



Federal Grid Company Announces 1H 2015 IFRS Results

Moscow, 27 August 2015 - Federal Grid Company of Unified Energy System ("Federal Grid Company" or "the Company") (Moscow Exchange, LSE: FEES), part of the Russian Grids Group of companies and operator of Russia's Unified National Energy Grid ("UNEG"), today announces its consolidated interim IFRS financial results for the six months ended 30 June 2015.

Key 1H 2015 financial and operational highlights:

Financial:

- Revenue: RUB 82.5 billion
- Adj. EBITDA*: RUB 46.2 billion
- Profit for the period: RUB 17.3 billion
- Total comprehensive income for the period amounted to RUB 23.9 billion

** Adjusted EBITDA – profit for the period before income tax, finance income and costs, depreciation and amortisation, adjusted to exclude impairment of available-for-sale investments and to include finance income*

Operational:

- Electricity transmission from UNEG to consumers (net): 261.0 billion kWh
- Total transformer capacity: 332.3 GVA
- Transmission grid length in operation: 139.0 thousand km
- Number of UNEG substations:** 924

*** including rented*

Key 1H 2015 corporate developments:

- At the beginning of 2015 Moody's, Fitch Ratings and Standard & Poor's downgraded Federal Grid Company's ratings to Ba1, BBB- and BB+, respectively, following similar changes to Russia's sovereign rating. The Company's ratings remain at the sovereign level with each of these 3 agencies;
- The Management Board of Federal Grid Company approved updates to the Company's investment programme for 2015 and also for the period between 2016 and 2020;
- Federal Grid Company raised RUB 40 billion from pension funds for a 30-year period through the issuance of infrastructure bonds;
- At the Company's Annual General Meeting in June, shareholders approved the payment of dividends for 2014 totalling RUB 847.4 million.

Key corporate developments after the reporting period:

- Federal Grid fully met its obligations on dividend payments for 2014***.

**** Except to those who did not promptly inform the Company's registrar of changes to their information or for those which the Company's shareholder register contains incorrect banking details for the payment of dividends, as well as nominees, who returned dividends in accordance with Article 42 of the Federal Law "On Joint Stock Companies".*

Commenting on the 1H 2015 IFRS financial results, Chairman of the Federal Grid Company Management Board Andrey Murov said:

“Our strategy to optimise costs and to maintain a stable financial position has proven to be the right strategy at a time of limited tariff growth, and this continues to be a key area of focus for us. The results of the first half of the year confirm this – in a period when tariffs remained flat, our financial performance was nevertheless strong.

At the moment we are in the final stages of reviewing and optimising our investment programme through to 2020, as we consider various external factors and limitations which have arisen.

At the same time, a key priority for us is to ensure the ongoing stable operation of the grid (UNEG), to provide high quality services, and to maintain our efforts to increase our efficiency and to successfully carry out projects aimed at enhancing Russia’s economic development.”

1H 2015 Financial results

Federal Grid Company’s consolidated revenue decreased by 3.3% year-on-year in 1H 2015 to RUB 82.5 billion, compared to RUB 85.4 billion in 1H 2014, as a result of lower revenue from UNEG technological connection services due to characterized by non-scheduled frequency and regulated by the timeline for delivery of services under contracts, as well as direct customers transitioning to payment based on actual electricity transmission output levels.

Operating expenses

<i>(RUB mln or %)</i>	1H 2015	% of total operating expenses	1H 2014	% of total operating expenses	y-o-y change, %
Personnel-related expenses	13,902	25.0%	13,651	24.4%	1.8%
Electricity purchases	6,713	12.1%	7,125	12.7%	-5.8%
Repair, maintenance & materials	1,460	2.6%	1,973	3.5%	-26.0%
Electricity transit	3,568	6.4%	1,383	2.5%	158.0%
Other operating expenses	5,516	9.9%	6,492	11.6%	-15.0%
D&A	20,392	36.6%	21,907	39.2%	-6.9%
Taxes, other than on income	4,143	7.4%	3,417	6.1%	21.2%
Total operating expenses***	55,694	100%	55,948	100%	-0.5%

*** excluding allowance for doubtful debtors and provision for legal claims

Federal Grid Company’s operating expenses, excluding allowance for doubtful debtors and provision for legal claims, amounted to RUB 55.7 billion in 1H 2015, representing a decrease of 0.5% year-on-year.

In the first half of 2015 Federal Grid Company significantly reduced expenses on materials, repair and maintenance, by 26% to RUB 1.5 billion, due to lower volumes and reduced pricing on work carried out by third-party contractors.

Purchases of electricity totalled to RUB 6.7 billion for the reporting period, which amounts a decrease of 5.8% compared to 1H 2014 in connection with lower electricity losses in UNEG, as well as a decrease in electricity purchased by Federal Grid Company subsidiaries.

Depreciation and amortisation decreased by 6.9% year-on-year in the first half of 2015, and amounted to RUB 20.4 billion, or 36.6% of total operating expenses.

Personnel-related expenses grew by 1.8% to RUB 13.9 billion in connection with salary indexation for operational personnel in accordance with the Industry Tariff Agreement.

Taxes, other than on income, expenses grew by RUB 0.7 billion year-on-year due to the gradual elimination of property tax benefits towards the power transmission grid facilities.

Growth in costs for electricity transit came as a result of higher exchange rates for foreign currencies in relation to the rouble.

On the whole, reduced operating expenses reflects the efficiency of measures taken by Company management to optimise costs and enhance the operational efficiency.

Select balance sheet items

(RUB bn)	30 June 2015	31 December 2014
ASSETS		
Non-current assets	838.0	824.4
Current assets	135.5	110.8
Total assets	973.5	935.2
LIABILITIES AND EQUITY		
Non-current liabilities	280.1	242.8
Current liabilities	96.9	119.1
Total liabilities	377.2	361.9
Equity attributable to shareholders	595.7	572.3
Non-controlling interest	0.6	0.9
Total equity	596.3	573.2
Total liabilities and equity	973.5	935.2

Federal Grid Company's non-current liabilities grew by 15.4% during the first six months of the year following the issuance of a new tranche of infrastructure bonds (series 37 and 38) totalling RUB 40 billion and with a put date in 30 years (issue date 06.05.2015).

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.

Federal Grid Company's audited condensed consolidated interim IFRS financial statements for 1H 2015 are available on the Company's website at the following link:

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

Meeting with analysts

Federal Grid Company is pleased to invite analysts to take part in a meeting with management to discuss the financial results for the first half of the year, as well as the Company's plans for development in the current economic environment.

The meeting will take place on 8 September 2015 at the Federal Grid Company office in Moscow (Bolshoi Nikolovorobinsky pereulok, 9/11).

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Company profile

Federal Grid Company is part of PJSC Russian Grids is the operator and manager of Russia's unified electricity transmission grid system. The company operates over 139.0 thousand km of transmission lines and has over 332.3 MVA of installed transformer capacity.

Federal Grid's business is to provide electricity transmission and technological connection services. It maintains and develops the grid system and supervises grid facilities and infrastructure in 77 regions of Russia, covering a territory of 15.09 million square kilometres. Its customers are regional distribution companies, electricity suppliers and large industrial enterprises. The Company is a natural monopoly with 80.13% stake controlled by Russian Grids.

Federal Grid Company was incorporated in June 2002 as part of reorganisation of Russia's power sector.

Ordinary shares of Federal Grid Company are included in the MICEX quotation list under FEES ticker; Company's GDRs are quoted at the London Stock Exchange under the same ticker.

For further info, please visit www.federal-grid.com. For further info about Russian Grids PJSC, please visit www.rugrids.ru