

## ROSSETI Discloses Its IFRS Financial Results for 2019

**March 27, 2020. Moscow, Russia** – PJSC ROSSETI (ticker symbol: RSTI) (“Company”), Russia’s largest electricity transmission, distribution, and connection grid company, discloses the IFRS financial results of the ROSSETI Group for 2019.

### Management comment:

“ROSSETI has shown stable performance and steady growth over the past three years. Improving operating efficiency, reducing costs through the use of digital technology, and enhancing transparency for our shareholders remain high on our list of priorities for the Company’s growth. ROSSETI being a world leader in the electrical grid sector continues to strengthen its position, being guided by the best international practices and seeking to evolve along with the needs of our consumers. The Development Strategy 2030 approved at the end of last year does not only formulate the key development objectives and set quantitative targets but is also designed to continue the development of the electrical grid sector and to diversify operations of the Group in the best interest of consumers, shareholders and the country. We are convinced that with close cooperation with the Russian Government and the relevant ministries all the goals will be accomplished in a timely manner,” said Pavel Livinsky, Director General, ROSSETI.

### Financial results:

- Revenue: 1,029.7 billion rubles (+0.8% on 2018)
- EBITDA adj.:<sup>1</sup> 323.7 billion rubles (+3.1% on 2018)
- Net cash flows from operating activities: 256.4 billion rubles (+7.5% on 2018)

### Corporate highlights in the reporting period:

#### Strategic:

- Beginning in June 2019, all of the Group’s entities use new names containing ROSSETI’s brand.
- Digital Transformation 2030 Concept has been developed for the ROSSETI Group.
- The Board of Directors of ROSSETI approved a list of pilot projects under the Digital Transformation 2030 Concept, with three projects completed and transferred for test operation.
- The Company developed the ROSSETI Group’s digital transformation methodology and the ROSSETI Group’s digital transformation index calculation methodology; ROSSETI’s subsidiaries formulated digital transformation programs and had them approved by their boards of directors.
- On December 26, 2019, the Board of Directors approved the Development Strategy of ROSSETI Until 2030.
- Programs for the development of smart energy metering systems for the subsidiaries of PJSC ROSSETI have been devised.

#### Operational:

- A new 220/110/20/10 substation, Khovanskaya, began operation on October 16, 2019, to become the largest main substation in Moscow’s Troitsk and Novomoskovsky Administrative Districts.

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<sup>1</sup> Adjusted EBITDA excludes loss from impairment of fixed assets.

- The share of domestically made equipment in the electric grid sector reached 91%, which was announced at the 2nd “Power Grids” International Forum organized by ROSSETI.
- On December 18, 2019, the ROSSETI Group put into operation several modern power facilities in the Irkutsk and Tyumen Regions, which considerably improve electricity supply system reliability for several regions in the Urals, Siberian, and Far Eastern Federal Districts.
- About 700 thousand smart energy meters have been installed and put into service.
- Implementation of unified computerized information system for collection and processing of commercial electricity accounting data «PYRAMIDA».

#### Financial:

- The Company paid a record 5.02 billion rubles in interim dividends for 1Q2019.
- Moody’s upgraded the credit rating of ROSSETI to investment grade (Baa3, stable outlook).
- The Analytical Credit Rating Agency (ACRA) reaffirmed the national scale credit rating of PJSC ROSSETI (AAA(RU), stable outlook).

#### Consolidation:

Among the largest consolidation transactions concluded by the subsidiaries of PJSC ROSSETI are the acquisition of PJSC «IDGC of Centre and Volga region» of electric grid complex of the cities of Izhevsk and Votkinsk in the Republic of Udmurtia, the purchase of shares of JSC Voronezh City Electric Grids by PJSC «IDGC of Centre», the lease of the electric grid complex of the city of Ulan-Ude by PJSC «IDGC of Siberia», as well as the acquisition of 100% stake in JSC «Volgogradskie mejrajonnije elektricheskie seti» by PJSC «ROSSETI South».

#### Corporate highlights after the reporting period:

- ROSSETI and 1C successfully completed the pilot project to automate tax monitoring based on 1C:Holding Management.
- As part of the Group’s entities work on switching over to a uniform brand architecture, two of ROSSETI’s subsidiaries were renamed: IDGC of South, PJSC was renamed ROSSETI South, PJSC, and IDGC of Northern Caucasus, PJSC was renamed ROSSETI Northern Caucasus, PJSC.

#### Key financial results

Overall, the Group achieved upward changes in its financial and economic performance in 2019.

Indicator	2019 Billion RUB	2018 Billion RUB	YoY Change %
Revenue, including:	1,029.7	1,021.6	0.8
- <i>Electricity transmission and distribution</i>	860.9	826.2	4.2
- <i>Technological connection services</i>	48.7	52.6	(7.4)
Operating expenses	(858.3)	(835.8)	2.7
EBITDA* Adj.	323.7	313.9	3.1
EBITDA Adj. Margin	31.4%	30.7%	0.7 pp
Net profit	105.3	124.7	(15.5)
Net debt	422.8	434.1	(2.6)
Net cash flows from operating activities	256.4	238.6	7.5

\* *Adjusted EBITDA is calculated as EBITDA (earnings before interest, tax, depreciation, and amortization) less loss from impairment of fixed assets.*

The Company's **revenue** increased by 0.8% in 2019 on 2018 to 1,029.7 billion rubles. The growth of 34.7 billion rubles in the main segment, revenue from electricity transmission and distribution, was due to tariff indexation.

**Operating expenses** totaled 858.3 billion rubles in 2019, which is an increase of 22.5 billion rubles, or 2.7% compared to 2018, mainly because of changes in uncontrollable expenses: higher expenses associated with electricity purchased for compensation for electricity network losses, services provided by distribution service organizations, and depreciation and amortization.

**Adjusted EBITDA** grew by 9.8 billion rubles in the reporting period, which is an increase of 3.1% compared to the same period last year.

**Net Debt/Adjusted EBITDA** decreased by 0.08x from the beginning of 2019 to 1.31x at year end (December 31, 2018: 1.38x).

Long-term debt obligations continued to dominate the debt portfolio, accounting for 82.6%.

### **Assets**

	<b>December 31, 2019</b> billion rubles	<b>December 31, 2018</b> billion rubles	<b>YoY Change %</b>
Assets, including:	2,649.6	2,518.6	5.2
- <i>Non-current asset</i>	2,328.1	2,144.8	8.5
- <i>Current assets</i>	321.2	352.4	(8.9)

In 2019, the Group's assets grew by 5.2% to 2,649.6 billion rubles (December 31, 2018: 2,518.6 billion rubles), largely because of increased fixed assets due to the implementation of the capex program, along with recognized right-of-use assets (in accordance with IFRS 16 Leases, effective from January 1, 2019).

The Group's debt obligations decreased by 5.9 billion rubles compared with the beginning of the year. However, the introduction of IFRS 16 Leases, effective from January 1, 2019, increased lease obligations by 36.2 billion rubles. With lease obligations factored out, the Group's debt decreased by 42.1 billion rubles.

The IFRS consolidated financial statements of ROSSETI and its subsidiaries for the year ended December 31, 2019, can be found on the Company's corporate website at:

<http://www.rosseti.ru/investors/info/financeinfo/reports/msfo/>

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**Public Joint Stock Company ROSSETI (PJSC ROSSETI)** is one of the largest electric grid companies in the world. The Company manages 2.37 million kilometers of power lines and 517,000 substations with more than 802 GVA of transformer capacity. ROSSETI's subsidiaries account for 75% of transmission and distribution for electricity generated in Russia. ROSSETI comprises 33 subsidiaries and dependent companies, including 15 interregional grid companies and one transmission grid company. The controlling shareholder with an 88.04% stake in the Company is the government represented by the Federal Agency for State Property Management of the Russian Federation.

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of ROSSETI. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may," or "might" and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industry, as well as many other risks specifically related to ROSSETI and its operations.*