



Federal Grid Company announces IFRS results for the first 6 months of 2017

Moscow, 18 August 2017 – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”; Moscow Exchange, LSE: FEES), part of PJSC ROSSETI Group of Companies, and the operator of the Unified National Electricity Grid (“UNEG”), announces its unaudited interim condensed consolidated financial results for the three and six months ended 30 June 2017, under International Financial Reporting Standards (IFRS).

The financial results relate to Federal Grid Company and its subsidiaries (“the Group of Companies” or “the Group”).

Key financial results:

Financial indicator, RUB billion	Six months ended 30 June 2016	Six months ended 30 June 2017	Change
Revenue	110.6	101.6	(8.1%)
Adjusted EBITDA ¹	61.6	68.6	11.4%
Profit for the period	44.9	24.9	(44.5%)
Adjusted profit for the period ²	34.3	37.6	9.6%
Total comprehensive income	66.5	24.2	(63.6%)

(1) 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, revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (only for H1 2017), gain on derecognition of subsidiary (only for H1 2016), and including financial income (excluding amortisation of discount in financial income).

(2) Adjusted profit for the period is calculated as profit for the period adjusted for impairment and revaluation loss on property, plant and equipment, loss on regain of control over subsidiary (only for H1 2017), and gain on derecognition of subsidiary (only for H1 2016) including respective deferred income tax.

Operational performance highlights³:

Operational indicator	Six months ended 30 June 2016	Six months ended 30 June 2017	Change
Electricity supply from UNEG to consumers, billion kWh	264.2	271.98	2.9%
Total transformer capacity ⁴ : GVA	334.9	336.5	0.5%
Transmission grid length ⁴ , thousand km	139.6	140.5	0.6%
Number of UNEG substations ⁴	932	940	0.9%

(3) PJSC Federal Grid Company of Unified Energy System

(4) including rented transmission lines and substations

Key events in H1 2017:

- In accordance with the approved tariff decision for Federal Grid Company (Federal Antimonopoly Service order № 1892/16 dated 27.12.2016), starting from 1 July 2017, the Federal Grid Company tariff for electricity transmission on the UNEG was increased by 5.5% in relation to the tariff level that was in effect until 30 June 2017.
- In the first quarter of 2017, Moody's changed its outlook for Federal Grid Company's Ba1 rating to stable from negative; Standard & Poor's changed its outlook on the Company's BB+ rating to positive from stable. The outlooks were revised following similar actions with respect to the Russian Federation's sovereign rating.
- In June 2017, the Annual General Meeting of Shareholders approved dividends for FY 2016 in the amount of RUB 18.2 billion and for the first quarter of 2017 in the amount of RUB 1.42 billion.

Financial results for the six months ended 30 June 2017

In the first half of 2017 the Group's total profit for the period amounted to RUB 24.9 billion, which represents a year-on-year decrease of RUB 20.0 billion. This result was primarily due to the Group's recognition in the reporting period of a loss of RUB 12.3 billion related to the regain of control over OJSC Nurenergo (on 27 January 2017, a cassation court reversed the bankruptcy of Nurenergo and sent the case for retrial in the court of first instance), as well as the recognition in H1 2016 of income from the loss of control of Nurenergo in the amount of RUB 11.8 billion. At the same time, adjusted profit (excluding the effects of the loss / regain of control over Nurenergo) amounted to RUB 37.6 billion, up by 9.6% year-on-year.

The Group's revenue amounted to RUB 101.6 billion, driven by:

- electricity transmission services amounted to RUB 90.7 billion, an increase of 9.8% (RUB 8.1 billion) year-on-year, even though tariffs rose by just 7.5% from 1 July 2016, thanks to higher volumes for direct customers;
- Revenue from connection services amounted to RUB 1.7 billion, down by 34.6% (RUB 0.9 billion) year-on-year due to the service schedule, which depends on customer orders;
- revenue from services rendered under general contractor agreements of Federal Grid Company subsidiaries was RUB 3.8 billion, a decrease of more than 3x (RUB 8.7 billion) year-on-year, due to the completion of major projects in previous reporting periods;
- revenue from electricity sales amounted to RUB 4.0 billion, a decline of more than 3x (RUB 7.8 billion) in connection with the termination of electricity sales by one of Federal Grid Company's subsidiaries.

Operating expenses

<i>(RUB billion, or %)</i>	Six months ended 30 June 2016	% of total operating expenses	Six months ended 30 June 2017	% of total operating expenses	Change
Depreciation and amortisation	20.4	29.0%	22.9	35.9%	12.3%
Personnel-related expenses	13.1	18.6%	12.9	20.2%	(1.5%)
Electricity purchases for operational purposes	11.8	16.8%	7.2	11.3%	(39.0%)
Property tax	4.7	6.7%	5.5	8.6%	17.0%
Fuel for mobile gas-turbine electricity plants	4.5	6.4%	3.2	5.0%	(28.9%)
Materials, repairs and technical maintenance	1.3	1.8%	1.6	2.5%	23.1%
Electricity transmission	1.2	1.7%	0.5	0.8%	(58.3%)
Other operating expenses	13.4	19.0%	10.0	15.7%	(25.4%)
Total operating expenses	70.4	100%	63.8	100%	(9.4%)

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 63.8 billion, a decrease of 9.4% year-on-year.

Several expense line items increased due to higher allowances for depreciation of fixed assets and growth in tax payments in connection with the changes in legislation gradually abolishing property tax exemptions for electricity grid infrastructure.

Expenditures on materials, repairs and technical maintenance grew nearly 25% and amounted to RUB 1.6 billion, which is explained by preparation of electricity grid facilities for the 2017/2018 autumn/winter season and the necessity to fully complete the work by October 1st.

During the reporting period electricity transit costs decreased nearly 60%, due to a lower exchange rate for the Kazakh tenge and reduced electricity transmission through other countries.

At the same time, it is important to note the steady reduction of controllable expenses, including:

- despite having an increased amount of equipment to service, personnel costs and related taxes were reduced by 1.5% through headcount optimisation;
- reduced expenses (39%) for buying electricity for own operational needs due to the cease of electricity sales at one of the Group's subsidiaries.

Selected balance sheet items

(RUB billion)	31 December 2016	30 June 2017	Change %
ASSETS			
Non-current assets	978.7	990.4	1.2%
Current assets	118.4	125.0	5.6%
Total assets	1,097.1	1,115.4	1.7%
EQUITY AND LIABILITIES			
Non-current liabilities	269.3	276.2	2.6%
Current liabilities	99.4	107.3	7.9%
Total liabilities	368.7	383.5	4.0%
Equity attributable to shareholders of PJSC "FGC UES"	726.6	731.5	0.7%
Non-controlling interest	1.8	0.5	(72.2%)
Total equity	728.4	731.9	0.5%
Total equity and liabilities	1,097.1	1,115.4	1.7%

Total assets of the Group grew over the course of first half of 2017 compared to the end of 2016. This growth amounted to RUB 18.3 billion (1.7%) and at the end of the reporting period total assets came to RUB 1,115.4 billion. The share of the non-current assets was RUB 990.4 billion and the share of current assets amounted to RUB 125.0 billion.

The Group's total liabilities increased by 4.0% as of the end of the reporting period compared to the start of the year, and amounted to RUB 383.5 billion.

The Group's gross debt decreased by RUB 10.6 billion (4%) during the first six months of the year, in connection with the successful put on the Group's series 21 bonds in the second quarter of 2017, and at the end of the reporting period amounted to RUB 256.0 billion (including accrued interest).

Federal Grid Company's condensed consolidated interim IFRS financial statements for three and six months ended 30 June 2017 are available on the Company's website at the following link:

http://www.fsk-ees.ru/eng/investors/financial_disclosure/ifrs_financial_reports/