



JSC Russian Grids financial results for the first half 2013

29 August 2013. Moscow, Russia - JSC Russian Grids (LSE: MRSK) (the "Company"), the largest electricity distribution and transmission grid company in Russia, today announces its unaudited condensed financial results in accordance with International Financial Reporting Standards (IFRS) for the six months ended 30 June 2013.

Key financial indicators:

- Revenue: RUB 348.8 bn
- EBITDA: RUB 67 bn
- Adjusted EBITDA^[1]: RUB 115 bn
- EBITDA margin: 19.2%
- Net profit (loss): RUB - 2.1 bn
- Adjusted net profit^[2]: RUB 36.3 bn
- Net cash flows generated by operating activities: RUB 67.6 bn

Key corporate highlights:

- Registration of the issue of 9,375,608,049 additional ordinary shares of the Company, raising RUB 20.25 bn of federal budget funds (19 March 2013)
- Registration of amendments and additions introduced to the Company's Charter in relation to the change of the Company's name to Joint-Stock Company Russian Grids (4 April 2013).
- Completion of contribution by the Russian government of 1,009,146,513,079 shares of Federal Grid Company of Unified Energy System to the share capital of the Company (14 June 2013)

Commenting on the 1H 2013 financial results, Andrey Demin, First Deputy Director General for Economic Affairs and Finance of the Company, said:

"In the first half of the year, the Company demonstrated total revenue growth which was mainly due to the growth of revenue from our core business - electricity transmission - as well as from electricity sales driven by the guaranteed supplier functions of some of our distribution grid companies.

"The net loss was caused by the decrease in revenue from technical connection services due to the relief for technical connection for customers and implementation of activities aimed at increasing the accessibility of infrastructure, which were approved by the Russian Government, impairment of financial investments and provision for impairment receivables related to companies that have lost the status of guaranteed suppliers and advanced payments.

"Russian Grids has a stable financial position and is focused on consistent activities to increase operating efficiency, with the cost-cutting result of RUB6.8 bn in 1H 2013. In line with the strategy for developing the electricity grid sector, which has been approved by the Russian Government, cost cutting remains one of the key priorities for the Company for 2013 and the near term, we will continue to develop and implement measures aimed at optimising our operations and investment programme."

FINANCIAL SUMMARY

billions, RUB	1H 2013	1H 2012	Change %
Revenue	348.8	314.0	11.1
EBITDA	67	87.3	-23.3
Adjusted EBITDA ^[1]	115	105	9.5
EBITDA margin	19.2%	27.8%	-8.6 ppt
Operating profit	32.6	47.4	-31.2
Adjusted operating profit	54.4	68.9	-21.3
Operating margin	9.3%	15.1%	-5.8 ppt
Net profit (loss)	-2.1	24.8	-
Adjusted net profit ²	36.3	39	-6.9
Net cash flows generated by operating activities	67.6	79	-14.4

^[1] Adjusted EBITDA is calculated as EBITDA less impairment of available-for-sale investments, impairment of promissory

notes and provision for impairment receivables.

²Adjusted net profit is calculated as net profit not taking into account impairment of available-for-sale investments, impairment of promissory notes, provision for impairment receivables and deferred income tax liabilities referred to them

In 1H 2013, the Company's revenue increased by 11.1% y-o-y and amounted to RUB 348.8 bn (1H 2012: RUB 314.0 bn). The increase was mainly due to the growth of the revenue from electricity transmission and electricity sales as JSC IDGC of Centre, JSC IDGC of Volga, JSC IDGC of North-West, JSC IDGC of Siberia and JSC IDGC of Centre and Volga Region were granted status of guaranteed electricity suppliers.

Operating expenses totaled RUB 317.5 bn, representing a growth of 18.6% y-o-y (1H 2012: RUB 267.6 bn). This result was mainly due to the increase in amortisation expenses related to the commissioning of facilities as part of the investment programmes, provision for impairment receivables and advanced payments, and expenses related to purchasing electricity for resale, which is compensated for by the respective increase in revenue from electricity sales. The growth of operating expenses was also caused by the increase in personnel expenses due to the commissioning of new facilities and allocation of guaranteed supplier functions to certain distribution companies, as well as by the increased share of repair works using internal resources.

EBITDA decreased by 23.3% y-o-y to RUB 67 bn against RUB 87.3 bn in the previous period, while net loss totaled RUB 2.1 bn (net profit in 1H 2012: RUB 24.8 bn). The decrease in

EBITDA and the net loss were the result of the impairment of financial investments (JSC Inter RAO shares) and promissory notes in the amount of RUB 26.5 bn, as well as provision for impairment receivables totalling RUB 21.6 bn. The adjusted EBITDA (RUB 115 bn) excluding these factors increased by 9.5% y-o-y (1H 2012: RUB 105 bn), while the adjusted net profit (RUB 36.3 bn) declined marginally due to the decrease in revenue from technical connection services.

The increase of assets in RUB 13.2 bn was due to the commissioning of facilities and amount of borrowings for implementing of the investment programme.

* * *

A conference call for investors and analysts will be held today at 2:00PM London / 5:00PM Moscow / 9:00AM New York.

Please note the conference call will be hosted by Oksana Shatokhina, Deputy Director General for Economic Affairs and Finance of the Company.

The conference call will be held in Russian with simultaneous translation into English provided on a separate line.

Participant dial-in:

UK dial-in: +44 (0) 20 3427 1912

Russia dial-in: +7 495 705 9451

USA dial-in: +1 646 254 3363

Confirmation code: Russian version: 5051335

English version: 5912369

Participants are advised to dial 5-10 minutes prior to the start time.

The call will be recorded and there will be a replay facility available until 11 September 2013 as follows:

UK dial-in: +44 (0) 20 3427 0598

Russia dial-in: +7 495 705 9453

USA dial-in: +1 347 366 9565

Replay passcode: Russian version: 5051335

English version: 5912369

The press release and the presentation will be available on the Company's website:

www.rugrids.ru/eng/.

* * *

For further information:

JSC Russian Grids

Julia Martynova, IR +7(495) 995 5333 (ext. 2070)

FTI Consulting

Larisa Millings +44 20 7831 3113

Oleg Leonov / Maria Shiryayevskaya +7 (495) 795 0623

JSC Russian Grids is the largest electricity transmission and distribution grid company in Russia. It is also one of the largest electricity transmission and distribution grid companies in the world by length of electricity lines and installed transformer capacity. JSC Russian Grids holds interests in and manages 11 interregional, five regional distribution grid companies and Federal Grid Company in Russia. The Company together with its subsidiaries owns and operates approximately 2.2 million kilometres of electricity transmission and distribution lines with a total installed transformer capacity of approximately 739 GVA. Through its subsidiaries, the Company operates in 73 regions of Russia.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of JSC Russian Grids. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industry, as well as many other risks specifically related to JSC Russian Grids and its operations.

Group of companies "Russian Grids"

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2013 (Unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Notes	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
Revenue and government subsidies	6	348,842	313,987
Operating expenses	7	(317,544)	(267,636)
Other income, net		1,315	1,043
Results from operating activities		32,613	47,394
Finance income	8	5,285	5,279
Finance costs	8	(35,511)	(19,722)
Net finance costs		(30,226)	(14,443)
Share of profit of equity accounted investees (net of income tax)		12	92
Profit before income tax		2,399	33,043
Income tax expense		(4,486)	(8,242)
(Loss)/profit for the period		(2,087)	24,801
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		(109)	(102)
Change in fair value of available-for-sale financial assets transferred to profit or loss		-	(30)
Foreign currency translation differences for foreign operations		81	23
Income tax on items that are or may be reclassified subsequently to profit or loss		20	14
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		(8)	(95)
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability		1,032	94
Income tax on items that will never be reclassified to profit or loss		(131)	(18)
<i>Total items that will not be reclassified to profit or loss</i>		901	76
Other comprehensive income/(loss) for the period, net of income tax		893	(19)
Total comprehensive (loss)/income for the period		(1,194)	24,782

		Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
(Loss)/profit attributable to:			
Owners of the Company		(1,840)	16,300
Non-controlling interest		(247)	8,501
Total comprehensive (losses)/income attributable to:			
Owners of the Company		(947)	16,281
Non-controlling interest		(247)	8,501
(Loss)/earnings per share	11		
Basic and diluted (loss)/earnings per ordinary share (in RUB)		(0.01)	0.11

		30 June 2013 Unaudited	31 December 2012 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,680,119	1,639,737
Intangible assets		13,895	13,929
Investments in equity accounted investees		1,276	1,188
Non-current accounts receivable		7,617	12,559
Other investments and financial assets		33,872	60,687
Deferred tax assets		5,585	4,102
Total non-current assets		1,742,364	1,732,202
Current assets			
Inventories		26,065	20,855
Other investments and financial assets		27,455	56,056
Current tax assets		5,202	5,300
Trade and other receivables		113,683	118,771
Cash and cash equivalents		91,398	59,815
Total current assets		263,803	260,797
Total assets		2,006,167	1,992,999

	Notes	30 June 2013 Unaudited	31 December 2012 Restated
EQUITY AND LIABILITIES			
Equity	10		
Share capital		59,322	49,947
Share premium		27,120	16,244
Treasury shares		(2,819)	(2,819)
Reserve for issue of shares		286,197	19,751
Other reserves		(4,440)	(5,333)
Retained earnings		521,671	808,864
Total equity attributable to equity holders of the Company		887,051	886,654
Non-controlling interest		330,580	335,765
Total equity		1,217,631	1,222,419
Non-current liabilities			
Loans and borrowings	12	379,109	381,868
Trade and other payables		16,332	15,061
Employee benefits		23,831	24,278
Deferred tax liabilities		73,777	72,818
Total non-current liabilities		493,049	494,025
Current liabilities			
Loans and borrowings	12	79,365	59,906
Trade and other payables		205,038	200,539
Provisions		10,773	14,566
Current tax liabilities		311	1,544
Total current liabilities		295,487	276,555
Total liabilities		788,536	770,580
Total equity and liabilities		2,006,167	1,992,999

	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
OPERATING ACTIVITIES		
(Loss)/profit for the period	(2,087)	24,801
<i>Adjustments for:</i>		
Depreciation, amortization and impairment	56,752	48,257
Finance costs	35,511	19,722
Finance income	(5,285)	(5,279)

Loss on disposal of property, plant and equipment	1,128	190
Share of profit of equity accounted investees (net of income tax)	(12)	(92)
Loss on disposal of subsidiaries	12	-
Other non-cash transactions	154	(372)
Income tax expense	4,486	8,242
Operating profit before working capital changes and reserves	90,659	95,469
Change in trade and other receivables	10,509	(6,536)
Change in financial assets related to employee benefit fund	71	259
Change in inventories	(5,210)	(4,943)
Change in trade and other payables	(553)	12,575
Change in employee benefit liabilities	(256)	(377)
Change in provisions	(3,793)	2,749
Cash flows from operations before income taxes and interest paid	91,427	99,196
Income taxes paid	(6,256)	(6,088)
Interest paid	(17,576)	(14,121)
Net cash flows from operating activities	67,595	78,987

	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(86,003)	(108,262)
Proceeds from sale of property, plant and equipment	2,115	1,093
Acquisition of investments and placement of bank deposits	(32,874)	(45,744)
Proceeds from sale of investments and withdrawal of bank deposits	62,586	53,809
Dividends received	-	17
Interest received	3,349	2,705
Net cash flows used in investing activities	(50,827)	(96,382)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	86,076	43,382
Repayment of loans and borrowings	(69,997)	(26,436)
Purchase of non-controlling interest in subsidiaries	(764)	(4,948)
Proceeds from shares issued (see Note 10)	500	5,734
Dividends paid	-	(29)
Payment of finance lease liabilities	(1,000)	(2,290)
Net cash flows from financing activities	14,815	15,413
Net increase /(decrease) in cash and cash equivalents	31,583	(1,982)
Cash and cash equivalents at the beginning of the period	59,815	74,480
Cash and cash equivalents at the end of the period	91,398	72,498

^[1] Adjusted EBITDA is calculated as EBITDA less impairment of available-for-sale investments, impairment of promissory notes and provision for

impairment receivables.

^[2] Adjusted net profit is calculated as net profit not taking into account impairment of available-for-sale investments, impairment of promissory notes,

provision for impairment receivables and deferred income tax liabilities referred to them.