

ANALYSIS OF FINANCIAL STANDING

Key financial and economic metrics

Indicators	31.12.2016	31.12.2015	31.12.2014
Liquidity and instant solvency ratios			
Acid test ratio	0.76	0.60	0.75
Current liquidity ratio	0.82	0.63	0.79
Turnover and efficiency ratios			
Receivables/Payables growth ratio	1.23	0.99	0.97
Total receivables/Total payables	1.06	0.87	0.87
Receivables/Revenues, %	11.44	11.73	10.89
Financial soundness ratios			
Equity / Total Assets	0.57	0.54	0.53
Total Debt / EBITDA	1.06	1.64	1.67
Performance indicators			
Return on Equity (ROE)	9.15	7.23	6.24
Return on Total Assets (ROTA)	7.37	5.02	3.97
EBITDA margin	15.96	13.96	12.43

LIQUIDITY AND INSTANT SOLVENCY RATIOS

Liquidity ratios demonstrate how the Company can use current assets to discharge short-term liabilities. Acid test ratio as of 31.12.2016 totaled 0.76 (+ 0.16 pct YoY). Current liquidity ratio gained 0.19 YoY. Upward trend of the indicators is fueled by lowered short-term liabilities affected by redemption of the loan and borrowings.

EFFICIENCY RATIOS

Total receivables/Total payables ratio is 1.06, proving that the Company is able to perform its debt liabilities without losing its financial stability. Receivables/Revenues remained almost the same in comparison to 2015 and totals 11.4%.

FINANCIAL SOUNDNESS INDICATORS

Financial soundness indicators expose how a firm depends on borrowings and specify risk level for firm's creditors. Equity/Total Assets ratio demonstrate how equity contributes to total assets. By the year-end there was little change in ratio (0.57). Total debt/EBITDA is an indicator of debt burden exposing how a firm can use operating cash flow to discharge its liabilities. By the year-end the ratio decreased 0.58 pct YoY. Upward trend of the indicator is fueled by reduced debt burden against increased EBITDA.

PERFORMANCE INDICATORS

FY2016 Return on Equity and Return on Total Assets totaled 9.15% and 7.37% respectively. Upward trend is driven by enhanced performance.

ANALYSIS OF RECEIVABLES AND PAYABLES

Total receivables of the Company, minus bad debt reserve, at the beginning of the reported period totaled RUB 8,379 million, reaching RUB 8,833 million by the year-end. The increase was mainly influenced by grown transmission receivables impacted by revenue boost. Receivables from customers and contractors totaled RUB 8,458 million (+ RUB 1,494 million or +21% YoY). Advances paid reached RUB 18 million (- RUB 20 million or -53% YoY).

	As of 31.12.2016	As of 31.12.2015	As of 31.12.2014
Total receivables	8,833	8,379	7,662
Customers and contractors	8,458	6,964	7,031
Electricity transmission	8,071	6,507	6,507
Bills receivable		0	0
Advances paid	18	38	130
Other receivables	357	1,377	501

Other receivables amounted to RUB 357 million (- RUB 1,020 million or -74% YoY). Such lowering is impacted by a returned Commercial Court deposit and inflows from assignment of claim agreements.

Electricity transmission receivables contributed 91% to the Company's total receivables. Overdue claim administration, performed by the Company during 2016, has resulted in 1,178 positive judgments worth RUB 3,121 million and 100 negative judgments worth RUB 116 million, namely:

- electricity transmission: 164 positive judgments worth RUB 2,894 million (RUB 2,690 million principal debt, RUB 204 million interest, incl. use of someone else's cash in line with Art.395 of the Russian Civil Code, contract penalties, legal interest and other fines);
- technological connection: 104 positive judgments worth RUB 114 million (RUB 97 million principal debt, RUB 17 million interest, incl. use of someone else's cash in line with Art.395 of the Russian Civil Code, contract penalties, legal interest and other fines);