

ELECTRICITY DISTRIBUTION

RAB Must Go On

Sector MktCap **\$15.1bn**

12M Fair MktCap **\$23.4bn**

Sector upside **55%**

Company (Ticker)	Current price (\$)	12M FV (\$)	Potential Upside	Rating
MRSK Holding (ord.) MRKH	0.136	0.220	62%	BUY
MRSK Holding (pref.) MRKHP	0.093	0.112	21%	BUY
MRSK Center MRKC	0.0270	0.0495	83%	BUY
MRSK South MRKY	0.0061	0.0141	132%	BUY
MRSK North Caucasus MRKK	6.2	16.2	161%	BUY
MRSK Center and Volga MRKP	0.0070	0.0109	57%	BUY
MRSK North- West MRKZ	0.0064	0.0117	82%	BUY
MRSK Siberia MRKS	0.0010 0	0.0131	31%	BUY
MRSK Urals MRKU	0.0010 4	0.0190	82%	BUY
MRSK Volga MRKV	0.0043 5	0.00457	5%	HOLD
MOESK MSRS	0.0513	0.0744	45%	BUY
Lenenergo LSNG	0.979	0.860	-12%	SELL
Lenenergo LSNGP	0.822	0.817	-1%	SELL
Kubanenergo KUBE	3.93	4.51	15%	HOLD

Source: Aton estimates

The transition to RAB is proceeding. The Federal Tariff Service (FTS) approved the transition of eight MRSK regional branches as well as Tomsk DC to the RAB regulatory method from 1 Jan 2010. Consequently, on publication of this report, 18 of 64 MRSK regional branches have now switched to RAB.

The government set 1 Jan 2011 as the deadline for complete transition to RAB. On 19 Jan 2010 Prime Minister Vladimir Putin signed an order setting 1 July 2010 as the deadline by which another 22 MRSK regional branches should switch to RAB, and 1 Jan 2011 as the cut-off date for all remaining regions. This is the first time the government has explicitly set a timeframe for RAB introduction in the electricity distribution segment.

Though RAB parameters raise concerns. For the eight MRSKs' regional branches transferred to the RAB regulatory method from 1 Jan 2010, the combined initial RAB values are generally in line with our expectations. However, on a regional level they deviate significantly from our estimates based on earlier management guidance. Also, our analysis shows that the Regional Energy Commissions (RECs) may set regulatory operating costs at a level which is well below one we consider justified. To reflect the higher uncertainty related to RAB parameters in the MRSKs' valuations, we increase our base regulatory risk premium from 200 bpts to 300 bpts.

Valuation updated, 10 BUYs, two HOLDs, two SELLs. We incorporate into our valuation the eight MRSKs' branches' transition to RAB from 1 Jan 2010. To remain on the conservative side, we maintain our assumption of complete RAB transition only by 2012 (and by 2014 for MRSK North Caucasus). We maintain **BUY** ratings on the majority of the distribution stocks, but downgrade Lenenergo's ordinary and preferred shares from Hold to **SELL**, and Kubanenergo from Buy to **HOLD**, primarily due to their recent strong price performance.

MRSK Holding increasingly attractive, in our view. MRSK Holding is still our preferred exposure to the sector due to its diversified nature and higher liquidity. Additionally, when the RAB parameters for individual regions become less certain, the holding's diversification benefits become more valuable, in our view. MRSK Holding is also likely to be included in the MSCI indices this year - a strong potential stock catalyst.

Six standalone MRSKs with potential upsides over 50%. From the individual MRSKs, we favour those which already have a significant portion of their assets transferred to RAB - MRSK South, MRSK Urals, MRSK Center, and MRSK Center and Volga. If the government's RAB transition schedule is realised, we note that MRSK North Caucasus may become the biggest relative gainer of a faster transition to RAB.

Triggers ahead. The MRSKs' transition to RAB, and the announcement of RAB parameters are likely to continue throughout 2010. Once the RAB parameters are approved by the regulator, uncertainty regarding the MRSKs' future cash flows should diminish. This should significantly reduce distribution companies' cost of capital.

Note that all prices and fair values as of close 2 Feb 2010. For full details of our methodology and forecasts please see *Electricity Distribution: Pricing in RAB* released 16 Dec 2009

The transition to RAB is proceeding

The FTS approved RAB transition for eight of the MRSKs' regional branches and Tomsk Distribution Company from 1 Jan 2010.

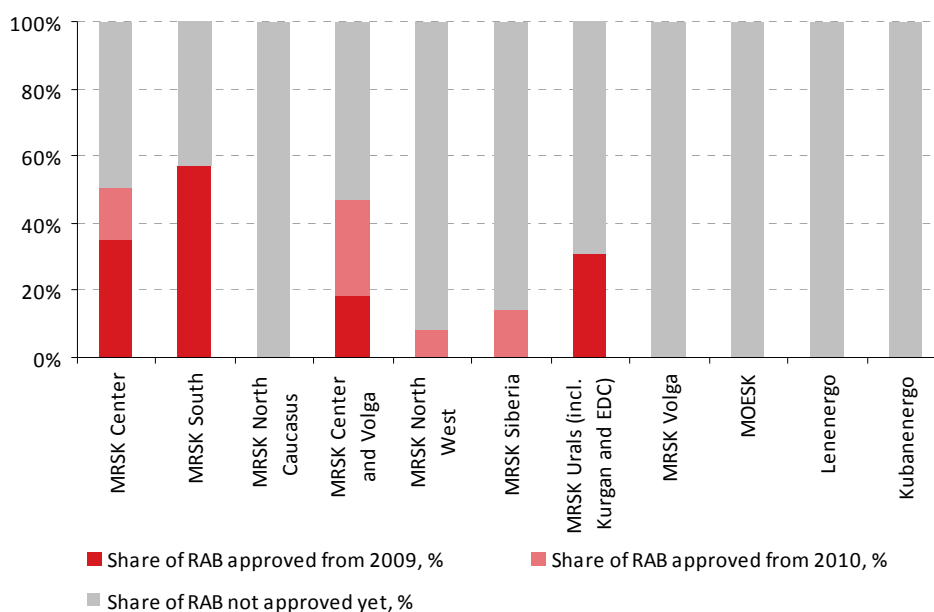
Figure 1. Eight MRSKs' regional branches and Tomsk DC switched to RAB from 1 Jan 2010.

MRSK	Ticker	Regional branch	Share of branch in MRSK's total net RAB
MRSK Center	MRKC	Kursk	8%
MRSK Center	MRKC	Yaroslavl	7%
MRSK Center and Volga	MRKP	Vladimir	9%
MRSK Center and Volga	MRKP	Kaluga	13%
MRSK Center and Volga	MRKP	Udmurtia	7%
MRSK North West	MRKZ	Novgorod	9%
MRSK Siberia	MRKS	Omsk	12%
MRSK Siberia	MRKS	Mountain Altai	2%
Tomsk DC	TORS	Tomsk	100%

Source: FTS, Company data, Aton estimates

Combined with the nine pilot regions which transferred to RAB from 1 Jan 2009, 18 out of 64 MRSK regional branches have switched to RAB to date. They comprise about 16% of the sector's total RAB, on our estimates.

Figure 2. MRSKs' RAB proportion already approved by regulator
(Refers to regions transferred to RAB from 1 Jan 2009 and 1 Jan 2010)



Source: Company data, Aton estimates

Government sets 1 Jan 2011 as a deadline to finish transition to RAB

On 19 Jan 2010 Prime Minister Vladimir Putin signed an order laying out the government's plan and timeframe for the wide-ranging introduction of the RAB regulatory method in the electricity distribution segment. In particular Putin set 1 July 2010 as the deadline for 22 MRSKs' regional branches to switch to RAB, and 1 Jan 2011 as a cut-off date for the 24 remaining MRSKs' branches to complete their transition. Thus, the government now requires that all MRSKs complete transition to the RAB methodology by 2011.

Figure 3. MRSKs' deadlines for introduction of RAB regulatory method

MRSK	Ticker	1 Jul 2010	1 Jan 2011
MRSK North Caucasus	MRKK	Stavropol	Kab-balk, Kar-Cher, North Osetia, Dagestan, Ingushetia
MRSK Center	MRKC	Bryansk, Voronezh, Kostroma, Orel, Smolensk, Tambov	-
MRSK North West	MRKZ	Vologda, Komi, Pskov	Arkhangelsk, Karelia, Kola
MRSK Siberia	MRKS	Khakassia, Chita	Altai, Buriatia, Krasnoyarsk, Kuzbass, Tyva
MRSK Urals	MRKU	-	Sverdlov, Chelyabinsk
MRSK South	MRKY	Volgograd, Kalmykia, Kuban	-
MRSK Center and Volga	MRKP	-	Ivanovo, Kirov, Mari, Nizhny Novgorod
MRSK Volga	MRKV	Samara, Saratov, Ulianovsk, Mordovia, Orenburg, Penza, Chuvashia	-
MOESK	MSRS	-	Moscow, Moscow region
Lenenergo	LSNG	-	St. Petersburg, Leningrad region
Tyumenenergo	not listed	-	Tyumen

Source: Russian Government

To our knowledge, this is the first time the government has publicly announced a timetable for the MRSKs' transition to the RAB regulatory system. We believe such a clear message from the state will make regional governors less resistant to the method's introduction, and will speed up the RAB transition process in the electricity distribution industry.

RAB parameters raise concerns

iRABs 2010: Some large individual differences from earlier guidance; overall in line with expectations however

The actual approved initial RAB values for the MRSKs' regional branches that switched to RAB from 2010 differ significantly from our estimates on a region-by-region basis. However, the nine regions' combined net initial RAB value was generally in line with our assumptions.

Figure 4. Initial RAB values of eight MRSK regional branches (plus Tomsk DC) which switched to RAB from 1 Jan 2010

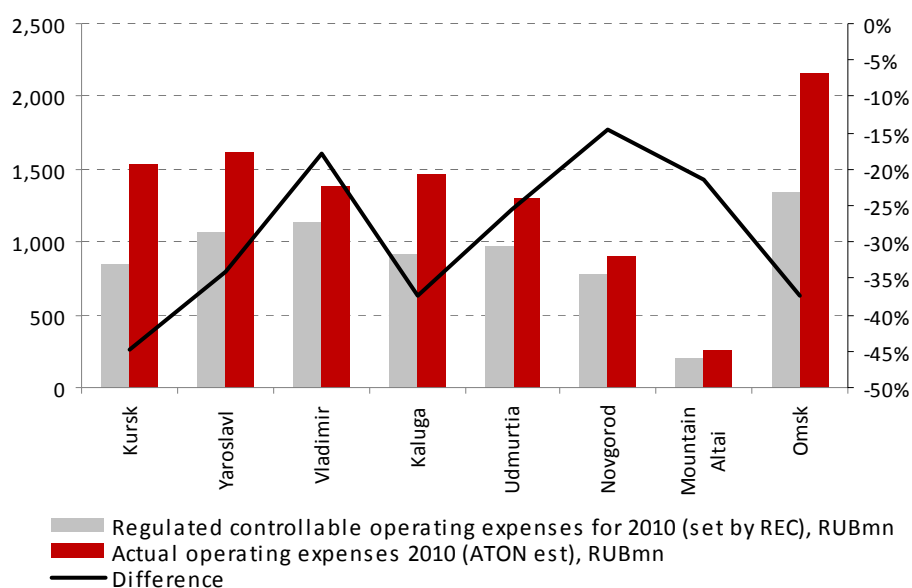
MRSK	Regional branch	Actuals approved by REC as of YE09		Aton estimates as of YE09		Difference vs Aton estimates	
		iRAB, full replacement cost (RUBmn)	iRAB, net (depreciated replacement cost) (RUBmn)	iRAB, full replacement cost (RUBmn)	iRAB, net (depreciated replacement cost) (RUBmn)	iRAB, full replacement cost	iRAB, net (depreciated replacement cost)
MRSK Center	Kursk	30,782	10,802	32,758	8,903	-6%	21%
MRSK Center	Yaroslavl	21,586	8,968	34,239	12,506	-37%	-28%
MRSK Center and Volga	Vladimir	20,538	7,210	15,024	5,737	37%	26%
MRSK Center and Volga	Kaluga	29,775	9,818	22,489	7,408	32%	33%
MRSK Center and Volga	Udmurtia	17,461	5,639	10,984	4,157	59%	36%
MRSK North-West	Novgorod	11,598	5,463	18,573	8,460	-38%	-35%
MRSK Siberia	Mountain Altai	5,029	1,925	n.a.	n.a.	n.a.	n.a.
MRSK Siberia	Omsk	37,936	10,500	38,645	11,556	-2%	-9%
Tomsk DC	Tomsk	17,043	5,421	n.a.	n.a.	n.a.	n.a.
Sum/average		191,748	65,746			-2%	-1%

Source: RECs, Company data, Aton estimates

Our estimates of initial RAB values are based on the MRSKs' and the holding's management guidance. The released numbers for 2010 iRABs leads us to believe that the approved RAB parameters for some regions may vary materially from management guidance. However, from the perspective of the overall electricity distribution segment, it appears that the positive and negative deviations from our estimates largely balance out.

We have also analysed the regulatory costs which the RECs set for the eight MRSKs' regional branches that switched to RAB from 1 Jan 2010. As we can see, the "controllable" regulatory operating costs have been set significantly below what we consider a "fair" level, which we estimate on the basis of the companies' 2009 financial statements.

Figure 5. Regulated and actual operating costs for eight regions switched to RAB from 1 Jan 2010



Source: RECs, Company data, Aton estimates

The respective companies did not provide us with the detailed breakdowns of regulated vs actual controllable operating costs, which we believe could help in certain cases explain sharp differences between the regulated and actual operating costs (one justification for the difference could be that we did not subtract some non-controllable items from total operating costs when deriving our estimate for controllable operating expenses). However, in general our view is that the RECs are being too aggressive when setting a regulatory level for operating costs, leaving little or no room for the companies' management to cut costs below the regulatory level.

Valuation update

Transition of eight MRSKs' branches to RAB from 2010 incorporated

We incorporate the transition of the eight MRSKs' regional branches to the RAB regulatory method from 1 Jan 2010, using data on RAB parameters (initial RAB values, regulatory rates of return, base level of "controllable" operating expenses, etc.) officially released by the respective regions' RECs.

In light of the government's unambiguous message and timetable for country-wide RAB introduction, we consider it increasingly likely that all MRSKs will complete their RAB transition within 2010. However, in order to err on the conservative side for valuation

purposes, we maintain our view that the remaining regions will introduce the RAB method only in 2012 (and by 2014 for MRSK North Caucasus). We note however that the probable earlier-than-expected RAB introduction presents upside risk to our valuations of the MRSKs. We highlight that in the case that all MRSKs switch to RAB by 2011, the biggest relative gainer would be MRSK North Caucasus as we presently assume its transition to RAB only from 2014, two years later than the other MRSKs.

We increase base regulatory risk 100 bpts

In our initial valuation, we accounted for the general regulatory risk associated with the uncertainty of RAB parameters assigned by the regulator by adding 90-400 bpts to our cost of equity calculations for the MRSKs (a base regulatory risk of 200 bpts). However, given that the actual initial RAB figures differ significantly from our estimates, and in light of evidence of the RECs' aggressive judgement on the regulatory level of controllable operating costs, we now feel that the MRSKs are a more risky investment until their RAB parameters are regulator approved. To account for this, we increase our base regulatory risk premium from 200 bpts to 300 bpts. For the MRSKs with branches already switched to RAB, the regulatory risk premium is correspondingly reduced.

Figure 6. Updated regulatory risk and WACC assumptions

	Regulatory risk			WACC (excl. tax shield)		
	Updated	Previous	Chg.	Updated	Previous	Chg.
MRSK Center	1.5%	1.3%	0.2%	16.0%	15.8%	0.1%
MRSK South	1.3%	0.9%	0.4%	16.0%	15.7%	0.3%
MRSK North Caucasus	5.0%	4.0%	1.0%	20.5%	19.8%	0.7%
MRSK Center and Volga	1.6%	1.6%	0.0%	16.0%	16.0%	0.0%
MRSK North-West	2.7%	2.0%	0.7%	17.1%	16.7%	0.5%
MRSK Siberia	2.6%	2.5%	0.1%	17.4%	17.4%	0.1%
MRSK Urals	2.1%	1.4%	0.7%	16.4%	15.9%	0.5%
MRSK Volga	3.0%	2.0%	1.0%	16.7%	16.0%	0.7%
MOESK	3.0%	2.0%	1.0%	16.5%	15.8%	0.7%
Lenenergo	3.5%	2.5%	1.0%	17.0%	16.3%	0.7%
Kubanenergo	3.0%	2.0%	1.0%	17.9%	17.2%	0.7%

Source: Aton estimates

Updated valuation: 10 BUYs, two HOLDs, two SELLs

Our updated 12M fair values for the MRSKs are presented in Figure 7. The largest change in fair value is for MRSK Center and Volga, as its three regional branches that switched to RAB from 2010 expanded the company's share of RAB already approved by the regulator by 29%, and their initial RAB values have been higher than our expectations. We downgrade Lenenergo's ordinary and preferred shares from Hold to **SELL** and Kubanenergo from Buy to **HOLD** mainly on their recent strong share price performance. We maintain a strong positive view on the majority of the sectors' stocks, which is reflected in 10 **BUY** ratings.

Figure 7. Updated 12M fair values and ratings

Company	Ticker	12M FV previous (\$)	12M FV new (\$)	Chg.	Current price (\$)	Potential upside	Current EV/RAB 2009E	Fair EV/RAB 2009E	Rating previous	Rating new
MRSK Center	MRKC	0.0480	0.0495	3%	0.0270	83%	0.38	0.53	Buy	BUY
MRSK South	MRKY	0.0134	0.0141	5%	0.0061	132%	0.52	0.77	Buy	BUY
MRSK North Caucasus	MRKK	17.0	16.2	-5%	6.20	161%	0.10	0.19	Buy	BUY
MRSK Center and Volga	MRKP	0.0090	0.0109	21%	0.0070	57%	0.43	0.53	Buy	BUY
MRSK North-West	MRKZ	0.0122	0.0117	-5%	0.0064	82%	0.37	0.52	Buy	BUY
MRSK Siberia	MRKS	0.0127	0.0131	3%	0.0100	31%	0.39	0.42	Buy	BUY
MRSK Urals	MRKU	0.0190	0.0190	0%	0.0104	82%	0.48	0.64	Buy	BUY
MRSK Volga	MRKV	0.00521	0.00457	-12%	0.00435	5%	0.60	0.54	Hold	HOLD
MOESK	MSRS	0.0774	0.0744	-4%	0.0513	45%	0.57	0.64	Buy	BUY
Lenenergo (ord.)	LSNG	0.915	0.860	-6%	0.979	-12%	0.48	0.39	Hold	SELL
Lenenergo (pref.)	LSNGP	0.869	0.817	-6%	0.822	-1%			Hold	SELL
Kubanenergo	KUBE	4.68	4.51	-4%	3.93	15%	0.37	0.35	Buy	HOLD
MRSK Holding (ord.)	MRKH	0.222	0.220	-1%	0.136	62%	0.43	0.49	Buy	BUY
MRSK Holding (pref.)	MRKHP	0.113	0.112	-1%	0.093	21%			Buy	BUY

Source: Bloomberg, Aton estimates

Our fair value for MRSK Holding is virtually unchanged at \$0.220 per ordinary share. We reiterate the holding as our preferred exposure to the electricity distribution sector as it has superior liquidity and provides diversification benefits which become increasingly desirable as the MRSKs' RAB parameters look less certain. The holding's diversified structure, in our view, substantially reduces the risk to its shareholders of actual RAB parameters for individual regions substantially diverging from market expectations.

We also highlight that MRSK Holding's shares may be included in the MSCI indices (next revision in Feb 2010), which may become a very strong technical driver for the stock.

Figure 8: MRSK Holding SOTP valuation

Subsidiary	Ticker	Stake owned	Current EV/RAB 2009E	Fair EV/RAB 2009E	Market value of stake (\$mn)	12M fair value of stake (\$mn)
MRSK Center	MRKC	50%	0.38	0.53	573	1,049
MRSK South	MRKY	52%	0.52	0.77	156	362
MRSK North Caucasus	MRKK	58%	0.10	0.19	107	278
MRSK Center and Volga	MRKP	50%	0.43	0.53	395	618
MRSK North-West	MRKZ	55%	0.37	0.52	339	619
MRSK Siberia	MRKS	53%	0.39	0.42	473	619
MRSK Urals	MRKU	52%	0.48	0.64	468	779
MRSK Volga	MRKV	68%	0.60	0.54	525	552
MOESK	MSRS	51%	0.57	0.64	1,272	1,844
Lenenergo	LSNG	50%	0.48	0.39	456	401
Tyumenenergo*	unlisted	100%	0.12	0.47	234	1,941
Tomsk DC	TORS	60%	0.33	0.50	30	52
Kubanenergo	KUBE	49%	0.37	0.35	34	40
Stakes in MRSKs at current/fair value (\$mn)					5,061	9,153
Net cash (3Q09 unconsolidated RAS) (\$mn)					103	103
Current/12M Fair SOTP (\$mn)					5,164	9,256
Current/fair premium to SOTP					11.4%	0.0%
Current/12M fair MktCap (\$mn)					5,753	9,256
12M FV (ord.) (\$)						0.220
Current price (ord.) (\$)						0.136
Upside to 12M FV (ord.)						62%
Fair discount of preferred shares						49%
12M FV (pref.) (\$)						0.112
Current price (pref) (\$)						0.093
Upside to 12M FV (pref.)						21%

* Tyumenenergo's current MktCap calculated using the listed MRSKs' average asset-based multiples. Tyumenenergo's fair value, like those of the remaining MRSKs, is based on a DCF model.

Source: Bloomberg, Aton estimates

Figure 9: Valuation summary and international peer group comparison

Company	Country	BB ticker	Curren- cy	Mid-mkt price	Bid/Ask spr.	12M FV	Upside to 12M FV	Rating	MktCap (\$mn)	EV (\$mn)	EV / EBITDA			P/E			P/B	Current EV/ RAB	Fair EV/ RAB	EV/ Through- put, (\$/ MWh)	EV/ Grid length, ('000 \$/km)
											08	09E	12E*	08	09E	12E*					
Russian electricity distribution companies																					
MRSK Holding	Russia	MRKH RU	USD	0.136	2%	0.220	62%	BUY	5,753	14,625	5.2	5.3	3.0	11.8	11.1	4.7	0.87	0.43	0.49	n/a	n/a
MRSK Center	Russia	MRKC RU	USD	0.0270	26%	0.0495	83%	BUY	1,140	1,569	4.4	4.1	2.0	11.7	8.4	2.6	1.27	0.38	0.53	n/a	n/a
MRSK South	Russia	MRKY RU	USD	0.0061	5%	0.0141	132%	BUY	301	605	4.1	4.3	2.4	23.4	41.2	3.1	0.41	0.52	0.77	11	1.6
MRSK North Caucasus	Russia	MRKK RU	USD	6.2	n/a	16.2	161%	BUY	183	222	5.3	6.2	5.8	neg	neg	neg	0.41	0.10	0.19	7	1.4
MRSK Center and Volga	Russia	MRKP RU	USD	0.0070	24%	0.0109	57%	BUY	783	1,068	4.8	6.2	2.1	12.6	62.3	2.9	0.84	0.43	0.53	90	10.2
MRSK North West	Russia	MRKZ RU	USD	0.0064	72%	0.0117	82%	BUY	613	754	5.3	6.3	2.7	17.2	49.6	5.0	0.85	0.37	0.52	14	2.9
MRSK Siberia	Russia	MRKS RU	USD	0.0100	33%	0.0131	31%	BUY	894	1,083	5.8	7.8	2.9	38.0	44.6	4.6	0.82	0.39	0.42	26	6.4
MRSK Urals	Russia	MRKU RU	USD	0.0104	11%	0.0190	82%	BUY	909	1,207	5.5	4.8	3.0	16.2	10.2	5.3	0.76	0.48	0.64	12	8.4
MRSK Volga	Russia	MRKV RU	USD	0.00435	26%	0.00457	5%	HOLD	777	984	4.2	6.5	3.4	9.1	19.9	5.3	1.14	0.60	0.54	12	7.5
MOESK	Russia	MSRS RU	USD	0.0513	13%	0.0744	45%	BUY	2,499	4,249	5.6	4.1	3.6	9.3	5.6	6.0	0.84	0.57	0.64	73	18.8
Lenenergo	Russia	LSNG RU	USD	0.979	3%	0.860	-12%	SELL	983	1,285	5.2	6.4	6.2	11.8	42.9	neg	0.66	0.48	0.39	18	9.2
Kubanenergo	Russia	KUBE RU	USD	3.93	31%	4.51	15%	HOLD	304	280	1.9	5.7	3.2	12.5	neg	neg	0.84	0.37	0.35	10	5.0
Russian distribution average											4.7	5.7	3.4	16.2	31.6	4.3	0.80	0.43	0.50	27	7.1
WA											5.1	5.3	3.3	14.7	25.0	4.7	0.87	0.48	0.55	43	11.2
Foreign distribution companies																					
ELMU	Hungary	ELMU HB	HUF	30,000	n/a				942	1,028	4.0	n/a	n/a	6.3	n/a	n/a	1.7			139	44.3
EMASZ	Hungary	EMASZ	HUF	23,000	n/a				363	439	4.5	n/a	n/a	6.4	6.3	n/a	1.4			123	18.7
Prazska Energetika	Czech Republic	PREN CP	CZK	7,095	8%				1,431	1,590	7.9	n/a	n/a	11.3	n/a	n/a	2.3			249	137.6
Eletropaulo Metropolitana	Brazil	ELPL6 BZ	BRL	36.4	0%				3,320	3,699	4.0	4.4	n/a	5.9	7.2	n/a	2.3			109	82.7
Edenor SA	Argentina	EDN AR	ARS	1.45	1%				340	494	3.3	3.6	n/a	8.7	10.6	n/a	0.6			65	14.2
CGE Distribucion	Chile	CGEDISTR CI	CLP	4,583	7%				984	1,327	10.5	n/a	n/a	13.7	n/a	n/a	3.0			209	55.2
Centrais Eletricas do Para SA	Brazil	CELP5 BZ	BRL	11.0	17%				349	842	5.2	n/a	n/a	16.2	n/a	n/a	0.7			153	n/a
Rytu Skirstomieji Tinklai	Lithuania	RST1L LH	LTL	2.40	1%				480	508	4.7	n/a	n/a	neg	n/a	n/a	0.5			119	8.1
Vakaru Skirstomieji Tinklai	Lithuania	VST1L LH	LTL	320	6%				466	646	4.8	n/a	n/a	94.2	n/a	n/a	0.7			161	11.2
International distribution average											5.4	4.0	n/a	20.3	8.1	n/a	1.5			147	46.5
WA											5.6	4.3	n/a	13.4	7.4	n/a	2.0			151	68.9

*Switch to RAB assumed in 2012 for majority of MRSKs (2014 for MRSK North Caucasus)

Source: Company data, Bloomberg, Aton estimates

Figure 10: Electricity distribution equities research portfolio summary

Company name	MRSK Center	MRSK South	MRSK North Caucasus	MRSK Center and Volga	MRSK North West	MRSK Siberia	MRSK Urals	MRSK Volga	MOESK	Lenenergo	Kubanenergo	MRSK Holding	Portfolio total	Average
Ticker	MRKC	MRKY	MRKK	MRKP	MRKZ	MRKS	MRKU	MRKV	MSRS	LSNG	KUBE	MRKH		
Current ord share price (\$)	0.0270	0.0061	6.2	0.0070	0.0064	0.0100	0.0104	0.00435	0.0513	0.98	3.93	0.136		
Current pref share price (\$)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.82	n/a	0.093		
MktCap (\$mn)	1,140	301	183	783	613	894	909	777	2,499	983	304	5,753	15,139	1,262
As % of portfolio total	7.5%	2.0%	1.2%	5.2%	4.0%	5.9%	6.0%	5.1%	16.5%	6.5%	2.0%	38.0%	100.0%	
EV (\$mn)	1,569	605	222	1,068	754	1,083	1,207	984	4,249	1,285	280	14,625	27,931	2,328
12M fair value (\$ per share)	0.0495	0.0141	16.2	0.0109	0.0117	0.0131	0.0190	0.00457	0.0744	0.86	4.51	0.220		
Potential upside (%)	83%	132%	161%	57%	82%	31%	82%	5%	45%	-12%	15%	62%	54%	62%
Rating	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	BUY	SELL	HOLD	BUY		
12M fair MktCap (\$mn)	2,089	700	477	1,226	1,118	1,171	1,659	816	3,622	872	349	9,256	23,355	
Shares outstanding (ord., mn)	42,218	49,811	30	112,698	95,786	89,368	87,430	178,578	48,707	926	77	41,042		
Performance since our last rating (%)	0%	-7%	51%	5%	-25%	30%	24%	-9%	15%	17%	20%	19%		
3M performance (%)	-3%	-6%	114%	15%	-25%	28%	33%	26%	29%	13%	-13%	21%		9%
12M performance (%)	160%	510%	176%	200%	327%	300%	431%	126%	71%	429%	-2%	688%		271%
YTD performance (%)	0%	2%	77%	5%	-26%	22%	24%	5%	26%	15%	-4%	23%		5%
Free float (%)	21.9%	27.1%	32.1%	27.4%	35.8%	10.5%	21.1%	31.8%	10.0%	31.4%	24.7%	32.4%	25.5%	25.5%
Free float (\$mn)	249	82	59	214	219	94	191	247	250	309	75	1,866	3,856	321.3
Ave. 3M daily volume (\$)	0.31	0.24	0.63	0.19	0.12	0.10	0.08	0.15	0.64	0.01	0.17	2.99	5.63	0.47
Size of grid ('000 grid units)	1,270	836	482	950	626	1,130	668	767	1,293	363	463	8,942	8,942	804
Distribution volume (GWh)	56,618	32,030	11,880	55,431	42,436	96,865	88,790	58,486	72,836	28,439	15,507	641,352	641,352	50,847
Electricity losses in grid (%)	9.4%	8.2%	19.4%	9.3%	6.7%	7.2%	7.8%	6.9%	11.0%	12.1%	12.5%	8.3%		9.9%

Source: Bloomberg, Company data, Aton estimates

Figure 10: Electricity distribution equities research portfolio summary (continued)

	MRSK Center	MRSK South	MRSK North Caucasus	MRSK Center and Volga	MRSK North West	MRSK Siberia	MRSK Urals	MRSK Volga	MOESK	Lenenergo	Kubanenergo	MRSK Holding	Portfolio total
Revenue (\$mn)													
2008	1,760	669	328	1,541	870	1,490	1,458	1,236	2,629	857	718	15,188	28,744
2009E	1,602	619	311	1,444	766	1,228	1,356	903	2,660	741	561	13,433	25,622
2010E	1,926	805	392	1,843	923	1,586	1,773	1,175	3,555	917	666	17,276	32,836
2011E	2,389	948	431	2,247	1,065	1,925	2,149	1,394	3,636	1,066	753	19,954	37,957
2012E	2,896	1,113	485	2,808	1,363	2,507	2,499	1,692	3,584	1,152	946	23,477	44,522
2013E	3,346	1,248	524	3,060	1,579	2,969	2,796	1,905	4,124	1,505	1,144	26,904	51,106
2014E	4,080	1,384	692	3,424	1,800	3,519	3,070	2,100	4,609	1,982	1,346	30,961	58,968
EBITDA (\$mn)													
2008	357	148	42	220	143	186	220	233	760	249	144	2,790	5,494
2009E	379	140	36	172	120	139	249	151	1,031	201	49	2,774	5,441
2010E	427	209	34	212	121	146	344	165	1,652	246	43	3,732	7,329
2011E	596	218	34	296	128	157	386	190	1,473	274	22	3,924	7,698
2012E	788	249	38	518	284	376	401	291	1,174	207	89	4,808	9,224
2013E	1,016	298	41	589	416	616	495	380	1,507	431	182	6,509	12,478
2014E	1,478	351	172	752	557	934	577	457	1,799	756	281	8,786	16,900
Net income (\$mn)													
2008	97	13	-16	62	36	24	56	85	269	83	24	488	1,222
2009E	136	7	0	13	12	20	90	39	443	23	-17	518	1,283
2010E	155	50	-7	35	7	18	148	46	879	10	-39	855	2,156
2011E	280	65	-14	99	10	22	170	65	696	-10	-75	876	2,185
2012E	435	98	-18	274	123	193	172	146	417	-121	-47	1,213	2,884
2013E	589	128	-24	316	211	368	231	206	651	43	20	1,899	4,641
2014E	929	162	73	257	306	606	282	257	851	290	93	2,845	6,952
RAB, net (\$mn)													
2009E	4,161	1,160	2,195	2,503	2,044	2,783	2,514	1,640	7,513	2,664	748	33,816	63,742
2010E	4,264	1,172	2,242	2,511	2,073	2,779	2,554	1,639	7,358	2,613	716	33,882	63,804
2011E	4,312	1,183	2,228	2,488	2,063	2,738	2,553	1,597	6,966	2,478	687	33,212	62,505
2012E	4,468	1,220	2,190	2,533	2,108	2,810	2,606	1,646	7,131	2,544	718	33,968	63,942
2013E	4,627	1,259	2,150	2,580	2,152	2,884	2,658	1,697	7,296	2,610	750	34,731	65,393
2014E	4,812	1,304	2,192	2,641	2,206	2,974	2,721	1,757	7,493	2,688	788	35,734	67,310

Source: Company data, Aton estimates

Figure 10: Electricity distribution equities research portfolio summary (continued)

	MRSK Center	MRSK South	MRSK North Caucasus	MRSK Center and Volga	MRSK North West	MRSK Siberia	MRSK Urals	MRSK Volga	MOESK	Lenenergo	Kubanenergo	MRSK Holding	Portfolio total	Average
Average own distribution tariff (\$/kWh)														
2008	13.0	8.2	13.4	10.1	9.3	5.3	5.4	8.1	14.7	7.2	11.0	8.6		9.6
2009E	16.8	11.5	15.2	11.6	10.5	5.8	6.8	9.6	21.7	9.1	12.2	10.8		11.9
2010E	18.2	14.7	17.6	12.7	10.8	6.2	8.3	10.3	22.1	9.2	12.5	11.6		13.0
2011E	22.5	16.7	17.6	15.2	11.6	7.0	9.3	11.2	23.2	9.7	13.4	12.8		14.3
2012E	26.1	18.5	18.8	19.4	15.5	9.6	9.6	13.4	26.3	14.4	18.1	15.5		17.2
2013E	30.2	20.7	19.8	20.7	18.6	12.1	10.9	15.3	30.4	21.8	24.1	18.2		20.4
2014E	38.0	22.9	30.5	23.6	21.8	15.3	12.0	16.9	33.8	32.1	30.1	21.5		25.2
Own distribution tariff growth (YoY, %)														
2009E	29%	41%	14%	15%	14%	9%	26%	19%	48%	26%	11%	5%		24%
2010E	8%	27%	16%	10%	3%	7%	21%	7%	2%	2%	2%	12%		9%
2011E	23%	13%	0%	19%	7%	13%	12%	9%	5%	5%	7%	13%		10%
2012E	16%	11%	7%	28%	33%	36%	4%	20%	13%	48%	35%	35%		21%
2013E	16%	12%	5%	7%	20%	27%	13%	14%	16%	51%	33%	10%		19%
2014E	26%	11%	54%	14%	17%	26%	10%	10%	11%	47%	25%	10%		23%
EBITDA/RAB														
2009E	9%	12%	2%	7%	6%	5%	10%	9%	14%	8%	7%	8%	9%	8%
2010E	10%	18%	1%	8%	6%	5%	13%	10%	22%	9%	6%	11%	11%	10%
2011E	14%	18%	2%	12%	6%	6%	15%	12%	21%	11%	3%	12%	12%	11%
2012E	18%	20%	2%	20%	13%	13%	15%	18%	16%	8%	12%	14%	14%	14%
2013E	22%	24%	2%	23%	19%	21%	19%	22%	21%	17%	24%	19%	19%	19%
2014E	31%	27%	8%	28%	25%	31%	21%	26%	24%	28%	36%	25%	25%	26%
EV/EBITDA (x)														
2008	4.4	4.1	5.3	4.8	5.3	5.8	5.5	4.2	5.6	5.2	1.9	5.2	5.1	4.8
2009E	4.1	4.3	6.2	6.2	6.3	7.8	4.8	6.5	4.1	6.4	5.7	5.3	5.1	5.7
2010E	3.7	2.9	6.6	5.0	6.3	7.4	3.5	6.0	2.6	5.2	6.5	3.9	3.8	5.0
2011E	2.6	2.8	6.6	3.6	5.9	6.9	3.1	5.2	2.9	4.7	12.6	3.7	3.6	5.0
2012E	2.0	2.4	5.8	2.1	2.7	2.9	3.0	3.4	3.6	6.2	3.2	3.0	3.0	3.4
2013E	1.5	2.0	5.4	1.8	1.8	1.8	2.4	2.6	2.8	3.0	1.5	2.2	2.2	2.4
2014E	1.1	1.7	1.3	1.4	1.4	1.2	2.1	2.2	2.4	1.7	1.0	1.7	1.7	1.6
P/E (x)														
2008	11.7	23.3	neg	12.6	17.2	37.9	16.2	9.1	9.3	11.8	12.5	11.8	12.4	15.8
2009E	8.4	41.2	neg	62.3	49.6	44.6	10.2	19.9	5.6	42.9	neg	11.1	11.8	29.6
2010E	7.4	6.0	neg	22.2	83.1	51.0	6.2	16.9	2.8	96.7	neg	6.7	7.0	29.9
2011E	4.1	4.6	neg	7.9	60.2	40.7	5.4	12.0	3.6	neg	neg	6.6	6.9	16.1
2012E	2.6	3.1	neg	2.9	5.0	4.6	5.3	5.3	6.0	neg	neg	4.7	5.3	4.4
2013E	1.9	2.3	neg	2.5	2.9	2.4	3.9	3.8	3.8	22.7	14.8	3.0	3.3	5.8
2014E	1.2	1.9	2.5	3.0	2.0	1.5	3.2	3.0	2.9	3.4	3.3	2.0	2.2	2.5

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