

SECTOR UPDATE

Russian Grids

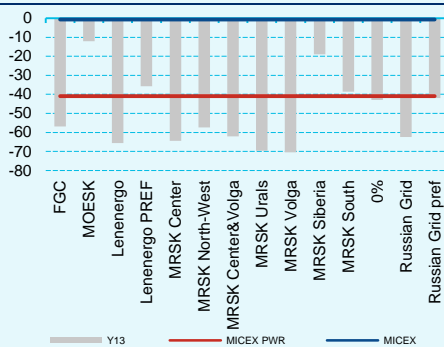
Lack of catalysts prevent sector recovery, despite cheap valuations

Sector ratings

	TP, RUB		Rating	
	old	new	old	new
FGC	0.10	0.07	HOLD	HOLD
MOESK	1.11	1.46	HOLD	HOLD
Lenenergo	3.60	2.53	HOLD	HOLD
Lenenergo pref	9.81	15.66	SELL	HOLD
MRSK Center	0.29	0.29	HOLD	BUY
MRSK North-West	0.03	0.03	HOLD	HOLD
MRSK Center&Volga	0.12	0.13	HOLD	BUY
MRSK Urals	0.13	0.05	HOLD	HOLD
MRSK Volga	0.05	0.02	HOLD	HOLD
MRSK Siberia	0.06	0.04	HOLD	HOLD
MRSK South	0.03	0.02	HOLD	HOLD
Russian Grid	1.04	0.49	HOLD	HOLD
Russian Grid pref	0.88	0.42	HOLD	SELL

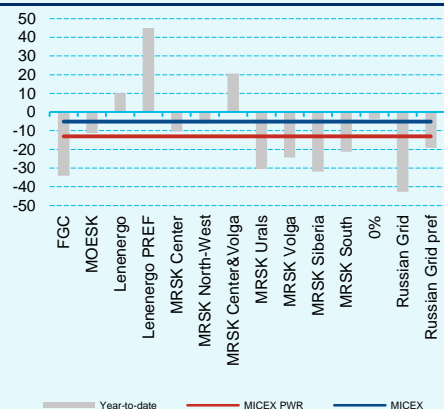
Sources: Bloomberg, Otkritie Capital estimates

Grid share price performance Y13



Sources: Otkritie Capital Research

Grid share price performance YtD



Sources: Otkritie Capital Research

After refreshing our view on the Grid sector following the publication of 2013 IFRS and operational data along with updated capex guidance, we have cut our average target price by 18%. With privatisation in the sector likely to be delayed, we do not see any catalysts for the stocks. Many MRSKs have already paid out 25% of their RAS Net Income (which is close to IFRS for some of them), while FGC and Russian Grids are likely to delay reasonable dividends until 2016. The current and FY14 average dividend yield of c. 3-5% is not enough to trigger interest in the sector, in our view, apart from a very few names. We remain mostly HOLDERS in the stocks, but have upgraded MRSK Center and MRSK Center&Volga to BUY after their share price declines last year, Lenenergo pref to HOLD, and downgraded Russian Grids pref to SELL.

FY13 IFRS financials were poor, however, improvements are likely in FY14.

The Grid companies saw a big decline in their average reported Net Income for 2013, though the adjusted EBITDA remained generally flat (up 6%, on our estimates). Among the main reasons for the disappointing performance were: 1) lower tariff growth; 2) large one-off, bad debt write-offs (related to the retail function being transferred to some MRSKs in FY13); asset impairments; and 3) increased debt levels affecting the bottom line of MRSKs. However, we expect average reported Net Income to recover in FY14 (+43% on our estimates), while adjusted EBITDA should again be largely stable (-7% on average).

Privatisation is unlikely in the medium term, removing the major potential share price catalyst. The high level of risk associated with the Russian market currently makes it very unlikely that foreign strategic investors would participate in any MRSK privatisation, let alone pay a significant premium to the current market valuations. Moreover, the current low share prices are a big disincentive for the government to embark on privatisations. A more probable scenario for this year is the management transfer of one MRSK to a strategic investor, such as French-owned EDF, which already operates in Russia.

Dividends are not high enough to trigger buying. We estimate that the average dividend yield for FY13 will be c. 3-4%, as many MRSKs pay 25% of their Net RAS Income as dividends. For FY14, we expect the yield to rise to 5% due to our projected 43% recovery in the average reported Net Income. These yields are not enough to trigger investor interest in the sector, in our view, and we do not anticipate a transfer to IFRS-based dividends payments prior to 2016, which we estimate would yield an average of 8%, assuming Russian Grids and FGC start paying out.

We have lowered our target prices by 18% on average, while keeping the sector mostly on HOLD. We have updated our models for the MRSKs, Russian Grids and FGC, incorporating actual FY13 IFRS and operational data, new 5-year capex guidance, and a slight change to our assumptions for the regional tariff growth rates (incorporating additional tariff hikes to compensate for the last mile). As a result, our average target price has declined by 18%. Russian Grids' target price was cut the most, by 53% to RUB0.49/share, while MOESK's target price is up 32% to RUB1.46/share. We have upgraded MRSK Center and MRSK Center&Volga to BUY from HOLD, Lenenergo pref to HOLD from SELL and downgraded Russian Grids prefs to SELL from HOLD.

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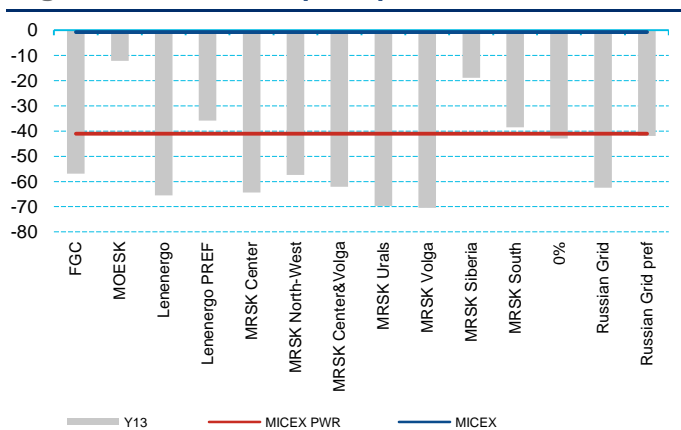
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Share prices of Grids continue to underperform

Share prices fell 50% and 11% in FY13 and YtD, respectively

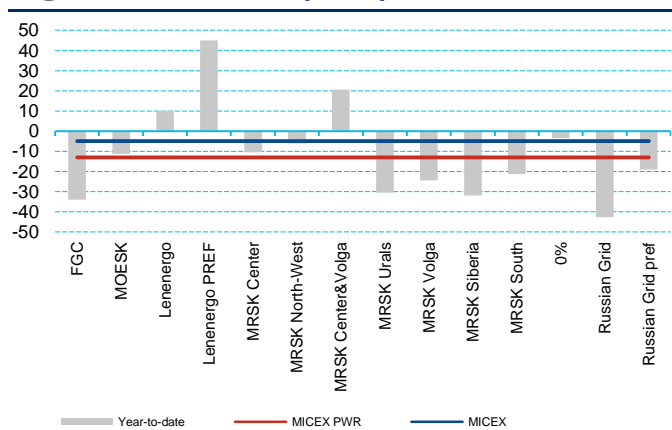
The Grid companies' share prices have remained underperformers relative to the Russian market due to a lack clear government strategy towards the sector, uncertainty over their investment programmes, and caps on tariff growth. In 2013, FGC declined 57% and Russian Grids fell 62%, which even exceeds the average 49% decline for the MRSKs.

Figure 1. Grids share price performance, FY13



Sources: Bloomberg, Otkritie Capital Research

Figure 2. Grids share price performance, YtD



Sources: Bloomberg, Otkritie Capital Research

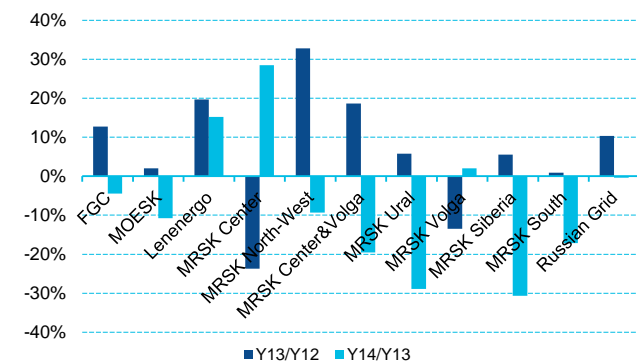
The stocks have continued to deliver a disappointing performance this year, decreasing on average 11% YtD, despite a lack of negative news flow. FGC has declined 34% and Russian Grid is down 43%. Only a couple of names have delivered a positive performance, i.e. Lenenergo (+10% YtD), Lenenergo pref (+45%) and MRSK Center&Volga (+21%).

Financial performance to improve this year

Net Income fell significantly in FY13

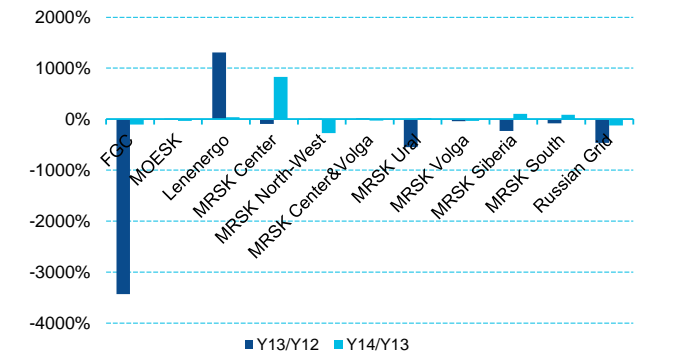
In FY13, the sector's adjusted EBITDA remained relatively flat (up 6% on average), but reported Net Income declined significantly, mainly due to one-off losses in FGC and Russian Grids.

Figure 3. Change YoY in EBITDA



Sources: Otkritie Capital Research

Figure 4. Change YoY in Net Income



Sources: Otkritie Capital Research

We identify several reasons for the poor Net Income performance in FY13:

- One-off bad-debt provisions. Some MRSKs started to perform the function of electricity retail companies in their regions last year, which involved assuming the debt of bankrupt retail entities.
- A significant decline in Inter RAO's share price resulted in FGC, its 17% shareholder, reporting a big loss for FY13. For Russian Grids, impairment of PP&E related to the tariff freeze was a key reason for its reported FY13 Net Loss.
- Last mile migration and limitations on tariff growth. We estimate that, prior to the recent legislation on the last mile, c. 12% of the revenue of MRSKs came from the last mile contribution. During 2013, a number of large industrial consumers migrated from MRSKs (e.g. MRSK Volga) to connect directly with FGC.
- Decline in revenue from grid connection fees. We estimate that revenue from this source declined by 13% on average in 2013 after the government legislated for a gradual decrease in connection fees and the introduction of reduced connection tariffs for some categories of end-users. For example, the connection cost for the so-called "reduced-tariff" customers (with capacity of no more than 15KW) is estimated to be c. RUB100bn for the whole Russian Grid segment (Russian Grids, the territorial grid distribution companies, etc.). Though there is a mechanism that compensates the Grid companies for these costs, in reality they recoup only 60%.

This year should see a recovery

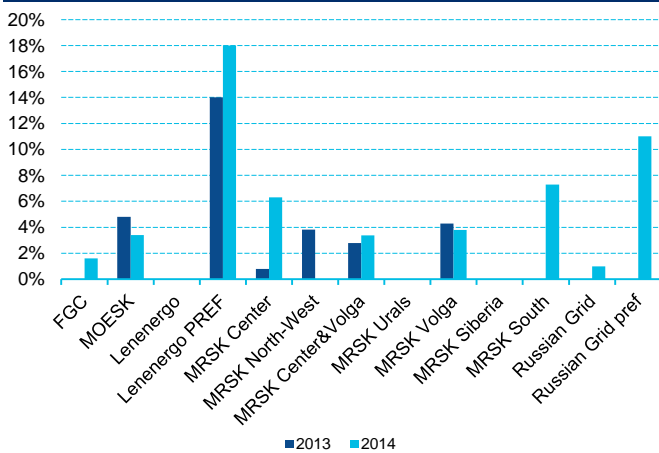
The outlook for 2014 is more promising. We expect the sector's financials to stabilise, with EBITDA likely to come off slightly (-7% on our estimates), and a big recovery in reported Net Income (we estimate average growth of 43%). This is important, as the dividends in the sector are currently based on reported Net Income. Factors contributing to the recovering financials this year are:

- Additional growth in regional grid tariffs (up to 7% YoY) starting from 1 January 2014, to compensate the MRSKs for the lost "last mile" revenues.
- Bad debt provisions are unlikely to increase.
- Management are under pressure from the regulator to cut costs.

Dividend yield for MRKS likely to grow in FY14, but not enough to trigger buying

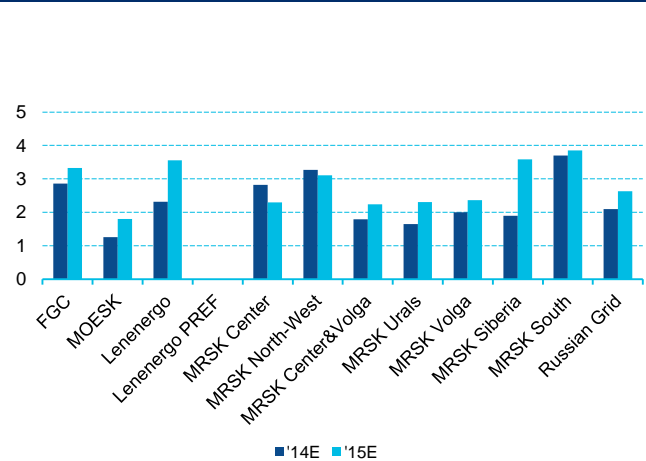
Currently, FGC and Russian Grids do not pay dividends, while many MRSKs pay out 25% of their RAS Net Income. Despite a significant drop in reported Net Income in FY13, we estimate the average dividend yield in the MRSK space at c.3-4% for FY13. However, on the back of the expected recovery in reported Net Income this year, we estimate the average dividend yield in optimistic scenario should climb to 5% for FY14. Having said that, we remain sceptical on the prospect of FGC and Russian Grids switching to IFRS-based dividend payments in the short-to-medium term. We see 2016 (dividends for FY15) as the earliest for this transition, and when this happens, we estimate the average sector dividend yield would be 8% at current market prices. In terms of cashflow, the debt level for MRSKs should remain in a reasonable range over the medium term (we estimate Net Debt/EBITDA averaging 2.6x in FY15), leaving sufficient cash for dividend payouts.

Figure 5. Possible optimistic scenario for dividend yields for FY13 and FY14



Sources: Otkritie Capital Research

Figure 6. Debt levels for the sector



Sources: Otkritie Capital Research

Privatisation prospects are murky, further delays likely

A gulf lies between the sector's current market value and government expectations

The end of last year saw increasing government rhetoric on Grid privatisation, with the government reportedly seeking MRSK valuations based on the EV/RAB multiple, which is generally considered a fair method for valuing these companies. However, the resulting RAB valuation is almost three times above the current market valuation, and we think it very unlikely that any strategic foreign investor would be prepared to pay such a high premium, given the unstable regulatory environment. In our view, a 100% market premium would be a reasonable expectation, but that would require the government loosening its valuation criteria.

We do not anticipate the government privatising any of the MRSKs this year, and it is very unclear if this scenario will be realised in 2015 as well. We are now more inclined to the scenario whereby Russian Grids transfers management of one MRSK to a potential investor this year (e.g. French-owned EDF, which already manages the Tomskaya distribution company, and is currently in talks with Russian Grids on this issue).

However, the discussed valuation for TSO assumes a significant market premium

We nevertheless note that the proposed valuations for M&A deals involving the unlisted territorial distribution companies (TSO), which are much smaller in size than the MRSKs, currently imply a significant premium to the current market multiples of MRSKs. This, in our view, indicates that in some cases we could see a significant market premium if privatisation in the sector goes ahead.

Valuation

Sector mostly on HOLD

We have incorporated FY13 IFRS and operational data, as well as new capex guidance

We have incorporated FY13 IFRS and operational data, new capex guidance, and a slight adjustment to our assumptions for the "last mile".

- For FGC, we have used the investment programme that was approved by the "Open government" in February 2014. This is unlikely to change much and should be approved by the regulator.
- We have also assumed the latest guidance from Russian Grids for its 2014-2017 investment programme of c. RUB1,020bn (including VAT).
- For the MRSKs, we have used their latest capex programmes approved by the BoDs, which were used as the basis for Russian Grids' investment programme.
- We have excluded the retail segments of some MRSKs from our models, as we regard them as temporary and likely to disappear from the P&Ls in 2015. They were temporarily transferred to some MRSKs as an emergency measure in 2013 after the bankruptcy of large retail companies, but by law, the distribution and retail businesses should be separate. The margins of this business are in the range of 0-1.5%, so we believe it mostly affects the revenue side, without significantly influencing our adjusted EBITDA and adjusted Net Income forecasts.

The above adjustments lead to our average target price declining by 18%, with Russian Grids' target price falling 53% to RUB0.49/share, and MOESK up 32% to RUB1.46/share.

Figure 7. Target prices and ratings of subsidiaries of Russian Grids

Company	TP old	TP new	Rating old	Rating new
FGC	0.10	0.07	HOLD	HOLD
MOESK	1.11	1.46	HOLD	HOLD
Lenenergo	3.60	2.53	HOLD	HOLD
Lenenergo PREF	9.81	15.66	SELL	HOLD
MRSK Center	0.29	0.29	HOLD	BUY
MRSK North-West	0.03	0.03	HOLD	HOLD
MRSK Center&Volga	0.12	0.13	HOLD	BUY
MRSK Urals	0.13	0.05	HOLD	HOLD
MRSK Volga	0.05	0.02	HOLD	HOLD
MRSK Siberia	0.06	0.04	HOLD	HOLD
MRSK South	0.03	0.02	HOLD	HOLD
Russian Grids	1.04	0.49	HOLD	HOLD
Russian Grids pref	0.88	0.42	HOLD	SELL

Sources: Otkritie Capital Research

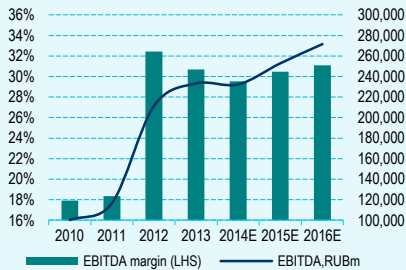
We remain sceptical on the sector's share price prospects in the short-term given the privatisation catalyst has almost disappeared. However, we believe that current market valuations reflect the worst possible scenarios in the sector, and that reasonable dividend yields in some names could prevent the MRSK shares from a further deep decline. We therefore remain mostly HOLDers in the names, though continue to monitor the situation for the emergence of positive catalysts. Nevertheless, we have upgraded MRSK Center and MRSK Center&Volga to BUY from HOLD due to their share price declines last year, Lenenergo pref to HOLD from SELL, and downgraded Russian Grid pref to SELL from HOLD.

Financial forecasts

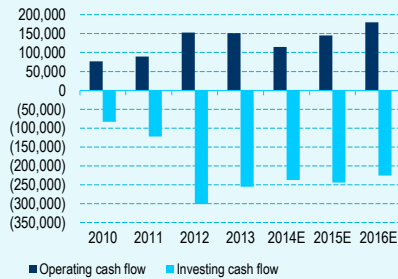
Russian Grids

RUBmn unless otherwise stated

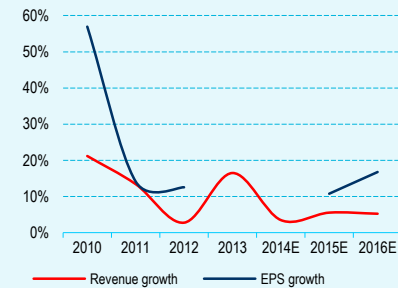
Profitability



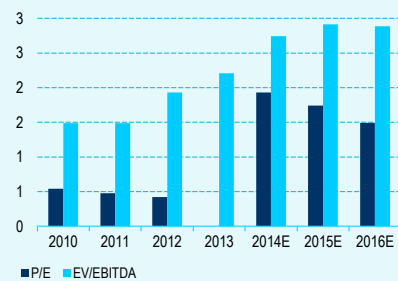
Cash flows, RUBmn



Momentum



Valuation

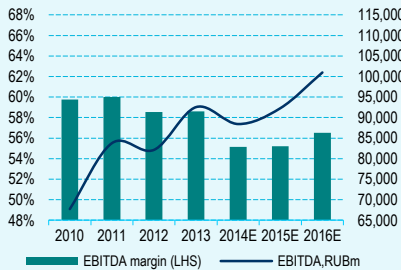


	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	634,608	652,183	759,779	786,350	829,958	873,446
Depreciation	54,075	97,795	164,217	174,997	185,409	195,148
EBITDA	116,507	211,432	233,247	232,299	252,847	271,559
Operating profit (EBIT)	59,254	91,077	(148,821)	104,945	118,263	130,288
Net interest expense	(5,843)	(31,540)	(41,569)	(58,500)	(66,813)	(70,211)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	53,655	59,608	(190,401)	46,445	51,450	60,077
Taxes	14,689	15,753	(31,012)	9,289	10,290	12,015
Minority interest	13,662	15,377	(55,885)	13,028	14,432	16,852
Net income	38,966	43,855	(159,389)	37,156	41,160	48,062
Cash flow statement						
Net change in work. cap.	3,725	43,696	(9,733)	35,848	15,180	(7,398)
Provisions and write-offs	0	0	0	0	0	0
Other	545	4,040	172	0	0	0
Operating cashflow	89,338	152,974	150,980	114,740	145,385	179,570
Capex	(124,836)	(285,894)	(268,452)	(237,288)	(244,068)	(225,073)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(121,818)	(300,180)	(255,151)	(237,288)	(244,068)	(225,073)
Equity	0	0	0	0	0	1
Debt	52,722	117,716	107,592	99,963	92,370	37,748
Financing cashflow	56,443	132,541	106,273	99,963	91,627	36,513
Net change in cash	23,963	(14,665)	2,102	(22,585)	(7,057)	(8,991)
Balance sheet						
Cash & equivalents	48,853	59,815	61,917	39,332	32,276	23,285
Current assets	156,686	260,300	288,655	268,605	270,805	270,972
PP&E	687,489	1,639,737	1,595,862	1,710,428	1,824,801	1,913,749
Goodwill and other assets	33,622	91,277	60,320	60,320	60,320	60,320
Total assets	879,077	1,992,502	1,946,039	2,040,555	2,157,128	2,246,243
Current liabilities	194,150	276,058	309,946	283,824	271,901	291,456
S-T Debt	26,954	59,906	57,808	65,000	59,000	62,000
L-T Debt	168,831	381,868	492,229	585,000	683,370	718,118
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	266,742	886,654	765,759	789,144	810,525	837,993
Total liabilities & equity	879,078	1,992,502	1,946,039	2,040,555	2,157,128	2,246,242
Net Debt	146,932	381,959	488,120	610,668	710,094	756,833
Margins and profitability						
EBIT margin	9.3%	14.0%	(19.6%)	13.3%	14.2%	14.9%
EBITDA margin	18.4%	32.4%	30.7%	29.5%	30.5%	31.1%
Net margin	6.1%	6.7%	(21.0%)	4.7%	5.0%	5.5%
ROE	14.6%	4.9%	(20.8%)	4.7%	5.1%	5.7%
ROA	4.4%	2.2%	(8.2%)	1.8%	1.9%	2.1%
ROIC	7.5%	4.4%	(7.6%)	4.9%	5.1%	5.4%
Momentum						
Revenue growth	13%	3%	16%	3%	6%	5%
EBITDA growth	16%	81%	10%	-0%	9%	7%
EPS growth	14%	13%	n/m	n/m	11%	17%
Liquidity and solvency						
Cash ratio	0.3	0.2	0.2	0.1	0.1	0.1
Current ratio	0.8	0.9	0.9	0.9	1.0	0.9
Interest coverage	(10.1)	(2.9)	3.6	(1.8)	(1.8)	(1.9)
Debt/Equity	0.7	0.5	0.7	0.8	0.9	0.9
Debt/Total assets	0.2	0.2	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.3	1.8	2.1	2.6	2.8	2.8
Valuation						
P/E	0.5	0.4	nm	1.9	1.7	1.5
P/CE	0.2	0.1	14.8	0.3	0.3	0.3
P/BV	0.1	0.0	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.6	0.7	0.8	0.9	0.9
EV/EBITDA	1.5	1.9	2.2	2.7	2.9	2.9
Dividend yield, (ords)	0.8%	0.0%	0.0%	1.0%	1.7%	2.7%
Dividend yield, (prefs)	0.0%	13.1%	nm	11.1%	12.3%	14.4%
Per Share Data						
EPS	0.92	1.04	(0.98)	0.23	0.25	0.30
DPS, ords	0.00	0.00	0.00	0.00	0.01	0.01
DPS, prefs	0.00	0.08	(0.29)	0.07	0.08	0.09
BVPS	6.32	21.00	4.70	4.85	4.98	5.15

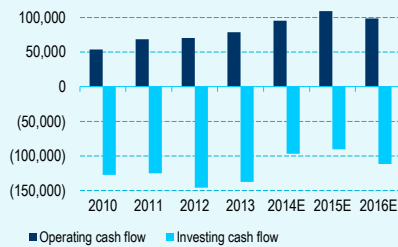
Sources: Company data, Otkritie Capital estimates

FGC

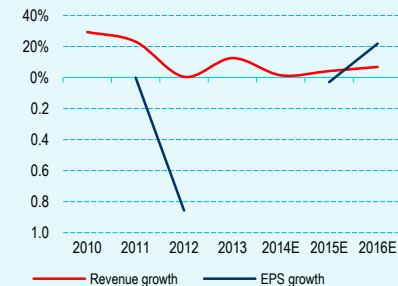
Profitability



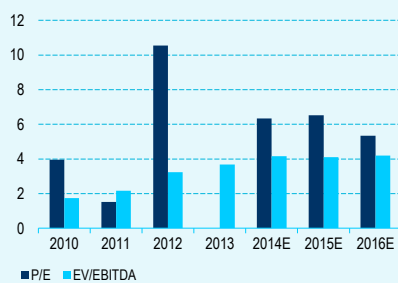
Cash flows, RUBmn



Momentum



Valuation



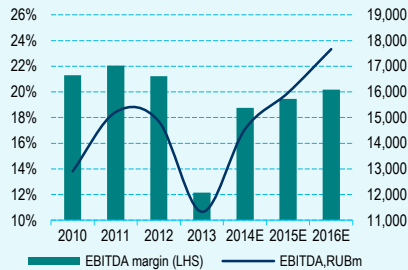
RUBmn unless otherwise stated

	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	139,571	140,313	157,970	160,328	167,120	178,630
Depreciation	33,187	43,908	56,758	60,525	64,025	68,258
EBITDA	83,760	82,133	92,551	88,423	92,273	100,977
Operating profit (EBIT)	71,837	33,279	(262,546)	27,899	28,248	32,719
Net interest expense	3,679	3,899	1,918	(13,221)	(13,995)	(15,345)
Non-op. revenue (expenses)	(12,653)	(28,379)	(29,286)	0	0	0
Pretax profit	62,863	8,799	(289,914)	14,678	14,253	17,374
Taxes	13,875	1,756	(55,143)	2,936	2,851	3,475
Minority interest	(1,668)	(240)	(1,670)	84	81	99
Net income	48,988	7,043	(234,771)	11,742	11,402	13,899
Cash flow statement						
Net change in work. cap.	(90,033)	3,249	62,998	(9,552)	(19,624)	(928)
Provisions and write-offs	0	0	0	0	0	0
Other	(2,684)	(37)	10	0	0	0
Operating cashflow	68,645	70,306	78,792	95,040	109,046	98,430
Capex	(153,471)	(150,431)	(122,143)	(113,000)	(105,000)	(127,000)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(124,743)	(145,711)	(137,458)	(96,883)	(90,131)	(111,655)
Equity	2,220	3,247	3,762	0	0	0
Debt	80,105	82,500	110,000	12,412	22,000	38,000
Financing cashflow	68,152	73,834	56,237	(14,029)	(7,164)	6,170
Net change in cash	12,054	(1,571)	(2,429)	(15,873)	11,750	(7,055)
Balance sheet						
Cash & equivalents	25,627	24,056	21,627	5,754	17,504	10,449
Current assets	89,171	96,412	122,352	103,418	116,708	113,495
PP&E	980,677	1,096,535	749,710	802,185	843,161	901,903
Goodwill and other assets	93,829	67,294	46,440	45,566	45,566	45,566
Total assets	1,163,677	1,260,241	918,502	951,170	1,005,435	1,060,964
Current liabilities	49,534	73,466	103,817	227,754	260,428	283,570
S-T Debt	2,002	23,218	29,624	145,048	155,684	174,057
L-T Debt	130,778	193,200	257,964	154,952	166,316	185,943
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	897,314	907,063	549,239	560,898	571,045	583,705
Total liabilities & equity	1,163,677	1,260,241	918,502	951,170	1,005,435	1,060,964
Net Debt	107,153	192,362	265,961	294,246	304,496	349,551
Margins and profitability						
EBIT margin	51.5%	23.7%	(166.2%)	17.4%	16.9%	18.3%
EBITDA margin	60.0%	58.5%	58.6%	55.2%	55.2%	56.5%
Net margin	35.1%	5.0%	(148.6%)	7.3%	6.8%	7.8%
ROE	5.5%	0.8%	(42.7%)	2.1%	2.0%	2.4%
ROA	4.2%	0.6%	(25.6%)	1.2%	1.1%	1.3%
ROIC	5.3%	2.3%	(26.5%)	3.1%	3.1%	3.4%
Momentum						
Revenue growth	23%	1%	13%	1%	4%	7%
EBITDA growth	24%	-2%	13%	-4%	4%	9%
EPS growth	161%	-86%	n/m	n/m	-3%	22%
Liquidity and solvency						
Cash ratio	0.5	0.3	0.2	0.0	0.1	0.0
Current ratio	1.8	1.3	1.2	0.5	0.4	0.4
Interest coverage	19.5	8.5	(136.9)	(2.1)	(2.0)	(2.1)
Debt/Equity	0.1	0.2	0.5	0.5	0.6	0.6
Debt/Total assets	0.1	0.2	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.3	2.3	2.9	3.3	3.3	3.5
Valuation						
P/E	1.5	10.6	nm	6.3	6.5	5.3
P/CE	0.9	1.5	nm	1.0	1.0	0.9
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	1.3	1.9	2.2	2.3	2.3	2.4
EV/EBITDA	2.2	3.2	3.7	4.2	4.1	4.2
Dividend yield, (ords)	6.6%	0.0%	0.0%	1.6%	1.5%	1.9%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.04	0.01	(0.19)	0.01	0.01	0.01
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.71	0.72	0.44	0.45	0.45	0.46

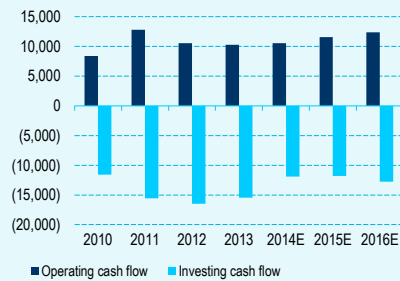
Sources: Company data, Otkritie Capital estimates

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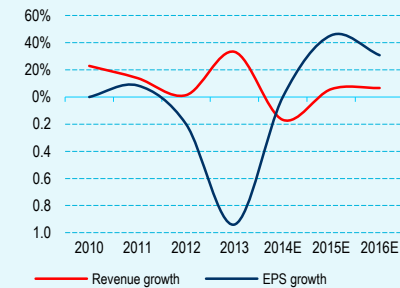
Profitability



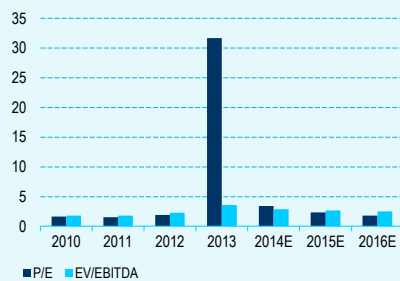
Cash flows, RUBmn



Momentum



Valuation



RUBmn unless otherwise stated

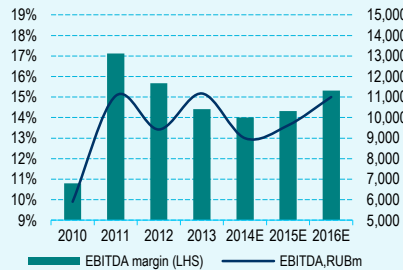
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	69,041	69,984	93,297	77,601	82,104	87,548
Depreciation	6,285	6,738	7,930	8,270	8,610	8,975
EBITDA	15,217	14,850	11,325	14,549	15,969	17,666
Operating profit (EBIT)	8,932	7,556	3,395	6,280	7,360	8,690
Net interest expense	(1,556)	(1,812)	(2,347)	(3,195)	(2,873)	(2,821)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	7,376	5,745	1,049	3,085	4,487	5,869
Taxes	1,841	1,316	782	617	897	1,174
Minority interest	4	23	33	302	439	574
Net income	5,534	4,429	266	2,468	3,590	4,695
Cash flow statement						
Net change in work. cap.	(533)	2,321	157	210	523	1,263
Provisions and write-offs	0	0	0	0	0	0
Other	(47)	(31)	(202)	0	(87)	(59)
Operating cashflow	12,818	10,544	10,266	10,527	11,589	12,348
Capex	(15,716)	(16,685)	(15,547)	(11,900)	(11,900)	(12,800)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(15,542)	(16,489)	(15,433)	(11,900)	(11,813)	(12,741)
Equity	0	0	0	0	0	0
Debt	0	0	6,134	2,380	1,500	(1,000)
Financing cashflow	5,111	4,270	5,311	2,326	970	(1,807)
Net change in cash	2,387	(1,675)	143	953	746	(2,200)
Balance sheet						
Cash & equivalents	2,646	972	1,115	2,068	2,814	614
Current assets	12,968	16,809	16,708	15,423	16,875	15,528
PP&E	62,196	71,360	78,074	81,704	84,995	88,819
Goodwill and other assets	1,653	1,402	1,265	1,265	1,265	1,265
Total assets	76,817	89,572	96,047	98,392	103,135	105,612
Current liabilities	11,325	13,560	14,864	29,530	30,517	29,570
S-T Debt	1,167	207	1,912	19,026	19,830	19,294
L-T Debt	20,070	26,296	31,208	16,474	17,170	16,706
Other L-T liabilities	354	441	578	578	578	578
Shareholders funds	38,567	42,550	41,687	43,799	46,419	49,733
Total liabilities & equity	76,817	89,572	96,047	98,392	103,135	105,612
Net Debt	18,591	25,531	32,005	33,432	34,186	35,386
Margins and profitability						
EBIT margin	12.9%	10.8%	3.6%	8.1%	9.0%	9.9%
EBITDA margin	22.0%	21.2%	12.1%	18.7%	19.5%	20.2%
Net margin	8.0%	6.3%	0.3%	3.2%	4.4%	5.4%
ROE	14.3%	10.4%	0.6%	5.6%	7.7%	9.4%
ROA	7.2%	4.9%	0.3%	2.5%	3.5%	4.4%
ROIC	11.4%	8.1%	3.4%	7.5%	8.4%	9.2%
Momentum						
Revenue growth	14%	1%	33%	-17%	6%	7%
EBITDA growth	18%	-2%	-24%	28%	10%	11%
EPS growth	8%	-20%	-94%	827%	45%	31%
Liquidity and solvency						
Cash ratio	0.2	0.1	0.1	0.1	0.1	0.0
Current ratio	1.1	1.2	1.1	0.5	0.6	0.5
Interest coverage	(5.7)	(4.2)	(1.4)	(2.0)	(2.6)	(3.1)
Debt/Equity	0.6	0.6	0.8	0.8	0.8	0.7
Debt/Total assets	0.3	0.3	0.3	0.4	0.4	0.3
Net debt / EBITDA	1.2	1.7	2.8	2.3	2.1	2.0
Valuation						
P/E	1.5	1.9	31.7	3.4	2.3	1.8
P/CE	0.7	0.8	1.0	0.8	0.7	0.6
P/BV	0.2	0.2	0.2	0.2	0.2	0.2
EV/Sales	0.4	0.5	0.4	0.5	0.5	0.5
EV/EBITDA	1.8	2.3	3.6	2.9	2.7	2.5
Dividend yield, (ords)	5.0%	10.2%	0.6%	6.3%	9.6%	13.1%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.13	0.10	0.01	0.06	0.09	0.11
DPS, ords	0.01	0.02	0.00	0.01	0.02	0.03
DPS, prefs	-	-	-	-	-	-
BVPS	0.91	1.01	0.99	1.04	1.10	1.18

Sources: Company data, Otkritie Capital estimates

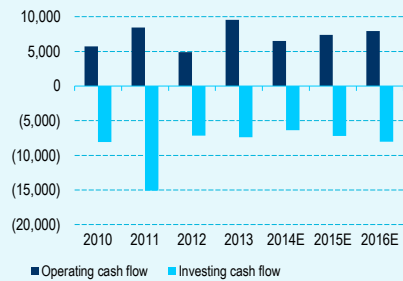
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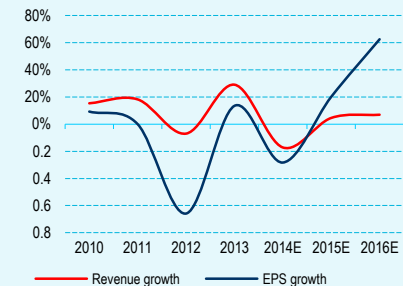
Profitability



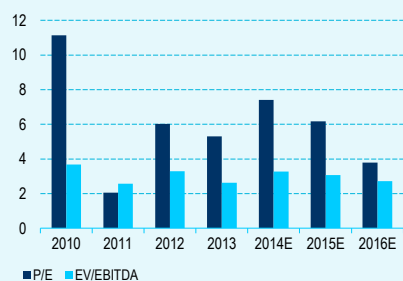
Cash flows, RUBmn



Momentum



Valuation



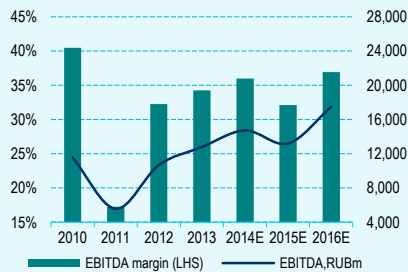
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	64,590	60,082	77,554	64,234	67,170	71,830
Depreciation	4,270	5,669	5,460	5,649	5,859	6,095
EBITDA	11,058	9,418	11,172	8,993	9,620	11,001
Operating profit (EBIT)	6,788	3,596	4,238	2,891	3,309	4,454
Net interest expense	(1,021)	(1,524)	(1,915)	(1,322)	(1,423)	(1,389)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	5,767	2,072	2,323	1,570	1,886	3,065
Taxes	1,243	529	571	314	377	613
Minority interest	0	0	0	0	0	0
Net income	4,524	1,544	1,752	1,256	1,508	2,452
Cash flow statement						
Net change in work. cap.	3,141	1,042	(2,433)	144	(167)	377
Provisions and write-offs	0	0	0	0	0	0
Other	(0)	0	(9)	(263)	(152)	(221)
Operating cashflow	8,435	4,867	9,562	6,497	7,383	7,948
Capex	(12,936)	(8,929)	(8,600)	(6,610)	(7,353)	(8,238)
Disposals (Acquisitions)	183	2,611	1,034	0	0	0
Investing cashflow	(15,110)	(7,145)	(7,367)	(6,347)	(7,201)	(8,017)
Equity	0	0	0	0	0	0
Debt	7,556	1,275	(1,037)	(1,282)	1,000	0
Financing cashflow	7,424	956	(1,510)	(1,545)	686	(377)
Net change in cash	750	(1,322)	684	(1,394)	868	(446)
Balance sheet						
Cash & equivalents	3,928	2,606	3,291	1,896	2,764	2,318
Current assets	13,684	14,155	15,939	12,697	13,909	14,213
PP&E	54,292	57,998	59,794	60,755	62,249	64,393
Goodwill and other assets	1,088	1,156	1,156	1,156	1,156	1,156
Total assets	69,064	73,309	76,890	74,608	77,314	79,762
Current liabilities	9,151	10,249	12,611	11,831	12,440	12,813
S-T Debt	1,776	2,122	951	2,163	2,261	2,261
L-T Debt	21,374	22,217	22,331	19,837	20,739	20,739
Other L-T liabilities	809	1,108	1,136	1,136	1,136	1,136
Shareholders funds	33,121	34,344	34,447	35,440	36,634	38,709
Total liabilities & equity	69,064	73,309	76,890	74,608	77,314	79,762
Net Debt	19,221	21,733	19,992	20,104	20,236	20,682
Margins and profitability						
EBIT margin	10.5%	6.0%	5.5%	4.5%	4.9%	6.2%
EBITDA margin	17.1%	15.7%	14.4%	14.0%	14.3%	15.3%
Net margin	7.0%	2.6%	2.3%	2.0%	2.2%	3.4%
ROE	13.7%	4.5%	5.1%	3.5%	4.1%	6.3%
ROA	6.6%	2.1%	2.3%	1.7%	2.0%	3.1%
ROIC	9.7%	4.8%	5.6%	3.8%	4.3%	5.5%
Momentum						
Revenue growth	18%	-7%	29%	-17%	5%	7%
EBITDA growth	87%	-15%	19%	-20%	7%	14%
EPS growth	442%	-66%	13%	-28%	20%	63%
Liquidity and solvency						
Cash ratio	0.4	0.3	0.3	0.2	0.2	0.2
Current ratio	1.5	1.4	1.3	1.1	1.1	1.1
Interest coverage	(6.6)	(2.4)	(2.2)	(2.2)	(2.3)	(3.2)
Debt/Equity	0.7	0.7	0.7	0.6	0.6	0.6
Debt/Total assets	0.3	0.3	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.7	2.3	1.8	2.2	2.1	1.9
Valuation						
P/E	2.1	6.0	5.3	7.4	6.2	3.8
P/CE	1.1	1.3	1.3	1.3	1.3	1.1
P/BV	0.3	0.3	0.3	0.3	0.3	0.2
EV/Sales	0.4	0.5	0.4	0.5	0.4	0.4
EV/EBITDA	2.6	3.3	2.6	3.3	3.1	2.7
Dividend yield, (ords)	3.4%	5.2%	2.8%	3.4%	4.1%	6.6%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.04	0.01	0.02	0.01	0.01	0.02
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.01
DPS, prefs	-	-	-	-	-	-
BVPS	0.29	0.30	0.31	0.31	0.33	0.34

Sources: Company data, Otkritie Capital estimates

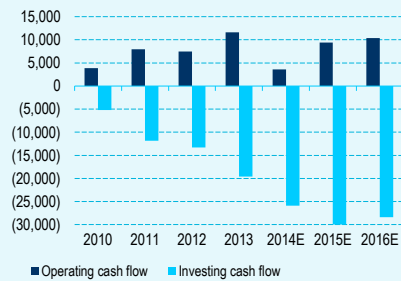
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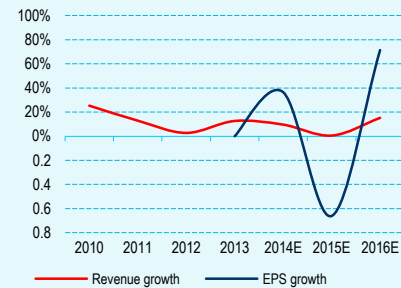
Profitability



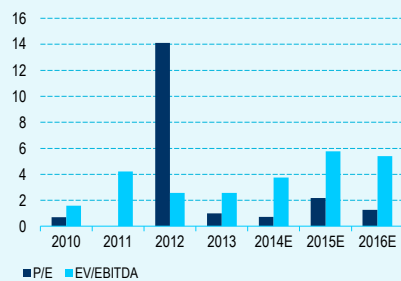
Cash flows, RUBmn



Momentum



Valuation



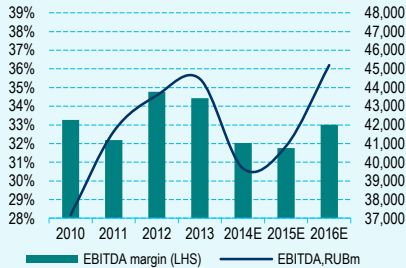
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	32,257	33,135	37,323	40,911	41,125	47,372
Depreciation	4,813	4,216	3,920	4,660	5,517	6,328
EBITDA	5,566	10,684	12,786	14,730	13,200	17,493
Operating profit (EBIT)	754	2,475	6,316	9,626	7,299	10,763
Net interest expense	(1,598)	(1,873)	(2,014)	(4,028)	(5,783)	(7,515)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(845)	602	4,301	5,599	1,516	3,248
Taxes	99	370	1,020	1,120	0	650
Minority interest	7	(2)	8	10	4	6
Net income	(943)	233	3,281	4,479	1,516	2,598
Cash flow statement						
Net change in work. cap.	419	(1,898)	(1,981)	6,064	(1,856)	(970)
Provisions and write-offs	0	0	0	0	0	0
Other	358	66	2,825	0	0	0
Operating cashflow	7,944	7,475	11,602	3,573	9,388	10,395
Capex	(11,789)	(11,275)	(15,541)	(25,900)	(30,000)	(28,400)
Disposals (Acquisitions)	(120)	(76)	(58)	0	0	0
Investing cashflow	(11,846)	(13,313)	(19,615)	(25,900)	(30,000)	(28,400)
Equity	0	2,044	3,000	0	0	0
Debt	12,238	789	5,528	20,116	21,500	17,000
Financing cashflow	10,357	2,243	8,219	19,848	21,348	16,740
Net change in cash	6,456	(3,595)	206	(2,480)	736	(1,265)
Balance sheet						
Cash & equivalents	7,109	3,514	3,719	1,321	2,057	792
Current assets	11,993	11,236	18,744	16,644	17,443	17,053
PP&E	82,519	86,415	100,549	121,789	146,272	168,344
Goodwill and other assets	1,584	1,234	1,221	1,221	1,221	1,221
Total assets	96,951	99,393	120,845	139,984	165,266	186,948
Current liabilities	25,035	30,567	36,679	30,245	33,495	36,393
S-T Debt	6,356	7,153	3,982	3,313	4,645	5,698
L-T Debt	21,028	20,638	29,402	50,187	70,355	86,302
Other L-T liabilities	4,884	1,786	2,123	2,123	2,123	2,123
Shareholders funds	42,504	43,513	49,428	53,733	54,952	57,495
Total liabilities & equity	96,951	99,393	120,845	139,984	165,266	186,948
Net Debt	20,276	24,277	29,664	52,179	72,943	91,208
Margins and profitability						
EBIT margin	2.3%	7.5%	16.9%	23.5%	17.7%	22.7%
EBITDA margin	17.3%	32.2%	34.3%	36.0%	32.1%	36.9%
Net margin	(2.9%)	0.7%	8.8%	10.9%	3.7%	5.5%
ROE	(2.2%)	0.5%	6.6%	8.3%	2.8%	4.5%
ROA	(1.0%)	0.2%	2.7%	3.2%	0.9%	1.4%
ROIC	0.9%	3.0%	6.3%	7.1%	4.5%	5.7%
Momentum						
Revenue growth	13%	3%	13%	10%	1%	15%
EBITDA growth	-52%	92%	20%	15%	-10%	33%
EPS growth	n/m	n/m	1,309%	37%	-66%	71%
Liquidity and solvency						
Cash ratio	0.3	0.1	0.1	0.0	0.1	0.0
Current ratio	0.5	0.4	0.5	0.6	0.5	0.5
Interest coverage	(0.5)	(1.3)	(3.1)	(2.4)	(1.3)	(1.4)
Debt/Equity	0.6	0.6	0.7	1.0	1.4	1.6
Debt/Total assets	0.3	0.3	0.3	0.4	0.5	0.5
Net debt / EBITDA	3.6	2.3	2.3	3.5	5.5	5.2
Valuation						
P/E	nm	14.1	1.0	0.7	2.2	1.3
P/CE	0.8	0.7	0.5	0.4	0.5	0.4
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.7	0.8	0.9	1.4	1.9	2.0
EV/EBITDA	4.2	2.6	2.6	3.8	5.8	5.4
Dividend yield, (ords)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	0.0%	8.2%	14.2%	18.0%	10.2%	17.4%
Per Share Data						
EPS	(0.77)	0.19	2.67	3.65	1.23	2.12
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	0.00	1.32	2.28	2.88	1.63	2.79
BVPS	34.60	35.42	40.24	43.75	44.74	46.81

Sources: Company data, Otkritie Capital estimates

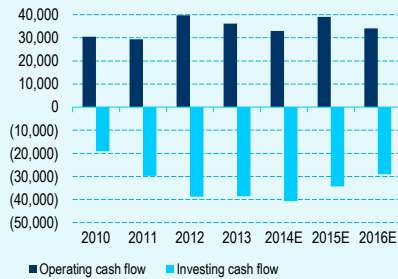
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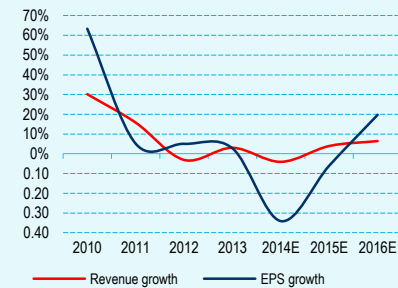
Profitability



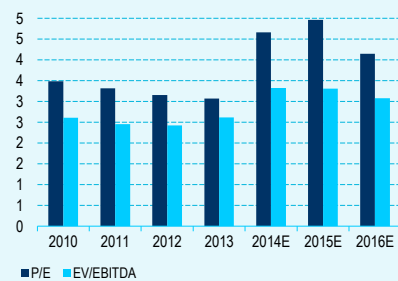
Cash flows, RUBmn



Momentum



Valuation



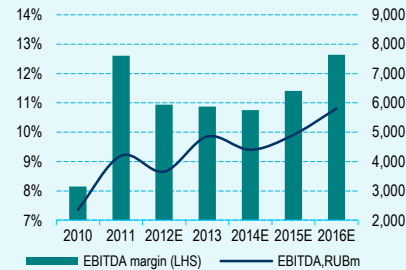
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	129,366	125,324	129,125	123,839	128,699	136,957
Depreciation	16,539	17,395	17,918	19,092	20,082	20,925
EBITDA	41,649	43,580	44,464	39,667	40,866	45,200
Operating profit (EBIT)	25,110	26,186	26,528	20,575	20,784	24,276
Net interest expense	(1,665)	(789)	(2,156)	(4,543)	(5,723)	(6,248)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	23,445	25,397	24,371	16,033	15,061	18,028
Taxes	5,402	6,447	4,898	3,207	3,012	3,606
Minority interest	95	(11)	(137)	(90)	(85)	(101)
Net income	18,043	18,950	19,473	12,826	12,049	14,422
Cash flow statement						
Net change in work. cap.	18,166	(7,590)	3,290	3,441	(1,175)	7,578
Provisions and write-offs	347	2,184	(1,188)	0	0	0
Other	(134)	389	16	0	0	0
Operating cashflow	29,425	39,692	36,168	33,020	39,028	34,016
Capex	(29,322)	(38,999)	(38,850)	(41,086)	(34,655)	(29,488)
Disposals (Acquisitions)	1	218	30	0	0	0
Investing cashflow	(29,776)	(38,703)	(38,535)	(40,684)	(34,253)	(29,086)
Equity	0	(51)	0	0	0	0
Debt	6,372	8,692	3,950	24,714	9,000	6,000
Financing cashflow	1,365	3,397	(4,368)	16,869	837	(2,685)
Net change in cash	1,014	4,387	(6,736)	9,206	5,612	2,246
Balance sheet						
Cash & equivalents	3,945	8,332	1,596	10,802	16,415	18,660
Current assets	28,782	30,541	26,399	42,305	49,224	53,546
PP&E	205,734	226,647	253,234	275,228	289,801	298,364
Goodwill and other assets	15,042	11,868	6,668	6,668	6,668	6,668
Total assets	249,559	269,057	286,302	324,201	345,693	358,578
Current liabilities	55,069	57,593	58,822	105,778	113,648	111,739
S-T Debt	6,509	4,071	5,996	49,694	55,082	58,675
L-T Debt	39,967	50,037	52,289	33,306	36,918	39,325
Other L-T liabilities	22,471	9,345	7,635	7,635	7,635	7,635
Shareholders funds	122,429	140,363	153,209	163,226	173,321	185,809
Total liabilities & equity	249,559	269,057	286,302	324,201	345,693	358,578
Net Debt	42,531	45,776	56,689	72,198	75,585	79,340
Margins and profitability						
EBIT margin	19.4%	20.9%	20.5%	16.6%	16.1%	17.7%
EBITDA margin	32.2%	34.8%	34.4%	32.0%	31.8%	33.0%
Net margin	13.9%	15.1%	15.1%	10.4%	9.4%	10.5%
ROE	14.7%	13.5%	12.7%	7.9%	7.0%	7.8%
ROA	7.2%	7.0%	6.8%	4.0%	3.5%	4.0%
ROIC	10.5%	10.3%	9.4%	7.9%	7.7%	8.5%
Momentum						
Revenue growth	16%	-3%	3%	-4%	4%	6%
EBITDA growth	12%	5%	2%	-11%	3%	11%
EPS growth	5%	5%	3%	-34%	-6%	20%
Liquidity and solvency						
Cash ratio	0.1	0.1	0.0	0.1	0.1	0.2
Current ratio	0.5	0.5	0.4	0.4	0.4	0.5
Interest coverage	(15.1)	(33.2)	(12.3)	(4.5)	(3.6)	(3.9)
Debt/Equity	0.4	0.4	0.4	0.5	0.5	0.5
Debt/Total assets	0.2	0.2	0.2	0.3	0.3	0.3
Net debt / EBITDA	1.0	1.1	1.3	1.8	1.8	1.8
Valuation						
P/E	3.3	3.2	3.1	4.7	5.0	4.1
P/CE	1.7	1.6	1.6	1.9	1.9	1.7
P/BV	0.5	0.4	0.4	0.4	0.3	0.3
EV/Sales	0.8	0.8	0.9	1.1	1.1	1.0
EV/EBITDA	2.5	2.4	2.6	3.3	3.3	3.1
Dividend yield, (ords)	2.0%	7.2%	4.8%	3.4%	3.4%	4.3%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.37	0.39	0.40	0.26	0.25	0.30
DPS, ords	0.02	0.09	0.06	0.04	0.04	0.05
DPS, prefs	-	-	-	-	-	-
BVPS	2.51	2.88	3.15	3.35	3.56	3.81

Sources: Company data, Otkritie Capital estimates

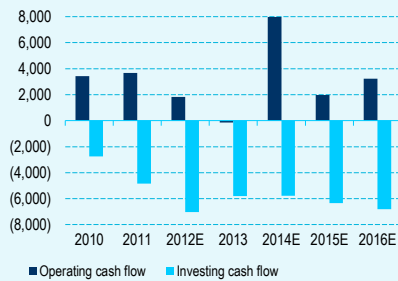
MRSK North-West

RUBmn unless otherwise stated

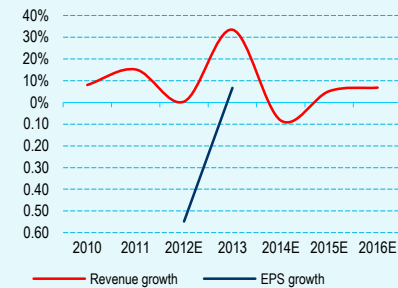
Profitability



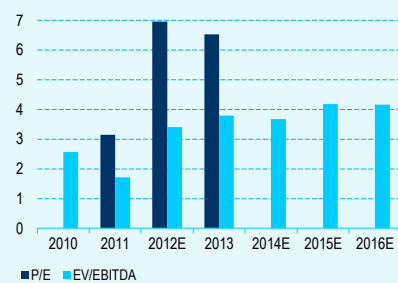
Cash flows, RUBmn



Momentum



Valuation



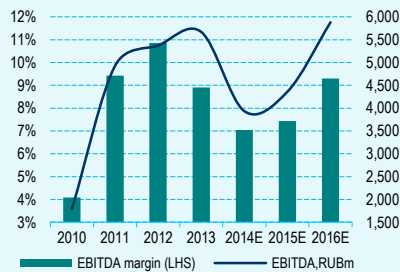
	2011	2012E	2013	2014E	2015E	2016E
Income statement						
Revenues	33,288	33,419	44,615	40,901	43,026	45,958
Depreciation	2,884	3,083	3,575	3,740	3,921	4,115
EBITDA	4,198	3,656	4,853	4,400	4,909	5,809
Operating profit (EBIT)	1,325	574	1,346	661	989	1,693
Net interest expense	(259)	(416)	(1,062)	(1,329)	(1,520)	(1,940)
Non-op. revenue (expenses)	187	308	400	0	0	0
Pretax profit	1,253	466	683	(668)	(531)	(247)
Taxes	451	103	297	0	0	0
Minority interest	1	0	0	0	0	0
Net income	802	362	387	(668)	(531)	(247)
Cash flow statement						
Net change in work. cap.	(673)	2,081	4,522	(4,919)	1,407	647
Provisions and write-offs	0	0	0	0	0	0
Other	(5)	0	(90)	0	0	0
Operating cashflow	3,675	1,820	(143)	7,990	1,982	3,222
Capex	(4,908)	(7,196)	(5,998)	(5,767)	(6,338)	(6,811)
Disposals (Acquisitions)	50	137	194	0	0	0
Investing cashflow	(4,838)	(7,037)	(5,793)	(5,767)	(6,338)	(6,811)
Equity	0	0	0	0	0	0
Debt	1,544	4,410	6,064	(230)	5,000	5,500
Financing cashflow	1,544	4,409	6,049	(237)	5,000	5,500
Net change in cash	381	(808)	113	1,986	644	1,911
Balance sheet						
Cash & equivalents	1,535	727	840	2,827	3,471	5,382
Current assets	7,225	7,959	14,630	11,405	13,555	16,523
PP&E	29,523	33,251	35,915	37,942	40,360	43,055
Goodwill and other assets	794	849	921	921	921	921
Total assets	37,542	42,058	51,467	50,269	54,836	60,500
Current liabilities	6,308	5,706	10,500	14,122	16,248	18,889
S-T Debt	80	19	2,777	6,691	8,719	10,949
L-T Debt	6,148	10,629	13,953	9,809	12,781	16,051
Other L-T liabilities	265	403	1,086	1,086	1,086	1,086
Shareholders funds	21,593	21,953	22,118	21,442	20,912	20,665
Total liabilities & equity	37,542	42,058	51,467	50,269	54,836	60,500
Net Debt	4,694	9,921	15,890	13,673	18,029	21,618
Margins and profitability						
EBIT margin	4.0%	1.7%	3.0%	1.6%	2.3%	3.7%
EBITDA margin	12.6%	10.9%	10.9%	10.8%	11.4%	12.6%
Net margin	2.4%	1.1%	0.9%	(1.6%)	(1.2%)	(0.5%)
ROE	3.7%	1.7%	1.7%	(3.1%)	(2.5%)	(1.2%)
ROA	2.1%	0.9%	0.8%	(1.3%)	(1.0%)	(0.4%)
ROIC	3.6%	1.3%	2.7%	1.6%	2.3%	3.7%
Momentum						
Revenue growth	15%	0%	34%	-8%	5%	7%
EBITDA growth	78%	-13%	33%	-9%	12%	18%
EPS growth	n/m	-55%	7%	n/m	n/m	n/m
Liquidity and solvency						
Cash ratio	0.2	0.1	0.1	0.2	0.2	0.3
Current ratio	1.1	1.4	1.4	0.8	0.8	0.9
Interest coverage	(5.1)	(1.4)	(1.3)	(0.5)	(0.7)	(0.9)
Debt/Equity	0.3	0.5	0.8	0.8	1.0	1.3
Debt/Total assets	0.2	0.3	0.3	0.3	0.4	0.4
Net debt / EBITDA	1.1	2.7	3.3	3.1	3.7	3.7
Valuation						
P/E	3.1	7.0	6.5	nm	nm	nm
P/CE	0.7	0.7	0.6	0.8	0.7	0.7
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.2	0.4	0.4	0.4	0.5	0.5
EV/EBITDA	1.7	3.4	3.8	3.7	4.2	4.2
Dividend yield, (ords)	0.0%	0.1%	0.3%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.01	0.00	0.00	(0.01)	(0.01)	(0.00)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.23	0.23	0.23	0.22	0.22	0.22

Sources: Company data, Otkritie Capital estimates

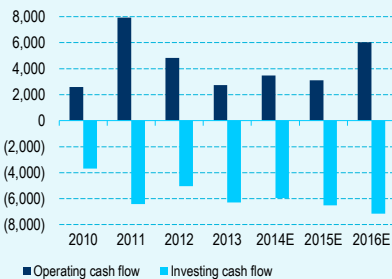
MRSK Siberia

RUBmn unless otherwise stated

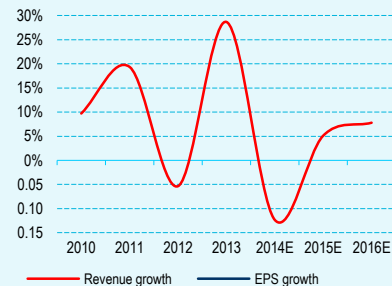
Profitability



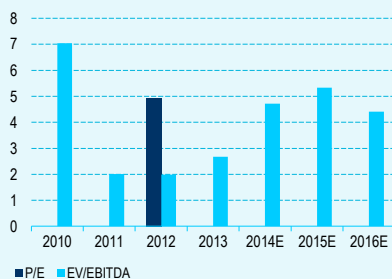
Cash flows, RUBmn



Momentum



Valuation

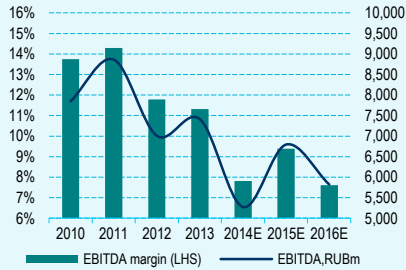


	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	52,312	49,514	63,716	55,848	58,701	63,275
Depreciation	3,726	4,177	4,417	4,587	4,774	4,980
EBITDA	4,928	5,372	5,671	3,935	4,361	5,881
Operating profit (EBIT)	111	826	(226)	(1,406)	(1,337)	19
Net interest expense	(421)	232	(1,160)	(902)	(1,233)	(1,526)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(310)	1,057	(1,386)	(2,308)	(2,571)	(1,508)
Taxes	165	208	(246)	0	0	0
Minority interest	0	0	(0)	(0)	(0)	(0)
Net income	(475)	849	(1,141)	(2,308)	(2,571)	(1,508)
Cash flow statement						
Net change in work. cap.	(5,442)	4,133	(3,263)	(301)	335	(1,050)
Provisions and write-offs	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating cashflow	7,921	4,823	2,735	3,482	3,102	6,049
Capex	(6,876)	(5,132)	(6,178)	(5,957)	(6,550)	(7,215)
Disposals (Acquisitions)	422	(46)	(124)	0	0	0
Investing cashflow	(6,404)	(5,037)	(6,294)	(5,950)	(6,523)	(7,149)
Equity	0	0	0	0	0	0
Debt	(1,998)	(91)	4,394	4,036	6,000	3,500
Financing cashflow	(788)	(642)	3,462	3,128	4,740	1,908
Net change in cash	729	(856)	(97)	660	1,319	808
Balance sheet						
Cash & equivalents	1,184	328	231	891	2,210	3,018
Current assets	8,239	9,544	10,968	8,142	10,296	11,351
PP&E	39,142	40,053	42,415	43,785	45,560	47,795
Goodwill and other assets	1,499	1,116	1,634	1,634	1,634	1,634
Total assets	48,880	50,714	55,017	53,561	57,491	60,780
Current liabilities	14,211	14,887	16,873	24,012	28,722	32,475
S-T Debt	347	2,995	199	10,523	14,732	17,188
L-T Debt	6,279	3,547	10,765	4,477	6,268	7,312
Other L-T liabilities	110	3,219	55	55	55	55
Shareholders funds	25,000	25,755	23,789	21,481	18,911	17,403
Total liabilities & equity	48,880	50,813	55,017	53,561	57,491	60,781
Net Debt	5,443	6,214	10,732	14,109	18,790	21,482
Margins and profitability						
EBIT margin	0.2%	1.7%	(0.4%)	(2.5%)	(2.3%)	0.0%
EBITDA margin	9.4%	10.9%	8.9%	7.0%	7.4%	9.3%
Net margin	(0.9%)	1.7%	(1.8%)	(4.1%)	(4.4%)	(2.4%)
ROE	(1.9%)	3.3%	(4.8%)	(10.7%)	(13.6%)	(8.7%)
ROA	(1.0%)	1.7%	(2.1%)	(4.3%)	(4.5%)	(2.5%)
ROIC	0.3%	1.9%	(0.5%)	(3.9%)	(4.0%)	0.1%
Momentum						
Revenue growth	19%	-5%	29%	-12%	5%	8%
EBITDA growth	175%	9%	6%	-31%	11%	35%
EPS growth	n/m	n/m	n/m	n/m	n/m	n/m
Liquidity and solvency						
Cash ratio	0.1	0.0	0.0	0.0	0.1	0.1
Current ratio	0.6	0.6	0.7	0.3	0.4	0.3
Interest coverage	(0.3)	3.6	0.2	1.6	1.1	(0.0)
Debt/Equity	0.3	0.3	0.5	0.7	1.1	1.4
Debt/Total assets	0.1	0.1	0.2	0.3	0.4	0.4
Net debt / EBITDA	1.1	1.2	1.9	3.6	4.3	3.7
Valuation						
P/E	nm	4.9	nm	nm	nm	nm
P/CE	1.3	0.8	1.3	1.8	1.9	1.2
P/BV	0.2	0.2	0.2	0.2	0.2	0.2
EV/Sales	0.2	0.2	0.2	0.3	0.4	0.4
EV/EBITDA	2.0	2.0	2.7	4.7	5.3	4.4
Dividend yield, (ords)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	(0.01)	0.01	(0.01)	(0.03)	(0.03)	(0.02)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.28	0.29	0.27	0.24	0.21	0.19

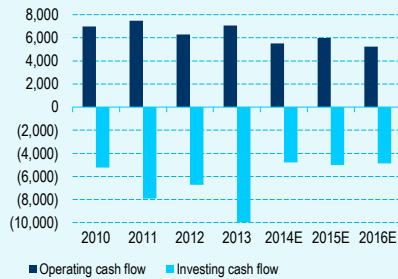
Sources: Company data, Otkritie Capital estimates

MRSK Ural

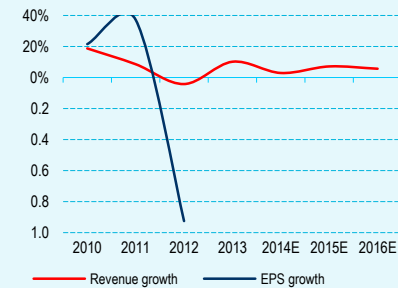
Profitability



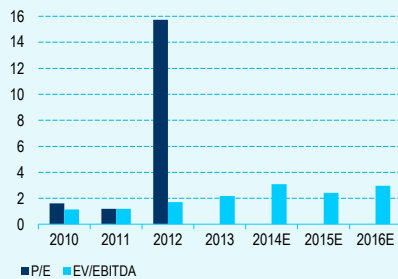
Cash flows, RUBmn



Momentum



Valuation



RUBmn unless otherwise stated

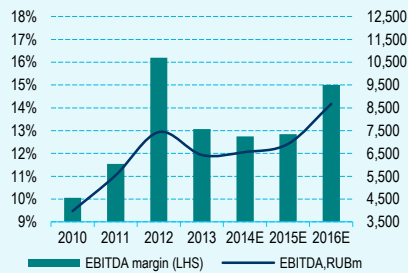
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	62,000	59,431	65,523	67,483	72,356	76,502
Depreciation	4,152	4,894	5,451	5,589	5,734	5,876
EBITDA	8,863	7,007	7,412	5,272	6,794	5,821
Operating profit (EBIT)	4,090	503	226	(696)	654	(406)
Net interest expense	(221)	19	(1,207)	(968)	(1,018)	(1,099)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	4,115	589	(993)	(1,676)	(377)	(1,519)
Taxes	844	344	107	0	0	0
Minority interest	68	(37)	0	0	0	0
Net income	3,271	246	(1,100)	(1,676)	(377)	(1,519)
Cash flow statement						
Net change in work. cap.	(406)	(759)	317	(631)	387	220
Provisions and write-offs	0	0	0	0	0	0
Other	62	126	63	0	0	0
Operating cashflow	7,481	6,303	7,065	5,511	5,988	5,236
Capex	(8,323)	(7,987)	(10,304)	(4,832)	(5,068)	(4,962)
Disposals (Acquisitions)	432	278	138	0	0	0
Investing cashflow	(7,911)	(6,730)	(9,968)	(4,779)	(5,001)	(4,871)
Equity	0	0	0	0	0	0
Debt	6,800	2,400	3,387	820	1,000	2,000
Financing cashflow	(17)	1,591	2,301	(201)	(85)	810
Net change in cash	(447)	1,164	(602)	531	902	1,175
Balance sheet						
Cash & equivalents	1,430	2,594	1,992	2,524	3,426	4,601
Current assets	9,553	10,521	11,399	11,603	13,225	14,974
PP&E	52,999	54,844	58,336	57,579	56,913	56,000
Goodwill and other assets	1,609	1,386	780	780	780	780
Total assets	64,246	66,825	70,567	70,014	70,971	71,806
Current liabilities	8,948	9,447	10,405	12,301	12,772	13,400
S-T Debt	731	667	462	2,056	2,193	2,467
L-T Debt	7,316	9,967	13,717	12,944	13,807	15,533
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	41,639	41,666	39,138	37,461	37,084	35,566
Total liabilities & equity	64,246	66,825	70,567	70,014	70,971	71,806
Net Debt	6,616	8,040	12,187	12,476	12,574	13,399
Margins and profitability						
EBIT margin	6.6%	0.8%	0.3%	(1.0%)	0.9%	(0.5%)
EBITDA margin	14.3%	11.8%	11.3%	7.8%	9.4%	7.6%
Net margin	5.3%	0.4%	(1.7%)	(2.5%)	(0.5%)	(2.0%)
ROE	7.9%	0.6%	(2.8%)	(4.5%)	(1.0%)	(4.3%)
ROA	5.1%	0.4%	(1.6%)	(2.4%)	(0.5%)	(2.1%)
ROIC	6.1%	0.7%	0.3%	(1.0%)	1.0%	(0.6%)
Momentum						
Revenue growth	9%	-4%	10%	3%	7%	6%
EBITDA growth	13%	-21%	6%	-29%	29%	-14%
EPS growth	37%	-92%	n/m	n/m	n/m	n/m
Liquidity and solvency						
Cash ratio	0.2	0.3	0.2	0.2	0.3	0.3
Current ratio	1.1	1.1	1.1	0.9	1.0	1.1
Interest coverage	(18.5)	27.2	(0.2)	0.7	(0.6)	0.4
Debt/Equity	0.2	0.3	0.4	0.4	0.4	0.5
Debt/Total assets	0.1	0.2	0.2	0.2	0.2	0.3
Net debt / EBITDA	0.7	1.1	1.6	2.4	1.9	2.3
Valuation						
P/E	1.2	15.7	nm	nm	nm	nm
P/CE	0.5	0.8	0.9	1.0	0.7	0.9
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.2	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	1.2	1.7	2.2	3.1	2.4	3.0
Dividend yield, (ords)	3.3%	4.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.04	0.00	(0.01)	(0.02)	(0.00)	(0.02)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.48	0.48	0.45	0.43	0.42	0.41

Sources: Company data, Otkritie Capital estimates

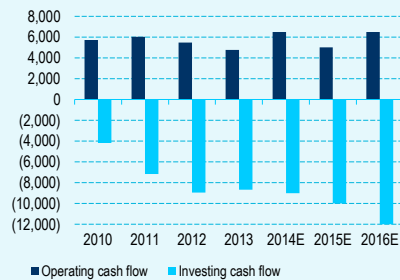
MRSK Volga

RUBmn unless otherwise stated

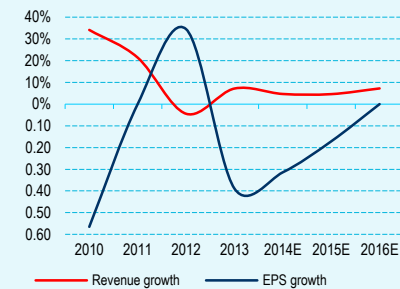
Profitability



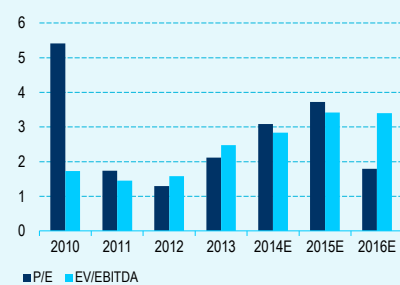
Cash flows, RUBmn



Momentum



Valuation



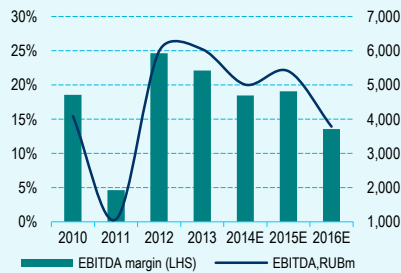
	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	48,037	45,908	49,202	51,500	53,871	57,764
Depreciation	3,267	3,602	4,092	4,349	4,635	4,978
EBITDA	5,547	7,438	6,433	6,563	6,921	8,669
Operating profit (EBIT)	2,407	3,564	2,445	2,202	2,231	3,702
Net interest expense	(250)	(336)	(744)	(958)	(1,200)	(1,560)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	2,157	3,228	1,700	1,244	1,031	2,142
Taxes	392	854	249	249	206	428
Minority interest	0	0	0	0	0	0
Net income	1,765	2,374	1,451	995	824	1,714
Cash flow statement						
Net change in work. cap.	(825)	815	1,204	(1,140)	424	207
Provisions and write-offs	(34)	(13)	(10)	0	0	0
Other	35	69	27	0	0	0
Operating cashflow	6,045	5,483	4,792	6,484	5,036	6,485
Capex	(7,191)	(8,957)	(8,596)	(9,000)	(10,000)	(12,000)
Disposals (Acquisitions)	17	(29)	(106)	0	0	0
Investing cashflow	(7,160)	(8,942)	(8,672)	(9,000)	(10,000)	(12,000)
Equity	0	0	0	0	0	0
Debt	1,815	3,850	3,134	4,063	4,000	8,000
Financing cashflow	1,654	3,533	2,847	3,931	3,882	7,739
Net change in cash	539	74	(1,032)	1,416	(1,082)	2,223
Balance sheet						
Cash & equivalents	2,014	2,088	1,056	2,472	1,390	3,614
Current assets	8,161	7,151	7,825	8,968	8,242	10,957
PP&E	31,266	37,020	41,846	46,496	51,861	58,883
Goodwill and other assets	709	696	715	715	715	715
Total assets	40,136	44,867	50,385	56,178	60,818	70,555
Current liabilities	7,065	5,151	5,624	7,035	7,097	7,640
S-T Debt	80	66	37	581	710	968
L-T Debt	6,921	10,719	13,900	17,419	21,290	29,032
Other L-T liabilities	196	385	271	271	271	271
Shareholders funds	23,465	25,639	26,210	27,073	27,780	29,233
Total liabilities & equity	40,136	44,867	50,385	56,178	60,818	70,555
Net Debt	4,987	8,696	12,880	15,528	20,610	26,386
Margins and profitability						
EBIT margin	5.0%	7.8%	5.0%	4.3%	4.1%	6.4%
EBITDA margin	11.5%	16.2%	13.1%	12.7%	12.8%	15.0%
Net margin	3.7%	5.2%	2.9%	1.9%	1.5%	3.0%
ROE	7.5%	9.3%	5.5%	3.7%	3.0%	5.9%
ROA	4.4%	5.3%	2.9%	1.8%	1.4%	2.4%
ROIC	6.2%	7.6%	4.5%	3.8%	3.4%	5.0%
Momentum						
Revenue growth	21%	-4%	7%	5%	5%	7%
EBITDA growth	39%	34%	-14%	2%	5%	25%
EPS growth	211%	35%	-39%	-31%	-17%	108%
Liquidity and solvency						
Cash ratio	0.3	0.4	0.2	0.4	0.2	0.5
Current ratio	1.2	1.4	1.4	1.3	1.2	1.4
Interest coverage	(9.6)	(10.6)	(3.3)	(2.3)	(1.9)	(2.4)
Debt/Equity	0.3	0.4	0.5	0.7	0.8	1.0
Debt/Total assets	0.2	0.2	0.3	0.3	0.4	0.4
Net debt / EBITDA	0.9	1.2	2.0	2.4	3.0	3.0
Valuation						
P/E	1.7	1.3	2.1	3.1	3.7	1.8
P/CE	0.6	0.5	0.6	0.6	0.6	0.5
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.2	0.3	0.3	0.4	0.4	0.5
EV/EBITDA	1.5	1.6	2.5	2.8	3.4	3.4
Dividend yield, (ords)	6.5%	9.5%	4.3%	3.8%	8.5%	11.9%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	0.01	0.01	0.01	0.01	0.00	0.01
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.13	0.14	0.15	0.15	0.16	0.16

Sources: Company data, Otkritie Capital estimates

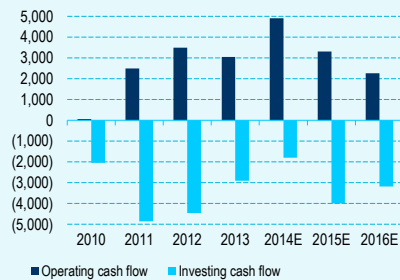
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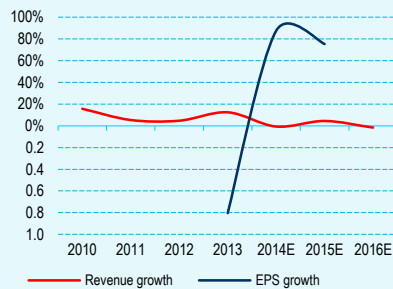
Profitability



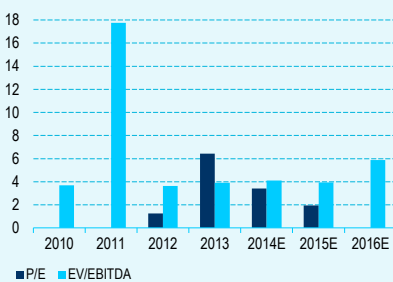
Cash flows, RUBmn



Momentum



Valuation



	2011	2012	2013	2014E	2015E	2016E
Income statement						
Revenues	23,194	24,286	27,311	27,131	28,346	27,888
Depreciation	2,158	2,598	2,721	2,773	2,887	2,978
EBITDA	1,078	5,990	6,046	5,011	5,405	3,785
Operating profit (EBIT)	(1,080)	2,786	2,348	2,238	2,518	808
Net interest expense	(1,410)	(1,474)	(1,746)	(1,783)	(1,720)	(1,840)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(2,490)	1,312	602	455	798	(1,032)
Taxes	(360)	320	408	91	160	0
Minority interest	0	0	0	0	0	0
Net income	(2,130)	991	194	364	639	(1,032)
Cash flow statement						
Net change in work. cap.	(5,148)	1,785	1,275	(1,768)	212	(321)
Provisions and write-offs	0	0	0	0	0	0
Other	868	(581)	377	0	0	0
Operating cashflow	2,504	3,494	3,047	4,905	3,313	2,266
Capex	(4,497)	(4,461)	(2,938)	(1,800)	(3,991)	(3,175)
Disposals (Acquisitions)	(372)	(6)	(4)	0	0	0
Investing cashflow	(4,854)	(4,448)	(2,896)	(1,800)	(3,991)	(3,175)
Equity	0	0	0	0	0	0
Debt	5,374	2,749	(696)	(2,580)	1,000	2,000
Financing cashflow	3,580	1,282	(710)	(2,599)	964	1,936
Net change in cash	1,230	328	(560)	505	286	1,028
Balance sheet						
Cash & equivalents	1,421	1,749	1,190	1,695	1,981	3,008
Current assets	6,998	9,562	13,121	9,998	11,539	12,759
PP&E	22,344	24,689	25,171	24,198	25,302	25,500
Goodwill and other assets	1,874	959	846	846	846	846
Total assets	31,217	35,210	39,138	35,043	37,688	39,105
Current liabilities	10,214	13,632	21,005	13,576	14,845	15,813
S-T Debt	2,841	5,809	10,338	4,769	4,996	5,451
L-T Debt	16,473	16,500	13,241	16,231	17,004	18,549
Other L-T liabilities	765	316	206	206	206	206
Shareholders funds	3,598	4,578	4,615	4,959	5,561	4,465
Total liabilities & equity	31,217	35,210	39,138	35,043	37,688	39,105
Net Debt	17,893	20,559	22,390	19,305	20,019	20,992
Margins and profitability						
EBIT margin	(4.7%)	11.5%	8.6%	8.2%	8.9%	2.9%
EBITDA margin	4.6%	24.7%	22.1%	18.5%	19.1%	13.6%
Net margin	(9.2%)	4.1%	0.7%	1.3%	2.3%	(3.7%)
ROE	(59.2%)	21.7%	4.2%	7.3%	11.5%	(23.1%)
ROA	(6.8%)	2.8%	0.5%	1.0%	1.7%	(2.6%)
ROIC	(4.4%)	11.2%	11.1%	9.1%	9.7%	3.2%
Momentum						
Revenue growth	5%	5%	12%	-1%	4%	-2%
EBITDA growth	-74%	456%	1%	-17%	8%	-30%
EPS growth	n/m	n/m	-80%	88%	75%	n/m
Liquidity and solvency						
Cash ratio	0.1	0.1	0.1	0.1	0.1	0.2
Current ratio	0.7	0.7	0.6	0.7	0.8	0.8
Interest coverage	0.8	(1.9)	(1.3)	(1.3)	(1.5)	(0.4)
Debt/Equity	5.4	4.9	5.1	4.2	4.0	5.4
Debt/Total assets	0.6	0.6	0.6	0.6	0.6	0.6
Net debt / EBITDA	16.6	3.4	3.7	3.9	3.7	5.5
Valuation						
P/E	nm	1.3	6.4	3.4	2.0	nm
P/CE	44.4	0.3	0.4	0.4	0.4	0.6
P/BV	0.3	0.3	0.3	0.3	0.2	0.3
EV/Sales	0.8	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	17.8	3.6	3.9	4.1	3.9	5.9
Dividend yield, (ords)	0.0%	0.0%	1.6%	2.9%	5.1%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
Per Share Data						
EPS	(0.04)	0.02	0.00	0.01	0.01	(0.02)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.07	0.09	0.09	0.10	0.11	0.09

Sources: Company data, Otkritie Capital estimates

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