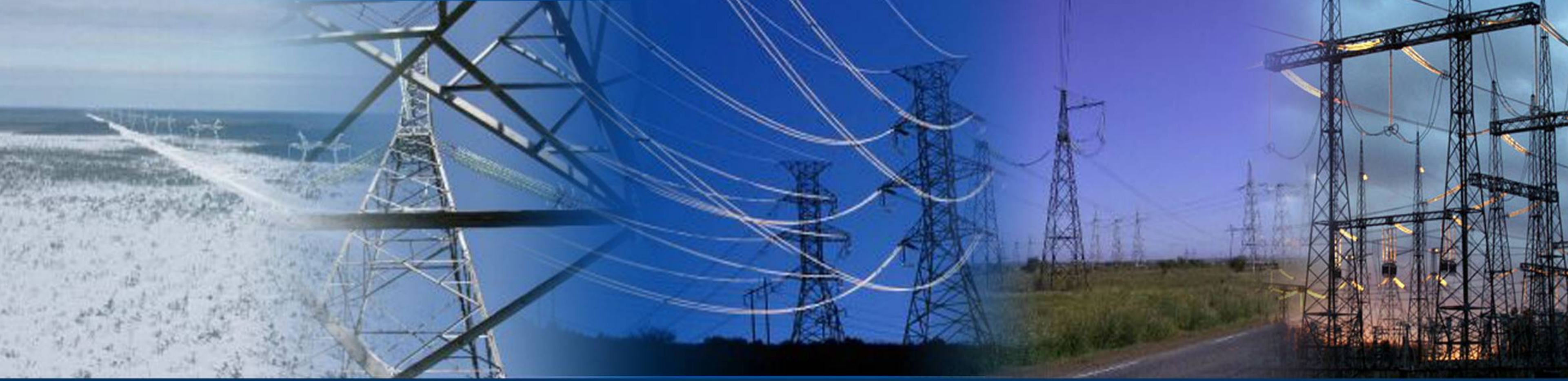

Investor presentation

April 2008

Федеральная Сетевая Компания Единой Энергетической Системы

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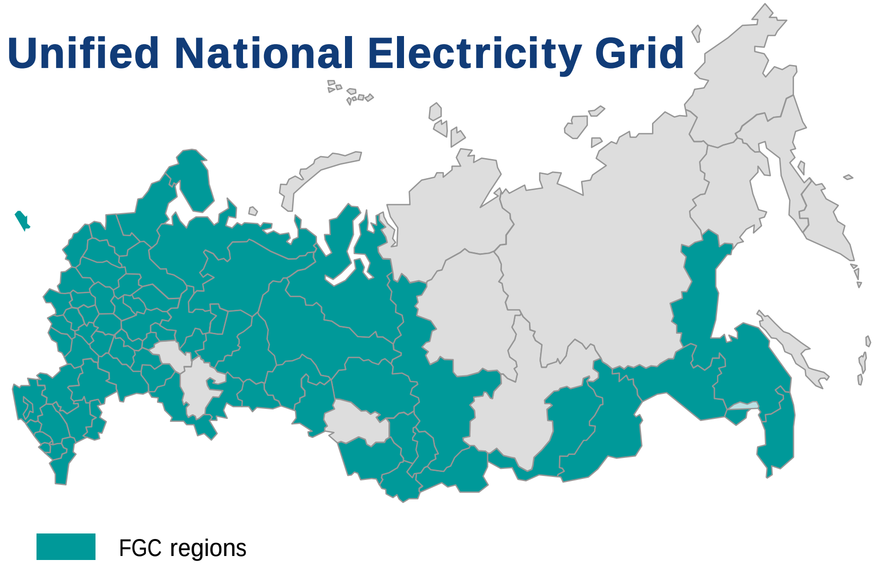
Federal Grid Company profile

Unified National Electricity Grid

Company overview

- FGC – natural monopoly in Russia's electricity transmission sector, owning and operating Unified National Electricity Grid (high-voltage lines of 220+ kV)
- Revenues formed by transmission charges and grid connection fees
- Currently, responsible for the consolidation of the grid complex of UNEG and management of RAO UES holdings in distribution companies
- As as result of RAO UES reorganisation and FGC additional share issues, Government's stake to remain at 75%+
- After 1 July 2008 FGC shares will be listed and traded on Russian stock exchanges
- DR program for foreign investors to be put in place starting 1 July 2008

Unified National Electricity Grid



Key financial indicators*	**2007**
Revenues, US$mln	2,403
EBITDA, US$mln	908
EBITDA margin	38%
Net debt, US$mln	640
Key operational indicators	
Total length of transmission lines	120,000 km
Electricity output	c.500 TWh
Number of substations	796
Installed transformer capacity	310 GVA

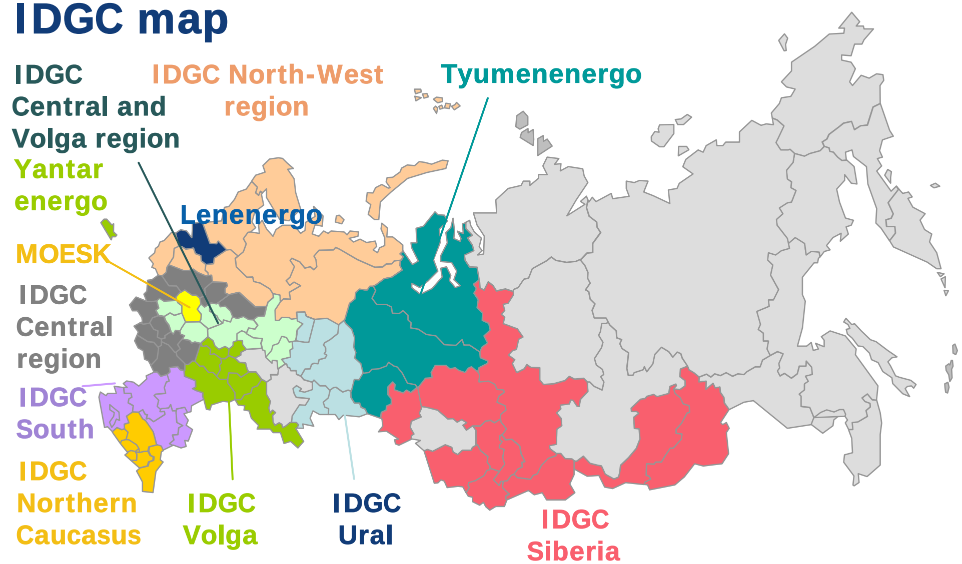
*Notes:
1) RAS accounts
2) average exchange rate for 2007 - RUR 25.55 / 1 USD
3) IFRS accounts for 2007 will be prepared by July 2008

IDGC-Holding profile

Company overview

- Regional distribution companies (RDC) are consolidated in 11 Interregional distribution companies (IDGCs) by May 2008
- IDGCs own and operate distribution lines (110 kV and below)
- IDGCs revenue stream:
  - electricity distribution charges from supply companies and end-consumers
  - connection fees from end-consumers
- All RAO UES stakes in IDGCs are consolidated in IDGC-Holding
  - IDGC-Holding owns controlling stakes in all IDGCs
  - Government owns 52% in IDGC-Holding
  - IDGC-Holding to start trading in November 2008 (depositary receipts in January 2009)

IDGC map



Key financial indicators of IDGCs*	2007
Aggregated revenues, US$mln	12,800
Aggregated EBITDA, US$mln	4,500
EBITDA margin	35%
Net debt, US$mln	2,400

Key operational indicators of IDGCs	
Total length of transmission lines	2,1 mln km
Electricity output	655 TWh
Number of substations	451,000
Installed transformer capacity	371 GVA

*Notes:
1) aggregated RAS accounts for all RDCs
2) average exchange rate for 2007 - RUR 25.55 / 1 USD

Investment highlights*

Growth outlook	▸ Intensive investment programme to increase the assets of both FGC and IDGCs by a factor of over 4 from 2007 to 2015 ▸ Anticipated significant EBITDA growth both for FGC and IDGCs
New regulatory regime	▸ Formation of the new regulatory system based on return on capital to be completed in 2008, parameters and timeline being determined (in accordance with 2007 amendments to Federal Law N35) ▸ Ministry of Economy formulates plans of socio-economic development taking into account introduction of RAB (regulatory asset base) tariff regulation in 2009-2011 ▸ Cash flows to stabilise in 2011 and remain predictable in the long term
Liquidity	▸ FGC free float – at least 10% ▸ IDGC-Holding free float – at least 30% ▸ Aggregated IDGCs free float – up to 50% ▸ Depositary receipts programmes for FGC, IDGC-Holding and some of IDGCs

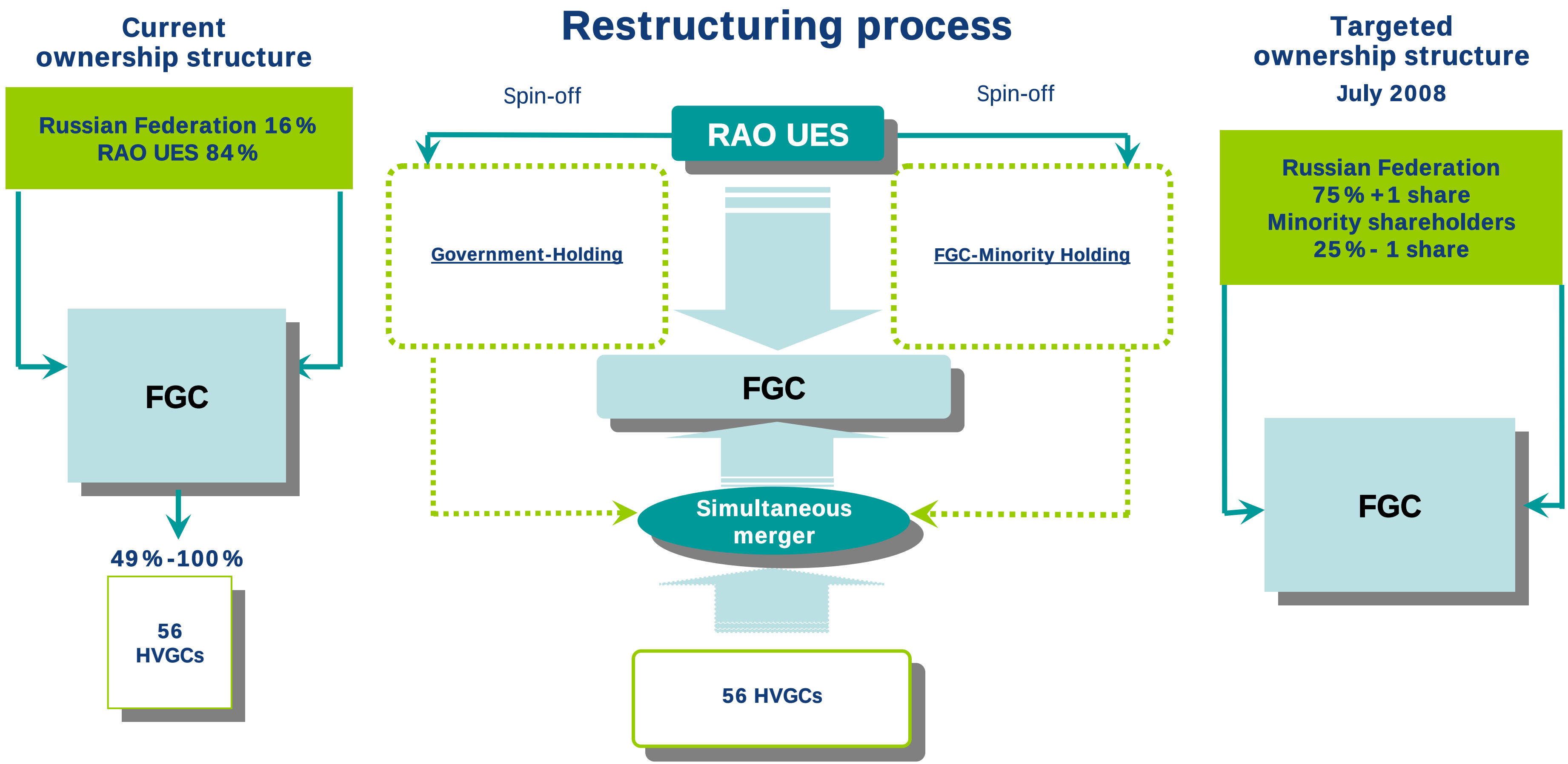
*Company’s management expectations

Federal Grid Company (FGC)

Strategic objectives of FGC

Long-term investment attractiveness	▸ Invest US$60bln by 2015 in the expansion and maintenance of the grid infrastructure (in 2008 prices) ▸ Achieve cost of capital comparable to peer countries by 2015 ▸ By 2011 achieve stabilised EBITDA level sufficient to implement long-term investment projects
Efficiency improvement	▸ Improve operating efficiency to reach the level of transmission companies in developed countries thanks to introduction of respective economic incentives ▸ Increase share of net debt in RAB up to 30-40% in line with peer companies in developed countries
Reliability improvement	▸ Establish reserve transmission and transformer capacity in the next 5 years within the system to provide for sustainable economic development ▸ Introduce economic accountability for meeting reliability and quality standards in servicing customers

FGC establishment in context of RAO UES reform



- On 1 July, 2008 RAO UES ceases to exist
- RAO UES shareholders will receive shares of FGC proportionally to their interests in RAO UES based upon the known conversion rates
- 56 high-voltage grid companies (HVGC) to merge with FGC on 1 July 2008

Demand for grid capacities

- Sustainable electricity consumption growth (CAGR 4% by 2020*) puts grid capacities under strain
- In 2007 grid load was close to maximum in 16 regions across the country
- 70 tsd km of power lines and 200 GVA of transformer capacity to be constructed by 2020 to meet the growing demand

Shortage of electric power in the regions

Regions suffering from shortages of electric power

Increase in grid capacity

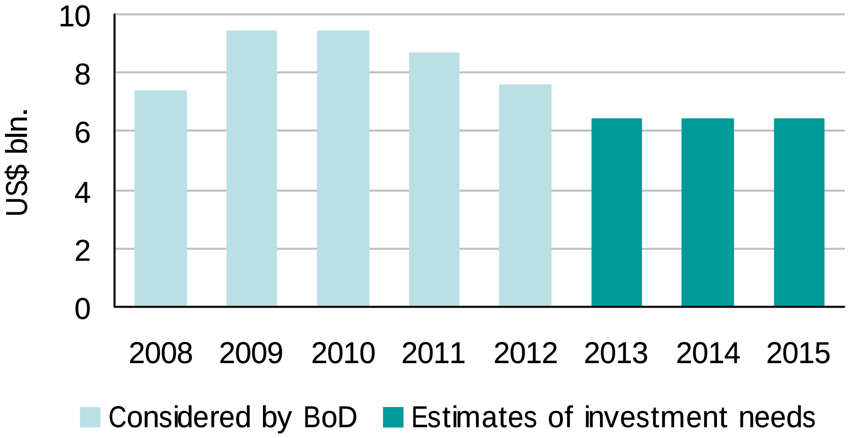
	2008			2008-2020	2020
	FGC	HVGC	+	New construction	
Lines	45 tsd. km	75 tsd. km		70 tsd. km	190 tsd. km
Transformer capacity	140 tsd. km	170 GVA		200 GVA	510 GVA

* Minpromenergo forecasts

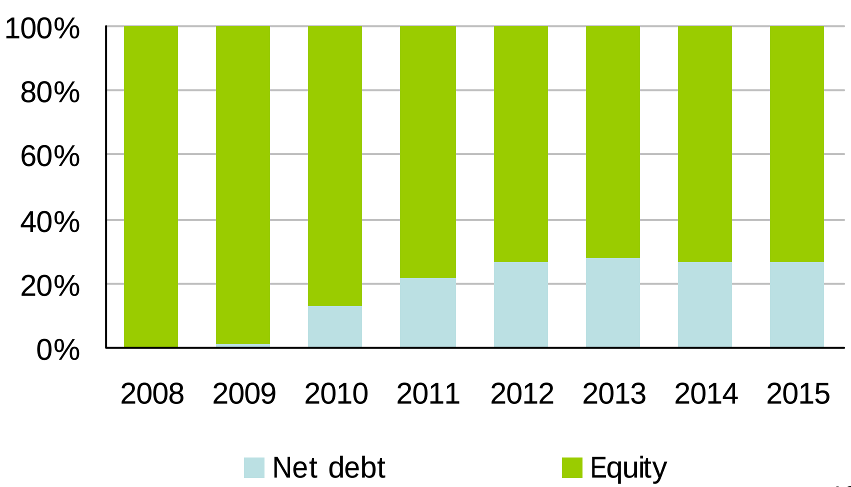
FGC investment programme*

- Projected annual capex — US$6-10bln
- In March 2008, FGC BoD has considered investment programme for 2008-2012
- Financing of the investment programme at first stage through capital injections from RAO UES and Government via additional share issues
  - US$3.4bn attracted through two completed additional issues in 2007-2008
- Introduction of tariff regulation based on RAB allows to finance the investment programme via
  - re-investment of equity capital based on justified return
  - intensive use of debt capital
- Additional source of financing – grid connection fees (over US$4bln by 2012)

Investment programme



Capital structure



*Company's management forecast

Changes in regulatory environment

Key principles of RAB-regulation

- Transmission charges to include justified return on invested capital in line with international best practices based on RAB-methodology
- Justified return is determined based on CAPM model and achievable capital structure
- Initial RAB determined based on optimised depreciated replacement costs of assets (optimised DRC)
- Incentives to increase operational efficiency within the 5-year regulation period
- Mechanism for annual adjustment of regulated revenues based on macroeconomic factors, requirements for quality and reliability

Quantitative parameters of RAB-regulation*

- 3-year transition period
- Upon expiry of transition period, 5-year regulation period
- Return on RAB before taxes (nominal in RUR) – 10% in transition period, 7.5-8% upon expiry of transition period
- Exact dates of RAB introduction currently being discussed with respective ministries and government authorities

*Optimal scenario according to Company's management view, parameters subject to regulator's approval

Borrowings and leverage

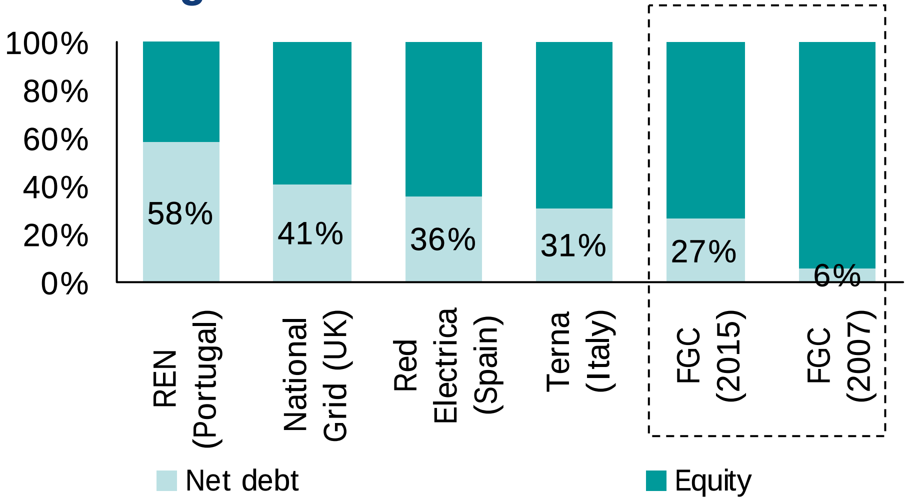
- FGC plans to increase net debt from US$640mln in 2007 to over US$10bln in 2015 (increasing leverage to 30%)
- International companies operating in similar regulatory environment increase their leverage up to 30-40%
- FGC seeks to reduce cost of debt capital, and has already managed to improve its credit ratings significantly over the past 4 years
- Comprehensive set of measures to achieve the targeted reduction of cost of capital
  - introduction of a new regulatory system
  - improvement of credit ratings (currently, BBB from S&P, Baa2 from Moody's)
  - obtaining corporate governance rating
  - increasing company's transparency for investors (IFRS reporting)

FGC credit ratings

	2004	2005	2006	2007	Apr-2008
Standard & Poor's	**B**	**B+**	**B+**	**BB+**	**BBB**
Moody's Investors Service			**Baa2**	**Baa2**	**Baa2**

Note: as of year-end
Source: Standard and Poor's, Moody's

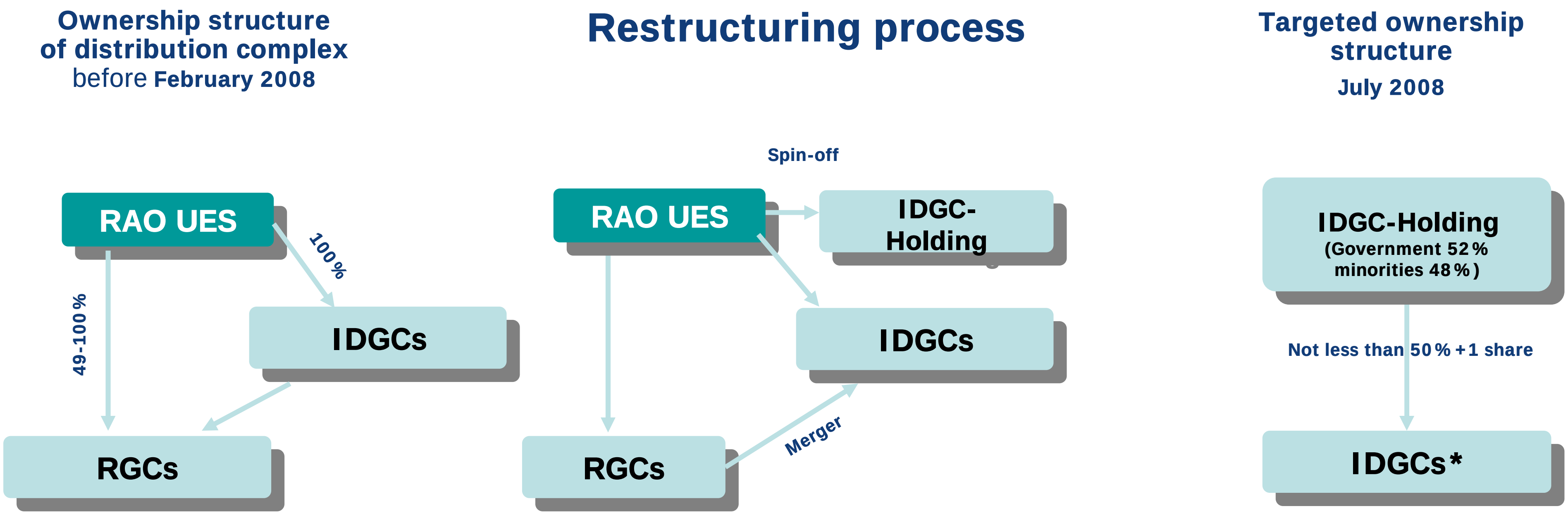
Leverage



Source: Companies' data

Electricity distribution sector (IDGC-Holding)

Establishment of IDGC-Holding in context of RAO UES reform



- On 1 July, 2008 RAO UES ceases to exist
- RAO UES shareholders will receive shares of FGC proportionally to their interests in RAO UES based upon the known conversion rates
- RAO UES shares in IDGCs transferred to IDGC-Holding

* IDGC South, IDGC Center and Urals, IDCS Center, IDGC North Caucasus, IDGC Volga, IDGC Siberia, IDGC North-West, IDGC Center, Lenenergo, Tyumenenergo, MOESK (Moscow)

Strategic plan for development of distribution sector

2004-2006	2007-2008	2008-2011	2010-2011	2010-2011
Unbundling of AO-Energos	**Sector consolidation**	**Introduction of RAB**	**Licensing**	**Potential decision on Government exit from IDGCs**
▸ Unbundling completed by 2006 (excluding the Far East)	▸ By July 2008 all distribution companies to merge in 11 interregional distribution companies (IDGCs) ▸ End-May 2008 – most IDGCs start trading on stock exchanges ▸ IDGC-Holding starts trading in November 2008	▸ “Pilot projects” starting from 1 July 2008 ▸ RAB introduction for all IDGCs in 2009-2011	▸ Licensing provides for clear mechanism of the governmental control over the sector ▸ Ensuring appropriate level of sustainability and quality of supply	▸ Government to take decision on the disposal of its stakes to private investors, incl. foreign

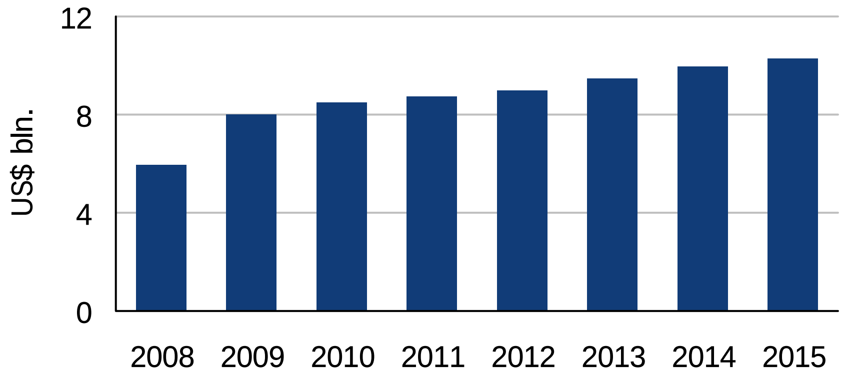
Strategic objectives of IDGC-Holding

Long-term investment attractiveness	▸ Invest US$70 bln by 2015 in the expansion and maintenance of the grid infrastructure (in 2008 prices) ▸ Achieve cost of capital comparable to peer countries by 2015 ▸ By 2011 achieve stabilised EBITDA level sufficient to implement long-term investment projects
Efficiency improvement	▸ Improve operating efficiency to reach the level of distribution companies in developed countries thanks to introduction of respective economic incentives ▸ Increase share of net debt in RAB up to 40-50% in line with peer companies in developed countries
Reliability improvement	▸ Bring asset depreciation down to the normalized level of c.50% by 2015 ▸ Establish reserve capacity in the next 5 years within the system to provide for sustainable economic development ▸ Introduce economic accountability for meeting reliability and quality standards in servicing customers

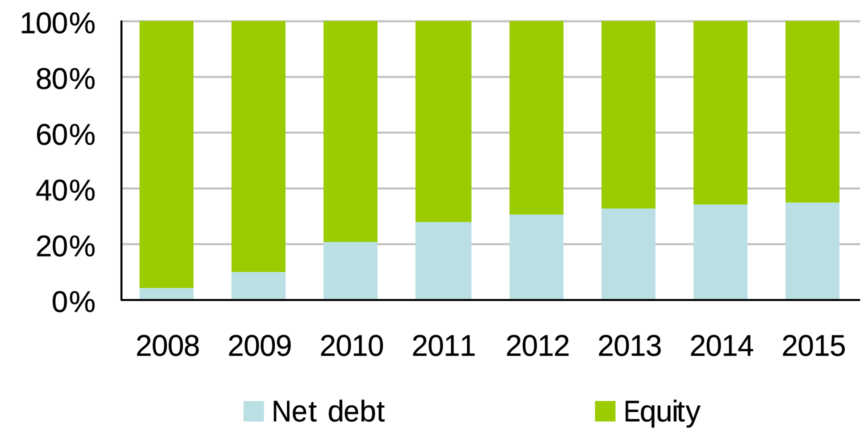
Investment programme of the distribution sector*

- IDGC annual investments planned at the level of US$6–10bln
- New grid infrastructure construction accounts for the major part of the investments until 2012
- After 2012, renovation of the existing assets accounts for the majority of the investments
- Introduction of RAB-regulation allows to finance the investment programme via
  - re-investment of equity capital based on justified return
  - intensive use of debt capital
- Additional source of financing – grid connection fees (c.US$6bln by 2012)

Aggregated IDGCs investment programme



Capital structure



Note: Shares of net debt and equity in RAB starting 2009

*Company's management expectations

Regulatory system of the distribution sector

Key principles of RAB-regulation

- Transmission charges to include justified return on invested capital in line with international best practices based on RAB-methodology
- Justified return is determined based on CAPM model and achievable capital structure
- Initial RAB determined based on optimised depreciated replacement costs of the assets (optimised DRC)
- Incentives to increase operational efficiency within the 5-year regulation period
- Mechanism for annual adjustment of regulated revenues based on macroeconomic factors, requirements for quality and reliability
- Federal Law – N35 with amendments adopted in 2007 allows to exceed the tariff cap in case of justified investment needs

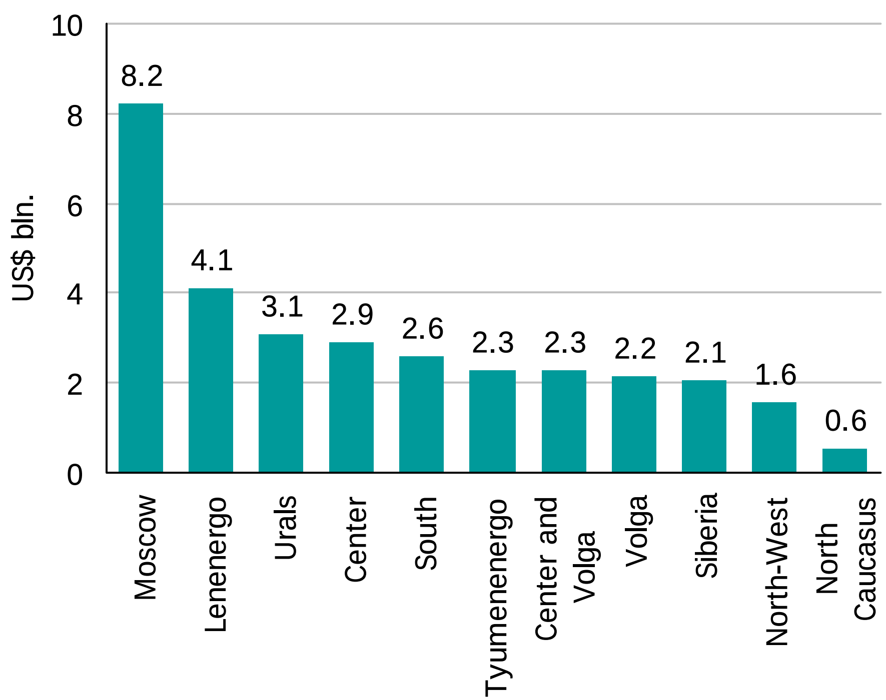
Quantitative parameters of RAB-regulation

- Introduction for all IDGCs in 2009-2011, pilot projects from 1 July 2008
- 3-year transition period
- Post transition, 5-year regulation period
- Return on RAB before taxes (nominal, in RUR) in transition period – 12%
- Possibility of reduced return on initial capital to smoothen the tariff growth (6% in Year 1, 9% in Year 2)
- Post transition, 10% return for all capital

- Draft Government Resolution 109 “On price formation in electric and heat power” containing parameters of the regulation being under Government review since 28 March, 2008

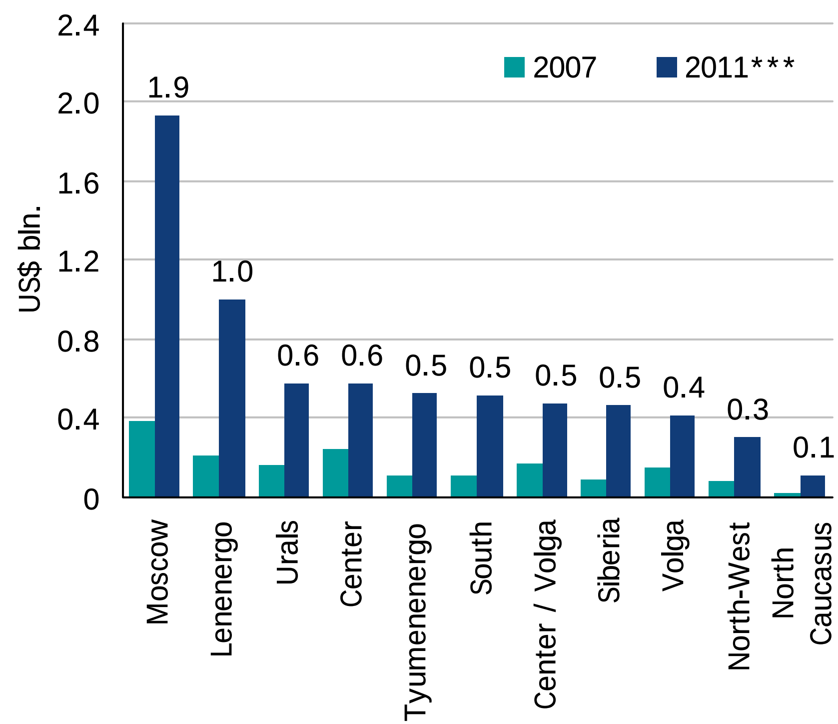
Key IDGC parameters in the new regulatory system*

Targeted initial RAB (IRAB)**



**calculated RAB as of beginning of 2009

Targeted EBITDA (from distribution)



***including latest changes in investment programme

- 2007-2011 sector EBITDA growth by a factor of 3.5x
- Stabilised EBITDA level to be achieved in 2011, as in 2009-2010 a reduced rate of return on initial capital expected to apply

*management base-case scenario based on anticipated regulatory parameters

Borrowings and leverage

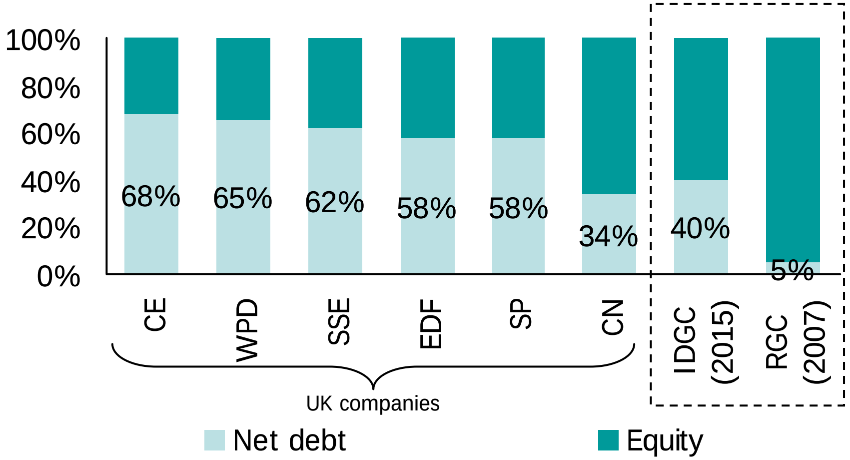
- IDGCs plan to increase net debt from US$2.4bln in 2007 to over US$30bln in 2015 (increasing leverage from 5% to 40%)
- International companies operating in similar regulatory environment increase their leverage up to 40-50%
- IDGCs seek to reduce cost of debt capital and narrowing spread to Government bonds
- Comprehensive set of measures to achieve the targeted reduction of cost of capital
  - introduction of a new regulation system
  - obtaining and improving of credit ratings (currently, only MOESK has an international rating – Ba2 from Moody's)
  - implementation of IFRS reporting system
  - obtaining corporate governance rating
  - increasing company's transparency for investors

Bond issuances of RGCs

Issuer	Size, RURmln	Maturity	Yield to maturity
MOESK	6,000	Sep-2011	8.57%
Lenenergo	3,000	Jan-2012	9.73%
Lenenergo	3,000	Apr-2012	10.14%
Kubanenergo	3,000	Jul-2010	8.02%
Tyumenenergo	2,700	Apr-2010	10.23%
Termenergo	1,000	May-2012	9.98%
Chelyabenergo	600	May-2010	8.69%

Source: Bloomberg, Cbonds.ru as of 11.04.2008

Leverage



Note: Equity = RAB – net debt
Source: Companies' data

Q&A

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