

**Federal
Grid Company**



**of Unified
Energy System**

Investor Presentation

January 2012





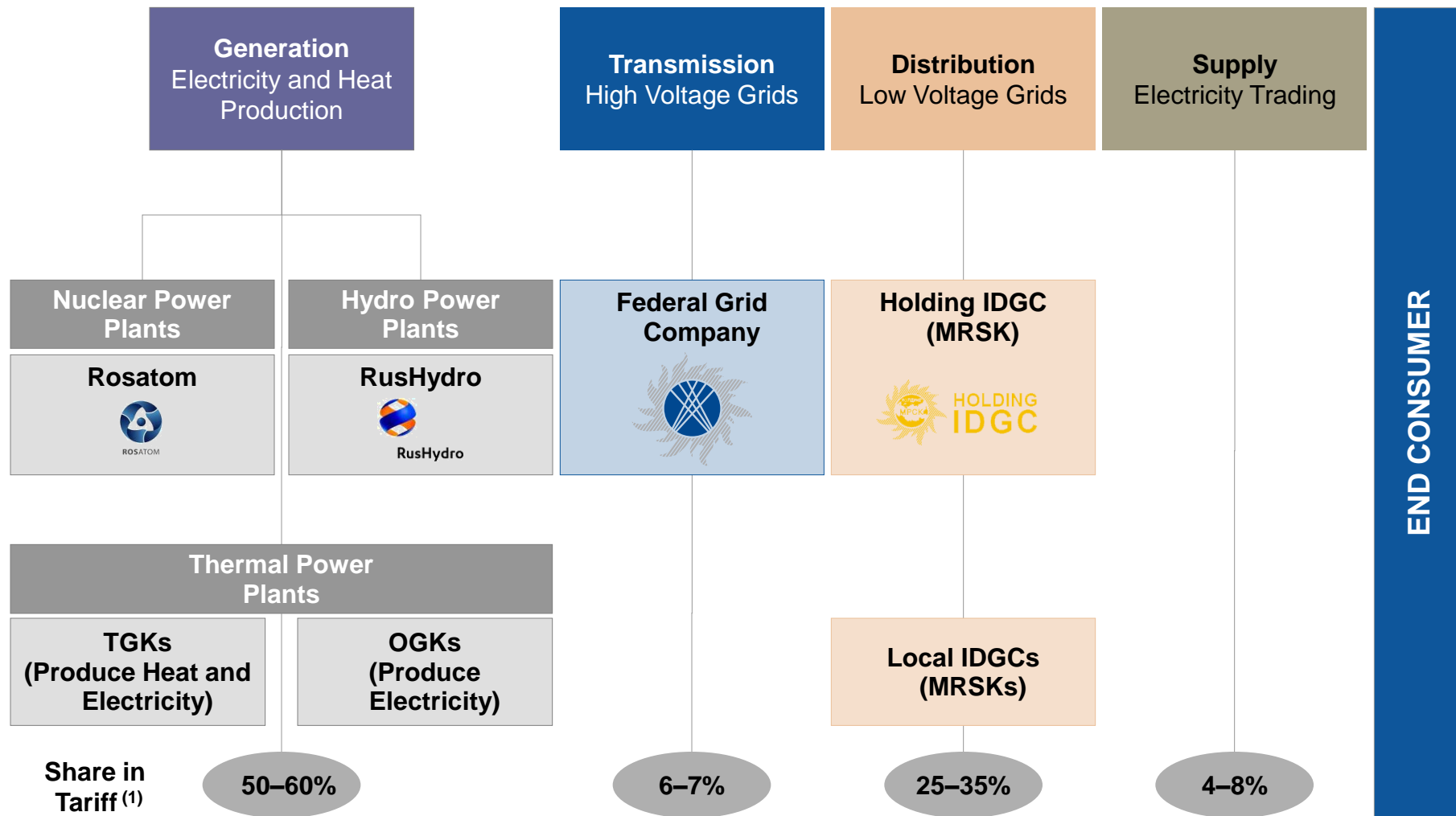
Company Overview

**Federal
Grid Company**



of Unified
Energy System

Power Sector Composition in Russia



Source Company data

(1) Company expert estimations



Why Federal Grid is 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 invested capital 11% in 2010 – 2012 and 10% in 2013 – 2014)

Strong Financials

- Track record of substantial growth (2009 – 2010 revenue increased by 29%)
- Rigorous programme of efficiency savings (c. RUR 2.6 Bn of savings in 2010⁽²⁾)
- 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

(2) Under RAS according to cost cutting programm



Composition of the Board of Directors



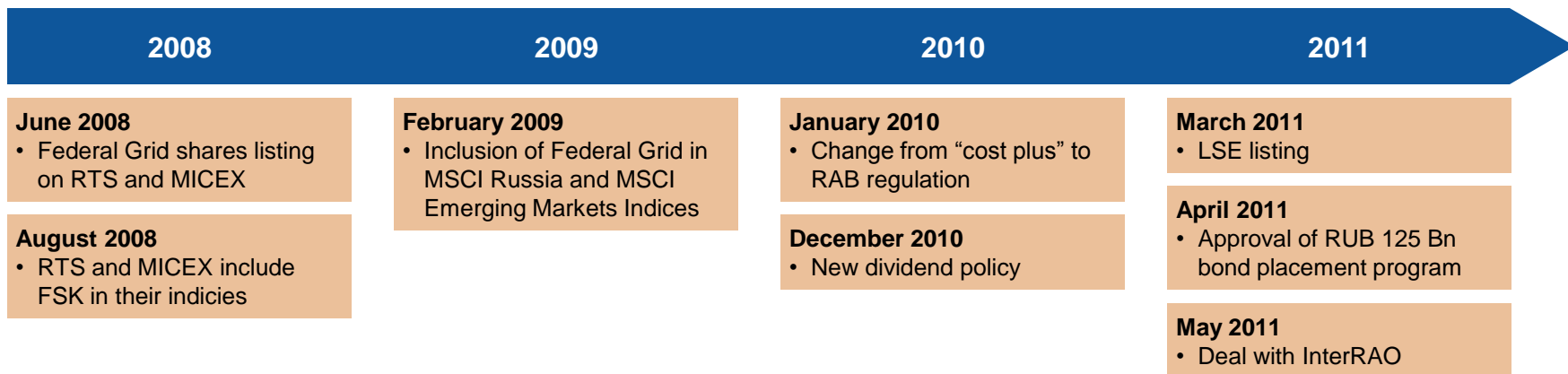
- There are 11 persons in the Company's Board of Directors, 4 of them are independent directors (at least 6 members of the Board of Directors must be representatives of the Russian state authorities)
- On December 16, 2010 Federal Grid Company's Board of Directors approved new dividend policy
 - Dividends equal to at least 10% of net income (based on Russian Accounting Standards) supported by cash flow
 - In 2011 the Company paid its shareholders first dividends since 2008

Source Company data



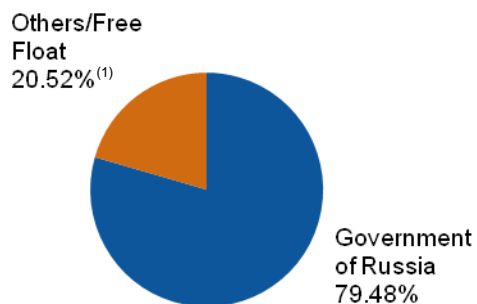
Federal Grid Company History – Key Milestones

Incorporated in 2002



Shareholder Structure

As of January 2012



Source Company data; Bloomberg

(1) Other shareholders include Gazprom, Norilsk Nickel and other

Share Information

As of 20 January 2012

- Number of shares outstanding: 1,255,948 MM
- Share price (MICEX)
 - Current: RUR 0.32
 - 12 month low: RUR 0.21
 - 12 month high: RUR 0.48
- Market Cap: RUR 400 bn
- Free Float: 20.52%
- Approved plan for the privatization of a 4.11% stake owned by the government



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 reduction - 2% 		<ul style="list-style-type: none"> RAB = Initial base of invested capital at the beginning of the year r_{RAB} = existing capital 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 are made based on changes in amount/quality of services provided, changes in legislation, etc.

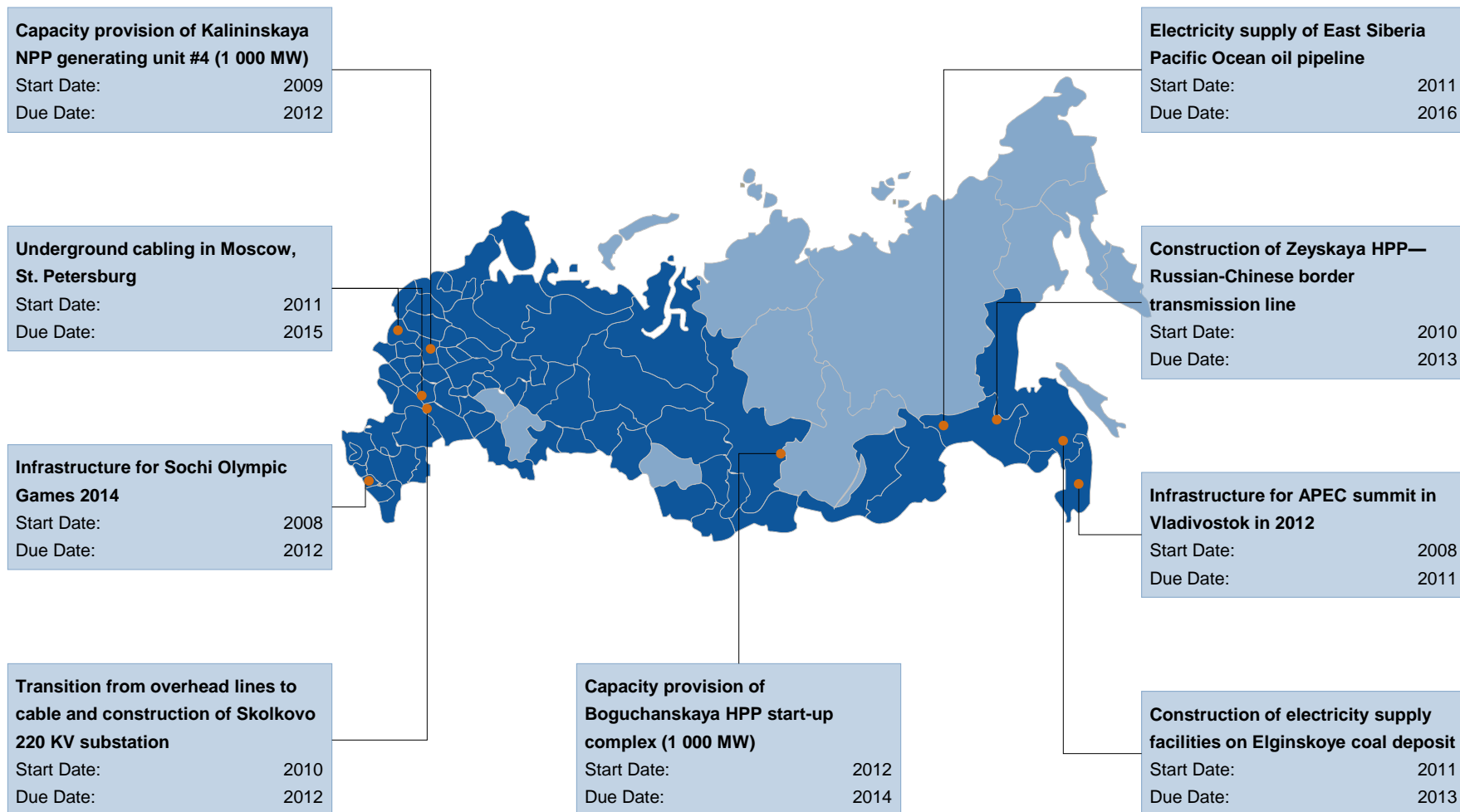
RAB Return Calculation

	January 2010	September 2010	April 2011			
	<ul style="list-style-type: none"> Switched to 3-year RAB regulation 	<ul style="list-style-type: none"> Regulation period prolonged to 5 years 	<ul style="list-style-type: none"> Tariff growth for 2011 has been smoothed out for 5%; Other potential changes discussed 			
		2010	2011	2012	2013	2014
Return on initial invested capital		3.9%	5.2%	6.5%	7.8%	9.1%
Return on new invested capital		11%	11%	11%	10%	10%

Source Company data



Key Investment Projects



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

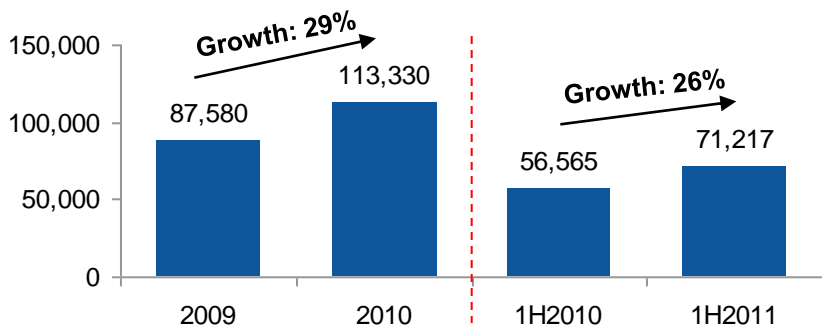


- *Purpose:* to support infrastructure and provide electricity for APEC Summit scheduled to take place in Russian remote Far East region in the city of Vladivostok in 2012
 - New capacity and grids are aimed to strengthen existing infrastructure in Vladivostok as well as to provide electricity to island 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



Revenue

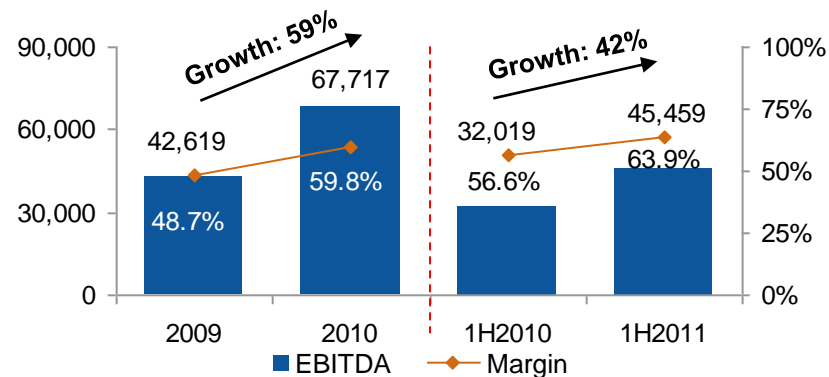
RUR MM



EBITDA adj. ⁽¹⁾ and Margin

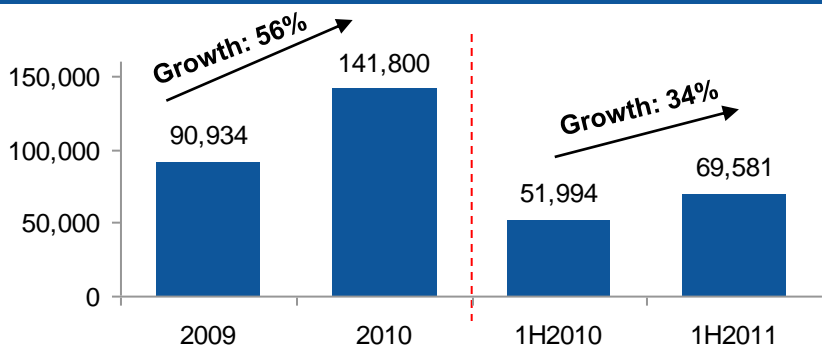
RUR MM

%



CAPEX

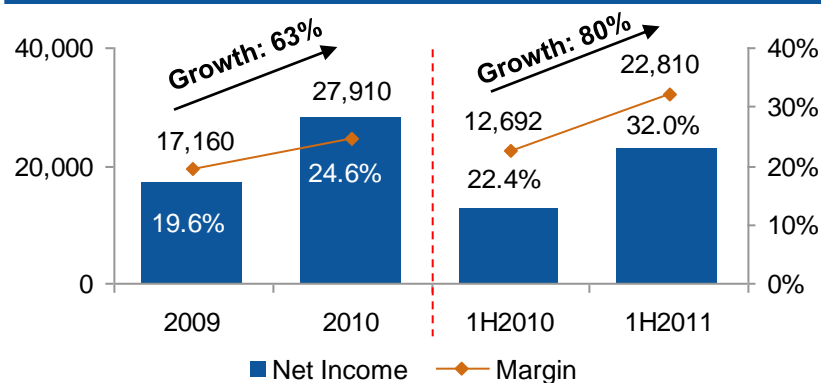
RUR MM



Profit for the period adj. ⁽¹⁾ and Margin

RUR MM

%



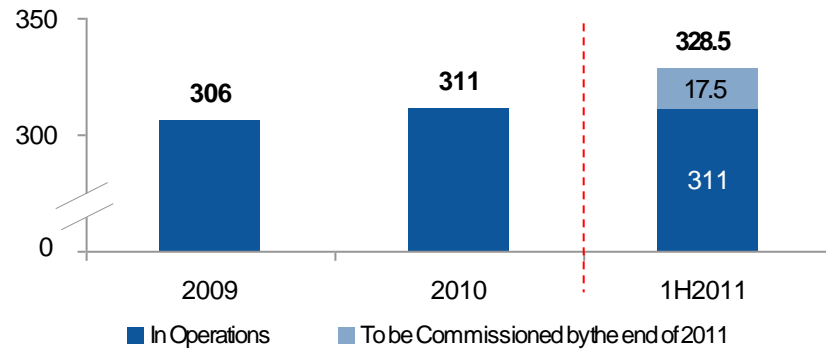
Source Company IFRS financials

(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



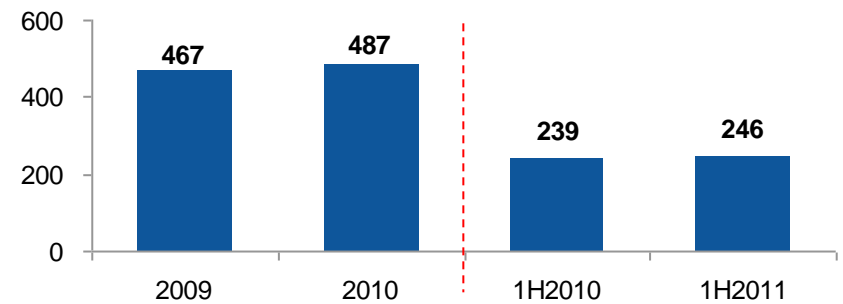
Total Transformer Capacity

Thousands MVA



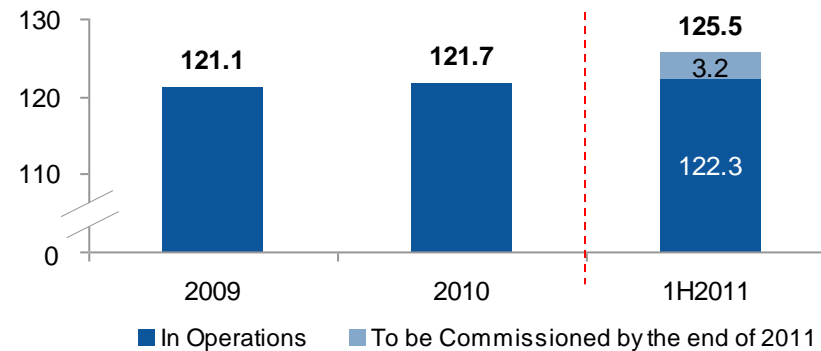
Electricity Transmission

Bn kWh



Transmission Grid Length

Thousands km



Source Company data



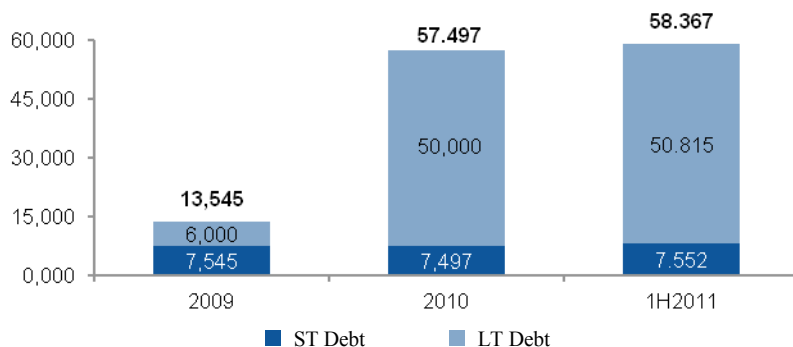
Federal Grid Ratings

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

Credit 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 15	10,000	8.75	23 October 2014
Series 18	15,000	8,50	09 June 2014
Series 19	20,000	7.95	18 July 2018

Credit line	RUR MM	Maturity date
Gazprombank	15,000	October 2014
Gazprombank	10,000	November 2014
Total	130,000	

- Average debt maturity of 4,8 years
- Weighted average cost of debt financing is 8,3%

Credit Potential

Total amount of untapped credit lines: RUR 111.5 Bn

Source Company data; IFRS financials; Bond portfolio structure and Credit potential shown as of 20 January 2012

(1) Adjusted for reversal of impairment provision of 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



RAB Regulation

- 28 December 2010: Federal Tariff Service (FTS) approved RAB tariffs for the five year period (2010 - 2014)
- 13 April, 2011: FTS adjusted the tariffs for 2-4Q2011 - 2014 to redistribute gross revenues of regulated businesses between years within a single regulatory period

Investment Program

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

Bond Offerings

- Federal Grid Company successfully issued bonds in total amount of RUB 55 Bn in 2011
- Average interest rate was 8,35%
- Average maturity was 5,4 years
- The total demand exceeded the nominal volume of the issue in 2,5 times in average

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 (by RAS standards), 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 Program

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

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



Contacts for Institutional Investors and Analysts

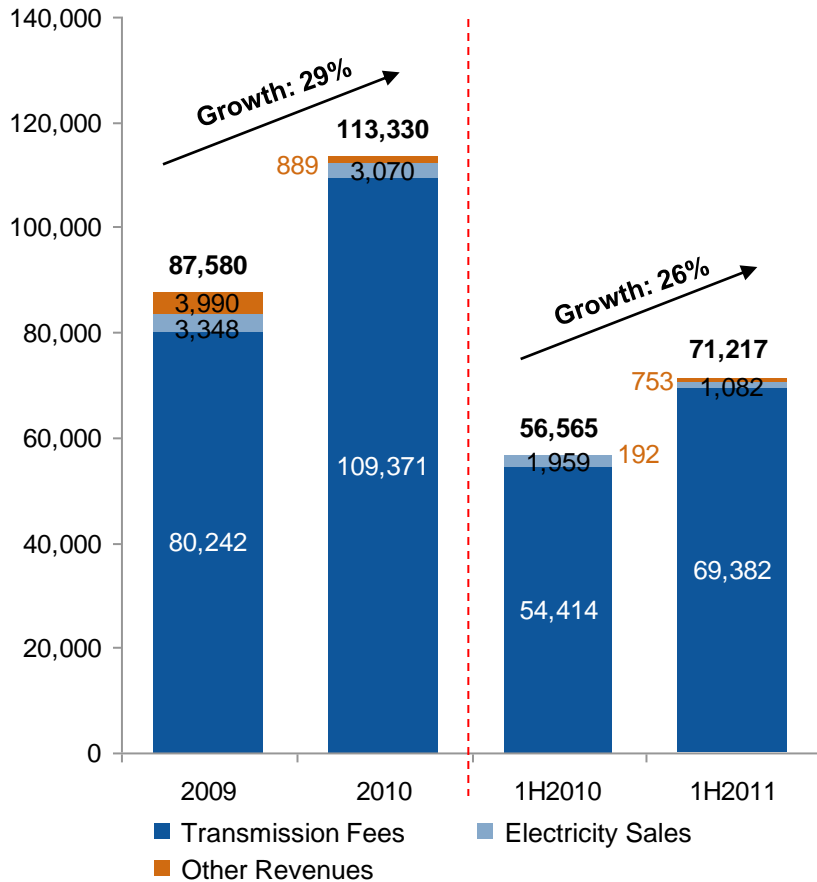
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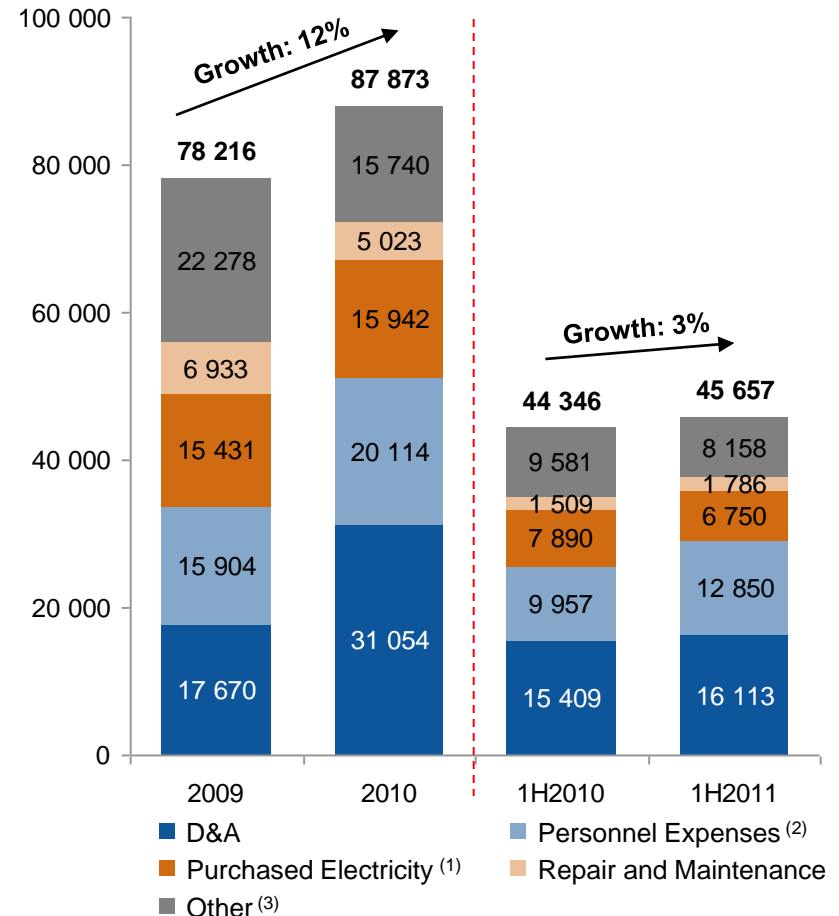
Revenue Structure

RUR MM



Cost Structure

RUR MM



Source: Company IFRS financials

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

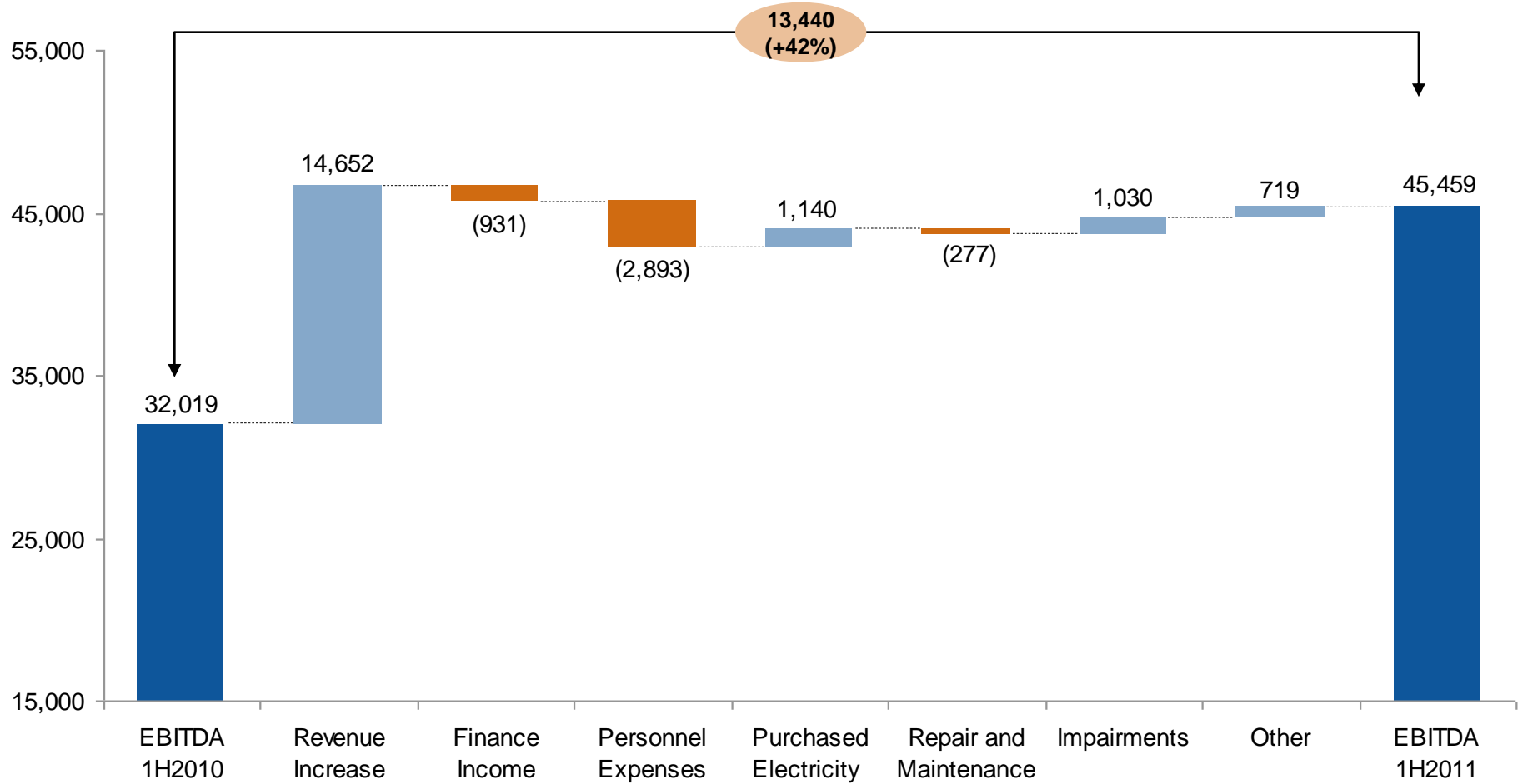
(2) Including payroll taxes

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



Change in EBITDA

RUR MM

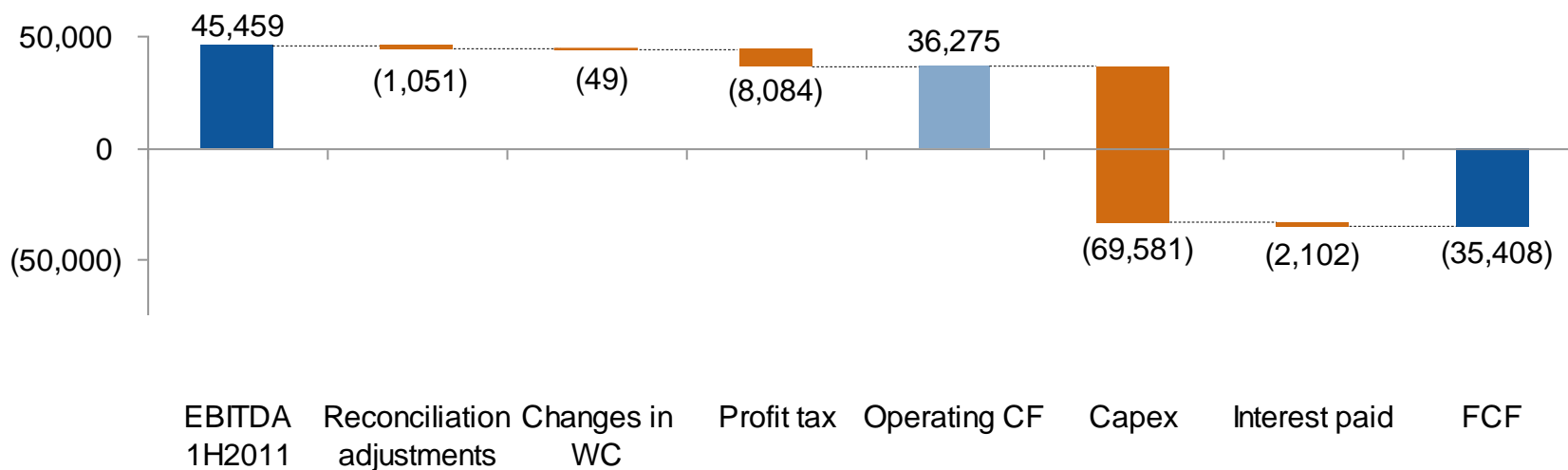


Source: Company IFRS financials



RUR MM

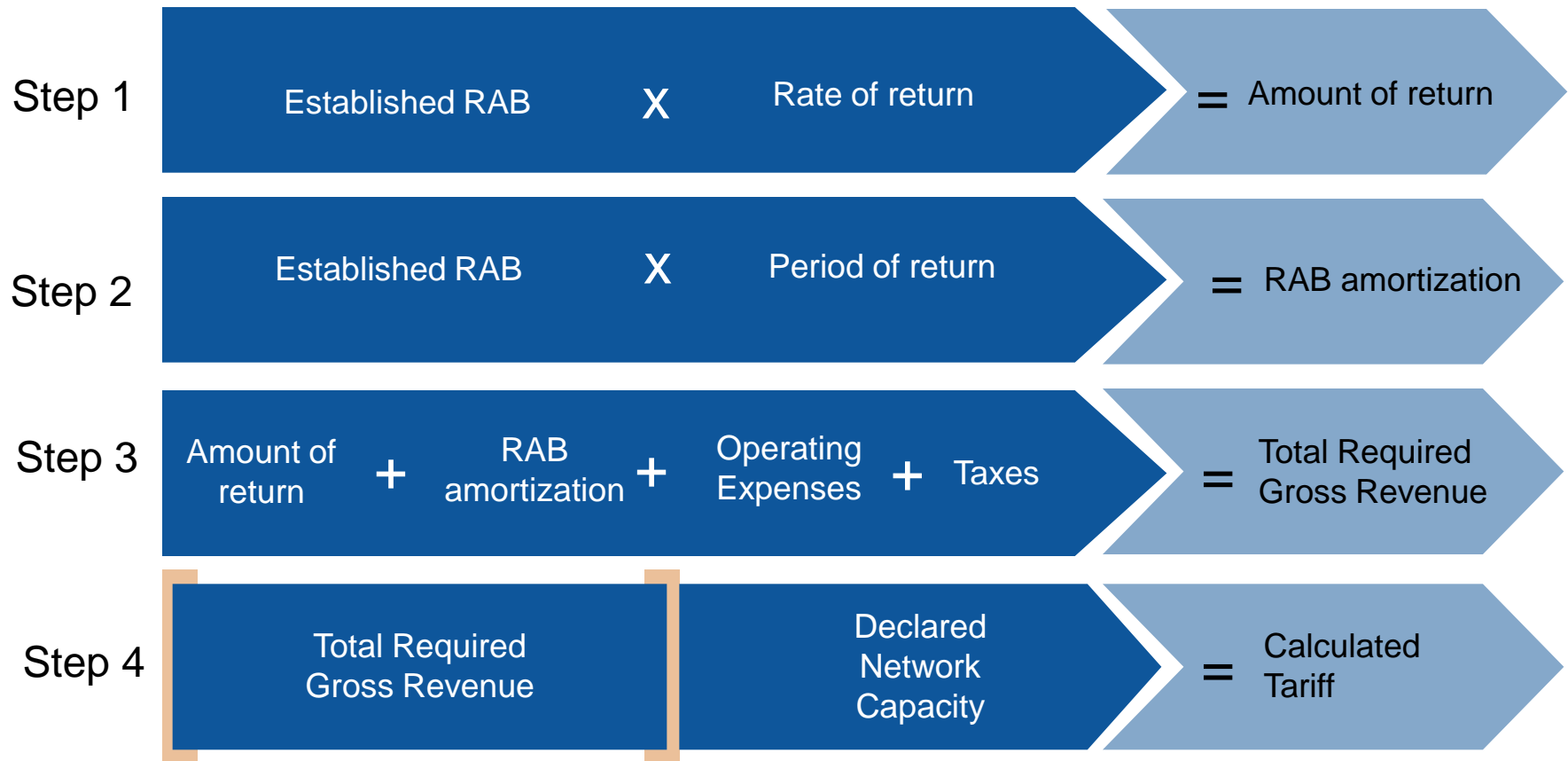
13,573	▪ Cash and cash equivalents at the beginning of the period
36,275	▪ Net cash generated by operating activities
(31,279)	▪ Net cash used in investing activities
(2,102)	▪ Net cash used in financing activities
2,894	▪ Net increase in cash and cash equivalents
16,467	▪ Cash and cash equivalents at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



Source Company IFRS financials



Tariff Calculation (1)



Source: Company Data

(1) Simplification for illustrative purposes



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