



IR PRESENTATION

IDGC of CENTRE

JOINT - STOCK COMPANY

2010 Results & 2011 Forecast

VTB Capital RUSSIA CALLING: London Session
May 31 – June 01, 2011



IDGC
HOLDING

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RAB regulation

- Transition to RAB is a vigorous driver for increase in operational efficiency and decrease in costs per unit
- The first IDGC among others which transferred all its branches to RAB: *2009: 3 branches, 2010: 4 branches, since 01.01.2011: 4 branches*
- High level of iRAB - **USD 3.9 billion**
- Capital formation rate is lower than profitability rate of invested capital

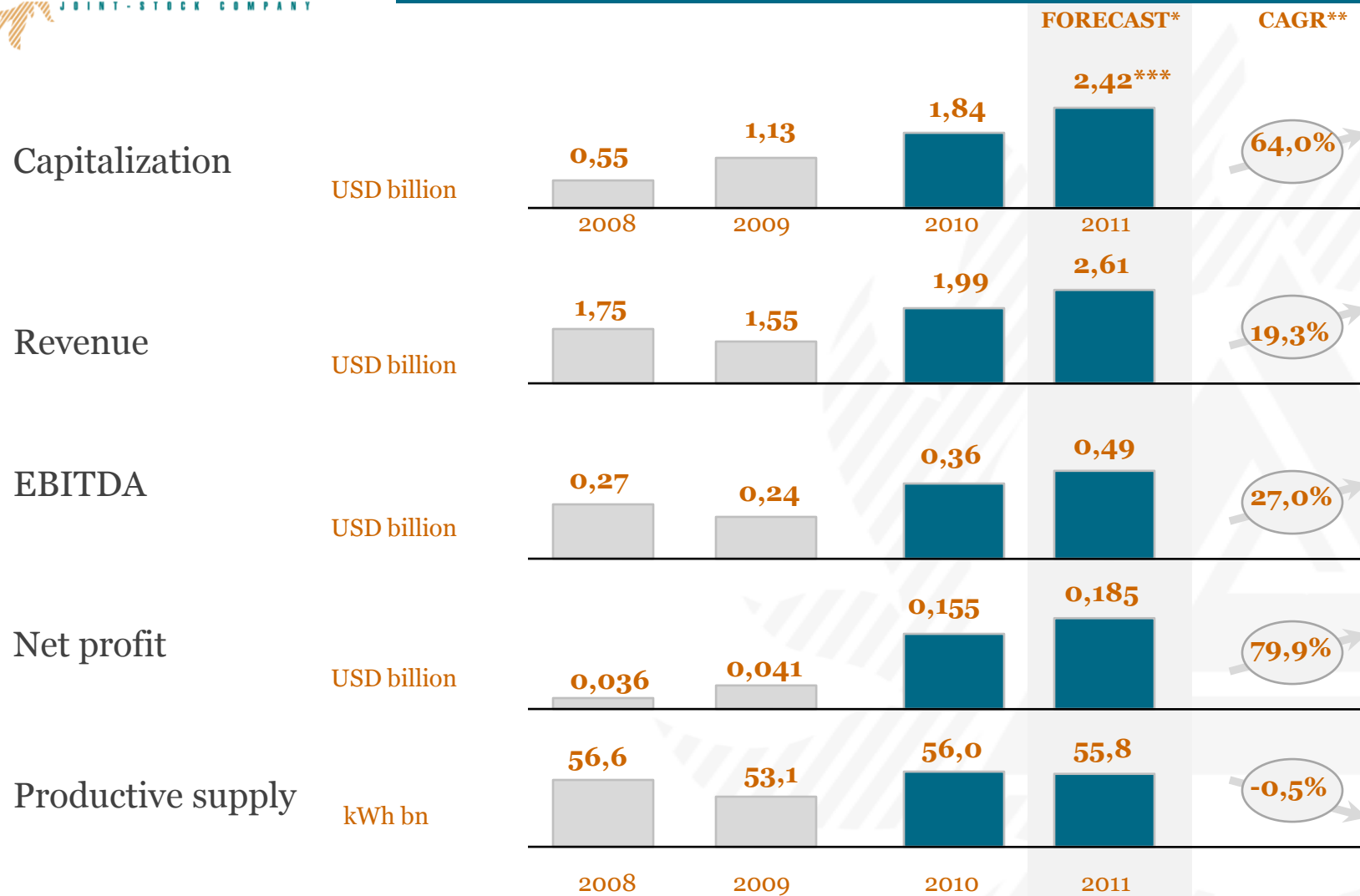
Strong team of managers

- Developed and implemented KPI system
- Strong financial performance - **positive dynamics** on all key financial and operating indicators for 4 years
- Transparent system of corporate management (7+ corporate governance rating on national scale)
- Approved dividend policy for 2010, total dividends that are proposed to the General Meeting of Shareholders - USD 20 million

Prospects of growth

- **Investment history of distribution grid complex attracts high attention of analysts and investors:**
 - sector is significantly **undervalued as compared to foreign peers**
- **Decrease of fixed assets depreciation** as a result of full –scale renovation is the goal of highest priority

Key figures on growth track 2008-2011



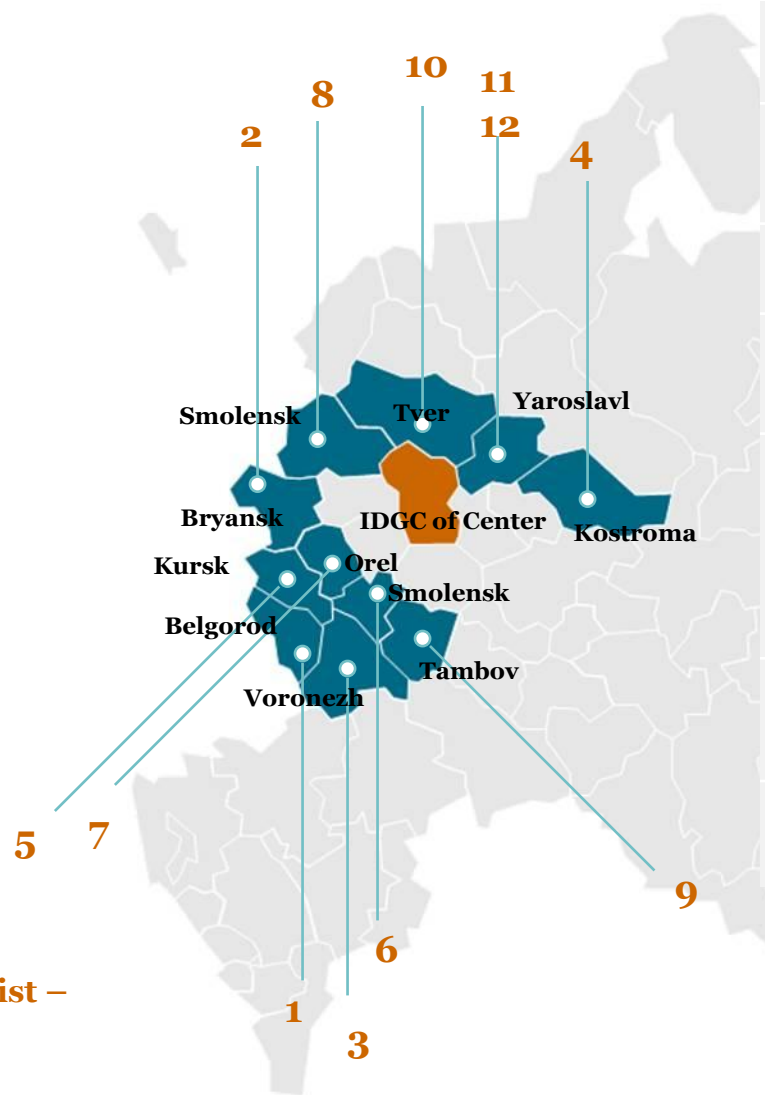
* - due to board of directors approved Business Plan for 2011

** - compound annual growth rate

*** - consensus forecast by analysts for the end of 2011

IDGC of Center

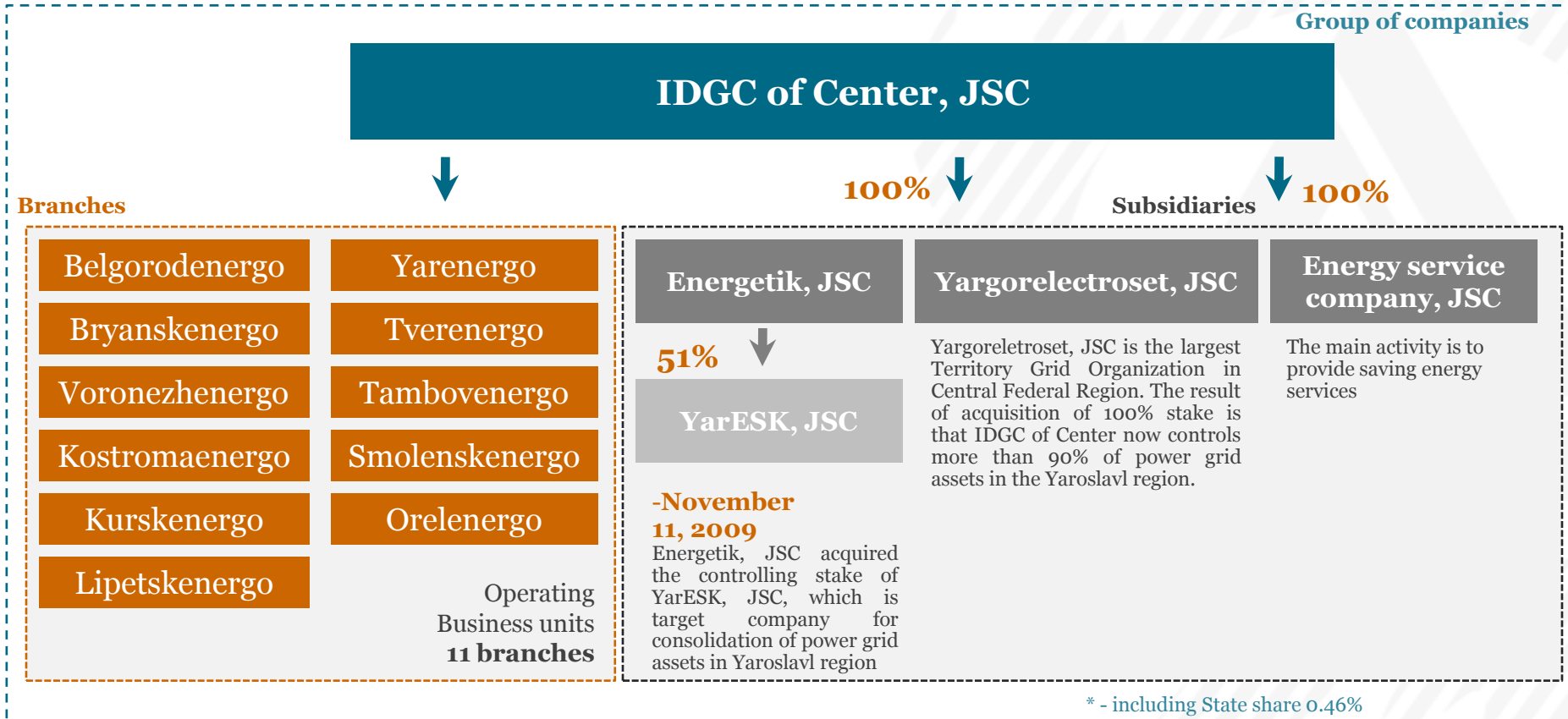
- 1 Belgorodenergo
- 2 Bryanskenergo
- 3 Voronezhenergo
- 4 Kostromaenergo
- 5 Kurskenergo
- 6 Lipetskenergo
- 7 Orelenergo
- 8 Smolenskenergo
- 9 Tambovenergo
- 10 Tverenergo
- 11 Yarenergo
- 12 Yargorelectroset, JSC



The Company is the monopolist – tariffs are regulated by State

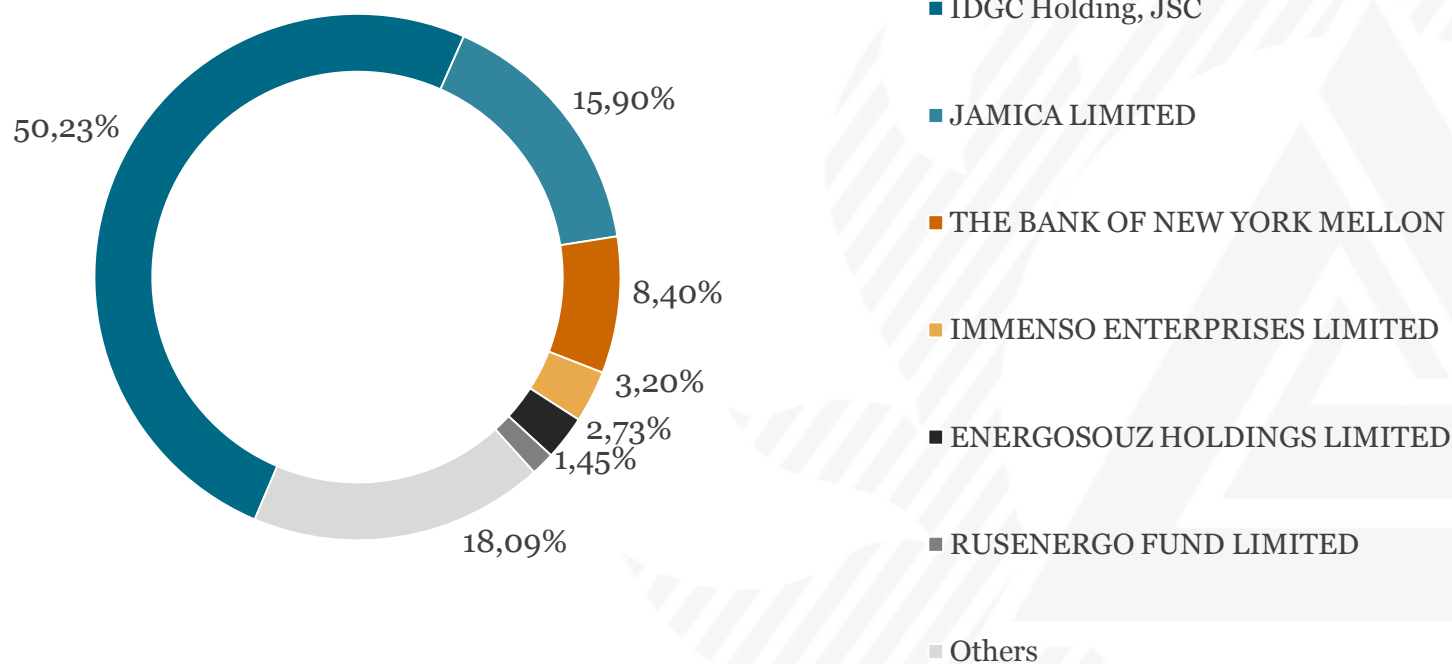
	2010*
Capitalization <i>USD billion</i>	1,57***
Revenue <i>USD billion</i>	1,99
Length of lines, km thousand**	374,3
Substation capacity, MVA	31 404
<i>35-110 kV</i>	15 192
<i>6-10/0,4 kV</i>	30 906
Number of personnel	17 867
Number of shareholders	

* - on 31.12.2010
 ** - on track
 *** - on 27.05.2011



* - including State share 0.46%

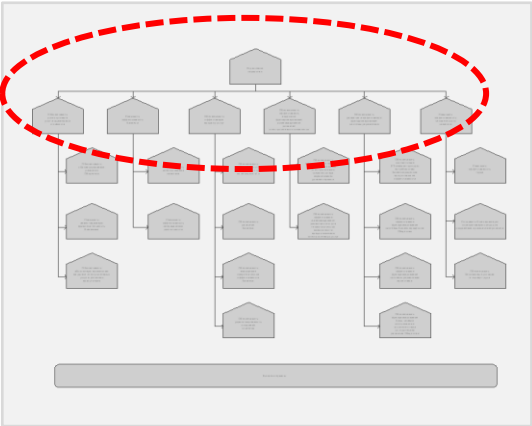
- Diversified structure of share capital
- Free float is about 30%



* - on 12.05.2011

Strategic vision of the Company's management – industry leadership...

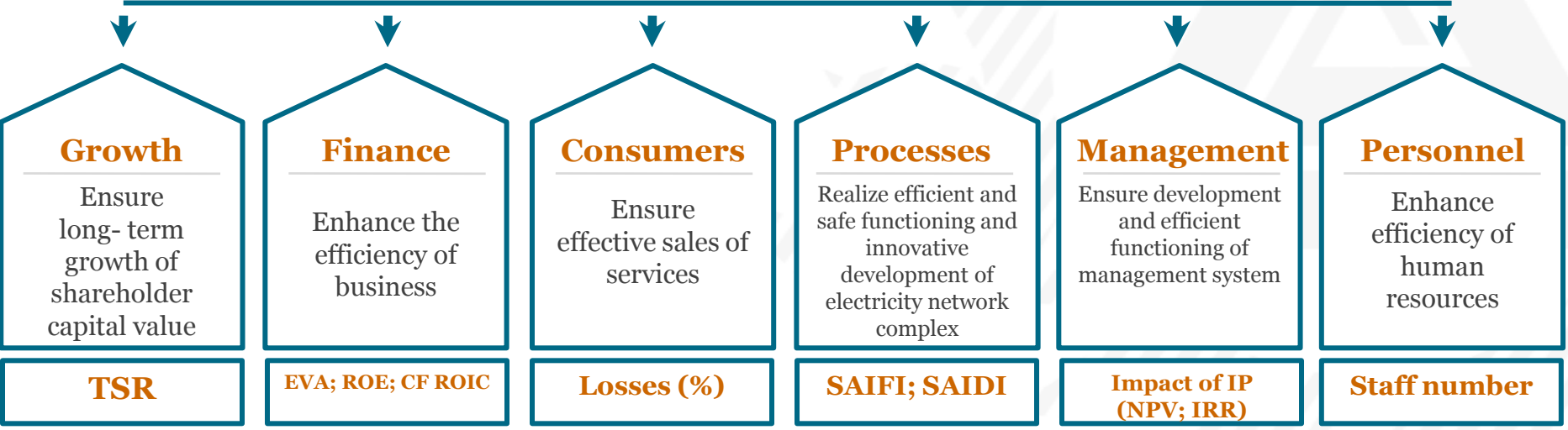
Goals of the Company



Target subsystems of the management:

- Growth and changes
- Finance
- Consumers
- Main business processes
- Management system
- Personnel

Challenges of the top level



... a tool to achieve - the project approach, KPI system

ROE provided by cash flow, %	11,4%	Electricity losses/supply, %	9,96%
Avoiding the excess of limit in accidents number	0	System Average Interruption Frequency Index (SAIFI) *	<1
Efficiency in realization of investment program in 2011	≥ 95%	System Average Interruption Duration Index (SAIDI) *	<1

* - for 6-11 kV feeders and higher



History of IDGC of Center credit rating

Standard&Poors's

Confirmed	February'11
Confirmed	July'10
Assigned	November'09
	HRA*
Upgraded to AA-	December '10
Confirmed	October'10
Confirmed	September'09
Upgraded (level A+)	September'08
Upgraded (level A)	August'07



History of IDGC of Center corporate rating on the national scale

NRCG**

Upgraded (7+)	January ' 11
Confirmed	July' 09
Confirmed	February' 09
Assigned	September' 08

... developed corporate governance practice, leading position among IDGCs

* National Rating Agency

** National rating of corporate governance

Stock performance and liquidity increase

Liquidity increase measures

05.2008

Company's shares were listed on MICEX (quotation list B), RTS

04.2009

Company's shares were included in the index: MICEX PWR

09.2010

Company's shares were included in RTS EU*

2Q2011

Inclusion of Company's shares in quotation list A2 (MICEX)

3Q2011

Dividends payment USD 20, 05 million

4Q2011

Launch of option program DR program

Tickers:

MICEX

MRKC

Total (USD million)

20,05

RTS classic

MRKC

Net profit share

12.6%

RTS stock

MRKCG

Dividend yield

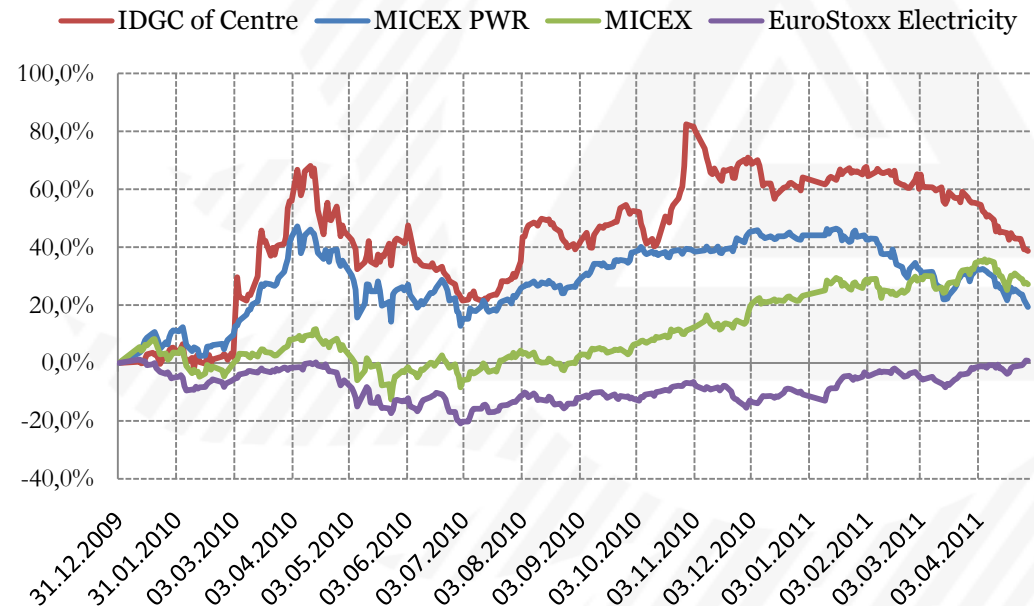
1,37%

Dividends for 2010:

■ - forecast

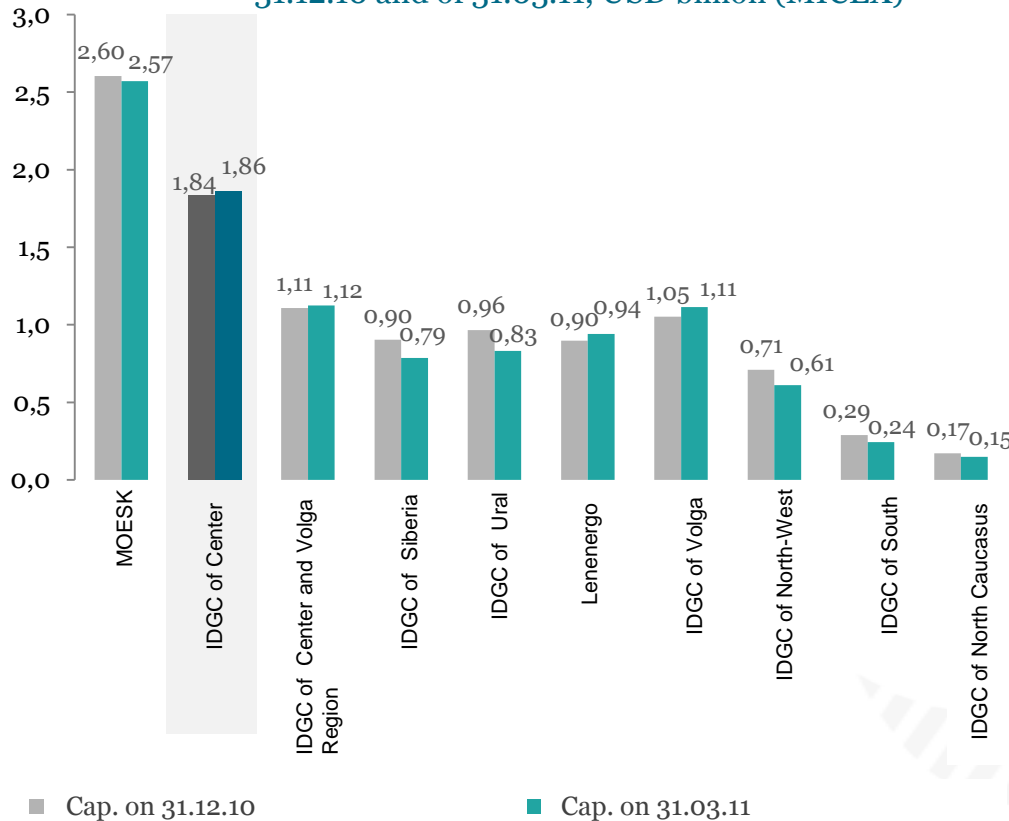
* - RTS energy utilities

Stock performance

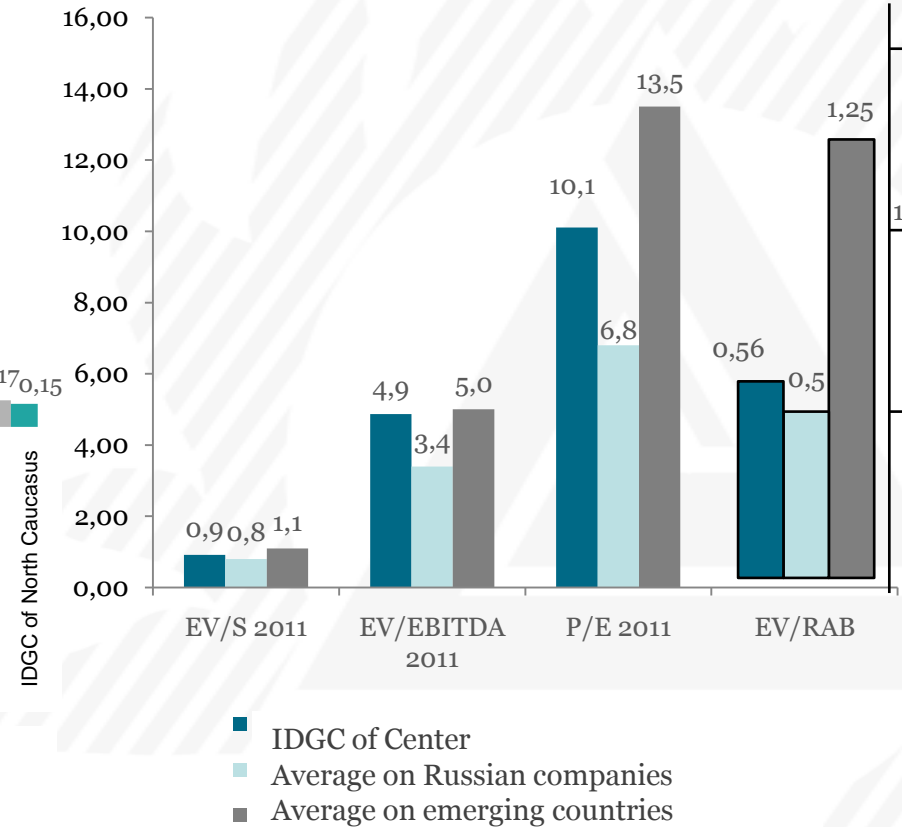


Key stock market figures : 2nd place on capitalization among the IDGCs

Capitalization of distribution grid companies as of 31.12.10 and of 31.03.11, USD billion (MICEX)



Market multiples on IDGCs and foreign companies-analogues *



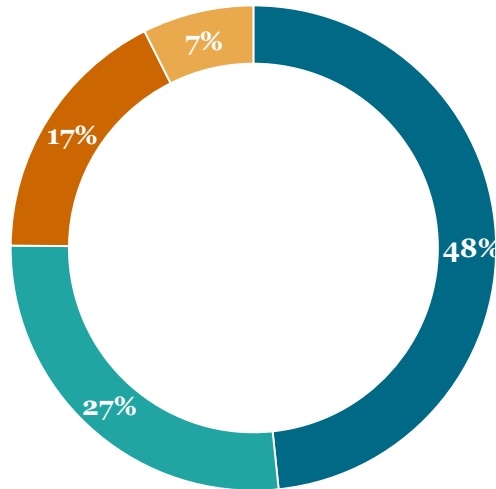
* Calculations of the Company, data of investment banks covering the activities of IDGCs

** Foreign peers: Eletropaulo, Compania General de Electricidad, Aksu Enerji ve Ticaret, etc.)

Management of loan portfolio – absence of short-term credits and loans...

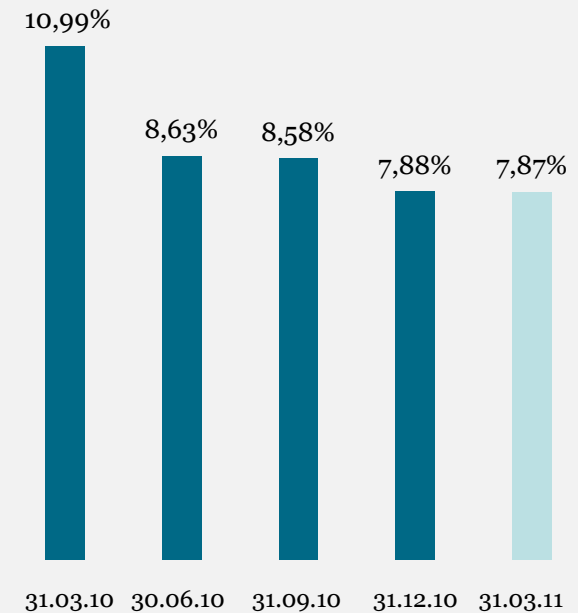
Structure of capital

<i>USD million</i>	31.12.2009	31.12.2010	Chng.
Equity	1 363,37	1 507,63	10,58%
Long-term liabilities	354,66	490,08	38,18%
Short-term liabilities	13,23	0,00	-100%
Accounts payable	218,05	221,55	1,61%
Other	69,26	114,83	60,19%



- Sberbank
- Rosbank
- Alfabank
- Gazprombank

Decrease of average interest rate on credits in 2010 by **3,12%**



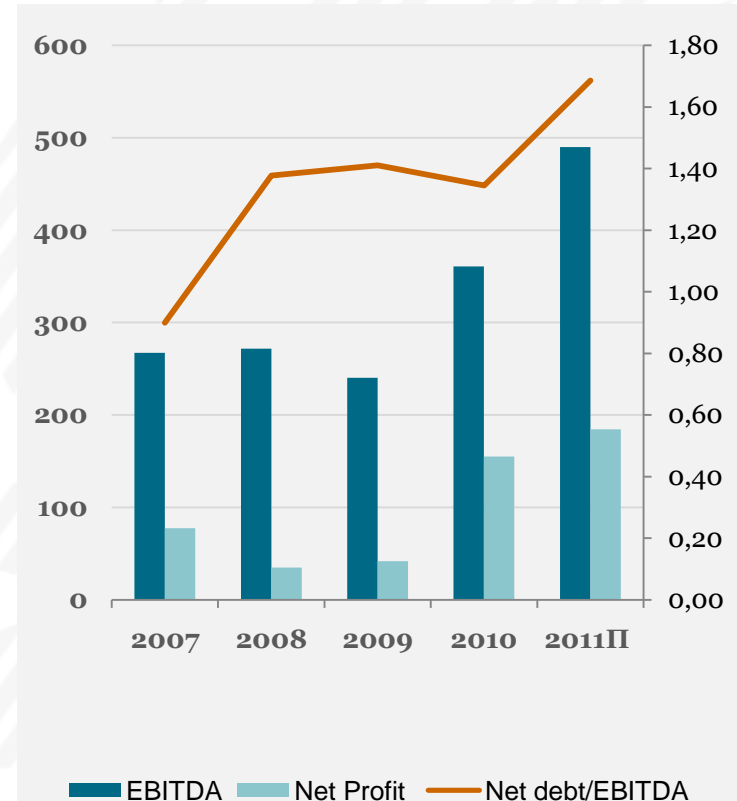
EBITDA vs. Net Profit, USD million Ratio Net Debt/EBITDA

Year	EBITDA	Net Profit	Net Debt	Net debt/ EBITDA
2007	267	77	240	0,90
2008	272	35	374	1,38
2009	231	42	339	1,41
2010	261	155	485	1,32
2011F*	490	185	828	1,83

Low ratio of NET DEBT/EBITDA allows to attract additional funding (with the ratio limit approved by the Board of Directors = 3)

* - due to approved Business Plan on 2011

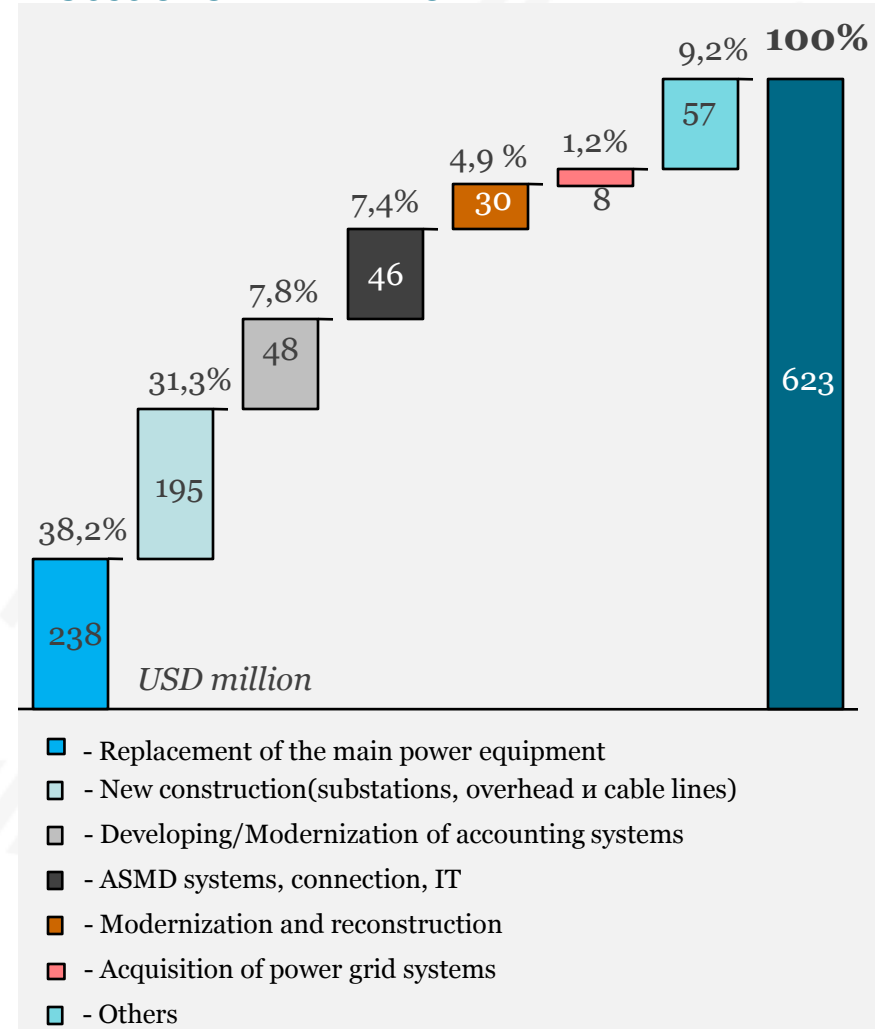
USD billion



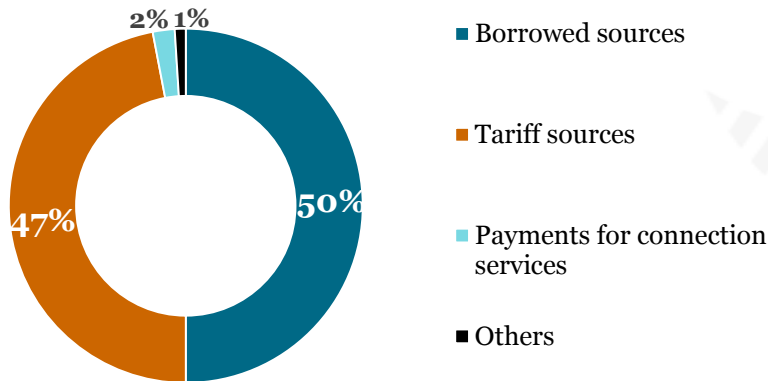
Expected CAPEX for 2011-2016 will amount to about USD 6,4 billion

Year	Development, USD million*	Commissioning		
		USD million	MWA	km
2011	623	600	1 371	5 663
2012	812	749	1 478	5 227
2013	1104	1082	1 587	8 487
2014	1235	1250	2 632	8 299
2015	1314	1387	2 149	9 346
2016	1318	1283	1 388	8 520

Uses of CAPEX in 2011



Financing sources on 2011



Target/ Program

- Providing monopoly on power grid services market in the regions of presence;
- Long-term target program for the consolidation of power grid assets have been developed and approved (power grid assets consolidation plan for 2011 - 2015)

Methods and advantages of consolidation

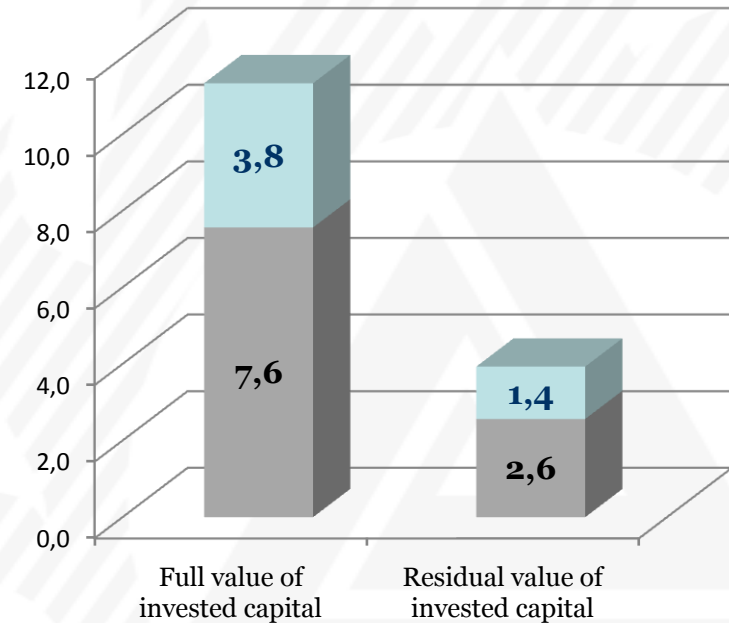
- Company consolidates the assets primarily in 3 ways: acquisition of power grid property rent, purchase of shares of power grid companies;
- The basic advantages of consolidation are: implementation of a unified technical policy, the development of a unified scheme of long-term development of power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

Plans on 2011-2015

- It is planned in 2011 to consolidate municipal power grid assets of Voronezh region, to acquire the property of LRUC, SRUE*, to consolidate the assets in Orel and Tver regions;
- Program provides working with more than 5 thousand owners

* - Lipetsk Region Utilities Company, State Region Unitary Enterprise

Date of transition	Branch	Total value of invested capital USD million	IRAB, USD million
from 01.01.2009	Belgorodenergo	1 723	678
	Lipetskenergo	876	341
	Tverenergo	1 881	489
from 01.01.2010	Kurskenergo	1 018	357
	Yarenergo	714	297
from 01.11.2010	Bryanskenergo	651	195
	Orelenergo	701	208
from 01.01.2011	Kostromaenergo	560	249
	Tambovenergo	611	181
	Voronezhenergo	1 250	415
	Smolenskenergo	1 215	451
	Yargorelectroset*	130	71
	All	11 329	3 932



■ RAB branches before 01.01.2011
■ RAB branches after 01.01.2011

Approved iRAB on all branches –
USD 3,9 billion*

*Including Yargorelectroset 100% stake is owned by IDGC of Center

Branch	RAB on 01.01.11**, USD million
Belgorodenergo	746
Lipetskenergo	417
Tverenergo	406
Kurskenergo	355
Yarenergo	300
Bryanskenergo	186
Orelenergo	199
Kostromaenergo	249
Tambovenergo	181
Voronezhenergo	415
Smolenskenergo	451
Yargorelectroset*	71
Total:	3 977

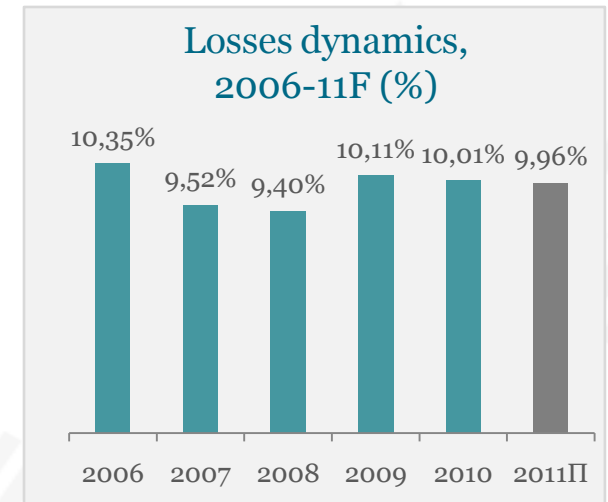
- In 2011 branches adopted the 5-years regulation period (also the possibility of transiting some branches to 7-years regulation period is considered);
- Return on invested capital– 35 years (for the new IC), 10-12 years (for the old IC);
- OPEX optimization (x-factor 1% annually in accordance with the resolution of FTS, additional goal on 2011 for management is OPEX reducing for at least 1%)

RAB rate of return	2009	2010	2011	2012	2013	2014	2015
Return on “old” IC							
before January 2010	6%	9%	12%	12%	11%	-	-
since January 2010	-	6%	9%	12%	11%	11%	-
since August 2010	-	6%	6%	9%	11%	11%	-
since January 2011	-	-	6%	9%	11%	11%	11%
Return on “new” IC							
before January 2010	12%	12%	12%	12%	11%	-	-
since January 2010	-	12%	12%	12%	11%	11%	-
since August 2010 to January 2011	-	12%	12%	12%	11%	11%	-
since January 2011	-	-	12%	12%	11%	11%	11%

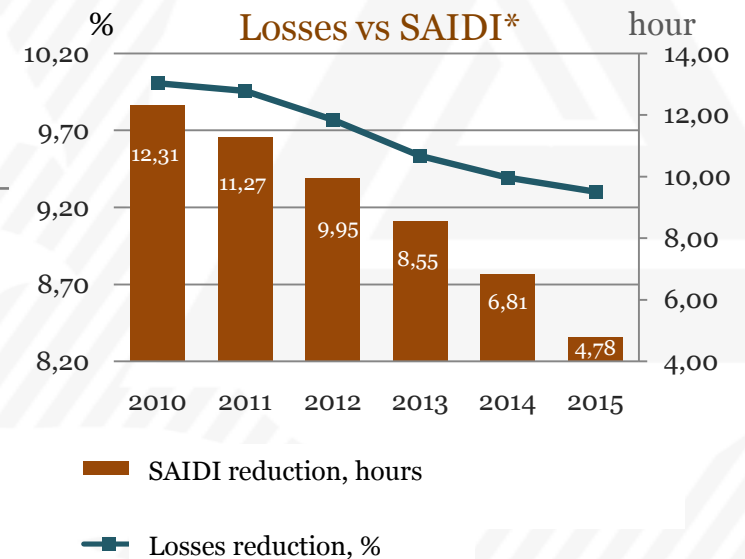
* - 100% subsidiary of IDGC of Center

** - including investments, return and retirement

Year	kW. (th)	%	Chng, p.p.
2006	6,238	10,35	
2007	5,932	9,52	(0,83)
2008	5,875	9,40	(0,12)
2009	5,977	10,11	0,71
2010	6, 233	10,01	(0,10)
2011П	6,178	9,96	(0,04)



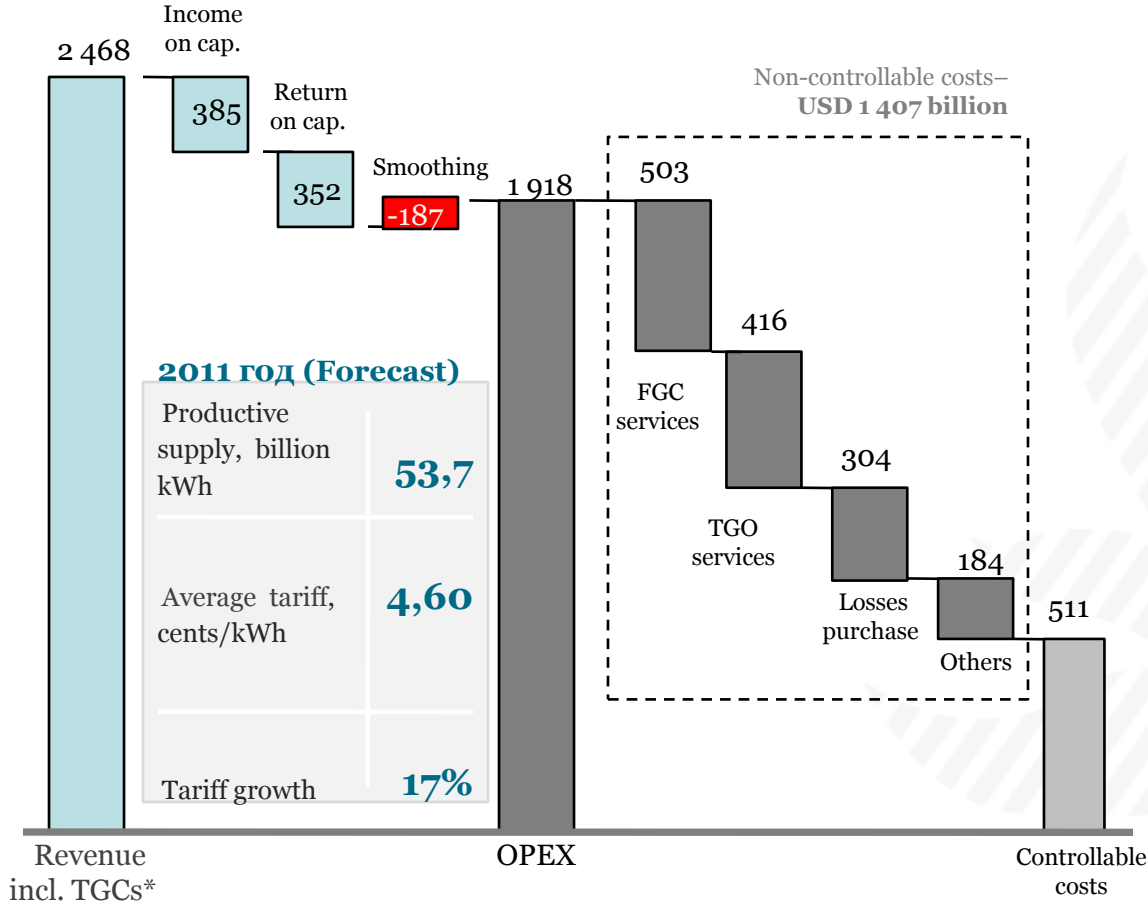
- **Losses reduction – priority target for management**
- Renovation program and modern account systems implementation will allow to reduce losses by 1% and SAIDI by 7,53 hours by 2015.



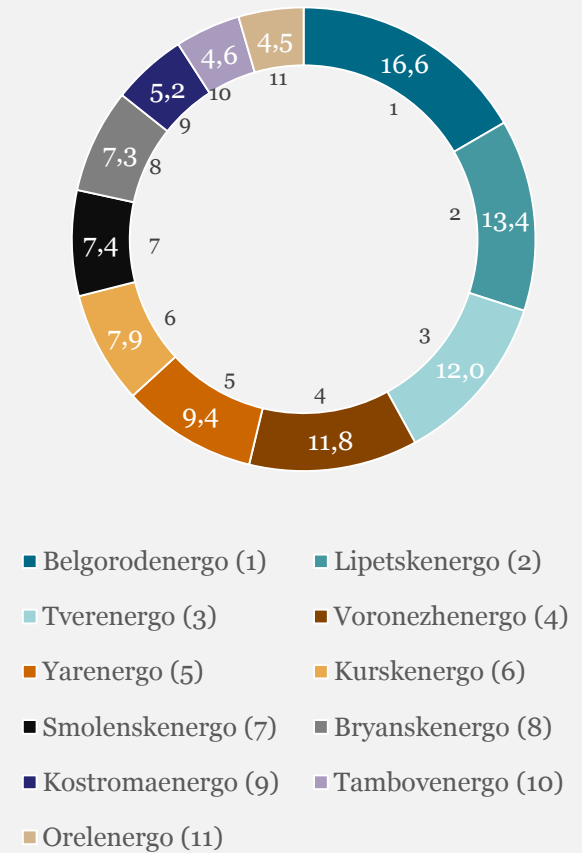
* System Average Interruption Duration Index

Required Gross Revenue structure*** and structure of operating expenditures

USD billion



RGR structure***

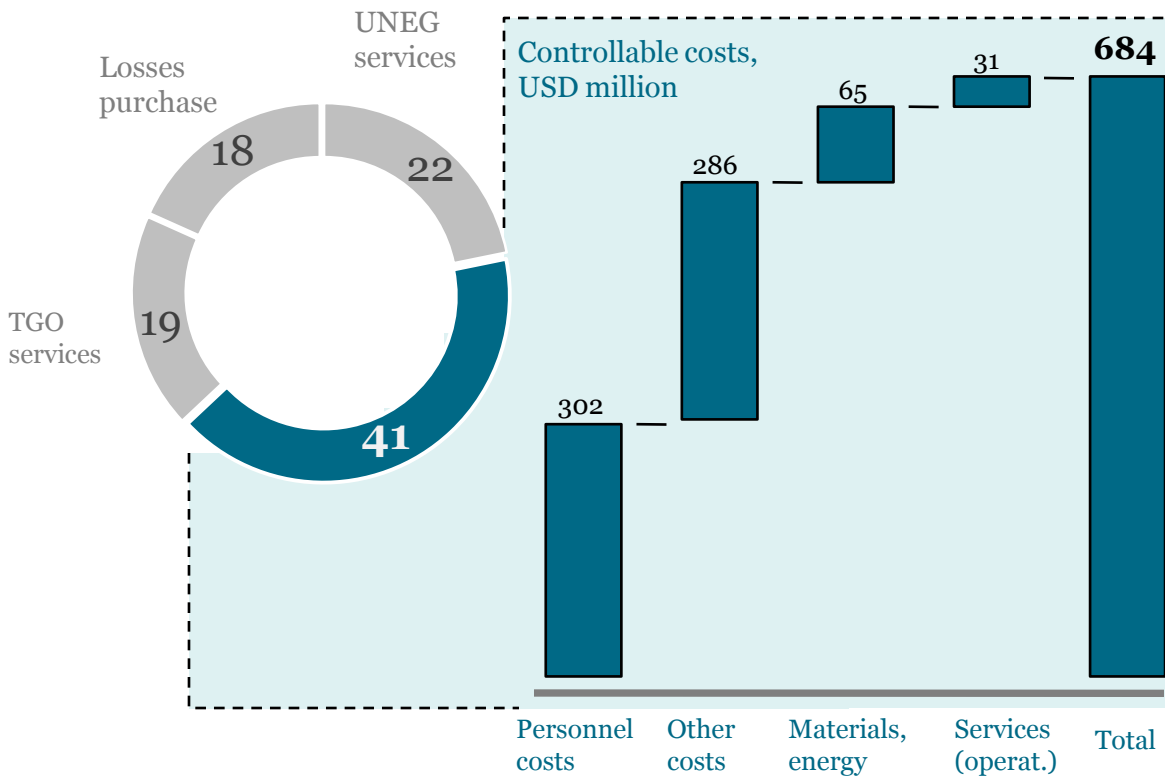


* - RGR due to tariff campaign in 2010, exc. corrections on Kurskenergo 2011

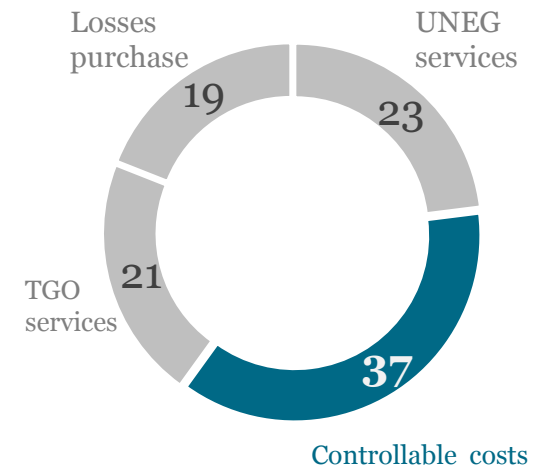
** - Due to tariff campaign in 2010

*** - exc. YAGES

Costs structure of electricity transmission, 2010, (%)



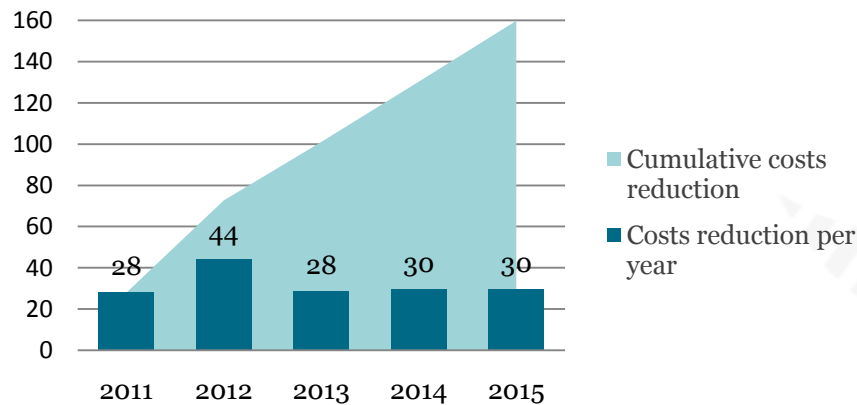
Costs structure of electricity transmission, 2011F, (%)



Company plans to optimize controllable costs in costs structure of operating activities **by 4% in 2011**

Activities on OPEX optimization	Costs reduction, USD million	%
Tax base optimization due to the law	9,3	33,5%
Involvement of debt at a minimum interest rate	7,7	27,8%
Personnel optimization and reducing payroll fund	7,3	26,3%
Optimization of reserves for doubtful receivables within tax accounts	2,5	8,8%
Realization of non-core assets	0,6	2,3%
Transport services optimization	0,4	1,4%
Total:	27,9	100,0%

Costs reduction as a result of activities* on 2011-2015, USD million



* - inc. activities on OPEX optimization due to inner sources only

** - reduction in specific costs (OPEX) снижение удельных затрат (OPEX) per 1 cu volume of repair and maintenance

- Company also develop the activities for reaching the operating efficiency within optimizing the technical policy and reducing risks;
- As a result of all these activities the Company plans to reduce specific costs by USD 0,06 thousand/1 cu** by 2015, to reduce losses by 1% by 2015 and reduce SAIDI by 7,53 h.;
- Realization of these activities will allow to increase energy efficiency, reliability of energy supply, to optimize operating costs within RAB transition/

THANK YOU FOR YOUR ATTENTION

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Tickers:

MICEX: MRKC

RTS: MRKC, MRKCG

Tariffs on electricity transmission 2010-2011

Average tariffs on electricity transmission services, cents/kWh

Branch	2010*г.	2011*г.
Belgorodenergo	3,30	4,27
Bryanskenergo	4,30	5,29
Voronezhenergo	3,37	4,61
Kostromaenergo	4,30	5,37
Kurskenergo	3,25	4,15
Lipetskenergo	3,65	4,59
Orelenergo	4,63	5,74
Smolenskenergo	4,08	5,22
Tambovenergo	3,57	4,39
Tverenergo	5,07	7,15
Yarenergo	2,84	4,07

Average tariffs on electricity transmission services exc. costs of neighbor TGOs, cents/kWh

Branch	2010 г.	2011 г.
Belgorodenergo	3,26	4,22
Bryanskenergo	2,76	3,39
Voronezhenergo	2,36	3,12
Kostromaenergo	4,16	5,14
Kurskenergo	2,17	3,19
Lipetskenergo	3,02	3,82
Orelenergo	3,56	4,51
Smolenskenergo	3,88	4,92
Tambovenergo	2,34	2,99
Tverenergo	3,97	5,12
Yarenergo	1,99	3,06

* Tariffs include costs of neighbor Territorial Grid Organizations and include preliminary corrections on Kurskenergo in 2011

Average tariffs (on 20.04.11) on connection services, USD/kWh

Branch	2010 r. tariff exc. VAT	2011 r.*, tariff exc. VAT
Belgorodenergo	18,63	21,17
Bryanskenergo	294,01	102,35
Voronezhenergo	594,04	361,42
Kostromaenergo	328,91	223,46
Kurskenergo	321,63	92,56
Lipetskenergo	243,44	224,45
Orelenergo	296,38	113,09
Smolenskenergo	184,98	3,03
Tambovenergo	100,31	107,31
Tverenergo	338,12	361,73
Yarenergo	339,84	344,33
Average	242,06	159,89

* Tambovenergo, Tverenergo filled the tariff applications for setting tariffs on connection services (expected to be approved).

Tambovenergo – current tariff on connection services valid to 01.06.2011

	Capacity		Line length	
	SS 35-110 kV, MWA	TS 6-35/0,4 kV, MWA	AL 35-110 kV, Grid 0,4-10 kV, km	km
IDGC of Center	31 403,9	15 191,8	51 801,9	322 478,8
Belgorodenergo	2 684,3	2 907,5	4 212,9	38 970,9
Bryanskenergo	2 296,8	735,5	3 514,2	21 935,4
Voronezhenergo	4 555,2	1 610,3	6 798,3	43 948,1
Kostromaenergo	1 707,0	1 436,4	4 304,5	20 813,6
Kurskenergo	3 335,1	1 481,4	4 719,7	29 693,1
Lipetskenergo	2 665,0	1 035,7	3 836,6	23 680,8
Orelenergo	1 707,5	797,9	3 082,2	24 712,6
Smolenskenergo	3 071,6	1 792,8	6 321,5	33 667,9
Tambovenergo	2 471,1	935,7	4 951,3	22 966,5
Tverenergo	3 966,9	1 478,1	6 925,8	39 217,8
Yarenergo	2 943,4	980,5	3 134,9	22 872,1