

LENENERGO
SINCE 1886

FY2013 Preliminary Results.
2014 Business Plan
Key Figures

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LENENERGO is the largest electricity distribution grid company (the operator of 0.4-110 kV networks), servicing the territory of St. Petersburg and the Leningrad Region. It is a natural monopoly, which tariffs are set by regulating authorities - Federal Tariff Service (FTS) and regional regulators

Main types of activity:

- electricity transmission and distribution services
- grid connection of new consumers to networks

The territory of service:

St. Petersburg and the Leningrad Region



Service territory

87.3 thousand km

Population of the region

6.2 mln people

The share of Lenenergo on the electricity transmission market (preliminary figure) as of 31.12.2013 – **68.5%**

Major competitors: in St. Petersburg - JSC SPbES, in the Leningrad Region - JSC LOESK

Assets

	Unit	2011	2012	2013F
Installed capacity	MVA	21,427	21,952	22,518
Overhead TL 0.4-110 kV (on circuit)	km	39,783	40,053	41,439
Overhead TL 0.4-110 kV (on line)	km	36,587	36,859	38,193
Cable lines 0.4-110 kV	km	19,554	20,400	21,259
Substations 35-110 kV	pcs (MVA)	373 (13,742)	377 (13,969)	378 (14,096)
Transformer substations 6-35 kV	pcs (MVA)	14,770 (7,686)	15,025 (7,983)	15,969 (8,422)

Key Indicators

	Unit	31.12.2011	31.12.2012	31.12.2013F*
Productive supply	mln kWh	28,975	30,007	29,720
Connected capacity	MW	321	523	461
Revenues	RUB mln	37,009	36,273	41,275
EBITDA	RUB mln	8,573	9,925	12,134
Net profit	RUB mln	1,417	1,234	691
CAPEX (deployment)	RUB mln	15,061	14,891	17,350
Number of personnel	people	5,975	6,007	6,409**

* FY2013 results shall be adjusted due to the expected drop in revenues from rendering grid connection services

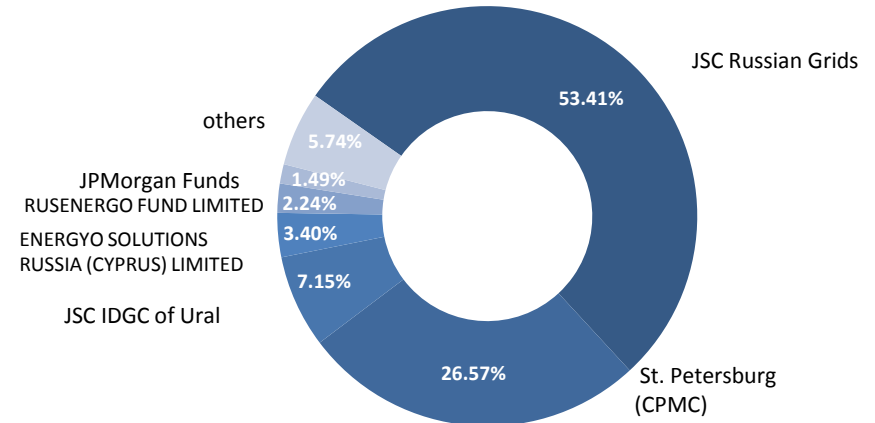
** as of 30.11.2013

Authorized Capital of Lenenergo, pcs (RUB)

Authorized capital	1,228,325,624.08
Ordinary shares*	1,135,061,313.08
Preferred shares	93,264,311

* On September 10, 2013 the additional issue of Lenenergo shares with a possibility of placing **926,876,304** additional shares was registered

Share Capital Structure of Lenenergo**, % from ordinary shares



** as of the last closing date of the shareholder register: 06.05.2013

Organizational Structure of Lenenergo

Russian Federation

JSC IDGC Holding

53.41% (+ 7.15% - share of JSC IDGC of Ural)

BRANCHES

PRODUCTION UNITS (ELECTRICITY TRANSMISSION)

- Vyborg power networks
- Gatchina power networks
- Kingisepp power networks
- St-Petersburg high-voltage power networks
- Novaya Ladoga power networks
- Suburban power networks
- Tikhvin power networks
- Cable network

Service branch

Management of objects under construction

The city of St. Petersburg (CPMC)

26.57%

JSC Lenenergo

Electricity transmission services, grid connection

Design and construction work in power supply

Energy services, services in energy saving and energy efficiency

Manufacturing, installation and maintenance of energy resources measuring devices

Minority shareholders

12.87%

Subsidiaries

* – from the authorized capital

CJSC Tsarskoselskaya Energy Company (96.95%)*

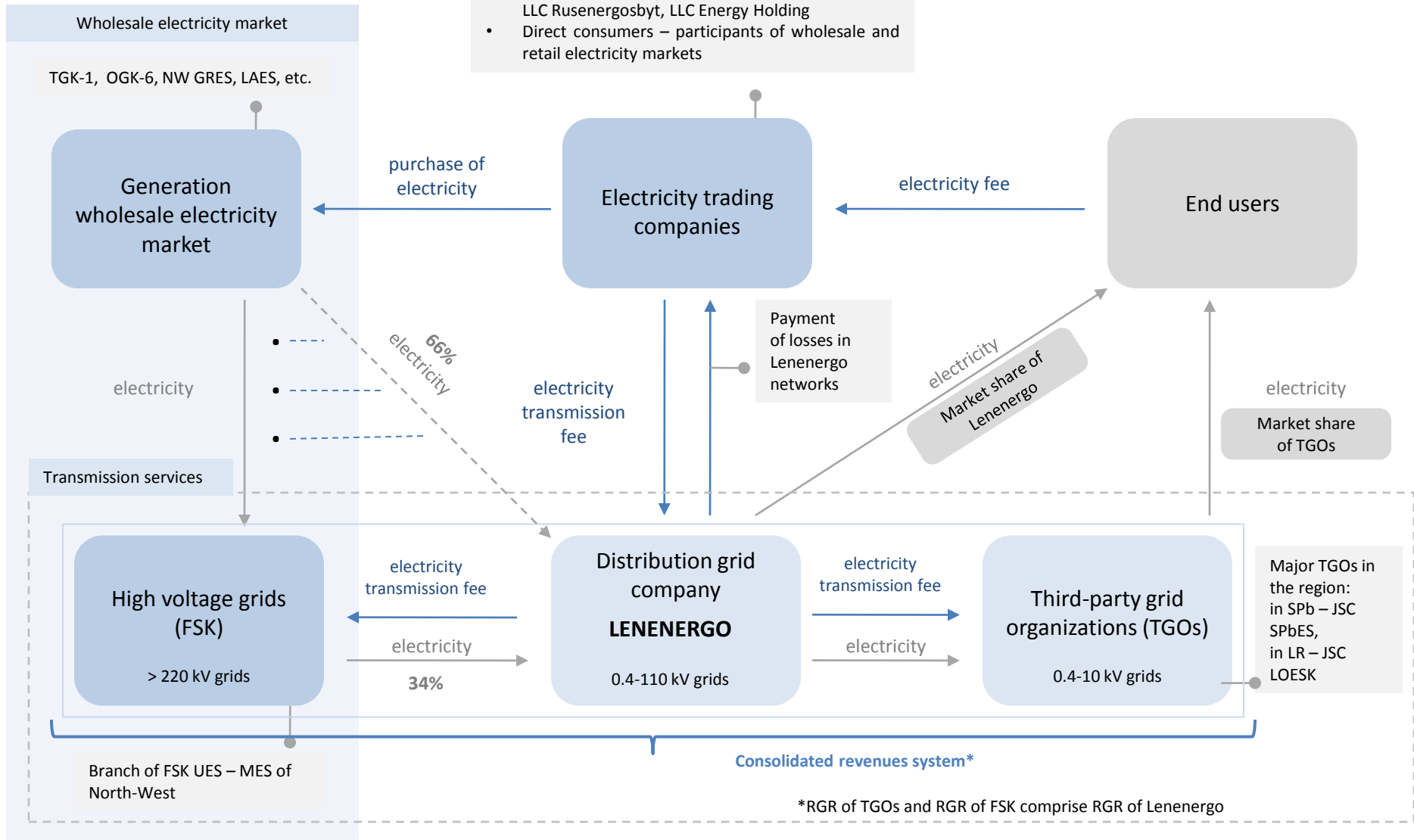
CJSC Kurortenergo (98.13%)*

CJSC Lenenergospetsremont (100%)*

JSC Energy Service Company Lenenergo (100%)*

JSC Energouchet (40%)*

- Independent electricity trading companies
- Guaranteeing suppliers: JSC PSK, LLC RSK-Energo, LLC Rusenergosbyt, LLC Energy Holding
- Direct consumers – participants of wholesale and retail electricity markets



2014 Business plan of JSC Lenenergo was approved by the Board of Directors on December 28, 2013 (Minutes # 20)

FY2013 Expected Results

FY2013 expected results presented herein are formed based on the Company's performance in 1H 2013 .

Following FY2013 results a decline of financial result due to the expected drop in revenues from grid connection services is expected. The main reason is the postponement of terms of execution of obligations for 2014 from the applicant FSUE Uniform Customer Group (on the object of Russian Railways: Losevo-Kamenogorsk) within a grid connection agreement in the amount of RUB 2,147 mln. Cost savings are expected due to depreciation charges as a result of changes in accounting policies and reducing uncontrollable costs due decreased cost of services of third-party grid organizations.

By the end of 2013 the Company expects to receive a positive net profit

2014 Business Plan

Business plan of JSC Lenenergo for 2014-2018 submitted for approval is formed on the basis of tariff models for St. Petersburg and the Leningrad Region, calculated in compliance with a social and economic model development of Russia for 2014-2016, which was developed by Russian Ministry of Economic Development. In the process of tariff models consolidation the need to implement significant investment programs in St. Petersburg and the Leningrad Region, which is provided by the social and economic development forecast, was considered.

Following the results of approval by the regulating authorities (Tariff Committee of St. Petersburg and the Leningrad Region) of tariff decisions for 2014, the Company's business plan may be adjusted

CONTENTS

- Scenario Conditions of Business Plan Development for 2014
- Key Financial Indicators of Business Plan for 2014
- Key Operational Highlights of Business Plan for 2014
- Tariff Regulation Framework
- Financial Result Generation Plan in 2014
- Revenues and Costs Generation Plan in 2014
- Loan Portfolio and Debt Position Formation Plan for the end of 2014
- Long-Term Investment Program for 2013-2018
- Risks of Business Plan Parameters Default

Volume of Services

The volume of electricity consumption is planned with regard to the existing terms of contracts with customers, estimated growth of electricity consumption volumes under valid grid connection contracts, and dynamics of changes in power consumption of the region. Termination of lease agreements of the grid transmission facilities entering the Unified National (All-Russian) Energy Grid (“last mile”) is provided.

The volume of grid connection is planned based on the list of grid connection contracts being under execution and forecasts of grid connection volumes over the subjects of the Russian Federation

Tariff Models

Tariff models are developed based on the extension of the first regulatory period up to 2019 and in line with a social and economic development forecast of the Russian Federation for 2014-2016, and take into account the need to implement significant investment programs in St. Petersburg and the Leningrad region, which corresponds to the social and economic development forecast

Revenues

Revenue from electricity distribution is planned on the basis of expected electricity distribution volumes considering the approved long-term parameters of tariff regulation net of the cost of load losses.

Operating expenses in 2014-2018 taking into account inflation shall decline as compare to the level of 2012 calculating per unit of electric equipment service in accordance with the development strategy of grid complex of Russia approved by the Russian Federation Government

CAPEX

The investment program for 2014-2018 is formed taking into account the necessity of fulfillment of accrued obligation on grid connection of applicants and reliability increase and uninterrupted supply of consumers. Funding sources of the investment program are based on the forecasted tariff models. The investment program is agreed in the constitute entities of the Russian Federation

Loans and Credits

In the process of borrowing planning the ratio of Debt / EBITDA should not exceed 3

Key Indicators of Business Plan of Lenenergo for 2014

RUB mln

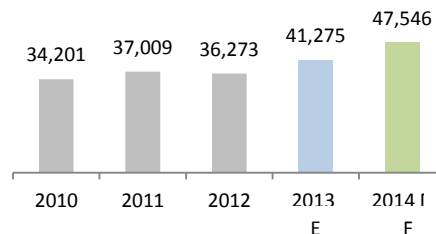
	2012	2013E*	2014F	Δ % 2014F/2013E
Net Assets	76,417	76,800	82,473	7.4%
Revenues, including:	36,273	41,275	47,546	15.2%
- Electricity distribution services	28,816	33,256	39,196	17.9%
- Grid connections services	7,282	7,862	8,183	4.1%
- Other	175	157	168	7.0%
Costs	32,830	37,619	40,290	7.1%
Gross profit	3,443	3,656	7,256	98.0%
Profit before taxes	2,154	1,946	4,292	120.6%
Net profit	1,234	691	2,649	283.4%
For reference:				
ROE, %	2.08%	0.90%	3.45%	2.55 p.p.
EBITDA*	9,925	12,134	16,862	39.0%
EBITDA margin,%	27.36%	29.40%	35.46%	6.06 p.p.
Debt/EBITDA	2.80	2.77	2.92	-
CAPEX (deployment)	14,891	17,350	25,864	4.1%

* FY2013 results shall be adjusted due to the expected drop in revenues from rendering grid connection services

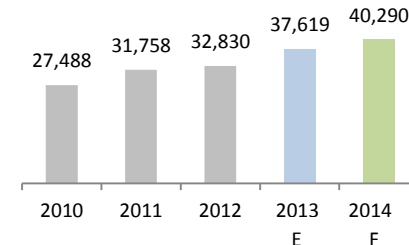
** Hereinafter the indicator is calculated in accordance with the methodology applied at formation of the business plan: EBITDA = Net profit + Income tax + Amortization + (Interest payable - Interest receivable)

Key Indicators in Dynamics for the Last 5 Years

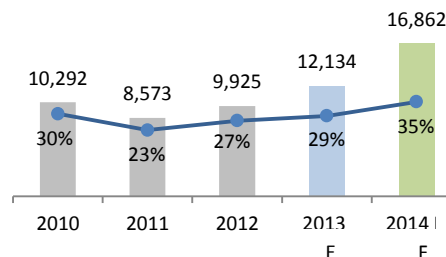
Revenues, RUB mln



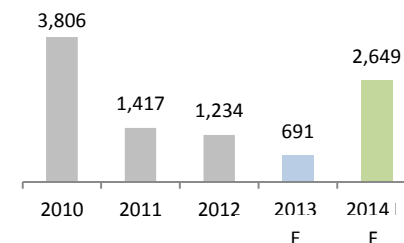
Costs, RUB mln



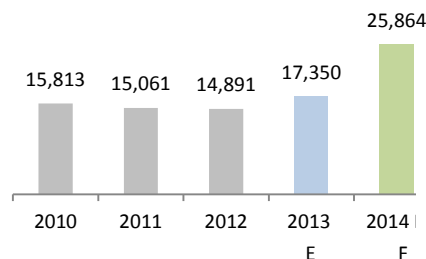
EBITDA, RUB mln, EBITDA margin, %



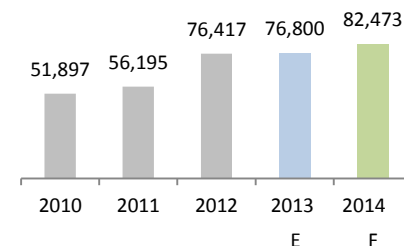
Net profit, RUB mln



CAPEX, RUB mln



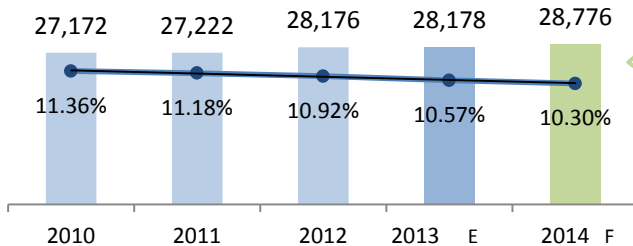
Net assets, RUB mln



Electricity Distribution Services

Index	2012	2013E	2014F	2014F/ 2013E,%
Electricity productive supply, mln kWh	30,007	29,720	29,156	-1.9%
Electricity productive supply, mln kWh (in comparable conditions)**	28,176	28,178	28,776	2.1%
Electricity losses in grids, %	10.37%	10.21%	10.30%	0.09 p.p.
Electricity losses in grids, % (in comparable conditions)**	10.92%	10.57%	10.30%	-0.27 p.p.

Dynamics of Productive Supply (mln kWh) and Losses (%) in Comparable Conditions

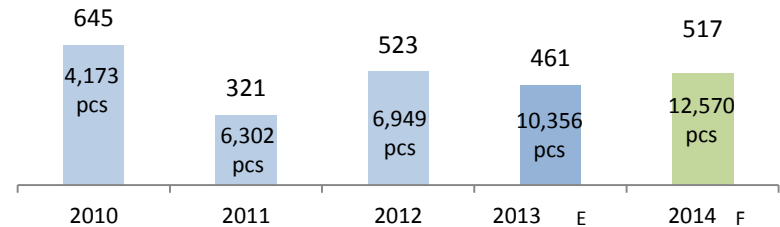


Target indicator of electricity losses by the end of 2018 – **8.68%** to total supply to network

Grid Connection Services

Index	2012	2013E	2014F	2014F/ 2013E,%
Connected capacity, MW	523	461	517	12.1%
Closed contracts, pieces	6,949	10,356	12,570	-7.5%
Connections up to 15 kW, pieces	6,223	8,741	11,758	34.5%

Dynamics of Connected Capacity (MW) and Closed Contracts (pcs)



** Reduced productive electricity supply in 2014 is due to the termination of last mile mechanism on the territory of St. Petersburg and the Leningrad Region to consumers directly connected to the grids of JSC FGC UES. The expected amount of productive supply to consumers of "last mile" excluded from the balance of Lenenergo in 2014 shall constitute 162 mln kWh.

In comparable conditions productive supply growth by 2.1% is planned.

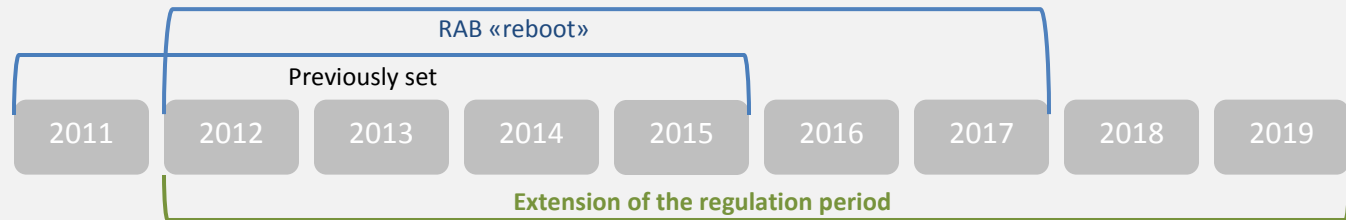
Pursuant to the Program of energy saving and energy efficiency a **decrease in the share of electricity losses to total supply to network by 0.27 percentage points is planned**

The size of connected capacity in 2014 will make 517 MW that is 12 % above the level of 2013. It is generally associated with performance in 2014 of obligations under the grid connection contract with FSUE Uniform Customer Group on the object Losevo-Kamennogorsk.

Within implementation of the Plan of execution of current, accumulated and overdue obligations on grid connection the Business plan provides closing of the Company's accumulated obligations up to 2016.

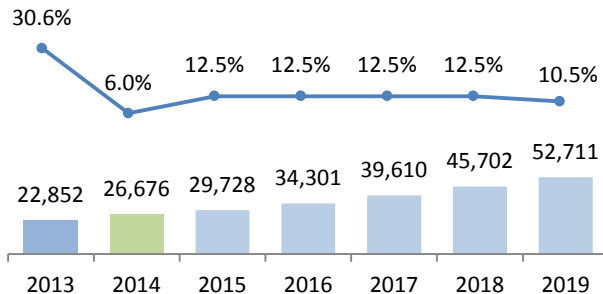
As before, in the structure of obligations on the volume of connected capacity, contracts up to 15 kW prevail.

RAB regulation



Dynamics of Required Gross Revenues (RUB mln) and Tariff Growth Rate (%) for the Category “Other Consumers” in 2H

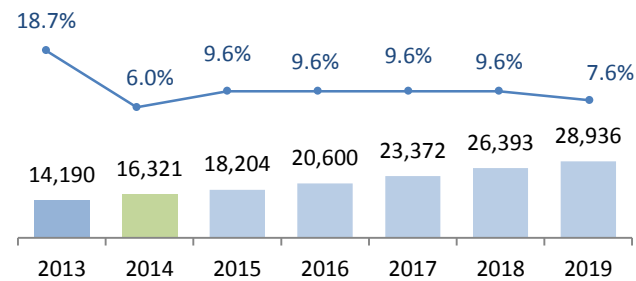
St. Petersburg



Growth of average joint operation tariff

17.5% | 20.9% | 9.5% | 11.6% | 11.8% | 11.9% | 11.0%

Leningrad Region



Growth of average joint operation tariff

-2.2% | 17.4% | 7.5% | 9.0% | 9.3% | 9.3% | 8.3%

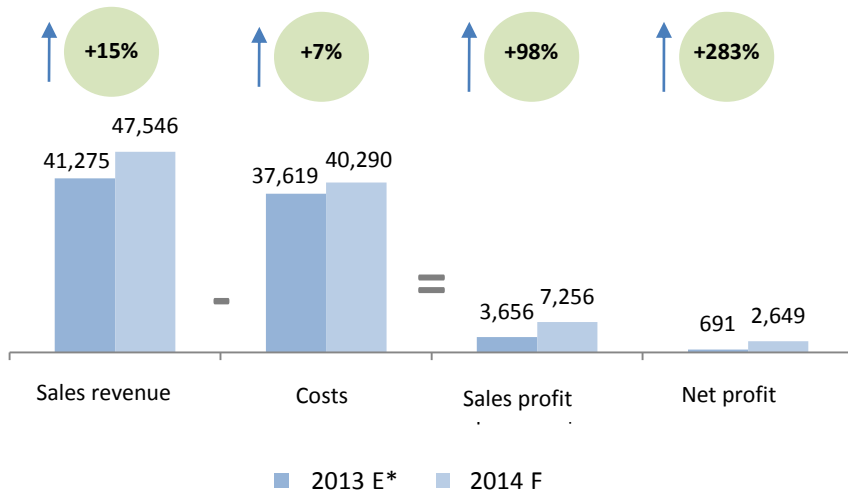
Approved Parameters of Tariff Regulation

Region of Russia	Amount of invested capital, RUB mln	Operation expenses		Rate of return on old capital, %							
		Base level, RUB mln	Efficiency index, %	2012	2013	2014	2015	2016	2017	2018	2019
St. Petersburg	48,359	2,766	3%	1%	1%	1%	1%	1%	1%	1%	11%
Leningrad Region	23,865	2,468	3%	1%	1%	1%	1%	1%	1%	1%	11%

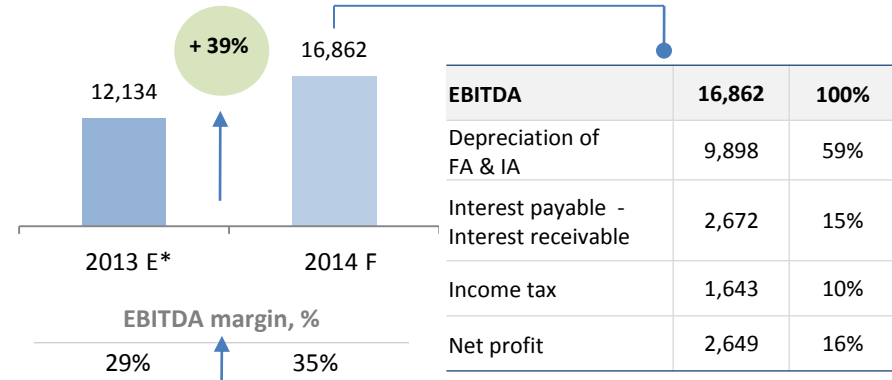
Tariff models are formed considering extension of the regulation period up to 2019 and in line with the forecast of social and economic development forecast of the Russian Federation prepared by the Ministry of Economic Development of Russia for 2014-2016, in which excess of the levels of tariff growth for electric power transmission in 2014-2019 set by the RF Government is admissible with a reservation for 2014 for St. Petersburg and the Leningrad Region, and is caused by large investment programs.

Following the results of approval of the tariff and balance decision for 2014 by the Regulator (Tariff Committees of St. Petersburg and the Leningrad Region) Business plan can be adjusted

Gross Profit and Net Profit Generation, RUB mln

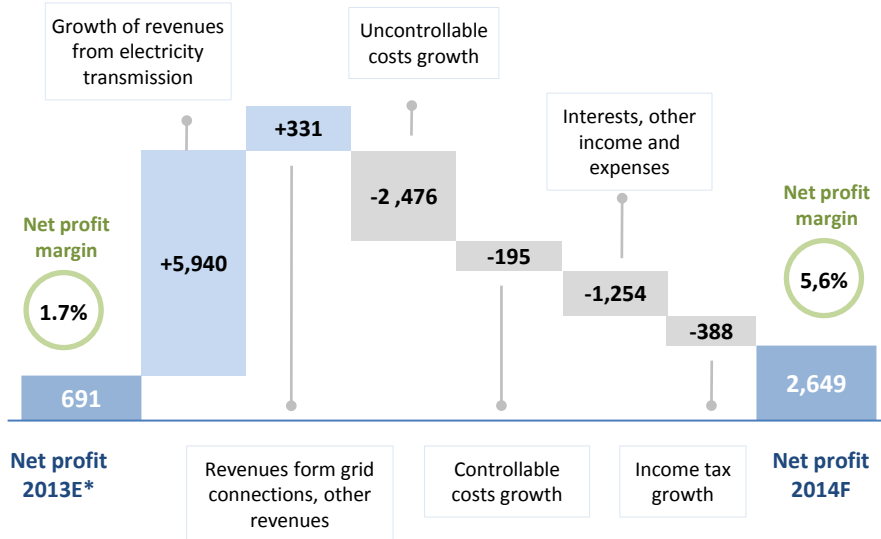


EBITDA, RUB mln

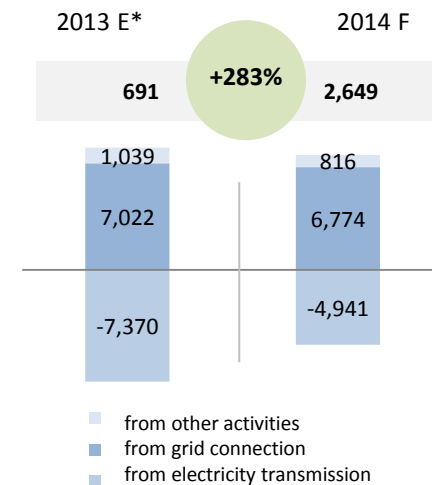


Planned revenues shall increase by RUB 6,271 mln, or 15% mainly due to the growth of revenues from electricity transmission as a result of increase in the average tariff for electricity transmission

Planned Growth Factors of Net Profit, RUB mln



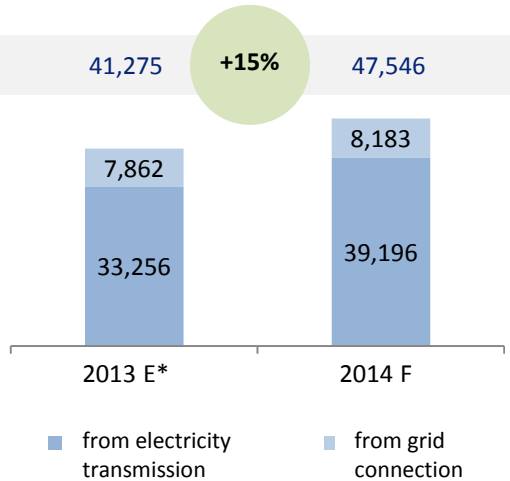
Breakdown of Net Profit by Types of Activity, RUB mln



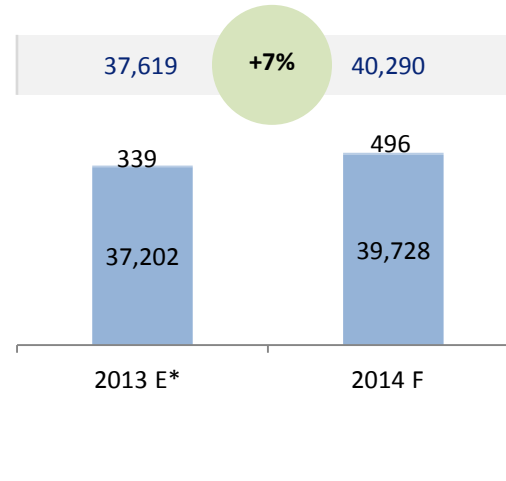
FY 2013 expected net profit is mainly generated at the expense of income from revealed unregistered/ non-contractual electricity consumption.

Growth of net profit is planned for 2014 in x3.8 times to the level of 2013 at the expense of growth of gross profit by RUB 3,600 mln in connection with revenues growth at insignificant increase of prime cost

Revenues by Types of Activities**, RUB mln



Costs by Types of Activities*, RUB mln



Drivers of Planned Growth of Key Costs Items in 2014

Services of other distribution grid companies: increase of costs by RUB 1,375 mln, or 17%. Costs are generated according to the scenario conditions of business planning for 2014-2018, approved balances of electric power and capacity for 2014 and inclusion in RGR of TGOs in 2014 of lost income of JSC LOESK recognized by FTS of Russia

Services of FGC UES: costs reduction by 4.3% is caused by a drop in the amount of declared capacity by 7.2% due to termination of "last mile" contracts from 01.01.2014, increase in the rate for networks maintenance by 4.5% with a slight decrease in the tariff for purchase of electricity to compensate for losses in UNEG networks by 0.9%

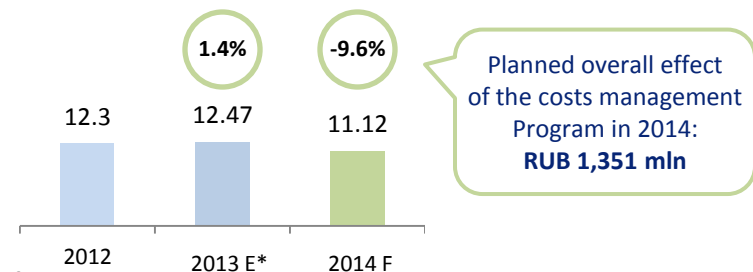
Depreciation of fixed assets and intangible assets: increase of RUB 1,316 mln, or 15% due to planned increase in the value of fixed assets in 2014 taking into account input of fixed assets under the investment program, and in connection with the increase in the average rate of depreciation charges, caused by changes in the breakdown of FA input

Breakdown of Costs, RUB mln

EXPENSES	2012	2013E	2014F	2014F/2013E, %
Uncontrollable expenses:	25,180	29,346	31,822	8%
Purchased electricity to compensate losses	4,754	5,944	6,026	1%
Services of FGC UES on e/e transmission	6,119	6,811	6,514	-4%
Services of other DGCs on e/e transmission	8,029	8,010	9,385	17%
Fixed and intangible assets depreciation	6,278	8,581	9,898	15%
Controllable expenses:	7,650	8,273	8,467	2%
Personnel costs (Payroll, UST, pension fund fees)	3,526	3,980	4,214	6%
Material costs	537	603	626	4%
Industrial services	1,208	1,329	913	-31%
Taxes and fees referred to expenses	135	506	796	57%
IT, telecommunication	336	431	466	8%
Rent (lease)	403	483	547	13%
Other expenses	1,506	942	905	-4%
Total expenses	3,830	37,619	40,290	7%

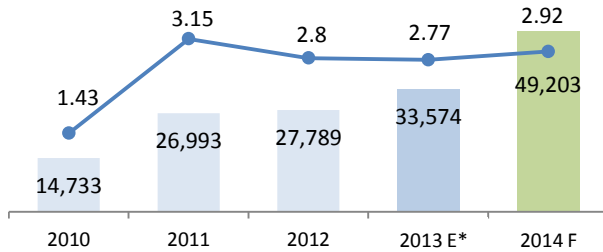
Unit costs per 1 c.u. in 2012 prices, RUB thousand, growth rate, %

Within implementation of the requirements of the Grid Complex Development Strategy of the Russian Federation (RF Government Decree of 03.04.2013 № 511-r)



* FY2013 results shall be adjusted due to the expected drop in revenues from rendering grid connection services

Credits and Loans (RUB mln), Debt/EBITDA



Planned ratio Debt/EBITDA is not exceeding the recommended level (3)

Net debt, RUB mln

14,405	20,197	22,360	24,707	47,687
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The total amount of loans and credits (debt including debts on accrued but unpaid interest), and Net debt in 2014 increases due to the loans attracted to finance a large-scale investment program

Bonded Loans Parameters

	Placed		Issue in 2014
	Bonded Loans Series 04	Exchange Bonds Series BO-01	Exchange Bonds
Volume	RUB 3 bn	RUB 3 bn	RUB 10 bn
Rate, %	8.5 %	8.25%	
Placement date	24.04.2012	17.04.2013	
Maturity date	1 820th day	1 092th day	
Term of offer	3 years	without offer	3 years
Circulation period	5 years	3 years	10 years

In 2013, Prospectus of exchange bonds issues of four series was registered at par value of RUB 20 bn with a circulation period of 10 years

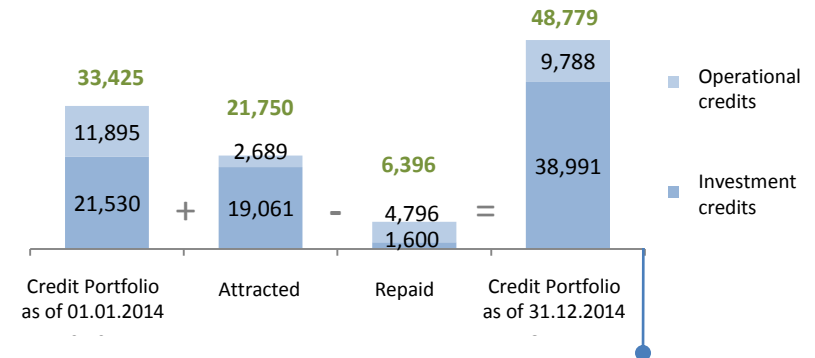
Credit Rating



Agency	Rating	Assigned
Moody's	Ba2 (outlook – stable)	Nov. 2009
Moody's Interfax Rating Agency (rating on the national scale)	Aa2.ru (outlook – stable)	Nov. 2009

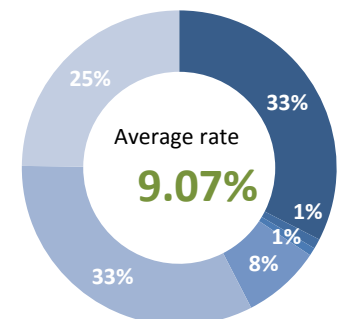
Confirmed in Jan. 2013

Plan of Credit Resources Flow in 2014, RUB mln



Planned Credit Portfolio Structure in 2014

- Sberbank
- VTB Bank
- Svyaz Bank
- Bank of Russia
- Bonded loans
- New credits



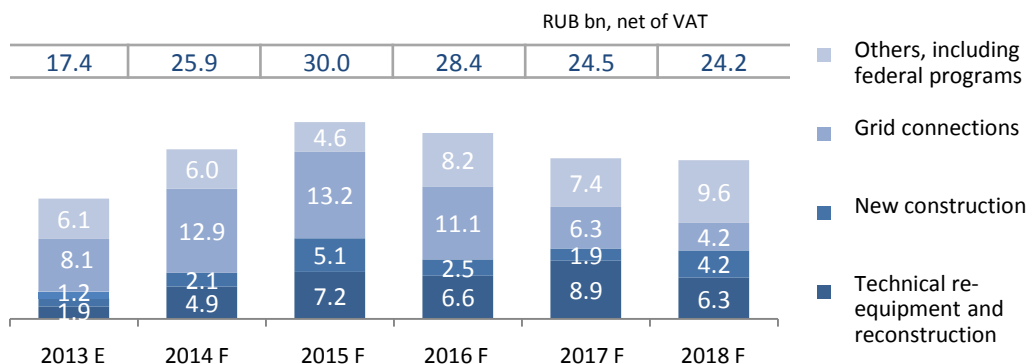
The investment program for 2014-2019 is in line with the program sent for approval to the Ministry of Energy of Russia as amended by the executive authorities of constituent entities of the Russian Federation.

Sources of CAPEX funding for the period 2014-2019 were calculated on the basis of tariff models for St. Petersburg and the Leningrad Region, formed in accordance with the social and economic development forecast of Russia for 2014-2016, developed by Russian Ministry of Economic Development and considering the need to implement large-scale investment programs

Capacity Input

	2013E	2014F	2015F	2016F	2017F	2018F
Capacity input, MW	868	1,992	2,508	2,781	2,758	1,729
Capacity input, km	2,247	2,634	2,591	3,133	1,949	2,313

Long-Term Investment Program (deployment)



Investment sources of the long-term investment program

RUB bn, net of VAT

	2013F	2014P	2015P	2016P	2017P	2018P
Investment program, total	17.4	25.9	30.0	28.4	24.5	24.2
Internal funds	2.4	7.4	8.4	7.1	7.8	8.4
Amortization	0.0	5.4	6.5	7.1	7.8	8.4
Net profit	0.0	0.0	0.0	0.0	0.0	0.0
Other internal funds	2.3	2.0	1.9	0.0	0.0	0.0
Including additional issue of ordinary shares	1.6	0.6	0.0	0.0	0.0	0.0
Finance raising	15.1	18.5	21.6	21.3	16.7	15.8
Borrowings (credits and loans)	9.1	13.8	15.7	15.0	13.7	13.2
Prepayments for technological connections	6.0	4.7	5.3	5.7	3.0	2.6
Budgetary financing	0.0	0.0	0.6	0.6	0.0	0.0

Key challenges of the large-scale investment program:

- Renovation of the Company's network assets
- **Execution of obligations on grid connection, including to the preferential category of consumers**
 - Implementation of the Renovation Program of cable lines 6-110 kV in St. Petersburg (using federal budget funds received during the additional issue of JSC Rusgrids)
 - Implementation of innovative projects and energy efficiency programs
- **creation of technological infrastructure to ensure functioning of competitive electricity and capacity markets**

Strategic Risks	<ul style="list-style-type: none"> → Drop in industrial production and consumption of electric power
Regulatory Risks	<ul style="list-style-type: none"> → Restraining of tariffs → Inconsistency of tariffs and rates approved by the regulator and the Company's needs → Cross-subsidization → Disagreements between grid companies and power trading companies relative the volumes of electricity and capacity used in tariff calculation → Impugment by the regulator of assessment results of initial base of invested capital → Default of obligations on grid connection towards consumers owing to large volume of demands → Decrease in demand for grid connection and electricity transmission services in comparison with the planned volumes considered at adoption of tariff and balance decisions
Financial Risks	<ul style="list-style-type: none"> → Inflation growth → Unforeseen increase in interest rates in the financial market → Growth of accounts receivable in view of possible non-payments from power trading companies owing to changes in pricing conditions in the retail market
Procurements and Logistics Risks	<ul style="list-style-type: none"> → Rise in prices for industrial supplies and materials
Risks associated with reliability of electricity supply, provision of safe maintenance of grid facilities and energy efficiency	<ul style="list-style-type: none"> → Emergency situations owing to natural disasters → Depreciation of network assets
Tax Risks	<ul style="list-style-type: none"> → Growth of tax rate or change of taxes calculation methodology



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