

LENENERGO  
SINCE 1886

RUSSIA FORUM 2012

Troika Dialog - Sberbank

Lenenergo, JSC

2011 Preliminary Results &  
Plans for 2012

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# General information on the Company

**Lenenergo** is one of the largest electricity distribution companies in Russia, the operator of 0.4-110 kV grids, servicing the territory of Saint-Petersburg and the Leningrad region

## Main types of activity:

- electric power transmission and distribution services;
- technological connection of power receiving facilities (power plants) of business and individuals to the grids

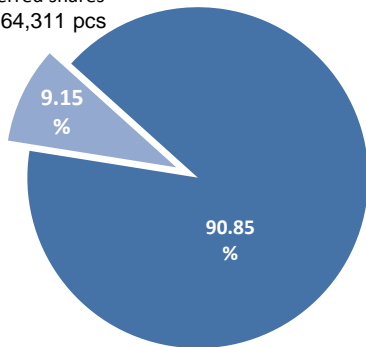
The Lenenergo share in Saint-Petersburg and Leningrad region in the electric power transmission market as of 31.12.2011 – **69.8%**

Lenenergo comprises **10 operational units** in Saint-Petersburg and the Leningrad region

Personal number of Lenenergo as of 31.12.2011 was equal to **6,052 people**

Authorized capital of Lenenergo is equal to **RUR 1,019,285,990.004**

Preferred shares  
93,264,311 pcs



Ordinary shares  
928,021,679.004 pcs

## Information on Lenenergo shares

### Quotation list

MICEX	B
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### Tickers

Ordinary shares	LSNG
Preferred shares	LSNGP

### Capitalization

31.12.2011, USD mln*	<b>348</b>
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\* The calculation is made on the capitalization weighted average price on the MICEX SE at the rate of the Central Bank on that date

Lenenergo share in the electric power transmission market as of 31.12.2011:

in St.-Petersburg – **75.2%**

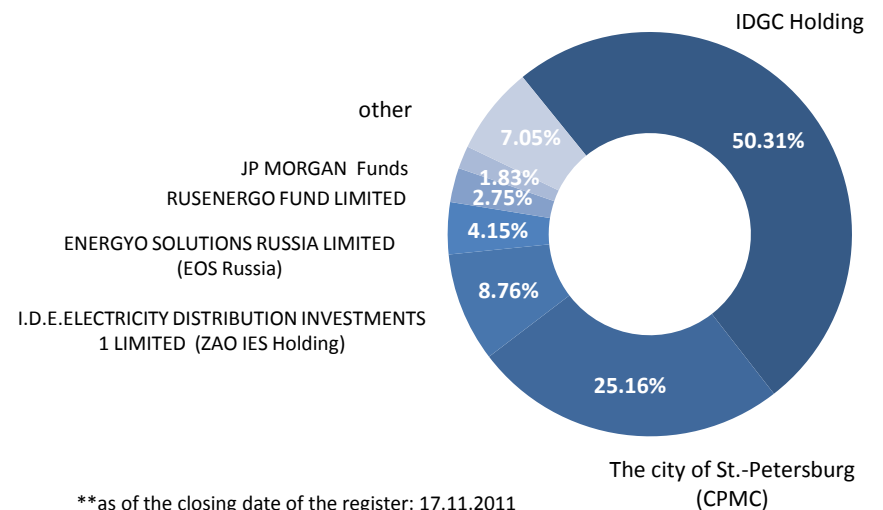
in the Leningrad Region – **60.3%**

Major competitors of Lenenergo: municipal electric network companies OAO SPES in Saint-Petersburg and OAO LOESK in the Leningrad region



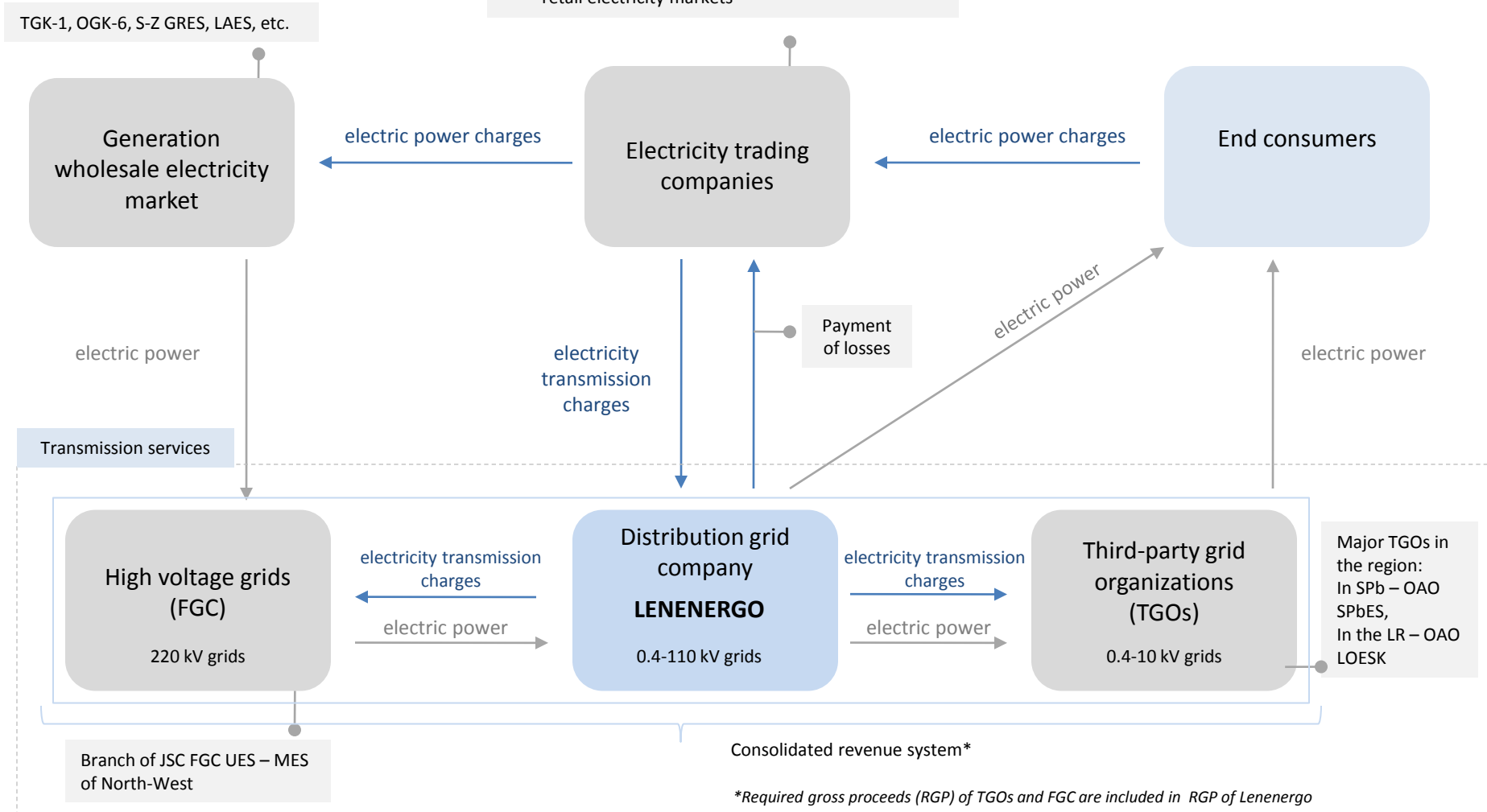
Service area, thousand sq.km	<b>87.3</b>
Population, mln. people	<b>6.2</b>

## Share capital structure of Lenenergo\*\*



# Business model of Lenenergo: cash flows and electric power flows

- Independent power sales companies
- Guarantying suppliers: OAO PSK, OOO RSK-Energo, OOO Rusenergosbyt, OOO Energy Holding
- Direct consumers – participants of wholesale and retail electricity markets



## Strategic goals of Lenenergo

### Enhancement of quality and reliability of services

- ▶ Creation of free transformer capacity to ensure optimal load of supply centers of power receiving equipment, ensuring optimum operation of the electrical network
- ▶ Fulfillment of obligations towards subscribers under contracts for technological connection, formation of the grid infrastructure, corresponding to rates of social and economic development of the region
- ▶ Replacement of fixed assets and reduction of wear of equipment due to the implementation of investment programs agreed with the administrations of the region

### Improving of operational efficiency

- ▶ Implementation of the innovative development
- ▶ Development of optimal accounting system of electric power that verifies the amount of rendered services and reduction of commercial losses of electricity within the framework of energy efficiency and energy saving program
- ▶ Expansion and control of power grid services market

### Improving of financial performance and sustainability

- ▶ Achievement of balanced results of price regulation to ensure profitability of regulated activities and creation of own resources to finance its investment program
- ▶ Optimization of costs and execution of key performance indicators of the Company
- ▶ Provision of optimal indicators of financial stability of the Company and increase capitalization of the Company

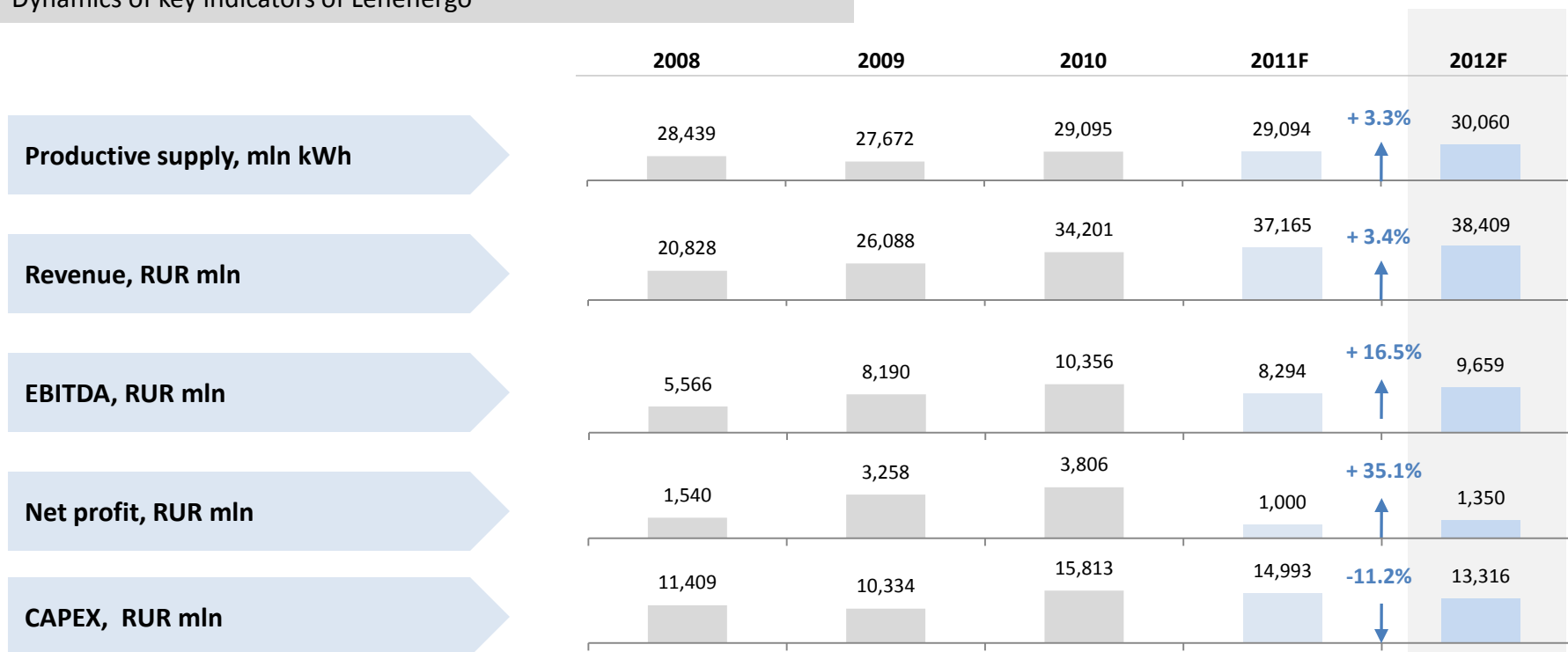
## Business and financial highlights

### Characteristics of Lenenergo assets

	Unit	2008	2009	2010	2011*
Installed capacity	MVA	19,365.5	19,901.4	20,740.5	21,127.0
Overhead Transmission Lines 0.38-110 kV on circuit	km	39,084.6	39,285.9	39,418.8	39,616.9
Overhead Transmission Lines 0.38-110 kV on line	km	35,966.5	36,148.2	36,273.6	36,428.4
Cable lines 0.38-110 kV	km	16,730.9	17,650.7	18,622.3	18,627.1
Substations 35-110 kV	pcs (MVA)	368 (12,818)	370 (13,084)	372 (13,466)	373 (13,546)
Transformer substations 6-35 kV	pcs (MVA)	13 646 (6,548)	13 909 (6,818)	14 361 (7,275)	14 533 (7,581)

\* as of 30.09.2011

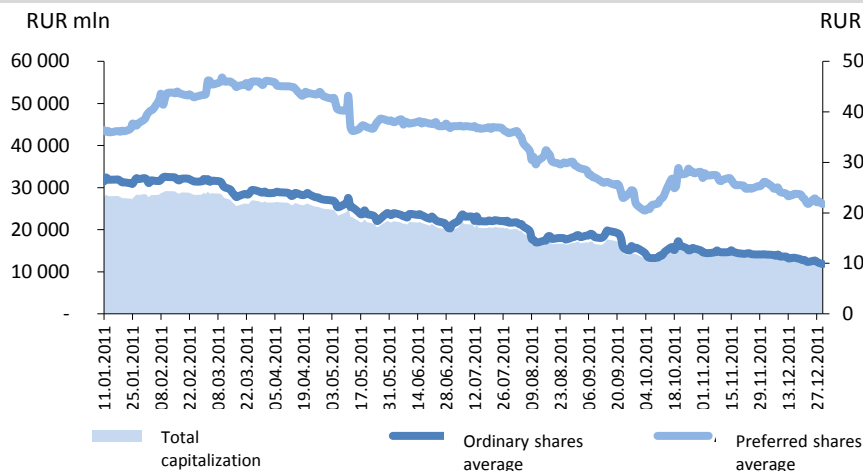
### Dynamics of key indicators of Lenenergo





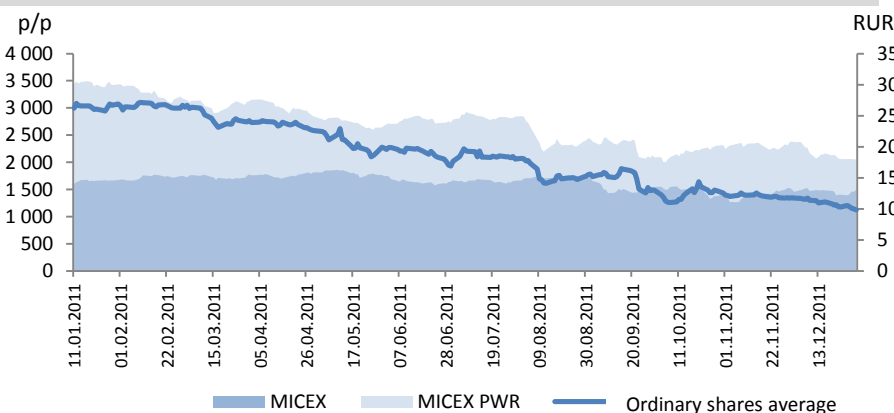
# Securities of Lenenergo in 2010-2011 against the background of investors' mistrust caused by the uncertainty of tariff regulation

Quotations of Lenenergo shares and capitalization in 2011



on MICEX SE	Price on 31.12.2011, RUR
LSNG (MICEX)	9.84
LSNGP (MICEX)	21.74

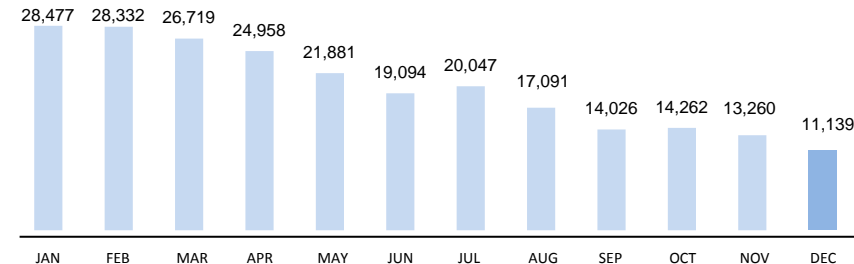
Comparison of MICEX and MICEX PWR indices and ordinary shares of Lenenergo in 2011



	31.12.2010	31.12.2011	Δ, %
MICEX	1,687.99	1,402.23	-16.89
MICEX PWR	3,435.32	2,053.02	-40.24
Ordinary shares average	25.95	9.84	-62.08

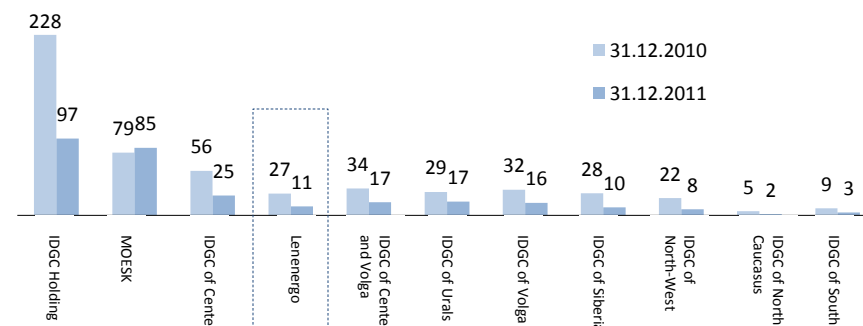
In 2011, the Company's shares traded in the **general downward trend** with DGC companies and the industry index, reflecting the mistrust of investors in relation with the uncertainty of tariff regulation

Capitalization of Lenenergo in 2011, RUR mln\*



Capitalization*, RUR mln	2009	2010	2011	2011/2010
MICEX SE	25,571	27,372	11,139	-59.3%

Dynamics of DGCs' capitalization in 2011 on MICEX SE, RUR bln\*



\* The calculation of capitalization is made on the average weighted rate at MICEX SE

Lenenergo dividends for 2008-2010, RUR mln\*\*

Year	Dividends on ordinary shares, RUR per 1 share	Dividends on preferred shares, RUR per 1 share	Dividends accrued, RUR thousand
for 2008	no	1.6508	153,962
for 2009	no	3.4933	325,804
for 2010	no	4.0804	380,559

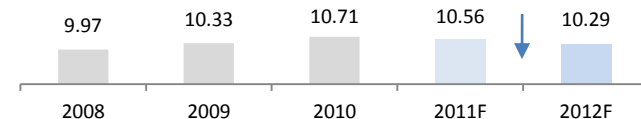
\*\* In accordance with the Charter of Lenenergo dividends shall be accrued on preferred shares of Type A in the amount of 10% of the net profit following the results of the completed fiscal year

## Preliminary results of 2011 and key indicators of Lenenergo activity in accordance with its business plan for 2012

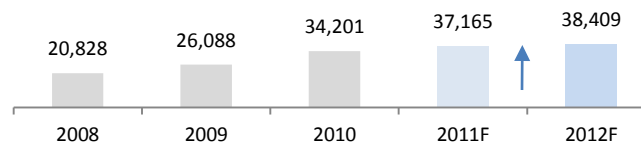
Indicator	Unit	31.12.2010	31.12.2011 estimated	31.12.2012 plan	Δ in % 2012/2011
Productive supply	mIn kWh	29,095	29,094	30,060	3.32%
Electricity losses	%	10.71%	10.56%	10.29%	-0.27 p.p.
Connected capacity	kW	645,279	319,594	369,659	15.67%
<b>Revenue, including:</b>	RUR mln	34,201	37,165	38,409	3.35%
- from services on electric power transmission	RUR mln	23,873	28,711	30,318	5.60%
- from services on technological connection	RUR mln	10,164	8,283	7,928	-4.29%
- from other activities	RUR mln	164	170	163	-4.20%
<b>Costs</b>	RUR mln	27,488	31,953	34,012	+6.44%
<b>Profit on sales</b>	RUR mln	6,713	5,212	4,397	-15.63%
<b>Profit before taxes</b>	RUR mln	5,282	2,055	2,271	10.52%
<b>Net profit</b>	RUR mln	3,806	1,000	1,350	35.04%
For reference:					
ROE	%	7.80%	1.83%	2.53%	-
EBITDA	RUR mln	10,356	8,294	9,659	16.46%
EBITDA margin	%	30.28%	22.32%	25.15%	-
Net debt*/EBITDA	-	1.39	2.44	2.82	-
<b>Investment program (disbursement)</b>	RUR mln	15,813	14,993	13,316	-11.18%

\* The value of net debt is calculated as the sum of loans (including debt on %) less cash and short-term investments

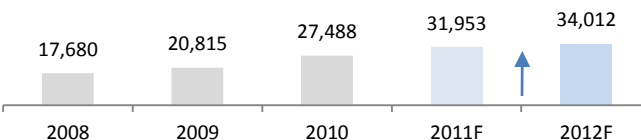
### Priority task – reduction in losses



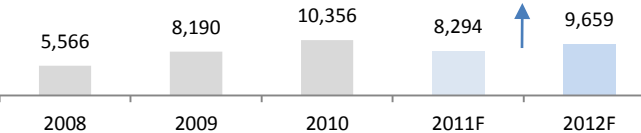
### Priority task – stable growth of revenue



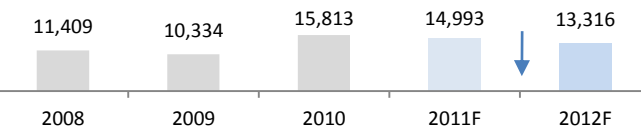
### Priority task – reduction in the rate of costs' increase due to the cost reduction program and reduction of federal factors



### Priority task – profit from transmission services and the growth in EBITDA



### Priority task – fulfillment of the investment program in the approved amount for the maintenance of reliability of power supply in the region





# Tariff decisions for electricity transmission in 2012

Estimated results of 2011 (average tariff, kop/kWh)

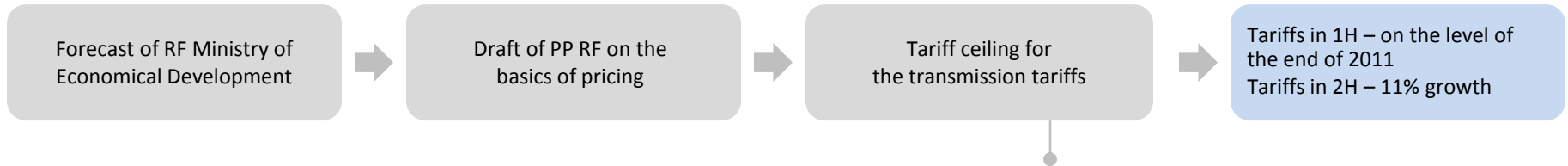
	Approved by PPO in average per year	Approved by PPO since 01.05.11	Estimated 2011	Δ in % 2011 estimated/ approved PPO in average per year
SPB	99.2	95.5	96.6	-2.6%
LR	110.2	110.2	105.7	-4.1%

## Main reasons for decline in the expected tariff relative to approved:

- Switch of OAO PESC\* to calculations under one-rate tariff in SPB
- Reduction of the contractual capacity of OAO PESC in the Leningrad region relative to accounted for regulation
- Change in the consumption structure on voltage levels

\* the largest trading company in the region

## Restrictions for tariff decisions in 2012



Long-term tariff regulation parameters for Lenenergo were determined at the end of 2010 for the period 2011-2015. In accordance with the order of the Government of the Russian Federation in the period up to 01.04.2012 there should be made the revision of these parameters and the formation of a new tariff projection with the extension of the long-term period at least up to 2017.

	2012	2013	2014
Increase in the annual average rate of tariffs	6%	10%	9-10%
The growth of rates since 2H	11%	9-10%	9-10%

## Estimated growth of tariffs in 2012 in accordance with business plan

	2011 approved by PPO	2011 estimated	2012 business plan	Δ in % from 2011	
				approved	estimated
<b>Saint-Petersburg</b>					
Revenue, RUR mln	18,273	18,310	18,491	1.2%	1%
Tariff, kop/kWh	98.9	96.6	95.6	-3.3%	-1%
<b>Leningrad region</b>					
Revenue, RUR mln	11,734	11,428	12,569	7.1%	10%
Tariff, kop/kWh	110.2	105.7	110.6	0.4%	4.6%

□ The decline in the average tariff in Saint-Petersburg is associated with preservation of the declared capacity at the level of 2011 with the increase in productive electricity supply relative to the approved for 2011 by 4.7%, relative to the estimated for 2011 - by 2%.

□ The declared capacity of the generator voltage consumer OOO KINEF (40 MW) is partly accounted for in the Leningrad region, the declared capacity of other consumers is reduced due to release of "last mile" subscriber (OAO RZD)

## Formation of required gross proceeds and factors contributing to formation of losses in electricity transmission in 2012

Indicator	Unit	Saint-Petersburg		Leningrad region	
		2011	2012	2011	2012
<b>Controllable expenses</b>	RUR mln	2,723	2,884	2,384	2,491
<b>Non-controllable expenses</b>	RUR mln	12,348	12,812	9,459	10,041
payment of OAO FGC UES	RUR mln	3,765	4,530	2,575	2,371
services of TGO	RUR mln	3,437	3,222	4,532	4,916
losses in Lenenergo grids	RUR mln	3,713	3,955	1,903	2,313
other non-controllable expenses	RUR mln	1,432	1,105	449	441
<b>Repatriation of capital</b>	RUR mln	3,051	3,226	2,027	2,089
<b>ROE</b>	RUR mln	3,268	5,889	1,556	2,475
<b>Smoothing</b>	RUR mln	-3,117	-5,822	-3,691	-4,328
<b>Total required gross proceeds</b>	RUR mln	18,273	18,988	11,734	12,768
Productive electricity supply	mln kWh	18,475	19,227	10,651	11,081
<b>Average electricity transmission tariff</b>	kop/kWh	98.9	98.8	110.2	115.2
Growth to the previous year	%		-0.1%		4.6%

In view of limitation of tariffs' growth in 2012 there is incorporated in the tariff model **a loss on electricity transmission** through the use of smoothing (which will be compensated in subsequent years):

										RUR mln					
Own funds for investments and expenses from profit		Interest on loans, expenses from profit		Smoothing		=		Own funds for investments		Depreciation		=		Loss on electricity transmission, built into by regulators	
LR	SPB	LR	SPB	LR	SPB			LR	SPB	LR	SPB			LR	SPB
3,704	7,000	1,295	2,072	2,683	4,559			-274	369	1,893	4,066			-2,167	-3,697

Indicator	Leningrad region	Saint-Petersburg	Lenenergo, total
Loss on transmission, built into by regulators due to the smoothing	-2,167	-3,697	-5,864
Deviation from the expected expenses accounted for in the tariff model	-429	1,241	813
<b>Expected loss on electricity transmission, total</b>	<b>-2,596</b>	<b>-2,456</b>	<b>-5,052</b>

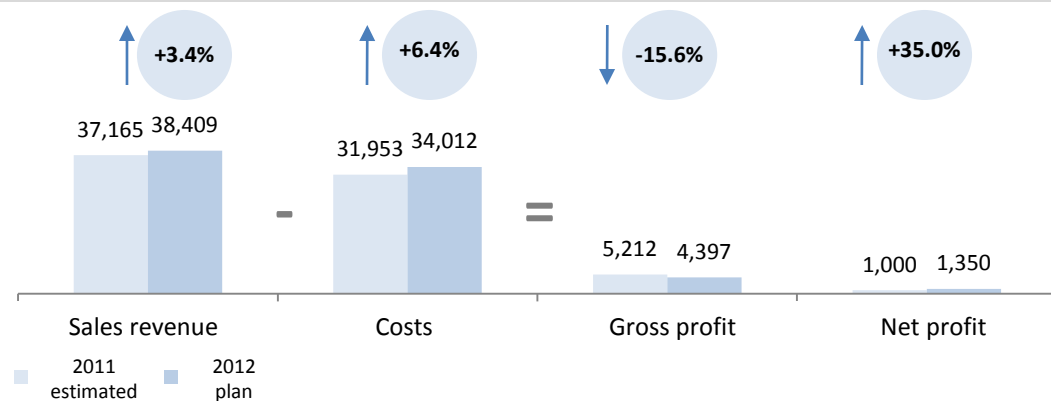
Estimated loss is less than the one built into by the regulator

The excess of expenses in the business plan is associated with a reduction in the tariff model of the investment component of TGO

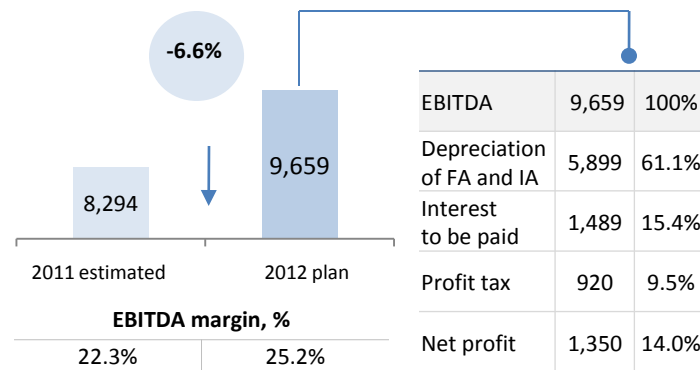
The reduction of expenses in the business plan is associated with the accounting by the Committee on Tariff of Saint-Petersburg of greater amount of interest on loans

# Financial performance of Lenenergo in 2011 – 2012

Formation of sales profit and net profit, RUR mln

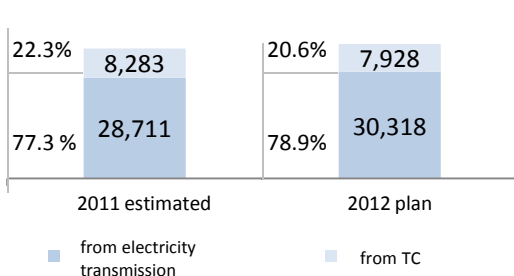


EBITDA, RUR mln



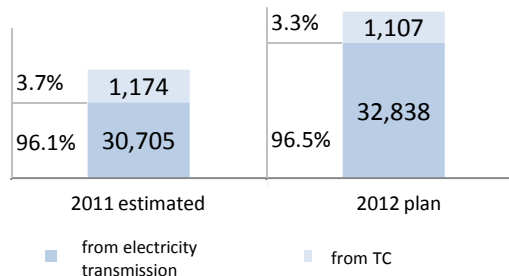
Revenue by types of activity\*, RUR mln

37,165 **+3.4%** 38,409



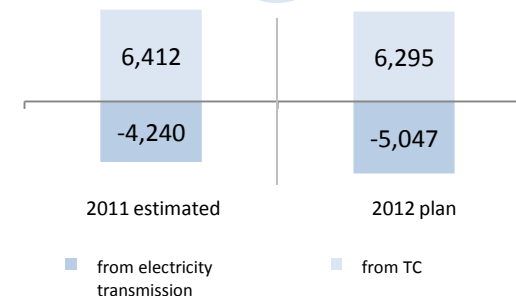
Costs by types of activity\*, RUR mln

31,953 **+6.4%** 34,012



Net profit by types of activity\*, RUR mln

1,000 **+35.0%** 1,350



\* Including other activities the amount of revenue and costs of which is less than 1% of the total sum

## The main factors influencing the formation of the forecast financial result in 2012:

- decrease in revenue from services on TC by RUR 355 mln (4.3%) due to the performance of obligations to the largest applicant - OOO Gazprominvestzapad
- decrease in revenue from other activities by RUR 7 mln (4.2%)
- increase in revenue from electricity transmission services by RUR 1,322 mln (5%) for the following reasons:
  - increase in electricity transmission volumes
  - increase in tariffs for electricity transmission, taking into account the rate of growth in accordance with the scenic terms of IDGC Holding
- increase in costs by RUR 2,059 mln (6.4%), mainly due to increased costs for the purchase of power to compensate for losses, fees to FGC and TGOs, labor costs and depreciation fees while reducing leasing costs

# Credit portfolio and debt position of Lenenergo for the end of 2012

## Capital structure, RUR mln

	31.12.2011 estimated	31.12.2012 plan	Δ in % 31.12.2012/ 31.12.2011
Equity capital	53,215	62,304	17.1%
Liabilities, inc.	51,974	45,746	-12.0%
Long-term borrowings	23,374	26,952	15.3%
Short-term borrowings	28,600	18,794	-34.3%
Equity to liabilities	1.02	1.36	-
Leverage	33.7%	30.6%	-3.1 p.p.

## Credit portfolio, RUR mln

	31.12.2011 estimated	31.12.2012 plan	Δ in % 31.12.2012/ 31.12.2011
Long-term credits and loans	20,800	25,464	22.4%
Short-term credits and loans*, including: bonded loan (maturity in 2012)	6,000	1,965	-67.3%
Debt on interest	193	50	-73.9%
Accounts payable**	22,734	16,759	-26.3%

\* Liabilities on bonded loans of series 02 and 03 in the amount of RUR 6,000 mln as of 31.12.2011 was transferred in accordance with the requirements of RAS in the structure of short-term liabilities in connection with the upcoming maturity in 2012

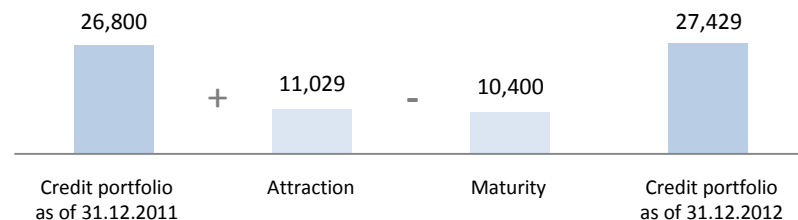
\*\* The amount of aggregate (long-term and short-term) accounts payable is displayed (without debt on credits and loans)

## Debt position, RUR mln

	31.12.2011 estimated	31.12.2012 plan	Δ in % 31.12.2012/ 31.12.2011
Net debt as of the end of the period**	20,198	27,272	35.0%
Net debt/EBITDA	2.44	2.82	15.9%

\*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

## Borrowings flow in 2012, RUR mln



As of the end 2012:

- RUR 25,464 mln – long-term liabilities on the sum of main debt;
- RUR 1,965 mln – short-term liabilities on the sum of main debt – loans transferred into the structure of short-term debt in accordance with accounting standards: prior to their maturity is less than one year;
- The sum of accrued interest on long-term and short-term credits and loans as of 31.12.2012 is RUR 50 mln

## Senior lenders of Lenenergo:

SBERBANK  
VTB BANK Saint-Petersburg  
SVYAZ-BANK  
JSB ROSSIYA

Expected average weighted  
interest rate in 2012

**9.08%**

## Credit Ratings



Agency	Rating	Assigned
Moody's	Ba2 (forecast - stable)	November, 2009
Moody's Interfax Rating Agency (rating on national scale)	Aa2.ru (forecast - stable)	November, 2009

**Confirmed in March, 2011**

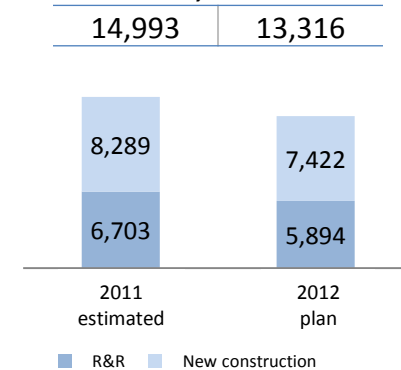
# Investment program of Lenenergo for 2012

Capital investments in accordance with the draft investment program for 2012 will amount to RUR 13,316 mln, that is RUR 1,677 mln, or 11.2% less than in 2011 (estimated) – RUR 14,993 mln

## Investment program, RUR mln

Indicator	Saint-Petersburg			Leningrad region			Lenenergo		
	2011	2012	Δ in % 2012/2011	2011	2012	Δ in % 2012/2011	2011	2012	Δ in % 2012/2011
Disbursement, RUR mln, net after VAT	10,997	9,950	-9.5%	3,996	3,366	-15.8%	14,993	13,316	-11.2%
Commissioning of FA, RUR mln	11,428	12,179	6.6%	4,849	3,060	-36.9%	16,277	15,239	-6.4%
Financing, RUR mln, VAT included	11,349	11,746	3.5%	3,870	3,469	-10.4%	15,219	15,215	0.0%
Commissioning of capacities, MVA	437	805	84.4%	290	202	-30.3%	727	1 007	38.6%
Commissioning of capacities, km	851	492	-42.2%	749	658	-12.2%	1 600	1 150	-28.1%
Capacity gain, MVA	349	485	38.9%	140	137	-2.0%	489	622	27.2%
Capacity gain, km	671	296	-55.9%	306	206	-32.7%	977	502	-48.6%

## CAPEX, RUR mln

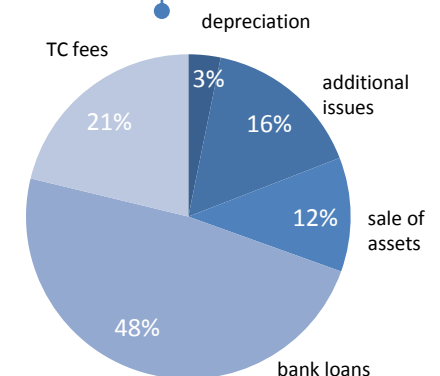


## Capital investments in 2011-2012, RUR mln, net after VAT

Lenenergo	2011 estimated	2012 plan	Δ in % 2012/2011
Total	14,993	13,316	-11.2%
Retrofitting and renovation	6,703	5,894	-12.1%
New construction	8,289	7,422	-10.5%

## Employment of investment sources in 2011-2012, RUR mln, net after VAT

Indicator	2011 estimated	2012 plan	Δ in % 2012/2011
Investment sources, total	15,074	13,316	-11.7%
depreciation	5,214	426	-91.8%
additional issues, including loans attracted for additional issues	1,152	2,119	83.9%
sale of assets	1,898	1,515	-20.2%
lost income	18	-	-100%
bank loans	3,135	6,431	105.2%
technological connection fees	3,657	2,826	-22.7%



# Parameters of the additional issue of ordinary shares of Lenenergo in 2012-2013

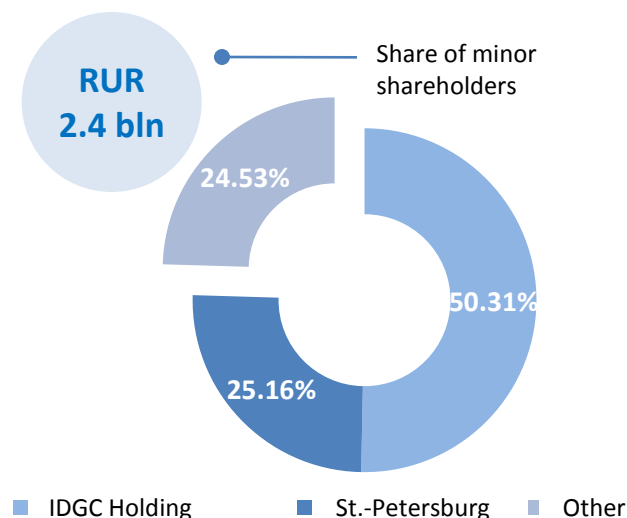
Lenenergo conducts corporate procedures to launch the additional issue of ordinary shares in 2012-2013

The target designation of funds is the Renovation program of 6-110 kV cable network in Saint- Petersburg

IDGC Holding and the Administration of Saint-Petersburg exercise their preemptive right to purchase shares in accordance with the existing proportion in ordinary shares of Lenenergo

	1Q -2Q 2012	4Q 2012 – 1Q 2013	2013	2012-2013
<b>Form</b>	public offering			
<b>Offering price</b>	the weighted average price determined on the results of trading on the MICEX Stock Exchange for 3 months			
<b>Volume of issue, RUR bln</b>	3.98	4.97	0.99	<b>9.94</b>
<b>Payment procedure for shares</b>	Cash assets + property*			

\* The St.-Petersburg Government is involved in the additional issue by introducing power grid property



The economic effect from implementation of the Renovation program of cable network in St.-Petersburg is the increase of profitability of Lenenergo

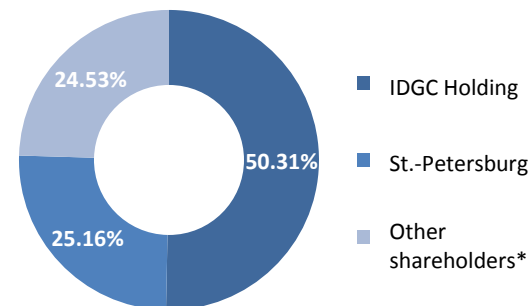
by achieving the following goals:

- improving power supply security
- reducing wear of grids
- reducing losses in grids

# Additional issue of ordinary shares of Lenenergo in 1Q and 2Q 2012

Parameters of the additional issue of ordinary shares in 1Q and 2Q 2012

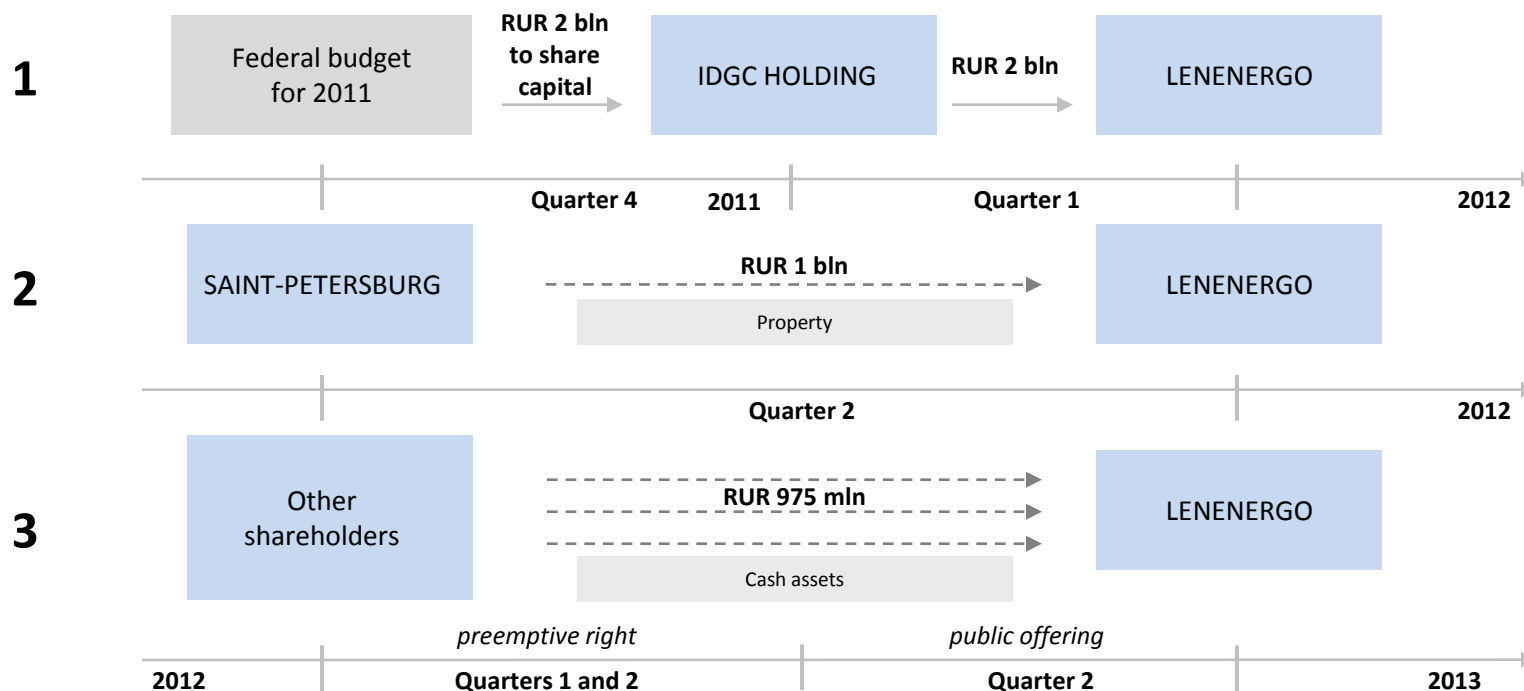
After placing the issue			
Shareholder	Volume of acquisition, RUR	Volume of acquisition, pcs	From share capital, %
IDGC Holding	2,000,000,009	137,362,638	50.31
St.-Petersburg	999,999,072	68,681,255	25.16
Other shareholders	975,0225,829	66,979,796	24.53*



Offering price **RUR 14.56** was defined as the weighted average price of one ordinary share on the basis of trading on the MICEX SE for 3 months in the period from 08.07.2011 up to 07.10.2011

\* Subject to placement of all additional shares in the issue

Plan-schedule of placing the additional issue of ordinary shares 1Q and 2Q 2012



The total period of placement is 170 days from the state registration date of the additional issue of shares



**THANK YOU  
FOR YOUR ATTENTION!**



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