

Analysis of the financial condition and performance results of the Company

LIQUIDITY

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Absolute liquidity ratio	0.01	0.05	0.00
Acid liquidity ratio	0.70	0.94	0.47
Current liquidity ratio	0.81	1.07	0.53
Working capital to current assets ratio	-0.23	0.06	-0.69

FINANCIAL STABILITY

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Equity-assets (leverage) ratio	0.39	0.39	0.37
Ratio of joint debt to EBITDA	4.92	3.63	3.64
EBITDA, %	2.10	3.36	3.48

CREDITS

Name of the indicator	2016	2017	2018
Long-term borrowed funds	16,751,700	25,469,511	21,169,936
including:			
credits	16,751,700	25,469,511	21,169,936
Short-term borrowed funds	6,558,140	3,484,085	10,575,271
including:			
credits	6,558,140	3,484,085	10,575,271

Change in a credit level is conditioned by financing of construction of objects included in the investment program using borrowed funds in 2018.

PROFITABILITY

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Return on equity (ROE), %	2.93	3.11	-6.28
Return on total assets (ROTA) for income before taxation, %	2.04	1.83	-2.52
Profitability of EBITDA, %	15.68	15.37	9.96

BUSINESS ACTIVITY

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Turnover rate of payables	3.11	4.0	4.35
Growth rate of receivables and payables ratio	1.16	1.59	0.79
Total receivables to payables ratio	1.17	1.55	1.23
Share of receivables in revenue	0.29	0.24	0.22

Liquidity ratios allow assessing the Company ability to repay short-term obligations using current assets.

Current liquidity ratio allows assessing the amount of current assets, which accrue to one ruble of current liabilities; the value of the ratio is 0.53 according to the results of 2018.

Acid liquidity ratio is identical to current liquidity ratio. It estimates the liquidity of assets, but is calculated based on a narrower range of current assets, the least liquid part is excluded from the calculation: production stocks, input VAT and long-term receivables. According to the results of 2018, its value amounted to 0.47.

Working capital to current assets ratio for 2018 amounted to 0; it has a positive value.

Equity-assets (leverage) ratio characterizes the ratio of equity to the total amount of the organization's capital (assets) and shows how the organization is independent from creditors. The smaller the value of the ratio, the more the organization is dependent on borrowed sources of financing, the less stable its financial and economic state. As of 31.12.2018, the equity-assets (leverage) ratio was 0.37.

The ratio of joint debt to EBITDA for the year 2018 is 3.64, which corresponds to the results of 2017.

Return on equity (ROE) for the year 2018 is positive because of the positive financial result for the year 2018.

The ratio of turnover of accounts payable is the indicator characterizing the speed of repayment of debts to suppliers, at the end of 2018 it is 4.35 – its value has been improved in relation to the value for 2017.

In 2018, the receivables rate of growth is less than the payables rate of growth, the ratio is 0.79.

The size of receivables exceeds the size of payables, and as of 31.12.2018, their ratio is 1.23.

In order to improve the financial condition of the Company, to compensate for the shortfall in income in the presence regions of PJSC IDGC of Siberia, work has been organized to increase tariffs for the transmission of electricity. Previously unprofitable branches received tariff and balance decisions for 2019, ensuring break-even of current activity, as well as compensation for the shortfall in income of the previous periods in the medium term.

Program of Increasing Operational Efficiency and Cuts in Spending

Program of increasing operational efficiency and cuts in spending of PJSC IDGC of Siberia was approved by the Board of Directors of the Company on 29.12.2017 (Minutes of the meeting of the Board of Directors No. 263/17 dated 29.12.2017). The implementation of the Program's measures is taken into account in the business plan, investment program, energy saving and energy efficiency program, innovative development program and other target programs developed by the Company.

The Program's performance indicators take into account the targets set by the Strategy for the Development of the Electric Grid Complex of the Russian Federation (approved by Russian Federation Government Decree No. 511-p dated 03.04.2013) and the Directive of the Russian Federation Government No. 2303p-P13 dated 16.04.2015, providing for annual reduction of specific operating expenses by minimum 2%.

Reduction of manageable operating expenses in 2018 as compared to 2012, for the purpose of the Strategy for Development the Electric Grid Complex of the Russian Federation approved by Russian Federation Government Decree No. 511-p dated 03.04.2013, amounted to RUB 3,966 mln or 27% with a target value 15%.

Within the framework of increasing operational efficiency, the Company implemented measures that allowed obtaining an economic effect in the following amount:

1. Increasing the management efficiency of fixed assets by reducing costs connected with the maintenance and management of non-core assets, including due to divestiture (disposal) of non-core assets
2. Increasing the efficiency of the procurement management system and supply chains through re-auctions
3. Increasing the efficiency through the implementation of the energy saving program and increasing energy efficiency (without taking into account the reduction of losses)
4. Increasing the efficiency due to reduction of electric power losses
5. Increasing the efficiency of working capital management, stipulating monitoring of compliance with payment terms in accordance with the current regulations and concluded contracts – is ensured by minimizing the volume of payments ahead of time set by contracts with counterparties
6. Optimization of repair costs, including:
 - The effect of initiating the revision of the rules for technical maintenance and other regulatory normative and technical documentation (provides for economic effect from 2020 onwards)
7. Increasing the efficiency of the procurement and supply chain management system is ensured by implementation of the following measures:
 - Increase in the share of open competitive procurements and decrease in the share of purchases by a single source method ($\geq 95\%$ share of open procurement, $\leq 5\%$ of purchase at a single source)
 - Preservation of the share of procurements on electronic trading platforms – ensuring a share of competitive procurements on electronic trading platforms at a level of not less than 95%
 - Optimization of reserves (category reserve management)
 - Minimization of the use of imported equipment and materials in design decisions and the formation of technical specifications
8. Optimization of transportation costs.

Planned economic effect from implemented activities achieved by means of optimization of the fuel and energy resources will be redistributed for the purpose of performance of additional activities on the organization of vehicles work on maintenance of Company electric grid complex in good working order and on prevention of emergencies.

Based on results of Company work for 2018, a target value for annual reduction of actual specific operating expenses of the Company was achieved.

ACCOUNTS RECEIVABLE

Analysis of change in accounts receivable, mln RUB¹

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Accounts receivable, including:	16,151	14,958	14,531
Buyers and customers	13,363	12,110	11,132
including for electricity transmission	12,715	11,867	10,439
Advances made	461	762	828
Other accounts receivable	2,327	2,087	2,571

At the beginning of the reporting period accounts receivable of PJSC IDGC of Siberia amounted to RUB 14,958 mln, at the end of the reporting period – to RUB 14,531 mln, the decrease in debt for 2018 amounted to RUB 427 mln. The main impact was the decrease in debt for electricity transmission services by RUB 1,428 mln against the background of appearance of accounts receivable in the amount of RUB 458 mln in a result of picking up functions of a guarantee supplier in Republic of Khakassia by Order of the RF Ministry of Energy No. 179 as of 23.03.2018, as well as growth of other accounts receivable, including debt under sanctions for the breach of contractual liabilities.

At the end of 2018, receivables of buyers and consumers amounted to RUB 11,132 mln, which was RUB 978 mln (8%) lower than the level formed at the beginning of the year due to the decrease in debt for electricity transmission services.

Receivables for advances made amounted to RUB 828 mln, which was RUB 66 mln (23%) more than the level formed at the beginning of the year.

Other receivables amounted to RUB 2,571 mln, which was RUB 484 mln (23%) less than at the beginning of 2017.

The biggest share (72%) of Company receivables formed in payments for rendered services on electricity transmission.

According to the results of 2018, in a result of performed work on receivables collection, a level of payment for services on electricity transmission amounted to 99%.

1. Indicators are specified subject to Company bookkeeping report for the reporting period (inclusive of retrospection)

The Company implements the full range of measures to recover overdue receivables, including:

- Out-of-court resolution, including whole or partial limitation of energy supply to debtors
- Debt collection within the frame of legal boundaries
- Organization of measures to collect debt by the security service, including sending letters and appeals to law enforcement and other authorities
- Collection of penalties for untimely performance of terms of payment under contracts for the provision of electricity transmission services established by applicable law of the Russian Federation
- Consideration of issues related to settlement of arrears at meetings in order to implement additional measures, including:
- At balance commissions
- At meetings of the commission for monitoring of a situation with settlements for electricity transmission services and the commission for management of receivables and payables of PJSC IDGC of Siberia
- At meetings with the participation of heads of regional governments
- At meetings of the Board of Directors of PJSC IDGC of Siberia

In a result of the claim work conducted by the Company to recover overdue receivables for electricity transmission services rendered in 2018, positive court decisions were obtained in 368 court cases for a total amount of claims of RUB 2,845 mln, denied collection of RUB 120 mln in the framework of 93 cases. The share of claims satisfied in favor of the Company was 96%, which is equivalent to the same period of the previous year. In 2017, positive judicial decisions were made in respect of claims to the amount of RUB 6,937 mln (460 cases), denied to the amount of RUB 217 mln (52 cases).

Based on the results of the judicial decisions in 2018, enforcement orders for RUB 2,527 mln were received, of which RUB 663 mln or 26% were paid. For the same period of the last year, the enforcement lists for the amount of RUB 6,685 mln were received; RUB 2,174 mln or 33% were cancelled.

Coverage of past due receivables by events aimed at their reduction remains at a stable high level and amounts to 100% as of 31.12.2018.

In the reporting period, unreal receivables for a sum of RUB 921 mln were written off, including for rendered services on electricity transmission for a sum of RUB 408 mln.

ACCOUNTS PAYABLE

Analysis of change in accounts payable, mln RUB¹

Name of the indicator	31.12.2016	31.12.2017	31.12.2018
Accounts payable, including:	13,764	9,645	11,827
Suppliers and contractors	9,300	5,119	8,587
Advanced received	1,185	1,871	1,060
Taxes and levies	1,058	892	864
Other accounts payable	2,221	1,763	1,316

1. Indicators are specified subject to Company bookkeeping report for the reporting period (inclusive of retrospection)

Payables as of 01.01.2018 amount to RUB 9,645 mln, growth for 2018 amounts RUB 2,182 mln; at the end of reporting period the level of payables is RUB 11,827 mln, including:

- Indebtedness to contractors and suppliers as of 31.12.2018 amounts to RUB 8,587 mln, growth is RUB 3,468 mln (68%) in a result of increase in debt for investment activity due to liquidation of overdue liabilities under agreements on technological connection made with a privileged category of consumers (RUB 863 mln), debt at the wholesale market for electricity and power related to the payment for purchased electricity for sale due to performance of functions of a guarantee supplier in Republic of Khakassia (RUB 416 mln), and obtaining additional advances for services on electricity transmission (RUB 361 mln)
- Indebtedness for advance payments received amounted to RUB 1,060 mln, which is less than the level of payables at the beginning of reporting period by RUB 811 mln (43%), including RUB 538 mln conditioned by performance of big agreements for services on technological connection with the reflection of profit in accounting statements
- Indebtedness for taxes and levies amounted to RUB 864 mln, which is RUB 28 mln (3%) less than as of 31.12.2017
- Other accounts payable amounts to RUB 1,316 mln, which is RUB 447 mln (25%) less than the level at the beginning of the year, including RUB 295 mln at the expense of discharge of Company obligations under agreements for rearrangement (reconstruction) of electric grid facilities

CAPITAL INVESTMENTS

Name of the indicator	2016	2017	2018	Change, %
Capital investments, mln RUB (VAT excl.)	5,528	7,367	13,441	82.45

Increase in capital investment financing for PJSC IDGC of Siberia in 2018 in general as compared to 2017 is conditioned by:

- Discharge of obligations under the regulatory agreement in the amount of RUB 0.9 bln made between PJSC IDGC of Siberia and Kemerovo Region Administration, providing for payment for works performed with reliability facilities, reconstruction of distribution grids, facilities of socially-significant consumers, and facilities influencing the receipt of a certificate of readiness for an autumn-winter period 2018/2019
- Attraction of additional borrowed funds for liquidation of overdue liabilities under agreements on technological connection in the amount of RUB 2.4 bln
- Attraction of credit funds in the amount of RUB 0.2 bln for acquisition of electric grid facilities in the territory of Republic of Buryatia within power grid consolidation
- Implementation of a complex of measures on construction and reconstruction of electric grid facilities in order to assure uninterrupted power supplier of venues of XXIX Winter Universiade 2019 to be held in Krasnoyarsk for the amount of RUB 2.0 bln using credit funds. Due to rescheduling of compulsory test competitions to earlier periods, by request of organizers of the Universiade and regional government, a period given for implementation of activities at the electric grid facilities was significantly reduced

Actual main volume of investments is allocated to financing of facilities for technological connection, including a privileged category of applicants, amounting to about 42% of the total financing volume in 2018.

PERSONNEL COSTS

Main indicators	2016	2017	2018	Change,%
Personnel costs	11,968	12,751	13,703	7.47
labor costs	9,245	9,851	10,599	7.59
Insurance contributions	2,723	2,900	3,104	7.03

Increase in costs as compared to the analogous period of the previous year is due to the following reasons:

- Wage indexation 2018/2017 (4%/4.7%)
- Staffing of workshop areas and subdivisions for production safety and production control
- Motivation of operational personnel (increase in salary of operational personnel within the Company standards)
- Increased payment for labor during afterhours (unfavorable weather conditions, failure recovery, technological connection)
- Hiring additional personnel for building and construction department staffing, as well as increase in the scope of works performed by personnel employed based on a piece-rate system of payment for labor
- Liquidation of overdue liabilities under agreements on technological connection (increase in the scope of personnel work during afterhours)
- Hiring personnel to the production department Energosbyt of the branch Khakasenergo