

TGC-1:

9 months 2010 IFRS results

December 1, 2010
Saint-Petersburg

1. 9m2010 operating highlights

2. 9m2010 financial highlights

3. CAPEX and corporate development update

Investment program on track

- TGC-1 completed pre-commissioning tests of the 1st 180MW CCGT-unit of Pervomayaskaya power plant;
- Construction of 450MW CCGT-unit at Yuzhnaya power plant is in the final stage
- TGC-1 commissioned 30MW hydro-unit at Svetogorskaya HPP in Leningrad region as part of the complete overhaul of the 2 HPPs of Vuoksa cascade (replacement of 8 hydro-units with capacity addition)
- TGC-1 agreed with Leader Asset Management to set up a 50/50 JV to complete the construction of 450MW CCGT-unit at Pravoberezhnaya power plant

Shaping the new corporate profile

- TGC-1 initiated the spin-off of heat transmission business in St. Petersburg
- TGC-1 actively optimizes headcount and implements new organizational structure

Successful operations

- TGC-1 successfully went through harsh winter of 2009/2010 and extreme summer heat of 2010
- Shareholders of TGC-1 decided to pay the dividend for FY2009
- TGC-1 relocated its central office in St. Petersburg to a new office space which should decrease lease payments and increase effectiveness

Remaining problems

- TGC-1 didn't manage to get subsidies for its subsidiary (holds over 90%) – Murmanskaya CHPP

Market conditions

- Share of the unregulated electricity market increased as planned: as of Jan 1, 2010 – up to 60%, as of Jul 1, 2010 – up to 80% (from forecast electricity balance of 2007)
- Visible electricity consumption recovery in Russia and in regions of TGC-1 operations
- Debt market has significantly improved

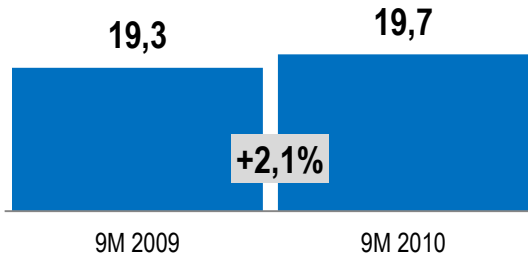
Capacity market

- Capacity Supply Agreements outlining companies' CAPEX obligations between the state and generators have been signed
- Key parameters of capacity auctions have been introduced

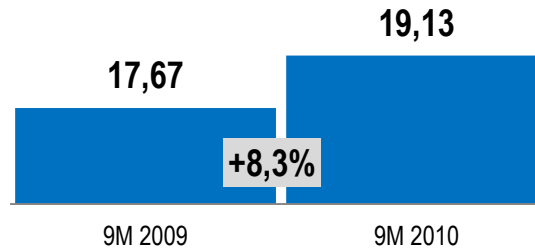
Heat market

- The government adopted the law “On heating”, outlining the directions of heat market reform
- Methodology for RAB tariff regulation in heat transmission has been introduced
- Local heat producer Peterburgteploenergo received from St. Petersburg 135 boilers for lease and reconstruction. Over 90 boilers will be shut down and their customers will be connected to TGC-1 power plants, which should increase TGC-1 exposure to residential heat market

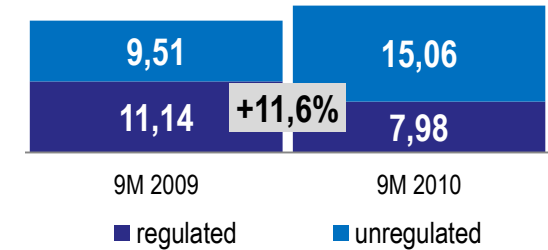
electricity generation, TWh



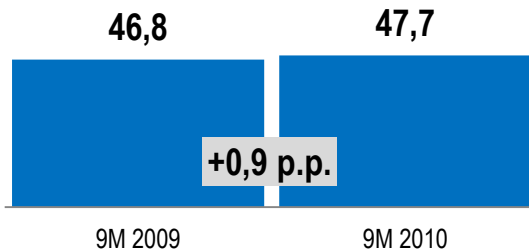
heat output, mn GCal



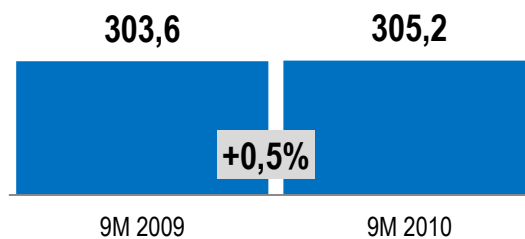
electricity sales, TWh



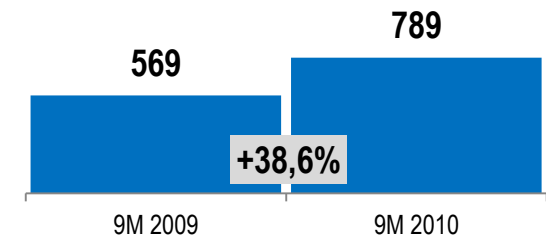
electric capacity utilization, %



electricity heat rates, g/kWh



average electricity spot prices, RUR/MWh



Stable growth of electricity consumption:

- **9m 2010 vs 9m2009:** St. Petersburg and Leningrad region – 5,9%, Karelia – 8%, Murmansk region – 1%
- **3Q2010 vs 3Q2009:** St. Petersburg and Leningrad region – 5,3%, Karelia – 8,8%, Murmansk region – 2,6%

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- 9 months results are heavily affected by traditionally loss-making 3Q
- 2009 IFRS financials were distorted by one-off gain (see Note 22 of 2009 IFRS statement for explanation)
- Margins are still depressed compared to high base of 2009, which resulted from quarterly gas price hike as opposed to one-off price increase in 2010 and higher hydro output

	million RUR	9M 2010	9M 2009	chg, %
Revenue		36 849,3	27 260,3	35
electricity sales		16 005,2	9 873,7	62
capacity sales		5 665,5	4 820,7	18
heat sales		14 737,9	11 804,9	25
other sales		440,7	761,0	-42
OPEX		(33 678,8)	(23 210,7)	45
Operating profit		3 170,5	4 049,6	-23
Pre-tax profit		2 930,0	3 806,2	-23
EBITDA		5 623,1	6 201,8	-9
Profit		2 391,9	2 784,8	-14
EBITDA margin, %		15,3%	22,8%	n/a
Net margin, %		6,5%	10,2%	n/a

Revenue breakdown

- increase of electricity sales (+62%) as a result of expansion of the unregulated market as of January 1, 2010 (from 50% to 60%) and as of July 1, 2010 (from 60% to 80%) and higher spot prices;
- increase of heat generation and, consequently, revenue from heat sales (+25%)
- effective operations on the market, namely, the conclusion of unregulated electricity+capacity contracts. For example, revenue from electricity+capacity contracts shot up more than two-fold to almost RUR 3,130 mn.

	9M 2010	% of total	9M 2009	% of total	chg, %
	million RUR				
Electricity sales, including	16 005	43,4%	9 874	36,2%	62
regulated sales	3 015	8,2%	3 654	13,4%	-17
day-ahead (spot) market	8 624	23,4%	4 363	16,0%	98
balancing market	388	1,1%	251	0,9%	54
unregulated electricity+capacity contracts	822	2,2%	219	0,8%	275
unregulated electricity contracts	1 594	4,3%	25	0,1%	6258
export sales	1 481	4,0%	1 245	4,6%	19
retail	81	0,2%	117	0,4%	-30
Capacity sales, including	5 666	15,4%	4 821	17,7%	18
regulated sales	2 112	5,7%	3 220	11,8%	-34
unregulated electricity+capacity contracts	2 309	6,3%	1 220	4,5%	89
DDM (capacity of NPPs/HPPs)	333	0,9%	182	0,7%	83
capacity auctions	911	2,5%	199	0,7%	357
Heat sales	14 738	40,0%	11 805	43,3%	25
Other sales	441	1,2%	761	2,8%	-42
TOTAL Revenue	36 849	100	27 260	100	35

OPEX breakdown

- higher fuel expenses associated with the increase of electricity and heat generation and one-off (and not quarterly like in 2009) gas price hike, as well as due to more expensive fuel oil prices which is the main fuel of Murmanskaya CHPP (+75%);
- growth of electricity generation by Company's CHPP in condensing mode in 3Q due to higher demand, which resulted in lower fuel efficiency;
- increase of electricity and capacity purchases on the wholesale market in order to fulfill the obligations of unregulated electricity+capacity contracts and export sales and higher purchasing market prices;
- decrease of one-off gains.

	million RUR	9M 2010	9M 2009	chg, %
Fuel		14 676	9 929	48
Employee benefits		4 379	3 889	13
Electricity and heat purchases		5 786	2 517	130
Depreciation		2 449	2 056	19
Repairs and maintenance		1 346	1 204	12
Water usage expenses		1 495	1 402	7
Heat distribution		349	861	-59
Taxes other than income tax		772	755	2
Dispatcher's fees		478	450	6
Security services		241	244	-1
Consulting, legal and audit services		208	215	-3
Lease expenses		361	203	78
Insurance cost		165	165	0
Transportation services		184	147	25
Telecommunication services		82	97	-16
Penalties and fines		161	105	53
Commission fees		127	113	13
Compensation fee			-1 375	n/a
Other operating income		-235	-301	-40
Other operating expenses		657	534	23
Total operating expenses		33 679	23 211	45



	Amount, RUR mn	Currency
Bond issue no. 2	5 000	RUR
Bank loans	12 570	RUR
Bond issue no. 1	1 069	RUR
Loans in foreign currency	761	EURO

- Weighted average interest rate for the whole debt portfolio - 10,88%, excluding expensive RUR 5 bn bond issue - 8,49%;
- debt portfolio as at the end of 2010 should not exceed RUR 26 bn;
- Currently TGC-1 can attract loans at an interest rate lower than 7%.

1. 9m2010 operating highlights

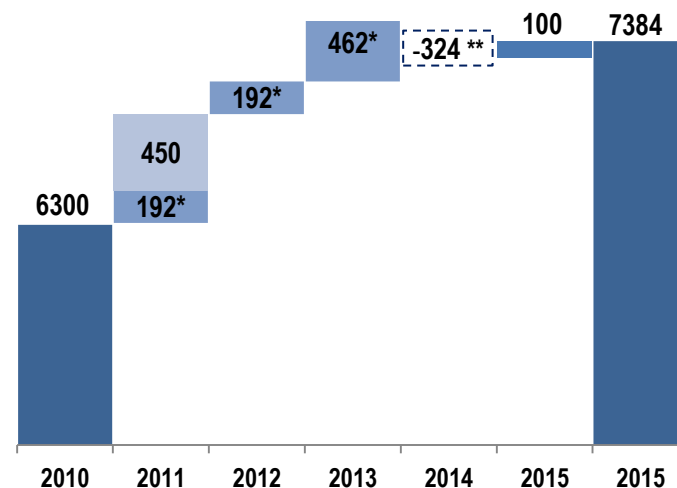
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Key projects

Pravoberezhnaya CHPP	CCGT unit	450 MW	2012
Yuzhnaya CHPP	CCGT unit	450 MW	2011
Pervomayskaya CHPP	CCGT units	2×180 MW	2011-2012
Lesogorskaya HPP	Hydro units replacement	4×30 MW	2009-2012
Svetogorskaya HPP	Hydro units replacement	4×30 MW	2009-2012
Okhta CHPP	Gas-fired CHPP	2×50 MW	2015

Capacity evolution (including decommissioning), MW

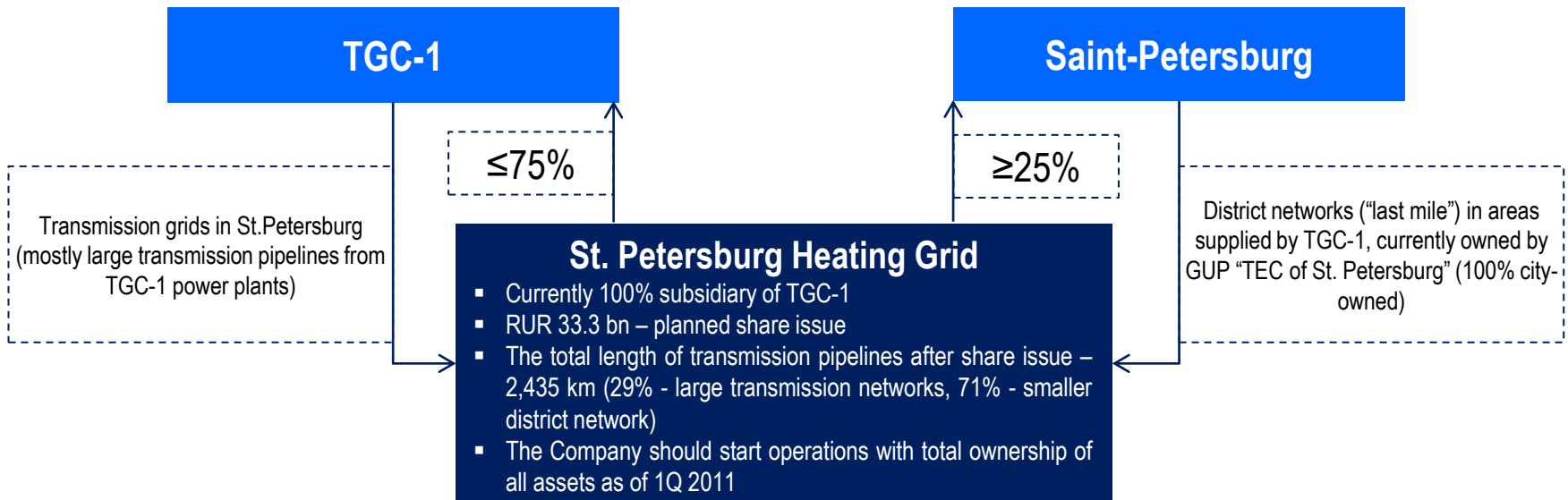


* - included are capacity additions of hydro units replacement
 ** - decommissioning of old capacity of Pervomayskaya)

- Start of commercial production of the 1st 180MW CCGT-unit at Pervomayaskaya power plant and 450MW CCGT-unit at Yuzhnaya power plant is scheduled for the 1Q 2011
- TGC-1 agreed with Leader Asset Management to set up a 50/50 JV to complete the construction of 450MW CCGT-unit at Pravoberezhnaya power plant; TGC-1 plans to agree on a fixed-price EPC-contract

St. Petersburg Heating Grid

Subsidiary of TGC-1 engaged in transmission of heat produced by power plants of TGC-1, connection of new customers to heating network and acting as heat sales agent of the Company



EXPECTED EFFECTS

- Creation of a unified heating area with a single network operator in the city area supplied from TGC-1 plants
- City's involvement should provide necessary support
- Possible switch to new long-term RoR regulation
- Redical improvement of quality and reliability of heat supply

- JSC TGC-1 and Leader Asset Management (ZAO “UK Leader”) to set up a Special Purpose Vehicle (SPV) on a 50/50 basis with an authorized capital of RUR 5 bn that will assume ownership of 450MW CCGT-unit.
- RUR 5 bn will be employed to finance the construction as well as to partially buy-out the construction in process of the power unit from TGC-1.
- Long-term bonds issued by SPV for a total amount of no less than RUR 8 bn will be used to finance further construction works.
- After completion and commissioning of the unit TGC-1 will lease and operate the newly-built facilities from SPV. Lease duration will depend on parameters of debt duration. Lease payments should include debt payments.



EXPECTED EFFECTS

- Attraction of outside investments to finance obligatory CAPEX project without further increasing Company’s debt;
- Commissioning of the CCGT-unit in 2-3Q 2012

- The project aims to connect heating system of the town of Kirovsk to coal-fired Apatity CHPP; that should require refurbishment of the power plant, construction of heat transmission pipeline and heat exchanger in Kirovsk.
- Operator of the construction project is JSC Khibiny Heating Company, 50/50 of TGC-1 and JSC Apatit.
- Total construction CAPEX is estimated at RUR 2.9 bn (ex. VAT), refurbishment of the power plant should require ca. RUR 300 mn (ex. VAT).
- TGC-1 and Apatit will contribute RUR 800 mn on a 50/50 basis to JV, other financing should come from public debt attracted by JV. TGC-1 will use its own funds to refurbish the power plant.
- End of construction – late 2012.



EXPECTED EFFECTS

- additional annual average heat output from Apatity power plant should amount to over 650,000 GCal;
- more moderate growth of end-user tariff

Thank you!

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