



Federal Grid Company announces 9 months of 2017 IFRS results

Moscow, 20 November 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 nine months ended 30 September 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	Nine months ended 30 September 2016	Nine months ended 30 September 2017	Change
Revenues	165.5	160.1	(3.3%)
Adjusted EBITDA ¹	92.5	99.5	7.6%
Profit for the period	59.2	43.5	(26.5%)
Adjusted Profit for the period ²	50.4	56.0	11.1%
Total comprehensive income	91.5	40.9	(55.3%)

(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 (for 9M 2017), gain on derecognition of subsidiary (for 9M 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 (for 9M 2017), and gain on derecognition of subsidiary (for 9M 2016) including respective deferred income tax.

Operational performance highlights³:

Operational indicator	Nine months ended 30 September 2016	Nine months ended 30 September 2017	Change
Electricity supply from UNEG to consumers, billion kWh	394.7	405.14	2.6%
Total transformer capacity ⁴ : GVA	335.0	336.5	0.4%
Transmission grid length ⁴ , thousand km	139.9	140.9	0.7%
Number of UNEG substations ⁴	933	940	0.8%

(3) PJSC Federal Grid Company of Unified Energy System

(4) including rented transmission lines and substations. Figure denotes transmission lines and substations for which right of ownership is registered under PJSC Federal Grid Company of Unified Energy System and other owners

Financial results for the nine months ended 30 September 2017

In the first nine months of 2017 the Group's profit for the period amounted to RUB 43.5 billion, which represents a year-on-year decrease of RUB 15.7 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 the comparative period of 2016 of income from the loss of control of Nurenergo in the amount of RUB 11.8 billion (aggregate effect of RUB 24.1 billion). At the same time, **adjusted profit** amounted to RUB 56.0 billion, up 11.1% year-on-year.

The Group's revenues amounted to RUB 160.1 billion, driven by:

- electricity transmission services amounted to RUB 141.0 billion, an increase of 11.2% (RUB 14.2 billion) year-on-year, even though tariffs rose by just 7.5% from 1 July 2016 and by another 5.5% from 1 July 2017, thanks to higher volumes for direct customers;
- revenue from connection services amounted to RUB 1.8 billion, down by 30.8% (RUB 0.8 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 9.5 billion, a decrease of 46.9% (RUB 8.4 billion) year-on-year, due to the completion of major project phases in previous reporting periods;
- revenue from electricity sales amounted to RUB 5.3 billion, a decline of more than 3x (by RUB 11.0 billion) in connection with the termination of electricity sales by one of Federal Grid Company's subsidiaries.

Operating expenses

<i>(RUB billion, or %)</i>	9 months ended 30 September 2016	% of total operating expenses	9 months ended 30 September 2017	% of total operating expenses	Change
Depreciation and amortisation	30.5	28.2%	34.5	34.0%	13.1%
Personnel-related expenses	18.7	17.3%	19.6	19.3%	4.8%
Electricity purchases for operational purposes	18.1	16.7%	14.3	14.1%	(21.0%)
Property tax	6.9	6.4%	8.2	8.1%	18.8%
Fuel for mobile gas-turbine electricity plants	5.2	4.8%	4.2	4.1%	(19.2%)
Materials, repairs and technical maintenance	2.9	2.7%	3.7	3.6%	27.6%
Electricity transit	1.7	1.6%	0.7	0.7%	(58.8%)
Other operating expenses	24.2	22.3%	16.3	16.1%	(32.6%)
Total operating expenses	108.2	100%	101.5	100%	(6.2%)

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 101.5 billion, a decrease of 6.2% 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.

The substantial growth in expenditures on materials, repairs and technical maintenance is explained by the accelerated maintenance work schedule compared to 2016.

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; the volumes of electricity purchased for operational purposes were also reduced (a 21% decrease) in connection with the termination of electricity sales by one of Federal Grid Company's subsidiaries.

It is important to note that in the third quarter of 2017 expenditures on electricity purchased for operational purposes approximately doubled compared to the figure for the first half of the year, from RUB 7.2 billion to RUB 14.3 billion, which came as a result of the Russian Government decree №810 (signed 7 July 2017) entry into force on 01 August 2017, which mandated that Federal Grid Company acquire 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 amount of revenue that Federal Grid Company recorded grew correspondingly as a result of including these expenses in the value of electricity transmission services.

Selected balance sheet items

(RUB billion)	31 December 2016	30 September 2017	Change %
ASSETS			
Non-current assets	978.7	1,003.2	2.5%
Current assets	118.4	113.6	(4.1)%
Total assets	1,097.1	1,116.8	1.8%
EQUITY AND LIABILITIES			
Non-current liabilities	269.3	257.9	(4.2)%
Current liabilities	99.4	110.3	11.0%
Total liabilities	368.7	368.2	(0.1)%
Equity attributable to shareholders of PJSC "FGC UES"	726.6	748.2	3.0%
Non-controlling interest	1.8	0.3	(83.3%)
Total equity	728.4	748.6	2.8%
Total equity and liabilities	1,097.1	1,116.8	1.8%

Total assets of the Group grew over the course of nine months of 2017 compared to the end of 2016. This growth amounted to RUB 19.7 billion (1.8%) and at the end of the reporting period total assets came to RUB 1,116.8 billion. The share of the non-current assets was RUB 1,003.2 billion and the share of current assets amounted to RUB 113.6 billion.

The Group's total liabilities decreased by 0.1% as of the end of the reporting period compared to the start of the year, and amounted to RUB 368.2 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for three and nine months ended 30 September 2017 are available on the Company's website at the following link:
http://www.fsk-ees.ru/eng/investors/financial_disclosure/ifrs_financial_reports/