

RusHydro announces first quarter 2018 RAS results

April 27, 2018. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces non-consolidated financial results under Russian accounting standards (RAS) for the first quarter ended March 31, 2018.

Key highlights:

- Introduction of a surcharge (premium) to capacity prices in I and II price zones to attain base level of end-user tariffs in the Far East of Russia had a major effect on PJSC RusHydro indicators¹;
- Revenue – RUB 40,006 mn (+45%);
- Operating expenses – RUB 23,454 mn (+77%);
- EBITDA – RUB 20,701 mn (+11%);
- Reported net profit – RUB 12,006 mn (-11%), adjusted net profit – RUB 11,838 mn (+6%).

Key financials for 1Q 2018 under RAS (in RUB mn)

	1Q'18	1Q'17	chg
Revenue	40,006	27,678	45%
Operating expenses	(23,454)	(13,212)	77%
Operating profit	16,552	14,466	14%
EBITDA ²	20,701	18,609	11%
Net profit	12,006	13,529	-11%
Net profit (adj.) ³	11,838	11,189	6%

Revenue

In the first quarter of 2018, revenue increased by 45% or RUB 12,238 mn to RUB 40,006 mn as compared to the corresponding period last year. The underlying factors behind the change in revenue were:

- introduction of a surcharge (premium) to capacity prices in I and II price zones to attain base level of end-user tariffs in the Far East of Russia² in the amount of RUB 9,554 mn (revenue increase of 34.5%);
- strong operational results as electricity production by PJSC RusHydro's HPPs increased by 7.4% following increase of water inflow to the reservoirs of the Group's hydropower plants, primarily on the Volga-Kama cascade.

Revenue breakdown (RUB mn)

	1Q'18	1Q'17	chg
Electricity sales	19,055	16,530	15%
Capacity sales	20,817	11,035	89%
Other sales	134	113	20%
TOTAL	40,006	27,678	45%

Operating expenses

Operating expenses in the first quarter of 2018 increased by 77% to RUB 23,454 mn as compared to the same period of 2017, including an increase of 72% as a result of special contribution payment into the regional budgets under the Resolution of the Russian Government No. 895. The special purpose contributions in the reporting period amounted to RUB 9,554 mn.

Excluding special purpose contributions to the budgets of Far Eastern regions operating expenses increased by 5% as a result of the following factors:

- decrease in tax allowance on movable assets;
- water tax rate increase;
- rent increase following an agreement with Zaragizhskaya small HPP in the second quarter of 2017 and additional rent increase of Gotsaltinskaya GES in second half of 2017.

Operating expenses breakdown (in RUB mn)

	1Q'18	1Q'17	chg
Power system services, incl.:	10,289	732	-
<i>Special purpose contributions to regional budgets</i>	<i>9,554</i>	<i>-</i>	<i>-</i>
Depreciation	4,149	4,142	0%
Purchased electricity and capacity	2,042	1,927	6%
Property tax	1,842	1,719	7%
Labor expenses, taxes and contributions	1,671	1,619	3%
Other third-party services	814	719	13%
Rent	487	398	22%
Repairs & maintenance	458	373	23%
Security expenses	433	410	6%
Insurance expenses	403	342	18%
Water tax	399	309	29%
Leasing expenses	0	26	-
Other	467	496	-6%
TOTAL	23,454	13,212	77%

Profit

Operating profit for the first quarter of 2018 increased by 14% as compared to the same period last year and amounted to RUB 16,552 mn.

EBITDA increased by 11% - from RUB 18,609 mn to RUB 20,701 mn.

RusHydro's net profit for the reporting period decreased by 11% to RUB 12,006 mn.

Net profit adjusted for non-cash items increased by 6% and reached RUB 11,838 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- gain on mark-to-market revaluation of financial investments in the amount of RUB 924 mn;
- loss (net) on reversal of bad debt reserves in the amount of RUB 784 mn;
- gain from other reserves in the amount of RUB 28 mn.

RusHydro's financial position as of March 31, 2018

The Company's total assets increased by RUB 7,537 mn as of March 31, 2018, or 1% against the similar figure as of December 31, 2017, reaching RUB 990,716 mn.

As of March 31, 2018, total liabilities decreased by 3% or RUB 4,467 mn as compared to the similar figure as of December 31, 2017 and amounted RUB 152,966 mn.

The Company's debt portfolio decreased by 8% as compared to the beginning of the reporting year from RUB 121,956 mn to RUB 112,425 mn. Long-term loans comprise 83% of the total portfolio.

The Company's equity in the first quarter of 2018 increased by 1% to RUB 837,690 mn against RUB 825,684 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>

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 39 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 stock 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:

Investor Relations Department

Tel. +7 (800) 333 8000 ext. 1607, 1319, 1304

ir@rushydro.ru

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¹ 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.

² EBITDA calculated as gross profit before depreciation.

³ 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.