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# North-West IRDNC OJSC

December 11, 2014  
Moscow



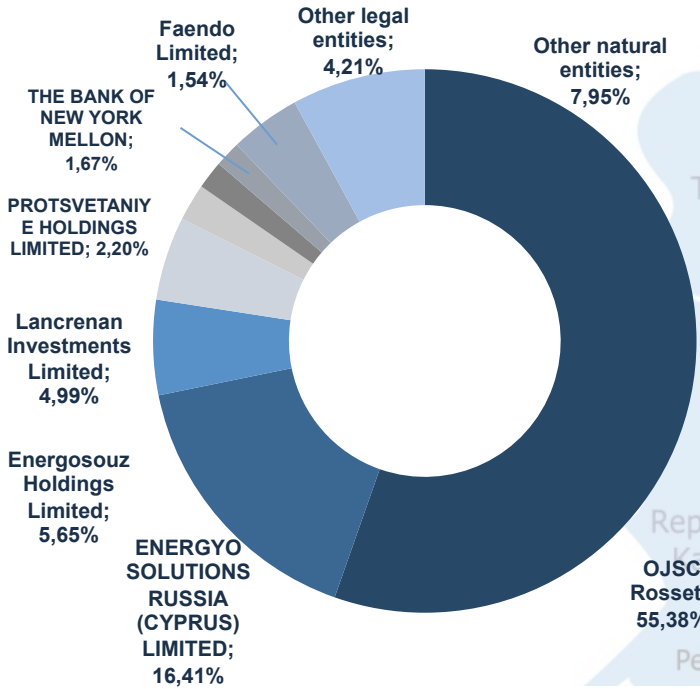
INTERREGIONAL  
DISTRIBUTION  
GRID COMPANY  
OF THE NORTH-WEST



Some statements of the present document may contain estimated or forecast data regarding the future North-West IRDNC OJSC events and development. We would like to draw your attention to the fact that these statements can be viewed only as assumptions and the actual course of events or the results can be different from the ones stated.

We do not intend to revise these statements in order to correlate them with the actual events and circumstances that may appear after the date stated above, or in order to reflect the events the occurrence of which is not currently expected.

Due to a number of factors the actual results of the North-West IRDNC OJSC activity may significantly differ from the ones given in our assumptions or forecasts; such factors can be represented by general economic environment and many other risks directly connected to the North-West IRDNC OJSC activity.

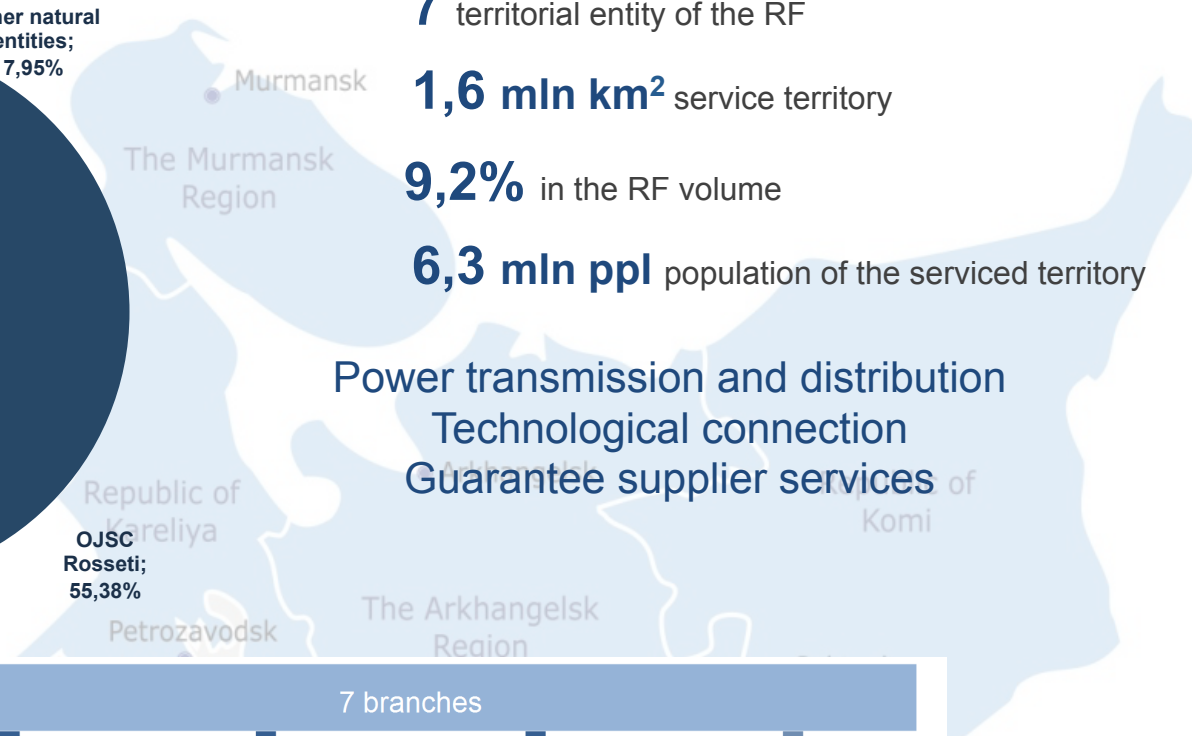


**7** territorial entity of the RF

**1,6 mln km<sup>2</sup>** service territory

**9,2%** in the RF volume

**6,3 mln ppl** population of the serviced territory



Power transmission and distribution  
 Technological connection  
 Guarantee supplier services

7 branches

OJSC Pskovenergosbyt

100% affiliate company, acts as power guarantee supplier for the Pskov region

OJSC Pskovenergoagent

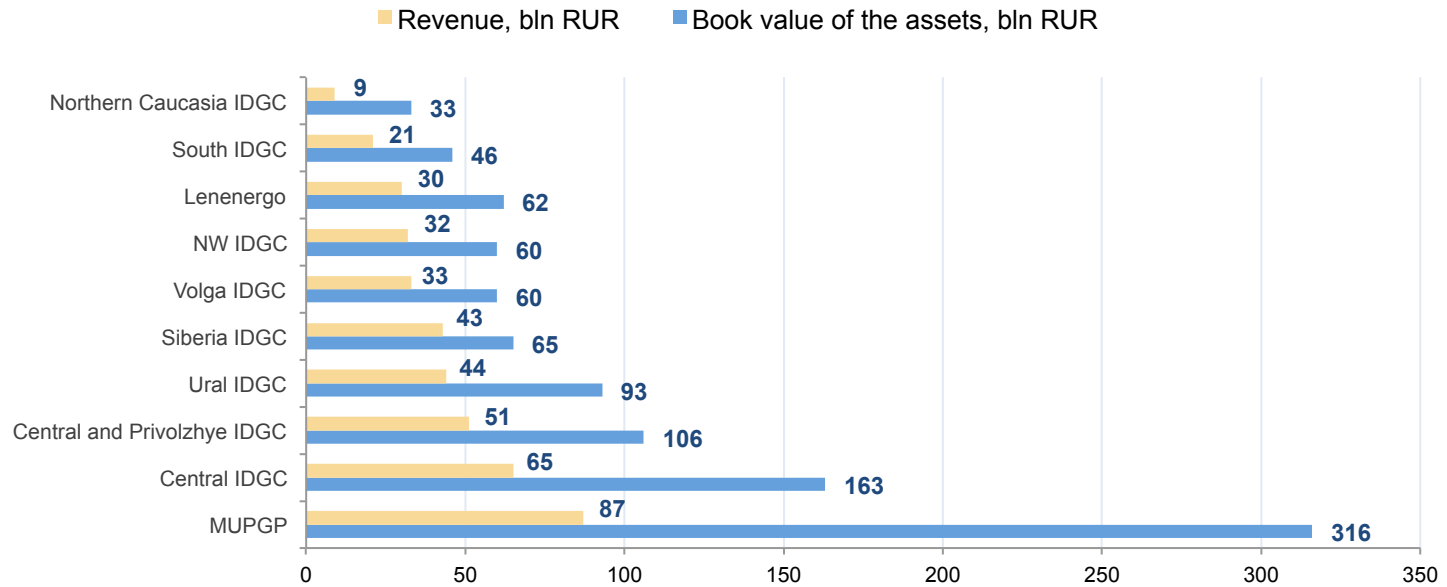
100% affiliate company, - performs metering of electric power transferred by Pskovenergo - concludes and services the power supply agreements

OJSC Energoservis Severo-Zapada

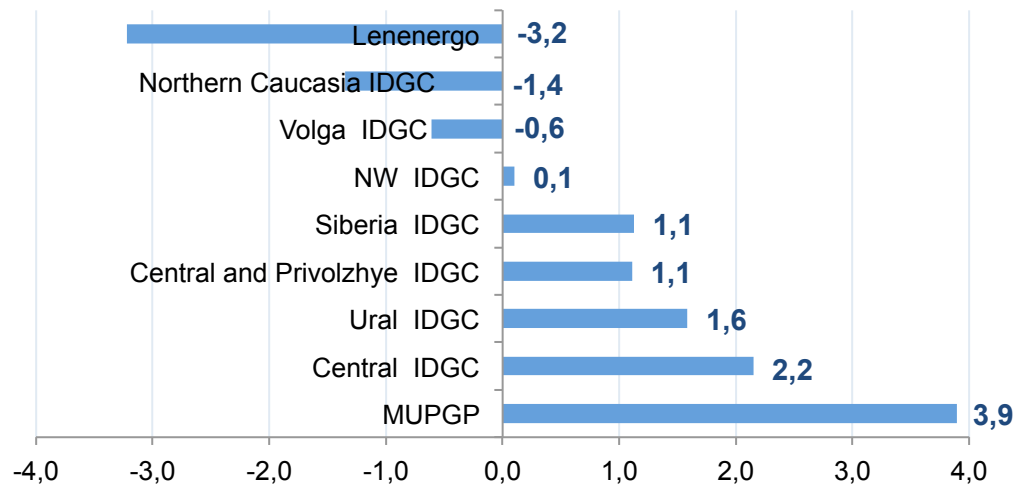
100% affiliate company, provides services in the field of energy saving and effective consumption

OJSC Lesnaya Skazka

97,96% affiliate company, is leased by LLC Park-Hotel Syamozero



## Net profit, bln RUR





Asset characteristics	9 months 2014	2014 plan	2015 plan
Number of substations, 35 kV and more, pcs.	1 149	1 149	1 149
Overhead power lines (OHPL) length along the route, km	161 427	161 427	161 897
Cable power lines (CPL) length along the route, km	8 115	8 115	8 115
Transformer capacity, MVA	18 345	18 345	18 345
Power network volume, c.u.	1 085 810	1 087 959	1 097 375

## Key performance indicators dynamics

9 months 2014

2014 plan

2015 plan

Revenue, mln RUR	31 954	43 769	38 889
EBITDA, mln RUR	5 901	6 691	7 888
Net profit, mln RUR	101	831	1 303
Net power supply, mln KWH	26 860	36 243	36 181
Power loss, mln KWH / %	1 724 / 5,98	2 513 / 6,42	2 499 / 6,37

\* EBITDA indicator calculation performed according to the Credit policy provisions



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# Key performance indicators according to the business plan: for the 9 months, 2014, 2014-2017 plans

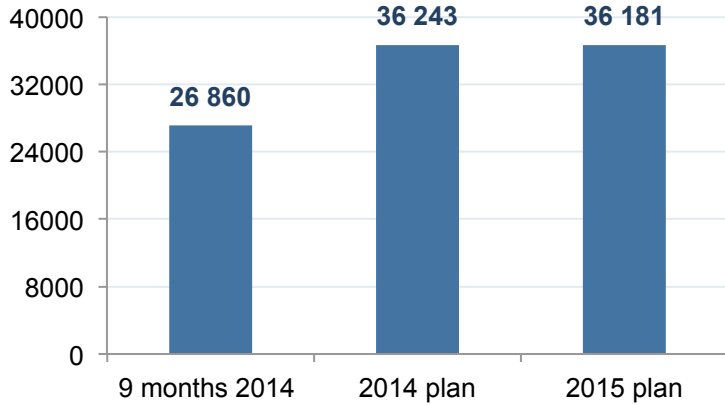

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Index	Unit of measurement	9 months 2014	2014 plan	2015 plan	Δ in % 2015/2014	2016 plan	2017 plan
Net power supply	mIn kWh	26 860	36 243	36 181	-0,2	36 343	33 552
Electric power loss	%	5,98	6,42	6,37	-0,05	6,30	6,69
Sales revenue, including:	mIn RUR	31 954	43 769	38 889	-11	37 103	38 594
<i>transmission revenue*</i>	mIn RUR	23 751	32 295	34 043	5	36 095	37 081
<i>transformer plant operation revenue</i>	mIn RUR	227	826	1 483	80	316	798
<i>power revenue</i>	mIn RUR	7 600	9 674	2 344	-76	0	0
<i>other revenue</i>	mIn RUR	375	974	1 019	5	692	716
Production cost	mIn RUR	29 816	39 837	33 944	-15	33 007	33 860
Gross profit	mIn RUR	2 138	3 932	4 944	26	4 096	4 733
Pre-tax profit	mIn RUR	247	1 267	1 923	52	914	1 436
Net profit	mIn RUR	101	831	1 303	57	483	893
For reference purposes:							
EBITDA	mIn RUR	5 901	6 691	7 888	+18	6 988	7 552
Debt/EBITDA		2,97	2,59	2,14	-17	2,27	1,97
Dividends (% from NP)			25	25		25	25
Investment program (development)	mIn RUR	3 117	4 807	4 413	-8	4 091	4 035

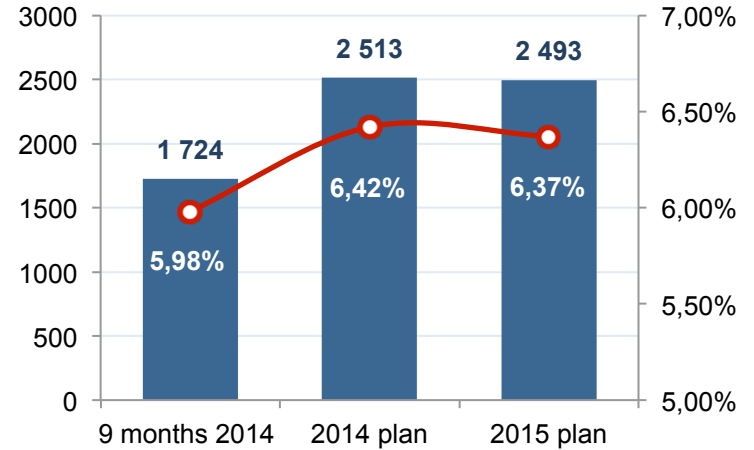
\* According to the management accounting



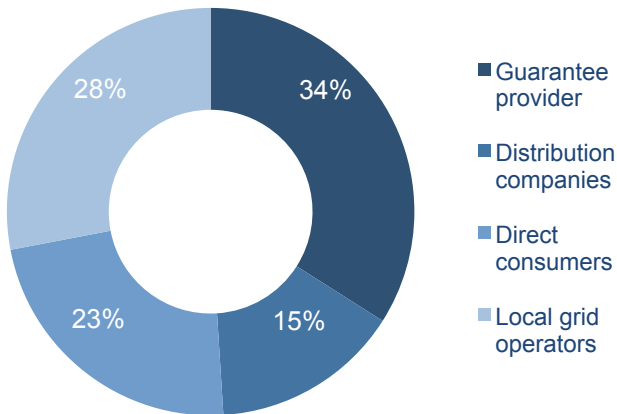
### Net power supply dynamics, mln kWh



### Loss dynamics, mln kWh, %



### Net power supply breakdown for 9 months of 2014, %



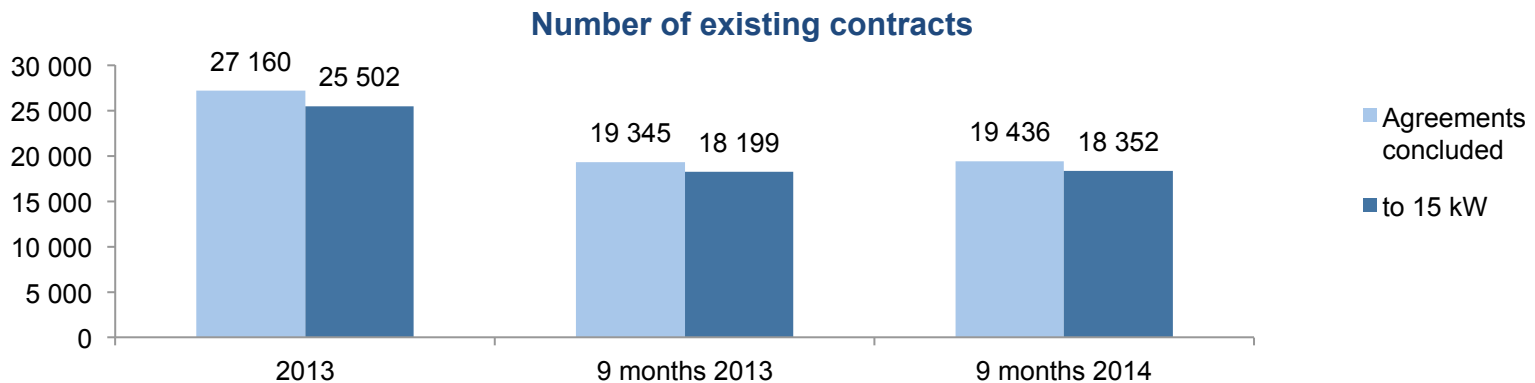
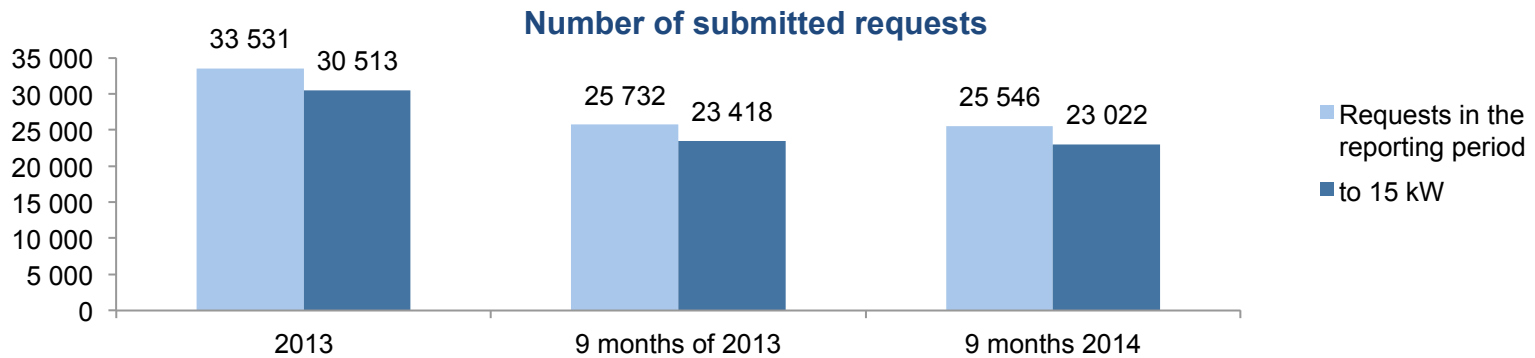
Results of loss reduction measures	9 months 2014	2014 plan	2015 plan
Loss reduction, mln kWh	51,85	89,89	37,08
Economic benefits, mln RUR	178,15	311,43	124,14

### Transmission revenue dynamics

Index	9 months 2014	2014 plan	2015 plan	Δ in % 2015/2014
Revenue, mln RUR without VAT	23 751	32 295	34 043	5

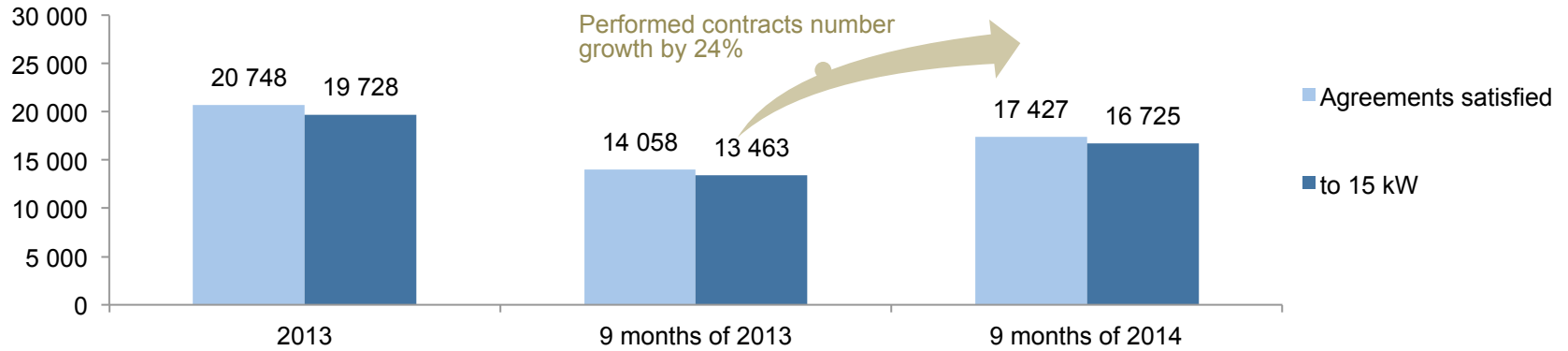
## TP operation revenue dynamics

Index	9 months 2014	2014 plan	2015 plan	Δ in % 2015/2014
Revenue, mln RUR without VAT	227	826	1 483	80
<i>Connected capacity, MW</i>	296	456	536	18

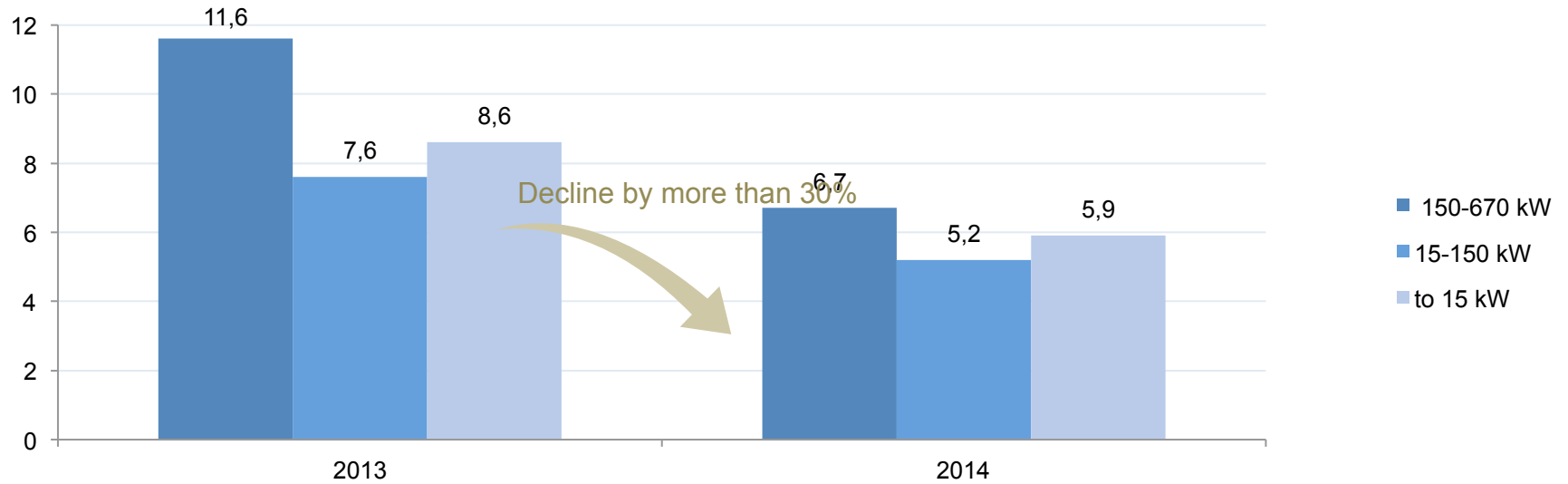




## Number of performed contracts



## Connection costs for 1 kW per applicant groups, thousand RUR



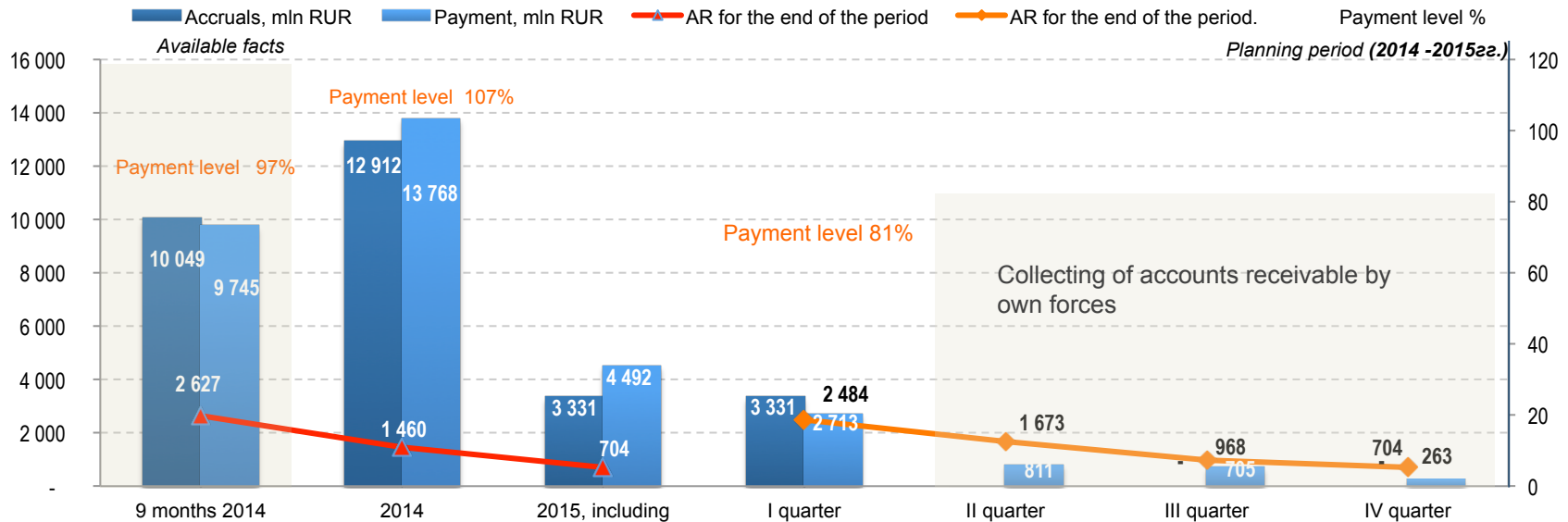
Financial result from the power sales, mln RUR

Index	2014, actual 9 months		Target data	
	2014	2015	2015	Δ in % 2015/2014
Power revenue	7 600	9 674	2 344	-76
Power sales prime cost	7 338	9 284	2 195	-76
Gross profit	261	391	148	-62
Business expenses	355	468	99	-79
Other revenues and expenses balance	58	49	-27	-154
Pre-tax profit (loss)	-35	-28	22	180
Net profit (loss) of the accounting period	-35	-28	21	174

Receivables analysis per main consumer groups, mln RUR

Index	Actual data		Target data			
	2014 9 months	Share in total Σ AR, %	2014	Share in total Σ AR, %	2015	Share in total Σ AR, %
Accounts receivable (reserve), including:	2 627 (47,0)	100,0 -	1 460 (50,0)	100,0 -	704 (68,0)	100,0 -
Non-industrial consumers	920	35,0	508	34,8	291	41,3
including: Housing and utility sector consumers	771	29,3	444	30,4	217	30,8
Municipal service providers (Consumers - managing companies, housing cooperatives, etc)	735	28,0	409	28,0	320	45,5
OJSC Oboronenergosbyt	447	17,0	307	21,0	72	10,2
Other	525	20,0	236	16,2	21	3,0

Power consumer payment fulfillment on the retail market for the analyzed period, mln RUR with VAT



Termination of the GS functions: from 01 October 2014 in Novgorod region, from 01 April 2015 in Murmansk region (full termination of the GS function)



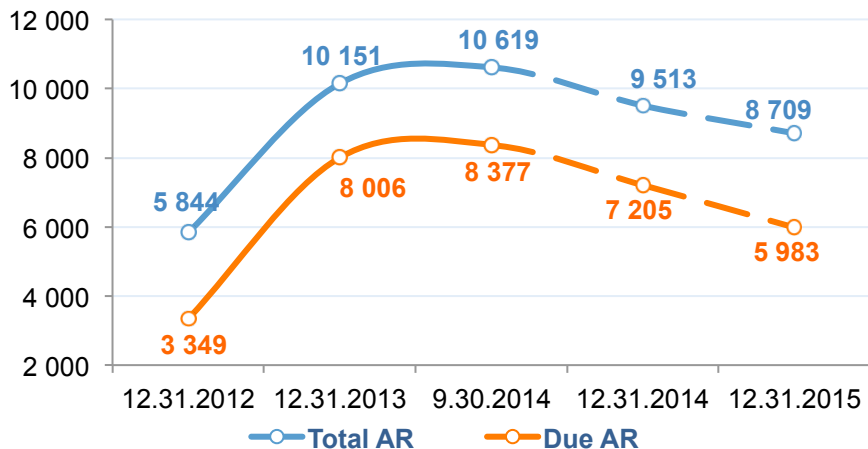
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# CONSUMER ACCOUNTS RECEIVABLE FOR THE ELECTRIC POWER TRANSMISSION SERVICES

(the data is given with respect to the bad debt allowance creation, mln RUR)



AR dynamics for power transmission services, mln RUR



**99,3%** of the overdue accounts receivable are being dealt with in order to decrease the debt

- 75,8% of the AR is being recovered by a legal procedure and by received warrants of execution
- 11,6% is recovered through a liquidation procedure
- 5,3% of the debt is restructured
- 6,6% is rescued through a complaint procedure (newly formed debt)

### AR decreasing measures

- Filing statements of claim.
- Recovering by a legal procedure, including enforcement proceeding methods.
- Offset of liabilities.
- Control over claims discharge priority.
- Control over claims being included into creditors' list.
- Control over restructuring agreements implementation.
- Liaisons with the law enforcement authorities (Vologda, Arkhangelsk).
- Cooperation with the government authorities of the RF territorial entities within the initiative for amending the current legislation norms covering the criteria for the GS status termination.
- Transition to direct agreements.
- Conducting negotiations on consolidation of the grid assets for the settlement of the National enterprise "Oblastnye elektroteploseti" debt.

Index	9 months 2014	2014 plan (optim.)	2015 plan (pessim.)	2015 plan
<b>Accounts receivable, mln RUR, including:</b>	<b>10 619</b>	<b>9 513</b>	<b>11 781</b>	<b>8 709*</b>
OJSC Arkhenergosbyt	2 109	2 428	2 940	2 117
OJSC Vologodskaya sbytovaya kompaniya	844	874	874	850
National enterprise Oblastnye elektroteploseti	746	275	855	749
OJSC Severstal	1 836	1 205	2 040	117*
LLC SK Tesla	670	583	600	583
OJSC Kolenergosbyt	222	222	222	222
OJSC Novgorodoblenergosbyt	312	313	312	312

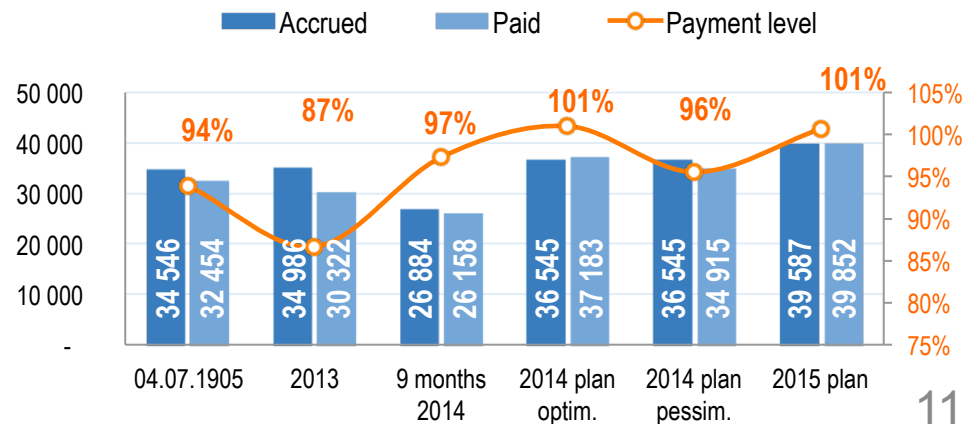
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Note: \* taking into account the agreement on OJSC Severstal debt restructuring

### Transmission services bad debt allowance data

Index	9 months 2014	2014 plan	2015 plan
<b>Transmission services bad debt allowance, mln RUR</b>	<b>973</b>	<b>924</b>	<b>431</b>

### Payment history on the consumers, mln RUR with VAT





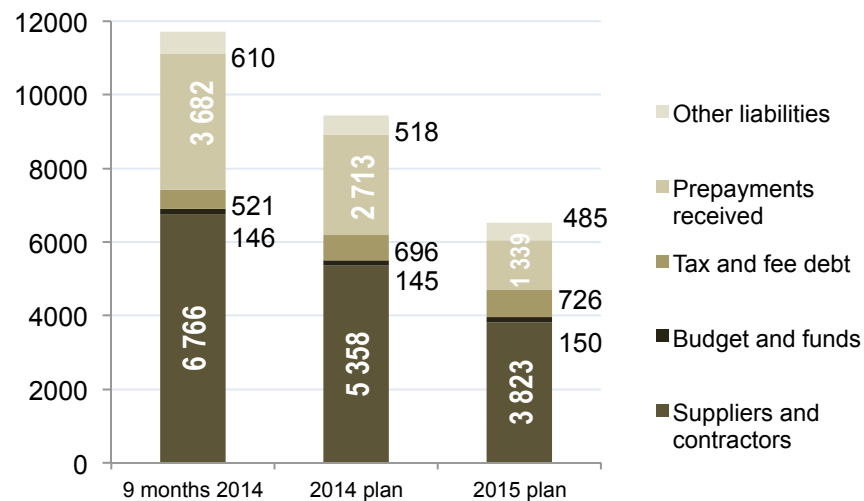
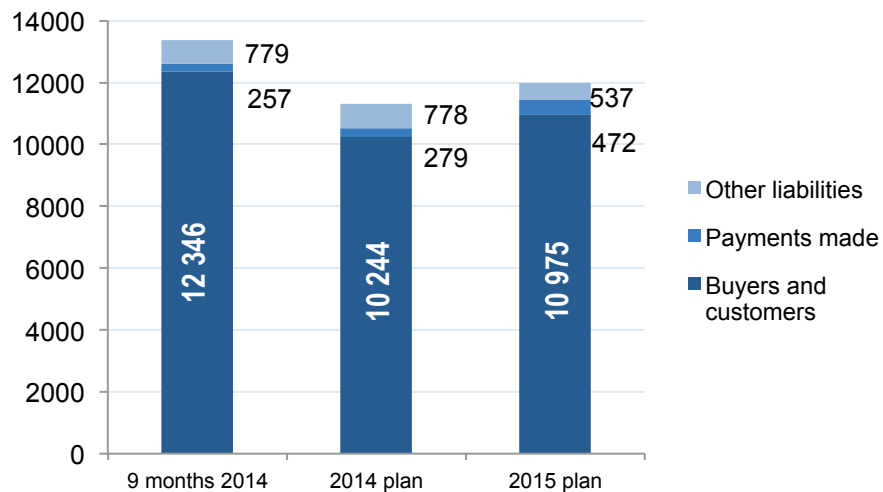
# Receivables and payables



Index	9 months 2014	2014 plan	2015 plan	Δ in % 2015/2014
Receivables, mln RUR	13 382	11 301	11 984	6
Buyers and customers, including:	12 346	10 244	10 975	7
• consumers of power transmission services*	9 646	8 589	10 001	16
• debt of former GP	222	222	222	
• end users' debt after taking over GP's functions	2 585	1 430	704	-51
Prepayments made	257	279	472	69
Other liabilities	779	778	537	-31
Prepayments allocated for capital building and capital assets acquiring	44	12	8	-33

Index	9 months 2014	2014 plan	2015 plan	Δ in % 2015/2014
Payables, mln RUR	11 725	9 433	6 523	-31
Suppliers and contractors	6 766	5 358	3 823	-29
• Including those engaged in investment activity	1 837	1 856	1 604	-14
• including the debt in the wholesale electric power market	343	381	0	-100
Budget and funds	146	148	150	1
Tax and fee debt	521	696	726	4
Prepayments received	3 682	2 713	1 339	-51
including prepayments for technical connection	3 021	2 374	1 214	-49
Other liabilities	610	518	485	-6

(\* Note: the data on the receivables is given without (minus) the bad debt reserve





## Capital structure, mln RUR

Index	9 months 2014	2014 plan	2015 plan
Equity capital	27 471	28 201	29 296
Liabilities, including:	32 316	30 531	26 558
Long-term liabilities	19 556	15 906	10 591
Short-term liabilities	12 760	14 624	15 968
Debt and own capital ratio	1,18	1,08	0,91

Index	9 months 2014	2014 plan	2015 plan
Receivables and payables growth ratio	0,67	0,68	1,18
Cumulative receivables and payables ratio	1,14	1,20	1,84

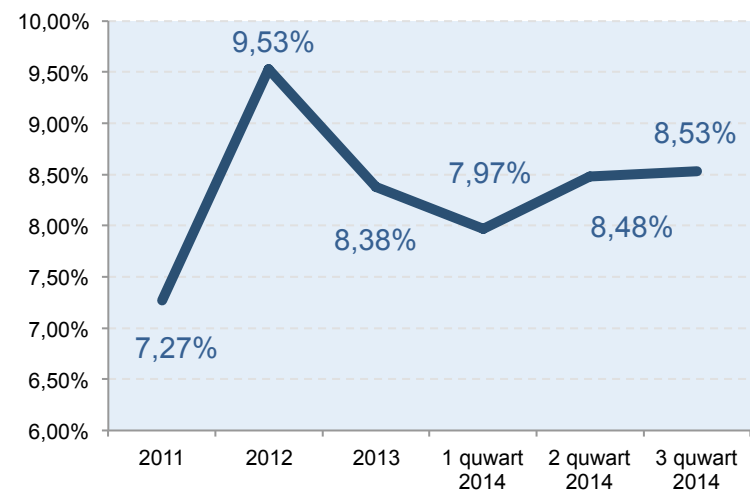
## Loan portfolio, mln RUR

Index	9 months 2014	2014 plan	2015 plan
Long-term credits and loans	15 823	12 707	7 319
Short-term credits and loans	1 649	4 615	9 554
Interest debt	33	32	32

## Debt position, mln RUR

Index	9 months 2014	2014 plan	2015 plan
Debt for the end of the period	17 505	17 354	16 905
Debt/EBITDA	2,97	2,59	2,14

## Change in average weighted rate of the loans taken

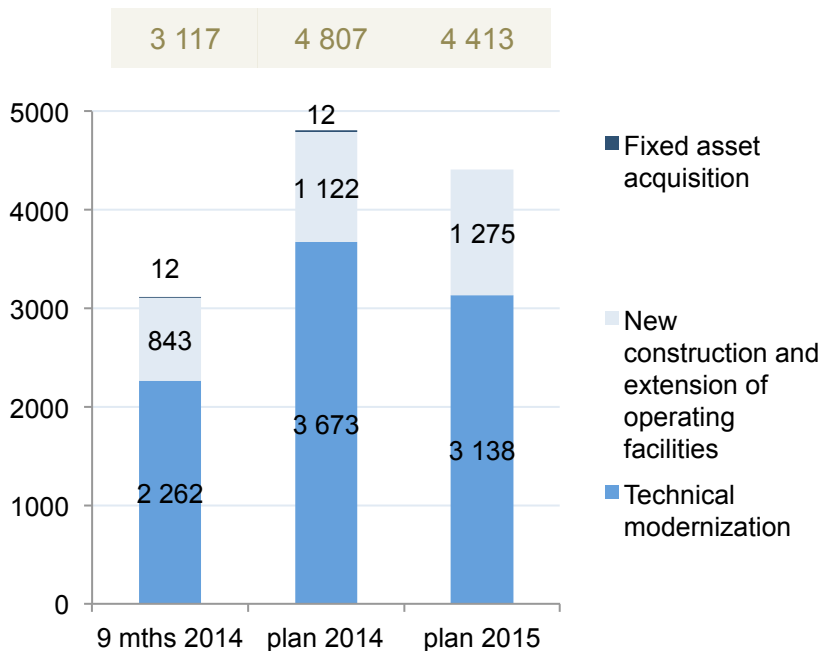




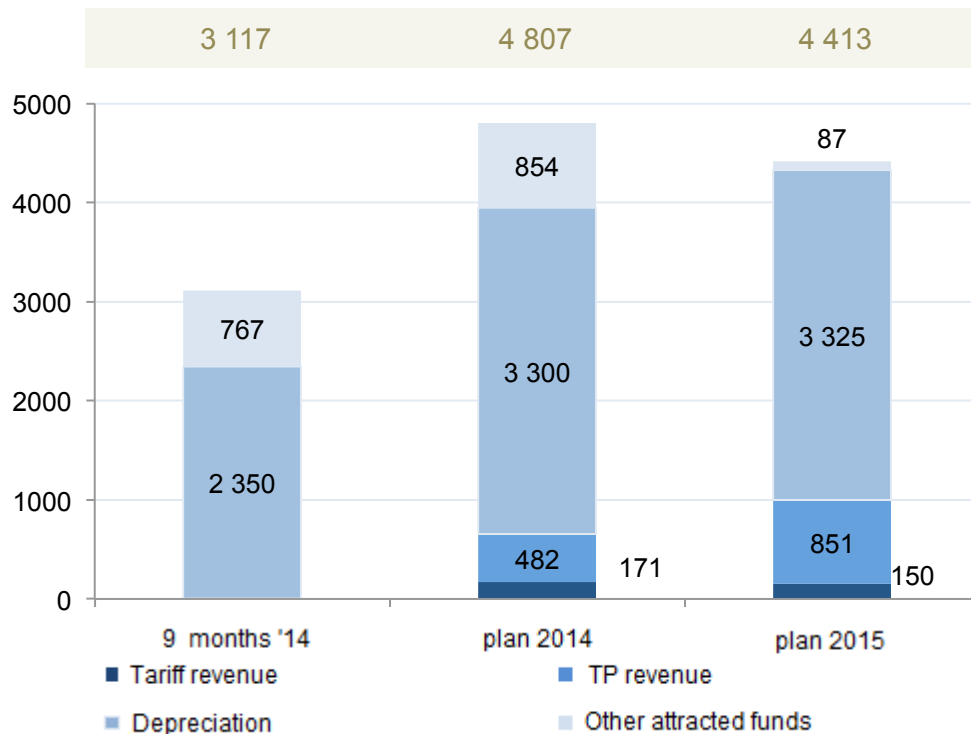
## Investment program parameters

Index	9 months 2014	2014 plan	2015 plan	2016 plan	2017 plan	2018 plan	2019 plan
Assimilation of CAPEX, mln RUR without VAT	3 117	4 807	4 413	4 091	4 035	4 286	4 471
Financing, mln RUR without VAT	3 074	5 078	5 406	4 732	4 685	4 947	5 160
New fixed capital formation, mln RUR	2 116	5 068	4 619	4 247	4 052	4 586	5 064
Introduced capacity	MVA	98	331	295	472	247	134
	km	913	1 148	658	371	525	858

## Assimilation of CAPEX, mln RUR without VAT

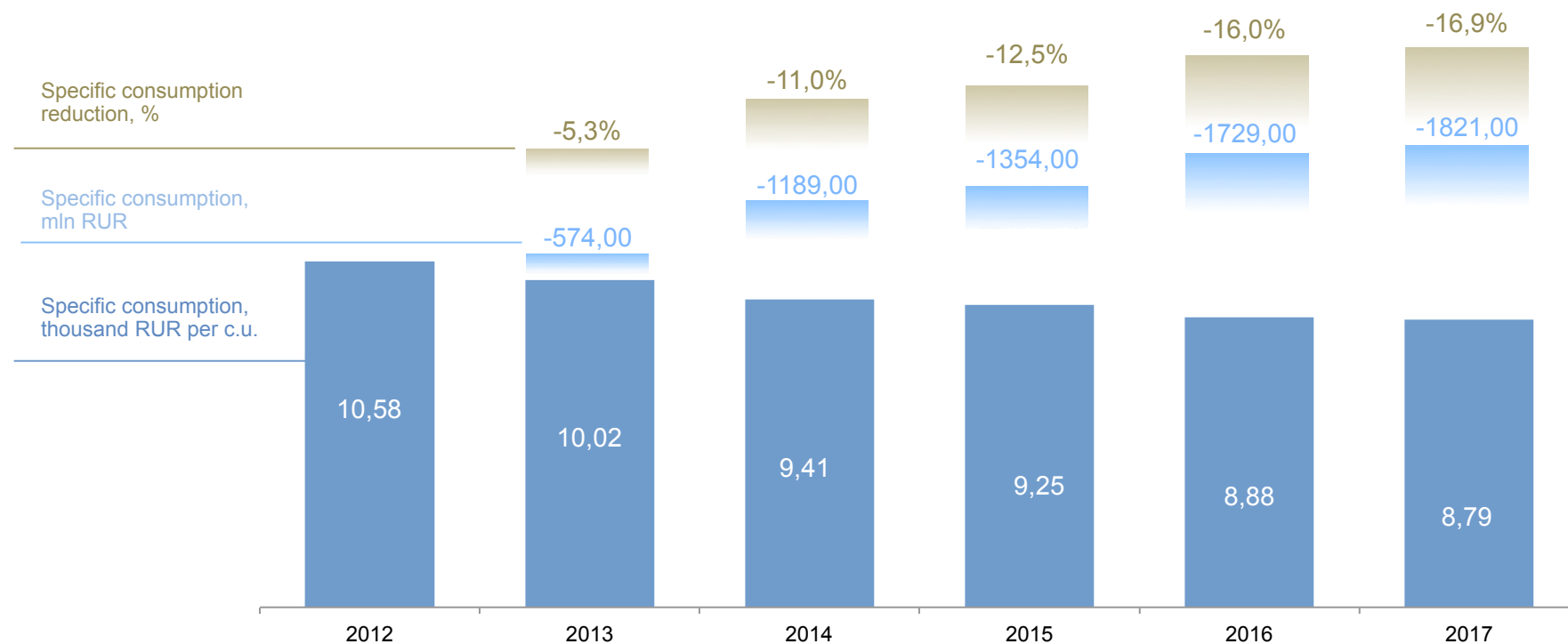


## CAPEX funding sources, mln RUR without VAT

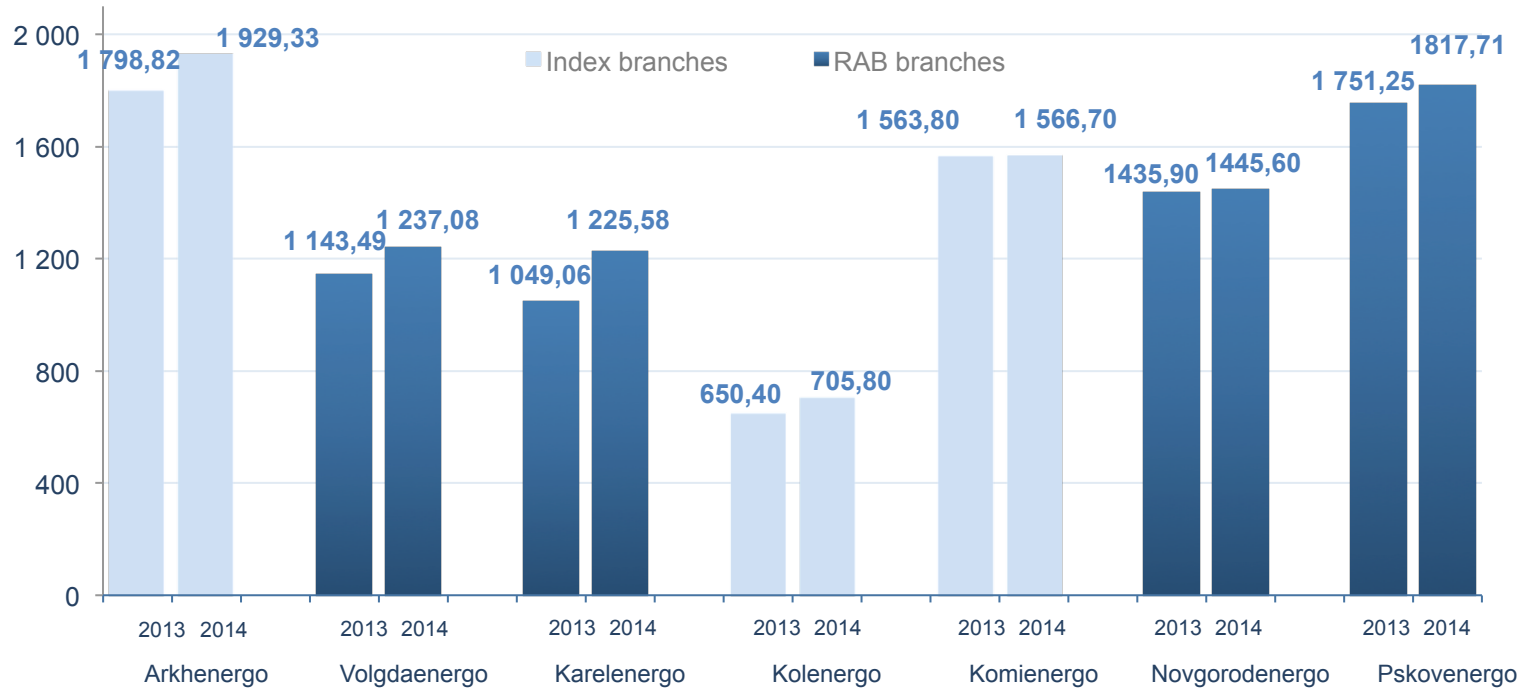




Index	Unit of measurement	2014 plan	2015 plan	2016 plan	2017 plan
Standard units number	thousand c.u.	1 088	1 097	1 104	1 119
CPI	%	5,6	6,7	4,4	4,3
Total expenses including business and management costs, including	mIn RUR	31,397	32,760	34,031	34,921
Controllable costs	mIn RUR	11 518	12 427	12 536	13 110
Uncontrollable costs	mIn RUR	19 879	20 334	21 494	21 811
Effect from the Electrical Facilities Maintenance Rules	%	-11,0	-12,5	-16,0	-16,9
Controllable costs target reduction level	%	5,0	10,0	15,0	15,0
Effect from the Electrical Facilities Maintenance Rules	mIn RUR	-1 189	-1 354	-1 729	-1 821



Average tariff for the power transmission (for the Northwest regions) in 2014, RUR per MWh



Tariff growth rates in 2015

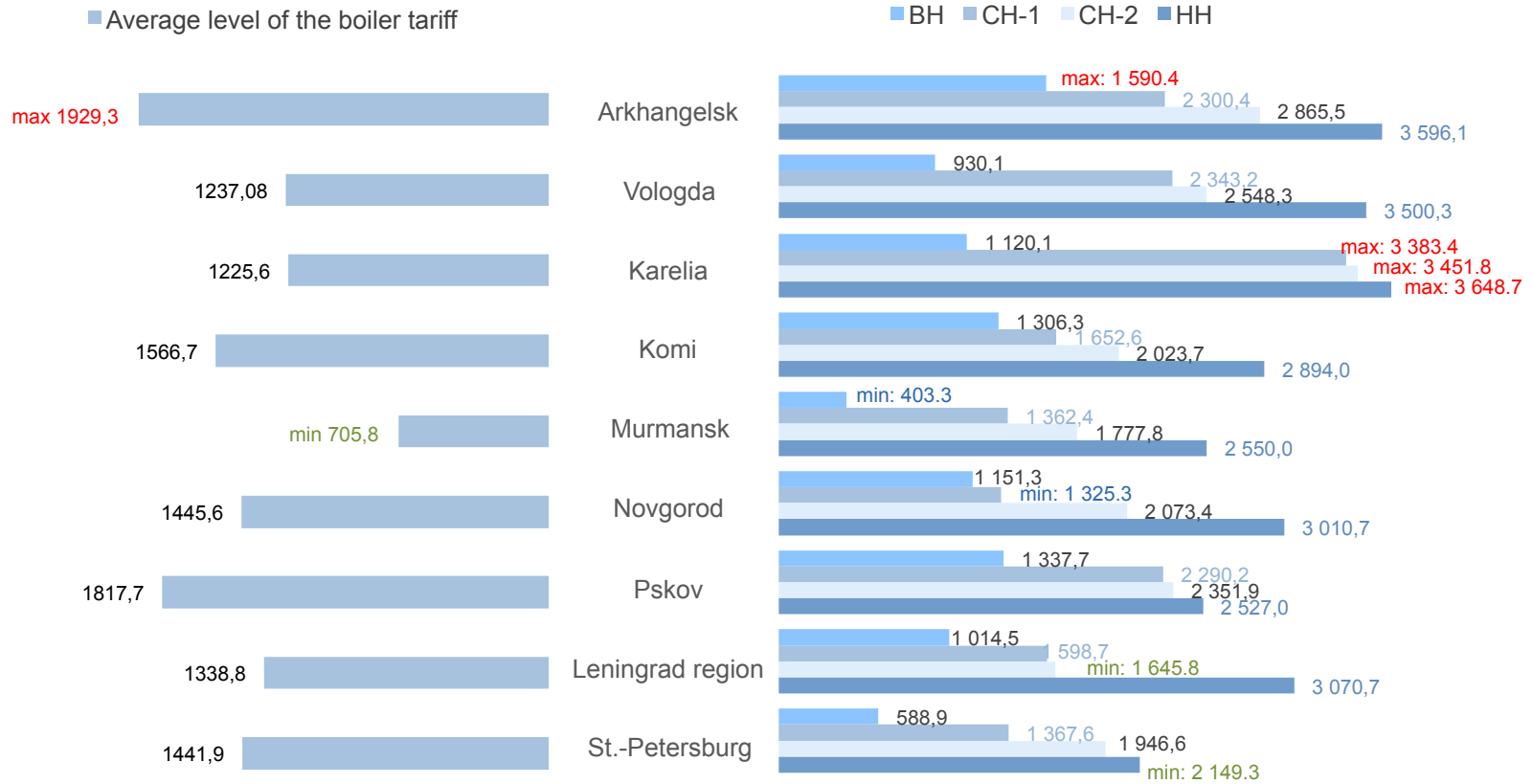
	RF social and economic development forecast			
	year 2014	year 2015	year 2016	year 2017
Growth of regulated tariffs for the grid operators, %	104,8%	103,8%	106,6%	105,1%
Tariff increase from July 1st, %	100,0%	107,5%	105,5%	104,5%



## Bend points of the revenue and tariff rates graphs for the Northwestern Region

Average level of the tariff for the tariff groups per net power supply unit

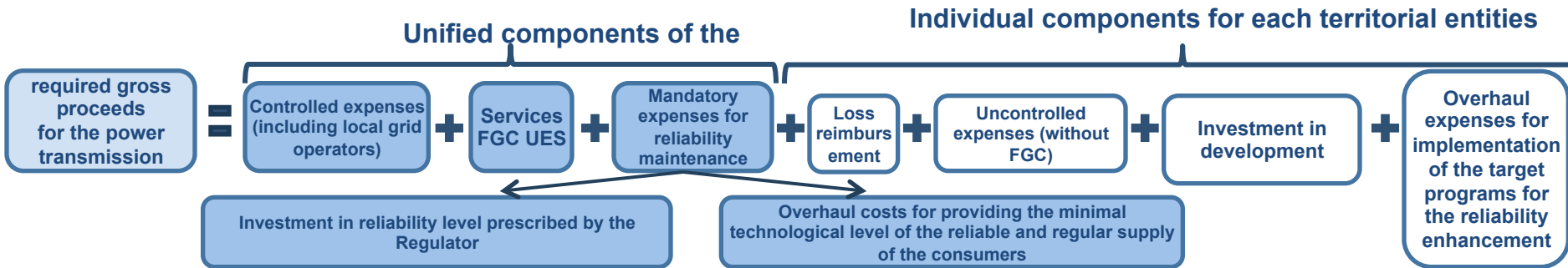
Tariff rates for the voltage levels from 01.07.2014 (other consumers)



Within the Northwestern Federal Region there are significant differences in average tariff level for the Other Consumers group, and as well in the voltage levels, this bearing a significant influence on the consumer competitive ability and distribution of the production assets within the region.

## Power transmission tariffs unification methods

$$\text{Unified tariff} = \left[ \text{Unified components of the required gross proceeds} + \text{Individual components of the required gross proceeds} \right] / \text{Net power supply}$$



## Unification of the tariff components of the required gross proceeds and power transmission tariff rates

### Unification of the individual components of the required gross proceeds

### Tariff rates unification

Current state

Distribution of the **FGC services payment** among NW regions according to their location

Distribution of the **system-wide investment component** among NW regions according to their location

Determining the **OPEX level** through the economically feasible expenses level with respect to actual data for each local grid operator

Co-adaptation of the tariff rates for the **population in the NW regions.**

Co-adaptation of the tariff rates for **other consumers in different industrial fields** in the NW regions

Proposal

Redistribution of the **FGC services payment** among the NW regions is in proportion to the regional consumption volume

Distribution of the **system-wide investment component** among NW regions is in proportion to the regional consumption volume

Development of the methodology for the **effective OPEX level** determination



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**Thank you for your attention!**