



## Federal Grid Company Announces FY 2016 IFRS Results

**Moscow, 23 March 2017** – 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 audited condensed consolidated financial results for the year ended 31 December 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 for 2016:

Financial indicator, RUB billion	Year ended 31 December 2016	Year ended 31 December 2015	Change YoY, %
Revenues	255.6	187.0	36.7%
Adjusted EBITDA*	116.7	104.4	11.8%
Profit for the period	68.4	44.1	55.1%
Total comprehensive income	124.4	47.8	160.0%

\* Adjusted EBITDA is calculated as EBITDA (earnings before tax, financial income and expenses, depreciation and amortisation) adjusted to exclude impairment and revaluation loss of property, plant and equipment, gain on derecognition of subsidiary (only for the 2016 year), revenue from connection services, accrual of doubtful debtors allowance (excluding effects of discounting reflected in the doubtful debtor allowance), and to including financial income

### Operating results\*\*:

Operating result indicators	Year ended 31 December 2016	Year ended 31 December 2015	Change YoY, %
Electricity supply from UNEG to consumers (net), billion kWh	540.5	525.8	2.8%
Total transformer capacity***, GVA	336.4	334.5	0.6%
Transmission grid lengths***, thousand km	140.3	139.1	0.9%
Number of UNEG substations***	939	931	0.9%

\*\* PJSC Federal Grid Company of Unified Energy System

\*\*\* including leased substations

### Key developments in 2016:

- In accordance with the decision of the Federal Tariff Service (№ 297-e/3 dated 09.12.2014, revision №1346/15 by the Federal Anti-monopoly Service on 29.12.2015) with regard to Federal Grid Company for the period from 2015-2019, starting from 1 July 2016, the tariff for electricity transmission on the UNEG was increased by 7.5% compared to the previous level of tariffs in force until 30 June 2016;

- Following reviews in 2016 by international rating agencies Moody's, Fitch Ratings and Standard & Poor's, the Company had its ratings confirmed by these agencies at Ba1, BBB- and BB+, respectively;
- In June 2016 at the Annual General Meeting, shareholders voted in support of a dividend payment for 2015 amounting to RUB 16,976.6 million, which corresponds to 39% of IFRS profit for the period and 95% of RAS net profit for 2015;
- The Russian Ministry of Energy approved Federal Grid Company's revised investment programme for 2016-2020 (decree numbered № 1432, dated 28 December 2016);
- Payment approved for connection services for Kalininskaya nuclear power station (RUB 32.3 billion), Zelenchuskaya hydroelectric pump-storage station (RUB 1.93 billion) and Krasnoyarskaya TEC-3 (RUB 1.02 billion), for a total of RUB 35 billion (excluding VAT);
- The Russian Government ordered for installment payment plans to be set regarding connection services for hydroelectric power stations and nuclear power stations on a 10-year basis with a 6% annual interest rate.

**Commenting on the Group's results for 2016, Chairman of the Management Board of Federal Grid Company Andrey Murov said:**

*"Federal Grid Company's performance today is a result of the work that began three years ago. The dynamics and structure of our revenue have changed significantly: revenue from connection services and electricity transmission to direct customers have risen remarkably. The Company has efficiently worked on reducing costs, while at the same time fulfilling all Government directives.*

*"Despite the macroeconomic challenges of the last years, Federal Grid Company has not only preserved its financial sustainability, it has also strengthened its position. We are committed to a conservative borrowing policy and adapt our plans to the needs of the investment programme and market conditions.*

*"Management is focused on strengthening Federal Grid Company's position as an industry leader, maintaining positive momentum and carrying out all obligations under our investment programme, all while servicing our debt and paying dividends."*

**Financial results for 2016**

The Group's total comprehensive income for 2016 amounted to RUB 124.4 billion, which was 2.6x higher than in the previous year.

The Group's revenues in 2016 grew by 36.7% year-on-year, from RUB 187 billion to RUB 255.6 billion, driven by:

- electricity transmission services having risen by 7.9% (RUB 12.4 billion) as a result of tariff increases of 7.5% on 01.07.2015 and by another 7.5% on 01.07.2016;
- technological connection services increasing by 3x (RUB 26.7 billion) in connection with the completion of work on connection of power stations;
- general contractor service agreements carried out by Federal Grid Company subsidiaries rising by RUB 14.3 billion;
- revenue from electricity sales rising by 3.5x (RUB 15.7 billion) due to increased sales volumes at Group subsidiaries.

During the reporting period the Group recognised gain in the amount of RUB 11.9 billion in connection with the derecognition of OJSC Nurenergo as a Group subsidiary (executive authorities were turned over to a bankruptcy administrator) in the first half of 2016.

## Operating expenses

(RUB billion, or %)	FY 2016	% of total operating expenses ***	FY 2015	% of total operating expenses ***	YoY change, %
Depreciation and amortisation	40.7	30.0%	40.9	32.7%	(0.5%)
Personnel-related expenses	26.8	19.8%	25.2	20.2%	6.3%
Electricity purchases for operational use	26.0	19.2%	15.2	12.2%	71.1%
Property tax	9.1	6.7%	7.4	5.9%	23.0%
Materials, repair and maintenance	4.1	3.0%	4.4	3.5%	(6.8%)
Accrual of provision for accounts receivable	2.7	2.0%	7.1	5.7%	(62.0%)
Electricity transit	2.3	1.7%	4.0	3.2%	(42.5%)
Other operating expenses	23.9	17.6%	20.8	16.6%	14.9%
<b>Total operating expenses***</b>	<b>135.6</b>	<b>100%</b>	<b>125.0</b>	<b>100%</b>	<b>8.5%</b>

\*\*\* excluding expenses for general contractor services rendered by subsidiaries under State contracts.

At the end of the reporting period, the Group's above-mentioned operating expenses amounted to RUB 135.6 billion, an 8.5% increase year-on-year. Higher operating expenses were primarily due to increased spending on electricity for operational purposes (by RUB 10.8 billion), which is explained by mode changes in operations of the electrical grid and also growth in electricity sales, as well as by higher expenses in the "other expenses" line item, namely fuel for gas turbine substations (by RUB 5.9 billion).

At the same time, it is important to note the steady reduction of controllable expenses, including:

- Apart of the effect of actuarial calculations on salaries and employment tax, personnel costs and related taxes were reduced by 2.0%, despite an increase in the number of equipment to be maintained;
- Property tax increase of RUB 1.7 billion (23%) year-on-year, which came about as a result of changes in legislation gradually abolishing property tax exemptions for electricity grid infrastructure;
- Material, Repair and maintenance expenses were reduced by 6.8% to RUB 4.1 billion, thanks to reduced amount and lower cost of work performed by third-party contractors;
- In 2016 accrual of provisions for doubtful accounts receivable amounted to RUB 2.7 billion (compared to RUB 7.1 billion in 2015);
- Electricity transit costs decreased by 42.5% (by RUB 1.7 billion), which is explained by the cease of sales activity at Nurenergo, a lower exchange rate for the Kazakh tenge and reduced electricity transmission through other countries.

**Selected balance sheet items**

(RUB billion)	31 December 2016	31 December 2015	Change YoY, %
<b>ASSETS</b>			
Non-current assets	978.7	870.1	12.5
Total current assets	118.4	125.3	(5.5)
<b>Total assets</b>	<b>1,097.1</b>	<b>995.3</b>	<b>10.2</b>
<b>CAPITAL AND LIABILITIES</b>			
Non-current liabilities	269.3	273.1	(1.4)
Current liabilities	99.4	102.6	(3.1)
Total liabilities	368.7	375.7	(1.9)
Equity attributable to shareholders	726.6	619.7	17.3
Non-controlling interest	1.8	(0.08)	-
Total equity	728.4	619.6	17.6
<b>Total liabilities and equity</b>	<b>1,097.1</b>	<b>995.3</b>	<b>10.2</b>

Total assets of Federal Grid Company grew over the course of 2016. This growth amounted to RUB 101.8 billion (10.2%) and at the end of the reporting period total assets came to RUB 1,097.1 billion. The share of the non-current assets was RUB 978.7 billion and the share of current assets amounted to RUB 118.4 billion.

The Group's total liabilities decreased by 1.9% as of the end of the reporting period compared to the start of the year, and amounted to RUB 368.7 billion.

The financial debt of the Group at the end of 2016 decreased by RUB 14.8 billion (by 5.3%) compared to the value at the end of 2015, and amounted to 266.7 billion rubles. In the reporting year, the company bought out bonds using its own funds as part of scheduled put dates in the amount of RUB 23.2 billion and issued a new bond loan in the amount of RUB 10 billion.

Audited consolidated IFRS financial statements of Federal Grid Company for 2016 are available on the corporate website: [http://www.fsk-ees.ru/shareholders\\_and\\_investors/financial\\_information/reporting\\_under\\_ifrs/](http://www.fsk-ees.ru/shareholders_and_investors/financial_information/reporting_under_ifrs/)

**Conference call**

The Company will hold a conference call and webcast for investors and analysts on 23 March 2017 at 14:00 Moscow time (11:00 a.m. London time).

Link for connecting to the webcast: <https://engage.vevent.com/index.jsp?eid=7529&seid=11>

Dial-in details:

	For Russian-speaking participants:	For English-speaking participants:
<b>Conference call access code (Conference ID)</b>	<b>91119932</b>	<b>88928359</b>
All countries	+44 (0) 1452 555566	
Toll-free numbers by country:		
UK	0 800 694 02 57	
Russia	Main: 8 800 775 68 18, Supplementary: 8 108 002 097 20 44	
US	1 866 966 94 39	
Germany	0 800 101 49 60	
Sweden	0 200 89 01 71	
Hong Kong	8 009 68 777	
Singapore	8 001 20 39 88	

*Additional dial-in numbers are available in the supplement to this notification.*

Replay of the call will be available until 29 March 2017. Please use the following dial-numbers:

	For Russian-speaking participants:	For English-speaking participants:
<b>Replay access code</b> (Conference ID)	<b>91119932</b>	<b>88928359</b>
All countries	+44 (0) 1452 55 00 00	
UK (Toll free)	0 800 953 1533	
Russia	8 499 677 10 64	
US	1 866 247 42 22	
Germany	0 800 101 31 04	
Netherlands	0 800 023 46 10	

A transcript of the call will be available on the Federal Grid Company website: <http://www.fsk-ees.ru/>