

Federal Grid Company Announces 2014 RAS Financial Results

Moscow, Federal Grid Company of Unified Energy System (“Federal Grid” or “the Company”; Moscow Exchange, LSE: FEES), the owner and operator of the Unified National Electricity Grid, announces its financial results for 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.

Federal Grid key financial highlights (as compared with previous periods since 2012)

| Indicator | 2012 | 2013 | 2014 | 2014 / 2013 |
|---|---------|---------|---------|-------------|
| Revenue, mln RUB | 138,836 | 155,352 | 168,941 | + 8.7% |
| Operating costs and management expenses*, mln RUB | 54,983 | 58,468 | 56,806 | -2.8% |
| Gross profit, mln RUB | 22,326 | 22,404 | 28,682 | +28.0% |
| Net profit, mln RUB | -24,532 | -25,898 | 5,137 | + 6 times |
| Adjusted EBITDA**, mln RUB | 82,809 | 96,296 | 99,603 | + 3.4% |

* Excluding depreciation and property tax

** excluding the provision charges/recovery of provisions for doubtful debt, revaluation of assets, and connection fees

Federal Grid performance indicators for 2014 show increased operating efficiency, due to higher operating profit and the Company’s cost optimization efforts in conditions of tariff growth limitations.

Federal Grid Company’s revenue for 2014 increased year-on-year by 8.7%, including due to an increase in revenue from services of electricity transmission via the Unified National Electricity Grid (“UNEG”) by RUB 7,172 million or 4.7% and from connection services (by 6 times or by RUB 6,016 million) due to intensified collection of revenues from connection applicants in 2014, including generation facilities, taking into account the investment costs associated with the construction of the new network infrastructure and development of the existing network infrastructure to ensure the power generating capacity in accordance with Federal Law No. 35-FZ on Electric Power Industry dated March 26, 2003 as amended on November 6, 2013.

In 2014, Federal Grid launched a large-scale cost-optimization program which resulted in the reduction of operating expenses (Operational costs and Management expenses excluding depreciation and property tax) by 2.8% year-on-year.

Therefore, by the end of 2014, for the first time in recent years, Federal Grid received a net profit of RUB 5,137 million.

Adjusted earnings before interest, taxation, depreciation and amortization (EBITDA) increased by RUB 3,307 million, or 3%, year-on-year and reached RUB 99,603 million.

Taking into account the net profit, Federal Grid executives will propose that the Board of Directors recommend to the General Meeting of Shareholders of Federal Grid to pay dividends for 2014 in accordance with the Company’s approved business plan and dividend policy.

Balance Sheet as of December 31, 2014**Assets**

Federal Grid Company's total assets increased as compared with the beginning of 2014 and amounted to RUB 1,231,217 million at the end of the accounting period. Non-current assets amounted to RUB 1,117,921 million, and current assets amounted to RUB 113,296 million.

Liabilities

Federal Grid Company's equity increased by RUB 11,514 million (1.4 %) for the reporting period which is attributable to the recognition of retained earnings of RUB 4,700 million (taking into account the payment of Q1 2014 interim dividends), increased authorized share capital following registration by the Bank of Russia of the additional share issue in 2013 in the amount of RUB 3,762 million and recognition of revaluation of fixed assets (RUB 2,562 million).

Due to the Company's measures to improve the efficiency of its operations, Federal Grid managed to complete its planned offers on previous bond issues (series 18 bond issue in the amount of RUB 14,890 million and series 15 bond issue in the amount of RUB 9,688 million) at its own expense without borrowing any funds to refinance the debt in conditions of the deteriorating situation in the debt capital markets.

Therefore, the Company's principal debt (excluding the interest accrued) for 2014 decreased by RUB 24,578 million and amounted to RUB 257,771 million at the end of 2014.

Andrey Murov, Chairman of the Management Board of Federal Grid:

“For the first time during the last few years, the Federal Grid Company closed the year with a profit. This is all the more important in light of the difficult economic environment, including for our shareholders. This result has been achieved only due to tight financial discipline and measures implemented to improve internal efficiency. We will continue to stick to this course in 2015. This is the only realistic way to maintain the current levels of reliability and quality of services and to implement government objectives maintaining financial stability.”

Federal Grid Company's financial statements for 2014 under RAS are available on the Company's website in the Financial Disclosure/RAS Financial Reports section at the following link:

http://www.fsk-ees.ru/eng/investors/financial_disclosure/ras_financial_reports/