

## RusHydro announces full year 2017 RAS results

**March 26, 2017. Moscow, Russia.** 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, 2017.

### 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 indicators in 2017<sup>1</sup>;
- 4Q 2017 revenue – RUB 40,842 mn (+55%), for 2017 – RUB 144,697 mn (+26%);
- 4Q operating expenses – RUB 27,553 mn (+64%), for 2017 – RUB 83,807 mn (+49%);
- 4Q 2017 EBITDA – RUB 17,516 mn (+14%), 2017 EBITDA – RUB 77,571 mn (+5%);
- Reported net profit for 2017 – RUB 36,149 mn (-14%), adjusted net profit – RUB 44,212 mn (-26%).

### Key financials for 2017 under RAS (in RUB mn)

	2017	2016	chg	4Q'17	4Q'16	chg
Revenue	144,697	115,033	26%	40,842	26,268	55%
Operating expenses	(83,807)	(56,356)	49%	(27,553)	(16,788)	64%
Operating profit	60,890	58,677	4%	13,289	11,480	16%
EBITDA <sup>2</sup>	77,571	73,890	5%	17,516	15,395	14%
Net profit	36,149	41,877	-14%	2,605	(929)	-
Net profit (adj.) <sup>3</sup>	44,212	59,846	-26%	12,019	20,136	-40%

### Revenue

In 2017, revenue increased by 25.8% to RUB 144,697 mn as compared to RUB 115,033 mn for 2016. 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 Russia<sup>2</sup> in the amount of RUB 23,995 mn;
- increase in revenue from capacity sales under capacity sales agreements (DPM);
- increase in day-ahead market prices in the second price zone.

### Revenue breakdown (RUB mn)

	2017	2016	chg	4Q'17	4Q'16	chg
Electricity sales	78,900	77,338	2%	19,594	17,687	11%
Capacity sales	65,393	36,833	78%	21,129	10,401	103%
Other sales	404	862	-53%	119	180	-34%
<b>TOTAL</b>	<b>144,697</b>	<b>115,033</b>	<b>26%</b>	<b>40,842</b>	<b>28,268</b>	<b>55%</b>

### Operating expenses

Operating expenses in 2017 increased by 49% to RUB 83,807 mn as compared to the same period of 2016, including an increase of 44% as a result of special contribution

payment into the regional budgets under the Resolution of the Russian Government No. 895.

Operating expenses breakdown (in RUB mn)

	2017	2016	chg	4Q'17	4Q'16	chg
Power system services, incl.:	26,947	2,813	-	10,336	701	-
<i>Special purpose contributions to regional budgets</i>	23,995	-	-	9,598	-	-
Depreciation	16,680	15,213	10%	4,227	3,915	8%
Labor expenses, taxes and contributions	7,438	7,010	6%	2,031	1,914	6%
Purchased electricity and capacity	7,015	7,023	-0%	1,943	1,802	8%
Property tax	6,744	6,771	-0%	1,641	1,722	-5%
Other third-party services	4,286	3,720	15%	1,295	1,371	-6%
Repairs & maintenance	3,729	3,724	0%	1,725	1,449	19%
Rent	1,933	1,579	22%	602	508	19%
Security expenses	1,712	1,730	-1%	425	423	0%
Insurance expenses	1,660	1,710	-3%	517	510	1%
Water tax	1,464	1,267	16%	362	293	24%
Leasing expenses	58	186	-69%	-	31	-
Other	4,141	3,610	15%	2,449	2,149	14%
<b>TOTAL</b>	<b>83,807</b>	<b>56,356</b>	<b>49%</b>	<b>27,553</b>	<b>16,788</b>	<b>-9%</b>

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

- obligation to pay special purpose contributions to budgets of Far Eastern regions in compliance with federal regulations specifying the use of 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. The special purpose contributions in the reporting period amounted to RUB 23,995 mn<sup>2</sup>;
- increase in depreciation and amortization as a result of commissioning of new facilities as well as reconstruction and modernization of operating assets;
- increase in labor expenses, taxes and contributions (by RUB 428 mn or 6%) following indexation of salaries of operating personnel as of January 1 and July 1 2017, as well as completion of integration of PJSC RusHydro and JSC RAO ES East headquarters;
- increase in rent (by RUB 354 mn or 22%) as a result of rent agreement between Zaragizhskaya small HPP and AO “MGES KBR” in the second quarter of 2017. Rent expenses between the second and fourth quarter amounted to RUB 182 mn. Rent agreement between the newly commissioned Gotsaltinskaya GES and AO “Sulakskiy Hidrokaskad” led to additional increase in rent of RUB 100 mn;
- increase in other third-party services mainly as a result of consulting services in the lead-up to justification and actualization of agreement with PJSC VTB Bank to raise funding to repay the debt of RAO ES East subgroup.

## Profit

Operating profit for 2017 increased insignificantly by 4% as compared to 2016 and amounted to RUB 60,890 mn.

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EBITDA increased by 5% - from RUB 73,890 to RUB 77,571.

RusHydro's net profit for the reporting period decreased by 14% to RUB 36,149 mn.

Net profit adjusted for non-cash items decreased by 26% and totaled RUB 44,212 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- expenses (net) on provision for impairment of financial investments in the amount of RUB 7,739 mn;
- loss on mark-to-market revaluation of financial investments in the amount of RUB 893mn;
- gain (net) on reversal of bad debt reserves in the amount of RUB 457 mn;
- expenses on estimated liabilities in the amount of RUB 182 mn;
- gain from other reserves in the amount of RUB 294 mn.

### **RusHydro's financial position as of December 31, 2017**

The Company's total assets increased by RUB 74,506 mn as of December 31, 2017, or 8% against the similar figure as of December 31, 2016, reaching RUB 983,179 mn.

As of December 31, 2017, total liabilities increased by 13% or 18,159 mn as compared to the similar figure as of December 31, 2016 and reached RUB 157,433.

The Company's debt portfolio increased by 12% as compared to the beginning of the year from RUB 108,873 mn to RUB 121,956 mn, long-term loans comprise 59% of the total portfolio. The increase resulted from raising RUB 20 bn from RUB-denominated Eurobond placement. The proceeds from the placement were used to refinance outstanding debt, funding of capital expenditures and operating expenses.

The Company's equity in 2017 increased by 7% to RUB 825,684 mn against RUB 769,336 mn as of the beginning of the reporting year.

In March 2017, the Company signed agreement with VTB Bank on purchase of RUB 55 bn shares and a 5-year non-deliverable forward contract in respect of these shares. In accordance with the agreement, the Bank purchased 40 bn newly issued shares of the Company and 15 bn quasi-treasury shares from RusHydro Group at RUB 1 per share for total amount of RUB 55 bn.

The funds received from VTB Bank were fully used to refinance loans of subsidiaries of JSC RAO ES East.

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

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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 60.6% 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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*The information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of RusHydro. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "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 conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to RusHydro and its operations.*

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<sup>1</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 (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..

<sup>2</sup> EBITDA calculated as gross profit before depreciation.

<sup>3</sup> 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.