



## Federal Grid Company announces 9M 2018 IFRS results

**Moscow, 16 November 2018** – 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 unaudited condensed consolidated interim financial results for the three and nine months ended 30 September 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	Nine months ended 30 September 2017*	Nine months ended 30 September 2018	Change
Revenues	160.1	174.4	8.9%
Adjusted EBITDA <sup>(1)</sup>	102.3	101.7	(0.6%)
Profit for the period	52.5	58.0	10.5%
Total comprehensive income	49.9	69.4	39.1%

(1) Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude revenue from connection services, accrual of doubtful debtors allowance, loss on regain of control over subsidiary (only for 9M 2017), movement in provision for legal claims and including financial income.

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

### Operational performance highlights<sup>(2)</sup>:

Operational indicator	Nine months ended 30 September 2017	Nine months ended 30 September 2018	Change
Electricity supply from UNEG to consumers, billion kWh	405.14	411.68	1.6%
Total transformer capacity <sup>(3)</sup> , GVA	336.5	347.3	3.2%
Transmission grid length <sup>(3)</sup> , thousand km	140.9	143.6	1.9%
Number of UNEG substations <sup>(3)</sup>	940	947	0.7%

(2) PJSC Federal Grid Company of Unified Energy System

(3) including rented transmission lines and substations

### 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.

## **Financial results for the nine months ended 30 September 2018**

The Group's revenue for the reporting period amounted to RUB 174.4 billion, driven by:

- revenue from electricity transmission services was RUB 158.8 billion, a 12.6% (RUB 17.8 billion) increase year-on-year, owing to, among other things:
  - 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;
  - higher revenue from electricity transmission following tariff increases on 1 of July 2017 and on 1 of July 2018 by 5.5% in each case.
- revenue from general contractor service agreements performed by Federal Grid Company subsidiaries amounted to RUB 4.6 billion, a 51.6% (RUB 4.9 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;
- revenue from electricity sales amounted to RUB 8.2 billion, up 54.7% (RUB 2.9 billion) owing mainly to an increase in the volume of electricity sold by Federal Grid Company subsidiary;
- revenue from connection services was RUB 0.1 billion, having decreased by RUB 1.7 billion year-on-year, which is attributed to the service timetable determined by consumer requests.

### **Operating expenses <sup>(4)</sup>**

Operating expenses increased by RUB 28.2 billion or 34.8%, mainly due to:

- electricity purchases for operational use increased by RUB 13.3 billion (+93.0%) following the enactment on 01.08.2017 of a Russian Government decree №810 (dated 07 July 2017), which mandated that Federal Grid Company purchases 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 accordingly as these expenses were included in the cost of electricity transmission services;
- property tax increased by RUB 2.9 billion (+35.4%) as a result of a gradual phasing out of tax benefit for power transmission grids and movable property;
- depreciation and amortisation expenses grew by RUB 2.4 billion or 10.2%;
- expenses on technological fuel increased by RUB 1.8 billion (+42.9%).

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

Adjusted EBITDA decreased by RUB 0.6 billion primarily as a result of lower interest income.

In the first 9 months of 2018, the Group's profit amounted to RUB 58.0 billion, which was RUB 5.5 billion (+10.5%) higher than in the same period of the previous year. Total comprehensive income also increased (+39.1%) and amounted to RUB 69.4 billion.

Higher profits year-on-year (+RUB 5.5 billion; +10.5%) came about as a result of the following key factors:

- no loss from regain of control over a subsidiary amounted RUB 12.3 billion, recognized in the same period of 2017;
- lower interest expense and profit tax (+RUB 3.4 billion);

- higher depreciation and amortization expense (RUB 2.4 billion) as a result of commissioning in 2017 and 9M 2018 certain facilities in line with the Company's investment programme;
- growth in provisions for doubtful debt by RUB 4.1 billion;
- decrease in income from connection services by RUB 1.7 billion in accordance with contract schedules
- lower adjusted EBITDA by RUB 0.6 billion.

### Selected balance sheet items

(RUB billion)	31 September 2018	31 December 2017*	Change %
<b>ASSETS</b>			
Non-current assets	1,099.7	1,078.3	2.0%
Current assets	108.8	104.2	4.4%
<b>Total assets</b>	<b>1,208.5</b>	<b>1,182.5</b>	<b>2.2%</b>
<b>EQUITY AND LIABILITIES</b>			
Non-current liabilities	285.5	293.5	(2.7)%
Current liabilities	72.6	88.7	(18.2)%
<b>Total liabilities</b>	<b>358.1</b>	<b>382.2</b>	<b>(6.3)%</b>
Equity attributable to shareholders of PJSC Federal Grid Company	850.7	800.8	6.2%
Non-controlling interest	(0.3)	(0.5)	(40.0)%
<b>Total equity</b>	<b>850.4</b>	<b>800.3</b>	<b>6.3%</b>
<b>Total equity and liabilities</b>	<b>1,208.5</b>	<b>1,182.5</b>	<b>2.2%</b>

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

Total assets of the Group grew over the course of nine months of 2018 compared to the end of 2017. This growth amounted to RUB 26.0 billion (+2.2%) and at the end of the reporting period total assets came to RUB 1,208.5 billion. The share of the non-current assets was RUB 1,099.7 billion and the share of current assets amounted to RUB 108.8 billion.

The Group's total liabilities decreased by 6.3% as of the end of the reporting period compared to the start of the year and amounted to RUB 358.1 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for three and nine months ended 30 September 2018 are available on the Company's website at the following link:  
[http://www.fsk-ees.ru/eng/investors/financial\\_disclosure/ifrs\\_financial\\_reports/](http://www.fsk-ees.ru/eng/investors/financial_disclosure/ifrs_financial_reports/)