



Federal Grid Company of Unified Energy System

Investor Presentation

April 2009

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Contents

- ❑ Company Overview
- ❑ Investment Story
- ❑ Tariffs:Regulation in 2008
- ❑ Stable Financials
- ❑ Credit Portfolio
- ❑ Transition to RAB Regulation
- ❑ Investment Policy
- ❑ Investment Program and Financial Sources
- ❑ Key Figures for 2008
- ❑ Forecast for Key Financial Figures (2009-2011)
- ❑ Results of FGC shares trading
- ❑ Value Creation

Company Overview (as of 31.12.2008)

FGC UES is the natural monopoly in the electric energy transmission sector, it owns and manages United National Energy Grid (UNEG) (220 kV and above)

73 regions of 13.6 mln sq .km in total area are covered

Shareholders:

Russian Federation Government – 77.66%, free float – 22.34%

Share capital – USD 17.3 bln

Personnel – more than 11,000 employees

Credit ratings are at the following level

- S&P: **BBB/** negative forecast** (international scale), **ruAAA** (Russian scale)
- Moody's: **Baa2/** stable forecast, **ruAAA** (Russian scale)

Tickers:

- MICEX: **FEES**
- Bloomberg: **FEES RU**

Market capitalization

Market capitalization as of 17.04.2009 is USD 7,836 mln

UNEG Map

Regions covered by FGC



Key Financial Figures * (Russian Accounting Standards)

	<u>2008</u>
Sales	USD 2,753 mln
EBITDA	USD 2,753 mln
Net profit	USD 180 mln

Key Production Figures

Number of substations	757 substations
Aggregate capacity of transformers 35-750 kV	286,184.7 MVA
Overall length of grids	118 thous. km
Electric energy supply	472 bln kWh
Volume of energy losses in UNEG	22 bln kWh

* Average exchange rate for 2008 is RUB 24.87 / 1 USD

**According to ratings conferred to FGC UES the forecast was reviewed from "Stable" to "Negative" to reflect forecast under the sovereign credit ratings

Investment Story

- ▶ **Natural monopoly:** FGC UES enters into the three of the largest world companies engaged in electric energy transmission in extent of transmission facilities and transformer capacity. FGC UES stands as the natural monopolist, conducts business in the major part of the Russian Federation territory and exercises control over the Unified national electric grid (UNEG)
- ▶ **Revenue stability:** FGC UES sales are formed based on the tariff being established by the Federal Tariff Service for a year, and the amount of declared capacity, the value of which is fixed for the whole year as well
- ▶ **Anticipated transition to the new tariff regulation:** FGC UES management expects the company's transition to RAB regulation beginning in 2010
- ▶ **Potential for increase in tariff:** a share of payment for FGC services in the electric energy price to be paid by the end-consumer comprises about 7%. In this connection even a substantial increase in FGC tariff will not exert significant influence on the electric energy price determined for the end-consumer, what reduces the government incentives in selecting FGC tariff cut as one of measures to respond to the crisis situation in the economy
- ▶ **Sound liquidity:** FGC UES is the largest company in the Russian energy segment with regard to capitalization. Liquidity of FGC shares has been increased in a great measure when FGC shares have been included in MSCI Emerging Markets and MSCI Russia indices
- ▶ **Financial stability:** at the beginning of 2009 FGC Net Working Capital was USD5,903 mln. Funds provided from payment for a number of blocks of shares, retirement of bills received from RAO UES, funds from additional share issue being placed to the advantage of the government shall be transferred to FGC balance within 2009 as well

Tariffs: Regulation in 2008

Tariff for electric energy transmission (maintenance of grids)

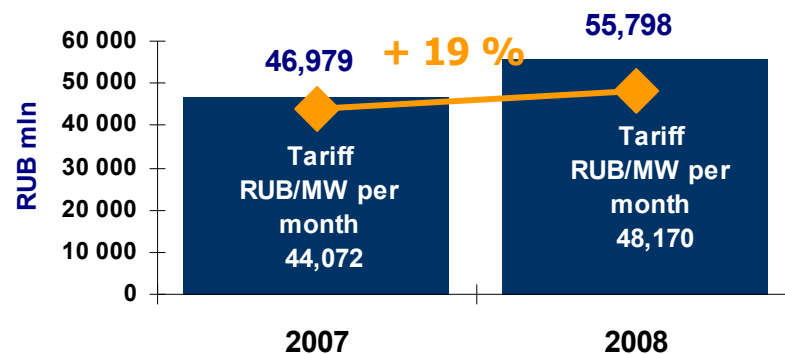
The regulator approves gross revenue required for the Company

The average share of tariff for electric energy transmission in the end consumer tariff comprises 7-8%

In 2008 the tariff according to “cost+” regulation method was applied in the rate of **USD 1,937/MW per month (RUB 48,170 MW per month)**

(tariff growth as compared to 2007 level comprised 9 %)

Dynamics of revenues from electric energy transmission (2007-2008)



Outlook

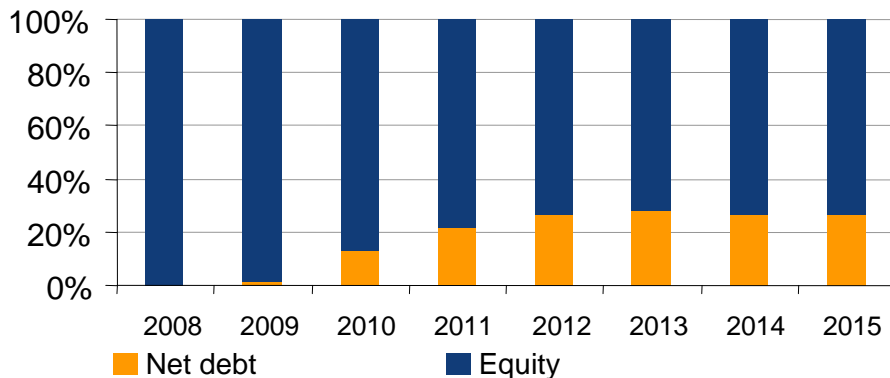
The tariff was approved according to “cost+” regulation method at the rate of 58,159 RUB/MW per month for 2009 including growth in the amount of 20.7 % as compared to 2008 level

In 2008 the new regulation procedure corresponding to the best world pricing practice in the electric power industry was approved, application of the procedure expected to be started in 2010. The parameters of return on investment capital and initial capital base will be approved in accordance with this procedure. The regulator guarantees recovery of money invested with rate of return (RAB regulation)

Application of RAB-regulation encourages investment while tariff healthy increases, and raise effectiveness through cost saving as well

Stable Financials

Creation of the target capital structure



► Low share of debt enables its active accretion up to the target capital structure (30% - debt, 70% - equity)

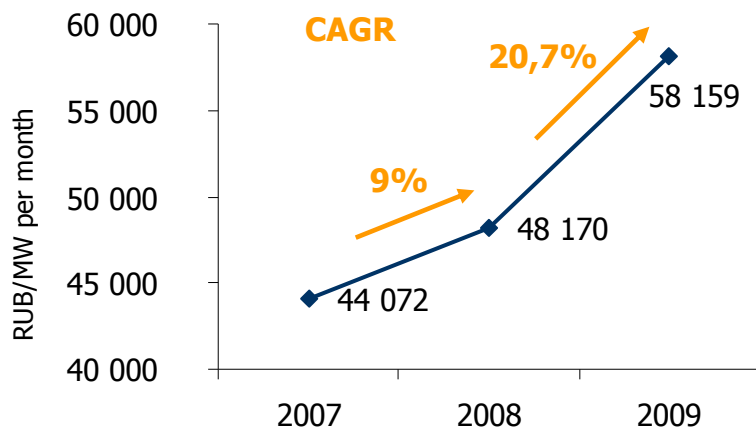
► As of December 31, 2008, current share of debt in total assets is 5%

► High solvency and liquidity ratios

► Current growth in tariffs provides increase in the company sales

► Possibility for further tariff growth under crisis conditions, since its growth is not critical for end-consumers (~7% of total tariff value)

Tariff growth dynamics



Credit Portfolio

- ✓ Debt is nominated in rubles
- ✓ FGC UES is included in the list of companies receiving the government support by both credit instruments and regulatory measures
- ✓ Credit ratings at the following level:

S&P: **BBB/negative forecast*** (international scale), **ruAAA** (Russian scale)

Moody`s: **Baa2/stable forecast**, **ruAAA** (Russian scale)

Credit portfolio as of 31.12.2007

Bank (sponsor)	Date of redemption	% rate	Current liability, RUB
Bonds of 02 series (JSC NB "TRAST")	22.06.2010	8.25	7 000 000 000
Bonds of 03 series (JSC NB "TRAST")	12.12.2005	7.1	7 000 000 000
Bonds of 04 series (JSC "Gazprombank")	06.10.2011	7.3	6 000 000 000
Bonds of 05 series (JSC "Gazprombank")	01.12.2009	7.2	5 000 000 000
EBRD	10.04.2014	Mosprime 3M+2.15 %	5 000 000 000
Total			USD 1,222 mln**

**exchange rate as of 20.04.2009 is RUB 24.55 / 1 USD

Credit portfolio as of 20.04.2009

Bank (sponsor)	Date of redemption	% rate	Current liability, RUB
Bonds of 02 series (JSC NB "TRAST")	22.06.2010	8.25	7 000 000 000
Bonds of 04 series (JSC "Gazprombank")	06.10.2011	7.3	6 000 000 000
Bonds of 05 series (JSC "Gazprombank")	01.12.2009	7.2	4 980 000 000
Total			USD 531 mln***

***exchange rate as of 20.04.2009 is RUB 33.47 / 1 USD

Transition to RAB Regulation

Transition to RAB regulation beginning in 2010

- Transition from “cost+” tariff pricing method to the return on invested capital method in accordance with the best international practice
- Regulator guarantees the market return on invested capital
- Investment stimulation upon reasonable increase in tariffs for a consumer
- Enhancement of efficiency using cost cutting
- “Pilot” projects have been put on

Regulation period

- ▶ 5 years. The first transition period comprises not less than 3 years

Depreciation period

- ▶ 35 years uniformly for all assets

Return on RAB

- ▶ WACC comprises 12% in rubles after taxes for new investments. For the first regulation period the capital structure is as follows: Debt is 30%, Equity is 70%. Return on Initial RAB in 2010 – 6%, in 2011 – 9%, in 2012 – 12%

Uncontrollable Opex

- ▶ Shall be compensated based on fact, including cost of electric energy used to compensate purchased losses

Controllable Opex

- ▶ Shall be adjusted according to CPI, index of the sales territory change. X-factor of cost reduction from 1 to 2.5%

Motivational scheme

- ▶ Economy from reduction in controllable OPEX is retained within several years

Annual updates

- ▶ Actual inflation, real volume of energy transit, actual investments

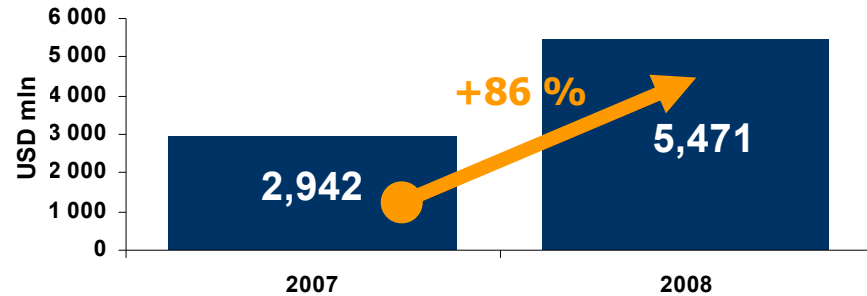
Investment Policy

- ▶ Priority direction of FGC UES investment policy involves UNEG development at the expense of new commissioning and reconstruction of the existing facilities

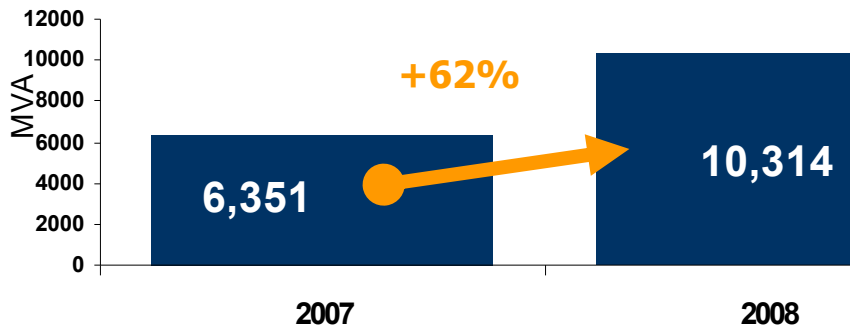
(in 2008 the share of budgetary funds in investment financing comprised 15%)

- ▶ Underlying principle of FGC UES investments planning consists in formation of the medium-term investment program for the Company with regard to power industry development and change in UNEG Development Scheme

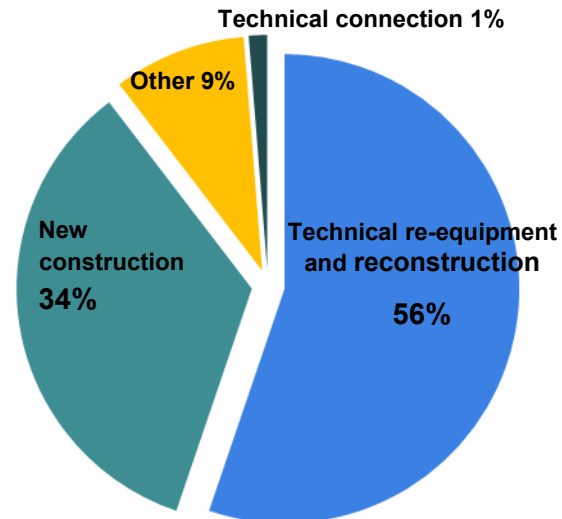
Investments in 2007- 2008



Dynamics of production capacities commissioning in 2007-2008



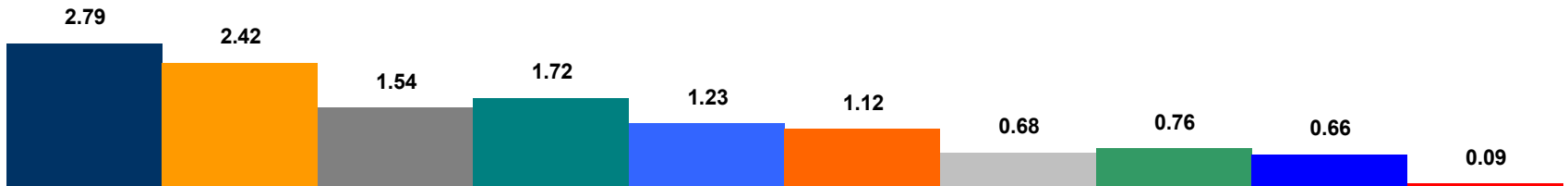
Structure of Investments in 2008



Investment Program and Financial Sources (1)



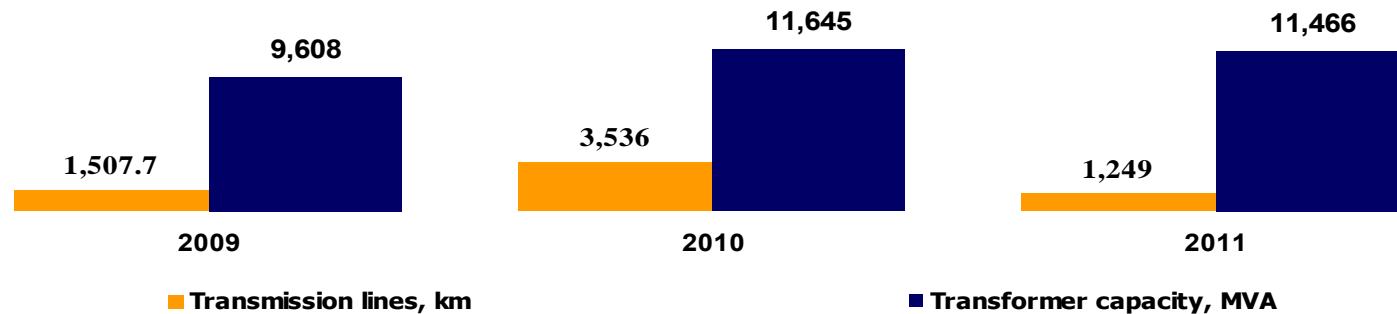
FGC UES is expected to expend USD13 bln for the investment program implementation 2009-2011



- Renovation of the fixed assets
- Improving power supply reliability for Moscow, St. Petersburg and Tyumen
- Agreements concluded with the regions' administrations (except for Moscow, St. Petersburg and Tyumen)
- Delivery of capacity at NPP, HPP and TPP
- Technical connection
- Development of backbone grids not included in the Agreements
- The Sochi program
- Development of technological control, informatization and additional purpose-oriented programs
- Federal purpose-oriented program for the Far East
- Other (design and exploration work, infrastructure facilities)

Investment Program and Financial Sources (2)

Investment Program for 2009-2011 (2)



Planned investment sources of FGC UES in 2009-2011 (inclusive of VAT), USD mln

	2009	2010	2011
FGC own funds	1,180	1,883	2,463
Funds from the federal budget including funds channelled for the federal purpose-oriented program for the Far East and Sochi	1,123	123	73
Funds received from sale of RAO UES assets	1,392	1,445	
Credits and loans	750	982	1,585
Total investment program	4,445	4,434	4,121

* exchange rate for 2009-2011 is RUB 35.1 / 1 USD

Key Figures for 2008

Production Figures	2007	2008	Change, %
Electric energy supply from UNEG, mln kWh	464,045	471,958	1.7 %
Volumes of energy losses in UNEG, mln kWh	21,401	21,866	2%
Financial Figures (exclusive of VAT), USD mln	2007	2008	Change, %
Total revenues from sales	2,407	2,750	12 %
Revenue from sales on electric energy transmission*, including:	2,334	2,656	11%
<i>compensation for losses</i>	492	415	-18%
Revenue from sales on technical connection	4	2	-56%
Revenue from sales on other activities **	69	93	31%

* Tariff for electric energy transmission (USD/MW per month) **2007** – 1,728.3; **2008** – 1,934.5

** Proceeds incidental to sale of property and property rights, interest income, insurance indemnity and etc.

Forecast for Key Financial Figures (2009-2011)

	USD mln *		
	2009 plan	2010 forecast**	2011 forecast**
Total revenues from electric energy transmission	2,359	3,917	5,040
<i>including transmission and exclusively of losses</i>	1,882	3,343	4,369
Expenses incidental to production sale of services	2,088	2,660	2,924
Other extraordinary charges	105	136	236
Profit before tax	166	1,123	1,881
Net profit	130	898	1,505
Credits and loans	750	982	1,585
Tariff growth	20.7%	72.5%	26.9%
Tariff , USD/MW per month	1,657	2,858	3,626

*exchange rate for 2009-2011 is RUB 35.1 / 1 USD

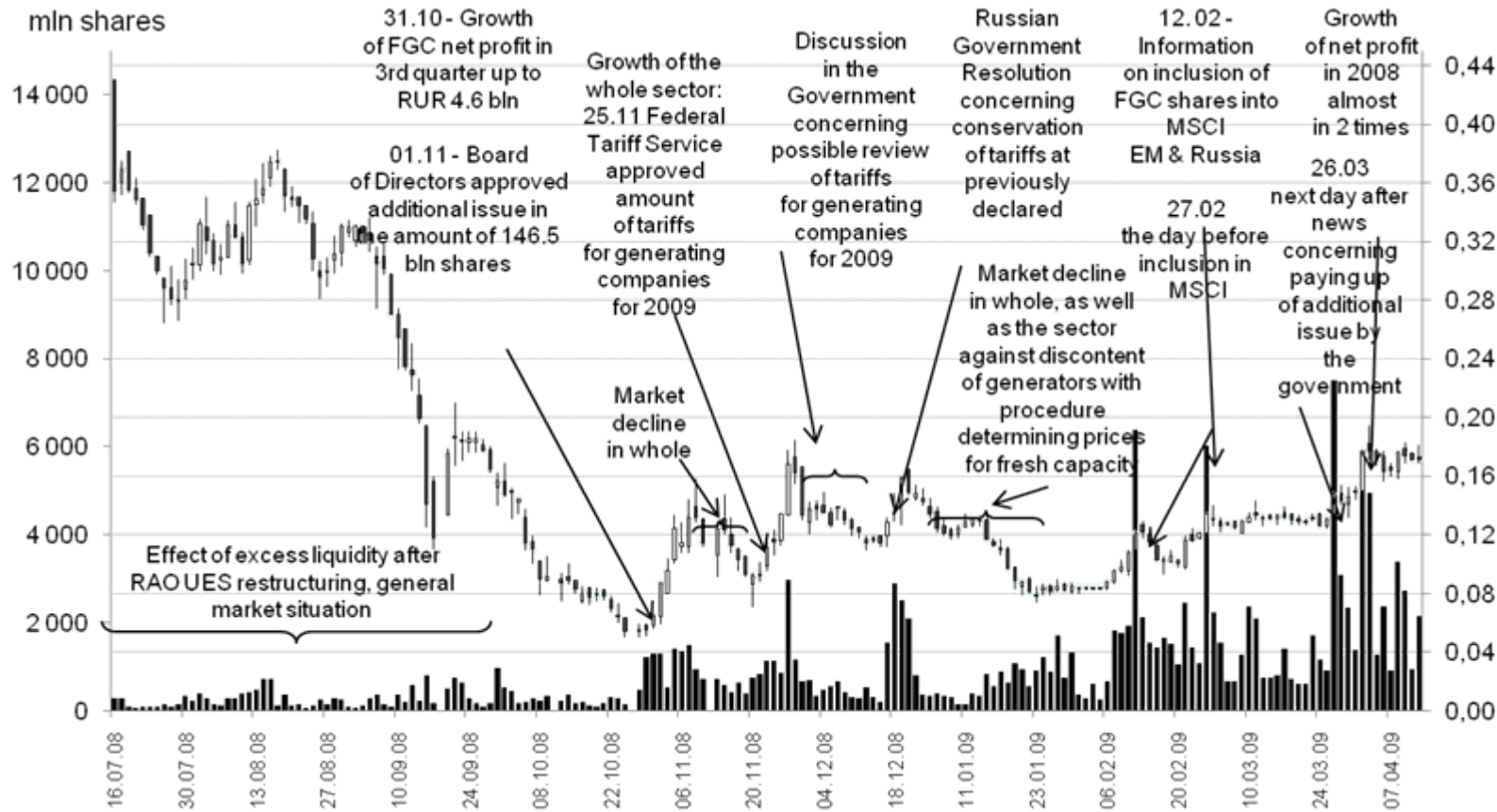
****with regard to RAB-regulation using the following parameters :**

Initial RAB (base) – USD 17.64 bln

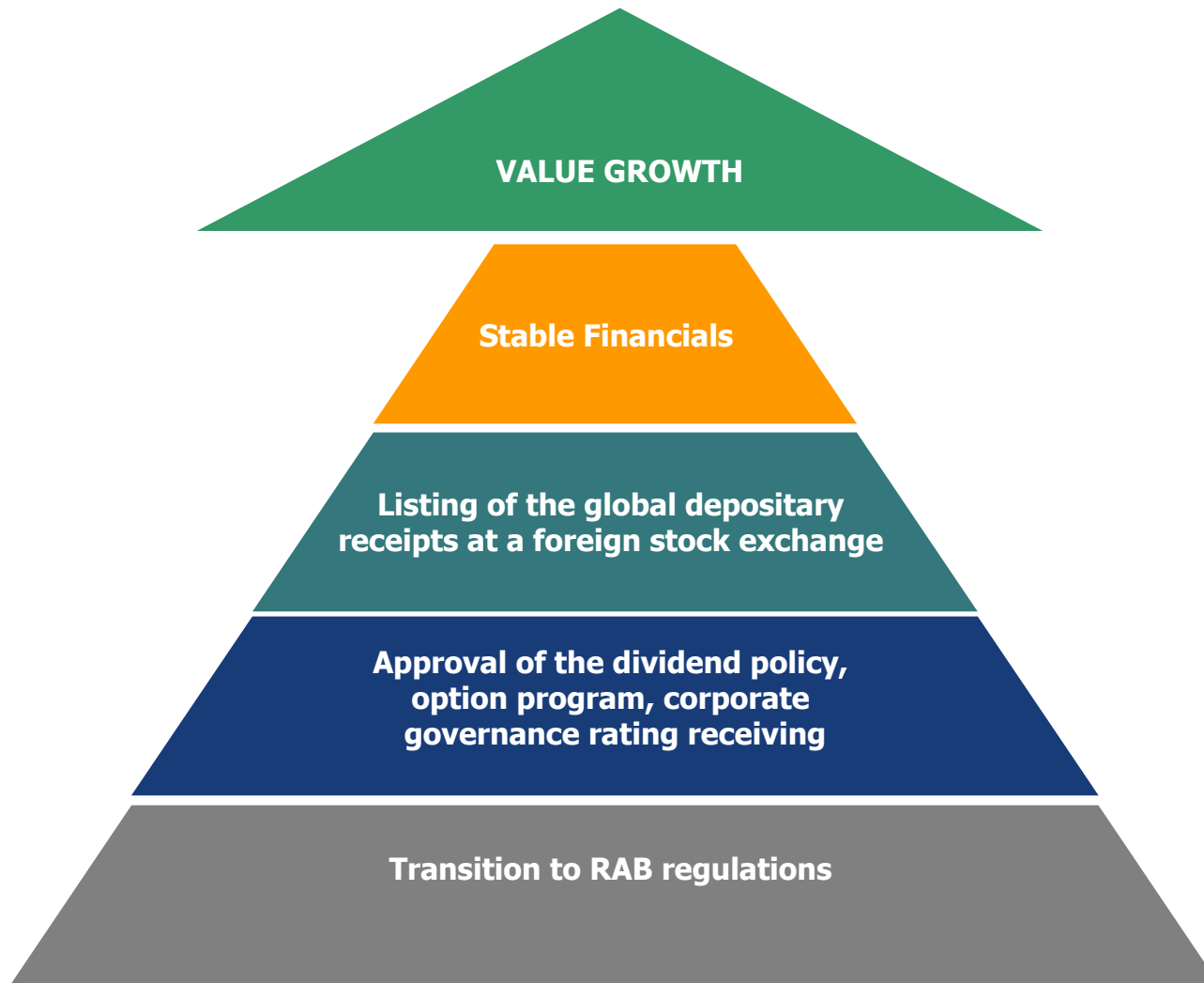
Rate of return (after taxes) : 2010 – 6%, 2011 – 9%, 2012 - 12%

Period for capital depreciation – 35 years

Results of FGC shares trading on 16.07.08-07.04.09



Value Creation





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