

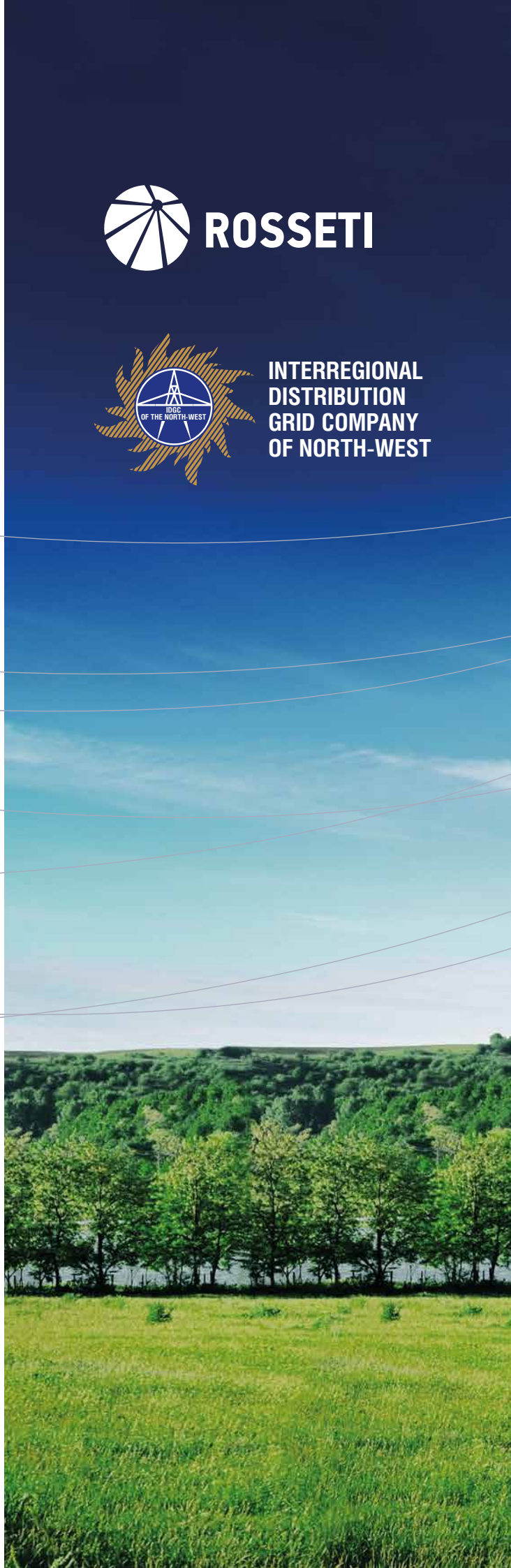
Annual Report  
JSC IDGC of the North-West  
2013



**ROSSETI**



**INTERREGIONAL  
DISTRIBUTION  
GRID COMPANY  
OF NORTH-WEST**





# Key Indicators

Capital investments amount

RUB 6,335 mln

VAT excl.



EBITDA

RUB 5,267 mln

+ 35.0%



Dividends for repayment to shareholders

RUB 76.6 mln

+ 396%



Total capacity of all substations

18,345 MVA



Number of substations with capacity of 35 KW and more

1,149 items









Productive electricity supply over grids

38,118 mln kWh



# Content

IDGC of the North-West  
Annual Report  
2013

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IDGC of the North-West

<http://eng.mrsksevzap.ru/>

## “Interregional Distribution Grid Company of North-West”, JSC

since 1 April 2008 has been operating as a united operational company. Its structure includes seven branches: Arkhenergo, Vologdaenergo, Karelenegero, Kolenergo, Komienergo, Novgorodenergo, and Pskovenergo.





**Interactive Annual Report  
IDGC of the North-West**

<http://ar2013.mrsksevzap.ru/en/>

The present Annual report of JSC IDGC of the North-West for 2013 (hereinafter – “Annual report”) is prepared on the base of information, available for the Company at the moment of its compilation.

The present Annual report contains data on the Company business activity results for 2013, and also assessment and forecasts of the Company management authorize bodies in relation to the future events and/or actions, industry development perspectives, where JSC IDGC of the North-West carries out its main business activity, and business activity results, including the Company plans, probability of certain events to happen and performance of certain actions.

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## Leaflet



**Full text version of the chapter  
“Corporate Governance”**  
Annual report available in the online  
version of the report

<http://ar2013.mrsksevzap.ru/en/>



**Information on the activities in the field of  
sustainable development,**  
see the online version of the Annual Report  
and CSR Report

<http://ar2013.mrsksevzap.ru/en/>



**The text of the application**  
You can read in the online version  
of the Annual Report

<http://ar2013.mrsksevzap.ru/en/>



**Full text version of the chapter  
“Overview of operating results”**  
refer to the online version  
of the Annual Report

<http://ar2013.mrsksevzap.ru/en/>



# 1. About the Company

## 1.1 REVIEW OF RESULTS

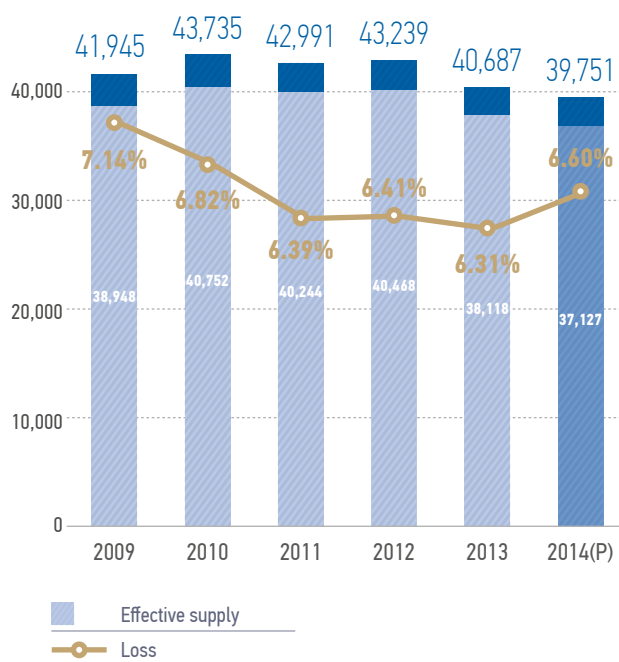
### ASSETS

Characteristics of assets	2009	2010	2011	2012	2013	2014(P) <sup>1</sup>
Length of overhead power transmission lines, km	167,225	166,642	167,216	167,946	<b>167,327</b>	167,883
Length of cable power transmission lines, km	8,048	7,945	7,924	7,999	<b>8,115</b>	8,157
Number of substations (>35kV), pcs	1,145	1,143	1,144	1,149	<b>1,149</b>	1,151
SS capacity, MVA	17,835	17,877	18,003	18,163	<b>18,345</b>	18,395
Total volume of electric grids, c.u.	691,602	681,524	990,840	1,021,926	<b>1,081,247</b>	1,085,619

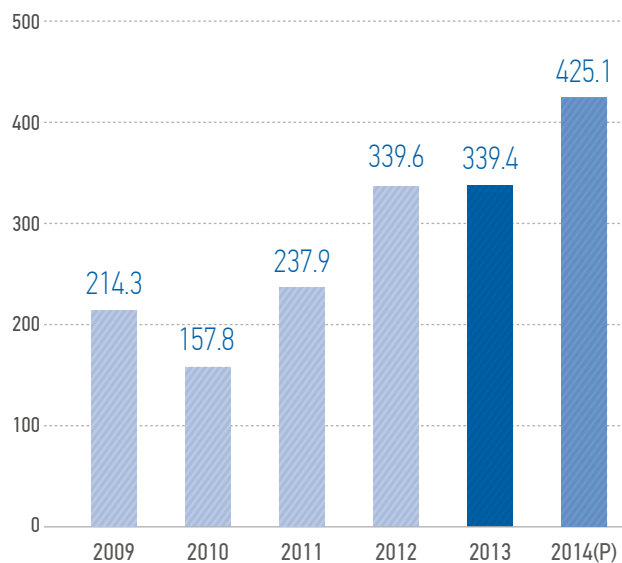
<sup>1</sup> Predictive values of indicators provided in accordance with the approved business plan of the Company for 2014.

### KEY OPERATIONAL RESULTS

#### Network supply, million kWh



#### Capacity added within technological connection, MW

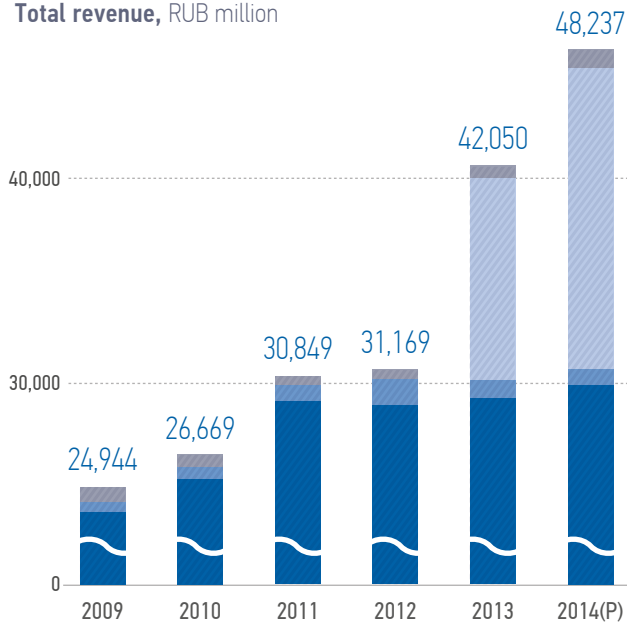


 More information about the production results on page 032

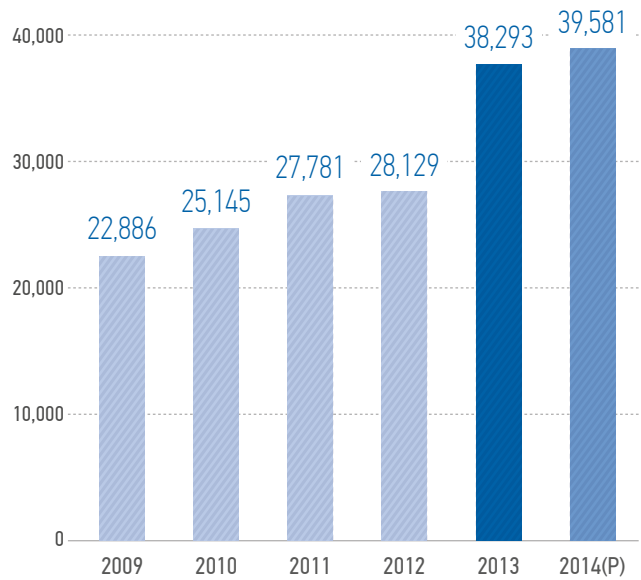


## KEY FINANCIAL RESULTS

Total revenue, RUB million



Production cost, RUB million



■	<b>23,616</b>	<b>25,346</b>	<b>29,486</b>	<b>29,276</b>	<b>29,650</b>	<b>30,386</b>	Electricity transmission
■	<b>497</b>	<b>668</b>	<b>884</b>	<b>1,412</b>	<b>955</b>	<b>800</b>	Technological connections
■	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,799</b>	<b>16,066</b>	Electricity sales
■	<b>831</b>	<b>655</b>	<b>479</b>	<b>481</b>	<b>646</b>	<b>985</b>	Other

Indicators	2009	2010	2011	2012	2013	2014(P)
EBITDA, in RUB million	3,189	2,641	3,956	3,901	<b>5,267</b>	6,518
Return on EBITDA, %	13	10	13	13	<b>13</b>	14
Ratio of net debt to EBITDA	1.67	1.76	1.57	2.71	<b>3.17</b>	2.35
Net profit, in RUB million	150	-807	408	62	<b>300</b>	865
Net profit margin, %	0.6	-3.0	1.3	0.2	<b>0.7</b>	1.8
Gross profit, in RUB million	2,058	1,524	3,067	3,040	<b>3,757</b>	8,656
Profit before tax, in RUB million	158	-348	960	422	<b>733</b>	1,361
Net profit margin, in RUB million	2,651	3,865	4,479	2,896	<b>585</b>	6,036
Return on equity secured by cash, %	0.27	-3.70	0.96	-0.98	<b>0.22</b>	3.08
Capitalization as of the end of the period, in RUB million	22,213	21,609	7,477	6,116	<b>2,712</b>	-



More information about the financial results on page 040



## KEY INDICATORS<sup>1</sup> OF THE INVESTMENT PROGRAM

Indicators	2009	2010	2011	2012	2013	2014(P)
Volume of capital investments, RUB million, exclusive of VAT	2,719.5	2,705.8	5,170.3	6,791.8	<b>6,334.6</b>	5,533.7
Financing of capital investments, RUB million, including VAT	2,768.2	3,271.2	5,705.5	8,157.1	<b>6,634.2</b>	6,092.9
Introduction of fixed assets, RUB million	3,003.1	2,574.2	4,753.9	6,277.0	<b>6,208.9</b>	5,680.8

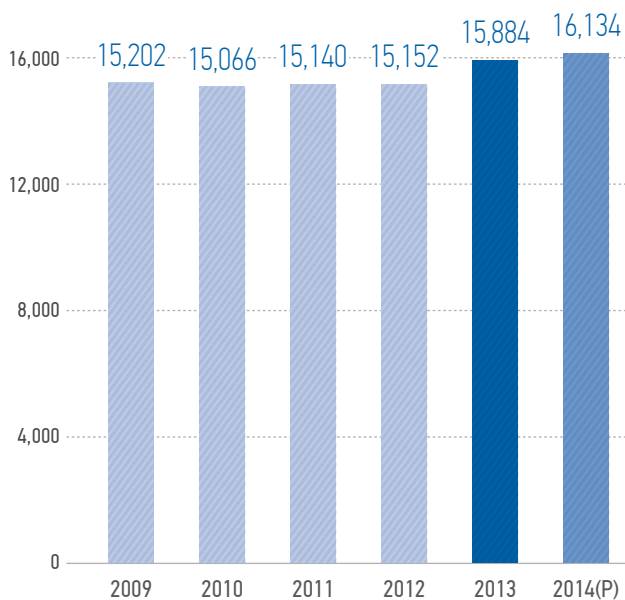
<sup>1</sup> Indicators of the Investment Program are given in accordance with the Investment Program of JSC «IDGC of the North-West» for 2014-2018, approved by the executive authorities of the Russian Federation on 01.02.2014.



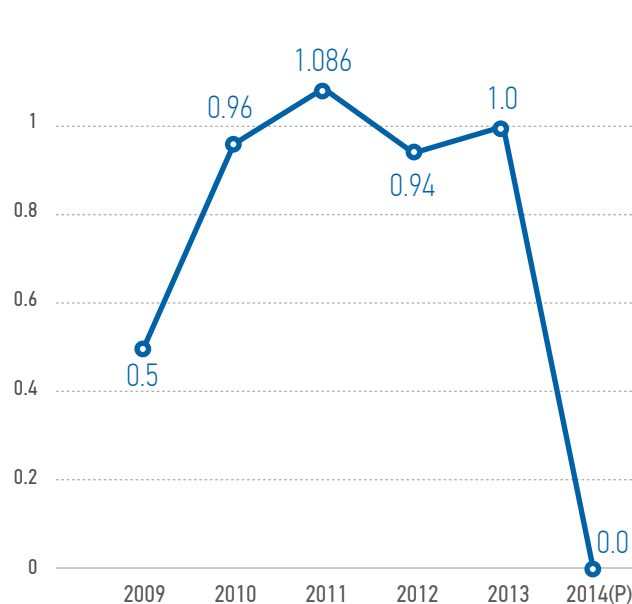
More information about the investment activity on page 062

## KEY INDICATORS OF SUSTAINABLE DEVELOPMENT

Number of personnel, people



Total injury frequency rate



**Additional indicators of sustainable development** given in the statement of activities in the field of sustainable development, available on the Company's website  
<http://eng.mrsksevzap.ru/>





## 1.2 COMPANY

Area of service zone

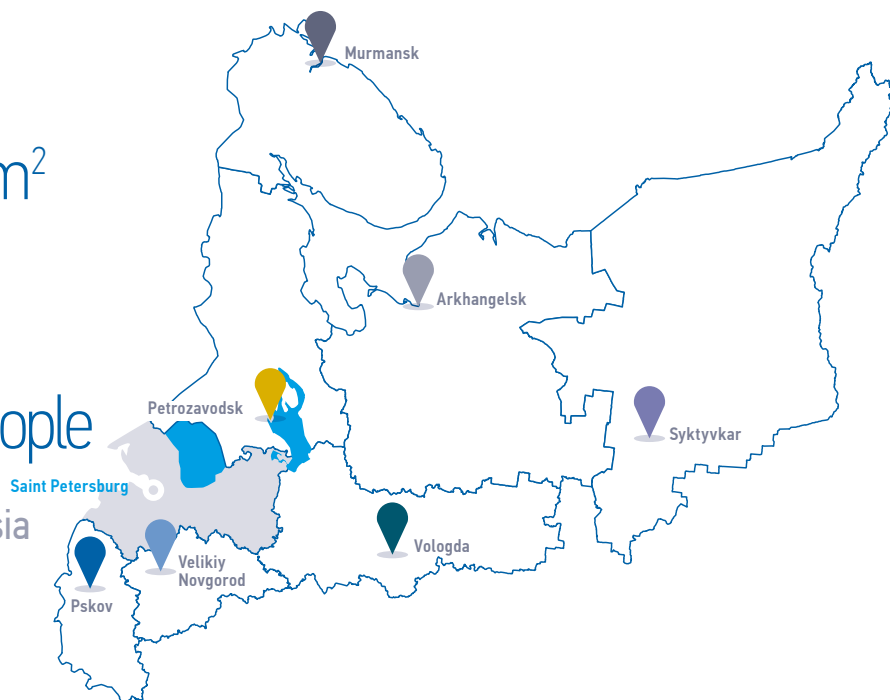
**1,585,900** km<sup>2</sup>

9.2% of the territory of Russia

Population of the service zone

**6,269.3** thou. people

4.4% of the population of Russia



### The ownership structure of the Company

Russian Grids<sup>1</sup>

**55.38%**

Minority Shareholders

**44.62%**

MRKZ quotes:

**0.02831 rubles/share**

traded on the Moscow  
Stock Exchange and are  
included in the quotation  
list **First level**

<sup>1</sup> 85.31% stake in Russian Grids owned by the Russian Federation

## 1.3 KEY EVENTS OF THE YEAR

IDGC of the North-West has started the performance of **guaranteeing supplier functions in Murmansk and Novgorod Oblasts**. Effective work in the new status has allowed the Company to reduce the debt for electricity transmission services of previous guaranteeing supplier in the amount of RUB 768 million.

The Annual General Meeting of Shareholders of IDGC of the North-West for the **first time decided to pay dividends**. For these purposes, the Company has sent RUB 15.5 million, demonstrating financial stability and efficiency of the Company activities.

**Public councils of consumers have been established in seven presence regions of IDGC of the North-West**, which improved the quality of interaction between the network company, the regional authorities and the end-consumers.

IDGC of the North-West has received the **Certificate of readiness for winter ahead of schedule**, demonstrating high readiness of forces and means of the energy company to work during peak load periods.

**The Investment Program of the IDGC of the North-West has been developed for 2014 in the amount of RUB 3,672 billion.** Despite the decline, the company retained the basic directions of investment activity, the implementation of which is essential for the development of local communities.



## 1.4 ADDRESS FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Under the  
**JSC IDGC of the North-West**  
Strategy, key production and financial  
performance indicators improved

Results indicate that the company  
sustained a stable financial result –  
a net profit of –

**RUB 300 million**

Dear Shareholders,

Please find enclosed the 2013 Annual Report for JSC IDGC of the North-West (a subsidiary of the company JSC Russian Grids).

2013 was a year of stable and steady growth for JSC IDGC of the North-West. The company's confident advance and progression allowed it to retain its position as one of the largest electricity grid companies in Russia's North-Western Federal District, providing a reliable electricity supply to regional consumers within the company's scope.

The Government of the Russian Federation's approval of the Strategy for the Development of Russia's Electricity Grid System, outlining the development priorities of the utility distribution companies to 2030, was a key event of the past year.

Under the JSC IDGC of the North-West Strategy, key production and financial performance indicators improved.

A range of measures was implemented, aimed at significantly reducing costs and maintaining a high level of financial stability under the existing tariff restrictions. Results indicate that the company sustained a stable financial result – a net profit of RUB 300 million.

With the increased state and public focus on the development of the electricity grid system, a strategic objective of JSC IDGC of the North-West since the company was formed, has been to build the confidence of the consumers, the state, investors and partners. Priority tasks are currently underway to achieve this, such as improving accessibility, and the rapid development and provision of a reliable network infrastructure. Reliability is a key priority. The unified technical policy in the electricity grid system designed to improve reliability, is subject to approval by the Board of Directors.

Solutions from the Consumer Services Councils in each of the seven regions under the company's scope have been devised, improving the quality of customer service at JSC IDGC of the North-West, under the revised 'Centralized Customer Services System' Framework. There are now tangible public bodies for monitoring the company's regional activity, improving information transparency with regard to tariff decisions, the accessibility of the power-generating infrastructure and the efficiency of the company's operational and investment activity.



In 2013, the Board of Directors revised and approved a number of provisions, designed to help the company attain its aims and objectives. These include the Provision on Investment Activity, the 'Technological and Price Auditing of Investment Projects' Framework, the Regulations for the Development, Justification, Coordination, Approval and Amendment of the Energy Conservation Program and for the Improvement of Energy Efficiency, the Provisions on the Procurement of Goods, Work and Services and the Provisions on Credit Policy.

JSC IDGC of the North-West adheres to the principles of accountability, fairness, transparency and responsibility, thereby embodying the standards of sound corporate governance. These principles have been reflected in the measures to improve corporate governance practice – the roll-out and implementation of annual training and the divulgence of the company's social reporting, the annual appraisal by the Committee for HR and Remuneration of candidates to the Board of Directors, the drafting and approval of a Corporate Code of Ethics and a revised and updated Code of Corporate Governance.

The company is committed to achieving an optimal ratio of executive, non-executive and independent directors on the Board of Directors, based on their knowledge, experience and skills. In 2013, representatives from the non-profit organizations Business Russia and the Association for the Protection of Investors' Rights were included on the JSC IDGC of the North-West Board of Directors and the Board of Directors' Committees, in addition to the majority and minority shareholders representatives.

The company's dividend policy is based on the company's balance of interests and its shareholders, when determining the dividend payment amount. JSC IDGC of the North-West is anticipating 25% of 2013 net profit, in line with RF Government Decree № 774-p, dated 29.05.2006 on dividend payments.

In 2013, JSC IDGC of the North-West confirmed a high level of corporate governance and disclosure of information. Based on the results of the XVI Annual Competition for Annual Reports, staged by JSC Moscow Exchange, JSC IDGC of the North-West's report was awarded Best Annual Report of a Company with a Capitalization of up to RUB 10 billion. The magazine Energy Market named the company the winner of the Breakthrough of the Year Award at the X Annual Competition for Fuel and Energy Company Annual Reports and Company Websites.

In 2014, IDGC of the North-West will continue to implement the approved Strategy for the Development of the Electricity Grid System and to provide a reliable and quality power supply to consumers, ensuring the further economic growth and prosperity of Russia's North-Western Federal District.

*Chairman of the Board of Directors  
JSC IDGC of the North-West*

**S.G. Titov**



## 1.5 ADDRESS FROM THE ACTING GENERAL DIRECTOR OF THE COMPANY



### Dear Shareholders,

Please find enclosed the JSC IDGC of the North-West Annual Report, reflecting the company's production, financial and economic, environmental and community activity in 2013.

In this landmark year for the power-generating industry, the country's entire electricity grid system was merged under the authority of the largest power-generation company in the world – JSC Russian Grids. JSC IDGC of the North-West was incorporated into the new holding as a subsidiary company, assuming all the obligations to implement a unified technical, corporate and HR policy. In 2013, as an infrastructural enterprise, the company provided the supply of electricity to consumers in seven regions of Russia.

Capital expenditure in 2013 reached RUB 6,334.6 million. Input from fixed assets reached RUB 6,208.9 million; in physical terms – 356.97 MVA of transformer capacity and 2,366.48 km of power transmission lines, with a voltage of 0.4–150 kV. The most notable investment projects were implemented in the Vologda, Murmansk and Pskov regions, and in the Republics of Komi and Karelia. In particular, the refurbishment and reconstruction of the 110/10 kV Roslyatino substation in the Vologda region has enhanced the quality of the electricity supply to socially significant facilities in the Babushkinsky district. The new transformer at the Vostochnaya 110/35/10 kV substation in Vologda will ensure the supply of power for the regional center's rapidly developing housing and residential infrastructure and major industrial consumers, merging in the future, all of Vologda's power-generating centers into a unified electricity and power ring, thereby increasing reliability.

The construction is now complete of an overhead 10 kV line to Spasso-Kammeny Island in the Ust-Kubinsky district of the Vologda Oblast for the reliable supply of power to the XVI century museum – the Spasso-Kammeny Museum and Monastery – also included in the UNESCO register.

In the Prionezhsky district of Karelia, the 110/10 kV Logmozero substation has been commissioned, making joint Russian-Finnish projects a reality – notably the joint intergovernmental project the Technological Village and the construction of a production plant for reconstituted particle boards, the first of its kind in the Republic of Karelia.

In the Republic of Komi, the refurbishment and reconstruction of the 110/10 kV Ust-Kulom substation has enabled complex repair works to be completed without any disruption to consumers.

In the Pskov Oblast, SS 35/10 kV № 39 Lekhovo has been commissioned. In addition to providing existing consumers with a reliable power supply, it has also been possible to hook up three Velikoluksky Pig Feeding Comple' LLC pig feeding production facilities.

To reduce the breakdown rate, a program, unprecedented in scale, was rolled out to clean, clear and expand the power transmission line corridors. The volume of work to expand the transmission line corridors was up by 3.6 times and work to clean and clear the corridors was up by a third, against the figures for 2012. Over 20,000 hectares of transmission line corridors were cleared. Given that almost 60% of the area where the company's network lines run is forest, the success of the program significantly reduced the breakdown rate in some cases as a result of falling trees onto the overhead power lines.

I would also like to highlight the company's increased efficiency in responding to emergencies. JSC IDGC of the North-West subsidiaries demonstrated a high level of cooperation when mitigating the consequences of natural phenomena, when, as a result of the adverse weather conditions, consumers in five regions of the North-West simultaneously were left without power. Evidence of this was the work carried out to eradicate the effects of the 'St. Jude' hurricane, assistance provided to the power engineers of Kubanenergo in responding to the freezing rain in Adygea and in restoring the power supply in several JSC IDGC Centre's regions. The coordinated effort of teamwork both within the company and in terms of cooperating with other JSC Russian Grids companies received the highest appraisal rating from the regional authorities.

Despite the scale of the restorative and repair works and the remote location of the breakdown sites from any developed urban infrastructure, the company has never exceeded the prescribed regulatory period provided to restore the power supply.



More than 170 colleagues and staff from JSC IDGC of the North-West took part in preparing the Sochi network infrastructure for the Olympic and Paralympic Games. The company's proficient cooperation and concerted efforts at the Olympic facilities won awards from the RF Ministry of Energy, JSC Russian Grids and the heads of district administrations.

In 2013, JSC IDGC of the North-West increased the number of technological connection contracts completed by a quarter. The company fulfilled its obligations under 20,748 agreements at a total capacity of 339 MW. The largest facilities to be connected were in the Republic of Komi and in the Vologda and Novgorod Oblasts. These included the administration building of GazProm Transgas Ukhta LLC (1960 kW), and the compressor station facilities of Syninskaya (3000 kW) and Novoprivodinskaya (3700 kW), also consisting of the main gas Bovanenkovo-Ukhta and Ukhta-Torzhok pipelines. In the Novgorod oblast, power engineers from the network company equipment of JSC Novgorodoblelectro houses and public buildings to the network. (4000 kW).

However, 93.9% of agreements concluded were agreements for the technological connection of consumers entitled to discounts (up to 15 kW). The completion by a network company of the state objective to improve accessibility to the power infrastructure, on the one hand, requires the issue of the privileged category consumer's responsibility for connected capacity, on the other. The level of privileged category consumption by consumers is currently no more than 3–5% of declared parameters.

In 2013, 38,118 million kWh of electricity was transferred along the company's networks. This figure is 6% down on 2012. This reduction is a result of the higher average annual temperatures, the mild winter, as well as a fall in the number of large energy consumers, particularly in the timber sector. Actual electricity losses reached 2,569 million kWh, or 6.31% of network output. This is 203 million kWh down on the figure for the previous year. Work to cut back on the level of losses was and remains one of the key areas for the company's management, in terms of improving the efficiency of company activity and operations overall.

The year results indicate that the company achieved positive financial results. Net profit amounted to RUB 300 million. Total revenue stands at RUB 42,050 million, or 35% up on 2012. The main reason for the increase in this figure was the award of a guaranteed supplier status to JSC IDGC of the North-West in the Murmansk and Novgorod Oblasts. The successful operations of the network company in this guaranteed supplier status has enabled the previous guaranteed suppliers of services for the transfer of electricity to halve their arrears.

By improving the company's procurement activity, the company saved RUB 1,453 billion, or 7.5% of the total annual procurement volume. The procurement share from a 'sole supplier' fell by 2.3% against the figure for 2012, to 1.8%.

IDGC of the North-West's development was held back in 2013 by the systematic deterioration in payment discipline and the failure by a large number of consumers to fulfil their agreement obligations; this in turn sparked an increase in the accounts receivable figure. Year-end debt exceeded RUB 12 billion. Most of this debt is held by the larger guaranteed suppliers and large consumers. During the year, the company actively focused its efforts into recovering the debt, cooperating closely with the regional authorities and the Ministry of Energy, while paying attention to the situation forming in the media and the consumer community. One outcome of this was to draw the attention of the President of Russia, Vladimir Vladimirovich Putin, to the issues of guaranteed supplier debt in the Arkhangelsk Oblast – JSC Arkhangelsk Energy Retail Company. This company's debt to the network company amounted to RUB 2.3 billion, exceeding the annual investment program of the subsidiary company Arkhenergo several times over. I hope that the regulation of the issue of the failure to pay by the large consumers, particularly the guaranteed suppliers, will be found by adopting systemic solutions to enhance payment discipline and improve the operations of entities on the retail electricity market.

Despite this, agreement with the trade union organizations was reached to implement an industry-wide tariff agreement and all the terms and conditions of the 2013 Collective Agreement.

JSC IDGC of the North-West is one of the largest infrastructure companies in the North-Western Federal District. Under the curbing of tariffs growth, the company will continue to provide a reliable power supply to consumers in those areas where the company is operational, relying on stepping-up its efficiency by using the latest in innovative technology, import substitutions, a balanced financial policy and the reliable provision of high-quality services to the consumer.

*Acting Chairman of the Board,  
Acting General Director  
JSC IDGC of the North-West*  
**A.V. Letyagin**





# “Road map”

Number of utility connection stages reduced to

6

mark is reached ahead of schedule



Payment by installment is provided for

3 year

for the utility connection contracts from 15 to 150 kWh



The

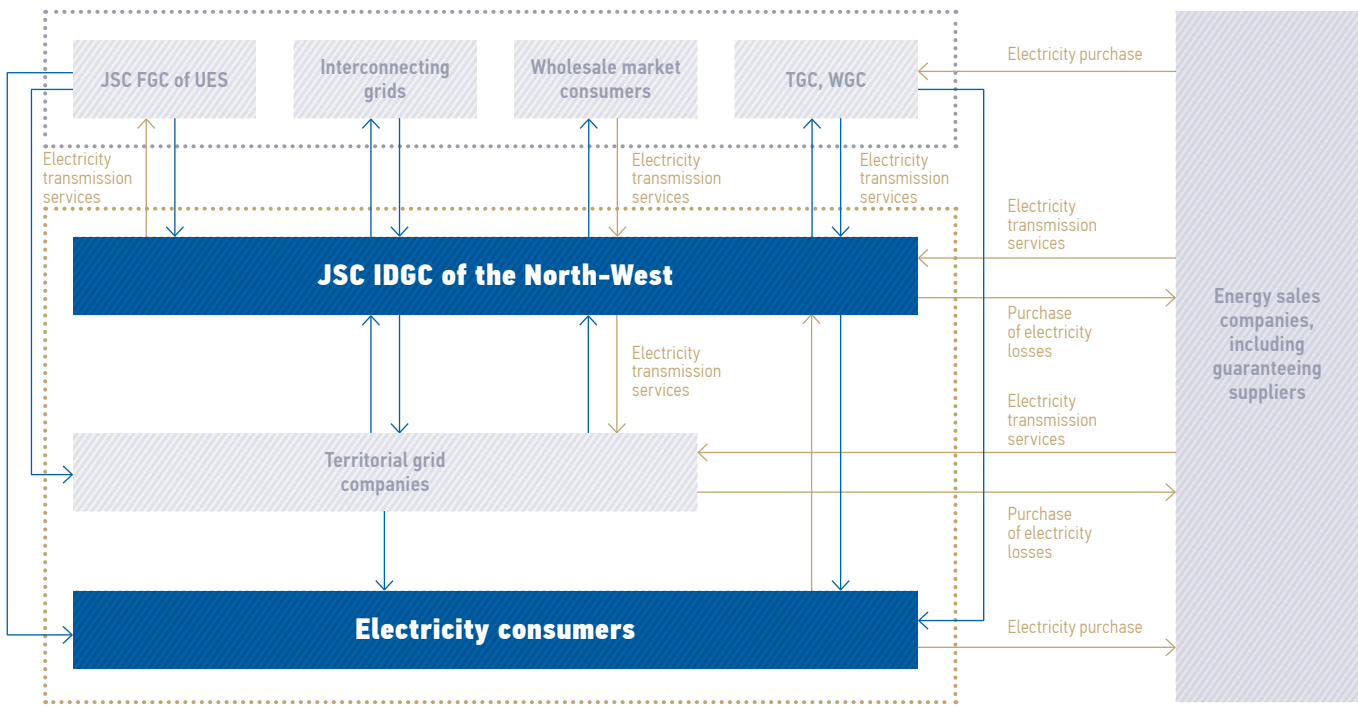
KPIs

of top management is approved in the area of provision utility connection services



# 2. Market and Business Model

## 2.1 ELECTRICITY MARKET SCHEME AND BUSINESS MODEL



- Electricity flows
- Direction of financial calculations
- ⋯ Retail electricity market
- ⋯ Wholesale electricity market



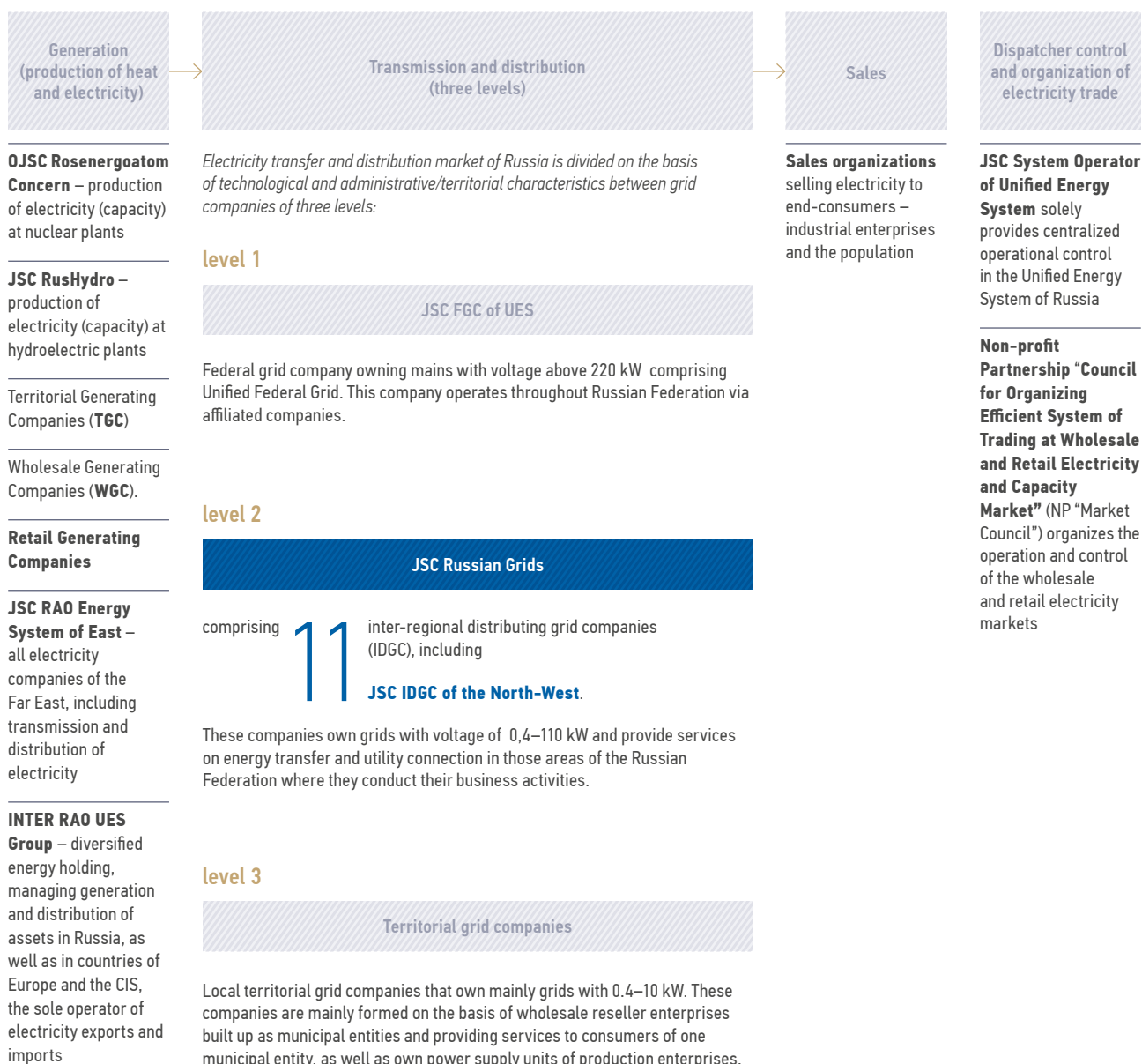


## 2.2 ELECTRICITY MARKET AND ITS DEVELOPMENT PROSPECTS

At the end of the year, the total installed capacity of UES of Russia generation facilities was 226 GW, annual electricity production reached 1,023.5 billion kWh. Consumption fell by 0.6% compared to the year 2012 to a level of 1,009.8 billion kWh.

The key reasons for the decline in electricity consumption were the drop in production of metallurgical industry, especially aluminum factories due to unfavorable market conditions, and warm winter.

### Structure of the Unified Energy System of Russia



## 2.3 INDUSTRY PROBLEMS

Ensuring reliable and uninterrupted electricity supply to consumers through effective management of the distribution grid complex is impossible without addressing systemic problems in the industry, such as:

1. Unjustified growth of quantity and market share of other territorial grid organizations (TGO).
2. Necessary improvement of payment discipline.
3. Last mile issues.
4. Limiting the growth of tariffs for electricity transmission.
5. The problem of privileged technological connection.
6. Significant wear of equipment.

## 2.4 COMPANY IN THE INDUSTRY

JSC IDGC of the North-West operates on the territory of seven members of the Russian Federation of the North-West region and is the largest grid organization in its operations area.

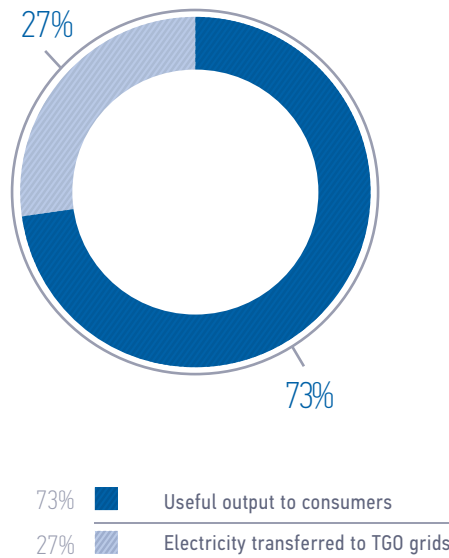
The Company's main type of activity is the transmission of electric energy. In accordance with the decision of the FTS of Russia (order number 191-E from 03.06.2008) IDGC of the North-West is included in register of natural monopolies carrying out activities of electric power transmission under № 47.1.116.

The Company's share in the market of electricity transmission services in the whole service area is approximately

# 73%

taking into account electricity, some of which is transferred through the grids of TGO-payees.

The volume of services, %

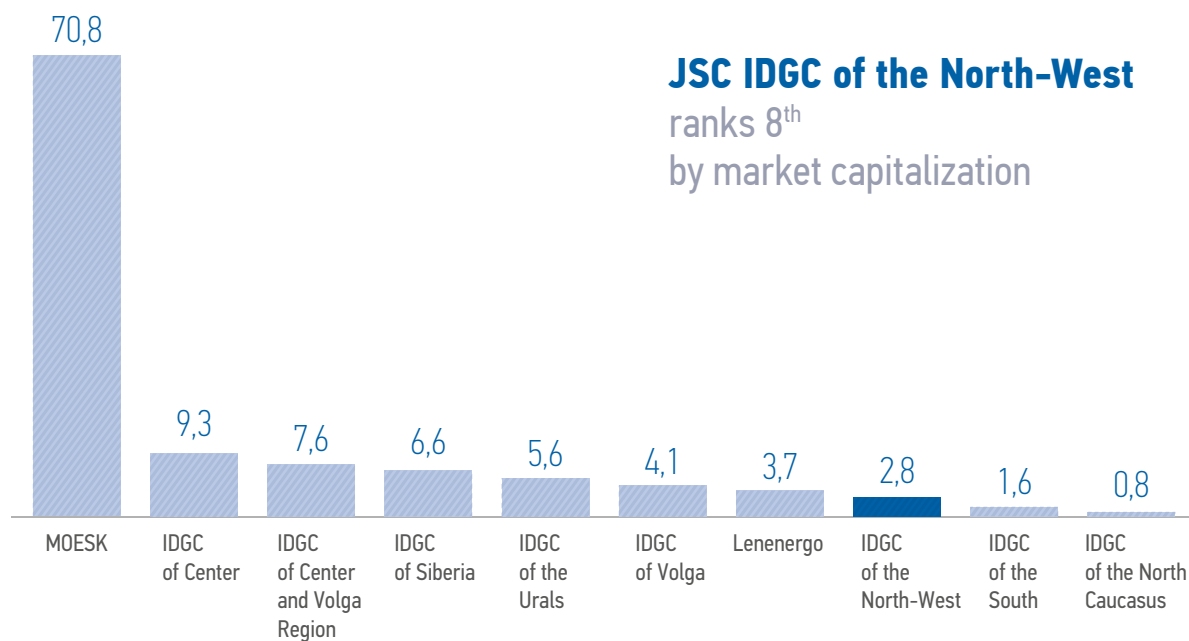


## 2.5 COMPARISON OF KEY PERFORMANCE INDICATORS WITH SIMILAR COMPANIES

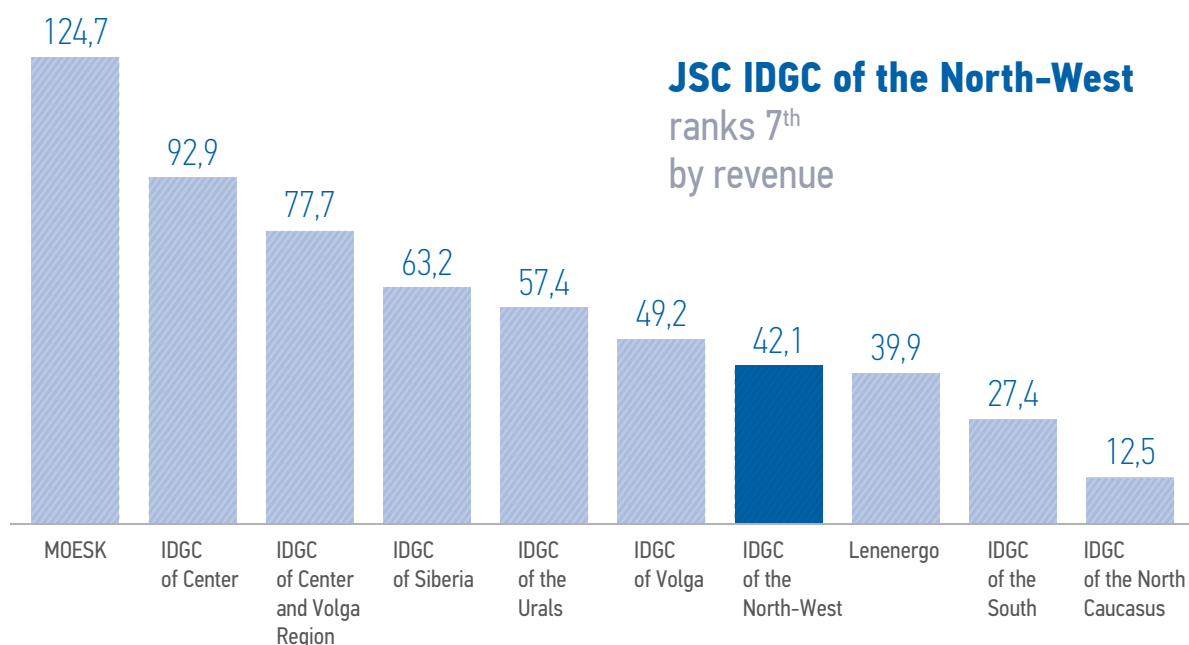
When comparing the JSC IDGC of the North-West with similar companies one must take into account that companies operate in different regions and do not compete with each other, they

operate within a single tariff policy, are equally vulnerable to the same market and country risks. Companies whose shares are listed on the Moscow Stock Exchange were selected for analysis.

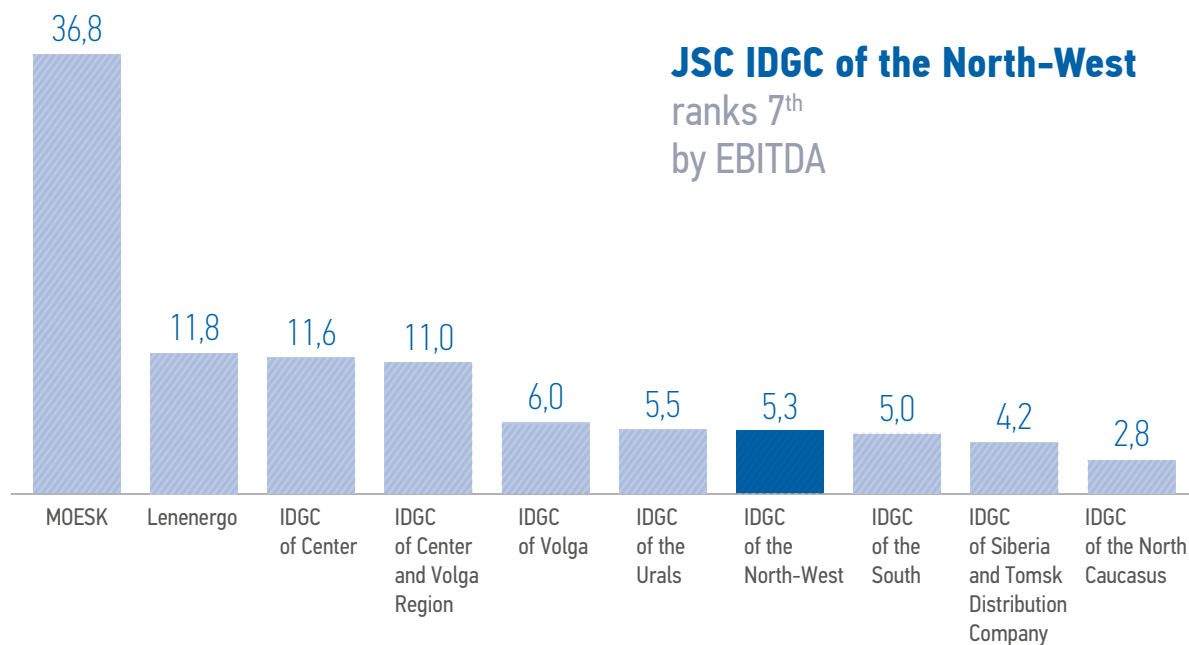
Market capitalization on the Moscow Stock Exchange of December 30, 2013, RUB billion



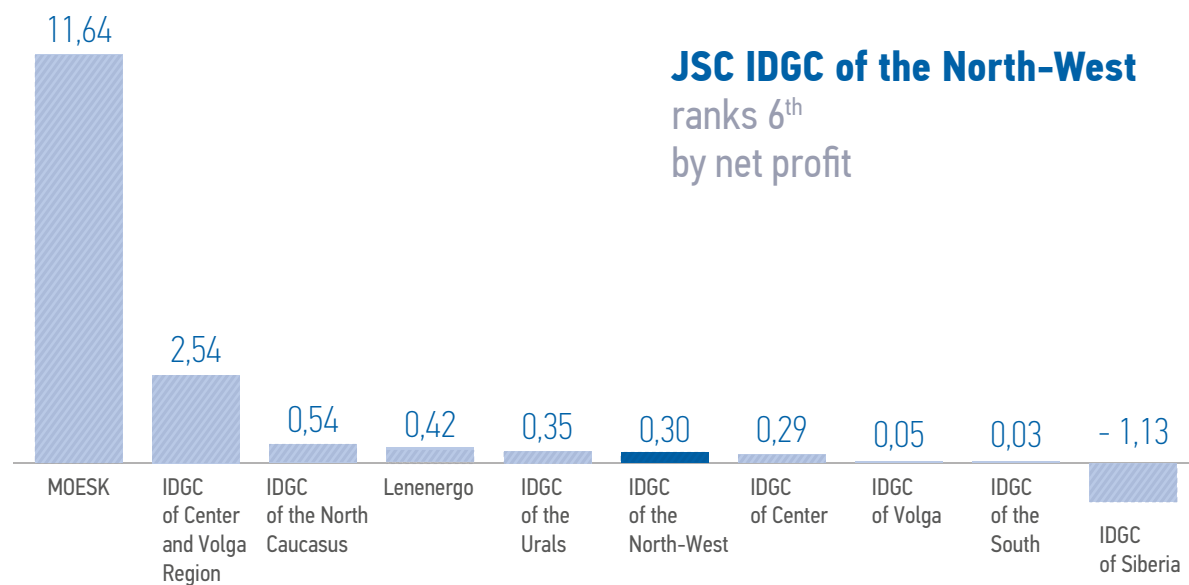
Revenue, RUB billion



## EBITDA, RUB billion



## Net profit, RUB billion



## Main multipliers

Indicators	P/E	P1	EV/EBITDA	P2	EV/S	P3	EV/Transferred electricity amount, MWh	P4	ΣP	P
IDGC of the North-West	9.0	5	3,5	5	0,44	5	488.0	7	22	5
IDGC of Center and Volga Region	3.0	9	2,5	10	0,35	7	511.5	6	32	10
MOESK	6.1	7	3,5	5	1,01	1	1,576.7	1	14	2
IDGC of the North Caucasus	4.4	8	2,5	10	0,44	5	564.3	5	28	7
Lenenergo	8.8	6	2,9	7	0,98	2	1,085.5	2	17	4
IDGC of the Urals	15.7	4	3,1	6	0,29	9	244.4	10	29	8
IDGC of Center	31.7	3	3,6	3	0,44	5	714.4	4	15	3
IDGC of Volga	73.7	1	2,8	8	0,34	8	312.4	8	25	6
IDGC of the South	58.2	2	4,6	2	0,82	3	837.8	3	10	1
IDGC of Siberia	neg.	10	4,9	1	0,27	10	248.4	9	30	9

Cumulative rank by the stipulated multipliers forms the next list of the branch companies most assessed by the market:

1. IDGC of the South

2. MOESK

3. IDGC of Center

4. Lenenergo

**5. IDGC of the North-West**

6. IDGC of the Volga Region

7. IDGC of the North Caucasus

8. IDGC of the Urals

9. IDGC of Siberia

10. IDGC of Center and Volga Region

Thus,  
**JSC IDGC of the North-West**  
 has a significant **potential**  
**to rise the market price**  
**of the Company**



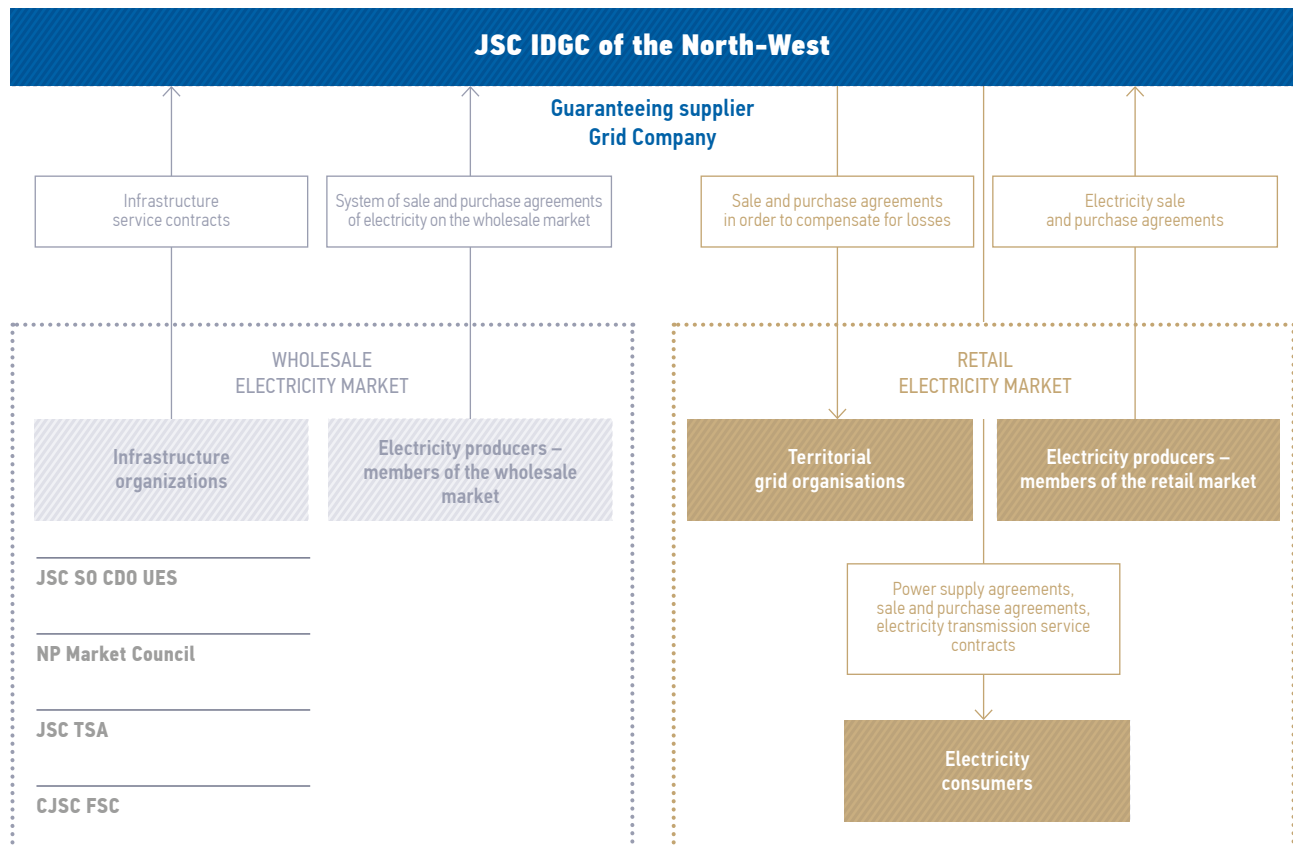
## 2.6 PERFORMANCE OF GUARANTEEING SUPPLIER FUNCTIONS

In December 2012 amendments have been introduced to the current legislation of the Russian Federation on the functioning of the retail electricity markets, defined by the RF Government Decree № 442 of 04.05.2012, in regard to changing the procedure of switching the guaranteeing supplier. Thus it was established that in case of the withdrawal of the guaranteeing supplier status from a wholesale market member, this status is temporary assigned to a territorial grid organization, until

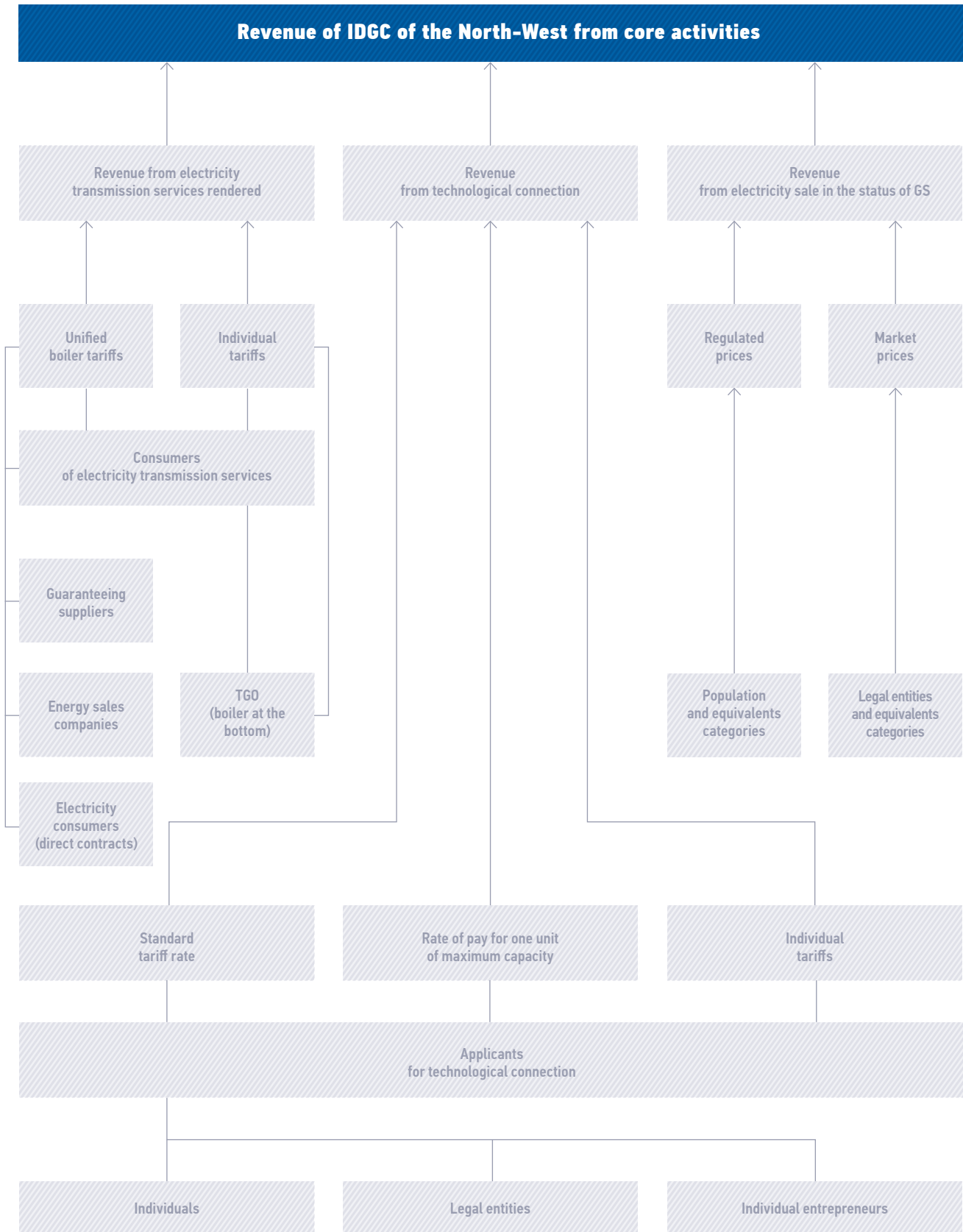
a tender winner is established. On 23.01.2013 the Company was included in the Register of members of the wholesale market. A Working group on the organization of electricity sales activity when accepting the functions of guaranteeing supplier was created.

Functions of guaranteeing supplier were accepted in 2013 in Murmansk and Novgorod Oblasts.

The mechanism of interaction of IDGC of the North-West, performing the functions of guaranteeing suppliers, with the members of the wholesale and retail electricity (capacity) markets



## 2.7 PROCESS OF REVENUE FORMATION








# Energy saving and loss enhancement


Technological effect  
from energy saving  
measures

106.97 mln kWh  
+ 75.3%




Economical effect  
from energy saving  
measures

RUB 290.52 mln  
+ 128.8%



Equipment with  
modern metering devices  
on the retail market

26.9%  
+ 0.9%



# 3. Strategy Review

## 3.1 MISSION AND STRATEGY

Strategy directions of JSC IDGC of the North-West development in the long term is determined by the provisions of the Development Strategy of the grid complex of the Russian Federation and the priority to provide reliable and quality power supply to consumers.

The main objective (mission) of JSC IDGC of the North-West is a long-term provision of reliable, high-quality and

affordable energy to consumers by organizing the most effective and conforming to international standards grid infrastructure at tariffs for electricity transmission, which provide an acceptable level of cost for electricity for the Russian economy and investment attractiveness through an adequate return on capital for the implementation of which the Company faces the following strategic priorities for the long term:

1. Ensuring reliability of power supply to consumers.
2. Providing quality customer service.
3. Development of the infrastructure to support the growth the Russian economy.
4. Competitive rates for electricity for industrial development.
5. The development of science and innovation potential of the electric grid complex, including for the purposes of promotion of the related industries development.
6. Attractive to investors "return on capital".



## 3.2 PRIORITY ACTIVITY AREAS AND DEVELOPMENT PERSPECTIVES

1

Improving the reliability and quality of power supply to levels consistent with consumer demand



**Improving the quality of customer service (including reducing the number of steps required for technological connection to electric grids from 10 to 6 by 2015 and to 5 by 2018)**

### Results of 2011–2013

Considerable work has been done on the implementation of the roadmap to **increase the availability of energy infrastructure**, approved by the Russian Federation Government Order № 1144-r of 30.06.2012.

**The number of steps required for technological connection to electric grids is reduced to 6** – target achieved ahead of schedule.

### Relevant Key Performance Indicators

**№ 8** – The indicator of the level of quality of technological connection services.



#### More information

about improving the accessibility of energy infrastructure (“Roadmap”)

<http://ar2013.mrsksevzap.ru/en/>

**№ 9** – The indicator of the level of quality of electricity transmission services.

**№ 10** – The indicator of the level of service quality.

### Plans for 2014 and further

**Reducing the number of steps required for technological connection** connection to electric grids to 5 due to complex customer support at all stages of the TC implementation.

Implementation of **interactive service of application** for technological connection.

**Opening of customer service centers** in each region of the grid organization activity.

**Representation of consumer interests** when concluding power supply agreements under the Government Decree № 95 of 10.04.2014.



**Reducing the cost of technological connection for small and medium businesses**

### Results of 2011–2013

**The cost of technological connection is maintained at 2012 level.**



#### More information

about the activities of technological connection

<http://ar2013.mrsksevzap.ru/en/>

### Relevant Key Performance Indicators

**№ 8** – The indicator of the level of quality of technological connection services.

### Plans for 2014 and further

Currently, **the cost of technological connection for applicants is minimal.**

The applicant only covers the cost of the construction of the “last mile” facilities.





## Reducing undersupply of electricity

### Results of 2011–2013

By the end of 2013 undersupply of electricity in relation to accidents and incidents amounted to 6,338 thousand kWh. In relation to the 2012 the indicator grew by 158%.

In order to increase power supply reliability, quality of customer service, transparency and timeliness of data on accidents of electric grid facilities **a program complex of registration and investigation of accidents has been successfully implemented.**

Work has begun on the **expansion of the operational functions of grid management centers of the branches.** With the same purpose the implementation of a system of information display based on the video cubes in the executive apparatus of the Company has begun.



**More information**  
about maintenance activities

<http://ar2013.mrsksevzap.ru/en/>

### Relevant Key Performance Indicators

**№ 9** – The indicator of the level of quality of electricity transmission services.

### Plans for 2014 and further

To improve the efficiency, reliability and security of energy production at IDGC of the North-West **16 target programs were developed for 2011–2015 on reconstruction and technical re-equipment of electric grid facilities** aimed at improving the reliability of the equipment. Targeted programs are approved by resolution of the Science and Engineering Board of JSC IDGC of the North-West of 02.03.2011. Further development of the program complex of registration and investigation of accidents and the unification of the business process of emergency outages registration in all branches of the Company is anticipated.

There are plans for further **development of the system of production assets management and based on it organization of technical equipment repairs planning.**

## 2.

## Increasing safety of energy supply, including the reduction of the total number of accidents, including unrecorded accidents

### Results of 2011–2013

In 2013, major efforts were directed at **standardization of the process of running the organization of labor safety** in the Company, which includes:

- providing information on labor safety;
- organizational and technical support of measures to reduce workplace injuries;
- conducting constant monitoring of compliance with labor safety requirements in the production process;
- providing technological process safety and safe operation of equipment in accordance with the current laws and regulations on labor safety, etc.

**The total material damage from occupational injuries** based on the results of 2013 amounted to RUB 1,395.2 thousand, **that is 37% below the level of 2012.**

During the year **4,274 jobs were certified.**



**More information**  
about labor protection measures

<http://ar2013.mrsksevzap.ru/en/>

**Specific costs for labor safety per worker** for the year amounted to RUB 22.9 thousand, **which is 8.5% higher than in 2012.**

**Providing the personnel with protective clothing accounts for 99.8% of the costs.**

### Relevant Key Performance Indicators

**№ 11** – Absence of industrial accidents with lethal outcome or group accidents, if there is an injured person with severe outcome due to failure to perform (poor performance) of their duties by employees of the Company.

### Plans for 2014 and further

**The development and formalization of the business process of labor safety** is scheduled for 2014, ensuring standardization of labor safety measures and increasing their efficiency, as well as approval of the Company's **comprehensive program to reduce the risk of injury to personnel and to third parties** at the electric grid facilities of the Company for the period of 2014–2017.



## 3.

## Improving the efficiency of the electric grid complex

**Reduction of specific investment costs by 30% compared to 2012  
(in rubles per physical unit (km, MVA))****Results of 2011–2013**

In 2013, the Company managed to **achieve a reduction of specific construction indicators compared to the level of 2012 on all criteria by 10–30%**, except for 6–10 kV cable lines.

The decisive factor was the presence in the investment program for 2013 of **works for laying two 4.6 km long submarine cable circuits along the highway with the implementation of the investment project “Reconstruction of the external power supply circuit of Kizhi Necklace.** Construction of 10 kV cable line “35/10 kV SS Zharnikovo – 10 kV distribution substation on the Large Klimentevsky Island”, 10 kV cable line “10 kV distribution substation on the Large Klimentevsky Island – Kizhi Island” as part of the

implementation of technological connection of the Kizhi Open Air Museum. The specific cost of this type of work is much higher than the cost of laying cable lines in the ground.

**Relevant Key Performance Indicators**

**№ 2** – Reducing the cost of purchasing goods (works / services) per unit of production by at least 10 percent per year within three years in real terms in 2010 prices.

**№ 6** – Execution of schedules of capacity commissioning and the plan for financing and development (by year).

**Plans for 2014 and further**

Further reduction of the specific investment costs with their 30% reduction by 2017, relative to 2012 levels (in RUB per physical unit (km, MVA)).

**Reducing the amount of losses in 2017 by 11% compared to the level of 2012****Results of 2011–2013**

**As a result of 2013 the loss of electricity decreased by 202.81 million kWh compared to 2012 and is 2,568.84 million kWh (6.31% at output).**

**Relevant Key Performance Indicators**

**№ 5** – The level of electricity loss by output to grids.

**Plans for 2014 and further**

Work to reduce energy losses will continue in 2014. At the same time the main focus will be on **reducing commercial losses in the distribution grid**, for the implementation of which the Company has developed and will be implementing a number of additional activities, including:

- Introduction of an automated accounting systems of electricity transmission services in the branches Novgorodenergo and Kolenergo;
- The formation of their own customer base and the transition to automated calculation of useful output in the branches Karelenergo and Vologdaenergo;
- Increasing the number of energoraiders in distribution grids in order to identify unregistered and non-contracted consumption and other activities;
- The introduction of an energy management system that provides standardization and efficiency improvement of business processes on control and reduction of electricity losses, energy consumption for industrial and utility needs.

**Planned amount of losses for 2014 is 2,624.39 million kWh (6.60% at output).**

**More information**

about the measures to reduce losses in 2013

<http://ar2013.mrsksevizap.ru/en/>





### Increasing capacity utilization (percentage of installed capacity of transformers in all voltage levels minus mandatory reserve)

#### Results of 2011–2013

On 01.01.2014 the **actual maximum capacity utilization for the entire Company is 60.7% of the maximum permissible utilization of supply centers**. There is a decline of 1.3% compared with the data of 01.01.2013.

#### Relevant Key Performance Indicators

**№ 7** – Loading of newly commissioned capacities.



**More information**  
about the future development

<http://ar2013.mrsksevzap.ru/en/>

#### Plans for 2014 and further

**Increasing capacity utilization will be provided by increasing the quality of planning of the needs for new construction of electric grid facilities** based on synchronization development plans and investment programs of the Company.

In 2014 **proposals will be prepared to adjust the schemes and programs for prospective development of power industry** based on projected demand for electricity (capacity) in accordance with real the needs of applicants, territorial planning documents, as well as tariff and balance decisions.

In addition, it is planned to take an active part in the **development of a mechanism of mutual responsibility between the executive authorities of the Russian Federation, prospective consumers and electric grid companies in terms of claimed capacity and timing of load** increase for technological connection of consumers to electric grids.



### Reducing operating costs by 15% by 2017, taking into account the level of inflation relative to 2012 level, per unit of electrical equipment maintenance

#### Results of 2011–2013

According to the instructions of the Ministry of Energy (Minutes № ASH- 446pr of 23.12.2010 are with the Deputy Minister of Energy of RF – Shishkin) within the process of business planning was implemented **the Cost Control Program (CCP) in reducing costs by at least 10% in 2013 to the level of costs in 2010**.

Cost reduction is estimated as the ratio of actual costs in 2013 to costs in 2010 taking into account the index of increase in the number of conventional units of equipment and consumer price indices (CPI). The actual value of this indicator in 2013 was 11.4%.



**More information**  
about program management costs

<http://ar2013.mrsksevzap.ru/en/>

#### Relevant Key Performance Indicators

**№ 1** – The presence of net income.

**№ 2** – Reducing the cost of purchasing goods (works / services) per unit of production by at least 10 percent per year within three years in real terms in 2010 prices.

**№ 3** – EBITDA.

**№ 4** – The growth rate of controllable operating costs for the period to the fact of the previous period.

#### Plans for 2014 and further

In accordance with the Development Strategy of the Russian Federation grid complex, approved by the RF Government Directive № 511-r of 03.04.2013, the Board of Directors (Minutes № 142/13 of 19.12.2013) **approved the Performance Management Program of JSC IDGC of the North-West for 2014–2018 (PMP)**. Business plan of IDGC of the North-West on 2014–2018 is formed based on achieving the following targets for reducing of operating costs relative to the level of 2012: in 2014 – 7.69%; in 2015 – 8.33%; in 2016 – 9.25%; in 2017 – 15%; in 2018 – 18%.

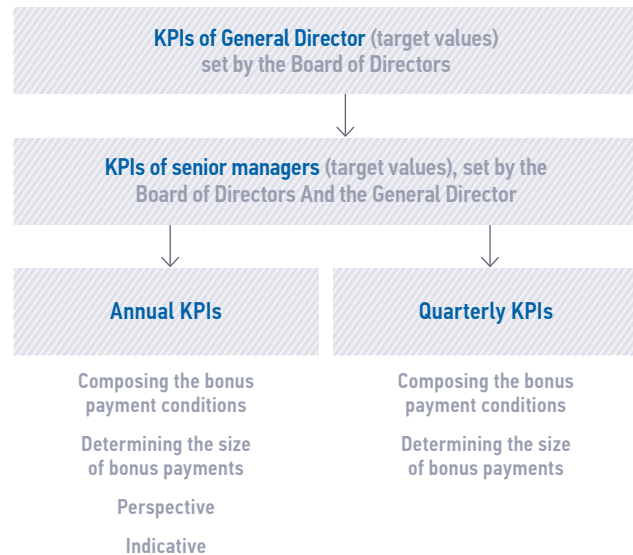


### 3.3 KEY PERFORMANCE INDICATORS

System of Key Performance Indicators (hereinafter – KPI) of JSC IDGC of the North-West management at all levels of management reflects the goals and objectives of the grid complex development strategy, approved by the Russian Federation Government Order.

A new KPI system for General Director and Senior Managers of the Company was approved by the resolution of the Board of Directors of 30.10.2012 (Minutes № 114/12).

The new KPI system is aimed at improving the management efficiency and motivation of management and can be universally applicable for both strategic decision-making and for the assessment of financial stability and investment attractiveness of the Company.



#### Annual KPIs, composing the bonus payment conditions

Description	Target value	Actual value
<b>Annual indicators</b>		
1. The presence of net income RUB mln	> 0	300.3
2. Reducing the cost of purchasing goods (works / services) per unit of production by at least 10 percent per year within three years in real terms in 2010 prices	≥ 100	110
3. EBITDA, RUB mln	≥ 5,024.3	5,266.6
4. The growth rate of controllable operating costs for the period to the fact of the previous period, %	≤ 0.99	0.97
5. The level of electricity loss by output to grids, %	≤ 6.47	6.31
<b>Efficiency of investment activity</b>		
6. Execution of schedules of capacity commissioning and the plan for financing and development (by year), %	> 95	100
7. Loading of newly commissioned capacities	≥ 0.25	0.26
<b>Quality level of services rendered</b>		
8. Technological connection services quality indicator	1	1
9. Electricity transmission services quality indicator	1	1
10. Indicator of the quality of service level	1	1
11. Absence of industrial accidents with lethal outcome or group accidents, if there is an injured person with severe outcome due to failure to perform (poor performance) of their duties by employees of the Company	0	3

These statistics indicate that the Company mostly performs the set KPI target values.

Despite the measures taken it has not been possible avoid the deadly electrical injuries for the period under review. Actions

taken by the Company in order to reduce the risk of injury and the implementation of measures to eliminate deaths and injuries of personnel and third parties are set out in section 7 of the Annual Report.







# Key performance indicators

Useful output

38,118 mln kWh  
- 5.8%



Losses

6.31%  
- 0.1%



Capacity connected  
via utility connections

339.4 MW  
- 0.06%



# 4. Review of Operating Results



## Indicators of electric energy transmission

Description	2009	2010	2011	2012	2013	2014(P) <sup>1</sup>
Output, kWh mln	41,945	43,735	42,991	43,239	<b>40,687</b>	39,751
Useful output, kWh mln	38,948	40,752	40,244	40,468	<b>38,118</b>	37,126
Losses, kWh mln	2,997	2,983	2,747	2,772	<b>2,569</b>	2,624
Loss, %	7.14	6.82	6.39	6.41	<b>6.31</b>	6.60



## Indicators for technological connection

	2009	2010	2011	2012	2013	2014(P) <sup>1</sup>
Capacity added within technological connection, MW	214.3	157.8	237.9	339.6	<b>339.4</b>	425.1
Number of applications	6,430	8,229	12,745	16,701	<b>20,748</b>	13,375



## Indicators for assets

Description	2009	2010	2011	2012	2013	2014(P) <sup>1</sup>
Length of airlines along the circuits, km	167,225	166,642	167,216	167,946	<b>167,327</b>	167,799
Length of cable power transmission lines, km	8,048	7,945	7,924	7,999	<b>8,115</b>	8,116
Number of substations (>35 kV), pcs	1,145	1,143	1,144	1,149	<b>1,149</b>	1,149
SS capacity, MVA	17,835	17,877	18,003	18,163	<b>18 346</b>	18,453
Total volume of electric grids, c. u.	691,602	681,524	990,840	1,021,926	<b>1,081,247</b>	1,085,619

<sup>1</sup> The forecasted values of the indicators are represented in accordance with the approved Company's business plan for FY 2014.



## 4.1 ELECTRIC ENERGY TRANSMISSION

On the results of the business activity of IDGC of the North-West in 2013 the volume of the rendered services for electric energy transmission composed 37,701 kWh mln, that compared to the indicators of 2012 (39,912 kWh mln) is less by 2,210 kWh mln or 6%.

The reduction of the electric energy transmission volume is caused by the reduced electrical energy consumption by large consumers, such as JSC Severstal (the Vologdaenergo branch), JSC SUAL (the branches of Karelenergo, Kolenergo), JSC Olkon (the Kolenergo branch), JSC Akron (the "Novgorodenergo" branch). The following energy sale companies reduced the electric energy transmission volumes – LLC Rusenergoresurs (the branches of Komienenergo, Novgorodenergo), LLC Lukoil-Energoservis (the branch of Komienenergo). The electric energy consumption reduction in the Arkhenergo branch is caused by the forestry crisis. Production activity was stopped by JSC "STsBK", production volumes were reduced by JSC Lesozavod no. 3.

In 2013 the volume of the rendered services for electric energy transmission composed

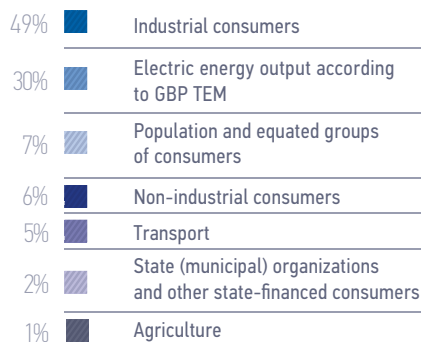
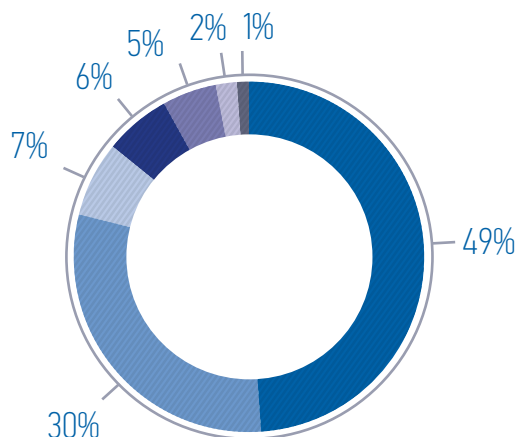
# 37,701 kWh mln



More information about  
the power transmission

<http://ar2013.mrsksevizap.ru/en/>

The structure of electric energy output from the Company's electric grids in 2013 according to the group of consumers



## MEASURES IN ELECTRIC ENERGY LOSS REDUCTION

Actual electric energy losses in electric grids of JSC IDGC of North-West composed 2,569 kWh mln or 6.31% from the output to grids. Compared to the similar period of 2012 by the output reduction to grids by 5.9%, the electric energy loss reduction composed 203 kWh mln or 0.1% compared to the electric energy output to grids.

JSC IDGC of North-West within the frameworks of its priority area realizes a complex of activities, which is oriented at loss level optimization (reduction).

Measure name	Annual effect of loss reduction at the expense of the measures carried out			
	target		actual	
	kWh mln	RUB million	kWh mln	RUB mln
<b>Measures, total</b>	<b>96.04</b>	<b>257.50</b>	<b>106.97</b>	<b>288.50</b>
1. Organizational measures	30.22	82.90	43.06	129.00
Including acts of uncounted electric energy consumption into the useful output (energy sales company)	12.90	35.68	25.50	79.64
Payment of non-contracted consumption acts (DCS)	16.30	45.13	7.40	32.56
2. Technical measures	7.36	12.60	9.49	17.60
Refurbishment and repair program (replacement of the overloaded, installation and commissioning of additional power transformers at operated substations, replacement and construction of new airlines)	6.81	11.69	8.54	15.86
3. Measures of modification of electric energy calculation and technical management systems	58.46	162.00	54.42	140.90
Realization of measures of accounting system development (Program of Perspective Development of Electric Energy Accounting Systems)	54.90	156.09	50.70	133.99

In 2013 the electric energy loss reduction composed

**203 kWh mln**



**More information about the activities to reduce energy losses**

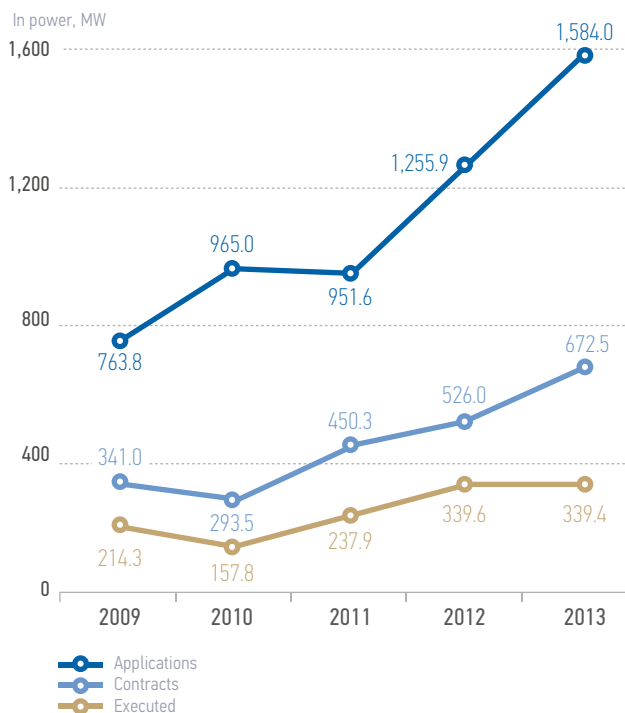
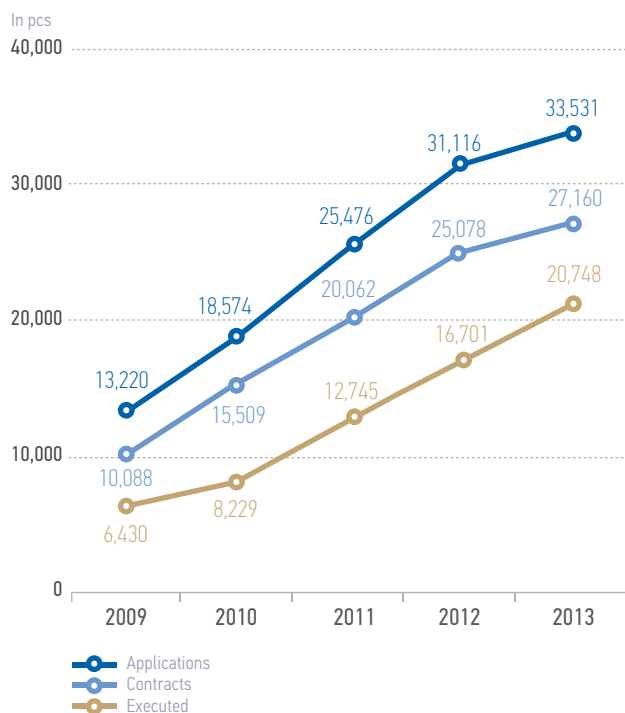
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## 4.2 TECHNOLOGICAL CONNECTION



### Dynamics of the sent applications, concluded and executed contracts for technological connection for 2009-2013 years



The number of the sent applications for technological connection is arranged from the sent and annulled applications. That's why the number and power of the sent applications is more than the number of the concluded contracts.

Also regarding the fact that more than 90% of the contracts are the contracts with applicants, whose power receiver capacity doesn't exceed 15 kW, so, on the diagram you can see that the number of the sent applications increases, the number of the concluded and executed contracts increases too. At the same time the capacity in these applications doesn't exceed 15 kW. In this connection the capacity increases insignificantly.

The trend for insignificant capacity growth of the executed contracts is caused by the predominance in the common share of the executed contracts of those ones that are concluded with the "eligible" group of applicants.

Besides, due to the changes in RF laws, regulating the technological connection business activity, the execution term of the large contracts, which capacity is more than 670 kW composes from 2 years, and this influences the total connected capacity volume. The realization of the large technological connection contracts is also influenced by the applicant payment capacity and general economic situation.

### Structure of applications in 2012-2013 years (including the FSCE electric energy production objects)

Economy branch (by OKVED sections)	Number of sent applications for TC in 2012		Number of sent applications for TC in 2013	
	units	For total capacity, kW	units	For total capacity, kW
Individuals	26,334	284,098.3	28,104	315,717.4
Legal entities	4,787	1,007,650.0	5,439	1,338,890.0
<b>TOTAL</b>	<b>31,121</b>	<b>1,291,748.4</b>	<b>33,543</b>	<b>1,654,607.4</b>



## 4.3 PERSPECTIVE DEVELOPMENT

The purpose of the electric energy industry planning and development management system is to ensure the synchronized introduction of the generating capacities and grid infrastructure, their technological compatibility to meet the demand in electric energy (capacity) and to prevent the appearance of electric energy excesses and lacks in the energy system.

The Company carries out annual forecast campaigns to form the forecast of loads and electricity consumption changes in the Company for the five-year term, which allow planning the Company's electric grids development more efficiently.

### The forecast campaign

#### For 2014-2018 years:

- The forecast of load changes for 35–110 kV power centers were established,
- Unprofitable power centers were revealed,
- The forecast for potential demand in electric energy and capacity was established.

#### For 2015-2019 years:

The forecast campaign is being finished, some forecasts are modified, which are established in 2012 regarding the actual value of 2013.

Results of the forecast campaigns are used as feasibility materials when developing the quotations to establish the tariffs for ordinary regulation period, to prepare investment programs, to develop the modification programs of electric grid objects and schemes of electric grids perspective development.

## 4.4 ACCEPTANCE AND EXECUTION OF THE GUARANTEE SUPPLIER'S FUNCTION

In accordance with the Rules of electric energy and capacity wholesale market within the period of February-October 2013 the Supervisory board of the Non-commercial partnership "Market board of electric energy and capacity wholesale and retail commerce effective system formation" due to the debts at the electric energy wholesale market took its decision to withdraw the status of the wholesale market of the following companies – JSC Kolenergosbyt, JSC Novgorodoblenergosbyt and Novgorodenergosbyt LLC .

These functions were given to JSC IDGC of the North-West.

In this connection the JSC IDGC was given the electric energy guarantee supplier's functions (hereinafter referred to as the "GS") in the territory of the Murmansk oblast (since 01.04.2013) and Novgorod oblast (since 01.10.2013).

The guarantee electric energy supplier regarding the activity area of JSC Kolenergosbyt, JSC Novgorodoblenergosbyt and LLC Novgorodenergosbyt was JSC IDGC of the North-West. The company founded and ensured operation in 2013:

- Since March 1<sup>st</sup> – production department of Energosbyt of Kolenergo branch;
- Since April 1<sup>st</sup> – production department of Energosbyt of Novgorodenergo branch;
- Since October 1<sup>st</sup> – production department of Novgorodenergosbyt of Novgorodenergo branch.



## 4.5 REPAIRING ACTIVITIES



### Execution of the main physical indicators of the repair plan in 2009–2013 years

Indicator	Quantity chan.	2009	2010	2011	2012	2013	% executed
Repair of 35-150 kV AL	km	1,519.3	2,005.7	2,232.6	1,982.4	<b>2,366.1</b>	103
Repair of 0,4-20 kV grids	km	2,789.6	4,588.1	5,624.0	6,888.8	<b>8,000.1</b>	103
Capital repair of 35-220 kV transformers	units	27	30	40	17	<b>22</b>	157
Complex repair of 35-220 kV substations	units	39	44	46	85	<b>64</b>	100
Cleaning the routes of 35-150 kV ALs	ha	6,903.3	5,944.0	7,632.8	7,801.1	<b>8,655.1</b>	103
Cleaning the routes of 6-20 kV ALs	ha	6,522.9	5,842.8	6,361.2	6,841.4	<b>8,554.1</b>	107

### Cost distribution dynamics for repair by the main directions in 2009–2013 years, RUB mln

Indicator	2009	2010	2011	2012	2013
<b>Total repairing program</b>	<b>1,099.8</b>	<b>1,227.3</b>	<b>1,608.9</b>	<b>1,600.8</b>	<b>1,747.8</b>
Repair of 35-150 kV ALs	173.2	174.1	226.9	258.4	<b>301.4</b>
Repair of 0,4-20 kV grids	461.2	552.1	662.9	638.7	<b>717.1</b>
Complex repair of 35-220 kV substations	24.0	32.9	72.3	69.0	<b>48.6</b>
Cleaning of routes of 35-150 kV ALs	77.1	71.0	106.7	124.3	<b>139.5</b>
Cleaning of routes of 6-20 kV ALs, including:	83.5	75.2	92.4	96.13	<b>122.9</b>
Household measure	557.9	777.3	1,002.8	974.0	<b>1,050.3</b>
Contract work	541.9	450.1	606.1	626.8	<b>697.5</b>

In 2013 the repairing program of JSC IDGC of the North-West was approved in the amount of RUB 1,720.4 mln. The actual fulfillment composed RUB 1,747.8 mln, including the repairs by household measure – RUB 1,050.3 mln, repairs by contract

work – RUB 697.5 mln. Compared to 2012 the actual repair costs grew by 9%, including the household measure repairs – by 8%, and the contract work repairs – by 11%.







# Key finance indicators

## Revenue

RUB 42,050 mln

+ 34.9%



## EBITDA

RUB 5,267 mln

+ 35.0%



## Net profit

RUB 300 mln

+ 383.9%



## Expenses reduction effect as compared to the 2010 level

- 11.4%

at fixed normative standard of 10%



## Dividends for one ordinary share

0.0008 ruble

+ 395.7%



# 5. Financial Results Analysis



## Key financial indicators for 2009-2013 and forecast for 2014, RUB million

Indicators	2009	2010	2011	2012	2013	2014(P) <sup>1</sup>
Revenue from sales	24,944	26,669	30,849	31,169	<b>42,050</b>	48,237
Production cost	22,886	25,145	27,781	28,129	<b>38,293</b>	39,581
Gross profit	2,058	1,524	3,067	3,040	<b>3,757</b>	8,656
Commercial expenses	22	25	30	29	<b>474</b>	474
Management expenses	745	776	819	900	<b>889</b>	910
Profit on sales	1,292	724	2,218	2,112	<b>2,394</b>	3,168
Balance of other income and expenses	-1,134	-1,071	-1,258	-1,689	<b>-1,661</b>	-1,808
Profit before tax	158	-348	960	423	<b>733</b>	1,361
Profit taxation	7	459	552	361	<b>433</b>	495
Net profit	150	-807	408	62	<b>300</b>	865

<sup>1</sup> Forecast figures for 2014 are adjusted for the business plan approved by the Company.

## 5.1 REVENUE

### Actual revenue change dynamics for 2009-2013, RUB million

Indicators	2009	2010	2011	2012	2013
Electricity transmission revenue	23,616	25,346	29,486	29,276	<b>29,650</b>
TC revenue	497	668	884	1,412	<b>955</b>
Electricity sales revenue	0	0	0	0	<b>10,799</b>
Revenue from other activities	828	655	479	481	<b>646</b>
Total	24,941	26,669	30,849	31,169	<b>42,050</b>



In 2013, the total revenue of JSC IDGC of the North-West was RUB 42,050 million, which was RUB 10,881 million, or **35%, more than in 2012.**

In this respect:

Technological connection revenue decreased by

RUB **457** mln,

or by 32%

Electricity sales revenue was

RUB **10.8** bln

Revenue from electricity transmission increased by

RUB **374** mln,

or 1%

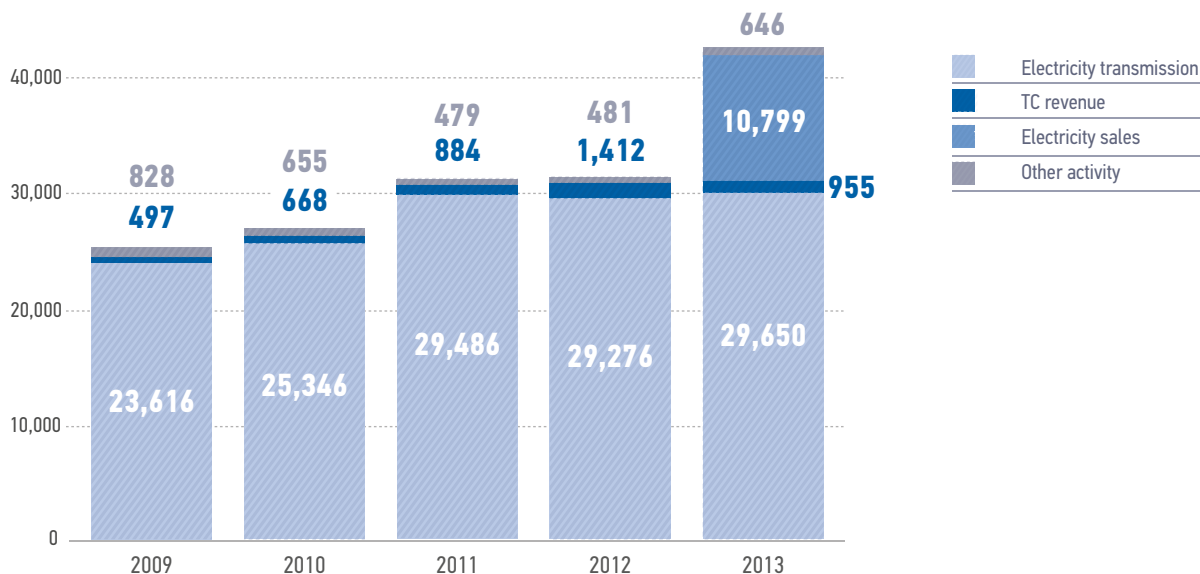
Revenue from other activities increased by

RUB **166** mln

The change in revenues from electricity transmission services as of 2013 compared to 2012 is non-uniform for the regions of the JSC IDGC of the North-West responsibility area. The highest increase in revenues from electricity transmission was observed in Arkhenergo branch; not as significant deviation was seen in Vologdaenergo and Pskovenergo. The differences in the dynamics of revenue from the core activities was attributed to the non-uniform nature of changes in the mean tariff in

the regions of presence. In the analysis of the Company's revenue for 2013, the structural changes in the income resulted from the performance of Guaranteeing Supplier functions should be considered. In particular, the decrease in electricity transmission revenue by Kolenergo and Novgorodenergo branches was attributed to the booking of energy supply contractual revenue as part of the revenue from sales of electricity.

Sales revenue structure, RUB million



## ELECTRICITY TRANSMISSION REVENUE

In general, the Company's electricity transmission revenue was RUB 29,649.5 million excluding VAT (inclusive of the performance of guaranteeing supplier functions by Kolenergo and Novgorodenergo branches in Murmansk and Novgorod Oblasts, the revenue totaled RUB 31,569 million excluding VAT).

The electricity transmission revenue (exclusive of the performance of guaranteeing supplier functions) is distributed as follows:

- Guaranteeing suppliers – 47% (RUB 13,967 mln);
- Energy selling companies – 14% (RUB 4,047 mln);
- Territorial grid organizations – 18% (RUB 5,302 mln);
- "Direct" consumers – 21% (RUB 6,333 mln).

## TC REVENUE

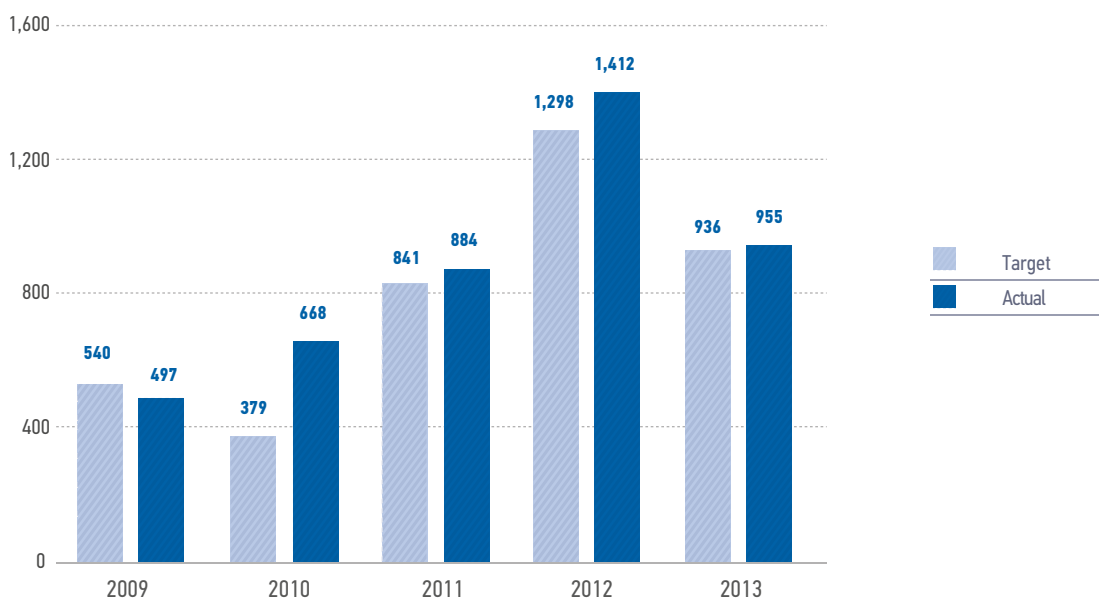
Technological connection revenue in 2013 was RUB 955 mln, excluding VAT. Therefore, the actual performance above the target value was 2%.

Pursuant to paragraph 4 clause 2 of Article 23.2 of Federal Law No.35-FZ on Electric Energy Industry of March 26, 2003, the inclusion of the investment component to cover costs associated with the development of the existing infrastructure in the technological connection fee shall not be permitted as of January 01, 2011.

The above changes directly affected the formation of the technological connection revenue. According to the expert evaluation by JSC IDGC of the North-West, in 2013, the costs associated with the development of the existing infrastructure were 48% of the total cost of technological connection activities.

In the period from 2010 to 2012, there was a decline in the solvency of major applicants, which also affected the conclusion of new technological connection contracts or the performance of obligations on the part of applicants under already signed technological connection contracts.

Technological connection revenue structure in 2009-2013, RUB million, VAT excluded

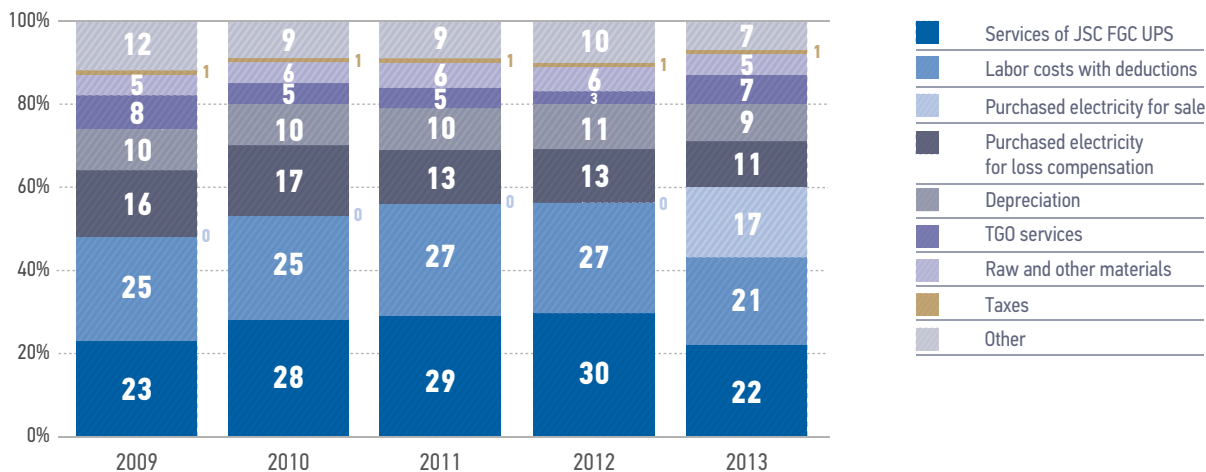


## 5.2 PRODUCTION COST AND COST STRUCTURE

Analysis of production cost and expense structure, RUB million

Expenses	2009	2010	2011	2012	2013
Total production cost	22,886	25,145	27,781	28,129	<b>38,293</b>
Non-controlled expenses	13,118	15,069	15,998	15,800	<b>25,327</b>
Services of JSC FGC UPS	5,297	7,096	8,177	8,371	<b>8,339</b>
TGO services	1,885	1,273	1,503	819	<b>2,812</b>
Purchased electricity for loss compensation	3,556	4,177	3,646	3,629	<b>4,257</b>
Purchased electricity for sale	0	0	0	0	<b>6,429</b>
Depreciation	2,380	2,522	2,672	2,981	<b>3,491</b>
Controlled expenses	9,768	10,076	11,783	12,329	<b>12,966</b>
Raw and other materials	1,252	1,376	1,540	1,684	<b>1,795</b>
Electricity for own business needs	302	327	313	302	<b>314</b>
Production services	1,189	741	952	1,034	<b>1,099</b>
Labor costs with deductions (including NPF)	5,746	6,421	7,525	7,742	<b>8,252</b>
Communications services	94	91	108	108	<b>121</b>
Services by Public utilities	24	97	103	102	<b>103</b>
IT services	69	77	117	106	<b>84</b>
Land surveying	20	15	90	58	<b>118</b>
Security services	172	179	202	207	<b>212</b>
Taxes	170	160	158	160	<b>275</b>
Other costs	729	593	676	826	<b>592</b>

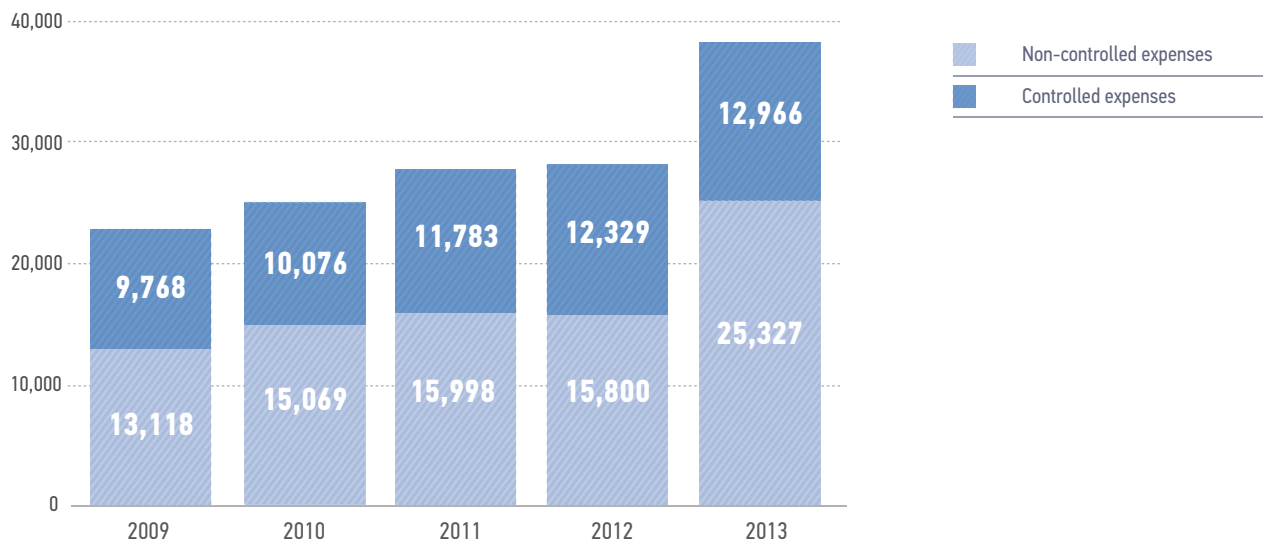
Trends in production cost structure, %



Total actual net cost for 2013 amounted to RUB 38,293 million, which is more than the 2012 level by RUB 10,164 million, or 36%. The greatest increase of expenses is noted in the following items:

- Significant increase in the expenses of TGO services (+RUB 1,993 million) was attributed to the performance of guaranteeing supplier functions in Kolenergo and Novgorodenergo branches in 2013;
- Purchased electricity for loss compensation increased by RUB 628 million mainly through the increase of the mean price as a result of significant increase in the sales mark-ups in a number of Company branches.
- Labor costs with social deductions – RUB 510 million, or 6.6%, which is caused by the economic effect of tariff rates (official salaries) indexation on the actual CPI (Consumer Price Index) pursuant to the terms of the Industry Tariff Agreement in the electric power industry (average annual 6.6%) and the corresponding growth of social deductions;
- The increase in actual expenses relating to “Other Production Services” compared to 2012 was RUB 65 million or 6.3%; this increase was due to the value appreciation of third party services;
- Raw and other materials – RUB 111 million, or 6.6%, due to the increase in expenses on materials for repair operations carried out at the Company’s own cost, including for rescue and recovery operations following disasters in Karelenergo, Novgorodenergo, and Pskovenergo branches.
- Depreciation deductions – RUB 510 million, or 17%; the increase in expenses was due to the increased commissioning of fixed assets compared to 2012;
- Significant increase in tax liabilities by RUB 115 million or 72% was due to the tax legislation changes in 2013.

#### Non-controlled and controlled expenses dynamics, RUB million



The increase in controlled expenses as of the end of 2013 was 5.2%, with the actual CPI of 6.5%. The increase in non-controlled expenses was 60%. This significant rate of increase was due to Company expenses of electricity sales.



## 5.3 COST MANAGEMENT IN 2013

Pursuant to the instruction of the Ministry of Energy of Russia (Minutes of the Meeting with the Deputy Minister of Energy Shishkin No ASH-446pr dated December 23, 2010), the cost management program was implemented as part of the business planning procedures to reduce the costs in 2013 by

not less than 10% to the level of 2010. The cost reduction is estimated as ratio of actual costs of 2013 to the costs of 2010 inclusive the growth rate of conventional units of equipment and consumer price indices (CPI). The actual value of that index in 2013 was 11.4%.



### Cost management program in 2013, RUB million

Indicators	2010, actual	2013, actual
<b>Material expenses</b>	5,887	<b>6,359</b>
Purchased energy	4,504	<b>4,555</b>
Purchased energy for process purposes	327	<b>314</b>
Purchased energy for sale		
Purchased power for compensation of transmission losses	4,177	<b>4,241</b>
Other materials	1,383	<b>1,804</b>
<b>Productive services</b>	9,132	<b>10,334</b>
Services of distribution grid companies	1,273	<b>868</b>
Federal Grid Company services	7,096	<b>8,336</b>
Other services	763	<b>1,129</b>
<b>Depreciation</b>	2,537	<b>3,508</b>
<b>Total personnel cost</b>	6,825	<b>8,810</b>
SF	5,562	<b>6,883</b>
Insurance premium	1,173	<b>1,849</b>
NPF	90	<b>77</b>
<b>Non-productive services</b>	1,174	<b>1,312</b>
Management services	280	<b>167</b>
Other non-productive services	894	<b>1,145</b>
<b>Taxes</b>	161	<b>276</b>
<b>Rental</b>	154	<b>161</b>
<b>Insurance</b>	77	<b>64</b>
<b>R&amp;D</b>		<b>0</b>
<b>Total expenses</b>	25,946	<b>30,824</b>
FOR REFERENCE:		
Number of personnel (average)	15,019	<b>15,461</b>
Total repair cost	1,227	<b>1,748</b>
Number of conventional units. c. u.	927,123	<b>1,081,248</b>



Indicators	2010, actual	2013, actual
<b>Excluded expenses</b>	399	<b>884</b>
<b>Base for the CMP evaluation – total</b>	8,649	<b>10,386</b>
CPI 2011		<b>1.061</b>
CPI 2012		<b>1.066</b>
CPI 2013		<b>1.065</b>
increase in c.u. in view of		<b>1.125</b>
		<b>1.355</b>
<b>Base for the CMP evaluation – adjusted value</b>		<b>7.666</b>
<b>CMP effect</b>		<b>-11.4 %</b>

Through the commissioning of fixed assets the volume of conventional equipment units increased, which had its positive effect for the CMP performance.

Increase in costs under the item “Other non-productive services” up to the level of 2010 was attributed to the following factors:

1. Costs of registration of title to real property, including land surveying in the amount of RUB 118 million.
2. Supplementing of reserve for an estimated liability to JSC Karelian Energy Sales Company in the amount of RUB 13 million.
3. Overspending under the item “Traveling expenses” in the amount of RUB 25 million, which was caused by a substantial volume of repair operations performed in the 4th quarter of 2013 (due to natural disasters) and unscheduled business travel to JSC Kubanenergo.

The increase in expenses under items “Other materials”, “Other services” was attributed to the factors of inflation.

The increase in expenses under item “Labor compensation fund” was attributed to the employer’s performance of the Sector Tariff Agreement.

Through the commissioning of fixed assets **the volume of conventional equipment units increased**, which had its positive effect for the CMP performance



More information about  
the managing costs

<http://ar2013.mrsksevizap.ru/en/>





## 5.4 BUSINESS PLAN IMPLEMENTATION



### Analysis of Company's business plan implementation in 2013, RUB million

Indicators	2013, RUB million		Deviation	
	target	actual	absolute, RUB million	relative, %
<b>Total revenue</b>	<b>41,444</b>	<b>42,050</b>	606	1.5%
Electricity transmission revenue <sup>1</sup>	<b>31,969</b>	<b>31,569</b>	-401	-1
Electricity transmission revenue in accordance with accounting reporting	<b>29,894</b>	<b>29,650</b>	-244	-1
TC revenue	<b>936</b>	<b>955</b>	19	2
Revenue from electricity and power resale	<b>7,926</b>	<b>8,879</b>	953	12
Electricity resale revenue in accordance with accounting reporting	<b>10,001</b>	<b>10,799</b>	798	8
Revenue from other activities	<b>613</b>	<b>646</b>	33	5
<b>Total net cost</b>	<b>35,999</b>	<b>38,293</b>	2,294	6%
Purchased power for loss compensation	<b>4,365</b>	<b>4,257</b>	-109	-2%
Purchased electricity for sale	<b>6,034</b>	<b>6,429</b>	395	7%
Raw and other materials	<b>1,787</b>	<b>1,795</b>	8	0%
Production works and services	<b>1,118</b>	<b>1,099</b>	-19	-2%
Services of JSC FGC UPS	<b>8,323</b>	<b>8,339</b>	16	0%
Services of distribution grid companies	<b>923</b>	<b>2,812</b>	1,889	205%
Labor costs with deductions	<b>7,755</b>	<b>8,181</b>	426	5%
Other expenses	<b>5,694</b>	<b>5,382</b>	-312	-5%
<b>Total gross profit</b>	<b>5,445</b>	<b>3,757</b>	-1,688	-31%
<b>Commercial expenses</b>	<b>1,972</b>	<b>474</b>	-1,499	-76%
<b>Management expenses</b>	<b>888</b>	<b>889</b>	1	0%
<b>Profit (loss) on sales</b>	<b>2,585</b>	<b>2,394</b>	-191	-7%
Interest receivable	<b>7</b>	<b>16</b>	9	114%
Interest payable	<b>1,378</b>	<b>1,039</b>	-339	-25%
Income from participation in other organizations	<b>8</b>	<b>8</b>	0	2%
Other income	<b>2,531</b>	<b>3,797</b>	1,265	50%
Other costs	<b>3,210</b>	<b>4,443</b>	1,233	38%
<b>Profit (loss) before tax</b>	<b>543</b>	<b>733</b>	190	35%
Profit taxation	<b>446</b>	<b>433</b>	-14	-3%
<b>Net profit</b>	<b>97</b>	<b>300</b>	203	210%

<sup>1</sup> Revenue from types of activity «Electricity transmission» and «Electricity sale» is booked in accordance with management accounting and the Company's business plan methodology. Energy supply contractual revenue is booked as part of the revenue from electricity transmission.



The main reasons for the decrease in the actual value of revenue from electricity transmission as compared to the target value is the reduction of electricity deliveries to consumers.

The total net cost in JSC IDGC of the North-West as of the end of 2013 was RUB 38,293 million, which is higher than the target value by RUB 2,294 million, or 6%.

The net profit of JSC IDGC of the North-West in the reporting year was RUB 300 million with the target value of RUB 97 million.

## 5.5 ANALYSIS OF FINANCIAL SITUATION

### ASSETS AND LIABILITIES

In 2013, material events affecting the whole financial and business activities took place:

as from March 01, 2013, in the Murmansk Oblast, and as from April 01, 2013 and October 01, 2013, in the Novgorod Oblast,

the guaranteeing electricity supplier functions in relation to the area of operations of JSC Kola Energy Selling Company, JSC Novgorodoblenergosbyt and JSC Novgorodenergosbyt were delegated to JSC IDGC of the North-West.

#### Structure and dynamics of assets, RUB million

Indicators	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Intangible assets	-	-	-	-	-
Research results	-	-	-	8	8
Fixed assets	30,885	30,933	33,354	37,001	39,648
Income-bearing investments in material valuables	-	-	-	-	-
Long-term financial investments	66	70	56	39	39
Deferred tax assets	366	155	192	210	499
Other non-current assets	27	27	18	26	47
<b>Non-current assets</b>	<b>31,344</b>	<b>31,186</b>	<b>33,620</b>	<b>37,284</b>	<b>40,241</b>
Inventory	792	796	887	1,025	1,045
VAT on valuables acquired	35	42	114	109	268
Accounts receivable	4,984	4,629	4,446	6,015	12,331
Short-term financial investments	-	-	42	66	66
Cash	539	1,132	1,485	657	773
Other current assets	385	485	476	332	477
<b>Current assets</b>	<b>6,735</b>	<b>7,084</b>	<b>7,450</b>	<b>8,204</b>	<b>14,960</b>
<b>TOTAL ASSETS</b>	<b>38,079</b>	<b>38,270</b>	<b>41,070</b>	<b>45,488</b>	<b>55,201</b>



As of year end 2013, the Company's assets were RUB 55,201 mln. As from October 01, 2010, the increase in the book value of fixed assets was RUB 8,793 million, and it should be noted that the increase in the fixed assets took place in 2011–2013, and the average annual growth was approximately 7–8%.

As from the beginning of 2013, accounts receivable of JSC IDGC of the North-West increased by RUB 6,316 million (from RUB 6,015 million to RUB 12,331 million). This high level of debt was resulted from a number of objective reasons; one of those was the performance of guaranteeing supplier functions in Kolenergo and Novgorodenergo branches. The net increment in debt for electricity sold to end consumers in 2013 was RUB 2,300 million.

### Structure and dynamics of liabilities, RUB million

Indicators	31.12.2009 <sup>1</sup>	31.12.2010	31.12.2011 <sup>2</sup>	31.12.2012	31.12.2013
Authorized capital	9,579	9,579	9,579	9,579	<b>9,579</b>
Own shares buy-back	-	-	-	-	-
Reassessment of non-current assets	16,111	16,046	16,018	15,916	<b>15,876</b>
Surplus capital (with no reassessment)	1,290	1,318	1,318	1,318	<b>1,318</b>
Reserve capital	337	344	344	365	<b>368</b>
Undistributed profit (uncovered loss)	812	-596	-157	-14	<b>305</b>
<b>Equity</b>	<b>28,128</b>	<b>26,691</b>	<b>27,102</b>	<b>27,164</b>	<b>27,446</b>
Long-term credits and loans	2,809	4,372	6,148	10,629	<b>13,953</b>
Deferred tax liabilities	943	1,236	1,443	1,808	<b>2,431</b>
Other long-term obligations	40	301	227	365	<b>1,052</b>
<b>Long-term obligations</b>	<b>3,793</b>	<b>5,909</b>	<b>7,818</b>	<b>12,802</b>	<b>17,436</b>
Short-term credits and loans	1,849	279	80	19	<b>2,777</b>
Short-term accounts payable	4,258	4,854	5,094	4,325	<b>6,578</b>
Deferred income	51	46	42	38	<b>34</b>
Assessment liabilities		491	934	1,140	<b>929</b>
Other short-term liabilities	-	-	-	-	-
<b>Short-term liabilities</b>	<b>6,158</b>	<b>5,670</b>	<b>6,150</b>	<b>5,522</b>	<b>10,318</b>
<b>TOTAL LIABILITIES</b>	<b>38,079</b>	<b>38,270</b>	<b>41,070</b>	<b>45,488</b>	<b>55,201</b>

<sup>1</sup> Indicators for 2009-2010 are shown as per the annual financial statements for 2011.

<sup>2</sup> Indicators for 2011-2013 are shown as per the annual financial statements for 2013.

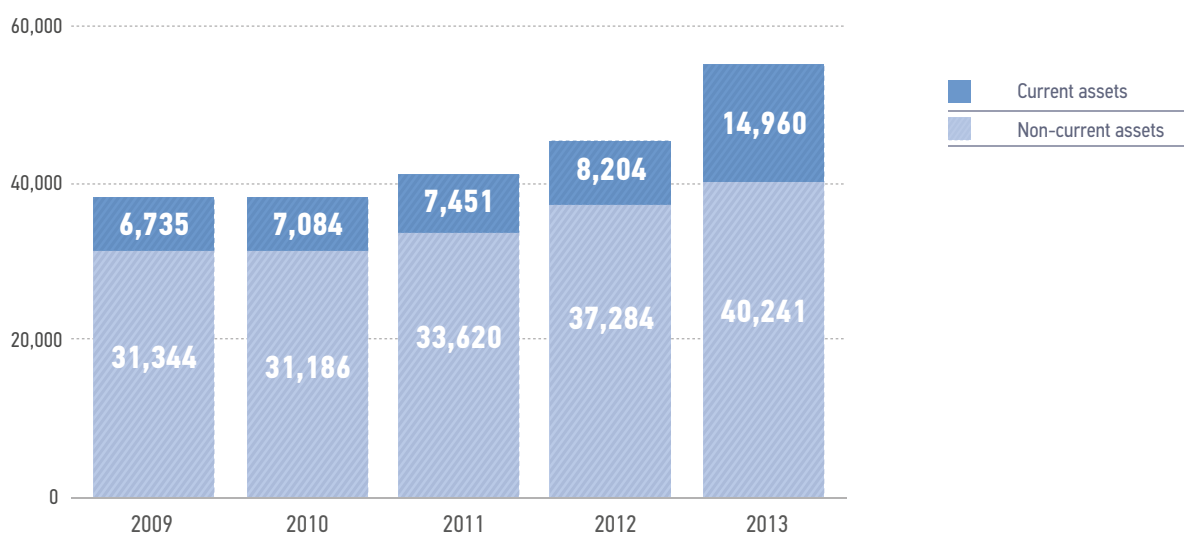


The Company's short-term accounts payable has increased by RUB 2,320 million since 2009. The main increase was seen in 2013 – from RUB 4,325 million to RUB 6,578 million.

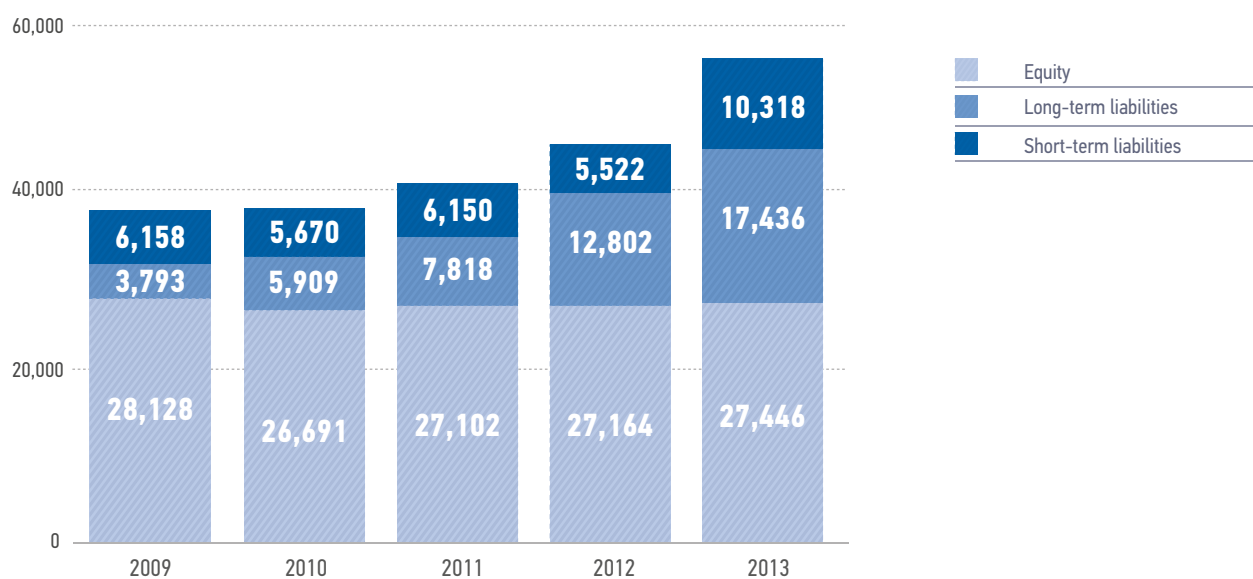
The increase in Company's accounts payable is attributed to the mutual non-payment of the commitments by sales companies and territorial grid organizations.

During the period in question, the equity of JSC IDGC of the North-West did not change significantly and has remained at the level of RUB 27–28 billion. The main cause of the change in the Company's equity was the change in its financial results.

#### Structure and dynamics of assets in 2009–2013, RUB million



#### Structure and dynamics of liabilities in 2009–2013, RUB million



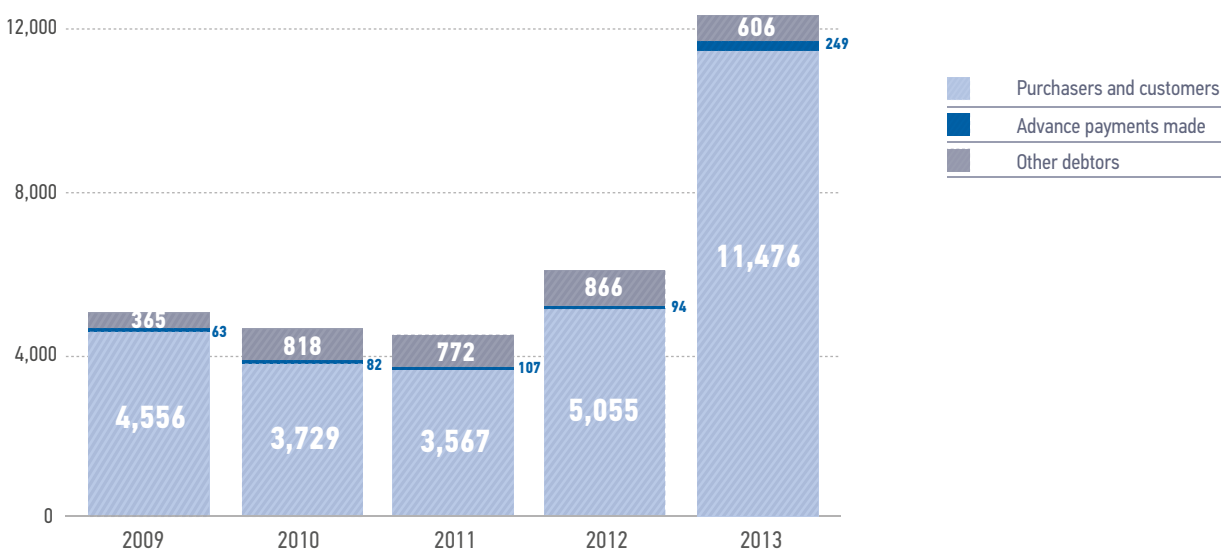
### Structure of accounts receivable, RUB million

Indicators	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013
<b>Accounts receivable</b>	<b>4,984</b>	<b>4,629</b>	<b>4,446</b>	<b>6,015</b>	<b>12,330</b>
<b>Accounts receivable (payments are expected after more than 12 months after the reporting date)</b>	<b>103</b>	<b>203</b>	<b>148</b>	<b>129</b>	<b>56</b>
trade receivables (buyers and customers)	37	32	28	19	16
debt of subsidiaries and affiliates	-	-	1	-	1
advances paid	66	171	119	110	40
<b>Accounts receivable (payments are expected within 12 months after the reporting date)</b>	<b>4,881</b>	<b>4,426</b>	<b>4,298</b>	<b>5,886</b>	<b>12,274</b>
trade receivables (buyers and customers)	4,519	3,697	3,539	5,036	11,460
debt of subsidiaries and affiliates	63	82	106	94	248
advances paid	299	647	653	756	566

Analysis of accounts receivable is provided in consideration of the established reserve for bad debts in the amount of RUB 1,843 million.

The company takes a variety of measures to reduce the amount of accounts receivable. The most efficient measure is the claims work aimed at collection of overdue accounts receivable through the courts, despite the continuous consideration of cases and granting of judicial awards.

### Dynamics of accounts receivable for 2009-2013, RUB million



## Structure of accounts payable, RUB million

Indicators	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013
<b>Accounts payable</b>	<b>4,293</b>	<b>5,155</b>	<b>5,321</b>	<b>4,690</b>	<b>7,630</b>
Other long-term obligations (without taking into account credits and loans)	40	301	227	365	<b>1,052</b>
Trade payables (suppliers and contractors)		2	9	29	<b>69</b>
Other long-term obligations	40	299	218	336	<b>983</b>
<b>Accounts payable</b>					
(without credits and loans)	4,253	4,854	5,094	4,325	<b>6,578</b>
trade payables (suppliers and contractors)	2,263	2,074	2,390	2,075	<b>3,649</b>
wages payable to employees	253	270	298	296	<b>336</b>
debt to state and non-budgetary funds	74	65	99	119	<b>142</b>
debts with regard to taxes and levies	468	535	274	190	<b>670</b>
advances received	1,079	1 783	1,868	1,519	<b>1,542</b>
Other creditors	116	127	165	126	<b>239</b>

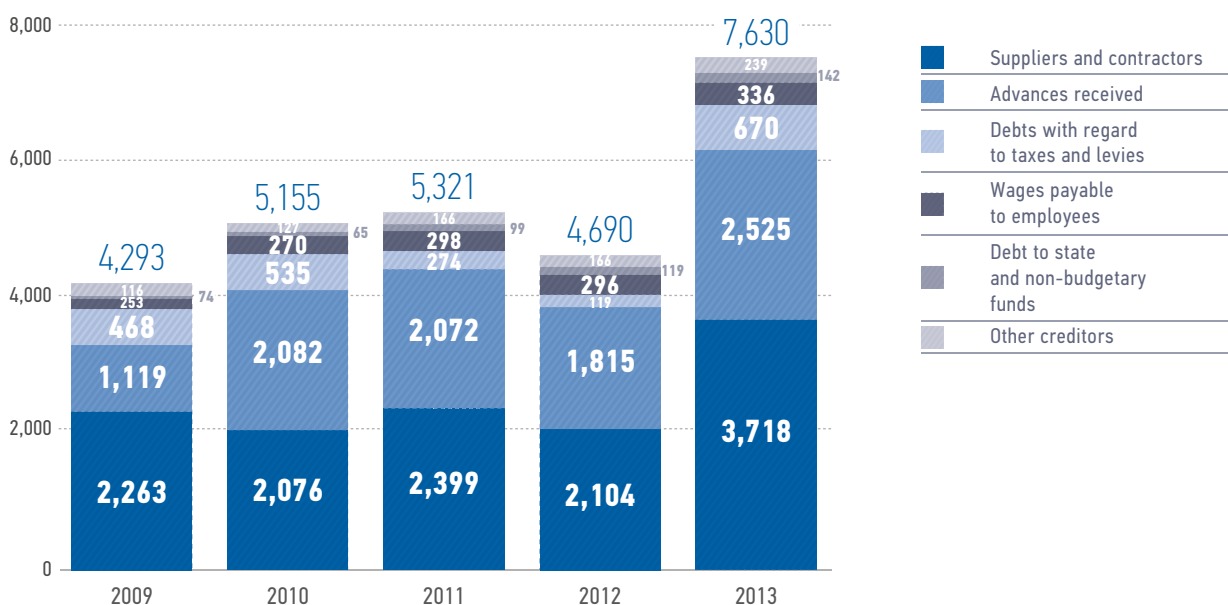
The aggregate accounts payable of the Company (long-term and short-term) amounted to RUB 7,630 million as of year end 2013. Its increase in the period from 2009 to 2013 was RUB 3,337 million. The main portion of it falls to the debt to suppliers and contractors (49-53%) and advance payments received, 80% of which are technological connection advance payments.

The actual data of dynamics of the accounts payable and receivable is indicative of the non-uniform distribution of their increase in 2013 (as compared to the preceding financial periods):

- The increase in accounts receivable was RUB 6,316 million (from RUB 6,015 million to RUB 12,331 million);
- The increase in accounts payable was RUB 3,337 million (from RUB 4,325 million to RUB 7,630 million).

In this respect, the disproportion of the accounts payable and receivable dynamics affected the Company's credit portfolio, which increased by RUB 6,081 million during 2013.

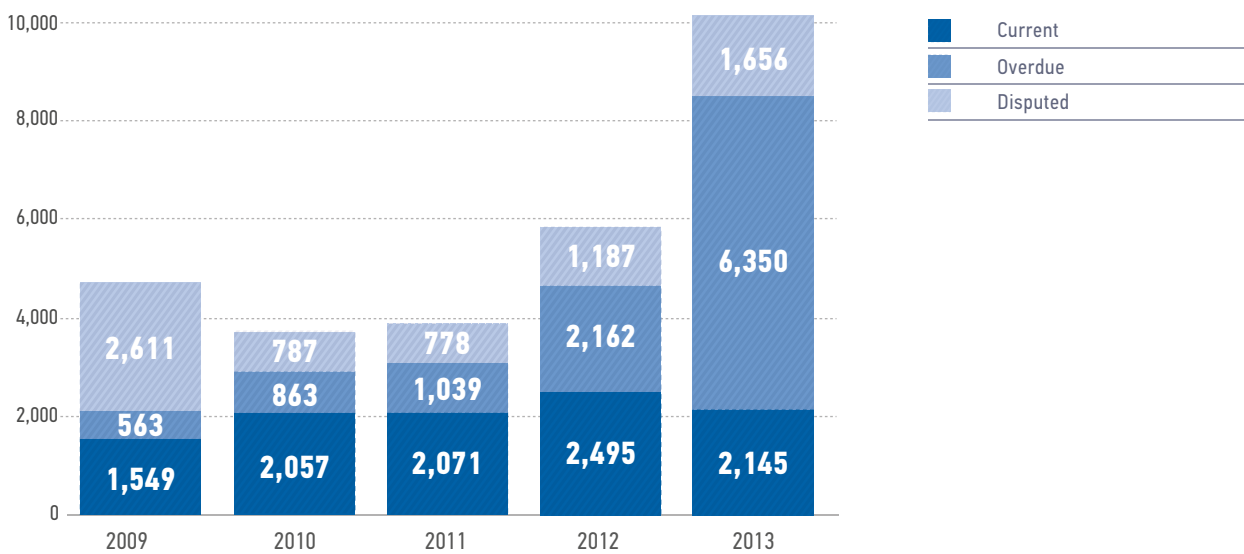
## Dynamics of accounts payable, RUB million



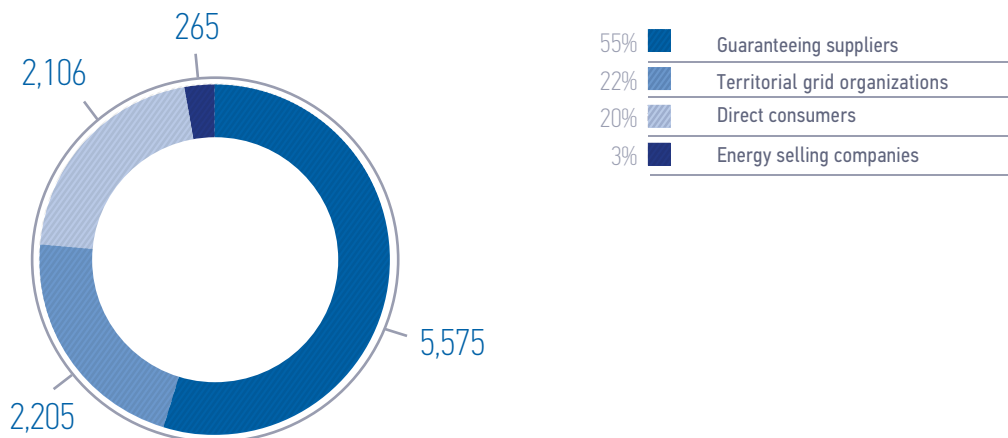
## HANDLING ACCOUNTS RECEIVABLE

The amount of accounts receivable for electricity transmission services as of year end 2013 was RUB 10,151 million. During the period of 2010-2013 the amount of accounts receivable for electricity transmission services increased.

Structure of accounts receivable by types of indebtedness in dynamics for 2009-2013, RUB million



Structure of accounts receivable as of December 31, 2013 by consumer groups, RUB million



## 5.6. CREDIT PORTFOLIO AND LIQUIDITY

Financial and economic indicators of JSC IDGC of the North-West are calculated in accordance with the financial statements for 2011–2013, RUB million

Indicators	Method of calculation	2009	2010	2011	2012	2013
<b>Liquidity indicators</b>						
Absolute liquidity ratio	(Monetary funds and money equivalents + short-term investments) / Short-term liabilities	0.09	0.20	0.25	0.13	<b>0.08</b>
Quick liquidity ratio	(Monetary funds and money equivalents + short-term investments + accounts receivable less than 12 months + Other current assets) / Short-term liabilities	0.94	1.07	1.02	1.26	<b>1.32</b>
Current liquidity ratio	Current assets/Current liabilities	1.09	1.25	1.21	1.49	<b>1.45</b>
<b>Financial stability indicators</b>						
Equity-assets ratio (equity ratio)	Equity / Total liabilities	0.74	0.70	0.66	0.60	<b>0.50</b>
Ratio of total debt to EBITDA	(Long-term borrowed funds + short-term borrowed funds) / EBITDA	1.67	1.76	1.57	2.71	<b>3.17</b>
Working capital financed by equity to total assets ratio	(Current assets – Accounts receivable more than 12 months – Short-term liabilities) / Current assets	0.07	0.17	0.15	0.31	<b>0.31</b>
<b>Profitability performance</b>						
Return on equity (ROE)	(Net profit / Equity) 100%	0.54	-2.93	1.51	0.23	<b>1.1</b>
Return on Total Assets (ROTA) for profit before taxation	(Profit before taxation / Total Assets) 100%	0.29	-0.91	2.34	0.98	<b>1.46</b>
Profitability on EBITDA	EBITDA / Revenue from sales	12.79	9.90	12.82	12.52	<b>12.52</b>
<b>Business activity performance</b>						
Accounts receivable/accounts payable growth ratio	ARG = Total amount of AR as of the end of reporting period / Total amount of AR as of the end of base period APG = Total amount of short-term AP as of the end of reporting period / Total amount of short-term AP as of the end of base period ARG / APG	0.84	0.81	0.92	1.59	<b>1.35</b>
Total accounts receivable/accounts payable ratio	Total amount of AR as of the end of reporting period / Total amount of AP as of the end of reporting period	1.16	0.90	0.84	1.28	<b>1.61</b>
Most liquid accounts receivable/accounts payable growth ratio	Most liquid AR as of the end of reporting period / AP to suppliers and contractors as of the end of reporting period	2.03	1.97	1.64	2.63	<b>3.09</b>





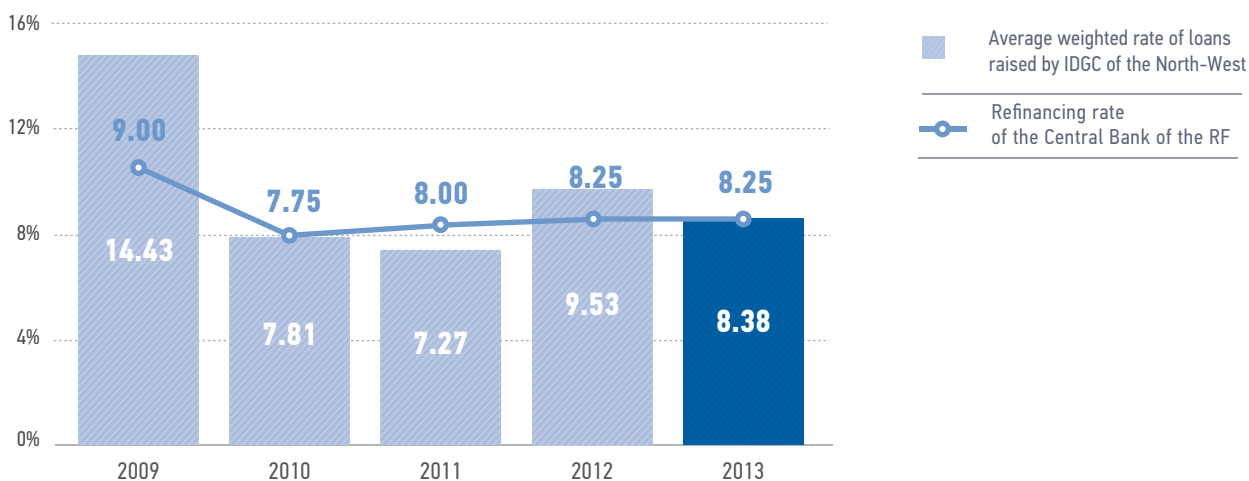
### Credit portfolio, RUB million

Indicator	2009	2010	2011	2012	2013	Change for 2013
<b>Total credits and loans, RUB million</b>	<b>4,658</b>	<b>4,651</b>	<b>6,228</b>	<b>10,648</b>	<b>16,730</b>	<b>6,082</b>
Long-term (1-5 years)	4,083	4,373	6,148	10,629	<b>13,953</b>	3,324
Short-term (less than 1 year)	575	279	80	19	<b>2,777</b>	2,758

### DYNAMICS OF AVERAGE WEIGHTED RATE OF THE CREDIT PORTFOLIO

In 2013, the Company raised borrowed funds at the average weighted rate of 8.38% per annum, which is 1.15% less than in 2012. The refinancing rate of the Central Bank of the RF in 2013 was 8.25%.

#### Dynamics of the refinancing rate of the Central Bank of the RF and the average weighted rate of the Company's loans raised, %



#### Credit portfolio structure in 2013

Bank	Bank share in the Management Project Contract, %	Indebtedness, RUB million
Sberbank of Russia	49	8,241
JSC Bank VTB	37	6,194
ALPHA-BANK	4	701
Gazprombank	10	1,594
<b>Total</b>	<b>100</b>	<b>16,730</b>

#### Credit plan 2013, RUB million

<b>Amount of credits and loans as of January 01, 2013</b>	<b>10,648</b>
<b>Funds raised in 2013</b>	<b>19,785</b>
including for investment activities	2,907
for refinancing	12,635
for operating activity	168
for energy selling activity	4,075
<b>Amount of credits and loans as of December 31, 2013</b>	<b>16,730</b>

Pursuant to the Borrowing Strategy of JSC Russian Grids, JSC IDGC of the North-West in 2013 decided to prepare the issuing of exchange bonds (4 issues) in the amount of RUB 15 billion for the circulation term of 10 years.

Placement of the bonds is expected in favorable market conditions.



## 5.6 TARIFF POLICY

As from 2013, JSC IDGC of the North-West continued rendering services for electricity transmission, technological connection of consumers, and diesel power plant generation of electricity.

In the reporting year the Company's tariff policy was aimed at ensuring operation of the Company.

In 2013, the set tariffs enabled the Company to receive revenue in the amount of RUB 34 billion. Structure of the revenue is given below in this report.

### Structure of tariff proceeds of JSC IDGC of the North-West

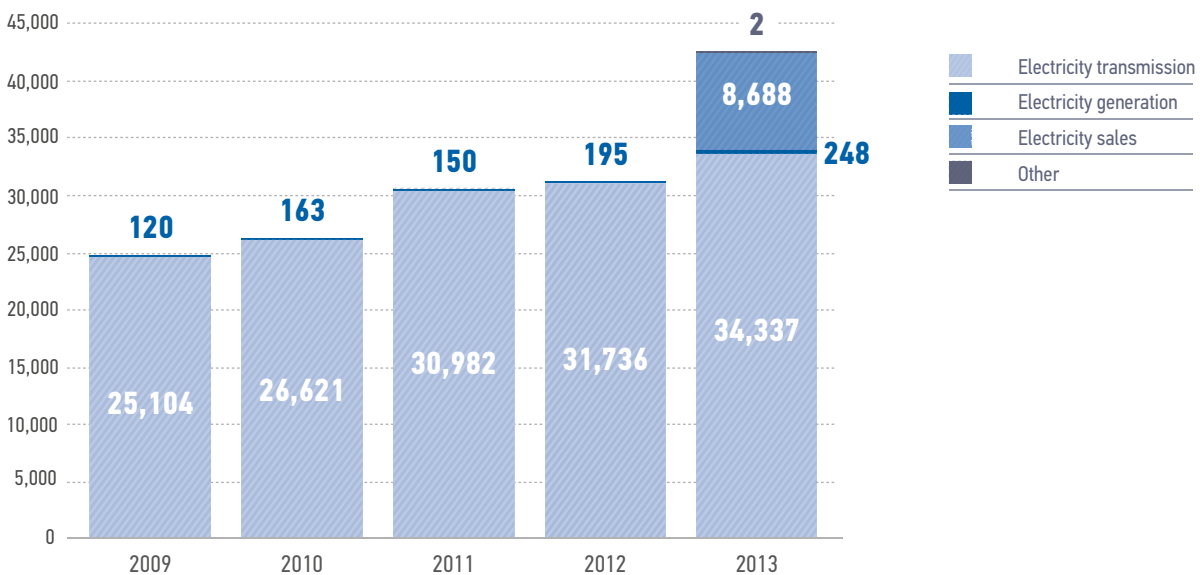
	2009	2010	2011	2012	2013	Growth rate, %			
						2010/2009	2011/2010	2012/2011	2013/2012
<b>Tariff revenues, RUB million, including</b>	<b>25,104.24</b>	<b>26,620.50</b>	<b>30,982.32</b>	<b>31,735.96</b>	<b>34,337.26</b>	<b>106.04</b>	<b>116.39</b>	<b>102.43</b>	<b>108.2</b>
Own tariff revenues, RUB million	13,688.94	14,100.79	15,740.73	16,275.04	<b>19,181.21</b>	103.,01	111.63	103.39	117.86
Share of own tariff revenues, %	54.53	52.97	50.81	51.28	<b>55.86</b>	-	-	-	-
Tariff revenues from TGOs, RUB million	2,069.42	1,283.06	1,434.51	1,076.08	<b>916.44</b>	-38	111.80	75.01	-14.84
Share of tariff revenues from TGOs, %	8.24	4.82	4.63	3.4	<b>2.67</b>	-	-	-	-
Payment for FGC services, RUB million	5,589.70	7,246.35	9,016.39	9,537.14	<b>9,362.29</b>	129.64	124.43	105.78	-1.83
Share of FGC expenses, %	22.27	27.22	29.10	30.05	<b>27.27</b>	-	-	-	-
Expenses to cover losses, RUB million	3,756.18	3,990.29	4,790.70	4,847.69	<b>4,877.32</b>	106.23	120.06	101.19	100.61
Share of expenses on losses, %	14.96	14.99	15.46	15.27	<b>14.2</b>	-	-	-	-
<b>TOTAL</b>									
<b>Regional factors, RUB million</b>	<b>15,758.36</b>	<b>15,383.86</b>	<b>17,175.23</b>	<b>17,351.12</b>	<b>20,097.65</b>	<b>-2.38</b>	<b>111.64</b>	<b>101.02</b>	<b>115.83</b>
Share of regional factors, %	62.77	57.79	55.44	54.67	<b>58.53</b>	-	-	-	-
<b>Federal factors, RUB million</b>	<b>9,345.88</b>	<b>11,236.64</b>	<b>13,807.09</b>	<b>14,384.83</b>	<b>14,239.61</b>	<b>120.23</b>	<b>122.88</b>	<b>104.18</b>	<b>-1.01</b>
Share of federal factors, %	37.23	42.21	44.56	45.33	<b>41.47</b>	-	-	-	-



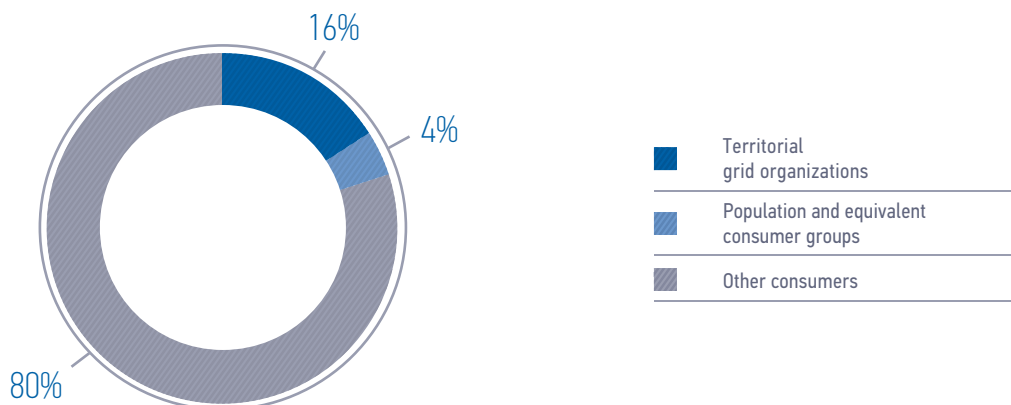
The approved tariffs provided for the aggregate growth of tariff revenues by 8.2% up to RUB 34 billion. Federal factors accounted for 41.47% or RUB 14.2 billion of necessary gross revenues (hereinafter referred to as NGR), regional factors – for 58.53% or RUB 20.1 billion of NGR, where 4.6%,

or RUB 0.9 billion, are expenses for payment for services of territorial grid companies. The decline in the portion of federal factors was attributed to the partial termination of lease agreements for “last mile” facilities. Vologdaenergo and Karelenenergo “last mile” agreements will remain in force in 2014.

Revenue structure for 2009-2013, RUB million



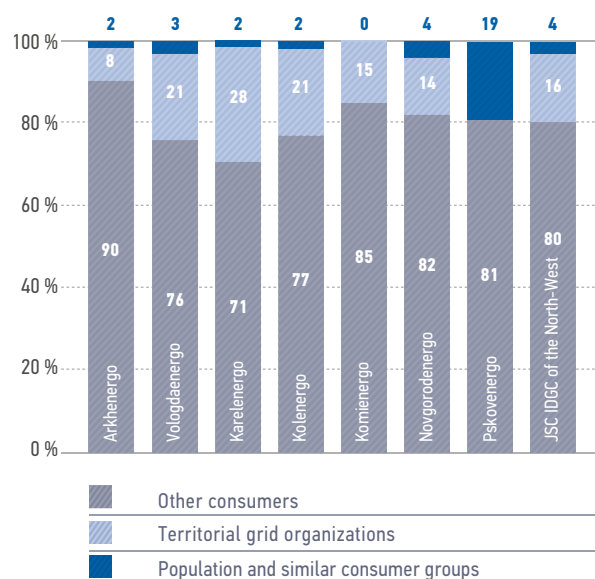
Revenue structure for electricity transmission services rendered in 2013 by consumer groups, %



The largest share of the consumer groups “population” falls within the branches of Pskovenergo (19.47%), Novgorodenergo (4.13%), and Vologdaenergo (3.05%).

The share of territorial grid organizations in the Company’s revenue in 2013 achieved maximum values in the branches of Kareleenergo (27.84%), Kolenergo (21.23%) and Vologdaenergo (21.18%), which is due to the specific nature of setting of the regional boiler tariff for electricity transmission services. The main share of the Company’s revenue is received for the group “Other” (80%); this group includes energy sale companies in the Regions and large industrial consumers, with the highest weight of the following members of the group “Other”: JSC Severstal (42% of Vologdaenergo revenues), JSC Akron (29% of Novgorodenergo revenues), JSC Karelsky Okatysh (39% of Kareleenergo revenues), JSC NAZ SUAL (28% of Kareleenergo revenues).

Revenue structure for electricity transmission services rendered in 2013 by consumer groups by branches, %

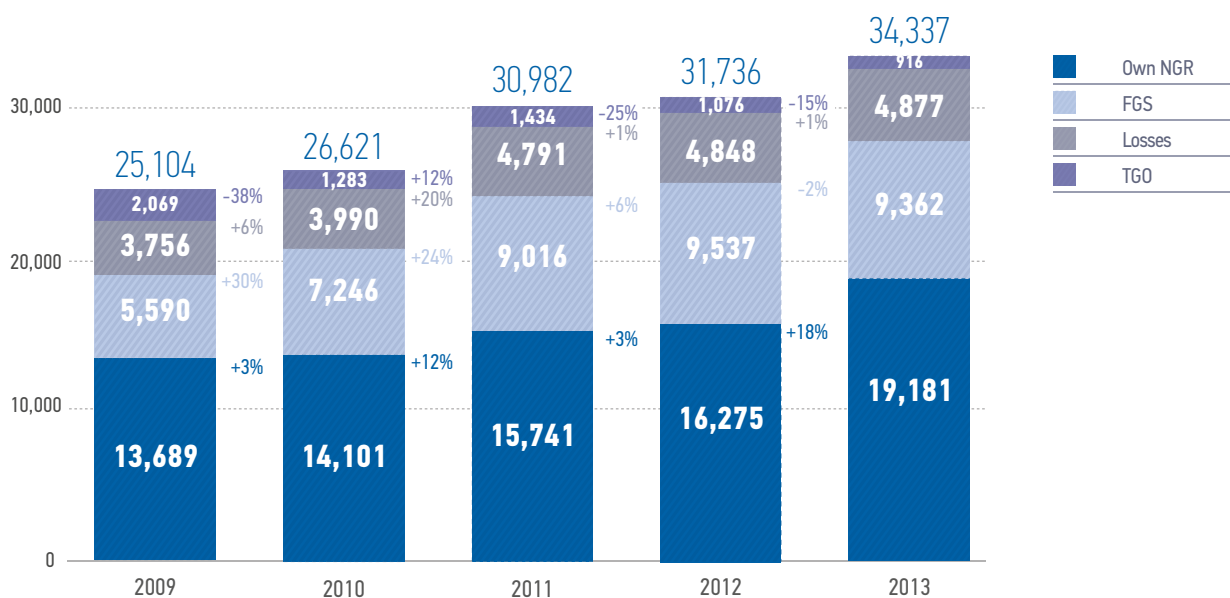


## STRUCTURE OF NECESSARY GROSS REVENUES

In the reporting year, the increase in the own NGR by 17.86% was recorded, which was resulted from the revision of long-term RAB-regulation parameters, the inclusion of operating results from previous years in the tariff regulation, and the implementation of the Decree No. 403 of the RF Government dated May 08, 2013.

The reduction in costs of JSC FGC UES by 1.83% was attributed to the partial termination of lease agreements for “last mile” facilities. The reduction in costs of territorial organizations in 2013 by 14.84% was caused by the change in settlement scheme in the regional boiler and does not affect the Company’s operating results.

Dynamics of NGR from electric energy transmission, RUB million



## 5.7 KEY FINANCIAL INDICATORS IN ACCORDANCE WITH IFRS

The consolidated financial statements of JSC IDGC of the North-West for the year ended December 31, 2013 prepared in accordance with IFRS<sup>1</sup> includes performance indicators

of the Company and its subsidiaries: JSC Pskovenergosbyt, JSC Pskovenergoagent, JSC Energoservice of the North-West and JSC Lesnaya Skazka.

### Company's Key Financial Indicators in accordance with IFRS, RUB million

Indicators	2013	2012	2011	2010	2009	Growth rate, %
Revenue, including:	<b>44,615</b>	33,419	33,288	28,899	26,749	33.5
Electric Energy Transmission	<b>26,911</b>	26,565	26,769	22,901	21,643	1.3
Electricity sale	<b>16,139</b>	4,994	5,190	4,699	3,688	223.2
Technological connection	<b>955</b>	1,412	884	668	496	-32.4
Other revenues	<b>611</b>	448	445	631	922	36.4
Production cost of services	<b>-43,337</b>	-32,705	-31,975	-28,803	-26,082	32.5
Result of operating activities	<b>1,346</b>	716	1,325	-159	733	88.0
Financial expenses, net	<b>-1,062</b>	-515	-259	-397	-496	106.2
Profit/(loss) before tax	<b>683</b>	508	1,253	-273	78	34.4
Expenses on income tax	<b>-297</b>	-112	-451	-40	-30	165.2
Profit/(loss) for the year	<b>387</b>	396	802	-313	48	-2.3
Total aggregate profit/(loss) for the year	<b>168</b>	294	789	-308	60	-42.9
EBITDA (earnings before interest, tax and depreciation and amortization)	<b>5,252</b>	4,020	4,396	2,702	3,066	30.6
DEBT/EBITDA (net debt to EBITDA ratio)	<b>3.03</b>	2.47	1.07	1.30	1.36	22.7
Fixed assets	<b>35,915</b>	33,251	29,523	27,223	27,059	8.0
Accounts receivable and advances paid	<b>12,339</b>	5,755	4,313	4,192	4,839	114.4
Equity	<b>22,118</b>	21,966	21,593	20,805	21,113	0.7
Long-term credit and loans	<b>13,953</b>	10,629	6,148	4,373	2,809	31.3
Short-term credit and loans	<b>2,777</b>	19	80	308	1,916	14,515.8
ROE (return on equity ratio)	<b>0.02</b>	0.02	0.04	-0.02	0.002	-
QR (quick liquidity ratio)	<b>1.32</b>	1.26	1.03	1.05	0.88	4.8

<sup>1</sup> The consolidated financial statements of JSC IDGC of the North-West for the year ended December 31, 2013 prepared in accordance with IFRS was published at <http://www.mrsksevzap.ru/act/financereport/msfo2013>.





# Investments

Capital  
investments amount

RUB 6,334.6 mln

(VAT excluded)



Working assets  
introduction

RUB 6,208.9 mln

(VAT included)



Financing

RUB 6,634.2 mln

(VAT included)



Capacity  
introduction

357.0 MVA



2,366.5 km



# 6. Investment Activities

## 6.1 PARAMETERS OF INVESTMENT ACTIVITIES

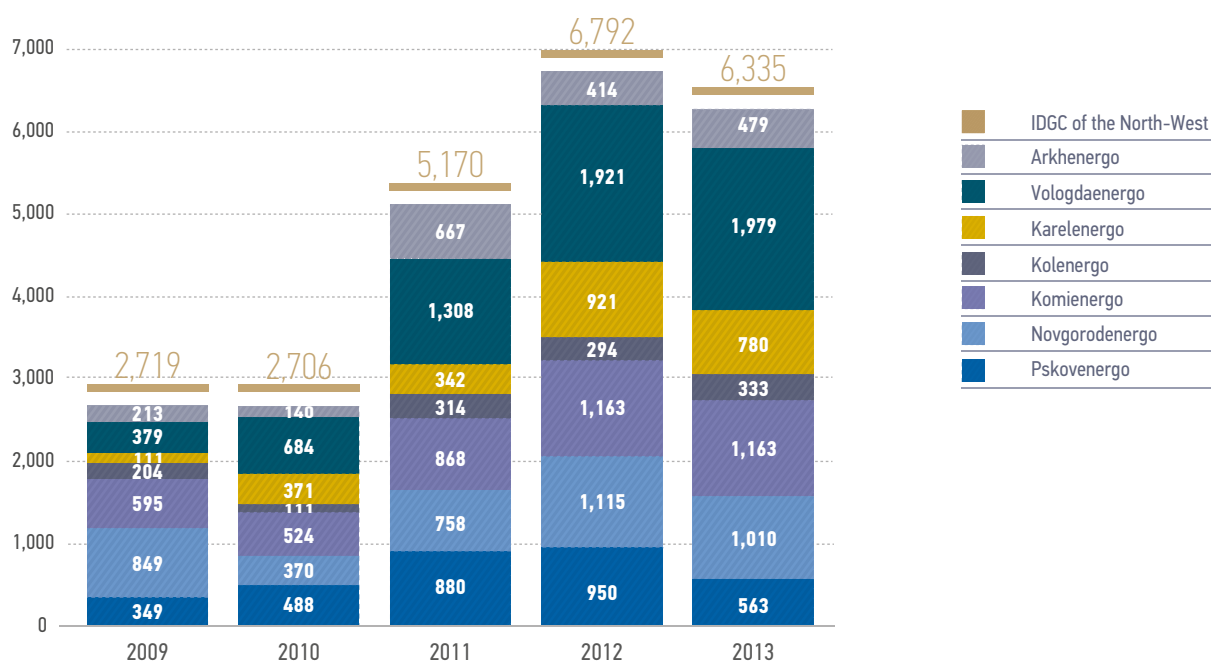
The Investment Program of JSC IDGC of the North-West for 2013 was prepared with regard to goals and tasks of the Unified Policy in the Distribution Electric Grid Complex.

Investment activities are a critical part of successful operation of the Company. Timely and sufficient investment contributes to the improvement of the reliability and performance of the power grid complex, reduces losses in electricity grids, reduces operating costs and ensures commissioning of new capacities for the connection of new consumers, while eliminating the energy deficit.

The investment programs of the Company's branches are approved by executive authorities of the constituent entities of the Russian Federation within the framework of long-term investment programs.

The capital investment volume in 2013 amounted to RUB 6,334.6 million, excluding VAT. In 2013 new fixed assets were commissioned for the total amount of RUB 6,208.9 million. In physical terms 356.97 MVA of transformer capacity and 1,836.16 km of power transmission lines with voltage of 0.4-150 kV were commissioned. Works for the total amount of RUB 6,634.2 million (including VAT) were financed.

Dynamics of capital investments in 2009-2013, RUB million





In 2013, 77% of the total investment volumes were directed to the technical re-equipment and reconstruction of the network complex in order to reduce wear-out percentage of primary equipment and execute the works on the consumers' technological connection. 23% of the total investment volumes were directed to the new construction and expansion and about 0.8% to acquisition of fixed assets.

Despite the reduction of the total Investment Program of the Company in 2013, the volume of investments for technical re-equipment and reconstruction remained at the level of 2012, while the share of funds allocated for technical re-equipment and reconstruction increased to 77% of the total Investment Program, as compared to 72% in 2012.

The main reason for maintaining the amount of investment for technical re-equipment and reconstruction is the need to cut depreciation of electric grid equipment.

The share and the volume of investments in new construction and purchase of electric grid facilities in 2013 were reduced.

In 2013, the volume of investments in R&D in JSC IDGC of the North-West amounted to RUB 0.778 million, or 0.01% of the total Investment Program of the Company.

In accordance with the investment program of JSC IDGC of the North-West the following major projects were implemented in 2013.

#### *Within the framework of technical re-equipment and reconstruction*

##### **Vologdaenergo branch**

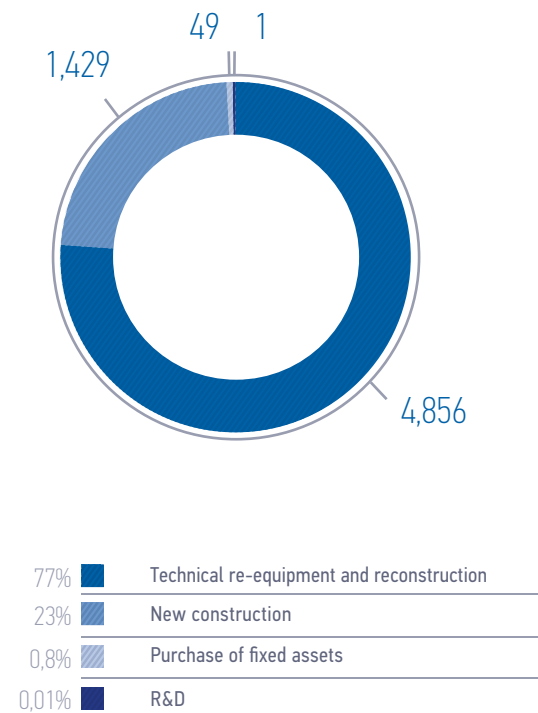
In September 2013, the Vologdaenergo branch completed transformer replacement at the East Substation 110/35/10 kV in Vologda.

The East Substation is the main supply center for a large industrial zone surrounding the substation, as well as for the fast growing residential areas, which annually increase their power consumption. According to the Program for Prospective Development of Grids 35-110 kV, the projected consumption may increase to 9.5 MW by 2016.

After the commissioning of the new transformer at the East Substation, the Vologdaenergo branch will be able to proceed to the construction of the West – East overhead power transmission line 110 kV, further to develop the ring of 110 kV lines to combine all the supply centers in Vologda.

The commissioning of fixed assets under the investment project amounted to RUB 24.2 million; in physical terms, 40 MVA of transformer capacity were commissioned.

**Capital investment structure in 2013, RUB million**



##### **Komienergo branch**

Reconstruction of Ust-Kulom Substation 110/10 kV was completed, power transformer installed.

The project provided an opportunity to implement complex repair modes without switching-off of consumers (including socially significant consumers), to normalize the voltage on transit SS in the modes of maximum and minimum loads, to reduce technical losses of electricity and increase the reliability of the equipment and electricity supply for the consumers.

The commissioning of fixed assets under the investment project amounted to RUB 194.5 million; in physical terms, 10 MVA of transformer capacity were commissioned.



### Within the framework of new construction

#### Karelenergo branch

In July 2013, the Karelenergo branch completed the investment project of Construction of Logmozero Substation 110/10 in Prionezhsky District, the Republic of Karelia, the launching site 2 (Substation SS-83).

The construction was carried out to provide electrical energy to electric plants to implement few major projects – the joint Russian-Finnish project Technology Village and the construction of the first Karelian oriented strand board plant DOK Kalevala, as well as for individual housing construction.

The commissioning of fixed assets under the investment project amounted to RUB 170.7 million; in physical terms, 50 MVA of transformer capacity were commissioned.

#### Komienergo branch

The works under the first stage of investment project “Construction of Overhead Line 110/35/10 kV Sokolovka-Pazhga with the expansion of SS 110/35/10 kV Sokolovka, SS 110/35/10 kV Pazhga” are completed.

Implementation of the project made it possible to connect new consumers to electrical grids of the Komienergo branch and increase profit through electricity deliveries to the connected facilities.

The commissioning of fixed assets under the investment project amounted to RUB 169.7 million; in physical terms, 6.3 MVA of transformer capacity and 1.005 of power transmission lines were commissioned.

## 6.2 LONG-TERM INVESTMENT PROGRAM

The main direction of capital investments in the period of 2013-2018 is the technical re-equipment and reconstruction of the grid complex (over 80% of the total investment volume) required due to a high level of wear and tear of fixed assets. The share of investments in new construction in the long-term investment program accounts for 19% of the total volume of investments.

The long-term investment program approved by the executive governmental authorities of the regions provides for a planned volume of capital investments for 2014-2018 in the amount of RUB 27,413.2 million, exclusive of VAT. The planned financing volume is RUB 32,039.6 million, including VAT. The planned commissioning of fixed assets – RUB 28,195.5 million.

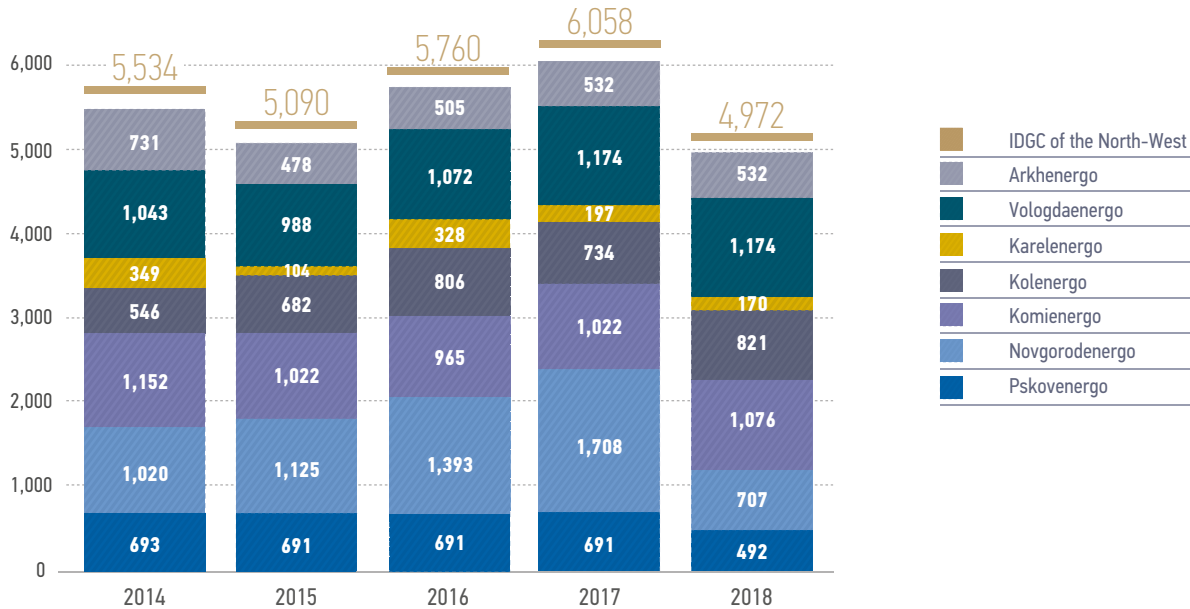
The following capacities are planned to be commissioning:

- Power transmission lines 4,690.8 km;
- Transformer capacity of 2,062.2 MVA, with increase of capacity of 2,398.8 km and 787.5 MVA.

As the diagram shows, the planned capital investment tends to grow until 2017, for most of the branches and the Company as a whole. Chain annual rates of growth are: as follow 2015 – (-8%); 2016 – 13%; 2017 – 5%. In 2018, a decrease in capital investment by 18% is expected, in particular for branches with RAB tariff regulation.



### Planned capital investment for the period of 2014-2018, RUB million, VAT excluded



### Structure of capital investments, RUB million, exclusive of VAT

Indicators	2013	2014	2015	2016	2017	2018
<b>Total</b>	<b>6,335</b>	<b>6,238</b>	<b>6,381</b>	<b>6,876</b>	<b>7,472</b>	<b>5,357</b>
Major Projects	708	918	2,136	1,170	<b>929</b>	817
TRR	506	540	1,327	435	<b>659</b>	292
NC	202	378	809	735	<b>270</b>	525
Critical programs	5,626	5,320	4,245	5,707	<b>6,543</b>	4,540
TRR	900	1,569	1,132	1,770	<b>2,577</b>	1,369
NC	276	107	103	184	<b>13</b>	356
Technological connection, including	2,610	1,881	1,525	1,573	<b>1,581</b>	1,375
Distribution grids	761	882	690	819	<b>751</b>	203
TRR		882	690	819	<b>751</b>	203
Technological management automation (except automated utility metering systems)	172	223	220	266	<b>350</b>	206
Electricity metering and monitoring means	237	326	365	515	<b>646</b>	336
Safety programs	18	45	21	39	<b>38</b>	27
Purchase of electric grid assets, land plots and other facilities	41	5	2	5	<b>5</b>	5
Other programs and measures	611	282	187	535	<b>581</b>	664





# Sustainable growth

Employer's expenses  
for realization  
of the social policy

RUB 515 mln

+ 8.4%



Labour  
safety  
expenses

RUB 323 mln

+ 11.7%



Environmental  
safety  
expenses

RUB 13.2 mln

+ 2.4%



# 7. Corporate Governance

## 7.1 BOARD OF DIRECTORS

The quantitative membership of the Board of Directors is determined by the Articles of Association and accounts for 11 members.

One of the events that took place after the reporting date was the Extraordinary General Meeting of Shareholders held on March 12, 2014. The Extraordinary General Meeting of Shareholders was called by the resolution of Board of Directors dated

December 20, 2013 (Minutes No. 143/14) pursuant to request by JSC Russian Grids, the shareholder owning more than 10% of the voting shares of the Company as of the date of request. The Extraordinary General Meeting resolution prematurely terminated the powers of Members of the Board of Directors and the Auditing Commission of the Company elected at the Annual General Meeting of Shareholders on June 21, 2013 (Minutes No. 7), and new Members were elected.

## COMPOSITION OF THE BOARD OF DIRECTORS

Elected by the General Meeting of Shareholders as of June 21, 2013 (Minutes No.7) in the period from June 22, 2013 to March 12, 2014, as consisted of the following members:

A.E. Murov (Chairman), V.V. Ageev, A.A. Bashindzhagyan, S.A. Balaeva, T.P. Dronova, D.V. Kulikov, M.V. Merzlikina, S.V. Pokrovsky, S.G. Titov, D.A. Chevkin, Y.P. Chermenteyeva.

The current Board of Directors elected by the Extraordinary General Meeting of Shareholders 12.03.2014.





## Sergey Gennadievich Titov

### Chairman of the Board of Directors

Date of the first election to the Board of Directors of the Company: June 21, 2013

Date of the last reelection to the Board of Directors of the Company:

March 12, 2014.

Born in 1963.

Has a higher technical education. In 1987, he graduated from the Leningrad Mechanical Institute, majoring in Components of Field Installations, in 1993 – from postgraduate studentship at Baltiyskiy State Technical University.

Repeatedly took advanced trainings: PSM Consulting, majoring in Project Management, Advanced Training Institute under Rosenergo, majoring in Financial Management.

From 2002 to 2007 worked as head of JSC Lenoblgaz branch.

In 2007, he was transferred to the management of JSC Lenoblgaz, and worked as Deputy General Director for Economy and Finance until 2011.

From March 2011 – occupied the post of Deputy General Director for Capital Construction of JSC IDGC of the North-West (as from August 15, 2011 – is member of the Management Board of the Company).

From 2012 till 2014, was in charge of JSC IDGC of the North-West. As from April 2014, he continued his work for JSC Lenenergo as Deputy General Director for interaction with JSC IDGC of the North-West.

In July 2012 he was appointed General Director of JSC IDGC of the North-West.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.



## Tatiana Petrovna Dronova

Date of the first election to the Board of Directors of the Company:

June 10, 2009

Date of the last reelection to the Board of Directors of the Company:

March 12, 2014

Born in 1954.

Higher education, graduated from Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as an economist.

From 2001 to 2008 worked in the electric energy sector at JSC Mosenergo in the position of the Chief Accountant, was a member of the Management Board of JSC Mosenergo.

Since 2008 until now has been Deputy General Director for Strategy and Development of CJSC Energosoyuz Investment Holding.

As of December 31, 2013, she was not in management bodies of other organizations.





## Alexey Nikolaevich Zharikov

Date of the first election to the Board of Directors of the Company:  
March 12, 2014

Born in 1970.

In 1993, he obtained a diploma of higher education upon graduation from the State University of Management majoring in Economics and Management in Fuel & Energy Industries.

From 2007 to 2009 he held the position of Director for Corporate Governance in JSC Mosenergo.

Since 2010 he has worked for JSC Electrocentronaladka as Director of the Corporate Policy and Dealing with Shareholders Department.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.



## Svetlana Semenovna Zholnerchik

Date of the first election to the Board of Directors of the Company:  
June 29, 2007

Date of the last reelection to the Board of Directors of the Company:  
March 12, 2014

Born in 1964.

She graduated from the Saint-Petersburg State University of Engineering and Economics named after P. Togliatti majoring in Mechanical Engineering; she was awarded the qualification of an Engineer Economist. Received a second graduate degree majoring in Law; she was awarded the qualification of a Lawyer in the Saint-Petersburg State University. Candidate of economic sciences.

From 2008 to 2013, she held the position of Deputy Chairman of the Management Board of Non-Commercial Partnership Market Council for the development of an effective system of wholesale and retail trade in electric energy and power; she was a member of the Management Board.

Since 2013 has worked as Deputy General Director of JSC Russian Grids.

Currently she is a member of management bodies of the following organizations: member of the Boards of Directors of JSC TGC-14, JSC Lenenergo.







## Marina Alexandrovna Lavrova

Date of the first election to the Board of Directors of the Company:  
March 12, 2014

Born in 1982.

She graduated from the State University of Management majoring in Management in Energy Industry; she qualified as Manager. Received a second graduate degree from the Finance Academy under the Government of the Russian Federation.

From 2008 to 2013 she worked as Deputy Head of Business Planning Department in JSC IDGC Holding (from April 04, 2013 — JSC Russian Grids).

In 2013, she was appointed the Head of Economy of Subsidiaries and Affiliates, Economic Planning and Budgeting Department, JSC Russian Grids; she still has been in this position.

Currently he is a member of management bodies of the following organizations: Member of the Board of Directors of JSC Dagestan Energy Selling Company, JSC ENCE, JSC Kubanenergo, JSC Nedvizhimost of the Volga Region Energy Engineering Center.

## Sergey Vadimovich Pokrovsky

Date of the first election to the Board of Directors of the Company:  
June 21, 2013

Date of the last reelection to the Board of Directors of the Company:  
March 12, 2014

Born in 1973.

In 1996, he graduated from the Gubkin Russian State University of Oil and Gas majoring in Applied Mathematics; he qualified as Mixed Mathematician.

Since 2004 has worked in the Association for Protection of Investors' Rights as Deputy Executive Director.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.





## Maxim Mikhailovich Saukh

Date of the first election to the Board of Directors of the Company:  
March 12, 2014

Born in 1979.

In 2001, he graduated from the Saint-Petersburg Humanitarian University of Trade Unions majoring in Law.

From 2008 to 2013 he worked for JSC IDGC Holding (from April 04, 2013 – JSC Russian Grids), in the following positions: Deputy Head of the Corporate Governance and Interaction with Shareholders Department, First Deputy Head of the Corporate Governance and Interaction with Shareholders Department, Head of the Corporate Governance and Interaction with Shareholders Department.

Since 2013 he has worked as Head of Corporate Relations in the Department for Corporate Management and Governance and Interaction with Shareholders, JSC Russian Grids.

Currently he is a member of management bodies of the following organizations:

Member of the Board of Directors of JSC ENIN, JSC Electric Network Company of Ekaterinburg, JSC Kabbalkenergo, JSC Pskovenergosbyt, JSC Svet, JSC North-West Energy Management Company, IT Energy Service Ltd, CC Kurortenergo, ESCO TyumenEnerg, JSC Tomsk Distribution Company, JSC IDGC of the Center, JSC Nedvzhimost of the Siberia Energy Engineering Center.



## Vladimir Vladimirovich Sofyin

Date of the first election to the Board of Directors of the Company:  
March 12, 2014

Born in 1969.

In 1992 he graduated from the Ural Polytechnic Institute, majoring in Electrical Systems and Networks; he qualified as Electrical Engineer.

From 2007 to 2009 he held the position of Director for Asset Management in JSC FGC UPS. From 2009 to 2010 he held the position of Director for Services Development of JSC IDGC of the Center, Executive Director for Energy in SC Olympstroy. From 2010 to 2012 – First Deputy Minister of Energy and Housing Services and Utilities of the Government of the Murmansk Region. From 2012 to 2013 – Director for Innovation Development, JSC FGC UPS.

In 2013, he was appointed the Director of Technology Development and Innovation, JSC Russian Grids; he still has been in this position.

Currently he is a member of management bodies of the following organizations:

Chairman of Boards of Directors in JSC Agency for Electrical Energy Balance Forecasting, JSC VNIPIEnergoprom, JSC Scientific, Research and Testing Center of IDGC, JSC Nedvzhimost of the UES Energy Engineering Center, JSC SKB VTI.





## Roman Alexeevich Filkin

Date of the first election to the Board of Directors of the Company:

June 16, 2011

Date of the last reelection to the Board of Directors of the Company:

March 12, 2014

Born in 1983.

In 2005 he graduated from the Finance Academy under the Government of the Russian Federation, majoring in Finances and Credit, qualified as Economist.

Since 2009 he has worked as Co-Director at the Representative Office of Prosperity Capital Management (RF) Ltd. (electric energy, machine building).

Currently he is a member of management bodies of the following organizations:

Member of the Boards of Directors of JSC IDGC of the South, JSC IDGC of the Center, JSC IDGC of the Center and Volga Region, JSC TGC-6, JSC TGC-2, JSC Kurganmashzavod, JSC Dalenergomontazh, JSC Smolensk Energy Repair Company, JSC Noyabrsk elektrossetstroy, JSC Urengoytruboprovodstroy, JSC Prokatmontazh.



## Dmitry Aleksandrovich Chevkin

Date of the first election to the Board of Directors of the Company:

June 21, 2013

Date of the last reelection to the Board of Directors of the Company:

March 12, 2014

Born in 1976.

In 1998, he graduated from the Finance Academy under the Government of the Russian Federation, qualified as Economist.

From 2005 to 2013, he worked in JSC FGC UPS, where he held positions of Head of Control and Analytics Division, Head of Analytics and Efficiency Management, Head of Personnel Management and Organization Design Department, and HR Director.

In May 2013, he was appointed Director of the HR Policy and Organization Development Department, JSC Russian Grids; he still has been in this position.

Currently he is a member of management bodies of the following organizations: Member of the Boards of Directors of JSC Nedvzhimost of the North-West Energy Engineering Center, JSC Nedvzhimost of the Volga Region Energy Engineering Center, JSC Tyumenenergo.





## Yulia Petrovna Chermenteyeva

Date of the first election to the Board of Directors of the Company:

June 21, 2013

Date of the last reelection to the Board of Directors of the Company:

March 12, 2014

Born in 1972.

Higher education, graduated from the Moscow State Law Academy, majoring in Law; she was awarded the qualification of a Lawyer.

From July 2008 to July 2013, she worked for JSC IDGC Holding (from April 04, 2013 – JSC Russian Grids), in the following positions: Project Manager of the Group for the Legal Support for Completion of the JSC RAO UES of Russia Restructuring, Head of Electricity Regulation in the Legal Department, Deputy Chief of the Legal Department.

Since July 2013, she has worked as the Head of Development of Regulatory Legal Acts, Legal Department, JSC Russian Grids.

Currently he is a member of management bodies of the following organizations: member of the Board of Directors of JSC IDGC of the Center and Volga Region.

In 2013, the Members of the Board of Directors did not hold shares of JSC IDGC of the North-West and did not commit transactions with securities of the Company in 2013.

## BOARD COMMITTEES

Within the implementation of principles determined in the Corporate Governance Code, the Company created the consulting bodies under the Board of Directors of IDGC of the North-West: Audit Committee, HR and Remuneration Committee, Strategy and Development Committee, Reliability Committee and Committee of Technological Connection to Electric Grids (hereinafter referred to as the Committees).

The composition and the description of the committees is available in the online version of the report.



## 7.2 MANAGEMENT BOARD

During 2013 the Board of the Company had the following members: Titov S.G., Bezdenezhnykh O.A., Bukata D.A., Gorokhov A.Y., Guba D.O., Koshelev M.V., Krautman D.K., Matrosov D.L., Mihalkov A.V., Tiron D.P.



### Oleg Arnoldovich Bezdenezhnykh

Member of the Management Board, Deputy General Director for Implementation of Strategic Development Projects (date of election to the Management Board — August 30, 2013).

Born in 1963.

In 1985, he graduated from the A.F. Mozhaisky Order of Red Banner Military Engineering Institute, majoring in Flight Control Systems.

In 1998, he graduated from the Saint-Petersburg State Academy of Engineering and Economics, majoring in Accounting and Auditing. He has a degree of Candidate of Science (Engineering).

From 2002 to 2010, he held the position of Director for Economy and Finance, JSC Saint-Petersburg Cardboard and Printing Works.

As from 2010, he was appointed head of department in JSC Russian Grids.

In July 2013, he was appointed Deputy General Director for Strategic Development Project Implementation of JSC IDGC of the North-West.

Competence: development of medium- and long-term development programs, strategic development goals based on the «Strategy for the development of electric grid complex management company in the Russian Federation», collection of information on promising innovative areas and development projects, certification and review of innovative projects proposed for implementation in the Company.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.



### Andrey Yurievich Gorokhov

Member of the Management Board, Deputy General Director for Technical Issues — Chief Engineer (date of election to the Management Board — February 08, 2013).

Born in 1959.

In 1981 he graduated from the Ivanovo Energy Institute, majoring in Automation of Production and Distribution of Electric Energy, State University of Management (2003), majoring in Management of Energy Companies in the Market Economy.

He started working in Kolenergo immediately after his graduation in 1981. Until 1987 he occupied various positions in HPP-8 (Hydroelectric Power Plant 8) of the Paz HPP cascade, from 1987 to 2002 he worked as an engineer in the Relay Protection and Automatics Service in Kolenergo. From 2002 – Chief Engineer of Energosbyt, branch of JSC Kolenergo. In October 2005 he became the head of commercial supervision and electricity metering operations and the head of electricity transport operations in 2006.

Since February 2008 he has been working as Deputy Director of Kolenergo branch of JSC IDGC of the North-West for Development and Services Selling. In May 2012 he was appointed a temporary Director of Kolenergo branch and in June 2012 – the Director of Kolenergo branch of JSC IDGC of the North-West. Since 2002 – Member of the Management Board, Deputy General Director for Technical Issues – Chief Engineer of JSC IDGC of the North-West.

Competence: Determination of technical policy and its implementation in operation, new construction, technical re-equipment and reconstruction of the electric grid complex of the North-Western region in order to ensure its safe, reliable and effective operation.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.





### Mikhail Vasilyevich Koshelev

Member of the Management Board, Deputy General Director for Corporate Governance (date of election to the Management Board – August 30, 2013).

Born in 1958.

In 1982, he graduated from the Kalinin Order of Lenin Leningrad Polytechnic Institute, majoring in Hydroelectric Plants.

In 1995, he received continuing professional education in the International Banking Institute, majoring in Banking Management. In 1996, he graduated from the Special Department for World Economy and International Banking, Saint-Petersburg State University.

He entered employment in 1982 as Engineer in Spetsgidroenergomontazh. From 1983 to 1987, he worked in the Organizational Department of Smolninsky District Committee of Leningrad AULYCL. From 1991 to 1993, he held various positions in the Leningrad Region Congress of People's Deputies. From 1994 to 1996, he held managerial positions in CJSC PORT-BANK, and CB IMPEXBANK. From 1997 to 2003 – Head of Administration of the First Vice Governor of the Leningrad Region of the Government of the Leningrad Region, Head of Administration of the Legislative Assembly of the Leningrad Region. From 2003 to 2011, he held managerial positions in JSC Lenoblغاز.

In 2012, he was employed by JSC IDGC of the North-West as Head of Public Relations Department. In 2013, he was appointed Deputy General Director for Corporate Governance.

Competence: organization of the judicial support and corporate governance of the Company, and organization of interaction with shareholders and investors and the information support for them.

Currently he is a member of management bodies of the following organizations: Member of the Board of Directors of JSC Energoservice of the North-West.



### Alexander Vladimirovich Mihalkov

Member of the Management Board, Deputy General Director for Development and Services Selling (date of election to the Management Board – April 10, 2008).

Born in 1962.

In 1985, he graduated from Leningrad Polytechnic Institute, majoring in Supply of Electric Energy to Industrial Facilities, Cities and Rural Areas. In 2001, he graduated from the Academy of National Economy under the Government of the Russian Federation, majoring in Management in Electric Energy Sector.

Since 2005, he has worked for JSC IDGC of the North-West. 2005–2007 – Director for Strategic Management, since 2007 has been Deputy General Director for Development and Services Selling.

Competence: organization of work on provision of electric energy supply services and fulfillment of technological connection; elaboration of the strategy of the Company's electric grids services; organization of works with authorities of the subjects of the Northwestern Federal District of the Russian Federation on issues related to territory development and satisfaction of the demand for electric grid services, energy saving and energy efficiency enhancement of the Company; compliance with the customer-oriented policy of the Company.

Currently he is a member of management bodies of the following organization: Chairman of the Board of Directors of JSC Energoservice of the North-West.





Except for Andrey Yuryevich Gorokhov (1,282,564 ordinary shares, share in the authorized capital of the Company – 0.0013%), no Members of the Management Board held shares of JSC IDGC of the North-West in 2013. Members of the Management Board did not perform any transactions with securities of the Company during 2013.

### Dmitry Petrovich Tiron

Member of the Management Board, Deputy General Director for capital construction (date of election to the Management Board: December 14, 2012).

Born in 1968.

In 1990, he graduated from the A.F. Mozhaisky Order of Red Banner Military Engineering Institute, qualified as an electrical engineer.

From 1993 to 2002, he worked in managerial positions of various commercial companies. From 2002 to 2003, he was employed in State Unitary Enterprise Energoservice, from 2003 to 2006 headed LLC Unified Engineering and Energy Center Energoservice (Saint-Petersburg). In 2006-2007, he headed Saint-Petersburg State Institution Stroykomplekt (Deputy General Director, General Director), CJSC RosStroyGroup (Deputy General Director). In 2007-2008, he worked in the Committee for Construction of the Government of Saint-Petersburg, in 2008-2009 – Deputy General Director of Project Designing Bureau StroyProfComplex, Deputy General Director of LLC EnergoPromInvest. In 2009-2010 – First Deputy General Director, General Director of the Administration of JSC Restoration and Construction Company Baltstroy. In 2010-2012 – Head of the Department of Preparation and Control over Compliance with Technical Conditions of the Committee for Construction of the Government of Saint-Petersburg. Before his employment with JSC IDGC of the North-West he held the office of Technical Director of CJSC BaltStroy (Saint-Petersburg).

Competence: implementation of the Company's investment policy in order to increase liability of operation of electric grids and management of construction, reconstruction and technical re-equipment of electric grid facilities in accordance with the unified investment policy.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.



## 7.3 GENERAL DIRECTOR

The competence of General Director covers all matters relating to the current activities of the Company. According to the Company's Articles of Association, General Director has wide powers in such key spheres as property management, transactions making on behalf of the Company, issue of orders, approval of guidelines, and internal documents in all important areas of the Company's activity.

In the period of July 01, 2012 — April 24, 2014, Sergey Gennadievich Titov was in charge of JSC IDGC of the North-West.

Since April 25, 2014, Alexander Vyacheslavovich Letyagin has been Acting General Director of the Company.

### Alexander Vyacheslavovich Letyagin



#### **Acting General Director – Acting Chairman of the Management Board**

Born in 1976.

In 1998, he graduated from the Ivanovo Power Engineering Institute, majoring in Power Plants.

In 2003, he took the managerial training program for the RF national economy in the Moscow Power Engineering Institute, majoring in Management.

In the period from 1999 to 2002, he worked as an electrician for repair of relay protection and automation equipment of categories 4 and 5, a 1st class engineer of electrical laboratory of electrical shop, a head of industrial electrical laboratory of electrical shop electric plant in Belgorodskaya CHPP. In the

period from 2002 to 2003, he worked as a head of laboratory of the central service for Relay Protection and Automation Service JSC Belgorodenergo (power industry and electrification) of the Regional Dispatching Office branch, in 2003 – he worked for JSC SO-CDO UES of Belgorod Regional Dispatching Office as Senior Specialist of the Relay Protection and Automation Service. From 2003 to 2006, he held the position of Technical Director in JSC Belgorodenergo (power industry and electrification). From 2006 to 2012, he worked as Deputy General Director for Technical Issues – Chief Engineer of Orelenargo branch of JSC IDGC of the Center. From 2012 to 2014 – Adviser to General Director, Director of Vyborg Electric Grids branch of JSC Lenenergo.

Since 2014, he has worked for JSC IDGC of the North-West as Acting First Deputy General Director. Competence of Alexander Vyacheslavovich Letyagin covered: coordination and control of tariff setting processes, implementation of tariff policy and prediction of tariffs in the regions, control over the organization of business planning and budgeting processes; control and coordination of the accounting, enforcement of economic and legal interests of the Company in the management of capital and property relations.

In April 2014, he was elected Acting General Director of the Company.

Awarded by the Honorary Certificate of the Legislative Assembly of the Leningrad Region.

He did not hold any shares of JSC IDGC of the North-West in 2013. He did not perform any transactions with securities of the Company during 2013.





## 7.4 AUDITING COMMISSION

Control and assessment of the quality of management of JSC IDGC of the North-West is carried out by the Board of Directors (including the Audit Committee), Auditing Commission, internal control office and external auditor of the Company.

Tasks and operating procedures of the Auditing Commission are governed by the Provision on the Auditing Commission of JSC IDGC of the North-West.

Composition of the Audit Committee of the Company, elected at the Annual General Meeting of Shareholders 21.06.2013, as well as information on the activities shown in the online version of the Annual Report.

## 7.5 AUDITOR

The auditor of the Company's accounting (financial) statements of the Company for 2013 prepared in accordance with the Russian accounting laws is CJSC KPMG (Saint-Petersburg branch – North-West Regional Center).

By the resolution of to the Annual General Meeting of Shareholders of JSC IDGC of the North-West CJSC KPMG was approved as the Company's auditor for 2013 with the amount of remuneration of RUB 1.839 million, including VAT 18%.



### 2013 Corporate Events Calendar

Наименование события	January	February	March	April	May	June	July	August	September	October	November	December	total
AGMS						1							1
Board Meetings		2	2	1	3	1	1	2	3	4	1	4	24
Meetings of Committees of the Board of Directors													
– the Audit Committee		2	2	2	1	1	2	1		2	1	1	15
– the HR and Remuneration Committee	2	1		2	1		3	2				2	13
– the Strategy and Development Committee	1	1	3	2	1	1	1	2	1	3	1	2	19
– the Technological Connection Committee			1			1		1			1	1	5
– the Reliability Committee		1	2		1	1	1	1	1			2	10

## 7.6 INFORMATION DISCLOSURE AND INTERACTION WITH SHAREHOLDERS AND INVESTORS POLICY

The Company's disclosure and interaction with shareholders and investors is described in the online version of the report.



# 8. Internal Control and Risk Management

	POSSIBILITY OF OCCURRENCE	
5 >70%	DD-011 "Non-obtaining the passport of readiness for AWP" DD-03 "Exceed of actual volume of own electric energy losses over the stated volume by TBM approval"	
4 50-70%	DD-013 "Violation of consumers' electricity supply, caused by accidents in adjoining SOs" DD-005 "Growth of hopeless accounts payable for electric energy transmission services"	SS-004 "Risk of purchase transparency reduction" EM-001 "Imposing administrative fines for untimely re-issuance of land plot perpetual use right" EM-002 "Contestation of right of third parties for electric grid industry objects"
3 20-50%	TP-003 "Increase of number of privileged consumers and amount of capacity connected by them compared to the planned values in Business-Plan" TP-001 "Reduction of connected capacity volume in consumers' applications for technological connection" TP-004 "Non-fulfillment of Company obligations for TP execution" TP-005 "Non-fulfillment of applicants' obligations of TP execution contract (including the refuse of applicant from connection)" ID-002 "Exceed of the investment program price over the planned value" ID-004 "Growth of incomplete construction volumes" OD-007 "Growth of expenses for payments for environmental impact" OD-009 "Violation of legislation in the area of industrial and fire protection" OD-002 "Untimely fulfillment of the technical maintenance and repair program" OD-014 "Risks of executing works without provision of the necessary quality" DD-008 "Lack of resources (labor and financial), and also capacities of the metering devices producers for execution of FL-261 requirements"	OD-004 "Exceed of repair expenses over the planned ones"
2 7-20%	OD-006 "Traumatism of side parties by Company electric plants" OD-005 "Professional traumatism in the Company" OD-010 "Violation of GOST 13109-97 requirements for electric energy quality provision"	DD-009 "Significant increase of economically grounded expenses of adjoining grid companies by limitation of the boiler tariff growth rates for electric energy transmission services" DD-007 "Volume growth of losses, accounted by calculations with JSC FGC of UES of Russia compared to the accounted ones by TBM acceptance"
1 1-7%	OD-011 "Non-obtaining of readiness passport for AWP" DD-03 "Exceed of actual volume of own electric energy losses over the stated volume by TBM approval"	ID-001 "Mastering of capital investments not in a full volume, approved by regulator by acceptance of TBM" M-002 "Non-fulfillment of parameters of RAB-regulation"



This matrix represents the key Company risks by the risk significance level:

**Critical risks** are those risks, which are dangerous for the stable Company functioning. The stable functioning implies ensuring the reliable energy supply, investment attractiveness, Company efficiency and productivity. Consideration and taking decisions to minimize the critical risks are considered by the Company board of directors.

**Significant risks** are those risks, which can significantly influence the results of the Company activity, but don't lead to the Company instability. Consideration and taking decisions to minimize significant risks is performed by the Company board of directors.

**Moderate risks** are those risks, which level is at the acceptable level and is controlled by the linear management.

The risk matrix allows revealing those risks, which negative influence may be significant to achieve the set tasks and targets of the Company. The critical risk for the Company is the risk KD-004 "Significant growth of the overdue accounts receivable by contracts for service rendering and electric energy transmission". The detailed information about the reasons of growth of the overdue accounts receivable and activity of collecting the accounts receivable is represented in the section 5 of the Annual report.

*Model system of internal control and risk management, key risks and measures the Company to minimize them are listed in the online version of the report.*

DD-004 "Significant growth of overdue accounts payable by contracts on electric energy transmission services"

TP-006 "Approval of individual tariff for technological connection on the level less than the declared one"  
SS-002 "Actual increase of expenses in relation to the planned ones in ACPP"  
OD-001 "System violations, connected with safe operation provision of production objects and energy supply reliability"

DD-014 "Occurrence of discrepancies with volumes of rendered services from electric energy transmission services consumers"  
DD-012 "Non-regulated price growth for loss purchase compared to indicative price, accepted and approved by TBM"

TP-002 "Recognition of the Company as violated competition legislation by technological connection of electric energy consumers to electric grids or rendering electric energy transmission services"

M-001 "Taking into account not to the full extent the expenses by tariff foundation"  
DD-002 "Termination (non-prolongation) of the "last mile" lease contracts with JSC FGC of UES of Russia, and a consequence reduction of the rendered services volume"

DD-010 "Reduction of the own necessary gross profit, installed for the long period of regulation, caused by tariff reduction"

DD-001 "Reduction of actual electric energy consumption by services end users due to the macroeconomic factors"

 Insignificant risk

 Acceptable risk

 Critical risk

RISK IMPACT



# 9. Market of Securities and Company Joint-stock Capital

## 9.1 JOINT-STOCK CAPITAL

By 31.12.2013 the amount of the Company authorized capital composes:

# 9,578,592,313

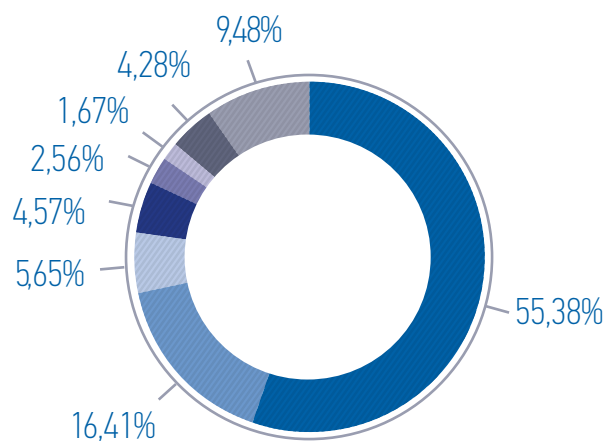
(nine billion five hundred seventy eight million five hundred ninety two thousand three hundred thirteen rubles) 80 kopecks

The amount of ordinary shares in the authorized capital of the issuer: 100%.

## INFORMATION ON DECLARED SHARES

In accordance with the clause 4.6 article 4 of the JSC IDGC of the North-West Articles of Association the Company declares in addition to the already placed shares 1,076,862 (one million seventy six thousand eight hundred sixty two) pieces of ordinary registered shares with the par value of 10 (ten) kopecks each for the total amount according to the par value of RUB 107,686 (one hundred seven thousand six hundred eighty six rubles) 20 kopecks.

Structure of the Company authorized capital by 26.12.2013<sup>1</sup>, %



55,38%	■	JSC Russian Grids
16,41%	■	Energyo Solutions Russia (Cyprus) Limited
5,65%	■	Energosouz Holdings Limited
4,57%	■	Lancrenan Investments Limited
2,56%	■	JSC "GMK "Norilskiy nikel"
1,67%	■	The Bank of New York Mellon
4,28%	■	Other legal entities
9,48%	■	Other individuals

<sup>1</sup> The date of compiling the list of persons for the non-planned General Shareholder Meeting including the data of the nominal holder.



## Statistical data on the structure of the joint-stock capital

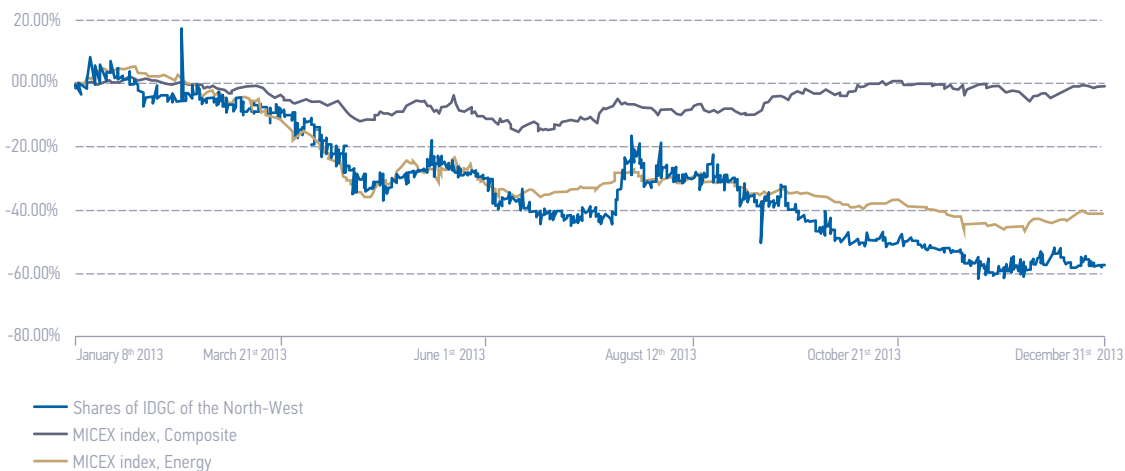
Type of shareholder	31.12.2012		31.12.2013	
	Number of holders	% of the authorized capital	Number of holders	% of the authorized capital
Owners – individuals	12,281	5.1120	<b>12,258</b>	<b>5.0634</b>
Owners – legal entities	127	0.3124	<b>121</b>	<b>0.2985</b>
Federal property (RF, RF constituent entities)	3	0.0016	<b>5</b>	<b>0.0046</b>
Communal property	-	-	<b>2</b>	<b>0.0093</b>
Nominal holders	14	94.5756	<b>12</b>	<b>94.6243</b>
Trustees	-	-	-	-
Total	12,422	100.00	<b>12,398</b>	<b>100.00</b>

## SECURITIES

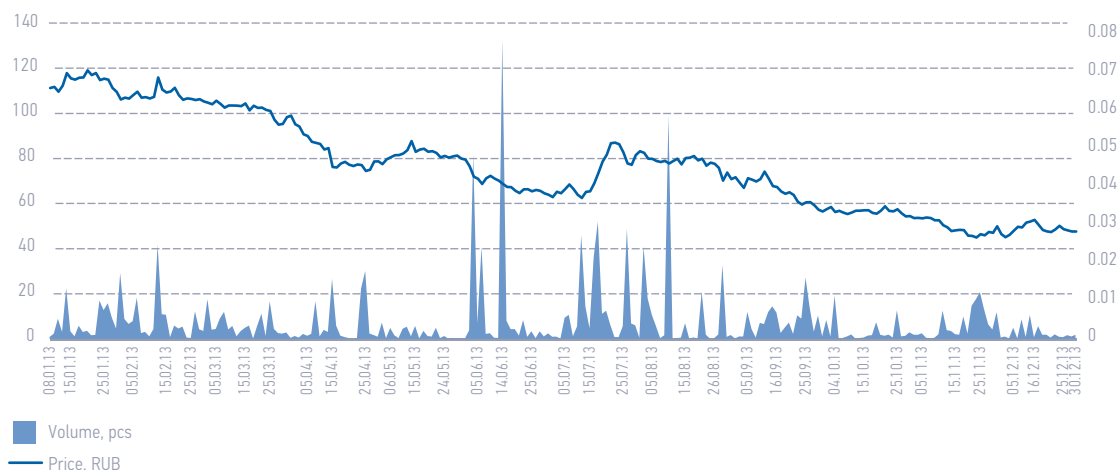
The shares of the JSC IDGC of the North-West are floated at the Russian MICEX stock exchange in the quotation list First level.

Trading floor	Ticker	Date of trading beginning without passing the listing procedure	Date of trading beginning in the quotation list "B"	Date of trading beginning in the quotation list "A" of the second level	Date of inclusion in the list of first level in the framework of reforms in Russia listing
MICEX	MRKZ	-	29.05.2008	24.05.2011	09.06.2014

## Dynamics of share prices in 2013 in relation to the MICEX composite and MICEX energy indexes, %



### Dynamics of the average weighted price and trading volumes in 2013



### Market characteristics

Indicators	Measurement unit	08.01.2013	31.12.2013	2012/2013 (change), %
Average weighted price	RUB	0.06606	0.02831	-57.15
Capitalization	RUB mln	6,328	2,712	
Trading volume	RUB mln	118.53	84.784	-28.47
	Pcs mln	1,640.62	1,829.77	11.48

Among the key events, which influenced the dynamics of securities, one should emphasize the order of the Government to freeze the tariffs for electric grid companies. To freeze the tariff growth even by the inflation value means for the Company one thing – reduction of the investment

programme. The negative influence on the dynamics of the industry MicexPWR index was caused by the new concept of solving the problem of the “last mile” in the electric energy industry, which implies its cancellation everywhere, except 19 RF regions.



## 9.2 DIVIDEND POLICY

Distribution of the Company net profit on results of 2011–2012 years and the proposed by the Board of directors to the Annual General Meeting of Shareholders net profit distribution on results of FY 2013 is described below.



### Distribution of the Company profit, RUB thousand

	2011	2012	2013
Net profit on results of the year	407,651	61,831	<b>300,338</b>
Net profit distribution, total, including:			
For payment of dividends		15,460	<b>76,629</b>
For reserve fund increase	20,383	3,092	<b>15,017</b>
For investment activity financing	-	-	-
Profit for development	387,268	43,279	<b>208,692</b>

On results of the accounting year 2013 the Company got the net profit in the amount of

**RUB 300,338** thus.

The offer of net profit distribution foresees:

1. Performing deductibles to fill the reserve fund in the amount of RUB 15,017 thus. (5% from the net profit of 2013).
2. Payment of dividends in the amount of RUB 76,629 thus. (25% from the net profit of 2013 in accordance with the order of the RF Government dated 29.05.2006 no. 774-p including the dividends rounding for one share in rubles with accuracy of up to 4 signs after the comma).
3. The remaining net profit volume in the amount of RUB 208,692 thus. should be used for the production development.



# 10. Reference Information

## COMPANY INFORMATION:

<b>Full name:</b>	Open Joint-Stock Company Distribution Grid Company of the North-West
<b>Abbreviated name:</b>	JSC IDGC of the North-West
<b>Legal address:</b>	Sobornaya street, 31, Gatchina, Leningrad Oblast, 188300, Russia
<b>Postal address:</b>	3A Konstitutsii square, Saint-Petersburg, 196247, Russia
<b>Telephones, fax:</b>	Tel.: +7 (812) 305-10-00, fax +7 (812) 305-10-98
<b>E-mail:</b>	post@mrsksevzap.ru
<b>Internet address:</b>	www.mrsksevzap.ru
<b>Bank details:</b>	TIN (taxpayer identification number) 7802312751, RRC (registration reason code) 470550001, PSRN (primary state registration number) 1047855175785, RNNBO (Russian national nomenclature of businesses and organizations) 74824610  Settlement account 40702810539000005887 with subsidiary Operation Department JSC Bank VTB, Saint-Petersburg  Correspondent account 30101810200000000704 BIC (Bank Identification Code) 044030704





## REGISTRAR OF JSC IDGC OF THE NORTH-WEST:

<b>Full name:</b>	Open Joint-stock Company Registrator R.O.S.T.
<b>Abbreviated name:</b>	JSC Registrator R.O.S.T.
<b>Location:</b>	Bld. 13, 18 Stromynka street, Moscow, 107996
<b>Postal address:</b>	PO Box 9, 18 Stromynka street, Moscow, 107996
<b>Telephones:</b>	+7 (495) 771-73-38, +7 (495) 771-73-39
<b>Internet address:</b>	<a href="http://www.rrost.com">http://www.rrost.com</a>
<b>Bank details:</b>	TIN (taxpayer identification number) 7726030449, RRC (registration reason code) 771801001 «ING BANK (EURASIA) ZAO», Moscow, settlement account 40702810400001002263, BIC (Bank Identification Code): 044525222, correspondent account 30101810500000000222 with Operation Department of the Moscow Central Territorial Administration, Central Bank of the Russian Federation

## SEPARATE SUBDIVISION OF JSC REGISTRATOR R.O.S.T. IN SAINT-PETERSBURG:

<b>Full name:</b>	Open Joint-stock Company Registrator R.O.S.T.
<b>Location:</b>	Office 338, 3rd floor, 7 Vvedensky Kanal, Saint-Petersburg, 190013
<b>Postal address:</b>	Office 338, 7 Vvedensky Kanal, Saint-Petersburg, 190013
<b>Telephones:</b>	+7 (812) 418-33 38
<b>Internet address:</b>	<a href="http://www.rrost.com">http://www.rrost.com</a>
<b>E-mail:</b>	<a href="mailto:rrost-spb@rrost.ru">rrost-spb@rrost.ru</a>



## AUTHORIZED PERSONS OF JSC IDGC OF THE NORTH-WEST:

Full name	Position, subdivision	Telephone, email
Alexey Sergeevich Sidorov	Leading specialist of the Property Management and Electric Grid Assets Consolidation Department of Arkhenergo branch	+7 (8182) 67-63-45 sidas@arhen.ru
Alexander Valentinovich Petrochenko	Head of the Property Management and Electric Grid Assets Consolidation Department of Vologdaenergo branch	+7 (8172) 79-02-68 Apetrochenko@ve.vologdaenergo.ru
Elena Vladimirovna Sopoleva	Head of Legal Support Department, Head of Property Management and Electric Grid Assets Consolidation Department of Karelenenergo branch	+7 (8142) 79-17-00 sopoleva@karelenenergo.ru
Natalia Evgenievna Mikova	Leading specialist of the Property Management and Electric Grid Assets Consolidation Department of Komienergo branch	+7 (8212) 283-322 mikova@komienergo.ru
Elena Alexandrovna Koroleva	Head of the Property Management and Electric Grid Assets Consolidation Department of Kolenergo branch	+7 (815 53) 688-15 eakoroleva@kolenergo.ru
Irina Stepanovna Galkina	Head of the Property Management and Electric Grid Assets Consolidation Department of Novgorodenergo branch	+7 (8162) 98-43-12 ok3@novgor.elektra.ru
Elena Vasilievna Petrova	Deputy Head of the Property Management Department of Pskovenergo branch	+7 (8112) 59-73-28 pev@pskovenergo.ru

## AUDITOR OF JSC IDGC OF THE NORTH-WEST:

<b>Full name:</b>	Closed joint-stock company KPMG
<b>Abbreviated name:</b>	CJSC KPMG
<b>Location:</b>	18/1 Olimpiyskiy prospekt, Moscow, 129110
<b>Postal address:</b>	10, Presnenskaya shore front, Moscow, 123317
<b>Telephones:</b>	+7 (495) 937-44-77 +7 (495) 937-44-99
<b>Internet address:</b>	<a href="http://www.kpmg.ru/">http://www.kpmg.ru/</a>
<b>E-mail:</b>	moscow@kpmg.ru



## NORTH-WEST REGIONAL CENTER OF CJSC KPMG:

<b>Location:</b>	69-71 A, Marata street, Saint-Petersburg, 191119
<b>Postal address:</b>	69-71 A, Marata street, Saint-Petersburg, 191119
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## HOT-LINE TELEPHONE NUMBERS ON ENERGY SUPPLY ISSUES:

Branch/IDGC	Hot-line	Additional number
Arkhenergo	+7 (800) 200-64-14	+7 (8182) 67-63-55
Vologdaenergo	+7 (8172) 79-02-00	-
Karelnenergo	+7 (8142) 78-32-28	+7 (8142) 59-90-90
Kolenergo	+7 (815 53) 683-53	-
Komienergo	+7 (800) 250-17-00	-
Novgorodenergo	+7 (8162) 70-02-30	+7 (8162) 77-45-26
Pskovenergo	+7 (8112) 59-79-99	+7 (8112) 59-73-45
Executive apparatus of IDGC of the North-West	+7 (800) 332-02-52	-

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# 11. Disclaimer

The present Annual report of JSC IDGC of the North-West for 2013 (hereinafter – “Annual report”) is prepared on the base of information, available for the Company at the moment of its compilation.

The present Annual report contains data on the Company business activity results for 2013, and also assessment and forecasts of the Company management authorize bodies in relation to the future events and/or actions, industry development perspectives, where JSC IDGC of the North-West carries out its main business activity, and business activity results, including the Company plans, probability of certain events to happen and performance of certain actions.

Investors shouldn't fully rely on the assessment and forecasts of the Company management bodies, since they are one of various development ways of events, and the actual Company business activity results in future may differ from the forecast results on many reasons.

Some declarations in the present Annual report aren't real facts, but only declarations, related to the future. Such words as “plans”, “will”, “is expected”, “will come”, “considers”, “will form”,

“will happen” and etc. are of forecasting nature and imply the risk of possible non-fulfillment of the implied events and actions. Due to these reasons the Company warns that actual results or development of these or those events may significantly differ from the forecast declarations, contained in the present Annual report by the moment of its compilation.

Excluding the cases, foreseen by legislation, the Company isn't responsible for review and confirmation of expectations and assessments, and also for publication of updates and changes of forecast Annual report declarations in connection with consecutive events or acquisition of new information.

Within the frames of the present Annual report, the words “Company”, “Organization” are used to designate JSC IDGC of the North-West and similar to it.

Information about the Company management is given in accordance with the Federal law “On personal data” no. 152-FZ dated 27.07.2006.



# 12. Glossary

## ABBREVIATIONS

### A

<b>AIS</b>	automated informational systems	<b>ATCS</b>	automated technological control system
<b>ASCMPC</b>	automatic system for commercial measurement of power consumption	<b>AMTCS</b>	automated motor transport control system
<b>ACS</b>	automated control system	<b>ACPP</b>	annual complex procurement programme
<b>ACS CUCP</b>	automated control system for consumers utility connection process	<b>AGSM</b>	annual general shareholders meeting autumn and winter period

### B, C

<b>BoD</b>	Board of Directors	<b>CPC</b>	corporate personal computer
<b>CC</b>	charter capital	<b>CPI</b>	consumer price index
<b>CCP</b>	cost-control program	<b>CS</b>	consulting services
<b>CD</b>	civil defense	<b>CSA</b>	capacity supply agreement
<b>CIS ATR</b>	corporate information system for accounting and tax records	<b>CSC</b>	customer service center
<b>CL</b>	cable line	<b>CTC</b>	central tender committee
<b>Corporate Conduct Code</b>	Corporate Conduct Code approved at the RF Government Meeting as of 28.11.2001 and recommended for implementation in accordance with FCSM FR as of 04.04.2002 No.421/p		



**D**

<b>DCC</b>	digital communication channel	<b>DTS</b>	distributional transforming sub-stations
<b>DPP</b>	diesel power plant	<b>DZ</b>	distribution zone

**E**

<b>EG</b>	electrical grid	<b>EMP</b>	efficiency management program
<b>EGSM</b>	extraordinary general shareholders meeting	<b>ERPS</b>	enterprise resource planning system
<b>EMERCOM</b>	Ministry of the Russian Federation for Civil Defense, Emergency Situations and the Rectification of the Consequences of Natural Disasters	<b>ES</b>	emergency situation
		<b>ESC</b>	electricity sales agreement for maintaining system balance

**F**

<b>FEC</b>	fuel and energy complex	<b>FOCL</b>	fiber-optic communication line
<b>FFMS</b>	Federal Financial Markets Service	<b>FSMC</b>	federal securities market commission
<b>FG</b>	federal grid	<b>FSS RF</b>	federal security service of the Russian Federation
<b>FGC</b>	federal grid company	<b>FTS</b>	federal tariff service
<b>FL</b>	federal law		

**G**

<b>GDC</b>	grid distribution company	<b>GS</b>	guaranteeing supplier
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**H**

<b>HC</b>	housing cooperative	<b>HPP</b>	heat power plant
<b>HEPP</b>	hydroelectric power plant	<b>HS</b>	household society



**I**

<b>ICS</b>	internal control system	<b>IS</b>	information systems
<b>IDGC</b>	Interregional Distribution Grid Company	<b>ISO</b>	international standards organization
<b>IDO</b>	Interregional Dispatching Office	<b>ISSW</b>	isolated self-supporting wire
<b>IFRS</b>	international financial reporting standard	<b>IT</b>	informational technologies
<b>IP</b>	investment programme	<b>ITT</b>	informational technologies and telecommunications
<b>IPE</b>	individual protection equipment		

**J, K**

<b>JSGC</b>	joint stock generating company	<b>KPI</b>	key performance indicators
<b>KA</b>	key assets	<b>KGB</b>	committee for state security

**L, M**

<b>LMS</b>	logistic and maintenance support	<b>MPTL</b>	main power transmission lines
<b>LWTP</b>	local waste treatment plants	<b>MR</b>	maintenance and repair
<b>MICEX</b>	Moscow Interbank Currency Exchange	<b>MUE</b>	municipal unitary enterprise
<b>MM</b>	mass media		

**N**

<b>NC</b>	new construction	<b>NPO ACR</b>	Non-profit Organization Audit Chamber of Russia
<b>NCC</b>	network control center	<b>NPS</b>	non-productive services
<b>NERT</b>	non-professional emergency response team	<b>NWFD</b>	north-western federal district



**O**

<b>OD</b>	operative department	<b>OL</b>	overhead line
<b>OECD</b>	organisation for economic co-operation and development	<b>OMI</b>	optional medical insurance
<b>OIC</b>	operative-information complex	<b>OPM</b>	operative process management

**P**

<b>PACS</b>	productive assets control system	<b>PDEAS</b>	prospective development of electricity accounting systems
<b>PAM</b>	procurement activities management	<b>PL</b>	power line, power transmission line
<b>PC</b>	personal computer	<b>PPF</b>	private pension fund
<b>PCBs</b>	polychlorinated biphenyls	<b>PSC</b>	power supply company
<b>PD</b>	production department		

**Q, R**

<b>QCS</b>	quality control system	<b>RESS</b>	reserve electricity supply sources
<b>RAB</b>	method of return on invested capital	<b>RF</b>	repair facility
<b>RAS</b>	Russian accounting standard	<b>RGP</b>	required gross proceeds
<b>RC</b>	regulated contract	<b>ROE</b>	return on equity
<b>RCBS</b>	radiation, chemical and biological security	<b>ROTA</b>	return on total assets
<b>R&amp;D</b>	research and development	<b>RS</b>	reporting system
<b>RD</b>	referenced data	<b>RTS</b>	Russian trade system
<b>RDO</b>	Regional Dispatching Office	<b>RU</b>	retrofitting and upgrading
<b>REC</b>	regional energy commission		





**S**

<b>SAA</b>	subsidiaries and affiliates	<b>SICEA</b>	standard industrial classification of economic activities
<b>SCDAM</b>	sales contract on day-ahead market	<b>SME</b>	small and medium-sized business entities
<b>SDPP</b>	state district power plant	<b>SO CDO</b>	system operator – central dispatch office
<b>SF</b>	salary fund	<b>SS</b>	sub-station
<b>SFUO</b>	shop-floor union organisation	<b>STC</b>	scientific and technical council

**T**

<b>TA</b>	tangible assets	<b>TGC</b>	territorial generating company
<b>TBR</b>	tariff balance resolution	<b>TNC</b>	territorial network company
<b>TC, UC</b>	technological connection, utility connection	<b>TP</b>	transforming plant

**U, V, W**

<b>UES</b>	unified energy system	<b>VAT</b>	value added tax
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization	<b>WEM</b>	wholesale electricity market
		<b>WGT</b>	wholesale generation company

**UNITS**

<b>A</b>	ampere	<b>kV</b>	kilovolt
<b>GCal</b>	gigacalorie	<b>kVA, MVA</b>	kilovolt-ampere, megavolt-ampere
<b>GCal/h</b>	gigacalories per hour	<b>kWh</b>	kilowatt per hour
<b>Ha</b>	hectar	<b>kW, MW</b>	kilowatt, megawatt
<b>km</b>	kilometer	<b>t.s.f.</b>	ton of standard fuel

