



2018 IFRS OPERATIONAL AND FINANCIAL RESULTS

March 2019



Key financial figures

Key Events in 2018 and after the reporting period

- In February 2018, S&P ratings agency upgraded FGC's credit rating by one notch to investment grade BBB- with a stable outlook. In February 2019, Moody's upgraded FGC's rating to investment grade Baa3 with a stable outlook. Both of these ratings actions came following analogous upgrades to the Russian Federation's sovereign rating
- In May 2018, the Board of Directors approved a new dividend policy
- In June 2018, the Annual General Meeting of shareholders (AGM) decided to pay dividends for 2017 in the amount of RUB 18.9 billion (bringing the total dividends paid for 2017 to RUB 20.3 billion when taking into account the RUB 1.42 billion of interim dividends paid for the first quarter of 2017)
- In June 2018, the Board of Directors took the decision to sell Federal Grid Company's 10% stake in PJSC Inter RAO
- In December 2018, the Board of Directors approved a transaction to exchange assets with Far East Energy Management Company
- In March 2019, the Company redeemed its debut Eurobond issue in the amount of RUB 17.5 billion

Financial performance

RUB bn	2018	2017	Y-o-Y Change
Revenues ⁽¹⁾	254.0	242.2	4.9%
Operating expenses ⁽²⁾	149.9	117.4	27.7%
EBITDA (adj.)	133.6	129.5	3.2%
<i>EBITDA margin (adj.)</i>	52.6%	53.5%	-0.9 п.п.
Profit for the period	92.8	87.8	5.7%
Total comprehensive income	101.2	79.2	27.8%
Net debt	205.4	215.4	-4.6%
<i>Leverage⁽³⁾</i>	1.54x	1.66x	-0.12x

Source: Company IFRS financials

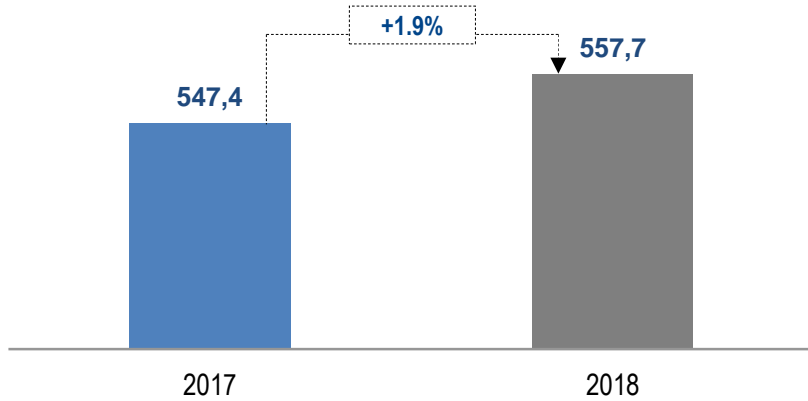
Notes:

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

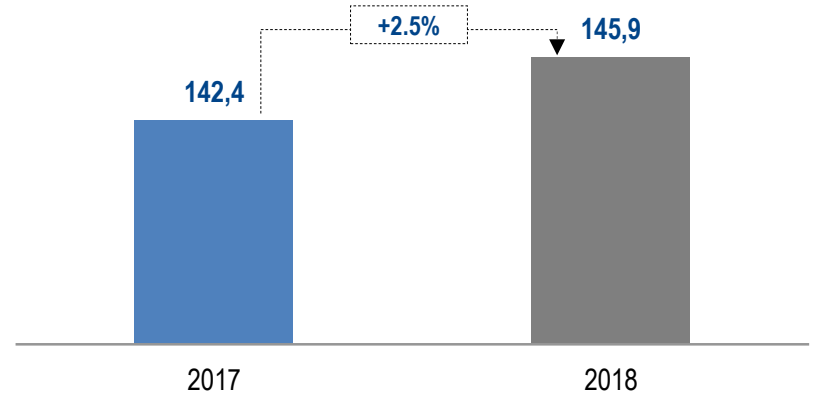
1. Total revenue includes income from general contractor agreements at subsidiaries.
2. Excluding expenses for services rendered under general contractor by subsidiaries.
3. Leverage = Net debt / EBITDA (adj.) for the last 12 months.

Operational Overview⁽¹⁾

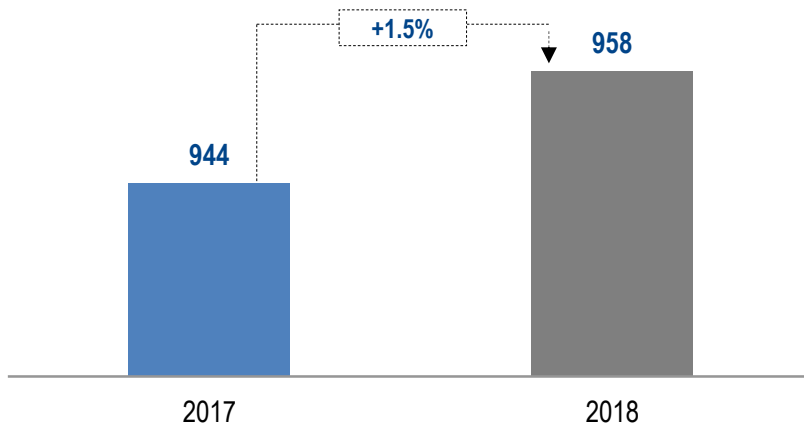
Electricity Transmission Volume bn kWh (for respective period)
bn kWh (for respective period)



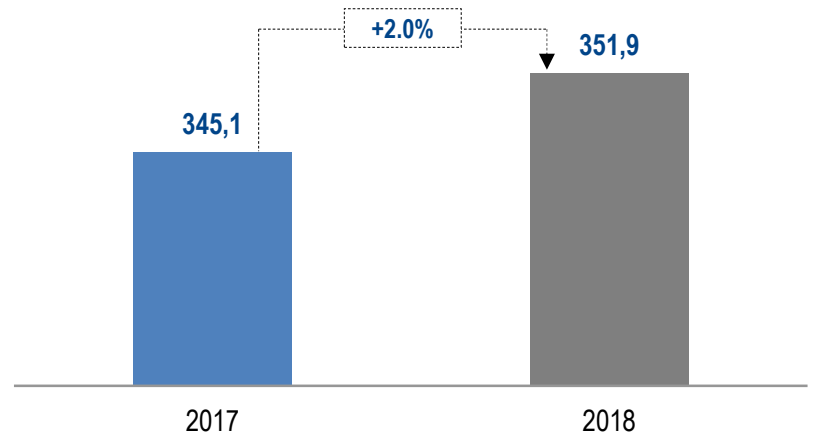
Transmission Grid Length in Operation⁽²⁾
'ths km (end of period)



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



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



Source: Company data

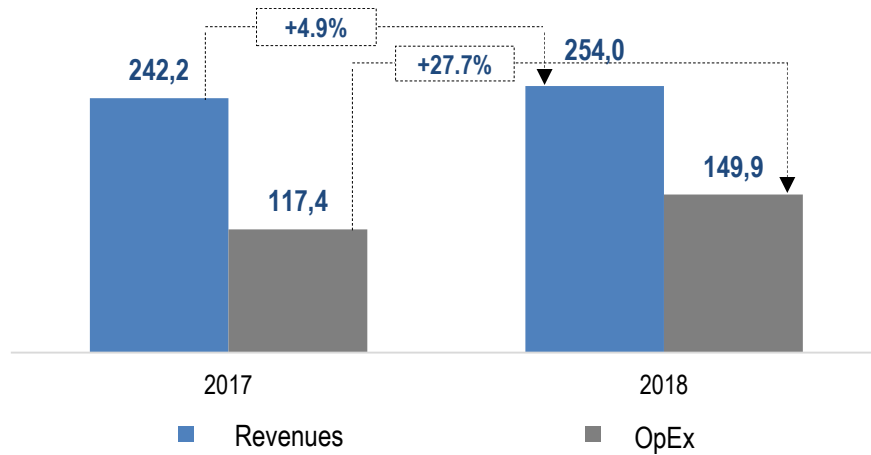
Notes:

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

Key Financials

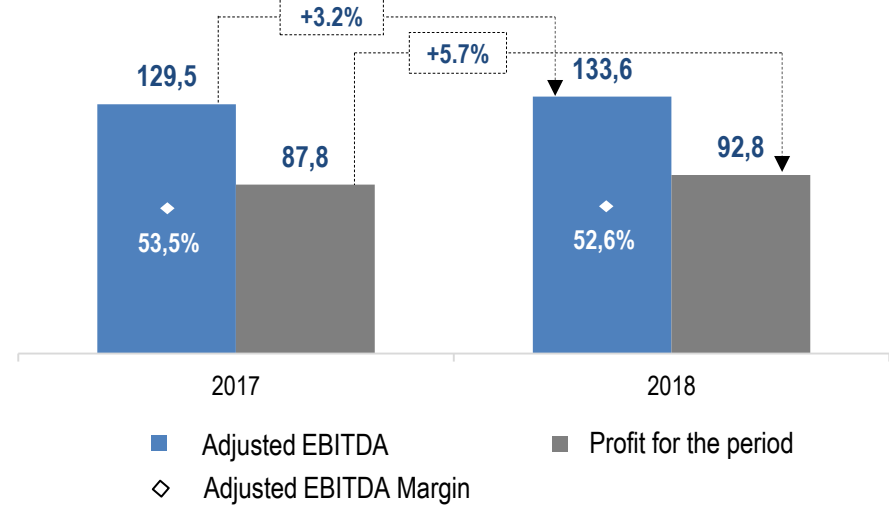
Revenues, OpEx

RUB bn



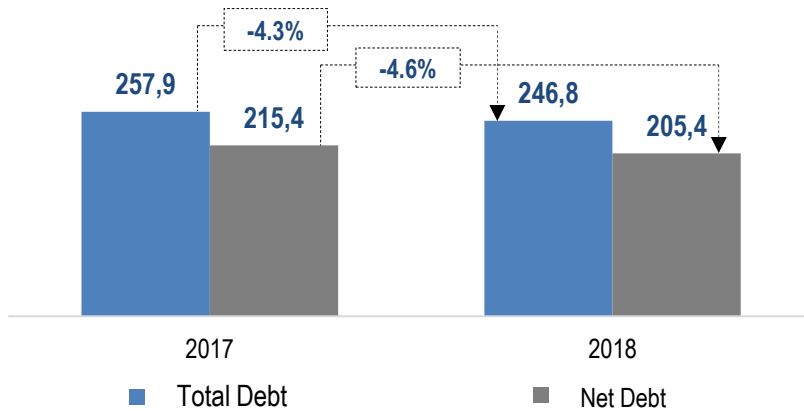
Adjusted EBITDA, Profit for the period

RUB bn

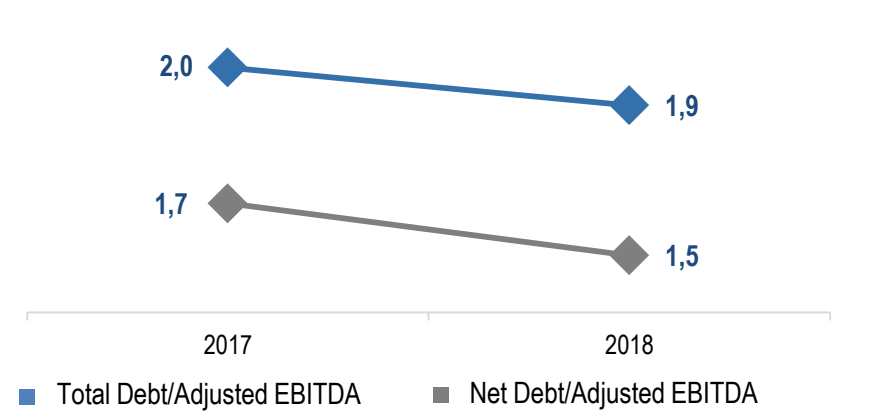


Debt Position

RUB bn



Leverage



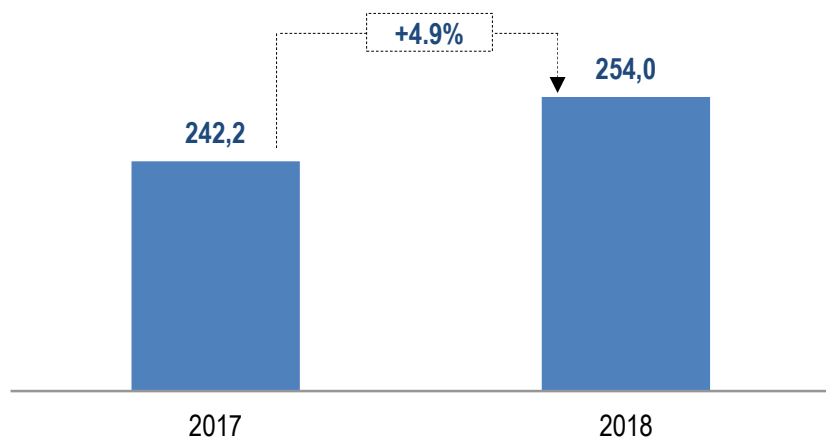
Source: Company IFRS financials

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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 's data

Revenue structure

RUB bn	2018	2017	Y-o-Y Change
Transmission fee	213.1	192.2	10.9%
Connection services	21.5	19.4	10.8%
Electricity sales	9.4	8.2	14.6%
Construction services	6.1	19.1	-68.1%
Other revenue	3.9	3.3	18.2%
Total revenue	254.0	242.2	4.9%

FGC's revenue grew by 4.9%:

- Revenue from FGC's core business (electricity transmission services) increased by 10.9% (RUB 20.9 bn) year-on-year, driven by increased revenue from compensation of losses in accordance with the Regulation of the Government of the Russian Federation No. 810 dated July 7, 2017, as well as higher revenue from electricity transmission following tariff increases on 1 July 2017 and on 1 July 2018 by 5.5% in each case
- Revenue from connection services grew by RUB 2.1 bn (10.8%) year-on-year, which is attributed to the service timetable determined by consumer requests
- Revenue from electricity sales rose by RUB 1.2 bn (14.6%) owing mainly to an increase in the volume of electricity sold by a Federal Grid Company subsidiary
- Revenue from general contractor service agreements performed by FGC subsidiaries decreased by RUB 13.0 bn due to the change in the work completion percentage at various stages of construction projects

Operating Cost Structure⁽¹⁾

	2018 RUB bn	% of Total Operating Costs	2017 RUB bn	% of Total Operating Costs	Y-o-Y Change
Electricity purchases for operational needs	38.1	25.4%	24.3	20.7%	56.8%
Depreciation and amortisation	33.5	22.3%	29.6	25.2%	13.2%
Taxes and duties (including social security contributions)	21.2	14.1%	16.9	14.4%	25.4%
Fuel for mobile gas-turbine electricity plants	6.6	4.4%	6.4	5.5%	3.1%
Electricity transit	1.5	1.1%	1.1	0.9%	36.4%
Total uncontrollable expenses	100.9	67.3%	78.3	66.7%	28.9%
Materials, repairs and technical maintenance	5.9	3.9%	4.8	4.1%	22.9%
Other operating expenses	38.5	25.7%	38.1	32.4%	1.0%
Total controllable expenses	44.4	29.6%	42.9	36.5%	3.5%
Allowance for doubtful debtors and expected credit losses	4.6	3.1%	-3.8	-3.2%	-
Total operating expenses	149.9	100.0%	117.4	100.0%	27.7%

Operating expenses increased by RUB 32.5 billion or 27.7%, mainly due to:

- electricity purchases for operational use increased by RUB 13.8 billion (+56.8%) following the enactment on 1 August 2017 of a Russian Government decree №810 (dated 07 July 2017), which mandated that Federal Grid Company purchase on the wholesale electricity and power market full actual losses and also cancelled the mechanism of compensation for the value of load losses under electricity supply service contracts. At the same time, the Company's revenue increased commensurate to these expenses as they were included in the cost of electricity transmission services;
- depreciation and amortisation expenses grew by RUB 3.9 billion or 13.2% following the commission of new capacity;
- taxes and duties increased by RUB 4.3 billion (+25.4%) as a result of a gradual phasing out of tax benefit for power transmission grids and cancellation of benefits for movable property;
- expenses for materials, repairs and technical maintenance increased by RUB 1.1 billion (+22.9%) as a result of higher volumes of work being undertaken to ensure the reliable operations of UNEG facilities;
- other operating expenses rose by RUB 0.4 billion (+1.0%) due to an increase in the number of equipment being serviced, however, at the same time, controllable expenses grew slower than inflation.

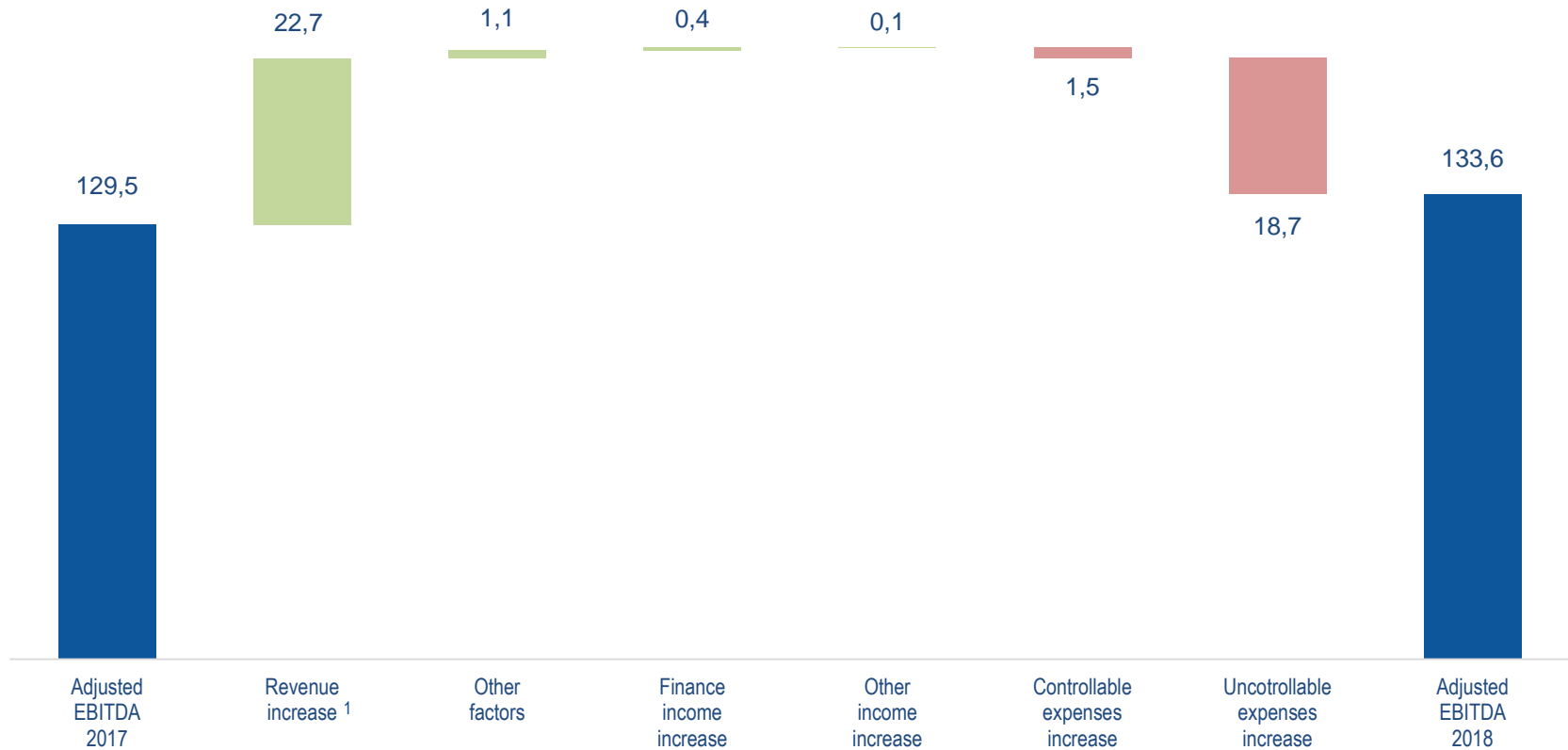
Source: Company IFRS financials

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

EBITDA Analysis

Adjusted EBITDA Bridge

RUB bn



Source: Company IFRS financials

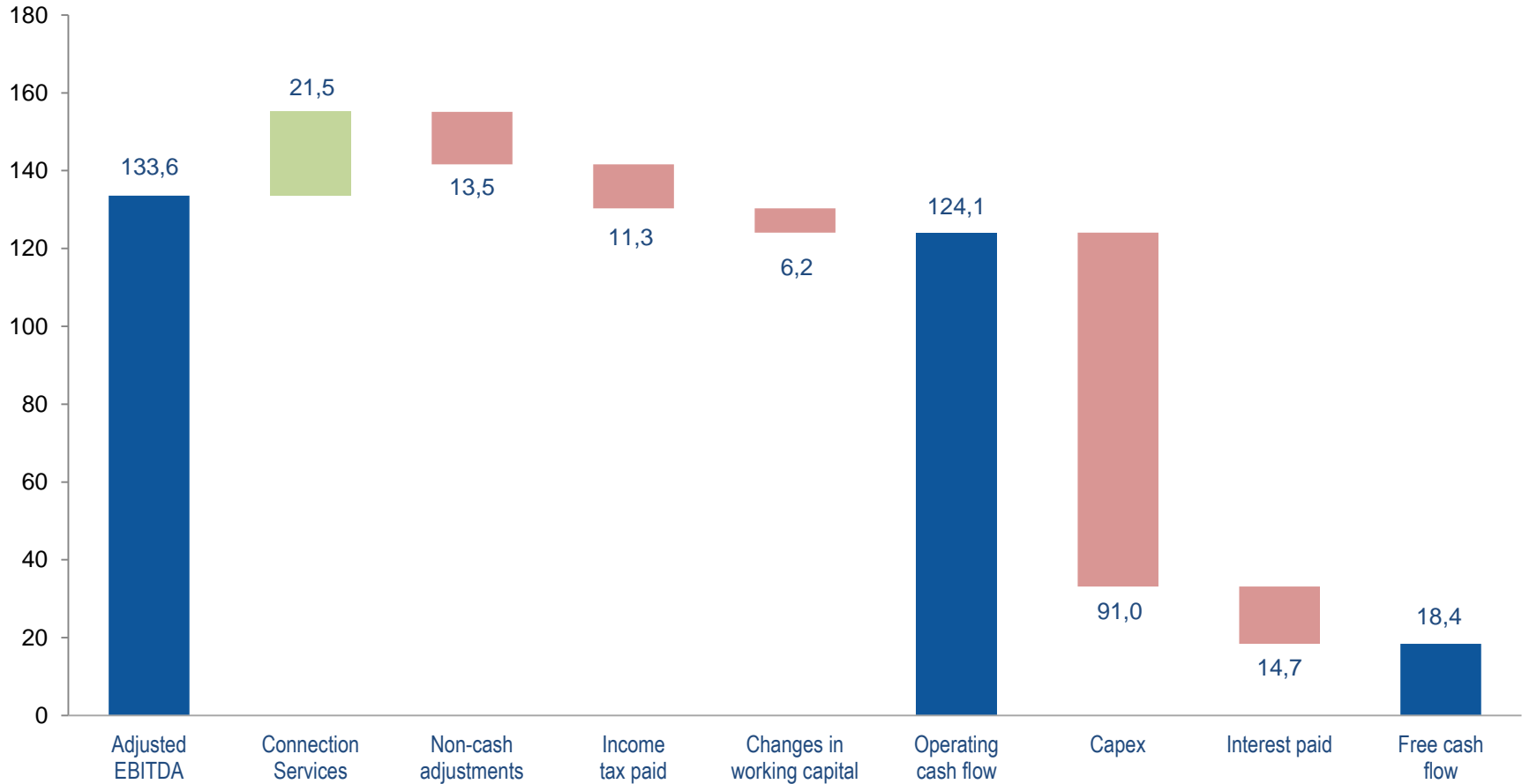
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(1) Revenue dynamics are shown excluding revenue from general contractor agreements and revenue from connection services or expenses on purchased electricity and fuel

Free Cash Flow

Free Cash Flow

RUB bn



Source: Company IFRS financials

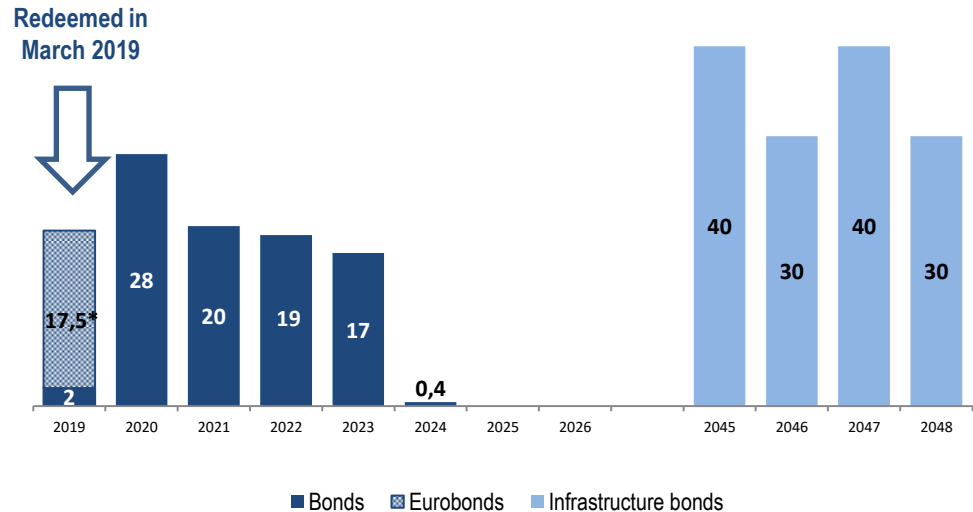
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Debt Capital Structure

Debt profile as of 31 December 2018

- Principal amount of debt: RUB 243.9 bn
- Debt service cost:
 - As of 31 December 2018 – 5.91%
 - As of 31 December 2017 – 5.77%
- Average debt maturity: 17.1 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
- Zero currency risk

Debt repayment schedule, RUB bn



Credit Ratings (1)

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

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

Source: Company IFRS financials

(1) As of 31 December 2018

(2) As of 12 February 2019 the Company's credit rating was upgraded to investment grade Baa3 with a stable outlook in line with Russia's sovereign credit rating

* On 13 March 2019 the Company redeemed its debut issue of Eurobonds in the amount of RUB 17.5 bn

Financial leverage indicators

Indicators	2017	2018
Total debt, RUB bn	257.9	246.8
Net debt, RUB bn	215.4	205.4
Total debt / Adjusted EBITDA	2,0x	1,9x
Net debt / Adjusted EBITDA	1,7x	1,5x

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 reversal / (accrual) of net loss from impairment of property, plant and equipment, revenue from connection services, expenses related to accrual/(reversal) of allowance for expected credit losses and doubtful debtors, loss on derecognition of subsidiary (only for 2017), and movement in provision for legal claims and 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

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