

## KEY OPERATIONAL RISKS REALIZED IN 2018

### **KOR-002 Risk of deviation of the average tariff for electricity transmission services from the value used in the formation of the business plan**

Level of materiality of risk – not applicable.

The actual weighted average tariff for electricity transmission services was lower than the one planned in the business plan for the reporting period by 27 rub. per thousand. kWh (plan – 954 rub. / thsd kWh, fact – 927 rub. / thsd kWh). The decrease in the weighted average tariff was affected by the increase in the net power supply for 2018. At the same time, revenue was at the level above the plan.

The realization of risk in 2018 is related to external causes, namely:

- In the branches Altayenergo, PSPP, Omskenergo, the TBR was less developed in the business plan
- A change in the tariff-contract model for the Altainergo, PSP, Krasnoyarskenergo, Kuzbassenergo – RES branches
- A change in the structure of the productive supply of electricity

The total value of productive supply increased by 310 mln kWh.

The risk management measures are performed by the Company in full.

### **KOR-003 Risk of deviation of volumes under the TP in comparison with the value established in the business plan**

The level of risk materiality – moderate.

The planned connection indicator was not fulfilled, with the plan of 984.6 MW, 845.4 MW (75%) were joined, which is connected with the postponement of the implementation of measures initiated by the applicants SEZ JSC (24.5 MW), Aspect LLC (8.9 MW), Lokomotiv LLC (5 MW), Altai Krupa JSC (3.6 MW), NPP SPP JSC (2.6 MW), Slobodian A.D. (1.8 MW), MKU UMI KGO (34 MW), OJSC OUK Yuzhkuzbassugol (28.8 MW), unavailability to join the applicants CJSC Vankorneft (4.9 MW), KGAU IC Avangard-STM (2.5 MW), LLC Sibles Project (3.4 MW), non-execution by the applicant during the term of the stage under an agreement with LLC TK Property (25 MW), termination of an agreement with JSC Kraseko (10 MW), early execution of the contract with the MKU Customer Service Minusinsk District (5 MW), Russian Railways OJSC (4.3 MW), Krasnoyarsk Heat Transportation Company JSC (3.7 MW).

Realization of risk is 0.053 mln rub., which corresponds to a moderate level of materiality. The Company is working on updating the demand for the TA, as well as claim work in respect of the applicants who have violated the deadlines for the implementation of measures stipulated by the terms of the TP contracts.

Thus, the Company is taking comprehensive measures to minimize the deviation of the volumes of the connected capacity from the plan.

## KOR-006 The risk of an increase in the amount of operating expenses from those established for the planned period

The level of risk significance – critical.

Plan – 18,216.4 mln rub., the fact is 18,316.5 mln rub., the increase is 102.1 mln rub. (1 %). The excess of operating expenses is associated with unplanned expenses for holding the XXIX World Winter Universiade 2019 in Krasnoyarsk.

Risk management activities are carried out in full.

## KOR-007 The risk of deviation of overdue receivables from that established in the business plan

Level of risk significance – critical.

The overall level of the DZ for electricity transmission services in 2018 amounted to 16,271 mln rub. with the plan of 16,438 mln rub., including overdue remote sensing amounted to 13,477 mln rub. at the plan of 12,236 mln rub. According to the results of the reporting period, the risk was realized, the fact exceeding the plan amounted to 1,241 mln rub. as a result of violation of the payment discipline of Chitaenergosbyt. The Company concluded an additional agreement on debt restructuring with Chitaenergosbyt JSC following the results of approval by the Board of Directors.

The implementation of the Schedule of measures to reduce overdue receivables for electricity transmission services, which was established on January 1, 2018, was fulfilled by 124% by the end of 2018 (with the redemption plan for 2018 of 2,263 mln rub., the fact was 2,579 mln rub.).

The risk was realized as a result of violation of the payment discipline of Chitaenergosbyt. The Company concluded an additional agreement on debt restructuring with Chitaenergosbyt JSC following the results of approval by the Board of Directors.

As a result of the claim-related work conducted by the Company to collect overdue receivables for the electricity transmission services rendered in 2018, positive court decisions were obtained in 368 court cases for a total of 2,225 mln rub. According to the results of court decisions in 2018, writs were received in the amount of 2,527 mln rub.

According to the results of the work organized by the Company to prevent the realization of the “risk of deviation of overdue receivables from the amount set in the business plan”, the following was ensured:

- Meeting the schedule for reducing overdue receivables, which was established on 01/01/2018, approved by the Board of Directors on June 6, 2018 by 123% (plan – 3,566 mln rub., fact – 4,396 mln rub.)
- Performance indicator for the level of collection of funds
- Availability of cash balance on current accounts as of January 1, 2018, in an amount exceeding the planned business plan level by 77 mln rub. (plan – 40 mln rub., fact – 117 mln rub.);
- Implementation of KPI “Consolidated net cash flow”



## **KOR-008 The risk of deviation of the value of the debt / EBITDA indicator in comparison with the established value in the business plan**

### **KOR-009 The risk of deviation of net profit from the value set in the business plan**

The level of materiality of risk KOR-008 – significant.

The level of materiality of risk KOR-009 – critical.

Debt/EBITDA was at the level of 3.64, with the BP at the level of 2.84 provided. The increase was 0.8 units.

The decrease in net profit relative to the value established by the business plan amounted to 2,209 mln rub. (plan – 3,057 mln rub., fact – 848 mln rub.).

The decrease in net profit relative to the plan occurred including due to:

- Creating a reserve of doubtful debts in the amount of 1.4 bln rub. on receivables of JSC Khakasenergosbyt, deprived of the status of a supplier of last resort in Republic of Khakassia on the basis of the order of the Ministry of Energy of the Russian Federation of 23.03.2018 No. 179
- Reducing the cost of financial investments in subsidiaries in connection with the creation of a reserve for the depreciation of financial investments of Tyvaenergo JSC in the amount of 0.6 bln rub. and the refusal to restore the reserve of 0.3 bln rub. on shares of JSC Tyvaenergo as a result of the formation of a reserve of doubtful debts of JSC Tyvaenergo for the entire amount of overdue accounts receivable of JSC Tyvaenergosbyt due to the low recovery prospects

The realization of risks is due to external factors. At the same time, the list of risk management measures is an exhaustive and fully implemented management of the Company.

## **KOR-015 The risk of an accident due to the fault of the Company**

Level of risk significance – critical.

By the end of 2018, the risk was realized, 4 accidents were recorded (including 3 fatalities) in the branches of Buryatenergo, Kuzbassenergo – RES, Krasnoyarskenergo.

In order to reduce the risk of injury to the Company, the Comprehensive Program to reduce the risk of injury to the Company staff for 2018 is being implemented.

As additional events:

- Approved and put into effect the organization standard CO 3.047/0 "Organization of the work of supervisors. Regulations", which regulates the conduct of weekly inspections by specialists with a group of electrical safety of at least 4, weekly summarizes the distribution of locations of branches
- Monthly staff days are held
- approved and put into effect the organization standard CO 5.144/0 "The procedure for working with personnel on labor protection". Regulation, which provides for the conduct of sudden inspections of working crews in electrical installations

