



Federal Grid Company announces FY 2019 IFRS results

Moscow, 05 March 2020 – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”; Moscow Exchange, LSE: FEES), part of PJSC ROSSETI Group of Companies, and the operator of the Unified National Electricity Grid (“UNEG”), announces its audited consolidated financial results for the year ended 31 December 2019 under International Financial Reporting Standards (IFRS).

The financial results relate to Federal Grid Company and its subsidiaries (“the Group of Companies” or “the Group”).

Key financial results:

RUB billion	FY 2018	FY 2019	Change
Revenues	254.0	249.6	(1.7%)
<i>Revenue from electricity transmission services (core operations)</i>	<i>213.1</i>	<i>222.4</i>	<i>4.4%</i>
Adjusted EBITDA ⁽¹⁾	133.6	136.2	1.9%
Profit for the period	92.8	86.6	(6.7%)
Total comprehensive income	101.2	94.1	(7.0%)

(1) Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) excluding the net impairment of fixed assets, revenue from connection services, accrual of allowance for expected credit losses, gain from asset exchange (only for 2019), loss on disposal of associated company (only for 2019), movement in provision for legal claims and including financial income.

Operational performance highlights⁽²⁾:

Operational metric	FY 2018	FY 2019	Change
Electricity supply from UNEG to consumers, billion kWh	557.7	558.7	0.2%
Total transformer capacity ⁽³⁾ , GVA	351.9	352.9	0.3%
Transmission grid length ⁽³⁾ , thousand km	145.9	148.3	1.6%
Number of substations (UNEG) ⁽³⁾	958	951	(0.7%)

(2) PJSC Federal Grid Company of Unified Energy System

(3) Including rented transmission lines and substations

Main developments of FY 2019 and after the reporting date:

Financial:

- As part of an asset exchange agreement, Federal Grid Company consolidated certain UNEG facilities that had previously belonged to JSC Far East Energy Management Company.
- In 2019, Moody's and Fitch rating agencies upgraded Federal Grid Company's credit rating by one notch to investment grade Baa3 and BBB, while S&P and ACRA confirmed previous ratings of BBB- and AAA (RU), respectively. All of Federal Grid Company's ratings included a stable outlook and were in line with the Russian Federation's sovereign rating.
- In March 2019, the Company's Eurobond issuance of RUB 17.5 billion was redeemed.
- In June 2019, at the Annual General Meeting of shareholders, the decision was taken to pay dividends for FY 2018 in the amount of RUB 20.4 billion.
- In December at the Company's EGM, shareholders took the decision to pay interim dividends for 9M 2019 in the amount of RUB 11.2 billion.

Operational:

- Commissioning of the final elements of the Peleduisky energy ring in the Irkutsk region, consisting of the 500 kW Ust-Kut and 220 kW Sukhoi Log substations.
- Completion of electricity supply activities for the ESPO oil pipeline and necessary work on the UNEG related to the Power of Siberia gas pipeline launch.
- Commissioning of a group of substations for oil and gas fields and the Zapolyarye-Purpe pipeline in the Yamal-Nenets Autonomous Region.
- Completion of new grid connections for Novovoronezh Atomic Power Station 2 and Zaramagsk Hydroelectric Power Station 1.
- Pilot testing of a digital optical voltage transformer, developed in-house by the Company, began at the 220 kW Boyarskaya substation Nizhegorod region.

Commenting on the Group's results for 2019, Chairman of the Management Board of Federal Grid Company Andrey Murov said:

"In absolute terms, our financial performance in 2019 was among the best in the Company's history. At the same time, in 2019 we increased reliability of electricity supply to our customers, completed several important development projects and consolidated key trunkline grid assets in Russia's Far East. I would underscore that the Company has made substantial progress in carrying out activities outlined in the President's May Decree: nearly half of these projects are already successfully launched. As such, Federal Grid Company remains a stable and predictable partner for customers, the Government and investors."

Financial results for FY 2019

The Group's revenue amounted to RUB 249.6 billion, including:

- revenue from electricity transmission services amounted to RUB 222.4 billion, a 4.4% (RUB 9.3 billion) increase year-on-year as a result of:

- growth in revenue from electricity transmission following tariff increases on 1 July 2018 and 1 July 2019 by 5.5% in both cases;
- growth of income from compensation for losses caused by the increase in the tariff for regulatory and technological losses of electricity, the amount of which is equal to the weighted average rate for the purchase of electricity and power of PJSC ATS in accordance with Decree № 458 of the Government of the Russian Federation, dated 11 May 2015.

- revenue from connection services amounted to RUB 17.2 billion, a decrease of 20% (RUB 4.3 billion) year-on-year as a result of service schedules determined by customer orders;
- revenue for works on general contractor agreements executed by Federal Grid Company subsidiaries amounted to RUB 4.4 billion, a decrease of 27.9% (RUB 1.7 billion) compared to the same period in 2018. The decrease in revenue is due to changes in the completion levels of work at various stages of construction projects;
- revenue for maintenance and repair of power grid facilities of third-party owners increased by 28.6% (RUB 0.4 billion) and amounted to RUB 1.8 billion. Revenue growth is tied to the increase in the volume of services provided by Federal Grid Company subsidiaries;
- revenue from electricity sales amounted to RUB 1.7 billion (down RUB 7.7 billion year-on-year), due to a decrease in the volume of electricity sold by a Federal Grid Company subsidiary;

Operating expenses ⁽⁴⁾

(RUB billion, or %)	FY 2018	% of total operating expenses	FY 2019	% of total operating expenses	Change
Depreciation and amortisation	33.5	23.1%	37.9	24.9%	13.1%
Electricity purchases for operational purposes	38.1	26.2%	37.7	24.8%	(1.0%)
Taxes and fees	21.2	14.6%	20.1	13.2%	(5.2%)
Electricity transit	1.5	1.0%	1.8	1.2%	20.0%
Other operating expenses	51.0	35.1%	54.5	35.9%	6.9%
Total operating expenses	145.3	100.0%	152.0	100.0%	4.6%

(4) excluding expenses for general contractor services rendered by subsidiaries

In 2019, operating expenses amounted to RUB 152.0 billion, an increase of RUB 6.7 billion or 4.6% year-on-year:

- An increase in certain expenses (depreciation and amortisation, electricity transit) was offset by lower costs on fuel for mobile gas-turbine electricity plants, tax deductions and purchases of electricity and capacity to compensate for losses;
- The increase in depreciation and amortisation by RUB 4.4 billion (+13.1%) is due to new capacities being commissioned;
- The increase in electricity transit costs is associated with an increase in the volume of electricity transit via the Republic of Kazakhstan's grid;
- The increase in other operating expenses by RUB 3.5 billion (+6.9%) is primarily due to the 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.

The Group's profit in 2019 decreased by RUB 6.2 billion (-6.7%) and amounted to RUB 86.6 billion, due to lower revenue from connection services (by RUB 4.3 billion) and higher depreciation and amortisation expenses (by RUB 4.6 billion). Total comprehensive income decreased by RUB 7.1 billion (-7.0%) and amounted to RUB 94.1 billion.

Selected balance sheet items

(RUB billions)	31 December 2018	31 December 2019	Change
ASSETS			
Non-current assets	1,057.5	1,165.7	10.2%
Current assets	151.6	124.6	(17.8%)
Total assets	1,209.1	1,290.3	6.7%
EQUITY AND LIABILITIES			
Non-current liabilities	276.0	287.3	4.1%
<i>Including long-term borrowings</i>	<i>224.6</i>	<i>208.3</i>	<i>(7.3%)</i>
Current liabilities	93.9	101.2	7.8%
<i>Including short-term borrowings and current portion of long-term borrowings</i>	<i>22.2</i>	<i>31.4</i>	<i>41.4%</i>
Total liabilities	369.9	388.5	5.0%
Equity attributable to shareholders of PJSC FGC UES	839.0	901.6	7.5%
Non-controlling interest	0.2	0.2	-
Total equity	839.2	901.8	7.5%
Total equity and liabilities	1,209.1	1,290.3	6.7%

Federal Grid Company's total assets increased by RUB 81.2 billion (+6.7%) compared to the beginning of the year and amounted to RUB 1,293.0 billion at the end of the reporting period. Non-current assets accounted for RUB 1,165.7 billion, while current assets equalled RUB 124.6 billion.

The liabilities of the Group decreased by RUB 7.1 billion compared to the beginning of the year. At the same time, in connection with the introduction of the new IFRS 16 "Lease" standard, the Group's liabilities reflect the inclusion of lease obligations (mainly related to land) in the amount of RUB 12.8 billion. Excluding the impact of this factor, total debt decreased by RUB 19.9 billion. The Group's total debt to adjusted EBITDA ratio as of 31 December 2019 stood at 1.76x (excluding the impact of the new IFRS standard: 1.67x).

Federal Grid Company's audited consolidated IFRS financial statements for 2019 are available on the Company's website:

http://www.fsk-ees.ru/shareholders_and_investors/financial_information/reporting_under_ifrs/

Conference call and webcast

The Company will hold a conference call and webcast for investors and analysts on Thursday, 5 March 2020 at 15:00 Moscow time (12:00 p.m. London time).

Advance registration and viewing of the webcast will be made available at the following link, which will be opened to participants 15 minutes prior to the start of the conference call):

<https://webcasts.eqs.com/fgcues20200305>

Dial-in details:

	For Russian-speaking participants:	For English-speaking participants:
Conference call access code (Conference ID)	9391852	1482992
Toll-free numbers by country*:		
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United Kingdom	+44 330 336 9411 (Local access) 0800 279 7204 (Toll free)
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Conference call replay will be available until 12 March 2020 using the following dial-in details:

	In Russian:	In English:
Conference call access code (Conference ID)	9391852	1482992
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