



CREDIT RATINGS AND BONDS

Credit ratings

As of 01.01.2017 Moody's Investor Service has assigned us Ba2 corporate family rating (CFR) and probability of default rating (PDR) with Stable Outlook. On December 7, 2017 Moody's Investor Service has upgraded the corporate family rating (CFR) and probability of default rating (PDR) of IDGC of Urals to Ba1 from Ba2 and to Ba1-PD from Ba2-PD, respectively (Stable outlook). The upgrade reflects Moody's opinion that:

- 1) the regulatory environment for the Russian energy grids, albeit still evolving, provides for a timely recovery of operating costs, a somewhat deferred but guaranteed recovery of investments into infrastructure and an adequate return on such investments;
- 2) electricity distribution volume risks are limited in the future, given the company's dominant market position;
- 3) company's financial profile has recovered and is strong for the current rating category;
- 4) company's liquidity is robust.



According to the rating agency, positive pressure on the ratings and the outlook could arise if the government bond rating of Russia were upgraded, provided that (1) there is a clear evidence that the regulatory regime for the sector is evolving in the positive direction, providing for robust and predictable long-term recovery of costs and investments; and (2) the company maintains strong credit profile and robust liquidity in line with Moody's expectations. Continued evidence of state support for the sector, as well as company's disclosure standards, would also be prerequisites for a higher rating.

Bonds

During the reported period the Company had RUB 1.6 billion BO-02 series and RUB 5.0 billion BO-05 series exchange-traded bonds in floatation. BO-02 series bonds were placed at MICEX stock exchange, 24 November 2015 being effective date. The issue maturity is 10 years, designated offer due 7 years after the effective date and redemption offer due 4 years upon holders' consent. 1-14 coupon rates were set at 11.58% per annum, equal to coupon yield for each coupon period at RUB 57.74 per one bond. BO-05 series bonds were placed at MICEX stock exchange, 26 August 2016 being effective date. The issue matures in 10 years, with two redemption offers due 3 and 5 years after effective date upon holders' consent. Coupon rates were set at 9.32% per annum until maturity, equal to coupon yield for each coupon period at RUB 46.47 per one bond. In 2017 OAO IDGC of Urals has discharged its bond-related liabilities in full.

In 2017 OAO IDGC of Urals has registered Series 001R Exchange-Traded Bond Program (documentary interest-bearing non-convertible bearer exchange-traded bonds with mandatory centralized custody, ID No. 4-32501-D-001P-02E). Ceiling total par value of exchange-traded bonds to be placed under the program is RUB 25,000 million. Maximum maturity of exchange-traded bonds to be placed under the program is 10,920 days since the effective date. The ID number is assigned by PAO Moscow Exchange on 08.02.2017. Program's duration is 50 years after the ID number was assigned to the program.

The Company has issued the following securities:

- BO-03 series exchange-traded bonds (4B02-03-32501-D) with total par value of RUB 3,000,000,000 to be redeemed on 3640th date since BO-03 series bond effective date;
- BO-04 series exchange-traded bonds (4B02-04-32501-D) with total par value of RUB 4,000,000,000 to be redeemed on 3640th date since BO-04 series bond effective date.

The Company has placed no bonds during 2017. As of 31.12.2017 the Company's bond debt was RUB 6,600 million.