



## 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 2021-2023 STRATEGIC PLAN: POISED FOR REBOUND AFTER 2021 PIVOTAL YEAR

- *Enel Russia 2021-2023 Strategic plan is based on updated macro & market outlook assumptions in a “new normality”*
- *COVID-19 pandemic had different impacts on our existing operations and on our construction activities. Notwithstanding all difficulties our renewable and modernization projects are going ahead*
- *2021 is a “pivotal year” in the Company’s transition period, after which the financials are expected to grow again once renewable and modernization projects are commissioned*
- *The Company’s plan balances growth opportunities, financial solidity of the business and shareholders remuneration. In this year of strategic repositioning, the Company postpones distribution of 3 bn RUB dividends planned for 2021 to 2023, offering increased return in that year*

<b>Financial Targets</b>					
<b>Earnings growth</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2020-23 CAGR</b>
<b>EBITDA (RUB bn)</b>	9.9*	7.5	10.6	12.4	+7.7%
<b>Net ordinary income (RUB bn)</b>	4.6*	3.0	3.3	3.9	-5.2%
<b>Shareholders remuneration</b>					
<b>Dividend distributed during the year (RUB bn)</b>	3.0	-	3.0	5.2	-
<b>Dividend per share (RUB)</b>	0.085	-	0.085	0.146	-

**Stephane Zweguintzow**, General Director of Enel Russia, said: “Throughout 2020 Enel Russia was focused on ensuring continuous business operations and on completing its ongoing construction projects, always keeping in mind business transformation, operational efficiency improvement and shareholders remuneration as key priorities. The Company’s Strategic plan presented today is based on new market assumptions in a context of “new normality”, creating additional challenges in 2021, a “pivotal year” in our strategic transition period. This forces us to reconsider our business approach to ensure a proper balance

\* Preliminary financial data as per internal accounting standards



*between all our strategic pillars. In this connection we propose to postpone the distribution of 3 bn RUB dividends planned for 2021 to 2023, offering increased return in that year”.*

**Moscow, February 17<sup>th</sup>, 2021** - Enel Russia (hereinafter the “Company”) is presenting its 2021-2023 Strategic plan today to the financial markets and media.

### **Main drivers & events of 2020**

The year was marked by the COVID-19 pandemic, which created significant challenges to the Company, and forced it to operate in a completely different environment, compared to the previous years. The Company implemented a set of actions against COVID-19 pandemics, which altogether allowed to offset its impact on day-to-day activities and work processes on our gas power plants.

On the other hand, the construction of our wind farms was affected by a number of “force majeure” events caused by the COVID-19 pandemic.

On a positive side our gas power plants modernization projects are on track and on time.

The Company is considering on a case-by-case basis participation in new tenders, with a specific focus on fitting the “low carbon” with “high efficiency” strategy.

### **Key directions of strategic repositioning for 2021-2023**

The Company reaffirms its long-term strategy to balance the interests of internal and external stakeholders in terms of growth opportunities, financial solidity of the business and shareholders remuneration.

- **Transformation towards a sustainable generation profile:** On July 1<sup>st</sup>, 2020 the Company completed the process of Reftinskaya GRES disposal. The power plant was fully transferred to the buyer and the remaining 4 bn RUB payment of the fixed component was received. Throughout the year active construction at Azov and Kola wind farms took place, with the first one being fully physically constructed by the end of 2020 despite all challenges.
- **Focus on equipment modernization of gas power plants:** Throughout the year the Company implemented projects aimed at improving the parameters of our existing assets. For instance, important maintenance activities were performed on the CCGT units at Sredneuralskaya and Nevinnomysskaya GRES. Besides that, a significant progress was achieved on replacement of turbine and boiler at Nevinnomysskaya GRES, one of the four modernization projects awarded to the Company, with a planned commissioning in 2022.
- **Operational efficiency:** Ongoing delivery and focus on efficiency through continued fixed costs decrease following Reftinskaya GRES disposal, which is supporting the Company’s margins during the period of business profile transformation.
- **Shareholder remuneration:** In July 2020 the Company distributed to its shareholders 3 bn RUB of dividends in line with the fixed dividend approach for 2020-2022. In the “new normality” scenario, the Company proposes to postpone the 3 bn RUB dividend distribution of 2021 to 2023, to be paid together with the 65% dividend payout of 2022.

Our strategic pillars **Diversification of technology profile** towards lower carbon footprint as well as **Focus on efficiency of gas power plants** contribute to the UN Sustainable Development Goals (SDGs): SDG 7



(Affordable and Clean Energy) and 13 (Climate Action). Enel Russia contributes to other SDGs by promoting a sustainable business model and employing sustainable behaviors.

### The new 2021-2023 Strategic plan

The main changes in **installed capacity** envisaged in the 2021-2023 plan include:

- In thermal generation, on top of the upgrade of CCGT unit at Nevinnomysskaya GRES, 2 units of Sredneuralskaya GRES included in the modernization program will add another 40 MW of capacity beyond the plan period.
- In renewables generation, following the “force majeure” situation due to COVID-19 pandemic, which was recognized by the Market Council for Azov wind farm construction project, the Company now expects the project’s commercial operation in 2021 (instead of 2020 originally planned). Similar situation is applicable for Murmansk wind farm construction project, for which the project commercial operation date is now expected in 2022 (instead of 2021 originally planned).
- The commissioning of an additional 71 MW of installed capacity (Rodnikovskaya wind farm project) is expected beyond the plan period and is not affected by COVID-19 pandemic to date.

The Company has updated its previous outlook on utility sector and macroeconomic trends in a more conservative manner, considering the drop in power demand and spot prices, as well as volatility in GDP growth and exchange rates which occurred during 2020.

For the current Strategic plan period, the Company has developed cautious assumptions on output of gas units with gradual increase of wind power units, following one-by-one launch of our wind power plants, altogether resulting in a moderate positive trend of power output.

**Total capex for 2021-2023 amounts to 36.7 bn RUB** being slightly below the previous plan (a 7% decrease from 39.4 bn RUB for 2020-2022) and covering the initiatives, which are strategic for the Russian energy sector and crucial for the Company in terms of diversification of its assets base, following exit from coal generation. Main focus is devoted to finalization of greenfield renewable projects, with majority of them to be finalized within the plan, as well as activities on brownfield modernization projects with majority of them to be finalized beyond the plan. More specifically:

- **Approximately 29.5 bn RUB** will be invested in Asset development, covering the 2 main strategic directions, for instance around 22.6 bn RUB for wind projects and around 6.9 for modernization projects;
- **Approximately 7.2 bn RUB** will be invested in Asset management, mainly on Operational improvements (5.1 bn RUB), Safety and other (1.5 bn RUB) and Environmental initiatives (0.6 bn RUB).

Taking into account the increased volatility of exchange rate dynamics, the Company outlines the hedging activities that it has traditionally been following, which results in more than 95% of CAPEX being linked to RUB.

**On operational efficiency side**, the Company plans to further optimize the processes in order to smooth drop in margin in 2021 and speed up the recovery from 2022. An important part of such initiatives is devoted to continued programs of performance optimization & digitalization, namely:

- Economies from remote work mode on overheads



- Implementation of the system of predictive analysis and integration between systems for technical Key Performance Indicators (KPIs)
- Introduction of new Enterprise Resource Planning (ERP) system for more efficient management process
- Upgrade of internal electronic document management system for workflow optimization

**EBITDA** is expected to reach **12.4 bn RUB** in 2023, growing with a CAGR of 29% during the plan period from 7.5 bn RUB planned for 2021. Notably, the impact of renewable projects to the Company's EBITDA is planned to reach 39% by the end of the Strategic plan period. The structural change of the Company's composition of gross margin and EBITDA with gradual increase in guaranteed capacity payments throughout the period, following the expiration of old thermal Capacity Supply Agreements (CSAs) in 2020, will be accomplished by a more sustainable generation mix.

**Net income** is planned to stand at **3.9 bn RUB** in 2023, showing a CAGR of 15% vs. an estimate of 3 bn RUB expected for 2021, despite being impacted by increasing financial expenses under the dedicated project of financing facilities for construction of wind farms.

**Net debt** continues its gradual increase, following the CAPEX needs of the projects, and reaching **around 42.2 bn RUB** in 2023. The largest one-off increase is planned for 2021, with Net Debt increasing to 30.5 bn RUB, mainly driven by the acceleration of investments to support business profile transformation.

### Value creation to shareholders

The 2021-2023 Strategic plan envisages a balance between the Company's financial stability, growth opportunities, and shareholders remuneration. Taking into account the situation of "force majeure", recognized on one of our projects, combined with adverse market developments during 2020, the main task for 2021 is to keep financial stability. The Company confirms that it will distribute 3 bn RUB dividend for 2020 results, however, it will be done in 2023 instead of 2021.

Responsibility to our shareholders and investors remains our topmost priority. After passing the 2021 "pivotal year", in this period of strategic repositioning and earnings volatility, we expect to distribute 3 bn RUB in 2022 for results of 2021 and ~ 5.2 bn RUB in 2023, which attributes to 65% of Net Ordinary Income of 2022 plus 3 bn RUB shifted from 2021, altogether resulting in almost 0.15 Rub Dividend per Share.

### 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

PJSC Enel Russia is a subsidiary of Enel Group. PJSC Enel Russia operates the following three gas power plants: Konakovskaya GRES, Nevinnomysskaya GRES and Sredneuralskaya GRES. The company's total gross installed electrical capacity is 5,628.7 MW (equivalent to 5,255.4 MW net installed capacity) and thermal capacity is 2,032 Gcal/h.



Besides that, PJSC Enel Russia implements three projects in the field of wind generation: Azovskaya WPP (90 MW), Kolskaya WPP (201 MW) and Rodnikovskaya WPP (71 MW). PJSC Enel Russia's authorized capital is 35,371,898,370 roubles, which is divided into ordinary shares with a par value of 1 rouble. The Enel SpA share in the company's authorised capital is 56.43%, PFR Partners Fund I Limited's share is 7.4, RDIF Investment Management-8 share is 5.54% and other minority shareholders' share is 30.63%. PJSC Enel Russia shares are listed in Level 1 the Moscow Exchange quotation list.

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

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