



Federal Grid Company announces 9M 2016 IFRS results

Moscow, 17 November 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 unaudited condensed consolidated interim financial results for the three and nine months ended 30 September 2016, 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 results:

Financial indicator, RUB billion	Nine months ended 30 September 2016	Nine months ended 30 September 2015	Change
Revenues	165.5	127.6	29.7%
Adjusted EBITDA*	97.5	78.3	24.5%
Net profit	59.2	31.9	85.6%
Total comprehensive income	91.5	35.7	156.3%

* Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment on property, plant and equipment, gain on derecognition of subsidiary (only for the 9 months ended 30 September 2016), while including financial income.

Operational performance highlights**:

Operational indicator	Nine months ended 30 September 2016	Nine months ended 30 September 2015	Change
Electricity supply from UNEG to Consumers, billion kWh	394.7	387.5	1.9%
Total transformer capacity: GVA***	335.0	332.1	0.9%
Transmission grid length, thousand Km***	139,9	139.1	0.6%
Number of UNEG substations***	933	924	1.0%

** PJSC Federal Grid Company of Unified Energy System

*** Including rented transmission lines and substations

Financial results for the nine months ended 30 September 2016

For the 9 months ended 30 September 2016 the Group's total comprehensive income amounted to RUB 91.5 billion, which was 2.6x higher than in the same period of 2015.

The Group's revenues rose by 29.7 % from RUB 127.6 billion to RUB 165.6 billion, driven by:

- electricity transmission services growing by 7.5% (RUB 8.9 billion) as a result of tariffs being increased by 7.5% from 1 July 2015 and by another 7.5% from 1 July 2016;
- connection services rose by 30% (by RUB 0.6 billion) following the completion of work to connect facilities to the UNEG (JSC «Nizhne-Bureyskaya HPP», PJSC «IDGC of Siberia», LLC «MC «StroyIndustria»);
- services rendered under general contractor agreements of subsidiaries (RUB 17.9 billion);
- revenue from electricity sales rose by 3x (by RUB 10.8 billion) in connection with volumes growth at Federal Grid Company subsidiaries.

During the reporting period the Group recognised gain in the amount of RUB 11.8 billion in connection with the derecognition of OJSC Nurenergo as a Group subsidiary (after executive authorities were turned over to a bankruptcy administrator in 1H 2016).

Operating expenses

<i>(RUB billion, or %)</i>	Nine months ended 30 September 2016	% of total operating expenses****	Nine months ended 30 September 2015	% of total operating expenses*** *	Change
Depreciation and amortisation	30.5	33.5%	30.4	33.9%	0.3%
Personnel-related expenses	18.7	20.5%	20.1	22.4%	(7.0%)
Electricity purchases for operational purposes	18.1	19.9%	10.0	11.2%	81.0%
Electricity transit	1.7	1.9%	4.2	4.7%	(59.5%)
Materials, repairs and technical maintenance	2.9	3.2%	3.1	3.5%	(6.5%)
Property tax	6.9	7.6%	5.6	6.3%	23.2%
(Reversal) / accrual of allowance for doubtful debtors	(2.4)	(2.6%)	6.1	6.8%	-
Other operating expenses	14.7	16.0%	10.1	11.2%	45.5%
Total operating expenses****	91.1	100%	89.6	100%	1.7%

**** excluding expenses for services rendered under general contractor by subsidiaries

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 91.1 billion and showed a minor increase of 1.7% year-on-year.

Increased operating expenses were primarily due to higher spending on electricity for operational purposes (RUB 8.1 billion), which is explained by mode changes in operations of the electrical grid and also growth in electricity sales, as well as by higher expenses in the "other expenses" line item, namely fuel for gas turbine substations (RUB 5.2 billion).

At the same time, it is important to note the steady reduction of controllable expenses, including:

- Despite the increased amount of equipment being serviced, through headcount reductions the Company managed to reduce personnel costs and related tax payments by 7.0%;

- Compared to the first nine months of 2015, Federal Grid Company managed to reduce costs for materials, repairs and technical maintenance by 6.5% to RUB 2.9 billion by lowering the volumes and cost of work carried out by third-party contractors;

Electricity transit costs decreased 2.5x, which is explained by the cease of sales activity at Nurengo, a lower exchange rate for the Kazakh tenge and a reduction of electricity transmission through other countries.

Compared to the nine months of 2015, Federal Grid Company managed to reduce costs for materials, repairs and technical maintenance by 13.3% to RUB 1.3 billion by lowering the volumes and cost of work carried out by third-party contractors.

Property tax grew by RUB 1.3 billion (23.2%) year-on-year as a result of legislated phasing out of property tax exemptions for electricity grid infrastructure.

For the 9 months ended 30 September 2016 the Group reported a net reversal of previously accrued doubtful debtors allowance in the amount of RUB 2.4 billion.

Selected balance sheet items

(RUB billion)	30 September 2016	31 December 2015	Change
ASSETS			
Non-current assets	923.3	870.1	6.1
Current assets	131.9	125.3	5.3
Total assets	1,055.3	995.3	6.0
EQUITY AND LIABILITIES			
Non-current liabilities	275.9	273.1	1.0
Current liabilities	84.0	102.6	(18.1)
Total liabilities	359.9	375.7	(4.2)
Equity attributable to shareholders	694.5	619.7	12.1
Non-controlling interest	0.9	(0.08)	-
Total equity	695.3	619.6	12.2
Total equity and liabilities	1,055.3	995.3	6.0

Total assets of the Group grew over the course of nine months of 2016 compared to the end of 2015. This growth amounted to RUB 60.0 billion (6.0%) and at the end of the reporting period total assets came to RUB 1,055.3 billion. The share of the non-current assets was RUB 923.3 billion and the share of current assets amounted to RUB 131.9 billion.

The Group's total liabilities decreased by 4.2% as of the end of the reporting period compared to the start of the year, and amounted to RUB 359.9 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for three and nine months ended 30 September 2016 are available on the Company's website at the following link:

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