



PJSC «RusHydro»

Financial statements and
Independent Auditor's report

31 December 2019

Translation from Russian original

Content

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET	1
STATEMENT OF FINANCIAL RESULTS	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	6
I. General information	8
1.1 Information about the Company	8
1.2 The Company's operating environment.....	9
II. Accounting policies	12
2.1 Basis of presentation.....	12
2.2 Assets and liabilities denominated in foreign currency	12
2.3 Accounting for assets and liabilities	12
2.4 Property, plant and equipment and construction-in-progress	13
2.5 Investments	14
2.6 Inventories	16
2.7 Expenses of future periods.....	16
2.8 Accounts receivable	16
2.9 Cash equivalents and presentation of cash flows in the statement of cash flows	17
2.10 Share capital, additional and reserve capital.....	17
2.11 Loans and bank credits received.....	17
2.12 Estimated liabilities, contingent liabilities and contingent assets.....	18
2.13 Revenue recognition	18
2.14 Recognition of expenses	18
2.15 Changes in the accounting policies	19
III. Disclosure of material indicators.....	20
3.1 Non-current assets (Section I of the balance sheet)	20
3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet),	20
3.1.2 Long-term investments (line 1170 of the balance sheet)	24
3.1.3 Other non-current assets (line 1190 of the balance sheet).....	29
3.2 Current assets (Section II of the balance sheet).....	29
3.2.1 Inventories (line 1210 the balance sheet).....	29
3.2.2 Accounts receivable (line 1230 of the balance sheet)	30
3.2.3 Short-term investments (Line 1240 of the balance sheet).....	35
3.2.4 Cash and cash equivalents (line 1250 of the balance sheet)	37
3.3. Equity and reserves (Section III of the balance sheet)	39
3.3.1 Share capital (line 1310 of the balance sheet).....	39
3.3.2 Revaluation of non-current assets (line 1340 of the balance sheet).....	40

3.3.3	Additional paid-in capital (line 1350 of the balance sheet)	40
3.3.4	Reserve capital (line 1360 of the balance sheet)	40
3.4.	Non-current liabilities (Section IV of the balance sheet)	41
3.4.1	Long-term borrowings (line 1410 of the balance sheet)	41
3.4.2	Other non-current liabilities (line 1450 of the balance sheet)	43
3.5.	Current liabilities (Section V of the balance sheet)	43
3.5.1	Short-term borrowings (line 1510 of the Balance sheet)	43
3.5.2	Accounts payable (line 1520 of the balance sheet)	43
3.5.3	Estimated liabilities (line 1540 of the balance sheet)	44
3.6.	Off-balance-sheet valuables	44
3.6.1	Leased property, plant and equipment	44
3.6.2	Collateral for liabilities and payments received	45
3.6.3	Collateral for liabilities and payments issued	46
3.6.4	Non-deliverable forward contract for shares	47
3.7	Income and expenses on operating activities (statement of financial results)	48
3.7.1	Revenue (line 2110 of the statement of financial results)	48
3.7.2	Cost of sales (line 2120 of the statement of financial results)	48
3.8	Other income and expenses (line 2340 and line 2350 of the statement of financial results)	49
3.9	Taxes	49
3.10	Dividends	51
3.11	Earnings per share	52
3.12	Related Parties	52
3.12.1	Controlling entity	52
3.12.2	Sales to related parties	52
3.12.3	Purchases from related parties	53
3.12.4	Settlements with non-state pension fund	53
3.12.5	Settlements with related parties	54
3.12.6	Related parties' debt within investments	54
3.12.7	Income from investments in other companies (related parties)	55
3.12.8	Remuneration to key management personnel	55
3.12.9	Cash flows between the Company and subsidiaries/associates	56
3.13	Segment Information	56
3.14	Contingent liabilities	57
3.15	Financial risk management	57
3.16	Subsequent events	60



Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company Federal Hydro-Generating Company – RusHydro (PJSC RusHydro):

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PJSC RusHydro (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2019;
- the statement of financial results for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the balance sheet and statement of financial results, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Emphasis of matter

We draw attention to Note 2.5 Investments and Note 3.1.2 Long-term investments (balance sheet line 1170) to the balance sheet and statement of financial results which describe the reasons for departure from accounting rules in respect of non-revaluation of quoted financial investments in shares of AO RAO ES of East which previously had current market value, at their last available market value, PAO Yakutskenergo, PAO Far East Energy Company and PAO Kamchatskenergo at their current market values. As of 31 December 2019 the amount of unrecognised decrease in the market value as compared to the carrying value of these investments is Russian Roubles (“RUB”) 6,656 million, as of 31 December 2018 – RUB 6,670 million. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

- | | |
|-------------------------|--|
| Materiality | <ul style="list-style-type: none">• Overall materiality: RUB 2,540 million, which represents 5% of the average profit before tax for the last three years. |
| Key audit matter | <ul style="list-style-type: none">• Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of the concept of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.



Overall materiality	RUB 2,540 million
How we determined it	5% of the average profit before tax for the last three years
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accompanying financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment assessment of financial investments and accounts receivable from subsidiaries and other related parties</p> <p>See paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement.</p> <p>At 31 December 2019, the aggregate carrying amount of the Company's equity and debt investments in its subsidiaries and other related parties was RUB 383,693 million (net of the impairment provision of RUB 37,958 million), or 36% of the total value of Company's assets.</p> <p>At 31 December 2019, the carrying amount of accounts receivable from subsidiaries and other related parties was RUB 127,727 million (net of the doubtful debt provision of RUB 5,099 million), or 12% of the total value of Company's assets.</p> <p>As part of the annual reporting process the Company performs a comprehensive analysis of all investments that are not carried at their current market value and of accounts receivable from related parties (primarily in the form of interest-free loans and bills) as at the</p>	<p>Our audit procedures aimed at analysing the impairment testing by the management of Company's financial investments and accounts receivable from related parties, included:</p> <ul style="list-style-type: none"> • understanding of how estimates in accounting and financial statements were calculated; • review of the methodology used by Company's management for the impairment test purposes; • review of reasonableness of accounting estimates made by the management and management's position on whether there are indicators of assets' potential impairment; • review on a test basis of key assumptions and source data used in the impairment tests and their compliance with the approved budgets and business plans, external

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Key audit matter	How our audit addressed the Key audit matter
<p>reporting date, to identify any indications of impairment and its amount.</p> <p>The Company decides on the need to recognise impairment of the above assets following the results of the comprehensive analysis of the current and expected financial position of the related party taking into account impairment criteria established in PBU 19/02 “Accounting for Investments”, and the assessment of the debtor’s solvency, individual specifics, payment dynamics and other factors.</p> <p>We focused on the impairment assessment of investments in and receivables from related parties due to significance of their carrying value and because the assessment process is complicated and requires significant management’s judgements, and impairment provisions for investments and doubtful debts can be significant.</p>	<p>available and reliable information and our expert knowledge of industry specifics;</p> <ul style="list-style-type: none">• review of the collectability analysis performed by management taking into account the solvency analysis of contractors as at the reporting date and other factors considered by management;• review on a test basis of the calculation accuracy and appropriateness of presentation in the financial statements of impairment provisions for investments and doubtful debts;• receipt and analysis of management’s written representations related to performed impairment testing of these assets. <p>Following the results of our procedures, we believe that estimates and judgements made by management with regard to the impairment of investments and accounts receivable of related parties are relevant for the purposes of the attached financial statements.</p> <p>Acceptability of the current estimates made by the Company management for the purpose of the financial statements for the year ended 31 December 2019 does not guarantee that future events that are inherently uncertain would not lead to a significant change in these estimates.</p> <p>In addition, we verified compliance of disclosures in paras 2.5, 2.8, 3.1.2, 3.2.2, 3.2.3, 3.12.5 and 3.12.6 of the explanatory notes to the balance sheet and income statement, with the disclosure requirements as per PBU 1/2008 “Accounting Policy of an Entity”, PBU 4/99 “Accounting Reports of an Entity” and PBU 19/02 “Accounting for Investments”.</p> <p>Our procedures have not identified any findings that evidence that there is a need for any significant adjustments to these financial statements.</p>

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Other information

Management is responsible for the other information. Other information includes PJSC RusHydro's Annual Report for 2019 and Issuer's Report of PJSC RusHydro for Q1 2020, but does not include the financial statements and our auditor's report thereon. PJSC RusHydro's Annual Report for 2019 and Issuer's Report of PJSC RusHydro for Q1 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, when it is made available to us, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read PJSC RusHydro's Annual Report for 2019 and Issuer's Report of PJSC RusHydro for Q1 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the reporting rules established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the accompanying financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report, is Alexey Sergeevich Ivanov.

27 February 2020
Moscow, Russian Federation



A. S. Ivanov, certified auditor (licence No. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Federal Hydro-Generating Company – RusHydro

Record made in the Unified State Register of Legal Entities on 26 December 2004 under State Registration Number 1042401810494

Taxpayer Identification Number 2460066195

660017, Russian Federation, Krasnoyarsk Region, Krasnoyarsk, Dubrovinskogo str. 43, bld. 1

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

BALANCE SHEET

as at 31 December 2019

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**

Taxpayer identification number

Type of activity **Electricity generation by hydroelectric power plants**

Form of incorporation/form of ownership

Public joint-stock company/mixed Russian ownership with a federal ownership share

Measurement unit: **thousands of RR**

Address: **43 Dubrovinskogo Street, bld. 1, Krasnoyarsk, the Krasnoyarsk Territory, Russia, 660017**

Form on OKUD

Date (year, month, day)

OKPO

INN

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OKOPF/OKFC

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2019/12/31

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Financial statements are subject to mandatory audit

YES NO

Name of Audit organization

INN **7705051102**

Main state registration number of the auditing organization

OGRN **1027700148431**

Note	Narrative	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4	5	6
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	722,525	1,069,881	1,266,689
	Results of research and development	1120	1,445,577	1,097,117	919,965
3.1.1	Property, plant and equipment, incl.:	1150	439,267,950	419,083,577	419,635,709
	fixed assets	1151	407,318,930	386,400,848	382,007,571
	construction in process	1152	31,949,020	32,682,729	37,628,138
3.1.2	Financial investments, incl.:	1170	378,472,666	343,606,030	312,148,649
	investments in subsidiaries, associates and other entities	1171	312,802,040	277,477,592	256,729,188
	loans issued	1172	65,670,626	66,128,438	55,419,461
3.1.3	Other non-current assets	1190	3,155,715	2,629,344	4,222,555
	Total Section I	1100	823,064,433	767,485,949	738,193,567
	II. CURRENT ASSETS				
3.2.1	Inventories	1210	4,905,504	4,764,580	4,257,789
3.9	Value added tax on goods purchased	1220	21,763	19,196	29,896
3.2.2	Accounts receivable, incl.:	1230	166,311,613	185,769,592	177,307,580
	accounts receivable (payments expected later than 12 months after the reporting date), incl.:	1231	56,588,545	53,686,557	54,712,960
	buyers and customers	1231.1	34,457	40,851	34,046
	advances issued	1231.2	16,324,465	16,452,881	19,818,663
	promissory notes	1231.3	30,104,837	30,974,036	29,930,792
	loans issued	1231.4	589,251	440,946	2,600,411
	other debtors	1231.5	9,535,535	5,777,843	2,329,048
	accounts receivable (payments expected within 12 months after the reporting date), incl.:	1232	109,723,068	132,083,035	122,594,620
	buyers and customers	1232.1	7,807,953	6,878,677	6,726,244
	advances issued	1232.2	8,805,211	7,058,892	4,275,517
	promissory notes	1232.3	1,810,654	2,342,791	2,384,784
	loans issued	1232.4	88,020,215	94,181,128	64,331,469
	other debtors	1232.5	3,279,035	21,621,547	44,876,606
3.2.3	Financial investments (excl. cash equivalents), incl.:	1240	51,716,177	35,770,730	12,449,757
	bank deposits	1241	46,495,823	29,585,000	163,000
	loans issued	1242	5,220,354	5,584,677	11,685,704
	promissory notes	1243	-	601,053	601,053
3.2.4	Cash and cash equivalents	1250	18,163,423	42,970,607	50,928,587
	Other current assets	1260	11,220	25,926	11,321

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	Total Section II	1200	241,129,700	269,320,631	244,984,930
	TOTAL	1600	1,064,194,133	1,036,806,580	983,178,497

Form 0710001 p. 2

Note	Narrative	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
3.3.1	Charter capital	1310	426,288,814	426,288,814	426,288,814
3.3.2	Revaluation of non-current assets	1340	52,296,157	52,436,936	52,605,896
3.3.3	Additional capital (excl. revaluation)	1350	58,424,543	58,424,543	58,424,543
3.3.4	Reserve capital	1360	17,015,104	15,178,823	13,371,392
	Retained earnings (loss), incl.:	1370	319,954,422	298,876,655	274,993,504
	undistributed profit of previous years	1371	281,309,584	262,151,035	238,844,895
	undistributed profit of the current year	1372	38,644,838	36,725,620	36,148,609
	Total Section III	1300	873,979,040	851,205,771	825,684,149
	IV. LONG-TERM LIABILITIES				
3.4.1	Borrowings and bank loans	1410	120,575,391	128,176,628	71,698,212
3.9	Deferred tax liabilities	1420	21,664,604	19,308,210	17,113,048
3.4.2	Other liabilities	1450	2,798,906	2,840,292	4,264,143
	Total Section IV	1400	145,038,901	150,325,130	93,075,403
	V. SHORT-TERM LIABILITIES				
3.5.1	Borrowings and bank loans	1510	24,003,951	19,768,889	50,257,354
3.5.2	Accounts payable, incl.:	1520	17,026,460	11,702,866	10,563,236
	suppliers and contractors	1521	3,387,878	4,978,070	4,040,338
	payables to employees	1522	190,949	210,649	244,324
	payables to state non-budgetary funds	1523	224,962	143,631	133,808
	taxes payable	1524	5,347,132	5,407,731	5,241,815
	dividends payable	1525	139,385	143,159	140,728
	payables in respect of shares issued	1526	7,000,092	-	-
	other creditors	1527	736,062	819,626	762,223
	Income of future periods	1530	58,033	62,909	66,749
3.5.3	Estimated liabilities	1540	3,150,002	2,863,434	2,976,494
	Other liabilities	1550	937,746	877,581	555,112
	Total Section V	1500	45,176,192	35,275,679	64,418,945
	TOTAL	1700	1,064,194,133	1,036,806,580	983,178,497

Chairman of Management Board – General Director

N. G. Shulginov
(clarification of signature)

Chief accountant

Y. G. Medvedeva
(clarification of signature)

27 February 2020

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STATEMENT OF FINANCIAL RESULTS

for the year ended 31 December 2019

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **thousands of RR**

Form on OKUD
 Date (year, month, day)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES
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2019/12/31
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384

Note	Narrative	Line code	Year ended 31 December 2019	Year ended 31 December 2018
1	2	3	4	5
3.7.1	Revenue	2110	155,180,091	162,813,264
3.7.2	Cost of sales	2120	(93,884,445)	(96,846,861)
	Gross profit	2100	61,295,646	65,966,403
	Profit from sales	2200	61,295,646	65,966,403
3.12.7	Income from participation in other companies	2310	609,121	828,956
	Interest income	2320	10,506,404	8,213,050
	Interest expense	2330	(8,770,597)	(7,772,051)
3.8	Other income	2340	8,946,862	14,839,431
3.8	Other expense	2350	(19,861,099)	(31,978,038)
	Profit before tax	2300	52,726,337	50,097,751
3.9	Current income tax, incl.:	2410	(11,296,863)	(11,044,024)
	permanent tax liabilities	2421	3,105,893	3,195,703
	Change in deferred tax liabilities	2430	(2,384,571)	(2,308,805)
	Change in deferred tax assets	2450	28,177	113,643
	Other	2460	(428,242)	(132,945)
	Net profit	2400	38,644,838	36,725,620
	Gain or loss from other operations not included in the net profit of the period	2520	-	-
	Total financial result for the period	2500	38,644,838	36,725,620
	REFERENCE			
3.11	Basic earnings per share, RR	2900	0,0897	0,0862

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

27 February 2020

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STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **thousands of RR**

Form on OKUD
 Date (year, month, day)
 OKPO
 INN
 OKVED
 OKOPF/OKFC
 OKEI

CODES
0710004
2019/12/31
75782411
2460066195
35.11.2
12247 / 41
384

I. Changes in equity

Narrative	Line code	Share capital	Additional capital	Reserve capital	Retained earnings	Total
1	2	3	4	5	6	7
Equity as of 31 December 2017	3100	426,288,814	111,030,439	13,371,392	274,993,504	825,684,149
for 2018						
Increase of equity, including:	3210	-	-	-	36,747,298	36,747,298
net profit	3211	-	-	-	36,725,620	36,725,620
additional shares issue	3214	-	-	x	x	-
other	3217	-	-	x	21,678	21,678
Decrease of equity, including:	3220	-	-	-	(11,225,676)	(11,225,676)
dividends	3227	x	x	x	(11,225,676)	(11,225,676)
other	3228	-	-	x	-	-
Additional capital change	3230	x	(168,960)	x	168,960	x
Reserve capital change	3240	x	x	1,807,431	(1,807,431)	x
Equity as of 31 December 2018	3200	426,288,814	110,861,479	15,178,823	298,876,655	851,205,771
for 2019						
Increase of equity, including:	3310	-	-	-	38,691,783	38,691,783
net profit	3311	-	-	-	38,644,838	38,644,838
additional shares issue	3314	-	-	x	x	-
other	3317	-	-	x	46,945	46,945
Decrease of equity, including:	3320	-	-	-	(15,918,514)	(15,918,514)
dividends	3327	x	x	x	(15,918,514)	(15,918,514)
other	3328	-	-	x	-	-
Additional capital change	3330	x	(140,779)	x	140,779	x
Reserve capital change	3340	x	x	1,836,281	(1,836,281)	x
Equity as of 31 December 2019	3300	426,288,814	110,720,700	17,015,104	319,954,422	873,979,040

III. Net assets

Narrative	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4	5
Net assets	3600	874,035,715	851,264,699	825,745,329

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

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27 February 2020

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

Organisation **Public joint stock company Federal Hydro-Generating Company - RusHydro (PJSC RusHydro)**
 Taxpayer identification number
 Type of activity **Electricity generation by hydroelectric power plants**
 Form of incorporation/form of ownership
Public joint-stock company/mixed Russian ownership with a federal ownership share
 Measurement unit: **thousands of RR**

Form on OKUD
 Date (year, month, day)
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CODES
0710005
2019/12/31
75782411
2460066195
35.11.2
12247 / 41
384

Note	Narrative	Line code	For 2019	For 2018
1	2	3	4	5
	Cash flows from operating activities			
	Receipts, including:	4110	156 379 288	172,150,669
	sales of products, goods, work and services	4111	153,823,744	161,297,279
	lease payments, license payments, royalties, commissions and other payments	4112	76,519	94,554
3.2.4	other receipts	4119	2 479 025	10,758,836
	Payments including:	4120	(104 334 980)	(105,843,067)
	to suppliers (contractors) – raw materials, works and services	4121	(58,133,991)	(60,098,235)
	wages and salaries	4122	(7,905,598)	(7,434,559)
	interest on debt liabilities	4123	(8,779,770)	(8,404,412)
	corporate income tax	4124	(10,283,801)	(11,343,407)
3.2.4	other payments	4129	(19,231,820)	(18,562,454)
	Net cash flows from operating activities	4100	52,044,308	66,307,602
	Cash flows from investing activities			
	Receipts, including:	4210	51,537,883	13,385,442
	sale of non-current assets (except for investments)	4211	9,022	20,445
	sale of shares of other organisations (ownership interest)	4212	6,427,445	938,998
	from return of loans, sales of debt securities (chosed possession of cash from third parties)	4213	37,600,345	6,925,316
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	7,501,071	5,500,683
3.2.4	other receipts	4219	-	-
	Payments, including:	4220	(118,151,001)	(102,166,109)
	purchase, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(36,613,829)	(16,096,331)
	related to purchase of shares of other organisations (ownership interest)	4222	(31,607,888)	(14,916,732)
	purchase of debt securities (chosed possession of cash from third parties), loans issued	4223	(31,475,029)	(39,648,282)
	borrowing costs included in the cost of the investment assets	4224	(1,522,814)	(2,082,764)
3.2.4	other payments	4229	(16,931,441)	(29,422,000)
	Net cash flows from investing activities	4200	(66,613,118)	(88,780,667)

Form No. 0710005, p 2.

Note	Narrative	Line code	For 2019	For 2018
1	2	3	4	5
	Cash flows from financing activities			
	Receipts, including:	4310	44,278,953	78,436,412

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	borrowings and bank loans	4311	37,278,861	78,436,412
	issue of shares, increase in ownership interest	4313	7,000,092	-
	Payments, including:	4320	(54,518,165)	(64,174,272)
	dividends and other distributions to owners	4322	(15,847,277)	(11,135,333)
	redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(38,669,069)	(53,036,967)
3.2.4	other payments	4329	(1,819)	(1,972)
	Net cash flows from financing activities	4300	(10,239,212)	14,262,140
	Net cash flows for the reporting period	4400	(24,808,022)	(8,210,925)
3.2.4	Cash and cash equivalents at the beginning of the reporting period	4450	42,970,607	50,928,587
3.2.4	Cash and cash equivalents at the end of the reporting period	4500	18,163,423	42,970,607
	Foreign exchange rate difference	4490	838	252,945

Chairman of Management Board – General Director _____

N. G. Shulginov
(clarification of signature)

Chief accountant _____

Y. G. Medvedeva
(clarification of signature)

27 February 2020

I. General information

1.1 Information about the Company

Principal activities of public joint stock company Federal Hydro Generating Company - RusHydro (PJSC RusHydro, hereinafter - the Company) are the generation of electricity (power). The Federal Agency for State Property Management is the Company's major shareholder.

The Company's registered address is: 43, Dubrovinskogo str., bld. 1, Krasnoyarsk, Krasnoyarsk Territory, Russian Federation, 660017. The Company's postal address: 7, Malaya Dmitrovka str., Moscow, Russian Federation, 127006.

As of 31 December 2019 the Company employed 5,531 people (as of 31 December 2018 – 5,538 people, as of 31 December 2017 – 5,547 people).

The Company's shares are traded on MOEX stock exchange (<http://moex.com>). American depositary receipts, each of which corresponds to 100 ordinary shares of the Company are traded on the Main Market of London Stock Exchange and over-the-counter market of the USA.

As of 31 December 2019 the ownership share of the Russian Federation in the Company's share capital amounted to 60.56% excluding the actual additional placement of the Company's shares as part of the current additional issue (see para 3.3.1 of the Explanatory Notes) (as of 31 December 2018 – 60.56%, as of 31 December 2017 – 60.56%). As of 31 December 2019, the ownership share of the Russian Federation in the Company's share capital amounted to 61.20% inclusive of the additional placement of the Company's shares.

As of 31 December 2019 the Company has 22 branches registered in the Russian Federation, including: branch Bureyskaya GES, branch Volzhskaya GES, branch Votkinskaya GES, Dagestan branch, branch Zhigulevskaya GES, branch Zagorskaya GAES, branch Zeiskaya GES, Kabardino-Balkarsky branch, branch Kamskaya GES, Karachaevo-Cherkessky branch, branch Cascade of Verkhne-Volzhsky GES, branch Cascade of Kuban GES, branch Corporate Energy University, branch Nizhegorodskaya GES, branch Novosibirskaya GES, branch Saratovskaya GES, branch Sayano-Shushenskaya GES named after P.S. Neporozhny, Severo-Osetinsky branch, branch Cheboksarskaya GES, Primorsky branch, Yakutskbranch, Khabarovsk branch.

Membership of the Company's Board of directors as of 31 December 2019 is as follows:

- Trutnev Yury Petrovich, Chairman of the Board of Directors, Deputy Prime Minister - Plenipotentiary Representative of RF President in the Far Eastern Federal District;
- Avetisyan Artem Davidovich, head of "New business" stream of autonomous non-profit organization "Agency of strategic initiatives for promotion of new projects";
- Bystrov Maxim Sergeevich, Chairman of the Management Board NP Market Council responsible for organization of effective system of energy power and capacity wholesale and retail;
- Grachev Pavel Sergeevich, General Director of PJSC "Polyus", General Director of LLC "Polyus";
- Kuznetsov Lev Vladimirovich, First Deputy Chairman of the Board of Directors of Intergeo Management company LLC»;
- Livinskiy Pavel Anatolyevich, Chairman of the Board of Directors and General Director of PJSC "Rosseti";
- Manevich Yuri Vladislavovich, Deputy Minister of energy of the Russian Federation;
- Pivovarov Vyacheslav Victorovich, Chief Executive Officer, LLC Altera Capital;
- Rasstrigin Mikhail Alekseevich, Depute Minister of Economic Development of the Russian Federation;
- Rogalev Nikolay Dmitrievich, rector of the Federal State Budget Educational Institution of Higher Education "National Research University "MEI";
- Chekunkov Alexey Olegovich, General Director of JSC " Fund for the development of the Far East and Arctic's;
- Shishkin Andrey Nikolaevich, Vice President for power and localisation PJSC Rosneft; member of Board of PJSC "NK "Rosneft", Chief Executive Officer and Chairman of the Management Board PJSC ANK "Bashneft", General Director of LLC "RN-Aktiv";

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

- Shulginov Nikolay Grigoryevich, Chairman of Management Board, General Director, PJSC RusHydro.

By the decision of the Annual General Meeting of Shareholders dated 02 July 2019 (protocol No.18) Kuznetsov Lev Vladimirovich, Manevich Yuri Vladislavovich, Chekunkov Alexey Olegovich were elected members of Board of Directors, and the powers of Sergey Ivanov, Vyacheslav Kravchenko, and Sergey Shishin were terminated..

As of 31 December 2019 the Company's Management Board includes:

- Shulginov Nikolay Grigoryevich, Chairman of the Management Board, General director,
- Bogush Boris Borisovich, First Deputy General Director, Chief engineer,
- Kazachenkov Andrey Valentinovich, First Deputy General Director,
- Kirov Sergey Anatolyevich, First Deputy General Director,
- Khmarin Victor Victorovich, Deputy General Director.

In 2019 there was no change in the composition of the Company's Management Board. The Company's Board of Directors elected Khmarin Victor Victorovich member of the Management Committee effective from 16 January 2019 (minutes No.281 of 27 December 2018). The Company's Board of Directors terminated the authority of Markin Vladimir Ivanovich (minutes No.283 of 21 February 2019) and Rizhinashvili George Ilyich (minutes No.302 of 26 December 2019).

As of 31 December 2019 members of the Company's Internal Audit Commission included:

- Annikova Natalia Nikolaevna,
- Zobkova Tatiana Valentinovna, Department Division Head, Russian Ministry of Energy,
- Denis Sergeevich Konstantinov, Referent of the Department, Ministry of Economic Development of the Russian Federation,
- Repin Igor Nikolaevich, Deputy Executive Director, Investor protection association,
- Simochkin Dmitry Igorevich, Depute of head of Department of Federal Property Management Agency.

The above members of the Revision Group were elected by the decision of the Annual General Meeting of Shareholders dated 02 July 2019 (protocol No.18).

1.2 The Company's operating environment

The Russian economy displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and customs frameworks continue to develop and are subject varying interpretation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019.

This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future impact of the current economic situation is difficult to predict, and the current expectations and assessments by management may differ from any actual results.

Developing capacity and power wholesale and retail markets possess higher level of risks than developed markets of other products and services. The Company's operations are exposed to financial, legal, country, regional, reputation and other risks.

The Company's risk management policy specifies the continuous efforts to identify risks, assess them and control and also develop and implement actions for addressing the risks, business continuity management in accordance with international and national standards of risk management (GOST R ISO 31000-2010, ISO 31000-2018, COSO ERM 2017 etc.), Code of corporate governance Central Bank of RF, methodological recommendations of the Federal Property Management Agency and the Ministry of Finance of the Russian Federation in the field of risk management and internal control.

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Financial risks

Financial risk includes market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

Financial position of the Company, its liquidity, sources of financing, performance results do not depend significant on changes of rate of exchange and changes of interest rates.

Information about the Company's exposure to financial risks, their reasons and risk management tools is presented in paragraph 3.15 of the Explanatory Notes.

Legal risks

The reasons for legal risks are associated with potential changes in legal and regulatory base including currency and customs regulations, tax legislation and others.

Legal risks in domestic market related to regulation of electricity generation and its sale/purchase, which represent the Company's principal activities, can significantly impact the Company's financial position.

The Company manages these risks by developing a Company-friendly legal framework for operations of the electricity and capacity market. To accomplish this task the Company participates in the processes undertaken by the Russian Ministry of Energy, the NP Market Council and FTS in the area of developing the electric power industry regulations, and carries out continuous monitoring of changes in the legislation.

Legal risks in external market related to currency and customs regulation are insignificant due to insignificant volume of foreign trade transactions the Company participates in, which are managed through legal support and control of these transactions and liability insurance.

Country and regional risks

The reasons for country and regional risks are associated with political and economic situation, the geographic features of the country or the region where the entity operates and (or) is registered as a taxpayer.

Exposure to the country risk can be indirectly assessed, subject to some assumptions, based on the credit rating (the business exposure to political risks is not taken into account). At the end of 2019, Russia's foreign currency obligations were rates as follows: BBB- (Standard & Poor's), Ba1 (Moody's) and BBB- (Fitch). At the same time these three international agencies improved the outlook for Russia's sovereign rating to: stable (Moody's) and positive (Standard & Poor's and Fitch). According to analysts, 'external risks' to Russia have decreased and the Russian economy continuous adjustment to lower feedstock prices.

Also in 2019 international rating agencies raised the long-term credit rating of the Company as follows: Moody's improved the rating to Ba1 with stable outlook, Standard & Poor's – to BB+ with positive outlook, Fitch confirmed the rating at BB+ and revised the outlook from negative to stable.

Russian economy is vulnerable to market downturns and global economic slowdown. At the moment investor's' comprehension of the country risks reduces the net volume of foreign investment in Russia and has a negative influence on the Russian economy. As well as Russia produces and exports large amounts of gas and oil, the Russian economy is especially vulnerable to the changes of international prices of energy resources; the reduction of gas and oil prices significantly affects the Russian economy development. These events may restrict the access of the Company to the capital and have an adverse impact on consumer purchasing power.

In the crisis environment experienced by the financial market and reduction of manufacturing output there is a risk of decrease in electricity demand that may result in reduction of sales and decrease in the Company's revenue and also a risk of increase in accounts receivable due to non-payments by the consumers of electricity.

The management believes that it has been taking all necessary measures to mitigate the impact of these events on its activities: optimization of leverage, optimisation of the obtained borrowed funds, increase turnover of current assets, assessment of the buyers' solvency, diversification of resources use and others.

Due to enhancement of the state control over energy industry the Company pays considerable attention to transparency and confidence of control procedures relating to budget funds expenditure within the Company's and subsidiaries' investment programmes and also develops and improves the corporate internal control system and risk management.

The Russian regions where the Company performs its operations are characterised by peaceful political situation. Probability of war conflicts, strikes, introduction of the state of emergency in these regions is low except for entities located in North-Caucasus Federal District.

However, changes in the Company's business environment in Russia and in the regions of the Company's presence, the nature and frequency of such changes and related risks are hard to predict and so are their effects on the Company's operations in the future. Such risks are largely beyond the Company's control due to their global scale. If the situation is destabilised in Russia or in any Russian regions, the Company will implement crisis management strategies to minimise the risk of the negative effect of the situation on the Company to the fullest extent possible.

To manage the risks the Company is implementing a complex action plan to enhance safety of the Company's facilities under which the existing plan on ensuring safety at the power plants, including those under construction is amended.

Reputation risks

Reputation risks are associated with negative perception of the quality of Company's products, works, services sold, the ability to meet the deadlines for payment discipline, work performance, etc.

The Company assesses its exposure to these risks as low due to the fact that the Company sells electricity and capacity in the wholesale market and has high and sustainable reputation in the market.

To manage these risks the Company analyses key indicators of reputation risks based on the forecast of changes in the share of positive references of the Company in mass media, control over compliance with production discipline, cooperating actively with all stakeholders to maintain high reputation. The company organizes public events jointly with interested parties; special events for mass media, analytics and investors. Also, the Company regularly updates information on official Internet sources and prepares official comments on key activities questions.

Besides the Company takes measures to prevent corruption. Anti-corruption policy, the code of conduct, regulations on the procedure of the employer's notification about inducement of personnel to unlawful acts, gifts, conflict of interests arrangement procedures etc. are adopted by the Company. The "Trust line" acts on an on-going basis.

The Company works closely with Ministry of energy, Federal tax service, Federal financial monitoring service within the anti-corruption and control of fraud activities.

Other risks

To manage the risks the Company focuses on other operating risks including risk of capital construction, industry risk, production risk, risk of hydraulicity, risks associated with compliance with legislation on labour safety, risks of industrial safety, environmental risks and risks associated with the third parties' activities and others.

The reasons for these risks are associated with the industry-specific factors that are relevant to the operations, condition of property, plant and equipment. There is an exposure to these risks, degree of possibility of events is at statistically average or low levels. On a permanent basis, the Company implements actions for monitoring the risks and decreasing the probability of their occurrence and severity of the potential adverse consequences including assignment of responsibility, control, diversification and insurance.

II. Accounting policies

These statutory financial statements have been prepared on the basis of the following accounting policies:

2.1 Basis of presentation

The Company's statutory financial statements are prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation provided for by the Federal Law "On Accounting" and "Regulation on Accounting and Reporting in the Russian Federation" as well as other accounting regulations approved by the Russian Ministry of Finance, subject to the rules and assumptions described in the Company's accounting policies.

Assets are valued at actual costs, excluding fixed assets of subsidiaries and dependent companies (hereinafter referred to as "SDCs") received in 2008 in connection with the merger of SDCs into the Company; Financial investments, for which the current market value is determined; assets, for which, in accordance with established procedure, reserves were created to reduce their value (impairment).

2.2 Assets and liabilities denominated in foreign currency

Business transactions in foreign currencies were recorded using the official Rouble exchange rate as of the date of the relevant transaction. Cash on hand and in bank accounts (bank deposits), cash and payment documents, accounts receivable (except for advances received and issued and prepayments) including loans receivable and payable, denominated in foreign currencies are recorded in the financial statements in the amounts calculated based on the official currency exchange rates effective as of the reporting date. The exchange rates were as follows: USD 1 = RUB 61.9057 as of 31 December 2019 (31 December 2018: USD 1 = RUB 69.4706, 31 December 2017: USD 1 = RUB 57.6002), EUR 1 = RUB 69.3406 as of 31 December 2019 (31 December 2018: EUR 1 = RUB 79.4605, 31 December 2017: EUR 1 = RUB 68.8668) and CNY 1 = RUB 8.85937 as of 31 December 2019 (31 December 2018: CNY 1 = RUB 10.0997).

Exchange differences arising during the year from translation (including those as of the reporting date) of foreign currency-denominated assets and liabilities payable in foreign currencies or Russian roubles were reported in the statement of financial results as other income or expenses.

2.3 Accounting for assets and liabilities

In the balance sheet investments, accounts receivable and accounts payable, including bank credits and estimated liabilities, are treated as short-term if the term of their circulation (maturity) does not exceed 12 months after the reporting date. Other assets and liabilities are recognised as long-term. Interest on loans issued and other investments are recorded in the balance sheet line 1230 "Accounts receivable"; interest on bank credits and loans received are recorded in the balance sheet line 1510 "Borrowings".

Advances to the suppliers of equipment and capital construction contractors are recognised in line 1230 "Accounts receivable".

Advances issued and received are recorded in the balance sheet including VAT. VAT on advances issued and received is recognised on a gross basis in the balance sheet line 1260 "Other current assets", 1450 "Other liabilities" and 1550 "Other liabilities", respectively.

Deferred tax asset and deferred tax liability are recognized on the balance sheet on a net basis.

2.4 Property, plant and equipment and construction-in-progress

Property, plant and equipment are accounted for in accordance with the Russian Accounting Regulation "Accounting for property, plant and equipment" (RAR 6/01).

Property, plant and equipment include land, buildings, facilities, machinery, equipment, transport vehicles and other assets whose useful lives are over 12 months.

Property, plant and equipment are recognised at their historical cost equal to actual acquisition (construction, production) cost. At the same time, fixed assets received in 2008 in connection with the merger of a number of subsidiaries and affiliates to the Company, are accounted for at their market value determined by an independent appraiser.

The acquired property, plant and equipment with historical cost of below RUB 40 thousand per unit are accounted for within inventories.

Real property assets which have been constructed, put into operation and are actually used but the title to which was not registered under the procedure established by the effective legislation are accounted for within property, plant and equipment in a separate line.

Property, plant and equipment are recognised on the balance sheet at historical cost less depreciation, while fixed assets received in 2008 due to the merger of a number of subsidiaries and affiliates to the Company are depicted at historical cost less depreciation accumulated from the time of independent valuation in order to merge with the subsidiaries.

The Company does not perform the revaluation of property, plant and equipment items.

Useful lives of the acquired property, plant and equipment including those which had been in operation before the acquisition, received as a contribution to the share capital or under legal succession in connection with restructuring, are established by the review committee for commissioning of a facility based on the Classification of the Company's property, plant and equipment when PP&E item is initially recognised. Useful lives of assets which were in use in prior periods are determined with consideration to the number of years (months) they were used by the previous owner.

The adopted standard useful lives by groups of property, plant and equipment in accordance with the Classification of the Company's property, plant and equipment are presented below.

Property, plant and equipment group	Useful lives of property, plant and equipment (years) on the balance sheet
Facilities and transmission equipment	3 to 100
Machinery and equipment	1 to 40
Buildings	7 to 75
Other	1 to 20

Depreciation of property, plant and equipment is accrued on a straight-line basis proceeding from their historical values and depreciation rates calculated based on their useful lives.

Depreciation is not accrued on:

- land plots and natural resources;
- fully depreciated assets that are still on the balance sheet.
- assets that are temporarily shutdown for more than three months and during the restoration period which exceeds twelve months.

Gains and losses on disposal of property, plant and equipment are recorded in the statement of financial results within other income and expenses.

Construction-in-progress includes real estate assets under construction, which have not been put into operation, equipment to be installed and other investments in non-current assets which are not included in PP&E. Equipment which does not require installation, stored in the warehouse and intended for assets under construction are recorded within construction-in-progress in a separate line.

These items are recognised in the balance sheet line 1150 "Property, plant and equipment".

Interest on borrowings raised for the purposes directly related to acquisition, construction and/or manufacture of investment assets, accrued prior to initial recognition of the assets is included in

their historical cost; that accrued after the initial recognition of the assets are recognised in the statement of financial results within other expenses.

Interest on borrowings raised for the purposes not related to acquisition, construction and/or manufacture of investment assets, but actually used to purchase the investment assets are included in the cost of investment assets in proportion to the share of the above borrowings in total amount of borrowings raised for the purposes not related to acquisition, construction, manufacture of investment assets.

Leased PP&E items are recognised in off-balance-sheet accounts at cost specified in the lease agreement/determined based on the acceptance certificate. If the lease agreement and acceptance certificate does not specify the cost of these assets, property, plant and equipment with respect to the land that has cadastral value, it is recorded at its cadastral value.

2.5 Investments

Investments are accounted for in accordance with the Russian Accounting Regulation "Accounting for investments" (RAR 19/02), taking into account the rules adopted by the Company for reflecting financial investments in subsidiaries that have a current market value at the reporting date or earlier.

Investments include:

- contributions to the share capital of other entities (including subsidiaries);
- debt securities (including bonds, promissory notes);
- deposits in credit institutions except for short-term deposits classified as cash equivalents (paragraph 2.9 of the Explanatory Notes);
- interest-bearing loans issued to other entities;
- government and municipal securities and other investments.

The initial cost of financial investments purchased at a charge is the sum of the Company's actual expenses for their acquisition.

The Company's actual costs to purchase investments represent the historical cost of investments purchased at a charge.

The historical cost of investments in the Company's share capital is presented by their monetary value agreed by the Company's founders, if not specified otherwise by the Russian legislation.

The historical cost of financial investments in the form of contributions to the share capital obtained as a result of conversion of the Company held shares (equity stakes) of entities reorganized in the form of mergers, acquisitions and transformations, is the sum of carrying amounts of shares (equity stakes) of such entities as per the accounting records as of the date of completion of the reorganization.

Difference between the historical cost and nominal value of debt securities for which current market value is not determinable, is recorded on a straight-line basis during the period of their circulation and is recognised in the Company's financial results within other income (expenses). When investments for which current market value is not determinable are disposed, they are carried at book value of each unit of these investments except for issuance securities (shares, bonds) which are disposed under FIFO; when investments for which current market value is determinable under the established procedure are disposed - based on the latest valuation.

The Company discloses information about measurement at discounted value, the amount of the discounted value of debt securities of other related parties and loans issued to them.

Income and expenses associated with investments are reported within other income or expenses. Interest on loans issued and other income claims from investments are recognised in the balance sheet line 1230 "Accounts receivable".

Investments, the current market value of which can be determined under the established procedure, with the exception of contributions to the authorized capital of subsidiaries, are recognised on the balance sheet at their current market value as of the end of each reporting period (on a quarterly basis). The difference between the value of these investments as of the current reporting date and their prior value is recorded within other income and expenses.

Current market value of the securities which are traded by the institutors of trading is determined at market prices established at MOEX stock exchange (<http://moex.com>).

Investments for which no current market value is determinable are recorded on the balance sheet at their initial value, except for investments for which there are indications that the decline in their value (impairment) is significant and non-temporary as of the reporting date.

Investments in subsidiaries that have a current market value at the reporting or earlier date

The Company records investments in charter capital of its subsidiaries (irrespective of current market quotes available for them) within financial investments that are not revalued at current market value. These financial investments on the Company's balance sheet include: AO RAO Energy Systems of the East, PAO Yakutsenrgo and PAO DEK, i.e. entities obtained in 2011-2013 as a result of the Company's additional share issues, and shares of PAO Kamchatskenergo that were received in 2019 following the reorganisation of the subsidiaries AO Geoterm and PAO Kamchatsky Gas Energy Complex through their merger with PAO Kamchatskenergo.

Financial investments in the shares of AO RAO Energy System of the East, PAO Yakutsenergo and PAO DEK are recorded at value that is agreed with the Company's shareholders, including the controlling shareholder - the Russian Federation represented by the Federal Agency for State Property Management. The value measurement is based on an independent market appraisal.

Financial investments into the shares of PAO Kamchatskenergo are recorded in the amount equal to the sum of the carrying amounts of the shares of AO Geoterm and PAO Gas Energy Complex as per the Company's accounting records as of the date of completion of the reorganization.

In accordance with para 20 of PBU 19/02, investments the fair market value of which is determinable under the established procedure are recorded in year-end financial statements at their current market value that is derived by adjusting their value as at the prior reporting date. In accordance with para 24 of PBU 19/02, if no current market value can be determined at the reporting date for investments that were earlier carried at market value, such investments should be recorded at their latest value.

Management of the Company does not follow the Accounting Regulation "Accounting for Investments" (PBU 19/02) in the part related to accounting for investments in subsidiaries that have a current market value as at the reporting or earlier date and has not performed any market revaluation of such investments after they were obtained.

Management of the Company believes that market quotes do not fairly present the estimated value of the Company's controlling stakes in its subsidiaries at relevant dates because the number of shares traded in the market is not representative: less than 1% of the total number of outstanding shares are daily traded in the market.

In 2016 the interest of RusHydro Group (RusHydro Group means the Company and entities that the Company controls directly or through other subsidiaries) in AO RAO Energy Systems of the East increased from 86.20% to 99.98% as a result of the consolidation process by buying shares from minority shareholders. In 2016, shares of AO RAO Energy Systems of the East stopped being quoted and in 2017 the company was de-listed from the Moscow Exchange and removed from quotation lists.

The Company's management plans to benefit from investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company by controlling their business operations rather than from their market value fluctuations. In view of these circumstances and taking into account the fact that the Company has no plans to sell these investments, in accordance with para 6 of the Russian Accounting Regulation "Accounting Reports of an Entity" (PBU 4/99), approved by order No. 43n of the Russian Ministry of Finance of 6 July 1999, the Company decided not to follow the accounting rules and not to perform any market revaluation of its investments in OAO RAO Energy Systems of the East, OAO Yakutskenergo and OAO Far East Energy Company after their purchase date.

Therefore, the valuation approach used by the Company to record these investments, i.e. at value that is agreed with the shareholders and is based on an independent market appraisal, allows to avoid inappropriate presentation of the Company's financial position and financial results.

Additionally, the Company's management reviewed IAS 27 "Separate Financial Statements", IFRS 9 "Financial Instruments" and IFRS 13 "Fair Value Measurement".

IAS 27 sets the rules of recognizing investments in subsidiaries, joint ventures and associates in the process of preparing separate financial statements. In accordance with para 10 of IAS 27, an

entity can choose to account for such investments at cost or in accordance with IFRS 9 at fair value. IFRS 13 gives the highest priority in fair value measurement to quoted prices in active markets for identical assets. The term 'active market' is defined as one in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The market for investments under review is not deemed active.

The alternative accounting treatment of investments in subsidiaries as per IAS 27, i.e. at cost without any revaluation at market quotes, complies with the Company's accounting policies that provide for the departure from the Accounting Regulation "Accounting for Investments" (PBU 19/02).

Impairment of financial investments

Investments are tested for their impairment once a year as of 31 December of the reporting year, if there are indications of impairment.

The Company accrues the impairment provision for the amount of difference between carrying (book) value and estimated value of the investments with regard to investments for which significant and constant impairment indicators are proved by impairment test. The estimated value of investments is determined based on the data about net assets, revenue, composition of expenses, schedule of projects financing and other factors.

Despite of the fact that well-grounded judgements are applied to determine the estimated value of investments, there are unavoidable limitations as in any valuation technique. Therefore, the estimated value represents the Company management's best estimate based on all the information available as of the reporting date. Future events will also have impact on determining the estimated value and impact of such events can be significant for the Company's financial statements.

2.6 Inventories

Inventories are accounted for in accordance with the Russian Accounting Regulation "Accounting for inventories" (RAR 5/01).

Inventories are accounted for at their actual cost of acquisition (production).

If market value of inventories as of the end of the reporting year is below their historical cost including due to on-going (long-term) price reduction, Company makes a provision in the amount of inventory impairment which is charged against increase in other expenses. Such inventories are recognised on the balance sheet net of the inventories' impairment provision.

The average cost method is applied to determine the material expenses when writing-off inventories used to produce goods (provide services).

2.7 Expenses of future periods

Expenses incurred by the Company in the reporting period but related to future reporting periods (payments under voluntary and mandatory insurance of property and employees, one-off payments to purchase licenses and other expenses) are recorded as expenses of future periods. These expenses are written-off for the purpose intended on a straight-line basis during the periods which they relate to.

Expenses of future periods to be written-off during the period exceeding twelve months are recognised on the balance sheet as non-current assets in line 1190 "Other non-current assets"; those to be written-off during twelve months - in line 1210 "Inventories".

2.8 Accounts receivable

Trade receivables are accounted for in the amount of services provided, works performed, good dispatched at justified prices and established tariffs. Settlements with other debtors are recognised for accounting and reporting purposes based on the contractual prices. Accounts receivable include non-interest-bearing promissory notes and non-interest-bearing loans issued.

Accounts receivable which are overdue or unlikely to be repaid by the contractual deadlines and are not secured by guarantees, pledges or otherwise, are recognised on the balance sheet net of doubtful debt provision. The provision is based on the conservative assessment made by the Company's management with regard to the portion of receivables which is unlikely to be repaid.

The provision amount is separately determined based on the unbiased information about solvency of the specific debtor and assessment of probability of receivables repayment in full or partially.

Accrual (release) of doubtful debts provision increases other expenses (income).

Uncollectable receivables are written-off when recognized as such. These receivables are recorded in off-balance-sheet accounts over five years after the debt is written off for monitoring whether there is a possibility of their collection in case of any changes in the debtor's property status.

2.9 Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents comprise current highly liquid investments, which are readily convertible into a predictable amount of cash and are exposed to an insignificant risk of changes in value.

The Company recognises short-term bank deposits with a maturity of up to three months (not longer than 91 days) within cash equivalents if they are treated as funds used for settlements and repayment of liabilities, not intended for investment and other purposes.

The Company's cash flows which cannot be clearly attributed to cash flows from operating, investing or financing activities are included in the cash flows from operating activities in the statement of cash flows. Such cash flows include receipts and payments related to financial instruments of forward deals.

The following items are presented on a net basis in the statement of cash flows:

- indirect taxes within receipts from buyers and customers and payments to suppliers and contractors;
- cash flows in connection with placement and refunds of cash in short-term bank deposits (with a maturity of more than three months) within the same reporting period and included in the line 4219 "Other receipts" and in the line 4229 "Other payments".

Cash receipts and payments do not include cash flows changing the structure of cash equivalents, but not changing their total amount.

2.10 Share capital, additional and reserve capital

The Company's share capital has been recorded in the amount of the nominal value of ordinary shares purchased by shareholders. The share capital is equal to the amount specified in the Company's Charter.

When the share capital is increased through placement of additional shares, transactions associated with the formation of the share capital are accounted for when the respective changes made in the Company's constituent documents are registered.

The Company's additional capital includes share premium resulted from placement of the Company's shares at price exceeding their nominal value and total of additional capital of subsidiaries, associates merged into the Company during the 2008 reorganisation.

In accordance with legislation the Company forms a reserve fund in the amount of 5% of the share capital. The amount of mandatory annual deductions to reserve fund is 5% of the Company's net profit until it reaches the specified level.

2.11 Loans and bank credits received

Loans and bank credits are accounted for in accordance with the Russian Accounting Regulation "Accounting for loans and bank credits" (RAR 15/2008).

Loans payable are stated inclusive of interest payable as of the end of the reporting period according to the loan agreements.

Interest is accrued on a monthly basis at the end of each reporting period. If a lender provides for interest calculation attributable to different reporting periods, the amount of interest shall be allocated and included in the amount payable separately for each month.

Additional expenses incurred in connection with borrowings are charged to expenses of future periods with subsequent straight-line inclusion in other expenses over the repayment period.

2.12 Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company recognises estimated liability, which meets the recognition criteria established in the Russian Accounting Regulation "Estimated liabilities, contingent liabilities and contingent assets" (RAR 8/2010).

The Company recognises an estimated liability:

- for earned but unused employee vacations, which is determined as of the end of the reporting year with reference to the number of unused vacation days of each employee at the reporting date and employee's average salary, inclusive of insurance contributions;
- on payment of bonuses for the results of work for the fourth quarter and year, the value of which at the end of the reporting year is determined based on the forecast of performance of internal corporate key performance indicators, taking into account insurance premiums;
- in other cases provided by RAR 8/2010.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recorded on the balance sheet, but instead are disclosed in the Explanatory Notes to the balance sheet and statement of financial results.

Contingent liability (contingent asset) arises as a result of past business events when existence of a liability (asset) of the Company at the reporting date depends on occurrence (non-occurrence) of future uncertain events, which are beyond the Company's control.

Contingent liability is disclosed in the Explanatory Notes to financial statements, except where the likelihood of a decrease in economic benefits associated therewith is remote. Contingent asset is disclosed in the Explanatory Notes when the inflows associated therewith are probable. There is a need to disclose its estimated amount or a range of estimated amounts, if such values are identifiable.

2.13 Revenue recognition

Revenue from sales of products (provision of services) is recognized on an accrual basis (as the products/services are delivered/provided and relevant settlement documents presented to buyers). Revenue is presented net of value added tax.

Other revenues of the Company include:

- proceeds from sale of property, plant and equipment, investments and other assets;
- interest received in connection with providing the Company's cash for use, interest for the bank's use of cash sitting on the Company's bank accounts in the bank, interest for the commodity credit and interest on the acquired interest-bearing notes of the third parties - in accordance with interest provision in the note when presenting it for payment. The Company recognises the above income in the statement of financial results in line 2320 "Interest income";
- income from participation in share capital of other entities (dividends) is recognised by Company when announced and included in the statement of financial results in line 2310 "Income from participation in other entities";
- income from transactions with derivatives when the respective trading positions are closed;
- fines, penalties and interest for breaching contractual terms;
- prior year profit identified in the reporting year (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- other proceeds (income) according to the Russian Accounting Regulation "Income of an organisation" (RAR 9/99) (including income in the form of insurance indemnity).

2.14 Recognition of expenses

Accounting for expenses is regulated by the Russian Accounting Regulation "Expenses of an organisation" (RAR 10/99) under which the Company's expenses are divided into general expenses and other expenses.

Administrative expenses are written-off against the cost of goods produced (services provided).

General expenses are recognised in the reporting period wherein they were incurred irrespective of the actual closure of accounts payable.

Expenses shall be accounted for irrespective of the intention to generate revenue or other income and their form.

Other expenses include:

- expenses incurred in disposal and other write-off of property, plant and equipment, investments and other assets;
- interest paid by the Company for provided cash (bank credit, loans); the Company recognises these expenses in the statement of financial results in line 2330 "Interest expense";
- expenses incurred in payment of services provided by credit institutions;
- doubtful debts provision calculated on the basis of the reporting period results in accordance with the Company's accounting policies (see paragraph 2.8 of the Explanatory Notes);
- expenses from transactions with derivatives;
- fines, penalties and interest for breaching contractual terms, compensation of losses caused by the Company;
- prior year losses identified in the reporting period (considering the requirements of the Russian Accounting Regulation "Correction of errors in accounting and reporting" (RAR 22/2010);
- charity;
- expenses incurred as a result of extraordinary events in business operations (natural disaster, fire, accident, etc.)
- other expenses according to RAR 10/99.

2.15 Changes in the accounting policies

There are no significant changes in the Company's accounting policies for 2019. In connection with the enactment from 1 January 2020 of amendments to Accounting Regulation PBU 18/02, *Accounting for Income Tax Calculations* (hereinafter – PBU 18/02), the Company will record in its 2020 financial statements significant amounts of additional deferred tax liabilities related to temporary differences between the accounting and tax bases of PP&E items that the Company received in 2008 in the reorganisation process. These temporary differences primarily relate to valuation of PP&E items received in the reorganisation process at their market value the effect of which was recognised in capital. The application of amendments to PBU 18/02 in 2020 will result in a significant increase of deferred tax liabilities and the decrease of the Company's net assets.

III. Disclosure of material indicators

3.1 Non-current assets (Section I of the balance sheet)

3.1.1 Property, plant and equipment (line 1151 of the balance sheet), construction-in-progress (line 1152 of the balance sheet),

PP&E group	Net book value		
	31 December 2019	31 December 2018	31 December 2017
Line 1151 Property, plant and equipment, including:			
Facilities and transmission equipment	191,290,267	185,392,424	189,106,570
Machinery and equipment	175,606,848	162,475,547	153,576,797
Buildings	39,947,377	38,193,154	38,903,183
Production and maintenance tools	239,868	154,162	219,985
Land plots	37,765	3,825	3,825
Motor vehicles	4,760	4,808	5,076
Other types of property, plant and equipment	192,045	176,928	192,135
Total line 1151 "Property, plant and equipment"	407,318,930	386,400,848	382,007,571

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

Availability and movement of property, plant and equipment

Narrative	Period	At the beginning of the year		Changes for the period				At the end of the year	
		Cost	Accumulated depreciation	Additions	Disposals		Depreciation accrued	Cost	Accumulated depreciation
					Cost	Accumulated depreciation			
Property, plant and equipment including:	2018	497,088,932	(115,081,361)	21,583,893	(2,369,392)	1,390,222	(16,211,446)	516,303,433	(129,902,585)
	2019	516,303,433	(129,902,585)	37,957,149	(1,402,823)	1,046,508	(16,682,752)	552,857,759	(145,538,829)
Facilities and transmission equipment	2018	227,619,616	(38,513,046)	1,469,242	(911,617)	308,151	(4,579,922)	228,177,241	(42,784,817)
	2019	228,177,241	(42,784,817)	10,762,725	(293,653)	121,125	(4,692,354)	238,646,313	(47,356,046)
Machinery and equipment	2018	222,488,866	(68,912,069)	19,731,613	(1,194,314)	991,944	(10,630,493)	241,026,165	(78,550,618)
	2019	241,026,165	(78,550,618)	24,273,594	(1,055,998)	896,509	(10,982,804)	264,243,761	(88,636,913)
Buildings	2018	45,469,415	(6,566,232)	343,297	(236,407)	63,147	(880,066)	45,576,305	(7,383,151)
	2019	45,576,305	(7,383,151)	2,682,078	(44,005)	19,715	(903,565)	48,214,378	(8,267,001)
Motor vehicles	2018	13,631	(8,555)	610	(350)	350	(878)	13,891	(9,083)
	2019	13,891	(9,083)	802	(123)	123	(850)	14,570	(9,810)
Production and maintenance tools	2018	1,083,948	(863,963)	32,052	(25,153)	25,143	(97,865)	1,090,847	(936,685)
	2019	1,090,847	(936,685)	167,590	(8,326)	8,318	(81,876)	1,250,111	(1,010,243)
Land plots	2018	3,825	-	-	-	-	-	3,825	-
	2019	3,825	-	33,940	-	-	-	37,765	-
Other types of property, plant and equipment	2018	409,631	(217,496)	7,079	(1,551)	1,487	(22,222)	415,159	(238,231)
	2019	415,159	(238,231)	36,420	(718)	718	(21,303)	450,861	(258,816)

* Cost of property, plant and equipment received in 2017 and depreciation for the period includes cost of property, plant and equipment repurchased at the expiration of the lease agreements of RUB 1,150 thousand and accumulated depreciation of RUB 998 thousand. Exposure of leased property, plant and equipment is described in paragraph 3.6.1 of the Explanatory Notes.

PJSC RusHydro**Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results**

(in thousands of Russian Roubles unless otherwise stated)

Changes in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction or partial liquidation

Narrative	2019	2018
Increase in the cost of property, plant and equipment as a result of further construction, re-equipping, reconstruction including:		
	14,464,735	11,168,423
Machinery and equipment	12,558,103	10,120,760
Facilities and transmission equipment	1,713,963	946,301
Buildings	180,001	89,219
Business and administrative equipment and stock	12,668	12,143
Decrease in value of property, plant and equipment as a result of partial liquidation including:		
	65,789	85,480
Machinery and equipment	53,257	79,915
Other types of property, plant and equipment	12,532	5,565

Other use of property, plant and equipment

Narrative	31 December 2019	31 December 2018	31 December 2017
Leased out PP&E recognised on the balance sheet	933,624	1,023,323	1,307,710
Leased PP&E recognised in the off-balance-sheet accounts	19,607,431	36,256,016	35,760,269
Real estate assets which were put into operation and actually used but are in the process of state registration	583,758	855,906	1,177,504
PP&E that have been temporarily shut down	100,933	100,373	70,630

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

Construction-in-progress and purchase of property, plant and equipment

Narrative	Period	At the beginning of the year	Changes for the period				At the end of the year
			Costs for the period	Written off	Other movement*	Recognised as PP&E or uplifted	
Construction-in-progress and purchase of property, plant and equipment and income-bearing investments in tangible assets, including:	2018	37,628,138	16,731,593	(84,725)	(8,384)	(21,583,893)	32,682,729
	2019	32,682,729	37,541,941	(271,766)	(46,735)	(37,957,149)	31,949,020
Construction-in-progress	2018	32,213,967	8,978,761	(79,550)	8,687,530	(21,356,548)	28,444,160
	2019	28,444,160	11,754,634	(256,943)	12,136,900	(23,920,362)	28,158,389
Incomplete transactions on purchasing property, plant and equipment and income-bearing investments in tangible assets	2018	22,126	236,087	-	-	(227,345)	30,868
	2019	30,868	14,044,602	-	-	(14,036,787)	38,683
Equipment for installation	2018	5,392,045	7,516,745	(5,175)	(8,695,914)	-	4,207,701
	2019	4,207,701	11,742,705	(14,823)	(12,183,635)	-	3,751,948

* *Transfer of equipment for installation, reclassification of equipment to be installed to construction-in-progress and other movement not related to transfer of assets to property, plant and equipment*

3.1.2 Long-term investments (line 1170 of the balance sheet)

Line 1170 "Financial investments" includes contributions to share capital of subsidiaries, associates and other entities, debt securities and long-term loans issued to subsidiaries and associates:

Narrative	31 December 2019	31 December 2018	31 December 2017
Investments in subsidiaries	300,608,691	264,822,665	237,255,462
Investments in associates	11,110,528	11,110,533	11,110,533
Investments in other entities	1,082,821	1,544,394	8,363,193
Long-term loans issued	65,670,626	66,128,438	55,419,461
Total line 1170 "Financial investments"	378,472,666	343,606,030	312,148,649

Exposure of long-term investments to financial risks is described in paragraph 3.15 of the Explanatory Notes.

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

Availability and movement of long-term investments

Narrative	Period	At the beginning of the year		Changes for the period					At the end of reporting period	
		Cost	Accumulated adjustment*	Additions	Changes in current market value	Disposed (settled)		Other movements**	Cost	Accumulated adjustment*
						Cost	Accumulated adjustment*			
Long-term investments including:	2018	349,413,021	(37,264,372)	45,454,406	1,447,945	(13,581,489)	3,331,083	(5,194,564)	381,285,938	(37,679,908)
	2019	381,285,938	(37,679,908)	41,862,346	-	(2,128,752)	1,170,595	(6,037,553)	421,019,532	(42,546,866)
Investments in subsidiaries	2018	262,832,793	(25,577,331)	34,245,968	-	(1,484,201)	-	(5,194,564)	295,594,560	(30,771,895)
	2019	295,594,560	(30,771,895)	41,823,584	-	(1,170,600)	1,170,595	(6,037,553)	336,247,544	(35,638,853)
Investments in associates	2018	11,110,533	-	-	-	-	-	-	11,110,533	-
	2019	11,110,533	-	-	-	(5)	-	-	11,110,528	-
Investments in other entities	2018	13,151,099	(4,787,906)	-	1,447,945	(11,597,827)	3,331,083	-	1,553,272	(8,878)
	2019	1,553,272	(8,878)	-	-	(461,573)	-	-	1,091,699	(8,878)
Long-term loans issued	2018	55,419,461	-	11,208,438	-	(499,461)	-	-	66,128,438	-
	2019	66,128,438	-	38,762	-	(496,574)	-	-	65,670,626	-
Debt securities	2018	6,899,135	(6,899,135)	-	-	-	-	-	6,899,135	(6,899,135)
	2019	6,899,135	(6,899,135)	-	-	-	-	-	6,899,135	(6,899,135)

* Accumulated adjustment includes difference between original and current market value of investments for which current market value can be determined; difference between original and current market value of investments for which current market value is not determinable; provision for impairment of investments.

** Other movements include changes in provision for impairment of investments, accrual of discount on debt securities and reclassification within the balance sheet line 1170 "Investments".

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

(a) Investments in subsidiaries, associates and other entities

The balance sheet line 1170 "Investments" includes the below investments in subsidiaries, associates and other organisations:

Subsidiaries and associates and other entities	31 December 2019		31 December 2018		31 December 2017	
	Carrying amount	Share, %	Carrying amount	Share, %	Carrying amount	Share, %
Subsidiaries	300,608,691		264,822,665		237,255,462	
JSC Zagorskaya GAES-2	69,690,959	100.00%	69,690,959	100.00%	60,690,959	100.00%
JSC Nizhne-Bureiskaya GES	38,392,690	100.00%	38,392,690	100.00%	14,610,990	100.00%
JSC Sakhalinskaya GRES-2	24,228,585	100.00%	15,011,980	100.00%	15,011,980	100.00%
JSC Ust-Srednekanskaya GES	23,111,468	67.82%	23,111,468	67.82%	23,111,468	67.82%
JSC Yakutskaya GRES-2	22,773,258	100.00%	16,861,500	100.00%	16,861,500	100.00%
JSC CCGT in the City of Sovetskaya Gavan	22,370,816	100.00%	13,843,500	100.00%	13,843,500	100.00%
JSC RAO ES of East	18,495,247	84.39%	18,495,247	84.39%	18,495,247	84.39%
JSC Zaramagskie GES	17,216,208	99.75%	17,216,208	99.75%	17,216,208	99.75%
PJSC Kolymaenergo	13,186,557	98.76%	13,186,557	98.76%	13,186,557	98.76%
JSC Sulakskiy Hydrocascade	10,161,830	100.00%	11,479,768	100.00%	10,093,589	100.00%
AO BoGES Holding Company	10,114,189	100.00%	500	100.00%	500	100.00%
AO Chukotenergo *	7,542,016	97.90%	-	-	-	-
JSC Malaya Dmitrovka	6,394,219	100.00%	6,394,219	100.00%	6,394,219	100.00%
JSC ESK RusHydro	4,304,234	100.00% -1 share	3,358,306	100.00% -1 share	3,358,306	100.00% -1 share
JSC Blagoveschenskaya TEC	4,285,020	100.00%	4,285,020	100.00%	4,285,020	100.00%
PJSC Yakutskenergo**	1,670,826	29.80%	1,670,826	29.80%	1,670,826	29.80%
JSC Lenhydroproject	1,384,713	100.00%	3,260,000	100.00%	3,260,000	100.00%
PJSC Kamchatskenergo ***	1,114,964	13.93%	-	-	-	-
JSC Leningradskaya GAES	872,190	100.00%	1,986,960	100.00%	1,986,960	100.00%
JSC NIIES	822,437	100.00%	1,066,620	100.00%	1,066,620	100.00%
OJSC P. S. Neporozhny Sayano-Shushenskaya HPP	588,848	100.00%	588,848	100.00%	588,848	100.00%
JSC Transport company Rushydro	519,470	100.00%	7,270	100.00%	7,270	100.00%
LLC Verkhnebalkarskaya MGES	459,982	100.00%	937,228	100.00%	937,228	100.00%
RusHydro CAC JSC	38,653	100.00%	49,672	100.00%	2,992,969	100.00%
JSC Geoterm***	-	-	2,493,352	99.74%	2,425,264	99.65%
PJSC Kamchatsky gas and energy complex***	-	-	530,843	96.58%	530,843	96.58%
JSC Gidroinvest***	-	66.81%	-	66.81%	3,254,867	100.00%
Other	869,312	-	903,124	-	1,373,724	-
Associates:	11,110,528	-	11,110,533	-	11,110,533	-
PJSC Irkutsk Electric Grid Company	8,543,297	42.75%	8,543,297	42.75%	8,543,297	42.75%
PJSC Sakhalin energy company	2,567,226	26.94%	2,567,226	26.94%	2,567,226	26.94%
Other	5	-	10	-	10	-
Other entities:	1,082,821	-	1,544,394	-	8,363,193	-
PJSC Boguchanskaya GES****	1,081,460	2.88%	1,081,460	2.88%	1,081,460	2.88%
PJSC Inter RAO	-	-	-	-	6,808,972	1.94%
Other	1,361	-	462,934	-	472,761	-
Total:	312,802,040		277,477,592		256,729,188	

* In 2019 the Company bought the shares of AO Chukotenergo as part of the additional issue. Earlier the Company controlled AO Chukotenergo indirectly via its other subsidiaries.

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

*** Investment in PJSC Yakutskenergo (29.80%) is recorded within subsidiaries as the Company has control over these entities indirectly via other subsidiaries.

***The financial investment in PAO Kamchatskenergo (13.90%) is recognised within subsidiaries as the Company controls this entity via its other subsidiaries. The direct ownership share in PAO Kamchatskenergo was received in 2019 following the reorganisation of AO Geoterm and PAO Gas Energy Complex in the form of their merger with PAO Kamchatskenergo.

**** PJSC Boguchanskaya GES is a subsidiary of the company BOGES Ltd, in which the Company owns 50% of capital indirectly through other subsidiaries and manages it on a parity basis with RUSAL Group.

Key factors affected changes in the value of investments in subsidiaries, associates and other entities in 2019 are as follows:

– acquisition of shares in additional share issues of subsidiaries for the total of RUB 41,823,584 thousand, including shares of AO BoGES Holding Company for RUB 10,113,689 thousand, AO Sakhalin GRES-2 for RUB 9,216,605 thousand, AO CHP in the City of Sovetskaya Gavan for RUB 8,527,316 thousand, AO Chukotenergo for RUB 7,541,816 thousand, AO Yakutsk GRES-2» for RUB 5,911,758 thousand; and 512,400 thousand for other subsidiaries;

– creating an investment impairment provision of RUB 6,983,481 thousand, including RUB 1,909,231 thousand for PAO Kamchatskenergo, RUB 1,875,287 for AO Lenhydroproject, RUB 1,317,938 thousand for AO Sulaksky Hydrocascade, RUB 1,114,770 thousand for AO Leningradskaya GAES, and RUB 766,255 thousand for other subsidiaries.

Investments in subsidiaries that have current market value as of reporting date or formerly

As of 31 December 2019, 31 December 2018 and 31 December 2017, investments included shares of the Company's subsidiaries, i.e. JSC RAO ES of East, PJSC Yakutskenergo, PJSC DEK, and PJSC Kamchatskenergo received in 2011–2013 as a result of the additional issue of the Company's shares which are recognised on the Company's balance sheet.

These investments are recorded at the value agreed with the founders and determined on the basis of the market valuation performed by an independent appraiser totalling RUB 21,319,037 thousands as of 31 December 2019.

This valuation exceeds the current market value of the shares (for JSC RAO ES of East - the cost of the last valuation at the current market value) as of 31 December 2019, 31 December 2018 and 31 December 2017 by RUB 6,665,507 thousands, RUB 6,669,575 thousands and RUB 6,702,251 thousands, respectively.

Description of the Company's accounting policies and explanation of the departure from PBU 19/02 in the accounting treatment of the above investments are provided in para 2.5 of the Notes.

Items of the financial statements that change as a result of the departure from the accounting rules and the adjustment amount for each such item are presented below:

Items of the financial statements	Date/period	Item value as if there were no departure	Adjustment amount	Items of the financial statements
Net assets	31.12.2017	819,043,078	6,702,251	825,745,329
	31.12.2018	844,595,124	6,669,575	851,264,699
	31.12.2019	867,380,208	6,655,507	874,035,715
Line 1170 "Financial investments"	31.12.2017	305,446,398	6,702,251	312,148,649
	31.12.2018	336,936,455	6,669,575	343,606,030
	31.12.2019	371,817,159	6,655,507	378,472,666
Line 1370 "Retained earnings (loss)"	31.12.2017	268,291,253	6,702,251	274,993,504
	31.12.2018	292,207,080	6,669,575	298,876,655
	31.12.2019	313,298,915	6,655,507	319,954,422
Line 2340 "Other income"	2018	14,872,107	(32,676)	14,839,431
	2019	8,960,930	(14,068)	8,946,862

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PJSC RusHydro**Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results**

(in thousands of Russian Roubles unless otherwise stated)

Line 2350 "Other expense"	2018	(31,978,038)	-	(31,978,038)
	2019	(19,861,099)	-	(19,861,099)
Line 2400 "Net income"	2018	36,758,296	(32,676)	36,725,620
	2019	38,658,906	(14,068)	38,644,838
Line 2900 "Basic earning per share, RR"	2018	0,0862	-	0,0862
	2019	0,0897	-	0,0897

The Company's management analysed the models of expected cash flows and factors that may show that there are indications of impairment of investments and came to a decision that these assets are not impaired as of 31 December 2019, 31 December 2018 and 31 December 2017 there is no impairment of shares of the Company's subsidiaries – investments in AO RAO Energy System of the East, PAO YakutseNERGO and PAO DEK, and that a provision of RUB 1,909,231 thousand should be created for the investment in the shares of PAO Kamchatskenergo as at 31 December 2019.

Impairment of investments in subsidiaries, associates and other entities for which current market value is not determinable

The Company's management analysed the negative trends related to a number of subsidiaries, which is presented below. The management performed the analysis of investments to the share capital of the entities listed below for possible signs of impairment, and also analysed possible impairment of other assets related to these subsidiaries, including those recorded within accounts receivable (see paragraph 3.2.2 of the Explanatory Notes).

As a result of the analysis, a number of subsidiaries and other organizations were impaired and a provision was made in the total amount RUB 6,983,481 thousand. Also based on the results of this analysis the provision in the amount of 945 928 thousand was reversed.

The initial value of equity financial investments in respect of which a provision for impairment of financial investments was created is RUB 54,915,660 thousand as of 31.12.2019 (as of 31.12.2018 – RUB 36,318,439 thousand, as of 31.12.2017 – RUB 37,165,794 thousand). The amount of provision for impairment of these financial investments as of 31 December 2019 is RUB 35,647,731 thousand (as of 31.12.2018 – RUB 30,780,773 thousand, as of 31.12.2017 – RUB 25,586,209 thousand).

JSC Zagorskaya GAES-2. As of 31 December 2019 the balance sheet includes JSC Zagorskaya GAES-2 shares as long-term financial investments in the amount of RUB 69,690,959 thousand.

The analysis of recoverability of these assets performed by the Company as of 31 December 2019 was based on the following key factors:

- Management plans to perform recovery work and complete construction of Zagorskaya GAES-2. As of 31 December 2019 there is significant uncertainty in terms of the expenses to be incurred on recovery of damage caused by the flooding at Zagorskaya GAES-2. However, these expenses can be significant.
- Capacity supply contracts were concluded in respect of Zagorskaya GAES-2. There are specific rules for the price setting in respect of new HPPs (including pumped-storage power plants) being constructed: the price is set in a manner that guarantees payback period of 20 years for all CAPEX invested in construction.
- By the decision of the Association "NP Market Council" dated April 18, 2018, the date of commencement of the fulfillment of PJSC RusHydro's obligations for the supply of capacity to JSC Zagorskaya GAES-2 was postponed in respect of the first and second stages - on January 1, 2024.

Based on the analysis of factors that might indicate impairment of assets related to Zagorskaya GAES-2 construction project, the Company's management concluded that there were no such indicators as of 31 December 2019.

No negative trends which may result in impairment of other shareholdings were observed.

(b) Long-term loans issued

Loan recipient's name	31 December 2019	31 December 2018	31 December 2017	Maturity date	Annual rate, %
Long-term loans issued to related parties, including:					
JSC Far East Generating Company	40,145,669	40,546,257	35,608,125	2021-2023	7,1%-9,1%
JSC RAO ES Vostoka	8,522,514	8,522,514	8,522,514	2022	7,1%-9,1%
JSC Sakhaenergo	5,426,210	5,426,210	1,950,000	2021-2022	7,1%-9,1%
PJSC Yakutskenergo	2,400,000	2,400,000	2,400,000	2022	7,1%-9,1%
PJSC Kamchatskenergo	2,004,000	2,004,000	2,004,000	2022	7,1%-9,1%
JSC Hydroinvest	1,689,110	1,747,595	-	2021	8,1%-8,4%
PJSC Magadanenergo	1,618,000	1,618,000	1,618,000	2022	7,1%-9,1%
JSC Teploenergосervice	1,516,676	1,516,676	587,676	2021-2022	7,1%-9,1%
PJSC Sakhalinenergo	1,383,822	1,345,060	1,345,060	2022	7,1%-9,1%
Other	964,625	1,002,126	1,384,086		
Total long-term loans issued	65,670,626	66,128,438	55,419,461		

As of 31 December 2019 the balance sheet line 1170 "Financial investments" includes the target loan granted to subsidiaries of the Company in the amount of RUB 55,000,000 thousand in 2017 for refinancing their current liabilities (as of JSC Far East Generating Company – RUB 35,608,125 thousand, JSC RAO ES Vostoka – RUB 8,522,514 thousand, PJSC Yakutskenergo – RUB 2,400,000 thousand, PJSC Kamchatskenergo – RUB 2,004,000 thousand and others in the amount of RUB 6,465,361 thousand).

There are no indicators of a prolonged decline in the value of the above investments.

3.1.3 Other non-current assets (line 1190 of the balance sheet)

Line 1190 "Other non-current assets" includes expenses of future periods to be written-off from expense account during the period beyond 12 months of the reporting date.

Breakdown of total expenses of future periods by types is presented in the table below:

Narrative	31 December 2019	31 December 2018	31 December 2017
Zelenchukskaya GAES connections to the grid	1,590,341	1,703,948	1,817,455
Software and licenses	1,031,052	875,680	879,510
Borrowing costs	493,949	540,120	419,323
Project documentation on the construction of Cheboksarskaya GES related to uplifting water reservoir level	-	-	1,619,934
Other	202,216	186,344	98,538
Total expenses of future periods, including:	3,317,558	3,306,092	4,834,760
Long-term expenses of future periods which are subject to writing-off from expense account during the period beyond 12 months of the reporting date (within the balance sheet line 1190)	3,155,715	2,629,344	4,222,555
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of the reporting date (within the balance sheet line 1210)	161,843	676,748	612,205

3.2 Current assets (Section II of the balance sheet)**3.2.1 Inventories (line 1210 the balance sheet)**

Narrative	31 December 2019	31 December 2018	31 December 2017
Spare parts, materials and other inventories	4,718,505	4,063,373	3,613,922
Short-term expenses of future periods which are subject to writing-off from expense account during 12 months of	161,843	676,748	612,205

Narrative	31 December 2019	31 December 2018	31 December 2017
the reporting date (see paragraph 3.1.3 of the Explanatory Notes)			
Other	25,156	24,459	31,662
Total line 1210 "Inventories"	4,905,504	4,764,580	4,257,789

Spare parts, materials and other inventories are measured at actual cost of acquisition. As of 31 December 2019 the provision for their impairment amounted to RUB 42,457 thousand (31 December 2018: RUB 44,996 thousand, 31 December 2017: RUB 155,430 thousand).

3.2.2 Accounts receivable (line 1230 of the balance sheet)

(a) Long-term accounts receivable (payments expected beyond 12 months of the reporting date)

Total long-term accounts receivable were RUB 56,588,545 thousand, 53,686,557 thousand and 54,712,960 thousand as of 31 December 2019, 2018 and 2017, respectively.

Breakdown by types of long-term accounts receivable is as follows:

Type of long-term accounts receivable	31 December 2019	31 December 2018	31 December 2017
Interest-free promissory notes received	30,104,837	30,974,036	29,930,792
Advances issued to suppliers of equipment and capital construction contractors	16,190,186	16,372,557	19,696,968
Interest-free loans issued	589,251	440,946	2,600,411
Buyers and customers	34,457	40,851	34,046
Other long-term accounts receivable	9,669,814	5,858,167	2,450,743
Total line 1231 "Long-term accounts receivable (payments expected beyond 12 months of the reporting date)"	56,588,545	53,686,557	54,712,960

Long-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2019	31 December 2018	31 December 2017
Other related parties, including:			
PJSC Boguchanskaya GES	21,027,455	21,027,455	21,027,455
CJSC Boguchansky Aluminium Plant	4,661,805	4,661,805	4,661,805
Total interest-free promissory notes received from related parties	25,689,260	25,689,260	25,689,260
VTB Bank (PJSC)	2,336,991	2,306,911	1,360,769
PJSC Rosbank	1,279,941	1,491,209	1,491,209
JSC Alfa-Bank	592,566	1,279,839	1,279,839
PJSC Ulyanovskenergo	206,079	206,817	109,715
Total interest-free promissory notes received from other counterparties	4,415,577	5,284,776	4,241,532
Total long-term interest-free promissory notes receivable	30,104,837	30,974,036	29,930,792

As of 31 December 2019, the Company's long-term accounts receivable represented by other related parties' long-term interest-free promissory notes purchased for financing investment program consist of the following promissory notes:

- PJSC Boguchanskaya GES: promissory notes for RUB 21,027,455 thousand payable on demand after 31 December 2029 (the present value of the promissory notes reflecting time value of money as of 31 December 2019 is RUB 8,287,229 thousand);
- CJSC Boguchansky Aluminium Plant: promissory notes for RUB 4,661,805 thousand payable on demand after 31 December 2024 (the present value of the promissory notes reflecting time value of money as of 31 December 2019 is RUB 2,893,103 thousand).

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

Long-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors:

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:			
JSC Hydroremont-VKK	55,191	4,485	746,674
Other	37,571	84,234	35,517
Total advances issued to related parties	92,762	88,719	782,191
Voith Hydro GmbH & Co KG	9,223,771	8,265,677	10,536,683
PJSC Silovye Mashiny	6,369,417	7,404,315	7,989,601
Other	504,236	613,846	388,493
Total advances issued to other counterparties	16,097,424	16,283,838	18,914,777
Total advances issued to suppliers of equipment and capital construction contractors	16,190,186	16,372,557	19,696,968

With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

Advances issued to suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply during 2020 are included within short-term advances issued.

Long-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:			
JSC Transport company Rushydro	366,371	-	-
JSC Nizhne-Bureiskaya GES	-	148,000	1,197,708
JSC ESK RusHydro	-	-	1,033,683
Other related parties	-	-	3,000
Total interest-free loans issued to related parties	366,371	148,000	2,234,391
Other	222,880	292,946	366,020
Total interest-free loans issued to other counterparties	222,880	292,946	366,020
Total long-term interest-free loans issued	589,251	440,946	2,600,411

Other long-term accounts receivable include the following types of receivables:

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries' interest receivable accrued on loans issued and promissory notes received, including:	9,492,978	5,765,603	2,242,896
JSC Far East Generating Company	6,665,402	3,609,332	1,433,690
JSC RAO ES Vostoka	1,095,995	856,081	338,834
Other	1,731,581	1,300,190	470,372
Other accounts receivable	176,835	92,563	207,848
Total other long-term accounts receivable	9,669,813	5,858,166	2,450,744

Amount and movements in the impairment provision for long-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	Transfer to provision for short-term receivables	At the end of the year
Impairment provision for long-term accounts receivable, including:	2018	2,732,436	-	-	-	-	2,732,436
	2019	2,732,436	-	-	-	-	2,732,436
Other	2018	2,732,436	-	-	-	-	2,732,436

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PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

	2019	2,732,436	-	-	-	-	2,732,436
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(b) Short-term accounts receivable (payments expected within 12 months of the reporting date)

Total short-term accounts receivable less doubtful debt provision were RUB 109,723,068 thousand, RUB 132,083,035 thousand and RUB 122,594,620 thousand as of 31 December 2019, 2018 and 2017, respectively.

Type of short-term accounts receivable	31 December 2019	31 December 2018	31 December 2017
Buyers and Customers, including:	7,807,953	6,878,677	6,726,244
Accounts receivable for electricity and capacity	7,655,256	6,821,567	6,648,810
Other	152,697	57,110	77,434
Advances issued, including:	8,805,211	7,058,892	4,275,517
Advances issued to suppliers of equipment and capital construction contractors	7,855,638	6,496,447	3,753,759
Other advances issued	949,573	562,445	521,758
Other debtors, including:	93,109,904	118,145,466	111,592,859
Interest-free promissory notes received	1,810,654	2,342,791	2,384,784
Interest-free loans issued	88,020,215	94,181,128	64,331,469
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	5,597	10,272,863	29,621,554
Indebtedness under assignment agreement	-	-	9,962,317
Taxes receivable	2,005,851	3,436,736	3,322,065
Lease receivables	-	5,936,083	-
Other	1,267,587	1,975,865	1,970,670
Total line 1232 "Accounts receivable" (payments expected within 12 months of the reporting date)	109,723,068	132,083,035	122,594,620

Short-term accounts receivable include advances issued to the following suppliers of equipment and capital construction contractors relating to the equipment (work) with expected supply within 12 months of the reporting date.

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:			
JSC Hydroremont – VKK	547,728	1,303,263	582,034
Other	1,065,450	695,873	430,337
Other related parties, including:			
LLC VolgaHydro	-	-	3,134
Total advances issued to related parties	1,613,178	1,999,136	1,015,505
Voith Hydro GmbH & Co KG	2,756,361	1,126,949	903,222
PJSC Silovye Mashiny	2,217,899	2,551,799	1,118,454
PJSC NPO ELSIB	287,145	-	-
JSC VNIIR Hydroelectroautomatics	264,525	180,341	420,372
Other	716,530	638,222	296,206
Total advances issued to other counterparties	6,242,460	4,497,311	2,738,254
Total advances issued to suppliers of equipment and capital construction contractors	7,855,638	6,496,447	3,753,759

With respect to a number of advances issued to equipment suppliers and capital construction contractors, bank guarantees were obtained (see 3.6.2 of the Explanatory Notes).

Short-term accounts receivable include interest-free promissory notes issued by the following issuers:

Issuer	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:			
JSC MGES Kabardino-Balkarii	-	2,142,039	2,142,039
Total interest-free promissory notes from related	-	2,142,039	2,142,039

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PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

Issuer	31 December 2019	31 December 2018	31 December 2017
parties			
VTB Bank (PJSC)	910,504	199,011	241,004
JSC Alfa-Bank	687,273	-	-
Other	212,877	1,741	1,741
Total interest-free promissory notes from other counterparties	1,810,654	200,752	242,745
Total short-term interest-free promissory notes received	1,810,654	2,342,791	2,384,784

As of 31 December 2019, short-term receivables from subsidiaries on short-term interest-free promissory notes acquired by the Company are represented by promissory notes payable on demand.

Short-term accounts receivable include interest-free loans issued to the following counterparties:

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:			
JSC Zaramagskie GES	22,123,595	17,122,147	8,768,784
JSC Ust-Srednekanskaya GES	20,421,347	15,463,034	11,550,941
JSC RAO ES Vostoka	17,663,277	14,867,085	7,744,945
JSC Nizhne-Bureyskaya GES	7,808,209	5,274,658	3,778,915
JSC Hydroinvest	5,930,538	16,533,249	1,896,346
JSC Sakhalinskaya GRES-2	5,046,770	9,216,605	2,020,319
LLC Malye GES Stavropolya and KChR	3,907,325	1,832,952	816,090
LLC Verkhnebalkarskaya MGES	2,660,562	1,790,101	641,233
JSC Sakhaenergo	1,027,919	211,554	25,597
JSC CCGT in the City of Sovetskaya Gavan	143,471	2,644,948	2,355,133
JSC Yakutskaya GRES-2	-	5,911,758	6,462,386
JSC MGES Kabardino-Balkarii	-	1,352,447	1,444,902
JSC Magadanenergo	-	543,295	85,346
LLC Index energetiki – HydroOGK	-	-	13,014,000
LLC Vostok-finans	-	-	2,245,643
Other	1,225,586	1,348,834	1,401,787
Other related parties, including:			
Loans issued to the Company's key management	-	-	3,903
Total short-term interest-free loans issued to related parties	87,958,599	94,112,667	64,256,270
Total short-term interest-free loans issued to other counterparties	61,616	68,461	75,199
Total short-term interest-free loans issued	88,020,215	94,181,128	64,331,469

As of 31 December 2019, short-term interest-free loans issued include:

- at call loans of RUB 22,123,595 thousand provided to AO Zaramagskie GES to finance expenditures under the investment project Zaramagskie GES and to replenish its working capital to be used for refinancing payables ;
- at call loans of RUB 20,421,347 thousand provided to AO Ust-Srednekanskaya GES to finance expenditures under the investment project Ust-Srednekanskaya GES;
- at call loans of RUB 17,663,277 thousand provided to AO RAO Energy System of the East to finance its investment program and other projects as well as to refinance bank loans payable;

Interest-free loans of RUB 87,958,599 thousand provided to subsidiaries as at 31 December 2019 are recorded within short-term accounts receivable in line with effective contract terms.

In addition, short-term accounts receivable include receivables from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company:

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

Counterparty	31 December 2019	31 December 2018	31 December 2017
AO Chukotenergo	5,597	-	-
JSC Holding company BoGES	-	9,963,644	-
JSC TK RusHydro	-	309,219	309,219
JSC Nizhne-Bureyskaya GES	-	-	21,279,066
JSC Zagorskaya GAES-2	-	-	6,647,090
JSC Sulaksky Hydrocascade	-	-	1,386,179
Total accounts receivable from the following subsidiaries, arising after partial payment for shares of additional issues but before the title to the issued shares is transferred to the Company	5,597	10,272,863	29,621,554

Short-term accounts receivable includes the following types of tax receivables:

Item	31 December 2019	31 December 2018	31 December 2017
Income tax	1,722,975	3,038,564	2,904,759
Other taxes and levies	282,876	398,172	417,306
Total tax receivables	2,005,851	3,436,736	3,322,065

Amount and movements in the impairment provision for short-term accounts receivable

Type	Period	At the beginning of the year	Provision creation	Recovery of provision	Write-off against a provision	At the end of the year
Provision for short-term accounts receivable, including	2018	12,718,686	4,408,906	(2,651,250)	(94,868)	14,381,474
	2019	14,381,474	1,933,533	(2,169,923)	(82,276)	14,062,808
Trade receivables	2018	6,489,425	3,247,683	(2,603,882)	(7,906)	7,125,320
	2019	7,125,320	1,432,932	(1,845,804)	(47,949)	6,664,499
Advances issued	2018	338,574	34,429	(11,661)	(3,000)	358,342
	2019	358,342	39,470	(79,293)	(17,470)	301,049
Other	2018	5,890,687	1,126,794	(35,707)	(83,962)	6,897,812
	2019	6,897,812	461,131	(244,826)	(16,857)	7,097,260

* Includes transfer from provision for long-term accounts receivable and financial investments.

Overdue accounts receivable

Item	31 December 2019		31 December 2018		31 December 2017	
	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount	Recognised under contract	Carrying amount
Total, including:	10,278,905	849,432	10,045,689	624,727	9,097,778	809,817
Buyers and customers	6,749,396	186,839	6,997,990	169,483	6,126,876	125,955
Advances issued	880,131	587,201	706,269	347,928	555,659	217,443
Other debtors	2,649,378	75,392	2,341,430	107,316	2,415,243	466,419

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3.2.3 Short-term investments (Line 1240 of the balance sheet)

The structure of the Company's short-term investments is represented by the following assets:

Type of investment	31 December 2019	31 December 2018	31 December 2017
Bank deposits	46,495,823	29,585,000	163,000
Loans issued	5,220,354	5,584,677	11,685,704
Promissory notes	-	601,053	601,053
Total line 1240 "Investments" (excluding cash equivalents)	51,716,177	35,770,730	12,449,757

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

Short-term investments and their movements

Item	Period	Opening balance		Changes for the period*				Closing balance	
		Historical cost	Accumulated adjustment	Additions*	Disposal (repayment)		Accrual of impairment provision	Historical cost	Accumulated adjustment
					Historical cost*	Accumulated adjustment			
Short-term investments, including:	2018	14,598,946	(2,149,189)	50,660,124	(26,895,672)	-	(443,479)	38,363,398	(2,592,668)
	2019	38,363,398	(2,592,668)	83,915,075	(68,251,669)	-	282,041	54,026,804	(2,310,627)
Bank deposits	2018	163,000	-	43,737,500	(14,315,500)	-	-	29,585,000	-
	2019	29,585,000	-	82,674,853	(65,764,030)	-	-	46,495,823	-
Loans issued	2018	13,834,893	(2,149,189)	6,922,624	(12,580,172)	-	(443,479)	8,177,345	(2,592,668)
	2019	8,177,345	(2,592,668)	1,240,222	(1,886,586)	-	282,041	7,530,981	(2,310,627)
Promissory notes	2018	601,053	-	-	-	-	-	601,053	-
	2019	601,053	-	-	(601,053)	-	-	-	-

* Movements of short-term investments received and disposed of (repaid) in the same reporting period are presented on a gross basis.

Exposure of short-term investments to financial risks is described in paragraph 3.15 of the Explanatory Notes.

(a) Bank deposits

As at 31 December 2019, the Company had Rouble deposits with banks of RUB 46,248,200 thousand, due in 2020, в долларах США – RUB 247 623 thousand. As at 31 December 2019, interest rates on Rouble deposits were 3,75%-7,12% p.a. (31 December 2018: 5.85% – 8.15%, 31 December 2017: 5.55%). Interest rate for a deposit in USD as at 31 December 2019 was 0,85% per annum.

Credit institution	Rating on 31 December 2019	Rating agency	31 December 2019	31 December 2018	31 December 2017
VTB Bank (PJSC)	BBB-	S&P	31,690,000	5,000,000	-
Bank GPB (JSC)	BBB-	Fitch	14,771,623	6,500,000	-
PJSC Sberbank	Baa3	Moody's	34,200	3,085,000	163,000
JSC UniCredit Bank			-	9,000,000	-
PJSC Rosbank			-	6,000,000	-
Total bank deposits			46,495,823	29,585,000	163,000

(b) Short-term loans issued

Loan recipient's name	31 December 2019	31 December 2018	31 December 2017	Annual rate, %
Short-term loans issued to related parties, including:				
PJSC Kamchatskenergo	3,975,000	3,975,000	-	7,5%
PJSC Sakhalinenergo	650,000	650,000	-	7,5%
PJSC Yakutskenergo	545,354	506,790	-	8,1%-8,4%
JSC ESK RusHydro	-	197,000	420,000	-
JSC Yakutskaya GRES-2	-	97,024	495,328	-
JSC Far East Distribution Company	-	49,412	4,537,544	-
JSC Sakhaenergo	-	-	3,476,210	-
JSC Hydroinvest	-	-	1,747,595	-
JSC Teploenergoservice	-	-	929,000	-
Other	50,000	109,451	80,027	-
Total short-term loans issued	5,220,354	5,584,677	11,685,704	

As of 31 December 2019 provision was made RUB 2,310,627 thousand for CJSC Verkhne-Narynskie GES (31 December 2018: RUB 2,592,668 thousand, 31 December 2017: RUB 2,149,189 thousand).

There are no indicators of a prolonged decline in the value of investments.

3.2.4 Cash and cash equivalents (line 1250 of the balance sheet)

Item	31 December 2019	31 December 2018	31 December 2017
Cash in bank	6,163,423	7,900,669	2,193,239
Cash equivalents	12,000,000	34,169,967	47,835,387
Cash at accounts in the Office of the Federal Treasury	-	899,971	899,961
Total line 1250 "Cash and cash equivalents"	18,163,423	42,970,607	50,928,587

As of 31 December 2019, 2018 and 2017, there is no restricted cash.

As of 31 December 2019 there were cash balances denominated in US dollars equivalent to RUB 3,242 thousand (31 December 2018: RUB 130 thousand; 31 December 2017: RUB 476,679 thousand).

As of 31 December 2019, interest rates on Rouble deposits were 5,90%-6,13% p.a. (31 December 2018: 7.50% – 8.22%, 31 December 2017: 5.55% – 7.50%).

PJSC RusHydro**Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results**

(in thousands of Russian Roubles unless otherwise stated)

The Company holds cash and cash equivalents in the following credit institutions:

Credit institution	Rating on 31 December 2019	Rating agency	31 December 2019	31 December 2018	31 December 2017
Bank deposits, including:					
Bank GPB (JSC)	BBB-	Fitch	12,000,000	13,100,000	15,329,056
VTB Bank (PJSC)			-	18,497,000	32,034,000
JSC UniCredit Bank			-	2,572,967	-
PJSC Sberbank			-	-	472,331
Total cash equivalents			12,000,000	34 169 967	47,835,387
Cash in banks, including:					
Bank GPB (JSC)	BBB-	Fitch	5,298,916	3,827,102	20,024
JSC Bank «ROSSIYA»	A+	AKPA	701,610	3,740,312	1,811,186
Other			162,897	333,255	362,029
Total cash in bank			6,163,423	7,900,669	2,193,239

Notes to the statement of cash flows

Cash flows required for the purposes of supporting the existing scope of the Company's operations are presented within current operations. Cash flows related to expansion of the Company's business are included in investing activities.

Cash flows spent on investments and received on repayment of cash equivalents (excluding accrued interest) are not included in the cash flow statement.

Breakdown for lines "Other receipts" and "Other payments" of the statement of cash flows is presented below:

Item	2019	2018
Other receipts from operating activities (line 4119), including:	2,479,025	10,758,836
Value added tax	1,047,068	371,965
Partial refund of the OeKB guarantee in connection with a loan paid off ahead of schedule	460,828	-
Penalties, interest and fines recognised or for which court rulings on collection have been received	207,168	70,612
GDR	288,882	223,200
Income from assignment of rights	393,893	10,080,182
Other receipts from operating activities	81,186	12,877
Other payments related to operating activities (line 4129), including:	(19,231,820)	(18,562,454)
Taxes and levies	(7,870,341)	(8,571,119)
Non-budget funds	(2,101,203)	(2,003,487)
Interest rate swap payments	(437,635)	-
Charity payments	(1,600,490)	(1,397,808)
Business trip expenses	(326,902)	(335,139)
Water usage expenses	(1,933,674)	(1,823,502)
Payments of non-deliverable forward contract for shares	(3,731,455)	(2,812,984)
Payment of expenses for raising borrowed capital	(147,548)	(1,207,284)
Payment of fines, penalties, forfeits, damages	(726,299)	(53,037)
Other payments related to operating activities	(356,273)	(358,094)
Other receipts related to investing activities (line 4219), including:	-	-
Other payments related to investing activities (line 4229), including:	(16,931,441)	(29,422,000)
Cash placement on a short-term deposit other than cash equivalent	(16,931,441)	(29,422,000)
Other payments related to financing activities (line 4329), including:	(1,819)	(1,972)
Other payments related to financing activities	(1,819)	(1,972)

3.3. Equity and reserves (Section III of the balance sheet)

3.3.1 Share capital (line 1310 of the balance sheet)

As of 31 December 2019, 2018 and 2017, the Company's share capital is registered according to the established procedure and fully paid:

Share capital composition	Number of shares at 31 December 2019	Number of shares at 31 December 2018	Number of shares at 31 December 2017
Ordinary shares with nominal value of RUB 1 per share	426,288,813,551	426,288,813,551	426,288,813,551

As of 31 December 2019, the following shareholders are registered in the register of shareholders:

Shareholder	Type of shareholder	Number of shares	Ownership share, %
Russian Federation represented by the Federal Agency for State Property Management	beneficial owner	265,161,535,606	61,20
Non-Banking Credit Organisation JSC National Settlement Depository	nominee holder	132,215,451,157	30,51
Other		35,911,919,086	8,29
Total		433,288,905,849	100,00

Additional issue in 2018-2019

On 21 June 2018, the Company's Board of Directors approved (Minutes No.272 of 22 June 2018) the decision to have an additional issue of the Company's securities in the amount of

14,013,888,828 shares through their public offering with payment in cash, the placing price for the Company's additional share issue was set at RUB 1 per share.

On 27 August 2018, the Central Bank of the Russian Federation registered the additional issue of the Company's 14,013,888,828 ordinary registered shares No. 1-01-55038-E-043D.

In April – May 2019 the Company resumed the results of execution of pre-emptive right: The Company placed among its shareholders 7,000,092,298 additional shares (49.95 percent of the additional issue of new shares) at RUB 1.00 per share, including 7,000,000,000 shares that were bought by the Russian Federation represented by the Federal Agency for Management of State Property. The remaining shares of this issue will be placed as part of an open subscription.

Thus, the number of shares in the register of shareholders as of 31 December 2019 exceeds the amount of shares in the Company's share capital as of 31 December 2019 due to the current additional issue of shares by 7,000,092,298 shares that were actually placed. Since as of 31 December 2019 the placement of the additional issue was not completed and corresponding changes in the constituent documents were not duly registered, the Company's share capital was not increased, the Company's obligation of RUB 7,000,092 thousand was recorded in line 1526 "Settlements for Additional Share Issues before the Changes are Registered in Constituent Documents of the Company" (see para 3.5.2 of the Explanatory Notes).

As of 31 December 2019, 16 million shares of the total number of ordinary shares are owned by the Company's Management Board members (31 December 2018: 16 million shares, 31 December 2017: 71 million shares). Subsidiaries and associates own 3,852 million shares of the Company (31 December 2018: 3,852 million shares, 31 December 2017: 3,852 million shares).

3.3.2 Revaluation of non-current assets (line 1340 of the balance sheet)

As of 31 December 2019, the amount of accumulated revaluation of non-current assets is RUB 52,296,157 thousand (31 December 2018: RUB 52,436,936 thousand, 31 December 2017: RUB 52,605,896 thousand). This metric consists of the amounts of revaluation accumulated by subsidiaries and associate which the Company acquired as part of the 2008 restructuring process.

The amount of accumulated revaluation was decreased by RUB 140,779 thousand in 2019 due to disposal of items of property, plant and equipment revalued earlier (2018: RUB 168,960 thousand).

3.3.3 Additional paid-in capital (line 1350 of the balance sheet)

As of 31 December 2019, 2018 and 2017, the Company's additional paid capital was RUB 58,424,543 thousand, RUB 58,424,543 thousand and RUB 58,424,543 thousand, respectively, and consisted of share premium of the Company and subsidiaries and associates which the Company acquired as part of the 2008 restructuring process.

3.3.4 Reserve capital (line 1360 of the balance sheet)

As of 31 December 2019, 2018 and 2017, the Company's reserve capital was RUB 17,015,104 thousand, RUB 15,178,823 thousand and RUB 13,371,392 thousand, respectively.

In accordance with the decision of the Company's annual general meeting of shareholders of 02 July 2019 (Minutes No. 18), the Company allocated 5% of its net profit for 2018 in the amount of RUB 1,836,281 thousand to the reserve capital.

3.4. Non-current liabilities (Section IV of the balance sheet)

3.4.1 Long-term borrowings (line 1410 of the balance sheet)

Balance sheet line 1410 "Borrowings" includes long-term loans payable:

Lender / creditor	31 December 2019	31 December 2018	31 December 2017
VTB Bank (PJSC)	30,000,000	20,000,000	-
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	20,000,000	20,000,000	20,000,000
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	20,000,000	20,000,000	-
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	15,000,000	15,000,000	-
Eurobonds (RusHydro Capital Markets DAC) issued in November 2019	15,000,000	-	-
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	13,289,055	15,149,550	-
Far East Development Fund	4,074,073	4,814,815	-
Russian bonds issued in February 2013	2,195,637	2,195,637	-
PJSC Sberbank	-	20,000,000	20,000,000
Russian bonds issued in June 2017	-	10,000,000	10,000,000
Russian bonds issued in April 2016	-	-	15,000,000
UniCredit Bank Austria AG	-	-	4,749,508
Other	1,016,626	1,016,626	1,948,704
Total line 1410 "Borrowings"	120,575,391	128,176,628	71,698,212

In July 2019, a drawdown of RUB 10 billion was made under the credit facility opened in 2018 with PAO Bank VTB. The proceeds were used to refinance the debt of the Company.

In July 2019, a drawdown of RUB 10 billion was made under the credit facility of 2018 with PAO Bank VTB. The proceeds were used to refinance the debt of the Company and its subsidiaries. In November 2019, the Company placed Eurobond issue of 15 billion due in November 2024 with the coupon yield of 6.8% p.a. The issuer of the two placements is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of loans. The Company used proceeds from the Eurobond issues to finance its current operations and to refinance the debt.

As of 31 December 2019 terms of material received long-term borrowings were the following:

PJSC RusHydro**Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results**

(in thousands of Russian Roubles unless otherwise stated)

Lender / creditor	Contract year	Maturity year	Sum in thousand units of borrowing currency	Currency of borrowing	Interest rate of borrowing
VTB Bank (PJSC) Tranche received in 2018	2018	2025	20,000,000	RUB	7,50%
VTB Bank (PJSC) Tranche received in 2019	2018	2023	10,000,000	RUB	8,05%
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	2017	2022	20,000,000	RUB	8,13%
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018 (RUB)	2018	2021	20,000,000	RUB	7,40%
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (CNY)	2018	2021	1,500,000	CNY	6,125%
Eurobonds (RusHydro Capital Markets DAC) issued in November 2018 (RUB)	2018	2022	15,000,000	RUB	8,975%
Eurobonds (RusHydro Capital Markets DAC) issued in November 2019 (RUB)	2019	2024	15,000,000	RUB	6,8%

Apart from the fully used (as at 31 December 2019) credit facility from PJSC Sberbank of RUB 40,000,000 thousand due in 2026, after 31 December 2019 the Company can raise funds under credit agreements with Bank GPB (JSC) of up to RUB 20,000,000 thousand due in 2026, with AO AB Rossia of up to RUB 7,000,000 thousand due in 2023, with AO Alfa-Bank of up to RUB 10,000,000 thousand due in 2023, with PAO Rosbank of up to RUB 8,000,000 thousand due in 2025, with Bank «VBRR» of up to RUB 20,000,000 thousand due in 2029, for the total amount of RUB 105,000,000 thousand.

Ageing analysis:

Due for repayment	31 December 2019	31 December 2018	31 December 2017
From 1 to 2 years	34,279,735	30,740,741	16,525,766
From 2 to 3 years	35,740,741	36,140,291	30,593,689
From 3 to 4 years	13,703,065	35,740,741	843,628
From 4 to 5 years	15,740,740	2,936,378	20,593,689
Over five years	21,111,110	22,618,477	3,141,440
Total line 1410 "Borrowings"	120,575,391	128,176,628	71,698,212

Interest on borrowings included into the cost of investment assets

In 2019, the amount of interest on borrowings included into the cost of investment assets was RUB 1,431,156 thousand (2018: RUB 1,832,621 thousand), of which RUB 1,431,156 thousand was the interest accrued on borrowings where the agreement does not specify that the funds are provided for special investment purpose (2018: RUB 1,666,309 thousand).

Interest rate swap

In November 2018, the Company placed Eurobond issue of CNH 1.5 billion due in November 2021 with the coupon yield of 6.125% p.a. The issuer of the two placements is RusHydro Capital Markets DAC, a special purpose entity, who provided financing to the Company in the form of loans. The Company used proceeds from the Eurobond issues to finance its current operations and to refinance the debt.

In November 2018, the Company entered into a cross currency and interest rate swap with PAO Bank VTB to fix in CNH the Company's liability related to Eurobonds. The swap is signed for three years and fixes the nominal amount (CNH 1.5 billion) as at the redemption date (November 2021)

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at the level of RUB 14,430,000 thousand based on the effective market rate at the swap signing date, as well as interim payments that are set for the Company in Russian Roubles at the floating rate determined as an arithmetical mean of the values of the key rate of the Central Bank of Russia plus a spread of 1.5% p. a. from the nominal value set for the Company in roubles.

The Company recorded payments under the currency and interest rate swap made during 2019 in the amount of RUB 437,634 thousand as part of other expenses, see details in para 3.8 of the Explanatory Notes).

3.4.2 Other non-current liabilities (line 1450 of the balance sheet)

Line 1450 "Other liabilities" includes в том числе long-term VAT on advances issued in the amount of RUB 1,011,238 thousand as of 31 December 2019 (31 December 2018: RUB 911,886 thousand, 31 December 2017: RUB 1,153,086 thousand) and trade payables in the amount of RUB 1,787,588 thousand as of 31 December 2019 (31 December 2018: RUB 1,928,246 thousand, 31 December 2017: RUB 3,110,898 thousand).

3.5. Current liabilities (Section V of the balance sheet)

3.5.1 Short-term borrowings (line 1510 of the Balance sheet)

Lender / creditor	31 December 2019	31 December 2018	31 December 2017
Borrowings, including:	22,152,039	17,801,516	47,412,540
Borrowings received from subsidiaries, including:			
JSC Sulakskiy Hydrocascade	9,943,274	-	-
AO Malaya Dmitrovka	976,741	1,107,078	-
JSC Zagorskaya GAES-2	115,685	929,465	-
Other	375,598	579,788	456,097
Borrowings received from other related parties:			
LLC "Alsterresearch»	-	-	750,000
Итого заемные средства, полученные от связанных сторон	11 411 298	2 616 331	1,206,097
Borrowed funds received from other, including:	10 740 741	15,185,185	46,206,443
Russian bonds issued in June 2017	10,000,000	-	-
Фонд развития Дальнего Востока и Арктики	740,741	185,185	-
Russian bonds issued in April 2016	-	15,000,000	-
Russian bonds issued in February 2013	-	-	20,000,000
Russian bonds issued in July 2015	-	-	15,000,000
PJSC Sberbank	-	-	10,612,754
UniCredit Bank Austria AG	-	-	593,689
Interest on borrowings, including:	1,851,912	1,967,373	2,844,814
Eurobonds (RusHydro Capital Markets DAC) issued in Njvember 2018	577,228	129,092	-
Eurobonds (RusHydro Capital Markets DAC) issued in February 2018	557,534	557,534	-
Eurobonds (RusHydro Capital Markets DAC) issued in September 2017	422,945	422,945	422,945
Russian bonds issued in February 2013	878	856	666,000
PJSC Sberbank	-	295,616	446,623
Russian bonds issued in July 2015	-	-	872,000
Other	293,327	561,330	437,246
Total line 1510 "Borrowings"	24,003,951	19,768,889	50,257,354

3.5.2 Accounts payable (line 1520 of the balance sheet)

Total short-term accounts receivable were RUB 17,026,460 thousand, RUB 11,702,866 thousand and RUB 10,563,236 thousand as of 31 December 2019, 2018 and 2017, respectively:

Type of payables	31 December 2019	31 December 2018	31 December 2017
Trade payables	3,387,878	4,978,070	4,040,338
Settlements with personnel	190,949	210,649	244,324
Payables to state off-budget funds	224,962	143,631	133,808
Tax payables	5,347,132	5,407,731	5,241,815
Settlements with participants (founders) in payment of income	139,385	143,159	140,728
Settlements for the payment of own shares before the change of the charter capital in the constituent documents (see paragraph 3.3.1 of the Explanatory Notes)	7,000,092	-	-
Other	736,060	819,626	762,223
Total line 1520 "Accounts payable"	17,026,460	11,702,866	10,563,236

The balance sheet line 1521 "Trade accounts payable" includes the following types of payables:

Type of payables	31 December 2019	31 December 2018	31 December 2017
Payables to capital construction contractors	1,009,414	723,070	705,262
Payables to suppliers of equipment and other non-current assets	949,488	2,730,920	1,841,616
Payables for purchase of electricity and capacity	490,214	480,484	426,737
Payables to suppliers of repair and maintenance services	225,723	318,722	380,611
Other	713,040	724,874	686,112
Total line 1521 "Trade accounts payable"	3,387,879	4,978,070	4,040,338

The balance sheet line 1524 "Taxes payable" includes current payables on the following taxes:

Tax	31 December 2019	31 December 2018	31 December 2017
Property tax payable	1,044,999	1,316,043	1,290,877
VAT payable	4,118,015	4,031,190	3,901,537
Income tax payable	12,162	1,665	-
Other taxes payable	171,956	58,833	49,401
Total line 1524 "Taxes payable"	5,347,132	5,407,731	5,241,815

3.5.3 Estimated liabilities (line 1540 of the balance sheet)

As of 31 December 2019 the total estimated liabilities are RUB 3,150,002 thousand (31 December 2018: RUB 2,863,434 thousand, 31 December 2017: RUB 2,976,494 thousand). The estimated liabilities have a short-term nature.

Item	Period	Opening balance	Recognised	Settled	Written off as surplus	Closing balance
Estimated liabilities, including:	2018	2,976,494	3,204,366	(2,953,511)	(363,915)	2,863,434
	2019	2,863,434	3,953,595	(3,207,572)	(459,455)	3,150,002
for remuneration payments	2018	1,876,253	1,990,960	(1,762,460)	(113,298)	1,991,455
	2019	1,991,455	2,093,820	(1,931,681)	(59,279)	2,094,315
for litigation	2018	683,177	57,436	(250,227)	-	490,386
	2019	490,386	419,078	(307,855)	(161,295)	440,314
for forthcoming payment of earned but unused employee vacations	2018	417,064	1,155,970	(940,824)	(250,617)	381,593
	2019	381,593	1,196,197	(968,036)	(238,881)	370,873
on the upcoming payment of fines and penalties	2018	-	-	-	-	-
	2019	-	244,500	-	-	244,500

3.6. Off-balance-sheet valuables

3.6.1 Leased property, plant and equipment

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

As of 31 December 2019, the total rented property, plant and equipment are RUB 19,607,431 thousand (31 December 2018: RUB 36,256,016 thousand, 31 December 2017: RUB 35,760,269 thousand). In 2019 and 2018, the Company did not receive any property, plant and equipment under lease contracts.

The Company rented and received items of property, plant and equipment under lease contracts from the following entities:

Lessor	31 December 2019	31 December 2018	31 December 2017
JSC Zaramagskie GES	5,138,343	5,138,343	4,927,437
JSC Malaya Dmitrovka	3,394,876	3,394,876	3,393,757
Administration of Sergiev Posad Municipal District *	2,195,983	4,996,235	4,996,235
AO «Загорская ГАЭС-2»	2,135,722	1,279	1,109
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Stavropol Territory	718,383	3,122,490	2,770,670
Territorial Office of Federal Property Management Agency in the Volgograd region	603,861	603,861	603,861
Territorial Office of Federal Property Management Agency (Rosimyschestvo) in the Republic Dagestan	579,758	136,413	136,413
Territorial Office of Federal Property Management Agency in the Nizhny Novgorod region	568,912	568,912	568,912
Novosibirsk Department of Land and Property Relations	568,764	776,862	776,862
Territorial Department of FA for the management of state property in the Republic of Mordovia, the Republic of Mari El, the Republic of Chuvashia	451,083	451,083	451,083
Interregional territorial administration of the FA for state property management in the Vladimir, Ivanovo, Kostroma and Yaroslavl regions	420,162	420,475	430,700
JSC Sulakskiy HydroKaskad	-	10,477,794	10,477,794
JSC Malyye GES Kabardino-Balkarii	-	3,567,253	3,567,253
Other	2,831,584	2,600,140	2,658,183
Total rent and lease of property, plant and equipment	19,607,431	36,256,016	35,760,269

*In 2018 the owner of plot of land was changed from the Ministry of Property Relations of the Moscow Region to the Administration of the Sergiev Posad Municipal District.

3.6.2 Collateral for liabilities and payments received

Counterparty	31 December 2019	31 December 2018	31 December 2017
Subsidiaries, including:	5,539,925	5,529,889	5,319,670
JSC Gidroinvest	5,319,670	5,319,670	-
LLC EZOP	-	-	3,213,670
LLC Vostok-finans	-	-	2,106,000
Others	220,255	210,219	-
Other related parties	-	7,617	18,339
Total liabilities and payments received from related parties	5,539,925	5,537,506	5,338,009
Other counterparties, including:	21,912,962	18,333,694	16,336,804
PJSC Silovye Mashiny	12,809,950	10,013,653	7,878,054
Voith Hydro GmbH & Co KG	5,731,577	5,338,782	4,809,331
JSC VNIIR Hydroelectroavtomatika	677,147	869,699	857,601
JSC Hydroelectromontazh	-	-	453,245
Other	2,694,288	2,111,560	2,338,573
Total collateral for liabilities and payments received	27,452,887	23,871,200	21,674,813

For a number of agreements for delivery of equipment and capital construction with Voith Hydro GmbH & Co KG, PJSC Silovye Mashiny, JSC VNIIR Hydroelectroavtomatika, and others the

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

Company received bank and corporate guarantees for return, in full or in part, of the advances issued to these entities or due fulfilment of the contractual scope of work by these entities. Mostly bank guarantees were received from VEB.RF, UniCredit Bank Austria AG, Raiffeisen Bank International AG, PJSC Sberbank, Bank GPB (JSC).

3.6.3 Collateral for liabilities and payments issued

The Company issued the following collaterals and guarantees:

Creditor	Debtor	31 December 2019	31 December 2018	31 December 2017
Collateral for liabilities and payments issued to subsidiaries, including:		41,606,999	28,698,024	30,687,785
VTB Bank (PJSC)	PJSC Far East Generating Company	19,765,018	3,327,101	4,520,688
PJSC Sberbank	PJSC Far East Generating Company	7,345,000	7,603,000	5,400,000
Московский кредитный банк ПАО	PJSC Far East Energy Company	2,732,422	-	-
PJSC Rosbank	PJSC Far East Energy Company	2,533,441	6,294,619	2,394,619
PJSC Sberbank	JSC Far East Generating Company	1,700,000	5,383,666	7,459,750
Bank GPB (JSC)	JSC Chuvashskaya Energy Sales Company	1,261,608	-	-
European Bank for Reconstruction and Development (EBRD)	CJSC International Energy Corporation	1,247,809	1,532,688	1,367,275
Asian Development Bank, ADB	CJSC International Energy Corporation	1,247,809	1,532,688	1,367,275
MIFNS № 5 in the Khabarovsk territory	JSC CCGT in the City of Sovetskaya Gavan	1,045,646	-	-
PJSC Sberbank	PJSC Magadanenergo	-	1,150,000	1,248,000
PJSC Sberbank	PJSC Kamchatskenergo	-	200,000	4,768,043
Others	Others	2,728,246	1,674,262	2,162,135
Collateral for liabilities and payments issued to other related parties, including:		25,642,903	25,642,903	52,228,038
GC Vnesheconombank	PJSC Boguchanskaya GES	21,027,476	21,027,469	46,962,034
GC Vnesheconombank	CJSC Boguchansky Aluminium Smelter	4,615,427	4,615,434	4,615,434
Others	Others	-	-	650,570
Others		65,565	-	-
Total collateral for liabilities and payments issued		67,315,467	54,340,927	82,915,823

In 2019 the Company issued guarantees:

- Guarantees provided for liabilities of JSC Far East Generating Company under its loan agreements with PJSC Sberbank, VTB Bank (PJSC), Credit Bank of Moscow and PJSC Rosbank cover the principle amount and interest. The guarantees expire in 2021, 2022, 2028, 2029;
- Guarantees provided for liabilities of JSC Chuvashskaya Energy Sales Company under its loan agreements with Bank GPB (JSC), PJSC Sberbank cover the principle amount and interest. The guarantees expire in 2023, 2024;
- Guarantees provided for liabilities of PJSC Magadanenergo under its loan agreements with VTB Bank (PJSC) cover the principle amount and interest. The guarantees expire in 2022;

As at 31 December 2019, 2018 and 2017, guarantees issued by the Company for liabilities of PJSC Boguchanskaya GES и CJSC Boguchansky Aluminium Plant under its loan agreement with VEB.RF are represented by the pledge of PJSC Boguchanskaya GES's и CJSC

Boguchansky Aluminium Plant interest-free promissory notes for the total of RUB 21,027,455 thousand and RUB 4 615 420 thousand, respectively (see Note 3.2.2 of the Explanatory Notes).

3.6.4 Non-deliverable forward contract for shares

In March 2017 the Company signed a contract with VTB Bank (PJSC) (hereinafter the “Bank”) under which the Bank is to acquire 55 billion ordinary shares of the Company and a non-deliverable equity forward for these shares for a 5-year period. Under the contract the Bank bought 40 000 000 000 shares of the Company from the current additional issue of the Company shares (see para 3.3.1 of the Notes) and 15 000 000 000 shares of the Company from subsidiaries at the price of RUB 1 per share for the total amount of RUB 55 billion.

Cash received from the Bank was used to provide long-term special purpose loans to JSC RAO ES Vostoka and its subsidiaries to refinance their current liabilities to banks (see para 3.1.2 of the Notes).

In November 2019, an additional agreement was signed, according to which the forward rate was reduced by 0.5% per annum and it is possible to extend the contract period for three years – until March 2025.

According to the forward contract, the forward value is determined as the purchase consideration paid by the Bank plus the amount of prepayment that the Company pays to the Bank on a quarterly basis. The prepayment amount is calculated using a special formula that reduces the prepayment amount by the amount of dividends received by the Bank in the effective period of the forward contract.

The Bank is assumed to sell the Company’s shares at the time of final settlement under the forward contract. The difference between the proceeds that the Bank will receive from the sale of these shares and their forward value is subject to cash settlement between the Company and the Bank. Thus, if the forward value is higher than the purchase consideration paid for the shares sold, the Company will reimburse the difference, net of the prepaid amount, to the Bank and, vice versa, if the proceeds from the sale of shares are in excess of the forward value, the difference will be paid by the Bank to the Company. If, for any reason, the Bank does not sell the shares, they will continue to be held by the Bank. If this is the case, the amount of additional payment to be made when closing the forward transaction is calculated based on the quoted market price of the Company’s shares.

Thus, the payments will be made upon expiry of the forward contract or earlier, if the Bank sells the shares held. The payment can be made both by the Company to the Bank or by the Bank to the Company, depending on the level of the market value of the Company’s shares at the time of sale / expiry of the transaction term and their forward value.

Management of the Company analysed terms of the contract with the Bank and concluded that the Bank acts a full-fledged shareholder as it receives the right to take part in the Company’s governance and the right to receive dividends while the Company does not have any obligations to buy the shares back from the Bank or any other binding arrangements. According to the management, decreasing a prepaid amount of forward value by the amounts of dividends received by the Bank does not directly represent a return of dividends, and, therefore, does not limit the Bank in terms of receiving benefits from the share ownership.

As at 31 December 2019 the fair value of the liability under the non-deliverable equity forward calculates in accordance with IFRS was RUB 28,509,933 thousand (31 December 2018: RUB 31,896,259 thousand, 31 December 2017: RUB 20,716,083 thousand).

As at 31 December 2019 the Company’s management believe that there will be no return of prepaid amounts to the Company upon expiry of the five year period at the time of the forward contract closure. Given the above and following the prudence, principle prepayments of RUB 3,731,456 thousand made under the non-deliverable forward contract in 2019 (2018: RUB 2,812,984 thousand) are recognised within other expenses (see paragraph 3.8 of the Explanatory Notes).

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

3.7 Income and expenses on operating activities (statement of financial results)

3.7.1 Revenue (line 2110 of the statement of financial results)

Revenue from sales of electricity and capacity has the largest percentage in the Company's revenue structure (99,7%).

Item	2019	2018
Sale of electricity	78,595,693	85,059,499
Sale of capacity	76,116,508	77,358,933
Sale of heat	152,700	166,210
Other	315,190	228,622
Total line 2110 "Revenue"	155,180,091	162,813,264

The Company sells a major part of its produced electricity and capacity (99,8%) on the wholesale electricity and capacity market, where sales are made at non-regulated prices (except for sales at regulated tariffs in the RF Far East non-pricing zone and volumes produced for selling to households or equivalent consumer categories).

3.7.2 Cost of sales (line 2120 of the statement of financial results)

Item	2019	2018
Fees for administering the wholesale market of electricity and capacity (JSC SO UES, JSC ARS, JSC CFR), incl.:	35,204,007	38,049,912
Earmarked contributions to the budget of constituent entities of the Russian Federation	32,076,558	35,032,275
Depreciation and amortisation	16,940,635	16,531,843
Wages and social insurance contributions	10,936,422	10,583,798
Purchased electricity and capacity	8,229,511	8,236,465
Property tax	6,162,481	7,140,471
Repairs and maintenance	4,259,180	3,860,771
Third party services	3,912,639	3,854,250
Water usage expenses, water tax	2,072,349	1,887,146
Fire and other security services	1,762,051	1,748,582
Insurance expenses	1,745,984	1,756,245
Lease expenses	1,309,723	1,938,353
Other expenses	1,349,463	1,259,025
Total line 2120 "Cost of sales"	93,884,445	96,846,861

The cost of sales include administrative expenses. In 2019, administrative expenses totalled RUB 7,384,943 thousand (2018: RUB 7,336,710 thousand). Administrative expenses include expenses on the maintenance of subdivisions and premises of the Executive Body and the branch "Corporative University of the Hydro Power Industry" (including payroll and social expenses, PP&E depreciation charge, lease expenses, security costs etc.), insurance, legal, advisory, information, audit and other similar services, representation and other expenses.

Electricity and capacity market administration expenses include RUB 32,076,558 thousand (2018: RUB 35,032,275 thousand) of special-purpose contributions to the budgets of Russian constituent regions in the Far Eastern Territory in accordance with the Rules of targeted use of funds received from applying a mark-up on the cost of capacity sold in the price ranges of the wholesale power and capacity market in 2019.

Operating expenses broken down by cost elements are as follows:

Item	2019	2018
Material expenses	20,133,148	19,326,777
Payroll expenses	8,756,900	8,513,597
Social contributions	2,179,522	2,422,362
Depreciation and amortisation	16,940,635	16,531,843
Other costs	45,874,240	50,052,282
Total for elements of costs	93,884,445	96,846,861
Change in balances of work in progress, finished goods, etc. (increase [-] / decrease [+])	-	-
Total expenses incurred on operating activities	93,884,445	96,846,861

3.8 Other income and expenses (line 2340 and line 2350 of the statement of financial results)

Item	2019		2018	
	Income	Expenses	Income	Expenses
Foreign exchange differences from remeasurement of assets and liabilities denominated in foreign currencies	3,095,261	(1,125,544)	1,847,511	(3,186,943)
Doubtful debt provision	2,169,922	(1,933,533)	2,651,250	(4,408,906)
Provision for impairment of investments	945,928	(6,983,481)	-	(6,453,211)
Income and expenses from sales, write-off and other transactions with assets	688,235	(1,052,564)	682,445	(3,110,243)
Income and expenses due to sale or other disposal of securities (exception promissory notes)	491,362	(461,223)	6,864,125	(8,300,084)
Income and expenses from granted and assigned sanctions	309,251	(1,012,617)	621,180	(72,574)
Expenses on operations with derivatives	-	(4,169,090)	-	(2,812,984)
Charity donations	-	(1,396,607)	-	(1,276,343)
Expenses for social events	-	(783,286)	-	(455,688)
Gains / (losses) from revaluation of investments measured at current market value	-	-	1,448,847	(902)
Other income and expenses	1,246,903	(943,154)	724,073	(1,900,160)
Total line 2340 "Other income" and 2350 "Other expenses"	8,946,862	(19,861,099)	14,839,431	(31,978,038)

3.9 Taxes

Corporate income tax

Income tax calculated on the basis of the accounting profit (theoretical income tax charge) for the reporting year was RUB 10,545,267 thousand (2018: RUB 10,019,550 thousand).

According to the tax accounting data, the taxable profit for 2019 was RUB 56,484,314 thousand (2018: RUB 55,220,122 thousand).

In the reporting year, the amount of non-temporary differences which affected the theoretical income tax charge adjustment for the purposes of income tax calculated for tax accounting purposes (current income tax) was RUB 15,529,464 thousand (2018: RUB 15,959,465 thousand).

The above non-temporary differences arise from differences in recognising certain income and expenses for accounting and income tax purposes.

Non-temporary differences resulted in permanent tax assets amounted to RUB 3,525,509 thousand for 2019 (2018: 11,334,362 thousand), including:

- income from participation in other entities (dividends) in the amount of RUB 609,121 thousand for 2019 (2018: RUB 858,671 thousand);
- increase in value of financial placements determined in fair value in the amount of RUB 0 thousand (2018: RUB 1,448,847 thousand);
- release of the provision for impairment of investments in the amount of RUB 2,116,523 thousand (2018: RUB 1,258,077 thousand);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 0 thousand (2018: RUB 6,790,304 thousand);
- other permanent differences in the amount of RUB 799,865 thousand (2018: RUB 978,463 thousand).

Non-temporary differences resulted in the permanent tax liability amounted to RUB 19,054,973 thousand for 2019 (2018: 27, 293, 827 thousand), including:

- depreciation of RUB 3,012,576 thousand (2018: RUB 3,068,319 thousand);
- charity donations in the amount of RUB 1,418,777 thousand (2018: RUB 1,240,518 thousand);
- expenses related to sale, disposal or other transactions with assets in the amount of RUB 594,531 thousand (2018: RUB 908,278 thousand);
- provision for impairment of financial investments in the amount of RUB 6,983,764 thousand (2018: RUB 6,453,211 thousand);
- loss on transactions in derivative financial instruments not traded on the organized financial market, RUB 3,731,455 thousand (2018: RUB 2,812,984 thousand);
- loss on operations with securities not traded on the organized financial market in the amount of 41,244 thousand rubles. (2018: RUB 889,577 thousand);
- the amount of the liquidated investment was 1, 170, 595 thousand (0 thousand in 2018);
- proceeds from the sale of shares taxable at 0%, in the amount of RUB 0 thousand (2018: RUB 8,260,940 thousand);
- value of written-off assets (RAR) RUB 0 thousand (2018: RUB 1,671,084 thousand);
- other non-temporary differences in the amount of RUB 2,102,031 thousand (2018: RUB 1,988,916 thousand).

As at 31 December 2019, the total amount of deductible temporary differences, which affected the adjustment of the theoretical income tax charge for the purpose of the current income tax calculated for tax accounting purposes, was RUB 140,887 thousand (2018: RUB 564,542 thousand), including those originated – RUB 10,241,002 thousand (2018: RUB 11,331,000 thousand) and settled – RUB 10,100,115 thousand (2018: RUB 10,766,458 thousand).

As at 31 December 2019, total amount of taxable temporary differences that affected the theoretical income tax expense adjustment for the purpose of the income tax calculation for tax accounting purposes, was RUB 11,922,856 thousand (2018: RUB 11,408,440 thousand), including those originated – RUB 19,223,956 thousand (2018: RUB 18,602,026 thousand) and settled – RUB 7,301,100 thousand (2018: RUB 7,193,586 thousand).

In 2019 movement in deductible and taxable temporary differences was mainly due to:

- different useful lives of property, plant and equipment for accounting and income tax purposes;
- recognition of depreciation premium on items of property, plant and equipment for income tax purposes;
- application of multiplying factor for accrual of depreciation charges on property, plant and equipment used in operations in a hostile environment with a high turnover for tax accounting purposes in prior periods;
- capitalisation of interest on borrowings in the cost of investment assets for accounting purposes;
- including the costs of insurance in the value of investment assets in the accounting records of the Company.

Deferred tax assets and deferred tax liabilities were:

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

Item	31 December 2019	31 December 2018	31 December 2017
Deferred income tax assets	(3,185,039)	(3,156,862)	(3,043,219)
Deferred tax liabilities	24,849,643	22,465,072	20,156,267
Total line 1420 "Deferred tax liabilities"	21,664,604	19,308,210	17,113,048

Value Added Tax

Total VAT calculated with due account of recovered tax amounts was RUB 44,293,882 thousand in the reporting year (2018: RUB 41,943,800 thousand).

Total VAT recoverable in the reporting period was RUB 25,346,077 thousand (2018: RUB 19,553,710 thousand).

The Company decreases the calculated VAT by the amount invoiced on purchase of goods (work, services) in Russia, according to tax legislation.

Other taxes and levies

In 2019, operating expenses include other taxes, levies, and also insurance contributions in the amount of RUB 7,920,292 thousand (2018: RUB 8,834,925 thousand), including:

- property tax in the amount of RUB 6,162,481 thousand (2018: RUB 7,140,471 thousand);
- insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation and obligatory medical insurance funds in the amount of RUB 1,746,466 thousand (2018: RUB 1,684,202 thousand), including contributions related to estimated liabilities on future payment of employee vacations earned but not used;
- other taxes and levies in the amount of RUB 11,345 thousand (2018: RUB 10,252 thousand).

Relations with tax authorities

Russian tax legislation active or effective as of the end of the reporting period allows varying interpretation of the separate facts of the Company's economic life. As a consequence, the position of the Company's management in terms of taxes and documents substantiated this position may be challenged by tax authorities. The tax control in Russian Federation gets stringent resulting in increase of tax inspections risk, not having a clear financial and business objectives or transactions with counterparties not complying with the requirements of tax legislation. These inspections may cover 3 calendar years preceding the year when the decision about inspection was made. In some cases the earlier periods may be examined.

In 2020 the Company joined the tax monitoring system (a new form of interaction with the tax authorities that does not involve in-house or on-site inspections, as a general rule. Nevertheless, an on-site inspection of the Company can be made with regard to open periods (2018 and 2019). Within the tax monitoring framework, the Company may request a reasoned opinion of the tax authority on certain controversial tax issues. A reasoned opinion is binding on both the tax authorities and the Company.

As of 31 December 2019, the Company's management believe that their interpretation of the relevant legislation was appropriate, tax liabilities are recorded in full and the Company's tax and currency positions will be sustained.

3.10 Dividends

The Company's annual general meeting of shareholders (Minutes No.18 of 2 July 2019) made the decision to pay dividends on the Company's ordinary shares for 2018 in the amount of RUB 0.0367388 per 1 share for the total of RUB 15,918,514 thousand.

The Company's annual general meeting of shareholders held (Minutes No. 17 of 28 June 2018) made the decision to pay dividends on the Company's ordinary shares for 2017 in the amount of RUB 0,0263335 per 1 share for the total of RUB 11,225 676 thousand.

3.11 Earnings per share

Basic earnings per share reflect a portion of reporting period's profit that may be potentially distributed between the shareholders – owners of ordinary shares. It is calculated by dividing basic profit of the reporting year by the weighted average number of ordinary shares outstanding during the year. Basic profit is equal to net profit of the reporting year (Line 2400 of the statement of financial results).

Item	2019	2018
Basic profit for the reporting year (RUB thousand)	38,644,838	36,725,620
Weighted average number of ordinary shares, outstanding during the reporting year (shares)	430,955,534,058	426,288,813,551
Basic earnings per share (RUB)	0,0897	0,0862

Weighted average number of ordinary shares, outstanding during the reporting year was calculated as follows:

Item	2019
Number of ordinary shares outstanding as of 1 January 2019 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 1 December 2019 (shares)	433,288,905,849
Number of ordinary shares outstanding as of 31 December 2019 (shares)	433,288,905,849
Weighted average number of ordinary shares, outstanding in 2019 (shares) (426,288,813,551 * 4 month + 433,288,813,551 * 1 month + 433,288,905,849 * 7 month) / 12 months	430,955,534,058
Item	2018
Number of ordinary shares outstanding as of 1 January 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 1 December 2018 (shares)	426,288,813,551
Number of ordinary shares outstanding as of 31 December 2018 (shares)	426,288,813,551
Weighted average number of ordinary shares, outstanding in 2018 (shares) (426,288,813,551 * 12 months) / 12 months	426,288,813,551

In 2019 and 2018, the Company had no debt securities potentially convertible to shares.

3.12 Related Parties

The Company's related parties are its subsidiaries and affiliates, including organizations over which the Company indirectly controls or has a significant influence, as well as key management personnel and non-state pension funds acting in the interests of the Company's employees.

The list of the Company's related parties is given on the web-site – www.rushydro.ru/investors/disclosure/affiliated.

3.12.1 Controlling entity

As of 31 December 2019 the Company is controlled by the Russian Government (represented by the Federal Agency for Federal Property Management) which owns, 60.56% of the Company's ordinary shares excluding the actual additional placement of the Company's shares as part of the current additional issue (see paragraph 3.3.1 of the Explanatory Notes). As of 31 December 2019, the ownership share of the Russian Federation in the Company's share capital amounted to 61.20% inclusive of the additional placement of the Company's shares.

3.12.2 Sales to related parties

Total revenue from sales to related parties was:

Name of the buyer	2019	2018
Revenue from sales to subsidiaries, including:	11,221,515	11,026,810
PJSC Far East Energy Company	7,254,418	6,989,743
PJSC Krasnoyarskenergosbyt	1,420,795	1,802,242

PJSC RusHydro**Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results**

(in thousands of Russian Roubles unless otherwise stated)

Name of the buyer	2019	2018
JSC Chuvashskaya Energy Sales Company	879,086	847,134
JSC ESK RusHydro	858,005	690,433
PJSC Ryazanskaya Energy Sales Company	607,630	605,559
Other subsidiaries	201,581	91,699
Revenue from sales to related parties, including:	355,779	274,619
PJSC Boguchanskaya GES	155,250	115,014
CJSC Boguchanskiy Alluminievy zavod	200,529	159,605
Total sales to related parties	11,577,294	11,301,429

Sales to related parties include, among others, sales of electricity and capacity in the regulated sector of WEM at tariffs determined by the Federal Tariff Service and in the competitive sector at commercial prices established in accordance with the Wholesale Market Rules and Regulation of the Russian Government No. 109 of 26 February 2004, On Pricing of Electric and Heating Energy in the Russian Federation, and Regulation on the Company's sales policy for operating generation assets in the price zones of the wholesale electricity (capacity) market (minutes of the meeting of the Management Board No. 528 of 17 September 2010).

3.12.3 Purchases from related parties

The cost of services provided by related parties was:

Name of the supplier	2019	2018
Construction-and-assembling operations, survey and design works, research and development, including:		
Subsidiaries		
JSC Hydroremont-VKK	1,781,834	1,259,218
JSC Vedeneyev VNIIG	238,773	74,498
LLC RusHydro IT Servis	137,899	42,458
JSC Mosoblhydroproject	106,176	111,117
JSC Lenhydroproject	102,582	88,621
JSC Institut Hydroproject	96,874	256,739
Other	34,210	134,201
Total construction-and-assembling operations, survey and design works, research and development:	2,498,348	1,966,852
Services rendered by related parties, including:		
Subsidiaries		
JSC Hydroremont-VKK	3,305,445	3,115,816
JSC Transport company Rushydro	1,512,339	1,447,797
JSC Malaya Dmitrovka	513,987	513,987
LLC RusHydro IT Servis	485,177	457,604
JSC Sulaksky HydroKaskad	88,462	530,775
LLC SNRG	225,743	233,785
JSC Zaramagskiye GES	198,096	243,217
JSC Vedeneyev VNIIG	194,810	186,909
Other	498,661	456,263
Services rendered by related parties, total	7,022,720	7,186,153
Purchased electricity	1,543	1,612
Total purchases from related parties	9,522,611	9,154,617

3.12.4 Settlements with non-state pension fund

Non-state Pension Fund of Electrical Energy Industry is the non-state pension fund for implementation of the non-governmental pension security program for the Company's employees.

TRANSLATOR'S EXPLANATORY NOTE: This version of our report/the accompanying documents is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

The expenses of the Company's contributions to non-state pension funds are recorded as expenses for ordinary activities. The total amount of contributions to the pension fund was RUB 240,152 thousand and RUB 321,243 thousand for 2019 and 2018, respectively.

3.12.5 Settlements with related parties

As of 31 December 2019, 2018 and 2017, accounts receivable from related parties to the Company less doubtful debt provision were (see paragraph 3.2.2 of the Explanatory Notes):

Type of accounts receivable	31 December 2019	31 December 2018	31 December 2017
Short-term interest-free promissory notes received	-	2,142,039	2,142,039
Short-term interest-free loans issued	87,958,599	94,112,667	64,256,270
Long-term interest-free promissory notes received	25,689,260	25,689,260	25,689,260
Accounts receivable from subsidiaries as part of additional issues before title for the shares issued is transferred to the Company	5,597	10,272,863	29,621,554
Indebtedness under the assignment agreement	-	-	9,962,317
Long-term interest-free loans issued	366,371	148,000	2,234,391
Accounts receivable related to other sales	1,260,411	1,098,429	952,043
Accounts receivable of interest accrued on loans issued and promissory notes received	10,051,959	6,697,708	3,487,566
Advances	2,290,263	2,559,899	2,240,504
Other settlements with related parties	104,242	71,603	140,579
Total accounts receivable from related parties	127,726,702	142,792,468	140,726,523

Doubtful debt provision for related parties' accounts receivables as of 31 December 2019 was RUB 5,099,459 thousand (31 December 2018: RUB 4,946,064 thousand; 31 December 2017: RUB 4,123,109 thousand).

As of 31 December 2019, 2018 and 2017, the Company's accounts payable to the related parties were:

Related parties	31 December 2019	31 December 2018	31 December 2017
Subsidiaries	709,701	978,185	1,000,918
Other related parties	874	-	18,176
Total accounts payable to related parties	710,575	978,185	1,019,094

The whole amount accounts payable to related parties is payable in cash.

3.12.6 Related parties' debt within investments

As of 31 December 2019, 2018 and 2017, The Company's investments include the following amounts due from related parties (see paragraphs 3.1.2 and 3.2.3 of the Explanatory Notes):

Type of financial investments	31 December 2019	31 December 2018	31 December 2017
Type of financial investments	70,890,980	71,713,115	67,105,165
Loans issued to related parties	-	601,053	601,053
Other investments	70,890,980	72,314,168	67,706,218
Total related parties' debt within investments	65,670,626	66,128,438	55,419,461
Total debt within long-term investments (Line 1170 of the Balance sheet)	5,220,354	6,185,730	12,286,757
Total debt within short-term investments (Line 1240 of the Balance sheet)			

PJSC RusHydro

Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results

(in thousands of Russian Roubles unless otherwise stated)

As of December 31, 2019, the total amount of the Company's equity and debt financial investments in subsidiaries and other related parties amounted to RUB 383,693,020 thousand. (2018 - RUB 349,791,760 thousand, 2017 - RUB 317,616,607 thousand). The provision for impairment of these financial investments as of December 31, 2019 amounted to RUB 37,958,359 thousand. (2018 - RUB 33,373,443 thousand, 2017 - RUB 27,735,399 thousand).

Interest income on loans issued to related parties and promissory notes received from related parties:

Entity	2019	2018
Subsidiaries, including:	6,055,184	4,537,585
JSC Far East Generating Company	3,428,556	2,527,301
JSC RAO Energy Systems of the East	734,921	517,247
JSC Kamchatskenrgo	471,214	247,528
JSC Sakhaenergo	429,113	387,755
PJSC Yakutskenergo	249,812	183,237
JSC Hydroinvest	143,677	151,332
JSC Teploenergосervis	120,417	107,664
Other	477,474	415,521
Other subsidiaries	94,990	90,916
Total interest income	6,150,174	4,628,501

3.12.7 Income from investments in other companies (related parties)

Income from investments in other companies includes income from investments in subsidiaries in the amount of RUB 609,121 thousand for 2019 (2018: RUB 598,511 thousand):

Entity	2019	2018
JSC Blagoveschenskaya TETS	176,924	-
JSC Hydroremont-VKK	52,918	344,860
Other	379,279	253,651
Total income from investments in subsidiaries	609,121	598,511

3.12.8 Remuneration to key management personnel

The Company's key management personnel includes members of the Board of directors and Management Board and also includes heads of the Company's business divisions and their deputies.

The remuneration to the members of the Board of directors is calculated according to the *Regulations on the payment of remuneration to PJSC RusHydro's directors* approved by the Annual General Meeting of Shareholders held on 26 June 2017 (Minutes No. 16).

Remuneration is paid to members of the Management Board and other management personnel of the Company for their services in management positions and is made up of a contractual salary and performance bonuses depending on the results for the period calculated based on key performance indicators approved by the Company's Board of directors.

The list of members of the Company's Board of directors and Management Board is included in paragraph 1.1 of the Explanatory Notes.

In 2019 and 2018, the Company remuneration to key management personnel within the limits set out in their employment agreements for the total amount of RUB 1,200,133 thousand and RUB 1,144,893 thousand, respectively. The insurance contributions amounted to RUB 197,914 thousand for 2019 (2018: RUB 188,694 thousand). In addition, in 2019, an appraisal obligation was established for premiums to key management personnel in the amount of RUB 409,693 thousand (2018: RUB 397,530 thousand). In calculation of the estimated liability for remuneration payments includes the expected remuneration for 2019 as part of the Long-Term Motivation Program of the Company's key management.

3.12.9 Cash flows between the Company and subsidiaries/associates

Item	Line code	2019	2018
Cash flows from operating activities			
Receipts , including:	4110	10,286,553	19,875,621
sales of products, goods, work and services	4111	10,233,477	9,852,687
lease payments, license payments, royalties, commission and other payments	4112	44,022	59,466
other receipts, including;	4119	9,054	9,963,468
<i>receipts on assignment of the right of claim</i>		-	9,962,317
Payments , including:	4120	(7,865,444)	(7,666,281)
suppliers (contractors) – raw materials, work and services	4121	(7,643,069)	(7,508,289)
interest on debt liabilities	4123	-	(14,998)
other payments	4129	(222,375)	(142,994)
Net cash flows from operating activities	4100	2,421,109	12,209,340
Cash flows from investing activities			
Receipts , including:	4210	40,639,034	8,548,217
sale of non-current assets (except for investments)	4211	1,832	7,984
sale of shares of other organisations (ownership interest)	4212	40,038	10,859
repayment of loans issued, sale of debt securities (rights of claiming cash to third parties)	4213	37,398,689	6,677,378
dividends, interest on debt investments and similar proceeds from equity participation in other organisations	4214	3,198,475	1,851,996
Payments , including:	4220	(76,418,846)	(57,322,608)
acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(13,383,628)	(2,844,969)
purchase of shares (interest) in other entities	4222	(31,560,189)	(14,829,357)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(31,475,029)	(39,648,282)
Net cash flows from investing activities	4200	(35,779,812)	(48,774,391)
Cash flows from financing activities			
Receipts , including:	4310	12,278,851	4,246,877
loan receipts	4311	12,278,851	4,246,877
Payments , including:	4320	(3,495,825)	(3,754,110)
dividends and other payments on distribution of profit in favor of owners (participants)	4322	(11,941)	(8,615)
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	(3,483,884)	(3,745,495)
Net cash flows from financing activities	4300	8,783,026	492,767
Net cash flows for the reporting period	4400	(24,575,677)	(36,072,284)

3.13 Segment Information

The Company does not identify any reporting segments in its operations, as the Company's core business activity is production of electricity and capacity – their share in the revenue from sales is 99.7%. The individuals credentialed to make the decisions concerning allocation of the resources within the Company and assess the results of its performance analyse the Company's activity as a whole segment.

3.14 Contingent liabilities

As of 31 December 2019, the Company had outstanding issued guarantees to the third parties' creditors and pledged assets for the total amount of RUB 67,315,467 thousand (31 December 2018: RUB 54,340,927 thousand, 31 December 2017: RUB 82,915,823 thousand) (see paragraph 3.6.3 of the Explanatory Notes). According to the Company's management expectations, no material liabilities will arise in connection with these guarantees.

Moreover, the prosecutor's office and other oversight bodies examined operations of the Company, and this also may result in additional claims filed against the Company and its employees.

The Russian transfer pricing legislation is aligned with the international principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and some transactions between unrelated parties) if such transactions are not on an arm's length basis.

For this reason, the Company's management has implemented internal control procedures to ensure compliance with transfer pricing law. Upon request of the tax authority the Company's management will provide documentation as per article 105.15 of the Russian Tax Code for the periods open for review for completeness of taxes calculated and paid under Chapter 14.5 of the Russian Tax Code.

Tax liabilities arising from controlled transactions are determined using the actual prices of such transactions. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall performance of the Company.

The Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company, while tax control over individual transactions and operations is gradually increasing. Consequently, tax positions taken by the Company's management and the formal documentation supporting the tax positions may be challenged by tax authorities, in particular with regard to the tax accounting treatment of certain incomes and expenses of the Company and the validity of deducting VAT presented by suppliers and contractors. The impact of any such challenge cannot be reliably estimated. Nonetheless, this may be significant to the financial position and/or the overall operations of the Company. The Company's management has implemented internal control procedures to ensure compliance with transfer pricing law. New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and also the rules for determining the tax residence of foreign legal entities at the place of their actual management (in case of a foreign company recognition as a Russian tax resident, all income of such a company will be subject to taxation in the Russian Federation). Management of the Company conducts analysis of impact of new rules on Companies' activity and takes necessary measures to meet new requirements of Russian Tax legislation. Likelihood of claims from Russian tax authorities (and probability of positive resolution of disputes) can't be reliably measured because there's no practice of new tax rules. Financial statements of the Company can be affected if tax disputes arise. The Company carries out systematic work to decrease the number of its foreign subsidiaries, which should reduce the impact of this factor on the financial position and results of the Company's business.

Management believes that its interpretation of the relevant tax legislation is appropriate and the state of the Company from the point of view of tax legislation is stable.

3.15 Financial risk management

The primary objectives of the financial risk management function are to provide reasonable assurance of achieving the Company's goals by developing a methodology of risk identification, analysis and assessment, as well as to establish risk limits, and then ensure that exposure to risks

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

stays within these limits and if the limits are exceeded – to treat this risk accordingly.

Market risks

Market risks include currency risk, interest rate and price risks.

Currency risk. The Company sells its produced electricity and capacity in the Russian domestic market at prices denominated in national currency, settlements with resources suppliers, charge and acceptance of payments from the customers are made specifically in Russian roubles. Liabilities of the Company are denominated in national currency. In November 2018, the Company placed Eurobonds in Chinese yuan offshore, while the management of currency risk was eliminated by concluding a hedging transaction (currency swap interest), details of the transaction are described in paragraph 3.4.1 of the Notes. As a result effect of changes in currency exchange rates on the Company's financial position and activities is estimated as insignificant. The Company's operations are planned and carried out in such a way that all its assets and liabilities are denominated in the national currency.

Information on the Company's exposure to currency risk is presented in line with its use for the preparation of RusHydro Group's IFRS financial statements as defined in IFRS 7:

	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
31 December 2019			
US Dollars	348,000	-	348,000
Euro	163	(233,513)	(233,350)
Chinese yuan*	271	(13,380,486)	(13,380,215)
Total	348,434	(13,613,999)	(13,265,565)
31 December 2018			
US Dollars	160,789	-	160,789
Euro	135	(1,237,168)	(1,237,033)
Chinese yuan*	311	(15,253,781)	(15,253,470)
Total	161,235	(16,490,949)	(16,329,714)
31 December 2017			
US Dollars	704,495	-	704,495
Euro	-	(6,112,775)	(6,112,775)
Total	704,495	(6,112,775)	(5,408,280)

*Management of currency risk on obligations expressed in Chinese yuan offshore is excluded by entering into a currency-interest swap transaction (Note 3.4.1).

The above analysis includes only monetary assets and liabilities. Investments in shares and non-monetary assets are not considered to give rise to significant currency risk.

Changes in exchange rates have no significant influence on the Company's financial position.

Interest rate risk. The Company's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates.

The effect of changes in the average market interest rates on the value of the Company's investments is insignificant as the rates of return on the Company's investments are fixed.

Debt portfolio of the Company (taking into account liabilities in relation to the interest rate swap transaction with PJSC Bank VTB) as at 31 December of 2019, 31 December of 2018 and 31 December of 2017 mainly consists of debt with fixed interest rate. The influence of changes in these rates on the Company's profit is insignificant.

The Company monitors the loan market in order to identify favorable credit conditions, and also monitors interest rate risk for its financial instruments. Effective interest rates as of the end of the period are presented in paragraph 3.4.1 of the Explanatory Notes.

Price risk. The Company sales power and capacity, mainly, in the wholesale market. The price risk at the wholesale market is connected with possible volatility of the prices, and also with reduction of prices of the corresponding goods.

PJSC RusHydro
Explanatory Notes to the 2019 Balance sheet and Statement of Financial Results
(in thousands of Russian Roubles unless otherwise stated)

Electricity at the wholesale market is realized by Company mainly at the market for the days ahead. Weighted average price of sale of electricity for the days ahead for the Company in 2019 didn't change significantly in comparison with an indicator of 2018.

As the key instrument for trading capacity in the wholesale market is the contracts for purchase and sale of capacity by results of competitive selection of capacity. The price of capacity, based on which liabilities under such contracts are calculated, after the transition in 2015 to long-term model of competitive selection of capacity, is determined by results of competitive selections of capacity for four years ahead. The price differences on capacity created following the results of competitive selections of capacity for 2016-2020, make no more than 5% for each price zone.

At the liberalised market of the electric power the price of goods directly depends on demand amount. For the purpose of increase in a financial result of economic activity Company considers the seasonal, week and daily changes in demand on the electric power in case of sales planning of the electric power.

In general, the risks associated with a possible reduction in the price of sales of electricity and power in the wholesale market are assessed as insignificant.

The price risk determines the possible changes / fluctuations in the fair value or future cash flows due to changes in market prices (excluding changes leading to interest rate or currency risk).

The table below includes the Company's investments exposed to the price risk.

Category of investments	31 December 2019	31 December 2018	31 December 2017
Equity investments for which current market value can be determined, including:	-	-	6,808,972
PJSC Inter RAO	-	-	6,808,972
Equity investments to subsidiaries measured at current market value but not revalued as of the reporting date	2,823,790	1,708,826	1,708,826
Equity investments for which current market value cannot be determined	309,978,250	275,768,766	248,211,390
Total equity investments (see paragraph 3.1.2 of the Explanatory Notes)	312,802,040	277,477,592	256,729,188

Current market value of quoted securities is determined by market prices established on the stock exchange PJSC MICEX-RTS (<http://moex.com>), according to the 'Procedure for determining market value of securities, estimated price of securities and the threshold for the fluctuations of securities' market price for the purpose of Chapter 23 of the Russian Tax Code approved by Order of the Federal Service for Financial Markets No. 10-65/pz-n of 9 November 2010.

Credit risk

Credit risk is the possibility of the Company's losses resulting from the counterparty's inability to meet its obligations under the contract. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Although collectability of receivables can be influenced by economic factors, management believe that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded. The Company regularly monitors existing receivables and undertakes actions to collect them and minimize losses.

Cash has been placed in financial institutions, which are considered at the time of deposit to have minimal risk of default. The Company approves deposit banks as well as rules for making cash deposits. The Company performs regular review of financial institutions, monitors their ratings assigned by independent agencies as well as other performance indicators of these financial institutions.

Summary information on cash deposits and their equivalents including names of banks and other financial institutions and their ratings as of the end of the reporting period is provided in paragraph 3.2.4 of the Explanatory Notes.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Efficient liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of additional funding through an adequate amount of committed credit facilities. The Group follows the balanced model of working capital financing when both long-term and short-term sources of finance are used. The Company places available cash to short-term financial instruments, mainly, bank deposits and short-term bank promissory notes. Short-term liabilities are represented mainly by trade accounts payable.

The Company has implemented controls over the contracting process by using standard financial procedures that include standard payment structure, standard payment time, standard correlation between the advance and final settlement amounts, etc. This way the Company controls the maturity structure of capital.

The ageing analysis for long term borrowings is presented in paragraph 3.4.1 of the Explanatory Notes.

3.16 Subsequent events

There are no significant events which have affected or could affect the Company's financial position, cash flows or its performance in the period between the reporting date and the date of signing the financial statements for 2018.

Chairman of Management Board - General Director
of PJSC RusHydro

N.G. Shulginov

Chief Accountant of PJSC RusHydro

Y. G. Medvedeva

27 February 2020