



JSC "RAO Energy System of East"

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RAO Energy System of East Reports a 20% Increase in EBITDA for 6m 2013 IFRS

August 27, Moscow - RAO Energy System of East Group (ticker symbol: VRAO; ISIN code RU000A0JPVL6) publishes its unaudited consolidated financial results for the six months of 2013, prepared in accordance with International Financial Reporting Standards (IFRS). The Group's net profit for the six months ended June 30, 2013 amounted to 2,680 mln RUB against a 5,766 mln loss a year earlier. EBITDA increased 20% to 6,721 mln RUB.

Financial Highlights (*RUB in millions*)

	6m 2013	6m 2012	% Change y-o-y
Revenues with government grants	75,841	72,557	5%
Operating expenses	(70,598)	(72,162)	-2%
Operating profit¹	5,243	395	1227%
EBITDA	6,721	5,599	20%
Profit before income tax ¹	3,037	(1,621)	n.a.
Profit for the period	2,680	(5,766)	n.a.
Total comprehensive income for the period	2,847	(4,724)	n.a.

Main events

JSC "Energy System of East" Holding (JSC "RAO ES of East") decreased electricity production in the first six months of 2013 by 4.1% YoY to 16,331.6 mil kWh.

JSC "Far-Eastern Generating Company" (FEGC), which is responsible for 74% of the electricity generated (12,107.1 mil kWh), has cut down its production by 3.6% due to a 30% output increase of HPPs (also a JSC "RusHydro" Group assets).

The work of the new 5th power unit of Yuzhno-Sakhalinskaya CHPP of JSC "Sakhalinenergo" led to the reduction of the specific reference fuel consumption (SRFC) for power production by 45.9 g/kWh from 425.5 to 379.6 g/kWh of JSC

¹ Operating profit and Profit before income tax for the six months ended June 30, 2012 are adjusted for the effects of impairment of the Group's property, plant and equipment in the amount of 5 428 mln RUB.

“Sakhalinenergo”. Effectively, the total SRFC of the Holding decreased by 2.4 g/kWh down to 377.5 g/kWh due to the commissioning of the new unit in Sakhalin along with the prolongation of the heating period in most of the cities in the Far East. As the result, the fuel consumption for power production in the six months of 2013 measured in tones of reference fuel was 3% lower amounting to 8,012.8 thousand tones. Heat output by combined heat and power plants and boilers of the Holding utility companies increased by 1% up to 19,238.4 thousand Gcal, compared to the same period last year.

Revenue

The Group revenues through first six months of 2013, combined with government grants, increased by 5% amounting to 75,841 million RUB, compared to 72,557 million RUB during the first half of the previous year.

The main factors influencing the revenue in the first six months of 2013 were:

- 2% growth y-o-y (to 3.06 RUB / kWh) in the average tariff on electricity sold by companies under the control of JSC “RAO ES of East” due to annual tariff indexation in the isolated zones.
- 118% y-o-y growth in power provided for exports to China against the six months of 2012, reaching 1,893 million kWh, in accordance with the long-term contract.
- 18% increase in other revenues due to increase in constructions works of JSC “Khabarovsk repairs and installation company” under the contracts with the Urgalugol company, and the Khabarovsk oil refinery.
- 5% growth in the average heating tariff.

The largest share of the Group's revenue for the six months of 2013 consists of revenue from the sale of electricity (63%) and heat output (27%). Other revenue (10%) includes such items as repair and construction services, technological connection, as well as revenue from rentals, transportation and communication services.

Revenue Structure (RUB in millions)

	6 months ended June 30, 2013	6m months ended June 30, 2012	% Change y-o-y
Sale of electricity and capacity	44,369	43,065	3%
Heat sales	19,244	18,365	5%
Other revenue	6,820	5,760	18%
Total revenue	70,433	67,190	5%
Government grants	5,408	5,367	0%
Revenues with government grants	75,841	72,557	5%

Operating expenses

In six months of 2013 the Group's operating expenses were down by 2%, amounting to 70,598 million RUB compared to 72,162 million RUB in the previous year.

Fuel expenses, which make up 34% of total expenses, decreased by 3% to 24,332 million RUB. This was on account of a 4.1% power output cut down, accompanied by an increase in power output in combined heat and power mode.

A 6% rise in employee compensation (29% of total expenses) amounting to 20,295 million RUB can be explained by the indexation of employee wages and salaries within the Group.

A 167% growth in services of subcontracting companies is the result of the increase in works JSC "Khabarovsk repairs and installation company" under the construction contracts with the Uralugol company, and the Khabarovsk oil refinery

Key expenses (*RUB in millions*)

	6 months ended June 30, 2013	6m months ended June 30, 2012	% Change y.o.y.,
Fuel expenses	24 332	24 984	-3%
Employee benefit expenses (including payroll taxes and pension benefit expenses)	20 295	19 130	6%
Expenses for electricity distribution	6 446	6 109	6%
Purchase of electricity and capacity	4 766	4 302	11%
Other materials	3 257	3 192	2%
Depreciation of property, plant and equipment	2 444	2 399	2%
Purchase and transmission of heat	1 476	1 413	4%
Services of subcontracting companies	1 252	469	167%
Repairs and maintenance	804	982	-18%
Accrual of impairment for accounts receivable, net	592	2 908	-80%
Income/ (reversal) on disposal of property, plant and equipment, net	51	(103)	-
Income resulted from the downward revision of pension scheme	(1 609)	-	
Other expenses	6 492	6 377	2%
Total Expenses	70 598	72 162	-2%

Profit

Through the first six months of 2013 the Group posted an operating profit amounting to 5,243 million RUB, compared to an adjusted² operating profit of 395 mln RUB during the same period last year. The revision of the terms of the private pension scheme for the employees of the JSC "FEGC" leading to the income of 1,609 mln RUB was the

² Operating profit for the six months ended June 30, 2012 is adjusted for the effects of impairment of the Group's property, plant and equipment in the amount of 5 428 mln RUB.

reason for the operational profit growth along with the reduction by 80% of the impairment for accounts receivable down to 592 mln RUB.

EBITDA for the period increased by 20%, totaling 6,721 million RUB.

The Group's net profit in accordance with IFRS for the first half of 2013 amounted to 2,680 million RUB against the net loss of 5,766 for the period a year earlier. The Group's total comprehensive income for the period totaled 2,847 million RUB, compared to a loss of 4,724 million RUB in the first half of 2012.

Financial position

As of 30 June 2013, the Group's total assets increased by 4% to 135,654 million RUB compared to 130,524 million RUB on 31 December 2012. The rise in cash by 70% or by 4,027 mln RUB and the increase of property, plant and equipment by 5% by 2,446 mln RUB were the main reasons of the total asset growth.

The Group's equity as of 30 June 2013 increased by 12% to 26,927 million RUB compared to 24,084 million RUB as of 31 December 2012, which is mostly the result of the 10% decrease in retained losses to 14,093 million RUB.

The Group's total liabilities as of 30 June 2013 increased by 2% to 108,727 million RUB, from 106,440 million RUB as of 31 December 2012. This was provided by:

- The growth of financial debt (total of short-term and long-term debt) by 14% to 60,114 million RUB;
- The non-current debt increased by 32% to 32,316 million RUB;
- The current debt decreased by 1% to 27,798 million RUB;
- The accounts payable and accruals decreased by 13% to 20,190 million RUB.

CAPEX

The amount of capital expenditure in the six months of 2013 was 4,755 million RUB (excluding VAT) decreasing 38% from the level of the same period last year. The reduction in financing is the result of the commissioning of several major investment projects early in 2012 mostly linked with the preparation for the 2012 APEC Summit. Moreover the reduction in financing of the investment program is the result of the reduction of requests for grid connection from consumers below 100 kW.

The press release and presentation will be posted on the website of JSC "RAO Energy System of East" at: <http://www.rao-esv.ru/en/shareholders-and-investors/companys-reports/annual-financial-report/>

Note:

JSC «RAO Energy System of East» was founded on July 01, 2008, as a result of the reorganization of JSC "RAO UES of Russia". The holding includes Russian Far-East energy companies such as: JSC «FEDC», JSC "FEGC", JSC "FEEC", JSC AK "Yakutskenergo", JSC "Magadanenergo", JSC "Kamchatskenergo", JSC

"Sakhalinenergo", JSC "Peredvizhnaya Energetika" (Mobile Energy), as well as a number of non-core companies.

The main activity of JSC "RAO Energy System of East" is to manage generating companies in an efficient and quality manner in order to meet the requirements for electricity and thermal energy of the Far East Federal District and its cross-border regions.

The total installed power capacity of the Far Eastern energy companies under JSC "RAO Energy System of East" is 9,070.5 MW of electrical power and 17,911 Gcal of thermal power. The length of the power grid of all voltage classes is more than 96 thousand km.

The majority shareholder is JSC "RusHydro".

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The information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of RAO Energy System of East. 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 from these statements. 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 industries, as well as many other risks specifically related to RAO Energy System of East and its operations.
