

Annual report for 2002
Open joint-stock company “Federal Grid Company of the Unified Energy System”

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Chairman of the Board – Rappoport A.N.
Head of the accounting and reporting Department - Schukin V.V., chief accountant

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1. Reforming of electric power industry in the Russian Federation

In 2001 some fundamental decisions were made with regard to reforming of Russian electric power industry and restructuring of JSC RAO “UES of Russia”. The order of the Government of the Russian Federation No. 526 of 11.07.2001 “On reforming of electric power industry of the Russian Federation”, having approved the main directions of reforming of electric power industry of the Russian Federation, determined purposes, aims, the main principles of reforming, the procedure of functioning of the subjects of electric power market and its project management, peculiarities of price setting at the electric power market. The Decree of the Government of the Russian Federation No. 1040-p of 03.08.2001 approved Implementing the Plan of the first stage reforming of electric power industry of the Russian Federation, which confirmed the main stages of the reform’s implementation during preliminary work related to development of competitive electric power market.

One of the main tasks of electric power industry reforming is a division of the field into natural-monopolistic and competitive types of activity. As a result organizational division of

generation, transfer, sale of electric power, traffic control and repair activity, as well as non-core types of activity will be achieved.

Transfer of electric power is a natural-monopolistic type of activity, the technological basis of which is a Unified national (All-Russia) electric grid (hereinafter - UNEG). It forms unified energy system of the Russian Federation, unifying for collateral work the main power stations and load centers and providing transfer of electric power among them, as well as carrying out contacts of UES of Russia with energy systems of other countries.

Length of power transmission paths, being part of UNEG, exceeds 154 thousand kilometers and energy output of transformers of electric power substations – 321 thousand MBA.

Within reforming of electric power industry in the terms, specified by the Plan of the first stage reforming of electric power industry of the Russian Federation, the Board of Directors of JSC RAO “UES of Russia”, the decision on creation of JSC FGC UES was made (Minutes No. 109 of 25.01.2002). JSC FGC UES was created as a subsidiary with 100 per cent participating of JSC RAO “UES of Russia” in its charter capital. JSC FGC UES was registered as a legal entity on 25.06.2002.

JSC FGC UES was created as an organization on management of UNEG with a view of its maintenance and development. The main directions of activity of JSC FGC UES, which are specified in the Charter, are:

- management of UNEG;
- providing of services to subjects of wholesale market related to transfer of electric power;
- maintenance in due form of electric networks;
- technical control over condition of network objects of UES of Russia.

Criteria for referring of backbone transmission lines and objects of electric grid complex to UNEG, in accordance with which to UNEG shall be referred backbone transmission lines and objects of electric grid complex of GSC FGC UES, JSC RAO “UES of Russia” (not entered yet into the charter capital of JSC FGC UES yet) as well as JSC – energeo.

Development within the reform of electric power industry under unified organizational and technological management of JSC FGC UES of property complex will allow to:

- strengthen integrating part of Unified energy system of Russia and provide interaction of producers and consumers of electric power at the competitive wholesale market of electric power;
- provide immediate hook up of all regions of Russia to UNEG;
- guarantee equal access of sellers and buyers to the wholesale market of electric power;
- carry out effective state regulating of tariffs to power transmission;
- improve safety of the state with regard to energy sector;
- promote effective state foreign economic policy in the sphere of electric power industry.

2 Management of JSC FGC UES Strategies. Documents.

Corporate management of JSC FGC UES is based on the requirements of the law of the Russian Federation in the sphere of company law, determined by the Charter of JSC FGC UES, and corresponds with the principles of the Code of corporate proceedings, approved at the Government session of the Russian Federation of 28 November 2001.

By-laws, regulating the procedure of creation and activity of management and control bodies, were worked out and approved by JSC FGC UES.

Decisions of the Board of Directors of JSC RAO UES of Russia approved:

- Procedure for activity of the Board of Directors of JSC FGC UES;
- Regulations on Management Board of JSC FGC UES;
- Regulations on Revision Committee of JSC FGC UES;

- Regulations on payment of fees and compensation to members of the Revision committee of JSC FGC UES.

Structure of management and control

General meeting of Shareholders is a supreme management body of JSC FGC UES. The main powers related to management of the company are delegated to the only shareholder – JSC RAO “UES of Russia”, the Board of Directors of JSC FGC UES. The Board of Directors with a view to provide current management of the company appoints the Management Board.

To carry out the control over financial and economic activity of JSC FGC UES the general meeting of shareholders elects annually the Revision committee. To check and approve the annual financial statement of JSC FGC UES the annual meeting of shareholders approved ZAO Pricewaterhouse Coopers as Auditor of JSC FGC UES.

Scope and objectives of JSC FGC UES activity as a subject of natural monopoly, confirmed in regulatory acts currently in force, determined some peculiarities of the management structure of JSC FGC UES, stipulated in the Charters of JSC RAO “UES of Russia” and JSC FGC UES:

- the Board of Directors of JSC RAO “UES of Russia” decides on the issues of the general meeting of shareholders of JSC FGC UES competence, as stipulated in the Charter of JSC FGC UES;
- the Board of Directors of JSC RAO “UES of Russia” agrees upon the posts of the Head and members of collegial executive board of JSC FGC UES;
- 13 persons are the members of the Board of Directors of JSC FGC UES, no less than 7 of whom are the representatives of the state, elected by the general meeting of shareholders at the suggestion of the authorized bodies of public authority of the Russian Federation.

Structure of the Board of Directors of JSC FGC UES

Structure of the Board of Directors of JSC FGC UES was agreed upon at the meeting of the Board of Directors of JSC RAO “UES of Russia” on 25.01.2002 and approved by the order No. 42p of JSC RAO “UES of Russia” of 18.06.2002 in the following membership:

Head of the Board of Directors

Khristenko Viktor Borisovich - Deputy Head of the Government of the Russian Federation

Deputy Head of the Board of Directors

Chubais Anatoly Borisovich – Head of the Management Board of JSC RAO “UES of Russia”

Members of the Board of Directors

Abizov Mikhail Anatolyevich– Deputy Head of the Management Board of JSC RAO “UES of Russia”

Gazizullin Farit Rafikovich – Minister of property relations of the Russian Federation

Gref German Oskarovich – Minister of economic development and trade of the Russian Federation

Lebedev Alexander Evgenyevich – President of JSCB “National Reserve Bank”

Pauli Viktor Karlovich – Head of the Management Board of JSC “SO TsDU UES”

Rappoport Andrey Natanovich – Deputy Head of the Management Board of JSC RAO “UES of Russia”, Head of the Management Board of JSC FGC UES

Rumyantsev Alexander Yurevich – Minister of the Russian Federation on nuclear power

Sinyugin Vyacheslav Yurevich – Deputy Head of the Management Board of JSC RAO “UES of Russia”

Hern David Alexander – Director of “Halcyon Advisors”

Yuzhanov Ilya Arturovich – Minister of the Russian Federation on anti-monopoly policy and support of private enterprise

Yusufov Igor Hanukovich – Minister of power system of the Russian Federation

Structure of the Management Board of JSC FGC UES

Rappoport Andrey Natanovich was elected the Head of the Management Board of JSC FGC UES in accordance with the decision of the Board of Directors of JSC RAO “UES of Russia” of 03.04.2002. Executive Committee of JSC FGC UES was elected at the meeting of the Board of Directors of JSC FGC UES on 09.08.2002 in the following membership:

Head of the Management Board

Andrey Natanovich Rappoport, generation of strategy and purposes of the company’s development, management of the Company’s activity

First Deputy Head of the Management Board

Alexander Nikolaevich Chistyakov, development and carrying out of investment policy of the Company, policy related to operation and repair of UNEG objects, automated control systems, dispatch control and informational support in the Company

Deputy Heads of the of the Management Board

Viktor Alexeevich Vasilyev, organization of operation process and repair of UNEG objects

Dmitry Vladimirovich Vinogradov, organization of economic, financial and accounting operations in the Company

Pavel Anatolyevich Gorelov, development and carrying out of commercial contract policy of the Company

Vladimir Valerianovich Dorofeev, development and carrying out of technical-scientific policy, international cooperation and strategic planning of the Company, interaction with objects of wholesale market of electric power

Mikhail Yurevich Tuzov, carrying out of corporate policy of the Company, personnel management, organization project management and development of the Company as well as subsidiaries and associates of the Company

2.5. Structure of the Revision Committee of JSC FGC UES

Structure of the Revision Committee of JSC FGC UES was approved by the decision of the Board of Directors of JSC RAO “UES of Russia” of 06.11.2002:

Sidorov Sergey Borisovich, Head of Financial Audit Department of JSC RAO “UES of Russia”

Zhelyabovskiy Yuriy Anatolyevich, Head the corporate management Department of corporate policy of JSC RAO “UES of Russia”

Myasnikov Viktor Mikhailovich, Deputy Head of the Department of financial control and audit of the Ministry of property of Russia

Fedorov Oleg Romanovich, Deputy Executive Director of the Association on protection of investors’ rights

Rizhonkova Elena Yurevna, leading expert of the Department of accounting and reporting of JSC FGC UES

2.6. Share capital

In accordance with the Order of the Government of the Russian Federation No. 526 of 11.07.2001 the property of JSC FGC UES is formed of valid backbone grids, being integral parts of UNEG and providing interconnection of power stations of JSC RAO “UES of Russia” and regional energy systems. In accordance with the decision of the Board of Directors of JSC RAO “UES of Russia” the charter capital of JSC FGC UES amounts to 127 000 000 000 rubles, of which 120 171 946 000 rubles are paid by network property. The share capital is divided into 254 000 000 0000 pieces of ordinary registered shares with nominal value 50 kopecks per each.

In 2002 JSC FGC UES together with JSC RAO “UES of Russia” carried out work related to forming of the charter capital of JSC FGC UES. By the end of 2002 the charter capital of JSC FGC UES was paid in the amount of 90000000000 rubles.

In 2003 work, related to replacement of the charter capital of JSC FGC UES with objects of electric and grid sector, in particular, with the objects of unfinished construction, carried on. These works shall be done prior to 25 June 2003.

Order of the Government of the Russian Federation No. 526 of 11.07.2001, Federal law No. 35-Φ3 of 26.03.2003 “On electric power industry” and Federal law No. 36-Φ3 of 26.03.2003 “On peculiarities of functioning of electric power industry in transitional period and making amendments to some acts of law of the Russian Federation and acknowledging invalid some acts of law of the Russian Federation due to adoption of the Federal law “ On electric power industry” provides for, no later than the end date of the transitional period of electric power industry reforming, direct participation of the state in the charter capital of JSC FGC UES with a view to obtain control stake by reforming JSC RAO “UES of Russia”, during which the share capital of JSC FGC UES will be distributed among shareholders of JSC RAO “UES of Russia” proportionate to their shares in the charter capital of JSC RAO “UES of Russia”.

While carrying out reforms in electric power industry and withdrawal of the state from competitive spheres participatory interest of the state in the charter capital shall be increased up to 75 percent plus one voting shares.

3. Activity of JSC FGC UES as subject of electric power industry

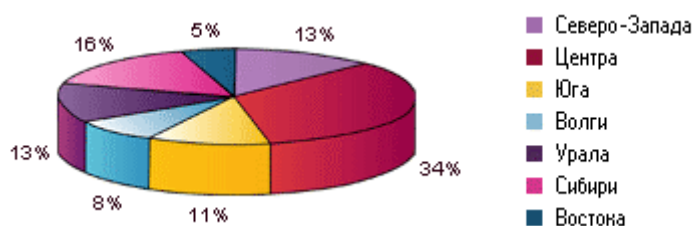
3.1. Specification of equipment of substations and air lines of JSC FGC UES

At the balance of JSC FGC UES as of 31.12.2002 were:

305 of the most powerful, as regards carrying energy output, high-tension air lines of power transmission with voltage

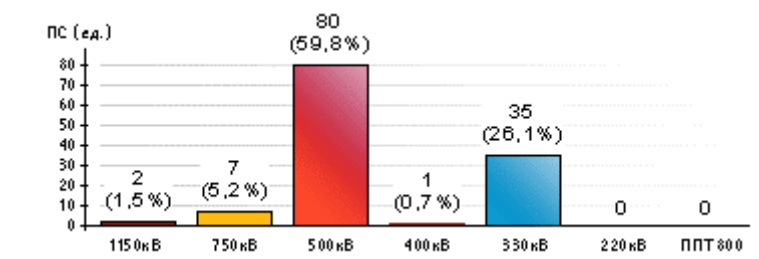
330-500-750-1150 кВ with duration 40,9 thousand kilometers:

Duration of high voltage lines on backbone electric grids in % of overall length of air lines of JSC FGC UES



- North-West
- Center
- South
- the Volga
- the Urals
- Siberia
- East

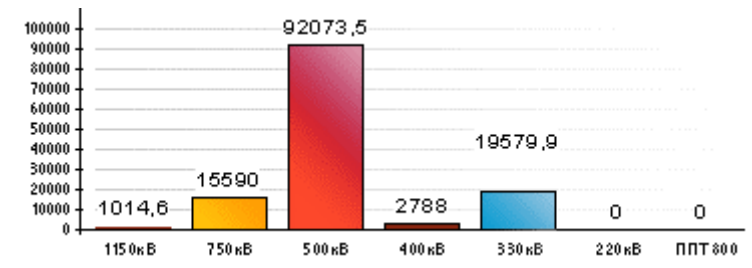
125 substations (including open distribution devices), quantity structure



Total adjusted power of supply transformers with voltage 10-750 кВ at the substations of JSC FGC UES, amounts to 131 921 MBA, including adjusted power of transformers 110-750 кВ, which provides energy delivery of adjacent energy system, amounted to 131 863 MBA.

As of 31.12.2002 total adjusted power of tanks at the companies amounted to 20 860 Mvar.

Structure of substations of JSC FGC UES under power of autotransformers and transformers



3.2. Management of UNEG

JSC FGC UES carries out activity related to management of objects of electric grid complex, being part of UNEG and at the balance of JSC FGC UES by means of operation, repair and development of electric grid objects through branches established – backbone electrical grids (hereinafter - MES), backbone electrical grid companies (hereinafter - PMES), Elektroservice and specialized production facilities (hereinafter – SPB), Regional centers of technical inspection (complete list of branches is attached in Annex 2),

MES were entrusted with operational management of the activity branches created by PMES, and SPFB branches – to Elektroservice.

Spheres of these branches, in particular, are:

- services related to electric-power transmission and distribution
- services related to accession to electric grids;
- services related to acceptance, transmission and procession of technological information, including data of measurement and reporting;
- test operation, operating, reconstruction, technical re-equipment and major construction of electric grid complex and other objects of electric grid complex and their technological management;
- development of electric grids and other objects of electric grid complex, including projecting, engineering services, construction, reconstruction, technical re-equipment, assembling and set-up.

In accordance with powers represented MES branches operate 40 thousand kilometers of electricity transmission lines in the following ratio:

Length, km	MES of the North-East	MES of the Center	MES of the South	MES of the Volga	MES of the Urals	MES of Siberia	MES of the East
	5226	12921	4248	3160	5282	6252	2134

Check of availability of JSC FGC UES branches and backbone electrical grid companies (hereinafter – PMES), for service in autumn- winter period 2002-2003 was carried out in 2002 by the commissions of JSC RAU “UES of Russia” and Distribution Center “Electrotechnadzor” together with the Department of technical inspection of JSC FGC UES in new terms, related to the process of reforming of power system and higher level of requirements, provided by the order No. 503 of JSC RAO “UES of Russia” of 03.09.2002.

In 2002 JSC FGC UES carried out large scope of works related to preparing of backbone electrical grids to successful operating in autumn-winter period in 2002-2003. Some new air lines and transformer powers were put into operation at substations, as well as planned acts were carried out on the current and major repair of major equipment of electric grids.

Elektroservice branch together with MES provided emergency-reconstructive works, as well as large scope of works was carried out related to test of equipment and its replacement.

Volumes of the main types of repair in 2002:

Name	Unit	Act. 2002
Clearance of route, including chemical clearance	ha	28221
Replacement of linear insulators	pieces	68155
Repair of basement	pieces	3197
Replacement of cable	km	458,95
Replacement (strengthening) of frames	pieces	216
Replacement of distant dividers	pieces	21114
Repair of autotransformers 110-750 kv	phase (pieces)	34
Repair of by-passing reactors	phase (pieces)	30
Replacement of entries 110-750 kv	pieces	168
Repair of switches 110-750 kv	group	370
Repair of disconnect devices 110-750 kv	group	1151
Replacement of tower-frame insulators of equipment 110-750 kv	pieces	6009
Repair of compressors	pieces	269
Repair of accumulator batteries	pieces	6
Repair of synchronized compensators	pieces	2

Eventually, all the branches of JSC FGC UES (MES and PMES) obtained passports (availability for service) in OZP of 2002/2003.

In accordance with current regulatory legal acts in UNEG shall be included also objects of UNEG, being the property of AO-energo, management of which shall be carried out by JSC FGC UES. Within the reform of electric power industry the Board of Directors of JSC FGC UES decided to create seven interregional backbone grid companies (hereinafter – MMSK) (Minutes of 21.10.2002 No. 2). During creation of MMSK in the procedure, provided by the decision of the Board of Directors of JSC RAO “UES of Russia” (Minutes No. 125 of 15.08.2002) some corporate procedures will be carried out, related to entering of objects of electric grid complex, belonging to AO-energo and related to UNEG, into the charter capital of MMSK.

In further reforming of AO-energo shares of MMSK will be distributed proportionally among shareholders of AO-energo, herewith shares of MMSK, belonging to JSC RAO “UES of Russia”, will be transferred to JSC RAO “UES of Russia” into the charter capital of JSC FGC UES.

Therefore, JSC FGC UES in the sphere of management of UNEG currently meets the following tasks:

- providing unity of the process of forming of property complexes of MMSK, based on the property of AO-energo;
- providing of completed structure of UNEG;
- providing of financial stability of MMSK created;
- forming of unified tariff on transmission of electric power for backbone grids, being part of UNEG;
- creating of effective operation system and repair of grid objects;
- carrying out of uniform personnel policy

3.3. Services related to transmission of electric power

More than 319 billion kw-hr of electric power is transferred by electric grids of JSC FGC UES, which amounts to 36% total of electric power generated in the Russian Federation.

Losses in grids of JSC RAO “UES of Russia” and JSC FGC UES decreased from 10.3 billion kw-hr (3,37%) in 2001 up to 9.75 billion kw-hr (3,06%) in 2002.

As of the moment of approval by the Federal Energy Commission of Russia of the tariff to transfer of electric power of JSC FGC UES, using property belonging to it, in accordance with the Federal law “On electric power industry”, services related to transfer of electric power by UNEG shall be rendered at the compensated contractual terms. In accordance with current legislation this type of activity shall be referred to the sphere of the natural monopoly and is subject to the state regulating.

In 2002 JSC RAO “UES of Russia”, JSC FGC UES, the Federal Energy Commission of Russia, having engaged the National association of economic research (NERA) as economic “consultant”, carried out work related to development of principles of forming tariffs to transfer of electric power on backbone grids. The result of this type of activity were the Methodological instructive regulations, approved by the order No. 72-э/3 of the Federal Energy Commission of Russia of 23.10.2002.

Therefore, in 2003 financing of activity of JSC FGC UES shall be made at the expense of determined by the Federal Energy Commission of Russia economically valid payment for services related to transfer of electric power by UNEG.

Currently financing of JSC FGC UES activity is carried out by JSC RAO “UES of Russia” under the services agreement on the repair and operation service of the system electric grids, belonging to JSC RAO “UES of Russia” and under the services agreement related to providing valid work and development of the system electric grid objects and their utilization for transfer of electric power on the system electric grids among the subjects of the Unified energy system of Russia in accordance with the order No. 793 of the Government of the Russian Federation of 12 July 1996 “On federal (All-Russia) wholesale market of electric power (energy output)”

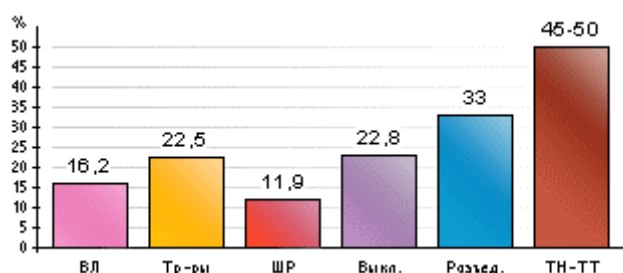
3.4. Technical supervision over status of objects of electric grid complex of JSC FGC UES

Technical inspection of JSC FGC UES, created in 2002, carried out work related to organization of technical and technological inspection over valid, safe and economic operation of equipment, training and re-training of MES personnel, including creating for these purposes branches of the Company – Regional centers of technical inspection.

In 2002 there were 474 technological violations in Backbone electrical grids of JSC FGC UES. For comparison: 648 technological violations were recorded in 2001.

In 2002 no technological violations, related to category “Emergency”, were recorded.

Segments (%) of basic elements of FGC systems, having used its recourses (25 years - equipment, 40)



Beginning from 2003 technical inspection controls in full investigation of occurred technological violations, fires, cases of injuries, as well as development and execution of required preventive measures related to their prevention at the objects of electric grid complex, being part of UNEG,

provides following the unified branch and state reporting on industrial security, accident risk and traumatism at all electric grid objects under control.

Central and regional committees of JSC FGC UES were created to examine qualification of managers and specialists of JSC FGC UES branches, as well as objects of backbone electrical grids of AO-energo, related to UNEG in accordance with the order No. 881 of the Government of the Russian Federation of 21.12.2001.

Currently the documents are prepared, related to transfer of functions of technical and technological supervision over operation of objects of electric grid complex, being part of UNEG, from the General inspection of JSC RAO "UES of Russia" to technical inspection of JSC FGC UES with development of appropriate Procedural regulations.

To check availability of branches of JSC FGC UES and objects of electric grid complex, being part of UNEG, to operating in autumn-winter period of 2003-2004, special committees will be organized by the Department of technical inspection to issue the certificates required.

3.5. Investment activity

In 2002 investments into objects of electric grid complex, being part of UNEG, were made by JSC RAO "UES of Russia", since unfinished construction has not been transferred yet to the charter capital of JSC FGC UES, and investment funds were provided as subscription fee of JSC "UES of Russia".

Introduction of electric grid objects in 2002

Name of objects	Power entry	Term of entry
By newly constructed objects		
VL-400 kV Vyborg-gosgranitsa (Act of the central committee)	42,4 km, 668 MBA, FOL-44 km	November 2002
Electrotransmission 330/400 kV with enlargement and reconstruction of Vyborgsky VPK (Act of the working committee)	70 km, 125 MBA	December 2002
VL-330 kV Pskovskaya GRES-Staraya Russa (Act of the working committee)	74,4 km, 60 Mvar	- " -
PS-330 kV Pskov Yuzhnaya with VL overhangs (Act of the working committee)	400 MBA, overh. VL 110 kV-0,9 km	- " -
VL-500 kV Zarya-Barabinsk (at voltage 220 kV) (Act of the working committee)	370,9 km	- " -
VL-500 kV Gusinozerskaya GRES-Petrovsk-Zabaikalskiy-Chita with PS 500 kV Chita (Act of the working committee)	100 Mvar	- " -
<i>Objects newly constructed – total:</i>	557,7 km, 1193 MBA, 160 Mvar, FOL-44 km	
By objects of reconstruction and technical re-equipment		
PS 330 kV Chudovo (Act of the working committee)	126 MBA	- " -
PS 330 kV Talashkino (Act of the working committee)	250 MBA	- " -
PS 500 kV Krasnoyarskaya (Act of the working committee)	267 MBA	- " -
Restoration of the field VL 330kV Koslovodsk-Baksan (Act of the working committee)	2,3 km	- " -
Reconstruction and technical re-equipment VL-330	125 MBA	- " -

kV Bologoye-Novaya-Kalininskaya-Konakovskaya GRES with substations. AT at PS Bologoye (Act of the working committee)		
PS 1150 kV Itatskaya. Reserve phase of reactor (Form OS-1)	300 Mvar	May 2002
PS-500 kV Novo-Anzherskaya. Replacement of auto transformer phase (Act of the working committee)	167 MBA	October 2002
PS 500 Kv Chelyabinskaya (Act of the central committee)	240 Mvar	- " -
By technical re-equipment (total):	934 MBA, 2, 3 km 540 Mvar	
<i>Total in 2002:</i>		
- entry of power -	557,7 km, 1193 MBA, 1000 Mvar, FOL-44 km	
- replacement of power -	934 MBA, 2,3 km	

In 2002 investment program for construction of objects of electric grid complex in 2003, which is to be implemented within 2003 by JSC FGC UES, was approved by the order No. 97-э/3 of the RF Federal Energy Commission of 24 December 2002 "On confirmation of the list of objects of major repair in electric power industry and valid amount of investment funds, used as transmission fee of JSC RAO "UES of Russia". The specified investment program of JSC RAO "UES of Russia" (including JSC FGC UES) for 2003, amounts to 26.8 billion rubles (amortization and other sources). Investments into objects of electric grid complex will amount to 11.3 billion rubles. These are objects, providing delivery of energy of both existing and being under construction power plants, intersystem lines and substations, objects of infrastructure etc. Investment program of JSC FGC UES for 2003 provides for increase of investments as compared to the last year for more than 70%.

Special attention shall be paid to technical re-equipment and reconstruction of existing electric grids of JSC FGC UES. 2.3 billion rubles are planned to be used for these purposes.

In 2003 entry of 272 kilometers of power transmissions, 542 NVA of transformer powers and 484 Mvar devices of reactive power compensation was planned.

4. Human resources management

General information

In 2002 JSC FGC UES carried out activity related to forming its organizational structure and staffing it with qualified personnel.

Number of staff of JSC FGC UES in 2002 amounted to 9054 persons, hereunder number of the executive body of JSC FGC UES amounted to 168 persons.

Staff from JSC RAO "UES of Russia" was transferred to the branches created by JSC FGC UES, within functional duties of which are: operating management, operation and repair of objects of electric grid complex, being part of UNEG and at the property of JSC FGC UES, as well as the executive body of JSC FGC UES was created, carrying out management of operational activity of the company's branches.

The main directions of the Company's activity in the sphere of personnel and social policy in 2002 were measures related to transfer of staff and organizing of its effective work.

Statutory acts were developed and introduced, providing for the procedure of payment, motivation of work, privileges and compensation to the staff of executive bodies and branches of JSC FGC UES. The documents specified are based on the norms of the Field tariff agreement in electric power complex of the Russian Federation, to which JSC FGC UES was affiliated.

Implementing of Human Resources policy

Due to reforming of electric power field some measures were carried out, related to reduction of staff in branches of JSC RAO "UES of Russia" – MES and transfer of staff to a new structure – JSC FGC UES. Reduction of staff in branches of JSC RAO "UES of Russia"- MES and Electrosetservice amounted to 595 persons (about 5%).

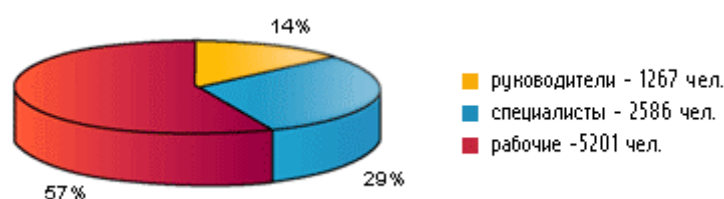
In accordance with approved organizational structure of the executive body and staff schedule of JSC FGC UES the staff was employed in the Company.

Total number of JSC FGC UES staff by divisions of the Company as of 01 January 2003 amounted to:

Name of the branch	Number of people according to staff schedule of JSC RAO "UES of Russia" branches	Number of people according to staff schedule of JSC FGC UES branches	Decrease of number
Total:	9928	9333	595
MES of the Center	2622	2374	248
MES of the North-West	1020	963	57
MES of the South	1167	1109	58
MES of the Volga	839	813	26
MES of the Urals	1512	1436	76
MES of Siberia	1661	1578	83
MES of the East	676	642	34
Electrosetservice	431	418	13

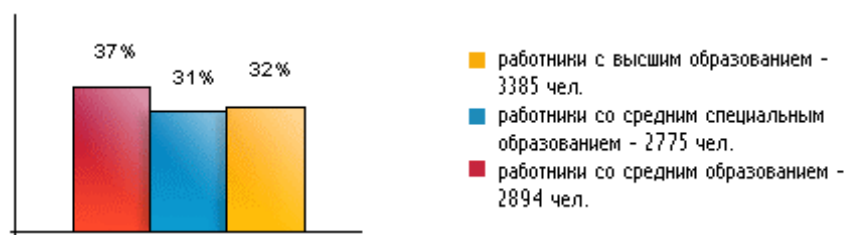
For the purpose of recruitment of qualified specialists, careful staff recruitment was carried out for JSC FGC UES, including interviewing (external and internal recruitment), search of candidates, their assessment, questionnaire, interviewing, including engaging specialized organizations to it. Quality aspects of the staff are characterized by the following criteria:

- by categories of employed staff



managers – 1267 people
specialists – 2586 people
workers – 5201 people

- by education of employed staff



- workers with higher education
- workers with secondary-level education
- workers with secondary education

Of the total number of the Company's staff 6160 persons have higher and secondary-level education, the rate of qualified personnel as compared to the total number of personnel amounts to 68%.

4.3. Planning and organizing of training as well as advanced training of the staff

In JSC FGC UES there is a system of training, additional training and advanced training of the staff. Management Board of the Company approved the Program of training staff for 2003.

The main directions of the Program are:

- professional training and advanced training of the staff;
- training and additional training of specialists;
- preparation of the personnel reserve;

Training of the staff shall be carried out taking into consideration requirements of the Company on the basis of specialized training centers of JSC RAO "UES of Russia" and other institutions in accordance with special programs:

- operation, repair, research and technical activity;
- economic, finance and accounting;
- property management;
- investment activity;
- corporate management, legal work;
- preparation of the personnel reserve.

Annex 1

Information on interested-party transactions

Company	Transaction
JSC RAO "UES of Russia"	Services Agreement between JSC RAO "UES of Russia" and JSC FGC UES on repair and operation service of the system electric grids of JSC RAO "UES of Russia" for an overall amount 535.31 billion rubles
JSC RAO "UES of Russia"	Services Agreement between JSC RAO "UES of Russia" and JSC FGC UES on providing of valid work and development of the system electric grid objects and their use for transfer of electric power and energy output on the system electric grids among the subjects of the Unified energy system of Russia for an overall amount 2 800.00 billion rubles
JSC RAO "UES of Russia"	Agreement on purchase and sale of movable property (material-industrial supplies used by grid subdivisions of JSC RAO "UES of Russia"), belonging to JSC RAO "UES of Russia" between JSC FGC UES and JSC RAO "UES of Russia" for an overall amount 1 717 billion rubles

Annex 2
Branches of JSC FGC UES (As of 01st of April, 2003)

Branch of JSC FGC UES – Backbone grid of the Center (MES Tzentra)	1, Tkatskaya street, Moscow, 105318, Russia
Branch of JSC FGC UES – Backbone grid of the North-West (MES Severo-Zapada)	1, Kurchatova street, St. Petersburg, 194223, Russia
Branch of JSC FGC UES – Backbone grid of Volga (MES Volgi)	5, Polevaya street, Samara 443100, Russia
Branch of JSC FGC UES – Backbone grid of the South (MES Yuga)	2, Darnitsky pereulok, Inozemtsevo settlement, Zheleznovodsk, 357400, Russia
Branch of JSC FGC UES – Backbone grid of the Urals (MES Urala)	6, Tolmacheva street, Yekaterinburg 620219, Russia
Branch of JSC FGC UES – Backbone grid of Siberia (MES Sibiri)	66a, Pr. Svobodniy, Krasnoyarsk 660062, Russia
Branch of JSC FGC UES – Backbone grid of the East (MES Vostoka)	65, Sheronova street, Khabarovsk 630030, Russia
Branch of JSC FGC UES – Arzamas enterprise of Backbone grids	9, Electricov street, settlement Lesogorsk, Shatkovskiy district, Nizhniy Novgorod region, Russia, 607710, SS 500 kV Stariy Oskol 500 kV, village Neznamovo, Starooskolskiy district, Belgorod region, Russia, 309540
Branch of JSC FGC UES – Belgorod enterprise of Backbone grids	
Branch of JSC FGC UES - Vladimir enterprise of Backbone grids	31, Energetiov street, Energetik settlement, Vladimir, 600902, Russia
Branch of JSC FGC UES - Volgograd enterprise of Backbone grids	221a, prospect imeni Lenina, Volgograd 400006, Russia
Branch of JSC FGC UES - Volgovyatskoe enterprise of Backbone grids	20, Olimpiyskaya str., settlement Bolshoe Kozino-2, Balakhninskiy district, Nizhniy Novgorod region, Russia, 606422
Branch of JSC FGC UES - Vologda enterprise of Backbone grids	18, Planernaya street, Vologda 160023, Russia
Branch of JSC FGC UES - Kaluga enterprise of Backbone grids	SS 750 kV, Settlement Maloyaroslavets, Kaluga region, Russia, 249090
Branch of JSC FGC UES – Mikhailovskoye enterprise of Backbone grids	Settlement Electric, Mikhailov city, Ryazan’ region, Russia, 391710
Branch of JSC FGC UES - Moscow enterprise of Backbone grids	PS 750 kV, P.O. Box Belyi Rast, Dmitrovskiy district, Moscow region 141870, Russia
Branch of JSC FGC UES - Tambov enterprise of Backbone grids	Komsomolets settlement, Tambov district, Tambovskiy region 392543, Russia
Branch of JSC FGC UES - Tver enterprise of Backbone grids	55, prospect Kalinina, Tver 170001, Russia
Branch of JSC FGC UES - Amur enterprise of Backbone grids	101, Shatkovskogo street, Svobodnyi, Amur region 676400, Russia
Branch of JSC FGC UES - Khabarovsk enterprise of Backbone grids	3, Tselinnaya street, Khabarovsk, 680032, Russia
Branch of JSC FGC UES – Primorskoye enterprise of Backbone grids	3, Mordovtseva street, Primorskiy region, Vladivostok, 690000, Russia
Branch of JSC FGC UES on technical	3, Tselinnaya street, Khabarovsk 680032,

maintenance and repairing of Backbone grids of Vostok (East)	Russia
Branch of JSC FGC UES – Krasnoyarsk enterprise of Backbone grids	4a, Tomskaya street, Krasnoyarsk 660013, Russia
Branch of JSC FGC UES – Zabaikalskoye enterprise of Backbone grids	5, Sakhyanovoy str., Ulan-Ude, Buryatia, 670047, Russia
Branch of JSC FGC UES – Kuzbasskoye enterprise of Backbone grids	25a, Kirchanova street, Kemerovo 650004, Russia
Branch of JSC FGC UES – Omsk enterprise of Backbone grids	4, prospect Gubkina, Omsk, 644035, Russia
Branch of JSC FGC UES – Zapadno-Sibirskoye enterprise of Backbone grids	17, prospect Kalinina, Barnaul, 656002, Russia
Branch of JSC FGC UES – Khakassia enterprise of Backbone grids	39, Industlnaya street, Sayanogorsk, Hakassiya 655613, Russia
Branch of JSC FGC UES – Sverdlovskoye enterprise of Backbone grids	3, Malakhitoviy pereulok, Ekaterinburg, 620085, Russia
Branch of JSC FGC UES – Chelyabinsk enterprise of Backbone grids	6a, 2-nd Zapadnyi proezd, Chelyabinsk, 454008, Russia
Branch of JSC FGC UES – Perm enterprise of Backbone grids	34, Visherskaya street, Perm, Perm region, 614058, Russia
Branch of JSC FGC UES – Orenburg enterprise of Backbone grids	460048, Orenburg, proezd Automatiki, 15 Privolzhskiy settlement, Volzhskiy district, Mariy El, 425010, Russia
Branch of JSC FGC UES – Verkhne-Volzhskoye enterprise of Backbone grids	11, Energetikov street, industrial community Veshkaima, Ulianovsk region 433100, Russia
Branch of JSC FGC UES – Sredne-Volzhskoye enterprise of Backbone grids	130, Zubchaninovskoye sh., Samara 443109 Russia
Branch of JSC FGC UES – Samara enterprise of Backbone grids	40, Sokolovaya gora, Saratov 410038, Russia
Branch of JSC FGC UES – Nizhne-Volzhskoye enterprise of Backbone grids	Food processors industrial zone, Zheleznovodsk, Stavropolskiy region 357400, Russia
Branch of JSC FGC UES – Stavropol enterprise of Backbone grids	1a Peredovaya street, Krasnodar region, Tikhoretsk 352120, Russia
Branch of JSC FGC UES – Kuban' enterprise of Backbone grids	Salovskiy settlement, Volgodonskiy district, Rostov region 347349, Russia
Branch of JSC FGC UES – Rostov enterprise of Backbone grids	10, Karl Liebknekht street, Sochi, Krasnodar region, 354000
Branch of JSC FGC UES – Directorate for construction of energy objects in Sochi	Novobryanskaya street, Vygonichi settlement, Bryanskiy region 243360, Russia
Branch of JSC FGC UES – Bryansk enterprise of Backbone grids	Perovo settlement, Vyborgskiy district, Leningradskiy region 188932, Russia
Branch of JSC FGC UES – Vyborg enterprise of Backbone grids	27a, village Novaya Melnitsa, Novgorod region 173021, Russia
Branch of JSC FGC UES – Novgorod enterprise of Backbone grids	11, Veterinarnyi pereulok, Petrozavodsk, Republic of Karelia 185013, Russia
Branch of JSC FGC UES – Karel enterprise of Backbone grids	27, building 8, Sadovnitsheskaya street, Moscow 115035, Russia
Branch of JSC FGC UES on special works in power grids “Elektrosetservis”	

Branch of JSC FGC UES – SPECIALIZED PRODUCTION BASE “Elektrosetremont”	1, Parkovaya stret, Noginsk, Moscovskiy region 142408, Russia
Branch of JSC FGC UES – Mikhailovskaya SPECIALIZED PRODUCTION BASE for power grids service	Elektrik settlement, Mikhailov, Ryazan region 391710, Russia
Branch of JSC FGC UES – Novgorod SPECIALIZED PRODUCTION BASE for power grids service	27a, village Novaya Melnitsa, Novgorodskiy district, Novgorodskiy region 173023, Russia
Branch of JSC FGC UES – Novosibirsk SPECIALIZED PRODUCTION BASE for power grids service	10/1, Klenovaya street, Novosibirsk 630126, Russia
Branch of JSC FGC UES – Srednevolzhskaya SPECIALIZED PRODUCTION BASE for power grids service	101, 40 let Oktyabrya street, urban settlement Veshkaima, Ulianovskiy region 433200, Russia
Branch of JSC FGC UES – Beskudnikovskaya SPECIALIZED PRODUCTION BASE for power grids service	21, Vysokovoltnyi proezd, Moscow, 125577, Russia
Branch of JSC FGC UES – SPECIALIZED PRODUCTION BASE “Belyi Rast”	P.S. 750 “Belyi Rast”, PO Belyi Rast, Dmitrovskiy district, Moscow region 141870, Russia
Branch of JSC FGC UES – Yuzhnaya SPECIALIZED PRODUCTION BASE for power grids service	Promzona, Lermontovskiy razjezd, Pyatigorsk 357519, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Center	1, Tkatskaya street, Moscow 105318, Russia
Branch of JSC FGC UES – Regional center of technical inspection of North- West	1, Kurchatova street, St. Petersburg, 194223, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Volga	226, Polevaya street, Samara 443100, Russia
Branch of JSC FGC UES – Regional center of technical inspection of South	2, Darnitsky pereulok, Inozemtsevo settlement, Zheleznovodsk, 357400, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Ural	6, Tolmacheva street, Yekaterinburg 620219, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Sibir	66a Pr. Svobodniy, Krasnoyarsk 660062, Russia
Branch of JSC FGC UES – Regional center of technical inspection of Vostok	65, Sheronova street, Khabarovsk 630030, Russia

Annex 3 Accounting reports



Appendix
to the Russian Ministry of
Finance Order

PROFIT AND LOSS STATEMENT

as for the full year 200 2

Company **Open Joint-Stock Company "Federal Grid Company of Unified Energy System"** ОКПО
Tax identification code _____ ИНН
Activity **electrical power transmission** ОКВЭД
form of legal entity's incorporation / form of ownership **open joint-stock company / private entity** ОКФС/ОКФС
Unit of measure: **thousand RUR** ОКЕИ

ОКУД Form #2
Date (YY/MM/DD)

CODES		
0710002		
2003	03	30
56947007		
4716016979		
40.10.2		
47	16	
384/385		

Indicator		For the reporting period	For the similar period of the previous year
name	code		
1	2	3	4
Income and loss for usual activities			
Net-earnings from sales of goods, products and services (minus VAT, excise duties and other similar compulsory payments), including:	010	1 345 889	-
	011	-	-
	012	-	-
	013	-	-
Production cost for goods, products and services sold, including::	020	3 115 956	-
	021	-	-
	022	-	-
	023	-	-
Gross earnings (010 + 020)	029	(1 770 067)	-
Commercial expenses	030	-	-
Management expenses	040	-	-
Profit (loss) from sales (029 + 030 + 040)	050	(1 770 067)	-
Operational income and expenses			
Interest receivable	060	3 411	-
Interest payable	070	-	-
Income from participation in other companies	080	-	-
Other operational profits	090	2 408	-
Other operational expenses	100	31 981	-
Non-operational income and expenses			
Non-operational income	120	8	-
Non-operational expenses	130	6 943	-
Profit (loss) before tax (050+060-070+080+090-100+120-130)	140	(1 803 164)	-
Profit tax and other analogous obligatory fees	150	8 319	-
Profit (loss) from the ordinary activity	160	(1 811 483)	-
Extraordinary income and expenses			
Extraordinary income	170	-	-
Extraordinary expenses	180	-	-
Profit (loss) before tax (160 + 170-180)	190	1 811 483	-
FOR REFERENCE ONLY Dividends per one share*			
Preferred shares	201	-	-
Ordinary shares	202	-	-
Proposed dividends for the next year per one share*			
Preferred shares	203	-	-
Ordinary shares	204	-	-

*Filled in the annual accounting report

Form 0710002 p. 2

INTERPRETATION OF PARTICULAR INCOME AND LOSS

Indicator		For the reporting period		For the similar period of the previous year	
name	code	income	loss	income	loss
1	2	3	4	5	6
Penalties, fines and forfeits admitted or payable under (Arbitrage) court decision	210	-	2	-	-
Income (loss) of the previous years	220	-	-	-	-
Indemnity for losses because of non-fulfillment or undue fulfillment of obligations (liabilities)	230	-	-	-	-
Exchange rate differences for operations in foreign currencies	240	-	-	-	-
Deductions for assessed reserves	250	X	-	X	-
Cancellation of accounts payable and receivable with exceeded time allowed for claims	260	-	-	-	-
	270	-	-	-	-



Appendix
to the Russian Ministry of
Finance Order № 67н
dated 22.07.2003

ACCOUNTING BALANCE SHEET
as for 31st of December 200 2

		OKУД Form #1		CODES	
		Date (YY/MM/DD)		0710001	
				2003 03 30	
Company	Open Joint-Stock Company "Federal Grid Company of Unified Energy System"	OKПО		56947007	
Tax identification code		ИНН		4716016979	
Activity	electrical power transmission	ОКВЭД		40.10.2	
form of legal entity's incorporation / form of ownership	open joint-stock company / private entity	ОКОПФ/ОКФС		47	16
Unit of measure:	thousand RUR	ОКЕИ		384/385	
Location (address):	Russia, PS "Leningradskaya", Tosno, Leningrad region, 187000				
			Approval date		
			Date of sending (acceptance)	30.03.2003	

ASSET	Indicator code	As for beginning of the accounting period	As for end of the accounting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets (04, 05), including:	110	-	-
right to the patents, programmes, trademarks, etc.	111	-	-
other nonmaterial assets	112	-	-
goodwill	113	-	-
Fixed assets (01, 02), including:	120	-	66 021 915
plots of land and use of natural resources	121	-	-
buildings, cars and equipment, constructions	122	-	65 657 483
Construction in progress, including:	130	-	21 906 862
Income-bearing investments into material valuables (02, 03), including	135	-	-
property to be leased	136	-	-
property provided under hire contract	137	-	-
Long-term financial investments (58, 59)	140	-	-
investments into subsidiaries	141	-	-
investments into affiliated companies	142	-	-
investments into other organizations	143	-	-
Loans, provided to the entities for the period exceeding 12 months (58)	144	-	-
Deferred tax assets	145	-	-
Other non-current assets	150	-	-
TOTAL for Section I	190	-	87 928 777
II. CURRENT ASSETS			
Inventory, including:	210	-	431 315
raw materials, materials and other similar assets	211	-	275 756
live animals at growing	212	-	-
costs at work in progress	213	-	-
finished goods and goods for resale	214	-	29
products shipped	215	-	-
expenditures of future periods	216	-	155 530
other inventory and expenditure	217	-	-
Value added tax on purchased assets	220	-	83 189
Accounts receivable (payments are planned over more than 12 months upon the balance sheet date), including	230	-	-
Customers and consumers	231	-	-
Bills receivable	232	-	-
Subsidiaries debt	233	-	-
Advances made	234	-	-
Other debtors	235	-	-
Accounts receivable (payments are planned within 12 months upon the balance sheet date), including:	240	-	36 677 096
customers and consumers	241	-	2 470
Bills receivable	242	-	-
Subsidiaries debt	243	-	-
Participants dept for authorised capital	244	-	36 575 142
Advances made	245	-	67 951
Other debtors	246	-	31 533
Short-term financial investments, including	250	-	169 223
Loans, provided to the entities for the period exceeding 12 months (58)	251	-	-
Own shares bought-out from the shareholders	252	-	-
other short-term financial investments	253	-	169 223
Monetary assets, including:	260	-	542 208
cash in hand	261	-	938
settlement accounts	262	-	490 023
foreign currency accounts	263	-	-
monetary instruments	264	-	51 247
Other current assets	270	-	-
TOTAL for Section II	290	-	37 903 031
BALANCE	300	-	125 831 808

LIABILITY	Indicator code	As for beginning of the accounting period	As for end of the accounting period
1	2	3	4
III. CAPITAL and RESERVES			
Charter capital	410	-	127 000 000
Additional capital	420	-	-
Reserve capital	430	-	-
Legislatively necessary reserves	431	-	-
Reserves made under statutory documents	432	-	-
Social funds	440	-	-
Target finance	450	-	-
Uncovered loss of past years	460	-	-
Uncovered loss of past years	465	-	-
Undistributed profit of the current fiscal year	470	X	-
Uncovered loss of the reported year	475	X	(1 811 483)
TOTAL for Section III	490	-	125 188 517
IV. LONG-TERM LIABILITY			
Debt and borrowings, including	510	-	-
Bank credits due to payment more than 12 months from the reporting date	511	-	-
Loans due to payment more than 12 months from the reporting date	512	-	-
Other long-term liability	520	-	-
TOTAL for Section IV	590	-	-
V. SHORT-TERM LIABILITY			
Debt and borrowing, including	610	-	-
Bank credits due to payment more than 12 months from the reporting date	611	-	-
Loans due to payment more than 12 months from the reporting date	612	-	-
Accounts payable, including:	620	-	643 291
suppliers and contractors	621	-	476 045
ammounts owed to the company staff	622	-	-
ammounts owed to state non-budget funds	623	-	-
tax and dues liabilities	624	-	46 490
Debt to state non-budet funds	625	-	26 143
Debt to state budget	626	-	89 897
received prepayments	627	-	12
other creditors	628	-	4 704
Ammounts owed to partners (promoters) as dividends	630	-	-
Future stream of earnings	640	-	-
Reserves for the costs to be incurred	650	-	-
Other short-term liability	660	-	-
TOTAL for Section V	690	-	643 291
BALANCE	700	-	125 831 808

Statement of available assets accounted for at the off-balance sheet accounts			
Rented fixed assets	910	-	1 413
including leased	911	-	-
Commodities and materials accepted for safe custody	920	-	335
Goods accepted for commission	930	-	-
Written off debts of insolvent debtors	940	-	-
Security for liabilities and payments received	950	-	-
Security for liabilities and payments issued	960	-	33
Depreciation housing facilities	970	-	-
Depreciation of landscape design improvement facilities and other similar facilities	980	-	-
Intangible assets received for use	990	-	-