



## Federal Grid Company Announces FY 2017 RAS Results

**Moscow, 22 February 2018** – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”; Moscow Exchange, LSE: FEES), owner and operator of the Unified National Electricity Grid (“UNEG”), announces its financial results for the year ended 31 December 2017 under Russian Accounting Standards (RAS).

The Company’s RAS statements are prepared on standalone basis and do not include the results of Federal Grid Company’s subsidiaries or affiliated companies that operate as independent legal entities.

### Key financial results

Item (mln RUB)	2016	2017	Change, %
<b>Revenue</b>	<b>218,366</b>	<b>215,999</b>	<b>(1.1%)</b>
<i>Electricity transmission services</i>	171,133	192,560	12.5%
<i>Connection services</i>	45,479	21,412	(52.9%)
Cost of sales	140,038	152,383	8.8%
Management expenses	8,033	8,254	2.8%
Profit from sales	70,295	55,362	(21.2%)
<b>Adjusted EBITDA*</b>	<b>119,662</b>	<b>129,296</b>	<b>8.1%</b>
<b>Net profit</b>	<b>106,071</b>	<b>42,362</b>	<b>(60.1%)</b>

\* excluding accrual and recovery of provisions for doubtful debts, revaluation of assets and revenue from connection services;

### Federal Grid Company’s performance in 2017 reflect management’s efforts to facilitate financial stability and enhanced operational efficiency for the Company.

The Company’s revenue in 2017 decreased by RUB 2,367 million or 1.1% year-on-year, due to:

- revenue from connection services decreased by RUB 24,067 million (52.9%) due to a high base effect (related to connection of major nuclear and hydroelectric power stations to the UNEG in 2016), and also due to changes to service schedules in accordance with customer orders;
- revenue from electricity transmission services rose by RUB 21,427 million (12.5%), driven by:
  - a twofold increase in revenue from electricity losses compensation (by RUB 12,743 million) in connection with Russian Governmental Decree #810 (07 July 2017), which introduced changes in the rules for non-discriminatory access to power distribution services and the rendering of such services;
  - growth in revenue from tariffed electricity transmission by RUB 8,683 million following tariff increases by 7.5% from 1 July 2016 and 5.5% from 1 July 2017, in addition to growth in capacity to direct customers.

Adjusted EBITDA (excluding provisions, non-cash operations and revenue from connection services) rose by RUB 9,634 million (8.1%) year-on-year, and amounted to RUB 129,296 million.

The Company’s net profit for 2017 amounted to RUB 42,362 million, a 60.1% decrease year-on-year. Net profit was significantly affected by non-cash operations, including:

Item, mln RUB	2016	2017	Change, %
<b>Net profit</b>	<b>106,071</b>	<b>42,362</b>	<b>(60.1%)</b>
Reserve accruals	8,606	1,404	(83.7%)
Revaluation of INTER RAO shares	39,770	(7,475)	(118.8%)
Write-down of overdue accounts receivable	(1)	(16)	+16x
Revaluation of fixed assets	(1,476)	1,894	+2.3x
<b>Adjusted net profit**</b>	<b>59,172</b>	<b>46,555</b>	<b>(21.3%)</b>
Revenue from connection services	45,479	21,412	(52.9%)
<b>Adjusted net profit excluding connection services</b>	<b>13,693</b>	<b>25,143</b>	<b>83.6%</b>

\*\* generated by cash flows (adjusted for reserve accruals / recovery of provision of doubtful debts, revaluation of fixed assets and financial investments).

Adjusted net profit (excluding revaluations, reserve accruals and revenue from connection services) grew by RUB 11,452 million (83.6%).

In 2017, there was a notable increase in expenses primarily due to expense items that were beyond the control of the company, in particular electricity purchases to compensate for losses grew by 64.3%, while taxes and duties grew by 14.2%.

#### Balance Sheet as of 31 December 2017

##### Assets

Federal Grid Company's total assets at the end of 2017 grew by RUB 58,866 million (4.3%) to RUB 1,425,040 million. Non-current assets accounted for RUB 1,250,774 million, while current assets equalled RUB 174,266 million.

Federal Grid Company's equity increased by RUB 50,571 million (5.1%) during the reporting period. This increase in equity reflects the Company's financial net profit for 2017 (RUB 42,362 million), the decision to pay dividends for 2016 (RUB 18,185 million) and for the first quarter of 2017 (RUB 1,423 million) and the effect of revaluation of fixed assets in the amount of RUB 27,470.

##### Liabilities

The Company's gross debt as of the end of the reporting period had decreased by RUB 8,299 million (by 3.1%) and amounted to RUB 257,550 million.

#### Andrey Murov, Chairman of the Management Board of Federal Grid Company, commented:

"For the fifth year in a row the Company has delivered strong net profits. We have achieved high levels of sustainability, which will serve as a firm foundation not only for successful execution of our traditional goals, but also for the implementation of innovative development projects. Our objective in the coming years is the digitalisation of our business. Through the integration of new technologies, we will enhance the quality of service to our customers and materially reduce capital and operational expenditures.

"While several financial performance metrics have declined in 2017, they were primarily affected by non-cash factors and by lower revenue from connection services. At the same time, in the previous reporting period a large volume of nuclear power generation connected to the grid, and the Company will continue to reap the benefits from this in the years to come. In addition, in 2017, we increased revenue from electricity transmission services. If one were to exclude non-cash operations and revenue from connection services, then we delivered growth across all key financial metrics."

Federal Grid Company's financial statements for 2017 under RAS are available on the Company's website in the Financial Disclosure/RAS Financial Reports section at the link:

[http://www.fsk-ees.ru/eng/investors/financial\\_disclosure/ras\\_financial\\_reports/](http://www.fsk-ees.ru/eng/investors/financial_disclosure/ras_financial_reports/)