



PRESS RELEASE

Media Relations

PJSC Enel Russia
Pavlovskaya 7, bld. 1,
Moscow, Russia
T +7(495) 539 31 53
EnelRussiaPressOffice@enel.com

enel.ru

ENEL RUSSIA STRATEGIC PLAN 2019-2021: RENEWABLES AND EFFICIENCY TO WITHSTAND MARKET CHALLENGES

- *Enel Russia's plan is designed to balance growth opportunities, strength of the business and shareholders remuneration as well as minimising the risks associated with the current market environment*
- *Current macro and utility sector trends like limited power demand growth coupled with the lasting pressure from excess capacity and tariff containment on pricing are leading the Company to review downwards its financial forecast for the medium-term vis-à-vis the earlier plan*

Targets and earnings summary					
	2018	2019	2020	2021	2022
EBITDA (RUB bn)	~16.5	~15.0	~15.7	~14.5	~19
Renewables contribution to EBITDA	-	-	-	~13%	~30%
Net power output from renewables (TWh)	-	-	-	0.3	~1.1
Net ordinary income (RUB bn)	~7.3	~6.7	~6.9	~5.0	-

Carlo Palasciano Villamagna, General Director of Enel Russia, said: “Over the last year we progressed on all of our strategic pillars that allowed us to confirm 2018 financial targets despite our lower energy production. In the current Strategic Plan, we are focused on Company growth, progressing on our wind projects that we expect will ensure revenue streams after 2020, but we are also committed to improving operational as well as cost efficiency, with the aim to withstand the challenging market scenario. In particular, the plan embeds the latest macroeconomic forecast and takes into consideration the challenging outlook for 2021 in light of the end of thermal DPMs coupled with a final wave of investments in our second wind farm.

When it comes to 2018, we are in line with our guidance of 65% dividend payout while, over the Plan period, due to an acceleration of investments, we are open to thinking about capital reallocation between capex and dividends. We are aiming to create additional value through both the existing projects and new development opportunities with guaranteed returns, hence striking a balance between growth, strength of



the business and shareholder remuneration, all paving the way to the transition towards a more sustainable Company profile.”

Moscow, February 6th, 2019 - Enel Russia (hereinafter the “Company”) presented today its 2019-2021 Strategic Plan to the financial markets and media, earlier approved by the Company’s Board of Directors.

In 2018 Enel Russia delivered on each of the key pillars envisaged by the previous 2018-2020 plan:

- **Cost optimisation:** fixed costs grew below inflation while both asset development and management capex were in line with the plan;
- **Focus on efficiency of thermal assets:** improved equipment availability following the higher level of maintenance carried out in 2017;
- **Debt structure optimisation:** 10 billion RUB of commercial papers issued in 2015 were refinanced, which was the main factor contributing to a 7% decline in net financial charges;
- **Diversification of technology profile:** 291 MW of wind capacity awarded in 2017 tender are being actively developed;
- **Shareholder remuneration:** 60% dividend payout upon 2017 results, while 65% payout upon 2018 results is a guideline for Enel Russia’s Board of Directors when recommending for General Shareholders’ Meeting approval.

All abovementioned pillars are aimed at driving long-term shared value for Enel Russia’s stakeholders, in line with the Company’s sustainable development approach.

Additionally, the Company has identified several areas that are not included in the current plan perimeter, but which have a high priority, such as **Reftinskaya disposal** and **modernisation opportunities for thermal generation** whereby the Company is ready for the first tender with a set of projects to further improve conditions of certain thermal assets with attractive returns.

KEY OPERATING HIGHLIGHTS

Enel Russia will work actively during the plan period on the construction of two wind farms for a total capacity of 291 MW, with commissioning planned by December 2020 and the first MWh of renewable energy to be generated in 2021 by the 90 MW Azov wind farm. No thermal capacity is expected to be added or decommissioned, with all existing facilities being selected for 2019-2021 at the Russian long-term capacity auction (KOM).

Throughout 2019-2021, Enel Russia will focus on ensuring the reliability of its generating fleet, including by optimising the maintenance and investment programme schedule for key assets. The increase of reliability will be required to compensate for the gradual decline in output of the Company’s conventional gas-fired units due to the growing market competition, as well as limited electricity demand in some regions.

OUTLOOK

Current macroeconomic and utility sector trends like limited power demand growth coupled with the lasting pressure from excess capacity and tariff containment on pricing are leading the Company to review downwards its financial forecast for the medium-term vis-à-vis previous plan.



Enel Russia plans to deliver on 2018 EBITDA and net income guidance (16.5 billion RUB and 7.3 billion RUB, respectively) through higher cost savings that could offset the lower production.

Over 2019-2020, the Company expects limited volatility of its gross margin through a high portion of capacity earnings, while electricity revenues over the plan period are expected to largely reflect the impact of 2018 regulatory changes, with a lower than expected gas tariff growth forecast, and market scenario.

Capacity payments being received by the two combined-cycle units (CCGTs) at Sredneuralskaya and Nevinnomysskaya over 2017-2020, coupled with continuous efforts to improve cost efficiency, are being more than offset by the drop in gross margin expected during the current Plan period as opposed to the projections of the previous Plan.

The year 2021 corresponds to the end of the 10-year payback period for the investments into two CCGTs. Both units will switch from DPM to an ordinary capacity (KOM) payment, while “green” DPMs for 90 MW wind project (Azov WPP) will start. A temporary drop in gross margin posted in 2021, resulting from the switch, is expected to be recovered starting in 2022 as soon as 201 MW wind park (Murmansk WPP) will be put into operation.

On the costs side, Enel Russia plans to roll forward its cost optimisation initiatives and keep the growth of fixed costs below inflation, or a 2% increase in the next three years in nominal terms, helping to partially offset lower margins.

As a result, despite Enel Russia’s limited EBITDA growth rate between 2018 and 2022, its structure will change from a qualitative point of view. Specifically, expired thermal DPMs are due to be replaced by renewable capacity contracts, which should create more value as per market assessment.

Looking at the bottom line, net income reflected EBITDA trends over the Plan period, partly offset by net financial expenses that are expected to decline in 2019 mainly on optimised debt cost structure, increasing as of 2021 resulting from renewable projects.

CAPITAL ALLOCATION AND CASH FLOW

Enel Russia expects a total gross capex of approximately 45.3 billion RUB between 2019 and 2021, up 5% on the previous plan. The increase is mainly driven by the change of the plan’s perimeter, with 2021 including asset development capex devoted to the final construction phase of the Murmansk wind farm.

Enel Russia has reclassified its capex plan according to the following categories that better reflect the nature of its current and future business.

- **Asset development** is expected to amount to 30.3 billion RUB, almost entirely addressing wind projects;
- **Asset management** is expected to amount to 15.1 billion RUB, including 78% for operational improvement, 14% for environmental initiatives and 8% for safety and other projects.

Excluding the impact of renewables, a cumulated free cash flow before dividends is set to stay at 14.2 billion RUB during 2019-2021. Taking into account the active construction period, the Company has a negative free cash flow before dividends of 18.6 billion RUB.



Net debt is set to increase up to 52.4 billion RUB by the end of 2021 from 20.3 billion RUB planned for the end of 2018, starting to decrease from 2022, which is already free cash flow positive. Net debt forecast for the entire Plan period is based on the assumption of the current dividend policy.

The dividend policy based on a payout ratio of 65% of IFRS net ordinary income is confirmed for 2018 as a guideline for Enel Russia's Board of Directors when recommending for General Shareholders' Meeting approval.

DISCLAIMER

This press-release contains certain statements that are neither reported financial results nor other historical information ("forward-looking statements"). These forward-looking statements are based on Enel Russia's current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Enel Russia to control or estimate precisely, including changes in the regulatory environment, future market developments, fluctuations in the price and availability of fuel and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this press-release. Enel Russia does not undertake any obligation to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this press-release.

About Enel Russia

An Enel Group subsidiary, PJSC Enel Russia operates the following power plants: Konakovskaya GRES, Nevinnomysskaya GRES, Sredneuralskaya GRES and Reftinskaya GRES. The company's total gross installed electrical capacity is 9,428.7 MW (equivalent to 8,878.4 MW net installed capacity) and thermal capacity is 2.382 Gcal/h. PJSC Enel Russia's authorised capital is 35,371,898,370 roubles, which is divided into ordinary shares with a par value of 1 rouble. The Enel S.p.A share in the company's authorised capital is 56.43%, PFR Partners Fund I Limited's share is 19.03%, Prosperity Capital Management Limited's share is 8.23% and other minority shareholders' share is 16.31%. PJSC Enel Russia shares are listed in Level 1 MICEX quotation list.

The company was established in Yekaterinburg on October 27th, 2004 as OJSC OGK-5. On July 7th, 2009 by the resolution of Annual General Shareholders' Meeting the company was renamed OJSC Enel OGK-5 and on August 8th, 2014 the Federal Tax Service registered the new version of the company's charter with the name OJSC Enel Russia. On June 25th, 2015 the company changed its legal type and was renamed PJSC Enel Russia.

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