



**Federal Grid Company (FGC)
of the Russian Unified Energy System**

9M 2009 results presentation

November 17, 2009



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Key events

9 months of 2009

January	On January 19th, 2009, FGC UES started the placement of its additional share issue
February	On February 11th, 2009, MSCI Barra (the developer of stock market indices) adopted a decision to include the Company's shares in the MSCI Russia and MSCI Emerging Markets indices
March	On March 23rd, 2009, the Russian Ministry of Energy transferred RUR 29,178,020,800 to the Company's share capital to pay for shares from the additional placement On March 29th, 2009, the Russian Ministry of Energy transferred RUR 1,375,300,000 to the Company's share capital to pay for shares from the additional placement
April	On April 14th, 2009, FGC UES repaid (ahead of schedule) a loan to the European Bank for Reconstruction and Development (EBRD) in the amount of RUR 5 billion
June	On April 27th, 2009, the MIXEX Stock Exchange included shares of FGC UES into the base for calculation of its MICEX Index On June 24th, 2009, the Russian Ministry of Energy transferred RUR 1,500,000,000 to the Company's charter capital to pay for shares from the additional placement On June 30th, 2009, the Company held its Annual General Shareholders' Meeting
July	On July 15th, 2009, FGC UES shares were included in the "MICEX-high capitalization" index
August	On August 27th, 2009, the Company's shares began to be traded on the RTS Standard stock market among the 22 most liquid securities of Russian issuers
September	On September 15th, 2009, at a session of the Russian Government, FGC UES' 2010 – 2012 investment program was adopted, as well as the transition to a new tariff system (RAB), beginning in 2010
October	On October 27th, 2009, an Extraordinary General Shareholders' Meeting elected Mr. Oleg Budargin as Chairman of the Management Board

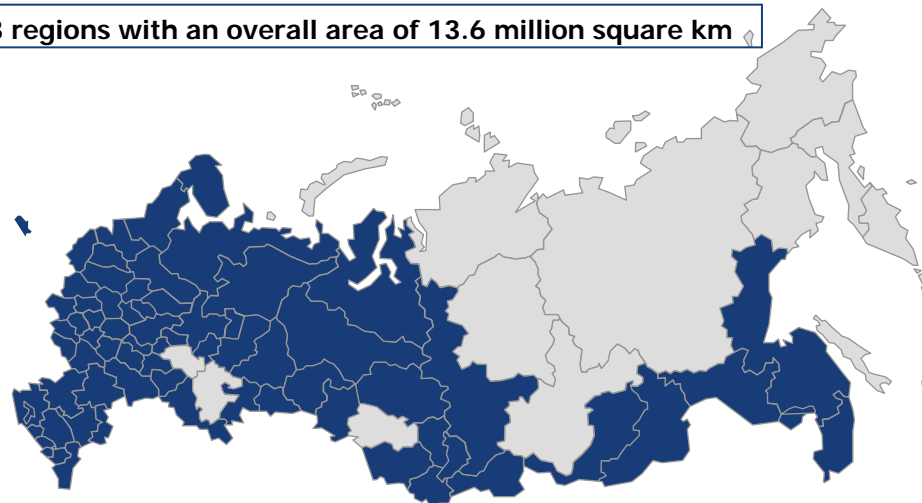
General information

Key facts

- ▶ FGC UES is a natural monopoly in the energy transmission sector, owning and managing the Unified National (all-Russian) Electric Grid (UNEG) – with voltages of 220 kV or higher
- ▶ FGC UES is one of the three largest transmission companies in the world (based on the length of transmission lines and transformer capacity)
- ▶ At present, the Company's revenues are generated by energy transmission payments and technological connections to grids
- ▶ Shareholder structure (as of September 30th, 2009): Russian Federation – 78.84%; free float – 21.16%
- ▶ Ticker (MICEX): FEES
- ▶ Market capitalization (as of September 30th, 2009): RUR 413 bln.
- ▶ P/BV (as of September 30th, 2009) 0.54

■ Regions covered by FGC UES

73 regions with an overall area of 13.6 million square km



Key financial indicators*	2008	9 months 2009
Revenue, RUR mln.	68,485	61,861
EBITDA, RUR mln.	29,412	36,559
Loans and credits as of the end of the period, RUR mln.	32,980	19,872
Marker capitalization, RUR mln.	141,882	412,958
Key performance indicators		
Overall length of lines, thousand km	118	118
Number of sub-stations	757	757
Installed transformer capacity, GVA	286	296

*Notes: RAS reports

Strategic Goals

MISSION

To ensure the stable functioning, as well as the timely development, of the Unified National (all-Russian) Electric Grid (UNEG), to an adequate level based on domestic economic growth

Guaranteeing financial stability

- ▶ Transitioning to tariff regulation using the method of return on invested capital (RAB), beginning in 2010
- ▶ Realizing a cost optimization program
- ▶ Achieving profitability at the level of developed countries' grid companies
- ▶ Forming an optimal capital structure
- ▶ Increasing market capitalization and upgrading investor attractiveness

Ensuring the required reliability level for the UNEG

- ▶ Realizing a program to decrease electricity grid loss
- ▶ Decreasing the degree of physical wear to UNEG equipment
- ▶ Ensuring the optimal technical condition of equipment
- ▶ Ensuring a high level of industrial safety
- ▶ Using innovative solutions to implement production programs

Satisfying Russia's economic needs during UNEG development

- ▶ Providing for the technological connection of consumers to the UNEG
- ▶ Offering capacity to introduced power generation units
- ▶ Lifting grid restrictions
- ▶ Realizing national target programs (for example, the Sochi Olympics-2014 and APEC, etc.)
- ▶ Forming a reliable construction complex in the electrical grid property

Investment Highlights

FGC UES

Change in the tariff regulatory system

Financial stability and growth potential

Share liquidity

The Company is one of the most attractive investment opportunities in the Russian stock market

- ▶ The effective regulatory system is legally determined by Government Provision №459 (as of June 18th, 2008) and Order №231-e of the Russian Federal Tariff Service (as of June 26th, 2008)
- ▶ Beginning in 2010, a key decision was adopted to transition the Company to a return on invested capital (RAB regulation) regulatory system
- ▶ Tariff increase*: in 2010: 53%; in 2011 – 45%; in 2012 – 40%
- ▶ Borrowed funds represent 2.5% of the total balance
- ▶ Current minimal debt level – Net Debt/EBITDA 0.4
- ▶ 2009 – 2011 investment program foresees introducing more than 127 thousand units of UNEG, including: 7.3 thousand km of transmission lines and 34,889 MWA of substations
- ▶ Free float of not less than 15%
- ▶ EV/Implied RAB not greater than 0.5*
- ▶ Company shares are included in the MSCI Emerging Markets & Russia indices
- ▶ Planned 2010 listing of global depository receipts (GDRs) on a foreign stock exchange

*Based on the Company's in-house evaluation. Regulator's decision expected prior to December 1st, 2009

Changes in Tariff Regulation

Key Principles of RAB Regulation

- ▶ The transmission tariff includes the justified return on invested capital in accordance with international best practice based on RAB methodology
- ▶ The initial RAB is defined based on the replacement value of assets net of amortization and inefficiency
- ▶ Incentives to upgrade operational efficiency during the 5 year regulatory period
- ▶ On an annual basis, regulated revenue is adjusted based on the actual inflation rate, the actual volume of services, growth in non-controllable expenses, the actual investment level and results on reliability indicators and customer service quality

Quantitative Parameters of RAB Regulation*

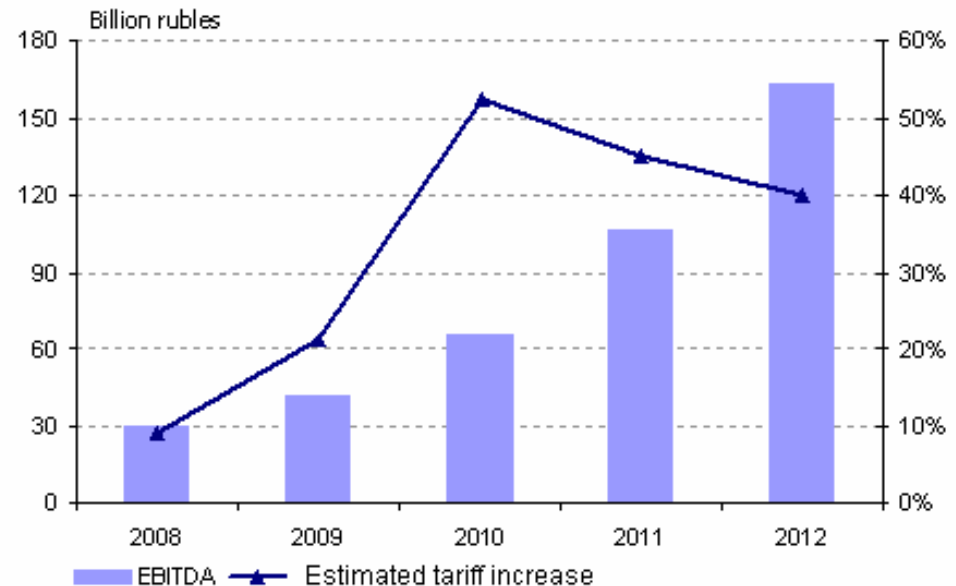
- ▶ Beginning in 2010, the Russian Government approved FGC UES' transition to RAB regulation
- ▶ Regulatory period: 5 years. Transition period – 3 years (2010 - 2012)
- ▶ Initial invested capital base (iRAB) – RUR 894.6 bln
- ▶ Return on invested capital:
 - ▶ Current capital: 2010 (2.5%) – 2011 (4.5%) – 2012 (8%)
 - ▶ New capital – 12% after tax
- ▶ 2010 tariff increase – 52.5%
- ▶ Return period: 35 years
- ▶ Regulatory rate of decrease on controllable operating expenses: 1 - 2.5% annually

*Based on the Company's in-house evaluation. Regulator's decision expected prior to December 1st, 2009

EBITDA and Tariff Growth (Forecast)

- ▶ Beginning in 2010 – following the transition to a new regulatory system – tariff increases will be based on EBITDA growth
- ▶ EBITDA under RAB regulation is strictly defined by the rate of return and the RAB amortization period (asset base size depends on the Company's investment program)
- ▶ In 2010-2012 tariff growth will be smoothed out by a decreased rate of return for the Initial RAB

Projected Tariff and EBITDA Growth



- ▶ A key decision was adopted to increase the 2010 tariff by approximately 52.4%

Key financial indicators (RAS)

Financial indicator (VAT not included), RUR mln	9 months 2008	9 months 2009	Change, %
Revenue from sales	51,470	61,861	20
Revenue from electricity transmission services*	49,744	59,948	21
Revenue from other activities **	1,726	1,913	11
Net income	7,149	12,641	77

* Tariff for energy transmission (RUR/MW per month) **2008** – 48,170.26 ; **2009** – 58,159.01

** Revenues from technical connection, property rent, etc.

2009 – 2011* financial indicators' forecast for FGC UES

	RUR mln		
	2009	2010	2011
Revenue from electricity transmission	85,390	116,025	164,966
Cost of services	74,755	81,957	95,389
EBITDA	39,167	64,736	106,602
Net profit	6,874	19,112	42,155

* Forecast by the Company's management based on RAB parameters:

Size of invested capital (base) – RUR 894.6 bln.;

Rate of return (actual, RUR, after taxes): on already invested capital - 2010 – 2.5 %; 2011 – 4.5 %; 2012 - 8%; on new capital – 12%;

Actual tariff growth in 2010 – 52.4%;

Payback period – 35 years.

Material changes: Balance sheet

Material changes in the items since the beginning of 2009	Change, %	Explanation of the material changes
ASSETS		
Construction in progress	+29	Increased volume of the investment program
Accounts receivable (long-term)	-51	Retirement of bills
Accounts receivable (short-term)	+7	Greater volume of advances to construction organizations due to realization of the Company's investment program
Short-term financial investments	-17	Retirement of bills

LIABILITIES		
Loans and credits (long-term)	-67	Transfer of series 05 bonds into the category of short-term debt, repayment of the EBRD loan
Loans and credits (short-term)	-20	Repayment of an Alfa Bank loan, transfer of series 05 bonds into the category of short-term debt
Accounts payable	+160	As a result of the additional share issue, liabilities toward shareholders are reflected as accounts payable until the moment when the respective amendments are introduced into the Company's share capital


Material changes: Profit and loss statement

Items with material changes for 9 months of 2009	Change, %	Explanation of material changes
Revenue	+20	Due to increased production capacity compared with the same period in the previous year, as well as a 20.7% higher tariff to transfer electric energy through the UNEG (the average monthly tariff in 2009 was 58,159.01 RUR/MW compared with 48,170.26 RUR/MW per month in 2008), which is due to an increase in the investment component in the energy transfer tariff in 2009
Operating expenses	+11	Due to growth in amortization and material expenses, including carrying out maintenance work on the electric grids. It should be noted that other costs decreased due to a comprehensive cost cutting program that FGC UES conducted.
Income from participating in other companies	RUR 708,680 thousand	Dividends obtained from subsidiaries. The largest dividends were earned from Bashkirenergo, GSS UNEG and Energostroysnabcomplex
Net profit	+77	Due to higher revenue from operational activity

Borrowing and credit leverage

- ▶ FGC UES' 2009 credit leverage – 6%
- ▶ FGC UES plans to increase its net debt from RUR 18 bln in 2009 up to not more than RUR 180 bln in 2012 (a 25% increase in credit leverage)
- ▶ FGC UES aims to cut the cost of borrowed capital and during the last 4 years the Company has already significantly improved its credit ratings
- ▶ On November 5th, 2009, the Russian Federal Service for Financial Markets (FSFM) registered JSC FGC UES' bond issues in the amount of RUR 50 bln. In September the Company's Board of Directors has adopted a decision to place the bond issues
- ▶ Realization of complex measures to decrease the cost of capital:
 - Introduction of new RAB regulation system
 - Improved credit ratings (currently BBB from S&P, Baa2 from Moody's)
 - Attribution of corporate governance score
 - Increased corporate transparency as part of the process of completing a GDR listing on foreign stock exchange(s)

FGC UES' credit ratings

	2004	2005	2006	2007	September 2009
STANDARD & POOR'S	B	B+	B+	BB+	BBB
 Moody's Investors Service			Baa2	Baa2	Baa2

Note: data as of the end of the year
Source: Standard & Poors, Moody's

Credit portfolio

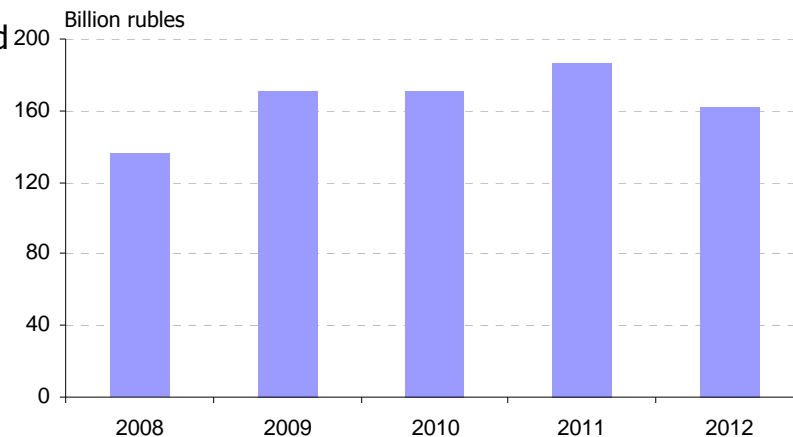
	Redemption date	Amount of debt, RUR mln
Series 02 bonds	22.06.2010	7,000
Series 04 bonds	05.10.2011	6,000
Series 05 bonds	01.12.2009	4,980

- ▶ Ruble-denominated debt
- ▶ FGC UES' bonds are included in the Russian Central Bank's Lombard List

Investment program implementation

- ▶ FGC UES' total planned investment for 2009 – 2012 is RUR 519.4 bln
- ▶ RAB-regulation will allow the investment program to be financed through:
 - Re-investing shareholder capital on payback conditions
 - Intensively using borrowed capital
- ▶ Additional financing sources – paying for technological connections to the grids

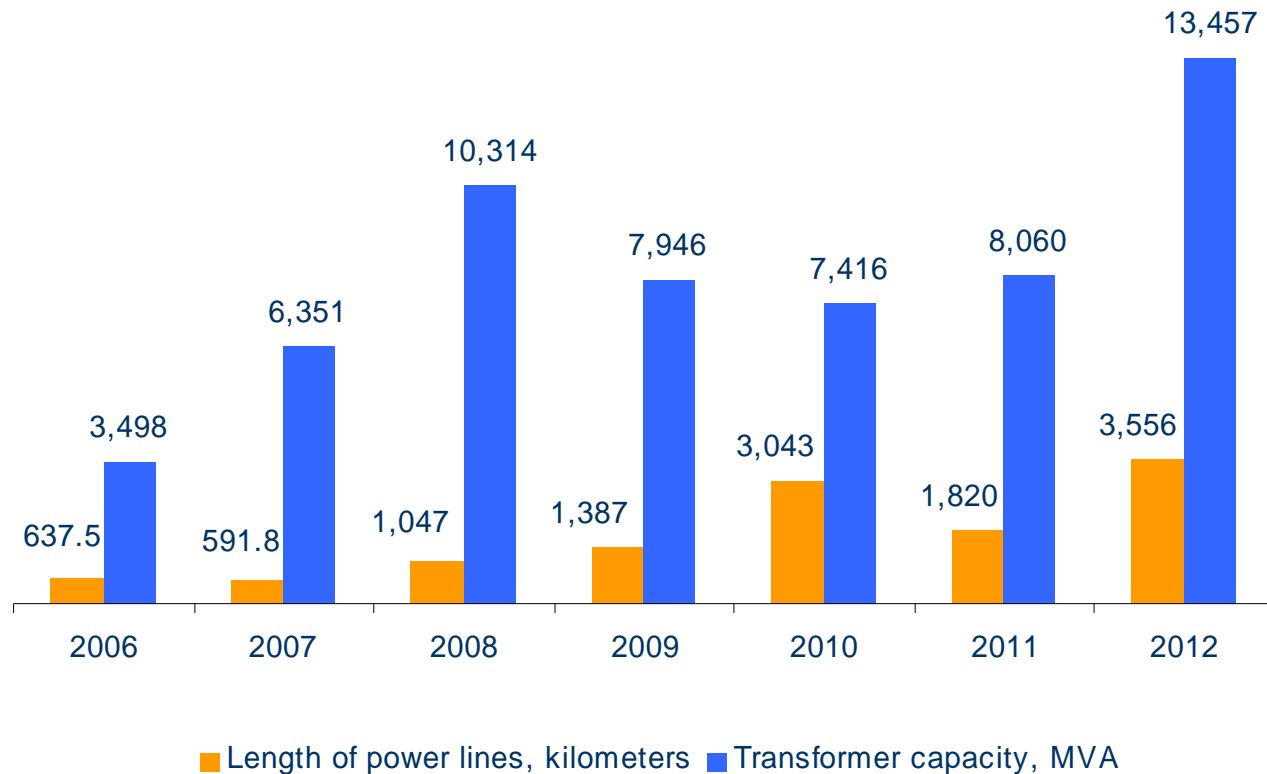
Investment program



2010 – 2012 investment program – primary directions

	RUR bln	%
Investment program, including:	519.4	100
Maintaining the condition of assets, including:		
Reconstructing grid objects	180.3	35
Maintaining the network's normative modes	2.5	0.5
Increasing manageability and monitoring	26.7	5
Asset development	294.2	57
Technological connections	44.9	8

Investment project – the introduction of new capacities



Realizing the 2010 – 2012 investment program will allow the Company to increase the volume of the grid (in physical terms) by approximately 10%.

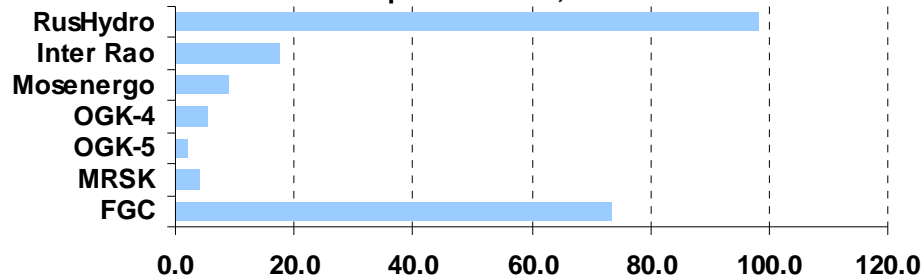
Share liquidity

Market capitalization based on weighted average MICEX prices for the period from January 11th, 2009 to September 30th, 2009



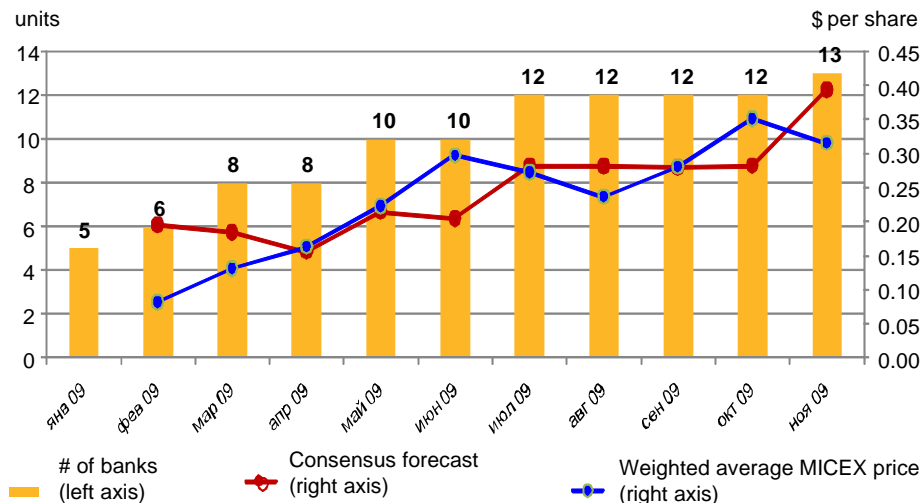
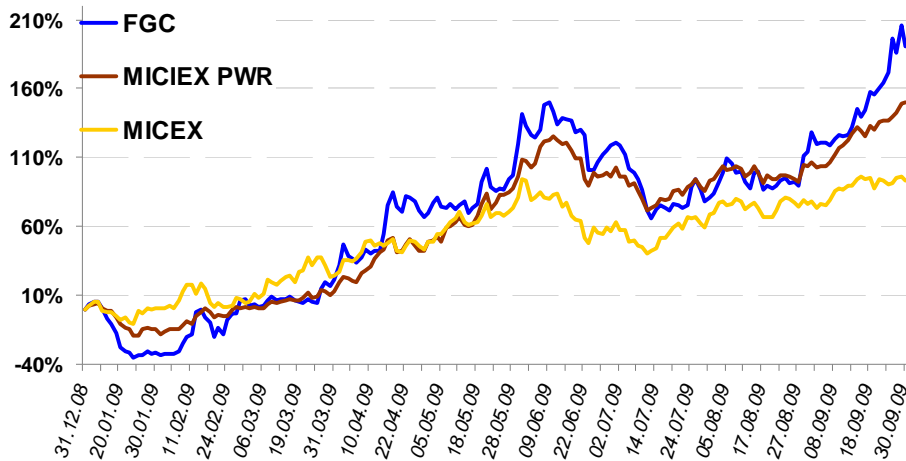
After successfully completing a GDR listing, the Company expects increased market capitalization and greater liquidity.

Trading volume for the period from January 11th, 2009 to September 30th, 2009



The Company has the largest market capitalization of any energy sector company, and including FGC UES shares in both the MSCI Emerging Market and MSCI indices helped make FGC UES' shares one of the most attractive security instruments on the Russian stock market.

The Company plans to pursue a future listing on one of the leading foreign stock exchanges



As of beginning of January the following investment banks provide analytical coverage of the Company: RMG, VTB Capital, Alfa, Gazprombank, Morgan Stanley, Citi, Troika, Uralsib, Credit Suisse, Finam, Merrill Lynch, Goldman Sachs, Deutsche Bank



APPENDIX

BALANCE SHEET

as of September 30th, 2009 (RAS)

(1)

RUR
thousand

ASSET	Indicator code	As of the beginning of the accounting period	As of the end of the accounting period
Intangible assets	110	1,535,909	1,513,415
Fixed assets	120	157,129,616	151,064,665
Construction in progress	130	150,373,965	194,352,914
Long-term financial investments	140	207,778,567	206,302,678
Other non-current assets	150	1,653,608	1,438,830
TOTAL NON-CURRENT ASSETS	190	518,471,665	554,672,502
Inventory	210	3,305,661	2,934,899
Value-added tax (VAT)	220	1,961,283	1,983,955
Accounts receivable (long-term), including:	230	10,871,826	5,306,123
advance payments made	234	14,413	154
other receivables	235	10,857,413	5,305,969
Accounts receivable (short-term), including:	240	141,184,013	150,750,100
customers and buyers	241	5,053,894	8,745,671
advance payments made	243	69,787,130	77,340,105
other debtors	244	66,342,989	64,664,324
Short-term financial investments	250	49,390,019	41,022,944
Monetary assets	260	5,640,064	8,109,496
TOTAL CURRENT ASSETS	290	212,352,866	210,107,517
BALANCE	300	730,824,531	764,780,019

BALANCE SHEET

as of September 30th, 2009 (RAS)

(2)

RUR thousand

LIABILITIES	Code	As of the beginning of the accounting period	As of the end of the accounting period
Share capital	410	576,757,098	576,757,098
Additional capital	420	59,502,413	59,442,027
Reserve capital	430	9,910,770	10,134,044
Undistributed profits from previous years	465	26,994,859	26,836,617
Undistributed profit from the current fiscal year	470	-	12,640,857
TOTAL CAPITAL AND RESERVES	490	673,165,140	685,810,643
Loans and credits	510	18,000,000	6,000,000
Deferred tax liability	515	517,859	944,948
Other long-term liabilities	520	130	-
TOTAL LONG-TERM LIABILITIES	590	18,517,989	6,944,948
Loans and credits	610	16,161,487	12,927,023
Accounts payable, including:	620	22,601,947	58,757,043
suppliers and contractors	621	10,175,866	10,935,238
amounts owed to employees	622	76,713	251,111
amounts owed to state non-budget funds	623	15,102	43,399
taxes and dues liabilities	624	295,113	539,131
prepayments received	627	7,096,192	7,955,318
other creditors	625	4,942,961	39,032,846
Amounts owed to partners as dividends	630	84,474	46,880
Future earnings stream	640	293,494	293,482
TOTAL SHORT-TERM LIABILITIES	690	39,141,402	72,024,428
BALANCE	700	730,824,531	764,780,019

PROFIT AND LOSS STATEMENT

for 9 months of 2009 (RAS)

RUR thousand	Code	For the reported period	For the same period in the previous year
Net earnings, including:	010	61,860,953	51,469,597
electrical power transmission services	011	59,947,500	49,743,563
other activities	012	1,913,453	1,726,034
Operating expenses, including :	020	(46,334,319)	(41,616,695)
electrical power transmission services	021	(45,338,777)	(40,407,165)
other activities	022	(995,542)	(1,209,530)
Gross earnings	029	15,526,634	9,852,902
Management expenses	040	(3,078,274)	(2,678,410)
Profit (loss) from sales	050	12,448,360	7,174,492
Interest receivable	060	5,720,246	3,975,124
Interest payable	070	(1,622,586)	(1,769,516)
Income from participating in other companies	080	708,680	-
Other operating incomes	090	59,260,300	7,956,174
Other operating expenses	100	(59,599,946)	(6,991,707)
Profit (loss) before tax	140	16,915,054	10,344,567
Current profit tax	150	3,825,748	2,970,834
Other similar mandatory payments	151	2,135	(262)
Net profit (loss) for the reported period	190	12,640,857	7,148,806