

## Federal Grid Company Announces FY 2012 RAS Financial Results

Moscow, 20 March 2013 - Federal Grid Company of Unified Energy System ("Federal Grid Company" or "the Company") (MICEX-RTS, LSE: FEES) today announces its financial results for the year ended 31 December 2012 under Russian Accounting Standards (RAS).

*The Company's RAS accounts do not consolidate the results of Federal Grid Company subsidiaries or affiliated companies that operate as independent legal entities.*

### Key financial performance:

- Revenue of RUB 138,836 million
- Adjusted EBITDA\* of RUB 82,847 million
- Gross profit of RUB 32,219 million
- Net profit (loss) of RUB (24,502) million
- Adjusted net profit\* RUB 13,413 million

*\*excludes losses from revaluation of assets as well as adjustments to bad debt provisions and securities impairments*

### Key corporate developments of 2012:

#### Tariff decisions:

- On 21 May 2012 the Federal Tariff Service approved tariffs for electricity transmission on the Unified National Electricity Grid (UNEG) for 2012-2014 (from 1 July 2012 the tariff increased 11%, from July 2013-2014 growth of 9.4%)

#### Investment programme:

- On 11 May 2012 the Russian Federation Ministry of Energy approved a revised investment programme for Federal Grid Company of RUB 505 billion for 2012-2014.
- On 31 October 2012 the Ministry of Energy approved an expanded investment programme for 2013-2017 of RUB 775.5 billion.

#### Development of the electricity grid:

- On 22 November 2012 the President of Russia signed a decree "On Open Joint Stock Company 'Russian Grids'". The decree stipulates that MRSK Holding be renamed OJSC Russian Grids and that the 79.55% stake in Federal Grid currently owned by the Russian Federation should be included in the share capital of OJSC Russian Grids.

#### Capital markets activity:

- On 27 April 2012 the Federal Grid Company Board of Directors approved three long-term debt programmes aimed at diversifying the company's sources of funding:
  - issue of Russian bonds totalling RUB 125 billion;
  - issue of commercial paper totalling RUB 100 billion;
  - issue of Eurobonds totalling RUB 100 billion.

Federal Grid Company's revenue for FY 2012 was RUB 138,836 million, a year-on-year (y-o-y) increase of RUB 699.9 million.

The primary factors influencing changes in the Company's revenue were the tariff adjustment in April 2011 and the delayed transition to annual tariff increases from 1 January 2012 to 1 July 2012, which resulted in revenue from electricity transmission increasing by 4% y-o-y.

This 4% y-o-y increase, however, was balanced by y-o-y decreases in revenue from other regulated activities that were outside of the Company's control:

- revenue from technical losses compensation (-21%) due to a decrease in the established normative of technical losses (from 4.84% in 2011 to 4.49% in 2012); and
- revenue from technological connection services (-49%).

Operating costs including administrative expenses for 2012 amounted to RUB 116,472 million, primarily due to higher depreciation charges from commissioning of new UNEG facilities under Federal Grid Company's investment programme (2012 depreciation charges: RUB 60,241 million, 2011 charges: RUB 40,778 million).

The 2012 operating costs excluding depreciation charges increased by RUB 4,110 million (7.9%) y-o-y, primarily due to growth in operating costs related to newly commissioned UNEG facilities, and due to inflation-related factors.

Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to RUB 82,847 million in 2012.

Federal Grid Company's other income for 2012 decreased by RUB 62,258 million (-36.32% y-o-y), to RUB 109,176 million. The Company's other costs for 2012 were RUB 150,152 million, constituting a decrease of RUB 59,310 million (-28.32%) y-o-y.

Federal Grid's net loss according to RAS for 2012 was RUB 24,502 million. At the same time, the Company recorded net profit supported by operating cash flows, excluding "paper" gains and losses, for 2012 of RUB 13,413 million, which was affected by the following accounting operations:

- the creation of a provision for doubtful debts (net provision: RUB 9,939.95 million);
- an adjustment for securities impairment of RUB 9,564.24 million;
- the negative adjustment for revaluation of financial investments at market price totalling RUB 17,031 million (primarily shares of INTER RAO UES).

## **Balance sheet as of 31 December 2012**

### **Assets**

Federal Grid Company's total assets increased by RUB 85,502 million (8.24%) during 2012 and at the end of the period stood at RUB 1,222,995 million.

Non-current assets grew by 10% and amounted to RUB 1,011,666 million, driven principally by an increase in the value of property, plant and equipment as a result of new facilities commissioned in 2012 under the Company's investment programme. This was also driven by a decrease in the value of mark-to-market financial investments (-35.64%).

Current assets declined by 5.6% and amounted to RUB 111,328 million, due to a decrease in inventories related to an optimisation of the Company's inventories, and due to a reduction in short-term financial investments related to cash requirements for financing of the investment programme.

### **Liabilities**

Federal Grid Company's capital decreased by RUB 3,923 million (-0.46%) during the period due to an increase of RUB 2,219 million in the Company's charter capital as a result of registration with the Federal Financial Markets Service of an additional share issue in 2011, an increase of RUB 17,726 million related to the annual revaluation of PP&E, and due to the 2012 loss of RUB 24,502 million.

The Company's total debt (loans and borrowings) as of 31 December 2012 increased by RUB 83,815 million (63.6%) to RUB 215,589 million, due to new long-term loans and bond placements to finance Federal Grid Company's investment programme.

### **Commenting on the results for 2012, First Deputy Chairman of the Management Board Andrey Kazachenkov said:**

"Taking into account the tariff adjustment in 2011 and the delayed transition to annual tariff increases from 1 January to 1 July 2012, Federal Grid Company's priorities in 2012 were maintaining a balanced financial policy in order to ensure stable electricity supply and reliability of the unified national electric grid.

"The Company's adjusted EBITDA for 2012 was RUB 82.8 billion.

"Federal Grid Company's cost efficiency programme played an integral role in allowing us to meet the goals set out in our business plan for 2012. As a result, the economic effect from implementation of this programme surpassed RUB 2 billion.

"The RAB regulation has had a positive impact on the development of the unified national electric grid. As a result, in 2012, RUB 186.7 billion worth of fixed assets were incorporated.

"In 2012, Federal Grid Company carried out several successful placements on the capital markets. In August 2012 the Company floated a RUB 10 billion CPI-linked bond issue with a first put date in 10 years – a first in the Russian energy sector. Additionally, in December 2012, the Company closed the order book on a RUB 17.5 billion debut Eurobond issue maturing in March 2019.

"The results of 2012 demonstrate how Federal Grid Company continues to pursue balanced financial policies aimed at facilitating economic growth through the long-term development of the country's electricity grid infrastructure."

*Federal Grid Company's financial statements for 2012 under RAS can be found on the Company's website: [http://www.fsk-ees.ru/eng/investors/financial\\_disclosure/ras\\_financial\\_reports/](http://www.fsk-ees.ru/eng/investors/financial_disclosure/ras_financial_reports/)*

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