

July 30, 2015. Moscow, Russia.

RusHydro announces 1H 2015 RAS results

PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the six months of 2015.

Key highlights:

- 2Q 2015 revenue – RUB 27,509 mn (-4%), 1H 2015 revenue – RUB 51,212 mn (-8%);
- 1H 2015 operating expenses – RUB 28,727 mn (-2%);
- 2Q 2015 EBITDA – RUB 16,143 mn (-2%), 1H 2015 EBITDA – RUB 29,458 mn (-10%);
- EBITDA margin in 2Q 2015 – 59% (+1 p.p.), in 1H 2015 – 58% (-1 p.p.);
- Reported net profit for 1H 2015 – RUB 20,176 mn (-8%), adjusted net profit – RUB 19,426 mn (-13%).

Key financials for the 1H 2014/2015 under RAS (in RUB mn)

	1H'15	1H'14	chg	2Q'15	2Q'14	chg
Revenue	51,212	55,426	-8%	27,509	28,508	-4%
Operating expenses	28,727	29,233	-2%	14,883	15,294	-3%
Operating profit	22,485	26,193	-14%	12,626	13,214	-4%
EBITDA(1)	29,458	32,586	-10%	16,143	16,414	-2%
Net profit	20,176	22,000	-8%	-	-	-
Net profit (adj.)(2)	19,426	22,228	-13%	11,063	12,026	-8%

Revenue

In the 1st half of 2015, revenue decreased by 8% to RUB 51,212 mn as compared to RUB 55,426 mn for the same period of 2014. The underlying factors behind the change in revenue were:

- decrease in production and electricity output by hydropower plants of PJSC RusHydro by 14.2% as a result of: a) lower than long-run average water inflow to reservoirs of the Volga-Kama cascade and low water reserves in reservoirs at the beginning of 2015; b) low water levels of Angara and Enisey rivers (excluding Novosibirsky reservoir);
- increase in “day-ahead” prices in the 2nd pricing zone due to decrease in electricity generation by hydropower plants and higher load of fossil fuel fired power plants;
- decrease in the average prices on the “day ahead” market in the 1st 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;
- increase in capacity sales following partial liberalization of hydro capacity market in the second price zone from May 1, 2014(3)

Revenue breakdown (RUB mn)

	1H'15	1H'14	chg	2Q'15	2Q'14	chg
Electricity sales	34,547	40,075	-14%	19,699	21,164	-7%
Capacity sales	16,031	14,703	9%	7,292	6,841	7%
Other sales	634	648	-2%	518	503	3%
TOTAL	51,212	55,426	-8%	27,509	28,508	-4%

Operating expenses

Operating expenses in January-June 2015 decreased by 2% to RUB 28,727 mn as compared to the same period of 2014.

Operating expenses breakdown (in RUB mn)

	1H'15	1H'14	chg	2Q'15	2Q'14	chg
Depreciation	6,973	6,393	9%	3,517	3,200	10%
Purchased electricity and capacity	6,415	8,443	-24%	3,297	4,559	-28%
Property tax	3,244	2,997	8%	1,629	1,495	9%
Labor expenses	2,749	2,552	9%	1,461	1,331	10%
Services of System Operator, ATS, CFS	1,387	1,387	-	698	694	1%
Other third-party services	1,245	765	63%	629	482	30%
Repairs & maintenance	1,211	1,253	-3%	722	753	-4%
Security expenses	866	820	6%	471	412	14%
Other taxes and fees (in relation to labor expenses)	766	692	11%	390	339	15%
Contingencies	662	535	24%	322	273	18%
Rent	587	544	8%	300	300	-
Insurance expenses	587	544	8%	308	282	9%
Water tax	459	463	-1%	270	238	13%
Leasing expenses	152	485	-69%	70	230	-70%
Other	2,635	2,613	1%	799	706	13%
TOTAL	28,727	29,233	-2%	14,883	15,294	-3%

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

- decrease in purchased electricity and capacity as a result of: a) lower consumption of electricity and capacity for own needs due decrease in electricity output; b) decrease in purchased electricity for unregulated long-term contracts due lower sales under said contracts;
- increase in labor expenses and related other taxes in terms of fees from the payroll budget and health insurance due to: a) indexation of salaries of operating staff of the Company's branches in accordance with collective agreement; b) redundancy payments during headcount optimization in 2015;
- increase in depreciation and property tax as a result of commissioning of new assets.

Profit

Operating profit for the period decreased by 14% or RUB 3,708 mn to RUB 22,485 mn.

EBITDA decreased by 10% as compared to the same period of 2013 and amounted to RUB 29,458 mn.

RusHydro's net profit for the reporting period decreased by 8% to RUB 20,176 mn. Net profit adjusted for non-cash items decreased by 13% to RUB 19,426 mn as compared to RUB 22,228 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 1,024 mn;
- accrued reserves on accounts receivable in the amount of RUB 436 mn;
- gains from other reserves in the amount of RUB 162 mn.

RusHydro's financial position as of June 30, 2015

The Company's total assets increased by RUB 31,709 mn as of June 30, 2015, or 4% against the similar figure as of December 31, 2014, reaching RUB 887,289 mn.

As of June 30, 2015, total liabilities increased by 13% or RUB 17,567 mn and amounted to RUB 154,617 mn. The growth in liabilities is related to higher due dividends for 2014.

The Company's debt portfolio rose by 8% from the beginning of the year from RUB 114,177 mn to RUB 123,142 mn; long-term loans make up 75% of total debt portfolio.

The Company's equity for January-June 2015 increased by 2% to RUB 732,605 mn against RUB 718,461 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 2015 under International financial reporting standards (IFRS) on August 28, 2015.

(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 genscos, 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 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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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," "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 and rapid technological and market changes in our industries, as well as many other risks specifically related to RusHydro and its operations.
