

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

Performance for 12 months 2018 and guidance for 2019



ROSSETI



IDGC OF CENTRE

Moscow, March 2019

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OVERVIEW

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



TYPES OF ACTIVITY



Transmission and distribution of electric energy



Grid connections



Energy services



SERVICE AREA

11
subjects of Russia

OPERATION AREA

458
thous. km²

(2,7 % of total Russia)

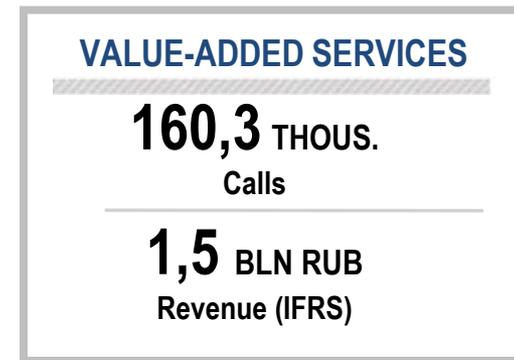
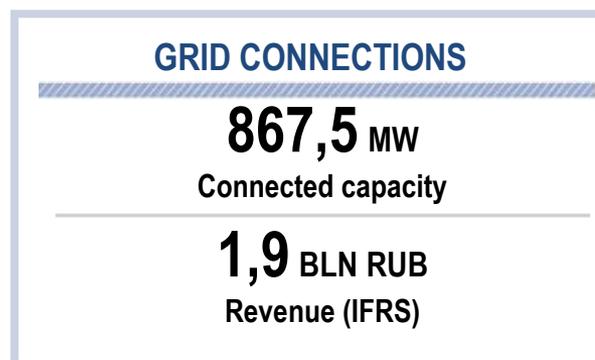
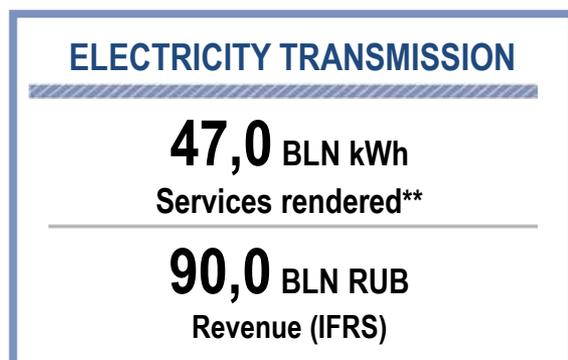
POPULATION IN THE SERVICE AREA

13,6
mln people

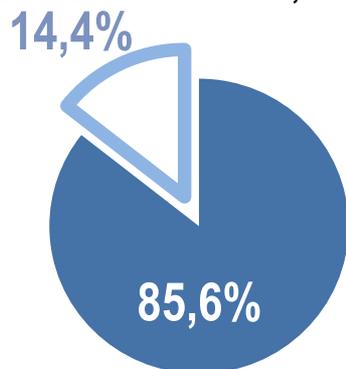
(9,5 % of total population of Russia)

PERFORMANCE SUMMARY FOR 12M 2018

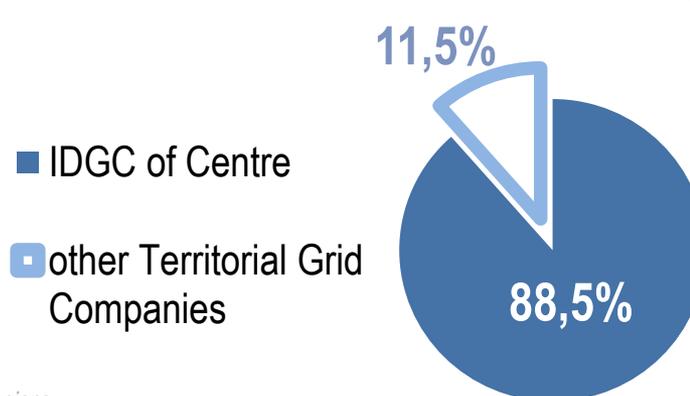
TYPES OF ACTIVITY OF IDGC OF CENTRE



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

** 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

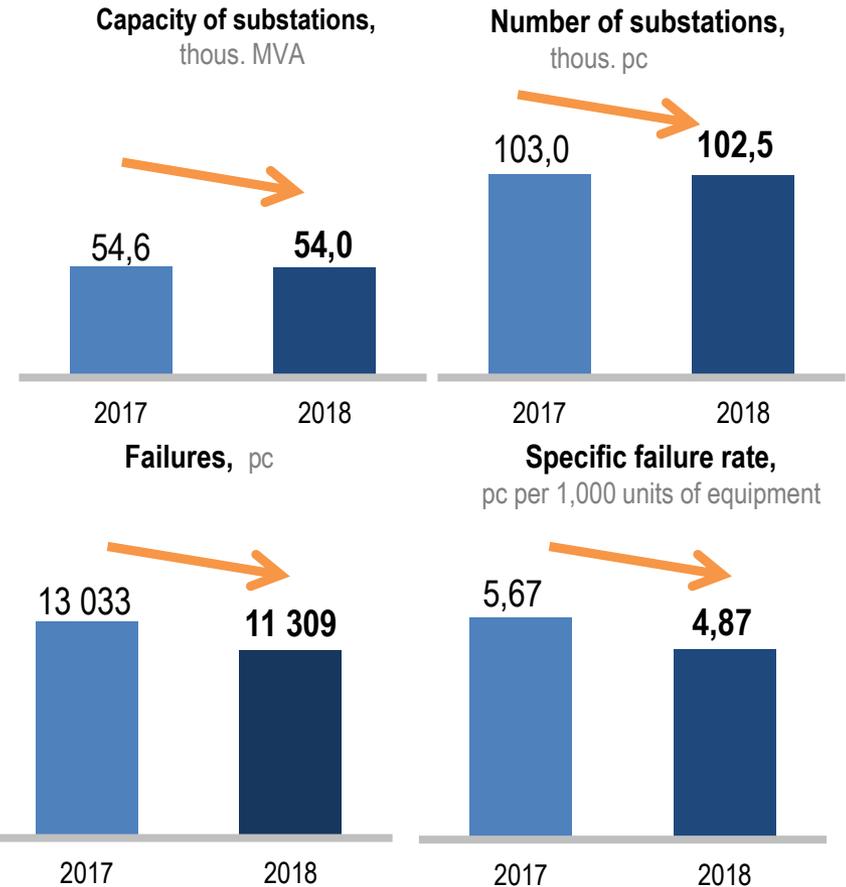
PRODUCTION CAPACITY FOR 12M 2018

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

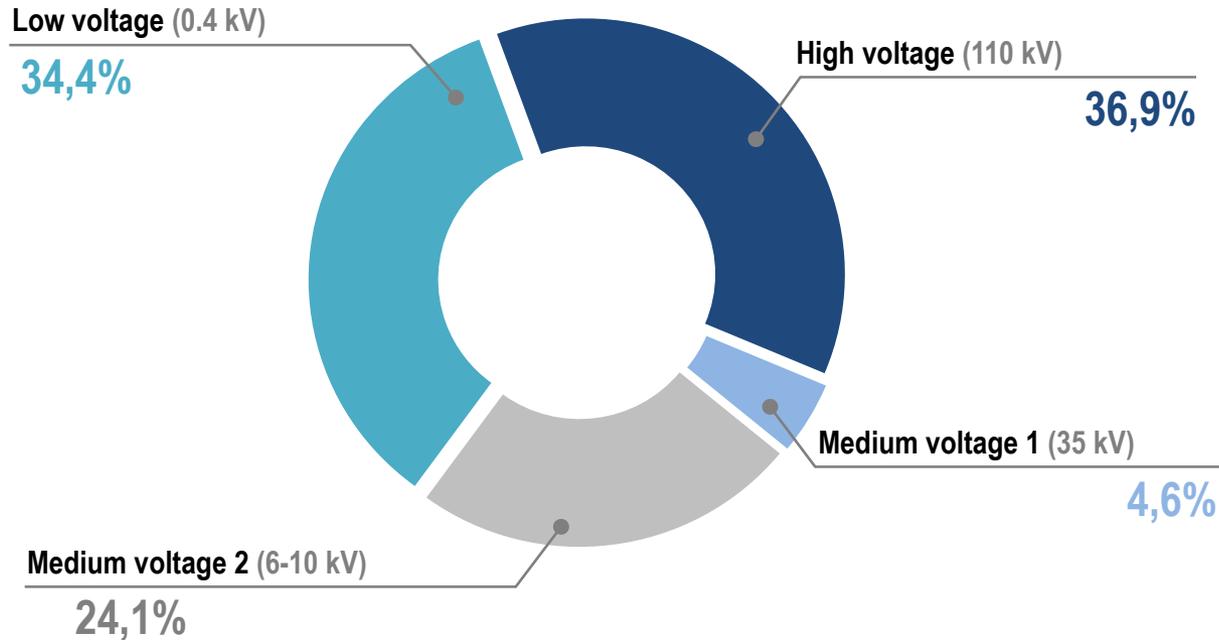


The decrease in indicators on the production potential is caused by the specification of technical parameters of the equipment during data sheet arrangement, as well as by the results of geographical coordinates entered into the integrated information-analytical system of the situational management of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

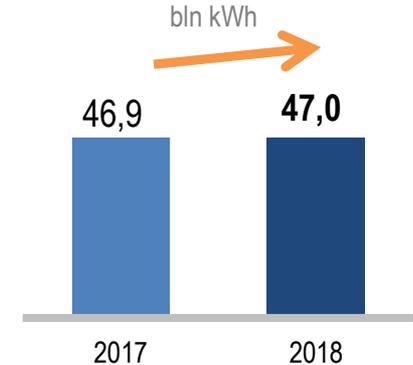
OPERATION RESULTS FOR 12M 2018

ELECTRICITY TRANSMISSION

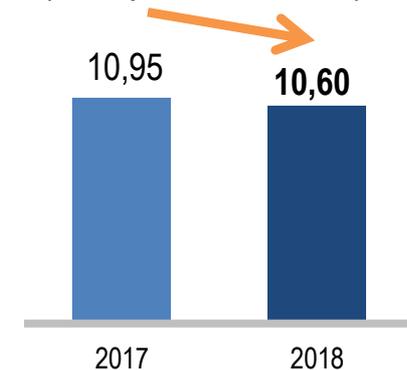
Electric energy net supply structure by voltage levels
(amount of electric energy transmission services), %



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



Electric energy losses (in comparable conditions*), %

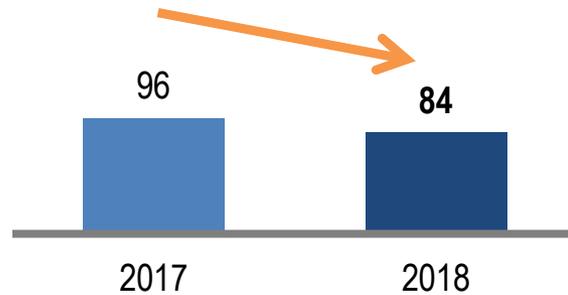


* In comparable conditions of electricity balance

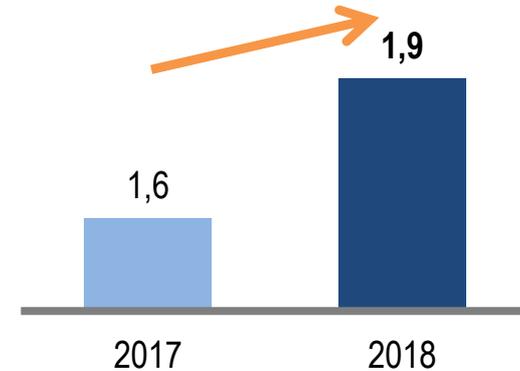
OPERATION RESULTS FOR 12M 2018

GRID CONNECTION

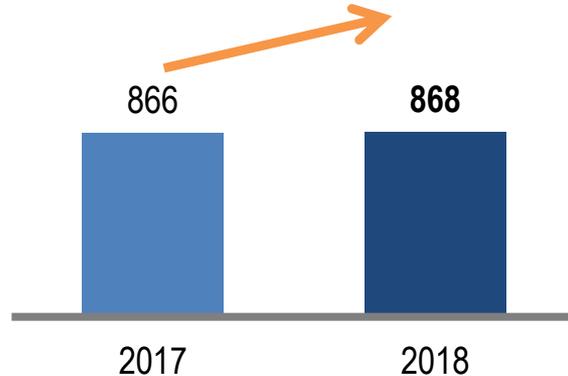
Average grid connection contract execution term with the activities of the grid company ("contract - notification") of the category "Doing Business", days



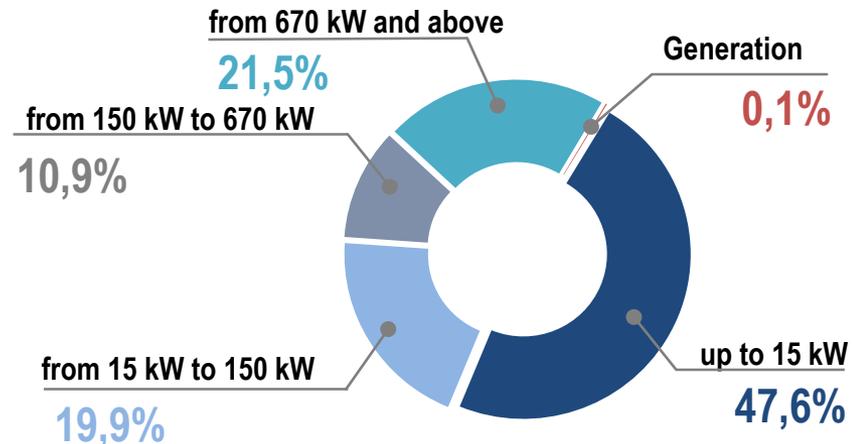
Revenue (IFRS), bln RUB



Connected capacity, MW



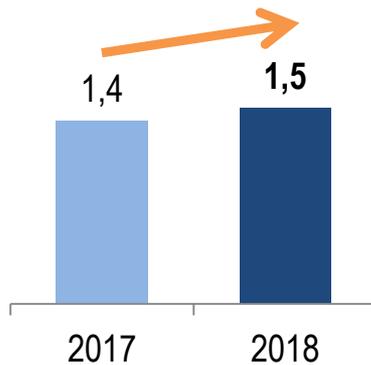
Connected capacity structure by customer groups, %



OPERATION RESULTS FOR 12M 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

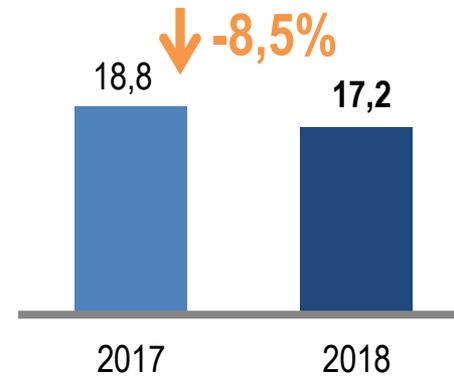
- ✔ Street lighting systems setup
- ✔ Maintenance and repair of electrical networks and electrical equipment
- ✔ Reconfiguration of power grid facilities in the interests of customers
- ✔ Provision of technical resources
- ✔ Tests and diagnostics of equipment
- ✔ Installation and replacement of metering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

KEY FINANCIALS UNDER IFRS FOR 12M 2018

REVENUE, bln RUB



EBITDA, bln RUB



ELECTRICITY TRANSMISSION REVENUE, bln RUB



PROFIT FOR PERIOD, bln RUB



KEY FINANCIALS UNDER IFRS FOR 12M 2018

Data in bln RUB, unless specified otherwise

| | 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 12M 2018

| <i>bln RUB</i> | 12M 2018 | 12M 2017 | Change |
|--|-------------|-------------|-------------|
| Electricity transmission services | 30,5 | 29,3 | 4,1% |
| Personnel costs | 19,3 | 18,8 | 2,7% |
| Electricity purchased to compensate for losses | 15,0 | 13,7 | 9,5% |
| Depreciation and Amortisation | 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

FINANCIAL STANDING AS AT 31.12.2018

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

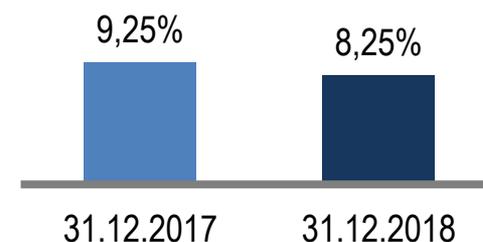
| Agency | Scale | Rating | Outlook |
|--------|---------------------------|--------|---------|
| S&P | international, long-term | BB | Stable |
| S&P | international, short-term | B | — |
| RAEX | national, long-term | ruAA | Stable |

| Type of securities | Volume (bln RUB) | Registration number and date of assignment | Maturity | Status | Coupon rate (%) |
|-----------------------|------------------|--|----------------|----------------|-----------------|
| 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 | In circulation | 6,95% |

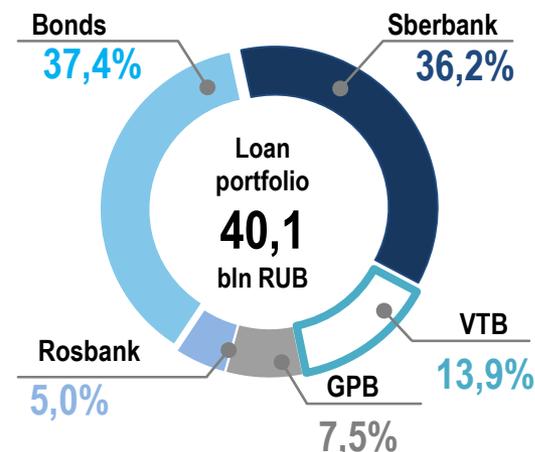
* Net debt is calculated as follows: long-term debt + short-term debt – cash and cash equivalents

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

↓ -1,00 p.p.



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



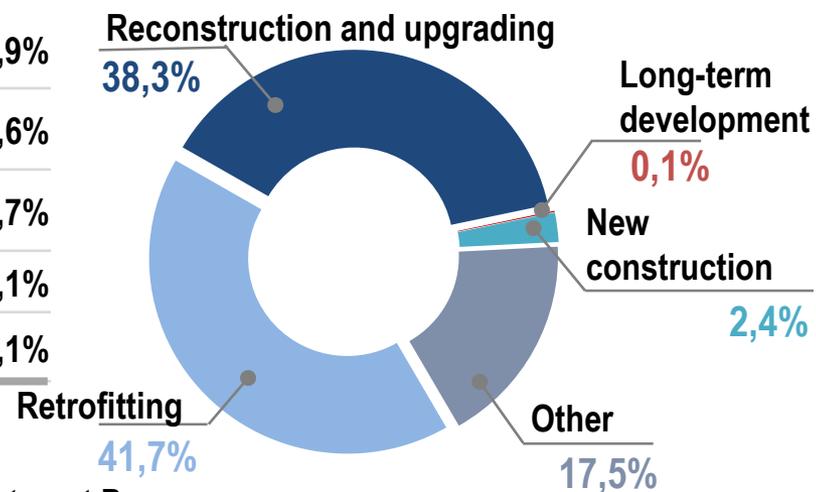
INVESTMENT PROGRAM AS AT 31.12.2018

Actual implementation of the Investment Program for 12M 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 12M 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 «Vatutinskaya» (Belgorod region)

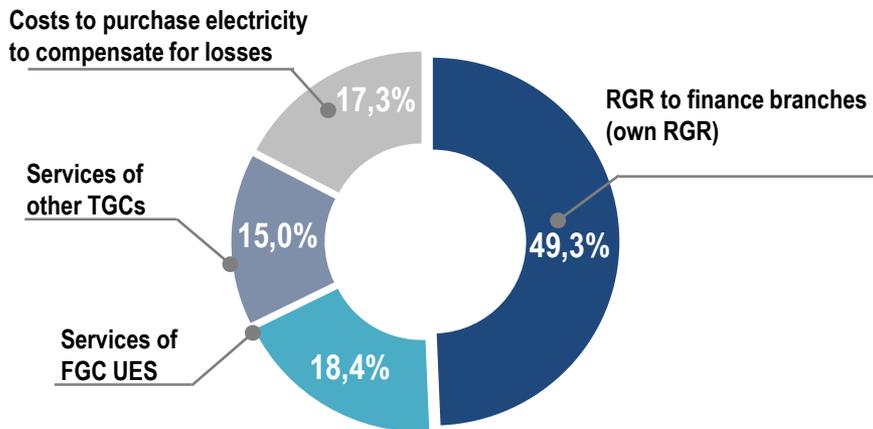
- Design capacity 12.6 MVA
- Grid connection of large facilities of the Ministry of Defense of Russia

SS 110/10 kV «Sheino» (Belgorod region)

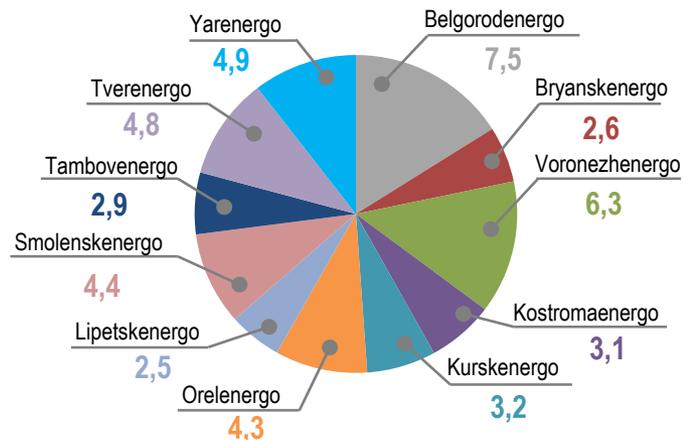
- Design capacity 10 MVA
- Improving reliability
- Expansion of the sales market

TARIFF REGULATION

RGR structure of IDGC of Centre in 2019

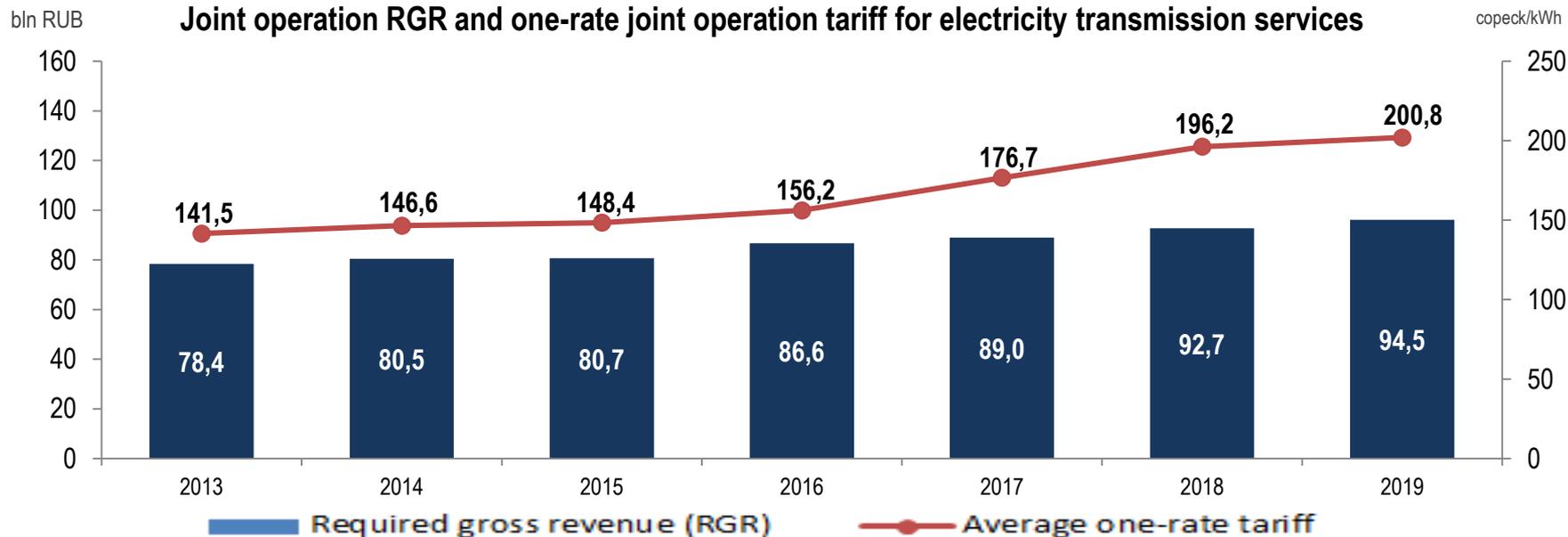


RGR to finance IDGC of Centre in 2019 (by branches)*, bln RUB



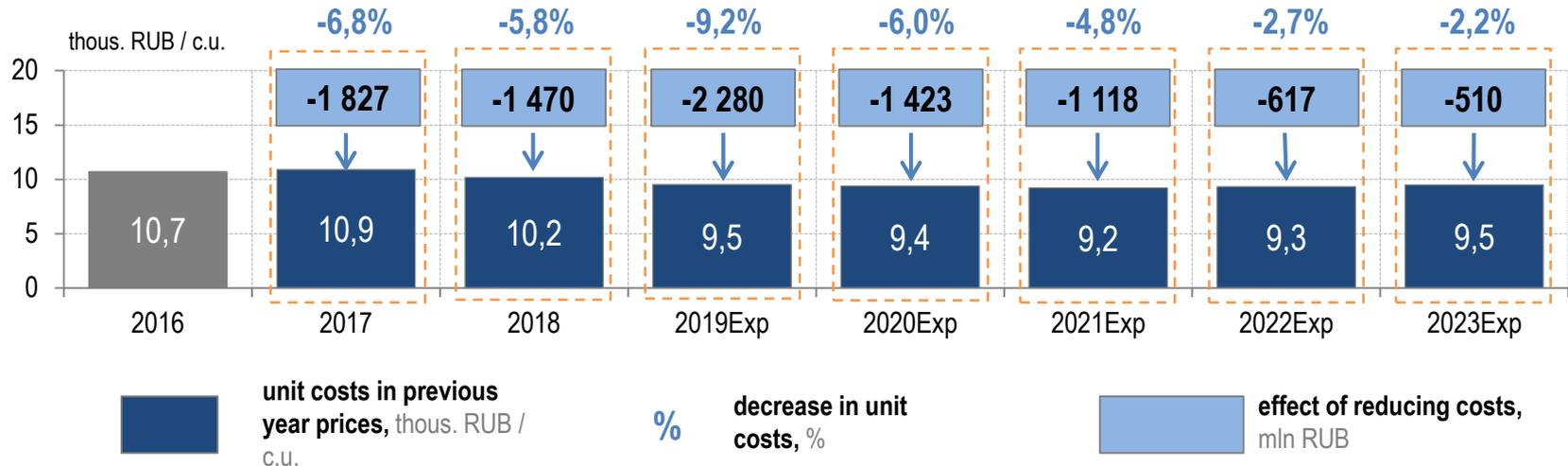
* Excluding the costs of FGC UES, other TGCs, losses of DGCs

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



OPERATING PERFORMANCE IMPROVEMENT

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



IMPLEMENTATION OF INSTRUCTIONS OF THE GOVERNMENT AND FEDERAL AUTHORITIES TO IMPROVE EFFICIENCY

Instruction

Effect

Decrease in operating costs in accordance with the Strategy for the Development of the Electric Grid Complex of the Russian Federation by 15% by 2017 from the level of 2012
(Instruction of the Government of the Russian Federation of 03.04.2013 №511-r)

At the end of 2018, the operating costs decreased by 27,3% from the level of 2012

Decrease in operating costs by at least 2-3 percent per year (Instruction of the President of the Russian Federation of 05.12.2014 No. Pr-2821, Directive of the Government of the Russian Federation of 16.04.2015 No. 2303-P13)

At the end of 2018, the effect is 5,8% (or 1 470 million rubles) of the 2017 level. In 2019-2023 the Company's Business Plan provides for a reduction in operating expenses (costs) by at least 2% per year

INDICATORS OF THE BUSINESS PLAN FOR 2019

Data in bln RUB, unless specified otherwise

| Indicators | 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 profit¹ | 7,7 | 7,2 | -6,5% |
| EBITDA² | 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. |

| Indicators | Actual for 2018 (RAS) | Plan as at 31.12.2019 | Change, % |
|-----------------------------|--------------------------|--------------------------|--------------|
| Loans and credits | 40,4 | 44,6 | 10,4% |
| Net debt³ | 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 debt + short-term debt – cash and cash equivalents – short-term financial investments

CORPORATE GOVERNANCE & STOCKS



LIST OF SECURITIES, ADMITTED TO TRADING AT MOSCOW EXCHANGE



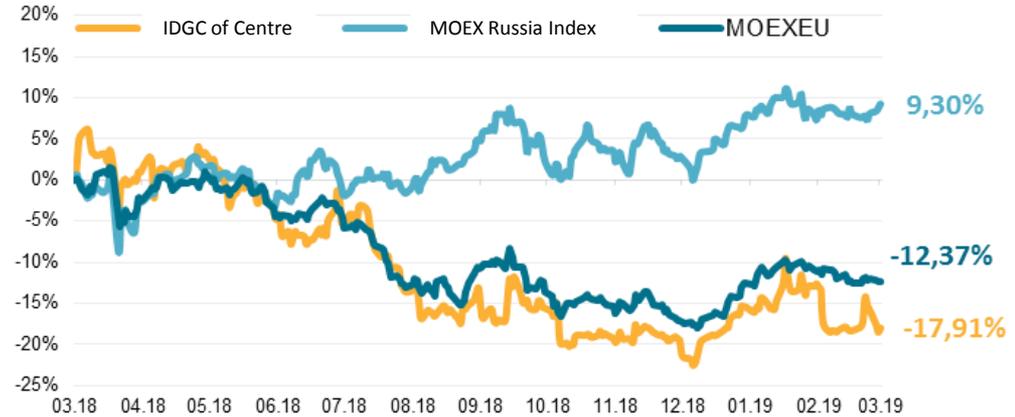
MCAP AS AT 25.03.2019



CORPORATE GOVERNANCE RATING NP "RID"



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 6,0 bln RUB paid in the form of dividends for the last 8 years

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

Dividend history

| Indicator | UoM | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|---------|--------|---------|---------|-------------|-----------|
| Amount of accrued dividends | thous. RUB | 862 935 | 75 992 | 831 693 | 455 954 | 1 866 675 | 879 028 |
| Share of net profit under RAS allocated to pay dividends | % | 25,00 | 25,94 | 25,01 | 50,16 | 100,00 | 43,27 |
| Dividends per share | RUB | 0,02044 | 0,0018 | 0,0197 | 0,0108 | 0,044215195 | 0,0208212 |
| Dividend yield* | % | 3,33 | 0,48 | 8,23 | 4,56 | 16,06 | 4,72 |

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 exception of the amount of net profit used to calculate dividends:

- ✓ revenues and expenses related to the revaluation of the Company's shares traded on the securities market;
- ✓ actual investments made at the expense of the net profit obtained 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**

6,0
bln RUB
paid as dividends for
the last 8 years

9,05
points of 10
Perception study
for 2018**
7,50 target



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

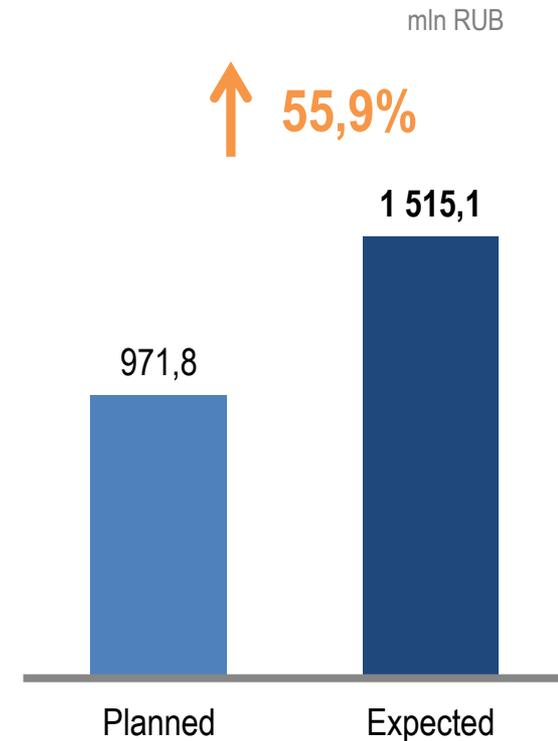


TRANSFER OF AUTHORITIES OF SOLE EXECUTIVE BODY OF IDGC OF CENTRE AND VOLGA REGION, PJSC

Key activities for performance improvement:

- Optimization of rental relations in connection with the termination of the functioning of the executive office and the transition to a two-tier management system;
- Staff optimization;
- Setup of a single domain and centralized e-mail system, as well as the acquisition of non-exclusive rights to use software products;
- Transition to repairs on the technical condition;
- Optimization of the centralized emergency stock, backup power supply sources, etc.;
- Savings due to consolidated purchases;
- Reducing the cost of management transportation;
- Optimization of costs and terms of payments of Territorial Grid Companies;
- Reduction of electricity losses;
- Increase in revenue from provision of grid connection services.

Economic effect:

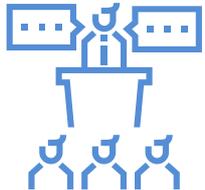


WHY DO WE NEED DIGITALIZATION?

Background and problems:



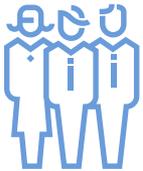
Scientific and technical progress



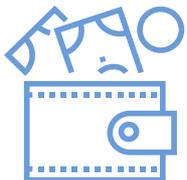
State development policy



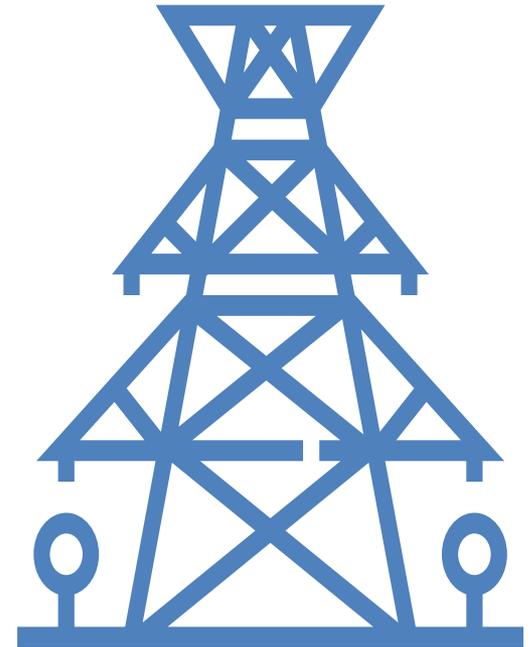
Increasing information flow that is not effectively processed by the existing toolkit



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

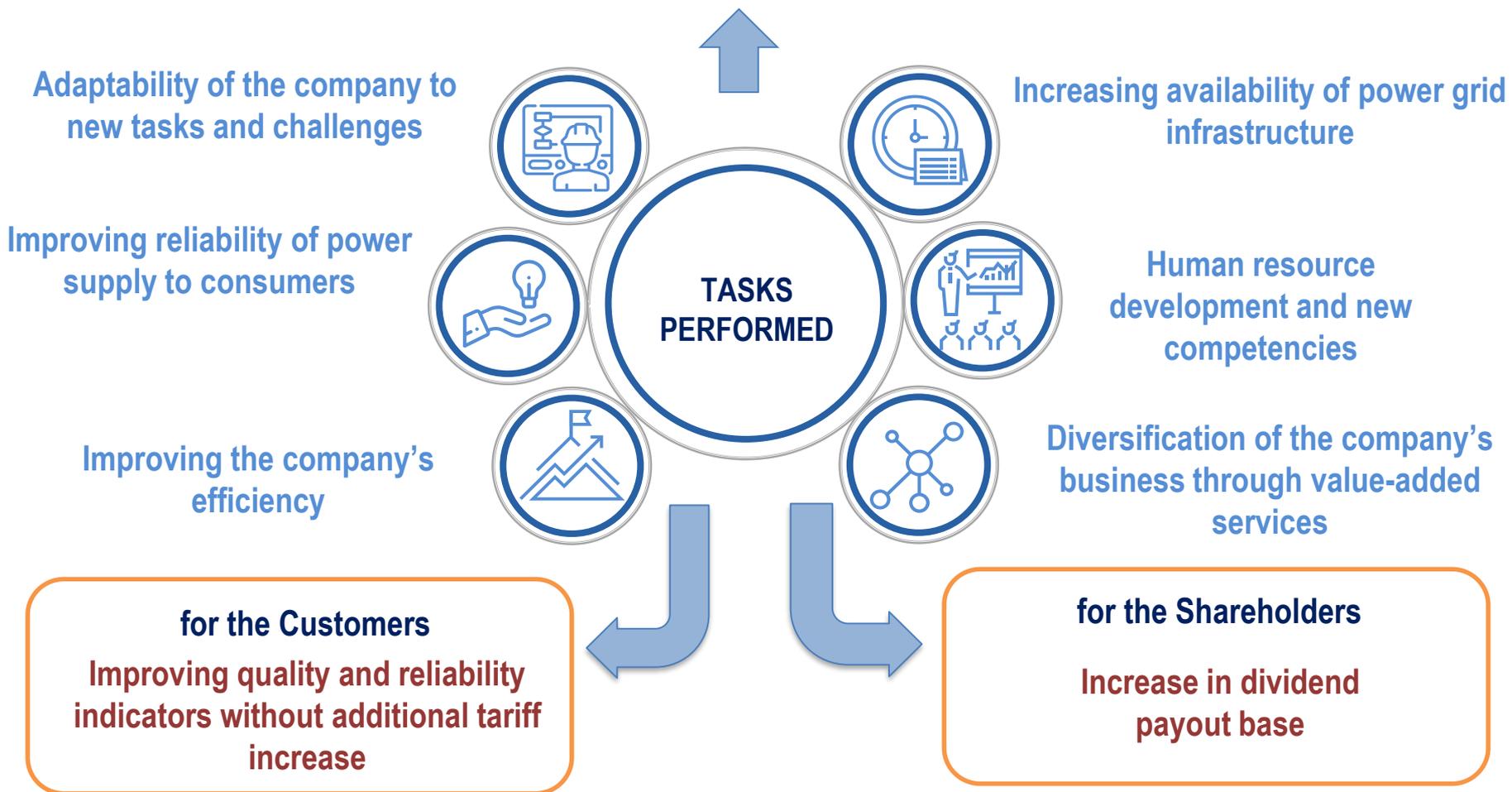


Tariff growth restriction



EXPECTED DIGITALIZATION RESULTS

for the Company
High-quality performance of the social function of life
support for millions of people



THANKS FOR YOUR ATTENTION

IDGC of Centre

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www.mrsk-1.ru/en/investors/

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APPENDIX: INVESTMENT PROGRAM FOR 2018-2022*

| Indicator | UoM | 2018 | 2019 | 2020 | 2021 | 2022 | Total 2018-2022 |
|--|---------|-------|-------|-------|-------|-------|--------------------|
| Capex without VAT | bln RUB | 13,0 | 13,9 | 15,0 | 13,1 | 13,4 | 68,4 |
| Financing with VAT | bln RUB | 15,5 | 16,3 | 17,7 | 15,4 | 15,6 | 80,5 |
| Commissioning of fixed assets without VAT | bln RUB | 13,3 | 13,6 | 15,9 | 12,8 | 13,7 | 69,3 |
| Commissioning | km | 3 558 | 3 375 | 3 395 | 3 344 | 3 161 | 16 833 |
| Commissioning | MVA | 383 | 520 | 535 | 557 | 543 | 2 539 |

* - according to Order of the Ministry of Energy of Russia dated 24.12.2018 № 29@