

2014 RESULTS & OUTLOOK FOR 2015

Beijing, May 2015



IDGC OF CENTRE

INTERREGIONAL DISTRIBUTION GRID COMPANY OF CENTRE,
JOINT-STOCK COMPANY

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Overview of the Company



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Geography of activity: 11 branches in the European part of Russia

Service area, sq. km²

458

% of the total Russian Federation

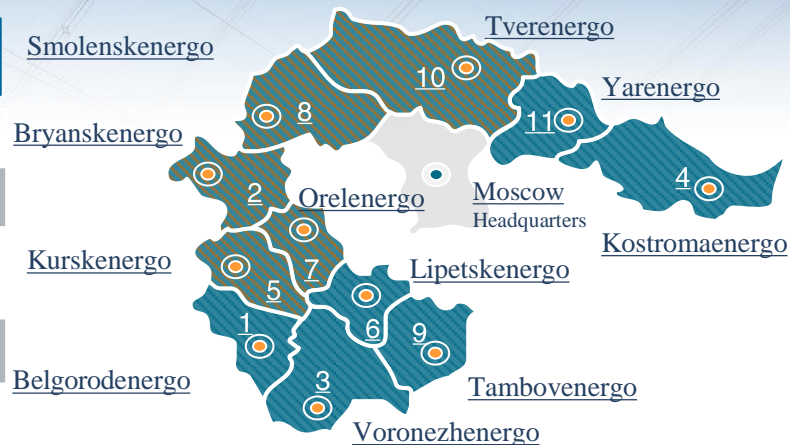
2,7%

Population, mln people

13 605

% of the total Russian Federation

9,5%



At 31.12.2014

Market Cap ⁽¹⁾ , bln RUB	11,2
Market Cap, mln USD	220,4
Productive supply ⁽²⁾ , bln kWh	54,4
Electric energy losses, %	9,17
Revenue (IFRS for 2014), bln RUB	87,0
Adj. EBITDA (IFRS for 2014), bln RUB	16,7
Adj. Profit for period (IFRS for 2014), bln RUB	4,0
Number of shareholders ⁽³⁾	16 526

(1) close price as of 12.05.2015

(2) without losses of TGOs

(3) as of 12.05.2014

IDGC of Centre is a natural monopoly, its tariff rates are regulated by the Federal Tariff Service and regional regulating authorities

CORE ACTIVITY

- Distribution of electric energy
- Grid connections
- Energy services
- Functions of a supplier of last resort
 - From 01.02.2013 to 31.05.2014: **Bryansk**
 - From 01.02.2013 to 31.03.2014: **Kursk**
 - From 01.02.2013 to 01.02.2014: **Orel**
 - From 01.05.2013 to 31.03.2014: **Tver** (Tverenergosbyt)
 - From 01.02.2014 to 01.12.2014: **Tver** (Tveroblenergosbyt)
 - From 01.10.2013 to 31.05.2014: **Smolensk**



Key results 2014

QUALITY, RELIABILITY & INNOVATIONS

- Electric energy losses (in comparable conditions) decreased in 2014 to 9,17% (9,26% in 2013);
- **SAIDI** (System Average Interruption Duration Index)^{1/} **SAIFI** (System Average Interruption Frequency Index)² are calculated to control internally the quality and reliability of power supply to customers.

MARKET SHARE

- Electric energy distribution market share by revenue in the regions of the service area was 83,9% following the results of 2014, grid connection market share reached 87,9% (in 2013 84,3% and 87,7%, respectively).

INVESTMENT ACTIVITY

- Capital expenditures were 12,2 bln RUB (excl. VAT);
- Capacity commissioned: 5 110 km and 1 107 MVA;
- 47% of capital expenditures were spent on grid connections.

OPERATING PERFORMANCE

- The volume of joint operation services rendered in 2014 amounted to 54,4 bln kWh, it reduced relative to 2013 – by 1,4 %;
- In 2014 the Company connected 1 117 MW (1 018 MW in 2013);
- In 2014 IDGC of Centre ended to perform the functions of an electricity supplier of last resort in 5 branches.

INVESTMENT APPEAL

- In 2014 the Company approved and paid dividends in amount of 75,99 mln RUB or 25,94% of the 2013 net profit under RAS;
- Shares are listed at the Moscow Exchange's First (Top) Tier quotation list, a market maker was involved by the Company to support the liquidity of shares;
- Perception study shows that strong points of IDGC of Centre are information transparency and a high level of corporate governance.

(1) average interruption duration for each customer served

(2) average number of interruptions that a customer would experience

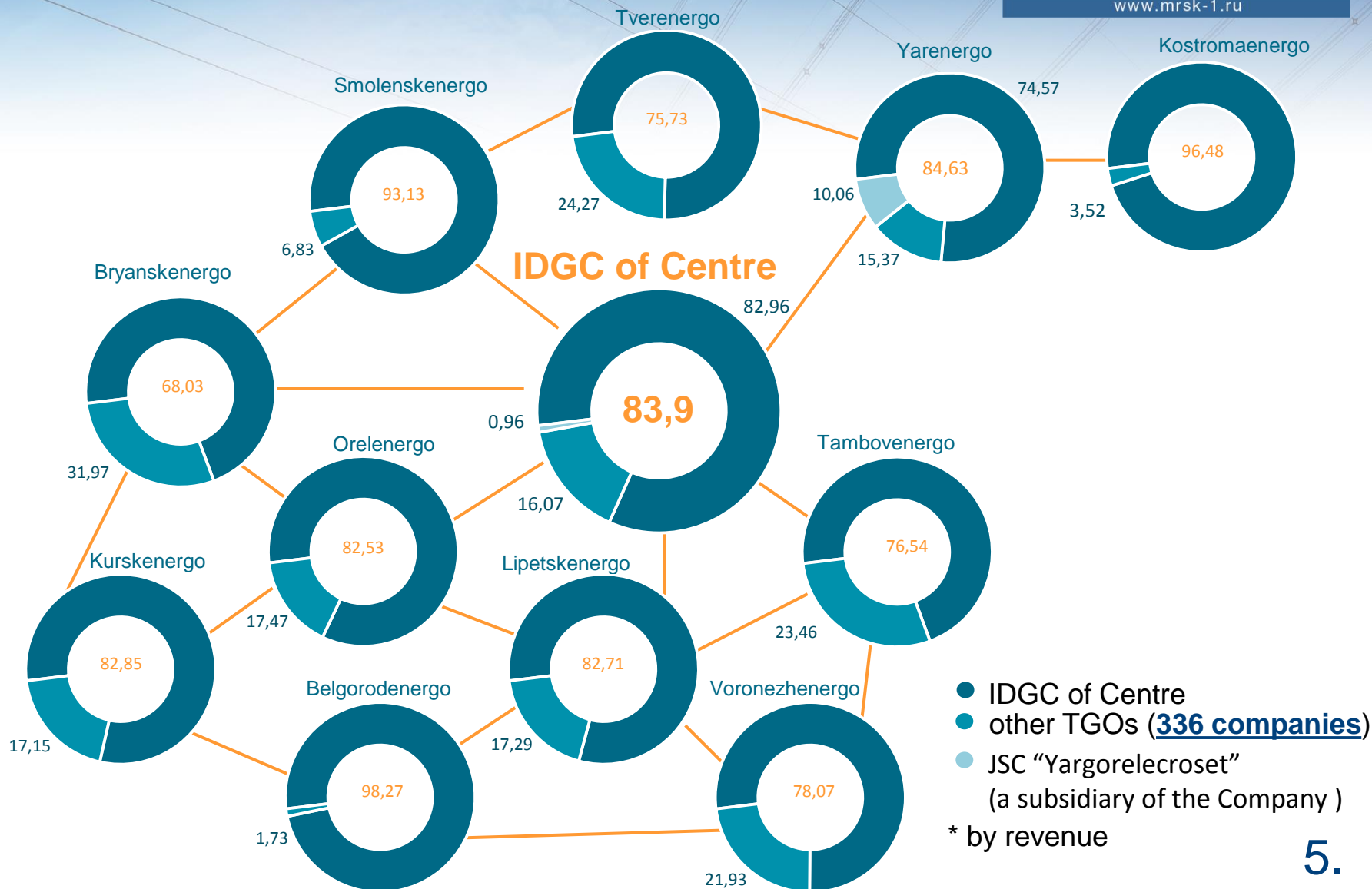
Electric energy distribution market share* for 2014, %



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Results of operation for 2014



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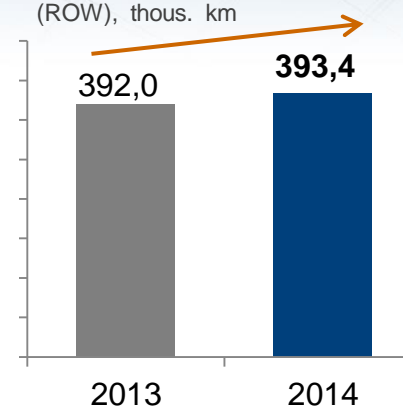
INDICATOR

31.12.14*

Length of 0.4-110 kV conductors (ROW) thous. km	379,1
Length of 35-110 kV conductors thous. km	52,0
Length of 0.4-10 kV conductors thous. km	327,2
Length of 0.4-110 kV cables thous. km	14,3
Capacity of substations thous. MVA	52,0
Capacity of 35-110 kV substations thous. MVA	33,9
Capacity of 6-10/0.4 kV transformer and distribution substations thous. MVA	18,1
Number of substations thous. pcs.	98,3
Number of 35-110 kV substations thous. pcs.	2,4
Number of 6-10/0.4 kV transformer and distribution thous. pcs.	95,9
Number of conditional units mln	1,68
Number of Distribution Zones pcs.	278

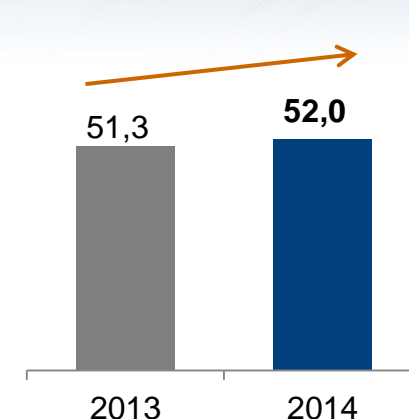
LENGTH OF POWER LINES

(ROW), thous. km



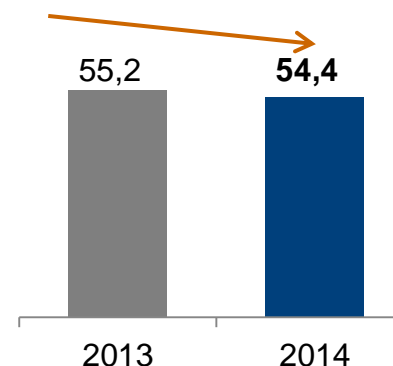
CAPACITY OF SUBSTATIONS

thous. MVA



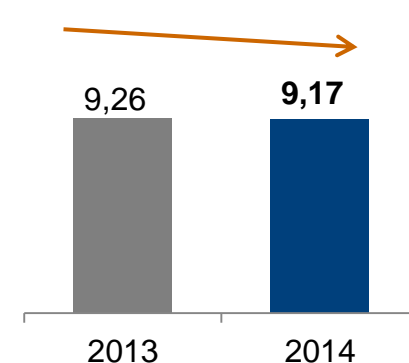
PRODUCTIVE SUPPLY

(without losses of TGOs), bln kWh



ELECTRIC ENERGY LOSSES

(in comparable conditions), %



* - Taking into account the equipment on the balance, rental equipment, leased equipment, excluding equipment serviced under contracts

Sales activity



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Main outcome in 2014 :

1	With performance of the functions of a supplier of last resort additional revenue* in 2014 was 8,3 bln RUB (net of VAT)	2	Payment at Wholesale Electric Energy and Power Market is made in full and on time, specified in the agreement on accession to the Wholesale Market Trading System
3	Reduction of electric energy losses was achieved in IDGC of Centre's grids (including due to combining retail and grid operation functions)	4	Since the functions of a supplier of last resort were transferred to winners of tenders of the Russian Ministry of Energy the consumer debt to IDGC of Centre for electric energy supplied was reduced by 3,1 bln RUB or 41%

In 2014 IDGC of Centre transferred the functions in all the regions to “new” suppliers of last resort:

- In February 2014 according to the resolution of the Russian Ministry of Energy the function of an electricity supplier of last resort in the Orel region was transferred from the Company to a subsidiary of JSC "INTER RAO UES";
- In April 2014 in accordance with the resolution of the Russian Ministry of Energy the function of an electricity supplier of last resort in the Kursk and Tver regions (in the service area of Tverenergosbyt) was transferred to JSC "AtomEnergSbyt", and from 1 December 2014 in the Tver region (in the service area of Tveroblenergosbyt) – to ZAO "Transservicenergo“;
- From 1 June 2014 the function of a supplier of last resort in the Smolensk region according to the resolution of the Russian Ministry of Energy was transferred from the Company to JSC "AtomEnergSbyt", in the Bryansk region to LLC "TEK-EnergO“.

* - without taking into account internal business volume (according to management accounting)

Key financials under IFRS for 2014



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Data in bln RUB, unless specified otherwise

Indicators	12M 2013	12M 2014	Change, %
Revenue	93,3	87,0	-6,8%
Operating expenses	-91,2	-88,9	-2,5%
Other income	1,3	1,2	-7,7%
Operating income	3,4	-0,7	-120,6%
EBITDA¹	11,3	7,8	-31,0%
Adj. EBITDA²	19,9	16,7	-16,1%
Profit for period	0,3	-3,3	-1200,0%
Adj. Profit for period³	8,0	4,0	-50,0%

^[1] EBITDA is calculated as follows: profit for period + profit tax + financial costs – financial income + depreciation charges;

^[2] Adjusted EBITDA is calculated as EBITDA except for the provisions for impairment of accounts receivable and impairment of fixed assets;

^[3] Adjusted Profit for the period is calculated as Profit for the period except for the provisions for impairment of accounts receivable, impairment of fixed assets and related deferred profit tax charges.

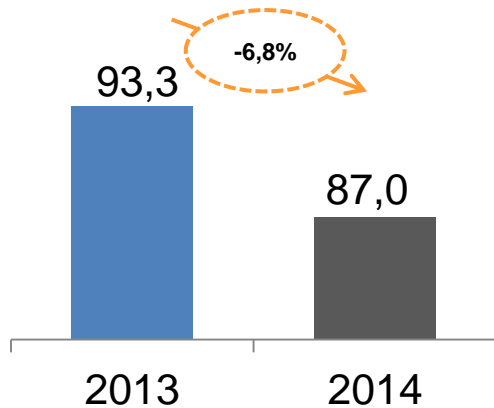
Key financials under IFRS



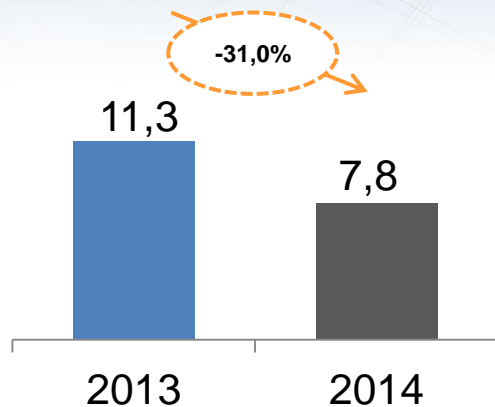
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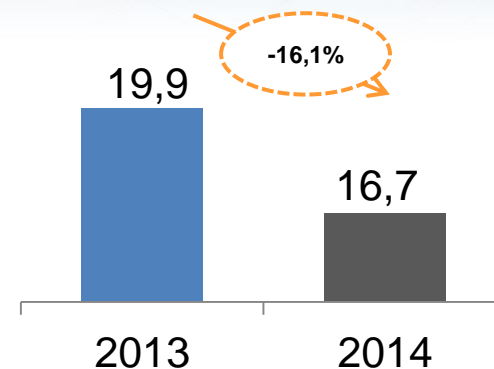
Revenue, *bln RUB*



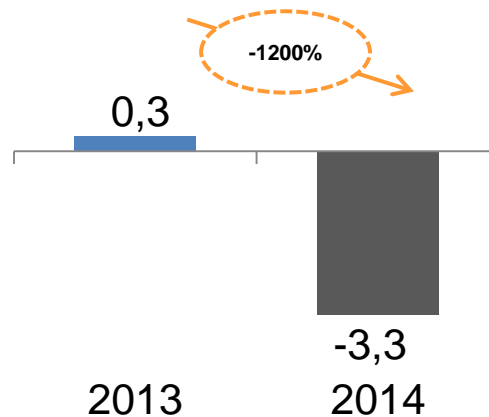
EBITDA, *bln RUB*



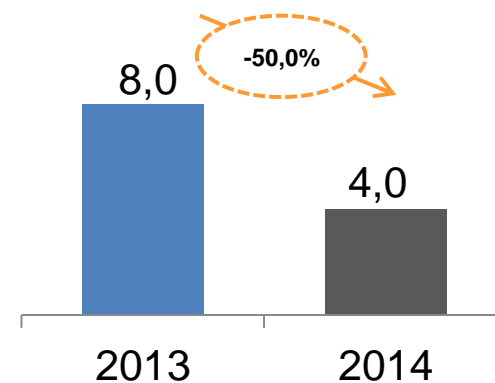
Adj. EBITDA, *bln RUB*



Profit for period, *bln RUB*



Adj. Profit for period, *bln RUB*



Revenue analysis

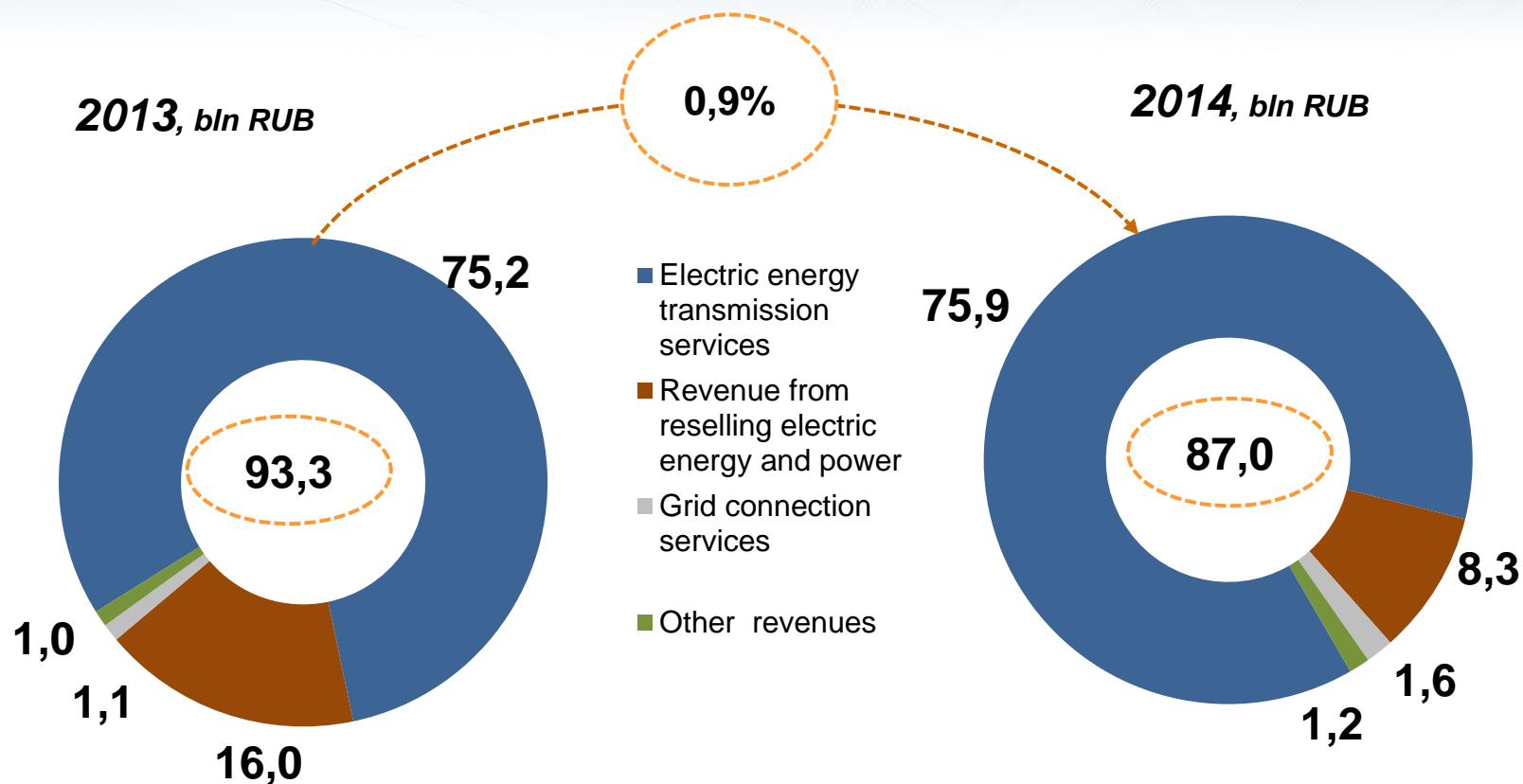


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Revenue growth from electricity transmission



*Data on all types of revenues are given taking into account subsidiaries and associates.
Data on the revenue from the electricity transmission services and from reselling electric energy are shown in accordance with the management accounting.*

IFRS operating expenses analysis



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<i>bln RUB</i>	2013	2014	Change %
Electric energy transmission	26,3	26,5	0,8%
Staff costs	15,4	16,7	8,4%
Electric energy purchased	10,0	10,1	1,0%
Loss on impairment of fixed assets	0,0	9,1	-
Depreciation	7,9	8,6	8,9%
Electric energy for resale	14,5	7,5	-48,3%
Materials and supplies	2,5	2,6	4,0%
Losses of previous years	0,4	1,4	250,0%
Non-income taxes	0,7	0,9	28,6%
Rent expenses	0,7	0,5	-28,6%
Installation, maintenance and repair	0,6	0,5	-16,7%
Utilities	0,4	0,4	0,0%
Receivables impairment provision	8,6	0,0	-100,0%
Other operating expenses	3,2	4,1	28,1%
TOTAL	91,2	88,9	-2,5%

- Increase in staff costs is due to the indexation of wages to employees of subsidiaries of the Company from 01.11.2013;
- Expenses for the purchase of electric energy for resale decreased due to the termination of the functions of suppliers of last resort;
- Appearance of the item "Loss on impairment of fixed assets" is associated with carrying out an impairment test on the results of 2014;
- Increase in the item "Losses of previous years" associated with revenues adjustment of previous years, related to the settlement of disputes with customers;
- Depreciation and amortization increased due to the implementation of the investment program and the commissioning of new facilities;
- Absence of the receivables impairment provision for 2014.



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Key financials under RAS for 2014

Data in bln RUB, unless specified otherwise

Indicators	12M 2013	12M 2014	Change, %
Revenue (total), including:	92,9	86,7	-6,7%
Revenue from electric energy transmission	61,4	69,2	12,7%
Revenue from grid connection	0,9	1,5	66,7%
Revenue from resale of electric energy and power	29,8	15,1	-49,3%
Other revenue	0,8	0,9	12,5%
Cost of sales	78,1	73,9	-5,4%
Sales profit¹	11,5	10,0	-13,0%
EBITDA²	11,5	15,6	35,7%
EBITDA margin, %	12,4%	18,0%	5,6 p.p.
Net profit	0,3	3,3	1000,0%
Net profit margin, %	0,3%	3,8%	3,5 p.p.

¹) Revenue net of cost of sales, selling and administrative expenses

²) EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable - interest receivable + depreciation charges

Key financials under RAS for 2014

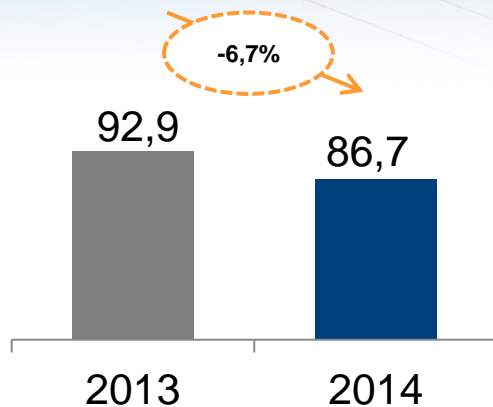


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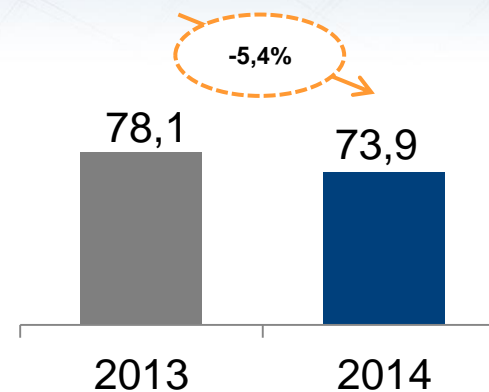
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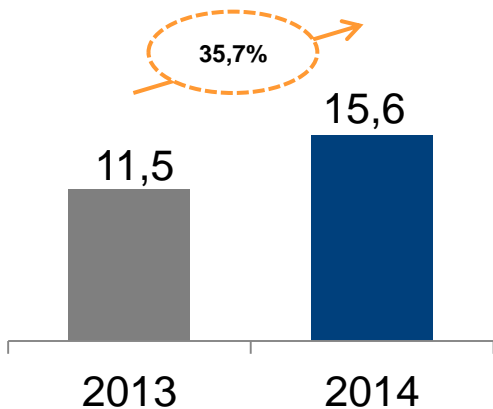
Revenue, *bln RUB*



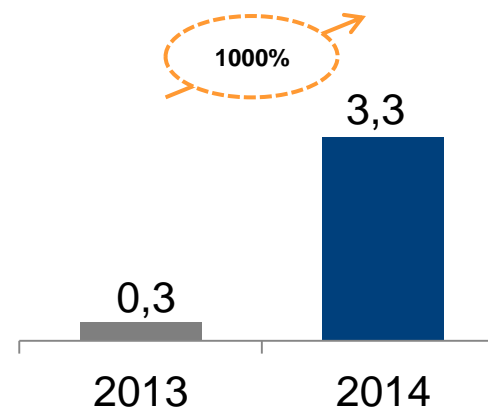
Cost of sales, *bln RUB*



EBITDA, *bln RUB*



Net profit, *bln RUB*



Financial standing



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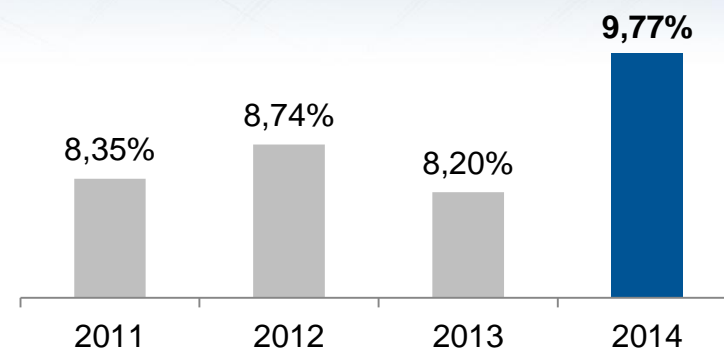
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RAS	31.12.2013	31.12.2014
Net debt, bln RUB	32,0	36,8
Net debt/EBITDA	2,8	2,4

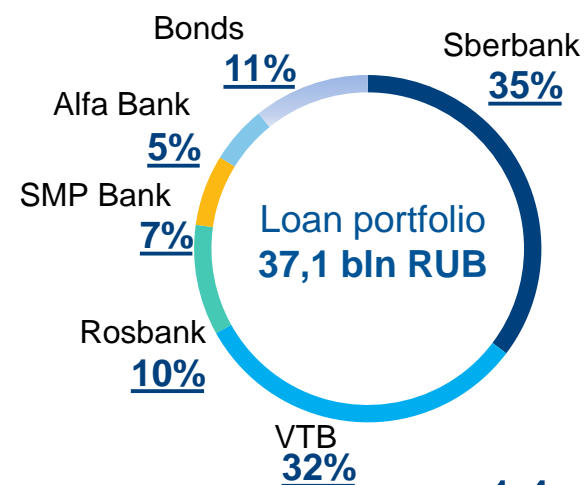
Agency	Scale	Rating	Outlook
S&P	international, long-term	BB-	Stable*
S&P	international, short-term	B	-
S&P	national (Russia)	ruAA-	-
NRA	national (Russia)	AA	-

Type of securities	Volume (thous. RUB)	Registration number and date of assignment	Maturity	Status	Coupon rate (%)
Bonds of series BO-01	4 000 000	4B02-01-10214-A dated 13.07.2012	up to 3 years	In circulation	8,95%

Average weighted borrowing rate of IDGC of Centre



Loan portfolio structure of IDGC of Centre (at 31.12.2014)



* - in February 2015 the rating was changed due to revision of the Russian Federation rating

Investment Program



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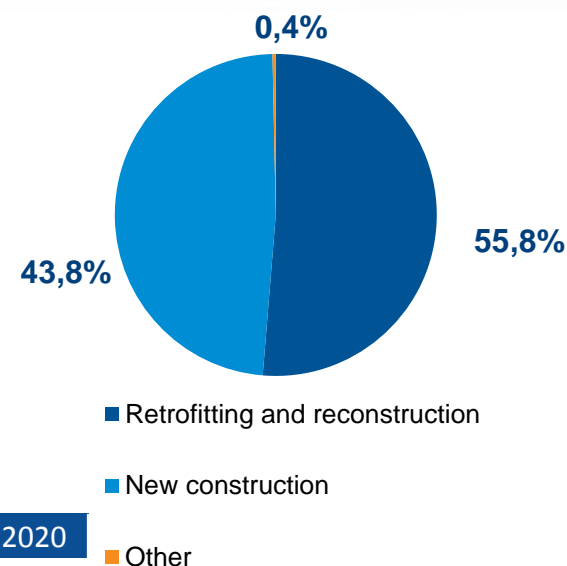
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Actual implementation of the Investment Program for 2014

Investment Program structure following the results of its implementation in 2014

Indicator	Planned for 2014	Actual for 2014	% implementation
Disbursement, mln RUB net of VAT	11 866	12 177	103%
Financing, mln RUB with VAT	14 259	14 245	100%
Commissioning, mln RUB net of VAT	12 485	12 913	103%
Commissioning, MVA	1 019	1 107	109%
Commissioning, km	4 052	5 110	126%



Investment Program for 2015-2020

Indicator	UoM	2015	2016	2017	2018	2019	2020
CAPEX, net of VAT	bln RUB	11,5	12,9	13,7	15,1	15,6	16,5
Financing size, with VAT	bln RUB	13,4	15,4	16,2	17,9	18,3	19,5
Commissioning of fixed assets, net of VAT	bln RUB	11,9	12,8	13,9	15,5	15,7	16,6
Commissioned capacity	MVA	909	666	807	835	831	531
	km	3 506	4 197	4 351	4 695	4 779	4 625

Tariff regulation



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Long-term methods of regulating IDGC of Centre's branches (2012-2017)

RAB

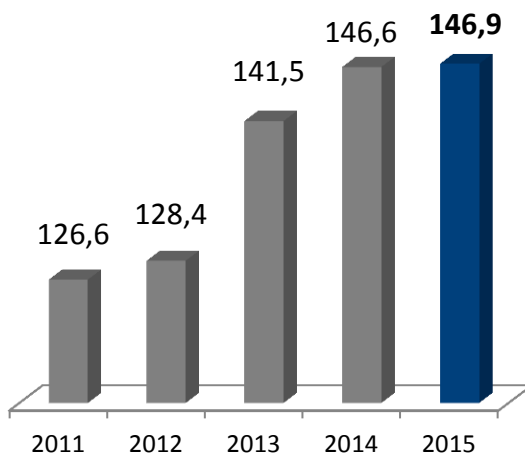
Long-term indexation

«Belgorodenergo» «Orelenergo»
«Voronezhenergo» «Kurskenergo»
«Kostromaenergo» «Tambovenergo»
«Smolenskenergo» «Yarenergo»

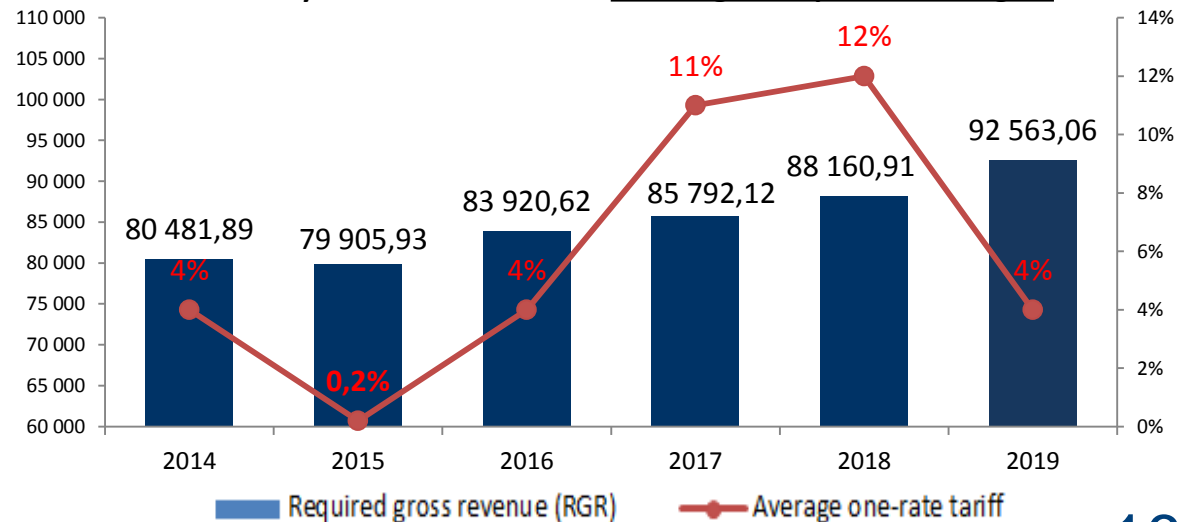
«Bryanskenergo»
«Lipetskenergo»
«Tverenergo»

AVERAGE JOINT OPERATION TARIFF

copeck/kWh



Joint operation RGR forecast and gain of the one-rate joint operation tariff for electricity transmission services with regard to possible changes*



* With regard to the draft of changes in current laws related to limitations of the tariff increase and taking into account the mixed «joint operation» in Bryansk in 2015-2019

Indicators of the Business Plan of the Company for 2015



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Data in bln RUB, unless specified otherwise

Indicators	Actual for 2014	Planned for 2015	Change, %
Revenue (total), including:	86,7	78,7	-9,2%
Revenue from electric energy transmission ¹	75,9	76,5	0,8%
Revenue from grid connection	1,5	1,4	-6,7%
Revenue from resale of electric energy and power ¹	8,3	0,0	-
Other revenue	1,0	0,8	-20,0%
Cost of sales¹	73,9	70,1	-5,1%
EBITDA²	15,6	13,9	-10,9%
Net profit	3,3	-0,5	-115,2%
Amount of electric energy transmitted³, billion kWh	54,4	54,4	0,0%
Electric energy losses, %	9,17%	9,44%	0,27 p.p.
Electric energy losses, % (under comparable conditions)	9,17%	9,10%	-0,07 p.p.

^[1] According to management accounting (revenues and cost of sales without internal business volume)

^[2] EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable - interest receivable + depreciation charges

^[3] Joint operation productive supply without taking into account losses of TGOs

Corporate Governance & Stocks

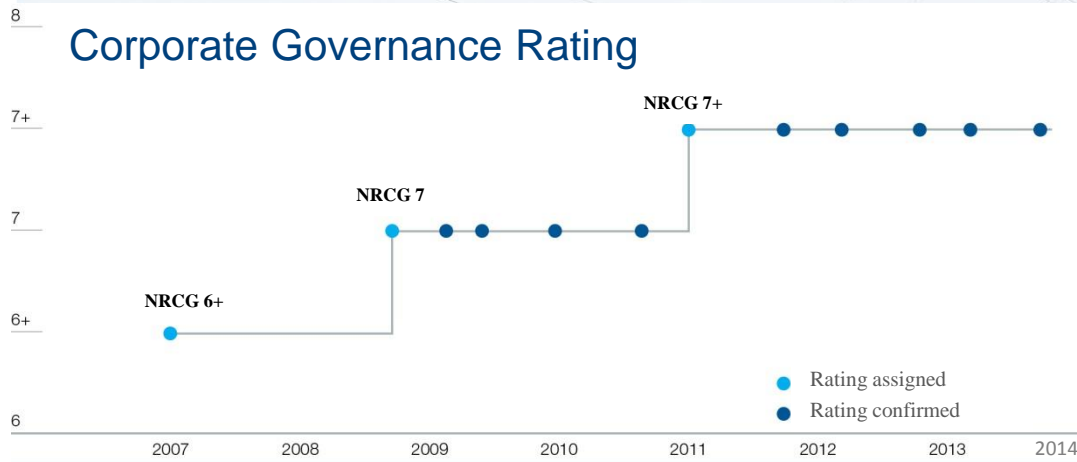


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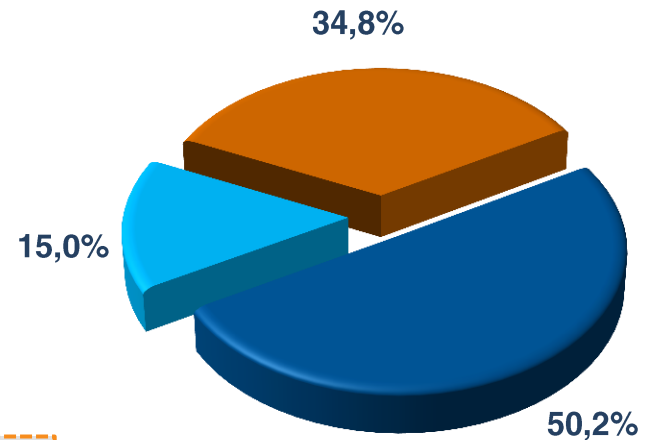
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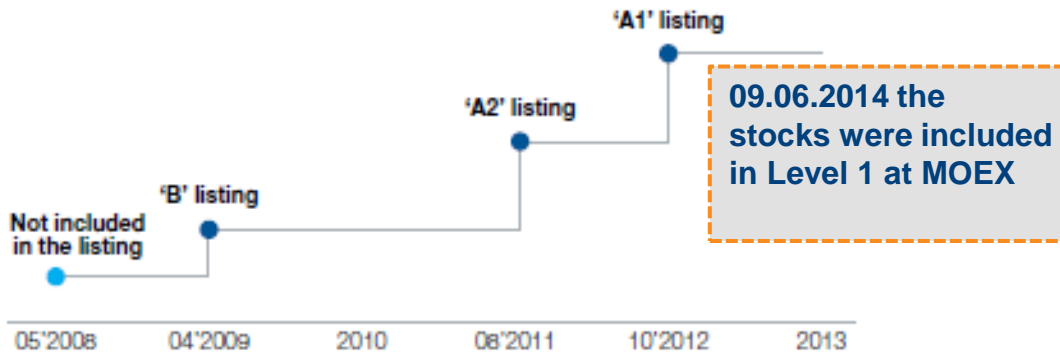
Corporate Governance Rating



Share capital structure of IDGC of Centre as of 12.05.2014



Stocks. Quotation List at MOEX



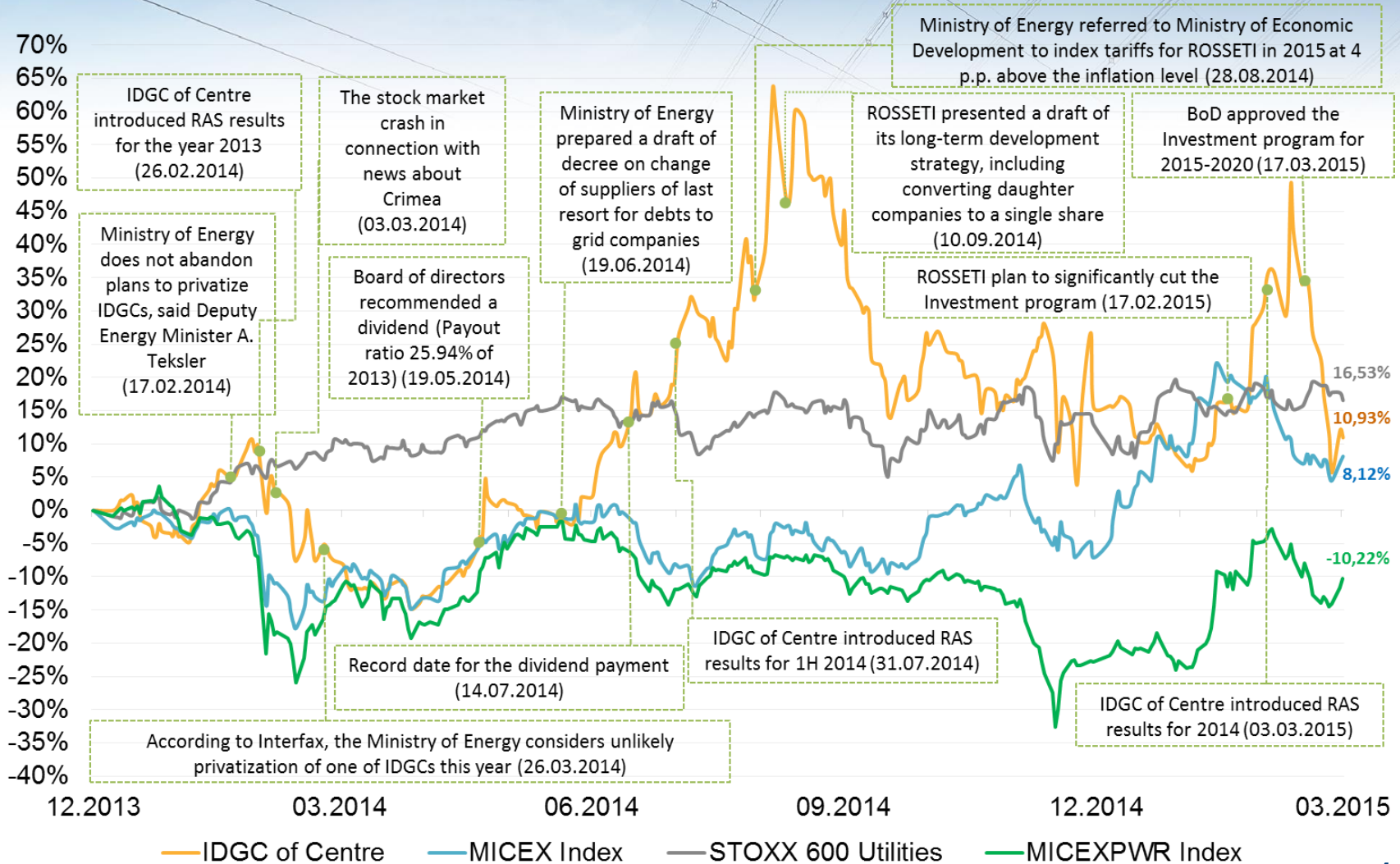
- ROSSETI JSC (50,2%)
- GENHOLD LIMITED (15,0%)
- Others (34,8%)

Shares dynamics and main news



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Investment highlights



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- 1 Operation in 11 regions of Central Russia with stable outlook for economic growth
- 2 Leader in innovations implementation in the sector
- 3 Stable financial position
- 4 Approved dividend policy and positive dividend history
- 5 Credit rating S&P «BB-», forecast Stable
- 6 Free-float 25%*
- 7 Development of value-added energy services
- 8 High information transparency

** According to the Index Committee of the Moscow Exchange*

THANK YOU!



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IDGC of Centre, JSC

IR Division

Bldg.4, 2nd Yamskaya St, Moscow, 127018

Tel.: (+7) 495 747 92 92, ext. 33-34

Fax: (+7) 495 747 92 95

E-mail: ir@mrsk-1.ru

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