

FY2019 RAS results

IR release

25.02.2020

Yekaterinburg (Ural Federal District, Russia) – Rosseti Urals Region (new brand of OAO IDGC of Urals) (MOEX: MRKU) reports its FY2019 RAS results

FY2019 revenues totaled RUB 94,042.4 million (+RUB 4,417.3 million or 4.9%YoY), the increase being driven by the Company's operations as the provider of the last resort in the Sverdlovsk and Chelyabinsk regions between 01.04.2018 and 01.10.2019 (former service area of AO Roskommunenergo), between 01.07.2018 and 01.07.2019 (former service area of PAO Chelyabenergosbyt) and between 01.08.2018 and 01.10.2019 (former service area of NUESK), respectively, as well as changes in the tariff "pie" scheme in the Chelyabinsk region since 01.07.2018.

FY2019 expenses (plus commercial and administrative costs) amounted to RUB 88,000.6 million (+RUB 5,835.6 million or 7.1% YoY), the rise being mainly affected by PoLR-related costs as well as increased payments to grid operators due to changes in the tariff "pie" scheme.

Pre-tax profit totaled RUB 2,863.8 million (+RUB 1,739.2 million YoY).

FY2019 net profit of the Company reached RUB 2,155.1 million. A RUB 1,357.5 million YoY increase was impacted by the bad debt reserves created in FY2018 to cover the debt of AO Roskommunenergo, PAO Chelyabenergosbyt and OOO NUESK, as they were deprived of their PoLR status by the Ministry of Energy's decrees.

Table 1. FY2018 and 2019 highlights of the Company, RUB thousand.

Item	FY2019	FY2018
Total revenues	94,042,424	89,625,169
Total expenses (plus commercial and administrative costs)	88,000,565	82,164,978
Sales profit	6,041,859	7,460,191
<i>Operating margin</i>	<i>6.4%</i>	<i>8.3%</i>
Pre-tax profit	2,863,763	1,124,575
Net income	2,155,068	797,526
<i>Net margin</i>	<i>2.3%</i>	<i>0.9%</i>

To view FY2019 accounting statements prepared under Russian Accounting Standards (RAS), please, visit our corporate web-site (Financial Statements section).

Rosseti Urals Region (OAO IDGC of Urals, 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. FY2019 RAS revenues totaled RUB 94.0 bln, net income reached RUB 2.2 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.

Revenues and expenses overview

FY2019 total revenues amounted to RUB 94,042.4 million (+RUB 4,417.3 million or 4.9%YoY).

Table 2. FY2018 and 2019 revenues breakdown, RUB thousand:

	FY2019	Share, %	FY2018	Share, %	Changes, %
Total revenues	94 042 424	100.0	89,625,169	100.0	4.9
<i>Electricity transmission</i>	<i>70 083 635</i>	<i>74.5</i>	<i>67,896,856</i>	<i>75.8</i>	<i>3.2</i>
<i>Connection</i>	<i>782 852</i>	<i>0.8</i>	<i>743,616</i>	<i>0.8</i>	<i>5.3</i>
<i>Electricity sales</i>	<i>22 805 566</i>	<i>24.3</i>	<i>20,537,639</i>	<i>22.9</i>	<i>11.0</i>
<i>Other revenues</i>	<i>370 371</i>	<i>0.4</i>	<i>447,058</i>	<i>0.5</i>	<i>-17.2</i>

FY2019 revenues from electricity transmission totaled RUB 70,083.6 million, contributing 74.5% to the total revenues (+3.2% YoY). Absolute increase is RUB 2,186.8 million, affected by cancellation of individual transmission tariffs for OOO AES Invest and revision of the tariff "pie" scheme in the Chelyabinsk region from 01.07.2018.

FY2019 connection revenues totaled RUB 782.9 million, contributing 0.8% to the total revenues (+RUB 39.2 million or +5.3% YoY).

FY2019 revenues from electricity sales totaled RUB 22,805.6 million, contributing 24.3% to the total revenues (+RUB 2,267.9 million or +11% YoY), the increase being affected by the grown weighted average non-regulated price and sales volumes.

FY2019 other revenues reached RUB 370.4 million, contributing 0.4% to the total revenues.

FY2019 total expenses (plus commercial and administrative costs) totaled RUB 88,000.6 million (+7.1% YoY). The breakdown of expenses is presented in the figure below:

Table 3. FY2018 and 2019 expense breakdown, RUB thous.

	FY2019	Share, %	FY2018	Share, %
Total expenses	85,496,999	100.0	80,004,026	100.0
Material costs:	26,121,872	30.6	24,401,284	30.5
<i>Purchased energy to compensate losses</i>	<i>10,523,082</i>	<i>12.3</i>	<i>10,894,297</i>	<i>13.6</i>
<i>Purchased energy for sales</i>	<i>13,375,898</i>	<i>15.6</i>	<i>11,477,898</i>	<i>14.3</i>
<i>Purchased energy for production and economic needs</i>	<i>231,380</i>	<i>0.3</i>	<i>225,812</i>	<i>0.3</i>
<i>Raw materials</i>	<i>1,991,512</i>	<i>2.4</i>	<i>1,803,277</i>	<i>2.3</i>
Production-related works and services:	39,640,085	46.4	36,821,093	46.0
<i>Outsourced repair and maintenance</i>	<i>466,274</i>	<i>0.5</i>	<i>454,463</i>	<i>0.6</i>
<i>Transmission services rendered by other grid operators, namely:</i>	<i>38,760,835</i>	<i>45.3</i>	<i>36,276,139</i>	<i>45.3</i>
<i>- PAO FSK UES</i>	<i>16,584,032</i>	<i>19.4</i>	<i>16,563,329</i>	<i>20.7</i>
<i>- Other grid operators</i>	<i>22,176,803</i>	<i>25.9</i>	<i>19,712,810</i>	<i>24.6</i>
<i>Other production-related services</i>	<i>412,976</i>	<i>0.6</i>	<i>90,491</i>	<i>0.1</i>
Wages and social benefits	11,115,199	13.0	10,692,065	13.4
Depreciation and amortization	5,587,025	6.5	5,290,098	6.6
Other expenses	3,032,818	3.5	2,799,486	3.5
Commercial costs	969,320		906,796	
Administrative costs	1,534,246		1,254,156	

Material costs:

FY2019 expenses on loss compensation totaled RUB 10,523.1 million, contributing 12.3% to the total expenses (-3.4% YoY), the decrease influenced by lowered losses due to loss-reduction activities.

FY2019 expenses on purchased energy for sales totaled RUB 13,375.9 million, contributing 15.6% to the total expenses.

FY2019 expenses on raw materials totaled RUB 1,991.5 million, contributing 2.4% to the total expenses (+10.4% YoY)

Production-related works and services:

FY2019 expenses on other grid operators totaled RUB 38,760.8 million, contributing 45.3% to the total expenses (+6.8% YoY). The key factor of the increase is changes in the tariff "pie" scheme in the Chelyabinsk region from 01.07.2018.

Other production-related services grew due to increased expenses on energy service contracts as a part of loss-reduction activities.

FY2019 wages and social benefits reached RUB 11,115.2 million, contributing 13.0% to the total expenses (+4.0% YoY), increase affected by increased headcount hired to operate rented movables and immovables of OOO AES Invest since 01.10.2019 as well as indexation of workers' wages since 01.01.2019 and 01.12.2019.

FY2019 depreciation and amortization reached RUB 5,587.0 million, contributing 6.5% to the total expenses (+5.6% YoY), RUB 296.9 million increase affected by new launches under the investment program.

Commercial costs are incurred in the course of energy sales operations. FY2019 commercial costs totaled RUB 969.3 million.

Loans and borrowings of the Company as of 31.12.2019 totaled RUB 15,901.1 million.

Table 4. Debt portfolio of the company as of 31.12.2019 and 31.12.2018, RUB thousand.

	As of 31.12.2019	As of 31.12.2018
Short-term loans and borrowings, incl.	1,500,000	6,600,000
<i>bonds</i>	0	6,600,000
Long-terms loans and borrowings, incl.	14,290,724	7,294,419
<i>bonds</i>	7,000,000	0
Interest arrears, incl.	110,336	232,477
<i>coupon arrears</i>	83,230	185,516
TOTAL:	15,901,060	14,126,896

Short-term loans and borrowings as of 31.12.2019 totaled RUB 1,500.0 million (-77.3% YoY) due to redemption of Series BO-05 bonds (RUB 5.0 billion) and Series BO-02 bonds (1.6 billion) and reclassification of the loans into short-term ones as they mature.

As of 31.12.2019 long-term loans and borrowings totaled RUB 14,290.7 million (+95.9% YoY or RUB 6,996.3 million) due to the bond placements.

As of 31.12.2019 the Company has RUB 4.0 billion Series BO-04 exchange-traded bearer bonds and RUB 3.0 billion Series BO-03 exchange-traded bearer bonds, both maturing in 10 years. Monetary resources from the placements were used to refinance the bank loans.

Table 5. Debt indicators as of 31.12.2019 and 31.12.2018.

	As of 31.12.2019	As of 31.12.2018
Debt, RUB thousand	15,901,060	14,126,896
Net Debt, RUB thousand	14,518,976	12,638,267
EBITDA, RUB thousand*	9,556,728	7,314,938
Debt/ EBITDA	1.66	1.93
Net Debt/ EBITDA	1.52	1.73
Debt/ Equity	0.38	0.35
Equity/ Assets	0.54	0.55

*for the last 4 quarters

Debt as of 31.12.2019 totaled RUB 15,901.1 million (+12.6% YoY). Absolute increase is RUB 1,774.2 million, affected mainly by borrowed loans to fund the investment program and payment arrears of consumers.



Net Debt as of 31.12.2019 totaled RUB 14,518.9 million (+14.9% YoY). Absolute increase is RUB 1,880.7 million, affected by increased debt.

EBITDA as of 31.12.2019 totaled RUB 9,556.7 million (+30.6% YoY or RUB 2,241.7 million).

Debt / EBITDA as of 31.12.2019 totaled 1.66 (-13.8%YoY).

Net Debt / EBITDA as of 31.12.2019 totaled 1.52 (-12.1%YoY).

Debt / Equity as of 31.12.2019 totaled 0.38 (+8.2% YoY).

Equity / Assets as of 31.12.2019 totaled 0.54 (-3.0% YoY).