profit increased by 7.6% to RUB 24,098 mn compared to RUB 22,398 mn for the previous year. Adjusted net profit in the reporting period amounted to RUB 28,214 mn, a 6.7% increase as compared to the same period of the previous year. The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before the income tax):

- accrual of impairment of fixed assets in the amount of RUB 2,240 mn;
- accrual of impairment of accounts receivable in the amount of RUB 148 mn resulting from analysis of past due receivables and estimation of their collectability;
- recognition of loss on disposal of property, plant and equipment in the amount of RUB 2,463 mn, mainly at the Zagorskaya PSPP-2.

Key indicators of financial position

As of September 30, 2015, the Group's assets increased by RUB 73,639 mn to RUB 957,409 mn against the comparable figure as at December 31, 2014. Change in assets is primarily attributable to:

- increase in fixed assets of the Group;
- increase in value of assets available-for-sale;
- increase in cash equivalents on the banks accounts;
- increase in accounts receivable;
- decrease in short-term deposits value.

As at the end of the reporting period the Group's liabilities increased by RUB 54,381 mn from December 31, 2014, to RUB 343,000 mn. Change in the liabilities was mainly a result of placement of non-convertible interest bearing bonds in total amount of RUB 25 bn; securing short-term loans from PJSC Sberbank by JSC Sakhaenergo in the amount of RUB 3,294 mn for fuel purchases, securing short-term loans from PJSC ROSBANK in the amount of RUB 3,170 mn to purchase fuel and finance its repair program, as well as growth in liabilities of JSC NizhneBureiskaya HPP for completed works and delivered equipment.

Events after the reporting date

- Gotsatlinskaya HPP in Dagestan with the installed capacity of 100 MW was launched in October.
- In October, PJSC RusHydro fully and timely repaid its RUB-denominated Eurobond issue in the amount of RUB 20 bn placed in October 2010.
- The Board of Directors approved the structure of transaction aimed at refinancing of debt of RAO ES of the East subgroup through issue of additional shares of PJSC RusHydro and raising equity financing from VTB Bank (PJSC) in total amount of RUB 85 bn.
- The Board of Directors resolved to convene the EGM in absentee voting on December 25, 2015 to approve a series of transactions aimed at refinancing of debt portfolio of RAO ES of the East subgroup.

The consolidated financial statements of the Group are available at:
<http://www.eng.rushydro.ru/investors/reports/>

The presentation of the results is available at:

http://www.eng.rushydro.ru/investors/presentations/results_presentations/

* EBITDA is calculated as operating profit / loss excluding insurance indemnity, depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, loss on disposal of property, plant and equipment, and other non-cash items of operating income and expenses.

** Net profit is adjusted for the effects of impairment of fixed assets, loss on impairment of accounts receivable, profit on disposal of subsidiaries and joint ventures, loss on disposal of property, plant and equipment.

*** 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 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.

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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.