



IR PRESENTATION

**IDGC OF CENTRE**

## Key strategic priorities for 2011-2015, financial results for 2010 & 1H 2011 (IFRS)

8<sup>th</sup> Annual Emerging European Investment Conference  
London, September 7-8 2011





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I.

Key strategic priorities for 2011-2015

Chief Executive Officer – **Dmitry Gudzhoyan**



### 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

Service area—  
**458 000**  
 km<sup>2</sup>  
 15% of the  
 Russian  
 population



	<b>2010</b>
MCap, <i>RUR billion</i> <i>as at September 02, 2011</i>	36
Revenue (IFRS) <i>RUR billion</i>	61
Length of lines, <i>km thousand*</i>	365
Substation capacity, <i>MVA</i>	
35-110 kV	31 404
6-10/0.4 kV	15 192
Staff number	30 906
Number of shareholders**	16 775

**The Company is a monopolist –  
 tariffs are regulated by the State**

\* - overhead power lines 0.4-110 kV

\*\* - as at 12.05.2011 – the date of registry closed



09.2010

11.2010

12.2010

01.2011

06.2011

08.2011

12.2004 – 2009



Board of directors approved the Regulations on the dividend policy based on a system executing a set of criteria

### December '04

As part of RAO UES reforming IDGC of Centre and North Caucasus had been registered for RGC integration

### April '07

The final structure of the Company had been accepted, including 11 regional grid companies of central Russia (the decision of The board of directors of RAO UES)

March '08 Affiliation of RGCs

May '08 Listing on MICEX and RTS

5 years RAB tariff system had been adopted in Orelenergo and Bryanskenergo iRAB amounts USD 3.9 billion (RUR 118 bln)

The first stage of Smart Grid program is completed in Belgorod

The company acquired 100% of Yargorelectroset, the share of IDGC of Centre in regional grid assets increased to 90%

Successful implementation of the business plan and the investment program for 2010, the actual volume of CAPEX amounted to 103% of the plan – USD 401 million (RUR 12 billion)

5 years RAB tariff system adopted in Kostromaenergo, Tambovenergo, Voronezhenergo, Smolenskenergo and Yargorelectroset

The AGSM approved USD 20.1 million (RUR 611 million) of dividend payment (the pay-out ratio – 12.6%). The Company fulfilled its obligations to pay dividends on 17.08.2011

Company stocks moved across to MICEX quotation list A2. Company confirmed 7+ rating of corporate governance (on the national scale) the highest among all IDGCs.

Company reported 1H2011 IFRS financials, demonstrating material growth throughout the reporting period across key financial indicators



Consolidation of power grid assets

1

Improvement of quality and reliability of customer services

2

Improving the efficiency of operating activities

3

Consolidation of TGCs and abandoned power grids in regions

- Management of inefficient owners' power grids
- Settlement of the "last mile" and the tariff rates growth in the regions of TGCs
- Reliable sources of technical and commercial losses calculation system established
- Replacement of lines and transformers on the basis of economic expediency
- Implementation of the innovative projects (smart grid, smart metering)
- Increasing of the reliability indicators (SAIDI, SAIFI)
- Working in accordance with the RAB methodology
- Assets management program (unified technical policy)
- Improving the procurement process
- Optimization of the management structure

### Improvement of the Company's equity story

- Shareholder value growth through meeting strategic goals 1-3;
  - Share liquidity program implementation;
  - Possible privatization in 2013-2014



**Russian Federation**

↓ 53.69%

**IDGC Holding**

↓ 50.23%

**Minor shareholders**

↓ 49.77%\*

Group of companies

**IDGC of Center, JSC**

*Subsidiaries – 100%*

11 operating business units

**Energetik, JSC**

51%

**YarESK, JSC**

**-November 11, 2009**

Energetik, JSC acquired the controlling stake of YarESK, JSC, which is target company for consolidation of power grid assets in Yaroslavl region

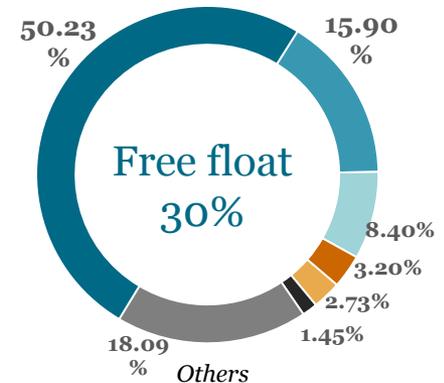
**Yargorelectroset, JSC**

Yargorelectroset, JSC is 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 power grid assets in the Yaroslavl region

**Energy service company, JSC**

The main activities are providing saving energy services, energy efficiency

**Share capital structure, %**



- IDGC Holding, JSC
- Jamica Limited
- The Bank of New York Mellon
- Immenso Enterprises Limited
- Energosoyuz Holdings Limited
- Rusenergo Fund Limited

\* - including the State share 0.46%



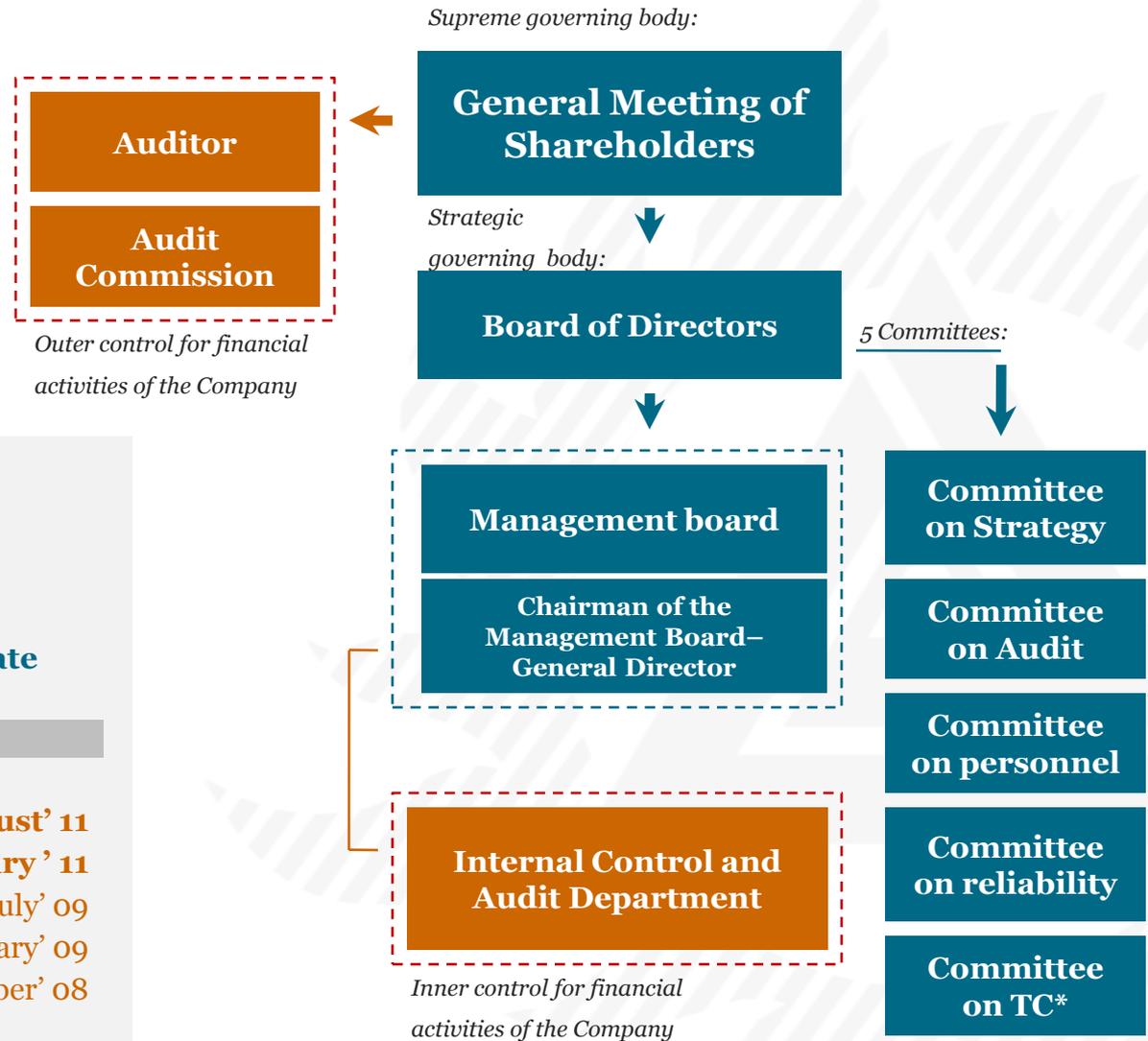
Developed corporate governance practice, leading position among IDGCs -



**History of IDGC of Center corporate rating on the national scale**

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

\*\* National rating of corporate governance

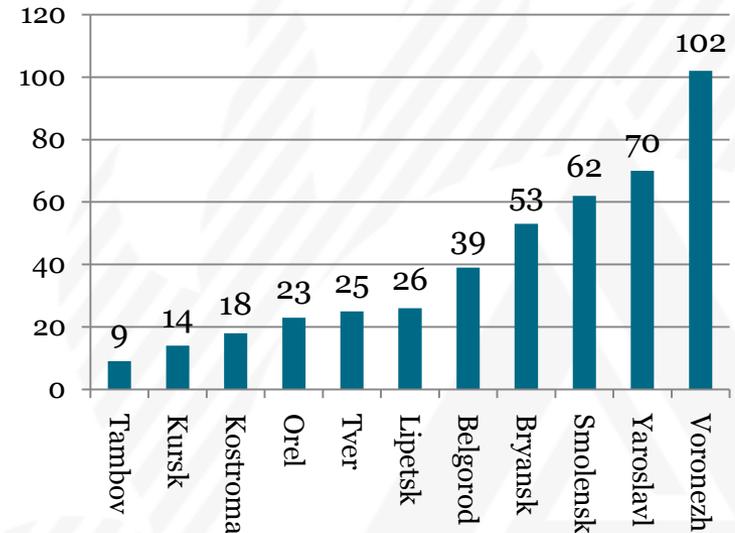


\* - technological connection



TGCs in IDGC of Centre service area

**Amount of other TGCs = 441**



- **The other TGCs’ average share in revenue in IDGC of Centre service areas – 20%;**
- **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 by 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 power distribution sales market
  - improving the quality of customer service
  - balancing the tariff on power distribution

**Share of the Company in the power transmission market, 2007-2015F**

	2007	2008	2009	2010	2015F
Market share in terms of money	<b>83%</b>	<b>83.6%</b>	<b>83.8%</b>	<b>84%</b>	<b>97%</b>



### Target/ Program

- Providing monopoly on power grid services market in the regions of presence with more than 97% share;
- 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

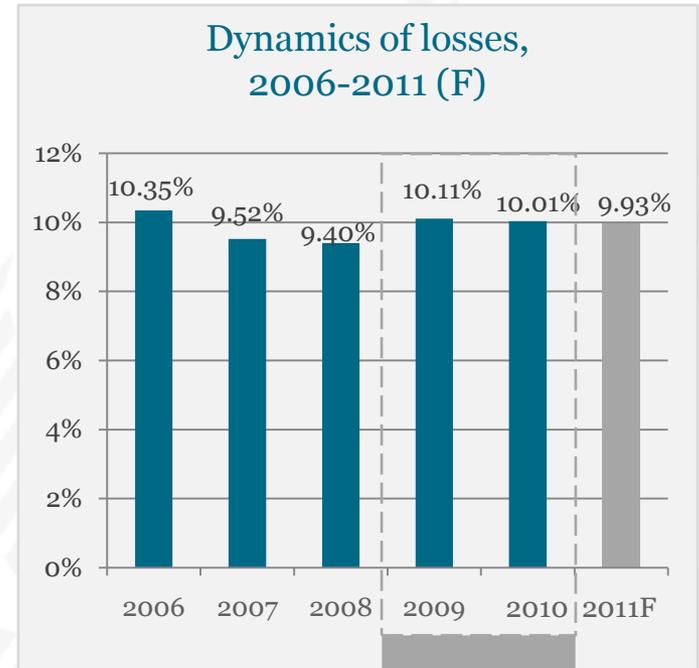
- Company consolidates the assets primarily in 3 ways: acquisition of power grid, long term property rent, purchase of shares of power grid companies;
- The basic advantages of consolidation are as follows: implementation of a unified technical policy, the development of a unified scheme of long-term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

### Plans for 2011-2015

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



Year	Output kW (thousand)	%	Change, 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	6 230	10.01	(0.10)
2011F	6 237	9.93	(0.08)



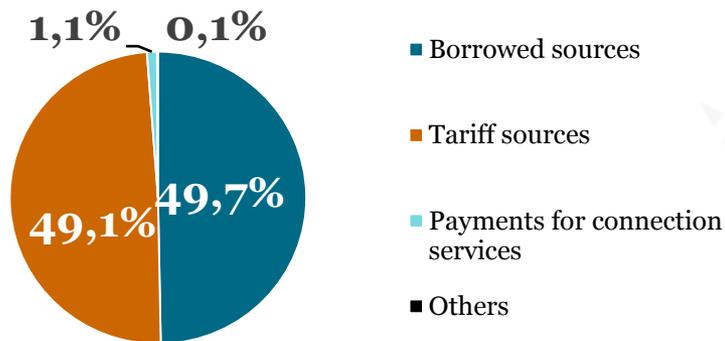
- **Reduction of losses – the priority target for the management**
- Implementation of renovation program and modern metering systems will allow IDGC to reduce losses by 1% by 2015

*Increase of losses was a result of implementation of integration program, introduction of common technical requirements for all subsidiaries will allow to reduce losses!*

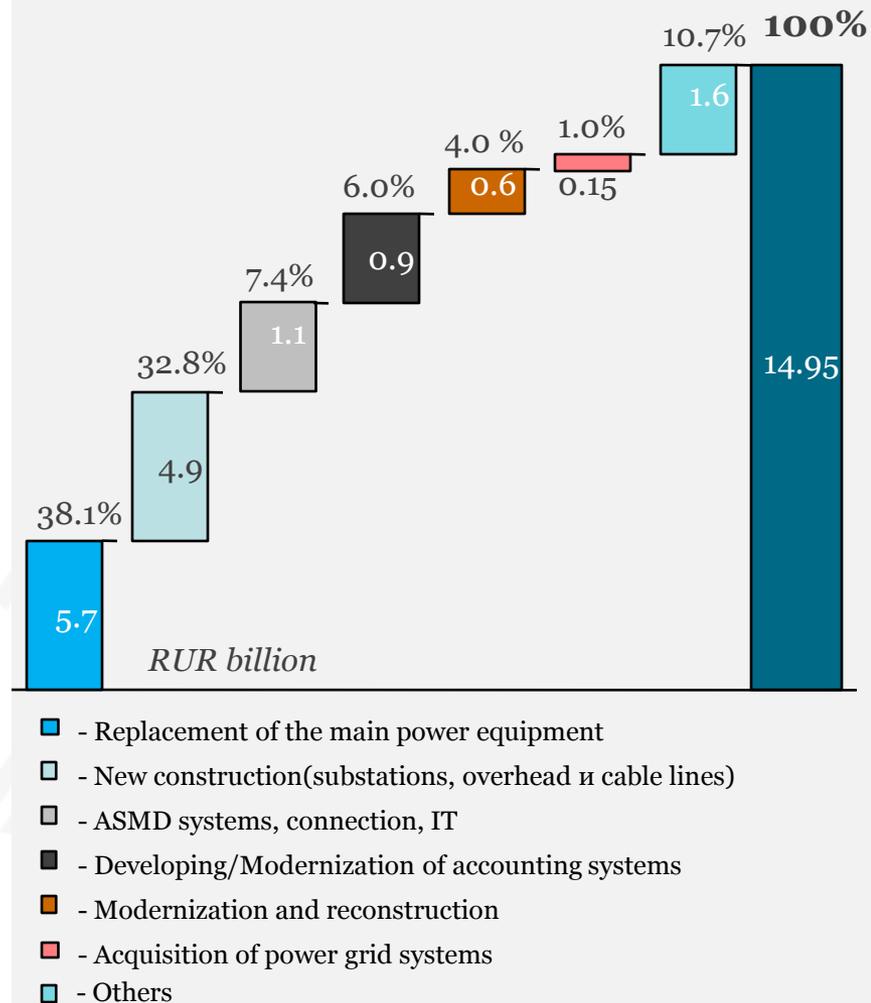


Year	Development, RUR billion	Commissioning, RUR billion
2011F	14.95	15.68
2012F	17.58	18.84
2013F	20.82	20.82
2014F	23.92	23.93
2015F	24.57	24.15

### Sources of finance in 2011



### Uses of CAPEX in 2011



\* - in accordance with the adjusted IP, planned for approval in September, 2011



## The development of energy-saving technologies – Energy Service Company, JSC

The Program of the RF Government - "Energy-saving and enhancement of power efficiency for the period up to 2020"



Share in the authorized capital -100%

### Energy Service Company, JSC

#### Key goals of establishment

1

- Diversification of the Company's operations, strengthening its market positions, increase of revenues;

2

- Formation of the competence center for the implementation of measures for energy-saving and power efficiency based on Energy Service Company (design and construction of facilities using energy-efficient technologies);

3

- Formation of the resource base of highly qualified personnel and technology for implementation of the repair program and the program of energy-saving and power efficiency of IDGC of Centre.

#### Key tasks

- Conducting energy audits, evaluation and reduction of energy losses of consumers;
- Implementation of service and maintenance functions to ensure stable and reliable operation of power facilities;
- Work on the analysis of new projects and existing utility systems and equipment (expert review);
- Development of design and estimate documentation and its coordination (examination) in the supervisory bodies;
- The activities within energy service contracts.



### 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 RAB - **USD 4.0 billion** (RUR 121 billion as at 01.01.2011)
- 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)

### Prospects of growth

- **Investment history of distribution grid complex attracts high attention of analysts and investors:**
  - on 21.06.2011 Annual General Meeting of Shareholders approved dividend payments for 2010 in amount of USD 20.05 million (RUR 610 million)
  - sector is significantly **undervalued as compared to foreign peers**



## II.

Financial results for 2010 & 1H2011 (IFRS)

Chief Financial Officer - **Konstantin Orlov**



**Key indicators 2008-2010 and 1H2011 (IFRS)**

<i>RUR billion</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>CAGR</i>
<b>Revenue</b>	43.7	49.3	60.6	17.8%
Revenue growth		12.8%	22.9%	
<b>EBITDA</b>	8.8	8.6	12.4	18.7%
<i>EBITDA margin</i>	20.2%	17.4%	20.5%	
<b>Net Income</b>	2.8	2.1	5.1	35.0%
<i>Net margin</i>	6.4%	4.3%	8.4%	
<b>Net Debt</b>	9.3	10.8	14.7	25.6%
<b>Net Debt/EBITDA</b>	1.1	1.3	1.2	5.8%

*Sources: Company's data, KPMG auditor*

<i>1H2010</i>	<i>1H2011</i>	<i>Growth, %</i>
29.5	<b>35.2</b>	19.2%
28.6	<b>33.6</b>	17.6%
5.7	<b>8.6</b>	49.9%
19.3%	24.3%	5 p.p.
2.3	<b>3.8</b>	63.7%
7.9%	10.9%	3 p.p.
14.7	<b>11.4</b>	-22.4%

*Sources: Company's data*

**Key operating drivers in 1H2011:**

**•The control for final commercial and procurement procedures**

- The economy on procurement for 1H2011 amounts about RUR 1.9 billion (about 14% of all procurement procedures)

**• Staff optimization**

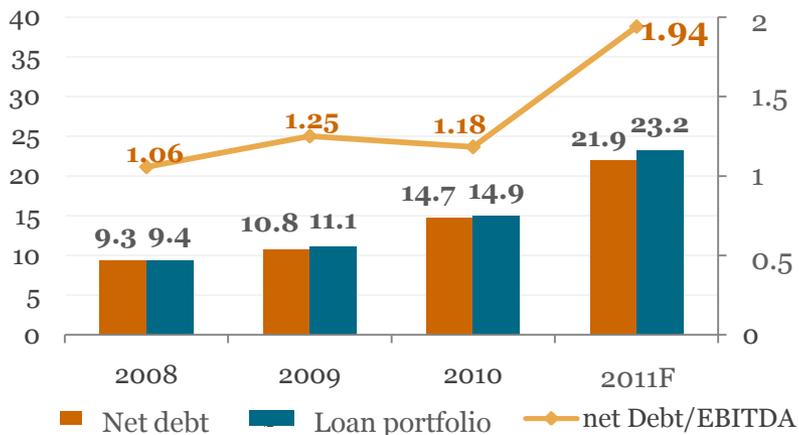
- The number of employees reduced by 148 in 1H2011

**•The conclusion of the single contract between FGC UES and IDGC of Centre**

- In April 2011 the working group between UES FGC and IDGC of Centre was created – the single contract on providing the services has been concluded. The principle advantage is that the payment for the services provided is based on balanced capacity. The estimated economical effect is about RUR 1.4 billion per year of reducing the tariff

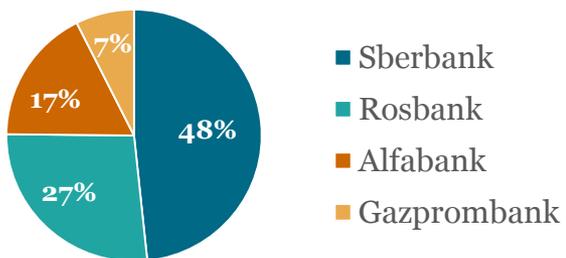


## Net debt/EBITDA, RUR billion



## Recommended ratio Net Debt/EBITDA = 3

### Structure of loan portfolio (%), 2011



## Credit rating history

### History of IDGC of Centre credit rating

**Standard&Poor's**

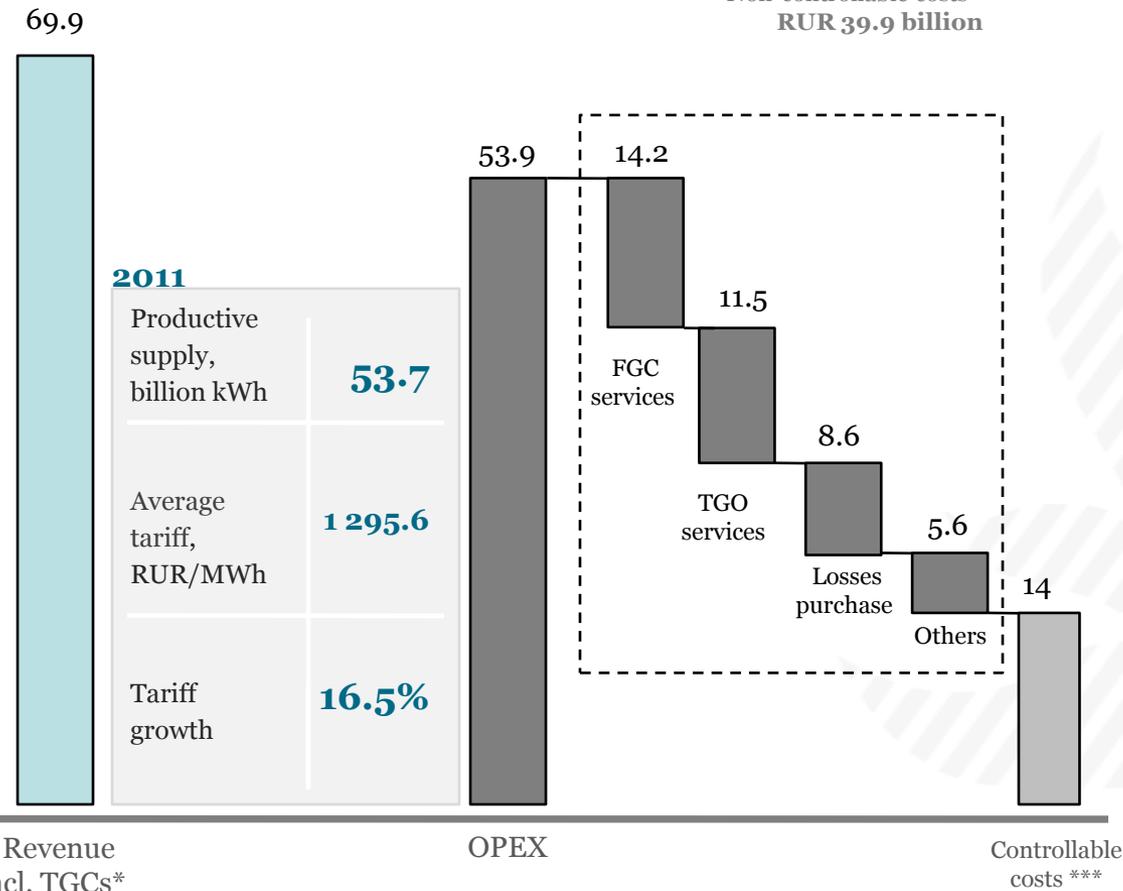
<b>Confirmed</b>	<b>February'11</b>
Confirmed	July '10
Assigned	November'09
NRA*	
<b>Upgraded to AA-</b>	<b>December '10</b>
Confirmed	October'10
Confirmed	September'09
Upgraded (level A+)	September'08
Upgraded (level A)	August'07

\* National Rating Agency

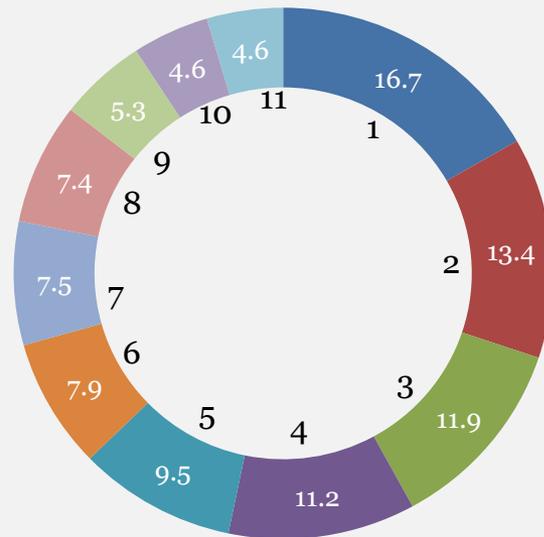


RUR billion

Non-controllable costs –  
RUR 39.9 billion



**Required gross revenue structure, %**

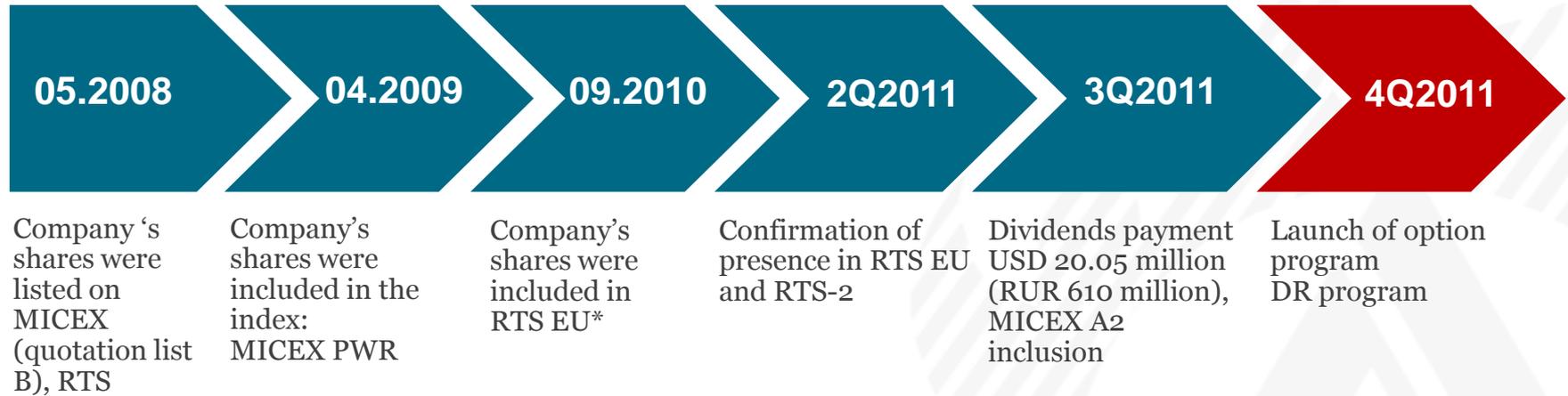


- Belgorod (1)
- Voronezh (3)
- Yaroslavl (5)
- Bryansk (7)
- Kostroma (9)
- Orel (11)
- Lipetsk (2)
- Tver (4)
- Kursk (6)
- Smolensk (8)
- Tambov (10)

\* - RGR due to the Tariff Balanced Solutions as on 01.08.2011  
 \*\* - exc. Yargorelectroset  
 \*\*\* - Controllable costs within OPEX



# IDGC OF CENTRE Stock performance and liquidity increase



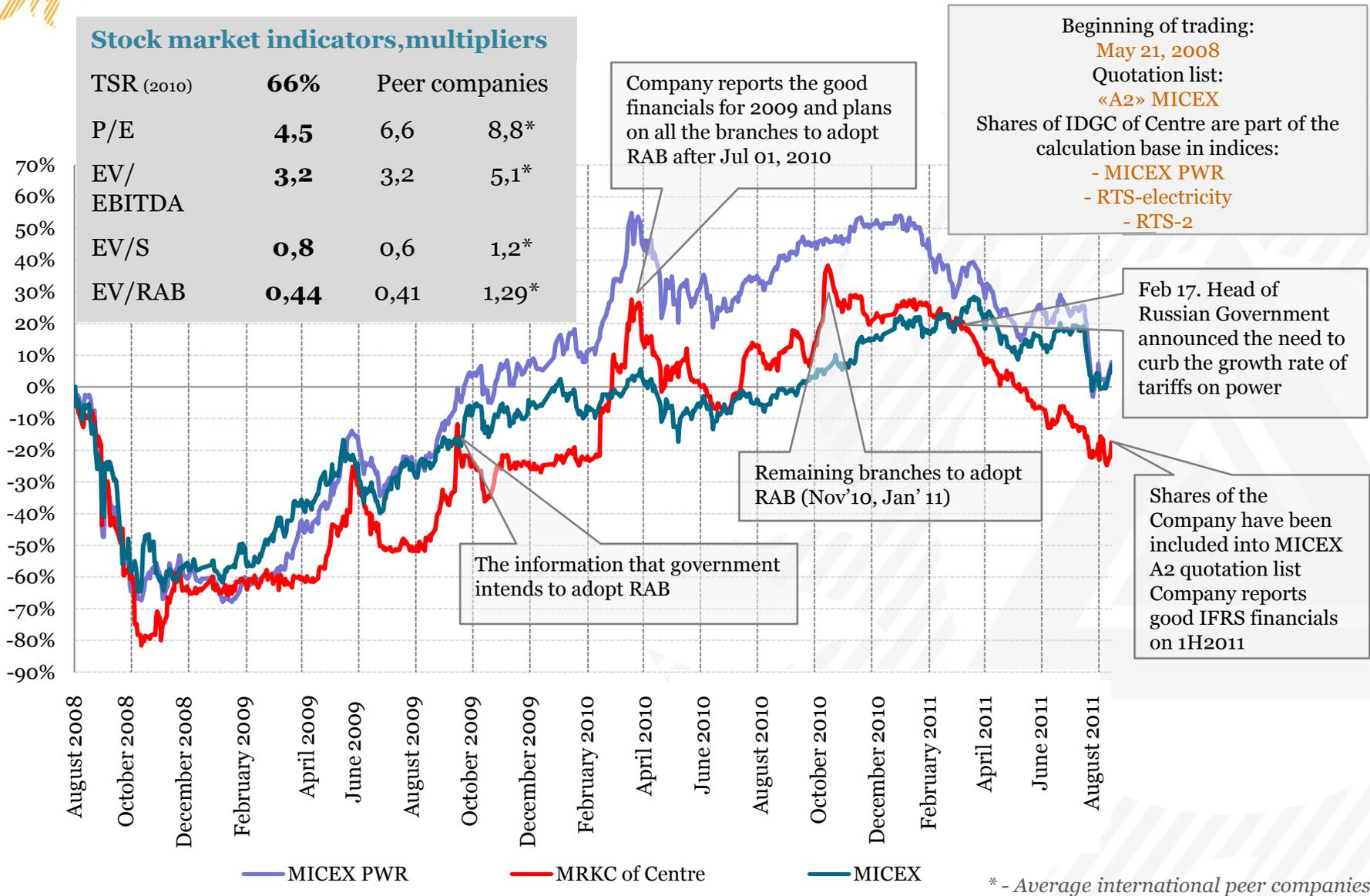
Dividends for 2010:	
Total (RUR million)	610.9
Net profit share	12.6%
Dividend yield	1.37%

## Company's priorities for the stock performance improvement:

- Stable dividend policy
- Quotation list update (MICEX A1)
- Depository receipts launching
- Inclusion in international indexes

■ - forecast

\* - RTS energy utilities



\* - Average international peer companies



## THANK YOU FOR YOUR ATTENTION!

IR specialists will provide you with any additional information upon your request:

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Tickers:

MICEX: MRKC

RTS: MRKC, MRKCG



# APPENDIX



Date of transition

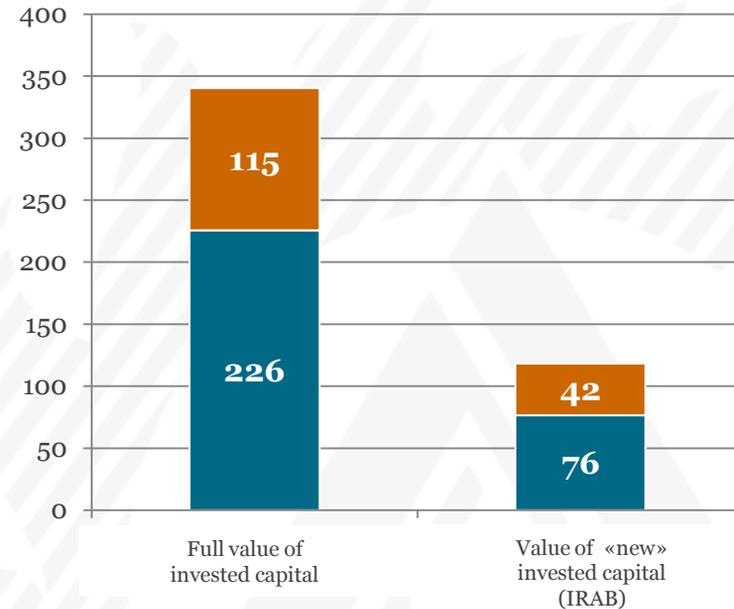
Subsidiaries

Total value of invested capital  
RUR million

IRAB,  
RUR million

Full value of IC and iRAB

Date of transition	Subsidiaries	Total value of invested capital RUR million	IRAB, RUR million
from 01.01.2009	Belgorodenergo	50 609	19 930
	Lipetskenergo	25 726	10 030
	Tverenergo	55 276	14 366
from 01.01.2010	Kurskenergo	30 782	10 802
	Yarenergo	21 586	8 968
from 01.11.2010	Bryanskenergo	20 045	5 989
	Orelenergo	21 571	6 407
from 01.01.2011	Kostromaenergo	17 058	7 603
	Tambovenergo	18 609	5 515
	Voronezhenergo	38 110	12 650
	Smolenskenergo	37 041	13 735
	Yargorelectroset*	3 969	2 168
	<b>Total</b>	<b>340 382</b>	<b>118 162</b>



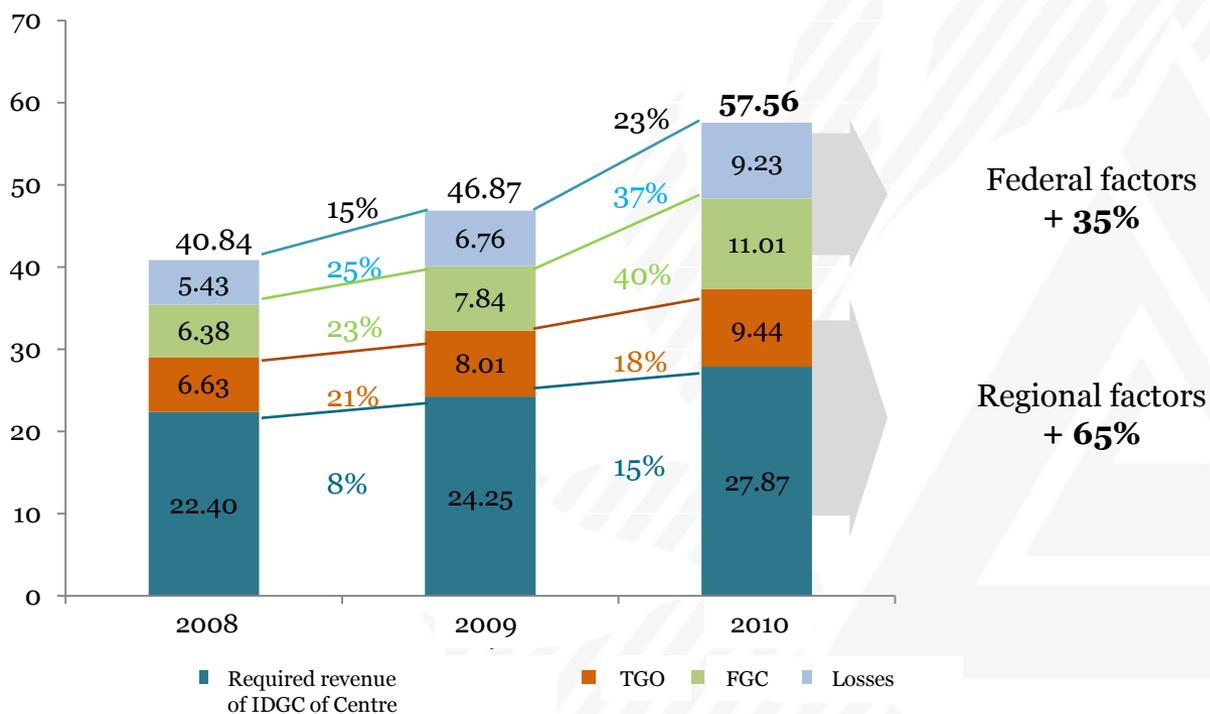
- RAB subsidiaries after 01.01.2011
- RAB subsidiaries before 01.01.2011

Approved iRAB on subsidiaries –  
**USD 3.9 billion**  
**(RUR 118 billion)\***

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

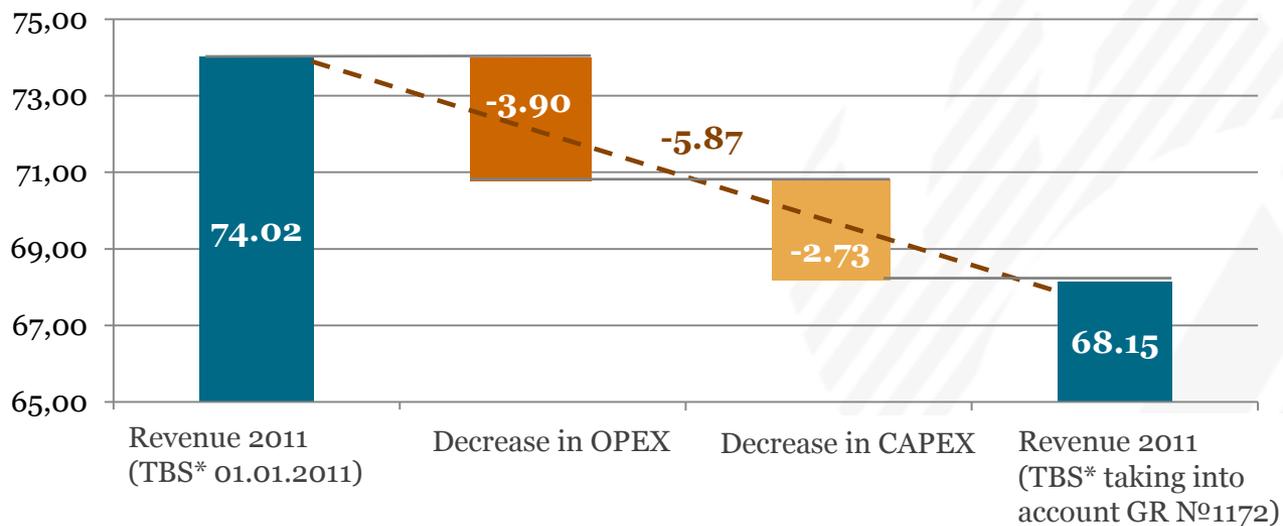


### Revenue dynamics by power distribution tariff 2008-2010, RUR billion





**Decrease in RGR in accordance to Government Regulation №1172 offset by lower costs in 2011**

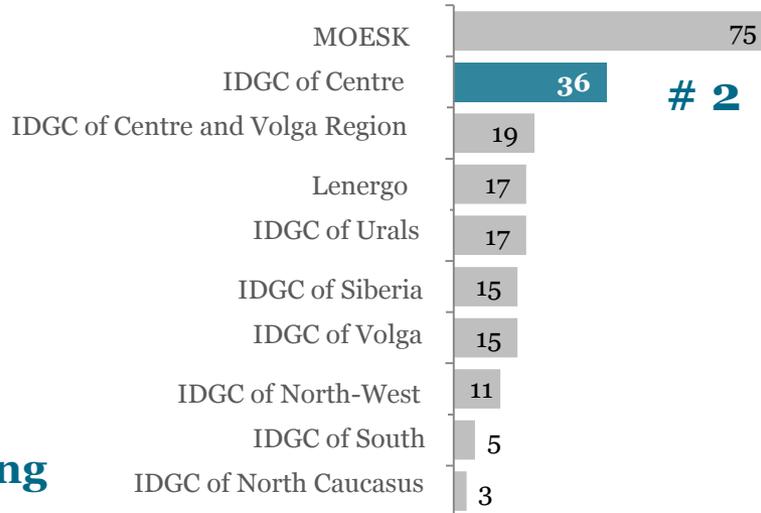


Figures	Revenue from services	OPEX	CAPEX
<b>2011</b> (TBS* 01.01.2011)	<b>74.02</b>	<b>68.77</b>	<b>17.68</b>
<b>2011</b> (TBS* taking into account GR №1172)	<b>68.15</b>	<b>64.87</b>	<b>14.95</b>
<b>Absolute CHNG</b>	<b>-5.87</b>	<b>-3.90</b>	<b>-2.73</b>

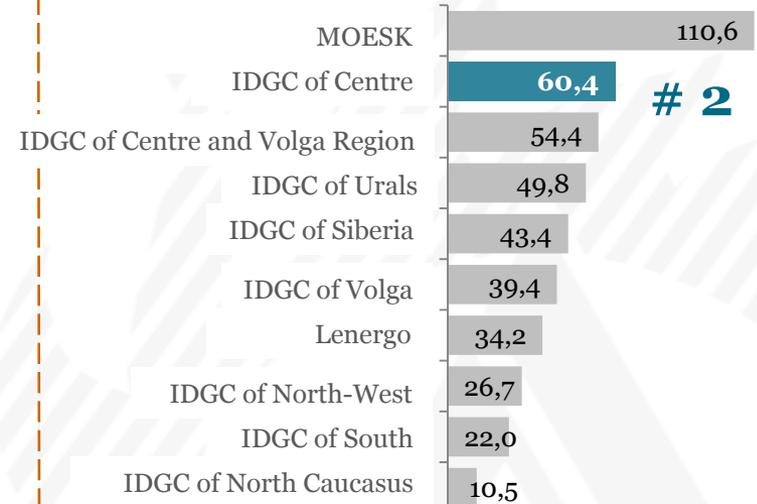
\*Tariff Balanced Solutions

**Company  
obtains leading  
positions  
among IDGCs**

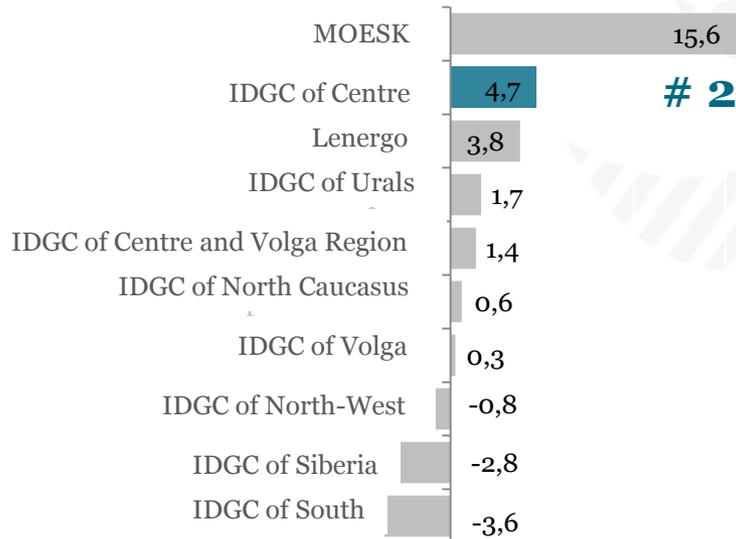
### MCap, RUR billion



### Revenue, RUR billion



### Net profit, RUR billion



### RAB, RUR billion

