

Business model [EC]

Our business model is designed to illustrate RusHydro Group's key business lines and the ways we leverage the whole range of resources to achieve significant results which define the Company's short-, mid- and long-term value, and pursue our strategic goals.

The Group uses natural capital and possesses manufactured, financial, human, social and intellectual¹ capitals which are of great importance for its stakeholders. Our capital comes from internal (generating facilities, grid and sales assets, net income, personnel, in-house R&D and design organizations) and external (water resources, borrowings, contractor staff) sources. The results of capital transformation into value, namely electricity and heat generation, dividend payouts to shareholders, tax payments and job creation, are significant for both the Group and its stakeholders.

¹ As defined by the International Integrated Reporting Framework, capitals mean resources and relationships that are the sources and results of value creation.

RESOURCES

MANUFACTURED CAPITAL

39.7

GW installed electrical capacity

19,021

Gcal/h installed heat capacity

21.9

thousand substations

105.0

thousand km of transmission power lines

FINANCIAL CAPITAL

7.0

RUB bn raised as part of additional share issue

201.9

RUB bn of debt capital raised as of January 31, 2019

1.5

net debt / EBITDA

88.7

RUB bn CAPEX

INTELLECTUAL CAPITAL

6

R&D organizations

21

partner universities

HUMAN CAPITAL

69.5

'000 people headcount

In-house Corporate Hydropower University

SOCIAL CAPITAL

Leading national company by low-carbon generation

Key role in tariff adjustment in the Far East

Russia's only electricity generating company in the Forbes rating of top employers

NATURAL CAPITAL

758.6

mn m³ water used

16.3

mn tonnes coal used

5.6

bn m³ gas used

**DESIGN AND CONSTRUCTION
UPGRADE AND REPAIRS**



GENERATION



HPP

24,874
MW

WECM

REM

GENERATION



HPP

3,660 / 14,972
MW Gcal/h



TPP/
DPP/
boilers

7,178 / 2,068
MW Gcal/h

WECM, REM

SALES



PJSC DEK
JSC DGK

GENERATION



HPP

1,938
MW



TPP/
DPP/
boilers

1,742 / 1,439
MW Gcal/h



SPP



WPP



GeoPP

291 MW

**ELECTRICITY
DISTRIBUTION AND
HEAT TRANSMISSION**



20,077 / 3,209
km of electric
power grids
8,910
MVA substation
capacity

3,209
km
of heating
grids

I AND II PRICE ZONES

SALES



4

retail
companies

BUYERS/ CONSUMERS

Large industrial
consumers

Grid companies

Retail companies

Retail electricity
consumers

NON-PRICE ZONE OF THE EAST

**ELECTRICITY
DISTRIBUTION AND
HEAT TRANSMISSION**



84,616 / 2,566
km
of electric
power grids /
km
of heating
grids

21,481
MVA substation
capacity

JSC-ENERGO

SALES



ISOLATION ZONES OF THE FAR EASTERN FEDERAL DISTRICT

REM

RESULTS

MANUFACTURED CAPITAL

142.8

bn kWh
electricity generated

30.0

mn Gcal
heat generated

785

MW capacity for new
consumers connected

FINANCIAL CAPITAL

97.5

RUB bn
EBITDA

15.9

RUB bn
dividend payouts

82.1

RUB bn
tax payments to
budgets of all levels

INTELLECTUAL CAPITAL

3.4

RUB bn
FEED and R&D
financing

25

patents
obtained

18

digitalization
projects

HUMAN CAPITAL

34.9

average hours
of training per year
per employee

78,575

RUB average salary
of employees or c. 7
times higher than the
statutory minimum
monthly wage

34,239

trade union
members

0.36

injury frequency
rate

SOCIAL CAPITAL

32.1

RUB bn
allocated to adjust
tariffs in the Russian
Far East

15

effective cooperation
agreements with
regional and municipal
governments

15

socially significant
facilities handed over
to Russian regions
and cities

>300

community
projects financed

NATURAL CAPITAL

23.8

mn tonnes
waste generated

600.2

mn m³
water discharged

5.4

bn kWh
electricity
consumed

783.1

**tonnes of
CO₂ /mn kWh**
intensity of
emissions
from electricity
generation

RusHydro Group's business model highlights the continuous flow of capitals. Resource transformation within the same capital entails vertical transformation, e.g. natural into manufactured or financial into social capital.

Our comprehensive approach to value creation relies on an effective strategic and corporate governance system, which is based on a range of KPIs, fundamental valuation and factors in a changing market environment and the need to mitigate the materialized risks.

To assess the existing opportunities and management quality, we also need to compare the current and historical data on resources and results. For historical performance of the capitals and detailed comments, see the respective sections of the report.