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PRE-APPROVED

By the Decision of the Board of Directors of the
“Federal Grid Company of Unified Energy System”
Open Joint-Stock Company
Minutes № 24 of June 08, 2005

2004' ANNUAL REPORT

*“Federal Grid Company of Unified Energy System”
Joint-Stock Company*

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Chairman of the Board A.N. Rappoport

(signature)

Head of the Accounting and Reporting Department,
Chief Accountant V.V. Schukin

(signature)

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1. General information about the company

The “Federal Network Company of the United Power System” JSC (the “FGC UES” JSC) has been created under the program of the Russian Federation’s electricity industry reformation, to manage the United national (all-Russian) electricity network (UNEN) in order to maintain and develop the same.

The United national all-Russian electricity network is the base of the United power system of Russia. It consists of an electricity network uniting, for a parallel operation, main electric power stations and load centers, and connecting the United power system of Russia with power systems of other countries. The UNEN includes networks belonging both to the “FGC UES” JSC and to other owners.

The sole founder of the “FGC UES” JSC is the “UPS of Russia” JSC RJSC, which is the holder of 100% of the company's shares.

On June 25, 2002, the legal public registration of the “FGC UES” JSC took place.

As the company’s authorized capital, the “UPS of Russia” JSC RJSC allotted the system forming electricity network complex (a part of the UNEN) of which it had been the owner.

The “FGC UES” JSC is the key element of the developing electric power market.

In conformity with the law in force, the “FGC UES” JSC is a natural monopoly subject. Its activity is regulated by the State.

The company’s key activities include:

- United national (all-Russian) electricity network management;
- Wholesale electric power services, including electric power transmission and connection to the electricity network;
- investment activity in the field of development of the united national (all-Russian) electricity network;
- electricity lines maintenance;
- engineering supervision of the UPS of Russia’s network units condition.

Key objectives of the “FGC UES” JSC in 2004 included:

- to secure reliable operation of the electricity network system during the period of the electricity industry reformation;
- to realize the Strategy and scheme of the UNEN development;
- to implement the company’s investment programs;
- to realize the reformation program of the electricity industry of the Russian Federation in the electricity network complex within the UNEN;
- to participate in the development and preparation of the electric power market;
- reformation of the organizational system of operational and repair activities in the electricity network complex within the Company’s branches.

2. Key production and financial figures of the “FGC UES” JSC

	2002	2003	2004
Length of electricity transmission lines, km	40900	43898	45 038
Number of substations, items.	125	128	131
Average number of the Company’s employees, pax.	9 111	9 847	10 174
Net proceeds of goods, products, works, services sale, mln RUR	1 345,9	17 229,5	23 249,7
Profit (loss) before taxation, mln RUR	(1 803,2)	1 540,2	3 157,7
Net (undistributed) profit (loss), mln RUR	(1 378,6)	1 049,0	2 166,8
Net assets value, mln RUR	91 064	121 615	129 121

3. Key events in 2004

UNEN development scheme elaborated

The «Development scheme of the United national (all-Russian) electricity network of the UPS of Russia, of 220 kV and higher, for the period of 2003 to 2012», concretizing goals, objectives and key lines of the long-term 10-years' UNEN development program, as determined by the UNEN development Strategy approved in 2003 by the Board of Directors of the «FGC UES».

Key system-forming electricity transmission lines put into operation

The 2004' plan of facilities putting into operation completely fulfilled.

In particular, the following key electricity network units have been put into operation:

- 500 kV air line – Primorskaya hydroelectric distribution power station - Khabarovskaya with Khekhzir 500 kV substation (HV line section Primorskaya HEDPS – Khekhzir),
- 500 kV HV line Amurskaya – Khabarovskaya connections to Bureyskaya HEPS;
- 750 kV HV line Kalininskaya atomic power plant – Cherepovez with 750 kV Cherepovezkaya (Belozerskaya) substation, with connections to 500 kV HV line.
- 500 kV Berkut SS with connections to 500, 220 and 110 kV lines.
- 330 kV Pskov-Yuzhnaya SS with connections to HV lines.

Substations Bologoe, Kluchiki, Veshkaima, Novokuznetskaya, Rubzovskaya, Barnaulskaya have been reconstructed and re-equipped. In 2004, in all 705,3 km of electricity supply lines, 2352,0 MVA transformer and 1129,7 Mvar reactive capacities have been put into operation on substations.

When constructing the 750 kV Kalininskaya APP – Cherepovez HV line, the advanced “under-stress” wiring technology was used. This technology allows to reduce the duration and the costs of an electricity line construction, as well as to reduce electric power losses while operation and extend the wires' service life.

In 2004, the «FGC UES» JSC started using borrowed funds for the investment program realization

In the late 2004, the «FGC UES» JSC started realizing the borrowing, and by the end of 2004, increased the amount of the borrowed funds in the balance liabilities up to 6,5 milliard rubles. Using these funds, construction and re-equipment projects of electricity supply lines and substations were financed. From June till October 2004, the «FGC UES» JSC borrowed short-term loans from the “Alfa-Bank” JSC, “Vneshtorgbank” JSC and from the Sberbank of Russia. In December 2004, in order to optimize the structure of the borrowed funds, to extend the liabilities period, and to reduce debt costs, the «FGC UES» JSC issued a bonded debt of 5 mlrd rubles, with maturity date by December 2007.

The «FGC UES» JSC obtains a credit ranking

On June 11, 2004, the Standard & Poor's rating agency attributed and has maintained the «FGC UES» JSC credit ranking on the international “B” level, and on the Russian «ruA+» level.

On November 4, 2004, with favorable macro-economical changes in Russia, the agency raised the «FGC UES» JSC international credit ranking from “B” up to “B+”, and the Russian ranking remained unchanged.

On December 20, 2004, the agency attributed an additional credit ranking “RuA+” to the «FGC UES» JSC bond issue, of nominal value 5 mlrd rubles and circulation period of 1092 days, placed on December 21, 2004.

The Company's 2005' investment program approved

On December 28, 2004, the Board of Directors approved the «FGC UES» JSC 2005' investment program to the amount of up to 27 695,0 mln rubles, with borrowed funds share up to 9,3 mlrd rubles.

In 2005, the «FGC UES» JSC plans to bring in about 600 km of electricity supply lines, 1500 MVA of transformer capacity, and 500 MVAR of reactive capacity. Not less than 200 km of fiber-optical communication lines are to be put into service, too.

In the framework of the electricity industry 2005' investment program, the Federal network company's investment program had been approved previously by the Government of the Russian Federation.

Inter-regional distribution network companies created

On December 29, 2003, within the electricity industry reformation and the UNEN electricity network complex consolidation being realized, the Government of the Russian Federation's order № 1939-p commissioned the RFFI of Russia, on behalf of the Russian Federation, jointly with the «FGC UES» JSC, to found seven IRMNC, with 15% and 85% shares, accordingly.

According to these decisions, in February 2004, seven IRDNC were founded, with authorized capital of 150 thousand rubles, with shares of the «FGC UES» JSC - 15%, RFFI of Russia - 85%, their authorized capital was paid up.

Decision made of Inter-regional distribution network companies' shares transmission into the “FGC UES” JSC's trust management

In order to build up a centralized management system of the distribution network complex, to secure its reliability, efficient operation and development during the reformation period, the “UPS of Russia” JSC RJSC Board of Directors (minutes № 168 of 23.04.2004) recognized it fit to transmit IRDNC 's shares into the «FGC UES» JSC's trust management. According to the decisions made, shares of distribution network companies would be transmitted into the IRDNC 's authorized capitals, created on the base of the reformed «EnergO” JSCs electricity network complex which is not included in the UNEN.

4. Structure of the «FGC UES» JSC

Structure of the «FGC UES» JSC as by the end of 2004 consisted of an executive board, 7 branches of “Main electricity networks” (MEN), 34 branches of “Main electricity network plants” (MENP), a branch (training center) Specialized production plant “Belyi Rast”, a branch of Sochi electricity industry units construction administration, a branch “Elektrosetservice”, 6 branches of Specialized production plants “Elektrosetservice” (SPP), 7 branches “Regional engineering supervision centers” (RESC).

MENs are responsible for the MENPs day-to-day operation, and the “Elektrosetservice” – for the SPP branches.

Competences of the «FGC UES» JSC branches, the MENs and the “Elektrosetservice”, include:

- Providing services for electrical energy transmission and distribution;
- Providing services for connection to electricity networks;
- Providing services for gathering, transmitting and processing technical data, including measurements and counts;
- Diagnostics, operation, maintenance, reconstruction, re-equipment and capital construction of electricity networks and other electricity supply units, and engineering management thereof;
- Development of electricity networks and other electricity supply units, including designing, engineering survey, construction, reconstruction, re-equipment, assembling and starting-up;

Key functions of the «FGC UES» JSC’s branches, the RESCs, include:

- To control the diagnostics, operation and maintenance of electricity networks and other electricity technological equipment, including technological engineering;
- To evaluate the efficiency and the sufficiency of long-term forecasts, long-term and current development plans, targeted scientific & technical programs;
- To control the safety of flammable production units within the electricity network system;
- To organize and to monitor the fire-fighting activities, assembling, repair and maintenance of fire safety devices of buildings and structures within the electricity network system;
- Technical engineering, industrial safety and labor protection expertise at electricity network units.

According to the decision of the «FGC UES» JSC Board of Directors (minutes №20 of 28.12.2004) dd. December 28, 2004, the Company’s Statute has been amended to include the following additional branches of the «FGC UES» JSC:

- Main electricity network of the Western Siberia;
- Khanty-Mansiysk main electricity networks company;
- Tiumen main electricity networks company ;
- Yamalo-Nenezkoe main electricity networks company;
- Tiumen communication & management systems company.

These branches will operate electricity networks in Tiumen region, Yamalo-Nenezkiy and Khanty-Mansiysk autonomous districts. At present, these regions are covered by the MEN Ural servicing.

Within the framework of the electricity industry reformation, the FNC will take over a large number of UNEN electricity network units, situated on the territory of the above three Federal subjects. In this connection, the decision was made of establishing new branches, in order to increase the reliability and the controllability of the main electricity networks.

As on 31.12.04

Structure of the “Federal Grid Company of Unified Energy System” JSC

General meeting of shareholders
Board of directors of the “UPS of Russia” JSC RJSC

Board of directors

Chairman of the Managing committee
Rappoport A.N.
Managing committee

Executive board

Branches of the “FGC UES” JSC – main electricity networks

- MEN Center
- MEN North-West
- MEN South
- MEN Volga
- MEN Ural
- MEN Siberia
- MEN East

Branches of the “FGC UES” JSC – main electricity network companies

- Valdai
- Upper Don
- Volga + Don
- Volga + Oka
- Vologda
- Moscow
- Nizhniy Novgorod
- Priokskoe
- Chernozemnoe
- SPP “Belyi Rast”

- Bryansk
- Vyborg
- Karelia
- Novgorod

- Stavropol
- Kuban
- Rostov
- Sochi electricity industry units construction administration

- Upper Volga
- Middle Volga
- Samara
- Lower Volga

- Sverdlovsk

- Chelyabinsk
- Perm
- Orenburg

- Krasnoyarsk
- Transbaikalian
- Kuznetsk Basin
- Omsk
- Western Siberia
- Khakasia

- Amur
- Primorskoe
- Khabarovskoe
- Eastern PRP

Branch of the “FGC UES” JSC – “Elektrosetservice”

Branches of the “FGC UES” JSC – specialized production plants (SPP)

- Elektrosetremont
- Mikhailovskaya
- Novgorod
- Southern
- Middle Volga
- Novosibirsk

Branches of the “FGC UES” JSC – regional engineering supervision centers (RESC)

- RESC Center
- RESC North-West
- RESC Volga
- RESC Ural
- RESC Siberia
- RESC East

5. Share capital

At present, the «FGC UES» JSC's authorized capital amounts to 121 607 241 779,5 rubles (one hundred twenty one milliard six hundred seven million two hundred forty one thousand seven hundred seventy nine rubles 50 kopecks).

The authorized capital is divided into 243 214 483 559 ordinary nominal shares, of nominal value 50 kopecks each.

According to the resolution of the Government of the Russian Federation dd. 11.07.2001 № 526 «Of the reformation of the electricity industry of the Russian Federation", and to the decisions of the «UPS of Russia» JSC RJSC Board of directors (minutes of 25.01.2002 № 109 and of 07.05.2002 № 115), on 25.06.2002, the «FGC UES» JSC was established as a subsidiary company with 100% participation of the «UPS of Russia» JSC RJSC in its authorized capital, Which amounts to 127 000 000 000 rubles.

The share capital has ben divided into 254 000 000 000 ordinary nominal shares, of nominal value 50 kopecks each.

As on 25.06.2003, 239 854 401 935 shares were paid up to the «UPS of Russia» JSC RJSC, of total value 119 927 200 967, 5 rubles, which is 94,43% of the «FGC UES» JSC's authorized capital. In conformity with p. 1 art. 34 of Federal Law № 208-Ф3 of 26.12.1995 «Of joint-stock companies», due to the incomplete payment of the «FGC UES» JSC shares within one year upon the company's public registration, the right of property to the unpaid shares at the amount of 7 072 799 032, 5 rubles passed over to the «FGC UES» JSC.

In conformity with p. 4 art. 34 of Federal Law № 208-Ф3 of 26.12.1995 «Of joint-stock companies», should, upon completion of the second and each subsequent fiscal year, according to the annual balance sheet submitted to the company's shareholders for approval, or according to an audit, the company's net assets value be lower than its authorized capital, the company shall reduce its authorized capital down to the value not exceeding the value of its net assets.

As on 31.12.2003, according to the Auditor's opinion on the bookkeeping accounts of the «FGC UES» JSC for the year 2003, prepared by the auditor "RSM Top-Audit" LLC, the «FGC UES» JSC's net assets value amounted to 121 615 232 000 rubles, which is less than the FGC UES» JSC' s authorized capital amount.

According to the above-mentioned, on 25.06.2004, the general meeting of the «FGC UES» JSC decided to reduce the company's authorized capital by canceling 10 758 516 441 ordinary nominal non-documentary shares of the «FGC UES» JSC, disposed by the Company, to a total value of 5 392 758 220,5 rubles, which is 4,24% of the «FGC UES» JSC's authorized capital.

Resolution of the Government of the Russian Federation of 11.07.2001 № 526, Federal Law of 26.03.2003 № 35-Ф3 «Of electricity industry», Federal Law of 26.03.2003 № 36-Ф3 «Of electricity industry operation in transition period», and amendments to some legislative acts of the Russian Federation, and acknowledging void some legislative acts of the Russian Federation in view of the adopted Federal Law "Of electricity industry", and the Strategy Concept of the «UPS of Russia» JSC RJSC for years 2003-2008 adopted by the Board of directors

of the «UPS of Russia» JSC RJSC in May 2003, provide that not later than on the end date of the transition period of the electricity industry reformation, the State will participate directly in the «FGC UES» JSC's authorized capital.

For this purpose, within the framework of the «UPS of Russia» JSC RJSC reformation, the «FGC UES» JSC shares will be distributed among «UPS of Russia» JSC RJSC 's shareholders, in proportion to their shares in the «UPS of Russia» JSC RJSC 's authorized capital.

As far as the electricity industry reforms will be realized, and the State quits competitive fields, in conformity with the Law in force, the State's share in the FGC UES» JSC's authorized capital will grow up to 75% plus one voting share.

6. Managing and controlling bodies of the «FGC UES» JSC

The «FGC UES» JSC is an open joint stock company. The structure of its managing bodies is determined by the Federal Law "Of joint-stock companies" and the Statute.

The «FGC UES» JSC's supreme managing body is the general meeting of shareholders. Key authorities to the company's management are delegated by the sole shareholder, the «UPS of Russia» JSC RJSC, to the Board of directors of the «FGC UES» JSC. The company's day-to-day management is performed by the individual executive body, the Chairman of the managing Committee, and by the collective executive body, the managing Committee, elected by the Board of directors.

To control the «FGC UES» JSC's financial & economic activity, the general meeting of shareholders elects yearly an Inspection commission consisting of 5 members.

Goals and objectives of the «FGC UES» JSC as the UNEN managing company, established in the Federal Law "Of electricity industry", have determined a number of features of the «FGC UES» JSC's management structure, reflected in the Statutes of the «UPS of Russia» JSC RJSC and the «FGC UES» JSC.

The «UPS of Russia» JSC RJSC 's Board of directors decides on issues covered by the competence of the «FGC UES» JSC general meeting of shareholders, as determined by the Statute of the «FGC UES» JSC.

The «UPS of Russia» JSC RJSC 's Board of directors approves nominations on the positions of the head and members of the collective executive body of the «FGC UES» JSC.

At present, the number of members of the «FGC UES» JSC's Board of directors is 9, not less than 5 of them are the State representatives, elected by the general meeting of shareholders, proposed by competent authorities of the Russian Federation.

Before 25.06.2004, there were 13 members of the «FGC UES» JSC Board of directors.

To optimize the company's Board of directors' activity, the company's general meeting of shareholders (according to the «FGC UES» JSC's Statute, its functions are undertaken by the «UPS of Russia» JSC RJSC 's Board of directors), on 25.06.2004, it was decided to reduce the number of members if the Board of directors down to 9 persons.

6.1. Members of the «FGC UES» JSC Board of directors

*(Board of directors elected on 25.06.2004)**

Chairman of the Board of directors

Khristenko Viktor Borisovich Minister of industry and power in the Russian Federation

Vice-Chairman of the Board of directors

Chubais Anatoliy Borisovich Chairman of the Committee of the «UPS of Russia» JSC RJSC

Members of the Board of directors

Ayuev Boris Ilyich Member of the Committee of the «UPS of Russia» JSC RJSC, Chairman of the Committee of the “SO CDU EPS” JSC

Voloshin Alexander Stalievich Chairman of the Board of directors of the «UPS of Russia» JSC RJSC

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

Ivanov Sergey Nikolaevich 1st Deputy General Director of the “Rosenergoatom” Concern

Ponomarev Dmitriy Valerievich Chairman of the Committee of the «ATS» SC

Rappoport Andrey Natanovich Member of the Committee of the «UPS of Russia» JSC RJSC, Chairman of the Committee of the «FGC UES» JSC

Udaltsov Yuriy Arkadieovich Member of the Committee of the «UPS of Russia» JSC RJSC, Director of the reformation management Center of the «UPS of Russia» JSC RJSC

** positions as on the moment of election*

*(Board of directors elected on 28.06.2003)**

Chairman of the Board of directors

Khristenko Viktor Borisovich Vice-Chairman of the Government of the Russian Federation

Vice-Chairman of the Board of directors

Chubais Anatoliy Borisovich Chairman of the Committee of the «UPS of Russia» JSC RJSC

Members of the Board of directors

Abyzov Mikhail Anatolievich Vice-Chairman of the Committee of the «UPS of Russia» JSC RJSC

Bierhoff Rolf President of the Union of the Electricity Industry (EURELECTRIC) till 2002

Gazizullin Farit Rafikovich Minister of property relations of the Russian Federation

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

Pauli Viktor Karlovich Chairman of the Committee of the «SO-CDU-UPS» JSC

Ponomarev Dmitriy Valerievich Chairman of the Committee of the «ATS» SC

Rappoport Andrey Natanovich Vice-Chairman of the Committee of the «UPS of Russia» JSC RJSC, Chairman of the Committee of the «FGC UES» JSC

Rumyantsev Alexander Yurievich Minister of atomic energy of the Russian Federation

Siniugin Vyacheslav Yurievich Vice-Chairman of the Committee of the «UPS of Russia» JSC RJSC

Yuzhanov Ilya Arturovich Minister of antimonopoly policy and business development of the Russian Federation

Yusufov Igor Khanukovich Minister of power industry of the Russian Federation

** positions as on the moment of election*

6.2. Members of the «FGC UES» JSC Managing Committee

Chairman of the Managing Committee

Rappoport Andrey Natanovich

Forming the company's Strategy and development goals in the economical and financial fields, accounting and reporting, production and commercial activity, HR, scientific, technical, investment and corporate policy, protection and legal safety of the Company's activities, organizing the Company's operation

First Vice-Chairman of the Managing Committee

Chistyakov Alexander Nikolaevich

Forming and implementing the Company's investment policy, operation and maintenance policy of UNEN units, automated control systems, dispatcher controlling and informatization of the Company

Vice-Chairmans of the Managing Committee

Vasiliev Viktor Alexeevich

Forming and implementing the UNEN units operation and maintenance policy

Vinogradov Dmitriy Vladimirovich

Organizing the Company's financial and economical processes, providing for the financial efficiency of the Company

Gorelov Pavel Anatolyevich*

Elaborating and implementing the Company's commercial contractual policy

Dorofeev Vladimir Valerianovich

Elaborating and implementing the Company's scientific and technical policy, international cooperation and strategic planning, interaction with market subjects concerning the UNEN organization

Tuzov Mikhail Yurievich

Implementing the Company' corporate policy, organizing HR management, the Company's organizational planning and development

* The «FGC UES» JSC's Board of directors approved on 22.03.2005 the dismissal of Gorelov Pavel Anatolyevich, member of the «FGC UES» JSC's managing committee, due to his change of work.

6.3. Members of the Inspection Commission of the «FGC UES» JSC

(Inspection Commission elected on 25.06.2004)

1.	Sidorov Sergei Borisovich	Head of the financial audit department of the «UPS of Russia» JSC RJSC
2.	Myasnikov Viktor Mikhailovich	Deputy head of the Department of financial control and audit of the Federal Agency for Federal property management
3.	Pomeranzev Yuri Alexeevich	Chief specialist of the financial audit department of the «UPS of Russia» JSC RJSC
4.	Ryzhonkova Elena Yurievna	Chief expert of the accounting and reporting department of the «FGC UES» JSC
5.	Baitov Anatoliy Valerievich	Deputy head of the Direction of financial control and internal audit of the «FGC UES» JSC

(Inspection Commission elected on 28.06.2003)

Sidorov Sergei Borisovich Head of the financial audit department of the «UPS of Russia» JSC RJSC

Zhelyabovskiy Yuri Anatolievich Head of the corporate management division of the Corporate policy department of the «UPS of Russia» JSC RJSC

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

Fedorov Oleg Romanovich Deputy CEO of the Association of investors' rights protection

Ryzhonkova Elena Yurievna Chief expert of the accounting and reporting department of the «FGC UES» JSC

7. The «FGC UES» JSC and electricity industry reformation

7.1. Reformation of the main network complex

One of the key objectives of the electricity industry reformation in the Russian Federation is the industry's division into natural monopoly and competitive activities.

The electrical energy transmission is a naturally monopolistic activity, based on the United national (all-Russian) electricity network (UNEN). It forms the United power system of the Russian Federation. It unites, for a parallel operation, main electric power stations and load centers, transmitting the electrical energy between them, and connecting the United power system of Russia with power systems of other countries.

According to Key lines of the Russian Federation's electricity industry reformation, approved by Resolution of the Government of the Russian Federation of 11.07.2001 № 526, the «FGC UES» JSC has been created as the UNEN managing company, to preserve and develop the UNEN under a united engineering management.

Electricity network units owned previously by the «UPS of Russia» JSC RJSC, belonging to the UNEN, according to criteria approved by Resolution of the Government of the Russian Federation of 21.12.2001 № 881, were used to pay the «FGC UES» JSC's authorized capital.

The Governmental Commission for the Russian Federation's electrical industry reformation and the «UPS of Russia» JSC RJSC 's Board of directors approved the transfer procedure by «Energo» JSCs to the «FGC UES» JSC of electricity network units included in the UNEN, providing for Inter-regional main network companies (hereinafter «IRMNC») to be created.

According to the approved transfer procedure by «Energo» JSCs to the «FGC UES» JSC of electricity network units included in the UNEN, the sequence of operations should be as follows:

- Establishment of the «FGC UES» JSC jointly with the RFFI, of seven IRMNC with authorized capital of 150 000 rubles. The «FGC UES» JSC's share: 15%, the RFFI 's share: 85% of each IRMNC 's authorized capital;
- Additional issue of IRMNC 's shares in favor of all «Energo» JSCs of the respective ODU zone, with the additional shares to be paid for by main networks and monetary funds required for expenses compensation;
- Creation of a joint-stock company by way of separation within the «Energo» JSCs reorganization, the only asset whereof would be the IRMNC shares.
- To provide for the shares of the joint-stock company being created to be proportionally distributed among the «Energo» JSCs shareholders.
- To transfer the IRNMC share holdings owned by the «UPS of Russia» RJSC, to the «FGC UES» JSC.

The actions required for the IRMNCs establishment were included in the Action Plan of the electricity industry reformation for years 2003-2005, approved by Order of the Government of the Russian Federation of June 27, 2003 № 865-p.

According to the Action Plan of the electricity industry reformation, on December 29, 2003, the Government of the Russian Federation's order № 1939-p

commissioned the RFFI of Russia, on behalf of the Russian Federation, jointly with the «FGC UES» JSC, to found seven IRMNC, with 15% and 85% shares, accordingly.

According to these decisions, in February 2004, seven IRDNC were founded, with authorized capital of 150 thousand rubles, with shares of the «FGC UES» JSC - 15%, RFFI of Russia - 85%, their authorized capital was paid up.

In 2004, the «Energo» JSCs, jointly with the «FGC UES» JSC, formed a database of the UNEN 's electricity network property, and completed the market value assessment of the said property.

The «UPS of Russia» JSC RJSC Board of directors decided on 25.02.2005 to change the scheme of the «Energo» JSCs main networks separation, of building-up inter-regional main network companies (ORMNCs), and their transfer under the «FGC UES» JSC's control.

The new reformation procedure of the UNEN's «Energo» JSCs electricity network complex, approved by the «UPS of Russia» JSC RJSC Board of directors, includes the following:

- Transfer of «Energo» JSCs UNEN units and monetary funds required for the expenses recovery into the main network company (hereinafter “the MNC”), according to separation balance;
- Transfer of the MNCs' shares formed upon reformation of the “Energo” JSCs, owned by the «UPS of Russia» JSC RJSC (100% less one share for the «UPS of Russia» JSC RJSC) into the «FGC UES» JSC's authorized capital;
- MNCs fusion, as far as separated from the “Energo” JSCs, to one IRMNC, with simultaneous joining of other IRMNCs.

7.2. Reformation of the distribution network complex

Upon division of the “Energo” JSCs per kind of activity (electrical energy generation, distribution, transmission and dispatching), distribution network companies are created.

According to the 2003-2008' Strategy Concept of the «UPS of Russia» JSC RJSC, approved by the Board of directors of the «UPS of Russia» JSC RJSC, the said distribution network companies, at the stage of their inter-regional integration, should be consolidated into 5 holding companies (consolidated power systems, CPS) –inter-regional distribution network companies (IRDNCs).

The «UPS of Russia» JSC RJSC 's Board of directors (minutes of 23.04.2004 № 168) approved the configuration of four IRDNCs:

- IRDNC-1 within the CPS Center and CPS Northern Caucasus;
- IRDNC-2 within the CPS North-West;
- IRDNC-3 within the CPS Ural and UPS Middle Volga;
- IRDNC-4 within the CPS Siberia.

The issue of creating IRDNC-5 within the Far-East CPS, will be considered by the «UPS of Russia» JSC RJSC Board of directors later, in the context of decision-making on the Far-Eastern power systems reformation.

At the first stage, the IRDNCs are created as 100% subsidiaries of the «UPS of Russia» JSC RJSC (minutes of the «UPS of Russia» JSC RJSC Board of Directors' meeting of 01.10.2004 № 178).

Subsequently, within the IRDNCs' additional shares issue, it is supposed to provide minority shareholders of the DNCs with the possibility of exchanging the DNCs' shares for the IRDNCs' shares, on the same terms as the «UPS of Russia» JSC RJSC.

Upon completion of all key actions for the «UPS of Russia» JSC RJSC holding reformation, and building up the industry's targeted structure, it is supposed that the State may make a strategic decision of the distribution network companies' share holdings disposal, according to the national economic policy goals, including the possibility of privatization of the share holdings owned by the State (by way of sale or transition to a single share), with a regulatory mode to be established, providing for a nondiscriminatory access to networks.

In order to build up a centralized management system of the distribution network complex, to secure its reliability, efficient operation and development during the reformation period, the «UPS of Russia» JSC RJSC Board of Directors (minutes № 168 of 23.04.2004) recognized it fit to transmit IRDNC 's shares into the «FGC UES» JSC's trust management, to exercise share rights.

7.3. Creation of the «FGC UES» JSC's scientific technical center

Within the electricity industry reformation, the role and the weight in the future electricity industry complex of Russia of scientific research and design institutes needs to be determined, which are the «UPS of Russia» JSC RJSC 's subsidiary joint-stock companies.

The above-mentioned scientific research and design institutes include five institutes of major importance for the country's electricity network complex development.

In order to maintain and develop their scientific technical potential during the electricity industry reformation, the «UPS of Russia» JSC RJSC 's Board of directors decided to create an electricity network scientific technical center.

The «UPS of Russia» JSC RJSC 's Board of directors (minutes of 03.09.2004 № 176) approved the creation of the electricity network scientific technical center (hereinafter «the electricity network STC»), by means of merger of the following scientific research and design branch institutes:

1. Open joint-stock company «Electricity industry scientific research institute» («VNIIE» JSC);
2. Open joint-stock company «Scientific research center for high-voltage appliances testing» («NIC VVA» JSC);
3. Open joint-stock company «Scientific research institute for electrical energy transmission by high-voltage direct current» («NIIPT» JSC);
4. Open joint-stock company «Siberian scientific power industry research institute» («SibNIIE» JSC);
5. Open joint-stock company for network and power industry units designing («ROSEP» JSC).

Subsequently, the electricity network STC 's shares will be included into the «FGC UES» JSC's authorized capital.

Goals of the electricity network scientific & technical center's creation include:

1. To develop and to implement the scientific & technical policy at the «FGC UES» JSC and the United national (all-Russian) electricity network (UNEN), in order to introduce advanced equipment and innovative technologies.

2. To increase the efficiency of the electricity network scientific & designing complex in the environment of the electricity industry market forming, based on the management system change and deep reorganization of JSC institutes.

3. To achieve the leading position on the Russian and foreign markets, in the field of providing scientific, designing and maintenance services of electricity network and electrotechnical profile.

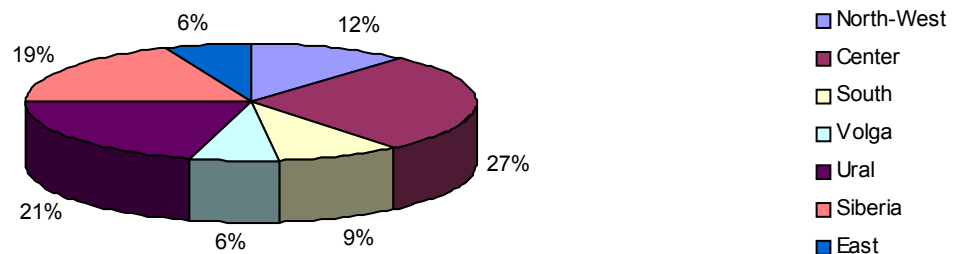
8. Industrial and economic activity of the «FGC UES» JSC

8.1. Equipment specification of the «FGC UES» JSC

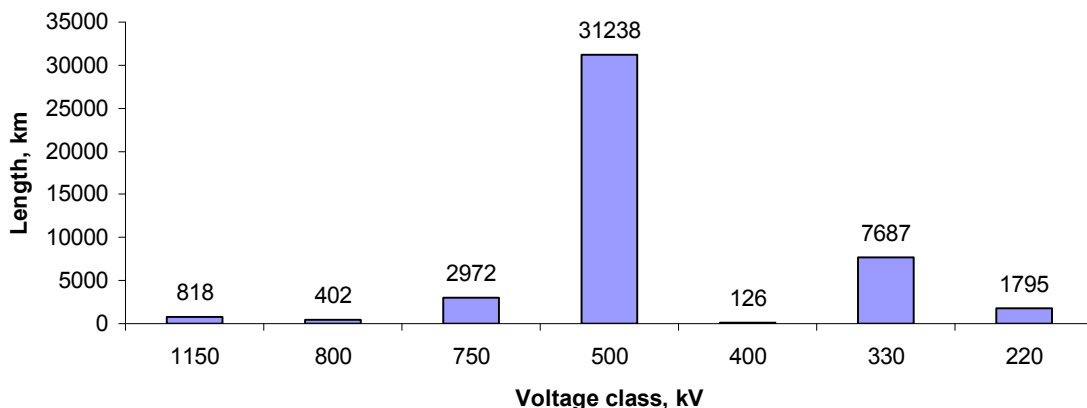
In 2004, the «FGC UES» JSC provided for operation of 342 electricity transmission lines (ETL) (220kV-1150kV), 45 038 km long; and 131 substations (SS) (without ORU and cells owned by the “FGC UES” JSC) of various voltage categories, including:

- 2 SS of 1150 kV, installed transformer capacity 1002 MVA;
- 8 SS of 750 kV, installed transformer capacity 23079 MVA;
- 83 SS of 500 kV, installed transformer capacity 95731,7 MVA;
- 1 SS of 400 kV, installed transformer capacity 4934 MVA;
- 36 SS of 330 kV, installed transformer capacity 15423,3 MVA;
- 2 ETL of 1150 kV, length 818 km;
- 2 ETL of 800 kV, length 402 km;
- 13 ETL of 750 kV, length 2972 km;
- 195 ETL of 500 kV, length 31238 km;
- 3 ETL of 400 kV, length 126 km;
- 95 ETL of 330 kV, length 7687 km;
- 32 ETL of 220 kV, length 1795 km.

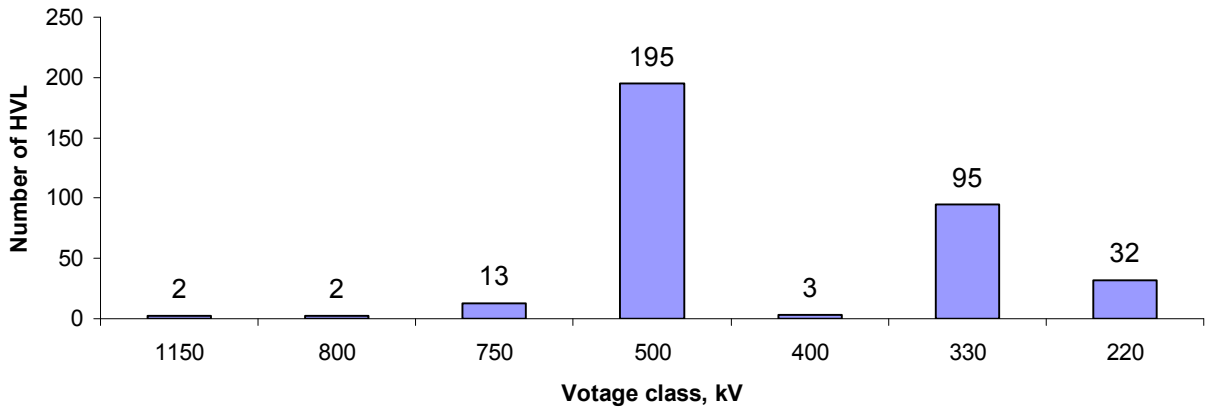
Air lines length in MEN, in % of total AL length of 220-1150 kV of the «FGC UES» JSC



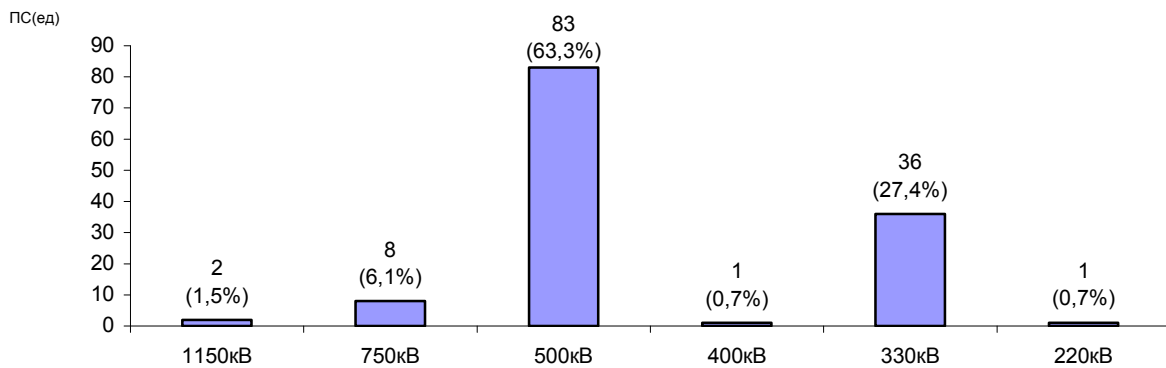
AL length per voltage class:



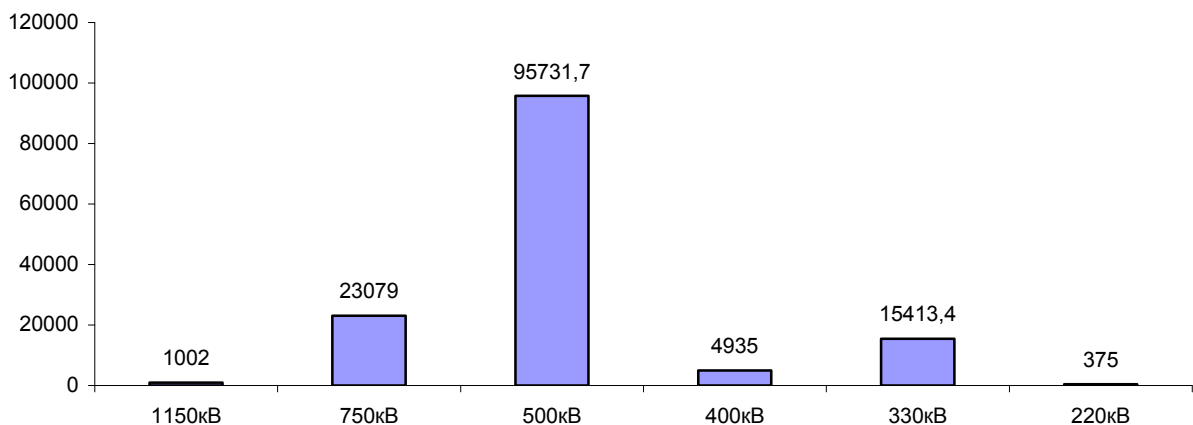
Number of AL per voltage class:



Number of Substations per voltage class:



Structure of the «FGC UES» JSC's substations autotransformers and transformers' capacity



The aggregate installed capacity of power transformers 220-1150 kV on the «FGC UES» JSC's substations is of 140 536 MVA. As on 31.12.2004, the aggregate installed capacity of reactors 220- 750 kV on the plants was of 22 565 MVA.

8.2. Repair of electricity networks and of other electricity supply units

Maintenance and repair of the «FGC UES» JSC's electricity network units is performed by MEN and "Elektrosetservice" branches.

Electricity supply lines (mainly air lines) were repaired subject to their technical condition, according to the "Rules of equipment maintenance and repair" currently in force (hereinafter "the Rules"). Substation equipment was repaired in scopes and within terms established by the Rules, manuals and requirements of the equipment manufacturers.

Volumes of key kinds of repairs

Description	Unit	2003	2004*
AL tracks clearing, including with chemicals	ha	23 247	21 037
AL insulators replacement	item	32 027	25 250
AL support foundations repair	item	3 731	4 268
AL lightning cable replacement	km	523	491
AL supports replacement (reinforcement)	item	314	278
AL spacer-dampers replacement	item	17 451	4 137
Autotransformers repair	phase (item)	28	16
Shunt reactors repair	phase (item)	15	18
110 - 750 kV inlets replacement of oil-filled equipment	item	133	79
Switch repair	item	345	245
Disconnecter repair	item	1 379	995
Support insulator repair 110 - 750 kV	item	7 148	3 797
Compressor repair	item	227	164
Storage battery repair	item	10	3
Synchronous compensator repair	item	1	3

* Without volumes performed under 2004' target programs.

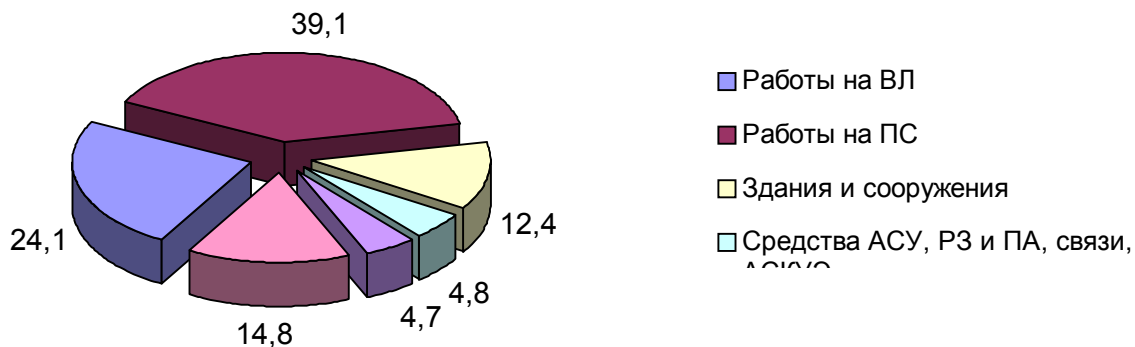
Additionally, the «Program of equipment damage prevention on the «FGC UES» JSC's network units" was realized for 69 mln RUR, and the targeted «Program of reliability increase of support rod insulators on the «FGC UES» JSC substations" for 199,5 mln RUR (22,4 thousand items).

The targeted «Program of stability increase of AL and substation operation with ice & wind loads" and the targeted «Program of stability increase and replacement of highvoltage inlets" were realized for 6,6 mln RUR and 27,2 mln RUR, accordingly.

Repair structure of the «FGC UES» JSC's electricity supply units in 2004, per kind of work

№	Description of the repair work	Repair structure of the «FGC UES» JSC's electricity supply units in 2004, per kind of work, %
1.	AL works	24,1
2.	SS works	39,1
3.	Buildings and structures	12,4
4.	Vehicles	4,7
	Means of automatic control, RZ and PA, communication,	
5.	ASEECA	4,8
6.	Other repair works	14,8
	TOTAL repair works	100,0

Repair structure of the «FGC UES» JSC's electricity supply units per kind of work



Within the framework of reforming the repair activity in the Company's electricity network in 2004, in order to reduce the portion of repair works performed by MEN branches on an intra-economic basis, the volume of repair works performed by the «FGC UES» JSC "Elektrosetservice" branch, up to 494,6 mln RUR. The portion of repairs performed on an extra-company basis, was increased up to 527 mln RUR (42,5% of the total volume of repair works).

8.3. Operating & dispatching management of electricity network units

By the end of 2003, there were dispatching services with functions of current requests execution and the «FGC UES» JSC notification only in 4 «FGC UES» JSC branches (MEN Center, MEN Ural, MEN North-West, and MEN South).

In October 2003, the «FGC UES» JSC decided to improve the operating & dispatching management system, as an integral part of the common mechanism of the UNEN effective operation technology management.

According to the above decision, in 2004, dispatching offices were established in the «FGC UES» JSC's executive board and MENs, including current work departments and electricity supply modes and balances calculation departments.

In 2004, around-the-clock dispatcher's service was organized in all dispatching departments of the FNC and MENs, with the key functions of monitoring the electricity lines condition, team permit issue for electricity transmission lines servicing, and informational notification.

The cooperation between the operating & dispatching staff of the «FGC UES» JSC and the «SO-CDU UPS» JSC are based on Agreements and Regulations of cooperation and relations between the FNC and the SO-CDU UPS.

In 2004, the «FGC UES» JSC organized trainings for the FNC and MENs' dispatching department staff, UPS dispatchers and work mode specialists, including seminars and professional improvement courses.

Key objectives of the operating & dispatching department include:

1. Monitoring the UNEN units condition and emergency & restoration works performed thereon;
2. Organizing current activity for work mode optimization, breakdown localization, and UNEN units restoration, as required;
3. Organizing current maintenance of substations and switching-over, as required;
4. Organizing electricity modes and electrical energy balances calculation at the UNEN;
5. Planning the UPS of Russia work mode, including electrical energy supplies to foreign countries.

Number of operations staff servicing 220-750 kV SS

MEN	Total number of operations staff, pax	First persons in shift, pax	Second persons in shift, pax
East	45	24	21
Siberia	205 (40)*	133	72
Ural	238 (51)*	153	85
Volga	76	41	35
South	150	91	59
Center	345	191	154
North-West	115	80	35
Total:	1174	713	461

* - in brackets, the number of persons is shown who moved from the "Energo" JSCs with 220 kV substations.

Number of MEN dispatching offices, as in December 2004.

	Total	Dispatchers,	Operation	Directors

	staff, pax	pax	mode specialists, pax	and other departments, pax
Executive body	22	6	9	7
MEN East	10	5	4	1
MEN Siberia	10	6	3	1
MEN Ural	17	11	4	2
MEN Volga	13	8	4	1
MEN South	26	14	10	2
MEN Center	18	10	6	2
MEN North-West	18	11	5	2
Total:	134	71	45	16

Key events in the operations & dispatching department of the «FGC UES» JSC in 2004.

- May 1 The FNC's CDS started participating in the planning of electrical energy supply abroad, in simulation mode.
- July 15 The «FGC UES» JSC order № 183 issued «Of forming operations & dispatching departments in «FGC UES» JSC branches – MENs and MENPs».
- November 1 The FNC's CDS started participating in the planning of electrical energy supply abroad, in operating mode.

Key events on units started in 2004 of the «FGC UES» JSC.

- August 27 Newly constructed 750 kV AL Primorskaya HDPP - Khabarovskaya put under load;
- September 28 On Novo-Anzherskaya SS 500 kV, STK-2 put under load for the first time (100 MVar);
- November 5 On Belozerskaya SS, AT-2 (750/500/10 kV, 1251 MVA) put under voltage (500 kV) for the first time;
- November 7 AL 500 kV Bureyskaya HPP-Khabarovskaya put under load, with newly constructed connections to Bureyskaya HPP;
- November 7 AL 500 kV Amurskaya – Bureyskaya HPP put under load, with newly constructed connections to Bureyskaya HPP;
- December 7 Newly constructed 750 kV AL KAPP-Belozerskaya put under load;
- December 12 500 kV AL Kurgan-Irtysh, Tyumen put under load, with newly constructed connections to 500 kV SS Berkut ("Tyumenenergo").

Electrical energy losses in the «FGC UES» JSC's electricity networks

Incoming electrical energy volume to the «FGC UES» JSC's networks was 376982,069 mln kwh. 366728,081 mln kwh was supplied out of the «FGC UES»

JSC's network. Absolute electrical energy losses in the «FGC UES» JSC's network amounted in 2004 to 10226,64 mln kwh, which exceeds the 2003' value by 200,01 mln kwh.

The increase in the absolute losses in the FNC network is due to increase in the electrical energy supply out of the network, as compared to 2003, by 10128,711 mln kwh.

The relative ratio of electrical energy losses in 2004 amounted to 2,79 % of the volume supplied out of the «FGC UES» JSC network, against 2,81% in the last year.

The relative value of losses decreased in 2004, as compared to the last year, thanks to a number of organizational & technical measures, including improvement of the electricity networks' electrical energy accounting system.

The «FGC UES» JSC, starting from 2005, will pass onto a new system of incoming\ outgoing electrical energy calculation in the FNC network, to avoid the electrical energy internal circulation in the FNC networks, which is due to some specific features of the FNC network.

The value of 2004' electrical energy losses, relative to the supply out of the «FGC UES» JSC, without the internal circulation (264962,65 mln kwh), was 3,86%.

Planning of supplies to foreign power systems

In 2004, an important objective was added to the FGC UES» JSC operating & dispatching management: participation in the UPS of Russia's mode planning cycle, including planning of supplies to foreign countries, volume calculation and deviation initiatives of these supplies.

In 2004, the «FGC UES» JSC took active part in connecting the currently only electrical energy export/ import operator, the "Inter RJSC UPS" CJSC to the trading system of the electrical energy wholesale market. The FNC's central dispatching service approved sections and groups of electrical energy supply points of export/ import operations of the electrical energy, purchased/ sold by the "Inter RJSC UPS" CJSC, to further use in export/ import operations.

From May 1 till November 1, 2004, the CDS FNC executed functions of the «FGC UES» JSC as the holder of parallel work contracts, under the "Provisional regulations of electrical energy purchase/ sale by wholesale market participants, for further use for export/ import to foreign power systems", in simulation mode, to check out the cooperation of the «FGC UES» JSC with the "Inter RJSC UPS" CJSC, "ATS" SC, and "SP-CDU-UPS" JSC, within the export/ import supply planning process. Since November 1, 2004m the CDS FNC executes functions under the "Provisional regulations...", in operating mode.

Real electrical energy supply volumes from Russia abroad in 2004

№	Country	Real supply volume, mln kWh
1.	Ukraine	-225.37
2.	Moldova	917.78

3.	Georgia	798.04
4.	Azerbaijan Republic	1 129.32
5.	Latvia	475.48
6.	Lithuania	-4 125.78
7.	Belarus	1 510.94
8.	Kazakhstan	-4 858.03
9.	China	338.48
10.	Mongolia	162.61
11.	Finland	10 309.02
Total		6 432.50

8.4. Engineering supervision of electricity network units

In 2004, the «FGC UES» JSC's engineering supervision board implemented a number of organizational, technical, informational, methodical, supervision and preventive measures at MEN companies and UNEN units, to prevent fires, breakdowns, and other technological troubles, to increase the equipment and staff's operating safety, to reduce breakdown and accident rate.

Total number of 7 branches of the «FGC UES» JSC, Regional Engineering Supervision Centers (RESC), including additional 35 persons in 2004 (for "Energо" JSCs main networks control), amounted to 120 persons with 99 inspectors.

According to «UPS of Russia» JSC RJSC's order of 02.12.2004 № 707 and the "Regulations of cooperation of the engineering audit and the general inspection department of the «UPS of Russia» JSC RJSC's Corporate center and the «FGC UES» JSC's engineering inspectorate, within the period of reformation of the «UPS of Russia» JSC RJSC holding, additional control functions of "Energо" JSCs electricity network units have been transferred to the engineering inspectorate since December 2004, including distribution network complex (DNC) units, except for the East CPS and isolated power systems. For this purpose, additional staff has been transferred to the RESC from the «UPS of Russia» JSC's "Energotekhnadzor" RC, including 98 inspectors.

The RESC inspection staff carried out a number of ordinary and extraordinary inspections in 2004, and completed the «FGC UES» JSC units investigation started in 2003, and continued investigating "Energо" JSCs main network units. Summary details of inspections carried out in 2003-2004 are shown in the table below.

2004-2005' inspection details of MEN and MN units.

Inspection data	2003			2004		
	MEN	MN	Total	MEN	MN	Total
Total number of inspections	476	65	541	569	675	1244
Number of orders issued	475	62	537	558	669	1227

Number of operations in the orders	6640	1883	8523	9351	13460	22811
Including realized	4844	798	5642	7224	7447	14671

In 2004, local inspection staff was controlling the measures realized under acts and current orders. From the total number of measures planned for the «FGC UES» JSC units, 77.3% were performed before end 2004; scheduled terms of 21,3% of measures are yet to come; 1,4% (134) operations were not realized in time. Main reasons of the failure to comply with the terms scheduled are lack of funding, non-execution of requests for equipment connection to the network mode, lack of materials and equipment. New terms were established for all measures not executed in time, and control of their execution was provided for by the RESC.

It should be noted that within the past year, the number of “Energo” JSCs main network units inspections has risen sharply. More than a half of them were performed on 220-110 kV units. As a result, directors of “Energo” JSCs received orders including much more measures than in 2003. The average rate of measures performed in “Energo” JSCs main networks in the past year was lower than the one of the «FGC UES» JSC (55,3%).

The «FGC UES» JSC’s branches preparedness to work in fall/ winter period 2004/2005 was performed in 2004 according to the requirements of the new “Regulation of preparedness evaluation of electricity and heat supplying organizations to work in fall/ winter period”, approved by Minister of industry and power industry of the Russian Federation V.B. Khristenko.

In order to evaluate the preparedness of the «FGC UES» JSC’branches in F/W period, 52 commissions were formed. Including 8 commissions were formed under «FGC UES» JSC’s order of 02.09.2004 № 233, to evaluate the preparedness to work in the F/W period of the «FGC UES» JSC’branches – MENs and “Elektroseservice”, accordingly, 36 commissions were appointed by the MENs and “Elektrosetservice” ‘s orders to evaluate the preparedness of the «FGC UES» JSC’s branches – MENP, 7 commissions to evaluate specialized production plants (SPP) of the “Elektrosetservice”, and 1 inspection commission of the production & repair unit in the MEN East area.

41 orders were issued by the RESC staff during the inspection of the preparedness to work in the F/W period, covering 436 defects to be eliminated (most of them have been eliminated before the F/W period). For comparison, in 2003, by similar inspections, 51 orders were issued covering 811 defects.

Upon completion of the commissions’ work, all branches: MENs and the “Elektrosetservice”, and their divisions – obtained certificates of preparedness to work in the F/W/ period, as required.

RESCs and MENs representatives took part in the work of the commissions checking up the preparedness to 2004/2005 F/W period pf “Energo” JSCs involving UNEN units, and of “Energo” JSCs’ branches – main electricity networks (MN). Total number of commissions checking up the “Energo” JSCs and their branches involving UNEN units, with participation of RESCs and MENs staff, was 172 (in 2003, the «FGC UES» JSC took part in only 63 commissions on “Energo” JSCs). In some regions, RESCs representatives also participated in the

work of commissions checking up the “SO CDU” JSC’s branches – ODU and RDU.

In 2004, comprehensive inspections of production, economical & financial activity of the «FGC UES» JSC’s branches were completed, carried out under order № 87 of 29.04.2003. The “Elektrosetservice” and Ural MEN have been checked up, with subsequent examination of results at the «FGC UES» JSC Managing Committee’s meetings.

Breakdown rate on the «FGC UES» JSC’s units

Local RESC inspectors were investigating and accounting cases of fires and technological troubles in the work of the «FGC UES» JSC’s units and of “Energo” JSCs main networks, controlling preventive measures implementation, participating in practically all commissions investigating grave incidents.

In all, in 2004, in the «FGC UES» JSC’s inter-system electricity networks operation, there were 328 technological troubles, against 46 in 2003, which is by 21,2% less. 84 technological troubles occurred on ALs, and 244 – on SS equipment. No breakdowns occurred within the above period. Number of technological troubles through the staff’s fault decreased from 33 cases (7,9% of the total number of troubles) in 2003, down to 25 cases (7,6%) in 2004.

In 2004, electrical energy undersupply due to technological troubles totaled to 399,4 thousand kwh, which is 1,1 times higher than in 2003.

In 2004, the economical damage from technological troubles grew 2,7 times, as compared to 2003, and totaled to 207,3 mln RUR. A great part of the amount was contributed by damage of a 330 kV autotransformer (AT) on Tikhorezkaya SS (South MEN) - 69 mln RUR, a 500 kV AT's phase on Dalnevostochnaya SS (East MEN) - 49 mln RUR, a 500 kV shunt reactor (SR) on BHPS 500 kV open dispatch device (ODD) (Volga MEN) - 23 mln RUR, of 6 supports on 1150 kV Ekibastuz - Barnaul AL (for the purpose of wire theft) (Siberia MEN) - 25 mln RUR, a 10 kV closed dispatch device (CDD) on Leningradskaya SS (North-West MEN) - 13 mln RUR. On 15.03.2005, the insurance compensation amount totaled to 205,924 mln RUR.

In 2004, the number of lines disconnection with failed automatic reconnection (ARC) decreased: 103 against 118 in 2003. An analysis of 2004’ AL disconnections with failed ARC shows that the main reasons thereof were:

- wind impacts -23,1%;
- outsiders’ interferences - 18,3%,
- ice & wind impacts -15,2%;
- lightning surges -14,4%;
- forest fires - 7,7%.

In 2004, number of lightning disconnections decreased. The lightning resistance of the 330-400 kV electricity transmission AL Russia-Finland was improved considerably, thanks to the 330-400 kV AL’s supports grounding reconstruction, and use of overhead surge suppressors (OSS) on 400 kV AL. However, the problem is not yet completely resolved, especially in the South MEN, where a great number of AL lightning disconnections is due to the lack of

lightning protection cable, which had been dismantled in some cases due to its wear, to avoid ruptures under extreme climatic impacts.

Total number of technological troubles on substations in 2004 came down by 18,1% as compared to the last year, and was of 244 cases against 298 in 2003. The greatest decrease of damageability (almost double) was shown for oil-filled equipment: 39 technological troubles against 73. The number of technological troubles with switches dropped down by 20%: 60 cases against 75.

Main reasons of technological troubles on SSs include:

- equipment wear - 35%;
- fabrication and assembling defects - 30%;
- operation defects - 11,7%;
- personnel's errors - 9%;
- assembling defects and low-quality repair - 6%.

In 2004, 8 fires occurred on the «FGC UES» JSC's units (all of them – in AL conservation zones). For comparison, in 2003, there were 18 fires registered, including 7 due to SS industrial equipment damaging, 10 in AL conservation zones, and 1 fire occurred in a servicing car.

In order to improve the existing fire-hazardous situation, the engineering inspection Department prepared an order to the «FGC UES» JSC of 15.07.2004 № 182, focusing on measures which are an essential complement to the previously issued order of the “UPS of Russia” RJSC of 03.09.2001 № 450 “Of fire prevention under ALs”, concerning immediate information supply of the fire situation from the Center of infrastructural projects (CIP), improvement of cooperation with local police and emergency bodies, bringing to account persons guilty of fires occurred.

Labor protection

In 2004, in the «FGC UES» JSC's 5 accidents occurred, including 1 with fatal outcome, two persons were heavily injured. In 2003, also 5 accidents occurred, including 3 with fatal outcome, two persons were heavily injured, and 1 group accident. Thus, in 2004, a reduction in the fatal traumatism (from 3 to 1 accident), and in the group accidents (from 1 to 0) was reached

In 2004, the engineering inspection introduced a strict procedure of inspections carried by the administrative, engineering and inspection staff of worker teams, including the personnel's compliance with labor protection and industrial safety requirements, registering all nonconformities discovered and preventive measures taken.

In order to raise the efficiency of the labor protection management system (LPMS) of the «FGC UES» JSC, the Engineering inspection department prepared and issued «FGC UES» JSC's order of 09.09.2004 № 242, providing for comprehensive traumatism-reducing operating measures to be implemented, and the LPMS principles and fundamentals to be radically revised, according to the requirements of GOST P 12.0.006-2002 and international OHSAS 18001:1999 standard. To comply with the latter task, more than 20 internal standards, orders and regulations of the «FGC UES» JSC were planned and put into elaboration

since the second half of 2004. They are to be completely implemented and approved by late 2007.

8.5. Electrical energy transmission services

According to art. 26 of the Federal Law “Of electricity industry”, the electrical energy transmission services are provided on a chargeable basis.

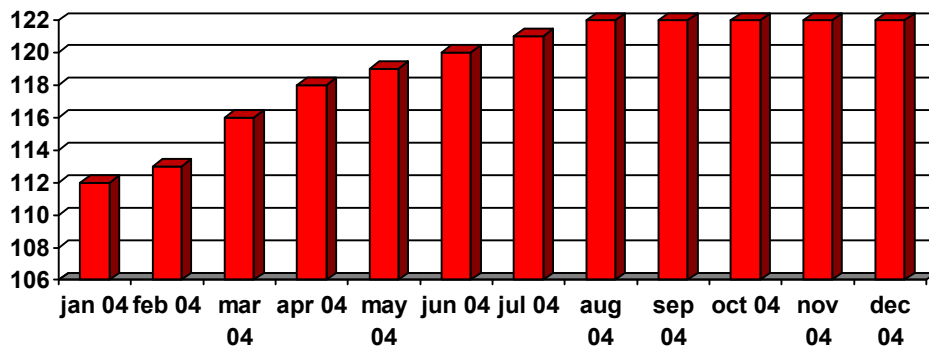
The FEC of Russia’s resolution № 49-э/2 of June 25, 2003 includes the «FGC UES» JSC since July 1, 2003 in the List of profit-making organizations – subjects of the Federal (all-Russian) wholesale market of electrical energy and power, with electrical energy rates established by the Federal Energy Commission of the Russian Federation, in Section II “Service provider companies on the Federal (all-Russian) wholesale market of electrical energy (power)”.

The «FGC UES» JSC’s contractors are subjects of the Federal wholesale market of electrical energy and power (FWMEEP) – payers of the «UPS of Russia» JSC RJSC’s user charge for services of the UPS of Russia’s organization and development services.

By the end of 2004, contracts of electrical energy UNEN transmission services were concluded by the «FGC UES» JSC with 122 contractors.

Dynamics of number of the «FGC UES» JSC’s contractors.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
112	113	116	118	119	120	121	122	122	122	122	122



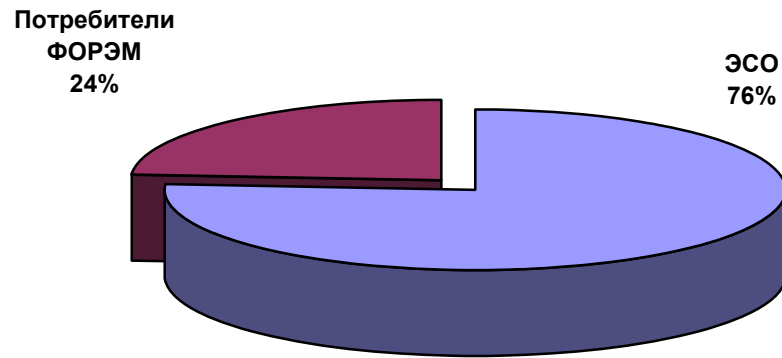
Monthly dynamics of the «FGC UES» JSC’s contractors in 2004, %

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
100	101	104	105	106	107	109	109	109	109	109	109

Classification of the «FGC UES» JSC’s services consumers

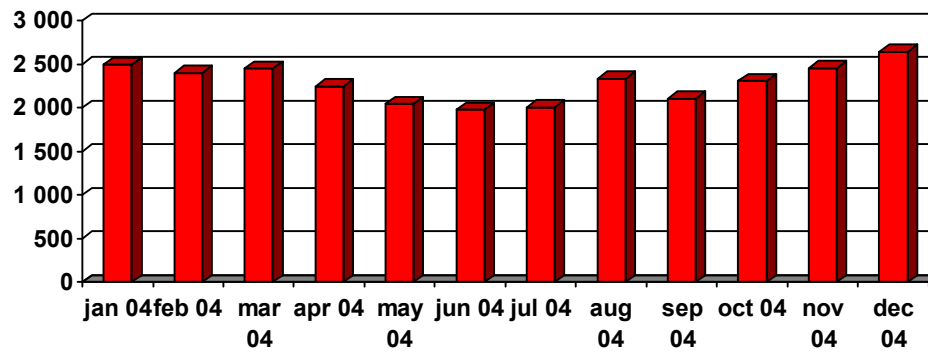
The «FGC UES» JSC’s contractors include two types of companies, FWMEEP subjects: energy supply companies (ESC) and FWMEEP consumers.

The «FGC UES» JSC’s contractors in 2004, per type of organization.



Monthly volume dynamics of electrical energy transmission services provided in 2004, mln RUR

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2494	2398	2450	2245	2044	1976	2002	2334	2103	2305	2458	2638



9. The «FGC UES» JSC's investment program

The «FGC UES» JSC's 2004' investment program was formed according to the medium-term development program of the «FGC UES» JSC for 2004-2006, approved by the «FGC UES» JSC's Board of directors (minutes of the meeting of 16.07.2003 №10), with capital investment out of all financing sources amounting to 24126,8 mln RUR.

While being realized, the investment program was corrected, as required by Regulation of the Government of the Russian Federation of 19.01.2004 №19 «Of Approval Rules of electricity industry natural monopoly subjects' investment programs», and amounted by the end of the year to 22632,7 mln rubles.

The program was corrected according to decision of the «FGC UES» JSC's Board of directors of 24.12.2003: «when realizing the 2004' investment program, to proceed from the expediency of borrowed funds minimization», and according to 2003' investment program's realization results, projects correction required with the 7th version of the "Rules of power plant arrangement", readiness of distribution devices of generation units, and according to the accounting procedure establishment for a number of costs, and their exclusion from the investment program.

Financing volumes of key electricity transmission lines have been increased considerably, intended for power generation required for the 4th hydraulic unit of Bureyskaya HPP to be put into operation in 2005. Financing of the 500 kV Bureyskaya HPP – Khabarovskaya AL increased by 700 mln rubles. According to the decision of a steam and gas power unit to be put into operation in Kalininskaya heat power plant-2 in 2005, a necessity appeared to include into the plan and to construct in an accelerated tempo an air line to provide power generation required for the Kalininskaya HPP-2, which required 155 mln rubles to be mobilized from other building projects. Moreover, financing of Oznachennoe-Aluminievaya 500 kV AL has been included into the program, to an amount of 420 mln RUR, using funds redistributed from other units.

The correction was made without amending the plan of capacities putting into operation, and was duly approved by the Ministry of economic development of Russia and the Ministry of industrial energy of Russia.

Capital investments realization and financing in 2004

	Mln RUR		
Units	Amended 2004' financing plan	KV realized (with VAT)	Financed
TOTAL	22632,74	18806,76	21322,26 *)
including:			
New construction	13475,43	13176,08	13124,36
Technical re-equipment and reconstruction	4615,78	3412,5	4414,65
Technology management and informatization development	1999,76	830,63	1785,59
Design & research works	398,45	334,08	401,29
«Electricity industry units protection» program; dispatching	838,32	172,16	281,67

points creation program; production infrastructure units, etc.			
Restoration of electricity industry units in Chechen Republic	1305	881,31	1314,7

*) including 178,2 mln RUR – 2003' additional financing;

24,93 mln RUR – interest paid by the “Nurenergo” JSC for loan. Used to finance restoration works.

Funds provided in 2004 for capital investment financing were underused by 1513,61 mln RUR, or by 6,6%.

Main reasons:

- Acts of works performed were drawn up belatedly, in order to minimize borrowed funds servicing costs, and, as a result, their payment passed over to the 1st quarter 2005;

- Works volume and cost per individual units defined more accurately (saving on costs).

The capital investments financing excess, as compared to their realization, is due to the necessity of equipment supplies and of building & assembly works advancing, according to contract provisions.

The 2004 capital investment realization doubled, as compared to the last year's same parameter.

In the reporting period, 21322,26 mln RUR were allotted for the investment financing, which is 1,85 times as high as in 2003.

Investment program 2004's financing sources include:

Own funds (capital charges and targeted investment funds, included in the UNEN electrical energy transmission rate)	- 14122,3 mln RUR
Borrowed funds	- 6500 mln RUR
Other sources (VAT return, etc.)	- 700 mln RUR

Capacities put into operation in 2004

№	Name of the Unit	Capacity put into operation
New Construction		
1.	AL 500 kV Primorskaya DHPP – Khabarovsk with SS 500 kV Khekhzir. AL section Primorskaya DHPP – Khekhzir.	234 km 3x60 Mvar
2.	AL connections 500 kV Amur-Khabarovsk to Bureyskaya HPP	2x60 km
3.	AL 750 kV Kalininskaya APP –Cherepovez, with 750 kV SS Cherepovezkaya (Belozerskaya), with AL connections 500 kV	270 km, 20,7 km 3x417+417 MVA 3x110+110 Mvar
4.	SS Berkut 500 kV, with AL connections 500, 220 and 110 kV	60,6 km 3x60 Mvar
5.	SS 330 kV Pskov – Yuzhnaya, with AL connections	3x9,9 Mvar
Total:		705,3 km
		829,7 MVA
		1668,0 MVA

№	Name of the Unit	Capacity put into operation
Technical re-equipment and reconstruction		
1.	Reconstruction SS Bologoe 330 kV	125 MVA
2.	Reconstruction SS Kluchiki 500/220/110/35/10 kV	125 MVA
3.	ПС 500/110/10 кВ Вешкайма. Установка АТ-1 (Расширение и реконструкция)	3x60 Mvar
4.	Reconstruction and re-equipment SS Novokuznetskaya 500 kV	267 MVA
5.	Reconstruction and re-equipment SS Rubzovskaya 500 kV	2x60 MVar
6.	Reconstruction and re-equipment SS Barnaulskaya 500 kV	167 MVA
Total:		300,0 MVar
		684,0 MVA
TOTAL:		705,3 km
		1129,7 MVar
		2352,0 MVA

The 2004' program of capacities putting into operation has been completely fulfilled. Basic assets put into operation within the reporting period amounts to 18042,15 mln RUR, which is 2,1 times as high as the last year's value.

On December 28, 2004, the Company's Board of directors approved the 2005' investment program of the «FGC UES» JSC at the amount of up to 27 695,0 mln RUR, with borrowed funds share up to 9,3 mlrd rubles. When realizing the 2005' investment program, the Managing Committee should proceed from the borrowing funds use optimization required, including reduction of servicing costs thereof.

Key lines of the «FGC UES» JSC's investment program include:

- New construction of network units;
- Technical re-equipment and reconstruction of existing units;
- Building network engineering management units, creating elements of the technological infrastructure of the electrical energy competitive market.

In the field of new construction, priority objectives include building 3 x 110 kV AL, and reconstructing eight substations in Kaliningrad region. This will allow to provide power generation by the first power unit of the Kalainingrad heat power plant-2, and power generating units of Bureyskaya hydroelectric power station (AL 500 kv Bureyskaya HPS – Khabarovskaya), and of Volgodonsk APP (AL 220 kV GPP-2 – auxiliary).

In 2005, works will go on of constructing such important electricity transmission lines as 500 kV AL Barabinsk – Tavricheskaya, and 500 kV AL Kurgan – Kozyrevo, to extend the Siberia – Ural cross-flows, as well as 500 kV Frolovo - Rostov AL out of Rostov substation, to improve the communication with the Northern Caucasus, and 330 kV Mozdok – Artem AL, to provide for safe electricity supply to Dagestan and export augmentation to Azerbaijan.

Technical re-equipment and reconstruction will be realized according to the concept adopted by the «FGC UES» JSC or resources concentration on a comprehensive reconstruction of the most important units, to provide for their compliance with all up-to-date requirements. The work will be performed on 12

substations of 750-330 kV, or 74% of the total technical re-equipment and reconstruction program.

Building units of the network engineering management and creating elements of the technological infrastructure of the electricity energy competitive market include the following complex of works:

- Automated system of electrical energy commercial accounting (ASEECA)
- United electrical energy connection network (UEECN)
- Corporate information management system (CIMS)
- Automated Technology Management System (ATSM).

In 2005, the «FGC UES» JSC plans to put into operation 563 km of electricity transmission lines, 1543 MVA transformer capacity, and 1723 MVar reactive power. Not less than 150 km fiber-optic communication lines are to be put into operation, as well.

10. Development of the “FGC UES” JSC’s communication network

10.1. Key lines of the communication network development

Key activities of the «FGC UES» JSC in the field of creating and developing a united technological electricity industry communication network (UTEICN) include: production efficiency improvement, cost reduction, creation of an environment favorable for a stable development of the united power system and of the united national electricity network.

The electrical industry communication network is and integral part of the electrical energy generation, transmission, distribution and sale.

The UTEICN is being created as an integration base for information transmission of all kinds (audio-, video-, data), for guaranteed quality and reliability of the electricity industry subjects and objects’ communication of all hierarchical levels all over Russia. The UTEICN includes all existing communication lines, as well as those under construction, including the United Digital Electricity Industry Communication Network (EIUDCN).

Within the framework of scientific technical policy being realized, the following tasks are being resolved:

- UTEICH development forecasting;
- Introduction of innovative communication technologies;
- Reliable operation of communication systems;
- Scientific, technical, methodical, organizational backing of the UTEICN development;
- Elaboration of scientific technical documentation on electricity industry communication systems.

In the field of the UTEICN creation and development, creation, upgrading and development of EIUDCN, FOCL (fiber-optic communication lines), satellite and radio communication, CCL (cable communication lines) and HFC (high-frequency communication) are provided.

10.2. Scientific & technical activity in the field of communication

The «FGC UES» JSC’s scientific and technical activity in the field of communication provides for a united scientific technical policy to be built up, including conceptual and system engineering solutions for the electricity industry communication network creation and development.

In 2004, the following key results were achieved:

- Technological principles of a united communication network building-up, in the environment of the electrical energy developing market elaborated. The “10 years’ general scheme of the UTEICH creation and development” elaborated.
- The 2004-2012 program of the “Creation of UTEICN fiber-optic communication lines” elaborated, determining key lines of the FOCL development.
- Normative & technical references for FOCL-AL operation elaborated.

- The «Regulation of organization and use procedure of radio communication facilities in electricity industry companies and organizations» elaborated.
- Principles of uniform numeration system of electrical industry communication networks elaborated.
- A seminar was held: «Outlooks of the United electricity industry communication network creation and development». Representatives of «FGC UES» JSC, MENs, «SO-CDU UPS» JSC, «Energo» JSCs, scientific and designing institutes, foreign and Russian equipment manufacturers took part in the seminar. The following issues were examined at the seminar: communication networks and electricity industry services' composition and structure, outlooks of their creation, development and cooperation within the United technological electricity industry communication network.
- The «FGC UES» JSC's stand was arranged in the 7th International VKSS & InfoCom exhibition 2004', where issues of key development lines of the UTEICN were discussed with integrators and suppliers of telecommunication equipment, and meeting with electrical industry companies' representatives were held concerning communications issues. Key objectives in the field of scientific & technical policy for 2005 include:
 - Realization of the UTEICN fiber-optic communication line creation Program for 2004-2012;
 - Normative & technical references elaborated and revised, to provide for its compliance with the "Company's technical policy conception" approved by the «UPS of Russia» JSC RJSC.

10.3. UTEICN creation and development projects

9.3.1. Electricity industry United Digital Communication Network (EIUDCN)

The EIUDCN is a united centrally controlled telecommunication infrastructure of the electricity industry, using leased communication channels.

The EIUDCN project provides for a main electrical industry network with united control system to be created, informational & technical cooperation of electricity industry units to be established (telephony, conference communication and data transmission), including structures of the «UPS of Russia RJSC» JSC, «FGC UES» JSC and the «SO-CDU UPS of Russia» JSC.

With the EBRD and WBRD credit facilities for the electricity industry United digital communication network, the following was performed in 2004:

- Technical drawing and working documentation elaborated, training carried out, EIUDCN facilities purchased, installed, assembled and tested on 79 electricity industry units (1 central communication unit (CCU), 7 district communication units (DCUs), 71 regional communication units (RCUs)).
- Contracts of «Rostelekom» JSC's communication channels lease concluded, leased communication channels coupled with communication facilities installed.

Works are to be completed and facilities are to be put into operation by early 2005.

Moreover, in 2005, the following projects are to be elaborated and started:

- 1) Connection to the EIUDCN main (to communication units) of plants and substations:
 - Of 36 main electricity network plants (MENP).
 - Of UNEN substations, to provide informational coupling.
- 2) Telephony creation, for dispatching, engineering, administrative and economic activities of the electrical industry:
 - To create a primary communication dial-up telephone network of the electricity industry.
 - To upgrade telephone offices at UNEN companies and substations.

9.3.2. Fiber-optic communication network

In 2004, works went on for the UTEICN transport network creation: fiber-optic communication network, with optic cable suspension on AL supports.

The FOCL network will allow to unite all electricity industry units into a single information environment, and will provide for the possibility of informational cooperation of not only dispatching and engineering management systems, but also of systems, such as RZA and PA, for which the signal delivery and processing time is critical.

In 2004, total length of FOCL AL sections completed was of 2 473 km.

In 2004, key operations for fiber-optic electricity industry communication network included:

- Drafts and working documentation elaborated, purchase, installation, assembly and starting-up of equipment approved, including control systems.
- Field tests, including optic parameters measurement of the cable and of transmission systems.
- Equipment and cable factory testing.
- Coupling of the communication facilities installed with communication units and intra-unit communication systems.
- A unique crossing of Amur river on the 500 kV AL Primorskaya HDPP-Khekhzir SS-Khabarovskaya SS realized, using a lightning rope built-in fiber-optic cable. The technical solutions applied allowed to avoid ice melting.
- The longest 750 kv AL FOCL section of the electricity industry completed between two units (KAPP-Cherepovezkaya SS): 270 km long.

№	FOCL projects	km
<i>Put into operation</i>		
1.	KAPP-Cherepovezkaya SS-Vologda SS-Vologodskaya MENP	500
2.	Berkut SS-Tiumen SS	100
3.	Primorskaya HDPP-Khekhzir SS-Khabarovskaya SS	433
4.	BHPP-CDP Amurenergo	320
<i>Works completed</i>		
1	Moscow communication network:	80

	Kitaygorodskiy pr.,7-Sadovnicheskaya str.,27- Sadovnicheskaya str.,15-Chelomeya str.,5a-Butlerova str.,7-Verndasogo Ave.,101-Tkazkaya str.,1	
2	Moscow-Saint-Petersburg: MEN NW-Leningradskaya SS-Chudovo SS-Novgorodskaya SS-Bologoe SS-Opytnaya SS-MEN Center	1000
3	System of information gathering and transmission ACEEECA and ATMS MEN South: Mashuk SS-MEN South	40

In 2004-2007, a main network is to be constructed, uniting top-level communication units (CCU, DCUs) with maximal coverage of RCUs and SSs. FOCL total length at this stage will be about 15,6 thousand km.

9.3.3. Radio communication network

The digital network of the professional mobile radio communication based on TETRA standard, is intended for mobile communication provision of operating services, maintenance & restoration teams, and for commercial and industrial information gathering from remote electricity industry units.

In 2004, works were completed of switchboards and basic stations installation in Middle Volga area, including Samara, Saratov and Penza regions.

The network's expansion all over Middle Volga area is to be completed by the 4th quarter 2005.

Currently, radio relay communication lines are used in main and distribution networks of fixed communications. These are created in areas where the FOCL construction is not cost-effective, or where an accelerated network construction is required.

In 2005, works are planned for the radio relay communication lines upgrading or replacing by FOCLs.

9.3.4. Satellite communication network

In 2004, an industrial subsystem of low-orbit satellite system "Gonez-ASEECA" was put into operation, providing for ASEECA data importation and exportation from industry units to centers of information gathering in automatic mode.

MEN Siberia and MEN East were equipped with satellite communication user facilities "Global Tel", used by maintenance & repair teams.

In order to provide for fixed and mobile communication with isolated and difficult-to-access industry units, and for dispatching, engineering and corporate management channels reservation, in 2005, projects will be started for on-land satellite communication receiving centers.

9.3.5. High-frequency communication network upgrading

In 2004, within the program of reconstruction and technical re-equipment of electricity industry units, replacement goes on, of HF communication facilities by up-to-date multi-functional devices able to transmit speech, data, VMA and PA signals and commands in the same section.

Upgrading the HF communication channels system through ETL in areas not covered by the ring FOCLs, will allow to:

- Improve the information transmission reliability;
- Optimize frequencies using devices with higher spectral efficiency and selectivity;
- Reduce equipment servicing costs;
- Improve the quality of HF channels servicing, thanks to the control system use, including reconfiguration and/ or operating frequency variation using the software.

In 2005, works will go on for the HF communication network upgrading.

11. Informational & technological management systems

11.1. Corporate system of distant resources management (CSDRM) of the «FGC UES» JSC

The goal of the «FGC UES» JSC's CSDRM creation is to improve the «FGC UES» JSC's production and administrative activity management, based on efficient use of geo-information technologies. Geo-information technologies are complexes of software & technical facilities and of specialized software applications providing for input, geographical gridding, accompaniment and analysis of electronic models of the «FGC UES» JSC's units, to solve operation and control problems.

In 2004, works for creation of the Corporate System of distant resources management (CSDRM) went on, according to Contract №2-ФСК of 25.08.2003:

1. Within the 2nd stage of the CSDRM, exploratory inspection of Volga and South MENs and MENPs, and of Center and North-West MEN MENP. Within the exploratory inspection, data were obtained required for technical working project elaboration:

- Layouts and specifications of premises intended for CSDRM information & software complex installation.

- Local area networks and communication channels specifications.

- Power supply and conditioning specifications.

Data obtained on 2 MENs and 20 MENPs.

2. CSDRM project documentation of the 1st and 2nd stages prepared:

- CSDRM general and particular technical requirements prepared.

- System draft prepared.

- Technical working projects

- CSDRM technical working projects of the 1st and 2nd stages.

3. Remote inspection of the FNC electricity transmission lines performed, using laser air scanning of more than 20 thousand km total length. As a result of the remote inspection, a three-dimensional picture has been obtained, of the AL condition and routes (at least ± 75 m fro the central line), to within to 15 cm, including reflection points of the laser beam from the following objects:

- Insulator strings;

- Wire connection point to the string;

- Support foundation;

- Stays;

- Spacers;

- Substation enclosures (fences).

Scanning density: 8 - 10 dots per m².

Color digital airphotos obtained, with field resolution of at least 5 cm per pixel, covering without gaps the ± 75 m strip of the central line.

4. Information processed and prepared for placement into the CSDRM database, obtained as a result of distant inspection data processing, of the FNC 18 thousand km AL:

- Vectorial model of the line, including a relief digital model within the area of ± 50 m from the central line.
 - Flora height map within the ± 50 m area from the central line.
 - Set of attributive tables with parameter values.
 - Results of photos interpretation (key outlines to be shown on the topographic plan, scale 1:2000).
 - Data formats: ArcView, MapInfo, SHP, DBF, ASCII формат, DXF.
5. Methodical materials and training programs for CSDRM's users prepared.

11.2. Corporate computer network of the “FGC UES” JSC

In 2004, the following works were performed for the «FGC UES» JSC's corporate computing network:

1. The «FGC UES» JSC's office (address: Sadovnicheskaya, 27) has been equipped with a complex of technological systems, and a local computer network has been created.

The works included:

- equipment designing, purchase, assembly, starting-up of the structured cable system (SCS), based on RiT Tech solutions.
- equipment designing, purchase, assembly, starting-up of the dedicated electrical distribution network (DERN, ERN), fire-fighting and conditioning systems.
- equipment designing, purchase, assembly, starting-up of the local computer network, based on Cisco Systems solutions, and connection to the UPS RJSC's corporate network.

2. The project of a support network building has been realized, to connect the «FGC UES» JSC's offices (addresses: Chelomeya str., 5a; Sadovnicheskaya str., 27), and the IBS Data Center (8 Marta str.).

The works included:

- 16 fiber pairs accepted into operation, Gigabit Ethernet supporting network organized between the Chelomeya, 5a LAN - Sadovnicheskaya, 27 LAN - IBS Data Center - UPS RJSC LAN – Power Industry national computing center resources.
- Local area networks (Chelomeya, 5a, and Sadovnicheskaya, 27) connected to the IBS Data Center resources.

3. Access to the CSDRM computing resources provided for users on the FNC's executive board (Chelomeya, 5a, and Sadovnicheskaya, 27). Out of the Executor's funds, a fiber-optic communication line constructed between the "Center of infrastructural projects" JSC (Profsoyuznaya, 65), and the «FGC UES» JSC (Chelomeya, 5a), information exchange organized between the CIP LAN (CSDRM database) and Chelomeya, 5a LAN and Sadovnicheskaya, 27 LAN.

4. A tender for the upgrading of the information & computing system of the «FGC UES» JSC's office (address: Ak. Chelomeya str., 5a) was held.

11.3. Creation of ASEECA at the «FGC UES» JSC in 2004

I. In pursuance of Order of the «UPS of Russia» JSC RJSC dd. 08.10.03 № 521 «Of data gathering for commercial accounting of electricity industry companies included in the «UPS of Russia» JSC RJSC, within the framework of preparation to the ORE competitive sector starting:, and of the «FGC UES» JSC's Order dd. 24.10.2003 № 206 “Of «FGC UES» JSC's ASEECA creation”, under the “First-line ASEECA creation of the «FGC UES» JSC: Installation of accounting devices, data transmission devices, and creation of data gathering and processing centers within the existing limits of «FGC UES» JSC:

1. Project and working documentation elaborated for ASEECA creation on 144 units, 7 MEN DGPCs (Data gathering and processing Center) and FNC DGPCs.

2. Projects' technical expertise carried out.

3. Installed and mounted:

- Counters - 2323.

- DTAD - 150.

- MEN DGPC - 7.

- FNC DGPC - 1.

4. Starting-up performed on:

- 144 power industry units;

- 7 MEN DGPCs;

- 1 FNC DGPC.

5. ASEECA put into operational testing. Total amount of investments developed is of 275 968,3 thousand rubles.

II. Technical requirements to the «FGC UES» JSC's AIMCAS (Automated information & measurement commercial accounting system) elaborated, an open one-stage tender without reselection held, for a contract of metrology works and electrical energy measurements for accounting purposes in the «FGC UES» JSC, the winner identified.

III. Contracts concluded and executed:

- Of operating scientific & technical accompaniment of creation of the Automated system of electrical energy commercial accounting of the «FGC UES» JSC;

- Of investigation of possibilities to use optic sensors and Hall sensors to measure the current and the voltage, according to requirements of the electrical energy wholesale market in automated systems of electrical energy commercial accounting;

- Of technical requirements elaboration for the «FGC UES» JSC's automated information & measurement system testing, and accompaniment of the Information & reference system of the MEN Automated system of electrical energy commercial accounting.

IV. Examined and approved:

- | | |
|--|----|
| • Investment programs | 15 |
| • Tender packages | 10 |
| • Technical requirement specifications | 40 |

- Technical working drafts 60

V. The Company's representatives took part in the elaboration and approval of:

- The "ATS" SC' regulations (weekly)
- ORE technical regulations;
- Working group's decisions concerning commercial accounting at the "UPS of Russia" RJSC.

VI. Participated in the "UPS of Russia" STC work on ASEECA issues, conferences and seminars concerning the AIMCAS creation.

12. Scientific & technical activity and innovative technologies

Key activities of the «FGC UES» JSC in 2004 were determined by one of the key strategic goals of the company – to become in the future the world leader of infrastructure technologies, first of all of energy transmission and distribution systems.

The following key results were achieved in 2004:

The «Development scheme of the United national) electricity network of the UPS of Russia, of 220 kV and higher, for the period of 2003 to 2012", concretizing goals, objectives and key lines of the long-term 10-years' UNEN development program, as determined by the UNEN development Strategy approved in 2003 by the Board of Directors of the "FGC UES".

Cooperation agreements were signed in the field of the UNEN development between the «FGC UES» JSC and administration of subjects of the Russian Federation (Arkhangelsk, Belgorod, Kostroma, Leningrad, Orel, Orenburg region, Altai Territory, and Governements of the Republics of Buryatia and Karachaevo-Cherkessia, Saint-Petersburg administration).

A complex of works performed, to identify priority areas of controllable lines technology and devices introduction in the UNEN, technical requirements to main equipment types elaborated, equipment models created and tested.

Priority projects of "STATCOM" installation and connection on Vyborgskaya and Zlatoust substations approved by the "SO-CDU" JSC.

The Conception of electricity industry safety has been elaborated, along with the plan of measures to its realization.

The Conception of diagnostics of electrotechnical equipment of substations and electricity transmission lines of the «FGC UES» JSC's electricity networks has been elaborated and is being realized.

Three company's standards of main electrotechnical equipment have been elaborated and approved. Two national standards, six company's standards, and a special regulation "Of high-frequency equipment" have been prepared for approval.

Key objectives in the field of 2005' scientific & technical policy include:

Realization of the program of flexible (controllable) alternating current electricity transmission systems and voltage regulating devices, and of the program of superconducting technologies use in the "FGC UES" JSC's networks.

Realization of the Conception of electricity industry safety in the field of methodical materials and software, to provide for electricity network reliability, economical safety management mechanisms, and safety risk liability insurance;

To organize the elaboration and introduction of new diagnostics facilities and complexes, according to the diagnostics Program of electrotechnical equipment of substations and electricity transmission lines of the «FGC UES» JSC's electricity networks;

To continue realizing the Program of revision and elaboration of normative & technical references for UNEN operation, including more than 270 key industrial documents, with not less than 40 documents to be completed in 2005;

To organize the certification and tender work for innovative equipment to be introduced;

To elaborate the Program and to implement measures for technological losses reduction within the UNEN;

To use a number of “break-through” technologies (controllable electricity transmission, superconducting devices and equipment, fully automated substations, etc.) on UNEN real units, within pilot projects of technical re-equipment and capital construction of power industry units.

13. Development of information and Internet technologies at the «FGC UES» JSC

In 2004, a conception of the «FGC UES» JSC's Corporate Information Management System (CIMS) was elaborated.

Works for creating main CIMS subsystems were realized, including bookkeeping and tax accounting, planning, budgeting and management accounting, property management, HR management, sales management, maintenance and repair, investment projects management, administrative documents electronic circulation.

An infrastructure for the CIMS introduction into the «FGC UES» JSC: Designing office, Designing groups, Regulation of the designing office. SAP software products installed: SAP BASIS, SEM – BW, SAP BW, FINBASIS.

With assistance of the «SAP CIS and Baltic countries» JSC, an automated system of planning and budgeting (ASPB) put into experimental & industrial operation, based on the SEM-BPS software, for the «FGC UES» JSC's executive body.

To obtain live data on the budget performance, an automated system of requests support and approval has been elaborated and introduced, with the loading of the requests approved into the "Treasury" automated system, and of the details of outgoing and incoming payments – into the SEM-BPS ASPB.

For the purposes of information support of "Energo" JSCs UNEN electricity network units being transferred into IRMNCs' use, a software has been created in the ORACLE database and put into operation, "Of property transfer to IRMNCs", providing for preparation and approval of data for registers and contracts forming, and for property units bookkeeping accounting.

The "Corporate investment projects management system" (CIPMS) put into experimental & industrial operation, providing for 1- and 3-years' investment programs' support, with automated forming of respective plans and reports.

Works for a united business environment creation in the information system performed, including: business processes simulation methodology elaborated; "as is" business process model elaborated of the «FGC UES» JSC's top level; software & technical repository complex of the «FGC UES» JSC's business processes created; repository filling-up started, in particular, planning and budgeting business processes included therein.

Web sites of the «FGC UES» JSC and of all MENs are being updated. Design elaborated, design conception approved. RBC EE publication system installed, software tested. The «FGC UES» JSC's site templates made up and bound, data carried over from the existing site.

14. HR management and social policy

The «FGC UES» JSC's key activities in the field of the Company's human resources management and development in 2004 included:

- Improvement of organizational and staff structure;
- Improvement of labor remuneration and incentive system, benefits and compensations to employees;
- Improvement of organizational structure and qualitative composition of HR departments' specialists in the Company's executive board and branches;
- Elaboration and implementation of selecting and forming the Core and the staff reserve;
- Creation and implementation of a planning and controlling system of professional training and improvement processes;
- Elaboration of the Company's local normative for social policy base;
- Elaboration of a Standard of the «FGC UES» JSC's staff hiring, assignment and dismissal.

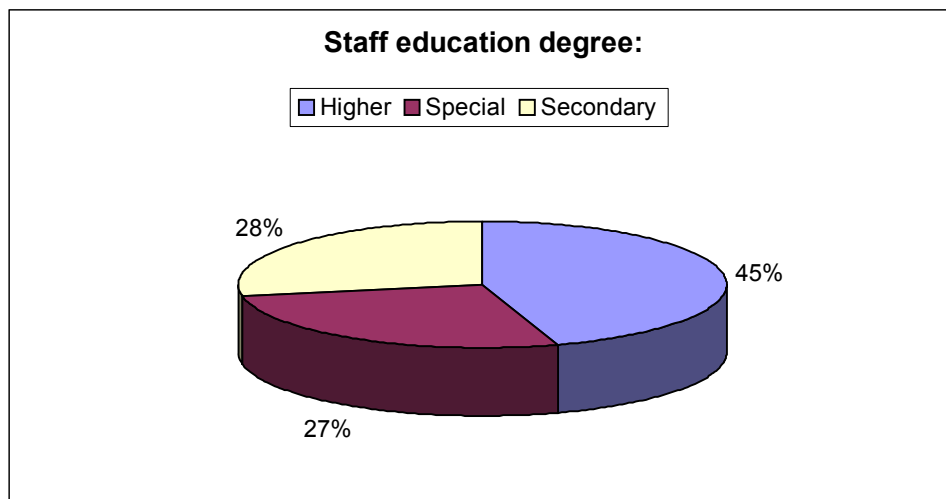
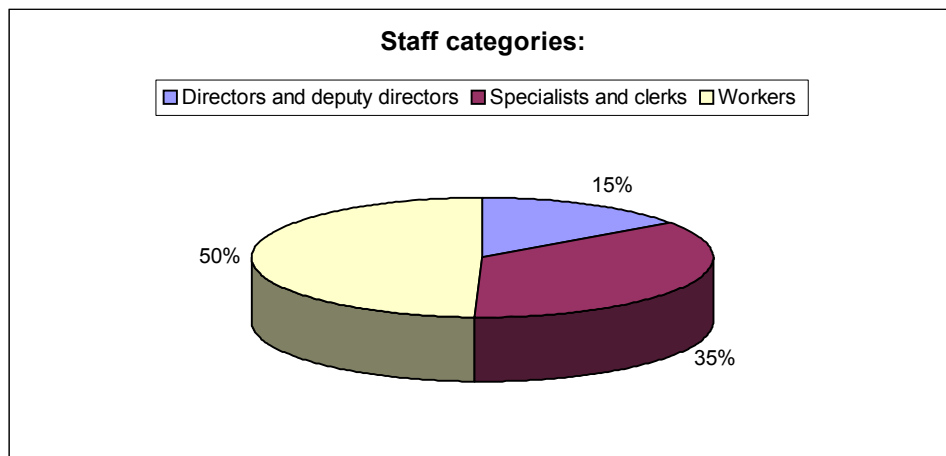
The number of the «FGC UES» JSC's employees on 01.01.2005 was 10507 persons. Within the reporting period, the number of the Company's employees increased by 785 persons. The number of the Company's employees of less than 30 y. o. was 1813 persons (17,2% of the total number), which is an evidence of the positive trend of the Company's staff becoming younger.

	Staff, pax
Executive board	483
MEN Center	2300
MEN East	705
MEN Volga	743
MEN North-West	939
MEN Ural	1597
MEN South	1085
MEN Siberia	1788
Elektrosetservice	696
RESC Center	44
RESC North-West	20
RESC South	19
RESC Volga	23
RESC Ural	29
RESC Siberia	25
RESC East	11
Total:	10507

Qualitative composition of the «FGC UES» JSC staff in 2004:

Staff category	Total	Less	Pensionable	Women,	Education
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	number	than 30 y.o., gr. 2	age and more, gr. 2	gr.2	Higher	Including candidates and doctors of science, gr. 6	Special	Secondary
1	2	3	4	5	6	7	8	9
Directors and deputy directors	1588	94	68	185	1219	25	329	40
Specialists and clerks	3711	718	160	1507	2934	35	679	98
Workers	5208	1001	111	586	576	1	1828	2804
TOTAL	10507	1813	339	2278	4729	51	2836	2942



The staff's high qualification level, including the workers' categories, with 11% of them having a higher education degree, allows successfully accomplish the task of the «FGC UES» JSC's main network units to be safely serviced.

In 2004, the Company's HR department has been 'structured' organizationally and methodically. It includes specialists of the HR management department and of the organizational planning within the executive body, and specialists of HR services in branches. Total number of HR staff on 01.01.2005 was 93, including directors and specialists.

In 2004, the Company focused on developing and implementing the company's Core and staff reserve building-up system. Organizational and evaluation events took place, which allowed to identify the most proactive and promising category from among the directors.

The evaluation procedures (testing, interviews, evaluation centers, etc.) involved about 17% of all employees. Our reserve composition is favorable for the Company's development. Its most proactive part is the Core. The work will go on to cover branches and divisions.

In the reporting year, according to the system of the Company's staff professional training, conversion and improvement, approved by the «FGC UES» JSC's Managing Committee, a system of professional training planning and organization was being implemented. Within the Company staff training Program approved by the Managing Committee, 22,7 mln RUR was allotted in 2004 for professional training, conversion and improvement. In total, 2398 persons were trained in the Company. It allowed to provide for the required company's staff qualifications to be maintained, theoretical and practical knowledge to be updated, in order to accomplish the Company's priority and long-term goals.

The «FGC UES» JSC's training planning includes:

- obligatory periodical staff training;
- production block training, according to qualification requirements or work conditions;
- special trainings, for the staff's professional knowledge and skill improvement;
- supporting trainings allowing to raise the production culture, the quality of duties discharge;
- practical trainings and experience exchange of operating personnel, subject to their activity specific character;
- trainings of young specialists and workers;
- preparation of HR reserve;
- development of managers of all management levels.

For the purposes of a common social policy, the «FGC UES» JSC in 2004 implemented a number of measures, including:

- a draft regulation of the «FGC UES» JSC's employees' housing conditions improvement, in the form of mortgage lending;
- the Company's awarding policy improved, including the procedure of putting forward the «FGC UES» JSC's employees for national, departmental, branch and intra-company awards;
- a number of local normative instruments elaborated, regulating the «FGC UES» JSC employees' non-governmental pension provision;
- start of the realization of the «FGC UES» JSC employees' non-governmental pension provision program.

In 2004, under a contract with the "ECOPSI Consulting", a number of programs were developed, allowing for a uniform approach in the HR policy realization, including:

- HR management strategy of the «FGC UES» JSC;

- Efficiency management system for managers;
- “HR reserve” system;
- Principles of staff evolution.

In order to raise the corporate culture level, and to provide for uniform norms and principles in the «FGC UES» JSC’s executive body and branches, a Code of corporate ethics of the «FGC UES» JSC was adopted.

In 2004, work went on within the Corporate information management system for an automated human resources management system to be created, allowing to use state-of-the-art technologies for the Company’s staff management and development.

15. Economics and finances of the «FGC UES» JSC

15.1. Financial management of the Company

The «FGC UES» JSC is a natural monopoly. The company's income is completely determined by the service rates established by the FEC of Russia (currently the FTS of Russia). According to the Federal legislation, the «FGC UES» JSC tariff regulation is based on the principle of providing the Company with the gross receipt required to reimburse all expenses of the activity regulated, and to realize the fixed investment volume in the UNEN development.

The financial management of the «FGC UES» JSC is based on the mechanism of centralized building-up of the Company's monetary funds out of the receipts from the principal activity, and their subsequent use to finance the principal and the investment activity.

The principal activity is financed in the form of monetary funds distribution per branch of the «FGC UES» JSC: MENs, "Elektrosetservice", RESCs, and their subsequent distribution by MENs' branches per MENP branches.

The investment activity is financed centrally, by the «FGC UES» JSC executive board.

Key financial management instruments of the «FGC UES» JSC are the Plan of economic indices, Budget and the forecast balance.

Financial and economic planning of the company's operations is as follows:

- long-term: planning horizon 3 to 5 years, planning pitch 1 year;
- medium-term or annual: planning horizon 1 year, planning pitch 1 quarter;
- current: planning horizon 3, 6, 9 and 12 months, planning pitch 1 quarter.

Financial and economical results of the company's activity are made up, and the economical activity is analyzed quarterly, according to bookkeeping accounts.

15.2. Rate

The «FGC UES» JSC's 2004' rate for electrical energy transmission services through the united (all-Russian) electricity network for all payers, except for the "Irkutskenergo" JSC, "Bashkirenergo" JSC, "Dagenergo" JSC, and "Tatenergo" JSC, is approved for the period of January 01, 2004 till June 30, 2004 inclusive at the amount of 37,88 rub/ thousand kwh, and from July 2004 of 38,07 rub/ thousand kwh.

For FWMEEP subjects having main on their balance electric main lines and electricity network units belonging to the united national (all-Russian) electricity network, and operating them, including their maintenance in a safe condition providing for the electrical energy and power to be transmitted between subjects of the UPS of Russia, and paying independently for services of their condition's technical supervision organizing, the «FGC UES» JSC's rate for electrical energy transmission services through the united electricity network is approved as follows:

- a) for the «Dagenergo» JSC: 23,78 rub/ thousand kwh;
- b) for the «Bashkirenergo» JSC: 0,54 rub/ thousand kwh;
- c) for the «Irkutskenergo» JSC: 0,05 rub/ thousand kwh;

d) for the «Tatenergo» JSC: 1,69 rub/ thousand kwh.

The «FGC UES» JSC's services cost for electrical energy transmission through the UNEN is determined according to the electrical energy volume supplied to consumers within the respective period of the year, prior to the accounting period, less electrical energy volume supplied to consumers acting within this period on the FWMEEP (for energy supply companies); and according to the electrical energy volume supplied to consumers within the respective period of the year, prior to the accounting period (for consumers).

The «FGC UES» JSC's electrical energy transmission services through the UNEN are paid by users of the «UPS of Russia» JSC RJSC services, as a charge for operation and development of the United Power System of Russia.

The «FGC UES» JSC's services payers are companies supplying the electrical energy for export, according to contracts concluded. The «FGC UES» JSC's rate for companies supplying the electrical energy for export is approved for the period from January 01 till June 30, 2004 inclusive at the amount of 37,88 rub/ thousand kwh, and from July 2004 of 38,07 rub/ thousand kwh, and is determined according to the real volumes of the electrical energy supplied for export.

Rates for electrical energy transmission services through the united (all-Russian) electricity network, provided by the «FGC UES» JSC, using electricity network units owned by the «FGC UES» JSC by right of property, to the following subjects of the wholesale market of the electrical energy (power): energy supply companies, energy distribution companies, guaranteeing to the electrical energy suppliers and consumers (buyers), are approved for the 2005 as follows:

№	Subjects of the Russian Federation	Rate of services provided by the «FGC UES» JSC, rub./ thousand kwn
Central Federal District		
1	Belgorod region	47,14
2	Bryansk region	43,88
3	Vladimir region	60,81
4	Voronezh region	51,46
5	Ivanovo region	31,43
6	Kaluga region	57,35
7	Kostroma region	31,43
8	Kursk region	40,67
9	Lipezk region	44,22
10	Moscow region	41,56
11	Orel region	37,04
12	Ryazan region	41,42
13	Smolensk region	58,87
14	Tambov region	60,06
15	Tver region	57,53
16	Tula region	31,43
17	Yaroslavl region	31,43
18	Moscow	41,56
North-Western Federal District		
19	Republic of Karelia	45,63
20	Republic of Komi	31,43

21	Arkhangelsk region	31,43
22	Vologda region	56,32
23	Kaliningrad region	75,92
24	Leningrad region	49,72
25	Murmansk region	33,77
26	Novgorod region	56,47
27	Pskov region	55,49
28	Saint-Petersburg	49,72
	Southern Federal District	
29	Republic of Dagestan	27,79
30	Republic of Ingushetia	55,64
31	Republic of Kabardino-Balkaria	60,72
32	Republic of Kalmykia	31,43
33	Republic of Karachaevo-Cherkessia	41,06
34	Republic of Northern Ossetia – Alania	59,85
35	Krasnodar Territory and republic of Adygea	49,96
36	Astrakhan region	58,66
37	Volgograd region	49,75
38	Rostov region	41,12
39	Republic of Chechnya	31,43
40	Stavropol Territory	55,84
	Privolzhskiy Federal District	
41	Republic of Bashkortostan	0,63
42	Republic of Mari El	56,46
43	Republic of Mordovia	51,98
44	Republic of Udmurtia	46,92
45	Republic of Chuvashia	34,25
46	Kirov region	57,35
47	Nizhegorodskaya region	50,20
48	Orenburg region	38,04
49	Penza region	56,58
50	Perm region and Komi-Permyak AD	40,41
51	Samara region	49,70
52	Saratov region	37,59
53	Ulianovsk region	45,20
54	Republic of Tatarstan	1,97
	Ural Federal District	
55	Kurgan region	50,25
56	Sverdlovsk region	36,00
57	Tiumen region	49,36
58	Chelyabinsk region	43,84
59	Khanty-Mansiysk AD	49,36
60	Yamalo-Nenezkiy AD	49,36
	Siberia Federal District	
61	Republic of Altai	59,85
62	Republic of Buryatia	64,06
63	Republic of Tyva	31,43
64	Republic of Khakasia	55,20
65	Altai Territory	59,85
66	Krasnoyarsk Territory	44,25
67	Kemerov region	35,59

68	Novosibirsk region	7,04
69	Omsk region	49,20
70	Tomsk region	44,86
71	Chita region and Aginskiy Buryat AD	34,52
72	Irkutsk region and Ust-Ordynskiy Buryat AD	0,06
73	Dolgano-Nenezkiy AD	60,03
	Far-Eastern Federal District	
74	Republic of Sakha, Southern Yakutia region	31,43
75	Primorskiy Territory	45,85
76	Khabarovsk Territory and Jewish AD	43,16
77	Amur region	43,06

The rate of electrical energy supply through the united national electricity network, provided by the «FGC UES» JSC to companies exporting the electrical energy, is approved at the amount of 44,46 rub./thousand kwh.

15.3. Funds borrowing and placement

The decision of the Board of Directors of the «FGC UES» JSC, in conformity with the Regulation of policy and procedure of decision-making concerning obtaining and issuing (providing) loans, credits, pledges and guarantees to the «FGC UES» JSC Managing Committee, has established the aggregate limit of loan, credit, pledge and guarantee agreements for the year 2004 at the amount of 5 mlrd rubles.

In the late 2004, the «FGC UES» JSC started realizing the borrowing, and by the end of 2004, increased the amount of the borrowed funds in the balance liabilities up to 6,5 milliard rubles. Using these funds, construction and re-equipment projects of electricity supply lines and substations were financed. From June till October 2004, the «FGC UES» JSC borrowed short-term loans from the “Alfa-Bank” JSC, “Vneshtorgbank” JSC and from the Sberbank of Russia. In December 2004, in order to optimize the structure of the borrowed funds, to extend the liabilities period, and to reduce debt costs, the «FGC UES» JSC issued a bonded debt of 5 mlrd rubles, with maturity date by December 2007, with coupon income payment at a rate of 8.8% p.a.

The borrowed funds were used for refinancing the principal of bank credits. Total amount of payments for borrowed funds servicing in 2004 was 157,4 mln rub., with average weighted rate of 11,4 % p.a.

The «FGC UES» JSC’s further policy in the field of funds borrowing is aimed at increasing amounts and periods of funds borrowing, to realize the extended investment program planned for the next years. In this connection, among key events of the early 2005 was the decision approved by the «FGC UES» JSC Board of directors of the «FGC UES» JSC’s second bonded debt issue, to the amount of 7 mlrd rubles, and for the period of 5 years.

On June 11, 2004, the Standard & Poor's rating agency attributed and has maintained the «FGC UES» JSC credit ranking on the international “B” level, and on the Russian «ruA+» level.

On November 4, 2004, with favorable macro-economical changes in Russia, the agency raised the «FGC UES» JSC international credit ranking from “B” up to “B+”, and the Russian ranking remained unchanged.

On December 20, 2004, the agency attributed an additional credit ranking “RuA+” to the «FGC UES» JSC bond issue, of nominal value 5 mlrd rubles and circulation period of 1092 days, placed on December 21, 2004.

The reformation of the «UPS of Russia» JSC RJSC network complex required in 2004 the «FGC UES» JSC to provide intra-corporate loans to the companies of the inter-regional main networks complex (“IRMNC Center” JSC, “IRMNC South” JSC, “IRMNC Volga” JSC, “IRMNC North-West” JSC, “IRMNC Ural” JSC, “IRMNC Siberia” JSC, “IRMNC East” JSC), for a total of 50,7 mln rub. Moreover, the «FGC UES» JSC provided a short-term loan to the “Nurenergo” JSC (Groznyi), for the amount of 400 mln RUR, paid off in December 2004. The interest rate on the loans issued corresponded to the rate of funds borrowing by the «FGC UES» JSC.

During 2004, especially in the first half of the year, in order to increase the profitability of cash remains, the «FGC UES» JSC was placing the temporarily free monetary funds. As placement instruments, short-term (up to 3 months) bank deposits, deposit certificates were used, as well as maintaining an irreducible rest on the settlement account (including ‘overnight’ placements). Total income of these operations amounted to 14,8 mln RUR.

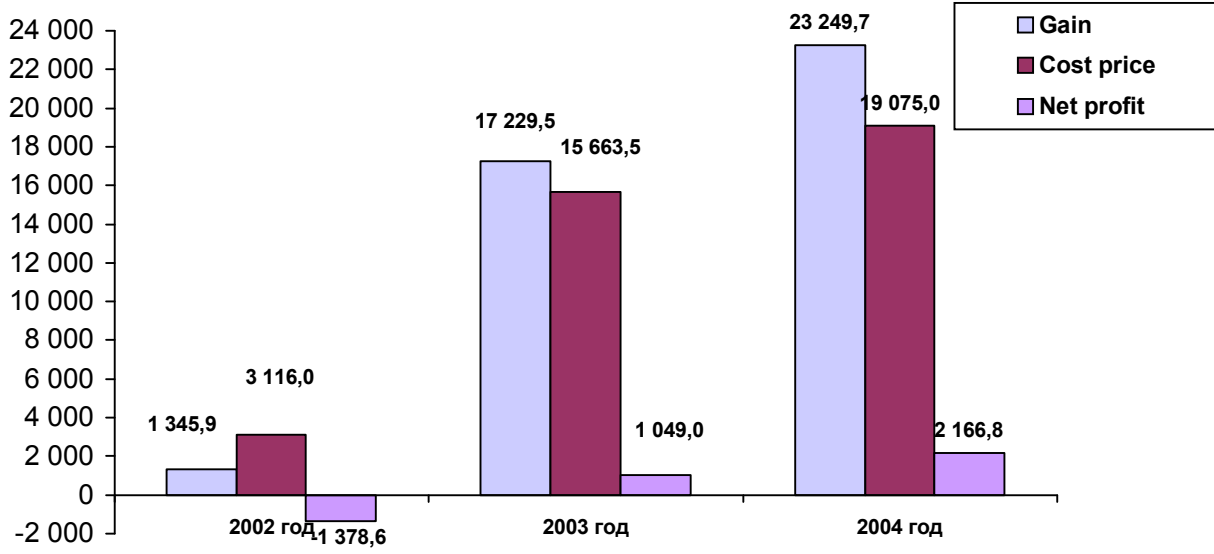
15.4. Key financial results of the «FGC UES» JSC

In 2004, the «FGC UES» JSC’s gain increased by 35% as compared to 2003, and the profit amounted to 2 mlrd 166,7 mln RUR, which is double as compared to 2003.

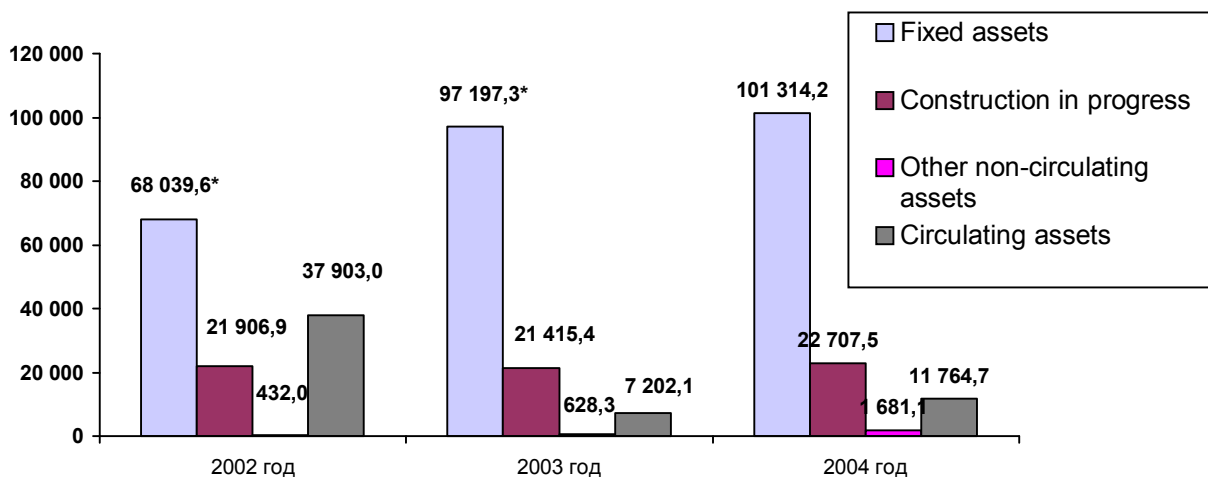
Key financial results, mln RUR

Parameter	2002	2003	2004
Gain	1 345,9	17 229,5	23 249,7
Cost price	3 116,0	15 663,5	19 075,0
<i>Sales profit (loss)</i>	<i>- 1 770,1</i>	<i>1 566,0</i>	<i>4 174,7</i>
Operating and non-realization income (expenses)	- 33,1	- 155,0	-1 164,8
Extraordinary income (expenses)	-	129,3	147,8
<i>Profit (loss) before taxation</i>	<i>- 1 803,2</i>	<i>1 540,2</i>	<i>3 157,7</i>
Deferred tax assets	432,9	194,4	29,5
Deferred tax liabilities	-	-	-6,8
Profits tax and similar payables	- 8,3	- 685,6	-1 013,6
Net profit (loss) of the accounting period	<i>- 1 378,6</i>	<i>1 049,0</i>	<i>2 166,8</i>

Income & Expenditure dynamics, mln RUR



Assets dynamics structure, mln RUR



* revaluated.

In 2004, the Company's taxes total payable to budgets of all levels amounted to 4180,1 mln RUR, including profits tax 989,9 mln RUR, property tax 139,5 mln RUR, VAT 2534,2 mln RUR, unified social tax and insurance dues 494,3 mln RUR, other taxes and duties 34,2 mln RUR.

Values of property, capital and liabilities structure as at the end of 2004:

- assets value – 137 467,5 mln RUR;
- non-circulating assets value – 125 702,8 mln RUR;
- circulating assets value – 11 764,7 mln RUR;
- liquid assets value - 164,8 mln RUR;
- own capital – 129 121,0 mln RUR;
- fixed liabilities – 5 000 mln RUR
- current liabilities – 3 346,4 mln RUR.

The Company's financial situation values:

Factor	Value
Absolute liquidity factor	0,05
Term liquidity factor	2,04
Current liquidity factor	3,52
Financial independence factor	0,94
Sales profitability, %	22,80
Own capital's profitability, %	1,68
Assets profitability, %	1,57
Dynamics of accounts receivable, %	88,46
Dynamics of accounts payable, %	55,22
Accounts receivable/ Accounts payable ratio	3,68

16. Appendices

Appendix 1

The «FGC UES» JSC's branches as on 31.12.2004:

- | | | |
|-----|---|---|
| 1. | The «FGC UES» JSC branch –
Center main electricity networks | 105318, Moscow,
Tkazkaya str., 1 |
| 2. | The «FGC UES» JSC branch –
North-West main electricity networks | 194223, Saint-Petersburg,
Kurchatova str., 1 |
| 3. | The «FGC UES» JSC branch –
Volga main electricity networks | 443100, Samara, Polevaya
str., 5 |
| 4. | The «FGC UES» JSC branch –
South main electricity networks | Zheleznovodsk,
Inozemtsevo community,
Darnizkiy per., 2 |
| 5. | The «FGC UES» JSC branch –
Ural main electricity networks | 620219, Ekaterinburg,
Tolmacheva str., 6 |
| 6. | The «FGC UES» JSC branch –
Siberia main electricity networks | 660062, Krasnoyarsk,
Svobodnyi Ave., 66A |
| 7. | The «FGC UES» JSC branch –
East main electricity networks | 630030, Khabarovsk,
Sheronova str., 65 |
| 8. | The «FGC UES» JSC branch for special electricity
network works «Elektrosetservice» | 115035, Moscow,
Sadovnicheskaya str., 27,
bd.8 |
| 9. | The «FGC UES» JSC branch – Center Regional
Center of engineering supervision | 105318, Moscow,
Tkazkaya str., 1 |
| 10. | The «FGC UES» JSC branch – North-West
Regional Center of engineering supervision | 194223, Saint-Petersburg,
Kurchatova str., 1 |
| 11. | The «FGC UES» JSC branch – Volga Regional
Center of engineering supervision | 443100, Samara, Polevaya
str., 5 |
| 12. | The «FGC UES» JSC branch – South Regional
Center of engineering supervision | Zheleznovodsk,
Inozemtsevo community,
Darnizkiy per., 2 |
| 13. | The «FGC UES» JSC branch – Ural Regional
Center of engineering supervision | 620219, Ekaterinburg,
Tolmacheva str., 6 |
| 14. | The «FGC UES» JSC branch – Siberia Regional
Center of engineering supervision | 660062, Krasnoyarsk,
Svobodnyi Ave., 66A |
| 15. | The «FGC UES» JSC branch – East Regional
Center of engineering supervision | 630030, Khabarovsk,
Sheronova str., 65 |

- | | | |
|-----|---|--|
| 16. | The «FGC UES» JSC branch – Nizhegorodckoe main electricity networks company | 603600, Nizhniy Novgorod, Schlüsselburgskaya str., 29 |
| 17. | The «FGC UES» JSC branch - Chernozemnoe main electricity networks company | 305026, Kursk, Garazhnaya str., 1 |
| 18. | The «FGC UES» JSC branch – Volgo-Okskoe main electricity networks company | 600902, Vladimir, Energetik settlement, Energetikov str., 31 |
| 19. | The «FGC UES» JSC branch – Volgo-Donskoe main electricity networks company | 400006, Volgograd, Lenina Ave., 221a |
| 20. | The «FGC UES» JSC branch – Vologda main electricity networks company | 160023, Vologda, Planernaya str., 18 |
| 21. | The «FGC UES» JSC branch – Priokskoe main electricity networks company | 300012, Tula, Timiryazeva str., 101A |
| 22. | The «FGC UES» JSC branch - Moscow main electricity networks company | 141870, Moscow region, Dmitrovskiy area, Belyi Rast comm., SS 750 kV |
| 23. | The «FGC UES» JSC branch – Upper Oka main electricity networks company | 392543, Tambov region, Tambov area, Komsomolets community |
| 24. | The «FGC UES» JSC branch – Valdai main electricity networks company | 170001, Tver, Kalinina Ave. 55 |
| 25. | The «FGC UES» JSC branch – Amur main electricity networks company | 676400, Amur region, Svobodnyi town, Shatkovskogo str., 101 |
| 26. | The «FGC UES» JSC branch – Khabarovsk main electricity networks company | 680032, Khabarovsk Territory, Zelinnaya str., 3 |
| 27. | The «FGC UES» JSC branch – Primorskoe main electricity networks company | 690000, Primorskiy Territory, Vladivostok, Mordovtseva str., 3 |
| 28. | The «FGC UES» JSC branch – Eastern manufacturing & repair main electricity networks company | 680032, Khabarovsk Territory, Zelinnaya str., 3 |
| 29. | The «FGC UES» JSC branch – Krasnoyarsk main electricity networks company | 660013, Krasnoyarsk, Tomskaya str., 4a |
| 30. | The «FGC UES» JSC branch – Transbaikalian main electricity networks company | 670047, Republic of Buryatia, Ulan-Ude, Sakhianovoi str., 5 |
| 31. | The «FGC UES» JSC branch – Kuznetsk Basin main electricity networks company | 650004, Kemerovo, Kirchanova str., 25a |

- | | |
|---|---|
| 32. The «FGC UES» JSC branch – Omsk main electricity networks company | 644035, Omsk, Gubkina Ave., 4 |
| 33. The «FGC UES» JSC branch – Western Siberia main electricity networks company | 656002, Barnaul, Kalinina Ave., 17 |
| 34. The «FGC UES» JSC branch - Khakasia main electricity networks company | 662793, Republic of Khakasia, Sayanogorsk, Industrialnaya str., д.39 |
| 35. The «FGC UES» JSC branch - Sverdlovsk main electricity networks company | 620085, Sverdlovsk region, Ekaterinburg, Malakhitovyi per., 3 |
| 36. The «FGC UES» JSC branch - Chelyabinsk main electricity networks company | 454008, Chelyabinsk, 2 nd Zapadnyi proezd, 6a |
| 37. The «FGC UES» JSC branch - Perm main electricity networks company | 614058, Perm region, Perm, Visherskaya str., 34 |
| 38. The «FGC UES» JSC branch - Orenburg main electricity networks company | 460048, Orenburg, Avtomatiki passage, 15 |
| 39. The «FGC UES» JSC branch – Upper Volga main electricity networks company | 425010, Mari El, Volzhskiy region, Privolzhskiy community |
| 40. The «FGC UES» JSC branch – Middle Volga main electricity networks company | 433100, Ulianovsk region, Veshkaima cty, Energetikov str., 11 |
| 41. The «FGC UES» JSC branch - Samara main electricity networks company | 443109, Samara, Zubchaninovskoe Highway, 130 |
| 42. The «FGC UES» JSC branch – Lower Volga main electricity networks company | 410038, Saratov, Sokolovaya Gora, 40 |
| 43. The «FGC UES» JSC branch - Stavropol main electricity networks company | 357400, Stavropol Territory, Zheleznovodsk, Industrial zone of food companies |
| 44. The «FGC UES» JSC branch - Kuban main electricity networks company | 352120, Krasnodar Territory, Tikhorezk, PErედovaya str., 1a |
| 45. The «FGC UES» JSC branch - Rostov main electricity networks company | 347349, Rostov region, Volgodonsk area, Salovskiy community |
| 46. The «FGC UES» JSC branch – Sochi Electricity industry Units Construction Administration | 354000, Krasnodar Territory, Sochi, Karl Liebknecht str., 10 |

47. The «FGC UES» JSC branch - Bryansk main electricity networks company 243360, Bryansk region, Vygonichi community, Novobryanskaya str.
- €48. The «FGC UES» JSC branch - Vyborg main electricity networks company 188932, Leningrad region, Vyborg area, Perovo cty
49. The «FGC UES» JSC branch - Novgorod main electricity networks company 173023, Novgorod region, Novgorod area, Novaya Melniza village, 27a
50. The «FGC UES» JSC branch - Karelia main electricity networks company 185013, Republic of Karelia, Petrozavodsk, Vetereinarnyi per., 11
51. The «FGC UES» JSC branch – Specialized production plant «Elektrosetremont» 142408, Moscow reion, Noginsk town, Parkovaya str., 1
52. The «FGC UES» JSC branch – Mikhailov “Elektrosetservice” specialized production plant 391710, Ryazan region, Mikhailov town, Elektrik settlement
53. The «FGC UES» JSC branch - Novgorod “Elektrosetservice” specialized production plant 173023, Novgorod region, Novgorod area, Novaya Melniza village, 27a
54. The «FGC UES» JSC branch - Novosibirsk “Elektrosetservice” specialized production plant 630126, Novosibirsk, Klenovaya str., 10/1
55. The «FGC UES» JSC branch – Middle Volga “Elektrosetservice” specialized production plant 433200, Ulianovsk region, Veshkaima community, Veshkaima area, 40th anniversary of October str., 101
56. The «FGC UES» JSC branch – “Belyi Rast” specialized production plant 141870, Moscow region, Dmitrov area, Belyi Rast cty., SS 750 «Belyi Rast»
57. The «FGC UES» JSC branch - Southern “Elektrosetservice” specialized production plant 357519, Pyatigorsk, Lermontov passage, industrial zone

The «FGC UES» JSC's share in authorized capitals and voting shares of joint-stock companies, as on December 31, 2004

№	Company	Share in the authorized capital, %	Share of votes, %
1.	«Nurenergo» JSC	61, 54	61, 54
2.	«IRMNC «Center» JSC	15	15
3.	«IRMNC «South» JSC	15	15
4.	«IRMNC «North-West» JSC	15	15
5.	«IRMNC «Volga» JSC	15	15
6.	«IRMNC «Ural» JSC	15	15
7.	«IRMNC «Siberia» JSC	15	15
8.	«IRMNC «East» JSC	15	15

Appendix 3

Information disclosed while securities issuing as substantial facts and as reports of substantial facts

I. INFORMATION OF THE APPEARANCE IN THE ISSUER'S REGISTER OF A PERSON HOLDING MORE THAN 25 PERCENT OF ITS EMITTED SECURITIES

1. The issuer's full name, specifying the legal organization form: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company.
2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.
3. The Taxpayer Identification Number: 4716016979.
4. The issuer's unique public registration ID: 65018-D.
5. Code of the substantial fact: 0765018D28012004.
6. Internet page used for publications about substantial facts: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).
7. Name of the periodical used for publications about substantial facts: "Appendix to the "Vestnik of FSFR of Russia".
8. Kind, category (type) and other identification signs of the securities: ordinary nominal non-documentary shares, Issue public registration number 1-01-65018-D.
9. Name of the natural person, or full and short names (for non-profit organizations – the name), actual and mailing address of the legal person registered in the register-keeping system if the issuer's securities holders; and, in case that such person is the securities' nominal holder, specify this fact: "Central Moscow Depository" Limited liability company ("CMD" LLC) – nominal holder. Legal address: Russia, 105066, Moscow, Nizhnyaya Krasnoselskaya str., 35; mailing address – Russia, 105066, Moscow, Olkhovskaya str., 22.
10. Share of the issuer's securities registered upon the person registered in the issuer's securities holders register keeping system: 94,43%.
11. Date of the receipt record on the personal account of the person registered in the issuer's securities holders register keeping system: 28.01.2004.

II. INFORMATION OF GENERAL MEETINGS' DECISIONS

1. The issuer's full name, specifying the legal organization form: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company.
2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.
3. The Taxpayer Identification Number: 4716016979.
4. The issuer's unique public registration ID: 65018-D.
5. Code of the substantial fact: 1065018D28062004.
6. Internet page used for publications about substantial facts: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).
7. Name of the periodical used for publications about substantial facts: "Appendix to the "Vestnik of FSFR of Russia".
8. Kind of the general meeting (annual, extraordinary) – annual (in conformity with p. 11.1 art. 11 of the «FGC UES» JSC's Statute, functions of the annual general meeting of the «FGC UES» JSC's shareholders are taken over by the Board of Directors of the «UPS of Russia» JSC RJSC).
9. Form of the general meeting – co-presence.
10. Date and place of the general meeting: 25.06.2004, Moscow, Vernadskogo Ave., 101, bd. 3.
11. Quorum of the general meeting: with 9 of 15 members of the Board of Directors of the «UPS of Russia» JSC RJSC participating in the voting, there was a quorum.
12. Voted issues:

In conformity with p. 11.1 art. 11 of the «FGC UES» JSC's Statute, functions of the annual general meeting of the «FGC UES» JSC's shareholders are taken over by the Board of Directors of the «UPS of Russia» JSC RJSC.

13. Wordings of decisions passed by the general meeting, and voting results:

Fulfilling the above functions, the Board of Directors of the «UPS of Russia» JSC RJSC adopted the following decisions:

1.1. To approve the «FGC UES» JSC 2003' annual report.

Results of the voting: adopted unanimously.

1.2. To approve the «FGC UES» JSC 2003' annual bookkeeping accounts.

Results of the voting: adopted unanimously.

1.3. To approve the «FGC UES» JSC 2003' profit & loss account.

Results of the voting: adopted unanimously.

1.4. To approve the «FGC UES» JSC 2003' profit (loss) distribution as follows:

	(thousand RUR)
Net profit (loss) of the accounting period:	1 048 953
Reserve allocation:	52 448
Dividends:	-
Clearing off past years' losses	996 505

Results of the voting: adopted unanimously.

1.5. Not to pay any dividends on the «FGC UES» JSC's ordinary shares in 2003.

Results of the voting: adopted unanimously.

1.6. To reduce the «FGC UES» JSC's authorized capital by canceling 10 785 516 441 (ten milliards seven hundred eighty five million five hundred sixteen thousand four hundred forty one) ordinary nominal share of the «FGC UES» JSC, the right of ownership whereto has been transferred to the «FGC UES» JSC due to incomplete repayment of the «FGC UES» JSC authorized capital, which amounts to 4,24% of the «FGC UES» JSC authorized capital, of nominal value 50 kopecks each and of total value 5 392 758 220,5 rubles.

Results of the voting: adopted unanimously.

1.7. To amend the «FGC UES» JSC's Statute.

Results of the voting: adopted unanimously.

1.8. To elect the «FGC UES» JSC's Board of directors including the following nine members:

1.	Khristenko Viktor Borisovich	Minister of industry and power in the Russian Federation
2.	Ayuev Boris Ilyich	Member of the Committee of the «UPS of Russia» JSC RJSC, Chairman of the Committee of the «SO CDU EPS» JSC
3.	Voloshin Alexander Stalievich	Chairman of the Board of directors of the «UPS of Russia» JSC RJSC
4.	Gref German Oskarovich	Minister of economic development and trade of the Russian Federation
5.	Ivanov Sergey Nikolaevich	1 st Deputy General Director of the «Rosenergoatom» Concern
6.	Ponomarev Dmitriy Valerievich	Chairman of the Committee of the «ATS» SC
7.	Rappoport Andrey Natanovich	Member of the Committee of the «UPS of Russia» JSC RJSC, Chairman of the Committee of the «FGC UES» JSC

8.	Udaltsov Yuriy Arkadievich	Member of the Committee of the «UPS of Russia» JSC RJSC, Director of the reformation management Center of the «UPS of Russia» JSC RJSC
9.	Chubais Anatoliy Borisovich	Chairman of the Committee of the «UPS of Russia» JSC RJSC

Results of the voting: «PRO» 7, «CONTRA» 2

Adopted by the majority of votes.

1.9. To elect the Inspection Commission of the «FGC UES» JSC including:

1.	Myasnikov Viktor Mikhailovich	Deputy head of the Department of financial control and audit of the Federal Agency for Federal property management
2.	Pomeranzev Yuri Alexeeveich	Chief specialist of the financial audit department of the «UPS of Russia» JSC RJSC
3.	Ryzhonkova Elena Yurievna	Chief expert of the accounting and reporting department of the «FGC UES» JSC
4.	Baitov Anatoliy Valerievich	Deputy head of the Direction of financial control and internal audit of the «FGC UES» JSC
5.	Sidorov Sergei Borisovich	Head of the financial audit department of the «UPS of Russia» JSC RJSC

Results of the voting: adopted unanimously.

1.10. To assign the auditor of the «FGC UES» JSC: the “RSM Top-Audit” LLC, Moscow, auditing license № E 004827 of 01.08.2003, period of validity 5 years.

Results of the voting: adopted unanimously..

III. REPORT OF EMITTED SECURITIES PLACEMENT DECISION

1. The issuer’s full and short names (for non-profit organizations – the name), specifying the legal organization form: the “Federal Grid Company of Unified Energy System” Open Joint-Stock Company («FGC UES» JSC).

2. The issuer’s actual address: 187000, Leningrad region, Tosno town, “Leningradskaya” SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing: “Vedomosti” newspaper, “Appendix to the “Vestnik of FSFR of Russia”.

5. The issuer’s managing body by which the securities placement decision has been made, and way of the decision-making (specify the kind of the general meeting (annual or extraordinary), and the form of voting (co-presence or absent voting), date and place of the meeting (session)), date and number of the minutes:

the securities placement decision made by the Board of directors of the «FGC UES» JSC (according to s/p. 25 p.12.1 art. 12 of the «FGC UES» JSC’s Statute, this issue is the Board of Directors’ competence).

form of the meeting – absent voting.

date of the meeting: 28.10.2004.

place of the voting results registration: Moscow, Akademika Chelomeya str., 5a.

minutes N 19 of 29.10.2004.

6. Quorum on the issue of securities placement decision making and results of the voting: with 9 of 9 members of the Issuer's Board of directors participating in the voting, there is a quorum.

Results of the voting: «ЗА» - 9; «ПРОТИВ» - 0; «ВОЗДЕРЖАЛСЯ» - 0.

Adopted unanimously.

7. Complete wording of the decision adopted, according to provisions of Federal laws and normative legal acts of the Federal Commission:

1.1. To place documentary interest-bearing non-convertible bearer bonds of the «FGC UES» JSC (hereinafter "the Company"), series 01, with obligatory centralized storing, number of bonds: 5 000 000 (Five million) at nominal value 1 000 (One thousand) rubles each, to a total of 5 000 000 000 (five milliard) rubles (hereinafter "the Bonds"), according to the following parameters and terms of the Bonds' placement and repayment:

1.1.1. Parameters of the Bonds.

Kind, category (type), series of the securities: documentary interest-bearing non-convertible bearer bonds, series 01;

Form of the securities: documentary bearer bonds, with obligatory centralized storing.

The bonds of the issue are registered with one certificate issued by the Company, and certifying the rights to all the issue's Bonds. No individual certificates can be delivered to the Bond holders. Bond holders are not entitled to requiring individual certificates to be delivered. The certificate is subject to centralized storing at the Non-profitable partnership "National Depository Center" (hereinafter "the NDC"), acting as the Depository (hereinafter referred to as "the Depository", too).

Nominal value of 1 bond - 1 000 (one thousand) rubles.

Number of the issue's placed Bonds - 5 000 000 (Five million) items.

Total amount of the issue - 5 000 000 000 (five milliard) rubles.

1.1.2. Bonds placement terms.

A) Way of securities placement: public subscription.

B) Timeframe of securities placement.

The date of the placement beginning, or its determination: The Bonds placement begins not earlier than two weeks after the Issuer's publication of the issue's public registration report, specifying for all persons concerned the procedure of access to the information contained in the securities Prospectus, according to the regulations of the Federal Law "Of the Securities Market" and of normative legal acts of the Federal executive authority for the securities market, as provided by p.11 of the Issue Decision and p.2.9 of the Securities Prospectus. The above-mentioned two-weeks' period is calculated from the date the Bonds issue public registration reports have been published in the "Vedomosti" newspaper. The date of the Bonds placement beginning is fixed by the Issuer's authorized body. Should, at the moment of an occurrence subject to disclosure by the Issuer, in conformity with Federal laws in force, and with normative legal acts of the Federal executive authority for the securities market, a procedure and time of the information disclosure about such occurrence be established, other than the procedure and the time provided by the securities issue Decision and the securities Prospectus, the information about the occurrence shall be disclosed according to the procedure and the time provided by the Federal laws and the normative legal acts of the Federal executive authority for the securities market, in force at the moment of the occurrence. According to the provisions of Regulation of information disclosure by issuers of emitted securities N 03-32/пс, approved by the Federal Securities Commission of Russia dd. July 02, 2003, a report of the Bonds placement beginning date shall appear as follows:

In the news band (AK&M, Interfax) – not later than 5 days before the securities placement;

On the Issuer's Internet site at: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru) - not later than 4 days before the securities placement.

Securities placement end date or its determination: The Bonds placement end date is one of the following: a) the 10th business day from the Bonds placement beginning date; b)

placement date of the last Bond of the issue. The placement end date can not be later than one year after the Bonds issue public registration date.

B) Bonds placement procedure.

The Bonds are placed by concluding purchase & sale deals at the Bonds' placement price in the stock market section of the "Moscow Inter-bank Currency Exchange" Closed Joint-Stock Company, or, should the exchange transactions pass from the "Moscow Inter-bank Currency Exchange" Closed Joint-Stock Company over to the "MMVB stock exchange" Closed Joint-Stock Company, the placement and/ or the circulation of the Bonds will take place in the auction of the "MMVB stock exchange" CJSC. Deals of Bonds placement are concluded at MIBCE by satisfying requests of the Bonds purchase/ sale, submitted using the MIBCE trading and cashing systems.

When placing the Bonds, an Underwriter is acting as an intermediary, which is a professional player on the securities market admitted to the MIBCE auction, acting by his own name, on behalf and at the expense of the Company. The Underwriter's functions, as well as those of the Bonds placement organizer are executed by the "Troika Dialog" Investment Company.

D) Bonds placement price and payment form:

The placement price of one Bond is equal to the Bond nominal value and amounts to 1000 (one thousand) rubles per Bond. Starting from the second day of the issued Bonds placement, the buyer shall, when buying the Bonds, also pay the Bonds' coupon income accrued (CIA), determined according to the following formula: $CIA = Nom * R * ((T - T_0) / 365) / 100\%$, where: CIA is coupon income accrued, RUR; Nom – nominal value of one bond, RUR; R – the interest rate of the first coupon period, % p.a.; T – Bonds placement date; T₀ - Bonds placement beginning date. The amount of the coupon income accrued per one Bond shall be determined to within one kopeck, with mathematical rounding (a rounding method when the number of whole kopeck(s) shall not change, if the first number after the number being rounded is 0 to 4; and shall change to +1, if the first number after the number being rounded is 5 to 9).

During the Bonds placement, the payment shall be made with moneys, in RUR.

1.1.3. Bond holders' rights and their granting procedure.

Each Bond of the issue provides its holder with the same volume of rights. Titles confirming the rights granted by the Bond, are the Bond certificate and the Securities issue decision. The Bond holder is entitled to receive the nominal value of the Bond, when the Bond is timely paid-off as provided. The Bond holder is entitled to receive a fixed percentage of the Bond's nominal value (coupon income). In case of the Company's reorganization, the Bond holder is entitled to require the Company's obligations on the Bonds to be terminated or discharged in advance, and damage to be recovered. In case of the Company's dissolution, the Bond holder is entitled to receive the money payable according to the sequence as determined according to article 64 of the Civil Code of the Russian Federation. The Company shall provide for the investment funds to be returned to the Bond holders, should the Bond issue be acknowledged void or invalid, in conformity with the law in force. The Bond holder is entitled to freely sell and otherwise alienate the Bonds. The Bond holder who has purchased the Bonds in the primary placement, is not entitled to effect bargains with the Bonds before their full payment and public registration of the report of securities placement results, in conformity with the law in force of the Russian Federation.

The Bond holder is entitled to exercise other rights provided by the law of the Russian Federation.

The Company shall secure the Bond holders' rights, provided that they comply with the procedure of the said rights exercising as required by the law of the Russian Federation.

Maturity date: Bond holders are entitled to receive the Bonds' nominal value after paying-off the Bonds. The issue's Bonds pay-off beginning date is the 1092nd (One thousand ninety second) day from the date of the issue's Bonds placement beginning.

Income on the Bonds. The Bond holder is entitled to receive a fixed percentage of the Bond's nominal value (coupon income). The coupon income is paid out on the 182nd, 364th, 546th, 728th, 910th and 1092nd days from the date of the issue's Bonds placement beginning.

The coupon (percentage) income rate per each coupon per 1 Bond is determined according to the following:

a) The interest rate on the first coupon is determined as a result of a tender at MIBCE among potential Bond purchasers on the date of the Bonds placement beginning. On the day of the tender, auction participants at MIBCE submit specific bids for Bonds purchasing, with calculation code T0 for auction using MIBCE's trading system, both at their own expense, and at the customers' expense. The timeframe and the procedure of bids submitting to the auction to determine the first coupon's interest rate are established by MIBCE, with the Company's and the Underwriter's approval. The bids for Bonds purchase are forwarded by the Section's members to the Bonds placement intermediary (the Underwriter). The purchase bid shall contain the following essential information:

- purchase price (100% nominal value);
- number of Bonds;
- interest rate on the first coupon;
- other parameters, according to MIBCE Securities auction rules.

The Bonds placement price shall be stated as the purchase price. As the number of Bonds, the number of Bonds shall be stated a potential buyer would like to purchase, if the Company establishes the first coupon's interest rate exceeding or equal to the first coupon's interest rate value specified in the bid. As the first coupon's interest rate value, the first coupon's interest rate numeric value shall be stated, to within to 2 number after the point, the potential investor would be ready to buy the number of Bonds specified in the bid at 100% nominal price, if the Company declares the same. The interest rate value shall be in percent per annum, to within to one hundredth of percent. Monetary funds should be reserved to an amount sufficient for the Bonds complete payment, as specified in Bonds purchase bids, including all commission fees required. The bids not complying with the above requirements shall not be admitted to the tender for the first coupon's interest rate establishment. Upon expiry of tender bids submitting period, a consolidated list of securities purchase bids is made up by the MIBCE, and delivered to the Underwriter. The consolidated list of securities purchase bids/ the list of securities purchase bids accepted specify provisions of each bid: purchase price, number of securities, coupon rate, date and time of the bid receipt, and the name of the bidding MIBCE auction participant, the customer's code attributed by MIBCE (for bids submitted on behalf of a customer). The consolidated list of securities purchase bids/ the list of securities purchase bids accepted is approved by the Company's financial advisor, and transmitted to MIBCE. According to the analysis of bids participating in the tender, the Company's authorized body determines the first coupon's interest rate, and informs MIBCE of the decision in writing, not later than 30 minutes before forwarding it to the information agency. As soon as the information agency has published a report stating the first coupon's interest rate, the Company shall inform the Underwriter of the first coupon's interest rate value.

The report of the first coupon's interest rate shall be published by the Underwriter using MIBCE trading system, by sending e-mails to all members of the Section.

b) Interest rates on coupons 2 - 6 are equal to the first coupon's interest rate.

The coupon (percentage) income rate per coupon per 1 Bond is determined according to the following formula: $K_j = C_j * \text{Nom} * (T(j) - T(j-1)) / (365 * 100\%)$, where j is the number of the coupon period, j=1,2,3,4,5,6; K_j is the coupon income rate per coupon per 1 Bond, RUR; Nom – nominal value of 1 Bond, RUR; C_j – interest rate on the jth coupon, % p.a.; $T(j-1)$ – beginning date of the on jth coupon period; $T(j)$ – end date of the on jth coupon period.

The coupon income rate per coupon is determined to within to one kopeck (the second number after the point is rounded up as follows: if the third number after the point is ≥ 5 , the second number after the point is increased to +1; if the third number after the point is < 5 , the second number after the point remains unchanged).

Procedure of income repayment and pay-off. Should the date of the coupon income repayment (pay-off) fall on a day-off, whether a State holiday or a cashing transactions day-off, the amount payable should be paid on the first business day next to the day-off. The Bond owner is not entitled to claim interests or any other compensation for such payment delay. The nominal value of the Bonds while their paying-off, and income repayment thereon shall be effected cashless in Russian rubles. The interest income on the Bonds and the Bonds pay-off shall be effected on behalf of the Company by the Payment agent assigned by the Company for settlement effecting (hereinafter “the Payment agent”). The Payment agent should be the NDC. The interest income (the Bonds’ nominal value and the interest income, if Bonds paid-off) shall be repaid as follows:

The moneys are repaid in the currency of the Russian Federation, cashless, to the Bond owners, as at the end of the NDC’s operating day, preceding the 3rd business day prior to the issue’s Bonds income repayment (pay-off) (hereinafter “the Date of List of Bond holders for coupon income repayment (pay-off)”). The said list of Bond holders shall include:

a) NDC’s depositors, if:

- the persons are the issue’s Bonds owners;

- the persons are entitled by the issue’s Bonds owners to receive moneys while the issue’s Bonds coupon income repayment (pay-off);

b) Bond holders which are not the NDC’s depositors, and have not authorized the NDC’s depositors, accounting the Bonds held by the owners, to receive moneys while the issue’s Bonds coupon income repayment (pay-off);

c) Other persons authorized by the Bond holders to receive money payable while the issue’s Bonds coupon income repayment (Bonds pay-off).

It is presumed that nominal holders – NDC’s depositors are entitled to receive moneys payable while the Bonds coupon income repayment (pay-off). The NDC’s depositors being nominal holders and not authorized by their customers to receive moneys payable while the Bonds coupon income repayment (pay-off), not later than at 12:00 Moscow time of the day preceding the 2nd business day prior to the date of the Bonds coupon income repayment (pay-off), shall deliver to the NDC the list of persons authorized to receive payments on the Bonds, including all details specified below in the List of Bond holders for coupon income repayment (pay-off). A Bond owner which is not a NDC’s depositor can authorize a nominal bond holder, being the NDC’s depositary, to receive amounts payable of the Bonds’ income and pay-off. According to the data available or made available by the depositors, the NDC shall make up a list of Bond holders, for coupon income repayment (pay-off), to be submitted to the Company and to the Payment agent not later than on the 2nd business day prior to the date of the Bonds’ income repayment (pay-off). The list of Bond holders for the coupon income repayment (pay-off) shall include the following information:

a) Full name (name, family name, patronymic – for natural persons) of the owner or nominal holder of the person entitled to receive income (pay-off) amounts on Bonds;

b) Number of Bonds accounted on the deposit account of the person entitled to receive income (pay-off) amounts on Bonds;

c) Actual and mailing address of the person entitled to receive income (pay-off) amounts on Bonds;

d) details of the bank account of the owner or nominal holder authorized by the owner to receive income (pay-off) amounts on Bonds, including:

- bank account number;

- name of the bank (including the bank’s town), the account is open with;

- correspondent account of the bank the account is open with;

- bank identification code of the bank the account is open with;

e) Taxpayer identification number (TIN) of the person entitled to receive income (pay-off) amounts on Bonds;

f) tax status of the person entitled to receive income (pay-off) amounts on Bonds (resident, non-resident with permanent representatives in the Russian Federation, non-resident without permanent representatives in the Russian Federation, etc).

Bonds holders, their authorized representatives, including the NDC depositors, should keep their bank account details delivered to the NDC complete and updated. Should the above persons fail to deliver or timely deliver the said bank account details to the NDC, the obligations will be discharged to the person claiming the obligations to be discharged and being the Bonds holder on the date of the claim. The Company's obligations on the Bonds shall be discharged according to the NDC's data, in this case the Company's obligations shall be deemed fully and duly discharged. Should the bank account details delivered by the nominal holder, or the bank account details available at the Depository, or other information required for the Company's obligations on the Bonds to be discharged, does not allow the Payment Agent to timely effect money transfer, such delay can not be deemed as a delay in the Bonds obligations discharge, and the Bonds holder shall not be entitled to claim interests to be accrued, or any other compensation for such late payment. Not later than on the 2nd business day prior to the income payment on Bonds (the Bonds pay-off), the Company shall transfer the amount of money required to the Payment Agent's account. In order to coupon income payment (Bonds pay-off), according to a list of Bonds holders provided by the Depository, the Payment Agent shall calculate the amounts payable to each of the persons entitled to receive the income (Bonds pay-off) amounts. The Payment Agent shall transfer the amounts payable to accounts of the persons entitled to receive coupon income (Bonds pay-off) amounts, in favor of the Bonds holders. Should the same person be entitled to receive income (pay-off) amounts on behalf of several Bonds holders, the whole amount should be transferred to him, without specifying each of the Bonds holders. The obligations on Bonds shall be deemed as duly discharged towards the person included in the Bonds holders list for coupon income payment (pay-off), even in case of the Bonds alienation after the date the above List had been made up. No coupon income should accrue and be paid out on undistributed Bonds. The Company's obligations of the respective Bonds coupon income payment (pay-off amounts) shall be deemed as discharged from the moment money has been written off the Company's account, and/ or the Payment Agent's account, for the coupon income payment (pay-off amounts) in favor of Bonds holders.

8. Providing the issuer's members (shareholders) and/ or other persons with the preferential right to acquire the securities: no preferential right to acquire the issue's securities provided.

IV. REPORT OF EMITTED SECURITIES ISSUE (ADDITIONAL ISSUE) DECISION APPROVAL

1. The issuer's full and short names (for non-profit organizations – the name), specifying the legal organization form: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company («FGC UES» JSC).

2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing: "Vedomosti" newspaper, "Appendix to the "Vestnik of FSFR of Russia".

5. The issuer's managing body by which the securities issue (additional issue) decision has been made, and way of the decision-making (specify the kind of the general meeting (annual or extraordinary), and the form of voting (co-presence or absent voting), date and place of the meeting (session)), date and number of the minutes:

the securities placement decision made by the Board of directors of the «FGC UES» JSC (according to s/p. 25 p.12.1 art. 12 of the «FGC UES» JSC's Statute, this issue is the Board of Directors' competence).

form of the meeting – absent voting.

date of the meeting: 28.10.2004.

place of the voting results registration: Moscow, Akademika Chelomeya str., 5a.

minutes N 19 of 29.10.2004.

6. Quorum on the issue of securities issue (additional issue) decision approval and results of the voting: with 9 of 9 members of the Issuer's Board of directors participating in the voting, there is a quorum.

Results of the voting: «Pro» - 9; «Contra» - 0; «Abstained» - 0.

Adopted unanimously.

7. Information on the securities placed:

Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter "the Bonds");

Number of securities placed and nominal value of each security placed: 5 000 000 (Five million) items of nominal value 1 000 (One thousand) rubles each;

Securities issue total amount at nominal value: 5 000 000 000 (five milliard) rubles;

Way of securities placement, and if closed subscription, potential purchasers of the securities placed: public subscription;

Securities placement price or its determination: The Bonds' placement price is established at the amount of 1000 (one thousand) rubles per Bond. Starting from the second day of the issued Bonds placement, the buyer shall, when buying the Bonds, also pay the Bonds' coupon income accrued (CIA), determined according to the following formula: $CIA = Nom * R * ((T - T_0) / 365) / 100\%$, where: CIA is coupon income accrued, RUR; Nom – nominal value of one bond, RUR; R – the interest rate of the first coupon period, % p.a.; T – Bonds placement date; T₀ - Bonds placement beginning date. The amount of the coupon income accrued per one Bond shall be determined to within one kopeck, with mathematical rounding (a rounding method when the number of whole kopeck(s) shall not change, if the first number after the number being rounded is 0 to 4; and shall change to +1, if the first number after the number being rounded is 5 to 9).

Securities placement beginning and end date or its determination:

The date of the placement beginning, or its determination: The Bonds placement begins not earlier than two weeks after the Issuer's publication of the issue's public registration report, specifying for all persons concerned the procedure of access to the information contained in the securities Prospectus, according to the regulations of the Federal Law "Of the Securities Market" and of normative legal acts of the Federal executive authority for the securities market, as provided by p.11 of the Issue Decision and p.2.9 of the Securities Prospectus. The above-mentioned two-weeks' period is calculated from the date the Bonds issue public registration reports have been published in the "Vedomosti" newspaper. The date of the Bonds placement beginning is fixed by the Issuer's authorized body. Should, at the moment of an occurrence subject to disclosure by the Issuer, in conformity with Federal laws in force, and with normative legal acts of the Federal executive authority for the securities market, a procedure and time of the information disclosure about such occurrence be established, other than the procedure and the time provided by the securities issue Decision and the securities Prospectus, the information about the occurrence shall be disclosed according to the procedure and the time provided by the Federal laws and the normative legal acts of the Federal executive authority for the securities market, in force at the moment of the occurrence. According to the provisions of Regulation of information disclosure by issuers of emitted securities N 03-32/пс, approved by the Federal Securities Commission of Russia dd. July 02, 2003, a report of the Bonds placement beginning date shall appear as follows:

In the news band (AK&M, Interfax) – not later than 5 days before the securities placement;

On the Issuer's Internet site at: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru) - not later than 4 days before the securities placement.

Securities placement end date or its determination: The Bonds placement end date is one of the following: a) the 10th business day from the Bonds placement beginning date; b) placement date of the last Bond of the issue. The placement end date can not be later than one year after the Bonds issue public registration date.

Other provisions of securities placement determined by the placement decision:

Bonds Placement: The Bonds are placed by concluding purchase & sale deals at the Bonds' placement price in the stock market section of the "Moscow Inter-bank Currency Exchange" Closed Joint-Stock Company, or, should the exchange transactions pass from the "Moscow Inter-bank Currency Exchange" Closed Joint-Stock Company over to the "MMVB stock exchange" Closed Joint-Stock Company, the placement and/ or the circulation of the Bonds will take place in the auction of the "MMVB stock exchange" CJSC. Deals of Bonds placement are concluded at MIBCE by satisfying requests of the Bonds purchase/ sale, submitted using the MIBCE trading and cashing systems. When placing the Bonds, an Underwriter is acting as an intermediary, which is a professional player on the securities market admitted to the MIBCE auction, acting by his own name, on behalf and at the expense of the Company. The Underwriter's functions, as well as those of the Bonds placement organizer are executed by the "Troika Dialog" Investment Company.

During the Bonds placement, the payment shall be made with moneys, in RUR.

Bond holders' rights and their granting procedure: Each Bond of the issue provides its holder with the same volume of rights. Titles confirming the rights granted by the Bond, are the Bond certificate and the Securities issue decision. The Bond holder is entitled to receive the nominal value of the Bond, when the Bond is timely paid-off as provided. The Bond holder is entitled to receive a fixed percentage of the Bond's nominal value (coupon income). In case of the Issuer's reorganization, the Bond holder is entitled to require the Issuer's obligations on the Bonds to be terminated or discharged in advance, and damage to be recovered. In case of the Issuer's dissolution, the Bond holder is entitled to receive the money payable according to the sequence as determined according to article 64 of the Civil Code of the Russian Federation. The Issuer shall provide for the investment funds to be returned to the Bond holders, should the Bond issue be acknowledged void or invalid, in conformity with the law in force. The Bond holder is entitled to freely sell and otherwise alienate the Bonds. The Bond holder who has purchased the Bonds in the primary placement, is not entitled to effect bargains with the Bonds before their full payment and public registration of the report of securities placement results, in conformity with the law in force of the Russian Federation.

The Bond holder is entitled to exercise other rights provided by the law of the Russian Federation.

The Issuer shall secure the Bond holders' rights, provided that they comply with the procedure of the said rights exercising as required by the law of the Russian Federation.

Maturity date: Bond holders are entitled to receive the Bonds' nominal value after paying-off the Bonds. The issue's Bonds pay-off beginning date is the 1092nd (One thousand ninety second) day from the date of the issue's Bonds placement beginning.

Income on the Bonds. The Bond holder is entitled to receive a fixed percentage of the Bond's nominal value (coupon income). The coupon income is paid out on the 182nd, 364th, 546th, 728th, 910th and 1092nd days from the date of the issue's Bonds placement beginning.

The coupon (percentage) income rate per each coupon per 1 Bond is determined according to the following:

a) The interest rate on the first coupon is determined as a result of a tender at MIBCE among potential Bond purchasers on the date of the Bonds placement beginning. On the day of the tender, auction participants at MIBCE submit specific bids for Bonds purchasing, with calculation code T0 for auction using MIBCE's trading system, both at their own expense, and at the customers' expense. The timeframe and the procedure of bids submitting to the auction to determine the first coupon's interest rate are established by MIBCE, with the Issuer's and the Underwriter's approval. The bids for Bonds purchase are forwarded by the Section's members to

the Bonds placement intermediary (the Underwriter). The purchase bid shall contain the following essential information:

- purchase price (100% nominal value);
- number of Bonds;
- interest rate on the first coupon;
- other parameters, according to MIBCE Securities auction rules.

The Bonds placement price shall be stated as the purchase price. As the number of Bonds, the number of Bonds shall be stated a potential buyer would like to purchase, if the Issuer establishes the first coupon's interest rate exceeding or equal to the first coupon's interest rate value specified in the bid. As the first coupon's interest rate value, the first coupon's interest rate numeric value shall be stated, to within to 2 number after the point, the potential investor would be ready to buy the number of Bonds specified in the bid at 100% nominal price, if the Issuer declares the same. The interest rate value shall be in percent per annum, to within to one hundredth of percent. Monetary funds should be reserved to an amount sufficient for the Bonds complete payment, as specified in Bonds purchase bids, including all commission fees required. The bids not complying with the above requirements shall not be admitted to the tender for the first coupon's interest rate establishment. Upon expiry of tender bids submitting period, a consolidated list of securities purchase bids is made up by the MIBCE, and delivered to the Underwriter. The consolidated list of securities purchase bids/ the list of securities purchase bids accepted specify provisions of each bid: purchase price, number of securities, coupon rate, date and time of the bid receipt, and the name of the bidding MIBCE auction participant, the customer's code attributed by MIBCE (for bids submitted on behalf of a customer). The consolidated list of securities purchase bids/ the list of securities purchase bids accepted is approved by the Issuer's financial advisor, and transmitted to MIBCE. According to the analysis of bids participating in the tender, the Issuer's authorized body determines the first coupon's interest rate, and informs MIBCE of the decision in writing, not later than 30 minutes before forwarding it to the information agency. As soon as the information agency has published a report stating the first coupon's interest rate, the Issuer shall inform the Underwriter of the first coupon's interest rate value.

The report of the first coupon's interest rate shall be published by the Underwriter using MIBCE trading system, by sending e-mails to all members of the Section.

b) Interest rates on coupons 2 - 6 are equal to the first coupon's interest rate.

The coupon (percentage) income rate per coupon per 1 Bond is determined according to the following formula: $K_j = C_j * Nom * (T(j) - T(j-1)) / (365 * 100\%)$, where j is the number of the coupon period, $j=1,2,3,4,5,6$; K_j is the coupon income rate per coupon per 1 Bond, RUR; Nom – nominal value of 1 Bond, RUR; C_j – interest rate on the j^{th} coupon, % p.a.; $T(j-1)$ – beginning date of the on j^{th} coupon period; $T(j)$ – end date of the on j^{th} coupon period.

The coupon income rate per coupon is determined to within to one kopeck (the second number after the point is rounded up as follows: if the third number after the point is ≥ 5 , the second number after the point is increased to +1; if the third number after the point is < 5 , the second number after the point remains unchanged).

Procedure of income repayment and pay-off. Should the date of the coupon income repayment (pay-off) fall on a day-off, whether a State holiday or a cashing transactions day-off, the amount payable should be paid on the first business day next to the day-off. The Bond owner is not entitled to claim interests or any other compensation for such payment delay. The nominal value of the Bonds while their paying-off, and income repayment thereon shall be effected cashless in Russian rubles. The interest income on the Bonds and the Bonds pay-off shall be effected on behalf of the Issuer by the Payment agent assigned by the Issuer for settlement effecting (hereinafter "the Payment agent"). The Payment agent should be the NDC. The interest income (the Bonds' nominal value and the interest income, if Bonds paid-off) shall be repaid as follows:

The moneys are repaid in the currency of the Russian Federation, cashless, to the Bond owners, as at the end of the NDC's operating day, preceding the 3rd business day prior to the

issue's Bonds income repayment (pay-off) (hereinafter "the Date of List of Bond holders for coupon income repayment (pay-off)"). The said list of Bond holders shall include:

a) NDC's depositors, if:

- the persons are the issue's Bonds owners;

- the persons are entitled by the issue's Bonds owners to receive moneys while the issue's Bonds coupon income repayment (pay-off);

b) Bond holders which are not the NDC's depositors, and have not authorized the NDC's depositors, accounting the Bonds held by the owners, to receive moneys while the issue's Bonds coupon income repayment (pay-off);

c) Other persons authorized by the Bond holders to receive money payable while the issue's Bonds coupon income repayment (Bonds pay-off).

It is presumed that nominal holders – NDC's depositors are entitled to receive moneys payable while the Bonds coupon income repayment (pay-off). The NDC's depositors being nominal holders and not authorized by their customers to receive moneys payable while the Bonds coupon income repayment (pay-off), not later than at 12:00 Moscow time of the day preceding the 2nd business day prior to the date of the Bonds coupon income repayment (pay-off), shall deliver to the NDC the list of persons authorized to receive payments on the Bonds, including all details specified below in the List of Bond holders for coupon income repayment (pay-off). A Bond owner which is not a NDC's depositor can authorize a nominal bond holder, being the NDC's depositary, to receive amounts payable of the Bonds' income and pay-off. According to the data available or made available by the depositors, the NDC shall make up a list of Bond holders, for coupon income repayment (pay-off), to be submitted to the Issuer and to the Payment agent not later than on the 2nd business day prior to the date of the Bonds' income repayment (pay-off). The list of Bond holders for the coupon income repayment (pay-off) shall include the following information:

a) Full name (name, family name, patronymic – for natural persons) of the owner or nominal holder of the person entitled to receive income (pay-off) amounts on Bonds;

b) Number of Bonds accounted on the deposit account of the person entitled to receive income (pay-off) amounts on Bonds;

c) Actual and mailing address of the person entitled to receive income (pay-off) amounts on Bonds;

d) details of the bank account of the owner or nominal holder authorized by the owner to receive income (pay-off) amounts on Bonds, including:

- bank account number;

- name of the bank (including the bank's town), the account is open with;

- correspondent account of the bank the account is open with;

- bank identification code of the bank the account is open with;

e) Taxpayer identification number (TIN) of the person entitled to receive income (pay-off) amounts on Bonds;

f) tax status of the person entitled to receive income (pay-off) amounts on Bonds (resident, non-resident with permanent representatives in the Russian Federation, non-resident without permanent representatives in the Russian Federation, etc).

Bonds holders, their authorized representatives, including the NDC depositors, should keep their bank account details delivered to the NDC complete and updated. Should the above persons fail to deliver or timely deliver the said bank account details to the NDC, the obligations will be discharged to the person claiming the obligations to be discharged and being the Bonds holder on the date of the claim. The Company's obligations on the Bonds shall be discharged according to the NDC's data, in this case the Company's obligations shall be deemed fully and duly discharged. Should the bank account details delivered by the nominal holder, or the bank account details available at the Depositary, or other information required for the Company's obligations on the Bonds to be discharged, does not allow the Payment Agent to timely effect money transfer, such delay can not be deemed as a delay in the Bonds obligations discharge, and the Bonds holder shall not be entitled to claim interests to be accrued, or any other compensation

for such late payment. Not later than on the 2nd business day prior to the income payment on Bonds (the Bonds pay-off), the Company shall transfer the amount of money required to the Payment Agent's account. In order to coupon income payment (Bonds pay-off), according to a list of Bonds holders provided by the Depository, the Payment Agent shall calculate the amounts payable to each of the persons entitled to receive the income (Bonds pay-off) amounts. The Payment Agent shall transfer the amounts payable to accounts of the persons entitled to receive coupon income (Bonds pay-off) amounts, in favor of the Bonds holders. Should the same person be entitled to receive income (pay-off) amounts on behalf of several Bonds holders, the whole amount should be transferred to him, without specifying each of the Bonds holders. The obligations on Bonds shall be deemed as duly discharged towards the person included in the Bonds holders list for coupon income payment (pay-off), even in case of the Bonds alienation after the date the above List had been made up. No coupon income should accrue and be paid out on undistributed Bonds. The Company's obligations of the respective Bonds coupon income payment (pay-off amounts) shall be deemed as discharged from the moment money has been written off the Company's account, and/ or the Payment Agent's account, for the coupon income payment (pay-off amounts) in favor of Bonds holders.

Providing the issuer's members (shareholders) and/ or other persons with the preferential right to acquire the securities: no preferential right to acquire the issue's securities provided.

V. INFORMATION OF THE EMITTED SECURITIES PUBLIC REGISTRATION AND OF ACCESS TO THE INFORMATION CONTAINED IN THE SECURITIES PROSPECTUS

1. The issuer's full and short names (for non-profit organizations – the name), specifying the legal organization form: the “Federal Grid Company of Unified Energy System” Open Joint-Stock Company («FGC UES» JSC).

2. The issuer's actual address: 187000, Leningrad region, Tosno town, “Leningradskaya” SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing: “Vedomosti” newspaper, “Appendix to the “Vestnik of FSFR of Russia”.

5. Information on registered securities issue:

Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter “the Bonds”);

Securities issue public registration number and date: N 4-01-65018-D of December 02, 2004;

Name of the securities issue public registration body: FSFR of Russia;

Number of securities placed and nominal value of each security placed: 5 000 000 (Five million) items of nominal value 1 000 (One thousand) rubles each;

Securities issue total amount at nominal value: 5 000 000 000 (five milliard) rubles;

Way of securities placement: public subscription;

Securities maturity date: the 1092nd (One thousand ninety second) day from the date of the issue's Bonds placement. Dates of the beginning and of the end of the issue's Bonds maturity are the same.

Providing the issuer's members (shareholders) and/ or other persons with the preferential right to acquire the securities: no preferential right to acquire the issue's securities provided.

Fact of the securities prospectus registration simultaneously with the securities issue's public registration: the securities prospectus registered simultaneously with the securities issue's public registration;

Providing access to the information contained in the securities prospectus, including Internet page where the prospectus text is published; and the fact of the securities being signed by the financial adviser:

Not later than 3 (three) days from the Bonds public registration date, the Issuer shall publish the text of the registered securities Prospectus and of the securities issue Decision on the Issuer's Internet page: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru), from the date of its placement through the circulation period expiry. Starting on the date the Issuer has published in the "Vedomosti" newspaper a report of the Bonds issue public registration, all persons concerned can become aware of the securities issue Decision and of the securities Prospectus, and obtain copies thereof at the following addresses:

«FGC UES» JSC

Address: Russian Federation, 117630, Moscow, Akademika Chelomeya str., 5a. Telephone: (095) 929-1518 Fax: (095) 925 2820 Internet page: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru)

«Troika Dialog» IC" CJSC

Address: Russian Federation, 125009, Moscow, Romanov per., 4. Telephone: (095) 258 0500 Fax: (095) 258 0547 Internet page: [http:// www.troika.ru](http://www.troika.ru).

The securities prospectus signed by the financial adviser on the securities market:

The financial adviser's full and short firm names, actual address: "Federal Stock Exchange" Open Joint-Stock Company ("FFK" JSC), 119034, Moscow, Ostozhenka str., 25.

Timeframe (beginning and end dates) of the securities placement, or its determination:

The date of the placement beginning, or its determination: The Bonds placement begins not earlier than two weeks after the Issuer's publication of the issue's public registration report, specifying for all persons concerned the procedure of access to the information contained in the securities Prospectus, according to the regulations of the Federal Law "Of the Securities Market" and of normative legal acts of the Federal executive authority for the securities market, as provided by p.11 of the Issue Decision and p.2.9 of the Securities Prospectus. The above-mentioned two-weeks' period is calculated from the date the Bonds issue public registration reports have been published in the "Vedomosti" newspaper.

The date of the Bonds placement beginning is fixed by the Issuer's authorized body.

Should, at the moment of an occurrence subject to disclosure by the Issuer, in conformity with Federal laws in force, and with normative legal acts of the Federal executive authority for the securities market, a procedure and time of the information disclosure about such occurrence be established, other than the procedure and the time provided by the securities issue Decision and the securities Prospectus, the information about the occurrence shall be disclosed according to the procedure and the time provided by the Federal laws and the normative legal acts of the Federal executive authority for the securities market, in force at the moment of the occurrence.

According to the provisions of Regulation of information disclosure by issuers of emitted securities N 03-32/nc, approved by the Federal Securities Commission of Russia dd. July 02, 2003, a report of the Bonds placement beginning date shall appear as follows:

In the news band (AK&M, Interfax) – not later than 5 days before the securities placement;

On the Issuer's Internet site at: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru) - not later than 4 days before the securities placement.

Securities placement end date or its determination: The Bonds placement end date is one of the following: a) the 10th business day from the Bonds placement beginning date; b) placement date of the last Bond of the issue. The placement end date can not be later than one year after the Bonds issue public registration date.

Securities placement price or its determination: The Bonds' placement price is established at the amount of 1000 (one thousand) rubles per Bond. Starting from the second day of the issued Bonds placement, the buyer shall, when buying the Bonds, also pay the Bonds' coupon income accrued (CIA), determined according to the following formula: $CIA = Nom * R * ((T - T_0) / 365) / 100\%$, where: CIA is coupon income accrued, RUR; Nom – nominal value of one bond, RUR; R – the interest rate of the first coupon period, % p.a.; T – Bonds placement

date; T0 - Bonds placement beginning date. The amount of the coupon income accrued per one Bond shall be determined to within one kopeck, with mathematical rounding (a rounding method when the number of whole kopeck(s) shall not change, if the first number after the number being rounded is 0 to 4; and shall change to +1, if the first number after the number being rounded is 5 to 9).

6. The Issuer shall undertake the obligation to disclose the information in form of the securities issuer's quarterly reports, and of substantial facts reports (occurrences and actions) involving the issuer's financial & economic activity, as required by the law of the Russian Federation and by legal normative acts of the Federal executive authority for the securities market.

VI. REPORT OF EMITTED SECURITIES PLACEMENT BEGINNING

1. The issuer's full and short names (for non-profit organizations – the name), specifying the legal organization form: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company («FGC UES» JSC).

2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing:

In conformity with p. 2.5.2. of the «Regulation of information disclosure by emitted securities issuers" N 03-32/пс (version of 24.12.03), approved by the Federal Securities Commission of Russia dd. July 02, 2003, and the securities issue Decision (public registration number 4-01-65018-D of December 02, 2004), no publication in periodicals about the placement beginning date is required. Reports disclosed by the Issuer at various stages of the securities issue to be published in periodicals, shall be published in the "Vedomosti" newspaper, "Appendix to the "Vestnik of FSFR of Russia".

5. Information on the securities placed:

Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter "the Bonds");

Securities issue public registration number and date: N 4-01-65018-D of December 02, 2004;

Name of the securities issue public registration body: FSFR of Russia;

Number of securities placed and nominal value of each security placed: 5 000 000 (Five million) items of nominal value 1 000 (One thousand) rubles each;

Securities issue total amount at nominal value: 5 000 000 000 (five milliard) rubles;

Way of securities placement: public subscription;

Maturity date: the 1092nd (One thousand ninety second) day from the date of the issue's Bonds placement. Dates of the beginning and of the end of the issue's Bonds maturity are the same.

Securities placement price or its determination: The Bonds' placement price is established at the amount of 1000 (one thousand) rubles per Bond. Starting from the second day of the issued Bonds placement, the buyer shall, when buying the Bonds, also pay the Bonds' coupon income accrued (CIA), determined according to the following formula: $CIA = Nom * R * ((T - T_0) / 365) / 100\%$, where: CIA is coupon income accrued, RUR; Nom – nominal value of one bond, RUR; R – the interest rate of the first coupon period, % p.a.; T – Bonds placement date; T0 - Bonds placement beginning date. The amount of the coupon income accrued per one Bond shall be determined to within one kopeck, with mathematical rounding (a rounding method when the number of whole kopeck(s) shall not change, if the first number after the number being rounded is 0 to 4; and shall change to +1, if the first number after the number being rounded is 5 to 9).

6. Securities placement beginning date: December 21, 2004.

7. The placement beginning date may be changed provided that the relevant information be published in the news band and on the Internet page, at least 1 day prior to the placement beginning date specified in the same report.

8. Bonds placement end date or its determination:

The Securities placement end date is one of the following: a) the 10th business day from the Bonds placement beginning date; b) placement date of the last Bond of the issue. The placement end date can not be later than one year after the Bonds issue public registration date.

VII. INFORMATION OF INCOME ACCRUED AND (OR) PAID ON THE ISSUER'S SECURITIES, OF THE DUE DATES THE ISSUER'S OBLIGATIONS HAVE TO BE DISCHARGED TO SECURITIES HOLDERS

1. The issuer's full name: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company.

2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing: "Vedomosti" newspaper, "Appendix to the "Vestnik of FSFR of Russia".

5. Information on registered securities issue:

Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter "the Bonds");

3. The Taxpayer Identification Number: 4716016979.

4. The issuer's unique public registration ID: 65018-D.

5. Code of the substantial fact: 0665018D21122004, 0965018D21122004.

6. Internet page used for publications about substantial facts: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

7. Name of the periodical used for publications about substantial facts: "Vedomosti" newspaper, "Appendix to the "Vestnik of FSFR of Russia".

8. Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter "the Bonds");

9. Securities issue public registration number and date: N 4-01-65018-D of December 02, 2004.

10. Name of the securities issue public registration body: FSFR of Russia;

11. Meaning of the issuer's obligation: decision on the interest rate value on the Bonds' first coupon.

The issuer's managing body deciding to establish the interest rate value of the Bond's first coupon. Date of the decision:

The rate on the first coupon is established according to the securities issue Decision (public registration number 4-01-65018-D of December 02, 2004) approved by the Board of directors of the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company (minutes № 19 of 29.10.2004). According to the decision of the Chairman of the Board of the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company (Order № 373 of December 21, 2004), the Bonds first coupon interest rate shall be established at the amount of 8,80 (eight point eighty) percent per annum.

Due date of the obligation: December 21, 2004.

Fact of the obligation discharge: obligation discharged.

12. Total amount of interests and (or) other income payable on the Bonds: 219 400 000 (two hundred nineteen million four hundred) rubles 00 kopecks.

Amount of interests and (or) other income payable on one Bond: 43 (forty three) rubles 88 kopecks.

13. Form of payment of the securities income: cashless with monetary means in the currency of the Russian Federation.

14. Due date of the Bond income payment obligation: 21.06.2005.

15. Total amount of interests and (or) other income paid on the Bonds of the "Federal Grid Company of Unified Energy System": 0 rubles.

VIII. END OF THE EMITTED SECURITIES PLACEMENT

1. The issuer's full and short names (for non-profit organizations – the name), specifying the legal organization form: the "Federal Grid Company of Unified Energy System" Open Joint-Stock Company («FGC UES» JSC).

2. The issuer's actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.

3. Internet page used by the issuer for publications containing information to be disclosed during securities issuing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

4. Name of the periodical(s) used by the issuer for publications containing information to be disclosed during securities issuing: "Vedomosti" newspaper, "Appendix to the "Vestnik of FSFR of Russia".

5. Information on registered securities issue:

Kind, category (type) and other identification signs of the securities: documentary interest-bearing non-convertible bearer bonds, series 01, with obligatory centralized storing (hereinafter "the Bonds");

Securities issue public registration number and date: N 4-01-65018-D of December 02, 2004;

Name of the securities issue (additional issue) public registration body: FSFR of Russia;

Nominal value (if required by the Law of the Russian Federation) of each security placed: 1 000 (One thousand) rubles;

Way of securities placement: public subscription;

Securities maturity date: the 1092nd (One thousand ninety second) day from the date of the issue's Bonds placement. Dates of the beginning and of the end of the issue's Bonds maturity are the same.

6. Real beginning date of the securities placement (date of the first transaction originating property right to securities): 21.12.2004.

7. Real end date of the securities placement (date of the last receipt record in the personal account (deposit account) of the first holder) in the titles registration system of the issue's securities (of the additional issue), or date of the last issue's (additional issue's) security certificate: 21.12.2004.

8. Number and rate (of the total number of the issue's securities) of securities actually placed, form of payment of the securities placed, number of Bonds placed: 5 000 000 (five million) items, or 100% of the issue's securities total number. The Bonds have been paid cashless with monetary means in the currency of the Russian Federation.

9. Actual price(s) of the securities placement and number of securities placed under each of the placement prices: the placement price of all Bonds of the issue is 1.000 (one thousand) rubles per Bond. Number of Bonds placed at the price of 1.000 (one thousand) rubles is 5 000 000 (five million) items.

10. Information of transactions the company was interested in, and of major transactions performed by the issuer within the securities placement, and of the fact of their approval by the issuer's authorized managing body, or lack of the said fact: No transactions the company was interested in and no major transactions were performed by the issuer within the securities placement.

IX. DETAILS OF DECISIONS ADOPTED BY THE ISSUER'S BOARD OF DIRECTORS

1. The issuer's full firm name: «Federal Grid Company of Unified Energy System» («FGC UES» JSC).

2. Actual address: 187000, Leningrad region, Tosno town, "Leningradskaya" SS.

3. The issuer's Taxpayer Identification Number: 4716016979.

4. The issuer's unique public registration ID: 65018-D.

5. The issuer's Internet page for information publishing: [http:// www.fsk-ees.ru](http://www.fsk-ees.ru).

6. Date of the issuer's Board of director's meeting where the decision of branches establishment was made: 28.12.2004.

7. Date and number of the minutes of the issuer's Board of director's meeting where the decision of branches establishment was made: Minutes No.20 dd. 29.12.2004.

8. Sense of the decision adopted by the issuer's Board of directors:

1. To establish the following «FGC UES» JSC branches:

The «FGC UES» JSC branch – Western Siberia main electricity lines;

The «FGC UES» JSC branch – Khanty-Mansiysk main electricity networks company;

The «FGC UES» JSC branch - Tiumen main electricity networks company;

The «FGC UES» JSC branch – Yamalo-Nenezkoe main electricity networks company;

The «FGC UES» JSC branch – Tiumen company of control & communication systems.

2. To amend the «FGC UES» JSC Statute concerning the branches establishment.

**2004' Annual Bookkeeping Report
of the «FGC UES» JSC**

BALANCE SHEET
As on December 31, 2004

CODES:

Company: "Federal Grid Company of Unified Energy System" Open Joint-Stock Company

Form #1 OKUD: 0710001

Date (YYYY, MM, DD): 2004/12/31

OKPO: 56947007

INN (TIN): 4716016979

OKVED: 40.10.2

OKOPF/OKFS: 47 16

OKEI: 384/385

Taxpayer Identification Number

Activity: XXX

Legal form/ Property form: XXX

Unit: XXX

Registered address: 187000, XXX

Date of approval:

Date of sending/ acceptance: 30.03.2005

ASSETS	Index code	Beginning of the accounting year	End of the accounting period
1	2	3	4
I. Non-circulating assets			
Intangible assets, including:	110	1 050	1 414
- patent, programs, trade mark, or similar rights	111	1 050	1 414
- other intangible assets	112	-	-
Fixed assets, including:	120	97 197 259	101 314 187
- land lots and natural units	121	1 944	3 496
- buildings, machines, equipment, structures	122	96 876 198	100 942 989
- other fixed assets	123	319 117	367 702
Construction in progress, including:	130	21 415 394	22 707 527
Equipment to be installed	131	1 729 718	2 174 857
Investments in non-circulating assets	132	19 685 676	20 532 670
Income-bringing investments in material stocks	135	-	-
Long-term financial investments	140	-	993 822
Deferred tax assets	145	627 270	649 925
Other non-circulating assets	150	-	35 919
Total Section I	190	119 240 973	125 702 794
II. Circulating assets			
Reserves	210	961 379	1 419 356
Including:			
Raw materials, materials, and other similar stocks	211	745 034	822 741
Ready products and goods for resale	214	51	68
Deferred expenses	216	211 255	596 545
Other reserves and costs	217	5 039	2
Value-added tax on stocks acquired	220	1 447 991	3 510 575
Accounts receivable later than 12 months after the end of the accounting period	230	-	-
Accounts receivable within 12 months after the end of the accounting period, including:	240	3 539 201	6 609 958
Buyers and customers	241	1 079 658	479 463
- members' (founders') indebtedness on authorized capital contributions	242	-	-
- advances paid out	243	2 361 871	5 486 973
- other debtors	244	97 672	703 522
Short-term financial investments	250	1248	52
Monetary funds, including:	260	1 252 278	164 736
Cash	261	1 189	1 619
Settlement accounts	262	1 249 920	161 437
Currency accounts	263	35	30
Monetary instruments	264	19	27
Other monetary funds	265	1 115	1 623
Other circulating assets	270	-	-
Total Section II	290	7 202 097	11 764 677
BALANCE	300	126 443 070	137 467 471

LIABILITIES	Index code	Beginning of the accounting year	End of the accounting period
1	2	3	4
III. Capital and reserves			
Authorized capital	410	127 000 000	121 607 242
Own shares bought back from shareholders	411	(7 072 799)	-
Additional capital	420	5 742 675	5 731 591
Capital reserves	430	0	52 448
Outstanding past loss	460	(1 444 602)	(437 013)
Undistributed past profit	465	1 048 953	-
Undistributed profit of the reporting year	470	-	2 166 760
Total Section III	490	125 274 227	129 121 028
IV. Fixed liabilities			
Loans and credits	510	-	5 000 000
Deferred tax liabilities	515	-	-
Other fixed liabilities	520	-	-
Total Section IV	590	-	5 000 000
V. Current liabilities			
Loans and credits	610	-	1 532 101
Accounts payable, including:	620	1 168 843	1 814 312
Suppliers and contractors	621	491 926	1 050 498
Company's staff payables	622	39 095	56 000
Public non-budget funds payables	623	12 522	18 356
Taxes and duties payables	624	466 162	88 095
Advances received	627	372	12 122
Other creditors	625	188 766	589 241
Deferred tax liabilities	630	-	-
Deferred tax liabilities	640	-	30
Deferred tax liabilities	650	-	-
Deferred tax liabilities	660	-	-
Total Section V	690	1 168 843	3 346 443
BALANCE (lines 490+590+690)	700	126 443 070	137 467 471

Information of stocks accounted on non-balance accounts			
Rented fixed assets	910	1 682	3 978 682
Including leased	911	-	-
Inventory holdings under accountable storing	920	547	63 284
Goods on commission	930	-	-
Indebtedness of insolvent debtors written-off as loss	940	-	-
Liabilities and payments securities received	950	-	-
Liabilities and payments securities issued	960	108 528	1 336 338
Housing resources wear	970	-	11
Wear of external improvement units and similar	980	-	-
Intangible assets in use	990	-	-
Overalls	991	-	-
Rented-out fixed assets	992	-	197
Accountable forms	1000	20	100

PROFITS AND LOSS ACCOUNT
As on December 31, 2004

CODES:

Company: "Federal Grid Company of Unified Energy System" Open Joint-Stock Company

Form #1 OKUD: 0710002

Date (YYYY, MM, DD): 2004/12/31

OKPO: 56947007

INN (TIN): 4716016979

OKVED: 40.10.2

OKOPF/OKFS: 47 16

OKEI: 384/385

Taxpayer Identification Number

Activity: XXX

Legal form/ Property form: XXX

Unit: XXX

Index		As for the	As for the
Description	Code	accounting	last year's
1	2	period	same period
		3	4
Income and expenses of ordinary activities			
Net profit of goods, products, works, services sale (less value-added tax, excise and similar obligatory payments), including:	010	23 249 655	17 229 460
- electrical energy transmission services	011	23 243 817	17 208 561
- other activities	012	5 838	20 899
Cost price of goods, products, works, services sold	020	(17 948 479)	(15 129 287)
- electrical energy transmission services	021	(17 944 614)	(15 114 939)
- other activities	022	(3 865)	(14 348)
Gross profit (010 + 020)	029	5 301 176	2 100 173
Sales costs	030	-	-
Management costs	040	(1 126 540)	(534 220)
Sales profit (loss)	050	4 174 636	1 565 953
Operating income and expenses			
Interest receivable	060	56 115	116 444
Interest payable	070	(175 247)	(3)
Income of shares in other companies	080	-	-
Other operating income	090	73 638	207 910
Other operating expenses	100	(972 456)	(392 561)
Non-realization income and expenses			
Non-realization income	120	61 033	12 478
Non-realization expenses	130	(207 877)	(99 307)
Extraordinary income and expenses			
Extraordinary income	160	241 569	209 794
Extraordinary expenses	170	(93 724)	(80 516)
Profit (loss) before taxation	140	3 157 677	1 540 192
(050+060+070+080+090+100+120+130+160+170)			
Conventional profit tax expenditure (140x24%)	143	(757 842)	(369 646)
Fixed tax liabilities	200	(231 988)	(120 992)
Deferred tax assets	141	29 526	194 361
Deferred tax liabilities	142	(6 872)	-
Current profits tax (143+200-141-142)	150	(1 012 484)	(684 999)
Other similar obligatory payments	151	(1 087)	(601)
Net profit (loss) of the accounting period	190	2 166 760	1 048 953
(140+143+200+151) or (140+141+142+150+151)			
Basic profit (loss) on 100 000 000 shares	201	897	420
Watered profit (loss) on 100 000 000 shares	202	897	420

Identification of individual profits and losses

Index		For the accounting period		For the last year's same period	
Description	Code	profit	loss	profit	Loss
1	2	3	4	5	6
Fines, penalties, forfeits acknowledged, or imposed by court (arbitration) decisions		964	2292	36	156
Profit (loss) of past periods		23 968	16 848	11 495	9 875
Damage recovery incurred due to default undue discharge of obligations		-	-	-	-
Exchange rate differences for foreign currencies operations		601	1 685	2	18
Estimation reserve deductions		X	543 010	X	6 403
Amortization of accounts receivable and payable with action limitation period expired		-	-	-	-

RSM Top-Audit
 29.03.05 No. EL-679
 “RSM Top-Audit” AKG
 119017, Moscow, B.Ordynka str., 54, bd.2
 Tel, 7 (095) 981-41-21 Fax: (095) 363-28-48
www.top-audit.ru E-mail: mail@top-audit.ru

Auditor’s opinion on bookkeeping accounts

To shareholders of the “FGC UES” Open Joint-Stock Company

Auditor: “RSM Top-Audit” Limited Liability Company
 Legal address: 111024, Moscow, Shosse Entuziastov, 5, bd. 4
 Mailing address: 119017, Moscow, B.Ordynka str., 54, bd. 2
 Tel./ Fax: (095) 363-2848, 981-4121.
 INN (TIN) 7722020834
 Public registration certificate No. 360.640 issued on April 02, 1992 by Moscow Registration Chamber.
 Auditing license No. E 004827 issued according to Order No. 238 of August 01, 2003 of the Ministry of Finances of the Russian Federation.
 The license is valid within 5 years from the above date.
 The “RSM Top-Audit” LLC is a member of the Institute of Professional Auditors (IPA) and of the “RSM International” (international auditing & consulting company).

Audited person

Name: The “Federal Grid Company of Unified Energy System” Open Joint-Stock Company (short name: “FGC UES” JSC);
 Actual address: 187000, Russian Federation, Leningrad region, Tosno town, “Leningradskaya” SS.
 Public registration number and date: 00/03124 of 25.06.02.

We have audited the “FGC UES” JSC’s bookkeeping accounts attached, for the period from January 01 through December 31, 2004 inclusive. The “FGC UES” JSC’s bookkeeping accounts include:

- A balance sheet;
- A profits & loss account;
- Appendices to the balance sheet and to the profit & loss account;
- An explanatory note.

It is the responsibility of the “FGC UES” JSC’s executive body to have prepared and submitted the said bookkeeping accounts.

Our responsibility is to express our opinion on the reliability in all substantial aspects of the said accounts, and on the conformity of the book-keeping to the law of the Russian Federation, based on the audit performed.

We have performed the audit in conformity with:

- The Federal Law “Of auditing activity”;
- The Federal Rules (standards) of auditing activity, approved by regulation No.696 dd. September 23, 2002 of the Government of the Russian Federation;
- Other legislative and normative acts regulating the auditing activity;
- Internal regulations (standards) of the “RSM Top-Audit” auditing activity.

The audit has been planned and performed in a way to provide reasonable confidence in the fact that the bookkeeping accounts do not contain any substantial distortions. The audit was performed on a “random” basis, and included a study according to tests of evidences confirming numeric values in the bookkeeping accounts and information disclosure therein of financial &

economic activity, evaluation of whether the accounting principles and rules have been observed, used for the bookkeeping accounts preparation, consideration of main estimated values obtained by the "FGC UES" JSC officials, and the evaluation of the bookkeeping accounts submission. we believe that the audit performed provides enough information for our conclusion to be made on the reliability of the bookkeeping reports and on the conformity of the book-keeping procedure with the law of the Russian Federation.

We believe that the "FGC UES" JSC's reports reflect trustworthily in all substantial aspects the financial situation as on December 31, 2004, and results of the financial & economic activity within the period from January 01 through December 31, 2004 inclusive, according to regulations of the law of the Russian Federation concerning book-keeping reports preparation.

Deputy Auditing Director (signed) E.Z. Shokhor

Auditing Manager (signed) E.F. Dolanova

Auditor's qualification certificate No. K019928, issued according to Central Auditors' Certifying Board of the Ministry of Finances of the Russian Federation dd. August 09, 2001, minutes No. 96, for an unlimited period.

Stamp: "RSM Top-Audit" Limited Liability Company Moscow

Appendix 5

Actual address: 117630, Moscow, Akademika Chelomeya streets, 5A
 Mailing address: 117630, Moscow, Akademika Chelomeya streets, 5A

Tel.: 710-55-06, 710-56-02
 Fax: 710-68-43
 E-mail: info@fsk-ees.ru

Details of the issuer's auditor(s)

Full firm name: "RSM Top-Audit" Limited Liability Company
 Short firm name: «RSM T.A.» LLC
 Actual address – 111024, Moscow, Shosse Entuziastov, 5, bd. 4
 Tel. – (095) 916-0911
 Fax – (095) 917-8789
 E-mail – topaudit@commail.ru
 Auditing license No. E 004827
 License issued on 01.08.2003 (order № 238)
 License valid through – 01.08.2008
 Body issuer of the license: Ministry of Finances of the Russian Federation
 Independent inspection of the 2004' bookkeeping and financial (bookkeeping) accounting of the «FGC UES» JSC carried out by the "RSM T.A." LLC.
 No factors which could affect the auditor's independence from the issuer.

Details of the issuer's estimator

In order to re-estimate the fixed assets as on 01.01.2004, the issuer engaged an independent estimator: the "CO-INVEST" Limited Liability Company (the "Co-Invest" LLC).
 The estimator's actual address: 117133, Moscow, Akademik Varga Str., 22, apt. 20
 E-mail – info@coinvest.ru
 Estimator's activity license number and date of issue: №000025 of 06.08.2001.
 License valid through: 06.08.2004.
 Body issuer of the license: Ministry of property relations of the Russian Federation
 Details of estimation services provided by the estimator: The estimator performed works of replacement value estimation of the «FGC UES» JSC's fixed assets as on 01.01.2004, i.e., of the full amount of costs the owner should have incurred, to replace them with analogous new fixed assets, as to market prices in force on the date of estimation, according to Order № 26H dd. 30.03.2001 of the Ministry of Finances of the Russian Federation.

Registrar's details

Keeper of the issuer's (issuer, registrar) nominal securities holders' register: "Central Moscow Depository" Open Joint-Stock Company ("CMD" JSC).

Actual address: 105082, Moscow, B. Pochtovaya str., 34, bd.8.

Mailing address: 105082, Moscow, B. Pochtovaya str., 34, bd.8.

Tel.: (095) 221-13-33 Fax: (095) 221-13-83

E-mail: mcdepo@dol.ru

License:

License number: 10-000-1-00255

License issued on: 13.09.2002

Period of validity: n/a.

Body issued of the license: Federal Securities Market Commission.

Date of filing of the issuer's nominal securities with the above registrar:
27.11.2002 г.