

Federal Grid Company Announces 2015 RAS Financial Results

Moscow, 25 February 2016 - 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 2015 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 Company financial highlights

Indicator (mln RUB)	2014	2015	2015/2014
Revenue	168,941	173,266	+ 2.6%
Electricity transmission services	159,881	158,986	- 0.6%
Technological connection services	7,001	12,397	+ 1.8x
Cost of sales	132,459	134,938	+ 1.9%
Cost of sales, excluding losses, depreciation and property tax	38,915	37,971	- 2.4%
Management expenses	7,800	7,851	+0.7%
Management expenses, excluding depreciation and property tax	6,081	5,999	-1.3%
Profit from sales	28,682	30,477	+6.3%
Adjusted EBITDA*	99,603	103,667	+ 4.1%
Net profit	5,137	17,870	+ 3.5 x
Adjusted net profit**	13,831	20,345	+ 1.5x

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

** 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 2015 reflects the Company’s increased efficiency achieved through cost optimisation in the context of limited tariff growth.

The Company's net profit for 2015 amounted to RUB 17,870 million, which was 3.5 times higher than in 2014.

Adjusted profit excluding interests, "paper operations", revenue from technological connection services, income tax and D&A (then Adjusted EBITDA) increased by RUB 4,064 million (4.1%) compared to the same period of 2014, and amounted to RUB 103,667 million.

Federal Grid Company's income from revaluation of financial investments amounted to RUB 5,839 million in 2015.

Average tariff growth in 2015 amounted to 3.6% as a tariff freeze was in place from 1 July 2014 until 1 July 2015, after which tariffs were raised by 7.5%.

Federal Grid Company's revenue in 2015 grew by 2.6% year-on-year, as a result of:

- electricity transmission services having decreased by RUB 865 million upon 3.6% average tariff growth in connection with the transition to direct client payments on the basis of factual capacity (as opposed to declared capacity, the basis on which payments were made prior to 1 January 2015). Thus, payments in 2015 for a number of large energy-intensive customers directly connected to the Federal Grid were reduced;

- technological connection services increasing by 1.8 times (to RUB 5,396 million) in connection with the completion of work on technological connection of power stations and receipt of payment.

In addition, Federal Grid Company's other income grew during the reporting period, due to increased claims settlement income related to penalties and fines for breaches of contractual obligations (RUB 1,385 million).

In 2015, Federal Grid Company continued implementation of cost optimisation measures which had been launched in 2014. Despite the implementation of a large-scale investment program and the increased equipment to maintenance (put into operation 7,560 MVA of capacity and 1.115 thousand km of transmission lines), the Company managed to reduce headcount by 4% and also significantly reduce the cost of materials and services by 8.8%. At the same time, an increase in several expenditures can be attributed to growth in tax payments in 2015 due to legislated phasing out of property tax exemptions and increase in electricity transit costs due to high volatility of exchange rates.

In 2015, Federal Grid Company was also successful in reducing administrative costs (excluding D&A and property tax) by 1.3% year-on-year, including due to a reduction of administrative staff by 9%.

Indicator	2013	2014	2015	2015/2014
Cost of sales and management expenses, RUB mln	132,948	140,259	142,789	1.8%
Electricity purchases to compensate for losses, RUB mln	12,285	11,809	14,332	21.4%
Electricity transit services, RUB mln	1,728	1,995	2,740	37.3%
Taxes and duties (including unified social tax), RUB mln	8,008	10,149	12,253	20.7%
D&A, RUB mln	70,845	78,000	77,217	-1.0%
Personnel-related expenses, RUB mln	18,462	18,564	18,242	-1.7%
Other costs of sales (materials and services), RUB mln	21,620	19,742	18,005	-8.8%
Headcount, people	25,319	24,548	23,505	-4.2%

Balance Sheet as of December 31 2015

Assets

Federal Grid Company's total assets as at the end of 2015 increased year-on-year by RUB 37,084 million (3.0%) and amounted to RUB 1,268,301 million at the end of the reporting period. Non-current assets amounted to RUB 1,124,338 million, and current assets amounted to RUB 143,963 million.

Federal Grid Company's equity increased by RUB 30,896 million (3.6%) in the reporting period, which is attributable to the recognition of profits earned during 2015, the revaluation of fixed assets and also the decision of the Annual General Meeting of Shareholders (Minutes from 30 June 2015, #16) to distribute retained earnings of the group based on the results of 2014 in the amount of RUB 4,699.94 million (RUB 257 million for the reserve fund, RUB 3,596 million to cover losses from previous periods and RUB 847 million for payment of dividends).

Federal Grid Company's principal debt as of the end of 2015 increased and amounted to RUB 274,660 million, primarily as a placement of Federal Grid Company infrastructure bonds (Series 37 and 38) in the amount of RUB 40 billion in and also the Company's redemption of debt in the amount of RUB 23,210 million.

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

"Federal Grid Company's core value is to meet high expectations of our customers, shareholders and employees. In 2015 we ensured them the best result of the last 4 years.

Customers directly connected to the Federal Grid received a more favourable billing approach compared to 2014 based on factual capacity payments. Our accident rate continued to improve (a 17.5% decline year-on-year) and all connections were delivered on schedule. Federal Grid Company's tariff rates have grown three times slower than inflation.

Net profit tripled compared to last year and amounted to RUB 17.9 billion. At the same time, we implemented massive cost savings initiatives. Most importantly, we implemented our approved investment program, including strategically important projects for the State and our customers.

And of course, Federal Grid Company employees remain our main asset. Over the past year we have continued with training programmes, staff development and social support.

I am confident that we will be able to uphold these values going forward."

Federal Grid Company's RAS financial statements for 2015 are available on the Company's website in the Financial Disclosure/RAS Financial Reports section:

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