



## Federal Grid Company Announces FY 2016 RAS Results

**Moscow, 21 February 2017** – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”; Moscow Exchange, LSE: FEES), owner and operator of the Unified National Electricity Grid, announces its financial results for the year ended 31 December 2016 under Russian Accounting Standards (RAS).

The Company’s RAS statements do not consolidate the results of Federal Grid Company’s subsidiaries or affiliated companies that operate as independent legal entities.

### Key financial results

Item (mln RUB)	2015	2016	Change, %
<b>Revenue</b>	<b>173,266</b>	<b>218,366</b>	<b>+26.0%</b>
<i>Electricity transmission services</i>	158,986	171,133	<b>+7.6 %</b>
<i>Connection services</i>	12,397	45,479	<b>3.7x</b>
Cost of sales	134,938	140,038	<b>+3.8%</b>
<b>Cost of sales, excluding purchase of electricity, property tax, depreciation and amortisation</b>	<b>37,971</b>	<b>36,845</b>	<b>-2.9%</b>
Management expenses	7,851	8,033	<b>+2.3%</b>
<b>Management expenses, excluding property tax, depreciation and amortisation</b>	<b>5,999</b>	<b>6,104</b>	<b>+1.7%</b>
Profit from sales	30,477	70,296	<b>+6.3%</b>
<b>Adjusted EBITDA*</b>	<b>103,667</b>	<b>119,622</b>	<b>+15.4%</b>
<b>Net profit</b>	<b>17,870</b>	<b>106,071</b>	<b>5.9x</b>

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

**Federal Grid Company’s performance in 2016 comes as a result of the Company’s efforts since 2014 to improve efficiency in all of the key operational areas.**

The Company’s revenue in 2016 grew by 26% year-on-year, driven by:

- Electricity transmission services rising by RUB 12,147 million (7.6%), while tariff rates rose 7.5%, in view of the capacity growth among direct customers;
- Connection services rising 3.7x (by RUB 33,082 million), due to completion of works on connection of power stations and recognition of revenue for these services.

In addition, Federal Grid Company’s other income grew during the reporting period, due to increased claims settlement income related to penalties and fines for breaches of contractual obligations (RUB 1,734 million).

Adjusted EBITDA (excluding non-cash operations, income from connection services, income tax, depreciation and amortisation) rose by RUB 15,955 million (15.4%) year-on-year, and amounted to RUB 119,622 million.

The Company’s net profit for 2016 amounted to RUB 106,071 million, which was 5.9 times higher than in 2015. Net profit was significantly affected by non-cash operations, including:

Item	2015	2016	Change, %
<b>Net profit, mln RUB</b>	<b>17,870</b>	<b>106,071</b>	<b>5.9x</b>
Reserve accruals	-8,576	8,606	2x
Revaluation of INTER RAO shares	5,839	39,770	6.8x
Write-down of overdue accounts receivable	-24	-1	-96.3%
Revaluation of fixed assets	261	-1,476	-6.6x
<b>Adjusted net profit**, mln RUB</b>	<b>20,345</b>	<b>59,170</b>	<b>2.9x</b>

\*\* generated by cash flows (adjusted for reserve accruals / recovery of provision of doubtful debts, revaluation of fixed assets and financial investments).

Adjusted net profit (excluding revaluations and reserve accruals) grew by 2.9x.

In 2016, Federal Grid Company continued implementing its cost optimisation policy. While the amount of equipment in operation rose in connection with the large-scale investment programme (8,772 MVA of new capacity and 827.17 kilometres of transmission grid were brought on stream), the Company still managed to reduce headcount by 5.3% and significantly (by 5.2%) reduce expenses on materials and services. At the same time, higher tax payments in 2016 came about as a result of the legislated phased repeal of property tax rebates.

Item (mln RUB, unless otherwise noted)	2015	2016	Change, %
<b>Cost of sales and management costs</b>	<b>142,789</b>	<b>148,071</b>	<b>+3.7%</b>
Electricity purchases	14,332	14,722	+2.7%
Electricity transmission services	2,740	2,495	-8.9%
Taxes and duties (including social tax)	12,257	13,999	+14.2%
Depreciation and amortisation	77,217	81,490	+5.5 %
Personnel-related expenses	18,237	18,288	+0.2%
Other costs (materials and services)	18,006	17,077	-5.2%
<b>Headcount, number of employees</b>	<b>23,505</b>	<b>22,256</b>	<b>-5.3%</b>

## Balance Sheet as of 31 December 2016

### Assets

Federal Grid Company's total assets at the end of 2016 grew by RUB 97,872 million (7.7%) to RUB 1,366,174 million. Non-current assets accounted for RUB 1,183,264 million, while current assets equalled RUB 182,910 million.

Federal Grid Company's equity increased by RUB 101,614 million (11.5%) during the reporting period. This increase in equity reflects the Company's financial results for 2016.

### Liabilities

The Company's gross debt (including accrued interest) as of the end of the reporting period had decreased by RUB 13,007 million (by -4.9%) and amounted to RUB 261,653 million. In 2016, the Company attracted loans altogether totalling RUB 10,165 million and extinguished debt in the amount of RUB 23,172 million.

### Andrey Murov, Chairman of the Management Board of Federal Grid Company, commented:

*"For the past four years, we have stood firmly on the principles of reliability, cost efficiency, and unconditional fulfilment of our investment programme. And for four years in a row, Federal Grid Company has demonstrated robust results across all key metrics.*

*"The Company's results in 2016 were quite impressive. Record revenues from connection services were achieved, while net profit excluding revaluation of financial investments and reserves grew threefold year-on-year and amounted to over RUB 59 billion. Further progress was made on cost cutting, including efforts to optimise the*

*organisational structure of the Company.*

*“At the same time, we maintained reliable power supplies to our customers, carried out our investment programme and delivered all connection services strictly according to schedule.*

*“2017 will mark the 15-year anniversary of Federal Grid Company. We will meet this milestone as a sustainable, reliable company, consistent in its actions and attractive to investors.”*

Federal Grid Company's financial statements for 2016 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/](http://www.fsk-ees.ru/eng/investors/financial_disclosure/ras_financial_reports/)