

RusHydro announces 1H 2018 RAS results

July 30, 2018. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces non-consolidated financial results under Russian accounting standards (RAS) for the six months of 2018.

Key highlights for 1H 2018:

- Net profit – RUB – 26,618 mn (+12%);
- EBITDA – RUB 43,471 mn (+12%);
- 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*, which affected revenue and operating expenses by RUB 19,109 mn against comparable periods of last year or by 33% and 70%, respectively;

Excluding the effect of surcharge (hereinafter):

- Revenue – RUB 63,728 mn (+9%);
- Operating expenses – RUB 28,260 mn (+3%).

Key financials for the 6 months 2018/2017 under RAS (in RUB mn)

	1H'18	1H'17	chg	2Q'18	2Q'17	chg
Revenue	63,728	58,231	9%	33,276	30,553	9%
Operating expenses	(28,260)	(27,407)	3%	(14,360)	(14,195)	1%
Operating profit	35,468	30,824	15%	18,916	16,358	16%
EBITDA**	43,471	39,109	12%	22,770	20,500	11%
Net profit	26,618	23,771	12%	14,612	10,242	43%
Net profit (adj.)***	26,601	22,182	18%	14,763	10,993	34%

Revenue

In the 6 months of 2018, revenue, excluding the effect of surcharge on capacity implemented by the resolution of the Russian Government No. 895 dated 28.07.2017, increased by 9% or RUB 5,497 mn following strong operational results as electricity production by PJSC RusHydro's HPPs increased by 5% following increase of water inflow to the reservoirs of the Group's hydropower plants, primarily on the Volga-Kama cascade.

Revenue breakdown (RUB mn)

	1H'18	1H'17	chg	2Q'18	2Q'17	chg
Electricity sales	42,535	37,778	13%	23,480	21,248	11%
Capacity sales	20,966	20,254	4%	9,703	9,219	5%
Other sales	227	199	14%	93	86	8%
TOTAL	63,728	58,231	9%	33,276	30,553	9%

Operating expenses

Operating expenses in the 6 months of 2018 increased by 3% to RUB 28,260 mn as compared to the same period of 2017 as a result of the following factors:

- purchased electricity and capacity (RUB 490 mn);
- property tax (RUB 262 mn) following decrease of tax allowance on movable assets;
- repairs and maintenance (RUB 226 mn) in accordance to the maintenance schedule in preparation for the autumn-winter period of 2018 - 2019;
- water tax rate increase (RUB 219 mn)
- rent increase (RUB 154 mn) following commissioning of fixed assets (rent agreement with Zaragizhskaya small HPP) in the second quarter of 2017 compounded by additional rent increase of Gotsaltinskaya GES in second half of 2017.

Operating expenses breakdown (in RUB mn)

	1H'18	1H'17	chg	2Q'18	2Q'17	chg
Depreciation	8,273	8,285	0%	4,124	4,143	0%
Purchased electricity and capacity	3,832	3,342	15%	1,790	1,415	27%
Property tax	3,678	3,416	8%	1,836	1,697	8%
Labor expenses, taxes and contributions	3,492	3,675	-5%	1,821	2,056	-11%
Other third-party services	1,598	1,992	-20%	784	1,273	-38%
Power system services	1,480	1,474	0%	745	742	0%
Repairs and maintenance	1,220	994	23%	762	621	23%
Rent	979	825	19%	492	427	15%
Water tax	934	715	31%	535	406	32%
Security expenses	834	862	-3%	401	452	-11%
Insurance expenses	802	759	6%	399	417	-4%
Leasing expenses	-	46	-	-	20	-
Other	1,138	1,022	11%	671	526	28%
TOTAL	28,260	27,407	3%	14,360	14,195	1%

Profit

Operating profit for the 6 months of 2018 increased by 15% as compared to the same period last year and amounted to RUB 35,468 mn.

RusHydro's net profit for the reporting period increased by 12% to RUB 26,618 mn.

Net profit adjusted for non-cash items increased by 18% and reached RUB 26,101 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- gain on mark-to-market revaluation of financial investments in the amount of RUB 1 449 mn;
- loss (net) on reversal of bad debt reserves in the amount of RUB 1 116 mn;
- gain from other reserves in the amount of RUB 184 mn.

RusHydro's financial position as of June 30, 2018

The Company's total assets increased by RUB 24,413 mn as of June 30, 2018, or by 2% as compared to the beginning of the year, reaching RUB 1,007,592 mn.

As of June 30, 2018, total liabilities increased by 6% or RUB 9,022 mn and amounted RUB 166,455 mn.

The Company's debt portfolio decreased by 5% as compared to the beginning of the reporting year from RUB 121,956 mn to RUB 115,791 mn. Long-term loans comprise 82% of the total portfolio.

The Company's equity in the first half of 2018 increased by 2% to RUB 841,077 mn against RUB 825,684 mn as of the beginning of the reporting year.

The full financial statements are available on the Company's website at:

<http://www.eng.rushydro.ru/investors/reports>

** 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. In November 2017, according to the Resolution of the Russian Government No. 2527-r of 15 November 2017 the rate for consumers in the territories of the Far East basic was set at RUB 4.30 / kWh.*

*** EBITDA calculated as gross profit before depreciation.*

**** 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.*

About RusHydro

RusHydro Group is one of Russia's largest generating companies. RusHydro is the leading producer of renewable energy in Russia with over 400 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 39 GW, heat capacity – 18.5 thousand GCal/h.

Russian Federation owns 60.56% in RusHydro, the rest is held by other institutional and individual shareholders (over 360,000). The company's stock is traded on Moscow stock 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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