



Federal Grid Company

**1H2016 IFRS
Operational and Financial Results**

23 August 2016





1H 2016 Consolidated Financial Results

- Revenue increased by 32.5% y-o-y to RUB 110.6 bn.
- Total operating expenses⁽¹⁾ decreased by 5.1%.
- Adjusted EBITDA increased by 43.0% y-o-y to RUB 66.8 bn, adjusted EBITDA margin increased by 4.5 pp y-o-y to 60.4%.
- Net debt position decreased to RUB 207.0 bn from RUB 222.9 bn as of 31 December 2015, implying net debt / adjusted EBITDA LTM equal to 1.8x as of 30 June 2016.

Financial performance

RUB bn	1H2015	1H2016	Y-o-Y Change
Revenues ⁽²⁾	83.5	110.6	32.5%
Operating expenses ⁽¹⁾	62.3	59.1	-5.1%
EBITDA (adj.)	46.7	66.8	43.0%
Profit for the period	17.3	44.9	159.5%
Total comprehensive income for the period	23.9	66.5	178.2%
Net debt	222.9 ⁽³⁾	207.0	-7.1%

Source: Company IFRS financials

Notes:

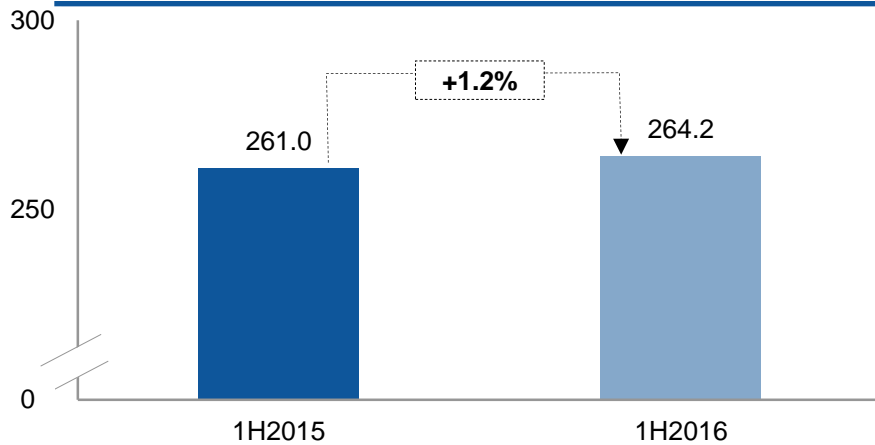
Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation

- Excluding expenses for services rendered under general contractor by subsidiaries.
- Total revenue includes income from general contractor agreements at subsidiaries.
- Net Debt position as of 31/12/2015



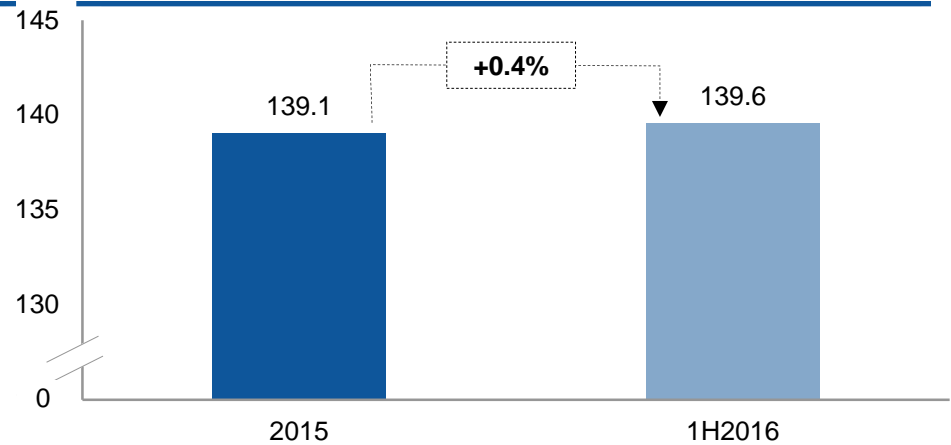
Electricity Transmission Volume

bn kWh (for respective period)



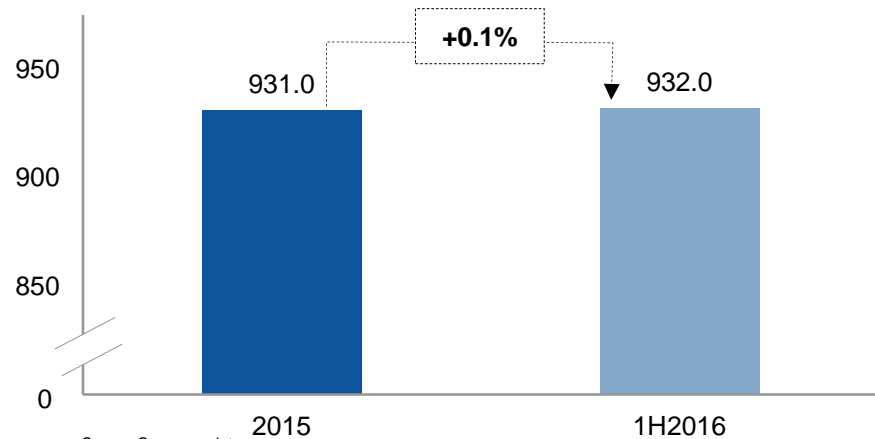
Transmission Grid Length in Operation⁽²⁾

'ths km (end of period)



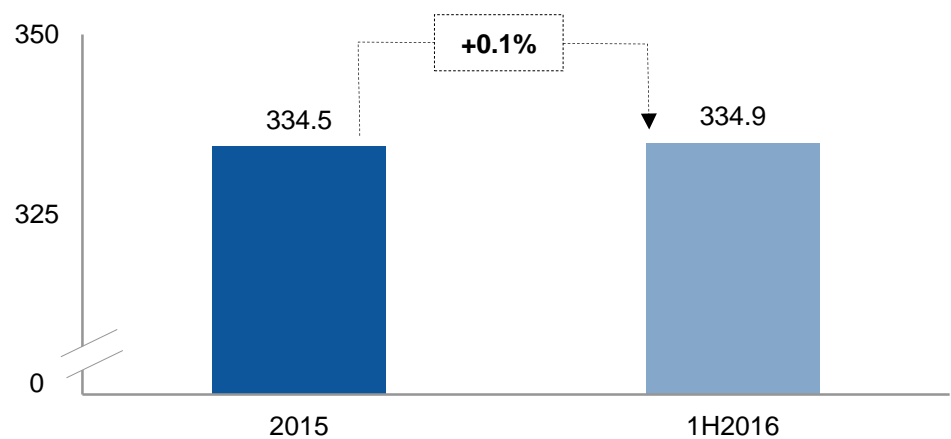
Substations in Operation⁽²⁾

Units (end of period)



Total Transformer Capacity in Operation⁽²⁾

GVA (end of period)



Source Company data

Notes:

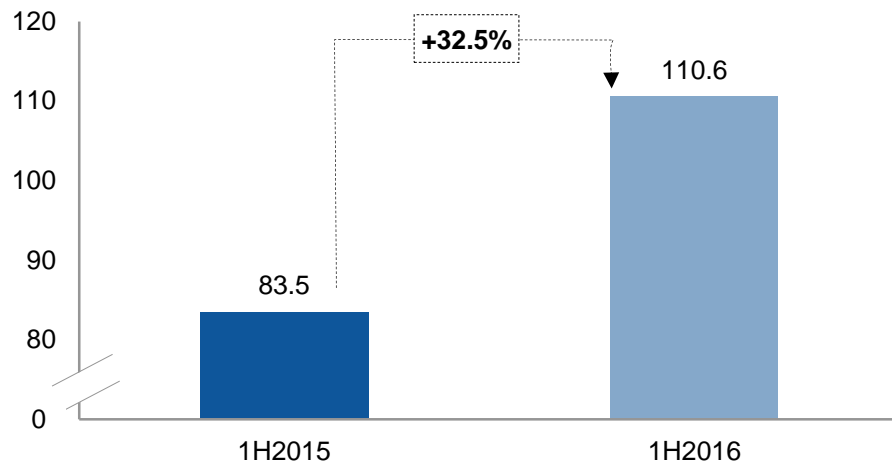
1. PJSC Federal Grid Company of Unified Energy System
2. Including leased substations

Key Financials



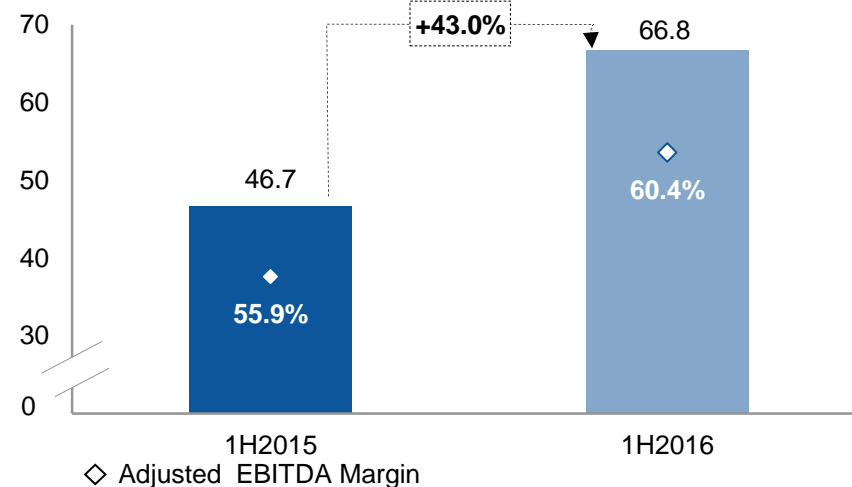
Revenues

RUB bn



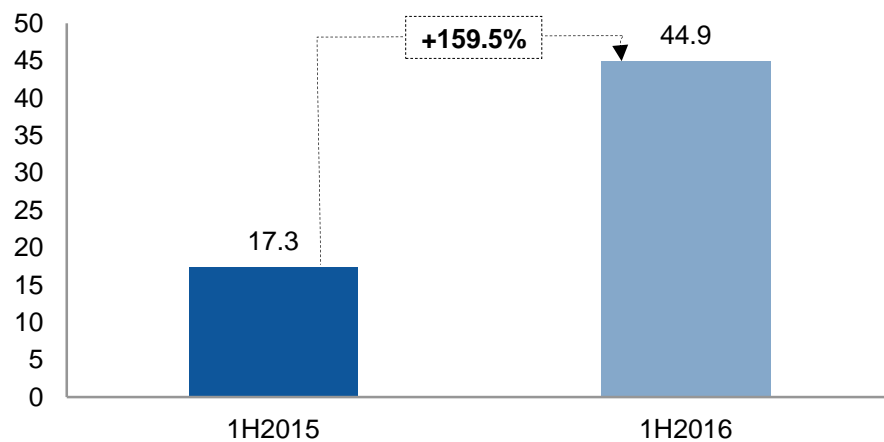
Adjusted EBITDA

RUB bn



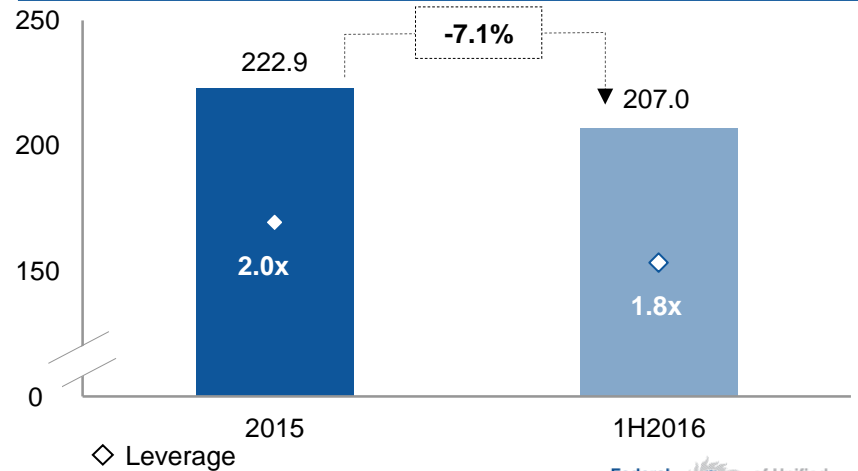
Profit for the period

RUB bn



Net Debt Position

RUB bn

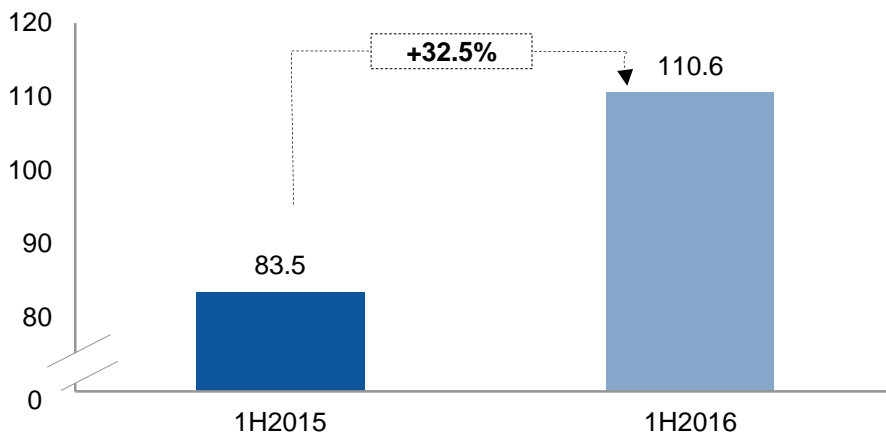


Source: Company IFRS financials
Note: Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation



Total Revenue

RUB bn



Tariffs in the 2nd RAB-period

	1 st July 2015 г.	1 st July 2016 г.	1 st July 2017 г.	1 st July 2018 г.	1 st July 2019 г.
Return on invested capital	10%	10%	10%	10%	10%
Tariff growth	7.5%	7.5%	7.0%	6.2%	6.2%
Tariff rate (RUB/MW a month)	144,686.52	155,541.58	166,457.39	176,778.41	187,698.91

Revenue structure

RUB bn	1H2015	1H2016	Y-o-Y Change
Transmission fee	77.1	82.6	7.1%
Connection services	0.4	2.6	x6.5 times
Construction services	-	12.5	n/a
Electricity sales	4.7	11.8	x2.5 times
Other revenue	1.3	1.1	-15.4%
Total revenue	83.5	110.6	32.5%

- Total revenue grew by 32.5%, primarily influenced by:
 - Increase of transmission fee by 7.1% (+ RUB 5.5 bn) due to tariff growth by 7.5% as of 01.07.2015
 - completion of work on technological connection services (+ RUB 2.2 bn)
 - services rendered under general contractor agreements of subsidiaries (RUB 12.5 billion)
 - Electricity sales rose by 2.5x (by RUB 7.1 bn) due to higher sales at subsidiaries

Operating Cost Structure



	1H2015 RUB bn	% of Total Operating Costs	1H2016 RUB bn	% of Total Operating Costs	Y-o-Y Change
D&A	20.4	32.7%	20.4	34.5%	0.0%
Personnel Related Expenses	13.9	22.3%	13.1	22.2%	-5.8%
Purchased electricity for operational purposes	6.7	10.8%	11.8	20.0%	76.1%
Electricity transit	3.6	5.8%	1.2	2.0%	-66.7%
Repairs & Maintenance and Materials	1.5	2.4%	1.3	2.2%	-13.3%
Property tax	3.8	6.1%	4.7	8.0%	23.7%
Allowance for doubtful debtors	6.7	10.8%	-2.6	-4.4%	n/a
Other expenses	5.7	9.1%	9.2	15.5%	61.4%
Total operating expenses	62.3	100.0%	59.1	100.0%	-5.1%

- Operating expenses⁽¹⁾ amounted to RUB 59.1 bn and decreased by 5.1% year-on-year.
- Personnel-related expenses decrease by 5.8% to RUB 13.1 bn following headcount reductions.
- Purchases of electricity amounted to RUB 11.8 billion, an increase of 76.1% year-on-year, due to mode changes in operations of the electrical grid and also growth in electricity sales.
- Electricity transit costs decreased threefold, which is explained by the cease of sales activity at Nurenergo, a lower exchange rate for the Kazakh tenge and a reduction of electricity transmission through other countries.
- Expenses on materials, repair and technical servicing decreased by 13.3% to RUB 1.3 bn due to lowering the volumes and cost of work carried out by third-party contractors.
- Property tax grew by RUB 0.9 billion (23.7%) year-on-year as a result of legislated phasing out of property tax exemptions for electricity grid infrastructure.
- In 1H2016 the Group reported a net reversal of previously accrued doubtful debtors allowance in the amount of RUB 2.6 billion.
- An increase in other operating expenses was mainly connected to higher output and higher costs for fuel for mobile gas-turbine electricity plants.

Source: Company IFRS financials

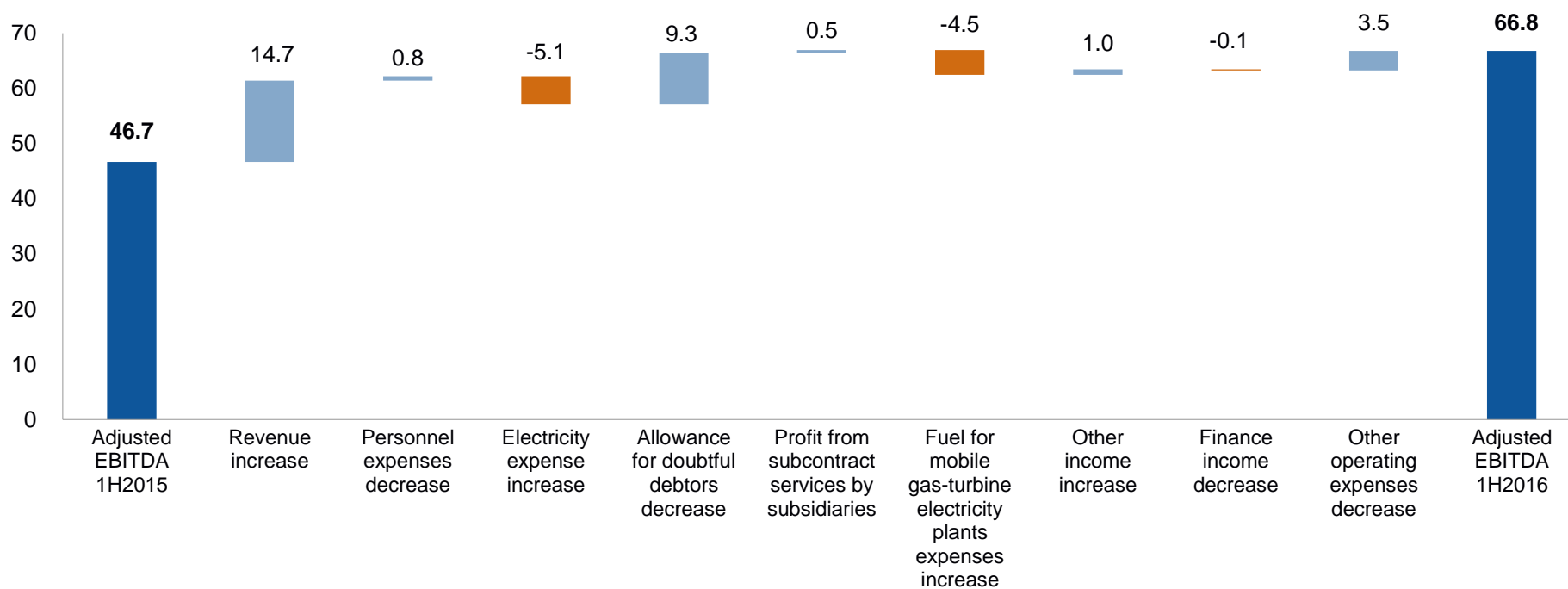
Notes:

1. Excluding expenses for services rendered under general contractor by subsidiaries.



Adjusted EBITDA Bridge

RUB bn



Source: Company IFRS financials

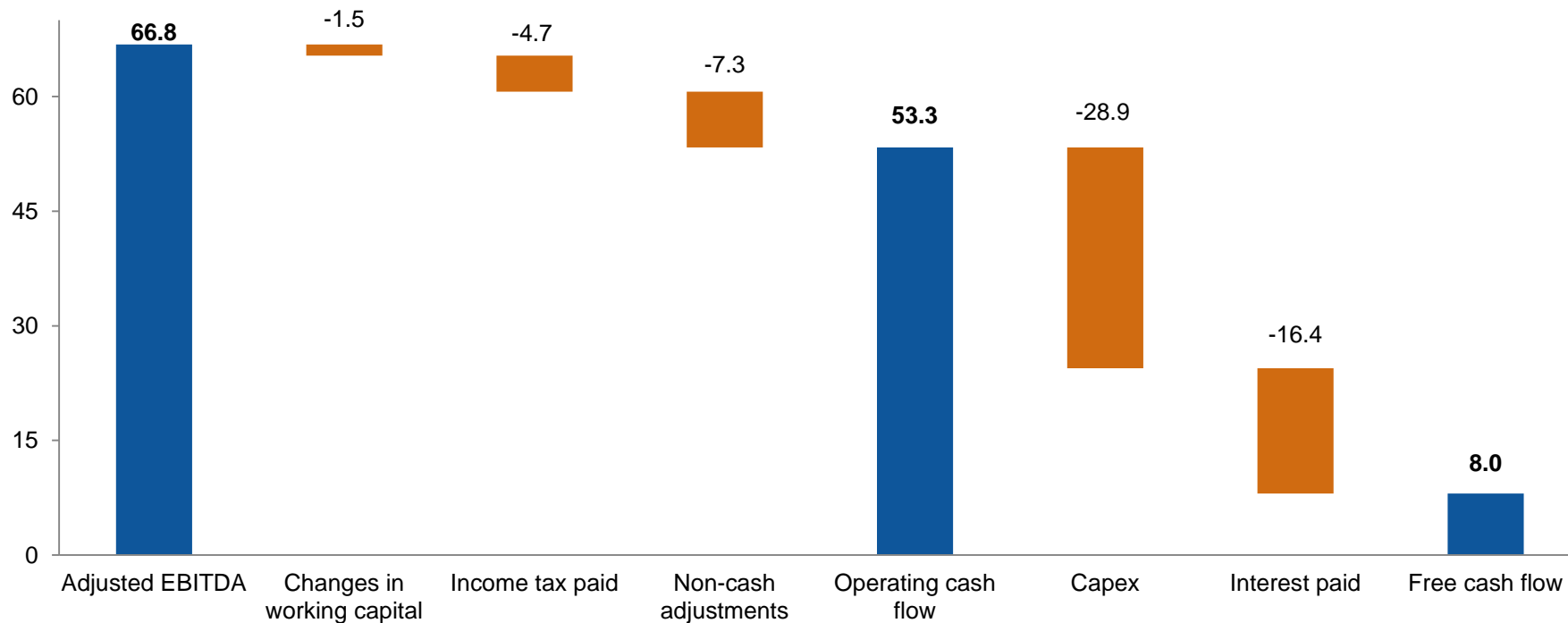
Note: Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation

Free Cash Flow



Free Cash Flow in 1H 2016

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

Debt Capital Structure



Debt profile as of 1 July 2016

- Debt principal amount: RUB 264.7 bn
- Debt service cost on average: semi-annual 10.7% (compared to annual 11.95% on 1 January 2016, monthly 8.6% on 30 June 2016)
- Inflationary risk is under stabilization
- Average debt maturity: 17.3 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

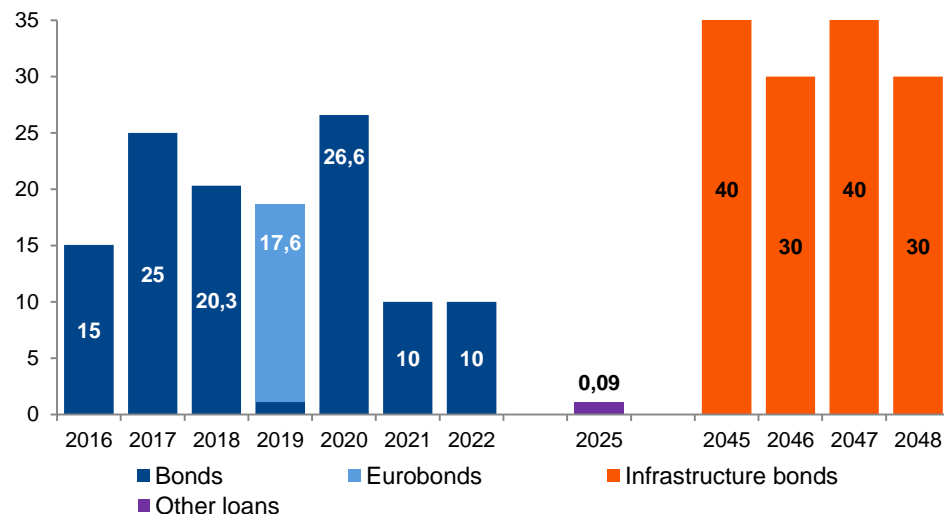
Company's credit ratings are at the sovereign level as per 3 leading ratings' scales

FitchRatings BBB- Negative

STANDARD & POOR'S BB+ Negative

MOODY'S INVESTORS SERVICE Ba1 Negative

Debt repayment structure, RUB bn



Financial leverage indicators

Indicators	1H 2016	end of 2015
Total debt, bn. RUB	269.8	281.5
Net debt, bn. RUB	207.0	222.9
Net debt / Adjusted EBITDA	1.8x	2.0x



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 (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment on property, plant and equipment, gain on derecognition of subsidiary (only for the 6 months ended 30 June 2016), and to including financial income
- 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



- Egor Toropov

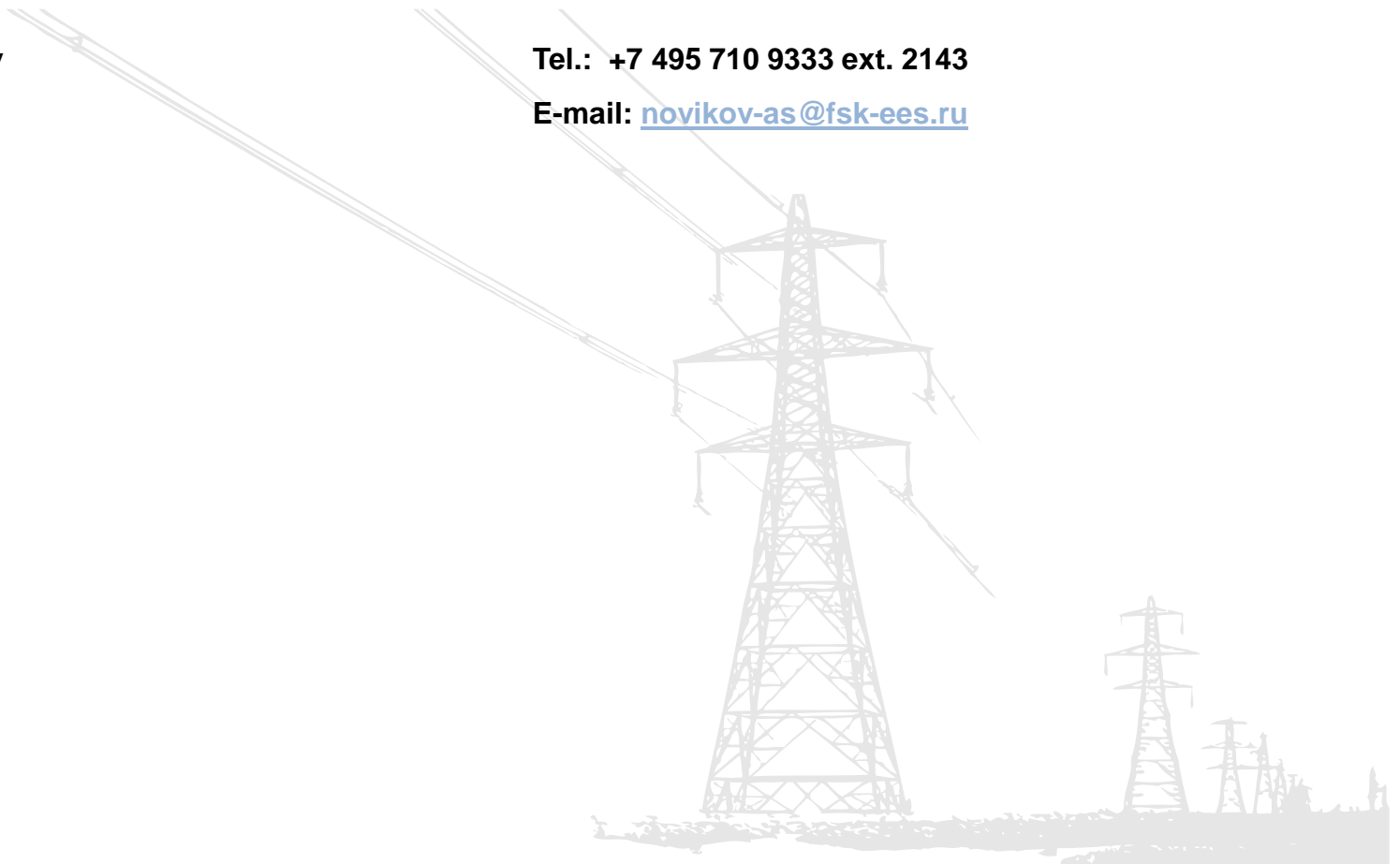
Tel.: +7 495 710 9333 ext. 2275

E-mail: toropov-ev@fsk-ees.ru

- Alexey Novikov

Tel.: +7 495 710 9333 ext. 2143

E-mail: novikov-as@fsk-ees.ru





The materials comprising this Presentation have been prepared by the Company solely for use by the Company's management at investor meetings with a limited number of institutional investors who have agreed to attend such meetings and to be subject to obligations to maintain Company to confirm confidentiality of presentation.

This Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This Presentation does not constitute a recommendation regarding the securities of the Company.

This Presentation is not directed at, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

The forward-looking statements in this Presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. These assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control and it may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, cost and its recent acquisitions, the timely development of new projects, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, and the impact of general business and global economic conditions. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance.