



Federal Grid Company Announces IFRS Results for the first 3 months of 2016

Moscow, 24 May 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 unaudited condensed consolidated financial results for the three months ended 31 March 2016, under International Financial Reporting Standards (IFRS).

The financial results relate to Federal Grid Company and its subsidiaries (“the Group of Companies” or “the Group”).

Key financial highlights:

Financial indicator, RUB billion	Three months ended 31 March 2016	Three months ended 31 March 2015	Change
Revenue	52.5*	42.6	23.4%
Adjusted EBITDA**	33.7	23.4	43.9%
Net profit	16.4	9.1	80.2%
Total comprehensive income	27.7	14.4	91.8%

* Over 5% of consolidated revenue for the first three months of 2016 relates to revenue of the following Federal Grid Company subsidiaries: OJSC Mobile GTES and JSC Centre for Engineering and Construction Management of UES.

** Adjusted EBITDA is calculated as EBITDA adjusted to exclude impairment on property, plant and equipment, and to include finance income.

Operating results:

Operating result indicators	Three months ended 31 March 2016	Three months ended 31 March 2015	Change
Electricity supply from UNEG to consumers (net): billion kWh	137.6	138.7	-0.8%
Total transformer capacity: GVA	334.9	332.1	0.8%
Transmission grid lengths***: thousand km	139.3	138.8	0.4%
Number of UNEG substations***	932	924	0.9%

*** including rented transmission lines and substations

Financial results for the three months ended 31 March 2016

The Group's total comprehensive income for the first three months of 2016 amounted to RUB 27.7 billion, over twofold growth year-on-year.

Federal Grid Company's revenue grew by 23.4% year-on-year from RUB 42.6 billion to RUB 52.5 billion, in part as a result of:

- revenue from electricity transmission services growing by 6.6% (by RUB 2.6 billion) following a 7.5% growth in tariff rates starting from 1 July 2015;
- technological connection services increasing six fold (by RUB 1.4 billion) in connection with the services on technological connection of power stations;
- general contractor service agreements of subsidiaries (RUB 3.0 billion);
- revenue from electricity sales growing by RUB 3.0 billion due to higher electricity sales at Federal Grid Company subsidiaries.

Operating expenses

(RUB billion, or %)	Three months ended 31 March 2016	% of total operating expenses****	Three months ended 31 March 2015	% of total operating expenses****	Change
Depreciation and amortisation	10.1	34.9%	10.1	31.2%	0.0%
Personnel-related expenses	6.2	21.5%	6.9	21.3%	(10.1%)
Electricity purchases for industrial purposes	6.6	22.8%	3.9	12.0%	69.2%
Electricity transit	0.6	2.1%	1.9	5.9%	(68.4%)
Materials, repair and technical maintenance	0.4	1.4%	0.4	1.2%	0.0%
Taxes and duties, other than on income	2.2	7.6%	2.0	6.2%	10.0%
Reversal / accrual of allowances for bad debt	(2.7)	(9.3%)	4.1	12.7%	-
Other operating expenses	5.5	19.0%	3.1	9.5%	77.4%
Total operating expenses****	28.9	100%	32.4	100%	(10.8%)

**** excluding subcontractor services rendered under general contractor by subsidiaries.

At the end of the reporting period, Group's above mentioned operating expenses amounted to RUB 28.9 billion, a decrease of 10.8% year-on-year.

Despite the implementation of a large-scale investment program and the increased amount of equipment to maintain, through headcount reductions the Company managed to reduce personnel costs and related tax payments by 10.1%.

Purchases of electricity amounted to RUB 6.6 billion, an increase of 69.2% year-on-year, due to mode changes in operations of the electrical grid at MES South and also growth in electricity sales of Group subsidiaries.

Electricity transit costs decreased more than threefold, which is explained by a lower exchange rate for the Kazakh tenge and a reduction of electricity transmission through other countries.

An increase in other operating expenses was connected to higher output and higher fuel costs at OJSC Mobile GTES.

Tax and duty payments grew by RUB 0.2 billion (10%) year-on-year as a result of legislated phasing out of property tax exemptions for electricity grid infrastructure.

In the first three months of 2016 the company reported a net reversal of previously accrued doubtful debt allowance in the amount of RUB 2.7 billion.

Selected balance sheet items

(RUB billion)	31 March 2016	31 December 2015	Change
ASSETS			
Non-current assets	892.2	870.1	2.5%
Current assets	129.9	125.3	3.7%
Total assets	1,022.1	995.3	2.7%
CAPITAL AND LIABILITIES			
Non-current liabilities	277.6	273.1	1.6%
Current liabilities	97.2	102.6	(5.2%)
Total liabilities	374.8	375.7	(0.2%)
Equity attributable to shareholders	647.5	619.7	4.5%
Non-controlling interest	(0.2)	(0.08)	140%
Total equity	647.3	619.6	4.5%
Total liabilities and equity	1,022.1	995.3	2.7%

Total assets of Federal Grid Company grew over the course of first three months of 2016 compared to the end of 2015. This growth amounted to RUB 26.8 billion (2.7%) and at the end of the reporting period total assets came to RUB 1,022.1 billion. The share of the non-current assets was RUB 892.2 billion and the share of current assets amounted to RUB 129.9 billion.

Federal Grid Company's gross debt (including accrued interest) decreased during the first 3 months of the year, amounting to RUB 374.8 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for the first three months of 2016 are available on the Company's website at the following link: http://www.fsk-ees.ru/eng/investors/financial_disclosure/ifrs_financial_reports/