



Federal Grid Company announces H1 2016 IFRS results

Moscow, 23 August 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 interim unaudited condensed consolidated financial results for the three and six months ended 30 June 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 results:

Financial indicator, RUB billion	Six months ended 30 June 2016	Six months ended 30 June 2015	Change
Revenue	110.6	83.5	32.5%
Adjusted EBITDA*	66.8	46.7	43.0%
Net profit	44.9	17.3	159.5%
Total comprehensive income	66.5	23.9	178.2%

* Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment on property, plant and equipment, gain on derecognition of subsidiary (only for the 6 months ended 30 June 2016), and to including financial income.

Operational performance highlights**:

Operational indicator	Six months ended 30 June 2016	Six months ended 30 June 2015	Change
Electricity supply from UNEG to Consumers, billion kWh	264.2	261.0	1.2%
Total transformer capacity: GVA***	334.9	332.1	0.8%
Transmission grid length, thousand Km***	139.6	139.0	0.4%
Number of UNEG substations***	932	924	0.9%

** PJSC Federal Grid Company of Unified Energy System

*** including rented transmission lines and substations

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

“Consistent operational efficiency gains (operational expenses were reduced by 5.1% year-on-year) and revenue growth from technological connections (by RUB 2.2 billion) together with transparent long-term State tariff policies enabled the Company to maintain positive performance dynamics across all key financial indicators.”

Financial results for the six months ended 30 June 2016

In the first half of 2016 the Group's total comprehensive income amounted to RUB 66.5 billion, which was 2.8x higher than in the same period of 2015.

The Group's revenues rose by 32.5% from RUB 83.5 billion to RUB 110.6 billion, driven by:

- electricity transmission services growing by 7.1% (RUB 5.5 billion) as a result of tariffs being increased by 7.5% from 1 July 2015;
- technological connection services rose by 6.5x (RUB 2.2. billion) following the completion of work to connect facilities to the grid (Chelyabinsk Regional Power Station, Vladimir Central Heating and Power Plant and others);
- services rendered under general contractor agreements of subsidiaries (RUB 12.5 billion);
- Revenue from electricity sales rose by 2.5x (by RUB 7.1 billion) in connection with volumes growth at Federal Grid Company subsidiaries.

During the reporting period the Group recognised gain in the amount of RUB 11.8 billion in connection with the derecognition of JSC Nurenergo as a Group subsidiary (after executive authorities were turned over to a bankruptcy administrator).

Operating expenses

<i>(RUB billion, or %)</i>	Six months ended 30 June 2016	% of total operating expenses****	Six months ended 30 June 2015	% of total operating expenses****	Change
Depreciation and amortisation	20.4	34.5%	20.4	32.7%	0.0%
Personnel-related expenses	13.1	22.2%	13.9	22.3%	(5.8%)
Electricity purchases for operational purposes	11.8	20.0%	6.7	10.8%	76.1%
Electricity transit	1.2	2.0%	3.6	5.8%	(66.7%)
Materials, repairs and technical maintenance	1.3	2.2%	1.5	2.4%	(13.3%)
Property tax	4.7	8.0%	3.8	6.1%	23.7%
(Reversal) / accrual of allowance for doubtful debtors	(2.6)	(4.4%)	6.7	10.8%	-
Other operating expenses	9.2	15.5%	5.7	9.1%	61.4%
Total operating expenses****	59.1	100%	62.3	100%	(5.1%)

**** excluding expenses for services rendered under general contractor by subsidiaries

At the end of the reporting period, Group's above-mentioned operating expenses amounted to RUB 59.1 billion, a decrease of 5.1% year-on-year.

Despite the increased amount of equipment being serviced, through headcount reductions the Company managed to reduce personnel costs and related tax payments by 5.8%.

Purchases of electricity amounted to RUB 11.8 billion, an increase of 76.1% year-on-year, due to mode changes in operations of the electrical grid and also growth in electricity sales.

Electricity transit costs decreased threefold, which is explained by the cease of sales activity at Nurenergo, a lower exchange rate for the Kazakh tenge and a reduction of electricity transmission through other countries.

Compared to the first half of 2015, Federal Grid Company managed to reduce costs for materials, repairs and technical maintenance by 13.3% to RUB 1.3 billion by lowering the volumes and cost of work carried out by third-party contractors.

Property tax grew by RUB 0.9 billion (23.7%) year-on-year as a result of legislated phasing out of property tax exemptions for electricity grid infrastructure.

In the first half of 2016 the Group reported a net reversal of previously accrued doubtful debtors allowance in the amount of RUB 2.6 billion.

An increase in other operating expenses was connected to higher output and higher costs for fuel for mobile gas-turbine electricity plants.

Selected balance sheet items

(RUB billion)	30 June 2016	31 December 2015	Change
ASSETS			
Non-current assets	906.0	870.1	4.1%
Current assets	136.9	125.3	9.3%
Total assets	1,042.9	995.3	4.8%
EQUITY AND LIABILITIES			
Non-current liabilities	272.1	273.1	(0.4)%
Current liabilities	100.4	102.6	(2.1)%
Total liabilities	372.5	375.7	(0.8)%
Equity attributable to shareholders	669.5	619.7	8.0%
Non-controlling interest	0.9	(0.08)	-
Total equity	670.4	619.6	8.2%
Total equity and liabilities	1,042.9	995.3	4.8%

Total assets of the Group grew over the course of first half of 2016 compared to the end of 2015. This growth amounted to RUB 47.6 billion (4.8%) and at the end of the reporting period total assets came to RUB 1,042.9 billion. The share of the non-current assets was RUB 906.0 billion and the share of current assets amounted to RUB 136.9 billion.

The Group's total liabilities decreased by 0.8% as of the end of the reporting period compared to the start of the year, and amounted to RUB 372.5 billion.

Federal Grid Company's condensed consolidated interim IFRS financial statements for three and six months ended 30 June 2016 are available on the Company's website at the following link:

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