

June 30, 2015. Moscow, Russia.

RusHydro announces 1Q 2015 IFRS results

June 30, 2015. Moscow, Russia. RusHydro Group (hereinafter referred to as the “Group”, ticker symbol: MOEX, LSE: HYDR; OTCQX: RSHYY) announces its condensed consolidated interim unaudited financial information prepared in accordance with International Financial Reporting Standards (IFRS) for the 1st quarter of 2015.

Key highlights for 1Q 2015:

- Financial results reflected a significant decrease in electricity generation by hydropower plants in 1Q 2015;
- Increase in revenue in 1Q 2015 – 3.1%;
- 1Q 2015 EBITDA* – RUB 19,113 mn (-25.0%);
- Increase in operating expenses in 1Q 2015 by 13.7% mainly due to fuel costs, expenses for purchased electricity and capacity, as well as growth of employee benefit expenses;
- Net profit for 1Q 2015 – RUB 11,862 mn (-17.0%); net profit adjusted for non-cash items** – RUB 12,552 mn (-21.0%).

1Q 2015/2014 highlights (in RUB mn)

	1Q'15	1Q'14	chg
Revenue, including	97,668	94,716	3.1%
<i>Revenue</i>	94,614	91,616	3.3%
<i>Government grants</i>	3,054	3,100	-1.5%
Operating expenses***	84,797	74,559	13.7%
EBITDA*	19,113	25,491	-25.0%
Net profit	11,862	14,294	-17.0%
Net profit (adj.)**	12,552	15,882	-21.0%

Operating results

In the 1st quarter of 2015, total electricity generation by power plants of RusHydro amounted to 26,634 GWh, a 14.4% decrease as compared to the same period of 2014. In the 1st quarter of 2015, hydropower (HPPs) and pumped storage power plants (PSPPs) of RusHydro Group decreased electricity generation by 26.5% to 16,713 GWh, output by thermal (TPPs) and geothermal plants located in the Far East of Russia increased by 18.5% to 9,921 GWh.

The underlying factors of the production change in the 1st quarter of 2015 were:

- lower than average water resources in reservoirs of the hydropower plants of the Volga-Kama cascade;
- decrease in electricity generation by the Sayano-Shushenskaya HPP as compared to the long-run average due to stable low water level in the basin of the Angara-Yenisey cascade;
- increase in electricity generation by fossil fuel fired power plants of the Far East due to decreased hydro production in the unified power system of the Far East and electricity consumption at the level of 2014.

Events in January-March 2015

- The Board of Directors of JSC RusHydro increased the number of Management Board members from 5 to 6 effective March 16, 2015, and appointed Sergey Kirov, Deputy General Director responsible for economics, investments and procurements, to a position of a member of the Company's Management Board.
- The Board of Directors approved the stock-exchange traded bond program of JSC RusHydro and the Prospectus for non-convertible interest-bearing documentary bonds with mandatory

centralized custody with total par value of RUB 200 bn maturing in 20 years to be placed through an open subscription.

Revenue

Revenue breakdown 1Q 2015/2014 (in RUB mn)

	1Q'15	1Q'14	chg
Electricity sales	67,374	64,715	4.1%
Heat and hot water sales	13,844	13,806	0.3%
Capacity sales	8,193	6,929	18.2%
Other sales	5,203	6,166	-15.6%
Revenue	94,614	91,616	3.3%
Government grants	3,054	3,100	-1.5%
Total revenue	97,668	94,716	3.1%

In the 1st quarter of 2015, total revenue of the Group increased by 3.1% to RUB 97,668 mn. The change is associated with the following key factors:

- increase in electricity prices on the “day-ahead” market of the second price zone following decrease in electricity generation by hydropower plants;
- decrease in electricity generation by hydropower plants due to: a) low water level in the basin of the Angara-Yenisey cascade; b) lower than long-run average water inflow to reservoirs of the Volga-Kama cascade; c) water conditions on the rivers of the South of Russia in the 1st quarter of 2015 – close or lower than long-run average; d) growth in demand for heat generation;
- increase in capacity prices of the competitive capacity auctions (KOM) for the hydropower plants of the second pricing zone following partial liberalization of hydro capacity market of Siberia from May 1, 2014;
- increase in revenue from electricity sales of RAO ES of East subgroup segment following indexation of tariffs in the unified energy system of the East and in the number of isolated energy systems of the Far East;
- increase in revenue from electricity sales of ESC RusHydro subgroup segment in the 1st quarter of 2015 as a result of revenue growth of JSC Krasnoyarskenergosbyt, JSC Chuvash electricity retail company and electricity retail operations management company – JSC ESC RusHydro – following an increase in electricity output, planned tariff growth as well as new consumers acquisition.

Operating expenses***

Operating expenses in 1Q 2015/2014 (in RUB mn)

	1Q'15	1Q'14	chg
Fuel expenses	18,491	15,106	22.4%
Purchased electricity and capacity	17,863	14,899	19.9%
Employee benefit expenses	17,834	15,459	15.4%
Electricity distribution expenses	11,535	11,769	-2.0%
Third parties services	6,991	6,218	12.4%
Depreciation	5,683	5,205	9.2%
Taxes other than on income	2,455	2,184	12.4%
Other materials	1,676	1,613	3.9%
Water usage expenses	686	683	0.4%
Other expenses	1,583	1,423	11.2%
TOTAL	84,797	74,559	13.7%

Total operating expenses in the 1st quarter of 2015 compared to the same period of 2014 increased by 13.7% from RUB 74,559 mn to RUB 84,797 mn.

Major factors affecting expenses:

- growth of fuel expenses mainly as a result of increased electricity output of JSC Far-Eastern Generating company (DGK), growth of fuel prices mainly due to growth in gas prices sourced from Sakhalin-1 consortium, as well as increase in fuel consumption due to increased electricity generation by a number of inefficient plants in order to compensate the drop in electricity production by hydropower plants;
- increase in purchased electricity and capacity expenses as a result of: a) growth of expenses of JSC Yakutskenergo (RAO ES of East subgroup) due to start of electricity purchase from JSC Vilyuiskaya HPP-3 (ALROSA group); b) increase in tariffs for electricity and capacity purchase from the Bilibinskaya NPP (JSC Rosenergoatom) by JSC Chukotenergo; c) growth of purchased electricity and capacity expenses of JSC Krasnoyarskenergosbyt mainly due to increase in electricity prices on the “day-ahead” market, as well as increase in the amount of capacity purchased under capacity supply agreements and free agreements;
- growth of employee benefit expenses as a result of annual indexation of salaries of personnel of subsidiaries and associates of RusHydro Group as well as quarterly indexation of salaries of personnel of JSC RusHydro branches.

Profit

In the reporting period, EBITDA* decreased by 25.0% to RUB 19,113 mn compared to RUB 25,491 mn for the same period of previous year. Decrease in EBITDA is related to growth of operating expenses larger than revenue growth.

In the 1st quarter of 2015, the Group's net profit decreased by 17.0% to RUB 11,862 mn compared to RUB 14,294 mn for the previous year. Adjusted net profit** in the reporting period amounted to RUB 12,552 mn, a 21.0% decrease as compared to the same period of the previous year. The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before the income tax):

- accrual of impairment of accounts receivable in the amount of RUB 1,291 mn resulting from analysis of past due receivables and estimation of their collectability;
- recognition of revenue from disposal of the Company's subsidiaries in the amount of RUB 468 mn;
- loss on disposal of property in the amount of RUB 94 mn.

Key indicators of financial position

As of March 31, 2015, the Group's assets increased by RUB 15,830 mn to RUB 899,600 mn against the comparable figure as at December 31, 2014. Change in assets is primarily attributable to:

- increase in fixed assets of the Group;
- increase in value of assets available-for-sale;
- decrease in short-term deposits value;
- increase in accounts receivable;
- and increase in cash equivalents on the banks accounts.

As at the end of the reporting period the Group's liabilities increased by RUB 1,944 mn from December 31, 2014, to RUB 290,563 mn. Change in the liabilities was mainly a result of increase in accounts payable in terms of VAT and property tax.

Events after the reporting date

- In April, JSC RusHydro successfully placed its bonds of series 09 with par value of RUB 1,000 per bond and total par value of RUB 10 bn. The coupon rate was set at 12.75% per annum;
- RusHydro's largest hydroelectric power plant – Sayano-Shushenskaya – increased its maximum capacity output to 5,100 MW following the modernization of automatic reliability system installed at the station;

- the reservoir of the Boguchanskaya hydropower plant (a 50/50 JV of RusHydro and UC RUSAL) has been filled to its design level of 208 m (above sea level) allowing the plant to reach its full capacity of 2,997 MW and produce 17.6 TWh of electricity per year;
- In June, JSC RusHydro signed a 5-year loan agreement in the amount of RUB 30 bn with JSC VTB Bank. The facility may be used to finance the Company's current operating and investment activities;
- On June 26, 2015, the AGM elected new Board of Directors and resolved to pay dividends for 2014 in the amount of RUB 0.0156 per share in total amount of RUB 6,033 mn.

The consolidated financial statements of the Group are available at:

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

The presentation of the results is available at:

http://www.eng.rushydro.ru/investors/presentations/results_presentations/

*EBITDA is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment, loss on remeasurement of net assets of subsidiary acquired exclusively with a view for resale, and gain from curtailment in pension plan and pension payment, disposal of subsidiaries and associates.

**Net profit is adjusted for the effects of impairment of property, plant and equipment and remeasurement of net assets of subsidiary acquired exclusively with a view for resale, impairment of available-for-sale financial assets, accounts receivable, property, plant and equipment of associates, long-term promissory notes, loss on disposal of property, plant and equipment, reversal of impairment of investments and property, plant and equipment of associates and gain from curtailment in pension plan and pension payment.

***Here and henceforth operating expenses do not include losses from impairment.

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 38.5 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 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. 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.