

Russian Grids

FY 2012 IFRS Results



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RUSSIAN GRIDS
Joint stock company

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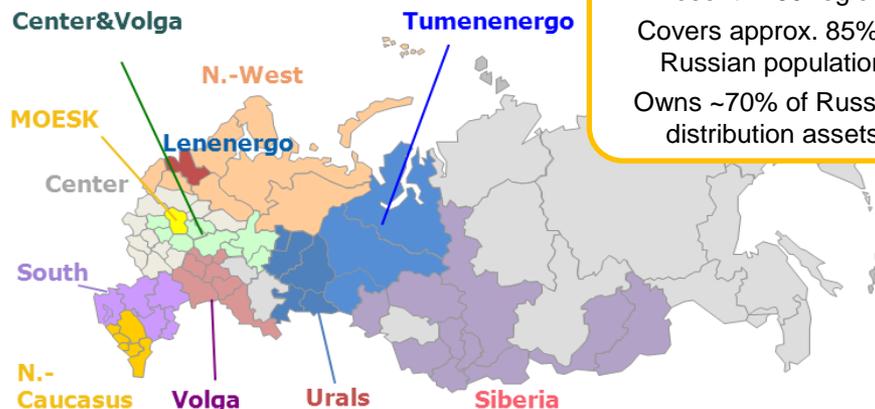
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Russian Grids at a Glance

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Leading Market Position

Russian Grids holds interests in and manages 11 interregional and five regional distribution grid companies. It is the largest electricity distributor in Russia and one of the largest electricity distributors in the world

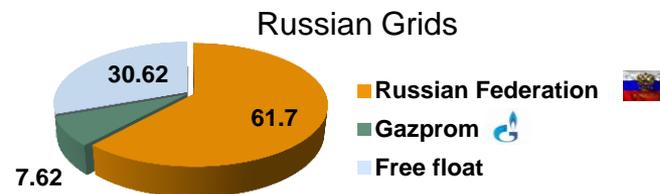


Present in 69 regions
Covers approx. 85% of Russian population
Owns ~70% of Russian distribution assets

Key operating indicators (as at 31 December 2012):

- ❖ Approximately 2.1 million kilometers of electricity distribution lines owned and operated
- ❖ A total of 650 billion kWh distributed 403.7 GVA of total installed transformer capacity

Ownership Structure



Subsidiaries	Russian Grids shareholding, %
MOESK	51
Lenenergo	49
Center&Volga	50
Center	50
N.-West	55
Urals	52
South	52
Volga	68
N.-Caucasus	78
Siberia	56
TRK (incl.Tumenenergo)	52 (78)
Kuban (incl.Tumenenergo)	63 (82)
Tumenenergo	100
Yantarenergo	100

Key corporate developments in 2012

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Management Agreement

The agreement for the transfer of MRSK Holding sole executive body powers to Federal Grid Company signed on 11 July 2012

Equity financing

Authorized capital increased by RUB 4.9 bn as a result of additional share issue

Tariff decisions

- RAB regulation applies to 44 regions (as of November 1, 2012)
- Indexation method applies to 21 regions
- 72% of total assets switched to RAB regulation

Investment programme

Adjusted consolidated investment programme for 2012 and 2013–2017 approved

Capital markets

- A RUB 36 bn programme for the issue of exchange-traded bonds of subsidiaries registered
- Ba2 assigned to IDGC of Center and Volga Region, IDGC of Urals, and IDGC of Volga by Moody's

Decree of the Russian President "On Joint Stock Company Russian Grids"

On November 22, 2012 Decree No. 1567 "On Joint Stock Company Russian Grids" was signed by the President of the Russian Federation

2012 Summary

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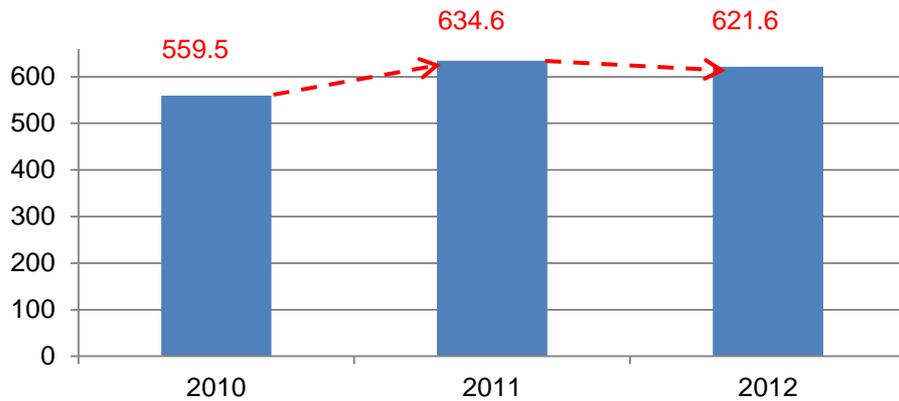
RUB bn	2012	2011	Change
Revenue*	621.6	634.6	-2.0%
Cost of sales	574.2	577.2	-0.5%
EBITDA	117.2	116.5	0.6%
EBITDA Margin	18.9%	18.4%	0.5 ppts
Operating Profit	49.7	59.3	-16.2%
Net profit	31.7	39.0	-18.7%
Net Debt	193.2	148.9	29.8%
CAPEX	141.6	139.4	1.6%

*Including Government subsidies of 0.016 RUB bn

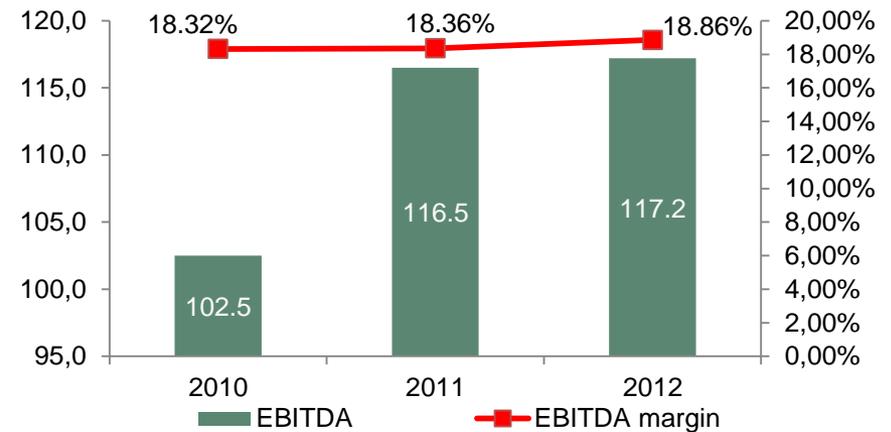
Financial Highlights

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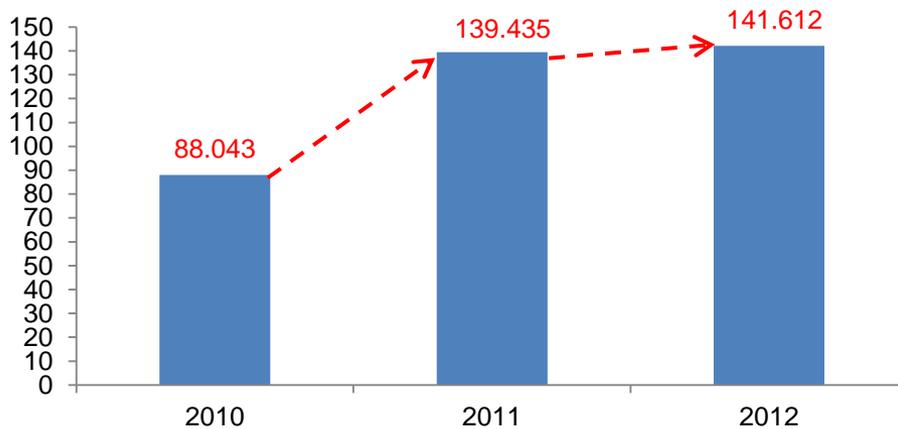
Revenue, RUB bn



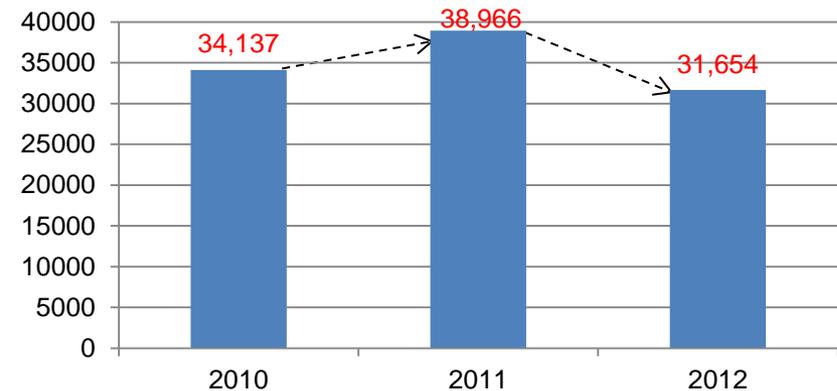
EBITDA



CAPEX, RUB bn

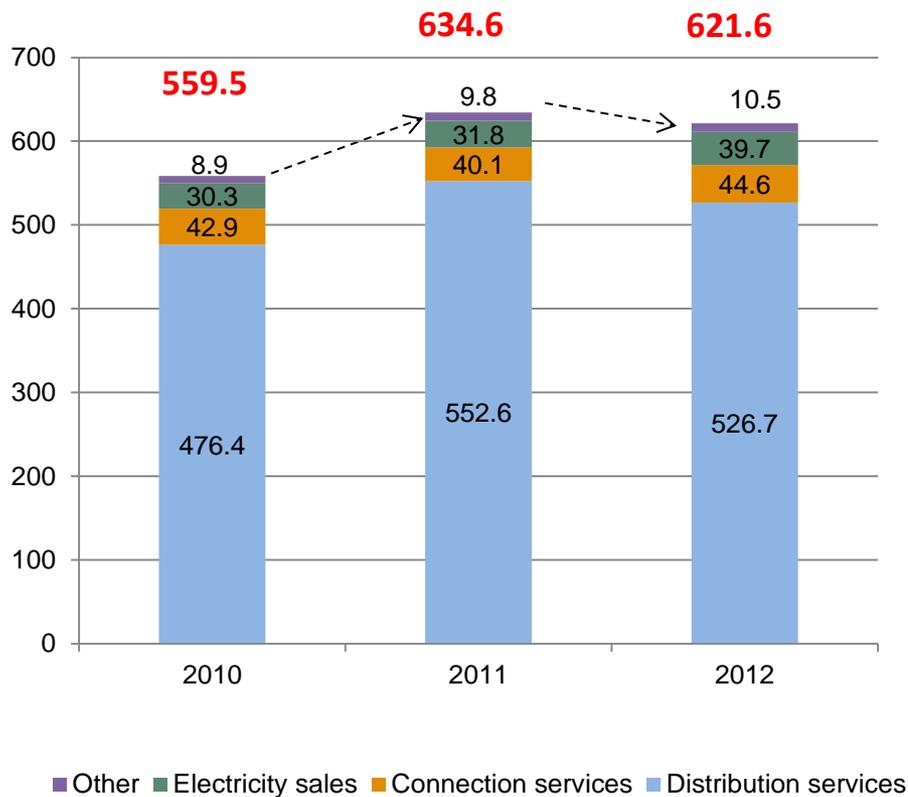


Net profit, RUB mn

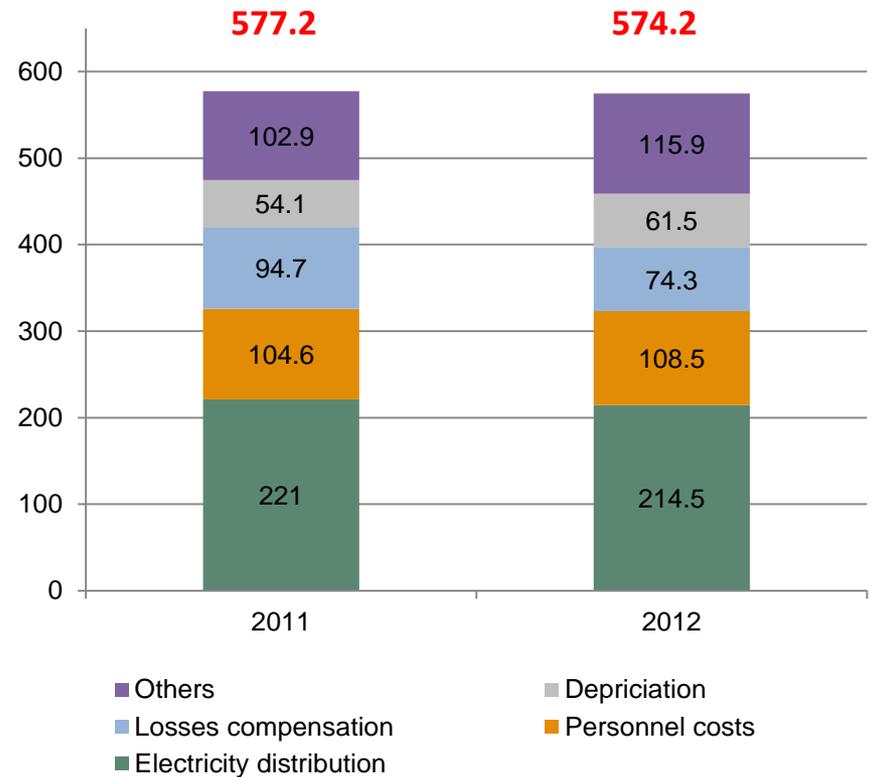


Revenue and cost structure

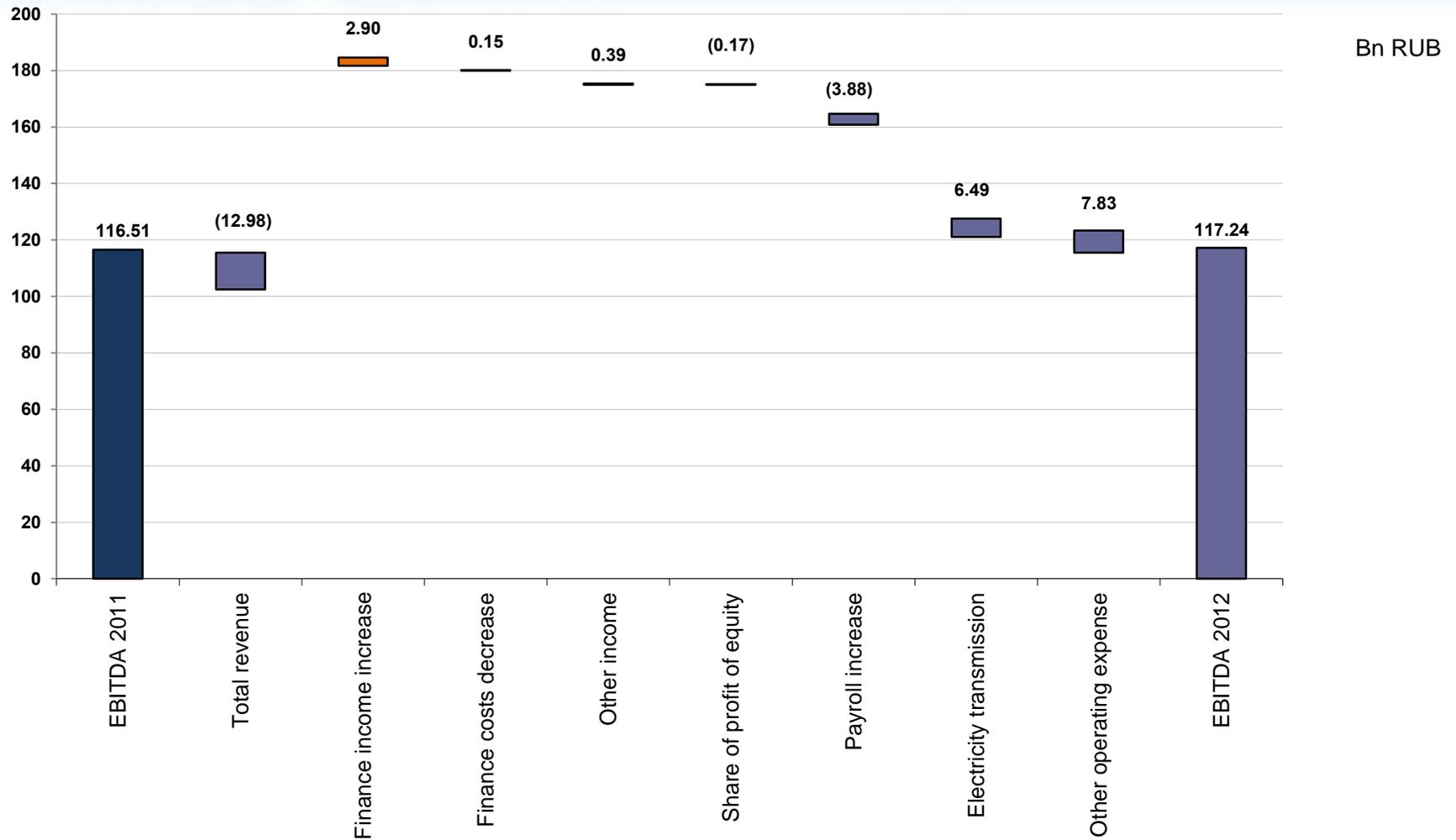
Revenue, RUB bn



Operating expenses, RUB bn



Change in EBITDA

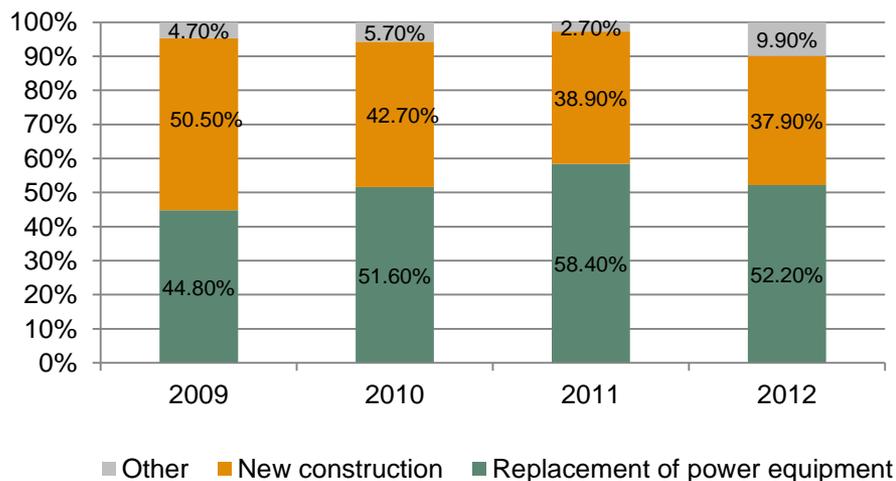


CAPEX Highlights (I)

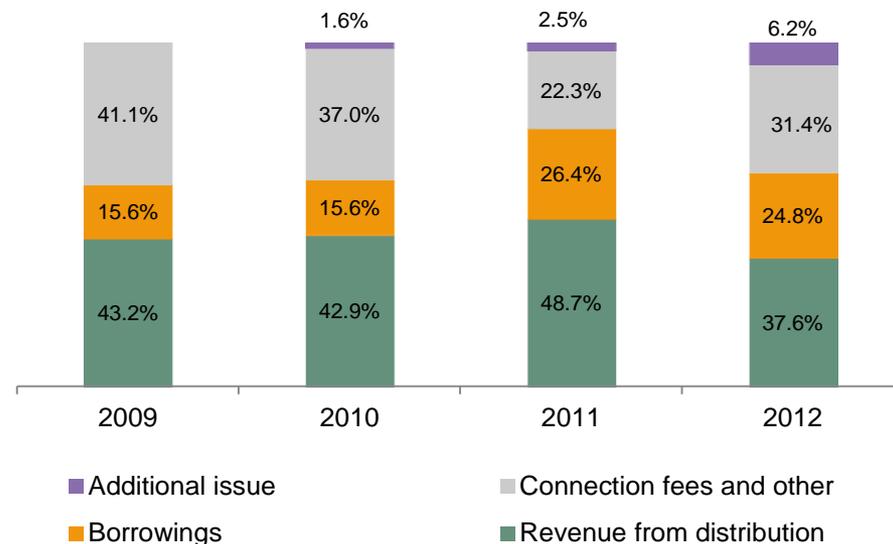
Russian Grids' CAPEX priority areas:

- ❖ Sochi Olympic Games 2014 infrastructure development
- ❖ The Renovation program of 6-110 kV cable line in St. Petersburg (Lenenergo)
- ❖ Comprehensive program of measures to decrease power losses (N.-Caucasus)
- ❖ Power assets for technological connection of "Gazprom invest Zapad"- pipeline Nord Stream (Lenenergo)
- ❖ 220 kV substation for Nadym - Salekhard (Tumenenergo)

Capex and investments allocation, %



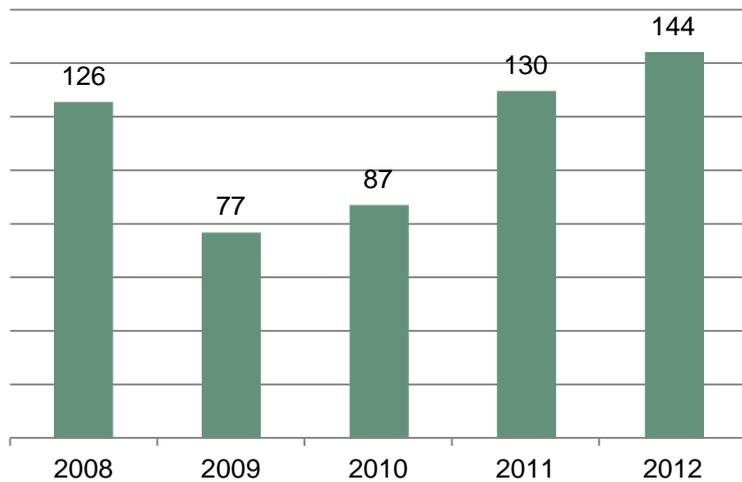
Sources of investment programme, %



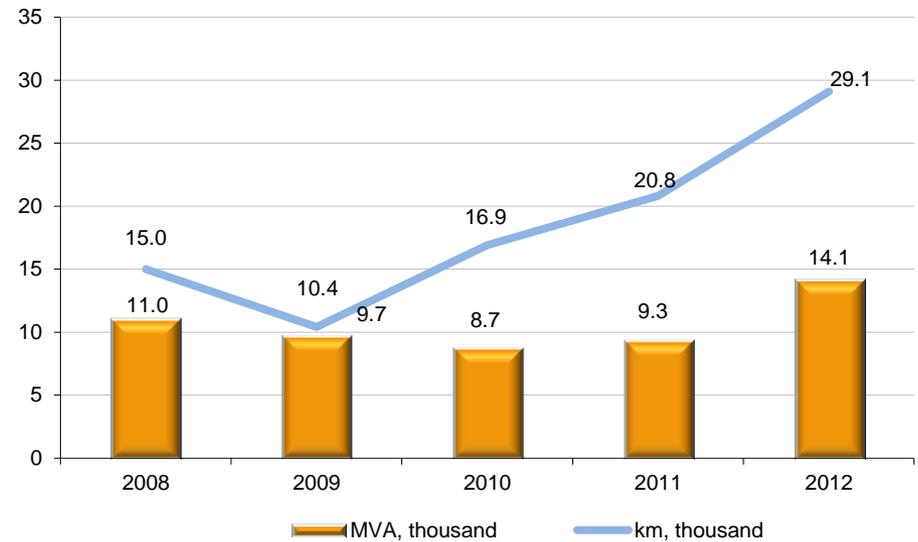
CAPEX Highlights (II)

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Capex dynamics, excl. VAT, RUB bn



Installation of distribution lines and transformer capacity



Debt Position

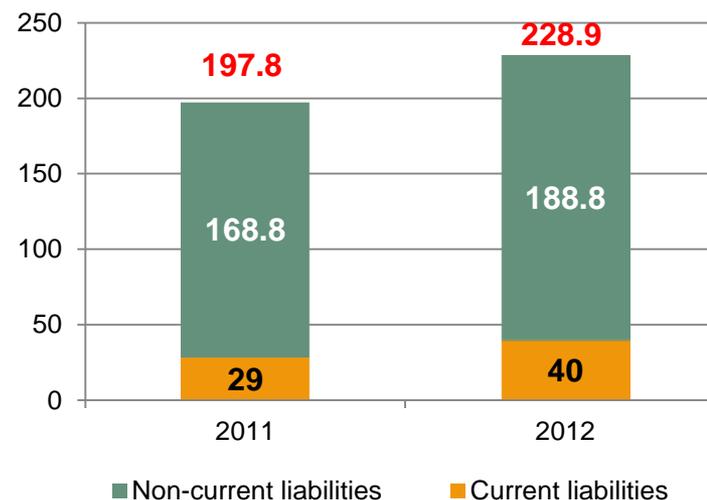
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Key indicators

RUB bn	2012	2011	Change %
Total debt	228.9	197.8	15.7
- long-term	188.8	168.8	11.8
- short-term	40.1	29.0	38.4
Cash and cash equivalents	35.7	48.9	-26.9
Net debt	193.2	148.9	29.7

Ratio	2012	2011	Change %
Total debt to total assets	0.24	0.23	+4%
Long term debt (LTD) to total equity	0.38	0.38	-
Total debt to total equity	0.46	0.45	+2%

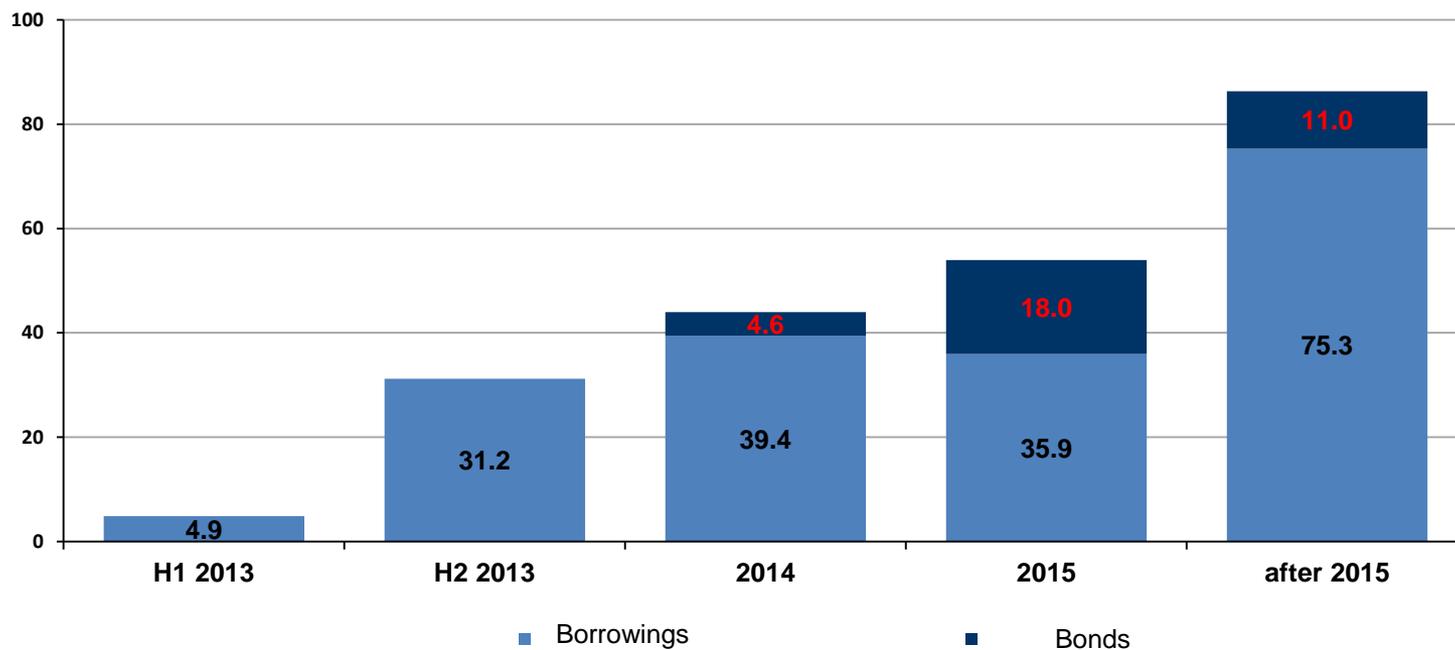
Financial debt breakdown, RUB bn



Russian Grids - "Ba1" credit rating by Moody's
Lenenergo - "Ba2" credit rating by Moody's
MOESK - "Ba2" credit rating by Moody's
 "BB" credit rating by S&P
MRSK of Centre - "BB-" credit rating by S&P,
MRSK of Centre&Volga - "Ba2" credit rating by Moody's
MRSK of Volga - "Ba2" credit rating by Moody's,
MRSK of Urals - "Ba2" credit rating by Moody's

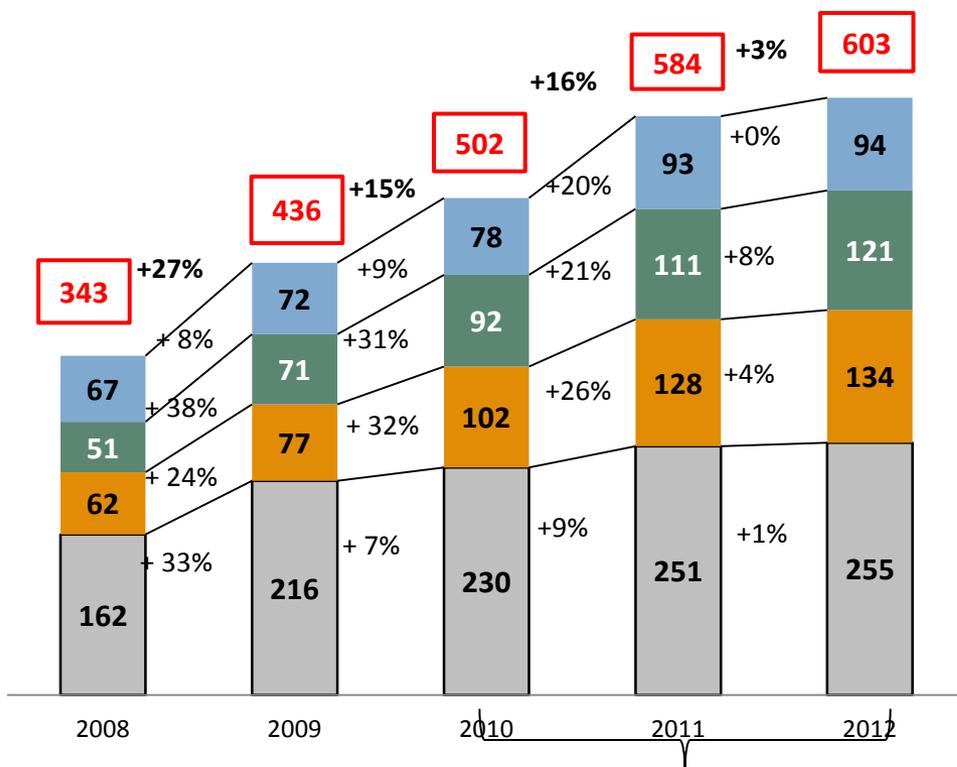
Debt Structure

Debt Maturity schedule, RUB bn



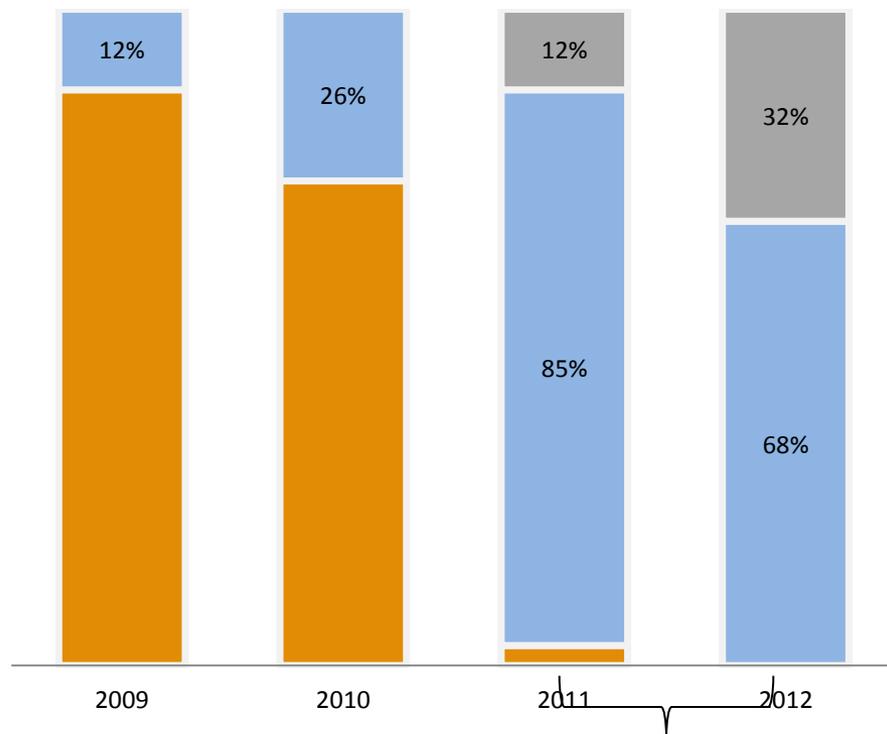
Tariff Regulation

Distribution Revenue Increase, bln RUR



limitation of tariff growth due to Decrees №1172, 1178

Tariff revision



RAB regions were revised due to limitation of tariff growth

Russian Grids' revenue
 FGC
 TGC
 Losses

Cost +

RAB

Index method

Summary



- Robust EBITDA margin of 18.9%
- Strong cash flow from operations
- Focus on cost optimization
- Continued grid infrastructure development
- Continued reduction of technological losses
- Integration with Federal Grid Company to further operation and administration efficiency

Thank you!

Q&A

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Restructuring of Government Controlled Grid Assets (I)

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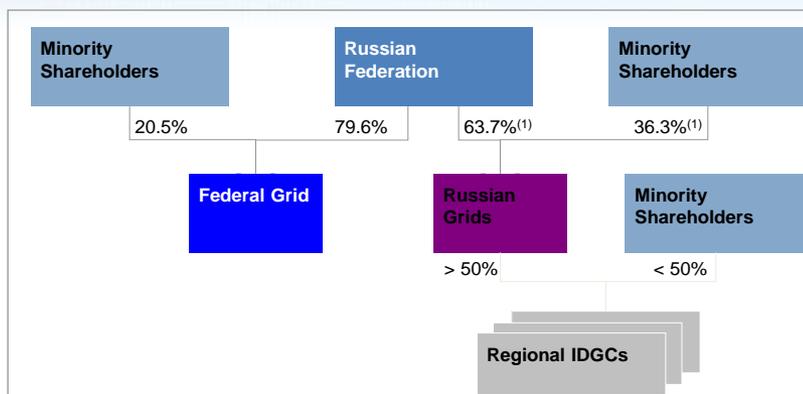
- On 22 November 2012 the President of the Russian Federation signed a decree outlining the following restructuring steps in Russian electricity transmission and distribution sector:
- JSC IDGC Holding” to be renamed into JSC “Russian Grids”
- Contribute all but one share of Federal Grid owned directly by the Russian Federation into Russian Grids
- The Russian Federation, Russian Grids and Federal Grid to enter into a shareholder agreement in order to retain required government control over Federal Grid
- The Russian Federation has to retain effective ultimate ownership in Federal Grid of at least 50% plus one share

Transaction Rationale

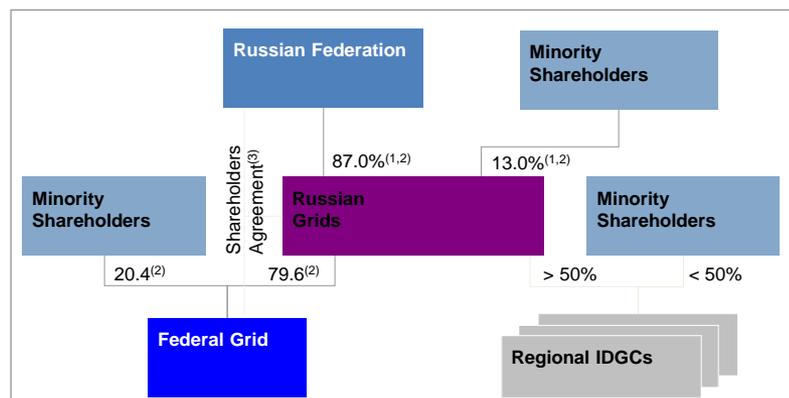
- Operational and administrative synergies by combining complementary managerial functions, assets and businesses
- Improvement of strategic sector manageability through coordination between distribution companies and National transmission grid operator
- Establishment of one of the largest electricity grid companies in the world in terms of network spread, transmission volumes and number of customers
- Enhancement of investment efficiency by both companies through a systematic and unified approach to grids infrastructure development
- Assure efficient delivery of research and development programmes and systemic implementation of innovative technologies across the industry

Restructuring of Government Controlled Grid Assets (II)

Current structure



Target structure



Notes

1. Represents ownership structure of common shares
2. Assuming only the Russian Federation converts its shares in the Transaction; exact ownership will depend on number of minorities that will exchange their shares in the Transaction
3. According to the President decree, the Russian Federation, Federal Grid and Russian Grids should sign a shareholders agreement, which will govern the participation of Russian Grids' representatives in Federal Grid management to ensure the sufficient Russian Federation control over Federal Grid

Priority investment projects financing

Russian Grids receives financial support from the federal budget and allocates resources to subsidiaries to finance priority investment projects

		2011	2012	2013	Total
Lenenergo	Renovation of cable grids 6-110 kW In Saint-Petersburg	2,000	2,500	500	5,000
MRSK N. Caucasus	Reduction of losses in Northern Caucasus region	2,406	2,544	-	4,950
Kubanenergo	Construction of Olympic infrastructure in Sochi	4,616	14,707	-	19,323
MRSK Siberia	Connection of Chita-Khabarovsk telecom network	360	-	-	360
		9,382	19,751	500	29,633

Mn, RUB