

# 1H2019 IFRS OPERATIONAL AND FINANCIAL RESULTS

August 2019



# Key financial figures

## Key Events in 1H2019

- In February 2019, Moody's rating agency upgraded FGC's credit rating by one notch to investment grade Baa3, with a stable outlook. This rating action was taken following analogous upgrades to the Russian Federation's sovereign rating
- In March 2019, the Company redeemed its debut Eurobonds issuance in the amount of RUB 17.5 bn
- In June 2019, at the Annual General Meeting of shareholders the decision was taken to pay dividends for FY 2018 in the amount of RUB 20.4 bn
- As part of an asset exchange agreement, FGC consolidated certain UNEG sites that had previously belonged to JSC "Far Eastern Energy Management Company"
- The company fully met its obligations to pay dividends to shareholders for 2018\*

\* As of 20 August 2019, Federal Grid Company has paid dividends in full in the prescribed manner. At the same time, there remain unclaimed dividends on account due to the absence of the required accurate address information for the issuer or the registrar, as well as the absence of banking details for the persons entitled to receive the mentioned above dividends.

## Financial performance

RUB bn	1H2019	1H2018	Y-o-Y Change
Revenues	115.0	117.5	-2.1%
Operating expenses	70.6	74.7	-5.5%
Operating expenses ( <i>adj.</i> )	70.4	70.8	-0.6%
EBITDA ( <i>adj.</i> )	73.8	69.2	6.6%
<i>EBITDA margin (adj.)</i>	64.2%	58.9%	5.3 p.p.
Profit for the period	50.7	40.7	24.6%
Profit for the period ( <i>adj.</i> )	40.8	40.5	0.7%
Comprehensive income	55.2	54.6	1.1%
Net debt <sup>(1)</sup>	185.9	205.4	-9.5%
<i>Net debt / EBITDA (adj.)<sup>(1)</sup></i>	1.35	1.54	-0.14x

Source: Company IFRS financials

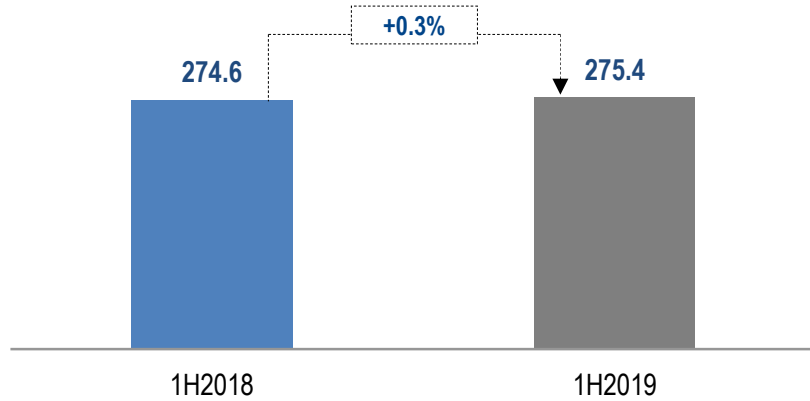
### Notes:

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

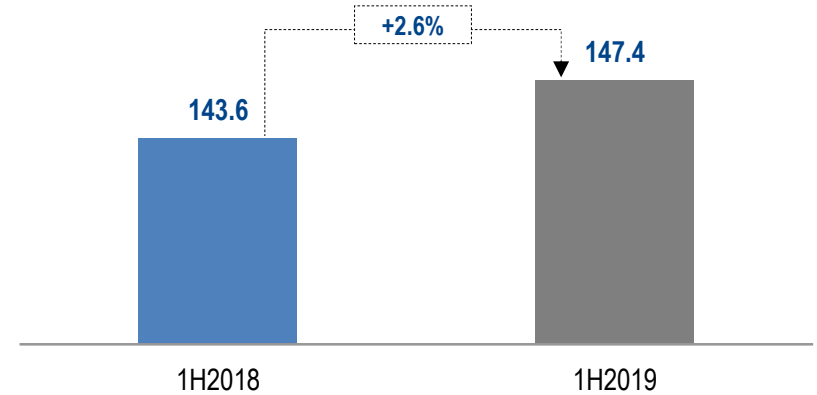
1. Compared to figures as at 31.12.2018.

# Operational Overview<sup>(1)</sup>

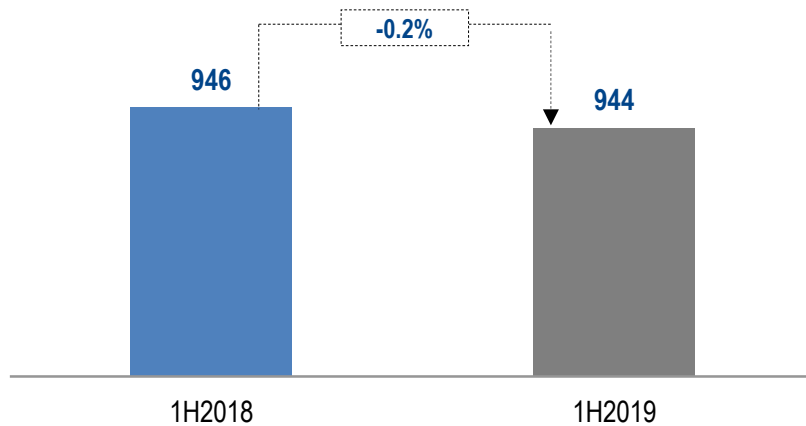
**Electricity Transmission Volume bn kWh (for respective period)**  
bn kWh (for respective period)



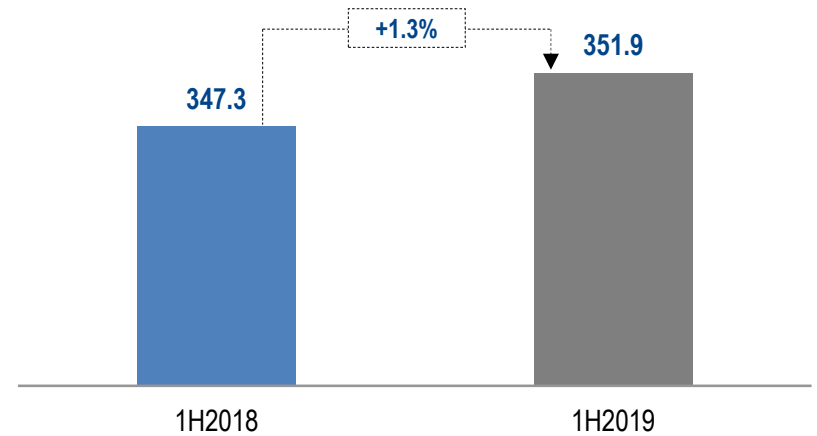
**Transmission Grid Length in Operation<sup>(2)</sup>**  
'ths km (end of period)



**Substations in Operation<sup>(2)</sup>**  
Units (end of period)



**Total Transformer Capacity in Operation<sup>(2)</sup>**  
GVA (end of period)



Source: Company data

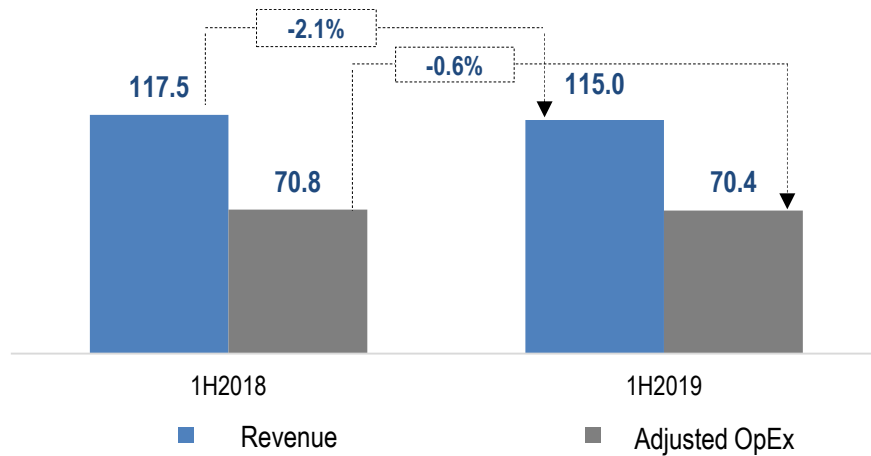
Notes:

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

# Key Financials

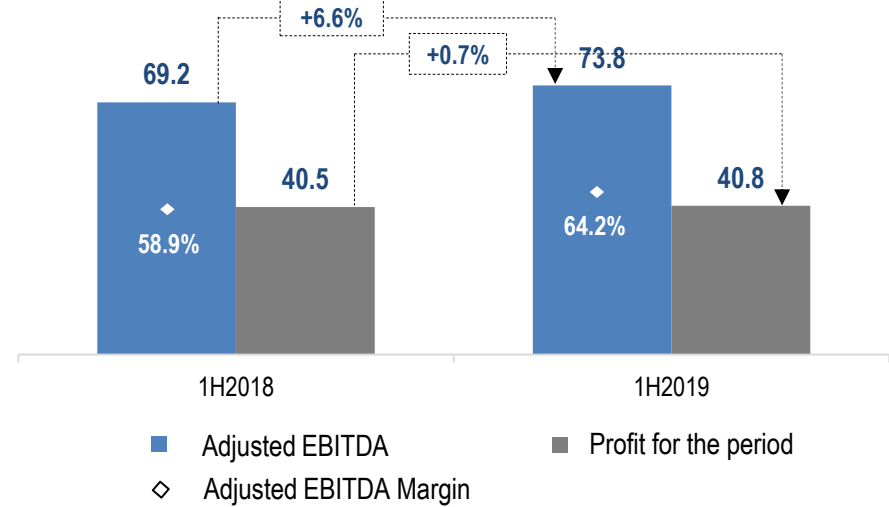
## Revenues, Adjusted OpEx

RUB bn



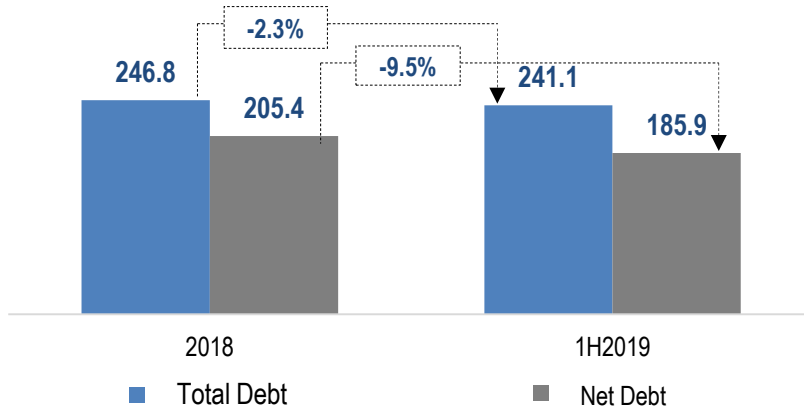
## Adjusted EBITDA, Profit for the period

RUB bn

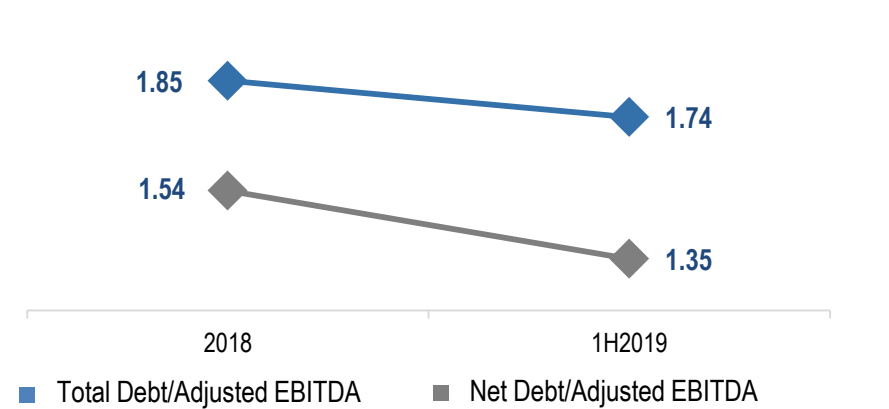


## Debt Position

RUB bn



## Leverage



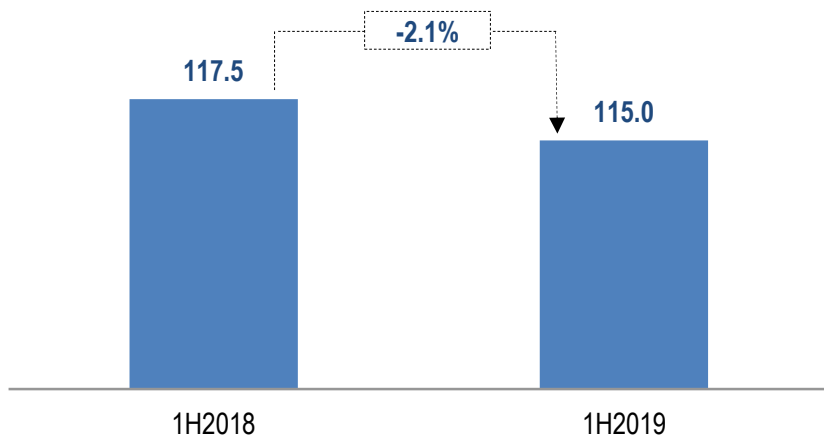
Source: Company IFRS financials

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# Revenue Structure

## Total Revenue

RUB bn



## Tariffs in the 2nd RAB-period

	1st July 2016	1st July 2017	1st July 2018	1st July 2019
Return on invested capital	10%	10%	10%	10%
Tariff growth	7.5%	5.5%	5.5%	5.5%
Tariff rate (RUB/MW a month)	155,541.58	164,095.64	173,164.15	182,697.68

Source: Company IFRS financials

## Revenue structure

RUB bn	1H2019	1H2018	Y-o-Y Change
Transmission fee	111.3	104.9	6.1%
Connection services	0.8	0.1	8x
Construction services	0.1	4.3	-97.7%
Electricity sales	0.8	6.0	-86.7%
Other revenue	2.0	2.2	-9.1%
<b>Total revenue</b>	<b>115.0</b>	<b>117.5</b>	<b>-2.1%</b>

- Revenue from FGC's core business (electricity transmission) rose by 6.1% (RUB 6.4 bn), primarily driven by:
  - growth in revenue from electricity transmission following tariff increase by 5.5% on 1 July 2018
  - growth of income from compensation of losses caused by the increase in the tariff for regulatory and technological losses of electricity, the amount of which is equal to the weighted average rate for the purchase of electricity and power of PJSC ATS in accordance with Decree № 458 of the Government of the Russian Federation, dated 11 May 2015
- Revenue from connection services amounted to RUB 0.8 billion, a RUB 0.7 billion increase year-on-year as a result of service schedules determined by customer orders
- Lower revenue from electricity sales is explained by decreased electricity sales volumes by a subsidiary of the Company
- Revenue from general contractor service agreements performed by FGC subsidiaries decreased by RUB 4.2 bn due to the completion of the main stages of construction projects.

# Operating Cost Structure<sup>(1)</sup>

	1H2019 RUB bn	% of Total Operating Costs	1H2018 RUB bn	% of Total Operating Costs	Y-o-Y Change
Purchased electricity for production needs	19.0	27.0%	18.3	25.9%	3.8%
Depreciation and amortisation	18.2	25.9%	16.1	22.8%	13.0%
Taxes and duties	10.3	14.6%	10.5	14.8%	-1.9%
Materials, repairs and technical maintenance	2.4	3.4%	2.0	2.8%	20.0%
Electricity transit	0.8	1.2%	0.3	0.4%	166.7%
Fuel for mobile gas-turbine electricity plants	0.1	0.1%	4.4	6.2%	-97.7%
Other expenses	19.6	27.8%	19.2	27.1%	2.1%
<b>Total operating expenses</b>	<b>70.4</b>	<b>100.0%</b>	<b>70.8</b>	<b>100.0%</b>	<b>-0.6%</b>

An increase in certain expenses (electricity and capacity purchases to compensate for losses, electricity transit) was offset by lower costs on fuel for mobile gas-turbine electricity plants and tax charges

- Depreciation and amortization rose by RUB 2.1. bn (+13.0%) in connection with new capacity being commissioned
- The significant increase in expenses for electricity transit was due to higher electricity transit volumes via the electrical grid of Kazakhstan
- Increased expenditures on materials, repairs and technical maintenance in the amount of RUB 0.4 bn (+20.0%) was driven by servicing of UNEG facilities, which were acquired as part of an asset exchange agreement with JSC Far East Energy Management Company, as well as by emergency repairs and other necessary maintenance
- The increase in other operating expenses by RUB 0.4 billion (+2.1%) is due to the rise in rental costs stemming from the transaction with JSC “Far Eastern Energy Management Company”, which rented non-UNEG facilities located in the Krasnodar Territory (Sochi, Adler district) and the Republic of Karelia (Sortavala, Valaam Island) to Federal Grid Company under a short-term lease agreement until they are transferred into operation to the distribution network companies.

Source: Company IFRS financials

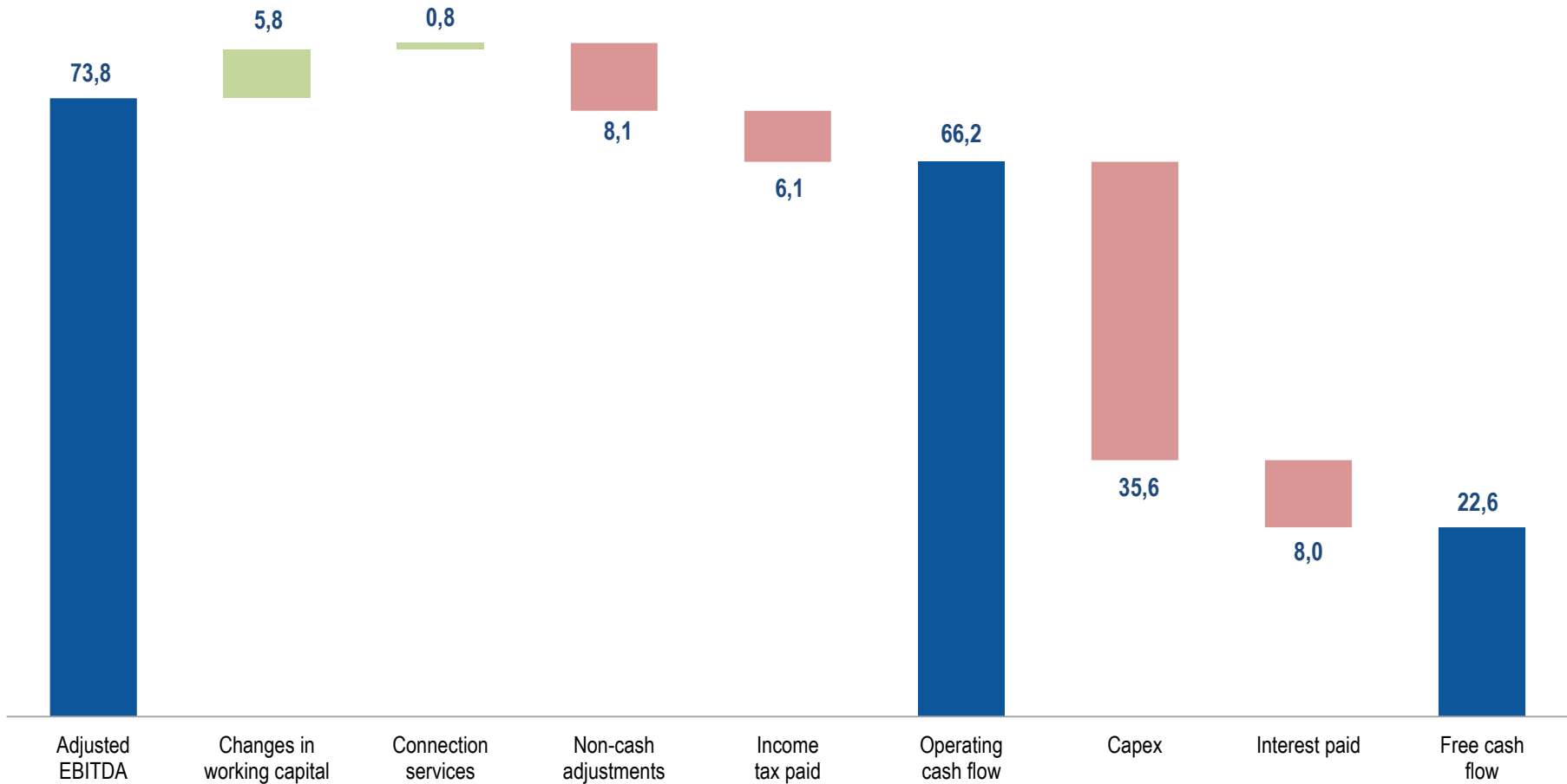
Notes:

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

# Free Cash Flow

## Free Cash Flow

RUB Bn



Source: Company IFRS financials

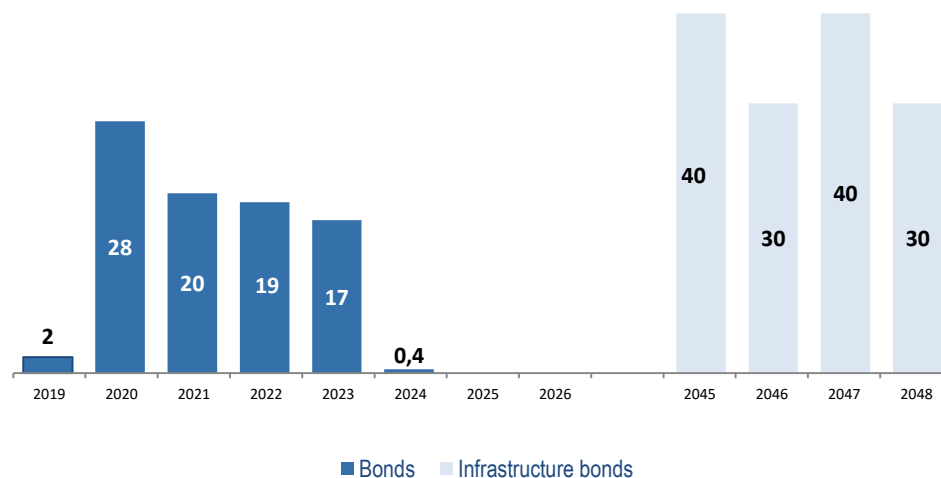
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# Debt Capital Structure

## Debt profile as of 30 June 2019

- Principal amount of debt: RUB 226.2 bn
- Cost of debt:
  - As at 30.06.2019 – 6.93%
  - As at 31.12.2018 – 5.91%
- Average debt maturity: 17.9 years
- Debt structure comprised of long-term financial instruments, including: 38% - market bonds, 62% - infrastructure bonds; less than 1% - other debt
- 100% of total debt is unsecured and ruble-denominated
- Zero currency risk

## Debt repayment structure, RUB bn



## Credit Ratings <sup>(1)</sup>

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

<b>FitchRatings</b>	BBB-	Stable
<b>STANDARD &amp; POOR'S</b>	BBB-	Stable
<b>MOODY'S INVESTORS SERVICE</b>	Baa3	Stable
<b>AKPA</b>	AAA (RU)	Stable

Source: Company IFRS financials  
(1) As at 30.06.2019.

## Financial leverage indicators

Indicators	2018	1H2019
Total debt, bn. RUB	246.8	241.1
Net debt, bn. RUB	205.4	185.9
Total debt / Adjusted EBITDA	1.85x	1.74x
Net debt / Adjusted EBITDA	1.54x	1.35x



# APPENDICES

# Glossary

## General

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

## Financial Metrics

- Adjusted EBITDA is calculated as (earnings before tax, financial income and expenses, depreciation and amortisation) excluding net reversal of impairment of property, plant and equipment, revenue from connection services, accrual of allowance for expected credit losses, gain on disposal of assets (only for 6 months of 2019), loss on disposal of associated company (only for 6M 2019), movement in provision for legal claims and including financial income.
- Adjusted Profit for the period is calculated as profit for the period excluding net reversal of impairment of property, plant and equipment, gain on disposal of assets (only for 6 months of 2019), loss on disposal of associated company (only for 6M 2019), including the respective of 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
- 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, depreciation of Right-of-use assets and amortisation of intangible assets

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