

Federal Grid Company Announces 9M 2017 RAS Results

Moscow, 27 October 2017 – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”; Moscow Exchange, LSE: FEES), the owner and operator of the Unified National Electricity Grid (“UNEG”), announces its financial results for the first nine months of 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)	9M 2016	9M 2017	Change, %
Revenue	131,167	143,643	9.5%
Electricity transmission services	127,247	140,486	10.4%
Connection services	2,621	1,815	(30.7%)
Cost of sales	102,729	110,104	7.2%
Management expenses	5,258	5,353	1.8%
Profit from sales	23,180	28,185	21.6%
Adjusted EBITDA*	93,965	101,366	7.9%
Net profit	26,108	26,625	2.0%

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

Federal Grid Company’s results for the first nine months of 2017 demonstrate management’s efforts to ensure financial stability and enhance efficiency across the Company’s operations.

The Company’s revenue for 9M 2017 increased by 9.5% year-on-year (RUB 12,476 million), driven by:

- electricity transmission services revenue grew by RUB 13,239 million, or by 10.4% year-on-year, due to:
 - o growth in revenue from compensation for losses by RUB 6,015 million or 60% as a result of the Russian Governmental Decree (№810 from 07.07.2017), which introduced changes in the rules for non-discriminatory access to power distribution services and the rendering of such services;
 - o growth in revenue from tariffed electricity transmission by RUB 7,223 million or 6.2%, which came as a result of a tariff rate increase and growth in capacity to direct customers;
- revenue from connection services decreased by RUB 806 million in accordance with the schedule of services, which reflects customer orders.

In the 9 months of 2017 there was a notable increase in expenses, primarily connected to cost items that were out of the Company’s control (in particular, electricity purchases to compensate for losses grew by 38.8%, while taxes and duties grew by 9.1%).

Adjusted EBITDA (excluding provisions, non-cash operations and revenue from connection services) increased by RUB 7,042 million (7,9%) year-on-year and amounted to RUB 101,366 million.

Federal Grid Company’s net profit in 9M 2017 amounted to RUB 26,625 million, a year-on-year increase of 2.0%.

Adjusted net profit (excluding revaluations and accruals and reversals of provisions) grew by 35.4%:

Item (mln RUB)	9M 2016	9M 2017	Change, %
Net profit	26,108	26,625	2.0%
change in provisions	6,258	(248)	-
Adjusted net profit	19,850	26,873	35.4%

Balance sheet as of 30 September 2017**Assets**

Federal Grid Company's total assets decreased from the beginning of the year by RUB 7,451 million (by 0.5%) and amounted RUB 1,358,723 million. Non-current assets accounted for RUB 1,182,741 million, while current assets amounted to RUB 175,982 million.

Federal Grid Company's equity increased by RUB 6,994 million (0.7%). This change is attributable to the profit generated in 9M 2017 (RUB 26,625 million) and the decision to pay dividends on the basis of 2016 (RUB 18,185 million) and for the first quarter of 2017 (RUB 1,423 million).

Liabilities

The Company's gross debt decreased by RUB 11,164 million (4.2%) during the first nine months of the year, in connection with the successful put offer on the Company's series 21 bonds in the second quarter of 2017, and at the end of the reporting period amounted to RUB 254,685 million.

Financial statements for 9M 2017 under RAS are available on Federal Grid 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/