

April 28, 2017

### RusHydro announces 1Q 2017 RAS results

PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the 1<sup>st</sup> quarter of 2017<sup>1</sup>.

#### Key highlights:

- 1Q 2017 revenue – RUB 27,678 mn (+2%);
- 1Q 2017 operating expenses – RUB 13,212 mn (+5%);
- 1Q 2017 EBITDA – RUB 18,609 mn (+2%);
- EBITDA margin in 1Q 2017 – 67% (+0p.p.);
- Reported net profit for 1Q 2017 – RUB 13,529 mn (-11%), adjusted net profit – RUB 11,189 mn (-22%).

Key financials for 1Q 2016/2017 under RAS (in RUB mn)

	1Q'17	1Q'16	chg
Revenue	27,678	27,093	2%
Operating expenses	(13,212)	(12,609)	5%
Operating profit	14,466	14,484	0%
EBITDA	18,609	18,243	2%
Net profit	13,529	15,249	-11%
Net profit (adj.) <sup>2</sup>	11,189	14,373	-22%

#### Revenue

In the 1<sup>st</sup> quarter of 2017, revenue increased by 2% to RUB 27,678 mn as compared to RUB 27,093 mn for the same period of 2016. The underlying factors behind the change in revenue were:

- increase in capacity sales via capacity auctions (KOM) and increase in hydro capacity price due to redistribution of volumes of capacity supplied between KOM and free bilateral capacity supply agreements, as well as full liberalization of hydro capacity in the second price zone as of May 1, 2016<sup>3</sup>;
- increase in electricity spot prices in the second price zone;
- indexation of electricity and capacity tariffs;
- lower electricity production from the company's hydropower plants as compared to 2016.

Revenue breakdown (RUB mn)

	1Q'17	1Q'16	chg
Electricity sales	16,530	17,254	-4%
Capacity sales	11,036	9,619	15%
Other sales	112	220	-49%
<b>TOTAL</b>	<b>27,678</b>	<b>27,093</b>	<b>2%</b>

#### Operating expenses

Operating expenses in the 1<sup>st</sup> quarter of 2017 increased by 5% to RUB 13,212 mn as compared to the same period of 2016.

## Operating expenses breakdown (in RUB mn)

	1Q'17	1Q'16	chg
Depreciation	4,142	3,759	10%
Purchased electricity and capacity	1,927	1,983	-3%
Labor expenses, taxes and contributions	1,843	1,814	2%
Property tax	1,719	1,678	2%
Services of System Operator, ATS, CFS	732	698	5%
Other third-party services	719	412	75%
Security expenses	410	405	1%
Repairs & maintenance	373	478	-22%
Rent	398	341	17%
Insurance expenses	342	353	-3%
Water tax	309	274	13%
Leasing expenses	26	53	-51%
Other	272	361	-25%
<b>TOTAL</b>	<b>13,212</b>	<b>12,609</b>	<b>5%</b>

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

- increase in depreciation and property tax as a result of commissioning of new fixed assets as well as reconstruction and modernization of operating assets;
- decrease in purchased electricity and capacity as a result of: a) decrease in purchased electricity due to absence of free bilateral agreements in the price zone of wholesale market of electricity and capacity and b) lower cost of purchased electricity;
- increase in expenses for other third-party services, mainly due to more even redistribution of these expenses between quarterly reporting periods in 2017.
- reduction of other expenses, including corporate and traveling expenses, utilities and other costs, by 25% as a result of implementation of measures aimed at restraining non-operating costs.

### Profit

Operating profit for the period totaled RUB 14,466 mn against 14,484 mn for the same period of previous year.

EBITDA increased by 2% as compared to the same period of 2016 and amounted to RUB 18,609 mn.

RusHydro's net profit for the reporting period decreased by 11% to RUB 13,529 mn. Net profit adjusted for non-cash items decreased by 22% to RUB 11,189 mn as compared to RUB 8,363 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:

- gain from mark-to-market revaluation of listed equity stakes in the amount of RUB 531 mn;
- reversal of reserves on accounts receivable in the amount of RUB 1,783 mn;
- gain from other reserves in the amount of RUB 26 mn.

### RusHydro's financial position as of March 31, 2017

The Company's total assets increased by RUB 55,555 mn as of March 31, 2017, or 6% against the similar figure as of December 31, 2016, reaching RUB 964,228 mn. The increase in assets is explained by a conclusion of a transaction between PJSC RusHydro and VTB Bank (PJSC) to

purchase 55 bn shares of RusHydro and a non-deliverable forward contract. The deal was aimed at restructuring the debt portfolio of PJSC RAO ES East Subgroup and its subsidiaries.

As of March 31, 2017, total liabilities increased RUB 42,006 mn or 30% against similar figure as of December 31, 2016 and totaled RUB 181,279 mn.

The Company's debt portfolio decreased by 1% as compared to the beginning of the year from RUB 108,873 mn to RUB 107,873 mn; long-term loans make up 87% of total debt portfolio.

The Company's equity for the 1<sup>st</sup> quarter of 2017 increased by 2% to RUB 782,887 mn against RUB 769,336 mn as of beginning of the 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 1<sup>st</sup> quarter of 2017 under International financial reporting standards (IFRS) on June 7, 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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## **DISCLAIMER**

*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.*

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<sup>1</sup> 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.

<sup>2</sup> Net profit adjusted for the mark-to-market revaluation of listed equity stakes, provisions for financial investments and other assets impairment, provisions for potentially uncollectible accounts receivable and other, estimated liabilities. This indicator is not reported in the official financial statements under RAS and has been calculated and put into the press release for reference.

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<sup>3</sup> According to decree of the government of the Russian Federation No. 379 of April 30, 2016, all limitations on sale of hydro capacity located in the 2<sup>nd</sup> price zone at unregulated prices have been lifted. Thus, all volume of hydro capacity in the 2<sup>nd</sup> price zones less volumes sold under regulated tariffs will be sold at unregulated prices.