

RusHydro announces 9M 2018 RAS results

October 30, 2018. Moscow, Russia. PJSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the nine months of 2018.

Key highlights for 9M 2018:

- Net profit – RUB – 37,514 mn (+12%);
- EBITDA – RUB 65,103 mn (+8%);
- 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*, which affected revenue and operating expenses by RUB 28,663 mn in the 9 months of 2018;

Excluding the effect of surcharge (hereinafter):

- Revenue – RUB 96,057 mn (+7%);
- Operating expenses – RUB 43,358 mn (+3%).

Key financials for the 9 months 2018/2017 under RAS (in RUB mn)

	9M'18	9M'17	chg	3Q'18	3Q'17	chg
Revenue	96,057	89,458	7%	32,329	31,227	4%
Operating expenses	(43,358)	(41,857)	3%	(15,098)	(14,450)	4%
Operating profit	52,699	47,601	11%	17,231	16,777	3%
EBITDA**	65,103	60,054	8%	21,362	20,945	2%
Net profit	37,514	33,544	12%	10,896	9,773	11%
Net profit (adj.)***	37,015	32,193	15%	10,914	10,011	9%

Revenue

In the 9 months of 2018, revenue increased by 7% or RUB 6,599 mn following strong operational results as electricity production by PJSC RusHydro's HPPs increased by 5% following increase of water inflow to the reservoirs of the Group's hydropower plants, primarily on the Volga-Kama cascade in the first half of the year and in Siberia in the third quarter of the year.

Revenue breakdown (RUB mn)

	9M'18	9M'17	chg	3Q'18	3Q'17	chg
Electricity sales	64,992	59,306	10%	22,457	21,527	4%
Capacity sales	30,765	29,867	3%	9,799	9,613	2%
Other sales	300	285	5%	73	87	-15%
TOTAL	96,057	89,458	7%	32,329	31,227	4%

Operating expenses

Operating expenses in the 9 months of 2018 increased by 3% to RUB 43,358 mn as compared to the same period of 2017 as a result of the following factors:

- purchased electricity and capacity (RUB 818 mn);
- property tax (RUB 416 mn) following decrease of tax allowance on movable assets;
- water tax rate increase (RUB 368 mn) following tariff growth and increase in electricity production;
- repairs and maintenance (RUB 187 mn) in accordance to the maintenance schedule in preparation for the autumn-winter period of 2018 - 2019;
- rent increase (RUB 125 mn) following commissioning of fixed assets (rent agreement with Zaragizhskaya small HPP) compounded by additional rent increase of Gotsatlinskaya GES.

Operating expenses breakdown (in RUB mn)

	9M'18	9M'17	chg	3Q'18	3Q'17	chg
Depreciation	12,404	12,453	-0.4%	4,131	4,168	-1%
Purchased electricity and capacity	5,890	5,072	16%	2,058	1,730	19%
Property tax	5,519	5,103	8%	1,841	1,687	9%
Labor expenses, taxes and contributions	5,250	5,407	-3%	1,758	1,732	2%
Other third-party services	2,567	2,991	-14%	969	999	-3%
Power system services	2,253	2,214	2%	773	740	4%
Repairs and maintenance	2,191	2,004	9%	971	1,010	-4%
Water tax	1,470	1,102	33%	536	387	39%
Rent	1,456	1,331	9%	477	506	-6%
Security expenses	1,309	1,287	2%	475	425	12%
Insurance expenses	1,245	1,143	9%	443	384	15%
Leasing expenses	-	58	-	-	12	-
Other	1,804	1,692	7%	666	670	-1%
TOTAL	43,358	41,857	3%	15,098	14,450	4%

Profit

Operating profit for the 9 months of 2018 increased by 11% as compared to the same period last year and amounted to RUB 52,699 mn.

RusHydro's net profit for the reporting period increased by 12% to RUB 37,514 mn.

Net profit adjusted for non-cash items increased by 15% and reached RUB 37,015 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 1,449 mn;
- loss (net) on reversal of bad debt reserves in the amount of RUB 1,190 mn;
- gain from other reserves in the amount of RUB 240 mn.

RusHydro's financial position as of September 30, 2018

The Company's total assets increased by RUB 31,074 mn as of September 30, 2018, or by 3% as compared to the beginning of the year, reaching RUB 1,014,253 mn.

As of September 30, 2018, total liabilities increased by 3% or RUB 4,788 mn and amounted RUB 162,222 mn.

The Company's debt portfolio stayed at the same level compared to the beginning of the reporting year (RUB 121,956 mn as of September 30, 2018 vs. RUB 121,774 mn as of December 31, 2017). Long-term loans comprise 95% of the total portfolio.

The Company's equity in the nine months of 2018 increased by 3% to RUB 851,972 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>

* 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.

** EBITDA calculated as gross profit before depreciation.

*** 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.

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 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.

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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.