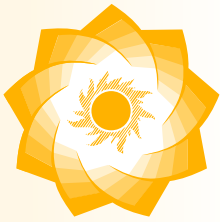




INVESTMENT PROGRAM AS A PLATFORM FOR VALUE CREATION IN A NEW MARKET ENVIRONMENT

CHANCES & CHALLENGES

Roman Lenkov, Chief Financial Officer
Russian Utilities Conference
London, 14 March 2008



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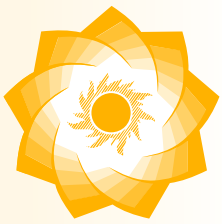
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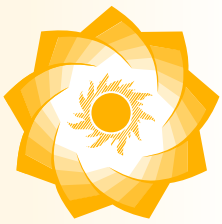


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FOCUSED ON VALUE CREATION

- ❖ Amongst leading electricity producers in Russia with robust asset portfolio and a clear value-creating strategy
- ❖ Competitive positions based on advantageous asset locations in terms of fuel supply and electricity consumption
- ❖ Some of the most modern generating facilities providing high reliability and relatively low operating costs
- ❖ Substantial technical flexibility in varying fuel mix with a view to further commodity price volatility
- ❖ Superior opportunities for organic growth in attractive markets in light of ongoing market liberalization

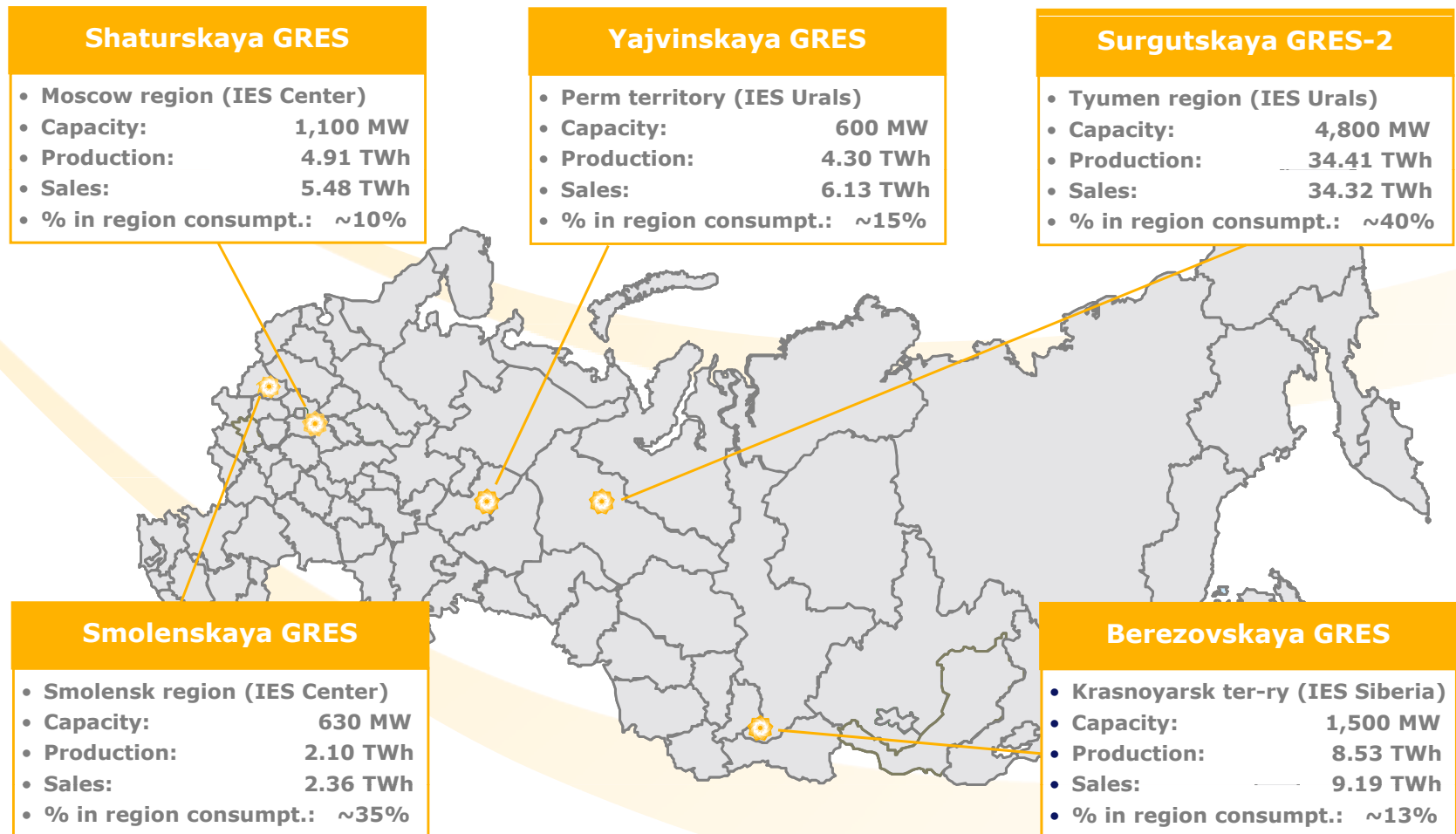


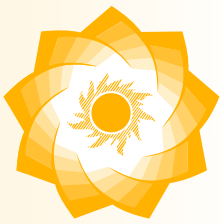


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COMPANY OVERVIEW 2007

- ❖ 3.9% of Russia's total capacity
- ❖ 5.7% of Russia's fossil-fired capacity
- ❖ 54.24 TWh of electricity output
- ❖ 5.3% of Russia's total output
- ❖ 8.0% of Russia's fossil-fired output
- ❖ 57.47 TWh of electricity sales

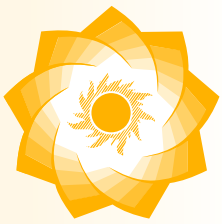




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FUNDAMENTAL VALUES FOR VALUE CREATION





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MID-TERM STRATEGIC FOCUS ON ORGANIC GROWTH

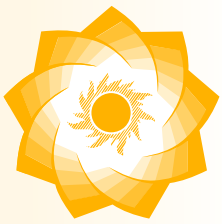
❖ Electricity consumption growth and soaring spot prices allow making positive views on planned investment projects

	Shaturskaya	Surgutskaya2	Berezovskaya	Yajvinskaya
Type	CCGT	CCGT	Coal	CCGT
Capacity	400 MW	2x400 MW	800 MW	400 MW
Cost	€410 mln ¹	€840 mln ¹	€400 mln ²	€440 mln ²
Start	4Q 2009	4Q 2010	4Q 2009	4Q 2010

- ❖ In regions with existing or expected deficit
- ❖ New and efficient facilities enhance competitiveness
- ❖ New electricity/capacity to be sold at free prices
- ❖ All new build contracts on the EPC (turnkey) basis

¹ expected cost in forecasted prices basing on signed EPC contracts

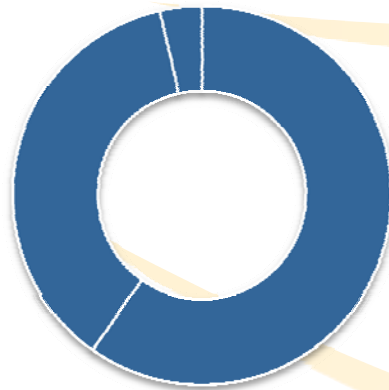
² expected cost in forecasted prices; may significantly vary from actual price after concluding EPC contracts



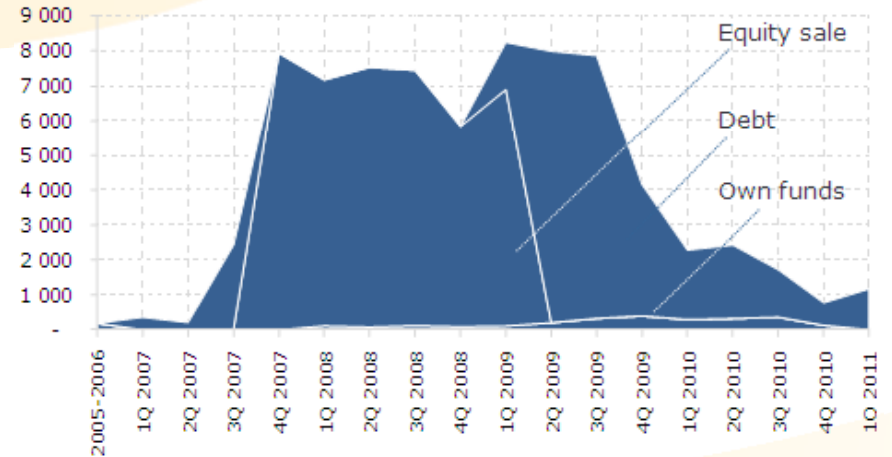
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FINANCING SOURCES AND STRUCTURE

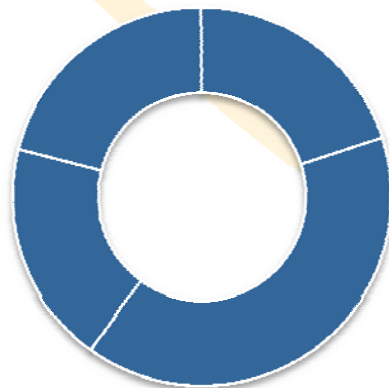
PROJECTS FINANCING STRUCTURE BY SOURCES



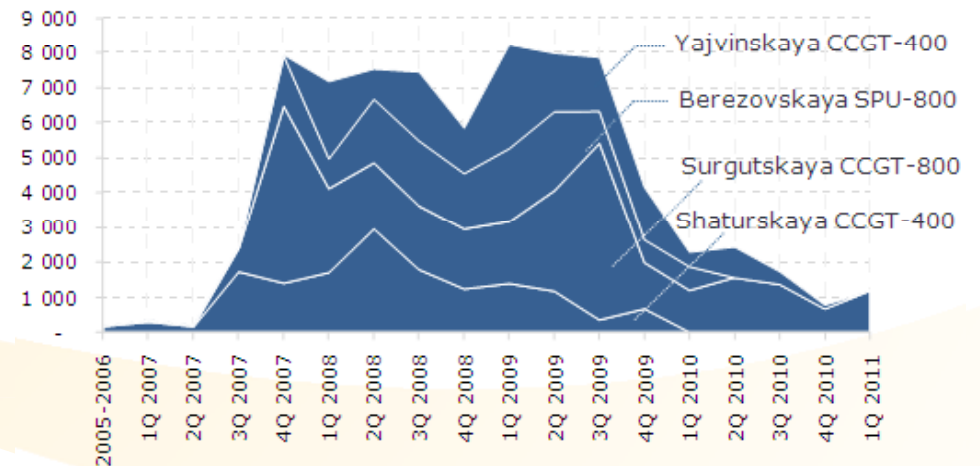
- 59.8% - equity sale proceeds RUB 46.5 bln
- 36.6% - debt RUB 27.8 bln
- 3.6% - own funds RUB 2.8 bln

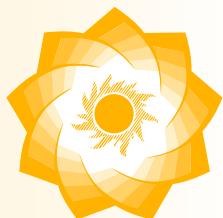


FINANCING STRUCTURE BY PROJECTS



- 20% - Shaturskaya RUB 15 bln
- 40% - Surgutskaya-2 RUB 31 bln
- 19% - Berezovskaya RUB 14 bln
- 21% - Yajvinskaya RUB 16 bln





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INVESTMENT PROJECTS SEEM ECONOMICALLY FEASIBLE

CCGT-400 SHATURSKAYA GRES

IRR, %	13.4
NPV, in RUB m	5,511
PBP, years	12
Discounted PBP, years	23

2xCCGT-400 SURGUTSKAYA GRES-2

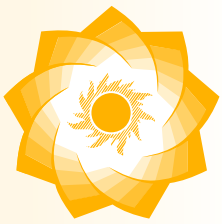
IRR, %	14.4
NPV, in RUB m	14,653
PBP, years	11
Discounted PBP, years	21

PSU-800 BEREZOVSKAYA GRES

IRR, %	20.9
NPV, in RUB m	23,644
PBP, years	9
Discounted PBP, years	12

CCGT-400 YAJVINSKAYA GRES

IRR, %	14.3
NPV, in RUB m	6,719
PBP, years	12
Discounted PBP, years	23

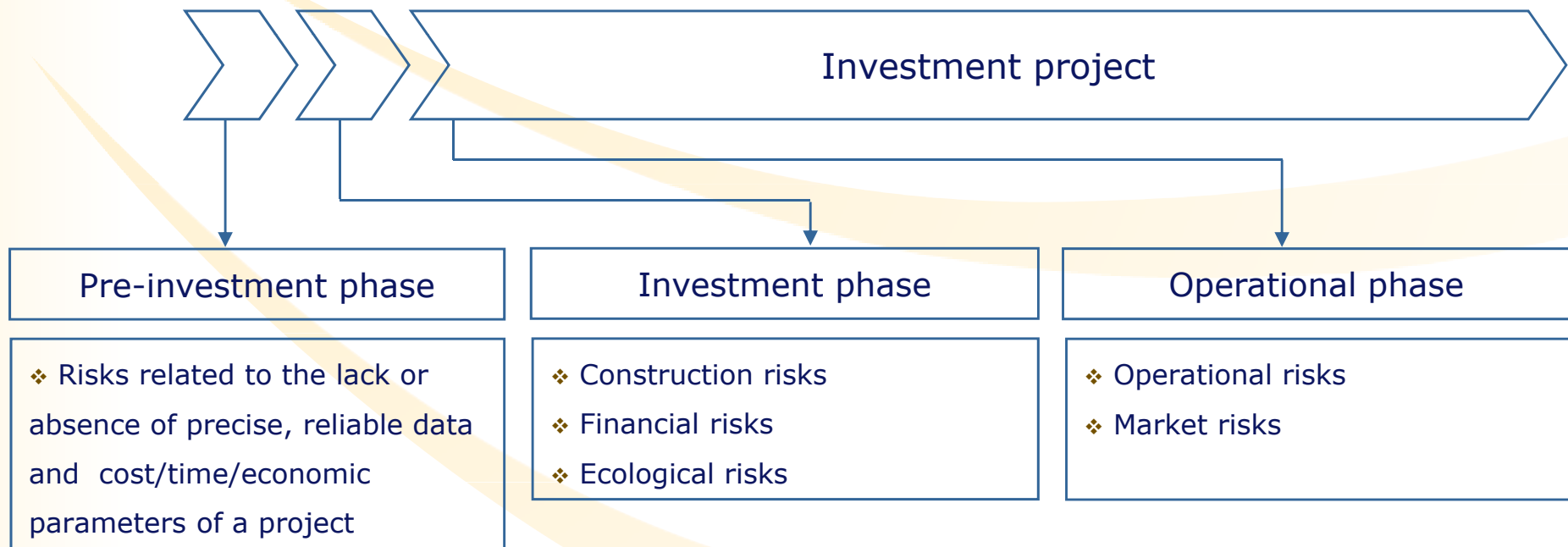


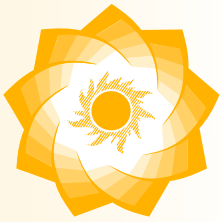
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RISK IDENTIFICATION

- ❖ Industry risks
- ❖ Administration/management risks
- ❖ Legal risks
- ❖ Regional risks
- ❖ National risks
- ❖ Force-majeure risks

SEGMENTATION OF RISKS ON STAGES OF PROJECTS IMPLEMENTATION





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KEY RISKS OF THE INVESTMENT PHASE

CONSTRUCTION RISKS

CONSTRUCTION RISKS RELATED TO ...

... technology faults and bad works

- ❖ Independent technical agent controlling construction process technology
- ❖ Construction/cargo/personnel risks insurance

... slow delivery of generating equipment

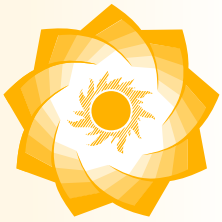
- ❖ Agreement on delivery of long-lead items in advance to main EPC-contract
- ❖ Equipment manufacturer is a member of EPC consortium

... start time faults

- ❖ Contractor's liability for commissioning time faults

... fail of guaranteed performance indicators

- ❖ Contractor's liability for the fail of the guaranteed performance indicators
 - decrease of installed capacity (kW)
 - excess of the heat rate (gce/kWh)



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KEY RISKS OF THE INVESTMENT PHASE

FINANCIAL RISKS

FINANCIAL RISKS RELATED TO ...

... increase of project cost

- ❖ EPC-contract (turnkey basis)
- ❖ Fixed contract price

... currency rate volatility

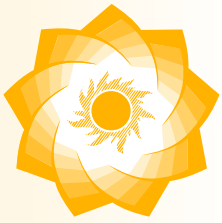
- ❖ Financial tools (derivatives): forwards, swaps, currency options etc.
- ❖ Contract price in EUR and USD

... credit exposure

- ❖ Strong control over the leverage ratio and other financial indicators within comfortable levels

... insolvency/default

- ❖ Standby irrevocable letters of credit for Employer and Contractor as well



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KEY RISKS OF THE INVESTMENT PHASE

ENVIRONMENTAL RISKS

ENVIRONMENTAL RISKS RELATED TO ...

... inaccessible instantaneous impacts during construction

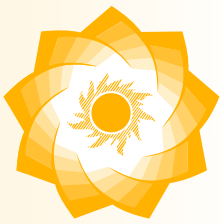


- ❖ Contractor's liability for the violence of environmental legislation
- ❖ Contractor's P&I insurance coverage

... excess of permitted environmental quotes and allowances



- ❖ Contractor's liability for the fail of the guaranteed environmental indicators
 - NO_x emissions <50 mg/m³
 - CO emissions <30 mg/m³



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KEY RISKS OF THE OPERATIONAL PHASE

FUEL SUPPLY RISKS

FUEL SUPPLY RISKS RELATED TO ...

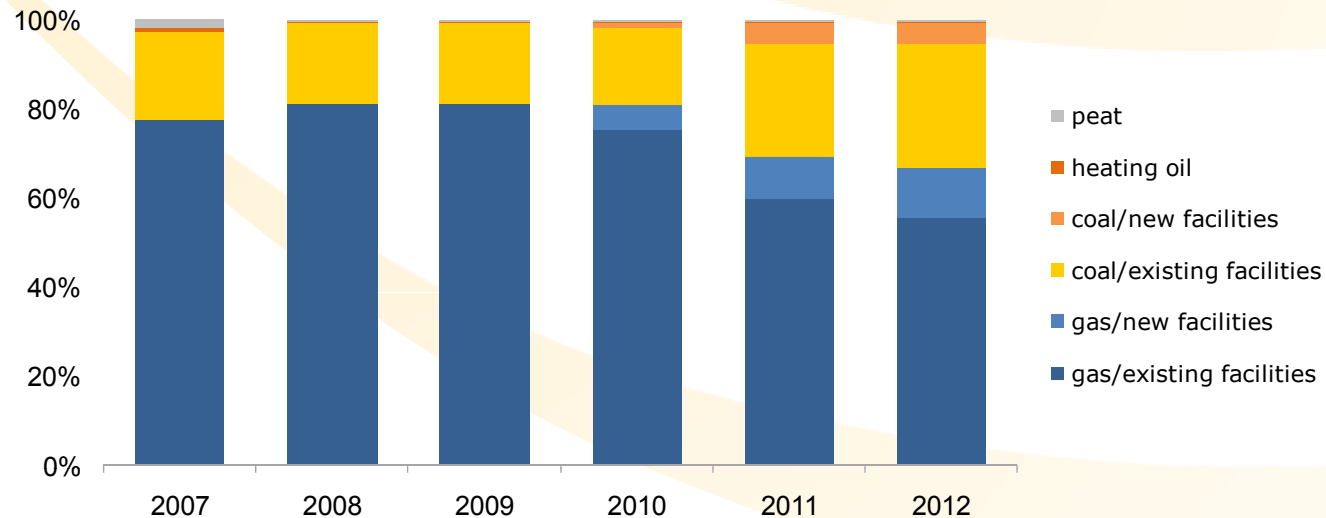
... fuel markets monopolization

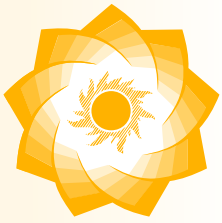
- ❖ Diversification of fuel supplies
- ❖ Upstream expansion/integration

... gas supplies from independent producers

- ❖ Long-term fuel supply agreements
- ❖ Flexibility to switch to other types of fuel

OGK-4 anticipated fuel mix for 2007-2012





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KEY RISKS OF THE OPERATIONAL PHASE

OPERATIONAL RISKS

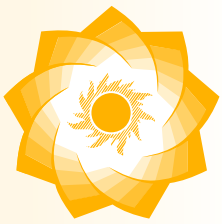
OPERATIONAL RISKS RELATED TO ...

... equipment outage

... tardy/undue repair

... operational performance decline

- ❖ Contractor's guarantee obligations
- ❖ Contractual Service Agreement (simultaneously with main EPC-contract)
- ❖ Industrial All Risks insurance coverage
- ❖ Contractor's liability for the equipment availability factor >0.968 within 2 years



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KEY RISKS OF THE OPERATIONAL PHASE

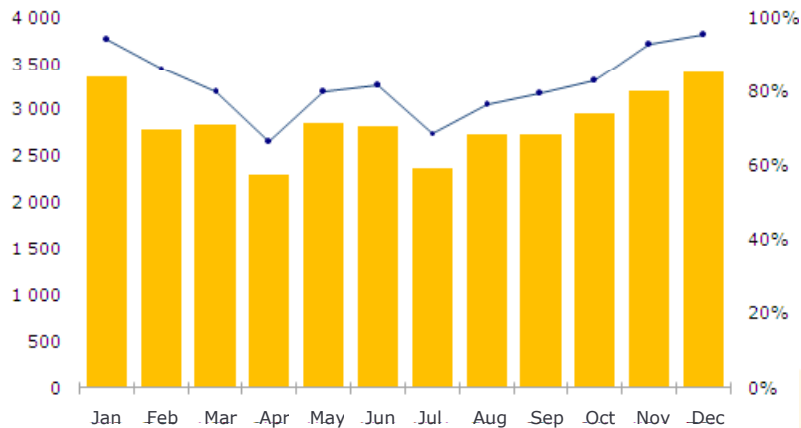
MARKET RISKS

FIRST PRICING ZONE (EUROPE|URALS)

- ❖ Commissioning of new facilities is planned in the regions with potential capacity deficit
- ❖ New facilities are much more efficient comparing to the older ones

New facilities are likely to be a base-load

Surgutskaya GRES-2, 2007



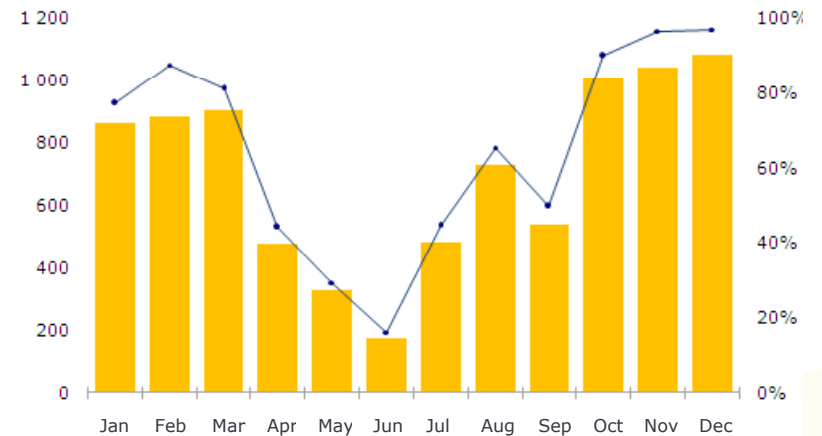
Output, mln kWh Load factor, %

SECOND PRICING ZONE (SIBERIA)

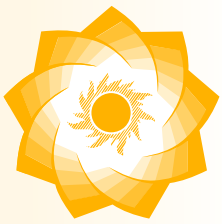
- ❖ Strong positions and higher market share of hydro generators significantly affecting spot market price
- ❖ Current capacity surplus in the Siberian Energy System amounts to ~4 GW

New facilities are likely to be "half-peak" seasonal generators

Berezovskaya GRES, 2007



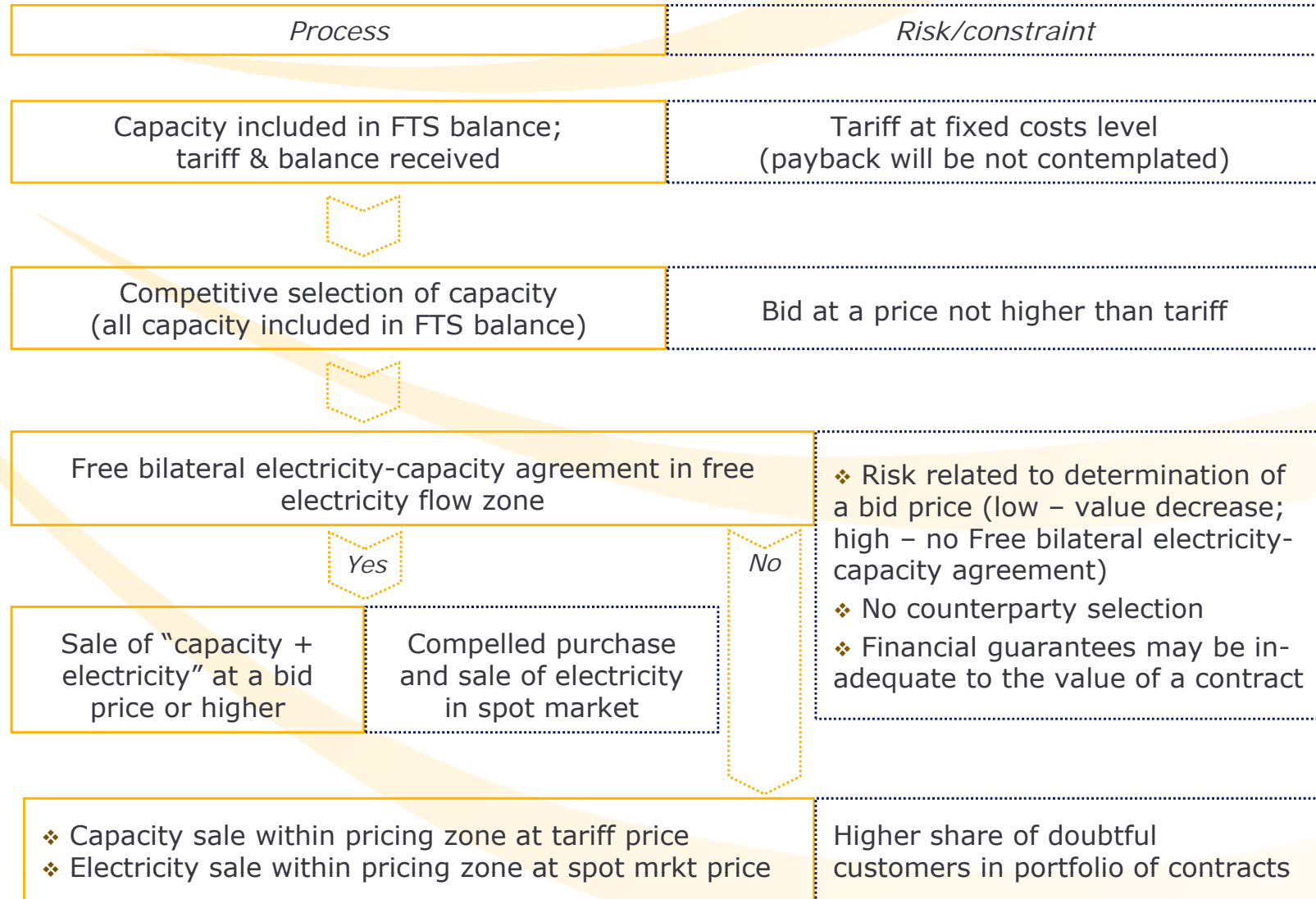
Output, mln kWh Load factor, %

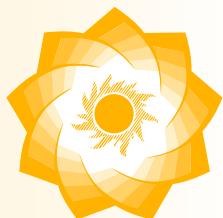


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KEY RISKS OF THE OPERATIONAL PHASE CAPACITY MARKET

RISKS AND CONSTRAINTS RELATED TO CAPACITY MARKET FOR TRANSITION PERIOD UNTIL '11

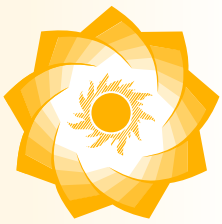




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PROJECTS ALLOW MAKING POSITIVE EXPECTATIONS FOR 2011 AND BEYOND

Plant	Installed capacity	Fuel	Price formation	Impact of network limitations on the load factor (subject to completion of the investment programme by FSK)	Competitive position	
Shaturskaya	Existing	1100	Gas Coal	Gas generation of "old" plants in IES Centre	Load possibilities not limited	Medium
	New	400	Gas			Strong
Surgutskaya-2	Existing	4800	Gas	Gas generation of "old" plants in IES Urals	Load possibilities not limited, potential to increase as the connection Tyumen – Urals strengthens	Strong
	New	800				Strong
Yaivinskaya	Existing	600	Coal	Gas generation of "old" plants in IES Urals	Load possibilities not limited, potential to increase as the connection Perm – Urals strengthens	Strong
	New	400	Gas			Strong
Smolenskaya	Existing Capacity	630	Coal	Gas generation of "old" plants in IES Centre	Load possibilities not limited, potential to increase as the connection Smolensk – Moscow strengthens	Medium
Berezovskaya	Existing	1500	Coal	Coal-fired units in Krasnoyarsk and Kuzbass energy systems	Load possibilities increase as the connection between Siber and Europe improves	Strong
	New	800				Strong



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CURRENT STATUS OF IMPLEMENTATION

CCGT-400 SHATURSKAYA GRES



- ❖ signed EPC-contract with GE/GAMA
- ❖ initial works on site

2xCCGT-400 SURGUTSKAYA GRES-2



- ❖ signed EPC-contract with GE/GAMA
- ❖ site preparation works

PSU-800 BEREZOVSKAYA GRES

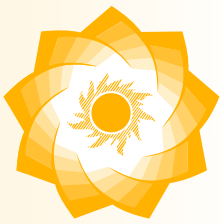


- ❖ EPC-contract T&C under discussion
- ❖ inspection of construction in progress

CCGT-400 YAJVINSKAYA GRES



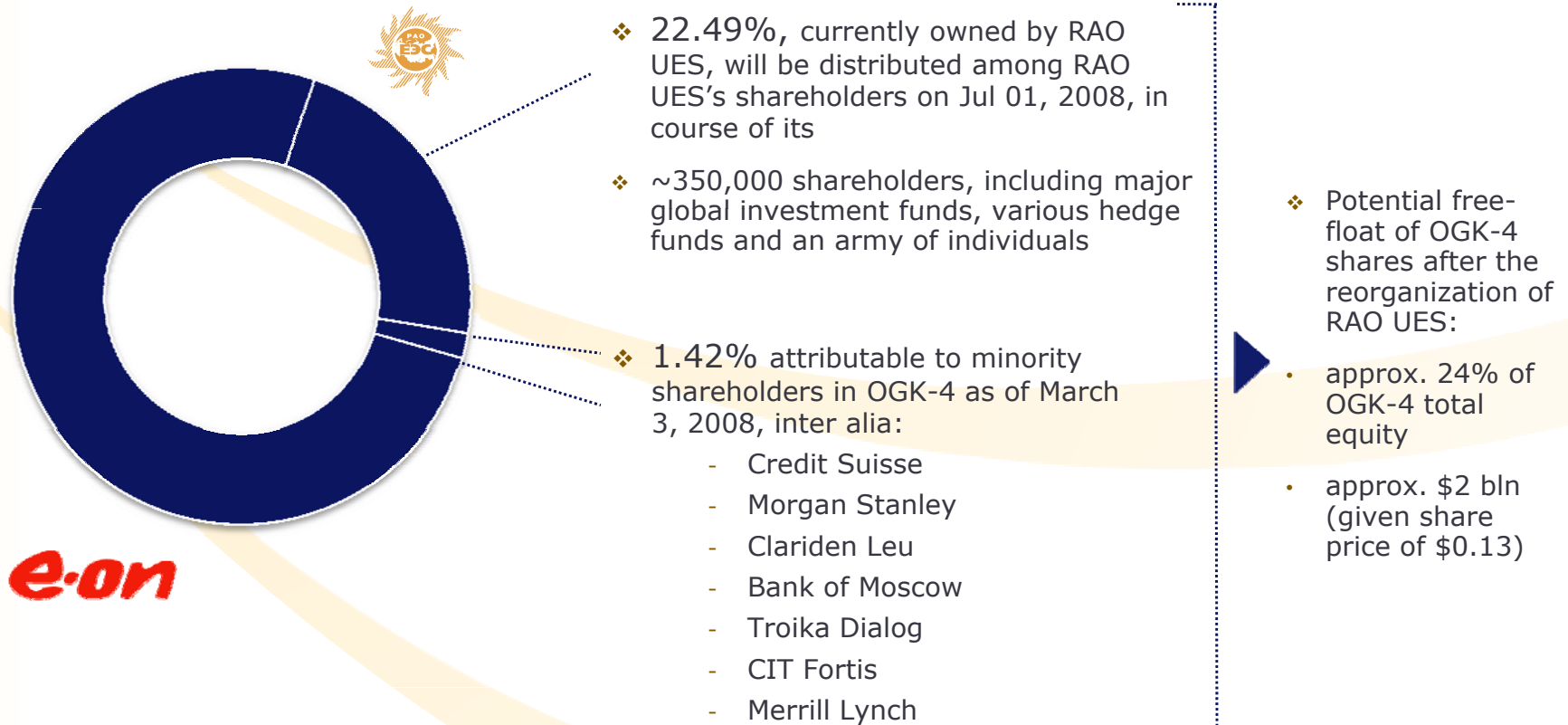
- ❖ final stage of the tender for EPC-contractor

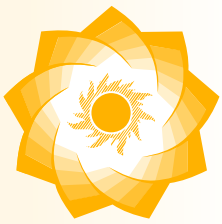


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SHAREHOLDERS BREAKDOWN

❖ E.ON is a controlling shareholder in OGK-4 with 76.09% stake





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