

RusHydro announces 1H 2017 RAS results

July 31, 2017. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the six months of 2016.

Key highlights:

- 2Q 2017 revenue – RUB 30,553 mn (+1%), 1H 2017 revenue – RUB 58,231 mn (+2%);
- 2Q operating expenses – RUB 14,195 mn (+6%), 6M 2017 – RUB 27,407 mn (+5%);
- 2Q 2017 EBITDA – RUB 20,501 mn (0%), 1H 2017 EBITDA – RUB 39,109 mn (+1%);
- EBITDA margin in 2Q 2017 – 67% (-1 p.p.), 1H 2017 – 67% (-1 p.p.);
- Reported net profit for 6M 2017 – RUB 23,771 mn (-16%), adjusted net profit for 1H 2017 – RUB 22,182 mn (-16%).

Key financials for the 6 months of 2017/2016 under RAS (in RUB mn)

	1H'17	1H'16	chg	2Q'17	2Q'16	chg
Revenue	58,231	57,211	2%	30,553	30,118	1%
Operating expenses	(207,407)	(26,010)	5%	(14,195)	(13,401)	6%
Operating profit	30,824	31,201	-1%	16,358	16,717	-2%
EBITDA ¹	39,109	38,711	1%	20,501	20,468	0%
Net profit	23,771	28,426	-16%			
Net profit (adj.) ²	22,182	26,444	-16%	10,993	12,071	-9%

Revenue

In the 6 months of 2017, revenue increased by 2% to RUB 58,231 mn as compared to RUB 57,211 mn for the same period of 2016. The underlying factors behind the change in revenue were:

- increase in capacity sales due to higher price of capacity auctions (KOM) for HPPs in the 2nd price zone due to redistribution between volumes sold under KOM and free bilateral agreements on capacity delivery (SDM) and following 100% liberalization of hydro capacity market in the second price zone from May 1, 2016;
- decrease in prices of electricity sold on day-ahead market in the 1st and 2nd price zones by 1.8% on average;
- decrease in volumes of sales in day-ahead market in the 1st and 2nd price zones by 0.9% to 32.9 bn TWh;
- increase in sales of capacity under capacity delivery agreements (DPMs) due to commissioning of Zelenchukskaya HPP-PSHPP;

Revenue breakdown (RUB mn)

	1H'17	1H'16	chg	2Q'17	2Q'16	chg
Electricity sales	37,778	38,933	-3%	21,248	21,679	-2%
Capacity sales	20,254	17,783	14%	9,218	9,164	13%
Other sales	199	495	-60%	87	275	-68%
TOTAL	58,231	57,211	2%	30,553	30,118	1%

Operating expenses

Operating expenses in the 6 months of 2017 increased by 5% to RUB 27,407 mn as compared to the same period of 2016.

Operating expenses breakdown (in RUB mn)

	1H'17	1H'16	chg	2Q'17	2Q'16	chg
Depreciation	8,285	7,510	10%	4,143	3,751	10%
Labor expenses, taxes and contributions	3,675	3,558	3%	1,832	1,744	5%
Property tax	3,416	3,361	2%	1,697	1,683	1%
Purchased electricity and capacity	3,342	3,429	-3%	1,415	1,446	-2%
Other third-party services	1,992	1,443	38%	1,273	879	45%
Services of System Operator, ATS, CFS	1,474	1,405	5%	742	707	5%
Repairs & maintenance	994	1,300	-2%	621	822	-24%
Security expenses	862	879	-2%	452	474	-5%
Rent	825	714	16%	427	373	14%
Insurance expenses	759	743	2%	417	390	7%
Water tax	715	614	16%	406	340	19%
Expenses on software update	526	556	-5%	308	390	-21%
Leasing expenses	46	104	-56%	20	51	-61%
Other	1,022	952	7%	442	351	26%
TOTAL	27,407	26,010	5%	14,195	13,401	-6%

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

- increase in depreciation and amortization (by 7%) and property tax (by 2%) as a result of commissioning of new facilities (including commissioning of Zelenchukskaya HPP-PSHPP) as well as reconstruction and modernization of operating assets;
- decrease in cost and volume of purchased electricity and capacity;
- increase in labor expenses, taxes and contributions by 3% (or RUB 117 mn) due to indexation;
- increase in other third party services, including within RusHydro group, primarily related to contract signed with JSC RusHydro Procurement for procurement support in connection with signing of forward contract with VTB Bank in 3Q'2016, as well as due to consulting services necessary for signing forward contract with VTB Bank.

Profit

Operating profit for the period decreased by 1% or RUB 373 mn to RUB 30,824 mn.

EBITDA increased by 1% as compared to the same period of 2016 and amounted to RUB 39,109 mn.

RusHydro's net profit for the reporting period decreased by 16% to RUB 23,771 mn.

Major factors responsible for decrease of the net profit were:

- RUB 1,799 bn payment of under the forward contract with VTB Bank as part of transaction aimed at refinancing of RAO ES East subgroup companies debt;
- RUB 2,352 mn gain on growth of PJSC Inter RAO share price in 2016;

Adjusted net profit for the period decreased by 16% from RUB 26,444 to RUB 22,182 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 (RUB 98 mn);
- gain on reversal of bad debt reserves in the amount of RUB 2,883 mn;
- gain on reversal reserves for impairment in the amount of RUB 1 mn;
- gain on reversal of other reserves in the amount of RUB 105 mn.

RusHydro's financial position as of June 30, 2017

The Company's total assets increased by RUB 68,089 mn as of June 30, 2017, or 7% against the similar figure as of December 31, 2016, reaching RUB 976,762 mn.

As of June 30, 2017, total liabilities increased by 32% or 44,291 mn as compared to the similar figure as of December 31, 2016 and reached RUB 183,634.

The Company's debt portfolio increased by 1% or RUB 1,624 mn as compared to the beginning of the year from RUB 108,873 mn to RUB 110,497 mn, long-term loans comprise 69% of the total portfolio.

The Company's equity for the 1st half of 2017 increased by 3% to RUB 793,128 mn against RUB 769,336 mn as of the beginning of the reporting year, primarily due to increase in retained profit.

In March 2017 the Company signed agreement with VTB Bank (the Bank) on purchase of RUB 55 bn shares and a 5-year forward contract on these shares. In accordance with the agreement, the Bank has purchased 40 000 000 000 shares of the Company in the framework of new share issue and 15 000 000 000 shares from from RusHydro subsidiaries at RUB 1 per share for total amount of RUB 55 bn.

The funds, received from the Bank, were used for long-term loans to subsidiaries of PJSC RAO ES East for financing their current liabilities before banks.

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 2016 under International financial reporting standards (IFRS) on August 29, 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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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.