

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

**Performance of
IDGC of Centre, PJSC
for 6M 2018 (IFRS)**



Moscow, August 2018

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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 the total Russia)

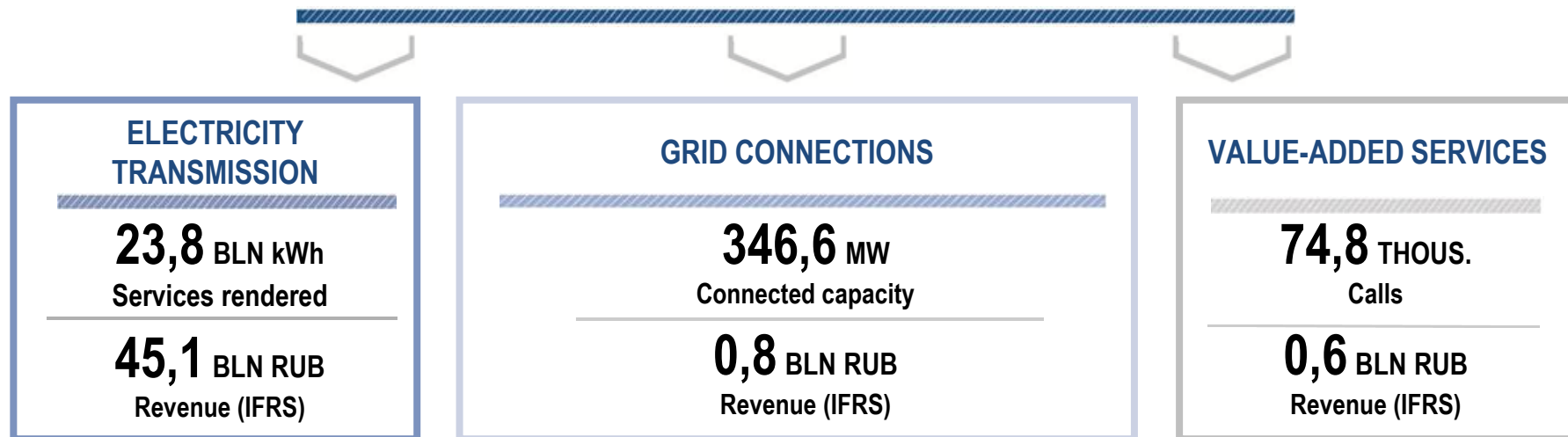
POPULATION IN THE SERVICE AREA

13,6
mln people

(9,5 % of the total population of Russia)

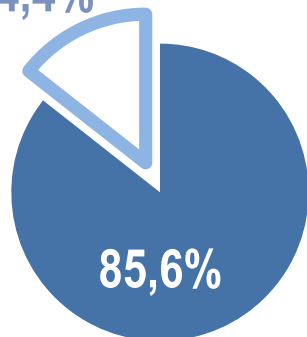
PERFORMANCE SUMMARY FOR 6M 2018

TYPES OF ACTIVITY OF IDGC OF CENTRE



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

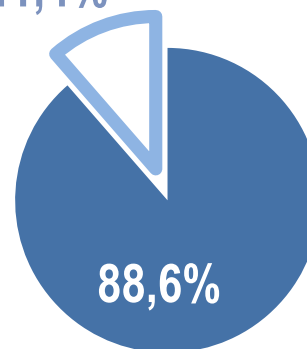
14,4%



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

11,4%

- IDGC of Centre
- other Territorial Grid Companies



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

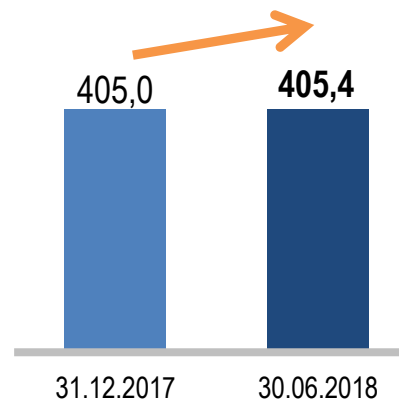
PRODUCTION CAPACITY FOR 6M 2018

INDICATOR

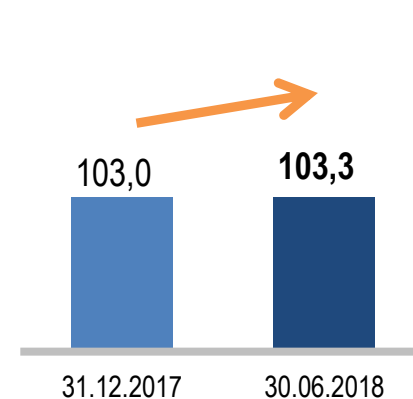
30.06.2018

Length of 0.4-110 kV conductors (ROW), thous. km	386,7
Length of 35-110 kV conductors, thous. km	52,0
Length of 0.4-10 kV conductors, thous. km	334,7
Length of 0.4-110 kV cables, thous. km	18,8
Capacity of substations, thous. MVA	54,6
Capacity of 35-110 kV substations, thous. MVA	34,4
Capacity of 6-10/0.4 kV transformer and distribution substations, thous. MVA	20,2
Number of substations, thous. pc	103,3
Number of 35-110 kV substations, thous. pc	2,4
Number of 6-10/0.4 kV transformer and distribution substations, thous. pc	101,0
Number of conditional units, mln	2,3
Number of Distribution Zones, pc	277

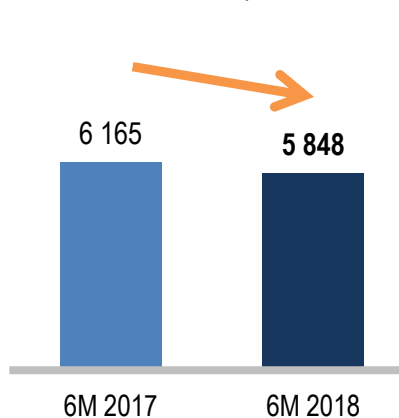
Length of power lines (ROW),
thous. km



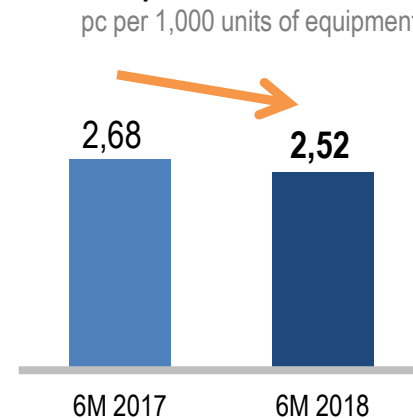
Number of substations,
thous. pc



Failures, pc



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

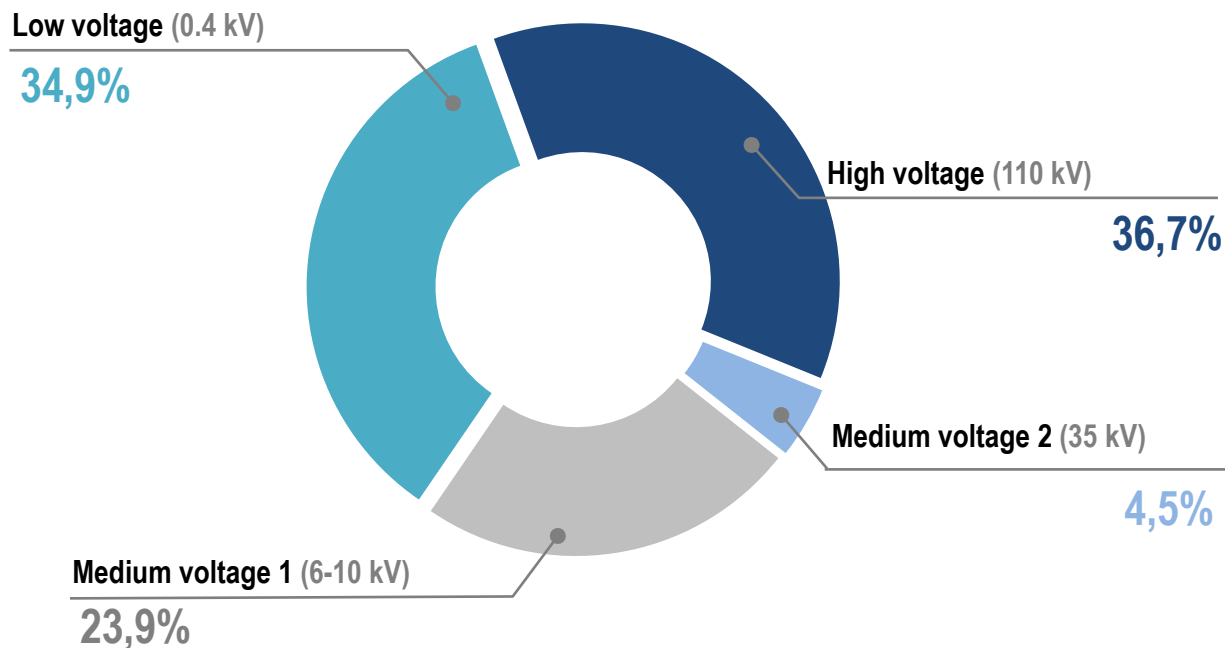


* Taking into account the equipment on the balance, rental equipment, leased equipment and equipment serviced under contracts

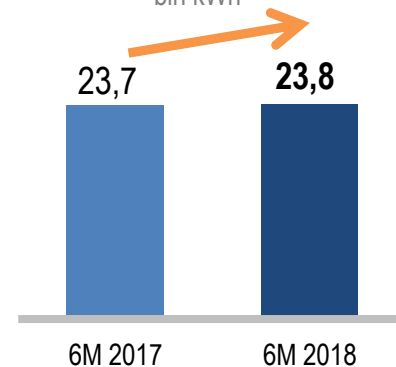
OPERATION RESULTS FOR 6M 2018

ELECTRICITY TRANSMISSION

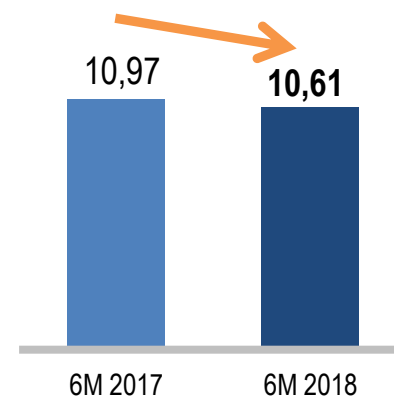
Electric energy net supply structure by voltage levels
(amount of electric energy transmission services), %



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



Electric energy losses (in comparable conditions*), %

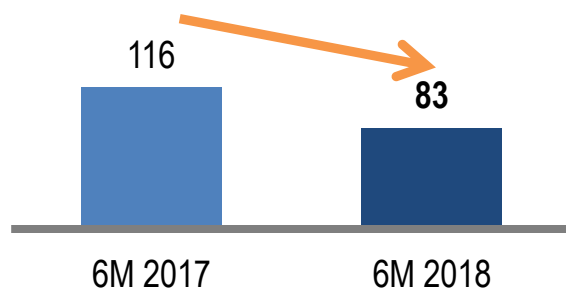


* In comparable conditions of electricity balance

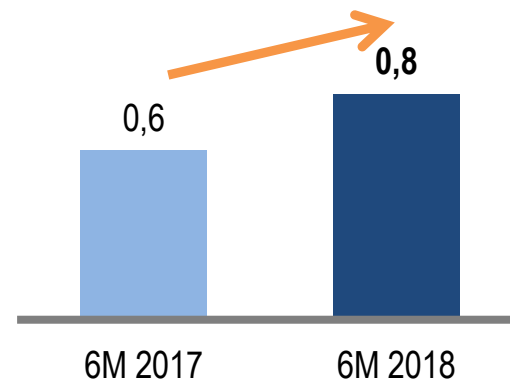
OPERATION RESULTS FOR 6M 2018

GRID CONNECTION

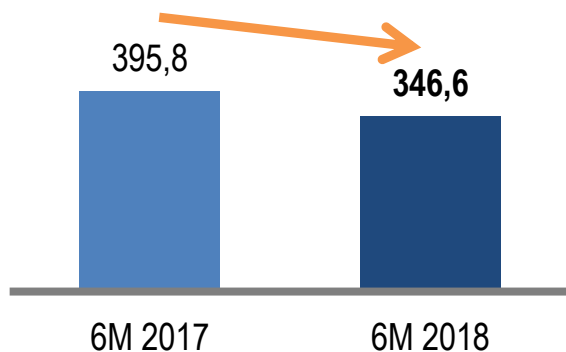
Average grid connection contract execution term with the activities of the grid company ("contract - notification") of the category "Doing Business", days



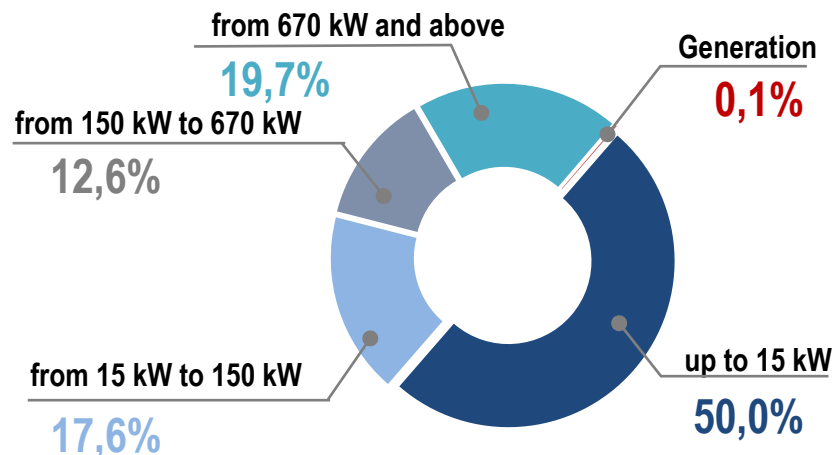
Revenue (IFRS), bln RUB



Connected capacity, MW



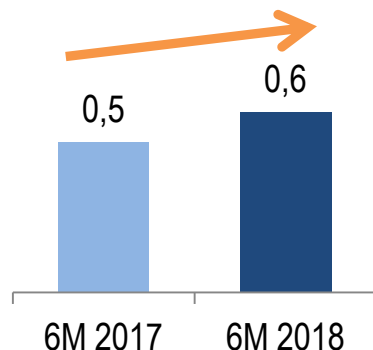
Connected capacity structure by customer groups, %



OPERATION RESULTS FOR 6M 2018

VALUE-ADDED SERVICES

Revenue for value-added services
(IFRS), bln RUB

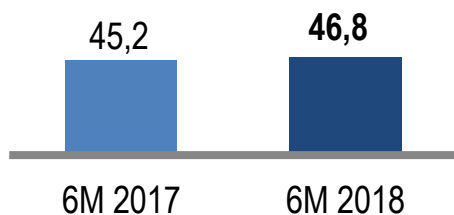


- ✔ Street lighting systems setup
- ✔ Maintenance and repair of electrical networks and electrical equipment
- ✔ Reconfiguration of power grid facilities
- ✔ Installation and replacement of metering devices
- ✔ Grid connection support
- ✔ Energy audit and energy services
- ✔ Design and construction of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

KEY FINANCIALS UNDER IFRS FOR 6M 2018

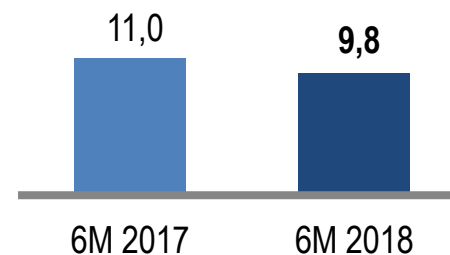
REVENUE, bln RUB

↑ 3,5%



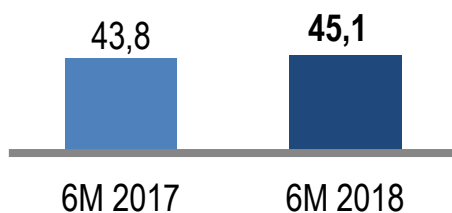
EBITDA, bln RUB

↓ -10,9%



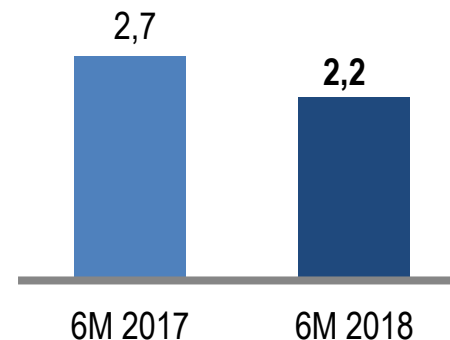
ELECTRICITY TRANSMISSION REVENUE, bln RUB

↑ 3,0%



PROFIT FOR PERIOD, bln RUB

↓ -18,5%



KEY FINANCIALS UNDER IFRS FOR 6M 2018

Data in bln RUB, unless specified otherwise

	6M 2018	6M 2017	Change
Revenue (total), including:	46,8	45,2	3,5%
Electric energy transmission services	45,1	43,8	3,0%
Grid connection services	0,8	0,6	33,3%
Revenue from resale of electric energy and power	0,3	0,3	0,0%
Other revenue	0,6	0,5	20,0%
Operating costs	42,5	39,7	7,1%
Net other income	0,5	0,4	25,0%
Operating profit	4,8	6,0	-20,0%
EBITDA	9,8	11,0	-10,9%
EBITDA margin, %	20,9%	24,3%	-3,4 p.p.
Profit for the period	2,2	2,7	-18,5%
Profit for the period margin, %	4,7%	6,0%	-1,3 p.p.

Growth of revenue from grid connection services without rounding was 23,7%

IFRS OPERATING COSTS ANALYSIS FOR 6M 2018

<i>bln RUB</i>	6M 2018	6M 2017	Change, %
Electricity transmission services	15,2	14,6	4,1%
Personnel costs	9,5	9,4	1,1%
Electricity purchased to compensate for losses	7,5	6,2	21,0%
Depreciation and Amortisation	5,0	4,7	6,4%
Other tangible costs	1,3	1,2	8,3%
Taxes, except for profit tax	1,0	0,8	25,0%
Other services	0,4	0,4	0,0%
Provision for expected credit losses	0,3	0,0	-
Electricity for sale	0,2	0,2	0,0%
Purchased electricity and heat for utility needs	0,2	0,2	0,0%
Other production works and services	0,2	0,2	0,0%
Reserves	0,2	0,0	-
Repair and maintenance services	0,2	0,2	0,0%
Settlement of debt for transmission, purchase of electricity, losses and non-contractual consumption	0,1	0,3	-66,7%
Other operating costs	1,2	1,3	-7,7%
TOTAL	42,5	39,7	7,1%

- 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;
- Provision for expected credit losses is allowance for impairment of receivables, with the exception of the provision for impairment of advances issued (IFRS 9);
- It was made possible to significantly reduce other operating costs, including through the restoration of provisions for the depreciation of receivables.

FINANCIAL STANDING AS AT 30.06.2018

IFRS	31.12.2017	30.06.2018
Net debt*, bln RUB	40,1	38,5

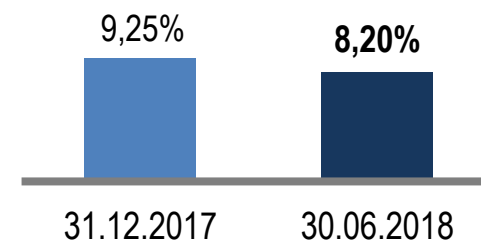
Agency	Scale	Rating	Outlook
S&P	international, long-term	BB	Stable
S&P	international, short-term	B	—
RAEX	national, long-term	ruAA	Stable
NRA	national	AA	—

Type of securities	Volume (bln RUB)	Registration number and date of assignment	Maturity	Status	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%

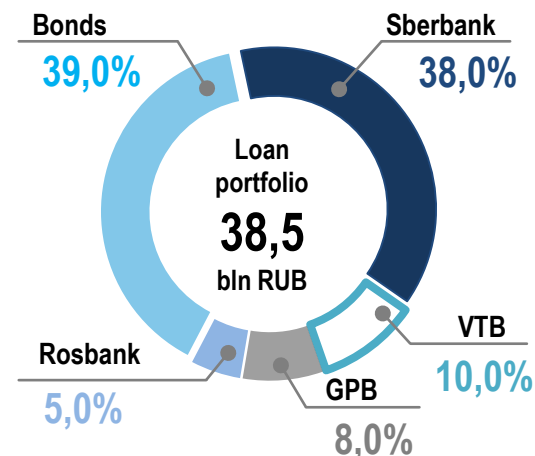
* Net debt is calculated as follows: long-term debt + short-term debt – cash and cash equivalents - short-term financial investments

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

↓ -1,05 p.p.



Loan portfolio structure of IDGC of Centre (as at 30.06.2018)



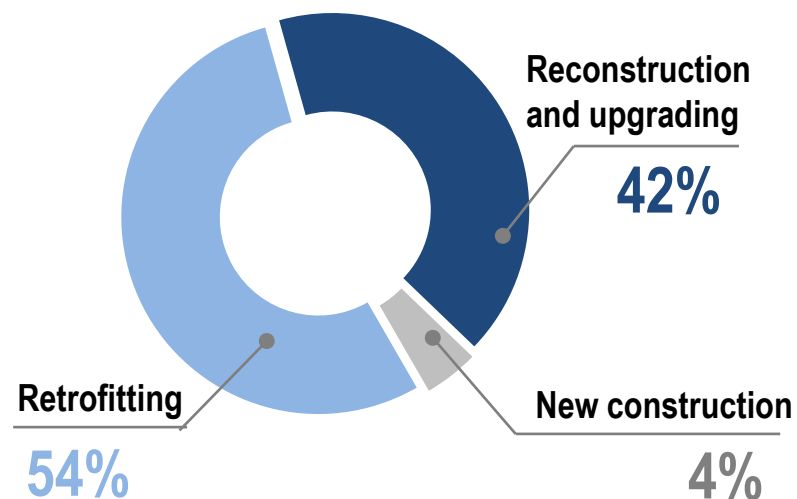
INVESTMENT PROGRAM AS AT 30.06.2018

Actual implementation of the Investment Program for 6M 2018

INDICATOR	PLAN* 6M 2018	FACT 6M 2018	% IMPLEMENTED
Capex, mln RUB without VAT	3 066	3 683	120,1%
Financing, mln RUB with VAT	5 019	5 287	105,3%
Commissioning, MVA	66	105	159,1%
Commissioning, km	983	1 182	120,2%

* According to the approved Investment Program for 2016-2022 (Order of the Ministry of Energy of Russia dated 14.11.2017 № 17@)

Structure of the Investment Program financing following its implementation for 6M 2018



Priority facilities of the Investment Program in 2018

SS 110/35/10 kV «Korocha» (BELGOROD REGION)

- Design capacity 80 MVA
- Improving reliability
- Expansion of the sales market

SS 110/10/6 kV «Sputnik» (VORONEZH REGION)

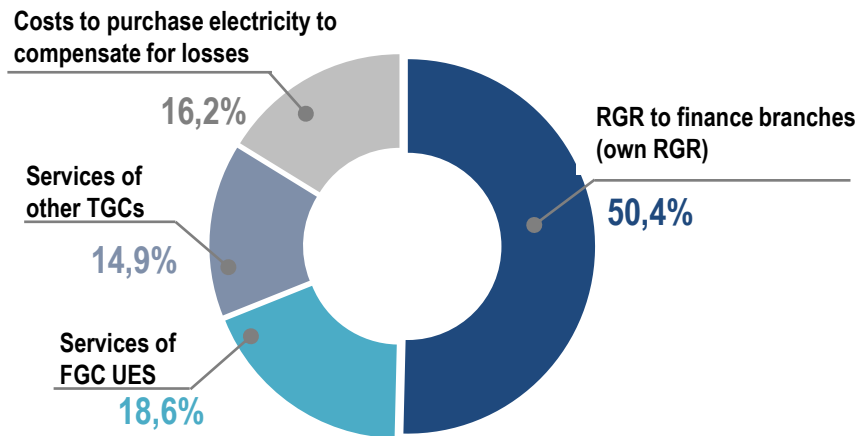
- Design capacity 80 MVA
- New capacity
- Expansion of the sales market

Cable 110 kV «Buturlinovka» (VORONEZH REGION)

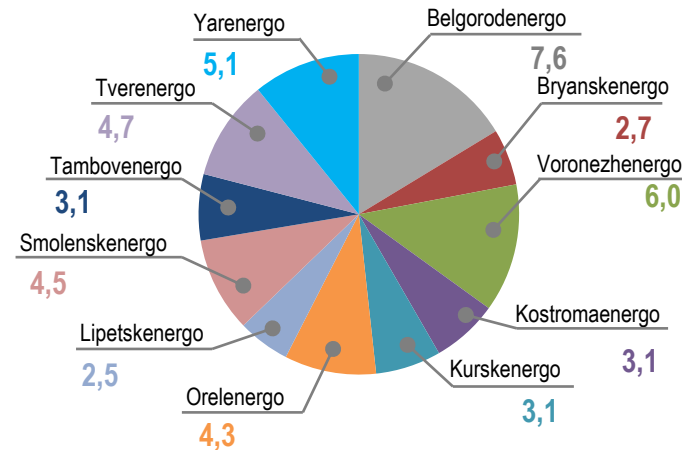
- Design length 1,1 km
- Delivery of NVNPP-2 power through grids of IDGC of Centre

TARIFF REGULATION

RGR structure of IDGC of Centre in 2018

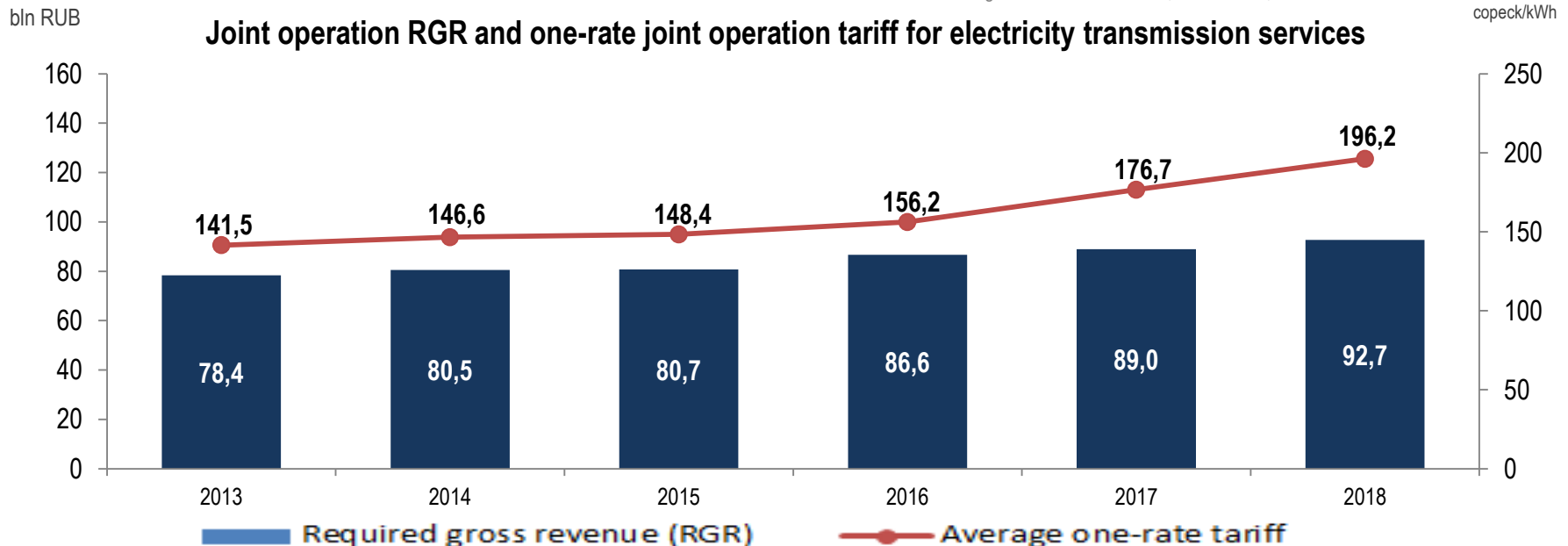


RGR to finance IDGC of Centre in 2018 (by branches)*, bln RUB



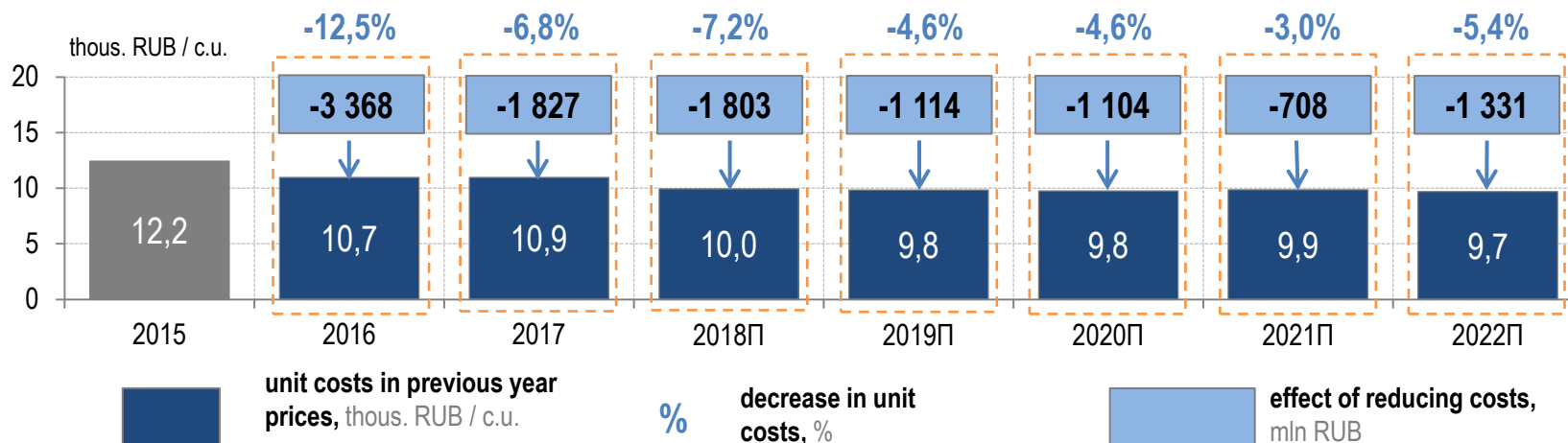
* Excluding the costs of FGC UES, other TGCs, losses of DGCs

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 by 10% in 2013 in relation to 2010 (*Order of the Ministry of Energy of the Russian Federation of 23.10.2010 No. ASH-446pr*)

Following the results of 2013, the operating costs decreased by 16,3% from the level of 2010

Reduction of administrative and management costs in 2014 by at least 15% of their actual value in 2013 (*Instruction of the Chairman of the Government of the Russian Federation of 11.11.2013 No. 6732p-P9, Directive of the Government of the Russian Federation of 23.04.2014 No. 2454p-P13*)

Following the results of 2014, the reduction of administrative and management costs is 15% of the 2013 level

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 2017, the operating costs decreased by 29,2% 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 2017, the effect is 6,8% (or 1,827 million rubles) of the 2016 level. In 2018-2022 the Company's business plan provides for a reduction in operating expenses (costs) by at least 2% per year

Decrease in operating expenses (costs) by at least 3 percent per year (*Directive of the Government of the Russian Federation of 29.03.2016 No. 2073p-P13*) – following the results of 2017

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 as at 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



LIST OF SECURITIES, ADMITTED TO TRADING AT MOSCOW EXCHANGE



**BY LIQUIDITY
AMONG COMPANIES IN THE SECTOR**



**CORPORATE GOVERNANCE RATING
NP "RID"**



**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 24.08.2018 – 12,5 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 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



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/

INVESTMENT HIGHLIGHTS

- 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 Effective management

6,0

bIn RUB

paid as dividends for the last 8 years



by length of power lines among
IDGCs



by volume of transformer
capacity among IDGCs

9,39

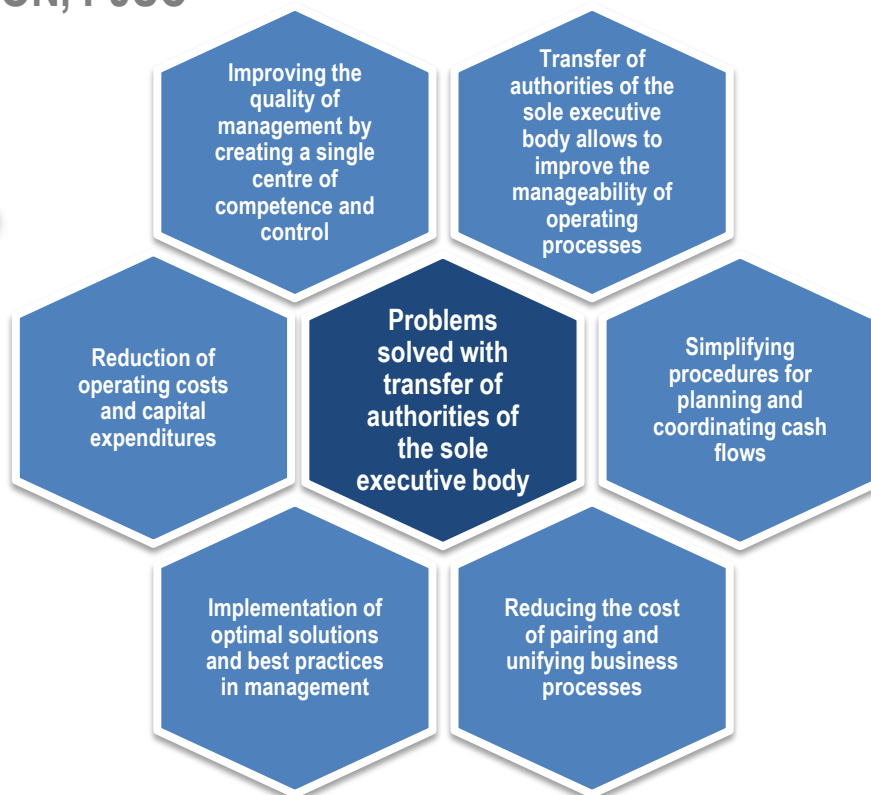
points of 10

Perception study
for 2017

7,50 target

* According to the calculation method of Moscow Exchange

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:

- Measures 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

IDGC of Centre

4, 2nd Yamskaya, Moscow, 127018
Tel.: (+7) 495 747 92 92, ext. 33-34
Fax: (+7) 495 747 92 95
E-mail: ir@mnsk-1.ru
www.mnsk-1.ru/ru/investors/

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