



RusHydro

The background of the slide is a black and white photograph of a large concrete dam. Water is cascading over the spillways, creating a misty spray at the base. In the foreground, several high-voltage power lines and their supporting pylons stretch across the frame, adding a sense of scale and industrial context.

RusHydro Group 9M 2018 IFRS results & market update

December 11, 2018

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RusHydro



I. Key highlights & operating results

II. Financial results

III. Segment review

IV. Market update

Key highlights of 9M 2018

288.1

RUB bn
Revenue
in 9M'18
(+7.2%)

81.0

RUB bn
EBITDA in 9M'18
(+13.1%)

99.6

TWh
Total RusHydro Group
output in 9M'18
(+5.3%)

+3.6%

increase in operating
cash costs excl. fuel
cost in 9M'18

219.2

RUB bn
Financial debt of
RusHydro Group ⁽¹⁾

1.1x

net debt/
EBITDA (LTM) – as of
9M'18

11.2

RUB bn
Dividends paid for
FY2017
(50% of IFRS profit)

68%

EBITDA margin of
hydropower segment
in 9M'18

1 **Operations**



- Total electricity output of the Group in 9M'18 – 99.6 TWh (+5.3%);
- RusHydro expects solid operational results to continue through 2018.

2 **Operating efficiency**



- Operating cash costs printed a moderate growth of 3.6% (excluding fuel costs).

3 **Dividends**



- Dividends paid in the amount of RUB 11.2 bn or 2.63 kopecks per share (payout at 50% of IFRS NI).

4 **Financial policy**



- Cancellation of RusHydro's guarantee of RUB 26 bn in respect of Boguchaskaya HPP loan;
- Successful placement of 3 consecutive Eurobond issues on Irish Stock Exchange: Feb'18 – 3 yrs RUB 20 bn LPNs; Nov'18 – 3 yrs CNH 1.5 bn, Nov'18 – 3 yrs RUB 15 bn LPNs.
- S&P raised long-term corporate credit ratings on PJSC RusHydro to 'BBB-' with 'Stable' outlook. Short-term corporate credit was raised to 'A-3' respectively; Fitch Ratings raised long-term corporate credit ratings on PJSC RusHydro to 'BBB-' from 'BB+' with 'Stable' outlook.

5 **Asset management**



- RusHydro divested 4.9% in PJSC Inter RAO UES for a total of RUB 17.2 bn in July 2018

6 **Sustainable development**



- RusHydro committed to reduce direct greenhouse gas emissions by 6.1% through 2025 vs 2015
- RusHydro initiated development of a unified occupational health and safety (OHS) policy



RusHydro

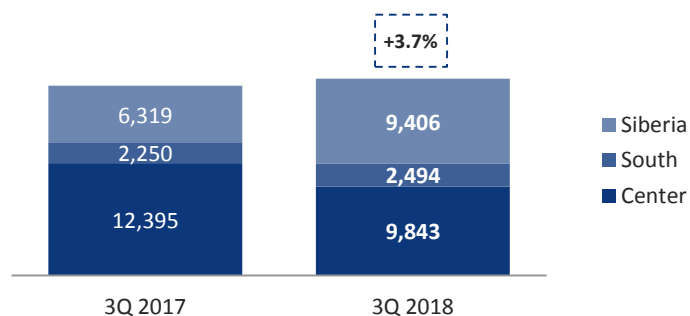
(1) Updated as at November 30, 2018. Please refer to slide #20 for more details.

RusHydro Group 9M 2018 operating results

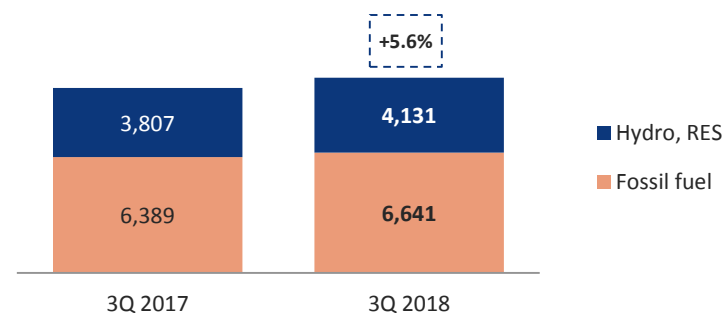
- **99.6 TWh (+5.3% y-o-y)** – total electricity production by power plants of RusHydro Group in 9M 2018.
 - **76.6 TWh (+5.1% y-o-y)** – total production by hydropower plants (HPPs) and pumped storage hydropower plants (PSPs)
 - **22.7 TWh (+6.2%)** – electricity production by fossil fuel plants in the Far East
 - **0.3 TWh (-3.5%)** – electricity production by renewables
- **19,574 thousand GCal (+4.6%)** – total heat output by fossil fuel plants.
- **10.3 TWh (-1.7%)** – electricity production of Boguchanskaya hydropower plant.

- **Volga-Kama cascade:** increased water inflows to major reservoirs of the (1.2x);
- **South of Russia and Siberia:** water inflow to major reservoirs at normal level;
- **RAO ES East:** growth of electricity generation by thermal power plants due to lower hydro volumes and increase in consumption;
- **Far East:** increase in electricity sales to China and UES of Siberia by 4% y-o-y.

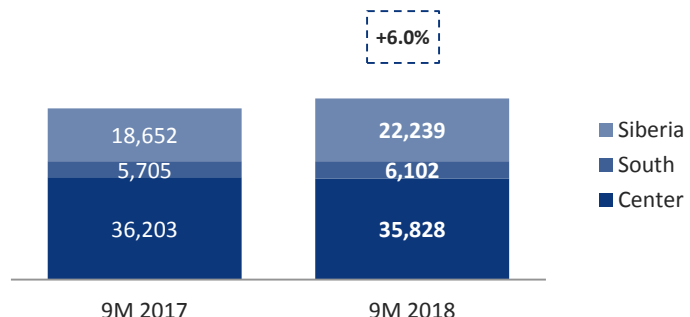
3Q'17/3Q'18 – European Russia and Siberia, hydro only - (price zones), GWh



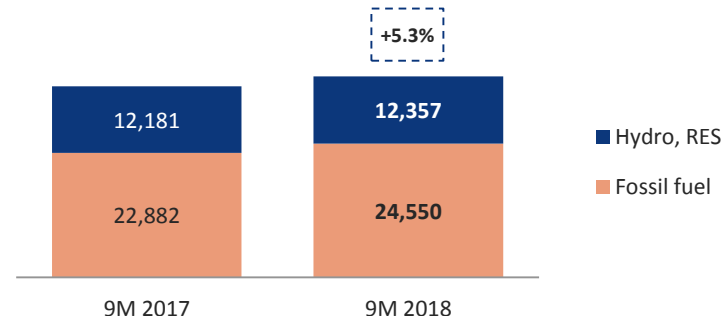
3Q'17/3Q'18 – Far East (non-price and isolated zones), GWh



9M'17/9M'18 – European Russia and Siberia, hydro only - (price zones), GWh

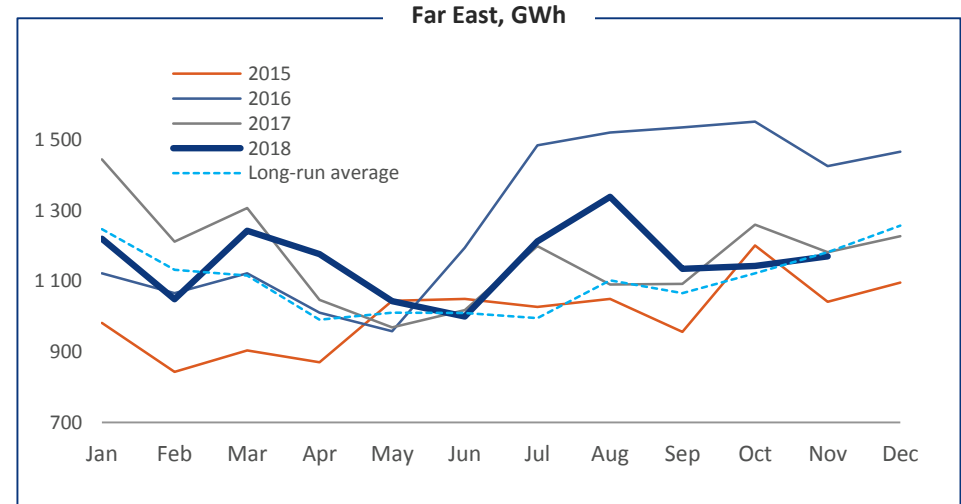
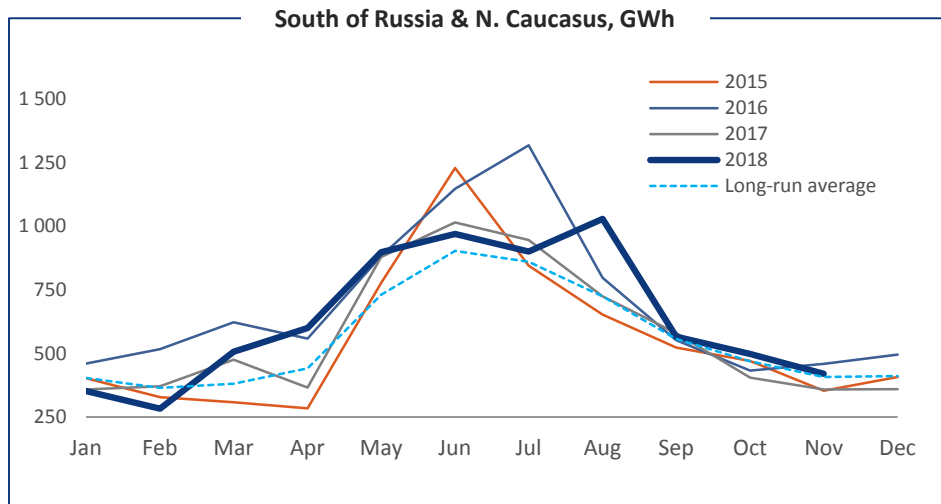
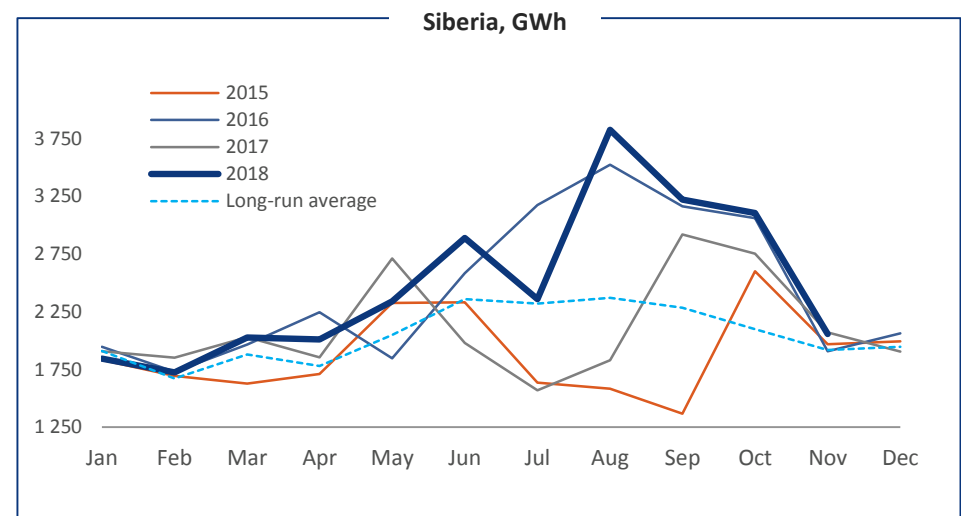
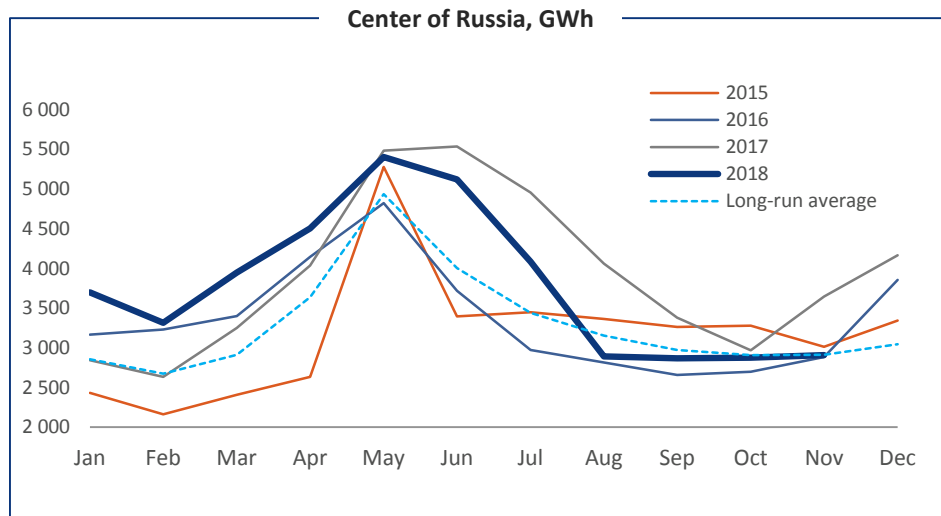


9M'17/9M'18 – Far East (non-price and isolated zones), GWh



Hydropower production trends 2014-2018

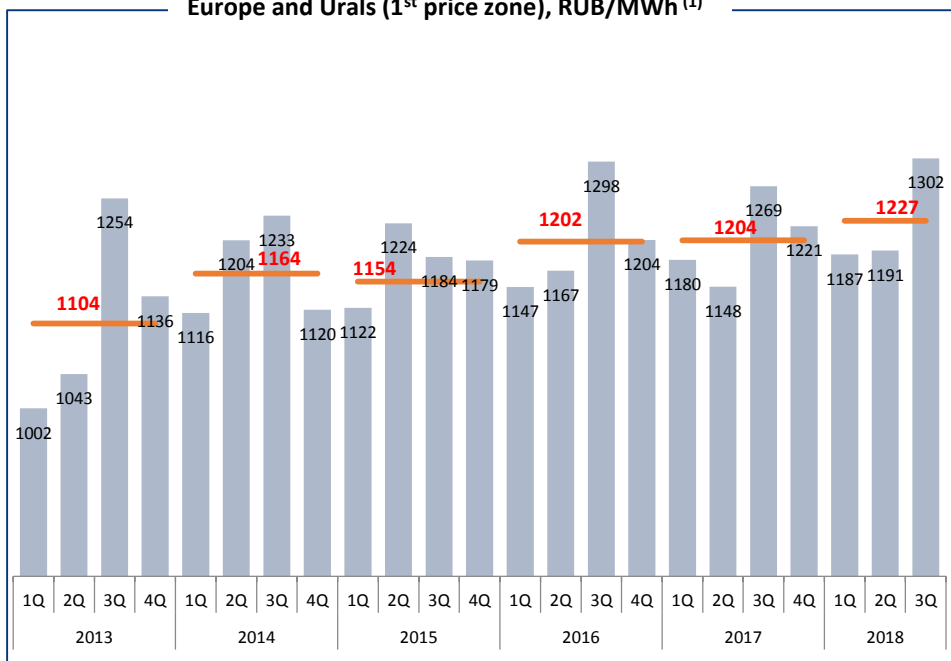
- Solid hydropower production trend supported by favorable hydrology and efficiency gains following modernization
- Total Group's hydropower production is on track to reach another all-time high in FY'2018



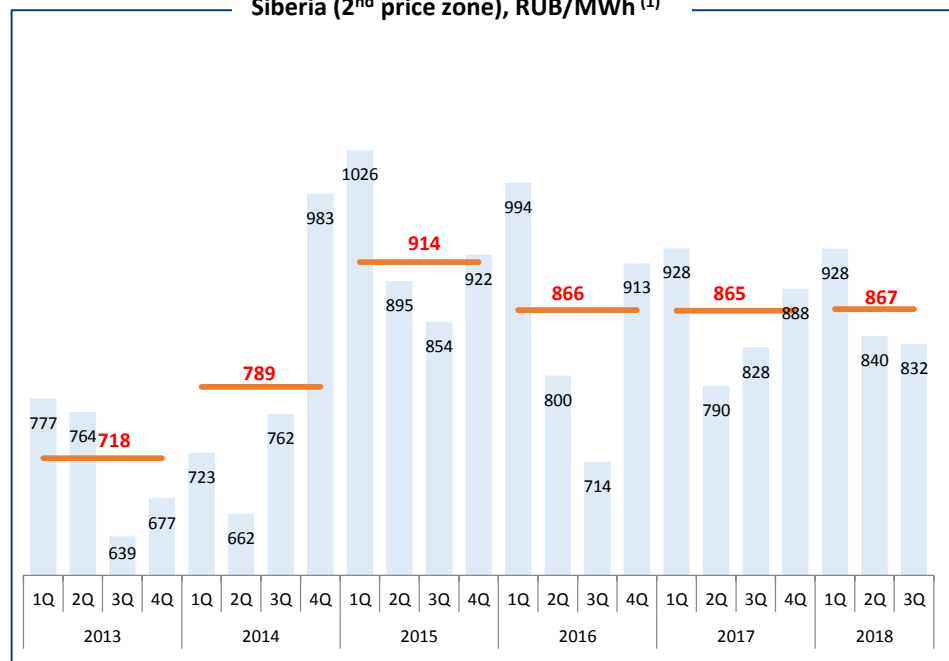
Electricity spot market overview

- RusHydro's average achieved selling spot power prices in European Russia in 9M'18 – **RUB 1,250/MWh (+3,6%)**; in Siberia – **RUB 800/MWh (-3,3%)**.
- Moderate demand growth and overcapacity on the market coupled with below-inflation hikes in gas tariffs led to stabilization of unregulated power prices in European Russia.
- Gradual decommissioning of excess and outdated fossil fuel capacity in European Russia to support unregulated power prices going forward.
- Siberia with its ca. 50/50 mix of electricity production from hydro and coal should continue to be more volatile in terms of unregulated prices.

Europe and Urals (1st price zone), RUB/MWh ⁽¹⁾



Siberia (2nd price zone), RUB/MWh ⁽¹⁾

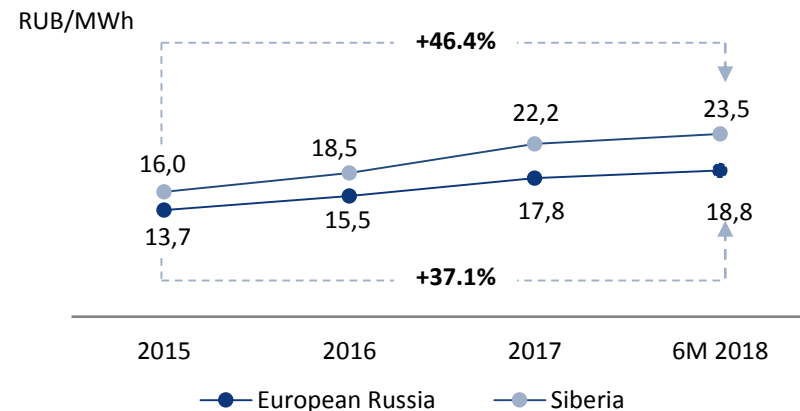


Regulated market overview

Key highlights

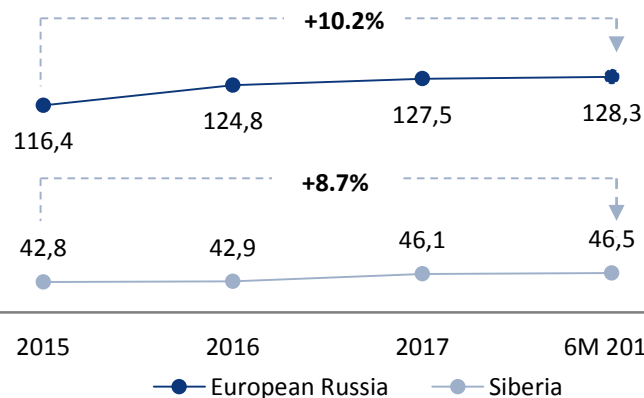
- **Electricity tariffs** demonstrated healthy growth over the period of 2015-2018, which exceeds average CPI levels for the period
- Indexation of **capacity tariffs** in 2015 – 6M 2018 amounted to **10.2%** in the European part and **8.7%** in Siberia (cumulatively)
- In the **Far East**, tariffs (on electricity and heat) vary depending on the region. In 2017-2018, most of them were subject to indexation above CPI levels

Average electricity tariffs for RusHydro's HPPs in pricing zones



Average capacity tariffs for RusHydro's HPPs in pricing zones

'000 RUB/MW/month



Electricity and heat tariffs growth in the Far East

	Electricity tariffs		Heat tariffs	
	2017/2016	2018/2017	2017/2016	2018/2017
DGK	5.6%	0.8%	3.8%	4.4%
DEK	7.4%	5.9%	-	-
Kamchatskenergo	12.1%	11.5%	8.6%	4.2%
YuESK	-0.8%	6.1%	4.3%	-8.2%
Magadanenergo	14.4%	12.6%	4.3%	6.3%
Chukotenergo	11.4%	88.1%	6.2%	11.4%
Sakhalinenergo	1.2%	10.2%	-2.5%	0.0%
Yakutskenergo	10.8%	9.0%	11.6%	9.9%
Sakhaenergo	8.9%	9.5%	11.4%	8.4%
Peredvizhnaya Energetika	22.2%	4.5%	-	-



RusHydro

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3Q and 9M 2018 financial results review

Key highlights

288.1

**RUB bn
revenue
in 9M 2018
(+7.2%)**

81.0

**RUB bn
EBITDA
in 9M 2018
(+13.1%)**

28.1%

**EBITDA margin
in 9M 2018**

+3.6%

**operating costs
increase (excl. fuel
cost) in 9M 2018**

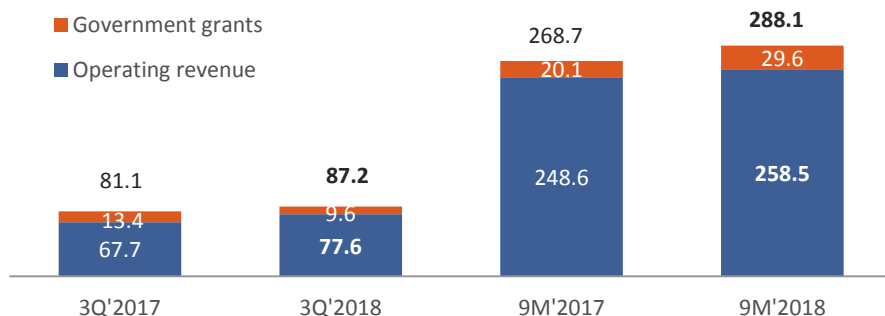
Key growth factors:

- solid operating results of hydropower plants in European Russia;
- increase in revenue from electricity sales of RAO ES East subgroup;
- growth of capacity sales following prices indexation.

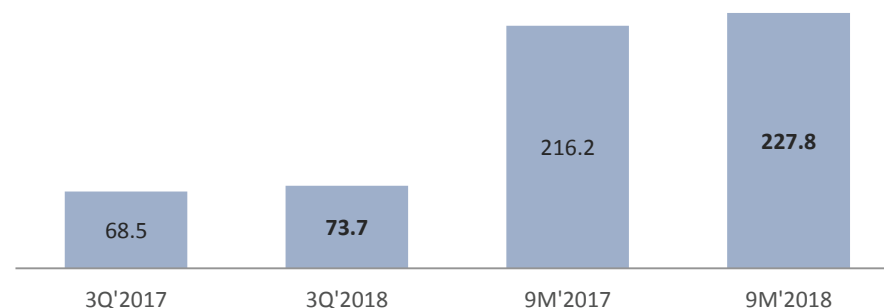
Negative factors affecting results:

- Increase in fuel costs following significant increase in electricity and heat output as well as coal price growth.
- Increase in electricity distribution expenses as a result of transmission tariffs growth.

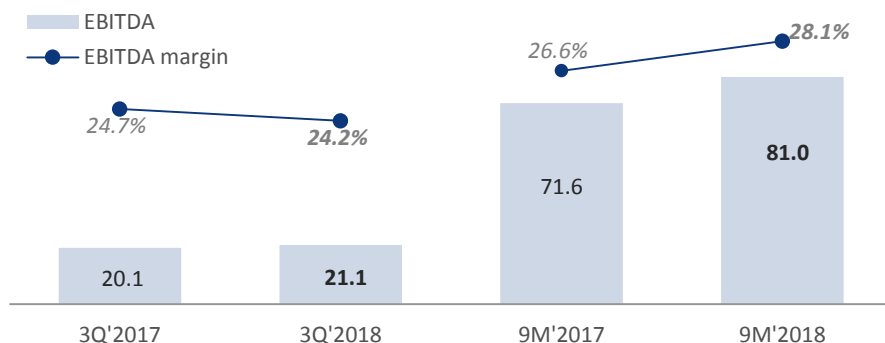
Revenue, bn RUB



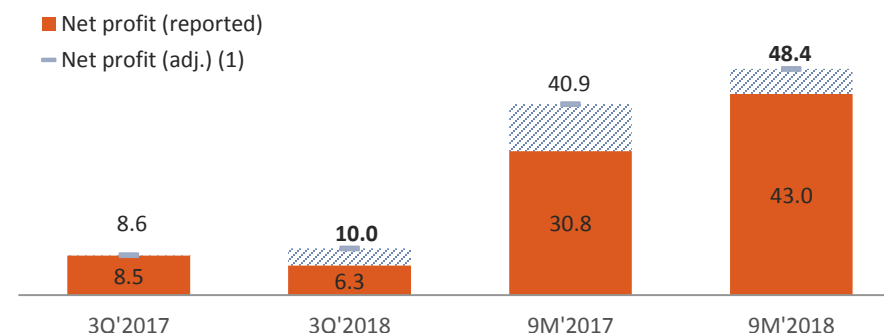
Operating expenses, bn RUB



EBITDA, bn RUB

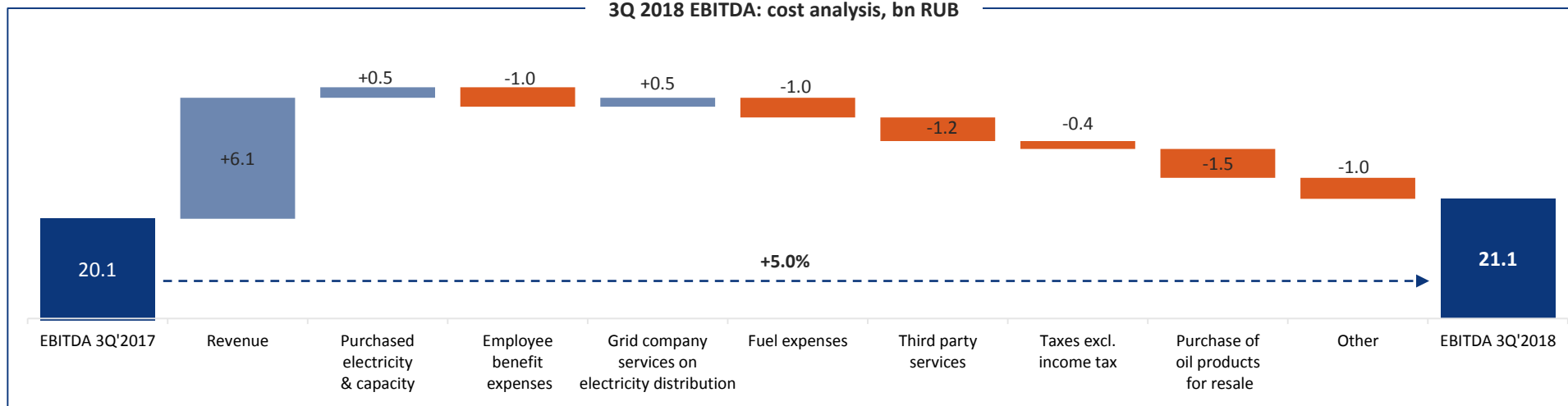


Net profit, bn RUB

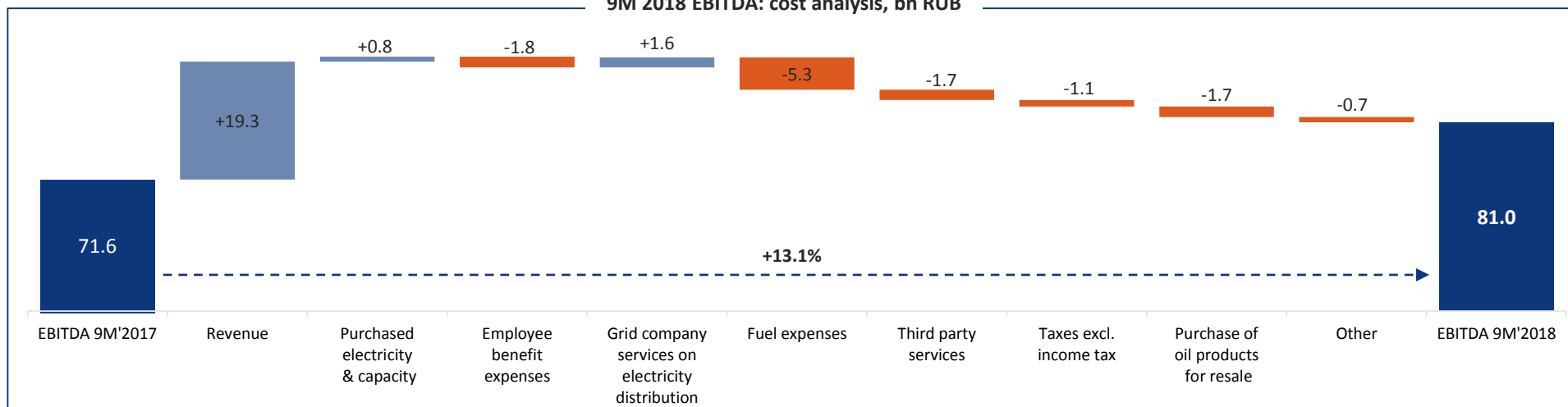


3Q and 9M 2018 EBITDA: cost analysis

3Q 2018 EBITDA: cost analysis, bn RUB

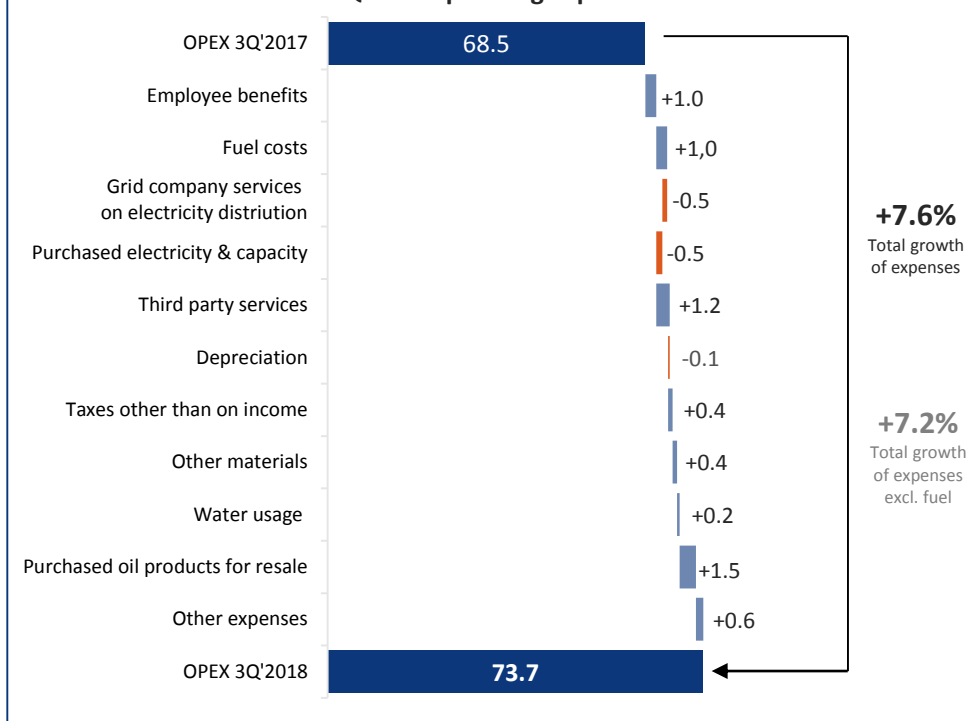


9M 2018 EBITDA: cost analysis, bn RUB

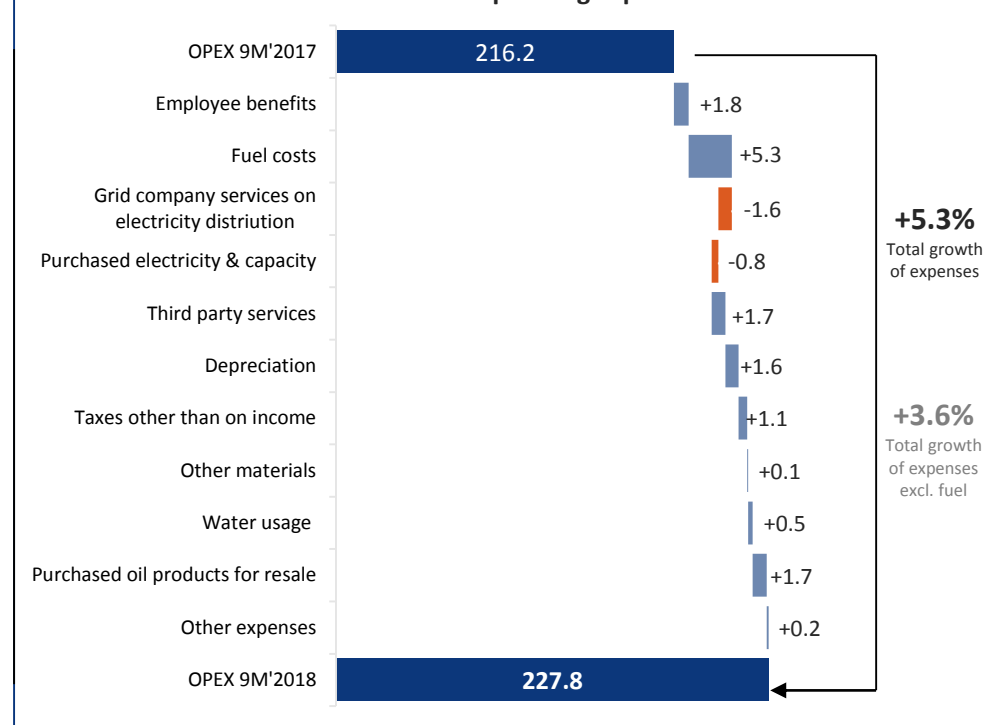


Operating expenses in 3Q & 9M 2018 – increase is mainly driven by growth of fuel costs

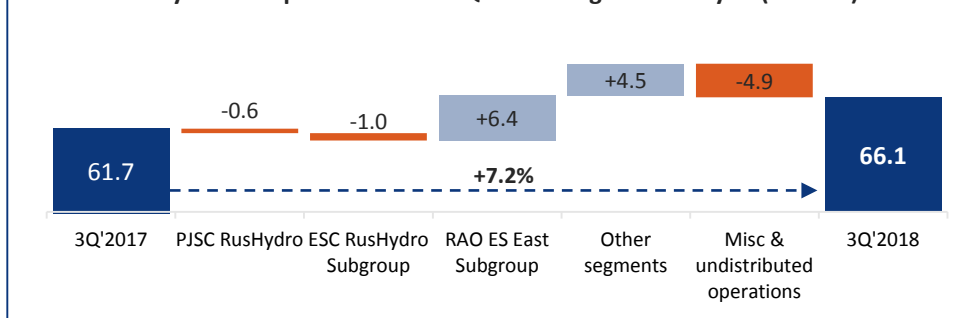
3Q 2018 operating expenses



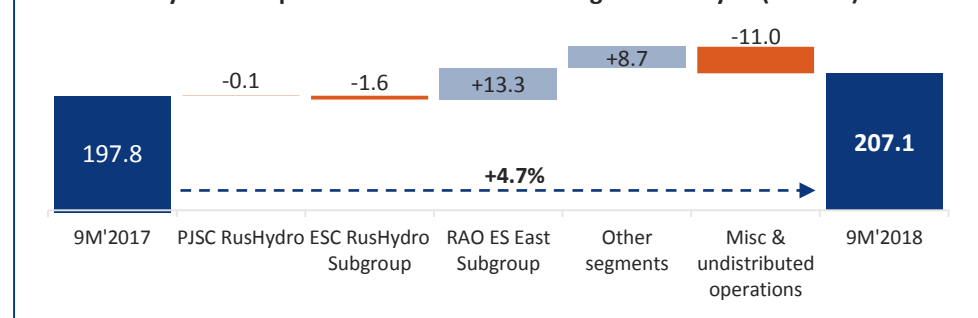
9M 2018 operating expenses



RusHydro Group cash costs in 3Q 2018 – segment analysis (RUB bn) ⁽¹⁾



RusHydro Group cash costs in 9M 2018 – segment analysis (RUB bn) ⁽¹⁾





RusHydro

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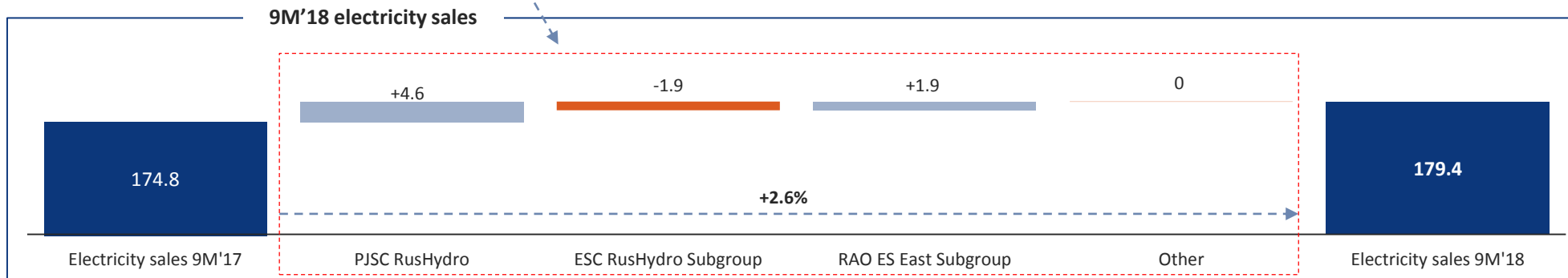
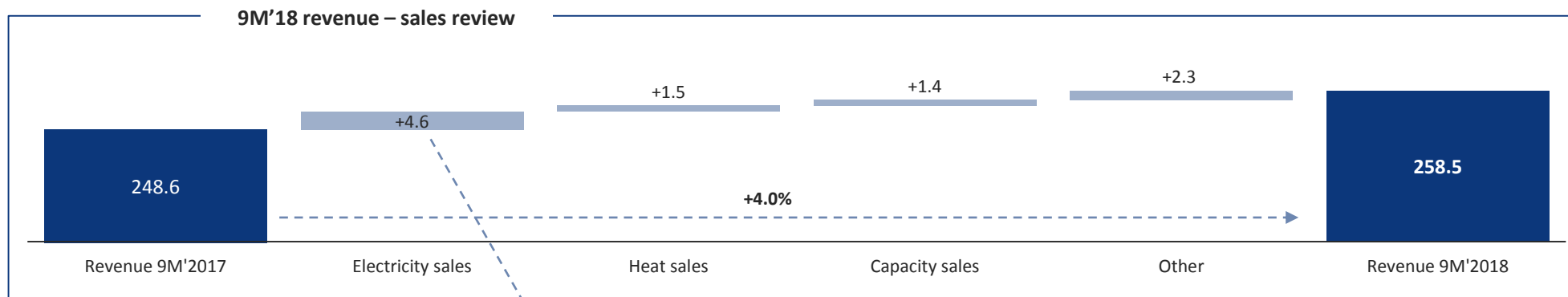
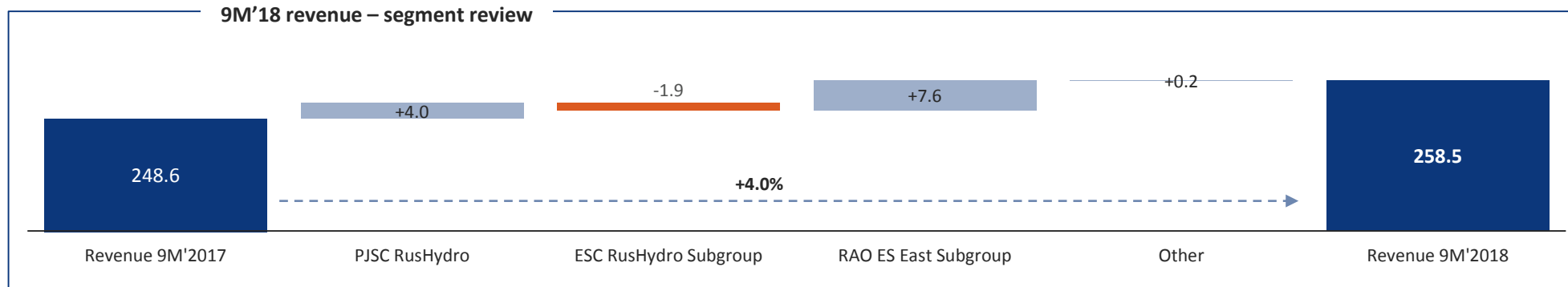
II. Financial results



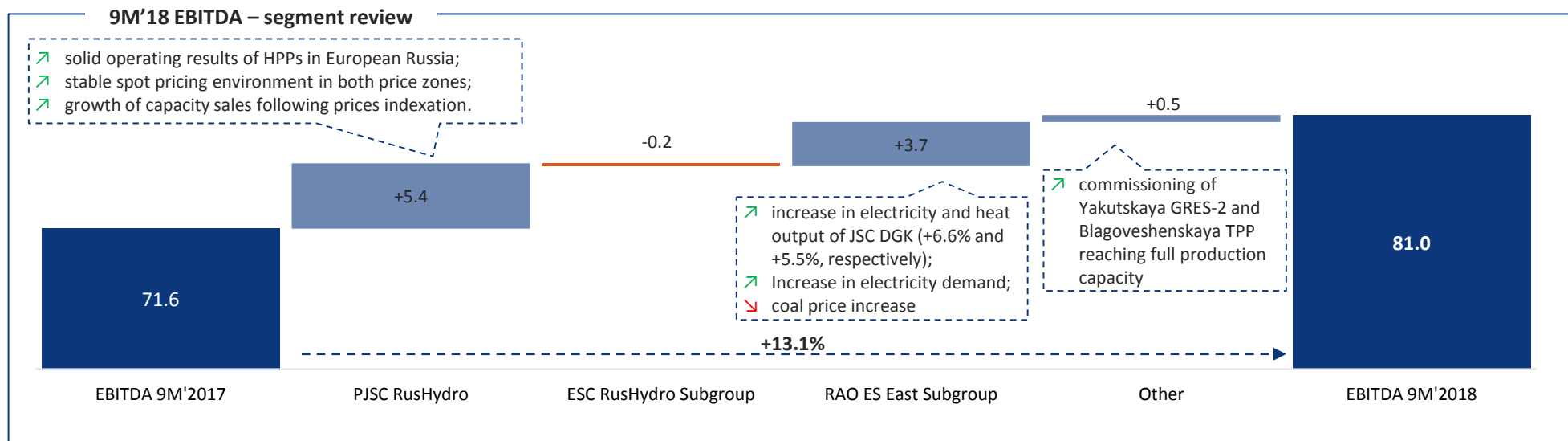
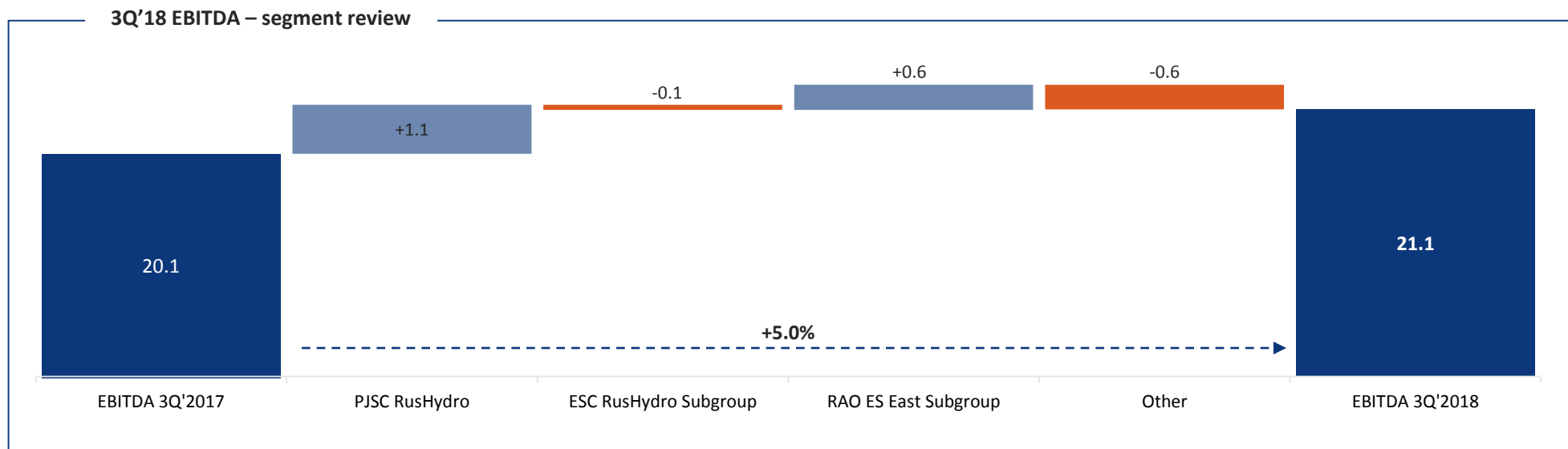
III. Segment review

IV. Market update

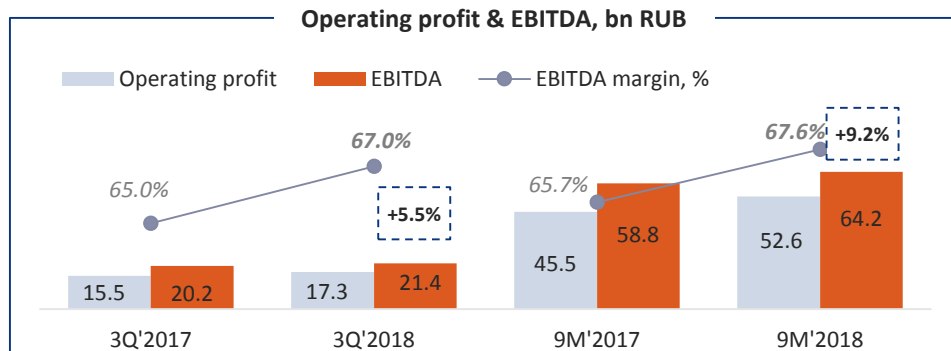
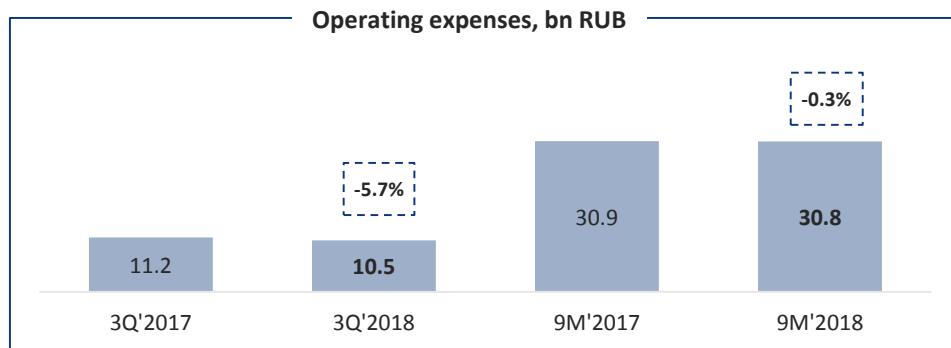
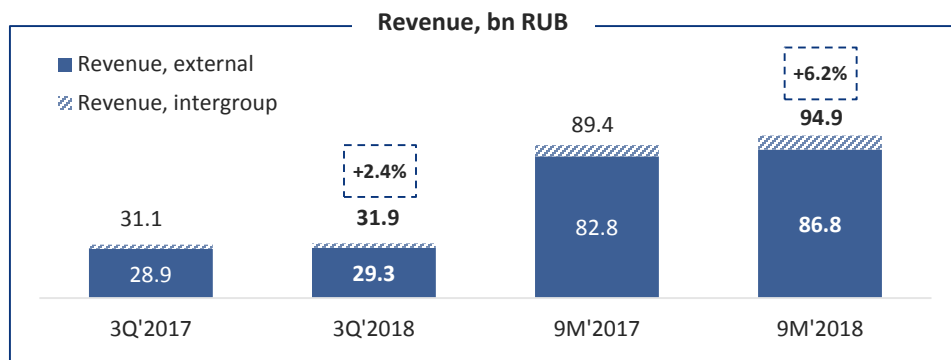
9M 2018 revenue: segment review ⁽¹⁾



3Q & 9M 2018 EBITDA: segment review



Segment review (1/3) – PJSC RusHydro



Key highlights

Operations:

- **6.0% increase of electricity output** from Group's hydropower plants operating in price zones following rehabilitation and modernization of generating equipment on major hydropower plants of the Volga-Kama cascade prior to flooding season;
- Record output of Sayano-Shushenskaya HPP in the months of July and August;
- Water inflows to major reservoirs in 3Q'18 at the normal level

Pricing environment:

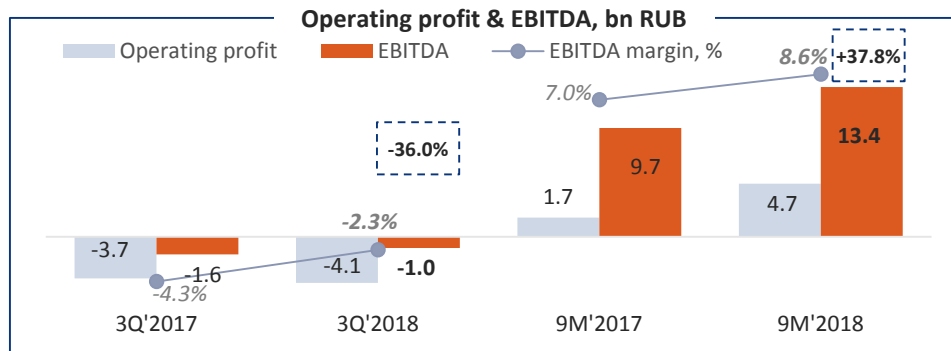
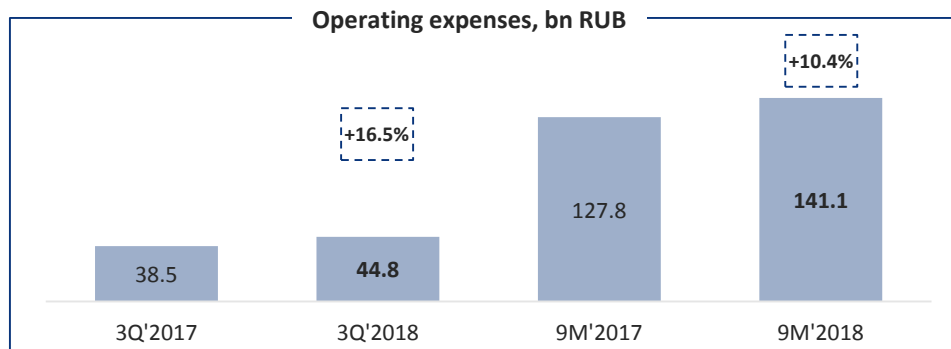
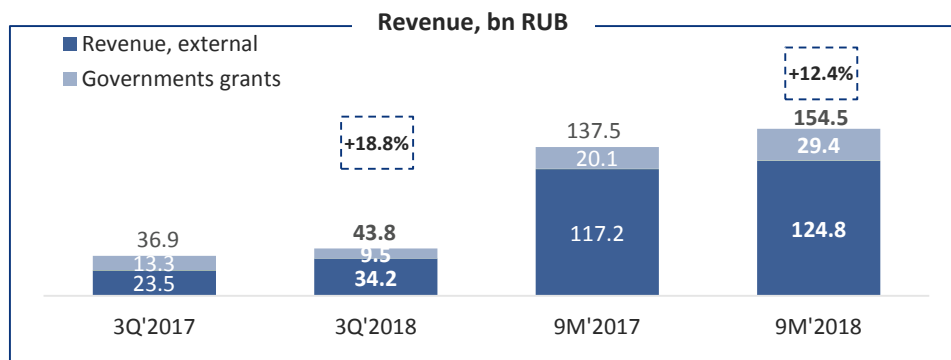
- Stable pricing environment supported by cold wave in March and a **7-9% demand growth in March 2018 y-o-y** and **>3% growth in January-March 2018 y-o-y** for Central and Southern Russia;
- average achieved selling spot power price in European Russia in 9M'18 – **RUB 1,250/MWh (+3.6%)**;
- average achieved selling spot power price in Siberia in 9M'18 – **RUB 800/MWh (-3.3%)**.

Operating expenses:

Slight savings in expenses in 9M'18 following increase in property tax and water usage offset by savings in consulting and other expenses.



Segment review (2/3) – RAO ES East Subgroup



Key highlights

Operations:

- total electricity production of RAO ES East Subgroup's power plants – **24,550 GWh (+7.3% y-o-y)** on increase in consumption in United Power System of the East and higher sales of electricity to China;
- heat output – **19,574 GCal (+4.6% y-o-y)** on lower air temperatures in all the regions of the Far East with the exception of Chukotka in 1Q'18. Decrease in output in 3Q'18 driven by higher air temperatures;
- increase in electricity sales to China and UES of Siberia by 4% y-o-y.

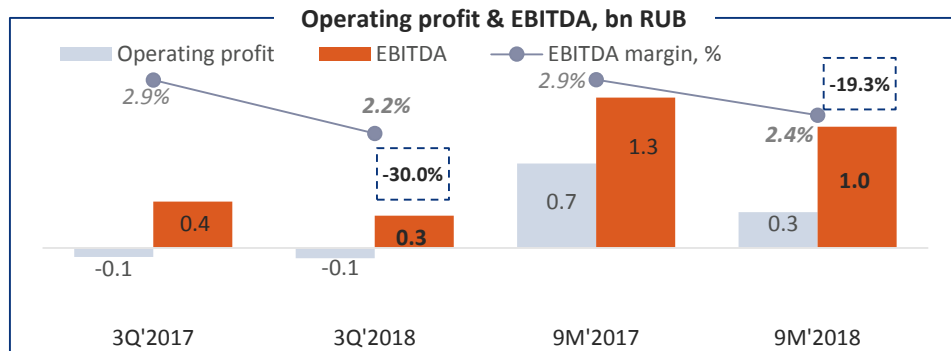
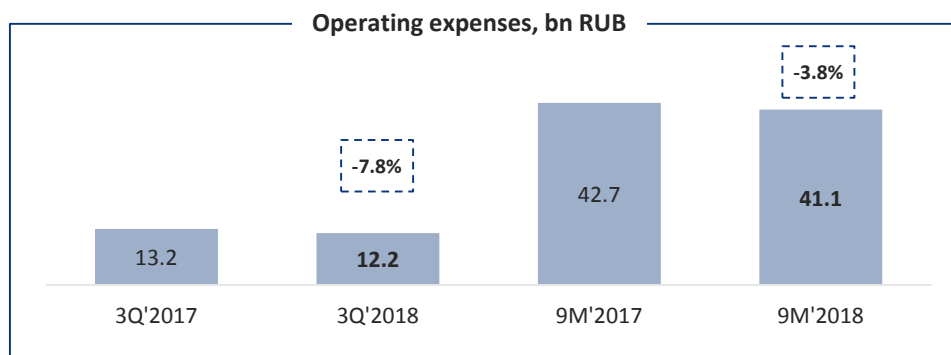
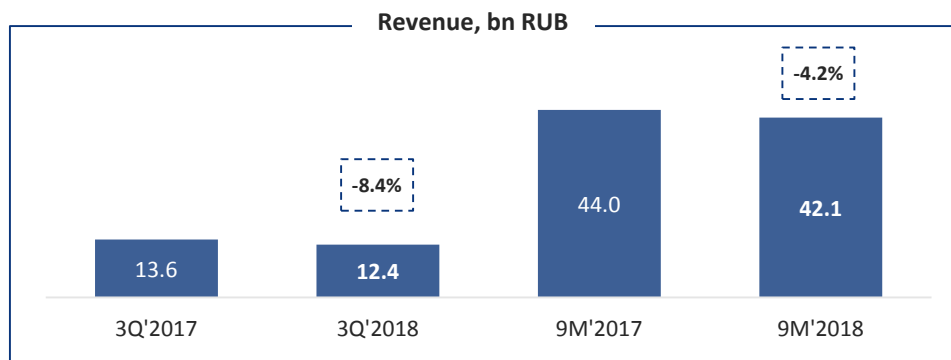
Pricing / tariffs:

In 2018, RAO ES East Subgroup saw a nominal increase in government grants due to introduction of a mechanism aimed at decreasing end-user electricity tariffs in the Far East of Russia (except for tariff for households) to an average level of tariffs in Russia. The mechanism sees RusHydro collecting additional revenue via capacity sales (KOM price) and transferring the proceeds in full to selected Far Eastern regions to offset losses incurred by subsidized power sales. In 2017, the mechanism came into effect 5 out of 9 regions of the Far East (*see Appendix for details*).

Operating expenses:

Fuel costs and grid company services on electricity distribution expenses were the main drivers behind the increase in operating expenses due to higher electricity output from thermal power generation.

Segment review (3/3) – ESC RusHydro subgroup (electricity retail)



Key highlights

Operations:

- Total electricity output by RusHydro's retail companies – JSC ESC RusHydro, PJSC Krasnoyarskenergosbyt, JSC Chuvashskaya Retail Energy Company and PJSC Ryazanenergosbyt – **14,706 GWh (-1.5% y-o-y)**;
- The decrease was driven by lower output of PJSC Ryazanenergosbyt and JSC ESC RusHydro following cancellation of service agreements;
- Increase in output by PJSC Krasnoyarskenergosbyt and JSC Chuvashskaya Retail Energy Company due to extension of heating season until May 30, 2018 and climate conditions in Chuvashia.

Outlook:

Further efficiency improvements in line with RusHydro Group's strategy.



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RusHydro Group debt profile ⁽¹⁾

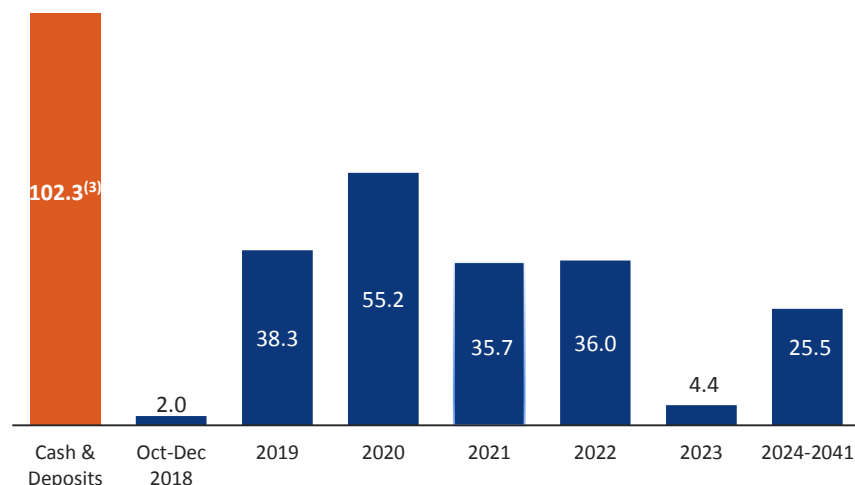
Key highlights

- Total financial debt as of November 30, 2018 – **RUB 219.2 bn**
- **Average RUB interest rate of 7.98% p.a.** ⁽²⁾ and comfortable weighted-average maturity of debt at **2.7 years**
- Liquidity cushion (cash and cash equivalents, unused credit lines) amounts to **RUB 286.8 bn** and exceeds total repayment for the coming years
- In October 22nd, 2018 Moody's affirmed RusHydro's credit rating at '**Ba1**' provided with the upgrade of standalone Issuer's credit profile
- In November 2018, RusHydro issued Eurobonds (LPN) in the amount of RUB 15 bn for 3 years 2 months and CNH 1.5 bn for 3 years
- In November 2018, PJSC RusHydro repaid in advance the UniCredit's loan in EUR, and thus excluded FX risk from its debt portfolio
- In December 2018, RusHydro has taken the **CBonds Awards "Best Primary Eurobond Deal"**

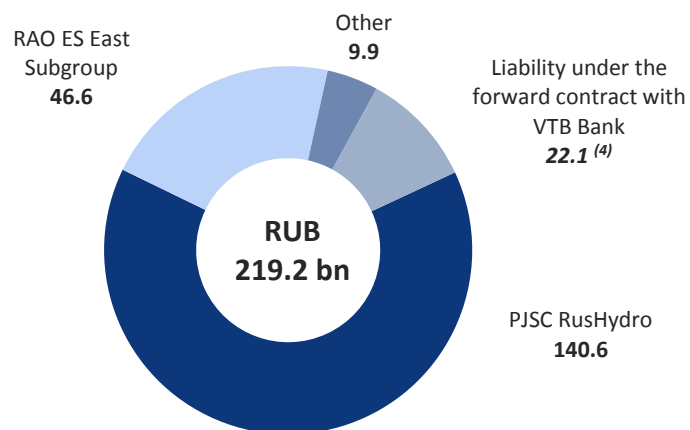
Current RusHydro Group's credit ratings

S&P	Moody's	Fitch	ACRA
BBB- (stable)	Ba1 (positive)	BBB- (stable)	AAA(RU) (stable)

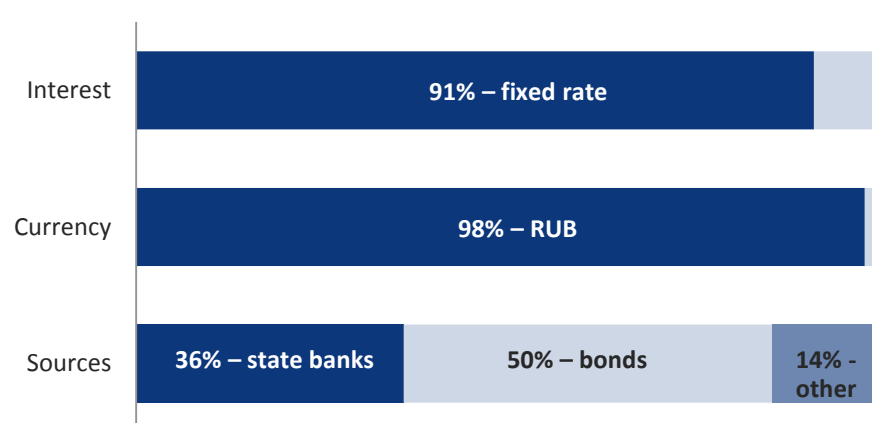
Debt repayment profile ⁽²⁾ (RUB bn)



Transparent debt composition (RUB bn)



Transparent debt composition



(1) As of November 30, 2018

(2) Debt excluding lease payments and liability under forward contract with VTB.

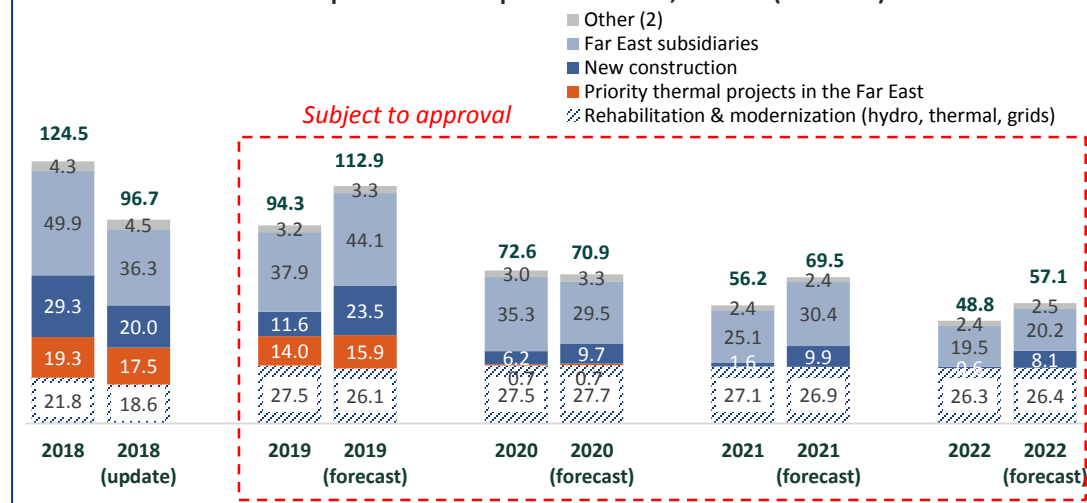
(3) Cash and cash equivalents (bank deposits with a period of less than 1 year) as of November 30, 2018

(4) Liability under the forward contract with VTB recorded as a long-term derivative financial instrument at fair value in RusHydro Group's IFRS in the amount of RUB 22.1 bn as of September 30, 2018.

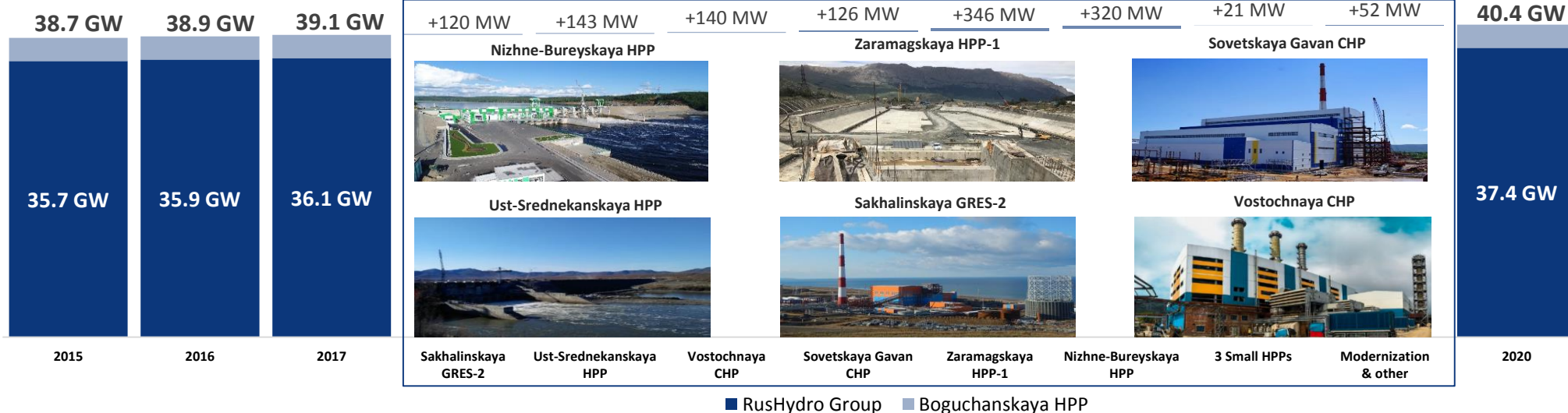
Group's investment plan 2018-2022

- RusHydro will add **>1.5 GW and 1 ths. Gcal/h of capacity** through to 2023, incl.:
 - 120 MW / 18 Gcal/h – Sakhalinskaya GRES-2, coal (1st stage)
 - 143 MW – Ust-Srednekanskaya HPP
 - 346 MW – Zaramagskaya HPP-1 (DPM contract)
 - 140 MW / 432 Gcal/h – Vostochnaya CHPP, gas
 - 126 MW / 200 Gcal/h – Sovetskaya Gavan CHP, coal
 - 320 MW – Nizhne-Bureyskaya HPP
 - 300 Gcal/h – Peaking boiler plant at Yakutskaya TPP
 - 261 MW – Capacity uprate /modernization
 - 70.5 MW – Small HPPs (DPM for renewables contracts)
- Change in CAPEX driven by update of projects' commissioning as well as optimization of rehabilitation and modernization program
- CAPEX forecast based on highest capped figures, and management seeks to optimize yearly outlays to ensure stable financial position of the Group.

Group's investment plan 2018-2022, RUB bn (incl. VAT) ⁽¹⁾



2018-2019



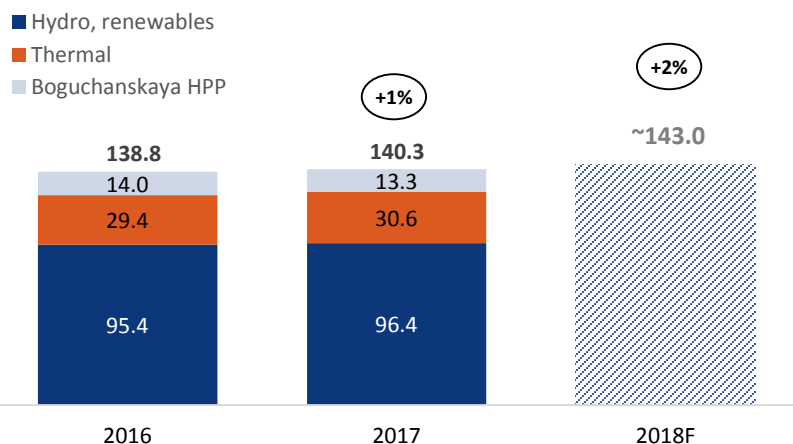
■ RusHydro Group ■ Boguchanskaya HPP

- (1) CAPEX includes VAT and excludes extra group outlays (Boguchanskaya HPP). The investment plan for 2018 was approved by the Board of Directors on October 2, 2018. 2019-2022 forecast is based on the approved 2018 change and will be finalized following approval of the Group's investment plan for 2019-2023, but could be subject to change.
- (2) Investment programs of retail subsidiaries, other subsidiaries and R&D

RusHydro Group 2018 operating results forecast

Total Group's electricity production is on track to reach another all-time high in FY'2018 due to mostly favorable hydrological conditions, increase in electricity demand in the Far East of Russia, ramp-up of new facilities and efficiency gains from hydropower modernization

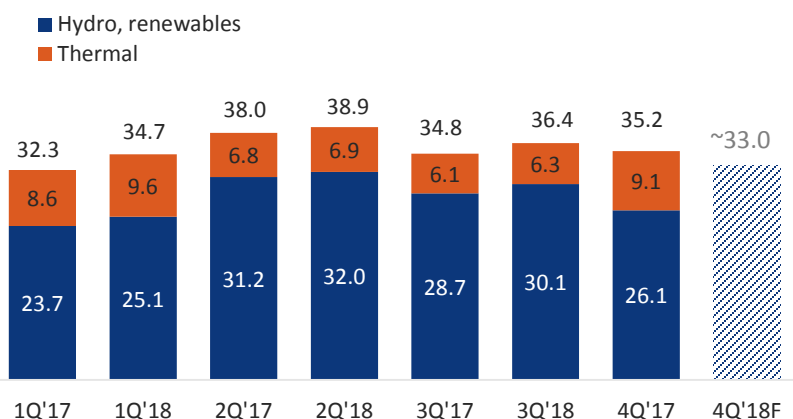
Electricity generation, TWh ⁽¹⁾



Rational utilization of water resources due to the following measures:

- Optimization, jointly with the System Operator and the Federal Grid, of Sayano-Sushenskaya HPP equipment (both generation and grid) repair schedule, leading to additional output of ca. **250 GWh** (due to elimination of sterile spills in August 2018);
- Flexible redistribution of automated secondary regulation of frequency and capacity reserve of the Volga-Kama cascade – leading to additional output of ca. **200 GWh** (reduction of spills above turbine debits by **3.5 km³**);
- Flexible adjustment jointly with the System Operator and the Federal Water Resources Agency of HPPs regimes during elevated inflows – **43** applications filed, of which **34** satisfied, partially or fully;
- Operation of Zhigulevskaya HPP during flood period with all hydro-units following completion of modernization program. Increase in capacity by **177.5 MW** enabled to increase production during the flood period by **80 GWh**.

Quarterly electricity generation 2017/18, TWh



Results of efficient regime management, GWh

Zhigulevskaya HPP



Maximum of electricity output for the January-October period since the plant commissioning exceeded

Cascade of Sulak HPPs



Maximum of monthly electricity output in August since the plant commissioning exceeded

Sayano-Shushenskaya HPP



New all-time highs of monthly electricity output since plants commissioning

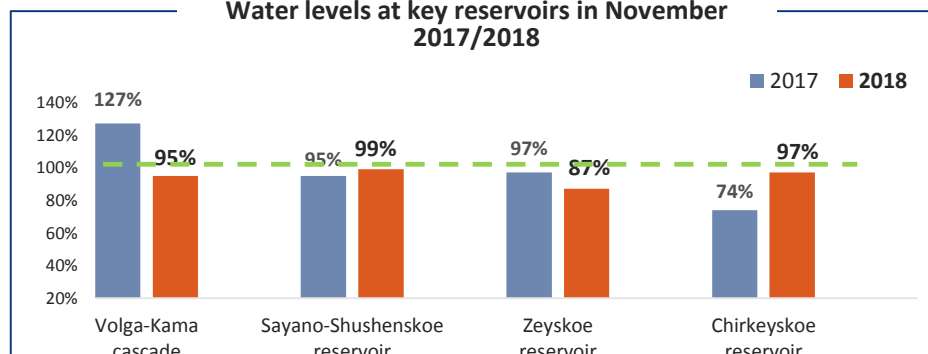


РусГидро

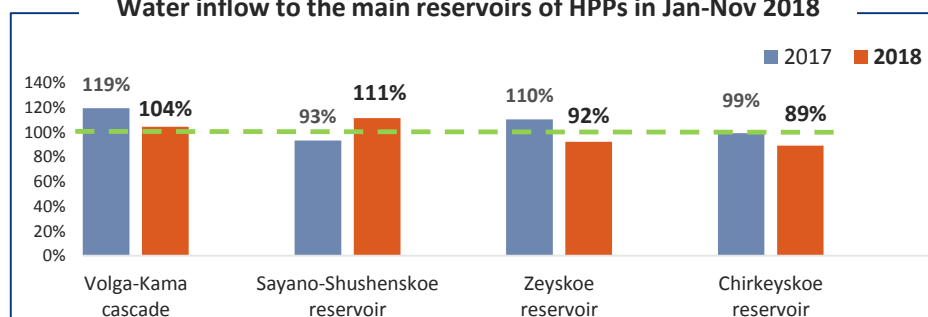
(1) Including production of 3 GW Boguchanskaya HPP – 50/50 JV with UC RUSAL

- Water level in the Volga river was close to the normal level during the year. Spring flooding was longer than expected. The flood flow (Apr – Jun) volume was 153 km³ (normal level – 161 km³). Total electricity output of HPPs on the Volga-Kama cascade was 19% above the normal level.
- Water level in the Yenisei river at the cross-section of Sayano-Shushenskaya HPP in the current year was close to the normal level. The third decade of Jul-Aug saw the most difficult situation (water inflow in Jul and Aug was 148% and 108% of the normal level, respectively).
- Water level in the Ob river at the cross-section of Novosibirskaya HPP was 11% above the normal level. Electricity output of the facility is slightly above last year's level.
- Despite the low water level at the cross-section of the Zeyskaya HPP navigation to construction site of the Amur gas processing plant was not affected.
- Decreased water inflow to Bureyskoye reservoir came on the back of irregular conditions during the warm period (low water level during spring flooding season and high water level in the middle of July). Effective operation of the facility during summer helped avoid excessive spills at the Bureyskaya and Nizhne-Bureyskaya HPPs.
- Water inflow to Kolymaskoye reservoir in the year was sufficiently higher (35%) than the normal level which not only helped with transportation of necessary goods and supplies to remote northern areas but also enabled filling of Ust-Srednekanskoye reservoir.

Water levels at key reservoirs in November 2017/2018

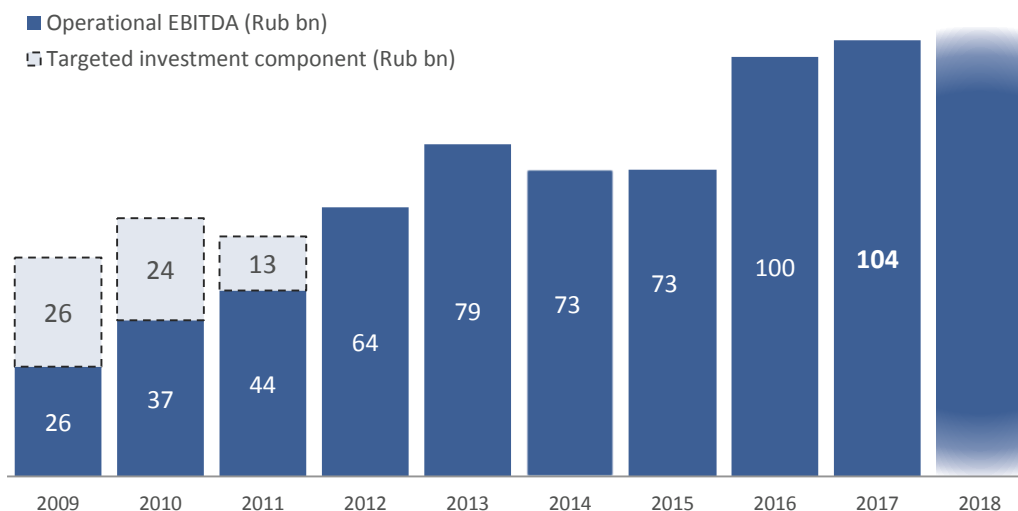
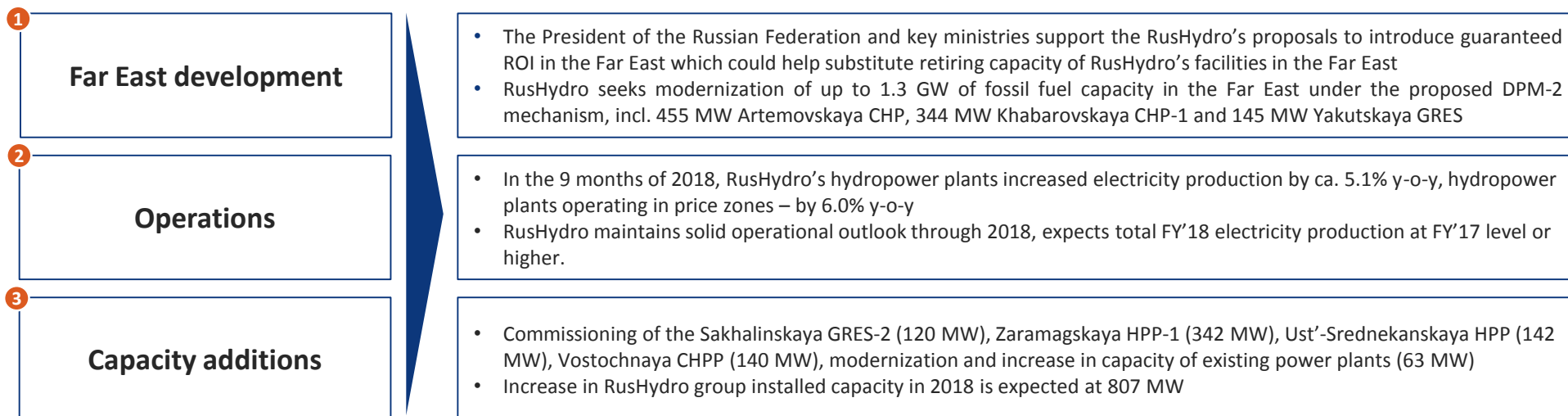


Water inflow to the main reservoirs of HPPs in Jan-Nov 2018



- Accumulated water reserves were sufficient to guarantee the necessary level of electricity output of RusHydro's HPPs during the autumn-winter period of 2018-2019.
- Current water reserves in RusHydro's key reservoirs are close to the normal level.

2018 outlook and key drivers of 2018 financial performance



Key positive factors in 2018

- Solid operational results on the back of favorable hydrological conditions;
- Commissioning of new capacity and increased output from newly launched plants;
- Successful cost optimization and efficiency gains;
- Further debt refinancing with better terms

Negative factors/risks that could affect 2018 results

- Risk of reduced inflows to main reservoirs;
- Flat or lower spot electricity prices due to low demand and capacity oversupply;
- Increase in fuel costs in case of increased utilization of thermal capacity and interruption in fuel supply;
- Increase in non-controllable costs.



RusHydro



Appendix

Selected consolidated financial information

Consolidated income statement	<i>As of 30 September</i>	
RUB mn	2018	2017
Revenue	258,472	248,604
Government grants	29,615	20,138
Other operating income	5,340	690
Expenses (excl. impairment)	(227,777)	(216,218)
Impairment	(5,057)	(4,989)
Operating profit	60,593	48,225
Finance income	4,045	6,770
Finance costs	(9,693)	(11,251)
Share of results of associates and JVs	1,288	176
Profit before income tax	56,233	43,920
Income tax expense	(13,200)	(13,116)
Profit for the period	43,033	30,804

Consolidated statement of cash flows	<i>As of 30 September</i>	
RUB mn	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	56,233	43,920
D&A	19,956	18,375
Other adjustments	4,812	8,701
Operating cash flows	81,001	70,996
Working capital and other changes	(14,079)	(12,311)
Income tax paid	(9,260)	(11,738)
Net cash generated by operating activities	57,662	46,947
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(44,457)	(41,001)
Changes in bank deposits and other investments	121	(2,623)
Interest and dividends received	4,157	6,297
Other investing cash flows	871	-
Net cash used in investing activities	(39,308)	(37,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	-	40,000
Proceeds from sale of treasury shares	-	15,000
Prepayment on forward contract	(2,813)	(3,243)
Proceeds from current debt	33,981	46,943
Proceeds from non-current debt	88,047	50,203
Repayment of debt	(116,044)	(109,719)
Interest paid	(10,881)	(11,927)
Other financing cash flows	(200)	(538)
Net cash generated by financing activities	(18,984)	7,069
Effect of forex	325	(161)
Increase in cash and cash equivalents	(305)	16,528

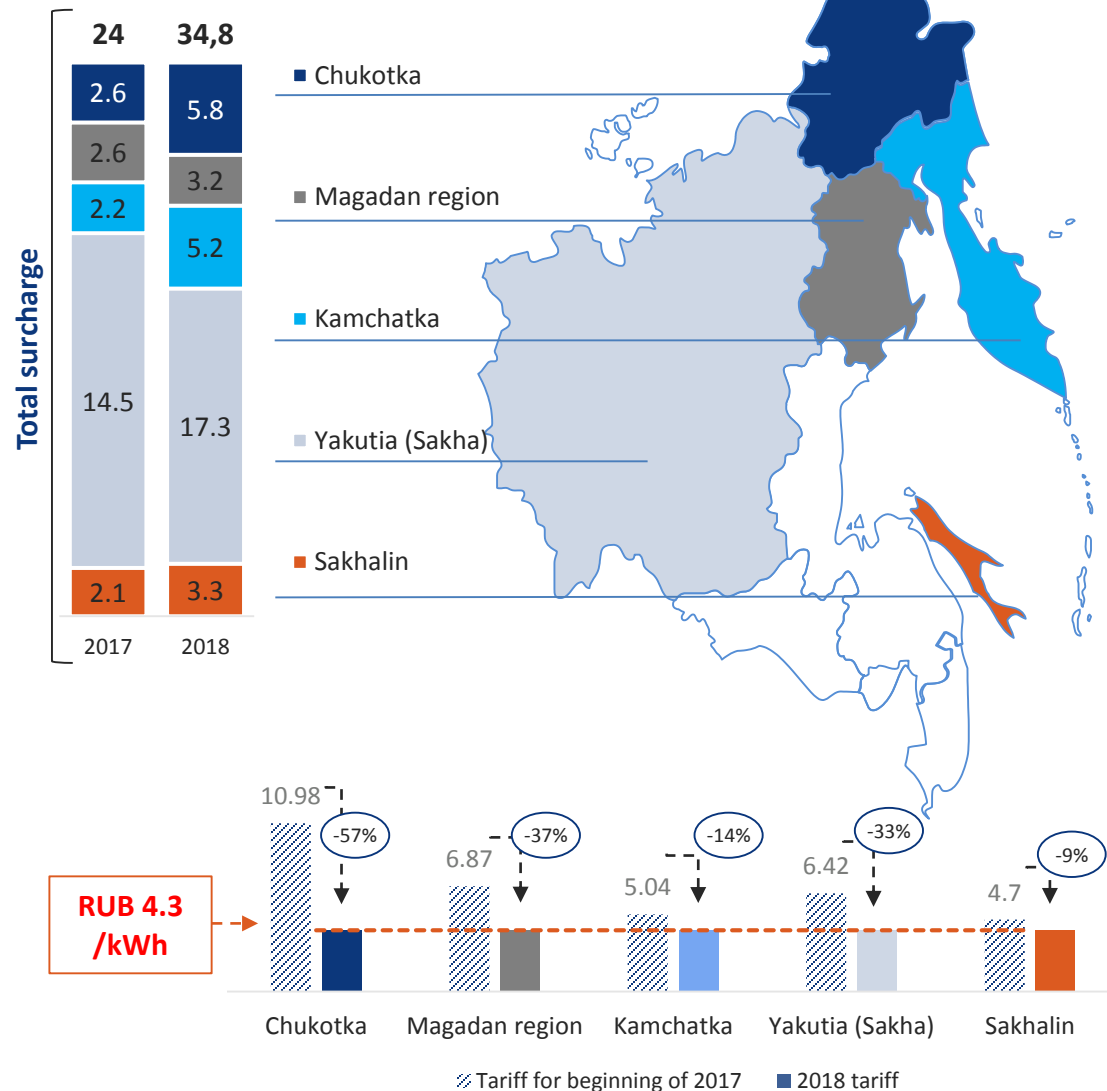
Consolidated statement of financial position	<i>As of 30 September</i>	
RUB mn	2018	2017
ASSETS		
Non-current assets		
Property, plant and equipment	826,165	799,855
Investments in associates and JVs	19,997	20,097
Available-for-sale financial assets	1,242	18,495
Deferred income tax assets	9,012	9,354
Other non-current assets	38,220	25,331
Total non-current assets	894,636	873,132
Current assets		
Cash and cash equivalents	69,871	70,156
Income tax receivable	2,482	3,839
Accounts receivable and prepayments	58,553	51,201
Inventories	33,838	25,523
Other current assets	4,631	4,400
Total current assets	169,345	155,119
TOTAL ASSETS	1,063,981	1,028,251
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	261,274	231,967
Non-controlling interest	1,028	2,719
TOTAL EQUITY	723,180	695,564
Non-current liabilities		
Deferred income tax liabilities	43,728	41,695
Non-current debt	152,785	90,912
Non-deliverable forward contract	22,064	20,716
Other non-current liabilities	27,850	28,116
Total non-current liabilities	246,427	181,439
Current liabilities		
Current debt	21,598	78,613
Accounts payable and accruals	56,710	55,625
Current income tax payable	994	976
Other taxes payable	15,072	16,034
Total current liabilities	94,374	151,248
TOTAL LIABILITIES	340,801	332,687
TOTAL EQUITY AND LIABILITIES	1,063,981	1,028,251

Tariff 'smoothing' in the Far East – implications for the region and RusHydro Group

The mechanism of 'tariff smoothing' aims to lower the economic burden for the industry and other commercial electricity consumers in developing Far Eastern regions, increase competitiveness of regional economies and promote investment in the Far East

Основные положения

- On Dec 8, 2015, the President of the Russian Federation ordered to develop a mechanism aimed at decreasing end-user electricity tariffs in the Far East of Russia (except for tariff for households) to an average level of tariffs in Russia.
- RusHydro was selected as recipient of the surcharge.
- The mechanism sees RusHydro collecting additional revenue via capacity sales (KOM price) and transferring the proceeds in full to selected Far Eastern regions to offset losses incurred by subsidized power sales (*see Appendix*).
- In 2017, the mechanism came into effect 5 out of 9 regions.
- The base level of end-user tariff for 2017 was set at **RUB 4/kWh** and total surcharge to RusHydro's KOM price was set at **RUB 24 bn**, for 2018 set at respectively **Rub 4.3** and **RUB 35 bn**.





RusHydro



**Thomson Reuters Extel 2011:
No.1 IR Team in Russian Utilities**



**Thomson Reuters Extel 2012:
No.1 IR Team in Russian Utilities**



Thomson Reuters Extel 2013:

- No.1 IR Team in Russian Utilities
- Best CFO, mid-cap (Russia), #1
- Best IRO, mid-cap (Russia), #2
- Best overall IR, mid-cap (Russia), #3



Thomson Reuters Extel 2014:

- No.1 IR Team in Russian Utilities
- Best IRO, Russian Utilities

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