

RusHydro announces full year 2019 RAS results

February 27, 2020. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces non-consolidated financial results under Russian accounting standards (RAS) for the full year ended December 31, 2019.

Key highlights:

- EBITDA – RUB 78,237 mn (-5%);
- Reported net profit – RUB 38,645 mn (+5%);
- Since July 1st 2017, a surcharge to capacity prices in 1 and 2 price zones in order to attain base level of end-user tariffs in the Far East of Russia is reflected in PJSC RusHydro's revenue and operating expenses*. In 2019, the surcharge totaled RUB 32,077 mn, in the 2018 – RUB 35,032 mn; Adjusted for the surcharge revenue and expenses (here and below in the text) were:
- Revenue – RUB 123,103 mn;
- Operating expenses – RUB 61,807 mn.

Key financials for 4Q and 2019 under RAS (in RUB mn), excluding surcharge

	2019	2018	chg	4Q'19	4Q'18	chg
Revenue (adj. for surcharge)	123,103	127,781	-4%	33,717	31,724	6%
Operating expenses (adj. for surcharge)	(61,807)	(61,815)	-0.01%	(18,596)	(18,457)	0.8%
Operating profit	61,296	65,966	-7%	15,121	13,267	14%
EBITDA**	78,237	82,498	-5%	19,437	17,395	12%
Net profit	38,645	36,726	5%	4,390	-788	657%
Net profit (adj.)***	44,194	43,072	3%	9,939	6,057	64%

Revenue

In 2019, revenue decreased by 4% or RUB 4,678 mn to RUB 123,103 on the back of record HPP production in 2018 compounded by lower water inflows to the reservoirs of the Volga-Kama cascade in the first half of 2019.

Revenue breakdown (RUB mn)

	2019	2018	chg	4Q'19	4Q'18	chg
Electricity sales	78,596	85,059	-8%	21,266	20,067	6%
Capacity sales	44,039	42,327	4%	12,259	11,562	6%
Other sales	468	395	18%	192	95	102%
TOTAL	123,103	127,781	-4%	33,717	31,724	6%

Operating expenses

Operating expenses in 2019 stayed flat to 2018 and amounted to RUB 61,807 mn following execution of plan on optimization of operational expenses based on independent external audit review.

The main changes were observed in the following items:

- Property tax (decrease of RUB 978 mn) due to amendments to the Tax code of the Russian Federation affecting property tax, cancelling tax for movable property effective of Jan 1, 2019;
- Rent decreased by RUB 628 mn due to purchase of Gotsatlinskaya HPP and Zaragizhskaya HPP from subsidiaries with simultaneous increase in property tax and depreciation by RUB 183 mn and RUB 345 mn, respectively.

Operating expenses breakdown (in RUB mn)

	2019	2018	chg	4Q'19	4Q'18	chg
Depreciation	16,941	16,532	2%	4,316	4,128	5%
Purchased electricity and capacity	8,230	8,236	-0.1%	2,003	2,346	-15%
Labor expenses, taxes and contributions	7,656	7,448	3%	2,169	2,198	-1%
Property tax	6,162	7,140	-14%	1,611	1,621	-1%
Repairs and maintenance	4,259	3,861	10%	1,815	1,670	9%
Other third-party services	3,912	3,835	2%	1,370	1,268	8%
Power system services	3,127	3,018	4%	799	765	4%
Water tax	2,072	1,887	10%	562	417	35%
Security expenses	1,762	1,748	1%	441	439	0.5%
Insurance expenses	1,746	1,756	-1%	459	511	-10%
Rent	1,310	1,938	-32%	321	482	-33%
Other	4,630	4,416	5%	2,730	2,612	5%
TOTAL	61,807	61,815	-0.01%	18,596	18,457	1%

Other income and expenses

Other income in 2019 increased by RUB 510 mn or 6% and amounted to RUB 8,485 mn as compared to 2018.

Other expenses in 2019 decreased by RUB 4,321 mn or 18% and amounted to RUB 19,400 mn as compared to 2018.

Profit

Operating profit in 2019 decreased by 7% or RUB 4,670 mn as compared to the same period last year and amounted to RUB 61,296 mn.

Reported net profit in 2019 increased by 5% to RUB 38,645 mn. Nonetheless, in the fourth quarter of 2019 net profit amounted to RUB 4,390 mn as compared to net loss of RUB 788 mn in the corresponding period of 2018.

Net profit adjusted for non-cash items increased by 3% and reached RUB 44,194 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- loss (net) on provision for impairment of financial investments in the amount of RUB 6,038 mn;
- gain on reversal of other reserves in the amount of RUB 487 mn.

RusHydro's financial position as of December 31, 2019

The Company's total assets increased by RUB 27,388 mn as of December 31, 2019, or 3% against the similar figure as of December 31, 2018, reaching RUB 1,064,194 mn.

As of December 31, 2019, total liabilities increased by 2% or RUB 4,617 mn as compared to the similar figure as of December 31, 2018 and amounted to RUB 190,158 mn.

The Company's debt portfolio decreased by 2% as compared to the beginning of the reporting year and reached RUB 144,579 mn. Long-term loans comprise 83% of the total portfolio.

The Company's equity in 2019 increased by 3% to RUB 873,979 mn against RUB 851,206 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>

RusHydro Group will announce consolidated 4Q and FY2019 IFRS results on March 5, 2019.

* 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 the leading producer of renewable energy in Russia. It is Russia's largest generating company and is among the top-5 in the world with over 400 generating facilities in Russia and abroad. The Group's total electricity generation capacity including Boguchanskaya HPP is 40.0 GW.

Russian Federation owns 61.20% in RusHydro, the rest is held by other institutional and individual shareholders (over 360,000). The company's stock is traded on the Moscow stock exchange. Company's GDRs in the IOB section of LSE, ADRs – in OTCQX.

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