

March 3rd, 2014

RusHydro announces full year 2013 RAS results

JSC RusHydro (MOEX, LSE: HYDR; OTCQX: RSHYY) announces its non-consolidated financial results under Russian accounting standards (RAS) for the full year ended December 31, 2013.

Key highlights:

- 4Q 2013 revenue – RUB 27.8 bn (+7%); for 2013 – RUB 108.8 bn (+15%);
- 4Q 2013 operating expenses – RUB 17.1 bn (+14%); for 2013 – RUB 58.9 bn (+5%);
- 4Q 2013 EBITDA – RUB 13.7 bn (-1%), FY2013 EBITDA – RUB 61.8 (+26%);
- EBITDA margin in 4Q – 49.4% (-3.9 p.p.), for 2013 – 56.8% (+4.8 p.p.);
- Net profit for 2013 – RUB 35.3 bn (+140%), adjusted 2013 net profit – RUB 40.8 bn (+40%).

Key financials for the 4Q and FY 2012/2013 under RAS (in RUB mn) ^[1]

	2013	2012	chg	4Q'13	4Q'12	chg
Revenue	108,794	94,207	15%	27,785	25,931	7%
Operating expenses	(58,873)	(55,987)	5%	(17,075)	(14,926)	14%
Operating profit	49,921	38,220	31%	10,710	11,005	-3%
EBITDA ^[2]	61,774	49,030	27%	13,718	13,817	-1%
Net profit	35,321	14,702	140%	-	-	-
Net profit (adj.) ^[3]	40,870	29,215	40%	8,246	6,731	23%

Revenue (in RUB mn)

In 2013, revenue increased by 15.5% to RUB 108,794 mn as compared to RUB 94,207 mn for 2012. The underlying factors behind the change in revenue were:

- increase in electricity generation by RusHydro's hydropower plants by 17% as compared to 2012;
- increase in electricity sales volumes and prices on the "day-ahead" market;
- 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;
- increase in volumes and tariffs of regulated electricity and capacity sales;
- decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013.

Revenue breakdown (RUB mn)

	2013	2012	chg	4Q'13	4Q'12	chg
Electricity sales	78,975	65,553	20%	19,847	17,741	12%
Capacity sales	29,251	28,155	4%	7,797	8,037	-3%
Sales from rent	245	200	23%	58	50	16%
Heat sales	141	141	0%	47	54	-13%
Other sales	182	158	15%	36	49	-26%
TOTAL	108,794	94,207	15%	27,785	25,931	7%

Operating expenses

Operating expenses increased by 5% to RUB 58,873 mn as compared to 2012.

Operating expenses breakdown (in RUB mn)

	2013	2012	chg	4Q'13	4Q'12	chg
Purchased power	16,696	16,489	1%	4,842	3,526	37%
Depreciation	11,853	10,810	10%	3,008	2,812	7%
Labor expenses	6,112	6,003	2%	2,220	2,052	8%
Property tax	5,922	5,246	13%	1,775	1,333	33%
Repairs & maintenance	3,308	3,515	-6%	1,220	1,086	12%
Services of System Operator, ATS, CFS	2,672	2,425	10%	693	640	8%
Other third-party services	1,863	1,646	13%	621	588	6%

Security expenses	1,434	1,311	9%	366	342	7%
Insurance expenses	1,328	1,505	-12%	494	350	41%
Other taxes and fees	1,254	1,169	7%	360	332	8%
Leasing expenses	1,097	1,298	-15%	263	303	-13%
Rent expenses	1,038	797	30%	277	318	-13%
Water tax	967	817	18%	231	227	2%
Other	3,329	2,956	13%	705	1 017	-31%
TOTAL	58,873	55,987	5%	17,075	14,926	14%

Major factors of change in operating expenses were:

- decrease in electricity purchases on the “day-ahead” and balancing markets, including power purchase for the fulfillment of regulated and unregulated sales;
- increase in expenses for property tax and depreciation as a result of commissioning of new equipment;
- decrease in repair and maintenance expenses due to shorter outages of the equipment under repair; decrease in works implemented by contracting parties.

Profit

As a result, operating profit for the reporting period increased by 31% as compared to previous year and amounted to RUB 49,921 mn.

EBITDA increased by 26% to RUB 61,773 mn.

RusHydro's net profit for the reporting period increased by 140% to RUB 35,321 mn. Net profit adjusted for non-cash items was RUB 40,870 mn, a 40% increase as compared to the previous year.

The adjusted net profit reflects a provision for mark-to-market revaluation of listed equity stakes in the amount of RUB 3,119 mn, of which shares of Inter RAO UES account for RUB 3,050 mn; as well as accrued reserves in the amount of RUB 2,430 mn.

RusHydro's financial position

The Company's total assets increased by RUB 62,427 mn as of December 31, 2013, or 8% against the similar figure as of December 31, 2012, reaching RUB 816,206 mn.

The growth in assets in 2013 was mainly a result of

- obtainment of stakes of electric power companies in total amount of RUB 18,596 mn as payment for RusHydro's shares of additional issue, including stakes of JSC Irkutsk electronetwork company in the amount of RUB 8,543 mn, JSC Ust'-Srednekanskaya HPP in the amount of RUB 5,193 mn; JSC RAO Energy Systems of East in the amount of RUB 2,965 mn, JSC Sakhalin energy company in the amount of RUB 1,824 mn and JSC Irkutskenergo in the amount of RUB 71 mn;
- long-term loans given to the Company's subsidiaries and affiliates aimed to refinance their liabilities as well as to finance the projects.

The growth in assets in terms of fixed assets is related to implementation of the Company's investment program.

As of December 31, 2013, total obligations stood at RUB 191,786 mn compared with RUB 161,005 mn as of the beginning of the reporting period. The increase was attributed primarily to placement of RUB 20 bn of domestic bonds in February, 2013, as well as drawing up the loan facility from Sberbank of Russia in the amount of RUB 10,613 mn in December 2013, in order to refinance outstanding debt of RAO ES of East Group's subsidiaries. The Company's debt portfolio rose by 9% to RUB 102,891 mn starting from the beginning of the year; long-term loans make up 95% of the total debt portfolio.

The Company's equity for 2013 increased by 5% to RUB 624,343 mn against RUB 592,698 mn as of the beginning of the reporting year.

The full financial statements in Russian only are available on the Company's website at:

<http://www.rushydro.ru/investors/reports>

The Company plans to publish its consolidated results for 2013 under International financial reporting standards (IFRS) on March 20, 2014.

[1] The quarterly figures are not reported in the official financial statements under RAS, they have been calculated and put into the press release for reference

[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.

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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The information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of RusHydro. One 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 and rapid technological and market changes in our industries, as well as many other risks specifically related to RusHydro and its operations.