

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



SERVICE AREA

**11**  
**subjects of Russia**

OPERATION AREA

**458**  
**thous. km<sup>2</sup>**

(2,7 % of total Russia)

POPULATION IN THE SERVICE AREA

**13,6**  
**mln people**

(9,5 % of total population of Russia)

## TYPES OF ACTIVITY



**Transmission and distribution of electric energy**



**Grid connections**



**Energy services**



# PERFORMANCE SUMMARY FOR 12M 2018

## TYPES OF ACTIVITY OF IDGC OF CENTRE

### ELECTRICITY TRANSMISSION

**47,0** BLN kWh  
Services rendered\*\*

**90,0** BLN RUB  
Revenue (IFRS)

### GRID CONNECTIONS

**867,5** MW  
Connected capacity

**1,9** BLN RUB  
Revenue (IFRS)

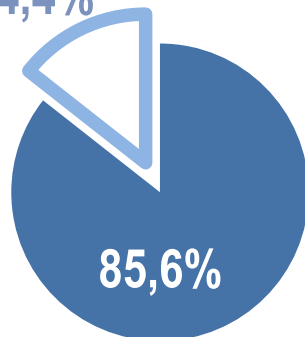
### VALUE-ADDED SERVICES

**160,3** THOUS.  
Calls

**1,5** BLN RUB  
Revenue (IFRS)

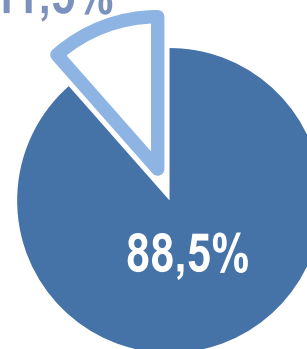
Electricity transmission market share in the service area \* in 2018, %

14,4%



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

11,5%



■ IDGC of Centre  
■ other Territorial Grid Companies

\* 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

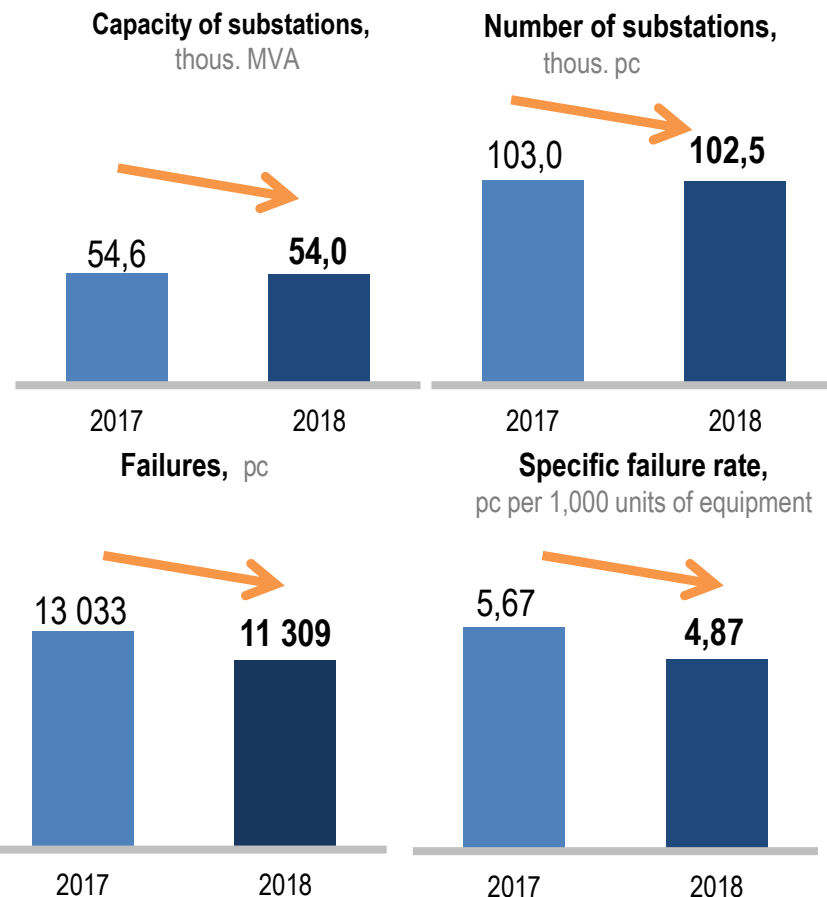
# PRODUCTION CAPACITY FOR 12M 2018

## 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



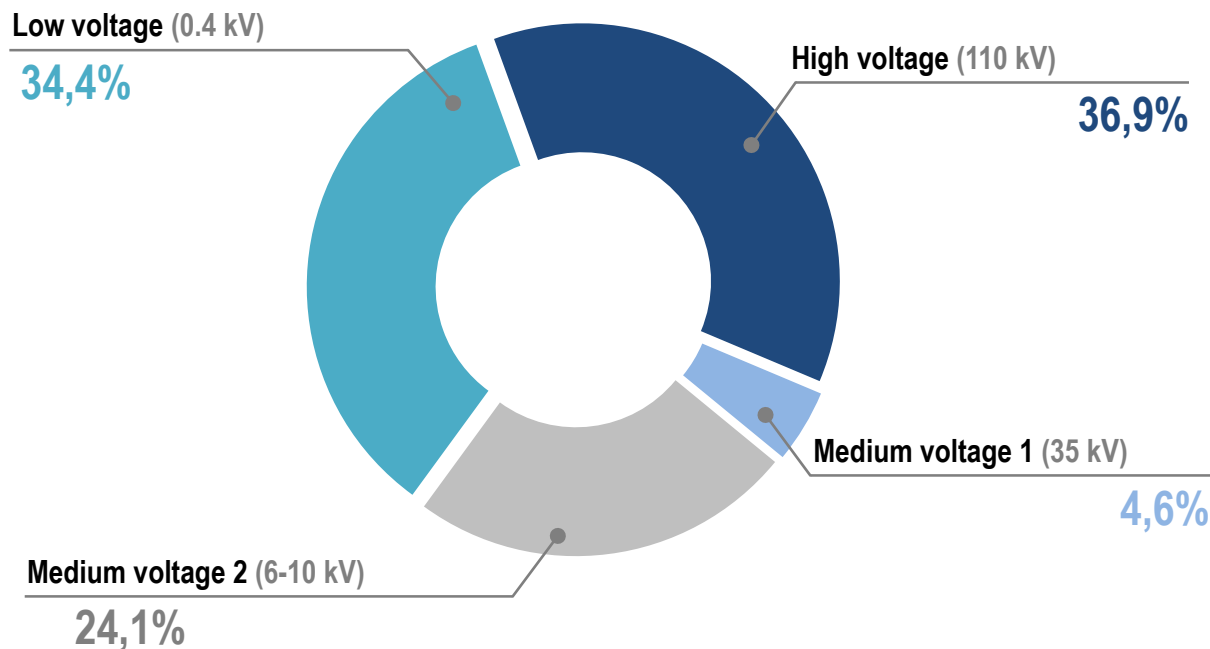
The decrease in indicators on the production potential is caused by the specification of technical parameters of the equipment during data sheet arrangement, as well as by the results of geographical coordinates entered into the integrated information-analytical system of the situational management of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



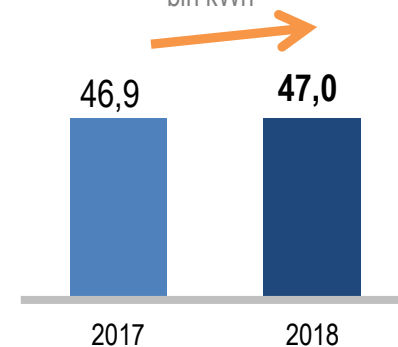
# OPERATION RESULTS FOR 12M 2018

## ELECTRICITY TRANSMISSION

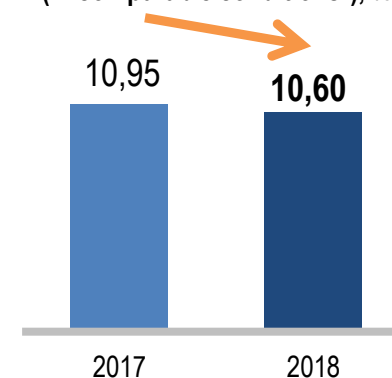
Electric energy net supply structure by voltage levels  
(amount of electric energy transmission services), %



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



Electric energy losses (in comparable conditions\*), %

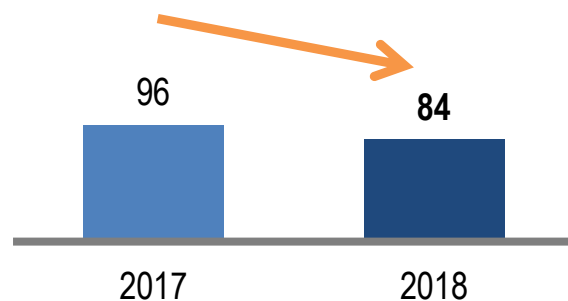


\* In comparable conditions of electricity balance

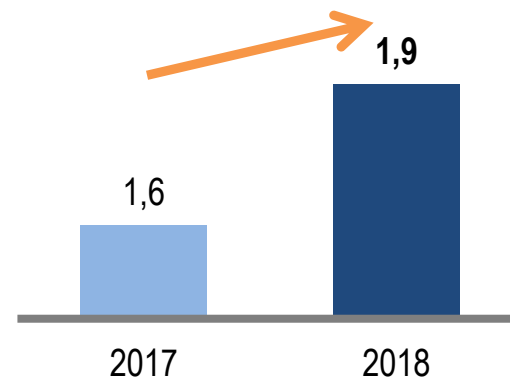
# OPERATION RESULTS FOR 12M 2018

## GRID CONNECTION

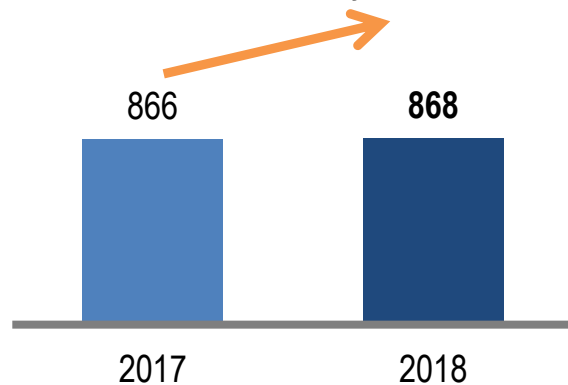
Average grid connection contract execution term with the activities of the grid company ("contract - notification") of the category "Doing Business", days



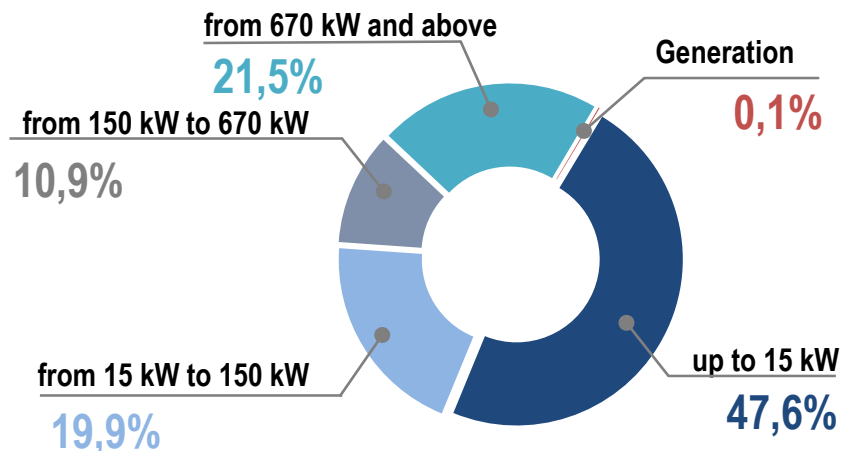
Revenue (IFRS), bln RUB



Connected capacity, MW



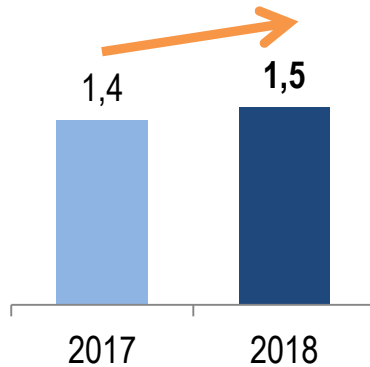
Connected capacity structure by customer groups, %



# OPERATION RESULTS FOR 12M 2018

## VALUE-ADDED SERVICES

Other revenue (IFRS), bln RUB



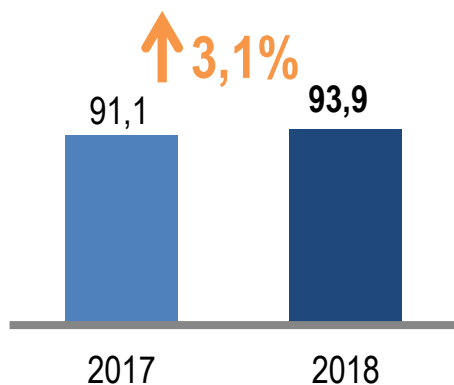
The main share of the Other revenue (about 77%) is the revenue from the sale of value-added services

- ✔ 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

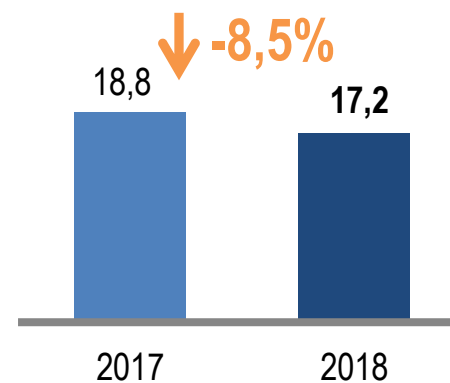


## KEY FINANCIALS UNDER IFRS FOR 12M 2018

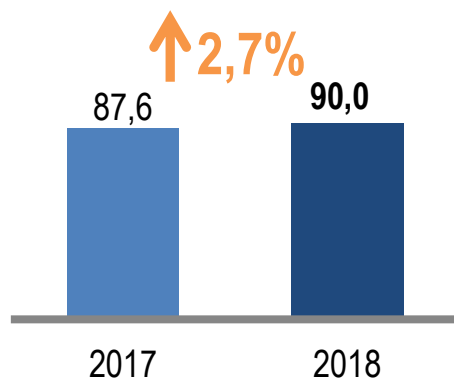
**REVENUE, bln RUB**



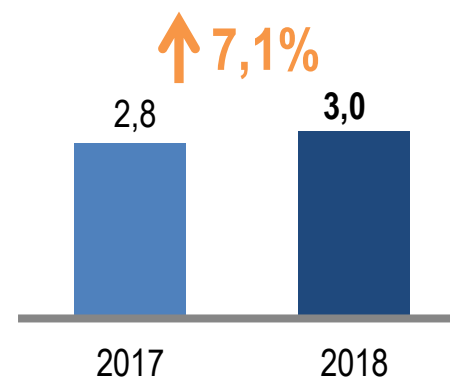
**EBITDA, bln RUB**



**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
<b>Revenue (total), including:</b>	<b>93,9</b>	<b>91,1</b>	<b>3,1%</b>
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%
<b>Operating costs</b>	<b>87,9</b>	<b>83,1</b>	<b>5,8%</b>
<b>Net other income</b>	<b>1,3</b>	<b>1,1</b>	<b>18,2%</b>
<b>Operating profit</b>	<b>7,4</b>	<b>9,2</b>	<b>-19,6%</b>
<b>EBITDA</b>	<b>17,2</b>	<b>18,8</b>	<b>-8,5%</b>
<b>EBITDA margin, %</b>	<b>18,3</b>	<b>20,6</b>	<b>-2,3 p.p.</b>
<b>Profit for the period</b>	<b>3,0</b>	<b>2,8</b>	<b>7,1%</b>
<b>Profit for the period margin, %</b>	<b>3,2</b>	<b>3,1</b>	<b>0,1 p.p.</b>

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

bln RUB

	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%
<b>TOTAL</b>	<b>87,9</b>	<b>83,1</b>	<b>5,8%</b>

- 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%

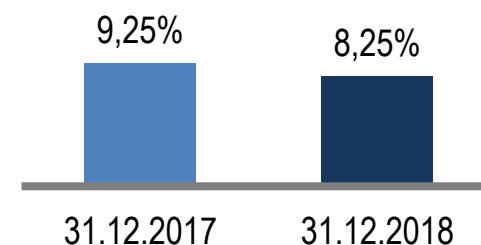
Agency	Scale	Rating	Outlook
S&P	international, long-term	BB	Stable
S&P	international, short-term	B	—
RAEX	national, long-term	ruAA	Stable

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%

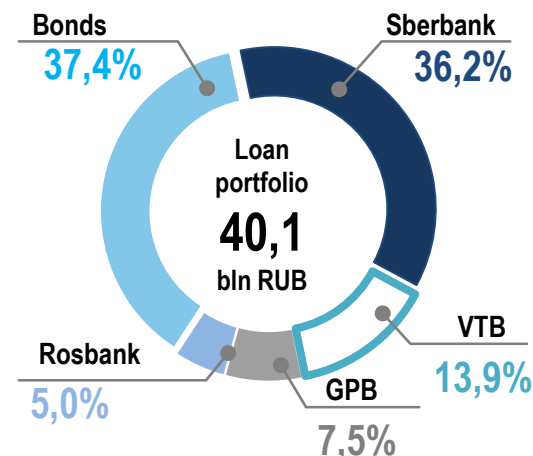
\* Net debt is calculated as follows: long-term debt + short-term debt – cash and cash equivalents

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)



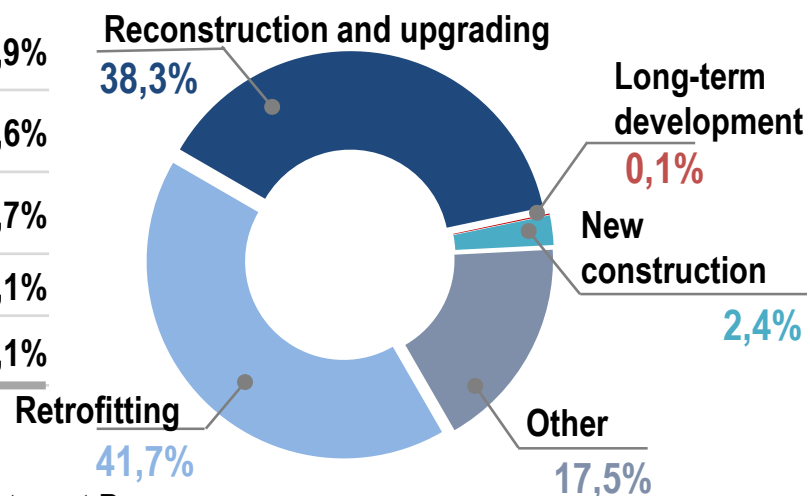
# INVESTMENT PROGRAM AS AT 31.12.2018

## 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)

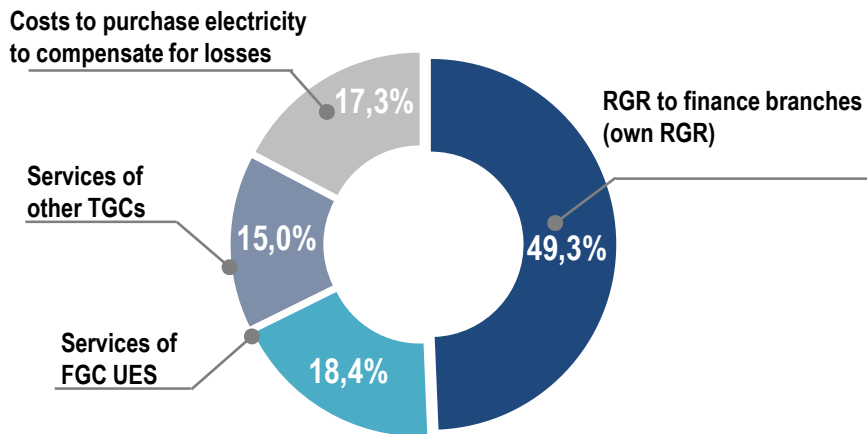
- Design capacity 12.6 MVA
- Grid connection of large facilities of the Ministry of Defense of Russia

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

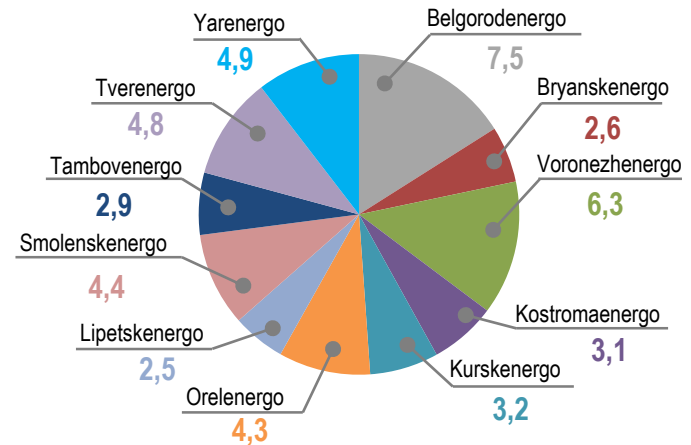
- Design capacity 10 MVA
- Improving reliability
- Expansion of the sales market

# TARIFF REGULATION

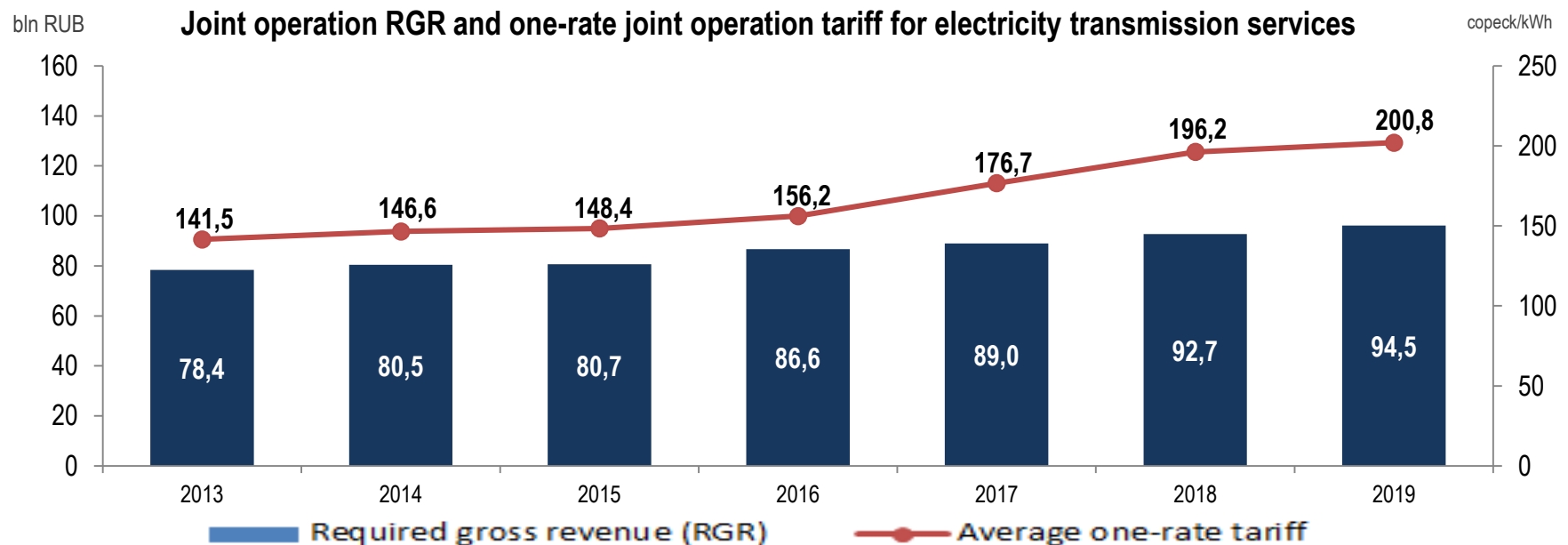
RGR structure of IDGC of Centre in 2019



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



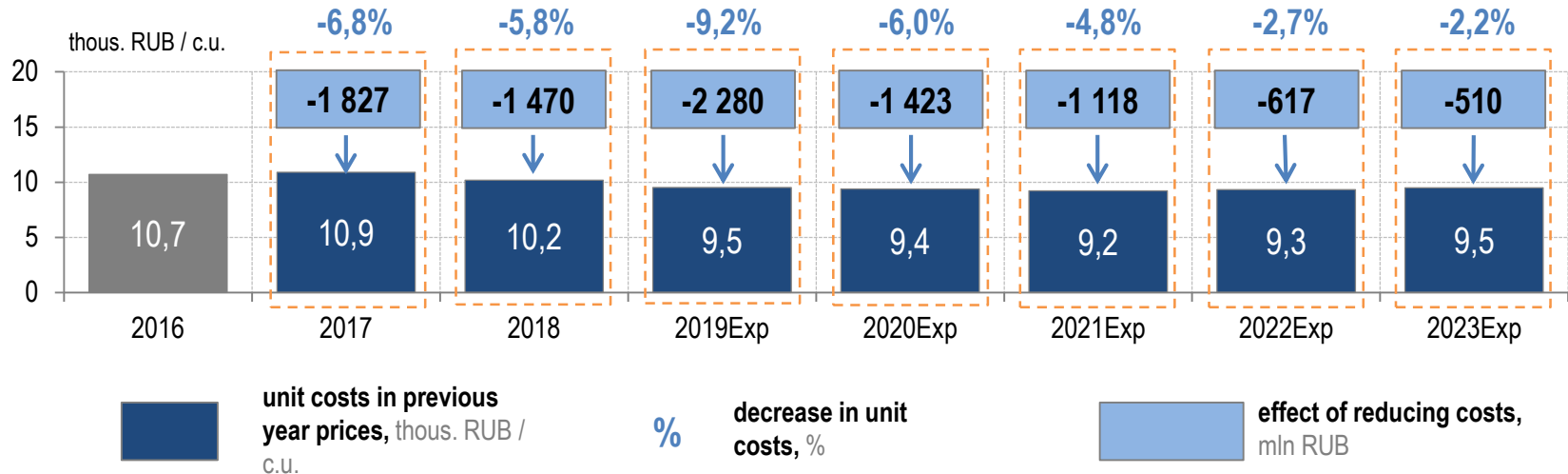
\* Excluding the costs of FGC UES, other TGCs, losses of DGCs





# 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, %
<b>Revenue (total), including:</b>	<b>93,9</b>	<b>96,3</b>	<b>2,6%</b>
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%
<b>Cost of sales</b>	<b>83,9</b>	<b>86,8</b>	<b>3,5%</b>
<b>Sales profit<sup>1</sup></b>	<b>7,7</b>	<b>7,2</b>	<b>-6,5%</b>
<b>EBITDA<sup>2</sup></b>	<b>16,6</b>	<b>18,7</b>	<b>12,7%</b>
<b>Net profit</b>	<b>1,4</b>	<b>2,4</b>	<b>71,4%</b>
<b>Amount of electric energy transmitted (in comparable conditions), bln kWh</b>	<b>47,0</b>	<b>47,3</b>	<b>0,6%</b>
<b>Electricity losses (in comparable conditions), %</b>	<b>10,60%</b>	<b>10,26</b>	<b>-0,34 p.p.</b>

Indicators	Actual for 2018 (RAS)	Plan as at 31.12.2019	Change, %
<b>Loans and credits</b>	<b>40,4</b>	<b>44,6</b>	<b>10,4%</b>
<b>Net debt<sup>3</sup></b>	<b>39,6</b>	<b>44,6</b>	<b>12,6%</b>

<sup>1</sup> Revenue net of costs, selling and administrative expenses

<sup>2</sup> EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable + depreciation charges

<sup>3</sup> 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



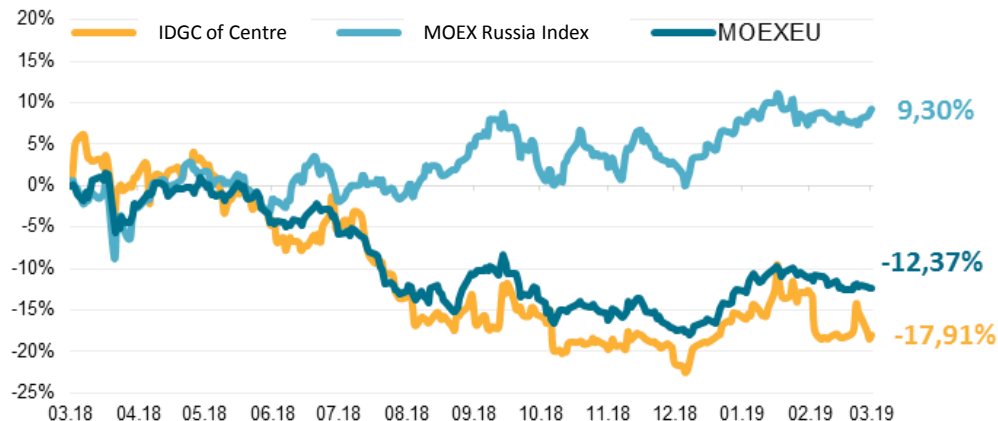
MCAP  
AS AT 25.03.2019



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/](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

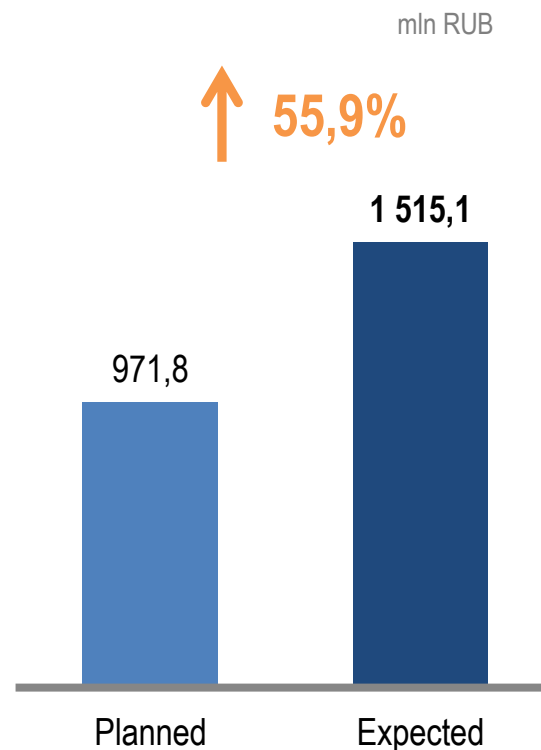
\*\* According to the results of the Perception Study of IDGC of Centre in 2018

# 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:



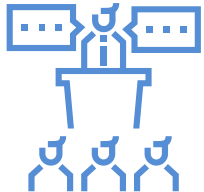


# WHY DO WE NEED DIGITALIZATION?

## Background and problems:



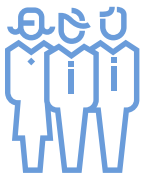
**Scientific and technical progress**



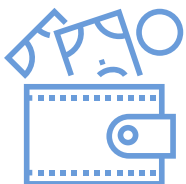
**State development policy**



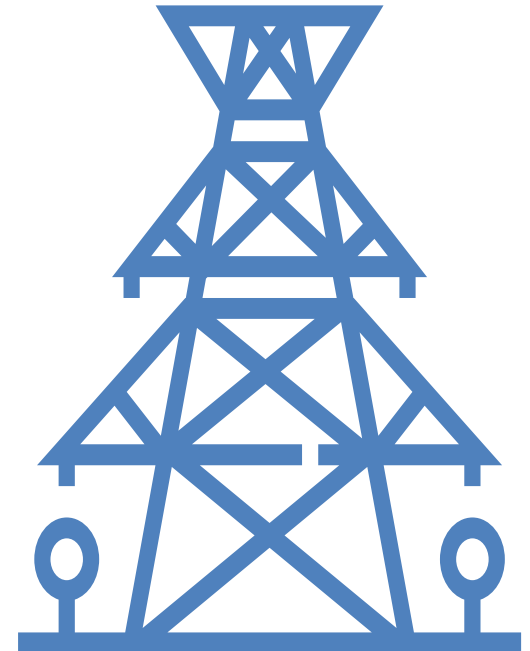
**Increasing information flow that is not effectively processed by the existing toolkit**



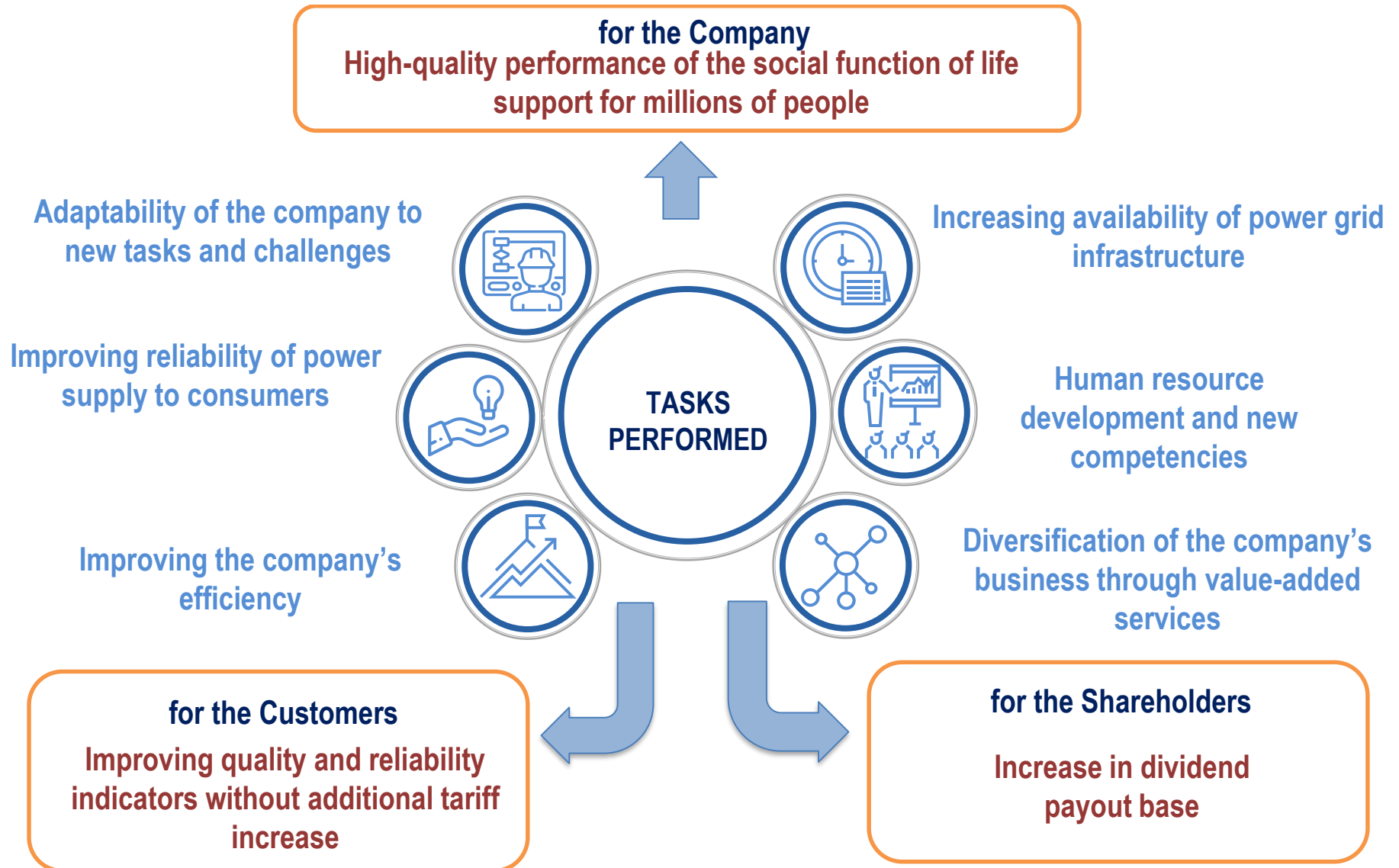
**Increasing requirements for the quality of power supply and reduction of the time required for execution of work**



**Tariff growth restriction**



## EXPECTED DIGITALIZATION RESULTS



# THANKS FOR YOUR ATTENTION

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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@