

Federal Grid Company Announces Financial Results for 2011 under RAS

Moscow, 20 March, 2012 – Federal Grid Company of Unified Energy System (“Federal Grid Company” or “the Company”) (MICEX-RTS, LSE: FEES), announces its financial results for 2011 in accordance with Russian Accounting Standards (RAS).

These results exclude the accounts of Federal Grid Company's subsidiaries and affiliated companies, which operate as independent legal entities.

Key Financials:

- Revenue of RUB 138,137 million, up 24% on FY 2010
- Adjusted EBITDA* of RUB 84,683 million, up 27% on FY 2010
- Gross profit of RUB 53,962 million, up 52% on FY 2010
- Adjusted net profit* of RUB 33,687 million, up 31% on FY 2010

**Excluding losses from revaluation of assets and adjustments to doubtful debts provisions and securities impairments*

The Company's revenue for 2011 increased by RUB 27,052 million, or 24%, year on year to RUB 138,137 million. Growth was driven by higher revenue from electricity transmission services due to the expansion of Unified National Electric Grid (UNEG), an increase in serviced production capacity, and growth in revenue from technical connection of consumers to the UNEG due to the expansion of services provided as part of the technical connection of new consumers.

Operating costs including administrative expenses for 2011 increased by RUB 10,400 million, or 13%, year on year to RUB 92,900 million. This was driven by an increase in depreciation charges due to the commissioning of new facilities as part of the Company's investment programme and by the revaluation of fixed assets. Other operating costs (excluding amortisation) grew at below the rate of inflation, driven mainly by an increase in serviced equipment, which was offset by the Company's cost management programme.

Earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) increased by RUB 17,998 million, or 27%, year on year to RUB 84,683 million, due to growth in gross profit and amortisation charges.

Federal Grid Company's other income in 2011 grew by RUB 26,528 million, or 18%, year on year to RUB 171,434 million, primarily due to the effect from the exchange of shares in generating companies for shares in INTER RAO UES and the inclusion in other income for 2010 of a gain on revaluation of the Company's financial investments.

Federal Grid Company's other costs in 2011 grew by RUB 97,699 million, or 87%, year on year to RUB 209,463 million, also due to the accounting effect from the transaction with INTER RAO UES.

Adjusted net profit for 2011 was RUB 33,687 million, an increase year on year of RUB 7,985 million, or 31%. Adjusted net profit growth in 2011 was driven by additional income from electricity transmission services and technical connection of consumers to the UNEG, as well as the Company's Cost Management Programme.

Balance Sheet as of 31 December 2011

Assets

In 2011 Federal Grid Company's total assets increased by RUB 135,383 million, or 15%, to RUB 1,037,493 million at the end of the reporting period. These include non-current assets of RUB 919,501 million and current assets of RUB 117,992 million.

Non-current assets grew by RUB 152,349 million, or 20%. This was due to an increase in fixed assets and construction in progress (RUB 135,074 million, or 33%) as part of the Company's investment programme, revaluation of fixed assets by RUB 51,620 million, and reduction in long-term financial investments (RUB 22,090 million, or 21%), primarily due to fair-value adjustment of shares in INTER RAO UES.

Current assets reduced by RUB 16,966 million, or 13%, driven by a reduction in accounts receivable due to doubtful debts provisions, as well as reduced short-term investments (redemption of bills used to finance the Company's investment programme).

Liabilities

Federal Grid Company's capital grew by RUB 59,334 million, or 7%, during the accounting period. This was driven by an increase in the Company's charter capital due to the registration of newly issued shares worth RUB 11,193 million in 2010, an increase in additional capital due to revaluation of fixed assets and the net loss of RUB 2,468 million recorded for 2011.

Federal Grid Company's long-term obligations increased during the accounting period due to borrowings of RUB 80,000 million to finance the Company's investment programme, including a bond issue of RUB 55,000 million.

The Company's short-term obligations reduced by RUB 9,449 million, or 17%. This was due mainly to the transfer of debt owed to the Company's founders from accounts payable to registered capital (registration of an additional share issue of RUB 11,193 million in 2010) and also reflects debt owed to the founders before registration of an additional issue of RUB 2,219 million in 2011.

Andrey Kazachenkov, Deputy Chairman of the Management Board, said:

“Given the tariff revision introduced in April 2011 and current market volatility, we believe the Company's results for 2011 are positive.

We earned an adjusted net profit of RUB 33.7 billion, while EBITDA grew by 27% to RUB 84.7 billion. The Company's investment activities were fully financed in 2011, and we continue to maintain a stable financial position.

Efforts to reduce our operating costs have led to a decline in unit costs of 10 per cent per unit of serviced equipment.

The establishment and implementation of a transparent system of investment planning under RAB regulation had a positive impact on the development of the UNEG, meaning that we were able to add fixed assets worth more than RUB 147 billion in 2011.

Federal Grid Company is stepping up the pace at which we include network facilities into fixed assets, as we work to overhaul our equipment. Alongside changes to our network management strategy, this has led to an increase in network reliability and service quality, and more efficient supply to customers.”

Federal Grid Company's financial statements for 2011 under RAS can be found on the Company's website: http://www.fsk-ees.ru/eng/investors/financial_performance/

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

Contacts for investors and analysts

Investor Relations

Alexander Duzhinov

Nadezda Sukhova

Egor Toropov

Work

+7 (495) 710 9064

+7 (495) 710 9541

8 800 200 1881 (ext. 22-75)

Mobile

+7 (916) 041 8053

M:Communications –**International Media**

Tom Blackwell

Sam VanDerlip

+7 (495) 663 8009

+7 (495) 663 8005

+7 (919) 102 9064

+7 (916) 306 6112