

Proceeds from sales of products (services) in 2018 is by RUB 1,250 mn (up 3.6%) higher than in 2017. Revenues from power transmission amounted to RUB 34,928 mn (up RUB 1,489 mn year-on-year). The growth is driven by a 4.6% increase in the tariff and a decrease in the cost of load losses of electricity purchased on the wholesale electricity and capacity market, due to changes in legislation regarding the reconsideration of the compensation of the cost of load losses to consumers from August 1, 2017 (Resolution No. 810 of the Government of the Russian Federation dated July 7, 2017).

In 2018, the cost grew by RUB 2,053 mn. (7.2%) against 2017. This growth is mainly due to the growth of expenses for payment of services to territorial grid organisations, purchased electricity to compensate for losses.

By the end of 2018, the financial result came with a year-on-year increase of RUB 610 mn. This rise was caused by revenue growth across all types of regulated and other activities by RUB 1,250 mn with an increase in cost of sales, with management and selling expenses by RUB 2,041 mn, a decrease in interest payable by RUB 562 mn, as well as a decrease in the balance of other income and expenses.

## **Basic Financials, RUB mn**

### **Analysis of changes in accounts receivable, RUB mn**

Total receivables of IDGC of the South for 2018 amounted to RUB 14,268 mn, as of 2017 - RUB 13,692 mn. The growth is mainly driven to an increase in receivables for power transmission.

Trade receivables amounted to RUB 12,760 mn, + RUB 632 mn (up 5.2%) year-on-year. The key driver behind such growth is an increase in receivables for power transmission in Astrakhanenergo branch, which is caused by the non-payment of the electricity cost under off-the-meter consumption acts adopted by the Guaranteeing Supplier on suspensive terms for 2014–2018, as well as disputed service and loss charges in 2018.

The bulk of the Company's receivables (86.5%) comes from the settlements for the power transmission services rendered.

Accounts receivable under the item "Advance paid" amounted to RUB 20 mn, - RUB 13 mn (down 39.4%) year-on-year.

Other accounts receivable amounted to RUB 1,488 mn, down RUB 43 mn (39.4%) year-on-year. The reduction was mainly made up of taxes - by RUB 32 mn, promissory notes - by RUB 35 mn, other counterparties - by RUB 41 mn. Moreover, arrears in overdue fees, fines, penalties under contracts increased by RUB 65 mn (7.7%).

In order to recover the debt, the Company undertakes pre-trial (negotiations, appeals to the executive authorities, concluding direct contracts for power transmission services with consumers) and trial measures in accordance with the schedule of measures approved by the Company's Board of Directors.

The amount outstanding, in respect of which IDGC of the South carries out recovery activities, as of December 31, 2018 amounted to RUB 12,102.3 mn, the coverage of overdue debt measures is 92%, which arises from amendments made to the Arbitration Procedure Code of the Russian Federation (Before filing a claim, it is necessary to file a claim and wait for the expiration of a one-month period for the submission of a claim).

## **Analysis of changes in accounts payable, RUB mn**

Accounts payable for 2018 decreased by RUB 837 mn vs 2017 and as of December 31, 2018 amounted to RUB 9,772 mn.

In the reporting period, the following changes were observed:

Trade payables dropped by RUB 835 mn also due to a decrease in debt to construction organisations - by RUB 116 mn, to repair organisations - by RUB 38 mn, and as of December 31, 2018 totalled RUB 7,281 mn, including grid organisations for power transmission services - RUB 5,726 mn, construction organisations - RUB 741 mn, suppliers of fixed assets - RUB 246 mn, other suppliers and contractors - RUB 568 mn;

Arrears on advances received amounted to RUB 944 mn, up RUB 54 mn (up 6.1%) year-on-year;

Tax arrears amounted to RUB 688 mn as of December 31, 2018, - RUB 98 mn (12.5%) year-on-year;

Other accounts payable increased by RUB 42 mn (5.1 %) and reached RUB 859 mn in the reporting year

## **Allocation and changes of the loan portfolio of IDGC of the South, RUB mn**

The Company's debt on loans and borrowings as at December 31, 2018 amounted to RUB 25,432 mn. The loan debt to PJSC Sberbank was RUB 7,590 mn, or 30% of the total debt of the Company, to Gazprombank (JSC) - RUB 7,500 mn, or 29%, to JSC Alfa-Bank - RUB 3,000 mn, or 12%, to Bank VBRR (JSC) - RUB 1,842 mn, or 7%, to JSC AB RUSSIA - RUB 500 mn, or 2%. The debt on the bonded loan amounted to RUB 5,000 mn, or 20% of the total debt profile.

The rise in loans and borrowings for the reporting period amounted to RUB 1,058 mn.