

IR-release

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1Q2018 RAS results

Yekaterinburg (Ural Federal District, Russia) – OAO IDGC of Urals (MOEX: MRKU) reports its 1Q2018 RAS results

1Q2018 revenues totaled RUB 19,969.0 million (+RUB 1,286.7 million or 6.9%YoY), the increase being impacted by grown revenues from electricity transmission.

1Q2018 expenses (plus administrative costs) amounted to RUB 17,724.7 million (+ RUB 851,3 million or 5.0% YoY), the rise being affected by increased payments to FSK and other grid operators as well as grown expenses on loss compensations.

Pre-tax profit totaled RUB 1,846.2 million (+ RUB 639.6 million YoY).

1Q2018 net income of the Company reached RUB 1,472.6 million (+ RUB 533.0 million YoY), the rise influenced by increased revenues from electricity transmission.

Table 1. 1Q2017 and 2018 highlights of the Company, RUB thousand.

Item	1Q2018	1Q2017
Total revenues	19,969,006	18,682,341
Total expenses (plus administrative costs)	17,724,684	16,873,373
Sales profit	2,244,322	1,808,967
<i>Operating margin</i>	11.2%	9.7%
Pre-tax profit	1,846,202	1,206,557
Net income	1,472,641	939,678
<i>Net margin</i>	7.4%	5.0%

To view 1Q2018 accounting statements prepared under Russian Accounting Standards (RAS), please, visit our corporate web-site (Financial Statements section).

IDGC of Urals (OAO), est. in February 2005, is a grid company responsible for energy transmission and connection of consumers to electric networks in the Sverdlovsk, Chelyabinsk and Perm regions. FY2017 RAS revenues totaled RUB 71.1 bln, net profit reached RUB 4.6 bln. Common shares are traded on MOEX (Level 2 Quotation List). Moody's ratings: Ba1 (CFR) and Ba1-PD (PDR), Stable Outlook. For additional information on the Company, please, visit our corporate web-site at www.mrsk-ural.ru and our web-page in Interfax newswire system.

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Revenues and expenses overview

1Q2018 total revenues amounted to RUB 19,969.0 million (+RUB 1,286.7 million or 6.9%YoY).

Table 2. 1Q2017 and 2018 revenues breakdown, RUB thousand:

	1Q2018	Share, %	1Q2017	Share, %	Changes, %
Total revenues	19,969,006	100.0	18,682,341	100.0	6.9
<i>Electricity transmission</i>	19,802,567	99.2	18,495,694	99.0	7.1
<i>Connection</i>	83,913	0.4	103,589	0.6	-19.0
<i>Other revenues</i>	82,526	0.4	83,058	0.4	-0.6

1Q2018 revenues from electricity transmission totaled RUB 19,802.6 million, contributing 99.2% to the total revenues (+7.1% YoY). Absolute increase is RUB 1,306.9 million, affected by net supply structure, increased YoY tariffs and statutory exclusion of load losses since Aug. 01, 2017.

1Q2018 connection revenues totaled RUB 83.9 million, contributing 0.4% to the total revenues (-RUB 19.7 million or -19.0% YoY), decrease impacted by changes in connection contract structure.

1Q2018 other revenues reached RUB 82.5 million, contributing 0.4% to the total revenues (-0.6% YoY), decrease influenced by reduced revenues from commercial services.

1Q2018 total expenses (plus administrative costs) totaled RUB 17,724.7 million (+5.0% YoY). The breakdown of expenses is presented in the figure below:

Table 3. 1Q2017 and 2018 expense breakdown, RUB thous.

	1Q2018	Share, %	1Q2017	Share, %
Total expenses	17,490,713	100.0	16,604,203	100
Material costs:	4,174,646	23.9	4,058,576	24.4
<i>Purchased energy to compensate losses</i>	3,751,861	21.5	3,678,891	22.2
<i>Purchased energy for production and economic needs</i>	108,842	0.6	103,775	0.6
<i>Raw materials</i>	313,943	1.8	275,910	1.6
Production-related works and services:	8,952,641	51.2	8,269,098	49.9
<i>Outsourced repair and maintenance</i>	45,469	0.2	37,741	0.2
<i>Transmission services rendered by other grid operators, namely:</i>	8,895,489	50.9	8,218,586	49.6
- PAO FSK UES	4,124,819	23.6	3,893,993	23.5
- Other grid operators	4,770,670	27.3	4,324,593	26.1
<i>Other production-related services</i>	11,683	0.1	12,771	0.1
Wages and social benefits	2,395,826	13.7	2,479,865	14.9
Depreciation and amortization	1,290,952	7.4	1,216,695	7.3
Other expenses	676,648	3.8	579,969	3.5
Administrative costs	233,971	1.3	269,170	1.6

Material costs:

1Q2018 expenses on loss compensation totaled RUB 3,751.9 million, contributing 21.5% to the total expenses (+2.0% YoY), RUB 73.0 million increase influenced by grown average non-regulated whole-sale price and statutory exclusion of load losses since Aug 01, 2017.

1Q2018 expenses on energy for production and economic needs totaled RUB 108.8 million, contributing 0.6% to the total expenses (+4.9%YoY), RUB 5.1 million increase affected by grown tariff.

1Q2018 expenses on raw materials totaled RUB 313.9 million, contributing 1.8% to the total expenses (+13.8% YoY), RUB 38.0 million hike impacted by increased repair scope.

Production-related works and services:

1Q2018 outsourced repair and maintenance costs totaled RUB 45.4 million, contributing 0.2% to the total expenses (+ RUB 7.7 YoY).

1Q2018 expenses on other grid operators totaled RUB 8,895.5 million, contributing 50.9% to the total expenses (+8.2% YoY), RUB 676.9 million increase impacted by tariff increase and statutory exclusion of load losses since Aug 01, 2017.

1Q2018 other production-related services totaled RUB 11.7 million, contributing 0.1% to the total expenses (-RUB 1.1 million YoY).

1Q2018 wages and social benefits reached RUB 2,395.8 million, contributing 13.7% to the total expenses (-3.4% YoY), RUB 84.0 million decrease affected by changes in the Company's accounting policy with regard to provision of the annual performance remuneration.

1Q2018 depreciation and amortization reached RUB 1,291.0 million, contributing 7.4% to the total expenses (+6.1% YoY), RUB 74.3 million increase affected by new launches under the investment program.

1Q2018 other expenses reached RUB 676.6 million, contributing 3.8% to the total expenses (+16.7% YoY), RUB 96.7 million increase affected by grown property tax, triggered by increase of privileged property tax.

Loans and borrowings of the Company as of 31.03.2018 totaled RUB 9,833.3 million.

Table 4. Debt portfolio of the company as of 31.03.2018 and 31.03.2017, RUB thousand.

	As of 31.03.2018	As of 31.03.2017
Short-term loans and borrowings, incl.	0	0
<i>bonds</i>	0	0
Long-terms loans and borrowings, incl.	9,833,327	10,882,973
<i>bonds</i>	6,600,000	6,600,000
Interest arrears, incl.	132,705	146,547
TOTAL:	9,966,032	11,029,520

As of 31.03.2018 the debt portfolio consists of long-term loans and borrowings that totaled RUB 9,833.3 million (-9.6% YoY or RUB 1,049.6 million).

As of 31.03.2018 the Company has RUB 1.6 billion series BO-02 exchange-traded bearer bonds (10-year maturity, 7-year put option or 4-year put option upon consent of the holders) and RUB 5.0 billion series BO-05 exchange-traded bearer bonds (10-year maturity, 3-year or 5-year put option upon consent of the holders).

Table 5. Debt indicators as of 31.03.2018 and 31.03.2017.

	As of 31.03.2018	As of 31.03.2017
Debt*, RUB thousand	9,966,032	11,029,520
Net Debt, RUB thousand	8,336,342	9,590,490
EBITDA, RUB thousand	12,162,299	10,778,081
Debt/ EBITDA	0.82	1.02
Net Debt/ EBITDA	0.69	0.89
Debt/ Equity	0.23	0.29
Equity/ Assets	0.62	0.58

*principal debt and interest arrears (line 1410 + 1510 of the RAS balance sheet)

Debt as of 31.03.2018 totaled RUB 9,966.0 million (-9.6% YoY). Absolute decrease is RUB 1,063.5 million, affected by repayment of loans.

Net Debt as of 31.03.2018 totaled RUB 8,336.3 million (-13.1% YoY). Absolute decrease is RUB 1,254.1 million, affected by repayment of loans.

EBITDA as of 31.03.2018 totaled RUB 12,162.3 million (+12.8% YoY), RUB 1,384.2 million EBITDA increase affected by grown revenues.