



Federal Grid Company announces financial results for 2014 according to IFRS

Moscow April 23, 2015 – Federal Grid Company of Unified Energy System (hereinafter referred to as “Federal Grid Company” or “Company”, FEES ticker at the Moscow Exchange and LSE) forming a part of Russian Grids JSC Group of companies, operator of the Unified National Electricity Grid (“UNEG”) of Russia, published its audited consolidated financial results according to the International Financial Reporting Standards (IFRS) for the year that ended on December 31, 2014.

Main results of 2014:

Financial indicators:

- **Operating revenue RUB 173.4 bn**
- **Adj. EBITDA* RUB 107.7 bn**
- **Adj. operating profit** RUB 55.4 bn**
- **Adj. profit for the period*** RUB 40.8 bn**

**Adjusted EBITDA is calculated as EBITDA adjusted to exclude non-specific impairment of property, plant and equipment, revaluation loss on property, plant and equipment, impairment of available-for-sale investments, impairment of promissory notes and to include finance income*

***Adjusted operating profit is calculated as operating profit adjusted for non-specific impairment of property, plant and equipment and revaluation loss on property, plant and equipment;*

****Adjusted profit for the period is calculated as profit / (loss) / for the period adjusted for non-specific impairment of property, plant and equipment, revaluation loss on property, plant and equipment, impairment of available-for-sale investments, impairment of promissory notes, including respective deferred income tax;*

Operating indicators:

- Electrical supply from the UNEG network to service consumers (expressed as a balance): 515.3 bn kWh
- Transforming capacity: 332.1 GVA
- Length of power lines: 138.8 th. km
- Number of substations (UNEG): 924 substations

Highlights of 2014:

- The Company successfully procured power supply to sports venues during the XXII Winter Olympics in Sochi;
- In June 2014, Moscow Exchange included Company's shares into the first-level quotation list;
- In June 2014, the Annual General Meeting of Shareholders approved payment of dividends for Q1 2014 in the amount of 436.8 mln rubles;
- Moody's and Fitch Ratings confirmed the Company's rating at Baa3 and BBB, correspondingly. Standard & Poor's downgraded the Company's rating by one position to the level of BBB-, which was conditioned by a similar downgrading of the rating of the Russian Federation. As of the end of the reporting period, Company's ratings by the scales of Fitch Ratings and Standard & Poor's remained on the sovereign level;
- Russian Ministry of Energy approved the Company's investment program for 2015-2019. The overall volume of the investment program amounted to 563.7 bn rubles;
- In December 2014, the Board of Directors of Federal Grid Company approved the long-term program of development of Federal Grid Company for 2015-2019 with a forecast until 2030. This program had been earlier approved by the Government of the Russian Federation.

Main recent events:

- In early 2015, Moody's, Fitch Ratings and Standard & Poor's downgraded Company's ratings to Ba1, BBB- и BB+, correspondingly. These rating actions resulted from comparable downgrading of ratings of the Russian Federation. Currently, Company's credit quality is assessed at the sovereign level by scales of all the three agencies;
- The Management Board of Federal Grid Company approved changes to the Company's investment program for 2015. The investment program for 2016 to 2020 was also approved;

- Supervisory Board of Vnesheconombank decided to invest 40 bn rubles of pension assets for 30 years by way of acquisition of bonds of Federal Grid Company.

When commenting on the Company's results for 2014, Chairman of the Management Board of Federal Grid Company Andrey Murov noted:

The Company has successfully implemented the cost cutting program and maintained the high level of financial stability. It was mainly achieved by the means of prudent&tight financial discipline and increased internal efficiency. In particular the operating expenses declined in absolute terms by 5.7% that amounts approximately to 8 bn rubles. In terms of the marginal costs we are ahead of our targets set upon the Development Strategy of the Grid Complex.

Cost reduction and conservative credit policy guaranteed us strong financial results and Adj. profit at the year end.

For 2015 the goal of the management board is to keep this upward trend and to maintain the sufficient level of reliability and service quality.

Financial results for 2014

Federal Grid Company's consolidated revenue grew by 9.7% year-on-year to RUB 173,4 bn, compared to RUB 158 bn in 2013.

Federal Grid Company's consolidated operating expenses amounted to RUB 126.1 bn in 2014, a decline of 5.7% year-on-year.

Depreciation and amortization decreased by 18.2% year-on-year and amounted to RUB 47.1 bn, being 37.4% of consolidated operating expenses.

Personnel expenses accounted for 21.1% of consolidated operating expenses, reduced by 4.7% to RUB 26.6 bn due to decrease in average number of employees in 2014.

Purchased electricity expenses amounted to RUB 14 bn and decreased by 1.4% year-on-year

Repair and maintenance expenses comprised 2.2.% of consolidated operating expenses and decrease by 9.7% year-on-year.

Taxes other than income tax increased by RUB 2.8 bn due to increase in property tax expense caused by the growth of tax rates for power transmission grids.

Overall, decrease in operating expenses illustrates effectiveness of the efforts made by the Company's management to optimize costs and enhance operating efficiency.

Select balance sheet items

(RUB bn)	31 December 2014	31 December 2013
ASSETS		
Non-current assets	824,4	796,1
Total current assets	110,8	122,4
Total assets	935,2	918,5
CAPITAL AND LIABILITIES		
Non-current liabilities	242,8	266,4
Current liabilities	119,1	103,8
Total liabilities	361,9	370,2
Equity attributable to shareholders	572,3	549,2
Non-controlling interest	0,9	(0,9)
Total equity	573,2	548,3
Total liabilities and equity	935,2	918,5

During 2014, long-term (non-current) debt decreased by 8.8% due to timely and full repayment of significant part of current portion of non-current bonds.

Audited consolidated financial statements of Federal Grid Company according to IFRS for 2014 are posted on the corporate website of Federal Grid Company at:

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

Conference call

The Company will make a conference call for investors and analysts on April 23, 2015 at 12:00 p.m. Moscow time (10 a.m. London time).

Details for conference call connection:

Great Britain	+44(0) 1452 560 063
Russia (landline)	8108 002 097 2044
US (toll-free)	1866 437 8387
Germany (toll-free)	0800 101 3108
Switzerland (toll-free)	0800 000 097
Sweden (toll-free)	0200 887 531

Conference ID 32038520

Repeated call will be available until April 30, 2015 by:

Great Britain (toll-free)	0800 953 1533
Other countries	+44 (0) 1452 55 00 00

Repeated call access code 21508308 #

Shorthand report of the conference hall will be available at the website of Federal Grid Company: <http://www.fsk-ees.ru/>

In case of questions, please contact:**Office phone**

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Company's profile

Federal Grid Company that forms a part of Russian Grids JSC Group of companies is the operator of the Unified National Electricity Grid of Russia. The Company manages 138.8 th. km of power lines and has a total transforming capacity of more than 332.1 th. MVA.

The Company is engaged in electric power transmission and provides technological connection services. The Company is the operator of the Unified National Electricity Grid (UNEG) and it is also engaged in technical supervision over grid facilities and infrastructure in 77 regions of the Russian Federation with a total area of more than 15.09 mln sq.km. Clients of Federal Grid Company are regional distributing grid companies, energy suppliers and large industrial corporations. The largest shareholder with a share of 80.13% is Russian Grids JSC.

Federal Grid Company was incorporated in June 2002 as part of the reform of the Russian energy 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.fsk-ees.ru. For further info about Russian Grids JSC, please visit www.rugrids.ru