



London  
Stock Exchange

**LISTED**

**STANDARD**  
DEPOSITARY RECEIPTS

**Federal  
Grid Company**



**of Unified  
Energy System**



**FY2011 IFRS Results**

April 2012

# Major Developments in 2011

## Regulation

- Federal Tariff Service adjusted the tariffs for 2-4Q2011 - 2014 to redistribute gross revenues of regulated businesses between years within a single regulatory period

## Investment Program

- Total capital investments increased RUR 155 Bn (excl. VAT)

## Financing

- Company completed several bond issues for the total amount of RUR 55 Bn and opened additional credit line for RUR 25 Bn

## Listing

- Company successfully listed its GDRs on the Main Market of the London Stock Exchange

## 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



# 2011 Key Performance Indicators

## 2011 Key Performance Indicators

RUR MM	2011	2010	Change
Revenue	139,571	113,330	23%
Adj. Operating Profit <sup>(1)</sup>	46,614	29,941	56%
Adj. EBITDA <sup>(1)</sup>	83,760	67,717	24%
<i>Adj. EBITDA Margin <sup>(1)</sup></i>	<i>60.0%</i>	<i>59.8%</i>	n/m
Adj. Profit for the period <sup>(1)</sup>	38,241	27,910	37%
Net Debt	85,232	(3,838)	n/a
Electricity Transmission (Bn kWh)	484.7	470.6	3%

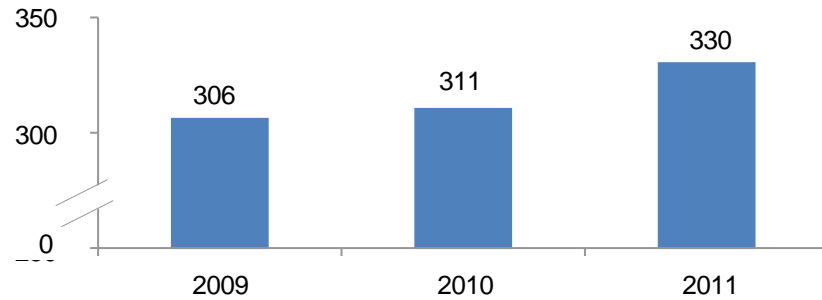
**Source** Company IFRS financials; Company data

(1) Adjusted for gain on disposal of available-for-sale investments and investments in associates, loss on re-measurement of assets held for sale, non-specific impairment of PPE, impairment of available-for-sale investments, loss on dilution of share in associates.



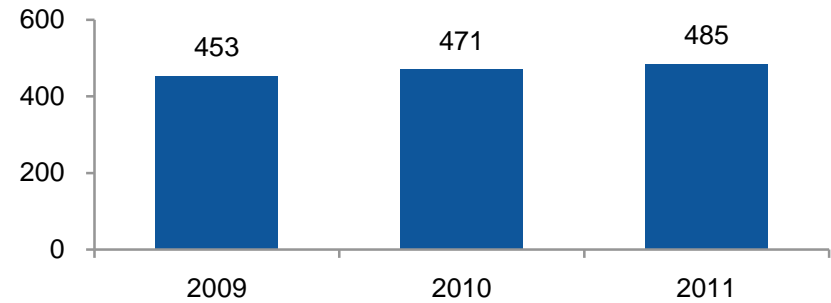
## Total Transformer Capacity

Thousands MVA



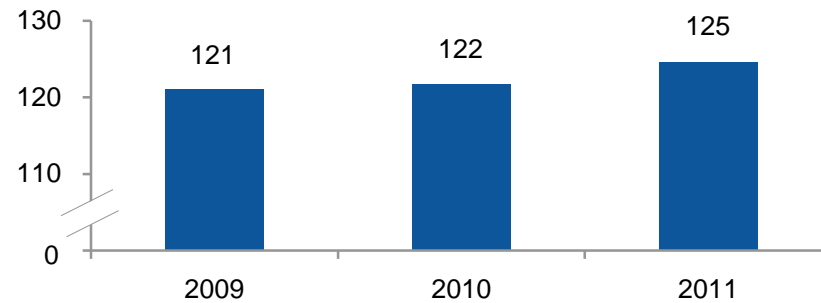
## Electricity Transmission

Bn kWh



## Transmission Grid Length

Thousands km

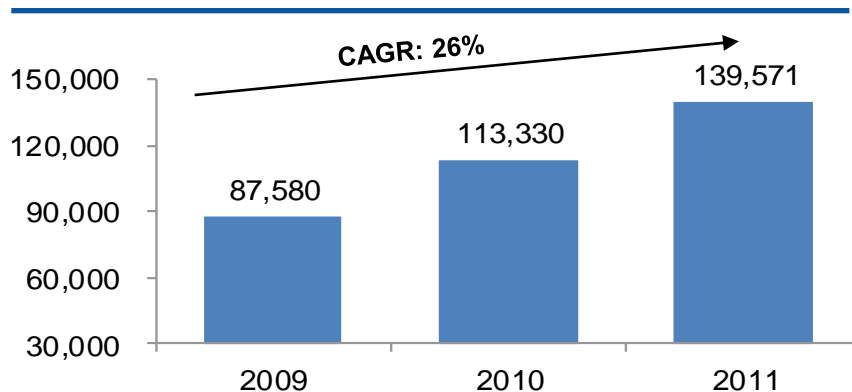


Source Company data



## Revenue

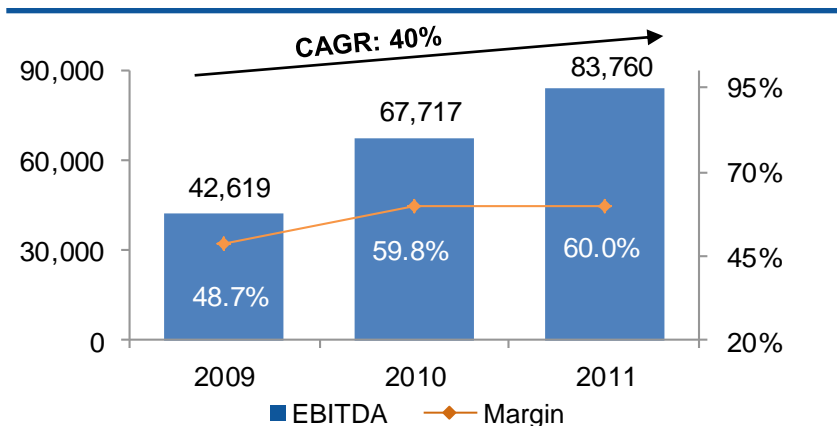
RUR MM



## EBITDA adj. <sup>(1)</sup> and Margin

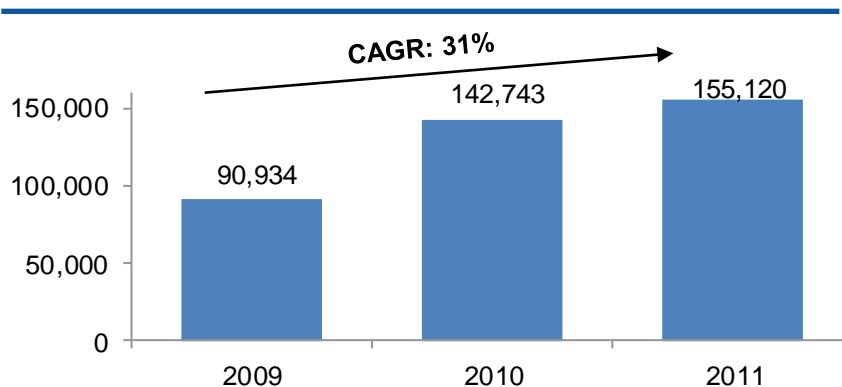
RUR MM

%



## CAPEX (excl. VAT)

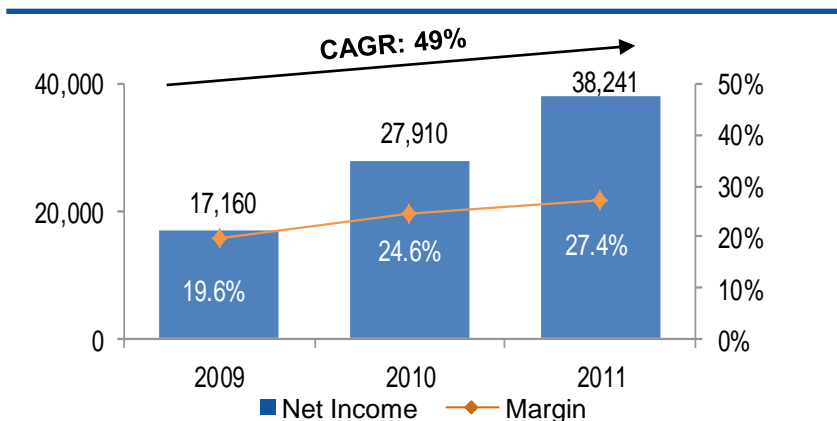
RUR MM



## Profit for the period adj. <sup>(1)</sup> and Margin

RUR MM

%



Source Company IFRS financials

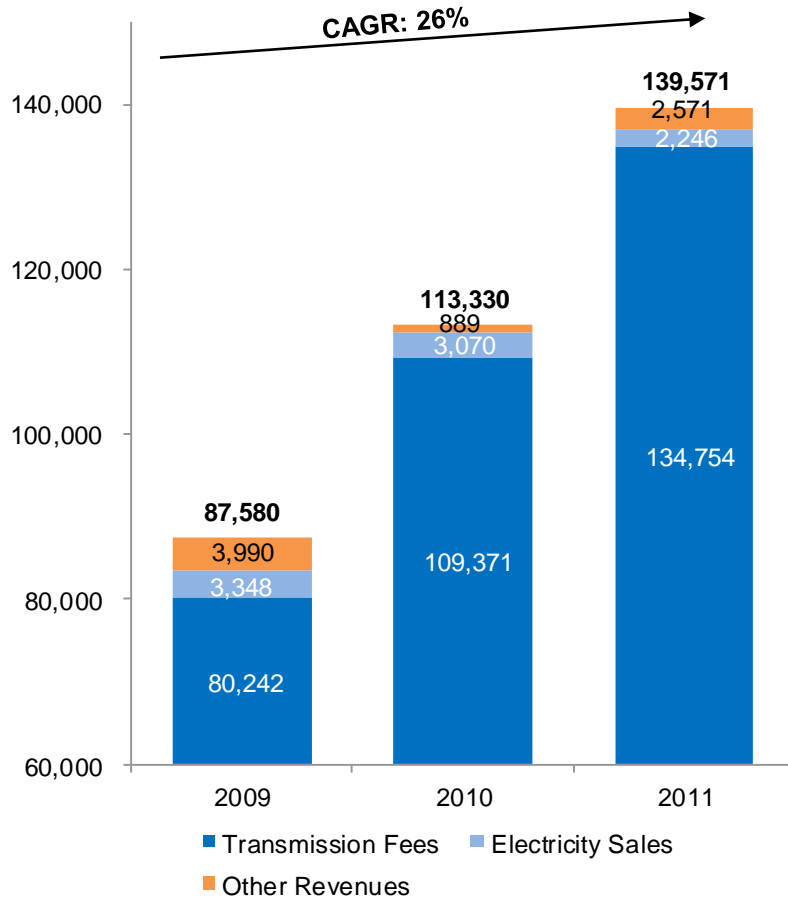
(1) Adjusted for gain on disposal of available-for-sale investments and investments in associates, loss on re-measurement of assets held for sale, non-specific impairment of PPE, impairment of available-for-sale investments, loss on dilution of share in associates.



# Revenue and Cost Structure

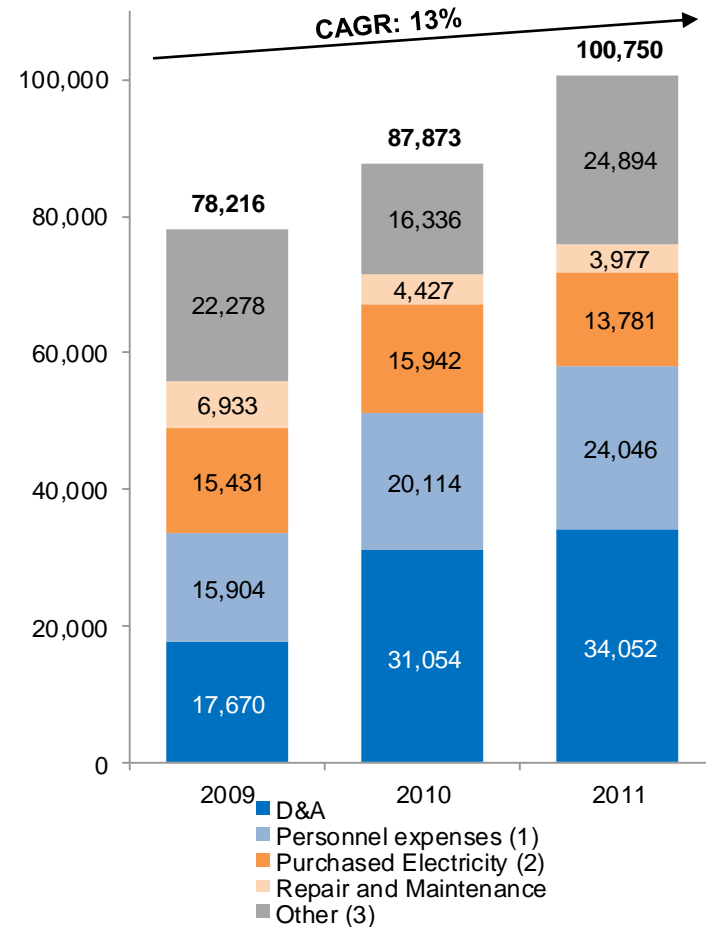
## Revenue Structure

RUR MM



## Cost Structure

RUR MM

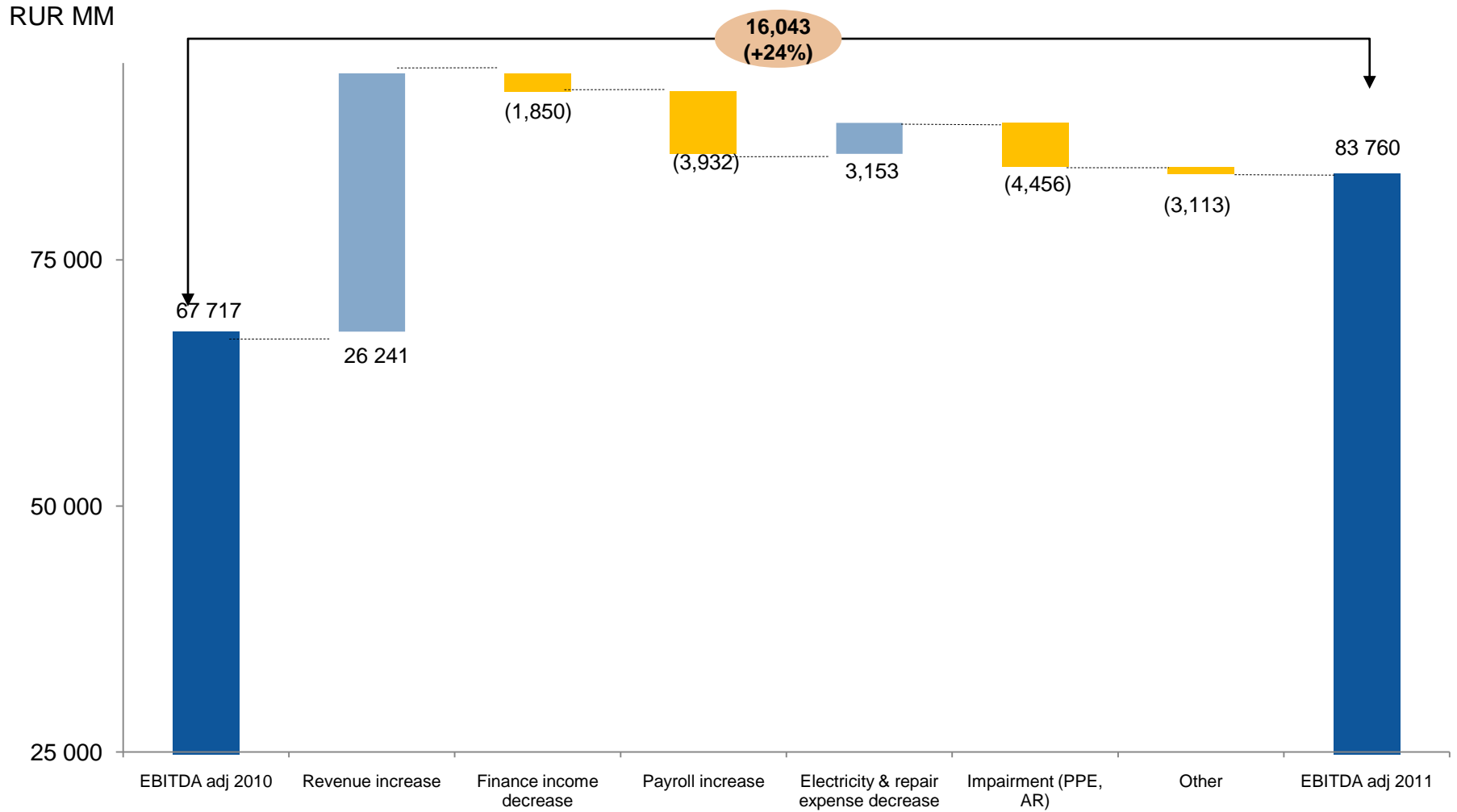


Source: Company IFRS financials

- (1) Including payroll taxes
- (2) Federal Grid purchases electricity to cover electricity transmission losses in its grid
- (3) Includes change in allowance for doubtful debtors and other items



# Change in EBITDA



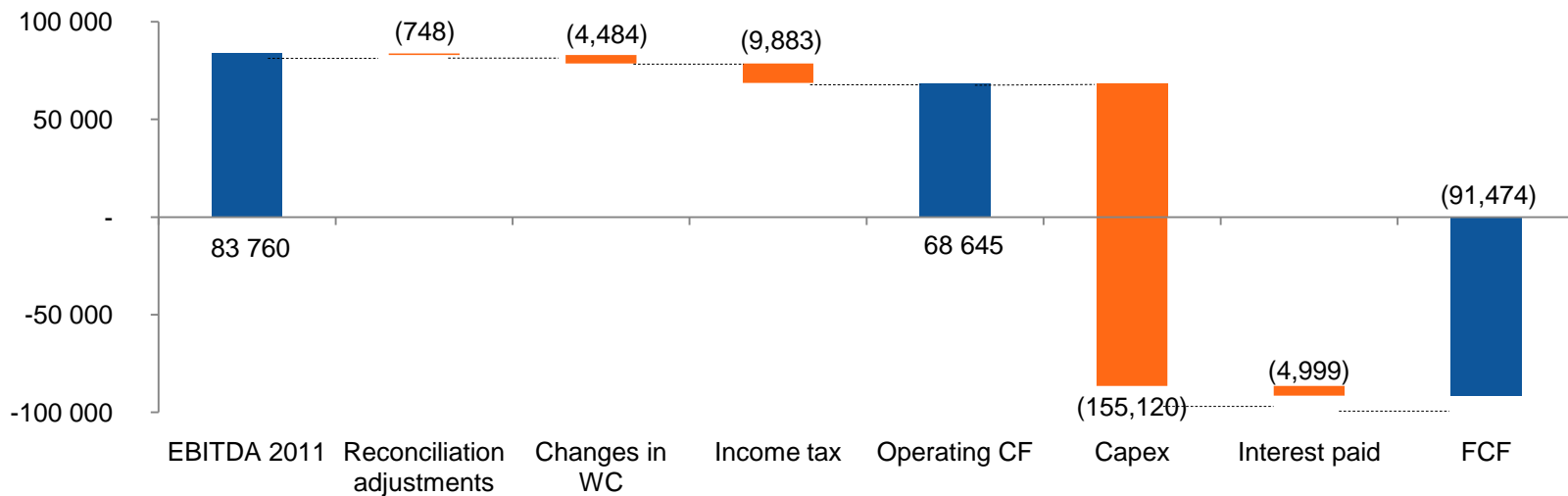
Source: Company IFRS financials



# Free Cash Flow

RUR MM

13,573	▪ Cash and cash equivalents at the beginning of the period
68,645	▪ Net cash generated by operating activities
(124,743)	▪ Net cash used in investing activities
68,152	▪ Net cash generated by financing activities
12,054	▪ Net increase in cash and cash equivalents
25,627	▪ Cash and cash equivalents at the end of the period



Source Company IFRS financials





# Capital Structure

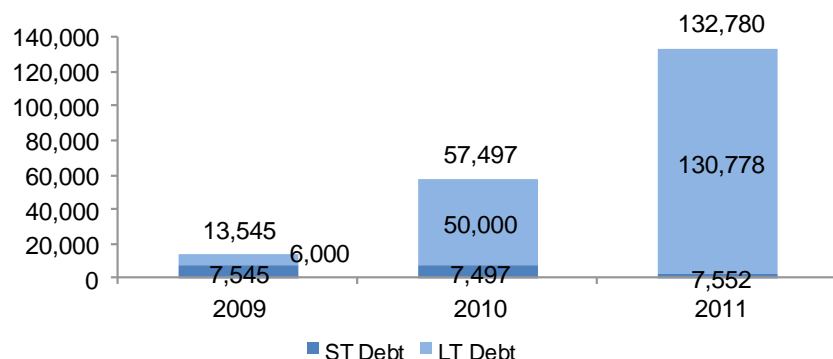
## Federal Grid Ratings

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

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

## Debt Profile Evolution

RUR MM



## Key Ratios

	2010	2011
Debt/Capital	6%	15%
Total Equity/Total Assets	0.83x	0.77x
Adjusted EBITDA <sup>(1)</sup> (RUR MM)	67,717	83,760
Total Debt/Adjusted EBITDA <sup>(2)</sup>	0.85x	1.59x

## 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
<b>Total</b>	<b>130,000</b>	

- Average debt maturity of 4.8 years
- Weighted average cost of RUR debt financing: 8.3%

## Credit Potential

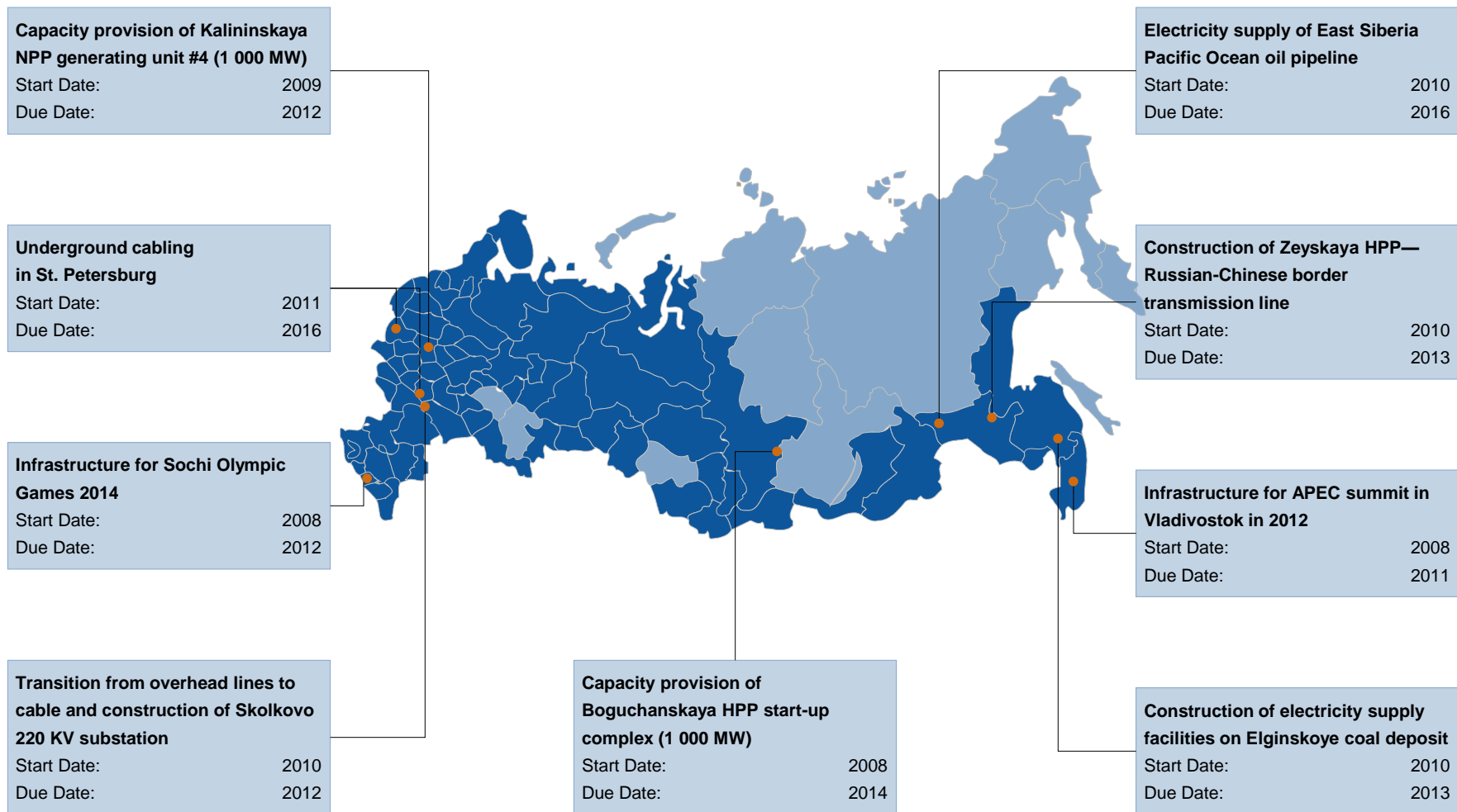
Total amount of untapped credit lines: RUR 117.5 Bn

**Source** Company data; IFRS financials; Bond portfolio structure and Credit potential shown as of April, 2012

(1) Adjusted for gain on disposal of available-for-sale investments and investments in associates, loss on re-measurement of assets held for sale, non-specific impairment of PPE, impairment of available-for-sale investments, loss on dilution of share in associates.



# Key Investment Projects



Source Company Data



# Why is Federal Grid a Good Investment Opportunity?

## Scale of Business

- Largest publicly traded electricity transmission company in the World <sup>(1)</sup> 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 in 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 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 (2010 – 2011 revenue increased by 23%)
- Programme of efficiency savings (c. RUR 2 Bn of savings in 2011<sup>(2)</sup>)
- Ability to obtain one of the lowest debt interest rates among Russian companies
- Investment grade credit ratings (S&P - BBB/Stable; Moody's - Baa2/Stable)

**Source** Company data; IFRS financials; Energy Forecasting Agency

(1) By length of transmission lines and transformer capacity

(2) Under RAS according to cost cutting programme



## Contacts for Institutional Investors and Analysts

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## Next Events

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- 24 – 27 April 2012: Roadshow following FY2011 IFRS results publication





# Appendix

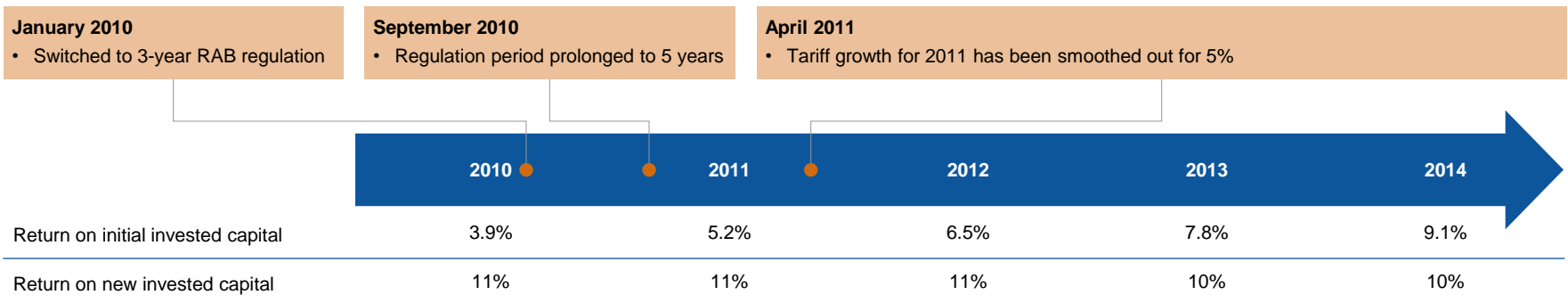


# RAB Regulation: Transforming Approach to Financing

## Regulatory Asset Base (RAB) Regulation

- Since 1 January, 2010 Federal Grid Company operates on the basis of RAB regulation
- Tariff for electricity transmission includes return on invested capital in compliance with best international practices based on Regulatory Asset Base (RAB)
- Regulatory impetuses are established to improve operating efficiency during the regulatory period
- Clear planning of long-term investments based on formation of financing sources
- Optimization the capital structure through an increase in debt position

## RAB Return Calculation



# Scheme Development of Russian Energy Sector

## General Scheme of Electric Energy Facilities' Deployment



- Approved by Government of the Russian Federation
- Includes:
  - Objectives and development priorities for 15 years
  - Electric energy consumption forecast
  - Deployment plan for electric energy facilities

## Development Scheme of Electric Grid

- Approved by Russia's Ministry of Energy
- Includes :
  - Electric Grid scheme and development program
  - Renovation program
  - Coordinated plans for construction and operation of grid infrastructure and generating facilities

## Development Scheme of Region's Power Industry

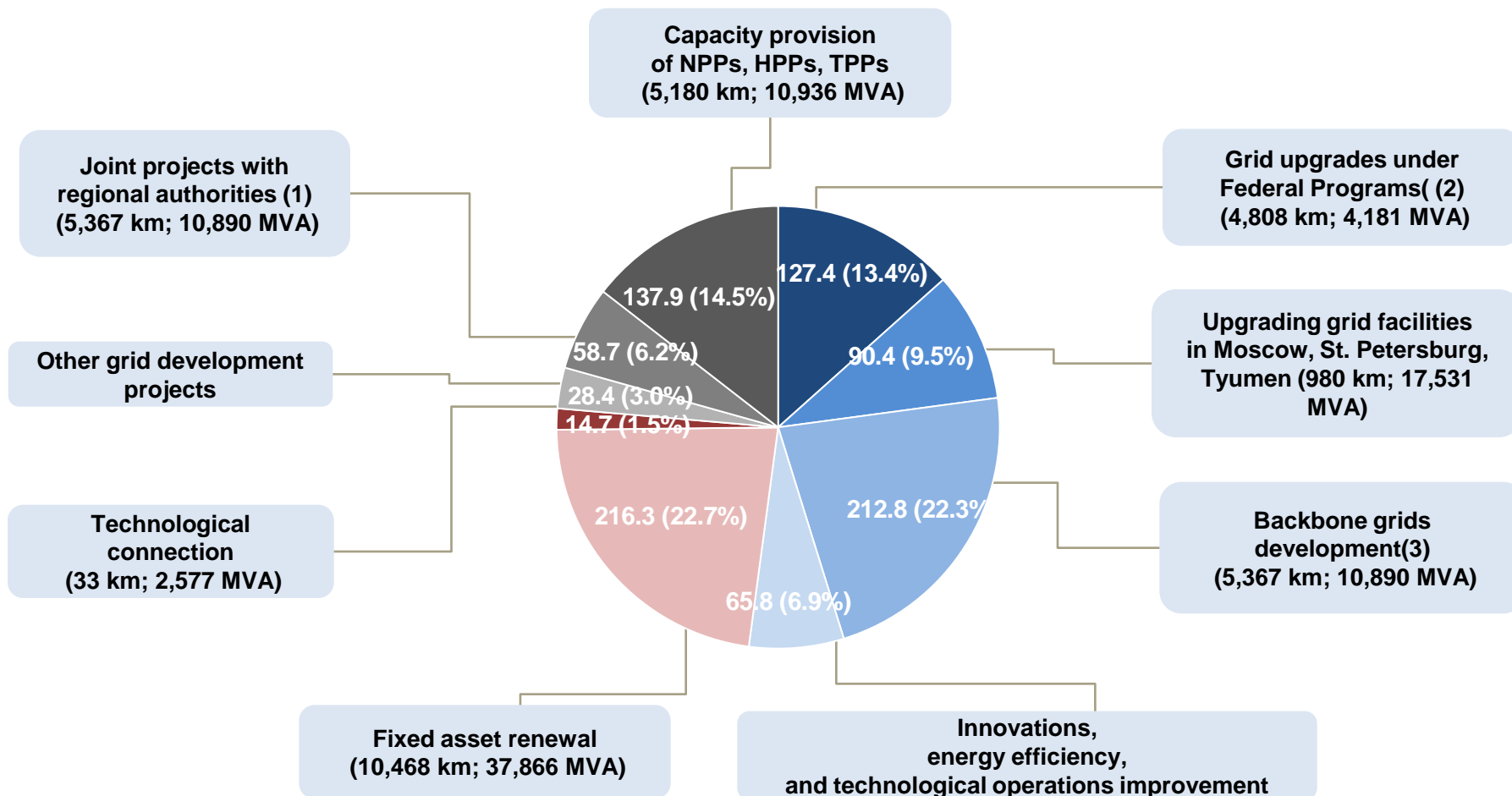
- Approved by: Russia's region
- Includes :
  - Plans for putting grid infrastructure and generating facilities into operation
  - Balance of electric energy production and consumption

## Federal Grid Company's Investment Program

- Approved by Russia's Ministry of Energy
- Agreed with: Federal Tariff Service, Ministry of Economic Development, System Operator of UES
- Includes:
  - Register of construction projects' plans and characteristics
  - Sources of financing



**Total amount of planned investments for 2010–2014 is RUB 952.4 bn**

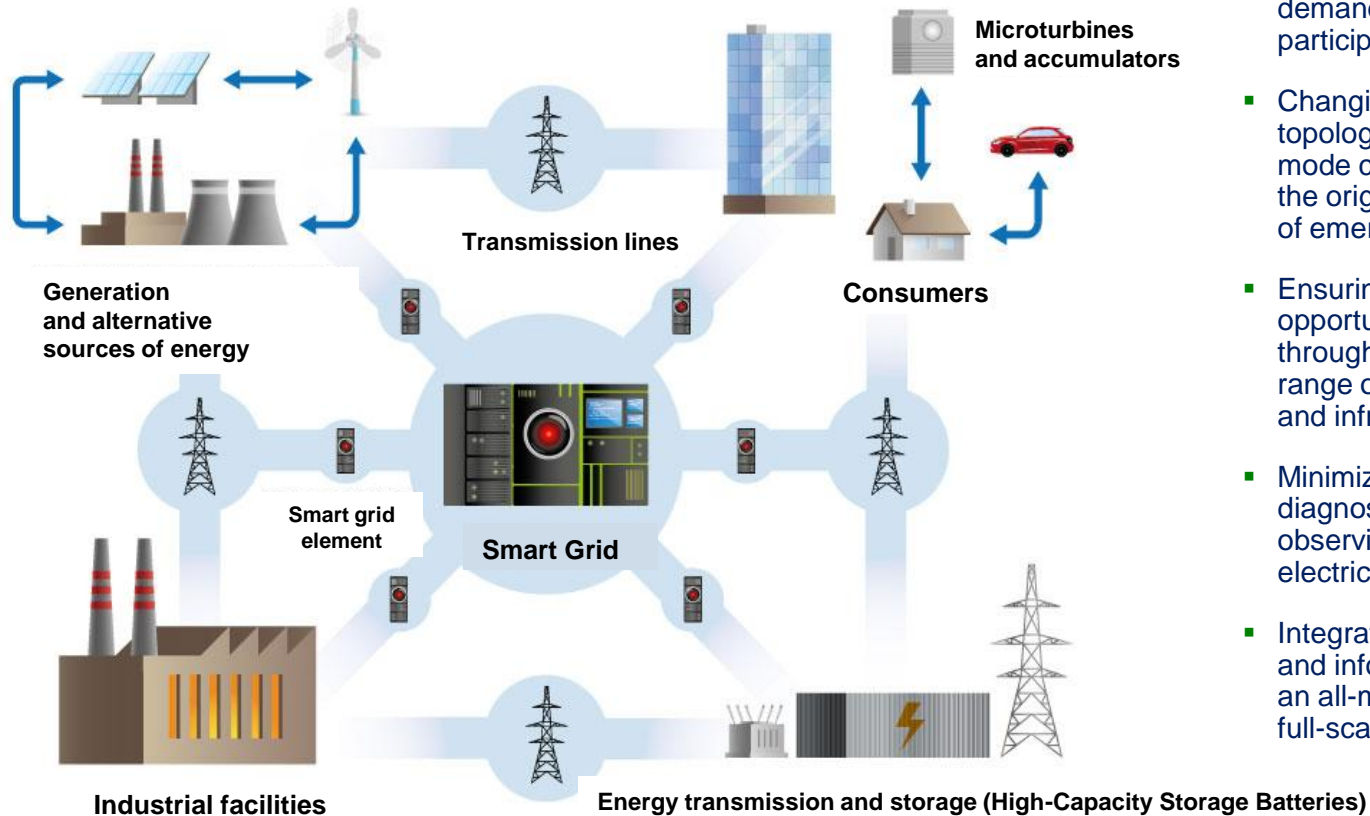


(1) Excluding Moscow, St. Petersburg, and Tyumen  
 (2) East Siberia: Pacific Ocean oil pipeline, Sochi Olympic Games, Vankor, Sayan, etc.  
 (3) Excluding joint projects with regional authorities





Smart Grid is a brand-new state of the grids based on new principles and technologies related to electric energy transmission and transformation, which allows for:



- Integrating all types of generation (including small generators) and all types of consumers (from households to large industries) for the situational management of demand for their services and active participation in energy system operation
- Changing real-time parameters and grid topology, in accordance with current mode conditions, excluding the origination and development of emergencies
- Ensuring the broadening of market opportunities for the infrastructure through the mutual provision of a broad range of services for market and infrastructure subjects
- Minimizing losses, developing self-diagnosis and self-recovery systems by observing reliability conditions and electric energy quality
- Integrating the electric grid and information infrastructure to create an all-mode management system with full-scale information support



# Smart Grid: Pilot Projects of North-West and the East



## Pilot projects of the North-West are focused on:

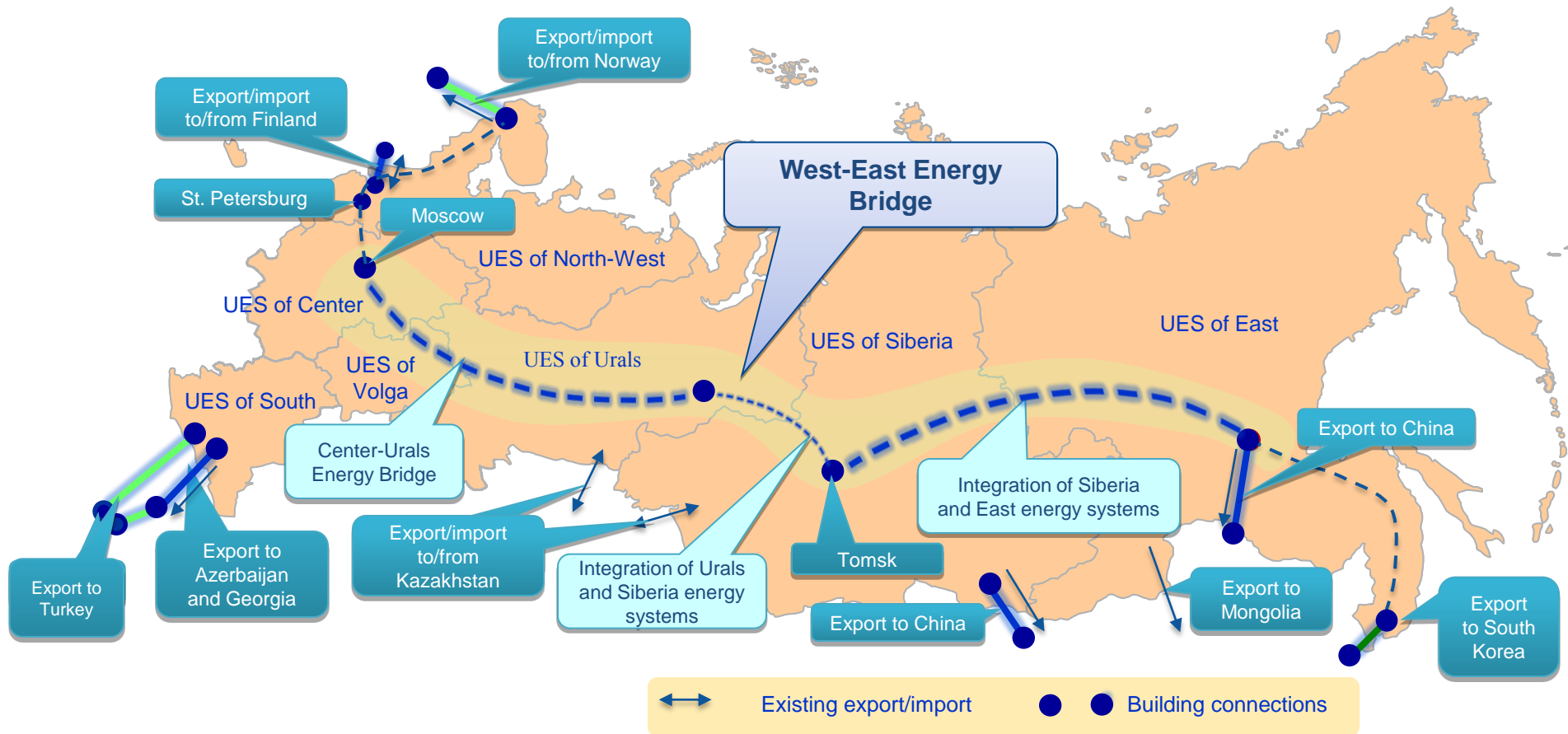
- Ensuring required reliability of energy supply to urban consumers
- Building efficient grids
- Providing electricity exchange

## Pilot projects of the East provide for:

- High-quality energy supply for natural resources deposits
- Additional efficient capacity
- Reliable electric energy supply in the southern part of the Primorye territory



# Prospects for Energy Bridge Development in Russia



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