



## Federal Grid Company announces H1 2018 IFRS results

**Moscow, August 22, 2018** – Federal Grid Company of Unified Energy System ("FGC UES" or "the Company"; Moscow Exchange, LSE: FEES), part of Rosseti Group, and the operator of the Unified National Energy Grid ("UNEG") of Russia, announces its condensed consolidated interim financial results (unaudited) for the three and six months ended June 30, 2018 under the International Financial Reporting Standards (IFRS).

The financial results relate to FGC UES and its subsidiaries ("the Group of Companies" or "the Group").

### Key results:

Financial indicator, bn rubles	For 6 months ended 30.06.2017	For 6 months ended 30.06.2018	Change y/y
Revenues	101.6	117.5	15.7%
Adjusted EBITDA <sup>(1)</sup>	70.2	69.2	-1.4%
Profit for the period	30.8	39.9	29.5%
Adjusted Profit for the period <sup>(2)</sup>	43.1	39.9	-7.4%
Total comprehensive income	30.1	53.7	78.4%

(1) Adjusted EBITDA is calculated as EBITDA (earnings in the period before income tax, financial income and expenses, depreciation and amortization) adjusted to exclude revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (for the first half of 2017 only), movement in provision for legal claims and including financial income.

(2) Adjusted profit for period is calculated as profit for period adjusted for loss on regain of control over subsidiary (for the first half of 2017 only).

### Operational performance highlights<sup>(3)</sup>:

Operational indicator	For 6 months ended 30.06.2017	For 6 months ended 30.06.2018	Change y/y
Electricity supply from UNEG to consumers, bn kWh	271.98	274.64	1.0%
Transformer capacity <sup>(4)</sup> , GVA	336.5	347.3	3.2%
Transmission grid length <sup>(4)</sup> , thous. km	140.5	143.6	2.2%
Number of substations (UNEG) <sup>(4)</sup>	940	946	0.6%

(3) FGC UES

(4) Including rented transmission grid and substations

### Key events of the first half of 2018:

- In the 1st half of 2018, S&P raised the FGC's rating by one notch to BBB- investment grade, outlook Stable; Moody's changed its outlook of FGC's rating Ba1 from Stable to Positive. The rating actions were taken in follow-up of similar actions in respect of the sovereign rating of the Russian Federation.
- In May 2018, the Board of Directors approved the Company's new Dividend Policy.

- In June 2018, the annual General Meeting of Shareholders resolved to distribute 18.9 bn rubles for dividends of 2017 (in total, 20.3 bn rubles were paid for 2017 taking into account the dividends paid earlier in 2017 for Q1 2017 that amounted to 1.42 bn rubles).
- In June 2018, the Board of Directors resolved to sell the 10% equity stake in Inter RAO held by FGC UES to Inter RAO Group companies and DVB LEASING.

### **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 6 months ended 30.06.2018**

The Group's revenue amounted to 117.5 bn rubles, including:

- revenue from electricity transmission services was 104.9 bn rubles, a 15.7% (14.2 bn rubles) increase year-on-year, owing to, among other things:

- increase in revenue from compensation of losses due to Regulation of the Government of the Russian Federation No. 810 dated July 7, 2017, which amended the Rules of non-discriminatory access to electricity transmission services and provision of such services;
- growth of the revenue from electricity transmission following to the growth of tariff by 5.5% since July 1, 2017.

- Revenue from the general contractor service agreements performed by FGC UES subsidiaries was 4.3 bn rubles, a 13.2% (0.5 bn rubles) increase vs. the same period of 2017. The growth in revenue is attributed to the change in the work completion percentage at various stages of construction projects;

- Revenue from electricity sales amounted to 6.0 bn rubles, up 50.0% (2.0 bn rubles) owing mainly to an increase in the volume of electricity sold by FGC UES subsidiaries;

- Revenue from connection services was 0.1 bn rubles, reducing by 1.6 bn rubles year-on-year, which is attributed to the service timetable determined by consumer requests.

### **Operating expenses<sup>(6)</sup>**

The growth of operating expenses by 19.4 bn rubles or 36.7% is attributed mainly to:

- growth of expenses for the electricity purchased for production needs by 11.1 bn rubles (+154.2%) due to Resolution of the Government of the Russian Federation No. 810 dated July 7, 2017, which entered into force since August 1, 2017 and envisaged acquisition by FGC UES at the wholesale power market of full actual losses and cancellation of the load loss compensation mechanism under power transmission service contracts. However, the value of revenue of FGC UES also grew on a pro rata basis due to the inclusion of the said expenses into the cost of power transmission services
- increase of depreciation by 1.3 bn rubles
- increase of property tax by 1.9 bn rubles (+34.5%) due to the gradual abolition of the property tax benefit

*(6) excluding expenses for general contractor services rendered by FGC UES subsidiaries*

The reduction of the Adjusted EBITDA by 1 bn rubles occurred due to the decrease of income from penalties and fines by 0.6 bn rubles and the decrease of financial income (mainly due to lower dividends on Inter RAO shares) by 0.4 bn rubles.

For the first six months of 2018, the Group's profit for the period was 39.9 bn rubles, which is 9.1 bn higher year-on-year (+29.5%). The total comprehensive income also increased (+78.4%) and equaled to 53.7 bn rubles.

Adjusted Profit for the period (profit for period adjusted for loss on regain of control over subsidiary in H1 2017) decreased by 3.2 bn rubles due to:

- Reduction of EBITDA by 1.0 bn rubles.
- Depreciation growth due to the commissioning of facilities in 2017 and H1 2018 in accordance with the investment program implementation schedule by 1.3 bn rubles.
- Reduction of revenue from connection services in accordance with the contract execution schedule by 1.6 bn rubles.
- Partial recovery of provisions formed earlier for doubtful debts in an amount of 0.7 bn rubles.

### Selected balance sheet items

(bn rubles)	June 30, 2018	December 31, 2017	Change, %
<b>ASSETS</b>			
Non-current assets	1,094.3	1,078.3	1.5%
Current assets	135.4	104.2	29.9%
<b>Total assets</b>	<b>1,229.7</b>	<b>1,182.5</b>	<b>4.0%</b>
<b>EQUITY AND LIABILITIES</b>			
Non-current liabilities	282.0	293.5	(3.9)%
Current liabilities	112.9	88.7	27.3
<b>Total liabilities</b>	<b>394.9</b>	<b>382.2</b>	<b>3.3%</b>
Equity attributable to shareholders of FGC UES	835.1	800.8	4.3%
Non-controlling interest	(0.3)	(0.5)	(40.0%)
<b>Total equity</b>	<b>834.8</b>	<b>800.3</b>	<b>4.3%</b>
<b>Total equity and liabilities</b>	<b>1,229.7</b>	<b>1,182.5</b>	<b>4.0%</b>

Total assets of FGC UES Group grew over the first half of 2018 by 47.2 bn rubles compared to the end of 2017 (+4.0%) and amounted to 1,229.7 bn rubles.

Non-current assets stood at 1,094.3 bn rubles, while current assets amounted to 135.4 bn rubles.

Liabilities of FGC UES Group at the end of the reporting period increased by 3.3% vs. the beginning of the year and equaled to 394.9 bn rubles.

The condensed consolidated interim financial statements of FGC UES under the IFRS for the three and six months ended June 30, 2018 are available at the Company's corporate website:

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