

**Federal
Grid Company**



**of Unified
Energy System**

1H2011 Operational and Financial Results

19 October 2011



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Operational and Financial Highlights

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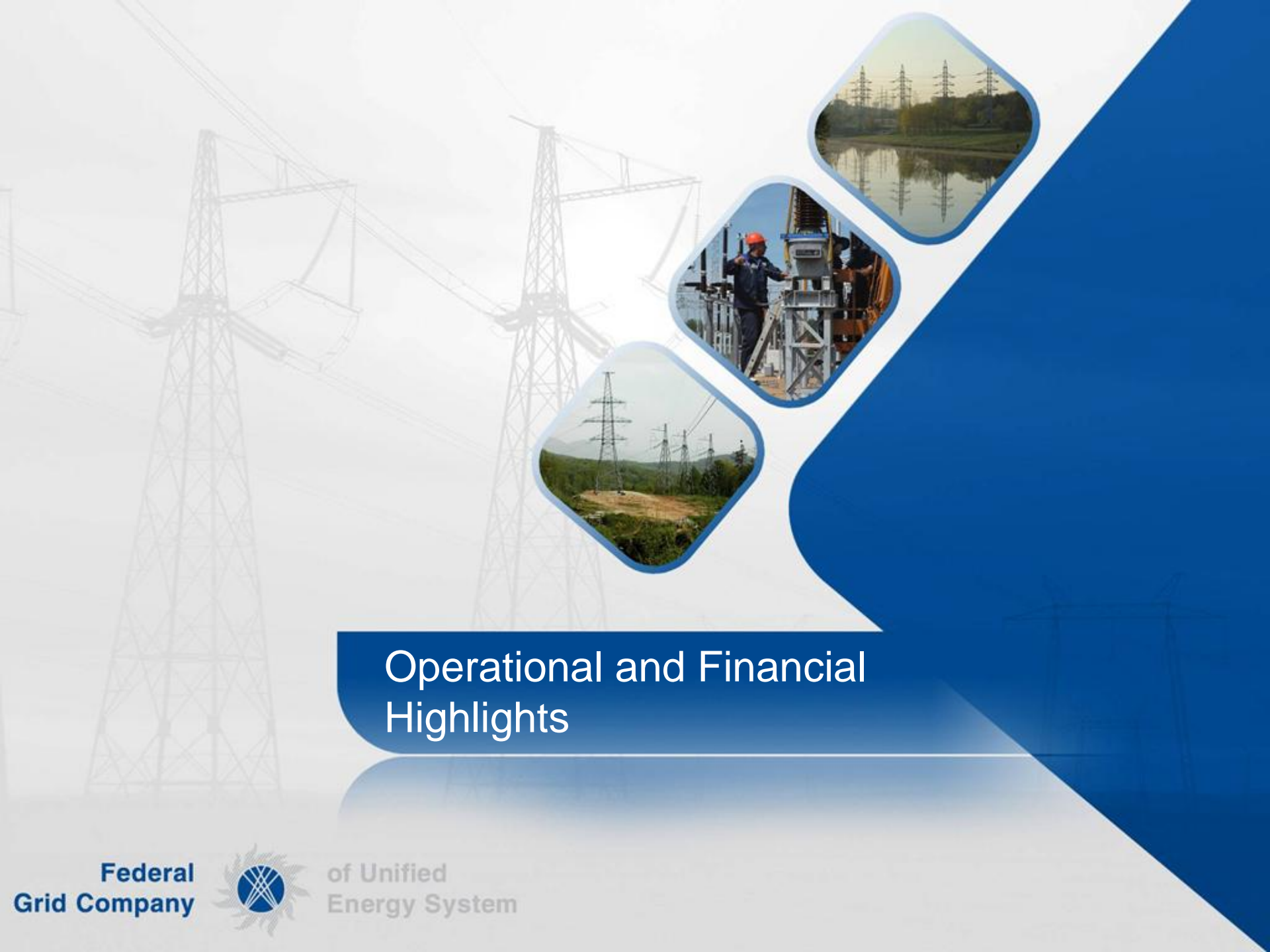
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Operational and Financial Highlights

**Federal
Grid Company**



of Unified
Energy System

1H2011 Key Performance Indicators

RUR MM (Unless Stated Otherwise)	1H2011	1H2010	Change
Revenue	71,217	56,565	26%
Operating Profit adj. ⁽¹⁾	27,147	13,984	94%
EBITDA adj. ⁽¹⁾	45,459	32,019	42%
<i>EBITDA adj. ⁽¹⁾ Margin</i>	<i>64%</i>	<i>57%</i>	n.m.
Profit for the period adj. ⁽¹⁾	22,810	12,692	80%
Net Debt	31,834	(55,452)	n.m.
Electricity Transmission (Bn kWh)	246	239	3%

Source Company IFRS financials

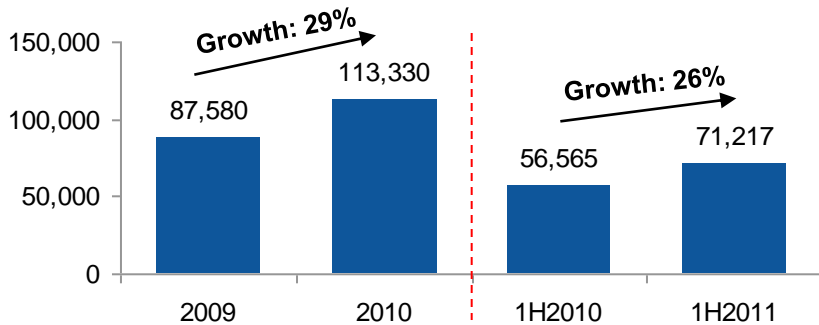
(1) Adjusted for non-specific impairment provision of PP&E, loss on re-measurement of assets held-for sale, gain on sale of available-for-sale investments



1H2011 Financial Highlights

Revenue

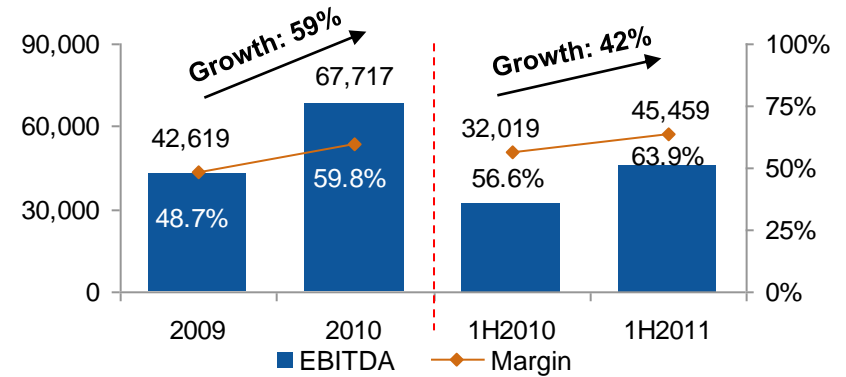
RUR MM



EBITDA adj. ⁽¹⁾ and Margin

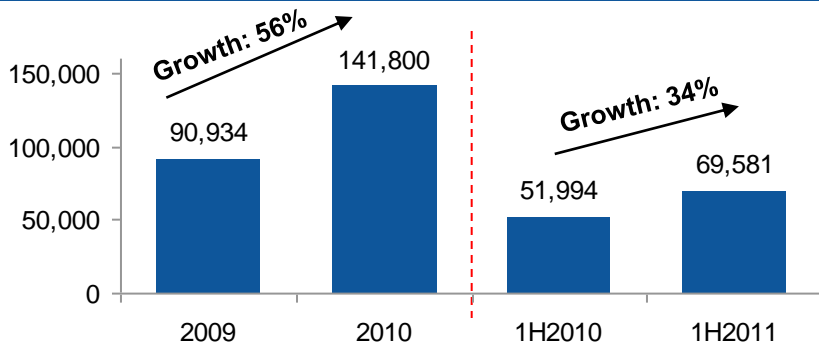
RUR MM

%



CAPEX

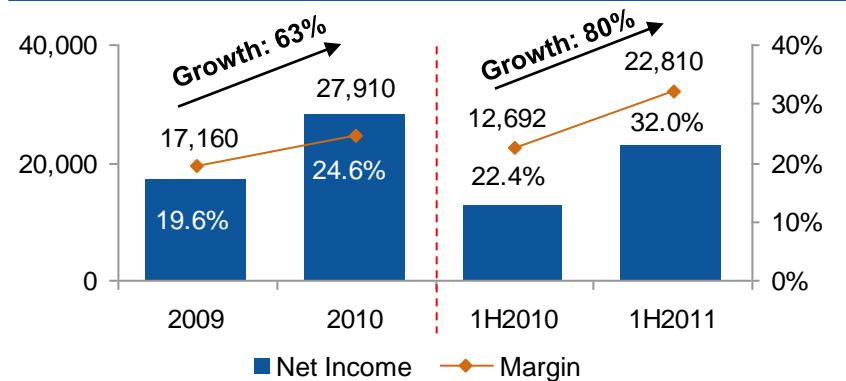
RUR MM



Profit for the period adj. ⁽¹⁾ and Margin

RUR MM

%



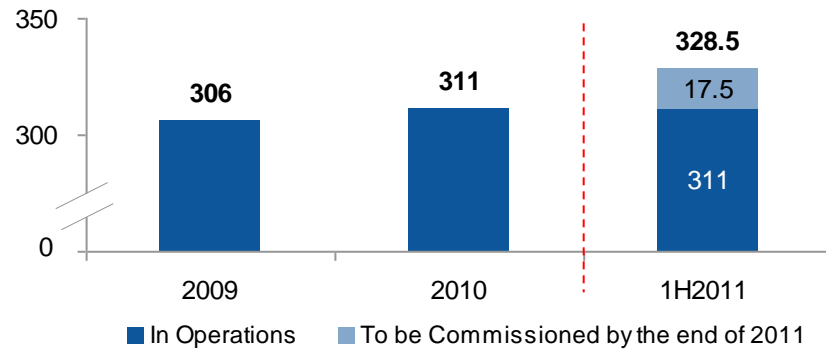
Source Company IFRS financials

(1) Adjusted for non-specific impairment provision of PP&E, impairment of available-for-sale investments and associates, loss on dilution of share in associates, revaluation loss on PP&E, loss on re-measurement of assets held-for sale, gain on sale available-for-sale investments(1H2011)



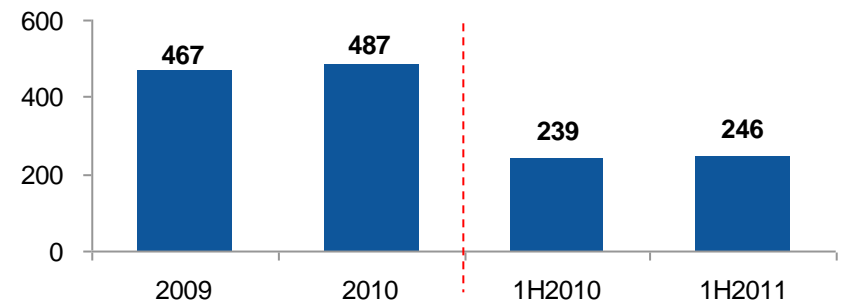
Total Transformer Capacity

Thousands MVA



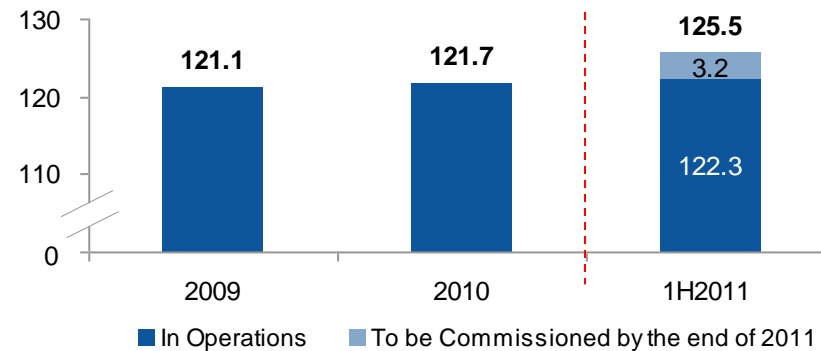
Electricity Transmission

Bn kWh



Transmission Grid Length

Thousands km

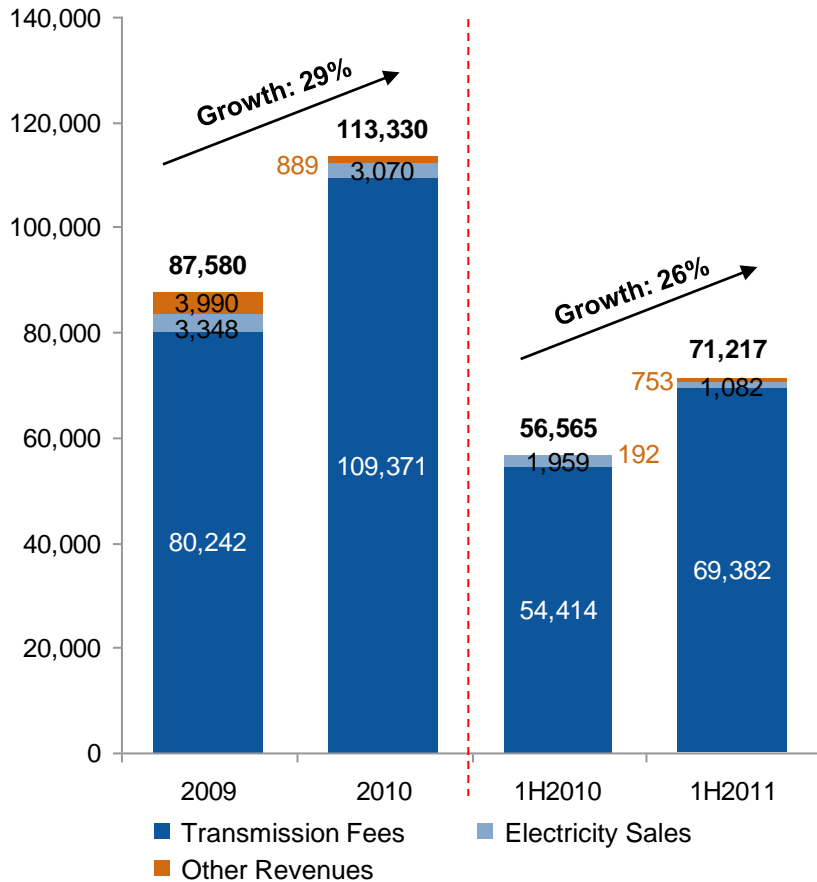


Source Company data



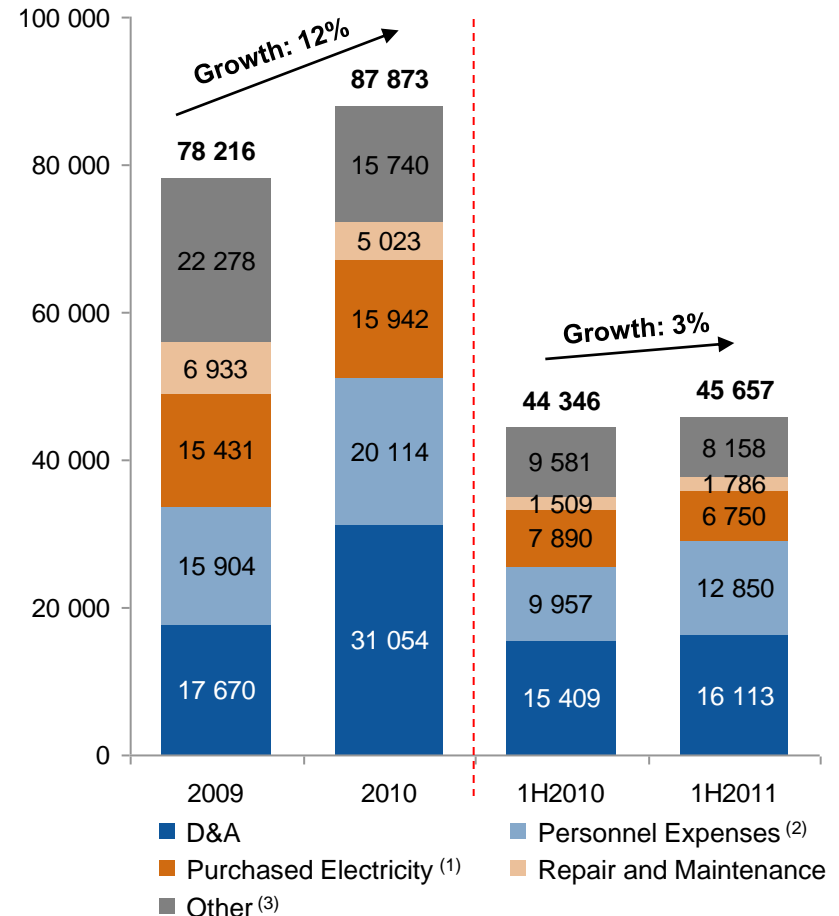
Revenue Structure

RUR MM



Cost Structure

RUR MM



Source: Company IFRS financials

(1) Federal Grid purchases electricity to cover electricity transmission losses in its grid

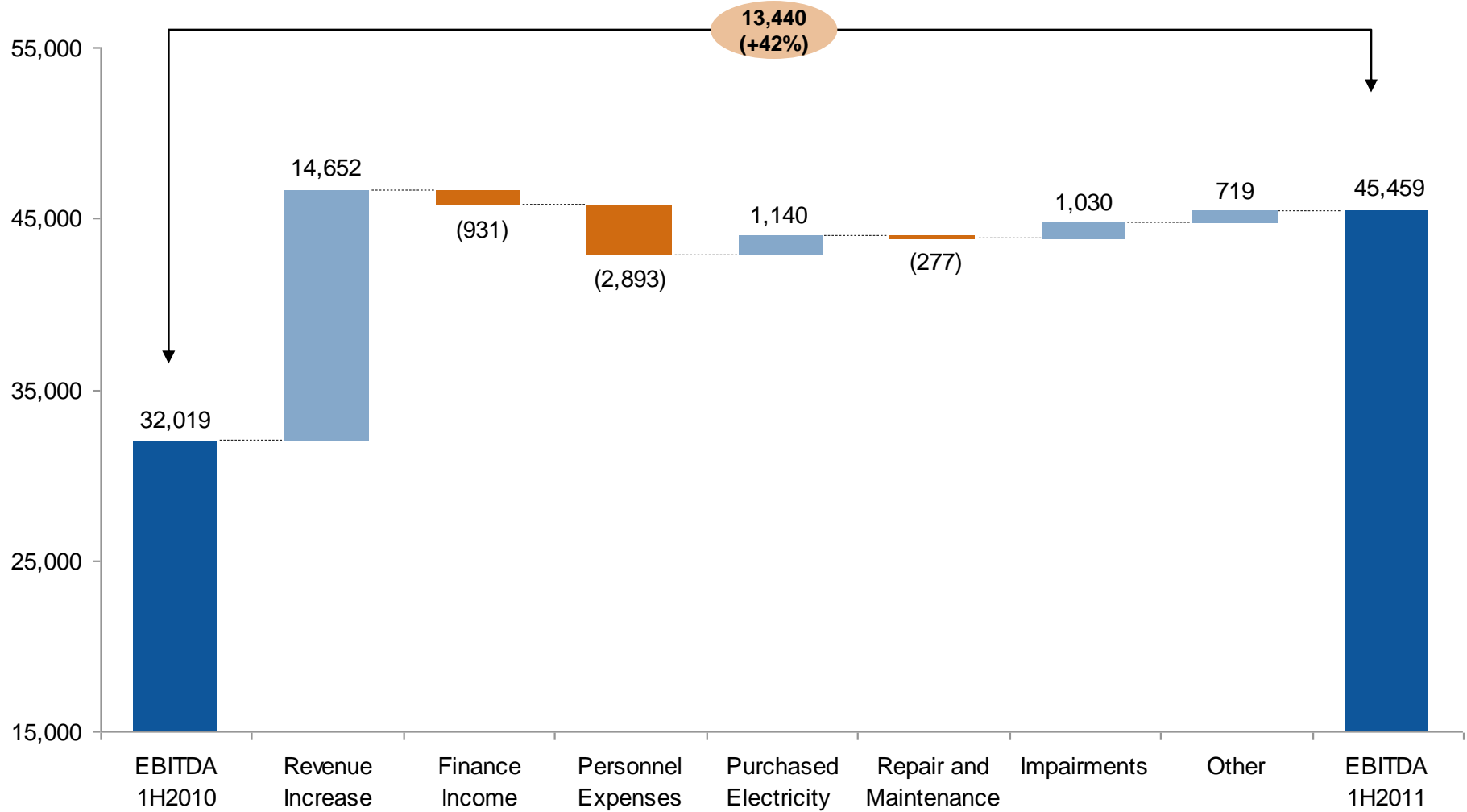
(2) Including payroll taxes

(3) Includes change in allowance for doubtful debtors and other items



Change in EBITDA (1H2010 – 1H2011)

RUR MM

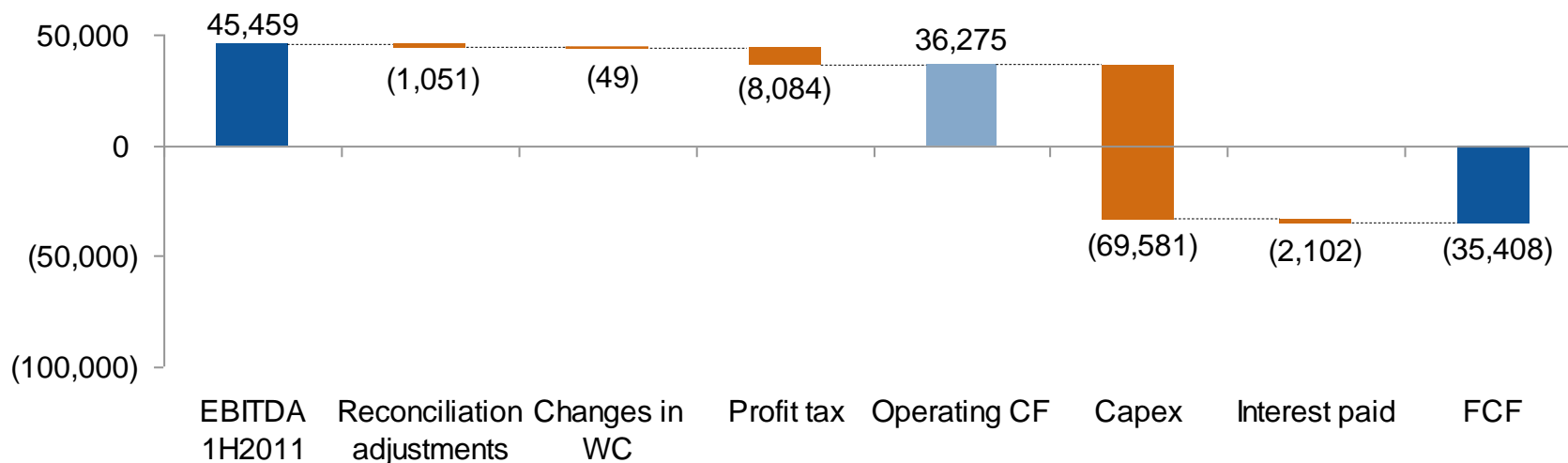


Source: Company IFRS financials



RUR MM

13,573	▪ Cash and cash equivalents at the beginning of the period
36,275	▪ Net cash generated by operating activities
(31,279)	▪ Net cash used in investing activities
(2,102)	▪ Net cash used in financing activities
2,894	▪ Net increase in cash and cash equivalents
16,467	▪ Cash and cash equivalents at the end of the period



Source Company IFRS financials



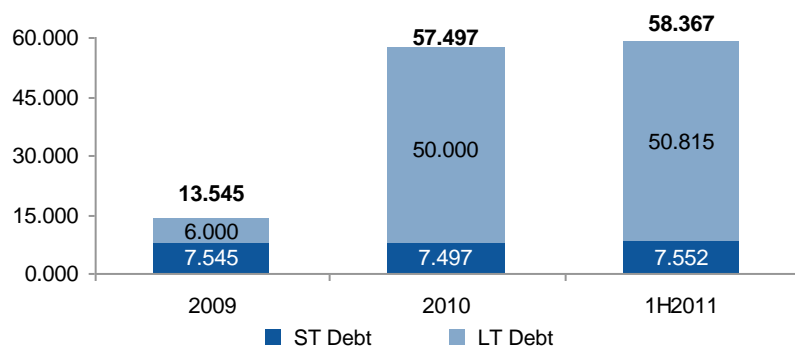
Federal Grid Ratings

S&P Outlook Same as Sovereign: **BBB** Stable

Moody's Outlook One Notch Below Sovereign: **Baa2** Stable

Debt Profile Evolution

RUR Bn



Key Ratios

	2009	2010
Debt/Capital	2%	6%
Total Equity/Total Assets	0.82x	0.81x
Adjusted EBITDA ⁽¹⁾	42.619	67.717
Total Debt/Adjusted EBITDA ⁽²⁾	0.32x	0.85x

Source Company data; IFRS financials; Bond portfolio structure and Credit potential shown as of 17 October 2011

(1) Adjusted for reversal of impairment provision f PP&E, loss on re-measurement of assets held-for sale, revaluation loss on PP&E and impairment of available-for-sale investments and associates

Bond Portfolio

Bond issue	RUR MM	Interest Rate, %	Maturity/Put date
Series 6	10,000	7.15	26 September 2013
Series 7	5,000	7.50	27 October 2015
Series 8	10,000	7.15	26 September 2013
Series 9	5,000	7.99	24 October 2017
Series 10	10,000	7.75	24 September 2015
Series 11	10,000	7.99	24 October 2017
Series 13	10,000	8.50	22 June 2021
Series 19	20,000	7.95	18 July 2018
Total	80,000		

- Average debt maturity of 5 years
- Weighted average cost of debt financing: 7.74% (one of the lowest among any Russian companies)

Credit Potential

Total amount of untapped credit lines: RUR 65 Bn



RAB Regulation

- 28 December 2010 – Federal Tariff Service (FTS) approved RAB tariffs for the five year period (2010 – 2014)
- 13 April, 2011 – FTS adjusts the tariffs for 2 – 4Q 2011 – 2014 to redistribute gross revenues of regulated businesses between years within a single regulatory period

Investment Programme

- 16 December 2010 – Board of Directors of Federal Grid approved RUB 952.4 Bn Investment Programme for 2010 – 2014

Bond Offerings

- On 5 July, Federal Grid successfully completed a 10-year local RUR-denominated bonds offering on MICEX amounting RUR10 Bn. Federal Grid was the first Russian corporate to price a local 10-year bond after the crisis
- On 21 July 2011, Federal Grid successfully completed RUR20 Bn, series 19 bond issue. The issue's maturity is 12 years puttable after 7 years

Dividends

- Federal Grid made the decision to pay out a dividend on the Company's common stock for the year 2010 in the amount of 10% of net income of net income (in accordance with RAS), excluding financial results from re-valuation of securities and build-up of unfunded provisions

Listing

- 28 March 2011 - Federal Grid successfully listed its GDRs on the Main Market of the London Stock Exchange

Option Programme

- 8 February 2011 - Board of Directors approved the Company's Option Programme

Assets Transfer

- All generating assets held by Federal Grid and its subsidiaries, were transferred to INTER RAO UES in exchange for its shares
- As a result of the deal Federal Grid holds 19.95% stake in INTER RAO UES

Source Company data



Sochi Olympic Games 2014



- *Purpose:* to support infrastructure and provide electricity for winter Olympics in Sochi in 2014
- *Scope:*
 - 10 substations with overall capacity of 1 762 MVA
 - 15 new grids with the total length of 320 km, including 105 km of cable lines (10 – 110 kV)
- *Work finished by 2010:*
 - 5 substations (782 MVA)
 - 2 grids (29.4 km)
- *Work plan for 2011:*
 - 5 substations (700 MVA)
 - 5 grids (119.3 km)
- Project is going on track and should be finished by the end of 2012
- Construction is aimed to reduce environmental impact and preserve natural landscape by using substations of compact configurations and other innovative solutions

Source Company data

APEC Summit in Vladivostok in 2012



- *Purpose:* to support infrastructure and provide electricity for APEC Summit scheduled to take place in Russian remote Far East region in the city of Vladivostok in 2012
 - New capacity and grids are aimed to strengthen existing infrastructure in Vladivostok as well as to provide electricity to island Russkiy (where the APEC Summit will take place)
 - Additionally Vladivostok's Airport will be supported by the newly built electricity infrastructure
- *Scope:*
 - Overall 8 sub-projects including over 160 km of new electric grids and substation capacity with overall capacity in excess of 420 MVA
- *Work status as of September 2011:*
 - 2 sub-projects are commissioned
 - 4 sub-projects are finished and being tested
 - 2 remaining sub-projects are scheduled to be finished by the end of 2011





Outlook



Why is Federal Grid a Good Investment Opportunity?

Scale of Business

- Largest publicly traded electricity transmission company in the World ⁽¹⁾ with over 120,000 km of transmission lines with total capacity of over 300,000 MVA
- Leading Russian blue chip company and the largest Russian utility company by market capitalization
- Unique natural monopoly position on the Russia's high-voltage electricity transmission market, operating in 73 out of 83 Russian regions

Growth Prospects

- Anticipated electricity demand 2010 – 2020 CAGR of 2.4%
- System upgrade focused on improving efficiency and reliability of the transmission network; development of the smart grid model

Supportive Regulatory Regime

- Business regulation based on 5-year Regulatory Asset Base (RAB) model
- Guaranteed return on new investments that supports substantial investment program (11% in 2010 – 2012 and 10% in 2013 – 2014)

Strong Financials

- Track record of substantial growth (2009 – 2010 CAGR of 26.5%)
- Rigorous programme of efficiency savings (c. RUR 2.6 Bn of savings in 2010)
- Low leverage and ability to obtain one of the lowest debt interest rates among Russian companies

Source Company data; IFRS financials; Energy Forecasting Agency

(1) By the length of transmission lines and transformer capacity



Contacts for Institutional Investors and Analysts

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Next Events

- *19 October 2011:* 1H11 IFRS reporting disclosure and analyst call
- *20 – 28 October 2011:* Roadshow following 1H11 IFRS results publication





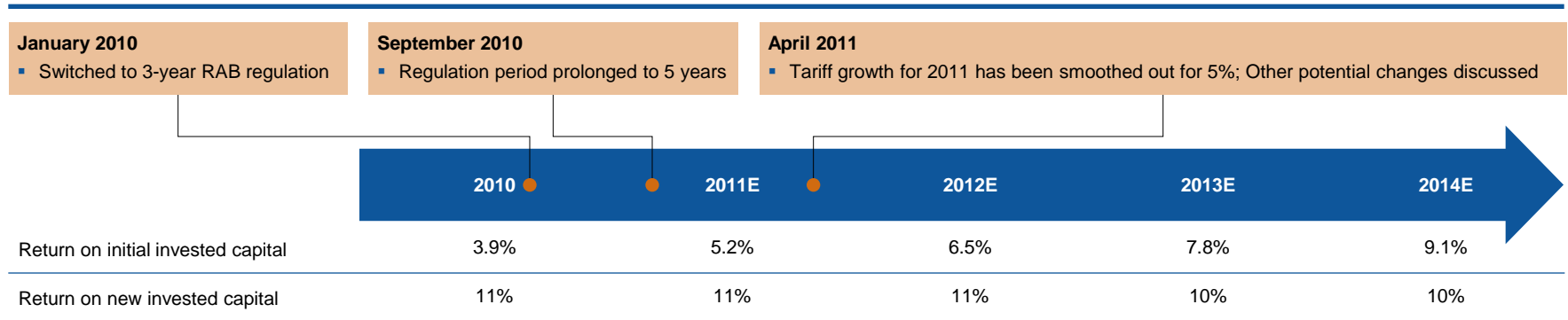
Appendix



Permitted Revenue Calculation Formula

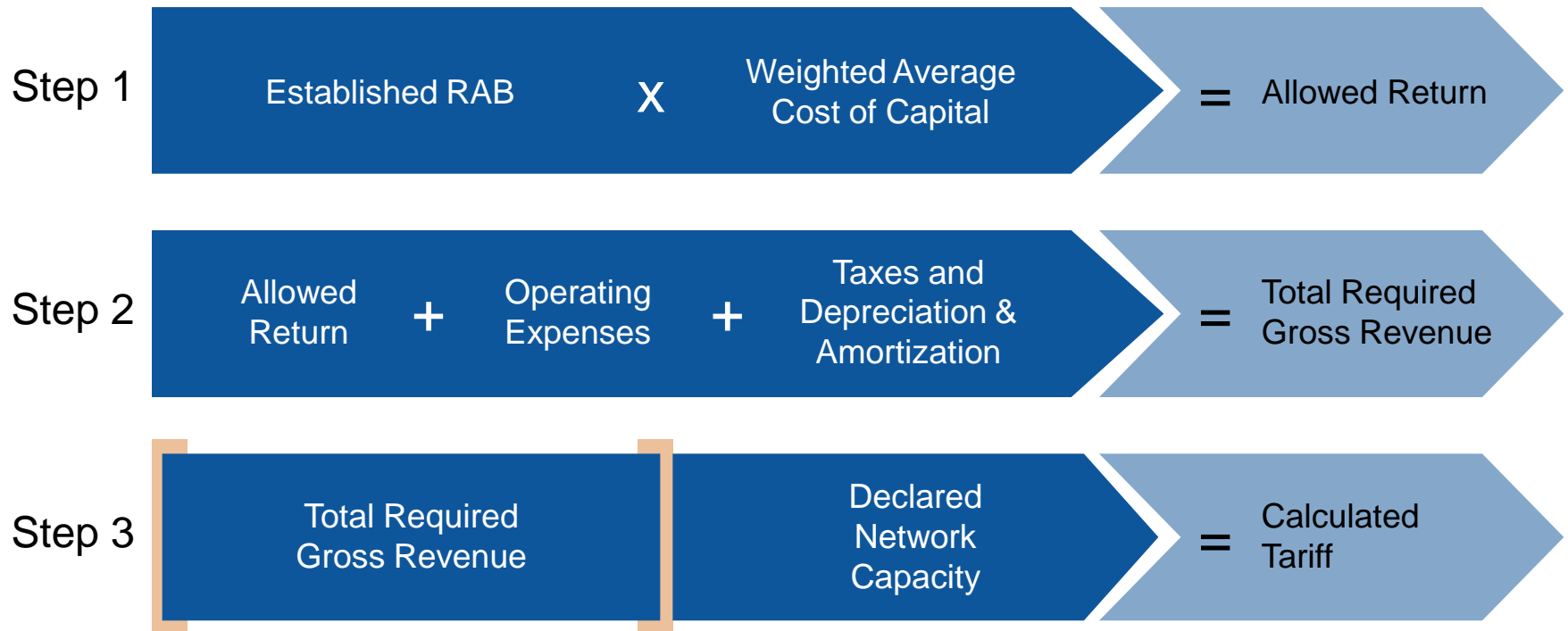
Required Gross Revenue	=	Year Expenses	+	RAB · [r_{RAB}]	+	$\frac{\text{RAB}}{\text{Payback Period}}$	+	CAPEX · [r_{CAPEX}]	+	CAPEX Return	+	Net Working Capital · [r_{CAPEX}]	+	Adjustments
		<ul style="list-style-type: none"> Include operating expenses, cost of services etc. Operating costs are subject to mandatory reductions of 2% 		<ul style="list-style-type: none"> RAB = Initial base of invested capital at the beginning of the year r_{RAB} = RAB return Both are set by the regulator 		<ul style="list-style-type: none"> The payback period on initial capital equals to 21 years 		<ul style="list-style-type: none"> CAPEX = Cumulative sum of investments from the beginning of the regulatory period r_{CAPEX} = Return on new investments (set by regulator) 		<ul style="list-style-type: none"> Cumulative sum of investments made from the beginning of the regulatory period divided by the payback period of 35 years 		<ul style="list-style-type: none"> If net working capital is more than 8% of previous years' revenue, WC = 8% of revenue is used; if less than 4%, WC = 4% of revenue is used 		<ul style="list-style-type: none"> Adjustments (no more than 3% of total revenue) are made based on changes in amount/quality of services provided, changes in legislation, etc.

RAB Return Calculation



Source Company Data



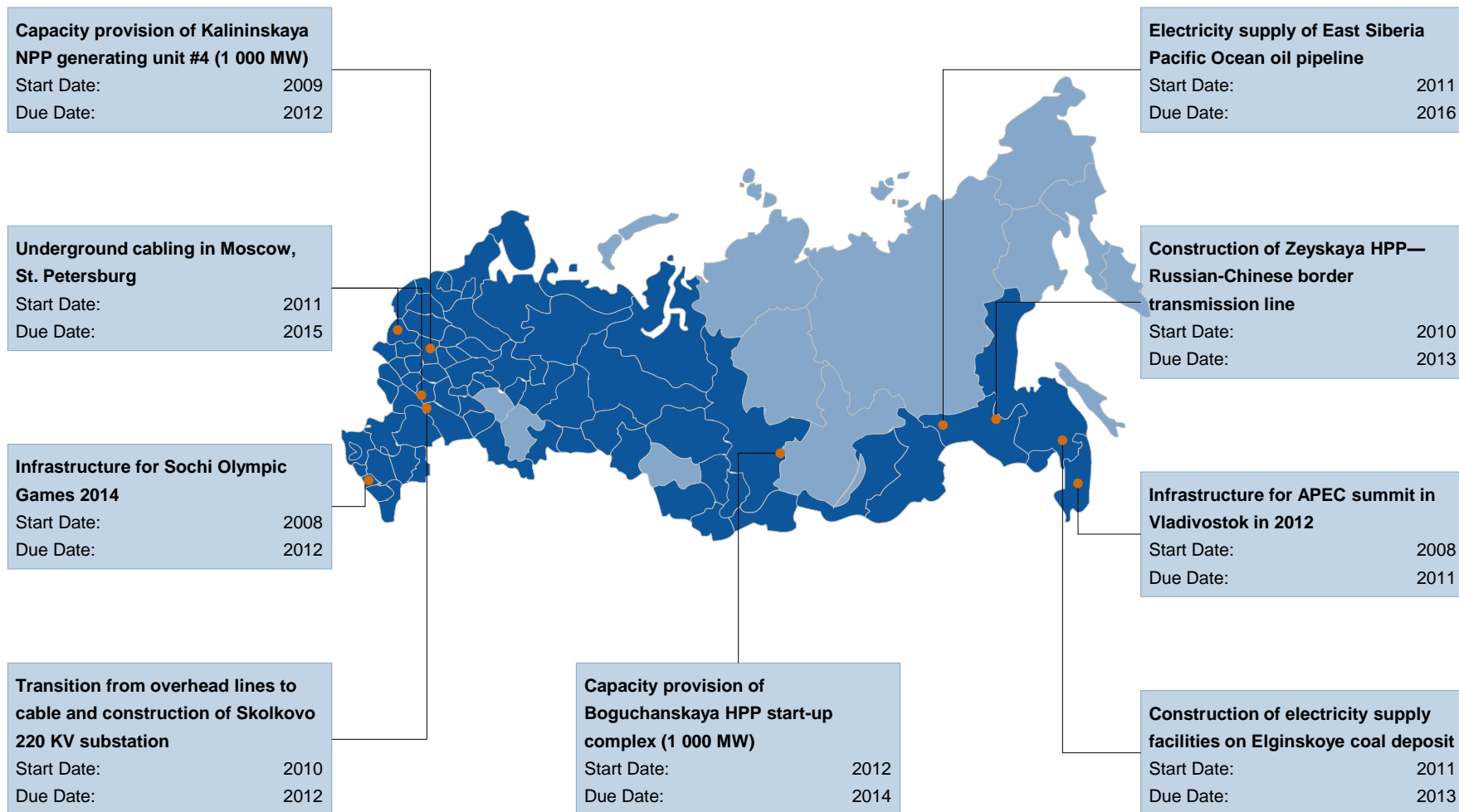


Source Company Data

(1) Simplification for illustrative purposes



Key Investment Projects



Source Company Data



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