

## RusHydro announces 9M 2018 IFRS results

**December 11, 2018. Moscow, Russia.** RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its condensed consolidated interim unaudited financial information prepared in accordance with International Financial Reporting Standards (IFRS) for the 3<sup>rd</sup> quarter and 9 months of 2018.

### Key highlights for 3Q and 9M of 2018:

- Financial results for 3Q and 9M of 2018 reflected strong operational results driven by increased water inflows to major reservoirs of the Volga-Kama cascade and increase in power demand in the Far Eastern Federal District;
- Total revenue in 3Q – RUB 87,210 mn (+7.5% y-o-y); in 9M 2018 – RUB 288,087 mn (+7.2% y-o-y);
- EBITDA increased by 5.0% in 3Q to RUB 21,067 mn; in 9M 2018 – RUB 81,016 mn (+13.1% y-o-y);
- Operating expenses increased in 3Q and 9M by 7.6% y-o-y and 5.3% y-o-y, respectively, mainly as a result of fuel cost increase;
- Net profit – RUB 43,033 mn (+39.7% y-o-y); adjusted net profit – RUB 48,405 mn (+18.5% y-o-y).

### 3Q and 9M 2018/2017 highlights (in RUB mn)

	3Q/18	3Q/17	chg.	9M'18	9M'17	chg.
<b>Revenue</b>	<b>87,210</b>	<b>81,088</b>	<b>7.5%</b>	<b>288,087</b>	<b>268,742</b>	<b>7.2%</b>
Operating expenses	73,702	68,482	7.6%	227,777	216,218	5.3%
Other operating profit	444	690	-35.7%	5,340	690	673.9%
Operating profit <sup>1</sup>	13,952	13,296	4.9%	65,650	53,214	23.4%
<b>EBITDA<sup>2</sup></b>	<b>21,067</b>	<b>20,058</b>	<b>5.0%</b>	<b>81,016</b>	<b>71,605</b>	<b>13.1%</b>
Net profit	6,345	8,501	-25.4%	43,033	30,804	39.7%
Net profit (adj.) <sup>3</sup>	9,973	8,557	16.5%	48,405	40,855	18.5%

### Operating results

Total electricity generation by RusHydro Group’s power plants reached 32,246 GWh (+3.9%) in the third quarter of 2018, in 9M – 99,618 (+5.3%) vs electricity consumption increase of only 1.6% in Russia for the same period. In 3Q of 2018 total electricity generation by RusHydro Group’s hydropower and pumped storage plants increased by 4.3% to 25,961 GWh, by the Group’s thermal power plants – by 2.4% to 6,197 GWh, while electricity generation by renewables decreased by 8.4% to 87 GWh as compared to the same period of 2017. In nine months of 2018 total electricity generation by RusHydro Group’s hydropower and pumped storage plants increased by 5.1% to 76,582 GWh, by the Group’s thermal power plants – by 6.2% to 22,722 GWh, while electricity generation by renewables decreased by 3.5% to 314 GWh as compared to the same period of 2017. Total electricity generation by Boguchanskaya hydropower plant<sup>4</sup> in 3Q 2018 amounted to 4,122 GWh (+10.9%), in 9M – 10,286 (-1.7%).

The underlying factors of the production change in January-September 2018 were:

- total water inflow to reservoirs of the Volga-Kama cascade in the first quarter of the year was 1.2-2.5x higher than normal, in the second quarter of 2018 - lower than normal, in the 3<sup>rd</sup> quarter – at the normal level;

- total water inflow to hydropower plants of Siberia was at the normal level, to HPPS in the South of Russia – slightly below the normal level;
- growth of electricity generation by thermal power plants in the Far East by 7.3% (to 24,550 GWh) following increase in consumption in the region by 5.3% as well as increase in electricity sales to China and UES of Siberia by 4.0%.

During the nine months of 2018, heat output by thermal plants and boilers of RusHydro Group in the Far East increased by 4.6% to 19,574 thousand GCal as compared to the corresponding period of 2017. The increase came on the back of lower temperatures in all the regions of the Far East in the first quarter of the year with an exception of Chukotka Autonomous Okrug. Slight decrease in heat output in the third quarter is a result of higher air temperatures.

In the third quarter of 2018, total electricity output by energy retail companies of ESC RusHydro subgroup – JSC ESC RusHydro, PJSC Krasnoyarskenergosbyt, JSC Chuvashskaya Electricity Sales Company and PJSC Ryazanenergosbyt, amounted to 4,191 GWh, a 4.4% decrease as compared to the same period of 2017, for the nine months of 2018 – 14,706 GWh, a decrease of 1.5% as compared to the corresponding period last year.

Increase in electricity output by PJSC Krasnoyarsenergosbyt and JSC Chuvashskaya Electricity Sales Company for the nine months of the year is driven by extension of heating season in the Krasnoyarskiy Krai until May 31, 2018 and climate conditions in Chuvashia. Decrease in output by PJSC Ryazanenergosbyt came on the back of cancellation of service with glass production factory in Ryazan. Negative performance of JSC ESC RusHydro was a result of cancellation of service agreement with OJSC Kaustik (JSC Bashkir Soda Company Group).

### **Key events of the first half of 2018**

- On February 7, 2018, RusHydro Group's financial debt decreased by RUB 26 bn following exclusion of guarantee obligation between PJSC RusHydro and State Corporation Vnesheconombank on PJSC Boguchanskaya HPP loan given out by the bank in 2010. The lending bank supported the termination following completion of construction and ramp-up of the hydropower plant, and taking into consideration PJSC Boguchanskaya HPP's stable financial and operational results and its ability to service the loan independently. As a result, the Group's total debt load decreased significantly;
- On February 15, 2018, PJSC RusHydro has successfully placed loan participation notes (LPNs) issued by RusHydro Capital Markets DAC. RusHydro used the proceeds from the RUB 20 bn Eurobond issue to refinance its current loan portfolio and for general corporate purposes. The LPNs will mature in 2021 and bear an interest rate of 7.4% per annum. The following ratings have been assigned to the issue: S&P: "BB+" / Moody's: 'Ba1' / Fitch: 'BB+' / ACRA 'AAA(RU)';
- On February 27, 2018, Standard & Poor's Global Ratings Services raised long-term corporate credit ratings on PJSC RusHydro to 'BBB-' with 'Stable' outlook. Short-term corporate credit was raised to 'A-3' respectively;
- On June 27, 2018, AGM of PJSC RusHydro elected new Board of Directors and approved 2017 dividends of RUB 0.0263335 per share in total amount of RUB 11.2 bn;

- On July 5, 2018, PJSC RusHydro has sold shares held in PJSC Inter RAO in the total amount of 5,131,669,622.18 representing 4.915% of authorized share capital of PJSC Inter RAO to JSC Inter RAO Capital;
- On August 1, 2018, Fitch Ratings Ltd. raised PJSC RusHydro’s long-term foreign currency issuer default rating to ‘BBB-’ from ‘BB+’ with ‘Stable’ outlook. Fitch quoted the Company’s solid financial and operational performance, reduction of debt aided by high level of government support;
- On August 7, 2018, the Board of Directors re-elected Deputy Chairman of the Government of the Russian Federation – Plenipotentiary Representative of the President in the Far Eastern Federal District Yury Trutnev as its Chairman and elected members to the Committees of the Board of Directors;
- On September 10, 2018, RusHydro inaugurated Vostochnaya combined heat and power plant (CHP) in Vladivostok. The gas-fired power plant with electric capacity of 139.5 MW and heat output capacity of 432 Gcal/h has annual output of 791 GWh and 1.38 million Gcal, respectively.

## Revenue

Revenue breakdown in 3Q and 9M 2018/2017 (in RUB mn)

	3Q'18	3Q'17	chg	9M'18	9M'17	chg
Electricity sales	62,602	58,758	6.5%	199,196	185,466	7.4%
<i>Incl. grants as per Resolution of the Russian Gov't No. 895<sup>5</sup></i>	6,598	10,648	-38.0%	19,794	10,648	85.9%
Capacity sales	10,420	9,923	5.0%	31,181	29,763	4.8%
Heat and hot water sales	2,905	2,786	4.3%	26,998	25,453	6.1%
Other sales	8,290	6,919	19.8%	20,981	18,570	12.5%
Other government grants	2,993	2,702	10.8%	9,821	9,490	3.5%
<b>Total revenue</b>	<b>87,210</b>	<b>81,088</b>	<b>7.5%</b>	<b>288,087</b>	<b>268,742</b>	<b>7.2%</b>

For the nine months of 2018, total revenue of the Group increased by 7.2% to RUB 288,087 mn as compared to RUB 268,742 in the corresponding period of 2017. The change is associated with the following key factors:

- increase in revenue from electricity sales (including government grants<sup>5</sup>) of RAO ES East subgroup by RUB 11,084 mn on the back of tariff and sales volume growth;
- increase in revenue from electricity sales of PJSC RusHydro by RUB 4,621 mn as a result of electricity production growth;
- increase in heat and hot water sales revenue by RUB 1,545 mn following tariff and production volume growth;
- increase in capacity sales revenue by RUB 1,418 mn on the back of sales volume growth of PJSC “DEK”;
- increase in revenue of ESC RusHydro subgroup by RUB 1,411 mn as a result of production growth and increase in tariffs;
- increase in other sales revenue of RUB 2,321 mn is mainly driven by increase in electricity distribution services in RAO ES East subgroup’s companies.

Following adoption of IFRS 15 standard from January 1, 2018, the Group recognizes revenue from compensation of transmission losses and expenses on power distribution under contracts with grid companies on a net basis (in 9M 2018 – RUB 5,368 mn including RAO ES East subgroup of RUB 2,036 mn and ESC RusHydro subgroup of RUB 3,332 mn).

## Operating expenses<sup>6</sup>

Operating expenses in 3Q and 9M 2018/2017 (in RUB mn)

	3Q'18	3Q'17	chg	9M'18	9M'17	chg
Employee benefit expenses	18,025	17,040	5.8%	55,183	53,417	3.3%
Fuel expenses	10,642	9,654	10.2%	44,902	39,623	13.3%
Grid company services on electricity distribution	9,178	9,630	-4.7%	29,249	30,871	-5.3%
Purchased electricity and capacity	8,951	9,480	-5.6%	28,553	29,386	-2.8%
Third parties services	9,433	8,230	14.6%	25,155	23,453	7.3%
Depreciation	6,825	6,967	-2.0%	19,956	18,375	8.6%
Taxes other than on income	3,054	2,653	15.1%	9,131	8,062	13.3%
Other materials	3,172	2,780	14.1%	7,180	7,090	1.3%
Water usage expenses	1,025	800	28.1%	3,021	2,478	21.9%
Purchase of oil products for sale	1,946	483	302.9%	2,306	580	297.6%
Other expenses	1,451	765	89.7%	3,141	2,883	8.9%
<b>TOTAL</b>	<b>73,702</b>	<b>68,482</b>	<b>7.6%</b>	<b>227,777</b>	<b>216,218</b>	<b>5.3%</b>

Total operating expenses for the nine months of 2018 compared to the same period last year increased by 5.3% to RUB 227,777 mn as revenue increased by 7.2%, due to the following factors:

- increase in fuel expenses mostly due to fuel cost increase of JSC DGK as well as increase in electricity and heat output of JSC DGK (+6.8% and +5.5%, respectively), increase in price of coal as well as increase in electricity output of PJSC Kamchatskenergo;
- increase in employee benefit expenses following indexation of salaries in accordance with existing collective agreements;
- increase in third party services following increase in maintenance costs in PJSC Yakutskenergo and PJSC Sakhalinenergo as well as increase in coal production by third-parties;
- increase in depreciation expense due to increase in value of property plant and equipment after commissioning new facilities (including JSC Yakutskaya GRES-2 with off-site construction in 2017 – 2018) as well as planned renovation and modernization of the Company's facilities.

## Profit

For the nine months of 2018, EBITDA increased by 13.1% to RUB 81,016 mn compared to the same period of 2017.

The Group's net profit increased by 39.7% to RUB 43,033 mn. Adjusted net profit in the reporting period amounted to RUB 48,405 – an increase of 18.5% as compared to the same period last year.

The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before income tax) and recognition of change in fair value of the derivative financial instrument:

- gain arising on financial assets at fair value through profit or loss in the amount of RUB 3,861 mn (mostly PJSC Inter RAO shares);
- financial expense in the amount of RUB 4,161 mn as a result of change in fair value of non-deliverable forward contract following decrease of market price of RusHydro's shares in the reporting period;
- impairment of accounts receivable in the amount of RUB 2,782 mn resulting from analysis of expected losses;
- impairment of property, plant & equipment in the amount of RUB 2,275 million.

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

As of September 30, 2018, the Group's assets increased by RUB 35,730 mn or 3.5% to RUB 1,063,981 mn against the comparable figure as at December 31, 2017. Change in assets is primarily attributable to:

- increase in property, plant & equipment (following execution of the Group's investment program);
- increase in inventory (increase in fuel inventory for autumn-winter period);
- increase in long-term and short-term accounts receivable.

As at the end of the reporting period, the Group's liabilities increased by RUB 8,114 mn or 2.4% to RUB 340,801 mn as compared to December 31, 2017. The structure of liabilities has changed accordingly: long-term liabilities increased by RUB 64,988 mn following increase of non-current debt and short-term liabilities decreased by RUB 56,874 mn mainly due to decrease of current debt and current portion of non-current debt.

Structure of the liabilities of the Group underwent the following changes:

- in February 2018, the Group has placed eurobonds in the amount of RUB 20,000 mn issued by RusHydro Capital Markets DAC with a maturity of 3 years and a coupon rate of 7.4%. The proceeds of the issue were used to refinance the Group's current loan portfolio;
- in February 2018, the Group redeemed bonds issued in February 2013 for a total amount of RUB 20,000 mn;
- in March 2018, the Group has repaid long-term loan from PJSC Sberbank in the amount of RUB 10,613 mn;
- in July 2018, the Group raised RUB 20,000 in accordance with loan agreement with VTB Bank for 7 years with an interest rate of 7.5% p.a.;
- in July 2018, the Group redeemed bonds issued in July 2015 for a total amount of RUB 15,000 mn.

The fair value of the non-deliverable forward contract, recognized under the terms of transaction with PJSC VTB Bank, increased from RUB 20,716 mn (as of December 31, 2017) to RUB 22,064 mn (as of September 30, 2018). The main reason of the change in fair

value of the forward contract is the local dynamics in the change of market price of RusHydro's shares for the nine months of 2018.

### Events after the reporting date

- On October 4, 2018, the Group has adopted the new edition of its Environmental Policy approved by RusHydro's Board of Directors in August 2018. The policy provides for increase in low-carbon power generation capacity, reduction of greenhouse gas (GHG) emissions both in absolute terms and in terms of GHG intensity and protection of biodiversity;
- On November 11, 2018, the Group inaugurated a unique 900 KW wind power plant in Tiksi village of the Sakha (Yakutia) Republic. Three unique wind turbines are engineered to operate in extreme weather conditions of the Polar region;
- On November 21, 2018, PJSC RusHydro has placed loan participation notes issued by RusHydro Capital Markets DAC in the amount of CNH 1.5 bn. The LPNs will mature in 2021 and bear an interest of 6.125% p.a. payable twice per year;
- On November 27, 2018, PJSC RusHydro has placed loan participation notes issued by RusHydro Capital Markets DAC in the amount of RUB 15 bn. The LPNs will mature in 2022 and bear an interest of 8.975% p.a. payable twice per 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 400 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 – 18.5 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 the 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:

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*The information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of PJSC "RusHydro" ("RusHydro"). One can identify forward-looking statements by terms such as "expect", "believe", "anticipate", "plan", "aim", "target", "forecast", "project", "should", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially from these statements.*

*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.*

<sup>1</sup> Operating profit is calculated as the difference between revenue, other operating profit and operating expenses.

<sup>2</sup> EBITDA is calculated as operating profit/loss excluding depreciation of property, plant and equipment, amortization of intangible assets, income arising from the change in fair value of financial assets measured through profit or loss, impairment of property, plant and equipment, impairment of accounts receivable, profit / loss on disposal of property and subsidiaries and other non-cash items of operating income and expenses.

<sup>3</sup> Net profit is adjusted for the effects of recognition of financial income/expense arising from the change in fair value of non-deliverable forward contract, impairment of fixed assets, impairment of accounts receivable, profit / loss on disposal of property, plant and equipment, as well as other operating income arising from the change in fair value of financial assets measured through profit or loss.

<sup>4</sup> The Boguchanskaya hydropower plant is part of the Boguchanskiy Energy and Metals Complex (BEMO), a 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.

<sup>5</sup> 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 of RUB 4.00 / kWh, from 1 January 2018 to RUB 4.30 / 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.

<sup>6</sup> Here and hereinafter the operating expenses do not include impairment loss.