

2017 IFRS OPERATIONAL AND FINANCIAL RESULTS

March 2018



Key financial figures

Key events in 2017 and after the reporting period

- Starting 1 July 2017, the tariff for electricity transmission on the UNEG was increased by 5.5% compared to the previous level of tariffs in force until 30 June 2017.
- In February 2018 Standard & Poor's upgraded the Company's credit rating as well as the sovereign credit rating to investment grade of BBB- with stable outlook.
- The Company received ACRA's national rating of AAA (RU) with stable outlook, international rating agencies confirmed their ratings in accordance with the sovereign credit rating (Fitch Ratings – BBB- with positive outlook, Moody's rating – Ba1 with stable outlook).
- In June 2017 at the Annual General Meeting, shareholders voted in support of a dividend payment for 2016 and 1Q 2017 amounting to RUB 19.61 billion.
- During 2017, the Company have executed its put option obligations on previously issued bonds at the scheduled dates using its own funds, which altogether amounted to RUB 23.4 billion.
- The Russian Ministry of Energy approved (decree №31@) Federal Grid Company's revised investment programme for 2016-2020.

Financial performance

RUB bn	2016	2017	Y-o-Y Change
Revenues ⁽¹⁾	255.6	242.2	-5.2%
Operating expenses ⁽²⁾	135.6	133.6	-1.5%
Adjusted EBITDA	116.7	126.4	8.3%
<i>Adjusted EBITDA margin</i>	45.7%	52.2%	6.5 p.p.
Profit for the period	68.4	72.7	6.3%
<i>Adjusted profit for the period (excluding connection services)</i>	47.5	64.5	35.8%
<i>Connection services</i>	39.1	19.4	-50.4%
Adjusted FCF	4.0	14.6	265%
Net debt	221.8	215.4	-2.9%
<i>Net debt / adjusted EBITDA⁽³⁾</i>	1.9x	1.7x	-0.2x

Source: Company IFRS accounts

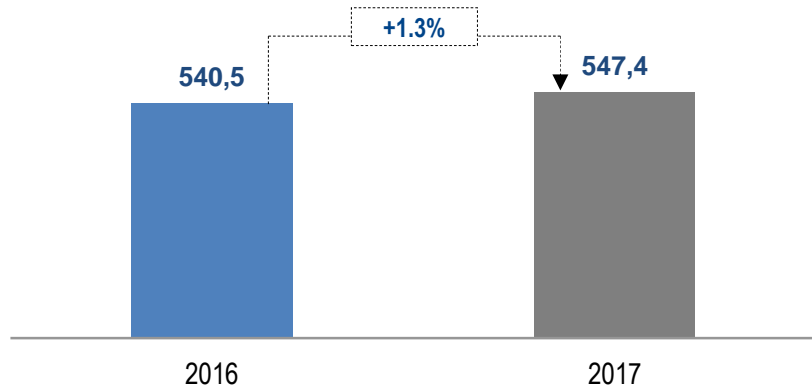
Notes:

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

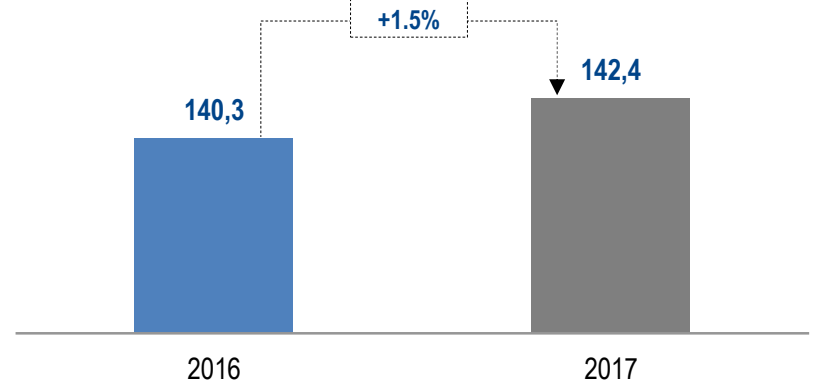
- Total revenue includes income from general contractor agreements at subsidiaries.
- Excluding expenses for services rendered under general contractor by subsidiaries.
- Leverage = Net debt / adjusted EBITDA for the last 12 months.

Operational Overview⁽¹⁾

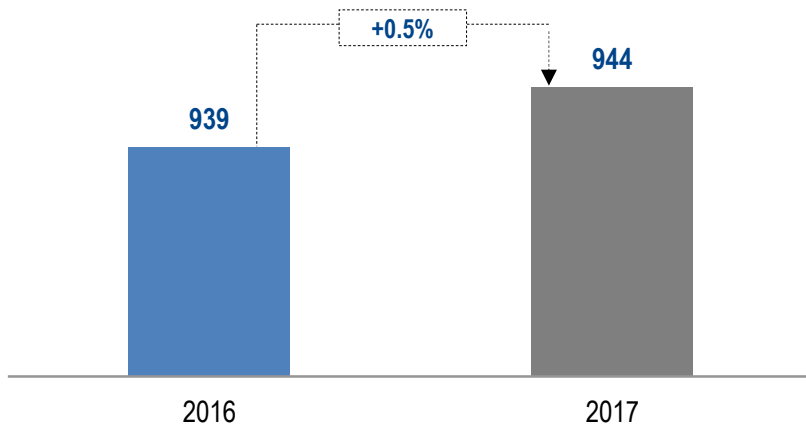
Electricity Transmission Volume bn kWh (for respective period)
bn kWh (for respective period)



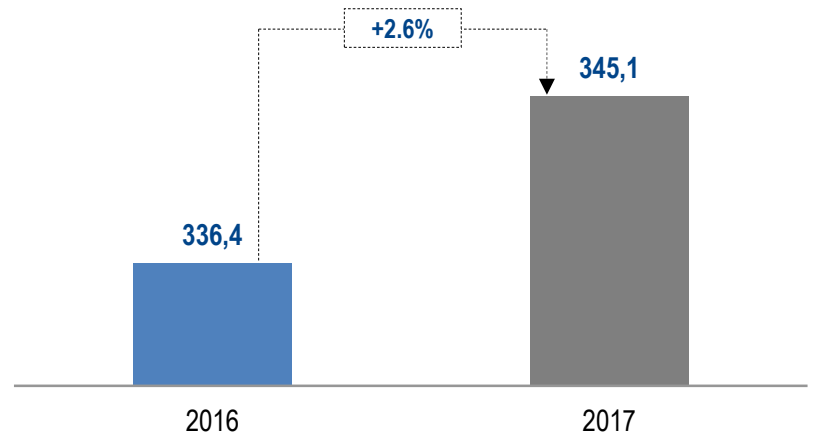
Transmission Grid Length in Operation⁽²⁾
'ths km (end of period)



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



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



Source: Company data

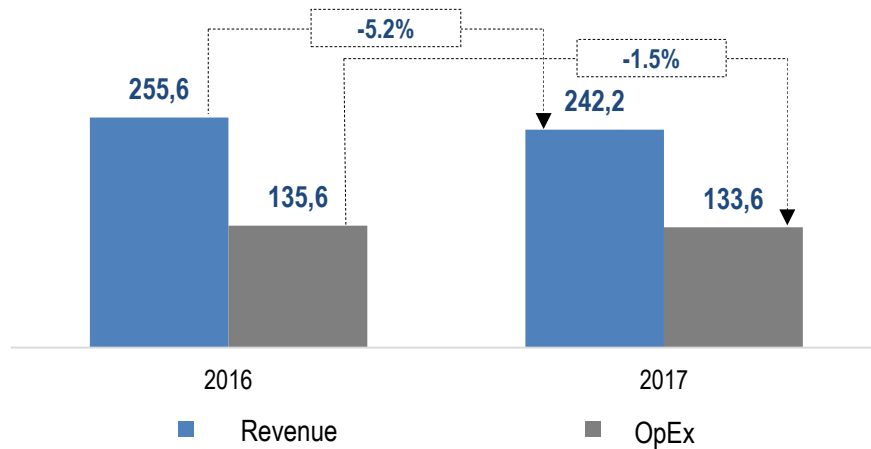
Notes:

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

Key Financials

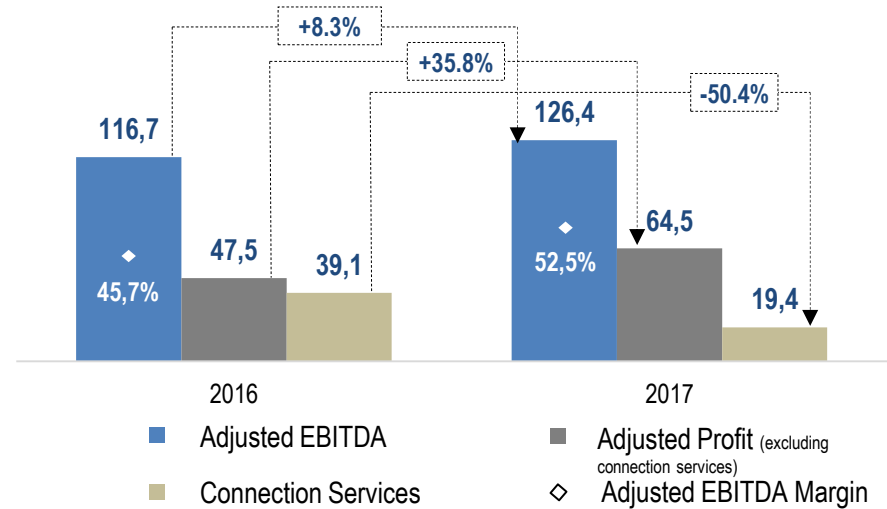
Revenues, OpEx

RUB bn



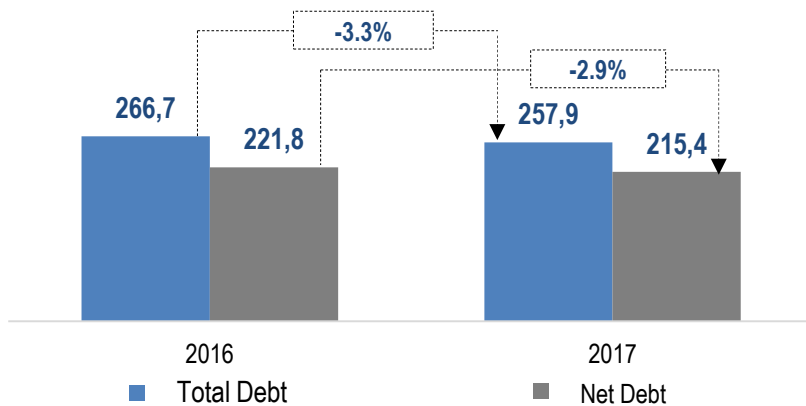
Adjusted EBITDA, Profit for the period

RUB bn

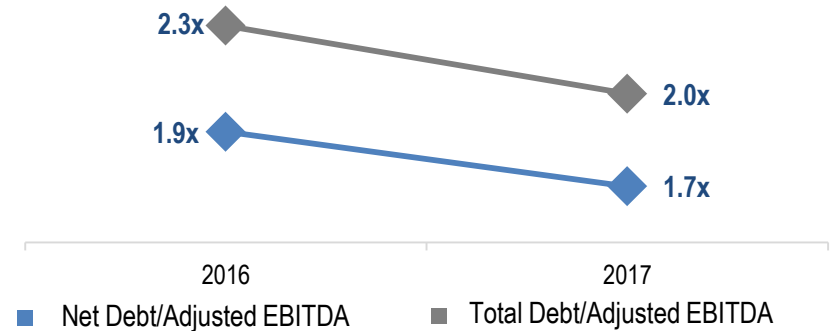


Debt Position

RUB bn



Leverage



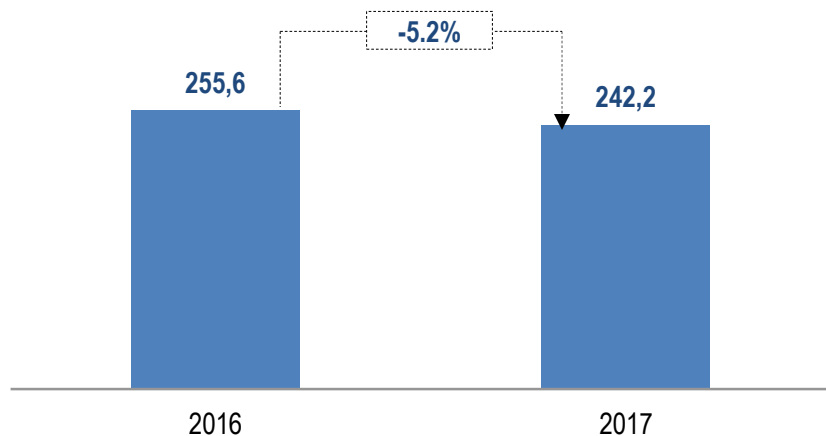
Source: Company IFRS accounts

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Revenue Structure

Total Revenue

RUB bn



Tariffs in the 2nd RAB-period

	1 July 2016	1 July 2017	1 July 2018	1 July 2019
Return on invested capital	10%	10%	10%	10%
Tariff growth	7.5%	5.5%	5.5%	3.0%
Tariff rate (RUB/MW a month)	155,541.58	164,095.64	173,164.15	178,402.53

Revenue structure

RUB bn	2016	2017	Y-o-Y Change
Transmission fee	170.2	192.2	12.9%
Connection services	39.1	19.4	-50.4%
Construction services	21.3	19.1	-10.3%
Electricity sales	22.1	8.2	-62.9%
Other revenue	2.9	3.3	13.8%
Total revenue	255.6	242.2	-5.2%

FGC UES's total revenue decreased by 5.2% primarily due to lower revenue from connection services and reduced electricity sales:

- Revenue from connection services fell by RUB 19.7 bn (-50.4%) due to work schedules determined by customer orders
- Electricity sales decreased by RUB 13.9 bn (-62.9%) chiefly due to the ceasing of electricity sales from one of the Group's subsidiaries

At the same time, revenue from FGC UES's core business (electricity transmission) grew by 12.9% (RUB 22 bn), thanks to tariff growth of 7.5% from 01.07.2016 and further growth by 5.5% from 01.07.2017, as well as increased output to direct customers.

Source: Company IFRS accounts

Operating Expense Structure⁽¹⁾

	2016 RUB bn	% of Total operating expenses	2017 RUB bn	% of Total operating expenses	Y-o-Y Change
Depreciation & amortisation	40.7	30.0%	46.0	34.4%	13.0%
Personnel related expenses	26.8	19.8%	28.4	21.3%	6.0%
Purchased electricity for operational purposes	26.0	19.2%	24.3	18.2%	-6.5%
Property tax	9.1	6.7%	10.8	8.1%	18.7%
Fuel for MGTEP	7.8	5.8%	6.4	4.8%	-17.9%
Repairs & Maintenance and Materials	4.1	3.0%	4.8	3.6%	17.1%
Electricity transit	2.3	1.7%	1.1	0.8%	-52.2%
Allowance for doubtful debtors	2.7	2.0%	-3.8	-2.8%	-240.7%
Other expenses	16.1	11.8%	15.6	11.6%	-3.1%
Total operating expenses	135.6	100.0%	133.6	100.0%	-1.5%

- Operating expenses amounted to RUB 133.6 bn, a 1.5% decrease year-on-year.
- Depreciation and amortisation expenses increased by 13.0%. This was caused by the revaluation increase recognised in respect of Buildings and Substations as a result of revaluation of property, plant and equipment held as at 31 December 2016.
- Property tax growth is connected with the gradual abolition of tax benefit for power transmission grids.
- Personnel-related expenses grew by 6.0% to RUB 28.4 billion, primarily as result of salary indexation and updated actuarial calculations on salary-based pension plans.
- Expenses for electricity purchases decreased by 6.5% due to changes in the grid operating schedule and a decrease in volumes of electricity sold.
- Expenses for materials, repairs and technical maintenance amounted to RUB 4.8 bn, a 17.1% increase Y-o-Y) due to an accelerated maintenance work schedule compared to 2016.
- Electricity transit costs decreased by 52.2% due to a lower exchange rate for the Kazakh tenge and reduced electricity transmission through other countries.
- During the reporting period the Group recorded a reversal of allowances for accounts receivable due to restructuring of accounts receivable and completed payments from certain counterparties.

Source: Company IFRS accounts

Notes: Excluding expenses for services rendered under general contractor agreements by subsidiaries.

EBITDA Analysis

Adjusted EBITDA Bridge

RUB bn



Source: Company IFRS accounts

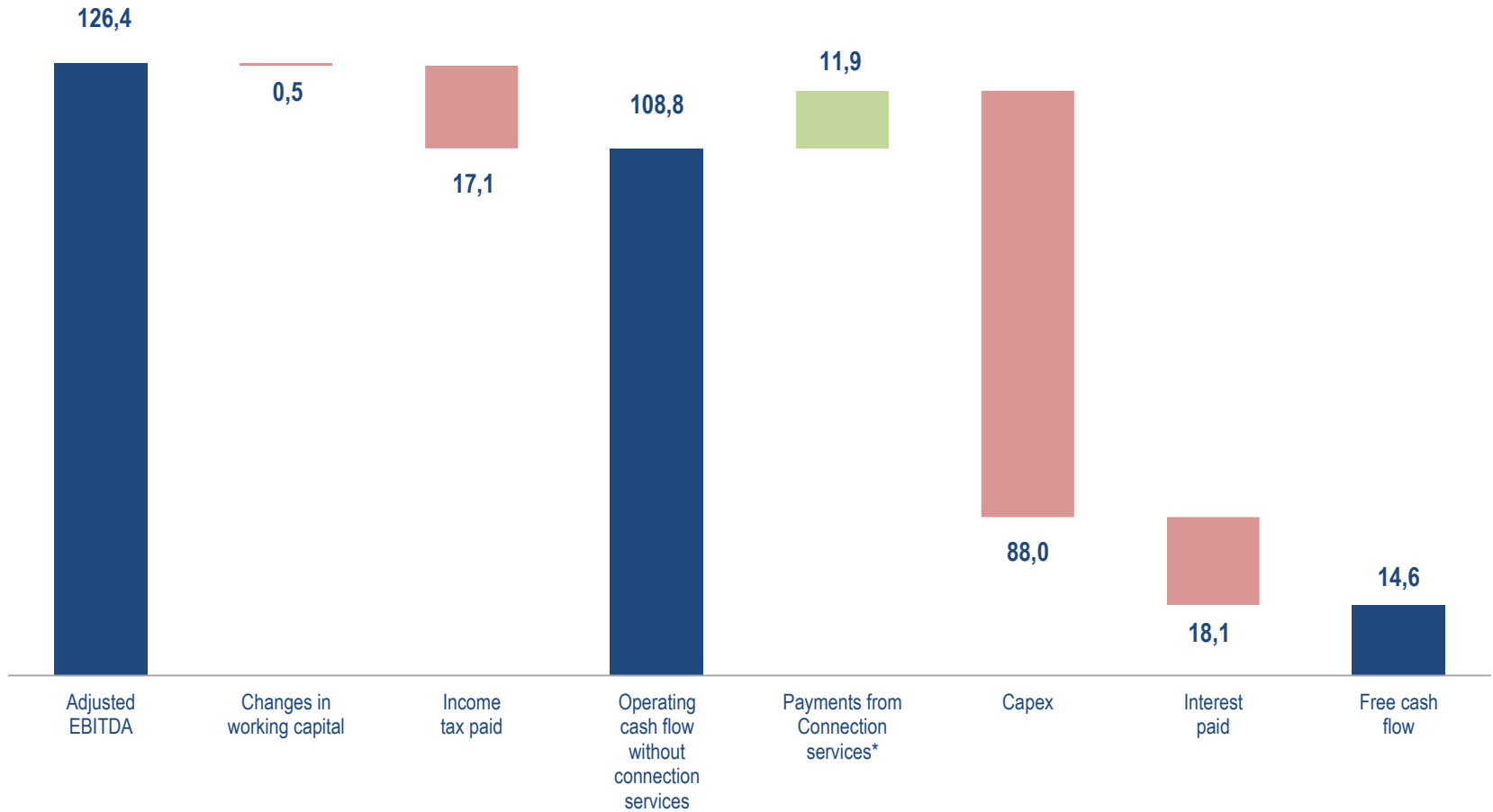
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(1) Revenue change shown excluding revenue from subcontracting agreements and connection services, and expenses on electricity and fuel purchases

Free Cash Flow

Free Cash Flow in 2017

RUB bn



* Incl.cash-in on deferred payments

Source: Company IFRS accounts

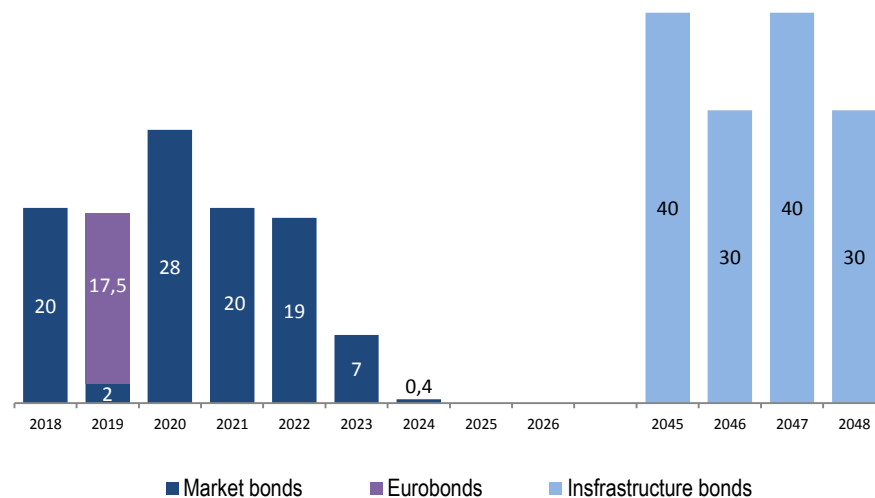
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Debt Capital Structure

Debt profile as of 31 December 2017

- Principal amount of debt: RUB 254.3 bn
- Debt service cost:
 - As at 31 December 2017 – 5.77%
 - As at 31 December 2016 – 7.83%
- Average debt maturity: 17.2 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 schedule, RUB bn



Credit Ratings (1)

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

FitchRatings	BBB-	Positive
STANDARD & POOR'S (2)	BB+	Positive
MOODY'S INVESTORS SERVICE	Ba1	Stable
AKPA	AAA (RU)	Stable

Source: Company IFRS accounts

(1) As of 31 December 2017

(2) On 28 February 2018, Standard & Poor's upgraded the Company's credit rating to investment grade of BBB- with stable outlook following the upgrade of Russia's sovereign credit rating

Financial leverage indicators

Indicators	2016	2017
Total debt, RUB bn	266.7	257.9
Net debt, RUB bn	221.8	215.4
Total debt / Adjusted EBITDA	2.3x	2.0x
Net debt / Adjusted EBITDA	1.9x	1.7x



London
Stock Exchange

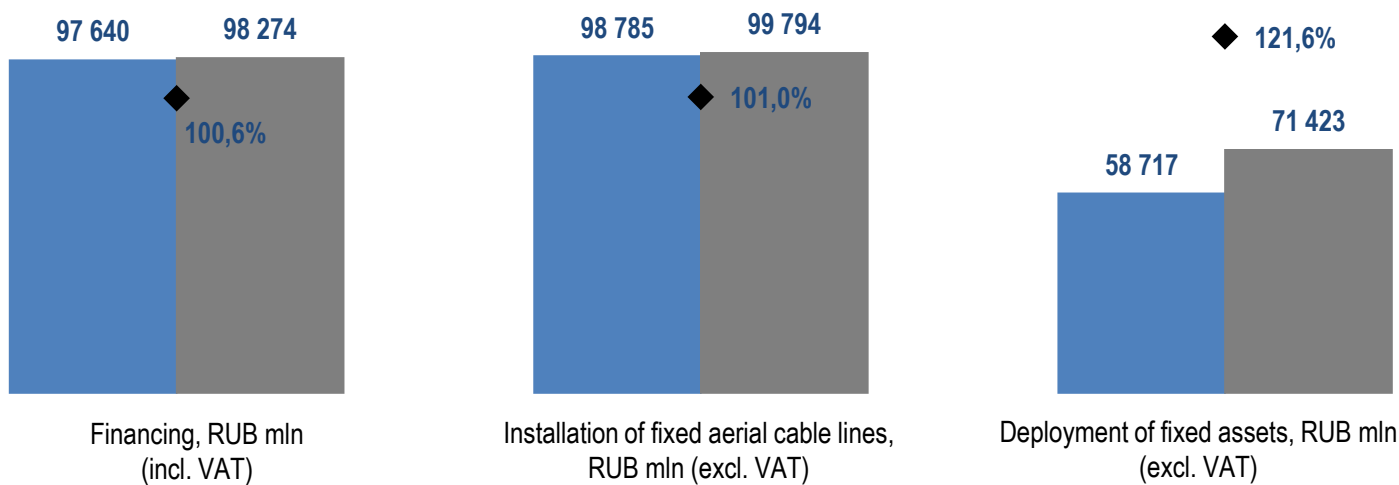
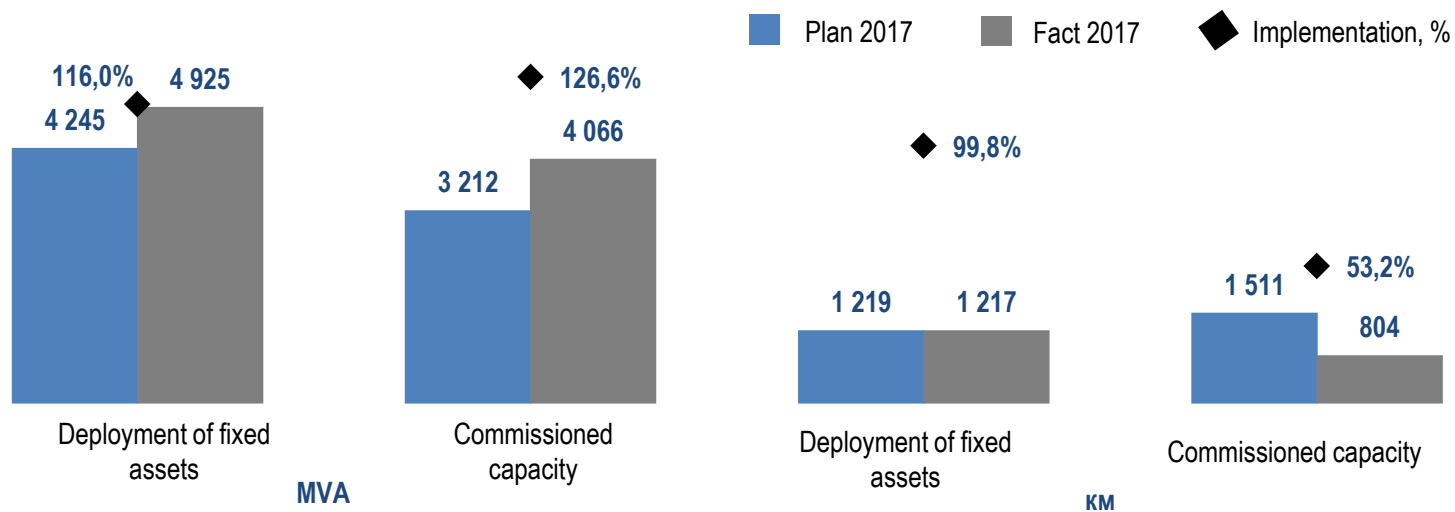
LISTED

STANDARD
DEPOSITARY RECEIPTS

APPENDICES



Preliminary results of investment programme in 2017



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

Financial Metrics

- Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude net loss from impairment and revaluation loss of property, plant and equipment, revenue from connection services, accrual of doubtful debtors allowance, (loss) / gain on derecognition of subsidiary, 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) / gain on derecognition of subsidiary, revenue from connection services, including respective deferred income tax (excluding deferred income tax on revenue from connection services).
- 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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