

FIRST

FIRST St. Petersburg Energy Service Company

The concept

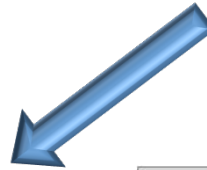
- The Non Profit Homeowners Association of St. Petersburg(HOA) and the Norwegian investment company Green Energy One AS (GEO) has together formed the company FIRST St. Petersburg Energy Service Company with the aim of implementing energy efficiency investments based on a Energy Service Contracts (ESCO) between FIRST and the homeowners of each individual apartment building
- GEO and HOA has entered into an agreement about the energy efficiency investments in 250 000 m2 apartment buildings in St. Petersburg, estimated 20 – 25 buildings and investments of up to 125 mill RUB.
- The main investments will be in insulation and control systems in heating facilities and in efficient lighting, but may also cover other existing technologies. The introduction of new and advanced technology will also be considered. FIRST intends to use both Russian and international providers of technologies and services and also to develop regional clusters of energy technology companies
- The estimated savings from projects are in the range of 20 – 30 % of annual energy use, depending on type of project and status of buildings.
- Typical simple pay back time for projects are 3 – 5 years, depending on future energy prices, actual documented savings, governmental subsidies etc. Some projects may have pay back time of less than one year.
- GEO investment strategy and financing of investments will be equity, equity instruments and shareholder loans
- Both shareholders will actively participate in the development of FIRST

The roles and principles

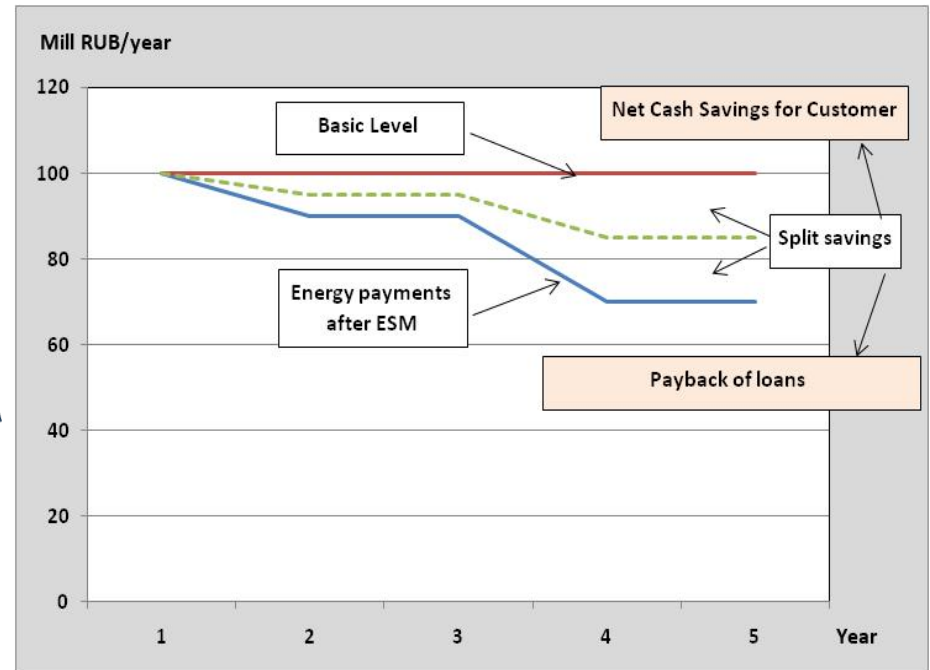
- FIRST analyzes and finds saving solutions based on the most efficient technology – without any cost or obligation for the customer



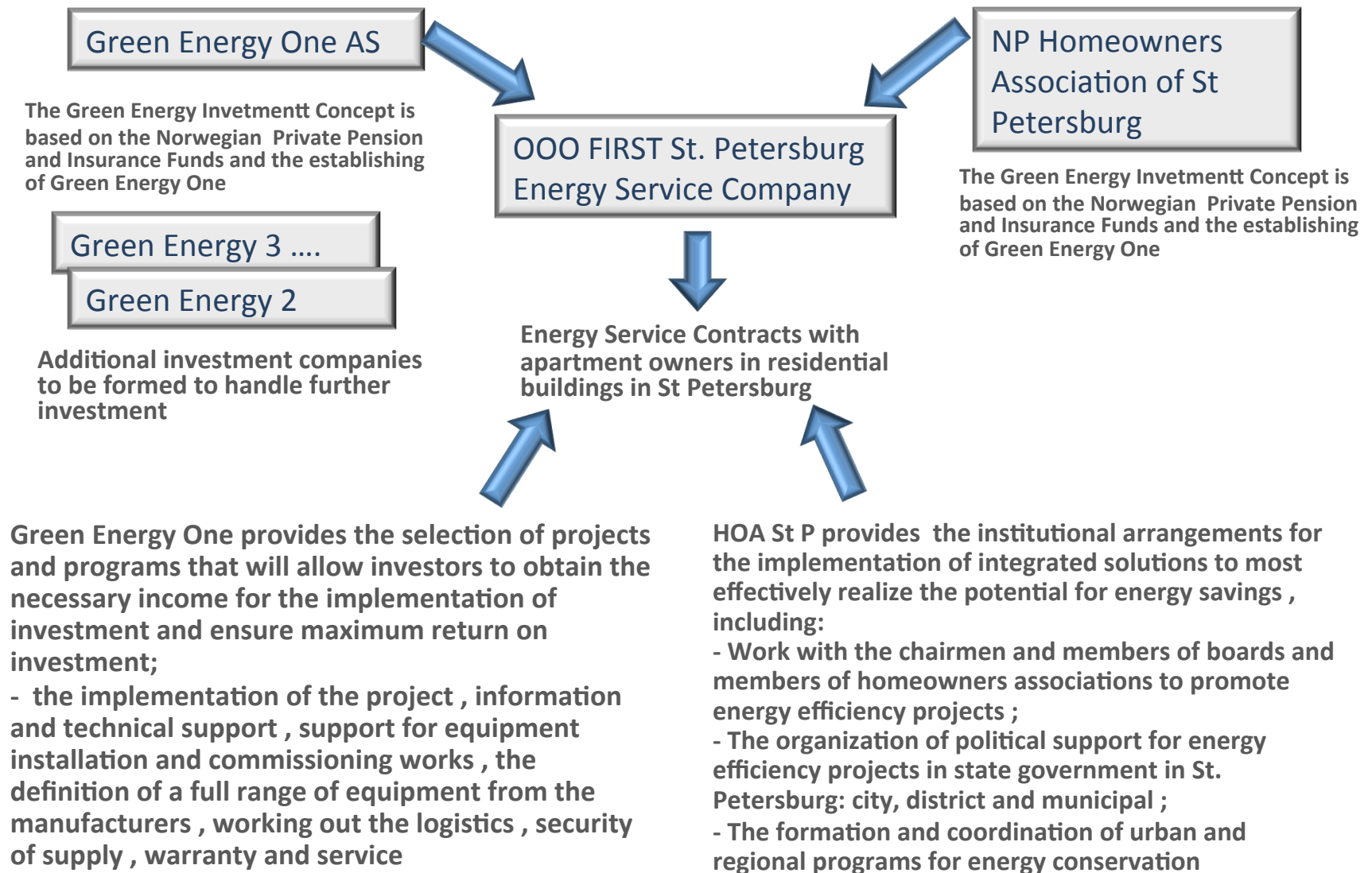
- The owners of the apartments and FIRST enters into an Energy Service Contract, where FIRST structures financing, installation of equipment, operations and maintenance and all practical work for the contract period. FIRST prepare reports that documents the saving



The savings will give reduced energy bills for the homeowners and will also be used to pay back the money that the investors and banks has used to pay for the investment

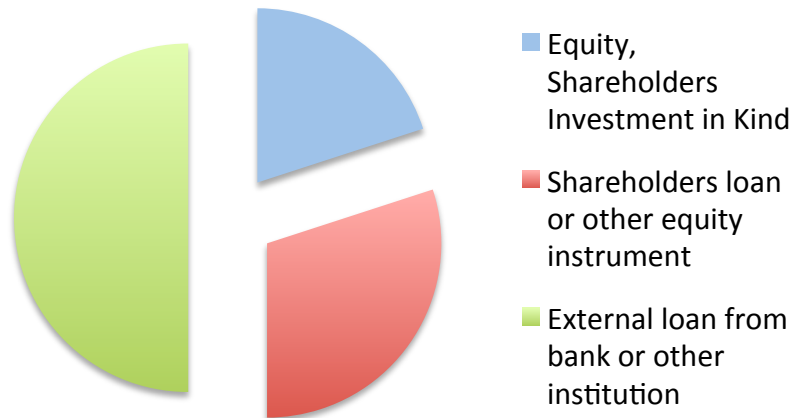
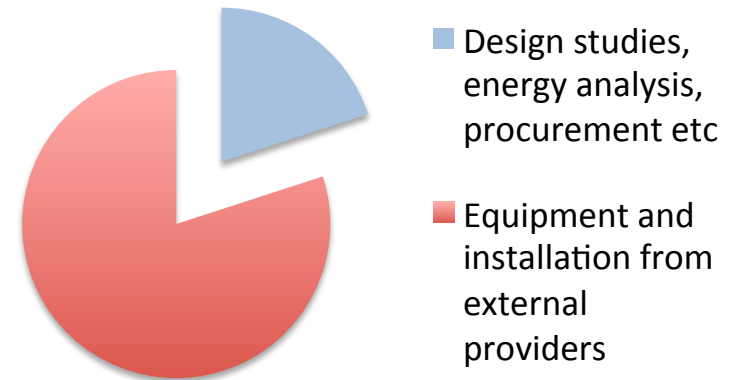


Organisation



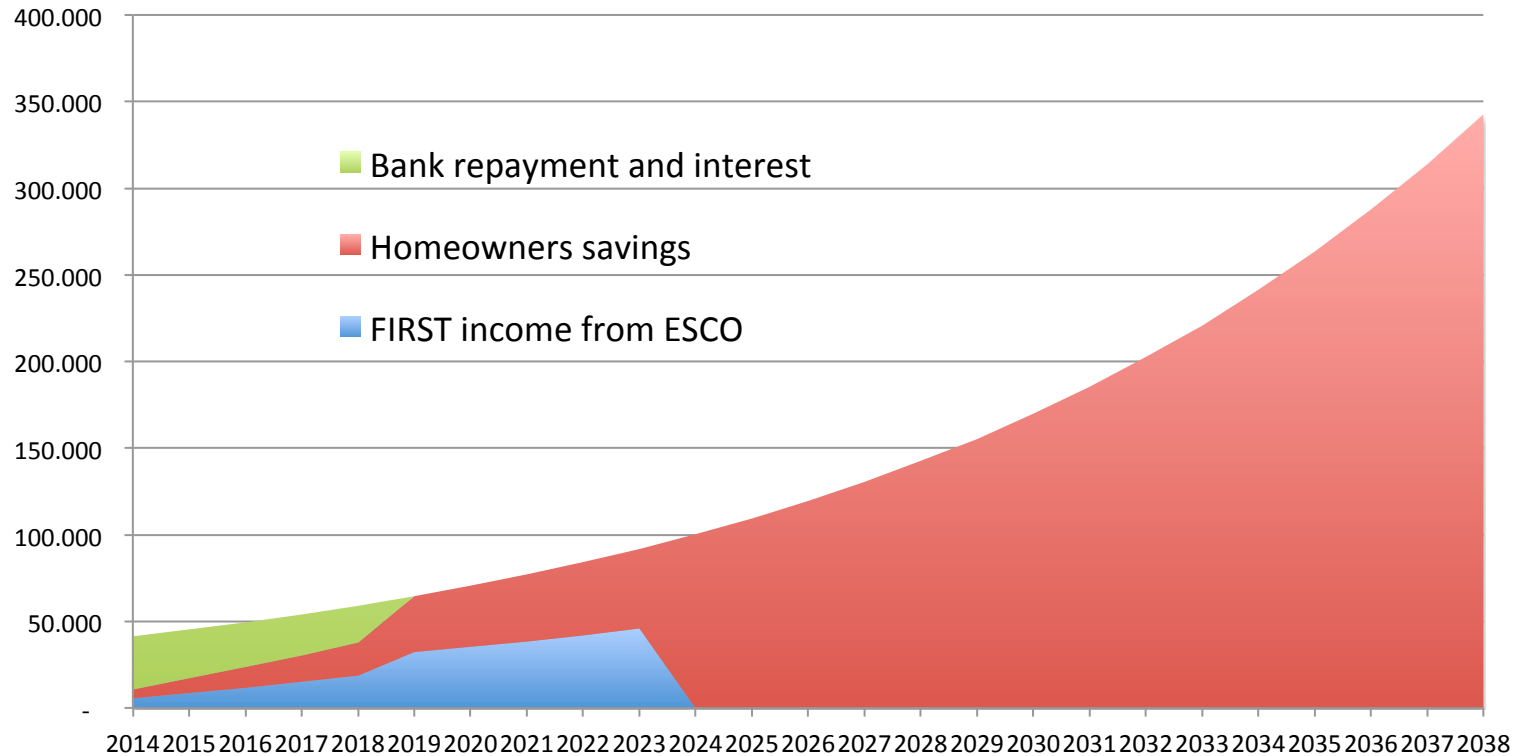
Financing Structure

- **FIRST** cover the costs of technical analysis, design studies, financing concept, ESCO contract design, procurements etc, estimated at 20 % of investment costs as Investment In Kind and with additional equity investment of 30 - 40 % from GEO and debt financing of 40 - 50 % or from bank , dependent on loan conditions and credit availability and costs.



- GEO provides shareholders loans and /or equity for each new project ;
- Loan financing from financial institutions in Russia and from international institutions
- Investments in Kind (pre-project analysis, planning models and software etc) and consulting support from Shareholders, in the form of project development and management
- Project support, grants and subsidies that may be available, also in the form of subsidized loans, support for project development and information activities etc
- External investor invitation, to participate as equity investor into FIRST and/or into the individual projects

Cash flow after investments



Overview of the use of savings over the project life of 25 years

Key financial figures

- Key project indicators:
- Investment costs max 125 mill RUB, min 55 m, incl costs of project development and energy analysis, procurement etc
- Annual savings: 20 - 30% energy savings - 40 mill RUB (2011 tariff), max project investment
- Simple pay-back time: 3 - 5 years with present real price on energy
- Project IRR in real terms in the range 17 – 20 % (with 0 – 3 % nominal price increase pr year)
- Equity IRR 30 - 40 % in nominal terms

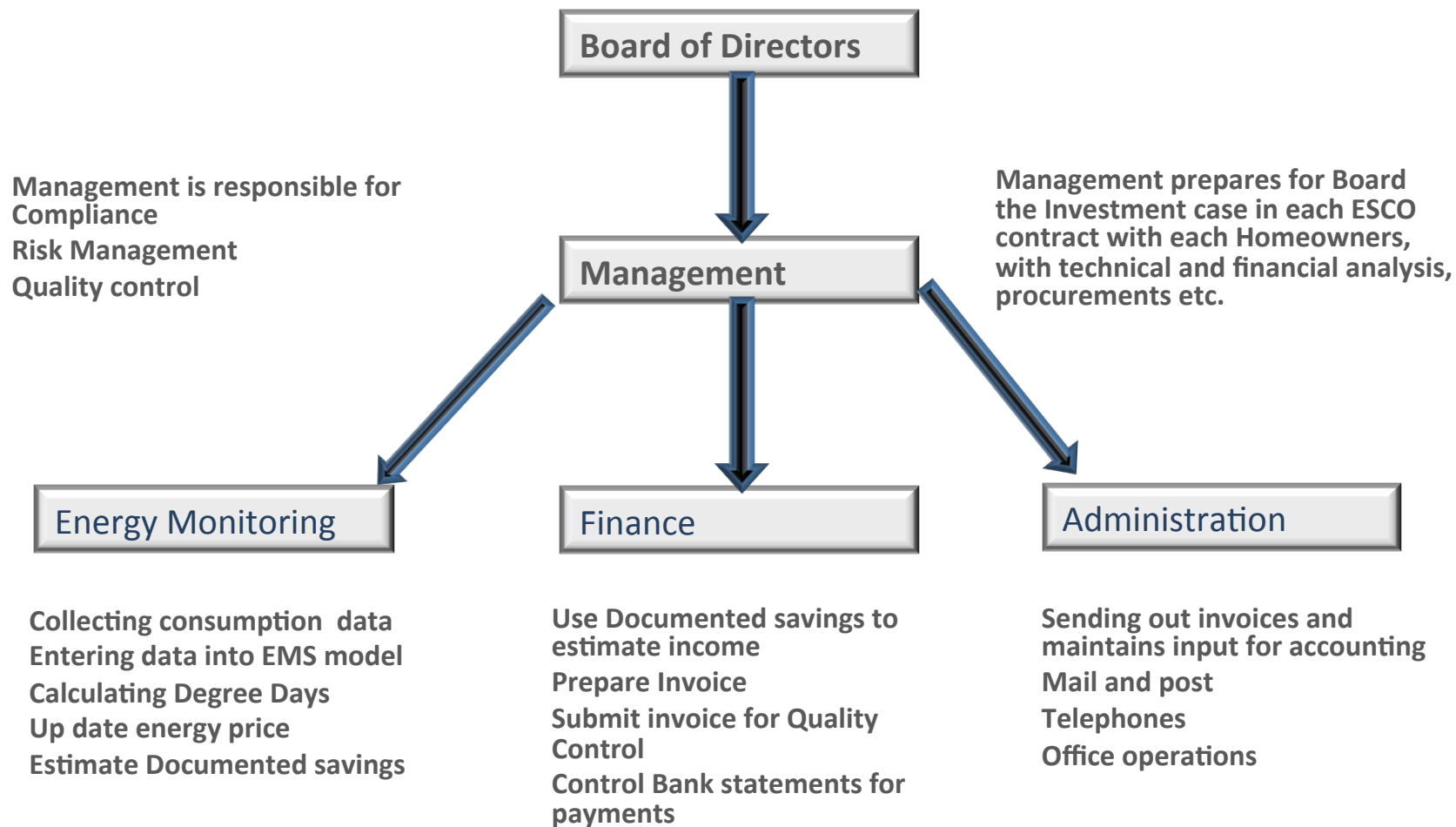
Mill RUB	Investment	Cash flow 10 y	Cash flow 25 y
Investments and cash flow FIRST	-25	254	254
Cash to Customer	Investments	Cash flow 10 y	Cash flow 25 y
Undicounted nominal cash flow	0	254	3,238
With 80 % loan	Loan	Cash flow 10 y	Cash flow 25 y
Cash from/to lender	-100	130	130

Key financial figures

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EBITDA	41.639	45.461	49.634	54.191	59.165	64.597	70.527	77.001	84.070	91.787
Financing costs	(10.800)	(8.400)	(6.000)	(3.600)	(1.200)	-	-	-	-	-
Change in debt	(20.000)	(20.000)	(20.000)	(20.000)	(20.000)	-	-	-	-	-
Tax	-	-	-	-	-	-	-	-	-	-
Net cash flow	10.839	17.061	23.634	30.591	37.965	64.597	70.527	77.001	84.070	91.787

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Profit sharing ESCO	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Income to FIRST	5.419	8.530	11.817	15.295	18.983	32.298	35.263	38.501	42.035	45.894
Net result customer	5.419	8.530	11.817	15.295	18.983	32.298	35.263	38.501	42.035	45.894

FIRST operational plan



For Board, Management and for employees a specific work instruction will be developed

Corporate Governance and Internal control

Internal Control Principles

-Main goal is to assure that the company operates within the framework of the laws and regulations and to protect the values of the shareholders

Ethical standards

- Anti corruption and transparency policy for operations and business relations

Fair treatment of customers

High standards for relations to employees

Frequent financial reports to Board of Directors from the Management, with focus on:

- Control of Bank Statements and payments
- Overview of Power of Attorneys
- Control of procurement process
- Risk Policy and Management

Instructions and routines

- Company Handbook/Manual with instructions and routines for all employees
- Instructions for Board Of Directors and with appointment of member with special responsibility for Internal Control and Compliance
- Instructions and Routines reflected in employment contracts with employees
- Main principles of Internal Control also reflected in agreements and contracts with partners and providers

Risk Policy and Risk Management

- **With ordinary investments in energy efficiency, the technical risk is regarded as low.**

Financial Risk management

The Management will identify certain levels of change in parametres that will lead to risk of not meeting financial obligations,



Quantified Risk Elements

- Energy price risk
- Reduced savings
- Change in interest rate
- Currency risk
- Default risk
- ESCO termination risk
- Legal and political risk



Main elements of handling of Legal and political risk – not quantified

- Selection of business partner
- Business sector and environment
- Political focus and supervision
- Part of public funded programs and reporting to governmental programs

Business Process External



Business Process Internal

Energy Monitoring Systems		Install and maintain system
Calculating savings		Compare actual metered use to Baseline, using DD
Invoice to customer		Calculate FIRST share of savings, VAT, etc for invoice
Financial planning systems		Enter invoice data into accounting and financial model
Budget and accounting		Prepare annual and long term budgets, incl liquidity projections
Database on projects		Keep overview of all projects, with savings, technology etc
Database on providers		List of providers used in investment projects and potential providers
Reports and analysis of investment projects to be proposed for GEO, investors and banks		Preparation of report with proposals for investments, with technical solutions, financing structure, risk analysis ryy

Strengths, weaknesses, opportunities and threats

The SWOT analysis will assist the management to focus on the main issues to address

The main threat is the possible loss of customer basis due to administrative decisions and laws and regulations that hinders the ESCO solutions as used in FIRST

The most important opportunity that Russia is now in a political process of supporting the investments in energy efficiency, but without any efficient solutions on the financing of the investments

The main strength is in the partners, with strong connection to the customers and city administration, several years of experience from energy efficiency both international and in Russia, and with agreements with investor for funding

The possible weakness is the nature of individual businesses in Russia, without any large Russian corporation to back up the business

Activity Plan 2014

Activity	Action	Time
Establish FIRST business structure and systems	Board decisions regarding Business Plan	Q1 2014
Presentation to institutional co-investors	Prepare list of relevant players and send info	Q1 2014
Presentation to banks	Preparation of application for loan	Q1 2014
Implement first project	Sign and execute existing ESCO contract	Q1 - Q2 2014
Identification of new customers	Presentations, meetings and discussions	Q1 - Q2 2014
Energy Analysis and design studies	Perform project analysis of new projects, based on updated info	Q2 - 2014
Presentation to potential customers	Based on complete solutions for financing and with ESCO contracts	Q2 - 2014
Implementation of planned projects	Executing new investment projects	Q2 - Q3 2014
Update Business processes to new activity level in 2015 and beyond	Prepare plan for large scale implementation	Q4 - 2014