

December 18, 2014

## RusHydro announces 9M 2014 IFRS results

RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its reviewed, non-audited condensed consolidated interim financial information prepared in accordance with International Financial Reporting Standards (IFRS) for the nine months of 2014.

### Key highlights for 9M 2014:

- 3Q 2014 EBITDA – RUB 10,125 mn (-25.0%), 9M 2014 EBITDA – RUB 51,507 mn (-2.0%);
- Operating expenses in 3Q 2014 increased by 7.8%, in 9M 2014 – by 5.1%;
- Net profit for 9M 2014 – RUB 22,398 mn (+51.3%); net profit adjusted for non-cash items – RUB 26,408 mn (-11.6%).

9M 2014/2013 highlights (in RUB mn)<sup>[1]</sup>

	9M'14	9M'13	chg	3Q'14	3Q'13	chg
<b>Revenue, including</b>	<b>241,141</b>	<b>232,669</b>	<b>3.6%</b>	<b>70,225</b>	<b>68,968</b>	<b>1.8%</b>
Revenue	233,308	225,428	3.5%	67,999	67,148	1.3%
Government grants	7,833	7,241	8.2%	2,226	1,820	22.3%
Operating expenses	206,874	196,864	5.1%	65,460	60,714	7.8%
<b>EBITDA<sup>[2]</sup></b>	<b>51,507</b>	<b>52,577</b>	<b>-2.0%</b>	<b>10,125</b>	<b>13,497</b>	<b>-25.0%</b>
Net profit	22,398	14,800	51.3%	1,062	3,982	-73.3%
<b>Net profit (adj.)<sup>[3]</sup></b>	<b>26,408</b>	<b>29,860</b>	<b>-11.6%</b>	<b>2,074</b>	<b>6,827</b>	<b>-69.6%</b>

### Operating results

In the 3rd quarter of 2014, total electricity generation by power plants of RusHydro amounted to 25,660 GWh, a 9.7% decrease as compared to the same period of 2013, total power generation in the 9 months of 2014 amounted to 86,598 GWh (-7.3%). In the 3rd quarter of 2014, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group decreased electricity generation by 13.7% to 20,061 GWh, in the 9 months of 2014 - by 8.6% to 66,587 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia in the 3rd quarter of 2014 increased by 8.2% to 5,598 GWh, in the 9 months of 2014 output decreased by 2.9% to 20,011 GWh.

The underlying factors of the production change in January-September 2014 were:

- lower than long-run average water inflow to reservoirs of the Volga-Kama cascade;
- water inflow to major reservoirs of Siberia in the 1<sup>st</sup> half of 2014 was in line with long-run average level, in the 3<sup>rd</sup> quarter of 2014 - lower than normal;
- decrease in electricity generation by TPPs of the Far East due to increased hydro production in the unified power system of the Far East decrease in electricity export and consumption.

### Events in January-September 2014

- In March, 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 March, the Board of Directors approved the amended Regulations on the dividend policy. In accordance with the amended dividend policy the Company takes into consideration consolidated net profit of the Group calculated under IFRS to determine the amount of dividends.
- In April, 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 JSC Hydroinvest, 100% subsidiary of RusHydro, acquired 3.39% of RusHydro's shares via a swap for 25% minus 1 share stake in JSC Krasnoyarskaya HPP with JSC Eurosibenergo. No cash was involved in the transaction.

- In September two 333 MW hydropower units were commissioned and put into commercial operation at the Boguchanskaya HPP. Total installed capacity of all units in operation now amounts to 2,667 MW.

## Revenue

Revenue breakdown 9M 2014/2013 (in RUB mn)

	9M'14	9M'13	chg	3Q'14	3Q'13	chg
Electricity sales	172,326	168,010	2.6%	52,424	51,941	0.9%
Heat and hot water sales	22,224	21,987	1.1%	2,604	2,660	-2.1%
Capacity sales	20,134	18,871	6.7%	6,911	6,001	15.2%
Other sales	18,624	16,560	12.5%	6,060	6,546	-7.4%
<b>Revenue from operations, total</b>	<b>233,308</b>	<b>225,428</b>	<b>3.5%</b>	<b>67,999</b>	<b>67,148</b>	<b>1.3%</b>
Government grants	7,833	7,241	8.2%	2,226	1,820	22.3%
<b>Total revenue</b>	<b>241,141</b>	<b>232,669</b>	<b>3.6%</b>	<b>70,225</b>	<b>68,968</b>	<b>1.8%</b>

In January-September 2014, total revenue of the Group increased by 3.6% to RUB 241,141 mn. The change is associated with the following factors:

- 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 for the HPP’s of the first pricing zone due to indexation for consumer price index;
- increase in capacity prices of the competitive capacity auctions for the hydropower plants of the second pricing zone following liberalization of hydro capacity market from May 1, 2014;
- indexation of regulated electricity and capacity tariffs from the second half of 2013;
- decrease in electricity generation by HPPs due to lower than long-run average water inflow to reservoirs of the Volga-Kama cascade as well as lower than normal water inflow to major reservoirs of Siberia in the 3<sup>rd</sup> quarter of 2014;
- increase in other revenue and government grants to companies of RAO Energy System of East subgroup segment.

## Operating expenses

Operating expenses in 9M 2014/2013 (in RUB mn)

	9M'14	9M'13	chg	3Q'14	3Q'13	chg
Employee benefit expenses	47,446	41,344	14.8%	15,735	13,388	17.5%
Purchased electricity and capacity	39,164	40,368	-3.0%	12,348	12,266	0.7%
Fuel expenses	31,228	31,273	-0.1%	7,128	6,941	2.7%
Electricity distribution expenses	29,827	27,215	9.6%	8,682	8,484	2.3%
Other third-party services	20,562	19,306	6.5%	7,701	6,704	14.9%
Depreciation	15,484	13,872	11.6%	5,077	4,668	8.8%
Taxes other than on income	6,671	7,517	-11.3%	2,235	2,127	5.1%
Other materials	8,171	7,307	11.8%	3,559	3,251	9.5%
Accrual of impairment of accounts receivable, net	1,821	2,369	-23.1%	375	405	-7.4%
Water usage expenses	2,062	2,037	1.2%	694	631	10.0%
Other expenses	4,158	4,143	0.4%	1,889	1,849	2.2%
Purchase of oil products for sale	280	113	147.8%	37	-	-
<b>TOTAL</b>	<b>206,874</b>	<b>196,864</b>	<b>5.1%</b>	<b>65,460</b>	<b>60,714</b>	<b>7.8%</b>

Total operating expenses increased by 5.1% from RUB 206,874 mn to RUB 196,864 mn.

Major factors affecting expenses:

- growth of labor expenses as a result of indexation of salaries of personnel of JSC RusHydro branches as well as annual indexation of salaries of personnel of subsidiaries and associates of RusHydro Group; one-off bonus payment to the Company's employees for execution of a three-year program aimed to enhance operational excellence and returns on investments;
- 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 acquisition of fixed assets of Far-Eastern generating company (JSC DGK);
- increase in electricity distribution expenses due to growth of tariff for electricity distribution services for power retail companies of the Group;
- growth of expenses for third-party services due to increase in security expenses of Dagestan branch of JSC RusHydro for three small HPPs – the Amsarskaya, Arakulskaya and Shinazskaya acquired from JSC Small HPPs of Dagestan, as well as growth of tariff for operational dispatch services of JSC SO UES.

### **Profit**

In the reporting period, EBITDA decreased by 2.0% to RUB 51,507 mn compared to RUB 52,577 mn for the same period of previous year. Decrease in EBITDA is related to growth of operating expenses larger than revenue growth.

In the nine months of 2014, the Group's net profit increased by 51.3% to RUB 22,398 mn compared to RUB 14,800 mn for the same period of the previous year. Adjusted net profit in the reporting period amounted to RUB 26,408 mn, an 11.6% decrease as compared to the same period of 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 fixed assets in the amount of RUB 2,304 mn;
- accrual of impairment of accounts receivable in the amount of RUB 1,821 mn resulting from analysis of past due receivables and estimation of their collectability;
- impairment of shares of JSC INTER RAO UES in the amount of RUB 616 mn due to decline in their market value.

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

As of September 30, 2014, the Group's assets increased by RUB 25,874 mn to RUB 877,920 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 JSC Krasnoyarskaya HPP owned by JSC Hydroinvest, 100% subsidiary of RusHydro;
- increase in fuel stores of the majority of companies of RAO Energy System of East subgroup segment;
- increase in cash and cash equivalents on the banks accounts, decrease in short-term deposits value and increase in accounts receivable.

As at the end of the reporting period the Group's liabilities increased by RUB 23,918 mn from December 31, 2013, to RUB 279,257 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 in the amount of RUB 3,530 mn and RUB 2,776 mn respectively in January – April 2014 to finance current operating, financial and investment activities of the Company, and short-term loans secured from JSC Gazprombank, Sberbank of Russia, JSC VTB Bank and JSC Rosbank.

### **Events after the reporting date**

- In October the Board of Directors approved changes in organizational structure of JSC RusHydro aimed at optimization of the levels of management and number of employees, improvement of management's accountability as well as reduction of a number of business units.

- In November 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 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 Russian Far East.
- In November 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.

*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\\_presentation/](http://www.eng.rushydro.ru/investors/presentations/results_presentation/)

[1] Here and henceforth figures for 2013 were represented and reported as if JSC DRSK was classified as continuing operations due to termination of classification of DRSK as a subsidiary acquired exclusively with a view for resale in the end of 2013.

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

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

## **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 Moscow Exchange (MOEX), and included in MSCI EM и MSCI Russia indexes. Company's GDRs in the IOB section of LSE, ADRs – in OTCQX.

## **For more information:**

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## **DISCLAIMER**

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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 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.*