



Federal Grid Company Announces FY 2018 IFRS Results

Moscow, 18 March 2019 – 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 2018 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:

Financial indicator, RUB billion	Year ended 31 December 2017*	Year ended 31 December 2018	Change
Revenues	242.2	254.0	4.9%
Adjusted EBITDA ⁽¹⁾	129.5	133.6	3.2%
Profit for the period	87.8	92.8	5.7%
Total comprehensive income	79.2	101.2	27.8%

(1) Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude reversal / (accrual) of net loss from impairment of property, plant and equipment, revenue from connection services, expenses related to accrual/(reversal) of allowance for expected credit losses and doubtful debtors, loss on derecognition of subsidiary (only for 2017), and movement in provision for legal claims and including financial income.

* Figures take into account retrospective adjustments to reflect current accounting policies.

Operational performance highlights⁽²⁾:

Operational indicator	Year ended 31 December 2017	Year ended 31 December 2018	Change
Electricity supply from UNEG to consumers, billion kWh	547.4	557.73	1.9%
Total transformer capacity ⁽³⁾ : GVA	345.1	351.9	2.0%
Transmission grid length ⁽³⁾ , thousand km	142.4	145.9	2.5%
Number of UNEG substations ⁽³⁾	944	958	1.5%

(2) PJSC Federal Grid Company of Unified Energy System

(3) Including rented transmission lines and substations

Significant developments in 2018 and after the reporting period:

Financial:

- In 2018, credit ratings agency S&P raised the Federal Grid Company’s credit rating to investment grade BBB- with a stable outlook, while Moody’s changed the outlook on the Company’s Ba1 rating from stable to positive. These ratings changes came about as a result of

analogous updates to the Russian Federation's sovereign credit rating. In February 2019, Moody's upgraded Federal Grid Company's rating by one notch to Baa3 with a stable outlook;

- In May 2018, the Board of Directors approved a new edition of Federal Grid Company's dividend policy (Board minutes #406 from 30 May 2018);
- In June 2018, the Annual General Meeting of shareholders (AGM) decided to pay dividends for 2017 in the amount of RUB 18.9 billion (bringing the total dividends paid for 2017 to RUB 20.3 billion when taking into account the RUB 1.42 billion of interim dividends paid for the first quarter of 2017);
- In June 2018, the Board of Directors took the decision to sell Federal Grid Company's 10% stake in PJSC Inter RAO;
- In December 2018, the Board of Directors approved a transaction to exchange assets with Far East Energy Management Company;
- In March 2019, the Company redeemed its debut Eurobond issue in the amount of RUB 17.5 billion.

Operational:

- In 2018, a 10-year project aimed at strengthening the intersystem connections between the Centre and Northwest grids;
- The 500 kW Tobol substation was brought into operation as the Company's first facility with advanced integration of digital solutions;
- In Yakutia, the construction of a 750km transit was completed from the Neryungri GRES to the new 220 kV Maya substation.

Commenting on the Group's results for 2018, Chairman of the Management Board of Federal Grid Company Andrey Murov said:

"Federal Grid Company's financial position enables the Company to develop in accordance with client needs and, of course, in line with the objectives outlined in the President's May Decree.

"In 2018, performance across all major indicators has improved. Revenue has grown by 4.9% to RUB 254 billion, while profit has risen by 5.7% to RUB 92.8 billion. Credit ratings from international agencies have returned to investment grade with a stable outlook, while our national rating is at the highest possible mark AAA (RU) on the ACRA scale.

"The best illustration of our success is the projects we completed in 2018. In particular, the connections between the power systems of the Northwest and the Centre have been strengthened, previously isolated Yakutia has become part of Russia's Unified Energy System thanks to the 750-kilometre power transit, and the Tobol substation was commissioned - the first ultra-high voltage facility to integrate a set of digital solutions.

"Sustaining strong financial performance - as a basis for both development and growth in shareholder profitability - has been and remains a key priority for Federal Grid Company."

Changes to accounting policies

Starting from 1 January 2018, the Group has changed its accounting policies to measuring property, plant and equipment at cost less accumulated depreciation and impairment losses instead of revaluation model.

The management of FGC UES believes that transition in accounting model provides more relevant and reliable presentation of the Group's financial position and performance, as this model has also been adopted by other ROSSETI Group companies and is widely used in utilities industry and by major foreign grid companies.

The effect of the change on comparative data is disclosed in Note 3 to the financial statements.

FY 2018 financial results

The Group's revenues amounted to RUB 254 billion in 2018, including:

- revenue from electricity transmission services amounted to RUB 213.1 billion, an increase of 10.9% (RUB 20.9 billion) year-on-year, driven by:
 - o increased revenue from compensation of losses in accordance with the Regulation of the Government of the Russian Federation No. 810 dated July 7, 2017, which amended the Rules of non-discriminatory access to electricity transmission services and provision of such services;
 - o higher revenue from electricity transmission following tariff increases on 1 July 2017 and on 1 July 2018 by 5.5% in each case.
- revenue from connection services was RUB 21.5 billion, an increase of 10.8% (RUB 2.1 billion) year-on-year, which is attributed to the service timetable determined by consumer requests;
- revenue from electricity sales amounted to RUB 9.4 billion, up 14.6% (RUB 1.2 billion) owing mainly to an increase in the volume of electricity sold by a Federal Grid Company subsidiary;
- revenue from general contractor service agreements performed by Federal Grid Company subsidiaries amounted to RUB 6.1 billion, a 68.1% (RUB 13 billion) decrease compared to the same period of 2017. This decrease in revenue is attributed to the change in the work completion percentage at various stages of construction projects.

Operating expenses⁽⁴⁾

<i>(RUB billion, or %)</i>	2017	% of total operating expenses	2018	% of total operating expenses	Change
Electricity purchases for operational uses	24.3	20.7%	38.1	25.4%	56.8%
Depreciation and amortisation	29.6	25.2%	33.5	22.3%	13.2%
Taxes and duties	16.9	14.4%	21.2	14.1%	25.4%
Fuel for mobile gas-turbine electricity plants	6.4	5.5%	6.6	4.4%	3.1%
Electricity transit	1.1	0.9%	1.5	1.1%	36.4%
Total uncontrollable expenses	78.3	66.7%	100.9	67.3%	28.9%
Materials, repairs and technical maintenance	4.8	4.1%	5.9	3.9%	22.9%
Other operating expenses	38.1	32.4%	38.5	25.7%	1.0%
Total controllable expenses	42.9	36.5%	44.4	29.6%	3.5%
Allowance for doubtful debtors and expected credit losses	(3.8)	(3.2)%	4.6	3.1%	-
Total operating expenses	117.4	100.0%	149.9	100.0%	27.7%

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

Operating expenses increased by RUB 32.5 billion or 27.7%, mainly due to:

- electricity purchases for operational use increased by RUB 13.8 billion (+56.8%) following the enactment on 1 August 2017 of a Russian Government decree №810 (dated 07 July 2017),

which mandated that Federal Grid Company purchase on the wholesale electricity and power market full actual losses and also cancelled the mechanism of compensation for the value of load losses under electricity supply service contracts. At the same time, the Company's revenue increased commensurate to these expenses as they were included in the price of electricity transmission services;

- depreciation and amortisation expenses grew by RUB 3.9 billion or 13.2% following the commission of new capacity;
- taxes and duties increased by RUB 4.3 billion (+25.4%) as a result of a gradual phasing out of tax benefit for power transmission grids and cancellation of benefits for movable property;
- expenses for materials, repairs and technical maintenance increased by RUB 1.1 billion (+22.9%) as a result of higher volumes of work being undertaken to ensure the reliable operations of UNEG facilities;
- other operating expenses rose by RUB 0.4 billion (+1.0%) due to an increase in the number of equipment being serviced, however, at the same time, controllable expenses grew slower than inflation.

In 2018, the Group's profit amounted to RUB 92.8 billion, which was RUB 5.0 billion (+5.7%) higher than in the previous year. Total comprehensive income also rose (+27.8%) and amounted to RUB 101.2 billion. Growth in profitability by RUB 5.0 billion was driven by the factors outlined above.

Selected balance sheet items

(RUB billions)	31 December 2017	31 December 2018	Change, %
ASSETS			
Non-current assets	1,024.5	1,057.5	3.2%
Current assets	104.2	151.5	45.4%
Total assets	1,128.7	1,209.0	7.1%
EQUITY AND LIABILITIES			
Non-current liabilities	282.9	276.0	(2.4)%
Current liabilities	88.7	93.8	5.7%
Total liabilities	371.6	369.8	(0.5)%
Equity attributable to shareholders of PJSC "FGC UES"	757.7	839.0	10.7%
Non-controlling interest	(0.6)	0.2	-
Total equity	757.1	839.2	10.8%
Total equity and liabilities	1,128.7	1,209.0	7.1%

Total assets of the Group grew over the course of 2018 by RUB 80.3 billion (+7.1%) and at the end of the reporting period total assets came to RUB 1,209.0 billion. The share of the non-current assets was RUB 1,057.5 billion and the share of current assets amounted to RUB 151.5 billion.

The Group's total liabilities decreased by 0.5% as of the end of the reporting period compared to the start of the year and amounted to RUB 369.9 billion.

Audited consolidated IFRS financial statements of Federal Grid Company for 2018 are available on the corporate 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 18 March 2019 at 16:00 Moscow time (13:00 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/federalgrid20190318>

Dial-in details:

	For Russian-speaking participants:	For English-speaking participants:
Conference call access code (Conference ID)	81008219#	22570173#
Toll-free numbers by country*:		
Russia	+7 495 646 9315 (локальный номер - Local access) 8 800 500 98 63 (бесплатный номер - Toll free)	
United Kingdom	+44 207 194 37 59 (Local access) 0800 376 61 83 (Toll free)	
United States	+1 646 722 49 16 (Local access) 844 286 06 43 (Toll free)	
Germany	+49 692 222 25 429 (Local access) 0800 724 10 11 (Toll free)	
Sweden	+46 856 64 25 10 (Local access) 0200 887 622 (Toll free)	
Hong Kong	+852 30773574 (Local access) 800 968 587 (Toll free)	
* toll-free numbers dialed from other countries will be subject to tariffs specified by your telecommunications carrier.		

Conference call replay will be available until 25 March 2019 using the following dial-in details:

	For Russian-speaking participants:	For English-speaking participants:
Conference call access code (Conference ID)	418839302#	418839304#
United Kingdom	+44 20 3364 5147	
Russia	+7 (495) 249-16-71	
United States	+1 (646) 722-4969	
Germany	+49 211 97190087	