



**Federal Grid Company**

**IFRS FY2015  
Operational and Financial Results**

**March 2016**





## Key Events in 2015

- From 1 July 2015 the transmission of electricity tariff through the UNEG network was increased by 7.5% according to the decree of Federal Tariff Service in relation to FGC UES services for the period 2015-2019 (№ 297-э/3 dated 09/12/2014).
- In June 2015 at the Annual General Meeting, shareholders voted in support of a dividend payment for 2014 amounting to RUB 847.4 million (taking into account the dividend payment for the first quarter of 2014 which amounted to RUB 437 million, total dividend payments for 2014 amounted to RUB 1.284 billion).
- Following the reviews in 2015 by international rating agencies Moody's, Fitch Ratings and Standard & Poor's, the Company had its ratings confirmed by these agencies at Ba1, BBB- and BB+, respectively.
- Federal Grid Company raised RUB 40 billion from pension funds to finance its investment programme through the placement of 30-year infrastructure bonds.
- The Company fulfilled its obligations to buy back previously issued bonds in the amount of RUB 25 billion.
- The Russian Ministry of Energy approved Federal Grid Company's revised investment programme for the periods 2015 and 2016-2020 (decrees numbered № 979 and № 980, dated 18 December 2015).

Source: Company IFRS financials

- Notes:
1. Total revenue includes income from general contractor agreements at subsidiaries.
  2. Excluding allowance for doubtful debtors and subcontract works carried out by subsidiaries under general contractor agreements

## FY2015 Consolidated Financial Results

- Revenue increased by 6.3% y-o-y to RUB 187.0 bn.
- Total operating expenses excluding allowance for doubtful debtors and subcontract works carried out by subsidiaries under general contractor agreements decreased by 3.7%.
- Adjusted EBITDA increased by 1.9% y-o-y to RUB 109.7 bn, adjusted EBITDA margin decreased by 2.5 pp y-o-y to 58.6%.
- Net debt position increased to RUB 222.9 bn from RUB 220.1 bn as of 31 December 2014, implying net debt / adjusted EBITDA LTM equal to 2.0x as of 31 December 2015.

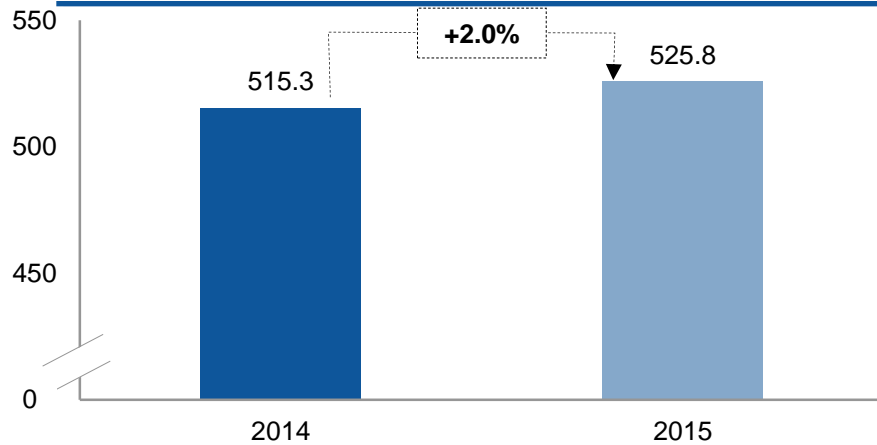
## Financial performance

RUB bn	2014	2015	Y-o-Y Change
Revenues <sup>(1)</sup>	176.0	187.0	6.3%
Operating expenses <sup>(2)</sup>	123.3	118.6	-3.7%
EBITDA (adj.)	107.7	109.7	1.9%
Profit for the period	-20.6	44.1	-
Profit for the period (adj.)	40.8	46.4	13.6%
Total comprehensive income for the period	21.6	47.8	121.5%
Net debt	220.1	222.9	1.3%



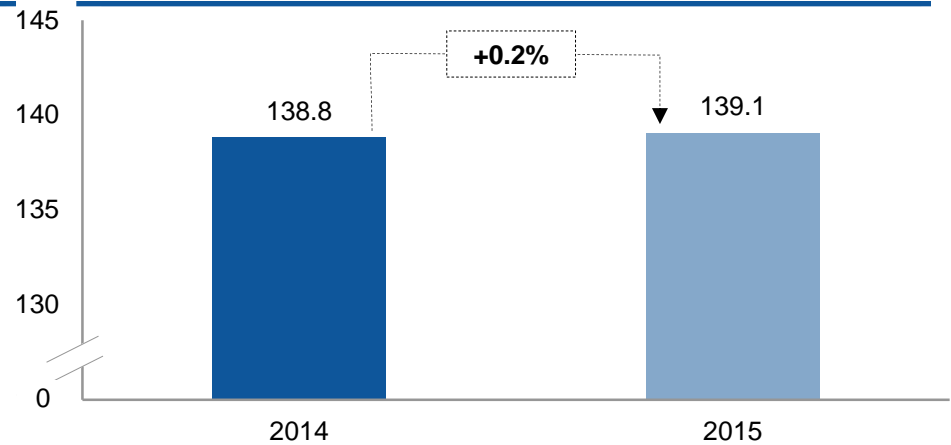
## Electricity Transmission Volume

bn kWh (for respective period)



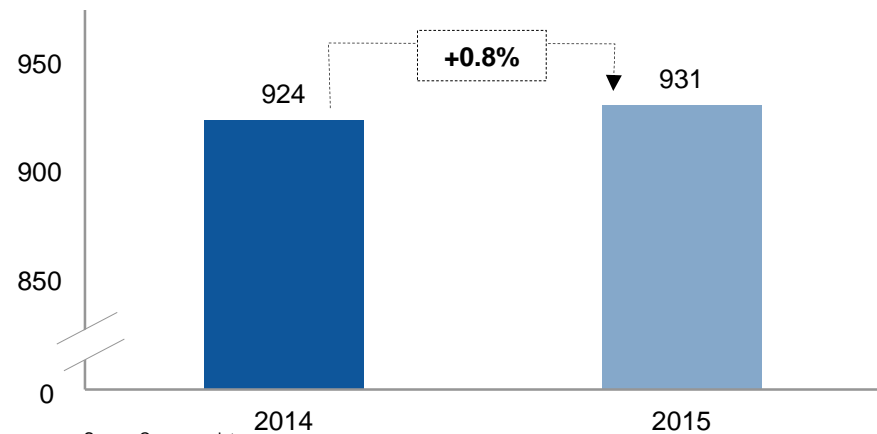
## Transmission Grid Length in Operation

'ths km (end of period)



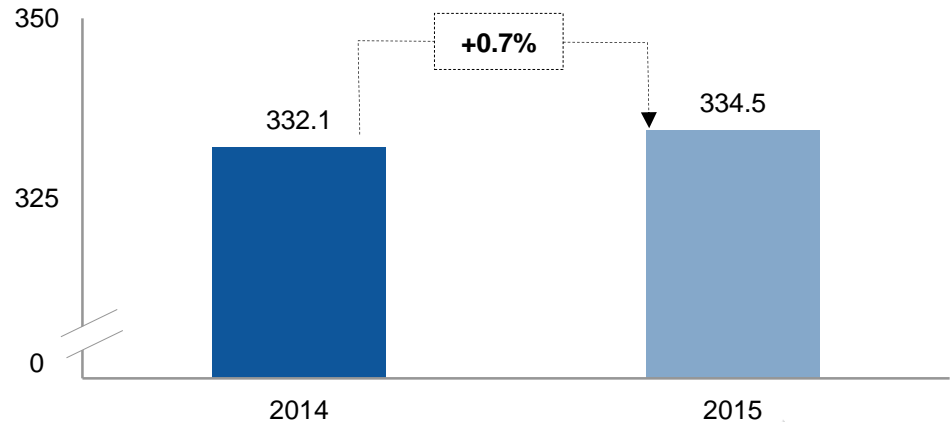
## Substations in Operation<sup>(1)</sup>

Units (end of period)



## Total Transformer Capacity in Operation

GVA (end of period)



Source Company data

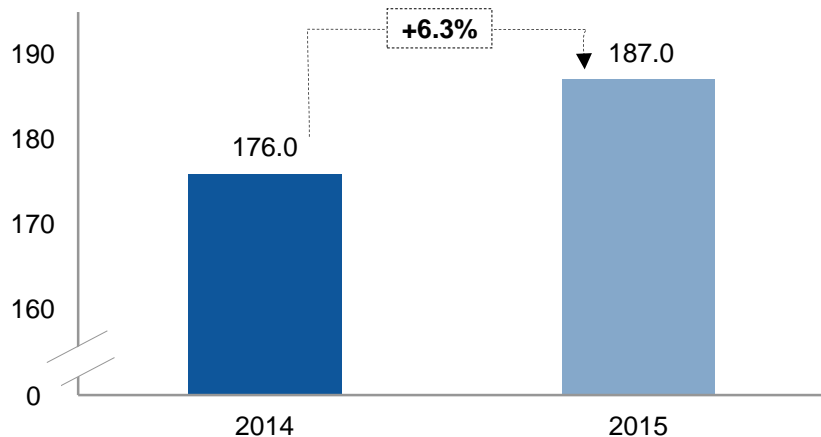
Notes:

1. Including leased substations

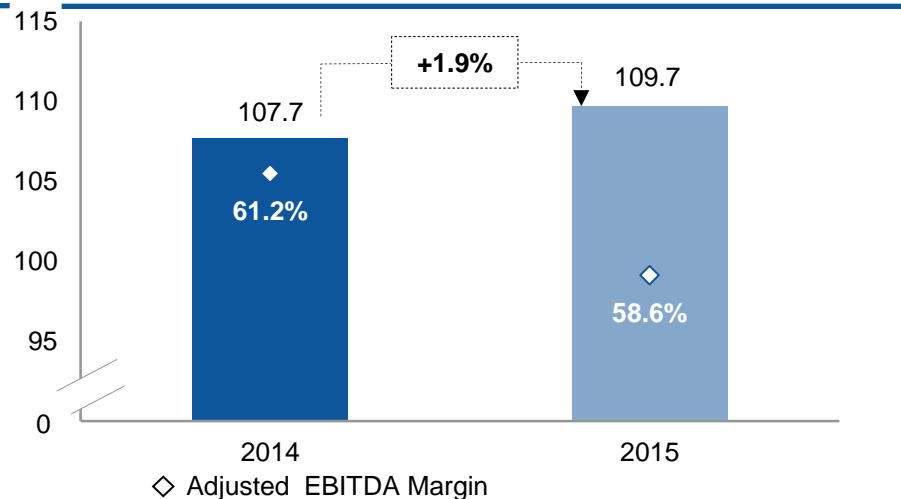
# Key Financial Results



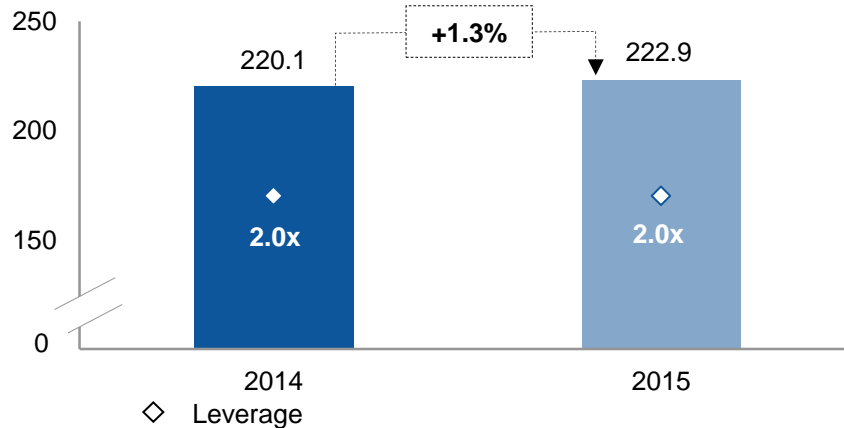
## Revenues RUB bn



## Adjusted EBITDA RUB bn



## Net Debt Position RUB bn



Source: Company IFRS financials

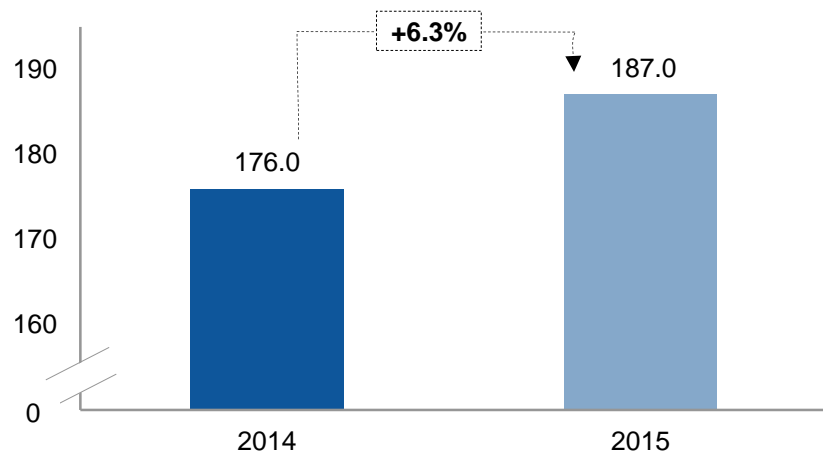
Note: Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation





## Total Revenue

RUB bn



## Tariffs in the 2<sup>nd</sup> RAB-period

	1 <sup>st</sup> July 2014 г.	1 <sup>st</sup> July 2015 г.	1 <sup>st</sup> July 2016 г.	2017-2019
Return on invested capital	10%	10%	10%	10%
Tariff growth	0%	7.5%	7.5%	7-6.2%
Tariff rate (RUB/MW a month)	134,589.17	144,686.52	155,541.58	-

## Revenue structure

RUB bn	2014	2015	Y-o-Y Change
Transmission fee	159.7	157.8	-1.2%
Connection services	7.0	12.4	76.8%
Construction services	0.0	7.0	n/a
Electricity sales	5.6	6.4	15.2%
Other revenue	3.7	3.4	-7.4%
<b>Total revenue</b>	<b>176.0</b>	<b>187.0</b>	<b>6.3%</b>

- Total revenue grew by 6.3%, primarily influenced by:
  - the transition to direct client payments on the basis of factual capacity as opposed to declared capacity, the basis on which payments were made prior to 1 January 2015 (- RUB 1.9 bn).
  - completion of work on technological connection of power stations (+ RUB 5.4 bn)
  - general contractor service agreements (+ RUB 7 bn).
  - Electricity sales rose by RUB 0.9 bn due to higher sales at Mobile Gas Turbine Electricity Station (MGTES) subsidiary.

# Operating Cost Structure



	2014 RUB bn	% of Total Operating Costs	2015 RUB bn	% of Total Operating Costs	Y-o-Y Change
D&A	47.1	38.2%	40.9	34.5%	-13.2%
Personnel Related Expenses	26.6	21.6%	25.2	21.2%	-5.3%
Purchased electricity	14.0	11.4%	15.2	12.8%	8.6%
Electricity transit	3.6	2.9%	4.0	3.4%	11.1%
Repairs & Maintenance and Materials	5.1	4.1%	5.1	4.3%	0.0%
Taxes, other than on income	7.1	5.8%	7.8	6.6%	9.9%
Other expenses	19.8	16.0%	20.4	17.2%	3.0%
<b>Total operating expenses (excluding allowance for doubtful debtors and subcontract works carried out by subsidiaries under general contractor agreements)</b>	<b>123.3</b>	<b>100.0%</b>	<b>118.6</b>	<b>100.0%</b>	<b>-3.7%</b>

- Operating expenses (excluding allowance for doubtful debtors and subcontract works carried out by subsidiaries under general contractor agreements) decreased by 3.7% and amounted to RUB 118.6 bn.
- Depreciation and amortisation costs decreased by over 13% in 2015 and amounted to RUB 40.9 bn (34.5% of the Group's total operating expenses), which is explained by revised useful life assessments on fixed assets, carried out as of 31 December 2014.
- Personnel-related expenses decrease by 5.3% to RUB 25.2 bn following headcount reductions.
- Costs related to electricity purchases rose by 8.6% due to changes to the way payments were calculated.
- Electricity transit expenses rose due to currency exchange rate volatility.
- Expenses on materials, repair and technical servicing remained at 2014 levels and amounted to RUB 5.1 bn.
- Higher tax and duty payments are explained by property tax increases of RUB 1.8 bn, which came as a result of the increase in property tax expense caused by the gradual abolition of tax benefit for power transmission grids.
- Other operating expenses rose slightly (by 3.0% year-on-year), and include expenses related to fixed-asset writedowns, insurances, security, other materials, as well as IT expenses, rent and other costs.
- In 2015 allowances for doubtful debtors amounted to RUB 7.1 billion (compared to RUB 2.9 bn in 2014). The year-on-year increase by approximately 2.5 times is explained primarily by increase in allowances for overdue and doubtful accounts receivable, including allowances for debtors (Lenenergo, Kubanenergo, Dagennergoset, Tyvaenergo, Chechenergo and independent consumers such as Mechel-Energo and Energia, consumers of Nurenergo)

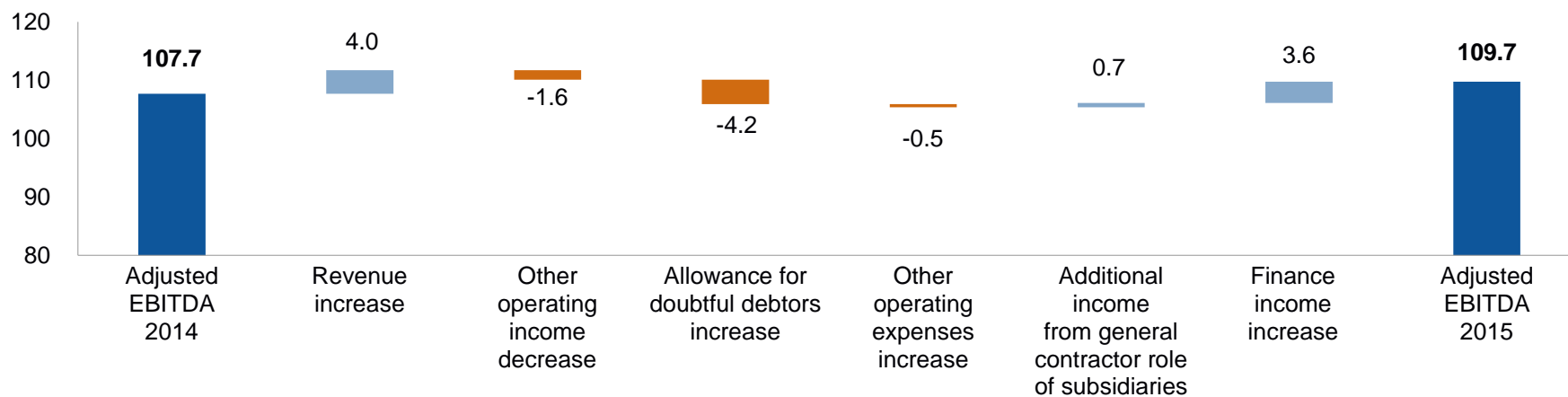
Source: Company IFRS financials

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## Adjusted EBITDA Bridge

RUB bn



Source: Company IFRS financials

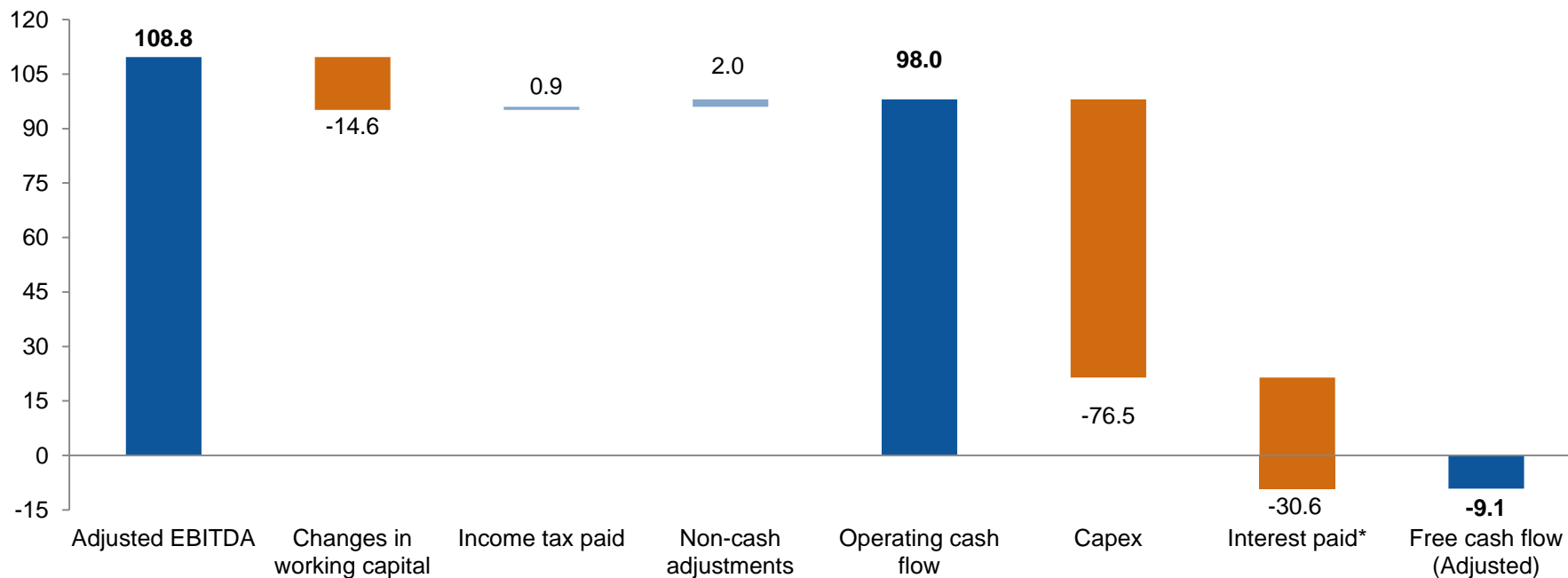
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# Free Cash Flow



## Free Cash Flow in 2015

RUB Bn



- Outflow for the period was covered by company's available financial sources:
  - Cash and cash equivalents and bank deposits at the beginning of the year – RUB 42.3 bn
  - Cash received from infrastructure bond issue in May 2015.
  
- Increased interest expense is connected to growth of consumer price index. In the mid-term inflationary risk is expected to decrease.

Source: Company IFRS financials

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# Debt Capital Structure



## Debt profile as of 1 January 2016

- Debt principal amount: RUB 274.7 bn
- Debt service cost on average: 12.89% (compared to 8.65% on 1 January 2015)
- Expectation of stabilisation of inflationary risk
- Average debt maturity: 17.2 years
- Debt/Adj. EBITDA metric for end of 2016 no higher than 3.0x in line with the Company's credit policy
- Debt structure composition: approximately around 50% is long-term financial instruments, slightly less than half is infrastructure bonds, 6% eurobonds and less than 1% is other loans.
- 100% of total debt is unsecured and ruble-denominated
- No currency risk

## Credit Ratings

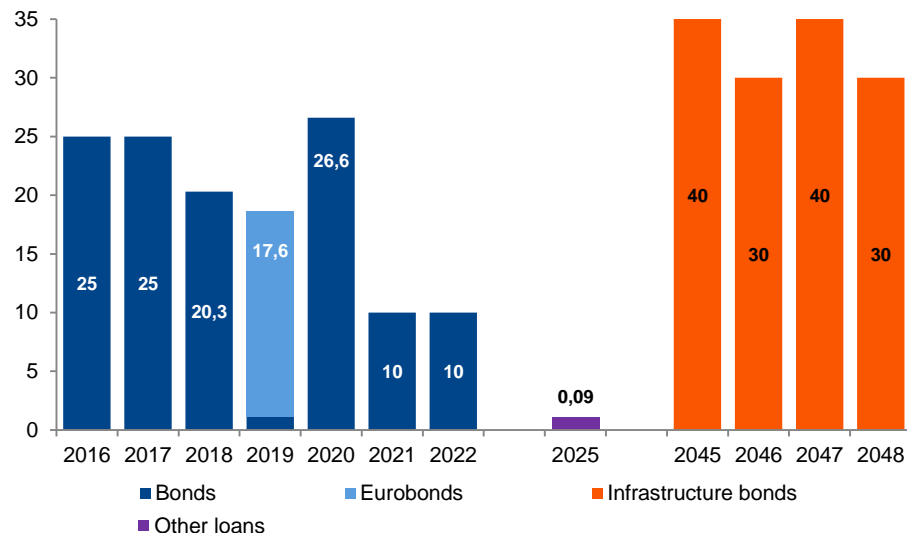
Company's credit ratings are at the sovereign level as per 3 leading ratings' scales

**FitchRatings**      BBB-      Negative

**STANDARD & POOR'S**      BB+      Negative

**MOODY'S INVESTORS SERVICE**      Ba1      Negative

## Debt repayment structure, RUB bn



## Financial leverage indicators

Indicators	end of 2014	end of 2015
Total debt, bn. RUB	263.0	281.5
Net debt, bn. RUB	220.1	222.9
Net debt / Adjusted EBITDA	2.0x	2.0x

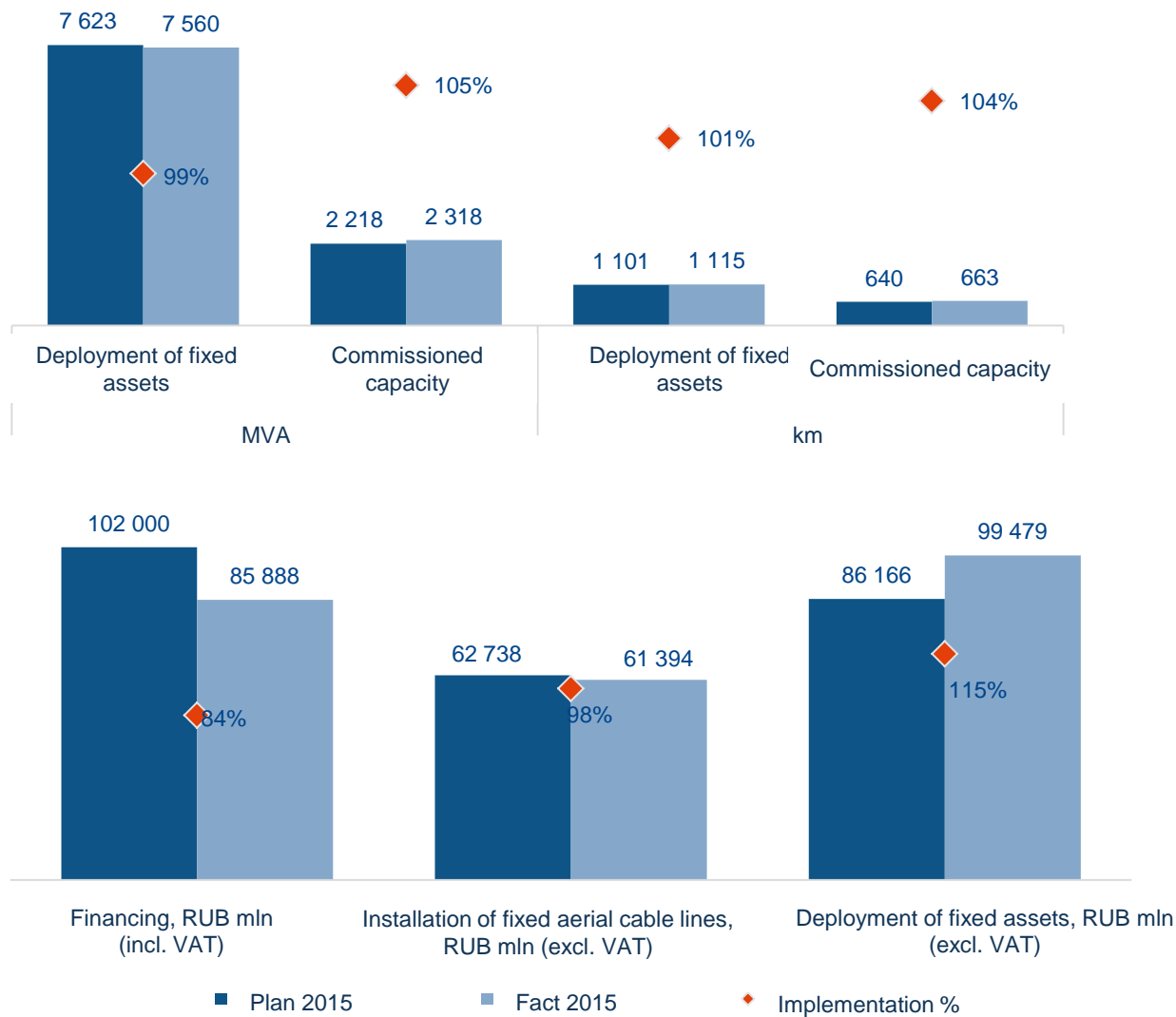


- Optimisation of operating expenses
- Optimisation of capital expenditures
- Carry out investment programme with the aim of facilitating reliability and new connections to raise revenue
- Well balanced financial policy to maintain a high level of financial sustainability
- Increased dividend payout



# Appendices

# Preliminary results of investment programme in 2015





## General

- The Unified National Electric Grid – the UNEG
- PJSC “Federal Grid Company of Unified Energy System” – Federal Grid Company
- PJSC “FGC UES” and its subsidiaries – the Group
- PJSC “Russian Grids” – Russian Grids
- The Russian Federal Tariff Service – the FTS

## Financial Metrics

- Adjusted EBITDA is calculated as EBITDA adjusted to exclude impairment and revaluation loss on property, plant and equipment, impairment of available-for-sale investments (only for the year ended 31 December 2014), and to include finance income
- Adjusted profit for the period is calculated as profit for the period (loss for the year ended 31 December 2014) adjusted for impairment and revaluation loss on property, plant and equipment, impairment of available-for-sale investments (only for the year ended 31 December 2014), including respective deferred income tax
- Adjusted EBITDA Margin – ratio of Adjusted EBITDA to revenue
- Total Debt – current and non-current debt (includes bonds, bank and non-bank loans and finance lease liabilities)
- Net Debt –total debt less cash and cash equivalents, short-term promissory notes and short-term bank deposits
- Capex – cash spent during the reporting period for purchase of property, plant and equipment and intangible assets
- Leverage – ratio of net debt as at the end of the reporting period to adjusted EBITDA for the last twelve months before the end of that period
- Personnel Related Expenses – employee benefit expenses and payroll taxes
- Materials, Maintenance & Repairs costs – sum of expenses for repairs and maintenance of equipment (by contractors) and materials for repair
- D&A – depreciation of property, plant and equipment and amortisation of intangible assets



# Investor Relations Contacts



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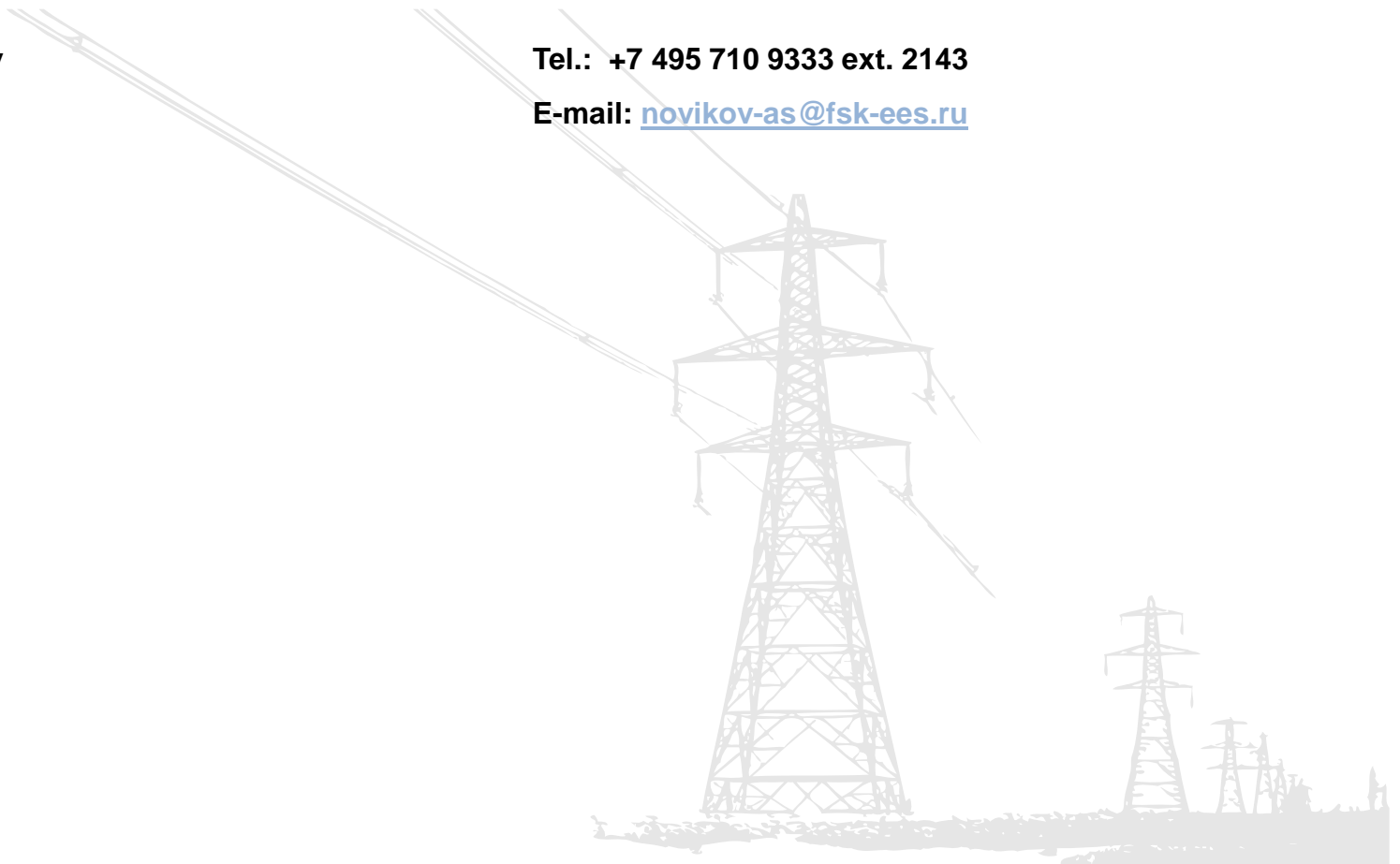
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