

LENENERGO
SINCE 1886

**Key performance indicators
of JSC Lenenergo
in 2013-2017
under the approved
Business plan**

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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 the regulating authorities - Federal Tariff Service (FTS) and regional regulators

Main types of activity:

- electricity transmission & distribution
- technological connection of new customers to networks

Service area:

St.-Petersburg and the Leningrad region



The share of **Lenenergo** on the electricity transmission market as of 31.12.2012 - **70.3 %**

Main competitors: in St.-Petersburg - JSC SPbES, in the Leningrad region - JSC LOESK

General Information on the Company of 31.12.2012

Assets

	Unit	2010	2011	2012
Installed capacity	MVA	20,741	21,427	21,952
0,4-110 kV OTL (on circuit)	km	39,419	39,783	40,053
0,4-110 kV (on ROW)	km	36,274	36,587	36,859
0,4-110 kV cable lines	km	18,622	19,554	20,400
35-110 kV substations	pcs. (MVA)	372 (13,466)	373 (13,742)	377 (13,969)
6-35 kV transformer substations	pcs. (MVA)	14,361 (7,275)	14,770 (7,686)	15,025 (7,983)

Key indicators

	Unit	31.12.2012
Productive electricity supply	mln kWh	30,007
Connected capacity	MW	523
Revenue	RUB mln	36,273
EBITDA*	RUB mln	9,925
Net profit	RUB mln	1,234
CAPEX	RUB mln	14,891
Capitalization** as of 25.03.2013	RUB mln	7,926
Average number of employees	people	6,007

* The indicator is calculated in accordance with the methodology applied in the formation of the Business Plan for 2013: EBITDA = Net profit+ Income Tax + Depreciation + (Interest payable - Interest receivable)

** MCap is calculated based on the weighted average price at the MICEX SE

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

* In 2012, the authorized capital was increased by placing of **209,039,634.04** additional ordinary shares

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

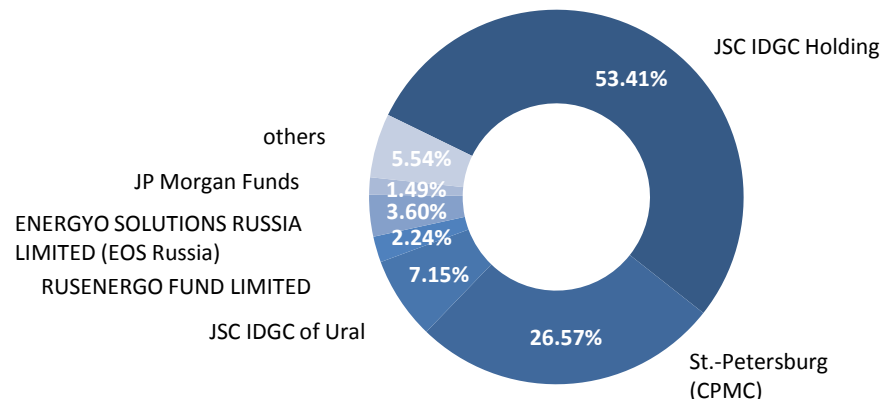
electricity transmission and technological connection services

design and construction work in power supply

energy services, services of energy saving and energy efficiency

manufacture, installation and repair of energy resources gauges

Share capital structure of Lenenergo**, % from ordinary shares



** as of the last closing date of the shareholders register: 06.06.2012 considering the additional issue of ordinary shares in 2102 and purchase of shares by IDGC of Ural

Minority shareholders

12.87%

SUBSIDIARIES

* – from the authorized capital

CJSC Tsarskoselskaya Energy Company (96.95%)*

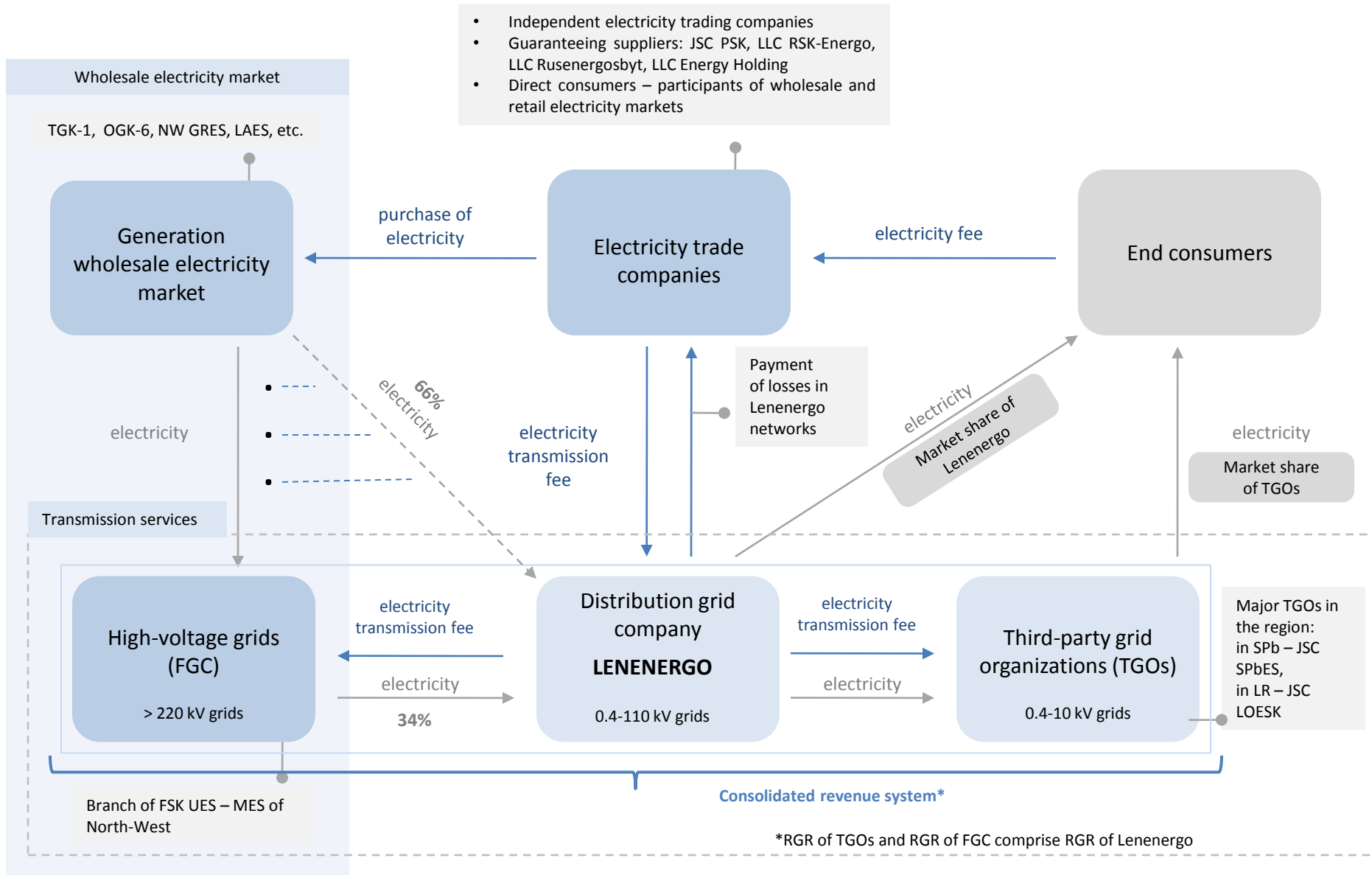
CJSC Kurortenergo (98.13%)*

CJSC Lenenergospetsremont (100%)*

JSC Energy Service Company Lenenergo (100%)*

JSC Energouchet (40%)*

Business Model of Lenenergo: Cash Flows and Electric Power Flows



Key indicators of activity of JSC Lenenergo in 2013 and forecast for 2014-2017 under the approved Business Plan

Business Plan of JSC Lenenergo for 2013-2017 is approved by the Board of Directors on 26.04.2013 (Minutes #29 of 30.04.2013)

CONTENTS

- Priority tasks of Lenenergo in 2013
- Key indicators of the Business Plan for 2013
- Plan on formation of financial result in 2013
- Plan on formation of revenues and expenses in 2013
- Long-term tariff models, revenues from transmission in 2013
- Factors of formation of a loss on electricity transmission in 2013
- Long-term investment program of Lenenergo for 2013-2018
- Plan on formation of a credit portfolio and debt position at the end of 2013
- Dynamics of Lenenergo key financials under the Business Plan in 2013-2017

1

Creation of free transformer capacity for ensuring optimum loading of the nutrition centers of power accepting equipment, providing an optimum operating mode of the grid

2

Implementation of obligations to applicants under contracts of grid connection, including accumulated and preferential categories of applicants, formation of network infrastructure corresponding to the rates of social and economic development of the region

3

Renovation of fixed assets and decrease in wear of equipment under the investment programs coordinated with administrations of the region

4

Development of an optimum system of electricity metering providing control over the volume of rendered services and decrease in commercial losses of electricity within the program of power efficiency and energy saving

5

Implementation of innovative development measures

6

Achievement of balanced results of the price regulation providing dynamics of decrease in regulatory losses on electricity transmission and creation of own funding sources for the investment program

7

Providing optimum indicators of the Company's financial stability and MCap increase

8

Cost optimization and achievement of the Company's KPI

Indicator	Unit	2012	2013F	Δ in % 2013F/2012
Productive supply	mln kWh	30,007	30,230	1%
Losses	%	10,37%	10.21%	- 0.16 p.p.
Connected capacity	MW	523	621	19%
Revenues:	RUB mln	36,273	42,669	18%
- from transmission	RUB mln	28,816	34,271	19%
- from grid connections	RUB mln	7,282	8,239	13%
- from other activities	RUB mln	175	159	-9%
Prime cost	RUB mln	32,830	38,659	18%
Gross profit	RUB mln	3,443	4,010	16%
Profit before tax	RUB mln	2,154	1,979	-8%
Net profit	RUB mln	1,234	801	-35%
Fro reference:				
ROE	%	2.08%	1.05%	-1.03 p.p.
EBITDA*	RUB mln	9,925	13,085	32%
EBITDA margin	%	27.36%	30.67%	3.31 p.p.
Net Debt**/EBITDA	-	2.25	2.45	-
Investment program (disbursement)	RUB mln	14,891	18,499	24%

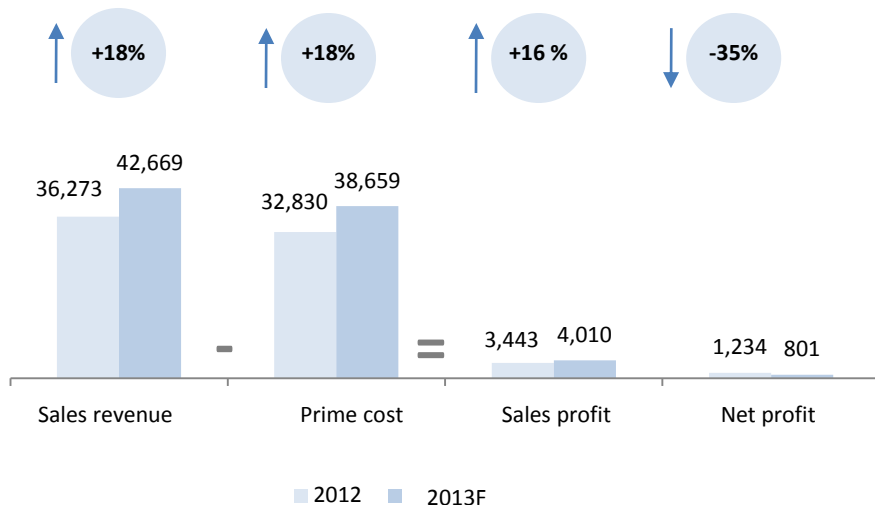
* Hereinafter, the indicator is calculated in accordance with the methodology applied in the formation of the Business Plan for 2013: EBITDA = Net profit+ Income Tax + Depreciation + (Interest payable - Interest receivable)

** Net debt is calculated as total borrowings (including debt on interest %) minus cash assets and short-term investments

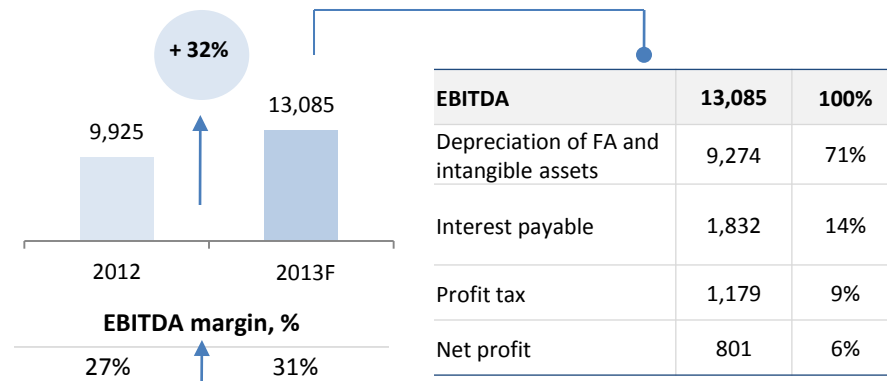
Basic parameters of the draft Business Plan of Lenenergo for 2013

- **Productive electricity supply** will make 30,230 mln kWh that is above the actual value of 2012 by 224 mln kWh, or 0.7 %. Relative losses will decrease by 0.16 p.p. and total 10.21%
- **Revenues from electricity transmission** will make RUB 34,271 mln (+19% to the fact of 2012)
- **Revenues from grid connections** of applicants will make RUB 8,239 mln (+13% to the fact of 2012). The increase in revenues from rendering grid connection services is associated with performance in 2013 of accumulated obligations on connection of applicants
- **Prime cost** in comparison with 2012 will increase by 18% generally at the expense of growth of depreciation charges, property tax and the expenses on federal factors
- In 2013, the Company plans to get **Net profit** at a rate of RUB 801 mln that is below the actual value of 2012 by 35 %, generally, at the expense of a gain of depreciation charges following the results of revaluation of fixed assets and the property tax according to changes of the legislation, decrease in balance of other income and expenses due to the estimated decrease in incomes from identification of non-contractual power consumption
- Economic effect of **Program on costs management** as a part of the Business plan is planned for 2013 at a rate of RUB 928.8 mln
- **Disbursement of investment program** will make RUB 18,499 mln that exceeds the level of 2012 by 24%
- Growth of **EBITDA** due to the higher growth rate of revenues in relation to growth rates of operational expenses without amortization is forecasted
- **Ratio of Net Debt/EBITDA** is 2.45 and does not exceed the recommended value (3)

Formation of sales profit and net profit, RUB mln

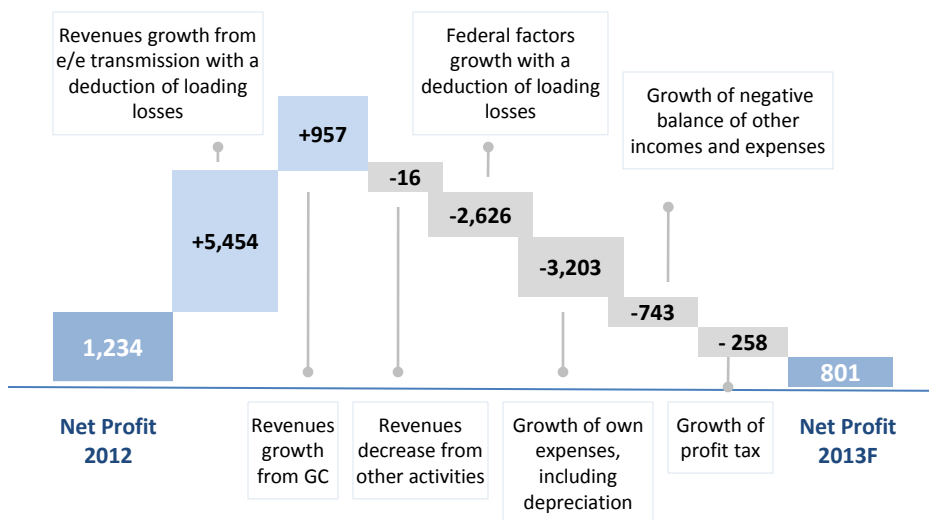


EBITDA, RUB mln

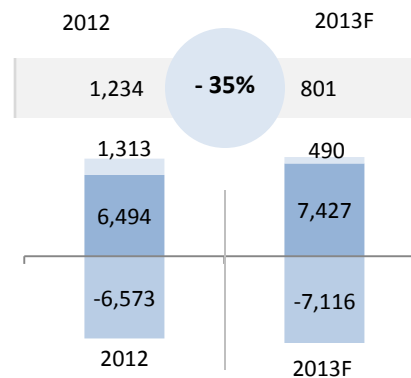


Following the results of 2013 deterioration of financial result at simultaneous growth of EBITDA due to higher growth rate of revenues in relation to growth rates of operational expenses without amortization is expected

Factors of estimated decrease of net profit in 2013



Net profit by types of activity, RUB mln

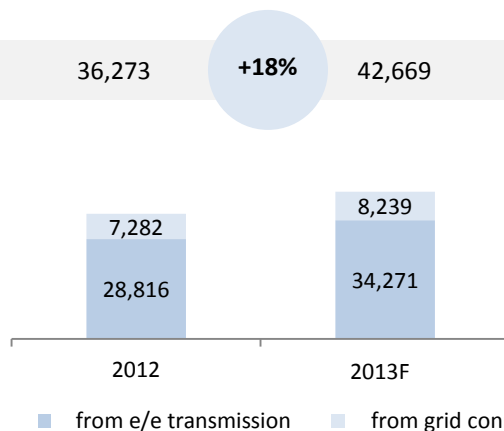


The reasons of estimated deterioration of financial result:

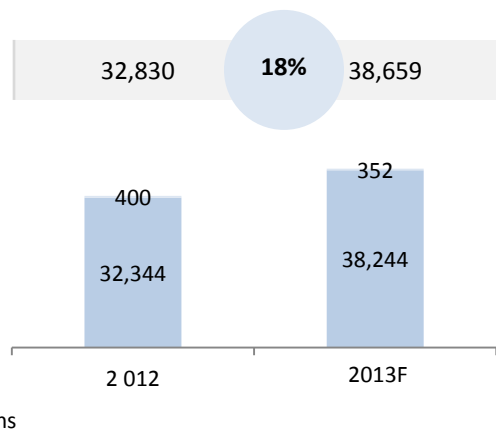
- gain of depreciation charges following the results of FA and property tax revaluation according to the legislation changes;
- decrease in balance of other incomes and expenses due to estimated decrease in income of identification of non-contractual power consumption

- from other activities
- from grid connections
- from electricity transmission

Revenues by types of activity*, RUB mln



Prime cost by types of activity*, RUB mln



Reasons of planned growth of key items of expenses in 2013

Labor costs and insurance fees - growth by RUB 406 mln due to wages indexation by Consumer Price Index of 5.5%, fillings of vacancies linked with input of new facilities, increases in a salary from 01.10.12 on key professions

Purchased power for compensation of losses - growth by RUB 779 mln due to increased prices for losses purchase

Services of distribution grid companies - growth by RUB 1,034 mln is caused by adopted tariff-balanced decisions for 2013 and the tariff option for electricity transmission services selected by the Company

FGC UES services - growth by RUB 813 mln due to the increased tariff for networks maintenance and a tariff for electric power purchase for compensation of losses in the UNEG networks, volume of losses, costs of loaded losses

Depreciation of fixed assets and intangible assets - growth by RUB 2,995 mln due to revaluation of fixed assets for the end of 2012, increases in cost of fixed assets taking into account input volumes under the investment program, increases in average norm of depreciation charges and changes of the fixed assets structure

* Including other types of activity, revenues and prime cost sums on which make less than 1% in total amount

Forecasted structure of prime cost in 2013, RUB mln

Indicator	2012	2013F	Δ in % 2013F/2012
Controllable expenses	5,857	6,114	4%
Materials	469	519	11%
Production work and services	1,218	893	-27%
Compensation fund	2,790	3,088	11%
Other expenses	1,380	1,614	17%
Non-controllable expenses	26,973	32,545	21%
Purchased power for compensation of losses	4,754	5,533	16%
Services of TGOs	8,029	9,063	13%
Services of FGC UES	6,119	6,932	13%
Depreciation of fixed assets and intangible assets	6,278	9,274	48%
Lease payments	803	123	-85%
Other expenses	990	1,620	64%
Total expenses	32,830	38,659	18%

RUB bn

	2012	2013	2014	2015	2016	2017
St.-Petersburg						
Gain of an average annual tariff in the approved model	3.2%	17.5%	16.0%	14.0%	12.5%	9.7%
IP in the transmission tariff in the approved model	4.4	5.0	5.8	6.3	6.9	7.5
Gain of an average annual tariff in the model for BP	3.2%	17.5%	15.4%	15.3%	15.1%	14.7%
IP in the transmission tariff in the model for BP	7.2	5.9	11.7	15.7	15.4	13.6
Deviation from IP in the approved model	2.8	0.9	5.9	9.4	8.5	6.1
Leningrad region						
Gain of an average annual tariff in the approved model	6.0%	1.9%	20.6%	12.9%	10.7%	15.8%
IP in the transmission tariff in the approved model	2.5	3.3	4.5	4.7	2.8	3.1
Gain of an average annual tariff in the model for BP	6.0%	1.9%	26.0%	14.2%	14.2%	14.2%
IP in the transmission tariff in the model for BP	2.3	4.2	7.9	6.2	7.1	10.1
Deviation from IP in the approved model	-0.1	0.9	3.5	1.5	4.4	7.0

The tariff projection is created on the basis of the tariff models coordinated by regional regulators within acceptance of TBD for 2013, taking into account the following conditions:

- Excess of growth rates of transmission tariffs over a forecast of the strategy of economic development for 2013-2017 according to Governmental Decree of 30.06.12 #663
- Increase in the approved investment program across the Leningrad region on expenses for connection of preferential applicants at a rate of RUB 6 bn in 2013-2015 was made according to p.32 and p.87 of the Pricing Bases approved by Governmental Decree of 29.12.11 #1178, for exception of direct influence on increase in level of a gain of electricity transmission tariff at electric power transfer

Forecasted revenues considering the approved tariff-balanced decisions for 2013

	2013			
	TBD	BP	Deviation	
St.-Petersburg				
Revenues, RUB mln	22,852	20,822	-2,030	-9.7%
Tariff, kop/kWh	117.4	106.9	-10.5	-9.8%
Productive supply, mln kWh	19,463	19,472	9	0.0%
Leningrad region				
Revenues, RUB mln	14,130	14,211	81	0.6%
Tariff, kop/kWh	115.3	117.7	2.4	2.0%
Productive supply, mln kWh*	12,257	12,078	-179	-1.5%
Lenenergo				
Revenues, RUB mln	36,982	35,033	-1,949	-5.6%
Productive supply, mln kWh	31,720	31,550	-170	-0.5%

*Considering the consumers of generative voltage

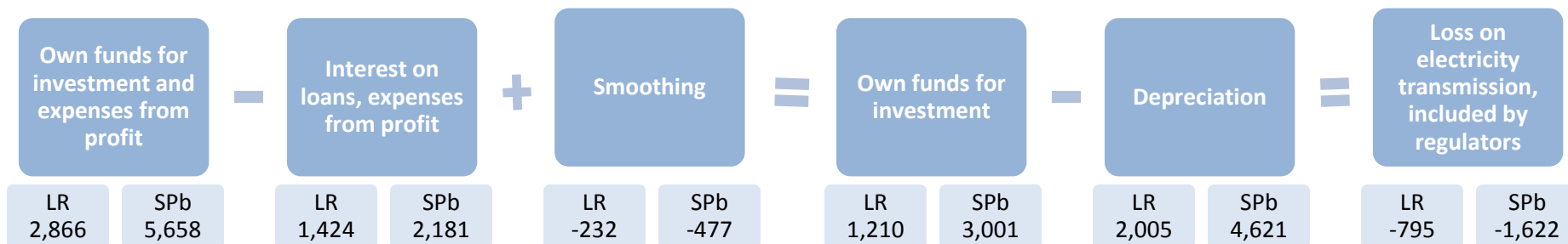
Glossary:

IP – Investment program
 TBD – tariff-balanced decision
 NHU – number of hours in use

Reasons for deviation of planned revenues from those approved by the regulator

- Across St.-Petersburg the deviation is associated with overestimate of declared capacity at regulation. At application from 01.01.2013 of the mechanism of translation of the type of tariff for end users due to a considerable deviation of NHU of double-rate consumers from the average NHU considered by Committee at calculation of tariff rates, there is a considerable deviation of revenues expected to receiving from regulated ones (about RUB 1.9 bn)
- Deviation of the actual structure of consumption by voltage levels from that considered by Committees in the formation of the balance of power and capacity: a smaller share of productive supply at a low voltage level, for which the highest rate for transmission is set and a larger share of consumption at a high voltage level with a minimum rate
- Decrease in the estimated productive supply of electric power and capacity relative to that considered by LenRTC and its redistribution on half-year 2013

Given the tariff growth limitations in 2013 a loss on electricity transmission is included in the tariff model (to be compensated in subsequent years):



Due to decrease in estimated revenues relative to the revenues approved by regulators and depreciation excess, an expected loss from electricity transmission exceeds the loss put at regulation:

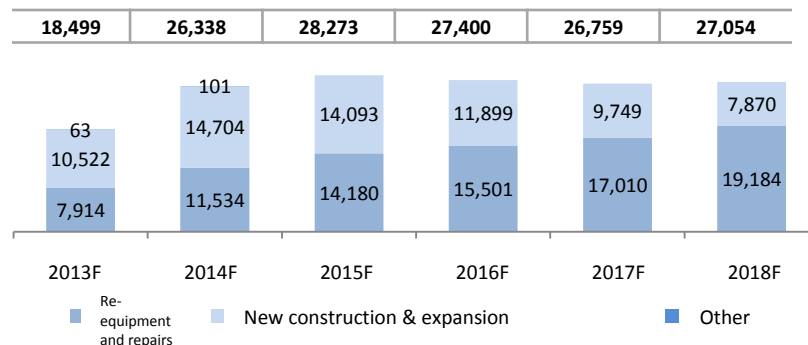
	RUB mln		
Indicator	Len. region	St.-Petersburg	Lenenergo
Loss on electricity transmission, included by regulators	-795	-1,622	-2,416
Deviation of sales revenues from approved values	81	-2,030	-1,949
Decrease in estimated expenses over approved values (controllable, non-controllable, profit tax, expenses from profit)	-232	89	-143
• Expenses in the structure of RGR (controllable and non-controllable)	-90	-492	-582
• Expenses from profit (interest under loans, social payments, dividends, other expenses)	-142	581	439
Depreciation excess over that considered by the regulator	-1,661	-987	-2,648
Total forecasted loss on electricity transmission	-2,607	-4,550	-7,156

Draft Investment program for 2013-2018 is approved by the Commission on investments of JSC Rosseti and is sent to Ministry of the Power Industry of Russia for its approval. At present, draft Investment program for 2013-2018 is on coordination in executive bodies of St. Petersburg and the Leningrad region

Parameters of the long-term investment program

RUB mln, w/o VAT

By regions	2013F	2014F	2015F	2016F	2017F	2018F	2013 -2018
Lenenergo	18,499	26,338	28,273	27,400	26,759	27,054	154,323
St.-Petersburg	12,065	17,391	20,710	18,978	16,525	18,241	103,910
Leningrad region	6,435	8,947	7,563	8,422	10,234	8,813	50,414



RUB mln, w/o VAT

By types	2013F	2014F	2015F	2016F	2017F	2018F	2013 -2018
Lenenergo	18,499	26,338	28,273	27,400	26,759	27,054	154,323
Re-equipment and repairs	7,914	11,534	14,180	15,501	17,010	19,184	85,323
New construction & expansion	10,522	14,704	14,093	11,899	9,749	7,870	68,836
Other	63	101	0	0	0	0	164

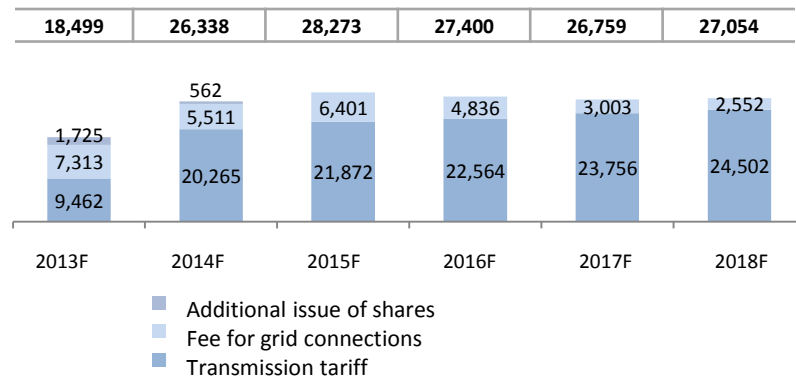
Input of capacity

	2013	2014	2015	2016	2017	2018
Input of capacity, MVA	881	2,134	3,016	2,735	3,010	1,958
Input of capacity, km	2,488	3,321	2,534	2,505	2,298	2,778

Funding sources of the long-term investment program

RUB mln, w/o VAT

	2013F	2014F	2015F	2016F	2017F	2018F
Investment program, total	18,499	26,338	28,273	27,400	26,759	27,054
Transmission tariff	9,462	20,265	21,872	22,564	23,756	24,502
Depreciation	0	6,660	10,101	8,984	9,539	10,745
Credits and loans, including credits, attracted under additional issue	9,462	13,606	11,771	13,580	14,217	13,756
Additional issue of shares	1,725	562	0	0	0	0
Fee for grid connection	7,313	5,511	6,401	4,836	3,003	2,552
Settlements with property	644	1,355	1,888	0	0	0
Lost income	10	0	0	0	0	0
Advances on grid connection	6,659	4,156	4,513	4,836	3,003	2,552



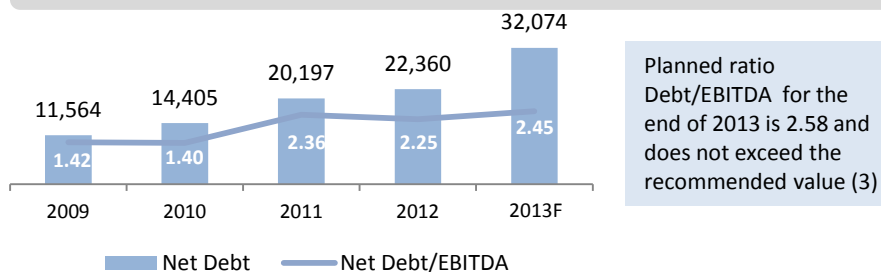
Debt position, RUB mln

	31.12.2012	31.12.2013 F	Δ in % 31.12.2013 F/ 31.12.2012
Net debt at the end of the period**	22,360	32,074	43%
Net debt/EBITDA**	2.25	2.45	-

* Net debt is calculated as the sum of credits and loans (including the debt on accrued but not paid interest) minus cash assets and short-term financial investments

** The indicator is calculated in accordance with the methodology applied in the formation of the Business Plan for 2013: EBITDA = Net profit+ Income Tax + Depreciation + (Interest payable - Interest receivable)

Net Debt/EBITDA, RUB mln, %



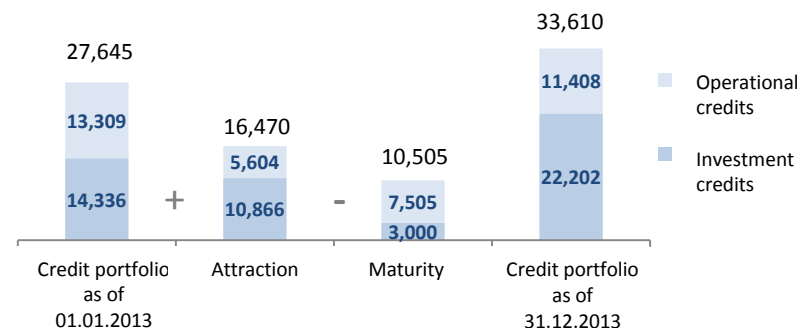
Credit rating



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 January 2013

Borrowings flow in 2013, RUB mln



Parameters of Series 04 bonded loan

RU000A0JS785

Volume	RUB 3 bn
Rate, %	8.5 %
Date of placement	24.04.2012
Maturity date	1,820 th day
Term of the offer	3 years
Circulation period	5 years

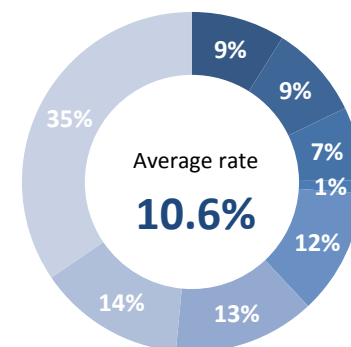
Parameters of BO-01 bonded loan

RU000A0JTVA1

Volume	RUB 3 bn
Rate, %	8.25%
Date of placement	17.04.2013
Maturity date	1,092 nd day
Term of the offer	w/o
Circulation period	3 years

Estimated structure of credit portfolio for the end of 2013

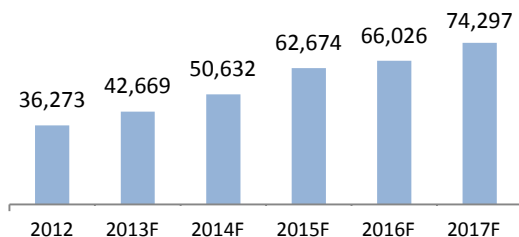
- Bonds (Series 04)
- Bonds (Series BO-01)
- VTB Bank
- Svyaz-Bank
- Sberbank of Russia
- AB Russia
- Vnesheconombank
- New credits & loans



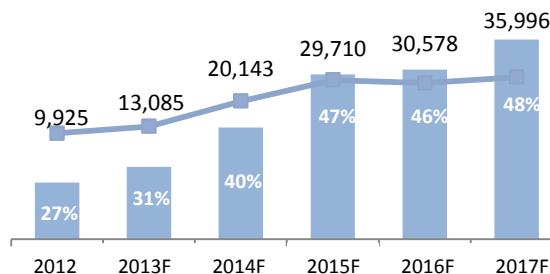
Dynamics of Lenenergo key financials under the Business Plan in 2013-2017

Indicator	RUB mln						2017/2012, times
	2012 Fact	2013 Plan	2014F	2015F	2016F	2017F	
Revenues	36,273	42,669	50,632	62,674	66,026	74,297	2.0
Net profit (loss)	1,234	801	4,819	10,325	8,921	10,735	8.7
Net profit (loss) from electricity transmission on networks	-6,573	-7,116	-1,714	362	3,112	6,235	-
EBITDA	9,925	13,085	20,143	29,710	30,578	35,996	3.6
Debt	27,789	33,809	47,901	58,742	66,968	72,068	2.6
Net debt	22,360	32,074	47,183	58,240	66,510	71,582	3.2
Debt/EBITDA	2.80	2.58	2.38	1.98	2.19	2.00	0.7
ROE,%	2.08%	1.05%	5.91%	11.96%	9.28%	10.32%	5.0
Leverage,%	26.7%	29.3%	35.7%	37.9%	39.2%	38.8%	1.5

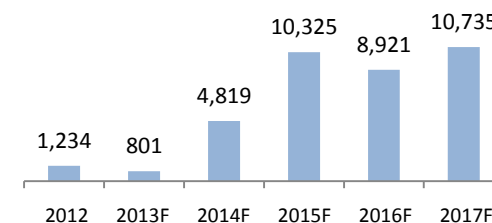
Revenues forecast, RUB mln



EBITDA and EBITDA margin forecast, RUB mln, %



Net profit forecast, RUB mln



Total revenues of the Company in 2013-2017 will amount to **RUB 296,299 mln**, including:

- from electricity transmission services – RUB 252,860 mln
- from grid connection services – RUB 42,586 mln
- from other activities – RUB 853 mln

Transition to RAB provides receiving by the Company of net profit from activities on electric power transmission since 2015, therefore the source for repayment of earlier involved investment credits is formed, and since 2017 – the profit goes on financing of investment activity.

As a whole, growth of net profit positively influences an indicator of profitability of equity capital, in this connection the indicator growth - in 5 times in 2017 concerning 2012 is provided.



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