Federal Grid Company Announces 9M 2014 RAS Financial Results

Moscow, 29 October 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 the first nine months of 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 highlights:

- Revenue of RUB 124,301 million;
- Cost of sales including Administrative expenses of RUB 105,060 million;
- Adjusted EBITDA* of RUB 80,541 million;
- Operating profit of RUB 19,242 million;
- Net profit of RUB 1,304 million;
- Adjusted net profit* of RUB 12,876 million.

* excluding the provision charges/ recovery of provisions for doubtful debt

Federal Grid Company's revenue for 9M 2014 increased by 8.4% year-on-year up to RUB 124,301 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).

The Company's cost of goods sold (excluding depreciation) for the reporting period decreased by 6% year-on-year, despite an increase in the number of UNEG facilities being serviced in connection with implementation of the Company's investment programme.

Administrative expenses for 9M 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) decreased by 8% year-on-year, primarily due to the Company's retrenchment programme in terms of the administrative and management costs.

Adjusted earnings before interest, taxation, depreciation and amortization (EBITDA) increased by RUB 8,710 million, or 12%, year-on-year and reached RUB 80,541 million for 9M 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 9M 2014 amounted to RUB 1,304 million. Adjusted net profit supported by cash flows (adjusted for net provisions for doubtful debt) amounted to RUB 12,876 million for 9M 2014.

Balance sheet as of 30 September 2014

Assets

Federal Grid Company's total assets slightly decreased in the course of nine months of 2014 and amounted to RUB 1,213,367 million (a reduction of just RUB 924 million, or 0.08%). Non-current assets amounted to RUB 1,096,744 million, and current assets amounted to RUB 116,623 million.

The main reason for the slight decline in the Company's assets was the reduction in accounts receivable due to the accrual of provisions for doubtful debt in relation to an increase in overdue accounts receivable for electricity transmission services.

Federal Grid Company's equity increased by RUB 4,629 million (0.5%) for the reporting period, reflecting the profit earned during the first 9 months of 2014 and increased authorized share capital as a result of the additional share issue in 2013 in the amount of RUB 3,762 million.

The Company's principal debt (excluding interest) for 9M 2014 decreased to RUB 267,459 million as a consequence of the successful redemption of the Company's series 18 bond issue in the amount of RUB 14,890 million.

The Company's 9M 2014 results are evidence of the positive results of effective measures being undertaken to mitigate negative external factors, enabling Federal Grid Company to facilitate economically efficient operations.

Federal Grid Company's financial statements for 9M 2014 under RAS are available on the Company's website in the Financial Disclosure/RAS Financial Reports section.