



**IDGC OF CENTRE**

# **2011 Results & Strategic Outlook for 2012**

Renaissance Capital 16<sup>th</sup> Annual Investor Conference



Moscow | 25-26 June 2012

## Disclaimer

This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any shares or other securities representing shares of IDGC of Centre, nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with any contract or investment decision.

The information in this presentation includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding the intentions of IDGC of Centre, beliefs or current expectations concerning its results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which IDGC of Centre operates. By their nature, forward-looking statements involve risks and uncertainties, including, without limitation, the risks and uncertainties to be set forth in the prospectus, because they relate to events and depend on circumstances that may or may not occur in the future. IDGC of Centre cautions you that forward looking statements are not guarantees of future performance and that the actual results of operations, financial condition and liquidity of IDGC of Centre as well as the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods.

In addition to the official information on the activity of IDGC of Centre, this presentation contains information obtained from third parties. This information has been obtained from sources which, according to IDGC of Centre, are reliable. Nevertheless, we do not guarantee the accuracy of this information, which may be abbreviated or incomplete. All opinions and estimates contained in this material reflect our view on the day of publication and are subject to change without notice. IDGC of Centre shall not be liable for the consequences of use of the views or statements, or incomplete Information contained in this presentation.

IDGC of Centre undertakes no obligation to revise or confirm the forward-looking statements and assessments, as well as to update information contained in this presentation.

Despite the fact that prior to 31.03.2008 IDGC of Centre was not an operating company, this presentation contains the consolidated data on all Distribution Grid Companies of the service area of IDGC of Centre, including for the period up to 31.03.2008. The information about the financial and operational data on the Company was received as the sum of the corresponding indicators of 11 Distribution Grid Companies, which were consolidated with IDGC of Centre. Despite the fact that in 2006 and 2007 under the control of IDGC of Centre (at that time IDGC of Centre and Northern Caucasus) there were more than 11 companies, for correct comparison of the information for these periods the information is shown for 11 Distribution Grid Companies in the current configuration.



Overview of the Company  
& Its Development Priorities

**POWER SECTOR RESTRUCTURING 2003-2007**



**RAO UES  
of Russia**



**Generation** (Electricity and Heat Production)

- Hydro Power Plants
- Heat Power Plants
- TGKs
- OGKs

**Transmission** (High Voltage Grids)

**Federal Grid Company**  
Transmission grid >220 kV

**Distribution** (Low Voltage Grids)

**Holding IDGC (MRSK)**  
Transmission & Distribution  
grids <110 kV

▪ **11 IGDCs (MRSKs)** ←

- 7 retailers
- 5 DGCs
- others

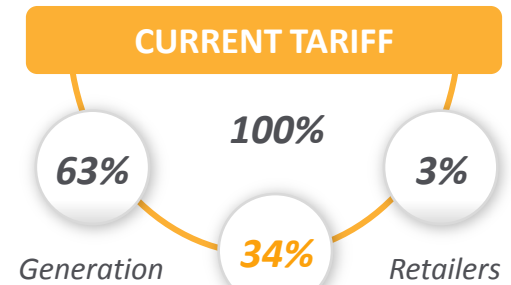
**Infrastructure**

- Market Council
- System Operator

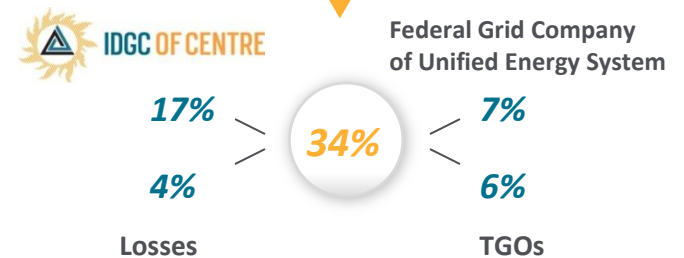
**Supply** (Electricity Trading)

- Retailers
- Others

**TARIFF STRUCTURE\***



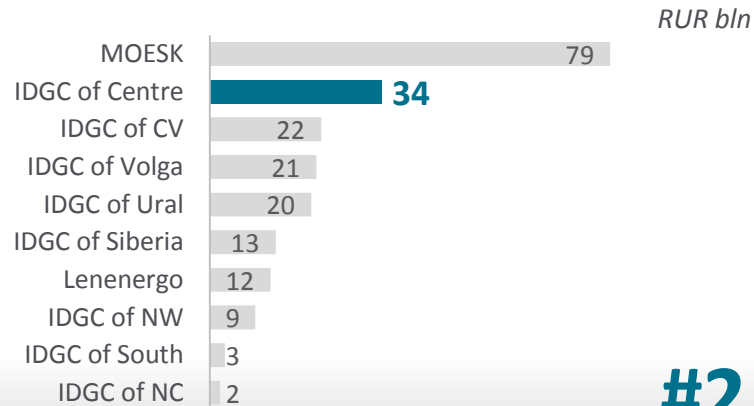
**Transmission & Distribution\***



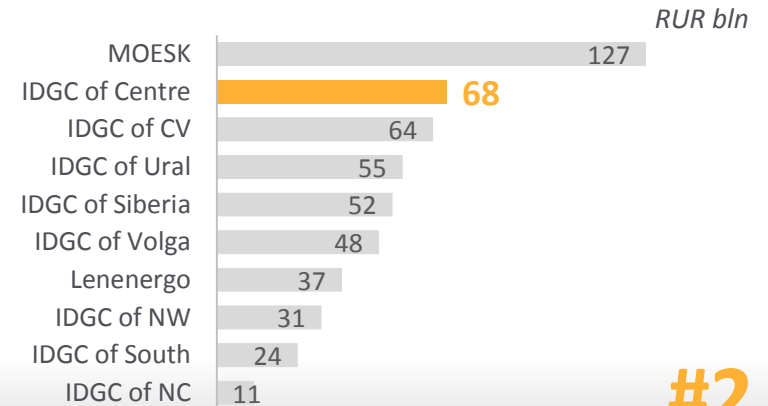
The structure is provided according to the results of **2011 tariff campaign**

## Benchmark Among MRSKs (RAS 2011)

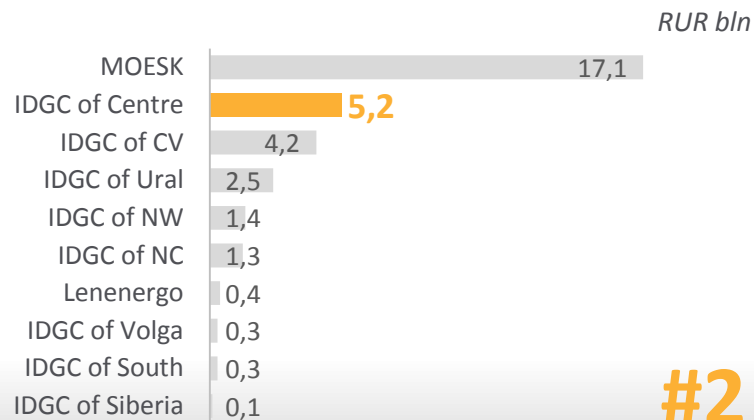
### MCAP\*



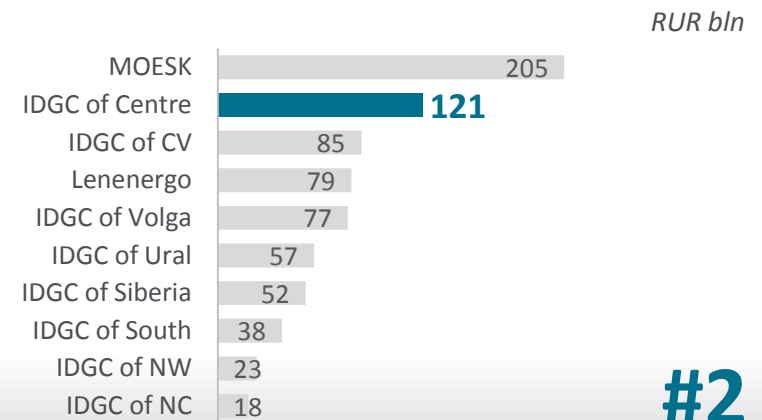
### REVENUE



### NET PROFIT



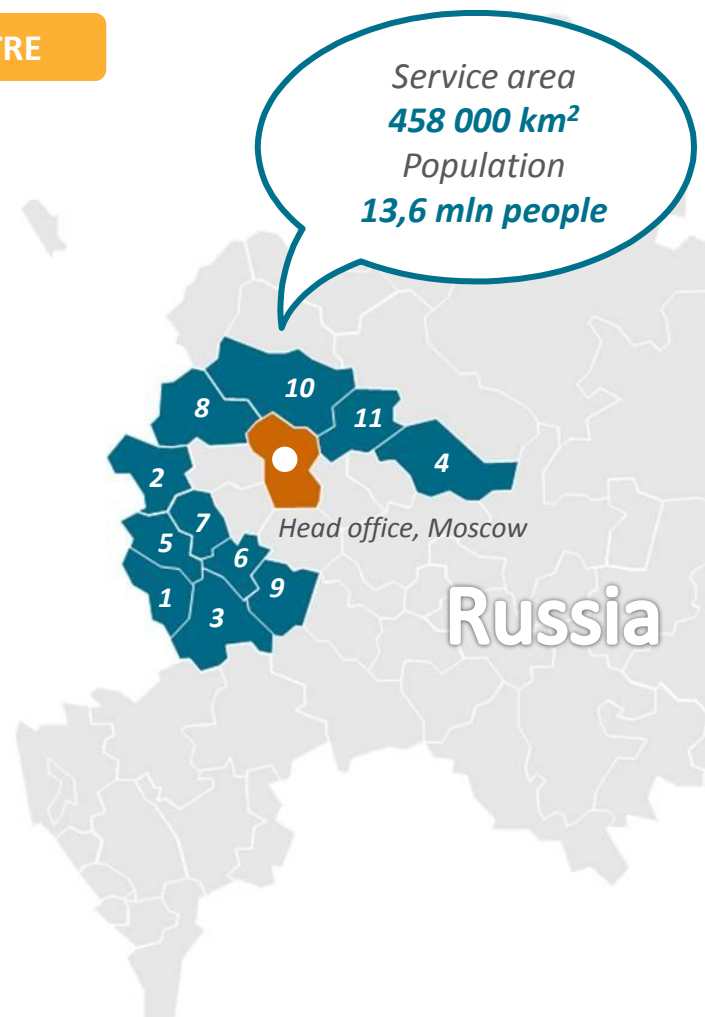
### RAB



**BRANCHES OF IDGC OF CENTRE**

- 1 Belgorodenergo
- 2 Bryanskenergo
- 3 Voronezhenergo
- 4 Kostromaenergo
- 5 Kurskenergo
- 6 Lipetskenergo
- 7 Orelenergo
- 8 Smolenskenergo
- 9 Tambovenergo
- 10 Tverenergo
- 11 Yarenergo

IDGC of Centre is a natural monopoly, its tariff rates are regulated by the **Federal Tariff Service**

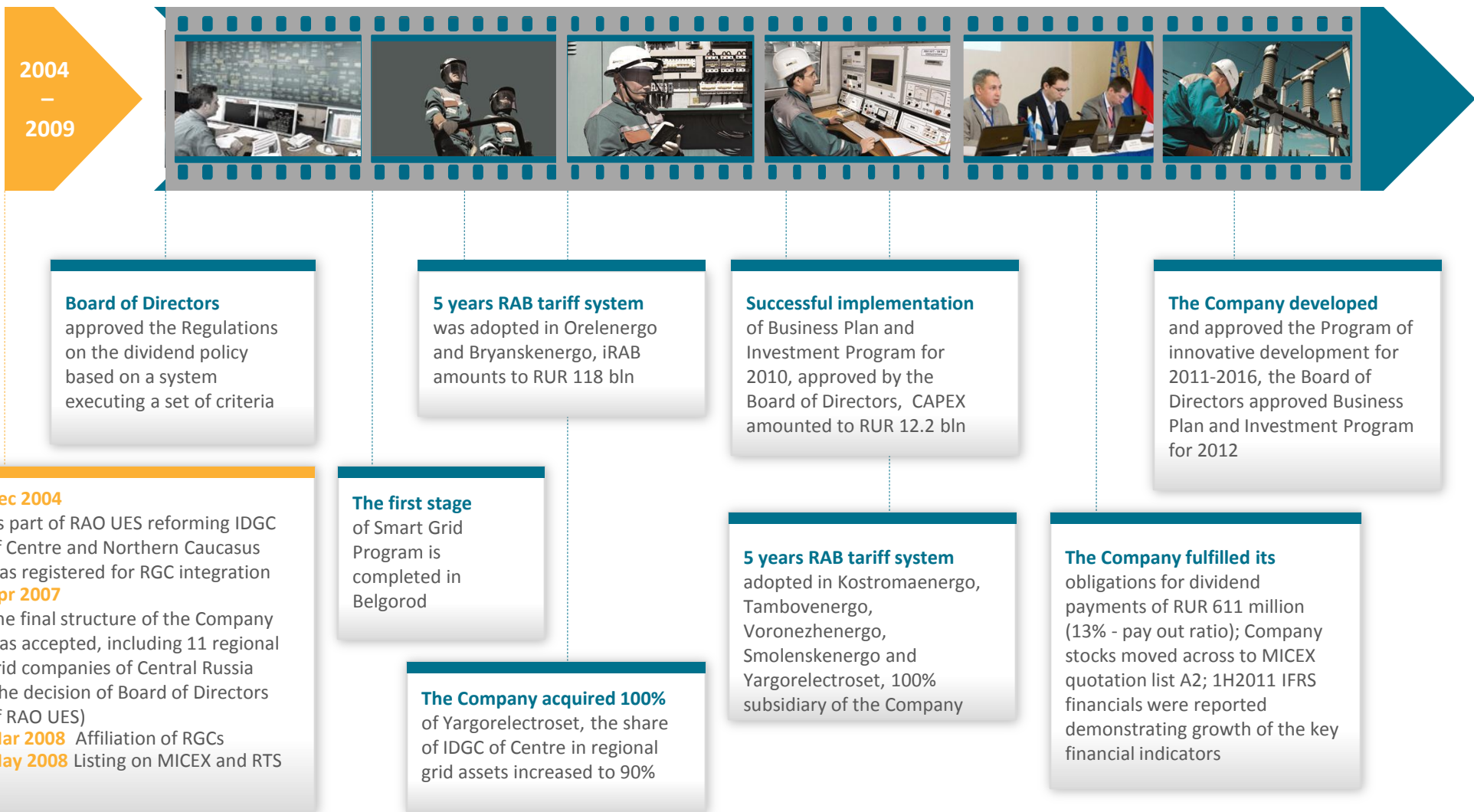

**KEY INDICATORS**

<b>MCap*</b> <i>RUR bln</i>	<b>34,3</b>
<b>Revenue (IFRS)</b> <i>RUR bln</i>	<b>69,0</b>
<b>Length of conductors</b> 0.4 – 110 kV <i>thousand km</i>	<b>366,1</b>
<b>Length of cables</b> 0.4 – 110 kV <i>thousand km</i>	<b>9,4</b>
<b>Substation capacity:</b>	
<b>35 – 110 kV</b> <i>MVA</i>	<b>32 187</b>
<b>6 – 10/0,4 kV</b> <i>MVA</i>	<b>15 498</b>
<b>Staff number**</b>	<b>30 977</b>
<b>Number of shareholders***</b>	<b>16 775</b>

\* indicative as at March 30, 2012

\*\* indicative as at December 31, 2011

\*\*\* indicative as at May 12, 2011 (record date)



### Quality, Reliability & Innovations



- Implementation of **SAIDI\*** / **SAIFI\*\*** indicators calculation system in accordance with international standards
- Implementation of **asset management methodology**, integration of asset management system with geo-informational system (technical risk management)
- Reduction of **technical and commercial losses** (implementation of smart metering systems)

### Market Share



- Increase of **the market share** in the regions of the Company's service area
- Consolidation of **grid assets** (TGOs, ownerless grids)

### Investment Activity



- Increase of **transparency** and **efficiency** of the procurement process
- Use of **typified project solutions**
- Use of a system approach to **evaluate and approve investment projects**
- Increase of **monitoring** of the performance of work by contractors

### Operating Activity



- **OPEX** optimization, reducing costs under control
- **Governance improvement**: implementation of an optimized KPI system for top-management
- Optimization of **systems and processes** in operation and maintenance
- Development of **additional energy service areas**

### Investment Appeal

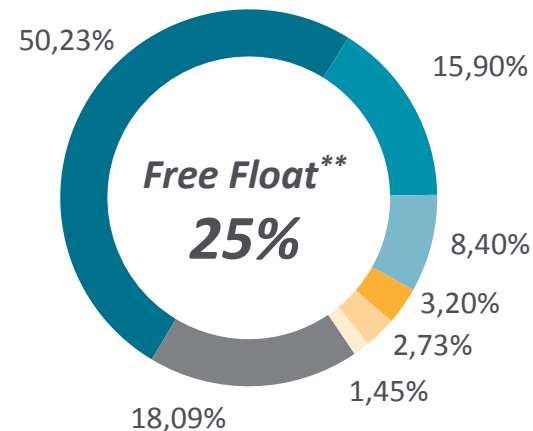


- Implementation of the policy of **stable dividend payments**
- Implementation of a complex of measures to improve the **liquidity of shares**
- Access to **foreign trading floors**
- Start of an **option program**
- Possibility of **privatization** of the Company within the development strategy of IDGC Holding





## SHARE CAPITAL STRUCTURE



- IDGC Holding, JSC
- GENHOLD LIMITED
- THE BANK OF NEW YORK MELLON
- IMMENSO ENTERPRISES LIMITED
- Energosoyuz Holdings Limited
- RUSENERGO FUND LIMITED
- Others


\* including the State share 0,46%

\*\* according to the MICEX Index Committee



\* technological connection

**RATING**



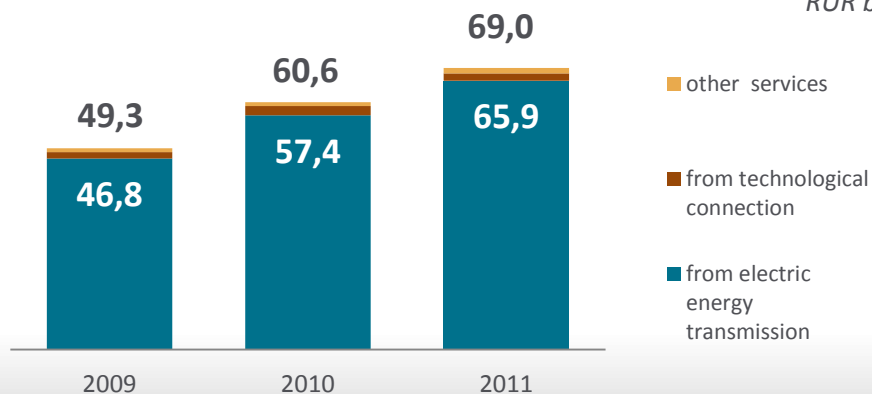
**Developed corporate governance practice & leading position among MRSKs**

**National Corporate Governance Rating (NCRG)**

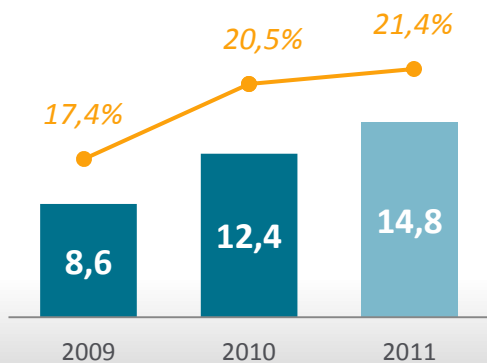
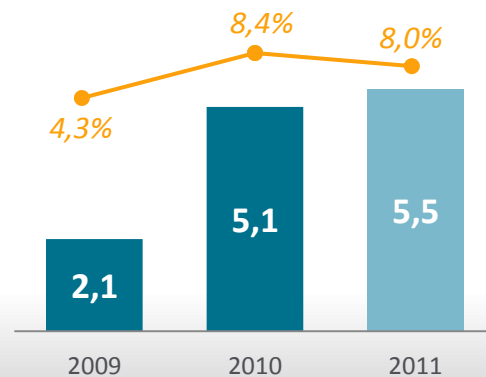
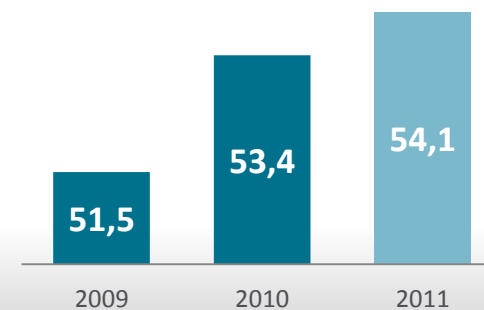
Confirmed	Feb' 12
Upgraded (7+)	Mar' 11
Confirmed	Jul' 09
Confirmed	Feb' 09
Assigned	Sep' 08



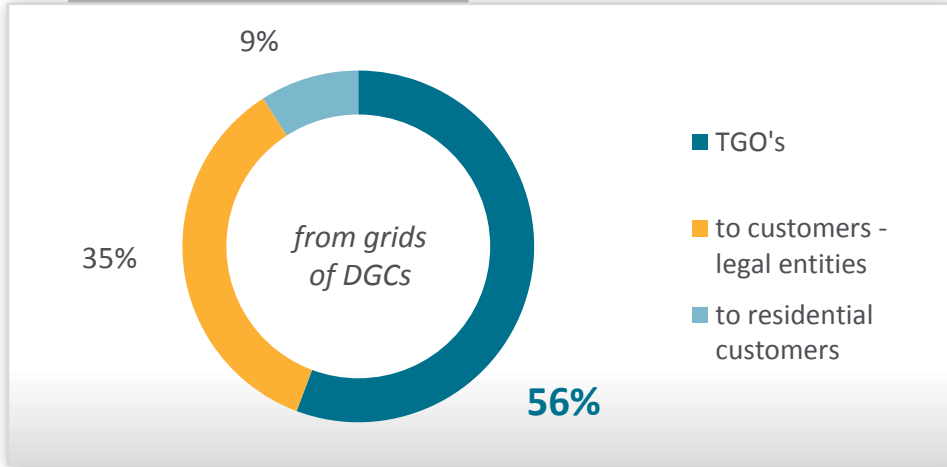
Financial and Operating Indicators  
& Investment Program

**REVENUE**
*RUR bln*


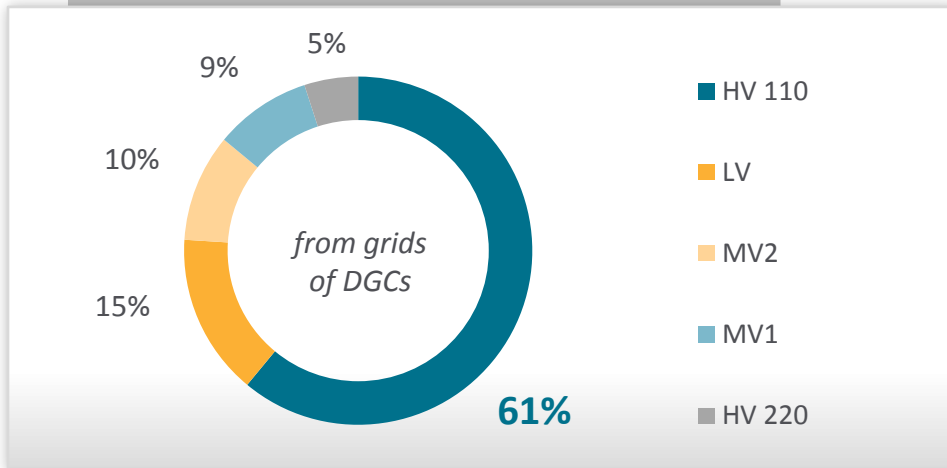
Indicator	2009	2010	2011
<b>Revenue growth, incl.:</b>	12,8%	22,9%	13,9%
<i>Growth of revenue from electric power transmission</i>	16,4%	22,6%	14,8%
<i>Growth of revenue from TC</i>	-42,9%	43,8%	-21,7%
<i>Growth of revenue from other services</i>	28,6%	0%	44,4%
<b>EBITDA growth</b>	-2,3%	44,2%	19,4%
<b>Net profit growth</b>	-25,0%	142,9%	7,8%
<b>ROE</b>	7,4	15,2	143

**EBITDA**
*EBITDA margin*
*RUR bln*

**NET PROFIT**
*Net profit margin*
*RUR bln*

**PRODUCTIVE SUPPLY\***
*kWh bln*

*\* incl. TGOs*
[www.mrsk-1.ru](http://www.mrsk-1.ru)

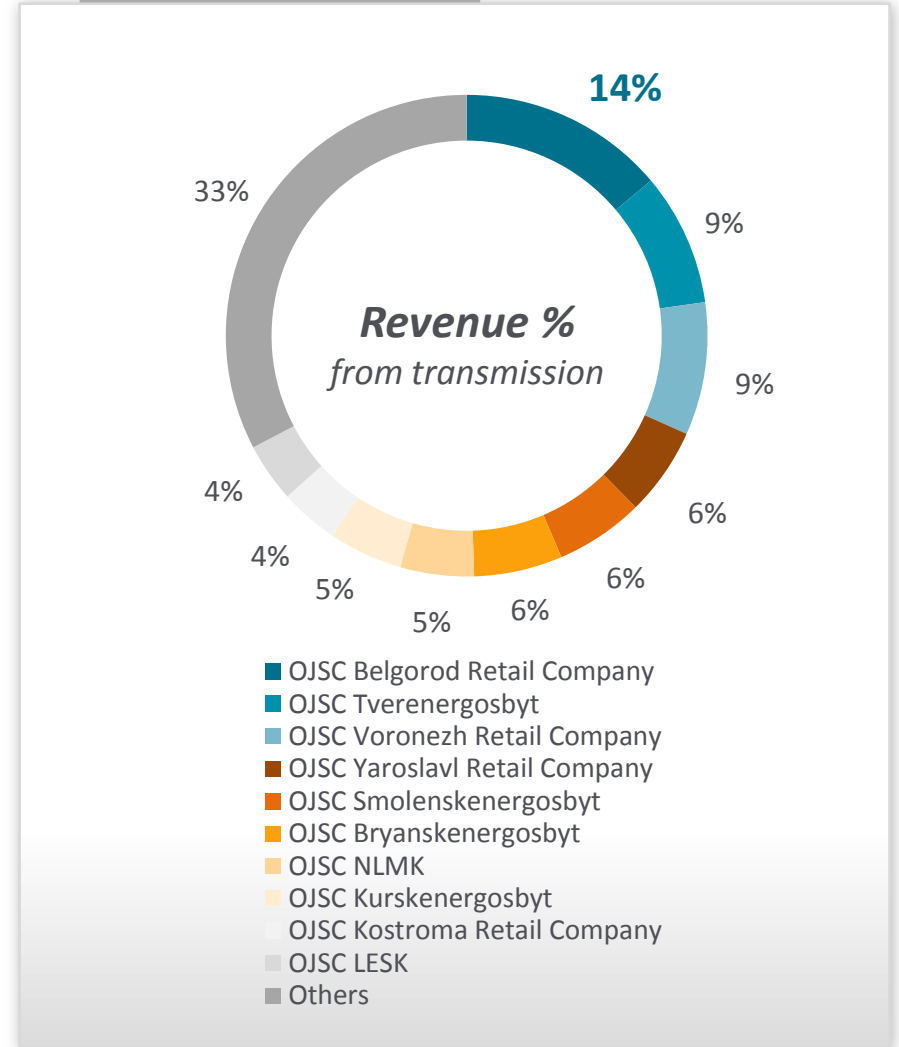
**PRODUCTIVE SUPPLY**



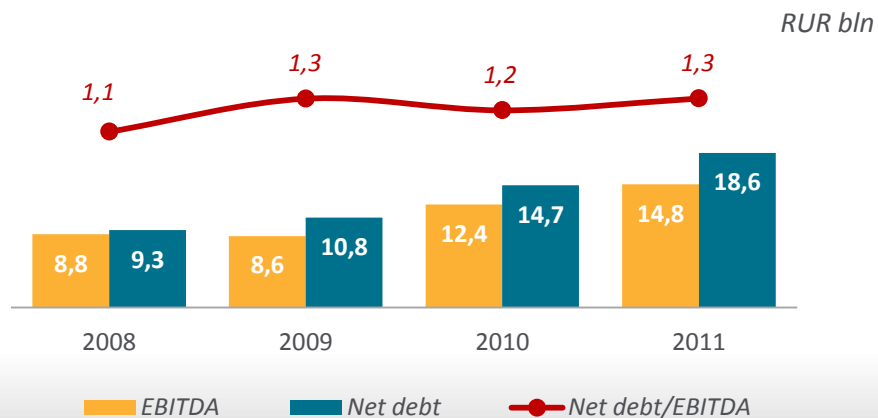
**PRODUCTIVE SUPPLY BY VOLTAGE LEVELS**



**10 LARGEST CLIENTS**



### NET DEBT / EBITDA\*



### CREDIT RATING HISTORY



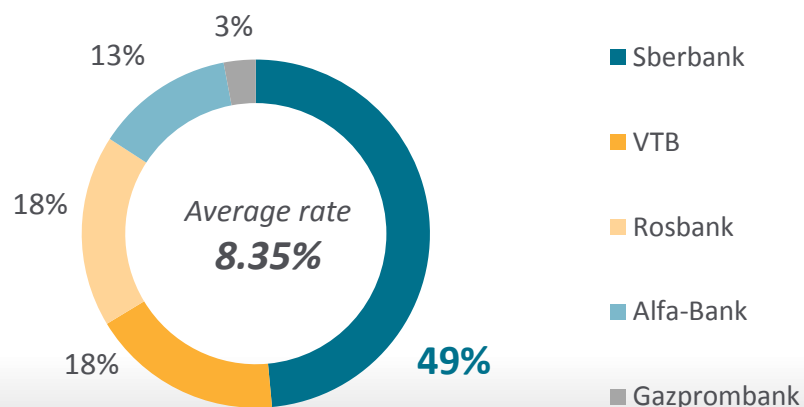
#### Standard&Poor's

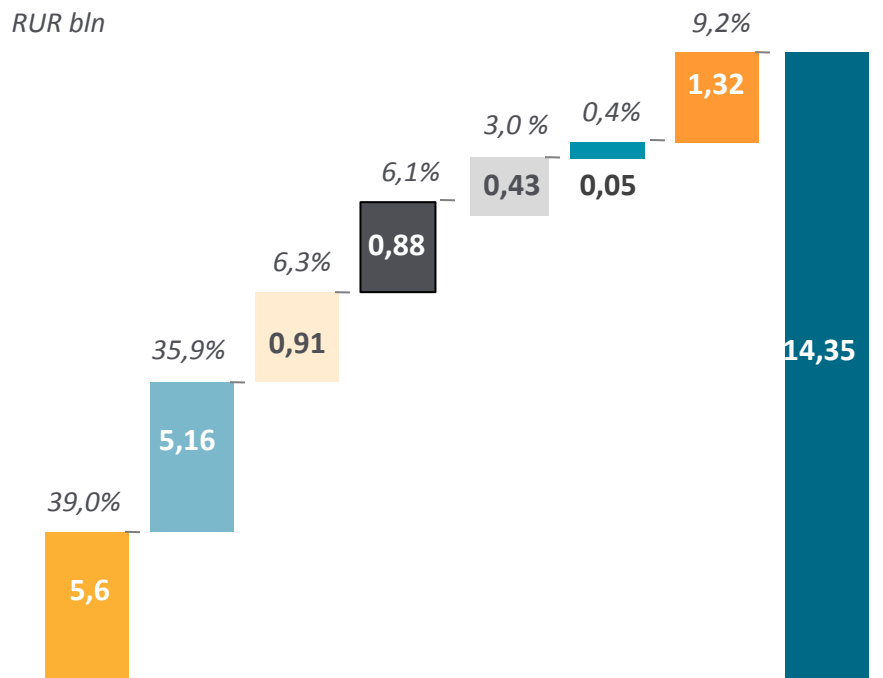
<b>Confirmed</b>	<b>Feb' 12</b>
Confirmed	Jul' 10
Assigned (level BB-/ruAA-)	Nov' 10

#### National Rating Agency (NRA)

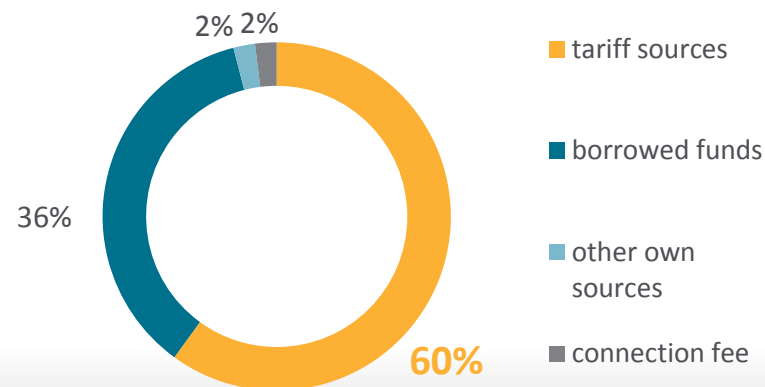
<b>Confirmed (outlook "positive")</b>	<b>Dec' 11</b>
Upgraded (level AA-)	Dec' 10
Confirmed	Oct' 10
Upgraded (level A+)	Sep' 08
Assigned (level A)	Aug' 07

### STRUCTURE OF LOAN PORTFOLIO IN 2011



**CAPEX AREAS IN 2012**


- retrofitting and reconstruction
- new construction (substations, overhead and cable lines)
- SCADA systems, communications, IT
- creation/upgrade of metering systems
- EAD
- purchase of fixed assets
- others

**SOURCES OF FINANCING FOR 2012\***


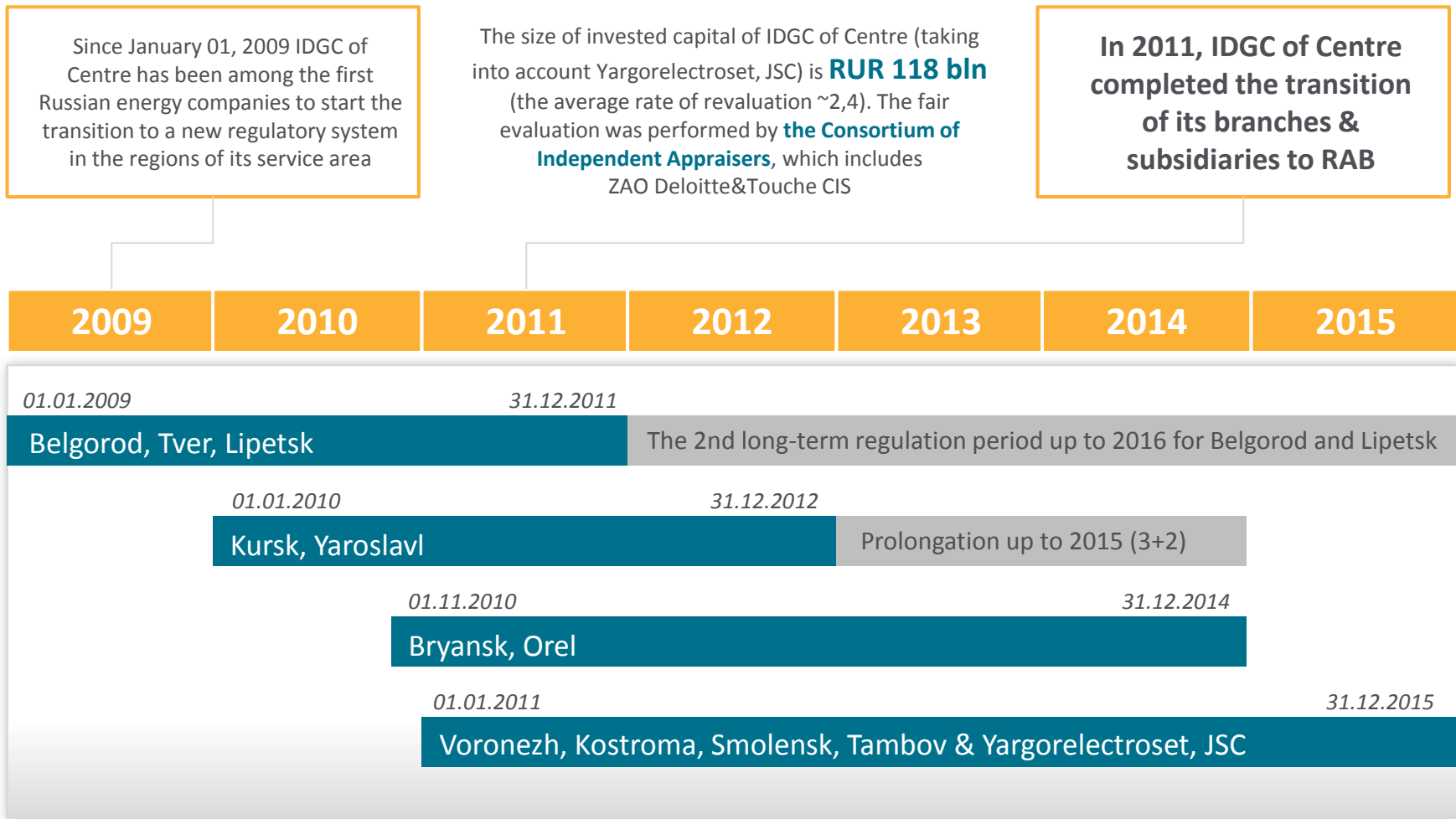
Period	Commissioning, RUR bln	Commissioning of power on fixed assets	
		km	MVA
<b>2009</b>	6,5	2 414	877
<b>2010</b>	12,2	4 155	1 050
<b>2011</b>	15,2	4 630	1 490
<b>2012 (F)*</b>	14,3	4 010	811

\* according to the approved Investment Program for 2012



Transition to Regulatory Asset Base Method  
(RAB-Regulation)

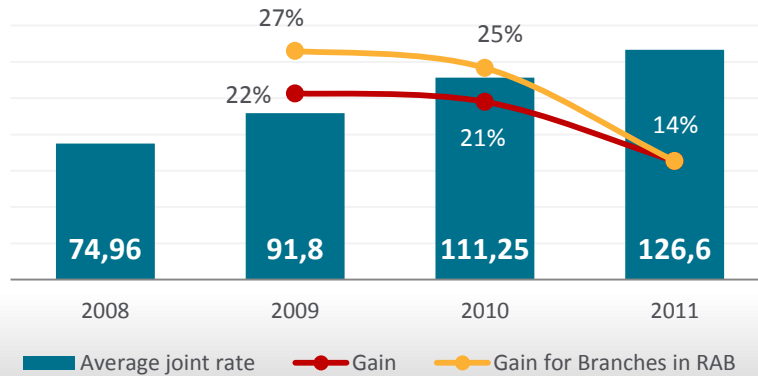




## Goals & Results of the Transition to RAB

### AVERAGE JOINT RATE

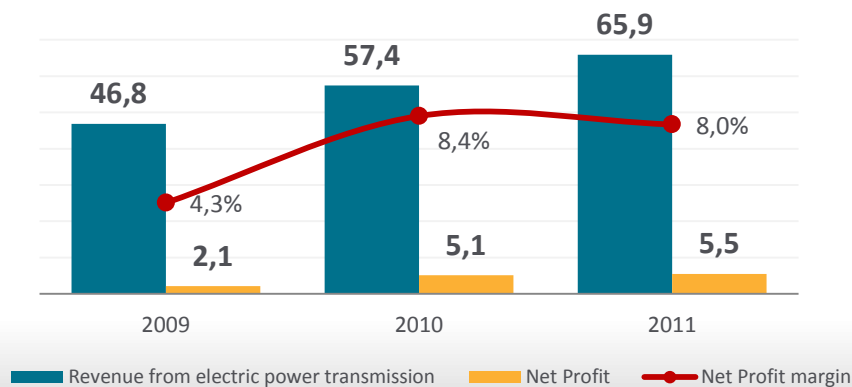
kopeck / kWh



### Goals of return on invested capital method (RAB)

- provides a clear relationship between customers, shareholders (investors) and the Company
- rates are approved for a long-term period (3-5 years) of regulation
- creation of incentives to improve operating performance of the Company
- provision of an opportunity to return on investment in assets and receive income

### KEY INDICATORS



### Results of RAB implementation

- additional electric grid capacity for connections
- improvement of the quality of service and reliability of electricity supply
- the load in the tariff for return on investment is distributed in the long run
- inflow of additional investment in the region
- increase of revenue at a faster pace

RF Government approved Decree #1178 of December 29, 2011 **“On the pricing of regulated tariffs in the Electric Power Industry”**



**The following regulations to be amended**

- Order of the FTS of Russia of 01.09.2010 # 218-e/5 "On amendments to Order of the Federal Tariff Service of 15.08.2008 # 152-e/15 "On approval of the rate of return on invested capital"
- Order of the FTS of Russia of 26.06.2008 # 231-e "On approval of guidelines to regulate rates using the method of return on invested capital"
- Order of the FTS of Russia of 18.08.2010 # 183-e/1 "On approval of the agreement procedure by the Federal Tariff Service of proposals of executive bodies of subjects of the Russian Federation in the field of rate regulation in respect to the transition to the regulation of rates using the method of return on invested capital ..."

December 2011

December 2012

*before January 01, 2012*

The establishment by regional regulatory authorities of the uniform (joint) rates for the period from 01.01.2012 to 30.06.2012 **at the level ≤ 2011** (subject to the execution of Government Decree # 1172)

**ACCOMPLISHED**

*before April 01, 2012*

**Adoption of decisions by regional regulators:**

- on establishment of the revised from 01.07.2012 of long-term parameters of RAB-regulation (LPR) and their agreement with the FTS of Russia;
- on establishment of tariffs for electric energy transmission services in the second half of 2012, provided not exceeding the 11% average growth of the joint tariff rate in relation to the level set from 01.01.2012. Further up to 2017 the growth of rates shall be at the level of Statistical Department of the Ministry of Economic Development (10% per year)

**IN PROGRESS**

*before July 01, 2012*

The new tariff decisions will become effective



Consolidation of Grid Assets in the Regions  
of the Company's Service Area & Implementation  
of Measures to Improve Investment Attractiveness of Its Stocks

### Target / Program



- Providing the share on the electric grid services market in the regions of the service area with not less than 97% by 2015
- Long-term target program for the consolidation of power grid assets have been developed and approved (power grid assets consolidation plan for 2012 - 2015)

### Methods & Advantages of Consolidation



- Company consolidates the assets primarily in 3 ways: acquisition of power grid property, long term property rent, purchase of shares of power grid companies
- The basic advantages of consolidation are as follows: implementation of a unified technical policy, the development of a unified scheme of long-term development of power grids, improving the reliability of electricity supply to consumers of all categories, increasing of power grid transmission capacity

### Plans for 2012 - 2015

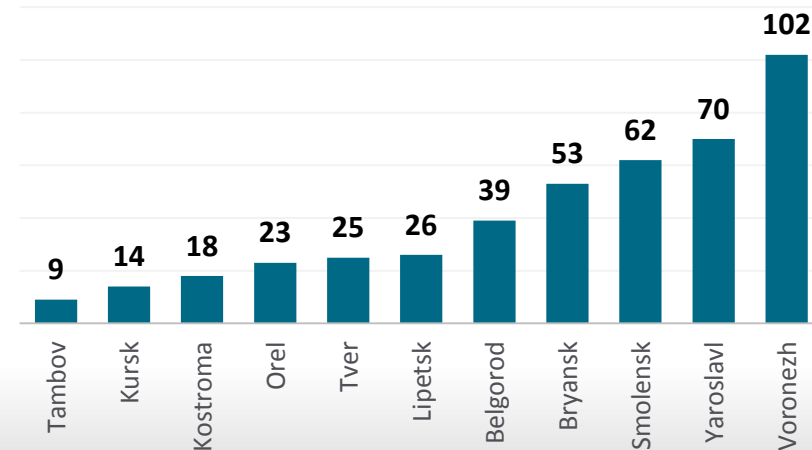


- It is planned to continue consolidating municipal power grid assets in some regions where the Company operates
- Program provides working with more than 5 000 owners

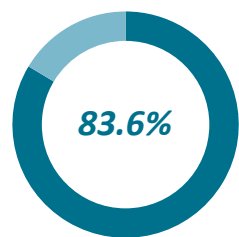
- The other TGOs' average share in revenue in IDGC of Centre service areas – **17%**
- Required Gross Revenue (RGR) of the Company due to the assets consolidation in regions may increase **to RUR 10 billion by 2015, RGR share may grow up to 97%**
- One of the key goals of the Company is the **integration of power grid assets** that will allow:
  - increasing the reliability level of power supply
  - enlarging the electric energy distribution sales market
  - improving the quality of customer service
  - balancing the tariff on electric energy transmission

### TGOs in IDGC of Centre Service Area

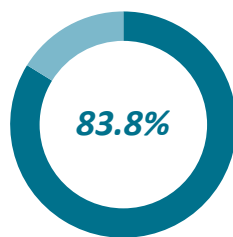
Number of other TGOs = 441



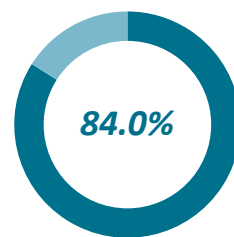
### Dynamics of the Company's Share in the Electric Power Transmission Market (in terms of money)



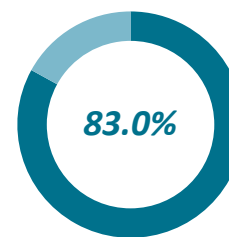
2008



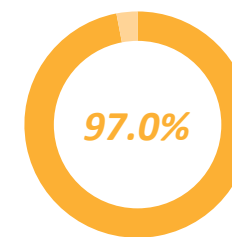
2009



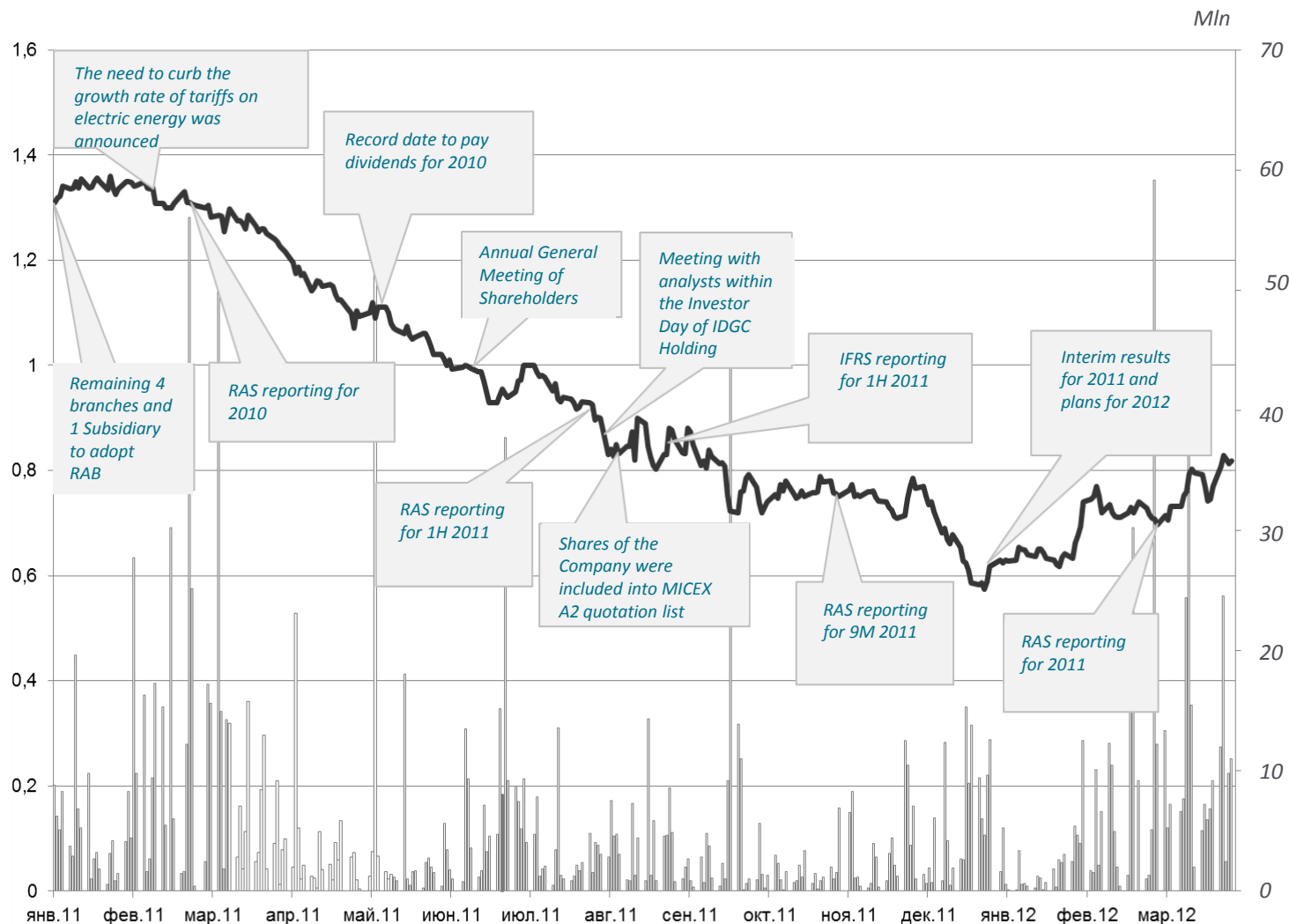
2010



2011



2015 F



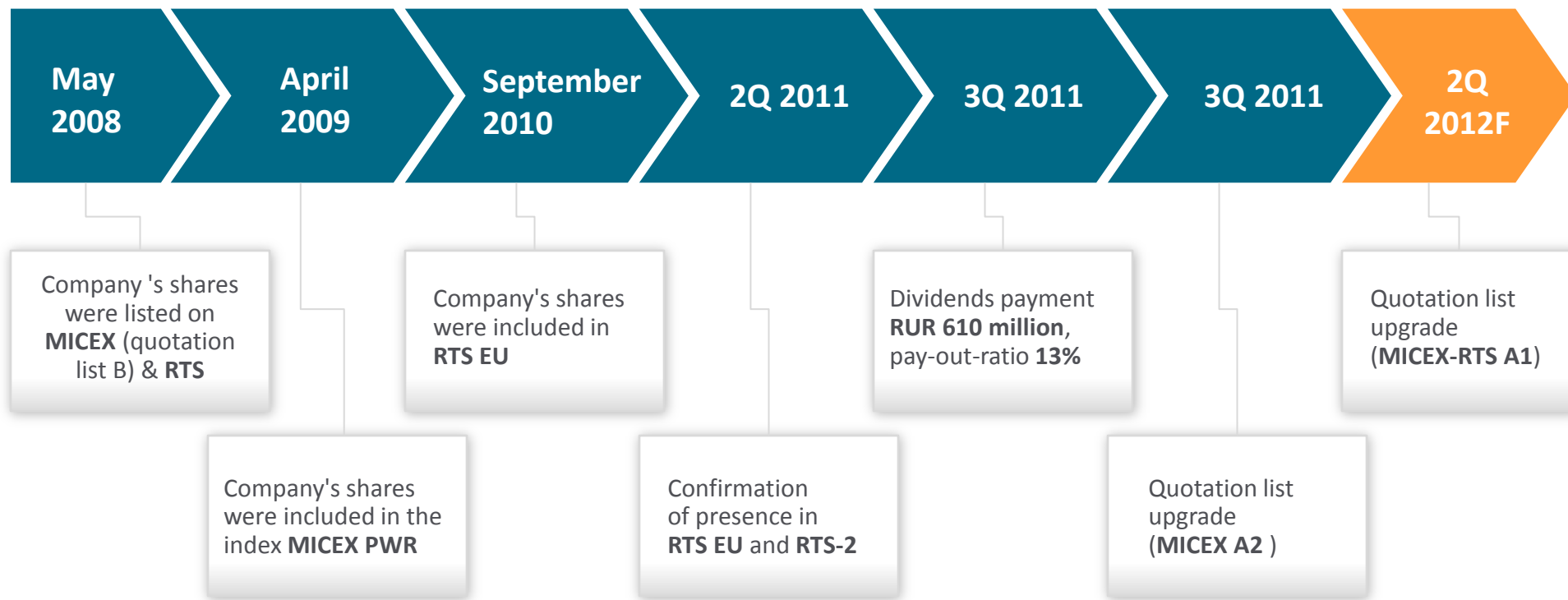
## Multipliers

Current (RAS)	MRKC	RF peers	INTL peers*
P/E	6,6	7,8	13,2
EV/EBITDA	3,8	3,9	8,0
EV/S	0,8	0,6	1,3
EV/RAB	0,44	0,44	1,28

Start of trading:  
**May 21, 2008**

Quotation list:  
**A2 (MICEX)**

Shares of IDGC of Centre are part of the calculation base in the indices:  
**MICEX PWR**  
**MICEX SC**



## Payment of Dividends for 2010

Total, RUR million	611
Net Profit share	13%
Dividend yield ( <i>as at 12.05.2011</i> )	1,33%

## Company's priorities for 2012

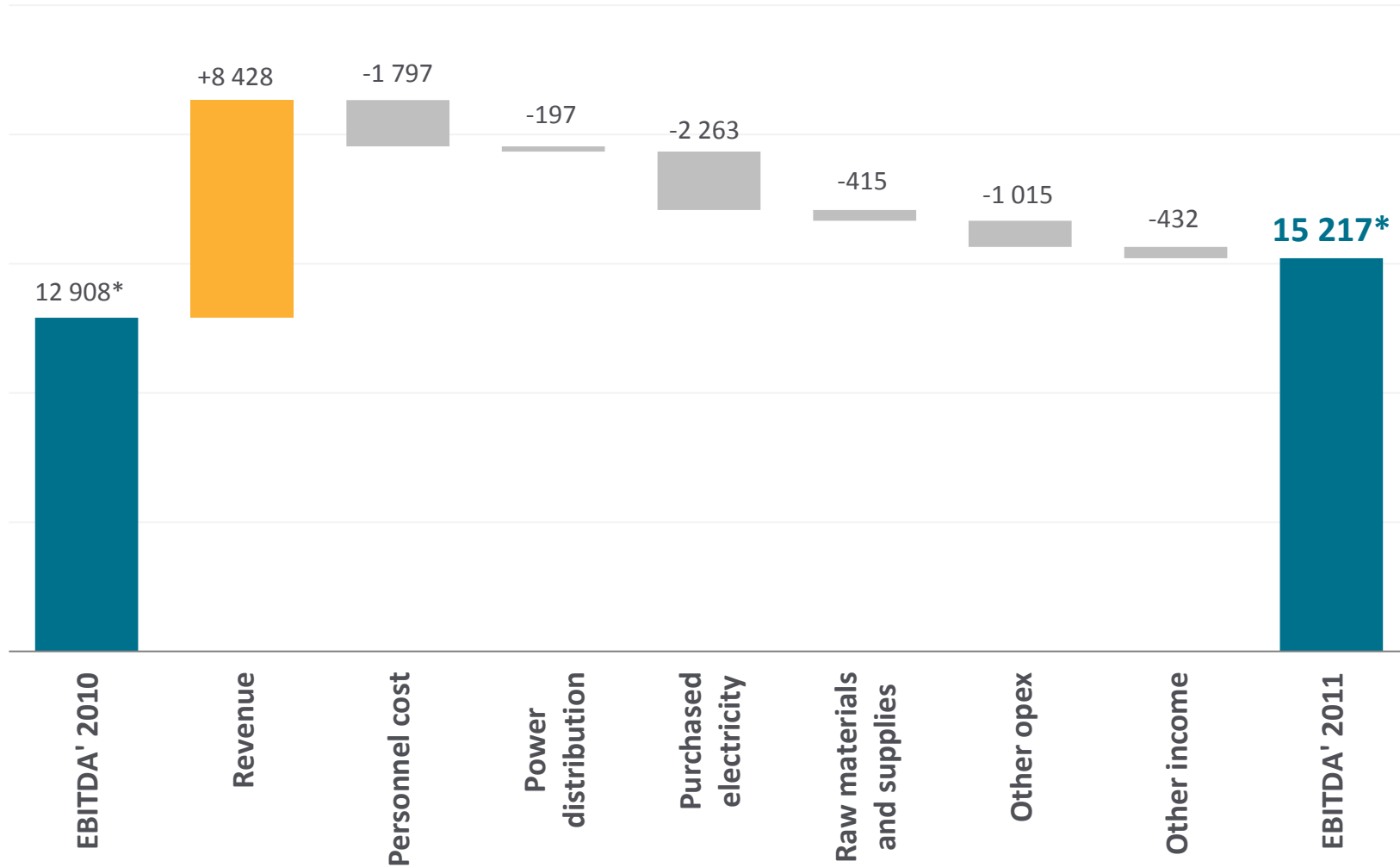
- stable dividend policy
- quotation list upgrade (MICEX A1)
- depositary receipts launching
- inclusion in international indexes
- launching of option program



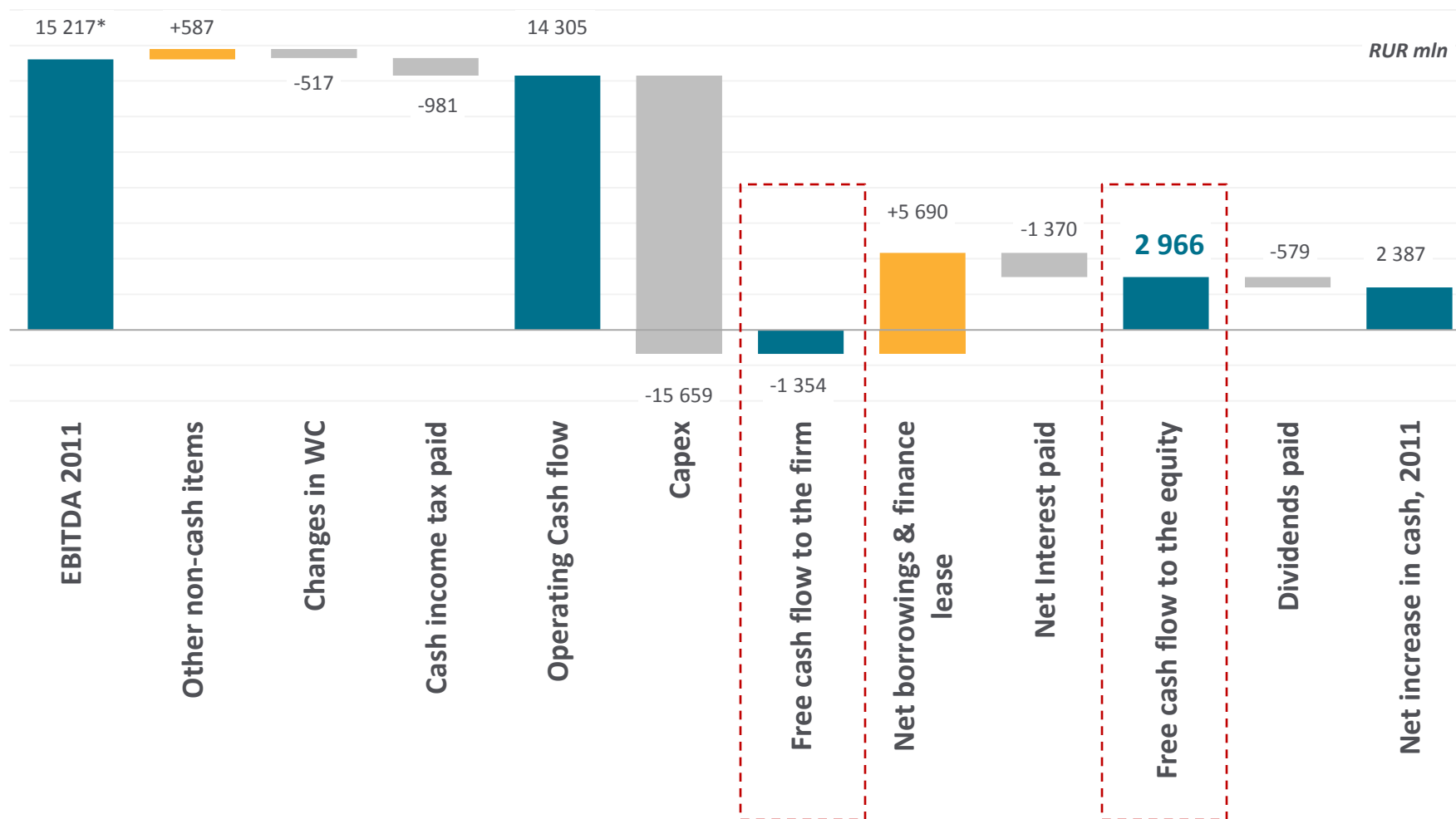


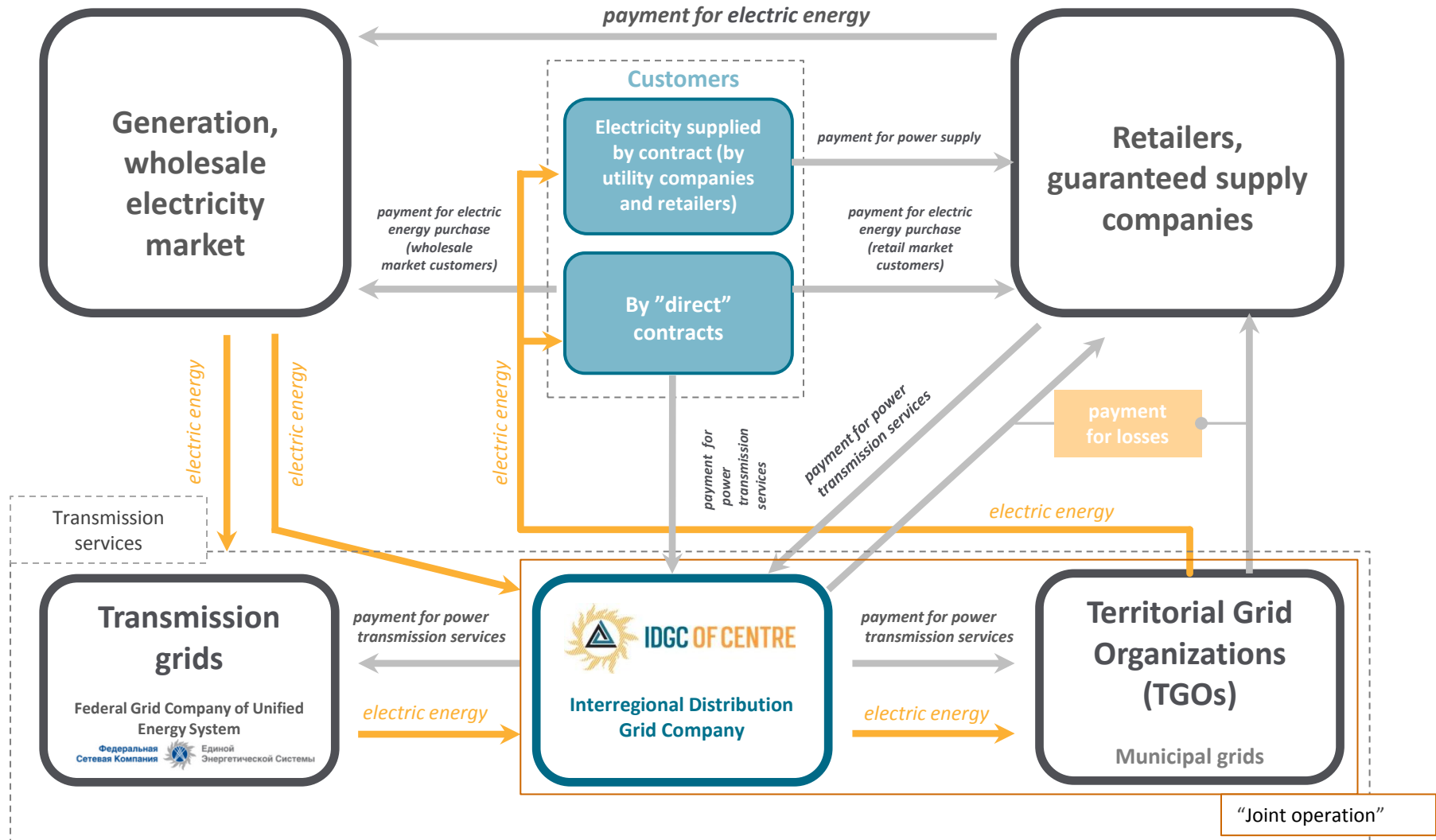
## Appendix

RUR mln



\* - EBITDA calculated as results from operational activities and amortization (not adjusted)







**Head of Investor Relations**

Tatiana Miroshnichenko

+7 919 768 92 09

[ir@mrsk-1.ru](mailto:ir@mrsk-1.ru)

**IDGC of Centre**

4, 2<sup>nd</sup> Yamskaya Str., Moscow, Russia 127018

T: +7 495 747 9292 F: +7 495 747 9292

**Tickers:**

MICEX-RTS: MRKC

Bloomberg: MRKC RX

Reuters: MRKC.MM

[www.mrsk-1.ru/ru/investors](http://www.mrsk-1.ru/ru/investors)

