



**Federal Grid Company**

**FY2016 IFRS  
Operational and Financial Results**

**March 2017**



**London**  
Stock Exchange

**LISTED**

**STANDARD**  
DEPOSITARY RECEIPTS



## Key Events in 2016

- From 1 July 2016 the electricity transmission tariff for the UNEG network was increased by 7.5% year-on-year by decree of Federal Tariff Service. From 1 July 2017 tariffs will rise by another 5.5%.
- Following reviews in 2016 by international rating agencies Moody's, Fitch Ratings and Standard & Poor's, the Company had its ratings confirmed by these agencies at Ba1, BBB- and BB+, respectively.
- In June 2016 at the Annual General Meeting, shareholders voted in support of a dividend payment for 2015 amounting to RUB 16,976.6 million, which corresponds to 39% of IFRS net profit and 95% of RAS net profit for 2015.
- The Russian Ministry of Energy approved Federal Grid Company's revised investment programme for 2016-2020 (decree numbered № 1432, dated 28 December 2016).
- Payment approved for connection services for Kalininskaya nuclear power station (RUB 32.3 billion), Zelenchuskaya hydroelectric pump-storage station (RUB 1.93 billion) and Krasnoyarskaya TEC-3 (RUB 1.02 billion), for a total of RUB 35 billion (excluding VAT).
- The Russian Government ordered for installment payment plans to be set regarding connection services for hydroelectric power stations and nuclear-thermal power stations on a 10-year basis with a 6% annual interest rate.

## Financial performance

RUB bn	2015	2016	Y-o-Y Change
Revenues <sup>(1)</sup>	187.0	255.6	36.7%
Operating expenses <sup>(2)</sup>	125.0	135.6	8.5%
EBITDA (adj.) <sup>(3)</sup>	104.4	116.7	11.8%
<i>EBITDA margin (adj.)</i>	<i>55.8%</i>	<i>45.7%</i>	<i>-10.1 pp</i>
Profit for the period	44.1	68.4	55.1%
Total comprehensive income for the period	47.8	124.4	160.3%
Net debt	222.9	221.8	-0.5%
<i>Net debt / EBITDA (adj.)</i>	<i>2.1 x</i>	<i>1.9 x</i>	<i>-0.2 x</i>

Source: Company IFRS financials

**Notes:**

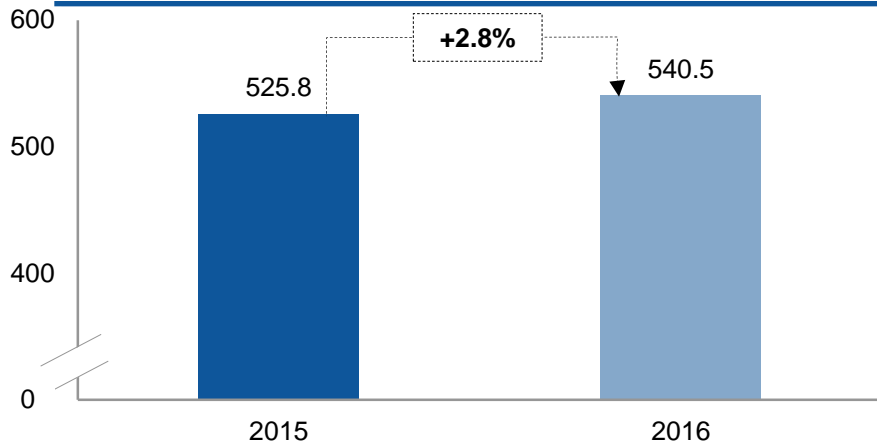
Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation

- Total revenue includes income from general contractor agreements at subsidiaries.
- Excluding expenses for services rendered under general contractor by subsidiaries.
- Adjusted EBITDA for 2015 was re-calculated to exclude revenue from connection services, accrual of doubtful debtors allowance (excluding effects of discounting reflected in the doubtful debtor allowance) to conform 2016 presentation.



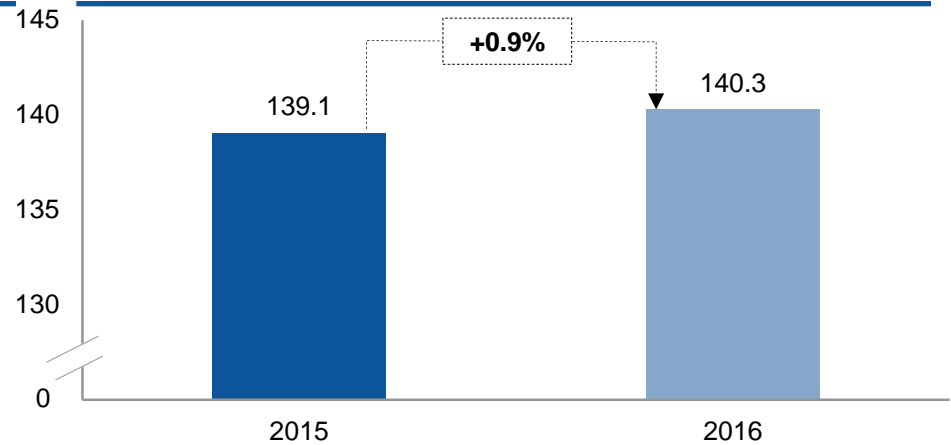
## Electricity Transmission Volume

bn kWh (for respective period)



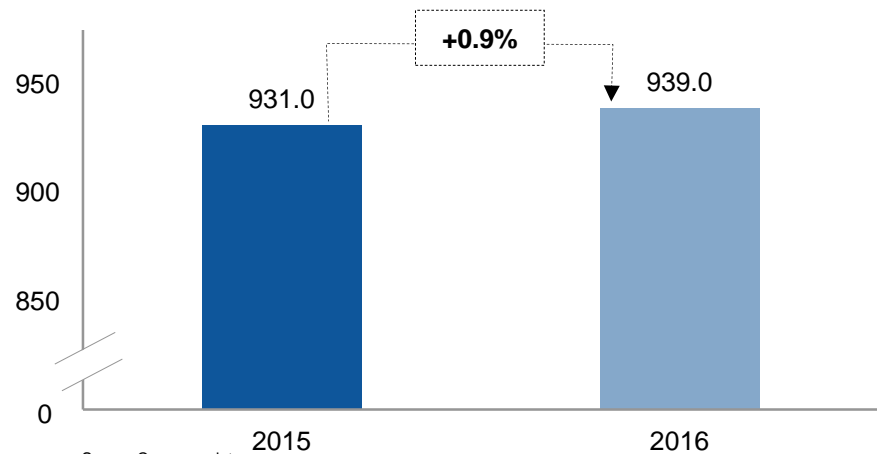
## Transmission Grid Length in Operation<sup>(2)</sup>

'ths km (end of period)



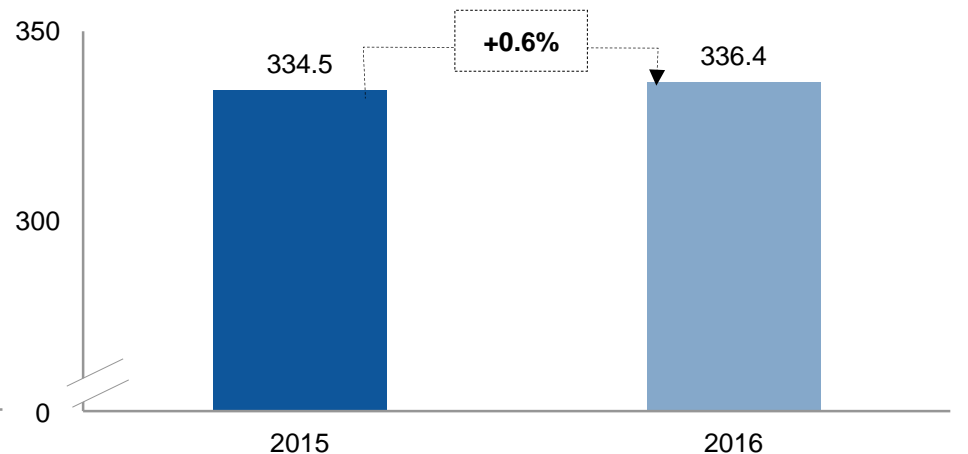
## Substations in Operation<sup>(2)</sup>

Units (end of period)



## Total Transformer Capacity in Operation<sup>(2)</sup>

GVA (end of period)



Source Company data

Notes:

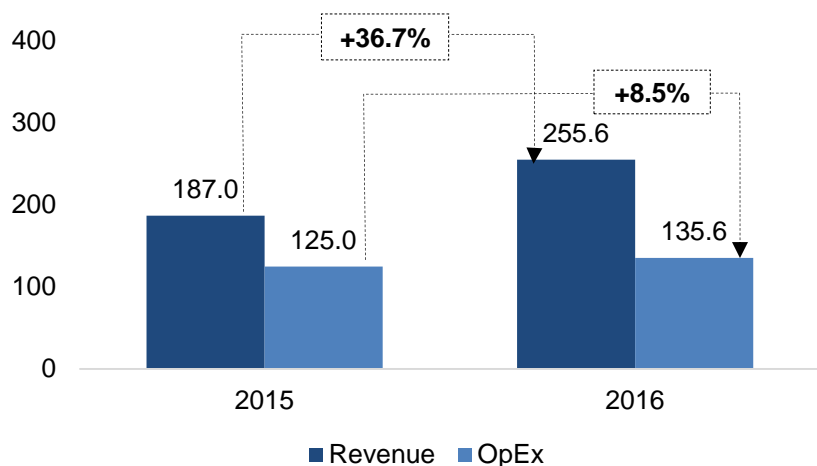
1. PJSC Federal Grid Company of Unified Energy System
2. Including leased substations

# Key Financials



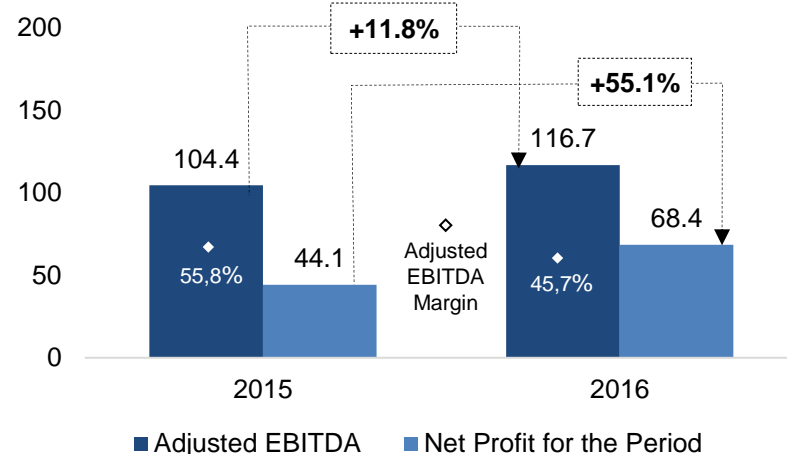
## Revenues, OpEx

RUB bn



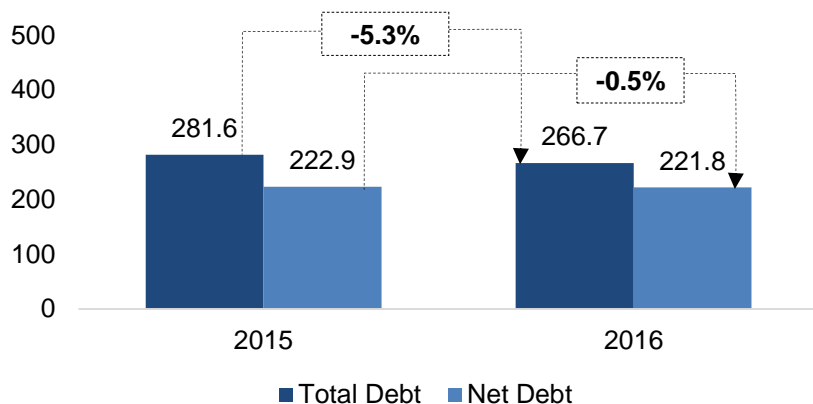
## Adjusted EBITDA, Net Profit

RUB bn

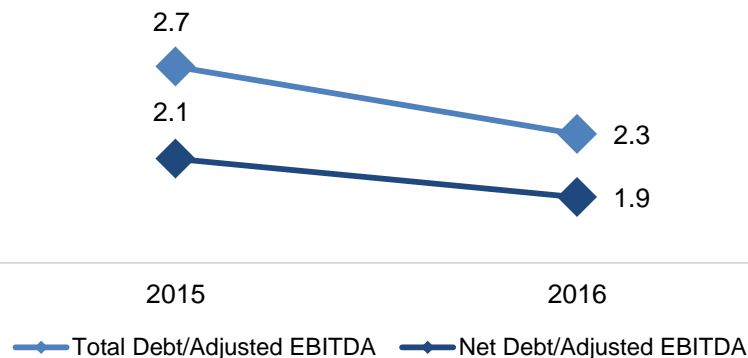


## Debt Position

RUB bn



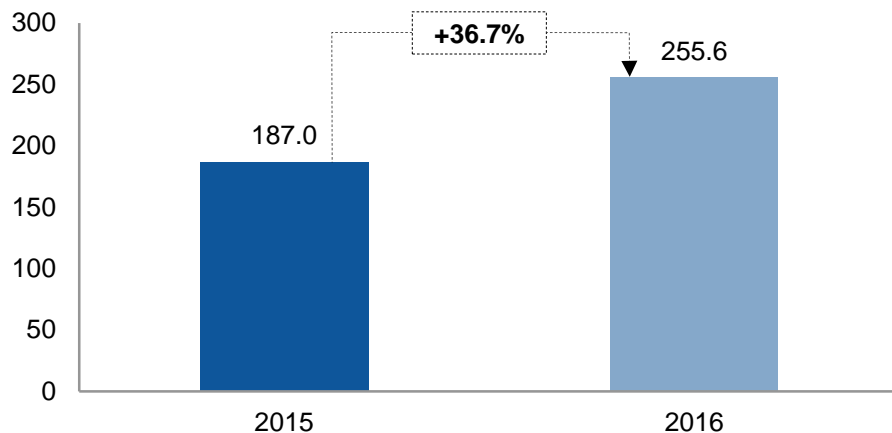
## Leverage





## Total Revenue

RUB bn



## Tariffs in the 2<sup>nd</sup> RAB-period

	1 <sup>st</sup> July 2015 г.	1 <sup>st</sup> July 2016 г.	1 <sup>st</sup> July 2017 г.	1 <sup>st</sup> July 2018 г.	1 <sup>st</sup> July 2019 г.
Return on invested capital	10%	10%	10%	10%	10%
Tariff growth	7.5%	7.5%	5.5%	3.0%	3.0%
Tariff rate (RUB/MW a month)	144,686.52	155,541.58	164,095.64	169,011.36	174,073.60

## Revenue structure

RUB bn	2015	2016	Y-o-Y Change
Transmission fee	157.8	170.2	7.9%
Connection services	12.4	39.1	x3.2 times
Construction services	7.0	21.3	x3.0 times
Electricity sales	6.4	22.1	x3.5 times
Other revenue	3.4	2.9	-14.7%
<b>Total revenue</b>	<b>187.0</b>	<b>255.6</b>	<b>36.7%</b>

- Total revenue grew by 36.7%, primarily influenced by:
  - increase of transmission fee by 7.9% (+ RUB 12.4 bn) due to tariff growth by 7.5% as of 01.07.2015 and by 7.5% as of 01.07.2016
  - completion of work on technological connection services (+ RUB 26.7 bn)
  - services rendered under general contractor agreements of subsidiaries (+ RUB 14.3 billion)
  - electricity sales rose by 3.5x (+ RUB 15.7 bn) due to higher sales at subsidiaries

# Operating Cost Structure



	2015 RUB bn	% of Total Operating Costs	2016 RUB bn	% of Total Operating Costs	Y-o-Y Change
D&A	40.9	32.7%	40.7	30.0%	-0.5%
Personnel Related Expenses	25.2	20.2%	26.8	19.8%	6.3%
Purchased electricity for operational purposes	15.2	12.2%	26.0	19.2%	71.1%
Property tax	7.4	5.9%	9.1	6.7%	23.0%
Repairs & Maintenance and Materials	4.4	3.5%	4.1	3.0%	-6.8%
Accrual of allowance for doubtful debtors	7.1	5.7%	2.7	2.0%	-62.0%
Electricity transit	4.0	3.2%	2.3	1.7%	-42.5%
Other expenses	20.8	16.6%	23.9	17.6%	14.9%
<b>Total operating expenses</b>	<b>125.0</b>	<b>100.0%</b>	<b>135.6</b>	<b>100.0%</b>	<b>8.5%</b>

- Operating expenses<sup>(1)</sup> amounted to RUB 135.6 bn and increased by 8.5% year-on-year.
- Personnel-related expenses increase by 6.3% to RUB 26.8 bn due to pension costs rise.
- Purchases of electricity amounted to RUB 26.0 billion, an increase of 71.1% year-on-year, due to mode changes in operations of the electrical grid and also growth in electricity sales.
- Property tax grew by RUB 1.7 billion (23.0%) year-on-year as a result of legislated phasing out of property tax exemptions for electricity grid infrastructure.
- Expenses on materials, repair and technical servicing decreased by 6.8% to RUB 4.1 bn due to lowering the volumes and cost of work carried out by third-party contractors.
- In 2016 allowances for doubtful debtors rose by RUB 2.7 billion (compared to increase by RUB 7.1 bn in 2015).
- Electricity transit costs decreased by 42.5%, 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.
- 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:

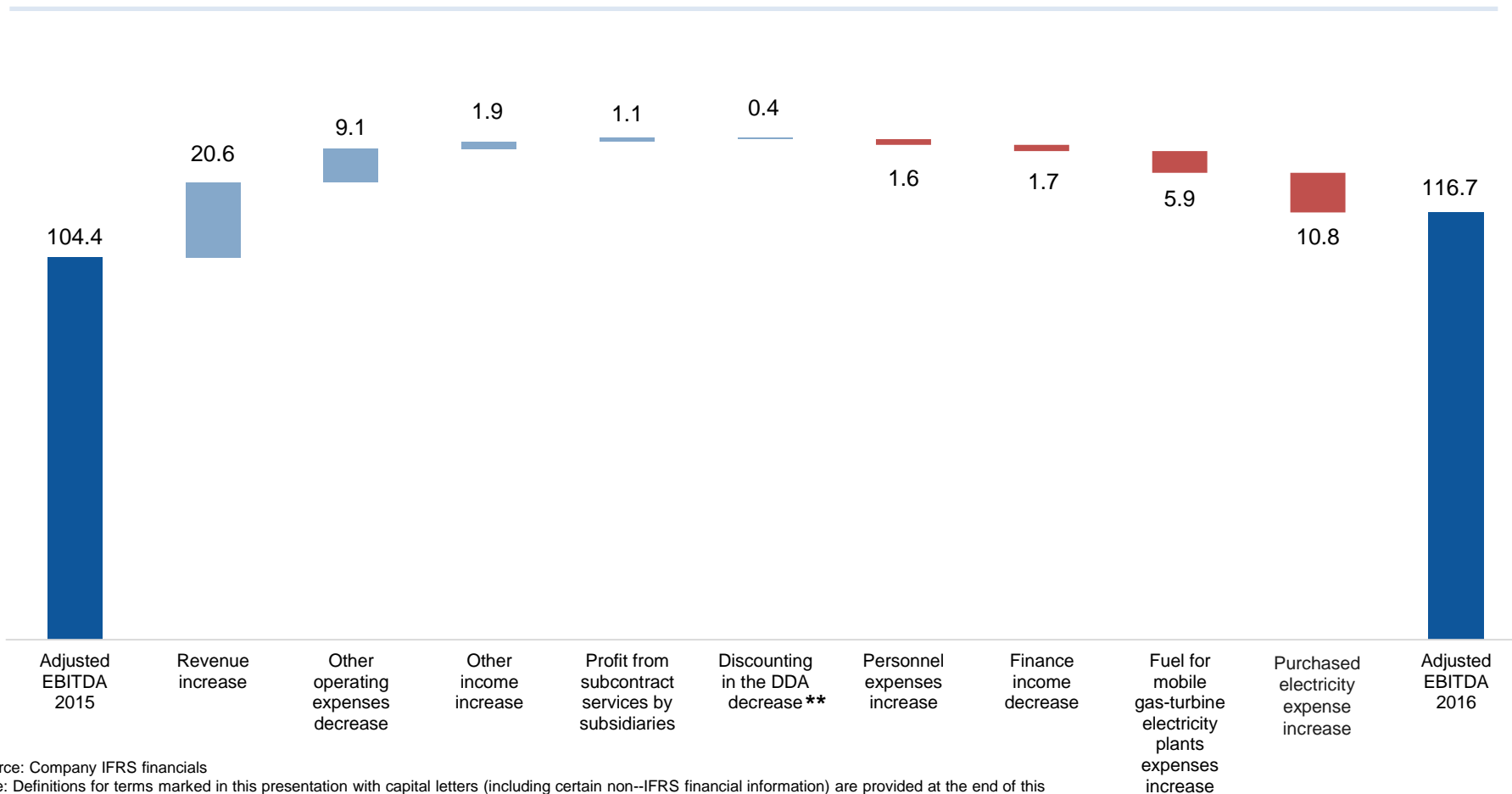
1. Excluding expenses for services rendered under general contractor by subsidiaries.

# EBITDA Analysis



## 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

\* Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment and revaluation loss of property, plant and equipment, gain on derecognition of subsidiary (only for the 2016 year), revenue from connection services, accrual of doubtful debtors allowance (excluding effects of discounting reflected in the doubtful debtor allowance), and to including financial income.

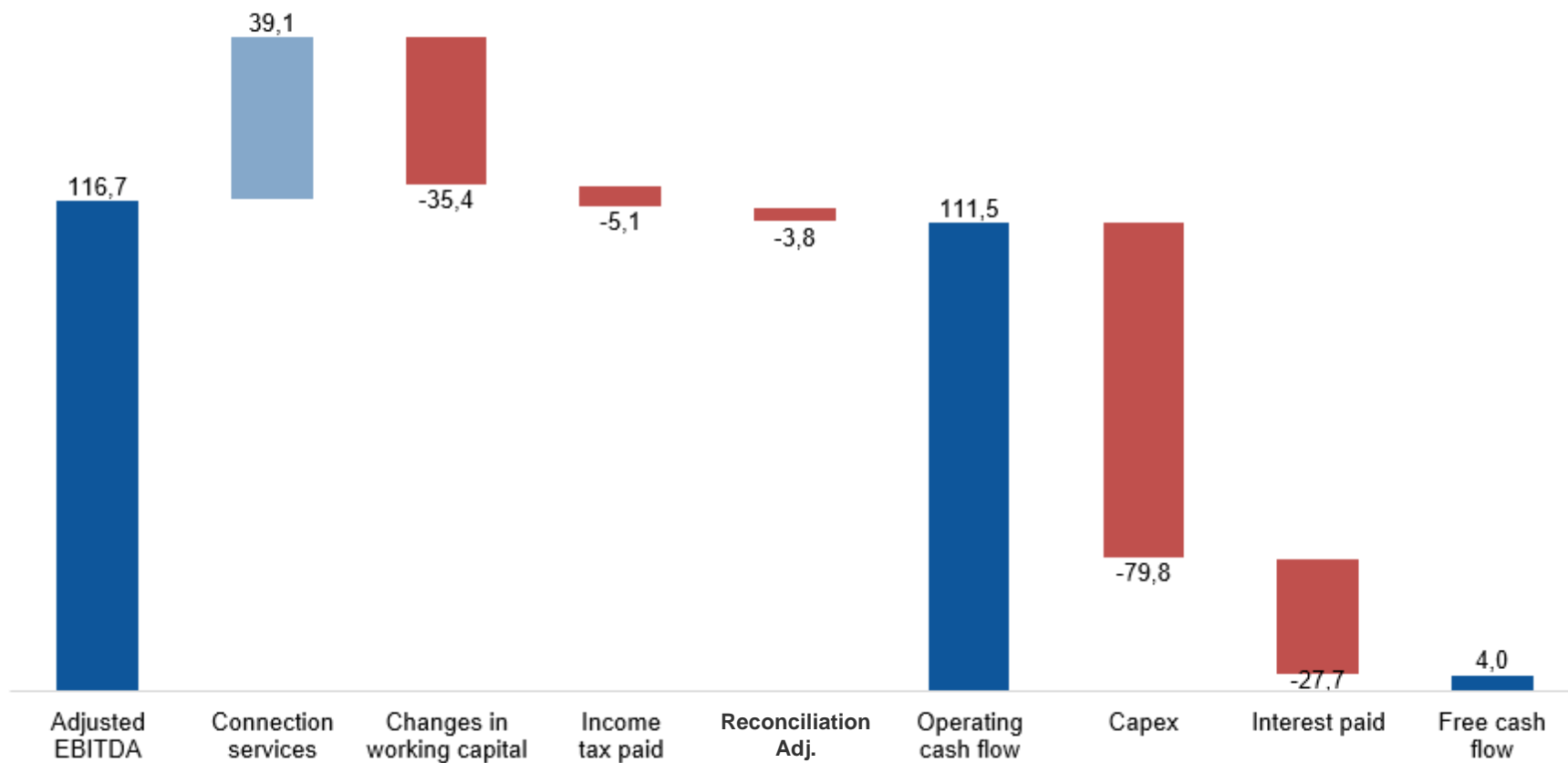
\*\* Effects of discounting reflected in the doubtful debtor allowance (increase) / decrease

# Free Cash Flow



## Free Cash Flow in 2016

RUB Bn



Source: Company IFRS financials

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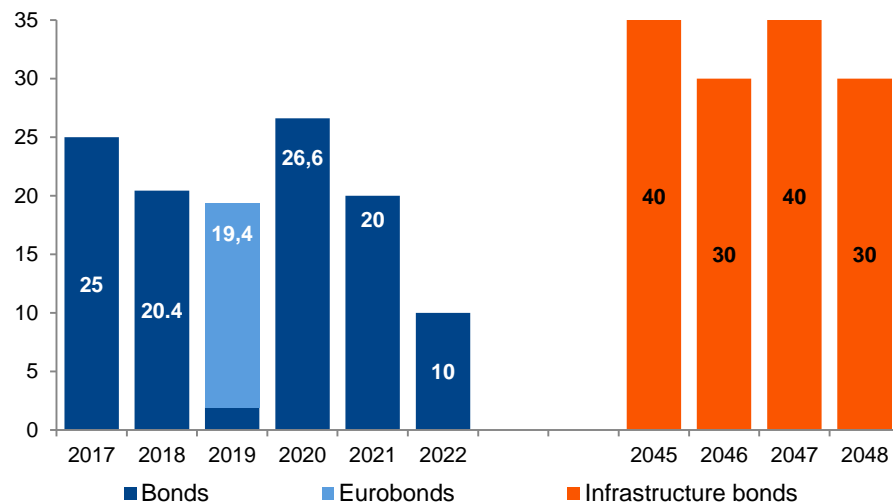
# Debt Capital Structure



## Debt profile as of 31 December 2016

- Debt principal amount: RUB 261.7 bn
- Debt service cost:
  - as of 31 December 2016 – 7,83%
  - as of 31 December 2015 – 12,89%
- Average debt maturity: 17.2 years
- Debt/Adj. EBITDA metric for end of 2016 is at 2.3x - in line with the Company's credit policy
- Debt structure composition: approximately around 50% is long-term financial instruments, slightly more 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

## Debt repayment structure, RUB bn



## Credit Ratings

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

FitchRatings

BBB- Stable

STANDARD & POOR'S

BB+ Positive\*

MOODY'S INVESTORS SERVICE

Ba1 Stable\*

## Financial leverage indicators

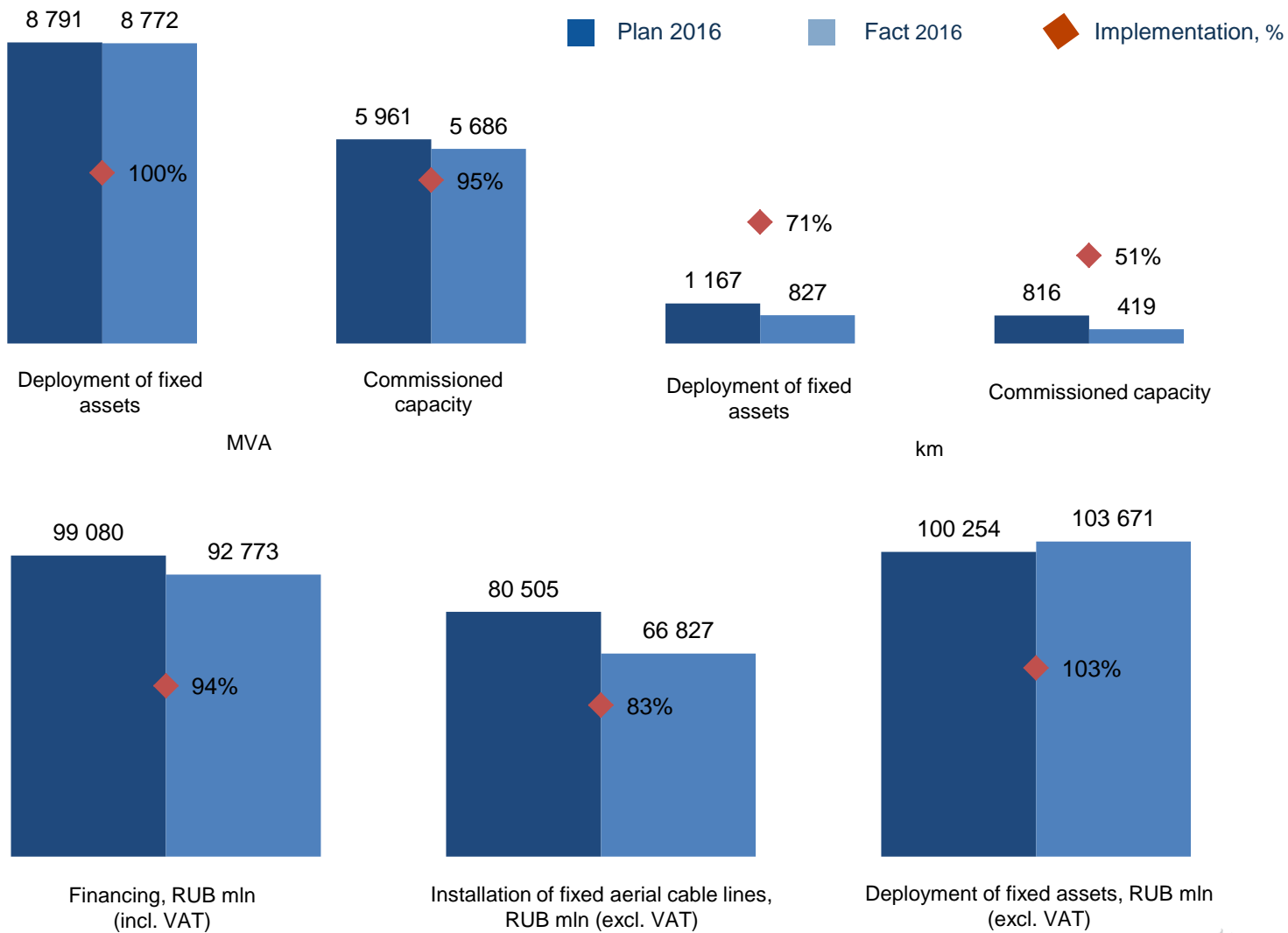
Indicators	FY 2015	FY 2016
Total debt, bn. RUB	281.6	266.7
Net debt, bn. RUB	222.9	221.8
Total debt / Adjusted EBITDA	2.7x	2.3x
Net debt / Adjusted EBITDA	2.1x	1.9x

\* As of 22 March 2017  
Source: Company IFRS financials



# Appendices

# Preliminary results of investment programme in 2016





## 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 impairment and revaluation loss of property, plant and equipment, gain on derecognition of subsidiary (only for the 2016 year), revenue from connection services, accrual of doubtful debtors allowance (excluding effects of discounting reflected in the doubtful debtor allowance), 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



- Egor Toropov

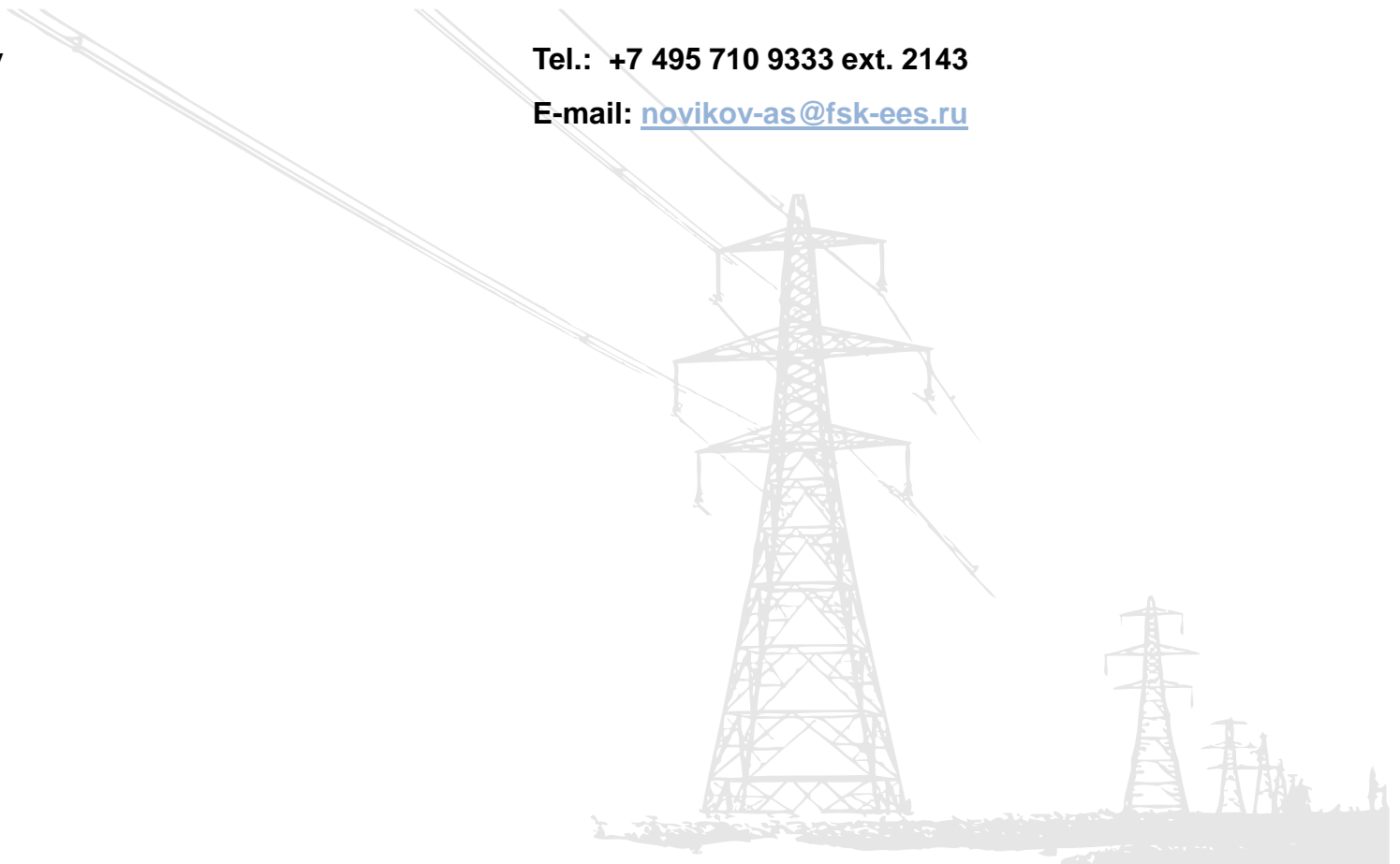
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