



Bashkirenergo publishes financial results for 9 months of 2011

November 29, 2011, Ufa (Russian Federation, Republic of Bashkortostan) – OJSC "Bashkirenergo" (MICEX, RTS: BEGY, ISIN: RU0009044242) – publishes consolidated financial statements for nine months ended 30 September, 2011 prepared in accordance with IFRS.

On September 12, 2011 a deal was struck between JSC "RusHydro" and OJSC "Bashkirenergo" to sell LLC "Energeticheskaya Sbytovaya Kompaniya Bashkortostana" (LLC ESKB) to LLC ESK RusHydro (a subsidiary of JSC "RusHydro"). OJSC "Bashkirenergo" in return for selling its power retail business received consideration in the amount of 5.7 bln. RUR.

The financial results of the sold retail company LLC "ESKB" are presented in a separate line of the consolidated statement of comprehensive income "Profit from the discontinued operations" in compliance with IFRS. As a result, operations of sales and purchases of electricity and capacity between the companies of the Group and LLC ESKB were reflected in revenue and operational expenses in the consolidated financial statements.

KEY FINANCIAL RESULTS:

- The Company's **revenue** for the first nine months of 2011 is decreased by 9% to **40,948 mln RUR (1,423 mln USD)** compared to the same period of 2010. The third quarter of 2011 saw decline of revenue of 17% to 11,563 mln RUR (398 mln. USD).
- Operating profit increased by **34%** year-over-year reaching **4,238 mln RUR (147 mln USD)** after 9 months of 2011. In the third quarter of 2011 operational profit made a hike of 1,404% to third quarter of 2010 up to 346 mln RUR (12 mln USD).
- **OIBDA** after 9 months of 2011 was **6,827 mln RUR (237 mln USD)** or 19% higher comparing with the same period last year. The same result for the third quarter of 2011 was 1,200 mln RUB (41 mln USD), or 32% higher year-to-year.
- **Net profit for the 9 months period of 2011** amounted to **7,782 mln RUR (271 mln USD)** increased by 236 % compared to the same period last year.
- **Net profit from continuing operations** in 9 months of 2011 increased by 44% to **3,242 mln RUR (113 mln USD)** compared to 2010 results. In the third quarter of 2011 net profit from continuing operations amounted to 241 mln RUR (8 mln. USD) compared to net loss in the same period last year.
- **OIBDA margin** for the 9 months increased from **13%** in 2010 to **17%** this year.
- As at September 30, 2011 the Company's **financial debt** amounted to **2,498 mln RUR (78 mln USD)**, with **debt/OIBDA** ratio at the level of **0.37**.

KEY OPERATING RESULTS:

- OJSC “Bashkirenergo” total power generation in the first nine months of 2011 was 16,739 mln kWh, gaining 2.7% year-over-year.
- The capacity factor of OJSC “Bashkirenergo” power stations rose by 1.7% to 60% (an increase of 1 b.p. compared to first nine months of 2010).
- Heat output of the Company amounted to 16,873 thousand Gcal gaining 1.4% over the results of the same period of 2010.
- The specific consumption of equivalent fuel decreased by 2.8 g/kWh for electricity generation to 323.4 g/kWh, and by 1.1 kg/Gcal for heat output to 144 kg/Gcal compared to the 9 month period last year.
- The transmitted electricity losses in the first nine months of 2011 increased from 1.45% to 1.47% in the transmission grid, with distribution grid losses increasing from 8.31% to 8.52%.

Andrey Makarov, CEO of OJSC “Bashkirenergo” commenting the financial results of the first nine months and the third quarter of 2011 has stated: “OJSC “Bashkirenergo” financial results from operational activities traditionally look weaker compared to other quarters due to seasonal factors. However the Company finished the quarter with operational profit versus the operational losses last year. Nevertheless, there were even better positive news for shareholders concerning the the closed deal of selling the power retail company for 5.7 bln RUR. The final decision on the distribution of profit for the 9 months of 2011 will be taken at the extraordinary general shareholders meeting to be held on December 28, 2011, but the recommendations of the Board of directors on the amount of dividends to be paid are expected to be out tomorrow. Undoubtedly for all the citizens of the republic and the Company employees the most important event of the previous quarter was the implementation of the winter season preparation program. Upon the implementation of all the measures OJSC “Bashkirenergo” received a preparedness passport for 2011-2012 autumn-winter season.”

RESULTS OVERVIEW

The third quarter of 2011 witnessed a small 0.7% decline the OJSC “Bashkirenergo” power output to the same period last year mostly due to shift in repairs and maintenance schedule. The 9 months 2011 power generation increased by 2.7% to 16,739 mln kWh. The Unified Power System of the Russian Federation in the first nine months of the year increased its power generation by only 1.7% up to 755.9 bln kWh, and the UPS Urals total power output increased by 2.2% amounting to 186.79 bln kWh. The OJSC “Bashkirenergo” share in the total Russian power output reached 2.21% and in the UPS Urals amounted to 8.96%.

The growth in heat output of OJSC “Baskirenergo” third quarter reached 8.8% amounting 2,917 thousand Gcal due to the rising heat consumption from major consumers. In 9 months of 2011 the heat output increased 1.4% compared to last year results amounting to 16,873 thousand Gcal.

A decrease in specific consumption of equivalent fuel for electricity generation (-2.8 g/kWh) and heat output (-1.1 kg/Gcal) compared to 9 months last year substantially contributed to a positive financial results of OJSC “Bashkirenergo”. The biggest impact

on fuel consumption rate was made by the implemented energy saving and energy efficiency programs, including the redistribution of heating load from boilers of LLC BashRTS to CHPP-2 and Salavatskaya CHPP coupled with the 3.9%.growth of the cogeneration output by CHPPs.

Key Financial Performance Indicators, in mln RUR

Indicator	3 rd quarter		Change. %	9 months		Change %
	2011	2010		2011	2010	
Revenue	11,563	13,937	-17%	40,948	45,239	-9%
Operating expenses	(11,217)	(13,914)	-19%	(36,710)	(42,082)	-13%
Operating Profit	346	23	1 404%	4,238	3,157	34%
Profit before income tax	345	13	2554%	4,209	3,128	35%
Income tax expenses	(104)	(101)	3%	(967)	(872)	11%
Profit/(losses) from continuing operations	241	(88)	n/a	3,242	2,256	44%
(Expenses)/ profit from discontinued operations	4,209	19	22 053%	4,540	59	7 595%
Profit/(losses) for the period	4,450	(69)	n/a	7,782	2,315	236%
OIBDA	1,200	911	32%	6,827	5,758	19%
OIBDA margin	10%	7%	3 b.p.	17%	13%	4 b.p.
EBIT margin	3%	0%	3 b.p.	10%	7%	3 b.p.
Net margin	2%	-	n/a	8%	5%	3 b.p.

Key Operating Results

Indicator	3 rd quarter		Change %	9 months		Change %
	2011	2010		2011	2010	
Installed electric capacity, MW (average)	4,294	4,245	1.2%	4,272	4,246	0.6%
Installed heat capacity, Gcal/h (average)	13,274	13,284	-0.1%	13,272	13,284	-0.1%
Electricity generation, mln kWh	5,263	5,299	-0.7%	16,739	16,304	2.7%
Heat output, thousand Gcal	2,917	2,681	8.8%	16,873	16,645	1.4%
Electric capacity factor, %	56	57	-1.8%	60	59	1.7%
Specific consumption of equivalent fuel for electricity generation, g/kWh	338	341	-0.9%	323	326	-0.9%
Specific consumption of equivalent fuel for heat output, kg/Gcal	149	152	-2.0%	144	145	-0.7%
Distribution grid losses, %	6.38%	6.37%	0.01 b.p.	8.52%	8.31%	0.22 b.p.

Transmission grid losses, %	1.41%	1.41%	0 b.p.	1.47%	1.45%	0.02 b.p.
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REVENUE

Revenue reduction in the statements for the nine months of 2011 is result of reclassification of all operations of LLC ESKB into the separate line "Profit from the discontinued operations" due to the decision made to sell the retail company.

Considering the fact that before January 1, 2011 OJSC "Bashkirenergo" had the status of the guaranteeing provider (retail company) with LLC ESKB acting only as an agent, its deconsolidation had the most impact on revenue and operational expenses for 2010 and 2011.

OPERATING EXPENSES

The decision to sell the retail company mostly impacted the amount of purchased electricity which decreased after 9 months of 2011 by 74% compared to the same period last year to 2,747 mln RUR (95 mln USD).

Fuel costs for 9 months of 2011 representing 52% of total operating expenses increased 11% to 19,136 mln RUR (665 mln USD) and were driven by a 15% gas price indexation, as well as by a 2.3% rise in power output by thermal power plants. The slower growth pace of fuel costs compared to gas price hike is explained by the reduction in specific consumption of equivalent fuel.

Fixed costs which represent 36% of total operating expenses of the 9 month period of 2011 amounted to 13,086 mln RUR (455 mln USD) staying at the same level as last year.

Staff costs being the largest item of fixed costs (17% of total operating expenses) rose by 6% against 9 months of 2010 to 6,175 mln RUR (215 mln USD).

Repairs and maintenance after 9 months of 2011 together with costs of materials and spare parts (6% of operating expenses) were cut down 9% the same period last year amounting to 2,303 mln RUR (80 mln USD) mostly due to a 40% cut in expenditure on material and spare parts.

Other operating expenses dropped by 51% to 795 mln RUR (28 mln USD).

FINANCIAL POSITION

As of the balance sheet date, the total assets of OJSC "Bashkirenergo" amounted to 67,142 mln RUR (2,106 mln USD) increasing by 16% from the beginning of the year.

The share of non-current assets exceeded 79% of total assets and amounted 53,154 mln RUR (1,668 mln USD), while the share of current assets was 21% or 13,989 mln RUR (439 mln USD). During the first nine months of 2011 non-current assets increased by 3% as a result of 7% increase in property, plant and equipment due to new commissioning and increase of construction in-progress. The disposal of LLC ESKB lead to a 10 times increase of current assets with the amount of cash and deposits reaching 6,864 mln RUR (215 mln USD).

Capital and reserves as at September 30, 2011 made up 84% of the total equity and liabilities amounting to 56,542 mln RUR (1,774 mln USD). Upon the disposal of the retail company deferred taxes and income tax to be paid became the largest liability (2,322

mln RUR or 73 mln USD). Trade and other payables (1,913 mln RUR or 60 mln USD) along with advances received from customers (1,781 mln RUR or 56 mln USD) form 6% of capital and liabilities.

The free cash flow grew 95% to 6,482 mln RUR (225 mln USD) mostly due to 5,7 bln RUR (179 mln USD) of cash received from the disposal of a subsidiary.

CAPITAL EXPENDITURE

Investment program in the 9 months of 2011 made up 4,742 mln RUR (165 mln USD) increasing by 133% compared to the same period last year.

On August 29, 2011 the new CCGT-60 unit at CHP plant-2 of Ufa was commissioned resulting in an increase of the electric installed capacity of the power plant by 47 MW, and the heat installed capacity by 35 Gcal/h. The total project cost amounted to 1,543 mln RUR. From September 1, 2011 the new unit started the power and capacity supply to the Wholesale electricity and capacity market.

EVENTS AFTER THE REPORTING DATE

On October 14, 2011 the Board of Directors of OJSC “Bashkirenergo” took a decision to hold the extraordinary general shareholder meeting with the question of the payment of dividends for the 9 month period of 2011 and the election of the new Board of Directors.

On November 1, 2011 the JSC “System operator of the Unified power system” in accordance with the rules of the wholesale electricity and capacity market summed up the results of the Competitive selection of capacity (KOM) for 2012. The capacity from 12 power station of OJSC “Bashkirenergo” were selected totaling 47,340 MW or 3,945 MW monthly average. Beside the capacities which passed KOM this year additional capacities from CCGT-60 at CHP plant-2 of Ufa, and SGU-1 at CHP plant 1 of Ufa were also sold.

As the result of the competitive selection of capacity 1 MW of capacity of OJSC “Bashkirenergo” power stations was priced 118,118 RUR per month.

OUTLOOKS

According to the management forecast the OJSC “Bashkirenergo” 2011 financial results beat last year’s results, subject to high of electricity prices at OREM.

The set KOM prices for the 2012 capacity being 4% lower than in this year makes the management take even more cost cutting measures of the fixed costs in order to maintain the generation business margins.

OJSC BASHKIRENERGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2011 (UNAUDITED)
IN MILLIONS OF RUSSIAN ROUBLES

	30/09/2011	31/12/2010
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	51,035	47,675
Advances paid for acquisition of property, plant and equipment	1,890	3,450
Inventories	166	183
Trade and other receivables	12	121
Other non-current assets	51	59
	53,154	51,488
<i>Current assets</i>		
Inventories	1,546	1,169
Trade and other receivables	3,396	2,658
Advances paid and prepaid expenses	245	427
Investments	4,615	42
Income tax prepaid	170	181
VAT recoverable and other taxes prepaid	1,768	1,272
Cash and cash equivalents	2,248	569
	13,988	6,318
TOTAL ASSETS	67,142	57,806
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Share capital	1,093	1,093
Treasury shares	(282)	(282)
Retained earnings	55,731	49,023
Equity attributable to owners of the parent company	56,542	49,834
Non-controlling interests	-	285
TOTAL EQUITY	56,542	50,119
<i>Non-current liabilities</i>		
Loans and borrowings	2,201	-
Employee benefit obligations	586	584
Deferred tax liabilities	1,194	1,549
Other non-current liabilities	285	82
	4,266	2,215
<i>Current liabilities</i>		
Loans and borrowings	297	160
Trade and other payables	1,913	1,377
Advances received from customers	1,781	2,230
Accrued expenses and provisions	444	760
Income tax payable	1,128	108
Other taxes payable	771	837
	6,334	5,472
TOTAL LIABILITIES	10,600	7,687
TOTAL EQUITY AND LIABILITIES	67,142	57,806

OJSC BASHKIRENERGO AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)

IN MILLIONS OF RUSSIAN ROUBLES

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue				
Electricity and capacity	9,702	11,514	30,942	34,173
Heat energy	1,083	1,084	7,736	7,453
Other revenue	778	1,339	2,270	3,613
	11,563	13,937	40,948	45,239
Operating expenses				
Fuel	(5,353)	(4,880)	(19,136)	(17,172)
Purchase of electricity	(755)	(3,992)	(2,747)	(10,624)
Staff costs	(1,965)	(1,892)	(6,175)	(5,812)
Depreciation	(854)	(888)	(2,589)	(2,601)
Materials and spare parts	(261)	(503)	(685)	(1,147)
Repair and maintenance	(601)	(577)	(1,618)	(1,389)
Transmission of electricity	(201)	(456)	(1,338)	(974)
Charity	(378)	(201)	(537)	(504)
Water usage	(121)	(90)	(403)	(282)
Taxes, other than income tax	(101)	(100)	(300)	(303)
Loss on disposal of property, plant and equipment	(30)	37	42	49
Change in provision for tax and legal contingencies	(66)	3	16	523
Rent	(41)	(36)	(111)	(88)
Change in allowance for doubtful receivables	(265)	99	(311)	(173)
Impairment of advances paid	1	12	(22)	34
Other operating expenses	(226)	(450)	(795)	(1,619)
Operating profit	346	23	4,239	3,157
Finance income	10	-	11	-
Finance cost	(11)	(10)	(40)	(29)
Profit before income tax	345	13	4,210	3,128
Income tax	(104)	(101)	(967)	(872)
Profit from continuing operations (Losses)/ Profit from discontinued operations	241	(88)	3,243	2,256
	4,209	19	4,540	59
PROFIT FOR THE PERIOD	4,450	(69)	7,783	2,315
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,450	(69)	7,783	2,315
Attributable to:				
Owners of the parent company	4,450	(88)	7,783	2,285
Non-controlling interests	-	19	-	30
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS				
Basic earnings per share (in Roubles)	4.29	(0.11)	7.47	2.13

Diluted earnings per share (in Roubles)	4.29	(0.11)	7.47	2.13
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EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Basic earnings per share (in Roubles)	0.21	(0.13)	3.08	2.07
Diluted earnings per share (in Roubles)	0.21	(0.13)	3.08	2.07

OJSC BASHKIRENERGO AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (UNAUDITED)

IN MILLIONS OF RUSSIAN ROUBLES

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
OPERATING ACTIVITIES		
Profit before income tax	8,750	3,187
Adjustments for:		
Depreciation	2,589	2,601
Change in provision for tax and legal contingencies	(16)	(523)
Change in provision for unused vacations and bonuses	(301)	(41)
Income on disposal of property, plant and equipment	(42)	(49)
Change in allowance for doubtful receivables	308	173
Change in employee benefits	(32)	36
Income from the disposal of a subsidiary	(5,445)	-
Finance income	(11)	-
Finance losses	47	29
Other adjustments	22	(33)
Operating cash flow before movements in working capital	5,869	5,380
Change in inventories	(460)	218
Change in trade and other receivables	(3,004)	133
Change in advances paid and prepaid expenses	(53)	(833)
Change in taxes receivable, other than income tax	(720)	425
Change in trade and other payables	3,013	(444)
Change in advances received from customers	237	(352)
Change in taxes payable, other than income tax	(24)	81
Net cash provided by operations	4,858	4,608
Income tax paid	(485)	(926)
Interest paid	(13)	(34)
Net cash generated from operating activities	4,360	3,648
INVESTING ACTIVITIES		
Disposal of Special Purpose Entities	(158)	-
Purchase of property, plant and equipment	(4,742)	(2,034)
Proceeds from disposal of property, plant and equipment	287	242
Net cash proceeds from the disposal of a subsidiary	5,246	-
Purchase of investments	(4,622)	(447)
Proceeds from disposal of investments	34	514
Dividends and interest received	11	-
Net cash generated from/(used in) investing activities	(3,944)	(1,725)
FINANCING ACTIVITIES		
Dividends paid	(1,075)	(1,237)
Repurchase of ordinary shares	-	(282)
Proceeds from loans and borrowings	7,172	12,751
Principal repayments on loans and borrowings	(4,834)	(13,019)

Net cash used in financing activities	1,263	(1,787)
Net increase/(decrease) in cash and cash equivalents	1,679	136
Cash and cash equivalents at beginning of the period	569	598
Cash and cash equivalents at end of the period	<u>2,248</u>	<u>734</u>

OJSC “Bashkirenergo” – is a major regional utility company in Russia, ranked 5 by installed electric capacity and 7 by installed heat capacity among the Russian territorial generating companies. By the amount of heat output OJSC “Bashkirenergo” is among the 10 major heat producing companies in the world. OJSC “Bashkirenergo” has a dominating position at the electricity and heat market of the Republic of Bashkortostan, which is one of the top-ten developed regions of Russia. The OJSC “Bashkirenergo” owns companies which produce electricity and heat, conduct their transmission to consumers. The installed electric capacity is 4,295 MW, the installed heat capacity is 13,141 Gcal/h.

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