



Federal Grid Company UES Group announces 2011 IFRS results

23 April 2012, Moscow – Federal Grid Company of Unified Energy System (“Federal Grid” or the “Company”, ticker: FEES on MICEX-RTS and LSE) and its subsidiaries (“Federal Grid Company UES Group” or the “Group”), the operator and manager of Russian unified electricity transmission grid system, announces its audited consolidated financial results for the year ended 31 December 2011 in accordance with IFRS.

Key Highlights

Financial:

- Revenue of RUB 139,571 million, up 23% compared to 2010
- EBITDA of RUB 93,236 million, up 86% compared to 2010
- *Adjusted EBITDA** of RUB 83,760 million, up 24% compared to 2010
- Operating profit of RUB 71,837 million, up 215% compared to 2010
- *Adjusted operating profit*** of RUB 46,614 million, up 56% compared to 2010
- Profit for the period of RUB 48,988 million, up 166% compared to 2010
- *Adjusted profit**** for the period of RUB 38,241 million, up 37% compared to 2010
- EPS of RUB 0.039, up 160% compared to 2010
- *Adjusted EPS***** of RUB 0.031, up 35% compared to 2010

* *Adjusted EBITDA is calculated as EBITDA (profit for the period before income tax expense, finance income and costs, depreciation and amortisation) under IFRS adjusted to exclude a one-off gain on sale of available-for-sale investments and investments in associates, a loss on re-measurement of assets held for sale, a non-specific impairment of property, plant and equipment, an impairment of available-for-sale investments, a loss on dilution of share in associates, and to include finance income.*

** *Adjusted operating profit is calculated as operating profit under IFRS adjusted to exclude a one-off gain on disposal of available-for-sale investments and investments in associates, a loss on re-measurement of assets held for sale, and non-specific impairment of property, plant and equipment.*

*** *Adjusted profit for the period is calculated as profit for the period under IFRS adjusted to exclude a one-off gain on sale of available-for-sale investments and investments in associates, a loss on re-measurement of assets held for sale, a non-specific impairment of property, plant and equipment, an impairment of available-for-sale investments, a loss on dilution of share in associates and related deferred income tax effects.*

**** *Adjusted EPS is calculated as adjusted profit for the period divided by the weighted average number of the Company' shares outstanding during the reporting period.*

Operational:

- Electricity transmission totalled 484.7 Bn kWh (+3% compared to 2010).
- The total number of substations amounted to 854 (including leased), compared to 805 in 2010.
- Total transformer capacity increased to 322,533 MVA (+3.7% compared to 2010).

Major events in 2011

- February: Federal Grid Company approved a share-option programme for management.
- March: Federal Grid Company successfully listed its GDRs on the London Stock Exchange.
- April: The Federal Tariff Service set new RAB parameters for Federal Grid Company for 2011 to 2014 using a redistributed tariff mechanism ("tariff smoothing")
- During the year: the Company issued rouble-denominated bonds totalling RUB 55 billion and raised a long-term bank loan of RUB 25 billion.

Commenting on the 2011 results, Chairman of the Management Board Oleg Budargin said:

"In 2011 we strengthened Federal Grid Company's financial position and achieved all of the KPIs set by the Board of Directors. Major growth factors include additional revenue from electricity transmission and technical connection of customers to the Unified National Electric Grid.

"Our main priority in the past year has been to ensure reliable, stable supply of electricity to consumers, and to increase operating efficiency by introducing new technologies. This area of focus benefits our shareholders, investors, customers and the electricity sector as a whole.

"In 2011, we launched a comprehensive upgrade programme for the UNEG, including the creation of a next-generation backbone 'smart grid'. In December, the Company put into operation the second phase of experimental digital substations in Moscow, and we are now working on constructing pilot clusters of smart grids in the Amur, Primorsk and Khabarovsk regions, St. Petersburg and a number of other regions across Russia. We believe that creating a 'smart grid' will reduce losses across all voltage classes by 25%, increase the throughput capacity of our transmission lines, smooth out load scheduling and reduce the probability of accidents by 30%. By our calculations, the total economic effect for Russian energy industry resulting from the introduction of a 'smart grid' could be RUB 50 billion a year, which will also create additional shareholder value for Federal Grid Company.

"We realise how important investing in the future is, and in 2011 the Company allotted RUB 1.9 billion for research and development, working closely with leading scientific institutions and with major companies.

"Looking ahead to 2012, we will continue to pursue large-scale innovation-based projects of national importance, and to work hard on increasing operating efficiency, which we are hopeful will help to grow the value of the Company".

Commenting on the financial results, Deputy Chairman of the Management Board (Chief Financial Officer) Andrey Kazachenkov said:

"We can confidently say that the Group's results for 2011 are positive.

"Our financial position remains stable and we fully funded our investment programme during the year.

"Consolidated revenue increased by 23% compared to the last year, mainly as a result of the increase in tariffs for transmission services established by the Federal Tariff Service and a higher volume of technological connection services rendered.

"Adjusted EBITDA rose by 24% to RUB 83,760 million, as revenue and adjusted operating profit grew 23% and 56% year-on-year, compared to a slower increase in operating expenses excluding depreciation and amortisation of 17%. Adjusted operating profit was up by 56% to RUB 46,414 million, underscoring our successful measures to control operating costs.

"Adjusted profit for the period increased by 37% to RUB 38,241 million due to the above factors and certain deferred tax effects. Adjusted profit margin amounted to 27%, as compared with 25% in 2010."

Operating expenses

	2011 (RUB million)	% of total costs	2010 (RUB million)	% of total costs	% change	Change in % of total costs (percentage points)
Depreciation and amortisation	34,052	33.8%	31,054	35.3%	9.7%	(1.5)
Employee benefit expenses and payroll taxes	24,046	23.9%	20,114	22.9%	19.5%	1.0
Purchased electricity	13,781	13.7%	15,942	18.1%	(13.6)%	(4.5)
Repair and maintenance services	3,977	3.9%	4,427	5.0%	(10.2)%	(1.1)
Other expenses	24,894	24.7%	16,336	18.6%	52.4%	6.1
Total	100,750	100%	87,873	100%	14.7%	

Consolidated operating expenses in 2011 amounted to RUB 100,750 million, up 14.7% y-o-y. This was largely due to a 54.4% increase in other expenses resulting primarily from creation of provision on accounts receivable in the amount of RUB 4,305 million in 2011, compared with a reversal of provision in 2010 in the amount of RUB 2,164 million.

Depreciation and amortisation accounted for 33.8% of total costs in 2011, and increased by 9.7% to RUB 34,052 million due to the commissioning of new property, plant and equipment.

Personnel costs, which accounted for 23.9% of total costs in 2011, increased by 19.5% to RUB 24,046 million. The increase was primarily due to the share option programme launched by the Company in 2011, an increase in the average number of employees by 6.3%, and an indexation of salaries.

Electricity purchase costs for 2011 decreased by RUB 2,161 million, or 13.6%, to RUB 13,781 million. Changes in regulations relating to the calculation of volumes of capacity purchases on the wholesale electricity and capacity market (OREM) resulted in a reduction in electricity purchase expenses of approximately RUB 4,834 million, which was partly balanced by a RUB 2,673 million increase due to higher electricity purchase prices.

Debt

Consolidated net debt as at 31 December 2011 amounted to RUB 85,232 million, compared with RUB (3,838) million as at 31 December 2010. The portion of long-term debt increased from 87 to 98% as compared with 2010. The increase in long-term debt was primarily due to the successful placement of rouble-denominated bonds totalling RUB 55 billion during 2011, with an average coupon of 8.35% and average maturity of 5.4 years.

The Company's net debt to adjusted EBITDA ratio was 1.02 as at 31 December 2011.

Investment and Capital Expenditure

Federal Grid Company continues to adhere to investment programme for 2010-2014 approved by the Ministry of Energy of the Russian Federation in November 2010.

Capital expenditure during the accounting period increased by 8.7% y-o-y to RUB 155,120 million (excl. VAT).

The audited consolidated IFRS financial statements of the FGC UES Group for 2011 are available on the Company's website, along with the 2011 Management Report, www.federal-grid.com and available following the link http://www.fsk-ees.ru/eng/investors/financial_disclosure/ifrs_financial_reports/.

Conference Call

The Company will host an investor and analyst conference call on Monday, 23 April 2012 at 09:00 UK time (12:00 Moscow time). Dial in details are as follows:

UK Standard Dial In	+44 (0) 1452 586 506
Russia Dial In (from a landline)	8108 002 267 2044
USA Free Call Dial In	1877 256 1273
Germany Free Call Dial In	0800 664 8508
Switzerland Free Call Dial In	0800 900 110
Sweden Free Call Dial In	0200 892 579

All participants must register for this conference using the URL below

<https://www-emea.tcconline.com/registration/event/62627518>

If you have not registered, you must press *0 when prompted to enter your passcode

Not registering for the call may lead to additional waiting times

A replay of the call will be available until 29 April 2012 using the following details:

Replay

UK Free Call Dial In	0800 953 1533
International Dial In	+44 (0) 1452 55 00 00

Replay Access Code 62627518#

A transcript of the conference call will become available on Federal Grid Company's website.

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About Federal Grid Company

Federal Grid Company is the operator and manager of Russia's unified electricity transmission grid system. The Company operates over 124,000 km of transmission lines and has over 322 GVA of installed transformer capacity. Based on the length of transmission lines and transformer capacity in place, Federal Grid is the largest publicly traded electricity transmission company in the world.

Federal Grid's business is to provide electricity transmission and technological connection services. It maintains and develops the grid system and supervises grid facilities and infrastructure in 73 regions of Russia, covering a territory of 13.6 million square kilometres. Its customers are regional distribution companies, electricity suppliers and large industrial enterprises. The Company is a natural monopoly with a 79.55% stake controlled by the Government of Russia.

Federal Grid Company was incorporated in June 2002 as part of reorganisation of Russia's electrical power industry.

Federal Grid Company's common shares are included on the MICEX-RTS stock exchange under the ticker FEES and the Company's GDRs are listed on the London Stock Exchange and traded under the same FEES symbol.

In 2011, consolidated revenue of the FGC UES Group under IFRS amounted to RUB 139,571 million, adjusted EBITDA amounted to RUB 83,760 million, and adjusted profit for the period amounted to RUB 38,241 million.

Further information can be found at www.federal-grid.com