



ROSSETI

PERFORMANCE FOR 12 MONTHS 2018 AND GUIDANCE FOR 2019

June 2019



ROSSETI

DISCLAIMER

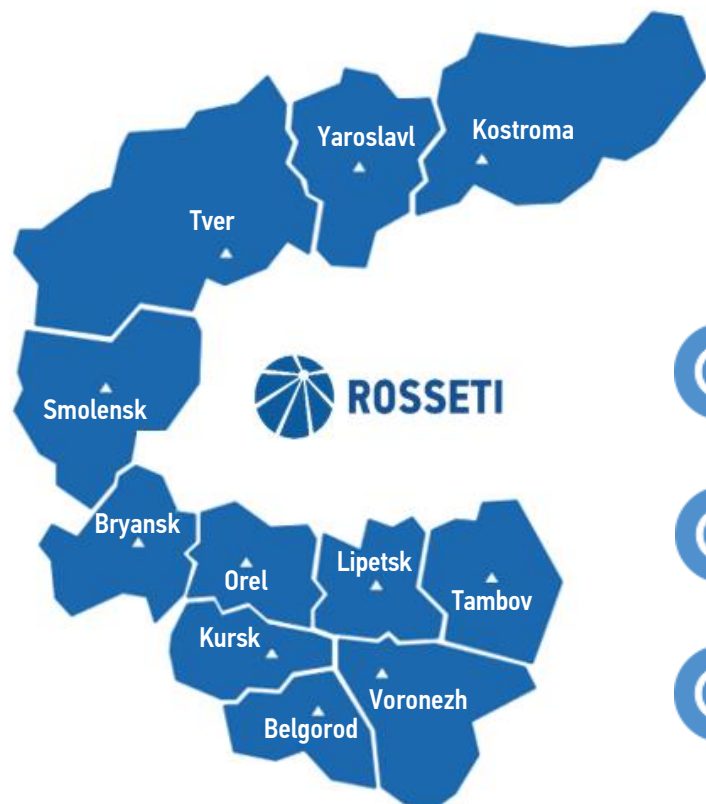
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OVERVIEW

The Company refers to the subjects of natural monopolies, tariffs for the activities of which are determined by government regulatory bodies



TYPES OF ACTIVITY



Transmission and distribution of electric energy



Grid connections



Value-added services



SERVICE AREA

11

subjects of Russia

OPERATION AREA

458

thous. km²

2,7 % of total Russia

POPULATION IN THE SERVICE AREA

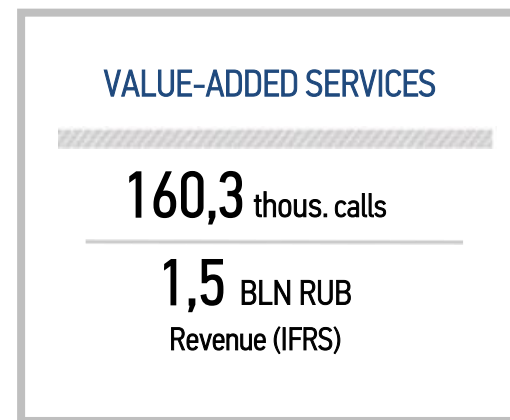
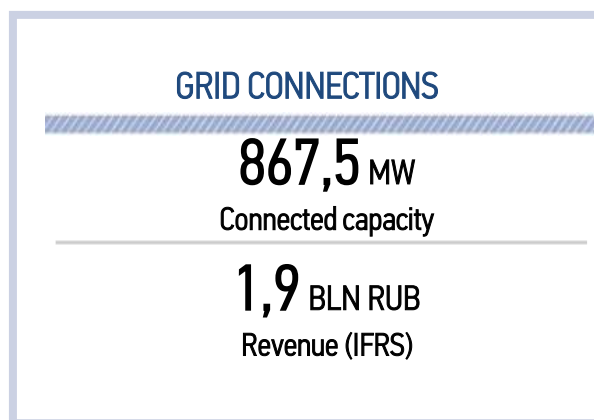
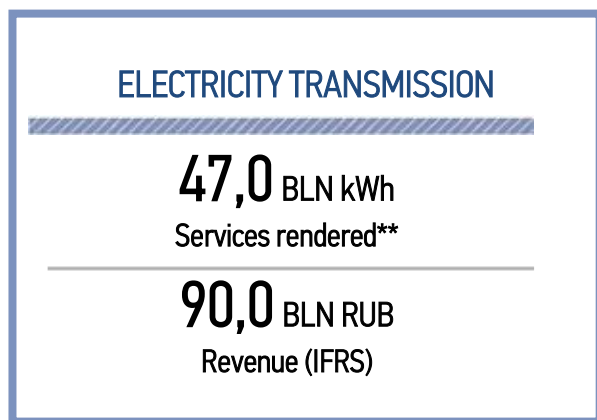
13,6

mln people

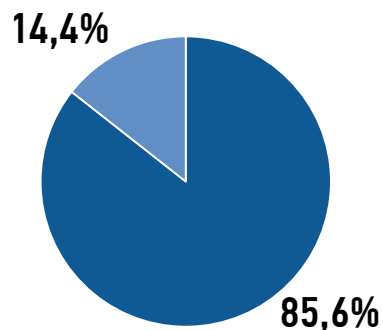
9,5 % of total population of Russia

OPERATION RESULTS FOR 2018

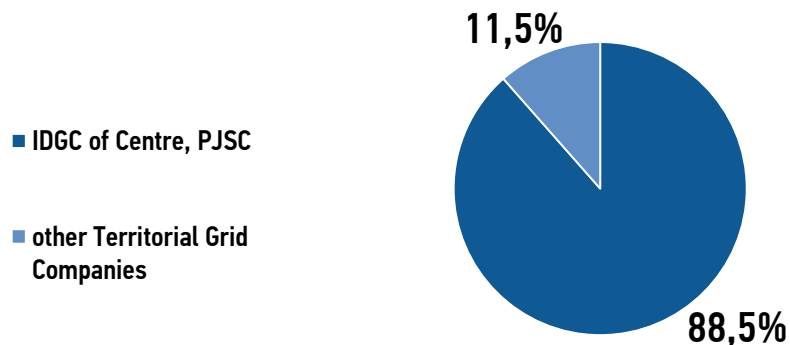
THE MAIN TYPES OF ACTIVITY



Electricity transmission market share in the service area* in 2018, %



Grid connection market share in the service area in 2018, %



* Share of required gross revenue (RGR) of IDGC of Centre in RGR of the regions of operations

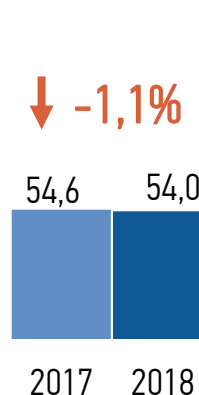
** Taking into account the volume of services rendered in the territory of performance of functions of the supplier of last resort by IDGC of Centre

PRODUCTION ASSETS FOR 2018

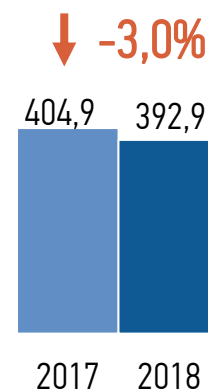
Indicator	31.12.2018*
Length of 0.4-110 kV conductors (route), thous. km	372,4
Length of 35-110 kV conductors, thous. km	51,1
Length of 0.4-10 kV conductors, thous. km	321,3
Length of 0.4-110 kV cables, thous. km	20,5
Capacity of substations, thous. MVA	54,0
Capacity of 35-110 kV substations, thous. MVA	34,4
Capacity of 6-10/0.4 kV transformer and distribution substations, thous. MVA	19,6
Number of substations, thous. pc	102,5
Number of 35-110 kV substations, thous. pc	2,4
Number of 6-10/0.4 kV transformer and distribution substations, thous. pc	100,1
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

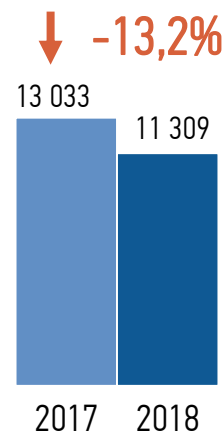
**Capacity of substations,
thous. MVA**



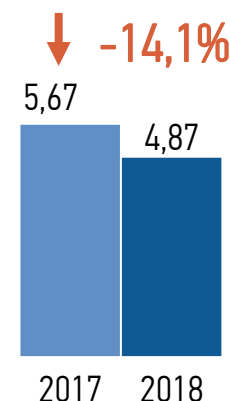
**Length of power lines
(route), thous. km**



Failures, pc**



Specific failure rate,
pc per 1,000 units of equipment**



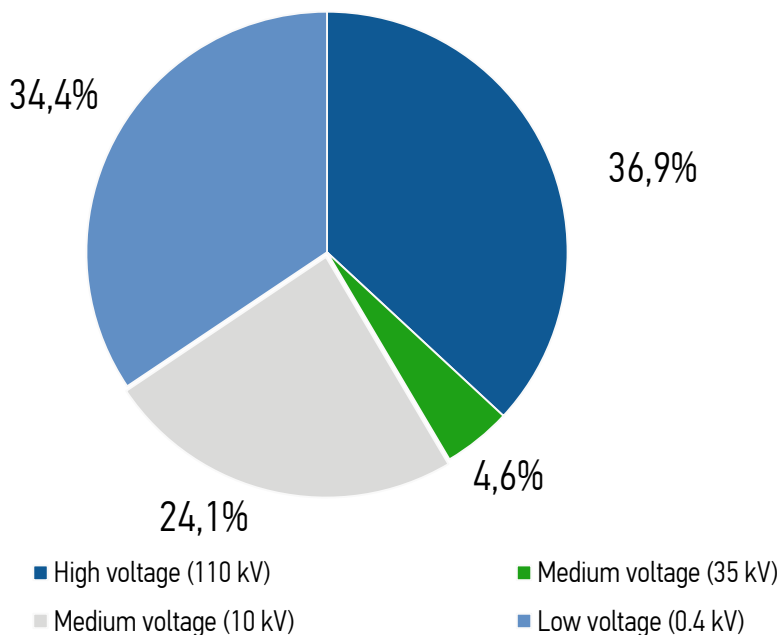
** The grid of 6 kV and above

The decrease in indicators on the production potential is caused by the specification of technical parameters of the equipment during data sheet arrangement, as well as by the results of geographical coordinates entered into the integrated information-analytical system of the situational management of PJSC ROSSETI

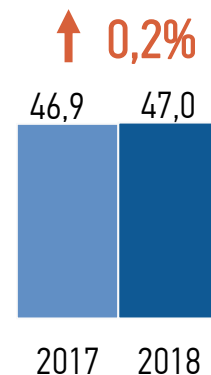
OPERATION RESULTS FOR 2018

ELECTRICITY TRANSMISSION

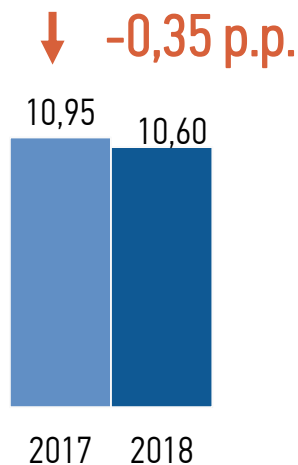
Electric energy net supply structure by voltage levels (amount of electric energy transmission services), %



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



Electric energy losses (in comparable conditions*), %



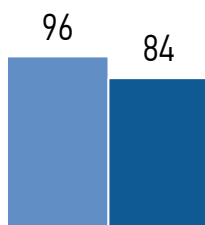
* of electricity balance

OPERATION RESULTS FOR 2018

GRID CONNECTION

Average grid connection contract execution term with the activities of the grid company ("contract - notification") of the category "Doing Business", days

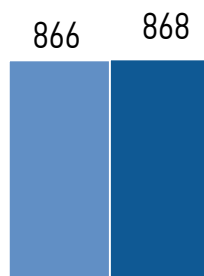
↓ -12 days



2017 2018

Connected capacity, MW

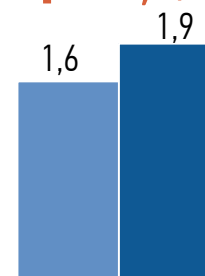
↑ 0,2%



2017 2018

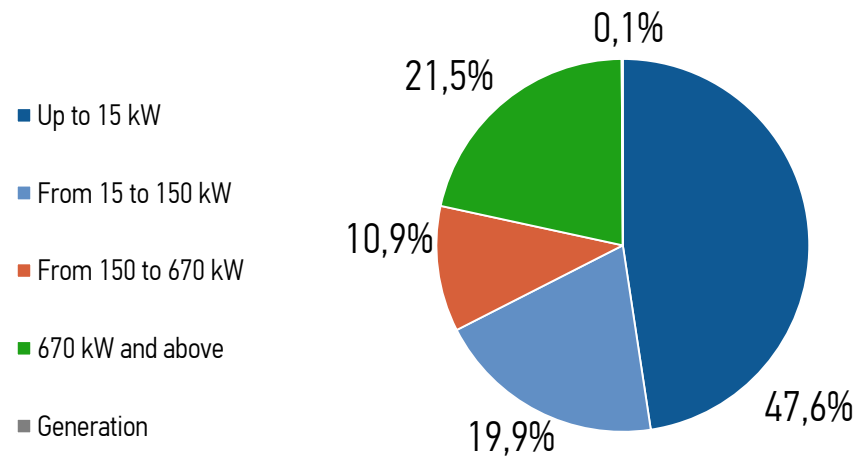
Revenue (IFRS), bln RUB

↑ 18,8%



2017 2018

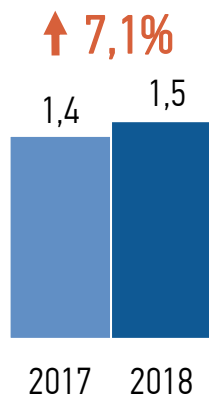
Connected capacity structure by customer groups, %



OPERATION RESULTS FOR 2018

VALUE-ADDED SERVICES

Other revenue (IFRS),
bln RUB

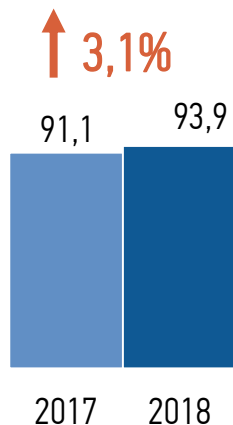


The main share of the Other revenue (about 77%) is the revenue from the sale of value-added services

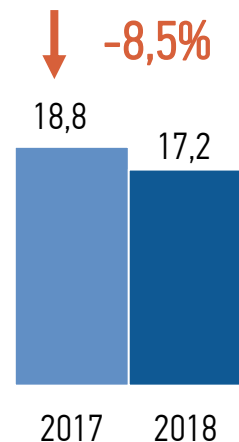
- ✓ Street lighting systems setup
- ✓ Maintenance and repair of electrical networks and electrical equipment
- ✓ Reconfiguration of power grid facilities in the interests of customers
- ✓ Provision of technical resources
- ✓ Tests and diagnostics of equipment
- ✓ Installation and replacement of metering devices
- ✓ Grid connection support
- ✓ Energy audit and energy services
- ✓ Design and construction of energy facilities

KEY FINANCIALS UNDER IFRS FOR 2018

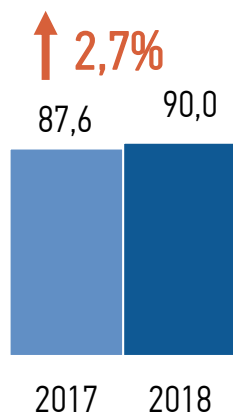
**REVENUE,
bln RUB**



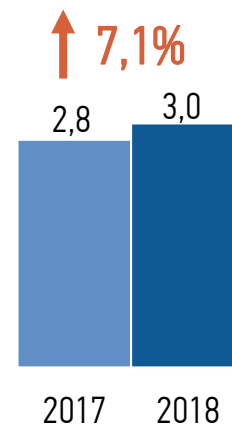
**EBITDA,
bln RUB**



**ELECTRICITY TRANSMISSION REVENUE,
bln RUB**



**PROFIT FOR PERIOD,
bln RUB**



KEY FINANCIALS UNDER IFRS FOR 2018

Data in bln RUB, unless specified otherwise

Indicator	12M 2018	12M 2017	Change
Revenue (total), including:	93,9	91,1	3,1%
Electric energy transmission services	90,0	87,6	2,7%
Grid connection services	1,9	1,6	18,8%
Revenue from resale of electric energy and power	0,5	0,5	0,0%
Other revenue	1,5	1,4	7,1%
Operating costs	87,9	83,1	5,8%
Net other income	1,3	1,1	18,2%
Operating profit	7,4	9,2	-19,6%
EBITDA	17,2	18,8	-8,5%
EBITDA margin, %	18,3	20,6	-2,3 p.p.
Profit for the period	3,0	2,8	7,1%
Profit for the period margin, %	3,2	3,1	0,1 p.p.

The final financial result was mainly affected by the growth of tariff revenues and the increase in the volume of rendered services for grid connection, as well as the growth of non-influenceable costs

IFRS OPERATING COSTS ANALYSIS FOR 2018

Data in bln RUB, unless specified otherwise

Indicator	12M 2018	12M 2017	Change
Electricity transmission services	30,5	29,3	4,1%
Personnel costs	19,3	18,8	2,7%
Electricity for compensation of losses	15,0	13,7	9,5%
Depreciation and Amortization	9,9	9,4	5,3%
Other tangible costs	3,2	2,9	10,3%
Taxes, except for profit tax	1,9	1,6	18,8%
Settlement of debt for transmission, purchase of electricity, losses and non-contractual consumption	0,9	1,0	-10,0%
Other services	0,8	0,9	-11,1%
Other production works and services	0,8	0,4	100,0%
Recognized provisions	0,5	0,1	400,0%
Provision for expected credit losses, net	0,5	(-0,1)	600,0%
Rent	0,5	0,5	0,0%
Electricity for sale	0,5	0,5	0,0%
Purchased electricity and heat for utility needs	0,4	0,4	0,0%
Impairment of fixed assets	0,1	0,9	-88,9%
Other operating costs	3,1	2,8	10,7%
TOTAL	87,9	83,1	5,8%

- Costs of purchasing losses of electricity increased due to the rising cost of electricity at the Wholesale Electric Energy and Capacity Market;
- Depreciation increased due to commissioning of new facilities (implementation of the Investment Program);
- Provision for expected credit losses is allowance for impairment of receivables, with the exception of the provision for impairment of advances issued (IFRS 9);
- Growth on the item Recognized provisions is related to the accrual of reserves for litigation due to disagreements with counterparties on electricity transmission services.

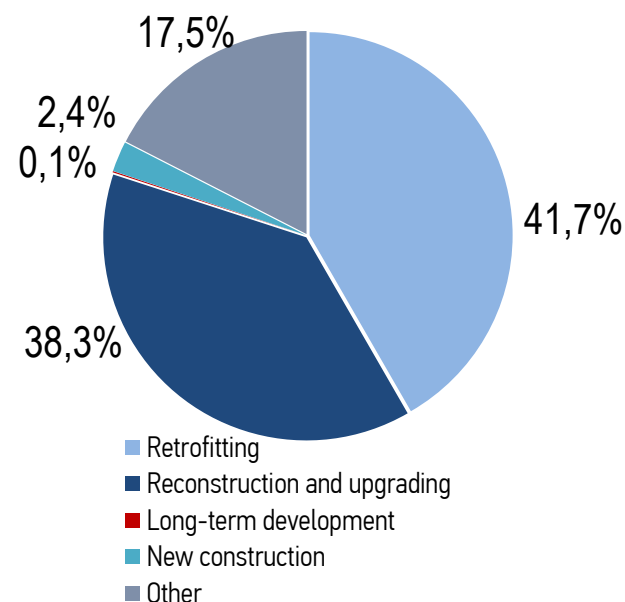
The main reasons for the faster cost growth rate compared to the revenue growth rate were the increase in the cost of purchased electricity to compensate for the losses, as well as the accrual of necessary contingencies

Actual implementation of the Investment Program for 2018

Indicator	Plan* 12M 2018	Fact 12M 2018	% implemented
Capex, mln RUB without VAT	13 023	12 230	93,9%
Financing, mln RUB with VAT	15 481	14 493	93,6%
Commissioning, mln RUB without VAT	13 270	12 702	95,7%
Commissioning, MVA	383	376	98,1%
Commissioning, km	3 558	3 598	101,1%

* According to the approved Investment Program for 2018-2022 (Order of the Ministry of Energy of Russia dated 24.12.2018 №29 @)

Structure of the Investment Program financing following its implementation for 2018



The largest facilities of the Investment Program implemented in 2018

SS 110/35/10 kV "Vyazma-1" (Smolensk region)

- Design capacity 63 MVA
- Improving reliability
- Expansion of the sales market

SS 110/10 kV "Sheino" (Belgorod region)

- Design capacity 10 MVA
- Improving reliability
- Expansion of the sales market

SS 110/10 kV "Vatutinskaya" (Belgorod region)

- Design capacity 12.6 MVA
- Grid connection of large facilities of the Ministry of Defense of Russia

FINANCIAL STANDING

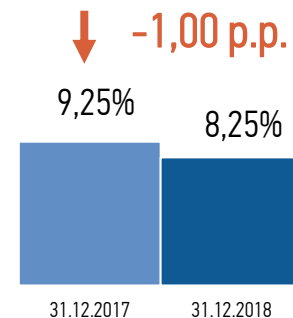
IFRS	31.12.2018	31.12.2017	Change
Net debt*, bln RUB	39,6	40,1	-1,2%

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

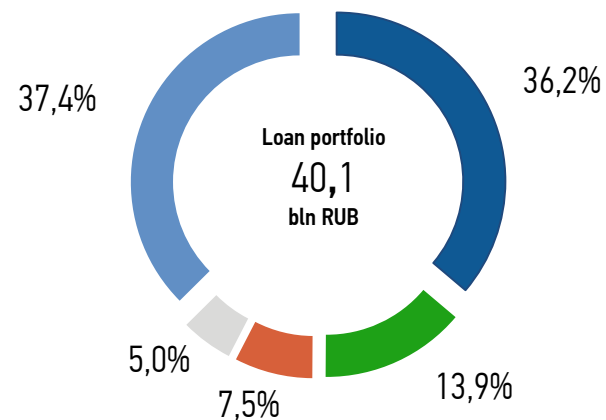
Type of securities	Volume (bln RUB)	Serial number and date of assignment	Maturity
Bonds of series BO-04	5,0	4B02-04-10214-A dated 25.06.2013	up to 10 years
Bonds of series BO-05	5,0	4B02-05-10214-A dated 25.06.2013	up to 10 years
Bonds of series BO-06	5,0	4B02-06-10214-A dated 25.06.2013	up to 10 years

* Net debt is calculated as follows: long-term loans and borrowings + short-term loans and borrowings – cash and cash equivalents

**Average weighted borrowing rate
of IDGC of Centre at the end of the reporting period**



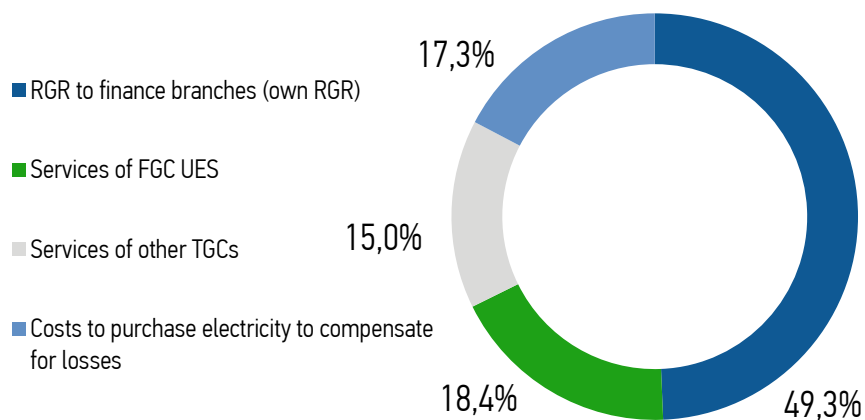
**Loan portfolio structure
of IDGC of Centre
(at 31.12.2018)**



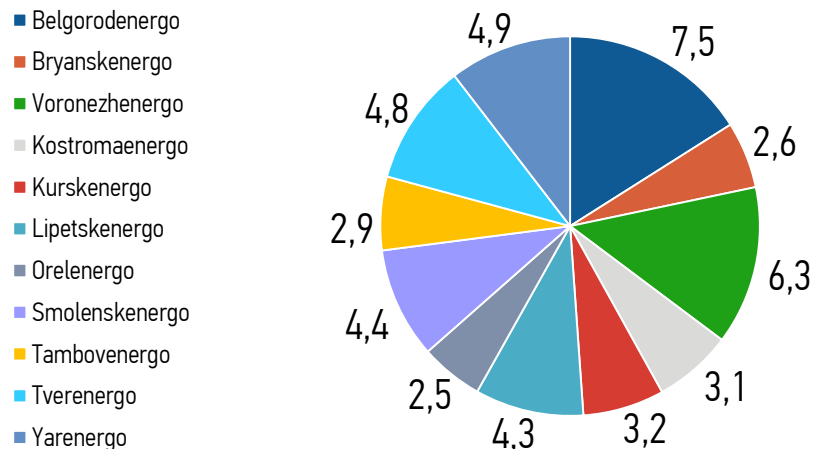
■ Sberbank ■ VTB ■ GPB ■ Rosbank ■ Bonds

TARIFF REGULATION

RGR structure of IDGC of Centre in 2019

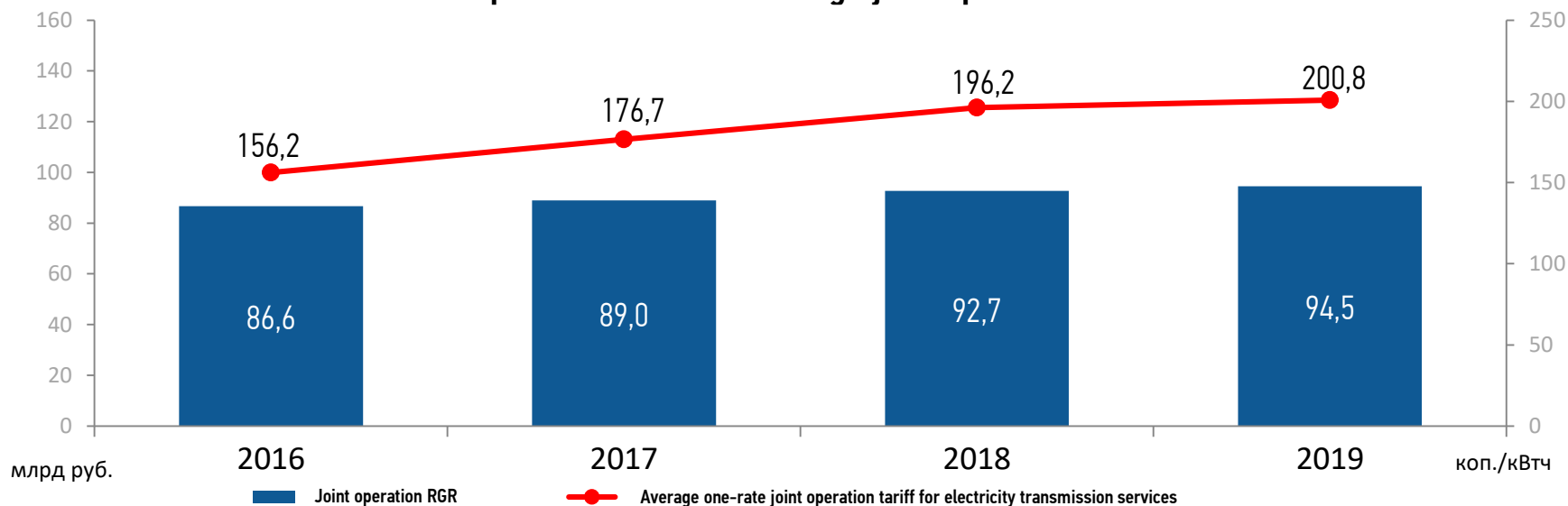


RGR to finance IDGC of Centre in 2019 (by branches)*, bln RUB

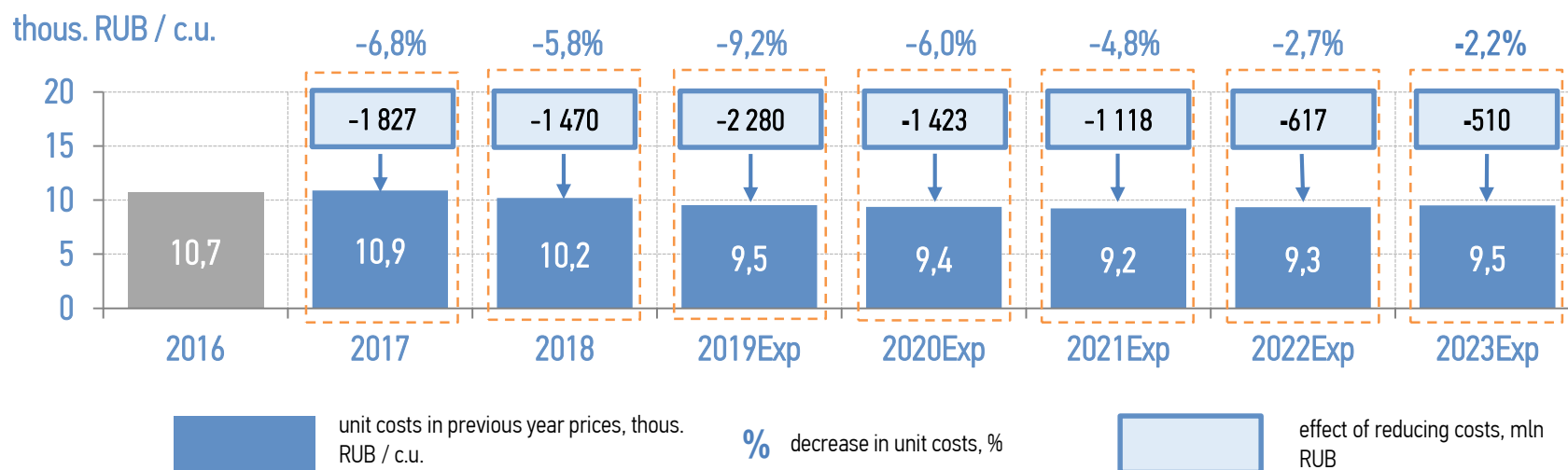


* Excluding the costs of FGC UES, other TGCs, losses of DGCs

Joint operation RGR and average joint operation tariff



DECREASE IN OPERATING EXPENSES (COSTS) BY AT LEAST 2-3% PER YEAR



INDICATORS OF THE BUSINESS PLAN FOR 2019 (RAS)

Data in bln RUB, unless specified otherwise

Indicator	Actual for 2018 (RAS)	Plan for 2019	Change
Revenue (total), including:	93,9	96,3	2,6%
Revenue from electric energy transmission	90,0	92,6	2,9%
Revenue from grid connection	1,9	1,3	-31,6%
Revenue from sale of electric energy	0,5	0,5	0,0%
Other revenue	1,5	1,9	26,7%
Cost of sales	83,9	86,8	3,5%
Sales profit ¹	7,7	7,2	-6,5%
EBITDA ²	16,6	18,7	12,7%
Net profit	1,4	2,4	71,4%
Amount of electric energy transmitted (in comparable conditions), bln kWh	47,0	47,3	0,6%
Electricity losses (in comparable conditions), %	10,60%	10,26	-0,34 p.p.
Indicator	Actual for 2018 (RAS)	Plan for 31.12.2019	Change
Loans and borrowings	40,4	44,6	10,4%
Net debt ³	39,6	44,6	12,6%

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 loans and borrowings + short-term loans and borrowings – cash and cash equivalents – short-term financial investments



**LEVEL
II**

List of securities, admitted to trading at Moscow Exchange



**12,3
bln P**

MCAP at 24.06.2019



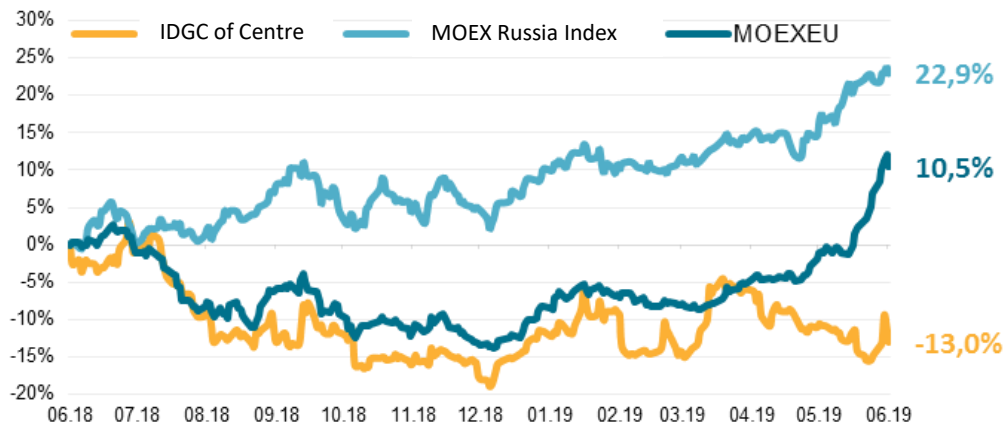
**NCGR
7+**

Corporate governance rating
NP "RID"



80,35%

Assessment of efficiency of corporate governance (out of 100% possible) was performed in 2018 by the Internal Audit Department of the Company



AWARDS AND ACHIEVEMENTS



Annual report of IDGC of Centre for 2017 became the winner of the XXI 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"**



Annual report of IDGC of Centre for 2017 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"



Annual report of IDGC of Centre for 2017 is noted in the international LACP contest: **Gold award** among all companies in the industry in the category "Integrated Report", entered the **top-80** among reports of companies of the EMEA region

DIVIDEND POLICY

More than 6,8 bln RUB paid in the form of dividends for the last 9 years

2 February 2018, the Regulation on the dividend policy was approved in a new edition (amended 10.08.2018)

Dividend history

Indicator	UoM	2014	2015	2016	2017	2018
Amount of accrued dividends	thous. RUB	831 693	455 954	1 866 675	879 028	876 162
Share of net profit under RAS allocated to pay dividends	%	25,01	50,16	100,00	43,27	62,34
Dividend per share	RUB	0,0197	0,0108	0,044215195	0,0208212	0,0207533
Dividend yield*	%	8,23	4,56	16,06	4,72	6,13

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 exclusion from the net profit used to calculate dividends of:

- revenues and expenses related to the revaluation of the Company's shares traded on the securities market;
- actual investments made at the expense of net profit received from the regulated activity in the framework of the investment programs approved by the Ministry of Energy of Russia;
- the excess depreciation of fixed assets and intangible assets used to finance the investment program under RAS over the depreciation of fixed assets and intangible assets under IFRS.

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

* According to Moscow Exchange (the dividend yield of shares is calculated on the date of the decision on the size of annual dividends as the ratio of annual dividends paid per share and the median market price of this share for the reporting year)

INVESTMENT HIGHLIGHTS

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

2 Leader in quantity of electric grid assets

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

4 Corporate governance rating NCGR 7+

5 Free-float 34%*

6 High disclosure**

6,8
bln RUB

paid as dividends for
the last 9 years

9,05
points of 10

Perception study**
for 2018



by length of power lines
among IDGCs



by transformer capacity
among IDGCs



* According to the calculation method of Moscow Exchange

** According to the results of the Perception Study of IDGC of Centre in 2018

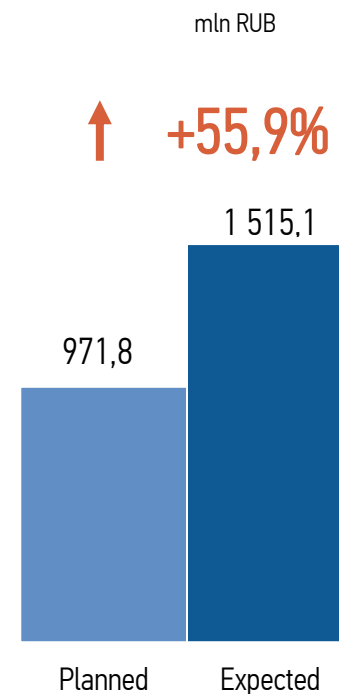
TRANSFER OF AUTHORITIES OF SOLE EXECUTIVE BODY OF IDGC OF CENTER AND VOLGA REGION, PJSC

Key activities for performance improvement:

- Increase in revenue, including from the sale of value-added services;
- Cost optimization of production and business activities;
- Management staff optimization;
- Optimization of the production and process control system, including the transition to a two-tier system

During the agreement execution in 2017-2018, a configuration change was made, based on the optimization of the technical, technological and organizational structures, as well as the application of the best practices of both companies

Economic effect:

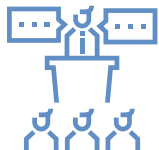


WHY DO WE NEED DIGITALIZATION?

Background and problems:



Scientific and technical progress



State development policy



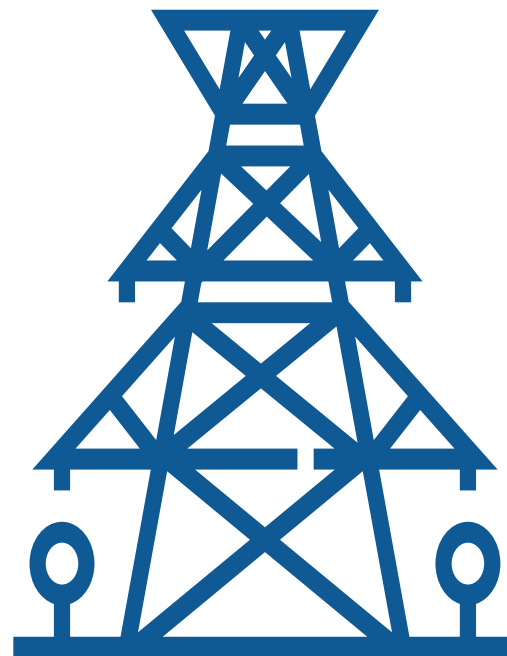
Increasing information flow that is not effectively processed by the existing toolkit



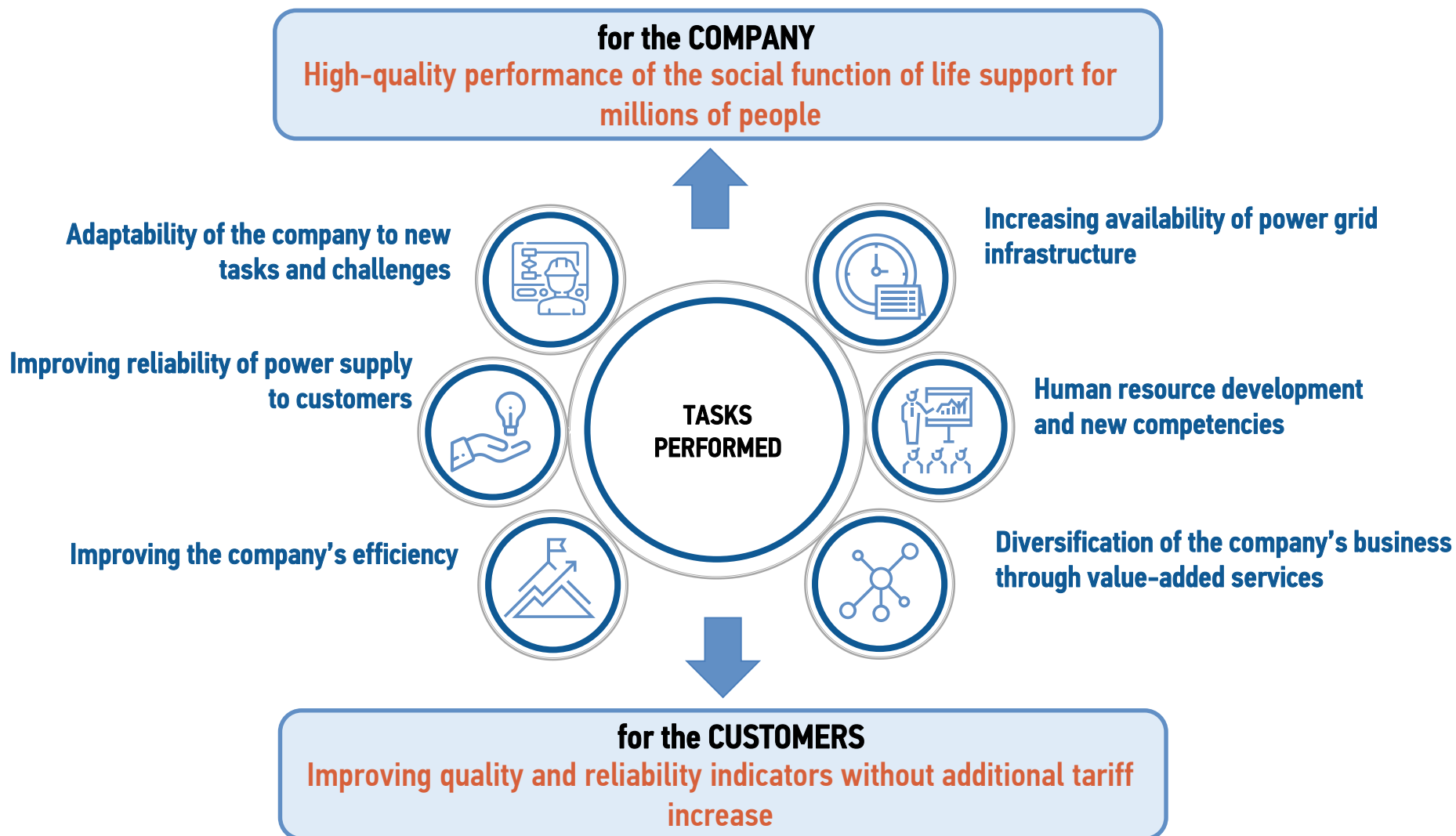
Increasing requirements for the quality of power supply and reduction of the time required for execution of work



Tariff growth restriction



EXPECTED DIGITALIZATION RESULTS



Data in bln RUB, unless specified otherwise

Indicator	3M 2019	3M 2018	Change
Revenue (total), including:	25,1	25,4	-1,2%
Electric energy transmission services	24,3	24,7	-1,6%
Grid connection services	0,3	0,3	0,0%
Revenue from resale of electric energy and power	0,2	0,2	0,0%
Other revenue	0,3	0,2	50,0%
Operating costs	22,6	22,2	1,8%
Net other income	0,3	0,2	50,0%
Operating profit	2,9	3,5	-17,1%
EBITDA	5,6	6,0	-6,7%
EBITDA margin, %	22,3	23,6	-1,3 p.p.
Profit for the period	1,5	2	-25,0%
Profit for the period margin, %	6,0	7,9	-1,9 p.p.
Amount of electric energy transmitted, bln kWh	12,5	13,0	-3,8%
Electricity losses	12,58%	12,56%	0,02 p.p.
	At 31.03.2019	At 31.12.2018	Change
Total assets	110,4	108,1	2,1%
Total equity	46,3	44,9	3,1%
Net debt ¹	42,4	39,6	7,1%

The main factor that influenced the financial result is a decrease in the volume of electricity transmission services rendered, in connection with the partial transfer of the load of consumers to the grids of PJSC FGC UES and own generation, as well as a reduction in the volume of electricity consumption by industrial customers

[1] Net debt is calculated according to the formula: long-term loans and borrowings + short-term loans and borrowings – cash and cash equivalents

THANKS FOR YOUR ATTENTION

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