

ANALYSIS OF RECEIVABLES AND PAYABLES

Analysis of changes in receivables, RUB million

Metric	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
Total receivables, incl.:	9,369	8,064	8,833
Customers and contractors	8,874	7,561	8,458
Electricity transmission	5,018	7,353	8,071
Bills receivable	0	0	
Advances paid	68	14	19
Other receivables	427	489	356

Total receivables of the Company at the end of the reported period totaled RUB 9,369 million (as of 31.12.2017 – RUB 8,064 million), the increase impacted by grown receivables from customers and contractors.



Receivables from customers and contractors totaled RUB 8,874 million (+ RUB 1,313 million or 17% YoY). These receivables increased due to the debt of end users, as a result of the PoLR function assignment, of RUB 3,438 million, while receivables from electricity transmission decreased by RUB 2,335 million due to the bad debt reserve created to cover the debt of AO Roskommunenergo, PAO Chelyabenergosbyt and OOO NUESK, as they ceased to be providers of the last resort and were deemed insolvent; and due to the bad debt reserve created to cover the debt of OOO AES Invest, as its individual tariffs for electricity transmission were cancelled⁵⁴. Thus, our Chelyabenergo branch became the sole “pie” holder in the region.

Advances paid reached RUB 68 million (+ RUB 54 million YoY), the rise impacted mainly by changes in settlement terms under contracts with RGOs. Other receivables as of 31.12.2018 totaled RUB 427 million (-RUB 62 million), because of reduction of overpaid income tax.

Electricity transmission receivables contributed 54% to the Company's total receivables. Overdue claim administration, performed by the Company during 2018, has resulted in positive judgments worth RUB 4,282 million, incl. RUB 3,701 million principle debt recovery claim and RUB 580 million penalty recovery claim, namely:

- electricity transmission: 201 positive judgments of RUB 3,915 million (RUB 3,383 million principle debt recovery claim, RUB 531 million penalty recovery claim). Efficiency of overdue electricity transmission claim administration totaled 88% in 2018.
- technological connection: 218 positive judgments of RUB 234 million (RUB 198 million principle debt recovery claim, RUB 35 million penalty recovery claim).
- other legal relations, incl. non-contracted consumption: 1,764 positive judgments of RUB 132 million (120 million principle debt recovery claim, RUB 12 million penalty recovery claim).

During FY2018 OAO IDGC of Urals claimed and successfully collected RUB 220 million as payments to cover penalties imposed for failures to pay for electricity transmission services. Volume of denied electricity transmission debt claims totaled RUB 191 million (RUB 126 million as principle debt recovery claim, RUB 65 million as penalties recovery claim). During the reported period the Company wrote off RUB 63 million as bad debt, incl. RUB 33 million for the electricity transmission.

Analysis of changes in payables, RUB million

Metric	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
Total payables, incl.:	10,532	6,877	8,311
Customers and contractors	7,046	3,812	4,793
Bills payable	0	0	0
Advances received *	1,672	1,408	1,541
Taxes and levies	1,055	991	1,239
Other payables **	759	666	738

* Advances received in 2018 totaled RUB 1,672 million, according to FY2018 RAS form 5.6.5 (line 5562 – RUB 1,242 million, line 5553 – RUB 430 million). Advances received in 2017 totaled RUB 1,408 million (line 5562 – RUB 981 million, line 5553 – RUB 427 million). Advances received in 2016 totaled RUB 1,541 million (line 5562 – RUB 1,201 million, line 5553 – RUB 340 million).

** Other payables in 2018 totaled RUB 759 million, according to FY2018 RAS form 5.6.5. (line 5563 – RUB 31 million, line 5565 – RUB 194 million, line 5567 – RUB 395 million, line 5568 – RUB 139 million). Other payables in 2017 totaled RUB 666 million (line 5563 – RUB 18 million, line 5565 – RUB 99 million, line 5567 – RUB 339 million, line 5568 – RUB 210 million). Other payables in 2016 totaled RUB 738 million (line 5583 – RUB 14 million, line 5585 – RUB 163 million, line 5587 – RUB 345 million, line 5588 – RUB 216 million).

As of 31.12.2018 payables totaled RUB 10,532 million (+RUB 3,655 million YoY). Payables underwent the following changes:

- Suppliers and contractors: payables reached RUB 7,046 million. If compared YoY, the payables added RUB 3,234 million, incl.: payables related to purchased energy (+ RUB 2,020 million) as a result of the guaranteed supplier function⁵¹⁻⁵³ and subsequent liabilities related to purchases of electricity on the wholesale energy market; payables to RGOs (+RUB 701 million) due to changes in the “pie” scheme in the Chelyabinsk region, pursuant to the Ministry of Tariffs and Energy's decision, and due to the December 2017 set-offs with RGOs; payables related to investment activities (+RUB 236 million); payables to other customers and contractors (+RUB 125 million); payables on materials (RUB 85 million).
- Advances received: payables totaled RUB 1,672 million (+RUB 264 million YoY), the rise mainly impacted by increased advances on connection.
- Taxes and levies: payables reached RUB 1,055 million (+RUB 64 million YoY), the increase mainly influenced by increased income tax liabilities.
- Other payables: payables amounted to RUB 759 million (+RUB 93 million YoY), the gain impacted by increase in the headcount due to the PoLR function.

The receivables increased due to liabilities related to purchases of electricity on the wholesale energy market as a result of the PoLR function assignment.