



Federal Grid Company Announces IFRS Results for the first 3 months of 2017

Moscow, 29 May 2017 – 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 owner and operator of the Unified National Electricity Grid (“UNEG”), announces its unaudited condensed consolidated interim financial statements for the three months ended 31 March 2017, 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 highlights for the first 3 months of 2017:

Financial indicator, RUB billion	Three months ended 31 March 2017	Three months ended 31 March 2016	Change YoY, %
Revenues	49.8	52.5	(5.1%)
Adjusted EBITDA*	35.5	29.3	21.2%
Profit for the period	5.8	16.4	(64.6%)
Adjusted profit for the period**	18.1	17.0	6.5%

* Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment loss of property, plant and equipment, loss on regain of control over subsidiary (only for 2017), revenue from connection services, accrual of doubtful debtors allowance (excluding effects of discounting reflected in the doubtful debtor allowance), and including financial income (excluding amortisation of discount in financial income).

** Adjusted profit for the period is calculated as profit for the period adjusted for impairment and revaluation loss of property, plant and equipment, loss on regain of control over subsidiary (only for 2017), including respective deferred income tax.

Operating results***:

Operating result indicators	Three months ended 31 March 2017	Three months ended 31 March 2016	Change YoY, %
Electricity supply from UNEG to consumers (net), billion kWh	141.4	137.6	2.8%
Total transformer capacity****, GVA	336.5	334.9	0.5%
Transmission grid lengths****, thousand km	140.5	139.3	0.9%
Number of UNEG substations****	940	932	0.9%

*** PJSC Federal Grid Company of Unified Energy System

**** including leased substations

Financial results for the three months ended 31 March 2017

The Group's profit for the first three months of 2017 amounted to RUB 5.8 billion, decreased by 10.6 billion (64.6%) caused by recognition of a loss in the amount of RUB 12.4 billion related to the regain of control over OJSC Nurenergo (after the Court of Cassation on 27 January 2017 overturned the Court Ruling to declare Nurenergo bankrupt, and sent the case to the Court of First Instance for re-trial). Adjusted profit for the period (excluding effect of regain of control over OJSC Nurenergo) amounted to RUB 18.1 billion, a 6.8% increase from the first three months of 2016.

The Group's revenues amounted to RUB 49.8 billion, including:

- revenue from electricity transmission services amounted to RUB 45.9 billion, a 10.3% (RUB 4.3 billion) increase year-on-year as a result of tariff increases by 7.5% on 01 July 2016 and due to an increase in capacity consumption by direct customers;
- revenue from connection services amounted to RUB 0.1 billion, a decrease of 94.1% year-on-year as a result of service schedules defined in customer orders;
- revenue from general contractor service agreements carried out by Federal Grid Company subsidiaries amounted to RUB 0.8 billion, nearly a fourfold decrease (by RUB 2.2 billion), due to the completion of major work phases in previous reporting periods;
- revenue from electricity sales amounted to RUB 2.6 billion, a 2.2x decrease (or by RUB 3.2 billion) as a result of one of the Group's subsidiaries ceasing to sell electricity.

Operating expenses

(RUB billion, or %)	Three months ended 31 March 2017	% of total operating expenses ***	Three months ended 31 March 2016	% of total operating expenses ***	Change YoY, %
Depreciation and amortisation	11.3	38.4%	10.1	35.1%	11.9%
Personnel-related expenses	5.9	20.1%	6.2	21.5%	(4.8%)
Electricity purchases for operational use	4.1	13.9%	6.6	22.9%	(37.9%)
Property tax	2.8	9.5%	2.4	8.3%	16.7%
Accrual of provision for accounts receivable	0.7	2.4%	-2.7	-9.4%	-
Materials, repair and maintenance	0.5	1.7%	0.4	1.4%	25.0%
Electricity transit	0.2	0.7%	0.6	2.1%	(66.7%)
Other operating expenses	3.9	13.3%	5.2	18.1%	(25.0%)
Total operating expenses****	29.4	100%	28.8	100%	2.1%

**** excluding expenses for general contractor services rendered by subsidiaries under State contracts.

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 29.4 billion, an 2.1% increase year-on-year.

Higher operating expenses were primarily due to increase of depreciation of property plant and equipment and increase in property tax expenses caused by the gradual abolition of tax benefit for power transmission grids.

At the same time, it is important to note the steady reduction of controllable expenses, including:

- despite having an increased amount of equipment to service, personnel costs and related taxes were reduced by 4.8% through headcount optimisation;

- reduced expenses for buying electricity for own operational needs due to the ceasing of electricity sales at one of the Group's subsidiaries;
- accrual of provisions for doubtful accounts receivable for the first three months of 2017 amounted to RUB 0.7 billion (for the first three months of 2016 there was a reversal of previously created provisions of doubtful accounts receivable in the amount of RUB 2.7 billion);
- electricity transit expenses decreased by 66.7%, which is explained by a lower exchange rate for the Kazakh tenge and reduced electricity transmission through other countries.

Selected balance sheet items

(RUB billion)	31 March 2017	31 December 2016	Change YoY, %
ASSETS			
Non-current assets	982.6	978.7	0.4
Total current assets	126.6	118.4	6.9
Total assets	1,109.2	1,097.1	1.1
CAPITAL AND LIABILITIES			
Non-current liabilities	274.9	269.3	2.1
Current liabilities	99.3	99.4	(0.1)
Total liabilities	374.1	368.7	1.5
Equity attributable to shareholders	734.6	726.6	1.1
Non-controlling interest	0.5	1.8	(72.2)
Total equity	735.1	728.4	0.9
Total liabilities and equity	1,109.2	1,097.1	1.1

Total assets of Federal Grid Company grew at the end of the first three months of 2017. This growth amounted to RUB 12.1 billion (1.1%) and at the end of the reporting period total assets came to RUB 1,109.2 billion. The share of non-current assets was RUB 982.6 billion and the share of current assets amounted to RUB 126.6 billion.

The Group's total liabilities decreased by 1.5% as of the end of the reporting period compared to the start of the year, and amounted to RUB 374.1 billion.

The financial debt of the Group as of 31 March 2017 had decreased by RUB 1.5 billion (by 0.6%) compared to the end of 2016, and amounted to RUB 265.2 billion.

Condensed consolidated interim IFRS financial statements of Federal Grid Company for the first three months of 2017 are available on the corporate website:

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