

## **Federal Grid Company announces its RAS results for Q1 2010**

May 17<sup>th</sup>, 2010, Moscow – Open joint stock company Federal Grid Company of the Unified Energy System (Federal Grid Company, or the Company, ticker symbol: FEES) announced its Q1 2010 results in accordance with Russian Accounting Standards (RAS).

The above-mentioned report does not include accounting results from Federal Grid Company's subsidiaries and dependent companies, which carry out their activities as independent legal entities.

### ***Q1 2010 profit and loss statement***

Federal Grid Company's sales for Q1 2010 increased RUR 7 bln (36 %), compared with Q1 2009 and stood at RUR 28 bln. This increase can primarily be explained by a 51 % tariff increase for electric power transmission (the 2010 average monthly tariff was 87,868.77 RUR/MW<sup>1</sup> compared with 58,159.01 RUR/MW in 2009).

Costs for Q1 2010 (compared with Q1 2009) increased RUR 3 bln (22 %) to RUR 17 bln, which can be explained in large part by higher depreciation due to reevaluation of the Company' fixed assets.

As a result of its operating activities, the Company earned RUR 14 bln net profit in Q1 2009, which represents a RUR 10 bln increase compared with Q1 2009 (3.5 times).

### ***Balance sheet as of March 31<sup>st</sup>, 2010***

During Q1 2010, Federal Grid Company's total assets increased RUR 17 bln, and as of the end of the reporting period stood at RUR 763 bln. These assets included both: non-current assets (totaling RUR 546 bln) and current assets (in the amount of RUR 217 bln).

The RUR 22 bln (4 %) increase in non-current assets during Q1 2010 is primarily connected with:

- RUR 13 bln increase in construction-in-progress as a result of realizing the Company's investment program;
- RUR 12 bln increase in long-term financial investments due to transforming LLC "Enegro-finans" promissory notes from long-term accounts receivable into long-term financial investments according to the novation agreement.

As of January 1<sup>st</sup>, 2010, the Company reevaluated its fixed assets at RUR 86 bln, which was reflected as "Fixed assets" on the asset side of the balance sheet, and as "Additional capital" on the liability side of the balance sheet.

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<sup>1</sup> The tariff of 37,845.23 RUR/MW was set for all regions of the Russian Federation, except the North Caucasus and Stavropol Regions. The average tariff increase for electric power transmission services in the UNEG provided by the Company (for the long-term period of regulation) will be 49.2 % in 2010.

The RUR 5 bln decrease in the Company's working assets during Q1 2010 is connected with the following factors:

- RUR 12 bln decrease in long-term accounts receivable due to transforming LLC "Enegro-finans" promissory notes from long-term accounts receivable into long-term financial investments according to the novation agreement;
- RUR 10 bln increase in short-term accounts receivable, including an allowance for reserves accrued on questionable debts for LLC "Energy Index-FGC UES" promissory notes, an increase in advance payments for realizing the investment program and for settlements with buyers and customers.

During the reporting period, the Company's equity increased 8% to RUR 55 bln. This can be attributed to an increase in the Company's share capital and net profit earned in the reporting period as a result of the Company's activity.

On October 30<sup>th</sup>, 2008, a decision was made to increase the Company's share capital via the placement of an additional 146,500,000,000 (one hundred forty-six billion, five hundred million) ordinary shares with a par value of 50 (fifty) kopecks per share. The total volume of the issue was RUR 73,250,000,000 (seventy three billion, two hundred and fifty million). The additional share placement took place from January till December 2009. Corresponding amendments to the Company' Charter were made March 11<sup>th</sup>, 2010.

As of March 11<sup>th</sup>, 2010, the Company' share capital equals RUR 616,780,666,776 and is made up of 1,233,561,333,552 ordinary shares with a par value of 50 kopecks per share.

For the reporting period, the Company' accounts payable decreased RUR 38 bln due to writing-off funds in amount of RUR 40 bln received from shareholders for the additional share issue from the "Other creditors" balance sheet.

The Q1 2010 accounting report has been placed on the web site:

[http://www.fsk-ees.ru/eng/investor\\_finance\\_ras.html](http://www.fsk-ees.ru/eng/investor_finance_ras.html)

### **About Federal Grid Company**

Federal Grid Company (the "Company") is the owner and operator of the Russian national high-voltage power transmission network. With over 118,000 km of transmission lines and over 296 GVA of installed transformer capacity, it is the largest publicly traded electricity transmission company in the world. Federal Grid Company's business is to provide energy transmission services to the Russian energy market. It maintains and develops grid facilities and infrastructure in the 73 regions of Russia in which it operates. The Company operates in an exclusive, competition free environment, and is regulated by the Government of the Russian Federation.

The Company's revenue is mainly driven by the transmission tariff set by the Regulator. From 1 January 2010 a new RAB (Regulatory Asset Base) tariff framework, designed to stimulate investment and operating efficiency, was introduced. After the introductory three year period (2010-2012) the RAB tariff will be reviewed every five years.

The Company's 2009 sales stood at RUR 85 bln, and the Company profit from sales was RUR 16 bln (RAS).

The Company was incorporated in June 2002 as a result of reorganization of Russia's electrical power industry. According to its Charter, FGC' share capital is RUR 616,780,666,776, which is made up of 1,233,561,333,552 ordinary shares with a nominal (par) value of 50 kopecks per share. The Russian government is the largest shareholder with a 79.1% stake. The remaining 20.9% of the company's shares

are publicly traded in Russia and internationally in the form of GDRs. Federal Grid Company's ordinary shares are included on the RTS and MICEX Stock Exchanges under the ticker FEES. The company is included in the MSCI Emerging Markets and MSCI Russia indices.

Further information can be found at [www.fsk-ees.ru/eng](http://www.fsk-ees.ru/eng)

#### **IR contact details**

Investor Relations

Tel.: +7 (495) 710 - 9064

E-mail: [ir@fsk-ees.ru](mailto:ir@fsk-ees.ru)