

April 29, 2014

RusHydro announces 1Q 2014 RAS results

JSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the 1st quarter of 2014.

Key highlights:

- 1Q 2014 revenue – RUB 26.9 bn (+6%);
- 1Q 2014 operating expenses – RUB 13.9 bn (+14%);
- 1Q 2014 EBITDA – RUB 16.2 bn (flat YoY);
- EBITDA margin in 1Q 2014 – 60.1% (-3.3 p.p.);
- Reported net profit for 1Q 2014 – RUB 9.7 bn (+4%), adjusted net profit – RUB 10.2 bn (-9%).

Key financials for the 1Q 2013/2014 under RAS (in RUB mn)

	1Q'14	1Q'13	chg
Revenue	26,918	25,444	6%
Operating expenses	(13,939)	(12,258)	14%
Operating profit	12,979	13,186	-2%
EBITDA ^[1]	16,172	16,115	0%
Net profit	9,664	9,337	4%
Net profit (adj.) ^[2]	10,205	11,159	-9%

Revenue (in RUB mn)

In the 1st quarter of 2014, revenue increased by 6% to RUB 26,918 mn as compared to RUB 25,444 mn for the same period of 2013. The underlying factors behind the change in revenue were:

- increase in electricity generation by Siberian and Far Eastern hydropower plants;
- increase in electricity sales volumes and prices on the “day-ahead” market in the 1st pricing zone due to indexation of fuel prices for industrial consumers from the 2nd half of 2013;
- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the first price zone;
- indexation of regulated electricity and capacity tariffs from the 2nd half of 2013;
- decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013 due to rehabilitation of the plant and growth of electricity sales to the unregulated market.

Revenue breakdown (RUB mn)

	1Q'14	1Q'13	chg
Electricity sales	18,911	17,180	10%
Capacity sales	7,862	8,108	-3%
Other sales	145	156	-7%
TOTAL	26,918	25,444	6%

Operating expenses

Operating expenses increased by 14% to RUB 13,939 mn as compared to the same period of 2013.

Operating expenses breakdown (in RUB mn)

	1Q'14	1Q'13	chg
Purchased power	3,884	3,331	9%
Depreciation	3,193	2,929	9%
Property tax	1,502	1,381	9%
Labor expenses	1,221	985	24%

Services of System Operator, ATS, CFS	693	640	8%
Repairs & maintenance	500	461	8%
Security expenses	408	345	18%
Other taxes and fees	353	295	20%
Other third-party services	283	271	4%
Insurance expenses	262	222	18%
Leasing expenses	255	252	1%
Rent expenses	244	257	-5%
Water tax	225	221	2%
Other	916	668	37%
TOTAL	13,939	12,258	14%

Major factors of change in operating expenses were:

- increase in depreciation as a result of commissioning of new assets as a result of implementation of the Company's investment program;
- increase electricity consumption by the Zagorskaya PSPP due to scheduled outage of the plant in March 2013 in order to start dismantling of the temporary earthfill link in the lower reservoir of the Zagorskaya PSPP No. 2;
- growth in electricity prices along with increase in electricity purchases;
- growth in expenses for property tax due to increase in PP&E after commissioning of new equipment as well as consolidation of a number of plants;
- increase in labor expenses and related other taxes in terms of fees from the payroll budget and health insurance due to: a) indexation of salaries of employees of the Company's branches in accordance with the adjustment of standard monthly pay for inflation pursuant to collective agreement; b) increase in operating staff headcount of the Company's branches, mainly as a result of incorporation of the Pavlodolskaya HPP to the North Ossetian branch^[3], creation of cranes operation unit at the Volzhskaya HPP, increase in operating staff headcount of the Zagorskaya PSPP for commissioning and maintenance of the installed equipment and constructions as well as participation in tests of the installed equipment of the Zagorskaya PSPP No.2
- increase in security expenses mostly due to security agreements between Dagestan branch of RusHydro and Federal Unitary Enterprise Extra-departmental security of the Ministry of energy for security services of three small HPPs, consolidated in 2013^[4].

Profit

The higher growth rate in operating expenses versus revenue growth in the 1st quarter of 2014 as compared to the 1st quarter of 2013 (14% versus 6% respectively) resulted in decline in operating profit by 2% as compared to the same period of the previous year.

EBITDA was almost flat year-on-year and amounted to RUB 16,172 mn.

RusHydro's net profit for the reporting period increased by 4% to RUB 9,664 mn. Net profit adjusted for non-cash items was RUB 10,205 mn as compared to RUB 11,159 mn in the same period of the previous year.

The adjusted net profit reflects a provision for mark-to-market revaluation of listed equity stakes in the amount of RUB 418 mn, of which shares of Inter RAO UES account for RUB 409 mn; as well as accrued reserves in the amount of RUB 155 mn (a 73% decrease as compared to RUB 574 mn in the previous year).

RusHydro's financial position as of March 31, 2014

The Company's total assets increased by RUB 14,928 mn as of March 31, 2014, or 2% against the similar figure as of December 31, 2012, reaching RUB 831,134 mn.

The growth in assets in terms of PP&E in January-March 2014 is related to implementation of the Company's investment program.

As of March 31, 2014, total obligations stood at RUB 128,430 mn as compared to RUB 191,786 mn as of December 31, 2013. The decrease was attributed primarily to reduction of liabilities to acquirers of the Company's shares of additional issue after registration of the amendments to the Company's share capital (certificate of registration of the amendments to the Articles of Association of January 28, 2014). The Company's debt portfolio rose by 3% to RUB 106,447 mn starting from the beginning of the year; long-term loans make up 98% of the total debt portfolio.

The Company's equity for January-March 2014 increased by 13% to RUB 702,627 mn against RUB 624,343 mn as of the beginning of the reporting year.

The full financial statements are attached and available on RusHydro's corporate website.

The Company plans to publish its consolidated results for the 1st quarter of 2014 under International financial reporting standards (IFRS) on July 9, 2014.

[1] EBITDA calculated as gross profit before depreciation.

[2] 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.

[3] 100% of JSC Pavlodolskaya HPP shares were transferred by the Russian Federation as payment for RusHydro's shares of additional issue in the end of 2011.

[4] On February 1, 2013, the Board of Directors commissioned RusHydro's representatives in the governing bodies of JSC Small HPPs of Dagestan to approve sale-purchase agreement of the Amsarskaya, Arakulskaya and Shinazskaya small HPPs with total installed capacity of 3.8 MW, qualified as major transaction. The seller was JSC Small HPPs of Dagestan (wholly-owned by RusHydro), the purchaser was JSC RusHydro. The agreement was aimed at optimization of costs and control of the small power facilities as well as conditioning of three small HPPs.

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 the MICEX and RTS stock exchanges, 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 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.