

## RusHydro announces full year 2018 RAS results

**February 28, 2019. 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, 2018.

### Key highlights:

- Net profit – RUB 36,726 mn (+2%);
- EBITDA – RUB 82,498 mn (+6%);
- Since July 1, 2017, surcharge (premium) to capacity prices in first and second price zones to attain base level of end-user tariffs in the Far East of Russia\* in reflected in PJSC RusHydro's revenue and operating expenses. In 2018 the surcharge amount was RUB 35,032 mn, in 2017 – RUB 23,995. Excluding the effect of surcharge revenue and operating expenses (hereinafter):
- Revenue – RUB 127,781 mn (+6%);
- Operating expenses – RUB 61,815 mn (+3%).

### Key financials for 2018/2017 under RAS excluding the effect of surcharge (in RUB mn)

	2018	2017	chg	4Q'18	4Q'17	chg
Revenue (excl. surcharge)	127,781	120,702	6%	31,724	31,245	1%
Operating expenses (excl. surcharge)	(61,815)	(59,812)	3%	(18,457)	(17,955)	3%
Operating profit	65,966	60,890	8%	13,267	13,290	-0.2%
EBITDA**	82,498	77,570	6%	17,395	17,517	-1%
Net profit	36,726	36,149	2%	-788	2,605	-130%
Net profit (adj.)***	43,072	44,212	-3%	6,057	12,019	-50%

### Revenue

In 2018, revenue increased by 6% or RUB 7,079 mn as electricity production by PJSC RusHydro's HPPs increased on the back of higher inflows to reservoirs of the Volga-Kama cascade in the first half of the year and to reservoirs in Siberia in the second half of the year.

### Revenue breakdown (RUB mn)

	2018	2017	chg	4Q'18	4Q'17	chg
Electricity sales	85,059	78,900	8%	20,067	19,595	2%
Capacity sales	42,327	41,398	2%	11,562	11,531	0.3%
Other sales	395	404	-2%	95	119	-20%
<b>TOTAL</b>	<b>127,781</b>	<b>120,702</b>	<b>6%</b>	<b>31,724</b>	<b>31,245</b>	<b>2%</b>

### Operating expenses

Operating expenses in 2018 increased by 3% to RUB 61,815 mn as compared to 2017 as a result of the following factors:

- purchased electricity and capacity (RUB 1,221 mn) following growth in unregulated capacity contracts;
- water tax rate increase (RUB 423 mn) following tariff growth and increase in electricity production;
- property tax (RUB 396 mn) following decrease of tax allowance on movable assets;
- repairs and maintenance (RUB 132 mn) in accordance with maintenance schedule.

Operating expenses breakdown (in RUB mn)

	<b>2018</b>	<b>2017</b>	<b>chg</b>	<b>4Q'18</b>	<b>4Q'17</b>	<b>chg</b>
Depreciation	16,532	16,680	-1%	4,128	4,227	-2%
Purchased electricity and capacity	8,236	7,015	17%	2,346	1,943	21%
Labor expenses, taxes and contributions	7,448	7,438	0.1%	2,198	2,031	8%
Property tax	7,140	6,744	6%	1,621	1,641	-1%
Repairs and maintenance	3,861	3,729	4%	1,670	1,725	-3%
Other third-party services	3,835	4,286	-11%	1,268	1,295	-2%
Power system services	3,018	2,952	2%	765	738	4%
Rent	1,938	1,933	0.3%	482	602	-20%
Water tax	1,887	1,464	29%	417	362	15%
Insurance expenses	1,756	1,660	6%	511	517	-1%
Security expenses	1,748	1,712	2%	439	425	3%
Other	4,416	4,199	5%	2,612	2,449	7%
<b>TOTAL</b>	<b>61,815</b>	<b>59,812</b>	<b>3%</b>	<b>18,457</b>	<b>17,955</b>	<b>3%</b>

## Profit

Operating profit in 2018 increased by 8% as compared to 2017 and amounted to RUB 65,966 mn.

RusHydro's net profit for the reporting period increased by 2% to RUB 36,726 mn.

Net profit adjusted for non-cash items decreased by 3% to RUB 43,072 mn. The difference between the reported and adjusted net profit is attributed mainly to the following non-cash effects:

- loss (net) on provision for impairment of financial investments in the amount of RUB 6,453 mn;
- loss (net) on reversal of bad debt reserves in the amount of RUB 1,758 mn;
- gain on mark-to-market revaluation of financial investments in the amount of RUB 1,448 mn;
- gain (net) from other reserves in the amount of RUB 307 mn.
- gain (net) on provision for impairment of assets in the amount of RUB 110 mn.

## RusHydro's financial position as of December 31, 2018

The Company's total assets increased by RUB 53,628 mn as of December 31, 2018, or by 5% as compared to the beginning of the year, reaching RUB 1,036,807 mn.

As of December 31, 2018, total liabilities increased by 18% or RUB 28,109 mn and amounted RUB 185,542 mn.

The Company's debt portfolio as compared to December 31, 2017 increased by 21% and reached RUB 147,946. Long-term loans comprise 87% of the total portfolio.

The Company's equity in 2018 increased by 3% to RUB 851,206 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>

*The Group's consolidated financial results in accordance with International Financial Reporting Standards will be published on March 14, 2019.*

\* 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 39.4 GW, heat capacity – 18.9 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). 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 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.*