

Federal Grid Company UES Group has announced its financial results for the six months ended 30 June 2011 under IFRS

Moscow, 19 October 2011 – 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 Russia’s unified electricity transmission grid system, today announces its unaudited Group financial results for the six months ended 30 June, 2011 in accordance with IFRS.

Key H1 2011 Highlights:

- Revenue of RUR 71,217 million up 26% on H1 2010
- Total operating expenses of RUR 45,657 million growth of 3% compared with H1 2010
- Adjusted EBITDA* of RUR 45,459 million up 42% on H1 2010
- Adjusted Profit ** for the period of RUR 22,810 million, increased by 80% over H1 2010

**Adjusted EBITDA calculated as EBITDA under IFRS adjusted to exclude loss on re-measurement of assets held for sale and gain on disposal of available-for sale investments and to include finance income.*

***Adjusted profit for the period calculated as Profit for the period under IFRS adjusted to exclude loss on re-measurement of assets held for sale, gain on disposal of available-for sale investments and related deferred tax effect.*

Key developments:

- Federal Grid made the decision to pay out a dividend on the Company’s common stock for the year 2010 in the amount of 10% of net income (in accordance with RAS), excluding financial results from re-valuation of securities and build-up of unfunded provisions
- On 8 February 2011 the Board of Directors approved the Company’s stock option programme, designed to create a lasting incentive for the management and staff to grow the value of business
- On 28 March 2011 Federal Grid successfully listed its GDRs on the Main Market of the London Stock Exchange
- On 13 April 2011 Federal Tariff Service, the industry regulator, adjusted the tariffs for 2-4Q 2011 – 2014 to redistribute gross revenues of regulated businesses between years within the five year regulatory period
- All generating assets held by Federal Grid and its subsidiaries were transferred to INTER RAO UES in exchange for an 19.95% stake in INTER RAO UES
- On 5 July 2011 the Company successfully completed a 10-year domestic Ruble-denominated bond placement for the value of RUR 10 billion. Federal Grid was the first Russian company to successfully place a 10-year domestic bond issue after the 2008-2009 global financial crisis.
- On 21 July 2011 Federal Grid successfully completed a placement of the bond series 19 for the value of RUR 20 billion and a maturity period of 7 year.

Andrey Kazachenkov, Deputy Chairman of the Management Board of Federal Grid Company, commented:

We are very pleased to present our first interim results in accordance with IFRS after Federal Grid successfully listed its GDRs on the London Stock Exchange. This has been a solid six months, as the Group successfully delivered on all its performance targets with strong operational and financial performance and good progress in the execution of our significant investment programme.

Revenue increased by 26%, compared to the same period last year, as a result of the tariff growth and an increase in the provision of the transmission services across all regions. We are pleased to note that the operating expenses increased only marginally by 3% as a result of programme of cost savings and a decrease in cost of purchased electricity.

The 42% growth in adjusted EBITDA, to RUB 45,459 million is strong confirmation of the Group’s financial achievements in 1H 2011. Besides revenue growth the main driver of growth in EBITDA was the Company’s improved operating performance.

Federal Grid Group’s adjusted profit for H1 2011 was RUR 22,810 million, a 80% increase over the same period last year. The asset swap which saw all generating assets held by Federal Grid and its subsidiaries transferred to INTER

RAO UES in exchange for a 19.95% stake in INTER RAO UES has brought the Group closer to its target business model: a pure-play transmission Group that owns and operates high-voltage transmission networks in a vast majority of Russian regions.

With regard to the investment programme, we are fully on track to meet our targets for 2011, as the Group and our suppliers have worked hard to progress on several large scale grid development projects, including the construction of the electricity network infrastructure for the 2014 Sochi Olympic Games and the electricity infrastructure upgrade in Vladivostok ahead of the planned APEC Summit in 2012.

Financial Position as on 30 June 2011

There have been no material changes to the financial position of the Group. Federal Grid Company UES Group has a strong balance sheet which is needed for our ability to maintain low-cost borrowing for funding the approved 5-year investment programme.

During the first six months of 2011 the Group's total assets increased by RUR 5,743 million (0.5%) to RUR 1,077,391 million at the end of the reporting period. These include non-current assets of RUR 1,004,991 million and current assets of RUR 72,400 million.

The non-current assets of the Group increased by RUR 124,142 million (14.1%), mainly as a result of the increase in property, plant and equipment to RUR 907,301 million from RUR 851,228 million and an increase in the available-for-sale investments to RUR 77,670 million from RUR 9,531 million due to a substantial increase in the ownership of shares of INTER RAO UES after completion of asset swap.

The current assets of Federal Grid decreased by RUR 118,399 million (62.1%) mainly as a result of transfer of the non-current generation assets held for sale to INTER RAO UES and a decrease in short-term promissory notes.

Non-current liabilities decreased by RUR 3,328 million. Current liabilities decreased by RUR 5,640 million.

Consolidated unaudited interim financial statements of Federal Grid Company of UES Group prepared in accordance with IFRS for the six months ended 30 June 2011 can be accessed on the Company's website at www.fsk-ees.ru/eng

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About Federal Grid

Federal Grid is the operator and manager of Russia's unified electricity transmission grid system. With over 121,000 km of transmission lines and over 311 thousand MVA of installed transformer capacity, it is the largest publicly traded electricity transmission company in the world.

Federal Grid's business is to provide transmission and connection services. It maintains and develops the grid system and supervises grid facilities and infrastructure in 73 regions of Russia, in which it operates. Its customers are regional distribution companies, retail electricity suppliers and large industrial enterprises. The Company operates in an exclusive, competition free environment, and is regulated by the Government of the Russian Federation.

The Company's revenue is mainly driven by the transmission tariff set by the Regulator, the Federal Tariff Service. From 1 January 2010 a new RAB (Regulatory Asset Base) tariff framework, designed to stimulate investment and operating efficiency, was introduced.

The Company was incorporated in 2002 as part of reorganization of Russia's electrical power industry. The Russian Government is the largest shareholder with a 79.48% stake.

Further information can be found at www.fsk-ees.ru/eng.