



Federal Grid Company Announces 9M 2016 RAS Results

Moscow, 26 October 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 financial results for the nine months of 2016 under Russian Accounting Standards (RAS).

The Company’s RAS statements do not consolidate the results of Federal Grid Company’s subsidiaries or affiliated companies that operate as independent legal entities.

Key financial results

Item (mln RUB)	9M 2015	9M 2016	Change, %
Revenue	122,009	131,167	7.5%
<i>Electricity transmission services</i>	118,657	127,247	7.2%
<i>Connection services</i>	2,004	2,621	30.8%
Cost of sales	98,706	102,729	4.1%
<i>Cost of sales, excluding purchase of electricity, property tax, depreciation and amortisation</i>	27,246	25,832	-5.2%
Management expenses	5,315	5,258	-1.1%
<i>Management expenses, excluding property tax, depreciation and amortisation</i>	3,923	3,846	-2.0%
Other income and expenses, net	-5,442	11,759	-
Profit before income tax	12,545	34,939	2.8x
Adjusted EBITDA*	82,305	93,965	14.2%
Net profit	4,921	26,108	5.3x
Adjusted net profit**	12,130	19,850	63.6%

* excluding accrual and recovery of provisions for doubtful debts, revaluation of assets and fees from connection services;

** generated by cashflows (adjusted for balance accrual / recovery of provision of doubtful debts, revaluation of fixed assets and financial investments).

Federal Grid Company’s performance in the nine months of 2016 demonstrates continuing growth in efficiency of the Company’s operations, supported by optimisation of operating expenses and ongoing work to improve payment collection.

The Company’s net profit for the first nine months 2016 amounted to RUB 26,108 million, which was 5.3 times higher than in the first nine months of 2015. At the same time, the company’s net profit before non-cash operations grew by 64% year-on-year from RUB 12,130 million to RUB 19,850 million.

Adjusted EBITDA (excluding non-cash operations, income from connection services, income tax, depreciation and amortisation) rose by RUB 11,660 million (14.2%) year-on-year, and amounted to RUB 93,965 million.

The Company's revenue in 9M 2016 grew by 7.5% year-on-year, driven by:

- Electricity transmission services rising by RUB 8,590 million (7.2%) upon tariff rates rising 7.5% as a result of direct customers shifting to payment for electricity in line with actual capacities;
- Connection services rising by 30.8% (by RUB 617 million), due to completion of works on connection of power plants and payment recognition.

Federal Grid Company continued implementing cost-cutting policy. Cost of sales, excluding purchases of electricity, property tax, depreciation and amortisation decreased by RUB 1,414 million (-5.2%) year-on-year, while management costs (excluding depreciation & amortisation) declined by RUB 77 million (-2.0%). Year-on-year growth in certain other expenses during 9M 2016 is explained by higher tax payments due to legislation, the phased repeal of the property tax concession, as well as higher rates for electricity purchased on the wholesale market.

Item (mln RUB)	9M 2015	9M 2016	Change, %
Cost of sales and management costs	104,021	107,987	3.8%
Electricity purchases	9,185	10,250	11.6%
Electricity transmission services	2,171	1,754	-19.2%
Taxes, other than income (including social tax)	9,339	10,508	12.5%
Depreciation and amortisation	58,125	61,227	5.3%
Personnel-related expenses	13,238	12,707	-4.0%
Other costs (materials and services)	11,963	11,541	-3.5%

In addition to operation cost cutting, Federal Grid Company is undertaking steps to improve payment discipline. In 9M 2016, the Company reported higher income from fines on contractual breaches (an increase of RUB 794 million) and restructuring agreements, which consequently reflected the improvement in other income and expenses.

Balance Sheet as of 30 September 2016

Assets

Federal Grid Company's total assets at the end of 9M 2016 were down slightly from 1 January 2016, decreasing by RUB 4,514 million (0.4%) to RUB 1,263,787 million. Non-current assets accounted for RUB 1,107,357 million, while current assets equalled RUB 156,430 million.

Federal Grid Company's equity increased by RUB 9,131 million (1.0%) during the reporting period. This change in equity came as a result of the Company's financial results for 9M 2016 (RUB 26,108 million) and due to the shareholders' decision to pay dividends on the basis of 2015 results (RUB 16,977 million).

Liabilities

The Company's gross debt (including accrued interest) as of the end of the reporting period had decreased by RUB 12,741 million and amounted to RUB 268,282 million.

Federal Grid Company's financial statements for 9M 2016 under RAS are available on the Company's website in the Financial Disclosure/RAS Financial Reports section at the link:

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