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**Federal  
Grid Company**



**of Unified  
Energy System**



**Investor Presentation**

 **VTB Capital**

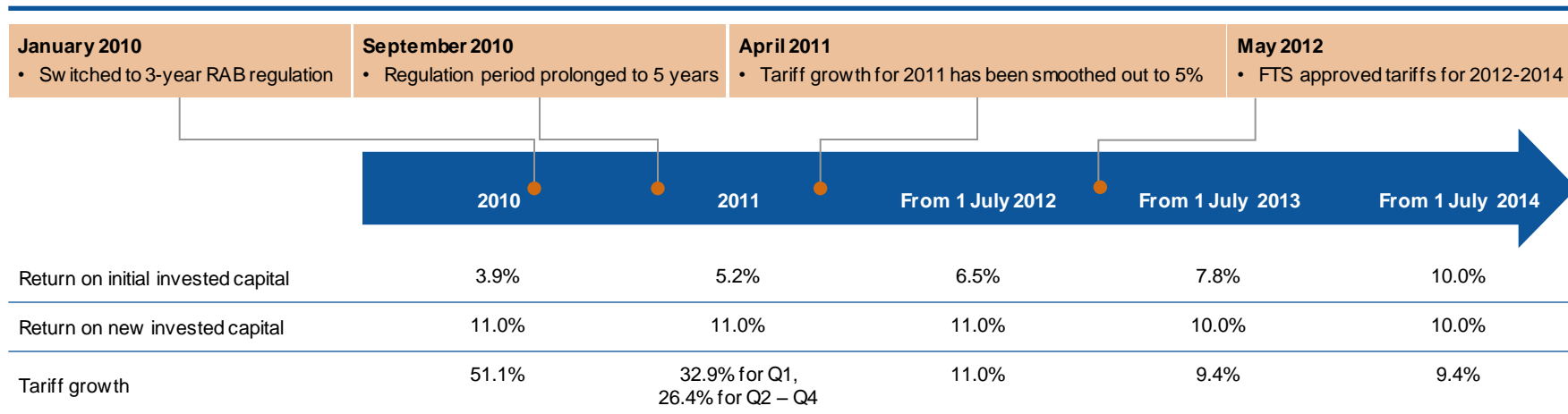
*Investment forum «RUSSIA CALLING!»*

October 1, 2013. Moscow

## Regulatory Asset Base (RAB) Regulation

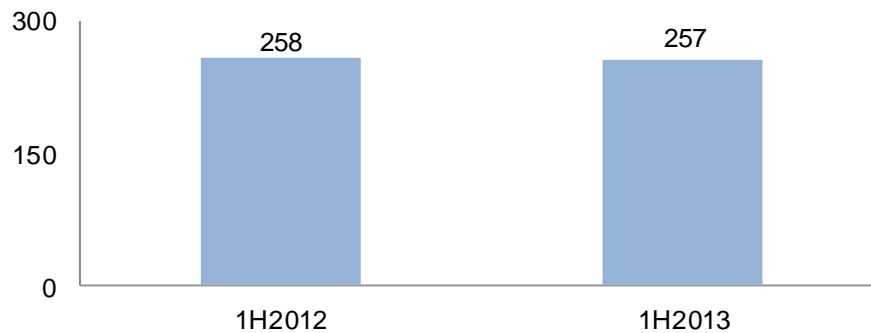
- On 21 May 2012, the Russian Federal Tariff Service approved tariffs under RAB regulation for 2012 – 2014
- Federal Grid Company tariffs increased by 11.0% starting from 1 July 2012, by 9.4% from 1 July 2013, and will grow by another 9.4% from 1 July 2014
- Return on initial invested capital in 2014 has been raised from 9.1% to 10.0%, and now equals the return on new invested capital
- RAB base is accounted for once assets are commissioned and placed on the Company's balance sheet

## RAB Return Calculation



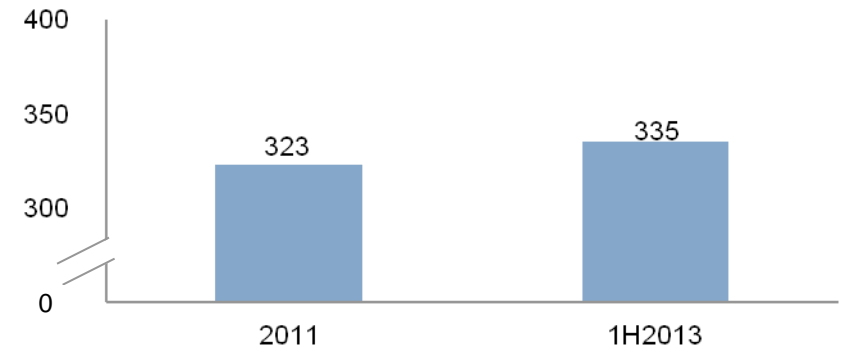
## Electricity Transmission Volume

bn kWh (for respective period)



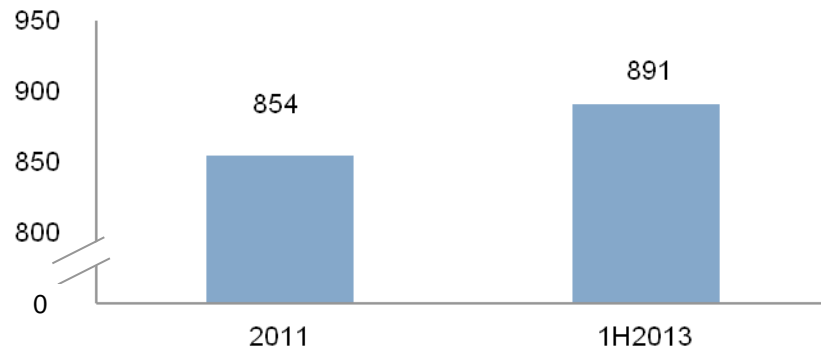
## Total Transformer Capacity in Operations

GVA (end of period)



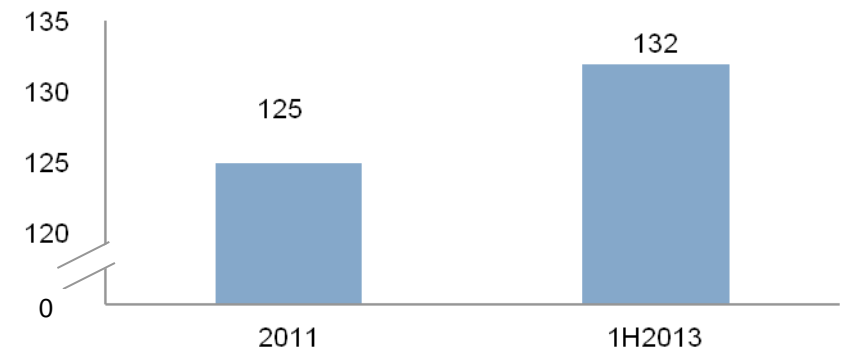
## Substations<sup>(1)</sup>

Units (end of period)



## Transmission Grid Length in Operations

'000 km (end of period)

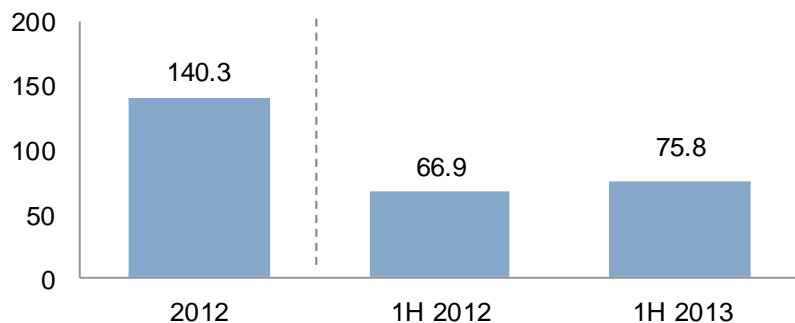


Source: Company data  
Note: 1. Including leased substations



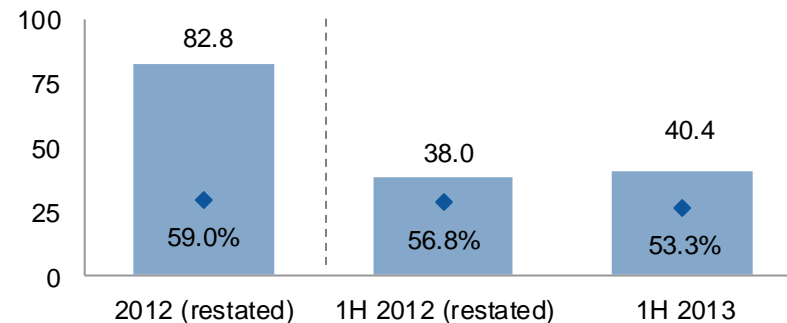
## Revenue

RUB bn



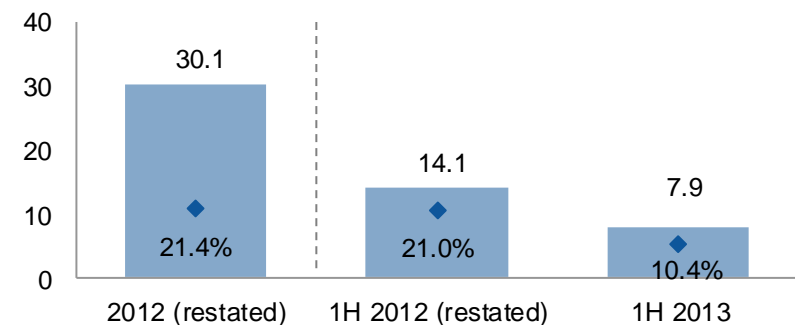
## Adjusted EBITDA

RUB bn



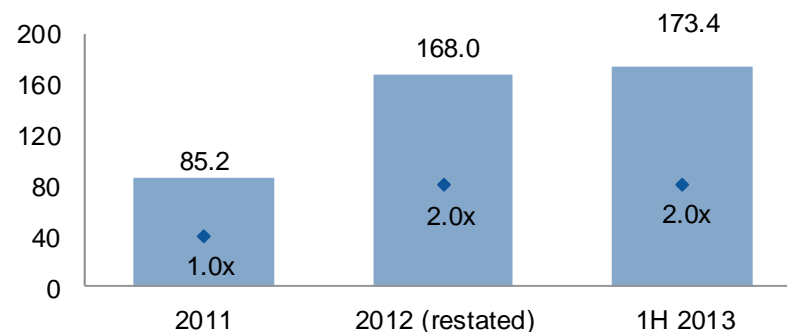
## Adjusted Profit for the Period

RUB bn



## Net Debt Position

RUB bn



◆ Adjusted Profit Margin

◆ Leverage

Source: Company IFRS financials

Notes: 1. Definitions for terms marked in this presentation with capital letters (including certain non-IFRS financial information) are provided at the end of this presentation

2. Comparative information has been restated due to the retrospective application of changes in accounting policy related to defined benefits obligations.



# Operating Cost Structure <sup>(1)</sup>

	1H 2013 RUB mln	% of total operating expenses	1H 2012 (restated) RUB mln	% of total operating expenses	Y-o-Y Change %
D&A <sup>(2)</sup>	27,844	-	20,464	-	36.1%
Personnel Related Expenses	14,656	42.2%	12,759	41.3%	14.9%
Purchased electricity	7,009	20.2%	6,432	20.8%	9.0%
Allowance for doubtful debtors	3,738	-	1,933	-	93.4%
Materials, Repairs and Maintenance	2,189	6.3%	2,439	7.9%	(10.3)%
Other operating expenses	10,892	31.3%	9,283	30.0%	17.3%
<b>Total operating expenses*</b>	<b>34,746</b>	<b>100,0%</b>	<b>30,913</b>	<b>100,0%</b>	<b>12.4%</b>

\* excluding D&A and allowance for doubtful debtors

- Operating expenses excluding D&A and allowance for doubtful debtors amounted to RUB 34,746 million in 1H2013, an increase of 12.4% y-o-y.
- D&A increased by 36.1% following the implementation of the Company's investment program and the commissioning of new fixed assets into operations
- Personnel related expenses increased by 14.9% year-on-year to RUB 14,656 million primarily due to growth in the average number of employees and higher average salaries due to the indexation
- A 9.0% increase in purchased electricity expenses was due to lower amount of deductible load loss
- Accrual of allowance for doubtful debtors primarily consists of allowances for receivables from OJSC «Far East Distribution Grid Company» and OJSC «IDGC of South» (subsidiaries of OJSC «Russian Grids»).
- Other operating expenses increased by 17.3% year-on-year to RUB 10,892 million for the reporting period. This was primarily due to a 188.8% increase of property tax expense and 43.5% increase in expenses for electricity transit via foreign countries.

Source: Company IFRS financials

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2. D&A includes amortisation of intangible assets of RUB 0.3 bn in H1 2012 and RUB 0.4 bn in H1 2013.

3. Comparative information has been restated due to the retrospective application of changes in accounting policy related to defined benefits obligations.

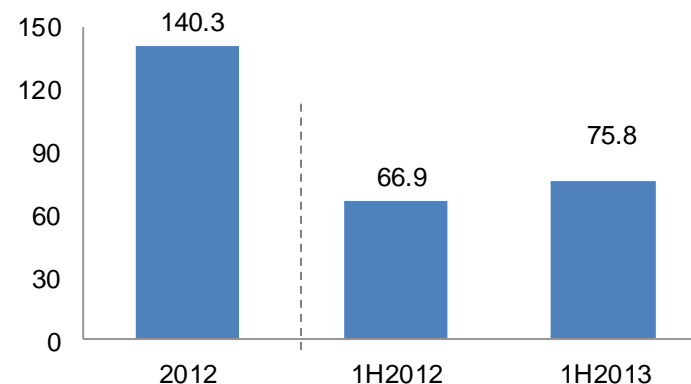


	1H2013 RUB mln	1H2012 RUB mln	Y-o-Y Change %
Transmission fees	73,913	65,342	13.1%
Electricity sales	1,357	912	48.8%
Other revenues	556	655	(15.1)%
<b>Total revenues</b>	<b>75,826</b>	<b>66,909</b>	<b>13.3%</b>

- The Group's revenues from electricity transmission services increased by RUB 8,571 million, or 13.1%, from RUB 65,342 million for the six months ended 30 June 2012 to RUB 73,913 million for the six months ended 30 June 2013, primarily as a result of an increase in tariffs for transmission services by 11% and growth of declared capacity by 2%.
- The Group's revenue from electricity sales increased by RUB 445 million, or 48.8%, from RUB 912 million for the six months ended 30 June 2012 to RUB 1,357 million for the six months ended 30 June 2013, as a result of a growth in electricity sales from two Group's subsidiaries: OJSC «Nurenergo» - due to an increase in sales to reliable customers (that are recognized in accounts), and OJSC «Mobile gas-turbine electricity plants» - due to establishment a tariff by FTS for the first tariff zone
- Other revenues include revenues from connection services, grid repair and maintenance services. The Group's other revenues decreased by RUB 99 million, or 15.1%, from RUB 655 million for the six months ended 30 June 2012 to RUB 556 million for the six months ended 30 June 2013.

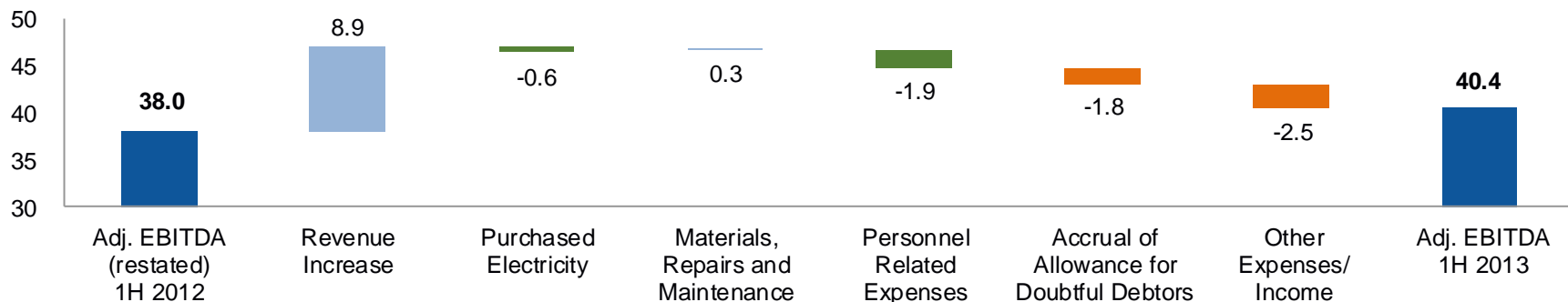
## Total Revenue

RUB bn



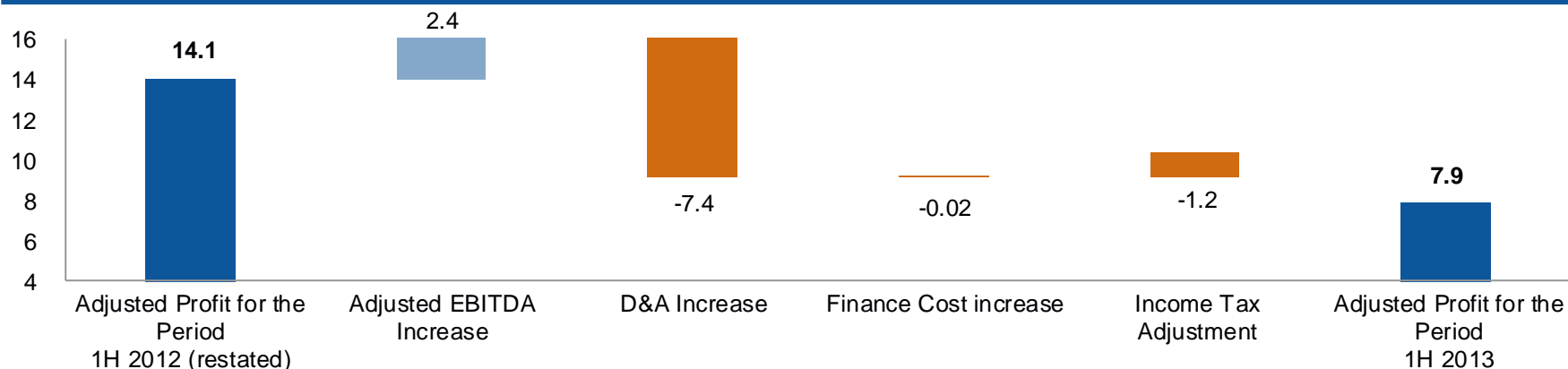
## Adjusted EBITDA Bridge

RUB bn



## Adjusted Profit Bridge

RUB bn



Source: Company IFRS financials

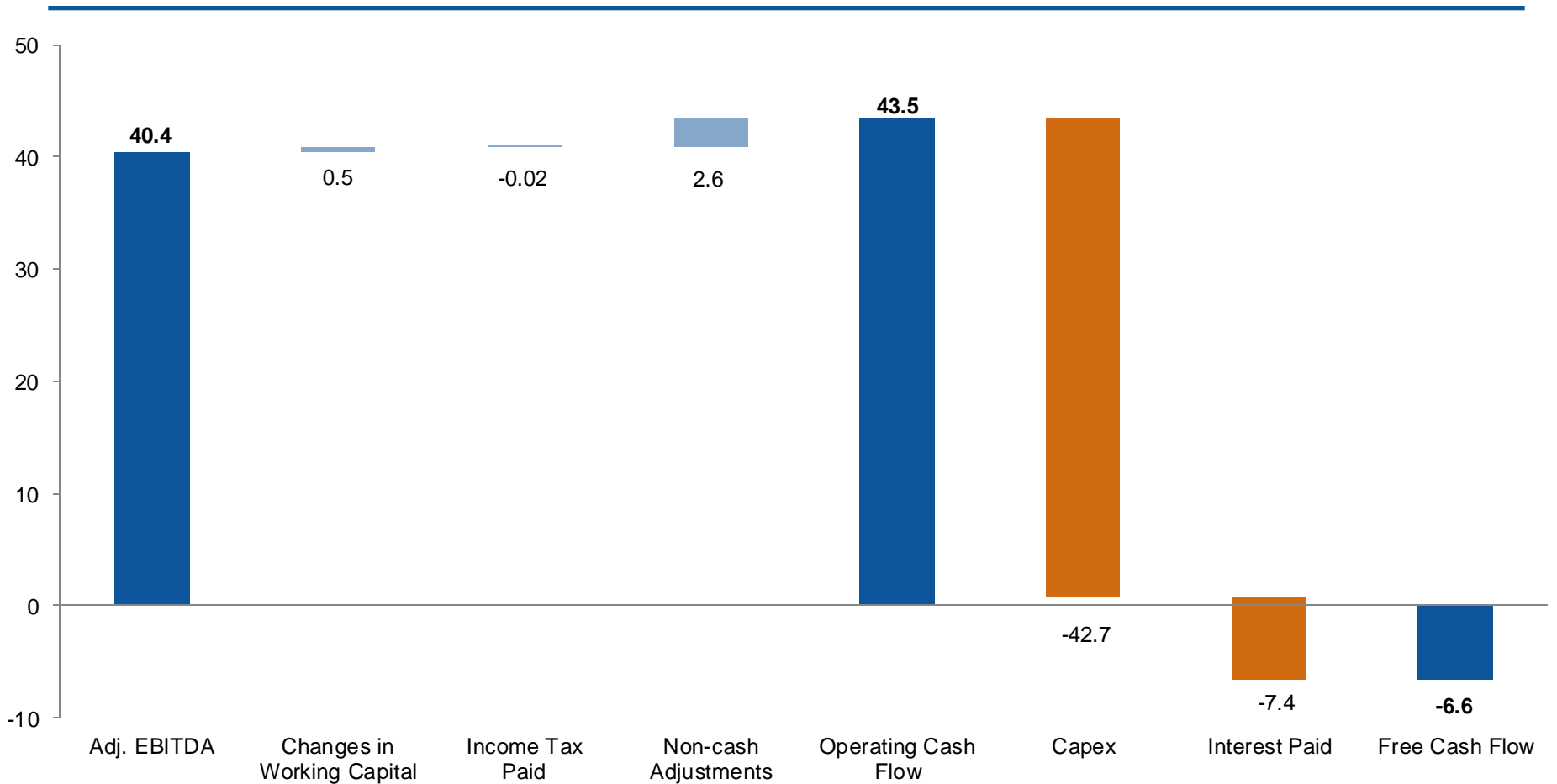
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## Free Cash Flow in 1H 2013

RUB bn



Source: Company IFRS financials

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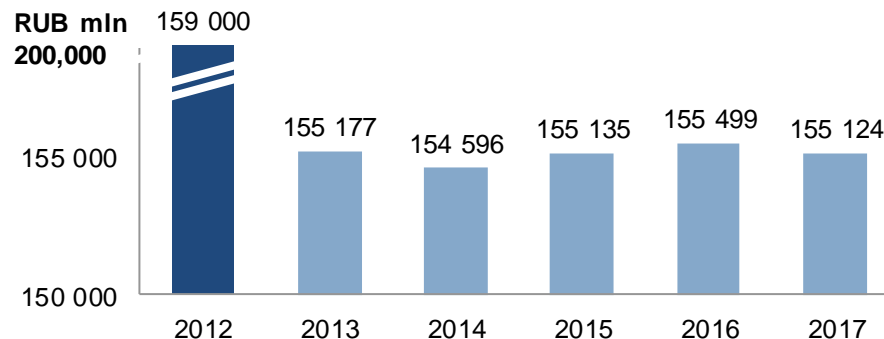




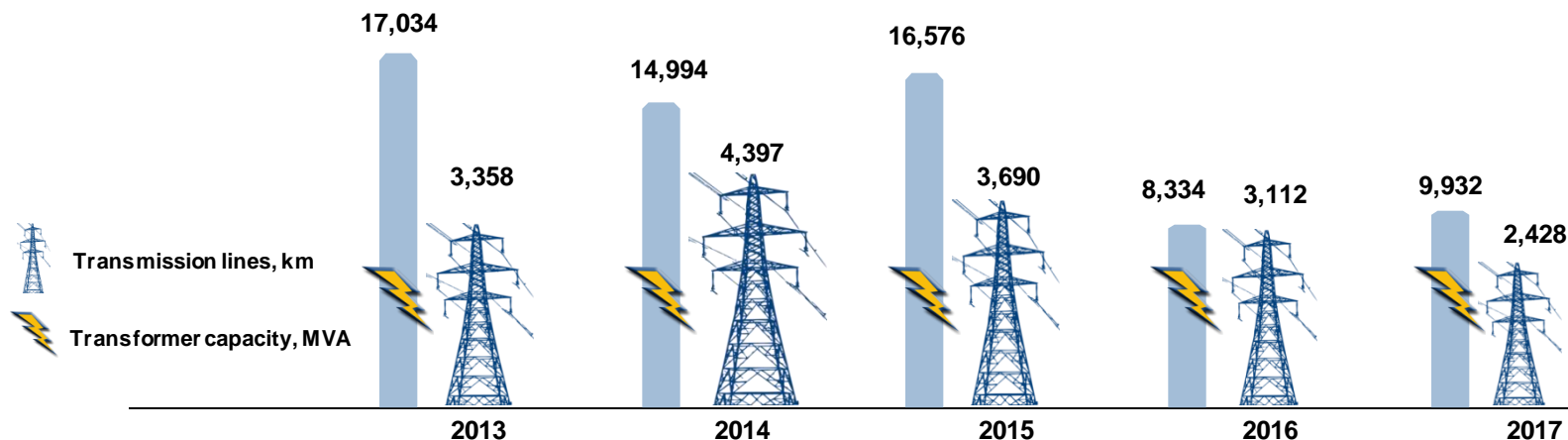
## Commentary

- On 31 October 2012 the Ministry of Energy approved Federal Grid Company's investment programme for 2013 – 2017
- The approved plan entails investments totalling RUB 775.53 bn (including VAT) into the commissioning of 66,870 MVA of new transformer capacity and 16,985 kilometres of new transmission lines
- In 2012 Federal Grid Company invested RUB 179,9 bn (including VAT)**

## Investment programme: Breakdown by year<sup>(1)</sup>



## New construction 2013 – 2017

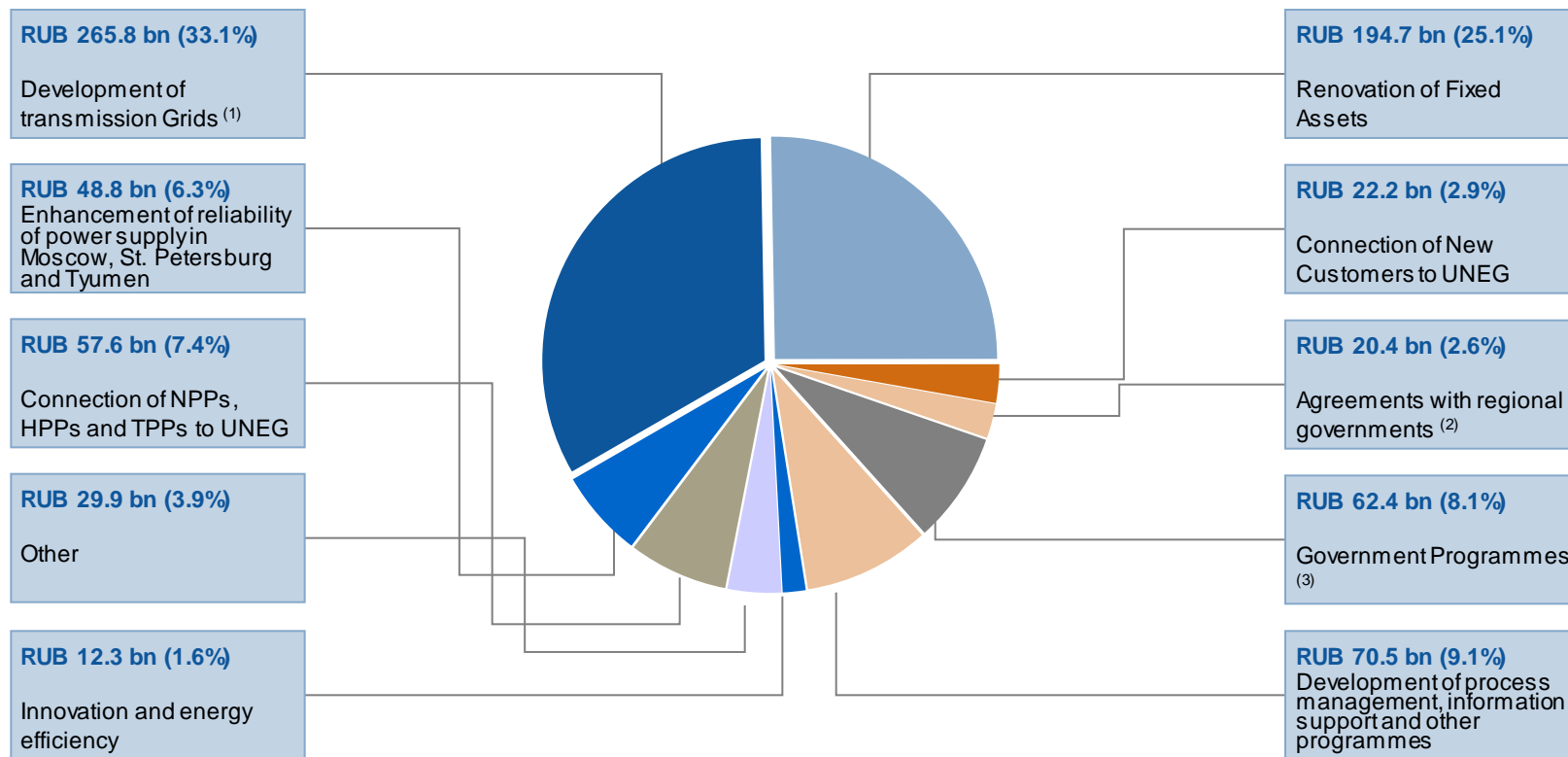


Source: Company data

Notes:

1. Including VAT





**Total Volume over 2013 – 2017:**

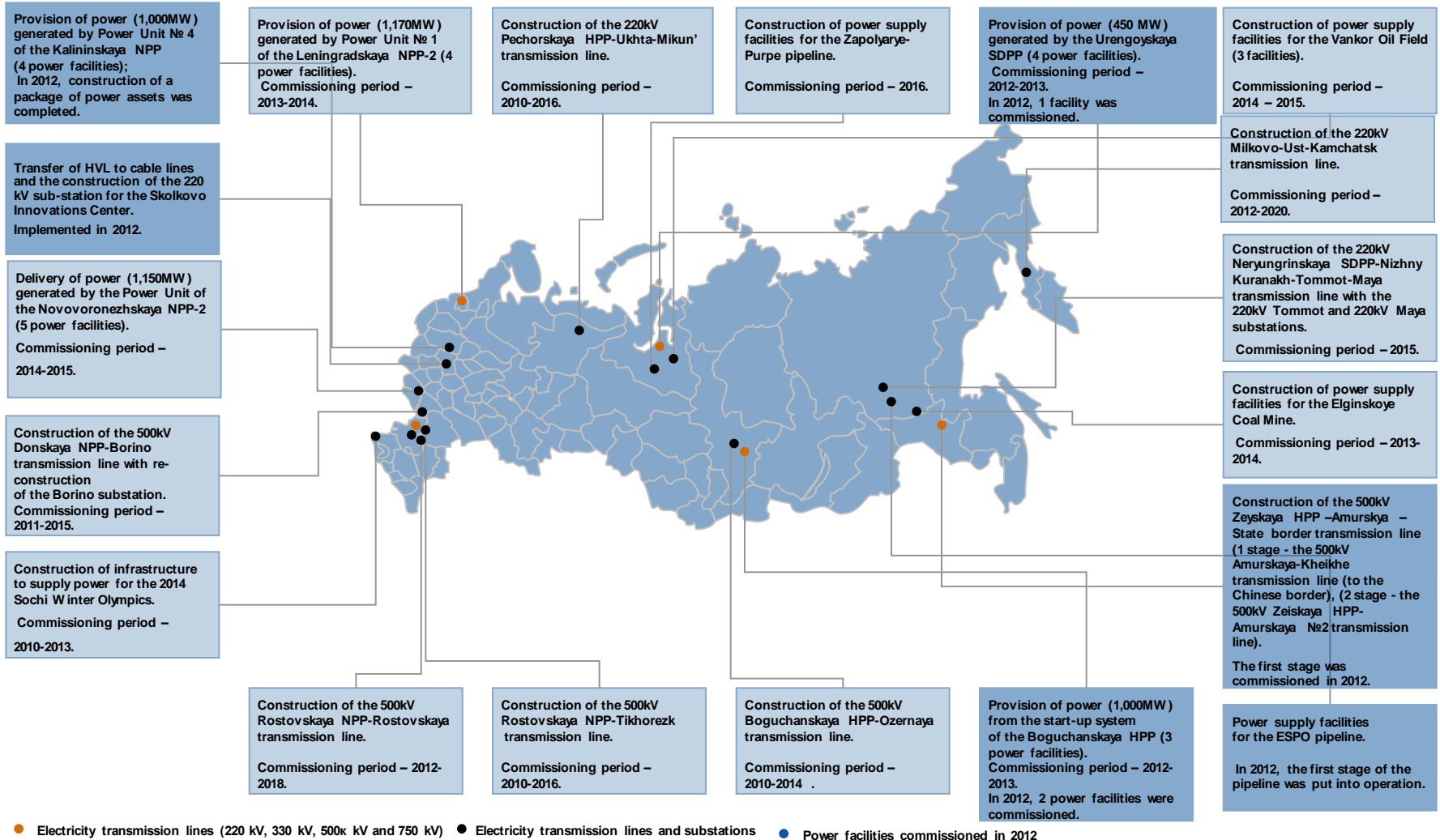
Projected investment:	RUB 775.5 bn
Capacity to be commissioned:	66,870 MVA
Grids to be commissioned:	16,985 km

**Notes:**  
 1. Projects not included into the Agreements with the regional governments  
 2. Excluding Moscow, St. Petersburg and Tyumen.  
 3. Federal target programs of the Far East and Transbaikalia, the Olympics in Sochi



# 2013-2017 Key Investment Projects.

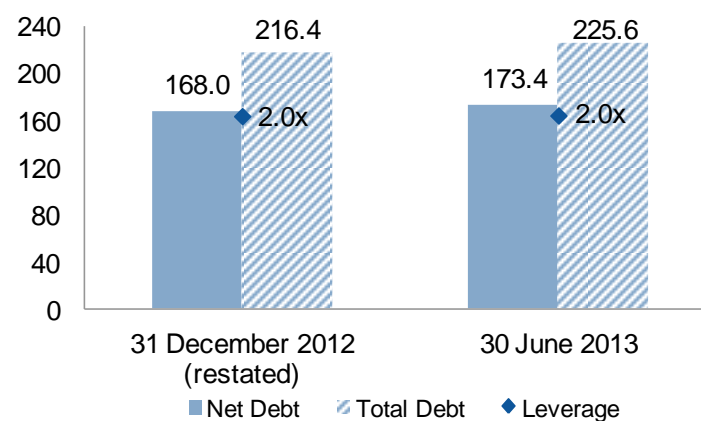
## Completed projects in 2012



- As of 30 June 2013 Total debt amounted to RUB 225.6 bn
  - 90% of total debt is local bonds, 8% is Eurobonds, with the remaining being bank loans
- 100% of total debt is unsecured and rouble nominated
- Net debt position of RUB 173.4 bn as of 30 June 2013, implying leverage of 2.0x
- Credit Ratings:
  - S&P: BBB stable (same as Sovereign)
  - Moody's: Baa3 stable (two notches below Sovereign)

## Net Debt Position

RUB bn



## Key Credit Ratios

	2011	2012 (restated)	1H2013
Total Debt, RUB bn	132.8	216.4	225.6
Net Debt, RUB bn	85.2	168.0	173.4
Total Debt / Adjusted EBITDA	1.6x	2.6x	2.6x
Net Debt / Adjusted EBITDA	1.0x	2.0x	2.0x

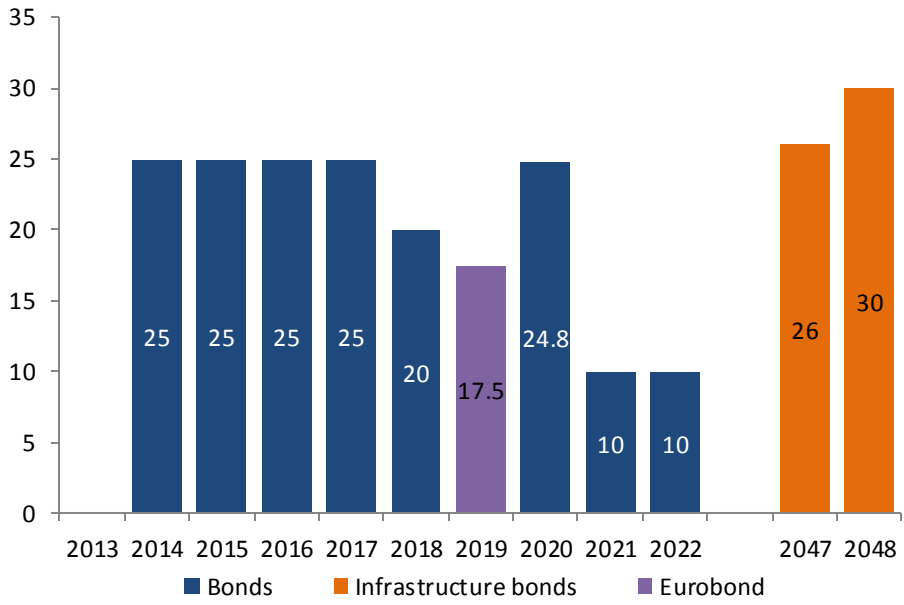
Source: Company IFRS financials

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## Debt maturity profile (as of 27.09.2013), RUB bn



## Commentary

- Federal Grid is the only investment grade issuer in the Russian electricity sector (except OJSC “AtomEnergoProm”)
- Federal Grid domestic bond curve forms the benchmark for the Russian electricity sector
- Outstanding debt is predominantly long term
- All of the Company’s outstanding debt is rouble–denominated
- 100% of the credit portfolio is unsecured debt
- As of 29 September 2013 undrawn credit lines amount to RUB 162.5bn
- The Supervisory Board of Vnesheconombank (VEB) approved investing of pension savings, managed by VEB, into infrastructure bonds of Federal Grid with a limit of RUB 100bn and a maturity up to 35 years
- On 10 June 2013 Federal Grid Company successfully placed the first RUB 30 bn infrastructure bond issue with embedded put option in 35 years and CPI-linked coupon
- On 13 August 2013 Federal Grid Company successfully placed a second RUB 26 bn infrastructure bond issue with embedded put option in 34 years and CPI-linked coupon

## Credit Ratings

S&P Outlook	BBB Stable
Moody’s Outlook	Baa3 Stable

As of 27.09.2013:  
 The Company’s debt portfolio totaled RUB 238.3 bn  
 Debt/EBITDA=2.7x  
 Weighted average cost of ruble-denominated debt financing: 8.2%  
 Weighted average maturity: 11.2 years  
 100% of the credit portfolio is unsecured debt



Thank you





# Appendix



## Consolidated Interim Statement of Financial Position

RUB MM

30 June 2013 31 December 2012 (restated)

### ASSETS

#### Non-current assets

Property, plant and equipment	1,118,301	1,096,53€
Intangible assets	9,367	9,31€
Investments in associates	1,491	1,40€
Available-for-sale investments	26,58€	50,617
Long-term promissory notes	93€	1,457
Other non-current assets	2,88€	4,49€
<b>Total non-current assets</b>	<b>1,159,564</b>	<b>1,163,82€</b>

#### Current assets

Cash and cash equivalents	37,19€	24,05€
Bank deposits	1,04€	98€
Short-term promissory notes	13,97€	23,38€
Loans given	4€	3€
Accounts receivable and prepayments	37,37€	38,80€
Income tax prepayments	1,17€	2,14€
Inventories	7,77€	7,007
<b>Total current assets</b>	<b>98,57€</b>	<b>96,41€</b>

<b>TOTAL ASSETS</b>	<b>1,258,14€</b>	<b>1,260,241</b>
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### EQUITY AND LIABILITIES

#### Equity

Share capital: Ordinary shares	633,57€	630,19€
Treasury shares	(4,782)	(4,917)
Share premium	10,501	10,501
Reserves	310,761	311,51€
Accumulated deficit	(52,281)	(42,237)
<b>Equity attributable to shareholders of FGC UES</b>	<b>897,76€</b>	<b>905,05€</b>
Non-controlling interest	34€	73€
<b>Total equity</b>	<b>898,114</b>	<b>905,79€</b>

#### Non-current liabilities

Deferred income tax liabilities	79,12€	80,48€
Non-current debt	186,15€	193,20€
Retirement benefit obligations	6,95€	7,29€
<b>Total non-current liabilities</b>	<b>272,23€</b>	<b>280,98€</b>

#### Current liabilities

Accounts payable to shareholders of FGC UES	1€	3,257
Current debt and current portion of non-current debt	39,40€	23,21€
Accounts payable and accrued charges	48,30€	46,81€
Income tax payable	8€	17€
<b>Total current liabilities</b>	<b>87,79€</b>	<b>73,46€</b>

<b>Total liabilities</b>	<b>360,02€</b>	<b>354,44€</b>
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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,258,14€</b>	<b>1,260,241</b>
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Corresponding information has been restated due to retrospective application of changes in accounting policy related to defined benefits pension obligations.





# Profit and Loss Statement

## Consolidated Interim Statement of Comprehensive Income

RUB MM		
	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Revenues	75,826	66,909
Other operating income	1,445	1,447
Operating expenses	(66,328)	(53,310)
(Impairment) / reversal of impairment of property, plant and equipment, net	(392)	267
<b>Operating profit</b>	<b>10,551</b>	<b>15,313</b>
Finance income	1,977	1,934
Finance costs	(349)	(332)
Impairment of available-for-sale investments	(22,977)	(12,895)
(Impairment) / reversal of impairment of promissory notes	(451)	300
Reversal of impairment of investments in associates	-	310
Share of result of associates	8	(1)
<b>(Loss) / profit before income tax</b>	<b>(11,241)</b>	<b>4,639</b>
Income tax	322	(657)
<b>(Loss) / profit for the period</b>	<b>(10,919)</b>	<b>3,972</b>
<b>Other comprehensive income / (loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of retirement benefit obligations	546	-
Change in revaluation reserve for property, plant and equipment in associates	-	260
Income tax relating to items that will not be reclassified	(49)	-
<b>Total items that will not be reclassified to profit or loss</b>	<b>497</b>	<b>260</b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in fair value of available-for-sale investments	(24,031)	(13,559)
Impairment of available-for-sale investments recycled to profit or loss	22,977	12,895
Foreign currency translation difference	80	24
Income tax relating to items that may be reclassified	211	130
<b>Total items that may be reclassified to profit or loss</b>	<b>(763)</b>	<b>(507)</b>
<b>Other comprehensive loss for the period, net of income tax</b>	<b>(266)</b>	<b>(247)</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(11,185)</b>	<b>3,725</b>
(Loss) / profit attributable to:		
Shareholders of FGC UES	(10,536)	4,000
Non-controlling interest	(383)	(31)
<b>Total comprehensive (loss) / income attributable to:</b>		
Shareholders of FGC UES	(10,802)	3,769
Non-controlling interest	(383)	(31)
<b>(Loss) / earnings per ordinary share for (loss) / profit attributable to shareholders of FGC UES – basic and diluted (in Russian Roubles)</b>	<b>(0,008)</b>	<b>0,005</b>

Corresponding information has been restated due to retrospective application of changes in accounting policy related to defined benefits pension obligations.



# Cash Flow Statement

## Consolidated Interim Statement of Cash Flows

RUB MM	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
<b>(Loss) / profit before income tax</b>	<b>(11,241)</b>	<b>4,635</b>
Adjustments to reconcile (loss) / profit before income tax to net cash provided by operations		
Depreciation of property, plant and equipment	27,435	20,186
Loss on disposal of property, plant and equipment	381	279
Amortisation of intangible assets	409	278
Impairment / (reversal of impairment) of property, plant and equipment, net	392	(267)
Impairment of available-for-sale investments	22,977	12,895
Impairment / (reversal of impairment) of promissory notes	451	(303)
Reversal of impairment of investments in associates	-	(313)
Share of result of associates	(8)	1
Accrual of allowance for doubtful debtors	3,738	1,933
Share-based compensation	135	361
Finance income	(1,977)	(1,934)
Finance costs	349	332
Other non-cash operating (income) / expense	(3)	7
<b>Operating cash flows before working capital changes and income tax paid</b>	<b>43,038</b>	<b>38,090</b>
Working capital changes:		
Increase in accounts receivable and prepayments	(1,101)	(2,145)
Increase in inventories	(769)	(1,177)
Decrease in other non-current assets	134	46
Increase in accounts payable and accrued charges	2,268	4,364
Decrease in retirement benefit obligations	(48)	(112)
Income tax paid	(19)	(1,613)
<b>Net cash generated by operating activities</b>	<b>43,503</b>	<b>37,453</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(42,235)	(58,882)
Proceeds from disposal of property, plant and equipment	211	341
Purchase of intangible assets	(457)	(803)
Purchase of promissory notes	(13,079)	(35,000)
Redemption of promissory notes	23,597	45,027
Investment in bank deposits	(1,618)	(1,897)
Redemption of bank deposits	1,555	2,046
Interest received	1,187	1,169
<b>Net cash used in investing activities</b>	<b>(30,839)</b>	<b>(47,999)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from non-current borrowings	40,000	20,000
Repayment of non-current borrowings	(32,000)	-
Repayment of current borrowings	-	(59)
Repayment of lease	(75)	(75)
Interest paid	(7,453)	(4,994)
<b>Net cash generated by financing activities</b>	<b>472</b>	<b>14,872</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,136</b>	<b>4,326</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>24,056</b>	<b>25,627</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>37,192</b>	<b>29,953</b>

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## General

- The Unified National Electric Grid – the UNEG
- JSC “Federal Grid Company of Unified Energy System” – Federal Grid Company
- JSC “FGC UES” and its subsidiaries – the Group
- OJSC “Russian Grids” – Russian Grids
- The Russian Federal Tariff Service – the FTS

## Financial Metrics

- Adjusted EBITDA – profit for the period before income tax, finance income and costs, depreciation and amortisation adjusted to exclude non-specific impairment of property, plant and equipment, impairment of available-for-sale investments, impairment of promissory notes (only for six months ended 30 June 2013), reversal of impairment of investments in associates (only for six months ended 30 June 2012), and to include finance income
- Adjusted EBITDA Margin – ratio of Adjusted EBITDA to revenue
- Adjusted Profit for the period – profit for the period adjusted for such items as: profit for the period before income tax, finance income and costs, depreciation and amortisation adjusted to exclude non-specific impairment of property, plant and equipment, impairment of available-for-sale investments, impairment of promissory notes (only for six months ended 30 June 2013), reversal of impairment of investments in associates (only for six months ended 30 June 2012), and related deferred income tax effects
- Total Debt – current and non-current debt (includes bonds, bank and non-bank loans and finance lease liabilities)
- Net Debt – Total Debt less cash and cash equivalents, short-term promissory notes and short-term bank deposits
- Capex – cash spent during the reporting period for purchase of property, plant and equipment and intangible assets
- Leverage – ratio of Net Debt as at the end of the reporting period to Adjusted EBITDA for the last twelve months before the end of that period
- Personnel Related Expenses – employee benefit expenses and payroll taxes
- Materials, Repairs and Maintenance costs – sum of expenses for repairs and maintenance of equipment (by contractors) and materials for repair
- D&A – depreciation of property, plant and equipment and amortisation of intangible assets



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