RusHydro

RusHydro Group 1Q 2020 IFRS results & market update

June 4, 2020



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l. Key highlights & operating results

- II. Market overview
- **III. Financial Results**
- IV. Update





Key figures & highlights of 1Q 2020

39.0 117 TWh RUB RusHydro Group power Rever output in 1Q'20 ⁽¹⁾ in 1Q (+19.2%) (+7.5)	bn RUB bn nue EBITDA in 1Q'20 '20 (+23.8%)	31.1% EBITDA margin	121.5 RUB bn net financial debt of RusHydro Group ⁽²⁾	net debt/ LTM EBITDA		
1 Operations		output of the Group (+BoGl r output was 24.8 TWh (+2 ct of 1Q'19				
2 Investment plan	 annual revenue Board of Director 	 Commissioning of 346 MW Zaramagskaya HPP-1 in North Ossetia. DPM project with annual revenue contribution of ~RUB 10 bn Board of Directors approved new investment program for 2020-2025 with 4 Far East projects with guaranteed return on investment 				
Operating efficiency	starting 01.07.20 tariff growth will r	 LT tariff regulation for isolated heating power systems of the Far East will be in effect starting 01.07.2020 contributing to self-sustainability of the Far East business. Average tariff growth will not exceed 9.9% Manageable costs increased 1.8% in 1Q, below inflation rate 				
Asset management	debt decreased b	 Divestment of CJSC MEK (7 HPPs with 561.4 MW) in Armenia. The Group's financial debt decreased by ~USD 56 mn. The company is no longer subject to unhedged foreign-currency debt exposure. 				
5 Measures taken amid COVID-19	 Investment project Administrative per emergency response 	cilities are operating on s ects on track, no delays or ersonnel working from hom onse teams present in hea nstantly cooperating with s control	r cancellations ne ad office, subsidiaries and			

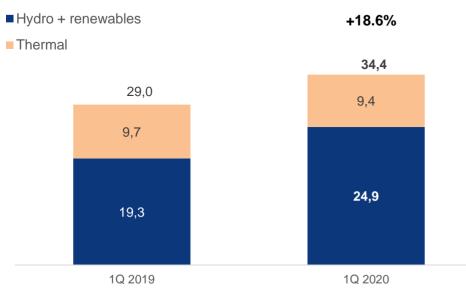
including electricity output of Boguchanskaya HPP (50/50 JV with UC RUSAL)
 as of March 31, 2020.



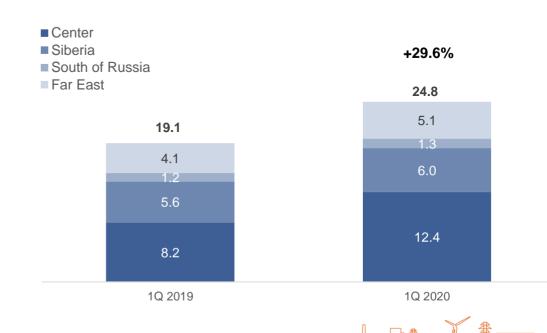
- The reservoirs of the Volga-Kama cascade were filled to the maximum level following strong water inflows
- Favorable production growth in April (please see slide 6)
- No volume risks foreseen going forward
 - 34.4 TWh (+18.6% y-o-y) total electricity production by power plants of RusHydro Group in 2019:
 - 24.8 TWh (+29.6% y-o-y) total production by hydropower plants;
 - 9.4 TWh (-3.0%) electricity production by fossil fuel plants in the Far East;
 - 0.1 TWh (+9.4%) electricity production by renewables.
 - 12.2 million GCal (+0.6%) total heat output by thermal plants.
 - 4.6 TWh (+23.9%) electricity production of Boguchanskaya HPP.

- ↗ Volga-Kama HPPs and Far East: water inflows to major reservoirs 1.5-6.4x the normal level;
- ↗ Siberia: water inflows at the long-run average;
- RAO ES East: decrease of electricity generation following increased HPP production and consumption growth.

1Q'19/20 – Total electricity production, TWh



1Q'19/20 – Hydropower production, TWh ¹



(1) Excluding Armenia and renewables

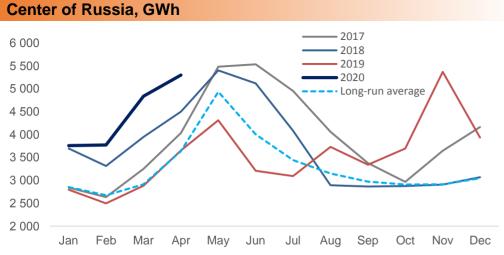


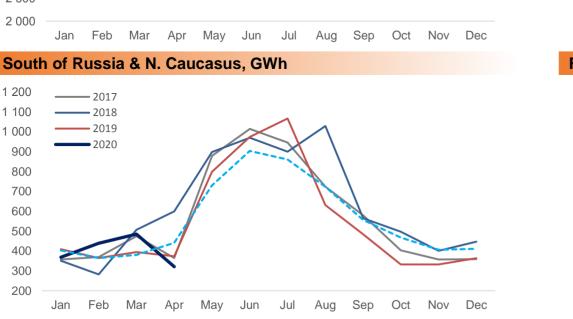
Hydropower production trends 2017-2020 Stable production expected in 2Q'20

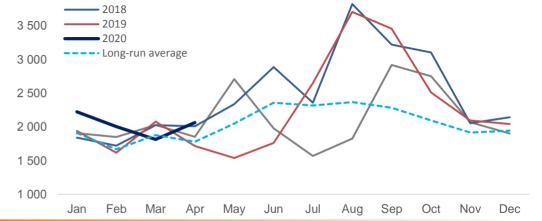
- Stellar operational results in 1Q'20 on the back of increase of water inflows: Stable production expected in 2Q'20:
 - Volga-Kama cascade inflows to Rybinskava. Zhigulevskava and Kamskava HPPs at all time-high historic level
 - Far East and Siberia 30-85% above the normal level
 - South of Russia at the normal level

- - Volga-Kama cascade inflows slightly below the normal level:
 - Far East and Siberia inflows at the normal level or slightly above it:
 - South of Russia inflows at the normal level

Favorable outlook expected for 2H'20









Siberia, GWh

- 2017

4 000



1 200

1 100

1 0 0 0

900

800

700

600

500 400

300

200



I. Key highlights & operating results



II. Market overview

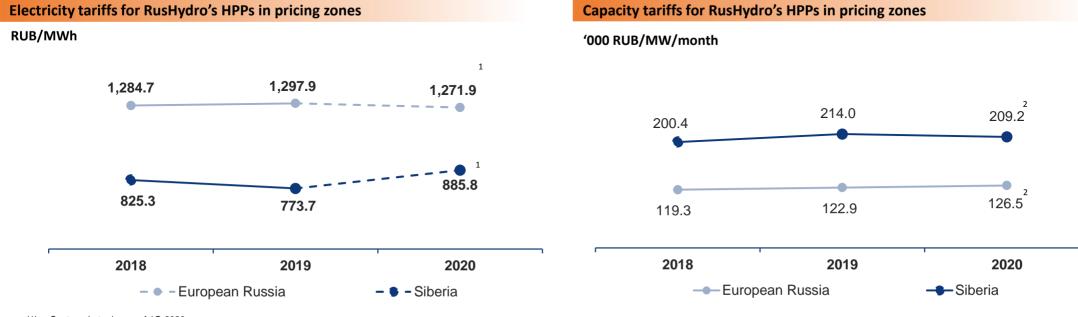
III. Financial Results

IV. Update





- Spot market price dynamics:
 - ✓ 2019: 1st price zone 1,298 RUB/MWh (+1.0% y-o-y), 2nd price zone 774 RUB/MWh (-6.3% y-o-y)
 - 1Q 2020: 1st price zone 1,272 RUB/MWh (-9.4% y-o-y, +4.8% q-o-q), 2nd price zone 886 RUB/MWh (-11.2% y-o-y, +12.4% q-o-q)
 - Expected decrease in price driven by hydropower production growth, yet stable dynamics as compared to end of 2019
- Capacity price dynamics:
 - ✓ 2019: 1st price zone 123k RUB/MW/month (+2.9% y-o-y), 2nd price zone 214k RUB/MW/month (+6.3% y-o-y)
 - ✓ 2020: 1st price zone **127k RUB/MW/month (+2.9% y-o-y)**, 2nd price zone **209k RUB/MW/month (-2.2% y-o-y)**
 - ✓ KOM prices are expected to **show stable performance until 2025** with indexation (LY inflation less 0.1%)
- HPPs under DPM projects:
 - ✓ 2019: average selling capacity price 1,740k RUB/MW/month
 - ✓ 2020: average selling capacity price 2,281k RUB/MW/month
 - ✓ Following the launch of Zaramagskaya HPP-1, 2020 average selling capacity price is expected to increase by 31% and bring in additional annual revenue of RUB 10 bn.

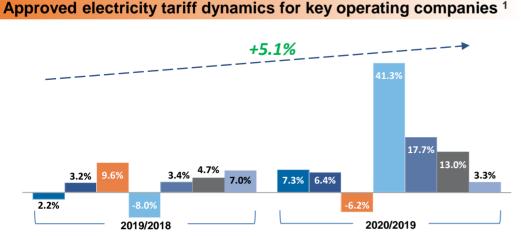


(1) Spot market price as of 1Q 2020

(2) 2020 in accordance with inflation indexation - 0.1%



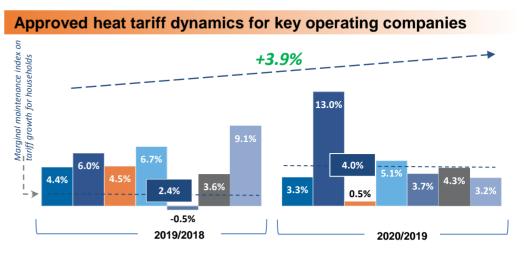
In 2020 average growth of electricity and heat tariffs in the Far Eastern Federal District amounted to 5.1% and 3.9% respectively



■ DGK ■ Kamchatskenergo ■ Magadanenergo ■ Chukotenergo ■ Sakhalinenergo ■ Yakutskenergo ■ Sakhaenergo

RAO ES East subsidies

- ✓ 2020 Price surcharge (tariff smoothing mechanism) is expected at RUB 29.0 bn (+22.0%)
- ✓ Other government subsides (incl. fuel cost) are expected at 2019 level



🔳 DGK 🔳 Kamchatskenergo 📕 Magadanenergo 🔳 Chukotenergo 🔳 Sakhalinenergo 🔳 Yakutskenergo 🔳 Sakhaenergo

Key priorities

- Extension of tariff smoothing mechanism until 2028 (order of the President of the Russian Federation)
- Introduction of long-term (5 years) tariff regulation in the Far East starting 01.07.2020 on the basis of necessary gross revenue indexation in non-price and isolated zones. Adjustment of indexed expenses will allow gross revenue and tariffs for electricity generation to reach more economically justified levels. Reduction of impairments on remaining legacy projects.

Tariff growth including subsidies for RAO ES East companies, in line or higher than inflation, contributes to improvement of financial performance





I. Key highlights & operating results

II. Market overview



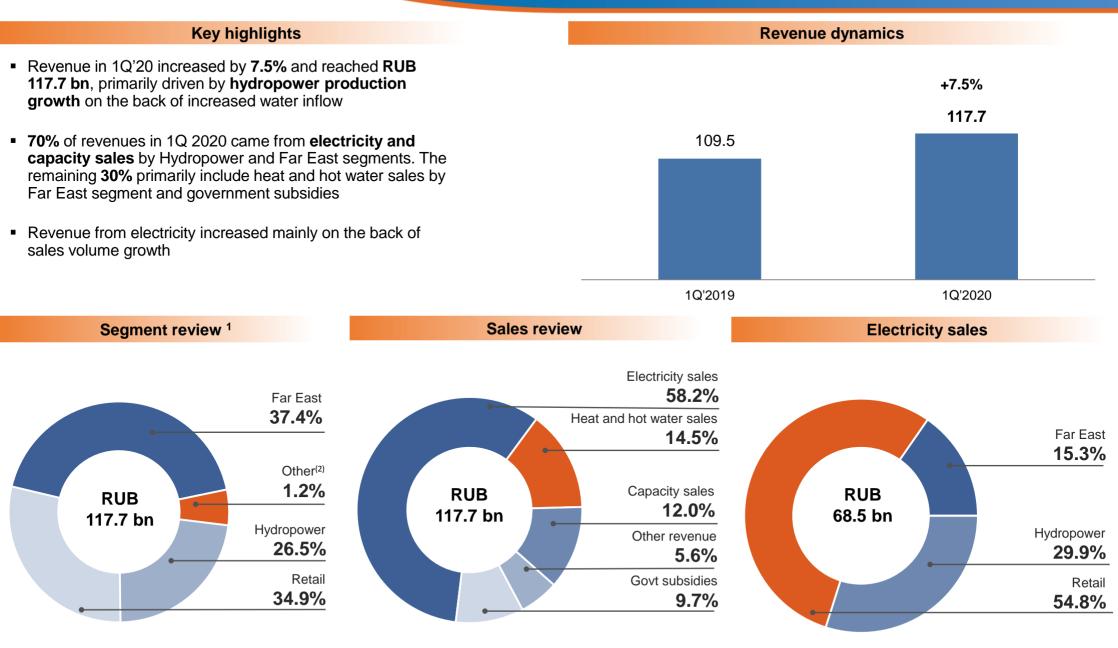
IV. Update





1Q 2020 Revenue

Increase of water inflows and diversified asset base



(1) Segment structure has changed. Please see Note 3 of the financial statements for additional information

(2) Excluding intercompany operations



1Q 2020 EBITDA and profitability Solid performance driven by hydropower segment

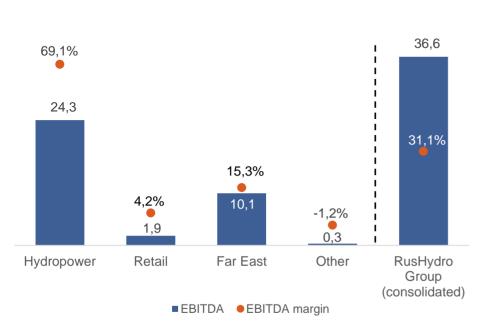
EBITDA

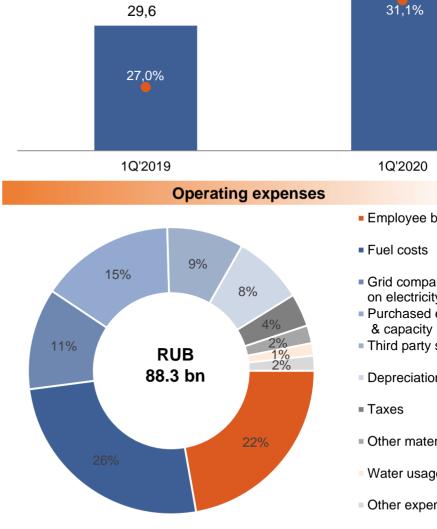
EBITDA margin

Key highlights

- EBITDA increased by 23.8% in 1Q 2020 and reached RUB 36.6 bn, resulting in EBITDA margin of 31.1% following stronger than expected production growth and additional contribution from newly launched Zaramagskaya HPP-1 (DPM)
- Manageable operating expenses accounted for 60% of total operating expenses and printed a moderate growth of 1.8% yo-v in 1Q 2020 below annual inflation rate
- Hydro generation (Hydropower business segment) contributed 66.4% of total EBITDA with segment EBITDA margin of 69.1% in 10,2020
- Highly profitable hydro generation reflects significantly lower production costs as compared to fossil fuel producers

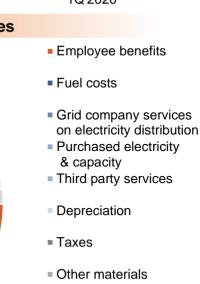
EBITDA & EBITDA margin dynamics ¹





(1) Other segments includes intercompany operations. Segment structure has changed. Please see Note 3 of the financial statements for additional information

EBITDA & EBITDA margin dynamics



+23.8%

36.6

- Water usage
- Other expenses



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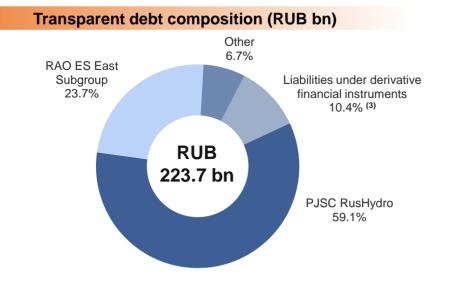
Debt profile ⁽¹⁾ Solid financial position. Ruble-denominated debt

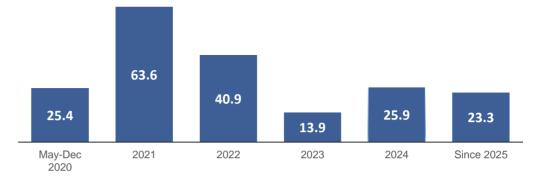
Key highlights

- Total financial debt as of April 30, 2020: RUB 223.7 bn
- Total debt is 100% ruble-denominated following successful divestment of PJSC MEK
- Average RUB interest rate of 7.3% p.a.⁽²⁾ and comfortable weighted-average maturity of debt at 2.4 years
- Reduction of key rate has a direct effect on decrease of funding cost and consequently on weighted average cost of capital
- The investment grades from the leading international rating agencies S&P/Moody's/Fitch and the highest grade according to the scale of the national rating agency ACRA

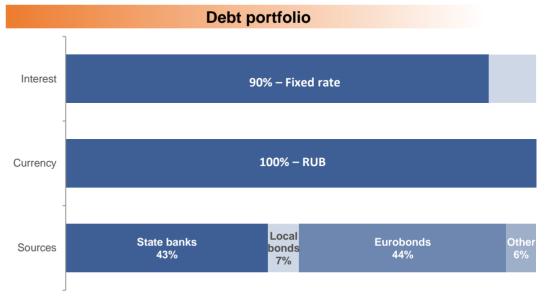
Current RusHydro Group's credit ratings

S&P	Moody's	Fitch	ACRA
BBB- (stable)	Baa3 (stable)	BBB- (stable)	AAA(RU) (stable)





Debt repayment profile ⁽²⁾ (RUB bn)



(1) As of April 30, 2020

- (2) Debt excluding interest payments, lease liabilities and obligations under derivative financial instruments (forward contract with VTB and cross-currency swap)
- (3) Liabilities under derivative financial instruments recorded at fair value in RusHydro Group's IFRS as of March 31, 2020 (forward contract with VTB in the amount of RUB 23.374 bn)



Operations	 RusHydro maintains solid operational outlook through 1H'2020 Increase in production following launch of Nizhne-Bureyskaya HPP, Zaramagaskaya HPP-1 and Sakhalinskaya GRES-2
Financial performance	 Following commissioning of new generating facilities RusHydro Group expects solid revenue growth with EBITDA margin in the range of 25-30%
3 Dividends	 2020 dividends protected by the new policy (2019 IFRS net profit – RUB 643 mn). Not less than the last 3-year average. 2021-2022 will be impairment free as no major projects are planned for completion. Solid dividend growth expected in the midterm
4 Far East business	 Completion of feasibility studies and approval of guaranteed rate of return regarding 4 projects in the Far East included in the framework of the government's program for modernization of thermal capacity: Vladivostokskaya CHP-2, Artyomovskaya CHP-2, Khabarovskaya CHP-4 and Yakutskaya GRES-2 Roll-out of final regulation and approval of tariffs for isolated regions and non-price zones of the Russian Far East, incl. approval of compensation of prior tariff losses
5 Capacity additions	 Increase of installed capacity by 508 MW in 2020: Zaramagskaya HPP-1 (346 MW); CHP in Sovetskaya Gavan (126 MW), 3 small HPPs in the North Caucasus (21 MW) and modernization (15 MW)
6 Leverage	 Notwithstanding commissioning of new generating facilities, the Group's Net Debt/EBITDA is expected to be below 2x on the back of revenue growth, cost optimization and flexible schedule of financing its investment program
Pandemic risks. Limited exposure	 Delay of payments – affects mostly retail and Far East segments. Both businesses represent a small share in company's EBITDA Increase of accounts receivable in the Far Eastern segment will be partially mitigated by the tariff-smoothing mechanism As of the end of April, delay of payments from operations on wholesale electricity and capacity market increased by RUB 835 mn, or 1.37% of total accounts receivable (normal level – 1%). In ESC RusHydro subgroup total accounts receivable increased by 9% as compared to business plan with delay of payments effect of 5.5% Delay of payments in the Far East – less than 4%

Solid first quarter results aided by the above mentioned factors presents a positive medium-term growth outlook with focus on delivering shareholder value



Appendix





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On March 26, 2020 the Board of Directors approved RusHydro's new investment program for RUB 632 bn².

Key differences vs. prior investment program

- Term of the program 6 years vs. 5 years for the prior investment program
- New investment program includes 4 DPM-2 projects (funding of RUB 216 bn incl. VAT)

Key highlights		Investment	plan for 202	<mark>0-2025,</mark> RUE	<mark>8 bn (incl.</mark> V/	AT)
Over 1.6 GW of new electric capacity and 2,402 Gcal/h of heat capacity	 Other (1) Far East subsidiaries New construction Modernization projects approved by the governmen 					
Construction and modernization of over 161 km of heat and 7.8 thousand km of power lines		 Priority thermal projects in the Far East Ø Modernization (hydro) 118.3 				
	108.6	111.3	3.2			
CHPP in Sovetskaya Gavan remains the last legacy project for commissioning in 2020	6.7	5.0	29.2	103.0 2.3	100.2 2.4	91.2
No major projects for 2021-2022	42.8	32.2	40.0	25.3	22.3	2.6
4 new projects with guaranteed return on investment (<i>please see slide 19 in Appendix</i>)	42.0	18.6	10.8	2.6		20.0
<u>CAPEX forecast based on highest capped figures</u> , and management seeks to optimize annual spending to ensure stable financial position of the Group	12.7	30.0	45.3	43.1	45.8	39.4
Investment program is balanced in terms of financing sources .	8.8					
Modernization program is carried out according to the schedule	25.2	25.0	29.8	29.7	29.7	29.2
	2020	2021	2022	2023	2024	2025
 Investment plans of retail subsidiaries, other subsidiaries and R&D Evaluting Regulational LPD 						1

(2) Excluding Boguchanskaya HPP

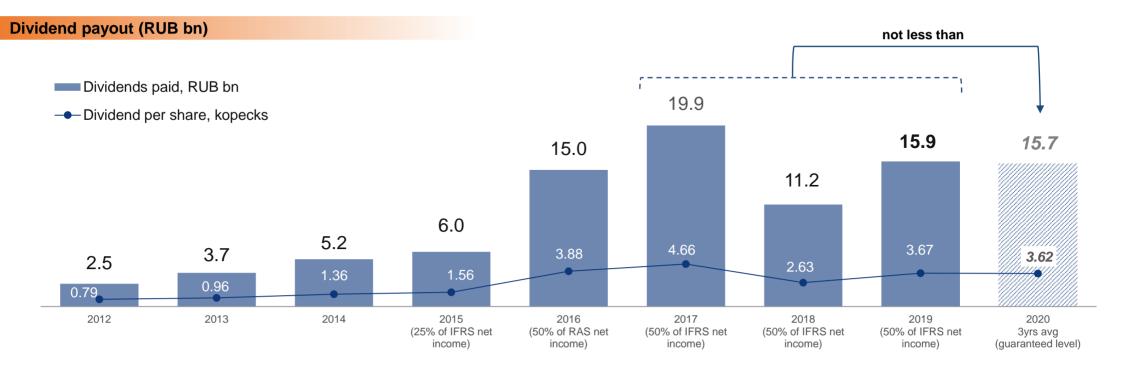


Key highlights

 To improve predictability and consistency of forecasting dividend payments Board of Directors approved an amended 3year dividend policy setting a minimum dividend threshold at average dividend paid over the previous three years:

$$Div_{min} = (Div_{-3year} + Div_{-2year} + Div_{-1year}) / 3$$

- The new dividend policy maintains 50% of IFRS net profit as base case.
- Dividend policy is approved for three-year period.



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In July 2019 the Government approved all 4 projects submitted by RusHydro for modernization

Characteristics

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- Long-term plan for capacity renewal and development of the Group's assets will run through 2027
- Decommissioning of thermal capacity: 1.6 GW
- Commissioning of capacity under the modernization plan: 1.3 GW
- Guaranteed return on invested capital given the projects are financed by all consumers of the wholesale market (DPM-2)

Approved projects for modernization



Yakutskaya GRES-1 Decommissioning of 368 MW Commissioning of 154 MW (2nd phase) on Yakutskaya GRES-2



Khabarovskaya CHP-1 Decommissioning of 435 MW Commissioning of Khabarovskaya CHP-4 328 MW



Artyomovskaya CHP Decommissioning of 400 MW Commissioning of Artyomovskaya CHP-2 420 MW



Vladivostokskaya CHP-2 Modernization of 360 MW (increase of installed capacity by 7 MW)





Selected consolidated financial information

Consolidated income statement	3 months end	3 months ended 31 March		
RUB mn	2020	2019		
Revenue	106,214	99,237		
Government grants	11,470	10,223		
Other operating income	303	278		
Expenses (excl. impairment)	(88,302)	(86,354)		
Impairment	(2,653)	(2,945)		
Operating profit	27,032	20,439		
Finance income	9,995	3,704		
Finance costs	(5,570)	(2,719)		
Share of results of associates and JVs	38	158		
Profit before income tax	31,495	21,582		
Income tax expense	(5,587)	(5,070)		
Profit for the period	25,908	16,512		

Consolidated statement of cash flows	3 months end	3 months ended 31 March		
RUB mn	2020	2019		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax	25,908	16,512		
D&A	7,027	6,384		
Other adjustments	(1,765)	(1,616)		
Operating cash flows	36,757	29,582		
Working capital and other changes	(2,945)	9		
Income tax paid	(3,388)	(4,692)		
Net cash generated by operating activities	30,424	24,899		
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(9,470)	(13,725)		
Changes in bank deposits and other investments	(13,914)	(24,976)		
Interest and dividends received	1,253	1,091		
Other investing cash flows	21	7		
Net cash used in investing activities	(22,110)	(36,931)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Prepayment on forward contract	(360)	(1,224)		
Proceeds from current debt	9,647	7,912		
Proceeds from non-current debt	8,677	4,535		
Repayment of debt	(22,983)	(17,488)		
Interest paid	(3,983)	(3,587)		
Dividends paid	(4)	(3)		
Other financing cash flows	(200)	(181)		
Net cash used in financing activities	(9,206)	(10,036)		
Effect of forex	(26)	(65)		
(Decrease)/Increase in cash and cash equivalents	(918)	(22,133)		

Consolidated statement of financial position	As at 31.03.2020 As	at 31.12.2019
RUB mn		
ASSETS		
Non-current assets		
Property, plant and equipment	682,391	677,862
Investments in associates and JVs	16,268	16,396
Deferred income tax assets	19,690	19,259
Other non-current assets	23,482	20,27
Total non-current assets	741,831	733,788
Current assets		
Cash and cash equivalents	40,129	41,047
Income tax receivable	1,403	2,558
Accounts receivable and prepayments	67,782	54,25 ⁻
Inventories	31,335	34,386
Other current assets	69,675	59,089
Total current assets	210,324	191,33 [,]
TOTAL ASSETS	952,155	925,119
EQUITY AND LIABILITIES		
Equity		
Share capital	426,289	426,289
Treasury shares	(4,613)	(4,613
Share premium	39,202	39,202
Retained earnings and other reserves	129,803	104,78
Non-controlling interest	5,487	4,21
TOTAL EQUITY	596,168	569,87
Non-current liabilities		
Deferred income tax liabilities	16,667	15,25
Non-current debt	143,029	162,528
Non-deliverable forward contract	23,374	28,510
Other non-current liabilities	23,519	22,366
Total non-current liabilities	206,589	228,659
Current liabilities		
Current debt	57,389	39,43
Accounts payable and accruals	63,173	59,64
Accounts payable in respect of share issue	7,000	7,000
Current income tax payable	852	78
Other taxes payable	20,984	16,439
Total current liabilities	149,398	126,58
TOTAL LIABILITIES	355,987	355,244
TOTAL EQUITY AND LIABILITIES	952,155	925,119





Thank you for your attention

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