

April 29, 2015

RusHydro announces 1Q 2015 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 2015.

Key highlights:

- 1Q 2015 revenue – RUB 23,703 mn (-12%);
- 1Q 2015 operating expenses – RUB 13,844 mn (-1%);
- 1Q 2015 EBITDA – RUB 13,315 mn (-18%);
- EBITDA margin in 1Q 2015 – 56% (-4 p.p.);
- Reported net profit for 1Q 2015 – RUB 8,743 mn (-10%), adjusted net profit – RUB 8,363 mn (-18%).

Key financials for the 1Q 2014/2015 under RAS (in RUB mn)

	1Q'15	1Q'14	chg
Revenue	23,703	26,918	-12%
Operating expenses	13,844	13,939	-1%
Operating profit	9,859	12,979	-24%
EBITDA[1]	13,315	16,172	-18%
Net profit	8,743	9,664	-10%
Net profit (adj.)[2]	8,363	10,202	-18%

Revenue (in RUB mn)

In the 1st quarter of 2015, revenue decreased by 12% to RUB 23,703 mn as compared to RUB 26,918 mn for the same period of 2014. The underlying factors behind the change in revenue were:

- decrease in production and electricity output by hydropower plants of JSC RusHydro by 28% in the 1st quarter 2015 as compared to last year as a result of: a) low water levels of Angara and Enisey rivers; b) lower than long-run average water reserves in reservoirs of the Volga-Kama cascade; c) water conditions on the rivers of the South of Russia and North Caucasus close or lower than the long-run average;
- an incremental increase in unregulated power prices on the “day ahead” market in the 1st pricing zone against the background of decreasing electricity consumption and non-indexation of gas tariffs for industrial consumers starting from the second half of 2014 as a result of one-year ‘tariff freeze’ for natural monopolies introduced by the Russian government in the end of 2013;
- increase in “day-ahead” prices in the 2nd pricing zone due to decrease in electricity generation by hydropower plants and higher load of fossil fuel fired power plants;
- increase in capacity sales following liberalization of hydro capacity market in the second price zone from May 1, 2014[3].

[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] According to the decree of the government of the Russian Federation No. 374 of April 28, 2014, “On amendments to the Regulations of wholesale electricity and capacity market in terms of special aspects of participation of gencos, owners of hydropower plants located in the 2nd pricing zone, in the wholesale market” from May 1, 2014 till December 31, 2015, 35% of capacity of the hydropower plants located in the 2nd pricing zone is sold at the regulated tariffs based on the results of the competitive capacity auctions (KOM). Actual decrease in capacity sale price of KOM is related to decrease in capacity tariff of the Sayano-Shushenskaya HPP in the 2nd half of 2013 from RUB 86,825.85 per MW to RUB 35,955.02 per MW.

Revenue breakdown (RUB mn)

	1Q'15	1Q'14	chg
Electricity sales	14,848	18,911	-21%
Capacity sales	8,739	7,862	11%
Other sales	116	145	-20%
TOTAL	23,703	26,918	-12%

Operating expenses

Operating expenses decreased by 1% to RUB 13,844 mn as compared to the same period of 2014.

Operating expenses breakdown (in RUB mn)

	1Q'15	1Q'14	chg
Depreciation	3,456	3,193	8%
Purchased electricity and capacity	3,118	3,884	-20%
Property tax	1,615	1,502	8%
Labor expenses	1,288	1,221	5%
Services of System Operator, ATS, CFS	689	693	-1%
Other third-party services	616	283	118%
Repairs & maintenance	489	500	-2%
Security expenses	395	408	-3%
Other taxes and fees (in relation to labor expenses)	376	353	7%
Contingencies	340	262	30%
Rent	287	244	18%
Insurance expenses	279	262	6%
Water tax	189	225	-16%
Leasing expenses	82	255	-68%
Other	625	654	-4%
TOTAL	13,844	13,939	-1%

Major factors of change in operating expenses were:

- decrease in purchased electricity and capacity as a result of: a) lower consumption of electricity and capacity for own needs due decrease in electricity output; b) decrease in purchased electricity for unregulated long-term contracts due lower sales under said contracts;
- increase in depreciation and property tax as a result of commissioning of new assets;
- decrease in a number of cash costs: services of System Operator, ATS and CFS, repairs & maintenance expenses, security expenses.

Profit

Operating profit for the period decreased by 24% to RUB 9,859 mn. EBITDA was down 18% - from RUB 16,172 mn to RUB 13,315 mn.

Net profit for the reporting period decreased by 10% to RUB 8,743 mn. Net profit adjusted for non-cash items was RUB 8,363 mn as compared to RUB 10,202 mn in the same period of the previous year.

The adjusted net profit reflects the effect from the following non-cash items:

- mark-to-market revaluation of listed equity stakes in the amount of RUB 745 mn;
- accrued reserves on accounts receivable in the amount of RUB 418 mn.

RusHydro's financial position as of March 31, 2015

The Company's total assets increased by RUB 12,034 mn as of March 31, 2015, or 1% against the similar figure as of December 31, 2014, reaching RUB 867,614 mn.

The growth in assets in terms of PP&E in January-March 2015 is related to increase in long-term financial investments as a result of acquisition of new shares of 100% subsidiaries implementing investment projects in the total amount of RUB 11,731 mn:

- JSC Nizhne-Bureyskaya HPP in the amount of RUB 5,938 mn;
- JSC Zagorskaya PSP-2 in the amount of RUB 4,767 mn;
- JSC Yakutskaya GRES-2 in the amount of RUB 603 mn.

As of March 31, 2015, total obligations stood at RUB 140,342 mn as compared to RUB 137,050 mn as of December 31, 2014.

The total debt portfolio was almost unchanged – RUB 113,669 mn compared to RUB 114,177 mn at the beginning of the year. Long-term debt makes up 80% of the total debt portfolio.

The Company's equity for January-March 2015 increased by 1% to RUB 727,204 mn against RUB 718,461 mn as of the beginning of the reporting year.

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

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

The company plans to disclose its consolidated 1Q 2015 IFRS results on June 30, 2015.

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.

For more information:

Investor Relations Department

Tel. +7 (800) 333 8000 ext. 1607, 1319, 1304

ir@rushydro.ru

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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 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.