



Federal Grid Company Announces H1 2014 RAS Financial Results

Moscow, 30 July 2014 - Federal Grid Company of Unified Energy System ("Federal Grid Company" or "the Company") (Moscow Exchange, LSE: FEES), part of the Russian Grids Group of companies and the operator of Russia's Unified National Energy Grid ("UNEG"), today announces its financial results for H1 2014 under Russian Accounting Standards (RAS).

The Company's RAS accounts do not consolidate the results of Federal Grid Company subsidiaries or dependent companies that operate as independent legal entities.

Key financial indicators:

- Revenue of RUB 83,724 million;
- Cost of sales and SG&A of RUB 71,048 million;
- Adjusted EBITDA* of RUB 53,679 million;
- Sales profit of RUB 12,676 million;
- Adjusted net profit* of RUB 7,402 million.

** excluding the establishment and recovery of a provision for doubtful debt*

Federal Grid Company's revenue for H1 2014 increased by 11.9% year-on-year to RUB 83,724 million. This was mainly attributable to revenue growth from electricity transmission on the UNEG (in connection with the 9.4% indexation of tariffs from 1 July 2013) and from technical connection services (due to the completion of technical connection service contracts for large customers: OJSC Fortum, OJSC Kaspiiskiy TK-R, OJSC Pervouralskiy Novotrubniy Zavod, and OJSC INTER RAO-Electrogeneration).

The Company's total costs for the reporting period increased by 9.5% year-on-year due to higher non-controllable costs (depreciation and property tax), which was compensated for by a decline in controllable costs.

Administrative expenses for H1 2014 (excluding an increase in property tax due to the phased repeal of the property tax concession for electricity transmission lines that took effect from 1 January 2013, in accordance with Federal Law #202-FZ "On Changes to the Second Part of the Russian Federation Tax Code" dated 29 November 2012) declined by 13% year-on-year, primarily due to the Company's efforts to reduce administrative and management costs.

Operating costs, excluding administrative expenses, also declined by 3.3% year-on-year (excluding depreciation), despite an increase in the number of UNEG facilities being serviced in connection with implementation of the Company's investment program.

Adjusted earnings before interest, taxation, depreciation and amortization (EBITDA) increased by RUB 7,018 million, or 15%, year-on-year and reached RUB 53,679 million for H1 2014, primarily as a result of higher operating profit and Federal Grid Company's successful cost optimization efforts.

Federal Grid Company's RAS net income for H1 2014 amounted to RUB 1,230 million. Adjusted net profit supported by cash flows (adjusted for the balance of charging/recovery of provision for doubtful debt) amounted to RUB 7,402 million for H1 2014.

Balance sheet as of 30 June 2014

Assets

Federal Grid Company's total assets declined in the first half of 2014 against the beginning of the reporting period and amounted to RUB 1,208,637 million (the reduction was RUB 5,654 million or 0.5%). Non-current assets amounted to RUB 1,092,310 million, and current assets amounted to RUB 116,326 million.

The main reason for the decline in the Company's assets was reduced accounts receivable due to the establishment of provisions for bad debt connected to an increase in overdue accounts receivable for electricity transmission services.

Federal Grid Company's capital increased by RUB 4,556 million (0.5%) during the reporting period due to a reflection of the profit received in H1 2014 and an additional share issue for 2013 in the amount of RUB 3,762 million.

The Company's total debt (excluding interest) for H1 2014 fell due to redeeming 99% of the series 18 bond issue (RUB 14,890 million), amounting to RUB 267,459 million.

The Company's H1 2014 results are evidence of the positive results of effective measures being undertaken to manage, and even reduce, controllable costs. This enables Federal Grid Company to increase the efficiency of its operations and to continue development of Russia's UNEG.

Federal Grid Company's financial statements for H1 2014 under RAS is available on the Company's website in the Financial Disclosure/RAS Financial Reports section.

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About Federal Grid Company

Federal Grid Company is part of OJSC Russian Grids is the operator and manager of Russia's unified electricity transmission grid system. The company operates over 135.1 thousand km of transmission lines and has over 334 MVA of installed transformer capacity. Based on the length of transmission lines and transformer capacity in place, Federal Grid is the largest publicly traded electricity transmission company in the world.

Federal Grid's business is to provide electricity transmission and technological connection services. It maintains and develops the grid system and supervises grid facilities and infrastructure in 75 regions of Russia, covering a territory of 14.8 million square kilometres. Its customers are regional distribution companies, electricity suppliers and large industrial enterprises. The Company is a natural monopoly with 80.13% stake controlled by Russian Grids.

Federal Grid Company was incorporated in June 2002 as part of reorganisation of Russia's electrical power industry.

Federal Grid Company's common shares are included on Moscow Exchange under the ticker FEES and the Company's GDRs are listed on the London Stock Exchange and traded under the same FEES symbol.

In 2013 the Company's IFRS consolidated revenue was RUB 157,970 million, while adjusted EBITDA was RUB 92,551 million, and adjusted profit for the period was RUB 23,405 million.

Further information can be found at www.federal-grid.com