



Federal Grid Company Announces FY 2015 IFRS Results

Moscow, 17 March 2016 – 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 owner and operator of the Unified National Electricity Grid (“UNEG”), announces its audited consolidated financial results for the year ended 31 December 2015, 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 highlights for 2015:

Financial indicator, RUB billion	Year ended 31-12-2015	Year ended 31-12-2014	Change
Revenues	187.0	176.0	6.3%
Adjusted EBITDA*	109.7	107.7	1.9%
Profit for the period	44.1	-20.6	-
Total comprehensive income	47.8	21.6	x2.2 times

* Adjusted EBITDA is calculated as EBITDA adjusted to exclude impairment and revaluation loss on property, plant and equipment, impairment of available-for-sale investments (only for the year ended 31 December 2014), and to include finance income

Operating results:

Operating result indicators	Year ended 31 December 2015	Year ended 31 December 2014	Change YoY, %
Electricity supply from UNEG to consumers (net): billion kWh	525.8	515.3	2.0%
Total transformer capacity: GVA	334,5	332.1	0.7%
Transmission grid lengths**: thousand km	139.1	138.8	0.2%
Number of UNEG substations**	931	924	0.8%

** including rented transmission lines and substations

Key developments in 2015:

- In accordance with the decision of the Federal Tariff Service (№ 297-e/3, from 09-12-2014) in relation to Federal Grid Company for the period from 2015-2019, starting from 1 July 2015, the transmission of electricity tariff through UNEG network was increased by 7.5% in relation to the previous level of tariffs which were in force until 30 June 2015.

- Following the reviews in 2015 by international rating agencies Moody's, Fitch Ratings and Standard & Poor's, the Company had its ratings confirmed by these agencies at Ba1, BBB- and BB+, respectively.
- In June 2015 at the Annual General Meeting, shareholders voted in support of a dividend payment for 2014 amounting to RUB 847.4 million (taking into account the dividend payment for the first quarter of 2014 which amounted to RUB 437 million, total dividend payments for 2014 amounted to RUB 1.284 billion).
- Federal Grid Company raised RUB 40 billion from pension funds to finance its investment programme through the placement of 35-year infrastructure bonds (put date in 30 years).
- The Russian Ministry of Energy approved Federal Grid Company's revised investment programme for the periods 2015 and 2016-2020 (decrees numbered № 979 and № 980, dated 18 December 2015).
- As demonstrated by the results for 2015, the Company successfully executed the Government mandate to reduce operating and investment expenses. In accordance with the methodology approved by the Board of Directors operating expenses were decreased by 24%, while investment expenses were decreased by 25% for transmission lines and 35% for substations.

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

"For the third year in a row, Federal Grid Company has achieved improvements across all key financial indicators, including revenues, adjusted EBITDA, profit and others.

"The Company has successfully adapted to the changing market environment, including the transition to payment on the basis of factual capacity, keep tariff growth rate several times lower than inflation and a number of macroeconomic risks which occurred.

"We managed to optimise costs, become more flexible in dealing with our clients and ultimately achieved total comprehensive income two times higher than last year.

"Management will continue to deliver on its promise to shareholders and partners to maintain upward trend and financial stability without compromises to reliability and quality of service."

Financial results for 2015

The Group's total comprehensive income for 2015 amounted to RUB 47.8 billion, over twofold increase year-on-year.

The Group's revenues in 2015 grew by 6.3% year-on-year, partially as a result of:

- decrease in electricity transmission services by 1.2% (RUB 1.9 billion) against the backdrop of 3.6% average tariff growth due to transition of the end users to the system of payments based on factual capacity (as opposed to declared capacity - the basis on which payments were made prior to 1 January 2015). Thus, the service fee for a number of large energy-consuming customers directly connected to the Federal Grid was reduced in 2015;
- technological connection services increase by 1.8 times (by RUB 5.4 billion) due to completion of work on technological connection of power;
- general contractor service agreements of subsidiaries (RUB 7 billion).

In addition, there is an increase in other operating income from claims settlement (penalties and fines) for breaches of contractual obligations (RUB 407 million), due to heightened claims and legal activity.

Operating expenses

(RUB billion, or %)	FY 2015	% of total operating expenses ***	FY 2014	% of total operating expenses ***	YoY change, %
Depreciation and amortisation	40.9	34.5%	47.1	38,3%	-13.2%
Personnel-related expenses	25.2	21.2%	26.6	21.6%	-5.3%
Electricity purchases	15.2	12.8%	14.0	11.4%	8.6%
Electricity transit	4.0	3.4%	3.6	2.9%	11.1%
Repair, maintenance & materials	5.1	4.3%	5.1	4.1%	0.0%
Taxes, other than on income	7,8	6.6%	7.1	5.8%	9.9%
Other	20.4	17.2%	19.8	16.0%	3.0%
Total operating expenses***	118.6	100%	123.3	100%	-3.7%

*** excluding allowance for doubtful debtors, subcontract works carried out by subsidiaries under contracts.

In 2015 Federal Grid Company continued implementation of cost optimisation measures which were launched in 2014.

At the end of the reporting period, Group's operating expenses, excluding allowance for doubtful debtors, and subcontract works carried out by subsidiaries under contracts, amounted to RUB 118.6 billion, a decrease of 3.7% year-on-year.

Depreciation and amortisation costs decreased by over 13% in 2015 and amounted to RUB 40.9 billion (34.5% of the Group's total operating expenses), which is explained by property, plant and equipment's useful life re-assessment carried out as of 31 December 2014.

Despite the implementation of a large-scale investment program and the increased amount of equipment to maintain, through headcount reductions the Company managed to reduce personnel costs and related tax payments by 5.3%.

Purchases of electricity amounted to RUB 15.2 billion for the reporting period, an increase of 8.6% year-on-year, as a result of changes in the payments arrangement.

Growth in electricity transit costs by 11.1% is explained by high currency exchange rate volatility during the reporting period.

Repair, maintenance & materials expenses remained at 2014 levels and amounted to RUB 5.1 billion.

Increase in taxes, other than on income is explained by property tax increase of RUB 1.8 billion year-on-year, which came about as a result of changes in legislation gradually abolishing property tax exemptions for electricity grid infrastructure.

In 2015 allowances for doubtful debtors amounted to RUB 7.1 billion (compared to RUB 2.9 billion in 2014). The year-on-year increase by approximately 2.5 times is explained primarily by increase in the amount of doubtful accounts receivable with a low probability of repayment.

Selected balance sheet items

(RUB billion)	31 December 2015	31 December 2014	Change YoY, %
ASSETS			
Non-current assets	870.1	824.4	5.5
Total current assets	125.3	110.8	13.0
Total assets	995.3	935.2	6.4
CAPITAL AND LIABILITIES			
Non-current liabilities	273.1	242.8	12.5
Current liabilities	102.6	119.1	(13.9)
Total liabilities	375.7	361.9	3.8
Equity attributable to shareholders	619.7	572.3	8.3
Non-controlling interest	(75)	971	(107.7)
Total equity	619.6	573.2	8.1
Total liabilities and equity	995.3	935.2	6.4

Total assets of Federal Grid Company grew over the course of 2015. This growth amounted to RUB 60.2 billion (6.4%) and at the end of the reporting period total assets came to RUB 995.3 billion. The share of the non-current assets was RUB 870.1 billion and the share of current assets amounted to RUB 125.3 billion.

During 2015 non-current liabilities grew by 12.5% following the issuance of a new tranche of infrastructure bonds (series 37 and 38) totalling RUB 40 billion with a put date in 30 years (issue date 06.05.2015) and the repayment of loans in the amount of RUB 23.2 billion. The funds are intended to be used to finance projects of Federal Grid Company's investment programme. The key investor in the issuances was Vneshekonombank State Management Company, which manages pension savings.

Audited consolidated financial statements of Federal Grid Company according to IFRS for 2015 are available on the corporate website of Federal Grid Company at:

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

Conference call

The Company will hold a conference call for investors and analysts on March 17, 2016 at 15:00 Moscow time (12:00 p.m. London time).

Dial-in details:

	For Russian-speaking participants:	For English-speaking participants:
Conference call access code (Conference ID)	65013026	65013321
All countries	+44 (0) 1452 555566	
Toll-free numbers by country:		
UK	0 800 694 02 57	
Russia	Main: 8 800 775 68 18, Supplementary: 8 108 002 097 20 44	
US	1 866 966 94 39	
Germany	0 800 101 49 60	
Sweden	0 200 89 01 71	
Hong Kong	8 009 68 777	
Singapore	8 001 20 39 88	
<i>Additional dial-in numbers are available in the supplement to this notification.</i>		

Replay of the call will be available until March 26, 2016. Please use the following dial-numbers:

	For Russian-speaking participants:	For English-speaking participants:
Replay access code (Conference ID)	65013026	65013321
All countries	+44 (0) 1452 55 00 00	
UK (Toll free)	0 800 953 1533	
Russia	8 499 677 10 64	
US	1 866 247 42 22	
Germany	0 800 101 31 04	
Netherlands	0 800 023 46 10	

Transcript of the call will be available at the website of Federal Grid Company: <http://www.fsk-ees.ru/eng/>