

UPDATE

# Russian Grid Sector

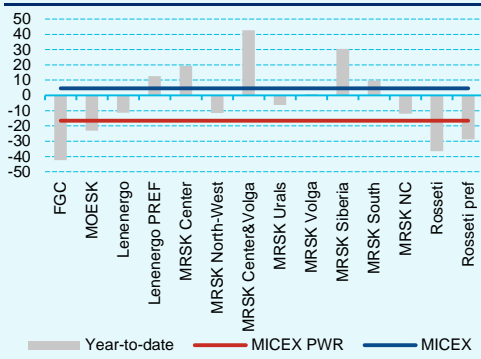
We remain neutral despite MRSKs' slight outperformance

## Sector ratings

Company	Rating		TP		Upside
	Old	New	New	Chg	
FGC	HOLD	HOLD	0.06	-15%	18%
MOESK	BUY	HOLD	0.94	-36%	-12%
Lenenergo	HOLD	HOLD	2.51	-1%	16%
Lenenergo PREF	HOLD	HOLD	14.9	-5%	15%
MRSK Center	HOLD	HOLD	0.28	-2%	8%
MRSK North-West	HOLD	HOLD	0.03	0%	11%
MRSK Center&Volga	HOLD	BUY	0.16	27%	63%
MRSK Urals	SELL	HOLD	0.06	34%	1%
MRSK Volga	HOLD	HOLD	0.02	14%	-10%
MRSK Siberia	SELL	SELL	0.04	-1%	-51%
MRSK South	HOLD	HOLD	0.04	12%	5%
Rosseti	HOLD	HOLD	0.53	9%	8%
Rosseti pref	HOLD	HOLD	0.46	8%	-13%

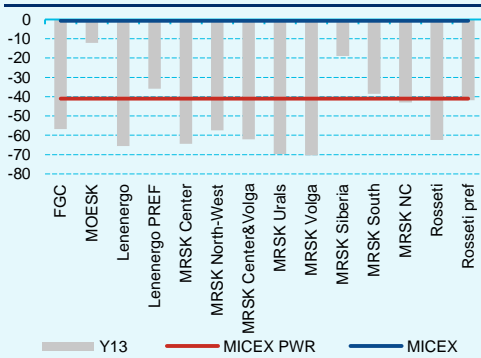
Sources: Bloomberg, Otkritie Capital estimates

## Grid share price performance, Y13



Sources: Bloomberg, Otkritie Capital Research

## Grid share price performance, YtD



Sources: Bloomberg, Otkritie Capital Research

After refreshing our view on the Grid sector following the latest financial releases, and incorporating our updated inflation forecasts and higher WACC assumptions into our models, we have increased our average target price by 4%. Privatisation remains a very potent trigger for the sector, but this is unlikely to happen in the short-to-medium terms, in our view. Meanwhile, we regard the sector regulation as ad-hoc, depriving the companies of long-term predictability and transparency. The MRSK share prices have slightly outperformed the market on average this year, but we see no strong reasons for this and remain neutral on the sector's medium-term prospects. We remain mostly HOLDERS in the stocks, but have upgraded MRSK Center&Volga from HOLD to BUY and MRSK Urals from SELL to HOLD, and downgraded MOESK from BUY to HOLD.

Grid stocks have outperformed the market this year, with no obvious trigger. After a prolonged fall in their share prices in 2012 and 2013, most of the MRSKs have slightly outperformed the market this year, climbing 7% on average vs 5% for the MICEX Index. However, the performances of the largest companies such as Rosseti and FGC have continued to disappoint: Rosseti has declined 36% and FGC has lost 42% YtD. There were no obvious catalysts or changes in the regulatory environment to trigger the MRSKs' slight outperformance, in our view.

We believe the only potent trigger left for the sector is privatisation; however this is unlikely in the short term. The government has dashed all sector privatisation plans over the last few years (though we believe it came very close to the first pilot project at the start of the 2014). However, we believe the government is likely to revisit this idea once the geopolitical and macro environments stabilise (we refer to Putin and Novak's recent remarks on MRSK privatisation as support for this opinion).

Regulatory landscape is unclear, risks remain, ad-hoc regulation is likely to prevail. Despite the government ditching the RAB methodology, limiting tariff growth to forecast inflation, and solving the "last mile" issue, there still remain significant potential risks that could affect the grid companies' revenues, in our view. i) a transfer from "asked" to "actual" capacity for end consumers; ii) lack of clarity over "connection" revenues; and as a result; iii) unclear investment programmes for the sector. The government continues to regulate the sector in an ad-hoc manner, depriving it of long-term transparency and predictability.

We have updated our valuations and ratings, but fail to see anything to excite investors. We have incorporated the companies' latest 1H14 and 9M14 results, our new inflation forecasts and higher WACC assumption into our models. As a result, the average target price has increased 4%, and we have upgraded MRSK Center&Volga from HOLD to BUY and MRSK Urals from SELL to HOLD, while downgrading MOESK from BUY to HOLD. We remain largely neutral on the sector.

\* All price data as of 5 December 2014

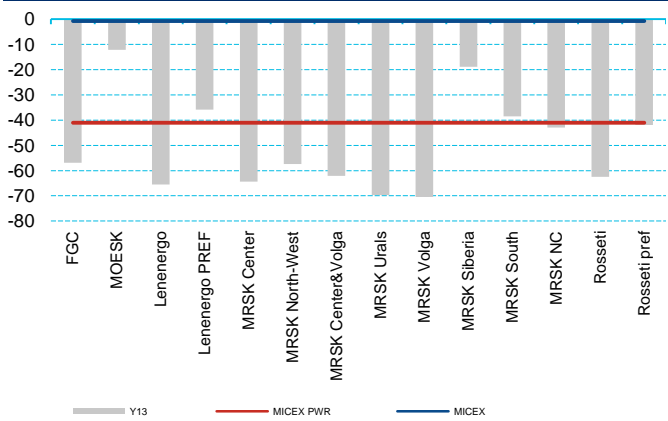
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# Share prices of MRSKs outperform YtD

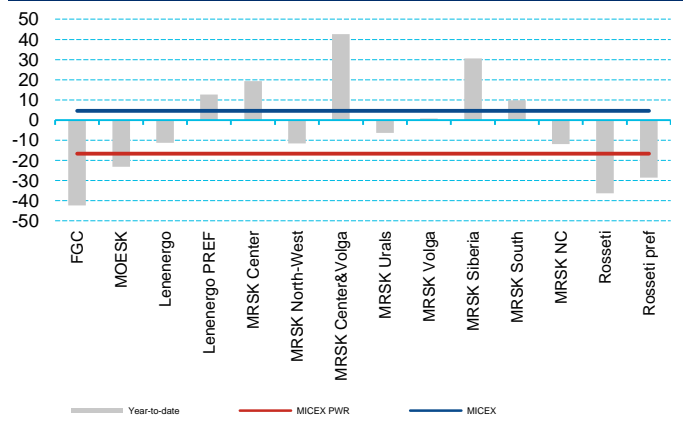
Though Rosseti and FGC continue to disappoint (down 36% and 42% YtD, respectively) the share prices of the MRSKs have recovered from their prolonged slump in 2012 and 2013. The average MRSK share price has risen 7% YtD, with MRSK of Center&Volga (+43%), MRSK of Siberia (+31%), MRSK of Center (+19%), and MRSK of South (+10%) among the top performers. However, MOESK has demonstrated negative dynamics (-23%), underperforming the MICEX Index which has grown just 5% YtD. The MICEX Power Index (which traces utility companies) has showed a more sluggish performance, sliding 17% YtD.

Figure 1. Grid share price performance, Y13



Sources: Bloomberg, Otkritie Capital Research

Figure 2. Grid share price performance, YtD



Sources: Bloomberg, Otkritie Capital Research

## No clear trigger for MRSKs' outperformance

There were no clear triggers for the sector's outperformance, in our view. The sector's dividend yield remains fairly unattractive (3-4% on average), regulation remains ad-hoc, making it almost impossible to predict their medium-to-long term financials, and the privatisation of the MRSKs remains elusive. Nevertheless, some select shares have done well, including MRSK of Siberia, which grew more than 100% (from the stock's bottom in 2013) on rumours of the possible involvement of Chinese investors.

# RUB fall alleviating pressure on electricity tariff growth

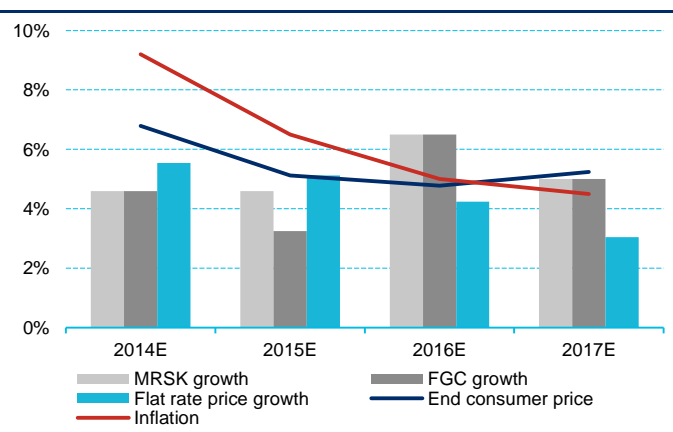
## Russian prices competitive with the EU

The recent devaluation of the RUB has resulted in Russian electricity prices becoming more competitive relative to the European level. We currently estimate that the Russian electricity price for industry is 45% below the average EU price, while household prices are 66% below the EU average. Such significant discounts are likely to alleviate pressure on the government to put further limits on the growth in domestic electricity prices.

## End consumer electricity market price to grow below inflation rate

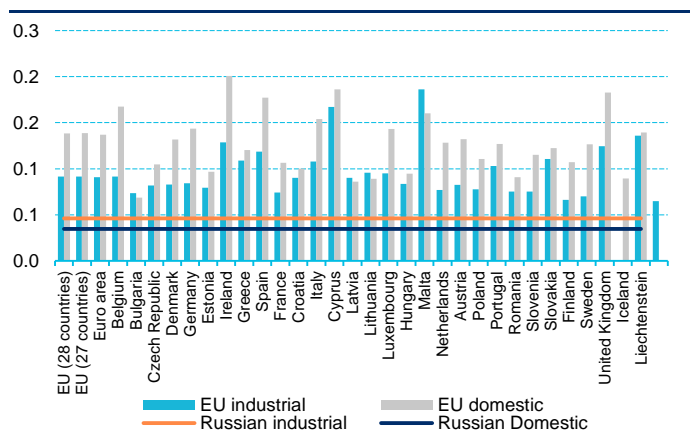
We see the end-consumer price increasing below the inflation rate over the next three years, primarily due to the current excess capacity slowing market electricity price growth. As the end-consumer prices are based on inflation, such dynamics will further ease the pressure on the government to limit end-consumer price growth, and it could give even allow for higher tariff growth in some regions, though we do not see this opportunity being widely utilised.

Figure 3. End consumer electricity price forecast



Sources: Otkritie Capital Research

Figure 4. EU vs Russian electricity price EUR/Mwh



Sources: Eurostat, Otkritie Capital Research

## But pressure on tariff growth does exist, meaning long-term capex could be slashed

Despite the easing of pressure on end-consumer electricity price growth, the current level of domestic electricity prices is still driving industrial consumers to build their own generating units (distributed generation). Recently, for example, Lukoil announced that it might remove its biggest oil processing plant in Nizhegorodsky region from the grid by building its own 200-300MW unit. Moreover, Russia's largest Gencos (including Inter RAO and EoNR) have recently moved into distributed generation, which indicates demand for such services.

As a result, we do not see the government allowing end-consumer electricity tariffs to rise above inflation, which, in turn, would make it more difficult to fund the Grid sector's current long-term investment programme, estimated at c. RUB300bn. We therefore believe that the government is likely to slash the sector's long-term investment programme.

# Regulation and privatisation prospects

## Ad-hoc regulation likely to continue

Over the last year, the government has adopted several positive regulatory decisions in favour of the grid companies. Among them:

- Additional (since January 2015) rise in grid tariffs (up to 7%) in the regions where the 'last mile' has been eliminated;
- Delay in transition to 'actual capacity' (from 'declared capacity') in tariff calculation for FGC from July 2014 to 2015.
- Some indication that the government is ready to address the shortfall in Grid sector revenues due to the low connection tariffs for some categories of end-consumers.

Rosseti estimates that the shortfall in revenue from "last mile" elimination, low connection tariffs and some other regulatory changes could reach RUB600bn for 2015-2017 for the whole sector, which is a very significant number given Rosseti's 2013 revenue was RUB760bn.

Deputy Energy Minister Vyacheslav Kravchenko said recently that this shortfall in revenue stemming from changes in regulation are unlikely to be compensated by the government. The government is likely to opt to changing regulation instead of a compensation mechanism.

The current Grid sector regulation remains ad-hoc, depriving it of long-term predictability and transparency. Moreover, the limitation on tariff growth makes reform of sector regulation problematic, in our view. We are likely to see a reduction in capex instead.

## Privatisation of MRSKs could be decided by YE

The government's position regarding the MRSKs' privatisation could be announced by the end of the year, according to Deputy Energy Minister Vyacheslav Kravchenko. We note that privatisation remains the most potent trigger for the sector, but the government has so far dashed all sector privatisation plans (though we believe it came very close to the first pilot project in early 2014). However, we believe the government has not fully rejected the idea and is likely to return to it once the geopolitical and macro environments have stabilised (Putin and Novak's recent remarks on MRSK privatisation support this opinion).

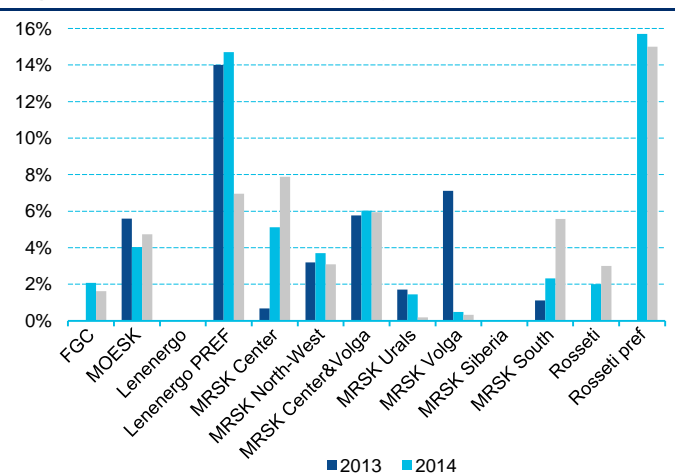
The proposed valuations for M&A deals involving the companies incorporated within TSO (unlisted territorial distribution companies), which are much smaller in size than the MRSKs, imply a large premium to the current market multiples of the MRSKs. This, in our view, indicates that in some cases we could see a significant market premium if privatisation of the MRSKs goes ahead.

# Dividend yields to remain unattractive

FGC and Rosseti did not pay dividends for FY13, while many MRSKs pay out 25% of their RAS Net Income. We estimate the average dividend yield in the MRSK space at around 3.5% for FY14, with some MRSKs paying slightly higher dividends. Moreover, we remain neutral on the prospect of grid companies switching to IFRS-based dividend payments in the short-to-medium term. We see 2016 (dividends for FY15) as the earliest for this transition, and when this happens, we estimate the average sector dividend yield would be 8% at current market prices. However, we don't see a significant rise in the dividend yield even for FY15 (which we estimate at c. 3.4%). Thus, the sector remains unattractive in terms of dividend yield at least for another year we believe.

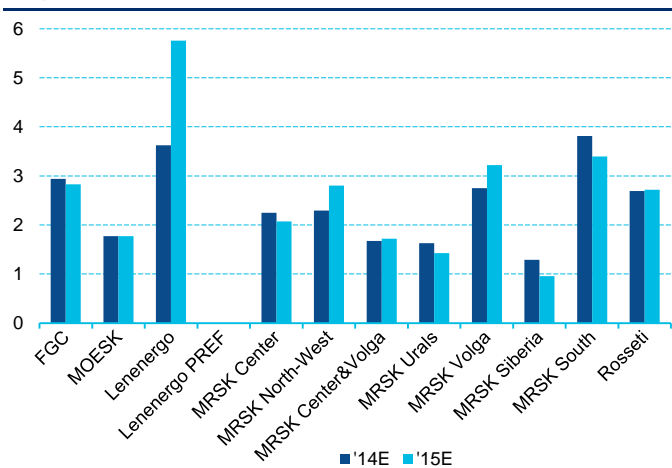
Furthermore, the debt level for the MRSKs should remain in a fairly high (though acceptable) range over the medium term (we estimate Net Debt/EBITDA averaging 2.6x in FY15), which is likely to prevent them from increasing their dividend payouts in the short-to-medium terms.

Figure 5. Forecast dividend yield



Sources: Bloomberg, Otkritie Capital Research

Figure 6. Debt level for the sector



Sources: Bloomberg, Otkritie Capital Research

## Valuation

### We remain neutral on the sector

We have incorporated our new, higher inflation forecasts, the latest 1H14 IFRS, and 9M14 RAS and IFRS results where available, and higher WACC assumptions into our models (we have assumed a WACC of 15% for all MRSKs, 14.5% for MOESK, and 14% for FGC and Rosseti). The increased WACC was due to the worsening long-term predictability and transparency of sector regulation, and as a result, a higher risk component for the companies. We have also incorporated a large rise in the borrowing rate for all players in the sector.

Our higher inflation forecasts assume average inflation of c. 9.2% in FY14, slipping back to 6.5% in FY15, and then to 5%. These forecasts influence our assumptions for grid tariff growth (which is based on inflation).

We have updated our forecasts for the grid companies' investment programmes in 2015-2019, based on the companies' guidance where available.

The above adjustments lead to our average end-2015 target price increasing 4%, with MOESK's target price falling the most, by 36%, while the price for MRSK Urals advances 34%.

**Figure 7. Target prices and ratings of grid sector companies**

Company	Rating		TP		Upside
	Old	New	New	Change	
FGC	HOLD	HOLD	0.06	-15%	18%
MOESK	BUY	HOLD	0.94	-36%	-12%
Lenenergo	HOLD	HOLD	2.51	-1%	16%
Lenenergo PREF	HOLD	HOLD	14.9	-5%	15%
MRSK Center	HOLD	HOLD	0.28	-2%	8%
MRSK North-West	HOLD	HOLD	0.03	0%	11%
MRSK Center&Volga	HOLD	BUY	0.16	27%	63%
MRSK Urals	SELL	HOLD	0.06	34%	1%
MRSK Volga	HOLD	HOLD	0.02	14%	-10%
MRSK Siberia	SELL	SELL	0.04	-1%	-51%
MRSK South	HOLD	HOLD	0.04	12%	5%
Russian Grid (Rosseti)	HOLD	HOLD	0.53	9%	8%
Russian Grid (Rosseti) pref	HOLD	HOLD	0.46	8%	-13%

Sources: Bloomberg, Otkritie Capital Research

We remain neutral on the sector's share price prospects over the short-term as we see no clear catalysts. However, we believe that current market valuations reflect the worst possible scenarios in the sector, and that reasonable dividend yields in some names could prevent the MRSK shares from a deep decline. We therefore remain mostly HOLDERS in the stocks, but have upgraded MRSK Center&Volga from HOLD to BUY and MRSK Urals from SELL to HOLD, and downgraded MOESK from BUY to HOLD.

**Figure 8. Valuation table**

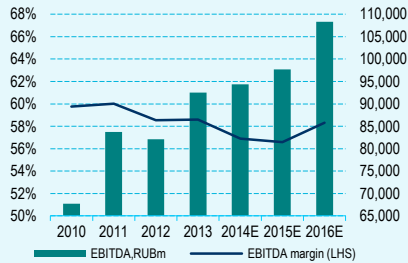
Company	Ticker	Current Price, RUB	Target price, RUB	Upside, %	Rating	Market Cap, \$mn	EV/EBITDA			P/E		
							'13	'14E	'15E	'13	'14E	'15E
FGC	FEES	0.05	0.06	18%	HOLD	1,199.5	3.6	3.6	3.5	nm	2.2	2.8
<b>Foreign peers average for FGC</b>							<b>12.5</b>	<b>9.0</b>	<b>8.6</b>	<b>22.3</b>	<b>13.5</b>	<b>13.2</b>
MOESK	MSRS	1.07	0.94	-12%	HOLD	980.4	2.4	3.1	2.9	2.6	3.9	3.5
Lenenergo	LSNG	2.15	2.51	16%	HOLD	37.6	2.5	3.8	6.0	0.8	0.6	2.7
Lenenergo PREF	LSNGP	12.75	14.9	15%	HOLD		0.0	0.0	0.0	0.0	0.0	0.0
MRSK Center	MRKC	0.26	0.28	8%	HOLD	209.5	3.8	3.0	2.8	41.6	4.2	2.9
MRSK North-West	MRKZ	0.02	0.03	11%	HOLD	44.9	3.8	2.7	3.2	6.1	5.3	6.4
MRSK Center&Volga	MRKP	0.10	0.16	63%	BUY	207.9	2.8	2.7	2.7	6.3	4.1	4.2
MRSK Urals	MRKU	0.06	0.06	1%	HOLD	98.5	2.3	2.4	2.1	nm	nm	22.6
MRSK Volga	MRKV	0.02	0.02	-10%	HOLD	77.3	2.6	3.5	3.8	2.8	8.1	7.5
MRSK Siberia	MRKS	0.09	0.04	-51%	SELL	152.0	3.4	2.4	1.8	nm	5.9	2.7
MRSK South	MRKA	0.03	0.04	5%	HOLD	32.9	4.0	4.2	3.7	9.0	4.3	1.8
Rosseti	MRKH	0.49	0.53	8%	HOLD	1,520.7	2.4	3.1	3.0	nm	1.7	1.8
Rosseti pref	MRKHP	0.53	0.46	-13%	HOLD							
<b>MRSKs average</b>							<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>9.9</b>	<b>4.2</b>	<b>5.6</b>
<b>Foreign peers average for MRSKs</b>							<b>10.7</b>	<b>13.3</b>	<b>11.3</b>	<b>23.7</b>	<b>34</b>	<b>30</b>

Sources: Bloomberg, Otkritie Capital Research

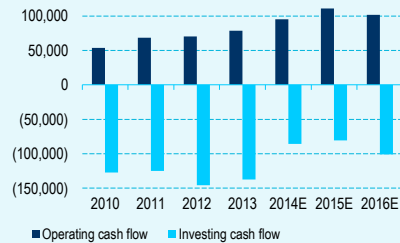
# Financial forecasts

## FGC

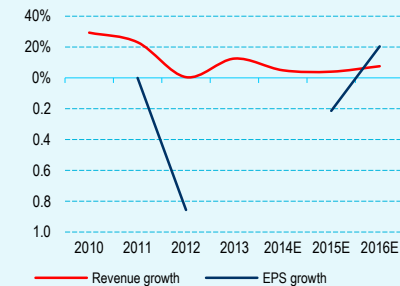
### Profitability



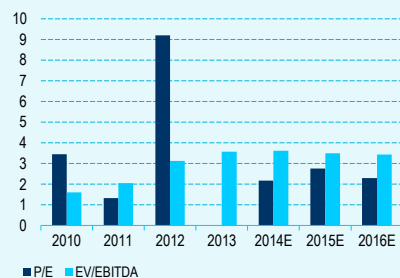
### Cash flows, RUBmn



### Momentum



### Valuation



RUBmn unless otherwise stated

	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	139,571	140,313	157,970	165,839	172,610	185,758
Depreciation	33,187	43,908	56,758	60,525	64,025	68,258
EBITDA	83,760	82,133	92,551	94,353	97,675	108,332
Operating profit (EBIT)	71,837	33,279	(262,546)	33,828	33,650	40,074
Net interest expense	3,679	3,899	1,918	3,408	(4,354)	(4,774)
Non-op. revenue (expenses)	(12,653)	(28,379)	(29,286)	0	0	0
Pretax profit	62,863	8,799	(289,914)	37,236	29,296	35,300
Taxes	13,875	1,756	(55,143)	7,447	5,859	7,060
Minority interest	(1,668)	(240)	(1,670)	212	167	201
Net income	48,988	7,043	(234,771)	29,789	23,437	28,240
<b>Cash flow statement</b>						
Net change in work. cap.	(90,033)	3,249	62,998	(8,495)	(19,095)	(223)
Provisions and write-offs	0	0	0	0	0	0
Other	(2,684)	(37)	10	0	0	0
Operating cashflow	68,645	70,306	78,792	95,400	110,911	101,496
Capex	(153,471)	(150,431)	(122,143)	(113,000)	(105,000)	(127,000)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(124,743)	(145,711)	(137,458)	(85,543)	(80,490)	(101,084)
Equity	2,220	3,247	3,762	0	0	0
Debt	80,105	82,500	110,000	12,412	22,000	38,000
Financing cashflow	68,152	73,834	56,237	(8,741)	(7,330)	6,255
Net change in cash	12,054	(1,571)	(2,429)	1,116	23,090	6,667
<b>Balance sheet</b>						
Cash & equivalents	25,627	24,056	21,627	22,743	45,834	52,501
Current assets	89,171	96,412	122,352	122,102	146,662	157,634
PP&E	980,677	1,096,535	749,710	802,185	843,161	901,903
Goodwill and other assets	93,829	67,294	46,440	45,566	45,566	45,566
Total assets	1,163,677	1,260,241	918,502	969,854	1,035,388	1,105,103
Current liabilities	49,534	73,466	103,817	228,392	260,466	283,368
S-T Debt	2,002	23,218	29,624	145,048	155,684	174,057
L-T Debt	130,778	193,200	257,964	154,952	166,316	185,943
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	897,314	907,063	549,239	578,816	600,746	627,731
Total liabilities & equity	1,163,677	1,260,241	918,502	969,854	1,035,388	1,105,103
Net Debt	107,153	192,362	265,961	277,257	276,166	307,499
<b>Margins and profitability</b>						
EBIT margin	51.5%	23.7%	(166.2%)	20.4%	19.5%	21.6%
EBITDA margin	60.0%	58.5%	58.6%	56.9%	56.6%	58.3%
Net margin	35.1%	5.0%	(148.6%)	18.0%	13.6%	15.2%
ROE	5.5%	0.8%	(42.7%)	5.1%	3.9%	4.5%
ROA	4.2%	0.6%	(25.6%)	3.1%	2.3%	2.6%
ROIC	5.3%	2.3%	(26.5%)	3.8%	3.7%	4.2%
<b>Momentum</b>						
Revenue growth	23%	1%	13%	5%	4%	8%
EBITDA growth	24%	-2%	13%	2%	4%	11%
EPS growth	161%	-86%	n/m	n/m	-21%	20%
<b>Liquidity and solvency</b>						
Cash ratio	0.5	0.3	0.2	0.1	0.2	0.2
Current ratio	1.8	1.3	1.2	0.5	0.6	0.6
Interest coverage	19.5	8.5	(136.9)	9.9	(7.7)	(8.4)
Debt/Equity	0.1	0.2	0.5	0.5	0.5	0.6
Debt/Total assets	0.1	0.2	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.3	2.3	2.9	2.9	2.8	2.8
<b>Valuation</b>						
P/E	1.3	9.2	nm	2.2	2.8	2.3
P/CE	0.8	1.3	nm	0.7	0.7	0.7
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	1.2	1.8	2.1	2.1	2.0	2.0
EV/EBITDA	2.1	3.1	3.6	3.6	3.5	3.4
Dividend yield, (ords)	7.6%	0.0%	0.0%	2.1%	1.6%	2.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.01	(0.19)	0.02	0.02	0.02
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.71	0.72	0.44	0.46	0.48	0.50

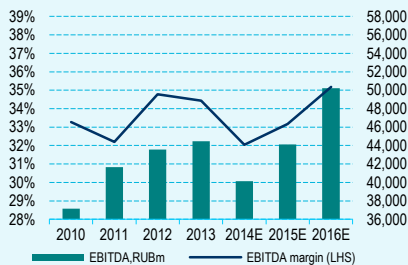
Sources: Company data, Otkritie Capital estimates



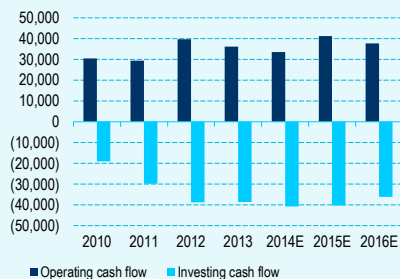
## MOESK

RUBmn unless otherwise stated

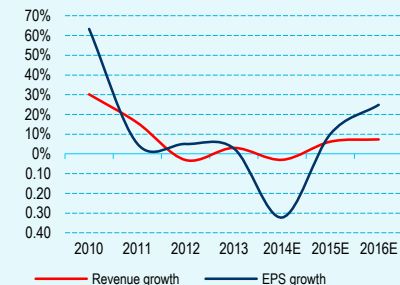
### Profitability



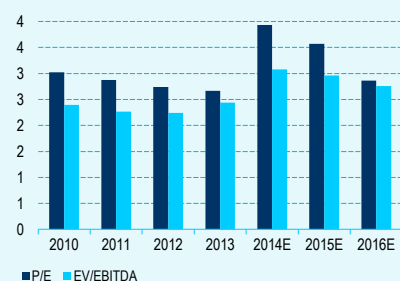
### Cash flows, RUBmn



### Momentum



### Valuation



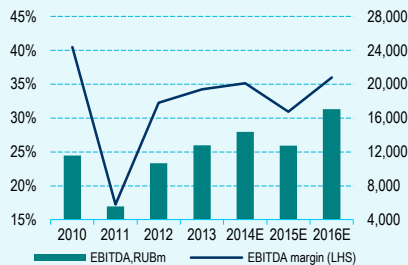
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	129,366	125,324	129,125	125,251	133,015	142,764
Depreciation	16,539	17,395	17,918	19,092	20,254	21,298
EBITDA	41,649	43,580	44,464	40,126	44,129	50,210
Operating profit (EBIT)	25,110	26,186	26,528	21,034	23,875	28,912
Net interest expense	(1,665)	(789)	(2,156)	(4,543)	(5,723)	(6,248)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	23,445	25,397	24,371	16,491	18,153	22,664
Taxes	5,402	6,447	4,898	3,298	3,631	4,533
Minority interest	95	(11)	(137)	(93)	(102)	(127)
Net income	18,043	18,950	19,473	13,193	14,522	18,131
<b>Cash flow statement</b>						
Net change in work. cap.	18,166	(7,590)	3,290	3,277	(702)	8,007
Provisions and write-offs	347	2,184	(1,188)	0	0	0
Other	(134)	389	16	0	0	0
Operating cashflow	29,425	39,692	36,168	33,551	41,201	37,670
Capex	(29,322)	(38,999)	(38,850)	(41,086)	(40,657)	(36,566)
Disposals (Acquisitions)	1	218	30	0	0	0
Investing cashflow	(29,776)	(38,703)	(38,535)	(40,684)	(40,254)	(36,164)
Equity	0	(51)	0	0	0	0
Debt	6,372	8,692	3,950	24,714	9,000	6,000
Financing cashflow	1,365	3,397	(4,368)	16,869	778	(3,103)
Net change in cash	1,014	4,387	(6,736)	9,737	1,725	(1,597)
<b>Balance sheet</b>						
Cash & equivalents	3,945	8,332	1,596	11,333	13,058	11,461
Current assets	28,782	30,541	26,399	43,187	46,879	47,690
PP&E	205,734	226,647	253,234	275,228	295,631	310,899
Goodwill and other assets	15,042	11,868	6,668	6,668	6,668	6,668
Total assets	249,559	269,057	286,302	325,083	349,178	365,257
Current liabilities	55,069	57,593	58,822	106,294	114,352	112,345
S-T Debt	6,509	4,071	5,996	49,694	55,082	58,675
L-T Debt	39,967	50,037	52,289	33,306	36,918	39,325
Other L-T liabilities	22,471	9,345	7,635	7,635	7,635	7,635
Shareholders funds	122,429	140,363	153,209	163,595	176,123	191,928
Total liabilities & equity	249,559	269,057	286,302	325,083	349,178	365,257
Net Debt	42,531	45,776	56,689	71,667	78,942	86,539
<b>Margins and profitability</b>						
EBIT margin	19.4%	20.9%	20.5%	16.8%	17.9%	20.3%
EBITDA margin	32.2%	34.8%	34.4%	32.0%	33.2%	35.2%
Net margin	13.9%	15.1%	15.1%	10.5%	10.9%	12.7%
ROE	14.7%	13.5%	12.7%	8.1%	8.2%	9.4%
ROA	7.2%	7.0%	6.8%	4.1%	4.2%	5.0%
ROIC	10.5%	10.3%	9.4%	8.1%	8.6%	9.6%
<b>Momentum</b>						
Revenue growth	16%	-3%	3%	-3%	6%	7%
EBITDA growth	12%	5%	2%	-10%	10%	14%
EPS growth	5%	5%	3%	-32%	10%	25%
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.1	0.0	0.1	0.1	0.1
Current ratio	0.5	0.5	0.4	0.4	0.4	0.4
Interest coverage	(15.1)	(33.2)	(12.3)	(4.6)	(4.2)	(4.6)
Debt/Equity	0.4	0.4	0.4	0.5	0.5	0.5
Debt/Total assets	0.2	0.2	0.2	0.3	0.3	0.3
Net debt / EBITDA	1.0	1.1	1.3	1.8	1.8	1.7
<b>Valuation</b>						
P/E	2.9	2.7	2.7	3.9	3.6	2.9
P/CE	1.5	1.4	1.4	1.6	1.5	1.3
P/BV	0.4	0.4	0.3	0.3	0.3	0.3
EV/Sales	0.7	0.8	0.8	1.0	1.0	1.0
EV/EBITDA	2.3	2.2	2.4	3.1	3.0	2.8
Dividend yield, (ords)	2.3%	8.3%	5.6%	4.0%	4.7%	6.3%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.37	0.39	0.40	0.27	0.30	0.37
DPS, ords	0.02	0.09	0.06	0.04	0.05	0.07
DPS, prefs	-	-	-	-	-	-
BVPS	2.51	2.88	3.15	3.36	3.62	3.94

Sources: Company data, Otkritie Capital estimates

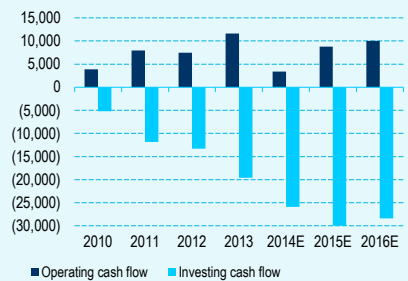
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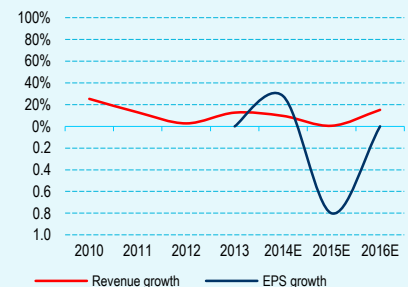
## Profitability



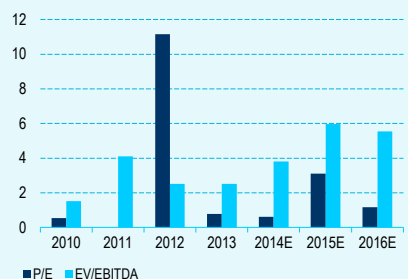
## Cash flows, RUBmn



## Momentum



## Valuation

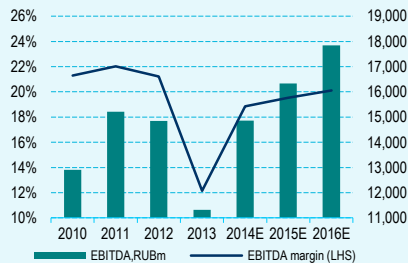


	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	32,257	33,135	37,323	40,911	41,125	47,372
Depreciation	4,813	4,216	3,920	4,660	5,517	6,328
EBITDA	5,566	10,684	12,786	14,375	12,727	17,051
Operating profit (EBIT)	754	2,475	6,316	9,271	6,826	10,321
Net interest expense	(1,598)	(1,873)	(2,014)	(4,028)	(5,783)	(7,560)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(845)	602	4,301	5,243	1,043	2,761
Taxes	99	370	1,020	1,049	209	552
Minority interest	7	(2)	8	10	2	5
Net income	(943)	233	3,281	4,195	834	2,209
<b>Cash flow statement</b>						
Net change in work. cap.	419	(1,898)	(1,981)	5,961	(1,906)	(970)
Provisions and write-offs	0	0	0	0	0	0
Other	358	66	2,825	0	0	0
Operating cashflow	7,944	7,475	11,602	3,392	8,756	10,006
Capex	(11,789)	(11,275)	(15,541)	(25,900)	(30,000)	(28,400)
Disposals (Acquisitions)	(120)	(76)	(58)	0	0	0
Investing cashflow	(11,846)	(13,313)	(19,615)	(25,900)	(30,000)	(28,400)
Equity	0	2,044	3,000	174	0	0
Debt	12,238	789	5,528	20,116	21,500	18,000
Financing cashflow	10,357	2,243	8,219	20,114	21,417	17,779
Net change in cash	6,456	(3,595)	206	(2,394)	173	(615)
<b>Balance sheet</b>						
Cash & equivalents	7,109	3,514	3,719	1,406	1,579	965
Current assets	11,993	11,236	18,744	16,734	16,972	17,232
PP&E	82,519	86,415	100,549	121,789	146,272	168,344
Goodwill and other assets	1,584	1,234	1,221	1,221	1,221	1,221
Total assets	96,951	99,393	120,845	140,075	164,796	187,127
Current liabilities	25,035	30,567	36,679	30,353	33,656	36,615
S-T Debt	6,356	7,153	3,982	3,313	4,645	5,760
L-T Debt	21,028	20,638	29,402	50,187	70,355	87,240
Other L-T liabilities	4,884	1,786	2,123	2,123	2,123	2,123
Shareholders funds	42,504	43,513	49,428	53,730	54,361	56,584
Total liabilities & equity	96,951	99,393	120,845	140,075	164,796	187,127
Net Debt	20,276	24,277	29,664	52,094	73,421	92,035
<b>Margins and profitability</b>						
EBIT margin	2.3%	7.5%	16.9%	22.7%	16.6%	21.8%
EBITDA margin	17.3%	32.2%	34.3%	35.1%	30.9%	36.0%
Net margin	(2.9%)	0.7%	8.8%	10.3%	2.0%	4.7%
ROE	(2.2%)	0.5%	6.6%	7.8%	1.5%	3.9%
ROA	(1.0%)	0.2%	2.7%	3.0%	0.5%	1.2%
ROIC	0.9%	3.0%	6.3%	6.8%	4.2%	5.5%
<b>Momentum</b>						
Revenue growth	13%	3%	13%	10%	1%	15%
EBITDA growth	-52%	92%	20%	12%	-11%	34%
EPS growth	n/m	n/m	1,309%	28%	-80%	165%
<b>Liquidity and solvency</b>						
Cash ratio	0.3	0.1	0.1	0.0	0.0	0.0
Current ratio	0.5	0.4	0.5	0.6	0.5	0.5
Interest coverage	(0.5)	(1.3)	(3.1)	(2.3)	(1.2)	(1.4)
Debt/Equity	0.6	0.6	0.7	1.0	1.4	1.6
Debt/Total assets	0.3	0.3	0.3	0.4	0.5	0.5
Net debt / EBITDA	3.6	2.3	2.3	3.6	5.8	5.4
<b>Valuation</b>						
P/E	nm	11.1	0.8	0.6	3.1	1.2
P/CE	0.7	0.6	0.4	0.3	0.4	0.3
P/BV	0.1	0.1	0.1	0.0	0.0	0.0
EV/Sales	0.7	0.8	0.9	1.3	1.8	2.0
EV/EBITDA	4.1	2.5	2.5	3.8	6.0	5.5
Dividend yield, (ords)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	0.0%	10.5%	9.1%	15.1%	7.1%	18.9%
<b>Per Share Data</b>						
EPS	(0.75)	0.19	2.61	3.34	0.66	1.76
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	0.00	1.32	1.14	1.89	0.89	2.37
BVPS	33.81	34.62	39.32	42.74	43.25	45.01

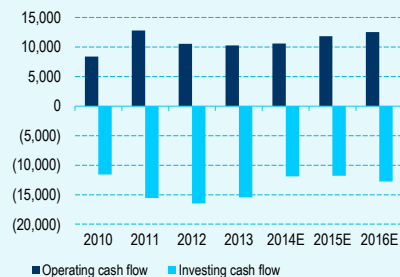
Sources: Company data, Otkritie Capital estimates

## MRSK Center

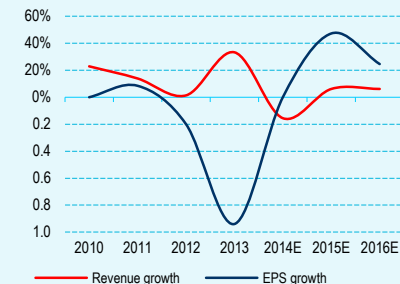
### Profitability



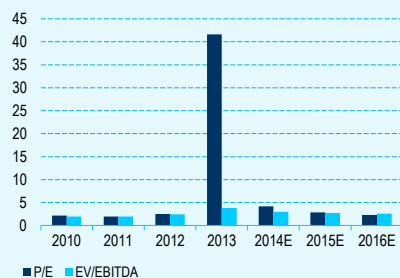
### Cash flows, RUBmn



### Momentum



### Valuation



RUBmn unless otherwise stated

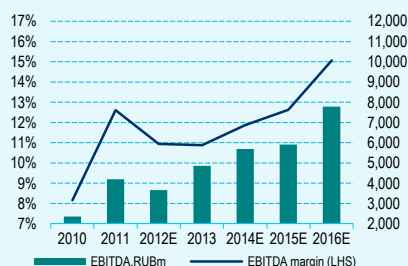
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	69,041	69,984	93,297	78,804	83,638	88,775
Depreciation	6,285	6,738	7,930	8,270	8,610	8,975
EBITDA	15,217	14,850	11,325	14,858	16,338	17,847
Operating profit (EBIT)	8,932	7,556	3,395	6,588	7,729	8,872
Net interest expense	(1,556)	(1,812)	(2,347)	(3,291)	(2,873)	(2,821)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	7,376	5,745	1,049	3,297	4,856	6,051
Taxes	1,841	1,316	782	659	971	1,210
Minority interest	4	23	33	323	475	592
Net income	5,534	4,429	266	2,638	3,885	4,841
<b>Cash flow statement</b>						
Net change in work. cap.	(533)	2,321	157	297	548	1,243
Provisions and write-offs	0	0	0	0	0	0
Other	(47)	(31)	(202)	0	(87)	(59)
Operating cashflow	12,818	10,544	10,266	10,611	11,860	12,514
Capex	(15,716)	(16,685)	(15,547)	(11,900)	(11,900)	(12,800)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(15,542)	(16,489)	(15,433)	(11,900)	(11,813)	(12,741)
Equity	0	0	0	0	0	0
Debt	0	0	6,134	2,380	1,500	(1,000)
Financing cashflow	5,111	4,270	5,311	2,305	933	(1,873)
Net change in cash	2,387	(1,675)	143	1,016	980	(2,100)
<b>Balance sheet</b>						
Cash & equivalents	2,646	972	1,115	2,131	3,111	1,011
Current assets	12,968	16,809	16,708	15,674	17,413	16,120
PP&E	62,196	71,360	78,074	81,704	84,995	88,819
Goodwill and other assets	1,653	1,402	1,265	1,265	1,265	1,265
Total assets	76,817	89,572	96,047	98,643	103,672	106,204
Current liabilities	11,325	13,560	14,864	29,631	30,646	29,674
S-T Debt	1,167	207	1,912	19,026	19,830	19,294
L-T Debt	20,070	26,296	31,208	16,474	17,170	16,706
Other L-T liabilities	354	441	578	578	578	578
Shareholders funds	38,567	42,550	41,687	43,928	46,771	50,146
Total liabilities & equity	76,817	89,572	96,047	98,643	103,672	106,204
Net Debt	18,591	25,531	32,005	33,369	33,889	34,989
<b>Margins and profitability</b>						
EBIT margin	12.9%	10.8%	3.6%	8.4%	9.2%	10.0%
EBITDA margin	22.0%	21.2%	12.1%	18.9%	19.5%	20.1%
Net margin	8.0%	6.3%	0.3%	3.3%	4.6%	5.5%
ROE	14.3%	10.4%	0.6%	6.0%	8.3%	9.7%
ROA	7.2%	4.9%	0.3%	2.7%	3.7%	4.6%
ROIC	11.4%	8.1%	3.4%	7.9%	8.8%	9.4%
<b>Momentum</b>						
Revenue growth	14%	1%	33%	-16%	6%	6%
EBITDA growth	18%	-2%	-24%	31%	10%	9%
EPS growth	8%	-20%	-94%	891%	47%	25%
<b>Liquidity and solvency</b>						
Cash ratio	0.2	0.1	0.1	0.1	0.1	0.0
Current ratio	1.1	1.2	1.1	0.5	0.6	0.5
Interest coverage	(5.7)	(4.2)	(1.4)	(2.0)	(2.7)	(3.1)
Debt/Equity	0.6	0.6	0.8	0.8	0.8	0.7
Debt/Total assets	0.3	0.3	0.3	0.4	0.4	0.3
Net debt / EBITDA	1.2	1.7	2.8	2.2	2.1	2.0
<b>Valuation</b>						
P/E	2.0	2.5	41.6	4.2	2.9	2.3
P/CE	0.9	1.0	1.4	1.0	0.9	0.8
P/BV	0.3	0.3	0.3	0.3	0.2	0.2
EV/Sales	0.4	0.5	0.5	0.6	0.5	0.5
EV/EBITDA	2.0	2.5	3.8	3.0	2.8	2.6
Dividend yield, (ords)	3.8%	7.8%	0.7%	5.1%	7.9%	10.3%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.13	0.10	0.01	0.06	0.09	0.11
DPS, ords	0.01	0.02	0.00	0.01	0.02	0.03
DPS, prefs	-	-	-	-	-	-
BVPS	0.91	1.01	0.99	1.04	1.11	1.19

Sources: Company data, Otkritie Capital estimates

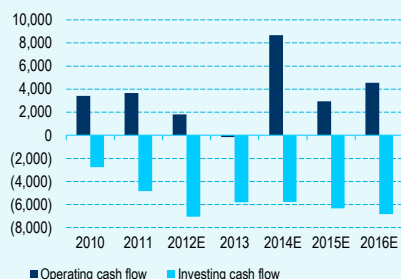
## MRSK North-West

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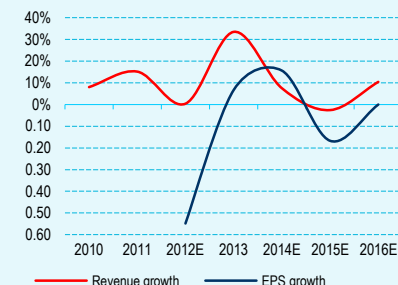
### Profitability



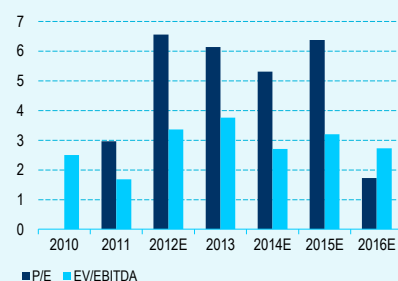
### Cash flows, RUBmn



### Momentum



### Valuation



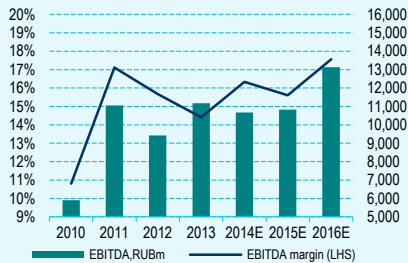
	2011	2012E	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	33,288	33,419	44,615	47,979	46,753	51,636
Depreciation	2,884	3,083	3,575	3,740	3,921	4,115
EBITDA	4,198	3,656	4,853	5,694	5,906	7,779
Operating profit (EBIT)	1,325	574	1,346	1,955	1,986	3,663
Net interest expense	(259)	(416)	(1,062)	(1,396)	(1,520)	(1,940)
Non-op. revenue (expenses)	187	308	400	0	0	0
Pretax profit	1,253	466	683	559	466	1,723
Taxes	451	103	297	112	93	345
Minority interest	1	0	0	0	0	0
Net income	802	362	387	447	372	1,379
<b>Cash flow statement</b>						
Net change in work. cap.	(673)	2,081	4,522	(4,498)	1,359	952
Provisions and write-offs	0	0	0	0	0	0
Other	(5)	0	(90)	0	0	0
Operating cashflow	3,675	1,820	(143)	8,684	2,934	4,542
Capex	(4,908)	(7,196)	(5,998)	(5,767)	(6,338)	(6,811)
Disposals (Acquisitions)	50	137	194	0	0	0
Investing cashflow	(4,838)	(7,037)	(5,793)	(5,767)	(6,338)	(6,811)
Equity	0	0	0	0	0	0
Debt	1,544	4,410	6,064	(230)	5,000	5,500
Financing cashflow	1,544	4,409	6,049	(306)	4,912	5,427
Net change in cash	381	(808)	113	2,612	1,508	3,158
<b>Balance sheet</b>						
Cash & equivalents	1,535	727	840	3,453	4,961	8,119
Current assets	7,225	7,959	14,630	13,382	15,844	20,522
PP&E	29,523	33,251	35,915	37,942	40,360	43,055
Goodwill and other assets	794	849	921	921	921	921
Total assets	37,542	42,058	51,467	52,245	57,125	64,499
Current liabilities	6,308	5,706	10,500	15,051	16,674	19,473
S-T Debt	80	19	2,777	6,691	8,719	10,949
L-T Debt	6,148	10,629	13,953	9,809	12,781	16,051
Other L-T liabilities	265	403	1,086	1,086	1,086	1,086
Shareholders funds	21,593	21,953	22,118	22,489	22,775	24,080
Total liabilities & equity	37,542	42,058	51,467	52,246	57,125	64,499
Net Debt	4,694	9,921	15,890	13,047	16,539	18,881
<b>Margins and profitability</b>						
EBIT margin	4.0%	1.7%	3.0%	4.1%	4.2%	7.1%
EBITDA margin	12.6%	10.9%	10.9%	11.9%	12.6%	15.1%
Net margin	2.4%	1.1%	0.9%	0.9%	0.8%	2.7%
ROE	3.7%	1.7%	1.7%	2.0%	1.6%	5.7%
ROA	2.1%	0.9%	0.8%	0.9%	0.7%	2.1%
ROIC	3.6%	1.3%	2.7%	4.6%	4.5%	7.9%
<b>Momentum</b>						
Revenue growth	15%	0%	34%	8%	-3%	10%
EBITDA growth	78%	-13%	33%	17%	4%	32%
EPS growth	n/m	-55%	7%	16%	-17%	270%
<b>Liquidity and solvency</b>						
Cash ratio	0.2	0.1	0.1	0.2	0.3	0.4
Current ratio	1.1	1.4	1.4	0.9	1.0	1.1
Interest coverage	(5.1)	(1.4)	(1.3)	(1.4)	(1.3)	(1.9)
Debt/Equity	0.3	0.5	0.8	0.7	0.9	1.1
Debt/Total assets	0.2	0.3	0.3	0.3	0.4	0.4
Net debt / EBITDA	1.1	2.7	3.3	2.3	2.8	2.4
<b>Valuation</b>						
P/E	3.0	6.6	6.1	5.3	6.4	1.7
P/CE	0.6	0.7	0.6	0.6	0.6	0.4
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.2	0.4	0.4	0.3	0.4	0.4
EV/EBITDA	1.7	3.4	3.8	2.7	3.2	2.7
Dividend yield, (ords)	0.0%	0.2%	3.2%	3.7%	3.1%	12.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.01	0.00	0.00	0.00	0.00	0.01
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.23	0.23	0.23	0.23	0.24	0.25

Sources: Company data, Otkritie Capital estimates

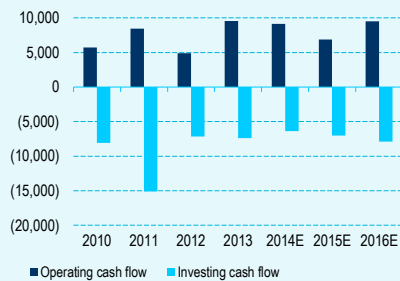
## MRSK of Center & Volga

RUBmn unless otherwise stated

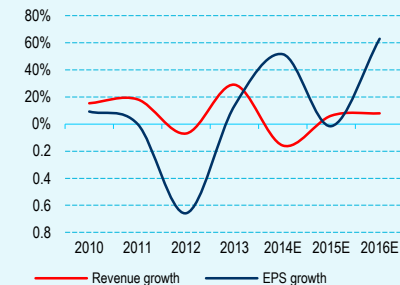
### Profitability



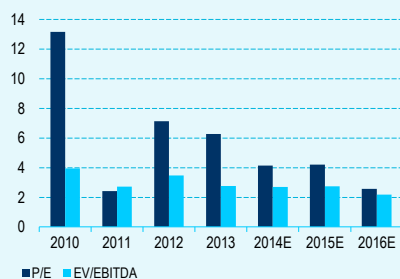
### Cash flows, RUBmn



### Momentum



### Valuation



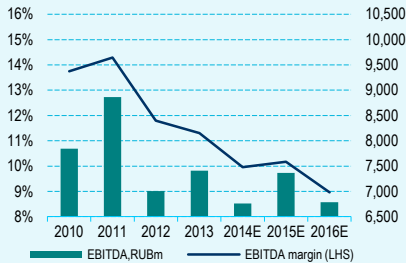
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	64,590	60,082	77,554	65,257	69,296	74,793
Depreciation	4,270	5,669	5,460	5,649	5,859	6,095
EBITDA	11,058	9,418	11,172	10,663	10,820	13,133
Operating profit (EBIT)	6,788	3,596	4,238	4,561	4,509	6,586
Net interest expense	(1,021)	(1,524)	(1,915)	(1,242)	(1,241)	(1,261)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	5,767	2,072	2,323	3,319	3,267	5,326
Taxes	1,243	529	571	664	653	1,065
Minority interest	0	0	0	0	0	0
Net income	4,524	1,544	1,752	2,655	2,614	4,261
<b>Cash flow statement</b>						
Net change in work. cap.	3,141	1,042	(2,433)	(1,102)	1,261	505
Provisions and write-offs	0	0	0	0	0	0
Other	(0)	0	(9)	(263)	(334)	(349)
Operating cashflow	8,435	4,867	9,562	9,143	6,879	9,501
Capex	(12,936)	(8,929)	(8,600)	(6,610)	(7,353)	(8,238)
Disposals (Acquisitions)	183	2,611	1,034	0	0	0
Investing cashflow	(15,110)	(7,145)	(7,367)	(6,347)	(7,019)	(7,889)
Equity	0	0	0	0	0	0
Debt	7,556	1,275	(1,037)	(1,282)	1,000	0
Financing cashflow	7,424	956	(1,510)	(1,917)	336	(653)
Net change in cash	750	(1,322)	684	880	195	959
<b>Balance sheet</b>						
Cash & equivalents	3,928	2,606	3,291	4,170	4,366	5,324
Current assets	13,684	14,155	15,939	15,343	15,816	17,639
PP&E	54,292	57,998	59,794	60,755	62,249	64,393
Goodwill and other assets	1,088	1,156	1,156	1,156	1,156	1,156
Total assets	69,064	73,309	76,890	77,254	79,221	83,187
Current liabilities	9,151	10,249	12,611	13,449	12,564	12,923
S-T Debt	1,776	2,122	951	2,163	2,261	2,261
L-T Debt	21,374	22,217	22,331	19,837	20,739	20,739
Other L-T liabilities	809	1,108	1,136	1,136	1,136	1,136
Shareholders funds	33,121	34,344	34,447	36,467	38,417	42,024
Total liabilities & equity	69,064	73,309	76,890	77,254	79,221	83,187
Net Debt	19,221	21,733	19,992	17,830	18,634	17,676
<b>Margins and profitability</b>						
EBIT margin	10.5%	6.0%	5.5%	7.0%	6.5%	8.8%
EBITDA margin	17.1%	15.7%	14.4%	16.3%	15.6%	17.6%
Net margin	7.0%	2.6%	2.3%	4.1%	3.8%	5.7%
ROE	13.7%	4.5%	5.1%	7.3%	6.8%	10.1%
ROA	6.6%	2.1%	2.3%	3.4%	3.3%	5.1%
ROIC	9.7%	4.8%	5.6%	6.1%	5.8%	8.1%
<b>Momentum</b>						
Revenue growth	18%	-7%	29%	-16%	6%	8%
EBITDA growth	87%	-15%	19%	-5%	1%	21%
EPS growth	442%	-66%	13%	52%	-2%	63%
<b>Liquidity and solvency</b>						
Cash ratio	0.4	0.3	0.3	0.3	0.3	0.4
Current ratio	1.5	1.4	1.3	1.1	1.3	1.4
Interest coverage	(6.6)	(2.4)	(2.2)	(3.7)	(3.6)	(5.2)
Debt/Equity	0.7	0.7	0.7	0.6	0.6	0.5
Debt/Total assets	0.3	0.3	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.7	2.3	1.8	1.7	1.7	1.3
<b>Valuation</b>						
P/E	2.4	7.1	6.3	4.1	4.2	2.6
P/CE	1.3	1.5	1.5	1.3	1.3	1.1
P/BV	0.3	0.3	0.3	0.3	0.3	0.3
EV/Sales	0.5	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	2.7	3.5	2.8	2.7	2.7	2.2
Dividend yield, (ords)	2.9%	4.4%	5.8%	6.0%	5.9%	9.7%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.01	0.02	0.02	0.02	0.04
DPS, ords	0.00	0.00	0.01	0.01	0.01	0.01
DPS, prefs	-	-	-	-	-	-
BVPS	0.29	0.30	0.31	0.32	0.34	0.37

Sources: Company data, Otkritie Capital estimates

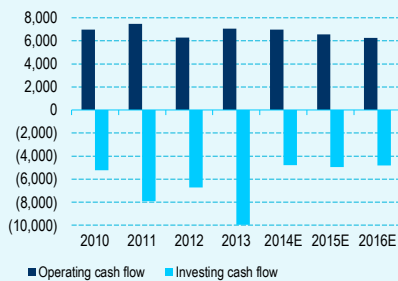
## MRSK of Urals

RUBmn unless otherwise stated

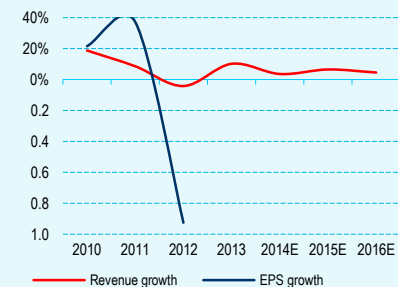
### Profitability



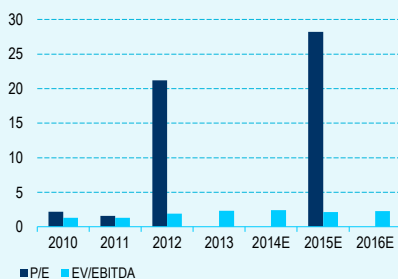
### Cash flows, RUBmn



### Momentum



### Valuation



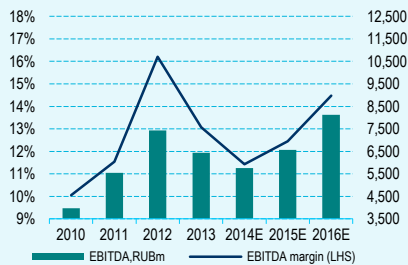
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	62,000	59,431	65,523	67,905	72,359	75,681
Depreciation	4,152	4,894	5,451	5,589	5,734	5,876
EBITDA	8,863	7,007	7,412	6,758	7,362	6,785
Operating profit (EBIT)	4,090	503	226	791	1,223	558
Net interest expense	(221)	19	(1,207)	(866)	(978)	(1,045)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	4,115	589	(993)	(88)	231	(501)
Taxes	844	344	107	0	46	0
Minority interest	68	(37)	0	0	0	0
Net income	3,271	246	(1,100)	(88)	185	(501)
<b>Cash flow statement</b>						
Net change in work. cap.	(406)	(759)	317	(612)	336	152
Provisions and write-offs	0	0	0	0	0	0
Other	62	126	63	0	0	0
Operating cashflow	7,481	6,303	7,065	6,979	6,561	6,267
Capex	(8,323)	(7,987)	(10,304)	(4,832)	(5,068)	(4,962)
Disposals (Acquisitions)	432	278	138	0	0	0
Investing cashflow	(7,911)	(6,730)	(9,968)	(4,779)	(4,961)	(4,817)
Equity	0	0	0	0	0	0
Debt	6,800	2,400	3,387	820	1,000	2,000
Financing cashflow	(17)	1,591	2,301	(188)	(160)	801
Net change in cash	(447)	1,164	(602)	2,012	1,440	2,251
<b>Balance sheet</b>						
Cash & equivalents	1,430	2,594	1,992	4,004	5,444	7,695
Current assets	9,553	10,521	11,399	13,131	15,248	17,979
PP&E	52,999	54,844	58,336	57,579	56,913	56,000
Goodwill and other assets	1,609	1,386	780	780	780	780
Total assets	64,246	66,825	70,567	71,543	72,994	74,811
Current liabilities	8,948	9,447	10,405	12,331	12,809	13,411
S-T Debt	731	667	462	2,056	2,193	2,467
L-T Debt	7,316	9,967	13,717	12,944	13,807	15,533
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	41,639	41,666	39,138	38,960	39,070	38,559
Total liabilities & equity	64,246	66,825	70,567	71,543	72,994	74,811
Net Debt	6,616	8,040	12,187	10,996	10,556	10,305
<b>Margins and profitability</b>						
EBIT margin	6.6%	0.8%	0.3%	1.2%	1.7%	0.7%
EBITDA margin	14.3%	11.8%	11.3%	10.0%	10.2%	9.0%
Net margin	5.3%	0.4%	(1.7%)	(0.1%)	0.3%	(0.7%)
ROE	7.9%	0.6%	(2.8%)	(0.2%)	0.5%	(1.3%)
ROA	5.1%	0.4%	(1.6%)	(0.1%)	0.3%	(0.7%)
ROIC	6.1%	0.7%	0.3%	1.1%	1.8%	0.8%
<b>Momentum</b>						
Revenue growth	9%	-4%	10%	4%	7%	5%
EBITDA growth	13%	-21%	6%	-9%	9%	-8%
EPS growth	37%	-92%	n/m	n/m	n/m	n/m
<b>Liquidity and solvency</b>						
Cash ratio	0.2	0.3	0.2	0.3	0.4	0.6
Current ratio	1.1	1.1	1.1	1.1	1.2	1.3
Interest coverage	(18.5)	27.2	(0.2)	(0.9)	(1.3)	(0.5)
Debt/Equity	0.2	0.3	0.4	0.4	0.4	0.5
Debt/Total assets	0.1	0.2	0.2	0.2	0.2	0.2
Net debt / EBITDA	0.7	1.1	1.6	1.6	1.4	1.5
<b>Valuation</b>						
P/E	1.6	21.2	nm	nm	28.2	nm
P/CE	0.7	1.0	1.2	0.9	0.9	1.0
P/BV	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.2	0.2	0.3	0.2	0.2	0.2
EV/EBITDA	1.3	1.9	2.3	2.4	2.1	2.3
Dividend yield, (ords)	2.4%	3.0%	1.7%	1.4%	0.2%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.00	(0.01)	(0.00)	0.00	(0.01)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.48	0.48	0.45	0.45	0.45	0.44

Sources: Company data, Otkritie Capital estimates

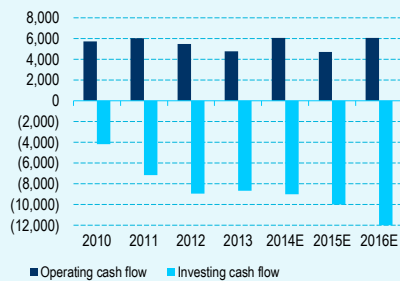
## MRSK of Volga

RUBmn unless otherwise stated

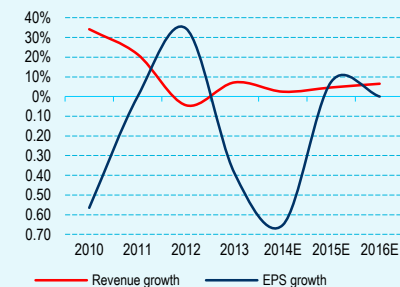
### Profitability



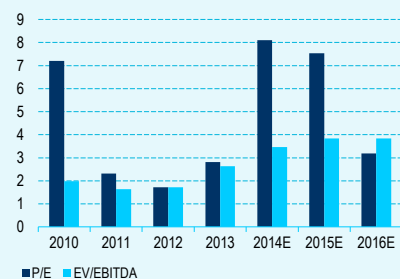
### Cash flows, RUBmn



### Momentum



### Valuation



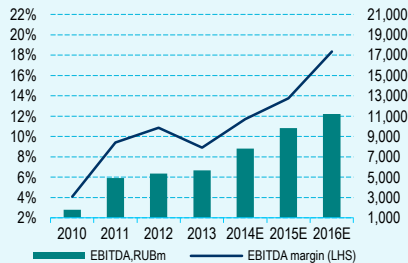
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	48,037	45,908	49,202	50,410	52,735	56,159
Depreciation	3,267	3,602	4,092	4,349	4,635	4,978
EBITDA	5,547	7,438	6,433	5,758	6,568	8,129
Operating profit (EBIT)	2,407	3,564	2,445	1,397	1,878	3,162
Net interest expense	(250)	(336)	(744)	(766)	(1,200)	(1,560)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	2,157	3,228	1,700	631	678	1,602
Taxes	392	854	249	126	136	320
Minority interest	0	0	0	0	0	0
Net income	1,765	2,374	1,451	505	543	1,282
<b>Cash flow statement</b>						
Net change in work. cap.	(825)	815	1,204	(1,200)	460	190
Provisions and write-offs	(34)	(13)	(10)	0	0	0
Other	35	69	27	0	0	0
Operating cashflow	6,045	5,483	4,792	6,054	4,718	6,069
Capex	(7,191)	(8,957)	(8,596)	(9,000)	(10,000)	(12,000)
Disposals (Acquisitions)	17	(29)	(106)	0	0	0
Investing cashflow	(7,160)	(8,942)	(8,672)	(9,000)	(10,000)	(12,000)
Equity	0	0	0	0	0	0
Debt	1,815	3,850	3,134	4,063	4,000	8,000
Financing cashflow	1,654	3,533	2,847	4,046	3,988	7,959
Net change in cash	539	74	(1,032)	1,100	(1,295)	2,028
<b>Balance sheet</b>						
Cash & equivalents	2,014	2,088	1,056	2,156	861	2,889
Current assets	8,161	7,151	7,825	8,557	7,601	10,073
PP&E	31,266	37,020	41,846	46,496	51,861	58,883
Goodwill and other assets	709	696	715	715	715	715
Total assets	40,136	44,867	50,385	55,768	60,177	69,670
Current liabilities	7,065	5,151	5,624	7,001	7,009	7,520
S-T Debt	80	66	37	581	710	968
L-T Debt	6,921	10,719	13,900	17,419	21,290	29,032
Other L-T liabilities	196	385	271	271	271	271
Shareholders funds	23,465	25,639	26,210	26,697	27,227	28,468
Total liabilities & equity	40,136	44,867	50,385	55,768	60,177	69,670
Net Debt	4,987	8,696	12,880	15,844	21,139	27,111
<b>Margins and profitability</b>						
EBIT margin	5.0%	7.8%	5.0%	2.8%	3.6%	5.6%
EBITDA margin	11.5%	16.2%	13.1%	11.4%	12.5%	14.5%
Net margin	3.7%	5.2%	2.9%	1.0%	1.0%	2.3%
ROE	7.5%	9.3%	5.5%	1.9%	2.0%	4.5%
ROA	4.4%	5.3%	2.9%	0.9%	0.9%	1.8%
ROIC	6.2%	7.6%	4.5%	2.4%	2.9%	4.3%
<b>Momentum</b>						
Revenue growth	21%	-4%	7%	2%	5%	6%
EBITDA growth	39%	34%	-14%	-10%	14%	24%
EPS growth	211%	35%	-39%	-65%	8%	136%
<b>Liquidity and solvency</b>						
Cash ratio	0.3	0.4	0.2	0.3	0.1	0.4
Current ratio	1.2	1.4	1.4	1.2	1.1	1.3
Interest coverage	(9.6)	(10.6)	(3.3)	(1.8)	(1.6)	(2.0)
Debt/Equity	0.3	0.4	0.5	0.7	0.8	1.1
Debt/Total assets	0.2	0.2	0.3	0.3	0.4	0.4
Net debt / EBITDA	0.9	1.2	2.0	2.8	3.2	3.3
<b>Valuation</b>						
P/E	2.3	1.7	2.8	8.1	7.5	3.2
P/CE	0.8	0.7	0.7	0.8	0.8	0.7
P/BV	0.2	0.2	0.2	0.2	0.2	0.1
EV/Sales	0.2	0.3	0.3	0.4	0.5	0.6
EV/EBITDA	1.6	1.7	2.6	3.5	3.8	3.8
Dividend yield, (ords)	4.9%	7.1%	0.4%	0.3%	1.0%	2.3%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.01	0.01	0.01	0.00	0.00	0.01
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.13	0.14	0.15	0.15	0.15	0.16

Sources: Company data, Otkritie Capital estimates

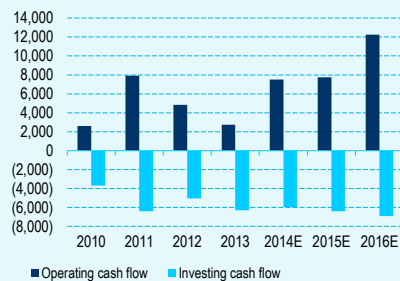
## MRSK of Siberia

RUBmn unless otherwise stated

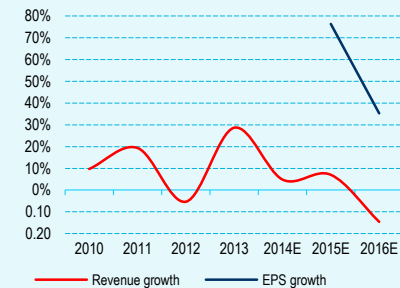
### Profitability



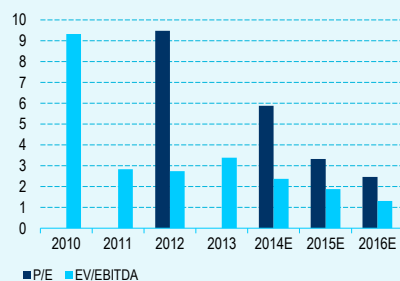
### Cash flows, RUBmn



### Momentum



### Valuation



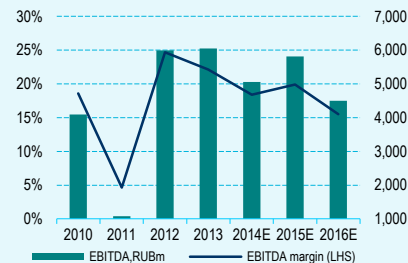
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	52,312	49,514	63,716	66,801	71,497	61,065
Depreciation	3,726	4,177	4,417	4,587	4,774	4,980
EBITDA	4,928	5,372	5,671	7,819	9,827	11,206
Operating profit (EBIT)	111	826	(226)	2,478	4,129	5,344
Net interest expense	(421)	232	(1,160)	(902)	(1,112)	(1,263)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(310)	1,057	(1,386)	1,577	3,016	4,081
Taxes	165	208	(246)	208	603	816
Minority interest	0	0	(0)	0	0	0
Net income	(475)	849	(1,141)	1,368	2,413	3,265
<b>Cash flow statement</b>						
Net change in work. cap.	(5,442)	4,133	(3,263)	(653)	563	(2,745)
Provisions and write-offs	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating cashflow	7,921	4,823	2,735	7,510	7,737	12,253
Capex	(6,876)	(5,132)	(6,178)	(5,957)	(6,550)	(7,215)
Disposals (Acquisitions)	422	(46)	(124)	0	0	0
Investing cashflow	(6,404)	(5,037)	(6,294)	(5,950)	(6,402)	(6,885)
Equity	0	0	0	0	0	0
Debt	(1,998)	(91)	4,394	4,036	6,000	3,500
Financing cashflow	(788)	(642)	3,462	3,128	4,740	1,908
Net change in cash	729	(856)	(97)	4,688	6,074	7,275
<b>Balance sheet</b>						
Cash & equivalents	1,184	328	231	4,919	10,993	18,268
Current assets	8,239	9,544	10,968	13,497	20,696	26,591
PP&E	39,142	40,053	42,415	43,785	45,560	47,795
Goodwill and other assets	1,499	1,116	1,634	1,634	1,634	1,634
Total assets	48,880	50,714	55,017	58,916	67,891	76,021
Current liabilities	14,211	14,887	16,873	25,692	30,463	34,283
S-T Debt	347	2,995	199	10,523	14,732	17,188
L-T Debt	6,279	3,547	10,765	4,477	6,268	7,312
Other L-T liabilities	110	3,219	55	55	55	55
Shareholders funds	25,000	25,755	23,789	25,157	27,570	30,834
Total liabilities & equity	48,880	50,813	55,017	58,917	67,891	76,021
Net Debt	5,443	6,214	10,732	10,081	10,007	6,232
<b>Margins and profitability</b>						
EBIT margin	0.2%	1.7%	(0.4%)	3.7%	5.8%	8.8%
EBITDA margin	9.4%	10.9%	8.9%	11.7%	13.7%	18.4%
Net margin	(0.9%)	1.7%	(1.8%)	2.0%	3.4%	5.3%
ROE	(1.9%)	3.3%	(4.8%)	5.4%	8.8%	10.6%
ROA	(1.0%)	1.7%	(2.1%)	2.3%	3.6%	4.3%
ROIC	0.3%	1.9%	(0.5%)	7.0%	12.5%	18.2%
<b>Momentum</b>						
Revenue growth	19%	-5%	29%	5%	7%	-15%
EBITDA growth	175%	9%	6%	38%	26%	14%
EPS growth	n/m	n/m	n/m	n/m	76%	35%
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.0	0.0	0.2	0.4	0.5
Current ratio	0.6	0.6	0.7	0.5	0.7	0.8
Interest coverage	(0.3)	3.6	0.2	(2.7)	(3.7)	(4.2)
Debt/Equity	0.3	0.3	0.5	0.6	0.8	0.8
Debt/Total assets	0.1	0.1	0.2	0.3	0.3	0.3
Net debt / EBITDA	1.1	1.2	1.9	1.3	1.0	0.6
<b>Valuation</b>						
P/E	nm	9.5	nm	5.9	3.3	2.5
P/CE	2.5	1.6	2.5	1.4	1.1	1.0
P/BV	0.3	0.3	0.3	0.3	0.3	0.3
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	2.8	2.7	3.4	2.4	1.9	1.3
Dividend yield, (ords)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	(0.01)	0.01	(0.01)	0.02	0.03	0.04
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.28	0.29	0.27	0.28	0.31	0.35

Sources: Company data, Otkritie Capital estimates

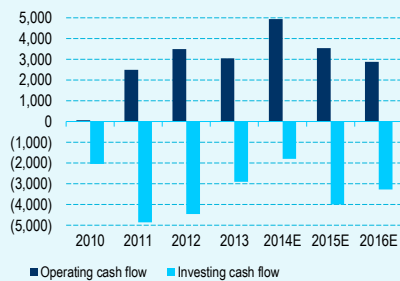


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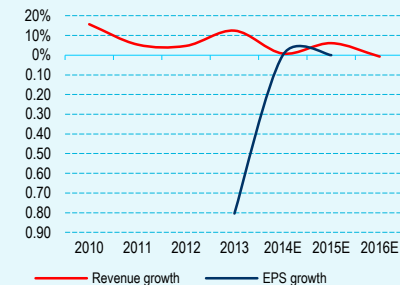
### Profitability



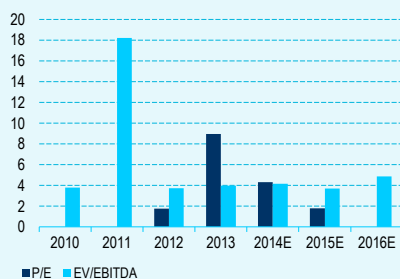
### Cash flows, RUBmn



### Momentum



### Valuation



RUBmn unless otherwise stated

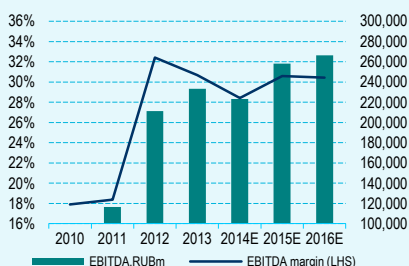
	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	23,194	24,286	27,311	27,532	29,210	29,000
Depreciation	2,158	2,598	2,721	2,773	2,887	2,980
EBITDA	1,078	5,990	6,046	5,058	5,817	4,501
Operating profit (EBIT)	(1,080)	2,786	2,348	2,285	2,931	1,520
Net interest expense	(1,410)	(1,474)	(1,746)	(1,783)	(1,720)	(1,840)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(2,490)	1,312	602	502	1,211	(320)
Taxes	(360)	320	408	100	242	0
Minority interest	0	0	0	0	0	0
Net income	(2,130)	991	194	402	968	(320)
<b>Cash flow statement</b>						
Net change in work. cap.	(5,148)	1,785	1,275	(1,762)	317	(225)
Provisions and write-offs	0	0	0	0	0	0
Other	868	(581)	377	0	0	0
Operating cashflow	2,504	3,494	3,047	4,937	3,538	2,886
Capex	(4,497)	(4,461)	(2,938)	(1,800)	(3,991)	(3,272)
Disposals (Acquisitions)	(372)	(6)	(4)	0	0	0
Investing cashflow	(4,854)	(4,448)	(2,896)	(1,800)	(3,991)	(3,272)
Equity	0	0	0	0	0	0
Debt	5,374	2,749	(696)	(2,580)	1,000	2,000
Financing cashflow	3,580	1,282	(710)	(2,599)	960	1,903
Net change in cash	1,230	328	(560)	537	507	1,518
<b>Balance sheet</b>						
Cash & equivalents	1,421	1,749	1,190	1,727	2,234	3,751
Current assets	6,998	9,562	13,121	10,150	12,061	13,849
PP&E	22,344	24,689	25,171	24,198	25,302	25,594
Goodwill and other assets	1,874	959	846	846	846	846
Total assets	31,217	35,210	39,138	35,194	38,209	40,289
Current liabilities	10,214	13,632	21,005	13,689	15,003	15,953
S-T Debt	2,841	5,809	10,338	4,769	4,996	5,451
L-T Debt	16,473	16,500	13,241	16,231	17,004	18,549
Other L-T liabilities	765	316	206	206	206	206
Shareholders funds	3,598	4,578	4,615	4,997	5,925	5,509
Total liabilities & equity	31,217	35,210	39,138	35,194	38,209	40,289
Net Debt	17,893	20,559	22,390	19,273	19,766	20,249
<b>Margins and profitability</b>						
EBIT margin	(4.7%)	11.5%	8.6%	8.3%	10.0%	5.2%
EBITDA margin	4.6%	24.7%	22.1%	18.4%	19.9%	15.5%
Net margin	(9.2%)	4.1%	0.7%	1.5%	3.3%	(1.1%)
ROE	(59.2%)	21.7%	4.2%	8.0%	16.3%	(5.8%)
ROA	(6.8%)	2.8%	0.5%	1.1%	2.5%	(0.8%)
ROIC	(4.4%)	11.2%	11.1%	9.2%	11.2%	5.9%
<b>Momentum</b>						
Revenue growth	5%	5%	12%	1%	6%	-1%
EBITDA growth	-74%	456%	1%	-16%	15%	-23%
EPS growth	n/m	n/m	-80%	107%	141%	n/m
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.1	0.1	0.1	0.1	0.2
Current ratio	0.7	0.7	0.6	0.7	0.8	0.9
Interest coverage	0.8	(1.9)	(1.3)	(1.3)	(1.7)	(0.8)
Debt/Equity	5.4	4.9	5.1	4.2	3.7	4.4
Debt/Total assets	0.6	0.6	0.6	0.6	0.6	0.6
Net debt / EBITDA	16.6	3.4	3.7	3.8	3.4	4.5
<b>Valuation</b>						
P/E	nm	1.8	9.0	4.3	1.8	nm
P/CE	61.7	0.5	0.6	0.5	0.5	0.7
P/BV	0.5	0.4	0.4	0.3	0.3	0.3
EV/Sales	0.8	0.9	0.9	0.8	0.7	0.8
EV/EBITDA	18.2	3.7	4.0	4.2	3.7	4.9
Dividend yield, (ords)	0.0%	0.0%	1.1%	2.3%	5.6%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	(0.04)	0.02	0.00	0.01	0.02	(0.01)
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.07	0.09	0.09	0.10	0.12	0.11

Sources: Company data, Otkritie Capital estimates

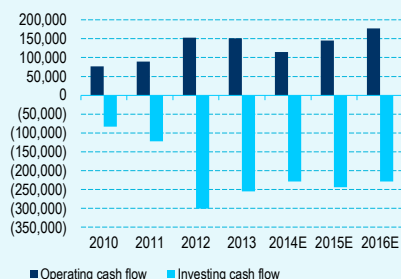
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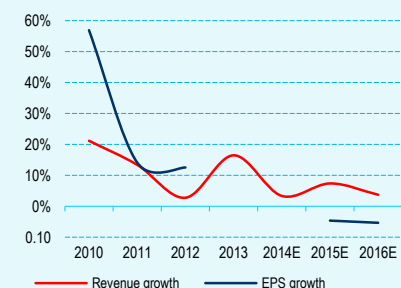
### Profitability



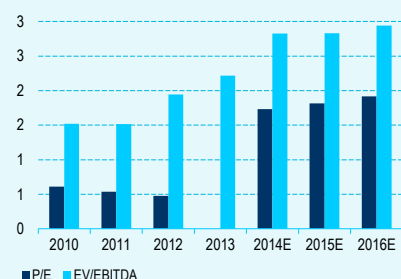
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	634,608	652,183	759,779	785,336	843,469	875,043
Depreciation	54,075	97,795	172,700	183,246	193,720	204,488
EBITDA	116,507	211,432	233,247	223,211	258,162	266,397
Operating profit (EBIT)	59,254	91,077	(148,821)	95,863	123,498	125,012
Net interest expense	(5,843)	(31,540)	(41,569)	(37,751)	(68,068)	(72,535)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	53,655	59,608	(190,401)	58,112	55,429	52,477
Taxes	14,689	15,753	(31,012)	11,622	11,086	10,495
Minority interest	13,662	15,377	(55,885)	16,300	15,548	14,720
Net income	38,966	43,855	(159,389)	46,490	44,344	41,982
<b>Cash flow statement</b>						
Net change in work. cap.	3,725	43,696	(9,733)	33,465	18,039	(9,232)
Provisions and write-offs	0	0	0	0	0	0
Other	545	4,040	172	0	0	0
Operating cashflow	89,338	152,974	150,980	115,075	144,914	176,948
Capex	(124,836)	(285,894)	(268,452)	(237,288)	(244,068)	(228,737)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(121,818)	(300,180)	(255,151)	(228,239)	(244,068)	(228,737)
Equity	0	0	0	0	0	1
Debt	52,722	117,716	107,592	99,963	106,316	49,627
Financing cashflow	56,443	132,541	106,273	99,963	105,386	48,297
Net change in cash	23,963	(14,665)	2,102	(13,201)	6,232	(3,492)
<b>Balance sheet</b>						
Cash & equivalents	48,853	59,815	61,917	48,716	54,948	51,456
Current assets	156,686	260,300	288,655	278,043	296,308	299,634
PP&E	687,489	1,639,737	1,595,862	1,710,428	1,824,801	1,917,308
Goodwill and other assets	33,622	91,277	60,320	60,320	60,320	60,320
Total assets	879,077	1,992,502	1,946,039	2,049,993	2,182,631	2,278,464
Current liabilities	194,150	276,058	309,946	286,262	274,257	293,306
S-T Debt	26,954	59,906	57,808	65,000	59,000	62,000
L-T Debt	168,831	381,868	492,229	585,000	697,316	743,943
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	266,742	886,654	765,759	795,019	818,371	842,135
Total liabilities & equity	879,078	1,992,502	1,946,039	2,049,993	2,182,632	2,278,464
Net Debt	146,932	381,959	488,120	601,284	701,368	754,487
<b>Margins and profitability</b>						
EBIT margin	9.3%	14.0%	(19.6%)	12.2%	14.6%	14.3%
EBITDA margin	18.4%	32.4%	30.7%	28.4%	30.6%	30.4%
Net margin	6.1%	6.7%	(21.0%)	5.9%	5.3%	4.8%
ROE	14.6%	4.9%	(20.8%)	5.8%	5.4%	5.0%
ROA	4.4%	2.2%	(8.2%)	2.3%	2.0%	1.8%
ROIC	7.5%	4.4%	(7.6%)	4.5%	5.3%	5.2%
<b>Momentum</b>						
Revenue growth	13%	3%	16%	3%	7%	4%
EBITDA growth	16%	81%	10%	-4%	16%	3%
EPS growth	14%	13%	n/m	n/m	-5%	-5%
<b>Liquidity and solvency</b>						
Cash ratio	0.3	0.2	0.2	0.2	0.2	0.2
Current ratio	0.8	0.9	0.9	1.0	1.1	1.0
Interest coverage	(10.1)	(2.9)	3.6	(2.5)	(1.8)	(1.7)
Debt/Equity	0.7	0.5	0.7	0.8	0.9	1.0
Debt/Total assets	0.2	0.2	0.3	0.3	0.3	0.4
Net debt / EBITDA	1.3	1.8	2.1	2.7	2.7	2.8
<b>Valuation</b>						
P/E	0.5	0.5	nm	1.7	1.8	1.9
P/CE	0.2	0.1	6.0	0.4	0.3	0.3
P/BV	0.1	0.0	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.6	0.7	0.8	0.9	0.9
EV/EBITDA	1.5	1.9	2.2	2.8	2.8	2.9
Dividend yield, (ords)	0.7%	0.0%	0.0%	1.2%	1.7%	2.1%
Dividend yield, (prefs)	0.0%	14.8%	nm	15.7%	15.0%	14.2%
<b>Per Share Data</b>						
EPS	0.92	1.04	(0.98)	0.29	0.27	0.26
DPS, ords	0.00	0.00	0.00	0.01	0.01	0.01
DPS, prefs	0.00	0.08	(0.29)	0.08	0.08	0.08
BVPS	6.32	21.00	4.70	4.88	5.03	5.17

Sources: Company data, Otkritie Capital estimates

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