

Credit Portfolio and Liquidity

The financial and economic indicators of JSC IDGC of the North-West were calculated in accordance with the statutory financial statements for 2010-2014.

Indicator	Method of calculation	2010	2011	2012 ¹	2013	2014
Absolute liquidity ratio	(Cash and equivalents + Short-term financial investments) / Short-term liabilities = (line 1240, form 1 + line 1250, form 1) / line 1500, form 1	0.20	0.25	0.13	0.08	0.13
(quick liquidity ratio)	(Cash and equivalents + Short-term financial investments + Accounts receivable under 12 months Other current assets Short-term liabilities = (line 1260, form 1 + line 1250, form 1 + line 1240, form 1 + line 1232, form 1) / line 1500, form 1	1.07	1.02	1.25	1.30	1.08
Current liquidity ratio	Current assets/ Current liabilities = line 1200, form 1 / line 1500, form 1	1.25	1.21	1.44	1.42	1.15
Ratio of sufficiency of own working capital	(Current assets — Accounts receivable under 12 months — Short-term liabilities) / Current assets = (line 1200, form 1 — line 1231, form 1 — line 1500, form 1) / line 1200, form 1	0.17	0.15	0.29	0.29	0.12
Financial stability ratios						
Autonomy (financial independence) ratio	Equity / Total liabilities = line 1300, form 1 / line 1700, form 1	0.70	0.66	0.60	0.50	0.44
Ratio of net debt to EBITDA	(Long-term borrowings + Short-term borrowings) / EBITDA = (line 1410, form 1 + line 1510, form 1) / EBITDA	1.76	1.57	2.71	3.17	3.83
Return ratios						
Return on assets (ROE)	(Net profit / Equity)*100% = [line 2400, form 2 / ((line 1300, form 1 statement + line 1300, form 1 base) / 2)]*100%	– 2.93	1.51	0.23	1.0	–2.27
Return on total assets (ROTA)	(Profit before tax / Total assets)*100% = [line 2300, form 2 / ((line 1600, form 1 statement + line 1600, form 1 base) / 2)]*100%	– 0.91	2.34	0.98	1.45	–0.91
Profit before tax						
Return on EBITDA, %	(EBITDA / Sales revenue (line 2110, form 2))*100%	9.90	12.82	12.52	12.52	10.89
Business activity ratios						
	ARGR = Total at the end of the reported period / Total at the end of the base period = line 1230, form 1 statement / line 1230, form 1 base	0.93	0.96	1.33	2.07	1.21

Ratio of accounts Indicator receivable and payable	Method of calculation	2010	2011		2013	2014
growth rates	APGR = Total short-term AP at the end of the reported period / Total short-term AP at the end of the base period = line 1520, form 1 statement / line 1520, form 1 base	1.14	1.05	0.84	1.53	1.80
	ARGR / APGR = (line 1230, form 1 / line 1230, form 1 base) / (line 1520, form 1 statement / line 1520, form 1 base)	0.81	0.92	1.59	1.36	0.67
Ratio of total accounts receivable and payable	Total AR at the end of the reported period / Total AP at the end of the reported period = line 1230, form 1 / (line 1450, form 1 + line 1520, form 1).	0.90	0.84	1.29	1.62	1.21
Ratio of the most liquid accounts receivable and payable	Most liquid AR at the end of the reported period / AP to suppliers and contractors at the end of the reported period = (line 123201, form 1 + line 123206, form 1) / (line 1521, form 1 + line 1528, form 1)	1.97	1.64	2.66	3.12	1.82

The liquidity ratios describe the sufficiency of current assets of the Company for timely repayment of current liabilities. For distribution grid companies, a great part of accounts payable is advanced received under contracts of grid connection of consumers.

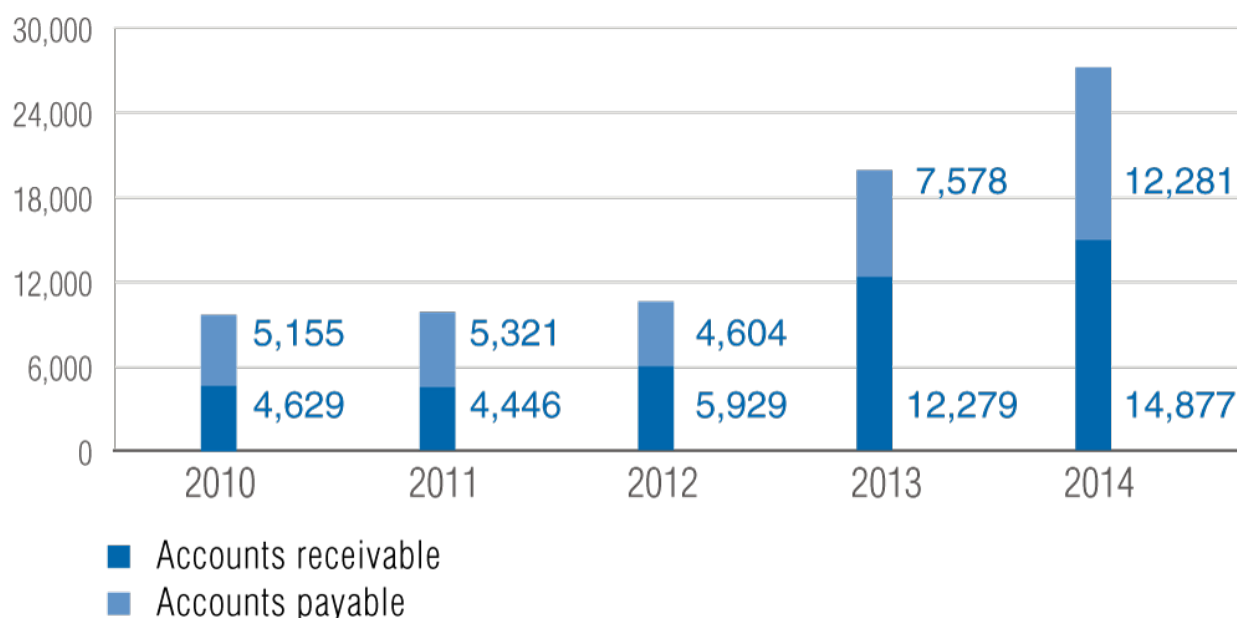
On the results of 2014, the values of liquidity ratios had a tendency of decreasing, which was due to quicker growth of short-term liabilities as compared to the increase of current assets.

The ratio of sufficiency of own working capital shows what part of its current assets the Company funds with equity. Its reduction on the results of 2014 shows a 17% reduction of the share of current assets that are funded with equity.

The autonomy (financial independence) ratio describes the Company's dependence on external borrowing sources. On the results of 2014, the share of equity in assets of JSC IDGC of the North-West amounted to 44%. The reduction of the equity share in 2010-2015 was due to the following factors:

- transfer to RAB regulation of tariffs, which affected the structure of following of the investment activity of JSC IDGC of the North-West (property of long-term borrowings);
- increase of the investment program of 2011-2012;
- increase of the accounts payable due to breach of contractual liabilities by consumers.

Ratio of accounts receivable and accounts payable, RUB mln



The business activity ratios show how efficiently the Company uses its funds. As of year-end 2014, the accounts receivable growth rate was smaller than that of accounts payable (1.21 vs 1.80). Throughout 2012-2014, the amount of accounts receivable was greater than that of accounts payable.

On the results of analysis of the basic financial and economic indicators of 2014, in view of the cost cutting policy, the uneasy economic situation in the regions, impairment of the liquidity situation in the national banking sector, and exercise of guaranteed supplier functions in the Novgorod and Murmansk Regions, one can conclude that the Company management has developed a balanced policy of financial and economic business management, which will keep the Company stable in the current economic environment.

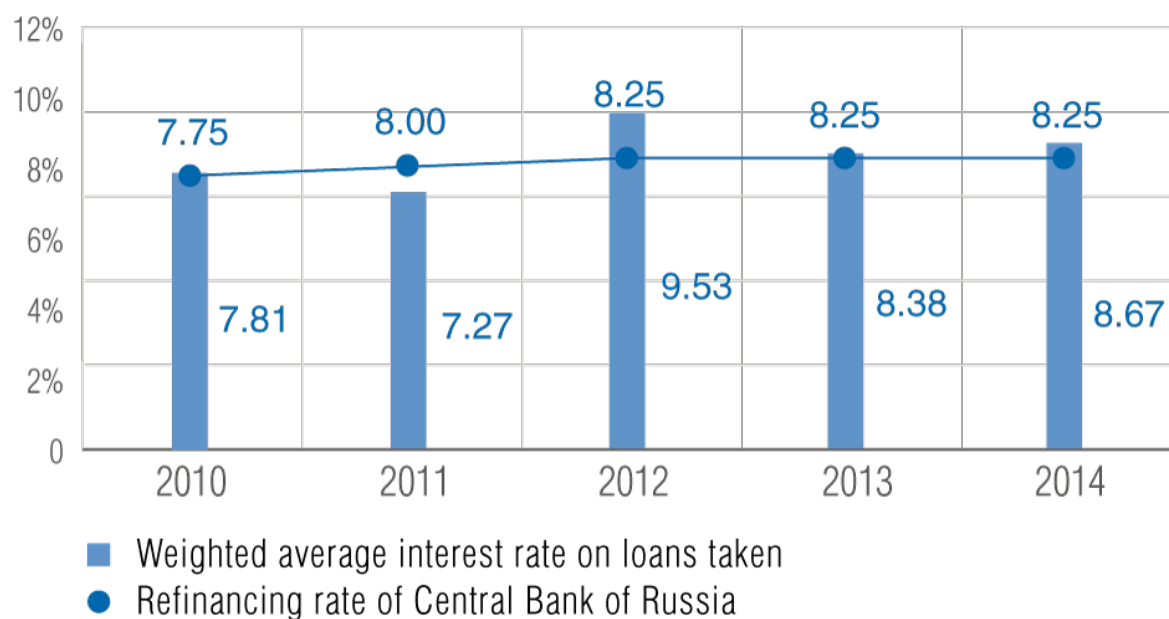
Credit portfolio

Indicator	2010	2011	2012	2013	2014	Change for 2014
Total loans, RUB million	4,651	6,228	10,648	16,730	18,452	1,722
Long-term (1 to 5 years)	4,373	6,148	10,629	13,953	14,913	960
Short-term (under 1 year)	279	80	19	2,777	3,539	762

Dynamics of weighted average rate on the loan portfolio

In 2014, the Company borrowed at a weighted average rate of 8.67% p.a., which is 0.29% more than in 2013. The refinancing rate of the Central Bank of Russia in 2014 was 8.25%.

Dynamics of the refinancing rate of the Central Bank of Russia and the weighted average rate on loans taken by the Company



Structure of the loan portfolio in 2014

Bank	Bank share in the Management Project Contract, %	Indebtedness, RUB mln
Sberbank of Russia	43	7,993
JSC VTB Bank	36	6,655
JSC Alfa Bank	11	2,004
JCB RUSSIA	10	1,800
Total	100	18,452

2014 credit plan, RUB mln

Amount of loans as at January 01, 2014	16,730
Attracted in 2014	8,533
including loans for investment activity	0
for refinancing	4,771
for operating activity	2,901
for power supply	861
Amount of loans as at December 31, 2014	18,452

Pursuant to the borrowing strategy of JSC Russian Grids, in 2013, JSC IDGC of the North-West made a decision to register four issues of exchange bonds with a total nominal value of RUB 15 billion and 10 years circulation time.

The bonds will be placed when the market conditions are beneficial.

1: 2012 - Indicators for 2012-2014 were calculated in accordance with the statutory financial statements for 2014.