

ANALYSIS OF REVENUES AND EXPENSES

The growth was impacted by electricity sales operations and related proceeds following assignment of the PoLR status.

The Company's FY2018 revenues totaled RUB 89,625 million (+RUB 18,535 million or 26.1% YoY), impacted by increased proceeds from electricity sales services (RUB 20,537 million) following assignment of the "provider of the last resort" status⁵¹⁻⁵³. Revenues from electricity transmission amounted to RUB 67,897 million (- RUB 1,976 million YoY), the lowering impacted by recognition of the RUB 7,665 million network tariff component in revenues from electricity sales.

In comparable conditions, a RUB 5,689 million rise in revenues from electricity transmission was influenced by the grown 2018 average tariff, changes in the "pie" scheme in Chelyabenergo from 01.07.2018 due to the cancellation of individual tariffs for OOO AES Invest, statutory exclusion of load losses from settlements with customers for electricity transmission from 01.08.2017 and changes in consumer structure (voltage classes).

Expenses plus administrative and commercial costs totaled RUB 82,165 million (+ RUB 17,793 million or 27.6% YoY), the growth impacted by the arrangements related to electricity sales operations after the PoLR status was assigned to the Company. These expenses on the arrangements related to electricity sales operations (plus commercial costs) totaled RUB 12,402 million. The increase resulted from the grown non-controllable expenses (payments to PAO FSK UES and other RGOs), consequent upon the hike in the use-of-system tariff, statutory exclusion of load losses from 01.08.2017 and changes in the "pie" scheme in Chelyabenergo from 01.07.2018 due to the cancellation of individual tariffs for OOO AES Invest.

The Company's FY2018 net income totaled RUB 798 million (- RUB 3,772 million YoY), the lowering impacted by 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. On 01.07.2018 OOO AES Invest, the 2nd "pie" holder of the Chelyabinsk region, ceased its RGO operations⁵⁴, thus, our Chelyabenergo branch became the sole "pie" holder in the region. A special provision for unpaid receivables of OOO AES Invest was made.

Key financial and economics metrics, RUB million

Metric	2018	2017	2016
Total revenues, comprising:	89,625	71,090	65,452
Revenues from electricity transmission	67,897	69,873	63,703
Revenues from connection	744	874	1,336
Revenues from electricity sales	20,537	0	0
Other revenues	447	343	413
Total expenses	-80,004	-63,243	-59,338
Gross profit	9,621	7,847	6,114
Administrative costs	-1,254	-1,129	-1,050
Commercial costs	-907	0	0
Profit (loss) from sales	7,460	6,718	5,064
Interest receivable	127	120	158
Interest payable	-887	-859	-969
Income from shareholdings	417	237	314
Other revenues	6,628	5,184	6,461
Other expenses	-12,621	-5,687	-6,219
Pre-tax profit	1,124	5,713	4,809
Income tax and other payments	-326	-1,143	-1,503
Net income (loss)	798	4,570	3,306
EBITDA*	7,315	11,495	10,447

* EBITDA = pre-tax profit - interest payable + depreciation and amortization = line 2300 F2 - line 2330 F2 + line 6514 F2.1+ line 6554 F2.1+ line 6564 F2.1

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