

## RusHydro announces 1Q 2018 IFRS results

**June 7, 2018. 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 1<sup>st</sup> quarter of 2018.

### Key highlights for the first quarter of 2018:

- Financial results reflected strong operational results driven by increased water inflows to major reservoirs of the Volga-Kama cascade and electricity production growth of RAO ES East subgroup’s facilities following increase in power demand;
- Total revenue – RUB 110,097 mn (+6.5% y-o-y);
- EBITDA – RUB 32,022 mn (+5.9% y-o-y);
- Operating expenses increased by 7.5% y-o-y mainly as a result of fuel cost increase;
- Net profit – RUB 22,951 mn (+22.0% y-o-y); adjusted net profit – RUB 20,893 mn (+2.5% y-o-y).

### 1Q 2018/2017 highlights (in RUB mn)

	1Q/18	1Q/17	chg.
<b>Revenue, including</b>	<b>110,097</b>	<b>103,359</b>	<b>6.5%</b>
<i>Revenue</i>	99,699	98,779	0.9%
<i>Government grants</i>	10,398	4,580	127.0%
Operating expenses	84,795	78,869	7.5%
Operating profit <sup>1</sup>	25,302	24,490	3.3%
<b>EBITDA<sup>2</sup></b>	<b>32,022</b>	<b>30,234</b>	<b>5.9%</b>
Net profit	22,951	18,806	22.0%
Net profit (adj.) <sup>3</sup>	<b>20,893</b>	<b>20,390</b>	<b>2.5%</b>

### Operating results

In the first quarter of 2018, electricity generation by RusHydro Group has reached 31,835 GWh (+9.3%). Group’s total power production including Boguchanskaya hydropower plant<sup>4</sup> reached 34,637 GWh (+7.2%). Total electricity generation by hydropower and pumped storage plants of RusHydro Group in 1Q 2018 amounted to 22,140 GWh (+8.2%), total output by thermal and geothermal power plants – 9,695 GWh (+5.3%).

Main factors affecting operating results in the first quarter of 2018 were:

- total water inflow to reservoirs of the hydropower plants of the Volga-Kama cascade was significantly higher than long-run average (by 1.2-2.5x);
- increase in water inflow to the reservoirs of the hydropower plants in the south of Russia, Siberia and the Far East by 10-25% as compared to the long-run average;
- growth of electricity generation by thermal power plants in the Far East following moderation of water supply in reservoir of Zeyskaya hydropower plant aided by increase in consumption in the region;
- increase in electricity sales to China and UES of Siberia by 25.2% (to 629.7 GWh) as compared to the same period last year.

In the first quarter of 2018, heat output by thermal plants of RusHydro Group in the Far East increased by 7.7% to 13,038 thousand GCal as compared to the same period of 2017 due to lower air temperatures in most regions of the Far East.

In the first quarter of 2018, total electricity output by RusHydro Group's electricity retail companies, operating in Chuvashia, Ryazan and Krasnoyarsk regions (ESC RusHydro subgroup), amounted to 6,025 GWh, an increase of 1.3% as compared to the same period of 2017.

### Key events of the first quarter of 2018

- On February 7, 2018, RusHydro Group's financial debt decreased by RUB 26 bn following exclusion of guarantee obligation between PJSC RusHydro and State Corporation Vnesheconombank on PJSC Boguchanskaya HPP loan given out by the bank in 2010. The lending bank supported the termination following completion of construction and ramp-up of the hydropower plant, and taking into consideration PJSC Boguchanskaya HPP's stable financial and operational results and its ability to service the loan independently. As a result, the Group's total debt load decreased significantly;
- On February 15, 2018, PJSC RusHydro has successfully placed loan participation notes (LPNs) issued by RusHydro Capital Markets DAC. RusHydro will use the proceeds from the RUB 20 bn Eurobond issue to refinance its current loan portfolio and for general corporate purposes. The LPNs will mature in 2021 and bear an interest rate of 7.4% per annum. The following ratings have been assigned to the issue: S&P: "BB+" / Moody's: 'Ba1' / Fitch: 'BB+' / ACRA 'AAA(RU)';
- On February 27, 2018, Standard & Poor's Global Ratings Services raised long-term corporate credit ratings on PJSC RusHydro to 'BBB-' with 'Stable' outlook. Short-term corporate credit was raised to 'A-3' respectively.

### Revenue

*Revenue breakdown in 1Q 2018/2017 (in RUB mn)*

	1Q/18	1Q/17	chg.
Electricity sales	66,034	66,599	-0.8%
Heat and hot water sales	16,670	15,668	6.4%
Capacity sales	10,799	10,588	2.0%
Other sales	6,196	5,924	4.6%
<b>Revenue from operations, total</b>	<b>99,699</b>	<b>98,779</b>	<b>0,9%</b>
Government grants <sup>5</sup>	10,398	4,580	127.0%
<b>Total revenue</b>	<b>110,097</b>	<b>103,359</b>	<b>6.5%</b>

In the first quarter of 2018, total revenue of the Group increased by 6.5% to RUB 110,097 mn as compared to RUB 103,359 in the first quarter of 2017. The change is associated with the following key factors:

- increase in revenue from electricity (including government grants<sup>5</sup>) of RAO ES East subgroup by RUB 4,286 mn on the back of tariff and sales volume growth;
- increase in revenue from electricity sales of PJSC RusHydro by RUB 2,169 mn due to production growth by hydroelectric plants following increased water inflows to reservoirs, primarily of the Volga-Kama cascade;

- decrease in revenue of ESC RusHydro subgroup by RUB 493 mn as a result of lower sales and cancellation of electricity supply agreements with customers;
- increase in other sales revenue is mainly driven by increase in electricity distribution services in RAO ES East subgroup's companies such as JSC DRSK, PJSC Yakutskenergo and PJSC Magadanenergo.

## Operating expenses<sup>6</sup>

*Operating expenses in 1Q 2018/2017 (in RUB mn)*

	<b>1Q/18</b>	<b>1Q/17</b>	<b>chg.</b>
Fuel expenses	21,239	17,900	18.7%
Employee benefit expenses	19,006	18,662	1,8%
Grid company services on electricity distribution	12,293	11,802	4,2%
Purchased electricity and capacity	11,401	11,622	-1,9%
Third parties services	7,593	7,209	5,3%
Depreciation	6,624	5,683	16,6%
Taxes other than on income	3,046	2,680	13,7%
Other materials	1,499	1,812	-17,3%
Water usage expenses	903	797	13,3%
Other expenses	1,191	702	69,7%
<b>TOTAL</b>	<b>84,795</b>	<b>78,869</b>	<b>7,5%</b>

Total operating expenses in the first quarter of 2018 compared to the same period last year increased by 7.5% to RUB 84,795 mn due to the following factors:

- increase in fuel expenses mostly due to fuel cost increase of JSC DGK as well as increase in electricity and heat output of JSC DGK (+14.6% and +9%, respectively) as well as commissioning of Blagoveshenskaya TPP and Yakutskaya GRES-2 as compared with the same period last year;
- increase in electricity distribution expenses of grid companies due to planned tariffs increase and higher volumes of electricity transmission following increase of useful output;
- increase in depreciation expense due to increase in value of property plant and equipment after commissioning new facilities (including JSC Yakutskaya GRES-2 with off-site construction in 2017 – 1Q 2018) as well as planned renovation and modernization of the Group's facilities.

## Profit

In the first quarter of 2018, EBITDA increased by 5.9% to RUB 32,022 mn compared to the same period of 2017.

The Group's net profit increased by 22.0% to RUB 22,951 mn. Adjusted net profit in the reporting period amounted to RUB 20,893 – a 2.5% increase as compared to the same period last year.

The difference between the reported and adjusted profit is attributed mainly to the following non-cash effects (before income tax) and recognition of change in fair value of the derivative financial instrument:

- other operating income in the amount of RUB 2,341 mn as a result of change in fair value of financial assets measured through profit and loss;
- impairment of accounts receivable in the amount of RUB 1,483 mn resulting from analysis of overdue receivables and estimation of their collectability;
- financial income in the amount of RUB 1,456 mn as a result of change in fair value of non-deliverable forward contract as a result of increase of market price of RusHydro's shares in the reporting period;
- impairment of property, plant & equipment in the amount of RUB 480 million.

### **Key indicators of financial position**

As of March 31, 2018, the Group's assets increased by RUB 13,206 mn or 1.3% to RUB 1,041,457 mn against the comparable figure as at December 31, 2017. Change in assets is primarily attributable to:

- increase in property, plant & equipment (following execution of the Group's investment program);
- increase in accounts receivable.

As at the end of the reporting period, the Group's liabilities decreased by RUB 10,441 mn or 3.1% to RUB 322,246 mn as compared to December 31, 2017. The structure of liabilities has changed accordingly: long-term liabilities increased by RUB 18,043 mn and short-term liabilities decreased by RUB 28,484 mn mainly due to decrease of current debt and current portion of non-current debt.

Structure of the liabilities of the Group underwent the following changes:

- in February 2018, RusHydro has placed eurobonds in the amount of RUB 20 bn issued by RusHydro Capital Markets DAC with a maturity of 3 years and a coupon rate of 7.4%. The proceeds of the issue were used to refinance the Group's current loan portfolio;
- in March 2018, the Group has repaid long-term loan from PJSC Sberbank in the amount of RUB 10,613 mn.

The fair value of the non-deliverable forward contract, recognized under the terms of transaction with PJSC VTB Bank, decreased from RUB 20,716 mn (as of December 31, 2017) to RUB 18,854 mn (as of March 31, 2018).

The main reason of the change in fair value of the forward contract is the favorable dynamics in the change of market price of RusHydro's shares in the first quarter of 2018. Therefore, an increase in the market price of RusHydro's shares in the forthcoming reporting periods will reduce the fair value of the forward contract further.

### **Events after the reporting date**

- On April 5, 2018, PJSC RusHydro announces the signing of loan agreement with Far East Development Fund (FEDF) for RUB 5 bn to finance construction of Sakhalin GRES-2 infrastructure facilities. The term of the loan is eight years with an interest rate

of 5% per annum. Proceeds of the loan will cover close to half of the infrastructure's total project cost. The reduced interest rate offered by the FEDF will help lower project's financing costs and optimize electricity tariffs;

- On May 25, 2018, the Board of Directors held a meeting to address issues related to the Annual General Meeting of Shareholders (AGM), which will be held on June 27, 2018. The Board recommended to the AGM to approve dividend in the amount of RUB 0.0263335 per share (50% of the Group's net profit for 2017 under IFRS).

The full financial statements are available on the Company's website at: <http://www.eng.rushydro.ru/investors/reports>

## 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 39 GW, heat capacity – 16.2 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 the 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.

## For more information:

Investor Relations Department

Tel. +7 (495) 225 3232 ext. 1607, 1319, 1304

[ir@rushydro.ru](mailto:ir@rushydro.ru)

*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.*

<sup>1</sup> Operating profit is calculated as the difference between revenue and operating expenses.

<sup>2</sup> EBITDA is calculated as operating profit/loss excluding depreciation of property, plant and equipment, amortization of intangible assets, income arising from the change in fair value of financial assets measured through profit or loss, impairment of property, plant and equipment, impairment of accounts receivable, profit / loss on disposal of property and subsidiaries and other non-cash items of operating income and expenses.

<sup>3</sup> Net profit is adjusted for the effects of recognition of financial income/expense arising from the change in fair value of non-deliverable forward contract, impairment of fixed assets, impairment of accounts receivable, profit / loss on disposal of property, plant and equipment, as well as other operating income arising from the change in fair value of financial assets measured through profit or loss.

<sup>4</sup> The Boguchanskaya hydropower plant is part of the Boguchanskiy Energy and Metals Complex (BEMO), a joint venture (JV) between RusHydro and UC RUSAL, and is not part of RusHydro Group. According to RusHydro's shareholding in the JV (50%), the results of the plant are reported in the official financial statements in "Share of results of associates and jointly controlled entities". Operations of the HPP have been put into the press-release for general reference.

<sup>5</sup> 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 of RUB 4.00 / kWh, from 1 January 2018 to RUB 4.30 / 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.

<sup>6</sup> Here and hereinafter the operating expenses do not include impairment loss.