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RusHydro announces full year 2015 RAS results

PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the full year ended December 31, 2015.

Key highlights:

- 4Q 2015 revenue – RUB 29,076 mn (+10%), for 2015 – RUB 107,099 mn (-1%);
- 2015 operating expenses – RUB 63,969 mn (-2%);
- 4Q 2015 EBITDA – RUB 14,343 mn (+25%), 2015 EBITDA – RUB 57,387 mn (+2%);
- EBITDA margin in 4Q 2015 – 49% (+6 p.p.), in 2015 – 54% (+2 p.p.);
- Reported net profit for 2015 – RUB 30,022 mn (-2%), adjusted net profit – RUB 31,142 mn (-5%).

Key financials for 2014/2015 under RAS (in RUB mn)

	2015	2014	chg	4Q'15	4Q'14	chg
Revenue	107,099	108,478	-1%	29,076	26,535	10%
Operating expenses	(63,969)	(65,464)	-2%	(18,411)	(18,484)	0%
Operating profit	43,130	43,014	0%	10,665	8,051	32%
EBITDA ¹	57,387	56,052	2%	14,343	11,431	25%
Net profit	30,022	30,729	-2%	2,464	3,420	-28%
Net profit (adj.) ²	31,142	32,876	-5%	5,969	4,184	43%

Revenue

In 2015, revenue decreased by 1% to RUB 107,099 mn as compared to RUB 108,478 mn for 2014. The underlying factors behind the change in revenue were:

- decrease in production and electricity output by hydropower plants of PJSC RusHydro as a result of: a) low water level in the basin of the Angara-Yenisey cascade; b) lower than long-run average water inflow and water reserves in reservoirs of the Volga-Kama cascade in the 1st half of 2015;
- increase in “day-ahead” prices in the 2nd pricing zone due to decrease in electricity generation by hydropower plants and higher load of fossil fuel fired power plants;
- increase in capacity sales following partial liberalization of hydro capacity market in the second price zone from May 1, 2014³.

Revenue breakdown (RUB mn)

	2015	2014	chg	4Q'15	4Q'14	chg
Electricity sales	73,262	76,532	-4%	19,569	17,458	12%
Capacity sales	32,583	30,678	6%	9,177	8,749	5%
Other sales	1,254	1,268	-1%	330	328	1%
TOTAL	107,099	108,478	-1%	29,076	26,535	10%

Operating expenses

Operating expenses in January-December 2015 decreased by 2% to RUB 63,969 mn as compared to the same period of 2014.

Operating expenses breakdown (in RUB mn)

	2015	2014	chg	4Q'15	4Q'14	chg
Depreciation	14,257	13,038	9%	3,678	3,380	9%
Purchased electricity and capacity	13,970	17,975	-22%	4,020	4,689	-14%
Labor expenses	10,113	10,635	-5%	3,141	3,382	-7%
Property tax	6,640	6,123	8%	1,676	1,528	10%
Repairs & maintenance	3,891	3,615	8%	1,647	1,353	22%
Other third-party services	3,236	2,624	23%	1,100	1,073	3%
Services of System Operator, ATS, CFS	2,884	2,770	4%	751	689	9%
Security expenses	1,729	1,660	4%	446	422	6%
Insurance expenses	1,482	1,185	25%	402	326	23%
Rent	1,230	1,140	8%	338	323	5%
Water tax	934	836	12%	247	170	45%
Leasing expenses	479	706	-32%	259	109	138%
Other	3,124	3,157	-1%	706	1,040	-32%
TOTAL	63,969	65,464	-2%	18,411	18,484	0%

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

- decrease in purchased electricity and capacity as a result of: a) lower consumption of electricity and capacity for own needs due to decrease in electricity output; b) lower consumption of electricity for own needs of PSPPs; c) decrease in purchased electricity for sale under free bilateral agreements due to lower sales under these contracts;
- 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 labor expenses after headcount optimization during 2015.

Profit

Operating profit for the period was flat year-on-year.

EBITDA increased by 2% as compared to the same period of 2014 and amounted to RUB 57,387 mn.

RusHydro's net profit for the reporting period decreased by 2% to RUB 30,022 mn. Net profit adjusted for non-cash items decreased by 5% to RUB 31,142 mn as compared to RUB 32,876 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 781 mn;
- regained reserves on accounts receivable in the amount of RUB 840 mn;
- expenses (net) on provision for impairment of financial investments in the amount of RUB 3,098 mn;
- gain (net) from other reserves in the amount of RUB 357 mn.

RusHydro's financial position as of December 31, 2015

The Company's total assets increased by RUB 37,051 mn as of December 31, 2015, or 4% against the similar figure as of December 31, 2014, reaching RUB 892,631 mn.

As of December 31, 2015, total liabilities increased by 10% or RUB 13,042 mn and amounted to RUB 150,092 mn.

The Company's debt portfolio rose by 9% from the beginning of the year from RUB 114,177 mn to RUB 124,010 mn; long-term loans make up 85% of total debt portfolio.

The Company's equity for 2015 increased by 3% to RUB 742,469 mn against RUB 718,460 mn as of the beginning of the reporting year.

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 38.6 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, 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.

³ According to the decree of the government of the Russian Federation No. 374 of April 28, 2014, "On amendments to the Regulations of wholesale electricity and capacity market in terms of special aspects of participation of gencos, owners of hydropower plants located in the 2nd pricing zone, in the wholesale market" from May 1, 2014 till December 31, 2015, 35% of capacity of the hydropower plants located in the 2nd pricing zone is sold at the regulated tariffs based on the results of the competitive capacity auctions (KOM). Actual decrease in capacity sale price of KOM is related to decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013 from RUB 86,825.85 per MW to RUB 35,955.02 per MW.