

March 25, 2015

### RusHydro announces full year 2014 IFRS results

RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its consolidated financial statements for the year ended December 31, 2014 prepared in accordance with International Financial Reporting Standards (IFRS).

#### Key highlights for FY 2014:

- Stable results despite 12% decrease in electricity generation by HPPs of the Group in 2014; non-indexation of gas tariffs in price zones of the wholesale market and acceleration of inflation in the 4<sup>th</sup> quarter;
- Increase in revenue in the 4Q 2014 – by 7%; in FY 2014 – by 4.6%;
- 4Q 2014 EBITDA<sup>[1]</sup> – RUB 21,742 mn (-18.2%), FY 2014 EBITDA – RUB 73,249 mn (-7.5%);
- Operating expenses in 2014 increased by 9.4%, mainly due to growth of employee benefit expenses, electricity distribution expenses, depreciation, as well as expenses for purchased electricity and capacity;
- Net profit for FY 2014 – RUB 24,131 mn (+14.9%); net profit adjusted for non-cash items<sup>[2]</sup> – RUB 39,777 mn (-24.5%);
- Weighted-average EPS for FY 2014 increased by 8% to RUB 0.0689;
- The financial statements include non-cash losses related to impairment of property, plant and equipment, accounts receivable and available for sale financial assets in the amount of RUB 17,268 mn;
- Group’s capital expenditure in FY 2014 increased by 32.4% to RUB 93,022 mn.

#### 2014/2013 highlights (in RUB mn)

	2014	2013	chg	4Q'14	4Q'13	chg
<b>Revenue, including</b>	<b>341,988</b>	<b>326,878</b>	<b>4.6%</b>	<b>100,847</b>	<b>94,209</b>	<b>7.0%</b>
<i>Revenue</i>	329,560	313,632	5.1%	96,252	88,204	9.1%
<i>Government grants</i>	12,428	13,246	-6.2%	4,595	6,005	-23.5%
Operating expenses <sup>[3]</sup>	290,838	265,763	9.4%	85,813	72,877	17.8%
<b>EBITDA<sup>[1]</sup></b>	<b>73,249</b>	<b>79,171</b>	<b>-7.5%</b>	<b>21,742</b>	<b>26,594</b>	<b>-18.2%</b>
Net profit	24,131	20,993	14.9%	-	-	-
<b>Net profit (adj.)<sup>[2]</sup></b>	<b>39,777</b>	<b>52,673</b>	<b>-24.5%</b>	<b>13,369</b>	<b>22,813</b>	<b>-41.4%</b>

#### Operating results

In the 4<sup>th</sup> quarter of 2014, total electricity generation by power plants of RusHydro amounted to 26,987 GWh, a 12.1% decrease as compared to the same period of 2013; total power generation in 2014 amounted to 113,585 GWh (-8.5%). In the 4<sup>th</sup> quarter of 2014, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group decreased electricity generation by 23.5% to 17,527 GWh, in 2014 - by 12.1% to 84,115 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia in the 4<sup>th</sup> quarter of 2014 increased by 21.5% to 9,460 GWh, in 2014 output rose by 3.8% to 29,470 GWh.

The underlying factors of the production change in 2014 were:

- lower than in 2013 and long-run average water inflow to reservoirs of the Volga-Kama cascade and Sayano-Shushenskoe reservoir;
- increase in electricity generation by TPPs of the Far East due to decreased hydro production in the unified power system of the Far East as well as growth in electricity consumption.

## Events in January-December 2014

- In March 2014, JSC RusHydro secured two credit facilities in total amount of EUR 190 mn under a guarantee from OeKB arranged by ING Bank and Crédit Agricole Corporate & Investment Bank Deutschland for modernization of the Saratovskaya HPP.
- In April 2014, RusHydro Group secured an 8-year loan facility from Sberbank of Russia in the amount of RUB 2,776 mn to refinance current liabilities of the Company.
- On June 27, 2014, the AGM resolved to pay dividends for 2013 in the amount of RUB 0.0136 per share in the total amount of RUB 5,248 mn.
- In July 2014 JSC Hydroinvest, 100% subsidiary of RusHydro, acquired 3.39% of RusHydro's shares via a swap for 25% minus 1 share of PJSC Krasnoyarskaya HPP with JSC EuroSibenergo. No cash was involved in the transaction.
- In November 2014 restoration of the Sayano-Shushenskaya HPP was completed. All ten hydro-units of the plant were replaced with the new ones. The plant has now reached its full project capacity of 6400 MW.
- In November 2014 JSC RusHydro signed an agreement with PowerChina on cooperation in development of pumped storage capacity in Russia, and the agreement with China Three Gorges Corporation (CTG) on joint development of hydropower projects in the Far East of Russia.
- In November 2014 the Board of Directors approved a long-term development program of RusHydro Group aimed at reliability and safety improvement of the Company's generating facilities, sustainable development of electricity generation and the Company's value growth as well as introducing new management's KPIs.
- In December 2014 the last 333 MW hydropower unit has been commissioned and put into commercial operation at the Boguchanskaya HPP.

## Revenue

*Revenue breakdown 2014/2013 (in RUB mn)*

	2014	2013	chg	4Q'14	4Q'13	chg
Electricity sales	239,543	230,925	3.7%	67,217	62,915	6.8%
Heat and hot water sales	34,059	33,147	2.8%	11,835	11,160	6.0%
Capacity sales	28,012	25,616	9.4%	7,878	6,745	16.8%
Other sales	27,946	23,944	16.7%	9,322	7,384	26.2%
<b>Revenue</b>	<b>329,560</b>	<b>313,632</b>	<b>5.1%</b>	<b>96,252</b>	<b>88,204</b>	<b>9.1%</b>
Government grants	12,428	13,246	-6.2%	4,595	6,005	-23.5%
<b>Total revenue</b>	<b>341,988</b>	<b>326,878</b>	<b>4.6%</b>	<b>100,847</b>	<b>94,209</b>	<b>7.0%</b>

In January-December 2014, total revenue of the Group increased by 4.6% to RUB 341,988 mn. The change is associated with the following factors:

- significant increase in electricity prices on the “day-ahead” market of the second price zone following decrease in electricity generation by HPPs;
- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the second pricing zone following liberalization of hydro capacity market from May 1, 2014;
- decrease in electricity generation by hydropower plants due to lower than long-run average water inflow to reservoirs of the Volga-Kama cascade and lower than normal water inflow to major reservoirs of Siberia in the 3<sup>rd</sup> quarter of 2014, as well as low water level during flood period in July-September 2014 in the Far East of Russia;
- increase in capacity prices of the competitive capacity auctions for the HPP's of the first pricing zone due to indexation for consumer price index;
- indexation of regulated electricity and capacity tariffs from the second half of 2013;

- 4% increase in electricity generation by the plants and 7% growth in electricity tariff following indexation of tariffs of RAO ES of East subgroup segment;
- increase in other revenue as a result of increase in revenue of JSC DRSK (RAO ES of East subgroup), following resumption of the ‘last mile’ agreements in the Amur region and Jewish autonomous region;
- decrease in government grants to companies of RAO ES of East subgroup in 2014 due to lack of compensation of the shortfall in revenue for 2012-2013 from termination of the ‘last mile’ agreements.

### Operating expenses<sup>[3]</sup>

#### Operating expenses in 2014/2013 (in RUB mn)

	2014	2013	chg	4Q'14	4Q'13	chg
Employee benefit expenses	65,114	56,907	14.4%	17,668	15,563	13.5%
Purchased electricity and capacity	57,504	54,622	5.3%	18,340	14,254	28.7%
Fuel expenses	46,639	44,472	4.9%	15,411	13,199	16.8%
Electricity distribution expenses	41,282	37,922	8.9%	11,455	10,707	7.0%
Third parties services	29,299	28,152	4.1%	8,737	8,846	-1.2%
Depreciation	21,340	18,218	17.1%	5,856	4,346	34.7%
Other materials	10,787	9,599	12.4%	2,616	2,292	14.1%
Taxes other than on income	9,008	9,295	-3.1%	2,337	1,778	31.4%
Social charges	2,274	2,082	9.2%	564	474	19.0%
Water usage expenses	2,656	2,742	-3.1%	594	705	-15.7%
Other expenses	4,935	1,752	181.7%	2,235	713	213.5%
<b>TOTAL</b>	<b>290,838</b>	<b>265,763</b>	<b>9.4%</b>	<b>85,813</b>	<b>72,877</b>	<b>17.8%</b>

Total operating expenses in 2014 compared to 2013 increased by 9.4% from RUB 265,763 mn to RUB 290,838 mn.

#### Major factors affecting expenses:

- growth of employee benefit expenses as a result of: a) indexation of salaries of personnel of JSC RusHydro branches as well as b) annual indexation of salaries of personnel of subsidiaries and associates of RusHydro Group; c) one-off bonus payment to the Company’s employees for execution of a three-year program to increase operational and financial efficiency;
- increase in electricity distribution expenses due to growth of tariff for electricity distribution services for Group’s electricity retail companies;
- increase in purchased electricity and capacity expenses as a result of: a) growth of electricity purchased for further resale as well as increase in purchase prices; b) increase electricity consumption by the Zagorskaya PSPP due to launch after scheduled outage of the plant in March 2013; c) increase in tariffs for electricity and capacity purchase from the Bilibinskaya NPP by JSC Chukotenergo (RAO ES of East subgroup), as well as growth of expenses of JSC Yakutskenergo (RAO ES of East subgroup) due to start of electricity purchase from JSC Vilyuiskaya HPP-3 (ALROSA group);
- increase in expenses for depreciation of fixed assets due to termination of classification of JSC DRSK as a subsidiary acquired exclusively with a view for resale in the end of 2013 as well as increase in fixed assets of JSC DGK.

### Profit

In the reporting period, EBITDA<sup>[1]</sup> decreased by 7.5% to RUB 73,249 mn compared to RUB 79,171 mn for the same period of previous year. Decrease in EBITDA is related to growth of operating expenses larger than revenue growth.

In 2014, the Group’s net profit increased by 14.9% to RUB 24,131 mn compared to RUB 20,993 mn for the previous year. Adjusted net profit<sup>2</sup> in the reporting period amounted to RUB 39,777 mn, a

24.5% decrease as compared to the previous year. The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before the income tax):

- accrual of impairment of property, plant and equipment in the amount of RUB 8,884 mn;
- accrual of impairment of accounts receivable in the amount of RUB 6,603 mn resulting from analysis of past due receivables and estimation of their collectability;
- impairment of shares of JSC Inter RAO in the amount of RUB 1,478 mn due to decline in their market value;
- curtailment gain in the amount of RUB 501 mn from post-employment benefits and cancellation of pension plan of JSC DGK.

### **Key indicators of financial position**

As of December 31, 2014, the Group's assets increased by RUB 27,658 mn to RUB 883,770 mn against the comparable figure as at December 31, 2013. Change in assets is primarily attributable to:

- increase in fixed assets of the Group;
- acquisition of 3.39% of the Company's own shares via a swap for 25% minus 1 share stake in PJSC Krasnoyarskaya HPP owned by JSC Hydroinvest, 100% subsidiary of RusHydro;
- impairment of financial assets available for sale;
- increase in accounts receivable.

As at the end of the reporting period the Group's liabilities increased by RUB 29,214 mn from December 31, 2013, to RUB 288,619 mn. Change in the liabilities was mainly a result of obtaining a long-term loans from European Bank for Reconstruction and Development (EBRD) and Sberbank of Russia, PJSC Rosbank, UniCredit Bank Austria AG and Crédit Agricole Corporate and Investment Bank to finance current operating, financial and investment activities of the Company, and short-term loans secured from JSC VTB Bank and JSC Alfa-bank, as well as due to increase in accounts payable.

*The consolidated financial statements of the Group are available at:*

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

*The presentation of the results is available at:*

[http://www.eng.rushydro.ru/investors/presentations/results\\_presentations/](http://www.eng.rushydro.ru/investors/presentations/results_presentations/)

[1] EBITDA is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale, and gain from curtailment in pension plan and pension payment, disposal of subsidiaries and associates.

[2] Net profit is adjusted for the effects of impairment of property, plant and equipment and remeasurement of net assets of subsidiary acquired exclusively with a view for resale, impairment of available-for-sale financial assets, accounts receivable, property, plant and equipment of associates, long-term promissory notes, loss on disposal of property, plant and equipment, reversal of impairment of investments and property, plant and equipment of associates and gain from curtailment in pension plan and pension payment.

[3] Here and henceforth operating expenses do not include losses from impairment.

### **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 37.5 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 the MICEX and RTS stock exchanges, 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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*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.*