Veles Capital

Investment company

Research | **Utilities**
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Generating companies

New year – new tariffs

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Bullet moments

- **Given review continues the research on WGC and RusHydro and provides revised cost of these companies considering the provisional financial and production estimates and switching to quarterly research on their activities.**

- **We might state that the year 2009 was rather successful for the generating companies despite the crisis. Despite the fact that the output of power energy within 11 months of 2009 dropped 5.6% and the majority of the wholesale generating companies lost about 5-6% of sales in ruble equivalent (except for WGC-4 and RusHygro), nevertheless, according to the provisional estimates they managed not to reduce but even build up the profitability and profit.**

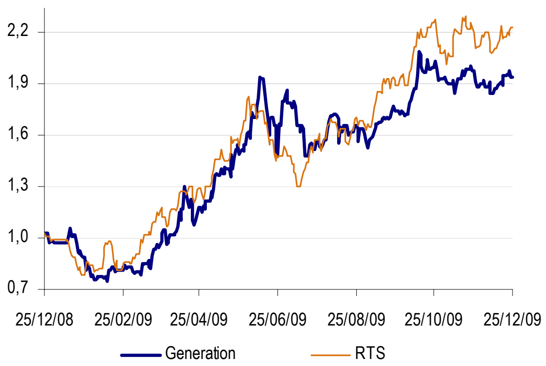
- **As for the market of shares of the researched generating companies – during the year the market has significantly won back their drop to the historical minimums late Fall of 2008 – early 2009. Within 2009 the quotes of WGC and RusHydro grew by more than 150% having reached the level of early September 2008.**

- **The companies are expecting new tariffs for the power energy and fuel in 2010. The gas price growth will form 26.6% in 2010 while the growth of the regulated tariffs for WGC will be just 5% and the free market prices climb about 15% up as we see it. So, the generating companies will face another performance test.**

- **We revised our models of the generating companies considering their recently output 6 months of 2009 results (RusHydro, WGC-2, WGC-3, WGC-5) and 9 months of 2009 results (WGC-1 and WGC-6). We have also considered the recent changes to forecasts of their output, tariffs, capital expenses, macroeconomic situation in Russia, and we also have moved forward the estimation constraints to the end of 2010. Considering the given quotes and the change of discount rate calculation method change, we outline our favorites – the shares of WGC-4, WGC-5, WGC-1 and WGC-2. Note, we assume the investments to WGC-1 and WGC-2 are more risky due to possibility of minority share melting in both companies and uncertainty related with the investment program of WGC-2. We also expect interest is shares of RusHydro, where we assume the worst has already been left behind.**

Principal estimates

Sector index vs. the RTS index



Multipliers

	P/E	P/S	EV/EBITDA	P/BV	EV/Inst. Cap.
WGC-1	247,5	0,7	16,9	0,9	114
WGC-2	-	0,7	34,0	0,8	131
WGC-3	5639,5	2,6	-	0,7	71
WGC-4	18,5	2,3	8,7	1,2	274
WGC-5	16,8	1,7	9,4	1,2	345
WGC-6	-	0,6	21,5	0,4	95
RusHydro	5,7	2,3	4,3	0,8	393

Our recommendations

	Current price, USD	Fair price, USD		*Upside, %*	Recomendation
		prev.	cur.		
WGC-1	0,0240	0,0450	0,0468	*94,9*	BUY
WGC-2	0,0311	0,0753	0,0806	*159,3*	BUY
WGC-3	0,0512	0,0461	0,0323	*-36,9*	SELL
WGC-4	0,0543	0,0852	0,1110	*104,3*	BUY
WGC-5	0,0742	0,0756	0,1107	*49,2*	BUY
WGC-6	0,0243	0,0432	0,0379	*56,1*	BUY
RusHydro	0,0391	0,0427	0,0507	*29,5*	BUY

Financial model of WGC-1

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	9 231	9 531	9 531	9 531	9 861	9 861	9 861	10 761	10 761	10 761	10 761
old capacities	9 231	9 531	9 531	9 531	9 531	9 531	9 531	9 531	9 531	9 531	9 531
new capacities	-	-	-	-	330	330	330	1 230	1 230	1 230	1 230
Load factor, %	*58,4*	*60,0*	*61,7*	*51,2*	*51,3*	*51,3*	*51,3*	*51,6*	*51,6*	*51,6*	*51,6*
Electricity production, Hwatt/h	47 246	50 075	51 500	42 740	44 330	44 330	44 330	48 666	48 666	48 666	48 666
Electricity output, Hwatt/h	45 041	47 761	49 092	40 693	42 204	42 204	42 204	46 323	46 323	46 323	46 323
old capacities	45 041	47 761	49 092	40 693	40 693	40 693	40 693	40 693	40 693	40 693	40 693
new capacities	-	-	-	0	1 510	1 510	1 510	5 630	5 630	5 630	5 630
Share of electric power sold from old capacities:											
under regulated tariffs, %	*12*	*14*	*20*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*88*	*86*	*80*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	14	17	22	19	23	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	3 204	3 387	3 656	3 175	3 151	3 379	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	18	23	28	19	24	32	51	60	71	82	86
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	0	62	67	74	84	95	108	112
Sales, regulated sector:											
elec. sales, mn USD	558	712	852	469	283	-	-	-	-	-	-
capacity sales, mn USD	313	387	418	363	360	387	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	95	154	271	315	787	1 401	2 174	2 932	3 420	3 960	4 132
Installed heat capacity	2 588	2 588	2 588	2 588	2 588	2 588	2 588	2 588	2 588	2 588	2 588
Productive heat supply, th Gcal	1 043	954	1 166	1 166	1 166	1 166	1 166	1 166	1 166	1 166	1 166
Average tariff on heat, USD/Gcal	16	18	22	19	26	30	34	42	50	59	61
Heat sales, mn USD	16	18	20	22	31	35	40	49	58	69	71
Purchased electricity power, Hwatt/h	6 238	21 976	-	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	96	463	410	-	-	-	-	-	-	-	-
Other sales, mn USD	30	23	34	29	35	37	40	42	44	46	49
Total sales	**1 108**	**1 757**	**2 006**	**1 198**	**1 496**	**1 859**	**2 253**	**3 023**	**3 522**	**4 075**	**4 252**
growth, %		*58,6*	*14,1*	*-40,3*	*24,8*	*24,3*	*21,2*	*34,1*	*16,5*	*15,7*	*4,4*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	15 167	16 022	16 445	13 587	14 093	14 093	14 093	15 059	15 059	15 059	15 059
Fuel balance:											
gas, %	*89*	*92*	*91*	*92*	*88*	*88*	*88*	*89*	*89*	*89*	*89*
coal, %	*9*	*7*	*8*	*8*	*11*	*11*	*11*	*11*	*11*	*11*	*11*
black oil, %	*3*	*1*	*1*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Average fuel prices:											
of gas, USD/th cb m	43	54	69	59	83	95	109	131	159	189	197
of gas, USD/tfe	37	48	60	52	72	83	95	115	139	165	171
growth, %		*27,0*	*26,3*	*-13,8*	*39,8*	*14,9*	*14,4*	*20,5*	*21,0*	*18,9*	*4,1*
of coal, USD/t of natural fuel	25	31	35	30	35	38	41	43	45	47	50
of coal, USD/tfe	41	52	58	49	59	63	68	72	75	79	83
growth, %		*24,1*	*12,1*	*-14,7*	*19,4*	*7,3*	*7,3*	*5,8*	*4,3*	*5,5*	*5,7*
of black oil, USD/t of natural fuel	172	194	256	132	170	191	209	231	242	250	248
of black oil, USD/tfe	123	129	170	88	113	127	139	154	161	166	166
growth, %		*12,7*	*31,6*	*-48,4*	*28,8*	*12,3*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
Fuel cost, mn USD	606	775	994	702	1 000	1 142	1 298	1 659	1 986	2 344	2 442
Costs of purchased energy, mn USD	94	458	412	-	-	-	-	-	-	-	-
Labor costs, mn USD	85	124	157	120	150	186	226	303	353	409	426
Amortization, mn USD	38	58	66	51	63	79	98	127	143	147	147
Conditionally-constant expenses, mn USD	221	226	271	215	282	347	395	464	504	545	559
Total costs	**1 043**	**1 641**	**1 900**	**1 088**	**1 495**	**1 754**	**2 018**	**2 553**	**2 986**	**3 444**	**3 574**
growth, %		*57,3*	*15,8*	*-42,7*	*37,4*	*17,4*	*15,1*	*26,5*	*17,0*	*15,3*	*3,8*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**1 108**	**1 757**	**2 006**	**1 198**	**1 496**	**1 859**	**2 253**	**3 023**	**3 522**	**4 075**	**4 252**
Cost of products sold	(1 043)	(1 641)	(1 900)	(1 088)	(1 495)	(1 754)	(2 018)	(2 553)	(2 986)	(3 444)	(3 574)
Other operating income (expenses)	247	-	-	-	-	-	-	-	-	-	-
EBITDA	**349**	**174**	**172**	**161**	**64**	**185**	**333**	**597**	**679**	**777**	**825**
Amortization	(38)	(58)	(66)	(51)	(63)	(79)	(98)	(127)	(143)	(147)	(147)
EBIT	**311**	**116**	**107**	**110**	**1**	**105**	**235**	**470**	**536**	**630**	**678**
Net interest income (expense)	(3)	(8)	177	4	4	(49)	(89)	(93)	(69)	(36)	6
EBT	**308**	**108**	**283**	**114**	**5**	**57**	**146**	**377**	**467**	**594**	**684**
Income tax	(88)	(31)	(19)	(20)	(1)	(11)	(29)	(75)	(93)	(119)	(137)
EAT	**220**	**77**	**265**	**94**	**4**	**46**	**118**	**302**	**374**	**476**	**548**
EPS, USD	-	0,001	0,006	0,002	0,000	0,001	0,002	0,006	0,007	0,009	0,010

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**191**	**264**	**536**	**377**	**410**	**510**	**618**	**1 005**	**1 246**	**1 500**	**1 673**
Cash and cash equivalents	21	17	288	209	200	248	301	580	751	927	1 075
Accounts recievable	73	137	149	89	111	138	167	224	261	302	315
Inventories	97	98	92	71	89	110	134	180	209	242	253
Other operating assets	0	12	7	8	11	13	16	21	25	29	30
Non-operating assets	**982**	**1 217**	**1 162**	**1 209**	**1 659**	**2 023**	**2 164**	**2 183**	**2 202**	**2 222**	**2 239**
PPE and intangible assets (exc. goodwill)	973	1 204	1 146	1 198	1 645	2 006	2 143	2 155	2 169	2 184	2 199
Other assets	9	13	16	11	14	17	21	28	33	38	40
Total assets	**1 173**	**1 481**	**1 699**	**1 586**	**2 069**	**2 533**	**2 781**	**3 189**	**3 448**	**3 723**	**3 912**
Short-term liabilities	**130**	**284**	**360**	**81**	**102**	**127**	**154**	**384**	**522**	**662**	**501**
Short-term interest-bearing liabilities	52	195	250	0	0	0	0	177	280	383	210
Interest-free liabilities	78	89	109	81	102	127	154	207	241	279	291
Long-term liabilities	**142**	**157**	**223**	**273**	**726**	**1 124**	**1 230**	**1 115**	**875**	**536**	**340**
Long-term interest-bearing liabilities	0	21	113	178	606	975	1 050	874	593	210	0
Interest-free liabilities	142	136	110	96	119	149	180	241	281	325	340
Share capital	**900**	**1 040**	**1 116**	**1 232**	**1 241**	**1 282**	**1 397**	**1 690**	**2 052**	**2 525**	**3 071**
Shareholder's equity	1 696	1 046	873	881	888	882	877	865	848	844	842
Additional paid-in capital	0	0	0	0	0	0	0	0	0	0	0
Reserves	(982)	(281)	(236)	(237)	(239)	(237)	(236)	(233)	(228)	(227)	(227)
Retained earnings	187	276	478	588	592	638	755	1 058	1 432	1 907	2 455
Total liabilities	**1 173**	**1 481**	**1 699**	**1 586**	**2 069**	**2 533**	**2 781**	**3 189**	**3 448**	**3 723**	**3 912**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*9,0*	*8,1*	*7,7*	*0,1*	*5,2*	*9,5*	*17,7*	*20,1*	*23,6*	*25,2*
ROE, %	-	*8,5*	*25,5*	*8,4*	*0,4*	*3,7*	*9,2*	*21,7*	*22,1*	*23,2*	*21,7*
ROA, %	-	*6,6*	*17,9*	*5,5*	*0,3*	*2,2*	*4,6*	*10,9*	*11,7*	*13,8*	*14,7*
EBITDA margin, %	*31,5*	*9,9*	*8,6*	*13,4*	*4,3*	*9,9*	*14,8*	*19,7*	*19,3*	*19,1*	*19,4*
EBIT margin, %	*28,1*	*6,6*	*5,3*	*9,2*	*0,1*	*5,7*	*10,4*	*15,5*	*15,2*	*15,5*	*16,0*
EAT margin, %	*19,9*	*4,4*	*13,2*	*7,9*	*0,3*	*2,5*	*5,2*	*10,0*	*10,6*	*11,7*	*12,9*
Multipliers:											
$^{P}/_{E}$	4,9	13,9	4,0	11,4	247,5	23,4	9,1	3,5	2,9	2,3	2,0
$^{EV}/_{S}$	1,0	0,6	0,5	0,9	0,7	0,6	0,5	0,4	0,3	0,3	0,3
$^{EV}/_{EBITDA}$	3,1	6,2	6,3	6,7	16,9	5,9	3,2	1,8	1,6	1,4	1,3
$^{P}/_{BV}$	1,2	1,0	1,0	0,9	0,9	0,8	0,8	0,6	0,5	0,4	0,3
$^{ROIC}/_{WACC}$	-	0,7	0,5	0,4	0,0	0,4	0,7	1,3	1,4	1,6	1,6
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	0,15	1,24	2,11	1,11	9,46	5,29	3,15	1,76	1,29	0,76	0,25
Interest-bearing SR debt / EAT	0,24	2,54	0,95	-	-	-	0,00	0,58	0,75	0,81	0,38
Interest-bearing debt / sales	0,05	0,12	0,18	0,15	0,41	0,52	0,47	0,35	0,25	0,15	0,05
Interest-bearing debt / assets	0,04	0,15	0,21	0,11	0,29	0,38	0,38	0,33	0,25	0,16	0,05
SR interest-bearing debt / assets	0,04	0,13	0,15	-	-	-	0,00	0,06	0,08	0,10	0,05
EBITDA / Interest payments	102,97	21,21	12,92	18,94	13,23	3,23	3,27	5,39	6,14	8,45	13,21
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*-3,8*	*-7,1*	*-11,2*	-16,46	*-9,6*	*-4,8*	*3,7*	*5,4*	*8,9*	*9,8*
Invested capital (IC)	923	1 227	1 175	1 189	1 633	1 992	2 125	2 132	2 142	2 152	2 166
Economic income (EVA)	**-**	**(35)**	**(87)**	**(132)**	**(196)**	**(156)**	**(95)**	**78**	**115**	**192**	**211**
SVA spread (ROE-ks), %	-	*-5,7*	*8,2*	*-11,7*	*-19,4*	*-14,9*	*-8,9*	*4,2*	*4,7*	*6,9*	*5,8*
Equity invested capital (E)	871	1 010	811	1 012	1 027	1 016	1 075	1 081	1 268	1 559	1 955
Shareholders' economic income (SVA)	**-**	**(50)**	**83**	**(95)**	**(196)**	**(153)**	**(90)**	**45**	**51**	**88**	**90**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-1

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	311	116	107	110	1	105	235	470	536	630	678
Income tax	(89)	(33)	(7)	(20)	(0)	(20)	(46)	(93)	(107)	(126)	(136)
NOPAT	222	83	100	91	1	85	189	377	430	505	543
Amortization	(38)	(58)	(66)	(51)	(63)	(79)	(98)	(127)	(143)	(147)	(147)
Gross operational CFF	**260**	**141**	**165**	**141**	**64**	**164**	**287**	**503**	**572**	**651**	**690**
CapEx	(42)	(182)	(296)	(162)	(510)	(440)	(235)	(139)	(157)	(161)	(162)
Change of net operating capital		(72)	(6)	37	3	3	3	6	4	4	1
Gross CapEx needs:	**(42)**	**(254)**	**(302)**	**(125)**	**(507)**	**(437)**	**(232)**	**(133)**	**(153)**	**(157)**	**(160)**
Free cash flow to firm	**218**	**(112)**	**(136)**	**16**	**(443)**	**(273)**	**55**	**370**	**419**	**494**	**529**
Discounted cash flow						**(238)**	**42**	**249**	**242**	**250**	**224**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	***k_{RF}, %***	***5,41***	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,3*	*5,3*	*4,9*	*4,3*	*3,7*	*3,7*	*2,6*	*2,4*
Shareholders' required yield rate	***k_s, %***	***14,26***	***14,23***	***17,24***	***20,18***	***19,77***	***18,58***	***18,02***	***17,44***	***17,40***	***16,25***	***15,94***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	0,99	1,08	1,09	1,06	1,02	0,99	0,96
Premium for the quality of corporate governance, %		*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*
Creditors' required yield rate	***k_d, %***	***7,75***	***7,95***	***9,72***	***12,60***	***12,22***	***12,13***	***11,51***	***10,77***	***10,69***	***9,51***	***9,19***
Premium for credit risk, %		*2,34*	*2,57*	*2,33*	*2,26*	*2,44*	*2,64*	*2,57*	*2,39*	*2,31*	*2,25*	*2,21*
Capital's structure:												
Share of source «debt finance», %		*94,50*	*82,78*	*75,44*	*87,39*	*67,18*	*56,80*	*57,07*	*61,67*	*70,13*	*80,97*	*93,59*
Share of source «shareholders capital», %		*5,50*	*17,22*	*24,56*	*12,61*	*32,82*	*43,20*	*42,93*	*38,33*	*29,87*	*19,03*	*6,41*
WACC		**13,78**	**12,76**	**15,24**	**18,95**	**16,54**	**14,78**	**14,25**	**14,06**	**14,76**	**14,61**	**15,39**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-1 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	770
Termimal value, mn USD	4 699
Discounted termimal value, mn USD	1 725
Enterprise value, mn USD	2 494
Net debt, mn USD	407
Shareholder's equity, mn USD	2 088
Number of common shares, mn units	44 643
Fair value of common stock, USD	**0,0468**
Upside (downside), %	*94,85*

Source: company's data, Estimation: Veles Capital

Financial model of WGC-2

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	8 695	8 695	8 695	8 695	8 695	8 695	8 695	8 695	9 755	9 755	10 155
old capacities	8 695	8 695	8 695	8 695	8 695	8 695	8 695	8 695	8 695	8 695	8 695
new capacities	-	-	-	-	-	-	-	-	1 060	1 060	1 460
Load factor, %	*63,1*	*63,0*	*65,4*	*61,2*	*61,2*	*61,2*	*61,2*	*61,2*	*60,5*	*60,5*	*60,3*
Electricity production, Hwatt/h	48 084	48 022	49 827	46 607	46 607	46 607	46 607	46 607	51 714	51 714	53 641
Electricity output, Hwatt/h	45 419	45 583	47 327	45 879	45 879	45 879	45 879	45 879	50 762	50 762	52 660
old capacities	45 419	45 583	47 327	45 879	45 879	45 879	45 879	45 879	45 879	45 879	45 879
new capacities	-	-	-	-	-	0	0	0	4 884	4 884	6 782
Share of electric power sold from old capacities:											
under regulated tariffs, %	*12*	*13*	*20*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*88*	*87*	*80*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	14	16	20	17	23	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	2 425	2 903	3 125	2 658	2 517	2 699	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	15	22	28	20	26	34	51	60	71	82	86
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	-	-	-	-	-	95	108	112
Sales, regulated sector:											
elec. sales, mn USD	564	620	745	478	314	-	-	-	-	-	-
capacity sales, mn USD	226	303	326	277	263	282	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	82	132	271	375	822	1 538	2 325	2 771	3 717	4 307	4 707
Installed heat capacity	1 834	1 834	1 834	1 834	1 834	1 834	1 834	1 834	1 834	1 834	1 834
Productive heat supply, th Gcal	2 523	2 338	2 235	2 235	2 235	2 235	2 235	2 235	2 235	2 235	2 235
Average tariff on heat, USD/Gcal	7	10	12	10	13	15	16	19	23	26	28
Heat sales, mn USD	18	24	26	22	29	32	37	43	51	59	62
Purchased electricity power, Hwatt/h	2 785	10 770	9 088	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	42	240	259	-	-	-	-	-	-	-	-
Other sales, mn USD	4	4	4	3	4	4	4	5	5	5	5
Total sales	**937**	**1 322**	**1 631**	**1 156**	**1 431**	**1 856**	**2 366**	**2 819**	**3 772**	**4 371**	**4 774**
growth, %		*41,1*	*23,3*	*-29,1*	*23,8*	*29,7*	*27,5*	*19,2*	*33,8*	*15,9*	*9,2*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	16 073	16 075	16 784	16 193	16 193	16 193	16 193	16 193	17 619	17 619	18 046
Fuel balance:											
gas, %	*73*	*73*	*74*	*76*	*76*	*76*	*76*	*76*	*72*	*72*	*73*
coal, %	*26*	*26*	*26*	*23*	*23*	*23*	*23*	*23*	*27*	*27*	*26*
black oil, %	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Average fuel prices:											
of gas, USD/th cb m	43	51	68	56	79	91	104	128	163	194	203
of gas, USD/tfe	37	44	58	49	68	78	90	111	141	167	176
growth, %		*17,3*	*33,0*	*-16,4*	*39,8*	*14,9*	*14,4*	*23,6*	*27,1*	*18,9*	*5,0*
of coal, USD/t of natural fuel	21	24	28	24	29	31	34	36	37	39	41
of coal, USD/tfe	36	42	49	43	52	56	60	63	65	69	73
growth, %		*15,9*	*16,0*	*-12,0*	*20,1*	*7,3*	*7,3*	*5,8*	*3,4*	*5,5*	*5,7*
of black oil, USD/t of natural fuel	171	194	279	151	194	218	239	264	276	285	283
of black oil, USD/tfe	118	134	207	112	144	162	177	196	205	211	210
growth, %		*13,3*	*43,8*	*-46,1*	*28,8*	*12,3*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
Fuel cost, mn USD	601	703	957	776	1 052	1 194	1 350	1 626	2 132	2 489	2 691
Costs of purchased energy, mn USD	42	235	237	-	-	-	-	-	-	-	-
Labor costs, mn USD	77	90	137	83	103	134	171	203	272	315	344
Amortization, mn USD	32	41	52	37	53	78	100	138	171	182	182
Conditionally-constant expenses, mn USD	214	233	272	187	242	327	394	435	509	551	578
Total costs	**965**	**1 301**	**1 655**	**1 084**	**1 450**	**1 733**	**2 014**	**2 402**	**3 084**	**3 538**	**3 796**
growth, %		*34,8*	*27,2*	*-34,5*	*33,8*	*19,5*	*16,3*	*19,3*	*28,4*	*14,7*	*7,3*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**937**	**1 322**	**1 631**	**1 156**	**1 431**	**1 856**	**2 366**	**2 819**	**3 772**	**4 371**	**4 774**
Cost of products sold	(965)	(1 301)	(1 656)	(1 084)	(1 450)	(1 733)	(2 014)	(2 402)	(3 084)	(3 538)	(3 796)
Other operating income (expenses)	162	(1)	(2)	-	-	-	-	-	-	-	1,00
EBITDA	**166**	**62**	**24**	**109**	**34**	**201**	**451**	**555**	**859**	**1 015**	**1 161**
Amortization	(32)	(41)	(52)	(37)	(53)	(78)	(100)	(138)	(171)	(182)	(182)
EBIT	**135**	**21**	**(28)**	**72**	**(19)**	**123**	**352**	**417**	**688**	**833**	**979**
Net interest income (expense)	(10)	(25)	(0,1)	(7)	(20)	(81)	(168)	(198)	(193)	(172)	(133)
EBT	**125**	**(4)**	**(28)**	**64**	**(40)**	**42**	**184**	**219**	**495**	**661**	**846**
Income tax	(35)	(7)	13	(14)	0	(8)	(37)	(44)	(99)	(132)	(169)
EAT	**90**	**(10)**	**(15)**	**50**	**(40)**	**33**	**147**	**175**	**396**	**529**	**677**
EPS, USD	-	(0,000)	(0,001)	0,001	(0,001)	0,001	0,004	0,005	0,010	0,013	0,016

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**223**	**1 054**	**316**	**291**	**361**	**468**	**596**	**745**	**1 145**	**1 505**	**1 791**
Cash and cash equivalents	45	875	108	60	75	97	123	182	391	632	837
Accounts recievable	82	94	121	151	187	242	309	368	492	570	623
Inventories	75	81	85	72	89	116	148	176	235	273	298
Other operating assets	21	4	2	8	10	13	17	20	27	31	34
Non-operating assets	**678**	**934**	**1 439**	**1 503**	**2 018**	**2 815**	**3 219**	**3 308**	**3 415**	**3 489**	**3 546**
PPE and intangible assets (exc. goodwill)	659	766	1 250	1 394	1 883	2 640	2 996	3 042	3 059	3 077	3 095
Other assets	19	168	189	109	135	175	223	266	356	412	450
Total assets	**901**	**1 987**	**1 755**	**1 794**	**2 379**	**3 283**	**3 815**	**4 053**	**4 560**	**4 995**	**5 336**
Short-term liabilities	**184**	**172**	**239**	**96**	**119**	**154**	**196**	**268**	**507**	**766**	**983**
Short-term interest-bearing liabilities	114	76	92	0	0	0	0	35	194	404	587
Interest-free liabilities	70	96	146	96	119	154	196	234	313	362	395
Long-term liabilities	**221**	**323**	**280**	**398**	**990**	**1 834**	**2 183**	**2 191**	**2 086**	**1 739**	**1 189**
Long-term interest-bearing liabilities	104	204	167	290	856	1 660	1 961	1 927	1 732	1 329	741
Interest-free liabilities	117	119	113	108	134	174	222	264	354	410	448
Share capital	**497**	**1 493**	**1 236**	**1 300**	**1 270**	**1 295**	**1 436**	**1 594**	**1 967**	**2 490**	**3 164**
Shareholder's equity	1 006	484	404	408	411	408	406	400	393	391	390
Additional paid-in capital	69	973	814	821	828	822	818	806	791	787	785
Reserves	(665)	(15)	(13)	(13)	(13)	(13)	(13)	(13)	(12)	(12)	(12)
Retained earnings	87	52	31	84	44	78	225	400	796	1 325	2 002
Total liabilities	**901**	**1 987**	**1 755**	**1 794**	**2 379**	**3 283**	**3 815**	**4 053**	**4 560**	**4 995**	**5 336**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*2,5*	*отр.*	*4,6*	*отр.*	*5,1*	*10,5*	*10,9*	*17,7*	*21,2*	*24,6*
ROE, %	-	*отр.*	*отр.*	*4,0*	*отр.*	*2,6*	*11,4*	*12,2*	*24,8*	*26,9*	*27,2*
ROA, %	-	*отр.*	*отр.*	*2,9*	*отр.*	*1,4*	*4,5*	*4,6*	*9,8*	*11,6*	*13,5*
EBITDA margin, %	*17,7*	*4,7*	*1,5*	*9,4*	*2,3*	*10,8*	*19,1*	*19,7*	*22,8*	*23,2*	*24,3*
EBIT margin, %	*14,4*	*1,6*	*отр.*	*6,2*	*отр.*	*6,6*	*14,9*	*14,8*	*18,2*	*19,1*	*20,5*
EAT margin, %	*9,6*	*отр.*	*отр.*	*4,3*	*отр.*	*1,8*	*6,2*	*6,2*	*10,5*	*12,1*	*14,2*
Multipliers:											
$^{P}/_{E}$	11,3	отр.	отр.	20,3	отр.	30,4	6,9	5,8	2,6	1,9	1,5
$^{EV}/_{S}$	1,2	0,9	0,7	1,0	0,8	0,6	0,5	0,4	0,3	0,3	0,2
$^{EV}/_{EBITDA}$	6,9	18,4	47,1	10,5	34,0	5,7	2,5	2,1	1,3	1,1	1,0
$^{P}/_{BV}$	2,1	0,7	0,8	0,8	0,8	0,8	0,7	0,6	0,5	0,4	0,3
$^{ROIC}/_{WACC}$	-	0,2	отр.	0,2	отр.	0,3	0,7	0,8	1,3	1,6	1,8
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	1,31	4,51	10,69	2,66	25,50	8,25	4,35	3,54	2,24	1,71	1,14
Interest-bearing SR debt / EAT	1,27	отр.	отр.	-	-	-	-	0,20	0,49	0,76	0,87
Interest-bearing debt / sales	0,23	0,21	0,16	0,25	0,60	0,89	0,83	0,70	0,51	0,40	0,28
Interest-bearing debt / assets	0,24	0,14	0,15	0,16	0,36	0,51	0,51	0,48	0,42	0,35	0,25
SR interest-bearing debt / assets	0,13	0,04	0,05	-	-	-	-	0,01	0,04	0,08	0,11
EBITDA / Interest payments	16,92	1,68	0,85	4,30	1,08	2,16	2,48	2,58	4,00	4,81	6,12
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*-10,9*	-	*-14,2*	-	*-11,8*	*-4,3*	*-3,0*	*4,1*	*8,0*	*10,8*
Invested capital (IC)	650	729	1 199	1 421	1 916	2 683	3 051	3 107	3 147	3 179	3 206
Economic income (EVA)	**-**	**(71)**	**0**	**(170)**	**0**	**(225)**	**(116)**	**(92)**	**128**	**252**	**342**
SVA spread (ROE-ks), %	-	-	-	*-16,7*	-	*-16,64*	*-7,35*	*-5,9*	*6,8*	*10,0*	*10,6*
Equity invested capital (E)	432	449	940	1 131	1 060	1 023	1 089	1 146	1 220	1 446	1 877
Shareholders' economic income (SVA)	**-**	**0**	**0**	**(157)**	**0**	**(176)**	**(75)**	**(65)**	**78**	**122**	**153**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-2

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	135	21	(28)	72	(19)	123	352	417	688	833	979
Income tax	(38)	(5)	0	(16)	0	(25)	(70)	(83)	(138)	(167)	(196)
NOPAT	97	16	(28)	56	(19)	98	281	334	551	667	783
Amortization	(32)	(41)	(52)	(37)	(53)	(78)	(100)	(138)	(171)	(182)	(182)
Gross operational CFF	**128**	**57**	**24**	**93**	**34**	**177**	**381**	**471**	**722**	**848**	**966**
CapEx	(31)	(58)	(717)	(264)	(542)	(835)	(455)	(184)	(188)	(200)	(200)
Change of net operating capital		28	14	(78)	(6)	(10)	(12)	(11)	(22)	(14)	(9)
Gross CapEx needs:	**(31)**	**(30)**	**(702)**	**(342)**	**(548)**	**(845)**	**(467)**	**(194)**	**(210)**	**(214)**	**(210)**
Free cash flow to firm	**97**	**27**	**(678)**	**(249)**	**(515)**	**(668)**	**(86)**	**277**	**511**	**635**	**756**
Discounted cash flow						**(572)**	**(66)**	**187**	**307**	**342**	**346**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	k_{RF}, %	***5,41***	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,3*	*5,3*	*4,9*	*4,3*	*3,7*	*3,7*	*2,6*	*2,4*
Shareholders' required yield rate	k_s, %	***14,86***	***14,83***	***17,84***	***20,78***	***19,40***	***19,27***	***18,72***	***18,13***	***18,08***	***16,91***	***16,58***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	1,02	1,18	1,18	1,15	1,10	1,05	1,00
Premium for the quality of corporate governance, %		*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*	*3,60*
Creditors' required yield rate	k_d, %	***7,94***	***7,50***	***10,45***	***12,75***	***17,28***	***18,82***	***14,91***	***13,18***	***11,29***	***9,77***	***9,34***
Premium for credit risk, %		*2,53*	*2,12*	*3,06*	*2,41*	*7,50*	*9,32*	*5,97*	*4,80*	*2,91*	*2,51*	*2,36*
Capital's structure:												
Share of source «debt finance», %		*69,50*	*84,23*	*82,66*	*81,77*	*59,73*	*43,81*	*42,27*	*44,83*	*50,52*	*58,98*	*70,43*
Share of source «shareholders capital», %		*30,50*	*15,77*	*17,34*	*18,23*	*40,27*	*56,19*	*57,73*	*55,17*	*49,48*	*41,02*	*29,57*
WACC		**12,07**	**13,39**	**16,12**	**18,80**	**17,15**	**16,90**	**14,80**	**13,94**	**13,60**	**13,18**	**13,89**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-2 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	545
Termimal value, mn USD	7 148
Discounted termimal value, mn USD	2 876
Enterprise value, mn USD	3 421
Net debt, mn USD	782
Shareholder's equity, mn USD	2 640
Number of common shares, mn units	32 733
Fair value of common stock, USD	**0,0806**
Upside (downside), %	*159,31*

Source: company's data, Estimation: Veles Capital

Financial model of WGC-3

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	8 497	8 497	8 497	8 497	8 497	8 497	8 932	9 607	10 012	10 012	10 012
old capacities	8 497	8 497	8 497	8 497	8 497	8 497	8 497	8 497	8 497	8 497	8 497
new capacities	-	-	-	-	-	-	435	1 110	1 515	1 515	1 515
Load factor, %	*41,1*	*43,1*	*45,6*	*37,9*	*37,9*	*37,9*	*38,7*	*39,8*	*39,5*	*39,5*	*39,5*
Electricity production, Hwatt/h	30 614	32 111	33 912	28 174	28 174	28 174	30 269	33 522	34 606	34 606	34 606
Electricity output, Hwatt/h	28 640	30 248	31 949	26 412	26 412	26 412	28 403	31 492	32 522	32 522	32 522
old capacities	28 640	30 248	31 949	26 412	26 412	26 412	26 412	26 412	26 412	26 412	26 412
new capacities	-	-	-	-	-	-	1 991	5 081	6 110	6 110	6 110
Share of electric power sold from old capacities:											
under regulated tariffs, %	*12*	*11*	*20*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*85*	*89*	*80*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	18	21	25	22	26	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	2 381	3 103	3 406	2 912	2 871	3 079	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	22	23	25	18	23	29	47	55	64	73	76
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	-	-	-	68	79	88	97	101
Sales, regulated sector:											
elec. sales, mn USD	427	556	640	351	204	-	-	-	-	-	-
capacity sales, mn USD	225	310	347	297	293	314	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	75	77	163	191	421	765	1 377	1 854	2 216	2 523	2 634
Installed heat capacity	1 615	1 615	1 615	1 615	1 615	1 615	1 615	1 615	1 615	1 615	1 615
Productive heat supply, th Gcal	1 412	1 285	1 369	1 346	1 346	1 346	1 979	1 979	1 979	1 979	1 979
Average tariff on heat, USD/Gcal	13	18	20	14	16	17	18	20	21	23	23
Heat sales, mn USD	19	23	27	19	22	23	36	39	42	45	46
Purchased electricity power, Hwatt/h	5 415	14 892	13 134	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	96	323	357	-	-	-	-	-	-	-	-
Other sales, mn USD	8	17	10	9	11	11	12	13	14	14	15
Total sales	**850**	**1 307**	**1 544**	**867**	**950**	**1 113**	**1 426**	**1 907**	**2 272**	**2 582**	**2 696**
growth, %		*53,8*	*18,2*	*-43,9*	*9,5*	*17,2*	*28,1*	*33,7*	*19,1*	*13,7*	*4,4*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	10 214	10 721	11 275	9 359	9 359	9 359	10 001	10 794	11 090	11 090	11 090
Fuel balance:											
gas, %	*59*	*60*	*57*	*57*	*57*	*57*	*54*	*54*	*54*	*54*	*54*
coal, %	*37*	*38*	*41*	*41*	*41*	*41*	*44*	*44*	*45*	*45*	*45*
black oil, %	*4*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*
Average fuel prices:											
of gas, USD/th cb m	47	57	73	58	81	93	106	131	154	183	190
of gas, USD/tfe	41	50	64	51	71	82	93	115	135	160	167
growth, %		*22,9*	*28,4*	*-21,1*	*39,8*	*14,9*	*14,4*	*23,1*	*17,3*	*18,9*	*4,1*
of coal, USD/t of natural fuel	25	28	31	27	32	34	35	39	42	44	47
of coal, USD/tfe	43	51	56	48	57	61	64	69	73	77	81
growth, %		*13,8*	*12,3*	*-14,8*	*20,1*	*7,3*	*2,9*	*9,9*	*7,9*	*5,5*	*5,7*
of black oil, USD/t of natural fuel	154	191	248	128	165	185	203	224	234	242	241
of black oil, USD/tfe	123	152	198	102	131	148	162	179	187	193	192
growth, %		*23,7*	*29,9*	*-48,4*	*28,8*	*12,3*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
Fuel cost, mn USD	462	562	715	473	623	699	820	1 040	1 206	1 379	1 440
Costs of purchased energy, mn USD	91	318	352	-	-	-	-	-	-	-	-
Labor costs, mn USD	95	130	138	122	133	156	200	268	319	363	379
Amortization, mn USD	40	48	52	47	53	72	110	147	158	166	169
Conditionally-constant expenses, mn USD	176	181	177	181	257	294	345	410	451	483	496
Total costs	**864**	**1 239**	**1 434**	**822**	**1 068**	**1 222**	**1 475**	**1 866**	**2 135**	**2 391**	**2 483**
growth, %		*43,4*	*15,7*	*-42,6*	*29,8*	*14,4*	*20,8*	*26,5*	*14,4*	*12,0*	*3,9*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	850	1 307	1 545	867	950	1 113	1 426	1 907	2 272	2 582	2 696
Cost of products sold	(865)	(1 239)	(1 434)	(822)	(1 068)	(1 222)	(1 475)	(1 866)	(2 135)	(2 391)	(2 483)
Other operating income (expenses)	242	155	(40)	-	-	-	-	-	-	-	*1,00*
EBITDA	**268**	**271**	**123**	**91**	**(65)**	**(36)**	**61**	**188**	**296**	**357**	**382**
Amortization	(40)	(48)	(52)	(47)	(53)	(72)	(110)	(147)	(158)	(166)	(169)
EBIT	**228**	**223**	**72**	**45**	**(118)**	**(108)**	**(50)**	**41**	**137**	**191**	**214**
Net interest income (expense)	(6)	138	268	135	119	77	61	50	41	40	46
EBT	**222**	**361**	**340**	**179**	**1**	**(31)**	**12**	**91**	**178**	**231**	**260**
Income tax	(60)	(97)	(70)	(31)	(0)	0	(2)	(18)	(36)	(46)	(52)
EAT	**162**	**263**	**270**	**148**	**0**	**(31)**	**10**	**73**	**143**	**185**	**208**
EPS, USD	-	0,001	0,007	0,003	0,000	(0,001)	0,000	0,002	0,003	0,004	0,004

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**156**	**3 354**	**2 028**	**2 482**	**1 679**	**1 404**	**1 233**	**1 148**	**1 195**	**1 335**	**1 514**
Cash and cash equivalents	13	3 135	1 771	2 326	1 508	1 204	978	806	788	872	1 030
Accounts recievable	55	124	160	90	98	115	148	197	235	267	279
Inventories	87	95	97	66	72	85	108	145	172	196	205
Other operating assets	0	0	0	0	0	0	0	0	0	0	0
Non-operating assets	**721**	**1 016**	**1 559**	**1 261**	**2 103**	**2 345**	**2 555**	**2 735**	**2 820**	**2 896**	**2 934**
PPE and intangible assets (exc. goodwill)	711	1 006	999	1 096	1 923	2 134	2 285	2 374	2 389	2 406	2 423
Other assets	10	10	560	164	180	211	270	362	431	490	511
Total assets	**877**	**4 370**	**3 587**	**3 742**	**3 781**	**3 749**	**3 789**	**3 883**	**4 015**	**4 231**	**4 448**
Short-term liabilities	**229**	**90**	**97**	**67**	**73**	**86**	**110**	**147**	**175**	**199**	**207**
Short-term interest-bearing liabilities	141	0	0	0	0	0	0	0	0	0	0
Interest-free liabilities	88	90	97	67	73	86	110	147	175	199	207
Long-term liabilities	**69**	**120**	**73**	**63**	**69**	**81**	**104**	**139**	**166**	**188**	**197**
Long-term interest-bearing liabilities	0	0	0	0	0	0	0	0	0	0	0
Interest-free liabilities	69	120	73	63	69	81	104	139	166	188	197
Share capital	**579**	**4 159**	**3 418**	**3 612**	**3 639**	**3 583**	**3 575**	**3 597**	**3 675**	**3 843**	**4 043**
Shareholder's equity	1 120	1 935	1 616	1 631	1 643	1 632	1 624	1 600	1 570	1 563	1 559
Additional paid-in capital	17	2 577	2 152	2 169	2 185	2 169	2 159	2 128	2 088	2 077	2 073
Reserves	(316)	(339)	(284)	(283)	(285)	(283)	(282)	(278)	(273)	(271)	(271)
Retained earnings	(241)	(13)	(66)	96	96	65	74	147	290	475	683
Total liabilities	**877**	**4 370**	**3 587**	**3 742**	**3 781**	**3 749**	**3 789**	**3 883**	**4 015**	**4 231**	**4 448**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*23,4*	*5,6*	*3,4*	*отр.*	*отр.*	*отр.*	*1,4*	*4,5*	*6,2*	*6,9*
ROE, %	-	*45,4*	*10,2*	*3,6*	*-10,9*	*-9,7*	*-2,5*	*1,5*	*4,7*	*6,3*	*7,0*
ROA, %	-	*30,0*	*6,2*	*4,1*	*0,0*	*-0,8*	*0,3*	*1,9*	*3,7*	*4,6*	*4,9*
EBITDA margin, %	*31,6*	*20,8*	*8,0*	*10,5*	*отр.*	*отр.*	*4,2*	*9,9*	*13,0*	*13,8*	*14,2*
EBIT margin, %	*26,8*	*17,1*	*4,6*	*5,1*	*-12,4*	*-9,7*	*-3,5*	*2,1*	*6,0*	*7,4*	*7,9*
EAT margin, %	*19,1*	*20,1*	*17,5*	*17,1*	*0,0*	*отр.*	*0,7*	*3,8*	*6,3*	*7,2*	*7,7*
Multipliers:											
P/E	15,0	9,2	9,0	16,4	5 639,5	отр.	255,2	33,5	17,0	13,1	11,7
EV/S	0,7	0,5	0,4	0,7	0,6	0,5	0,4	0,3	0,3	0,2	0,2
EV/EBITDA	2,2	2,2	4,9	6,6	отр.	отр.	10,0	3,2	2,0	1,7	1,6
P/BV	4,2	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,6	0,6
ROIC/WACC	-	1,5	0,3	0,2	отр.	отр.	отр.	0,1	0,2	0,3	0,4
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	0,52	-	-	-	-	-	-	-	-	-	-
Interest-bearing SR debt / EAT	0,87	-	-	-	-	-	-	-	-	-	-
Interest-bearing debt / sales	0,17	-	-	-	-	-	-	-	-	-	-
Interest-bearing debt / assets	0,16	-	-	-	-	-	-	-	-	-	-
SR interest-bearing debt / assets	0,16	-	-	-	-	-	-	-	-	-	-
EBITDA / Interest payments	33,67	32,82	209,90	2 968,51	-	-	-	-	-	-	-
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*7,4*	*-13,4*	*-18,5*	-	-	-	*-17,7*	*-14,6*	*-11,8*	*-10,8*
Invested capital (IC)	697	1 015	1 087	1 122	1 951	2 167	2 327	2 430	2 457	2 482	2 502
Economic income (EVA)	**-**	**52**	**(136)**	**(202)**	**0**	**0**	**0**	**(412)**	**(355)**	**(289)**	**(269)**
SVA spread (ROE-ks), %	-	29,47	-12,49	*-17,6*	-20,41	-	*-19,38*	*-17,1*	*-15,1*	*-13,0*	*-12,3*
Equity invested capital (E)	556	1 015	1 087	1 122	1 951	2 167	2 327	2 430	2 457	2 482	2 502
Shareholders' economic income (SVA)	**-**	**164**	**(127)**	**(191)**	**(229)**	**0**	**(420)**	**(397)**	**(368)**	**(318)**	**(306)**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-3

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	228	223	72	45	(118)	(108)	(50)	41	137	191	214
Income tax	(61)	(60)	(15)	(8)	0	0	0	(8)	(27)	(38)	(43)
NOPAT	167	163	57	37	(118)	(108)	(50)	33	110	153	171
Amortization	(40)	(48)	(52)	(47)	(53)	(72)	(110)	(147)	(158)	(166)	(169)
Gross operational CFF	**207**	**211**	**109**	**84**	**(65)**	**(36)**	**61**	**180**	**268**	**318**	**340**
CapEx	(47)	(135)	(310)	(239)	(880)	(284)	(261)	(236)	(174)	(182)	(186)
Change of net operating capital		(23)	(80)	62	(2)	(5)	(9)	(14)	(11)	(9)	(3)
Gross CapEx needs:	**(47)**	**(158)**	**(390)**	**(177)**	**(882)**	**(289)**	**(270)**	**(250)**	**(185)**	**(191)**	**(189)**
Free cash flow to firm	**160**	**53**	**(281)**	**(93)**	**(947)**	**(325)**	**(209)**	**(70)**	**83**	**127**	**151**
Discounted cash flow						**(270)**	**(146)**	**(42)**	**41**	**56**	**57**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	***k_{RF}, %***	***5,41***	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,31*	*5,32*	*4,90*	*4,29*	*3,69*	*3,71*	*2,63*	*2,40*
Shareholders' required yield rate	***k_s, %***	***16,01***	***15,98***	***18,99***	***21,93***	***20,43***	***20,18***	***19,64***	***19,10***	***19,11***	***18,00***	***17,72***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	0,90	0,93	0,96	0,97	0,98	0,99	0,99
Premium for the quality of corporate governance, %		*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*	*4,75*
Creditors' required yield rate	***k_d, %***	***8,86***	***8,47***	***10,49***	***13,42***	***12,86***	***12,59***	***12,06***	***11,54***	***11,56***	***10,44***	***10,16***
Premium for credit risk, %		*3,45*	*3,09*	*3,10*	*3,08*	*3,09*	*3,10*	*3,12*	*3,16*	*3,18*	*3,18*	*3,17*
Capital's structure:												
Share of source «debt finance», %		*80,46*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*
Share of source «shareholders capital», %		*19,54*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
WACC		**14,15**	**15,98**	**18,99**	**21,93**	**20,43**	**20,18**	**19,64**	**19,10**	**19,11**	**18,00**	**17,72**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-3 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	(305)
Termimal value, mn USD	1 035
Discounted termimal value, mn USD	330
Enterprise value, mn USD	26
Net debt, mn USD	(1 508)
Shareholder's equity, mn USD	1 534
Number of common shares, mn units	47 488
Fair value of common stock, USD	**0,0323**
Upside (downside), %	*-36,92*

Source: company's data, Estimation: Veles Capital

Financial model of WGC-4

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	8 630	8 630	8 630	8 630	8 630	9 030	10 230	10 230	10 980	10 980	10 980
old capacities	8 630	8 630	8 630	8 630	8 630	8 630	8 630	8 630	8 630	8 630	8 630
new capacities	-	-	-	-	0	400	1 600	1 600	2 350	2 350	2 350
Load factor, %	*67,5*	*71,8*	*75,0*	*67,5*	*67,5*	*66,9*	*65,5*	*65,5*	*64,8*	*64,8*	*64,8*
Electricity production, Hwatt/h	51 030	54 244	56 677	51 003	51 003	52 930	58 711	58 711	62 325	62 325	62 325
Electricity output, Hwatt/h	49 073	52 225	54 494	49 192	49 192	51 023	56 631	56 631	60 064	60 064	60 064
old capacities	49 073	52 225	54 494	49 192	49 192	49 192	49 192	49 192	49 192	49 192	49 192
new capacities	-	-	-	-	0	1 831	7 439	7 439	10 872	10 872	10 872
Share of electric power sold from old capacities:											
under regulated tariffs, %	*11*	*13*	*20*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*89*	*87*	*80*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	12	14	16	15	19	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	2 830	3 135	3 491	2 946	3 107	3 333	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	14	22	27	18	25	31	48	57	66	76	79
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	-	0	67	74	84	88	98	102
Sales, regulated sector:											
elec. sales, mn USD	533	614	718	435	282	-	-	-	-	-	-
capacity sales, mn USD	293	321	361	305	322	345	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	76	149	300	356	855	1 671	2 910	3 406	4 186	4 781	4 991
Installed heat capacity	2 179	2 179	2 179	2 179	2 179	2 179	2 179	2 179	2 179	2 179	2 179
Productive heat supply, th Gcal	2 246	1 978	2 037	2 100	2 100	2 100	2 100	2 100	2 100	2 100	2 100
Average tariff on heat, USD/Gcal	9	13	17	12	16	19	21	26	32	37	39
Heat sales, mn USD	21	25	29	25	34	39	45	55	66	79	82
Purchased electricity power, Hwatt/h	2 231	5 249	3 787	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	25	115	104	-	-	-	-	-	-	-	-
Other sales, mn USD	14	7	15	13	15	16	18	19	19	21	22
Total sales	**962**	**1 230**	**1 528**	**1 133**	**1 507**	**2 072**	**2 973**	**3 479**	**4 271**	**4 880**	**5 095**
growth, %		*27,8*	*24,3*	*-25,8*	*33,0*	*37,4*	*43,5*	*17,0*	*22,8*	*14,3*	*4,4*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	16 145	17 276	18 083	16 226	16 226	16 628	17 858	17 858	18 934	18 934	18 934
Fuel balance:											
gas, %	*82*	*83*	*79*	*82*	*82*	*82*	*84*	*84*	*79*	*79*	*79*
coal, %	*16*	*17*	*21*	*18*	*18*	*17*	*16*	*16*	*21*	*21*	*21*
black oil, %	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
peat, %	*1*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Average fuel prices:											
of gas, USD/th cb m	39	47	61	54	75	87	100	123	149	177	184
of gas, USD/tfe	33	41	53	46	65	75	86	106	129	153	159
growth, %		*22,2*	*28,5*	*-12,1*	*39,8*	*16,6*	*14,1*	*23,6*	*21,0*	*18,9*	*4,1*
of coal, USD/t of natural fuel	15	14	16	14	17	18	19	20	21	22	23
of coal, USD/tfe	30	26	30	25	30	32	35	37	36	38	40
growth, %		*-4,2*	*13,7*	*-15,2*	*20,1*	*7,3*	*7,3*	*5,8*	*1,5*	*5,5*	*5,7*
of black oil, USD/t of natural fuel	146	166	226	117	150	169	185	204	214	221	220
of black oil, USD/tfe	119	125	167	86	111	124	136	151	158	163	162
growth, %		*13,7*	*36,1*	*-48,3*	*28,8*	*12,3*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
of peat, USD/t of natural fuel	31	37	44	37	45	48	51	54	57	60	63
of peat, USD/tfe	95	112	130	111	134	143	154	163	170	179	189
growth, %		*18,8*	*16,4*	*-14,5*	*20,1*	*7,3*	*7,3*	*5,8*	*4,3*	*5,5*	*5,7*
Fuel cost, mn USD	544	677	871	692	951	1 131	1 391	1 699	2 069	2 440	2 543
Costs of purchased energy, mn USD	29	88	97	-	-	-	-	-	-	-	-
Labor costs, mn USD	89	135	161	85	113	155	222	260	319	365	381
Amortization, mn USD	54	65	68	55	80	135	178	200	205	204	204
Conditionally-constant expenses, mn USD	223	211	222	134	171	209	254	276	307	329	336
Total costs	**939**	**1 176**	**1 420**	**965**	**1 314**	**1 630**	**2 045**	**2 436**	**2 901**	**3 338**	**3 464**
growth, %		*25,2*	*20,8*	*-32,0*	*36,2*	*24,0*	*25,5*	*19,1*	*19,1*	*15,1*	*3,8*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**962**	**1 230**	**1 528**	1 133	1 507	2 072	2 973	3 479	4 271	4 880	5 095
Cost of products sold	(938)	(1 176)	(1 418)	(965)	(1 314)	(1 630)	(2 045)	(2 436)	(2 901)	(3 338)	(3 464)
Other operating income (expenses)	247	18	9	-	-	-	-	-	-	-	*1,00*
EBITDA	**325**	**137**	**188**	**224**	**273**	**577**	**1 106**	**1 244**	**1 576**	**1 747**	**1 836**
Amortization	(54)	(65)	(68)	(55)	(80)	(135)	(178)	(200)	(205)	(204)	(204)
EBIT	**272**	**73**	**119**	**168**	**193**	**442**	**928**	**1 044**	**1 371**	**1 542**	**1 632**
Net interest income (expense)	(4)	20	181	45	38	23	42	116	194	301	410
EBT	**268**	**92**	**300**	**213**	**231**	**465**	**970**	**1 160**	**1 565**	**1 843**	**2 042**
Income tax	(72)	(31)	(56)	(42)	(46)	(93)	(194)	(232)	(313)	(369)	(408)
EAT	**196**	**62**	**244**	**171**	**185**	**372**	**776**	**928**	**1 252**	**1 474**	**1 634**
EPS, USD	-	0,000	0,004	0,003	0,003	0,005	0,010	0,012	0,016	0,019	0,021

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**176**	**1 758**	**1 219**	**778**	**557**	**825**	**1 757**	**2 747**	**4 105**	**5 682**	**7 350**
Cash and cash equivalents	52	1 627	1 059	649	386	590	1 420	2 353	3 621	5 129	6 773
Accounts recievable	48	52	98	59	79	108	155	181	223	254	266
Inventories	66	79	61	65	87	120	172	201	247	282	294
Other operating assets	10	0	0	4	5	7	10	12	15	17	18
Non-operating assets	**932**	**1 320**	**1 614**	**2 227**	**2 724**	**2 924**	**2 937**	**2 944**	**2 955**	**2 963**	**2 966**
PPE and intangible assets (exc. goodwill)	919	1 316	1 577	2 211	2 704	2 896	2 896	2 896	2 896	2 896	2 896
Other assets	13	4	37	16	21	28	41	48	59	67	70
Total assets	**1 108**	**3 078**	**2 833**	**3 004**	**3 281**	**3 750**	**4 694**	**5 691**	**7 059**	**8 645**	**10 316**
Short-term liabilities	**100**	**95**	**146**	**92**	**122**	**168**	**241**	**282**	**347**	**396**	**413**
Short-term interest-bearing liabilities	24	10	0	0	0	0	0	0	0	0	0
Interest-free liabilities	76	85	146	92	122	168	241	282	347	396	413
Long-term liabilities	**156**	**158**	**100**	**134**	**179**	**246**	**352**	**413**	**506**	**579**	**604**
Long-term interest-bearing liabilities	0	0	0	0	0	0	0	0	0	0	0
Interest-free liabilities	156	158	100	134	179	246	352	413	506	579	604
Share capital	**852**	**2 825**	**2 587**	**2 778**	**2 980**	**3 336**	**4 101**	**4 996**	**6 206**	**7 670**	**9 299**
Shareholder's equity	1 866	1 027	858	866	873	867	862	850	834	830	828
Additional paid-in capital	0	1 628	1 363	1 376	1 386	1 376	1 369	1 350	1 324	1 318	1 315
Reserves	(1 193)	10	25	25	25	25	25	24	24	24	24
Retained earnings	179	160	340	511	696	1 068	1 844	2 772	4 024	5 499	7 133
Total liabilities	**1 108**	**3 078**	**2 833**	**3 004**	**3 281**	**3 750**	**4 694**	**5 691**	**7 059**	**8 645**	**10 316**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*6,0*	*8,1*	*9,0*	*7,3*	*13,7*	*27,3*	*31,6*	*42,2*	*48,8*	*52,8*
ROE, %	-	*7,3*	*8,6*	*6,6*	*6,7*	*12,5*	*23,3*	*22,6*	*25,1*	*23,8*	*21,3*
ROA, %	-	*5,6*	*7,9*	*6,0*	*6,2*	*11,3*	*20,7*	*19,8*	*22,0*	*20,9*	*18,9*
EBITDA margin, %	*33,8*	*11,2*	*12,3*	*19,7*	*18,1*	*27,9*	*37,2*	*35,8*	*36,9*	*35,8*	*36,0*
EBIT margin, %	*28,2*	*5,9*	*7,8*	*14,8*	*12,8*	*21,3*	*31,2*	*30,0*	*32,1*	*31,6*	*32,0*
EAT margin, %	*20,4*	*5,0*	*16,0*	*15,1*	*12,3*	*18,0*	*26,1*	*26,7*	*29,3*	*30,2*	*32,1*
Multipliers:											
P/E	17,4	55,3	14,0	20,0	18,5	9,2	4,4	3,7	2,7	2,3	2,1
EV/S	2,5	1,9	1,5	2,1	1,6	1,1	0,8	0,7	0,6	0,5	0,5
EV/EBITDA	7,3	17,2	12,6	10,6	8,7	4,1	2,1	1,9	1,5	1,4	1,3
P/BV	4,0	1,2	1,3	1,2	1,1	1,0	0,8	0,7	0,6	0,4	0,4
ROIC/WACC	-	0,4	0,5	0,4	0,4	0,7	1,5	1,8	2,4	3,0	3,3
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	0,07	0,07	-	-	-	-	-	-	-	-	-
Interest-bearing SR debt / EAT	0,00	-	-	-	-	-	-	-	-	-	-
Interest-bearing debt / sales	0,03	0,01	-	-	-	-	-	-	-	-	-
Interest-bearing debt / assets	0,02	0,00	-	-	-	-	-	-	-	-	-
SR interest-bearing debt / assets	0,02	0,00	-	-	-	-	-	-	-	-	-
EBITDA / Interest payments	55,75	26,41	4 002	-	-	-	-	-	-	-	-
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*-8,4*	*-9,4*	*-11,3*	*-11,6*	*-4,9*	*9,2*	*14,1*	*24,7*	*32,4*	*36,6*
Invested capital (IC)	811	1 204	1 490	2 113	2 573	2 717	2 639	2 596	2 527	2 475	2 456
Economic income (EVA)	**-**	**(68)**	**(113)**	**(169)**	**(244)**	**(126)**	**251**	**372**	**641**	**818**	**905**
SVA spread (ROE-ks), %	-	*-7,17*	*-8,79*	*-13,8*	*-12,21*	*-6,15*	*5,16*	*5,1*	*7,5*	*7,3*	*5,1*
Equity invested capital (E)	787	1 194	1 490	2 113	2 573	2 717	2 639	2 596	2 527	2 475	2 456
Shareholders' economic income (SVA)	**-**	**(56)**	**(105)**	**(205)**	**(258)**	**(158)**	**140**	**134**	**195**	**185**	**127**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-4

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	272	73	119	168	193	442	928	1 044	1 371	1 542	1 632
Income tax	(73)	(24)	(22)	(33)	(39)	(88)	(185)	(209)	(274)	(308)	(326)
NOPAT	199	49	97	135	155	354	742	835	1 097	1 234	1 306
Amortization	(54)	(65)	(68)	(55)	(80)	(135)	(178)	(200)	(205)	(204)	(204)
Gross operational CFF	**253**	**113**	**166**	**190**	**234**	**489**	**920**	**1 036**	**1 302**	**1 438**	**1 510**
CapEx	(25)	(370)	(529)	(777)	(572)	(328)	(178)	(200)	(205)	(204)	(204)
Change of net operating capital		4	(25)	12	32	49	78	44	68	53	19
Gross CapEx needs:	**(25)**	**(367)**	**(555)**	**(765)**	**(540)**	**(279)**	**(100)**	**(157)**	**(137)**	**(152)**	**(186)**
Free cash flow to firm	**228**	**(254)**	**(389)**	**(575)**	**(306)**	**210**	**820**	**879**	**1 165**	**1 286**	**1 324**
Discounted cash flow						**177**	**588**	**541**	**610**	**601**	**539**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	k_{RF}, %	***5,41***	***5,38***	***7,39***	***10,33494***	***9,77629458***	***9,49697188***	***8,93832647***	***8,37968107***	***8,37968107***	***7,26239026***	***6,98306756***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,31*	*5,32*	*4,90*	*4,29*	*3,69*	*3,71*	*2,63*	*2,40*
Shareholders' required yield rate	k_s, %	***14,46***	***14,43***	***17,44***	***20,38***	***18,88***	***18,63***	***18,09***	***17,55***	***17,56***	***16,45***	***16,17***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	0,90	0,93	0,96	0,97	0,98	0,99	0,99
Premium for the quality of corporate governance, %		*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*	*3,20*
Creditors' required yield rate	k_d, %	***7,71***	***7,48***	***9,52***	***12,51***	***12,00***	***11,72***	***11,13***	***10,54***	***10,53***	***9,39***	***9,10***
Premium for credit risk, %		*2,30*	*2,10*	*2,13*	*2,17*	*2,22*	*2,22*	*2,19*	*2,16*	*2,15*	*2,13*	*2,12*
Capital's structure:												
Share of source «debt finance», %		*97,25*	*99,64*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*	*100,00*
Share of source «shareholders capital», %		*2,75*	*0,36*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
WACC		**14,22**	**14,40**	**17,44**	**20,38**	**18,88**	**18,63**	**18,09**	**17,55**	**17,56**	**16,45**	**16,17**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-4 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	3 055
Termimal value, mn USD	10 141
Discounted termimal value, mn USD	3 551
Enterprise value, mn USD	6 606
Net debt, mn USD	(386)
Shareholder's equity, mn USD	6 992
Number of common shares, mn units	63 017
Fair value of common stock, USD	**0,1110**
Upside (downside), %	*104,33*

Source: company's data, Estimation: Veles Capital

Financial model of WGC-5

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	8 672	8 672	8 672	8 672	8 672	9 492	9 492	9 492	9 492	9 492	9 492
old capacities	8 672	8 672	8 672	8 672	8 672	8 672	8 672	8 672	8 672	8 672	8 672
new capacities	-	-	-	-	-	820	820	820	820	820	820
Load factor, %	*53,2*	*50,5*	*56,6*	*50,5*	*50,5*	*52,4*	*52,4*	*52,4*	*52,4*	*52,4*	*52,4*
Electricity production, Hwatt/h	40 441	38 379	43 000	38 351	38 351	43 559	43 559	43 559	43 559	43 559	43 559
Electricity output, Hwatt/h	38 260	36 481	40 729	36 328	36 328	41 275	41 275	41 275	41 275	41 275	41 275
old capacities	38 260	36 481	40 729	36 328	36 328	36 328	36 328	36 328	36 328	36 328	36 328
new capacities	-	-	-	-	-	4 947	4 947	4 947	4 947	4 947	4 947
Share of electric power sold from old capacities:											
under regulated tariffs, %	*11*	*13*	*20*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*89*	*87*	*80*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	16	18	21	19	24	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	2 335	3 637	4 084	3 509	3 789	4 063	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	17	23	32	18	29	38	51	60	71	82	86
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	-	-	67	74	84	95	108	112
Sales, regulated sector:											
elec. sales, mn USD	532	565	685	409	259	-	-	-	-	-	-
capacity sales, mn USD	243	365	425	365	394	423	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	72	109	265	256	740	1 717	2 206	2 611	3 046	3 527	3 680
Installed heat capacity	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526
Productive heat supply, th Gcal	7 013	6 769	6 819	6 819	6 819	6 819	6 819	6 819	6 819	6 819	6 819
Average tariff on heat, USD/Gcal	8	9	12	11	15	17	19	23	28	33	34
Heat sales, mn USD	56	64	81	72	99	114	130	159	191	226	235
Purchased electricity power, Hwatt/h	3 425	9 360	9 910	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	54	195	255	-	-	-	-	-	-	-	-
Other sales, mn USD	12	12	11	9	11	12	13	13	14	15	16
Total sales	**968**	**1 310**	**1 721**	**1 111**	**1 503**	**2 266**	**2 348**	**2 783**	**3 251**	**3 767**	**3 930**
growth, %		*35,3*	*31,4*	*-35,5*	*35,3*	*50,8*	*3,6*	*18,5*	*16,8*	*15,9*	*4,3*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	13 872	13 216	14 723	13 237	13 237	14 322	14 322	14 322	14 322	14 322	14 322
Fuel balance:											
gas, %	*53*	*57*	*52*	*51*	*51*	*55*	*55*	*55*	*55*	*55*	*55*
coal, %	*45*	*41*	*47*	*48*	*48*	*45*	*45*	*45*	*45*	*45*	*45*
black oil, %	*2*	*2*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Average fuel prices:											
of gas, USD/th cb m	53	64	84	75	105	120	138	170	206	244	254
of gas, USD/tfe	44	53	70	62	87	100	115	142	171	204	212
growth, %		*20,6*	*31,9*	*-10,8*	*39,8*	*15,0*	*14,4*	*23,6*	*21,0*	*18,9*	*4,1*
of coal, USD/t of natural fuel	21	24	30	25	30	32	35	37	38	41	43
of coal, USD/tfe	38	43	52	44	53	57	61	65	67	71	75
growth, %		*12,8*	*22,2*	*-15,0*	*20,1*	*7,3*	*7,3*	*5,8*	*4,3*	*5,5*	*5,7*
of black oil, USD/t of natural fuel	154	171	224	115	149	167	183	202	211	218	217
of black oil, USD/tfe	110	122	160	82	106	119	131	144	151	156	155
growth, %		*11,0*	*30,9*	*-48,4*	*28,8*	*12,3*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
Fuel cost, mn USD	587	664	916	711	938	1 160	1 301	1 537	1 787	2 065	2 156
Costs of purchased energy, mn USD	54	194	273	-	-	-	-	-	-	-	-
Labor costs, mn USD	67	116	115	90	122	184	190	226	264	306	319
Amortization, mn USD	74	81	99	80	85	105	126	137	143	145	146
Conditionally-constant expenses, mn USD	180	246	220	197	247	316	328	359	391	423	433
Total costs	**895**	**1 184**	**1 508**	**988**	**1 269**	**1 582**	**1 755**	**2 033**	**2 321**	**2 634**	**2 735**
growth, %		*32,3*	*27,4*	*-34,5*	*28,4*	*24,6*	*10,9*	*15,9*	*14,1*	*13,5*	*3,9*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**968**	**1 310**	**1 721**	**1 111**	**1 503**	**2 266**	**2 348**	**2 783**	**3 251**	**3 767**	**3 930**
Cost of products sold	(962)	(1 300)	(1 623)	(988)	(1 269)	(1 582)	(1 755)	(2 033)	(2 321)	(2 634)	(2 735)
Other operating income (expenses)	9	36	16	-	-	-	-	-	-	-	*1,00*
EBITDA	**90**	**127**	**213**	**202**	**318**	**790**	**719**	**887**	**1 073**	**1 279**	**1 342**
Amortization	(74)	(81)	(99)	(80)	(85)	(105)	(126)	(137)	(143)	(145)	(146)
EBIT	**15**	**46**	**114**	**123**	**234**	**684**	**594**	**750**	**930**	**1 134**	**1 196**
Net interest income (expense)	(8)	8	(17)	(12)	(30)	(57)	(18)	3	50	116	191
EBT	**7**	**54**	**97**	**111**	**204**	**627**	**576**	**753**	**980**	**1 250**	**1 387**
Income tax	112	3	(32)	(29)	(47)	(135)	(120)	(154)	(198)	(251)	(278)
EAT	**119**	**58**	**66**	**82**	**156**	**492**	**456**	**599**	**782**	**999**	**1 109**
EPS, USD	-	0,001	0,002	0,002	0,004	0,012	0,011	0,014	0,019	0,023	0,026

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**684**	**587**	**260**	**211**	**286**	**826**	**763**	**1 137**	**2 003**	**3 126**	**4 263**
Cash and cash equivalents	508	325	29	20	26	434	357	657	1 442	2 476	3 585
Accounts recievable	80	182	151	117	159	240	248	294	344	398	416
Inventories	95	79	80	74	101	152	157	186	218	252	263
Other operating assets	0	0	0	0	0	0	0	0	0	0	0
Non-operating assets	**1 685**	**2 631**	**2 557**	**2 986**	**3 447**	**3 628**	**3 769**	**3 794**	**3 820**	**3 848**	**3 867**
PPE and intangible assets (exc. goodwill)	1 675	2 607	2 520	2 957	3 408	3 569	3 708	3 721	3 736	3 750	3 765
Other assets	10	24	38	29	39	59	61	72	85	98	102
Total assets	**2 369**	**3 218**	**2 817**	**3 197**	**3 733**	**4 453**	**4 531**	**4 931**	**5 823**	**6 975**	**8 131**
Short-term liabilities	**106**	**154**	**180**	**100**	**135**	**597**	**520**	**251**	**293**	**338**	**352**
Short-term interest-bearing liabilities	24	0	64	0	0	394	310	2	2	1	0
Interest-free liabilities	82	154	116	100	135	203	210	249	291	338	352
Long-term liabilities	**406**	**588**	**455**	**827**	**1 157**	**936**	**645**	**743**	**847**	**964**	**1 001**
Long-term interest-bearing liabilities	190	207	173	574	814	420	110	109	107	106	106
Interest-free liabilities	216	381	283	253	342	516	535	634	741	858	895
Share capital	**1 857**	**2 476**	**2 180**	**2 271**	**2 442**	**2 920**	**3 366**	**3 937**	**4 683**	**5 672**	**6 777**
Shareholder's equity	1 343	1 441	1 204	1 215	1 224	1 215	1 209	1 192	1 170	1 164	1 161
Additional paid-in capital	259	278	232	234	236	234	233	230	225	224	224
Reserves	139	571	530	535	539	535	532	525	515	512	511
Retained earnings	116	186	214	287	443	935	1 391	1 991	2 773	3 772	4 881
Total liabilities	**2 369**	**3 218**	**2 817**	**3 197**	**3 733**	**4 453**	**4 531**	**4 931**	**5 823**	**6 975**	**8 131**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*2,2*	*3,3*	*3,8*	*6,4*	*16,8*	*14,5*	*17,7*	*22,4*	*27,7*	*29,8*
ROE, %	-	*3,1*	*2,6*	*3,7*	*6,9*	*20,1*	*15,6*	*17,8*	*19,9*	*21,3*	*19,6*
ROA, %	-	*2,4*	*2,0*	*2,9*	*4,9*	*13,2*	*10,2*	*13,2*	*15,9*	*17,1*	*15,9*
EBITDA margin, %	*9,3*	*9,7*	*12,4*	*18,2*	*21,2*	*34,8*	*30,6*	*31,9*	*33,0*	*34,0*	*34,1*
EBIT margin, %	*1,6*	*3,5*	*6,6*	*11,0*	*15,6*	*30,2*	*25,3*	*27,0*	*28,6*	*30,1*	*30,4*
EAT margin, %	*12,3*	*4,4*	*3,8*	*7,3*	*10,4*	*21,7*	*19,4*	*21,5*	*24,1*	*26,5*	*28,2*
Multipliers:											
$^{P}/_{E}$	22,1	45,6	40,0	32,2	16,8	5,3	5,8	4,4	3,4	2,6	2,4
$^{EV}/_{S}$	3,1	2,3	1,7	2,7	2,0	1,3	1,3	1,1	0,9	0,8	0,8
$^{EV}/_{EBITDA}$	33,4	23,6	14,0	14,8	9,4	3,8	4,2	3,4	2,8	2,3	2,2
$^{P}/_{BV}$	1,4	1,1	1,2	1,2	1,1	0,9	0,8	0,7	0,6	0,5	0,4
$^{ROIC}/_{WACC}$	-	0,2	0,2	0,2	0,4	1,0	0,9	1,0	1,3	1,7	1,9
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	2,38	1,63	1,11	2,83	2,56	1,03	0,58	0,12	0,10	0,08	0,08
Interest-bearing SR debt / EAT	0,20	-	0,98	-	-	0,80	0,68	0,00	0,00	0,00	0,00
Interest-bearing debt / sales	0,22	0,16	0,14	0,52	0,54	0,36	0,18	0,04	0,03	0,03	0,03
Interest-bearing debt / assets	0,09	0,06	0,08	0,18	0,22	0,18	0,09	0,02	0,02	0,02	0,01
SR interest-bearing debt / assets	0,01	-	0,02	-	-	0,09	0,07	0,00	0,00	0,00	0,00
EBITDA / Interest payments	9,05	6,99	68,31	18,20	10,32	13,59	12,38	29,61	136,47	165,04	176,48
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*-11,3*	*-12,8*	*-14,0*	*-9,8*	*0,5*	*-2,3*	*0,7*	*5,2*	*11,7*	*14,0*
Invested capital (IC)	1 553	2 334	2 350	2 796	3 191	3 241	3 368	3 319	3 265	3 205	3 196
Economic income (EVA)	**-**	**(175)**	**(300)**	**(330)**	**(274)**	**17**	**(74)**	**22**	**174**	**381**	**449**
SVA spread (ROE-ks), %	-	*-11,1*	*-14,6*	*-16,4*	*-11,8*	*1,7*	*-2,3*	*0,5*	*2,5*	*5,1*	*3,6*
Equity invested capital (E)	1 339	2 127	2 113	2 222	2 376	2 427	2 948	3 208	3 157	3 098	3 090
Shareholders' economic income (SVA)	**-**	**(149)**	**(310)**	**(347)**	**(263)**	**40**	**(55)**	**14**	**81**	**160**	**111**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-5

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	15	46	114	123	234	684	594	750	930	1 134	1 196
Income tax	(4)	(11)	(37)	(32)	(54)	(148)	(123)	(153)	(188)	(228)	(240)
NOPAT	12	35	77	90	180	537	470	597	742	906	956
Amortization	(74)	(81)	(99)	(80)	(85)	(105)	(126)	(137)	(143)	(145)	(146)
Gross operational CFF	**86**	**116**	**176**	**170**	**264**	**642**	**596**	**734**	**885**	**1 051**	**1 102**
CapEx	(124)	(334)	(532)	(647)	(536)	(266)	(264)	(151)	(157)	(160)	(160)
Change of net operating capital		151	(106)	(7)	57	110	12	63	68	75	24
Gross CapEx needs:	**(124)**	**(184)**	**(638)**	**(654)**	**(479)**	**(156)**	**(253)**	**(88)**	**(89)**	**(85)**	**(137)**
Free cash flow to firm	**(38)**	**(68)**	**(461)**	**(484)**	**(215)**	**486**	**343**	**646**	**796**	**966**	**965**
Discounted cash flow						**418**	**252**	**403**	**423**	**459**	**400**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (П)	2010 (П)	2011 (П)	2012 (П)	2013 (П)	2014 (П)	2015 (П)	2016 (П)
Risk-free yeild (for RF)	k_{RF}, %	***5,41***	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,31*	*5,32*	*4,90*	*4,29*	*3,69*	*3,71*	*2,63*	*2,40*
Shareholders' required yield rate	k_s, %	***14,26***	***14,23***	***17,24***	***20,18***	***18,71***	***18,46***	***17,89***	***17,33***	***17,34***	***16,24***	***15,97***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	0,93	0,96	0,95	0,95	0,96	0,98	0,98
Premium for the quality of corporate governance, %		*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*	*3,00*
Creditors' required yield rate	k_d, %	***6,58***	***6,60***	***8,78***	***11,87***	***11,34***	***10,87***	***10,26***	***9,62***	***9,58***	***8,43***	***8,13***
Premium for credit risk, %		*1,17*	*1,22*	*1,39*	*1,53*	*1,56*	*1,37*	*1,32*	*1,24*	*1,20*	*1,17*	*1,15*
Capital's structure:												
Share of source «debt finance», %		*89,69*	*92,27*	*90,19*	*79,83*	*74,99*	*78,19*	*88,91*	*97,28*	*97,73*	*98,16*	*98,46*
Share of source «shareholders capital», %		*10,31*	*7,73*	*9,81*	*20,17*	*25,01*	*21,81*	*11,09*	*2,72*	*2,27*	*1,84*	*1,54*
WACC		**13,31**	**13,52**	**16,13**	**17,88**	**16,21**	**16,29**	**16,81**	**17,06**	**17,12**	**16,06**	**15,82**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-5 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	2 354
Termimal value, mn USD	7 611
Discounted termimal value, mn USD	2 350
Enterprise value, mn USD	4 704
Net debt, mn USD	788
Shareholder's equity, mn USD	3 917
Number of common shares, mn units	35 372
Fair value of common stock, USD	**0,1107**
Upside (downside), %	*49,23*

Source: company's data, Estimation: Veles Capital

Financial model of WGC-6

Sales structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	9 052	9 052	9 052	9 052	9 162	9 662	9 662	9 662	9 992	9 992	10 322
old capacities	9 052	9 052	9 052	9 052	9 052	9 052	9 052	9 052	9 052	9 052	9 052
new capacities	-	-	-	-	110	610	610	610	940	940	1 270
Load factor, %	*41,5*	*43,0*	*49,0*	*34,2*	*35,7*	*45,8*	*45,8*	*45,8*	*46,7*	*46,7*	*47,6*
Electricity production, Hwatt/h	32 905	34 065	38 857	27 155	28 681	38 774	38 774	38 774	40 913	40 913	43 052
Electricity output, Hwatt/h	30 851	32 036	36 497	25 525	26 984	36 552	36 552	36 552	38 529	38 529	40 561
old capacities	30 851	32 036	36 497	25 525	26 401	33 213	33 213	33 213	33 213	33 213	33 213
new capacities	-	-	-	-	583	3 339	3 339	3 339	5 315	5 315	7 347
Share of electric power sold from old capacities:											
under regulated tariffs, %	*11*	*13*	*25*	*40*	*70*	*100*	*100*	*100*	*100*	*100*	*100*
under free tariffs, %	*89*	*87*	*75*	*60*	*30*	*0*	*0*	*0*	*0*	*0*	*0*
Average regulated tariffs:											
tariffs on elec., USD/Mw/h	19	23	26	25	27	-	-	-	-	-	-
tariffs on capacity, USD/Mw per mth	3 090	3 603	3 981	3 557	3 525	3 781	-	-	-	-	-
Free tariffs:											
flat rate on elec. for old capacities, USD/Mw/h	21	25	29	21	26	34	49	57	67	77	80
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	-	62	67	74	84	95	108	112
Sales, regulated sector:											
elec. sales, mn USD	529	638	709	377	216	-	-	-	-	-	-
capacity sales, mn USD	336	384	432	386	383	411	-	-	-	-	-
Sales, free sector:											
elec. sales, mn USD	71	103	266	214	524	1 370	1 860	2 185	2 721	3 131	3 496
Installed heat capacity	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704
Productive heat supply, th Gcal	4 422	4 234	4 234	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263
Average tariff on heat, USD/Gcal	15	17	19	15	21	24	27	33	39	45	47
Heat sales, mn USD	68	74	82	66	90	102	115	139	164	192	200
Purchased electricity power, Hwatt/h	1 919	6 953	6 763	-	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	38	167	197	-	-	-	-	-	-	-	-
Other sales, mn USD	14	17	14	12	15	16	17	18	19	20	21
Total sales	**1 056**	**1 383**	**1 700**	**1 056**	**1 228**	**1 898**	**1 992**	**2 342**	**2 905**	**3 343**	**3 718**
growth, %		*31,0*	*22,9*	*-37,9*	*16,3*	*54,6*	*4,9*	*17,6*	*24,0*	*15,1*	*11,2*

Source: company's data, Estimation: Veles Capital

Cost structure

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Fuel consumption, th tons of fuel equivalent	11 858	12 191	13 917	9 897	10 267	11 869	11 869	11 869	12 520	12 520	13 194
Fuel balance:											
gas, %	*51*	*55*	*51*	*52*	*53*	*60*	*60*	*60*	*56*	*56*	*54*
coal, %	*44*	*44*	*48*	*47*	*46*	*39*	*39*	*39*	*43*	*43*	*46*
black oil, %	*6*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Average fuel prices:											
of gas, USD/th cb m	58	72	94	73	101	119	136	168	203	242	252
of gas, USD/tfe	49	62	81	62	87	102	117	144	174	207	216
growth, %		*25,5*	*30,4*	*-23,1*	*39,4*	*17,5*	*14,4*	*23,6*	*21,0*	*18,9*	*4,1*
of coal, USD/t of natural fuel	27	30	34	30	36	38	41	44	48	50	55
of coal, USD/tfe	45	50	57	49	59	64	68	72	79	83	90
growth, %		*11,3*	*13,9*	*-12,7*	*20,1*	*7,3*	*7,3*	*5,8*	*9,1*	*5,5*	*8,9*
of black oil, USD/t of natural fuel	178	245	234	121	155	185	202	224	234	241	240
of black oil, USD/tfe	127	175	167	86	111	132	144	160	167	172	172
growth, %		*37,4*	*-4,4*	*-48,4*	*28,8*	*18,8*	*9,4*	*10,6*	*4,6*	*3,2*	*-0,5*
Fuel cost, mn USD	612	701	976	558	764	1 034	1 161	1 376	1 672	1 929	2 090
Costs of purchased energy, mn USD	44	132	186	-	-	-	-	-	-	-	-
Labor costs, mn USD	85	112	145	111	129	200	210	247	306	352	391
Amortization, mn USD	90	109	113	56	69	83	94	101	107	112	114
Conditionally-constant expenses, mn USD	240	231	377	259	294	382	403	446	500	539	570
Total costs	**1 071**	**1 284**	**1 797**	**984**	**1 256**	**1 699**	**1 868**	**2 169**	**2 585**	**2 931**	**3 165**
growth, %		*19,9*	*39,9*	*-45,3*	*27,7*	*35,2*	*9,9*	*16,1*	*19,2*	*13,4*	*8,0*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**1 056**	**1 383**	**1 700**	**1 056**	**1 228**	**1 898**	**1 992**	**2 342**	**2 905**	**3 343**	**3 718**
Cost of products sold	(1 071)	(1 284)	(1 797)	(984)	(1 256)	(1 699)	(1 868)	(2 169)	(2 585)	(2 931)	(3 165)
Other operating income (expenses)	268	14	(6)	-	-	-	-	-	-	-	*1,00*
EBITDA	**343**	**223**	**10**	**128**	**40**	**282**	**218**	**274**	**426**	**524**	**668**
Amortization	(90)	(109)	(113)	(56)	(69)	(83)	(94)	(101)	(107)	(112)	(114)
EBIT	**253**	**114**	**(103)**	**72**	**(29)**	**199**	**124**	**173**	**320**	**412**	**554**
Net interest income (expense)	(36)	(23)	19	3	(24)	(75)	(73)	(84)	(82)	(62)	(24)
EBT	**217**	**91**	**(84)**	**75**	**(53)**	**123**	**51**	**89**	**237**	**350**	**531**
Income tax	(66)	(30)	51	(12)	0	(25)	(10)	(18)	(47)	(70)	(106)
EAT	**151**	**61**	**(33)**	**62**	**(53)**	**99**	**41**	**71**	**190**	**280**	**425**
EPS, USD	-	0,001	(0,001)	0,002	(0,002)	0,003	0,001	0,002	0,005	0,008	0,011

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**170**	**865**	**443**	**224**	**261**	**409**	**423**	**511**	**840**	**1 004**	**1 218**
Cash and cash equivalents	5	634	140	26	31	53	50	72	296	377	521
Accounts recievable	43	86	143	86	100	155	163	191	237	273	304
Inventories	113	133	156	107	124	192	201	237	294	338	376
Other operating assets	8	13	3	5	6	9	9	11	14	16	18
			42%								
Non-operating assets	**1 110**	**1 311**	**1 872**	**2 087**	**2 322**	**2 463**	**2 608**	**2 708**	**2 735**	**2 754**	**2 775**
PPE and intangible assets (exc. goodwill)	1 096	1 286	1 830	2 060	2 291	2 415	2 557	2 648	2 661	2 668	2 680
Other assets	14	25	43	27	31	49	51	60	74	86	95
Total assets	**1 279**	**2 176**	**2 315**	**2 311**	**2 583**	**2 872**	**3 032**	**3 219**	**3 576**	**3 758**	**3 993**
Short-term liabilities	**377**	**126**	**188**	**115**	**134**	**214**	**219**	**270**	**542**	**661**	**493**
Short-term interest-bearing liabilities	247	0	0	0	0	6	0	13	223	294	85
Interest-free liabilities	130	126	188	115	134	208	219	257	319	367	408
Long-term liabilities	**178**	**392**	**321**	**407**	**723**	**823**	**930**	**972**	**837**	**613**	**587**
Long-term interest-bearing liabilities	0	204	100	240	530	524	615	602	379	85	0
Interest-free liabilities	178	188	222	167	194	299	314	369	458	527	587
Share capital	**725**	**1 658**	**1 805**	**1 790**	**1 726**	**1 835**	**1 883**	**1 977**	**2 196**	**2 484**	**2 913**
Shareholder's equity	1 015	631	527	501	497	501	503	510	520	523	524
Additional paid-in capital	0	743	624	593	588	592	595	604	616	619	620
Reserves	(377)	0	456	433	430	433	435	441	450	452	453
Retained earnings	87	284	198	264	211	309	350	421	611	891	1 316
Total liabilities	**1 279**	**2 176**	**2 315**	**2 311**	**2 583**	**2 872**	**3 032**	**3 219**	**3 576**	**3 758**	**3 993**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:											
ROIC, %	-	*8,7*	*отр.*	*3,2*	*отр.*	*6,9*	*4,3*	*5,6*	*10,1*	*13,2*	*18,0*
ROE, %	-	*8,4*	*отр.*	*3,5*	*отр.*	*5,7*	*2,2*	*3,8*	*9,6*	*12,8*	*17,1*
ROA, %	-	*4,7*	*отр.*	*2,7*	*отр.*	*3,8*	*1,4*	*2,3*	*5,9*	*7,8*	*11,3*
EBITDA margin, %	*32,5*	*16,1*	*0,6*	*12,1*	*3,3*	*14,9*	*10,9*	*11,7*	*14,7*	*15,7*	*18,0*
EBIT margin, %	*24,0*	*8,2*	*отр.*	*6,8*	*отр.*	*10,5*	*6,2*	*7,4*	*11,0*	*12,3*	*14,9*
EAT margin, %	*14,3*	*4,4*	*отр.*	*5,9*	*отр.*	*5,2*	*2,0*	*3,0*	*6,5*	*8,4*	*11,4*
Multipliers:											
P/E	5,2	13,0	отр.	12,6	отр.	7,9	19,2	11,1	4,1	2,8	1,8
EV/S	0,8	0,6	0,5	0,8	0,7	0,5	0,4	0,4	0,3	0,3	0,2
EV/EBITDA	2,5	3,9	87,7	6,7	21,5	3,0	3,9	3,1	2,0	1,6	1,3
P/BV	1,1	0,5	0,4	0,4	0,5	0,4	0,4	0,4	0,4	0,3	0,3
ROIC/WACC	-	0,6	отр.	0,2	отр.	0,4	0,3	0,4	0,6	0,9	1,1
Financial leverage characteristics:											
Interest-bearing debt / EBITDA	0,72	0,91	10,15	1,87	13,23	1,88	2,82	2,25	1,41	0,72	0,13
Interest-bearing SR debt / EAT	1,64	-	-	-	-	0,06	-	0,19	1,18	1,05	0,20
Interest-bearing debt / sales	0,23	0,15	0,06	0,23	0,43	0,28	0,31	0,26	0,21	0,11	0,02
Interest-bearing debt / assets	0,19	0,09	0,04	0,10	0,20	0,18	0,20	0,19	0,17	0,10	0,02
SR interest-bearing debt / assets	0,19	-	-	-	-	0,00	-	0,00	0,06	0,08	0,02
EBITDA / Interest payments	13,58	10,06	0,80	18,95	1,49	3,59	2,78	3,07	4,78	6,00	12,15
Price creation estimation:											
Economic income spread (ROIC-WACC), %	-	*8,7*	*0,0*	*3,2*	-	*6,89*	*4,28*	*5,6*	*10,1*	*13,2*	*18,0*
Invested capital (IC)	952	1 203	1 722	1 976	2 193	2 263	2 398	2 460	2 429	2 401	2 382
Economic income (EVA)	**-**	**83**	**0**	**55**	**0**	**151**	**97**	**135**	**249**	**321**	**432**
SVA spread (ROE-ks), %	-	*-6,23*	-	*-17,08*	-	*-13,10*	*-16,08*	*-13,98*	*-8,15*	*-3,85*	*0,79*
Equity invested capital (E)	705	999	1 623	1 736	1 664	1 733	1 783	1 845	1 826	2 022	2 297
Shareholders' economic income (SVA)	**-**	**(44)**	**0**	**(277)**	**0**	**(218)**	**(279)**	**(249)**	**(150)**	**(70)**	**16**

Source: company's data, Estimation: Veles Capital

Price estimation of WGC-6

Free cash flows calculation, mn USD

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	253	114	(103)	72	(29)	199	124	173	320	412	554
Income tax	(77)	(31)	0	(17)	0	(48)	(27)	(38)	(70)	(91)	(122)
NOPAT	176	83	(103)	55	(29)	151	97	135	249	321	432
Amortization	(90)	(109)	(113)	(56)	(69)	(83)	(94)	(101)	(107)	(112)	(114)
Gross operational CFF	**266**	**192**	**10**	**111**	**40**	**234**	**191**	**236**	**356**	**433**	**546**
CapEx	(61)	(213)	(407)	(326)	(300)	(207)	(236)	(191)	(120)	(119)	(125)
Change of net operating capital		(60)	24	(24)	15	54	8	28	45	35	30
Gross CapEx needs:	**(61)**	**(273)**	**(383)**	**(350)**	**(286)**	**(153)**	**(229)**	**(163)**	**(75)**	**(84)**	**(95)**
Free cash flow to firm	**205**	**(81)**	**(373)**	**(240)**	**(246)**	**81**	**(38)**	**73**	**281**	**349**	**451**
Discounted cash flow						**70**	**(28)**	**47**	**156**	**170**	**184**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	k_{RF}, %	***5,41***	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*4,35*	*3,87*	*4,02*	*4,46*	*4,60*	*4,65*	*4,69*	*4,67*	*4,63*	*4,58*
Current spread of RF' default, %		*1,06*	*1,03*	*3,52*	*6,31*	*5,32*	*4,90*	*4,29*	*3,69*	*3,71*	*2,63*	*2,40*
Shareholders' required yield rate	k_s, %	***14,61***	***14,58***	***17,59***	***20,53***	***19,08***	***18,82***	***18,30***	***17,75***	***17,75***	***16,61***	***16,30***
Share premiun, %		*5,00*	*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	*0,85*	0,95	0,98	1,01	1,02	1,02	0,99	0,97
Premium for the quality of corporate governance, %		*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*	*3,35*
Creditors' required yield rate	k_d, %	***8,97***	***8,56***	***10,57***	***13,74***	***17,87***	***12,97***	***12,47***	***11,86***	***11,75***	***10,57***	***10,23***
Premium for credit risk, %		*3,56*	*3,18*	*3,18*	*3,40*	*8,09*	*3,47*	*3,53*	*3,49*	*3,37*	*3,31*	*3,24*
Capital's structure:												
Share of source «debt finance», %		*74,54*	*89,05*	*94,78*	*88,18*	*76,52*	*77,61*	*75,37*	*76,26*	*78,48*	*86,76*	*97,16*
Share of source «shareholders capital», %		*25,46*	*10,95*	*5,22*	*11,82*	*23,48*	*22,39*	*24,63*	*23,74*	*21,52*	*13,24*	*2,84*
WACC		**12,48**	**13,61**	**17,09**	**19,46**	**17,95**	**16,93**	**16,25**	**15,79**	**15,95**	**15,53**	**16,07**

Source: company's data, Estimation: Veles Capital

Fair price estimation of WGC-6 share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	598
Termimal value, mn USD	3 707
Discounted termimal value, mn USD	1 125
Enterprise value, mn USD	1 723
Net debt, mn USD	499
Shareholder's equity, mn USD	1 224
Number of common shares, mn units	32 263
Fair value of common stock, USD	**0,0379**
Upside (downside), %	*56,12*

Source: company's data, Estimation: Veles Capital

Financial model of RusHydro

Sales structure

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Installed capacity, Mw	25 010	25 334	22 934	19 909	23 214	25 801	29 861	30 281	30 281	30 281
old capacities	25 010	25 334	22 934	19 894	22 134	24 054	25 334	25 334	25 334	25 334
new capacities	-	-	-	15	1 080	1 747	4 527	4 947	4 947	4 947
Load factor, %	*39*	*36*	*35*	*35*	*34*	*33*	*32*	*31*	*31*	*31*
Electricity production, Hwatt/h	84 775	80 273	70 849	61 378	68 896	75 338	83 066	83 544	83 509	83 491
Electricity output, Hwatt/h	83 130	78 658	69 090	59 577	66 994	73 370	81 033	81 494	81 456	81 436
old capacities	83 130	78 658	69 090	59 545	66 726	73 102	77 201	77 123	77 085	77 065
new capacities	-	-	-	32	268	268	3 832	4 371	4 371	4 371
Average regulated tariffs:										
tariffs on elec., USD/Mw/h	5	5	4	5	0	0	0	0	0	0
tariffs on capacity, USD/Mw per mth	3 547	5 122	6 427	9 319	7 622	7 863	8 121	8 470	8 939	9 449
Free tariffs:										
flat rate on elec. for old capacities, USD/Mw/h	13	26	17	23	28	27	27	27	27	27
flat rate on elec. for new capacities, USD/Mw/h	-	-	-	49	58	65	63	72	80	84
Sales, regulated sector:										
elec. sales, mn USD	363	322	145	89	19	20	22	22	24	25
capacity sales, mn USD	1 016	1 488	1 681	2 098	1 921	2 163	2 358	2 460	2 596	2 744
Sales, free sector:										
elec. sales, mn USD	135	226	407	787	1 589	1 711	2 012	2 082	2 116	2 133
Purchased electricity power, Hwatt/h	20 407	18 520	3 890	-	-	-	-	-	-	-
Purchased electricity power sales, mn USD	273	482	6	-	-	-	-	-	-	-
Electricity sales by retail companies, Hwatt/h	49 570	48 794	28 629	28 629	28 629	28 629	28 629	28 629	28 629	28 629
Electricity retail sales, mn USD	1 207	1 609	1 056	1 375	1 697	1 886	2 045	2 188	2 352	2 475
Other sales, mn USD	167	202	226	271	291	312	330	345	364	385
Total sales	**3 161**	**4 329**	**3 522**	**4 620**	**5 517**	**6 093**	**6 767**	**7 097**	**7 452**	**7 761**
growth, %	*65,4*	*36,9*	*-18,6*	*31,2*	*19,4*	*10,4*	*11,1*	*4,9*	*5,0*	*4,2*

Source: company's data, Estimation: Veles Capital

Cost structure

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Expenses on purchased electricity, mn USD	1 040	1 394	755	851	1 116	1 236	1 376	1 542	1 738	1 844
incl. elec. purchased by retail companies, mn USD	651	930	664	800	1 051	1 162	1 288	1 409	1 547	1 644
incl. elec. purchased by HPPs, mn USD	347	412	51	-	-	-	-	-	-	-
incl. elec. purchased by pump-storage PPs, mn USD	42	51	41	52	65	74	88	134	191	200
Expenses on electric power transmission, mn USD	430	499	372	549	613	687	717	737	759	782
Labor costs, mn USD	242	327	234	307	366	405	449	471	495	515
Amortization, mn USD	242	375	362	374	419	471	536	589	618	626
Other costs mn USD	801	809	455	558	649	707	757	775	795	811
Total costs	**2 755**	**3 404**	**2 178**	**2 639**	**3 164**	**3 506**	**3 835**	**4 115**	**4 404**	**4 578**
growth, %	*40,2*	*23,6*	*-36,0*	*21,2*	*19,9*	*10,8*	*9,4*	*7,3*	*7,0*	*4,0*

Source: company's data, Estimation: Veles Capital

Profit and loss statements, mn USD

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	**3 161**	**4 329**	**3 522**	**4 620**	**5 517**	**6 093**	**6 767**	**7 097**	**7 452**	**7 761**
Cost of products sold	(2 755)	(3 404)	(2 178)	(2 639)	(3 164)	(3 506)	(3 835)	(4 115)	(4 404)	(4 578)
Other operating income (expenses)	0	0	200	0	0	0	0	0	0	0
EBITDA	**648**	**1 301**	**1 905**	**2 355**	**2 773**	**3 058**	**3 468**	**3 571**	**3 665**	**3 808**
Amortization	(242)	(375)	(362)	(374)	(419)	(471)	(536)	(589)	(618)	(626)
EBIT	**406**	**925**	**1 544**	**1 981**	**2 354**	**2 587**	**2 933**	**2 982**	**3 048**	**3 182**
Net interest income (expense)	(76)	(122)	89	303	343	365	467	638	864	1 085
EBT	**330**	**804**	**1 633**	**2 284**	**2 697**	**2 952**	**3 400**	**3 620**	**3 911**	**4 267**
Income tax	(115)	(193)	(333)	(461)	(542)	(592)	(681)	(724)	(782)	(854)
Minority interest	(8)	(21)	31	43	51	56	65	69	75	82
EAT	**207**	**589**	**1 331**	**1 866**	**2 206**	**2 416**	**2 784**	**2 965**	**3 203**	**3 496**
EPS, USD	0,000	0,002	0,004	0,006	0,007	0,008	0,009	0,010	0,011	0,012

Source: company's data, Estimation: Veles Capital

Balance sheet, mn USD

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Current assets	**1 356**	**1 921**	**3 393**	**3 934**	**4 346**	**5 706**	**7 825**	**10 554**	**13 730**	**17 101**
Cash and cash equivalents	337	845	1 797	2 215	2 293	3 439	5 307	7 914	10 958	14 214
Accounts recievable	847	874	946	1 242	1 483	1 637	1 818	1 907	2 002	2 085
Inventories	42	35	45	60	71	79	87	92	96	100
Other operating assets	130	167	604	418	499	551	612	642	674	702
Non-operating assets	**11 421**	**12 591**	**12 549**	**14 471**	**16 450**	**17 702**	**18 355**	**18 439**	**18 529**	**18 608**
PPE and intangible assets (exc. goodwill)	11 067	11 474	11 653	13 296	15 047	16 153	16 634	16 634	16 634	16 634
Other assets	354	1 116	896	1 175	1 403	1 550	1 721	1 805	1 895	1 974
Total assets	**12 777**	**14 512**	**15 941**	**18 405**	**20 796**	**23 408**	**26 180**	**28 993**	**32 259**	**35 709**
Short-term liabilities	**809**	**857**	**743**	**1 143**	**1 168**	**1 455**	**1 512**	**1 502**	**1 677**	**1 638**
Short-term interest-bearing liabilities	130	115	0	168	4	169	84	5	105	0
Interest-free liabilities	679	742	743	975	1 164	1 285	1 428	1 497	1 572	1 637
Long-term liabilities	**2 262**	**1 960**	**1 784**	**1 958**	**2 233**	**2 243**	**2 369**	**2 467**	**2 472**	**2 568**
Long-term interest-bearing liabilities	849	681	687	519	515	346	262	257	152	152
Interest-free liabilities	1 413	1 278	1 097	1 439	1 718	1 897	2 107	2 210	2 320	2 416
Minority interest	1 187	33	2	(41)	(93)	(149)	(214)	(283)	(358)	(440)
Share capital	**8 519**	**11 662**	**13 412**	**15 346**	**17 488**	**19 859**	**22 513**	**25 308**	**28 468**	**31 943**
Shareholder's equity	6 392	8 339	8 759	8 824	8 762	8 719	8 595	8 432	8 391	8 371
Additional paid-in capital	489	409	412	415	412	410	405	397	395	394
Reserves	(1 640)	(2 636)	0	0	0	0	0	0	0	0
Retained earnings	3 278	5 550	4 241	6 107	8 313	10 729	13 514	16 479	19 682	23 178
Total liabilities	**12 777**	**14 512**	**15 941**	**18 405**	**20 796**	**23 408**	**26 180**	**28 993**	**32 259**	**35 709**

Source: company's data, Estimation: Veles Capital

Financial analysis

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Efficiency values:										
ROIC, %	*5,9*	*8,0*	*11,7*	*13,9*	*14,9*	*14,5*	*15,2*	*15,1*	*15,4*	*16,0*
ROE, %	*5,2*	*6,9*	*11,4*	*13,9*	*14,4*	*13,8*	*14,0*	*13,2*	*12,7*	*12,3*
ROA, %	*3,2*	*4,6*	*9,2*	*11,7*	*12,0*	*11,6*	*11,9*	*11,3*	*11,0*	*10,8*
EBITDA margin, %	*20,5*	*30,0*	*54,1*	*51,0*	*50,3*	*50,2*	*51,3*	*50,3*	*49,2*	*49,1*
EBIT margin, %	*12,8*	*21,4*	*43,8*	*42,9*	*42,7*	*42,5*	*43,3*	*42,0*	*40,9*	*41,0*
EAT margin, %	*6,5*	*13,6*	*37,8*	*40,4*	*40,0*	*39,7*	*41,1*	*41,8*	*43,0*	*45,0*
Multipliers:										
P/E	51,0	17,9	7,9	5,7	4,8	4,4	3,8	3,6	3,3	3,0
EV/S	3,2	2,3	2,8	2,2	1,8	1,6	1,5	1,4	1,3	1,3
EV/EBITDA	15,5	7,7	5,3	4,3	3,6	3,3	2,9	2,8	2,7	2,6
P/BV	1,2	0,9	0,8	0,7	0,6	0,5	0,5	0,4	0,4	0,3
ROIC/WACC	0,4	0,5	0,6	0,7	0,8	0,8	0,9	0,9	0,9	1,0
Financial leverage characteristics:										
Interest-bearing debt / EBITDA	1,51	0,61	0,36	0,29	0,19	0,17	0,10	0,07	0,07	0,04
Interest-bearing SR debt / EAT	0,63	0,20	-	0,09	0,00	0,07	0,03	0,00	0,03	0,00
Interest-bearing debt / sales	0,31	0,18	0,20	0,15	0,09	0,08	0,05	0,04	0,03	0,02
Interest-bearing debt / assets	0,08	0,05	0,04	0,04	0,02	0,02	0,01	0,01	0,01	0,00
SR interest-bearing debt / assets	0,01	0,01	-	0,01	0,00	0,01	0,00	0,00	0,00	0,00
EBITDA / Interest payments	9,58	17,72	26,64	41,15	48,46	70,73	80,79	123,85	167,92	177,82
Price creation estimation:										
Economic income spread (ROIC-WACC), %	*-7,6*	*-8,9*	*-8,3*	*-4,7*	*-3,6*	*-3,6*	*-2,3*	*-2,6*	*-1,2*	*-0,3*
Invested capital (IC)	8 806	10 497	11 406	12 643	14 310	15 386	15 831	15 851	15 872	15 908
Economic income (EVA)	**(341)**	**(784)**	**(870)**	**(541)**	**(460)**	**(510)**	**(360)**	**(408)**	**(186)**	**(45)**
SVA spread (ROE-ks), %	*-9,4*	*-10,7*	*-9,2*	*-5,2*	*-4,5*	*-4,5*	*-3,7*	*-4,6*	*-4,0*	*-4,1*
Equity invested capital (E)	7 828	9 700	10 719	11 956	13 791	14 871	15 485	15 589	15 615	15 755
Shareholders' economic income (SVA)	**(346)**	**(839)**	**(890)**	**(554)**	**(532)**	**(617)**	**(554)**	**(710)**	**(622)**	**(639)**

Source: company's data, Estimation: Veles Capital

Price estimation of RusHydro

Free cash flows calculation, mn USD

	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBIT	406	925	1 544	1 981	2 354	2 587	2 933	2 982	3 048	3 182
Income tax	(142)	(222)	(315)	(400)	(473)	(519)	(587)	(597)	(610)	(637)
NOPAT	264	703	1 229	1 581	1 881	2 068	2 345	2 385	2 438	2 546
Amortization	(242)	(375)	(362)	(374)	(419)	(471)	(536)	(589)	(618)	(626)
Gross operational CFF	**506**	**1 078**	**1 591**	**1 955**	**2 300**	**2 540**	**2 881**	**2 975**	**3 056**	**3 172**
CapEx	(2 196)	(2 195)	(1 436)	(2 017)	(2 170)	(1 577)	(1 017)	(589)	(618)	(626)
Change of net operating capital	932	(129)	(701)	450	135	86	101	49	53	46
Gross CapEx needs:	**(1 264)**	**(2 324)**	**(2 137)**	**(1 567)**	**(2 035)**	**(1 491)**	**(916)**	**(540)**	**(565)**	**(579)**
Free cash flow to firm	**(759)**	**(1 246)**	**(546)**	**388**	**265**	**1 049**	**1 966**	**2 435**	**2 491**	**2 592**
Discounted cash flow					**223**	**753**	**1 209**	**1 271**	**1 158**	**1 046**

Source: company's data, Estimation: Veles Capital

Weighted average cost of capital estimation (WACC)

		2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Risk-free yeild (for RF)	k_{RF}, %	***5,38***	***7,39***	***10,33***	***9,78***	***9,50***	***8,94***	***8,38***	***8,38***	***7,26***	***6,98***
Average yield UST10 in 5 years, %		*4,35*	*3,87*	*4,0*	*4,5*	*4,6*	*4,6*	*4,7*	*4,7*	*4,6*	*4,6*
Current spread of RF' default, %		*1,03*	*3,52*	*6,3*	*5,3*	*4,9*	*4,3*	*3,7*	*3,7*	*2,6*	*2,4*
Shareholders' required yield rate	k_s, %	***14,63***	***17,64***	***20,58***	***19,08***	***18,83***	***18,29***	***17,75***	***17,76***	***16,65***	***16,37***
Share premiun, %		*5,00*	*6,00*	*6,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*	*5,00*
β coefficient		*0,85*	*0,85*	*0,85*	0,90	0,93	0,96	0,97	0,98	0,99	0,99
Premium for the quality of corporate governance, %		*3,40*	*3,40*	*3,40*	*3,40*	*3,40*	*3,40*	*3,40*	*3,40*	*3,40*	*3,40*
Creditors' required yield rate	k_d, %	***5,73***	***7,68***	***10,58***	***10,02***	***9,74***	***9,17***	***8,58***	***8,56***	***7,42***	***7,12***
Premium for credit risk, %		*0,35*	*0,29*	*0,25*	*0,25*	*0,25*	*0,23*	*0,20*	*0,18*	*0,16*	*0,14*
Структура капитала:											
Share of source «debt finance», %		*89,70*	*93,61*	*95,13*	*95,71*	*97,12*	*97,47*	*98,49*	*98,98*	*99,10*	*99,53*
Share of source «shareholders capital», %		*10,30*	*6,39*	*4,87*	*4,29*	*2,88*	*2,53*	*1,51*	*1,02*	*0,90*	*0,47*
WACC		**13,51**	**16,89**	**19,99**	**18,60**	**18,51**	**18,02**	**17,58**	**17,65**	**16,55**	**16,32**

Source: company's data, Estimation: Veles Capital

Fair price estimation of RusHydro's share, DCF method

TGR, %	*3,0*
Sum of discounted cash flows, mn USD	5 661
Termimal value, mn USD	20 042
Discounted termimal value, mn USD	6 955
Enterprise value, mn USD	12 616
Net debt, mn USD	(1 528)
Value of stakes in BEMA, mn USD	224
Value of stakes in WGC-1 and other assets, promissory notes, mn USD	925
Shareholder's equity, mn USD	15 294
Number of common shares, mn units	269 695
Fair value of common stock, USD	**0,0567**
Upside (downside), %	*45,03*

Source: company's data, Estimation: Veles Capital

Comparables

Sector companies' multipliers and coefficients

	Country	Current capitalization, mln USD	Enterprise value, mln USD	Market multipliers: EV/S	EV/EBITDA	P/E	P/BV	EV/IC	EV/Inst. cap.	Financial coefficients: ROE, %	ROA, %	ROIC, %	EBITDA margin, %	ROIC/WACC	Fin. leverage (ND/S)	Net Debt / EBITDA	Net Debt / Sales
Generation companies - developed markets																	
Drax Group PLC	BRITAIN	2 529	2 691	1,23	5,02	8,64	1,40	1,36	710	25,12	19,01	18,42	24,46	2,19	0,09	0,30	0,07
International Power PLC	BRITAIN	7 024	16 251	2,94	7,63	8,35	1,07	1,03	761	11,83	6,14	8,73	38,48	1,30	1,41	4,33	1,67
Dynegy Inc	UNITED STATES	1 539	6 465	2,39	8,65	-	0,60	0,86	359	-	2,73	1,77	27,69	0,23	1,91	6,59	1,82
Allegheny Energy Inc	UNITED STATES	3 722	7 206	1,94	6,16	10,04	1,09	1,04	828	12,65	3,82	8,43	31,52	1,25	1,02	2,98	0,94
NRG Energy Inc	UNITED STATES	6 131	13 094	1,56	4,96	7,64	0,75	0,86	545	10,26	7,59	8,62	31,53	1,15	0,85	2,64	0,83
TransAlta Corp	CANADA	4 460	7 910	2,98	9,54	23,63	1,60	1,27	980	7,51	5,52	7,72	31,22	0,89	1,24	4,16	1,30
Contact Energy Ltd	NEW ZEALAND	2 472	3 425	2,17	10,07	19,44	1,23	1,15	1 721	5,86	4,76	6,04	21,56	0,62	0,47	2,80	0,60
Weighted average		3 982	8 149	2,13	6,80	10,04	1,02	1,01	664	11,56	6,91	8,76	31,49	1,16	1,03	3,38	1,10
Integrated companies - developed markets																	
Southern Co	UNITED STATES	25 295	46 067	2,77	9,07	13,94	1,56	1,25	1 099	12,38	5,55	7,88	30,48	1,44	1,28	4,09	1,25
Duke Energy Corp	UNITED STATES	21 774	38 271	2,85	8,25	14,25	0,94	0,96	1 387	7,29	4,12	5,66	34,55	0,95	0,71	3,56	1,23
Scottish & Southern Energy PLC	BRITAIN	17 124	26 217	0,77	8,88	10,87	2,97	1,76	2 450	30,06	7,15	15,97	8,67	2,19	1,58	3,08	0,27
E.ON AG	GERMANY	79 989	126 668	1,04	6,59	10,29	1,18	1,11	1 712	14,95	4,97	8,66	15,83	1,23	0,69	2,43	0,38
RWE AG	GERMANY	51 724	68 862	0,97	5,45	10,53	2,10	1,65	1 524	29,41	5,20	26,81	17,80	3,99	0,70	1,36	0,24
Enel SpA	ITALY	56 694	132 513	1,50	5,95	8,82	1,10	1,04	1 591	18,79	6,35	11,02	25,15	2,09	1,47	3,40	0,86
Endesa SA	SPAIN	33 516	56 597	1,84	5,47	8,23	1,36	1,18	1 317	18,82	7,70	14,04	33,71	2,26	0,93	2,23	0,75
Iberdrola SA	SPAIN	50 133	89 227	2,42	9,09	13,02	1,16	1,09	2 070	10,62	4,16	6,49	26,58	1,01	0,91	3,98	1,06
Union Fenosa SA	SPAIN	-	-	-	-	-	-	-	-	23,02	6,41	11,16	31,72	1,71	1,28	2,72	0,86
EDF SA	FRANCE	-	-	-	-	-	-	-	-	15,35	1,69	10,70	25,07	1,71	1,48	2,56	0,64
EDP - Energias de Portugal SA	PORTUGAL	16 838	37 685	2,05	8,13	12,49	1,44	1,16	2 046	14,73	2,54	7,67	25,23	1,35	1,78	4,50	1,14
Fortum Oyj	FINLAND	22 607	31 202	4,00	9,25	12,04	1,68	1,42	2 892	15,62	8,61	11,33	43,22	1,32	0,64	2,55	1,10
Weighted average		37 569	65 331	1,49	6,88	10,68	1,33	1,17	1 642	17,39	5,54	11,93	24,35	1,85	0,99	2,92	0,74
Hydro generation companies - developed markets																	
Verbund - Oesterreichische Elektrizitaetswirtscha	AUSTRIA	14 063	19 256	3,85	10,62	14,69	2,58	1,81	2 381	22,37	10,81	14,00	36,26	1,87	0,95	2,87	1,04
Canadian Hydro Developers Inc	CANADA	714	1 372	-	-	-	1,71	1,28	1 978	0,19	0,08	0,52	58,50	0,08	1,58	14,91	8,72
Brookfield Renewable Power Fund	CANADA	1 866	3 296	-	-	-	2,20	1,45	2 616	-	5,39	1,85	59,97	0,30	1,69	8,75	5,25
EDF Energies Nouvelles SA	FRANCE	3 995	7 345	5,28	17,06	-	2,08	1,39	4 696	6,11	3,76	5,25	30,93	0,87	1,75	7,78	2,41
Weighted average		5 160	7 817	4,16	11,86	14,69	2,39	1,62	2 695	18,07	8,59	10,74	38,14	1,47	1,19	4,77	1,95
Generation companies - developing markets																	
Datang International Power Generation Co Ltd	CHINA	12 609	28 779	4,41	14,04	-	3,17	1,43	1 147	5,83	1,59	4,38	31,38	0,55	4,07	7,89	2,48
China Resources Power Holdings Co Ltd	HONG KONG	9 634	14 196	3,44	10,59	15,49	2,01	1,52	1 094	14,62	5,64	9,71	32,43	1,18	0,95	3,40	1,10
Huadian Power International Co	CHINA	3 983	12 711	2,49	10,00	23,13	1,85	1,17	763	8,75	2,15	4,65	24,90	0,87	4,06	6,87	1,71
Huaneng Power International Inc	CHINA	12 186	29 011	2,59	10,66	16,04	1,89	1,25	740	12,48	3,26	5,25	24,27	0,93	2,61	6,18	1,50
Guangdong Electric Power Development Co Ltd	CHINA	2 676	4 091	2,45	-	-	2,05	1,50	607	4,60	0,12	0,07	11,28	0,01	1,08	7,50	0,85
China Power International Development Ltd	HONG KONG	954	4 090	2,52	11,37	11,20	0,48	0,80	453	6,13	2,35	6,15	22,20	0,99	1,57	8,72	1,94
Ratchaburi Electricity Generating Holding PCL	THAILAND	1 604	1 873	1,47	6,73	8,57	1,08	1,07	469	14,48	9,15	11,41	21,84	1,43	0,18	0,97	0,21
Glow Energy PCL	THAILAND	1 365	2 399	2,41	10,10	11,77	1,35	1,18	1 404	12,61	5,39	8,98	23,88	1,13	1,03	4,35	1,04
Electricity Generating PCL	THAILAND	1 240	1 304	4,59	6,41	5,91	0,74	0,75	319	14,69	11,96	6,42	71,61	0,78	0,04	0,32	0,23
NTPC Ltd	INDIA	36 762	42 854	4,00	14,25	19,19	2,78	2,22	1 434	14,93	8,27	11,89	28,05	1,15	0,46	2,03	0,57
First Gen Corp	PHILIPPINES	425	1 874	1,43	4,26	8,38	0,49	0,81	726	10,27	1,48	7,00	33,63	1,35	1,66	3,30	1,11
Empresa Nacional de Electricidad SA/Chile	CHILE	12 995	18 091	3,75	7,89	11,37	2,68	1,82	1 468	25,95	11,85	21,85	47,55	1,85	1,05	2,22	1,06
Weighted average		8 036	13 439	3,25	11,07	15,43	2,20	1,48	982	14,19	6,44	10,37	30,84	1,10	1,51	3,90	1,12
Integrated companies - developing markets																	
CEZ AS	CZECH	26 516	31 284	3,02	6,31	9,52	1,91	1,68	2 190	26,41	11,64	19,35	47,88	2,38	0,34	0,96	0,46
Cia Paranaense de Energia	BRAZIL	5 341	5 409	1,74	5,46	9,32	0,97	0,97	1 189	11,83	7,90	11,03	31,91	1,13	0,01	0,07	0,02
Centrais Eletricas Brasileiras SA	BRAZIL	18 914	25 962	1,85	7,44	-	0,39	0,47	653	0,42	-	2,39	24,85	0,28	0,15	2,02	0,50
Enersis SA	CHILE	9 900	16 233	1,31	3,51	8,87	1,32	1,17	1 185	18,87	6,20	23,68	37,18	2,34	0,84	1,37	0,51
Pampa Energia SA	ARGENTINA	657	1 120	0,95	4,20	14,28	0,71	0,81	560	1,90	0,60	7,72	22,66	1,00	0,50	1,73	0,39
Korea Electric Power Corp	SOUTH KOREA	17 299	37 468	1,33	11,83	-	0,51	0,70	549	0,60	0,40	0,64	11,21	0,06	0,60	6,37	0,71
Weighted average		13 105	19 579	1,69	6,72	9,38	0,72	0,79	824	12,34	7,02	11,04	31,63	1,26	0,39	2,40	0,50
Hydro generation companies - developing markets																	
Cia Energetica de Sao Paulo	BRAZIL	3 776	6 542	4,51	6,40	6,25	0,67	0,78	877	11,93	6,97	4,67	70,50	0,51	0,49	2,71	1,91
Cia Paranaense de Energia	BRAZIL	5 341	5 409	1,74	5,46	9,32	0,97	0,97	1 189	11,83	7,90	11,03	31,91	1,13	0,01	0,07	0,02
Cia Energetica de Minas Gerais	BRAZIL	10 073	14 567	2,25	6,67	9,74	1,41	1,25	2 556	18,06	8,33	15,41	33,81	2,05	0,63	2,06	0,70
AES Tiete SA	BRAZIL	4 073	4 242	4,49	5,72	8,85	4,69	4,08	1 601	135,01	33,99	87,31	78,61	10,02	0,19	0,23	0,18
Tractebel Energia SA	BRAZIL	7 885	9 490	4,95	8,23	13,42	3,00	2,24	1 475	30,12	11,87	21,63	60,09	2,57	0,61	1,39	0,84
Colbun SA	CHILE	4 142	5 363	4,67	16,87	19,46	1,16	1,12	2 127	6,40	4,00	2,74	27,68	0,25	0,34	3,84	1,06
Jaiprakash Hydro Power Ltd	INDIA	716	2 367	-	15,70	12,03	2,64	1,23	7 890	8,66	6,00	30,35	91,40	2,69	6,08	10,95	10,01
China Yangtze Power Co Ltd	CHINA	21 280	34 812	-	-	27,01	2,20	1,50	2 768	10,11	4,65	8,15	78,05	0,72	1,40	9,02	7,04
Weighted average		7 161	10 349	3,04	7,31	13,26	1,62	1,36	1 963	23,14	8,80	16,83	59,56	1,88	0,86	4,52	3,19
Russian WGC																	
OGK-1 OAO	RUSSIA	1 116	1 501	1,09	11,99	19,96	1,00	1,00	158	5,01	3,29	4,63	9,08	0,28	0,34	3,08	0,28
OGK-2 OAO	RUSSIA	917	1 233	1,09	-	-	0,90	0,92	142	-	-	-	-	-	0,31	-	0,28
OGK-3 OJSC	RUSSIA	2 327	699	0,74	8,38	18,05	0,72	0,43	82	2,53	3,59	2,28	8,82	0,13	-	-	-
OGK-4 OJSC	RUSSIA	3 291	3 001	2,53	-	-	1,28	1,31	348	1,53	1,38	3,00	8,82	0,19	-	-	-
Enel OGK-5 OJSC	RUSSIA	2 600	3 255	2,65	15,36	-	1,25	1,19	375	3,38	2,62	3,64	17,24	0,23	0,31	3,09	0,53
ОГК-6	RUSSIA	762	993	0,78	9,19	-	0,47	0,54	110	-	-	-	8,45	-	0,14	2,14	0,18
Weighted average		1 835	1 780	1,49	12,20	18,63	0,95	0,94	201	2,30	2,14	3,04	10,09	0,18	0,27	2,87	0,33
Russian TGC																	
TGK-1	RUSSIA	1 927	2 181	1,73	9,10	21,05	0,90	0,91	350	5,54	3,37	4,42	19,02	0,53	0,12	1,06	0,20
TGC-2	RUSSIA	403	347	0,48	3,00	10,90	0,50	0,47	141	2,00	1,00	0,11	15,95	0,02	-	-	-
Mosenergo OAO	RUSSIA	3 836	4 036	1,16	8,17	-	0,61	0,63	378	1,68	1,71	2,02	14,20	0,22	0,03	0,41	0,06
TGK-4	RUSSIA	1 452	1 704	1,59	8,59	20,62	0,91	0,92	509	2,00	1,00	3,29	18,47	0,39	0,16	1,27	0,23
TGK-5	RUSSIA	529	253	0,45	4,55	-	0,96	0,91	103	-	-	49,48	9,94	5,11	-	-	-
TGK-6	RUSSIA	522	19	0,03	0,17	6,00	0,51	0,04	6	16,00	14,00	3,00	14,99	0,34	-	-	-
Volga Territorial Generating Co	RUSSIA	1 666	1 945	1,13	8,13	13,70	1,03	1,03	283	3,06	2,10	7,44	13,87	1,12	0,17	1,17	0,16
TGK-9 OAO	RUSSIA	940	807	0,53	3,87	6,07	0,67	0,64	245	12,00	10,00	8,00	13,68	1,05	-	-	-
Fortum OJSC	RUSSIA	1 100	-344	-	-	6,36	0,39	-	-	7,00	7,00	2,92	19,91	0,31	-	-	-
TGK-11 OAO	RUSSIA	308	179	0,29	2,35	3,65	0,58	0,45	88	29,00	23,00	3,63	12,18	0,37	-	-	-
Kuzbassenergo OJSC	RUSSIA	424	419	0,49	10,69	-	0,35	0,35	96	-	-	-	4,59	-	-	-	-
Yenisei Territorial Generating Co	RUSSIA	376	362	0,58	5,85	-	0,30	0,29	147	0,41	0,14	-	9,92	-	-	-	-
TGK-14	RUSSIA	136	15	0,08	0,46	3,18	0,44	0,08	23	16,00	15,00	12,49	16,92	1,40	-	-	-
Weighted average		1 048	917	0,92	6,56	9,80	0,63	0,67	256	2,38	1,50	1,76	14,03	0,22	0,06	0,64	0,10
Russian hydro generation companies																	
RusHydro	RUSSIA	10 491	10 506	3,04	7,55	13,87	0,78	0,78	415	6,35	5,23	8,41	40,26	0,91	0,00	0,01	0,00
Irkutskenergo OJSC	RUSSIA	1 811	1 787	1,25	4,98	14,06	1,72	1,73	139	17,13	11,29	16,72	25,16	2,03	-	-	-
Krasnoyarsk Hydro-Power Plant	RUSSIA	665	658	7,84	15,81	-	1,64	1,65	110	-	-	9,66	49,60	-	-	-	-
TGK-1	RUSSIA	1 927	2 181	1,73	9,10	21,05	0,90	0,91	350	5,54	3,37	4,77	19,02	0,57	0,12	1,06	0,20
Weighted average		3 724	3 783	2,43	7,44	14,57	0,87	0,87	300	6,75	5,20	8,15	33,30	0,90	0,00	0,01	0,01

Source: company's data, Estimation: Veles Capital

Brief investor's guide

	Methods, used for company's share evaluation			
	Income approach		Comparables approach	Expenses approach
	DCF method	EVA method	Multiplicative method	Net assets method
*Concept of evaluating the unified object (EV) **	FCFF discounting	EVA discounting		
*Shareholders' value direct calculation (SV) ***	FCFE discounting	EVA for shareholders discounting (**Edwards-Bell-Ohlson method**)		

*

Debt cost is calculated separately and then subtracted from the sum total cost of business (target EV), formed considering the cash flows/ economic profits of firm.

**

Debt is accounted integrated -via annual coverage. So the fair cost of shareholders' value (target SV) is formed directly - considering the cash flow / economic profits for holders.

Note:

DCF methods differ from the methods of economic profit by the way of investments calculation. The methods of unified object evaluation concept differ from thee methods of direct calculation of shareholders' value costs - by the way of accounting cost and maintenance of debt liabilities.

Cost calculation within the frames of income approach:

	*Business cost calculation (**EV**) within the frames of united object cost evaluation*	*Shareholders' capital value calcculation (**SV**)*
DCF method (FCFF)	$EV = \sum_{i=1}^{n} \frac{FCFF_i}{(1+WACC_i)^i} + \frac{TV}{(1+WACC_i)^n} + NA$	$SV = EV - D$
DCF method (FCFE)		$SV = \sum_{i=1}^{n} \frac{FCFE_i}{(1+k_{si})^i} + \frac{TV}{(1+k_{si})^n} + Cash + NA$
EVA method	$EV = IC_1 + \sum_{i=1}^{n} \frac{EVA_i}{(1+WACC_i)^i} + \frac{TV}{(1+WACC_i)^n} + NA$	$SV = EV - D$
EBO method		$SV = BV_1 + \sum_{i=1}^{n} \frac{SVA_i}{(1+k_{si})^i} + \frac{TV}{(1+k_{si})^n} + Cash + NA$

Signs:

EV - *Enterprise Value*
SV - *Shareholders Value*
TV - *Terminal Value*
Cagr - *development rates within the target period*
BV, E - *Balance Value, Equity*
EBIT - *operational profit from selling, profit before payments of credit interest and income tax*
EBITDA - *operational profit before payment of credit interest, income tax and amortization*
EBT - *Earnings Before Tax*
EAT - *Earnings After Tax*
EPS - *Earnings Per Share*
NOPAT - *net operational profit, free from effects of debt financing*
NOPAT = EBIT * (1- income tax effective rate)
FCFF - *Free Cash Flow to Firm*
FCFF = gross cash flow - gross investments
Gross cash flow = NOPAT + amortization
FCFE - *Free Cash Flow to Equity*
FCFE= gross shareholders' cash flow - gross investments
Gross shareholders' cash flow = EAT of operational profit (including interest payoffs) -annual debt coverage + attracted borrowed assets + amortization
EVA - *Economic Value Added*
EVA = economic profit spread * IC = (ROIC - WACC) * IC
SVA - *Shareholders Value Added*
SVA = spread * E = (ROE - k_s) * E
WACC - *Weighted Average Cost of Capital*
k_s - *required shareholders' yield*
D - *fair (market) cost of net debt*
Cash - *cash assets, along with market securities on thee balance*
NA - *non-operational assets*
IC - *Invested Capital*
ROIC - *Return on Invested Capital*
ROIC = NOPAT / IC
ROE - *Return on Equity*
ROA - *Return on Assets*

Information disclosure

The statement of an analyst and confirmation of the responsibility withdrawal

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The principle of recommendation assignment

The investment recommendations are given based on the evaluation of the company's share yield. The basis for the calculation of the expected company's cost is the evaluation by the discounted cash flows method (DCF). In some estimations the method of comparable coefficients, and also the mixed estimation (by DCF method and by comparable coefficients method) are applied. All recommendations are assigned based on the determined by us the fair cost of the shares within the nearest 12 months.

At the present moment the investment scale of the Investment Company Veles Capital is the following:

BUY – corresponds to the growth potential of the shares within the nearest 12 months by 15% or more.

ACCUMULATE – corresponds to the growth potential of the shares within the nearest 12 months for 5-15%.

HOLD – corresponds to the growth (reduction) potential of the shares within the nearest 12 months from -5% to 5%.

REDUCE – corresponds to the reduction potential of the shares within the nearest 12 months from 15% to 5%.

SELL – corresponds to the reduction potential of the shares within the nearest 12 months by 15% or more.

In some cases the deviations from the evaluation scale given above, based on which the recommendations are assigned, are possible. That fact relates to the high volatility of some securities in particular, and market in the whole, and also to the individual characteristics of one or another issuer.

In order to get additional information and specifications please contact the Research Department of the Investment Company Veles Capital.

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