



IDGC OF CENTRE

2011, 6M 2012 Results & Strategic Outlook for 2012

HSBC's 12th Annual CEEMEA Investor Forum



London | 03 September 2012

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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

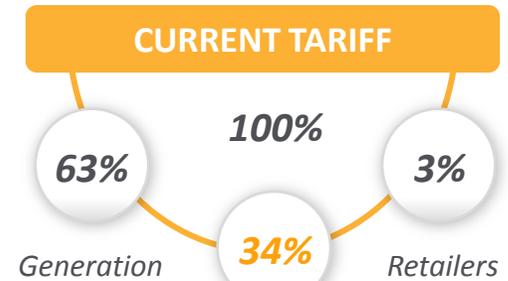
Infrastructure

- Market Council
- System Operator

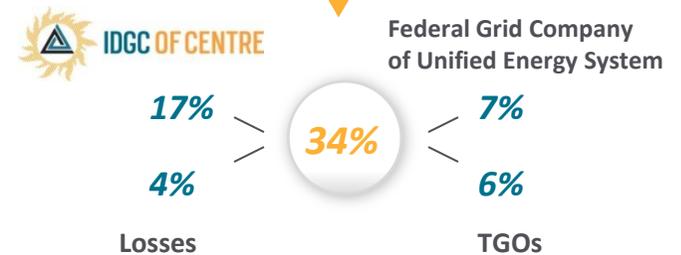
Supply (Electricity Trading)

- Retailers
- Others

TARIFF STRUCTURE*



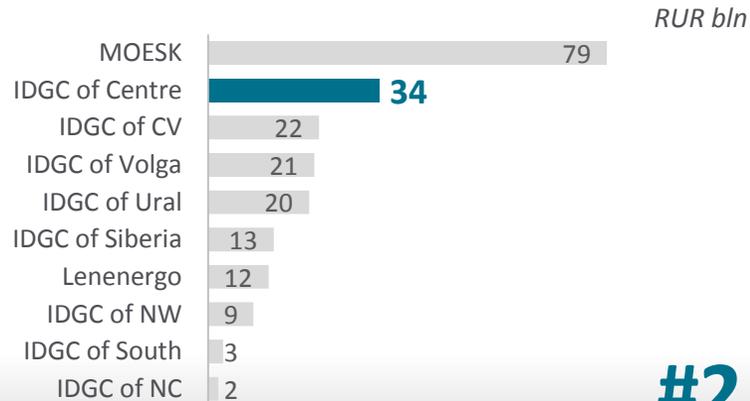
Transmission & Distribution*



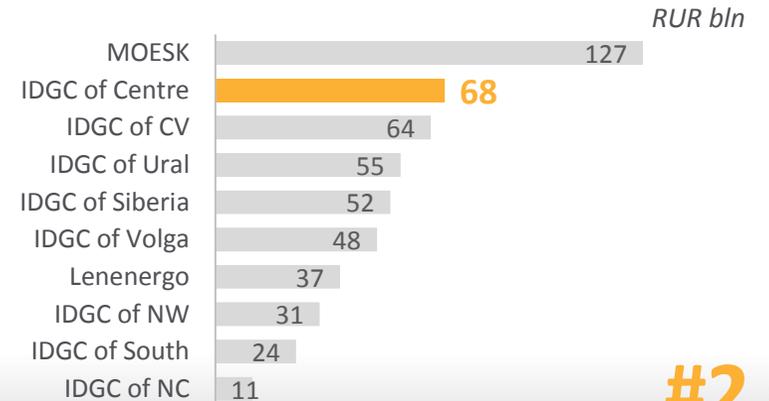
The structure is provided according to the results of 2011 tariff campaign

Benchmark Among MRSKs (RAS 6M2012)

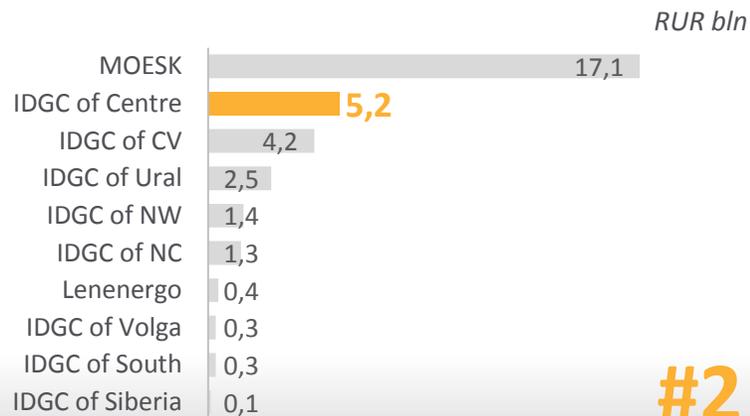
MCAP*



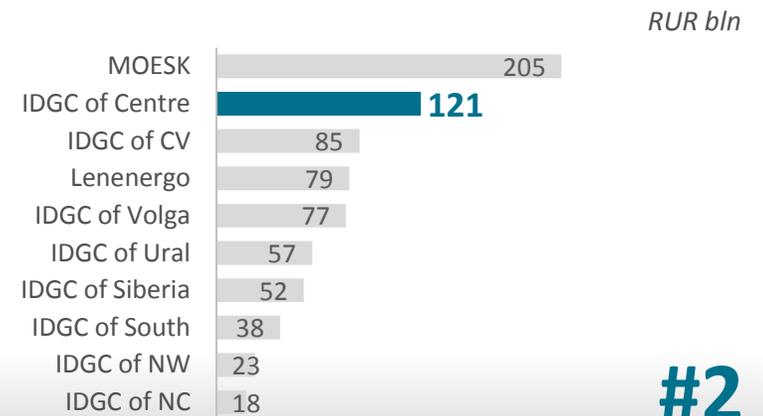
REVENUE



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

MCap* RUR bln	23,4
Revenue (IFRS) \$ mln	727,6
Revenue (IFRS) RUR bln	34,2
Length of conductors 0.4 – 110 kV thousand km	366,1
Length of cables 0.4 – 110 kV thousand km	9,4
Substation capacity:	
35 – 110 kV MVA	32 187
6 – 10/0,4 kV MVA	15 498
Staff number**	31 619
Number of shareholders***	16 775

* As of 30.08.2012

** IFRS, 6M 2012

*** indicative as at 04 July, 2012 (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

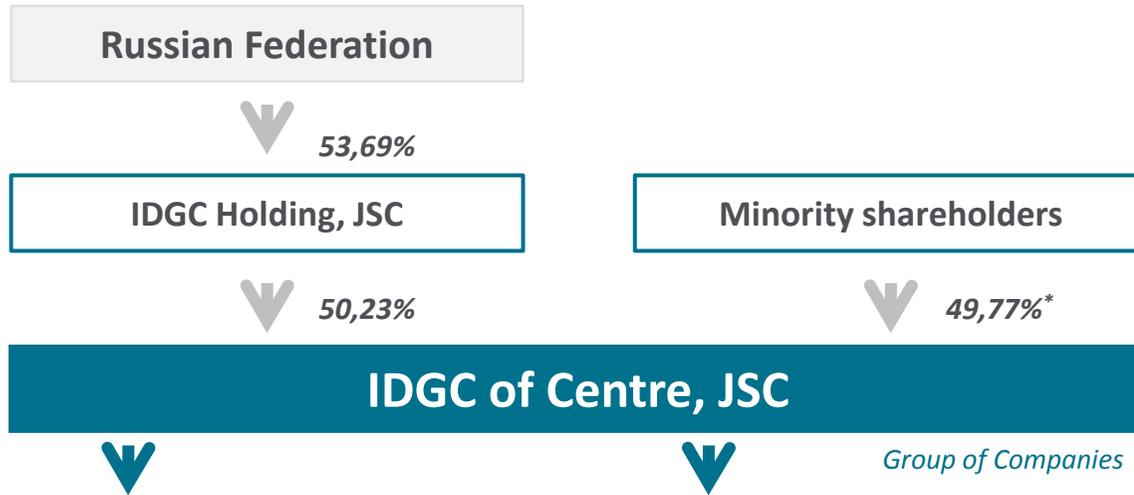


- **OPEX** optimization, reducing costs under control
- **Governance improvement**: implementation of an optimized KPI system for top-management
- Optimization of **systems and processes** in operation and maintenance
- Development of **additional energy service areas**

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

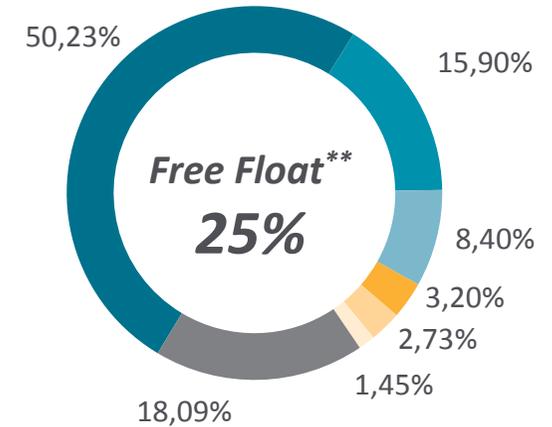


11

**Operating
business
units**

Energy Service Company, JSC	Yargorelectroset, JSC	Energetik, JSC
<p><i>The main activities are to provide energy saving and energy efficiency services</i></p>	<p><i>One of the largest Territory Grid Organization in the Central Federal Region. The result of acquisition of the 100% stake is that IDGC of Center now controls more than 90% of the power grid assets in the Yaroslavl region</i></p>	<p style="text-align: center;">↓ 51%</p> <div style="background-color: #d3d3d3; padding: 5px; text-align: center; margin-bottom: 5px;">YarESK, JSC</div> <p style="text-align: center;">↓ 100%</p> <div style="background-color: #d3d3d3; padding: 5px; text-align: center; margin-bottom: 5px;">CIEET, CJSC</div> <p><i>Centre of innovations and energy efficient technologies</i></p>
<p><i>Subsidiaries -100%</i></p>		

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



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

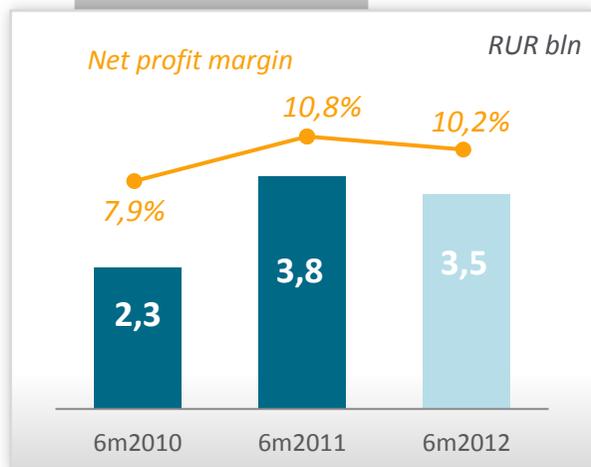


Indicator	6M 2011	6M2012	%
Revenue, incl.:	35,2	34,2	(2.8%)
<i>revenue from electric power transmission</i>	33,6	33,3	(0.9%)
<i>revenue from TC</i>	1,1	0,4	(63.6%)
<i>revenue from other services</i>	0,5	0,5	0.0%
EBITDA	8,6	9,1	5.8%
Net profit	3,8	3,5	(7.9%)

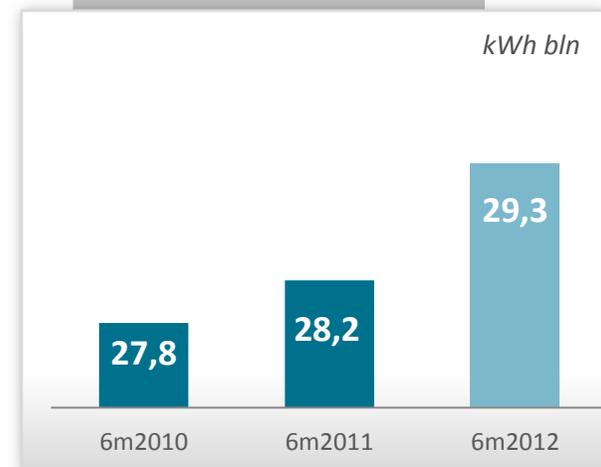
EBITDA



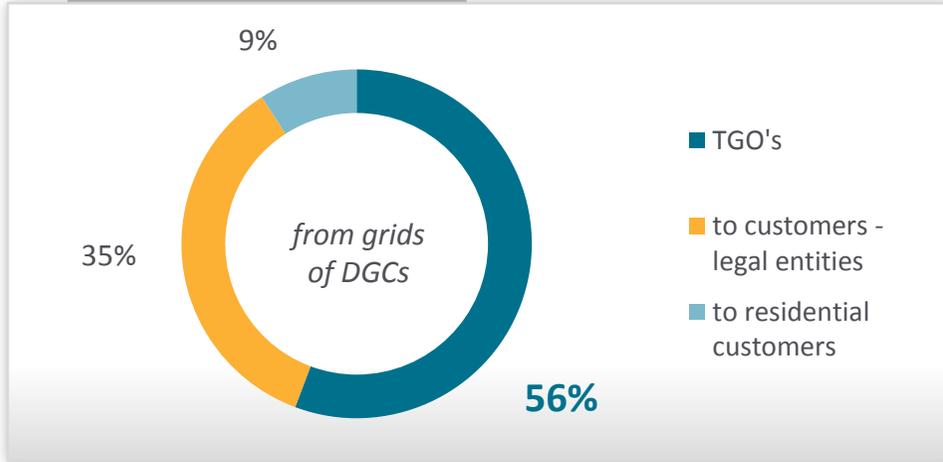
NET PROFIT



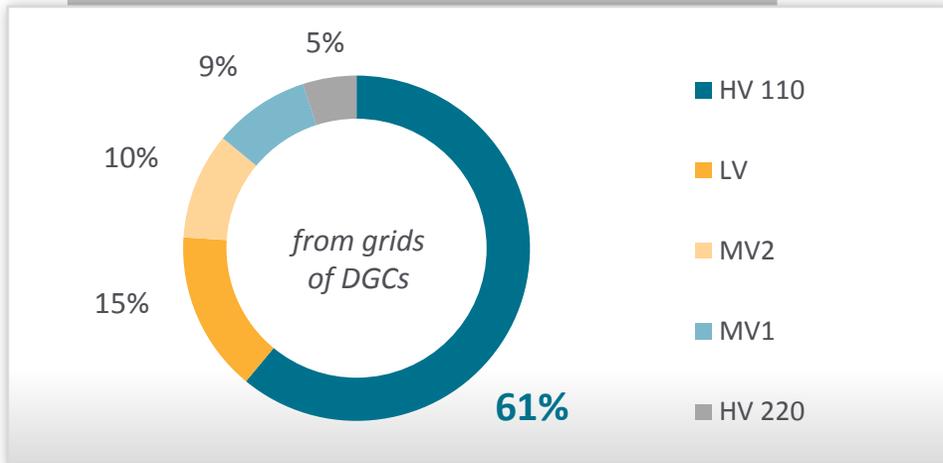
PRODUCTIVE SUPPLY*



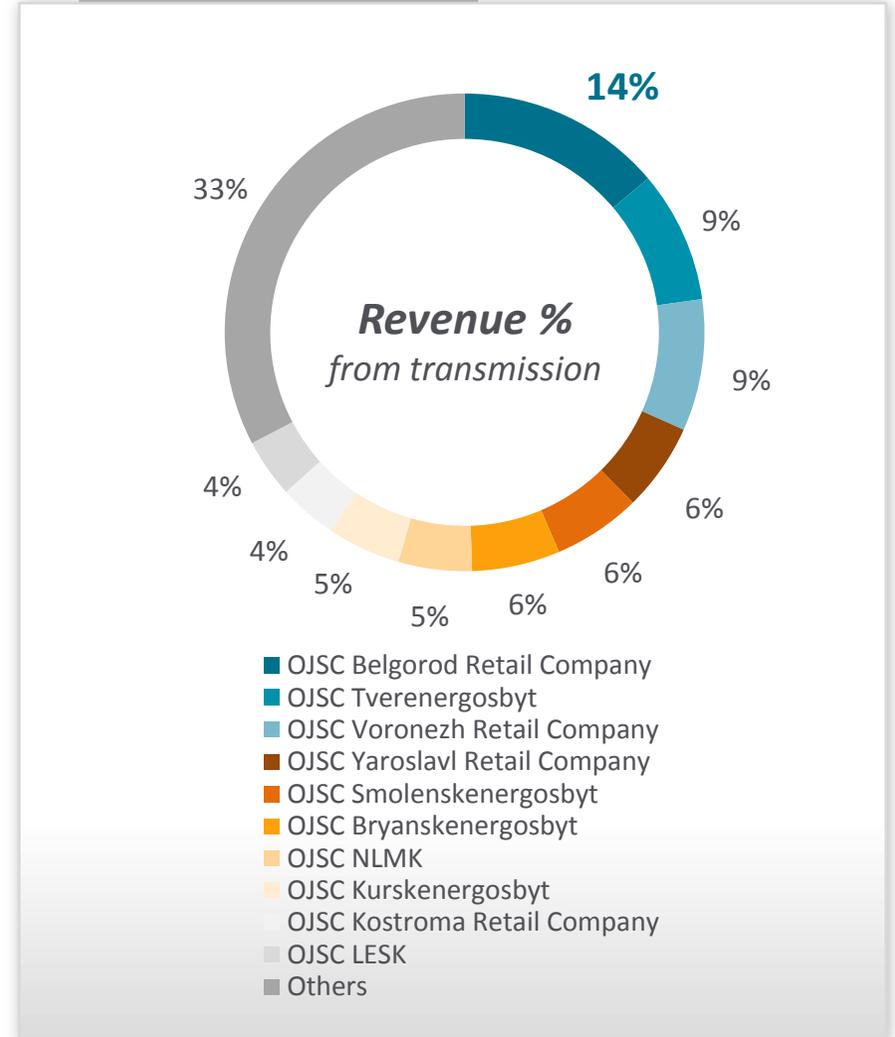
PRODUCTIVE SUPPLY



PRODUCTIVE SUPPLY BY VOLTAGE LEVELS



10 LARGEST CLIENTS



NET DEBT / EBITDA*



CREDIT RATING HISTORY



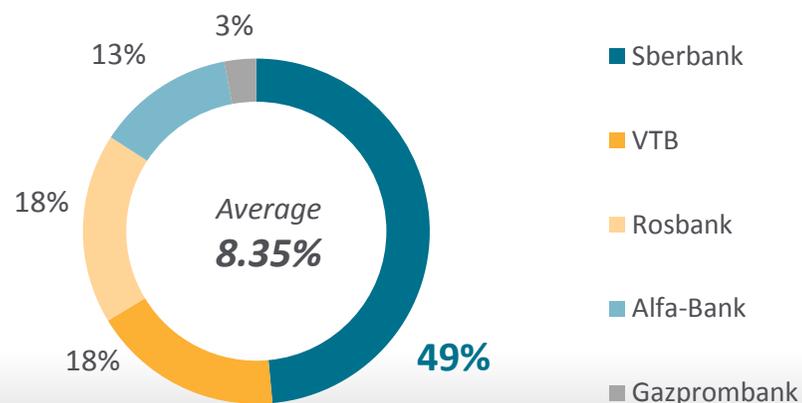
Standard&Poor's

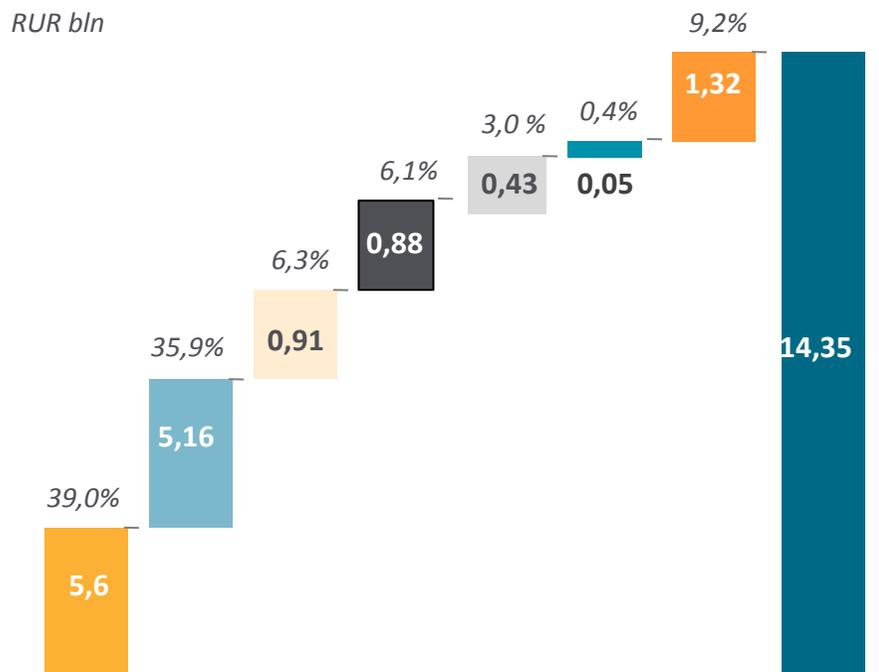
Confirmed	May' 12
Confirmed	Feb' 12
Confirmed	Jul' 10
Assigned (level BB-/ruAA-)	Nov' 10

National Rating Agency (NRA)

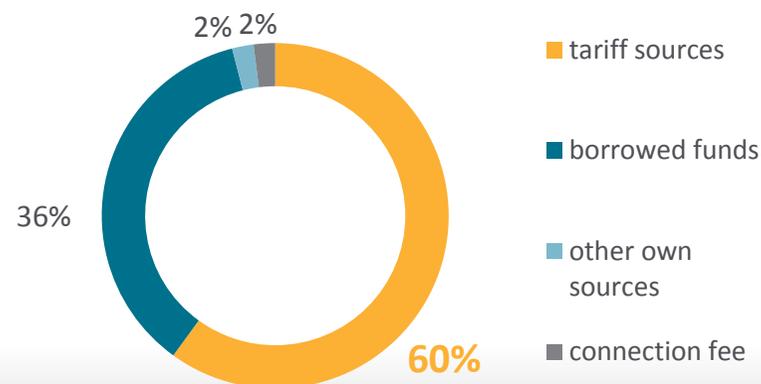
Confirmed (outlook "positive")	Dec' 11
Upgraded (level AA-)	Dec' 10
Confirmed	Oct' 10
Upgraded (level A+)	Sep' 08
Assigned (level A)	Aug' 07

LOAN PORTFOLIO FOR 6 M2012



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

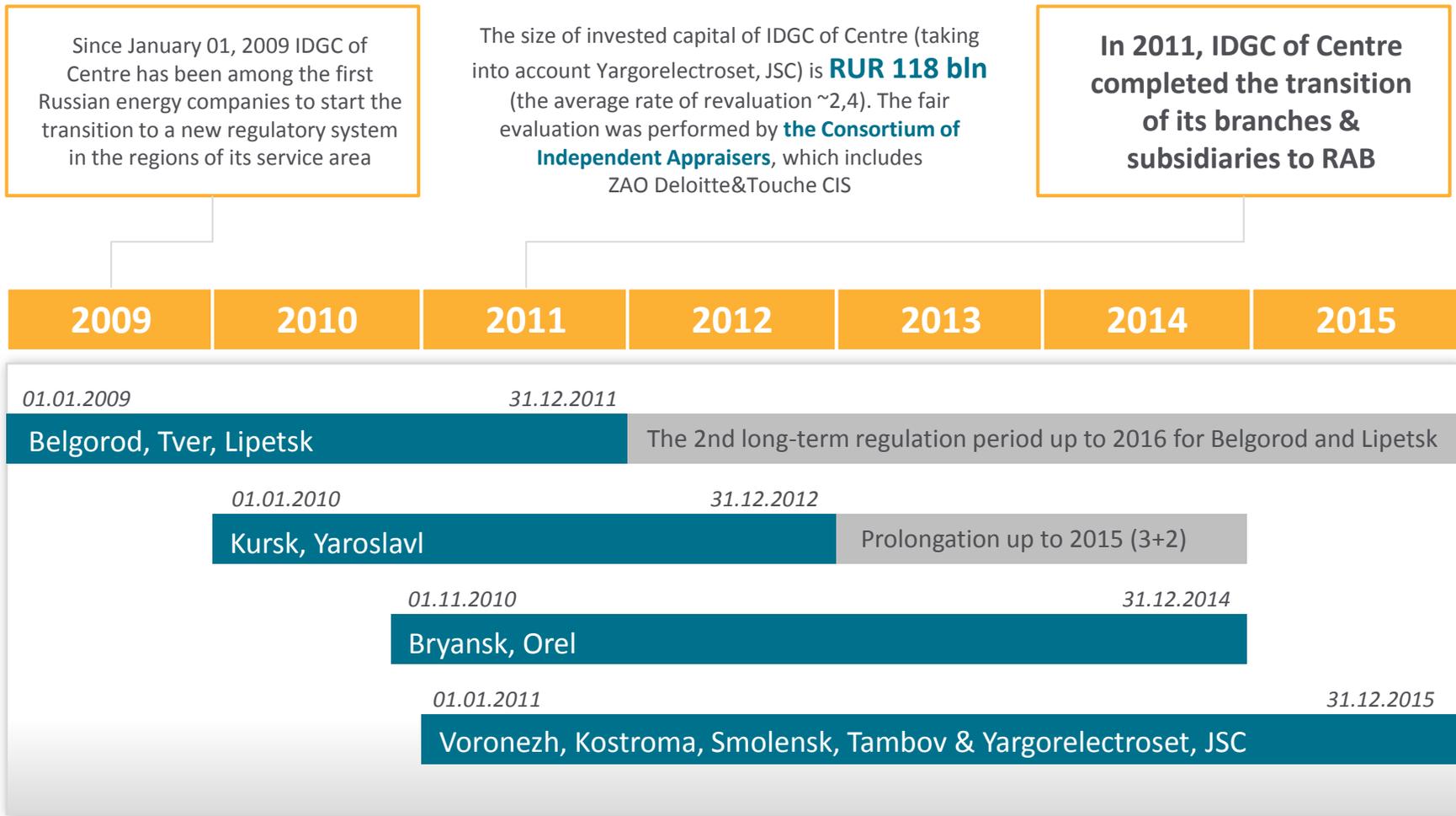
SOURCES OF FINANCING FOR 2012*


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

* according to the approved Investment Program for 2012

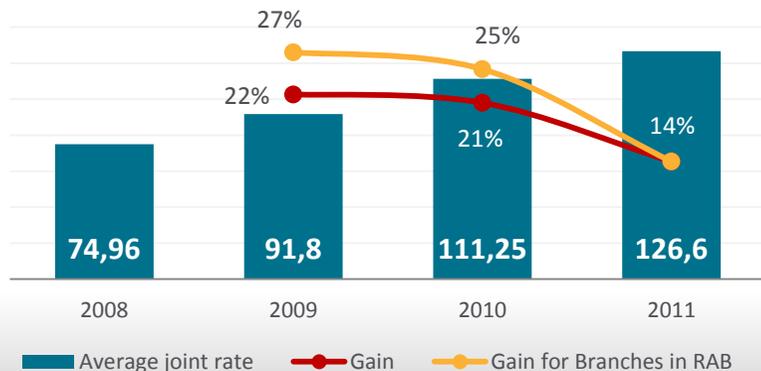


Transition to Regulatory Asset Base Method
(RAB-Regulation)



AVERAGE JOINT RATE

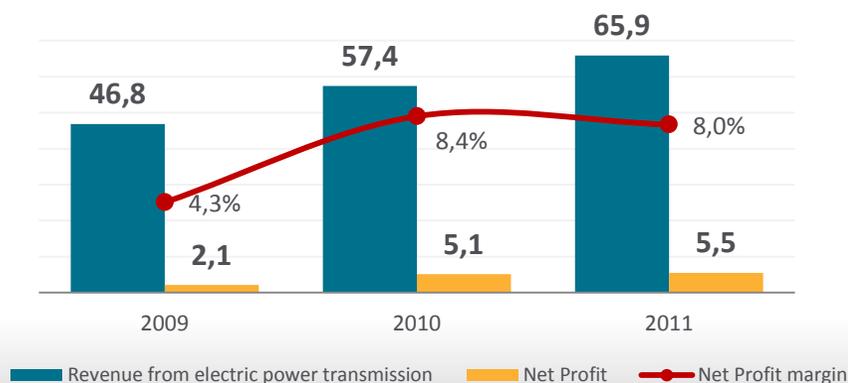
kopeck / kWh



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



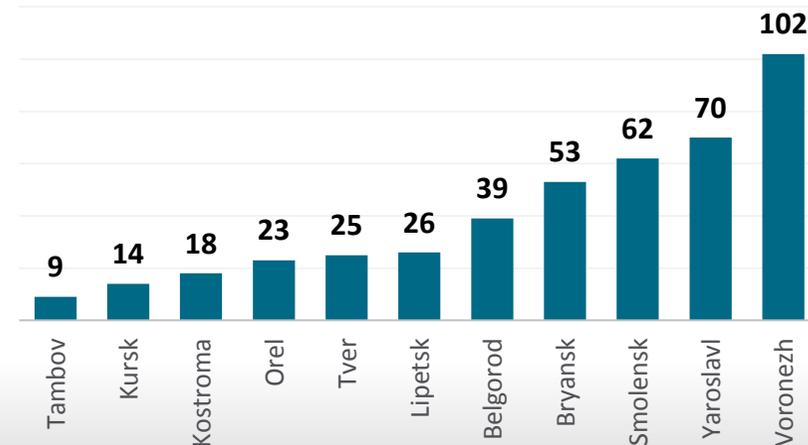
- It is planned to continue consolidating municipal power grid assets in some regions where the Company operates
- Program provides working with more than 5 000 owners

Plans for Consolidation of Grid Assets

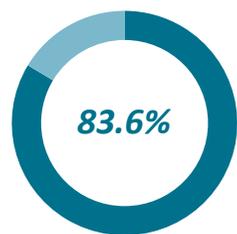
- The other TGOs' average share in revenue in IDGC of Centre service areas – **17%**
- Required Gross Revenue (RGR) of the Company due to the assets consolidation in regions may increase **to RUR 10 billion by 2015, RGR share may grow up to 97%**
- One of the key goals of the Company is the **integration 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

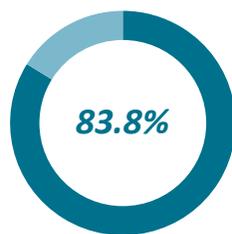
Number of other TGOs = 441



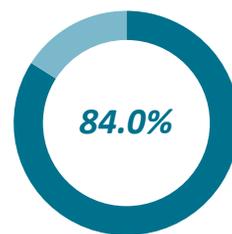
Dynamics of the Company's Share in the Electric Power Transmission Market (in terms of money)



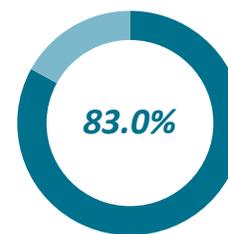
2008



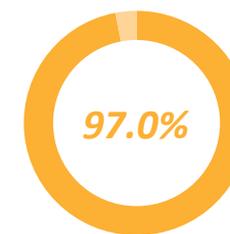
2009



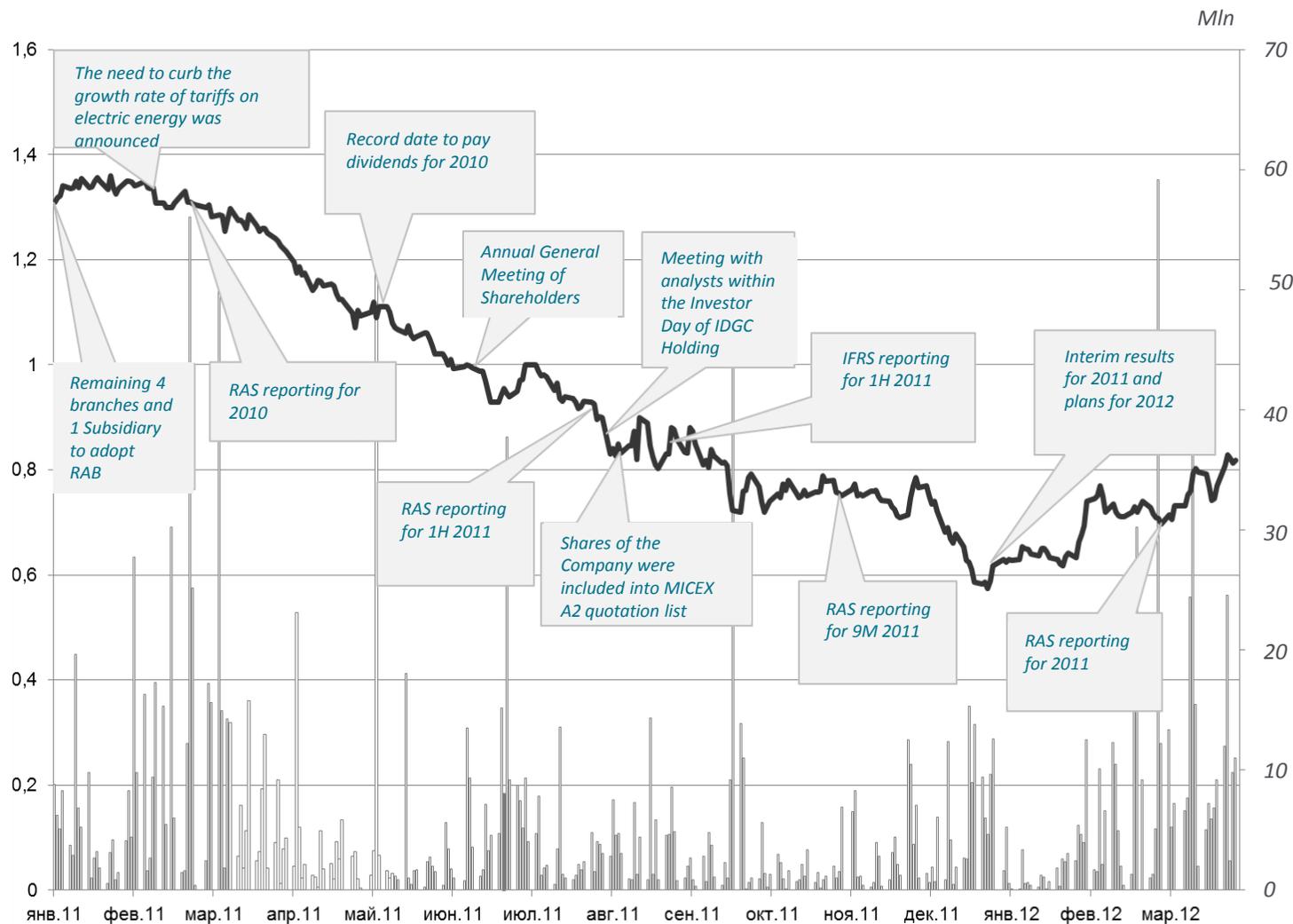
2010



2011



2015 F



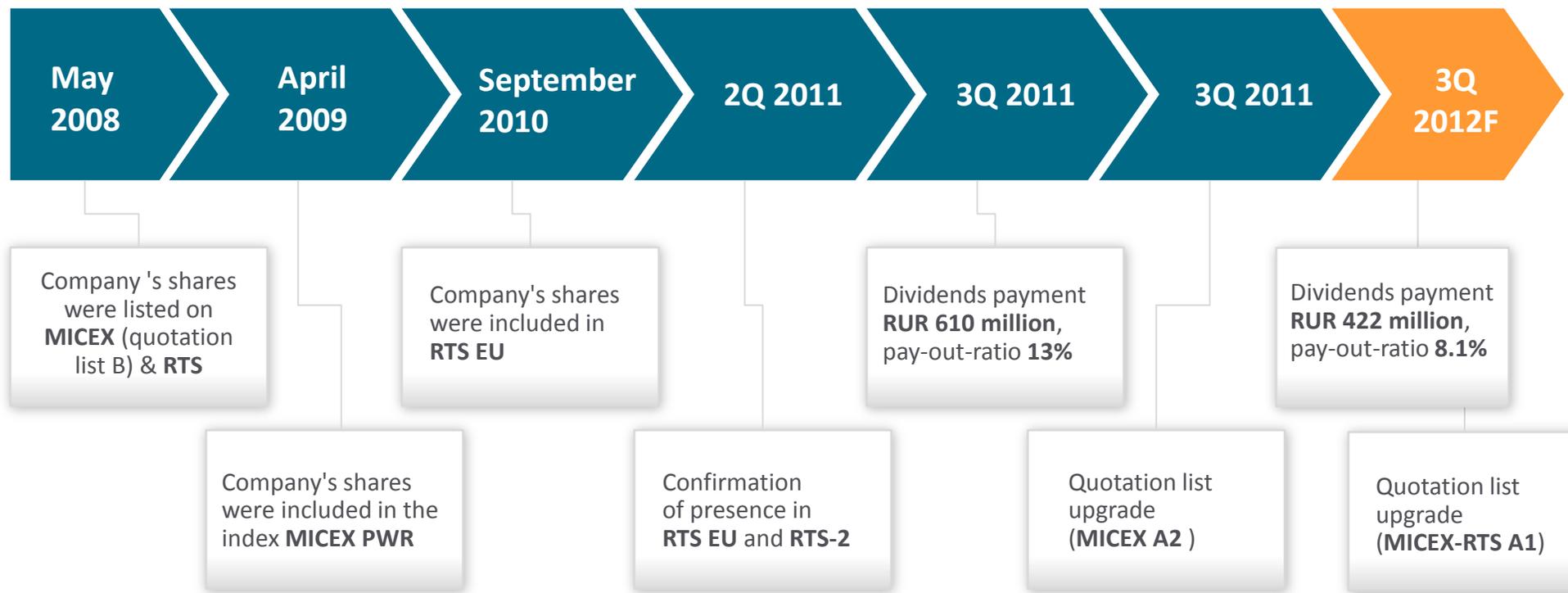
Multipliers

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 2012

Total, RUR million	422
Net Profit share	8%
Dividend yield (<i>as at 31.07.2012</i>)	1,33%

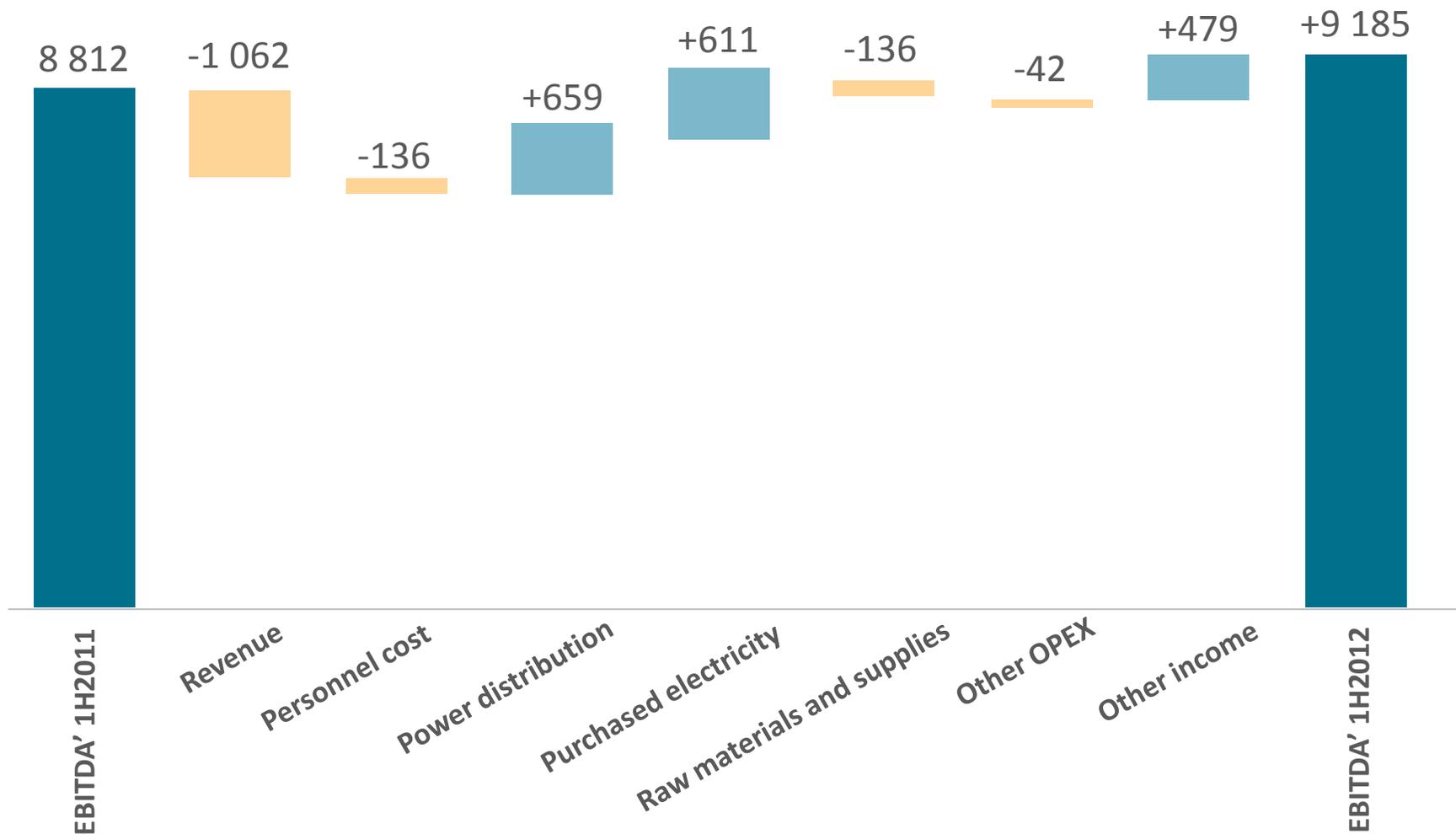
Company's priorities for 2012

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

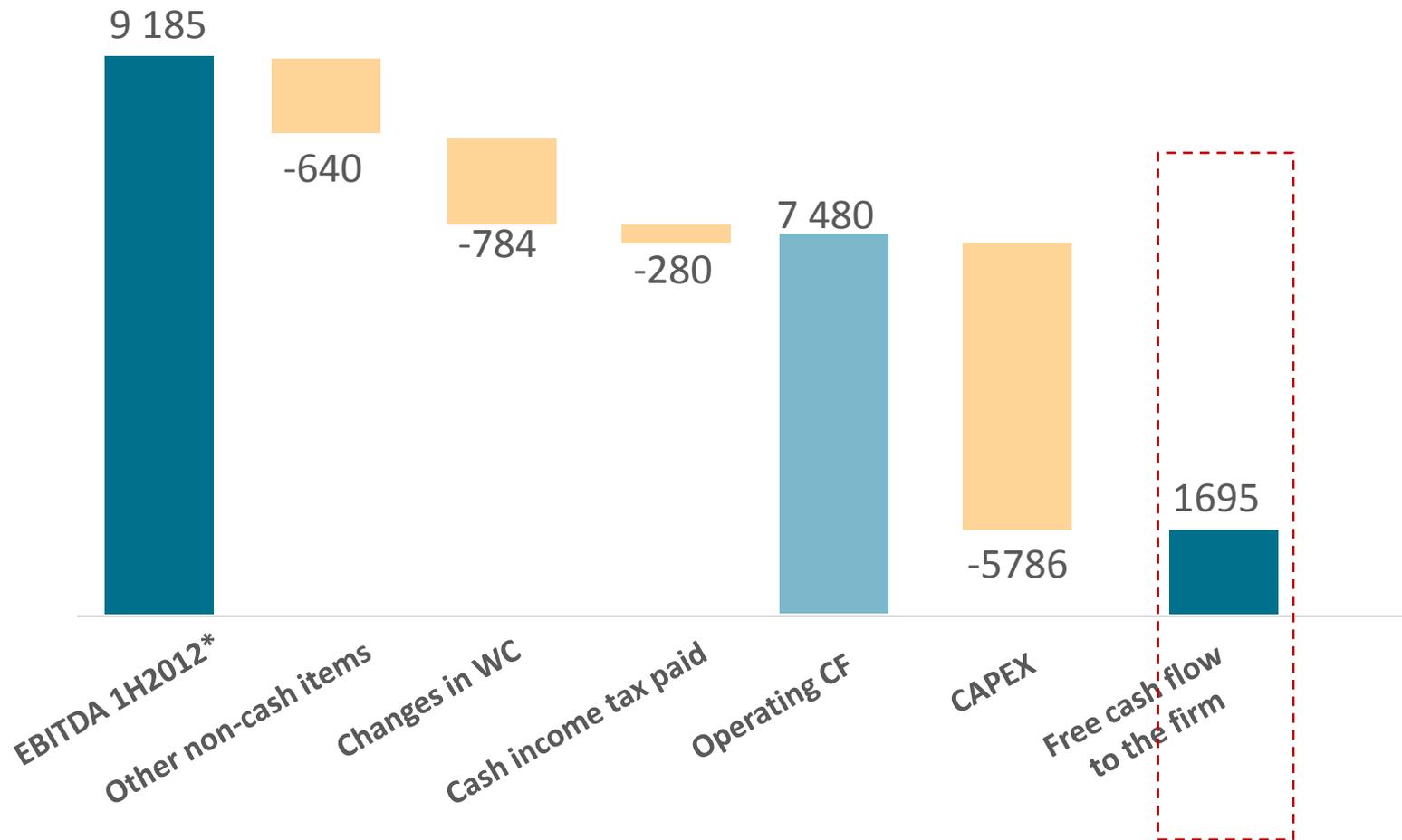


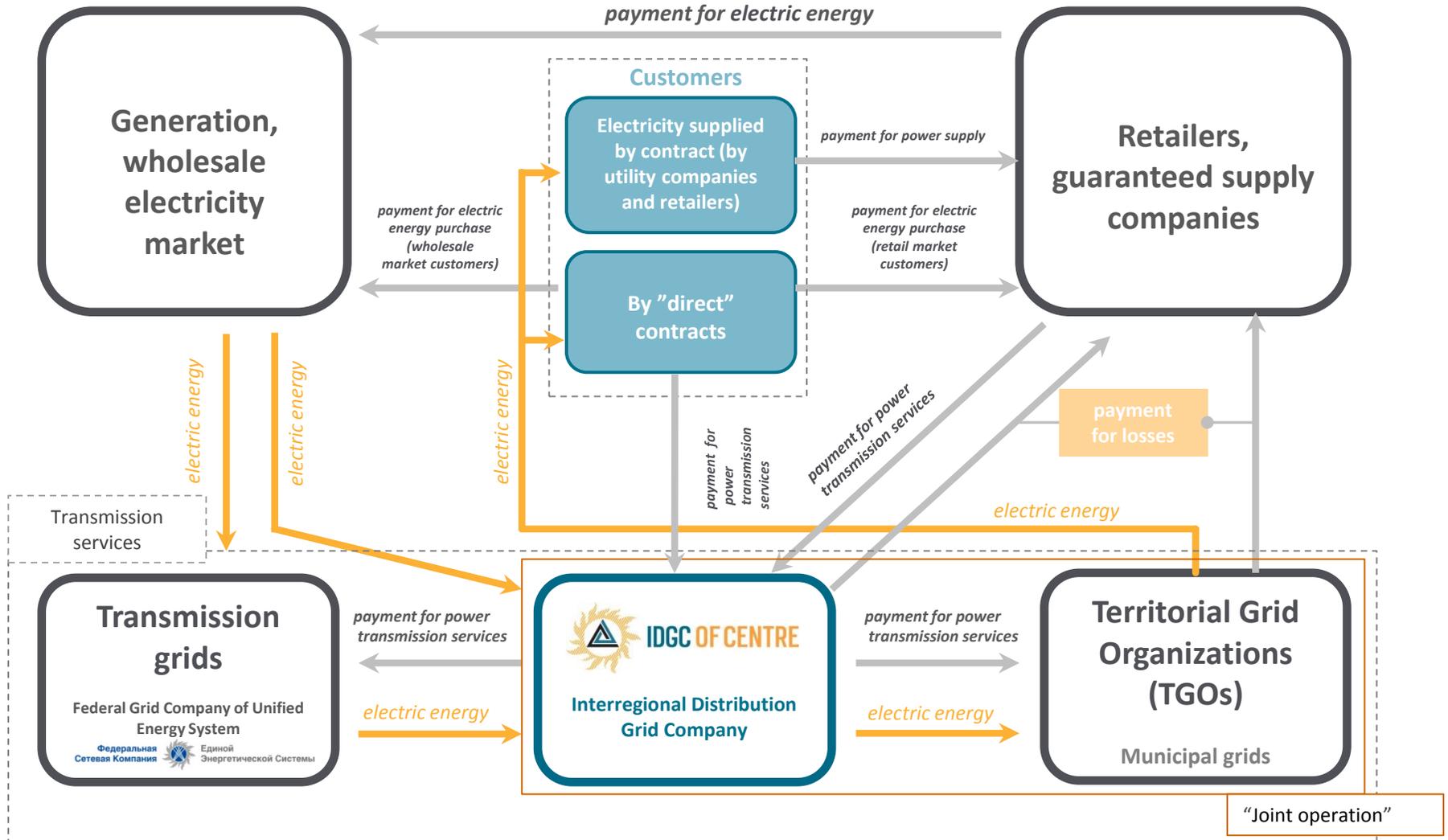
Appendix

RUR mln



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







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Tickers:

MICEX-RTS: MRKC

Bloomberg: MRKC RX

Reuters: MRKC.MM

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