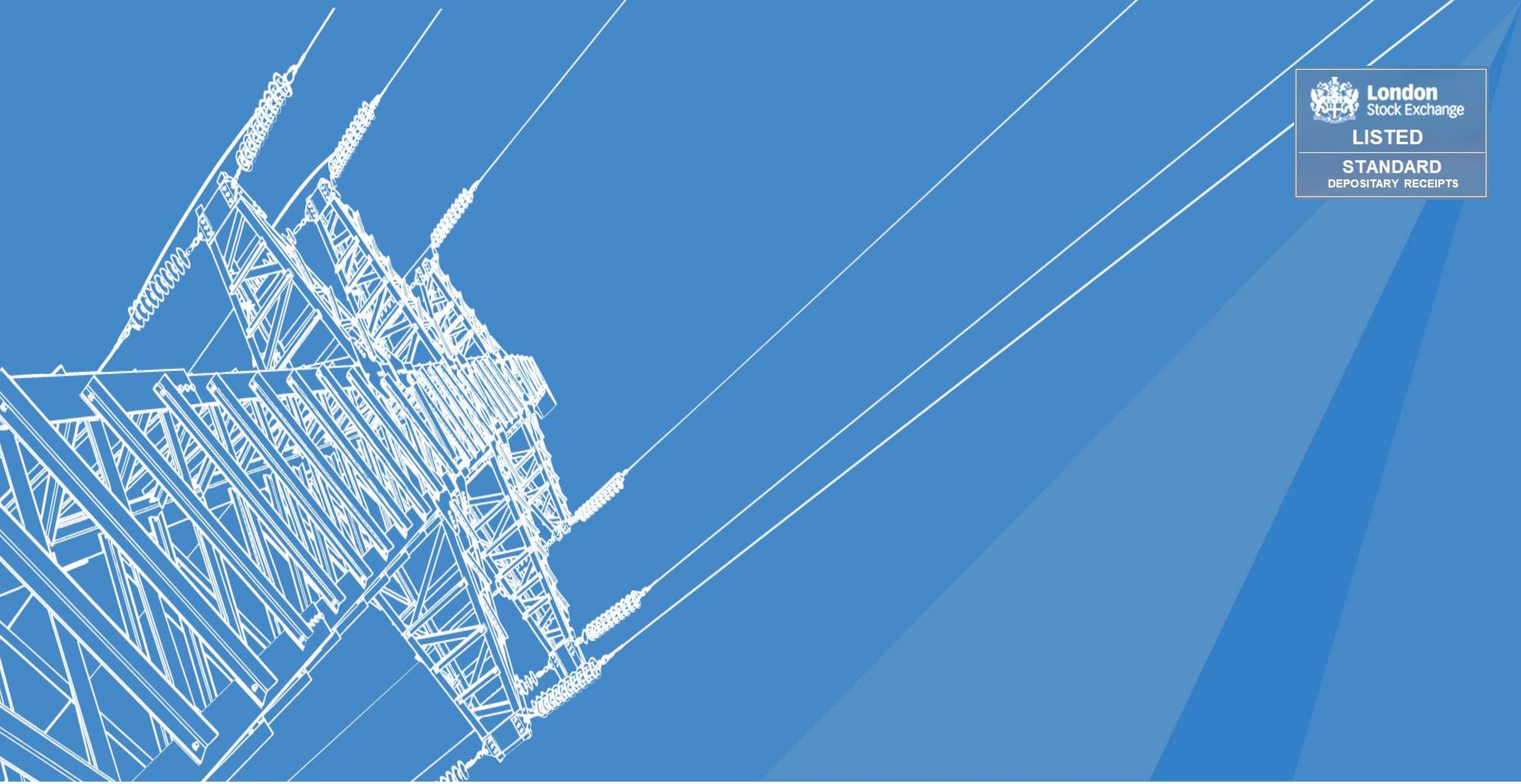



# 1H2018 IFRS
# OPERATIONAL AND FINANCIAL RESULTS

August 2018

FGC UES ROSSETI

# Key financial figures

## Key Events in 1H2018 and after the reporting date

- In the 1st half of 2018, S&P raised the FGC's rating by one notch to BBB- investment grade, outlook Stable; Moody's changed its outlook of FGC's rating Ba1 from Stable to Positive. The rating actions were taken in follow-up of similar actions in respect of the sovereign rating of the Russian Federation.
- In May 2018, the Board of Directors approved the Company's new Dividend Policy.
- In June 2018, the annual General Meeting of Shareholders resolved to distribute 18.9 bn rubles for dividends of 2017 (in total, 20.3 bn rubles were paid for 2017 taking into account the dividends paid earlier in 2017 for Q1 2017 that amounted to 1.42 bn rubles).
- In June 2018, the Board of Directors resolved to sell the 10% equity stake in Inter RAO held by FGC UES to Inter RAO Group companies and DVB LEASING.
- In July 2018 the Company has redeemed the bonds of Series 19 in amount of RUB 20 bn.

## Financial performance

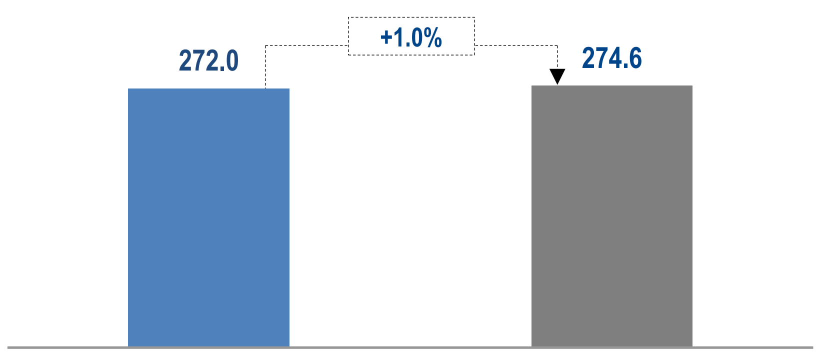
| RUB bn | 1H2018 | 1H2017 | Y-o-Y Change |
|---|---|---|---|
| Revenues(1) | 117.5 | 101.6 | 15.7% |
| Operating expenses(2) | 72.3 | 52.9 | 36.7% |
| EBITDA (adj.) | 69.2 | 70.2 | -1.4% |
| *EBITDA margin (adj.)* | 58.9% | 69.0% | -10.1 п.п. |
| Profit for the period | 39.9 | 30.8 | 29.5% |
| Profit for the period (adj.) | 39.9 | 43.1 | -7.4% |
| Revenue from connection services | 0.1 | 1.7 | -94.1% |
| Total comprehensive income | 53.7 | 30.1 | 78.4% |
| Net debt | 190.7 | 215.4(4) | -11.5% |
| *Leverage(3)* | 1.5x | 1.7x(4) | -0.2x |

**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. Total revenue includes income from general contractor agreements at subsidiaries.
2. Excluding expenses for services rendered under general contractor by subsidiaries.
3. Leverage = Net debt / EBITDA (adj.) for the last 12 months.
4. For 31.12.2017

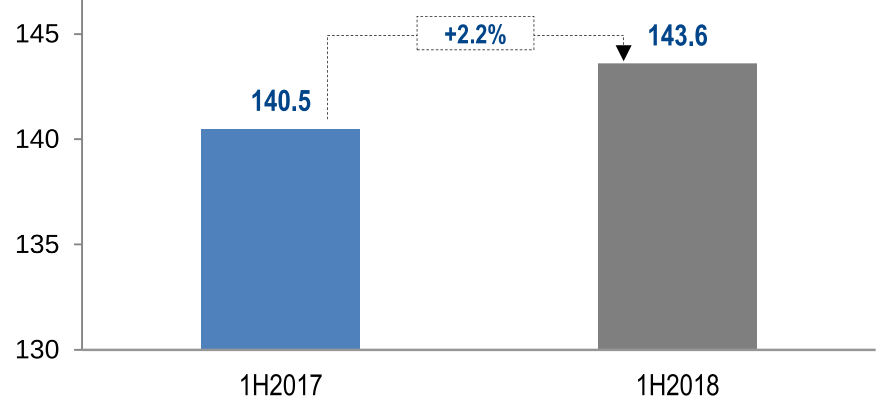

FGC UES ROSSETI

# Operational Overview[1]

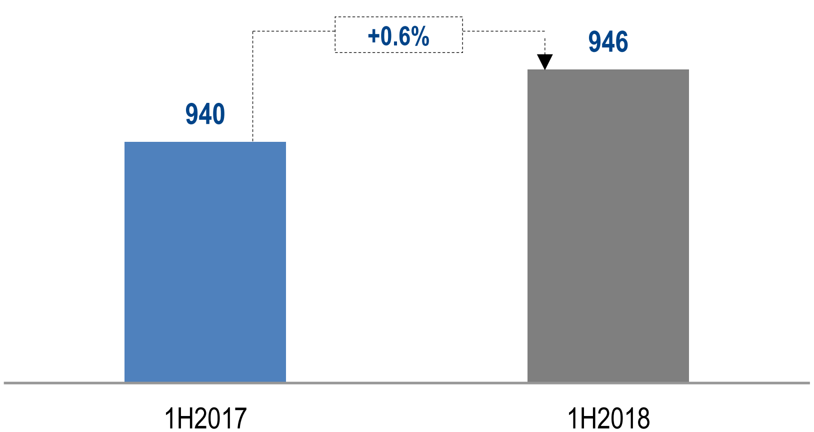
## Electricity Transmission Volume bn kWh (for respective period)
bn kWh (for respective period)



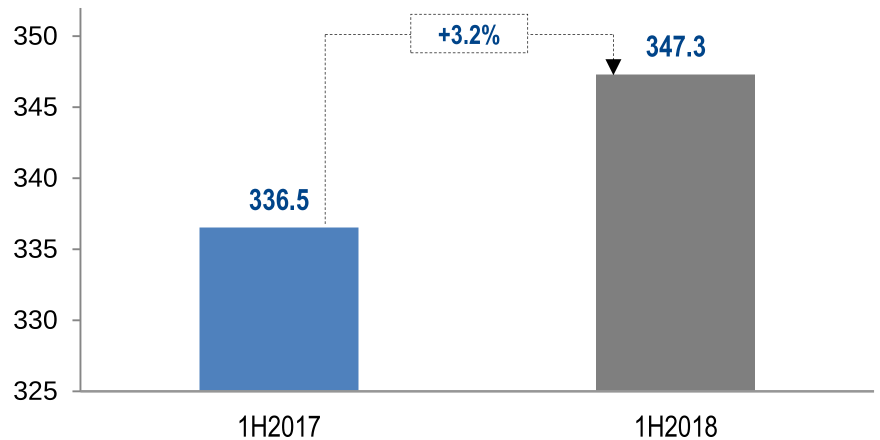

## Transmission Grid Length in Operation[2]
'ths km (end of period)




## Substations in Operation(2)
Units (end of period)




## Total Transformer Capacity in Operation(2)
GVA (end of period)

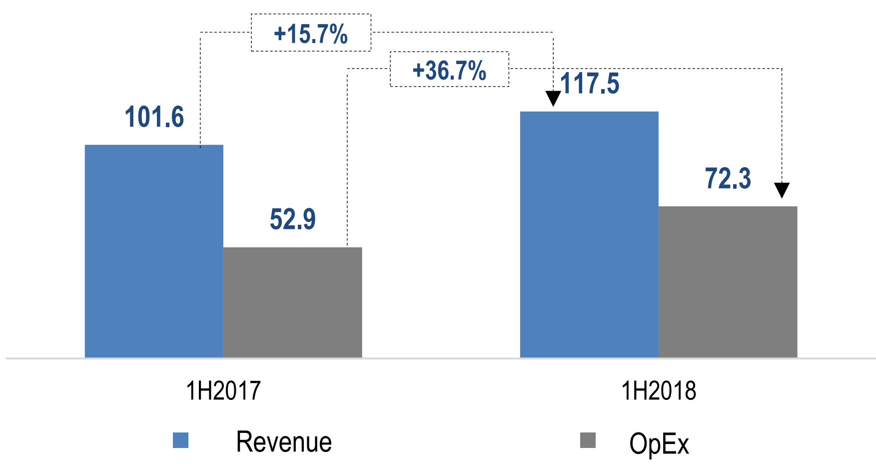



**Source:** Company data

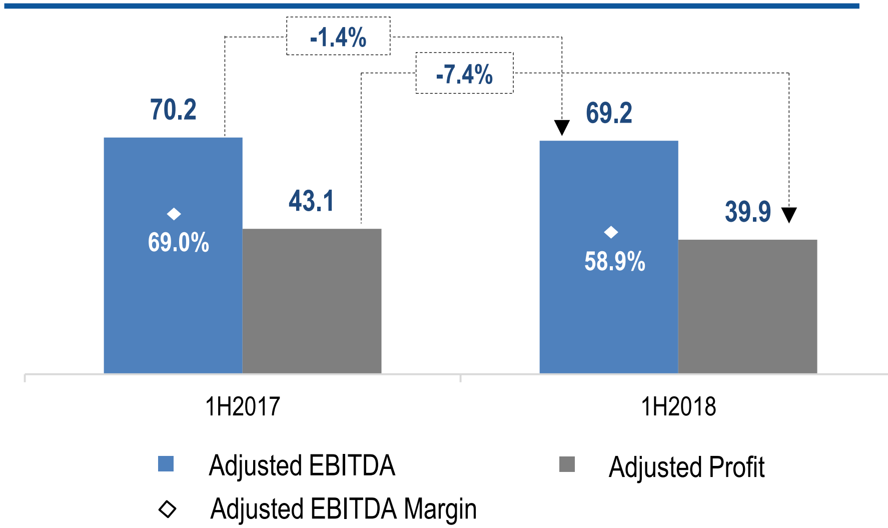
**Notes:**
1. PJSC Federal Grid Company of Unified Energy System
2. Including leased substations

# Key Financials

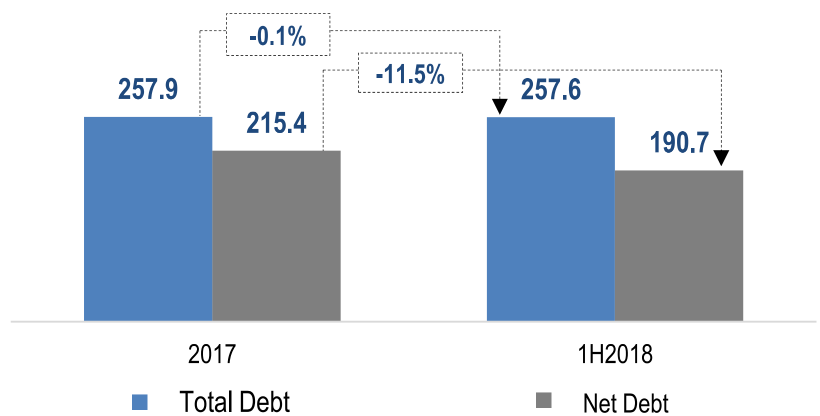
## Revenues, OpEx[1]
RUB bn



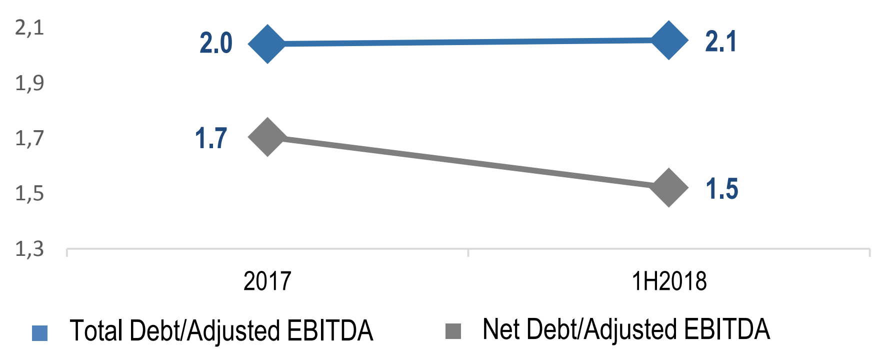

## Adjusted EBITDA, Profit for the period
RUB bn




## Debt Position
RUB bn




## Leverage



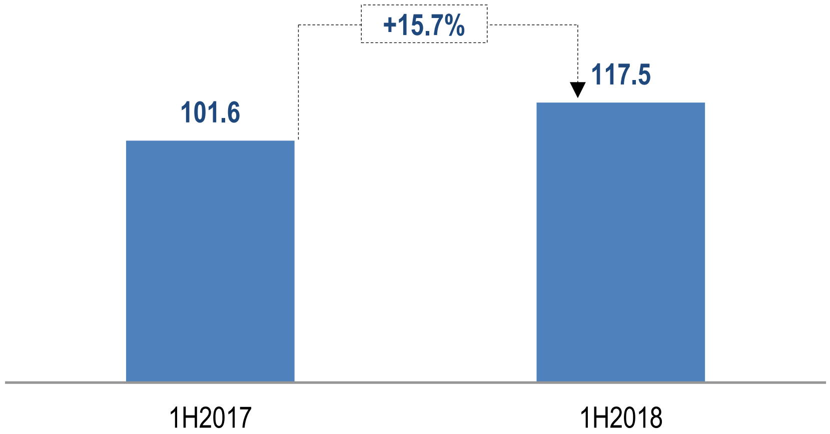

**Source:** Company IFRS financials

**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

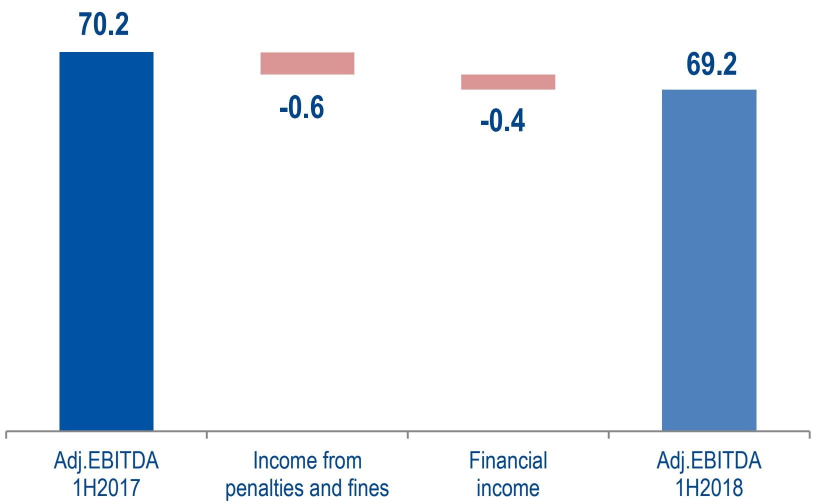
1. Excluding expenses for services rendered under general contractor by subsidiaries

# Revenue Structure

## Total Revenue, RUB bn




## Adj. EBITDA Bridge, RUB bn




**Source:** Company IFRS financials

## Revenue structure

| RUB bn | 1H2018 | 1H2017 | Y-o-Y Change |
|---|---|---|---|
| Transmission fee | 104.9 | 90.7 | 15.7% |
| Connection services | 0.1 | 1.7 | -94.1% |
| Construction services | 4.3 | 3.8 | 13.2% |
| Electricity sales | 6.0 | 4.0 | 50.0% |
| Other revenue | 2.2 | 1.4 | 57.1% |
| **Total revenue** | **117.5** | **101.6** | **15.7%** |

The Group's revenue increased by 15.7%, including:

- Revenue from electricity transmission services increase by 15.7% (14.2 bn rubles) year-on-year as a result of:

- increase in revenue from compensation of losses due to Regulation of the Government of the Russian Federation No. 810 dated July 7, 2017;
- growth of the revenue from electricity transmission following to the growth of tariff by 5.5% since July 1, 2017.

- Revenue from electricity sales up 50.0% (2.0 bn rubles) owing mainly to an increase in the volume of electricity sold by FGC UES subsidiaries;

- Revenue from connection services reduce by 1.6 bn rubles year-on-year, which is attributed to the service timetable determined by consumer requests;

- Revenue from the general contractor service agreements performed by FGC UES subsidiaries increase by 13.2% (0.5 bn rubles). The growth in revenue is attributed to the change in the work completion percentage at various stages of construction projects.

# Operating Cost Structure[1]

| | 1H2018 RUB bn | % of Total Operating Costs | 1H2017 RUB bn | % of Total Operating Costs | Y-o-Y Change |
|---|---|---|---|---|---|
| Purchased electricity for production needs | 18.3 | 25.3% | 7.2 | 13.6% | 154.2% |
| Depreciation of PPE and amortisation of IA | 17.0 | 23.5% | 15.7 | 29.7% | 8.3% |
| Personnel Related Expenses | 14.0 | 19.4% | 12.9 | 24.4% | 8.5% |
| Property tax | 7.4 | 10.2% | 5.5 | 10.4% | 34.5% |
| Fuel for MGTEP | 4.4 | 6.1% | 3.2 | 6.0% | 37.5% |
| Repairs & Maintenance and Materials | 2.0 | 2.8% | 1.6 | 3.0% | 25.0% |
| Allowance for doubtful debtors | 0.4 | 0.6% | 0.9 | 1.7% | -55.6% |
| Electricity transit | 0.3 | 0.4% | 0.5 | 0.9% | -40.0% |
| Other expenses | 8.5 | 11.7% | 5.4 | 10.3% | 57.4% |
| **Total operating expenses** | **72.3** | **100.0%** | **52.9** | **100.0%** | **36.7%** |

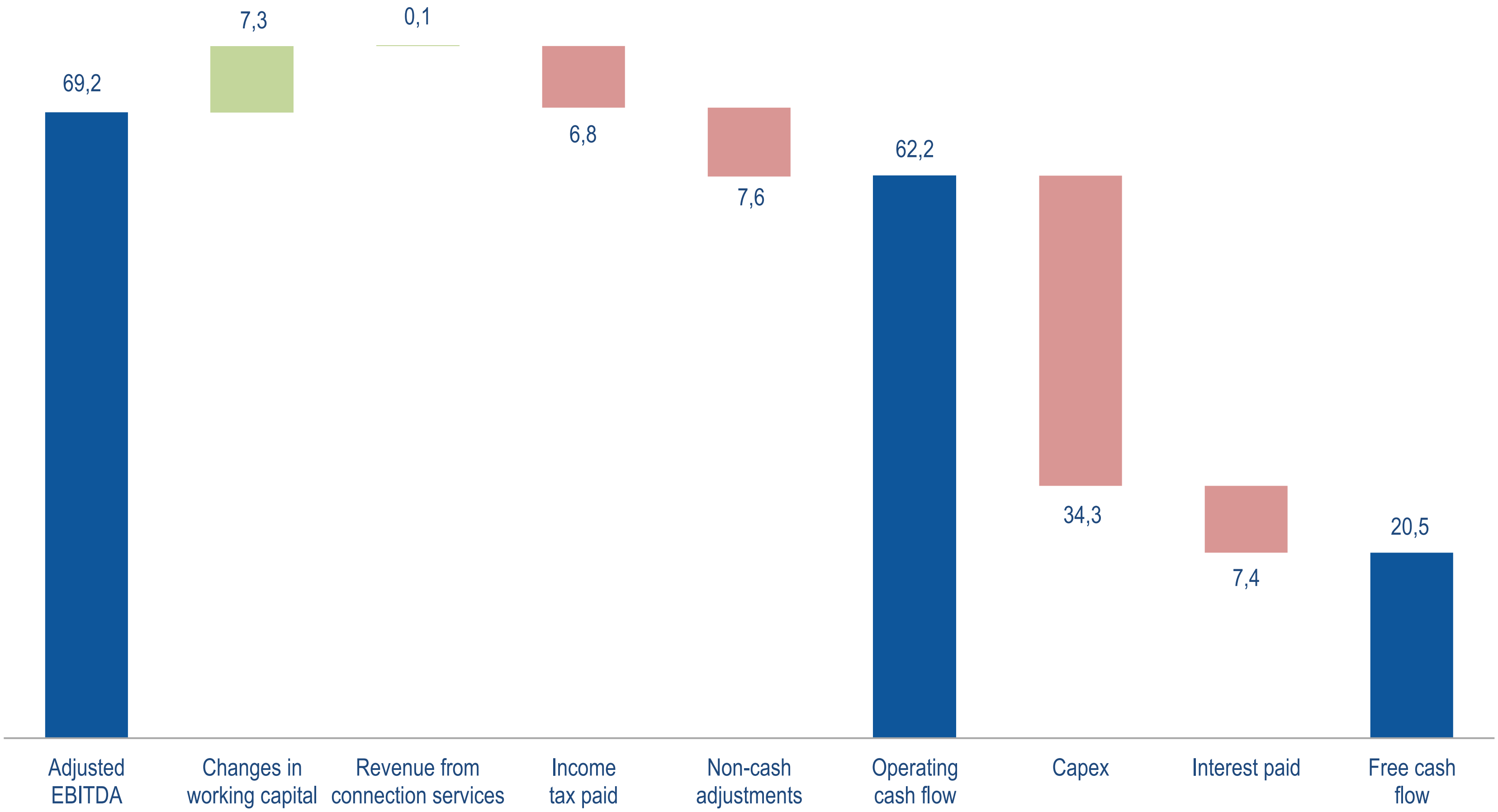
The growth of operating expenses by 19.4 bn rubles or 36.7% is attributed mainly to:

- growth of expenses for the electricity purchased for production needs by 11.1 bn rubles (+154.2%) due to Resolution of the Government of the Russian Federation No. 810 dated July 7, 2017, which entered into force since August 1, 2017 and envisaged acquisition by FGC UES at the wholesale power market of full actual losses and cancellation of the load loss compensation mechanism under power transmission service contracts. However, the value of revenue of FGC UES also grew on a pro rata basis due to the inclusion of the said expenses into the cost of power transmission services;
- increase of depreciation by 1.3 bn rubles;
- increase of property tax by 1.9 bn rubles (+34.5%) due to the gradual abolition of the property tax benefit.

**Source:** Company IFRS financials
**Notes:**
1. Excluding expenses for services rendered under general contractor by subsidiaries.

# Free Cash Flow

**Free Cash Flow**
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

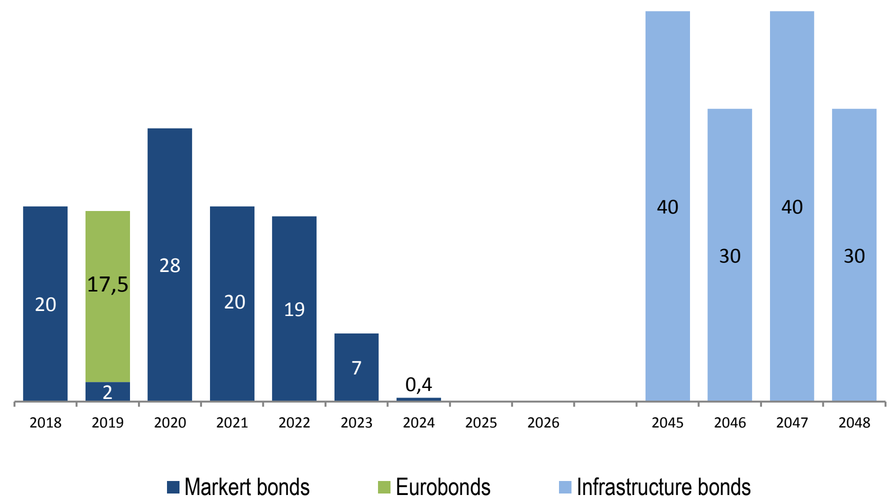
## Debt profile as of 31 December 2017

- Principal amount of debt: RUB 254.3 bn
- Debt service cost:

  As of 30 June 2018 – 5.40%

  As of 30 June 2017 – 6.59%
- Average debt maturity: 16,7 years
- Debt structure comprised of long-term financial instruments, including: 38% - market bonds, 55% infrastructure bonds, 7% Eurobonds
- 100% of total debt is unsecured and ruble-denominated
- No currency risk

## Debt repayment structure, RUB bn(1)




## Credit Ratings match the ratings of Russian Federation (1)

| Company's credit ratings are at the sovereign level as per 3 leading ratings' scales | | |
|---|---|---|
| FitchRatings | BBB- | Positive |
| STANDARD & POOR'S | BBB- | Stable |
| MOODY'S INVESTORS SERVICE | Ba1 | Positive |
| AKPA | AAA (RU) | Stable |

## Financial leverage indicators

| Indicators | 2017(2) | 1H2018 |
|---|---|---|
| Total debt, bn. RUB | 257,9 | 257,6 (3) |
| Net debt, bn. RUB | 215,4 | 190,7 |
| Total debt / Adjusted EBITDA | 2,0x | 2,1x |
| Net debt / Adjusted EBITDA | 1,7x | 1,5x |

**Source:** Company IFRS financials
(1) As of 30 June 2018
(2) As of 31 December 2017
(3) In July 2018 the Company has redeemed the bonds of Series 19 in amount of RUB 20 bn



FGC UES ROSSETI

# Glossary

**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 revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (for the first half of 2017 only), movement in provision for legal claims and including financial income.
- Adjusted Profit for the period is calculated as profit for the period adjusted for loss on regain of control over subsidiary (for the first half of 2017 only).
- 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

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