

**Joint Stock Company “Federal Grid Company
of the Unified Energy System”**

Location: 187000, the Leningrad region, Tosno, “Leningragskaya” SB

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The Chairman of the Board of Directors A.N. Rappoport

The Head of Financial and Accounting Department – Chief Accountant V.V. Shchukin

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1. Main production and financial indicators of the JSC "FGC UES"

	2002	2003
Length of electricity transmission lines, km	40900	44067
Number of substations, pcs	125	128
Average number of the Company's employees, pax	9 111	9 847
Net proceeds of sale, goods, products, works, services, mln RUR	1 345,9	17 229,5
Profit (loss) before taxation, mln RUR	(1 803,2)	1 540,2
Net (undistributed) profit (loss), mln RUR	(1 378,6)	1 049,0
Net asset value, mln RUR	91 064	121 615

2. Primary events of the year 2003.

Mainly Charter Capital of the Company was formed.

During the first six months of the year 2003, asset depositing in payment of the Charter Capital of the JSC "FGC UES". Thus, by the end of second quarter of 2003 production basis of JSC "FGC UES" was mainly formed.

The form of organization structure of the Company was terminated.

In 2003 the form of organization structure of JSC "FGC UES" was terminated: 37 affiliates of JSC "FGC UES" were created – "Trunk network plants" and 7 affiliates of JSC "FGC UES" – "Specialized production facilities Elektrosetservice".

JSC FGC UES" received financial autonomy.

On June, 25 2003 Federal Energy Committee of the Russian Federation adopted a resolution No 49-э/1 concerning JSC "FGC UES" including into the Register of natural monopolies at fuel-energy complex which are regulated by the state and the resolution No 49-э/2 concerning JSC "FGC UES" including into the specification of commercial organizations – participants of the FWMEP. Moreover this resolution approved tariff for the JSC "FGC UES" services on electric power transmission through Unified National Electric Grid (UNEG).

The development strategy of UNEG was adopted.

In December 2003 the Board of Directors certified "Main provisions UNEG development strategy for 10-year period". The Strategy determines goals and determines tasks and main course of network infrastructure development with due account for UNEG role in providing the unity of Russian electric power industry.

Major backbone power lines were put into operation.

Within the framework of the realization of the JSC "FGC UES" investment program were erected:

- in June 2003 unique section of HV 500 kV "Primorskaya GRES – Khabarovskaya substation" from "Khabarovskaya" substation to substation Khekhzir for power delivery to Bureiskaya HPP. The total extension of HV 500 kV "Khabarovskaya" – Khekhzir amounts to 123, 126 km including a unique crossover across the Amur river and Amur channel with lengths of 6,8 km;
- in September 2003 connections HV 500 kV Sibirskaya – Belozerskaya at Nizhnevatorsk GRES with lengths of 2x13,6 km. Their activation allowed to provide power delivery of Nizhnevatorsk GRES power-generating unit with 800 MW capacity in energy system of Tyumen which increased power supply reliability of the main Russian fuel and energy region;
- in the beginning of September 2003 there were constructed and activated connections of HV 220 kV Kostromskaya GRES – Nizhegorogsk substation with lengths of 2x19, 32 km which allowed to direct extra capacity to low energy rate industry region of Mid-Volga region;
- in November 2003 interstate power line HV 500 kV Jekibastuz – Barnaul. This

power transmission line (PTL) with length of 700 km is a part of transcontinental power line Itat – Barnaul – Jekibastuz – Kokshetau – Kostanaj – Cheljabinsk in dimensions of 1150MW. Startup of the line Jekibastuz – Barnaul allowed to enhance electric connection of Siberia with Ural and Central Russia, increase parallel operation reliability of Russia electric system with Kazakhstan and Central Asia;

Input of the specified objects in the main funds will be realized in 2004 at established order while the necessary documents will be completed.

Investment program of the Company for 2004 was approved.

The Board of Directors approved the volume of investment program of the JSC “FGC UES” for 2004, formed for its own accounts and borrowed assets at the cost up to 24 126, 8 mln rubles. The State of Russia approbated the Register of major electric grid facilities of the JSC “FGC UES” for 2004 which are invested at the cost of Company’s tariff in the amount of 13,4 mlrd and the financial plan of the JSC “FGC UES” for 2004 providing attraction of borrowed assets for financing of capital construction facilities in the amount of 10,7 mlrd rubles.

3. Corporate profile.

The JSC “Federal Grid Company of the Unified Energy System” (the JSC “FGC UES”) was established under the Russian Federation’s power industry reformation program as an organization for the Unified National (All-Russian) Electric Grid management for the purpose of its maintenance and development.

The OJSC RAO “UES of Russia” participation as a sole founder of the JSC “FGC UES” was approved by the Board of Directors of the OJSC RAO “UES of Russia” on January 25, 2002 (minutes No 109). On March 15, the Board of Directors of the OJSC RAO “UES of Russia” approved amounts and cost of property of the OJSC RAO “UES of Russia”, transferred into the Charter Capital of the JSC “FGC UES” (minutes No 112).

On June 25, 2002 the official state registration of the JSC “FGC UES” took place”.

Main business areas of the JSC “FGC UES”, reflected in the Charter of the Company, are as follows:

- management of the Unified National (All-Russian) Electric Grid;
- provision of services for electric power transmission and connection to the power grids to wholesale electric power market participants;
- investment activity in the area of the UNEG development;
- maintenance of the power grids in proper condition;
- technical supervision of the power grid facilities of the Unified Energy System of Russia (UES).

The following objectives of the JSC “FGC UES” for 2003 can be singled out:

- ensuring reliable operation of the power grid facilities in the course of the restructuring power industry;
- completion of Company’s Charter Capital formation;
- elaborating of Strategy and development patterns of UNEG and their specification in Company’s investment programs;
- implementation of the restructuring program of the Russian Federation’s power industry as related to the electric power grid complex within the UNEG;
- participation in the development and preparation of the electric power market infrastructure.

4. Structure of the JSC “FGC UES”

Structure of the JSC “FGC UES” includes an Executive Board, 7 branches of “Trunk networks” (TN), 34 branches of “Trunk network plants” (TNP), a branch (training center) Specialized production plant “Belyi Rast”, a branch of Sochi power industry facilities construction Administration, a branch “Elektrosetservice”, 6 branches of Specialized production plants “Elektrosetservice” (SPP), 7 branches “Regional technical supervision centers” (RTSC).

TNs are responsible for the TNPs operation, and the “Elektrosetservice” – for the SPP branches.

Responsibilities of the JSC “FGC UES” branches, the TNs and the “Elektrosetservice”, include:

- provision of services for electric power transmission and distribution;
- provision of services for connection to the power networks;
- provision of services for gathering, transmitting and processing technical data, including measurement and accounting data;
- diagnostics, operation, maintenance, reconstruction, re-equipment and capital construction of power networks and other power grid facilities, and technical management thereof;
- development of power networks and other power grid facilities, including designing, engineering survey, construction, reconstruction, re-equipment, assembling and setting-up.

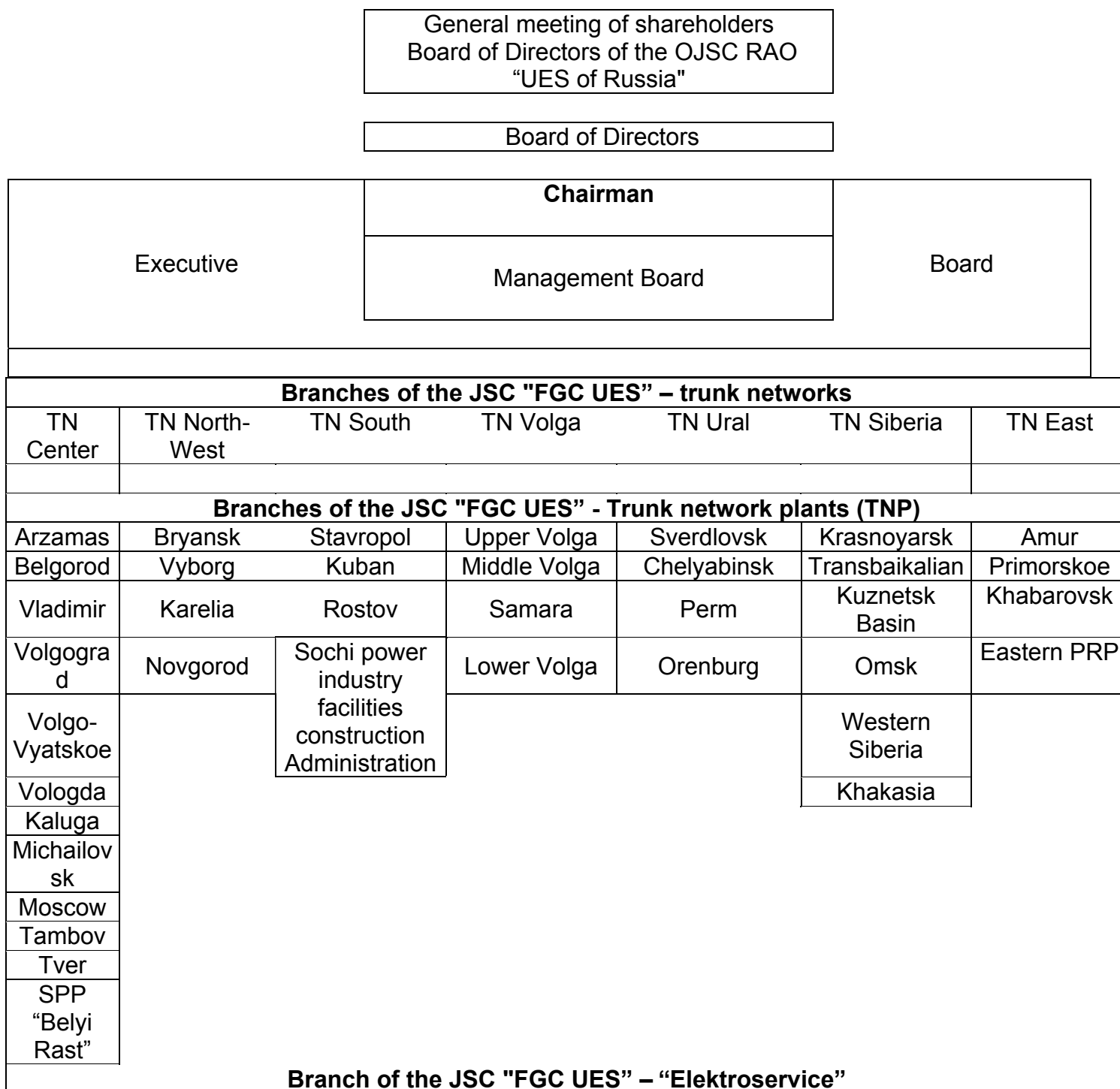
Main functions of the JSC “FGC UES” branches – the RTSCs are:

- control for diagnostics, operation and maintenance of power networks and other electricity technological equipment, including technological management;
- evaluation of the efficiency and the sufficiency of long-term forecasts, long-term and current development plans, target scientific-technical programs;
- control for the safety of flammable facilities connected with power grid facilities operation;
- organization and monitoring of the fire-fighting activities, assembling, repair and maintenance of fire safety devices of buildings and structures connected with

- power grid facilities operation.
- technical supervision, industrial safety and labor protection expertise in power grid facilities.

As of 01.01.04

Structure of the JSC “Federal Grid Company of the Unified Energy System”



5. Charter Capital.

In accordance with the constituent documents the Charter Capital of the JSC "FGC UES" accounts to 127 000 000 000 rubles.

The Charter Capital is divided into 254 000 000 000 ordinary nominal shares of nominal value 50 kopecks each.

As of 24.06.2003 – the termination date of the shares (allocated on the foundation) payment period - the Charter Capital of the JSC "FGC UES" was paid at the amount of 119 927 200 967, 50 rubles, that is equal to 94,4%.

In the JSC "FGC UES" Charter Capital payment was contributed electric grid property of the sole shareholder of the OJSC "RAO "UES of Russia" amounting to 118 672 131 862 rubles, including fixed asset – 104 149 664 922 rubles, incomplete construction objects – 13 926 022 750 rubles and money funds in the amount of 1 255 069 105, 50 rubles.

Outstanding shares, amounting to 14 145 598 065 pcs. (5,7%) in accordance with the Federal Law on "Joint Stock Companies", were transferred to the JSC "FGC UES" disposal and must be disposed during the year after their purchase.

Further increase of the Charter Capital will proceed due to the transfer of electric grid property, pertained to the OJSC RAO "UES of Russia", which for a number of reasons the OJSC "RAO UES of Russia" did not bring in the Charter Capital of the JSC "FGC UES" at the first stage.

Resolution of the Government of the Russian Federation No 526 of 11.07.2001, Federal Law No 35-FZ of 26.03.2003 "On Restructuring the Electric Power Industry of the Russian Federation", Federal Law of 26.03.2003 No 36-FZ "On the Specifics of Electric Power Industry Functioning during the Transition Period, Introduction of Amendments into Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts of the Russian Federation due to the Adoption of the Federal Law "On the Electric Power Industry", and the Strategy Concept of the OJSC RAO "UES of Russia" for years 2003-2008 adopted by the Board of Directors of the OJSC RAO "UES of Russia" in May 2003, provided that not later than on the end date of the transition period of the power industry reformation, the State will participate directly in the JSC "FGC UES" Charter Capital in order to get control packet of shares by means of the OJSC RAO "UES of Russia" restructuring. For this purpose, within the framework of the OJSC RAO "UES of Russia" reformation, the JSC "FGC UES" shares will be distributed among the OJSC RAO "UES of Russia" shareholders, in proportion to their shares in the OJSC RAO "UES of Russia" Charter Capital. As the power industry reforms are being realized, and the State quits competitive areas, in conformity with the current legislation, the State's share in the JSC "FGC UES" Charter Capital shall grow further up to 75% plus one voting share.

6. Management and control authorities of the Company.

The JSC "FGC UES" is an open joint stock company. The structure of its management bodies is determined by the Federal Law "On joint stock companies" and

the Charter.

The JSC "FGC UES" supreme managing body is the General Meeting of shareholders. Management authorization is delegated by the sole shareholder, the OJSC RAO "UES of Russia", to the Board of Directors of the JSC "FGC UES". The company's daily management is performed by the sole executive body, the Chairman of the Management Board, and by the collegial executive body - the Management Board, elected by the Board of Directors.

To control the JSC "FGC UES" business and financial performance, the General Meeting of shareholders elects annually a Check-up Committee, consisting of 5 members.

Goals and objectives of the JSC "FGC UES" as the UNEG managing company, established in the Federal Law "On power industry", determined a number of features of the JSC "FGC UES" management structure, reflected in the Charters of the OJSC RAO "UES of Russia" and the JSC "FGC UES".

The OJSC RAO "UES of Russia" Board of Directors decides on issues, covered by the competence of the JSC "FGC UES" General Meeting of shareholders, as determined by the Charter of the JSC "FGC UES".

- The OJSC RAO "UES of Russia" Board of Directors decides on issues covered by the competence of the JSC "FGC UES" General Meeting of shareholders, as determined by the Charter of the JSC "FGC UES"
- The OJSC RAO "UES of Russia" Board of Directors agrees the choice of the Head and members of the Collegial Executive Body of the JSC "FGC UES".

The membership of the JSC "FGC UES" Board of Directors is determined to the number of 13, no less than 7 of them are the State representatives, elected by the General Meeting of shareholders at the suggestion of competent authorities of the Russian Federation.

6.1. Membership of the Board of Directors of the JSC "FGC UES"

(Board of Directors elected on 28.06.2003)*

Chairman of the Board of Directors	
Khristenko Viktor Borisovich	- Vice-Chairman of the Government of the Russian Federation
Vice-Chairman of the Board of Directors	
Chubais Anatoliy Borisovich	- Chairman of the Management Board of the OJSC RAO "UES of Russia"
Members of the Board of Directors	
Abyzov Mikhail Anatolievich	- Vice-Chairman of the Management Board of the OJSC RAO "UES of Russia"
Bierhoff Rolf	- President of the Union of the Electricity Industry (EURELECTRIC) till 2002
Gazizullin Farit Rafikovich	- Minister of Property Relations of the Russian Federation
Gref German Oskarovich	- Minister of economic development and trade of the Russian Federation
Pauli Viktor Karlovich	- Chairman of the Management Board of the JSC "SO-CDA-UES"
Ponomarev Dmitriy Valerievich	- Chairman of the Management Board of the NP "ATS"
Rappoport Andrey Natanovich	- Vice-Chairman of the Management Board of the OJSC RAO "UES of Russia", Chairman of the Management Board of the JSC "FGC UES"
Rumyantsev Alexander Yurievich	- Minister of Atomic Energy of the Russian Federation
Siniugin Vyacheslav Yurievich	- Vice-Chairman of the Management Board of the OJSC RAO "UES of Russia"
Yuzhanov Ilya Arturovich	- Minister of Antimonopoly Policy and Business Development of the Russian Federation
Yusufov Igor Khanukovich	- Minister of Power Industry of the Russian Federation

(Board of Directors elected on 18.06.2002)

Chairman of the Board of Directors	
Khristenko Viktor Borisovich	- Vice-Chairman of the Government of the Russian Federation
Vice-Chairman of the Board of Directors	
Chubais Anatoliy Borisovich	- Chairman of the Management Board of the OJSC RAO "UES of Russia"
Members of the Board of Directors	
Abyzov Mikhail Anatolievich	- Vice-Chairman of the Management Board of the OJSC RAO "UES of Russia"
Gazizullin Farit Rafikovich	- Minister of Property Relations of the Russian Federation
Gref German Oskarovich	- Minister of Economic Development and Trade of the Russian Federation
Lebedev Aleksander Evgenievich	- President of JSCB "National Reserve Bank"
Pauli Viktor Karlovich	- Chairman of the Management Board of the JSC "SO-CDA-UES"
Rappoport Andrey Natanovich	- Vice-Chairman of the Management Board of the OJSC RAO "UES of Russia", Chairman of the Management Board of the JSC "FGC UES"
Rumyantsev Alexander Yurievich	- Minister of atomic energy of the Russian Federation
Siniugin Vyacheslav Yurievich	- Vice- Chairman of the Management Board of the OJSC RAO "UES of Russia"
Herne David Aleksander	- Managing Director of "Halcyon Advisors"
Yuzhanov Ilya Arturovich	- Minister of Antimonopoly Policy and Business Development of the Russian Federation
Yusufov Igor Khanukovich	- Minister of Power Industry of the Russian Federation

6.2. Membership of the Management Board of the JSC "FGC UES"

Chairman of the Management Board
Rappoport Andrey Natanovich
<i>Formation of the company's Strategy and development goals in the economical and financial areas, accounting and reporting, production and commercial operation, HR, scientific-technical, investment and corporate policy, safety and legal groundwork for the Company's activities, organization of the Company's operation</i>
First Vice-Chairman of the Management Board
Chistyakov Alexander Nikolaevich
<i>Formation and implementation of the Company's investment policy, operation and maintenance policy of UNEG facilities, automated control systems, dispatcher control and informatization of the Company</i>
Vice-Chairmen of the Management Board
Vasiliev Viktor Alexeevich
<i>Formation and implementation of the UNEG facilities operation and maintenance policy</i>
Vinogradov Dmitriy Vladimirovich
<i>Organization of the Company's financial and economical processes, provision of the cost effectiveness of the Company</i>
Gorelov Pavel Anatolyevich*
<i>Elaboration and implementation of the Company's commercial contractual policy</i>
Dorofeev Vladimir Valerianovich
<i>Elaboration and implementation of the Company's scientific-technical policy, international cooperation and strategic planning, interaction with market participants concerning the UNEG development organization</i>
Tuzov Mikhail Yurievich
<i>Implementation of the Company' corporate policy, organization of HR management, organizational planning and development of the Company and its subsidiaries and associates</i>

6.3. Membership of the Check-up Committee of the JSC "FGC UES"

(Check-up Committee. elected on 28.06.2003)

Sidorov Sergei Borisovich	Head of the financial audit Department of the OJSC RAO "UES of Russia"
Zhelyabovskiy Yuri Anatolievich	Head of the corporate management division of the Corporate policy Department of the OJSC RAO "UES of Russia"
Myasnikov Viktor Mikhailovich	Deputy head of the Department of financial control and audit of the Ministry of property of Russia
Fedorov Oleg Romanovich	Deputy CEO of the Association of investors' rights protection
Ryzhonkova Elena Yurievna	Chief expert of the accounting and reporting department of the JSC "FGC UES"

7. The JSC "FGC UES" and reformation of the power industry.

7.1. Reformation of the trunk network complex

In April 2003 Federal Laws, related to power industry sector, defining the main participants of the market system, basic principles of the forthcoming reform and industry's targeted structure, came into effect. In May 2003 the OJSC RAO "UES of Russia" Board of Directors approved "Conception of the OJSC RAO "UES of Russia" strategy for 2003-2008" containing general tasks and objectives of the reform in power industry, stages and mechanisms of its realization.

One of the main objectives of the Russian power industry reformation is the division of the branch into natural monopoly and competitive activities. As a result, organized delimitation of generation, transmission and distribution of electric power, dispatch management and technical supervision and non-core activities will be achieved.

Electricity transmission is a naturally monopolistic activity, based on the Unified National (All-Russian) Electric Grid (UNEG). The Unified National (All-Russian) Electric Grid forms the Unified Energy System of the Russian Federation. It consists of trunk power transmission lines, which unify main electric power stations and load centers for parallel operation and connect the Unified Energy System of Russia with Energy Systems of other countries.

In accordance with main lines of the Russian Federation's power industry reformation, approved by Resolution of the Government of the Russian Federation No 526 of 11.07.2001, the JSC "FGC UES" was established as the UNEG managing company for its maintenance, development and provision with unified engineering management.

Power grid facilities, owned previously by the OJSC RAO "UES of Russia", belonging to the UNEG, according to criteria, approved by Resolution of the Government of the Russian Federation No 881 of 21.12.2001, were used to pay the JSC "FGC UES" Charter Capital.

According to the Resolution No 526 of Russian Federation Government of 11.07.2001 power grid facilities, included in UNEG and possessed at present by JSC "Energo" or Company's shares, created on the basis of these assets, must be transferred to the JSC "FGC UES".

Power Industry Reformation Commission, affiliated to Russian Federation Government and the OJSC RAO "UES of Russia" Board of Directors, approved the JSC "Energo" transfer procedure of the power grid facilities to the JSC "FGC UES", which are included in the UNEG, providing for Interregional trunk network companies (hereinafter - "ITNC") to be established. The actions, required for the establishment of the ITNC were included in the Action Plan of Power Industry Reformation for 2003-2005, approved by Instruction of the Russian Federation Government No 865-p of June 27, 2003.

In accordance with to the Action Plan of the power industry reformation, on December 29, 2003, Russian Federation Government Instruction No 1939-p commissioned the RFFI of Russia, on behalf of the Russian Federation, jointly with the JSC "FGC UES", to found seven ITNCs, with 15% and 85% shares, accordingly.

Thereafter, in the course of reformation of the JSC "Energo," ITNC shares are to be allocated in proportion among shareholders of JSC "Energo" at that ITNC shares, appertained of the JSC "FGC UES" will be transferred to the Charter Capital of the JSC "FGC UES".

For the purpose of preparation to the transmission of power grid facilities of JSC "Energo", related to UNEG to ITNC and execution of Federal Law "On the Electric Power Industry" providing maintenance of the register on the issue of power grid facilities, jointly with the UNEG, the JSC "FGC UES" with the JSC "Energo" proceeded to formation of common database of the JSC "Energo" electricity network property in 2003.

On October 28, 2003 Russian Federation Government Resolution No 648 approved the Decree for "On the Assignment of Electric Grid facilities to the Unified National (All-Russian) Electric Grid and Maintaining and Register of Electric Grid Facilities of the Unified National Power Grid", according to which, the decision of electric grid facilities including to UNEG and their incorporation in register is made by the permanent working group, created under the decision of Ministry of Industry and Energy. According to the Decree, representatives of the Ministry of Property Relations, Ministry of Economic Development and Trade, the JSC "SO-CDA UES" and the JSC "FGC UES" affiliate in the working group's structure.

7.2. Reformation of the distribution network complex

In the course of the JSC "Energo" reorganization, distribution network companies are created on the basis of property complex. According to the 2003-2008' Strategy Concept of the OJSC RAO "UES of Russia", approved by the Board of Directors of the OJSC RAO "UES of Russia", the stated distribution network companies, at the stage of

their interregional integration, should be consolidated into 5 holding companies according to UES (Unified Energy System) – interregional distribution network companies (IDNCs).

In order to build up a centralized management system of the distribution network complex, to secure its reliability, efficient operation and development during the reformation period, the OJSC RAO “UES of Russia” Board of Directors recognized it to be expedient to transmit IDNC’s shares into the trust management of the OJSC RAO “UES of Russia” (minutes No 931 of 15.12. 2003).

8. Production and commercial operations of the JSC "FGC UES"

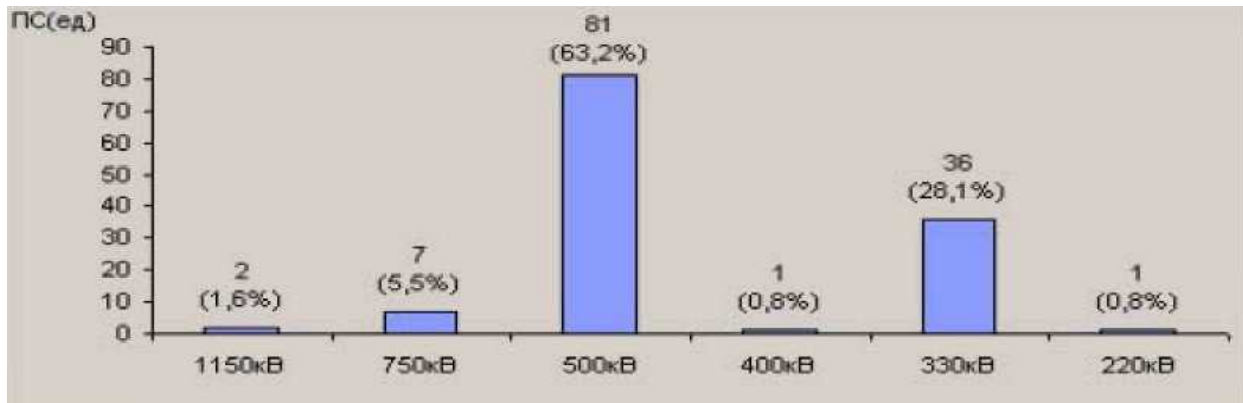
8.1. Equipment specification of the JSC "FGC UES"

The JSC "FGC UES" operates in management of power grid facilities related to UNEG and kept on the balance of the JSC "FGC UES", providing their operation, repairing service and development through the net of TNs, TNPs, Elektrosetservice, SPP, RTSC branches.

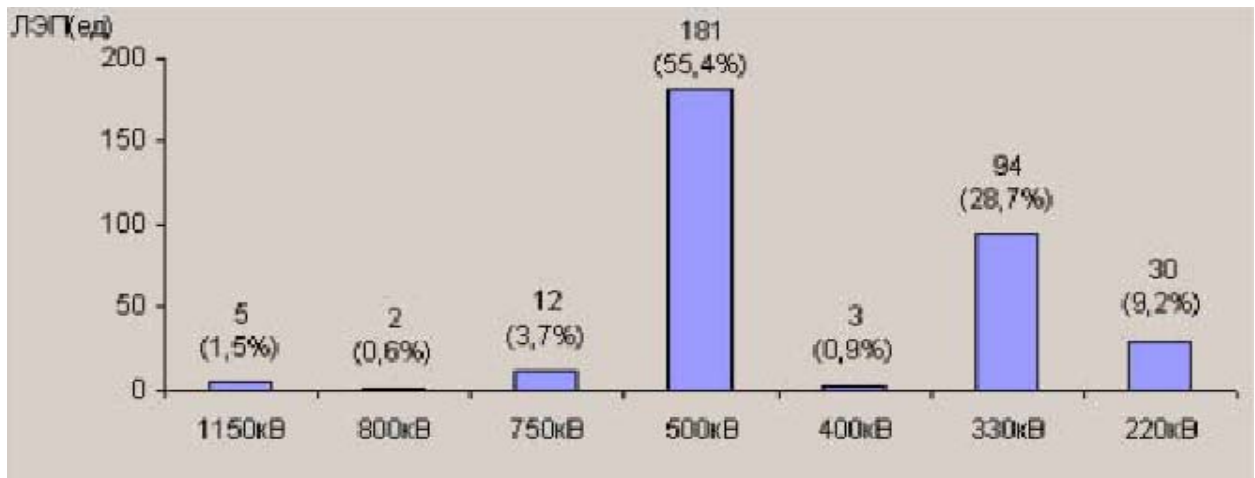
In 2003, the JSC "FGC UES" ensured operation of 361 power transmission lines (PTL), 44 067 km long; and 128 substations (SB) of various voltage categories, including:

- 2 SB-1150 kV, and installed transformer capacity – 1002 MVA;
- 7 SB-750 kV, and installed transformer capacity – 20955 MVA;
- 81 SB-500 kV, and installed transformer capacity – 93905,5 MVA;
- 1 SB-400 kV, and installed transformer capacity – 4934 MVA;
- 36 SB-330 kV, and installed transformer capacity – 15423,3 MVA;
- 1 SB-220 kV, and installed transformer capacity – 380 MVA;
- 5 PTL-1150 kV, length 828 km;
- 2 PTL-800 kV, length 402 km;
- 12 PTL-750 kV, length 2703 km;
- 181 PTL-500 kV, length 30419 km;
- 3 PTL-400 kV, length 125 km;
- 94 PTL-330 kV, length 7773 km;
- 30 PTL-220 kV, length 1744 km;

Quantity structure of substations as per voltage class:



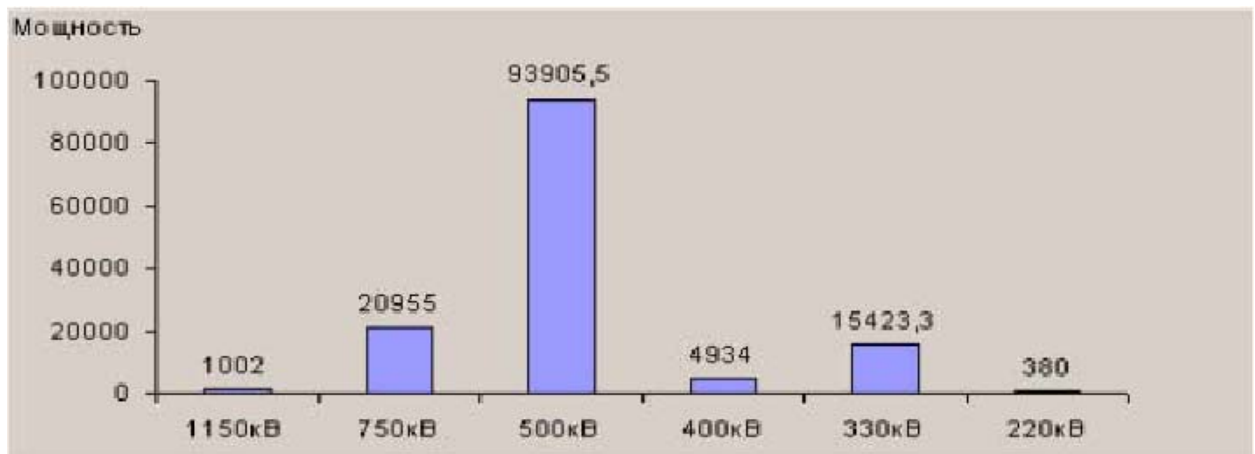
PTL quantity structure as per voltage class:



Total installed capacity of power transformers of 220-750 kV, installed in the JSC "FGC UES" substations, amounts to 136 600 MVA.

As of 31.12.2003 total capacity of reactors in the JSC "FGC UES" plants is set at 21 885 MVAr

Structure of the JSC "FGC UES" substations as per autotransformer and transformer capacity:



8.2. Operation of the JSC “FGC UES” power grid facilities

Annual volume of works as per operation of the JSC “FGC UES” equipment

TN	Volume of work (ths. cu*)	
	2002	2003
TN Center	147,9	167,5
TN North-West	59,2	54,0
TN Volga	45,6	47,48
TN South	51,6	52,04
TN Ural	84,2	89,4
TN Siberia	89,1	91,3
TN East	19,63	21,23

* 1 cu – volume of work carried out at exploitation of 1 km 10 HV on reinforced concrete transmission tower.

Number of operating personnel, maintaining SB-330-750 kV:

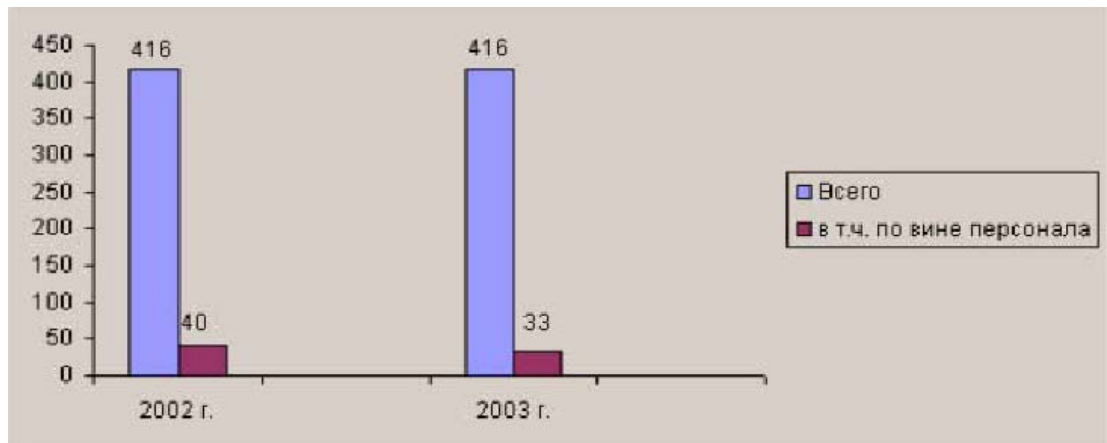
TN	Total number of operating staff, pax.	Dispatchers, pax.
TN West	19	-
TN Siberia	158	-
TN Urals	168	5
TN Volga	80	-
TN South	150	6
TN Center	321	6
TN North-West	123	4
Total	1019	21

Breakdown rate in the JSC “FGC UES” power grid facilities

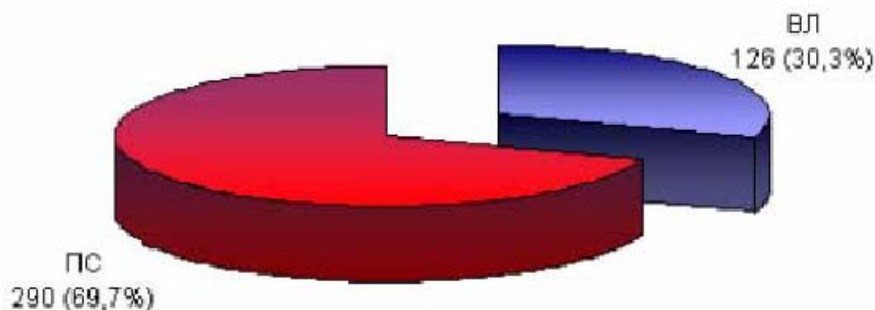
During 2003 in the JSC “FGC UES” trunk network operation, 416 disturbances took

place, among them 33 – disturbances through staff's fault. In 2003 from total number of disturbances, 126 incidents occurred on high voltage lines (HV), 290 – in SB equipment. Total number of disturbances in trunk network operation remained at the level of the year 2002 and disturbances through staff's fault decreased to 17,5 %. No breakdowns occurred within the above stated period.

Total number of disturbances in 2003 in comparison with 2002:



Classification of disturbances in main elements of transmission lines (HV and SB):



In 2003 the number of HV disconnections with failed automatic reclosing (AR) decreased from 129 to 118 cases, but number of incidents on SB equipment increased. Breakdown rate growth in substation equipment in 50% cases was caused by factory and assembling defects, repair, equipment wear-and-tear due to long period of exploitation. In 2003 in the JSC "FGC UES" facilities 14 fires occurred including 8 – in SB and 6 – HV exclusion zones as compared to 18 fires in 2002.

8.3. Repairs of power networks and other power grid facilities

Maintenance and repair of the JSC "FGC UES" power grid facilities are performed by TNs and "Elektrosetservice" branches.

Transmission lines repairs (mainly air lines) were performed subject to their technical condition, according to the “Maintenance and repair regulations” currently in force (hereinafter “the Regulations”). Substation equipment was repaired to the fullest extent and within terms specified by the Regulations, manuals and requirements of the equipment manufacturers.

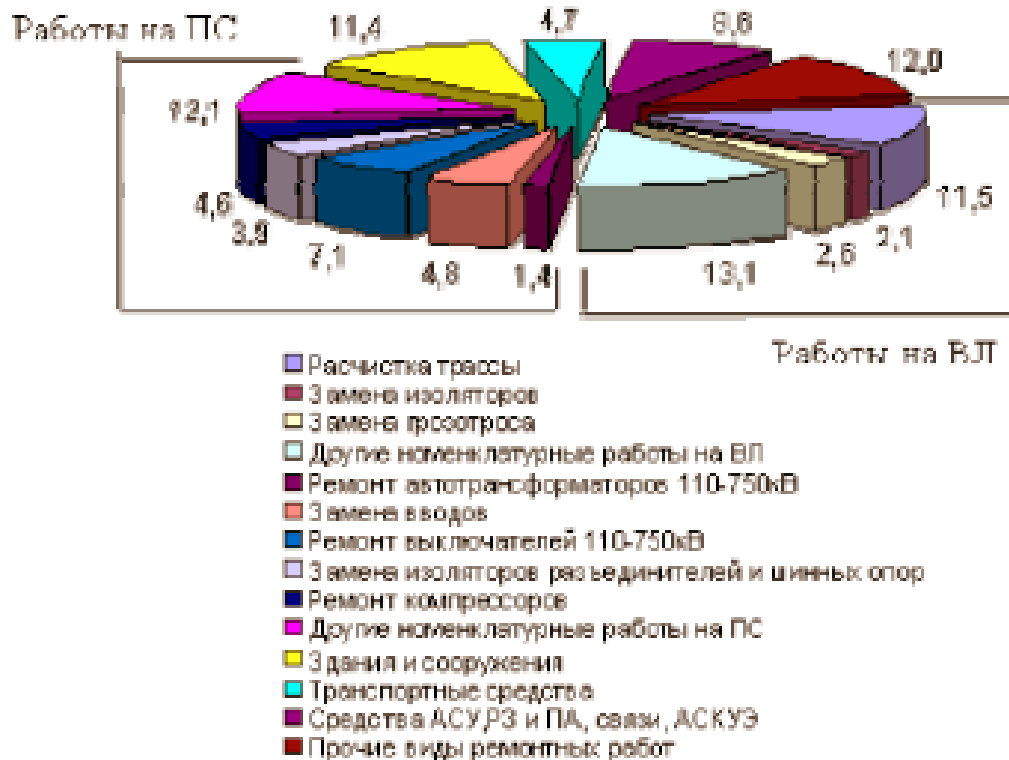
Volumes of main kinds of repairs

Description	Unit	2002	2003
HV lines'routes clearing, including chemical clearing	ha	28 221	23 247
HV insulators replacement	psc	68 155	32 027
Transmission tower footings repair	psc	3 197	3 731
Lightning protection cable replacement	km	459	523
Transmission tower footings' replacement (reinforcement)	psc	216	314
HV spacer-dampers replacement	psc	21 114	17 451
Autotransformers repair	phase (psc)	34	28
Shunt reactors repair	phase (psc)	30	15
110 - 750 kV incoming units of oil-filled equipment replacement	psc	168	133
Switch repair	psc	370	345
Disconnects repair	psc	1 151	1 379
Rigid insulator of 110 - 750 kV repair	psc	6 009	7 148
Compressor repair	psc	269	227
Storage battery repair	psc	6	10
Synchronous compensator repair	psc	2	1

Repair structure of the JSC “FGS UES” power grid facilities in 2003 as per kind of work

No	Description of the repair work	Repair structure of the JSC "FGC UES" power grid facilities, as per kind of work
1.	HV works	29,3
1.1.	Route cleaning	11,5
1.2.	Insulators replacement	2,1
1.3.	Lightning protection cable replacement	2,6
1.4.	Other equipment identification HV works	13,1
2.	SB works	33,9
2.1.	110-750kV transformers repair	1,4
2.2.	Incoming units repair	4,8
2.3.	110-750 kV switch repair	7,1
2.4.	Insulators , switch and bus support replacement	3,9
2.5.	Compressor repair	4,6
2.6.	Other equipment identification works on SB	12,1
3.	Buildings and structures	11,4
4.	Vehicles	4,7
5.	Means of ACS, relay protection devices and ECA, communication, ASCUE	8,6
6.	Other repair works	12,0
	TOTAL repair works	100,0

Repair structure of the JSC “FGC UES” power grid facilities as per kind of work



Within the framework of the first stage of restructuring the repair activity in the Company's electricity network in 2003, in order to reduce the share of repair works, performed by TN branches on an own-account basis, the distribution of the volume of repair works performed took place between TN branches and a specialized branch, servicing "Elektrosetservice" networks. The share of "Elektrosetservice" repairs increased up to 234,3 mln RUR.

8.4 Operational dispatch management of power grid facilities

At the end of 2003, there were only 4 dispatching services with functions of the JSC “FGC UES” operational requests processing and current awareness service provision in the JSC “FGC UES” branches (TN Center, TN Ural, TN North-West, and TN South).

Taking into account, that the present JSC “FGC UES” organizational structure does not allow providing the JSC “FGC UES” tasks realization at the quality control of power grid networks, reactive power management (voltage regulation), electric energy loss optimization, providing operational reliability, in October, 2003 the JSC “FGC UES” decided to improve the operational dispatch management system, as an integral part of a single mechanism of the UNEG effective operation technology management.

According to the stated decision, in the JSC “FGC UES” and its branches, TN, fully-featured around-the-clock dispatcher offices are to be organized with functions of monitoring of the UNEG facilities condition, emergency reconstructive works performance, current awareness service provision, issuing admissions to electricity transmission lines servicing.

Dispatching services formation enables the JSC “FGC UES” to execute the following tasks:

1. Monitoring of the UNEG facilities condition and emergency reconstructive works performance;
2. Organization of prompt actions for operational mode optimization, breakdown localization, and UNEG facilities restoration, within power;
3. Organization of operational maintenance of substations and routine switching, within power;
4. Organization of electrical modes and balances calculation in the UNEG;
5. Organization of work with SB operating staff.

8.5. Relay Protection and Automatic Equipment

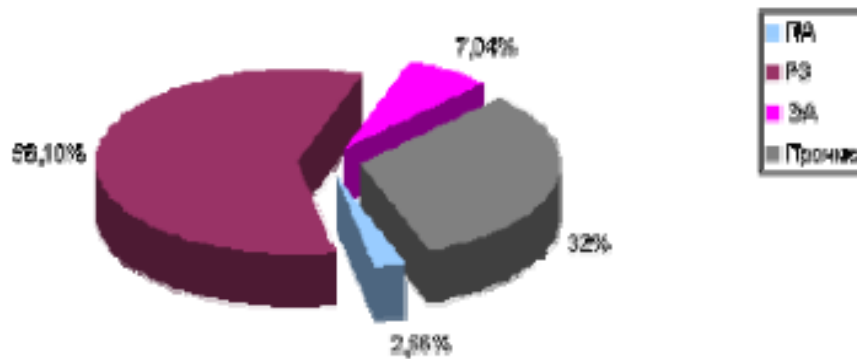
Total number of relay protection and automatic equipment (RPAE) amounts to 109486 pieces, among them 63699 – relay protection equipment, 7709 – automatic equipment, 2804 – emergency control automatics and 35274 – other RPAE equipment.

There were 96,5% of mechanical equipment (including with microelectronics elements and compound-semiconductor devices), 2,0 % of microelectronic devices and 1,5 % of microprocessing (with that amount of microprocessing devices was not counted on the number of simple devices and included as per terminal amount).

In 2003 RPAE equipment exploitation (maintenance operation) was performed by 559 people. On the average, one worker maintained 196 RPAE facilities.

For the main indicator of 196 RPAE equipment operation, one percentage of their efficient work was established, which amounted to 99,0% in 2003.

Percentage of RPAE equipment, installed in TN power facilities



8.6. Technical supervision on power grid facilities

In 2003 the formation of 7 JSC “FGC UES” - RTSC branches was terminated, which in full force and effect perform the functions of technical supervision on UNEG facilities.

In 2003 the JSC “FGC UES” technical supervision conducted work on control of investigation of disturbances, fires, industrial injuries incidents, as well as elaboration and implementation of the necessary preventive measures and observation of unified branch and governmental accounting at industrial safety, breakdown and safety rate on the JSC “FGC UES” power grid facilities were provided.

The RTSC inspection personnel, in the course of a number of scheduled and unscheduled inspections in 2003, investigated practically all substations and the JSC “FGC UES” TNs. As a result of performed investigations, 285 orders were issued, including more than 3800 measures taken.

Moreover, in 2003 comprehensive inspections of production, investment, economical and financial activity of 6 JSC “FGC UES” branches – TNs and subordinate TNPs were completed. As a result, RTSC inspection personnel issued acts at the local level. In all investigated TN and PMES branches, corresponding resolutions with the list of measures, realization of which is necessary for elimination of defects detected, were issued. As a result of comprehensive inspections TN Managing Directors were given a hearing at the JSC “FGC UES” Board Meeting.

For more efficient control of realization of orders, measures, investigatory acts and other order documents in 2003 Technical Supervision Department jointly with JSC “IT ENERGY” performed development and implementation of 1 stage of information analysis system “Controlling” at 3 hierarchy levels of management (DTE - RTSC – the main TN inspector).

From the second quarter of 2003 Regulations of Cooperation between the General Supervision Department for the JSC “RAO UES of Russia” power plants and networks

exploitation and the JSC “FGC UES” technical inspectorate within the OJSC RAO “UES of Russia” Holding reformation came into force. According to this document, the JSC “FGC UES” technical inspectorate was assigned to perform functions of technical and technological supervision on the JSC “Energo” power grid facilities, related to UNEG.

According to a new “Regulation of operationability evaluation of electricity and heat supplying organizations to work in F/ W period”, assessment of the JSC “FGC UES” branches was conducted in 2003 by the JSC “FGC UES” commissions. The UNEG power grid facilities as a part of the JSC “Energo” examinations were performed by the OJSC RAO “UES of Russia” and DS Energotekhnadzor boards with participation of representatives of the JSC “FGC UES” branches – TN and RTSC.

According to the results of the inspection all JSC “FGC UES” branches: 7 TNs, 47 TNPs, “Electrosetservice”, including its 7 production facilities, obtained certificates of operationability in the F/W/ period 2003/2004 without any observations concerning the main and additional requirements.

8.7. Electric-power transmission services

In the first quarter of 2003 the JSC “FGC UES” rendered the OJSC RAO “UES of Russia” services for providing reliable operation and development of backbone power grid and power and capacity transmission through electric networks between Unified Energy System participants.

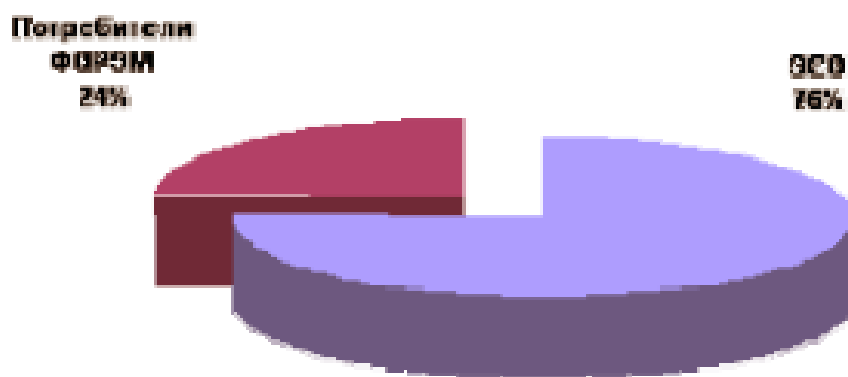
According to art. 26 of the Federal Law “On the electric power industry”, the electrical energy transmission services are provided for value received.

The FEC of Russia’s Resolution No 49-э/2 of June 25, 2003 includes the JSC “FGC UES” since July 1, 2003 in the List of profit-making organizations – participants of the Federal (All-Russia) wholesale market of electrical energy (capacity), with electrical energy tariffs, established by the Federal Energy Commission of the Russian Federation, in Section II “Service provider companies on the Federal (All-Russia) wholesale market of electrical energy (capacity)”.

The JSC “FGC UES” contractors are participants of the Federal wholesale market for electricity and power (FWMEP) – payers of the OJSC RAO “UES of Russia” user charge for services of the “UES of Russia” organization and development services according to the data of productive supply.

The JSC “FGC UES” contractors include two types of companies, FWMEP participants: energy-supplying organizations (ESO) and FWMEP consumers.

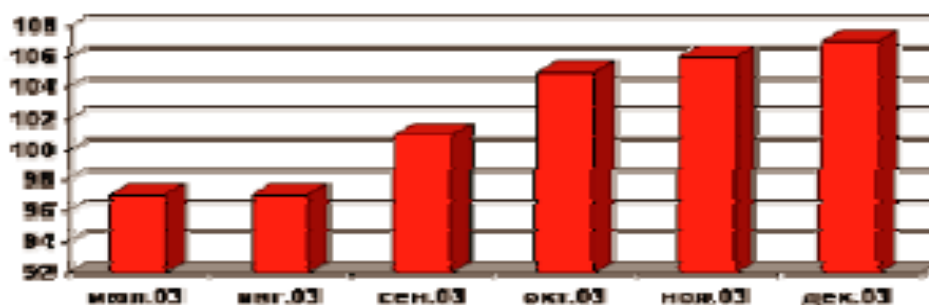
Classification of the JSC “FGC UES” contractors in 2003 as per type of organization.



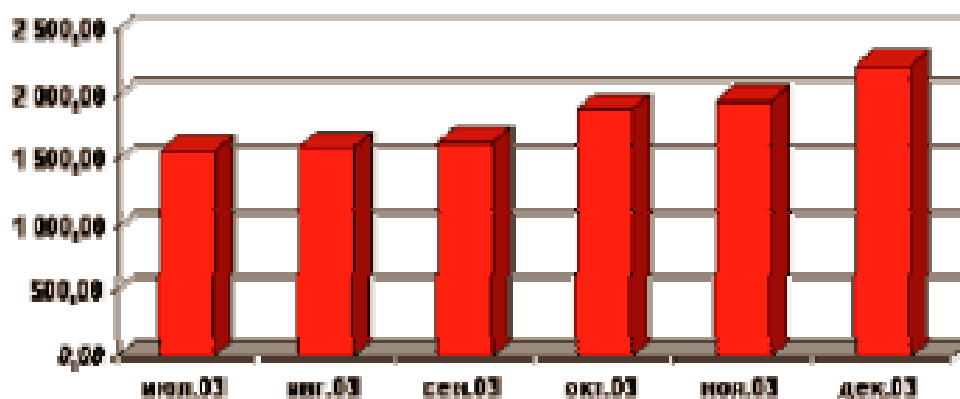
At the end of 2003, contracts of electrical energy transmission services through UNEG were concluded by the JSC "FGC UES" with 107 contractors.

Number of the JSC "FGC UES" contractors in 2003

Количество контрагентов ОАО "ФСК ЕЭС" в 2003 году:



Monthly volume dynamics of electrical energy transmission services, provided in 2003, mln RUR



During the accounting period incoming electrical energy the JSC "FGC UES" network amounted to 366 626,0 mln kWh, 356 599,37 mln kWh was released out of the JSC "FGC UES" network, with that, actual losses of energy amounted to 2,81% by the productive supply of JSC "FGC UES" network.

Actual volume of electric supply from Russia abroad in 2003 amounted to (mln kWh): to Kazakhstan - 1 792,83; to Azerbaidzhan - 1 114,30; to Georgia - 865,82; to Moldavia - 878,7; to Belarus- 3 532,43; to the Ukraine - 213,66, to Mongolia - 167,68; to China - 161,57; to Finland - 10 993,44, to Norway - 181,98.

8.8. Prospect of technical re-equipment and modernization of the JSC "FGC UES" power grid facilities.

In 2003 the JSC "FGC UES" analyzed the course of technical re-equipment and modernization (TEM) of power grid facilities, related to the UNEG. As a result of this work, the decision concerning elaboration of a long-term Project of complex technical re-equipment and modernization of the JSC "FGC UES" power grid facilities (until 2012) was made. Its main features include provision of correspondence of TEM compliance with "General Technical Requirements in new generation SB 330-750 kV" and outstripping of TEM wear and tear schedule of the JSC "FGC UES" power grid facilities realization.

For realization of this project it is considered to direct 70% of allocated for technical re-equipment money funds (5-8 milliard rubles). The remaining 30% is considered to be allocated for equipment replacement which is in the pre-emergency status, emergency reserve completing, preparation of design and estimation documentation for complex technical re-equipment of power grid facilities of the following years and other works.

At the first stage 10 power grid facilities for complex technical re-equipment were identified: SB 750 kV "Leningradskaya", 500 kV "Raduga", "Veshkaima", "Klyuchiki", "Zlatoust", "Novoanzhorskaya", "Lipeckaya", 330 kV "Kalininskaya", "Bologoe", "Mashuk". Reconstruction of these facilities is to be completed within 36-40 months and conducted at the most up-to-date technical level with modern safety equipment which is fully automated, according to the requirements to modern substations with full renewals.

9. Investment activity of the JSC "FGC UES"

The JSC "FGC UES" investment program for 2003 was formed in compliance with FEC Regulation No 97-э/3 of 24.12.2002 with capital investment out of all funding sources amounting to 11 366 mln RUR. While being realized, the investment program was corrected and, as a result, volume of investments amounted to 11 541,8 mln RUR. Volume of investment growth was realized out of financial borrowings that were underused in the previous period.

The investment power grid network program realization in 2003 году occurred under unfavorable conditions of transition period, connected to the JSC "FGC UES" creation. In the first six months of last year uncompleted construction from the OJSC RAO "UES

of Russia" was transferred to the Charter Capital. The peculiarity of this process is the necessity to suspend construction work with the subsequent Agreement termination for a term of the BTI's compilation of the facilities specification documents, technical passports and state registration prior to their reception to the JSC "FGC UES" balance sheet and making the Contractor's Agreement between new proprietors.

Capital investments realization and financing in 2003

Units	Financing plan for 2003 (amended on 31.12.03)	Financed, mln RUR	realized (including VAT), mln RUR
Total	11 436,18	11 541,79	9 078,43
1. New construction	7 694,40	7 824,65	6 257,76
2. Technical re-equipment and reconstruction	2 162,69	2 181,71	1 870,21
3. Technological management and informatization development	757,63	660,07	88,23
4.EAD	387,05	382,05	364,71
5. "Power grid facilities' proofing" Program and production infrastructure facilities	54,42	33,74	27,14
6. Restoration of power grid facilities in Chechen Republic	380,00	459,57	470,38

In the reporting period for the investment financing, the amount of funds allotted was by 1,53 times more than in 2002. Advance in financing in comparison with capital investment is connected with the necessity of prepayment of equipment production, delivery of constructions and materials.

Capacities put into operation in 2003.

No	Name of the facility	Capacity put into operation	
		According to schedule	in fact
1. New Construction			
1.	HV 500 kV Primorskaya GRES – Khabarovsk with SB 500 kV Khekhzir 220 kV (1st starting sector)	127,7 km 180 MVAr	123,13 km 180 MVAr
2.	HV 400 kV Vyborg-Gosgranica OS 400 kV	144 MVAr	144 MVAr
3.	HV 500 kV Cenral-Psoy; HV connections 220 kV	54,4 km 2x12 km	53,14 km 2x11,7 km
4.	HV connections 500kV Sibirskaya-Belozernaya on Nizhnevartovskaya HPP	2x13 km	2x13,6 km
5.	HV 500 kV Kostromskaya GRES-Novgorog with SB Juzhnaya (OS 500 kV)	2x20 km	2x19,32 km
6.	SB 500 kV Voronezhskaya (AT-2)	250 MVA	250 MVA
Total: km		272,1	265,51
Total: MVA		250	250
Total: MVAr		324	324
2. Technical re-equipment and reconstruction			
1.	Reconstruction and reequipment SB Bologoe 330 kV	125 MVA	125 MVA
2.	SB 500kV Penza-2 enhancement and reconstruction	60 MVAr	60 MVAr
3.	SB 500 kV Novo-Anzherskaya, reconstruction and re-equipment	100 MVAr 167 MVA	100 MVAr 167 MVA
4.	SB Veshkaima 500 kV. Installation AT-1, enhancement and reconstruction	250 MVA	250 MVA
Total: MVA		542	542
Total: MVAr		160	160

Total	Indicators	MVA		MVAr		HV (km)	
		plan	fact	plan	fact	plan	fact
	Facilities of new construction	250	250	324	324	272,1	265,51
	Facilities of Technical re-equipment and reconstruction	542	542	160	160	–	–
	In 2003	792	792	484	484	272,1	265,51*

* - HV actual input is less than plan input due to rational choice of route without change of technical characteristics joining.

The 2003' program of capacities put into operation was completely fulfilled.

The input of the mentioned facilities in the fixed assets will be conducted in 2004 by determinate order as far as filling of necessary documents.

10. Development of the communications network of the JSC "FGC UES"

10.1. Characteristics of present communications links of power industry

The communications network of power industry is a telecommunication infrastructure, combining services and subsystems of power industry in unified technological complex. Communications network is a basement for system management organization, power production and distribution, emergency repair and restoration services and designed for providing of technological and administrative service management of power industry.

The communications network of power industry is a multibranch network of cable and relay lines, VHF communications system, high frequency channels (HV communication channels in PTL). Supplying the power industry's needs, this network covered practically all power networks in the country. At the communications network length and total channel volume the communications network of power industry is considered to be one of the major industries in Russia.

Exclusive standards are specified for the communications network of power industry at safety, reliability, and speed for information transmission of technological systems:

- Automatic system for commercial accounting of power consumption (ASCUE);
- automatic power and frequency control (APFC), relay protection and automatic equipment (RPAE), emergency control automatics (ECA).

At present, most communications lines (about 80%) went out of date and wore physically, are operated for more than 15 years and practically are used.

Current communications networks are not able to comply with power industry requirements in full measure and supply growing needs in channels and volumes of transmitted information, which prevents from modern automatic management systems implementation and from the infrastructure of competitive wholesale market creation.

10.2. Areas of business of the communications network development

The JSC "FGC UES" Board of Directors (minutes No 649 of 16.04.02) decided to entrust the JSC "FGC UES" functions of construction and operation of telecommunication infrastructure of the power industry, as for supplying technological needs and for the power market function supporting, including ASCUE.

In order to realize these tasks, the "FGC UES" and the OJSC RAO "UES of Russia" made a decision to create Unified communications network of power industry (UCNPI).

The UCNPI is being created as an complex basement for all kinds of information transmission (audio-, video-, data), for guaranteed quality and reliability of the electricity industry participants and facilities' communication of all hierarchical levels all over Russia.

The UCNPI includes all existing or being created communication lines, engaging the Unified Digital Communication Network of the Power Industry (UDCNPI).

In 2003 UCNPI development projects elaboration and preparatory work for their realization were conducted.

10.3. UCNPI development projects

Unified Digital Communication Network of the Power Industry (UDCNPI)

The UDCNPI is a unified controlled telecommunication infrastructure of the power industry on basis of leased communication channels.

The UDCNPI Project covers a foundation of power network with unified control system, establishment of informational and technical cooperation of power grid facilities (telephony, conference communication and data transmission), including units of the OJSC RAO "UES of Russia", the JSC "FGC UES" and the JSC "SO-CDA UES".

In 2003 technical and commercial terms of the contracts were elaborated, open tenders were held, and contracts for UDCNPI creation were concluded within the framework of their realization, the following stages were realized: design and survey work, technical project development, equipment delivery, personnel training.

It is considered to put the UDCNPI into operation in the 4 quarter of 2004.

Project financing is realized through EBRD and IBRD credits.

Fiber-optic network

The JSC "FGC UES" investment programs provides realization of projects for creation Fiber-optic network facilities (FOCL) with fiber-optic cable suspension in HV transmission towers.

In 2003 technical design specification and projects upon construction the FOCL facilities in all TN branches were elaborated and coordinated. They enable:

- to provide power industry with all modern modes of communications based on digital technologies,
- to create unified with the SO "CDA UES" information space of power networks management,
- to provide wholesale power market's participants with information and possibility to conduct electrical tenders,
- to set up informative transport platform for functioning of Automated Technology and Dispatch Management System management (ATMS and ADSM), ASCUE, Corporate Information Management System.

In 2004 it's considered to put in operation about 2000 km FOCL.

Radio network, based on TETRA standard

Within the framework of program for creation of corporate communications network there will be realization of the digital network of professional mobile radio, based on TETRA standard and intended for provision of mobile communication for operational services, repair and renewal teams, and for commercial and industrial data acquisition from remote power grid facilities.

In 2003 году Justification of investments (JOI) was elaborated, JOI state expert examination was performed, permits for using frequency response resource were obtained, technical commercial conditions of the Contract were elaborated, closed competitive tender was held and the Contract was awarded.

At the end of 2004 there will be completed works on UNEG facilities equipment with professional mobile radio in Middle Volga area, including Samara, Saratov, Penza regions, Chuvash and Mari El republics.

The network's extension on Middle Volga territory is to be completed in the 2th quarter, 2005.

Communication system "Gonez-ASCUE"

"Gonez-ASCUE" is a departmental subsystem of low-orbit satellite communication system, providing with ASCUE data acquisition from power grid facilities to collecting centers in automatic mode.

"Gonez-ASCUE" project provides for creation: Central dispatching center, 7 regional dispatching centers and 112 customer terminals situated in the JSC "FGC UES" substations.

In 2003 году System project was developed, staff training was held, equipment was installed, erection and adjustment works, transport network of archival data transmission in manual mode put into operation.

In 2004 it is planned to put the system in operation for ASCUE data transmission in automatic mode.

11. Main regulations of the UNEG Development Strategy for ten-year period.

In December 2003 the JSC "FGC UES" Board of Directors confirmed Main regulations of Development Strategy of the Unified National Electric Grid (UNEG Development Strategy).

The UNEG Development Strategy is a document which determines the tasks, objectives and main lines of a long-term UNEG development program for ten-year period subject to internal and external factors in fuel and energy complex of Russian economy.

The basement for the UNEG Development Strategy is wide range of documents including: current Laws, regulating activity in power industry, legislation and normative Acts of the Russian Federation Government, the JSC "FGC UES" and the OJSC RAO "UES of Russia" Board of Directors' decisions, as well as social economic documents of various administrative levels, works on perspective development

of power industry, researches into main trends of scientific-technical progress in the power industry.

As basic social economic documents of various administrative levels are ratified:

- Development Strategy of Russian Federation;
- Energetic Strategy of Russian Federation (developed by the Department of Energy of Russia);
- Development Strategy of regions.

Main strategic development objectives of UNEG were determined:

- In the power industry field – reservation of the Unified Energy System of Russia. (UES of Russia); procurement for UES of Russia reliable and stable function of UES of Russia including island network; UES of Russia development concerning electric network.
- In fuel and energy complex –structure improvement and easing of tension of power balance; providing conditions for energy resources maneuvering under strict fuel conditions and due to valid water resources while external and internal conditions changing.
- In ecology field – assistance of reduction of power complex and industry's negative influence on environment based on electrification.
- In political field – providing integrating role in the state and FEC based on transregional energy delivery, providing conditions for reliable power supply for supporting on desired level of population sustainment, business activities, and defense potential of the state.
- In geopolitical field – oncoming creating of infrastructure of Eurasian super energy concern providing power market development in the region; ensuring the reinforcement of integrational liaisons with the Commonwealth States, Europe and APR based on international power supply.

In the basement of the UNEG strategic objectives is the JSC "FGC UES" activity in effective management of power networks and their development, as well as providing conditions for competitive market formation in the power industry. Main strategic development objectives of the JSC "FGC UES", ensuring the mentioned functions are:

- Electrical communication development that helps reserve UES of Russia and provide stable parallel work of the main service area of the State, UES of Russia integration with other power sectors at Eurasian continent.
- Ensuring energy operation of power plants and creation conditions for reliable power supply of consumers.
- Negotiation of the main Electrical communication's funds and electric grid deterioration due to works' increase in their reconstruction and technical re-equipment (substations modernization, high voltage power lines reconstruction, modernization and development of informational infrastructure).
- Development of centralized technical management of electrical communication.
- Creation of network infrastructure ensuring effective functioning of competitive power market in the RF and providing integration in international energy markets.
- Connection to electric grid of wholesale market participants provided that non-discriminatory access due to ensuring system safety.
- Coupling of UNEG technical level to international standards using new high-efficiency technology in construction, technical re-equipment and power

- facilities.
- Efficiency increase in functioning due to decrease in expenses, specific consumption of exploitation and losses in the UNEG network.
 - Realization of unified strategy in investment policy and procurement of capital for strategic aims power grid development.

The UNEG development strategy is worked out for a ten-year period, taking into account the necessity of continuous monitoring of the results with the control at 3 main time stages: 1 year, 5 years, and 10 years.

The aim of the **I stage** is the development of all necessary measures and business events, ensuring the UNEG strategy realization as well as raise to a valuation of the effective UNEG functioning and development in the unified integrated criteria.

The aim of the **II stage** is the realization of the strategy and the UNEG raise to a new technical level of functioning with pilot projects realization and providing stability of the deterioration levels of the main power grid equipment.

The aim of the **III stage** is UNEG raise to a new technical level of functioning with realization volume, specified in the business events Strategy no less than 60% and decision of the main development UNEG tasks.

In the UNEG development strategy the scales of the main backbone, intersystem power networks and the necessity in capital investments for their construction determined. Check rolls for the input of power grid networks of 220 kV until 2012 were prepared. Development of the UNEG backbone network referred, principally, to the energy output, reliable energy supply of consumers and increase in power links capacity and provision of energy export.

Within the framework of the UNEG Development Strategy in 2003, the following is elaborated:

Implementation program FACTS (Flexible AC Transmission Systems) in UNEG.

Implementation program FACTS in the UNEG aimed at salvation of the problems, arising while backbone network development and reconstruction and the UNEG raise to a modern and brand new management level.

Wide-ranging implementation of similar technologies and network construction with the usage of PACT5 facilities provide:

- increase in stability limits up to the limits of wire warming;
- optimal power flow between different class voltage lines;
- damping of variations of active and reactive power;
- voltage regulation (of reactive power) in the networks in wide margins.

Program of usage of superconducting technologies in the JSC "FGC UES" networks.

Efficiency of the usage of superconduction phenomenon in UNEG is defined by its unique physical qualities. Firstly, the following directions of the hyperthermal superconduction usage are planned:

- superconductive current limits (SCL), providing safety coefficient decrease of power equipment at short circuit and safety increase of power supply to consumers;
- superconducting magnetic energy storages (SMES);
- power cables;
- transformers (HTSC).

Development pattern of the Unified National Electric Grid UES of Russia of 220 kV and more for 2003 – 2012.

Under The UNEG Development pattern more than 25 volumes of development of unified power network, isolated networks and Kaliningrad power network were performed. Works in a presented scope with network of 220kV development investigation 220 kВ and their regimes were conducted for the first time.

In the UNEG Development pattern, on the basis of performed analysis of the UNEG functioning and its main problems of the development detected, new trends for Unified National Electric Grid development were outlined.

Overall, within the period 2003 - 2012 in advanced pattern of power industry development, the power grid facilities input of 220 kV and more was projected: airhead transmission lines 33 ths. km long, transformer capacity 109722 MVA. Such volume of power grid construction requires 338 200 mln RUR.

Prediction of power consumption

In order to provide effective management of the Unified National Electric Grid functioning and development, it is necessary to perform an annual complex energy market research, including analysis of the current energy market state on the part of consumers, evaluation of volumes and sectoral structure of demand for electric energy and main indicators of power consumption's regimes.

The JSC "FGC UES" will use work results while making a decision of perspective development of the UNEG, formation of the JSC "FGC UES" investment programs', for database compilation and current activity.

12. Innovative technologies.

The main trends of JSC "FGC UES" scientific research activity in 2003 were positioned as one of the main strategic company's objectives – to become in prospect the world's technological leader in the infrastructure area and, first of all, communication and energy distribution system.

In 2003 the following important results were achieved:

1. Principles of production tooling of the Unified Electric Grid in the forming energy system's conditions, the Strategy of the Unified National (All-Russian) Electric Grid for ten years were formed.
2. The program "Creation in the Unified Energy System of Russia flexible (controllable) systems of alternative current transmission and equipment for voltage regulation" was elaborated and approved – systems that help improve

- efficiency of the current network.
3. Certification system of implanted new technologies in the UNEG was created and realized, Corporative Rules for certification of new equipment, technologies and materials in the JSC "FGC UES" were elaborated and approved.
 4. Opportunity for implementation in the UNEG about 80 types of new modern equipment was provided.
 5. The program of reevaluation and development of normative-technical and regulating documentation for the UNEG functioning was elaborated.

The objectives in the scientific technical field for 2004 were stated, the most important of include:

- realization of the Program's regulations at flexible (controllable) systems of alternative current and transmission equipment for voltage regulation;
- elaboration of defining principles of the UNEG systematic safety under forming competitive conditions in the power industry;
- rating and safety evaluation of the UNEG operated equipment, prediction of its resource;
- elaboration and reevaluation normative technical documentations to provide their compliance with the Law "On Technical Regulations" and international standards;
- organization of qualification and tender work of new equipment implementation;
- organization of elaboration and implementation of new diagnostic complexes;
- organization and ensuring works in evaluation and technical losses decrease in the UNEG;
- usage of breakthrough technologies (controlled power transmission, superconductive equipment, fully automated substations) in operating UNEG facilities in the framework of pilot projects of technical re-equipment and capital construction of power grid facilities.

13. Human resources management and social policy.

In 2003 main trends in the JSC "FGC UES" activity in the framework of human recourses policy realization in the field of human recourses management and development of the Company included:

- formation of high professional, stable teams of Company's subdivisions, its social policy,
- database creation of personnel reserve,
- providing newly formed organizations in UNEG structure with executive staff,
- professional staff development by means of its training, directed to solution of premium and perspective tasks of the Company,
- formation of the local, legal framework of the Company in the field of human recourses management and development.

Personnel of the JSC "FGC UES" on 01.01.2004 amounted to 9722 persons. Within the fiscal period 1945 workers were accepted, with young personnel flow (till 30 years old) in Company's branches increased, comparing to last year amount of 138 workers and totaled 17% of the total number, which is an evidence of the positive trend of the Company's juvenation personnel in whole.

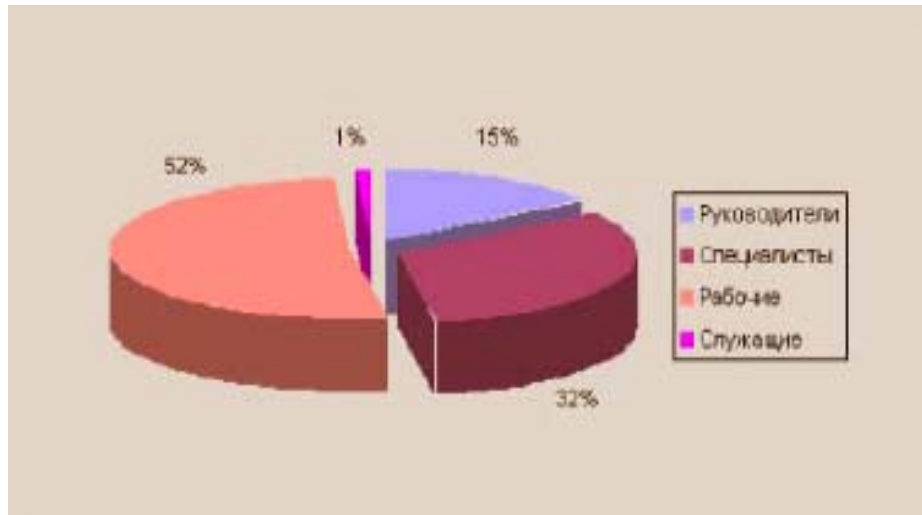
	Personnel, pax	Average number
Executive board	388	329
TN Center	2256	2341
TN East	675	683
TN Volga	743	754
TN North-West	900	904
TN Ural	1442	1445
TN South	1006	996
TN Siberia	1579	1609
Electrosetservice	646	641
RTSC Center	18	18
RTSC North-West	10	10
RTSC South	10	10
RTSC Volga	10	10
RTSC Ural	16	16
RTSC Siberia	15	13
RTSC East	8	7
Total:	9722	9847

Personnel qualifications of the JSC "FGC UES" in 2004:

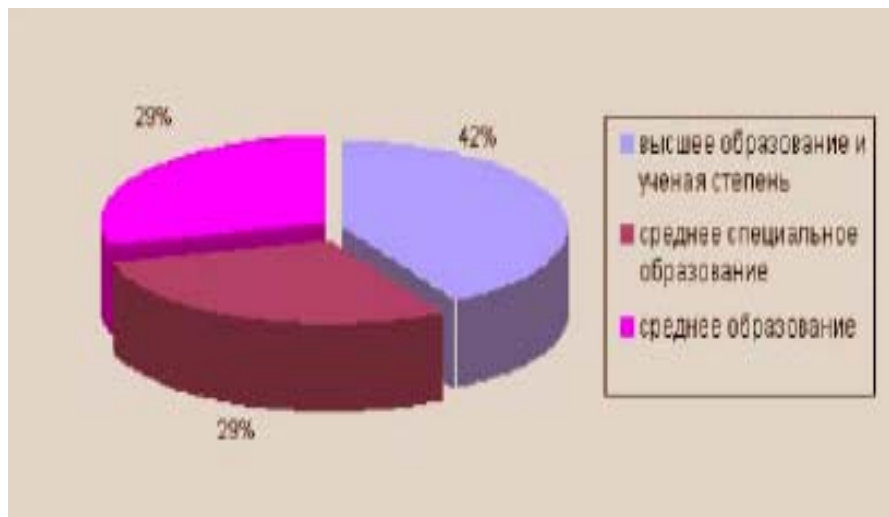
Personnel category	Total number	Less than 30 y.o.	Pensionable age and older	Women	Education		
					Higher education, degree	Special	Secondary
Directors and deputy directors	1479	78	54	283	1109	334	36
Specialists	3138	539	125	1088	2386	683	69

Workers	4987	967	103	557	498	1776	2713
TOTAL	9604	1584	282	1928	3993	2793	2818

Personnel categories:



Education of the personnel:



The personnel's high qualification level, including the workers' categories, with 10% of them having a higher education degree, enables to accomplish successfully the objectives of the JSC "FGC UES" main network units to be reliably serviced.

Actual staffing levels of the Company for the fiscal period, comparing to planned levels, amounted to 99 %.

Company's great attention in 2003 was directed to creating personnel reserve system, approved by the Board. Personal database for personnel reserve, including candidates of power plants of the JSC "Energo" was formed.

This measure enabled within the shortest period (June-July) to provide candidates' agreement upon recommendation for the Directors' position in more than 60 branches of Trunk network of power joint stock companies, from personnel reserve of the first and second levels, the Chairman of the Management Board and the General Directors of the Company's branches, respectively, for the subsequent work, including testing, selection, staff approval and reserve training.

In the fiscal year the JSC "FGC UES" Board approved the system of the Company's personnel professional training and career enhancement. Within the Company's personnel training Program realization, approved by the Management Board, 16,4 mln RUR was committed in 2003 to professional training and career enhancement. 8,1 mln RUR to seminars and meetings concerning production activity. In order to attain the Company's top-priority and long-run objectives, it made it possible to ensure the maintenance of the qualifications required, to renew the personnel's theoretic and practical knowledge by using various educational forms.

The JSC "FGC UES" training program includes:

- obligatory periodical personnel trainings according to qualification requirements or working conditions,
- special trainings directed to workers' gathering special knowledge,
- general education, enabling to improve production culture work performance quality,
- line and operating personnel trainings,
- young specialists and workers trainings,
- personnel reserve trainings.

In 2003, for the purposes of social policy adopting, the JSC "FGC UES" took a number of measures, in particular:

- indicators of monthly, quarter and annual bonus payment to the Heads and Executive Board's personnel of the Company's branches were elaborated and approved,
- conditions for housing space for workers were elaborated and approved, the proposals, concerning the form and conditions of mortgage lending for Company's personnel were elaborated,
- incompany awards were elaborated and approved, the premium commission was created.

During 2003 a number of local normative acts and program documents were introduced in the Company, ensuring unified policy in human resources management realization, including:

- the JSC "FGC UES" Program in the human resources management field for

2003,

- Regulation of Health coverage and Insurance procurement for workers,
- Standard Regulation of housing space procurement for the JSC "FGC UES" workers,
- Regulation of the JSC "FGC UES" reserve personnel formation and preparation,
- Regulation of preparation, professional training and career enhancement of the JSC "FGC UES" personnel,
- The JSC "FGC UES" personnel training Program for 2003,
- The JSC "FGC UES" personnel training Program for 2004-2007.

In 2004, works on creation of automated HP management system started within the Corporate Information Management System, enabling to use modern technologies for the Company's personnel management and development.

14. Economic scheme and finances of the JSC "FGC UES"

14.1. Financial management of the Company

The JSC "FGC UES" is a natural monopoly. The company's income is completely determined by the service rates, established by the FEC of Russia. According to the Federal legislation, the JSC "FGC UES" tariff regulation is based on the principle of providing the Company with the gross receipt required to reimburse all expenses of its activity, and to realize the specified volume of UNEG development investments.

The financial management of the JSC "FGC UES" is based on the mechanism of centralized money funds generation due to the receipts gained from the principal activity, and their subsequent use for the principal and the investment activities financing.

The principal activity of the JSC "FGC UES" is financed by means of monetary funds distribution among branches: TN, "Elektrosetservice", RTSC, and their subsequent distribution by TN branches among TNP branches. The investment activity is financed centrally, by JSC "FGC UES" Executive Board.

Key bases of the JSC "FGC UES" financial management are the Economic Indicators' Plan, the Budget and the budgeted balance sheet.

Financial and economic planning of the company's operations is as follows:

- long-term - with planning horizon 3 to 5 years, scheduling stage 1 year;
- medium-term or annual - planning horizon 1 year, scheduling stage 1 quarter;
- current - planning horizon 3, 6, 9 and 12 months, scheduling stage 1 quarter.

Making up of the Company's financial and economical activities and the analysis of the business activities are performed quarterly according to book records.

14.2. Tariff

The FEC Resolution No 49-э/2 dated June, 25 2003 set for JSC "FGC UES" payment for power transmission services at the UNEG on the basis of power supply volume to organization consumers - FWMEP participants.

The JSC "FGC UES" tariff for electrical energy transmission services through the Unified National Electric Grid for all payers, except for the JSC "Irkutskenergo", JSC "Bashkirenergo", JSC "Tatenergo" and FSC "Dagenergo" was approved for 2003 at the amount of 31,35 RUR mWh.

For FWMEP participants keeping on their balance trunk networks and power grid facilities, related to the Unified National (All-Russian) Electric Grid, and operating them, including their maintenance in a reliable condition, ensuring the electrical energy and power to be transmitted between participants of the UES of Russia, and paying independently for their technical supervision, the JSC "FGC UES" tariff for electricity energy transmission through the Unified National (All-Russian) Electric Grid network since July, 1 2003 was approved as follows:

- a) for the JSC "Irkutskenergo" in the amount of 0,05 RUR mWh;
- b) for the JSC "Bashkirenergo" in the amount of 1,10 RUR mWh;
- c) for the JSC "Tatenergo" in the amount of 20,83 RUR mWh;
- d) for the JSC "Dagenergo" in the amount of 22,47 RUR mWh.

The JSC "FGC UES" tariffs for electrical energy transmission through the UNEN is determined according to the electrical energy volume, supplied to consumers within the relevant period of the year, prior to the accounting period, after deduction of electrical energy volume, supplied to consumers acting within this period on the FWMEP - for energy supply companies; and according to the electrical energy volume supplied to consumers within the relevant period of the year, prior to the accounting period - for consumers.

The JSC "FGC UES" electrical energy transmission services through the UNEN are paid by users of the OJSC RAO "UES of Russia" services, as a charge for operation and development of the Unified Electricity System of Russia.

14.3. Attraction and placement of monetary funds

In January 2003 JSC "FGC UES" Board of Directors approved "Regulation for policy and decision making, related to receiving and distribution of loans, credits, pledges and guarantees". According to the Regulation, the annually approved aggregate limit of 3 mlrd rubles for loan, credit, pledge and guarantee agreements is established for the JSC "FGC UES" Board of Directors.

In 2003 the JSC "FGC UES" used credit resources mostly for currency exchange conductions with an agreement of foreign contractors. Within the year short-term currency credits were attracted to the sum of \$374 ths. The average weighted rate amounted to 7%.

Besides, for the JSC "FGC UES" cash liquidity limits in loans of rubles were determined in the number of banks amounting to 1 200 mln. RUR. In 2003 in the framework of the mentioned limits no loans were conducted.

During 2003, in order to increase the cash balance profitability, the JSC "FGC UES" was placing the temporarily free monetary funds. Total income of the operations amounted to 112 mln RUR.

The placements were realized by means of short-term (up to 3 months) bank deposits,

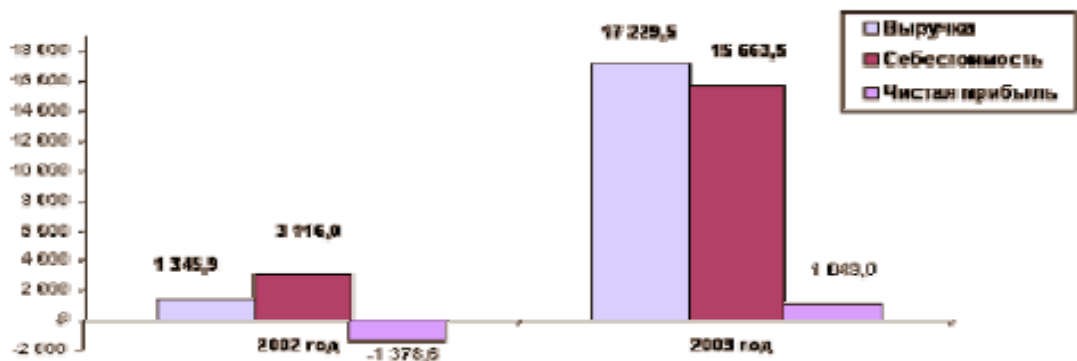
certificates of deposit, as well as minimum balance maintenance on the settlement account (including 'overnight' placements).

14.4. Major financial results of the JSC "FGC UES"

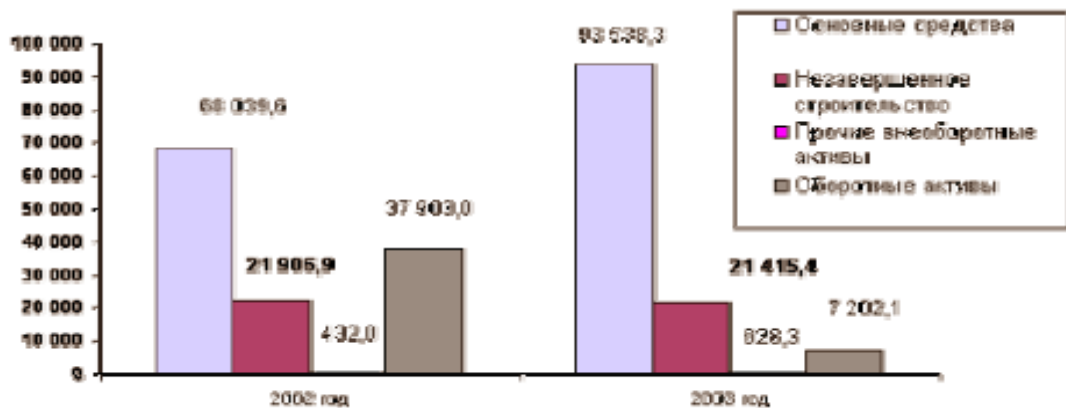
In 2003 JSC "FGC UES" income increased by 12,8 times, which allowed to receive profits, amounting to 1 mlrd 49 mln RUR against loss of 1 mlrd 378,6 mln RUR in 2002.

Indicator	2002	2003
Income	1 345,9	17 229,5
Cost value	3 116,0	15 663,5
Sales profit (losses)	- 1 770,1	1 566,0
Operating and non-operating income (expenses)	-33,1	- 155,0
Extraordinary gains (expenses)	-	129,3
Profit (losses) before taxation	- 1 803,2	1 540,2
Deferred tax assets	432,9	194,4
Profits tax and similar payables	-8,3	- 685,6
Net profit (loss) of the fiscal period	-1 378,6	-1049,0

Income and Expenditure dynamics, mln RUR.



Due to input of the property in the JSC "FGC UES" Charter Capital payment the Company's assets structure greatly changed.



Indicators of the structure of property, capital and liabilities:

- assets value - 122784,1 mln RUR;
- fixed assets value - 115582,0 mln RUR;
- current assets value - 7202,1 mln RUR;
- liquid assets value - 1253,6 mln RUR;
- equity capital - 121615,2 mln RUR;
- short-term liabilities - 1168,9 mln RUR;

The Company's financial standing:

Indicators	Value
Fund security factor	0,84
Equity ratio	0,99
Dept ratio	0,01
Current liquidity ratio	6,16
<i>Sales profit (losses)ratio</i>	0,06

Annex 1
Information of transactions, in carrying out of which there is an interest

JSC RAO "UES of Russia"	Agreement between JSC RAO "UES of Russia" and JSC FGC UES for services related to repair and maintenance service of system electric grids of JSC RAO "UES of Russia"
JSC RAO "UES of Russia"	Agreement between JSC RAO "UES of Russia" and JSC FGC UES for services related to safe performance and development of system electric objects and their use to transfer electric power and capacity over system electric grids between the subjects of the Unified Energy System of Russia
JSC RAO "UES of Russia"	Interrelated transactions on concession by JSC FGC UES of rights of claim to suppliers and contractors under the agreements of major construction work, reconstruction and technical re-equipment

Annex 2
Branches of JSC FGC UES (As of 31st of December, 2003)

Branch of JSC FGC UES – Backbone grid of the Center (MES Tzentra)	1, Tkatskaya street, Moscow, 105318, Russia
Branch of JSC FGC UES – Backbone grid of the North-West (MES Severo-Zapada)	1, Kurchatova street, St. Petersburg, 194223, Russia
Branch of JSC FGC UES – Backbone grid of Volga (MES Volgi)	5, Polevaya street, Samara 443100, Russia
Branch of JSC FGC UES – Backbone grid of the South (MES Yuga)	2, Darnitsky pereulok, Inozemtsevo settlement, Zheleznovodsk, 357400, Russia
Branch of JSC FGC UES – Backbone grid of the Urals (MES Urala)	6, Tolmacheva street, Yekaterinburg 620219, Russia
Branch of JSC FGC UES – Backbone grid of Siberia (MES Sibiri)	66a, Pr. Svobodniy, Krasnoyarsk 660062, Russia
Branch of JSC FGC UES – Backbone grid of the East (MES Vostoka)	65, Sheronova street, Khabarovsk 630030, Russia
Branch of JSC FGC UES – Arzamas enterprise of Backbone grids	9, Electricov street, settlement Lesogorsk, Shatkovskiy district, Nizhniy Novgorod region, Russia, 607710,
Branch of JSC FGC UES – Belgorod enterprise of Backbone grids	SS Stariy Oskol 500 kV, village Neznamovo, Starooskolskiy district, Belgorod region, Russia, 309540
Branch of JSC FGC UES - Vladimir enterprise of Backbone grids	31, Energetiov street, Energetik settlement, Vladimir, 600902, Russia
Branch of JSC FGC UES - Volgograd enterprise of Backbone grids	221a, prospect imeni Lenina, Volgograd 400006, Russia
Branch of JSC FGC UES - Volgovyatskoe enterprise of Backbone grids	20, Olimpiyskaya str., settlement Bolshoe Kozino-2, Balakhninskiy district, Nizhniy Novgorod region, Russia, 606422
Branch of JSC FGC UES - Vologda enterprise of Backbone grids	18, Planernaya street, Vologda 160023, Russia
Branch of JSC FGC UES - Kaluga enterprise of Backbone grids	SS 750 kV, Settlement Maloyaroslavets, Kaluga region, Russia, 249090
Branch of JSC FGC UES – Mikhailovskoye enterprise of Backbone grids	Settlement Electric, Mikhailov city, Ryazan' region, Russia, 391710
Branch of JSC FGC UES - Moscow enterprise of Backbone grids	PS 750 kV, P.O. Box Belyi Rast, Dmitrovsky district, Moscow region 141870, Russia
Branch of JSC FGC UES - Tambov enterprise of Backbone grids	Komsomolets settlement, Tambov district, Tambovskiy region 392543, Russia
Branch of JSC FGC UES - Tver enterprise of Backbone grids	55, prospect Kalinina, Tver 170001, Russia
Branch of JSC FGC UES - Amur enterprise	101, Shatkovskogo street, Svobodnyi, Amur region

of Backbone grids	676400, Russia
Branch of JSC FGC UES - Khabarovsk enterprise of Backbone grids	3, Tselinnaya street, Khabarovsk, 680032, Russia
Branch of JSC FGC UES – Primorskoye enterprise of Backbone grids	3, Mordovtseva street, Primorskiy region, Vladivostok, 690000, Russia
Branch of JSC FGC UES on technical maintenance and repairing of Backbone grids of Vostok (East)	3, Tselinnaya street, Khabarovsk 680032, Russia
Branch of JSC FGC UES – Krasnoyarsk enterprise of Backbone grids	4a, Tomskaya street, Krasnoyarsk 660013, Russia
Branch of JSC FGC UES – Zabaykalskoye enterprise of Backbone grids	5, Sakhyanovoy street, Buriatia, Ulan-Ude, 670047, Russia
Branch of JSC FGC UES – Kuzbasskoye enterprise of Backbone grids	25a, Kirchanova street, Kemerovo 650004, Russia
Branch of JSC FGC UES – Omsk enterprise of Backbone grids	4, prospect Gubkina, Omsk, 644035, Russia
Branch of JSC FGC UES – Zapadno-Sibirskoye enterprise of Backbone grids	17, prospect Kalinina, Barnaul, 656002, Russia
Branch of JSC FGC UES – Hakassia enterprise of Backbone grids	39, Industilnaya street, Sayanogorsk, Hakassiya 655613, Russia
Branch of JSC FGC UES – Sverdlovskoye enterprise of Backbone grids	3, Malakhitoviy pereulok, Ekaterinburg, 620085, Russia
Branch of JSC FGC UES – Chelyabinsk enterprise of Backbone grids	6a, 2-nd Zapadnyi proezd, Chelyabinsk, 454008, Russia
Branch of JSC FGC UES – Perm enterprise of Backbone grids	34, Visherskaya street, Perm, Perm region, 614058, Russia
Branch of JSC FGC UES – Orenburg enterprise of Backbone grids	460048, Orenburg, proezd Avtomatiki, 15 Privolzhskiy settlement, Volzhskiy district, Mariy El, 425010, Russia
Branch of JSC FGC UES – Verkhne-Volzhskoye enterprise of Backbone grids	11, Energetikov street, industrial community Veshkaima, Ulianovsk region 433100, Russia
Branch of JSC FGC UES – Sredne-Volzhskoye enterprise of Backbone grids	130, Zubchaninovskoye sh., Samara 443109 Russia
Branch of JSC FGC UES – Samara enterprise of Backbone grids	40, Sokolovaya gora, Saratov 410038, Russia
Branch of JSC FGC UES – Nizhne-Volzhskoye enterprise of Backbone grids	Food processors industrial zone, Zheleznovodsk, Stavropolskiy region 357400, Russia
Branch of JSC FGC UES – Stavropol enterprise of Backbone grids	1a Peredovaya street, Krasnodar region, Tikhoretsk 352120, Russia
Branch of JSC FGC UES – Kuban’ enterprise of Backbone grids	Salovskiy settlement, Volgodonskiy district, Rostov region 347349, Russia
Branch of JSC FGC UES – Rostov enterprise of Backbone grids	10, Karl Liebknecht street, Sochi, Krasnodar region, 354000
Branch of JSC FGC UES – Directorate for construction of energy objects in Sochi	Novobryanskaya street, Vygonichi settlement, Bryanskiy region 243360, Russia
Branch of JSC FGC UES – Bryansk enterprise of Backbone grids	Perovo settlement, Vyborgskiy district, Leningradskiy region 188932, Russia
Branch of JSC FGC UES – Vyborg enterprise of Backbone grids	27a, village Novaya Melnitsa, Novgorod region 173021, Russia
Branch of JSC FGC UES – Novgorod enterprise of Backbone grids	11, Veterinarnyi pereulok, Petrozavodsk, Republic of Karelia 185013, Russia
Branch of JSC FGC UES – Karel enterprise of Backbone grids	27, building 8, Sadovnicheskaya street, Moscow 115035, Russia
Branch of JSC FGC UES on special works in power grids “Elektrosetservis”	1, Parkovaya street, Noginsk, Moscovskiy region 142408, Russia
Branch of JSC FGC UES – SPECIALIZED PRODUCTION BASE “Elektrosetremont”	Electric settlement, Mikhailov, Ryazan region 391710, Russia
Branch of JSC FGC UES – Mikhailovskaya SPECIALIZED PRODUCTION BASE for power grids service	
Branch of JSC FGC UES – Novgorod SPECIALIZED PRODUCTION BASE for power grids service	27a, village Novaya Melnitsa, Novgorodskiy district, Novgorodskiy region 173023, Russia
Branch of JSC FGC UES – Novosibirsk SPECIALIZED PRODUCTION BASE for power grids service	10/1, Klenovaya street, Novosibirsk 630126, Russia
Branch of JSC FGC UES –	101, 40 let Oktyabrya street, urban settlement

Srednevolzhskaya SPECIALIZED PRODUCTION BASE for power grids service	Veshkaima, Ulianovskiy region 433200, Russia
Branch of JSC FGC UES – SPECIALIZED PRODUCTION BASE “Belyi Rast”	P.S. 750 “Belyi Rast”, PO Belyi Rast, Dmitrovskiy district, Moscow region 141870, Russia
Branch of JSC FGC UES – Yuzhnaya SPECIALIZED PRODUCTION BASE for power grids service	Promzona, Lermontovskiy razjezd, Pyatigorsk 357519, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Center	1, Tkatskaya street, Moscow 105318, Russia
Branch of JSC FGC UES – Regional center of technical inspection of North-West	1, Kurchatova street, St. Petersburg, 194223, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Volga	226, Polevaya street, Samara 443100, Russia
Branch of JSC FGC UES – Regional center of technical inspection of South	2, Darnitsky pereulok, Inozemtsevo settlement, Zheleznovodsk, 357400, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Ural	6, Tolmacheva street, Yekaterinburg 620219, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Sibir	66a Pr. Svobodniy, Krasnoyarsk 660062, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Vostok	65, Sheronova street, Khabarovsk 630030, Russia

Annex 3

Information of material facts

Open joint-stock company “Federal Grid Company of the Unified Energy System”

Location: PS “Leningradskaya”, Tosno, Leningradskaya region, 187000

Code of the issuer: 65018-D

Date of occurring of the fact (event, activity): 1.07.2003

Code of the fact (event, activity): 1265018D01072003

Annual general meeting of shareholders of Open joint-stock company “Federal Grid Company of the Unified Energy System” (in accordance with p.11.1 art.11 of the Charter of JSC FGC UES functions of annual general meeting of shareholders of JSC FGC UES performs the Board of Directors of JSC RAO “UES of Russia”) took place in Moscow on 28 June 2003

Procedure of holding the annual general shareholders’ meeting – presence of shareholders

There is quorum for making decisions

Issues of the Agenda:

1. On approval of annual report of the Company for 2002
2. On approval of annual financial statement for 2002
3. On approval of profit and losses report of the Company based on the results of 2002
4. On distribution of profit and losses of the Company based on the results of financial year 2002
5. On recommendations related to the amount of dividend on shares and procedure of its payment based on the results of 2002
6. On election of the Board of Directors of the Company
7. On election of the Revision committee of the Company
8. On approval of an auditor of the Company
9. On making amendments and addendum to the Charter of the Company
10. On making amendments to the regulations of the Board of Directors of JSC FGC UES

The following decisions were made according to the results of voting:

1. To approve the annual report of the Company based on the results of 2002
2. To approve annual financial statement of the Company based on the results of 2002
3. To approve profit and losses report of the Company based on the results of 2002
4. To approve the following distribution of profit (losses) of the Company for 2002
Net profit (losses) of the reporting period amounting to (1 811 483) thousand rubles
To distribute into: Reserve fund 0 rub.
Accumulation fund 0 rub.
Dividends 0 rub.
Redemption of losses for the past years 0 rub.
5. Not to pay dividends on ordinary shares of the Company based on the results of 2002.
6. To elect the Board of Directors of the Company in the following membership:
 - 1) Abizov Mikhail Anatolievich – Deputy Chairman of JSC RAO “UES of Russia”;
 - 2) Birhoff Rolf – President of the Union of the Electricity Industry – EVRELEKTRIK;
 - 3) Gazizullin Farit Rafikovich – Minister of property relations of the RF;
 - 4) Gref German Oskarovich – Minister of economic development and trade of the RF;
 - 5) Pauli Viktor Karlovich – Member of the Management Board of JSC RAO “UES of Russia”, Head of the management Board of JSC “CO-CDS UES”;
 - 6) Ponomarev Dmitry Valeryevich – Head of the management Board of NP “ATS”;
 - 7) Reppoport Andrey Natanovich - Deputy Head of the Management Board of JSC RAO “UES of Russia”, Head of the Management Board of JSC FGC UES;
 - 8) Rumyantsev Alexander Yurevich – Minister RF on atomic energy;
 - 9) Sinyugin Vyacheslav Yurevich – Deputy Head of the Management Board of JSC RAO “UES of Russia”;
 - 10) Hristenko Viktor Borisovich – Deputy Head of the Government of the RF;
 - 11) Chubais Anatoly Borisovich - Head of the Management Board of JSC RAO “UES of Russia”;
 - 12) Yuzhanov Ilya Arturovich – Minister RF on anti-monopoly policy and support of business activity;
 - 13) Yusufov Igor Hanukovich – Minister of power industry of the Rf.
7. To elect Revision Committee of the Company in the following membership:
 - 1) Zhelyabovskiy Yury Anatolievich – Head of corporate policy Department of JSC RAO “UES of Russia”;
 - 2) Myasnikov Viktor Mikhailovich – Deputy Head of the Department of financial control and audit of the Ministry of property of the RF;
 - 3) Rizhonkova Elena Yurevna - Chief expert of the Accounting and Reporting Department of JSC FGC UES;
 - 4) Sidorov Sergey Borisovich – Head of the financial audit Department of JSC RAO “UES of Russia”;
 - 5) Fedorov Andrey Romanovich – Deputy Executive Officer of the Association on defense of investors’ rights;
8. To approve JSC Company “Firm Top-Audit” as an auditor of the Company, license for the general audit No. 996580 of 11.09.2000, duration period – 3 years.
9. To make amendments and addendum to the Charter of the Company.
10. To make the following amendments to the regulations of the Board of Directors of JSC FGC UES:
To amend a new point 8.9 of the following contents: “At the meeting of the Board of Directors a member of the Board of Directors of JSC RAO “UES of Russia” may be present, which is not a member of the Board of Directors of JSC FGC UES or its permanent representative with a right to take part in discussion of the agenda’s issues of the meeting of the Board of Directors;
Point 8.9 of the regulations shall be considered point 8.10

Code of the issuer: 65018-D

Date of occurring of the fact (event, activity): 30.07.2003

Code of the fact (event, activity): 095018D30072003

In accordance with information of financial statements based on the results of JSC FGC UES activity for II quarter 2003 profit has been increased more than 10% as compared to similar parameters in the Ist quarter 2003.

Value of property, proceeding the reporting (I quarter 2003): 923 754 thousand rubles

Value of property as of the end of II quarter 2003: 1 191 987 rubles

Complete change of profit: 268 233 thousand rubles

Change of profit in interest correlation: 29%

Note: to calculate value of profit (losses) for the reporting period line 140 "Report of profit and losses" (profit (losses) prior to taxation shall be used

Factor, which has entailed increase in the reporting quarter of profit for more than 20 per cent as compared to the previous quarter, shall be increase of profit from every day business.

Complete company name of the issuer, indicating its form of incorporation - **Open joint-stock company "Federal Grid Company of Unified Energy System"**

2. Location of the issuer – PS "Leningradskaya", Tosno, Leningrad region, 187000

3. INN – 4716016979.

4. Unique code of the issuer, assigned by the registration body – **65018-D**.

5. Code of material fact – 0365018D30102003.

6. Web-site address used by the issuer to publish disclosures of material facts - [.](#)

7. Name of periodic publication, used by the issuer to publish statements of material facts – **Appendix to Vestnik of FCSM of Russia.**

8. Name of periodic publication, where the present statement shall be published - **Appendix to Vestnik of FCSM of Russia.**

9. In accordance with information of financial statements based on the results of JSC FGC UES activity for III quarter 2003 profit has been increased more than 10% as compared to similar parameters in the II quarter 2003. Factor, which has entailed decrease of profit in the reporting quarter, shall be increase of net cost.

10. Date of occurrence of the factor (factors) which has entailed single increase of profit or losses of the issuer more than 10 per cent – 30.10.2003.

11. Value of profit (losses) of the issuer for 2nd quarter 2003 – 156 996 thousand rubles.

12. Value of profit (losses) of the issuer for 3rd quarter 2003 – (362 569) thousand rubles.

13. Change of profit (losses) of the issuer in absolute terms– (519 565) thousand rubles.

Change of profit (losses) of the issuer in percentage – 330,94%

Annex 4
Annual Accounting Report of JSC FGC UES for 2003



ACCOUNTING BALANCE SHEET
as for 31st of December 2003

Appendix
to the Russian Ministry of
Finance Order № 67н
dated 22.07.2003

	ОКУД Form #1	CODES
	Date (YY/MM/DD)	0710001
Company Open Joint-Stock Company "Federal Grid Company of Unified Energy System"	ОКПО	2004 03 30
Tax identification code	ИНН	56947007
Activity electrical power transmission	ОКВЭД	4716016979
form of legal entity's incorporation / form of ownership open joint-stock company / private entity	ОКОПФ/ОКФС	40.10.2
Unit of measure: thousand RUR	ОКЕИ	47 16
Location (address): Russia, PS "Leningradskaya", Tosno, Leningrad region, 187000		384/385
	Approval date	
	Date of sending (acceptance)	30.03.2004

ASSET	Indicator code	As for beginning of the accounting period	As for end of the accounting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets, including:	110	-	1 050
right to the patents, programmes, trademarks, etc.	111	-	1 050
other nonmaterial assets	112	-	-
Fixed assets, including:	120	68 039 567	93 538 264
plots of land and use of natural resources	121	-	1 944
buildings, cars and equipment, constructions	122	67 701 996	93 212 526
other fixed assets	123	337 571	323 794
Construction in progress, including:	130	21 906 862	21 415 394
equipment for installation	131	907	1 729 718
investments into non-current assets	132	21 905 955	19 685 676
Income-bearing investments into material valuables	135	-	-
Long-term financial investments	140	-	-
Deferred tax assets	145	432 909	627 270
Other non-current assets	150	-	-
TOTAL for Section I	190	90 379 338	115 581 978
II. CURRENT ASSETS			
Inventory, including:	210	431 315	961 379
raw materials, materials and other similar assets	211	275 756	745 034
finished goods and goods for resale	214	29	51
expenditures of future periods	216	155 530	211 255
other inventory and expenditure	217	-	5 039
Value added tax on purchased assets	220	83 189	1 447 991
Accounts receivable (payments are planned over more than 12 months upon the balance sheet date)	230	-	-
Accounts receivable (payments are planned within 12 months upon the balance sheet date), including:	240	36 677 096	3 539 201
customers and consumers	241	2 470	1 079 658
amounts owed by partners as payments into the registered capital	242	36 575 142	-
made advance payments	243	67 951	2 361 817
other debtors	244	31 533	97 726
Short-term financial investments	250	219 223	1 248
Monetary assets, including:	260	492 208	1 252 278
cash in hand	261	938	1 189
settlement accounts	262	490 023	1 249 920
foreign currency accounts	263	-	35
monetary instruments	264	56	19
other monetary assets	265	1 191	1 115
Other current assets	270	-	-
TOTAL for Section II	290	37 903 031	7 202 097
BALANCE	300	128 282 369	122 784 075

LIABILITY	Indicator code	As for beginning of the accounting period	As for end of the accounting period
1	2	3	4
III. CAPITAL and RESERVES			
Charter capital	410	127 000 000	127 000 000
Own shares reacquired from shareholders	411	(-)	(7 072 799)
Additional capital	420	2 086 049	2 086 049
Reserve capital	430	-	-
Uncovered loss of past years	460	(1 446 971)	(1 446 971)
Undistributed profit of the current fiscal year	470	-	1 048 953
TOTAL for Section III	490	127 639 078	121 615 232
IV. LONG-TERM LIABILITY			
Debt and borrowing	510	-	-
Deferred tax liability	515	-	-
Other long-term liability	520	-	-
TOTAL for Section IV	590	-	-
V. SHORT-TERM LIABILITY			
Debt and borrowing	610	-	-
Accounts payable, including:	620	643 291	1 168 843
suppliers and contractors	621	476 045	461 926
amounts owed to the company staff	622	46 490	39 095
amounts owed to state non-budget funds	623	26 143	12 522
tax and dues liabilities	624	89 897	466 162
received prepayments	627	12	372
other creditors	625	4 704	188 766
Amounts owed to partners (promoters) as dividends	630	-	-
Future stream of earnings	640	-	-
Reserves for the costs to be incurred	650	-	-
Other short-term liability	660	-	-
TOTAL for Section V	690	643 291	1 168 843
BALANCE	700	128 282 369	122 784 075

Statement of available assets accounted for at the off-balance sheet accounts			
Rented fixed assets	910	1 413	1 682
including leased	911	-	-
Commodities and materials accepted for safe custody	920	335	547
Goods accepted for commission	930		
Written off debts of insolvent debtors	940		
Security for liabilities and payments received	950		
Security for liabilities and payments issued	960	33	108 258
Depreciation housing facilities	970		
Depreciation of landscape design improvement facilities and other similar facilities	980		
Intangible assets received for use	990		
Blank forms for which strict records are kept	1000	-	20

Manager _____ D.V. Vinogradov
(signature) (signator)

Chief accountant _____ V.V. Schukin
(signature) (signator)

" 30 " _____ March _____ 200 4



Appendix
to the Russian Ministry of
Finance Order № 67H
dated 22.07.2003

PROFIT AND LOSS STATEMENT

as for the full year 200 3

Company **Open Joint-Stock Company "Federal Grid Company of Unified Energy System"**

Tax identification code _____
Activity electrical power transmission
form of legal entity's incorporation / form of ownership / form of ownership
open joint-stock company / private entity
Unit of measure: thousand RUR

ОКУД Form #2
Date (YY/MM/DD)

CODES		
0710002		
2004	03	30
56947007		
4716016979		
40.10.2		
47	16	
384/385		

ОКПО

ИНН
ОКВЭД

ОКОПФ/ОКФС
ОКЕИ

Indicator		For the reporting period	For the similar period of the previous year
name	code		
1	2	3	4
Income and loss for usual activities			
Net-earnings from sales of goods, products and services (minus VAT, excise duties and other similar compulsory payments), including::	010	17 229 460	1 345 889
electrical power transmission services	011	17 208 561	1 339 404
other activity	012	20 899	6 485
Production cost for goods, products and services sold, including::	020	(15 129 287)	(2 901 622)
electrical power transmission services	021	(15 114 939)	(2 898 005)
other activity	022	(14 348)	(3 617)
Gross earnings (010 + 020)	029	2 100 173	(1 555 733)
Commercial expenses	030	-	-
Management expenses	040	(534 220)	(214 334)
Profit (loss) from sales (029 + 030 + 040)	050	1 565 953	1 770 067
Operational income and expenses			
Interest receivable	060	116 444	3 411
Interest payable	070	(3)	(-)
Income from participation in other companies	080	-	-
Other operational profits	090	207 910	2 408
Other operational expenses	100	(392 561)	(31 981)
Non-operational income and expenses			
Non-operational income	120	12 478	8
Non-operational expenses	130	(99 307)	(6 943)
Extraordinary income and expenses			
Extraordinary income	160	209 794	-
Extraordinary expenses	170	(80 516)	(-)
Profit (loss) before tax (050 + 060 + 070 + 080 + 090 + 100 + 120 + 130 + 160 + 170)	140	1 540 192	1 809 164
Provisional income-tax expense (140 x 24%)	143	(369 646)	(432 759)
Recurrent taxes	200	(120 992)	(8 169)
Deferred tax assets	141	194 361	432 759
Current income-tax (143 + 200 - 141+142)	150	(684 999)	(8 319)
Other similar compulsory payments	151	(601)	(-)
Net income (loss) of the reporting period (140 + 143 + 200 + 151) or (140 + 141 + 150 + 151)	190	1 048 953	(1 378 574)
FOR REFERENCE ONLY			
Base income (loss) for 100 000 000 shares	201	420	(710)
Diluted income (loss) for 100 000 000 shares	202	420	(710)

INTERPRETATION OF PARTICULAR INCOME AND LOSS

Indicator		For the reporting period		For the similar period of the previous year	
name	code	income	loss	income	loss
1	2	3	4	5	6
Penalties, fines and forfeits admitted or payable under (Arbitrage) court decision		36	156	-	2
Income (loss) of the previous years		11 495	9 875	-	-
Indemnity for losses because of non-fulfillment or undue fulfillment of obligations (liabilities)		-	-	-	-
Exchange rate differences for operations in foreign currencies		2	18	-	-
Deductions for assessed reserves		X	6 403	X	-
Cancellation of accounts payable and receivable with exceeded time allowed for claims		-	-	-	-

RSM Top-Audit
29.03.04 No. EL-765
AKG "RSM Top-Audit"
Build.1, 43, Pokrovka, 105062, Moscow
Phone: 7 (095) 916 0911
Fax: 7 (095) 917 8789
E-mail:

Auditor's report on financial statements

To shareholders of Open Joint-Stock Company JSC FGC UES

Auditor:

Limited Liability Company "RSM Top-Audit"
Legal address: build. 4, 5, sh. Entuziastov, Moscow, 111024
Postal address: Build.1, 43, Pokrovka, 105062, Moscow
Phone/fax: (095) 916 0911; 917 8789
INN7722020834
Certificate of the state registration of 2 April 1992 No. 360.640, issued by Moscow Registration Chamber
License No. E 004827 for auditor activity issued on the basis of the Order of Minfin RF of 1 August 2003 No. 238
The license is valid for 5 years as of the date specified
OOO "RSM Top-Audit" is a member of the Institute of Professional Auditors (IPA)

Auditee:

Name: Open Joint-stock company "Federal Grid Company of Unified Energy System" (abbreviated name JSC FGC UES);
Location: PS "Leningradskaya", Tosno, Leningradskaya region, 187000, RF
Registration number: 00/03124, date of state registration – 25.06.02

Member of RSM International audit
Auditors (IPA)
and consulting association

Member of the Institute of Professional

JSC FGC UES has the following main centralized licenses:

License for activity related to maintenance of grids No. 50000003 of 11.10.02, duration - through 10.10.07;

License for activity related to maintenance of heat grids No. 60014484 of 10.10.03, duration - through 9.10.08;

License for construction of building and constrictions of the 1st and 2nd levels of responsibility in accordance with the state standard No. GS-1-77-01-22-0-4716016979-005247-1 of 8.08.02, duration - through 8.8.05;

We have audited the financial statements attached of JSC FGC UES over a period from 1 January to 31 December 2003 inclusively. Financial statement of JSC FGC UES consists of:

- balance sheet
- report of profit and losses
- attachments to balance sheet and report of profit and losses
- schedule

Executive body of JSC FGC UES shall be liable for preparing and providing this financial statement

We are obliged to express an opinion of authenticity in all material facts of this statement and correspondence the procedure of carrying out of the accounting with the law of the Russian Federation on the basis of the audit carried out.

The audit was carried out in accordance with

- Federal Law "On auditor's activity"
- Federal Rules (standards) of auditor's activity, approved by the Decree of the Government of the RF of 23 September 2002 No. 696;
- Other laws and statutory documents, regulating auditor's activity;
- Inner rules (standards) of auditor's activity of OOO "RSM Top-Audit"

Audit was planned and carried out in order to become reasonably sure, that financial statement does not contain material distortions. Audit was carried out selectively and included examination on the basis of testing proof, confirming index number in financial statement and disclosure in it information of business and financial activity, estimation of following the principles and rules of financial statement, used while preparing financial statement, consideration of the main estimated figures, obtained by the direction of JSC FGC UES as well as estimation of financial statement provided. We consider that the audit carried out allows sufficiently to express our opinion of authenticity of financial statement and conformity of the procedure of carrying out financial statement with the law of the Russian Federation"

We consider that financial statement of JSC FGC UES reflects authentically in all material facts the financial regulation as of 31 December 2003 and the results of business and financial activity over a period from 1 January to 31 December 2003 inclusively.

Deputy General Director as related to audit

Shohor E.Z.

Head of audit

Auditor's qualification certificate No. K038951,
issued in accordance with the decision of CALAC
of Minfin RF of 30 August 2001

Minutes No, 96 duration - through 30 August 2004

Dolanova E.F.

Reference information

Location: PS “Leningradskaya”, Tosno, Leningradskaya region, 187000, RF
Postal address: 5A, Akademika Chelomeya str., Moscow, 117630

Phones: 710-55-06, 710-56-02

Fax: 710 6843

Email: info@fsk-ees.ru

Bank details:

Information of auditor (auditors) of the issuer

Complete company name - Limited liability company “RSM Top-Audit”

Abbreviated company name – OOO “RSM T.A”

Location: build. 4, 5, sh. Entuziastov str., Moscow, 111024

Phone: (095) 916 0911

Fax: (095) 917 8789

Email: topaudit@commail.ru

License number for estimation activities: E 004827

Date of issue of license: 01.08.2003 (Order No. 238)

Duration of license – 01.08.2008

The body issued the license – Ministry of Finance of the Russian Federation

Independent audit of financial statement and financial (accounting) reporting of JSC FGC UES shall be carried out by OOO ““RSM T.A.” for 2003.

There are no factors which may influence autonomy of auditor from the issuer

Information of the issuer’s estimator

To determine market value of stake of JSC FGC UES, transferred to balance of the issuer due to non-payment by its shareholder over a period from 23.11.2003 to 03.12.2003 an independent estimator was engaged by the issuer – Consortium consisting of the companies:

1) “Ernst & Young (CIS) Limited”

“Ernst & Young (CIS) Limited” is a company, registered and operating in accordance with the law of the Republic of Cyprus. In the territory of the Russian Federation the Company operates through its representative office (permit of the Ministry of Finance of the Russian Federation to open representative office of 31.05.1995 No. 31). The Company is the only participant of Limited Liability Company “Ernst & Young” – value consulting (OOO “Ernst & Young – value

consulting”), which has license for estimation activities.

Location: build. 1-1A, 20/12, Podsosensky per, Moscow, 103062

Phone: (095) 705 9700, 755 9700; fax: (095) 755 9701, 705 9706

Number, date of issue of the license for estimation activities – No003632 of 08.02.2002

Duration of license – 08.02.2005

The body issued the license – Ministry of Property Relations of the Russian Federation

2) Closed joint-stock company ENPI Consult (ZAO “ENPI Consult”)

Location – 14, Duhovsky per., Moscow, 113191

Phone: (095) 954 1553, 952 1041, fax: (095) 954 3180, 954 4408

Email: npg@npg.ru

Number, date of issue of the license for estimation activities – No000031 of 06.08. 2001

Duration of license – 06.08.2004

The body issued the license – Ministry of Property Relations of the Russian Federation

3) Closed joint-stock company “International Center of Estimation” (ZAO “ICE”)

Location – build.1, 21, Novaya Basmannaya str., Moscow, 107078

Phone: (095) 261 5653, 263 0100, 261 9110, fax: (095) 267 9936

Email: invacent@dol.ru

Number, date of issue of the license for estimation activities – No. 000002 of 06.08.2001

Duration of license – 06.08.2004

The body issued the license – Ministry of Property Relations of the Russian Federation

Information of the registrar

Company, carrying out maintenance if register of holders of registered securities of the issuer (issuer, registrar) – Open joint-stock company “Central Moscow Depository” (JSC “CMD”)

Location: build. B, 3, Orlikov per., Moscow, 107078

Postal address: 22, Olhovskaya str., Moscow, 105066

Phone: (095) 264 44 23 Fax: (095) 265 43 36

Email: mcdepo@dol.ru

License:

Number of License: 10-000-1-00255

Date of issue: 13.09.2002

Duration: was not fixed

The body, issued the license: Federal Commission at the Securities Market

Date, from which maintenance of register of registered securities of the Issuer was carried out by the registrar specified: 27.11.2002.