

1H 2014 RESULTS & OUTLOOK FOR 2014

Moscow, 02 October 2014



IDGC OF CENTRE

INTERREGIONAL DISTRIBUTION GRID COMPANY OF CENTRE,
JOINT-STOCK COMPANY

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Overview of the Company



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The geography of activity: 11 branches in the european part of Russia

The service area, sq. km² **458**

% Of the total RF 2,7%

POPULATION, mln. people **13 605**

% Of the total RF 9,5%

as 30.06.2014

Market Cap⁽¹⁾, RUB bn **13,3**

Market Cap, USD mln **348,3**

Productive power supply⁽²⁾, bn kWh **27,35**

Electricity losses, % **8,99**

Revenue (IFRS), RUB bn **47,7**

EBITDA (IFRS), RUB bn **9,1**

Profit for period (IFRS), RUB bn **2,6**

Number of shareholders⁽³⁾ **16 526**



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

TYPES OF ACTIVITY

- Transmission and distribution of power electricity
- Grid connections
- Energy services
- The functions of a supplier of last resort
 - from 01.02.2013 till 31.05.2014: **Bryansk**
 - from 01.02.2013 till 31.03.2014: **Kursk**
 - from 01.02.2013 till 01.02.2014: **Orel**
 - from 01.05.2013 till 31.03.2014: **Tver**
 - from 01.10.2013 till 31.05.2014: **Smolensk**

(1) close price as of 26.09.2014

(2) without losses of TGOs

(3) as of 12.05.2014

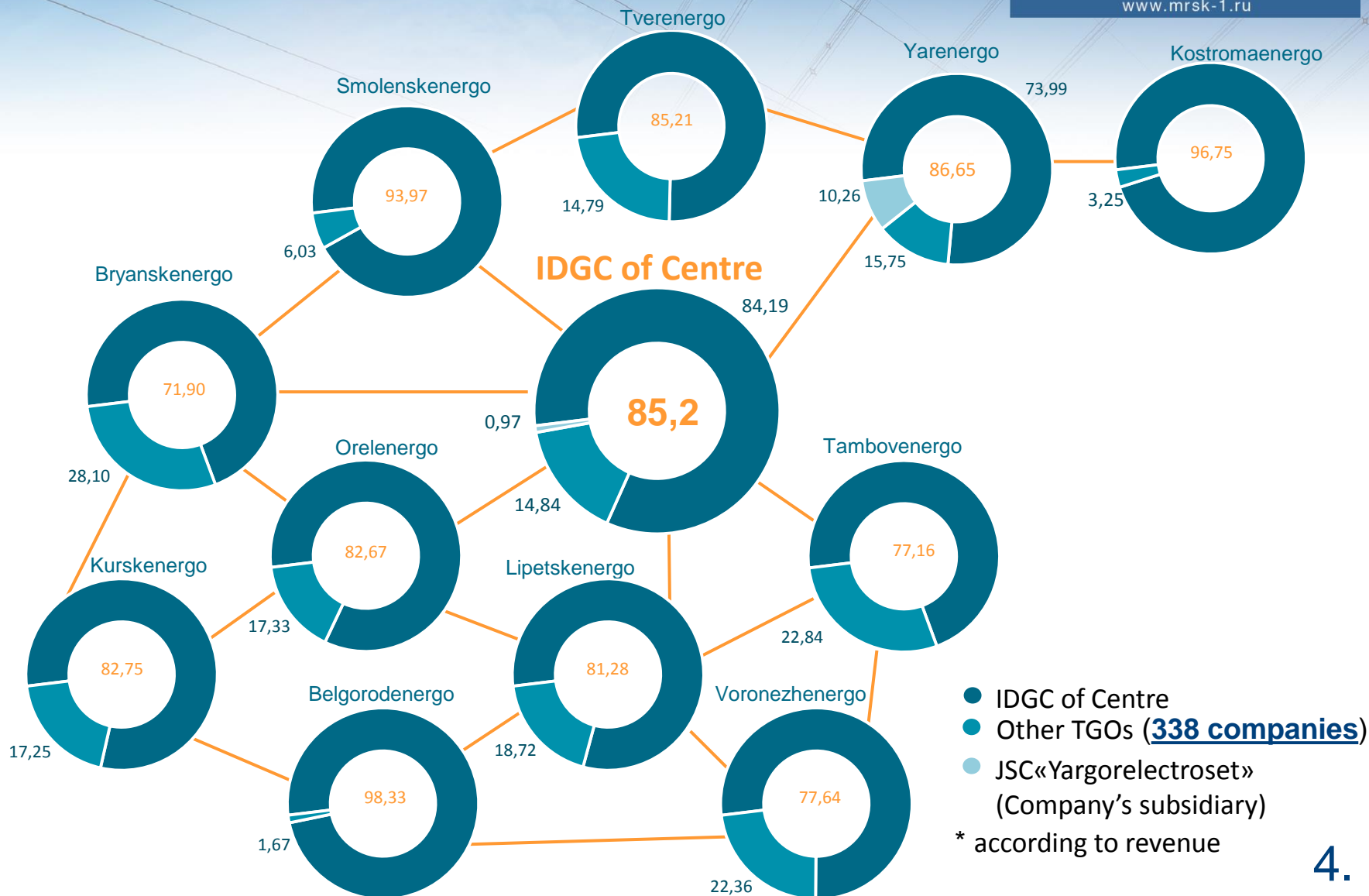
Market share of electric power transmission*, %



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Key results 1H 2014



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Strategic Priorities

QUALITY, RELIABILITY & INNOVATIONS

- Actual energy losses dropped by 8,99% in 1H 2014 (vs. 9,53% in 1H 2013);
- **SAIDI** (System Average Interruption Duration Index)^{1/} **SAIFI** (System Average Interruption Frequency Index)² are calculated to control the quality and reliability

MARKET SHARE

- Power transmission market share by revenue has increased up to 85,2% in 2013, grid connection market share has reached 87,2% (on the results of 2013, 84.3% and 87.7%, respectively).

INVESTMENT ACTIVITY

- Capital expenditures 3,3 bln RUB (excl. VAT);
- Capacity commissioned: 1 471 km and 191 MBA;
- Investment to grid connection totaled 63% of capital expenditures was used.

OPERATING PERFORMANCE

- The volume of joint operation services rendered by the Company in 1H 2014 amounted to 27.35 bln kWh with a 1,2 % down vs. 1H 2013;
- In 1H 2014 the total volume of connected capacity was 428,1 MVA (vs. 360,5 MVA in 1H 2013);
- In 1H 2014 IDGC of Centre ended to perform the functions of a supplier of last resort in 5 branches. From 01.02.2014 the Company started to perform the functions of a supplier of last resort in connection with the liquidation of the LLC "Tveroblenergosbyt".

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;
- IDGC of Centre shares are listed in Moscow Exchange's First (top) Tier quotation list, a market maker was involved as to support the liquidity of shares;
- Perception study shows that strong points IDGC of Centre are the information transparency and a high level of corporate governance.

(1) the average outage duration for each customer served

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

Results of production



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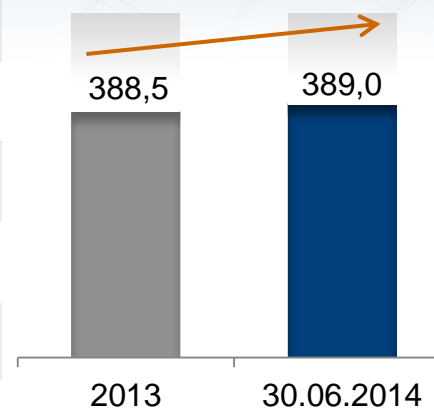
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INDICATOR

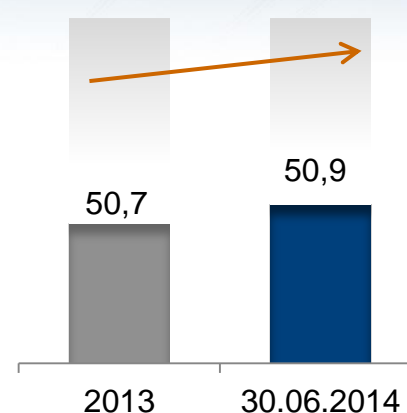
30.06.14*

Length of 0,4-110 kV overhead transmission lines (on a line) thousand km	375,7
Length of 35-110 kV overhead transmission lines thousand km	51,8
Length of 0,4-10 kV overhead transmission lines thousand km	323,9
Length of 0,4-110 kV cable lines thousand km	13,3
Capacity of substations thousand MVA	50,9
Capacity of 35-110 kV substations thousand MVA	33,4
Capacity of 6-10/0,4 kV transformer substations thousand MVA	17,6
Number of substations thousand pieces	96,4
Number of 35-110 kV substations thousand pieces	2,3
Number of 6-10/0,4 kV transformer substations thousand pieces	94,0
Number of installed units mln	1,610
Number of power grids districts Pieces	278

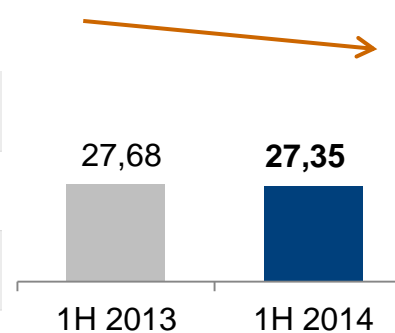
LENGTH OF TRANSMISSION LINES (on a line), thousand km



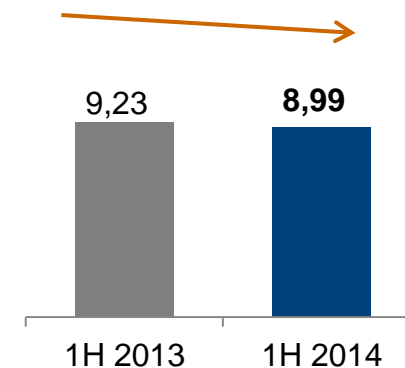
CAPACITY OF SUBSTATIONS thousand MVA



PRODUCTIVE SUPPLY (without losses of TGOs), bn kWh



ENERGY LOSSES, %



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

Sales activity



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The main outcome in 1H 2014 :

1	Increase in revenue due to the execution of the functions of a supplier of last resort* for 1H 2014 amounted to 8.2 bln RUB (VAT net), which accounts for 17.2% of total receipts under RAS	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	2
3	In the grids of IDGC of Centre electricity losses were reduced in 1H 2014 down to 8.99% (including through execution of the functions of a supplier of last resort)	Since the functions of a supplier of last resort were transferred to the winners of competitions provided the Russian Ministry of Energy the reduction of consumer debt to retailers, deprived of their status of a supplier of last resort, was achieved for 2.4 bln RUB or 32%	4

The main milestones:

- 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 according to the resolution of the Russian Ministry of Energy the function of an electricity supplier of last resort in the Kursk and Tver regions was assigned to JSC "AtomEnergoSbyt";
- Starting from June 1, 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 "AtomEnergoSbyt", in the Bryansk region to LLC "TEK-Energy";
- From 01.02.2014 the Company started to perform the functions of a supplier of last resort in connection with the liquidation of the LLC "Tveroblenergobyt".

* - taking into account internal business volume

Key financials under IFRS for 1H 2014



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In billion RUB, unless specified otherwise

Indicators	1H 2013	1H 2014	Change, %
Revenue	41,9	47,7	13,8%
Revenue from electricity transmission	31,3	31,5	0,6%
Revenue from grid connection	0,3	0,8	166,7%
Revenue from resale of electric energy and power ¹	9,9	14,9	50,5%
Other revenue	0,4	0,5	25,0%
Operating expenses	40,2	43,2	7,5%
Other income	0,4	0,3	-25,0%
Operating results	2,1	4,8	128,6%
EBITDA¹	6,0	9,1	51,7%
Profit for the period	0,6	2,6	333,3%

⁽¹⁾ EBITDA is calculated as follows: profit for period + profit tax + interest payable - interest receivable + depreciation charges; ;

Key financials under IFRS

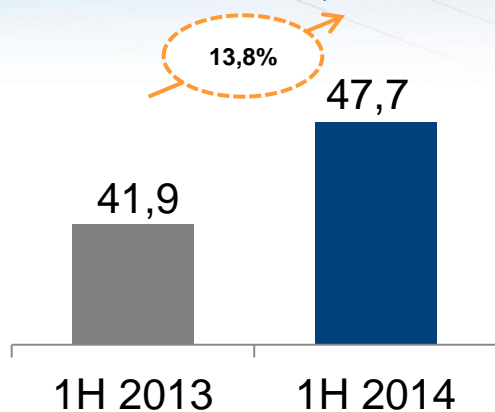


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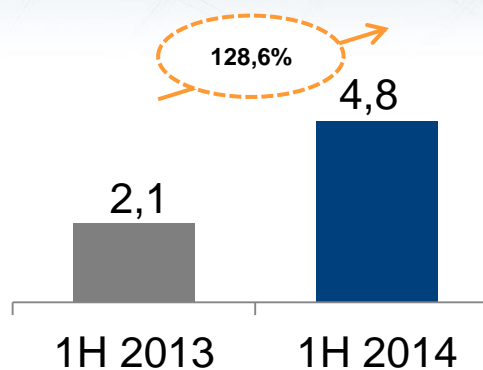
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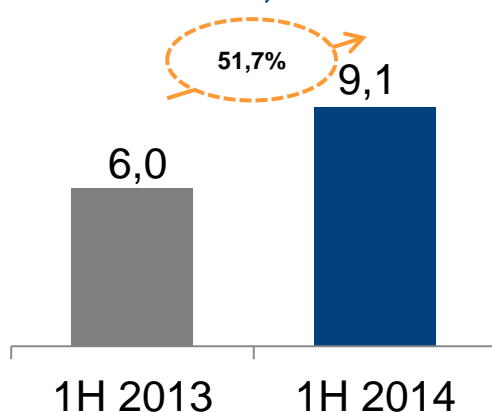
REVENUE, bln RUB



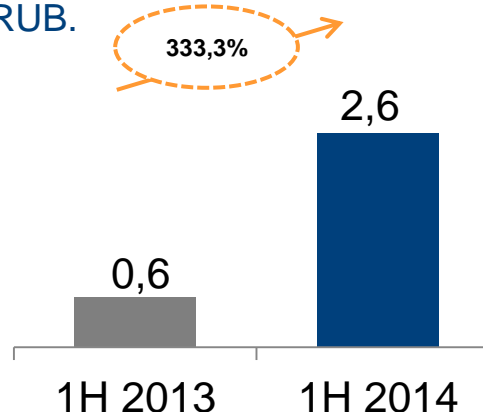
Operating result, bln RUB



EBITDA, bln RUB



Profit for the period, bln RUB.



Revenue analysis



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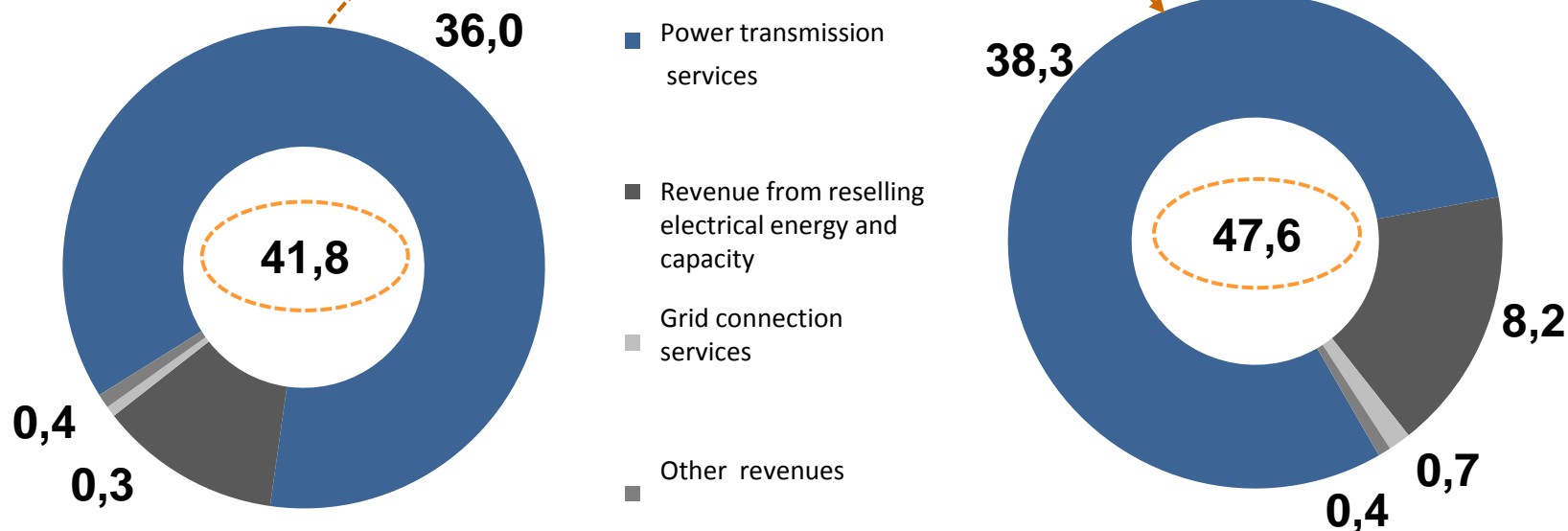
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Revenue growth from electricity transmission

1H 20123 bln RUB.

6,4%

1H 2013 bln RUB



Data on the revenue from the power transmission services and from reselling electrical energy are showed in accordance with the management statement

Financial standing



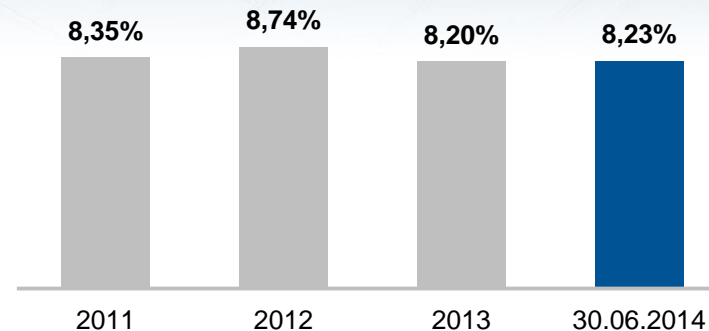
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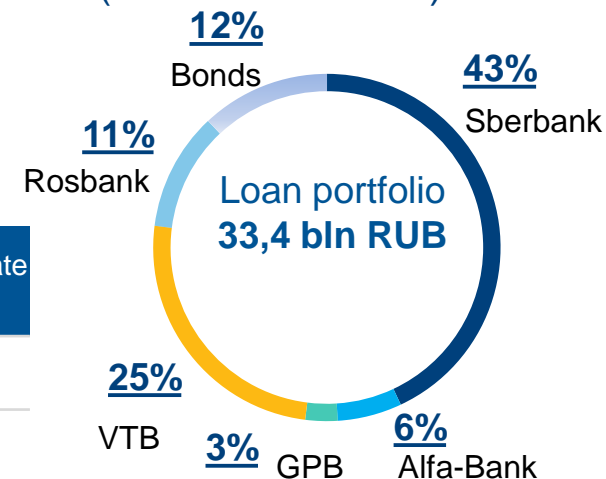
IFRS	31.12.2013	30.06.2014
Net debt, bln RUB	32,0	33,2
Net debt/EBITDA	2,8	-

Average weighted borrowing rate of IDGC of Centre



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

Loan portfolio structure of IDGC of Centre (as at 30.06.2014)



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

* - in March 2014 the outlook was changed to "Negative" as a result of the Russian Federation rating revision

Investment program



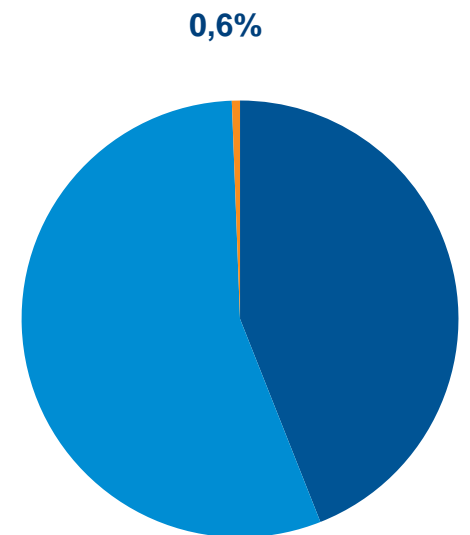
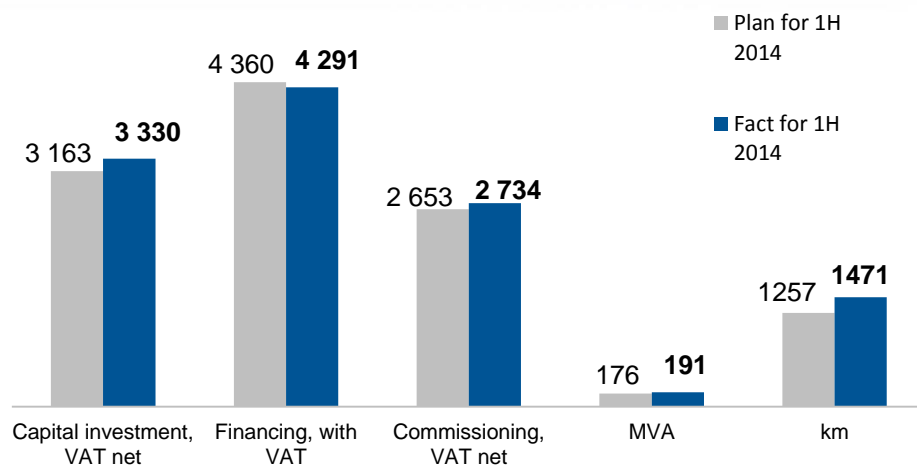
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Actual implementation of the Investment Program for 1H 2014. Main indicators.

Investment Program structure following the results of its implementation in 1H 2014



Indicator	Plan for 1H 2014	Fact for 1H 2014	% completion
Capital investment, mln RUB VAT net	3 163	3 330	105%
Financing, mln RUB with VAT	4 360	4 291	98%
Commissioning, mln RUB VAT net	2 653	2 734	103%
Commissioning, MVA	176	191	108%
Commissioning, km	1 257	1 471	117%

- Retrofitting and reconstruction
- New construction
- Other

Tariff regulation



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Long-term methods of regulating IDGC of Centre subsidiaries (2012-2017)

RAB

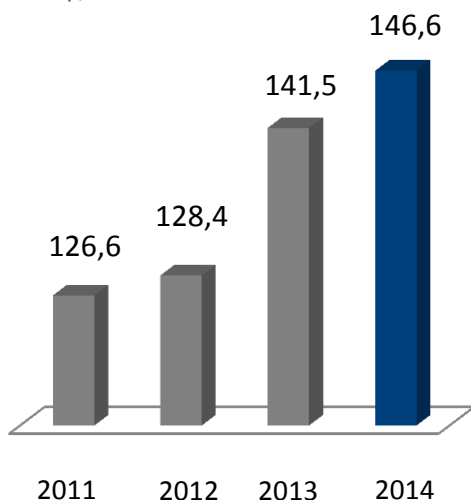
Long-term indexation

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

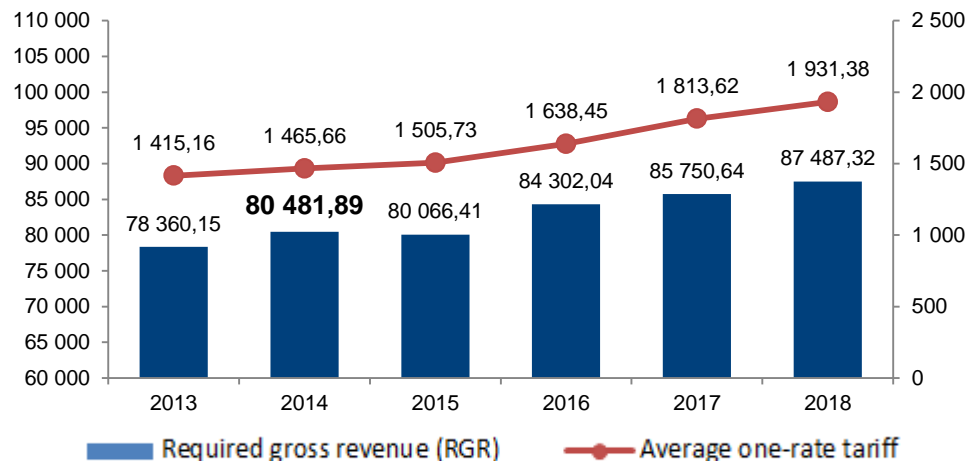
«Bryanskenergo»
«Lipetskenergo»
«Tverenergo»

AVERAGE JOINT TARIFF

cop/kWh



The power transmission RGR forecast and the growth rate of the one-rate tariff for the power 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 «boiler» in Bryansk in 2015-2018

Indicators of the Business plan for 2014



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Data in billion RUB, unless specified otherwise

Indicators	Actual for 2013	Plan for 2014	Change, %
Revenue (total), including:	92,9	86,4	-7,0%
Revenue from electricity transmission ¹	75,2	75,8	0,8%
Revenue from grid connection	0,9	1,4	55,6%
Revenue from resale of electric energy and power ¹	16,0	8,3	-48,1%
Other revenue	0,9	0,9	0,0%
Cost of sales¹	78,5	77,7	-1,0%
EBITDA²	11,5	14,2	23,5%
Net profit	0,3	1,9	533,3%
Amount of electric energy transmitted³, billion kWh	55,2	54,4	-1,4%
Electric energy losses, %	9,16%	9,18%	0,02 п.п.
Capital investment, VAT net	14,4	11,9	-17,4%

^[1] According to the management accounting (revenues less 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 TGCs

Corporate governance & Stocks



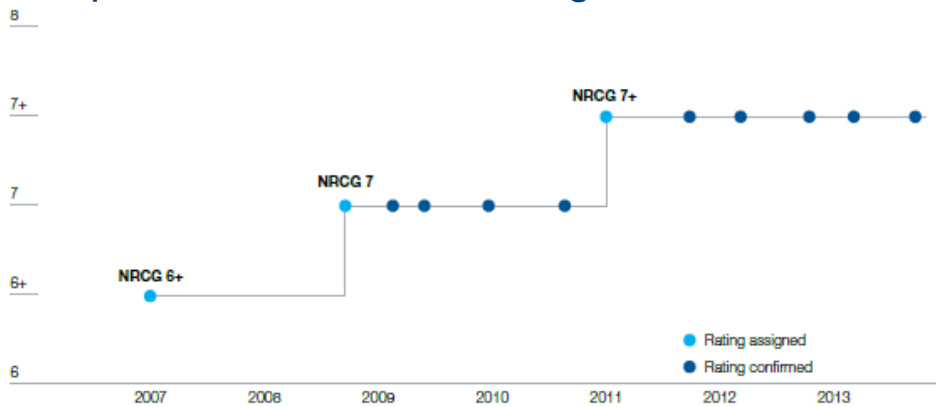
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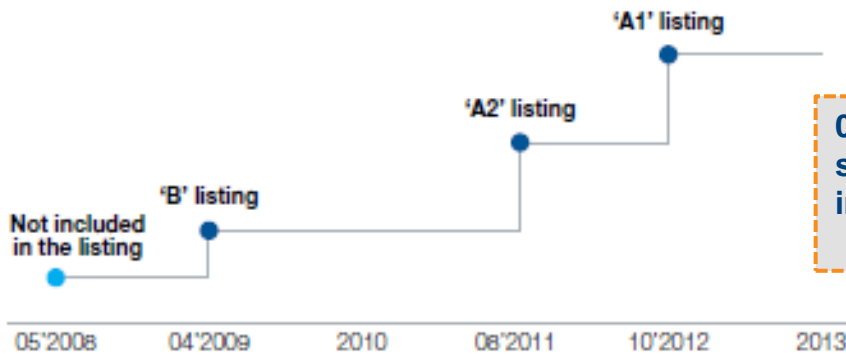
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Share capital structure of
IDGC of Centre as of 12.05.2014

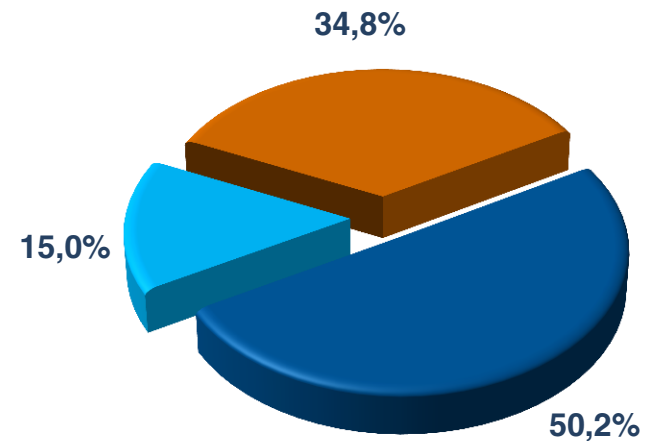
Corporate Governance Rating



Stocks. Quotation List at MOEX



09.06.2014 the
stocks was included
in Level 1 at MOEX



- Russian Grids JSC
- GENHOLD LIMITED
- Others

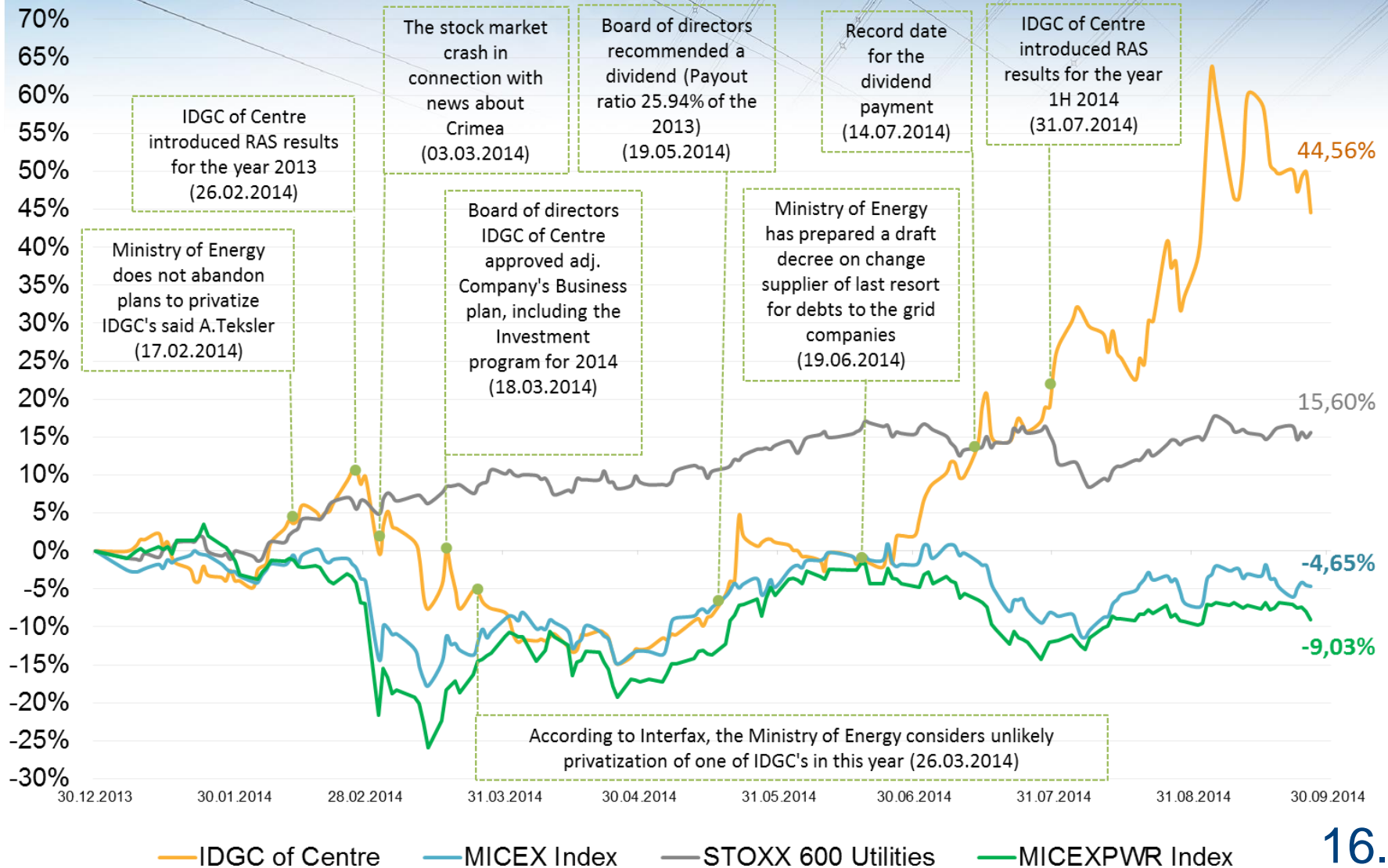
Shares dynamics and main news



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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 Corporate governance rating **NCGR 7+** – the highest among peers
- 6 Credit rating S&P «**BB**»
- 7 Development of value-added energy services
- 8 High information transparency

THANK YOU!



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