

July 20, 2017. Moscow, Russia.

RusHydro Group announces 2Q and half-yearly 2017 operating results

PJSC RusHydro (ticker symbol: MICEX-RTS, LSE: HYDR; OTCQX: RSHYY) announces its operating results for the 2nd quarter and 1st half of 2017 of the parent company and the subsidiaries of RusHydro Group reflected in consolidated financial statements.

Key highlights:

- Strong hydropower output in the 2nd quarter of 2017 against the background of prolonged ample water inflows to reservoirs of the Volgo-Kama cascade and inflows to reservoirs in Siberia and Far East of Russia close to long-run average.
- Total electricity generation by power plants of RusHydro Group in 2Q 2017 amounted to 34,409 GWh (+6.4%), in 1H 2017 – 63,535 GWh (+0.7%).
- In 2Q 2017, total production by hydropower and pumped storage plants amounted to 27,506 GWh (+7.1%), total output by fossil fuel and geothermal plants – 6,903 GWh (+3.6%).
- In 1H 2017, total production by hydropower and pumped storage plants amounted to 47,959 GWh (+2.4%), total output by fossil fuel and geothermal plants – 15,576 GWh (-4.3%).
- In 1Q 2016, total water inflow to reservoirs of the Volga-Kama cascade, HPPs of Siberia and the Far East of Russia was higher than long-run average, to reservoirs in the South of Russia – slightly higher or close normal.
- The electricity generation by the Boguchanskaya hydropower plant in 1H 2017 amounted to 6,748 GWh (+3.9%)¹.
- Water inflow to reservoirs of Volga-Kama cascade is expected 35-45% higher than long-run average, to reservoirs of the South of Russia, Siberia and Far East – close to or slightly higher than long-run average.

Electricity generation by the plants of RusHydro Group, GWh

	2Q'17	2Q'16	chg, %	1H'17	1H'16	Chg, %
Center of Russia	15,057	12,686	18.7%	23,785	22,485	5.8%
S. of Russia and N.Caucasus	2,259	2,587	-12.7%	3,463	4,186	-17.3%
Siberia	6,545	6,676	-2.0%	12,333	12,319	0.1%
Total for the price zones	23,861	21,949	8.7%	39,581	38,990	1.5%
Far East	3,151	3,279	-3.9%	7,227	6,709	7.7%
RAO ES of the East	7,202	6,961	3.5%	16,493	17,195	-4.1%
Armenia	195	144	35.3%	233	216	8.1%
TOTAL	34,409	32,334	6.4%	63,535	63,110	0.7%
incl. by HPPs, PSPPs ²	27,506	25,671	7.1%	47,959	46,835	2.4%
incl. by TPPs and other	6,903	6,662	3.6%	15,576	16,275	-4.3%
<i>Boguchanskaya HPP</i>	<i>3,572</i>	<i>3,365</i>	<i>6.2%</i>	<i>6,748</i>	<i>6,491</i>	<i>3.9%</i>

The underlying factors of the production change in January-June 2017 were:

- total water inflow to reservoirs of the Volga-Kama cascade in the 1st half of 2017 was higher than normal;
- water inflow to major reservoirs of Siberia was on the level of previous year or slightly lower;
- water inflow to hydropower plants of the South of Russia on the normal level or slightly higher than long-run average;

- lower electricity consumption in the Far East of Russia and lower export of electricity from the United Power System of the East to United Power System of Siberia and China.

Center of Russia

Due to early spring in the 1st quarter inflow to reservoirs of Upper Volga was 2.1-3.5x higher than the norm, inflows to Gorkovskoye and Cheboksarskoye reservoirs – 1.6-1.7x higher. Total inflow to reservoirs of Volga and Kama in the 1st quarter was 33.2 km³ against the long-run average of 21.3 km³.

Due to warm March the flooding in the Upper Volga began almost two week ahead of regular schedule, but cold weather in April, with freezing at night, affected the pattern of the flooding. During the 2nd quarter the flooding had volatile pattern with periodic distinctive rain-driven peaks of inflows. Total inflow to reservoirs on Volga and Kama in the 2nd quarter was 162 km³ against the long-run average of 161 km³.

Volatile inflows on Volga and Kama led to several absolute record of monthly output by Nizhegorodskaya, Cheboksarskaya and Saratovskaya HPPs. Main factors enabling high output were favorable hydrological situation and appropriate management of HPPs regimes allowing minimizing sterile spills, optimizing heads and increasing efficiency.

Flooding inflows to most reservoirs of the Volga-Kama cascade were prolonged and substantially higher than long-run average, in the case of Zhigulevskaya and Kamskaya HPPs the inflows were almost 3 times higher than average. Given absence of free reservoir volumes most HPPs of the cascade switched to transit regimes and sterile spills.

In June, inflows to Volga and Kama reservoirs totaled 38.7 km³ or 64% above the long-run average, in July the inflows are expected in the range of 20.4-24.4 km³ or, in average, 58% above the norm.

Water content in the Volga-Kama cascade reservoirs as of the first decade of July was higher than the long-run average level by 11%, while overall inflows to the reservoirs of the cascade are 2x higher than the long-run average.

Total production by the hydropower plants of Volga-Kama cascade, operated by RusHydro group, and Zagorskaya pumped storage in the 2nd quarter of 2017 increased by 18.7% against the same figure of 2016 to 15,057 GWh, in the 1st half of 2017 – increased by 5.8% to 23,785 GWh.

South of Russia and North Caucasus

Hydrological conditions on the rivers of the South of Russia and North Caucasus in the 1st half of 2017 were close to long-run average or up to 20% higher. The Chirkeyskoe and Irganayskoe reservoirs are currently being filled up.

The electricity generation by the hydropower plants of the South of Russia and North Caucasus in the 2st quarter of 2017 decreased against previous year by 12.7% to 2,259 GWh, in the 1st half of the year decreased by 17.3% to 3,463 GWh.

Siberia

In the 1st quarter of 2017, water inflow to Novosibirskoe and Sayano-Shushenskaya hydropower plants reservoirs was 30-45% higher than normal, inflow to Lake Baikal was 70% higher than normal. Inflows to other reservoirs in Siberia were close to the long-run average.

Unlike Boguchanskaya and Sayano-Shushesnkaya hydropower plants reservoir of Novosibirskaya hydropower plant experienced early onset of the spring flooding already in the end of the 1st quarter. The flooding was passing in relatively even regime but due to peak rains overlapping with the flooding, water inflows had two distinctive peaks. The overall volume of the flooding totaled 30.1 km³ – 6% higher than the long-run average and on the level of previous year.

Sayano-Shushesnkaya, after the planned draw-down of the reservoir to the minimum admissible level of 500 meters, entered regime of filling-up in order to accumulate the water resources required for operations in winter. As of the beginning of high water/flooding period of 2017 and in accordance with methodology for determining maximum filling level, the maximum level to which the reservoir might be filled up is set at 538.5 meters, or, in case of favorable conditions at 539 meters, which is the maximum level since the moment the plant was fully restored.

The Angara cascade, like in the previous year, is going through low water period. Boguchanskaya hydropower plant is working in accordance with instructions of the Yenisei Basin Directorate in order to provide sufficient levels of water to allow navigation in the Lower Angara.

In general, during the 2nd quarter water inflows to reservoirs of Novosibirskaya was close to normal, while inflows to reservoirs of Sayano-Shushenskaya and Lake Baikal by 15%-25% below normal.

Total electricity generation by RusHydro's Siberian hydropower plants in the 2st quarter of 2017 decreased by 2.0% to 6,545 GWh, in the 1st half of 2017 insignificantly increased – by 0.1% to 12,333 GWh.

The Boguchanskaya hydropower plant in the 2st quarter of 2017 generated 3,572 GWh, 6.2% increase as compared to the same period of the previous year, in the 1 half of the year – 6,748 GWh (+3.9%).

Far East

In the 2nd quarter of 2017 water inflows to reservoirs in the Far East was close to normal (inflows to some reservoirs was 10% higher than normal). Given the hydro-meteorological conditions in the region the high water/flooding period is proceeding, in general, in regular regime.

Total electricity generated by hydro and geothermal power plants of the Far East in the 2st quarter of 2017, decreased by 3.9% to 3,151 GWh, in the 1st half of the year – increased by 7.7% against the same period of previous year to 7,227 GWh.

In the 2st quarter of 2017, generating assets of RAO ES of East Subgroup, a subsidiary of RusHydro, produced 7,202 GWh, or 3,5% higher than in the 2nd quarter of 2016. Of this total, 77% was generated by JSC Far East Generating Company (DGK), which increased production by 4.2% in the 2st quarter of 2017, mainly due to decrease in output by Bureyskaya HPP, as well as increase in electricity consumption in the United Power System of the East by 0.2% and higher outflows of electricity to China and United Power System of Siberia by 7.5% as compared to the previous year.

Overall electricity production by RAO ES of East Subgroup in the 1st half of 2017 decreased by 4.1% to 16,493 GWh.

In the 1st half of 2017, heat output by thermal plants of RAO ES of the East decreased by 8.2% to 16,756 thousand GCal as compared to 2016. The decrease is due to higher temperatures and reduced length of heating season in a number of towns of the region.

Heat output by thermal plants of RAO ES of the East, ths. GCal

	2Q'17	2Q'16	chg, %	1H'17	1H'16	chg,%
JSC DGK	3,016	3,242	-7.0%	11,657	12,707	-8.3%
PJSC Yakutskenergo	334	344	-5.8%	1,311	1,397	-6.1%
SC Sakhaenergo	14	15	-10.9%	49	54	-10.8%
SC Teploenergoservice	171	192	-10.9%	698	766	-8.9%
PJSC Kamchatskenergo	417	467	-10.9%	1,123	1 331	-15.6%
SC KSEN	16	15	9.2%	46	49	-5.8%
PJSC Magadanenergo	254	232	9.7%	695	730	-4.7%
SC Chukotenergo	101	103	-1.9%	260	277	6.2%
JSC Sakhalinenergo	332	325	2.2%	917	948	-3.3%
Total	4,654	4,935	-5.7%	16,756	18,260	-8.2%

Armenia

In the 1st half of 2017, electricity generation by the Sevan-Hrazdan cascade of hydropower plants in Armenia increased by 8.1% to 233 GWh. The power generation by the plants of the cascade is dependent on water inflows of the Hrazdan river and water releases from Sevan lake.

Electricity retail

In the 1st half of 2017, total electricity output by RusHydro's retail companies, operating in Chuvashia, Ryazan and Krasnoyarsk regions, amounted to 10,609 GWh, a 4.5% decrease as compared to the same period of 2016.

The decrease in output is driven by a number of consumers switching to wholesale electricity purchases (primarily in Krasnoyarsk region), higher temperatures, and additional calendar day in 2016 due to leap year, as well as lower purchase of electricity for compensation of losses by grid companies on the back of overall reduction in electricity consumption.

Electricity output by RusHydro Group's retail companies, GWh³

	2Q'17	2Q'16	chg, %	1H'17	1H'16	chg, %
Krasnoyarskenergosbyt	2,720	2,879	-5.5%	6,416	7,084	-9.4%
Chuvash retail company	755	704	7.2%	1,688	1,626	3.8%
Ryazan retail company	601	600	0.2%	1,336	1,345	-0.7%
ESC RusHydro	589	532	10.7%	1,169	1,053	11.0%
Total	4,664	4,714	-1.1%	10,609	11,108	-4.5%

Water inflows forecast

According to the forecast of the Hydrometeorologic Center of Russia, the following dynamics of water inflows to the major reservoirs is expected in the 3^d quarter of 2017:

- water inflow to Volga reservoirs upstream from Nizhny Novgorod is expected at a long-run average level, inflows to Cheboksarskoye, Kuybyshevskoye and Nizhnekamskoye reservoirs will be 1.3-1.7x higher than normal. Total inflows to reservoirs on Volga and Kama is expected in the range of 46-54 km³ as compared to the average of 37.0 km³);
- water inflow to major reservoirs on Ob', Yenisei and Angara is expected to be 15-25% s higher than normal;

- water inflow to the reservoirs of hydropower plants located in the North Caucasus is expected to be close to long-run average;
- water inflow to hydro plants of Zeyskaya and Kolymenskaya hydropower plants is expected to be 15-60% higher than long-run average.

¹ The Boguchanskaya hydropower plant is part of the Boguchanskiy Energy and Metals Complex (BEMO), a 50/50 joint venture (JV) between RusHydro and UC RUSAL, and is not part of RusHydro Group. According to RusHydro's shareholding in the JV (50%), the results of the plant are reported in the official financial statements in "Share of results of associates and jointly controlled entities". Operations of the HPP have been put into the press-release for general reference.

² Includes generation by HPPs of JSC RusHydro, Kolymenskaya HPP and Viluyskie HPPs, part of RAO ES of East group.

³ 2016 data doesn't include operating data of Bashkiria electricity retail company divested to Inter RAO Group in December 2016.

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 38.9 GW, heat capacity – 16.2 thousand GCal/h.

Russian Federation owns 60.56% 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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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.