

# 1H 2015 RESULTS & OUTLOOK FOR 2015

Moscow, 14 October 2015



**IDGC OF CENTRE**

INTERREGIONAL DISTRIBUTION GRID COMPANY OF CENTRE,  
PUBLIC JOINT-STOCK COMPANY

# DISCLAIMER



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# Overview of the Company



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## Geography of activity: 11 branches in the European part of Russia

Service area, sq. km2	458
% of the total RF	2,7%
Population of the service area, mln people	13 605
% of the total RF	9,5%



As 30.06.2015

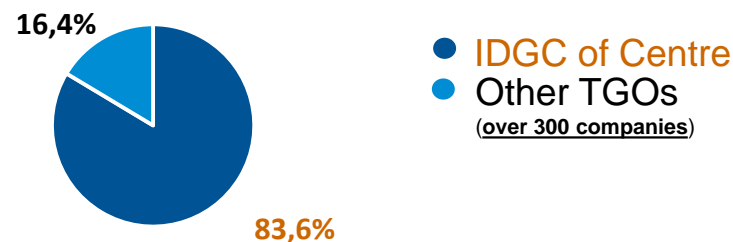
MCap <sup>1</sup> , RUB bln	8,4
MCap, USD mln	127,2
Productive power supply <sup>2</sup> , bn kWh	27,5
Electricity losses, %	9,27
Revenue (IFRS 6M2015), RUB bln	38,9
EBITDA (IFRS 6M2015), RUB bln	7,9
Profit for period (IFRS 6M2015), RUB bln	1,2
Number of shareholders <sup>3</sup>	16 442

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

## CORE TYPES OF ACTIVITY

- Transmission and distribution of electric energy
- Grid connections
- Energy services

Electric energy distribution market share for 6M 2015 per revenue, %



[1] close price as of 30.09.2015

[2] without losses of TGOs

[3] as of 20.05.2015

# Key results 1H 2015



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Strategic Priorities

## QUALITY, RELIABILITY & INNOVATIONS

- Electricity losses were reduced for 6M 2015 to 9,27% (9,28% for 6M 2014 in comparable conditions);
- **SAIDI** (System Average Interruption Duration Index)<sup>1/</sup> **SAIFI** (System Average Interruption Frequency Index)<sup>2/</sup> are calculated for internal quality control and reliability of electricity supply to customers.

## MARKET SHARE

- Electricity transmission market share by revenue in the service area was 83,6% following the results of 6M 2015, grid connection market share reached 87,9% (following the results of 6M 2014 85,2% and 87,2%, respectively).

## INVESTMENT ACTIVITY

- Capital expenditures were 2,3 RUB bln (excl. VAT);
- Capacity commissioned : 1 042 km and 123 MVA;
- Investment to grid connection totalled 77% of capital expenditures.

## OPERATING PERFORMANCE

- The volume of joint operation services rendered by the Company for 6M 2015 was 27,5 bln kWh, with the growth relative 6M 2014 – 0,7 %;
- For 6M 2015 the Company implemented grid connections in the amount of 456 MW (428 MW for 6M 2014).

## INVESTMENT APPEAL

- In 2015 dividends were approved following the results of 2014 in the amount of 831,7 RUB mln or 25,01% of RAS net profit following the results of 2014;
- Shares are listed in Moscow Exchange's First (Top) Tier quotation list, the Company involves a market-maker to support the liquidity of shares;
- Perception study shows that strong points of the Company are the information transparency and a high level of corporate governance.

[1] the average outage duration for each customer served

[2] the average number of interruptions that a customer would experience

# Results of production for 6M 2015



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## INDICATOR

30.06.15\*

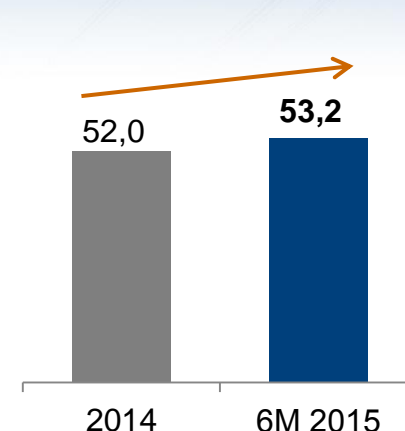
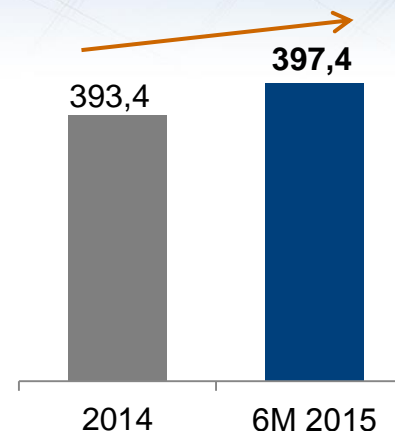
## LENGTH OF POWER LINES

(ROW), thous. km

## CAPACITY OF SUBSTATIONS

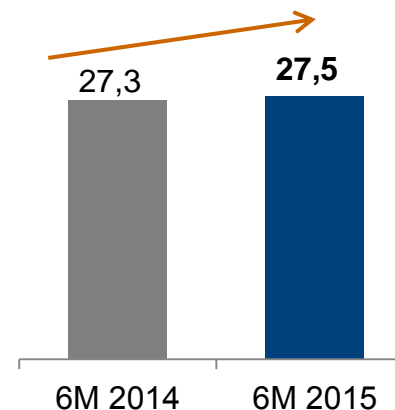
thous. MVA

Length of Conductors 0.4-110 kV (ROW) thous. km	380,8
Length of Conductors 35-110 kV thous. km	52,0
Length of Conductors 0.4-10 kV thous. km	328,8
Length of Cables 0.4-110 kV thous. km	16,6
Capacity of Substations thous. MVA	53,2
Capacity of Substations 35-110 kV thous. MVA	34,0
Capacity of Transformer & Distribution SS 6-10/0.4 kV thous. MVA	19,2
Number of Substations thous. pc	99,4
Number of Substations 35-110 kV thous. pc	2,4
Number of Transformer & Distribution SS 6-10/0.4 kV thous. pc	97,1
Number of conditional units mln	1,72
Number of Distribution Zones pc	278



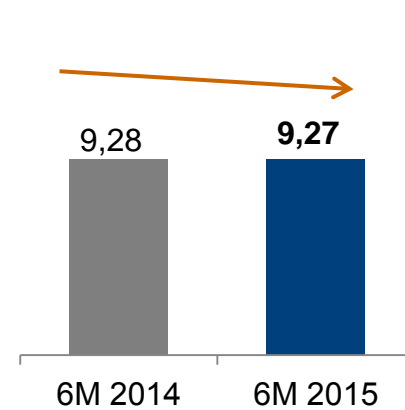
## PRODUCTIVE SUPPLY

(without losses of TGOs), bn kWh



## ELECTRIC ENERGY LOSSES

(in comparable conditions), %



\* - Taking into account the equipment on the balance sheet, rental equipment, leased equipment and equipment maintained under contracts

# Key financials under IFRS for 6M 2015



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Data in bln RUB, unless specified otherwise

Indicators	6M 2014	6M 2015	Change, %
<b>Revenue (total), including:</b>	<b>47,7</b>	<b>38,9</b>	<b>-18,4%</b>
Revenue from electricity transmission	31,5	38,0	20,6%
Revenue from grid connection	0,8	0,5	-37,5%
Revenue from resale of electric energy and power	14,9	0,0	-100,0%
Other revenue	0,5	0,4	-20,0%
<b>Operating expenses</b>	<b>43,1</b>	<b>35,1</b>	<b>-18,6%</b>
<b>Other income</b>	<b>0,2</b>	<b>0,2</b>	<b>0,0%</b>
<b>Operating results</b>	<b>4,8</b>	<b>4,0</b>	<b>-16,7%</b>
<b>EBITDA<sup>1</sup></b>	<b>9,1</b>	<b>7,9</b>	<b>-13,2%</b>
<b>EBITDA margin, %</b>	<b>19,1</b>	<b>20,3</b>	<b>1,2 p.p.</b>
<b>Profit for the period</b>	<b>2,6</b>	<b>1,2</b>	<b>-53,8%</b>

<sup>[1]</sup> EBITDA is calculated as follows: profit for period + profit tax + interest payable + depreciation charges

# Key financials under IFRS for 6M 2015

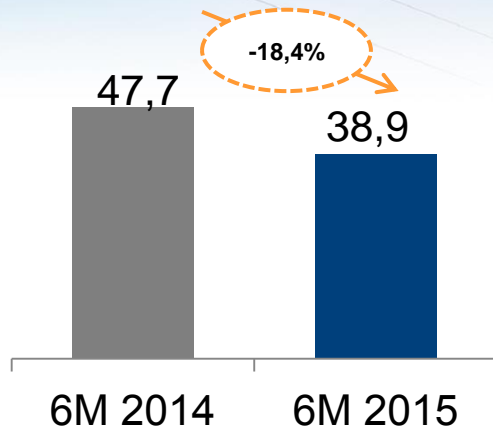


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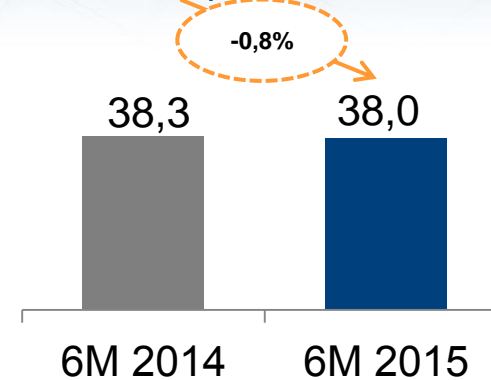
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Revenue, *RUB bln*

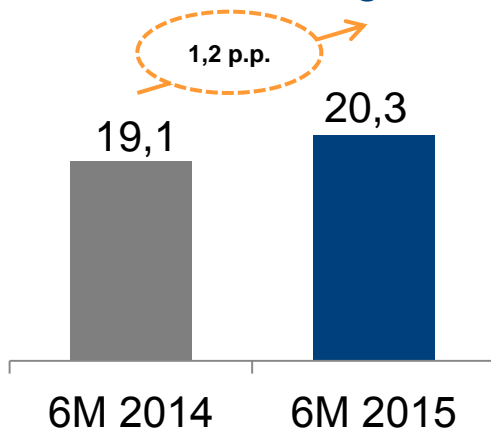


Revenue from electricity transmission  
(like-for-like) \*, *RUB bln*

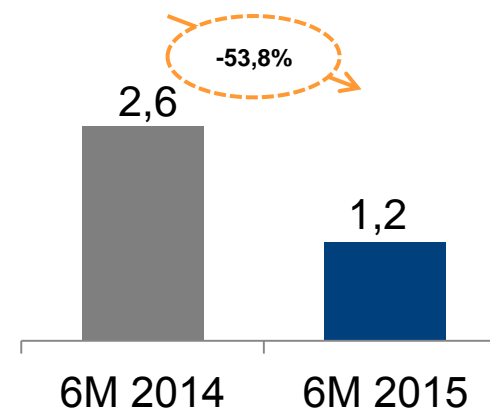


\* According to management accounting

EBITDA margin, %



Profit for the period, *RUB bln*



# Analysis of operating expenses under IFRS for 6M 2015



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<i>RUB bln</i>	6M 2014	6M 2015	Change %
Electric energy transmission	13,3	12,9	-3,0%
Staff costs	8,5	8,7	2,4%
Electric energy for resale	7,5	0,0	-100,0%
Electric energy purchased	4,9	4,9	0,0%
Depreciation	4,3	3,8	-11,6%
Materials and supplies	1,1	1,1	0,0%
Provision for receivables	0,6	0,2	-66,7%
Non-income taxes	0,4	0,5	25,0%
Recognized estimated liabilities	0,3	0,7	133,3%
Rent expenses	0,2	0,3	50,0%
Utilities	0,2	0,2	0,0%
Installation, maintenance and repair	0,2	0,2	0,0%
Other operating expenses	1,6	1,6	0,0%
<b>TOTAL</b>	<b>43,1</b>	<b>35,1</b>	<b>-18,6%</b>

- Reduction of the cost of electricity transmission is due to a change in the “joint operation” model in the Bryansk region from 01.06.2014;
- Increase in staff costs is due to the indexation of wages of production personnel in accordance with the Sectoral Tariff Agreement;
- Expenditure on electricity purchase for resale decreased due to the termination of functions of a supplier of last resort;
- Depreciation decreased as a result of accounting the impairment of fixed assets following the results of 2014;
- Growth of “Recognized estimated liabilities” is related to the increase of provisions for legal proceedings in the branches of Bryanskenergo and Kurskenergo.



# Financial standing



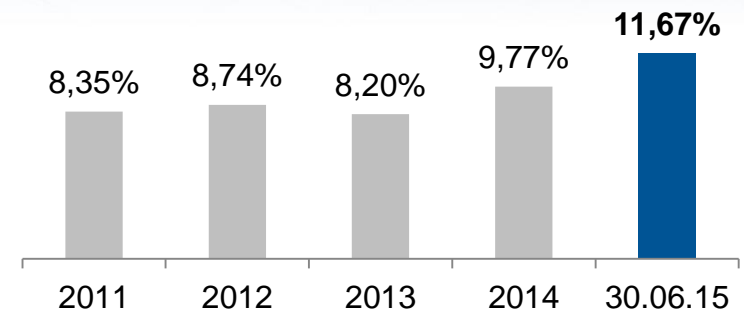
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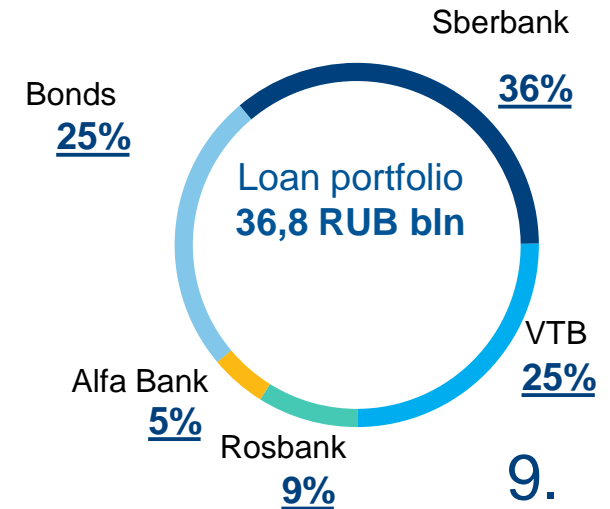
IFRS	31.12.2014	30.06.2015
Net debt <sup>1</sup> , RUB bln	36,9	35,6

## Average weighted borrowing rate of IDGC of Centre



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

## Loan portfolio structure of IDGC of Centre (as of 30.06.2015)



Type of securities	Volume (thous. RUB)	Registration number and date of assignment	Maturity	Status	Coupon rate (%)
Bonds of series BO-01	4 000 000	4B02-01-10214-A dated 13.07.2012	up to 3 years	In circulation	8,95%
Bonds of series BO-02	5 000 000	4B02-02-10214-A dated 25.06.2013	up to 10 years	In circulation	12,42%

[1] – Net debt is calculated as follows : Long-term debt + Short-term debt - Cash and cash equivalents

\* - in February 2015 the rating was changed due to revision of the Russian Federation rating

# Investment Program



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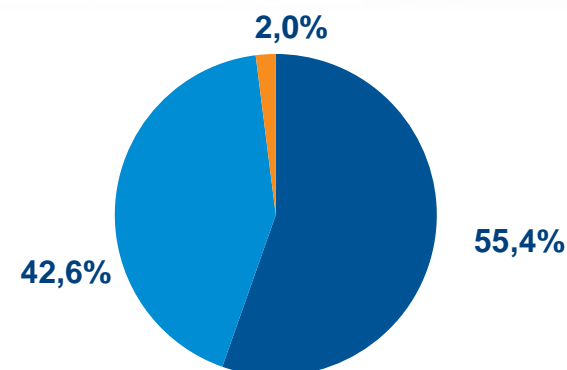
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## Actual implementation of the Investment Program for 6M 2015

Indicator	Planned for 6M 2015	Actual for 6M 2015	% implementation
Disbursement, mln RUB net of VAT	2 102	2 346	112%
Financing, mln RUB with VAT	2 717	3 464	Over 100%
Commissioning, mln RUB net of VAT	1 898	1 970	104%
Commissioning, MVA	94	123	Over 100%
Commissioning, km	779	1 042	Over 100%

## Investment Program structure following the results of its implementation for 6M 2015



- Retrofitting and reconstruction
- New construction
- Other

## Investment Program approved for 2015-2019

Indicator	UoM	2015*	2016	2017	2018	2019
<b>CAPEX, net of VAT</b>	bln RUB	12,5	12,8	12,7	13,0	13,4
<b>Financing size, with VAT</b>	bln RUB	14,4	14,9	15,0	15,4	15,8
<b>Commissioning of fixed assets, net of VAT</b>	bln RUB	12,5	12,5	13,1	13,0	13,5
<b>Commissioned capacity</b>	MVA	1 022	1 324	1 302	999	775
	km	3 870	4 013	4 486	4 690	5 496

\* - Investment Program for 2015 was approved by the decision of the BoD dated 09.14.2015 (Minutes 18/15)

# Tariff regulation



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## Long-term methods of regulating IDGC of Centre's branches (2012-2017)

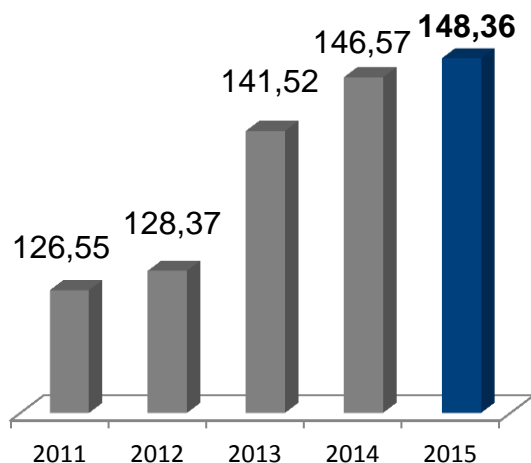
RAB

Long-term indexation

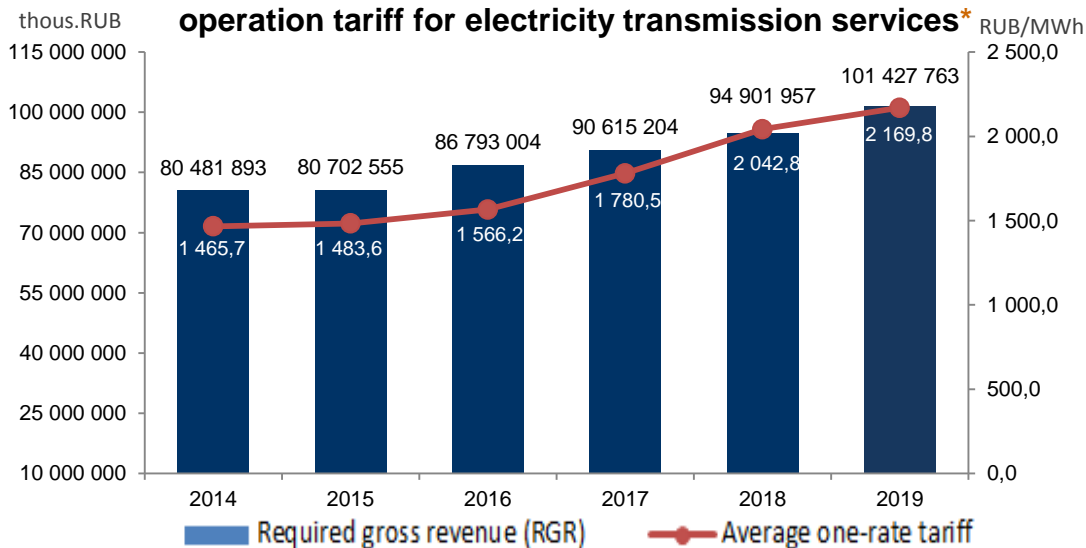
- «Belgorodenergo»*
- «Orelenergo»*
- «Bryanskenergo»*
- «Voronezhenergo»*
- «Kurskenergo»*
- «Lipetskenergo»*
- «Kostromaenergo»*
- «Tambovenergo»*
- «Tverenergo»*
- «Smolenskenergo»*
- «Yarenergo»*

### AVERAGE JOINT OPERATION TARIFF

copeck/kWh



### Joint operation RGR forecast and gain of the one-rate joint operation tariff for electricity transmission services\*



\* With regard to the limitation of the tariff increase according to the forecast of the Ministry of Economic Development and taking into account the mixed «joint operation» in the Bryansk region in 2015-2019

# Indicators of the Business Plan of the Company for 2015



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Indicators	Actual for 2014	Planned for 2015	Change, %
<b>Revenue (total), including:</b>	<b>86,7</b>	<b>78,7</b>	<b>-9,2%</b>
Revenue from electric energy transmission <sup>1</sup>	75,9	76,5	0,8%
Revenue from grid connection	1,5	1,4	-6,7%
Revenue from resale of electric energy and power (without internal business volume)	8,3	0,0	-
Other revenue	1,0	0,8	-20,0%
<b>Cost of sales<sup>2</sup></b>	<b>73,9</b>	<b>69,7</b>	<b>-5,7%</b>
<b>EBITDA<sup>3</sup></b>	<b>15,7</b>	<b>13,9</b>	<b>-11,5%</b>
<b>Net profit</b>	<b>3,3</b>	<b>-0,5</b>	<b>-115,2%</b>
<b>Amount of electric energy transmitted, billion kWh</b>	<b>54,4</b>	<b>54,4</b>	<b>0,0%</b>
<b>Electric energy losses, %</b>	<b>9,17%</b>	<b>9,44%</b>	<b>0,27 p.p.</b>
<b>Electric energy losses, % (under comparable conditions)</b>	<b>9,17%</b>	<b>9,10%</b>	<b>-0,07 p.p.</b>

[1] Revenues without internal business volume

[2] According to management accounting

[3] EBITDA is calculated as follows: net profit + profit tax and other similar mandatory payments + interest payable + depreciation charges

# Corporate Governance & Stocks

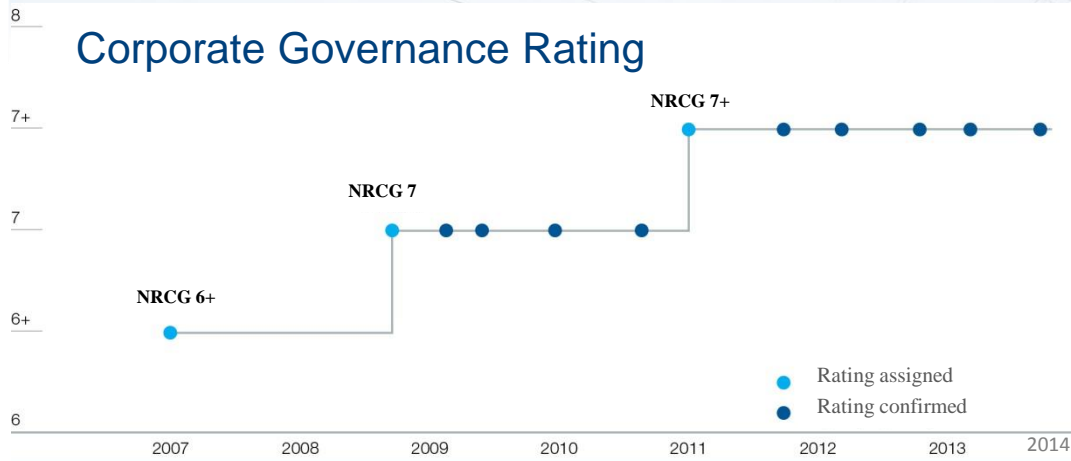


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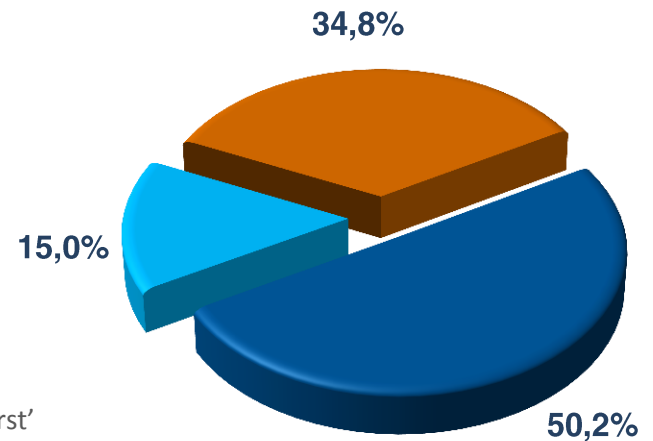
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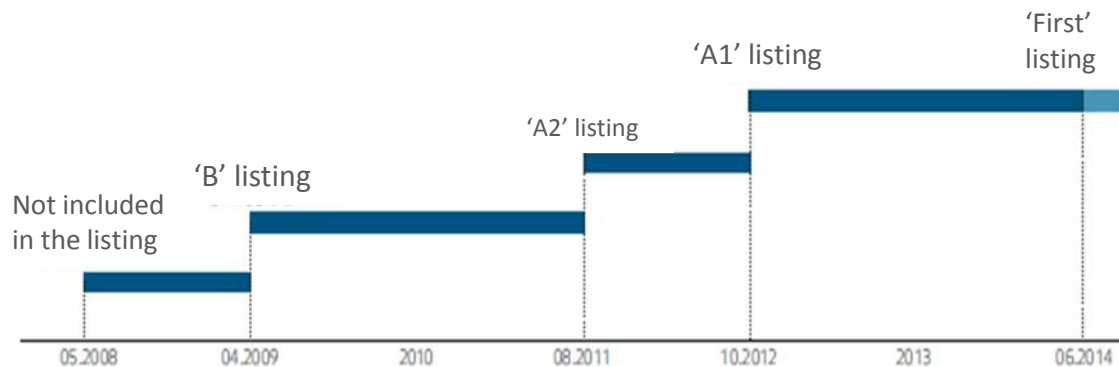
## Corporate Governance Rating



## Share capital structure of IDGC of Centre as of 20.05.2015



## Stocks. Quotation List at MOEX



- PJSC "Rosseti" (50,2%)
- Genhold Limited (15,0%)
- Others (34,8%)

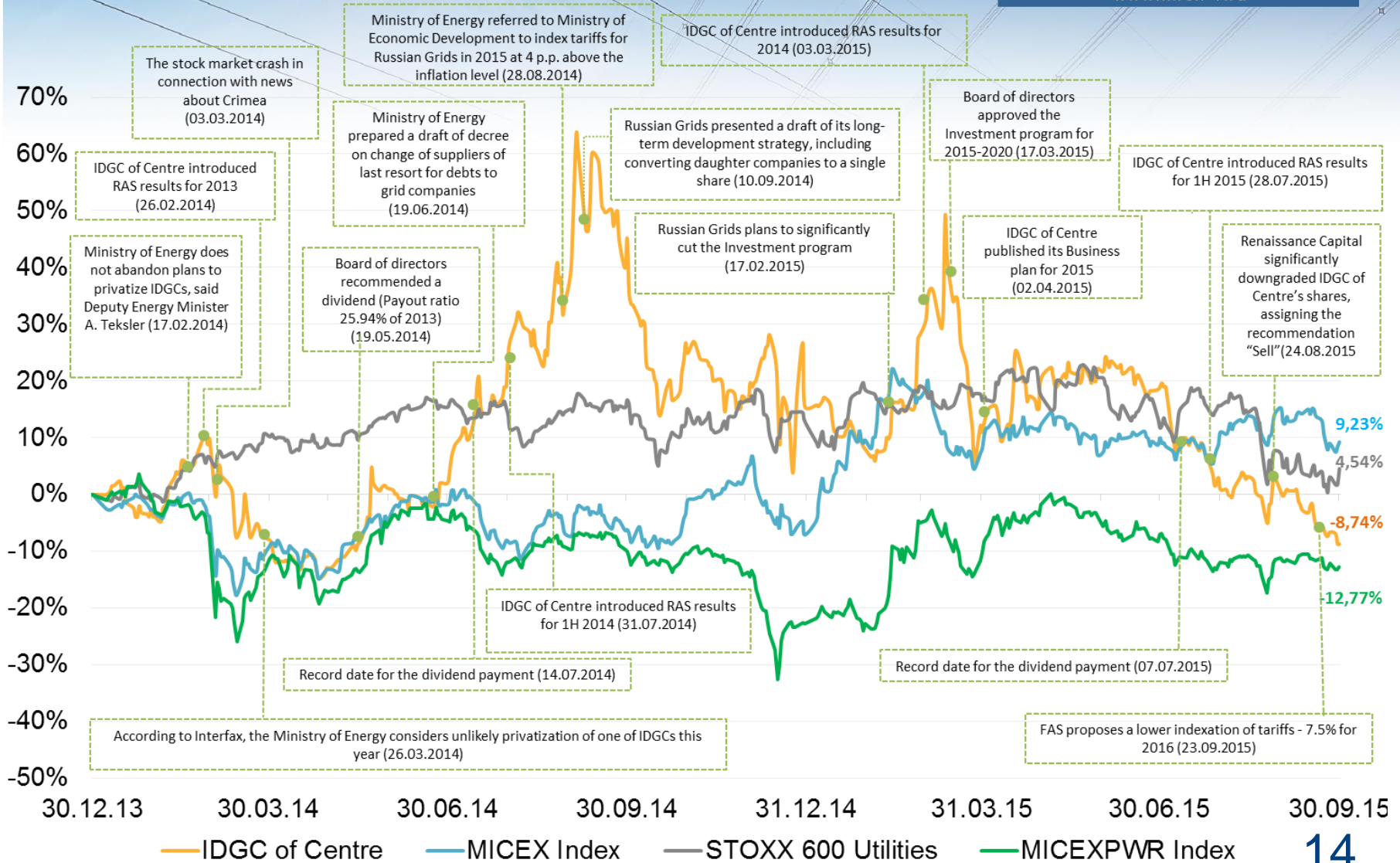
# Shares dynamics and main news



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# Investment highlights



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- 1 Operation in 11 regions of Central Russia with stable outlook for economic growth
- 2 Leader in innovations implementation in the sector
- 3 Stable financial position
- 4 Approved dividend policy and positive dividend history
- 5 Corporate governance rating **NCGR 7+** – the highest among peers
- 6 Free-float 34%\*
- 7 Development of value-added energy services
- 8 High information transparency

\* According to the calculation methodology of the Moscow Exchange

# THANK YOU



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