



## Federal Grid Company's IFRS annual financial results for 2010

**Moscow, 3 May 2011** – Federal Grid Company of Unified Energy System ("Federal Grid" or the "Company", ticker: FEES on MICEX, RTS and LSE), the operator and manager of Russia's unified electricity transmission grid system, today announces its audited financial results for the year ended 31 December, 2010 in accordance with IFRS.

### Key 2010 Highlights:

- Revenues of RUB 113,330 million, up 29.4% on 2009
- Adjusted EBITDA of RUB 67,717 million, up 58.9% on 2009
- Adjusted Net profit of RUB 27,910 million, up 62.6% on 2009
- Successful issue of 50 billion Ruble-denominated bond, one of the largest by a Russian company
- Listing on the London Stock Exchange provided easier access for international investors to the Company's equity
- Newly adopted dividend policy commits the Company to paying dividend
- For the first time in the history of Federal Grid Company, an unqualified audit opinion has been issued on the financial statements prepared under IFRS

### Tariffs and Regulation:

- First year of operating under the RAB (Regulatory Asset Base) tariff framework, designed to stimulate investment and operating efficiency
- Electricity transmission tariff set for 2010 increased by 51.1% to 87,868.77 RUB/MW month
- The initial RAB tariff regulation term increased from 3 to 5 years to extend the revenue outlook to a longer period

	RUB million		Year ended 31 December
	2010	2009*	Change, %
Total Revenue	113,330	87,580	29.4
Operating costs	(87,873)	(78,216)	12.3
Operating profit	22 805	(86 344)	n/a
<i>Adjusted Operating profit**</i>	29,941	13,651	119.3
EBITDA	50,001	(68,799)	n/a
<i>Adjusted EBITDA***</i>	67,717	42,619	58.9
<i>Adjusted EBITDA Margin</i>	59.6%	48.7%	
Net Profit	18,383	(63 974)	n/a
Adjusted Net Profit***	27,910	17 160	62.6
EPS (RUB)	0.015	(0.055)	n/a

*\* as at 31 December 2010 the Group had completed work on creating a detailed register of fixed assets in accordance with IFRS, which led to the restatement of comparable data. More detailed information on the results of the restatement is disclosed in the combined and consolidated financial statements of the Group for 2010*

*\*\* exclusive of profits from the sale of available-for-sale financial investments, loss on re-measurement under IFRS 5 and the effects of revaluation and impairment of fixed assets and intangible assets*

*\*\*\* exclusive of the effect of impairment, revaluation of fixed assets and other non-cash items*

Revenues from the current operations of the FGC UES Group in 2010 increased by 29.4% over 2009, to RUB 113,330 million. This increase in current operating income was primarily due to higher revenues from electricity transmission. Revenues from transmission services, exclusive of revenues from the compensation of losses, rose by 44%.

The Group's other operating income changed insignificantly, consisting mainly of income from non-core activity, such as services on project development, R&D, communications services, and lease income.

Expenses on current activity in 2010 rose by RUB 9,657 million (12.3%) compared to 2009, to RUB 87,873 million, which was related mainly to higher costs on the depreciation of fixed assets.

Adjusted EBITDA as at 31 December 2010 rose by 58.9% compared to 2009, and reached RUB 67,717 million.

The adjusted net profit for 2010 totaled RUB 27,910 million. The increase in adjusted net profit by 62.6% compared to 2009 was primarily due to higher income from current activity.

### **Oleg Budargin, Chairman of the Management Board, stated:**

"2010 was a challenging, eventful and productive year for Federal Grid, and we are pleased with the outcome. In 2010 Russia was still overcoming the consequences of the Global financial crisis and the resulting severe recession. Consequently, the reduction of costs and efficiency savings were among our top priorities. However, it was also a year of a significant investment in construction and modernisation, as Federal Grid started its ambitious five year investment programme that will see the construction of 123 new high-voltage power lines with voltage of 220-750kV and total length of circa 21,000 km, and 73 new substations with voltage of 220-500kV and total capacity of 89,180 MVA.

Amongst the many key metrics that we discuss in these annual results I am particularly pleased to highlight this one: 291,640,000. This is how many Kilowatt-hours of electricity we saved by introducing modern energy saving equipment to some of our electricity transmission facilities in 2010. This is still a modest figure by comparison with our total transmission volumes, but it is a good start, and we are committed to significant further progress. We are passionate about saving energy and reducing electricity losses in the transmission network, as we know all our stakeholders, including financial investors, are keen to see Russia's unified electricity grid as efficient, modern and reliable as possible. In addition to delivering good results to our main stakeholders, this is a key strategic route that we will continue to pursue.

In 2010 our networks transmitted 470 billion kWh of electricity. That is a 4% increase on the previous year, as the economic recovery continued to gather pace, and the large industrial enterprises in Russia intensified production. We also increased by 15% to 15.7 billion kWh the transmission of electricity to the neighbouring countries.

In 2010 we adopted a new RUB 952.4 billion (US\$ 34.4 billion) five year investment programme that provides for very substantial construction and renovation of the electricity grid, removal of network restrictions, technological connection and providing network capacity for newly built power plants throughout the country. The new programme for 2010-2014 replaced the previously adopted investment plan for 2010-2012 as part of the Federal Grid's transition to a five-year regulatory period.

The total actual investment in 2010 was RUB 167 billion, a 57.5% increase on the previous year. This was financed from the company's own funds, as well as borrowing and a comparatively small contribution from government funding and technological connection fees.

In 2011 we are continuing to pursue our long term objectives. Our investment programme will keep us very busy and will see the completion of many of the large scale projects that we have started previously. We will complete a major network construction project in the Russian Far East where Russia will soon host a high profile Asian Pacific Economic Summit. We will progress in constructing electricity facilities for the Sochi Olympic Games and East Siberia – Pacific Ocean oil pipeline.

On behalf of the Federal Grid's Board of Directors and the Management Board, I would like to take this opportunity to extend our gratitude to all our workers, partners and contractors who have worked hard to deliver this strong set

of results, as well as our shareholders, and welcome new shareholders who have invested in Federal Grid since our equity became easier to access on the international capital markets”.

**Andrey Kazachenkov, Chief Financial Officer commented:**

In 2010 we started operating under the Regulatory Asset Base framework with the regulatory period extended to five years from the initial three year plan. Together with the introduction of RAB regulation this change makes it substantially easier to forecast our future revenues and plan our capital expenditure and debt issues. It is also very important that we are becoming more transparent and easier to understand and forecast for our investors and investment analysts.

The implementation of the RAB tariff framework had an immediate effect on the Company’s financial results.

The 58.9% growth in adjusted EBITDA, to RUB 67,717 million, and the 62.6% increase in adjusted net profit, to RUB 27,910 million, were confirmation of the Company’s financial achievements in 2010.

These strong results clearly demonstrate that Federal Grid continues to deliver on its long-term strategy of combining the overall objective of playing its vital role of maintaining the stability of the Russian energy system and therefore safeguarding the national economy with delivering value to our shareholders.

We reaffirmed this commitment by adopting a new dividend policy that sets out the minimum levels of dividends payable and a new methodology for the calculation of dividends, which is transparent and linked to the financial performance of the Company. The introduction of the new Dividend Policy is part of the Company’s effort in improving its corporate governance practices and increasing the market value and investment appeal of the Company.

During the year Federal Grid successfully placed bond issues for a total amount of RUB 50 bn. These issues were amongst the largest public transaction in the history of RUB-denominated corporate bonds. However, our level of debt remains low. The Company plans to increase its debt considerably to optimize its capital structure.

During the final months of 2010 our corporate team at Federal Grid was busy preparing for an international listing of the Federal Grid’s global depository receipts. On 28 March 2011 we successfully completed listing of the Company’s GDRs on the Main Market of the London Stock Exchange, and trading in the GDRs commenced on the International Order Book of the London Stock Exchange. The listing opened the opportunity to invest in our company to a wide range of international investors.

We are pleased to note that for the first time in history Federal Grid Company received an unqualified audit opinion on its financial statements prepared according to international standards.

***The Group’s consolidated IFRS financial statements for the year ended 31 December 2010 and the Management Report have been published on the corporate website [http://www.fsk-ees.ru/eng/investors/financial\\_performance/ifrs\\_financial\\_reports/](http://www.fsk-ees.ru/eng/investors/financial_performance/ifrs_financial_reports/).***

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## Key Performance Incators

<b>1. Profitability</b>	31.12.2010	31.12.2009*
Adjusted Operating Profit margin	26.4	15.6
Adjusted EBITDA margin**, %	59.8%	48.7
ROA, %	2.7	2.1
ROE, %	3.2	2.4
<b>2. Liquidity Ratios</b>		
Current Liquidity	3.9	3.0
Cash Liquidity	1.3	2.2
<b>3. Financial Stability Ratios</b>		
Equity Ratio	0.83	0.86
<b>4. Operational Efficiency</b>		
Net Debt, RUB mln	(3 950)	(79 022)
Earnings per share (EPS), RUB	0.015	(0.055)

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