

Federal Grid Company Announces 2018 RAS Results

Moscow, 22 February 2019 – 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 2018 under Russian Accounting Standards (RAS).

The Company’s RAS statements are prepared on a 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)	2017	2018	Change, %
Revenue	215,999	240,294	11.2%
<i>Electricity transmission services</i>	192,560	213,620	10.9%
<i>Connection services</i>	21,412	24,300	13.5%
Cost of sales	152,383	170,825	12.1%
Management expenses	8,254	8,491	2.9%
Profit from sales	55,362	60,978	10.1%
Adjusted EBITDA*	129,296	128,983	-0.2%
Net profit	42,362	56,187	32.6%

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

Federal Grid Company’s performance in 2018 demonstrates management’s efforts to ensure financial stability and to enhance the Company’s operational efficiency.

The Company’s revenue in 2018 increased by 11.2% or RUB 24,295 million year-on-year, driven by:

- revenue from electricity transmission services rose by RUB 21,060 million or 10.9%, primarily as a result of:

- revenue growth from electricity losses compensation in the amount of RUB 13,752 million or by 53.8% following the Russian Government decree #810 (dated 07 July 2017), which introduced changes into the Regulations on non-discriminatory access to electricity transmission services and the rendering of such services.
- growth in revenue from electricity transmission by RUB 7,308 million or 4.4%, following tariff increase from 1 July 2017 and from 1 July 2018.

- revenue from connection services increased by RUB 2,888 million (13.5%) due to changes to service schedules in accordance with customer orders.

Adjusted EBITDA amounted to RUB 128,983 million, which is RUB 313 million (0.2%) less than in the same period of 2017. This came as a result of lower income from penalties reflected in accounts on the basis of judicial execution orders. Excluding this factor, adjusted EBITDA would have risen by 2.3% (RUB 2.856 billion)

Item (mln RUB)	2017	2018	Change, %
Adjusted EBITDA	129,296	128,983	-0.2%
Income from penalties and fines	6,842	3,673	-46.3%
Adjusted EBITDA excluding income from penalties and fines	122,454	125,310	2.3%

The Company’s net profit for 2018 amounted to RUB 56,187 million, a 32.6% increase year-on-year. Net profit was significantly affected by non-cash operations, including:

Item (mln RUB)	2017	2018	Change, %
Net profit	42,362	56,187	32.6%

Accrual/(Reversal) of allowance for doubtful debtors	1,404	-2,728	-2.9x
Revaluation of quoted financial assets	-7,475	5,034	+1.7x
Written-off overdue receivables	-16	-91	-5.7x
Revaluation of fixed assets	1,894	513	-72.9%
Adjusted net profit**	46,555	53,459	14.8%
Revenue from connection services	21,412	24,300	13.5%
Adjusted net profit excluding connection services	25,143	29,159	16.0%

** - profit generated by cash flows (excluding accruals and recovery of provision of doubtful debts, revaluation of quoted financial assets and fixed assets) .

Adjusted net profit excluding revenue from connection services increased by RUB 4,016 million or 16.0%.

Balance sheet as of 31 December 2018

Assets

Federal Grid Company's total assets at the end of the reporting period amounted to RUB 1,487,062 million, which is RUB 62,023 million or 4.4% more than at the beginning of the year. Non-current assets accounted for RUB 1,266,954 million, while current assets equalled RUB 220,108 million.

Federal Grid Company's equity increased by RUB 52,823 million (5.1%) during the reporting period. The change in the amount of equity was a result of earning a net profit for the period (RUB 56,187 million), the distribution of profits for 2017 in the form of dividends in the amount of RUB 18,885 million in accordance with the decision of the Annual General Meeting of Shareholders of Federal Grid Company of Unified Energy System (record #20 from 2 July 2018) and a reflection of the revaluation of non-current assets in the amount of RUB 15,176 million.

The Company's gross debt as of the end of the reporting period amounted to RUB 246,709 million, which was RUB 10,841 million lower than at the end of 2017.

Federal Grid Company's financial statements for 2018 in accordance with 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/