



**Joint Stock Company
"RAO Energy System of East"**

28 Shevchenko Street, Blagoveshchensk, 675000, Russia
 POST: 46 Leningradskaya Street, Khabarovsk, 680021, Russia
 telephone: +7 (495) 26-44-03, fax: +7 (4212) 26-44-02
 21, Bld.A, Obratsova Street, Moscow, 127018, Russia
 telephone: +7 (495) 287-67-01, fax: +7 (495) 287-67-02
www.rao-esv.ru, e-mail: rao-esv@rao-esv.ru
 ОКПО 85115294, ОГРН 1087760000052, ИНН/КПП 2801133630/280101001

RAO Energy System of East reports a 78% increase in net profit for 1Q 2013 IFRS

June 20, Moscow - RAO Energy System of East Group (ticker symbol: VRAO; ISIN code RU000A0JPVL6) publishes its unaudited consolidated financial results for the first quarter of 2013, prepared in accordance with International Financial Reporting Standards (IFRS). The Group's net profit for the three months ended March 31, 2013 rose by 78% to 4,468 million RUB, compared to 2,513 in the same period last year.

Financial Highlights (*RUB in millions*)

	3m 2013	3m 2012	% Change Y-O-Y
Revenue with government grants	44,693	45,161	-1%
Operating expenses	-38,736	-40,704	-4.8%
Operating profit	5,957	4,457	33.7%
EBITDA	6,790	7,007	-3.1%
Profit before income tax	4,992	3,385	47.5%
Profit for the period	4,468	2,513	77.8%
Total comprehensive income for the period	4,406	2,565	71.8%

Main events

JSC "Energy System of East" Holding (JSC "RAO ES of East") decreased electricity production in the first quarter of 2013 by 4.8% Y-o-Y to 9,706 mln kWh.

74% of the electricity generated (7,142 mln kWh) was produced by the JSC "Far-Eastern Generating Company" (FEGC), which cut down its production by 5.1% due to a 21.5% total output increase by Zeyskaya and Bureyskaya HPP (JSC "RusHydro" assets).

The launch of the new power unit in Sakhalin led to the reduction by 39.8 g/kWh of the specific reference fuel consumption (SRFC) from 409.3 to 369.5 g/kWh at the Sakhalin energy system, causing the decrease of the total SRFC of the Holding by 2.2 g/kWh down to 362.5 g/kWh.

On March 27 JSC "RAO ES of East" signed a Cooperation agreement with IFC, part of the World Bank Group, aimed at developing renewable energy sources in the isolated regions of the Far Eastern Federal District, reducing the reliance on the delivered fuel and decreasing greenhouse gas emissions. JSC "RAO ES of East" is planning to construct by 2016 around 15 MW of wind powered installed capacity in Kamchatka territory, and 825 kW in Sakhalin region. The solar power unit construction program in Republic of Sakha (Yakutiya) presumes the commissioning of 3.6 MW by 2020.

Revenue

The Group revenues through first three months of 2013, combined with government grants, decreased by 1% amounting to 44,693 million RUB, compared to 45,161 million RUB during the previous year.

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

- reduction of power distribution services to ultimate consumers by 12%;
- decrease of repair and construction services;
- decrease of power output by 4.8% down to 9,706.1 mln kWh;
- 2% Y-O-Y (to 3.13 RUB / kWh) increase in the average tariff on electricity sold by companies under the control of JSC "RAO ES of East" due to annual tariff indexation;
- 116% Y-O-Y growth in exports to China against first quarter of 2012, reaching 822.8 million kWh, as a result of the commissioning of the first line of a high voltage 500 kW overhead grid from Zeyskaya HPP to the Russian-Chinese border;
- 4% growth in the average heat power tariff.

The largest share of the Group's revenue consists of revenue from the sale of electricity (60%) and heat output (32%). Other revenue (8%) 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*)

	3m 2013	3m 2012	% Change Y-O-Y
Sale of electricity and capacity	25,149	24,681	1.9%
Heat sales	13,455	13,568	-0.8%
Other revenue	3,313	4,333	-23.5%
Total revenue	41,917	42,582	-1.6%

Operating expenses

During the three months of 2013 the Group's operating expenses decreased by 4.8%, amounting to 38,736 million RUB compared to 40,704 million RUB in the previous year.

Fuel expenses, which make up 40% of total expenses, decreased by 0.3% to 15,511 million RUB. This was on account of a 5% power output cut down in on, accompanied by an increase in fuel prices.

A 0.5% rise in employee compensation (26% of total expenses) amounting to 10,160 can be explained by the indexation of Group's payroll within the Group.

Key expenses (*RUB in millions*)

	3m 2012	3m 2011	% Change Y-O-Y.,
Fuel expenses	15,511	15,561	-0.3%
Employee benefit expenses (including payroll taxes and pension benefit expenses)	10,160	10,106	0.5%
Expenses for electricity distribution	3,685	3,738	-1.4%
Purchase of electricity and capacity	2,563	2,307	11.1%
Other materials	1,417	1,581	-10.4%
Depreciation of property, plant and equipment	1,194	1,283	-6.9%
(Income) / loss on disposal of property, plant and equipment, net	(165)	23	n.a.
(Reversal) / accrual of impairment for accounts receivable, net	(197)	1,244	n.a.
Other expenses	4,568	4,861	-6.0%
Total Expenses	38,736	40,704	-4.8%

Through the first three months of 2013 the Group earned an operating profit amounting to 5,957 million RUB, which was 33.7% more than the operating profit during the same period last year. Reversal of impairment for accounts receivable by 197 million RUB against a 1 244 million RUB accrual a year earlier was accounted for the most of the operating profit increase.

EBITDA for the period decreased by 3%, totaling 6,790 million RUB.

The Group's net profit in accordance with IFRS for the first quarter of 2013 amounted to 4,468 million RUB showing a 78% increase against the net profit for the period a year earlier. The Group's total comprehensive income for the period amounted to 4,406 million RUB, compared to a 2,565 million RUB profit in the same period of 2012.

Key indicators of the Group's financial position as of 31 March 2013

As of 31 March 2013, the Group's total assets increased by 2% to 133,586 million RUB compared to 130,993 million RUB on 31 December 2012. The rise in accounts receivable by 34% or by 5,060 million RUB was the reason of the total asset growth.

The Group's equity as of 31 March 2013 increased by 20% to 25,901 million RUB compared to 21,495 million RUB as of 31 December 2012, which is mostly the result of the 15% decrease in retained losses to 14,510 million RUB.

The Group's total liabilities as of 31 March 2013 were reduced by 1.7% down to 107,685 million RUB, from 109,498 million RUB as of 31 December 2012. This was provided by:

- Reduction of financial debt by 3.2% to 50,942 million RUB;
- Non-current debt increased by 9.8% to 26,876 million RUB accompanied by a 14.5% decrease in current debt to 26,066 million RUB;
- Accounts payable and accruals decreased by 8.3% to 21,261 million RUB.

CAPEX

The amount of capital expenditure during the three months of 2013 was 1,872 million RUB (excluding VAT), decreasing by 30% 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, in particular the commissioning of new grid infrastructure, gasification of the Vladivostok CHPP-2 power unit (2nd tier). 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. These types of investment activities are hard to forecast since it is determined by social and economic factors.

The press release and presentation will be posted on the website of JSC "RAO Energy System of East" at: <http://en.rao-esv.ru/finansovaya-otchetnost-po-msfo>

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".

For more information call:

IR

Max Kochetkov
+7(495) 287-67-03 ext. 6062
E-mail: kochetkov-mm@rao-esv.ru

PR

Nadezhda Rukina
+7 (985) 211-59-48
E-mail: rukina-nv@rao-esv.ru

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