



Federal Grid Company announces IFRS results for the first 3 months of 2018

Moscow, 18 May 2018 – 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 consolidated financial results for the three months ended 31 March 2018 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	Three months ended 31 March 2018	Three months ended 31 March 2017	Change
Revenues	60.7	49.8	21.9%
Adjusted EBITDA ⁽¹⁾	36.2	36.6	-1.1%
Profit for the period	21.0	8.7	141.4%
Adjusted profit for the period ⁽²⁾	21.0	21.0	0.0%
Total comprehensive income	27.2	10.9	149.5%

(1) Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) excluding impairment loss of property, plant and equipment, revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (only for 2017), and including financial income.

(2) Adjusted profit for the period is calculated as profit for the period adjusted for impairment loss on property, plant and equipment, loss on regain of control over subsidiary (only for 2017), revenue from connection services, including respective deferred income tax.

Operational performance highlights⁽³⁾:

Operational indicator	Three months ended 31 March 2018	Three months ended 31 March 2017	Change
Electricity supply from UNEG to consumers, billion kWh	143.2	141.4	1.3%
Total transformer capacity ⁽⁴⁾ : GVA	347.3	336.5	3.2%
Transmission grid length ⁽⁴⁾ , thousand km	143.4	140.5	2.1%
Number of UNEG substations ⁽⁴⁾	946	940	0.6%

(3) PJSC Federal Grid Company of Unified Energy System

(4) Including rented transmission lines and substations, Information on a number of the substations and the length of the PJSC FGC UES power transmission lines is based on the state registration of the ownership rights of PJSC FGC UES and other proprietors

Changes in accounting policy

Starting from 1 January 2018, the Group has changed its accounting policies to measuring property, plant and equipment at cost less accumulated depreciation and impairment losses instead of revaluation model.

The management of FGC UES believes that transition in accounting model provides more relevant and reliable presentation of the Group's financial position and financial performance. This model has also been adopted by other ROSSETI Group companies and is widely used in utilities industry and by major foreign grid companies.

The effect of the change on comparative data is disclosed in Note 3 to the financial statements.

Financial results for the three months ended 31 March 2018

The Group's profit for the first three months of 2018 amounted to RUB 21 billion, which was RUB 12.3 billion (+141.4%) higher than in the previous year. Profit was impacted by non-cash operations.⁽⁵⁾ Total comprehensive income also increased (+149.5%) and amounted to RUB 27.2 billion.

(5) The Group for the first 3 months 2017 recognised a loss in connection with the return of control over Nurenergo; this factor was absent in the comparable period of 2018. (On 27 October 2017, JSC Nurenergo was declared bankrupt by decision of the arbitration court)

The Group's revenue amounted to RUB 60.7 billion, including:

- revenue from electricity transmission services amounted to RUB 52.9 billion, a 15.3% (RUB 7.0 billion) increase year-on-year as a result of:

- increase in revenue from compensation of losses following the Russian Government decree №810 (dated 07 July 2017), which introduced changes to the Rules for Non-Discriminatory Access to Electricity Transmission Services and Provision of These Services;
- growth in revenue from electricity transmission following tariff increase by 5.5% from 1 July 2017.

- revenue from general contractor service agreements executed by Federal Grid Company subsidiaries amounted to RUB 2.9 billion, a year-on-year increase of 262.5% (RUB 2.1 billion) due to the change in the share of completed work on different construction stages;

- revenue from electricity sales amounted to RUB 3.8 billion, up 46.2% (RUB 1.2 billion) year-on-year due to an increase in the volume of electricity sold by Federal Grid Company subsidiaries;

- revenue from connection services amounted to RUB 33 million, a threefold decrease year-on-year as a result of service schedules defined in customer orders.

Operating expenses⁽⁶⁾

<i>(RUB billion, or %)</i>	Three months ended 31 March 2018	% of total operating expenses	Three months ended 31 March 2017	% of total operating expenses	Change
Depreciation and amortisation	8.4	23.4%	7.8	30.2%	7.7%
Electricity purchases for operational purposes	9.9	27.6%	4.1	15.9%	141.5%
Personnel-related expenses	6.6	18.4%	5.9	22.9%	11.9%
Property tax	3.7	10.3%	2.8	10.9%	32.1%
Fuel for mobile gas-turbine electricity plants	2.9	8.1%	2.0	7.8%	45.0%
Materials, repairs and technical maintenance	0.5	1.4%	0.5	1.9%	0.0%
Allowance for doubtful debtors	0.3	0.8%	0.7	2.7%	-57.1%
Electricity transit	0.1	0.3%	0.2	0.8%	-50.0%
Other	3.5	9.7%	1.8	6.9%	94.4%
Total operating expenses	35.9	100%	25.8	100%	39.1%

, For the reporting period the Group's operating expenses⁽⁶⁾ amounted to RUB 35.9 billion, an increase of 39.1% year-on-year.

The increase in operating expenses was mainly due to:

- depreciation and amortisation expenses, which grew by 7.7 % to RUB 8.4 billion as a result of the launch of a number of facilities in 2017 and for the first 3 months 2018 in accordance with the schedule of the investment programme;
- electricity purchases for operational use increased by RUB 5.8 billion (+141.5%) following the enactment on 01.08.2017 of a Russian Government decree №810 (dated 07 July 2017), which mandated that Federal Grid Company purchases 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 accordingly as these expenses were included in the cost of electricity transmission services;
- personnel-related expenses increased by 11.9% to RUB 6.6 billion due to indexation of tariffs and salaries of operations staff as well as due to the effect of updated actuarial calculations on salary-based pension plans.
- property tax increased by RUB 0.9 billion (+32.1%) as a result of a gradual abolition of tax benefit for power transmission grids and movable property;
- expenses on fuel for mobile gas-turbine electricity plants increased by RUB 0.9 billion (+45%) as a result of an increase in energy production (compensated by an increase in revenue from electricity sales);
- other operating costs increased by 94.4% year-on-year, primarily due to the reversal of provisions for ongoing litigation for the first 3 months 2017 and the creation of new provisions for ongoing litigation for the first 3 months 2018.

(6) excluding expenses for general contractor services rendered by subsidiaries.

Selected balance sheet items

(RUB billions)	31 March 2018	31 December 2017	Change
ASSETS			
Non-current assets	1,092.0	1,078.3	1.3%
Current assets	118.9	104.2	14.1%
Total assets	1,210.9	1,182.5	2.4%
EQUITY AND LIABILITIES			
Non-current liabilities	288.9	293.5	(1.6)%
Current liabilities	94.6	88.7	6.7%
Total liabilities	383.5	382.2	0.3%
Equity attributable to shareholders of PJSC FGC UES	827.9	800.8	3.4%
Non-controlling interest	(0.5)	(0.5)	(0.0%)
Total equity	827.4	800.3	3.4%
Total equity and liabilities	1,210.9	1,182.5	2.4%

For the first 3 months 2018, the Group's total assets grew by RUB 28.4 billion (+2.4%) compared to the end of 2017 and amounted to RUB 1,210.9 billion. Non-current assets stood at RUB 1,092 billion, while current assets amounted to RUB 118.9 billion.

The liabilities of the Group at the end of the reporting period increased slightly by 0.3% year-on-year to RUB 383.5 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for the first three months of 2018 ended on 31 March 2018 are available on the corporate website:

http://www.fsk-ees.ru/shareholders_and_investors/financial_information/reporting_under_ifrs/