

Federal Grid Company Announces Q1 2017 RAS Results

Moscow, 28 April 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 quarter 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)	Q1 2016	Q1 2017	Change, %
Revenue	43,645	45,858	5.1%
Electricity transmission services	41,570	45,313	9.0%
Connection services	1,670	99	-94.1%
Cost of sales	34,071	34,533	1.4%
Cost of sales, excluding purchase of electricity, property tax, depreciation and amortisation	7,379	6,916	-6.3%
Management expenses	1,427	1,379	-3.3%
Management expenses, excluding property tax, depreciation and amortisation	962	939	-2.4%
Profit from sales	8,147	9,946	22.1%
Adjusted EBITDA*	32,344	34,989	8.2%
Net profit	10,449	8,838	-15.4%

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

Federal Grid Company’s performance in the first quarter of 2017 demonstrates the company’s ongoing work to improve operational efficiency.

The Company’s revenue for Q1 2017 increased by 5.1% year-on-year, driven by:

- Electricity transmission services revenue grew by RUB 3,743 million, or by 9.0% year-on-year, due to tariff increase by 7.5% since 01.07.2016, and due to an increase in capacity consumption by direct customers;
- Revenue from connection services decreased in accordance with the schedule of services, which reflects customer orders.

Adjusted earnings before interest, income tax, depreciation and amortisation, revenue from connection services and excluding accrual and reversal of provisions for doubtful debts (adjusted EBITDA) increased by RUB 2,645 million (8.2%) year-on-year and amounted to RUB 34,989 million.

Federal Grid Company’s Q1 2017 net profit amounted to RUB 8,838 million, a year-on-year decline of 15.4%. The change in the financial result was greatly influenced by non-cash operations reflected in the Q1 2016 (reversal of provisions for doubtful debts in connection with agreements that were signed on the restructuring of arears for electricity transmission services).

Item (mln RUB)	Q1 2016	Q1 2017	Change, %
Net profit	10,449	8,838	-15.4%
Change in provisions	4,623	-743	-
Adjusted net profit**	5,826	9,581	64.4%

*** profit generated by cash operations (adjusted for accrual / reversal of provisions for bad debts and financial investments).*

Adjusted net profit (excluding revaluations and reserve accruals) grew by 64.4%

In Q1 2017, Federal Grid Company continued implementing measures to optimise costs. Operating costs (excluding electricity purchases, depreciation and amortisation, and property tax) decreased by RUB 463 million year-on-year (-6.3%). Management costs (excluding depreciation and amortisation and property tax) decreased by RUB 23 million year-on-year (-2.4%). At the same time, in the first quarter of 2017, the increase of certain cost items is due to the growth in tax payments related to the phased repeal of the property tax rebates.

Item (mln RUB)	Q1 2016	Q1 2017	Change, %
Operating expenses and management costs	35,498	35,912	1.2%
Electricity purchases	4,375	4,108	-6.1%
Electricity transmission services	617	241	-61.0%
Taxes and duties (including social tax)	3,543	3,903	10.2%
Depreciation and amortisation	20,469	21,216	3.7%
Managed costs	6,494	6,443	-0.8%

Balance sheet as of 31 March 2017

Assets

Federal Grid Company's total assets remained virtually unchanged from the beginning of the year, decreasing by just RUB 308 million to RUB 1,365,866 million. Non-current assets accounted for RUB 1,172,213 million, while current assets amounted to RUB 193,353 million

Liabilities

Federal Grid Company's equity increased by RUB 8,838 million (0.9%). This change is attributable to the profit generated in Q1 2017.

The company's gross debt decreased by RUB 1,026 million (0.4%) during the first three months of the year and amounted to RUB 264,823 million (including accrued interest).

Federal Grid Company's financial statements for Q1 2017 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/