

INTERREGIONAL DISTRIBUTION GRID
COMPANY OF CENTRE,
PUBLIC JOINT-STOCK COMPANY

Performance of IDGC of Centre, PJSC for 2017



ROSSETI



IDGC OF CENTRE

Moscow, March 2018

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OVERVIEW

IDGC of Centre is a natural monopoly and its tariff rates are regulated by executive authorities

TYPES OF ACTIVITY

✓ Transmission and distribution of electric energy



✓ Grid connections



✓ Energy services



458

thous. km²
the service area

11

RF entities
in the service area

13,6

mln people
population in the service area

 **2,7%** of the total RF

 **9,5%** of the total RF



INVESTMENT HIGHLIGHTS AND KEY INDICATORS

1 Dividend policy aimed at regular payments, and positive dividend history

2 Leader in quantity of electric grid assets

3 Activities in key regions of Central Russia with a steady demand for services

4 Corporate governance rating **NCGR 7+**

5 Free-float 34%*

6 High disclosure

7 Quality management and advanced management methods

51,7

bln kWh

Volume of electricity transmission services for 12M 2017
+ 0,8% to 12M 2016
(in comparable conditions)

405,0

thous. km

Length of lines 31.12.2017
+ 0,4% from 31.12.2016

1 866,7

mln RUB

Accrued dividends, in 2016
100% of RAS net profit

34%*

Free-float

31.12.2017

19,0

bln RUB

EBITDA (IFRS) for 12M 2017
+ 6,1% to 12M 2016

9,39

points of 10

Perception study for 2017
7,50 target

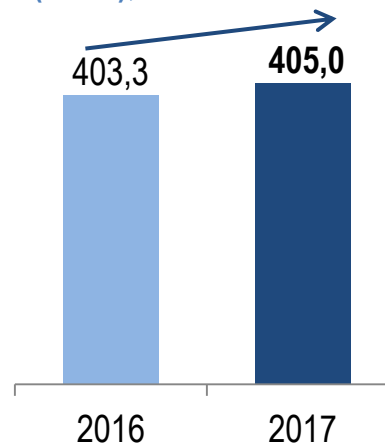
[*] According to the calculation method of Moscow Exchange

PRODUCTION CAPACITY FOR 12M 2017

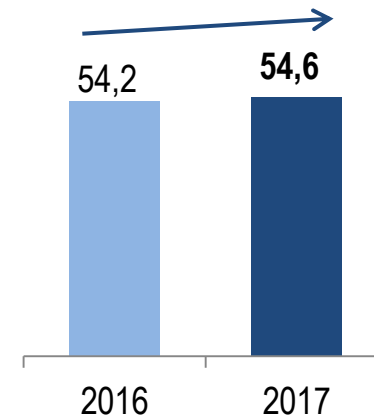
INDICATOR	31.12.17*
Length of 0.4-110 kV conductors (ROW), thous. km	386,4
Length of 35-110 kV conductors, thous. km	52,0
Length of 0.4-10 kV conductors, thous. km	334,4
Length of 0.4-110 kV cables, thous. km	18,6
Capacity of substations, thous. MVA	54,6
Capacity of 35-110 kV substations, thous. MVA	34,5
Capacity of 6-10/0.4 kV transformer and distribution substations, thous. MVA	20,1
Number of substations, thous. pc	103,0
Number of 35-110 kV substations, thous. pc	2,4
Number of 6-10/0.4 kV transformer and distribution substations, thous. pc	100,6
Number of conditional units, mln	2,3
Number of Distribution Zones, pc	277

[*] Taking into account the equipment on the balance, rental equipment, leased equipment and equipment serviced under contracts

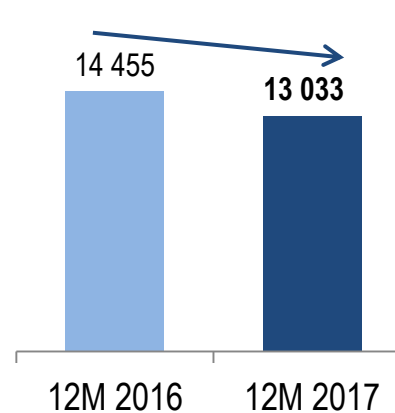
Length of power lines (ROW), thous. km



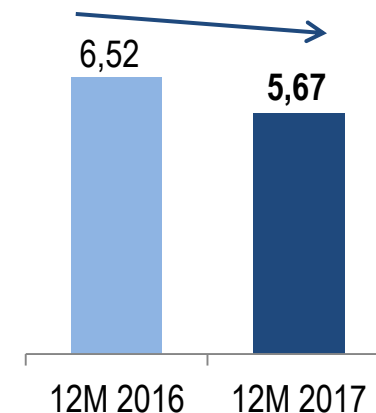
Capacity of substations, thous. MVA



Failures, pc



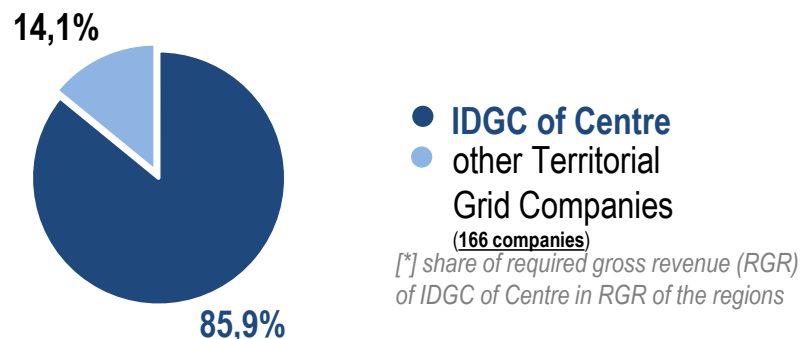
Specific failure rate, pc per 1000 units of equipment



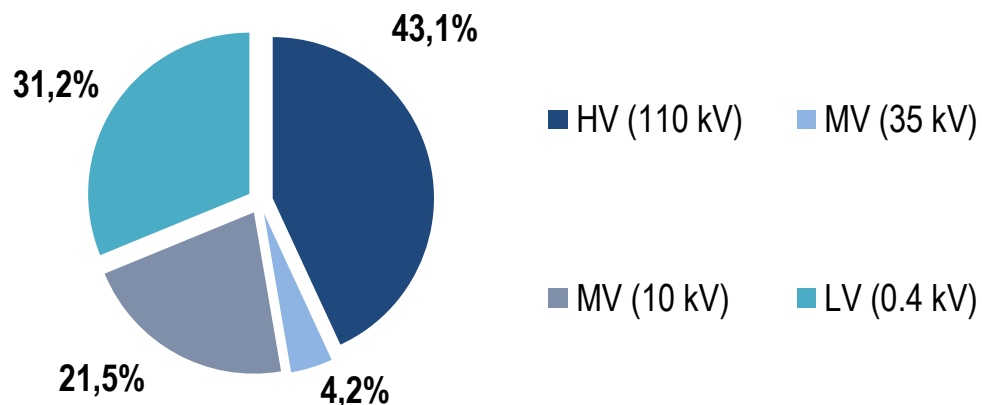
OPERATION RESULTS FOR 12M 2017

ELECTRIC ENERGY TRANSMISSION

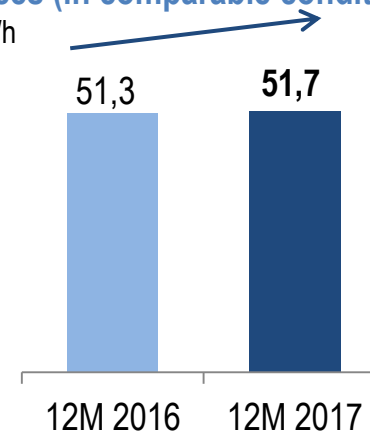
Market share of electricity distribution in 2017 by revenue*, %



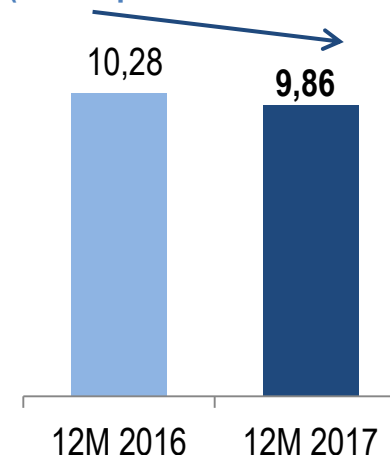
Electric energy net supply structure by voltage levels (amount of electric energy transmission services), %



Amount of electric energy transmission services (in comparable conditions), bln kWh



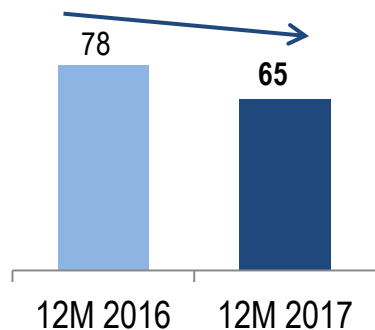
Electric energy losses (in comparable conditions), %



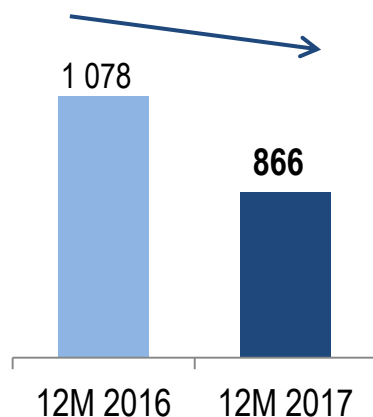
OPERATION RESULTS FOR 12M 2017

GRID CONNECTION

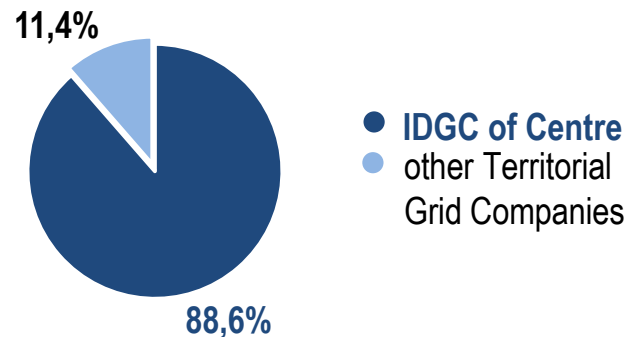
Average grid connection execution term, days



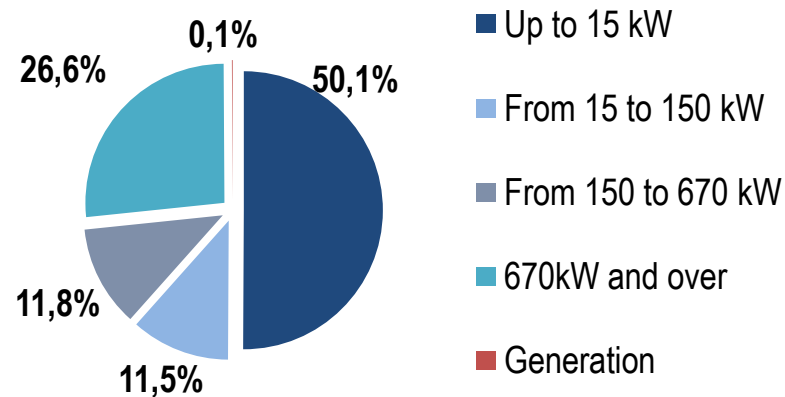
Volume of connected capacity, MW



Grid connection market share, %

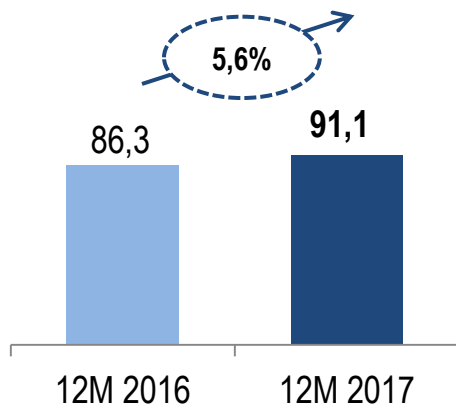


Connected capacity structure by customer groups, %

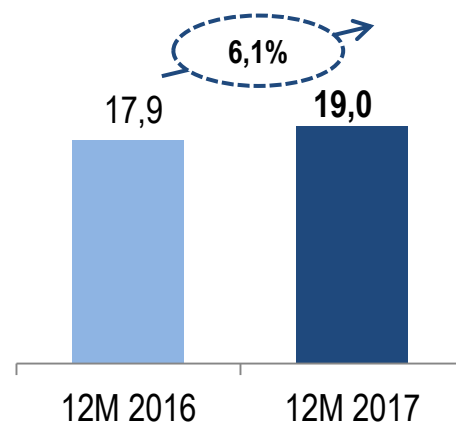


KEY FINANCIALS UNDER IFRS FOR 12M 2017

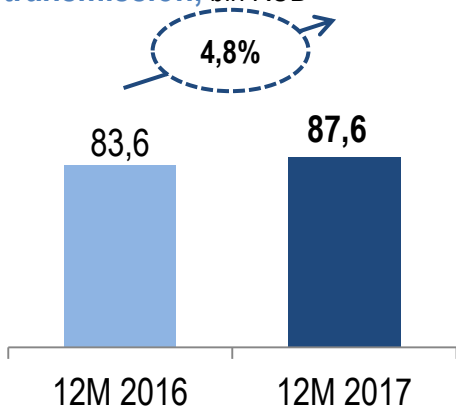
Revenue, bln RUB



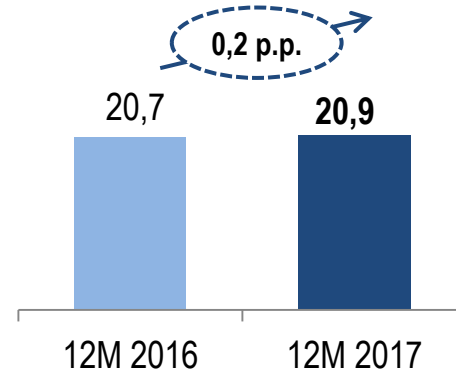
EBITDA, bln RUB



Revenue from electric energy transmission, bln RUB



EBITDA margin, %



KEY FINANCIALS UNDER IFRS FOR 12M 2017

Data in bln RUB, unless specified otherwise

	12M 2016	12M 2017	Change
Revenue (total), including:	86,3	91,1	5,6%
Electric energy transmission services	83,6	87,6	4,8%
Grid connection services	1,4	1,6	14,3%
Revenue from resale of electric energy and power	0,1	0,5	400,0%
Other revenue	1,2	1,4	16,7%
Operating costs	-78,8	-83,3	5,7%
Net other income	1,7	1,3	-23,5%
Operating profit	9,2	9,1	-1,1%
EBITDA	17,9	19,0	6,1%
EBITDA margin, %	20,7%	20,9%	0,2 p.p.
Profit for the period	4,8	3,0	-37,5%
Profit for the period margin, %	5,6%	3,3%	- 2,3 p.p.

Growth of revenue from grid connection services without rounding was 12,5%

IFRS OPERATING COSTS ANALYSIS FOR 12M 2017

bIn RUB	12M 2016	12M 2017	Change, %
Electric energy transmission services	27,9	29,3	5,0%
Staff costs	18,4	18,8	2,2%
Electric energy purchased to compensate for losses	11,9	13,7	15,1%
Depreciation	8,7	9,6	10,3%
Other tangible costs	2,8	3,1	10,7%
Taxes, except for profit tax	1,3	1,6	23,1%
Settlement of debt for transmission, purchase of electricity, losses and non-contractual consumption	0,7	1,0	42,9%
Impairment of Property, Plant and Equipment	-0,6	0,9	-250,0%
Rent expenses	0,6	0,5	-16,7%
Maintenance and repair	0,5	0,5	0,0%
Purchased electricity and heat for utility needs	0,4	0,4	0,0%
Electric energy for sale	0,0	0,3	-
Other works and of production services	0,1	0,1	0,0%
Other services	2,0	2,2	10,0%
Other operating expenses	4,1	1,3	-68,3%
TOTAL	78,8	83,3	5,7%

- Costs of electricity transmission and purchase of electricity losses increased due to growth of net supply and the cost of electricity at the Wholesale Electric Energy and Capacity Market;
- Increase in staff costs is due to the indexation of wages of operating employees under sectoral tariff agreement;
- Depreciation increased due to commissioning of new facilities (implementation of the Investment Program);
- Settlement of debt for transmission, purchase of electricity, losses and non-contractual consumption is the settlement of disagreements with counterparties due to judicial decisions;
- Appearance of costs for purchase of electricity for sale;
- It was possible to significantly reduce other operating expenses, including through the restoration of provisions for the depreciation of receivables.

KEY FINANCIALS UNDER RAS FOR 12M 2017

Data in billion RUB, unless specified otherwise

Indicators	12M 2016	12M 2017	Change
Revenue (total), including:	86,1	91,1	5,8%
Revenue from electric energy transmission	83,6	87,6	4,8%
Revenue from grid connection	1,4	1,6	14,3%
Revenue from resale of electric energy and power	0,1	0,6	500,0%
Other revenue	1,0	1,3	30,0%
Cost of sales	73,5	79,0	7,5%
Sales profit¹	10,6	9,8	-7,5%
Sales profit margin, %	12,3%	10,8%	-1,5 p.p.
EBITDA²	16,9	19,4	14,8%
EBITDA margin, %	19,6%	21,3%	1,7 p.p.
Net profit	1,9	2,0	5,3%
Net profit margin, %	2,2%	2,2%	0,0 p.p.

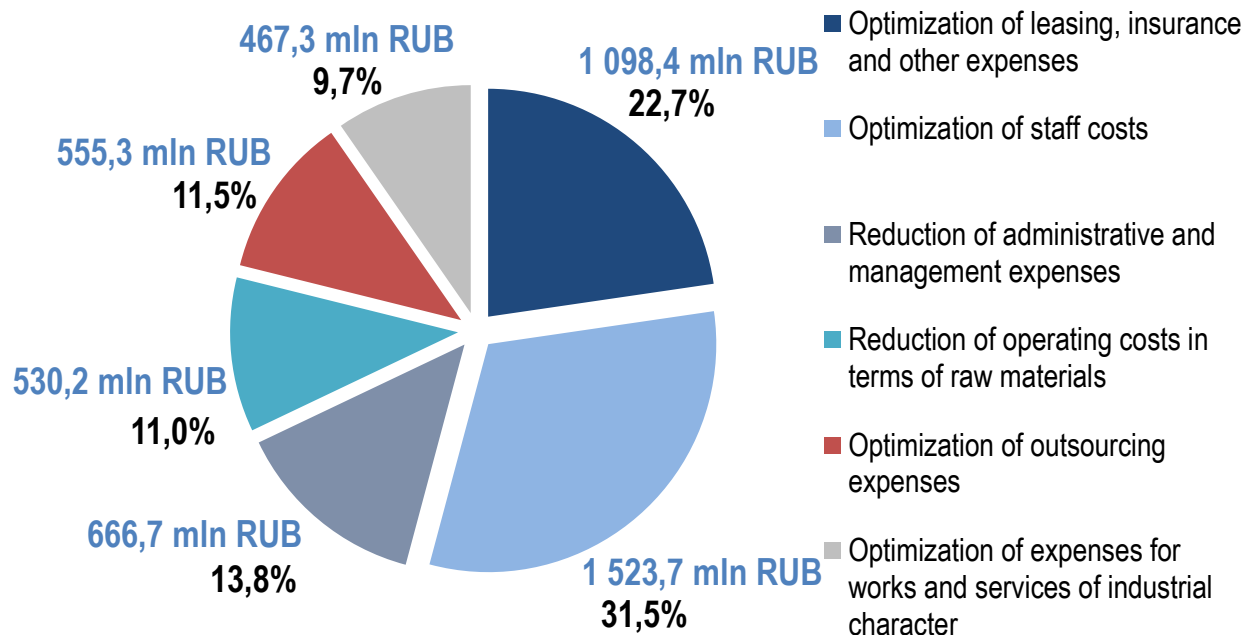
Growth of revenue from grid connection services without rounding was 12,8%

^[1] Revenue net of costs, selling and administrative expenses

^[2] EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable + depreciation charges

COST MANAGEMENT PROGRAM

Cost Management Program implementation effect



Reduction in specific operating costs following the results of work for 12M 2017
29,2% ▼ (- 4 842 mln RUB)
relative to 2012 with the target of 15%

FINANCIAL STANDING

IFRS	31.12.2016	31.12.2017
Net debt¹, bln RUB	40,7	40,1

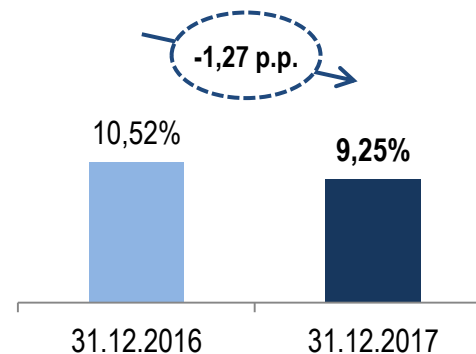
Agency	Scale	Rating	Outlook
S&P	international, long-term	BB	Stable
S&P	international, short-term	B	-
RAEX	national, long-term	ruAA	Stable
NRA	national	AA	

Type of securities	Volume (bln RUB)	Registration number and date of assignment	Maturity	Status	Type of securities
Bonds of series BO-02	5,0	4B02-02-10214-A dated 25.06.2013	up to 10 years	In circulation	12,42%
Bonds of series BO-04	5,0	4B02-04-10214-A dated 25.06.2013	up to 10 years	In circulation	11,58%
Bonds of series BO-05	5,0	4B02-05-10214-A dated 25.06.2013	up to 10 years	In circulation	9,32%
Bonds of series BO-06	5,0	4B02-06-10214-A dated 25.06.2013	up to 10 years	Not placed	-

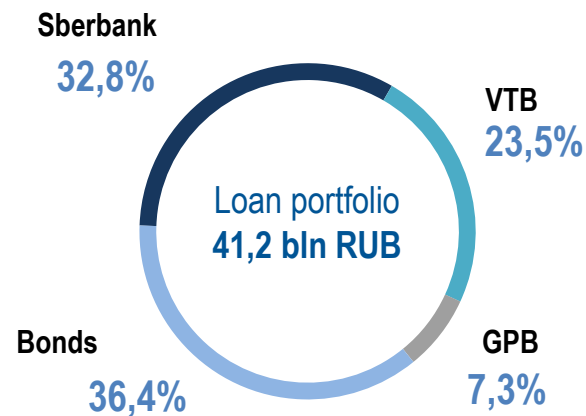
[1] – Net debt is calculated as follows: long-term debt + short-term debt – cash and cash equivalents

Average weighted borrowing rate of IDGC of Centre (for the period)

(for the period)



Loan portfolio structure of IDGC of Centre (as at 31.12.2017)



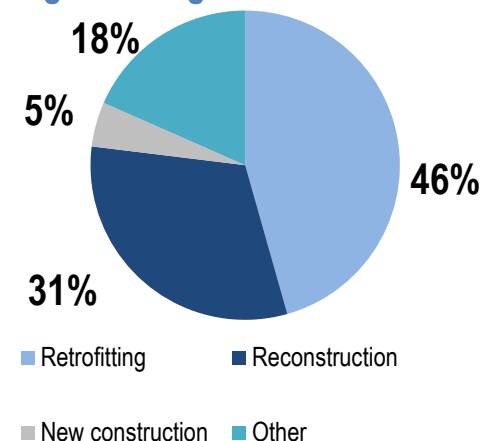
INVESTMENT PROGRAM

Actual implementation of the Investment Program for 2017 and guidance for 2018

Indicator	Planned for 12M 2017	Actual for 12M 2017	% performed	Forecast* 12M 2018
Capex, mln RUB without VAT	11 475	11 756	102,4%	11 480
Financing, mln RUB with VAT	13 799	14 198	102,9%	13 538
Commissioning, MVA	480	560	116,7%	454
Commissioning, km	3 471	4 075	117,4%	3 198

[*] - according to Order of the Ministry of Energy of Russia dated 14.11.2017 № 17@

Structure of the Investment Program financing following the results of 12M 2017



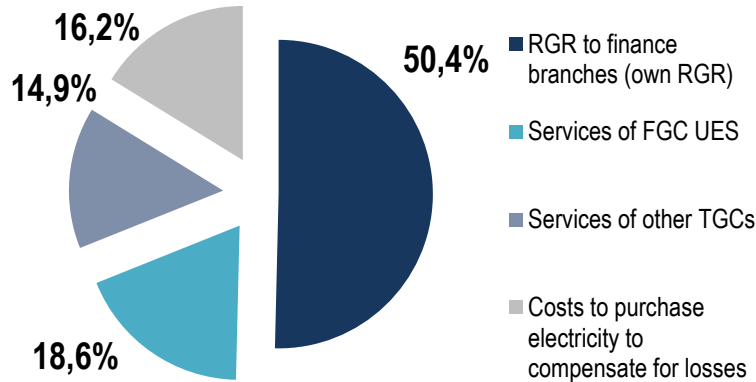
Implemented priority facilities of the Investment Program 2017

**Substation 110/35/10 kV
"Malinovka"
(Belgorod region)**

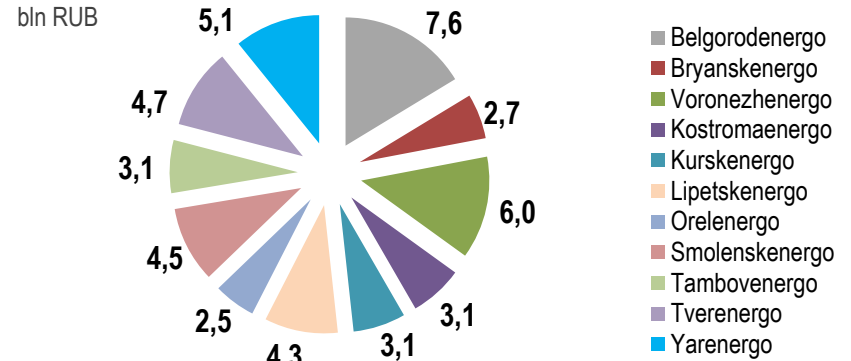
- Design capacity 32 MVA
- Reliability increase
- Implementation of modern technologies

TARIFF REGULATION

RGR structure of IDGC of Centre in 2018

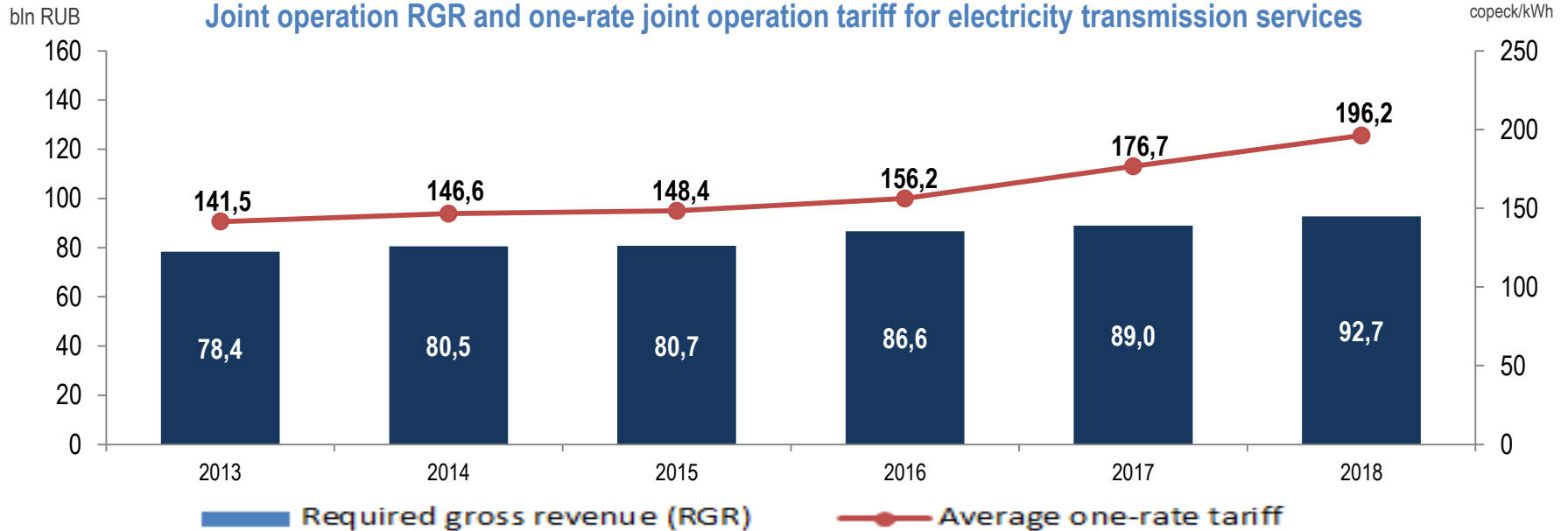


RGR to finance IDGC of Centre in 2018 (by branches)*



[*] Excluding the costs of FGC UES, other TGCs, losses of DGCs

Joint operation RGR and one-rate joint operation tariff for electricity transmission services



INDICATORS OF THE BUSINESS PLAN FOR 2018

Data in bln RUB, unless specified otherwise

Indicators	Actual for 2017 (RAS)	Plan for 2018	Change, %
Revenue (total), including:	91,1	95,6	4,9%
Revenue from electric energy transmission	87,6	92,8	5,9%
Revenue from grid connection	1,6	1,6	0,0%
Revenue from sale of electric energy	0,6	0,0	-100,0%
Other revenue	1,3	1,2	-7,7%
Cost of sales	79,0	83,2	5,3%
Sales profit¹	9,8	10,1	3,1%
EBITDA²	19,4	19,3	-0,5%
Net profit	2,0	2,8	40,0%
Amount of electric energy transmitted (in comparable conditions), bln kWh	46,9	47,5	1,3%
Electricity losses (in comparable conditions), %	11,20%	11,02%	-0,18 p.p.
Indicators	Actual for 2017 (RAS)	Plan for 31.12.2018	Change, %
Loans and credits	41,5	41,0	-1,2%
Net debt³	40,1	40,6	1,2%

[1] Revenue net of costs, selling and administrative expenses

[2] EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable + depreciation charges

[3] Net debt is calculated as follows: long-term debt + short-term debt – cash and cash equivalents – short-term financial investments

CORPORATE GOVERNANCE & STOCKS

II level

List of securities, admitted to trading at Moscow Exchange

3-rd place

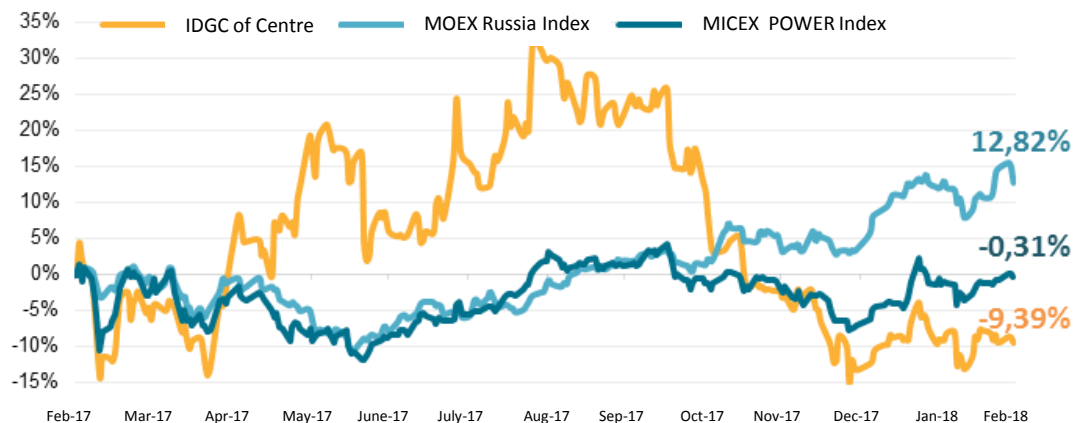
by liquidity among companies in the sector

NCGR 7+

Corporate governance rating NP "RID"

442,75 points

Self-assessment of corporate governance by the method of the Federal Property Management Agency (out of 551 possible, which corresponds to 80,35 %)



Capitalization as at 16.03.2018 – 15,1 bln RUB

Awards and achievements

- Annual report of IDGC of Centre for 2016 became the winner of the XX Annual contest of annual reports in the main nomination "The best annual report of the company with a capitalization of up to 40 billion rubles" and in the additional nomination "The best disclosure on the corporate website"
- Annual report of IDGC of Centre for 2016 is noted in the international LACP contest: Silver award in the sector "Power Supply - Electric Utilities", entered the top 20 among the reports of the largest Russian companies and top 80 participating companies in the region "Europe, Middle East and Africa"
- IR-section of IDGC of Centre's website took the 2nd place among all participants of the IR-sections contest of corporate sites organized by NP "ARFI" and EQS GROUP

DIVIDEND POLICY

More than 4,0 bln RUB paid in the form of dividends for the last 5 years

100,00% from net profit under RAS was allocated to payment of dividends in 2017

2 February 2018, the Regulation on the dividend policy was approved in a new edition

Dividend history

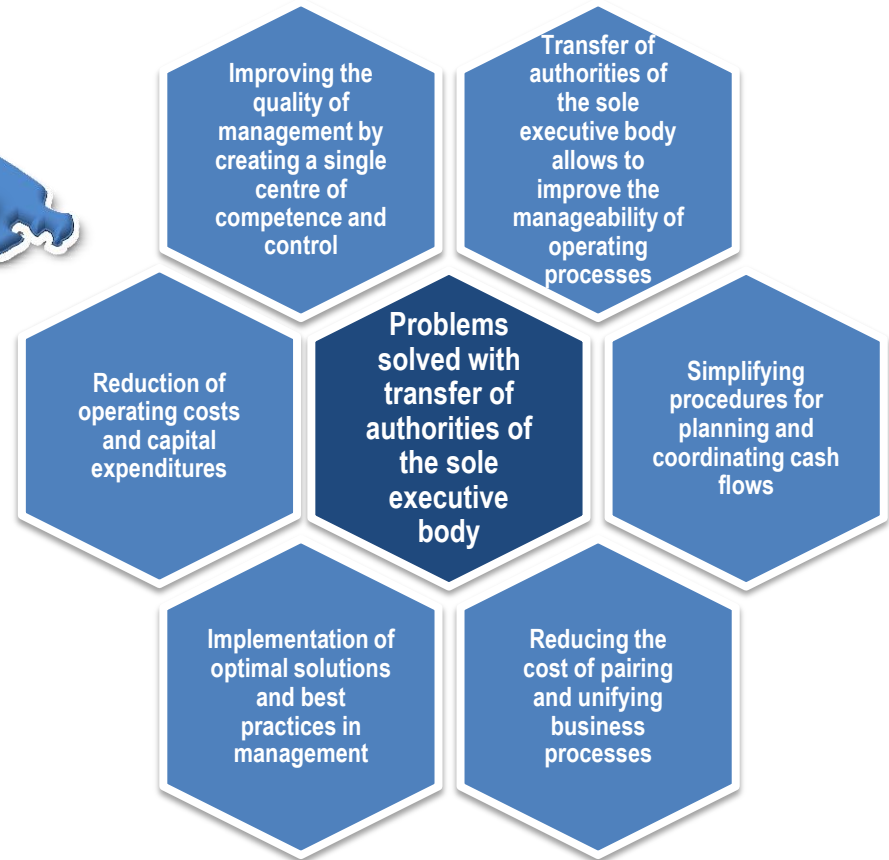
Indicator	UoM	2012	2013	2014	2015	2016
Amount of accrued dividends	thous. RUB	862 935	75 992	831 693	455 954	1 866 675
Share of net profit under RAS allocated to pay dividends	%	25,00	25,94	25,01	50,16	100,00
Dividends per share	RUB	0,02044	0,0018	0,0197	0,0108	0,044215195



The Company believes that one of its priorities is ensuring the payment of dividends in the amount of at least 50% of net profit determined according to financial statements, including consolidated ones, prepared in accordance with IFRS, taking into account the requirements for financing investment activities and adjusting for financial results from grid connection activities.

The Dividend Policy in the new edition can be found at:
https://www.mrsk-1.ru/investors/dividend/dividend_policy/

TRANSFER OF AUTHORITIES OF SOLE EXECUTIVE BODY OF IDGC OF CENTRE AND VOLGA REGION, PJSC



Strategic objectives of the project implementation for the integration of management systems:

Increase of reliability and uninterrupted power supply to customers

Decrease in losses with simultaneous growth in quality of service delivery

Increase in current production and financial efficiency with simultaneous reduction of operating costs and capital expenditures

TRANSFER OF AUTHORITIES OF SOLE EXECUTIVE BODY OF IDGC OF CENTRE AND VOLGA REGION, PJSC

Economic effects:

Decrease in the average duration of interruption of electricity supply to customers (Isaidi)

Decrease in the average frequency of interruption of electricity supply to customers (Isaifi)

Reduction of the level of electricity losses

Debt reduction (Debt/EBITDA)

Increase in net profit

Economic effect is achieved through:

- Activities for the transition to a two-tier structure of operating activities;
- Activities on the organization of a single operating-dispatching control centre and a single call-centre;
- Activities to increase the efficiency of detection and suppression of non-metered consumption of electricity and measures to establish optimal operating modes of grids, taking into account the reliability and minimization of the level of load losses;
- Measures to optimize management costs;
- Activities related to the sale and development of services (increase in non-tariff revenues from value-added services);
- Measures in terms of financial activities (optimization of loan portfolios and scale effect with funding costs);
- Activities in the area of maintenance and operation (optimization of repairs based on condition);
- Investment activities (cost optimization in the Investment Program structure).

THANKS FOR YOUR ATTENTION!

PLEASE, SHARE YOUR FEEDBACK AND COMMENTS

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