January 30, 2017

RusHydro Group announces its operating results for the 4Q and FY2016

PJSC RusHydro (ticker symbol: MICEX-RTS, LSE: HYDR; OTCQX: RSHYY) announces operating results for the 4th quarter and full year ended December 31, 2016, of the parent company and the subsidiaries of RusHydro Group reflected in consolidated financial statements.

Key highlights:

- *Record operating results boosted by wise utilization of increased water inflows to major reservoirs, new capacity commissioning as well as substitution of inefficient condensing electricity power generation from thermal power plants with hydro in the Far East of Russia in the 2nd half of 2016;*
- *Total electricity generation by power plants of RusHydro Group in 4Q 2016 amounted to 30,682 GWh (+0.1%), in 2016 – 124,799 GWh (+9.2%);*
- *In 4Q 2016, total production by HPPs/PSPPs amounted to 22,132 GWh (+2.8%), in 2016 – 94,976 GWh (+15.7%);*
- *In 2016, total water inflow to reservoirs in the Far East of Russia was 30-60% higher than long-run average, to reservoirs of Volga-Kama cascade, Siberia and HPPs of the South of Russia – close to long-run average;*
- *Electricity generation by the plants of RAO ES East in 4Q 2016 – 9,231 GWh (-5.1%), in 2016 – 31,672 GWh (-6.8%);*
- *The electricity generation by the Boguchanskaya hydropower plant in 4Q 2016 amounted to 3,452 GWh (+19.8%); in 2016 – 13,970 GWh (+6.8%)[1];*
- *Electricity output by RusHydro Group's retail companies in 4Q 2016 amounted to 8,754 GWh (-1%), in 2016 – 33,905 GWh (-2.3%);*
- *In 2016, heat output by thermal plants of RAO ES East increased by 4% to 31,494 ths. GCal as compared to the same period of 2015;*
- *Water inflow to reservoirs of major hydropower plants of the Group in 1Q 2017 is expected to be close or slightly higher than long-run average.*

Installed electric capacity of RusHydro Group, MW

	December 31, 2016	**December 31, 2015**
Center of Russia HPPs /PSPPs	11,640.4	11,580.6
S. of Russia and N.Caucasus	2,945.3	2,776.5
Siberia	7,191	7,186.0
Total for the price zones	**21,778.3**	**21,543.1**
HPPs of the Far East	5,112.8	5,112.8
RAO ES East	8,365.3	8,406.0
Geothermal PPs, RES	79.5	76.89
Total for non-price zones	**13,555.9**	**13,597.4**
Armenia	561.4	561.4
TOTAL	**35,897.4**	**35,702.1**
incl. by HPPs, PSPPs	27,452.6	27,237.6
incl. by TPPs and other	8,365.3	8,404.5

incl by Geothermal PPs, RES	79.5	78.6
Boguchanskaya HPP	2,997.0	2,997.0

Installed heat capacity of RusHydro Group, Gcal

	December 31, 2016	December 31, 2015
JSC DGK, incl.	**12 813,4**	**12 585,1**
Primorye power system	2,755.0	2,755.0
Khabarovsk power system	7,429.7	7,390.0
Amur power system	1,243.7	1,055.1
South-Yakutsk power district	1,385.0	1,385.0
Blagoveschenskaya TPP (2nd stage)	**188.0**	**188.0**
Isolated energy systems	**5,335.5**	**5,387.4**
PJSC Yakutskenergo	1,175.7	1,175.7
SC Sakhaenergo	92.4	92.4
SC Teploenergoservice	754.1	761.2
PJSC Kamchatskenergo	1,292.0	1,336.9
SC KSEN	42.9	42.9
PJSC Magadanenergo	773.3	773.3
SC Chukotenergo	404.4	404.4
PJSC Sakhalinenergo	800.7	800.7
Total	**18,148.9**	**18,160.5**

In the 4th quarter of 2016, total electricity generation by power plants of RusHydro Group amounted to 30,682 GWh, a 0.1% increase as compared to the same period of 2015, total power generation in 2016 amounted to 124,799 GWh (a 9.2% growth as compared to the same period of 2015). In the 4th quarter of 2016, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group increased electricity generation by 2.8% to 22,132 GWh, in 2016 generation increased by 15.7% to 94,976 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia in the 4th quarter of 2016 decreased by 6.2% to 8,549 GWh, in 2016 – by 7.3% to 29,823 GWh.

Electricity generation by the plants of RusHydro Group, GWh

	4Q'16	4Q'15	chg, %	2016	2015	chg, %
Center of Russia	8,442	9,640	-12.4%	39,372	38,029	3.5%
S. of Russia and N.Caucasus	1,386	1,229	12.7%	8,239	6,578	25.2%
Siberia	7,029	6,563	7.1%	29,208	22,718	28.6%
Total for the price zones	**16,857**	**17,432**	**-3.3%**	**76,819**	**67,325**	**14.1%**
Far East	4,563	3,459	31.9%	15,904	12,516	27.1%
RAO ES of the East	9,231	9,729	-5.1%	31,672	33,970	-6.8%
Armenia	31	32	-2.5%	405	453	-10.6%
TOTAL	**30,682**	**30,651**	**0.1%**	**124,800**	**114,265**	**9.2%**
incl. by HPPs, PSPPs[2]	22,132	21,532	2.8%	94,976	82,079	15.7%
incl. by TPPs and other	8,549	9,119	-6.2%	29,823	32,186	-7.3%
Boguchanskaya HPP	3,452	2,881	19.8%	13,970	13,077	6.8%

The underlying factors of the production change in January-December 2016 were:

- total water inflow to reservoirs of the Volga-Kama cascade and major reservoirs of Siberia in 2016 was close to long-run average;
- increased electricity generation by hydropower plants of the South of Russia against the backdrop of water levels close to long-run average and launch of 100 MW Gotsatlinskaya HPP in 2015;

– growth of electricity generation by hydropower plants in the Far East due to increased water inflows (30-60% higher than normal) and substitution of inefficient condensing electricity power generation from thermal power plants of RAO ES East Holding.

Center of Russia

In the 1st quarter of 2016, water inflow to reservoirs of the Volgo-Kama cascade was 1.3-2.2x higher than long-run average. In the 2nd quarter of 2016, water inflow to reservoirs located at the Upper Volga was 20-35% lower than long-run average, to Volgogradskoe reservoir – only 25% of norm, to Gorkovskoe, Cheboksarskoe, Kuybyshevskoe and Nizhnekamskoe reservoirs – close to normal, to Kamskoe and Votkinskoe reservoirs – 25-65% higher than long-run average.

Total water inflow to reservoirs of the Volgo-Kama cascade in 2016 amounted to 259.2 km^3 as compared to the average of 256.4 km^3.

Total electricity generation by RusHydro's hydropower plants of the Volgo-Kama cascade together with Zagorskaya pumped storage plant in the 4th quarter of 2016 amounted to 8,442 GWh, a 12.4% decrease as compared to the same period of 2015. In 2016, generation reached 39,372 GWh, which is 3.5% higher than in the same period of the previous year.

South of Russia and North Caucasus

In 2016, water conditions on the rivers of the South of Russia and North Caucasus were close to long-run average. In 2016, water inflow to the Chirkeyskoe reservoir was 5% higher than long-run average.

Hydropower plants of the Dagestan branch of RusHydro successfully went through the peak flood period, which took place in the first decade of June. In July, Kubanskoe reservoir was filled to its normal level of 629 m. By the beginning of September Chirkeyskoe reservoir was also filled up to its normal water level of 355 m.

The electricity generation by the hydropower plants of the South of Russia and North Caucasus in the 4th quarter of 2016 increased by 12.7% to 1,386 GWh, in 2016 – by 25.2% to 8,239 GWh due to wise utilization of increased water inflows.

Siberia

In 2016, water inflow to the Ob and Yenisei rivers was close to normal. In 2016, the spring flood period in the basin of the Sayano-Shushenskaya HPP started later than usual. In the end of August, reservoir of the Sayano-Shushenskaya HPP was filled to its maximum level of 538.5 m. On September 2, 2016, the plant generated its all-time high daily amount of electricity – 110,306,939 kWh.

The flood period in the basin of Novosibirskoe reservoir started earlier than usual. There were two peak periods of flooding: in April and July 2016.

The Boguchanskaya hydropower plant in 2016 generated 13,970 GWh, 6.8% increase as compared to the same period of the previous year. The reservoir of the Boguchanskaya HPP had been drawn down to 207.0 m. In June-October, the reservoir water level had been maintained at 207.5 m.

Total electricity generation by RusHydro's Siberian hydropower plants in the 4th quarter of 2016 increased by 7.1% to 7,029 GWh, in 2016 –by 28.6% to 29,208 GWh.

Far East

Hydrological conditions in the region and low water reserves didn't allow to fill the reservoir of the Zeyskaya HPP to its normal water level by the beginning of autumn-winter period which limited the plant's output to 2.2 TWh from Sepmber 2015 to April 2016. In the 2nd quarter of 2016, water inflow to Kolymskoe reservoir was 25% lower than long-run average, to reservoir of the Zeyskaya HPP – 60% higher than normal. In the 3rd quarter of 2016, water inflow to reservoirs of the Zeyskaya and Kolymskaya HPPs was 1.8x and 1.9x higher than normal (respectively). In 2016, water inflow to the Far Eastern rivers was 30-60% higher than normal.

In 2016, unlike two previous years, the reservoir of the Zeyskaya HPP was filled over its normal water level of 315 m and limitations of output were removed allowing the plant to reach its annual output of 4.3 TWh.

In 2016, the amount of electricity generated by the Bureyskaya HPP exceeded its maximum established in 2013 and totaled 6.58 TWh.

Total electricity generated by hydro and geothermal power plants of the Far East in the 4th quarter of 2016, increased by 31.9% to 4,563 GWh. In 2016, generation increased by 27.1% to 15,904 GWh.

In the 4th quarter of 2016, generating assets of RAO ES East Holding, a subsidiary of RusHydro, produced 9,231 GWh of electricity, 5.1% decrease as compared to the 4th quarter of 2015, in 2016 generation decreased by 6.8% and amounted to 31,672 GWh. Of this total, 74% was generated by JSC Far East Generating Company (DGK), which decreased production by 8.9% in 2016 to 23,528 GWh, mainly due to 35% increase in electricity output by the Zeyskaya and Bureyskaya hydropower plants. In 2016, electricity generation by companies operating in isolated energy systems of the Far East increased by 2.2% as compared to 2015.

In 2016, heat output by thermal plants of RAO ES East increased by 4% to 31,494 ths. GCal as compared to the same period of 2015.

Heat output by thermal plants of RAO ES East, ths. GCal

	4Q'16	4Q'15	chg, %	2016	2015	chg, %
JSC DGK	8,021	7,606	6%	22,144	21,206	4%
PJSC Yakutskenergo	938	954	-2 %	2,497	2,438	2%
SC Sakhaenergo	29	33	-12%	88	100	-12%
SC Teploenergoservice	510	513	-	1,334	1,359	-2%
PJSC Kamchatskenergo	653	699	-7%	2,120	1,993	6%
SC KSEN	27	27	-	80	76	4%
PJSC Magadanenergo	398	432	-8%	1,232	1,253	-2%
SC Chukotenergo	123	144	-15%	442	478	-8%
PJSC Sakhalinenergo	561	493	14%	1,558	1,486	5%
Total	**11,261**	**10,902**	**3%**	**31,494**	**30,389**	**4%**

Armenia

In the 4th quarter of 2016, electricity generation by the Sevan-Hrazdan cascade of hydropower plants in Armenia decreased by 2.5% to 31 GWh, in 2016, electricity generation decreased by 10.6% to 405 GWh. Power generation by the plants of the cascade is dependent on water inflows of the Hrazdan river and water releases from Sevan lake.

Electricity retail

In the 4th quarter of 2016, total electricity output by RusHydro's four retail companies, operating in Bashkiria, Chuvashia, Ryazan and Krasnoyarsk regions and ESC RusHydro, amounted to 8,754 GWh, a 1% decrease as compared to the same period of 2015; in 2016 output amounted to 33,905 GWh (-2.3%).

In the reporting period ESC RusHydro, a holding company for all electricity retail operations, increased electricity output by 601 GWh (+34.1%), JSC Chuvash retail company increased its output by 6 GW (+0.2%) as compared to the same period of 2015 due to addition of major consumers.

The decrease in electricity output by JSC Krasnoyarskenergosbyt by 467 GWh or 3.3%, and PJSC Ryazan retail company by 106 GWh (-3.8%) in 2016 is attributable to recession in manufacturing industry, transfer of a number of major consumers to independent wholesale electricity purchases.

Electricity output by RusHydro Group's retail companies, GWh

	4Q'16	4Q'15	chg, %	2016	2015	chg, %
Krasnoyarskenergosbyt	3,970	4,074	-2.5%	13,580	14,047	-3.3%
Bashkiria retail company[3]	2,481	2,581	-3.9%	11,978	12,794	-6.4%
Chuvash retail company	940	921	2.1%	3,274	3,268	0.2%

Ryazan retail company	741	774	-4.3%	2,711	2,817	-3.8%
ESC RusHydro	621	497	25.1%	2,362	1,761	34.1%
Total	**8,754**	**8,847**	**-1.0%**	**33,905**	**34,688**	**-2.3%**

Water inflows forecast

According to the forecast of the Hydrometeorological Center of Russia, the following dynamics of water inflows to the major reservoirs is expected in the 1st quarter of 2017:

- total expected water inflow to reservoirs of the Volgo-Kama is expected to be 20-60% higher than normal and may amount to 24.5-30.5 km^3 as compared to the average of 21.3 km^3;
- water inflow to the reservoir of Chirkeyskaya hydropower plant in the North Caucasus is expected to be close to long-run average;
- water inflow to Novosibirskoe and Sayano-Shushenskoe reservoirs is expected to be 15-40% higher than normal, to other reservoirs of Siberia – close to normal;
- water inflow to the HPP's of the Far East is expected to be close to or slightly higher than long-run average.

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. 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.

[1] The Boguchanskaya hydropower plant is part of the Boguchanskiy Energy and Metals Complex (BEMO), a 50/50 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
[2] Includes generation by HPPs of JSC RusHydro, Kolymskaya HPP and Viluiskie HPPs, part of RAO ES East Subgroup
[3] In December 2016, RusHydro sold 100% share in LLC Power Retail Company of Bashkortostan (LLC ESCB) to companies of Inter RAO Group. Electricity output by LLC ESCB is calculated for 11 months of 2016