

UPDATE / TARGET PRICE DOWNGRADE

# Russian Grids

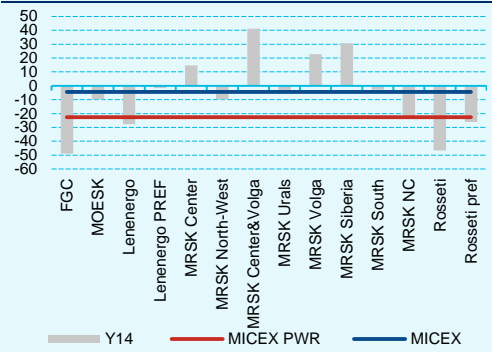
## Possible capex cut unlikely to result in higher dividends

### Sector ratings

Company	Rating		TP		Upside
	Old	New	New	Chg	
FGC	HOLD	HOLD	0.044	-27%	-13%
MOESK	HOLD	SELL	0.55	-41%	-49%
Lenenergo	HOLD	SELL	1.31	-48%	-31%
Lenenergo PREF	HOLD	HOLD	12.8	-14%	10%
MRSK Center	HOLD	HOLD	0.23	-19%	-6%
MRSK North-West	HOLD	HOLD	0.027	0%	4%
MRSK Center&Volga	BUY	BUY	0.10	-37%	29%
MRSK Urals	HOLD	HOLD	0.067	12%	14%
MRSK Volga	HOLD	HOLD	0.02	-5%	-18%
MRSK Siberia	SELL	SELL	0.044	-2%	-56%
MRSK South	HOLD	SELL	0.024	-35%	-25%
Rosseti	HOLD	HOLD	0.45	-15%	5%
Rosseti pref	HOLD	HOLD	0.44	-2%	-20%

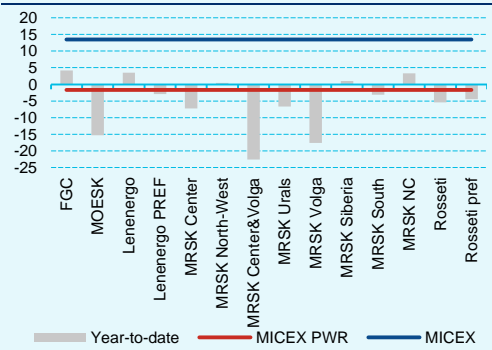
Sources: Bloomberg, Otkritie Capital estimates

### Grids' share price performance Y14, %



Sources: Bloomberg, Otkritie Capital Research

### Grids' share price performance YtD, %



Sources: Bloomberg, Otkritie Capital Research

We have updated our models to incorporate our new forecasts for lower growth in electricity consumption and higher inflation over the next three years. Our target prices have fallen 18% on average, and we believe the market has not fully priced in all the negative developments yet. We downgrade Lenenergo, MRSK South, and MOESK from HOLD to SELL, while maintaining our ratings for the other Grid stocks. Potential triggers to ignite investor interest are lacking at present, and the possibility of large capex cuts is unlikely translate into higher dividend payouts, in our view.

**Grids stocks' performance improved in 2014.** After a prolonged fall in their share prices in 2012 and 2013, the average Grid share price declined just 6% in 2014 vs -5% for the MICEX Index and -23% for MICEX Power Index. Several names demonstrated positive dynamics with MRSK Center&Volga rising 41%, MRSK Siberia +31%, MRSK Volga +23% and MRSK Center +15%. However, FGC and Russian Grid continued to disappoint with FGC shares sliding 49%, and Russian Grid shares declining 47%. YtD, the average Grid share price is down 5% vs. 13% growth for the MICEX.

**We have updated our valuations and ratings, and believe the market has not priced in all negative developments.** We have incorporated our new forecasts into our models for: higher inflation (11% for Y15, 5.5% for Y16, and 5% for Y17); lower electricity consumption (-3.9% for Y15, -2.8% for Y16, and +1% for Y17); and slightly higher WACC assumptions (we have assumed a WACC of 15.5% for all Grids). As a result, our average target price has fallen 18%, and we believe the market has not yet priced in all possible negative developments in the sector. We downgrade Lenenergo, MRSK South, and MOESK from HOLD to SELL, while maintaining our ratings for the remaining Grid stocks we cover.

**We anticipate a sizable cut to capex, but this is unlikely to result in higher dividend payouts.** We believe that the current macro environment – typified by a high cost of debt even for best utilities companies of 20-30%, overcapacity in the electricity market and significant RUB devaluation – could prompt a sizable cut to the Grid companies' capex. However, this is unlikely to manifest itself in higher dividend payouts (i.e. above 25% of net income), given the corrosive effect of the high debt costs on the bottom line.

**We see no potent trigger left for the sector.** The government seems to have dashed all sector liberalisation plans and even reversed the last components of RAB regulation. It now seems that the companies are not allowed to keep the profits that they have obtained through cost optimisation and/or reduction of electricity losses. Thus the current regulatory regime has largely moved back to a "cost +" scheme.



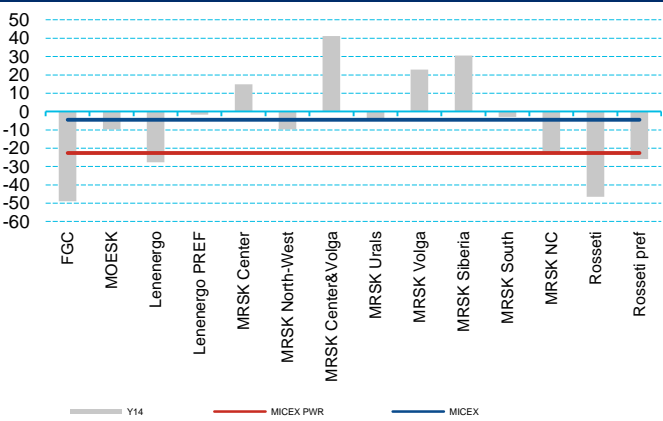
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# Grid stocks performance improved in 2014

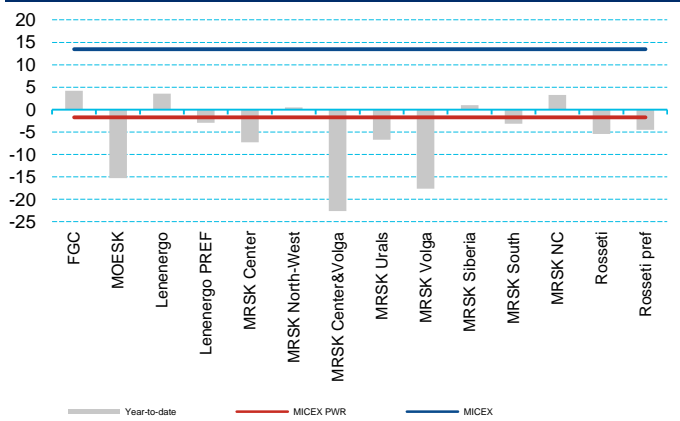
After a prolonged fall in their share prices in 2012 and 2013, the average Grid share price declined just 6% in 2014 vs -5% for the MICEX Index and -23% for MICEX Power Index. Several names demonstrated positive dynamics with MRSK Center&Volga rising 41%, MRSK Siberia +31%, MRSK Volga +23% and MRSK Center +15%. However, FGC and Russian Grid continued to disappoint with FGC shares sliding 49%, and Russian Grid shares declining 47%. YtD the average Grid share price is down 5% vs. 13% growth for the MICEX.

Figure 1. Grids' share price performance Y14



Sources: Bloomberg, Otkritie Capital Research

Figure 2. Grids' share price performance, YtD



Sources: Bloomberg, Otkritie Capital Research

## RUB fall leaves electricity price competitive with the EU

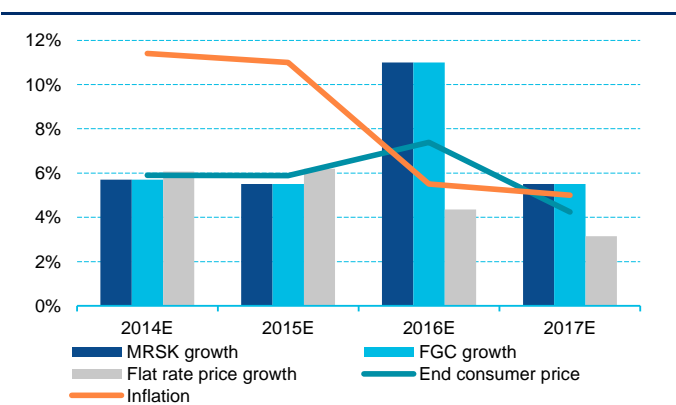
### Russian electricity price for industrial end-consumer is almost 59% below the EU price

The recent devaluation of the RUB has made Russian electricity prices much more competitive relative to the European level. Currently the Russian electricity price for industry (at the current RUB/EUR rate of 75RUB per EUR) is 59% below the average EU price, while household prices are 74% below the EU average. We believe that this could give the government some flexibility in lifting grid companies' tariffs, as the external factors justifying a cap on their growth (especially their closeness to European electricity prices before the RUB devaluation) have disappeared. Moreover, we don't expect significant RUB appreciation in near-to-medium terms (our forecast for the average RUB/US is 65 in Y15 and 59 in Y16 and 57.5 in Y17), which should maintain the competitiveness of Russian domestic electricity prices.

## Overcapacity in the electricity market should depress end-consumer electricity price growth

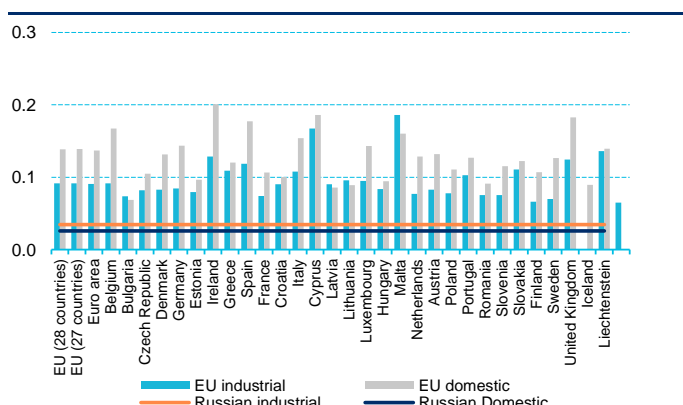
We see the end-consumer price increasing below the inflation rate over the next three years, due to the current excess capacity slowing market electricity price growth and the government's reluctance to lift grid tariffs above inflation. Furthermore, we believe that the government is unlikely to use an actual inflation number in setting tariffs, and will instead stick to its own forecasts, which turned out to be well below the actual figure for Y14 (7.5% vs 11.4%) for example.

**Figure 3. Russia's end consumer electricity price forecast**



Sources: Otkritie Capital Research

**Figure 4. EU vs Russian electricity price EUR/Mwh**



Sources: Eurostat, Otkritie Capital Research

## We see a decline in electricity consumption in the next two years

We have revised electricity consumption down mainly on lower Russia GDP growth forecasts. Russian electricity consumption advanced just 0.4% in Y14. In our base case scenario, we see a decline in Russian GDP of 6% in Y15. This is likely to result in electricity consumption falling around 3.9% we estimate. In the previous economic crisis in 2009, GDP fell by 7.8% while consumption dropped just 4.6%. However, in 2010 a 4.5% rise in GDP resulted in a 4.4% rise in electricity demand. In 2011, demand growth flattened to just 1.1% despite Russia's GDP continuing to rise 4.3%, with similar dynamics in 2012 and 2013 (3.4% vs 1.6%) and (1.3% vs -0.6%). Based on our forecast of a 4.5% decline in Russian GDP in 2016 and 1.7% growth in 2017, we estimate that electricity consumption will decline 2.8% in Y16 and rise 1% in Y17. After that, we see long-term electricity demand growth of just c. 1%.

## ...which, along with rising cost of debt, could result in Grid capex being slashed

We believe that the government is likely to slash the long-term investment programmes for the Grids due to the following main reasons:

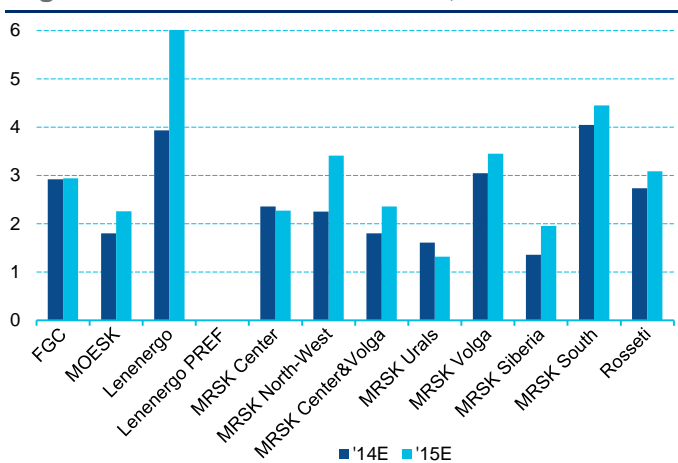
- overcapacity in the Russian utility space (e.g. approximately 15GW of capacity, or 10% of the 150GW that was selected for capacity auction for Y15, did not pass the auction)
- slow growth in Russian electricity consumption
- end-consumer tariff growth below inflation, which should put pressure on financing sources for the investment programmes
- increased cost of debt (currently even the best utilities companies are facing costs of financing from variable credit lines in the range of 20-30%)

The scope of the proposed capex cut is unclear at this stage, but we expect quite a large reduction in overall long-term capex.

## However, dividend yields to remain unattractive despite possible increase in FCF

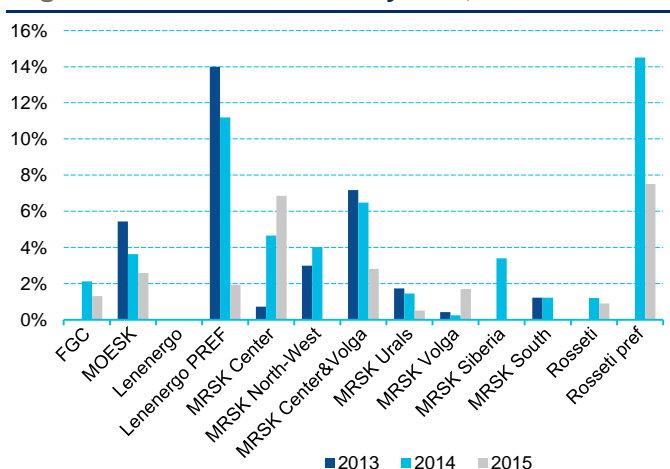
Though difficult to model at this stage given the current uncertainty in the sector, lower capex should give support to the sector's FCF. However, the much higher cost of debt, if not addressed in medium term, could significantly erode the Grid companies' bottom lines. Hence, the Grids will be reluctant to increase their dividend payouts above the government's prescribed 25% payout ratio. In the most optimistic scenario they could move to an IFRS based payout ratio, but this would not lift the dividend yield much for the Grids. Moreover, the average leverage in the sector is quite large: we estimate that the average Net Debt/EBITDA ratio will increase from 2.7 in Y14 to 3.1 in Y15. Given the higher cost of debt, this could pressure the companies to lower their debt levels instead of increasing the dividends payouts. As a result, we expect the average dividend yield (based on the current share price) to fall from 3.3% in Y14 to 2.1% in Y15, which is not enough to attract investor interest in the sector, in our view.

Figure 5. Net Debt/EBITDA ratios, Grids



Sources: Companies' data, Otkritie Capital Research

Figure 6. Forecast dividend yields, Grids



Sources: Companies' data, Otkritie Capital Research

## Regulation and privatisation prospects

### Regulatory regimes continue to worsen

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.

However, we now believe that the government has dropped all sector liberalisation plans and even reversed the last components of RAB regulation. It now seems that the companies are not allowed to keep the profits that they obtained through the optimization of costs and/or reduction in electricity losses. Thus the current regulatory regime has largely moved back to a "cost +" scheme, and the current Grid sector regulation remains even more ad-hoc than before, depriving it of long-term predictability and transparency.

## Privatisation of MRSKs is unlikely

The government had intended to announce its position regarding the MRSKs' privatisation by the end of 2014 (according to Deputy Energy Minister Vyacheslav Kravchenko), However this has not happened and we now believe that the government is not yet ready to discuss not only the privatization but also the transfer of management. Moreover, recent signs shows that Rosseti could reverse the transfer of management to EDF East at Tomskaya distribution grid company back to Russian Grid. This project was the only one with possible foreign strategic investors having management within Russian Grid. In early 2014 Russian Grid had discussed more management transfers, but it now seems that this practice is regarded as unsuccessful and could be abolished altogether.

## Valuation

### We remain neutral on the sector

We have incorporated our new forecasts into our models, for: higher inflation (11% for Y15, 5.5%, for Y16, and 5% for Y17); lower electricity consumption (-3.9% for Y15, -2.8% for Y16, and +1% for Y17); the latest 9M14 IFRS, and RAS results; and slightly higher WACC assumptions (we have assumed a WACC of 15.5% for all Grids vs 15% for MRSKs and 14.5% for FGC and Russian Grid previously). The higher WACC reflects the worsening long-term predictability and transparency of sector regulation. In addition, we have incorporated a large rise in the borrowing rate for all players in the sector. The changes in our key assumptions are detailed in the table below.

Figure 7. Change in average assumption

		2015	2016	2017
GDP Growth	old	-1%	1%	2.5%
	<b>new</b>	<b>-6%</b>	<b>-4.5%</b>	<b>1.7%</b>
Inflation	old	6.5%	5.0%	4.5%
	<b>new</b>	<b>11.0%</b>	<b>5.5%</b>	<b>5.0%</b>
Electricity consumption	old	1.2%	1.0%	1%
	<b>new</b>	<b>-3.9%</b>	<b>-2.8%</b>	<b>1%</b>

Sources: Otkritie Capital Research

The above adjustments lead to our average end-2015 target price declining 18%, with MOESK, Lenenergo, and MRSK of South's target prices falling the most.

Figure 8. Target prices and ratings

Company	Rating		TP		Upside
	Old	New	New	Change	
FGC	HOLD	HOLD	0.044	-27%	-13%
MOESK	HOLD	SELL	0.55	-41%	-49%
Lenenergo	HOLD	SELL	1.31	-48%	-31%
Lenenergo PREF	HOLD	HOLD	12.8	-14%	10%
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Rosseti	HOLD	HOLD	0.45	-15%	5%
Rosseti pref	HOLD	HOLD	0.44	-2%	-20%

Sources: Otkritie Capital Research

Based on this analysis, we believe the market has not yet priced in all possible negative developments in the sector. We therefore downgrade Lenenergo, MRSK South, and MOESK from HOLD to SELL, while maintaining our ratings for the other Grid stocks we cover.

## Sensitivity to remain high

Given the current volatility in the oil price and the RUB rate, we have examined the sensitivity of our target prices for the most interesting Grid stocks to electricity consumption scenarios, which are a function of GDP dynamics. The utility companies operate in a RUB environment and have no significant exposure to FX. Moreover, we believe that their capex is flexible and will be managed in such a way that their Net Debt/EBITDA ratios will remain at reasonable levels. Our optimistic scenario incorporates -3.1%, -0.8%, and +2% growth in Russian GDP; and inflation of 8%, 6.1% and 5% for the next three years respectively. Such dynamics imply a fall in electricity demand of 2.3% in Y15, -0.4% in Y16, and growth of 1.2% in Y17. In a pessimistic scenario we have assumed -7.1%, -6.5%, and +2% growth in Russian GDP, and inflation of 13.6%, 6.1% and 5% for the next three years, respectively. This implies falls in electricity demand of 5.0% in Y15 and 4.7% in Y16, followed by growth of 1.2% in Y17.

**Figure 9. Target price sensitivities towards different scenarios**

	optimistic	pessimistic
FEES	17%	-22%
Rosseti	14%	-16%

Sources: Otkritie Capital Research

Thus the valuation still remains quite sensitive towards the macro assumptions, which means that the sector is unlikely to attract any investor interest before the macro situation has stabilised.

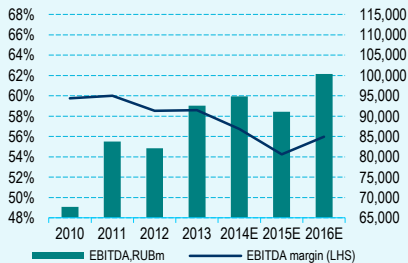


# Financial forecasts

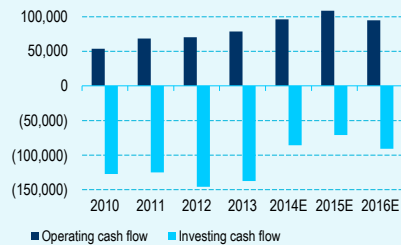
## Federal Grid Company

RUBmn unless otherwise stated

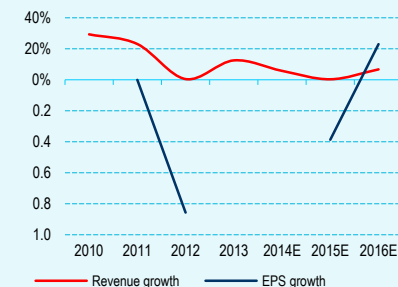
### Profitability



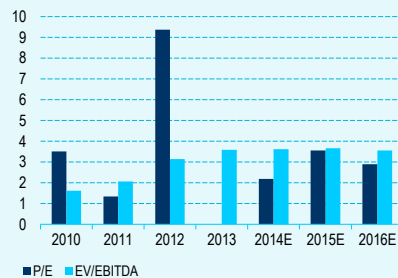
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	139,571	140,313	157,970	167,181	167,842	179,223
Depreciation	33,187	43,908	56,758	60,525	63,675	67,485
EBITDA	83,760	82,133	92,551	94,850	91,057	100,348
Operating profit (EBIT)	71,837	33,279	(262,546)	34,326	27,382	32,864
Net interest expense	3,679	3,899	1,918	3,408	(4,214)	(4,354)
Non-op. revenue (expenses)	(12,653)	(28,379)	(29,286)	0	0	0
Pretax profit	62,863	8,799	(289,914)	37,734	23,168	28,510
Taxes	13,875	1,756	(55,143)	7,547	4,634	5,702
Minority interest	(1,668)	(240)	(1,670)	215	132	162
Net income	48,988	7,043	(234,771)	30,187	18,535	22,808
<b>Cash flow statement</b>						
Net change in work. cap.	(90,033)	3,249	62,998	(8,610)	(22,190)	(287)
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	95,914	108,613	94,934
Capex	(153,471)	(150,431)	(122,143)	(113,000)	(94,500)	(114,300)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(124,743)	(145,711)	(137,458)	(85,543)	(70,750)	(90,664)
Equity	2,220	3,247	3,762	0	0	0
Debt	80,105	82,500	110,000	12,412	2,000	18,000
Financing cashflow	68,152	73,834	56,237	(8,741)	(26,448)	(10,824)
Net change in cash	12,054	(1,571)	(2,429)	1,630	11,415	(6,554)
<b>Balance sheet</b>						
Cash & equivalents	25,627	24,056	21,627	23,257	34,671	28,117
Current assets	89,171	96,412	122,352	123,072	134,261	131,448
PP&E	980,677	1,096,535	749,710	802,185	833,011	879,826
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	970,824	1,012,838	1,056,840
Current liabilities	49,534	73,466	103,817	228,963	252,768	265,499
S-T Debt	2,002	23,218	29,624	145,048	146,015	154,717
L-T Debt	130,778	193,200	257,964	154,952	155,985	165,283
Other L-T liabilities	0	0	0	0	0	0
Shareholders funds	897,314	907,063	549,239	579,211	596,256	618,067
Total liabilities & equity	1,163,677	1,260,241	918,502	970,824	1,012,838	1,056,840
Net Debt	107,153	192,362	265,961	276,743	267,329	291,883
<b>Margins and profitability</b>						
EBIT margin	51.5%	23.7%	(166.2%)	20.5%	16.3%	18.3%
EBITDA margin	60.0%	58.5%	58.6%	56.7%	54.3%	56.0%
Net margin	35.1%	5.0%	(148.6%)	18.1%	11.0%	12.7%
ROE	5.5%	0.8%	(42.7%)	5.2%	3.1%	3.7%
ROA	4.2%	0.6%	(25.6%)	3.1%	1.8%	2.2%
ROIC	5.3%	2.3%	(26.5%)	3.8%	3.0%	3.4%
<b>Momentum</b>						
Revenue growth	23%	1%	13%	6%	0%	7%
EBITDA growth	24%	-2%	13%	2%	-4%	10%
EPS growth	161%	-86%	n/m	n/m	-39%	23%
<b>Liquidity and solvency</b>						
Cash ratio	0.5	0.3	0.2	0.1	0.1	0.1
Current ratio	1.8	1.3	1.2	0.5	0.5	0.5
Interest coverage	19.5	8.5	(136.9)	10.1	(6.5)	(7.5)
Debt/Equity	0.1	0.2	0.5	0.5	0.5	0.5
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	2.9	2.9
<b>Valuation</b>						
P/E	1.3	9.4	nm	2.2	3.6	2.9
P/CE	0.8	1.3	nm	0.7	0.8	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	3.7	3.6
Dividend yield, (ords)	7.4%	0.0%	0.0%	2.1%	1.3%	1.6%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.01	(0.19)	0.02	0.01	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	0.47	0.49

Sources: Company data, Otkritie Capital estimates

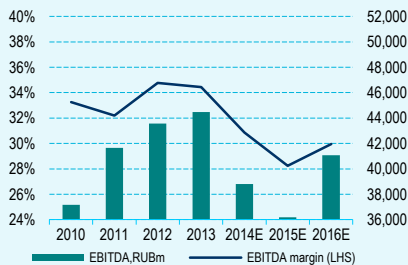




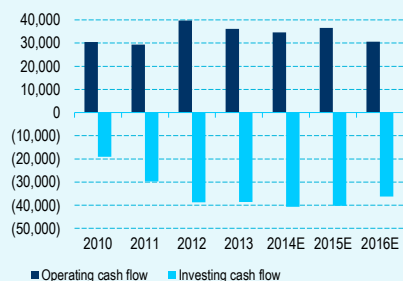
## MOESK

RUBmn unless otherwise stated

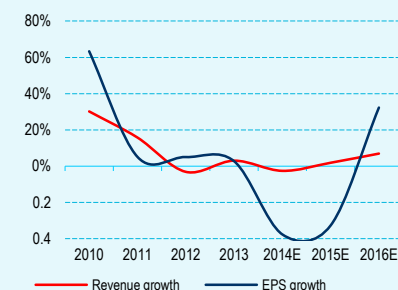
## Profitability



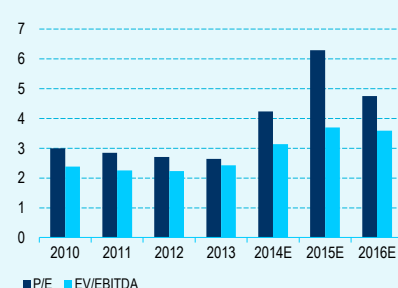
## Cash flows, RUBmn



## Momentum



## Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	129,366	125,324	129,125	125,787	128,146	137,030
Depreciation	16,539	17,395	17,918	19,092	20,254	21,298
EBITDA	41,649	43,580	44,464	38,818	36,193	41,062
Operating profit (EBIT)	25,110	26,186	26,528	19,726	15,939	19,764
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	15,183	10,216	13,516
Taxes	5,402	6,447	4,898	3,037	2,043	2,703
Minority interest	95	(11)	(137)	(85)	(57)	(76)
Net income	18,043	18,950	19,473	12,147	8,173	10,813
<b>Cash flow statement</b>						
Net change in work. cap.	18,166	(7,590)	3,290	1,181	(2,432)	7,732
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	34,600	36,581	30,627
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	945	(2,031)
Net change in cash	1,014	4,387	(6,736)	10,786	(2,728)	(7,567)
<b>Balance sheet</b>						
Cash & equivalents	3,945	8,332	1,596	12,382	9,654	2,087
Current assets	28,782	30,541	26,399	42,683	40,725	35,264
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	324,579	343,024	352,831
Current liabilities	55,069	57,593	58,822	106,836	115,427	113,393
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	162,541	168,842	178,350
Total liabilities & equity	249,559	269,057	286,302	324,579	343,024	352,831
Net Debt	42,531	45,776	56,689	70,618	82,346	95,913
<b>Margins and profitability</b>						
EBIT margin	19.4%	20.9%	20.5%	15.7%	12.4%	14.4%
EBITDA margin	32.2%	34.8%	34.4%	30.9%	28.2%	30.0%
Net margin	13.9%	15.1%	15.1%	9.7%	6.4%	7.9%
ROE	14.7%	13.5%	12.7%	7.5%	4.8%	6.1%
ROA	7.2%	7.0%	6.8%	3.7%	2.4%	3.1%
ROIC	10.5%	10.3%	9.4%	7.7%	5.9%	6.7%
<b>Momentum</b>						
Revenue growth	16%	-3%	3%	-3%	2%	7%
EBITDA growth	12%	5%	2%	-13%	-7%	13%
EPS growth	5%	5%	3%	-38%	-33%	32%
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.1	0.0	0.1	0.1	0.0
Current ratio	0.5	0.5	0.4	0.4	0.4	0.3
Interest coverage	(15.1)	(33.2)	(12.3)	(4.3)	(2.8)	(3.2)
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	2.3	2.3
<b>Valuation</b>						
P/E	2.8	2.7	2.6	4.2	6.3	4.8
P/CE	1.5	1.4	1.4	1.6	1.8	1.6
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	1.1
EV/EBITDA	2.3	2.2	2.4	3.1	3.7	3.6
Dividend yield, (ords)	2.3%	8.4%	5.6%	3.8%	2.7%	3.8%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.37	0.39	0.40	0.25	0.17	0.22
DPS, ords	0.02	0.09	0.06	0.04	0.03	0.04
DPS, prefs	-	-	-	-	-	-
BVPS	2.51	2.88	3.15	3.34	3.47	3.66

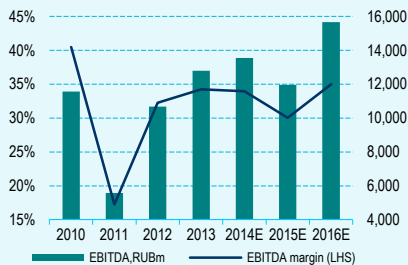
Sources: Company data, Otkritie Capital estimates



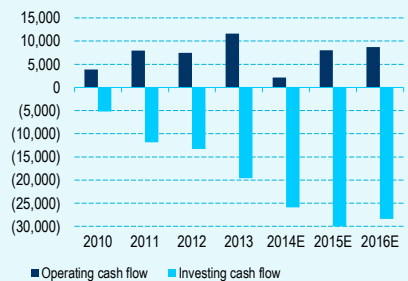
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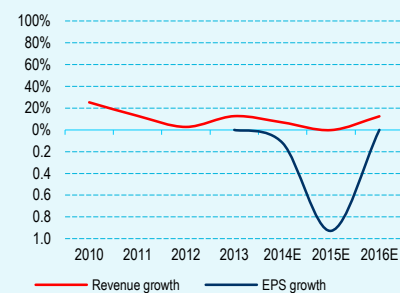
### Profitability



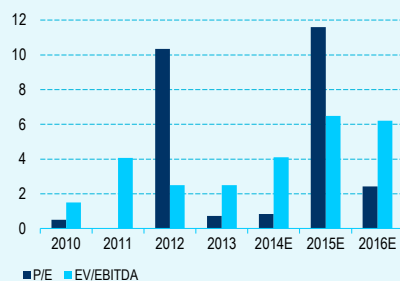
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	32,257	33,135	37,323	39,879	39,807	44,770
Depreciation	4,813	4,216	3,920	4,660	5,517	6,328
EBITDA	5,566	10,684	12,786	13,542	11,965	15,669
Operating profit (EBIT)	754	2,475	6,316	8,438	6,065	8,939
Net interest expense	(1,598)	(1,873)	(2,014)	(4,833)	(5,805)	(7,695)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(845)	602	4,301	3,605	260	1,244
Taxes	99	370	1,020	721	52	249
Minority interest	7	(2)	8	7	0	2
Net income	(943)	233	3,281	2,884	208	996
<b>Cash flow statement</b>						
Net change in work. cap.	419	(1,898)	(1,981)	5,880	(1,821)	(897)
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	2,162	8,044	8,719
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	22,000	20,000
Financing cashflow	10,357	2,243	8,219	20,169	21,979	19,900
Net change in cash	6,456	(3,595)	206	(3,569)	24	220
<b>Balance sheet</b>						
Cash & equivalents	7,109	3,514	3,719	231	255	475
Current assets	11,993	11,236	18,744	15,418	15,463	16,377
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	138,759	163,287	186,272
Current liabilities	25,035	30,567	36,679	30,293	33,498	36,327
S-T Debt	6,356	7,153	3,982	3,313	4,676	5,915
L-T Debt	21,028	20,638	29,402	50,187	70,824	89,585
Other L-T liabilities	4,884	1,786	2,123	2,123	2,123	2,123
Shareholders funds	42,504	43,513	49,428	52,422	52,483	53,558
Total liabilities & equity	96,951	99,393	120,845	138,759	163,287	186,272
Net Debt	20,276	24,277	29,664	53,269	75,245	95,025
<b>Margins and profitability</b>						
EBIT margin	2.3%	7.5%	16.9%	21.2%	15.2%	20.0%
EBITDA margin	17.3%	32.2%	34.3%	34.0%	30.1%	35.0%
Net margin	(2.9%)	0.7%	8.8%	7.2%	0.5%	2.2%
ROE	(2.2%)	0.5%	6.6%	5.5%	0.4%	1.9%
ROA	(1.0%)	0.2%	2.7%	2.1%	0.1%	0.5%
ROIC	0.9%	3.0%	6.3%	6.2%	3.7%	4.8%
<b>Momentum</b>						
Revenue growth	13%	3%	13%	7%	-0%	12%
EBITDA growth	-52%	92%	20%	6%	-12%	31%
EPS growth	n/m	n/m	1,309%	-12%	-93%	379%
<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	0.5	0.5	0.5
Interest coverage	(0.5)	(1.3)	(3.1)	(1.7)	(1.0)	(1.2)
Debt/Equity	0.6	0.6	0.7	1.0	1.4	1.8
Debt/Total assets	0.3	0.3	0.3	0.4	0.5	0.5
Net debt / EBITDA	3.6	2.3	2.3	3.9	6.3	6.1
<b>Valuation</b>						
P/E	nm	10.3	0.7	0.8	11.6	2.4
P/CE	0.6	0.5	0.3	0.3	0.4	0.3
P/BV	0.1	0.1	0.0	0.0	0.0	0.0
EV/Sales	0.7	0.8	0.9	1.4	2.0	2.2
EV/EBITDA	4.1	2.5	2.5	4.1	6.5	6.2
Dividend yield, (ords)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield, (prefs)	0.0%	11.4%	9.8%	11.2%	1.9%	9.2%
<b>Per Share Data</b>						
EPS	(0.75)	0.19	2.61	2.29	0.17	0.79
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	0.00	1.32	1.14	1.30	0.22	1.07
BVPS	33.81	34.62	39.32	41.70	41.75	42.61

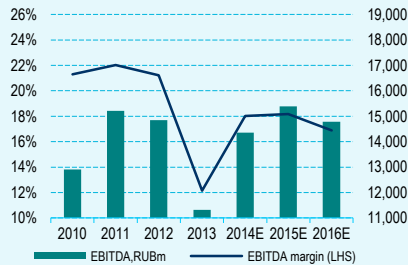
Sources: Company data, Otkritie Capital estimates



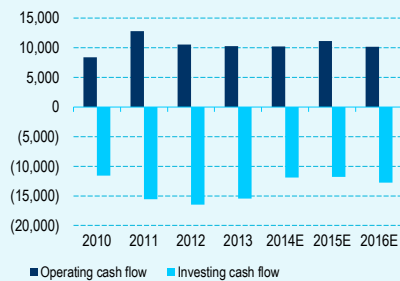
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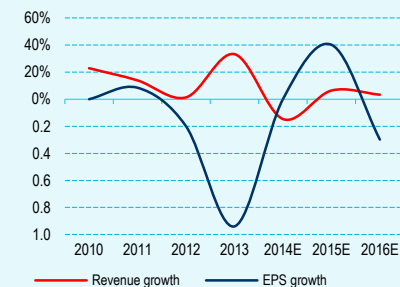
### Profitability



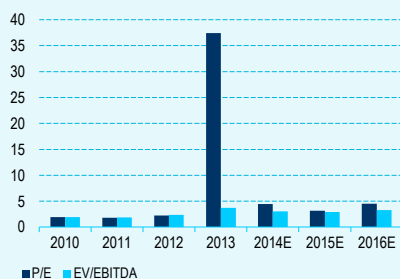
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	69,041	69,984	93,297	79,632	84,728	87,557
Depreciation	6,285	6,738	7,930	8,270	8,610	8,975
EBITDA	15,217	14,850	11,325	14,350	15,394	14,783
Operating profit (EBIT)	8,932	7,556	3,395	6,080	6,785	5,807
Net interest expense	(1,556)	(1,812)	(2,347)	(3,291)	(2,873)	(3,061)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	7,376	5,745	1,049	2,789	3,912	2,746
Taxes	1,841	1,316	782	558	782	549
Minority interest	4	23	33	273	383	269
Net income	5,534	4,429	266	2,231	3,130	2,197
<b>Cash flow statement</b>						
Net change in work. cap.	(533)	2,321	157	291	527	958
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	10,210	11,125	10,155
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	2,000
Financing cashflow	5,111	4,270	5,311	2,305	1,021	1,296
Net change in cash	2,387	(1,675)	143	615	333	(1,289)
<b>Balance sheet</b>						
Cash & equivalents	2,646	972	1,115	1,730	2,064	774
Current assets	12,968	16,809	16,708	15,419	16,563	15,754
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	98,388	102,822	105,838
Current liabilities	11,325	13,560	14,864	29,782	30,870	31,465
S-T Debt	1,167	207	1,912	19,026	19,830	20,902
L-T Debt	20,070	26,296	31,208	16,474	17,170	18,098
Other L-T liabilities	354	441	578	578	578	578
Shareholders funds	38,567	42,550	41,687	43,571	45,838	47,063
Total liabilities & equity	76,817	89,572	96,047	98,388	102,822	105,838
Net Debt	18,591	25,531	32,005	33,770	34,936	38,226
<b>Margins and profitability</b>						
EBIT margin	12.9%	10.8%	3.6%	7.6%	8.0%	6.6%
EBITDA margin	22.0%	21.2%	12.1%	18.0%	18.2%	16.9%
Net margin	8.0%	6.3%	0.3%	2.8%	3.7%	2.5%
ROE	14.3%	10.4%	0.6%	5.1%	6.8%	4.7%
ROA	7.2%	4.9%	0.3%	2.3%	3.0%	2.1%
ROIC	11.4%	8.1%	3.4%	7.3%	7.8%	6.3%
<b>Momentum</b>						
Revenue growth	14%	1%	33%	-15%	6%	3%
EBITDA growth	18%	-2%	-24%	27%	7%	-4%
EPS growth	8%	-20%	-94%	738%	40%	-30%
<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	0.5	0.5
Interest coverage	(5.7)	(4.2)	(1.4)	(1.8)	(2.4)	(1.9)
Debt/Equity	0.6	0.6	0.8	0.8	0.8	0.8
Debt/Total assets	0.3	0.3	0.3	0.4	0.4	0.4
Net debt / EBITDA	1.2	1.7	2.8	2.4	2.3	2.6
<b>Valuation</b>						
P/E	1.8	2.2	37.4	4.5	3.2	4.5
P/CE	0.8	0.9	1.2	0.9	0.8	0.9
P/BV	0.3	0.2	0.2	0.2	0.2	0.2
EV/Sales	0.4	0.5	0.4	0.5	0.5	0.6
EV/EBITDA	1.9	2.4	3.7	3.0	2.9	3.3
Dividend yield, (ords)	4.2%	8.7%	0.8%	4.8%	7.1%	5.2%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.13	0.10	0.01	0.05	0.07	0.05
DPS, ords	0.01	0.02	0.00	0.01	0.02	0.01
DPS, prefs	-	-	-	-	-	-
BVPS	0.91	1.01	0.99	1.03	1.09	1.11

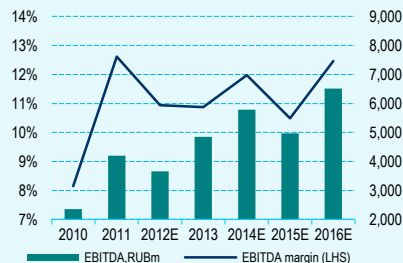
Sources: Company data, Otkritie Capital estimates



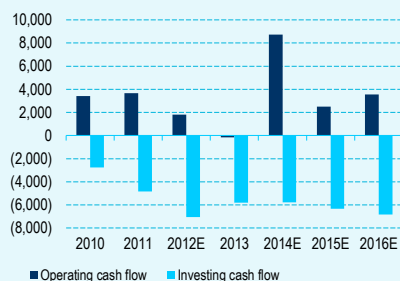
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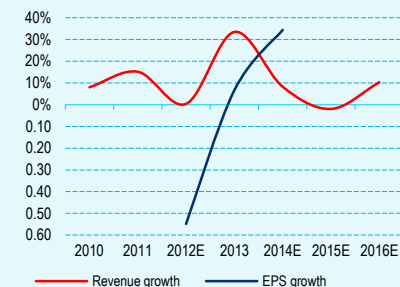
### Profitability



### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012E	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	33,288	33,419	44,615	48,303	47,365	52,256
Depreciation	2,884	3,083	3,575	3,740	3,921	4,115
EBITDA	4,198	3,656	4,853	5,785	4,968	6,510
Operating profit (EBIT)	1,325	574	1,346	2,045	1,048	2,394
Net interest expense	(259)	(416)	(1,062)	(1,396)	(1,216)	(1,940)
Non-op. revenue (expenses)	187	308	400	0	0	0
Pretax profit	1,253	466	683	649	(168)	454
Taxes	451	103	297	130	0	91
Minority interest	1	0	0	0	0	0
Net income	802	362	387	520	(168)	364
<b>Cash flow statement</b>						
Net change in work. cap.	(673)	2,081	4,522	(4,474)	1,248	910
Provisions and write-offs	0	0	0	0	0	0
Other	(5)	0	(90)	0	0	0
Operating cashflow	3,675	1,820	(143)	8,733	2,504	3,569
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)	4,898	5,500
Net change in cash	381	(808)	113	2,661	1,064	2,258
<b>Balance sheet</b>						
Cash & equivalents	1,535	727	840	3,502	4,565	6,824
Current assets	7,225	7,959	14,630	13,492	15,603	19,395
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	52,355	56,884	63,372
Current liabilities	6,308	5,706	10,500	15,089	16,916	19,770
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	22,562	22,292	22,656
Total liabilities & equity	37,542	42,058	51,467	52,355	56,885	63,372
Net Debt	4,694	9,921	15,890	12,998	16,935	20,176
<b>Margins and profitability</b>						
EBIT margin	4.0%	1.7%	3.0%	4.2%	2.2%	4.6%
EBITDA margin	12.6%	10.9%	10.9%	12.0%	10.5%	12.5%
Net margin	2.4%	1.1%	0.9%	1.1%	(0.4%)	0.7%
ROE	3.7%	1.7%	1.7%	2.3%	(0.8%)	1.6%
ROA	2.1%	0.9%	0.8%	1.0%	(0.3%)	0.6%
ROIC	3.6%	1.3%	2.7%	4.8%	2.4%	5.2%
<b>Momentum</b>						
Revenue growth	15%	0%	34%	8%	-2%	10%
EBITDA growth	78%	-13%	33%	19%	-14%	31%
EPS growth	n/m	-55%	7%	34%	n/m	n/m
<b>Liquidity and solvency</b>						
Cash ratio	0.2	0.1	0.1	0.2	0.3	0.3
Current ratio	1.1	1.4	1.4	0.9	0.9	1.0
Interest coverage	(5.1)	(1.4)	(1.3)	(1.5)	(0.9)	(1.2)
Debt/Equity	0.3	0.5	0.8	0.7	1.0	1.2
Debt/Total assets	0.2	0.3	0.3	0.3	0.4	0.4
Net debt / EBITDA	1.1	2.7	3.3	2.2	3.4	3.1
<b>Valuation</b>						
P/E	3.2	7.1	6.7	5.0	nm	7.1
P/CE	0.7	0.8	0.7	0.6	0.7	0.6
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	3.9	3.5
Dividend yield, (ords)	0.0%	0.1%	2.9%	3.9%	0.0%	2.9%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.01	0.00	0.00	0.01	(0.00)	0.00
DPS, ords	0.00	0.00	0.00	0.00	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.23	0.23	0.23	0.24	0.23	0.24

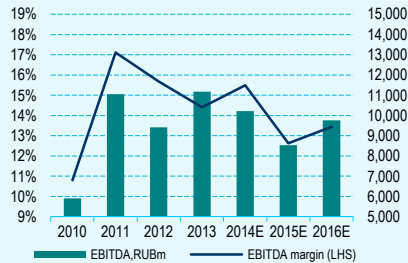
Sources: Company data, Otkritie Capital estimates



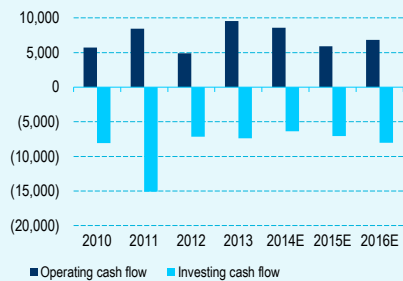
## MRSK of Center & Volga Region

RUBmn unless otherwise stated

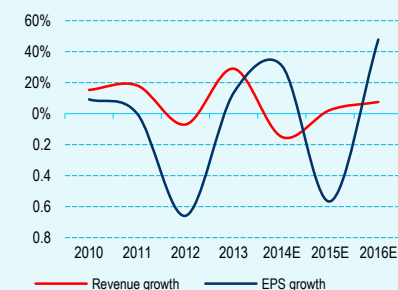
### Profitability



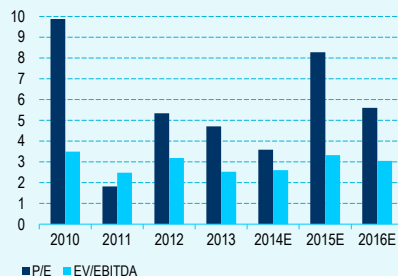
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	64,590	60,082	77,554	65,932	67,529	72,648
Depreciation	4,270	5,669	5,460	5,649	5,859	6,095
EBITDA	11,058	9,418	11,172	10,212	8,527	9,766
Operating profit (EBIT)	6,788	3,596	4,238	4,111	2,215	3,219
Net interest expense	(1,021)	(1,524)	(1,915)	(1,242)	(970)	(1,379)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	5,767	2,072	2,323	2,868	1,245	1,841
Taxes	1,243	529	571	574	249	368
Minority interest	0	0	0	0	0	0
Net income	4,524	1,544	1,752	2,295	996	1,473
<b>Cash flow statement</b>						
Net change in work. cap.	3,141	1,042	(2,433)	(912)	655	489
Provisions and write-offs	0	0	0	0	0	0
Other	(0)	0	(9)	(263)	(290)	(231)
Operating cashflow	8,435	4,867	9,562	8,592	5,910	6,847
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)	(7,063)	(8,007)
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)	426	(249)
Net change in cash	750	(1,322)	684	328	(727)	(1,409)
<b>Balance sheet</b>						
Cash & equivalents	3,928	2,606	3,291	3,619	2,892	1,483
Current assets	13,684	14,155	15,939	14,868	14,131	13,529
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	76,779	77,537	79,077
Current liabilities	9,151	10,249	12,611	13,334	12,768	13,085
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	36,107	36,529	37,752
Total liabilities & equity	69,064	73,309	76,890	76,779	77,537	79,077
Net Debt	19,221	21,733	19,992	18,381	20,108	21,517
<b>Margins and profitability</b>						
EBIT margin	10.5%	6.0%	5.5%	6.2%	3.3%	4.4%
EBITDA margin	17.1%	15.7%	14.4%	15.5%	12.6%	13.4%
Net margin	7.0%	2.6%	2.3%	3.5%	1.5%	2.0%
ROE	13.7%	4.5%	5.1%	6.4%	2.7%	3.9%
ROA	6.6%	2.1%	2.3%	3.0%	1.3%	1.9%
ROIC	9.7%	4.8%	5.6%	5.5%	2.9%	4.0%
<b>Momentum</b>						
Revenue growth	18%	-7%	29%	-15%	2%	8%
EBITDA growth	87%	-15%	19%	-9%	-17%	15%
EPS growth	442%	-66%	13%	31%	-57%	48%
<b>Liquidity and solvency</b>						
Cash ratio	0.4	0.3	0.3	0.3	0.2	0.1
Current ratio	1.5	1.4	1.3	1.1	1.1	1.0
Interest coverage	(6.6)	(2.4)	(2.2)	(3.3)	(2.3)	(2.3)
Debt/Equity	0.7	0.7	0.7	0.6	0.6	0.6
Debt/Total assets	0.3	0.3	0.3	0.3	0.3	0.3
Net debt / EBITDA	1.7	2.3	1.8	1.8	2.4	2.2
<b>Valuation</b>						
P/E	1.8	5.3	4.7	3.6	8.3	5.6
P/CE	0.9	1.1	1.1	1.0	1.2	1.1
P/BV	0.2	0.2	0.2	0.2	0.2	0.2
EV/Sales	0.4	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	2.5	3.2	2.5	2.6	3.3	3.0
Dividend yield, (ords)	3.9%	5.8%	7.7%	7.0%	3.0%	4.5%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.01	0.02	0.02	0.01	0.01
DPS, ords	0.00	0.00	0.01	0.01	0.00	0.00
DPS, prefs	-	-	-	-	-	-
BVPS	0.29	0.30	0.31	0.32	0.32	0.33

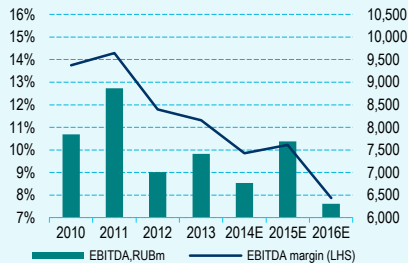
Sources: Company data, Otkritie Capital estimates



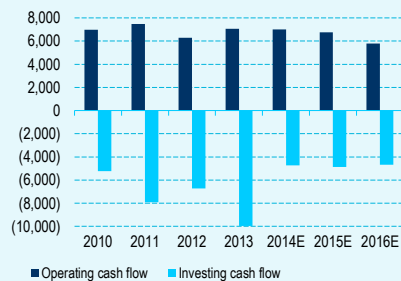
## MRSK of Urals

RUBmn unless otherwise stated

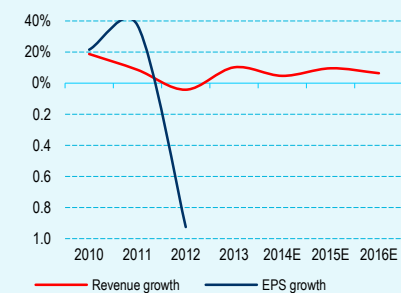
### Profitability



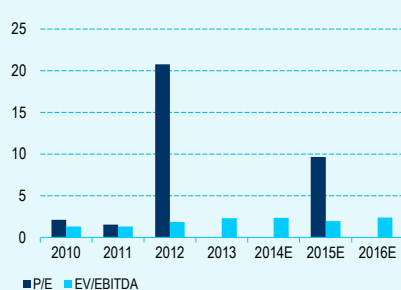
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	62,000	59,431	65,523	68,642	75,253	80,118
Depreciation	4,152	4,894	5,451	5,589	5,734	5,876
EBITDA	8,863	7,007	7,412	6,769	7,692	6,310
Operating profit (EBIT)	4,090	503	226	801	1,552	83
Net interest expense	(221)	19	(1,207)	(768)	(878)	(659)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	4,115	589	(993)	19	659	(591)
Taxes	844	344	107	4	132	0
Minority interest	68	(37)	0	0	0	0
Net income	3,271	246	(1,100)	15	528	(591)
<b>Cash flow statement</b>						
Net change in work. cap.	(406)	(759)	317	(644)	391	147
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	7,017	6,748	5,796
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)	(4,732)	(4,861)	(4,669)
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	(137)	(160)	1,022
Net change in cash	(447)	1,164	(602)	2,147	1,727	2,149
<b>Balance sheet</b>						
Cash & equivalents	1,430	2,594	1,992	4,140	5,866	8,015
Current assets	9,553	10,521	11,399	13,361	16,025	18,850
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	71,772	73,770	75,682
Current liabilities	8,948	9,447	10,405	12,457	13,139	13,942
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	39,064	39,517	38,899
Total liabilities & equity	64,246	66,825	70,567	71,772	73,770	75,682
Net Debt	6,616	8,040	12,187	10,860	10,134	9,985
<b>Margins and profitability</b>						
EBIT margin	6.6%	0.8%	0.3%	1.2%	2.1%	0.1%
EBITDA margin	14.3%	11.8%	11.3%	9.9%	10.2%	7.9%
Net margin	5.3%	0.4%	(1.7%)	0.0%	0.7%	(0.7%)
ROE	7.9%	0.6%	(2.8%)	0.0%	1.3%	(1.5%)
ROA	5.1%	0.4%	(1.6%)	0.0%	0.7%	(0.8%)
ROIC	6.1%	0.7%	0.3%	1.2%	2.3%	0.1%
<b>Momentum</b>						
Revenue growth	9%	-4%	10%	5%	10%	6%
EBITDA growth	13%	-21%	6%	-9%	14%	-18%
EPS growth	37%	-92%	n/m	n/m	3,308%	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	1.4
Interest coverage	(18.5)	27.2	(0.2)	(1.0)	(1.8)	(0.1)
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	1.3	1.6
<b>Valuation</b>						
P/E	1.6	20.8	nm	nm	9.7	nm
P/CE	0.7	1.0	1.2	0.9	0.8	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	2.0	2.4
Dividend yield, (ords)	2.5%	3.1%	1.7%	1.5%	0.5%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	0.04	0.00	(0.01)	0.00	0.01	(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

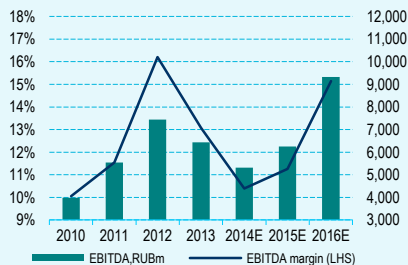
Sources: Company data, Otkritie Capital estimates



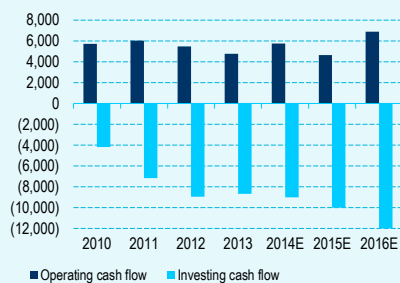
## MRSK of Volga

RUBmn unless otherwise stated

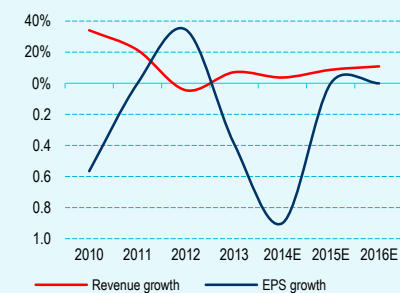
### Profitability



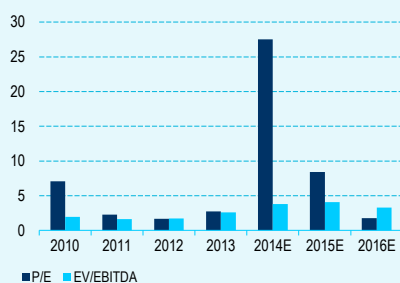
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	48,037	45,908	49,202	51,047	55,502	61,566
Depreciation	3,267	3,602	4,092	4,349	4,635	4,978
EBITDA	5,547	7,438	6,433	5,310	6,245	9,320
Operating profit (EBIT)	2,407	3,564	2,445	949	1,555	4,353
Net interest expense	(250)	(336)	(744)	(766)	(960)	(1,560)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	2,157	3,228	1,700	182	595	2,793
Taxes	392	854	249	36	119	559
Minority interest	0	0	0	0	0	0
Net income	1,765	2,374	1,451	146	476	2,234
<b>Cash flow statement</b>						
Net change in work. cap.	(825)	815	1,204	(1,252)	467	317
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	5,747	4,644	6,896
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	3,989	7,928
Net change in cash	539	74	(1,032)	793	(1,367)	2,824
<b>Balance sheet</b>						
Cash & equivalents	2,014	2,088	1,056	1,849	482	3,306
Current assets	8,161	7,151	7,825	8,327	7,524	11,045
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	55,538	60,100	70,643
Current liabilities	7,065	5,151	5,624	7,130	7,356	7,995
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	26,338	26,804	28,966
Total liabilities & equity	40,136	44,867	50,385	55,538	60,100	70,643
Net Debt	4,987	8,696	12,880	16,151	21,518	26,694
<b>Margins and profitability</b>						
EBIT margin	5.0%	7.8%	5.0%	1.9%	2.8%	7.1%
EBITDA margin	11.5%	16.2%	13.1%	10.4%	11.3%	15.1%
Net margin	3.7%	5.2%	2.9%	0.3%	0.9%	3.6%
ROE	7.5%	9.3%	5.5%	0.6%	1.8%	7.7%
ROA	4.4%	5.3%	2.9%	0.3%	0.8%	3.2%
ROIC	6.2%	7.6%	4.5%	1.6%	2.4%	5.9%
<b>Momentum</b>						
Revenue growth	21%	-4%	7%	4%	9%	11%
EBITDA growth	39%	34%	-14%	-17%	18%	49%
EPS growth	211%	35%	-39%	-90%	227%	369%
<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	1.0	1.4
Interest coverage	(9.6)	(10.6)	(3.3)	(1.2)	(1.6)	(2.8)
Debt/Equity	0.3	0.4	0.5	0.7	0.8	1.0
Debt/Total assets	0.2	0.2	0.3	0.3	0.4	0.4
Net debt / EBITDA	0.9	1.2	2.0	3.0	3.4	2.9
<b>Valuation</b>						
P/E	2.3	1.7	2.8	27.5	8.4	1.8
P/CE	0.8	0.7	0.7	0.9	0.8	0.6
P/BV	0.2	0.2	0.2	0.2	0.1	0.1
EV/Sales	0.2	0.3	0.3	0.4	0.5	0.5
EV/EBITDA	1.6	1.7	2.6	3.8	4.1	3.3
Dividend yield, (ords)	5.0%	7.3%	0.4%	0.3%	1.8%	3.3%
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

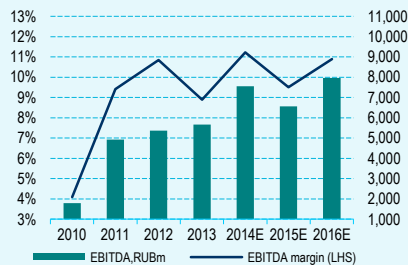
Sources: Company data, Otkritie Capital estimates



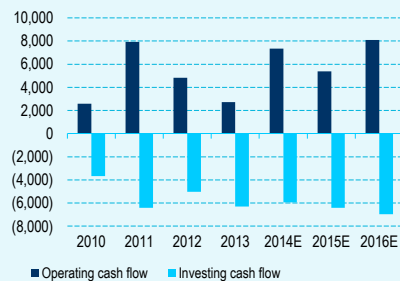
## MRSK of Siberia

RUBmn unless otherwise stated

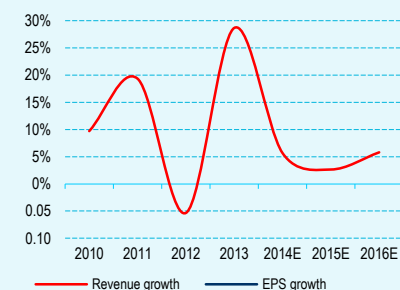
### Profitability



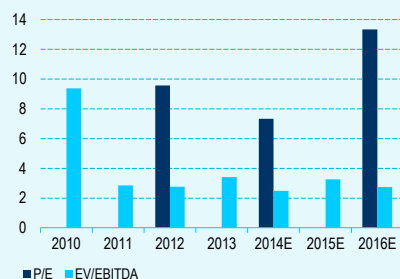
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	52,312	49,514	63,716	67,332	69,110	73,117
Depreciation	3,726	4,177	4,417	4,587	4,774	4,980
EBITDA	4,928	5,372	5,671	7,557	6,569	7,970
Operating profit (EBIT)	111	826	(226)	2,216	871	2,108
Net interest expense	(421)	232	(1,160)	(902)	(1,117)	(1,347)
Non-op. revenue (expenses)	0	0	0	0	0	0
Pretax profit	(310)	1,057	(1,386)	1,315	(246)	761
Taxes	165	208	(246)	208	0	152
Minority interest	0	0	(0)	0	(0)	0
Net income	(475)	849	(1,141)	1,106	(246)	609
<b>Cash flow statement</b>						
Net change in work. cap.	(5,442)	4,133	(3,263)	(750)	256	(1,166)
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	7,345	5,389	8,102
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)	(6,407)	(6,969)
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	4,463	1,908
Net change in cash	729	(856)	(97)	4,523	3,446	3,040
<b>Balance sheet</b>						
Cash & equivalents	1,184	328	231	4,754	8,200	11,240
Current assets	8,239	9,544	10,968	13,407	17,662	20,823
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	58,826	64,857	70,252
Current liabilities	14,211	14,887	16,873	25,863	30,626	34,368
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	24,895	24,372	24,981
Total liabilities & equity	48,880	50,813	55,017	58,826	64,857	70,252
Net Debt	5,443	6,214	10,732	10,246	12,800	13,260
<b>Margins and profitability</b>						
EBIT margin	0.2%	1.7%	(0.4%)	3.3%	1.3%	2.9%
EBITDA margin	9.4%	10.9%	8.9%	11.2%	9.5%	10.9%
Net margin	(0.9%)	1.7%	(1.8%)	1.6%	(0.4%)	0.8%
ROE	(1.9%)	3.3%	(4.8%)	4.4%	(1.0%)	2.4%
ROA	(1.0%)	1.7%	(2.1%)	1.9%	(0.4%)	0.9%
ROIC	0.3%	1.9%	(0.5%)	6.3%	2.7%	6.8%
<b>Momentum</b>						
Revenue growth	19%	-5%	29%	6%	3%	6%
EBITDA growth	175%	9%	6%	33%	-13%	21%
EPS growth	n/m	n/m	n/m	n/m	n/m	n/m
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.0	0.0	0.2	0.3	0.3
Current ratio	0.6	0.6	0.7	0.5	0.6	0.6
Interest coverage	(0.3)	3.6	0.2	(2.5)	(0.8)	(1.6)
Debt/Equity	0.3	0.3	0.5	0.6	0.9	1.0
Debt/Total assets	0.1	0.1	0.2	0.3	0.3	0.3
Net debt / EBITDA	1.1	1.2	1.9	1.4	1.9	1.7
<b>Valuation</b>						
P/E	nm	9.6	nm	7.3	nm	13.3
P/CE	2.5	1.6	2.5	1.4	1.8	1.5
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	0.3
EV/EBITDA	2.9	2.8	3.4	2.5	3.3	2.7
Dividend yield, (ords)	0.0%	0.0%	0.0%	3.4%	0.0%	1.9%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	(0.01)	0.01	(0.01)	0.01	(0.00)	0.01
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	0.27	0.28

Sources: Company data, Otkritie Capital estimates

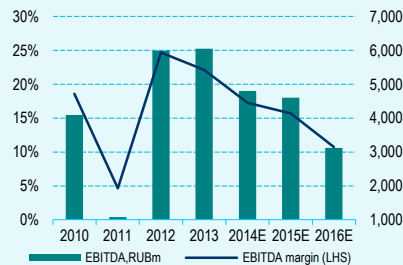




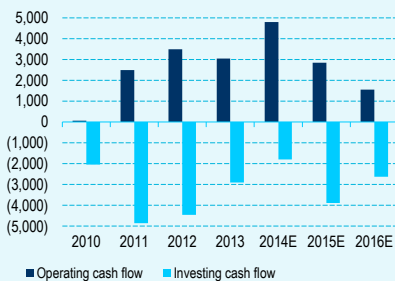
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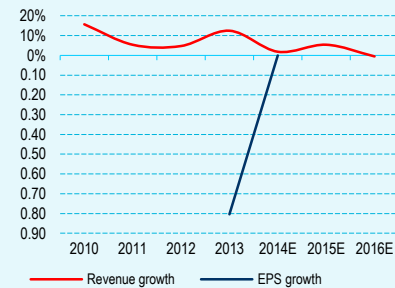
### Profitability



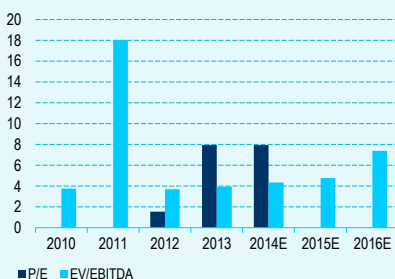
### Cash flows, RUBmn



### Momentum



### Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	23,194	24,286	27,311	27,807	29,300	29,142
Depreciation	2,158	2,598	2,721	2,773	2,884	2,959
EBITDA	1,078	5,990	6,046	4,798	4,600	3,124
Operating profit (EBIT)	(1,080)	2,786	2,348	2,026	1,716	165
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	242	(4)	(1,675)
Taxes	(360)	320	408	48	0	0
Minority interest	0	0	0	0	0	0
Net income	(2,130)	991	194	194	(4)	(1,675)
<b>Cash flow statement</b>						
Net change in work. cap.	(5,148)	1,785	1,275	(1,837)	30	(272)
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	4,804	2,850	1,556
Capex	(4,497)	(4,461)	(2,938)	(1,800)	(3,891)	(2,625)
Disposals (Acquisitions)	(372)	(6)	(4)	0	0	0
Investing cashflow	(4,854)	(4,448)	(2,896)	(1,800)	(3,891)	(2,625)
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)	981	2,000
Net change in cash	1,230	328	(560)	405	(60)	931
<b>Balance sheet</b>						
Cash & equivalents	1,421	1,749	1,190	1,595	1,534	2,466
Current assets	6,998	9,562	13,121	10,114	11,454	12,680
PP&E	22,344	24,689	25,171	24,198	25,205	24,872
Goodwill and other assets	1,874	959	846	846	846	846
Total assets	31,217	35,210	39,138	35,158	37,506	38,398
Current liabilities	10,214	13,632	21,005	13,861	15,459	16,480
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	4,789	4,766	3,091
Total liabilities & equity	31,217	35,210	39,138	35,158	37,506	38,398
Net Debt	17,893	20,559	22,390	19,405	20,466	21,534
<b>Margins and profitability</b>						
EBIT margin	(4.7%)	11.5%	8.6%	7.3%	5.9%	0.6%
EBITDA margin	4.6%	24.7%	22.1%	17.3%	15.7%	10.7%
Net margin	(9.2%)	4.1%	0.7%	0.7%	(0.0%)	(5.7%)
ROE	(59.2%)	21.7%	4.2%	4.0%	(0.1%)	(54.2%)
ROA	(6.8%)	2.8%	0.5%	0.6%	(0.0%)	(4.4%)
ROIC	(4.4%)	11.2%	11.1%	8.2%	6.7%	0.7%
<b>Momentum</b>						
Revenue growth	5%	5%	12%	2%	5%	-1%
EBITDA growth	-74%	456%	1%	-21%	-4%	-32%
EPS growth	n/m	n/m	-80%	-0%	n/m	n/m
<b>Liquidity and solvency</b>						
Cash ratio	0.1	0.1	0.1	0.1	0.1	0.1
Current ratio	0.7	0.7	0.6	0.7	0.7	0.8
Interest coverage	0.8	(1.9)	(1.3)	(1.1)	(1.0)	(0.1)
Debt/Equity	5.4	4.9	5.1	4.4	4.6	7.8
Debt/Total assets	0.6	0.6	0.6	0.6	0.6	0.6
Net debt / EBITDA	16.6	3.4	3.7	4.0	4.4	6.9
<b>Valuation</b>						
P/E	nm	1.6	8.0	8.0	nm	nm
P/CE	54.9	0.4	0.5	0.5	0.5	1.2
P/BV	0.4	0.3	0.3	0.3	0.3	0.5
EV/Sales	0.8	0.9	0.9	0.8	0.8	0.8
EV/EBITDA	18.0	3.7	4.0	4.4	4.8	7.4
Dividend yield, (ords)	0.0%	0.0%	1.3%	1.3%	0.0%	0.0%
Dividend yield, (prefs)	-	-	-	-	-	-
<b>Per Share Data</b>						
EPS	(0.04)	0.02	0.00	0.00	(0.00)	(0.03)
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	0.10	0.06

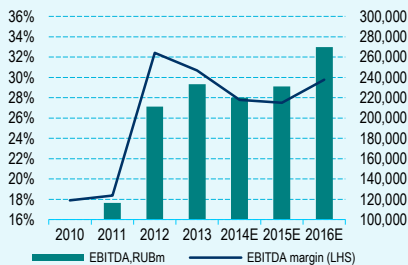
Sources: Company data, Otkritie Capital estimates



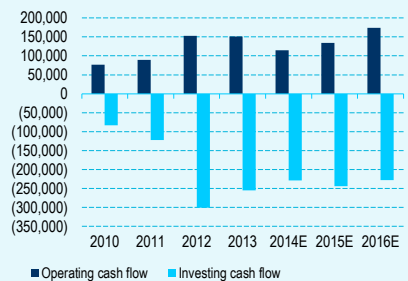
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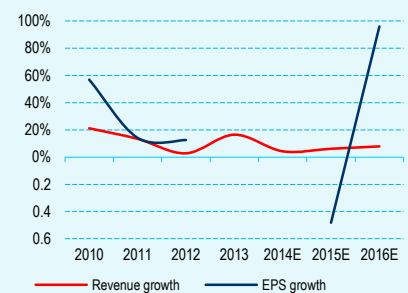
## Profitability



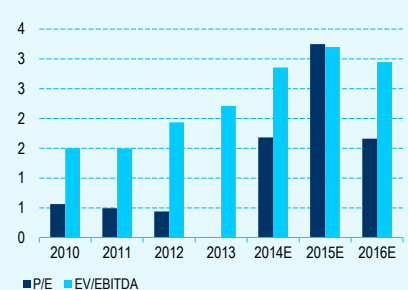
## Cash flows, RUBmn



## Momentum



## Valuation



	2011	2012	2013	2014E	2015E	2016E
<b>Income statement</b>						
Revenues	634,608	652,183	759,779	792,155	840,653	906,828
Depreciation	54,075	97,795	172,700	183,246	193,720	204,467
EBITDA	116,507	211,432	233,247	220,136	231,189	269,899
Operating profit (EBIT)	59,254	91,077	(148,821)	92,748	96,541	128,348
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)	54,997	28,473	55,813
Taxes	14,689	15,753	(31,012)	10,999	5,695	11,163
Minority interest	13,662	15,377	(55,885)	15,426	7,987	15,656
Net income	38,966	43,855	(159,389)	43,997	22,778	44,651
<b>Cash flow statement</b>						
Net change in work. cap.	3,725	43,696	(9,733)	32,045	12,800	(4,020)
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	114,626	133,979	173,716
Capex	(124,836)	(285,894)	(268,452)	(237,288)	(244,068)	(227,974)
Disposals (Acquisitions)	0	0	0	0	0	0
Investing cashflow	(121,818)	(300,180)	(255,151)	(228,239)	(244,068)	(227,974)
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	105,436	48,944
Net change in cash	23,963	(14,665)	2,102	(13,650)	(4,654)	(5,314)
<b>Balance sheet</b>						
Cash & equivalents	48,853	59,815	61,917	48,267	43,613	38,299
Current assets	156,686	260,300	288,655	279,194	285,114	293,389
PP&E	687,489	1,639,737	1,595,862	1,710,428	1,824,801	1,916,566
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	2,051,145	2,171,437	2,271,478
Current liabilities	194,150	276,058	309,946	289,283	281,056	301,665
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	793,450	803,445	828,835
Total liabilities & equity	879,078	1,992,502	1,946,039	2,051,144	2,171,437	2,271,478
Net Debt	146,932	381,959	488,120	601,733	712,703	767,644
<b>Margins and profitability</b>						
EBIT margin	9.3%	14.0%	(19.6%)	11.7%	11.5%	14.2%
EBITDA margin	18.4%	32.4%	30.7%	27.8%	27.5%	29.8%
Net margin	6.1%	6.7%	(21.0%)	5.6%	2.7%	4.9%
ROE	14.6%	4.9%	(20.8%)	5.5%	2.8%	5.4%
ROA	4.4%	2.2%	(8.2%)	2.1%	1.0%	2.0%
ROIC	7.5%	4.4%	(7.6%)	4.3%	4.2%	5.3%
<b>Momentum</b>						
Revenue growth	13%	3%	16%	4%	6%	8%
EBITDA growth	16%	81%	10%	-6%	5%	17%
EPS growth	14%	13%	n/m	n/m	-48%	96%
<b>Liquidity and solvency</b>						
Cash ratio	0.3	0.2	0.2	0.2	0.2	0.1
Current ratio	0.8	0.9	0.9	1.0	1.0	1.0
Interest coverage	(10.1)	(2.9)	3.6	(2.5)	(1.4)	(1.8)
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	3.1	2.8
<b>Valuation</b>						
P/E	0.5	0.4	nm	1.7	3.2	1.7
P/CE	0.2	0.1	5.6	0.3	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	2.9	3.2	2.9
Dividend yield, (ords)	0.8%	0.0%	0.0%	1.2%	0.9%	2.4%
Dividend yield, (prefs)	0.0%	14.4%	nm	14.5%	7.5%	14.7%
<b>Per Share Data</b>						
EPS	0.92	1.04	(0.98)	0.27	0.14	0.27
DPS, ords	0.00	0.00	0.00	0.01	0.00	0.01
DPS, prefs	0.00	0.08	(0.29)	0.08	0.04	0.08
BVPS	6.32	21.00	4.70	4.87	4.93	5.09

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