

Federal Grid Company Announces FY 2019 RAS Results

Moscow, 21 February 2020 – 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 2019 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)	2018	2019	Change, %
Revenue	240,294	242,700	1.0%
<i>Electricity transmission services</i>	213,620	223,144	4.5%
<i>Connection services</i>	24,300	17,235	(29.1%)
Cost of sales	170,825	174,447	2.1%
Management expenses	8,491	8,953	5.4%
Profit from sales	60,978	59,300	(2.8%)
Adjusted EBITDA*	128,983	129,386	0.3%
Net profit	56,187	58,139	3.5%
Adjusted net profit*	29,581	30,049	1.6%

** excluding accrual and reversal of allowance for doubtful debts, revaluation of quoted financial assets and revenue from connection services*

Federal Grid Company’s performance in 2019 reflects management’s efforts to facilitate financial stability and enhanced operational efficiency for the Company.

The Company’s revenue for 2019 increased by RUB 2,406 million or 1.0% year-on-year, more specifically:

- Electricity transmission services revenue increased by RUB 9,524 million or 4.5% year-on-year, driven by:
 - revenue from electricity transmission rising by RUB 8,839 million or 5.1% following tariff increases as of 1 July 2018 and 1 July 2019;
 - higher income from compensation for electricity losses by RUB 685 million or by 1.7% in connection with tariff increases for regulatory electricity losses, the rate of which is equal to the weighted average rate for PJSC ATS electricity purchases and capacity according to Russian Government decree №458 (dated 11 May 2015);
- Revenue from connection services decreased by RUB 7,065 million (29%) year-on-year due to changes in the service provision schedule in accordance with customer orders.

Cost of sales rose by RUB 3,622 million (2.1%) primarily due to higher expenses connected to rental of power grid facilities (as per agreements for the use of UNEG facilities belonging to third parties in accordance with a tariff approved by the Russian Federal Antimonopoly Service), as well as due to a greater amount of serviceable equipment and the impact of inflation.

Growth in management expenses by RUB 462 million (5.4%) was driven by higher amortization charges on intangible assets in connection with the rollout of new software systems and equipment.

Adjusted EBITDA amounted to RUB 129,386 million, an increase of RUB 403 million or 0.3% year-on-year.

Federal Grid Company recorded a net profit for 2019 in the amount of RUB 58,139 million, up 3.5% year-on-year. Net profit was significantly impacted by certain non-cash operations, including:

Item, mln RUB	2018	2019	Change, %
Net profit	56,187	58,139	3.5%
Accrual/(Reversal) of allowance for doubtful debtors	(2,728)	964	+1.4x
Revaluation of quoted financial assets	5,034	9,891	96.5%
Revenue from connection services	24,300	17,235	(29.1%)
Adjusted net profit*	29,581	30,049	1.6%

* excluding accruals and reversal of allowance for doubtful debts, revaluation of quoted financial assets and revenue from connection services).

Adjusted net profit (excluding revenue from connection services) increased by RUB 468 million, or 1.6%, year-on-year.

Balance Sheet as of 31 December 2019

Assets

Federal Grid Company's total assets at the end of the reporting period amounted to RUB 1,532,324 million, which was RUB 45,261 million (3.0%) higher than at the beginning of the year. Non-current assets accounted for RUB 1,331,514 million, while current assets equalled RUB 200,810 million.

Federal Grid Company's total equity at the end of the reporting period increased by RUB 48,669 million (4.5%) as a result of:

- the Company reporting a net profit for the period in the amount of RUB 58,139 million;
- the distribution of profit as dividends in the amount of RUB 31,678 million, including RUB 20,449 million for 2018 in accordance with the decision of the general meeting of shareholders of Federal Grid Company (minutes №22 dated 28 June 2019) and RUB 11,229 million for 9M 2019 as per the decision of the extraordinary general meeting of shareholders of Federal Grid Company (minutes №23 dated 31 December 2019);
- Revaluation of non-current assets by RUB 18,466 million;
- Adjustment of profit for previous years in the amount of RUB 3,742 million in accordance with established accounting rules (transfer of revaluation of additional capital for write-off of fixed assets in accordance with RAS 6/01) in connection with the sale in 2019 of electricity distribution facilities owned by Federal Grid Company under an asset exchange agreement concluded with JSC Far Eastern Energy Management Company.

The Company's gross debt as of the end of the reporting period decreased by RUB 19,650 million to RUB 227,059 million.

Federal Grid Company's financial statements for FY 2019 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/