

FGC UES Group publishes unaudited IFRS statements for the first half of 2010

Moscow, November 11th, 2010 – FGC UES Group (hereafter FGC UES or the Group) publishes its financial statements, prepared in accordance with IFRS standards for the first half of 2010.

Combined and consolidated statement of comprehensive income for the first half of 2010.

	30.06.2009	30.06.2010	RUR mln
			Change, %
Revenues	42,247	56,565	34
Other operating income	2,022	1,765	13
Operating expenses	(35,526)	(44,346)	25
Operating profit*	8,743	13,984	60
Profit (loss) from current activity	5,429	12,884	137
EBITDA	24,923	32,602	31
Net profit (loss)	7,940	12,636	59

* excluding losses from depreciation of non-current assets and profit from realization of financial investments

Revenues from current activities of the Group during the first half of 2010 increased by 34% in comparison with the first half of 2009 reaching RUR 56,565 mln. The growth of revenues is mainly due to increase of tariff on power transmission services.

Other operating profits of the Group including mainly profits from non-core activities as of 30.06.2010 totaled RUR 1,765 mln, having decreased by RUR 257 mln (13%) in comparison with the first half of 2009. Such change is due mainly to absence of dividend income during the first half of 2010.

Operating expenses during the first half of 2010 increased by RUR 8,820 mln (25%) in comparison with the first half of 2009 reaching RUR 44,346 mln, which is due to increase of amortization deductions, labor payment expenses and deductions to non-budgetary funds.

EBITDA indicators increased by 31% as of in comparison with the first half of 2009 and reached RUR 32,602 mln. Net profit of FGC UES for the first half of 2010 amounted to RUR 12,636 mln. Increase of net profit by 59% in comparison with the previous year period is mainly due to the transition to new tariff-forming system in accordance with the method of return on the invested capital since January 1st, 2010.

Combined and consolidated statement on the Group's financial position as of 30.06.2010

	31.12.2009	30.06.2010	RUR mln
			Change, %
Assets	976,424	990,970	1
Non-current assets, including:	850,303	893,772	5
<i>Property, plant and equipment</i>	740,320	776,972	5
<i>Financial investments</i>	102,632	110,082	7
Current assets	126,121	97,198	(23)
Equity and liabilities	976,424	990,970	1
Equity	801,548	859,564	7
<i>Equity, attributable to the shareholders</i>	576,757	616,781	7
Non-current liabilities	93,079	93,733	1
Current liabilities	81,797	37,673	(54)

Assets

In the first half of 2010 assets increased by 1% and reached RUR 990,970 mln.

The Group's non-current assets, as of 30.06.2010, were RUR 893,772 mln compared with RUR 850,303 mln as of 31.12.2009. This represents a 5% increase.

As of June 30th, 2010 property, plant and equipment stood at RUR 776,972 mln compared with RUR 740,320 mln as of 31.12.2009. The change in property, plant and equipment totaled 5%. Such change is due to the increase in the volume of investment program of the Company.

Financial investments include investments in associated companies (RUR 58,451 mln as of 31.12.2009 and RUR 58,951 mln as of 30.06.2010), investments in other companies (RUR 35,229 mln as of 31.12.2009 and RUR 41,777 mln as of 30.06.2010) and long-term promissory notes (RUR 8,952 mln as of 31.12.2009 and RUR 9,354 mln as of 30.06.2010).

As of June 30th, 2010 financial investments amounted to RUR 110,082 mln compared with RUR 102,632 mln as of 31.12.2009, an increase of 7%. Such change is mainly due to partial recovery of the earlier recognized loss from devaluation as a result of an increase in market quotation of financial investments during first six months of 2010.

As of 30.06.2010 current assets totaled RUR 97,198 mln, a decrease of RUR 28,923 mln compared with the same indicator as of beginning of the year (-23%). The change was mainly the result of closing of depository accounts and certificates (RUR 23.5 bn), payment of short-term promissory notes of VTB (RUR 18.5 bn), acquisition of short-term promissory notes of Alfa bank (RUR 10.3 bn).

Equity and liabilities

The Group's equity attributable to the shareholders as of 30.06.2010 was RUR 616,781 mln, an increase of RUR 40,024 mln (7%). This change occurred due to registration of share issue in January 2010 in the number of 80,047 shares with nominal value of RUR 0.5 each. The change in equity was influenced by receipt of share premium in the amount of RUR 152 mln and change in fair value of financial investments by RUR 5.2 bn.

The Group's long-term liabilities as of 30.06.2010 amounted to RUR 93,733 mln, having increased by RUR 654 mln (1%). This change was mainly a result of change in value of deferred tax liabilities.

The Group's short-term liabilities as of 30.06.2010 totaled RUR 37,673 mln., having decreased by RUR 44 124 mln (-54%). The change was mainly a result of registration of share issue and transfer of liabilities in the composition of equity attributable to the shareholders (RUR 40 bn), payment of series 02 bonded loan (RUR 7 bn), increase of current liabilities on advances received (RUR 2 bn).

Key performance indicators

1. Profitability	30.06.2009	30.06.2010	Change
On operating profit (EBIT margin), %	20.69	24.72	4.03
On EBITDA (EBITDA margin), %	58.99	57.64	(1.36)
ROA*, %	3.47	1.40	(2.07)
ROE*, %	1.92	1.65	(0.26)
2. Liquidity ratios			
Current liquidity	2.62	2.58	(0.04)
Cash liquidity	2.48	1.65	(0.83)
3. Financial stability indices			
Equity Ratio	0.83	0.87	0.04
4. Operational efficiency			
Revenue/Grid length, RUR/ km	0.14	0.19	0.05
Revenue/Transformer capacity, RUR/ MVA	0.35	0.47	0.12
Free cash flow (FCF), RUR mln.	22,291	(18,407)	
Net Debt, RUR mln.	(101,172)	(56,051)	
Earnings per share (EPS), RUR	0.01	0.01	-

* excluding losses from depreciation of non-current assets

Combined and consolidated IFRS statements of the Group for the first half of 2010 is placed at FGC UES website in the section Financial performance/IFRS financial reports and is available at http://www.fsk-ees.ru/eng/investor_finance_ifrs.html.

Federal Grid Company's Profile

Open Joint Stock Company Federal Grid Company of the Unified Energy System (Federal Grid Company; FEES) was created based on the power industry reform program, as a monopoly operator of the Unified National (All-Russian) Electric Grid (UNEG) – with the aim of maintaining and developing the grid. The Company was founded June 25th, 2002.

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The Company has grid facilities in 73 Russian regions, covering an area of 13.6 mln square km. The company ensures the functioning of 118 thousand km electric lines and 761 SSES, with a total transformer capacity of more than 298 thousand MVA under 35-750 kV voltage.

The Company's charter capital is RUR 616,780,666,776, which is divided into 1,233,561,333,552 ordinary shares with a par value of 50 kopecks per share. The Russian state is the Company's largest shareholder and holds 79.11% of shares, 20.89 % of the Company's outstanding shares are free-float.

According to RAS Statements, in the first 9 months of, the Company's total revenue amounted to RUR 83.5 bln, with a sales profit of RUR 18.8 bln.

The Company's ordinary shares are traded on the B quotation list on RTS (under the ticker symbol: FEES) on the classical market and under the ticker symbol: FEESG on the stock exchange market, as well as on the MICEX Stock Exchange under the ticker symbol: FEES.

The Company's web site is: www.fsk-ees.ru

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