



London  
Stock Exchange

LISTED

STANDARD  
DEPOSITARY RECEIPTS

**Federal  
Grid Company**



**of Unified  
Energy System**



**Investor Presentation**

August 2013

## Russian Government stake in Federal Grid Company transferred to Russian Grids

- On 22 November 2012 the President of the Russian Federation signed a decree “On Open Joint Stock Company Russian Grids”
- On 14 June 2013 the 79.64% Russian government’s stake in Federal Grid Company, previously held through the Federal Property Management Agency has been transferred to Russian Grids
- On 14 June 2013 Oleg Budargin, Chairman of the Management Board of Federal Grid Company has been appointed General Director of Russian Grids

## Tariff Regulation and Financial Performance

- On 21 May 2012, the Federal Tariff Service approved tariffs for electricity transmission under RAB regulation for 2012-2014 (tariff was increased by 11.0% starting from 1 July 2012, by 9.4% starting from 1 July 2013, and by 9.4% from 1 July 2014)
- FY IFRS financial results for 2012: Revenues of RUB 140.3 bn; Adj. EBITDA of RUB 82.1 bn; Net Debt/adj. EBITDA 2.0x

## Investment Program

- On 31 October 2012, the extended program was approved by the Ministry of Energy for 2013-2017 in the amount of RUB 776 bn
- In 2012 Federal Grid Company invested RUB 179,899 bn (including VAT)
- In 2012 new commissioned facilities: 17,827 MVA of transformer capacity, 3,643 km of transmission lines.

## Debt Market Activity

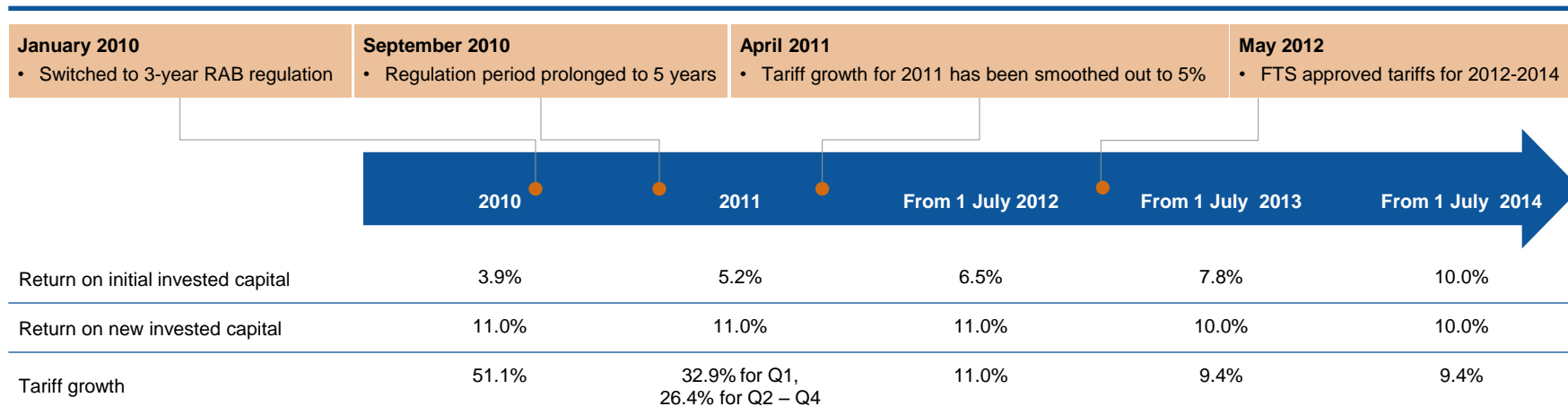
- On 5 December 2012 Federal Grid Company placed debut euroclearable RUB-denominated bond issue of RUB 17.5 bn maturing in 6.25 year
- Vnesheconombank (VEB) approved of investing pension savings, managed by VEB, into infrastructure bonds of Federal Grid with a limit of RUB 100 bn and a maturity up to 35 years
- 10 June 2013 Federal Grid successfully placed first RUB 30 bn bond issue maturing in 35-year (infrastructure bonds)



## Regulatory Asset Base (RAB) Regulation

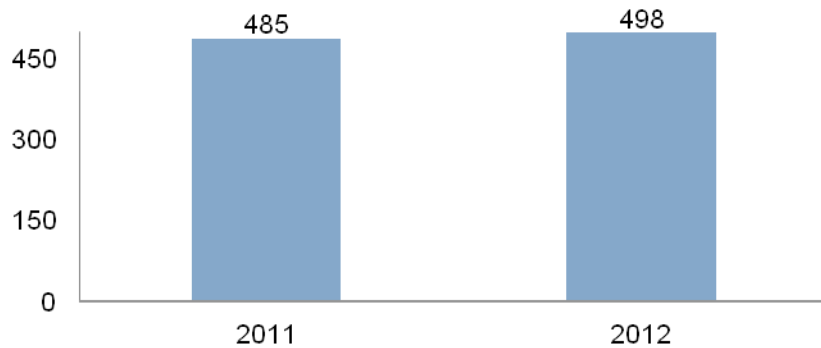
- On 21 May 2012, the Russian Federal Tariff Service approved tariffs under RAB regulation for 2012 – 2014
- Federal Grid Company tariff was increased by 11.0% starting from 1 July 2012, by 9.4% starting from 1 July 2013, and by 9.4% from 1 July 2014
- Return on initial invested capital in 2014 was raised 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 put on the Company's balance sheet

## RAB Return Calculation



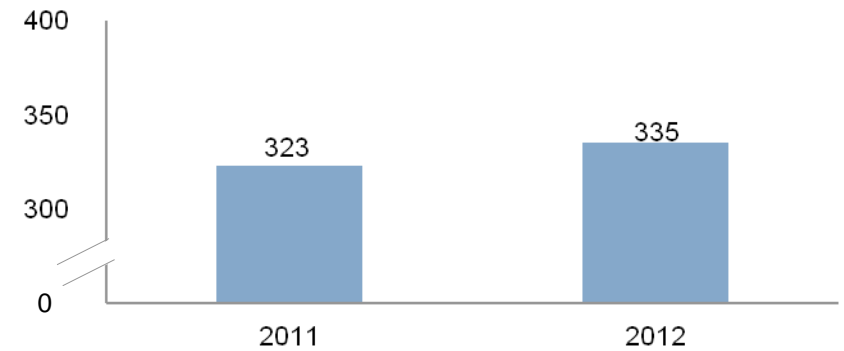
## Electricity Transmission Volume

Bn kWh (for respective period)



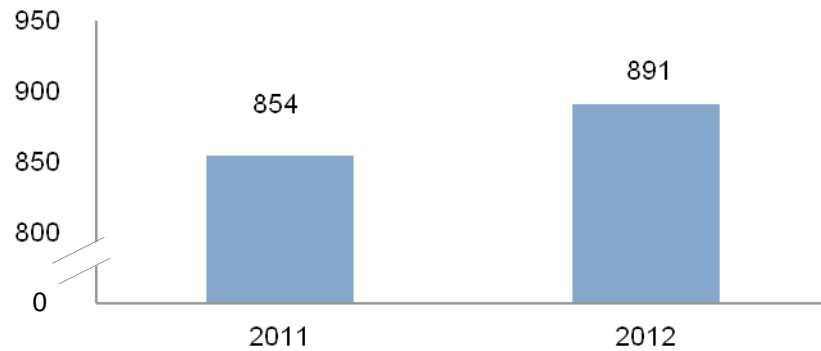
## Total Transformer Capacity in Operations

GVA (end of period)



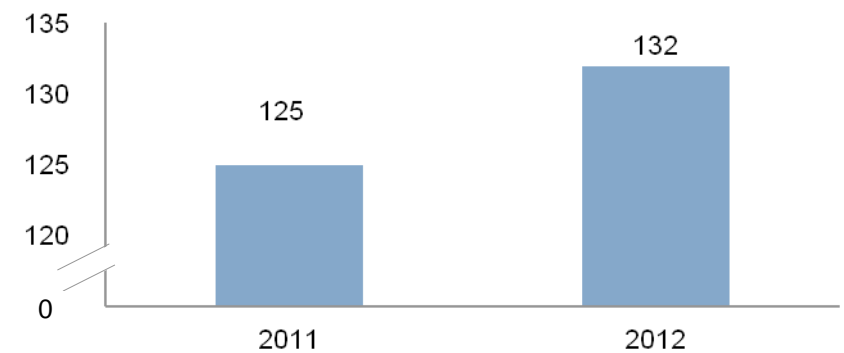
## Substations<sup>(1)</sup>

Units (end of period)



## Transmission Grid Length in Operations

'000 km (end of period)



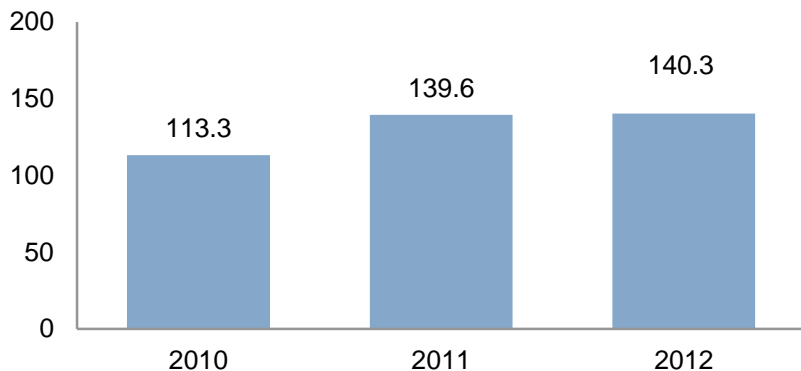
Source Company data  
Notes:  
1. Including leased substations



# Key Financial Results

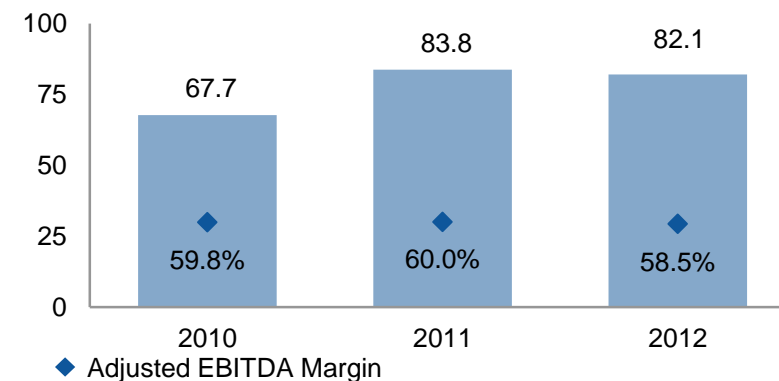
## Revenues

RUB Bn



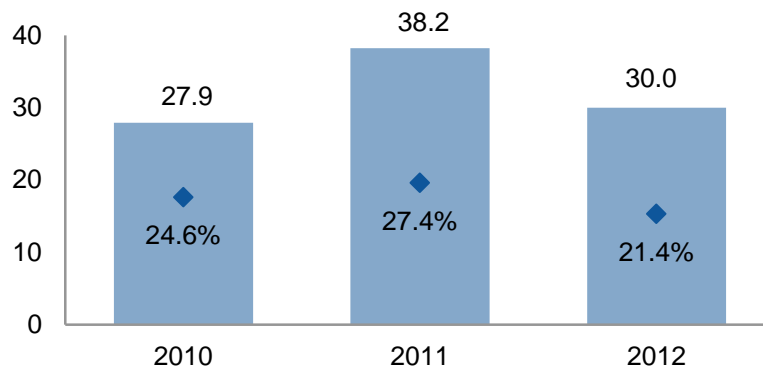
## Adjusted EBITDA

RUB Bn



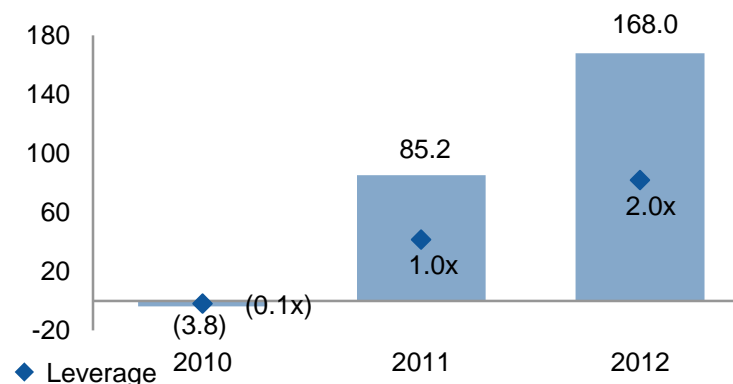
## Adjusted Profit for the Period

RUB Bn



## Net Debt Position

RUB Bn



◆ Adjusted Profit Margin

◆ Leverage

Source: Company IFRS financials

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

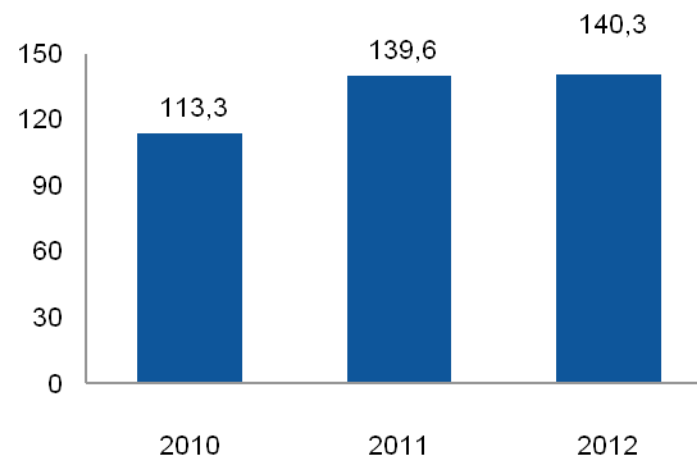


	2011 RUB Bn	2012 RUB Bn	Y-o-Y Change %
Transmission fee	134.754	136.559	1.3
Electricity sales	2.246	2.251	0.2
Other revenues	2.571	1.503	(41.5)
<b>Total revenues</b>	<b>139.571</b>	<b>140.313</b>	<b>0.5</b>

- The Group's revenues from electricity transmission services increased by RUB 1,805 million, or 1.3%, from RUB 134,754 million for the year ended 31 December 2011 to RUB 136,559 million for the year ended 31 December 2012, primarily as a result of an increase in tariffs for transmission services established by the FTS from 1 July 2012, which was partially compensated by a decrease in revenues from compensation of normative technologic electricity losses.
- The Group's revenue from electricity sales slightly increased by RUB 5 million, or 0.2%, from RUB 2,246 million for the year ended 31 December 2011 to RUB 2,251 million for the year ended 31 December 2012.
- Other revenues include revenues from connection services and grid repair and maintenance services. The Group's other revenues decreased by RUB 1,068 million, or 41.5%, from RUB 2,571 million for the year ended 31 December 2011 to RUB 1,503 million for the year ended 31 December 2012.

## Total Revenue

RUB Bn



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

	2011 RUB Bn	% of Total Operating Costs	2012 RUB Bn	% of Total Operating Costs	Y-o-Y Change %
D&A <sup>(2)</sup>	34.1	33.8	44.5	40.2	30.6
Personnel Related Expenses	24.0	23.9	26.3	23.8	9.4
Purchased electricity	13.8	13.7	13.3	12.0	-3.3
Materials, Repairs and Maintenance	6.0	5.9	6.2	5.6	2.8
Accrual / (reversal) of allowance for doubtful debtors	4.3	4.3	-1.4	-1.3	-132.6
Other expenses	18.6	18.4	21.8	19.7	17.2
<b>Total operating expenses*</b>	<b>66.7</b>	<b>100.0</b>	<b>66.2</b>	<b>100.0</b>	<b>(0.8)</b>

\*excluding depreciation of property, plant, equipment and amortisation of intangible assets

- Excluding depreciation of property, plant and equipment and amortisation of intangible assets, operating expenses amounted to RUB 66,151 million in 2012, a decline of 0.8%, compared with Russian inflation of 6.6% for the same period.
- D&A increased by 30.6% following the implementation of investment program and commissioning of new fixed assets into operations.
- Personnel Related Expenses increased by 9.4%. The growth was primarily explained by an increase in the average number of employees by 4.4% and an increase in average salaries due to indexation of remuneration.
- Decrease in purchased electricity expenses of 3.3% was due to reduction of actual volumes of electricity losses during transmission owing to increased UNEG efficiency as well as a result of decreased wholesale electricity prices.
- Reversal of allowance for doubtful debtors was primarily related to a reversal of the previously impaired receivables from OJSC "IDGC of Siberia".

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

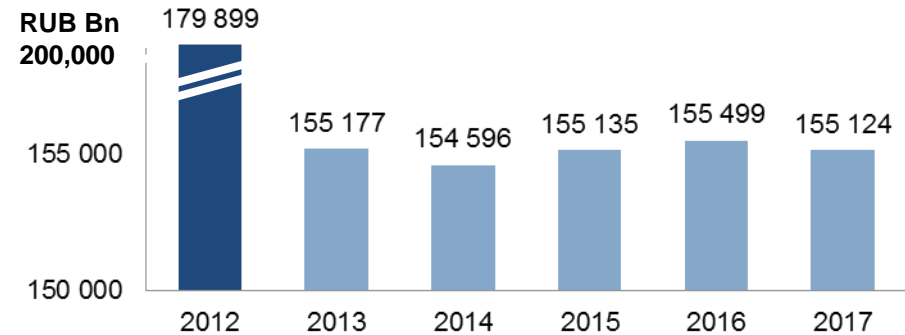
2. Includes amortization of intangible assets of RUB 0.9 Bn in 2011 and RUB 0.6 Bn in 2012



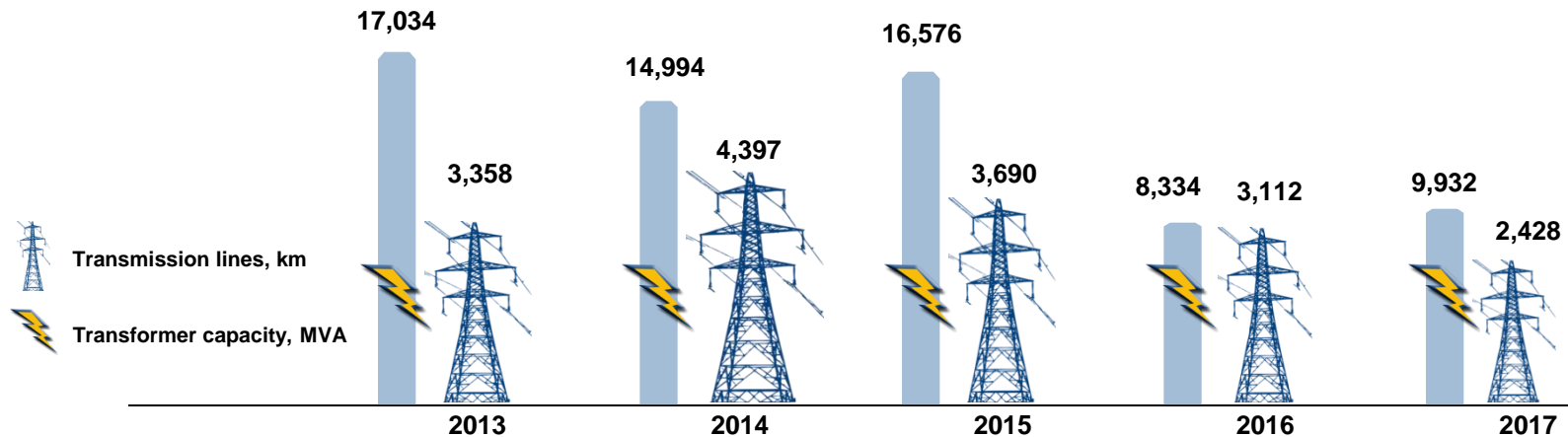
## Commentary

- 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 179,899 Bn (including VAT)**

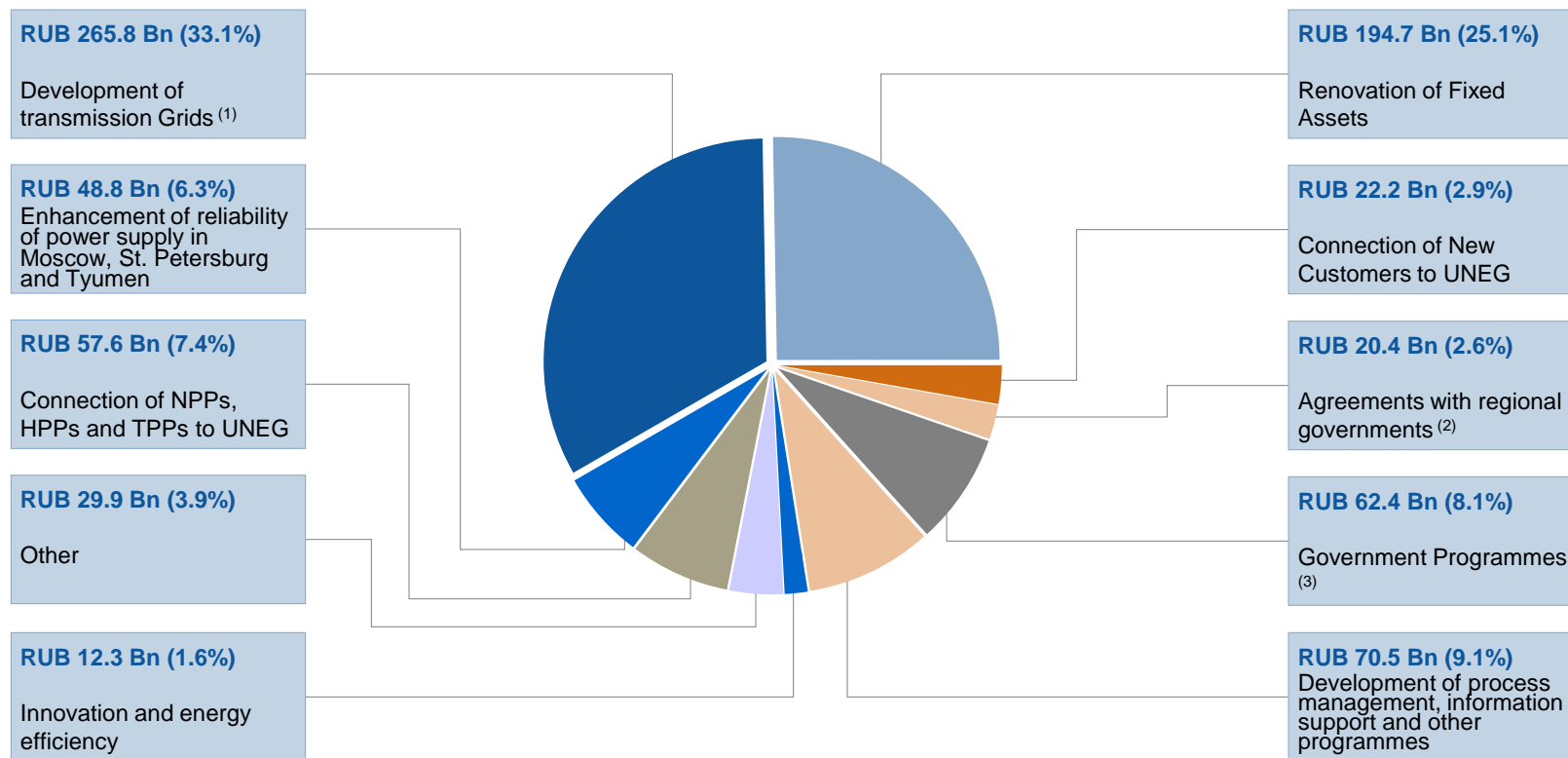
## Investment programme: Breakdown by year<sup>(1)</sup>



## New construction 2013 – 2017







**Total Volume over 2013 – 2017:**

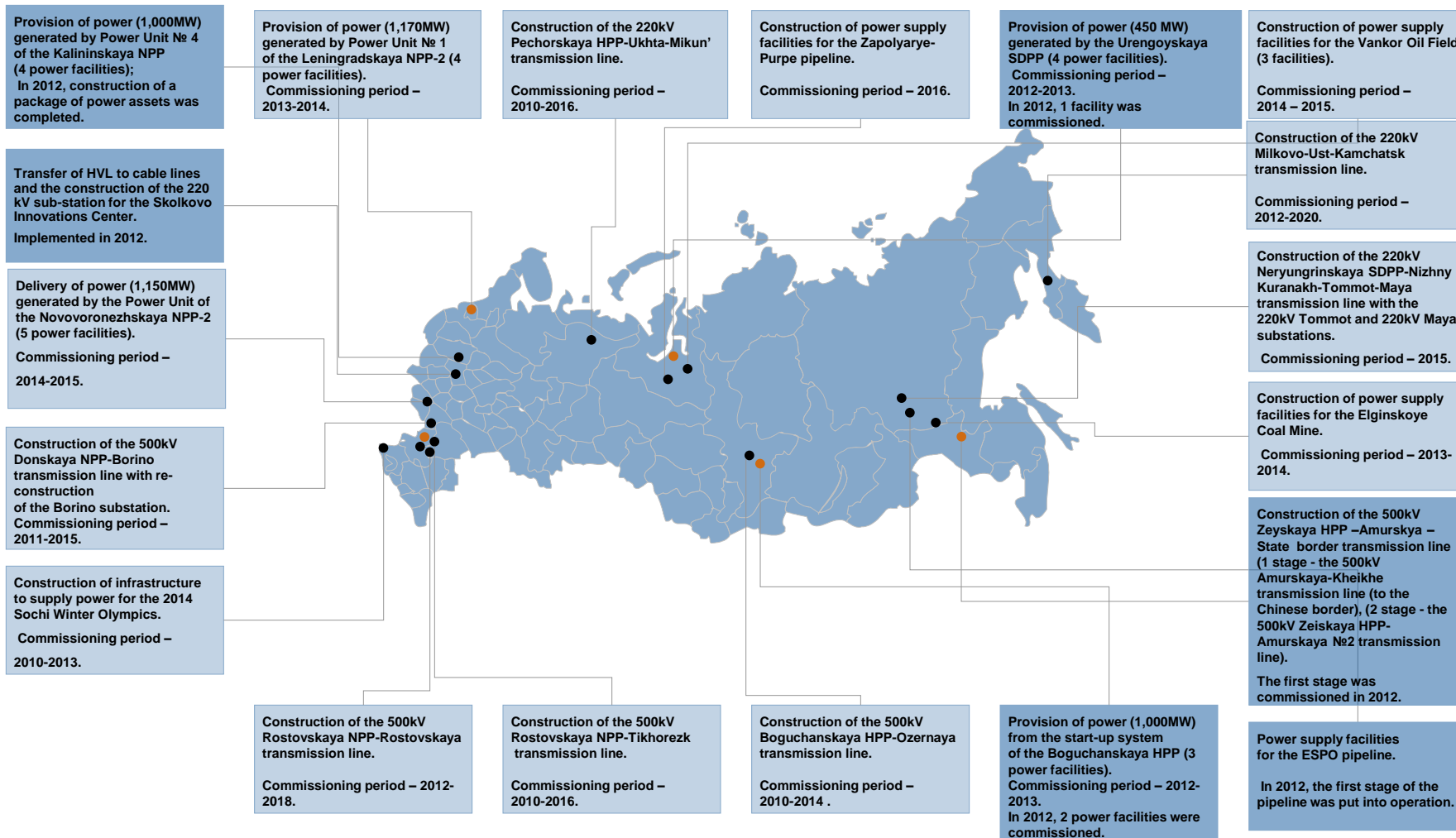
Projected investment:	RUB 775.5 Bn
Capacity to be commissioned:	66,870 MVA
Grids to be commissioned:	16,985 km

**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



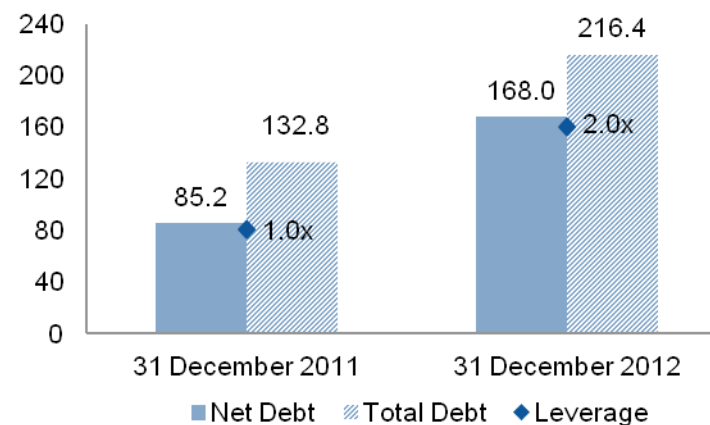
● Electricity transmission lines (220 kV, 330 kV, 500k kV and 750 kV) ● Electricity transmission lines and substations ● Power facilities commissioned in 2012



- Total debt amounted to RUB 216.4 Bn as of 31 December 2012
  - 75% of total debt is RUB bonds, 8% is eurobonds and the remaining part is primarily bank loans
- 100% of total debt is unsecured and rouble denominated
- Net debt position of RUB 168.0 Bn as of 31 December 2012 implied a 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

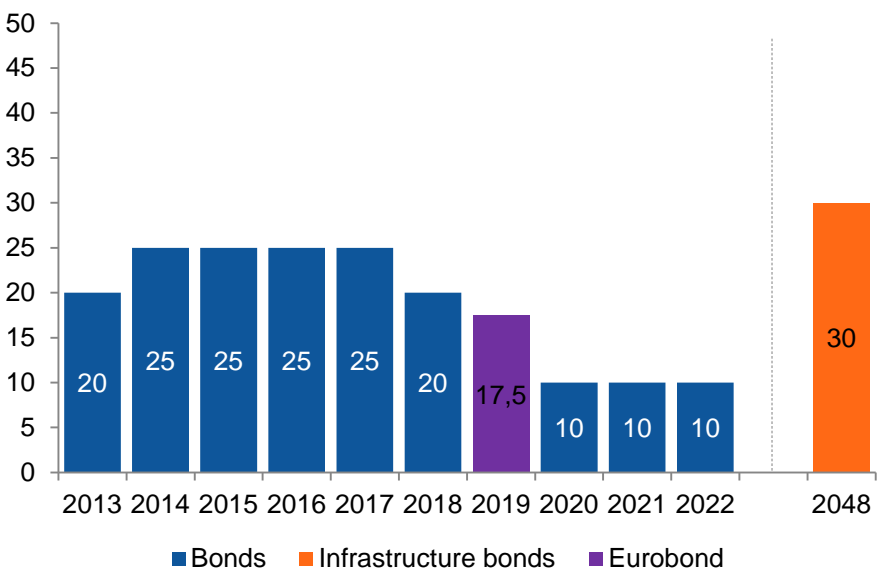


## Key Credit Ratios

	2010	2011	2012
Total Debt, RUB Bn	57.5	132.8	216.4
Net Debt, RUB Bn	(3.8)	85.2	168.0
Total Debt / Adjusted EBITDA	0.8x	1.6x	2.6x
Net Debt / Adjusted EBITDA	(0.1x)	1.0x	2.0x



## Debt maturity profile (as of 06.08.2013), RUB Bn



## Commentary

- Federal Grid is the only investment grade issuer in the Russian electricity sector
- Federal Grid domestic bond curve forms benchmark for the Russian electricity sector
- Outstanding debt is predominantly (ca. 84.1%) long term
- All outstanding debt of the company is rouble – denominated
- 100% of the credit portfolio is unsecured debt
- As of 25 July 2013 undrawn credit lines amount to RUB 162.5bn
- The Supervisory Board of Vnesheconombank (VEB) approved of investing in 2013 pension savings, managed by VEB, into infrastructure bonds of Federal Grid with a limit of RUB 100bn and a maturity up to 35 years
  - 10 June 2013 Federal Grid successfully placed first RUB 30 Bn CPI-linked bond issue maturing in 35-year (infrastructure bonds)

## Credit Ratings

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

As of 06.08.2013:  
 The company's debt portfolio totaled RUB 217.5bn  
 Net Debt/EBITDA = 2x  
 Weighted average cost of rouble-denominated debt financing: 8.2%  
 Weighted average maturity: 8.1 years  
 100% of the credit portfolio is unsecured debt



**Thank you**





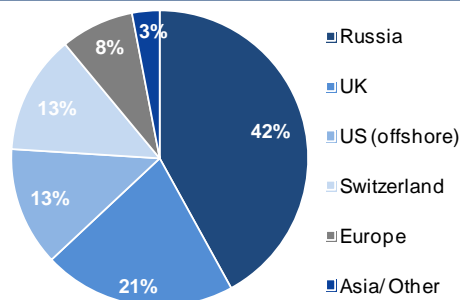
# Appendix



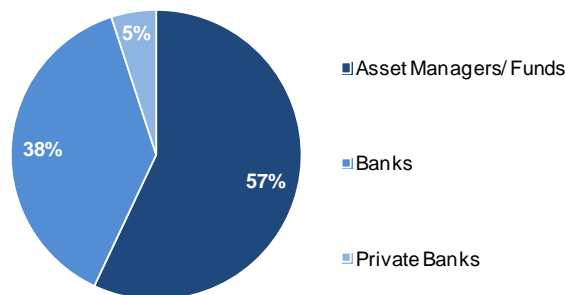
## Key Highlights

- On 5 December 2012, Federal Grid Company placed its debut RUB 17.5 bn 6.25 year RUB-denominated Eurobond, the second largest deal in the Euro-Rouble space that year
- Initial price guidance was around 8.625% for a 6.25 year term, guidance was then revised to 8.50-8.625% on strong demand, and the deal eventually priced inside the revised guidance with a yield of 8.45%, securing funding significantly inside the Company's local secondary curve
- A strong mix of asset and fund managers opened the book, with significant demand from US offshore and European fund managers and banks
- The final order book was over RUB 35 bn, with significant granularity and geographic diversification from over 80 investors
- International investors accounted for almost 60% of the final book despite the absence of non-RUB Eurobonds from the issuer
- Russian investors, who are familiar with Federal Grid Company due to the established local curve, also expressed significant interest in the deal

Allocation by Geography



Allocation by Type



## Key Terms

Issuer:	Federal Grid Finance Ltd.
Borrower:	Federal Grid Company OJSC
Issue Ratings:	Baa3 / BBB / --
Format:	Reg S, LPN off RUB 100 bn EMTN programme
Tenor:	6.25 years
Size:	RUB 17.5 bn
Coupon:	8.446% (S/A, Short First)
Price:	100%
Yield:	8.45% (S/A)
Pricing Date:	5 December 2012
Maturity date:	13 March 2019
Listing:	Irish Stock Exchange
Law:	English Law
Global Coordinators and Joint Bookrunners:	Barclays, VTB Capital and Sberbank CIB
Joint Lead Organisers and Bookrunners:	Gazprombank and Morgan Stanley



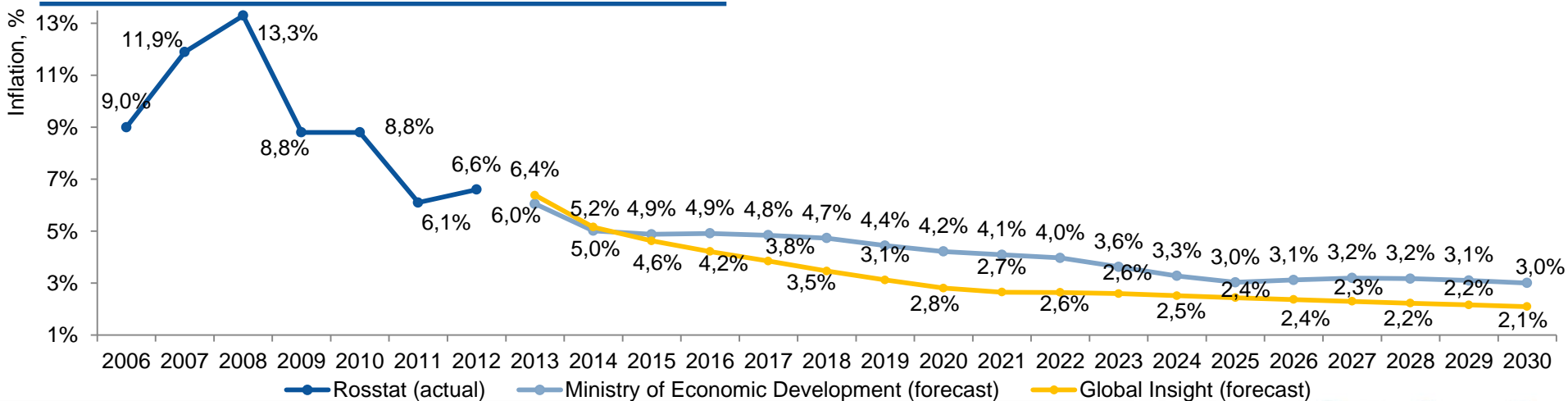
## Overview

- On 10 October 2012 the Russian Government issued a decision to invest pension savings into Federal Grid Company infrastructure projects
- The Supervisory Board of Vnesheconombank (VEB) has approved a limit of RUB 100 bn for 2013, with a maturity of up to 35 years
- On 10 June 2013 Federal Grid Company successfully placed its debut RUB 30 bn, 35-year infrastructure bond

## Highlights

- Longest-maturity corporate debt in Russia
- Most effective form of debt financing by maturity and cost for Federal Grid Company
- The Company's operating costs are tied to inflation, thus acting as a natural hedge for this debt
- Long-term CPI-linked bonds offer new financing possibilities for companies with sovereign-level credit ratings that are implementing projects of significant importance to the Russian state
- Planned future issues of infrastructure bonds with shorter durations are expected to attract insurance companies and private pension funds

## Russian CPI 2006-2030F



Source: Company data; IFRS financials, Bloomberg  
 Note:  
 1. Data as of December 2011. Data for NGET as of March 2012.





- **Head of Investor Relations:  
Alexander Duzhinov**  
Tel.: +7 495 710 9064  
Fax: +7 495 710 9641  
E-mail: [ir@fsk-ees.ru](mailto:ir@fsk-ees.ru)
- Vladimir Baklanov  
Tel.: +7 495 710 9333 (ext. 2926)  
E-mail.: [baklanov-vv@fsk-ees.ru](mailto:baklanov-vv@fsk-ees.ru)
- Egor Toropov  
Tel.: +7 495 710 9333 (ext. 2275)  
E-mail: [toropov-ev@fsk-ees.ru](mailto:toropov-ev@fsk-ees.ru)
- Web site  
[www.federal-grid.com](http://www.federal-grid.com)

