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**Federal
Grid Company**



**of Unified
Energy System**

1H 2013 Operational and Financial Results

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First Deputy Chairman of the Management Board

28 August 2013



Key Events

- On 14 June 2013 the Russian government's 79.64% stake in Federal Grid Company, previously held through the Federal Property Management Agency, was transferred to Russian Grids
- On 14 June 2013 Oleg Budargin, Chairman of the Management Board of Federal Grid Company was appointed General Director of Russian Grids
- The State Management Company of Vnesheconombank received approval from the Supervisory Board to invest pension funds totalling RUB 100 bn in Federal Grid's infrastructure bonds with 35 years maturity and a CPI +1% coupon rate.
- On 10 June 2013 Federal Grid successfully placed its first RUB 30 bn infrastructure bond issue with a 35-year maturity

1H 2013 Consolidated Financial Results

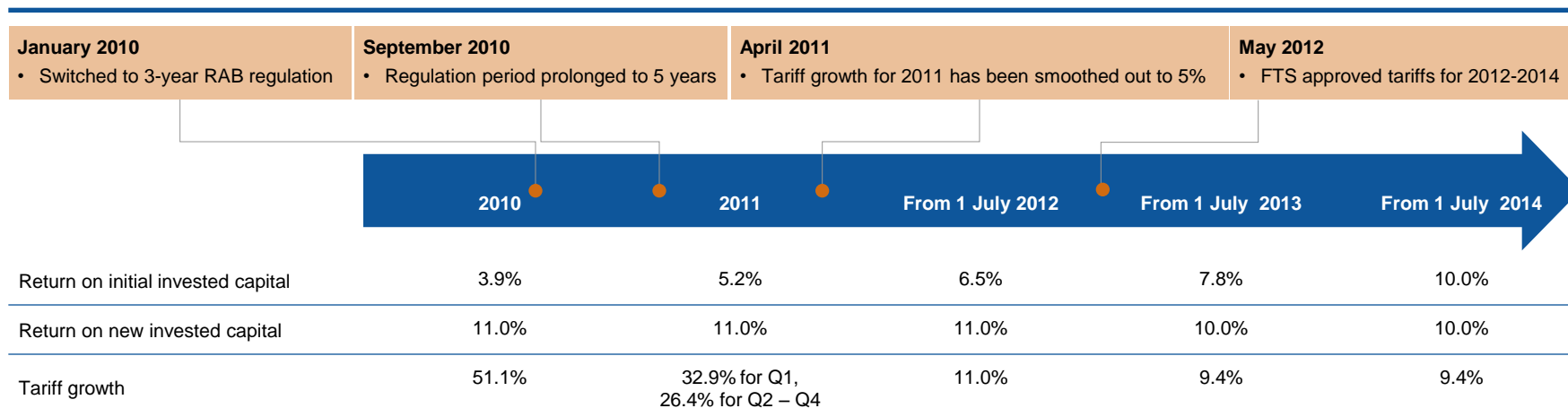
- Revenues increased by 13.3% y-o-y to RUB 75.8 bn, primarily due to growth of tariffs for transmission services established by the Russian Federal Tariff Service (FTS)
- Adjusted EBITDA increased by 6.3% to RUB 40.4 bn, while the Company's adjusted EBITDA margin was 53.3% and adjusted profit for the period was RUB 7.9 bn
- Net Debt position increased to RUB 173.4 bn from RUB 168.0 bn as of 31 December 2012, implying leverage equal to 2.0 x as of 30 June 2013



Regulatory Asset Base (RAB) Regulation

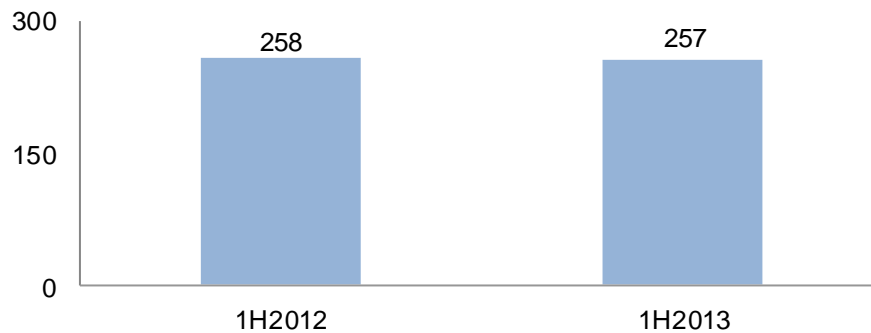
- On 21 May 2012, the Russian Federal Tariff Service approved tariffs under RAB regulation for 2012 – 2014
- Federal Grid Company tariffs increased by 11.0% starting from 1 July 2012, by 9.4% from 1 July 2013, and will grow by another 9.4% from 1 July 2014
- Return on initial invested capital in 2014 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



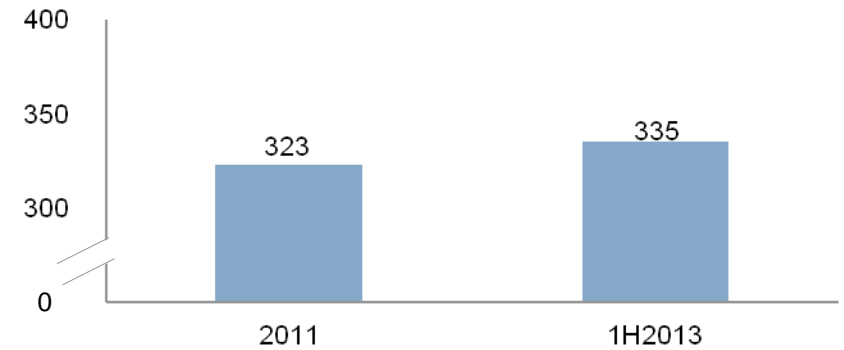
Electricity Transmission Volume

bn kWh (for respective period)



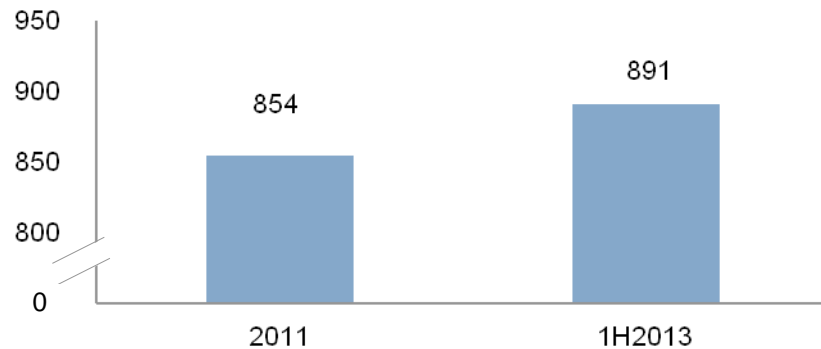
Total Transformer Capacity in Operations

GVA (end of period)



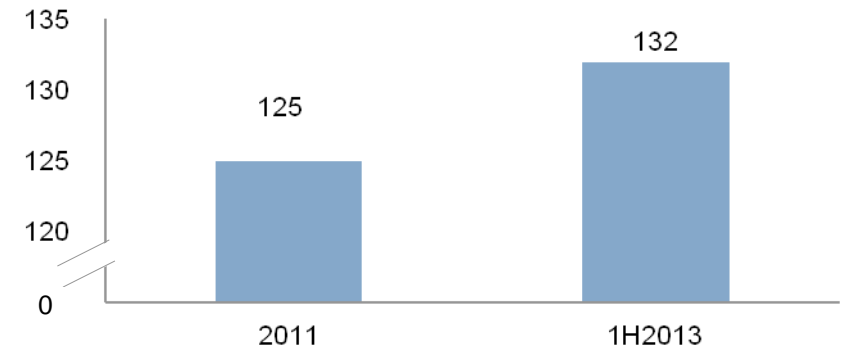
Substations⁽¹⁾

Units (end of period)



Transmission Grid Length in Operations

'000 km (end of period)



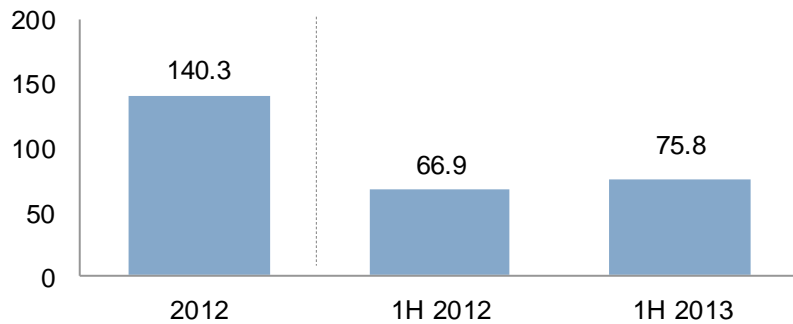
Source Company data
Note: 1. Including leased substations



Key Financial Results

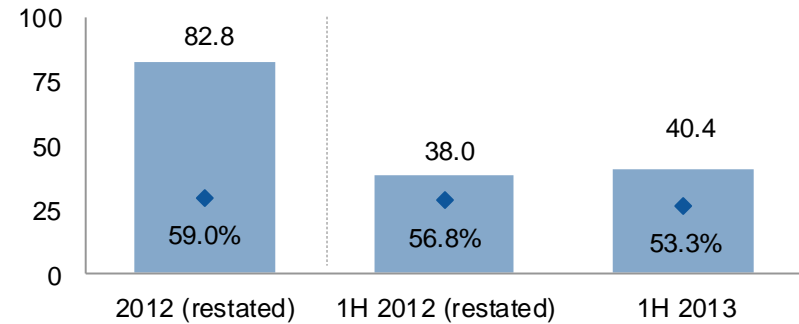
Revenue

RUB bn



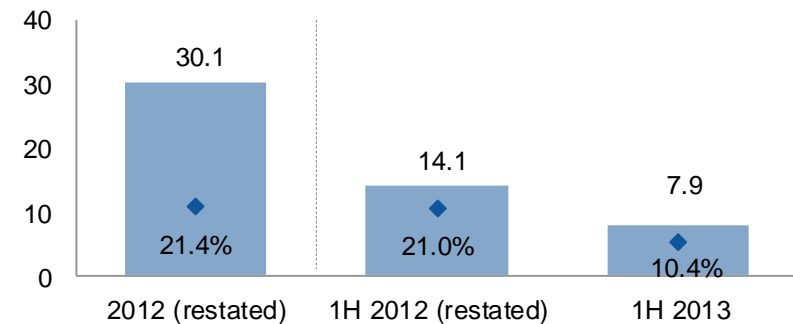
Adjusted EBITDA

RUB bn



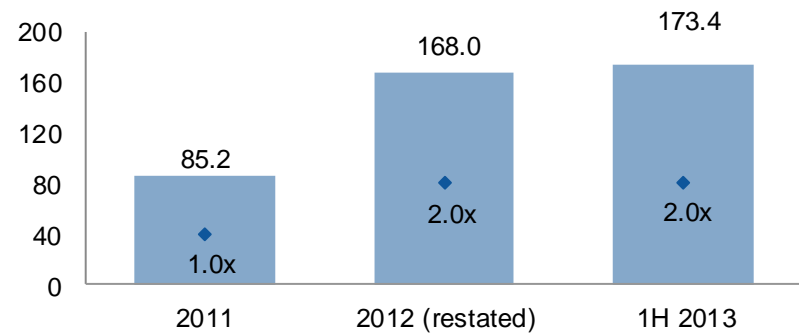
Adjusted Profit for the Period

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 ⁽¹⁾

	1H 2013 RUB mln	% of total operating expenses	1H 2012 (restated) RUB mln	% of total operating expenses	Y-o-Y Change %
D&A ⁽²⁾	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%
Total operating expenses*	34,746	100,0%	30,913	100,0%	12.4%

* 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

Notes:

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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.

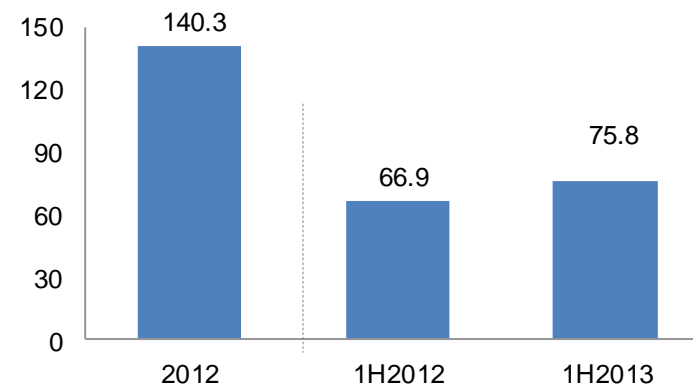


	1H2013 RUB mln	1H2012 RUB mln	Y-o-Y Change %
Transmission fees	73,913	65,342	13.1%
Electricity sales	1,357	912	48.8%
Other revenues	556	655	(15.1)%
Total revenues	75,826	66,909	13.3%

- 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



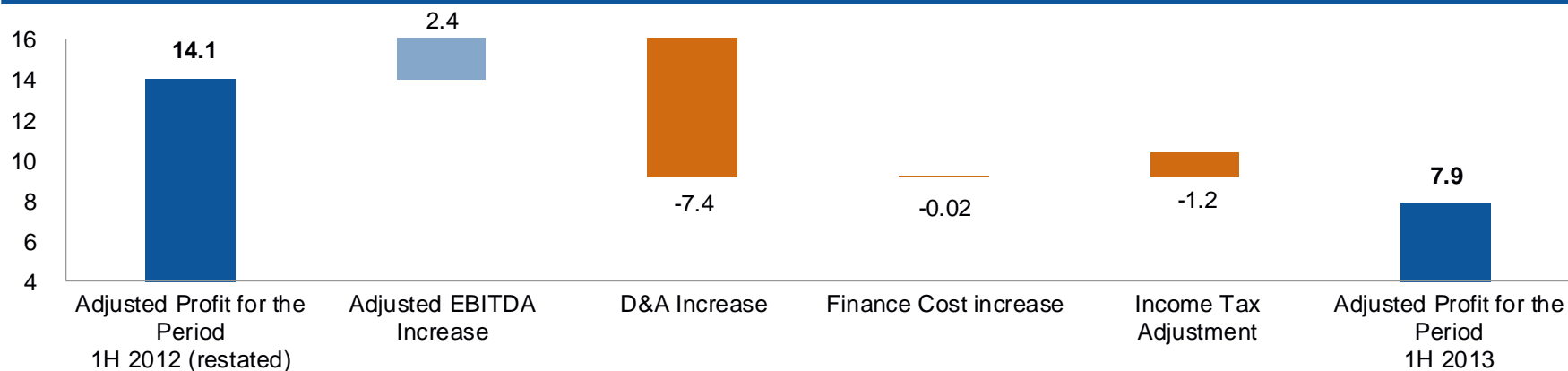
Adjusted EBITDA Bridge

RUB bn



Adjusted Profit Bridge

RUB bn



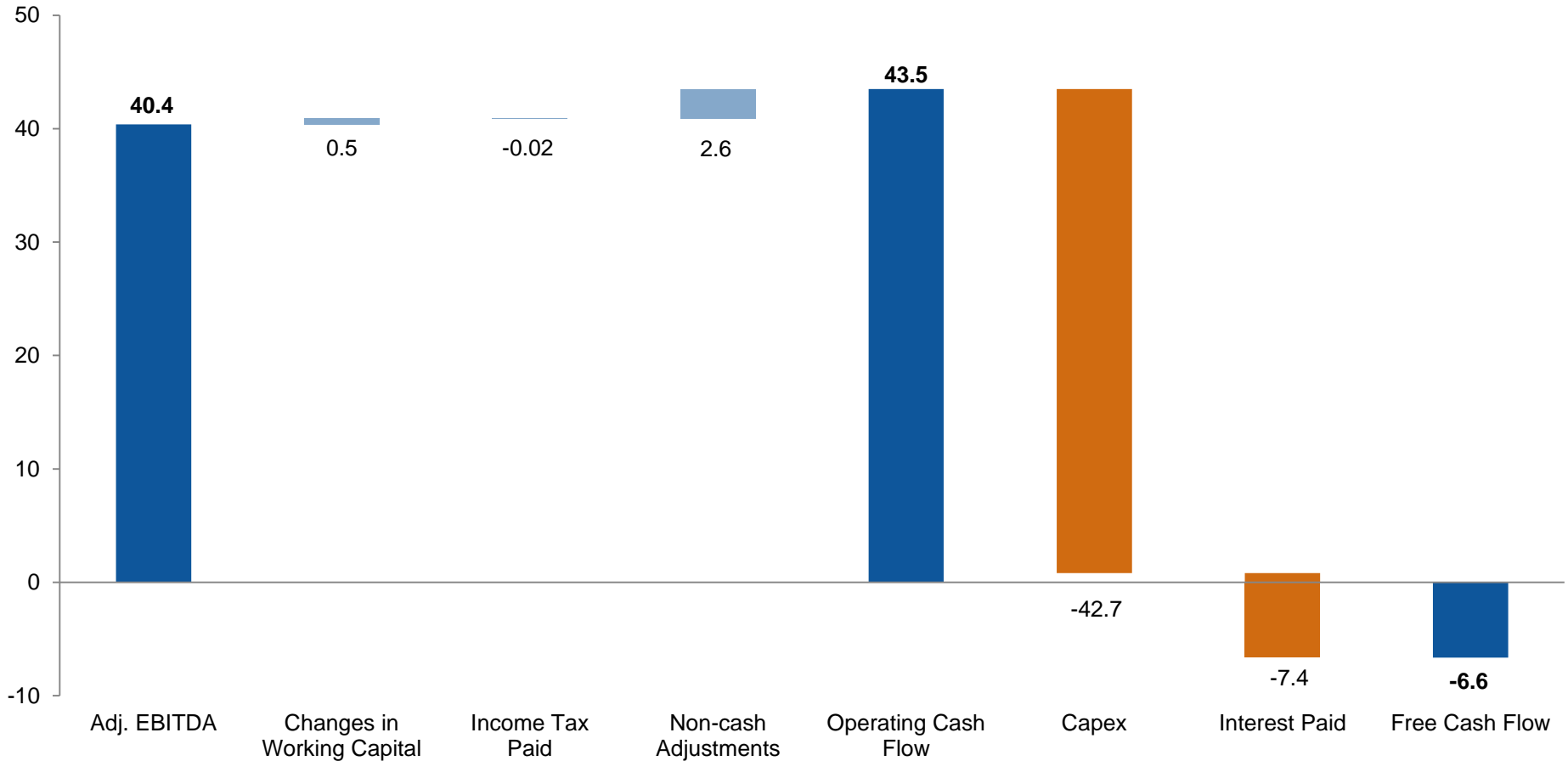
Source: Company IFRS financials

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Free Cash Flow in 1H 2013

RUB bn



Source: Company IFRS financials

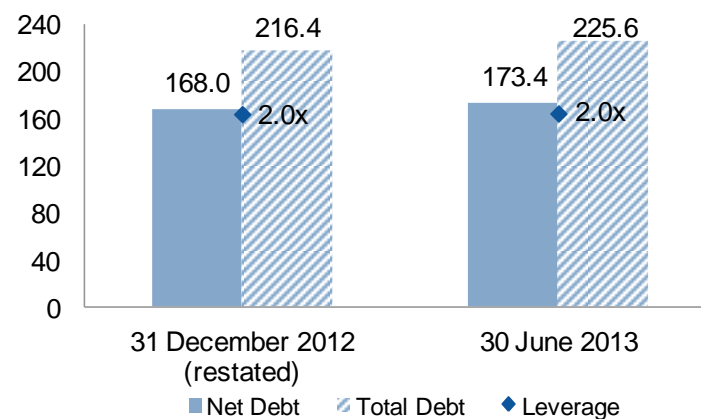
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- As of 30 June 2013 Total debt amounted to RUB 225.6 bn
 - 90% of total debt is local bonds, 8% is Eurobonds, with the remaining being bank loans
- 100% of total debt is unsecured and rouble nominated
- Net debt position of RUB 173.4 bn as of 30 June 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

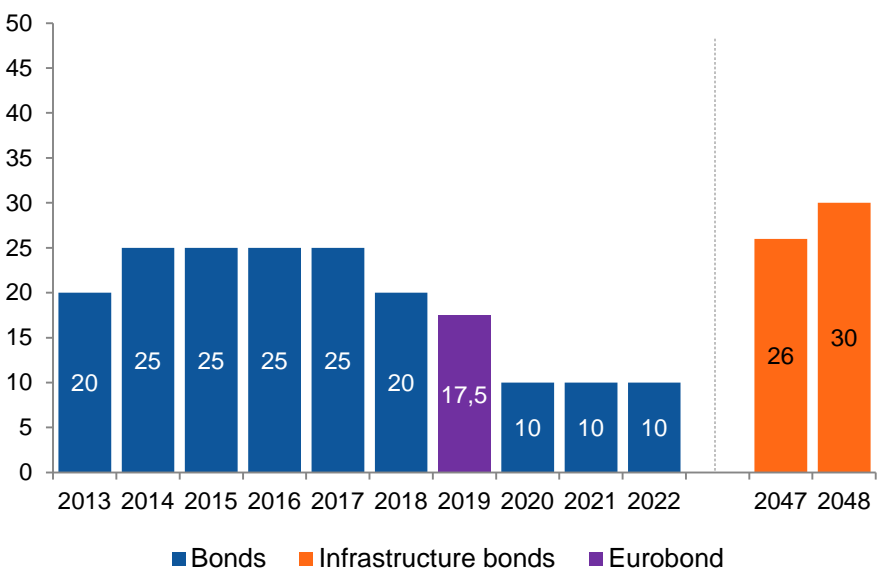
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Debt maturity profile (as of 14.08.2013), RUB bn



Commentary

- Federal Grid is the only investment grade issuer in the Russian electricity sector
- 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 14 August 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 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 14.08.2013:
 The Company's debt portfolio totaled RUB 243.5 bn
 Weighted average cost of rouble-denominated debt financing: 8.1%
 Weighted average maturity: 10.9 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	1,096,535
Intangible assets	9,367	9,319
Investments in associates	1,491	1,403
Available-for-sale investments	26,586	50,617
Long-term promissory notes	939	1,457
Other non-current assets	2,880	4,498
Total non-current assets	1,159,564	1,163,829
Current assets		
Cash and cash equivalents	37,192	24,056
Bank deposits	1,043	980
Short-term promissory notes	13,973	23,380
Loans given	49	38
Accounts receivable and prepayments	37,373	38,808
Income tax prepayments	1,173	2,143
Inventories	7,776	7,007
Total current assets	98,579	96,412
TOTAL ASSETS	1,258,143	1,260,241
EQUITY AND LIABILITIES		
Equity		
Share capital: Ordinary shares	633,570	630,193
Treasury shares	(4,782)	(4,917)
Share premium	10,501	10,501
Reserves	310,761	311,519
Accumulated deficit	(52,281)	(42,237)
Equity attributable to shareholders of FGC UES	897,769	905,059
Non-controlling interest	345	733
Total equity	898,114	905,792
Non-current liabilities		
Deferred income tax liabilities	79,120	80,489
Non-current debt	186,158	193,200
Retirement benefit obligations	6,958	7,294
Total non-current liabilities	272,236	280,983
Current liabilities		
Accounts payable to shareholders of FGC UES	10	3,257
Current debt and current portion of non-current debt	39,400	23,218
Accounts payable and accrued charges	48,300	46,816
Income tax payable	83	175
Total current liabilities	87,793	73,466
Total liabilities	360,029	354,449
TOTAL EQUITY AND LIABILITIES	1,258,143	1,260,241

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
Operating profit		10,551	15,313
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)	303
Reversal of impairment of investments in associates		-	313
Share of result of associates		8	(1)
(Loss) / profit before income tax		(11,241)	4,635
Income tax		322	(657)
(Loss) / profit for the period		(10,919)	3,978
Other comprehensive income / (loss)			
<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)	-
Total items that will not be reclassified to profit or loss		497	260
<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	133
Total items that may be reclassified to profit or loss		(763)	(507)
Other comprehensive loss for the period, net of income tax		(266)	(247)
Total comprehensive (loss) / income for the period		(11,185)	3,731
(Loss) / profit attributable to:			
Shareholders of FGC UES		(10,536)	4,009
Non-controlling interest		(383)	(31)
Total comprehensive (loss) / income attributable to:			
Shareholders of FGC UES		(10,802)	3,762
Non-controlling interest		(383)	(31)
(Loss) / earnings per ordinary share for (loss) / profit attributable to shareholders of FGC UES – basic and diluted (in Russian Roubles)		(0.008)	0.003

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)
(Loss) / profit before income tax	(11,241)	4,635
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
Operating cash flows before working capital changes and income tax paid	43,038	38,090
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)
Net cash generated by operating activities	43,503	37,453
CASH FLOWS FROM INVESTING ACTIVITIES:		
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
Net cash used in investing activities	(30,839)	(47,999)
CASH FLOWS FROM FINANCING ACTIVITIES:		
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)
Net cash generated by financing activities	472	14,872
Net increase in cash and cash equivalents	13,136	4,326
Cash and cash equivalents at the beginning of the period	24,056	25,627
Cash and cash equivalents at the end of the period	37,192	29,953

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



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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