



**PJSC Evropeyskaya Elektrotehnica**

**REFLECTION  
OF THE COMPANY'S DEVELOPMENT STRATEGY  
IN FINANCIAL AND OPERATING RESULTS**

Moscow  
2019

# PJSC Evropeyskaya Elektrotekhnica:

## Engineering Competencies and Transparency

Our Company offers **comprehensive solutions** for industrial, construction and infrastructural purposes.

### ENGINEERING SYSTEMS

Since **2004**: low and medium voltage distribution equipment, low current systems, lighting systems, industrial electric heating systems

#### 17 engineering centers

(Russia, Kazakhstan, Azerbaijan, Morocco, Ecuador)

#### Key partners (vendors):






### PROCESS SYSTEMS

Since **2018**: equipment for the Oil&Gas and petrochemical industries, at **own production facility** in Ufa (Russia):

- production area of 68 thousand square meters
- full cycle of work, wide product range
- high qualification scientists, designers, technologists and workers

#### Key partners (vendors):






### Operational indicators (9m of 2019):

**350** people Highly professional well-balanced team

**35%** Share of own products in the total delivery volume

**11%** Share of export product delivery

### Financial indicators (2018, IFRS), USD mln:

**52.6** Revenue

**12.8** EBITDA %

**4.7** Profit

**20.7** Assets

### Financial stability



Credit Rating **BBB- (RU)**,  
Outlook Stable

### Financial transparency



Public company  
(MOEX: **EELT**)



**IFRS** fin. statements'  
Auditor

## Factors of the Company's **investment** attractiveness

- I Reliable partner of companies from Russia and other countries
- II Growth strategy
- III Emphasis on increasing the project portfolio profitability
- IV Stable financial position: Foundation for further business growth
- V Dividend history and an example of transparency in the Russian economic sector new for investors
- VI Improvement of the corporate governance system

*Detailed description of each of these factors is presented below.*

***The number** of the considered factor is indicated in the slide headlines.*

## Economic "champions" trust us: major companies from Russia and other countries



БАШНЕФТЬ



The Company has a pool of licenses and certificates (FSB license, license to work at Rosatom facilities, etc.), giving access to work on the largest federal projects.

# We enjoy the **trust** of the largest suppliers of electrical engineering products in Russia and all over the world

The company cooperates with **70+** suppliers, including:



Suppliers of the Company represent **around 20 countries**:

United Kingdom, Finland, Sweden, Poland, Czech Republic, Germany, Austria, Denmark, Italy, France, Ireland, Spain, Turkey, USA, Greece, Japan, South Korea, Australia, and Russia.

## | **Strong customer base: diversification, growth**

Current order portfolio of the Company:

**750+** customer companies from **20+** industries

Share of the largest customers in the current order portfolio (by contract value)

- 49,6% — TOP 10 customers

35% — share of new customers in the current order portfolio (the first contracts were signed within the last 12 calendar months)

### REGIONS OF THE COMPANY'S CUSTOMER BASE:

- **Russia, CIS and Central Asia:**  
Kazakhstan, Turkmenistan,  
Kyrgyzstan, Uzbekistan
- **Middle East countries:**  
Lebanon, UAE, Saudi Arabia
- **North African Countries:**  
Egypt, Morocco, Algeria, Jordan
- **Countries of Southeast Asia:**  
India, Indonesia
- **South America:**  
Ecuador

## II We implement growth strategy

### COMMERCIALIZATION OF TECHNOLOGICAL INNOVATIONS

#### ORGANIC GROWTH

- Expansion of the engineering centers network to 23 centers by 2021 (17 - at the end of 2019)
- Creation of new production capacities in Russia and abroad
  - November 2019: the status of resident of the SEZ “Dubna” (Moscow region) was obtained
  - December 2019: a new production site in [the Special Economic Zone Tekhnopolis Moscow](#) for the production of smart switchboards
- Market launch of new products and services
- High potential of R&D program

#### INORGANIC GROWTH

- The company is analyzing investment opportunities
- M&A transactions in respect to small players in the Russian market, while the shares of the Company's majority shareholders may be used as a means of payment

#### PARTICIPATION IN THE IMPORT SUBSTITUTION PROGRAM

- We confidently compete with foreign manufacturers, including those outside Russia
- Increase in the export share to 20% by 2022

# Stable financial position of the Company: **Foundation** for further business growth

<i>in RUB million, unless otherwise specified</i>	9M 2019	9M 2018	Change
Consolidated revenue	<b>2,561.0</b>	<b>2,601.4</b>	-1.6 %
Gross profit	<b>607.7</b>	<b>584.1</b>	+4.0 %
<i>Gross profit margin</i>	23.7 %	22.5 %	+1.3 p.p.
Operating profit	<b>318.7</b>	<b>284.2</b>	+12.1 %
<i>Operating profit margin</i>	12.4 %	10.9 %	+1.5 p.p.
EBITDA [1]	<b>329.0</b>	<b>293.9</b>	+11.9 %
<i>EBITDA margin</i>	12.8 %	11.3 %	+1.5 p.p.
Profit for the period	<b>239.2</b>	<b>224.3</b>	+6.6 %
<i>Profit margin for the period</i>	9.3 %	8.6 %	+0.7 p.p.
Investment [2]	214.0	392.0	-45.4 %
Investment in R&D [2]	56.0	160.0	-65.0 %
Free cash flow to equity (FCFE) [2]	-200.2	-16.4	-
Return on equity (ROE)	40.8 %	51.0 %	-10.1 p.p.
Net debt/12M EBITDA	0.3	-0.3	-
12M EBITDA/12M interest payments	19.1	4.6	+14.5

	Sept 30, 2019	Dec 31, 2018	Change
Assets	1,716.4	1,291.2	+32.9 %
Cash and cash equivalents	26.8	246.8	-89.2 %
Assets/Equity	1.9	2.2	-0.3
Net working capital [2]	709.9	715.4	-0.8 %
Current ratio	2.0	2.6	-0.6
Net debt [1]	120.4	-153.1	-

Source: PJSC Evropeyskaya Elektrotehnika's Consolidated Financial Statement for 9M 2019 as reviewed by FBK Grant Thornton audit company.

Notes:

[1] Non-IFRS indicators; the calculation procedure is given below in a financial press release.

[2] Non-IFRS indicators.

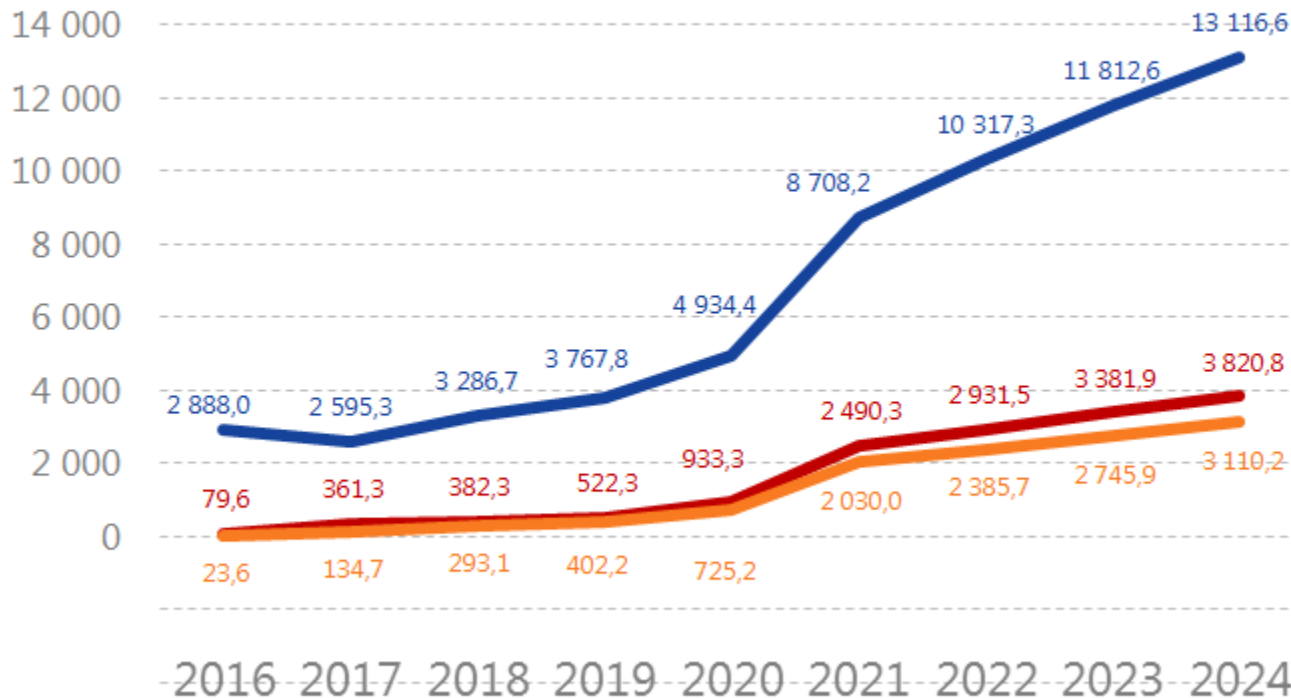


# PJSC Evropeyskaya Elektrotekhnica: **effective R&D** is a driver of business value' growth

## FINANCIAL OUTLOOK

as of Dec 25, 2019

RUB million



**Expected growth (2019-2024):**

**Revenue: 3.5x (CAGR 23.1 %)**

— Revenue

— EBITDA

— Profit for the year

**EBITDA: 7.3x (CAGR 39.3 %)**

**Profit: 7.7x (CAGR 40.6 %)**

FACT

OUTLOOK

Source: Management estimates  
of PJSC Evropeyskaya Elektrotekhnica

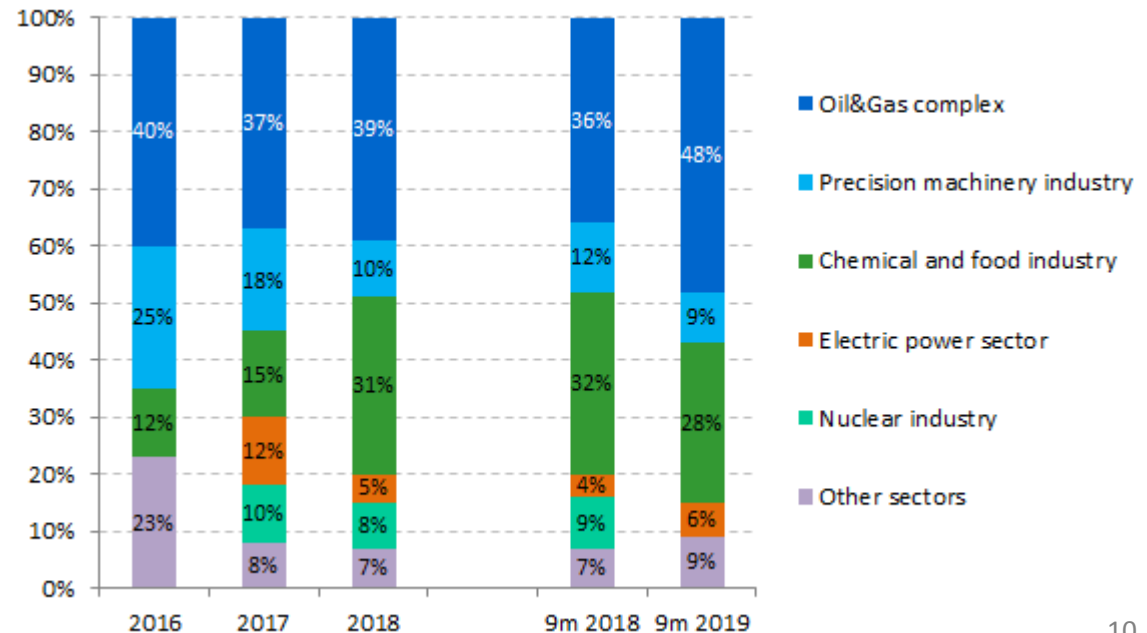
## III Emphasis on **increasing** the project portfolio profitability

In 2017, the Company changed its approach to the establishment of the project portfolio:

- We decided to focus on highly profitable areas and projects
- Low margin business opportunities were deliberately declined
- Further diversification of the project portfolio and development of new areas

First results of the decision 2017: the Company's profit for 2018 increased 2.1 times, the indicator increased by 6.6% during 9 months of 2019.

Revenue structure breakdown by industry



## III In-house engineering and production base

Engineering centers provide an **increase in the Company's share in the total value added created in the market** for trade in electrical products and related services.

The company opens such centers in Russia and abroad in geographic proximity to potential customers.

- 2019, fact: the Company has **17 engineering centers** (+1 in 2019)
- 2021, plan: increase in the number of centers to 23

The expansion of its own production capacities provides the Company with both the offer of new products in the traditional market and the entry into new promising markets.

The company has established its **own production** of transformer substations, switchboard equipment of any complexity (up to 6300 A), electrical lighting systems, industrial electrical heating systems and cable products.

- 2018, fact: the work of a research and production company for the production of oilfield equipment was launched, which will allow the Company to expand and significantly strengthen its position in the fuel and energy complex in Russia and enter the oil market of other oil-producing countries of the world.

## **IV Positive dynamics of indicators growth: 2019**

<b>+49.6%</b>	TOP-10 Customers' share in revenue	<b>-1.6%</b>	Consolidated revenue growth
<b>10.0%</b>	Share of exports	<b>+6.6%</b>	Profit growth for the period
<b>-45.4%</b>	CAPEX change	<b>40.8%</b>	ROE
<b>-65.0%</b>	Investments in R&D change	<b>0.3</b>	Net debt/EBITDA

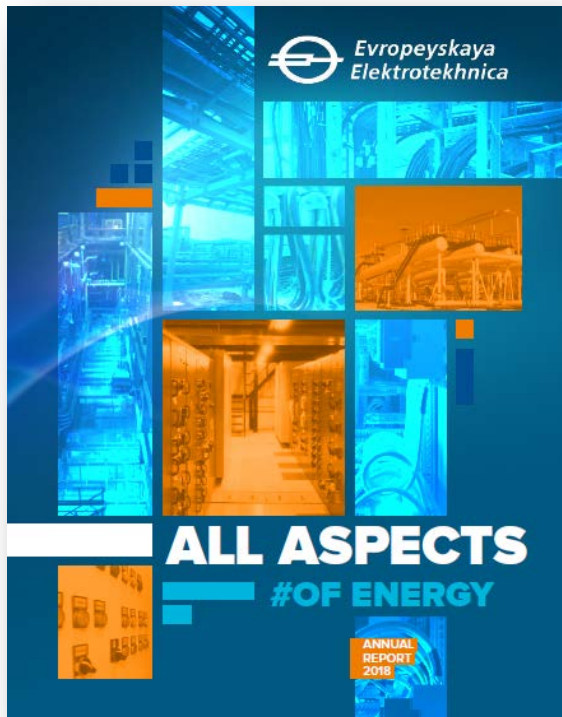
## V **Dividend** story in the Russian economic sector **new** for investors

- Due to the issue of PJSC Evropeyskaya Elektrotehnika shares to the stock market, investors got the opportunity **to diversify** their investment portfolios with investments in industrial engineering **for the first time**.
- The Company's shares have expanded the range of Russian high-tech investment opportunities that **do not have a raw material orientation**.
- **The Company has approved a dividend policy**, according to which at least 20% of net profit under IFRS will be allocated **for dividend payments**. \*
- The Board of Directors of PJSC European Electrotechnology approved on December 10, 2019 the launch of a Buyback program for ordinary shares of PJSC European Electrotechnics on the open (exchange) market for a total amount not exceeding 100 million rubles. The program will be effective till December 31, 2020.

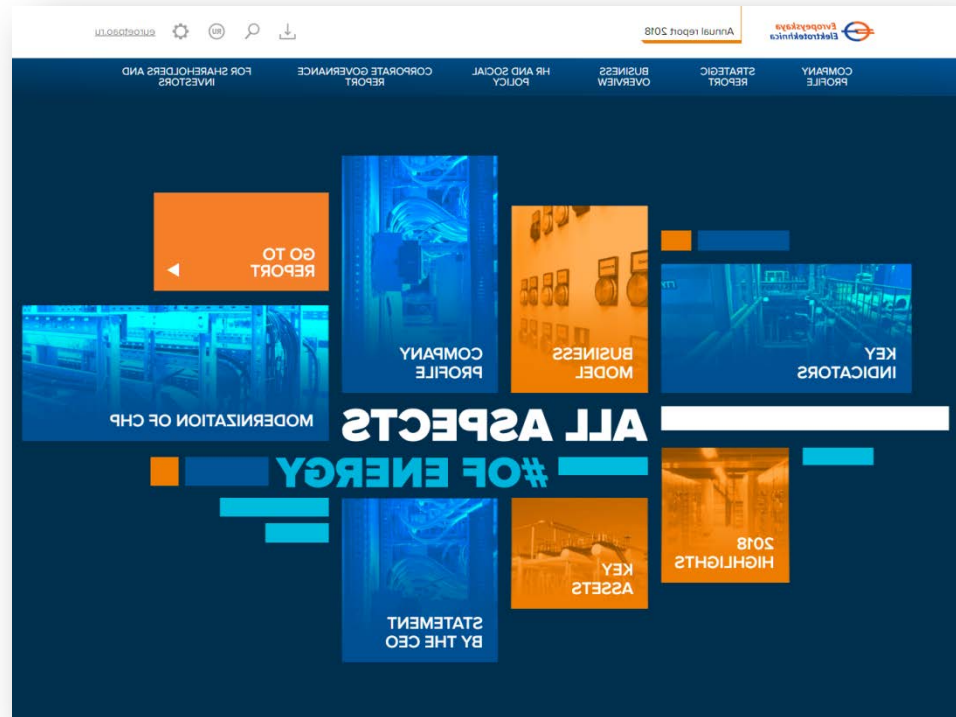
Note:

\* the decision was made by the Board of Directors of PJSC Evropeyskaya Elektrotehnika (Minutes No. 8 of September 6, 2017)

## V Corporate transparency: 2018 annual report **published**



Annual report is in the IR section of the website: [link](#)



Debut **interactive** annual report of the Company:  
<https://ar2018.euroetpao.ru/en>

## V Corporate governance system is being **improved** on a regular basis

The company is steadily fulfilling its **roadmap** for developing a corporate governance system.

The purpose of this work is to bring the corporate governance system in the Company closer to the advanced level provided for:

- Corporate Governance Code (CCU) \*, if possible in full
- listing rules of the Moscow Exchange in terms of requirements for the CG system \*\*

- The roadmap of the Company for the development of corporate governance has been expanded to **128 criteria** for assessing compliance with the principles of corporate governance.
- 89 - the number of criteria by which the Company's CG system fully meets the CCU.

The implementation of the roadmap is monitored at meetings of the Board of Directors of the Company.

Note:

\* in accordance with the letter of the Bank of Russia dated April 10, 2014 N 06-52 / 2463 "On the Corporate Governance Code"

\*\* <https://www.moex.com/a2585>

## **VI** Independent Directors **participate in the work** of the Company's Board of Directors\*

2 out of 6 members of the Board of Directors are **independent**.



Joel Lautier  
Senior Independent Director

Head and founder of RGG Capital with management experience in strategic and financial consulting since 2006.

Founder and the first Chairman of the M&A working group of the European Business Association, which includes more than 150 companies.

Member of the Franco-Russian Chamber of Commerce and Industry's Board of Directors. He is a member of the Board of Directors of several companies in the fields of chemistry, retail and financial services.



Vladimir Grubenko  
Independent Director

Work experience in commercial banks of the Russian Federation since 1993, including management experience as Chairman of the Board, Head of the Board of Directors.

Has specialized education: graduated from Moscow Power Engineering Institute with honors; qualification: electric engineer in the field of power supply





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