

**MANAGEMENT DISCUSSION AND ANALYSIS OF  
FINANCIAL POSITION, FINANCIAL PERFORMANCE  
AS AT AND FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2019**

**Note**

Current report is a review of financial position and performance of PJSC RusHydro (“RusHydro” or the “Company”) and its subsidiaries (jointly referring to as “RusHydro” or “the Group” and must be read in conjunction with consolidated financial reports of RusHydro Group for the respective periods, prepared in accordance with IFRS.

In addition, the report contains information pertaining to mid-term and long-term plans and intentions of the Group. The plans and intentions in their nature are forward-looking statements and actual implementation of plans and intentions is affected by a number of economic, political and legal factors, outside control by the Company (such as international financial and economic situation, situation in key markets, changes in taxation, customs and environmental legislations, etc.). Hence, actual performance could differ materially from forecasts, contained in the report.

All ruble-denominated sums are in millions, unless noted otherwise. The figures are rounded, but specific indicators are calculated based on actual values before rounding.

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## 1. The Group and its operations

The Group's principal business operations are generation and sales of electricity and capacity as well as generation and sales of heat. As of September 30, 2019 installed electric capacity of the Group companies stood at 39.68 GW<sup>1</sup>, installed heat capacity – 18,923.4 Gcal/h.

### *Operating segments*

The Group operates in the three key segments:

- PJSC RusHydro (the Group's parent company, one of the largest public Russian utilities, number one in the country and fourth worldwide in terms of installed hydropower capacity);
- ESC RusHydro subgroup includes the Group's subsidiaries, which sell electricity to final customers. All the entities included in this segment with the exception of JSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request;
- RAO ES East subgroup consists of JSC RAO ES East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Operations of other segments are not subject to disclosure as separate reportable segments due to lack of materiality.

As of September 30, 2019 RusHydro Group includes for purposes of consolidation under IFRS PJSC RusHydro and 84 subsidiaries. Eighteen companies are associated entities or joint ventures for the Group. In the first half of 2019, the Group composition was optimized by 1 subsidiary (liquidation of non-functioning company).

### *Relations with the Government*

As of September 30, 2019, The Russian Federation, as represented by the Federal Agency for State Property Management owned 61.20 percent of the total ordinary shares of the Company; PJSC VTB Bank that is controlled by the Russian Federation owned 13.13 percent of the Company's shares<sup>2</sup>.

The Group's major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group's fuel and other suppliers.

Key customers receiving electricity and heat generated by the Group include significant number of entities, controlled by the government or associated with the government. In addition, the government controls Group's suppliers, providing services of dispatching, transmission and distribution of electricity, as well as a number of suppliers of fuel and other suppliers.

In addition, the Government affects the Group's operations through:

- participation of its representatives in the Company's Board of Directors;
- regulation of tariffs for electricity, capacity and heat;
- approval of the Group's investment program, volume and sources of financing, and control over its implementation.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

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<sup>1</sup> Including capacity of Boguchanskaya HPP, operated jointly with UC RUSAL

<sup>2</sup> Including additional share issue (registration number 1-01-55038-E-043D as of 27.08.2018)

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## 2. Review of key events and performance indicators

### *January – September 2019 events*

- On January 2, 2019, the Cental and Western districts of Yakutia were connected to the Unified Energy System of Russia. PJSC Yakutskenergo, a subsidiary of PJSC RusHydro, transferred the supervision and control of the territory to the System Operator;
  - On February 8, 2019, PJSC RusHydro has divested its 40% share in LLC VolgaHydro, a hydropower equipment manufacturing joint venture in the Saratov region, to Voith Group for RUB 450 mn.
  - On March 29, 2019, PJSC RusHydro and UC RUSAL commissioned the first stage of Boguchany aluminium smelter (BoAZ), part of Boguchanskiy Energy and Metals Complex (BEMO). Total funding of the smelter's first phase with annual operational capacity is estimated at 298 thousand tons of aluminium amounts to USD 1.69 bn. It is being financed by UC RUSAL's and PJSC RusHydro's own funds along with project financing from VEB.RF.
  - On April 19, 2019, The Board of Directors approved PJSC RusHydro's dividend policy which stipulates for a base scenario of dividend payout ratio at 50% of the company's IFRS net profit. At the same time, a minimal payout level is set at the average amount of dividends paid over the last three years. Such measure guarantees shareholders a minimal dividend amount and improves the company's investment attractiveness. The changes to the dividend policy will be in effect for three years.
  - On April 29, 2019, the first phase of placement of RusHydro's additional share issue for the construction of 110 kV high-voltage overhead lines in light of upcoming reconstruction of the Chaun-Bilibino power system following decommissioning of the Bilibinskaya nuclear power plant took place. RusHydro has placed 7,000,092,298 shares including 7,000,000,000 shares in favor of the Russian Federation represented by Rosimushchestvo (State Property Management) at one ruble per share.
  - On June 28, 2019, AGM of PJSC RusHydro elected new Board of Directors and approved 2018 dividends of RUB 0.0367388 per share in total amount of RUB 15.9 bn (50% of the Group's net profit for 2018 under IFRS, and an increase of 42% over the amount distributed in dividends for 2017).
  - On July 17, the government approved all projects submitted by RusHydro for modernization: Vladivostokskaya CHP-2, Artyomovskaya CHP, Khabarovskaya CHP and Yakutskaya GRES. Return on the projects will be guaranteed by the mechanism stipulated by the thermal power modernization program.
  - On September 3, 2019, RusHydro inaugurated ten charging stations for electric vehicles (EV) in cities of Vladivostok, Ussuriysk and Artyom. The project was launched after market research confirmed high demand for electric charging stations in Primorsky Krai.
  - On September 7, 2019, RusHydro inaugurated Nizhe-Bureyskaya HPP in the Amur region. The facility's installed capacity and average electricity output stands at 320 MW and 1.67 TWh, respectively. It will supply power to customers in unified energy system of the East.
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### *Events after the reporting date*

- On November 18, 2019, PJSC RusHydro has placed loan participation notes issued by RusHydro Capital Markets DAC in the amount of RUB 15 bn. The LPNs will mature in 2024 and bear an interest of 6.8% p.a. payable twice per year.
- On November 21, 2019, PJSC RusHydro and PJSC VTB Bank signed a supplementary agreement to improve the terms of the forward contract. The supplemental agreement provides for lowering the forward rate by 0.5% p.a. and extension of the agreement for three years through 2025 allowing sourcing a strategic investor and jointly working on increasing RusHydro's share price.
- On November 22, 2019, PJSC RusHydro inaugurated Sakhalinskaya GRES-2 in the Sakhalin region of the Far East to replace the obsolete Sakhalinskaya GRES. The power plant's installed capacity and long run electricity output stands at 120 MW and 0.84 TWh, respectively.
- On November 28, 2019, PJSC RusHydro commissioned of 300 GCal peaking boiler plant at Yakutskaya GRES. The new facility will increase the reliability of heat supply in the capital of Yakutia and partially substitute the capacity of Yakutskaya GRES which will be gradually phased out.
- On November 29, 2019, PJSC RusHydro inaugurated the first EV charging station in the Amur Region. The opening ceremony took place at the Amur Economic Forum.
- On December 5, 2019, JSC Hydroinvest, a 100% subsidiary of PJSC RusHydro, entered into a share sale agreement with PJSC Hrazdan Energy Company (HrazTES, Tashir Group), to divest JSC MEK, a company operating Sevan-Hrazdan cascade of hydropower plants in Armenia for RUB 172.96 mn.

### *Key financial results for the third quarter and nine months of 2019*

	<b>3Q 2019</b>	<b>3Q 2018 (restated)</b>	<b>chg.</b>	<b>chg. %</b>	<b>9M 2019</b>	<b>9M 2018 (restated)</b>	<b>chg.</b>	<b>chg. %</b>
<b>Revenue</b>	<b>87,486</b>	<b>87,385</b>	<b>101</b>	<b>0.1%</b>	<b>287,620</b>	<b>288,670</b>	<b>(1,050)</b>	<b>-0.4%</b>
Operating expenses	74,218	72,807	1 411	1.9%	236,621	225,005	11,616	5.2%
Other operating income	144	444	(300)	-67.6%	614	5,340	(4,726)	-88.5%
Operating profit <sup>3</sup>	13,412	15,022	(1,610)	-10.7%	51,613	69,005	(17,392)	-25.2%
<b>EBITDA<sup>4</sup></b>	<b>19,659</b>	<b>21,067</b>	<b>(1,408)</b>	<b>-6.7%</b>	<b>70,429</b>	<b>81,016</b>	<b>(10,587)</b>	<b>-13.1%</b>
Net profit	5 772	7 405	(1,633)	-22.1%	35,157	45,985	(10,828)	-23.5%
Net profit (adj.) <sup>5</sup>	8 733	10,937	(2,204)	-20.2%	39,842	51,151	(11,309)	-22.1%

- Financial results reflected decrease of electricity production in 1H'19 on the back of reduced water inflows to the majority of reservoirs of the HPPs. Operating results in 3Q 2019 reflected production increase on the back of rainfall flooding and increased water inflow.

<sup>3</sup> Operating profit is calculated as the difference between revenue, other operating income and operating expenses.

<sup>4</sup> EBITDA is calculated as operating profit / loss excluding depreciation of property, plant and equipment, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of other assets, impairment of financial assets, loss on disposal of property, plant and equipment, loss on disposal of other non-current assets and other non-monetary items of operating income and expenses.

<sup>5</sup> Net profit is adjusted for the effects of recognition of financial income/expense arising from the change in fair value of non-deliverable forward contract, impairment of fixed assets, impairment of other assets, impairment of financial assets, profit / loss on disposal of property, plant and equipment, loss on disposal of other non-current assets as well as other operating income arising from the change in fair value of financial assets measured through profit or loss..

- Total revenue in 9M'19 was flat to 9M'18 and came in at RUB 287,620 mn (-0.4%) on the back of decrease in production (-11%) of the PJSC RusHydro's HPPs;
- EBITDA in 9M'19 – RUB 70,429 mn (-13.1% y-o-y); in 3Q'19 – RUB 19,659 mn (-6.7% y-o-y);
- Operating expenses increased in 9M and 3Q by 5.2% y-o-y and 1.9% y-o-y, respectively, mostly as a result of fuel cost increase and growth of purchased electricity and capacity costs;
- Adjusted net profit in 9M'19 – RUB 39,842 mn (-22.1% y-o-y); net profit in 9M'19 – RUB 35,157 mn (-23.5% y-o-y).

### 3. Operating results

#### 3.1 Review of operating and electricity retail results

##### *Electricity production of RusHydro Group, GWh*

	3Q 2019	3Q 2018	chg., %	9M 2019	9M 2018	chg., %
Center of Russia	10,171	9,843	3.3%	29,528	35,828	-17.6%
South of Russia and Northern Caucasus	2,489	2,494	-0.2%	5,804	6,102	-4.9%
Siberia	9,813	9,406	4.3%	20,478	22,239	-7.9%
<b>Total for the price zones</b>	<b>22,473</b>	<b>21,743</b>	<b>3.4%</b>	<b>55,810</b>	<b>64,169</b>	<b>-13.0%</b>
Far East (HPP, geothermal)	4,270	3,688	15.8%	11,073	10,517	5.3%
RAO ES East Subgroup	6,420	6,641	-3.3%	24,615	24,550	0.3%
Armenia	133	174	-23.1%	390	368	6.0%
<b>Total</b>	<b>33,295</b>	<b>32,246</b>	<b>3.3%</b>	<b>91,888</b>	<b>99,604</b>	<b>-7.7%</b>
incl. by HPPs, PSHPPs <sup>6</sup>	27,168	25,961	4.6%	68,824	76,567	-10.1%
incl. by TPPs	6,036	6,197	-2.6%	22,755	22,722	0.1%
incl. by alt. renewables	91	87	4.5%	308	314	-2.0%
<i>Boguchanskaya HPP</i>	<i>4,426</i>	<i>4,122</i>	<i>7.4%</i>	<i>11,785</i>	<i>10,286</i>	<i>14.6%</i>

The underlying factors of the production change in the nine months of 2019 were:

- water inflows to the reservoirs of HPPs on the Volga-Kama cascade, South of Russia and Siberia close to the normal level;
- water inflows to the reservoirs in the Far East above the long-run average;
- growth of electricity generation by thermal power plants in the Far East on the back of electricity consumption growth by 2.2%;
- growth of electricity sales to UES of Siberia from UES of the East by 11.5% (to 389 GWh) as compared to the same period last year;
- decrease of electricity sales to China by 3.1% (to 2,376.4 GWh).

Total electricity generated by RAO ES East subgroup in the third quarter of 2019 amounted to 6,420 GWh, a decrease of 3.3% as compared to the same period last year. JSC Far Eastern Generating Company's (DGK) share of electricity generated was 74% or 4,770 GWh, a decrease of 4.8% against the same period last year. Increase of production by HPPs located in UES of East, increase in electricity consumption by 4.7% to 9,880 GWh as well as decrease in electricity sales to UES of Siberia by 22.4% to 105 GWh were the main drivers behind the decline.

In nine months of the year, total electricity generation by RAO ES East subgroup increased by 0.3% to 24,615 GWh against the corresponding period of 2018. Increase is primarily driven by growth of electricity consumption in the Far East Federal District by 2.2% to 34,507 GWh, increase of electricity

<sup>6</sup> Includes generation by HPPs of PJSC RusHydro, Kolymskaya HPP and Viluyskie HPPs, part of RAO ES of East Subgroup.

sales to UES of Siberia by 11.5% to 389 GWh as well as decrease of electricity sales to China by 3.1% to 2,376 GWh against the same period last year.

**Heat output by thermal plants of RAO ES East, ths. GCal**

	3Q 2019	3Q 2018	chg., %	9M 2019	9M 2018	chg., %
JSC DGK	1,542	1,373	12.3%	12,665	13,786	-8.1%
PJSC Yakutskenergo	178	162	9.4%	1,555	1,539	1.1%
PJSC Kamchatskenergo	122	119	1.8%	1,309	1,298	0.9%
PJSC Sakhalinenergo	52	56	-7.3%	963	981	-1.8%
PJSC Magadanenergo	98	98	-0.2%	815	814	0.1%
JSC Teploenergосervice	51	59	-14.2%	707	770	-8.2%
JSC RAO ES East	71	-	-	565	-	-
JSC Chukotenergo	47	41	14.1%	287	281	2.3%
JSC KSEN	4	4	4.8%	52	51	3.4%
JSC Sakhaenergo	3	3	-1.3%	49	55	-11.6%
<b>Total</b>	<b>2,168</b>	<b>1,916</b>	<b>13.1%</b>	<b>18,967</b>	<b>19,574</b>	<b>-3.1%</b>

Heat output by thermal plants of RAO ES East Subgroup in the third quarter of 2019 increased by 13.2% to 2,168 GCal as compared to the corresponding period last year. The increase came on the back of lower air temperatures aided by losses in heat networks that suffered from rainfall flood in Primorsky and Khabarovsk Krai. In nine months of 2019 heat output decreased by 3.1% against 9M 2018 to 18,957 GCal.

**Electricity output by ESC RusHydro subgroup's retail companies, GWh**

	3Q 2019	3Q 2018	chg., %	9M 2019	9M 2018	chg., %
Krasnoyarskenergosbyt	2,378	2,450	-3.0%	8,520	9,126	-6.6%
Chuvash retail company	732	723	1.4%	2,400	2,432	-1.3%
Ryazan retail company	574	605	-5.1%	1,828	1,934	-5.5%
ESC RusHydro	443	413	7.4%	1,303	1,214	7.4%
<b>Total</b>	<b>4,127</b>	<b>4,192</b>	<b>-1.6%</b>	<b>14,051</b>	<b>14,706</b>	<b>-4.5%</b>
<i>PJSC DEK (for reference)</i>	<i>4,137</i>	<i>4,002</i>	<i>3.4%</i>	<i>15,020</i>	<i>14,995</i>	<i>0.2%</i>
<i>Isolated energy systems (for reference)</i>	<i>1,805</i>	<i>1,875</i>	<i>-3.7%</i>	<i>5,755</i>	<i>6,551</i>	<i>-12.1%</i>
<b>Total by Group</b>	<b>10,069</b>	<b>10,069</b>	<b>0.0%</b>	<b>34,826</b>	<b>36,252</b>	<b>-3.9%</b>

Total electricity output by RusHydro Group's energy retail companies in 3Q 2019 was in line with 3Q 2018 at 10,069 GWh, in 9M 2019 electricity output amounted to 34,826 GWh, a decrease of 3.9% as compared to the corresponding period last year. The decrease came mainly on the back of climate factor as well as termination of supply agreements with customers.

Total electricity output by RusHydro's retail companies, operating in Chuvashia, Ryazan and Krasnoyarsk regions in the third quarter of 2019 decreased by 1.6% to 4,127 GWh as compared to 3Q'18. In the nine months of the year, total output decreased by 4.5% as compared to the corresponding period last year and amounted to 14,051 GWh. Increase in output at ESC RusHydro is driven by new supply agreements as well as increase in electricity consumption by JSC Polyus Krasnoyarsk and Yandex DC Vladimir LLC.

**Electricity output by PJSC DEK.** Electricity output by PJSC DEK (energy retail company operating in the Primorskiy Krai, Khabarovskiy Krai, Amur region and Jewish Autonomous region, the main supplier of electricity to the population in the second non-price zone of the wholesale energy market)



in the third quarter of 2019 amounted to 4,137 GWh, an increase of 3.4% as compared to 3Q'18. Favorable performance is primarily driven by increase in consumption by industrial consumers and households. In nine months of 2019 electricity output increased by 0.2% to 15,020 GWh as compared to the same period last year as a result of increase in consumption by industrial consumers.

Total electricity output by RusHydro's companies located in the isolated energy systems in the Far East Federal District amounted to 1,805 GWh in 3Q 2019, a decrease of 3.7% as compared to the same period last year. In nine months of 2019 total electricity output decreased by 12.1% to 5,755 GWh as compared to the same period last year.

### 3.2 Market overview

The Group sells electricity and capacity on the wholesale electricity and capacity market and, via retail suppliers of electricity market at the retail electricity market in the United energy system of the Russian Federation and five isolated energy zones of the Far East of the Russian Federation.

PJSC RusHydro has status of supplier on the wholesale electricity and capacity market of Russian Federation and is selling electricity and capacity in accordance with the rules of the wholesale electricity and capacity market, forming significant part of the total revenue of the Group.

PJSC RusHydro's subsidiaries (PJSC DEK, PJSC Krasnoyarskenegosbyt, JSC Chuvashskaya Electricity Sales Company, PJSC Ryazanenergoby, PJSC Peredvizhnaya Energetika) have status of suppliers on the retail electricity market of Russian Federation.

Operations of the Group in the Far East are vertically integrated and are subject of full tariffs regulation.

Overview of the key volume and price indicators of PJSC RusHydro's generating branches in the price zones of the wholesale electricity and capacity market are presented below. Information on operations and sales of the generating and retail companies of RAO ES East subgroup and sales of the retail companies of ESC RusHydro subgroup is presented in Section 3.1.

#### *Sales on wholesale electricity and capacity market*

	9M 2019	9M 2018	chg.	chg., %
<b>Total volume, kWh, including</b>	<b>68,973</b>	<b>77,139</b>	<b>(8,166)</b>	<b>-10.6%</b>
regulated electricity contracts	17,905	17,353	552	3.2%
day-ahead-market	45,807	54,642	(8,835)	-16.2%
balancing market	3,706	3,812	(106)	-2.8%
unregulated bilateral contracts	1,468	1,310	158	12.1%
retail market	86	22	64	283.7%
<b>Capacity, MW, including</b>	<b>21,667</b>	<b>21,285</b>	<b>382</b>	<b>1.8%</b>
regulated contracts (capacity)	8,292	8,018	275	3.4%
capacity auctions (KOM)	5,116	4,832	284	5.9%
unregulated bilateral contracts	8,001	8,149	(148)	-1.8%
capacity delivery contracts (DPM)	258	286	(28)	-9.9%

#### *Electricity*

Decrease in electricity sales in the reporting period is driven by lower production and output on the back of the following factors:

- Decrease of electricity production by the HPPs of the Volga-Kama cascade due to decrease of water inflows to the majority of reservoirs of the HPPs in the first half of the year increase of water inflows by 39% above the normal level in the third quarter of the year;

- Water inflow to the reservoirs on the rivers in Siberia in the 2<sup>nd</sup> quarter of 2019 was 70-80% of the normal level, in July and August water inflows to Sayano-Shushenskoye reservoir were 15% and 25% above the normal level, respectively;
- In 2Q 2019 hydrological situation was close to the normal level in the Northern Caucasus, in the third quarter water inflow to Chirkeyskaya HPP on the Sulak River was 35% below the normal level.

### **Capacity**

Changes in capacity sales came on the back of lower sales by newly commissioned HPPs as a result of construction.

Decrease of capacity sales under unregulated bilateral contracts resulted in increase in capacity auction (KOM) sales.

### **Price parameter on wholesale electricity and capacity market**

	9M 2019	9M 2018	chg.	chg., %
<b>Average selling price electricity/capacity , RUB/MWh</b>	<b>1,673</b>	<b>1,613</b>	<b>60</b>	<b>3.7%</b>
<b>Electricity (RUB/MWh), including</b>	<b>831</b>	<b>843</b>	<b>(11)</b>	<b>-1.3%</b>
regulated electricity contracts	24	27	(2)	-8.2%
day-ahead-market	1,118	1,090	28	2.6%
balancing market	1,220	1,111	109	9.8%
unregulated bilateral contracts	644	525	119	22.7%
retail market	2,249	1,361	888	65.2%
<b>Capacity (RUB/MW/month), including</b>	<b>297,562</b>	<b>310,224</b>	<b>(12,662)</b>	<b>-4.1%</b>
regulated contracts (capacity)	134,076	128,908	5,168	4.0%
capacity auctions (KOM)	763,690	844,843	(81,153)	-9.6%
unregulated bilateral contracts	124,194	118,594	5,600	4.7%
capacity delivery contracts (DPM)	1,686,120	1,820,535	(134,414)	-7.4%

### **Electricity**

Despite increase in selling price (tariff) under regulated contracts in price zones the average selling price in non-price zones including quadrilateral contracts decreased on the back of negative price imbalance in the reporting period.

Increase in selling price on the day-ahead-market is a result of decrease of price-accepting supply by HPPs in the first price zone and increase in “expensive” supply of electricity generated by thermal power plants.

Decrease in selling price under unregulated bilateral contracts in non-price on the back of increase in selling price in the first price zone resulted in overall increase of unregulated bilateral contracts selling price.

Increase in selling price on the retail market is directly related to shift of electricity sold between HPPs as compared to plan in the reporting period and increase in transmission price of suppliers.

### **Capacity**

The System Operator set increase of tariffs of capacity sold under regulated contracts including quadrilateral contracts in non-price zones in 2019 as compared to prior year is a result of price increase on capacity auctions (KOM).

Decrease of KOM price came on the back of lower price markup. According to the rules and regulations of the Wholesale Electricity and Capacity Market, the capacity selling price under bilateral contracts is equal to the KOM price excluding price markup. Increase in KOM selling price excluding markup under annual price indexation resulted in increase of selling price under bilateral contracts.

Decrease of selling price under capacity delivery contracts came on the back of the Regulator setting regulated tariffs for 2019.

#### 4. Financial review

##### 4.1. Key indicator of financial position and performance

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

ASSETS	30.09.2019	31.12.2018	chg.	chg., %
<b>Non-current assets</b>				
Property, plant and equipment	711,851	669,424	42,427	6.3%
Investments in associates and joint ventures	19,802	19,828	(26)	-0.1%
Financial assets at fair value through profit or loss	590	656	(66)	-10.1%
Financial assets at fair value through other comprehensive income	576	594	(18)	-3.0%
Deferred income tax assets	10,983	9,999	984	9.8%
Other non-current assets	19,704	22,028	(2,324)	-10.6%
<b>Total non-current assets</b>	<b>763,506</b>	<b>722,529</b>	<b>40,977</b>	<b>5.7%</b>
<b>Current assets</b>				
Cash and cash equivalents	50,212	65,432	(15,220)	-23.3%
Income tax receivable	2,855	3,737	(882)	-23.6%
Accounts receivable and prepayments	74,201	75,189	(988)	-1.3%
Inventories	38,572	30,721	7,851	25.6%
Other non-current assets	28,002	33,873	(5,871)	-17.3%
	<b>193,842</b>	<b>208,952</b>	<b>(15,110)</b>	<b>-7.2%</b>
Non-current assets classified as held for sale	-	450	(450)	-100.0%
<b>Total current assets</b>	<b>193,842</b>	<b>209,402</b>	<b>(15,560)</b>	<b>-7.4%</b>
<b>TOTAL ASSETS</b>	<b>957,348</b>	<b>931,931</b>	<b>25,417</b>	<b>2.7%</b>

As of September 30, 2019, the Group's assets increased by RUB 25,417 mn or 2.7% to RUB 957,348 mn against the comparable figure as at December 31, 2018. Change in assets is primarily attributable to:

- increase in property, plant & equipment following execution of the Group's investment program;
- increase in inventories (accumulation of coal to pass the autumn-winter season of 2019-2020).

<b>LIABILITIES</b>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>chg.</b>	<b>chg., %</b>
<b>Non-current liabilities</b>				
Non-current debt	152,459	157,948	(5,489)	-3.5%
Non-deliverable forward contract for shares	27,170	31,896	(4,726)	-14.8%
Deferred income tax liabilities	16,611	13,803	2,808	20.3%
Other non-current liabilities	18,243	21,987	(3,744)	-17.0%
<b>Total non-current liabilities</b>	<b>214,483</b>	<b>225,634</b>	<b>(11,151)</b>	<b>-4.9%</b>
<b>Current liabilities</b>				
Current debt and current portion of non-current debt	48,495	38,899	9,596	24.7%
Accounts payable and accruals	67,721	64,633	3,088	4.8%
Accounts payable in respect of shares issued	7,000	-	7,000	100.0%
Accounts payable on income tax	464	1,191	(727)	-61.0%
Other taxes payable	14,626	15,355	(729)	-4.7%
<b>Total current liabilities</b>	<b>138,306</b>	<b>120,078</b>	<b>18,228</b>	<b>15.2%</b>
<b>TOTAL LIABILITIES</b>	<b>352,789</b>	<b>345,712</b>	<b>7,077</b>	<b>2.0%</b>

As at the end of the reporting period the Group's liabilities increased by RUB 7,077 mn or 2.0% to RUB 352,789 mn as compared to December 31, 2018.

The structure of liabilities has changed accordingly: increase of current debt and current portion of non-current debt and decrease of non-current debt.

As of September 30, 2019 the liability on additionally issued shares in the amount of RUB 7,000 mn registered by the Bank of Russia on August 27, 2018, is reflected. In April - May in the course of implementation of preemptive right, under which PJSC RusHydro placed 7,000,092,298 shares among shareholders (49.95% out of additionally issued shares), at the price of RUB 1 per share.

The fair value of the non-deliverable forward contract, recognized under the terms of transaction with PJSC VTB Bank, decreased from RUB 31,896 mn (as of December 31, 2018) to RUB 27,170 mn (as of September 30, 2019). The main reason of the change in fair value of the forward contract is the local dynamics in the change of market price of RusHydro's shares in the reporting period.

### ***Financial performance indicators***

## Revenue and government grants

	3Q 2019	3Q 2018	chg.	chg., %	9M 2019	9M 2018	chg.	chg., %
Electricity sales	60,260	62,526	(2,266)	-3.6%	194,309	198,869	(4,560)	-2.3%
<i>Incl. grants as per Resolution of the Russian Gov't No. 895</i>	<i>6,087</i>	<i>6,598</i>	<i>(511)</i>	<i>-7.7%</i>	<i>18,263</i>	<i>19,794</i>	<i>(1,531)</i>	<i>-7.7%</i>
Capacity sales	11,556	10,670	886	8.3%	34,997	32,090	2,907	9.1%
Heat and hot water sales	3,082	2,905	177	6.1%	27,113	26,998	115	0.4%
Other sales	8,583	8,291	292	3.5%	20,128	20,892	(764)	-3.7%
Other government grants	4,005	2,993	1,012	33.8%	11,073	9,821	1,252	12.7%
<b>Total revenue</b>	<b>87,486</b>	<b>87,385</b>	<b>101</b>	<b>0.1%</b>	<b>287,620</b>	<b>288,670</b>	<b>(1,050)</b>	<b>-0.4%</b>

Decrease in revenue in nine months of 2019 as compared to the corresponding period of 2018 is driven by decrease in electricity sales.

### Electricity sales<sup>7</sup>

	3Q 2019	3Q 2018	chg.	chg., %	9M 2019	9M 2018	chg.	chg., %
PJSC RusHydro	18,663	21,616	(2,953)	-13.7%	54,981	62,633	(7,652)	-12.2%
RAO ES East subgroup	29,212	28,526	686	2.4%	96,372	94,358	2,014	2.1%
ESC RusHydro subgroup	12,212	12,163	49	0.4%	42,235	41,266	969	2.3%
Other	173	221	(48)	-21.7%	721	612	109	17.8%
<b>Total electricity sales</b>	<b>60,260</b>	<b>62,526</b>	<b>(2,266)</b>	<b>-3.6%</b>	<b>194,309</b>	<b>198,869</b>	<b>(4,560)</b>	<b>-2.3%</b>

Revenue from sale of electricity in nine months of 2019 decreased by RUB 4,560 mn or 2.3% to RUB 194,309 mn.

Electricity sales by PJSC RusHydro in nine months of 2019 decreased by RUB 7,652 mn or 12.2% as compared to nine months of 2018. The decrease was driven by decline in production by PJSC RusHydro's hydropower plants by 11%.

Electricity sales by RAO ES East subgroup in nine months of 2019 increased by RUB 2,014 mn or 2.1%. The increase was driven by higher average selling price of electricity and higher volume of electricity sold.

Electricity sales by ESC RusHydro subgroup in nine months of 2019 increased by RUB 969 mn or 2.3% against nine months of 2018. The increase is driven by new agreements on electricity supply and increase in price.

### Sales of heat and hot water

The Group is involved in sales of heat and hot water via thermal power plants of RAO ES East subgroup.

Revenue from sales of heat and hot water in nine months of 2019 increased by RUB 115 mn or 0.4% against nine months of 2018 from RUB 26,998 mn to RUB 27,113 mn. The change is primarily driven by higher heat tariffs and increase in output.

### Capacity sales

	3Q 2019	3Q 2018	chg.	chg., %	9M	9M	chg.	chg., %
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<sup>7</sup> Revenue from sales of electricity is given jointly with the amount of government grants, received by the Group's companies under the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region"

					2019	2018		
PJSC RusHydro	8,275	7,907	368	4.7%	25,545	24,815	730	2.9%
RAO ES East subgroup	3,084	2,575	509	19.8%	8,955	6,838	2,117	31.0%
Other	197	188	9	4.8%	497	437	60	13.7%
<b>Total capacity sales</b>	<b>11,556</b>	<b>10,670</b>	<b>886</b>	<b>8.3%</b>	<b>34,997</b>	<b>32,090</b>	<b>2,907</b>	<b>9.1%</b>

Revenue from sales of capacity in nine months of 2019 against the same period last year increased by RUB 2,907 mn or 9.1% from RUB 32,090 mn to RUB 34,997 mn.

Increase in revenue from sales of capacity by the RAO ES East subgroup is primarily related to increase in sales volume aided by increase of the actual selling price.

#### *Other revenue*

Other revenue includes revenue from electricity transmission, from connection to grid, from resale of oil products, construction, repair and other services.

Other revenue in nine months of 2019 decreased against the corresponding period of 2018 by RUB 764 mn or 3.7% from RUB 20,892 mn to RUB 20,128 mn mostly at RAO ES East subgroup as a result of decrease in revenue from grid connections and electricity distribution services.

Decrease in other revenue in RAO ES East subgroup by RUB 703 mn came on the back of decrease in revenue from resale of oil products to JSC VOSTEK, decrease in revenue from electricity distribution in PJSC Yakutskenergo partially mitigated by increase in revenue from grid connections in JSC DRSK.

#### *Other government grants<sup>8</sup>*

Several companies of the Group under a number of resolutions of the Russian Government are entitled to other government grants for reimbursement of difference between approved and economically justified electricity and heat tariffs, as well as compensation of fuel expenses and cost of purchased electricity.

In nine months of 2019 the Group received other government grants in the amount of RUB 11,073 mn (against RUB 9,821 mn in nine months of 2018). The grants were received in the following regions: Kamchatka, Republic Sakha (Yakutia), Magadan region, Chukotka autonomous region and Sakhalin.

#### **Other operating income**

Other operating income decreased by RUB 4,726 mn or 88.5% in nine months of 2019 on absence of profit from change in market value of PJSC Inter RAO shares, which were sold in 2018.

<sup>8</sup> Except for the grants, received by the Group's companies under the Resolution of the Russian Government No. 895 "On achievement of basic rates (tariffs) for electric power (capacity) in the territories of the Far East Federal region"

## Operating expenses

	3Q 2019	3Q 2018 (restated)	chg.	chg., %	9M 2019	9M 2018 (restated)	chg.	chg., %
Employee benefit expenses (incl. taxes and pension expenses)	18,308	18,025	283	1.6%	57,383	55,183	2,200	4.0%
Fuel expenses	11,871	10,642	1,229	11.5%	49,905	44,902	5,003	11.1%
Purchased electricity and capacity	9,385	9,126	259	2.8%	33,957	29,136	4,821	16.5%
Grid company services on electricity distribution	8,725	9,178	(453)	-4.9%	27,548	29,249	(1,701)	-5.8%
Third party services	10,149	9,433	716	7.6%	25,043	25,155	(112)	-0.4%
Depreciation	6,434	5,824	610	10.5%	18,894	16,757	2,137	12.8%
Taxes other than on income	2,942	3,054	(112)	-3.7%	8,687	9,131	(444)	-4.9%
Other materials	3,626	3,172	454	14.3%	7,788	7,180	608	8.5%
Water usage expenses	1,124	1,025	99	9.7%	3,165	3,021	144	4.8%
Other expenses	1,654	3,328	(1,674)	-50.3%	4,251	5,291	(1,040)	-19.7%
	<b>74,218</b>	<b>72,807</b>	<b>1,411</b>	<b>1.9%</b>	<b>236,621</b>	<b>225,005</b>	<b>11,616</b>	<b>5.2%</b>

Operating expenses in 9M 2019 increased by RUB 11,616 mn or 5.2% to RUB 236,621 mn as compared to RUB 225,005 mn in 9M 2018.

The information on the change in operating expenses in 9M 2019 as compared to 9M 2018 along with the key drivers is illustrated below.

### *Employee benefit expenses*

In 9M 2019 employee benefit expense increased by RUB 2,200 mn or 4.0% to RUB 57,383 mn as compared to RUB 55,183 mn in 9M 2018 following indexation of salaries in accordance with existing collective agreements.

### *Fuel expenses*

Fuel expenses are applicable to RAO ES East subgroup.

In 9M 2019, fuel expenses increased by RUB 5,003 or 11.1% as compared to 9M 2018 from RUB 44,902 mn to RUB 49,905 mn.

Increase in fuel expenses mainly in JSC DGK as a result of fuel purchase price increase following procurement results as well as purchase price increase of heating oil at PJSC Kamchatskenergo and its increased consumption due to consumption of other types of fuel (gas).

### *Purchased electricity and capacity*

	3Q 2019	3Q 2018	chg.	chg., %	9M 2019	9M 2018	chg.	chg., %
PJSC RusHydro	1,070	1,333	(263)	-19.7%	4,083	3,811	272	7.1%
ESC RusHydro subgroup	5,928	6,231	(303)	-4.9%	22,742	22,396	346	1.5%
RAO ES East subgroup	2,268	1,553	715	46.0%	6,886	2,882	4,004	138.9%
Other	119	9	110	1222.2%	246	47	199	423.4%
<b>Total purchased electricity and capacity</b>	<b>9,385</b>	<b>9,126</b>	<b>259</b>	<b>2.8%</b>	<b>33,957</b>	<b>29,136</b>	<b>4,821</b>	<b>16.5%</b>

Expenses for purchased electricity and capacity increased in 9M 2019 as compared to 9M 2018 by RUB 4,821 mn or 16.5% from RUB 29,136 mn to RUB 33,957 mn. The increase is mostly at RAO ES East Subgroup following change in volume and tariff increase to cover additional revenue.

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*Grid companies services on electricity distribution*

	3Q 2019	3Q 2018	chg.	chg., %	9M 2019	9M 2018	chg.	chg., %
ESC RusHydro subgroup	4,627	4,616	11	0.2%	14,885	14,843	42	0.3%
RAO ES East subgroup	4,098	4,562	(464)	(10.2%)	12,663	14,406	(1,743)	(12.1%)
<b>Grid companies services, total</b>	<b>8,725</b>	<b>9,178</b>	<b>(453)</b>	<b>(4.9%)</b>	<b>27,548</b>	<b>29,249</b>	<b>(1,701)</b>	<b>(5.8%)</b>

In 9M 2019 grid company services on electricity distribution have decreased by RUB 1,701 mn or 5.8% as compared to 9M 2018, from RUB 29,249 mn to RUB 27,548 mn.

Decrease in expenses for the most part at PJSC Yakutskenergo following decrease of electricity distribution to JSC DVEUK (JSC DVEUK's grid equipment was transferred to PJSC Federal Grid as of January 1, 2019)

*Third party expenses*

Third party expenses in 9M 2019 decreased by RUB 112 mn or 0.4% as compared to 9M 2018 from RUB 25,155 mn to RUB 25,043 mn.

The decrease came on the back of reduction of third-parties expenses in JSC LUR as coal production decreased as well as lower rent expenses following adoption of IFRS 16, Lease and recognition of assets and liabilities under rent agreements according to the standards.

*Depreciation of property, plant and equipment and amortisation of intangible assets*

Depreciation expenses in 9M 2019 increased by RUB 2,137 mn or 12.8% as compared to 9M 2018 from RUB 16,757 mn to RUB 18,894 mn. The increase is driven by increase in value of property plant and equipment after commissioning of Nizhne-Bureyskaya HPP in the second half of 2019, CHP Vostochnaya in the second half of 2018 and off-site construction at Sakhalinskaya GRES-2 as well as adoption of IFRS 16, Leases and accruing depreciation based on rights-of-use assets.

*Other expenses*

Other expenses include social charges, business travel expenses, gain / loss on disposal of property, plant and equipment, and other expenses. In 9M 2019, other expenses decreased by RUB 1,040 mn or 19.7% as compared to 9M 2018 from RUB 5,291 mn to RUB 4,251 mn, including in PJSC RusHydro as a result of an increase in fines for non-delivery (under-delivery) of capacity and for delay by the seller of the date of commencement of fulfillment of obligations to supply capacity.

## 4.2. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the operating segments, which based on the same principles as the consolidated financial statements prepared in accordance with IFRS, is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated to the segments and the performance of the segments' operating activities.

The CODM analyses the information concerning the Group by the groups of operations which are aggregated in operating segments presented by the following separate reportable segments: PJSC RusHydro (the Group's parent company), ESC RusHydro subgroup, RAO ES East subgroup and other segments (Note 3). Transactions of other segments are not disclosed as reportable segments based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for

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approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are assessed on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of other assets, impairment of financial assets, loss on disposal of property, plant and equipment, loss on disposal of other non-current assets and other non-monetary items of operating income and expenses. This definition of EBITDA may differ from the methods applied by other companies. Management believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Group's operating segments, as it reflects the earnings trends excluding the impact of the above charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt balances are eliminated from these disclosures.

Other information provided to the CODM is consistent with the information presented in the Group's consolidated financial statements prepared in accordance with IFRS.

Intersegment sales are carried out at market prices.

Segment information for the three and nine months ended 30 September 2019 and 30 September 2018 and as at 30 September 2019 and 31 December 2018 is presented below.

Nine months ended 30 September 2019	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>88,804</b>	<b>43,024</b>	<b>129,924</b>	<b>25,797</b>	<b>287,549</b>	<b>(29,265)</b>	<b>258,284</b>
<i>including:</i>							
<i>from third parties</i>	80,721	42,978	129,536	5,049	258,284	-	258,284
<i>sales of electricity</i>	54,981	42,235	78,109	721	176,046	-	176,046
<i>sales of capacity</i>	25,545	-	8,955	497	34,997	-	34,997
<i>sales of heat and hot water</i>	95	-	27,017	1	27,113	-	27,113
<i>other revenue</i>	100	743	15,455	3,830	20,128	-	20,128
<i>from intercompany operations</i>	8,083	46	388	20,748	29,265	(29,265)	-
Government grants	-	9	28,981	346	29,336	-	29,336
Operating expenses (excluding depreciation and other non-monetary items)	(31,436)	(42,144)	(148,924)	(24,484)	(246,988)	29,797	(217,191)
<b>EBITDA</b>	<b>57,368</b>	<b>889</b>	<b>9,981</b>	<b>1,659</b>	<b>69,897</b>	<b>532</b>	<b>70,429</b>
Other operating income	27	-	203	202	432	-	432
Depreciation of property, plant and equipment	(9,357)	(107)	(6,971)	(2,612)	(19,047)	153	(18,894)
Other non-monetary items of operating income and expenses	(845)	(1,070)	(4,445)	44	(6,316)	-	(6,316)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(1,227)	-	(1,187)	-	(2,414)	-	(2,414)
<i>impairment of other assets</i>	-	-	(2,045)	-	(2,045)	-	(2,045)
<i>reversal of impairment / (impairment) of financial assets, net</i>	419	(1,059)	(983)	120	(1,503)	-	(1,503)
<i>gain arising on financial assets at fair value through profit or loss</i>	-	-	-	182	182	-	182
<i>loss on disposal of other non-current assets</i>	-	-	-	(254)	(254)	-	(254)
<i>loss on disposal of property, plant and equipment, net</i>	(34)	(11)	(212)	(4)	(261)	-	(261)
<i>loss on disposal of subsidiaries</i>	(3)	-	(18)	-	(21)	-	(21)
<b>Operating profit / (loss)</b>	<b>47,193</b>	<b>(288)</b>	<b>(1,232)</b>	<b>(707)</b>	<b>44,966</b>	<b>685</b>	<b>45,651</b>
Finance income							8,867
Finance costs							(7,022)
Share of results of associates and joint ventures							505
<b>Profit before income tax</b>							<b>48,001</b>
Income tax expense							(12,844)
<b>Profit for the period</b>							<b>35,157</b>
<b>Capital expenditure</b>	<b>21,453</b>	<b>63</b>	<b>16,619</b>	<b>22,301</b>	<b>60,436</b>	<b>-</b>	<b>60,436</b>
<b>30 September 2019</b>							
<b>Non-current and current debt</b>	<b>127,113</b>	<b>1,897</b>	<b>66,065</b>	<b>5,879</b>	<b>200,954</b>	<b>-</b>	<b>200,954</b>

Nine months ended 30 September 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>95,840</b>	<b>42,157</b>	<b>124,735</b>	<b>27,764</b>	<b>290,496</b>	<b>(31,441)</b>	<b>259,055</b>
<i>including:</i>							
<i>from third parties</i>	87,679	42,118	124,450	4,808	259,055	-	259,055
<i>sales of electricity</i>	62,633	41,266	74,564	612	179,075	-	179,075
<i>sales of capacity</i>	24,815	-	6,838	437	32,090	-	32,090
<i>sales of heat and hot water</i>	107	-	26,890	1	26,998	-	26,998
<i>other revenue</i>	124	852	16,158	3,758	20,892	-	20,892
<i>from intercompany operations</i>	8,161	39	285	22,956	31,441	(31,441)	-
Government grants	-	-	29,440	175	29,615	-	29,615
Operating expenses (excluding depreciation and other non-monetary items)	(30,766)	(42,043)	(140,817)	(25,511)	(239,137)	31,483	(207,654)
<b>EBITDA</b>	<b>65,074</b>	<b>114</b>	<b>13,358</b>	<b>2,428</b>	<b>80,974</b>	<b>42</b>	<b>81,016</b>
Other operating income	509	-	66	904	1,479	-	1,479
Depreciation of property, plant and equipment	(9,207)	(104)	(5,289)	(2,302)	(16,902)	145	(16,757)
Other non-monetary items of operating income and expenses	(562)	(592)	(2,373)	1,761	(1,766)	26	(1,740)
<i>including:</i>							
<i>impairment of property, plant and equipment (impairment) / reversal of impairment of financial assets, net gain arising on financial assets at fair value through profit or loss</i>	(1,017)	-	(1,208)	-	(2,225)	-	(2,225)
<i>profit / (loss) on disposal of property, plant and equipment, net profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	(1,175)	(547)	(1,077)	17	(2,782)	-	(2,782)
<i>gain arising on financial assets at fair value through profit or loss</i>	1,551	-	6	2,304	3,861	-	3,861
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	69	(14)	(116)	(560)	(621)	26	(595)
<i>profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	10	(31)	22	-	1	-	1
<b>Operating profit / (loss)</b>	<b>55,814</b>	<b>(582)</b>	<b>5,762</b>	<b>2,791</b>	<b>63,785</b>	<b>213</b>	<b>63,998</b>
Finance income							4,045
Finance costs							(9,693)
Share of results of associates and joint ventures							1,293
<b>Profit before income tax</b>							<b>59,643</b>
Income tax expense							(13,658)
<b>Profit for the period</b>							<b>45,985</b>
<b>Capital expenditure</b>	<b>11,429</b>	<b>40</b>	<b>16,545</b>	<b>23,660</b>	<b>51,674</b>	<b>-</b>	<b>51,674</b>
<b>31 December 2018</b>							
<b>Non-current and current debt</b>	<b>144,751</b>	<b>1,769</b>	<b>44,759</b>	<b>5,568</b>	<b>196,847</b>	<b>-</b>	<b>196,847</b>

Three months ended 30 September 2019	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>29,467</b>	<b>12,461</b>	<b>36,221</b>	<b>9,527</b>	<b>87,676</b>	<b>(10,282)</b>	<b>77,394</b>
<i>including:</i>							
<i>from external companies</i>	26,985	12,447	36,132	1,830	77,394	-	77,394
<i>sales of electricity</i>	18,663	12,212	23,125	173	54,173	-	54,173
<i>sales of capacity</i>	8,275	-	3,084	197	11,556	-	11,556
<i>sales of heat and hot water</i>	13	-	3,069	-	3,082	-	3,082
<i>other revenue</i>	34	235	6,854	1,460	8,583	-	8,583
<i>from intercompany operations</i>	2,482	14	89	7,697	10,282	(10,282)	-
Government grants	-	2	9,984	106	10,092	-	10,092
Operating expenses (excluding depreciation and other non-monetary items)	(10,415)	(11,967)	(46,723)	(9,068)	(78,173)	10,346	(67,827)
<b>EBITDA</b>	<b>19,052</b>	<b>496</b>	<b>(518)</b>	<b>565</b>	<b>19,595</b>	<b>64</b>	<b>19,659</b>
Other operating income	12	-	14	187	213	-	213
Depreciation of property, plant and equipment	(3,187)	(35)	(2,261)	(992)	(6,475)	41	(6,434)
Other non-monetary items of operating income and expenses	(93)	(281)	34	135	(205)	-	(205)
<i>including:</i>							
<i>impairment of property, plant and equipment</i>	(300)	-	(169)	-	(469)	-	(469)
<i>reversal of impairment / (impairment) of financial assets, net</i>	100	(277)	300	167	290	-	290
<i>gain arising on financial assets at fair value through profit or loss</i>	-	-	-	(69)	(69)	-	(69)
<i>loss on disposal of other non-current assets</i>	-	-	-	2	2	-	2
<i>profit / (loss) on disposal of property, plant and equipment, net</i>	107	(4)	(97)	35	41	-	41
<b>Operating profit / (loss)</b>	<b>15,784</b>	<b>180</b>	<b>(2,731)</b>	<b>(105)</b>	<b>13,128</b>	<b>105</b>	<b>13,233</b>
Finance income							1,745
Finance costs							(4,849)
Share of results of associates and joint ventures							42
<b>Profit before income tax</b>							<b>10,171</b>
Income tax expense							(4,399)
<b>Profit for the period</b>							<b>5,772</b>
<b>Capital expenditure</b>	<b>5,603</b>	<b>34</b>	<b>6,142</b>	<b>9,089</b>	<b>20,868</b>	<b>-</b>	<b>20,868</b>

Three months ended 30 September 2018	PJSC RusHydro	ESC RusHydro subgroup	RAO ES East subgroup	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>32,137</b>	<b>12,428</b>	<b>34,199</b>	<b>11,342</b>	<b>90,106</b>	<b>(12,312)</b>	<b>77,794</b>
<i>including:</i>							
<i>from third parties</i>	29,575	12,416	34,091	1,712	77,794	-	77,794
<i>sales of electricity</i>	21,616	12,163	21,928	221	55,928	-	55,928
<i>sales of capacity</i>	7,907	-	2,575	188	10,670	-	10,670
<i>sales of heat and hot water</i>	13	-	2,892	-	2,905	-	2,905
<i>other revenue</i>	39	253	6,696	1,303	8,291	-	8,291
<i>from intercompany operations</i>	2,562	12	108	9,630	12,312	(12,312)	-
Government grants	-	-	9,531	60	9,591	-	9,591
Operating expenses (excluding depreciation and other non-monetary items)	(10,524)	(12,405)	(44,747)	(10,774)	(78,450)	12,132	(66,318)
<b>EBITDA</b>	<b>21,613</b>	<b>23</b>	<b>(1,017)</b>	<b>628</b>	<b>21,247</b>	<b>(180)</b>	<b>21,067</b>
Other operating income	214	-	34	8	256	-	256
Depreciation of property, plant and equipment	(3,272)	(34)	(1,779)	(786)	(5,871)	47	(5,824)
Other non-monetary items of operating income and expenses	(221)	(320)	(1,051)	(368)	(1,960)	2	(1,958)
<i>including:</i>							
<i>impairment of property, plant and equipment (impairment) / reversal of impairment of financial assets, net gain arising on financial assets at fair value through profit or loss</i>	(322)	-	(781)	-	(1,103)	-	(1,103)
<i>profit / (loss) on disposal of property, plant and equipment, net profit / (loss) on disposal of subsidiaries and joint ventures, net</i>	(64)	(314)	(42)	42	(378)	-	(378)
	102	-	(37)	123	188	-	188
	56	(6)	(180)	(533)	(663)	2	(661)
	7	-	(11)	-	(4)	-	(4)
<b>Operating profit / (loss)</b>	<b>18,334</b>	<b>(331)</b>	<b>(3,813)</b>	<b>(518)</b>	<b>13,672</b>	<b>(131)</b>	<b>13,541</b>
Finance income							1,282
Finance costs							(3,824)
Share of results of associates and joint ventures							606
<b>Profit before income tax</b>							<b>11,605</b>
Income tax expense							(4,200)
<b>Profit for the period</b>							<b>7,405</b>
<b>Capital expenditure</b>	<b>3,139</b>	<b>32</b>	<b>7,171</b>	<b>11,073</b>	<b>21,415</b>	<b>-</b>	<b>21,415</b>

## Performance of the PJSC RusHydro

PJSC RusHydro	9M 2019	9M 2018 (restated)	chg.	chg., %	3Q 2019	3Q 2018 (restated)	chg.	chg., %
<b>Revenue</b>	<b>88,804</b>	<b>95,840</b>	<b>(7,036)</b>	<b>-7.3%</b>	<b>29,467</b>	<b>32,137</b>	<b>(2,670)</b>	<b>-8.3%</b>
<i>including:</i>								
<i>from third parties</i>	80,721	87,679	(6,958)	-7.9%	26,985	29,575	(2,590)	-8.8%
<i>sales of electricity</i>	54,981	62,633	(7,652)	-12.2%	18,663	21,616	(2,953)	-13.7%
<i>sales of capacity</i>	25,545	24,815	730	2.9%	8,275	7,907	368	4.7%
<i>sales of heat and hot water</i>	95	107	(12)	-11.2%	13	13	-	0.0%
<i>other revenue</i>	100	124	(24)	-19.4%	34	39	(5)	-12.8%
<i>from intercompany operations</i>	8,083	8,161	(78)	-1.0%	2,482	2,562	(80)	-3.1%
Operating expenses (excluding depreciation and other non-monetary items)	(31,436)	(30,766)	(670)	2.2%	(10,415)	(10,524)	109	-1.0%
<b>EBITDA</b>	<b>57,368</b>	<b>65,074</b>	<b>(7,706)</b>	<b>-11.8%</b>	<b>19,052</b>	<b>21,613</b>	<b>(2,561)</b>	<b>-11.8%</b>
Other operating income	27	509	(482)	-94.7%	12	214	(202)	-94.4%
Depreciation	(9,357)	(9,207)	(150)	1.6%	(3,187)	(3,272)	85	-2.6%
Other non-monetary items of operating income and expenses	<b>(845)</b>	<b>(562)</b>	<b>(283)</b>	<b>50.4%</b>	<b>(93)</b>	<b>(221)</b>	<b>128</b>	<b>-57.9%</b>
<i>including:</i>								
<i>impairment of property, plant and equipment</i>	(1,227)	(1,017)	(210)	20.6%	(300)	(322)	22	-6.8%
<i>reversal of impairment / (impairment) of financial assets, net</i>	419	(1,175)	1,594	-135.7%	100	(64)	164	-256.3%
<i>gain arising on financial assets at fair value through profit or loss</i>	-	1,551	(1,551)	-100.0%	-	102	(102)	-100.0%
<i>(loss) / profit on disposal of property, plant and equipment, net</i>	(34)	69	(103)	-149.3%	107	56	51	91.1%
<i>(loss) / profit on disposal of subsidiaries and joint ventures, net</i>	(3)	10	(13)	-130.0%	-	7	(7)	-100.0%
<b>Operating profit</b>	<b>47,193</b>	<b>55,814</b>	<b>(8,621)</b>	<b>-15.4%</b>	<b>15,784</b>	<b>18,334</b>	<b>(2,550)</b>	<b>-13.9%</b>
<b>Capital expenditure</b>	<b>21,453</b>	<b>11,429</b>	<b>10,024</b>	<b>87.7%</b>	<b>5,603</b>	<b>3,139</b>	<b>2,464</b>	<b>78.5%</b>
	<b>As of Sept 30 2019</b>	<b>As of Dec 31 2018</b>	<b>chg.</b>	<b>chg., %</b>				
<b>Non-current and current debt</b>	<b>127,113</b>	<b>144,751</b>	<b>(17,638)</b>	<b>-12.2%</b>				

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*Performance of the ESC RusHydro subgroup*

<b>ESC RusHydro subgroup</b>	<b>9M 2019</b>	<b>9M 2018 (restated)</b>	<b>chg.</b>	<b>chg., %</b>	<b>3Q 2019</b>	<b>3Q 2018 (restated)</b>	<b>chg.</b>	<b>chg., %</b>
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<b>Revenue</b>	<b>43,024</b>	<b>42,157</b>	<b>867</b>	<b>2.1%</b>	<b>12,461</b>	<b>12,428</b>	<b>33</b>	<b>0.3%</b>
<i>including:</i>								
<i>from third parties</i>	42,978	42,118	860	2.0%	12,447	12,416	31	0.2%
<i>sales of electricity</i>	42,235	41,266	969	2.3%	12,212	12,163	49	0.4%
<i>other revenue</i>	743	852	(109)	-12.8%	235	253	(18)	-7.1%
<i>from intercompany operations</i>	46	39	7	17.9%	14	12	2	16.7%
Government subsidies	9	-	9	100.0%	2	-	2	100.0%
Operating expenses (excluding depreciation and other non-monetary items)	(42,144)	(42,043)	(101)	0.2%	(11,967)	(12,405)	438	-3.5%
<b>EBITDA</b>	<b>889</b>	<b>114</b>	<b>775</b>	<b>679.8%</b>	<b>496</b>	<b>23</b>	<b>473</b>	<b>2056.5%</b>
Depreciation	(107)	(104)	(3)	2.9%	(35)	(34)	(1)	2.9%
Other non-monetary items of operating income and expenses	(1,070)	(592)	(478)	80.7%	(281)	(320)	39	-12.2%
<i>including:</i>								
<i>impairment of financial assets, net</i>	(1,059)	(547)	(512)	93.6%	(277)	(314)	37	-11.8%
<i>loss on disposal of property, plant and equipment, net</i>	(11)	(14)	3	-21.4%	(4)	(6)	2	-33.3%
<i>loss on disposal of subsidiaries and joint ventures, net</i>	-	(31)	31	-100.0%	-	-	-	-
<b>Operating loss</b>	<b>(288)</b>	<b>(582)</b>	<b>294</b>	<b>-50.5%</b>	<b>180</b>	<b>(331)</b>	<b>511</b>	<b>-154.4%</b>
<b>Capital expenditure</b>	<b>63</b>	<b>40</b>	<b>23</b>	<b>57.5%</b>	<b>34</b>	<b>32</b>	<b>2</b>	<b>6.3%</b>





<b>Revenue</b>	<b>129,924</b>	<b>124,735</b>	<b>5,189</b>	<b>4.2%</b>	<b>36,221</b>	<b>34,199</b>	<b>2,022</b>	<b>5.9%</b>
<i>including:</i>								
<i>from third parties</i>	129,536	124,450	5,086	4.1%	36,132	34,091	2,041	6.0%
<i>sales of electricity</i>	78,109	74,564	3,545	4.8%	23,125	21,928	1,197	5.5%
<i>sales of capacity</i>	8,955	6,838	2,117	31.0%	3,084	2,575	509	19.8%
<i>sales of heat and hot water</i>	27,017	26,890	127	0.5%	3,069	2,892	177	6.1%
<i>other revenue</i>	15,455	16,158	(703)	-4.4%	6,854	6,696	158	2.4%
<i>from intercompany operations</i>	388	285	103	36.1%	89	108	(19)	-17.6%
Government subsidies	28,981	29,440	(459)	-1.6%	9,984	9,531	453	4.8%
Operating expenses (excluding depreciation and other non-monetary items)	(148,924)	(140,817)	(8,107)	5.8%	(46,723)	(44,747)	(1,976)	4.4%
<b>EBITDA</b>	<b>9,981</b>	<b>13,358</b>	<b>(3,377)</b>	<b>-25.3%</b>	<b>(518)</b>	<b>(1,017)</b>	<b>499</b>	<b>-49.1%</b>
Other operating income	203	66	137	207.6%	14	34	(20)	-58.8%
Depreciation	(6,971)	(5,289)	(1,682)	31.8%	(2,261)	(1,779)	(482)	27.1%
Other non-monetary items of operating expenses	<b>(4,445)</b>	<b>(2,373)</b>	<b>(2,072)</b>	<b>87.3%</b>	<b>34</b>	<b>(1,051)</b>	<b>1,085</b>	<b>-103.2%</b>
<i>including:</i>								
<i>impairment of property, plant and equipment</i>	(1,187)	(1,208)	21	-1.7%	(169)	(781)	612	-78.4%
<i>impairment of other assets</i>	(2,045)	-	(2,045)	100.0%	-	-	-	-
<i>impairment of financial assets, net</i>	(983)	(1,077)	94	-8.7%	300	(42)	342	-814.3%

<i>gain arising on financial assets at fair value through profit or loss</i>	-	6	(6)	-100.0%	-	(37)	37	-100.0%
<i>loss on disposal of property, plant and equipment, net</i>	(212)	(116)	(96)	82.8%	(97)	(180)	83	-46.1%
<i>(loss) / profit on disposal of subsidiaries and joint ventures, net</i>	(18)	22	(40)	-181.8%	-	(11)	11	-100.0%
<b>Operating (loss)/profit</b>	<b>(1,232)</b>	<b>5,762</b>	<b>(6,994)</b>	<b>-121.4%</b>	<b>(2,731)</b>	<b>(3,813)</b>	<b>1,082</b>	<b>-28.4%</b>
<b>Capital expenditure</b>	<b>16,619</b>	<b>16,545</b>	<b>74</b>	<b>0.4%</b>	<b>6,142</b>	<b>7,171</b>	<b>(1,029)</b>	<b>-14.3%</b>
	<b>As of Sept 30 2019</b>	<b>As of Dec 31 2018</b>	<b>chg.</b>	<b>chg., %</b>				
<b>Non-current and current debt</b>	<b>66,065</b>	<b>44,759</b>	<b>21,306</b>	<b>47.6%</b>				

### *Performance of other segments*

<b>Other segments</b>	<b>9M 2019</b>	<b>9M 2018 (restated)</b>	<b>chg.</b>	<b>chg., %</b>	<b>3Q 2019</b>	<b>3Q 2018 (restated)</b>	<b>chg.</b>	<b>chg., %</b>
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<b>Revenue</b>	<b>25,797</b>	<b>27,764</b>	<b>(1,967)</b>	<b>-7.1%</b>	<b>9,527</b>	<b>11,342</b>	<b>(1,815)</b>	<b>-16.0%</b>
<i>including:</i>								
<i>from third parties</i>	5,049	4,808	241	5.0%	1,830	1,712	118	6.9%
<i>sales of electricity</i>	721	612	109	17.8%	173	221	(48)	-21.7%
<i>sales of capacity</i>	497	437	60	13.7%	197	188	9	4.8%
<i>sales of heat and hot water</i>	1	1	-	0.0%	-	-	-	0.0%
<i>other revenue</i>	3,830	3,758	72	1.9%	1,460	1,303	157	12.0%
<i>from intercompany operations</i>	20,748	22,956	(2,208)	-9.6%	7,697	9,630	(1,933)	-20.1%
Government subsidies	346	175	171	97.7%	106	60	46	76.7%
Operating expenses (excluding depreciation and other non-monetary items)	(24,484)	(25,511)	1,027	-4.0%	(9,068)	(10,774)	1,706	-15.8%
<b>EBITDA</b>	<b>1,659</b>	<b>2,428</b>	<b>(769)</b>	<b>-31.7%</b>	<b>565</b>	<b>628</b>	<b>(63)</b>	<b>-10.0%</b>
Other operating income	202	904	(702)	-77.7%	187	8	179	2237.5%
Depreciation	(2,612)	(2,302)	(310)	13.5%	(992)	(786)	(206)	26.2%
Other non-monetary items of operating expenses	<b>44</b>	<b>1,761</b>	<b>(1,717)</b>	<b>-97.5%</b>	<b>135</b>	<b>(368)</b>	<b>503</b>	<b>-136.7%</b>
<i>including:</i>								
<i>impairment of financial assets, net</i>	120	17	103	605.9%	167	42	125	297.6%
<i>gain arising on financial assets at fair value through profit or loss</i>	182	2,304	(2,122)	-92.1%	(69)	123	(192)	-156.1%
<i>loss on disposal of other non-current assets</i>	(254)	-	(254)	100.0%	2	-	2	100.0%

<i>loss on disposal of property, plant and equipment</i>	(4)	(560)	556	-99.3%	35	(533)	568	-106.6%
<b>Operating (loss)/profit</b>	<b>(707)</b>	<b>2,791</b>	<b>(3,498)</b>	<b>-125.3%</b>	<b>(105)</b>	<b>(518)</b>	<b>413</b>	<b>-79.7%</b>
<b>Capital expenditure</b>	<b>22,301</b>	<b>23,660</b>	<b>(1,359)</b>	<b>-5.7%</b>	<b>9,089</b>	<b>11,073</b>	<b>(1,984)</b>	<b>-17.9%</b>
	<b>As of Sept 30 2019</b>	<b>As of Dec 31 2018</b>	<b>chg.</b>	<b>chg., %</b>				
<b>Non-current and current debt</b>	<b>5,879</b>	<b>5,568</b>	<b>311</b>	<b>5.6%</b>				

### 4.3. Cash flow

#### *General information on cash flow from operating, investing and financing activities*

As of September 30, 2019 cash and cash equivalents amounted to RUB 50,212 mn (as of December 31, 2018 – RUB 65,432 mn).

In nine months of 2019 the Group was financing its investment activities with revenue, depreciation, VAT reimbursement, other own funds, raised funds and federal funds.

#### *Cash flow from operating, investing and financing activities*

	9M 2019	9M 2018	chg.	chg.,%
Net cash generated by operating activities	45,369	57,662	(12,293)	-21.3%
Net cash used in investing activities	(36,373)	(39,208)	2,835	-7.2%
Net cash used in financing activities	(24,230)	(19,084)	(5,146)	27.0%

#### *Net cash generated by operating activities*

	9M 2019	9M 2018	chg.	chg.,%
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities	70,326	81,001	(10,675)	-13.2%
Working capital changes	(24,957)	(23,339)	(1,618)	6.9%
<b>Net cash generated by operating activities</b>	<b>45,369</b>	<b>57,662</b>	<b>(12,293)</b>	<b>-21.3%</b>

Cash generated by operating activities include profit before income tax adjusted for non-cash items such as accrued depreciation and loss from impairments, share in profit/loss of associates and joint ventures, loss on disposal of property, plant and equipment, change in working capital and other.

In nine months of 2019 net cash generated by operating activities decreased by RUB 12,293 or 21.3% as compared to the same reporting period of the last year.

In nine months of 2019 operating cash flows before working capital decreased by RUB 10,657 mn or 13.2% as compared to the same reporting period of the last year on the back of decrease of net profit.

#### *Net cash used in investing activities*

	9M 2019	9M 2018	chg.	chg.,%
Purchase of property, plant and equipment	(51,382)	(45,249)	(6,133)	13.6%
Proceeds from sale of property, plant and equipment	62	792	(730)	-92.2%
Investment in bank deposits and purchase of other investments	(49,878)	(14,719)	(35,159)	238.9%
Redemption of bank deposits and proceeds from sale of other investments	62,158	14,840	47,318	318.9%
Placement of special funds on special accounts	(7,000)	-	(7,000)	100.0%
Proceeds from sale of investment in joint venture	450	871	(421)	-48.3%
Proceeds from sale of financial assets at fair value through profit or loss	232	-	232	100.0%
Proceeds from sale of shares of PJSC Inter RAO	3,240	100	3 140	-
Interest received	5,745	4,157	1,588	38.2%
<b>Net cash used in investing activities</b>	<b>(36,373)</b>	<b>(39,208)</b>	<b>2,835</b>	<b>-7.2%</b>

Net cash used in investing activities decreased by RUB 2,835 mn (or 7.2%) in 9M 2019 as compared to the same reporting period of the last year.

Detailed information on structure, sources and key areas of financing activities is available in Section 5.

*Net cash used in financing activities*

	9M 2019	9M 2018	chg.	chg., %
Proceeds from share issue	7,000	-	7,000	100.0%
Prepayment for non-deliverable forward for shares	(3,731)	(2,813)	(918)	32.6%
Proceeds from current debt	38,381	33,981	4,400	12.9%
Proceeds from non-current debt	45,705	88,047	(42,342)	-48.1%
Repayment of debt	(83,577)	(116,044)	32,467	-28.0%
Interest paid	(11,348)	(10,881)	(467)	4.3%
Dividends paid	(15,905)	(11,245)	(4,660)	41.4%
Repayment of lease liabilities	(528)	(129)	(399)	309.3%
Payments on cross-currency and interest rate swap	(227)	-	(227)	100.0%
<b>Net cash used in financing activities</b>	<b>(24,230)</b>	<b>(19,084)</b>	<b>(5,146)</b>	<b>27.0%</b>

Net cash used by financing activities increased in 9M 2019 by RUB 5,146 or 27.0% mn as a result of decrease of proceeds from non-current debt.

***Borrowings***

As of September 30, 2019 the Group's total borrowings amounted to RUB 200,954 mn, as compared to December 31, 2018 when it was RUB 196,847.

As of September 30, 2019 the Group's long-term borrowings included loans, bond issues and lease liabilities.

Analysis of long-term loans and bond issues and their maturity (excluding lease liabilities) as of September 30, 2019 and December 31, 2018 is presented in the table below.

	As at 30 September 2019	As at 31 December 2018	chg.	chg., %
<i>Maturity:</i>				
1 - 2 years	10,280	34,418	(24,137)	-70.1%
2 - 3 years	64,339	70,473	18,020	25.6%
3 - 4 years	30,818	693	(241)	-34.8%
4 - 5 years	4,252	23,655	(214)	-0.9%
Over 5 years	37,202	28,082	(202)	-0.7%
<b>Total</b>	<b>146,890</b>	<b>157,322</b>	<b>(6,774)</b>	<b>-4.3%</b>

As of September 30, 2019 the Group maintains a comfortable Net debt/EBITDA ratio of 1.6x. The Group's debt structure is optimized between instruments, cost and currency. Throughout its financing activities the Group employs a wide range of financial instruments allowing it to raise funds at the lowest rates in the current market conditions. Finance risks such as currency and interest are minimal.

***Observance of covenants***

The Group is under restrictive covenants under loan and bonds agreements.

As of September 30, 2019 and December 31, 2018 the Group has observed all covenants under loan agreements with substantial margin.

#### 4.4. Other financial indicators

##### **EBITDA**

EBITDA calculation based on operating profit is presented in the table below for the following periods:

	<b>9M 2019</b>	<b>9M 2018</b>
<b>Operating profit</b>	<b>45,651</b>	<b>63,998</b>
<b>correction for non-cash items:</b>		
Depreciation of property plant and equipment and amortisation of intangible assets	18,894	16,757
Gain arising from change in value of financial assets evaluated at fair value through profit or loss	(182)	(3,861)
Impairment of property, plant and equipment	2,414	2,225
Impairment of financial assets	1,503	2,782
Impairment of other assets	2,045	-
Loss on disposal of property, plant and equipment	261	595
Loss on disposal of other non-current assets	254	-
Gain on disposal of subsidiaries, net	21	(1)
<b>Correction for one-time operations:</b>		
Other operating income	(432)	(1,479)
<b>EBITDA</b>	<b>70,429</b>	<b>81,016</b>

EBITDA is calculated as operating profit / loss excluding depreciation of property, plant and equipment, gains on changes in the carrying value of financial assets at fair value through profit or loss, impairment of property, plant and equipment, impairment of other assets, impairment of financial assets, loss on disposal of property, plant and equipment, loss on disposal of other non-current assets and other non-monetary items of operating income and expenses



## 5. Investment activity review<sup>9</sup>

### *Capital expenditures*

**Note:** *Difference between financing of investment program according to the Business plan and data, reflected in the Group's reports under IFRS is explained by the rules of recognition of capitalized interest, rules of recognition of capitalized expenditures at initial recognition of property, plants and equipment and construction in progress under IFRS, exclusion of VAT and difference in the scope of consolidation in reference to PJSC Boguchanskaya HPP (joint venture between RusHydro Group and UK RUSAL).*

During the reporting period, the Group, in addition to financing current operations, continues financing capital expenditures in modernization and reconstruction of existing facilities as well as in new construction. The Group is financing its investment program from both operating cashflow and external sources. In 9M 2019, the Group has spent on construction and acquisition of property, plant and equipment RUB 62,344.68 mn (including VAT).

Key areas of investment were: rehabilitation and modernization of HPPs, completion of priority projects in the Far East Federal District (construction CHP in Sovetskaya Gavan' and Sakhalinskaya GRES-2 (1<sup>st</sup> phase) under the Decree of the President of the Russian Federation #1564 of 22.11.2012 as well as under terms of agreement on budget financing of power facilities in the Far East # C-718-ФБ/Д07 of 14.12.2012 and agreement on budget investment # 01-08/827 of 18.12.2012, construction of new hydropower facilities, including small HPPs, investment by subsidiaries-power companies, investment by other RusHydro subsidiaries and others.

#### *Key areas of investment program (RUB mn, including VAT)*

	<b>actual 2018</b>	<b>plan 2019*</b>	<b>actual 1H 2019</b>
Modernization and rehabilitation of RusHydro's HPPs	17,375.79	30,320.90	21,048.75
Priority projects in the Far East Federal District	12,703.65	13,655.19	10,169.02
New construction	27,921.63	17,036.79	10,773.75
Subsidiaries-power companies	22,076.63	35,997.20	17,826.59
Other subsidiaries	1,491.48	3,068.56	1,262.43
Others	1,257.10	3,132.10	1,264.14
<b>Total</b>	<b>82,826.28</b>	<b>103,210.76</b>	<b>62,344.68</b>

#### *Investment program by sources of financing (RUB mn, including VAT)*

	<b>actual 2018</b>	<b>plan 2019*</b>	<b>actual 1H 2019</b>
Income	11,399.11	27,494.16	17,489.07
Depreciation	28,054.58	33,125.60	19,861.95
Reimbursement of VAT	6,133.07	15,077.10	8,200.81
Other own sources	27,298.81	19,250.90	14,977.87
Borrowed funds	5,516.52	7,363.69	1,814.97
Budget financing	4,424.19	899.30	0.00
<b>Total financing of investment program</b>	<b>82,826.28</b>	<b>103,210.76</b>	<b>62,344.68</b>

\*in accordance with RusHydro Group's draft consolidated investment program for 2020-2024 and 2019 (adjusted) reviews by PJSC RusHydro's Board of Directors on 20.09.2019 (minutes number 295 from 23.09.2019)

### *Liabilities under capital expenditures*

In accordance with consolidated investment programme approved under the consolidated business

<sup>9</sup> Volume of capital expenditures reflected with value added tax (VAT).

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plan of the Group, as of 30 September 2019 the Group has to invest RR 295,734 million for the period 2019–2023 for reconstruction of the existing and construction of new power plants and grids, including capital commitments for 2019 in the amount of RR 39,951 million, for 2020 – RR 71,363 million, for 2021 – RR 69,284 million, for 2022 – RR 56,418 million, for 2023 – RR 58,718 million (31 December 2018: RR 357,859 million for the period 2019–2023).

## **6. Share capital, changes in share capital, dividends**

### **6.1. Share capital**

#### *Authorized share capital*

PJSC RusHydro's authorized share capital as of September 30, 2019 is equal to RUB 426,288,813,551 or 426,288,813,551 ordinary shares valued at 1 ruble each.

Authorized ordinary shares in accordance with the Articles of Association is equal to 14,013,888,828.

On June 21, 2018, the Board of directors approved increase of share capital by issuing additional 14,013,888,828 ordinary shares through open subscription. The Securities Prospectus was registered by the Central Bank of the Russian Federation with registration number 1-01-55038-E-043D.

Additional share issue is implemented for the construction of 110 kV high-voltage overhead lines in light of upcoming reconstruction of the Chaun-Bilibino power system following decommissioning of the Bilibinskaya nuclear power plant.

During the second quarter of 2019 the first phase of placement of RusHydro's additional share issue took place: period of applicability of preemptive right of existing shareholders in regard to shares of the new issue. The period lasted from April 19, 2019 to May 13, 2019.

RusHydro has placed 7,000,092,298 shares including 700,000,000 shares in favor of the Russian Federation represented by Rosimushchestvo (State Property Management) at one ruble per share. In the result of preemptive right implementation, the stake of the Russian Federation increased to 61.20% of the charter capital, while stakes of VTB Bank (CJSC) and JSC Avitrans, were reduced to 13.13% and 5.95% respectively.

The date of the second phase of additional share issue placement via open subscription will be determined separately and announced in the proper order.

#### *Equity capital structure*

Information on PJSC RusHydro's equity capital structure as of June 30, 2019 is available on the company's official website at:

<http://www.rushydro.ru/investors/stockmarket/capital/>

#### *Circulation of shares outside the Russian Federation*

As of June 30, 2019, the share of total number of company's shares traded outside the Russian Federation in the form of depositary receipts represents 2.31% of the company's authorized share capital.

#### *Information on shares at the disposal of the entities controlled by the company*

Total number of shares at the disposal of entities controlled by the company did not change and is equal to 3,852,259,324 shares representing 0.9% of total issued shares.

### **6.2. Dividends**

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In order to ensure higher transparency in determining the amount of dividends and their payments, on April 19, 2019, PJSC RusHydro's Board of Directors adopted a new provision of dividend policy (minutes of the BoD meeting dated 22.04.2019 number 287). The new provision stipulates for a base scenario of dividend payout ratio at 50% of the company's IFRS net profit. At the same time, a minimal payout level is set at the average amount of dividends paid over the last three years. Such measure guarantees shareholders a minimal dividend amount and improves the company's investment attractiveness. The changes to the dividend policy will be in effect for three years.

Over the last 3 years (2015 – 2017) the Group has distributed not less than 50% of its IFRS net profit for a total dividend payment of RUB 46.1 bn.

On June 28, 2019, the AGM approved dividend payment in the amount of RUB 15.9 bn (50% of the Group's net profit for 2018 under IFRS, and an increase of 42% over the amount distributed in dividends for 2017).

## **7. Change in accounting policy**

In accordance with adoption of IFRS 16, Leases, as at 1 January 2019 the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, Leases. The Group applied transition requirements and practical expedients, which has been provided for in the standard.

The Group applied the modified retrospective method without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted as at 1 January 2019 using the lessee's incremental borrowing rate, that was 8,31 percent. The Group applied unified approach to all classes of lease contracts excluding short-term leases and leases of low-value assets.

Right-of-use assets were recognised in an amount equal to the lease liability, adjusted by the amount of lease payments made or accrued in advance in connection with such lease, which is recognised in the Statement of Financial Position immediately prior to the date of initial application. In addition, for the cash-generating units with negative discounted cash flows, impairment of right-of-use assets in the amount of RR 61 million was recognised.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16, Leases, were applied to these leases from 1 January 2019.

The Group did not recognise assets and liabilities under operating lease agreements for which the rental payment is variable, depending on the cadastral value of the land. The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

<b>Operating lease commitments as at 31 December 2018</b>	<b>37,322</b>
Adjusted at:	
Commitments relating to land lease agreements	(26,564)
Commitments relating to short-term leases	(110)
Commitments relating to leases of low-value assets	(82)
Commitments relating to rendering service contracts previously classified as leases	(1,545)
Revised lease terms and other adjustments	(2,274)
<b>Adjusted operating lease commitments as at 31 December 2018</b>	<b>6,747</b>
Present value of operating lease commitments as at 1 January 2019	5,190
Commitments relating to leases previously classified as finance leases	729
<b><i>Lease liabilities as at 1 January 2019</i></b>	<b>5,919</b>

The effect on the Condensed Consolidated Interim Statement of Financial Position as at 1 January 2019 is as follows:

	31 December 2018	Change	1 January 2019
<b>Assets</b>			
Property, plant and equipment	669,424	5,129	674,553
<b>TOTAL ASSETS</b>	<b>669,424</b>	<b>5,129</b>	<b>674,553</b>
<b>Equity and liabilities</b>			
Non-current debt	157,948	4,107	162,055
Current debt and current portion of non-current debt	38,899	1,083	39,982
Retained earnings	115,523	(61)	115,462
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>312,370</b>	<b>5,129</b>	<b>317,499</b>