



Federal Grid Company Announces H1 2016 RAS Results

Moscow, 26 July 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 first half 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)	H1 2015	H1 2016	Change, %
Revenue	79,061	85,928	8.7%
<i>Electricity transmission services</i>	77,744	82,833	6.5%
<i>Technological connection services</i>	430	2,233	5.2x
Cost of sales	65,108	67,844	4.2%
<i>Cost of sales, excluding purchase of electricity, property tax, depreciation and amortisation</i>	17,595	16,195	(8.0%)
Management expenses	3,717	3,482	(6.3%)
<i>Management expenses, excluding property tax, depreciation and amortisation</i>	2,777	2,553	(8.1%)
Other income and expenses, net	(3,283)	8,722	-
Profit from sales	10,236	14,602	42.7%
Adjusted EBITDA*	52,587	62,236	18.3%
Net profit	1,341	16,363	12.2x
Adjusted net profit**	5,030	12,195	2.4x

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

** 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 first half of 2016 demonstrates positive dynamics year-on-year, supported by the continuing growth in efficiency of the Company’s operations.

The Company’s net profit for H1 2016 amounted to RUB 16,363 million, which was 12 times higher than in the first half of 2015.

Adjusted EBITDA (excluding non-cash operations, income from technological connections, property tax, depreciation and amortisation) rose by RUB 9,649 million (18.3%) year-on-year, and amounted to RUB 62,236 million.

The Company’s revenue in H1 2016 grew by 8.7% year-on-year, driven by:

- Electricity transmission services rising by RUB 5,088 million (6.5%);
- Technological connection services rising by 5.2 times (by RUB 1,803 million).

Federal Grid Company continued implementing measures to optimise costs. Operating expenses excluding losses, depreciation & amortisation, and property taxes decreased by RUB 1,400 million (8.0%) year-on-year, along with management costs (excluding depreciation & amortisation) declined by RUB 224 million (-8.1%). Year-on-year growth in certain other expenses during H1 2016 is explained by higher tax payments due to the phased repeal of the property tax concession, as well as increased rates for electricity purchase. Higher depreciation expenses were due to bringing new fixed assets into operation as part of the investment programme.

Item	H1 2015	H1 2016	Change, %
Operating expenses and management costs	68,825	71,326	3.6%
Electricity purchases	5,849	7,116	21.7%
Electricity transmission services	1,560	1,003	(35.7%)
Taxes, other than income	6,127	6,884	12.4%
Depreciation and amortisation	38,880	40,862	5.1%
Personnel-related expenses	9,034	8,596	(4.5%)
Other costs (materials and services)	7,375	6,865	(6.9%)

In addition to operation cost cutting, Federal Grid Company is undertaking steps to improve payment discipline. In H1 2016, the Company reported higher revenues from fines on contractual breaches (an increase of RUB 1,568 million) and restructuring agreements (including with Lenenergo PJSC, MRSK Siberia PJSC and others) which consequently reflected the improvement in other income and expenses.

Balance Sheet as of 30 June 2016

Assets

Federal Grid Company's total assets at the end of H1 2016 were practically unchanged from 1 January 2016, increasing by RUB 667 million (0.05%) to RUB 1,268,968 million. Non-current assets accounted for RUB 1,111,370 million, while current assets equalled RUB 157,598 million.

Federal Grid Company's equity decreased by RUB 614 million (0.07%) during the reporting period.

Debt profile

The Company's gross debt (including interest) as of the end of the reporting period was lower than at the beginning of the year, and equalled RUB 269,380 million.

Federal Grid Company's financial statements for H1 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/