



Federal Grid Company

1H2017 IFRS
Operational and Financial Results

August 2017



London
Stock Exchange

LISTED

STANDARD
DEPOSITARY RECEIPTS



Key Events in 1H2017

- In accordance with the approved tariff decision for Federal Grid Company (Federal Antimonopoly Service order № 1892/16 dated 27.12.2016), starting from 1 July 2017, the Federal Grid Company tariff for electricity transmission on the UNEG was increased by 5.5% in relation to the tariff level that was in effect until 30 June 2017.
- In the first quarter of 2017, Moody's changed its outlook for Federal Grid Company's Ba1 rating to stable from negative; Standard & Poor's changed its outlook on the Company's BB+ rating to positive from stable. The outlooks were revised following similar actions with respect to the Russian Federation's sovereign rating.
- In June 2017, the Annual General Meeting of Shareholders approved dividends for FY 2016 in the amount of RUB 18.2 billion and for the first quarter of 2017 in the amount of RUB 1.42 billion.

Financial performance

RUB bn	1H2016	1H2017	Y-o-Y Change
Revenues	110.6	101.6	-8.1%
Operating expenses	70.4	63.8	-9.4%
EBITDA (adj.)	61.6	68.6	11.4%
<i>EBITDA margin (adj.)</i>	<i>55.7%</i>	<i>67.5%</i>	<i>11.8 pp</i>
Profit for the period	44.9	24.9	-44.5%
<i>Profit for the period (adj.)</i>	<i>34.3</i>	<i>37.6</i>	<i>9.6%</i>
Net debt	221.8 ⁽¹⁾	210.5	-5.1%
<i>Net debt / EBITDA (adj.)⁽²⁾</i>	<i>1.9x</i>	<i>1.7x</i>	<i>-0.2x</i>

Source: Company IFRS financials

Notes:

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

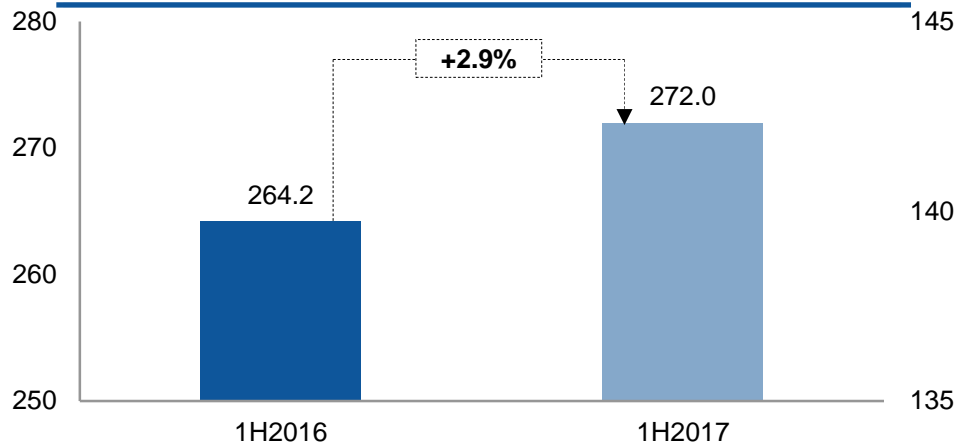
1. Net debt as of 31.12.2016

2. Leverage = Net debt / EBITDA (adj.) for the last 12 months



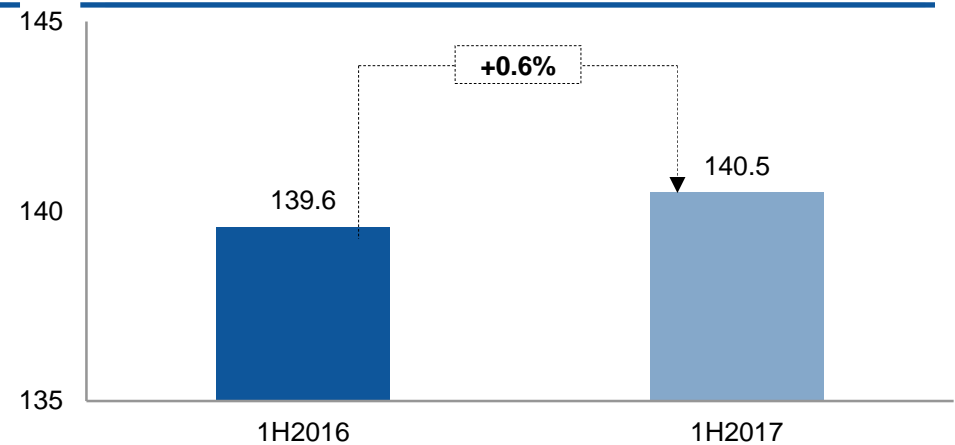
Electricity Transmission Volume

bn kWh (for respective period)



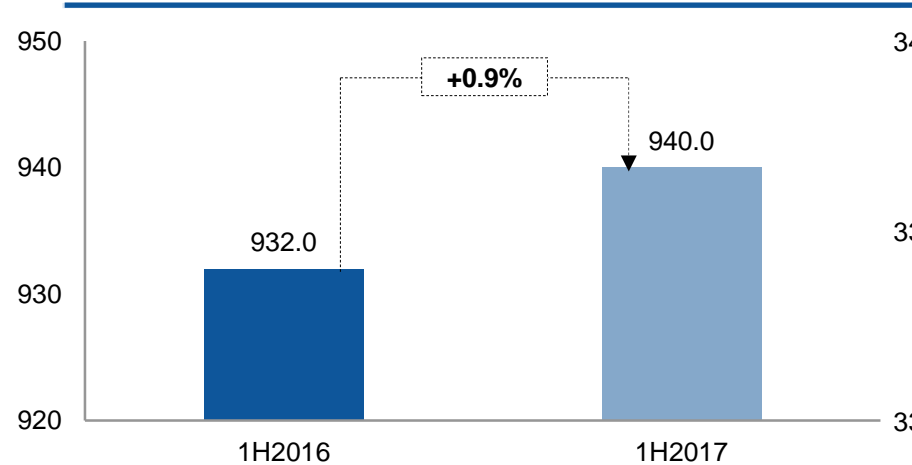
Transmission Grid Length in Operation⁽²⁾

'ths km (end of period)



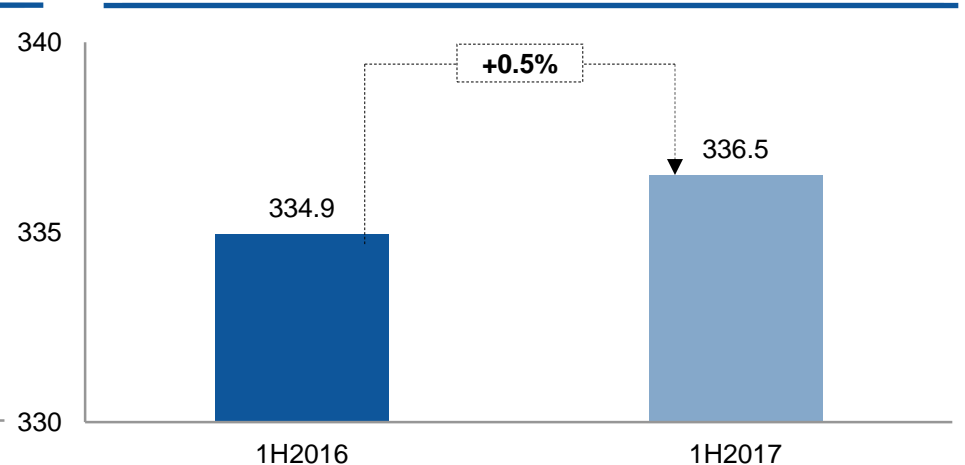
Substations in Operation⁽²⁾

Units (end of period)



Total Transformer Capacity in Operation⁽²⁾

GVA (end of period)



Source Company data

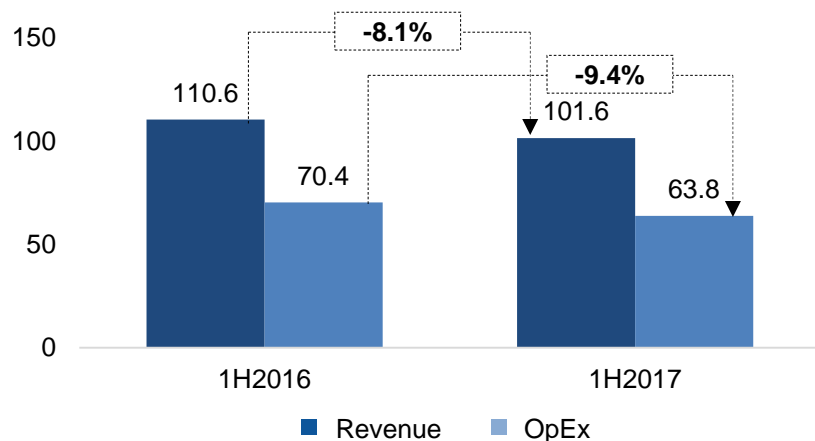
Notes:

1. PJSC Federal Grid Company of Unified Energy System
2. Including leased substations



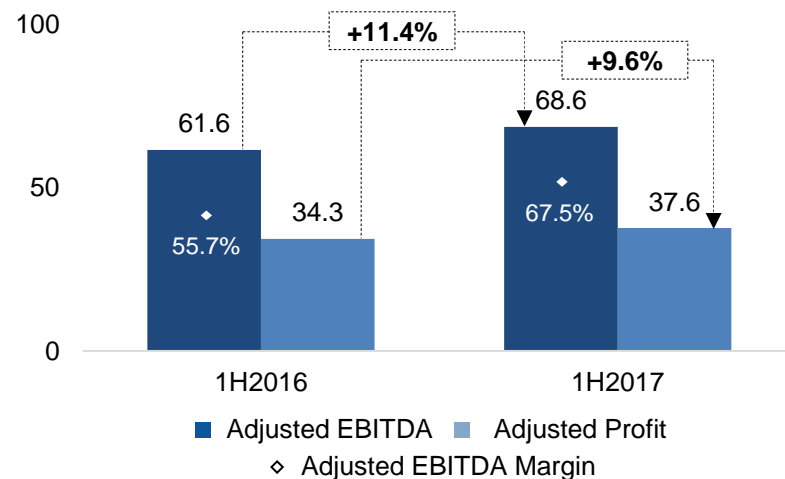
Revenues, OpEx

RUB bn



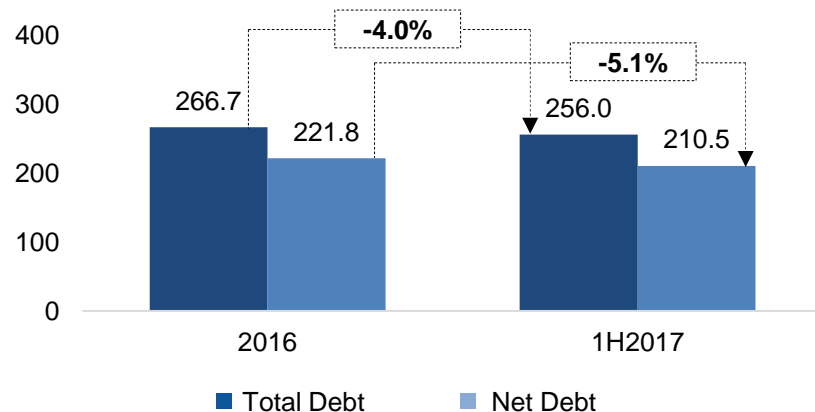
Adjusted EBITDA, Profit for the period

RUB bn

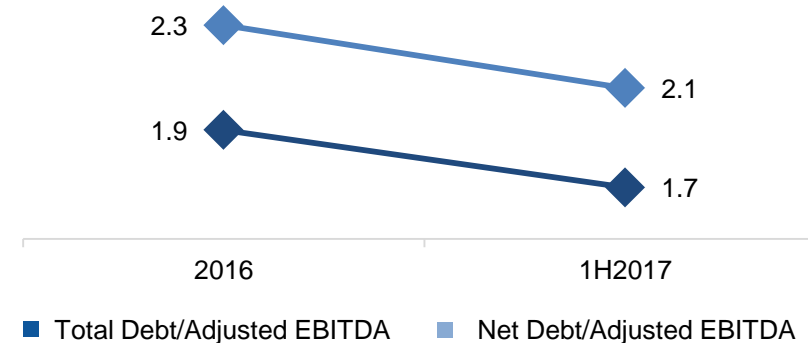


Debt Position (end of period)

RUB bn



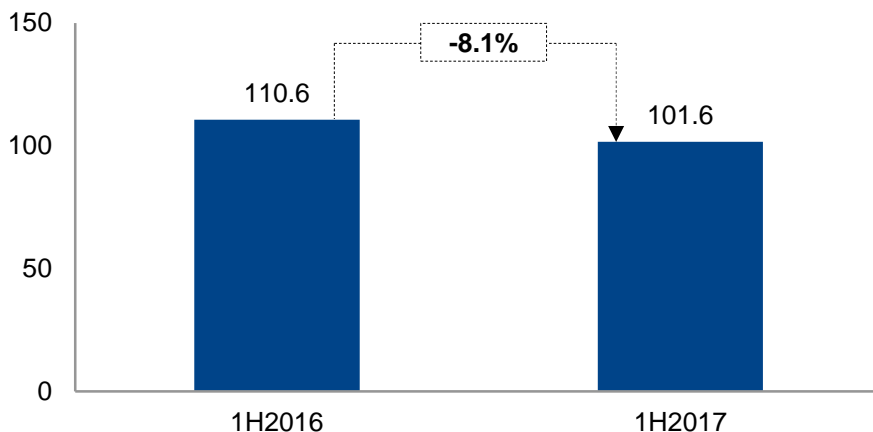
Leverage (end of period)





Total Revenue

RUB bn



Tariffs in the 2nd RAB-period

	1 st July 2015	1 st July 2016	1 st July 2017	1 st July 2018	1 st July 2019
Return on invested capital	10%	10%	10%	10%	10%
Tariff growth	7.5%	7.5%	5.5%	3.0%	3.0%
Tariff rate (RUB/MW a month)	144,686.52	155,541.58	164,095.64	169,011.36	174,073.60

Source: Company IFRS financials

Revenue structure

RUB bn	1H2016	1H2017	Y-o-Y Change
Transmission fee	82.6	90.7	9.8%
Connection services	2.6	1.7	-34.6%
Construction services	12.5	3.8	-69.6%
Electricity sales	11.8	4.0	-66.1%
Other revenue	1.1	1.4	27.3%
Total revenue	110.6	101.6	-8.1%

Federal Grid Company's total revenue declined by 8.1% primarily due to lower revenue at subsidiaries:

- revenue from general contractor service agreements carried out by Federal Grid Company subsidiaries decreased by RUB 8.7 billion (-69.6%), due to the completion of key work phases in previous reporting periods;
- electricity sales decreased by RUB 7.8 billion (-66.1%) mainly due to the cease of electricity sales at one of the FGC's subsidiaries.

At the same time, revenue from Federal Grid Company's core business (electricity transmission) rose by 9.8% (RUB 8.1 billion) as a result of tariff growth in the amount of 7.5% from 1 July 2016, as well as growth in capacity consumption by direct customers.

Revenue from connection services decreased by RUB 0.9 billion in connection with service schedules determined by customer applications.

Operating Cost Structure



	1H2016 RUB bn	% of Total Operating Costs	1H2017 RUB bn	% of Total Operating Costs	Y-o-Y Change
D&A	20.4	29.0%	22.9	35.9%	12.3%
Personnel Related Expenses	13.1	18.6%	12.9	20.2%	-1.5%
Purchased electricity for operational purposes	11.8	16.8%	7.2	11.3%	-39.0%
Property tax	4.7	6.7%	5.5	8.6%	17.0%
Fuel for MGTEP	4.5	6.4%	3.2	5.0%	-28.9%
Repairs & Maintenance and Materials	1.3	1.8%	1.6	2.5%	23.1%
Electricity transit	1.2	1.7%	0.5	0.8%	-58.3%
Other expenses	13.4	19.0%	10.0	15.7%	-25.4%
Total operating expenses	70.4	100.0%	63.8	100.0%	-9.4%

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 63.8 billion, a decrease of 9.4% year-on-year.

Several expense line items increased due to higher allowances for depreciation of fixed assets and growth in tax payments in connection with the changes in legislation gradually abolishing property tax exemptions for electricity grid infrastructure.

Expenditures on materials, repairs and technical maintenance grew nearly 25% and amounted to RUB 1.6 billion, which is explained by preparation of electricity grid facilities for the 2017/2018 autumn/winter season and the necessity to fully complete the work by October 1st.

During the reporting period electricity transit costs decreased nearly 60%, due to a lower exchange rate for the Kazakh tenge and reduced electricity transmission through other countries.

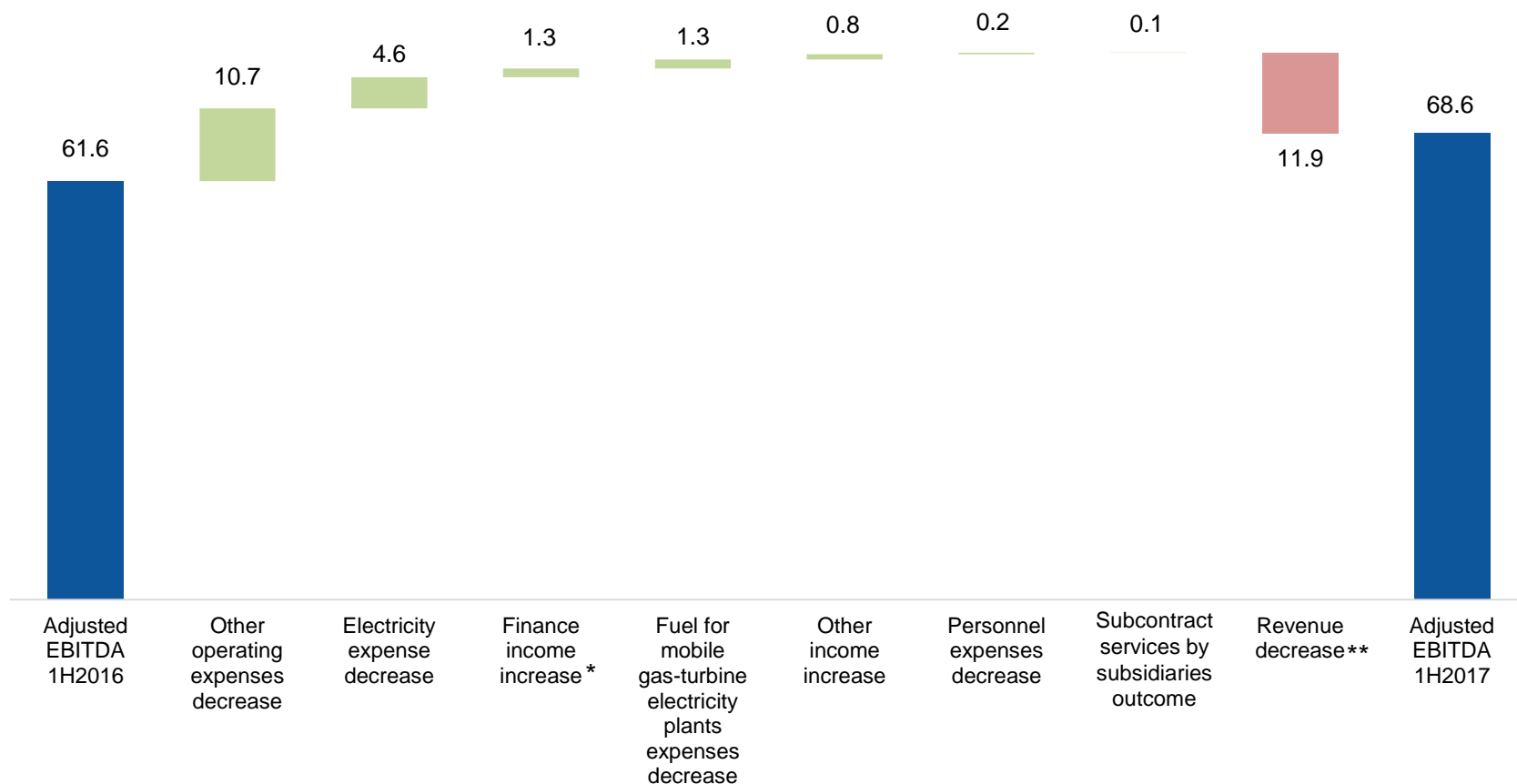
At the same time, it is important to note the steady reduction of controllable expenses, including:

- despite having an increased amount of equipment to service, personnel costs and related taxes were reduced by 1.5% through headcount optimisation;
- reduced expenses (39%) for buying electricity for own operational needs due to the cease of electricity sales at one of the Group's subsidiaries.



Adjusted EBITDA Bridge

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

* Excluding amortisation of discount in financial income

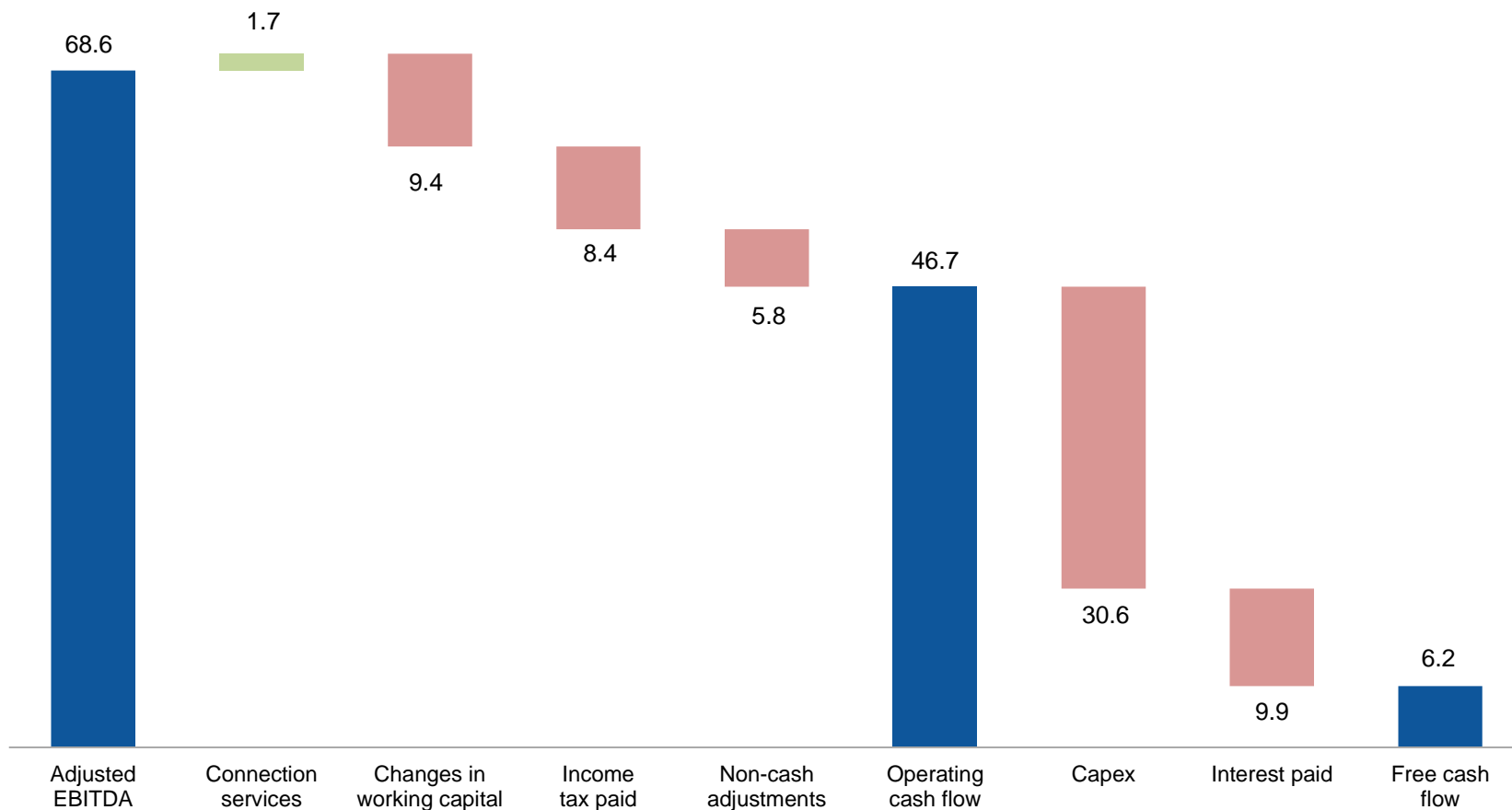
** Excluding revenue from services rendered under general contractor agreements and revenue from connection services

Free Cash Flow



Free Cash Flow in 1H2017

RUB Bn



Source: Company IFRS financials

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Debt Capital Structure



Debt profile as of 30 June 2017

- Debt principal amount: RUB 252.1 bn
- Debt service cost:
 - as of 30 June 2017 – 6.59%
 - as of 30 June 2016 – 8.55%
- Average debt maturity: 17.4 years
- Debt/Adj. EBITDA metric for end of 2016 is at 2.3x - in line with the Company's credit policy
- Debt structure composition: approximately around 50% is long-term financial instruments, slightly more 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- Stable

STANDARD & POOR'S

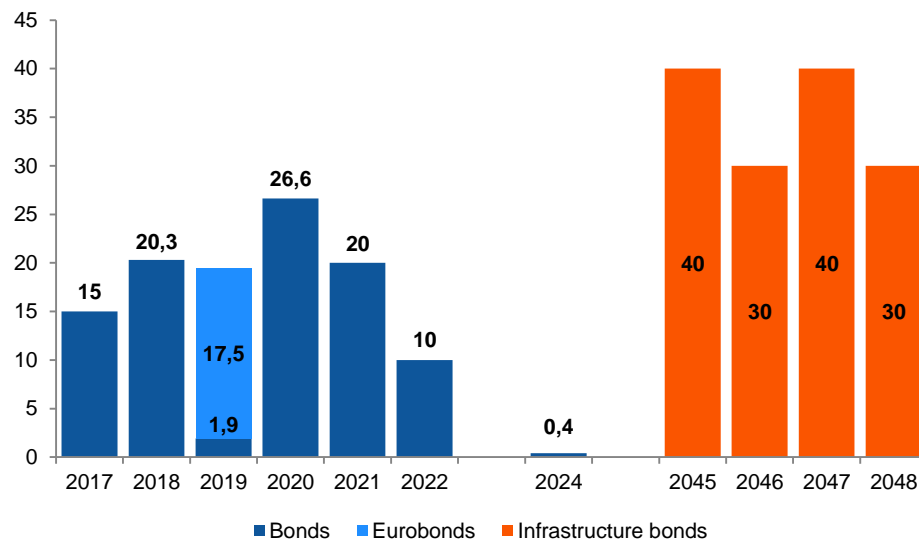
BB+ Positive

MOODY'S INVESTORS SERVICE

Ba1 Stable

* Source: Company IFRS financials

Debt repayment structure, RUB bn



Financial leverage indicators

Indicators*	2016	1H 2017
Total debt, bn. RUB	266.7	256.0
Net debt, bn. RUB	221.8	210.5
Total debt / Adjusted EBITDA	2.3x	2.1x
Net debt / Adjusted EBITDA	1.9x	1.7x



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

Financial Metrics

- Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment and revaluation loss of property, plant and equipment, revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (only for H1 2017), gain on derecognition of subsidiary (only for H1 2016), and including financial income (excluding amortisation of discount in financial income).
- Adjusted Profit for the period is calculated as profit for the period adjusted for impairment and revaluation loss on property, plant and equipment, loss on regain of control over subsidiary (only for H1 2017), and gain on derecognition of subsidiary (only for H1 2016) 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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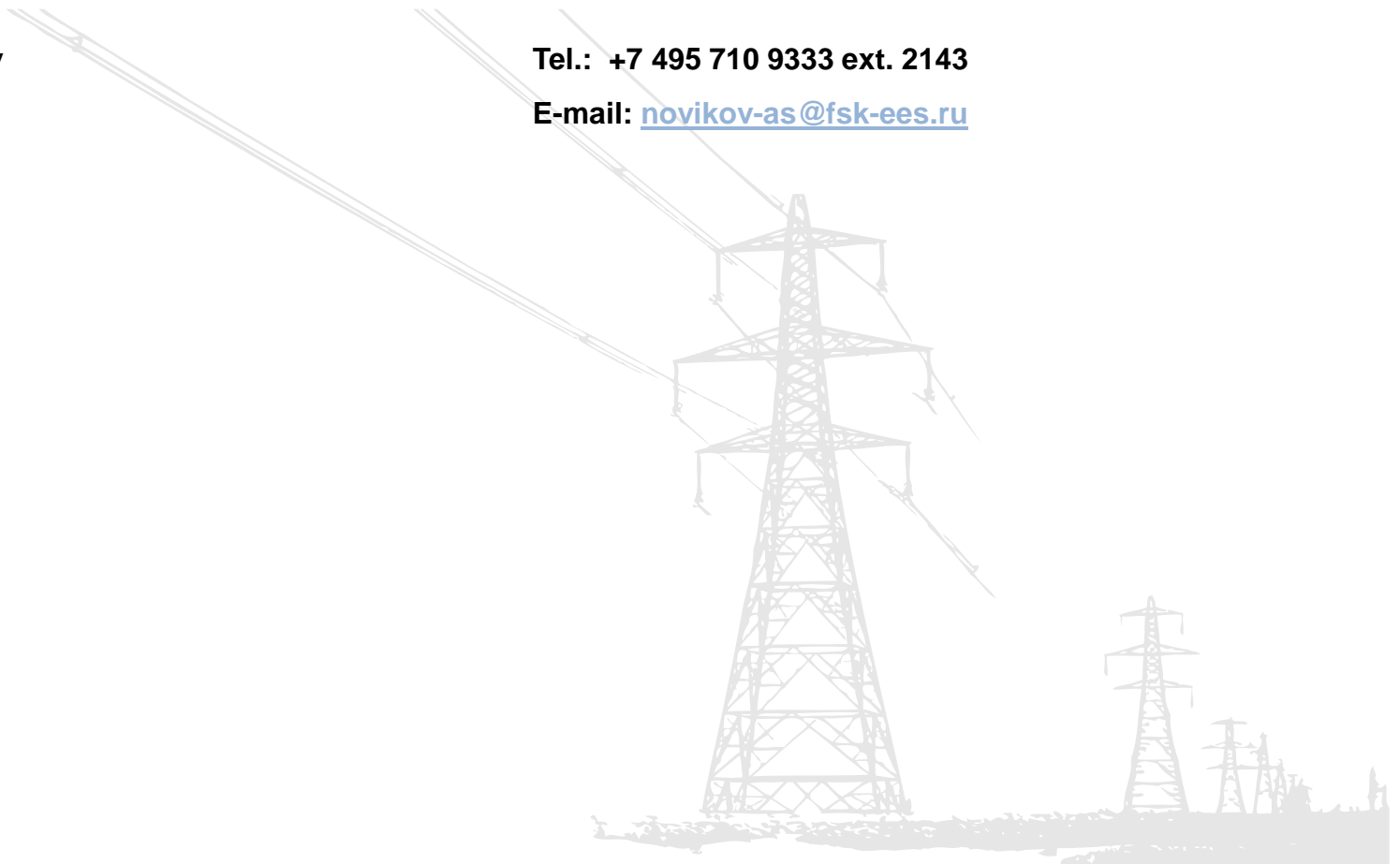
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