Federal Grid Company: Driving Economic Growth through Reliable Energy Transmission

2012

Federal Grid Company of Unified Energy System

Annual Report

Interactive online version

Contents

Federal Grid Company – Ten-year Results

Federal Grid Company of Unified Energy System

10 years

Federal Grid Company was established in the course of Russian electric power sector reform. The reform was aimed at upgrading the UNEG (Unified National Electric Grid) economic efficiency and creating conditions to attract investments in the power industry. The Company was created and unified to manage electric grid facilities that were part of the UNEG.

2002

State registration of JSC Federal Grid Company took place. The Company started to provide power transmission and technological connection services to consumers.

2003

The Company was entered in the register of natural monopolies for the energy and fuel sector, which are regulated and controlled by the State, and in the list of commercial organizations – the Federal Wholesale Electricity and Capacity Market (WECM) entities.

2004

The inter-regional backbone electric grid companies (MMSKs) were established.

2005

44 backbone electric grid companies (MSKs) were established on the basis of Federal Grid Company and 46 distribution electric grid companies (RSKs);

A decision was made to transfer inter-regional distribution grid companies' shares to the Company's management.

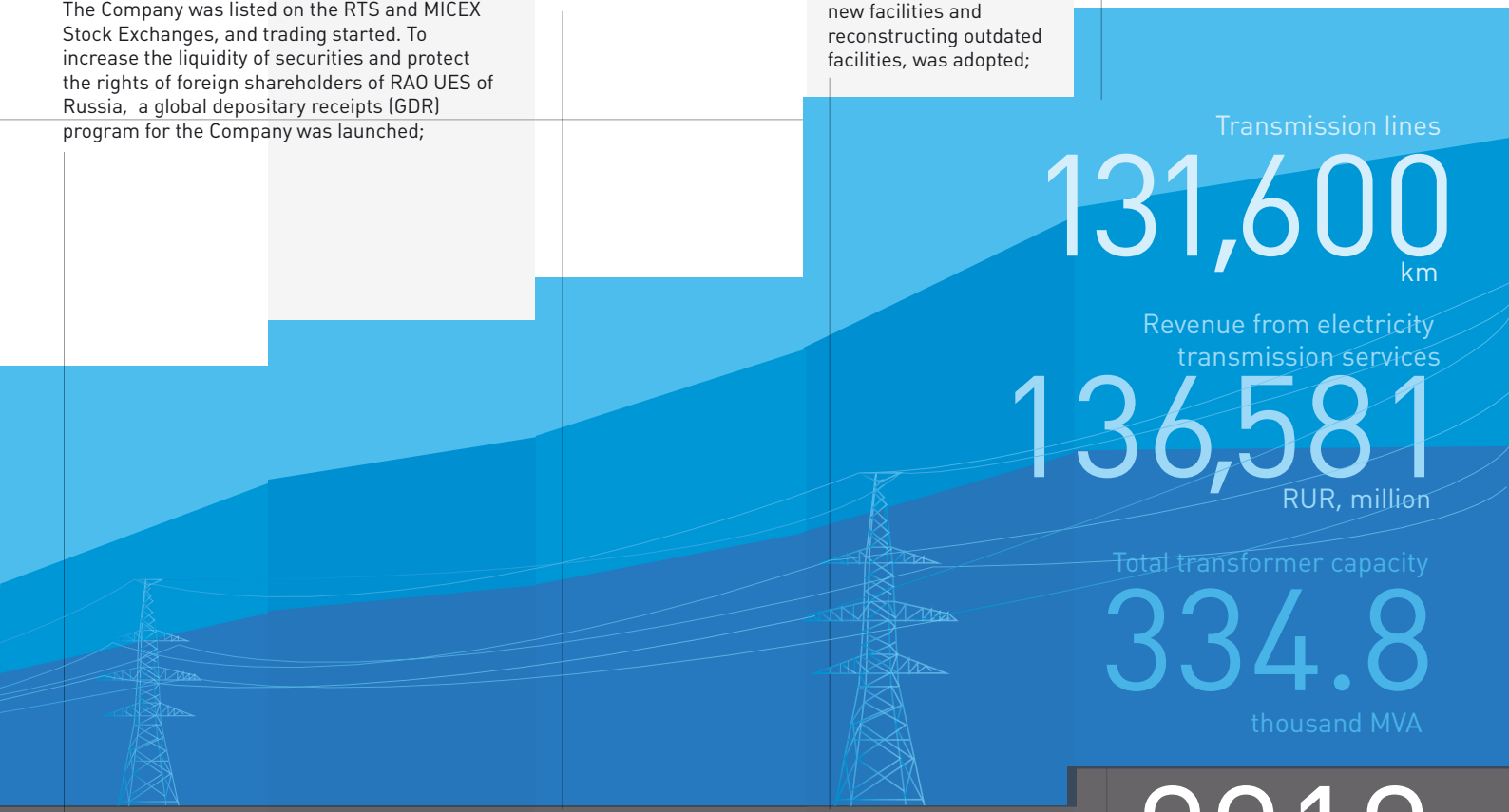
2006

The UNEG consolidation process was effectively completed.

The Company approved its first Regulations on Technical Policy.

2007

A decision was made to re-organize the Company by taking over JSC RAO UES of Russia, JSC State Holding, JSC Minority Holding FGC UES, 56 MSKs and 7 MMSKs.



2008

A five-year Investment Program for 2008-2012 was approved;

The Company was listed on the RTS and MICEX Stock Exchanges, and trading started. To increase the liquidity of securities and protect the rights of foreign shareholders of RAO UES of Russia, a global depositary receipts (GDR) program for the Company was launched;

The final phase of consolidation took place: backbone electric grid companies, JSC RAO UES of Russia, JSC State Holding and JSC Minority Holding FGC UES were merged into the Company. Shares of the re-organized companies were converted into shares of Federal Grid Company. The number of Federal Grid Company shareholders exceeded 470,000.

2009

Russian Federal Tariff Service (FTS) approved parameters for the Company's transition to RAB-regulation for the 2010-2012 period;

The Company's shares were included in the stock indices of MSCI Russia and MSCI Emerging Markets.

2010

The Company's 2010-2014 Investment Program was approved.

The Company received the title "Energy Company of the Year" for its successful work in modernizing the country's backbone electric grid complex, using short-term innovation;

Russian FTS approved RAB-tariffs for Federal Grid Company for the 2011-2014 period.

2011

The Company's new Technical Policy that established general directions for the UNEG's prospective development, including commissioning new facilities and reconstructing outdated facilities, was adopted;

The Federal Grid Company's Innovative Development Program was adopted; the Program aims to upgrade electric grids on the basis of innovative technologies, transforming them into the smart core of the power industry's technological infrastructure;

Federal Grid Company's depositary receipts were listed on the main Market of London Stock Exchange and depositary receipt trading began.

2012

The Company's Board of Directors confirmed the Regulations on Unified Technical Policy in Russian power grid complex, which were also approved by the IDGC Holding and the System Operator;

Transmission lines

131,600 km

Revenue from electricity transmission services

136,581 RUR, million

Total transformer capacity

334.8 thousand MVA

Drop in failures due to employees' incorrect or faulty actions

35%

Federal Grid Company was appointed as the sole executive body of JSC IDGC Holding;

On 31 October 2012, the Russian Ministry of Energy approved the Company's 2013-2017 investment program. Total financing for the investment program for 2013-2017 will stand at more than RUR775.5 billion;

On 22 November 2012, Russian President Vladimir Putin signed a Decree #1567 "On Joint Stock Company Russian Grids." The Decree stipulates re-naming JSC IDGC Holding as JSC Russian Grids and contributing to the share capital of Russian Grids the State's share in Federal Grid Company, which amounts to 79.55%;

The Company placed its debut Eurobond issue.

10 Years of Corporate Results

Over the past decade, we have significantly expanded the scope of our activities, substantially increased the reliability of backbone electric grids and made great efforts to modernize production via innovative technologies.

Long-term investment planning

Adoption of a unified technical policy

Smart grid construction

Completion of key investment projects

Introduction of innovations

Social responsibility

Transition to RAB regulation, as well as a five-year investment program, which enables the maintenance of a balanced structure of funding sources.

The Company's transition to a new stage of grid complex development based on the latest technology and modern equipment.

Adoption of the Innovative Development Program to upgrade electric grids with their transformation into the smart core of Russia's electric power infrastructure.

Providing a reliable power supply to Siberia (2009-2010);

Power supply to the Island of Valaam (2009);

Power supply to Vladivostok and the APEC Summit (2012);

Power supply to Skolkovo Innovations Center (2011-2014);

Power supply to the Olympics facilities in Sochi (2009-2014).

Using superconductivity technologies;

Commissioning digital substations;

Implementing current-limiting devices.

Development of vocational training, support for education institutions;

Revival of student construction teams;

Launch of the Residential Program.

The Company's 2012 achievements

During our anniversary year, we commissioned many important power facilities, were actively involved in the large-scale reconstruction and implementation of innovations, and made numerous important decisions to upgrade efficiency and reduce costs. We also made progress in corporate governance and increasing corporate transparency. These achievements are due to the great work and professionalism of our staff.

↑ 29%

OVER-FULFILLMENT OF COMMISSIONING PLANS

Production progress

In 2012, commissioning plans were exceeded by 29%: the Company energized production facilities at 75 sites, and commissioned 3,643 km of transmission lines and 17,827 MVA of transformer capacity.

Progress in introducing innovations

Federal Grid Company entered the Top 5 companies in the quality rating of innovation development programs for State corporations and State-owned companies. The ratings were compiled by the "Expert RA" rating agency;

The Company organized the first international forum "Electric grid complex. Development. Innovation. UPGrid" to foster dialogue on innovative development within the country's energy sector. The forum was attended by approximately 5,000 delegates who examined the innovative developments of 200 member companies; within the framework of UPGrid, 15 cooperation agreements were signed.

Service quality improvement

We launched a unique information portal "Technological connection services" that promotes corporate interactions with consumers to a new level;

The number of consumers for the Company's electric energy transmission services grew 31% and the number of technological connection contracts increased 50%, compared with 2011.

Capital market progress

Our Company placed its first Eurobond issue on the Irish Stock Exchange in the amount of RUR17.5 billion;

The Company joined the United Kingdom Investor Relations Society to enhance cooperation with foreign partners and to promote the Company internationally;

Our Company received recognition from capital market participants: Federal Grid Company was named one of the top-5 large cap companies in Russia by IR Magazine Russia & CIS, in the category of "Best Investor Relations by a CFO, Large Cap", and was awarded the "Issuer of the Year" prize by Cbonds news agency:

In 2012, Federal Grid Company was the first Russian electric energy company to place a 10-year inflation-protected ruble-denominated bond issue.

17.5

RUR, BILLION
DEBUT EUROBOND ISSUE ON THE IRISH STOCK EXCHANGE

Advances in corporate governance and transparency

The Russian Institute of Directors completed an independent analysis of the Company's corporate governance and assigned a score of "7+" on the national corporate governance scale, which corresponds to a "Developed Corporate Governance Practice";

Our Company placed fifth in the information transparency ranking of Russian companies, which was compiled by the Agency for Political and Economic Communications, due to the high level of the Company's information interactions with its customers, as well as its strict adherence to all relevant disclosure requirements;

Fulfilling the Russian President's order to reduce the cost of purchased goods, work and services; we have tightened our procurement requirements. This led to a significant increase in 2012 in the volume of competitive procurements, which amounted to 91% of total purchases during the reporting period. Our Company has been assigned a "High Transparency" score by the National Procurement Transparency Rating 2012, which was organized by the National Association of Electronic Commerce;

We have developed and approved new Regulations on the Company's internal control, based on best international practices and standards, including the COSO Concept.

7+

SCORE ON THE RUSSIAN NATIONAL CORPORATE GOVERNANCE SCALE

Ernesto Ferlenghi

Chairman of the Board of Directors

DEAR SHAREHOLDERS,

In 2012, the Company continued operating in accordance with the corporate development strategy and goals set by shareholders. Goals included: providing for stable power supply and the systemic reliability of the entire Russian grid and ensuring balanced advanced development of the power grid infrastructure and the qualitative modernization and innovative development of the national power industry. Summing up the results of the reporting year, we are fully confident that the management team's successful implementation of planned actions enabled the Company to achieve positive operational and financial results.

The Company's management team paid significant attention to further enhancing the long-term financial and economic policy, which results in greater financial stability. Standard & Poor's confirmation of the Company's BBB (forecast: Stable) long-term credit rating proves that we have chosen the right strategy.

During 2012, we were very successful in the corporate governance sphere; the Company received a 7+ rating in the national corporate governance ranking, which corresponds to a "Developed Corporate Governance Practice" indicator.

Statement of the Chairman of the Board of Directors

We are consistent in upgrading the transparency of corporate operations. We tightened the requirements set for purchase procurement participants (related to information disclosure about beneficiaries), while maintaining a high degree of competition due to an increased number of open tenders carried out using e-commerce facilities. This resulted in a 3% increase in procurement efficiency, compared with 2011.

Having studied the world's best anti-corruption practices, we launched implementation of the Company's compliance system in 2012. We have developed a legal framework that includes the Company's Code of Conduct, the Anti-Corruption Policy, the Compliance Policy and the Program for fighting corruption and resolving conflicts of interest for the 2012 to 2014 period, as well as some additional documents. Systemic to protect against corruption confirms the Company's across-the-board commitment to high ethical standards for conducting open and fair business and maintaining good standing.

We pay significant attention to environmental protection. The design documents for new facilities contain special sections on environmental protection, which are developed in compliance with all Russian legal requirements on environmental protection. All projects related to the construction and re-construction of power grid facilities go through a State environmental assessment, with public hearings on future environmental impacts.

BBB

LONG-TERM CREDIT RATING ASSIGNED BY STANDARD & POOR'S (STABLE OUTLOOK)

Our employees are the Company's most valuable asset and we are concerned about retaining and developing the Company's HR potential.

Our employees are the Company's most valuable asset and we are concerned about retaining and developing the Company's HR potential. Training specialists on advanced technologies and efficient production practices is one of the Company's priorities. The Company's management pays significant attention to occupational health and labor safety, dedicating funds to finance different employee health programs, employee holidays at recreation facilities and appropriate medical care.

The Board of Directors sets complex tasks for the Company; and to implement these tasks in the midst of dynamic changes occurring in the electric energy sector will require full mobilization of the Company's strategic, managerial and financial potential. Federal Grid Company is stable and strong enough to develop and foster its positions; and the Company's Board of Directors shares the values and development views of the Company's management team.

I'm confident that Federal Grid Company's highly qualified management and staff will succeed in resolving 2013 tasks, providing for the Company's sustainable development under new conditions.

Oleg Budargin

Chairman
of the Management Board

DEAR SHAREHOLDERS,

The past year was a successful year for Federal Grid Company, marked by the successful achievement of all strategic tasks set by shareholders. The Company demonstrated steady growth across all key parameters.

The Company's priority during the past year, as well as during all recent years, focused on ensuring the stable electric power transmission with upgraded reliability. We achieved this task through a growing fleet of equipment in operation; the number of disturbances decreased and the specific transmission networks' emergency rate fell 16%. Implementing a set of preparatory actions ensured the maximal preparation of power grid facilities for the performance of emergency recovery work during the autumn-winter periods.

During the past year, as well as previously, the Company made every effort to fulfill tasks set by the Russian Government related to power industry infrastructure modernization and development, to further upgrade power grid complex reliability and to provide the technological basis for Russian economic development. The Company's 2012 investment program was successfully fulfilled. The Company has accomplished numerous major projects that are essential for the social and economic development of Russian regions. The Company commissioned in a timely manner infrastructure power facilities in the Primorsky Region, and also for the first stage of the ESTO pipeline, which is the Russian government's top priority infrastructure project. Other accomplishments included the timely commissioning of the 4th power unit at the Kalininskaya NPP. Projects related to the power supply of the Vankorskaya Group of fields and the 2014 Sochi Olympics, etc. were also implemented on schedule.

Statement of the Chairman of the Management Board

In 2012, the Company activated energy production at 75 facilities, including 12 facilities that were energized ahead of schedule. The Company commissioned 3,643.2 km of power transmission lines and 17,827 MVA of transformer capacity. Funds spent on facility commissioning stood at RUR186,833 million, a 33% increase. During investment program, implementation, significant attention was paid to the efficiency of purchasing operations. In 2012, the Company saved in excess of 10% on commissioned facilities.

In 2012, Federal Grid Company efficiently implemented its financial and economic policy. The Company's investment attractiveness is growing steadily, along with a strengthening of the economic foundation needed to provide the financial resources required to implement established goals. The Company has developed a long-term balanced structure of financing sources for its investment program.

Implementation of the innovative development policy involved the qualitative modernization of the national power industry and upgraded energy efficiency. The Company also focused on optimizing the UNEG infrastructure, as well as diversification and quality improvement of services. Transitioning to a smart energy system based on an active-adaptive grid remains one of the Company's top priorities. In 2012, the Company's innovative development program became one of the top three innovative development programs adopted by Russian companies.

In accordance with decisions of the Russian Government, Federal Grid Company has successfully performed the functions of the Sole Executive Body of JSC IDGC Holding. Beginning from July 2012, the Company has made numerous key decisions pertaining to organizational, managerial and corporate issues, focused on developing unified principles for the governing backbone and the distribution grid facilities. These decisions resulted in improved controllability of the domestic power grid complex, thus, ensuring the reliable operation of all Russian power grids.

Development of a complex approach to training and attracting professionals and retaining young specialists is one of the Company's strategic priorities. Currently, the Company cooperates with more than 60 secondary and higher education institutions from across the country.

The Company actively implements different social programs in the regions in which the Company operates, including implementing national projects and complex social programs. Special attention is paid to occupational development and labor conditions improvement, as well as material incentives for employees, who have an opportunity to access high quality medical services.

The Company assists its employees in resolving their housing problems. As part of this, we launched a program to construct housing for corporate employees. The program, approved by the Russian government, helped more than 1,000 employees upgrade their housing conditions. Furthermore, these programs also attracted young specialists to key corporate facilities.

2012 was a special year for the Company, marking its 10th anniversary. The Company's success can be attributed to the professional and personal contributions made by each employee. Today, the Company's staff is made up of a collaborative team of young specialists (in 2012, the Company hired more than 1,800 young professionals) and industry veterans. Youthful energy coupled with veteran experience of enables the Company to adequately respond to today's challenges and to successfully address large-scale tasks. These are the values that the Company will take care of in the future.

I'd like to thank the Company's shareholders, partners, customers and employees for their trust and fruitful cooperation, and for their contribution to Federal Grid Company ongoing development.

↓16%

DECREASE IN SPECIFIC TRANSMISSION NETWORKS' EMERGENCY RATE

↑33%

INCREASE IN INVESTMENTS IN FACILITY COMMISSIONING

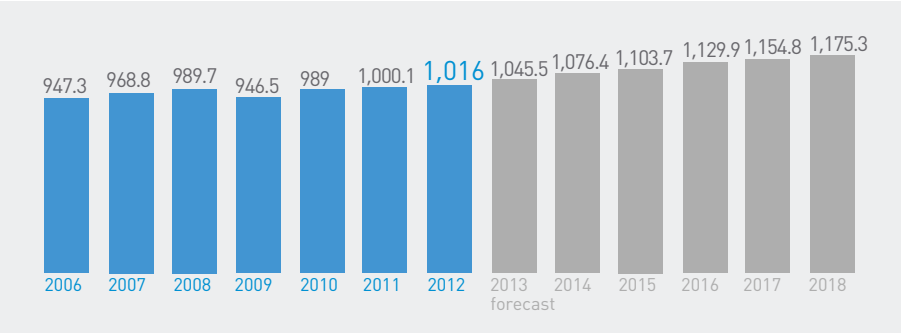
Market Overview

1016000 kWh OF ENERGY CONSUMPTION IN RUSSIA FOR 2012

The Situation in the Industry

The growth of power consumption started from 1998 during the recovery and development of the Russian economy (except for 2009, when the global financial crisis resulted in an energy consumption decrease). In 2012, energy consumption reached 1,016 billion kWh, while the achievement of the historical maximum of 1,073.8 kWh (1990) is expected in 2014. On 2 February 2012, the Unified Energy System of Russia registered one more record in power consumption comprising 155,226 MW, which is the maximum consumption in the entire modern history of Russia, evidencing the growth in energy and power consumption.

Forecast of energy consumption across the Russian UES for the period till 2019, billion kWh*



*According to the Scheme and 2012-2018 Russian UES Development Program approved by Order # 387 of the Russian Ministry of Energy, dated 13 August 2012

2012 was a very important year in respect to the development of the electric energy industry. The Russian Ministry of Energy approved two crucial documents providing for the reliability and safety of the sector for a few decades: the Program for the Modernization of the Energy Industry till 2020 and the Basic Rules of Price Formation in the Heat Supply Sphere. Moreover, Russian Government's Decree #442 providing new rules for the functioning of retail markets of the electric energy and capacity for the protection of suppliers' and consumers' interests and the creation of competitiveness and reliability of electric energy supply was put into effect.

To develop Russia's electric grid complex, coordinate management of the complex, and to restrain tariff growth for end consumers of electric energy, in November 2012, the Russian President signed a Decree "On Open Joint Stock Company Russian Grids," providing for the re-naming of IDGC Holding as Russian Grids and the contribution of the State's 79.55% stake in Federal Grid Company to Russian Grids' share capital.

The development of the national energy sector is based on the scenario of innovative economic development. In accordance with the Energy Strategy of Russia for the period till 2030, as approved by the Russian government, it is expected that during implementation of the Strategy the dependence of the national economy on the energy sector will diminish due to the priority development of innovative energy-saving sectors, and the implementation of the technologic potential of energy saving. This will be expressed in an almost two-fold decrease in the share of the fuel and energy complex in the Gross Domestic Product by 2030 (compared with 2005).

At the same time, the energy sector will maintain its key role in making essential strategic decisions pertaining to the national development. First of all, this is so in regard to the construction of new power infrastructure that will enable accelerated social and economic development of the Eastern Siberia and Far East, and overcoming infrastructural gaps among numerous regions, thus forming new territorial and production clusters based on the development of energy-generating and processing facilities.

The decrease in dependence on the power sector will be accompanied by qualitative changes in the role of the fuel and energy complex in the national economy. The Russian power sector will maintain its influence on the social situation in the country, as the level of energy comfort and the availability of energy resources define the standards of living of Russian citizens in many respects.

↑17%

RUSSIA'S FORECAST ENERGY CONSUMPTION GROWTH FOR 2012-2018

JSC Russian Grids

Power Grid Complex (PGC) Development Trends

Based on the PGC Development Strategy (5+5 Strategy) adopted in 2006, there were three priorities formulated for the governmental policy on the Russian power grid complex, namely the following:

The power grid complex of Russia underwent a number of essential changes recently. Considerable investments in the grid infrastructure helped eliminate lags from the nineties, decreasing the degree of wear to the grids and improving reliability. The implementation of RAB-regulation provided for additional investments in the industry. The implementation of economic responsibility of power grid companies for the quality servicing of customers and their timely connection to power grids contributed to improvements in service quality and increased reliability of grid operations.

However, there are some tasks in the industry, such as the increase in the capitalization of sector companies that are still pending as they were put aside due to numerous different reasons, including: the economic crisis and increasing energy product prices. Furthermore, the PGC has some more pending issues, such as: cross-subsidizing, insufficient operations, the investment efficiency of companies and the last mile problem, etc. Taking these into account, it was decided to integrate major PGC companies, meaning JSC IDGC Holding and Federal Grid Company. A decree on the establishment of JSC Russian Grids was signed in November 2012. The new company is tasked with the implementation of an integrated PGC policy, the development of a common plan for the development of backbone and distribution grids, and control over the unified tariff rate and PGC management.

State Regulation in the Power Industry

The Russian government controls the power industry in accordance with the Federal Law #35-FZ "On the Electric Power Industry", dated 26.03.2003.

The federal authorities empowered by the Russian government to exercise the State regulation of the power industry include the following:

— The Ministry of Energy of the Russian Federation (the Russian Ministry of Energy), tasked with the functions of developing a State policy on normative regulation in the sphere of the fuel and energy complex, including electric power issues;

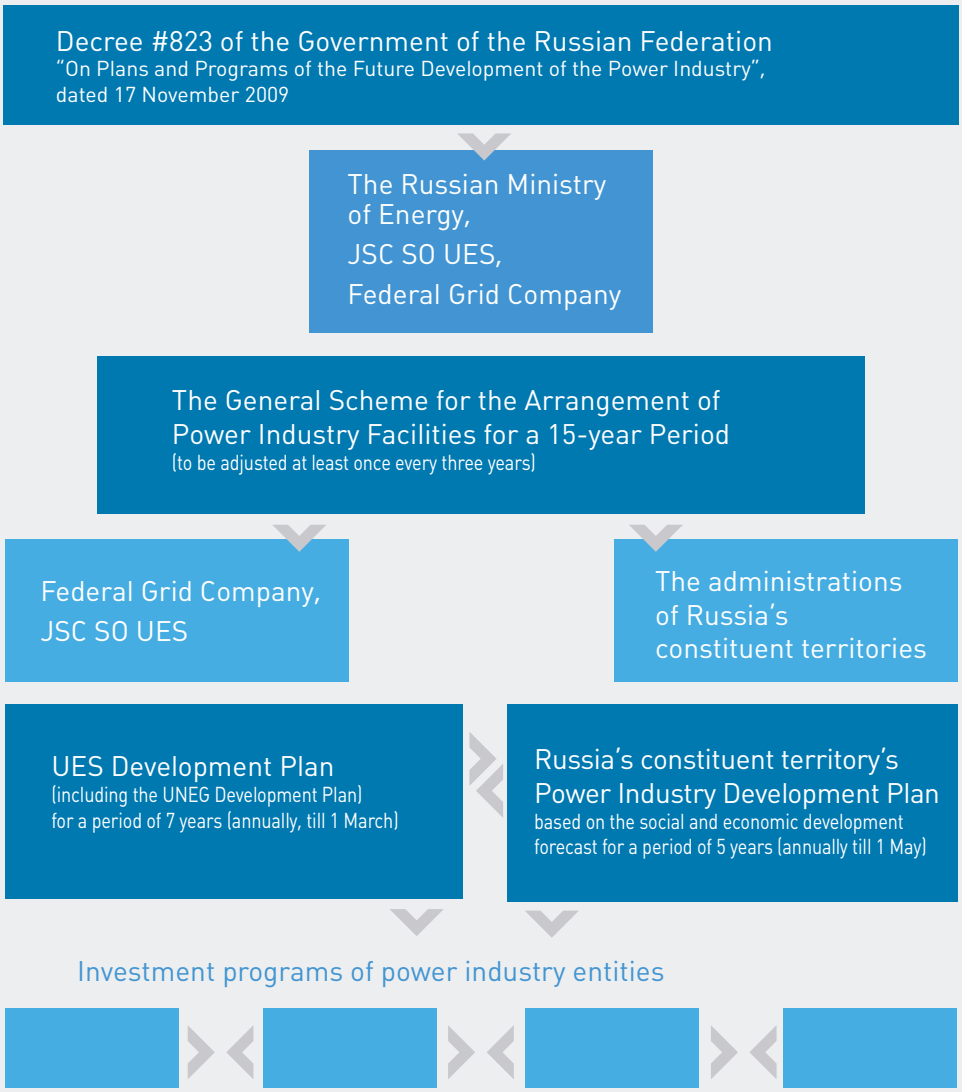
— The Federal Service for Environmental, Technological and Nuclear Supervision (Rostechnadzor), engaged in control and supervision over the power industry, as well as licensing individual activities, and checking for compliance with Russian laws on the power industry.

The Company's Role in Russia's Energy Strategy

The Russian 2030 Energy Development Strategy approved by Decree #1715-r of the Government of the Russian Federation, dated 13 November 2009, is one of the key landmarks for corporate development.

The 2012-2018 Plan and Program for the Development of the Unified Energy System of Russia were submitted to the Russian Government by Federal Grid Company and JSC SO UES on 1 February 2012. The new document takes into account 2011 actual energy and capacity consumption dynamics, the volume of power distributed pursuant to the installed power agreements concluded in 2011 and the commissioning of generating grid equipment and the adjusted plans of the power industry subjects for the construction of new facilities, and a number of other factors impacting the development of the Russian power industry. The 2012-2018 Plan and Program contains a separate section describing the development of the Moscow and the Moscow Region's energy system, characterized by the highest energy consumption rate. On 13 August 2012, the Plan and program were approved by Russia's Ministry of Energy.

Planning the future development of the power industry



The Company, jointly with SO UES, develops and submits to the Russian Government the Plan and Program for the development of the Russian UES for a 7-year period. The key task of this document is to contribute to the development of grid infrastructure and generating facilities and to meet long-term and mid-term demand for electric energy and capacity.

The adjustment of the General Scheme for the arrangement of power industry facilities till 2020, in view of 2030, as approved by the Russian Government (an excerpt from Minutes #24 of the meeting of the Russian Government, dated 03.06.2010b)

Federal Grid Company's results for 2012

2012-2018 Plan and Program for the development of the Russian UES, including the development of the 220 kV and higher Unified National (all-Russian) Electric Grid (UNEG), as approved by Order #387 of the Russian Ministry of Energy, dated 13.08.2012

2013-2017 Investment Program of Federal Grid Company as approved by Order #531 of the Russian Ministry of Energy, dated 31.10.2012.

Federal Grid Company's results for 2013

Projects of the Plan and Program for the development of the Russian UES and Federal Grid Company's investment program for 2013-2018

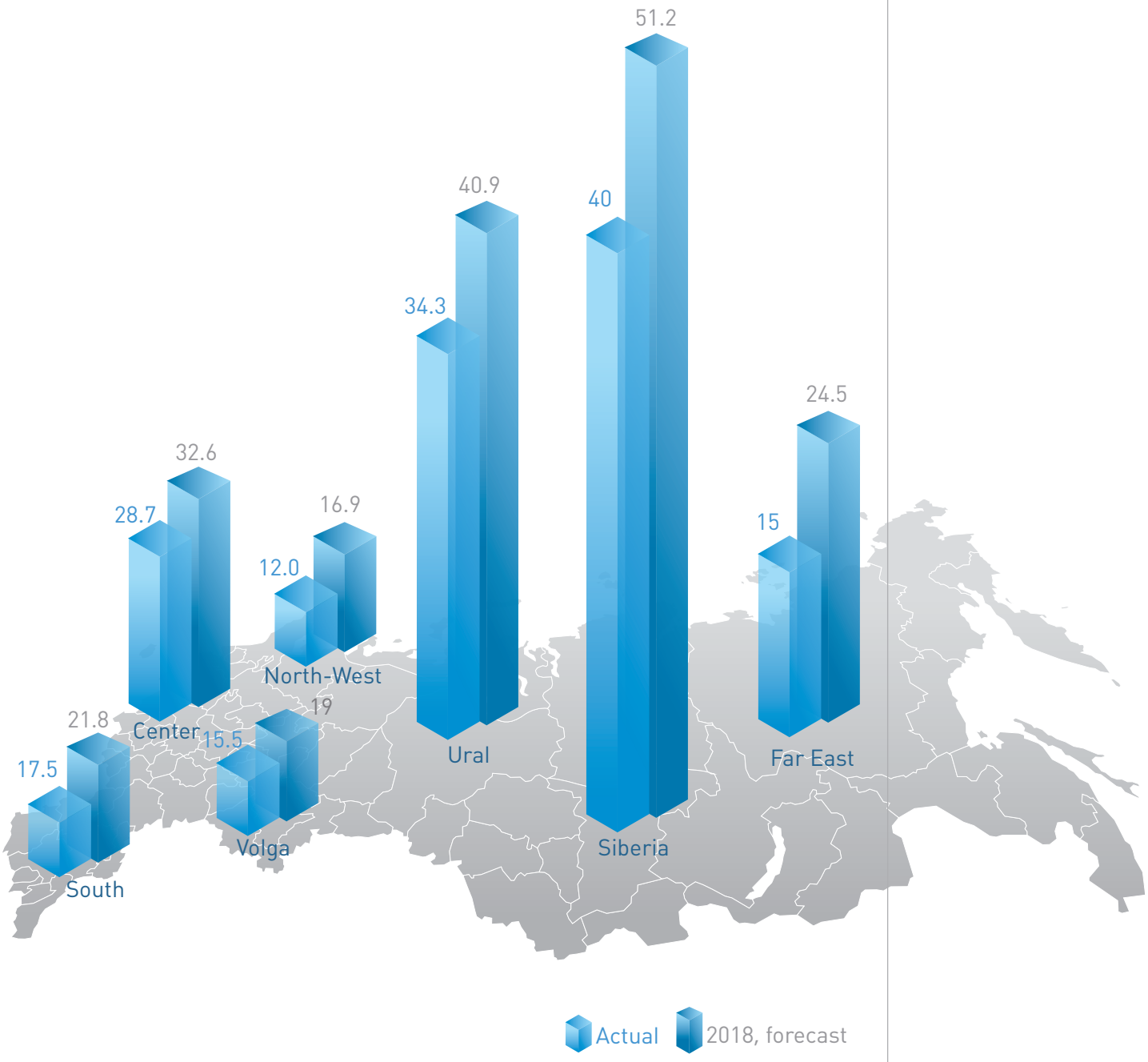
Key tasks of the Plan for the Development of the Unified Energy System of Russia

Decreased number of closed main substations	Providing consumers with the opportunity of technological connections; Increased reliability of electric energy supply to consumers; Improved quality of provided services.
Enlarged free power transfer zones	Development of electric capacity market; Providing for competitiveness; Optimizing the tariff burden for consumers.
Priority development of electric grid infrastructure	Implementation of plans for the social and economic development of regions; Stimulating development of undeveloped deposits; Contributing to the economic and social growth of the country.
Providing power from generating plants	Fulfilling the government's plans for the supply of capacity to the market; Providing demand for electric energy; Removing technologic constraints between energy systems.
Renovating fixed assets	Increased reliability of electric energy supply to consumers; Replacing outdated and inefficient equipment; Reducing expenses for the maintenance and repair; Reducing negative environmental effects; Increasing the efficiency of assessing fixed assets' status.

The 2012-2018 Plan and Program for the Development of the Russian UES implies the commissioning of 44 thousand kilometers of 220kV and higher overhead power transmission lines, including 27 thousand kilometers of 220 kV overhead power transmission lines and 17 thousand kilometers of 330 kV and higher overhead power transmission lines. Other goals include: commissioning 168.2 thousand MWA of 200 kV and higher power transformer equipment at substations.

Regional development of the 220 kV and higher UNEG grids till 2018

(length in thousand km)



The Company's Mission and Strategy

Federal Grid Company is a strategically important, reliable, efficient and dynamically developing company focused on maintaining the UNEG integrity, providing uninterrupted and high quality services to consumers and promoting both shareholder and investor prosperity.

Our Mission

The Company's mission is to ensure reliable Unified National Electric Grid (UNEG) operation and development for the economic growth of Russia and uninterrupted power supply to consumers across all Russian regions.

Our Strategy

Company Priorities	Results
1. **Reliability**	A 19.5% decrease in the specific accident rate (for every 1,000 cases) compared with 2008 Upgrading reliability, page 50
2. **Quality of services**	An increase in the number of consumers for energy transmission services and in the number of technological connection contracts with customers and distribution grid companies by 50% respectively, compared with 2011 Technological Connection, page 46
3. **Development of PGC scientific potential**	RUR2.9 billion invested in R&D in 2012 R&D, page 113
4. **Grid infrastructure development**	Commissioning 3,643 km of overhead power transmission lines and of 17,827 MWA of transformer capacity in 2012 Investment Activities, page 58
5. **Competitive tariff rates**	Conservative 11% tariff growth in 2012 (starting 1 July) and by 9% in 2013-2014 (annually starting 1 July). Tariff Regulation, page 127
6. **Adequate ROI for investors**	The return on initially invested capital grew from 3.9% in 2010 to 6.5% in 2012 Tariff Regulation, page 127

↓19.5%

DECREASE IN THE SPECIFIC ACCIDENT RATE IN 2012 (COMPARED WITH 2008)

The Company's strategic goals to upgrade reliable UNEG operation include the following:

Ensuring the preparedness of power transmission lines and UNEG equipment for reliable consumer power supply; provisions for the functioning of the wholesale electricity and capacity market, and for the parallel operation of the UNEG of Russia and foreign energy systems;

Ensuring the UNEG reliability and efficiency due to the visibility and controllability of all grid elements;

Increasing the response and reducing the time required to eliminate accidents and other extraordinary conditions at UNEG facilities;

Developing a diagnostic system for UNEG facilities;

Developing the structure for operating and engineering control over UNEG facilities;

Ensuring efficient UNEG operation due to the justified optimization of main electrical connection schemes and a reduction in areas occupied by facilities, as well as a decrease in auxiliary power consumption;

Overcoming the tendency for the aging of power grids and power grid equipment via modernization of the above, the optimization of re-construction work and technical re-equipment, and by using extended service life of equipment;

Accomplishing the automation of UNEG substations, the implementation and development of advanced technical condition control systems, of automated systems for diagnostics and the monitoring of process equipment and of relay protection and emergency automatics;

Upgrading operation processes, maintenance and repair; providing occupational training for operations and repair personnel, taking into account the implementation of new technologies and innovative equipment;

Implementing the Unified Technical Policy in the PGC of the UNEG, to improve power supply reliability to end consumers, to cut capital invested in facilities, and to reduce costs associated with achieving the Company's strategic goals.

The Company's Competitive Advantages

Vast experience in the field of successful corporate governance and operations management;

A team of experienced power industry managers;

Adequate risk management;

State support;

Successful experience cooperating with market regulators;

Strong connections with equipment suppliers and contractors.

... Translate into Achieving the Company's Strategic Goals:

Competitive electric energy transmission tariff rate;

Power supply reliability;

Infrastructure development for economic growth;

Increasing investment attractiveness;

Technological development;

Sustainable development.

Key Company Data

The Unified National (all-Russian) Electric Grid (UNEG) is a complex of electric power grids and other electric grid facilities, providing for the reliable supply of power to consumers, for the functioning of the wholesale electricity and capacity market and for the parallel operation of Russian and foreign energy systems. The rated voltage class, the throughput capacity and energy flow reversibility, as well as other process characteristics of the power grid facilities integrated into the UNEG, are subject to approval by the Russian Government.

Federal Grid Company was established in 2002, in accordance with Russia's power sector reform package. The Company's operational priority lies in transmitting electric power via backbone grids. The Company is a natural monopoly in this sphere. The Company is also included in the list of strategic organizations.

OUR FACILITIES ARE LOCATED IN

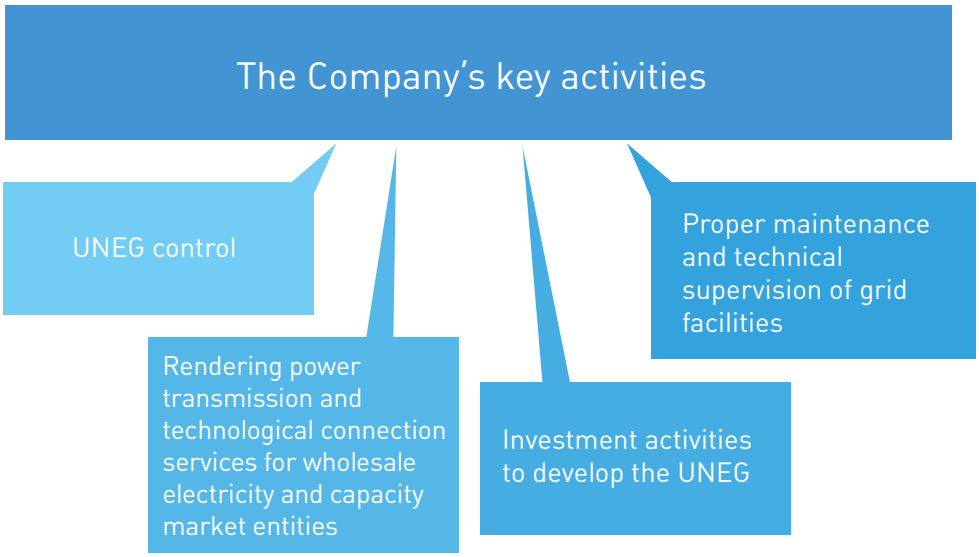
75

RUSSIAN REGIONS

The Company has a unique infrastructure that forms the physical backbone of Russia's domestic economy:

Large scale: power grid facilities are located in 75 Russian regions, with an area totaling 14.8 million square kilometers. Half of Russia's total energy consumption is provided for using energy transmitted across the Company grids;

Stable financial condition: the largest share of the Company's receipts is generated via tariffs for energy transmission, as approved by the Federal Tariff Service (FTS), using the RAB-regulation method.



Key Performance Indicators

	2008	2009	2010	2011	2012
Number of substations.*	800	804	805	854	891
Length of power transmission lines, total, thousand km**	121.5	121.1	121.7	124.6	131.6
Electric energy supplied to the grids of the distribution grid companies, to direct consumers and to the independent JSC-Energo, net (kWh, billion)	471,958.118	452,662.172	470,648.072	484,663.552	498,287.684
Electric energy supplied via UNEG grids to bordering states, net (kWh, billion)	16,704.763	13,628.309	15,716.33	19,284.808	15,768.826
Customer contract demand (MW)	90,042	94,636	91,179	90,937	90,744
Electric energy losses in the UNEG grids (kWh, million)	21,866	22,121	22,526	22 553	21,946

* Taking into account leased facilities and outdoor switchgear and cells on the SS owned by other entities.
** Including leased transmission lines
*** According to the WECM data.

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SUBSTATIONS

Key Financial Indicators (RUR million)

	2008	2009	2010	2011	2012
Revenue (net) from the sales of goods, products, and services	68,485	85,078	111,085	138,137	138,836
Adjusted EBITDA*	32,718	40,379	67,405	84,683	82,847
Profit (loss) before tax	6,177	- 54,049	67,312	11,444	14,232
Net (retained) profit (loss)	4,465	- 59,866	57,082	-2,468	-24,502
Adjusted net profit*	7,772	9,427	25,702	33,687	13,413
Net asset value	666,471	579,746	794,470	853,801	849,877
Market capitalization	141,882	367,971	452,717	351,138	253,905

* Without the loss from the revaluation of assets and the accrual and recovery of doubtful debt provisions and provisions for securities.

RUR 138,836
MILLION
REVENUE (NET) FROM SALES

The Company's Business Model

STATE AUTHORITIES (the Russian Government, the Ministry Of Energy, the Federal Tariff Service)

The UNEG Development Strategy and Plan

CONTROL AND DEVELOPMENT PROCESSES

- Strategic management
- Planning and budgeting
- Control

Approval of tariffs

Approval of investments

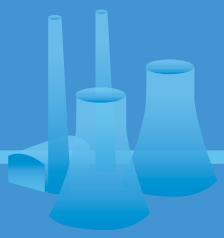
Mission, Strategy, Tasks

Transmission of electric energy

Customer contract demand and maximal capacity

Technological connections

Application for technological connection(s)



GENERATING FACILITIES

Tech. connections

CORE PROCESSES

- Transmission of electric energy
- Technological connections
- Investment and innovation management

New construction and re-construction, and new technologies

Supply of electric energy and capacity

Purchase of electric energy and capacity to compensate for losses

Demands

Material and technical resources

Maintenance and repair

WHOLESALE MARKET FOR ELECTRIC ENERGY AND CAPACITY

RESOURCE AND AUXILIARY PROCESSES

- Maintenance and repairs
- Corporate governance, SDC control, legal provisions, etc.
- Environment
- Labor and industrial safety
- Purchasing operations
- Financial management
- HR management
- Social sphere

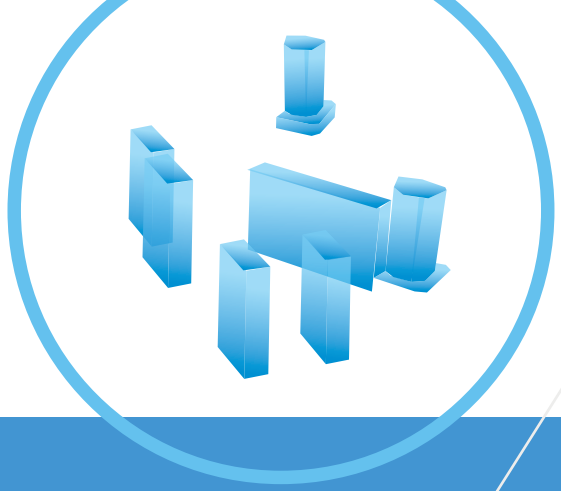
Training, job opportunities

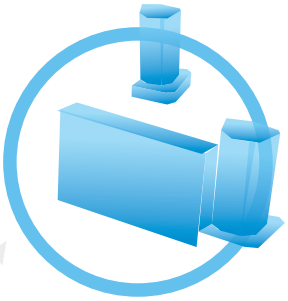
Experience, skills

ENVIRONMENT, NATURE

Environment protection measures

Motivation, charity and social projects





CITIES

MAJOR CONSUMERS OF ELECTRIC ENERGY
(grid companies, factories, and the Russian Railways, etc.)

UNEG FACILITIES

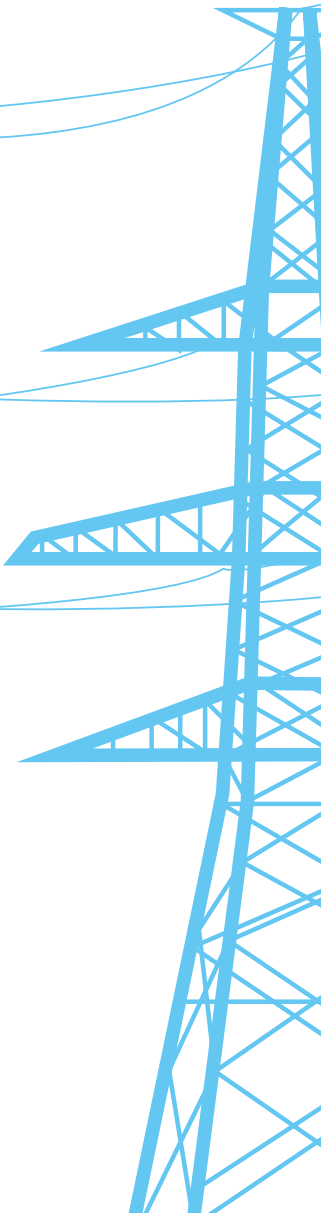
SUPPLIERS AND CONTRACTORS
(electric equipment manufacturers (ABB, Hitachi, etc.), construction companies, banks, stock exchanges, and insurance companies, etc.)

Supply of equipment, construction services, financing, etc.

Equipment certification and innovations

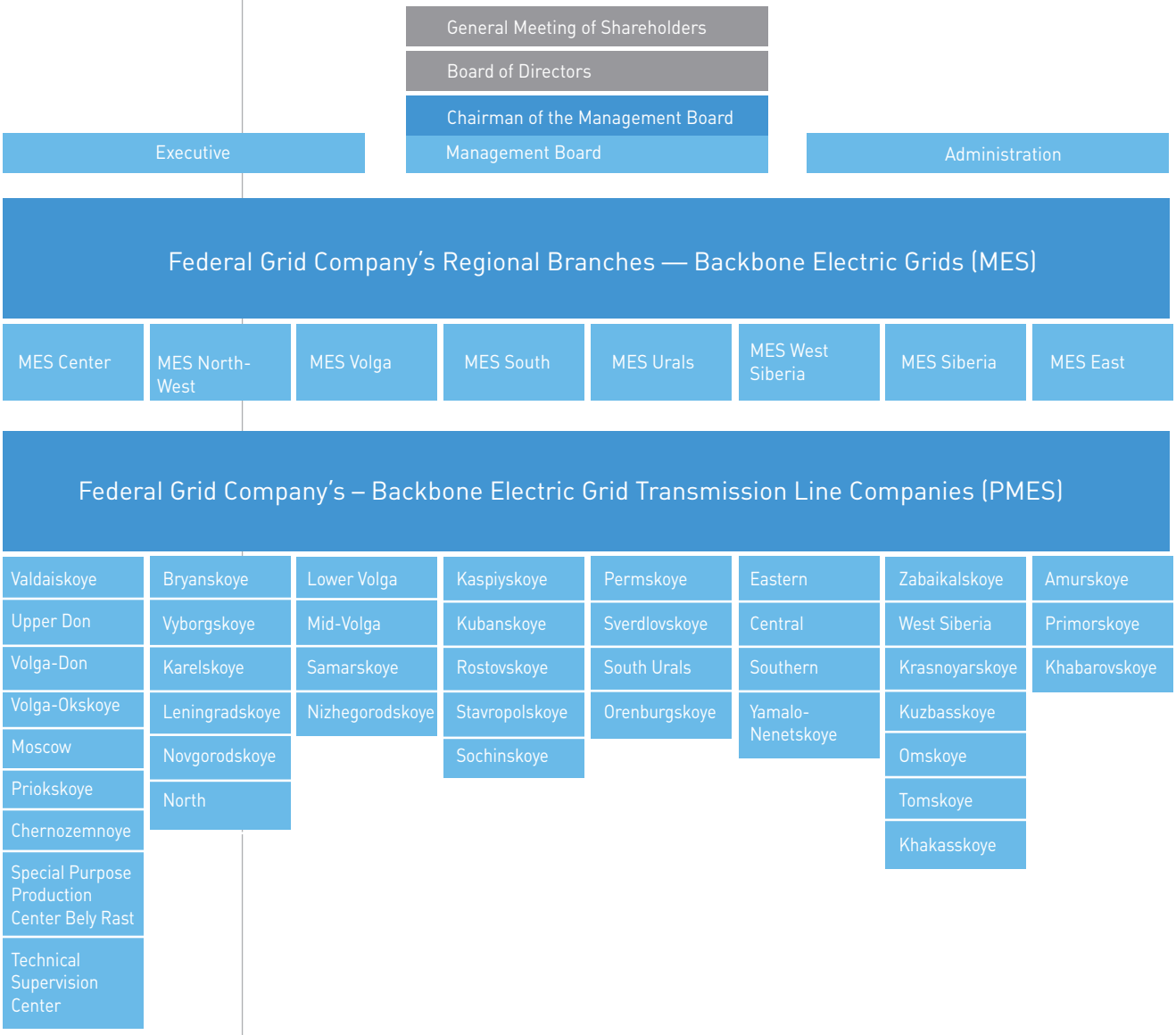
R&D FACILITIES, CERTIFICATION AND EDUCATION ORGANIZATIONS

SOCIETY, INCLUDING THE COMPANY'S HR



The Company's Organizational Structure

The Company's supreme governing body is the General Shareholders Meeting. The Board of Directors determines the Company's development strategy and controls the activities of the Management Board. The Management Board controls the Company's operations.



As of 31 December 2012, the Company incorporates 51 regional branches, including:

8 backbone electric grids (MES)

41 backbone electric grid transmission line companies (PMES)

1 dedicated production base "Bely Rast"

1 Technical Supervision Center

Subsidiaries and branches directly subordinated to the company (share in the charter capital)

- SRC FGC UES (100%)
- UC ENERGETIKA (100%)
- Elektrosetservice UNEG (100%)
- Glavsetservice UNEG (100%)
- MUS Energetika (100%)
- Tomsk Backbone Grids (52,025%)
- Severovostokenergo (49%)
- Energotechkomplekt (48,99%)
- ENIN (38,24%)
- UEUK (33,33%)
- ESSK UES (100%)
- CIUS EES (100%)
- Chitatekhenergo (100%)
- Mobile GTES (100%)
- Volgaenergosnabkomplekt (100%)
- CNII NPKenergo (100%)*
- Nurenergo (76,99%)
- GruzRosenergo (50%)
- IT Energy Service (39,99%)
- APBE (100%)
- Index of Energy-FGC UES (100%)
- GVC Energetiki (50%)
- MES Kuban (48,99%)

* In March 2012, an entry regarding the company's dissolution was made in the Unified State Register of Legal Entries.

As of 31 December 2012, Federal Grid Company has 22 subsidiary and dependent companies operating in different industries, including supporting electric grid facilities. Two subsidiaries (JSC Tomsk Backbone Grids and JSC Kuban Backbone Grids) are backbone grid companies.

Detailed information on the Company's participation in subsidiary and dependent companies (SDC) is available in the Appendix "Information on the Participation of JSC Federal Grid Company in the Operations of Subsidiary and Dependent Companies (SDCs), and in the Operations of Other Companies in 2012".

The Company's Geographical Scope

The Company operates in 75 Russian regions, encompassing 14.8 million square kilometers. The territory housing the Company's facilities is divided into zones of responsibility for corporate branches, meaning backbone grid companies, known as the MES and PMES. Underpopulated territories with no major consumers, such as Chukotka, Kamchatka, the Magadan Region and Sakhalin, are not integrated into the UNEG due to the lack of economic conditions necessary to lay backbone energy transmission grids and establish major substations.

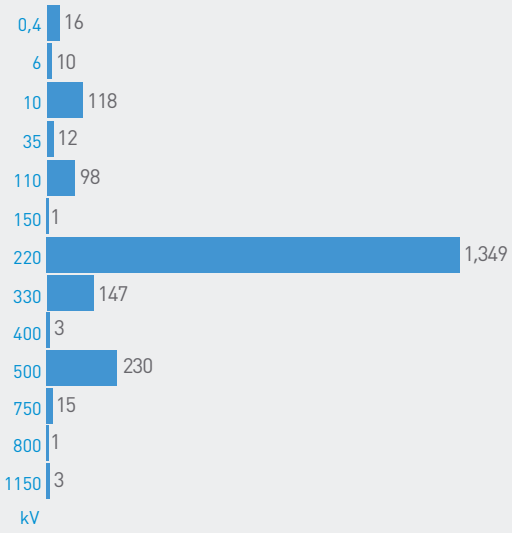
Total area spanned

14800000 square km

The Company's Power Grid Assets

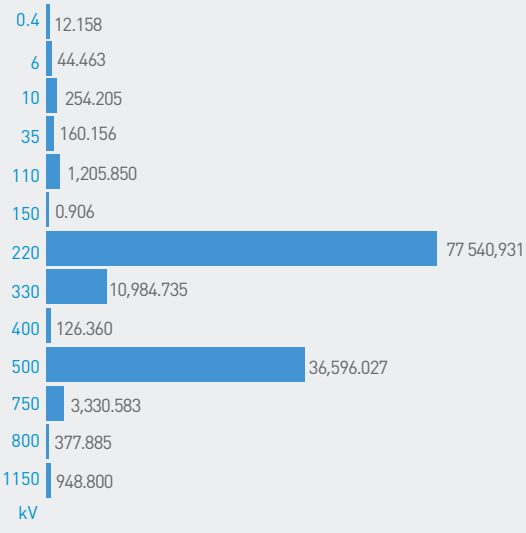
Federal Grid Company provides for the operation of more than 131 thousand kilometers of power transmission lines and 891 substations with a total transformer capacity exceeding 334.8 thousand MVA.

The quantitative structure as of the Company's PTL per voltage class on 31.12.2012*



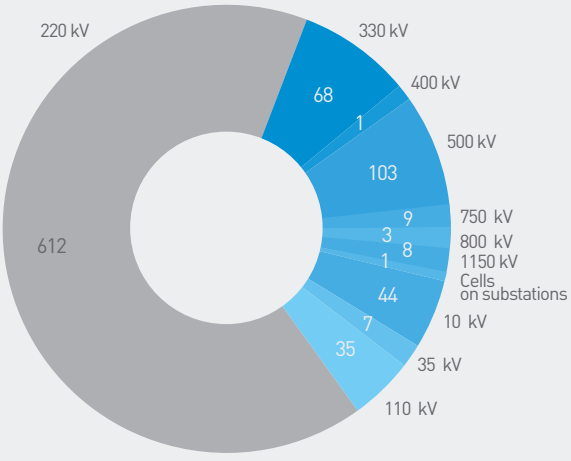
* Taking into account leased facilities

The length of the Company's electricity translmission lines as of 31 December 2012, km*



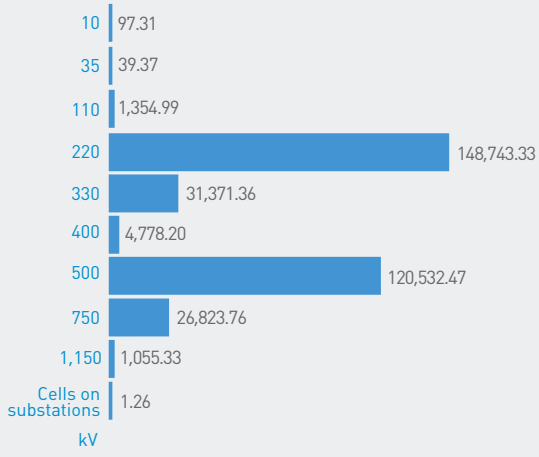
* Taking into account leased facilities

Number of the Company's substations as of 31 December 2012*



* Taking into account leased facilities, outdoor switchgears and cells on substations owned by other entities

The Company's substations capacity as of 31 December 2012, MVA*



* Taking into account leased facilities, outdoor switchgears and cells on substations owned by other entities

179.90

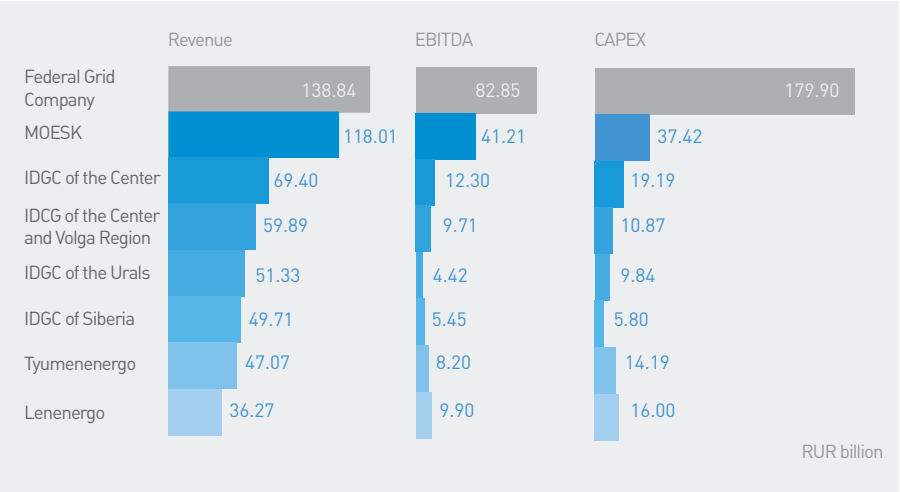
BILLION RUBLES
FEDERAL GRID'S CAPEX

OR

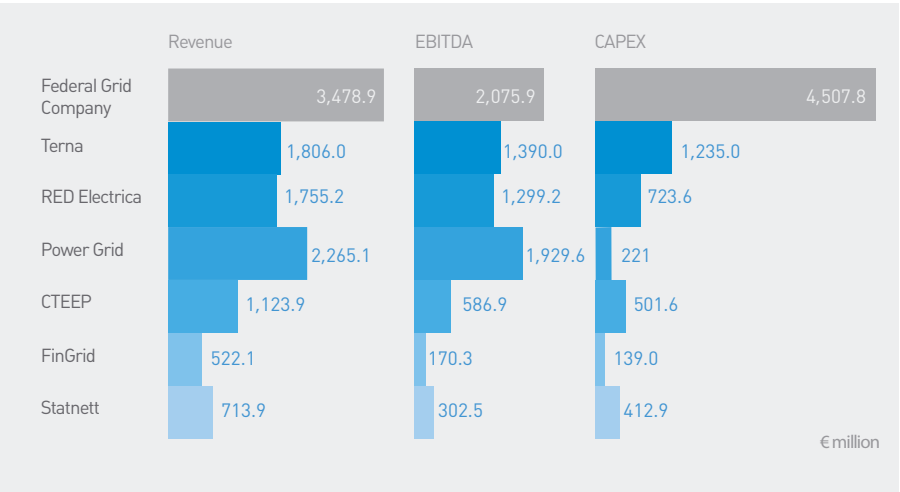
4,507.8

MILLION EURO,
FEDERAL GRID'S CAPEX

Comparing Federal Grid Company with similarly-sized Russian companies for 2012



Comparing Federal Grid Company with similarly-sized foreign companies for 2012



International Operations

Federal Grid Company functions as the carrier of electric energy over Russia's customs border, as well as the technical contractor involved in performing all commercial contracts for importers and exporters on the Wholesale Electric Energy and Capacity Market. Pursuant to conditions of agreements concluded with JSC Inter RAO UES and JSC TGC-1, the Company accomplishes the transmission of electric power to the Russian borders via power grid facilities that are integrated into the UNEG and legally owned by the Company. Besides, the Company is engaged in acquiring and processing information on power transmission along the 139 inter-State power transmission lines. The information is based on data supplied by energy metering devices.

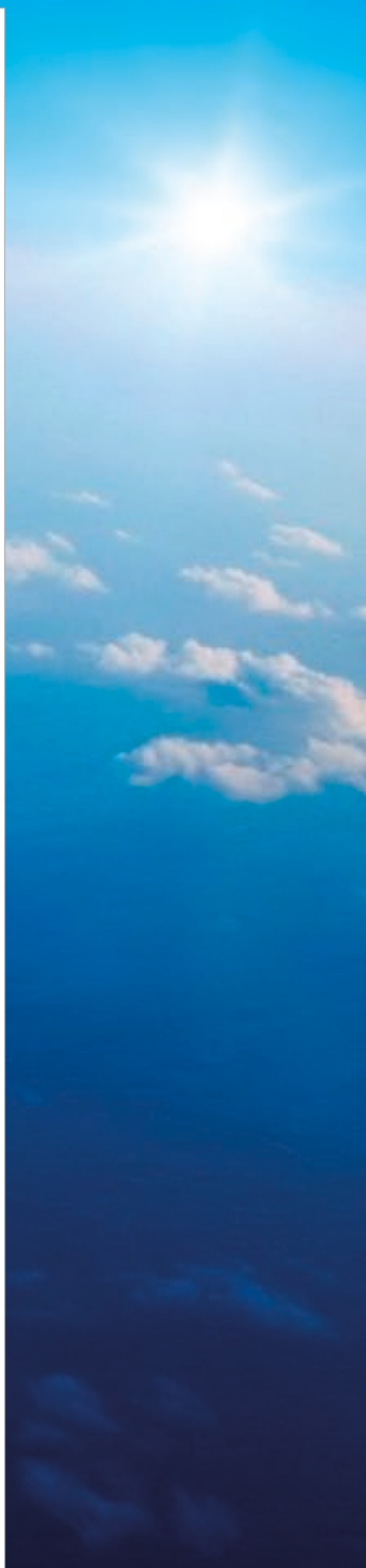
The Company has concluded contracts for paid energy transit services using the power grids of Latvia, Lithuania, Estonia and the Republic of Belarus to supply electric power to Russian consumers in the Bryansk, Pskov, and Kaliningrad Regions. The Company also pays for energy transit through the territory of Kazakhstan pursuant to an inter-governmental agreement on measures providing for the parallel operation of the unified energy systems of Kazakhstan and Russia.

According to the inter-governmental agreement concluded by and between the governments of Russia, the Republic of Kazakhstan, and the Republic of Belarus to provide access to the services of natural monopolies in the power industry, including price formation and tariff policy basics, in 2012, it became possible to transmit electric energy across the participating states, including transmission via the Russian UES grids.

There are currently five agreements in force, stipulating the parallel operation of the Russian UES with energy systems of foreign states. The parties to these agreements include: the Federal Grid Company, and the economic entities of Georgia, Mongolia, Kazakhstan, the Baltic countries, and the Republic of Belarus. The Company also concluded an Inter-system Agreement with Finland. Besides, the Company concluded agreements for the technical provisions of parallel operation with Ukraine, the Republic of Belarus and Azerbaijan.

The Company actively harmonizes power industry legal frameworks, forming and synchronizing markets for electric energy and capacity in accordance with inter-State initiatives (the CIS Power Systems and attached commissions, including the Commission for Operating and Engineering Coordination), the BRELL Energy Systems Committee, the Euro-Asian Economic Community Integration Committee, and task forces in the CIS Power Systems Executive Committee, Fingrid (Finland), KEGOC (Kazakhstan), Belenergo (Belarus) and the Russia – EU Energy Dialogue. The Company also cooperates with Asian countries (China and South Korea), developing cooperation with the Chinese State Power Grid Corporation.

At the St. Petersburg Economic Forum in June 2012, the Company signed an agreement of intent with JSC Inter RAO UES, enabling the parties to initiate, promote, develop and implement new infrastructure projects between Russia and foreign states, and among foreign states and on their territories.



The Risk Management System

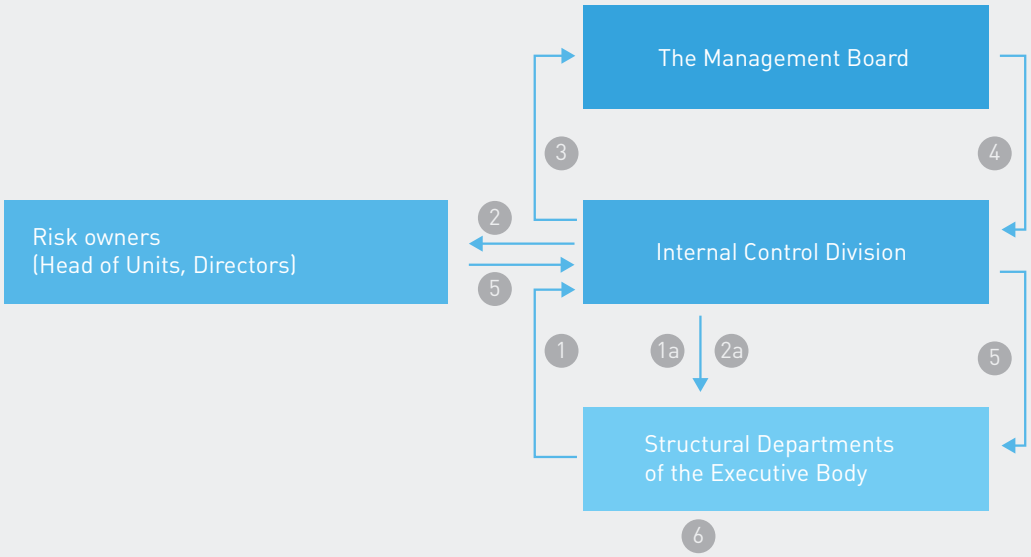
The Company has an established risk management system intended to provide for the sustainable and continuous operation and development of the Company via the timely identification, assessment and efficient management of risks that threaten the efficient economic operation and good standing of the Company, the health of the Company's employees, the environment and the property interests of its shareholders and investors.

The risk management system is regulated by the following documents:

A Provision on the System of Internal Control, as approved by the Board of Directors of Federal Grid Company, Minutes #170, dated 3 August 2012. According to the Provision, the risk management system is an integral part of the Company's system of internal control;

The Company's Risk Management Policy as approved by Order #229, dated 7 April 2010. The Policy sets forth the goals and elements of the risk management system;

A Procedure for the use of the Company's Risk Management System, as approved by Order #997, dated 28 December 2010. The Procedure contains practical recommendations on the identification and assessment of risks.



The Risk Management System determines the following:

1. Risk identification methods.

The identification of risks is performed using methods based on ISO/IES 31010 and COSO standards (analysis, threat assessment, expert assessment, and the event tree).

2. Risk Assessment Criteria

The risk assessment criteria include: probability, financial impact and risk controllability. The probability and financial impact of the risk determines its significance. The significance can become higher in case the Company is intolerant to the particular risk, or in case some of the departments of the Company's Executive Body, or its branches or SDC, are prone to said risk.

3. Risk Response Methods

The risk response methods include: risk taking, minimizing risk consequences, transferring risk to a third party, avoiding risk and other combined actions. The choice of strategy is agreed on with the Internal Control Department and is approved by the Management Board.

4. Procedures and terms for the submission of risk reports

Risk owners submit their risk reports to the Internal Control Division on a quarterly basis. If necessary, the Division adjusts the reports and coordinates the amendments with risk owners. Based on the adjusted reports, the Company prepares the Risk Matrix and the Risk Minimization Actions Summary. These documents are subject to the approval of the Company's Management Board.

1. Identification and assessment of risks, submission of the risk reports and information on risks that actually occurred
1a. Analysis and adjustment of risk reports, coordinating amendments with risk owners
2. Coordinating risk reports with the heads of the corresponding departments of the Executive Body and with the directors
2a. Adjustment of reports depending on the results of coordinating efforts involving the heads of departments of the Executive Body and the directors
3. Preparation of the Risk Matrix and of the Risk Summary, and risk minimization actions. Submission of the above to the Management Board for approval, control over the implementation of previous risk minimization actions and the analysis of risk assessment dynamics
4. Approval of the Risk Matrix and Risk Summary and of risk minimization actions
5. Re-working the approved risk minimization actions
6. Implementing the approved risk minimization actions

Principal Risks and Company-wide Risk Mitigation Actions

RISK TYPE AND DESCRIPTION	EFFORTS TO MINIMIZE RISKS	RESULTS OF IMPLEMENTING RISK MITIGATION POLICY
	Operation risks	
Power system disturbance risk (equipment damage, incorrect operation of the relay protection and emergency automatics (RP and EA), resulting or potentially resulting in the disconnection of power transmission lines and/or substations, and in de-energizing power consumers)	— Implementation of the investment program in regard to the complex re-construction and construction of new facilities and the program for the improvement of lightning-surge protection and the widening of clearings for overhead power transmission lines (OPTLs); — Implementation of maintenance and repair plans, and of targeted programs pertaining to the replacement of outdated OPTL and SS equipment; — Cooperation with manufacturers pertaining to servicing and eliminating defects in supplied equipment; — Improving the operability of the equipment and advancing the qualifications of OPTL and SS personnel; — Accomplishing emergency prevention training and a field audit of the Company branches; — Closely investigating accidents; — Introducing changes in the legal framework, intended to ensure the reliable supply of power to consumers; — Operations monitoring, certification of new RP and EA devices and sets	In the autumn-winter period of maximal loads in 2012, the Company reduced the specific accident rate at UNEG facilities by 33%, compared with 2011. Signing cooperation agreements with equipment manufacturers, telecommunication companies, participating in the restoration of the certification system, the appraisal system and testing equipment, as well as developing and implementing new technologies. Operations Overview/Upgrading Reliability p. 47
Risk of employee injury at the Company facilities, resulting in damages to health or death	— Developing and updating the legal framework on labor safety and injury prevention; — Implementing measures intended to assess the condition of labor safety and its improvement at the Company's facilities.	In 2012 the injury rate fell by 14.3%. Social Responsibility and Sustainable Development /Social Aspect – Production Safety p. 85
	Industry risks	
Risk related to government tariff regulation (changes in the tariffs or parameters of tariff regulation)	— Consistently implementing RAB regulation parameters and preparing well-balanced and economically feasible proposals; — Preparing high quality materials as a rationale for establishing/reviewing tariffs.	In May 2012, the rate of growth of tariffs for 2012-2014 and the Company's investment program were simultaneously adjusted. Tariff Regulation p. 108 Cost Optimization p. 112
Risks of the nonfulfillment of plans for the timely commissioning of investment program facilities	— Setting priorities for the investment programs; — Controlling the implementation of the plan for financing investments and complying with the operating schedule; — Financial provisions for counter-parties' liabilities.	In 2012, our plans for commissioning overhead transmission lines were 91% realized (3,643 km against the planned 4,023 km), and plans for commissioning substations were exceeded by 26% (17,827 MVA against the planned 14,152 MVA). Operations Overview/Investment activities p. 54
Risk of income gap due to the difference between the customer contract demand, taken into account during tariff formation and power actually consumed	— Including customer contract demand into agreements with contractors, this customer contract demand was accounted for by the Federal Tariff Service (FTS) during tariff formation; — Imposing sanctions on contractors for the excess of the maximal actually consumed power by more than 10% of the value of customer contractor demand; — Expertly assessing contractor information about customer contract demand and the submission of this information to the Federal Tariff Service to set a justified tariff.	The supply of electric energy to distribution grid companies' grids, direct consumers and the independent JS-energo increased 2.8% compared with 2011 Operations Overview/Electricity Transmission p. 39
	Financial risks	
Risk of the non-fulfillment of liabilities by counter-parties	— Settling overdue accounts receivable (court reclamation of debts, setting off claims, debt re-structuring, charge offs); — Reviewing the financial status of counter-agents at the procurement stage and conducting further monitoring at the stage of performing contractual obligations; — Providing financial provisions for counter-parties' liabilities; — Monitoring debt status by the managers responsible for contracts, prejudicial interactions with counter-parties in accordance with Federal Grid Company's Rules for receivables and payables management.	Decreased level of accounts receivable for 2012. Financial Performance Overview p. 103

EFFORTS TO MINIMIZE RISKS	RESULTS OF IMPLEMENTING RISK MITIGATION POLICY	RISK TYPE AND DESCRIPTION
— Diversifying debt financing sources and instruments; — Building relationships with major Russian and foreign banks; — Opening credit lines in the largest reliable banks with maximal amounts of loans and long-term maturity;	In 2012, Federal Grid Company's investment program had 100% debt financing sources. The Company fulfilled the resolution of the Board of Directors on diversifying investment program's financing sources dated 27 April 2012 in full: — The prospectus for the RUR125 billion bond issue was registered; bonds for RUR45 billion were placed on MICEX. — The prospectus for the RUR100 billion exchange bonds for a 3-year period was registered; bonds for RUR10 billion were placed on MICEX. — The international prospectus for the RUR100 billion Eurobonds was registered; bonds for RUR17.5 billion were placed on the Irish Stock Exchange. In 2012, Federal Grid Company became the first Russian electric energy company that placed 10-year inflation protected bonds. Financial Performance Overview/Debt Portfolio p. 113	Risks of insufficient financing of the Investment Program
— Controlling the payments level and the Company's liabilities in foreign currencies	Concluding long-term contracts with fixed price. The Company's financial status, liquidity, financial sources and performance results are not exposed to major currency risks. The Company does not have liabilities denominated in foreign currencies. Financial Performance Overview/Debt Portfolio p. 113	Foreign Exchange risk
— Controlling the debt burden and creditworthiness of the Company in accordance with Federal Grid Company's Regulations on Credit Policy; — Retaining a high level of unspent credit limits at major Russian and foreign banks; — Forming the Company's diversified credit portfolio in respect to instruments and terms.	Federal Grid's international credit ratings are placed in the investment category; loan servicing is held in strict compliance with approved schedules. Financial Performance Overview/Debt Portfolio p. 113	Liquidity risk
— Attracting financing with fixed interest rates	95% of the Company's credit portfolio is formed via loans and borrowings with fixed interest rates Financial Performance Overview/Debt Portfolio p. 113	Interest rate risk
Corporate risks		
— Implementing pre-court settlement procedures; — Concluding amicable settlement agreements during court proceedings; — The Company's legal position is to refuse to satisfy claims and actions; — Satisfying claims; — Actually performing obligations and restoring violated rights.	The claims settled out of court amounted to some RUR16 million (for the Company's branches). The amount collected according to the Company's actions in 2012 comprised RUR230 million, with actions refused in the amount of RUR635 million. Some RUR737 million were collected in favor of the Company (including the settlement of an amicable agreement in favor of the Company).	Risk of claims and actions presented to the Company or by the Company
— Analyzing references to the Company in mass media; — Distributing press releases and other information material intended to form positive information coverage for the Company; — Conducting press conferences, briefings and other events for the mass media; — Participating in major forums and exhibitions; — Communicating the Company's policy on strategic communications and the Company's Anti-corruption Policy to the employees; — Applying the Company's unified corporate design standards.	No cases of negative references to the Company in the mass media were registered in 2012. Social Responsibility and Sustainable Development p. 72	Risk of damaging the Company's business reputation as the result of inefficient communication

THE LENGTH OF OUR TRANSMISSION LINES IS 131.6 THOUSAND KM. THIS IS EQUIVALENT TO A SPACESHIP ORBITING THE EARTH FOUR TIMES.

Operations Overview

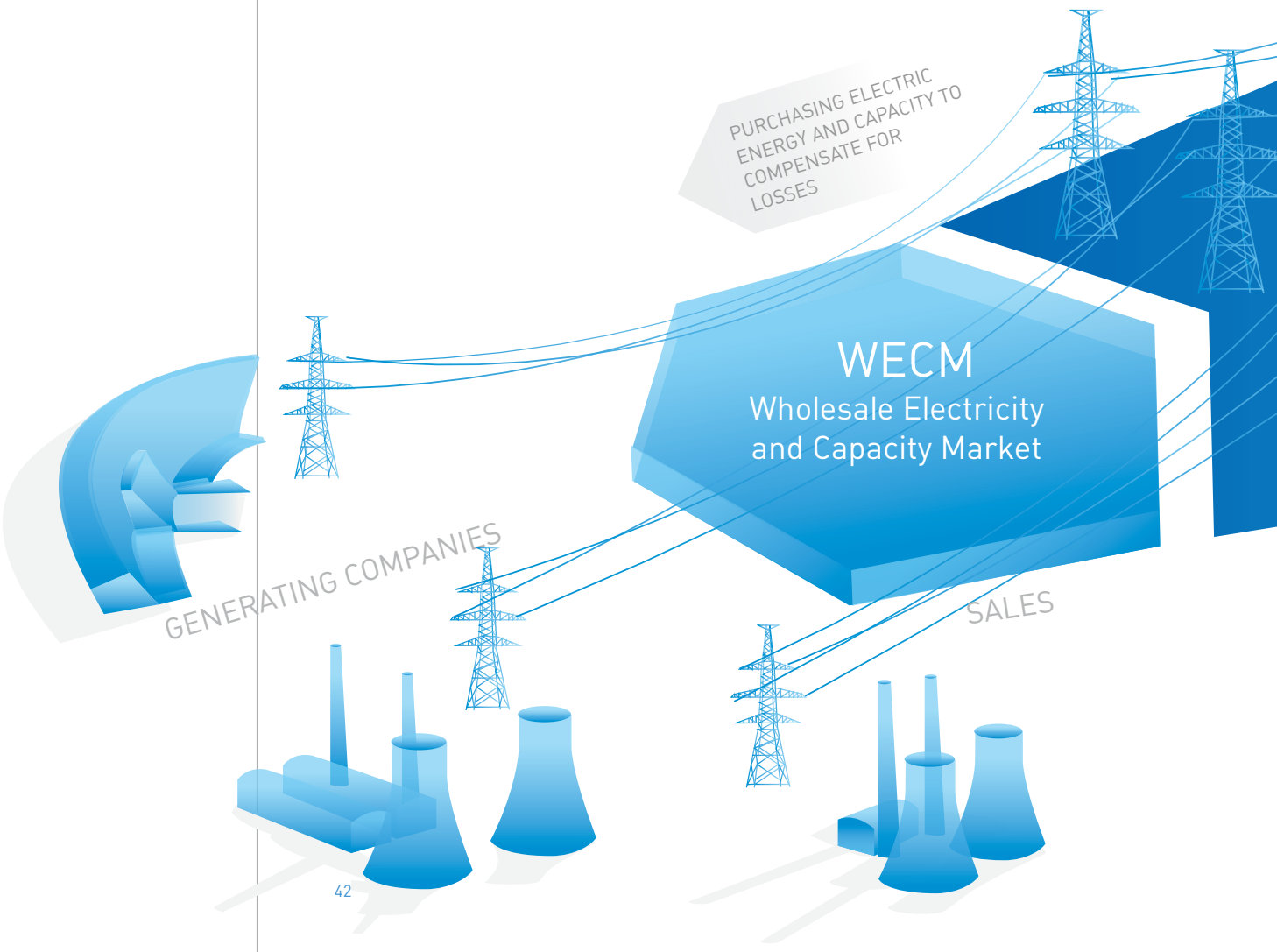
Federal Grid Company of Unified Energy System

131600-KM

Electricity Transmission

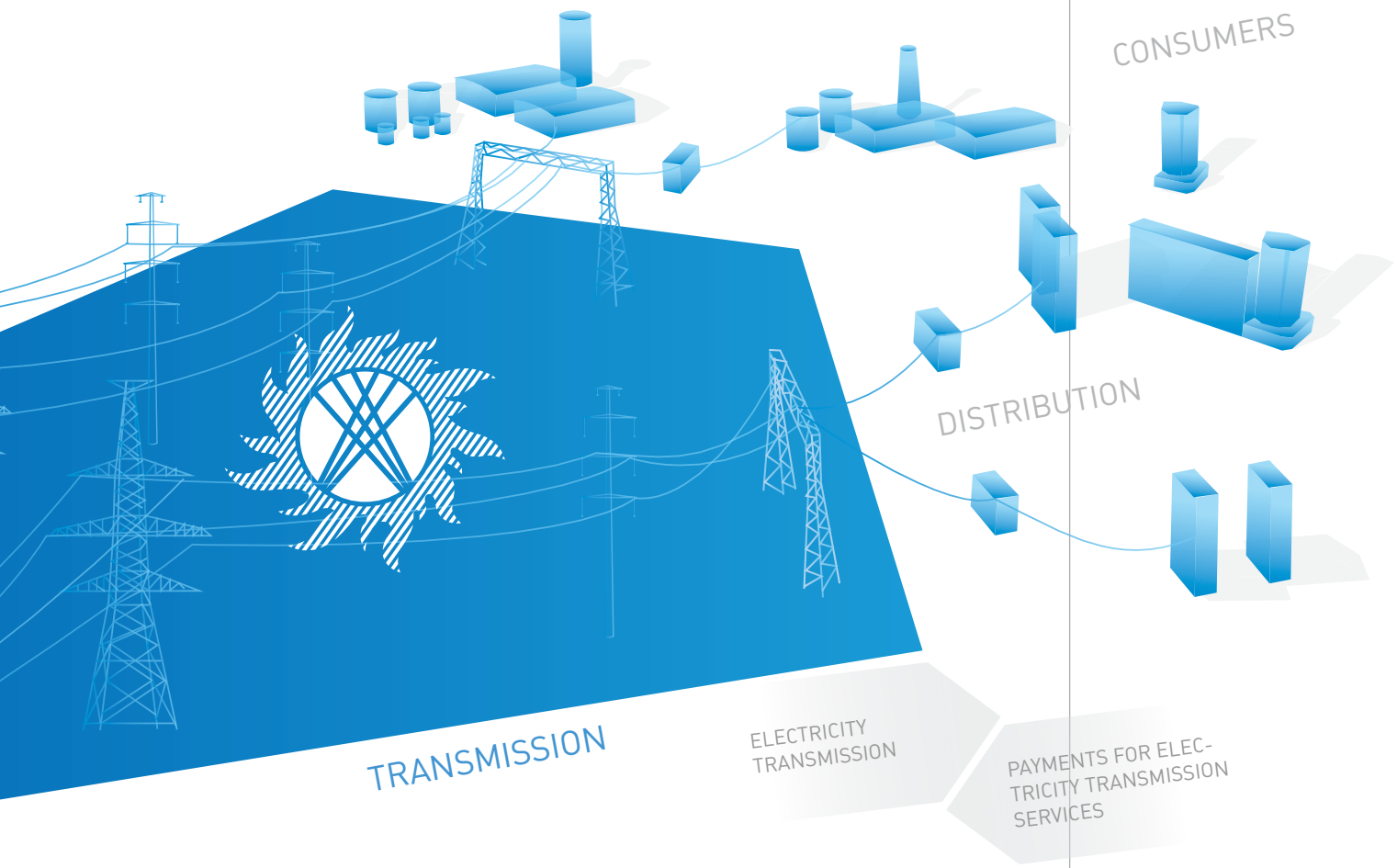
Electricity transmission through the Unified National (all-Russian) Electric Grid (UNEG) is one of the biggest tasks of the country's energy sector and the main activity of our Company. Payments for electricity transmission services are the primary revenue source for Federal Grid Company.

According to Russian law, the UNEG electricity transmission services are the domain of Federal Grid Company, which manages the UNEG. The UNEG electricity transmission services are classified as a monopolistic activity regulated by the State.



The price of electricity transmission services is determined by corresponding rates set for different constituent territories of the Russian Federation by the Russian Federal Tariffs Service (FTS), taking into account process losses of energy during electricity transmission over the UNEG. Rates approved by the Russian Ministry of Energy are set as follows:

— The price of electricity transmission services to maintain UNEG electric facilities;
— The price of normative process electricity losses in the UNEG.



In 2012, the Company supplied its consumers with 517,130.7 million kWh.

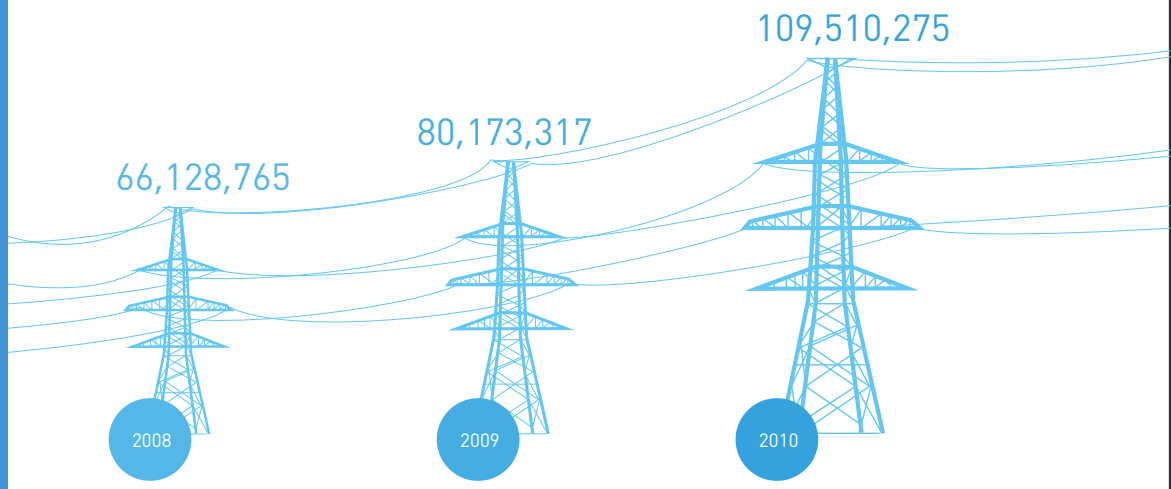
Our Company independently purchases electric energy on the Wholesale Electricity and Capacity Market (WECM) to compensate for actual UNEG losses, after deducting losses recorded and paid for by WECM participants at equilibrium prices.

Electricity Transmission Services

136581431000

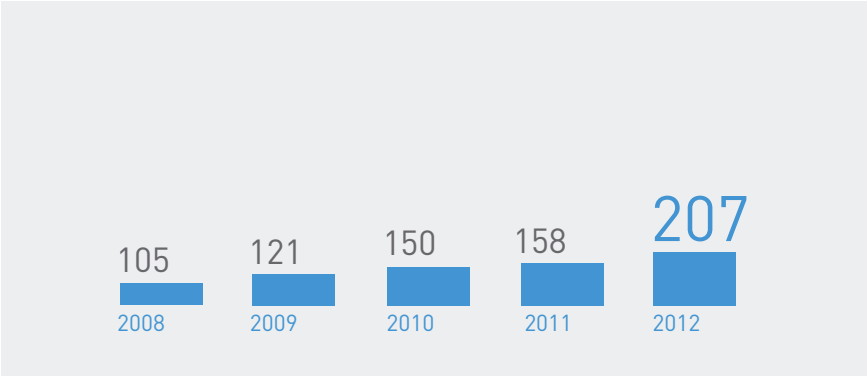
RUBLES,
REVENUE FROM ELECTRICITY TRANSMISSION SERVICES

In 2012, the volume of electricity transmission services amounted to RUR136,581,431 thousand.

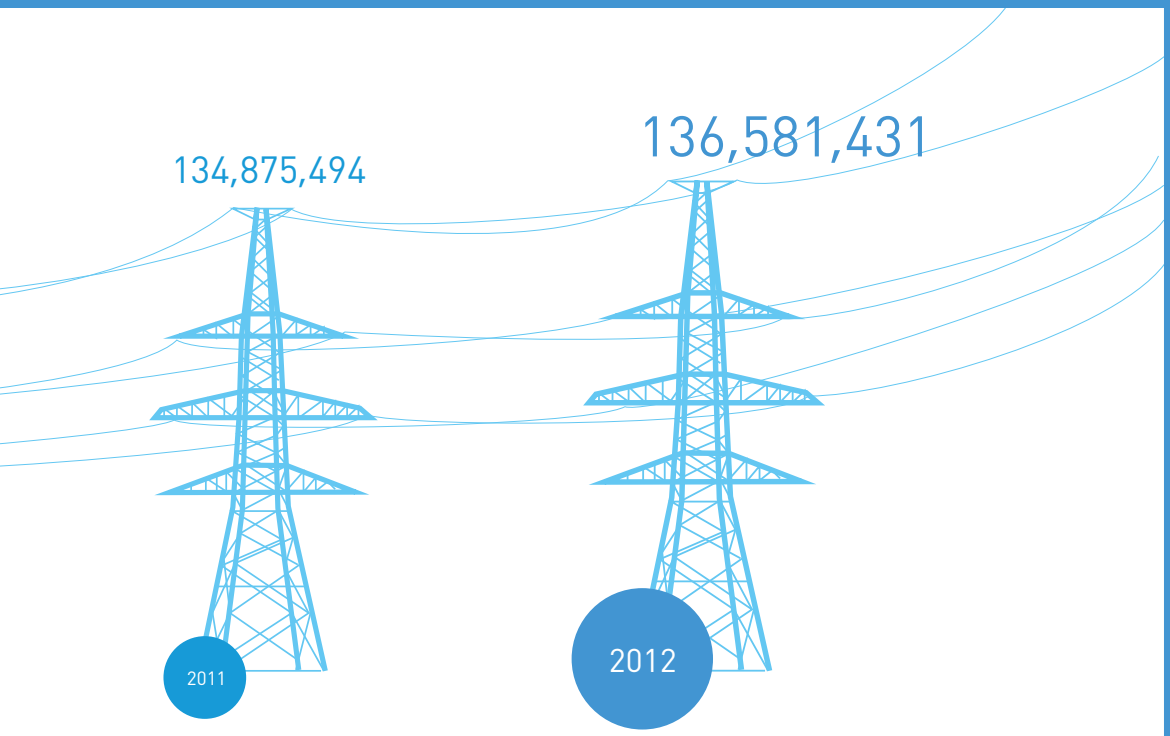


Number of the Company's Contractors

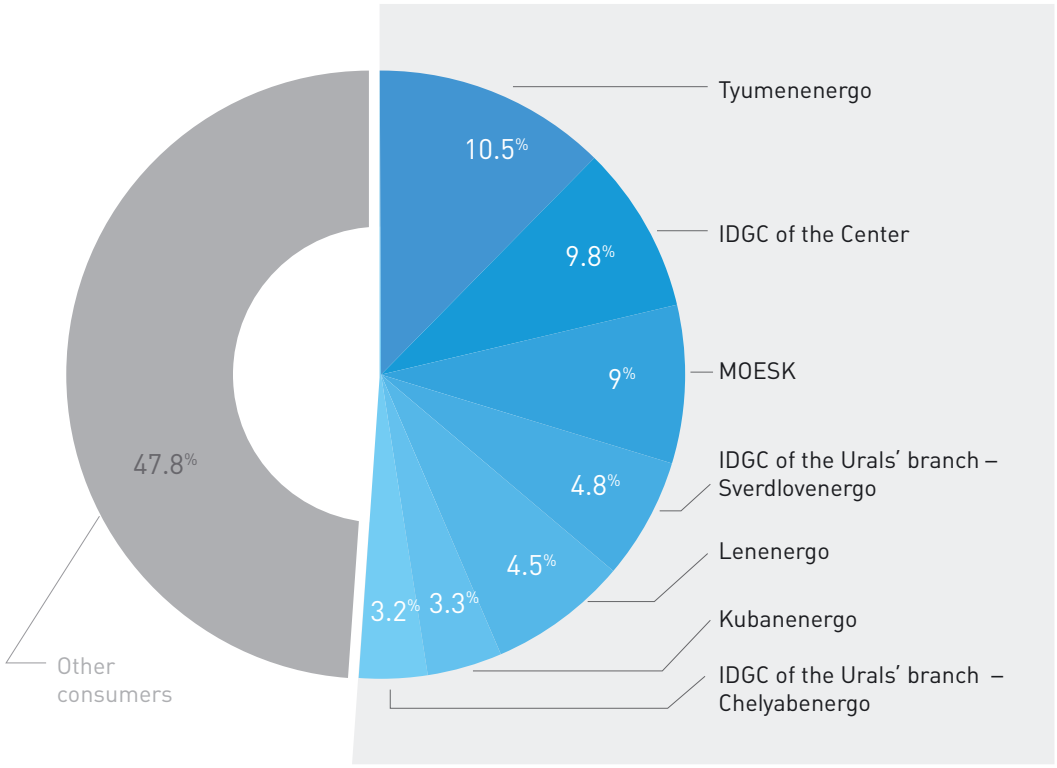
Furthermore, the number of contractors with which the Company signed agreements for electricity transmission through the UNEG has significantly increased during the 2008-2012 period. It is predicted that in the next few years, the number of Company contractors will continue to grow due to the implementation of new technological connections to the UNEG, satisfying judgments that require the Company to enter into direct contracts with contractors and gradually terminating the last mile* mechanism.



* "The Last Mile" is a type of cross-subsidization, under which large industrial users connected directly to Federal Grid Company's backbone grids also pay the tariffs of the IDGC Holding's distribution networks to which part of the Company's grid facility was leased (the "last mile").



The share of the Company's largest consumers in 2012 revenues from UNEG-based electricity transmission services



52.2%

SHARE OF THE COMPANY'S LARGEST CONSUMERS IN 2012 REVENUES

Technological Connection

Technological connection is an integrated service rendered by the Company to provide for the actual connection of consumer energy receivers (power installations) of potential contractors to the power facilities of grid organizations. Technological connection services are provided to new, as well as to existing, consumers if electricity demand increases.

The structure of major technological connection consumers

Consumers (large-scale businesses – fuel and energy industry, steelmaking, and construction)

Distribution grid companies

Other

Business processes - technological connection

Time limits:	15 days (up to 9 month to the UNEG)	30 days (up to 11 month to the UNEG)	6 month — 2(4) yearth	30 days	Total: from 6 month to 2(4) yearth
Application	Approval of technical specifications and design	Concluding the technological connection agreement	Execution of work	Protocols	Energy supply
	1. Development of technical specifications; 2. Adjustment of the investment program; 3. Tender. Design development; 4. Resolving land-related formalities; 5. Appraisal of project documents.	1. Establishing payment for technological connections; 2. Sending offers on technological connections.	1. Adjustment of the investment program; 2. Receipt of permission for construction; 3. Tender. Construction and assembly.	1. Registration of electricity meters; 2. Approval of the technical and backup reserve; 3. Approval of balance inventory and operational responsibility; 4. Sending the technological connection protocol.	

The Company concluded 376 technological connection agreements during the reporting period, which is 50% more than in 2011, with the maximum amount of power per technological connections agreements with consumers and distribution grid companies set at 2.78 GW, a 23% increase over the previous year's level.

In 2012, the Company implemented the following major technological connection projects:

Technological connection of mining and processing facilities:

— ESPO-I, II Expansion, Russia's Far East (133.7 MW);

— RN-Yuganskneftegaz, the Tyumen Region (12.9 MW).

Technological connection of residential projects:

— RGS Real Estate, St. Petersburg (34 MW, Stage 1).

Technological connection of manufacturing companies:

— The Seversk Pipe Plant, the Sverdlovsk Region (18 MW);

— The Hyundai Plant, the Primorsky Region (3,5 MW);

— Tulacement, the Tula Region (40 MW);

— The Eurocement Group plant, the Voronezh Region (37 MW);

— The Serebryansk Cement Plant, the Ryazan Region (33,6 MW);

— NLMK-Kaluga electrometallurgical plant, the Kaluga Region (42 MW).

06.12.2012

Our Company has completed the technological connection of the State corporation Olympstroy's electrical installations to the 110 kV Imeretinskaya sub-station. Thus, we have provided electricity supply to the eight-million-viewer Adler-Arena Skating Center, which will hold speed-skating competitions.

We are actively participating in the important Russian problem of increasing accessibility to the energy infrastructure, carrying out an action plan "Improving accessibility to energy infrastructure," which was approved by the Russian Government. It provides for reducing the timing and stages for technological connections. Our task is to synchronize the development of the industry in different Russian regions with the potential of the backbone electric grid complex.

To raise the awareness of the applicants and to ensure the transparency of technological connection services, our Company has launched a new information portal, "Technological connection services", where potential applicants can get online access to information on technological connections, learn about the geographical location of the main substations and apply for technological connections. Launching the portal was another step towards developing long-term planning and real-time interaction in coordinating with regional authorities the need to expand power grid capacity and to avoid over-investment risks.

Technical Losses Optimization

The 2012 Program to reduce energy loss in the UNEG was developed within the framework of Federal Grid Company's Energy Saving and Power Efficiency Program for the 2010-2014 period and included three key areas:

Optimizing the schematic and operating mode parameters under conditions of both operation and continuous control of electric grids

- Maintaining optimal operational modes concerning reactive power and voltage;
- Shutting down electric grid equipment operated under low loads;
- Reducing the duration of the maintenance and repair for primary grid equipment.

Decreasing energy consumption spent on in-house substation needs

- Optimizing the duration and number of operated transformer and automatic transformer cooling fans;
- Optimizing the operation of heating and lighting systems in the SS control rooms;
- Providing for the automatic operation of heating systems used to heat the tanks and electric drives of oil-filled circuit breakers;
- Installing energy-saving lamps and lights in outdoor switchgears;
- Upgrading the energy efficiency of buildings.

Constructing, re-constructing and developing electric grids.

- Installing reactive power compensators;
- Replacing overloaded transformers and commissioning additional power transformers at existing substations.
- Optimizing electric grid loads by constructing new overhead lines and substations.

2012 Technological effect, thousand KWh

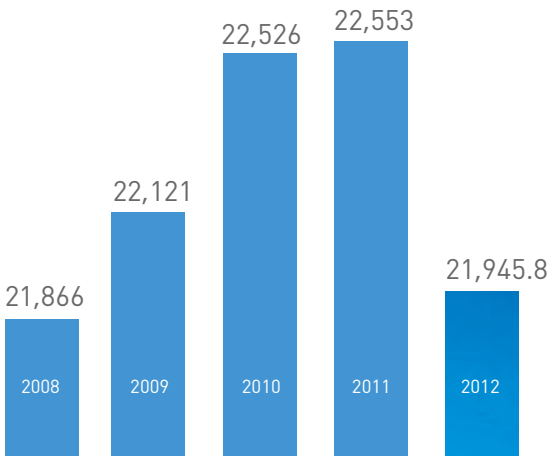
58,953.96

123,642.38

31,422.77

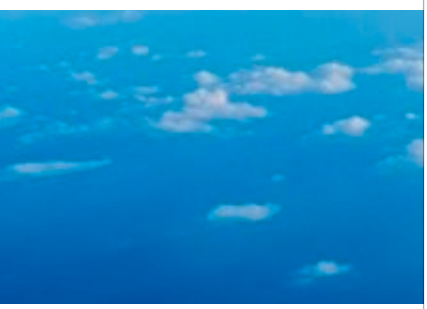
Annual volumes of electric energy loss, mln of KWh

In 2012, the total economic effect of implementing measures aimed at reducing UNEG losses reached 214,019.1 thousand kWh. The electric energy loss reduced by 3% and stood at 21,945.8 million kWh.



Upgrading reliability

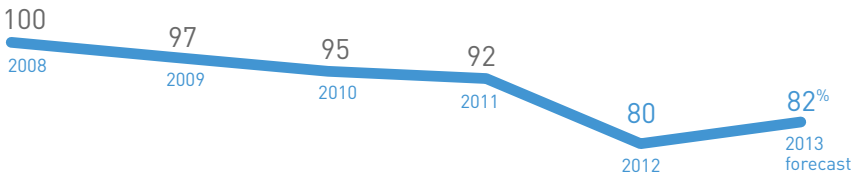
Reliable and stable power supply guarantees the well-being and prosperity of any country, but in Russia, with its harsh northern climate, electricity supply reliability is strategically important. We understand the great responsibility that rests on us and we do our best to ensure that electricity reaches our consumers in a stable manner, without power setbacks and in compliance with all technical parameters.



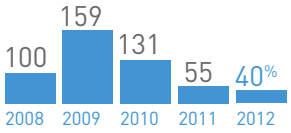
In 2011-2012, thanks to planned work to maintain the normative condition of electric grid facilities, constructing new facilities and re-constructing existing ones and upgrading employee competence, the under-supply of electric energy to consumers has been reached at a stable low level.

From 2009 to 2011, under abnormal environmental conditions, Federal Grid Company ensured the required reliability of electric grid facilities and stable UNEG operation, having fulfilled its obligations for reliable power supply to consumers, the following were prevented:

Measures adopted by our Company have reduced the specific (per 1,000 units) failure rate by 20%, compared with 2008:



Decrease in failures that occurred due to operational flaws



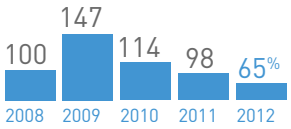
Upgrading the quality of equipment handling;

Improving corporate culture;

Analyzing accidents.

60%

Decrease in failures that occurred due to the incorrect or faulty actions of employees



Increasing executors' responsibility level;

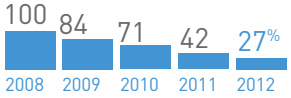
Upgrading the level of responsibility for specialists and managers who control work progress;

Increasing staff motimotivation;

Releasing documents and information emergency materials.

35%

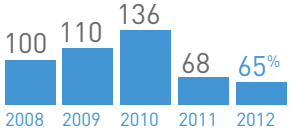
Decrease in the number of failures that have occurred through damage to support insulators



Implementing targeted investment programs to replace obsolete equipment

73%

Decrease in the number of failures due to faulty high voltage circuit breakers



Modernizing outclated equipment at the Company's facilities

35%

Technical policy

The Company's Regulations on Technical Policy were adopted in February 2011. The Policy is intended to determine the most advanced engineering requirements and solutions in the capital construction and operation of UNEG facilities, and to set basic priorities for the UNEG's innovative and prospective development. Adhering to the Regulations on Technical Policy will enable the Company to optimize the use of the existing investment resources, to improve the efficiency of electric grid complex operation, to lower operating costs, to improve systemic reliability of the UNEG's operation and to satisfy growing energy demand.

In November 2012, the Company's Board of Directors approved the Regulations on the Unified Technical Policy in Russia's electrical grid complex. These Regulations will be submitted to the Board of Directors of JSC IDGC Holding for approval.

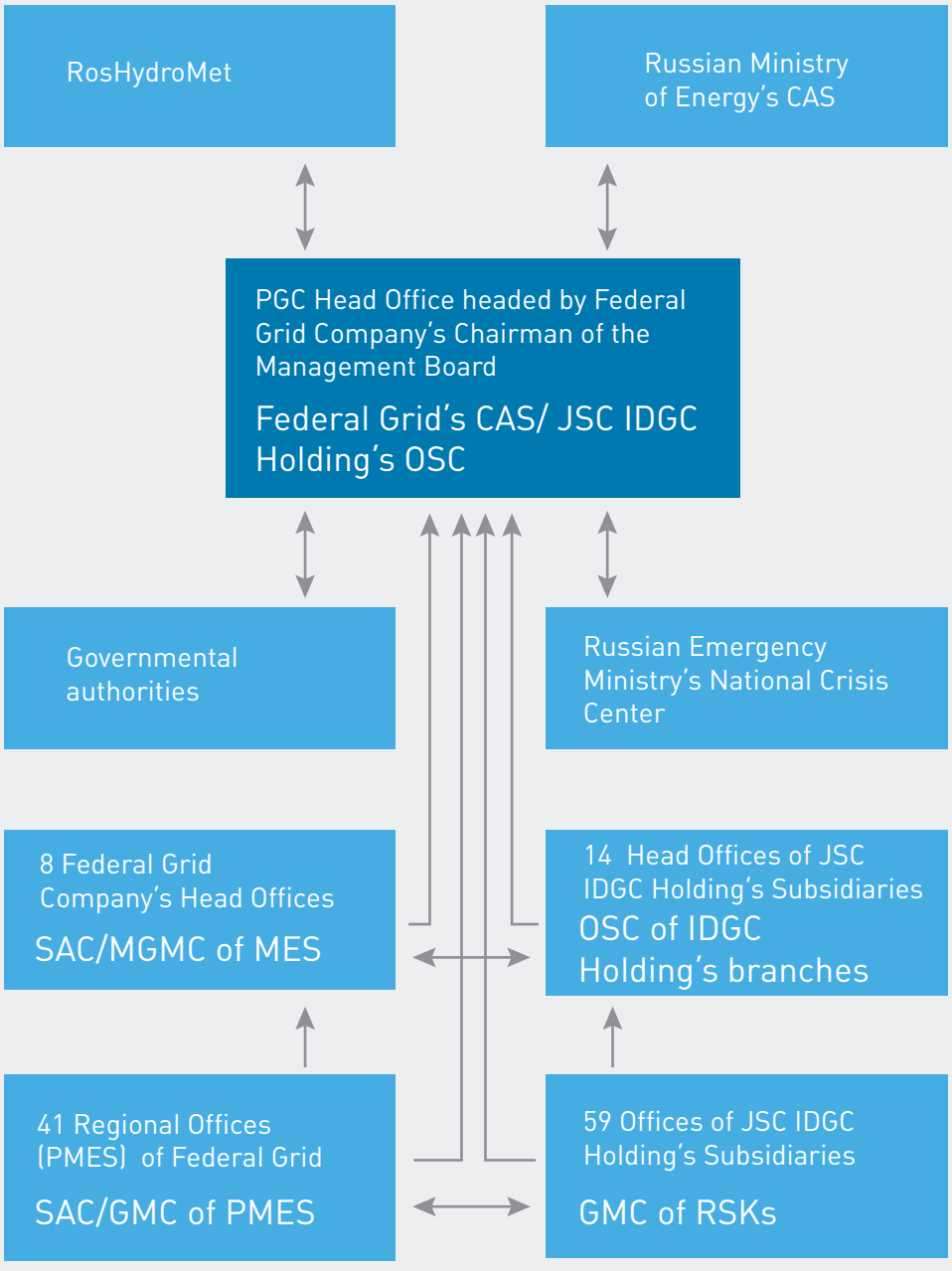
The Unified Technical Policy in Russia's electrical grid complex is aimed at determining the main technical areas that enhance the reliability and efficiency of Russia's electrical grid complex in the short- and medium-term with appropriate industrial and environmental safety based on innovative development principles that provide non-discriminatory access to electric grids for all market participants.

Expected effect from the implementation of the Unified Technical Policy

30% reduction in the likelihood of system failures	Reduction in electricity losses compared with existing figures	Load leveling	Multiple decline in the area occupied by substations

We continue to cooperate with JSC IDGC Holding. Our mutual work during the year resulted in the adoption of rules of information exchange between branches of Federal Grid Company - MES and SDC JSC IDGC Holding. These rules allow us to obtain data on the time, place and circumstances of accidents in real time. In addition, we have developed a joint operation scheme for electrical grid facilities of Federal Grid Company and JSC IDGC Holding. We are also creating a unified database for emergency reserves and a joint main office for the electrical grid complex. In addition, together with JSC IDGC Holding, we have launched "hot lines" for round-the-clock operative response and information interactions with the public, electricity consumers and other electric power industry agents, as well as executive agencies on issues that concern reliable electric power supply.

Scheme of Federal Grid Company and JSC IDGC Holding's joint efforts to ensure the reliable operation of the electric grid system in the event of an interruption of power supply to consumers and other contingency situations



SAC – Situational and Analytical Center

OSC – Operational and Situational Center

PGC – Power grid complex

MGMC - Main Grid Management Center

GMC - Grid Management Center

Fixed Assets Renovation Program

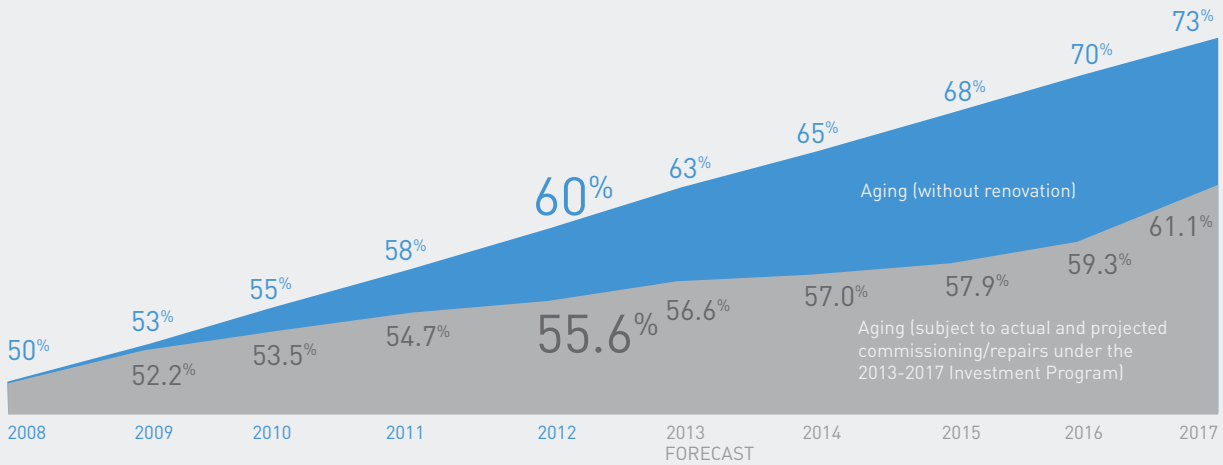
On 31 October 2012, the Russian Ministry of Energy approved the Fixed Assets Renovation Program in the Company's 2013-2017 Investment Program. The Renovation Program, aimed at ensuring the reliable and efficient operation of the electric grid complex, provides for commissioning facilities with a total capacity of 31,357 MVA and reconstructing 1,231 km of electric energy transmission lines.

During the reporting year, as part of this program, we energized 23 key comprehensive facilities and 20 key facilities of non- comprehensive reconstruction. Among the most important renovation facilities are: the 220 kV Irtysh, the 220 kV Taksimo and the 500 kV Arzamasskaya substations.

For the period from 2013 to 2017, total program financing amounted to RUR194,703 million. As part of complex reconstruction, 154 substations and 95 electric energy transmission lines are planned to be modernized.

By increasing capital investment in new construction and renovation and implementing special programs to enhance safety, we managed to reverse the aging trend for both facilities and equipment.

Estimated and predicted aging of lines, taking into account changes in the steady operation of the power grid* (the expected renovation time for lines subject to new construction is 40 years, the length is more than 120,000 km)



* When Federal Grid Company's 2013-2017 Investment Program, approved by Order #531 of the Russian Ministry of Energy (dated 31.10.12.2012), is implemented.

In 2013, we plan to invest RUR41,208,76 million to refurbish fixed assets as part of the Company's Renovation Program.

The volume of commissioned facilities for complex reconstruction will amount to 8,170 MVA.

Repair program

The annual repair program, as well as the timely and thorough preparation for special operation periods, allows the Company to maintain the normative state of equipment.

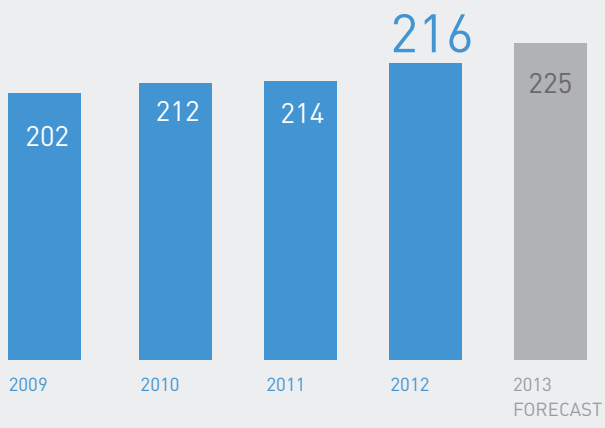
The Company's program is based on a year-by-year rolling plan for the five-year period.

Based on 2012 results, Federal Grid Company's repair program was realized at 103% of the planned figure. The plan for stubbing out the overhead line paths was carried out at 101%.

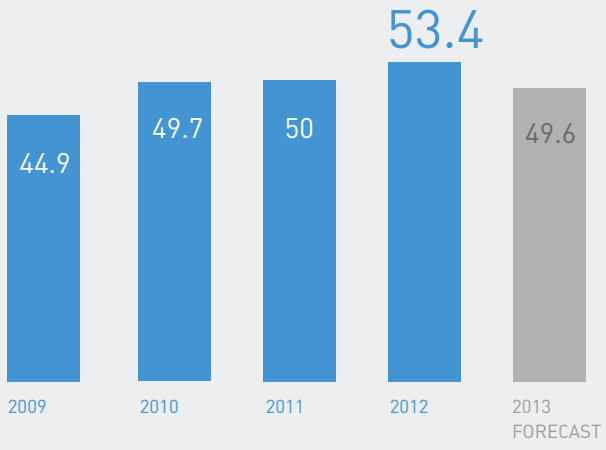
103%

FULFILLMENT OF THE FEDERAL GRID COMPANY'S REPAIR PROGRAM

Repair of transformers and reactors that are 110 kV and above, phases



Stubbing out of the overhead line paths, thousand hectares



Work during special periods

In 2008-2012, the Company achieved the target reliability level for the electric grid complex and ensured the stable operation of UES of Russia in conditions of abnormal natural phenomena (such as weather conditions). 2010 had a remarkably long hot spell, extensive forest fires and heavy icy rain in Moscow and the Moscow Region just before the New Year. During the summer of the reporting period, torrential rains resulted in a disaster in the Krasnodar Region, and December 2012 was the coldest one (December) in 70 years. Twenty-three temperature lows were set in that month. Beforehand, we prepared for peak loads in the electrical network during the autumn-winter period, seasonal floods, fires, storms, and how to prevent emergency situations related to power outages in major cities and regions.

During the 2012-2013 autumn-winter peak load period, we reduced the specific accident rate in the UNEG by 11.9% compared with the 2011-2012 autumn-winter period.

That was made possible due to special measures undertaken by the Company aimed at making more intensive preparations for the special periods in 2012, including: a two-stage preliminary check for the readiness of electric grid facilities to work during the high load period. The General Directors of the Company's branches - MES and JSC IDGC Holding's subsidiaries prepared and approved a joint operational scheme for electric grid facilities and optimized resource allocation.

As a result of this successful work, on 9 November, the Company received a certificate of readiness for operation during the 2012-2013 autumn-winter period. This certificate certifies the timely and proper execution of a range of measures aimed at upgrading the reliability of power supply to consumers.

17.07.2012

We completed all major power supply restoration work in the Tuapse District of the Krasnodar Region, which was affected by the flooding. In the first place, 6-10 kV power facilities that provided electricity transmission to ultimate consumers were restored. Then, the 0.4 kV consumer network was repaired. The Company's 220-500 kV power lines and substations were not affected by the disaster and were operating normally. However, to ensure the high reliability of power facilities during the restoration period, line team specialists held off-schedule inspections on a daily basis.

Operational and process management

Operational and process management of Federal Grid Company is intended to ensure the reliable operation of UNEG facilities and the fulfillment of technological modes set by the System Operator's control centers. Our task is to comply with quality and safety requirements when we operate UNEG facilities. We are actively working to reduce the number of process disturbances due to operating personnel errors, and are developing and carrying out UNEG development programs in collaboration with the System Operator's control centers.

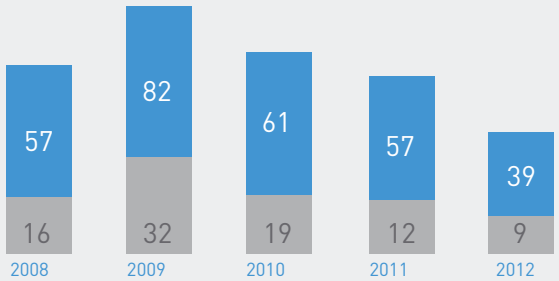
Moreover, we are commissioning new generation substations with modern automated equipment control systems. This enables us not to have our operational staff on duty at substations and delegates their functions to specialists at the network control centers. These innovations reduced maintenance costs and led to shorter elimination times for process disturbances.

0

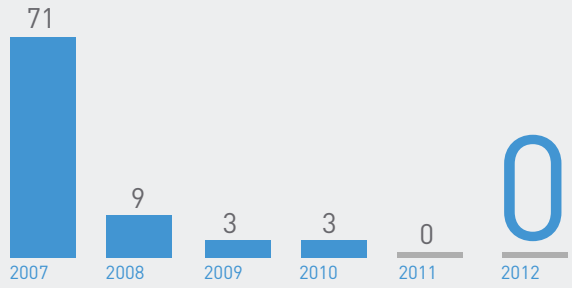
There have been no violations of the standard for allowable voltage levels

In 2012, we successfully resolved the problems of operational and process management, which has enabled us to achieve the following results:

Reducing the number of process disturbances related to the faulty actions of operating personnel:



There have been no violations of the standard for allowable voltage levels in the UNEG for two consecutive years:



Investment activities

The Company's Investment Program is one of the most large-scale, ambitious programs in the industry. Key provisions of the UNEG development plan and the general scheme of power industry facilities with planned generation inputs form its basis. Investing in the UNEG development is of great national importance, so part of the program is paid for with federal budgetary funds. Other funding sources for the program include: the Company's own funds, proceeds from additional shares, proceeds from payments for technological connections, bond issues and loans.

The 2012 Investment Program

In 2012, as part of the Investment Program, we completed numerous major projects of great importance for the socio-economic development of Russia's regions. The energy infrastructure facilities of the Primorsky Region, the first phase of the ESPO pipeline (Stage I – Expansion and Stage II) and power provision facilities for the 4th power unit of the Kalininskaya NPP were commissioned in a timely manner.

↑ 26%

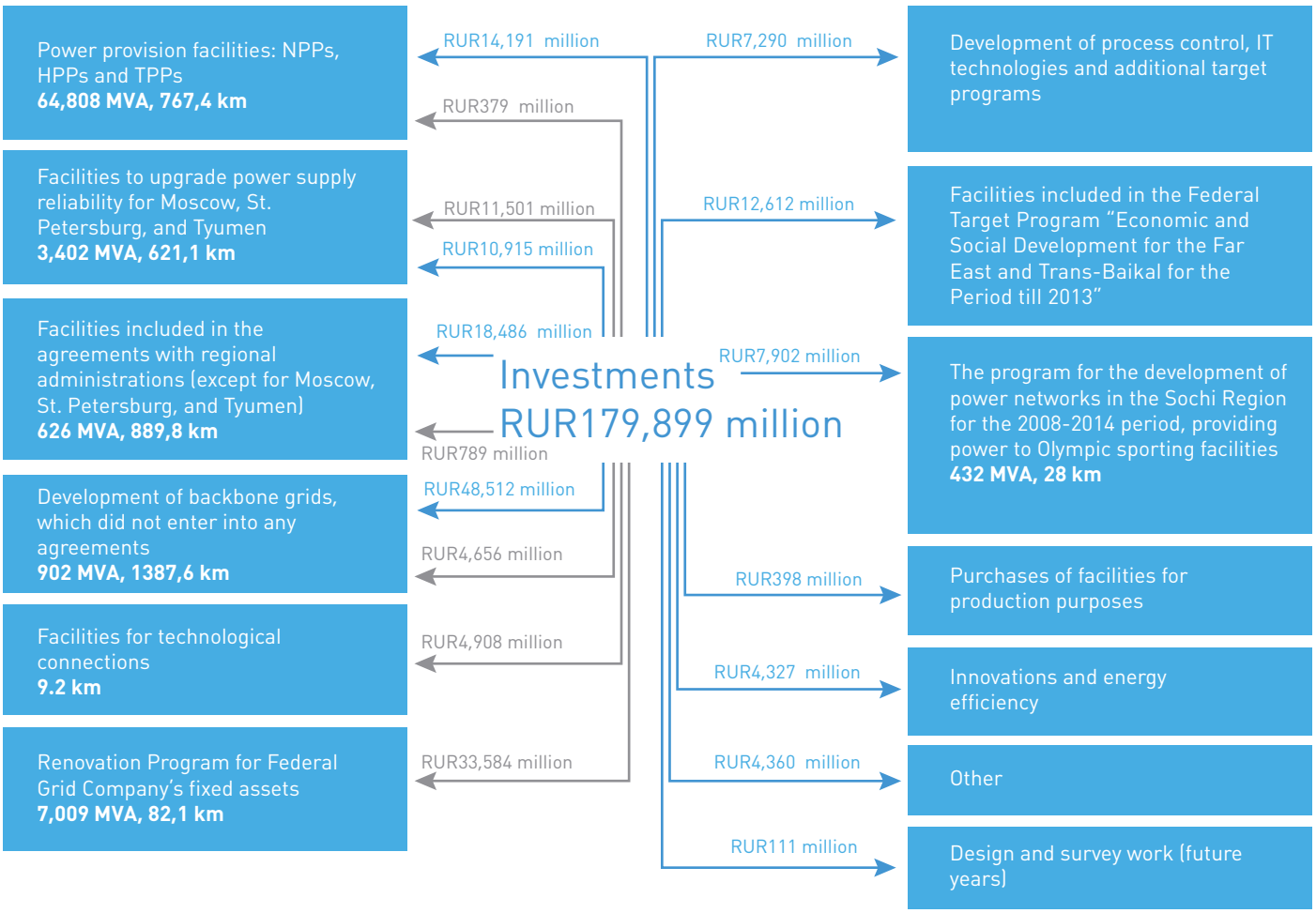
over-fulfillment of commissioning plans for substations

Our investment plans in 2012 were almost completed. Plans for commissioning overhead transmission lines were 91% realized (3,6543 km against the planned 4,023 km), and plans for commissioning substations were exceeded by 26% (17,827 MVA against the planned 14,152 MVA). Capital investments were implemented at 103% (RUR192,684).

3,643

KM TRANSMISSION LINES
PUT INTO OPERATION IN 2012

Principal areas of investments in 2012
(Factual data as of 31 December 2012)



New construction

Retro-fitting and re-construction

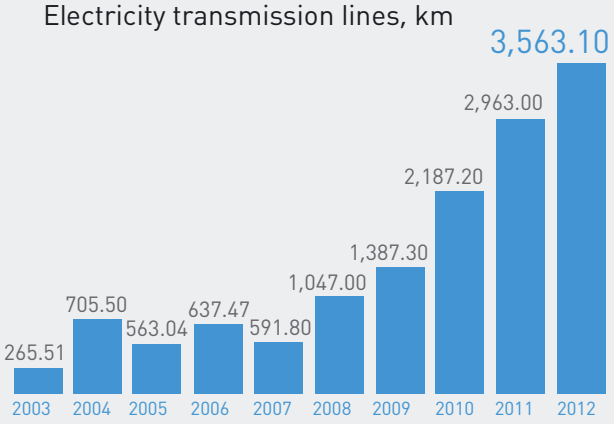
192684000000

RUBLES
Capital investments
implemented in 2012

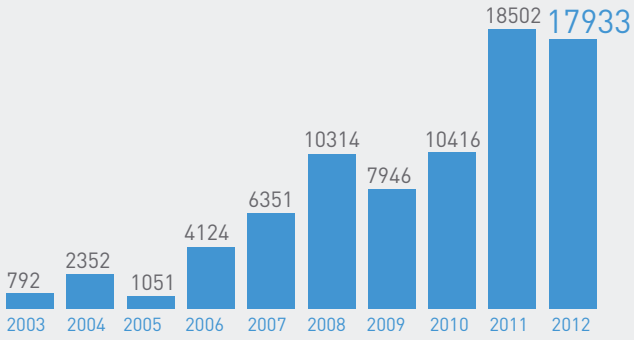
Investment dynamics for 10 years

For the most recent ten years, our Company has put into operation 13,990.82 km overhead electricity transmission lines and 79,765 MVA of transformer capacity:

Electricity transmission lines, km



Transformer capacity, MVA



KM OVER 10 YEARS

13,911

MVA OVER 10 YEARS

79,780

Our gradual approach to investment program implementation generates clear positive results: in respect to all operating facilities of the backbone grids, the length of transmission lines grows approximately 3% per annum, and the annual increase in transformer capacity stands at 6%.

The 2013-2017 Investment Program

AGGREGATE AMOUNT
2013-2017 ГГ:

BILLION RUBLES
OF PLANNED INVESTMENTS

775.5

OF FACILITY COMMISSIONING

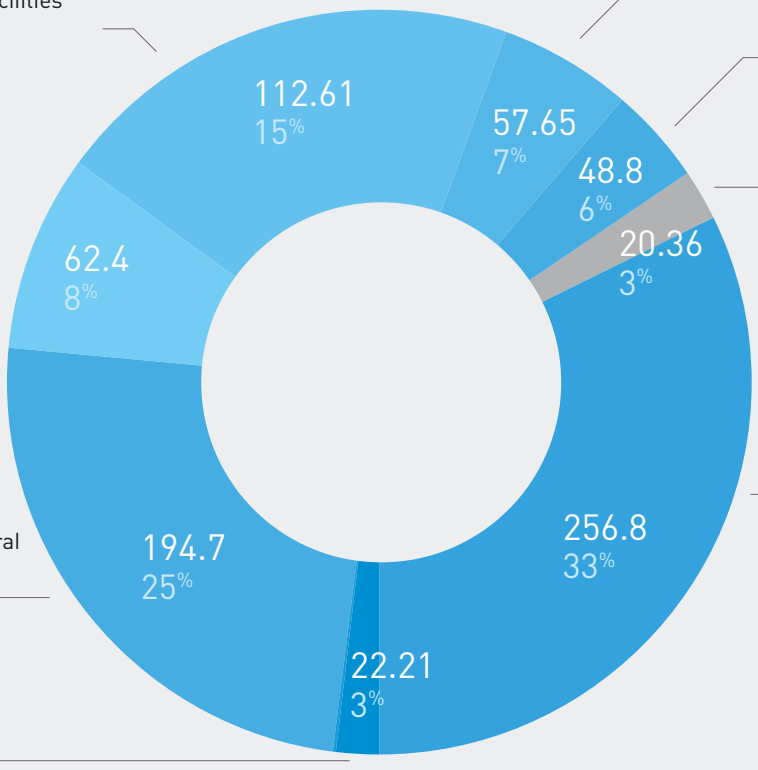
66,869.86
MVA

16,984.65
KM

On 31 October 2012, the Russian Ministry of Energy approved the investment program for our Company for the period from 2013 to 2017. Total financing for the Company's Investment Program for the 2013-2017 period will amount to more than RUR775.5 billion.

As part of the Investment Program, we plan to spend RUR194.7 billion for the renovation of fixed assets of the electric grid complex, and RUR22.21 billion - for technological connections. To develop the grids which did not conclude any agreements with the regions, the Company will spend RUR256.8 billion. To upgrade the reliability of power supply to Moscow, St. Petersburg and Tyumen, the Company will spend RUR48.8 billion. The Company will invest RUR112.61 billion in innovations, upgrading energy efficiency and developing process control, design and survey work for future years, and the protection of electric power facilities and other projects. Investments to implement the governmental programs will comprise RUR64.2 billion. Investments to provide power from the NPPs, HPPs and TPPs will amount to RUR57.65 billion. To fulfill agreements with regional administrations (except for Moscow, St. Petersburg and Tyumen), the Company plans to spend RUR20.36 billion.

Federal Grid Company's 2013-2017 Investment Program, RUR billion



Developing process control, innovations and energy efficiency, design and survey work for future years, protection of electric power facilities and other projects.

Governmental programs included in the Federal Target Program "Economic and Social Development of the Far East and Trans-Baikal for the Period till 2013", Sochi Olympic games
2,554.6 km; 2,007 MVA

Renovation Program for Federal Grid Company's fixed assets
1,231.37 km; 31,357.6 MVA

Technological connections
373.4 km; 1,382.26 MVA

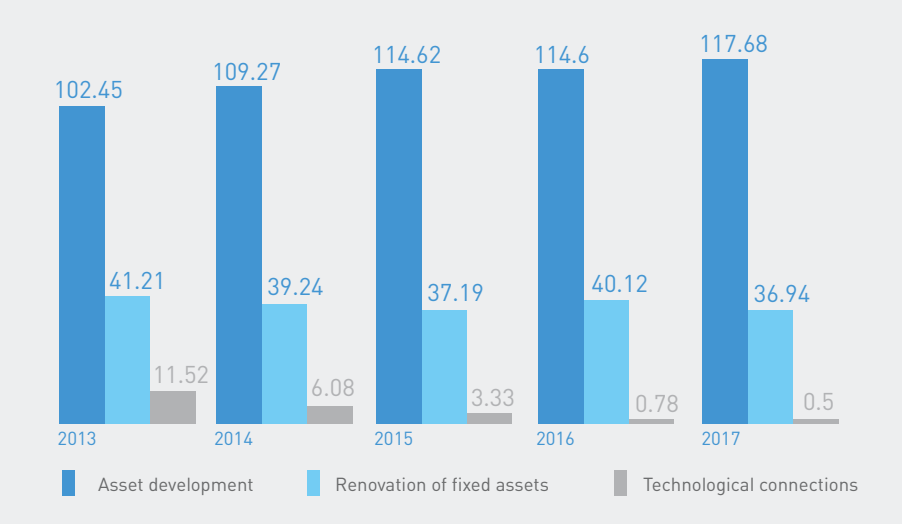
Provision of power from NPPs, HPPs and TPPs
1,798.19 km; 1,527 MVA

Facilities to upgrade power supply reliability for Moscow, St. Petersburg, and Tyumen
203.3 km; 10,125 MVA

Agreements with regional administrations, except those for power supply to Moscow, St. Petersburg, and Tyumen)
610.3 km; 1,000 MVA

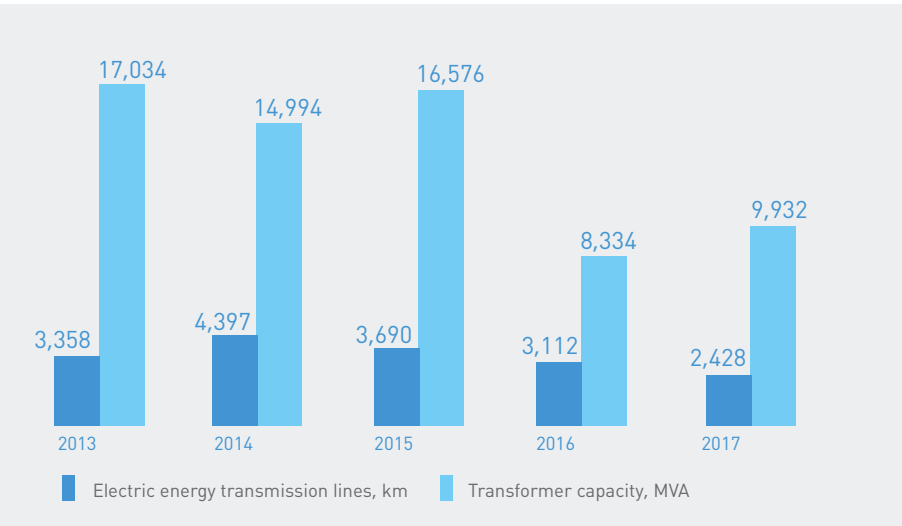
Development of backbone grids which did not enter into any agreements
10,210.99 km; 19,471 MVA

Federal Grid Company's 2013-2017 investment volumes and priorities (planned), RUR billion



Realization of the Company's 2013-2017 Investment Program will result in putting into operation 66,869.86 MVA of transformer capacity and 16,984.65 km of electric energy transmission lines.

Electric Grid Facilities to Be Put in Operation in 2013-2017



Key investment projects

Our Company is actively involved in the construction and reconstruction of energy infrastructure for major Russian projects, including: international forums and major sporting events, oil transportation projects, and development programs in Russian regions. We understand the importance of these projects and are doing our best to build and reconstruct grid facilities on time and in accordance with the highest standards.

Sochi-2014

The Kalininskaya NPP

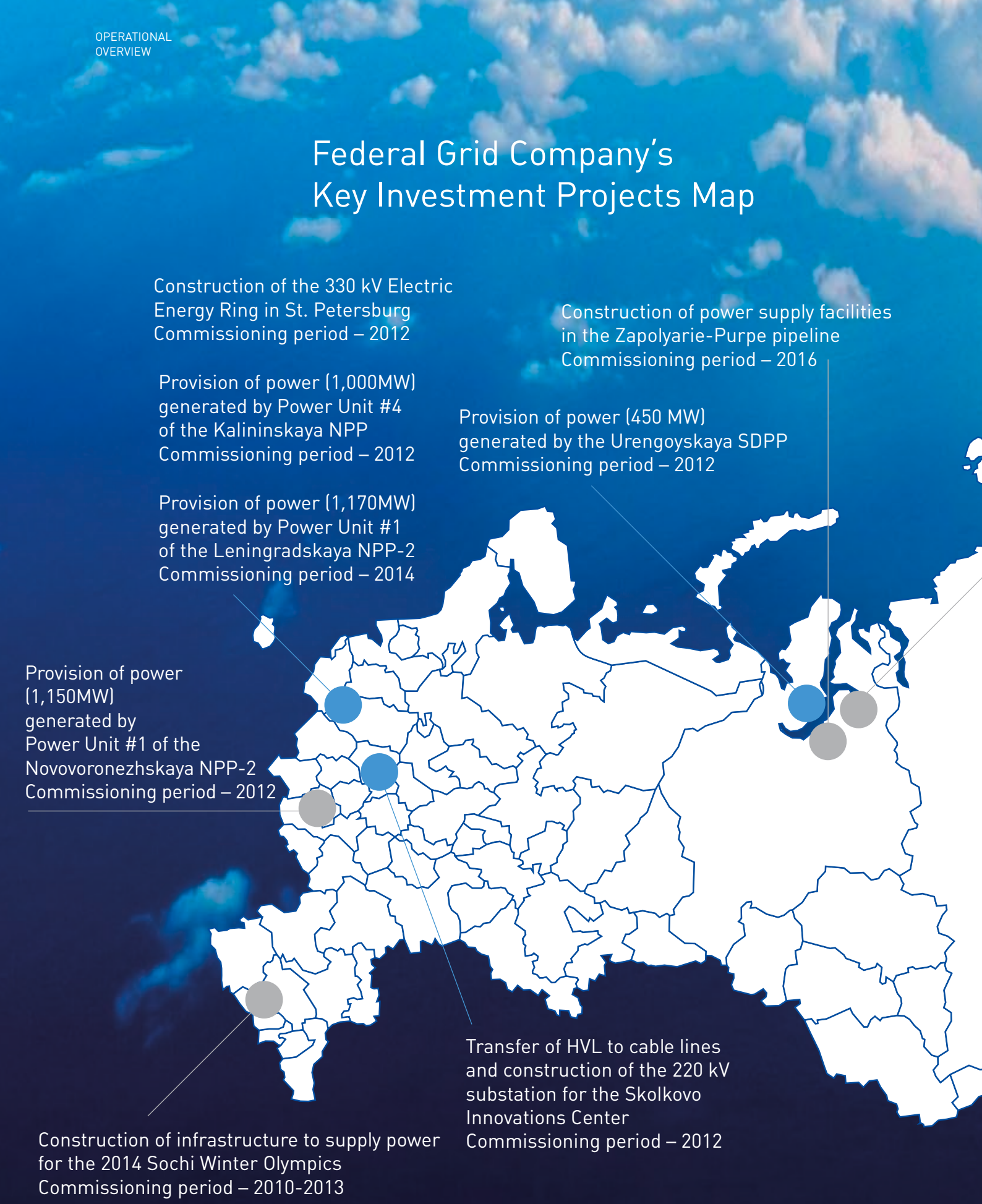
Power supply to the Skolkovo Innovations Center

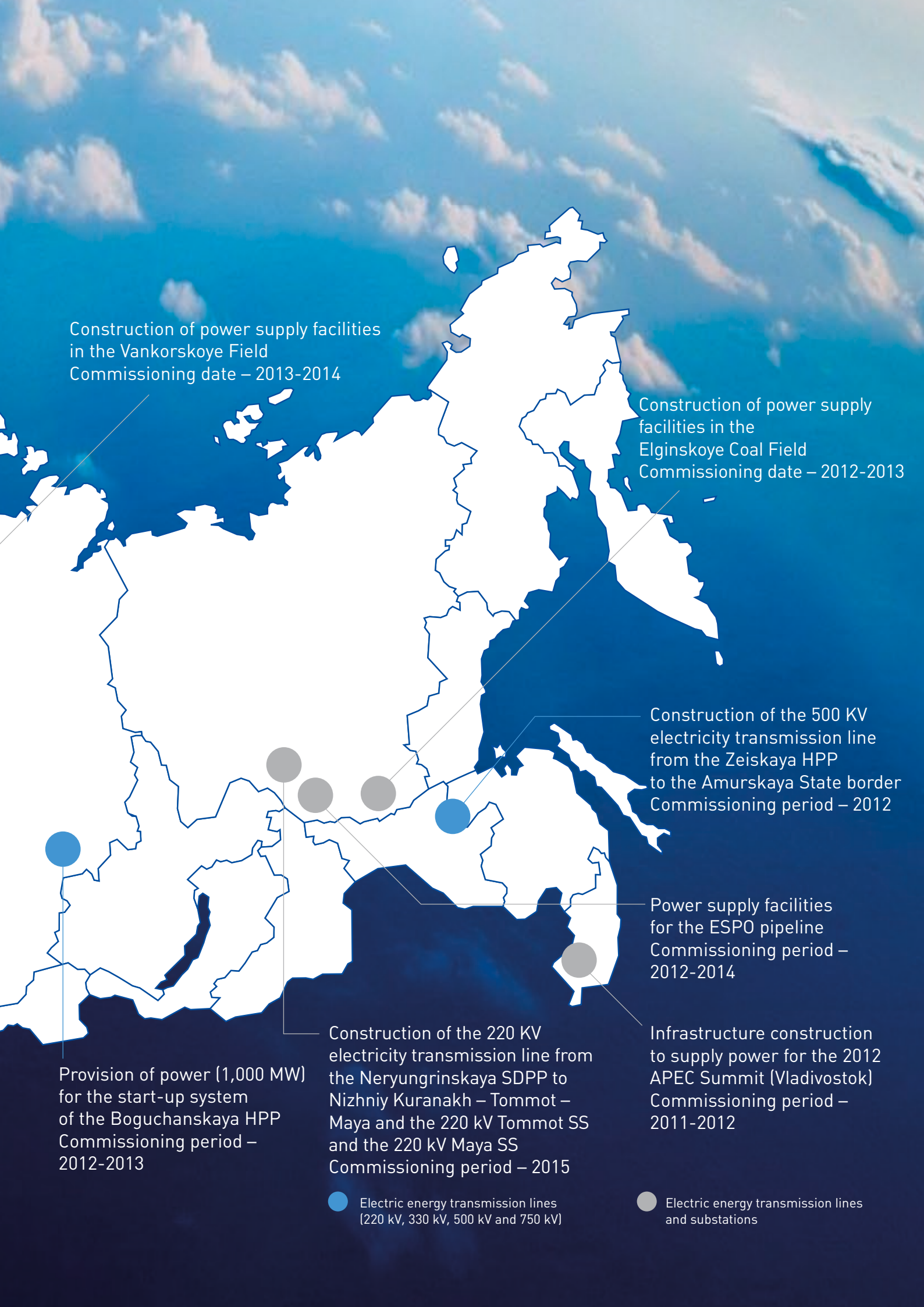
Power supply to the APEC Summit

The 330 kV Electric Energy Ring in St. Petersburg

The ESPO Pipeline

Federal Grid Company's Key Investment Projects Map




Construction of power supply facilities in the Vankorskoye Field Commissioning date – 2013-2014
Construction of power supply facilities in the Elginskoye Coal Field Commissioning date – 2012-2013
Construction of the 500 KV electricity transmission line from the Zeiskaya HPP to the Amurskaya State border Commissioning period – 2012
Power supply facilities for the ESPO pipeline Commissioning period – 2012-2014
Infrastructure construction to supply power for the 2012 APEC Summit (Vladivostok) Commissioning period – 2011-2012
Provision of power (1,000 MW) for the start-up system of the Boguchanskaya HPP Commissioning period – 2012-2013
Construction of the 220 KV electricity transmission line from the Neryungrinskaya SDPP to Nizhniy Kuranakh – Tommot – Maya and the 220 kV Tommot SS and the 220 kV Maya SS Commissioning period – 2015
Electric energy transmission lines (220 kV, 330 kV, 500 kV and 750 kV)
Electric energy transmission lines and substations

Sochi-2014

Construction of infrastructure for the 2014 Sochi Winter Olympics is one of Russia's most important investment projects. Not only does our country's prestige during the Winter Olympics, but also the further development of the region, as well as Russia's sports and tourism industries, depend on uninterrupted power supply to sports facilities. Work on this ambitious project began in 2009 and includes: the construction, modernization and re-construction of 33 backbone electric grid facilities in the Sochi Region.

We are working quickly to meet the highest international standards and relevant deadlines. Work progress is controlled by the International Olympic Committee Commission. By the end of 2012, we had provided power supply to eight Olympic facilities, including: the Ledovy Sports Palace for figure skating and short-track speed skating, the Krytiy Skating Center, the bobsled track at Krasnaya Polyana, and a five-star hotel to accommodate representatives of the International Olympic Committee.

During the reporting year, as part of this project, we completed construction of two substations, the 110 kV Izumrudnaya substation with the 110 kV Psou – Izumrudnaya cable- overhead transmission line, which is 12.5 km in length, and the 110 kV Vremennaya substation with the 110 kV Ledovy Dvorets – Vremennaya cable transmission line with a length of 2.5 km. The total capacity of this power supply facility is 120 MVA.

In addition, we have put into operation the 110 kV 160 MVA Veseloye substation. In 2012, we also began construction of power facilities for the Olympics, including: the 220 kV Chernomorskiy distribution center and the new 500 kV Vardane substation, as well as the 220 kV overhead transmission lines to transmit power from the Dzhubginskaya TPP and 110 KV cable power lines that are 8.3 km long. They will connect the 110 kV Ledovy Dvorets, Imeretinskaya and Veseloye substations with the power generation facility of the Adlerskaya TPP.

33

FACILITIES TO BE RECONSTRUCTED, MODERNIZED OR BUILT

The Kalininskaya NPP

The Kalininskaya NPP is a major energy producer in the central part of Russia. The Russian economy needs new power generating facilities. The Company's responsibility here is to provide for the transmission of electric energy from new power units. In 2012, our Company commissioned all facilities for power provision from the Kalininskaya NPP. This greatly increases the reliability of the power supply not only to consumers from western areas near Moscow and the Moscow Region, but to those throughout Central Russia. One of the key facilities is the Gribovo substation, which is the largest one in Europe. Here we have used the most advanced domestic and foreign developments, which in the near future will allow us to integrate this facility into the unified smart grid system. Technical solutions introduced at the substation will be applied across the country.

Power supply to the Skolkovo Innovations Center

Switchgears for the secondary distribution systems in the Skolkovo substation

Gas insulated transformer in the Skolkovo substation

The Skolkovo substation

The Skolkovo Innovations Center, which is under construction, is designed to create favorable conditions for the modernization of the Russian economy. Leading scientists, designers, engineers and business people together with participants from educational projects will be working to integrate new technologies into the Russian economy and to create world-class competitive developments in five areas: energy efficiency and savings, nuclear technology, space technology and telecommunications, biomedical technology, and strategic computer technologies and software. Our Company is working on providing power supply to the Center. In particular, we are constructing and re-constructing nine electric grid facilities.

The power supply project of the Skolkovo Innovations Center is unique in its complexity and technological density. In developing the project, it was decided to use technologies that would make it possible to compactly and safely fit power facilities into almost any area which is dense with residential or industrial buildings. The Company has decided to build underground substations and lay underground cables lines made of cross-linked polyethylene.

In 2012, we completed the conversion of seven sections of overhead lines that go on the territory of IC "Skolkovo" with a total length of 256 km for the cable- overhead lines. Furthermore, we put into operation 235 km of the 110-500 kV cable transmission lines. The overhead lines in the area of IC "Skolkovo" have been cut-off and dismantled.

We are in the construction of two power supply centers of IC "Skolkovo": Skolkovo and Soyuz substations. Their total installed capacity will be 252 MVA. The substations will be equipped with the latest electrical equipment that has a high operational reliability and complies with modern environmental requirements.

In particular, the 220/20 kV gas-insulated autotransformers that are specifically designed for underground urban substations, complete gas insulated switchgears, and new communication systems will be installed.

252

MVA
TOTAL INSTALLED CAPACITY OF THE SUBSTATIONS

Power supply to the APEC Summit

The Asia-Pacific Economic Cooperation Forum (APEC) is an international economic organization, which was created to develop integrated links between Pacific countries. It unites 21 countries. In September 2012, Russia hosted the latest APEC Summit in Vladivostok. Preparations for such a large-scale event took a lot of time and required considerable investment. As part of the sub-program "Developing Vladivostok as a center for international cooperation in the Asia-Pacific Region" and the Federal Target Program "Economic and Social Development of Far East and the Trans-Baikal for the Period till 2013", the Company provided for the complete readiness of the electric grid complex for reliable power supply to the Summit and also for the high-quality and smooth operation of the electric grid during the international forum.

150

KM
TOTAL LENGTH OF TRANSMISSION LINES

We have built and put into operation eight backbone electrical grid facilities: the 220 kV Aeroport, the Russkaya, the Zeleniy Ugol, and the Patrokl substations, and overhead and cable transmission lines with a total length of 150 km. On Russkiy Island, the main site of the APEC Summit, we continue to work on a territorial cluster of the energy system with an active-adaptive network. Innovative technologies and modern equipment used for its development will be the basis for reliable power supply for the entire infrastructure of the Far Eastern Federal University and for residents of the island portion of Vladivostok.

The 330 kV Electric Energy Ring in St. Petersburg

Another project of national importance that we have been working on since 2007 is the construction of the 330 kV electric energy ring in St. Petersburg. Historically, the energy system of the Northern Capital has developed radially. Today's technology makes it possible to construct a new cable-overhead direct current line which will connect the southern and northern parts of the city across the Gulf, thus creating an electric energy ring. Using a ring circuit allows a two-way feed to each of the electrical grid facilities of the ring, which will upgrade the reliability of the city's power supply, minimizing the probability of major emergencies and phased blackouts.

In early 2012, we completed re-construction of the 220 kV Vostochnaya – Volkhov-Severrnaya double-circuit transmission line, which is 16.32 km long with a voltage of 330 kV. Now, the comprehensive re-construction of two substations: the 220 KV Zavod Ilyich substation with subsequent switching to the 330 kV class and the 330 kV Vostochnaya substation, which are being completed.

5

SUBSTATIONS TO BE PART OF THE ELECTRIC ENERGY RING IN ST. PETERSBURG

In the electrical energy ring in St. Petersburg, there will be five 330 kV substations: the Vostochnaya, the Volkhov-Severnaya, the Zavod Ilyich, the Vasileostrovskaya and the Severnaya substations. In addition, two overhead transmission lines (the 330kV Vostochnaya-Volkhov-Severnaya and the 330kV Severnaya–Vostochnaya) and three cable transmission lines (the 330 kV Volkhov-Severnaya – Zavod Ilyich, the 330 kV Zavod Ilyich- Vasileostrovskaya and the 330 kV Vasileostrovskaya-Severnaya) will be part of the ring.

The ESPO Pipeline

The East Siberian – Pacific Ocean (ESPO) pipeline system is the pipeline that connects oil fields in Western and Eastern Siberia with the Pacific port of Kozmino in Nakhodka Bay. It aims to provide a port for Russian oil to reach markets of the Asia-Pacific Region. The Russian State-owned company Transneft is the ESPO's operator.

Our Company is constructing and re-constructing the backbone power facilities to connect to the electrical grids the ESPO pipeline facilities on the territory of the Republic of Sakha (Yakutia), the Jewish Autonomous and Amur Regions, and the Khabarovsk and Primorsky Territories.

During the reporting year, we have energized six 220 KV transmission lines and four 220 KV substations in the Primorsky and Khabarovsk Territories for the external power supply to the second stage facilities of the pipeline "Eastern Siberia - Pacific Ocean" (ESPO-2) - pump stations 36, 38, 40 and 41. In addition, we have provided external power supply to the oil pumping station (OPS) -24 by building a new 220 kV substation with a transformer capacity of 50 MVA.

Telecommunications and IT System Development

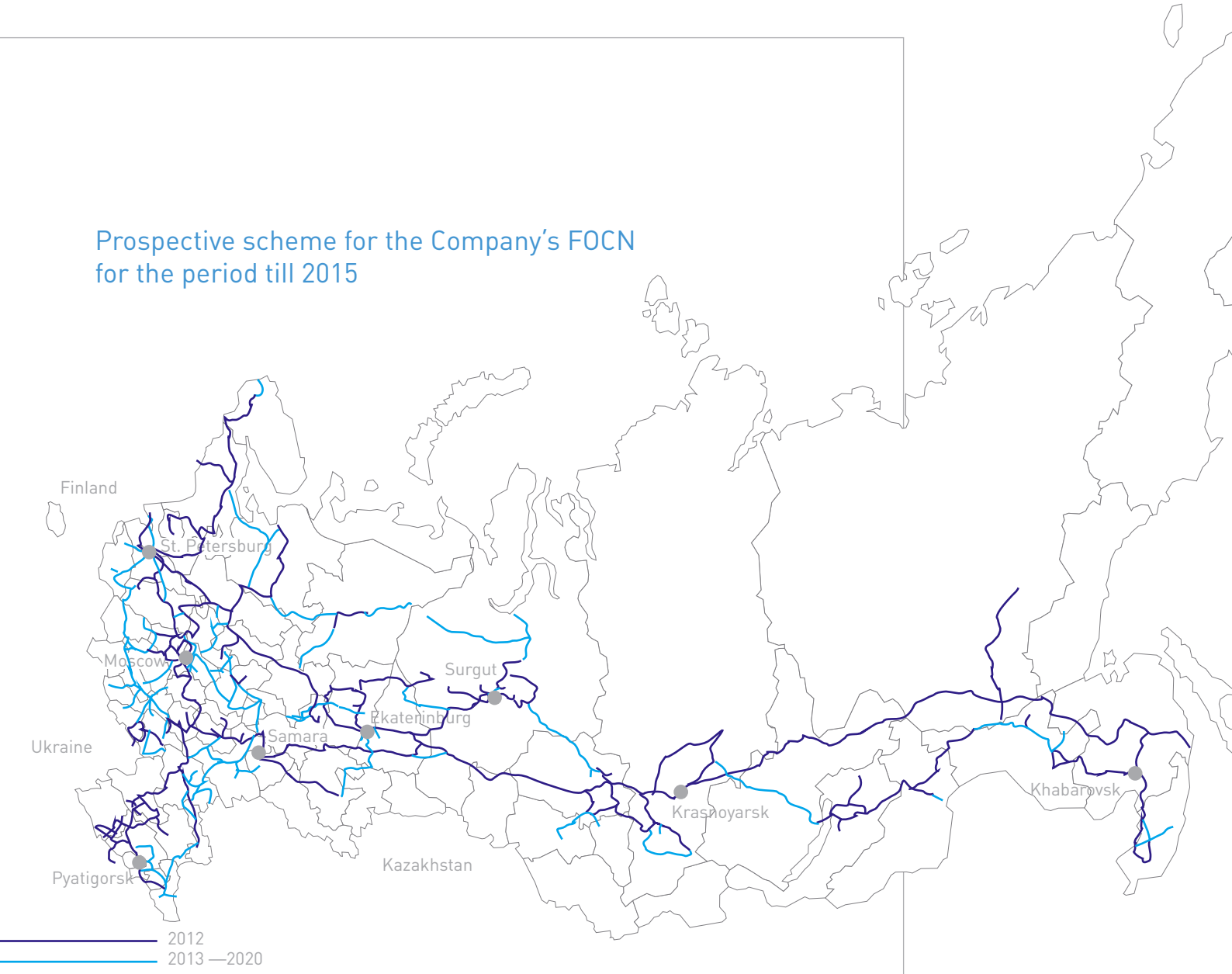
The UNEG development, the building of a smart grid and the effective management of the Company's business is based on utilizing advanced and modern telecommunications and information technologies. Our Company operates the Energy System's Unified Process Communications Network (hereinafter - ESUPCN), which is designed to provide process control in the production, transmission and distribution of electricity, maintenance control and electric power operations.

The main direction of ESUPCN development is digitalizing the network and making it smart, which will enable existing services to be administered and new services to be created via standardized tools. This is achieved through the construction of fiber-optic communication networks (FOCN), deploying satellite communication systems, mobile digital radio communication systems and the widespread introduction in electrical grid facilities of communication systems and modern switchgear equipment, promising technologies, and next generation multi-service networks.

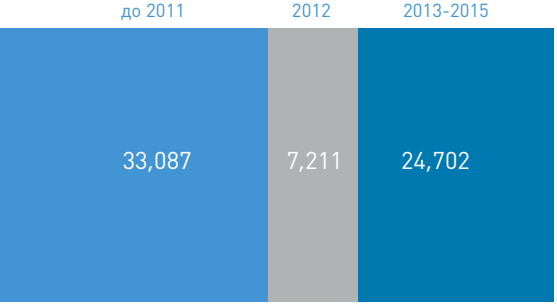
Fiber-optics Communication Network (FOCN)

The fiber-optics communication network (FOCN) is the basic energy system's communication network, which is built using a fiber-optic cable suspended on overhead electric energy transmission lines. Apart from the construction of the new FOCN, we are working on the implementation of large-scale resources provided for by major communication operators and rendered on the basis of long-term ongoing lease agreements.

Prospective scheme for the Company's FOCN for the period till 2015



Completion and projected volume of FOSN construction, km



In 2012, we completed construction of the FOCN in the following areas of electric energy transmission:

— The Pyatigorsk – Mineralnye Body – Nalchik – Vladikavkaz (670 km);

— The Lipetsk – Voronezh – Belgorod (750 km);

— The Krasnoyarsk – Khabarovsk in the territory in which the MES East operates (750 km).

29.06.2012

Our Company completed construction of the fiber-optic telecommunications line the Lipetsk-Voronezh-Belgorod with a 750 km length. The new line will allow for the more efficient management of electric grid facilities, and increased reliability of electric energy supply in this region.

Satellite Communications Network

To upgrade the reliability and visibility of electric grid facilities, the Company is building a satellite communications network based on VSAT-technology.

In 2013, the Company plans to complete equipping substations with satellite communication installations. While the FOCN-based communication network is formed, the satellite communications network will be used as a backup network. The switch-over of satellite channels to the mode of operating availability will significantly reduce communication costs.

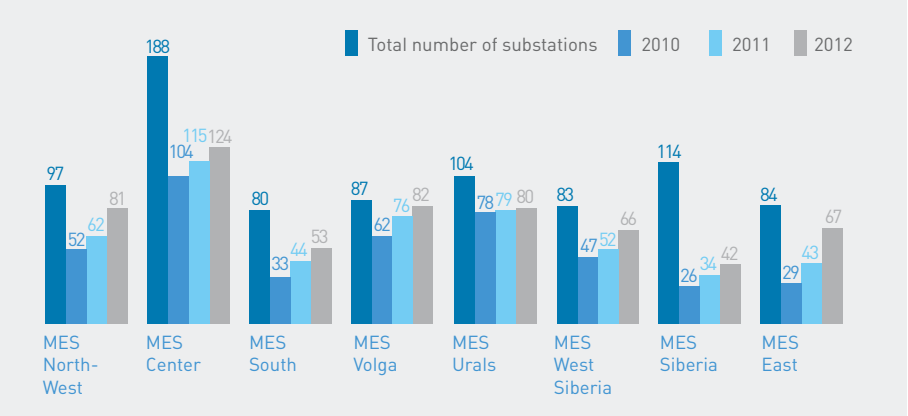
High Frequency Communication Lines

High frequency communication lines are the electric system's technological communication network that transmits through its channels voice, tele-mechanics data, and the Automated System for Commercial Metering of Electric Energy, as well as relay protection and emergency control commands needed for process control in the power industry (under both normal and emergency conditions). It is a specific type of wire channel, where phase wires and cables of overhead transmission lines are used as a signal-carrying medium. In 2012, as part of the new construction and re-construction of electrical grid facilities, the Company upgraded high frequency communication systems and put obsolete equipment out of service due to commissioning the FOCNs.

The Telephone Communications Network

Built on the hub network basis, the power industry's telephone communications network provides for interactions with the process network of the System Operator and other electricity market participants. The development strategy of the telephone network provides for VoIP technology, along with traditional services.

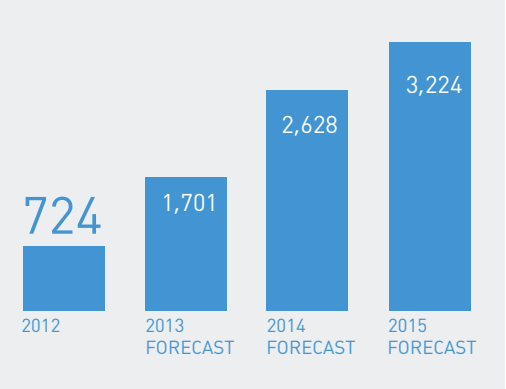
Equipping UNEG substations with digital switching equipment for telephone communication systems



Systems Based on the Global Navigation Satellite System (GLONASS) Technology

Used in corporate branches, the transportation monitoring system based on GLONASS/GPS technology is intended to obtain real time information on the location of transportation vehicles to control the fulfillment of assignments, as well as to monitor mileage and fuel consumption. The implemented transportation monitoring systems are integrated with geographic information systems and an automated transportation operation accounting system. The number of corporate transportation vehicles equipped with GLONASS is growing. During the reporting year, 724 vehicles were equipped with this system, and in 2013, we plan to increase the number of transportation vehicles equipped with GLONASS equipment by more than 100%.

The Company plans to increase the number of transportation vehicles equipped with GLONASS



Automated Process Control System

14.03.2012

Federal Grid Company completed installation of the Automated Information and Measurement System for the Commercial Metering of Electrical Energy (AIMS CMEE) at the 110 KV Vremennaya substation in the Sochi Region. It will be the main source of power supply for the Media Center of the 2014 Winter Olympics (Sochi). Implementation of the AIMS CMEE will enable the Company to receive full operational parameter data for the substation network and transmit it in real time via the satellite channel to the data acquisition and processing center of the MES South and to Federal Grid Company's Executive Office.

The Automated Process Control System (APCS) is a unified distributed hierarchical system which allows both operational and non-operational functions to be performed by Electric Grid Control Centers, improves UEG mode control efficiency due to the high level of visibility, prevents outages and reduces the time for decision-making and the probability of erroneous actions by operational staff in emergency conditions.

As the UNEG functional control system, the APCS integrates means and sub-systems of existing independently developing automatic and automated control systems (the Automated System of Technological Process Management, the Data Acquisition and Transmission System, the Automated System for Dispatch and Engineering Control, the Relay Protection and Automatics, the Automated Information and Measurement System for Commercial Metering of Electrical Energy), providing a sufficient interface for control systems of the System Operator, the Distribution Electric Grid Companies.

As the UNEG operational and development control system, the APCS integrates automation equipment and systems for dispatch & processing and production & technical activities of Federal Grid Company and the MES and PMES services.

As part of the Sozdanie APCS project, the Company is working on implementing:

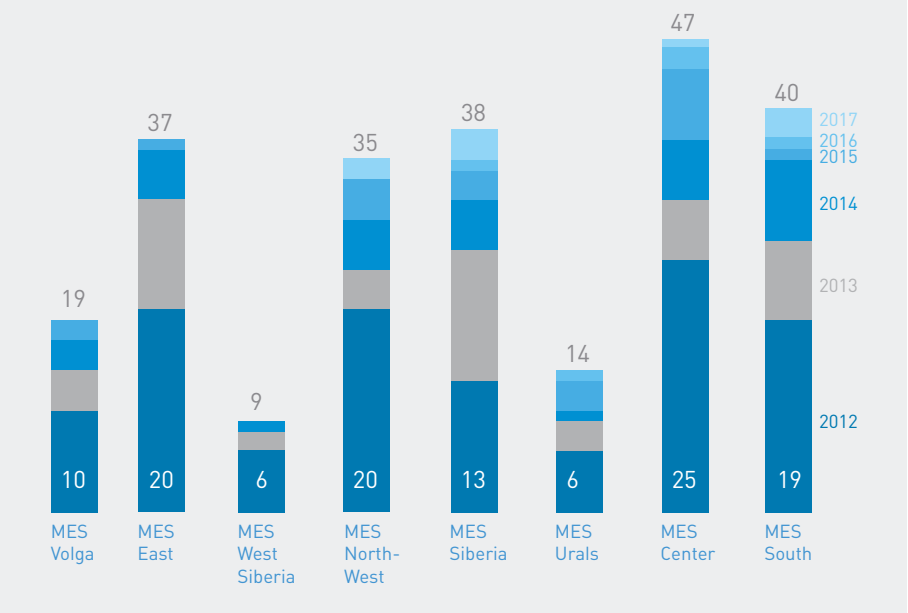
— The Automated Dispatch and Engineering Control System of Electric Grid Control Centers for (ADECS EGCC) PMES and MES. Within this framework, during the reporting year, we put into operation the Software and Hardware Complex of the Automated Dispatch and Engineering Control System of Grid Control Centers for the Primorsky PMES to provide uninterrupted power supply to the APEC Summit;

— Programs to improve the reliability and visibility of the UNEG (at the facility level). In 2012, Company specialists implemented measures to upgrade the visibility of UNEG facilities at 41 substations.

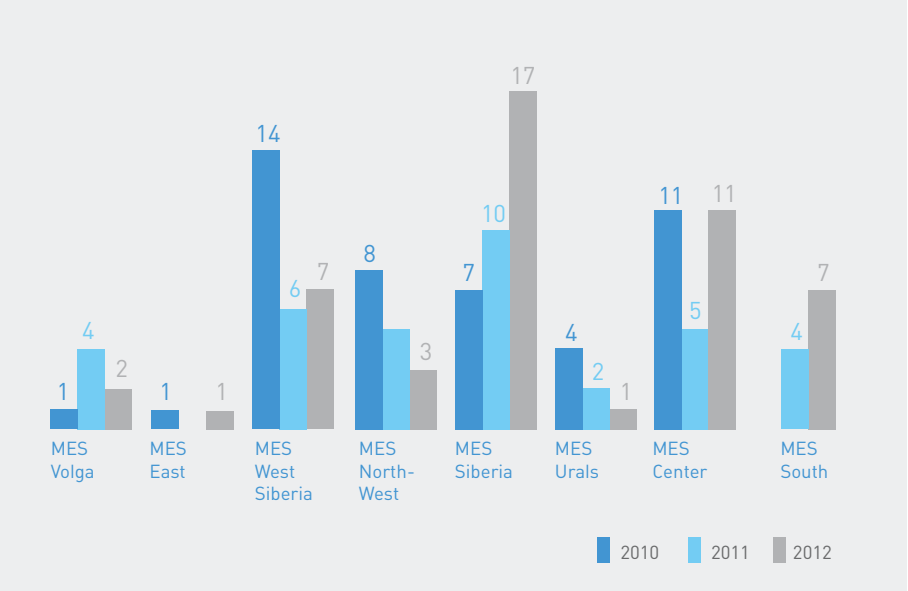
The Automated Process Control System (APCS) is a hardware and software system intended to collect, analyze, visualize, store and transfer process information and to automatically control the operation of substation equipment.

Currently, the Company is actively implementing the APCS systems based on the MEK 61859 protocol. Innovative projects involving the establishment of digital substations are under way. The system is equipped with an interface allowing personnel to control SS process operations implemented in line with interactions with the hardware and software complex.

Putting into operation the APOC system



Commissioning data acquisition and transmission systems at the UNEG substations



Development of corporate and technological information systems

For the reporting period, we successfully fulfilled the following work and put into operation the following systems:

Within the framework of the Program for the automation of investment activities:

— The Automated project management system based on Oracle Primavera was implemented as a part of Automated system for investment activities management;

— The Automated system "Design and estimate documentation" was implemented;

— The project aimed at developing the Automated system "Formation of the investment program" was completed in respect to the functions of forming a quarterly financing plan on the approved investment program until 15 December of the year preceding the planned year. The Company also implemented the function of adjustments in the plan for the current quarter and the next quarters until the end of the year.

Within the framework of the Program for the automation of managing UNEG assets:

— The first stage of the project for creating a budgetary and regulatory base for transmission lines and the electric equipment of substations of the UNEG was implemented;

— The software providing for the formation and approval of repair and maintenance plans was developed and implemented;

— The Automated system for repair and maintenance records was modernized in respect to planning repair and maintenance actions made in-house, and the formation and analysis of the respective records.

Within the framework of the Program for the automation of corporate resources:

— The analytical personnel management system based on SAP HR and SAP BI was implemented;

— The automated system "Record keeping for counter-parties" was implemented.

Within the framework of the Program for the automation of operating management and grid monitoring:

— Replication of the Automated system of recordkeeping and analysis of disturbances for the Company's branches was completed.

Within the framework of the Program for the automation of asset management:

— The Automated system of contracts management was put into operation;

— The IFRS accounting and reporting system was put into operation.

Within the framework of the Program for IT/Infrastructure development:

— The basic models of the Corporate Information Management System were modernized. The Company switched to an upgraded version of SAP R/3.

Within the framework of the Program for the automation of interactions with customers and the market:

— To provide for the compliance of the Automated system of control and record-keeping for energy resources in substations with WECM's requirements, the Company received 435 Passports of compliance with Class C for the System and the Passport of compliance of the Automated system for control and record-keeping for energy resources in the UNEG with the same Class C.

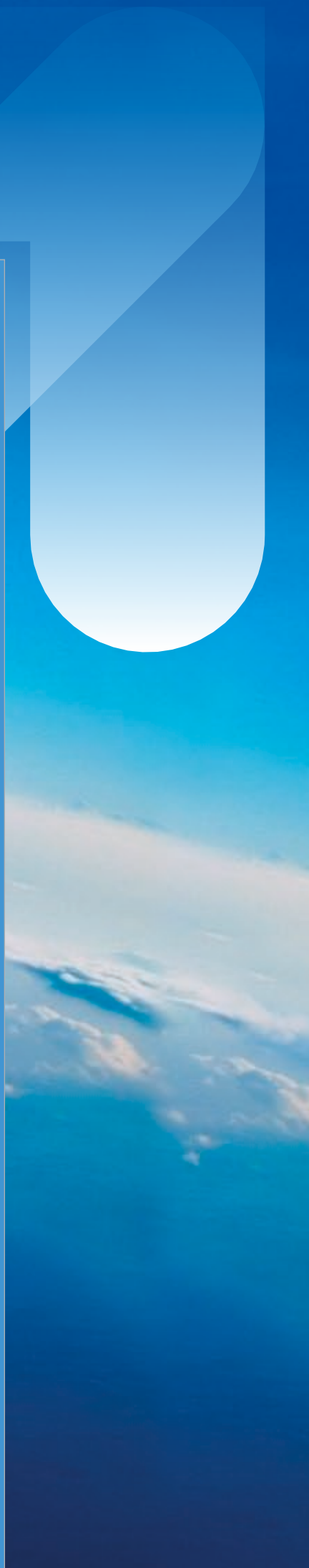
↓19.5%

DECREASE IN THE SPECIFIC ACCIDENT RATE IN 2012 (COMPARED WITH 2008)

↓14.3%

INJURY RATE REDUCTION

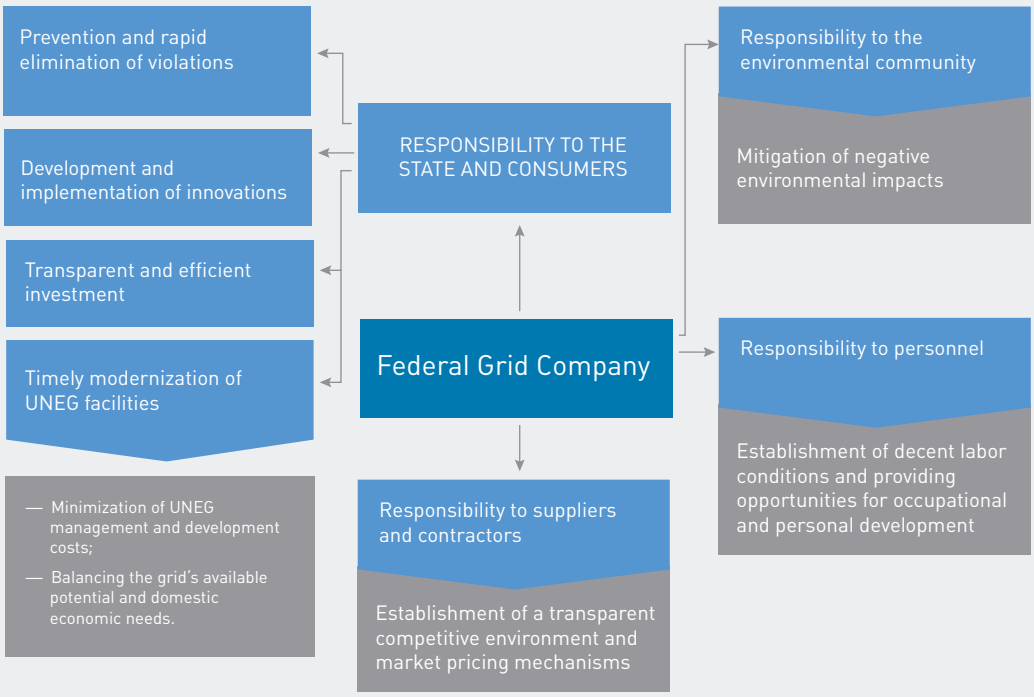
Social Responsibility and Sustainable Development



Federal Grid Company of Unified Energy System

General Sustainable Development Policy and Social Responsibility Principles

The Company's position on corporate social responsibility (CSR) issues is based on the awareness that the key aspect of the Company's CRS consists in providing for the reliable and uninterrupted supply of power to UNEG facilities. We have voluntary obligations before stakeholders, concerning the management of the Company's impact on the environment, the public and the economy. We strive to fulfill these obligations in cooperation with stakeholders. The Company's priorities in this respect include: sustainable development and implementation of the corporate strategy.



Since 2008, the Company has published annual reports on social responsibility and corporate sustainability, informing shareholders, investors, employees, partners, customers and local communities on the Company's strategy for corporate social responsibility, and disclosing the efficiency of socially-significant corporate projects and their influence on the social and economic situation in the regions in which the Company operates. The Company's social responsibility reports are prepared in accordance with disclosure standards for non-financial statements, and GRI (G3) Guidelines, the GRI's industry energy protocol, and AA 1000 SES standard. Annual Report preparation involves discussions with stakeholders pertaining to the key topic of the Report and the collection of disclosure requests. Prior to publication, the text of the Report is discussed publicly in the form of hearings held either in absentia or in person.

The Company's reports are registered in the National Registry for Corporate Non-Financial Reports, which is maintained by the Russian Union of Industrialists and Entrepreneurs (RUIE).

The Company's 2011 Social Responsibility and Sustainability Report won "The Best Corporate Social Responsibility and Sustainable Development Report" category at the XV Annual Federal Annual Reports Contest.

The full text of the social responsibility and corporate sustainability reports of Federal Grid Company are available on the Company's website at

http://www.fsk-ees.ru/about/corporate_social_responsibility/

Stakeholder Relations

We are well aware of the importance of our business in a dynamically changing world, as well as of the impact that it has on the economy, the environment and social development, in general. As one of the leading energy companies, we consider stakeholder interactions to be a means to consolidate resources to resolve problems and to achieve common goals.

While interacting with stakeholders, we inform them about the Company's key activities, sharing our views on events and facts. Understanding and analyzing key stakeholders' expectations in regard to issues that are vital for the Company have formed the basis for upgrading corporate social responsibility processes.

The Company's interactions with stakeholders

	INITIATIVES IMPLEMENTED IN 2012
State Authorities	Conclusion of cooperation agreements pertaining to the UNEG development and the improvement of the efficiency and reliability of power grids and power grid facilities
Generating companies	Emergency response hot lines for information feedback from energy consumers, the launch of the new "Technological Connection Services" Information Portal
Major industrial consumers	
Investment community and shareholders	General Shareholders Meeting, meetings of the management with analysts, briefings with physical persons, minority shareholders
Company employees	Young specialists' attraction and retention program, the Dynasty program, the Days of Open Doors, the Olympics and the organization of student teams
Contractors and suppliers	Signing agreements with major partners, including: INVENT Ltd., MICEX-RTS, Vneshekonombank, the Eurasian Development Bank and Alstom Grid

HR Policy

The Company's HR Policy is an integrated system of HR management intended to ensure the Company's investment attractiveness and to balance the optimal use of the employees' performance results, the achievement of corporate strategic goals, and the provision of social benefits and guarantees in line with employees' needs and expectations. One of the priorities of the Company's HR Policy is rotating and retaining the quantitative and qualitative characteristics of personnel to ensure the reliable functioning and dynamic development of the power grid complex.

HR Policy goals

- Efficient organizational planning
- Comprehensive management of HR properties
- Management of HR development
- Management of the HR number
- HR efficiency management

The Company's HR Policy elements

- Organizational planning
- Compensation and motivation system
- HR development and training
- HR reserve
- Social support
- Labor relations
- Internal communications and corporate culture development

25,103

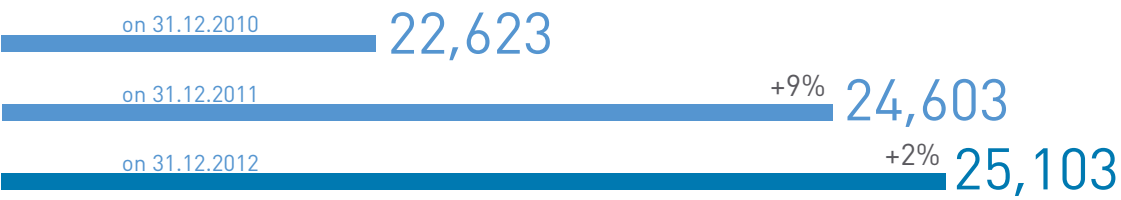
TOTAL NUMBER OF CORPORATE EMPLOYEES AS OF 31 DECEMBER 2012

The number and qualitative composition of personnel

The Company's total head count on 31 December 2012 was 25 103 employees. This figure represents a two percent increase in the total number of employees compared with the previous year, due to new job creation at corporate facilities (primarily to ensure the reliable operation of Olympic power facilities), and to implement the Company's investment program.

On the whole, the number of employees grew 11% during the 2010-2012 period. This can be attributed to commissioning and energizing new UNEG facilities.

Changes in the Company's head count over the three year period, employees



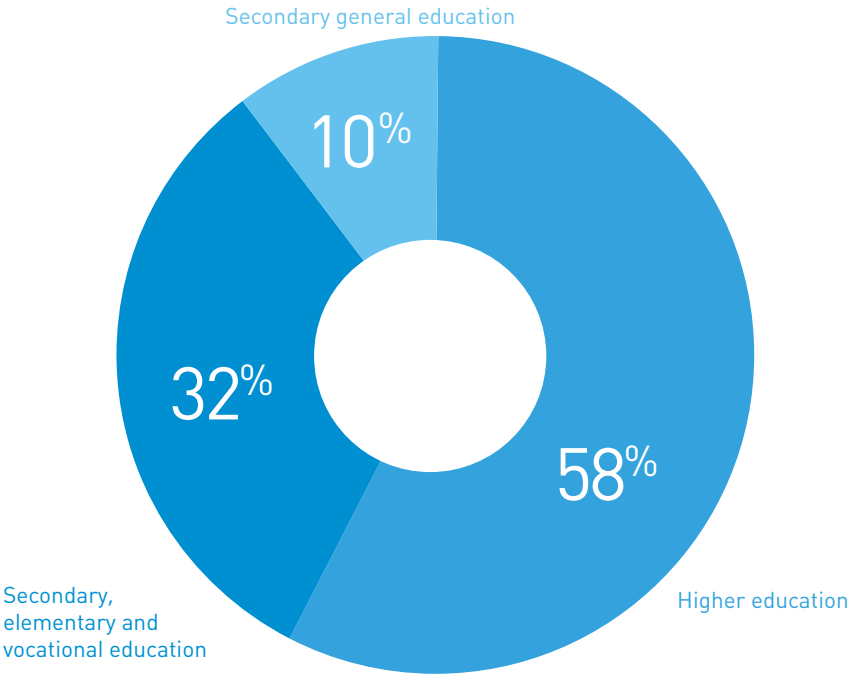
Personnel Structure by Category and Gender

Employee category	Total Employees	Of them: Men Employees	%	Women Employees	%
TOTAL NUMBER	**25,103**	**20,109**		**4,994**	
Management	3,902	3,404	17	498	10
Specialists/Employees	10,087	6,462	32	3,625	73
Laborers	11,114	10,243	51	871	17

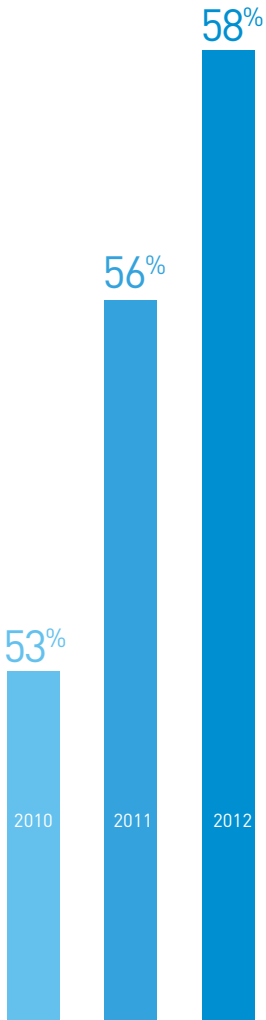
Personnel Structure by Education and Age

The Company sets strict requirements as to the education level and qualification of its employees and this pays off. For example, in 2012, the share of employees with higher education grew 2% (vis-à-vis 2011) and stood at 58%.

Employees' Education Level



Changes in the share of employees with higher education



During recent years, the Company's personnel structured broken down by age demonstrates a marked tendency towards a decrease in the number of middle-aged employees and a rejuvenation of manpower. During the 2010-2012 period, the average employee age fell from 39.8 to 38.8 years (as of 31 December 2012). The majority of the Company's employees (56%) are people in their prime, meaning younger than 40 years old. Therefore, the Company maintains balance, attracting young and motivated employees and retaining experienced and highly qualified personnel, ensuring the transfer of professional knowledge and skills across generations.

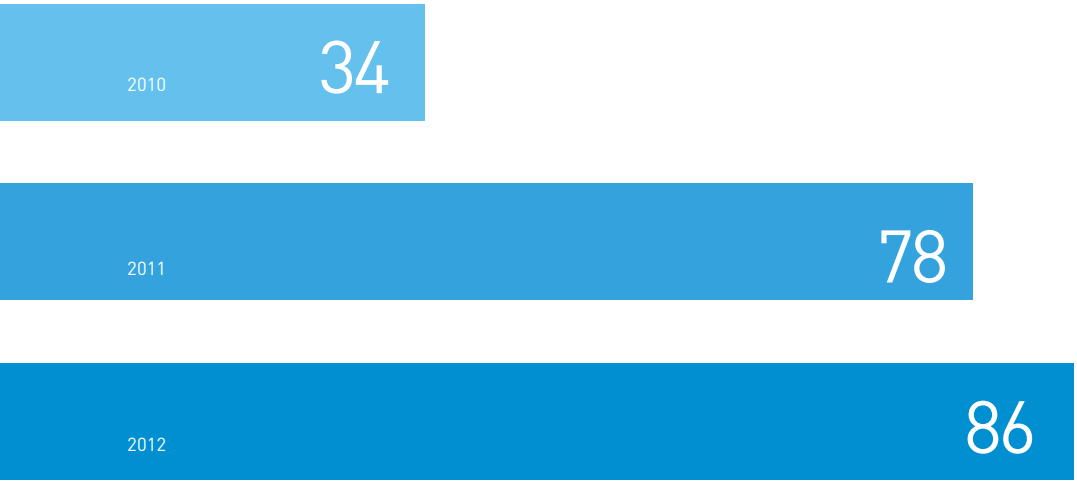
58%

SHARE OF EMPLOYEES WITH A HIGHER EDUCATION

Personnel Dynamics

The Company pays significant attention to managing the number of employees, as this management is instrumental to resolving the problem of filling key occupational positions and attracting young specialists. The Company actively cooperates with higher education establishments and schools. We concluded cooperation agreements with 45 Russian specialized education institutions. In 2012, the Company's target scholarship program covered 86 students who will be offered job opportunities in different corporate divisions after graduation.

Number of participants in scholarship programs



The Company's staffing level is rather high, standing at 97% of its target strength as of 31 December 2012. From 2008 to 2012, the personnel flow index fell 1.5%, to 6%.

Monetary Incentives

The Company's labor compensation system takes into account the position category, the performance results of the Company's subsidiaries and divisions, and peculiarities of the regional labor markets, as well as the individual contributions of each employee. Furthermore, we have conducted a survey of compensation received by employees occupying key positions in competing companies, to prove that the compensation paid by the Company corresponds to the middle segment of the labor market. To maintain and increase monetary incentives, the Company's subsidiaries perform an annual indexation of compensation (tariff rates) for employees, increasing compensation by the value of the actual growth in the consumer price index in the Russian Federation, which forms the basis for a stable increase in labor compensation.

Employee income structure

Fixed share

60%

Position salary/rate/tariff (37%)

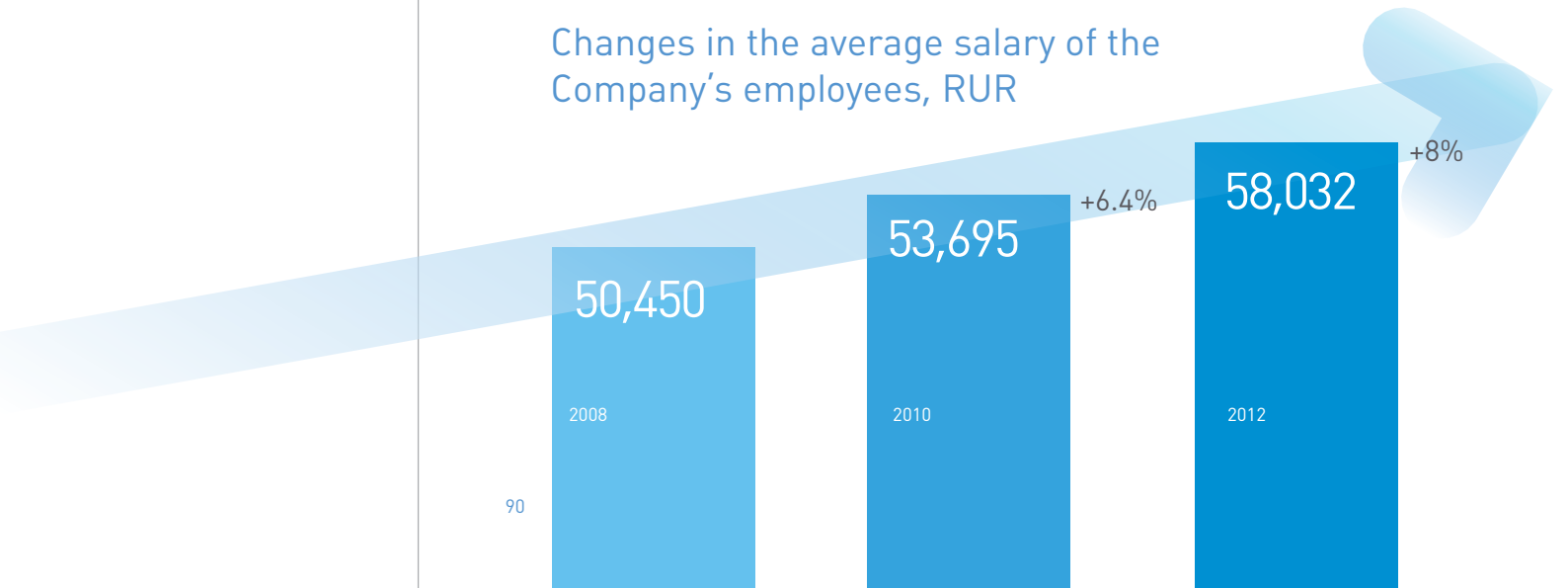
Increments to earnings
— Working conditions
— Duty schedule
— Length of service
— Other

Variable share

40%

Bonuses
— Monthly bonuses
— Quarterly bonuses
— Annual bonuses
— Non-recurrent bonuses

Changes in the average salary of the Company's employees, RUR



58,032

RUBLES – AVERAGE (MONTHLY) SALARY FOR THE COMPANY'S EMPLOYEES

Employment benefits are another tool that the Company utilizes to improve employee motivation.

ATTRACTION AND RETENTION OF HIGHLY QUALIFIED PERSONNEL

OBJECTIVES	EMPLOYMENT BENEFITS
Motivating personnel for long-term employment	— Pension plan — Support programs for Company veterans — Rewards scheduled for anniversary and retirement dates — Rewards for pensioners scheduled for professional and anniversary dates
Efficient rotation and relocation of personnel	— Housing rent compensation
Contributing to the health and operating efficiency of personnel	— Voluntary medical insurance — Accident insurance — Compensation for wages lost due to temporary disability — Sanitarium and health resort treatment — Financial assistance related to illness
Social support of personnel	— Financial assistance connected with scheduled leaves, marriages, childbirth, and funerals — Additional leave — Monthly payments to employees with many children or children with disabilities

Forming an HR Reserve and Personnel Assessment

The Company's concept of production and the technical HR reserve formation (which was developed in 2011) enabled the Company to comprehensively deal with the personnel reserve, forming a model of competencies used to determine the knowledge level, and managerial experience and skills of candidates for the reserve. This was complemented by developing the mentorship system.

During 2011-2012, personnel assessment initiatives for reserve candidates were implemented in all branches of the Company, while mentor training programs were implemented in the MES Center, MES North-West, and MES Volga. The total number of reserve candidates was 1 497 employees, with 478 of them enrolled in the tactical reserve and 143 employees participating in the mentor training program.

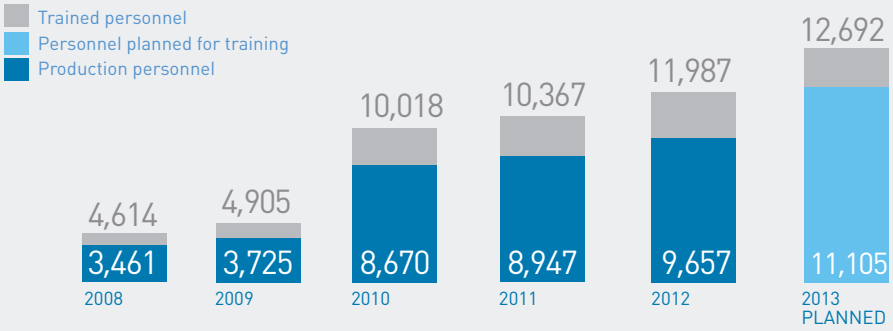
During the reporting year, the Company developed guidelines to assess the competencies of the Company's branch management, looking for candidates for the PMES facility director. The assessment covered 29 employees from the Company's HR reserve and 38 actual PMES directors. All assessment participants and PMES directors received feedback based on assessment results.

Personnel Training and Development

11,987

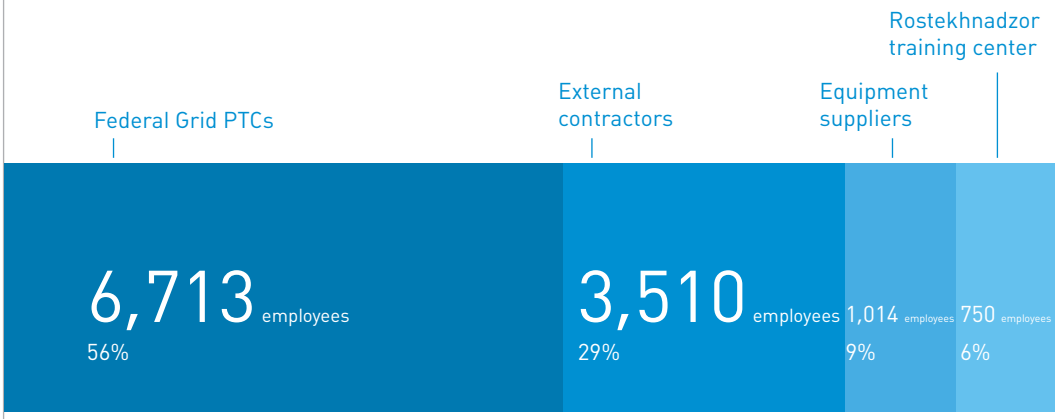
EMPLOYEES PARTICIPATING IN EDUCATIONAL PROGRAMS IN 2012

Personnel training, employees



Corporate personnel's strong professionalism is a key factor driving reliable UNEG operation.

In 2012, 11,987 employees took part in educational programs, including 9,657 operational employees. 6,713 employees took courses in the Company's own Personnel Training Centers (PTCs).



In all regions where Federal Grid Company operates, we have created a network of education centers. It allows us to successfully resolve the problem of forming an integrated educational space for our personnel and to increase the standards and enhance the quality of training.

All PTCs are equipped with training simulators developed for each branch, which imitate the dispatcher's operating and information complex. In 2013, we will complete construction of electric grid training areas with initial substation equipment, fragments of transmission lines (transformers, switches, disconnecting devices, and supports) and micro-processor panels of RP and EA.

In the reporting year, together with the Center of National Film, a film studio, we completed production of a series of educational films dedicated to the most topical activities of the Company.

The educational films allow us to standardize training, to improve quality. Moreover, they let us hold distance education and self-education.

In 2012, in line with our cooperation with Moscow Management School "Skolkovo", we implemented the following programs:

— Youth round tables held as a part of the St. Petersburg International Economic Forum – 2012 and the Baikal Economic Forum;

— Joint educational program "Integration of Federal Grid Company's and IDGC Holding's innovative development programs;

— Integrated program "Federal Grid Company's Strategic Personnel Reserve".

In 2012, we continued the personnel training project called Knowledge Days launched in April 2011. The project is aimed at comprehensively improving ongoing skills for corporate employees and our employees' professional mobility, as well as on enhancing new employees' ability to settle into the Company and creating a knowledge management system. 10,011 employees of the Company took part in the projects' events; in 2013, IDGC Holding's personnel joined the project.

As a part of the system of forming the integrated system of personnel training of Federal Grid Company and IDGC Holding, we undertook the following measures in 2012:

— Joint training within the framework of the Knowledge Days project, which is dedicated to reviewing and analyzing technological disturbances that have occurred due to personnel's incorrect actions;

— Joint emergency protection training, which involved the personnel of Federal Grid Company's PTC, operating and repair employees of MES Volga, MES Ural and IDGC Holding;

— Joint training related to fire protection, labor protection, preventing disturbances in the operations of transmission lines, and enhancing procurement activities, media relations and interactions with personnel.

Strengthening Corporate Culture

The Company's corporate culture joins employees together as a united team, providing motivation for fruitful work, mobilizing their initiatives and facilitating communication. The Company has an established range of values which are essential for members of the corporate team, who are engaged in the major and complex business of supplying electric power to all Russian regions.

In 2012, which marks the Company's 10th anniversary, significant attention has been paid to corporate culture development.

The Company has published the "Federal Grid Company. Ten Years" photo album, which contains works of the best Russian photographers. It was an initiative realized jointly with the Moscow Photography House. A jubilee exhibition and the presentation of the album took place 27 June 2012 in the Moscow Photography House. On the eve of the Power Engineers' Day in December 2012, photographs from the album were exhibited in the Russian Parliament.

The "Dynasty" program launched by the Company in 2010 to foster labor traditions serves to familiarize children of employees with production facilities, and to organize drawing contests such as "Unified Grid – Unified Country", a contest which has been organized for the children of Company employees, as well as for those of employees of JSC IDGC Holding. The program also helps to organize New Year's festivities for children of Company employees.

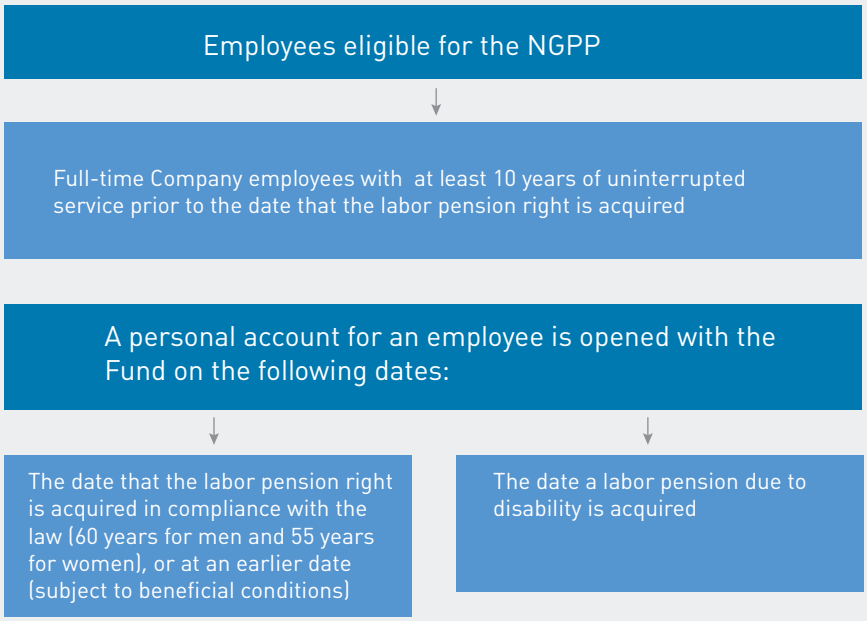
The Company promotes healthy lifestyles, supporting sports and physical activities. In 2012, Company employees participated in Winter and Summer Olympics organized by Federal Grid Company. In October 2012, a second Chess Tournament (in memory of Mikhail Botvinnik) was held. The Tournament, attended by power industry professionals, was organized by the Company and JSC R&D Center of Federal Grid Company. Tournament participants included 26 teams representing Federal Grid Company and other grid companies.

21.04.2012

On 21 April 2012, to celebrate the upcoming Victory Day, more than 1500 employees of the Company's administration, MES Center and the Company's subsidiary and dependent companies (SDCs), including corporate veterans came out to clean up the territory of the Hill of Respectful Salutation Moscow Memorial and to lay the foundation for the Alley of Power Engineers. After finishing work, a ceremony took place to honor the veterans and place a floral tribute at the Eternal Light. The Company hosted traditional celebrations for veterans dedicated to memorable dates (Victory Day, the Power Engineers' Day). Cultural programs for these veterans included visits to Moscow's best theaters and museums.

Non-governmental Pension Programs

A non-governmental pension program for corporate employees was approved in 2004, to attract and retain the best industry professionals and to provide social support to employees, even after retirement.



The number of employees who received non-governmental pensions funded by Federal Grid Company during the Program's lifecycle was 3 628. In 2012, the Company transferred RUR320,735,413 to the Non-governmental Pension Fund of the Power Industry.

320735413

RUBLES TRANSFERRED TO THE NON-GOVERNMENTAL PENSION FUND OF THE POWER INDUSTRY IN 2012

The Housing Program

Last year, the Company launched a long-term corporate assistance program to upgrade employees' housing conditions. The program helps employees either to rent housing that can be used while the employee works at the Company, or to purchase an apartment of their own.

In 2011-2012, the Program helped 708 Company employees, including 282 young specialists, purchase various housing options of their own.

During the reporting year, the Company began to develop its own housing stock. The Company provided 275 apartments in the Sochi Region for employees who are working to ensure the reliability of power facilities at the Sochi 2014 Olympics.

In addition, the Company compensates its employees the cost of housing for one year. Young specialists are eligible for this benefit for a period of up to three years. In the reporting year, the number of employees renting various accommodations with corporate support was 653.

708

COMPANY EMPLOYEES PURCHASED VARIOUS HOUSING OPTIONS IN 2011-2012 WITHIN THE FRAMEWORK OF THE CORPORATE HOUSING PROGRAM

2,124

COMPANY EMPLOYEES WERE AWARDED WITH "TEN YEARS OF FEDERAL GRID COMPANY" ANNIVERSARY BADGES

The Awards Policy

Company employees are entitled to awards if they are distinguished in: their services to the State, the fuel and power industry and the Company, as well as if they demonstrate high production and management efficiency, achieving best practice results in the operation, construction and re-construction of power grid facilities.

The number of Company employees who received awards during the reporting year was 4,585,

including 171 employees who were awarded by the Russian Ministry of Energy for their services to the industry. Sixty-eight employees were recognized by the All-Russian Association of Employers of the Power Industry. Other honors, including honorary titles and badges, were granted to 141 employees.

Recipients of the Diploma of Merit totaled 625 employees, with another 583 employees receiving letters of honor. In addition, 2,124 Company employees were awarded with "Ten Years of Federal Grid Company" jubilee badges in 2012, to commemorate the tenth year of the Company's establishment.

The Company's Impact On Russian Regional Development

Federal Grid operates in 75 Russian regions. We are aware of the Company's significant role in resolving problems (both economic and social) that are essential for the regions. Thus, we make every effort to enhance our contribution to the regions' economies, to establish new and to maintain existing employment opportunities, to heighten the education level of people living in the regions and to participate in environmental protection activities.

Social Aspect – Educational Programs

Power engineering is a responsible business and the industry needs highly qualified young specialists. We do everything in our power to train industry professionals in all regions in which the Company operates.

Educational initiatives implemented in 2012 included the following:

— The traditional annual Day of Federal Grid Company was attended by some 1700 students from regional higher education institutions. Topics discussed with students by Company specialists included: production, corporate culture, and Company-specific operations. The specialists also answered different questions that attendees were interested in;

— From April to June 2012, the Company hosted a second contest for students and post-graduates from industry higher education institutions to find the best research paper on main power transmission lines. The winners were awarded at the Youth Round Table (which the Company organized in Saint Petersburg);

— On 18 April 2012, the Company organized an All-Russian Conference entitled "New Generation for the New Power Industry". The Conference was attended by 300 managers of higher and secondary occupational education institutions from across Russia. The Conference agenda was dedicated to the need to comprehensively modify existing relationships between institutions engaged in educating specialists, and production facilities that are busy with large-scale technical renovation;

— In 2012, the Company organized excursions to its production facilities for more than 760 students. Nine teachers from higher education institutions underwent production training at the Company's facilities;

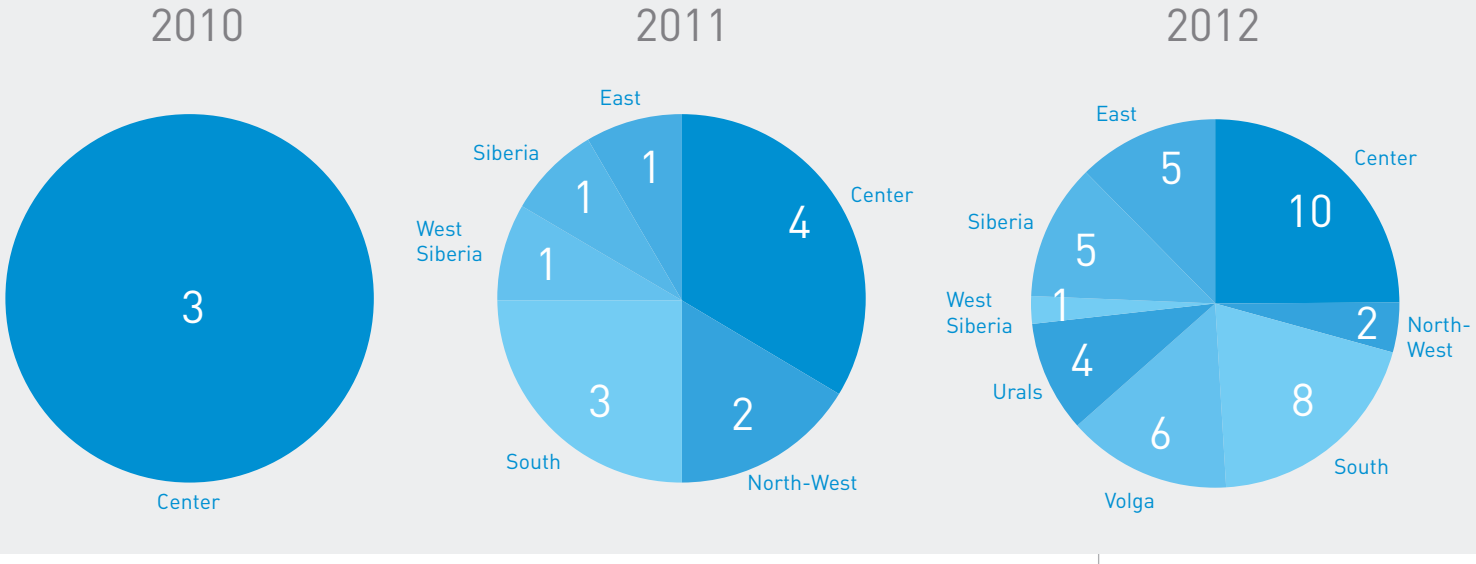
— On 20 June 2012, a ceremonial opening of the Center for the Advanced Training and Re-training of Power Grid Complex Specialists was held. The Center was organized on the basis of the Saint Petersburg State Polytechnic University, which was equipped and re-constructed with support from the Company;

— The Company provided charitable assistance to the North Caucasus Federal University to upgrade equipment in the electro-technical laboratory. Similar assistance was provided to the Oil Technical University in Grozny, where the Company has funded the purchase of equipment for the Department of Secondary Occupational Education, namely for classrooms and laboratories that provide education on electric power plants, grids and systems and relay protection and the automation of energy systems, as well as on power supply.

The Company continues to employ the best students from industry education institutions and makes every effort to retain promising young specialists in the Company.

During the reporting year, the Company also moved forward with developing the tradition of having student construction teams work at Company facilities. In July-August 2012, employment was provided for 745 students (twice as many as compared with 2011) from 28 higher and 3 secondary education institutions. They worked at 41 Company facilities under construction. In three years, the geography of facilities using student labor has widened considerably:

Territorial Distribution of the Company's Facilities Using the Services of Student Construction Teams



The number of students completing practical training at the Company's facilities grows year-on-year. In 2012, this number stood at more than 720 students.

722
STUDENTS COMPLETED PRACTICAL TRAINING AT THE COMPANY'S FACILITIES

Social Aspect – Charity Projects

3700000

The amount spent by the Company to provide aid to physical persons in 2012 comprised RUR3.7 million.

138355000

The amount spent on aid projects to organizations during the reporting year stood at RUR138.355 million.

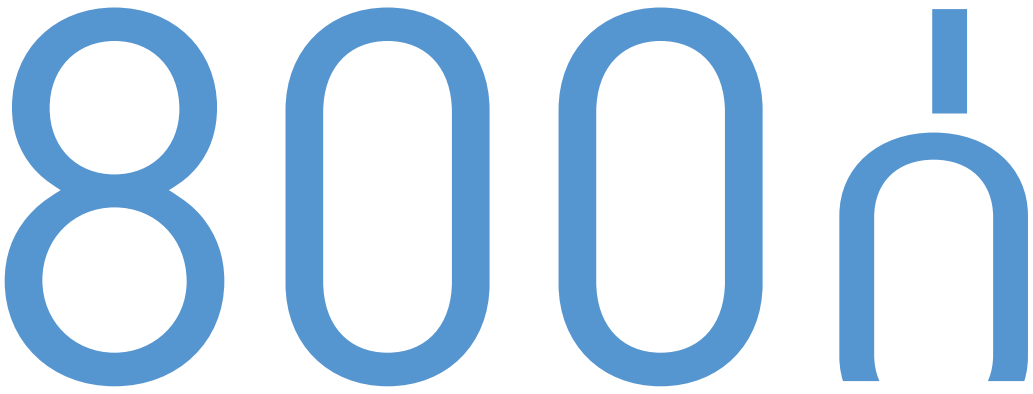
2413

Twenty employees of the Kuban MTPL facility (one of the Company's branches) who had properties suffered from the Krymsk flood received non-repayable subsidies to upgrade their housing conditions. The total amount of non-repayable subsidies comprised RUR24.138 million. Furthermore, Company employees collected RUR5.2 million to aid the people of Krymsk.

Social Aspect – Import Substitution

Localizing the manufacturing of electro-technical equipment on Russian territory will contribute to the domestic economy, thus improving the country's social situation.

The Company cooperates with leading construction, engineering and other contractor organizations, including: suppliers of highly efficient electro-technical equipment from across the country. The Company signed cooperation agreements with 72 domestic equipment manufacturers. The total number of employees working in these organizations amounts to more than 160 thousand. We are sure that our collaboration will contribute to preserving these jobs, as well as to stimulating the establishment of new job opportunities. According to our estimates, import substitution initiatives will contribute to establishing more than 3000 new jobs in the 2012-2014 period.



Social Aspect – Production Safety

Labor Safety

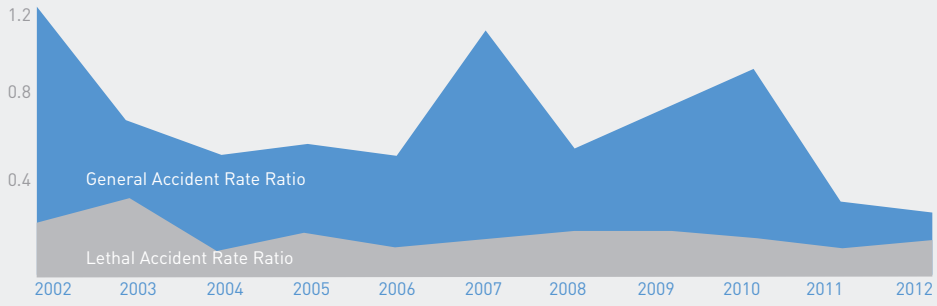
The Company's labor safety policy is intended to prevent production accidents and occupational deaths, as well as to provide for the safe behavior of employees engaged in production, to develop accident prevention skills and to ensure improved labor conditions on an ongoing basis.

↓14.3%
INJURY RATE REDUCTION

Based on the analysis of previous performance, we have adjusted labor safety management during the reporting year. In 2012, each PMES implemented procedures to decrease the employee accident rate based on the assessment of safety risks at its facilities, and in compliance with a set of goals formulated by resolutions of the Labor Safety Committee and by the organizational and administrative documents of Federal Grid Company.

In 2012, the number of accidents fell 14.3% (from 7 to 6 accidents), with the number of injured employees falling 12.5% (from 8 to 7 employees), whereas the number of lethal accidents grew 33% (from 3 to 4 employees). It was the first year in the Company's ten year history when the accident rate fell (to its minimum).

General and Lethal Accident Rates at the Company's Facilities



To improve production safety, the Company implements labor safety procedures prior to the start of the repair campaign, assessing employee safety risks and developing corrective actions. The Company also creates instructional films that reflect safe methods of work and controls and analyzes the safe performance of work by repair teams.

In addition, labor safety initiatives implemented during the reporting year have included the following:

— A project on the use of mobile video recorders to register the most dangerous actions of personnel working at the power plants;

— A changed focus of Labor Protection Days to increase efficiency and prevent disturbances which can lead to accidents;

— Organizing the operation of 50 stationary and 17 mobile safety instruction units to promote safe labor conditions and to train personnel on safe methods of work, based on up-to-date requirements;

— Further operation of 13 psychological rehabilitation units intended for operating personnel at substations;

— Developing standardized requirements for the certification of workplaces in regard to work conditions and the summing up process, followed by granting benefits and compensation to employees;

— Further continuation of the "A PMES Best in Labor Safety" and of the "A MES Best in Labor Safety" contests.

Industrial Safety

In 2012, the Company operated 342 Hazardous Production Facilities (HPFs) that were registered in the State Registry. To provide for the safe operation of the HPFs and to prevent accidents and to ensure preparation for the liquidation of said accidents, the Company has implemented the following:

— Registration/exclusion/re-registration of the HPFs in the State Registry;

— Development and putting into effect documents that regulate the safe operation of the HPFs;

— Reception of positive industrial safety expert conclusions concerning emergency localization and liquidation plans and concerning documents related to the transportation of hazardous substances. The conclusions obtained from the Russian Federal Service for Environmental, Technological and Nuclear Supervision are registered under #08-ID-(T)1272-2012 and #08-ID-(T)1240-2012, respectively;

— Insurance of general liability against harm done as the result of an accident at the HPFs;

— Training and certification of personnel on industrial safety.

In 2012, the Company approved Guidelines for the certification of technical equipment used at the Company's HPFs to regulate the procedures for the certification, diagnostics and expert assessment of said equipment.

Fire Safety

No fires were registered at the Company's facilities or within the Company's overhead lines guard zones. The only disturbance involving fire that was registered in 2012 occurred at the Kolpino 330 kV SS. The fire occurred due to the damaged input of the 330 kV automatic transformer, which resulted in the emission and inflammation of transformer oil. Damages resulting from the fire amounted to RUR1.63 million.

The decrease in the number of fires at Company facilities caused by substation equipment disturbances is the result of instituting additional fire safety measures during preparation for the fire hazard period, and also due to implementing the Program to upgrade and enhance fire safety at the UNEG and Federal Grid Company. The RUR1,059.7 million assigned for the above-mentioned purposes for the 2011-2017 period are to be generated by the Company's economic and investment activities. The considerable growth in fire safety costs is caused by the need to replace worn elements of the main firefighting systems.

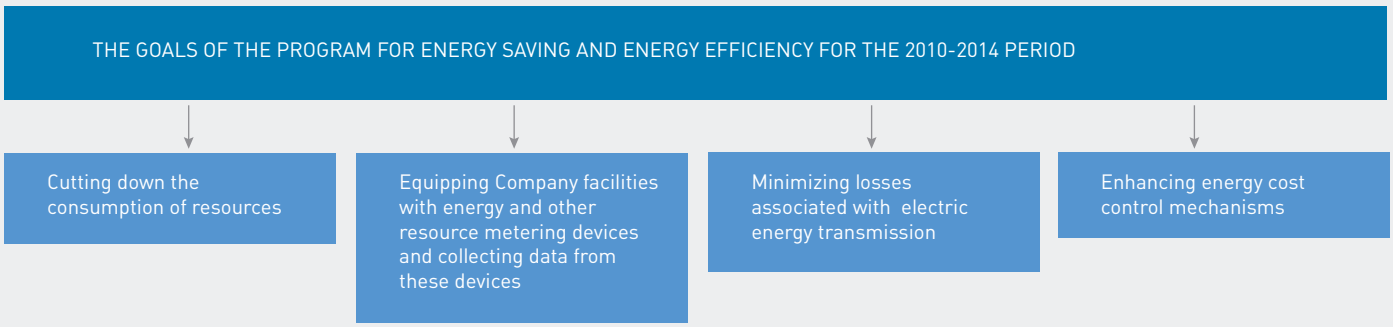
IN 2012 MEASURES UNDERTAKEN BY THE COMPANY TO REDUCE THE CONSUMPTION OF THERMAL AND ELECTRIC POWER RESULTED IN A SAVINGS OF

20852147 ₽

RUBLES (EXCL. VAT)

Economic Aspect – Improving Energy Efficiency

Energy efficiency is one of the priorities of Russia's technological development. Pursuant to the Russian Federal law "On Energy Saving and Improving Energy Efficiency," the Company developed a program for energy saving and improving energy efficiency (for the 2010-2014 period). The Program is intended to provide for the economic and rational use of fuel and energy resources by upgrading the energy efficiency of the Company's equipment and facilities.



Data on the Volume of Technological Power Consumption in the UNEG and Fuel and Energy Resources Used by the Company

In 2012, fuel and energy resources used by the Company included: electric and heat power, and fuels and lubricants (petroleum and diesel fuel).

Fuel and Energy Consumption Volumes (as accounted for by the Program)

Index	Volume	Technological Effect of the Company's efforts aimed at the reduction of energy/fuel consumption	Economic Effect of the Company's efforts aimed at the reduction of energy/fuel consumption, RUR thousand, excl. VAT
Technological consumption of electric energy within the UNEG	21,945,800,740 kWh	214,019,110 kWh	199,300.87
Electric energy consumed in buildings	31,470,170 kWh	860,860 kWh	2,666.16
Thermal energy consumed in buildings	46,250 Gcal	2,940 Gcal	2,776.97
Consumption of petroleum	9,044,710 liters	105,740 litres	2,701.27
Consumption of diesel fuel	7,450,120 liters	41,710 litres	1,076.20

Economic Aspect – Import Substitution

The Company strives to minimize its import dependence by developing the manufacture of electro-technical equipment domestically and by increasing the share of Russian equipment in the Company's investment program, as well as in repair and targeted programs.

In pursuit of the above-mentioned goal, the Company has signed 95 cooperation agreements, with 77 agreements concluded with manufacturers of electro-technical equipment.

Seventy-two of these are domestic manufacturers. All agreements are intended to facilitate cooperation in the field of development and the use of the most innovative technologies and equipment.

The Company's cooperation with regional enterprises

THE SVERDLOVSK REGION

Manufacture of components for Siemens equipment

THE KALUGA REGION

Construction of the HVL, substation construction, development of cable manufacturing

THE REPUBLIC OF INGUSHETIA

Development of high precision equipment and component materials manufacture

THE REPUBLIC OF MORDOVIA

Development of manufacturing for new products and widening the range of existing products (high temperature wires, overhead protection with optical cables)

THE REPUBLIC OF DAGESTAN

Construction of a substation, the use of high precision equipment at Company facilities, the establishment of the Electro-technical College

THE CHECHEN REPUBLIC

Construction of a substation, development of production facilities

THE REPUBLIC OF TATARSTAN

Development of wire and cable manufacturing facilities

The results of the Company's import substitution initiatives implemented during the reporting year are as follows:

— JSC Elektrozavod launched the manufacture of 100-500 kV transformer equipment, pursuant to a long-term agreement to supply electrical products to the Company's facilities;

— The 110-500 kV SF6 insulated manufacturing facility was constructed by Hyundai Electrosystems LLC (in the city of Artyom). The supply of SF6 insulated equipment to the Company's facilities will commence in 2013, pursuant to the long-term agreement for the supply of electrical products, which the Company concluded with Hyundai Electrosystems LLC;

— Izhora Transformers LLC, a company engaged in the construction of a transformer manufacturing facility in Kolpino, was established in cooperation with JSC Power Machines. The manufacture and supply of 110-500 kV transformers will start in 2014;

— The first power and distribution transformers were supplied to the Company's facilities, pursuant to a supply agreement concluded with JSC Elektrozavod.

Economic Aspect – Procurement Activities

The Company is actively making purchases in all regions in which the Company operates. The Company's procurement activities are designed to purchase equipment and services on the competitive market. Procurements are made using funds from the Company's investment, repair and targeted programs.

The Principles of the Company's Procurement Activities

THE OPENNESS PRINCIPLE

The rules for the organization of procurement activities are publicly accessible. Information on the violations of said rules can be sent to the Company's Central Tender Committee (CTC). Information on CTC membership is also available on the Company's website. CTC members include: representatives of the Russian Ministry of Energy and the Federal Anti-Monopoly Service. Therefore, the decisions taken are in line with the position of State authorities. The majority of purchases are made using open tenders. Information about tenders is available on the websites of the companies and in the mass media as well.

THE COMPETITIVENESS PRINCIPLE

The regulation system gives preference to open tenders that provide maximum competition. Any limitation of competition, especially procurements from a "last resort" supplier should be well-grounded and decided upon collectively. In critical cases, such decisions are made by the Company's CTC exclusively, subject to follow-up approval by the Company's Management Board.

THE FEASIBILITY PRINCIPLE

The rules require that every decision be verified for feasibility and documented in order to increase purchasing efficiency and to prevent corruption

The Goals of Procurement Activities

1. Reduction in the Company's costs due to savings resulting from product procurement (goods, work and services)
2. Supply of products for the Company:
   — Of required quality
   — At minimal cost
   — On time
3. Optimizarion of the procurement control system on advanced practices

The Procurement System Model

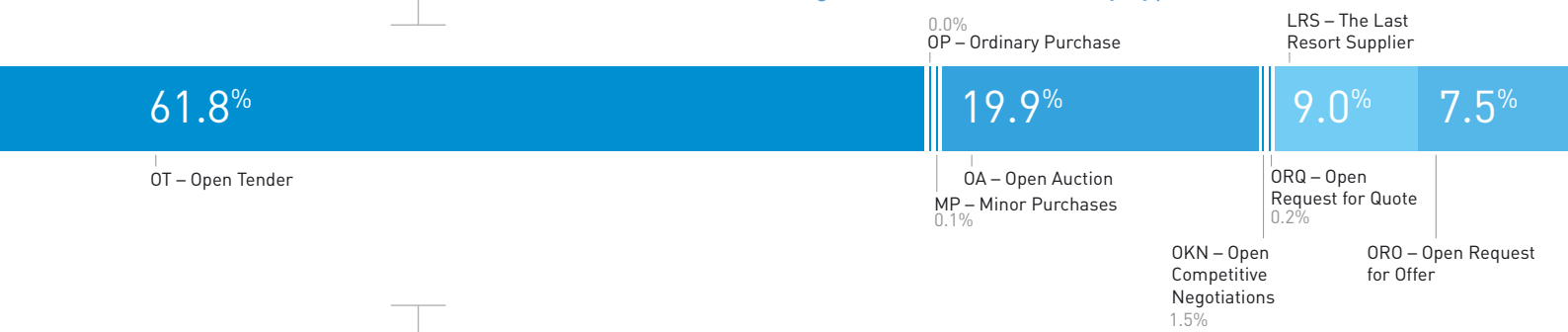
The development of guidelines for procurement activities, the reconciliation of purchases from the "last resort" supplier, the approval of additional agreements to contracts, the approval of the Annual Procurement Program of the executive body, the approval of the Annual Procurement Program in regard to non-tender purchases in excess of RUR100 million, the review of reports on the implementation of the Annual Procurement Program	The Board of Directors of Federal Grid Company	The approval of the Procurement Policy, and the Chairman of Federal Grid Company
	The Chairman of the Management Board	Signing Industrial Guidelines pertaining to purchasing activities and detailing the Procurement Policy. Preparation and review of consolidated reports on procurement activities and the reports on "last resort suppliers". Approval of final protocols, or the delegation of authorities to approve such protocols by the Deputy Chairmen of the Management Board and by the General Directors of corporate branches
	The Company's CTC	
	The Department of Consolidated Planning and Procurement Organization	
The approval of procurement plans involving investments and technical maintenance and repairs within the existing terms of reference	The Permanent Tender Commission on Investments	Methodological and operational control, the preparation of organizational and administrative documents on procurement activities, the organization of the work of the CTC and the Permanent Tender Commission, the organization of procurement planning, the control of procurement activities, reports and analysis. Automating and enhancing the procurement process. Managing JSC ESKK UES
	The Permanent Tender Commission on Production Activities	
Purchaser, preparation of technical documents, assessment of the procurement participants', documents, contracts	Procurement commissions equivalent to Executive Body commissions	Deciding on the selection of an agent of EB Federal Grid Company and major purchases of the Company's branches
Ongoing control over the procurement activities of the Company's branches, and the formation of procurement commissions	JSC ESSK – the organizer of procurement procedures	The performance of procurement procedures, documenting, archiving, and maintaining a price database based on market research, preparing consolidated reports on the Company's procurement activities, the owner of Purchases, the corporate integrated control system, the development of an e-commerce website
	The Engineering and Construction Control Center, ESS, the Company's branches	
	Permanent Tender Commissions of the Company's branches	Demand Planning, the formation of permanent tender commissions, preparation for procurement procedures performed by the Company's branches, reporting
	Procurement Departments	
	Procurement commissions	Selecting winners in regard to purchases in excess of RUR100 million
	Suppliers of products (goods, work and services)	

As early as 2008, long before State and municipal orders for open and competitive procedures went electronic, the Company started to implement procurement procedures using an e-commerce system called TZS Electra. Beginning in October 2012, the Company placed its orders on the official all-Russian website www.zakupki.gov.ru. To encourage competition, the Company also approved the use of two more e-commerce websites, www.etp.roseltorg.ru (owned by JSC EETP) and www.sberbank-ast.ru (owned by Sberbank-AST).

The main document regulating the Company's procurement activities is the Policy on the procedure for the regulated purchases of goods, work and services. The Policy provides for organizing the purchases of goods, work and services based on unified guidelines, using advanced procurement procedures (which are mostly tender-based).

The share of tender-based purchases made by the Company in 2012 was traditionally high, amounting to RUR158,526,746.2 million, or 91% of total corporate procurements.

The Structure of 2011 Regulated Procurements by Type



Economic Aspect — Innovations

The use of innovative technologies in the national economy, including the power industry, is one of the ways to ensure the country's energy security and sustainable development. Innovations used in the power industry directly influence living standards, driving the development of the country and society as a whole. One of the Company's priorities involves implementing innovations, as this process is of paramount importance to the economic growth of Russia and its regions.

During the reporting year, the Company proceeded with implementing the Innovative Development Program for the period till 2016, with a view till 2020. Within the framework of the Program, we have made steps to modernize and develop the UNEG, and to form the conceptual, technological and manufacturing basics and terms of development for the smart energy system based on the active adaptive system (SES AAS), to implement pilot projects, and to enhance business processes and organizational mechanisms of the Company to accomplish innovative development tasks.

The smart energy system – a new era in the electric energy sector:

BEGINNING OF ELECTRIFICATION

COAL ERA

UNSTABLE ENERGY SYSTEM

Local production of electric energy

Electric energy supply in isolated systems with random traffic

Fossil fuel, water resources

WIDESPREAD PRODUCTION OF ELECTRIC ENERGY

FOSSIL FUEL ERA

UNSTABLE ENERGY SYSTEM

Generation corresponds with traffic

Integrated grid, centralized generation of electric energy, forecast traffic, mono-directional energy exchange

Fossil fuel, water, wind, and solar resources and nuclear energy

NEW ERA OF ELECTRIFICATION

ERA OF SMART GRIDS

STABLE ENERGY SYSTEM

Traffic corresponds with generation

Centralized and decentralized generation, management via ICT, two way energy exchange

"Pure" coal, gas, nuclear energy

Excluding the environmental factor

Environmental protection

ICT – information and communications technologies

Smart grid operation scheme

A smart grid (a part of the active-adaptive grid) uses new principles and technologies for electric energy transmission and conversion which leads to:

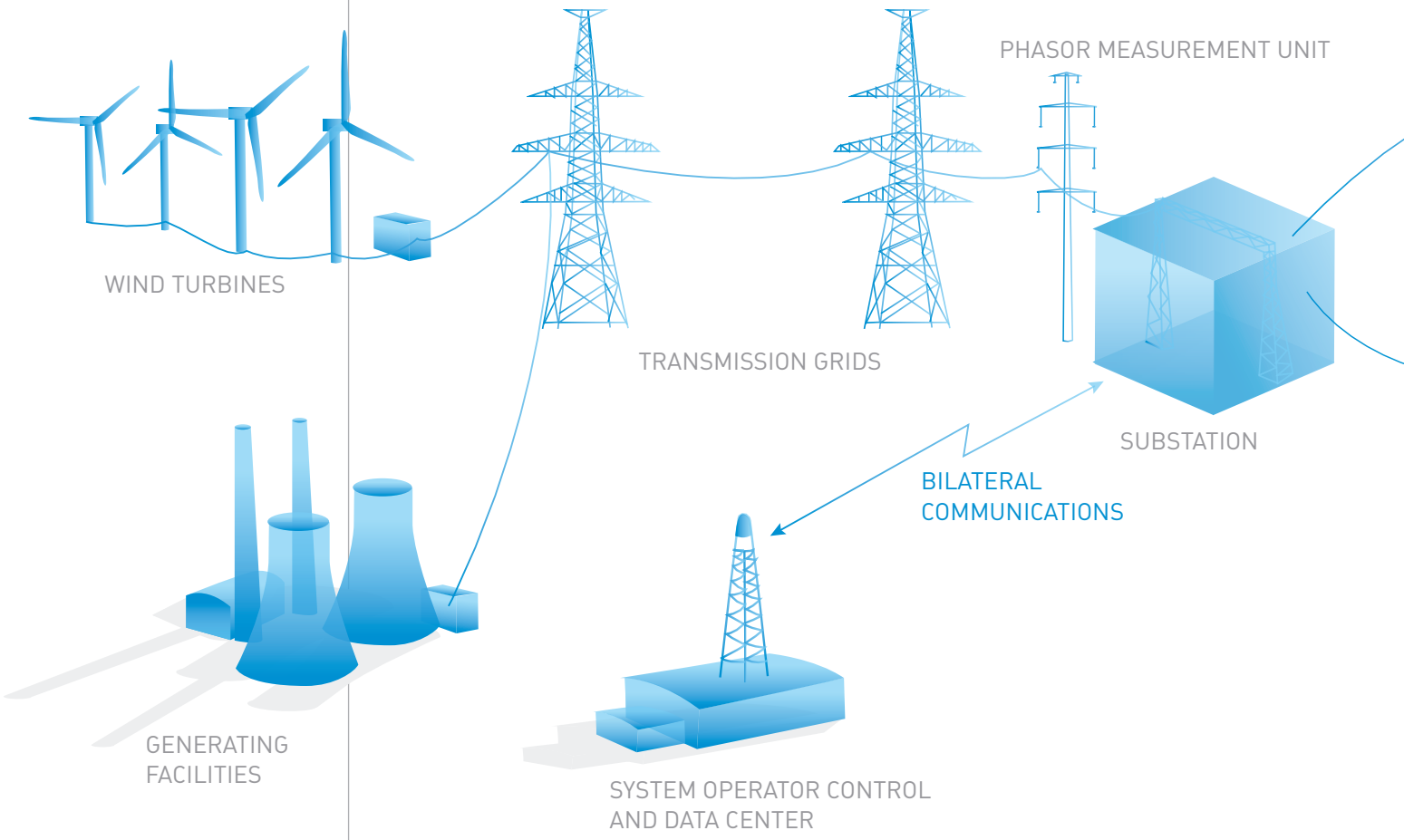
— High rate of active elements in the grid, which changes the topological parameters of the grid;

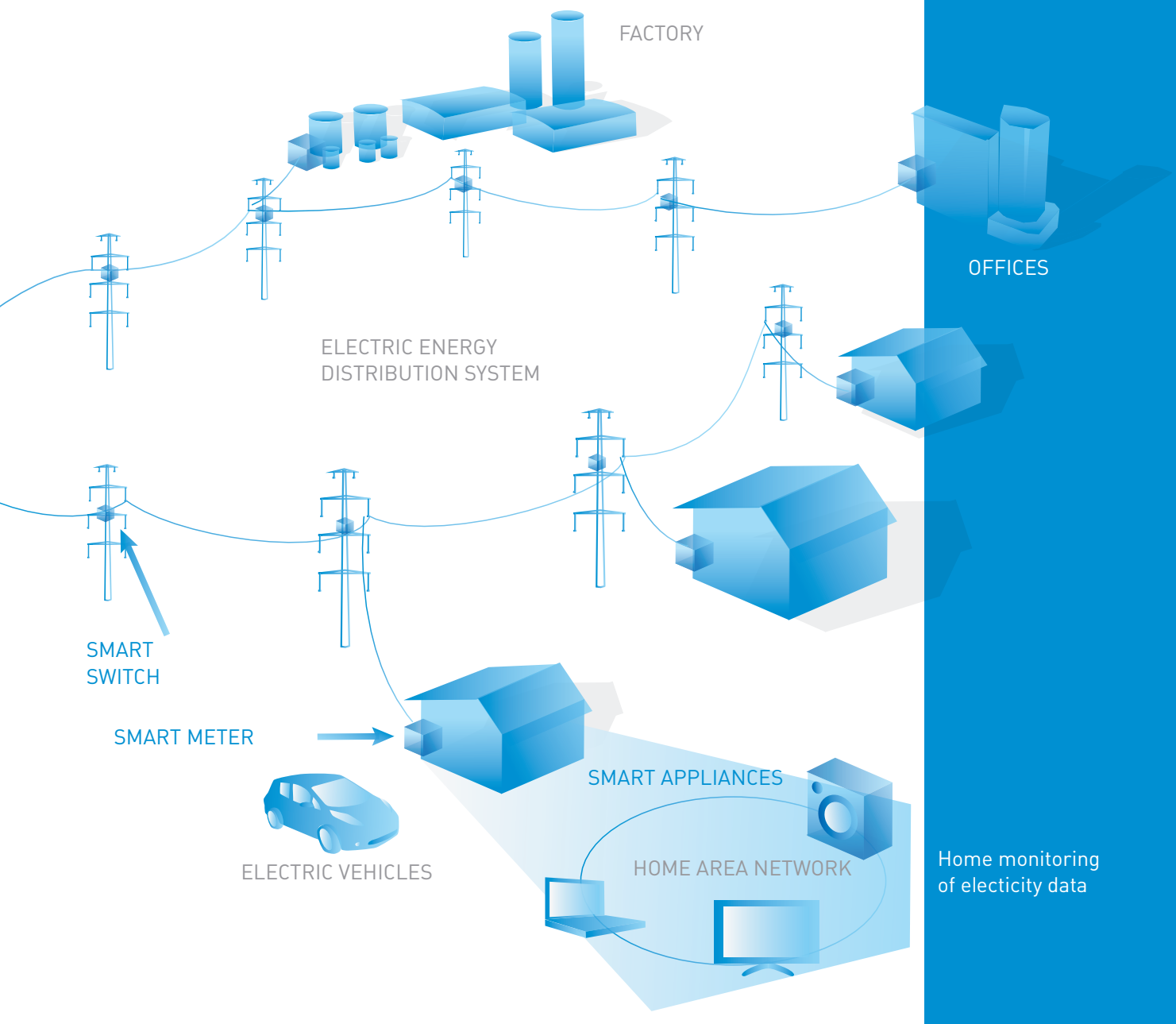
— Large number of sensors measuring current regime parameters to assess the grid's status in various regimes of energy system operations;

— System of data collection and processing (software and hardware) and a system of active grid elements and consumer electric energy devices management;

— Existence of required executive bodies and mechanisms providing for the on-line adjustment of grid topology changes and allowing for interactions with adjoining energy facilities;

— Tools for the automatic evaluation of the current situation and development forecasts of the grid's operations, high processing speed of the management system and information exchange.





Home monitoring
of electicity data

We are confident that the Company's Innovative Development Program will contribute to the more efficient use of Russia's energy potential, providing for the fully-featured integration of UES of Russia into the global energy market, contributing to the development of innovative technologies and ensuring the development of the domestic industry, which will result in all of the positive technological and socio-economic effects listed below:

Program Priorities	Technological Effects
Technologies upgrading the system reliability of UES of Russia	Improving the lightning-surge protection of overhead lines (decreasing the fault rate by 25-30%); Improving the explosion protection of electric equipment; Limiting short-circuit currents in mega-cities (saving on the installation of additional equipment at substations by 1.5-2 times); ncreasing grid throughput capacity while reducing mass and dimension parameters (using high temperature super-conductor technologies, and new types of overhead line wires).
Smart grid technologies (improving grid flexibility and controllability)	Developing electric equipment that have controllable electric characteristics (FACTS, STATKOV, controllable shunt reactors, etc.); Developing equipment and grid infrastructure self-recovery technologies; Developing electric equipment based on power electronics; Using power storage systems (optimizing generation and consumption and saving up to RUR15 billion a year).
Cutting electric energy grid operating costs	Improving grid automation (preventive control and automatic changes in grid characteristics and topology); Cutting down the duration of installation and grid element repair.
Reducing the cost of up-to-date reliable and highly efficient equipment	Reducing equipment cost (including the cost of equipment based on semi-conductor electronics by 2-3% per annum).

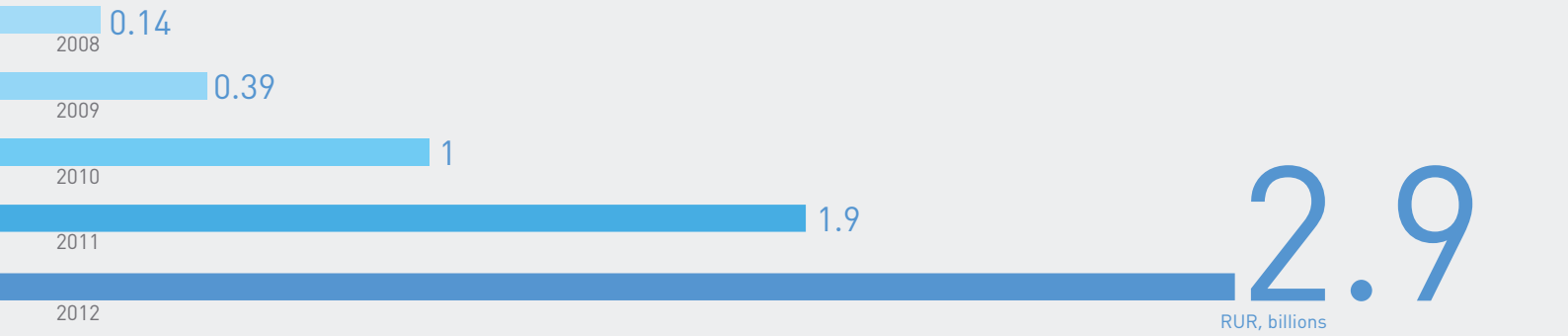
Priorities	Comprehensive Socio-Economic Effect
Environmental protection	Providing for power distribution in excess of 3.5 GW by power plants generating power from renewable sources; Reducing atmospheric CO2 emissions by 2.5 million tons due to minimizing power losses; Freeing more than 2,000 hectares of land from the grid infrastructure in mega-cities.
Efficiency	Cutting down the relative losses of power in main grids from 4.8% to 4%.
Reliability	Implementing new services for consumers; Decreasing consumer under-supply 2 times.
Systemic Effect for the Russian UES	Reducing the number of closed power supply centers from 251 to 43; Equalizing the load schedules through the use of large capacity power storage systems; Lowering the growth rate for grid and generating equipment (saving 3-5% on the growth rate of the installed power of power plants due to reducing the required power reserve starting from 2014).
Socio-economic Effect	Developing new territories by electrification of the country's remote locations (mineral deposits and transportation systems in Siberia and the Far East); Increasing the amount of taxes returned to the country's budget via the launch of new production facilities; Creating some 10,000 new jobs; Developing the domestic industry and adjacent sectors, providing for the development and implementation of new devices that have new characteristics, and establishing a domestic production base; Developing and discovering new R&D, and fundamental research trends.

Research and Development (R&D)

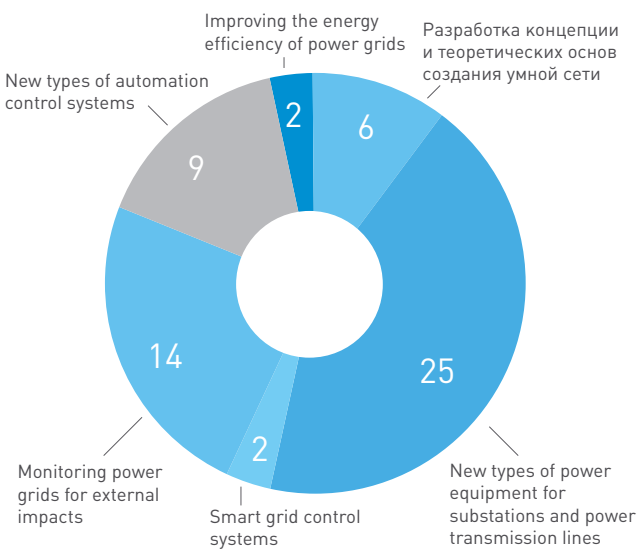
The Company's Innovative Development Program includes performing Research and Development (R&D) work intended to develop, test and implement "breakthrough" and "improving" innovative technologies at UNEG facilities. These technologies include: electric energy storage systems, "digital" substations, high temperature super-conductor technologies and direct current power transmission technologies.

In accordance with the Company's 2013-2017 Investment Program, in 2012, the Company plans to spend RUR2.9 billion to implement the R&D Program; this is 50% more than in 2011.

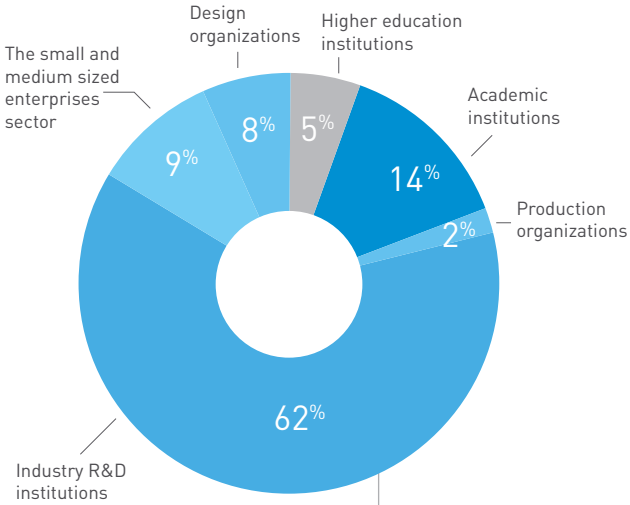
R&D Financing Broken Down by Year, RUR billion.



R&D Priorities



R&D Financing Structure



In 2012, our specialists developed and produced more than 10 prototypes for innovative equipment, including:

— A model of a blast resistant transformer (the technology will allow for safe operations of UNEG facilities, to exclude deformation of the transformer with the leaking and ignition of transformer oil and further damage of substation equipment);

— A new type of quick-operating current-limiting 220kV (which allows to limit short circuit currents in the 220kV electric grids);

— A multi-polar multi-pole valve inverter for ice melting at high voltage overhead transmission lines;

— A high-voltage impulse generator.

39

USEFUL MODEL
PATENTS RECIEVED IN 2012

Within the framework of the R&D Program, in 2012, we received 39 useful model patents (including 6 international ones), 6 patents for invention and 19 certificates for software.

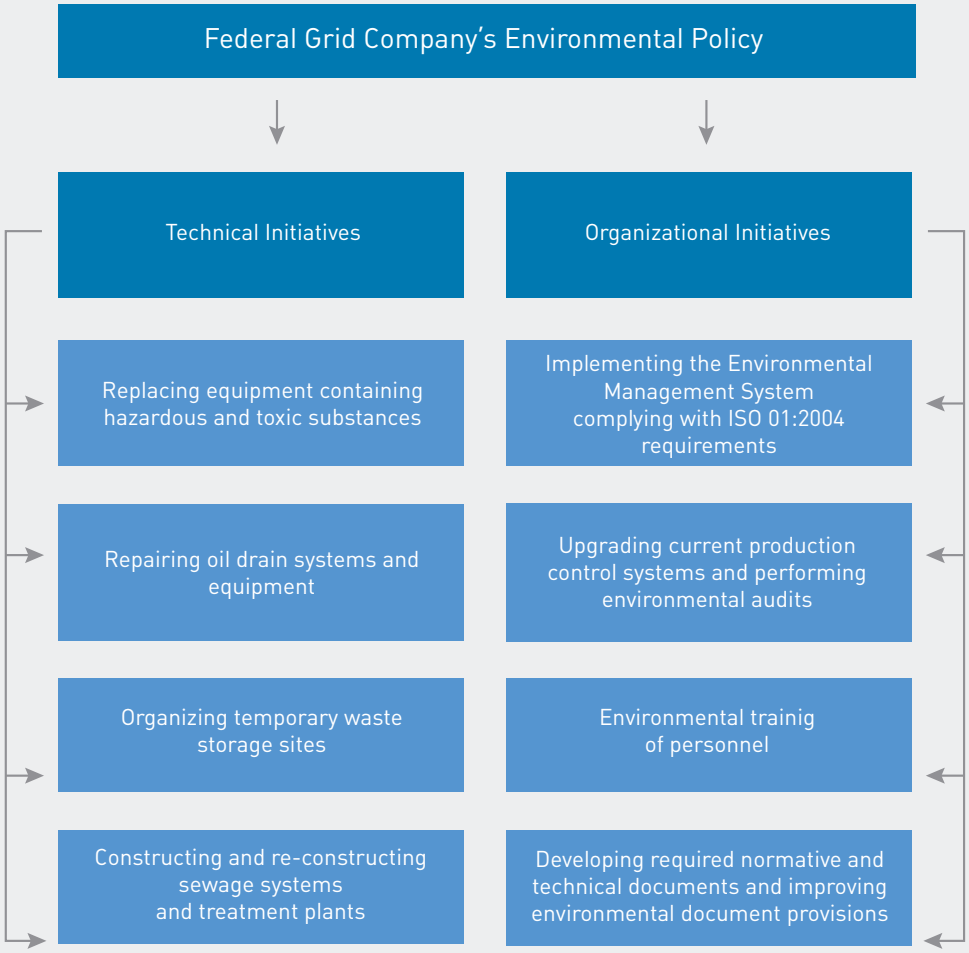
As a part of implementing priority pilot projects in UES of the East (territorial energy clusters), we developed a management system project for four substations of the Elgaugol Cluster, as well as a unique program and method for testing.

We also formed Federal Grid Company's Architectural Committee under the support of the Russian Academy of Science. The Committee is responsible for the development of smart grid architecture. Among Committee members are representatives of various energy organizations and industry experts.

Environmental Aspects – Environmental Protection

The Company is responsible in its approach to environmental protection issues. The Company's approach is intended to heighten the level of environmental safety, and to provide for reliable and environmentally safe power transmission and distribution.

The Company operates in compliance with its own Environmental Policy, which includes technical and organizational initiatives intended to minimize the negative impact of the Company's production activity on the environment.



The design of new facilities involves the development of special sections dedicated to environmental protection, that take into account all requirements of Russian environmental protection laws. The construction and re-construction of power grid facilities in accordance with the above-mentioned designs involves installing new environmentally-friendly equipment and implementing new technologies for laying and constructing power transmission lines.

In an effort to upgrade its environmental activities, in July 2012, the Company established a department to implement environmental policy. The new department will develop guidelines for the Company's environmental activities, including:

compliance with State policy and corporate requirements on environmental safety, and the implementation and operation of the environmental management system, as well as representation of the Company's environmental interests while interacting with State authorities, non-governmental organizations and rating agencies.

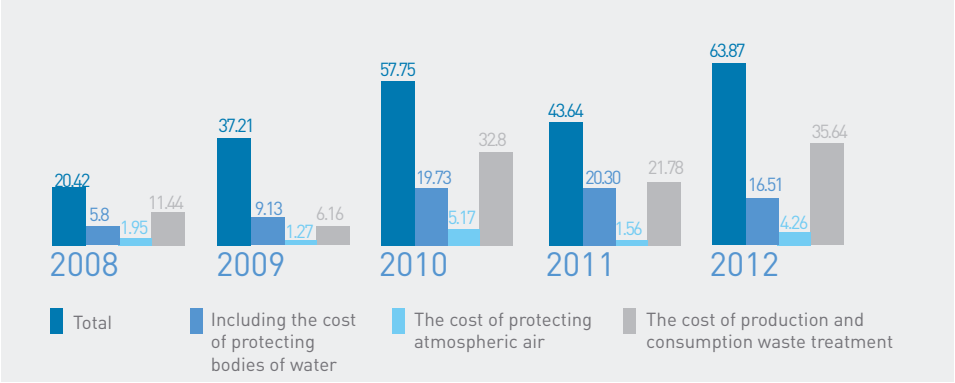
The Company's main activity, which consists of power transmission, is much less harmful for the environment, compared with other power industry sectors, as emissions, discharges and wastes are not the result of the Company's production processes, occurring in the course of the Company's production activities and being the least harmful.

In 2012, the Company's negative environmental impact indicators were traditionally low:

- The aggregate volume of atmospheric emissions – 114.7 tons;
- The volume of discharge to surface water bodies – 88.34 thousand cubic meters;
- The volume of I-V hazardous class wastes – 13.3 thousand tons.

Nonetheless the Company does its best to further minimize the impact of the Company's facilities on the environment, spending greater amounts to finance environmental initiatives in each coming year.

The cost of environmental protection initiatives implemented in 2008-2012, RUR million



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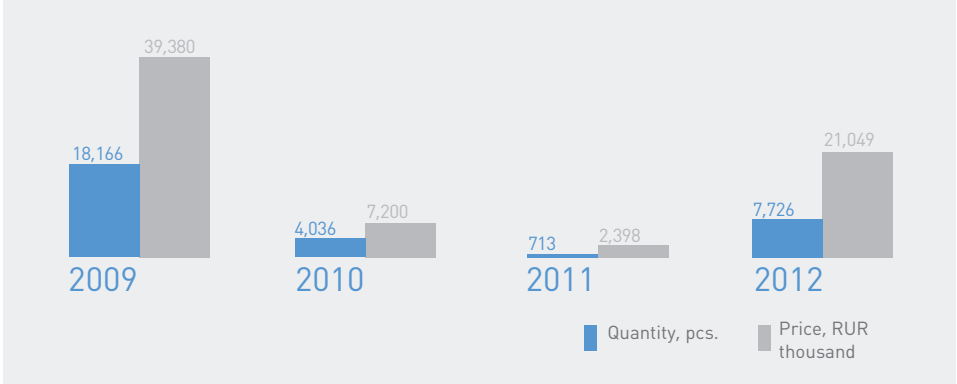
MILLION RUBLES SPENT ONENVIRONMENTAL PROTECTION INITIATIVES IMPLEMENTED IN 2012

7,726

ITEMS OF EQUIPMENT CONTAINING TRICHLORDIPHENYL WERE HANDED OVER FOR DISPOSAL IN 2012

The Stockholm Convention signed and ratified by the Russian Federation requires that polychlorinated biphenyl not be used in equipment by 2025. In line with Convention requirements, the Company is proceeding to implement a program for the disposal and replacement of equipment containing trichlordiphenyl, a highly resistant environmental contaminant. Such equipment is replaced as soon as it wears out, or during the re-construction and modernization of substations. The dismantled equipment is handed over for disposal to specialized organizations.

The price and quantity of equipment containing trichlordiphenyl handed over for disposal



2012 initiatives implemented pursuant to the Environmental Policy Implementation Program include the following:

- Repair of oil drainage systems and equipment at 56 substations;
- Organization of temporary waste storage sites at 188 substations;
- Re-construction of sewage systems and household and rain water treatment plants at 28 substations.

In 2012, MES North-West, a branch of the Company, successfully implemented an environmental management system. The system's compliance with ISO 14001:2004 has been certified. Furthermore, a supervisory audit confirming the compliance of environmental activities with the above-mentioned standard was conducted at the executive body of the Company and also at MES South, another branch of the Company.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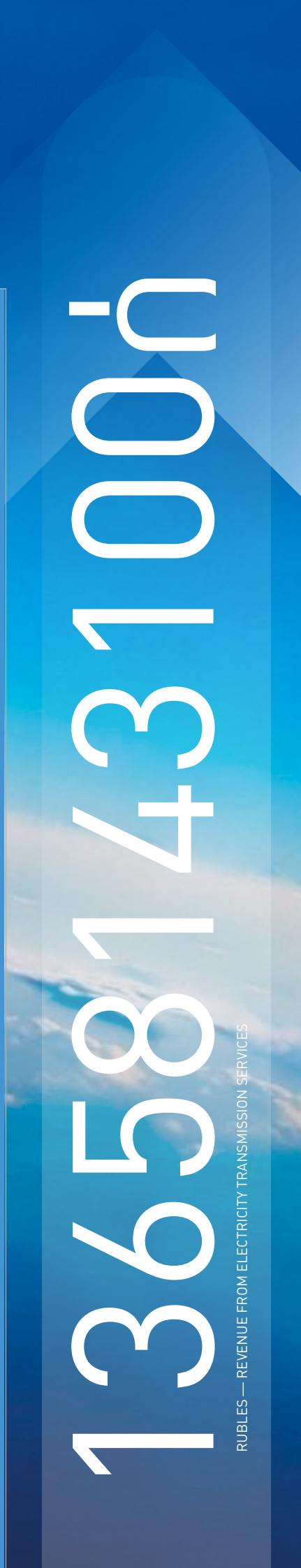
RUBLES
FEDERAL GRID COMPANY'S 2012
TOTAL ASSETS

Financial Performance Overview

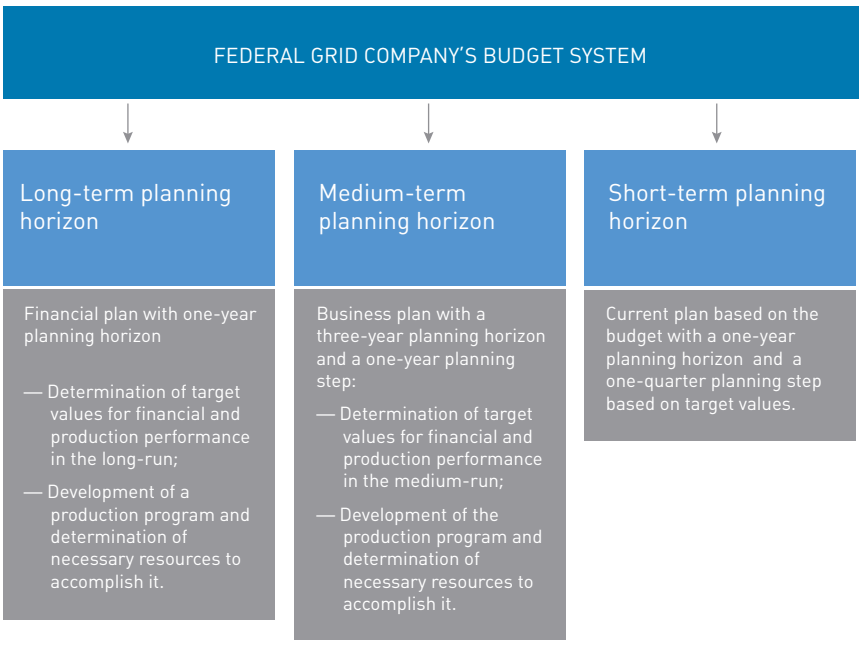
Federal Grid Company of Unified Energy System



Financial Performance Overview

Federal Grid Company's financial and economic management system is based on budgetary management that has been built in accordance with the hierarchical budget system rule.

In 2012, we approved the Budget Code - a fundamental document that regulates the long-term, medium-term and short-term financial and economic planning of the Company. The Budget Code defines fundamental methodological and organizational principles for creating and utilizing the system of financial and economic planning for the Company's operations. The Company's other regulatory documents concerning financial and economic planning and budget management are developed and adopted in Budget Code development.



During the reporting year, priority tasks of our financial and economic management system included:

— Maintaining an optimal level of financial discipline;

— Developing the planning system and budget management;

— Developing accounting and tax policies;

— Effectively utilizing borrowed capital to finance the Company's investment program;

— Successfully operating via RAB regulation.

Financial Performance

Federal Grid Company demonstrated the following 2012 year-end financial results:

Indicator	2008	2009	2010	2011	2012
Revenue	68,485	85,078	111,085	138,137	138,836
Production cost	58,977	64,080	75,680	84,174	106,618
Sales profit (loss)	5,156	15,870	28,584	45,236	22,364
Other income	38,377	113,770	144,907	175,671	113,556
Other expenses	37,356	183,688	111,763	209,463	150,152
Profit (loss) before taxes	6,177	-54,049	67,312	11,444	-14,232
Deferred tax assets	7	-180	-33	46	-62
Deferred tax liabilities	-217	-722	-1,181	-5,545	-8,736
Current profit tax	-3,225	-4,876	-9,264	-8,390	-1,471
Other similar mandatory charges	1,724	-39	249	-25	-0.3
Net profit (loss) for the reporting period	4,465	-59,866	57,082	-2,468	-24,502
Adjusted net profit	7,772	9,427	25,702	33,687	13,413

Indicators for the reviewed period (2010-2012) show sustainable growth in the revenues of Federal Grid Company. In 2012, sales revenues from the Company's main business increased RUR699.9 million compared with the same period from the previous year. Main growth drivers include: tariff revision in April 2011 and the change in the time for switching over to an annual tariff from 1 January to 1 July, resulting in 4% growth in revenues generated from electric energy transmission in 2012.

However, the 4% revenue growth was offset by the impact of factors beyond the Company's control - lower revenue from other areas of regulated activities:

— Revenue from compensating technological losses (-21%) due to a lower fixed rate of losses (from 4.84% in 2011 to 4.49% in 2012);

— Revenue from technological connection (-49%).

In 2012, the prime cost of the Company's services (without administrative expenses) increased RUR24,444 million (26.7%) year-on-year due to increased depreciation charges on the newly commissioned UNEG facilities, as part of the Company's investment program (depreciation charges amounted to RUR60,241 million in 2012 and RUR40,778 million as of the end of 2011).

The Company's 2012 financial and business results recorded losses of RUR24,502 million (a RUR2,468 million loss was recorded in 2011). The losses resulted from:

— Reflection of a negative difference resulting from the revaluation of financial investments (mainly JSC Inter RAO UES shares) at market value in the amount of RUR17,031.5 million.

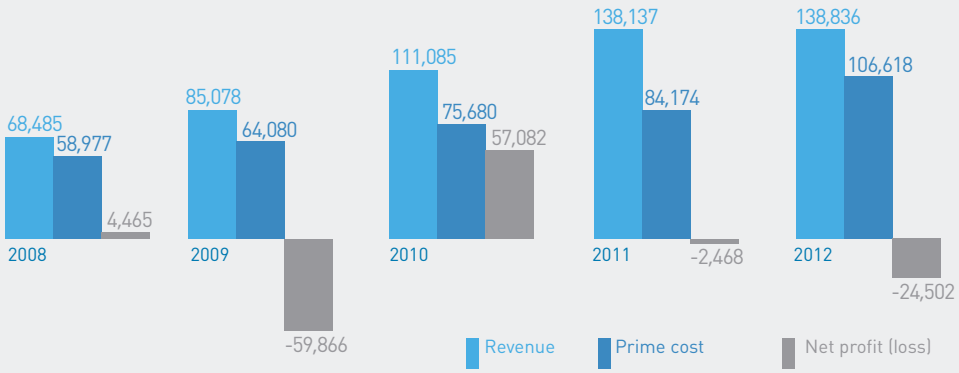
— The negative balance for the establishment and recovery of financial investments impairment reserves (which market value is not established), which amounted to RUR9,564.24 million, including RUR8,610.4 million from ENERGO-Finance LLC bills and RUR953.6 million on financial investments in JSC Mobilnye GTES shares;

— The negative balance for the establishment and recovery of bad debt reserve in the amount of RUR9,977.2 million, including RUR6,904 million from Index Energetiki – FSK LLC bills (due to revaluation of shares on the Company's balance sheet in accordance with current market value), RUR4,621 million as a reserve on interest accrued from ENERGO-Finance LLC bills and from electric energy transmission services agreements with JSC Yantarenergo, JSC DRSK and JSC Dagenergoset.

— Reflection of revaluation of fixed assets which made a negative effect in the amount of RUR1,380.2 million.

Adjusted net profit (profit without losses from asset revaluation and operations involving the establishment and recovery of bad debt reserves and securities impairment reserve) is RUR13,413 million, a RUR20,274 million decrease from 2011.

2008-2012 dynamics of revenue, expenses and net profit, RUR million



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RUBLES
FEDERAL GRID COMPANY'S 2012
TOTAL ASSETS

2008-2012 key assets, equity and liability indicators, according to the Company's financial statement

Name of indicator, RUR million	as of 31 December 2008	as of 31 December 2009	as of 31 December 2010	as of 31 December 2011	as of 31 December 2012
Total assets	696,988	746,667	902,110	1,037,493	1,122,995
Non-current assets value	518,471	588,425	767,152	919,501	1,011,667
Current assets value	178,516	158,242	134,958	117,992	111,329
Total liabilities	696,988	746,667	902,110	1,037,493	1,122,995
Shareholder equity	639,329	665,436	794,192	853,526	849,602
Long-term liabilities	18,518	7,440	52,668	138,166	209,481
Short-term liabilities	39,141	73,791	55,250	45,801	63,912

The dynamics of the above-mentioned balance sheet indicators show a clear growth trend. During 2010-2012, the Company's total assets and liabilities saw a material growth due to an increase in non-current assets and a growth in long-term and medium-term liabilities.

In 2012, Federal Grid Company's total assets increased RUR85,502 million (+8.24%) to amount to RUR1,222,995 million, as of 31 December 2012.

Non-current assets increased 10% to amount to 1,011,667 million, which was due to:

— An increase in fixed assets commissioned in 2012 as part of Federal Grid Company's investment program;

— Decline in financial investments (-35.64%), resulting from them being revalued at market value.

Current assets decreased 5.6% to amount to RUR111,328 million. The following circumstances affected the change in current assets:

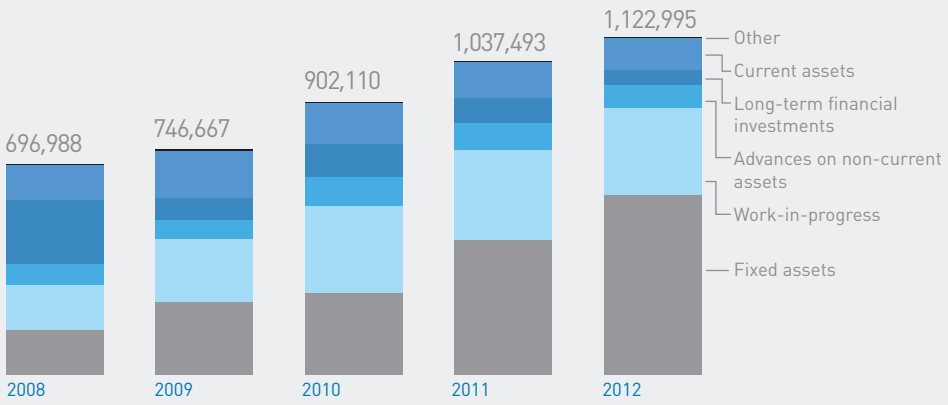
— Inventory decreases due to the optimization of the Company's inventory;

— Reduction in short-term financial investments due to the allocation of some part of funds to finance the Company's investment program;

The Company's capital reduction of RUR3,923 million during the reporting year was due to recording a RUR24,502 million loss, which was partially offset by a RUR2,219 million increase in Federal Grid Company's authorized capital owing to the registration of the 2011 additional equity issue with the Federal Financial Markets Service, and as a result of reflecting the annual fixed asset revaluation in the amount of RUR17,726 million (+8.9%).

In 2012, Federal Grid Company's borrowings increased RUR83,815 million compared with the same period of last year to amount to RUR215,589 million. This was due to raising long-term loans and bond issues to finance Federal Grid Company's investment program.

2008 — 2012 structural asset changes, RUR million



Liquidity indicators for Federal Grid Company's 2012 performance showed the Company's ability to re-pay its short-term liabilities. The above-mentioned indicators show a relatively high level of liquidity and solvency.

2008-2012 Corporate Financial Indicators

Indicator	as of 31 December 2008	as of 31 December 2009	as of 31 December 2010	as of 31 December 2011	as of 31 December 2012
Liquidity ratios*					
Absolute liquidity ratio	1.42	2.43	1.32	1.02	0.69
Short-term liquidity ratio	2.48	4.02	2.74	2.27	1.60
Current liquidity ratio	2.61	4.15	2.90	2.56	1.76
Capital structure ratios**					
Equity to total assets ratio	0.92	0.83	0.88	0.82	0.76
Debt to equity ratio	0.09	0.07	0.12	0.21	0.32
Profit margin ratios					
EBITDA margin***, %	47.8%	47.5%	60.7%	61.3%	59.7%
Profit margin***, %	11.3%	11.1%	22.4%	24.4%	9.7%
Return on assets***, %	1.1%	1.4%	2.8%	3.2%	1.2%
Asset turnover	0.10	0.12	0.12	0.13	0.12

Despite the decline, the liquidity ratios that are presented as of 31 December 2012 are within a normal range. The decrease in current, quick and absolute liquidity ratios is associated with decreased short-term financial investments.

The addressed period saw an insignificant reduction in the equity to total assets ratio, which was driven by growth in the Company's loan portfolio (raising loans and bonded loans to finance the investment program.) Nevertheless, the ratio is good and shows the strong financial sustainability of Federal Grid Company.

On the whole, Federal Grid Company maintains a high liquidity level and a good equity to total assets ratio; its equity constitutes 76% of assets.

* For the purpose of calculating the above-mentioned indicators, accounts payable exclude debt to shareholders on contributions to authorized capital;

** To calculate the above-mentioned indicators, equity includes debt to shareholders on monetary assets contributed to pay for the issued shares.

*** For the purpose of calculating the above-mentioned indicators, EBITDA (net profit) includes no factors that are external to the Company's management competency.

Key Principles on Using Available Cash

Available cash management is based on ensuring the maximum efficiency of investment and an optimal risk/return ratio.

In the reporting year, returns on financial investments were generated from investing available corporate cash into Russia's top banks with the highest reliability level. The banks were selected based on an assessment of their financial operations and the establishment of a risk limit. The main investment instruments relied on the investment term and included bank deposits, current account balances and bank notes.

In 2012, the Company's good performance was driven by reasonable liquidity management and streamlining the investment structure (in terms of returns on investment and minimizing risks).

Net Profit Distribution

The after-tax profit (net profit) of Federal Grid Company defined by financial statements is the source for reserve fund accrual and dividend payments. According to Federal Grid Company, looking at 2011 FY performance, the Company recorded losses of RUR24,502 million driven by the revaluation of financial investments in market-quoted shares and the recording of the accrual and reversal on provisions for doubtful debt.

2008-2012 Net Profit Distribution, RUR million

Distribution areas	2008	2009	2010	2011	2012
Retained earnings (losses) for the reporting period:	4,465	-59,866	58,088	-2,468	-24,502
Allocate to:					
Reserve fund	223	0	2,904	0	0
Development	4,242	0	18,578	0	0
Coverage for losses brought forward and remuneration to the Board of Directors	0	0	34,028	0	0
Dividends	0	0	2,578	0	0

Tariff Regulation

Energy transmission tariffs are subject to State regulation and are approved by the Russian Federal Tariff Service (FTS).

Key regulations governing tariff rates applicable to the UNEG energy transmission include:

— Federal Law No. 35-FZ on the Russian Energy Industry (dated 26 March 2003);

— Government Decree #1178 (dated 29 December 2011) on the pricing policy applicable to regulated prices (tariffs) in the energy industry;

— Government Decree #1220 (dated 31 December 2009) on defining applicable tariff rates on long-term tariffs for the reliability and quality of goods and services provided;

— Government Decree #1172 (dated 27 December 2010) on the approval of wholesale electricity and capacity market rules and amendments to some Government orders related to the wholesale electricity and capacity market;

— Russian FTS Decree #56-e/1 on the approval of methodological guidelines to calculate energy transmission tariffs via the Unified National (all-Russian) Electric Grid;

— Russian FTS Decree # 228-e (dated 30 March 2012) on the approval of methodological guidelines to regulate tariffs using the return on invested capital (RAB-regulation) method;

— Russian FTS Decree #347-e/4 (dated 4 December 2009) on the approval of the rate of return on invested capital to calculate tariffs on energy transmission tariffs via the Unified National (all-Russian) Electric Grid;

Before 2010, the UNEG energy transmission tariff rates for Federal Grid Company were established by the economically reasonable cost method.

Since 2010, as a part of measures to upgrade the investment attractiveness of the electricity industry, Federal Grid Company has had rates for electricity transmission services across the UNEG established based on the return on invested capital (RAB-regulation) method.

To determine the tariff for each year of the regulated accounting period, required gross proceeds are calculated by summing the values of the return, the return on invested capital and the value of expenditures required to render electricity transmission services across the UNEG. To avoid a sharp rise in rates as a result of the RAB-regulation, a smoothing mechanism is provided. This mechanism involves re-distributing required gross proceeds during the long-term regulatory period.

For the first long-term regulatory period (2010-2014), the Russian FTS established the following basic long-term tariff regulation parameters for Federal Grid Company based on the return on invested capital method.

Indicator	2010	2011	2012	2013	2014
Rate of return on capital invested as of 1 January 2010*	3.9 %	5.2 %	6.5 %	7.8 %	10 %
Rate of return on capital invested after 1 January 2010	11.0 %	11.0 %	11.0 %	10.0 %	10.0 %
Invested capital return term, years	35	35	35	35	35
Amount of capital invested by Federal Grid Company, RUR billion**	647.6	-	-	-	-

The Government of the Russian Federation decided to postpone the indexation of prices (tariffs) for goods (services) of natural monopolies, including electric grid companies from 1 January to 1 July of the next calendar year. Based on this, the Management of the Russian FTS made the decision to set Federal Grid Company's tariffs for electric power transmission to the UNEG for H1 2012 at 2011 tariff levels.

In accordance with the Basics on Price Setting, Russian FTS Decree #113-e/1 (dated 21 May 2012) adjusted the rate of return on "old" capital, established for 2014: the rate of return on old capital in 2014 is set at the rate of return on "new capital" and is 10%.

For the North Caucasus Republics and the Stavropol Territory, the tariffs for electric power transmission and the maintenance of UNEG power facilities were set in the following amounts:

For 2010 – RUR37,845.23/MW per month;

For the period of 1 December – 31 March 2011 – RUR46, 029.88/MW per month;

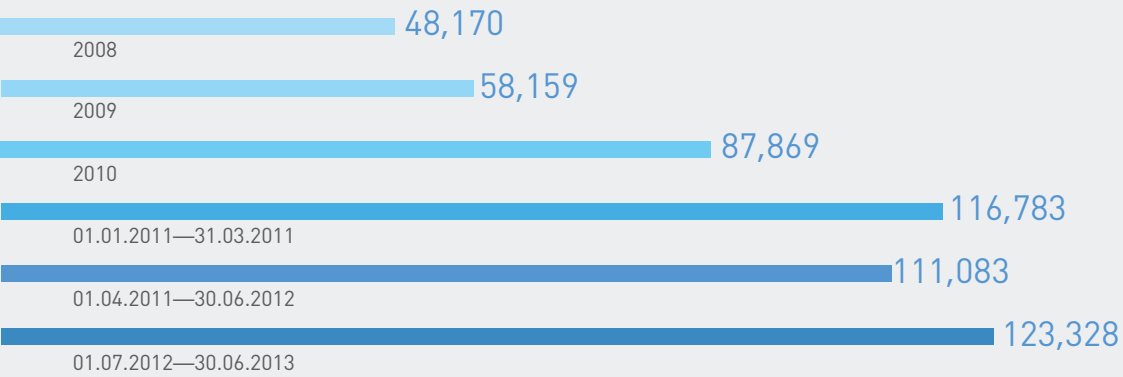
For the period of 1 April 2011 – 30 June 2012 – RUR43,783.55/MW per month;

For the period of 1 July 2012 – 30 June 2013 – RUR48,540.01/MW per month;

* In compliance with the Basics of Pricing Setting in the Sphere of Regulated Prices (Tariffs) in the Electric Energy Industry, which were adopted by the Russian Government Decree #1178 dated 29 December 2011 "On Price Setting in the Sphere of Regulated Prices (Tariffs) in the Electric Energy Industry", the rate of return during the first long-term period of regulating, excluding the last year, may be set on a case-by-case basis with regard to capital invested until the switch to RAB-regulation and with regard to capital created.

** In connection with the adoption of the Russian Government Decree #1178 dated 29 December 2011 "On Price Setting in the Sphere of Regulated Prices (Tariffs) in the Electric Energy Industry", and the switch since 2012 to the recording of facilities on the basis of invested capital as they are commissioned, to calculate the required gross revenue for each year of the long-term regulation period, the actual cost of facilities put into operation in 2011, and the cost of facilities planned to be commissioned in 2012-2013 is reduced by the value of assets under construction, recorded in the cost of invested capital when Federal Grid Company switches to RAB-regulation in the amount of RUR205.6 billion, which is distributed for 3 years.

Federal Grid Company Tariffs on Energy Transmission Services and UNEG Electric Facilities Maintenance for the 2008-2012 Period (RUR/MW/month)



Tariff regulation based on long-term tariff rates with a view to the return on invested capital involves the Company's compliance with service reliability and quality performance as set forth by the Russian Federal Tariff Service (FTS).

Order #296 of Russia's Ministry of Energy (dated 29 June 2010) establishes methods to calculate the reliability and quality of provided goods and services for the organization operating the Unified National (all-Russian) Electric Grid (UNEG) and territorial grid organizations.

The performance list includes indicators of energy transmission reliability characteristics for technical failures and their effects on consumers and service quality provided to consumers which, in particular, describe the technical connection capacity.

The Russian FTS Order #254-e/1 (dated 26 October 2010) established methodological guidelines for the calculation and application of multiplying (decreasing) factors for compliance with tariff rates set for organizations that are involved in regulated activity (with the reliability and quality levels of provided goods and services). Subject to the above-mentioned Guidelines, the Company's revenues will be subject to multiplying or decreasing factors within the 3% limit.

The FTS decision to establish 2011-2014 tariffs involves planned service reliability and quality indicators for the UNEG-operating organization for the 2011-2014 period.

Indicator	Regulation Period			
	2011	2012	2013	2014
Service reliability level	0.0490	0.0483	0.0475	0.0468
Service quality level	1.2599	1.2410	1.2224	1.2040

In 2012, the actual reliability and quality levels of services provided by Federal Grid Company were:

Service reliability level

0.0241

Service quality level

1.2101

The transition of Federal Grid Company to RAB-regulation ensured adequate financial potential to meet large-scale challenges in investment activities. The approved investment program will enable the Company to: enhance stable energy supply to customers, provide the generation capacity of power plants, upgrade its grid and implement a range of important government projects. Moreover, RAB-regulation defines a brand new approach to cost management in terms of established operational expense performance (2% per annum for Federal Grid Company).

Cost Optimization

As part of the Russian Federation President's and Government's order to cut the per-unit purchase costs of goods, work and services by at least 10 percent per annum over three years, as well as of the Ministry of Energy's instruction to ensure a 10% cost reduction from 2010 expenditure levels, Federal Grid Company carries out the Cost Management Program.

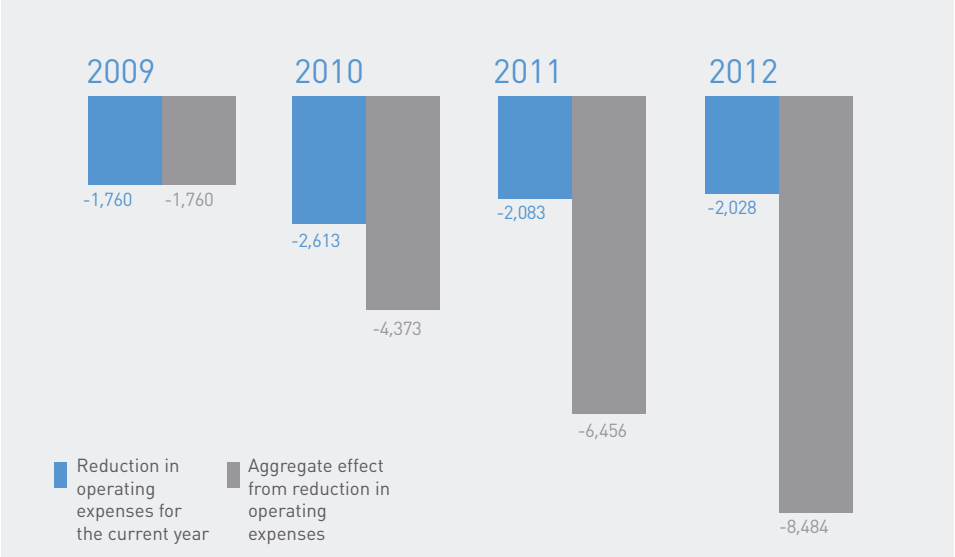
The total expected effect from implementing the 2009-2012 Cost Management Program was RUR8,620 million.

RUR 8,620 million

The effect of implementing the Cost Management Program for 2012 was RUR2,164.65 million, indicating a 6.6% decrease in the Company's costs in 2012 (compared with the 2010 expenditure level).

RUR 2,164.65 million

2009-2012 Changes in Reducing Operating Expenses, RUR million



Cost optimization is one of the Company's key objectives to reduce the tariff burden on consumers and lower expectations in the economy, while maintaining the required level of reliability and quality of goods supplied. In circumstances where tariff growth rates are constrained by regulating authorities, cost reduction is one of the main tools for upgrading the Company's economic performance.

The Cost Management Program covers the entire production cycle of the Company, from procurement to losses in electric grids when electric energy is distributed.

In terms of cost cutting in 2013-2015, the Company's focus involves:

— Cutting the per-unit purchase costs of goods, work and services by at least 10 percent per annum in real terms;

— Increasing performance by cutting operational expenses, nominal operating costs and losses within the UNEG;

— Employing the relevant number of highly qualified specialists to support Federal Grid Company business operations with optimal personnel costs.

1225

Debt Portfolio

By the end of 2012, Federal Grid Company's debt portfolio grew to RUR212.5 billion. It occurred due to: placing bond issues, raising credit from Gazprombank and placing Eurobonds on the Irish Stock Exchange. The Company meets its obligations on servicing its debt portfolio and debt re-payment in full and on time.

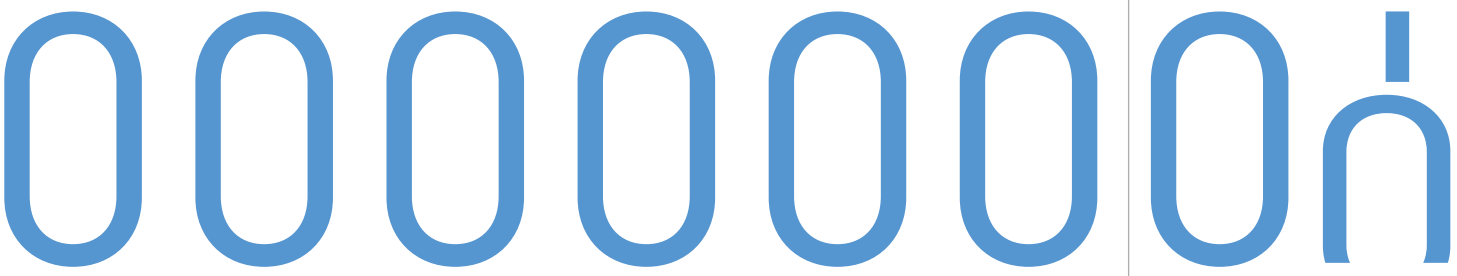
The Company's debt portfolio as of 31 December 2012:

Type of debt	Amount, RUR billion	Maturity
Bond issues	160	2.5-10 years
Gazprombank loan	35	3-5 years
Eurobonds	17.5	6.25 years
Total	212.5	-

In addition, the Company has revolving and non-revolving credit facilities opened with major Russian banks (Sberbank of Russia, Gazprombank, Alfa-Bank, NOMOS-Bank, Raiffeisenbank, ACB Russia, and Bank Saint Petersburg) with a maturity of 5-15 years. As of 31 December 2012, the total free limit of the credit facilities amounted to RUR122.5 billion.

We will continue to use all available tools to attract funding - bonds, Eurobonds and bank loans to finance the 2013-2017 investment program and to re-finance current debt. Furthermore, our Company plans to primarily use market-based instruments that provide lesser funding costs with longer borrowing terms.

The Company intends to cover cash shortages from existing and scheduled credit facilities and by offering bond issues on both Russian and foreign markets. The use of specific loan instruments will depend on market conditions.



RUBLES
TOTAL FREE LIMIT OF THE COMPANY'S CREDIT FACILITIES

2012 Bond Issues

On 6 June 2012, the MICEX Stock Exchange assigned registration numbers to eight issues of the Company's debut stock bonds, totaling RUR100 billion.

On 21 June 2012, the Federal Financial Markets Service of Russia (FFMS) registered the securities prospectus of Federal Grid Company for RUR125 billion.

The decision to place bonds and the Company's stock bonds was made by the Board of Directors on 27 April 2012.

In 2012, as part of adopted programs, the Company placed Bond Series 22, 21, 25, and BO-01 for a total of RUR45 billion.

As part of the previously approved 2011 program, the Company placed Bond Series 12 in the amount of RUR10 billion.

In 2012, the total amount of funding raised from the placement of bonds amounted to RUR55 billion. The bonds were placed via public subscription on the MICEX Stock Exchange to a broad-based group of investors. The funds raised were allocated to finance the investment program.

The Company's bonds fully comply with the Bank of Russia's requirements in order to be included in the Lombard List of the Bank of Russia and the list of securities accepted as collateral under re-purchase agreements.

Eurobonds

In 2012, Federal Grid Company entered the international borrowing market. The decision to place Eurobonds was made by the Board of Directors 27 April 2012.

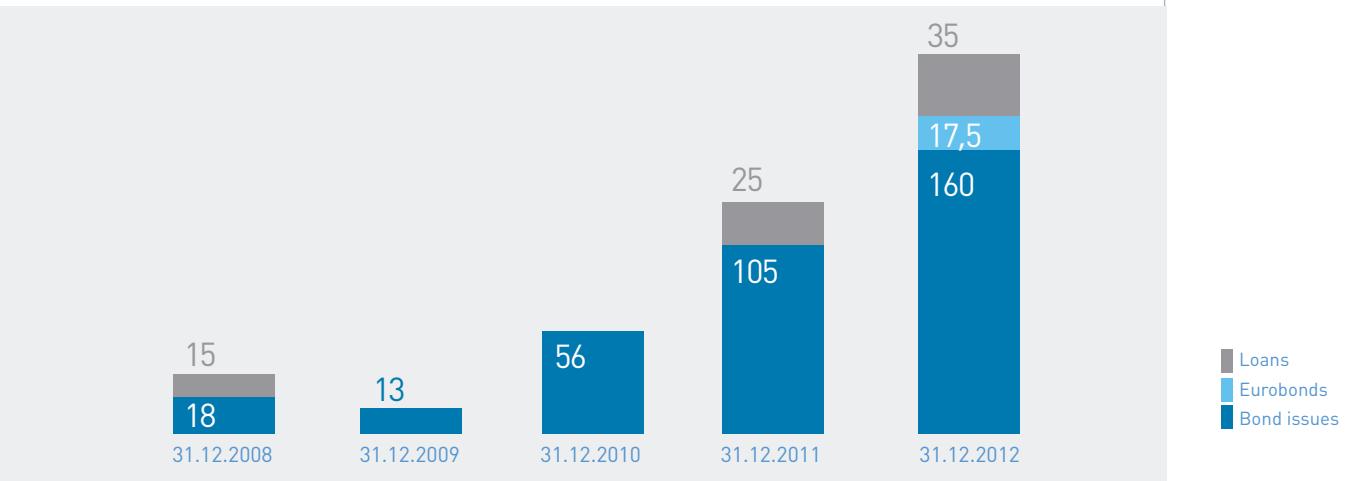
On 13 December 2012, the placement of Federal Grid Company's inaugural issue of Eurobonds in the amount of RUR17.5 billion with a coupon rate of 8.446% per annum and a maturity in 2019 occurred. The securities were listed and admitted to trading on the Irish Stock Exchange.

The Eurobond issue was assigned ratings from the leading rating agencies, Standard & Poor's and Moody's, at the Company's ratings - BBB and Baa3.

Issuer	Issue	Outstanding issue	Maturity date
Federal Grid Finance Limited	RUR17.5 billion	RUR17.5 billion	13.03.2019

Coupon rate	Coupon payment period	Rating	ISIN
8.446%	Two times per year	Moody's: Baa3 S&P: BBB	XS0863439161

Debt Portfolio Performance



Credit Ratings

The high level of the Company's creditworthiness and its financial sustainability are confirmed by ratings assigned by top international rating agencies. The current credit ratings are in the investment category and show that the Company's key performance indicators (KPIs) are in compliance with the level required for the full and timely performance of financial obligations

Credit ratings as of 31 December 2012:

Standard & Poor's

International Scale
BBB/Stable

National Scale
ruAAA

Moody's

International Scale
Baa3/Stable

National Scale
Aaa.ru

Federal Grid Company's 2009-2012 credit ratings:

23.11.2012

Moody's assigned Federal Grid Company an international scale credit rating at Baa3, with a stable outlook. The national scale rating was confirmed at the same level - Aaa.ru. A downgrade in Moody's rating from Baa2 to Baa3 was caused by planned changes in the ownership structure of the Company, in accordance with the Russian President's Decree #1567 (dated 22 November 2012) "On Joint Stock Company Russian Grids". The Company's financial rating has remained unchanged.

11.10.2012

Standard & Poor's confirmed Federal Grid Company's credit ratings: long-term international scale credit rating at BBB, with a stable outlook and a national scale rating of ruAAA.

23.09.2011

Standard & Poor's confirmed Federal Grid Company's credit ratings: long-term international scale credit rating at BBB, with a stable outlook and a national scale rating of ruAAA.

12.05.2011

At its annual ratings review, Moody's confirmed Federal Grid Company's credit ratings at Baa2 with a stable outlook, as well as its national scale rating at Aaa.ru.

18.01.2011

PStandard & Poor's confirmed Federal Grid Company's credit ratings: long-term international scale credit rating at BBB, with a stable outlook and a national scale rating at ruAAA.

18.06.2010

Standard & Poor's confirmed Federal Grid Company's credit ratings: long-term international scale credit rating at BBB, with a stable outlook and a national scale rating at ruAAA.


Responsibility
Fairness
Transparency
Accountability

Corporate Governance Report

Federal Grid Company of Unified Energy System

Corporate Governance Report

Corporate Governance Principles

Acknowledging the need to maintain high corporate governance standards and business ethics for the successful conduct of operations, as well as the importance of ensuring shareholder rights, we have assumed liability to follow generally recognized Russian and international corporate governance principles, as stated in the Company's Corporate Governance Code, and to continuously upgrade corporate governance practices.

Company's Corporate Governance Principles

Accountability

The Board of Directors is accountable to all shareholders in compliance with Russian legislation.

The Board and the Chairman of the Board are accountable to the General Shareholders Meeting and to the Board of Directors.

Fairness

The Company protects the rights of shareholders and ensures the equal treatment of shareholders owning the same quantity of shares of the same type (category).

The Board of Directors gives all shareholders the opportunity to obtain effective protection in case their rights are violated.

Transparency

The Company provides for the prompt disclosure of complete and valid information about all salient facts related to its operations, including: its financial status, social and environmental indices, performance, the Company's ownership and governance, as well as free access to such information for shareholders and all other interested parties.

The Company ensures the implementation of an independent audit in order to obtain an external objective assessment of the preparation and submission of the Company's annual financial reporting.

Responsibility

The Company acknowledges the rights of all shareholders and all interested parties as provided for by Russian laws, and seeks to cooperate with shareholders and all interested parties for the purpose of its own growth and financial sustainability.

We constantly upgrade our corporate governance system by introducing integrated standards and management practices in all structural divisions, branches and subsidiaries and dependent companies. We also constantly monitor legislative amendments to bring the Company's constituent instruments, the documents regulating the activities of operating control, and other internal documents that ensure the effectiveness of the corporate governance system, in line with such amendments. All that boosts the Company's competitiveness and investor confidence, in view of the interests of a wide range of people, and helps ensure the most efficient use of capital by the Company, which, in the final analysis, beneficially impacts the Company's steady advances and enhances Russia's overall investment climate.

The effectiveness of the Company's corporate governance is ensured by the following internal documents:

- Regulations on the Procedures for Preparing and Holding the General Meeting of Shareholders;
- Regulations on Activities of the Board of Directors;
- Regulations on the Management Board;
- Regulations on the Audit Commission;
- Regulations on the Board of Directors' Audit Committee;
- Regulations on the Personnel and Remuneration Committee of the Board of Directors;
- Regulations on the Strategy Committee;
- Regulations on the Investment Committee;
- Code of Corporate Management;
- Regulations on the Dividend Policy;
- Regulations on the Information Policy;
- Regulations on Insider Information;
- Regulations on the Internal Control System;
- The Code of Corporate Ethics.

In 2012, our Company adopted a new Code of Corporate Governance which contained provisions significantly affecting both the quality of the Company's Corporate Governance in general, and its external assessment by shareholders, investors and other interested parties. The new Code expands the range of issues addressed by the Board of Directors in person, includes new sections and definitions particularly describing issues such as (potential) conflicts of interest of members of the Board of Directors with the interests of the Company, and the requirement that a member of the Board of Directors have an impeccable reputation. In addition, the new Code contains additional information about the Company's auditor.

Interactions of the Company with its subsidiaries and dependent companies (SDCs) are based on internal regulations, including:

- Regulations on the governance of subsidiaries and dependent companies;
- The order of the interaction of Federal Grid Company of Unified Energy System with its subsidiaries and dependent companies;
- Standard of the formation and submission by structural divisions of Federal Grid Company of positions and assignments to representatives of Federal Grid Company in the General Meetings of Shareholders and the Boards of Directors of subsidiaries and dependent companies.

The quality of the management of SDCs is growing due to the increased effectiveness of the Company's representatives in participating in the governance and control bodies of SDCs.

The full text of these documents can be found on the corporate website:

http://www.fsk-ees.ru/shareholders_and_investors/corporate_governance/constituent_and_internal_documents/

The Company's Information Policy

Our Information Policy includes fundamental information disclosure principles related to the Company's operations:

Regularity and Efficiency

Information is disclosed on a regular basis to interested parties and in the shortest possible time.

Accessibility of Information

Utilized channels and modes of information dissemination provide for the free, non-burdensome and non-selective method of information disclosure to interested parties.

Completeness and Credibility of Disclosed Information

Provided information is valid, and the Company does not avoid disclosing negative information about itself.

Maintaining a Reasonable Balance Between the Company's Openness and Adherence to its Commercial Interests

It is the prerequisite to protect information that constitutes commercial, State or other secrets protected by law, and the observance of rules for the use and dissemination of insider information.

In accordance with the Russian Federal Law "On Natural Monopolies", as well as with the Standards of Information Disclosure by players on the wholesale and retail electricity and capacity markets, our Company, which is a natural monopoly entity and a player on the Wholesale Electricity and Capacity Market (WECM) provides free access to information about its activities, including:

- On the rates for services with regard to those for which State regulation is applied;
- On key indicators of financial and economic activity;
- On the main consumer specifications of regulated services;
- On the technical feasibility of access to regulated services;
- On the registration and processing of the implementation of applications for technological connections to the Company's infrastructure;
- On the conditions for rendering regulated services;
- On a procedure for performing the technological, technical, and other activities related to technological connections to the Company's infrastructure;
- On investment programs, projects and their implementation;
- On the modes of purchase, cost, and on the amount of goods required for rendering regulated services.

Our Company discloses fully to the utmost information about themselves in both Russian and English on the corporate website, www.fsk-ees.ru. This information includes: salient events, quarterly and annual reports, statements in accordance with Russian and international standards, and information on management and control bodies, etc.

In addition to publishing significant information on its website, the Company discloses information on the website of Interfax agency http://www.e-disclosure.ru/portal/company.aspx?id=379, on the home page of the London Stock Exchange in the section Home Page/Prices and Markets/JSC Federal and in the print edition of "Rossiyskaya Gazeta".

Information Policy in the Field of the Long-term Development Process

Federal Grid Company manages the UNEG. To ensure the most efficient UNEG development, the Company's activities must be coordinated with other controlling bodies of the Russian electric power industry.

The Company's Information Transparency Policy, within the process of the UNEG long-term development, is based on maximum information for current and potential customers about the existing procedures of long-term development and about the possibilities of clients participating in these procedures.

Interaction efficiency and the fullness of information exchange with electric-power entities are ensured by virtue of the following principles:

- Transparency in managerial decision-making in the area of the Grid's long-term development
- Transparency in the funding of projected measures for the Grid's long-term development
- Transparency of the process for the Grid's long-term development, i.e. clarity and transparency of the given process for Russia's electric-power entities.
- Regular submission to the Grid's economic entities and to other interested parties of prompt and reliable information on projected measures related to the UNEG development.

To provide various electric-power entities with access to information on the Grid's long-term development, we have undertaken the following measures:

— Regular announcements of events related to the long-term development of the UNEG on the Company's corporate website and the publication of information on such events in periodicals;

— Joint provision with JSC SO UES of draft documents on long-term development to relevant State bodies and other Russian electric-power entities;

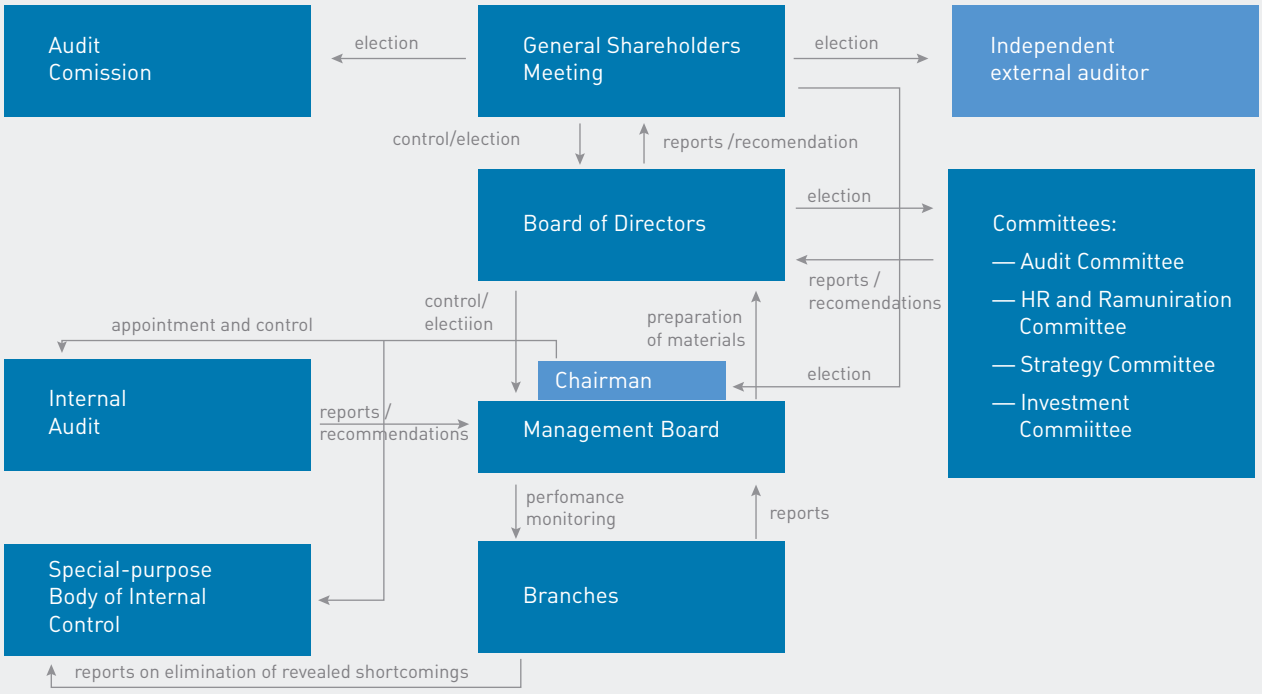
— Providing information on the long-term development of the UNEG at requests of electric-power entities of the Russian Federation, and federal and regional State bodies of executive power;

— Formation of a single information space with electric-power entities of the Russian Federation involved in the process of planning the Grid's long-term development (a single database, single type of modes, etc.).

Management and Control Bodies

The Company's corporate management system has a well-developed structure with a seamless mechanism of interactions between management and control bodies.

Organizational Structure of the Company's Management Bodies



The Company's highest management body is the General Meeting of Shareholders. The Board of Directors sets the overall direction of corporate development and supervises the operations of the Company's Management Board, which carries out the Company's operational management. The Chairman of the Management Board is the Chief Executive Officer (CEO) of the Company. Under the Board of Directors, there are committees aiming to improve the effectiveness and quality of the Board of Directors. The Company employs an efficient control system, both externally by shareholders (the Independent Auditor and the Audit Commission) and internally (special-purpose bodies for internal audit and control).

General Meeting of Shareholders

Each common share grants shareholder the same scope of rights in accordance with current legislation.

A shareholder is entitled to:

— Participate personally or through his/her representatives in the General Meeting of Shareholders with the right to vote on all issues within his/her competence;

— Make proposals for the agenda of the General Meeting of Shareholders in accordance with existing Russian legislation and the Company's Charter;

— Receive information on the Company's operations and to examine documents in accordance with Article 91 of the Russian Federal Law "On Joint Stock Companies";

— Receive dividends declared by the Company;

— Engage in the pre-emptive purchase of additional shares and equity securities placed by open subscription convertible into shares in a quantity that is proportional to the number of owned shares of this category (type);

— Receive a part of the Company's property in case of its liquidation;

— Carry out other rights as stipulated by Russian legislation.

Shareholder(s) owning at least 2 percent of the voting shares of the Company shall be entitled to propose issues to the agenda of the annual General Meeting of Shareholders and nominate candidates to the Board of Directors, the Audit Commission, and a candidate for the position of the sole executive body of the Company (CEO). Submission of proposals to the agenda of the annual General Meeting of Shareholders must be received by the Company not later than 90 days after 31 December of the previous year.

Shareholder(s) owning at least 10 percent of voting shares, may call for the mandatory convening of an Extraordinary General Meeting of Shareholders.

In 2012, the Company held one General Meeting of Shareholders. The Annual General Meeting of Shareholders on 29 June approved the 2011 annual report and financial statement, also approved a new version of the Regulations on the Audit Commission and the Regulations on the payment of remuneration and compensation to the Board of Directors, as well as elected the Board of Directors and the Audit Commission, approved the Company's Auditor, and approved an interested party transaction. Also, the shareholders decided not to pay dividends on common shares for 2011, since based on results of the reporting period the Company incurred a loss.

http://www.fsk-ees.ru/shareholders_and_investors/information_for_shareholders/shareholders_39_meeting/

The Board of Directors

The Board of Directors carries out General Governance of the Company except for issues that fall under the competency of the General Meeting of Shareholders according to either the Federal Law "On Joint Stock Companies" or the Charter of Federal Grid Company to the competency of the General Meeting of Shareholders. In its operations, the Board of Directors is guided by the Federal Law "On Joint Stock Companies", Russian legislation and internal corporate documents.

The Board of Directors shall be elected by the General Meeting of Shareholders via cumulative voting for a period of one year. The Board shall include 11 members, 6 of whom should be representatives of the State according to the Company's Charter. The Company's Charter stipulates compulsory membership of representatives of the Market Council, a non-profit organization incorporated as a non-profit partnership unifying electric power industry entities and large electric and thermal energy consumers on a membership basis.

Four independent directors are elected to the Board of Directors to ensure an unbiased decision-making process and to maintain balanced interests for different shareholder groups.

Composition of the Board of Directors acting from 29 June 2011 to 29 June 2012 (positions are indicated as of the election date):

1. Ernesto Ferlenghi - Chairman of the Board of Directors;
2. Andrey Malyshev - Deputy Chairman of the Board of Directors;
3. Boris Ayuev;
4. Oleg Budargin;
5. Alexey Makarov;
6. Kirill Lyovin;
7. Dmitry Ponomarev;
8. Yuri Solovyev – Independent Director;
9. Denis Fedorov;
10. Igor Khvalin – Independent Director;
11. Rashid Sharipov – Independent Director.

Composition of the Board of Directors acting from 29 June 2012

(positions are indicated as of the election date):

Ernesto Ferlenghi

Chairman of the Board of Directors

Born: 1968
Education: in 1994, he graduated the Tor Vergata University of Rome, the Department of Mathematics, Physics and Natural Sciences.

HOLDS THE FOLLOWING POSITIONS:

— Vice President of Eni S.p.A. (Italy);

— Head of the representative office of Eni (Russian Federation and CIS).

Member of the Board of Directors since 2008, and the Chairman of the Board of Directors since 2011.

Holds no shares of the Company.

Oleg Budargin

Born: 1960

Education: in 1982, he graduated cum laude from the Norilsk Industrial Institute, majoring in Industrial and Civil Construction.

Chairman of the Management Board since 2009, and a member of the Board of Directors of Open Joint Stock Company Federal Grid Company of Unified Energy System, since 2010.

HOLDS THE FOLLOWING POSITIONS:

— Member of the Supervisory Board, Open Joint Stock Company All-Russian Regional Development Bank;

— Member of the Board of Directors, Open Joint Stock Company Inter RAO UES;

— Member of the Supervisory Board, non-profit partnership Association of Solar Energy Enterprises;

— Chairman of the Board of Directors, Open Joint Stock Company of Energy and Electrification of Kuban;

— Chairman of the Board of Directors, Open Joint Stock Company Moscow Joint Electric Grid Company;

— Chairman of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of Siberia;

— Chairman of the Management Board, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies

Participation share in the Company's share capital: 0.000644%

Share in the Company's ordinary stock: 0.000644%

Boris Kovalchuk

Born: 1977

Education: in 1999, he graduated St. Petersburg State University, majoring in Law, and in 2010, he graduated from the Federal State Agency of Additional Professional Education at the Institute of Advanced Training for Executives and Fuel and Energy Specialists, and the non-profit partnership Corporate Educational and Research Center of UES.

Member of the Board of Directors since 2012.

Holds no shares of the Company.

HOLDS THE FOLLOWING POSITIONS:

- Chairman of the Management Board, member of the Board of Directors, Open Joint Stock Company Inter RAO UES;
- Chairman of the Board of Directors, Open Joint Stock Company First Generating Company of the Wholesale Electricity Market;
- "Chairman of the Board of Directors, Closed Joint Stock Company Kambarata Hydro Power Plant – 1;
- Member of the Board of Directors, Limited Liability Company InterRAO WorleyParsons;
- Chairman of the Board of Directors, Open Joint Stock Company Mosenergosbyt;
- Member of the Board of Directors, Open Joint Stock Company Petersburg Off-Load Company;
- Member of the Board of Directors, Open Joint Stock Company Federal Hydro-generator Company – RusHydro;
- Member of the Board of Directors, Irkutsk Open Joint Stock Company of Energy and Electrification;
- Chairman of the Board of Directors, Open Joint Stock Company United Energy Trade Company;
- Member of the Management Board, Russian Union of Manufacturers and Entrepreneurs;
- Member of the Management Board, Russian Union of Manufacturers and Entrepreneurs;
- Member of the Board of Directors, Open Joint Stock Company Third Generating Company of the Wholesale Electricity Market;
- Member of the Board of Directors, Open Joint Stock Company Financial Settlements Center;
- Member of the Board of Directors, Open Joint Stock Company All-Russian Regional Development Bank.

Boris Ayuev

Born: 1957

Education: in 1979, he graduated from the Ural Polytechnic Institute, with a major in Electric Power Plants.

HOLDS THE FOLLOWING POSITIONS:

— Chairman of the Management Board, Member of the Board of Directors, Open Joint Stock Company Central Dispatch of the System Operator of Unified Energy System;

— Member of the Board of Directors, Open Joint Stock Company Administrator of the Trading System of the Wholesale Electricity Market;

— Member of the Board of Directors, Joint Stock Company Financial Settlements Center;

— Chairman, non-profit partnership Russian National Committee of CIGRE (International Council on Large High Voltage Electric Systems);

— Member of the Board of Directors, Open Joint Stock Company Federal Hydro-generator Company – RusHydro.

Member of the Company's Board of Directors since 2004

Participation share in the Company's share capital: 0.007158%

Share of the Company's ordinary stock: 0.007158%

Vyacheslav Kravchenko

Independent Director

Born: 1967

Education: in 1995, he graduated from Lomonosov Moscow State University with a degree in Law.

HOLDS THE FOLLOWING POSITIONS:

— Chairman of the Management Board, member of the Supervisory Board, non-profit partnership Council of the Market for the Organization of an Efficient System of Wholesale and Retail Trade of Electric Energy and Power;

— Member of the Board of Directors, Joint Stock Company Financial Settlements Center;

— Chairman of the Board of Directors, Chairman of the Management Board, Open Joint Stock Company Administrator of the Wholesale Electricity Market Trading System;

— Member of the Board of Directors, Open Joint Stock Company Inter RAO UES;

— Member of the Board of Directors, Open Joint Stock Company Holding of Inter-regional Distribution Grid Companies;

— Member of the Board of Directors, Open Joint Stock Company System Operator of Unified Energy System.

Member of the Board of Directors since 2012.

Holds no shares of the Company.

Andrey Malyshev

Member of the Company's Board of Directors since 2008. He also serves as Chairman of the Investment Committee.

Holds no shares in the Company.

Deputy Chairman of the Board of Directors

Born: 1959

Education: in 1982, he graduated from the Moscow Power Engineering University with a degree in heat power automation (as a heat power automation engineer).

HOLDS THE FOLLOWING POSITIONS:

- President, member of the Board of Directors, Open Joint Stock Company GROUP E4;
- Chairman of the Strategy Committee, member of the Board of Directors, Open Joint Stock Company Federal Hydro-generator Company – RusHydro;
- Chairman of the Board of Directors, Closed Joint Stock Company Prepreg – Modern Composite Materials;
- Chairman of the Board of Directors, Limited Liability Company SITRONICS-Nano;
- Deputy Chairman of the Board of Directors, Closed Joint Stock Company TREKPOR TEKHNOLODGI;
- Chairman of the Board of Directors, Limited Liability Company Lithium-ion Technologies;
- Chairman of the Board of Directors, Closed Joint Stock Company Plakart;
- Chairman of the Board of Directors, Limited Liability Company NT-Pharma;
- Member of the Board of Directors, Closed Joint Stock Company Fiber-Optic Systems;
- Chairman of the Board of Directors, Limited Liability Company SinBio;
- Member of the Board of Directors, Closed Joint Stock Company Composite Holding Company;
- Member of the Board of Directors, Closed Joint Stock Company Novomet – Perm;
- Chairman of the Board of Directors, Limited Liability Company Nanoelectro Research-and-Production Enterprise;
- Chairman of the Board of Directors, Limited Liability Company PET-Technology;
- Member of the Board of Directors, Limited Liability Company RosnanoMedInvest;
- Member of the Board of Directors, Limited Liability Company Ecoalliance;
- Member of the Board of Directors, Open Joint Stock Company Ruspolymet.

Vladimir Rashevsky

Independent Director

Born: 1973

Education: in 1995, he graduated from the Finance Academy under the Government of the Russian Federation, and in 1999, he completed a post-graduate course at the Finance Academy under the Government of the Russian Federation, with a Ph.D. in Economics (focused on world economics).

HOLDS THE FOLLOWING POSITIONS:

— General Director, Chairman of the Management Board, member of the Board of Directors, member of the Strategy Committee, Open Joint Stock Company "Siberian Coal Energy Company";

— Chairman of the Management Board, non-profit organization "Fund of Socio-Economic Support of the Regions SUEK-REGIONAM;

— Member of the Management Board, the All-Russian Association of Employers the Russian Union of Manufacturers and Entrepreneurs;

— Member of the Board of Directors, Limited Liability Company Siberian Generating Company.

Member of the Company's Board of Directors since 2012.

Holds no shares in the Company

Elena Titova

Independent Director

Born: 1967

Education: in 1989, she graduated from the Lomonosov Moscow State University, with a degree in Economics, as an economist and a professor of political economy.

HOLDS THE FOLLOWING POSITIONS:

— Member of the Board of Directors, CEO, Chairman of the Management Board, Morgan Stanley Bank LLC;

— President, Open Joint Stock Company All-Russian Regional Development Bank;

— Member of the Board of Directors, Open Joint Stock Company Holding of Inter-regional Distribution Grid Companies.

Member of the Company's Board of Directors since 2012.

Holds no shares in the Company.

Denis Fedorov

Born: 1978

Education: in 2001, he graduated from the Bauman Moscow State University, with a degree in Economics Management; in 2003, he completed a post-graduate course at the Moscow Power Engineering Institute, majoring in Economics and the Industrial Energy Sector. He holds a Ph.D. in Economics.

Member of the Company's Board of Directors since 2011. He also serves as the Chairman of the HR and Remuneration Committee, and as a member of the Audit Committee.

Holds no shares in the Company.

HOLDS THE FOLLOWING POSITIONS:

- Head of the Department, Open Joint Stock Company Gazprom;
- General Director, Limited Liability Company Gazpromenergoholding;
- General Director, member of the Board of Directors, Open Joint Stock Company Tsentrenergokholding;
- Member of the Management Board, Closed Joint Stock Company Fortis Energy;
- Chairman of the Board of Directors, Open Joint Stock Company Second Generating Company of the Wholesale Electricity Market;
- Member of the Board of Directors, Open Joint Stock Company Territorial Generating Company #1;
- Member of the Management Board, Open Joint Stock Company Kaunas Heat-Electric Generating Plant;
- Member of the Board of Directors, Open Joint Stock Company Mosenergo;
- Member of the Management Board, Closed Joint Stock Company Kaunoelectrine;
- Member of the Board of Directors, Open Joint Stock Company Inter RAO UES;
- Member of the Board of Directors, Limited Liability Company Heat Supply Company;
- Chairman of the Board of Directors, Open Joint Stock Company Tyumen Energy Retail Supplier;
- Member of the Management Board, Fund for the Development of Education, Science and Engineering Nadezhda;
- Member of the Board of Directors, Open Joint Stock Company Holding of Inter-regional Distribution Grid Companies.

Rashid Sharipov

Independent Director

Born: 1968

Education: in 1991, he graduated from the Moscow State University of Foreign Affairs, with a degree in international affairs and international law. In 1993, he graduated from the California Western School of Law, with an LL.M degree.

HOLDS THE FOLLOWING POSITIONS:

— Deputy General Director, Limited Liability Company KFK – Consult;

— Member of the Board of Directors, Open Joint Stock Company System Operator of Unified Energy System;

— Member of the Supervisory Board, Open Joint Stock Company All-Russian Regional Development Bank;

— Member of the Board of Directors, Open Joint Stock Company Federal Hydro-generator Company – RusHydro;

— Member of the Fund Board of the non-governmental pension fund Neftegarant.

Member of the Company's Board of Directors since 2008. He also serves as the Chairman of the Audit Committee, and as a member of the HR and Remuneration Committee.

Holds no shares in the Company.

Ilya Scherbovich

Member of the Company's Board of Directors since 2012.

Holds no shares in the Company.

Independent Director

Born: 1974

Education: in 1995, he graduated from the Plekhanov Russian Economic Academy, with a degree in Economics and production management.

HOLDS THE FOLLOWING POSITIONS:

— President, Limited Liability Company United Capital Partners Advisory;

— President, United Capital Partners (UCP) Group of Companies;

— Member of the Board of Directors, Limited Liability Company Uralmash Oil and Gas Equipment Holding;

— Member of the Board of Directors, Open Joint Stock Company Rosneft Oil Company;

— Member of the Board of Directors, Open Joint Stock Company Joint stock oil transportation company Transneft;

— Member of the Board of Directors, United Capital Partners Advisory LLC.

Vladimir Furgalsky

Holds the position of Deputy Chairman of the Management Board, Open Joint Stock Company Federal Grid Company.

Holds no shares in the company.

Secretary of the Board of Directors

Born: 1977

Education: in 2000, he graduated from the St. Petersburg University of Economics and Finance, from 1999 till 2001, he studied at the University of Arkansas (USA) (degree: Master of Business Administration (MBA)).

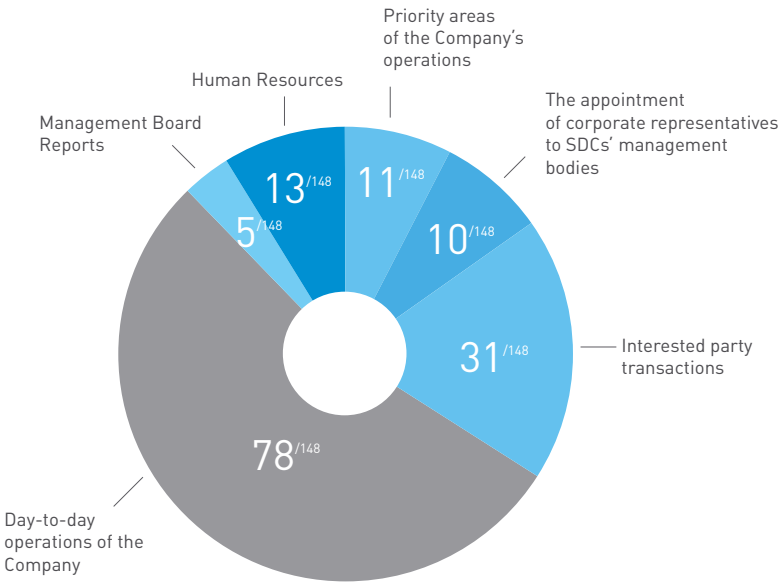
Board of Directors Activities

In 2012, the Board of Directors held 34 meetings, 6 of which were held in the form of joint attendance, and made resolutions on 148 issues. The Board of Directors considered and approved long-term corporate development programs, including:

- The non-core Asset Management Program;
- The Innovative Development Program;
- The Insurance Protection Program;
- The 2012 Cost Management Program and Forecast Activities for 2013-2014;
- Regulations on the Internal Control System;
- Regulations on the Energy Policy;
- Anti-corruption Policy;
- Regulations on the Unified Technical Policy in the Electric Grid Complex of the Russian Federation;
- New Corporate Governance Code;
- Regulations on the Procedures for Procuring Goods, Work and Services for the Needs of JSC Federal Grid Company.

The Board of Directors made the following decisions: on the establishment of a branch of Federal Grid Company (Center of Technical Supervision) and on the adjustment of the 2012 Investment Program of Federal Grid Company.

Structure of Issues Addressed at 2012 Board of Directors Meetings



Committees of the Board of Directors

The Committees' activities aim to boost the performance of the Board of Directors by preliminarily examining the most important issues falling under the competence of the Board of Directors and developing recommendations on such issues.

Four Committees of the Board of Directors operated in 2012:

— The Strategy Committee;
— The Investment Committee;
— The Audit Committee;
— The HR and Remuneration Committee.

The activities of all Committees shall be governed by relevant Provisions on the Committees that define the composition, competence and operational procedures, as well as the rights and obligations of members of the Committees.

The Strategy Committee

The functions of the Committee include addressing and making recommendations to the Board of Directors on issues related to the development of Russia's Unified Energy System.

Composition of the Committee:

1. Vyacheslav Kravchenko
   — Independent Director
   — Chairman of the Committee, member of the Board of Directors of JSC Federal Grid Company;
   — Chairman of the Management Board, member of the Supervisory Board of the Non-Profit Partnership Market Council.
2. Andrey Malyshev
   — Deputy Chairman of the Board of Directors of JSC Federal Grid Company;
   — President, member of the Board of Directors of JSC GROUP E4.
3. Roman Berdnikov
   — First Deputy Chairman of the Management Board of JSC Federal Grid Company.
4. Sergey Vasilyev
   — Director of the Department of Electric Power Industry Development for the Russian Ministry of Energy.
5. Anatoly Dyakov
   — President of the Unified Energy Complex of the Russian Corporation and the Non-Profit Partnership Scientific and Technical Council of UES.
6. Igor Kozhukhovsky
   — General Director of CJSC APBE.
7. Evgeny Miroshnichnko
   — Director of Strategic Development of the Strategy and Investment Alliance of JSC Inter RAO UES.
8. Andrey Naryshkin
   — Deputy Chief of Staff of the Chairman of the Board of Directors of JSC Federal Grid Company.
9. Alexey Sukhov
   — Deputy Chairman of the Management Board of JSC ATS.
10. Alexander Rogov
    — Head of the Energy Sector Development Department at the Energy Sector and Energy Marketing Development Division of JSC Gazprom.
11. Vladimir Fortov
    — Member of the Presidium of the Russian Academy of Sciences (RAS).
12. Igor Khvalin
    — Deputy Strategy Executive Director of JSC Holding of the Inter-regional Distribution Grid Companies.
13. Nikolay Shulginov

— First Deputy Chairman of the Management Board of JSC SO UES.

The Committee's 2012 Activities

The Strategy Committee held two meetings in the form of joint attendance. The meetings prepared the Committee's work plan, reviewed the issue on subsidiaries and dependent companies, and also gave recommendations to the Board of Directors on activities aimed at increasing the value of JSC Federal Grid Company shares considering a realization of decisions of the Russian Government on the privatization of shares starting from 2012.

The Investment Committee

The Committee is responsible for reviewing and submitting to the Board of Directors recommendations on the Company's investment policy and advising the Board of Directors on any investment risks.

Composition of the Committee:

1. Andrey Malyshev
   — Chairman of the Committee;
   — Deputy Chairman of the Board of Directors of JSC Federal Grid Company;
   — President, member of the Board of Directors of JSC GROUP E4.
2. Alexander Ilyenko
   — Director for UES Asset Management of SO UES.
3. Roman Berdnikov
   — First Deputy Chairman of the Management Board of JSC Federal Grid Company.
4. Andrey Mourov
   — First Deputy Chairman of the Management Board of JSC Federal Grid Company.
5. Valery Goncharov
   — Deputy Chairman of the Management Board of JSC Federal Grid Company.
6. Sergey Vasilyev
   — Director of the Department of Electric Power Industry Development for the Russian Ministry of Energy.
7. Vyacheslav Kravchenko
   — Independent Director
   — Member of the Board of Directors of JSC Federal Grid Company;
   — Chairman of the Management Board, member of the Supervisory Board of the Non-Profit Partnership Market Council.
8. Ilnar Mirsiyapov
   — Member of the Management Board, Head of Strategy and Investment Alliance of JSC Inter RAO UES.
9. Andrey Naryshkin
   — Deputy Chief of Staff of the Chairman of the Board of Directors of JSC Federal Grid Company.
10. Alexander Rogov
    — Head of the Energy Sector Development Department at the Energy Sector and Energy Marketing Development Division of JSC Gazprom.
11. Sergey Serebrennikov
    — Rector of the State Education Institution of Higher Professional Education MPEI (TU).
12. Vladimir Fortov
    — Member of the Presidium of the Russian Academy of Sciences (RAS).

The Committee's 2012 Activities

The Investment Committee held 8 meetings, including one in the form of joint attendance. The meetings made recommendations to the Board of Directors, related to the approval of the 2012-2014 investment program, its adjustments and approval of the long-term 2013-2017 investment program.

The Audit Committee

The Committee is responsible for preparing recommendations to the Board of Directors on selecting an independent audit organization and on upgrading the Company's reporting system and internal control.

Composition of the Committee:

1. Rashid Sharipov
   — Independent Director
   — Chairman of the Committee;
   — Member of the Board of Directors of JSC Federal Grid Company;
   — Deputy General Director of LLC KFK – Consult.
2. Vladimir Rashevsky
   — Independent Director
   — Member of the Board of Directors of JSC Federal Grid Company;
   — General Director, Chairman of the Management Board of JSC Siberian Coal Energy Company.
3. Elena Titova
   — Independent Director
   — Member of the Board of Directors of JSC Federal Grid Company;
   — President, Chairman of the Management Board of JSC All-Russian Regional Development Bank.
4. Denis Fedorov
   — Member of the Board of Directors of JSC Federal Grid Company;
   — Head of a Division of JSC Gazprom;
   — General Director of LLC Gazpromenergoholding;
   — General Director of JSC Tsentrenergoholding.
5. Ilya Scherbovich
   — Independent Director;
   — Member of the Board of Directors of JSC Federal Grid Company;
   — President of LLC United Capital Partners Advisory;
   — President of the United Capital Partners (UCP) Group of Companies.

The Committee's 2012 Activities

The Audit Committee held nine meetings, including three in the form of joint attendance. The meetings approved and issued recommendations to the Board of Directors on approving the Regulations on Securing Insurance Protection and the Company's 2013 Insurance Protection Program. The Committee also reviewed the report on the Company's securities transactions by insiders, of the Company and the process for calculating profit tax taken into account while developing the Company's 2012 Business Plan and forecast indices for 2013-2014.

The HR and Remuneration Committee

The HR and Remuneration Committee is in charge of preparing recommendations to the Board of Directors related to remuneration and incentive schemes for the Company's and the Audit Commission's top executives, and for outlining candidate selection criteria for the Company's management bodies.

Composition of the Committee:

1. Denis Fedorov
   — Chairman of the Committee;
   — Member of the Board of Directors of JSC Federal Grid Company;
   — Head of a Division of JSC Gazprom;
   — General Director of LLC Gazpromenergoholding;
   — General Director of JSC Tsentrenergoholding.
2. Elena Titova
   — Independent Director;
   — Member of the Board of Directors of JSC Federal Grid Company;
   — President, Chairman of the Management Board of JSC All-Russian Regional Development Bank.
3. Ilya Scherbovich
   — Independent Director;
   — Member of the Board of Directors of JSC Federal Grid Company;
   — President of LLC United Capital Partners Advisory;
   — President of the United Capital Partners (UCP) Group of Companies.

The Committee's 2012 Activities

The HR and Remuneration Committee held six meetings in the form of joint attendance and made recommendations to the Board of Directors on approving the methodology for calculating and assessing the achievement of key performance indicators (KPIs) by top managers of JSC Federal Grid Company, as well as on the approval of the report on the accomplishments of the Company's KPIs for H1 2012.

Board of Directors' Members Attendance at 2012 Meetings of the Board of Directors and Its Committees

Name of BoD member	The Board of Directors	Audit Committee	Strategy Committee	HR and Remuneration Committee	Investment Committee
Boris Ayuev	97%				
Oleg Budargin	97%				
Boris Kovalchuk	89%				
Vyacheslav Kravchenko	78%				0%
Kirill Lyovin	100%	100%	100%		
Alexey Makarov	81%		100%		100%
Andrey Malyshev	97%				100%
Dmitry Ponomarev	6%		0%		
Vladimir Rashevsky	89%	100%			
Yuri Solovyev	94%		100%		86%
Elena Titova	89%	100%		100%	
Denis Fedorov	91%	100%		100%	
Ernesto Ferlenghi	100%				
Igor Khvalin	88%	100%	100%	100%	86%
Rashid Sharipov	70%	100%		33%	
Ilya Scherbovich	100%	100%		100%	

The Management Board

Day-to-day operations of the Company are managed by the Chairman of the Management Board and by the Management Board, which are accountable to the General Shareholders Meeting and to the Board of Directors. In its own operations, the Management Board is governed by the Federal Law "On Joint Stock Companies", Russian legislation and other internal corporate documents.

The Chairman of the Management Board is the Chief Executive Officer (CEO).

Information on the Management Board's Compositions in 2012

The Management Board composition below is effective from 1 January 2012 till 11 September 2012:

1. Oleg Budargin – Chairman of the Management Board;
2. Roman Berdnikov;
3. Andrey Cherezov;
4. Valery Chistyakov;
5. Dmitry Gourevich;
6. Andrey Kazachenkov;
7. Yuri Mangarov;
8. Samuil Zilberman;
9. Evgeny Zhuykov.

Changes in the Management Board as of 11 September 2012 (Board of Directors' Meeting Minutes #172):

— A Resolution of the Board of Directors terminated the authorities of: Evgeny Zhuykov, Samuil Zilberman and Dmitry Gourevich;

— A Resolution of the Board of Directors appointed: Andrey Mourov (First Deputy Chairman of the Management Board), Sergey Sergeyev (Deputy Chairman of the Management Board), Vladimir Shukshin (Deputy Chairman of the Management Board) and Nikolay Varlamov (Deputy Chairman of the Management Board) as members of the Management Board.

The below Management Board Composition is effective from 11 September 2012 till 20 October 2012:

1. Oleg Budargin – Chairman of the Management Board;
2. Roman Berdnikov;
3. Andrey Cherezov;
4. Valery Chistyakov;
5. Andrey Kazachenkov;
6. Andrey Mourov;
7. Yuri Mangarov;
8. Sergey Sergeyev;
9. Vladimir Shukshin;
10. Nikolay Varlamov.

Changes in the Management Board as of 20 October 2012:

— In accordance with the Russian Federal law "On Joint Stock Companies" and the Charter of JSC Federal Grid Company, due to expiration of the employment contract, the authority of Valery Chistyakov was terminated as of 20 October 2012.

Management Board Composition,

effective from 20 October 2012 onwards

Participation share in the Company's share capital: 0.000644%

Share in the Company's ordinary stock: 0.000644%

Oleg Budargin

Chairman of the Management Board, member of the Board of Directors

Born: 1960

Education: in 1982, he graduated cum laude from the Norilsk Industrial Institute, with a major in Industrial and Civil Construction.

Biographical Background: From 1984 till 1995, he worked at Norilskstroi PSMO (Production Construction and Assembly Association), Promstroi Trust, the General Construction Division of the Norilsk Mining and Metallurgical Complex (NGMK), and he also served as the Deputy General Director of JSC NGMK. From 2000 to 2002, he served as the Mayor of Norilsk. From 2003 till 2006, he served as the Governor of the Taymyr (Dolgano-Nenets) Autonomous District. From 2007 till 2009, he was appointed Assistant Plenipotentiary Representative of the Russian President in the Siberian Federal District. In July 2009, by a resolution of the Board of Directors of JSC Federal Grid Company, he was appointed Acting Chairman of the Management Board, and as of October 2009, he was elected Chairman of the Management Board by an Extraordinary General Meeting of Shareholders.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

- Member of the Supervisory Board, Open Joint Stock Company All-Russian Regional Development Bank;
- Member of the Board of Directors, Open Joint Stock Company Inter RAO UES;
- Member of the Supervisory Board, non-profit partnership Association of the Solar Energy Enterprises;
- Chairman of the Board of Directors, Open Joint Stock Company of Energy and Electrification of Kuban;
- Chairman of the Board of Directors, Open Joint Stock Company Moscow Joint Electric Grid Company;
- Chairman of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of Siberia;
- Chairman of the Management Board, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies.

Participation interest in the Company's share capital: 0.0000001957%

Share in the Company's ordinary stock: 0.0000001957%

Roman Berdnikov

First Deputy Chairman of the Management Board

Born: 1973

Education: in 1998, he graduated from the Moscow Power Engineering Institute, with a major in electric power plants.

Biographical Background: He started his working career at JSC Mosenergo, then worked at JSC SO CDU UES of Russia. From 1999 to 2002, he worked at RAO UES of Russia. He joined Federal Grid Company in 2002. In 2009, he was elected as a Member of the Management Board, and since 2010, he has served as the Deputy Chairman of the Management Board. In October 2012, he was appointed First Deputy Chairman of the Management Board.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

- Chairman of the Supervisory Board, Joint Stock Company United Energy System GruzRosenergo;
- Member of the Supervisory Board, Non-Profit Partnership The Market Council for the Efficient System of Wholesale and Retail Trade;
- Member of the Board of Directors, Closed Joint Stock Company EnergoRynok (Energo Market);
- Member of the Board of Directors, Open Joint Stock Company Tyumenenergo;
- Member of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the North Caucasus;
- Member of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the Urals;
- Member of the Management Board, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies.

Andrey Kazachenkov

First Deputy Chairman of the Management Board

Born: 1980

Education: He graduated cum laude from the St. Petersburg State Engineering and Economic University, majoring in engineering plant economics and management. He also received an MBA from the University of Wisconsin (Madison, USA), and completed courses for numerous specialized programs in Economics and Finance at the business schools at IMD (Switzerland) and INSEAD (France).

Biographical Background: He started his career in 2004 at JSC Lenergo, in 2005, he worked at JSC OGK -1. He has been at Federal Grid Company since 2009, holding the position of Deputy Chairman of the Management Board, he was elected as a member of the Management Board in 2010, and as of May 2012, he was appointed First Deputy Chairman of the Management Board.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

- Member of the Fund Board, Non-government Pension Fund for Power Engineering (non-profit organization);
- Member of the Board of Directors, Open Joint Stock Company Realty EC UES;
- Member of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the Center;
- Member of the Board of Directors, Open Joint Stock Company of Energy and Electrification Lenenergo.

Participation interest in the Company's share capital: 0.0000005524%

Share in the Company's ordinary stock: 0.0000005524%

Andrey Mourov

First Deputy Chairman of the Management Board

Born: 1970

Education: In 1993, he graduated from the Legal Department of St. Petersburg State University, majoring in Jurisprudence. In 1998, he participated in a specialized re-training course in Financial Management at the Inter-disciplinary Institute of Professional Development and Refresher Courses for Executives; and, in 2009, he graduated from the State University of Civil Aviation, majoring in Freight Regulation and Air Transport Management, holding a Ph.D. in Economics.

Biographical Background: He worked at the St. Petersburg City Bar Association, then at JSC ICN October. From 2000 to 2004, he worked in the telecommunications and construction industries. From 2004 to 2012, he held executive positions at the Federal State Unitary Enterprise Pulkovo Airport and at JSC Pulkovo Airport. In 2012, he moved from JSC Holding of the Inter-regional Distribution Grid Companies to Federal Grid Company. In June 2012, he was appointed First Deputy Chairman of the Management Board, and in September 2012, he was elected as a member of the Company's Management Board. He also currently holds the post of Executive Director of JSC Holding of the Inter-regional Distribution Grid Companies.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

- Executive Director, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies;
- Chairman of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of Volga;
- Chairman of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the Center;
- Member of the Board of Directors, Open Joint Stock Company of Energy and Electrification of Kuban;
- Chairman of the Board of Directors, Open Joint Stock Company of Energy and Electrification Lenenergo;
- Member of the Board of Directors, Open Joint Stock Company Moscow Unified Electric Grid Company;
- Chairman of the Board of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the North-West;
- Member of the Management Board, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies.

Holds no shares in the Company.

Holds no shares in the Company.

Nikolay Varlamov

Deputy Chairman of the Management Board

Born: 1974

Education: In 1996, he graduated from the Asia and Africa Institute of the Lomonosov Moscow State University, and in 2000, he graduated from the Finance Academy under the Government of the Russian Federation with a master's degree in Economics.

Biographical Background: He started his career at the Central Bank of the Russian Federation; and, in 2002, he moved to the Financial Monitoring Committee of the Russian Federation (subsequently – The Federal Financial Monitoring Service). From 2007 to 2008, he worked as an assistant to the Prime Minister of the Government of the Russian Federation. In 2008, he was appointed Secretary of State as Deputy Head of the Federal Financial Monitoring Service. Since 2011, he has worked in Federal Grid Company, as the Deputy Chairman of the Management Board. In September 2012, he was elected as a member of the Company's Management Board.

Does not hold positions in other organizations.

Holds no shares in the Company.

Yuri Mangarov

Deputy Chairman of the Management Board – Chief of Staff

Born: 1956

Education: In 1978, he graduated from the Plekhanov Moscow Institute of the National Economy, majoring in Economic Cybernetics.

Biographical Background: He worked in the mining and metallurgical industry for 26 years. In 2009, he joined Federal Grid Company, as the Deputy Head of Financial Control and Internal Audit. In October 2009, he was appointed Director for Internal Control and Auditing Activities, and in March 2010, he became the Deputy Chairman of the Company's Management Board. In September 2010, he was elected as a member of the Company's Management Board. From June 2012, he has served as the Deputy Chairman of the Management Board – the Chief of Staff.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

— Member of the Board of Directors, Open Joint Stock Company Tyumenenergo;

— Member of the Board of Directors, Open Joint Stock Company of Energy and Electrification Yantarenergo;

— Deputy Executive Director – Chief of Staff, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies.

Valery Sedunov

General Director, JSC Federal Grid Company subsidiary – MES Center (Transmission Grid of The Center), member of the Management Board

Born: 1950

Education: In 1972, he graduated from the Ivanovo Energy Institute, with a degree in the Automation of Electric Energy Production and Distribution.

Biographical Background: He has worked in the electric energy industry since 1972, first at the Volga substation of the Division for the Operation of Distant Electric Energy Transmission, then, he continued at MES Center, where he went from engineer to General Director. In December 2012, he was elected as a member of the Management Board.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

- Member of the Board of Directors, Open Joint Stock Company IDGC of the Center;
- Member of the Board of Directors, Open Joint Stock Company IDCG of the Center and Volga Regions;
- Member of the Board of Directors, Open Joint Stock Company MOESK.

Participation interest in the Company's share capital: 0.0000274868%

Share in the Company's ordinary stock: 0.0000274868%

Sergey Sergeyev

Deputy Chairman of the Management Board

Born: 1976

Education: In 1998, he graduated cum laude from the Novocherkassk State Technical University, majoring in Industrial and Civil Construction.

Biographical Background: He started his career in 1998 at LLC Soyuzstroy in Rostov-on-Don. Since 2000, he has worked in enterprises within OJSC Transneft Inc. Since 2009, he has worked at Federal Grid Company. In 2010, he was appointed Deputy Chairman of the Management Board. Since April 2012, he has worked as the General Director of JSC "Engineering and Construction Management Center of the Unified Energy System". In September 2012, he was elected as a member of the Company's Management Board.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS

- General Director, member of the Boards of Directors, Open Joint Stock Company Engineering and Construction Management Center of the Unified Energy System;
- Member of the Board of Directors, Open Joint Stock Company Energostroysnabcomplect UES.

Holds no shares in the Company.

Holds no shares in the Company.

Andrey Cherezov

Chairman of the Management Board, Chief Engineer

Born: 1967

Education: In 1993, he graduated from Altay State Technical University, majoring in Power Supply. He completed the executive training program for Russian national economy enterprises for professional administration in economics and corporate management.

Biographical Background: He has worked in the electric energy industry for more than 18 years. He has held executive positions at Federal Grid Company's subsidiaries, and has also worked as the Company's Deputy Chief Engineer. In 2011, he was appointed Deputy Chairman of the Management Board and Chief Engineer and was elected as a member of the Management Board.

HOLDS THE FOLLOWING POSITIONS:

— Member of the Board, Non-profit Partnership to Aid the Development of the Quality and Safety of Construction Work, Self-Regulatory Organization Inzhspetsstroy – Electrosetstroy.

Holds no shares in the Company.

Vladimir Shukshin

Deputy Chairman of the Management Board

Born: 1959

Education: In 1991, he graduated from the State Central Institute of Physical Training, and in 1999, he graduated from the Russian Academy of the Federal Security Service. In 2003, he graduated from the Russian Academy of Government Services under the President of the Russian Federation, with a Ph.D. in Politics.

Biographical Background: He served in the Soviet Armed Forces, working within security and law enforcement agencies. He has also worked in the Moscow Mayor's Office. In 2012, he worked as the Deputy General Director for Security at OJSC Holding of the Inter-regional Distribution Grid Companies. Since June 2012, he has worked as the Deputy Chairman of the Management Board at Federal Grid Company, in September 2012, he was elected as a member of the Company's Management Board. This is in addition to the job of Deputy Executive Director for Security at OJSC Holding of the Inter-regional Distribution Grid Companies.

HOLDS THE FOLLOWING POSITIONS IN OTHER ORGANIZATIONS:

— Chairman of the Boards of Directors, Open Joint Stock Company Inter-regional Distribution Grid Company of the North Caucasus;

— Deputy Executive Director for Security, Open Joint Stock Company Holding of the Inter-regional Distribution Grid Companies.

Information on transactions with the Company's shares as carried out by members of management bodies in 2012

Name of the member of the Company's Management Bodies	Transaction Date	Number of Shares Covered by a Transaction	Change in Shares After a Transaction
Oleg Budargin Chairman of the Management Board, Member of the Board of Directors	25.05.2012	5,210,000	0.0000008278%
Andrey Kazachenkov Member of the Management Board, First Deputy Chairman of the Management Board	28.05.2012	4,100,000	0.0010008132%

Management Bodies' Remuneration

The Company does not offer remuneration to persons in respect to whom Russian legislation restricts or prohibits the receipt of any payments from commercial organizations.

The Board of Directors

The payment of remuneration to members of the Board of Directors is based on Regulations on Remuneration and Compensation Payments to members of the Board of Directors of JSC Federal Grid Company, as approved by the Annual General Meeting of Shareholders on 29 June 2012 (Meeting Minutes #12 as of 7 July 2012).

The amount of remuneration to each member of the Board of Directors for his/her contribution to the operations of the Board of Directors is calculated given the total number of Board of Directors meetings held during the previous corporate year, the number of Board of Directors meetings attended by the member and corporate revenues for the respective fiscal year.

Remuneration for the Chairman of the Board of Directors is increased 30%. Compensation for expenses to members of the Board of Directors is not provided. Allowances are also set for members of the Board for their work in Committees: the Chairman of the Committee receives a 20% bonus, and a Committee member receives 10%.

The total remuneration for each member of the Board of Directors, given all premiums, cannot exceed RUR900 thousand.

Since the Company incurred a loss for the 2012 fiscal year, in accordance with the Regulation, a decision was made not to pay remuneration to the Board of Directors.

Committees of the Board of Directors

The payment of remuneration to members of the Committees of the Board of Directors is based on a separate Regulation on remuneration to members of the Committees of the Board of Directors of JSC Federal Grid Company, as approved by a decision of the Board of Directors on 16 December 2010 (Meeting Minutes #120).

The Regulation does not apply to members of the Committee(s) who are members of the Board of Directors, or members of the executive body and/or the sole executive body of the Company (CEO).

On a quarterly basis, Committee members shall be paid remuneration for each time that they participate in a meeting. The amount of remuneration is equal to three minimum monthly wage rates for a first category worker. Remuneration to the Chairman of the Committee increases 50%.

The Management Board

According to Regulations on Employment Agreements and Compensation and Remuneration to Top Executives of JSC Federal Grid Company, approved by the Board of Directors on 17 June 2010 (Minutes #105), the monthly payroll for the Company's top executives is set by their employment agreements. This remuneration is based on a fixed rate (salary) and a variable rate (bonus). The bonus depends on the top executives meeting key performance indicators (KPIs). The target KPIs and the methods for calculating and assessing their performance are subject to annual approval by the Company's Board of Directors. In 2012, the following KPIs were applied to these individuals:

Semi-annual KPIs:

— Relative number of restrictions on electricity transmission services (in %);

— No fatal accidents or group accidents, if there is a casualty that results in a serious injury to an individual;

— Financial stability indicator, i.e. the financial leverage ratio;

— Meeting schedules for funding and developing the investment program with progressive totals up from the beginning of the year (in %).

Annual KPIs:

— Cost reduction for the acquisition of goods (work, services) per unit of output of not less than 10% per year within three years in real terms;

— EBITDA, RUR million;

— Efficient implementation of the Cost Management Program (CMP),%;

— No major emergencies;

— Electric energy losses in the grid used by Federal Grid Company to provide electricity transmission services (in %);

— Meeting schedules bringing on line power facilities and implementing plans for financing and development (in %).

The approved target semi-annual and annual KPIs for the Company's top executives in 2012 have been achieved in full.

Details on 2012 remuneration, benefits and expenses that members of the Management Board, including the Chief Executive Officer (CEO), received as compensation (RUR thousand):

Remuneration for contributions to the Management Board's operations	0
Salary	145,299
Bonuses	173,461
Commissions	0
Benefits	0
Other types of remuneration	22,444
TOTAL	**341,204**

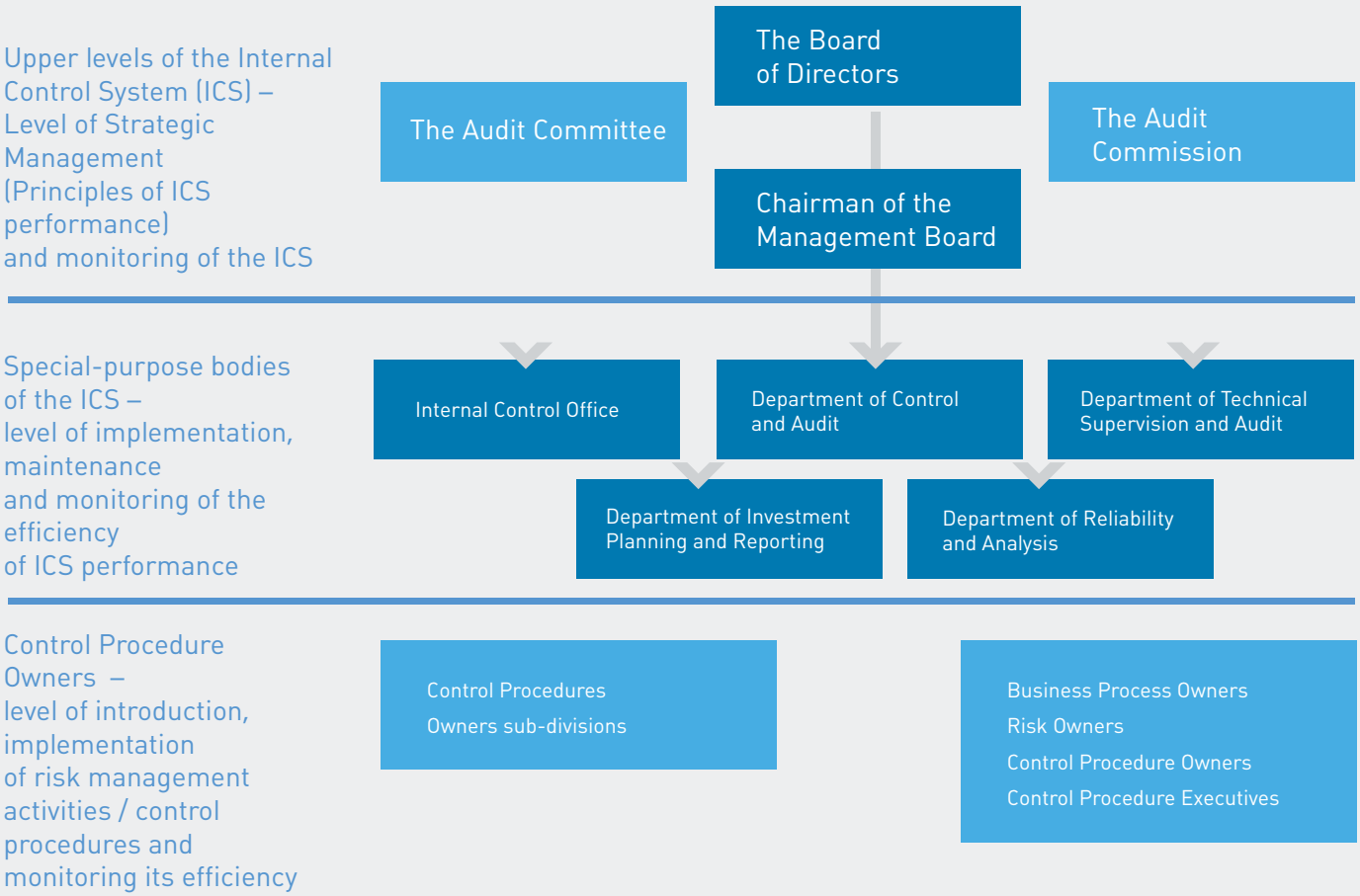
Details on 2012 remuneration, benefits and expenses paid to the Chief Executive Officer (CEO) (RUR thousand):

Remuneration for contributions to the Management Board's operations	0
Salary	17,022
Bonuses	26,502
Commissions	0
Benefits	0
Other types of remuneration	61
TOTAL	**43,585**

The Internal Control System

The Company's internal control system is focused on detecting and mitigating the risk of events that may adversely affect the Company's ability to achieve set objectives and which will lead to losses; at safeguarding assets and efficiently utilizing resources; and at ensuring compliance with Russian legislation, the decisions of the management bodies and internal corporate documents.

The Internal Control System Chart



The Audit Commission

The Audit Commission is elected annually by the General Meeting of Shareholders to control the Company's financial and business operations.

The Audit Commission's terms of competence cover:
— Confirming the credibility of statistics in the annual report, the accounting balance sheet and the Company's profit and loss statement;
— Analyzing the Company's financial status, identifying reserves to upgrade the financial position and elaborating on recommendations for management bodies;
— Verifying (audits) of the Company's financial and business operations.

The current composition of the Audit Commission, elected at the annual General Meeting of Shareholders on 29 June 2012 (the positions are indicated as of the election date):

1. Anna Drokova

Deputy Head of the Department of fuel-and-energy and coal industry enterprises of the Federal Agency on State Property Management;

2. Andrey Kolyada

Head of the Department of fuel-and-energy and coal industry enterprises at the Division of Infrastructure Sectors and military-industrial enterprises of the Federal Agency on State Property Management;

3. Victor Lebedev

Assistant to the Deputy Prime Minister of the Government of the Russian Federation;

4. Vladimir Raspopov

Chairman of the Commission;

Deputy Head of a Division of the Federal Agency on State Property Management;

5. Maria Tikhonova

Member of the Board of Directors in numerous companies.

Audit Commission members hold no shares in the Company.

Auditor

To conduct the compulsory audit of the Company's accounting statements, the General Meeting of Shareholders approves the Auditor.

The Annual General Meeting of the Shareholders on 29 June 2012 approved the candidacy of LLC "RSM Top-Audit", as suggested by the Board of Directors. The Auditor is a full member of RSM International (RSM) and a member of the self-regulatory organization of auditors, the Non-Profit Partnership "Russian Chamber of Auditors".

The selection of the Auditor was made among organizations licensed to conduct a general audit, which are not connected with the Company via property interests, and which are non-affiliated with the Company and/or with its affiliates, and was based on a tender procedure, which took into account the Auditor's professional competence and the service cost.

Moreover, according to the terms of the dealer agreement in respect to the bond issue program concluded by JSC Federal Grid Company and Federal Grid Finance Limited, one of the following companies – PriceWaterhouseCoopers, Ernst & Young, Deloitte, KPMG – or one of its affiliates shall be appointed as an auditor for Federal Grid Company's IFRS consolidated financial statements.

According to this requirement, PriceWaterhouseCoopers CJSC was appointed as the auditor for Federal Grid Company's consolidated financial statements for 2012, which were prepared in compliance with IFRS (as adopted in the EU).

The Company's Internal Control Units

In 2012, the Company passed a new edition of Regulations on the Internal Control System and approved a draft of the Strategy (Concept) of Internal Control System Improvement, which will be implemented in 2013-2014. In addition, the Company paid attention to the development of the Internal Control System in subsidiaries and dependent companies (SDCs), where a process of upgrading risk management, internal control and audits has been started.

The following are key objectives of upgrading the Internal Control System:

— Integrating the Internal Control System and risk management into a single management system for the prevention, timely detection and prompt responses to risks and threats;

— Building effective working business processes unified throughout the entire command chain, including the minimum necessary control procedures, which are developed considering implementation costs and its effectiveness;

— Introducing a risk-oriented internal audit, also stipulating the planning of inspection procedures based on risk assessment – to focus on the most vulnerable facilities and activity sectors.

Within the framework of the Internal Control Systems, the following types of control are carried out:

Preliminary (Preventive) Control

The prevention of ineffective (unreasonable) and illegal activities is performed by Special-Purpose Control Bodies and Structural Units of the Company in a process of optimizing and regulating business processes, and by the Internal Control Office and Structural Units of the Company through risk detection and assessment.

Current Control

The timely detection and immediate removal of shortcomings is performed by Special-Purpose Control Bodies and Structural Units of the Company, by fulfilling control functions within the framework of their key responsibilities.

Follow-up Control

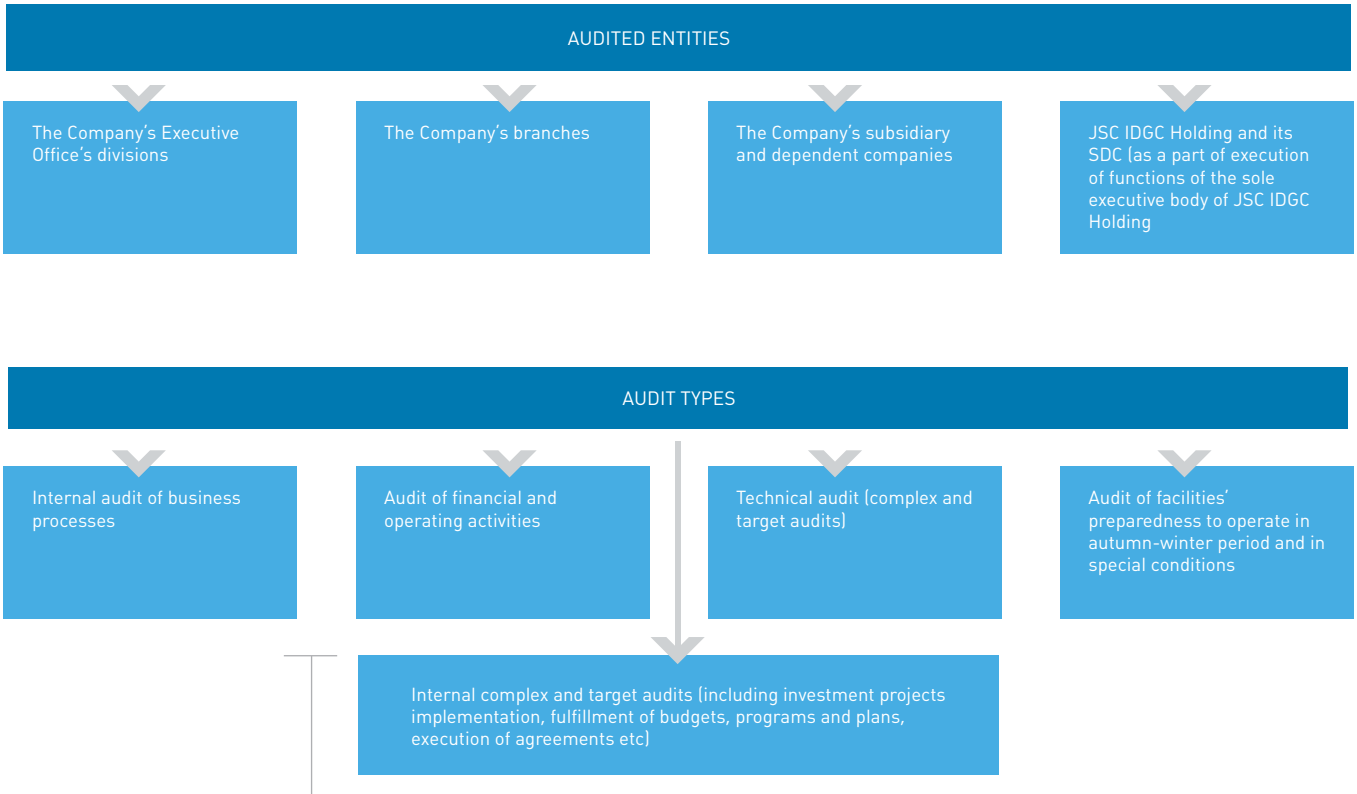
The detection of shortcomings and violations in terms of the Company's financial, economic and production operations is performed by the Department of Control and Audit, the Department of Technical Supervision and the Audit Committee.

Internal Control System development is performed by the following sub-divisions:

— The Internal Control Commission;
— The Internal Control Office;
— The Reliability and Analysis Unit of the Production Control Department;
— The Department of Technical Supervision and Audit;
— The Department of Investment Planning and Reporting;

In addition, in the Company, an Internal Control Commission operates – this is a collegial body whose task is to review materials and audit results carried out by supervisory departments of the Company and external control (supervision) authorities, and to develop a coordinated position and proposals to eliminate violations and identify shortcomings.

During 2012, specialized internal control agencies conducted 120 inspections.



Based on the results of control measures, corrective actions have been developed and are being implemented to address revealed shortcomings and their resulting consequences, and to improve the reliability and failure-free operation of the UNEG, as well as to implement preventive measures to reduce the risk of inefficiency for Federal Grid Company.

Remuneration to Members of the Control Units

The Audit Commission

The General Meeting of Shareholders approved the Regulations on the payment of remuneration and compensation to members of the Audit Commission of JSC Federal Grid Company (Meeting Minutes # 5 as of 4 July 2008). The above-mentioned Regulations do not provide for compulsory payments to members of the Audit Commission. In 2012, remuneration was not paid to members of the Audit Commission.

The Auditor

To audit the Company's accounting statements (based on Russian Accounting Standards (RAS)), the Auditor's 2012 fee is approved by the Board of Directors in an amount not to exceed RUR25 Million, including VAT.

Anti-Corruption Activities

To maintain the reputation of Federal Grid Company as a company that seeks to continually improve its anti-corruption policies and to adhere to best international practices to prevent and fight corruption, within the Company, a need to create Compliance emerged.

The compliance system is designed to diagnose problems at an early stage, preventing the possibility of corruption cases. The development and implementation of the compliance system is carried out by a specially established unit, the Department of the Implementation of Corporate and Anti-Corruption Compliance Procedures, which reports directly to the Company's Chairman of the Management Board.

In 2012, apart from changes in the organizational structure, there were changes in the Company's regulatory framework which regulates anti-corruption activities.

Thus, the Board of Directors approved the Company's Anti-Corruption Policy (Minutes #171 dated 24.08.2012), which is the first most important and fundamental document in the field of combating corruption, and defining main objectives, principles and areas of anti-corruption activities.

The Anti-Corruption Policy's tasks include: forming a uniform understanding of the Company's position on the rejection of corruption, minimizing the risk of employee involvement in corrupt activities, and generating corporate anti-corruption awareness, as well as creating a legal mechanism that prevents bribery of Anti-Corruption Policy entities.

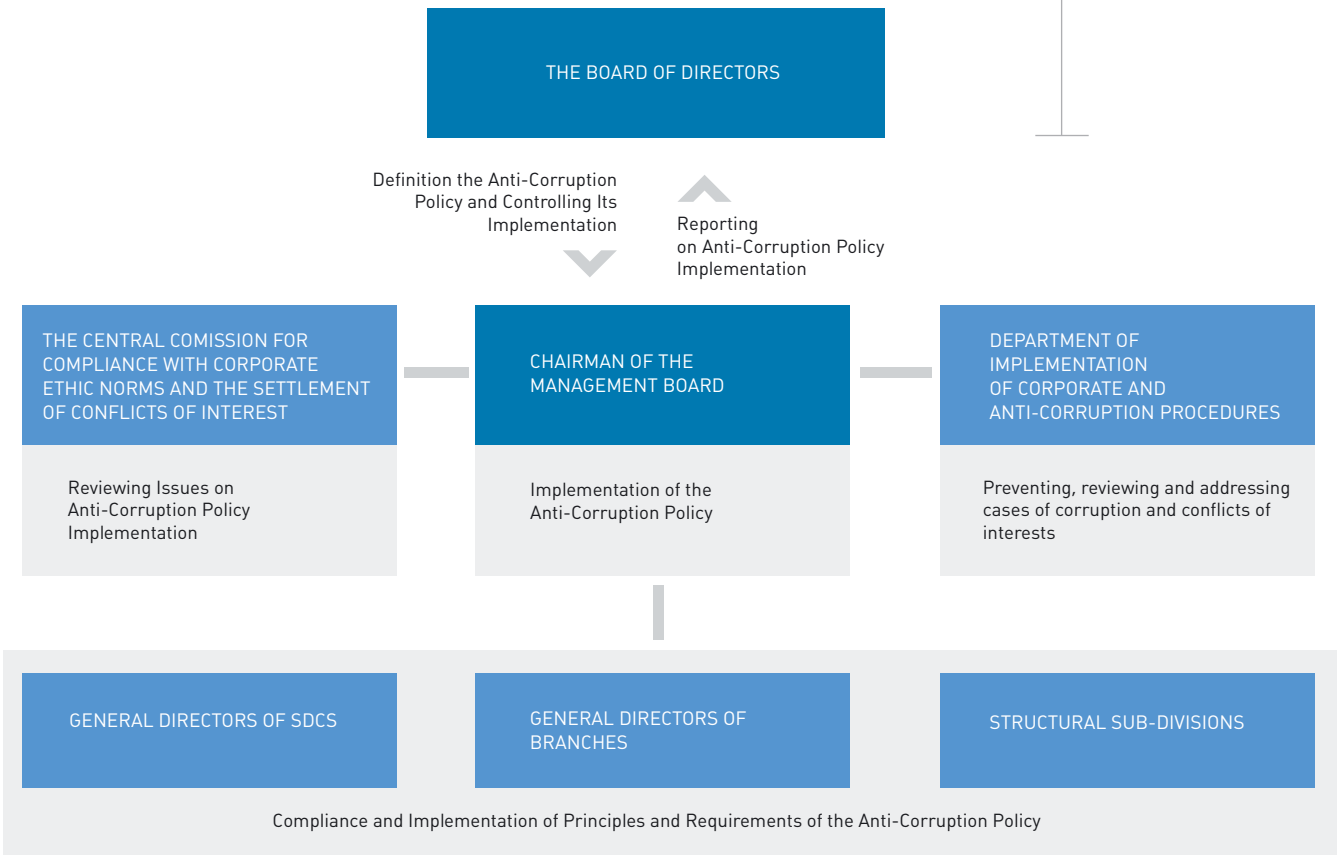
To achieve the goals, objectives and principles that are stated in the Company's Anti-Corruption policy, the Company developed an integrated system for its implementation - the 2012-2014 Program for Fighting Corruption and Settling Conflicts of Interest, which is the second most important legal document in the Federal Grid Company and which was approved by the Company's Board (Minutes #1105 of 05.10.2012).

The third most important document in the field of combating corruption is the Company's Program Implementation Plan for the corresponding year, which is approved by the Chairman of the Board and which contains instructions for anti-corruption measures for the current year to be performed by various Anti-Corruption Policy entities.

The text of the Anti-Corruption Policy and a list of the regulatory framework in the field of fighting corruption can be found in a special section of the Company's official website.

In addition, we have changed the management system for anti-corruption activities, which is based on the following hierarchy and includes:

The Company's Anti-Corruption Activities Management Chart



The Company's Anti-Corruption Policy

We are constantly making efforts to prevent corruption. So, in order to exclude the possibility of including in the documents provisions that contribute to corrupt practices on the part of the Company's employees, and create conditions for their formal legality, the Department employees conduct an anti-corruption survey of organizational and administrative documents (OADs) and their drafts.

In 2012, there was a positive trend to reduce the inclusion of corruption factors in OAD drafts. The trend may be indicative of a change in and the formation of anti-corruption awareness among OAD originators.

To prevent the misuse of funds and corruption in the procurement of goods and services for the needs of the Company, Department employees are carrying out anti-corruption control over procurement.

Anti-corruption control over procurement made it possible to reveal violations connected to illegal recovery from the Company of large monetary funds presented for payment by owners of land plots, on which Federal Grid Company's power facilities were being constructed, and abuse on the part of the officials responsible for making decisions on land and legal activities. Our engagement and the work of legal enforcement agencies solved this problem by creating the Inter-agency Working Group under the Prosecutor General of the Russian Federation, the work of which has resulted in initiating criminal prosecutions against abuse of office, fraud, abuse of authority, forgery, the manufacture or sale of counterfeit documents, State awards, stamps, seals, and forms.

In addition, a positive result was the ability to remove administrative barriers in the registration of rights for land plots used for the construction of UNEG facilities. The economic effect of the measures to perform anti-corruption control in procurement activities amounted to RUR116.9 million.

Interacting with our contractors was one of the key areas of the 2012 Anti-Corruption Policy.

To perform orders from the Minutes of the Government Commission on the development of the electricity industry and instructions of the Prime Minister of the Government of the Russian Federation on the transparency of financial and economic activity, including the prevention of conflicts of interest among managers, we have organized the collection and analysis of information from our counter-parties across the whole chain of their owners (including end beneficiaries).

In addition to the collection, consolidation and monthly transfer of information about counter-parties' owners to the competent authorities, the Department of the Corporate and Anti-Corruption Compliance Procedures analyzes this information, as well as reviews and settles contract supervisors' complaints, should the counter-party refuse to disclose information. In order to regulate this work, the Department employees made out a draft internal document that establishes the procedure for such information to be collected, verified, analyzed, evaluated and transferred to the competent authorities. An automated system, "Accounting for Federal Grid Company counter-parties' beneficiaries", has been created to summarize, analyze, and verify information on counter-parties' owners.

We seek to build business relationships with the counter-parties that support the Anti-Corruption Policy and do their business in an open and honest way, without resorting to corrupt practices. In this regard, we have developed an Anti-Corruption Clause, which is included in all contracts entered into by the Company with legal entities and State and municipal authorities, with the exception of technical connection contracts.

As part of developing the Anti-Corruption Policy's area of managing conflicts of interest, aimed at excluding the possibility of Company's employees, their families and close relatives obtaining material and (or) personal gain through abuse(s) of office, we have formed the Central Compliance Commission for Corporate Ethics and the Settlement of Conflicts of Interest of Federal Grid Company and JSC IDGC Holding. In addition, we approved the document that reveals the concept of conflict(s) of interest, scope of their occurrence and a procedure for settling pre-conflict situations and identifying conflicts of interest.

To prevent corruption, for legal education and the foundation of law-abiding behavior of the Company's employees, we conduct awareness-raising activities, particularly training seminars, training, and consultations with the Company's employees, as well as participating in international forums, summits, conferences, and round tables devoted to fighting corruption. Such events contribute to a common understanding of anti-corruption policy, and also form a positive reputation for the Company in the anti-corruption field.

More information on the implementation of the Company's Anti-Corruption Policy can be found on the corporate website.

Share Capital

Federal Grid Company of Unified Energy System

630193393703

RUBLES, SHARE CAPITAL OF FEDERAL GRID COMPANY AS OF 31 DECEMBER 2012

Share Capital

In accordance with the Company's Articles of Association, as of 31 December 2012, the share capital of Federal Grid Company stood at RUR630,193,329,370, divided into 1,260,386,658,740 ordinary registered non-documentary shares with a nominal value of RUR0.50 per share.

In November 2012, the Board of Directors decided to increase the Company's share capital by issuing additional ordinary registered shares for a total of RUR4,082,034,991.5 via public subscription. In December 2012, the additional issue was registered by the Russian FFMS under No. 1-01-65018-D-104D. The Company provided its shareholders with the pre-emptive right to acquire shares of the additional issue. The major part of the additional issue was paid for from federal budgetary funds.

On 11 March 2013, placement of an additional issue of ordinary shares at a price of RUR0.50 per share was completed. In total, during the additional issue, 6,754,357,256 shares were placed, which represents 82.7% of the total number of securities of the additional issue to be placed. As a result of the placement, the Company received funds in the amount of RUR3,377.2 million.

The Russian Federation, which bought shares amounting to RUR 3.247 billion, was the main participant in the issue. In addition, an electrical grid facility included in the Register of UNEG facilities and located within the common ownership of the Khabarovsk Territory and the Komsomolsky Municipal District of the Khabarovsk Territory, with a value of RUR126.8 million, was given in return for shares of the Company's additional issue. The remainder of the outstanding shares, in the amount of RUR3.1 million, was acquired by minority shareholders.

Information about the share capital history is presented on the Company's website: http://www.fsk-ees.ru/shareholders_and_investors/information_on_shares/history_of_share_capital/

The number of authorized shares is 86,419,165,091 ordinary registered shares with a nominal value of RUR0.50 per share, worth a total of RUR43,209,582,545.5, at their nominal value. Authorized ordinary shares have the same rights as issued ordinary shares.

No preferred shares were placed.

Share capital structure

The Company has more than 400,000 shareholders. The Russian Federation, represented by the Federal Agency for State Property Management (Rosimushchestvo), which owns 79.55% of the share capital, is the largest shareholder.

For the purpose of improving interactions with shareholders, the Company analyzed the list of its shareholders, identifying key shareholder groups, holders of ordinary shares and depository receipts. The Company's free float stood at 20.45%. The main minority shareholders of the Company are institutional investors and holding structures, with retail investors accounting for 2.14%.

The Company's largest minority shareholders, owning more than 1% of Federal Grid Company shares, are:

— Tsentrenergokholding (2.6534%);

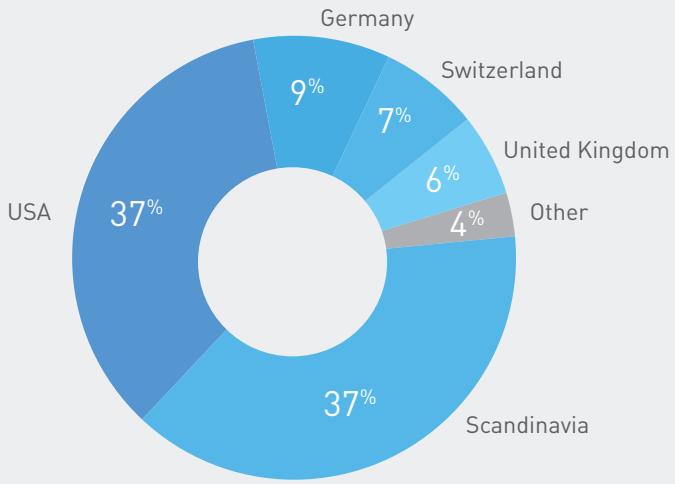
— Rusenergo Fund Limited (1.6922%) – Russia's largest fund in the energy sector, whose funds are invested in stocks of Russian electricity generators and electric grid companies;

— Sberbank of Russia (1.1252%) – a professional securities market participant that deals with securities of the most reliable and investment-attractive issuers;

— Index of Energy FGC UES (1.0891%)

20% of the Company's free float includes: foreign institutional investors, such as major funds focused primarily on Russia, whose assets under management exceed USD 1 billion: Market Vectors ETF Trust Russia ETF (USD 1.8 billion), the East Capital Russian Fund (USD 1.5 billion), Swedbank Robur (USD 1.2 billion), and BlackRock funds.

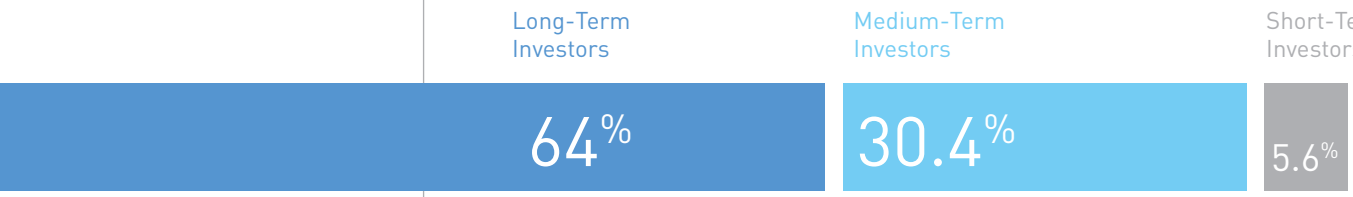
Investor Breakdown by Geography



As before, American and Scandinavian shareholders account for the largest share (37%) of foreign investments.

The Company's shareholders are predominantly long-term investors, with low portfolio turnover, and holdings that (on average) exceed two years.

Investor Breakdown by Investment Horizons



Stock market

Federal Grid Company shares trade on the "B" quotation list of the MICEX Russian Stock Exchange, which is a member of JSC Moscow Stock Exchange Group. The fundamental appeal of the Company's stock is underpinned by its inclusion in both Russian and foreign indices.

Federal Grid Company's Share Weighting in Key Stock Indices, % (as of 31.12.2012)

Index	2012	2011	2010
MSCI Russia	0.816	1.41	1.48
MSCI Emerging Markets	0.049	0.09	0.045
MICEX	1.11	1.54	1.51
MicexPWR	14.16	14.41	14.33
Micex10	8.53	-	-
RTSI	1.11	1.56	1.66
Russian Traded Index (Vienna Stock Exchange)	1.34	2.35	-
The RTX Energy (Vienna Stock Exchange)	23.17	24.30	-

Company's Share Highlights

Share category

Ordinary registered non-documentary shares

Nominal value

RUR 0.50

MICEX ticker symbol

FEES

LSE ticker symbol

FEES

ISIN

RU000A0JPNN9

Bloomberg code

FEES RM

2012 Share Performance

Global equity markets closed higher in 2012, with MSCI World, a developed market index, up 13.2% and MSCI EM, which looks at emerging economies, gaining 15.1%. The key upside market factor was that the world's largest Central Banks adopted an active policy, aimed at stimulating the global economy. In particular, the ECB and the People's Bank of China cut interest rates, the U.S. Federal Reserve launched a new quantitative easing program, the ECB announced the unlimited redemption of Euro-zone countries' government bonds, and the Central Banks of England and Japan expanded their asset re-purchase programs.

Resolving the Greek problem has also positively influenced market dynamics - the second tranche of aid to Greece and domestic government reforms removed the threat of Greece being removed from the Euro-zone, the consequences of which experts compared to the Lehman Brothers' collapse that triggered the previous global financial crisis.

The Russian market grew 5.2% on the basis of the MICEX index, which is far below the growth rate of the MSCI World and MSCI EM indices. The market faced pressure from weak oil prices which at year end rose 3.5%, as well as from the deterioration of Russian economic prospects.

Electricity sector equities were major under-performers; the 2012 MicexPWR industry index decreased 16.8%. The indicator's decline, which was large compared with the market, was due to continued regulatory pressure and uncertain prospects within the sector.

Electricity sector, Federal Grid Company's shares

Federal Grid Company's share prices were subject to fluctuations during the year due to continued regulator uncertainty and the year ended with a substantial decline in the share price, 28.5%. In the beginning of the year, the Company's stock dynamics looked much better than the MICEXPWR index, as the Company showed a strong trend with financial indicators, as well as due to the fact that its share in final energy tariffs was minimal. Negative dynamics in April-May 2012 were the result of news flow on the establishment of the National Electrical Grid Company and the participation of Rosneftegaz in unifying grid assets, as well as the decision to place the Company in the list of strategic companies.

Further volatile dynamics for the Company's stock price could be attributed to reduced risks of grid company consolidation on the basis of Rosneftegaz and continued uncertainty surrounding the final scenario for the merger between Federal Grid Company and IDGC Holding till mid-November, when the Russian President signed an order to establish JSC Russian Grids, which resulted in a partial recovery of the Company's stock quotation. In late December, the discussion of delay in privatization process affected quotation of the Company's shares.

As of 28 December 2012, Federal Grid Company's share price on the Stock Exchange stood at RUR0.20104, which is 19% below analyst consensus, pointing to further upside potential for the Company's shares.

Federal Grid Company Share Performance

		2012	2011	2010
Volume	units	619,919,120,000	476,111,513,800	307,017,566,700
	RUR	147,513,331,183	159,370,754,044	105,717,431,921
Number of deals	units	2,698,318	2,043,606	1,137,379

Source: JSC Moscow Stock Exchange (http://rts.micex.ru/)

Key Parameters of Federal Grid Company Share Trading

		2012	2011	2010
Low	RUR	0.1513	0.21111	0.282
High	RUR	0.3768	0.481	0.389
Period end	RUR	0.20104	0.2811	0.369
Number of shares	million shares	1,260,387	1,255,948	1,233,561
Capitalization at year end	RUR, million	253,904.89	351,163.1	452,717.01

Source: JSC Moscow Stock Exchange (http://rts.micex.ru/)

Detailed information on trading in the Company's shares and depository receipts is available on its web site in Investors / Share Information / Performance Chart

Global Depository Receipt (GDR) Program

On 30 June 2008, the Company launched a Global Depository Receipt (GDR) Program, which was not listed under Regulation S and Rule 144A. The Program's depository bank is Deutsche Bank.

In 2011, the Company successfully completed a technical listing procedure on the Main Market of the London Stock Exchange (LSE), which began trading Federal Grid Company GDRs on 28 March.

As of 31 December 2012, the GDR Program had 1.4 million depository receipts, representing 0.058% of the Company's share capital. The maximum number of GDRs that the Company is allowed to issue is 2,511,896,256.

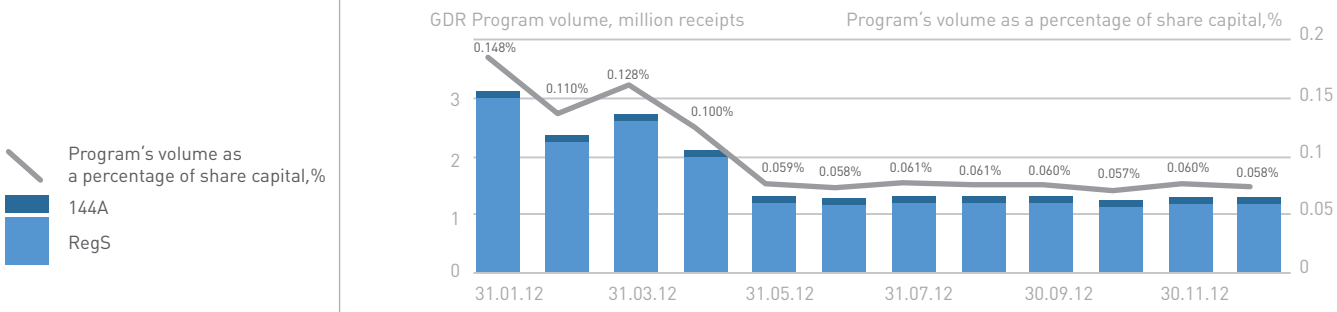
Information about trading in the Company's depository receipts is available on its web site in Investors/Share Information/Global Depository Receipts at http://www.fsk-ees.ru/shareholders_and_investors/information_on_shares/global_depository_receipts/.

Updates about the GDR program are also available on the LSE web site at www.londonstockexchange.com under Federal Grid Company's ticker symbol: FEES.

GDR Program Highlights

	Regulation S	Rule 144A
CRatio	1 GDR: 500 shares	1 GDR: 500 shares
International code	ISIN: US3133542015	ISIN: US3133541025
	Common Code: 036273577	Common Code: 0362733372
Price per GDR at year end	USD 3.009	-
Number of GDRs as of 31 December 2012	1,369,120	97,330

GDR Program as a Percentage of the Company's Share Capital



GDR Price and Trading Volume, LSE

Dividend policy

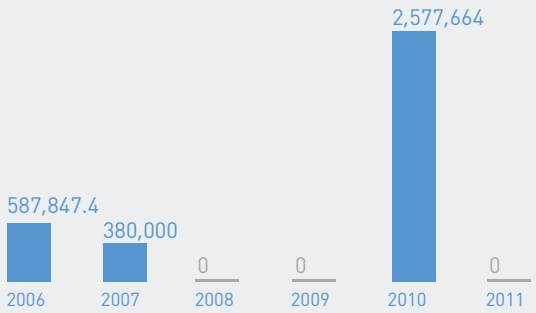
The Company's dividend policy is determined by the Regulations on Dividend Policy, which were approved by the Company's Board of Directors on 16 December 2010. In accordance with the Regulations, the minimum payout rate is set at 10% of net profit under RAS (after compulsory deductions to the reserve fund), adjusted for the amount of profit from the revaluation of financial investments, the recovery of bad debt provisions and non-recurring income from the sale of securities and other assets to finance the investment program.

The General Meeting of Shareholders makes decisions on paying dividends based on recommendations of the Company's Board of Directors.

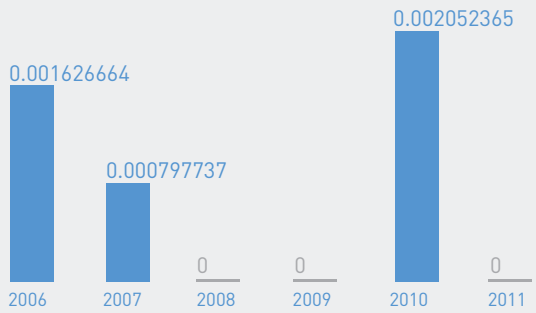
Dividends are determined based on financial results, balancing the interests of the Company and its shareholders.

The Company's Dividend History

Accrued dividends, RUR thousand



Dividends per ordinary share, RUR



2012 Dividends

In accordance with Clause 2 of Article 42 of the Federal Law #208-FZ On Joint Stock Companies (dated 26 December 1995) and Clause 7.5 of Article 7 of Federal Grid Company's Articles of Association, the source of dividend payments is the Company's net profit, which is determined based on the Company's accounting statements.

According to Federal Grid Company's 2012 accounting statements, there was a net loss of RUR24,502 million. The main reasons for the loss were a negative margin on the revaluation of financial investments in shares listed on the stock market and a reflection of activities on the accrual and recovery of bad debt provisions.

In 2013, the Company's Annual General Meeting of Shareholders will make a resolution to pay 2012 dividends. Shareholders are invited to make a decision not to pay 2012 dividends on the Company's ordinary shares.

Investor relations policy

Federal Grid Company is a public company, and is one of the leading "blue chips" in the Russian energy sector. We are committed to maintaining strong communication with the investment community, paying significant attention to communicating with analysts and investors, both in investment forums and conferences, and in personal meetings (either one-on-one or in groups).

During the reporting year, we held two road shows. The first road show was held in April in London, Zurich and Geneva, and was dedicated to our 2011 IFRS financial results. Our staff met with international investment funds, including: BlackRock, Charlemagne Capital, Baring AM, JP Morgan AM, Nomura AM, Pictet, and T Rowe Price. The second road show was in November following the publication of our H1 2012 IFRS financial statements. We held meetings with representatives of: UBS, BlackRock, Baring Asset Management, Fidelity, Charlemagne Capital, Pioneer Investments, Nomura Asset Management, Renaissance Investment Management, HSBC Global Asset Management, and Credit Suisse.

During 2012, the Company's management actively participated in conferences and forums (including: "Russia Calling!", Adam Smith, the APEC Summit, and others) and met with representatives of the (relevant) stock exchanges and investment fund analysts. In particular, in October, the Chairman of the Company's Board of Directors Ernesto Ferlenghi took part in the Russian-European Economic Forum "Investments in modern Russia. IPO, stocks and bonds", which was held in Milan, Italy. On 26 November 2012, Federal Grid Company's delegation (headed up by the Chairman of the Management Board Oleg Budargin) paid an official visit to the London Stock Exchange (LSE). In December 2012, we conducted our first social event with analysts and investment institutions, where we summed up year-end results.

The active work of our investor relations staff was greatly appreciated by the investment community. Thus, in July 2012, Federal Grid Company entered the top 5 best companies (among large caps) according to IR Magazine Russia & CIS. In September, our Company became a member of the UK Investor Relations Society. In December 2012, the rating agency "Expert RA" awarded our annual report a top-ranking, in terms of preparation quality and information disclosure among 100 annual reports of Russia's largest companies from 2011.

Contacts

Addresses, telephone numbers, contact persons, bank details, the Company's website address, brief information on the auditor, the registrar and the depository responsible for maintaining the Company's securities:

Federal Grid Company:

Address: 5A Akademika Chelomeya Street, Moscow, Russia, 117630

Telephone of the unified information center: 8 800 200 1881

Fax: +7 495 710 9655

E-mail: info@fsk-ees.ru

Website: http://fsk-ees.ru

Contact information for institutional investors and analysts:

Investor Relations

Telephone: +7 495 710 9064

E-mail: ir@fsk-ees.ru

According to the terms of the dealer agreement in respect to the bond issue program concluded by JSC Federal Grid Company and Federal Grid Finance Limited, one of the following companies - PriceWaterhouseCooper, Ernst&Young, Deloitte, KPMG - or one of its affiliates shall be appointed as an auditor for Federal Grid Company IFRS consolidated financial statements. According to this requirement, PriceWaterhouseCooper CJSC was appointed as the auditor for Federal Grid Company's consolidated financial statements for 2012, wich were prepared in compliance with IFRS (as adopted in the EU).

Full name of the company: Closed Joint Stock Company PricewaterhouseCoopers Audit

Abbreviated company name: PwC Audit

Location: 10 Butyrsky Val Street, Moscow, Russia, 125407

INN: 7705051192

OGRN: 1027700148431

Telephone: +7 (495) 967-6000

Fax: +7 (495) 967-6001

E-mail: hotline@ru.pwc.com

Information on the auditor's membership in self-regulated organizations

Organization's full name: Not-for-Profit Partnership Audit Chamber of Russia

Location: Building 9, Block 2, 3rd Syromyatnichesky Lane, Moscow, Russia, 105120

Information on Federal Grid Company's auditor that conducted the 2012 independent audit of the accounting/financing reporting (according to RAS and IFRS):

Full name of the company: RSM Top-Audit Limited Liability Company

Abbreviated company name: RSM Top-Audit LLC

Location: 4 Pudovkin Street, Moscow, Russia, 119285

INN: 7722020834

OGRN: 1027700257540

Telephone: +7 (495) 363-2848

Fax: +7 (495) 981-4121

E-mail: mail@top-audit.ru

Information on the auditor's membership in self-regulated organizations:

Organization's full name: self-regulated auditors organization, the "Russian Body of Auditors"

Location: 1/3 2nd Goncharny Lane, Moscow, Russia, 115172

Information on the organization(s) registering the rights for the Company's securities:

The registrar, maintaining the register of the Company's registered securities

Information on the registrar:

Full company name: STATUS Registrar Company, Closed Joint Stock Company

Abbreviated company name: CJSC STATUS

ALocation: 32/1 Novorogozhskaya Street, Moscow, Russia, 109544.

Tel.: +7 (495) 974-8350

Fax: +7 (495) 678-7110

E-mail: info@rostatus.ru

License number: 10-000-1-00304

Issue date: 12 March 2004

License term: indefinite

Issuing authority: Russian's Federal Financial Markets Service

Information on the depository responsible for the centralized maintenance of corporate bonds:

Full company name: Non-Banking Credit Organization Closed Joint Stock Company National Settlement Depository

Abbreviated company name: NSD

Location: 1/13 Sredny Kislovsky Lane, Building 8, Moscow, Russia

License number: 177-12042-000100

Issue date: 19 February 2009

License term: indefinite

Issuing authority: Russian's Federal Financial Markets Service

Glossary

Different names for Federal Grid Company and its branches

Federal Grid Company, FGC, the Company	Open Joint Stock Company "Federal Grid Company of Unified Energy System (JSC FGC UES)
Branches	The branches of Federal Grid Company – Backbone Electric Grid (MES), Backbone Electric Power Grid Company (PMES)
Head Office (EO)	The head office of Federal Grid Company

Abbreviation

Abbreviation	Full name
ADECS	Automated Dispatch and Engineering Control System
APCS	Automated Process Control System
AT	Automatic Transformer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRS	Corporate Social Responsibility
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ESPO	Eastern Siberia-Pacific Ocean Pipeline
ESUPCN	Energy System's Unified Process Communications Network
FFMS	Federal Financial Markets Service
FOCN	Fiber-Optic Communications Network
FTS	Federal Tariff Service
GMC	Grid Management Center
HPP	Hydro-Power Plant
HPF	Hazardous Production Facility
KPI	Key Performance Indicator
MES	Backbone Electric Grid
MGMC	Main Grid Management Center
NPP	Nuclear Power Plant
NGPP	Non-Governmental Pension Program
OAD	Organizational and Administrative Documents
OSC	Operational and Situational Center
PMES	Backbone Electric Grid Transmission Line Company
PGC	Power Grid Complex
PTC	Personnel Training Center

RAB	Regulatory Asset Base
R&D	Research and Development
SAC	Situational and Analytical Center
SDC	Subsidiary and Dependent Companies
SDPP	State District Power Plant
SS	Sub-station
TPP	Thermal Power Plant
UES	Unified Energy System
UES of Russia	Unified Electrical System of Russia
UNEG	Unified National (all-Russian) Electric Grid
WECM	Wholesale Electricity and Capacity Market