



20:12  
OPERATIONS  
LOG





ANNUAL REPORT  
2012

TERRITORIAL  
GENERATING  
COMPANY  
No. 1

[View!](#)



## Online Journal Entry



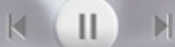
### Event Category



- + ⓘ General Information About the Company
- + ⏻ TGC-1 in the Economy and Industry
- + 🌱 Production
- + 📊 Overview of Sales Performance
- + 🔄 Fuel Supplies and Procurement
- + 🏢 Investment Activities
- + 📈 Financial Performance
- + 📁 Securities and Corporate Governance
- + 👤 Social Responsibility
- + ☂️ Risk Management
- + 📈 Key Development Areas in 2013
- + 📎 Appendixes



### Video



07:30:01

### ★ Log



- [-] TGC-1 JSC
  - [-] Nevsky Branch
    - +  Volkhovskaya HPP
    - +  Nizhnesvirskaya HPP
    - +  Lesogorskaya HPP
    - +  Svetogorskaya HPP
    - +  Verkhnesvirskaya HPP
    - +  Narvskaya HPP
    - +  Central CHPP PP-1
    - +  Central CHPP PP-2
    - +  Central CHPP PP-3
    - +  Pravoberezhnaya CHPP
    - +  Vasileostrovskaya CHPP
    - +  Dubrovskaya CHPP
    - +  Pervomayskaya CHPP
    - +  Avtovskaya CHPP
    - +  Vyborgskaya CHPP
    - +  Severnaya CHPP
    - +  Yuzhnaya CHPP
  - +  Kolsky Branch
  - +  Karelsky Branch







Kirill Seleznev



Member of the Gazprom Management Board  
Chairman of the TGC-1 Board of Directors



Address to Shareholders

Dear Shareholders,

The Gazprom Group is the largest owner of electricity assets in Russia and the leader in installed capacity among the country's power generation companies. Gazprom's main priority in the electric power industry is to provide customers with reliable supplies of electricity and heating. This goal is achieved largely thanks to the implementation of major investment programmes, upgrades, and the construction of new energy units.

In 2012, Gazprom set new records in the development of the electric power industry. The volume of inputs exceeded 5 GW, more than half from the general commitments made by the group upon entering the energy industry. The Gazprom Group has become the industry's undisputed leader for updating of production facilities.

This year, Russia's most powerful combined cycle gas turbine unit of 800 MW was built at the Kirishskaya TTP. It is the largest heat generation facility introduced in the past 30 years and runs as a single unit. A combined cycle gas turbine unit with a capacity of 450 MW became operational at the Pravoberezhnaya CHPP in Saint Petersburg, and in Sochi construction of the Adler CHPS, with a 360 MW capacity, was completed.

The launch of these new modern units on the market has had a positive impact on the financial performance of the Group's power sector companies. In 2012, TGC-1 was able to increase revenues to 62.5 billion rubles, while profit amounted to 6.2 billion rubles, which is a 60 % increase from the previous period. The price of assets for the year increased by 7.2 %.

Figures from 2012 confirm that the management of TGC-1 has chosen the right path. The programme that was implemented to improve shareholder value has brought additional benefits in the dynamics of financial-economic indicators.


Focusing on good governance, improved financial performance, optimizing costs, and the introduction of innovative technologies and advanced technical solutions remain the Company's top priorities.


Moreover, particular attention is given to the need to respect nature and to methods to protect the environment.


The new realities of the electricity market also determine the new conditions for development. Today we are faced with challenges of a new era, which I am sure will be met with success based on the constructive work of the management, Board of Directors, and the Company's shareholders!





 Andrey Filippov

 General Director,  
Chairman of the TGC-1 Management Board

 Address to Shareholders

Dear Shareholders,

This past year has been an eventful one for our Company, including the completion of major investment projects, anniversaries of stations, and a large-scale reconstruction programme.

We began supplying the electricity market with new combined-cycle power at the Pervomayskaya CHPP. A combined cycle gas turbine 450 MW unit was made operational at the Pravoberezhnaya CHPP, making it the third CCGT-unit built by TGC-1 over the past few years in Saint Petersburg.

In total, the combined-cycle gas turbine units of the Yuzhnaya, Pervomayskaya, and Pravoberezhnaya CHPPs in Saint Petersburg yielded 15 % of annual output, which is a third more than in 2011. Efficient operation of the new units allowed TGC-1 to strengthen its position as Russia's second biggest regional power generation company in terms of installed capacity.

In 2012, TGC-1 completed construction at the Svetogorskaya HPP in Leningrad Oblast. The Matkozhnenskaya HPP in Karelia was promptly restored following weather damage, while modernization of the main equipment at the Iovskaya HPP continued in the Arctic.

In essence, we have completed the majority of the multi-year programme for commissioning new generation, with more than 12.4 billion rubles invested in projects.

In the long term, we remain focused on the completion of integrated reconstruction on the Vuoksa HPPs Cascade and introduction of a heating transit pipeline from the Apatitskaya CHPP, the creation of a joint complex subsidiary and closure of the old sector of the Pervomayskaya CHPP, and the modernization of power supply equipment and construction of combined cycle gas turbine units on the territory of the Central CHPP – the oldest thermal power station in Russia. This station's upgrade will coincide with its 115<sup>th</sup> anniversary. The near future will see an increase in the quality of energy supply to the historical center of Saint Petersburg.


Reliability, efficiency, and sustainability are our goals both in new construction and the modernization of existing equipment. In addition to large-scale external projects, particular emphasis is being placed on improving the efficiency of our business processes. We are implementing modern 'lean production' tools at all of our plants and are working with the regions on the improvement of payment discipline. Today, TGC-1 is first and foremost a loyal partner for regional governments when making decisions of social importance.

Employees are and will remain the main asset of the Company. The experience and professionalism of our workers with their selfless work and courage ensure the smooth day-to-day functioning and general stability of our power systems and make regional development possible. Only the joint efforts of the team, management, and the shareholders can help us to successfully overcome the important and challenging tasks that face us over time.





Event Category




GENERAL INFORMATION

Event Content

In 2012, TGC-1 became Russia's second leading territorial generating company in installed electric capacity.

Video



07:32:25

## General Information

### Content

- ± [Key Indicators](#)
- ± [Overview](#)
- ± [Company's Organisational Structure](#)
- ± [Events in 2012](#)

## Key Indicators

### TGC-1 Key Operating Indicators\*

	2011	2012	Δ, %
Installed electric capacity, MW	6,837	6,870	0.5
Installed heat capacity, GCal/h	14,616	14,497	-0.8
Electricity generation, million kWh	28,362	30,388	7.1
Electricity useful output, million kWh	32,961	35,018	6.2
Heat output, thousand GCal	26,053	26,438	1.5
Heat useful output, thousand GCal	26,314	26,668	1.3

\* Are given taking into account the indicators of Murmanskaya CHPP JSC.  
\*\* Purchased power inclusive



**TGC-1 Key Financial Indicators, RAS\* (RUR million)**

	2011	2012	Δ, %
Revenue	57,691	60,145	4.3
Production cost	(52,134)	(55,243)	6.0
Operating profit	5,557	4,902	-11.8
Profit before taxation	3,596	4,406	22.5
EBITDA	9,105	11,595	27.3
Net profit	3,757	3,353	-10.7
Total assets	115,843	121,673	5.0
Earnings per share, RUR	0,00097	0,00087	-10.3

\* TGC-1 statements as per RAS do not consolidate financial results of the affiliates.

**TGC-1 Key Financial Indicators, IFRS (RUR million)**

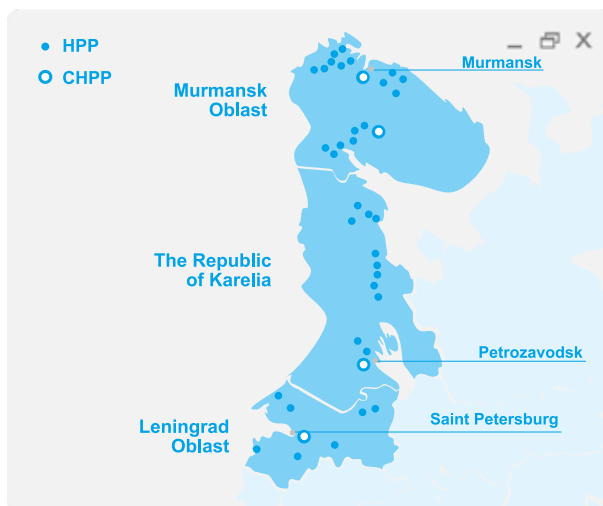
	2011	2012	Δ, %
Revenue	60,252	62,484	3.7
Operating expenses	(53,235)	(52,625)	-1.1
Operating profit	7,017	9,859	40.5
EBITDA*	11,837	15,445	30.5
Profit before income tax	5,286	8,118	53.6
Profit for the year	3,902	6,242	60.0
Total assets	137,942	147,936	7.2

\* EBITDA = operating profit + depreciation of property, plant and equipment + amortisation of intangible assets and investment property.

**Overview**

Territorial Generating Company No. 1 JSC is the leading producer of electricity and heat in the North-West region of Russia.

TGC-1 was founded in 2005 in the course of reforming of the electric energy industry of Russia, and nowadays the Company incorporates generating enterprises from the Baltic Sea to the Barents Sea. TGC-1 generating assets comprise 55 electric power plants of various types in four subjects of the Russian Federation such as Saint Petersburg, the Republic of Karelia, and Leningrad Oblast and Murmansk Oblast.



Generated electricity is delivered to the domestic wholesale electricity and capacity market and is also exported to Finland and Norway. TGC-1 is a strategic supplier of heating in Saint Petersburg, Petrozavodsk, Murmansk, Kirovsk in Leningrad Oblast, and Apatity in Murmansk Oblast.

TGC-1’s structure includes the following affiliates: Murmanskaya CHPP JSC (energy supply to Murmansk and surrounding areas; a 90.34 % share in the authorized capital), Hibiny Heat Company JSC (reformation of heat supply in the Apatity-and-Kirovsk region; a 50 % share in the authorized capital), St. Petersburg Heating Grid JSC (an association of the heating grids within the area of the Company’s CHPP operations; a 74.99 % share in the authorized capital), and the affiliated company TGC-1 – Service LLC (specialized repair and maintenance enterprise; a 26 % share in the authorized capital).

TGC-1 is part of the Gazprom Group. Gazprom’s generating assets are consolidated in the balance of the special-purpose affiliate Gazprom Energoholding, established within the framework of the Gazprom Strategy implementation in the electric energy industry. This allows an effective management system based on unified corporate standards to be created. The Group consolidates the controlling stakes of Mosenergo, OGK-2, and TGC-1 through Gazprom Energoholding. Gazprom is the largest owner of generating assets in Russia and one of the top ten power producers in Europe.

The principal shareholders of TGC-1 are:

Gazprom Energoholding LLC with 51.79 % of shares, and Fortum Power and Heat Oy with 25.66 % of shares.

TGC-1 shares are traded on Moscow Exchange.

The second biggest shareholder, Fortum Power and Heat Oy, is Scandinavia’s leading energy concern, with the highest standards of business conduct. It makes a valuable contribution to the enhancement of the Company’s management efficiency.

Thus, operating environmentally responsible production and implementing an innovation social policy based upon international standards of business conduct, TGC-1 is striving to take the leading position on the energy market, be a reliable partner for investors, take care of shareholders’ interests, and satisfy customers’ highest requirements.

**The principal shareholders of TGC-1 are:**

Gazprom Energoholding LLC with **51,79** % of shares

Fortum Power and Heat Oy with **25,66** % of shares



# Company's Organisational Structure as of 31.12.2012

Management of TGC-1

General Director

Internal Audit Service

Director for Logistics

Deputy General Director –  
Chief Engineer –  
Director of Nevsky Branch

Director for Business  
Development

Director for Economy  
and Finance

Procurement Organization  
Department

Repair Preparation and  
Implementation Department

Investments Department

Chief Accountant

Resources Supply  
Department

Deputy Chief Engineer

Corporate Governance  
Department

Central Accounting Office

Warehouse Logistics  
Department

Power Plants Operations  
Department

Efficiency Improvement  
Projects Center

Economy Department

Transportation Service

Automation and Metrology  
Service

Financial Department

Deputy Chief Engineer

Treasury

Relay Protection and  
Automation Service

Production Department

Main Electric Equipment  
Service

Property Management  
Department

Central Material  
Warehouse

Management of  
MAXIMO Project

Management of  
Production Systems

Implementation  
Center

TGC-1 Representative  
Office in Moscow

Central CHPP

Pravoberezhnaya  
CHPP

Severnaya CHPP

SCS and IT  
Enterprise

Pervomayskaya CHPP

Vyborgskaya CHPP

Yuzhnaya CHPP

Avtovskaya CHPP

Vasileostrovskaya CHPP

Dubrovskaya CHPP

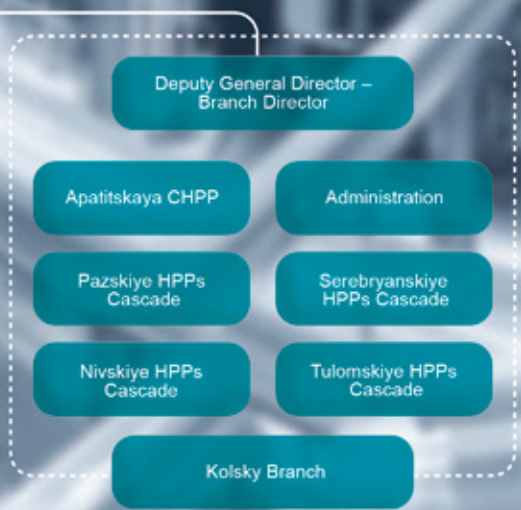
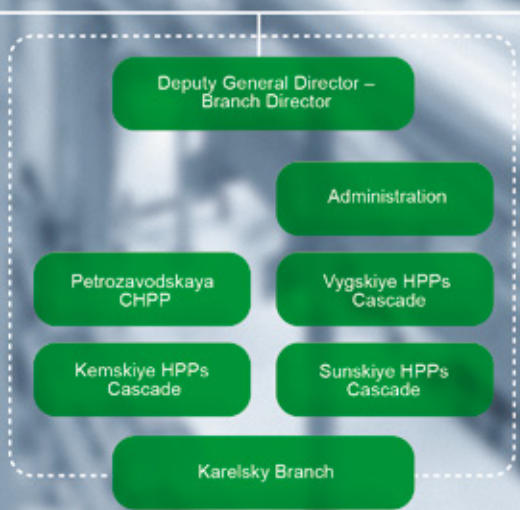
Narvskaya HPP

Ladozhskiye HPPs Cascade

Vuoksinskiye HPPs Cascade

Nevsky Branch





## Events in 2012

### January

The Pervomayskaya CHPP consisting of two 180 MW CCGT-units began supplying capacity to the wholesale electricity and capacity market under capacity supply agreements.

A meeting between the Company's management and the Industrial Power Engineering Foundation of Finland took place at TGC-1's the Yuzhnaya CHPP in Saint Petersburg.

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### February

Members of the Government of Saint Petersburg visited the construction of TGC-1's CCGT unit at the Pravoberezhnaya CHPP.

A meeting was held between representatives from Finland, Norway and Russia on the joint management of Lake Inari's water resources.

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### March

TGC-1 successfully completed the placement of a 10-year bond issue series 04 on MICEX-RTS Stock Exchange.

TGC-1 specialists together with representatives from Estonia held large-scale training sessions on emergency prevention at the Narvskaya HPP.

The Company was named best pass-holder by Vodokanal of Saint Petersburg in the 'Crystal Drop' competition.

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### April

115 years ago, operations started at the oldest power station in Russia, Electric Power Station no. 2 of the Central CHPP, which forms part of TGC-1's power in Saint Petersburg.

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### May

The 'Power Hour' project for children in Saint Petersburg and Leningrad Oblast commenced, run by TGC-1 together with the interactive scientific and entertainment center 'Umnikum'.

An inter-regional competition for TGC-1's thermal power station specialists was held in Saint Petersburg.

A press conference on Gazprom's Strategy in Electric Power was held at Gazprom's central office.

TGC-1's Lean Production Academy began operation.

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### June

TGC-1's Annual General Meeting of Shareholders took place.

## July

Test trials of a new 30 MW hydroelectric units were completed at TGC-1's Lesogorskaya HPP.

The development of hydropower generation was discussed by representatives from Russia and Argentina at the Vuoksa HPPs Cascade.

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## August

TGC-1 held the testing and commissioning of the new 450 MW CCGT unit at the Pravoberezhnaya CHPP.

Operation was stopped at the Matkozhnenskaya HPP of the Vyg HPPs Cascade as a result of natural hazards.

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## September

Reconstruction of hydroelectric unit no. 3 was completed at the Lesogorskaya HPP and new equipment with a capacity of 30 MW was brought into operation.

The annual competition for operating personnel from all TGC-1 HPPs was held in Murmashi settlement.

Employees of the Matkozhnenskaya HPP and Vyg HPPs Cascade were awarded with honorary certificates from the Ministry of Emergency Situations in Karelia for their participation in the response to the disaster in the Belomorsky District.

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## October

Following successful testing, TGC-1 resumed operation of hydroelectric unit no. 1 at the Matkozhnenskaya HPP. The head of the Republic of Karelia presented a letter of gratitude to TGC-1 for their active participation in the disaster response in the Belomorsky District.

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## November

The ceremonial commissioning of the 450 MW CCGT unit was held at the Pravoberezhnaya CHPP in Saint Petersburg.

Large-scale reconstruction of the Iovskaya HPP began, which is part of TGC-1's investment programme in Murmansk Oblast. The first of two hydroelectric stations was removed.

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## December


Saint Petersburg's annual Christmas Fair opened with partnership of TGC-1, as is tradition.

After passing comprehensive testing, the last of the modernized hydroelectric units of the Svetogorskaya HPP at Vuoksa HPPs Cascade was put into operation.



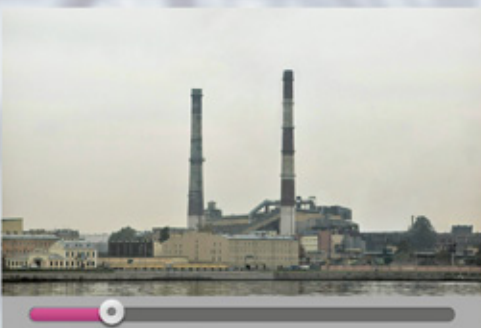
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Event Category



TGC-1 IN THE ECONOMY AND INDUSTRY


Video



08:45:20

Event Date

27.04.12



Event Content

The oldest heat and power plant in Russia, Station No. 2 Central CHP plant, turned 115 years old.

## TGC-1 in the Economy and Industry

### Content

- + Situation in the Economy and the Energy Industry
- Competitive Environment
  - + Heat Market
  - + Electricity and Capacity Market

## Situation in the Economy and the Energy Industry

GDP growth in 2012 slowed to 3.4 % from 4.3 % in 2011. In 2012, development of the Russian economy was characterized by a slowdown in investment and consumer demand, amid rising negative trends in the global economy and weakening external demand. That being said, the main factor of economic growth in 2012 remained the domestic demand for goods and services, supported by the growth in real earnings, bank lending and an increase in employment.

Overall, industrial production grew by 2.6 % in 2012 compared to 2011, including the production and distribution of electric power, gas and water, which grew by 1.2 %.

Consumer price inflation in 2012 was 6.6 %, exceeding the projected level of 6.0 % and last year's figure of 6.1 %. The projected rate was exceeded due to drought, crop failure and the global wave of rising grain prices.

The inflation of remaining costs in 2012 was more moderate due to the increase of regulated prices on energy sources in the middle of the year and the restricted growth of regulated tariffs of electric power by the level of anticipated inflation.

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The production and  
distribution of electric power,  
gas and water grew by

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1.2 %

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in 2012 compared to 2011

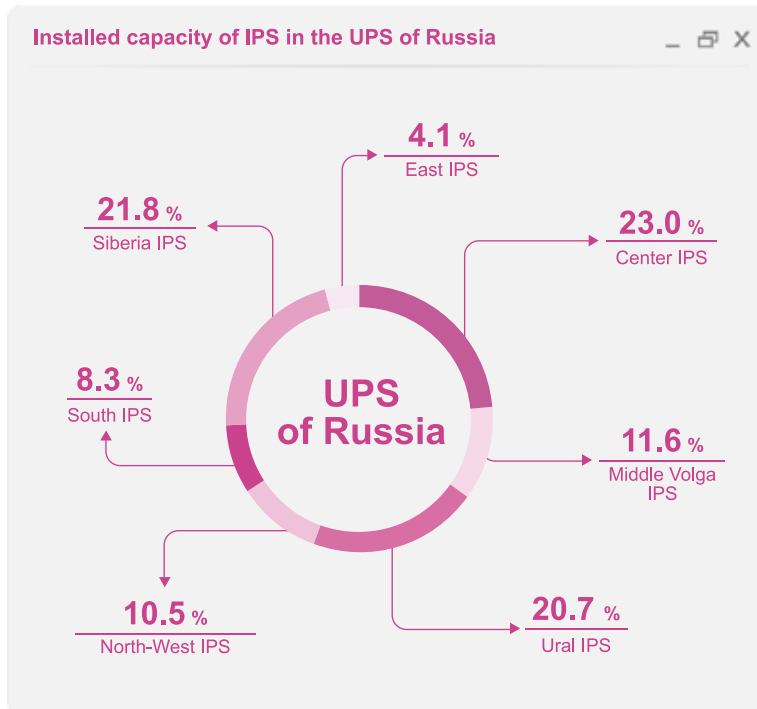
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The installed capacity of North-West interconnected power system (IPS) stood at

**23,389.9** MW

on 01.01.2013

By the end of 2012, the total installed capacity of unified power system (UPS) of Russia power plants amounted to 223,070.8 MW. The increase was due to the installation of new generating equipment at 6,134.3 MW, as well as the modernization of existing equipment at 339.1 MW. Generating equipment with a capacity of 1,911.4 MW has been decommissioned. The installed capacity of North-West interconnected power system (IPS) stood at 23,389.9 MW on 01.01.2013, increasing by 4.1% compared with the level in 2011.

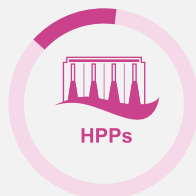


Structure of electricity generation by UPS of Russia in 2012

67.8%



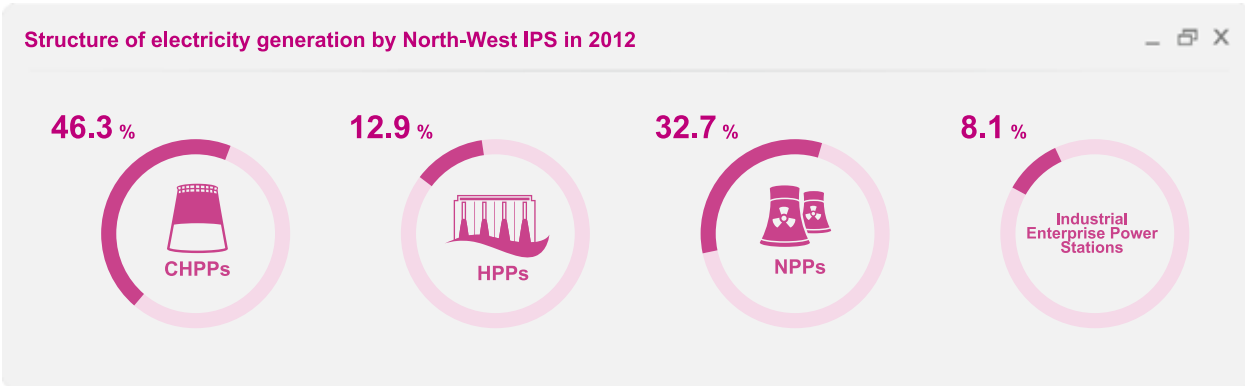
15.1%



17.2%



Electricity generation by power stations in the UPS of Russia, including the production of electricity at industrial enterprise stations, amounted to 1,032.3 billion kWh in 2012 (growth from 2011 – 1.3%): CHPPs – 699.5 billion kWh (increase of 1.2%); HPPs – 155.4 billion kWh (decrease of 0.1%); NPPs – 177.4 billion kWh (increase of 2.6%). Generation by OGC power plants amounted to 352 billion kWh (an increase of 0.6% from 2011) and TGC power stations was 255.3 billion kWh (decrease of 0.9%).



Consumption by the North-West IPS increased by 0.7 % and amounted to

**93,209.6** million kWh

The volume of electric power generation by North-West IPS in 2012 was 104,921.5 million kWh, or 10.2 % of total production by UPS of Russia. The decrease in generation by North-West IPS in 2012 in comparison to 2011 is 0.9 %. CHPPs and HPPs generation increased by 3.5 % and 12.5 % respectively, NPPs generation fell by 11.1 %, and generation by industrial enterprise power stations grew by 3.0 %.

Actual consumption of electricity by the UPS of Russia in 2012 amounted to 1,016,497.7 million kWh (including cross-border trade in the energy systems of Murmansk Oblast, the city of Saint Petersburg, and Leningrad Oblast totalling 753.7 million kWh), which is 1.6 % higher than 2011. Consumption by the North-West IPS increased by 0.7 % and amounted to 93,209.6 million kWh.

The annual maximum consumption by UPS of Russia was detected on 21 December 2012 at 10:00 (Moscow time) at a frequency of 50.00 Hz and amounted to 157,425 MW. At the same time, the load of UPS of Russia power plants was 158,986 MW.

The annual maximum consumption by UPS of Russia was detected on 21 December 2012 and amounted to

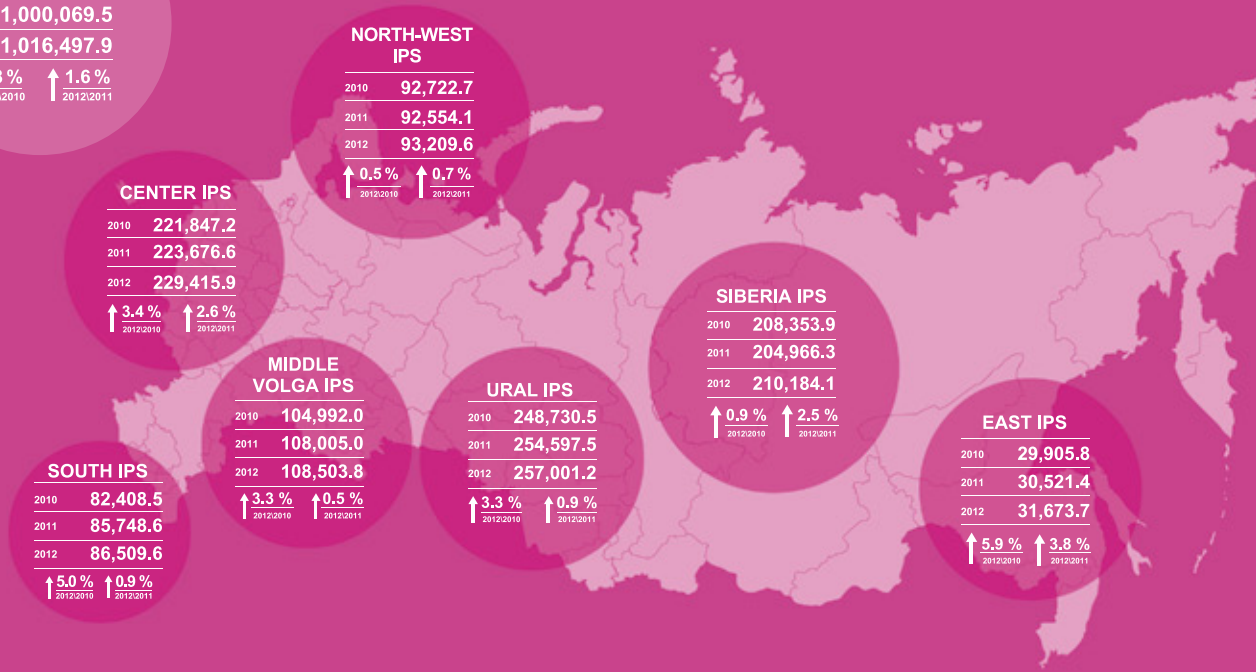
**157,425** MW



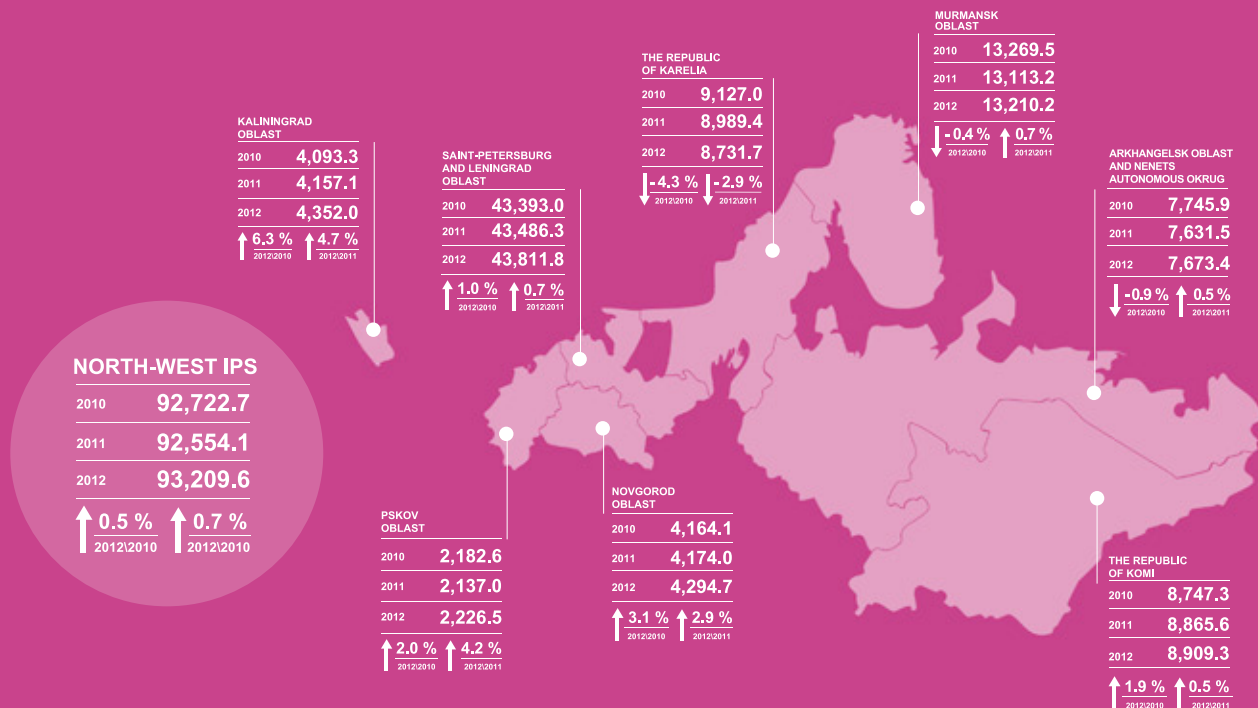
## UPS of Russia

2010	988,9606
2011	1,000,069.5
2012	1,016,497.9
	↑ 2.8 % 2012/2010
	↑ 1.6 % 2012/2011

## Dynamics of electricity consumption by UPS of Russia, mn kWh



## Dynamics of electricity consumption by North-West IPS, mn kWh



## Competitive Environment

### Heat Market

TGC-1 conducts business by selling and distributing heat in Saint Petersburg, Leningrad Oblast (Nevsky Branch), Murmansk Oblast (Kolsky Branch, Murmanskaya CHPP) and the Republic of Karelia (Karelsky Branch).

### Saint Petersburg

Currently, the main producers of heat in Saint Petersburg are as follows:

- TGC-1;
- GUP TEC of St. Petersburg;
- Peterburgteploenergo LLC;
- Severo-Zapadnaya TPP Branch of INTER RAO-Electrogeneratsiya JSC.

Name of organization	Installed heat capacity, GCal/h	Connected heat capacity, GCal/h	Heat output for consumers, thousand GCal	Market share, %
TGC-1	11,890	9,674	20,814	47
GUP TEC of St. Petersburg	8,998	8,480	19,260	43
Peterburgteploenergo LLC	2,113	1,464	2,987	7
North-West CHPP	700	240	1,210	3

\* – Organizations with an energy output of more than 1,000 thousand GCal (indicated by data recorded during the formation of heat tariffs in 2012)

In addition, there are a number of heat producers in Saint Petersburg with an annual output of less than 1,000 thousand GCal per year, the total share of which does not exceed 5 % of useful output.

### Leningrad Oblast

In Leningrad Oblast, TGC-1 sells heat in the Kirov, Vsyevolozhk and Lodeynopolsky Districts.

The Dubrovskaya CHPP of TGC-1’s Nevsky Branch is the sole source of heat providing to Kirovsk city in Leningrad Oblast.

In the Lodeynopolsky District, all heat produced by electric boilers belonging to TGC-1 is sold to wholesale buyer-resellers Lodeynopolskaya Teploset LLC for providing heating to consumers in the town of Svirstroy.

The Severnaya CHPP of TGC-1’s Nevsky Branch is the sole source of heat providing heating to consumers in the village of Novoe Devyatkinno in Leningrad Oblast.

In summary, one can say that TGC-1 currently has no competitors in providing heat in Leningrad Oblast.

## Murmansk Oblast

The Apatitskaya CHPP of TGC-1's Kolsky Branch is the only source of heat for Apatity city and its adjacent industrial zones.



### Structure of the heat market of Apatity city of Murmansk Oblast\*

Name of organization	Installed heat capacity, GCal/h	Connected heat capacity, GCal/h	Heat output for consumers, thous. GCal	Market share, %
TGC-1	735	402	1,167	100

\* – Data indicated was recorded during formation of heating energy tariffs in 2012.

Since 2011, TGC-1 has been implementing a project for the construction of heating mains from the Apatitskaya CHPP to Kirovsk city in Murmansk Oblast, in cooperation with the Government of Murmansk Oblast and Apatit JSC. The implementation of this project will expand TGC-1's zone of power supply and increase production at the Apatitskaya CHPP, which has a considerable power reserve. Completion of the project's construction is planned for the beginning of the 2013 – 2014 heating season.

Apart from the Apatitskaya CHPP, TGC-1's subsidiary company Murmanskaya CHPP provides heating output in Murmansk Oblast as the main supplier for consumers in Murmansk.

Currently, Murmanenergosbyt JSC can be considered to be the Murmanskaya CHPP's only competitor.



### Structure of Murmansk city heat market\*

Name of organization	Installed heat capacity, GCal/h	Connected heat capacity, GCal/h	Heat output for consumers, thous. GCal	Market share, %
Murmanskaya CHPP	1,111	715	2,217	75
Murmanenergosbyt JSC	552	227	740	25

\* – Data indicated was recorded during formation of heating energy tariffs in 2012

## The Republic of Karelia

The Petrozavodskaya CHPP of TGC-1's Karelsky Branch provides about 80 % of consumers' heat in Petrozavodsk.

That being said, 98 % of heat is sold to wholesale buyer-resellers of Petrozavodsk Utility Systems JSC for further delivery to consumers.

## Electricity and Capacity Market

The main sector of competitive activities in the wholesale electricity and capacity market for TGC-1 is the day-ahead market (DAM). As the situation currently stands, the closest competitor in terms of main production and technological cycles in the free wholesale market sector of the Severo-Zapadnaya TPP is the Kirishkaya TPP (Leningrad Oblast), which forms part of OGK-2.

The main competitive advantages of TGC-1 are:


- the cost advantage of the Company's CHPPs in terms of combined output (compared to TPP);
- large share of output by HPPs in the total production of electricity and the cost advantage of HPPs compared to thermal power plants;
- the possibility for rapid change of active load at HPPs and the supply of electricity under intended System Operator conditions;
- the geographical locations of the Company's stations, enabling the export of energy.

Apart from TGC-1, activities for generating electricity and power in Saint Petersburg, the Republic of Karelia, Leningrad Oblast and Murmansk Oblast are also carried out by the Rosenergoatom Concern (represented by the Leningradskaya and Kolskaya Nuclear Power Stations), OGK-2 (represented by the Kirishkaya TPP), as well as Inter RAO – Electrogeneratsiya (the Severo-Zapadnaya TPP Branch), which supplies electricity for export.





Event Category




PRODUCTION

Event Date

01.11.12

12

Video



09:34:52

Event Content

Reconstruction of the Iovskaya HPP started as a part of TGC-1's investment programme in Murmansk Oblast. The first of two hydroelectric units was dismantled.

## Production

### Content

- Production Capacity
- Electricity Generation
- Heat Generation
- Analysis of Fuel Consumption by Company's CHPPs
- Energy Saving and Energy Efficiency
- Repair Programme

## Production Capacity

The main generating capacities of TGC-1 are represented by 55 power plants, including 41 HPPs and 14 CHPPs, including the subsidiary the Murmanskaya CHPP. At the end of 2012, the installed electric capacity of the Company's stations amounted to 6,870.4 MW and heating capacity of 14,497.0 GCal/h.

A major part of TGC-1 production facilities belongs to the Nevsky Branch, which comprises 11 CHPPs with total installed generating capacity of 3,330.5 MW, total heat capacity of 11,962 GCal/h, and 7 HPPs with total installed capacity of 696.6 MW. The Karelsky Branch comprises the Petrozavodskaya CHPP with the installed capacity of 280 MW and 689 GCal/h, 17 HPPs unified in 3 cascades and the Smaller HPPs group with total installed capacity of 633.7 MW. The Kolsky Branch comprises the Apatitskaya CHPP with 323 MW and 735 GCal/h, and 17 HPPs unified in four cascades with total installed capacity of 1,594.6 MW. In the Murmansk Oblast TGC-1 has a subsidiary the Murmanskaya CHPP producing electricity and heat. The installed generating capacity of the Murmanskaya CHPP is 12 MW, while the installed heat capacity is 1,111 GCal/h.

The installed electric capacity  
of the Company's  
stations amounted to

**6,870.4** MW

and heating capacity of

**14,497** GCal/h

**TGC-1 production capacities as of 31 December 2012**

Name	Installed electric capacity, MW	Installed heat capacity, GCal/h	Available capacity, MW	ICUF (for electric capacity)*, %	Fuel (main / reserve)
<b>Nevsky Branch</b>					
Central CHPP	75.5	1,340.0	75.5	61.3	Gas/Fuel oil
Pravoberezhnaya CHPP	180.0	1,120.0	180.0	67.0	Gas/Fuel oil
Vasileostrovskaya CHPP	135.0	1 213.0	135.0	61.6	Gas/Fuel oil
Dubrovskaya CHPP	142.0	185.0	140.0	14.5	Gas/Fuel Oil, Coal, Peat
Pervomayskaya CHPP	524.0	1,477.0	460.0	46.6	Gas/Fuel oil
Avtovskaya CHPP	321.0	1,849.0	321.0	49.2	Gas/Fuel oil
Vyborgskaya CHPP	278.0	1,110.0	278.0	35.0	Gas/Fuel oil
Severnaya CHPP	500.0	1,188.0	500.0	51.0	Gas/Fuel oil
Yuzhnaya CHPP	1,175.0	2,480.0	1,200.0	56.7	Gas/Fuel oil
Ladoga HPPs Cascade	345.0	-	260.4	54.8	-
Narvskaya HPP	124.8	-	124.8	58.7	-
Vuoksa HPPs Cascade	226.8	-	226.8	63.5	-
<b>Total for Nevsky Branch</b>	<b>4,027.1</b>	<b>11,962.0</b>	<b>3,901.5</b>	<b>51.9</b>	<b>-</b>
<b>Karelsky Branch</b>					
Petrozavodskaya CHPP	280.0	689.0	251.0	49.1	Gas/Fuel oil
Vyg HPPs Cascade	240.0	-	164.2	54.8	-
Kem HPPs Cascade	330.0	-	160.6	54.3	-
Suna HPPs Cascade	50.6	-	39.7	69.9	-
Smaller HPPs group	13.1	-	10.8	74.2	-
<b>Total for Karelsky Branch</b>	<b>913.7</b>	<b>689.0</b>	<b>626.3</b>	<b>54.0</b>	<b>-</b>
<b>Kolsky Branch</b>					
Apatitskaya CHPP	323.0	735.0	239.0	13.7	Coal
Niva HPPs Cascade	569.5	-	564.3	63.2	-
Paz HPPs Cascade	187.6	-	187.6	66.3	-
Tuloma HPPs Cascade	324.0	-	324.0	43.4	-
Serebryansky HPPs Cascade	513.5	-	511.5	29.7	-
<b>Total for Kolsky Branch</b>	<b>1,917.6</b>	<b>735.0</b>	<b>1,826.4</b>	<b>42.8</b>	<b>-</b>
<b>Total for TGC-1</b>	<b>6,858.4</b>	<b>13,386.0</b>	<b>6,354.2</b>	<b>49.7</b>	<b>-</b>
Murmanskaya CHPP	12.0	1,111.0	12.0	16.1	Fuel oil
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>6,870.4</b>	<b>14,497.0</b>	<b>6,366.2</b>	<b>49.6</b>	


\* – ICUF – installed capacity utilization factor.

Installed capacity in 2012:

- decreased at the Dubrovskaya CHPP due to the decommissioning of turbine unit no. 1 with an installed capacity of 50 MW;
- changed at the Pervomayskaya CHPP due to the decommissioning of turbine units no. 1, 2, and 7 with a total installed capacity of 110 MW and the commissioning of a CCGT-180 unit with a capacity of 180 MW;
- increased at the Lesogorskaya HPP of the Vuoksa HPPs Cascade by 6 MW due to the remarking of hydroelectric unit no. 3 following modernization;
- increased at the Svetogorskaya HPP of the Vuoksa HPPs Cascade by 7.25 MW due to the remarking of hydroelectric unit no. 4 following modernization.

Available capacity in 2012:

- decreased at the Dubrovskaya CHPP due to the decommissioning of turbine unit no.1;
- increased at the Volkhovskaya HPP of the Ladoga HPPs Cascade due to the decrease in seasonal restrictions;
- increased at the Lesogorskaya HPP of the Vuoksa HPPs Cascade due to the remarking of hydroelectric unit no. 3 following modernization.

 **Installed electric capacity utilization factor in 2012, %**

	CHPPs	HPPs	HPPs+CHPPs
Nevsky Branch	50.6	58.3	51.9
Karelsky Branch	49.1	56.2	54.0
Kolsky Branch	13.7	48.7	42.8
<b>TGC-1</b>	<b>47.5</b>	<b>52.6</b>	<b>49.7</b>
Murmanskaya CHPP	16.1	-	16.1

The overall installed electric capacity utilization factor for TGC-1 amounted to 49.7 %. The factor for HPPs is 52.6 % and for CHPPs it is 47.5 %.

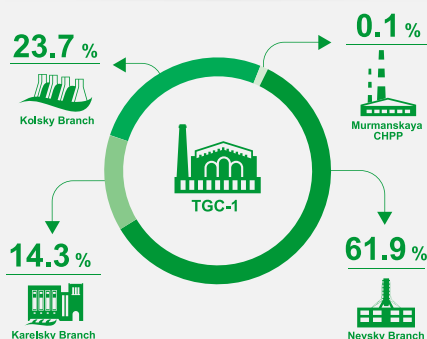
 **Electricity Generation**

In 2012, the volume of electricity generation by enterprises of TGC-1, including those of the Murmanskaya CHPP, increased by 7.1 % compared to 2011 and amounted to 30,388.3 million kWh.

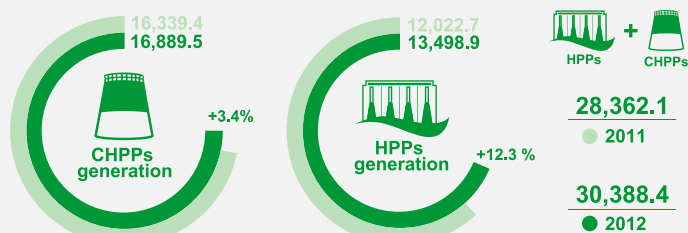
Generation by TGC-1's Nevsky Branch increased by 4.3 %, Karelsky Branch by 32.5 %, and Kolsky Branch by 2.8 %. Generation by the Murmanskaya CHPP fell by 43.2 %. The increase in generation of electricity by CHPPs grew by 3.4 % from 2011, while HPPs' generation increased by 12.3 %.



**Breakdown of electricity generation by TGC-1 branches and the Murmanskaya CHPP in 2012**



**Electric power generation by TGC-1 CHPPs and HPPs in 2011 – 2012, million kWh**



The high water content in the second half of the year had a favorable effect on the annual production volume, which was also increased due to the efficient operation of new power units and the launch of the second 180 MW CCGT-unit at the Pervomayskaya CHPP onto the wholesale market. Overall in 2012, the output of power units at the Yuzhnaya, Pervomayskaya and Pravoberezhnaya CHPPs amounted to 4,550.9 million kWh, or 15 % of overall output.

**Electricity generation by TGC-1 power plants in 2011 – 2012, thousand kWh**

	2011	2012
<b>Nevsky Branch</b>		
Central CHPP	438,263	406,435
Pravoberezhnaya CHPP	869,721	1,244,348
Vasileostrovskaya CHPP	768,765	730,933
Dubrovskaya CHPP	264,198	196,670
Pervomayskaya CHPP	1,900,199	2,367,057
Avtovskaya CHPP	1,463,357	1,388,243
Vyborgskaya CHPP	985,755	854,450
Severnaya CHPP	2,317,602	2,237,793
Yuzhnaya CHPP	5,848,209	5,850,885
Narvskaya HPP	754,537	643,192
Vuoksa HPPs Cascade	999,035	1,239,077
Ladoga HPPs Cascade	1,434,267	1,662,182
<b>Total for Nevsky Branch</b>	<b>18,043,907</b>	<b>18,821,263</b>

 **Electricity generation by TGC-1 power plants in 2011 – 2012, thousand kWh**

	2011	2012
<b>Karelsky Branch</b>		
Petrozavodskaya CHPP	1,059,924	1,207,749
Vyg HPPs Cascade	1,026,717	1,155,407
Kem HPPs Cascade	940,249	1,575,201
Suna HPPs Cascade	179,182	310,879
Smaller HPPs group	66,046	85,344
<b>Total for Karelsky Branch</b>	<b>3,272,118</b>	<b>4,334,579</b>
<b>Kolsky Branch</b>		
Apatitskaya CHPP	393,530	387,930
Niva HPPs Cascade	2,898,392	3,160,256
Paz HPPs Cascade	1,002,319	1,092,544
Tuloma HPPs Cascade	1,267,059	1,235,248
Serebryansky HPPs Cascade	1,454,926	1,339,538
<b>Total for Kolsky Branch</b>	<b>7,016,225</b>	<b>7,215,516</b>
<b>Total for TGC-1</b>	<b>28,332,251</b>	<b>30,371,359</b>
Murmanskaya CHPP	29,844	16,963
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>28,362,094</b>	<b>30,388,322</b>
<b>Total for CHPPs</b>	<b>16,339,366</b>	<b>16,889,454</b>
<b>Total for HPPs</b>	<b>12,022,728</b>	<b>13,498,868</b>

**Hydrological conditions in regions where the Company operates. The influence of water content on the volume of electricity output**

**Nevsky Branch**

In the Nevsky Branch area, the past year has generally been characterized by high water levels. The Vuoksa HPPs Cascade observed high water levels, at the Ladoga HPPs Cascade water levels increased, while the water levels at the Narvskaya HPP were close to average.

In 2012, the output of the Nevsky Branch was 3,544.5 million kWh, which is 11.2 % higher than in 2011. The increase in output is due to the general increase in water levels in the region relative to 2011.

**Karelsky Branch**

The inflow of water to all reservoirs in May 2012 was higher than the long-term average and amounted to 8 – 20 % of supply. At the end of summer 2012, territories of the Republic of Karelia experienced intense rainfall. Therefore,

2012 was in general characterized by high water content caused by rain floods. This allowed for water resources to accumulate in HPPs reservoirs and ensured that generation performance targets were met.

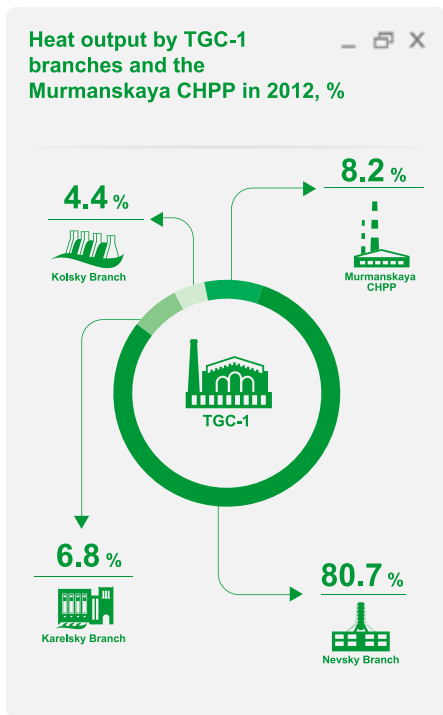
Output of the Karelsky Branch HPPs in 2012 was 3,126.8 million kWh, which is 41.3 % higher than performance in 2011. The increase is due to the rise in useful inflow at the HPP's reservoir.

### Kolsky Branch

The total volume of annual inflow at the HPP's reservoir amounted to 59.05 km<sup>3</sup> with 24 % reserves. Water resource reserves throughout 2012 exceeded long-term averages and the year was characterized by high water content.

Output of the Kolsky Branch HPPs in 2012 was 6,827.6 million kWh, which is 3.1 % higher than performance in 2011.

## Heat Generation



In 2012, the output of heat from the Company's facilities overall increased by 1.5 % compared to 2011, which can be attributed to lower temperatures during the heating season and amounted to 26,437.5 thousand GCal. Outputs by the Nevsky, Karelsky and Kolsky branches increased by 1.3 %, 8.5 % and 0.4 % respectively. The output of heat from the Murmanskaya CHPP was 1.0 % less than analogous figures for 2011.

	2011	2012	Δ
<b>yearly average temperature</b>			
Saint Petersburg	+7.0	+5.6	-1.4
Petrozavodsk	+4.6	+3.7	-0.9
Apatity	+0.4	-1.1	-1.5
<b>average temperature during heating period</b>			
Saint Petersburg	+0.2	-1.3	-1.5
Petrozavodsk	-2.6	-3.7	-1.1
Apatity	-3.3	-4.5	-1.2

 Heating output by TGC-1 power plants in 2011 – 2012, GCal

	2011	2012
<b>Nevsky Branch</b>		
Central CHPP	2,486,876	2,595,966
Pravoberezhnaya CHPP	2,305,220	2,242,261
Vasileostrovskaya CHPP	1,998,112	2,020,799
Dubrovskaya CHPP	245,781	259,219
Pervomayskaya CHPP	1,957,773	1,947,166
Avtovskaya CHPP	3,604,737	3,703,624
Vyborgskaya CHPP	1,315,678	1,326,752
Severnaya CHPP	3,094,715	3,066,578
Yuzhnaya CHPP	4,045,176	4,155,522
Boiler facilities	4,741	4,314
<b>Total for Nevsky Branch</b>	<b>21,058,809</b>	<b>21,322,201</b>
<b>Karelsky Branch</b>		
Petrozavodskaya CHPP	1,645,174	1,784,658
<b>Total for Karelsky Branch</b>	<b>1,645,174</b>	<b>1,784,658</b>
<b>Kolsky Branch</b>		
Apatitskaya CHPP	1,157,719	1,170,772
Electrical boiler houses	11,794	3,287
<b>Total for Kolsky Branch</b>	<b>1,169,513</b>	<b>1,174,059</b>
<b>Total for TGC-1</b>	<b>23,873,496</b>	<b>24,280,918</b>
Murmanskaya CHPP	2,179,450	2,156,616
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>26,052,946</b>	<b>26,437,534</b>

 Analysis of Fuel Consumption by Company's CHPPs

The specific reference fuel consumption is the main parameter used for assessment of the fuel consumption at TGC-1's CHPPs. In 2012 overall, the Company's specific reference fuel consumption for delivered electricity amounted to 284.1 g/kWh, which is 2.6 % less compared to 2011. At the same time, the specific reference fuel consumption for delivered heating increased by 0.8 % to 139.8 kg/GCal.



Reduction of the Company's overall specific reference fuel consumption for delivered electricity was due to commissioning of new CCGT-units with lower reference consumption.

**Breakdown of specific reference fuel consumption by TGC-1 CHPPs in 2011 – 2012**

	2011		2012	
	for electricity, g/kWh	for heat, kg/GCal	for electricity, g/kWh	for heat, kg/GCal
<b>Nevsky Branch</b>				
Central CHPP	400.8	159.9	407.0	160.4
Pravoberezhnaya CHPP	280.6	151.4	268.2	145.6
Vasileostrovskaya CHPP	300.8	133.4	300.0	141.3
Dubrovskaya CHPP	478.7	159.0	470.3	157.6
Pervomayskaya CHPP	292.9	147.8	266.3	147.7
Avtovskaya CHPP	340.6	129.9	339.6	131.4
Vyborgskaya CHPP	310.2	133.7	316.5	138.4
Severnaya CHPP	286.4	125.3	280.9	127.1
Yuzhnaya CHPP	265.4	136.0	263.5	138.1
<b>Average for Nevsky Branch</b>	<b>291.6</b>	<b>138.9</b>	<b>283.6</b>	<b>140.3</b>
<b>Karelsky Branch</b>				
Petrozavodskaya CHPP	281.2	133.1	280.0	131.2
<b>Average for Karelsky Branch</b>	<b>281.2</b>	<b>133.1</b>	<b>280.0</b>	<b>131.2</b>
<b>Kolsky Branch</b>				
Apatitskaya CHPP	320.6	143.1	321.0	143.6
<b>Average for Kolsky Branch</b>	<b>320.6</b>	<b>143.1</b>	<b>321.0</b>	<b>143.6</b>
<b>Average for TGC-1</b>	<b>291.6</b>	<b>138.7</b>	<b>284.1</b>	<b>139.8</b>
Murmanskaya CHPP	445.9	172.8	-	174.2

**Energy Saving and Energy Efficiency**

In 2012, TGC-1 passed and approved its Programme for Energy Conservation and Efficiency for 2012 – 2014. A total of 45 organizational and technical measures were taken at most of the Nevsky Branch CHPPs to improve energy efficiency and reduce technological and operational costs. The cumulative effect of these measures was 16,402 tons of fuel equivalent and 900 thousand kWh. The cumulative effect of measures taken at the Karelsky Branch amounted to 383 tons of oil equivalent and 1,203 kWh. Intermediate repair of boiler no. 1 was conducted at the Kolsky Branch's Apatitskaya CHPP, with an energy saving effect of 177 tons of oil equivalent.

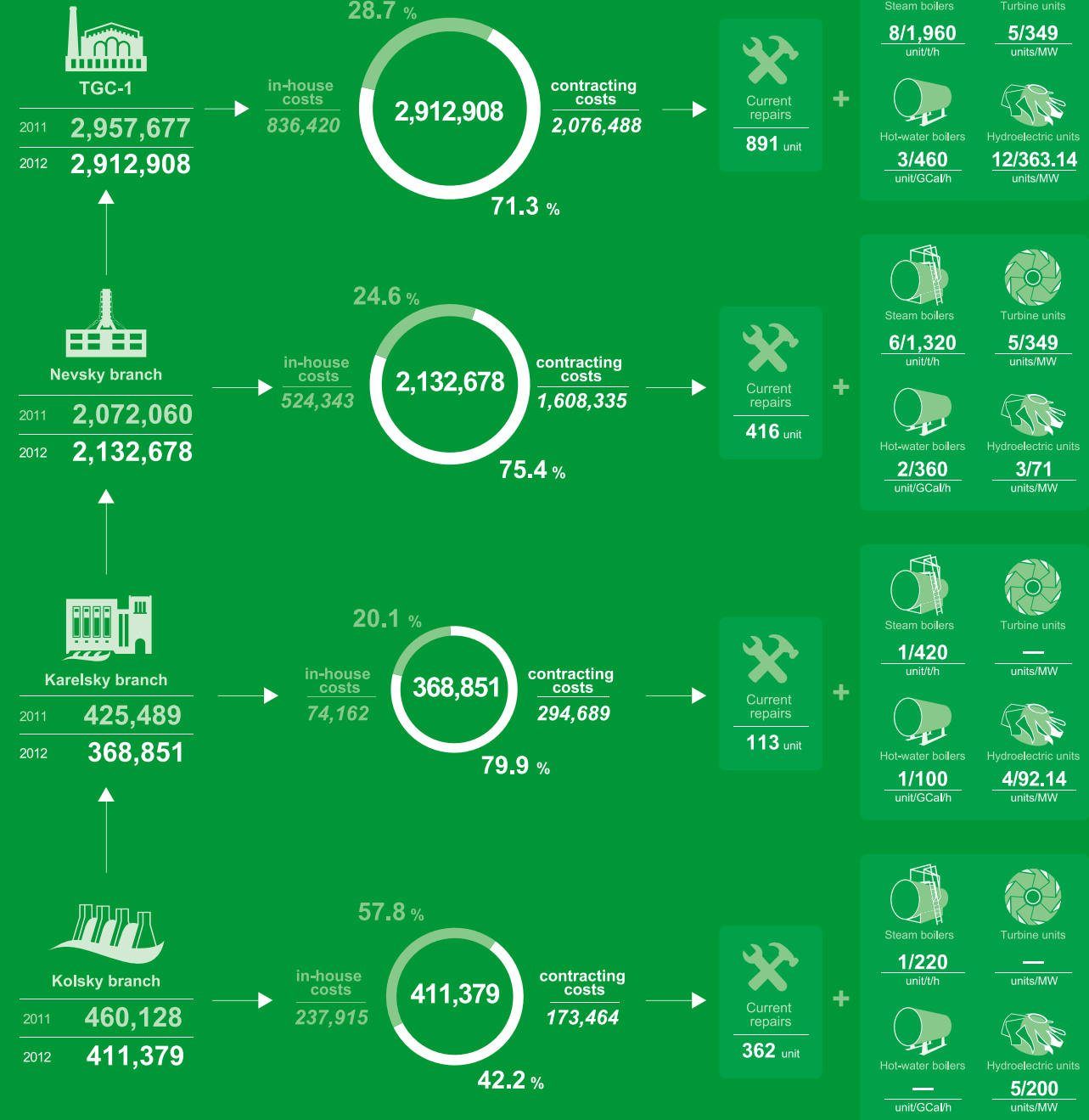
# Repair Programme

The Company's 2012 Repair Programme is designed to maintain the main generating facilities in fully operational condition at optimal costs for maintenance and repair.

Volume of the repair programme for the period from 2011 to 2012, thousand RUR (VAT excl.)


Structure of costs spent on fixed assets in 2012, thousand RUR (VAT excl.)

Overhaul and medium repairs





Event Category




OVERVIEW OF SALES PERFORMANCE

Event Date

01.01.12



Video



10:05:22

Event Content

The Pervomayskaya CHP plant consisting of two 180 MW CCGT-units began supplying capacity on the wholesale electricity and capacity market under capacity supply agreements.



## Overview of Sales Performance



### Content



- Electricity and Capacity Sales
- Electricity and Capacity Purchases
- Electricity Exports
- Heat Sales



## Electricity and Capacity Sales

In 2012, volume of TGC-1 electricity sales reached 35,017.7 million kWh, increasing by 6.3 % from 2011 levels. The total volume of electricity produced by the Murmanskaya CHPP in 2012 was used for its own needs, while in 2011 the volume sold amounted to 12.4 million kWh. The Murmanskaya CHPP is not a participant in the wholesale electricity and capacity market. The greatest volume of the Company's electricity is sold on the day-ahead market, and in 2012 the day-ahead market share constituted 74.0 % of the total sales volume and 80.3 % of all revenues from the sale of electricity, and also sales volumes on regulated contracts amounted to 14.8 % and the share in electricity revenues amounted to 8.9 %.

The volume of the Company's capacity sold was 5,178 MW/month, which is 5.7 % higher than in 2011. Of the structure of capacity sales in 2012, 56.6 % is for implementation by competitive capacity selection, 27.5 % for implementation under regular contracts, and 15.7 % of capacity was sold under capacity supply agreements. Meanwhile, a large share of revenues from capacity sale is formed by capacity supply agreements at 43.9 %, the contribution to the structure of revenue sales by competitive capacity selection is 39.3 %, and the share of regulated contracts is 16.6 %.

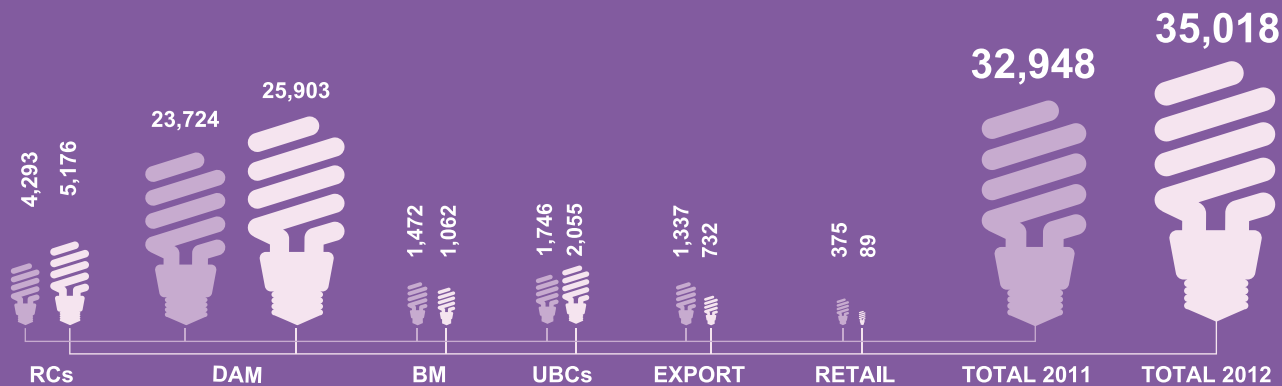
In 2012, the volume of purchases of electricity amounted to 6,813.7 million kWh and the sale of capacity was 133.5 MW/month.

The volume of TGC-1  
electricity sales reached

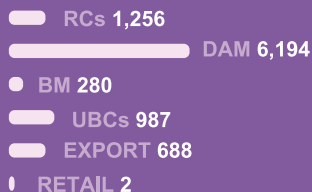
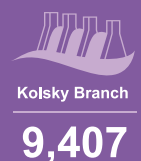
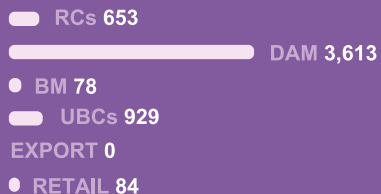
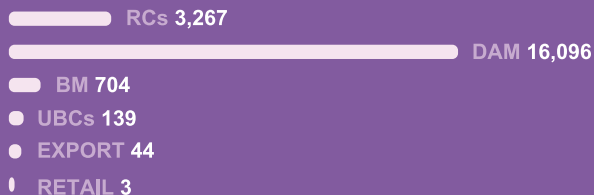
35,017.7

mn kWh

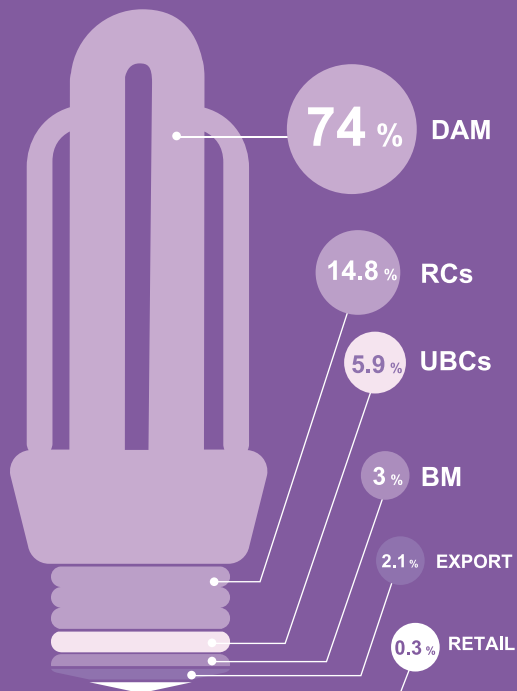
Sales of electricity (including purchased energy) by market sector, mn kWh



Sales of electricity (including purchased electricity) in 2012 by branches, mn kWh

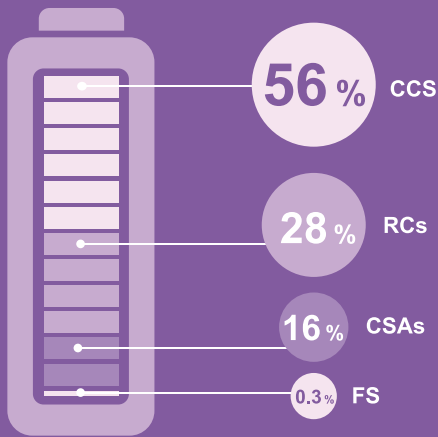


Electricity sales breakdown by market sector in 2012

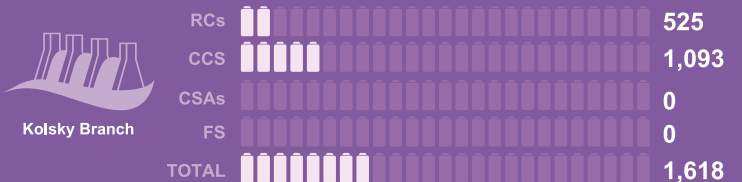
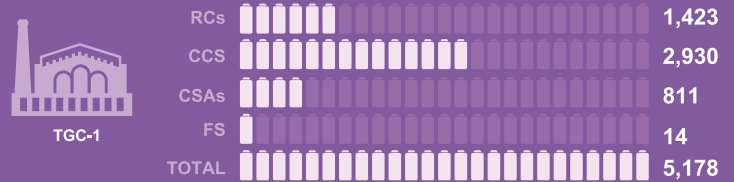




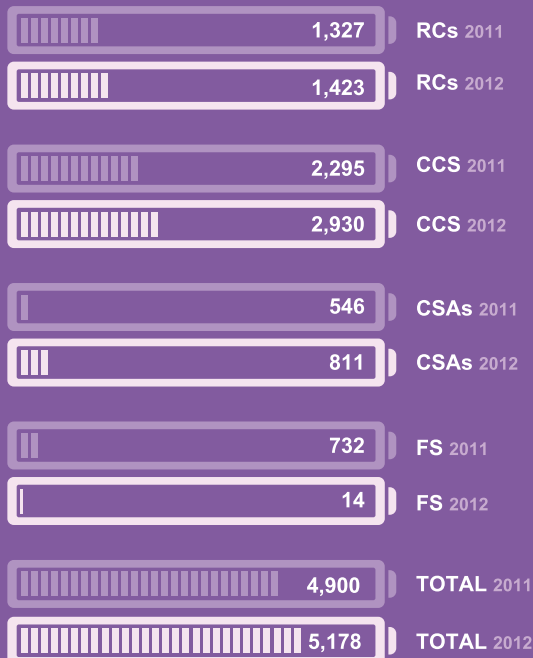
**Capacity sales breakdown by market sector in 2012**



**Sales of capacity (including purchased capacity) by branches in 2012, MW**

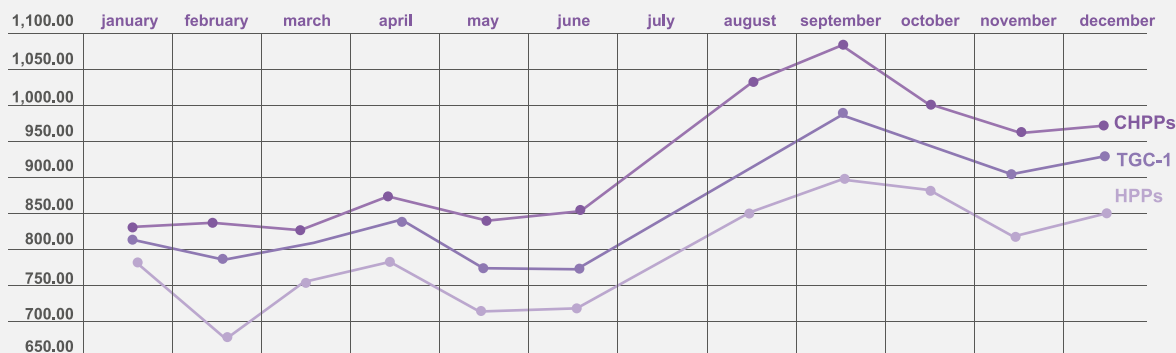


**Sales of capacity (including purchased capacity) by market sector in 2011 – 2012, MW (monthly average)**



In 2012, billing for electricity supplied to the wholesale market under regular contracts was carried out according to energy and power tariffs that were established by the FTS individually for each of the Company's electric power stations. Billing for electricity supplied to the day-ahead and balancing markets was carried out according to prices based on the competitive bids of trade participants. For thermal power plants supplying in forced state, billing for electricity was carried out according to FTS tariffs. The same billing was conducted for electricity from unregulated bilateral contracts. Billing for power supplied to the market by regulated contracts and in forced state was carried out according to FTS tariffs. Billing for power supplied to CCS and CSAs was done according to prices approved by the Market Council non-profit partnership.

Dynamics of electricity sale price on DAM in 2012, RUR for MWh



Revenues from electricity sales in 2011 – 2012 by market sector and Company branch, RUR mn

	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
<b>2011</b>				
Regulated contracts	1,571.2	145.8	72.6	1,789.6
Day-ahead market	14,442.3	2,406.9	4,377.9	21,227.1
Balancing market	1,039.6	35.9	129.8	1,205.2
Unregulated bilateral contracts	33.4	628.9	617.8	1,280.1
Export	1,082.1	0.0	1,034.2	2,116.3
Retail	463.1	0.0	4.5	467.6
<b>TOTAL</b>	<b>18,631.6</b>	<b>3,217.5</b>	<b>6,236.8</b>	<b>28,086.0</b>
<b>2012</b>				
Regulated contracts	2,253.9	149.1	68.0	2,471.0
Day-ahead market	14,714.3	3,066.6	4,517.1	22,298.0
Balancing market	538.4	34.7	144.0	717.0
Unregulated bilateral contracts	93.9	651.2	647.1	1,392.3
Export	49.9	0.0	747.4	797.3
Retail	5.1	91.3	3.4	99.8
<b>TOTAL</b>	<b>17,655.5</b>	<b>3,992.9</b>	<b>6,127.1</b>	<b>27,775.5</b>



### Revenue from capacity sales in 2011 – 2012 by market sector and Company branch, RUR mn

	Nevsky Branch	Karelsky Branch	Kolsky Branch	TGC-1
<b>2011</b>				
Regulated contracts	1,047.3	294.0	493.5	1,834.9
Competitive capacity selection	1,438.1	470.7	1 369.0	3,277.9
Capacity supply agreements	2,670.1	0.0	0.0	2,670.1
Forced state	1,317.7	0.0	237.8	1,555.5
<b>TOTAL</b>	<b>6,473.3</b>	<b>764.8</b>	<b>2,100.3</b>	<b>9,338.4</b>
<b>2012</b>				
Regulated contracts	997.4	315.8	511.5	1,824.7
Competitive capacity selection	2,227.4	478.0	1,598.1	4,303.6
Capacity supply agreements	4,813.9	0.0	0.0	4,813.9
Forced state	21.6	0.0	0.0	21.6
<b>TOTAL</b>	<b>8,060.3</b>	<b>793.8</b>	<b>2,109.6</b>	<b>10,963.7</b>



### Electricity and Capacity Purchases

#### The main reasons for electricity purchases in 2012 were the following:

- Purchase of generation to provide for unregulated bilateral contracts;
- Purchase as a provision for export deliveries;
- Purchase to provide for regulated contracts' obligations due to removal of equipment for repair.

#### The main reasons for capacity purchase in 2012 were the following:

- Purchase for own needs while exceeding the maximum consumption over standard values;
- Purchase in order to meet regulated contracts' obligations;
- Unscheduled start-ups/stops of equipment.

**Purchase of electricity and capacity in 2011 – 2012**

	2011		2012	
<b>Electricity purchase</b>				
	mn kWh	RUR mn	mn kWh	RUR mn
Nevsky Branch	3,550.0	3,308.7	3,141.0	2,793.1
Karelsky Branch	1,134.4	1,030.3	1,239.9	1,055.6
Kolsky Branch	2,162.1	1,524.6	2,432.7	1,631.8
<b>TGC-1</b>	<b>6,846.5</b>	<b>5,863.6</b>	<b>6,813.7</b>	<b>5,480.5</b>
<b>Capacity purchase</b>				
	MWh per month	RUR mn	MWh per month	RUR mn
Nevsky Branch	179.8	346.0	21.0	38.6
Karelsky Branch	4.3	8.2	6.4	12.6
Kolsky Branch	128.2	248.8	106.1	211.3
<b>TGC-1</b>	<b>312.4</b>	<b>603.0</b>	<b>133.5</b>	<b>262.6</b>

**Electricity Exports**

The unique geographical location of some of TGC-1’s power plants allows the Company to export a part of the generated electricity. Export deliveries are carried out to Finland and Norway. Estonia could also become another direction for exports.

**Geography of TGC-1 electricity exports**

**NORWAY**

Borisoglebskaya HPP

Supplies via 154 kV line with a capacity max. 56 MW

**FINLAND**

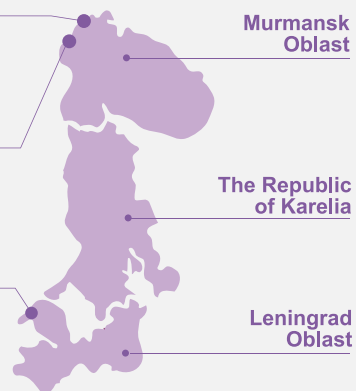
4 HPPs of the Pazskiy Cascade: Kaytakoski, Hevaskoski, Rayakoski, Yaniskoski

Supplies via 110 kW line with a capacity max. 75 MW

**FINLAND**

Lesogorskaya HPP & Svetogorakaya HPP

Supplies via 110 kW line with a capacity max. 110 MW



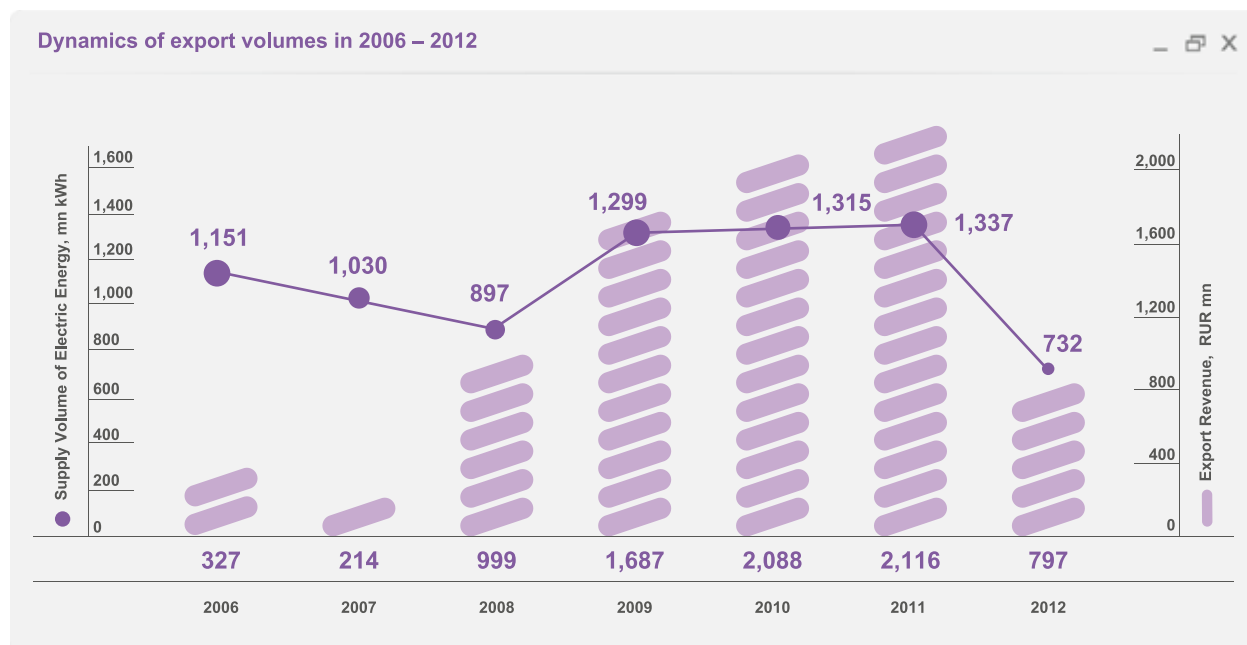
Supply of electricity to Finland is carried out:

- from the trunk lines of the Svetogorskaya HPP of the Vuoksa HPPs Cascade in Leningrad Oblast through the 110 kW Imatra-1 voltage line. In connection with reconstruction works on the Lesogorskaya HPP's 110 kW closed switchgear during the first half of 2012, all exports were carried out by the Svetogorskaya HPP's hydroelectric unit, with a maximum capacity of 28 MW. From September 2012, the completion of the main stage of the reconstruction allowed for a supply capacity of 87 MW and from January of 2013 capacity of 110 MW.
- from the trunk lines of the Kaitakoski HPP of the Paz HPPs Cascade in Murmansk Oblast through the 110 kW L-82 voltage line. The maximum supply capacity amounts to up to 75 MW.

Supply of electricity to Norway is carried out:

- from the trunk lines of the Borisoglebskaya HPP of the Paz HPPs Cascade's in Murmansk Oblast through the 154 kW L-225 voltage line. The maximum supply capacity can reach up to 56 MW, but during normal operation has a capacity of 24 MW.

The actual volume of TGC-1's exports in 2012 amounted to 731.8 million kWh, indicating a decrease of 45.3 % in relation to volumes for 2011. Price setting in export contracts is tied to prices on the electricity spot market of the NordPool stock exchange. In 2012, water balance levels in Scandinavia countries were higher than long-term average rates, and the formation of an unfavourable price conjecture served as the main reason for the Company's reduction in exports. In addition, the need for modernization and reconstruction of hydroelectric units at the Lesogorskaya HPP and Svetogorskaya HPP prevented full supply volumes from the Vuoksa HPPs Cascade in 2012.



In 2013, price levels formed on the Scandinavia electricity market by NordPool will also act as a determining factor in the dynamics of electricity export sales volumes.



Another one-year contract was signed with the concern Fortum Power and Heat Oy for 2013. The validity of contracts with the company Scaent Europower Ltd. ended in November, meanwhile the Company signed a contract under similar terms for 2013 – 2014 with RAO Nordic Oy. While minor amendments were made, the overall framework of the contract remained relatively unchanged.

 **List of export contracts**

Period	Contractor	Country	Effective date
2012	Fortum Power and Heat Oy	Finland	27.12.2011
2013	Fortum Power and Heat Oy	Finland	20.12.2012
Until 01.11.2012	Scaent Europower Ltd.*	Norway	29.02.2008
Until 01.11.2012	Scaent Europower Ltd.*	Finland	29.02.2008
01.11.2012-2014	RAO Nordic Oy *	Norway	31.10.2012
01.11.2012-2014	RAO Nordic Oy *	Finland	31.10.2012

\* – contracts with Scaent Europower Ltd. and RAO Nordic Oy were signed with the assistance of company-agent Inter RAO UES JSC, acting on its own behalf but at the expense of TGC-1 (principal).

 **Heat Sales**

In 2012, the useful output of heat to consumers from TGC-1 stations, including the Murmanskaya CHPP, amounted to 26,667.7 thousand GCal, which is 1.3 % higher than analogous figures of 2011. The useful output of heat, excluding output from the Murmanskaya CHPP, was 24,566.8 thousand GCal. In 2012 overall, revenues from TGC-1's supplied heat increased by 5.4 % to RUR 21,073.6 million.

 **Useful output of heat in 2011 – 2012, GCal**

	2011	2012	Δ, %
Nevsky Branch	21,496,487	21,735,784	1.1
Kolsky Branch	1,130,148	1,102,938	-2.4
Karelsky Branch	1,590,542	1,728,092	8.6
<b>Total for TGC-1</b>	<b>24,217,177</b>	<b>24,566,814</b>	<b>1.4</b>
Murmanskaya CHPP	2,096,408	2,100,894	0.2
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>26,313,585</b>	<b>26,667,708</b>	<b>1.3</b>

## Current outline of heat sales by Company branches

### Nevsky Branch

Heat sales activity for TGC-1's Nevsky Branch is based on an agency contract of the affiliated company Saint Petersburg Heating Grid JSC.

Furthermore, Saint Petersburg Heating Grid renders services to TGC-1 in the transfer of heat from TGC-1's CHPPs to end users at that buying heat from TGC-1 to compensate losses in heating networks.

The length of the heating mains on Saint Petersburg Heating Grid's amounts to 617.5 km of pipe (Saint Petersburg and Novoe Devyatkinno). The length of rented heating mains is 7.4 km (Murino village). The length of district heating mains is 1,833.1 km of pipe.

### Kolsky Branch

Heat sold by TGC-1's Kolsky Branch from the Apatitskaya CHPP is delivered to consumers according to heating supply contracts through the heating network of Apatityenergo JSC.

In order to fulfil its heating contracts, TGC-1 concluded an agreement with Apatityenergo for heat transfer, which means that TGC-1 pays for the transit of heat and Apatityenergo purchases heat for compensation of losses in heat mains.

### Karelsky Branch

Karelsky Branch leads the sales activities of heat provided by the Petrozavodskaya CHPP.

Since sales of heat are conducted at the boundary of ownership balance and the operational responsibility of TGC-1 and the consumer, according to the heat supply contract, there are no contracts for transfer of heat or for purchase of heat losses by a heat mains-operated company. 98 % of heat is sold wholesale to the buyer-reseller Petrozavodsk Utility Systems JSC.

The total length of the Karelsky Branch's heating mains, calculated as one pipe, is 41.3 km.

In 2012, the useful output of heat to consumers from TGC-1 stations amounted to

**26,667.7**

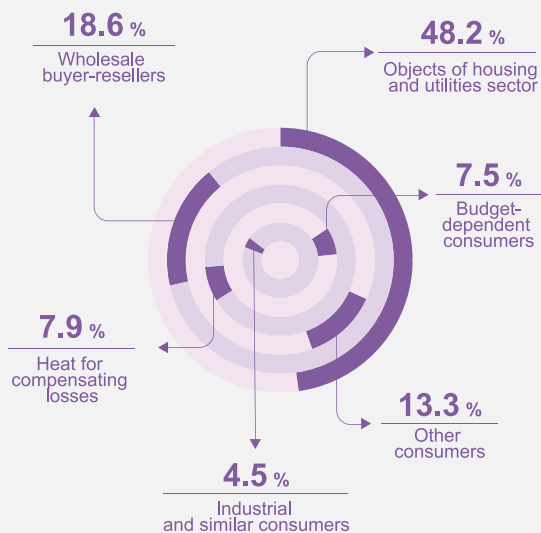
thousand GCal



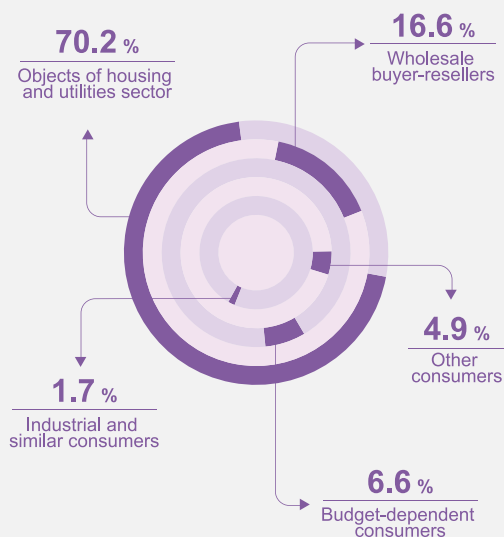
#### Revenue from heat sales, thousand RUR (VAT excl.)

	2011	2012	Δ, %
Nevsky Branch	17,891,668	18,857,151	5.4
Kolsky Branch	1,223,946	1,236,831	1.1
Karelsky Branch	882,957	979,660	11.0
<b>TGC-1</b>	<b>19,998,571</b>	<b>21,073,642</b>	<b>5.4</b>
Murmanskaya CHPP	4,392,163	4,337,992	-1.2

Structure of useful output of heat by TGC-1 by type of consumer in 2012



Structure of accounts receivable for heat by consumer on 31.12.2012



Current and past-due accounts receivable for heat as of 31.12.2012, thousand RUR (VAT incl.)

	TOTAL	Current Accounts Receivable (up to 1 month)	Past-Due Accounts Receivable
Nevsky Branch	6,717,493	3,038,555	3,678,939
Kolsky Branch	686,975	105,029	581,946
Karelsky Branch	489,855	175,799	314,055
<b>Total for TGC-1</b>	<b>7,894,323</b>	<b>3,319,383</b>	<b>4,574,940</b>
Murmanskaya CHPP	2,401,818	572,537	1,829,281
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>10,296,141</b>	<b>3,891,920</b>	<b>6,404,221</b>

Heat tariffs according to consumer groups are approved by the regional regulatory authorities of Saint Petersburg, Leningrad Oblast, the Republic of Karelia and Murmansk Oblast.

 **Average annual heat tariffs, RUR/GCal**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Nevsky Branch	645.75	750.00	852.11	892.30	1,011.33
Saint Petersburg	641.87	745.85	846.92	887.31	1,005.91
Leningrad Oblast	816.61	961.99	1,100.57	1,133.86	1,257.50
Karelsky Branch	473.42	523.46	601.55	626.74	688.54
Kolsky Branch	777.00	850.27	927.50	964.95	1,051.73
<b>TGC-1</b>	<b>640.92</b>	<b>739.81</b>	<b>838.46</b>	<b>877.22</b>	<b>989.74</b>
Murmanskaya CHPP	1,202.82	1,444.02	1,646.98	1,730.85	1,960.27




Event Category



FUEL SUPPLIES  
AND PROCUREMENT

Event Date

01.03.12



Video



11:30:24



Event Content

TGC-1 named Best Customer by Vodokanal of St. Petersburg SUE and won the Chrystal Drop Prize.



## Fuel Supplies and Procurement

### Content

-  Fuel Supplies
-  Procurement Activities

## Fuel Supplies

In 2012, electric power plants of TGC-1, excluding the Murmanskaya CHPP, consumed 6,397.9 million m<sup>3</sup> of gas for heat and electricity output, as well as 69.7 thousand tons of fuel oil and 365.6 thousand tons of coal. The share of gas in the fuel balance was 95.3 %, fuel oil 1.2 %, and coal 3.5 %.

The main type of fuel used at TGC-1 power stations is:

- natural gas and dry stripped gas at the Nevsky Branch CHPPs;
- natural gas at the Petrozavodskaya CHPP of the Karelsky Branch;
- coal of energy types D and G at the Apatitskaya CHPP of the Kolsky Branch.

Reserve types of fuel are:

- fuel oil and coal of energy mark G at the Nevsky Branch CHPPs;
- fuel oil at the Petrozavodskaya CHPP of the Karelsky Branch;

Emergency burning fuel types are:

- fuel oil at the Apatitskaya CHPP of the Kolsky Branch.

The main fuel used at the Murmanskaya CHPP is fuel oil.

The share of gas  
in the fuel balance was

**95.3 %**

**Fuel mix in 2012, %**

	Gas	Fuel oil	Coal
Nevsky Branch	98.71	1.26	0.04
Karelsky Branch	98.52	1.48	-
Kolsky Branch	-	0.25	99.75
<b>Total for TGC-1</b>	<b>95.26</b>	<b>1.24</b>	<b>3.50</b>
Murmanskaya CHPP	-	100	-
<b>Total for TGC-1 with Murmanskaya CHPP</b>	<b>91.00</b>	<b>5.65</b>	<b>3.35</b>

The main suppliers of fuel to TGC-1 power stations in 2012 were:

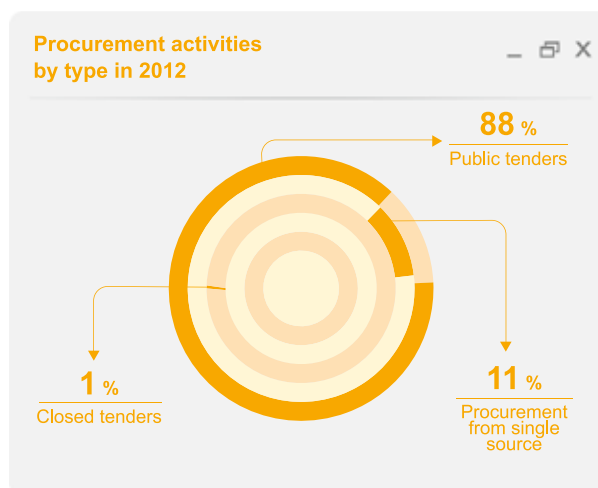
- gas – Gazprom Mezhhregiongaz Saint Petersburg CJSC;
- oil – Gazpromneft-North-West CJSC, Ufaoil LLC;
- coal – Vorkutagol JSC, Kuzbassrazrezugol Coal Company JSC, Tsentrazrezugol LLC.

Fuel oil suppliers to the Murmanskaya CHPP were as follows: Ufaoil CJSC, Gazprom Neftechim Salavat JSC, Bashneft-Region CJSC, Ellit Trade House CJSC.

**Procurement Activities**

The main aim of TGC-1 activities in the sphere of procurement is timely and complete guaranteeing of TCG-1 needs in trade, works, and services, and improving the procedures and increasing the efficiency in the placement of orders.

TGC-1's Annual Comprehensive Procurement Programme for 2012 was fulfilled to 96 %. The total share of competitive purchases in the 2012 procurement volume was 88 %, of which 98 % were public tenders. Of the 1,425 regulated competitive purchases that were scheduled, 1,355 (95 %) were carried out. The initial cost of lots amounted to RUR 10,811.19 million, however the holding of competitive sales enabled a significant lowering of prices for TGC-1 for the acquisition of material and technical assets, works and services. The economic effect of the conducting of competitive purchases is RUR 502 million.




Internet technologies and modern means of communications were used for conducting competitive purchases in 2012. All open, competitive purchases before 01.10.2012 were made on TGC-1's website [www.tgc1.ru](http://www.tgc1.ru), and after 01.10.2012 on the official site <http://zakupki.gov.ru>, while at the same time placing the complete materials for open competitive procedures on the TGC-1 website.

In accordance with the Decree no. 616 of the Government of the Russian Federation from 21.06.2012 "On approval of the list of goods and services for procurement in electronic form" on the website of GazNefteorg.ru Online Trading System <http://www.gaznetftetorg.ru/>, 8 procurements were made in 2012.

A copy of publications about all procurement carried out and their results is posted on the site [www.tgc1.ru](http://www.tgc1.ru) in the section Tenders and Competitions. Consultant services on issues of holding tenders and regulated procurement outside of competitions in 2012 was not needed.




Event Category



INVESTMENT ACTIVITIES

Video



12:03:30

Event Content

A ceremonial commissioning of the new 450 MW gas turbine unit was held at Pravoberezhnaya CHP plant. In attendance was Gazprom Chairman of Board Aleksey Miller, Gazprom Board Member Kirill Seleznev, Governor of Saint Petersburg Georgy Poltavchenko, Gazprom Energoholding General Director Denis Fedorov, as well as company contractors' representatives.

Event Date

23.11.12





## Investment Activities



### Content



- Investment Programme Implementation Review
- Results of Key Projects Implementation in 2012
- Key Investment Activity Objectives for 2013



## TGC-1 2012 Investment Programme Implementation Review

TGC-1's 2012 Investment Programme was approved by the Company's Board of Directors on 19 December 2011. During 2012, the annual budget of the Company's Investment Programme was revised and the latest version was approved by the Company's Board of Directors on 16 July 2012.

In 2012, actual financing of the Investment Programme amounted to RUR 12,439 million (including VAT), which comprised:

- RUR 10,904 million as payment to contractors and suppliers under the contracts concluded for execution of the investment programme;
- RUR 39 million for financing of the buyback of land plots;
- RUR 400 million for financing of participation in subsidiaries and affiliates authorized capital (buyback of Hibiny Heat Company JSC shares);
- RUR 892 million as the amount of interest paid on the loans attracted for the implementation of investment projects;
- RUR 204 million for financing of project management expenses.

The cost of implemented works and delivered equipment amounted to RUR 10,801 million (excluding VAT) and the commissioning of fixed assets amounted to RUR 21,153 million (excluding VAT).

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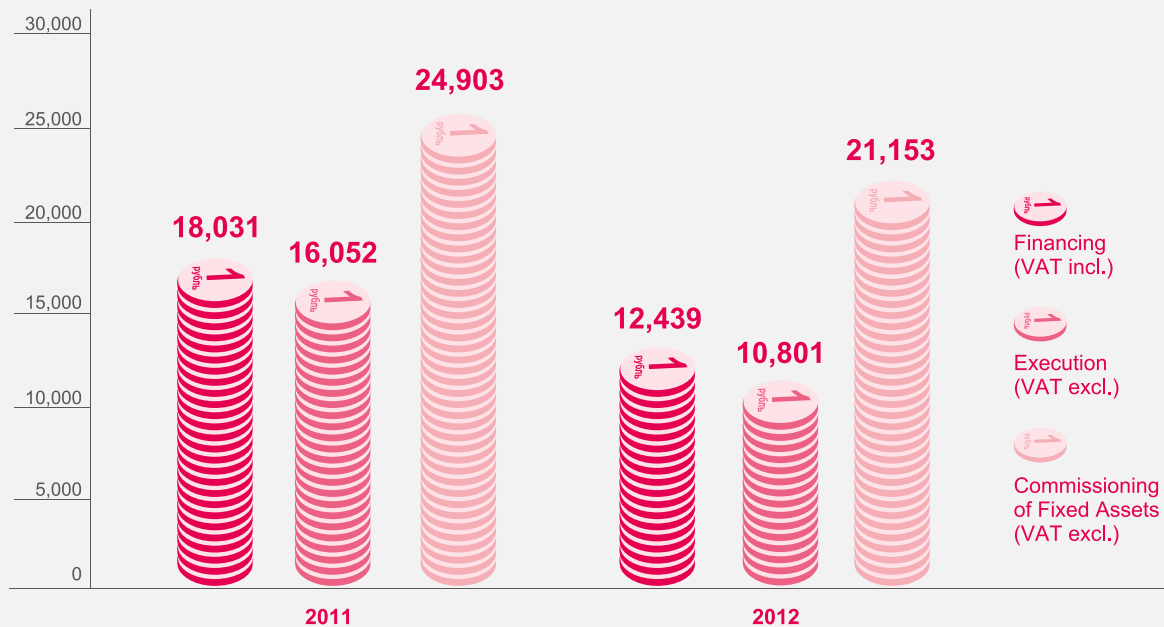
In 2012, actual financing  
of the Investment  
Programme  
amounted to RUR

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**12,439**

million

Investments in 2011 – 2012, RUR mn

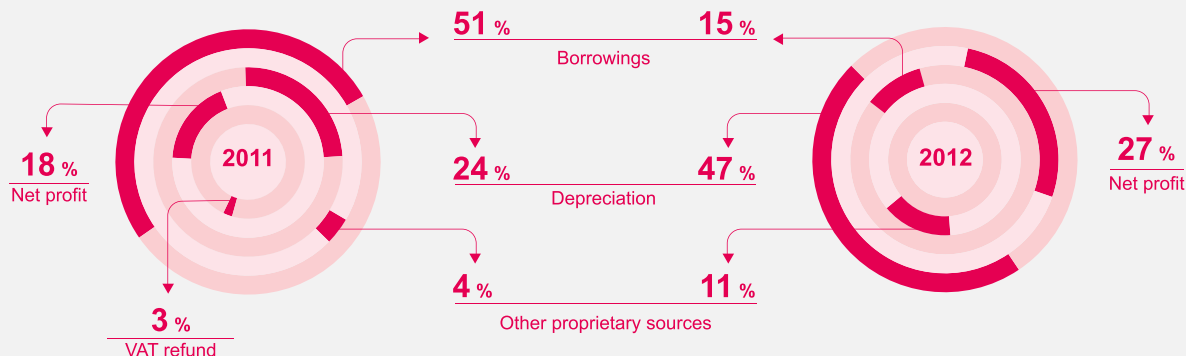


Investment projects financing, execution and commissioning in 2012

	Financing, RUR mn, VAT incl.	Execution, RUR mn, VAT excl.	Commissioning of fixed assets, RUR mn, VAT excl.
<b>Investment projects related to capacity supply argeements:</b>	<b>6,524</b>	<b>6,026</b>	<b>17,532</b>
Central CHPP	1,191	935	-
Pravoberezhnaya CHPP	3,576	3,506	15,398
Pervomayskaya CHPP	471	299	70
Yuzhnaya CHPP	1	1	648
Vuoksa HPPs Cascade	1,284	1,285	1,416
<b>Investment projects without capacities commissioning</b>	<b>5,915</b>	<b>4,776</b>	<b>3,621</b>
<b>TOTAL</b>	<b>12,439</b>	<b>10,801</b>	<b>21,153</b>



### Sources of the investment programme financing in 2011 – 2012

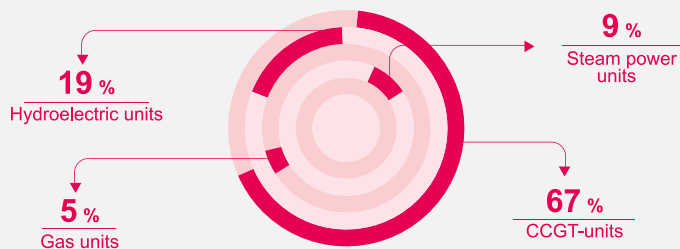


### TGC-1 key projects related to new capacity commissioning

	Short project description	Capacity, MW	Planned / actual commissioning year
Pravoberezhnaya CHPP	Construction of CCGT-unit	463	2012
Yuzhnaya CHPP	Construction of CCGT-unit	457	2011
Pervomayskaya CHPP	Construction of CCGT-units	2×180	2010 – 2011
Lesogorskaya HPP	Replacement of all hydroelectric units	4×30	2009 – 2013
Svetogorskaya HPP	Replacement of all hydroelectric units	4×31	2009 – 2012
Central CHPP	Commissioning of gas turbine power units	2×50	2016

Implementation of the TGC-1 investment programme was based on the conceptual decision to construct new capacities primarily using combined cycle technology. Production of electricity and heat with this type of equipment is currently recognised as the most cost-effective and environmentally safe method.

### Breakdown of new capacity by type in 2009 – 2016



## Results of Key Projects Implementation in 2012

In 2012, works continued at the following high-priority facilities: the Central CHPP, Pravoberezhnaya CHPP, Pervomayskaya CHPP, Yuzhnaya CHPP, and the Vuoksa HPPs Cascade (the Lesogorskaya and Svetogorskaya HPPs).

### Pervomayskaya CHPP

As part of the continuation of the Pervomayskaya CHPP reconstruction, work is underway on construction of an integrated auxiliary building and a facility for emergency diesel fuel and fuel oil.

These projects aim to further improve and enhance the reliability of heating supply systems in the industrial zone and domestic sector adjacent to the Pervomayskaya CHPP, in order to cover the current heat load.

#### Object: Pervomayskaya CHPP

##### Construction of an integrated auxiliary building

Volume of heat capacity commissioning	679 GCal/h
EPC construction contractor	EMK-Engineering Company JSC
Supplier of main power-generating equipment	Dorogobuzhкотломаш JSC, Boiler Equipment Plant JSC
Estimated construction cost	RUR 4,852 mn, VAT excl.
Estimated commissioning year	2015

The project envisages construction of an integrated auxiliary building with associated buildings and structures, and subsequent decommissioning of outdated and obsolete steam power and auxiliary equipment in operation at the Pervomayskaya CHPP that has reached the limit of its present technical condition.


#### Object: Pervomayskaya CHPP

##### Construction of emergency diesel fuel and oil facility

EPC construction contractor	EMK-Engineering Company JSC
Supplier of main energy equipment	ARP-Komplekt – Oil Loading Technology LLC (ramp handling equipment)
Estimated construction cost	RUR 880 mn, VAT excl.
Planned commissioning year	2014

The construction of a new emergency diesel fuel and oil facility will provide the possibility of receiving and shipping liquid fuel and oil from railway and vehicle transport, as well as maintaining an emergency reserve of diesel fuel to serve emergency heat supply needs of gas turbine units CCGT no. 1 and 2. Furthermore, the project provides for the construction of an oil supply reservoir for the boilers of the new integrated auxiliary building.


## Vuoksa HPPs Cascade

 <b>Object: Vuoksa HPPs Cascade</b>	
Volume of electric capacity commissioning	4×29,5 MW; 4×30,5 MW
EPC construction contractor	Power Machines JSC
Supplier of main power-generating equipment	Power Machines JSC
Estimated construction cost	RUR 5,415 mn, VAT excl.
Estimated commissioning year	2009 – 2013

The investment project “Renovation of Cascade of Hydroelectric Plants No. 1” is a TGC-1 high-priority refurbishment and renovation project and provides for step-by-step replacement of deteriorated and worn-out hydroelectric units at the cascade of the Lesogorskaya HPP and Svetogorskaya HPP. The overall installed capacity is planned to increase to 240 MW from the existing 164 MW.

As part of the reconstruction works at the Vuoksa HPPs Cascade, hydroelectric unit no. 3 was brought into operation at the Lesogorskaya HPP on 31.08.2012, which has participated in the wholesale market since 01.01.2013. Hydroelectric unit no. 2 at the Svetogorskaya HPP was brought into operation on 20.12.2012. Since 01.04.2013, it has started supplying electricity and power on the wholesale market. Thus, this project has introduced seven of the eight hydroelectric units planned for modernization.

## Pravoberezhnaya CHPP

 <b>Object: Pravoberezhnaya CHPP</b>	
Volume of electric capacity commissioning	463 MW
Volume of heat capacity commissioning	163 GCal/h
EPC construction contractor	UC OPEC CJSC
Supplier of main power-generating equipment	Power Machines JSC
Estimated construction cost	RUR 15,361 mn, VAT excl.
Estimated commissioning year	2012

The project for expansion of the Pravoberezhnaya CHPP includes construction of a CCGT-450 MW unit. In 2012, CCGT-450 MW no. 2 of the Pravoberezhnaya CHPP was certified in SO UES JSC and, as of 01.01.2013, is included in the registry of generation equipment of wholesale market suppliers. As a result, the installed electric capacity at the CHPP has increased from 180 MW to 643 MW, and heat capacity from 1,120 GCal/h to 1,283 GCal/h.

## Central CHPP

The Central CHPP investment project provides for construction of a 110/6 kW closed switchgear unit at PP-2 of the Central CHPP and two gas turbine units of 50 MW each at PP-1 of the Central CHPP, in order to cover increased heat and electricity loads, to replace outdated and obsolete equipment at the apex of its technical condition, and to increase reliability and economic efficiency of the Central CHPP.



### Object: Central CHPP – Construction of 110/6 kW closed switchgear unit

Estimated construction cost	RUR 3,973 mn, VAT excl.
Year of commissioning	2014

The construction project of closed switchgear 110/6 kW at the PP-2 of the Central CHPP is envisaged as a step-by-step replacement of existing open switchgear with exhausted service life, with the opportunity to construct and connect new generating capacity. The planned technical solutions will allow an increase in reliability of the electricity supply, not only to customers who are connected to the switchgear of PP-2 at the Central CHPP on the 6 kW line, but for the whole centre of the city with the expansion of the 110 kW network.



### Object: Central CHPP – Construction of 2x50 MW gas turbine units

Input volume of electric power	100 MW
Input volume of heat	120 GCal/h
Estimated construction cost	RUR 8,685 mn, VAT excl.
Year of commissioning	2016

At the PP-1 of the Central CHPP a construction project is being implemented for two gas turbine 50 MW units with a planned commissioning in 2016. The implementation of this project will allow an increase in the reliability and quality of heating and electricity supply in the heating zone of PP-1 of the Central CHPP.

In 2012, construction work on the 110/6 kW closed switchgear continued, and an implementation plan for gas turbine units construction was agreed with Mezhtregionenergostroy LLC.


## □ Key Investment Activity Objectives for 2013

In 2013, the implementation of TGC-1's Investment Programme will be aimed at both the construction of new capacity and the reconstruction and modernization of existing generating and auxiliary equipment.

- completion of reconstruction at the Vuoksae HPPs Cascade; commissioning of hydroelectric unit no. 4 at the Lesogorskaya HPP;
- completion of start-up operations of the 450 MW CCGT-unit and improvement works at the Pravoberezhnaya CHPP;
- completion of construction of 110/6 kV closed switchgear unit at PP-2 of the Central CHPP; trunk line voltage supply is 110 kV at the closed switchgear unit at PP-2 of the Central CHPP;
- commissioning of hydroelectric unit no. 1 at the Iovskaya HPP and continuation of reconstruction works at the Iovskaya HPP;
- continuation of construction of the facility for emergency diesel fuel and fuel oil at the Pervomayskaya CHPP;
- continuation of construction on the integrated auxiliary building at the Pervomayskaya CHPP: start processing of work documentation, construction of main building;
- completion of work on the reconstruction of the Apatitskaya CHPP for providing heat to the city of Kirovsk;
- improving the reliability of HPPs and CHPPs equipment;
- commissioning of an automatic system for commercial accounting of power consumption, telemechanics and networks.



Event Category



FINANCIAL PERFORMANCE

Event Content

More than 50 analysts and investors visited TGC-1 Headquarter. This meeting was a part of visits made by investment companies' representatives to Gazprom Group's production facilities. TGC-1 executives spoke about the company's operational aspects as the leading producer of energy and heat in the North-Western Region, paying particular attention to the implementation of the investment program in 2011 – 2012.


Video



13:07:38

Event Date

06.07.12





## Financial Performance

### Content

- Analysis of RAS Financial Results
- Analysis of Financial Situation
- Analysis of IFRS Financial Results

## Analysis of RAS Financial Results

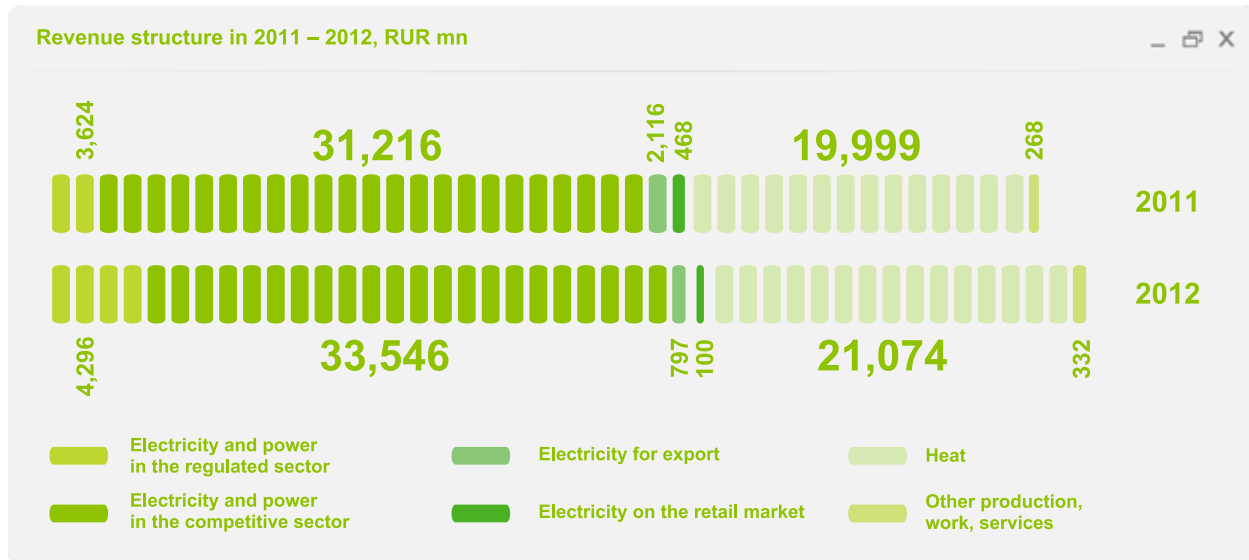
TGC-1's revenues in 2012 were generated by sales of heat, electricity and power on the wholesale and retail markets, export supply, as well as sales of other products, work and services.

In 2012, TGC-1's revenues increased by 4.3 % compared to 2011 and amounted to RUR 60,145 million. The growth of total revenue is associated with: the increase in electricity and capacity sales as a result of an increase in electric power stations generation; the growth in regulated and unregulated prices of electricity and power; the commissioning of a second CCGT-180 MW unit at the Pervomayskaya CHPP under CSA; and the increase in average tariffs on heat by 4.6 % relative to 2011. Revenues from other production, work and services increased due to growth in revenues from services connecting consumers to heating networks.

In 2012, TGC-1's  
revenues amounted to RUR

60,145

million



Revenue structure in 2011 – 2012

	2011		2012		Δ, (%)
	RUR mn	share, %	RUR mn	share, %	
<b>Electricity and capacity</b>	<b>37,424</b>	<b>64.9</b>	<b>38,739</b>	<b>64.4</b>	<b>3.5</b>
electricity and capacity in regulated sector	3,624	6.3	4,296	7.1	18.5
electricity and capacity in competitive sector	31,216	54.1	33,546	55.8	7.5
electricity for export	2,116	3.7	797	1.3	-62.3
electricity in the retail market	468	0.8	100	0.2	-78.6
<b>Heat</b>	<b>19,999</b>	<b>34.7</b>	<b>21,074</b>	<b>35.0</b>	<b>5.4</b>
Other products, works, services	268	0.5	332	0.6	23.9
<b>Total revenue</b>	<b>57,691</b>	<b>100.0</b>	<b>60,145</b>	<b>100.0</b>	<b>4.3</b>

The Company's margin on sales in 2012 decreased to 8.2 % from 2011's 9.6 % due to a decrease in gross profit.

The cost of production and sale of products, work and services in 2012 amounted to RUR 55,243 million, which includes the cost of core activities at RUR 55,090 million and other activities at RUR 153 million. The main share of the cost is made up of expenses on electricity production at RUR 32,172 million and heat production at RUR 22,918 million.

 **Structure of production cost on core activities in 2011 – 2012**

	2011		2012		Change, (%)
	RUR mn	Share, %	RUR mn	Share, %	
<b>Production cost on core activities, total</b>	<b>51,991</b>	<b>100.0</b>	<b>55,090</b>	<b>100.0</b>	<b>6.0</b>
Fuel	22,258	42.8	24,338	44.2	9.3
Purchased power	6,659	12.8	5,949	10.8	-10.7
Process water	2,239	4.3	2,235	4.1	-0.2
Fixed assets repair	2,958	5.7	2,913	5.3	-1.5
LCF and UST	3,873	7.4	3,940	7.2	1.7
Depreciation	4,298	8.3	5,801	10.5	35.0
Heat transit	5,152	9.9	5,488	10.0	6.5
Services on the wholesale and retail markets	786	1.5	716	1.3	-8.9
Leasing	171	0.3	177	0.3	3.5
Taxes	1,123	2.2	935	1.7	-16.7
Other	2,474	4.8	2,599	4.7	5.1

 **Electricity production cost in 2011 – 2012**

	2011		2012		Change, (%)
	RUR mn	Share, %	RUR mn	Share, %	
<b>Production cost, total</b>	<b>30,102</b>	<b>100,0</b>	<b>32,171</b>	<b>100.0</b>	<b>6.9</b>
Fuel	12,478	41,5	13,661	42.5	9.5
Purchased energy	6,467	21,5	5,743	17.9	-11.2
Process water	301	1,0	353	1.1	17.3
Fixed assets repair	2,080	6,9	2,078	6.5	-0.1
LCF and UST	2,650	8,8	2,697	8.4	1.8
Depreciation	2,990	9,9	4,593	14.3	53.6
Services on the wholesale and retail markets	786	2,6	716	2.2	-8.9
Leasing	117	0,4	119	0.4	1.7
Taxes	831	2,8	711	2.2	-14.4
Other	1,402	4,7	1,501	4.7	7.1

In 2012, the cost of core operating activities increased by RUR 3,099 million compared to analogous figures in 2011. The main reasons for the change in cost value are the increase in fuel prices in connection with a greater volume of production programmes, and the increase in depreciation charges associated with the commissioning of the second CCGT-180 MW unit at the Pervomayskaya CHPP.

 Heat production cost in 2011 – 2012

	2011		2012		Change, (%)
	RUR mn	Share, %	RUR mn	Share, %	
<b>Production cost, total</b>	<b>21,889</b>	<b>100.0</b>	<b>22,918</b>	<b>100.0</b>	<b>4.7</b>
Fuel	9,780	44.7	10,676	46.6	9.2
Purchased energy	192	0.9	206	0.9	7.3
Process water	1,938	8.9	1,882	8.2	-2.9
Fixed assets repair	878	4.0	835	3.6	-4.9
LCF and UST	1,223	5.6	1,243	5.4	1.6
Depreciation	1,309	6.0	1,208	5.3	-7.7
Heat transit	5,152	23.5	5,488	23.9	6.5
Leasing	54	0.2	59	0.3	9.3
Taxes	291	1.3	224	1.0	-23.0
Other	1,072	4.9	1,098	4.8	2.4

Due to increased efficiency of operating activities, the EBITDA for 2012 totalled RUR 11,595 million, which is RUR 2,490 million more than in 2011. The main factors in the growth of this indicator are the Company's additional income from sales of assets in the second half of 2012, and savings on items such as repair costs, labor costs, tax payments (not including income tax), as well as an increase in depreciation.

Profits from sales in 2012 decreased by RUR 654 million and amounted to RUR 4,902 million. Pre-tax profit was RUR 4,406 million. The Company's net profit for 2012 amounted to RUR 3,353 million, down by RUR 404 million from 2011.

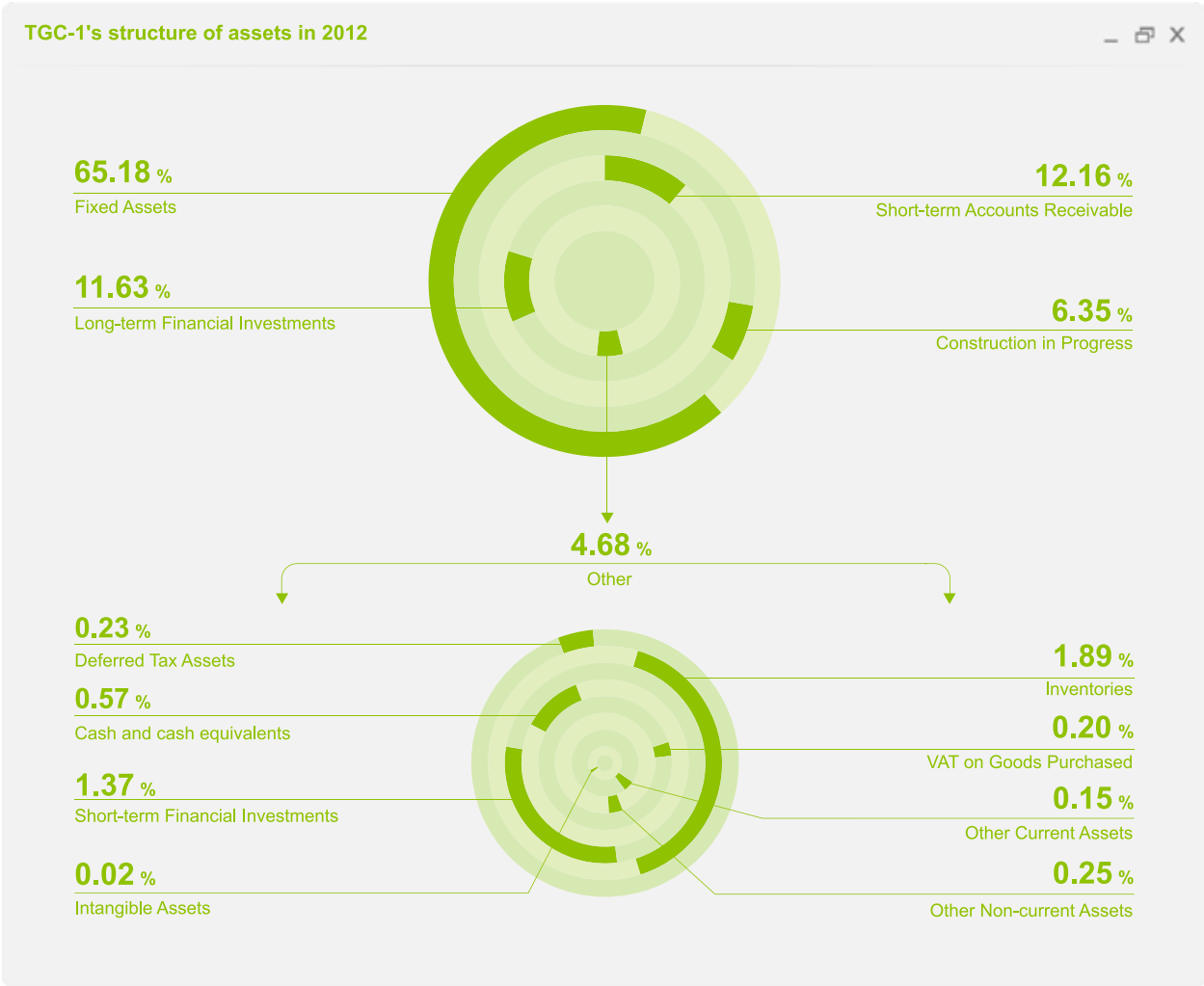
 TGC-1 profit dynamics in 2011 – 2012, RUR mn

	2011	2012	Change, (%)
Gross profit	5,556.6	4,902.3	-11.8
Pre-tax profit	3,595.7	4,405.6	22.5
Net profit	<b>3,757.3</b>	<b>3,353.4</b>	<b>-10.7</b>

**Analysis of Financial Situation**

**Structure of Assets**

As of 31.12.2012, the balance sheet total stood at RUR 121,673,387 thousand. Non-current assets make up 83.7 % of the Company's total assets, of which a large part falls within fixed assets. The value of fixed assets for 2012 increased by RUR 15,093,256 thousand as a result of the commissioning of the Pravoberezhnaya CHPP's CCGT-450 MW unit, completion of a number of works on the reconstruction of the Vuoksa HPPs Cascade and parts of other measures that were carried out as part of the Company's Investment Programme implementation.



Long-term financial investments account for 11.6 % of total assets. Growth was achieved as a result of the monetary payment for additional shares in Hibiny Heat Company JSC, in order to preserve TGC-1's 50 % participation share in authorized capital.

The total share of current assets amounts to 16.3 %. At the end of 2012, the Company's current assets increased by 7 % compared to 2011, mainly due to the increase in current receivables to RUR 1,306,005 thousand.



**Dynamics of accounts receivable in 2011 – 2012, RUR thousand**

	31.12.2011	31.12.2012
<b>Accounts receivable (payments are expected after more than 12 months after the reporting date)</b>	<b>180,843</b>	<b>1,762</b>
Bills receivable	-	-
Advances awarded	-	-
Other accounts receivable	180,843	1,762
<b>Accounts receivable (payments are expected within 12 months after the reporting date)</b>	<b>13,491,240</b>	<b>14,797,245</b>
Buyers and customers	8,624,315	11,004,738
Bills receivable	-	-
Advances awarded	2,294,306	2,211,419
Other accounts receivable	2,572,619	1,581,088

As of 31.12.2012, the total sum of accounts receivable is RUR 14,799,007 thousand, increasing by RUR 1,126,924 thousand in 2012. The increase in accounts receivable during the reporting period is a result of the increase in current accounts receivable from other electric and heat consumers. The Company is constantly working to collect accounts receivable.

The value of the Company's net assets on 31.12.2012 amounted to RUR 76,597,774 thousand. The company's equity on 31.12.2011 amounted to RUR 38,543,414 thousand, which is less than the Company's net assets. This satisfies the requirements of Article 35 of the Law "On Joint Stock Companies" and characterizes the enterprise as a confident player on the forward market.

The value of the Company's net assets on 31.12.2012 amounted to RUR

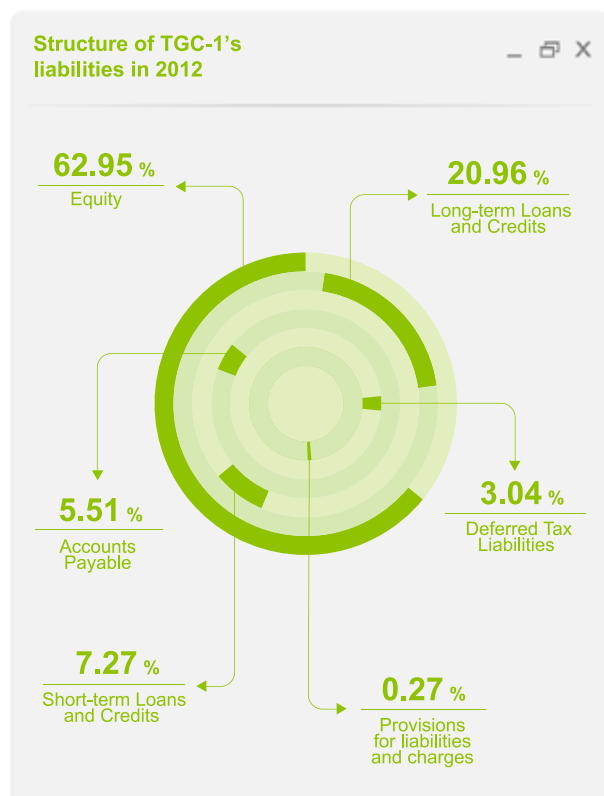
**76,597,774** thousand

The company's equity on 31.12.2011 amounted to RUR

**38,543,414** thousand



## Structure of liabilities



As of 31 December 2012 the Capital and Reserves accounts for the largest part of the balance sheet amounting to 63 % or RUR 76,597,774 thousand. Long-term liabilities are shown in items Borrowings and Banking Loans amounting to RUR 25,498,687 thousand or 21 %, Deferred Tax Liabilities are RUR 3,698,783 thousand or 3 %.

Short-term loans and credit amounted to 7.3 % of the balance or RUR 8,851,093 thousand. Overall in 2012, the Company's credit portfolio increased by RUR 1,863,109 thousand and amounted to RUR 34,349,780 thousand. In comparison with 2011, changes took place in the structure of loan capital in the direction of increasing long-term borrowed funds and reducing the Company's short-term debt. The total volume of credit decreased from 81.3 % to 72.8 %, but the total number of loans in turn increased from 18.7 % to 27.3 %. This increase in the level of borrowing in the capital structure of the Company is within acceptable means in terms of ensuring the necessary level of financial stability.

The average weighted rate of the credit portfolio at the end of 2012 was 8.11 % per annum, which is an increase of 0.01 % compared to 2011. There are no debt arrears for credits and loans. The Company fully satisfies the terms stipulated in credit agreements.


### 📅 Dynamics of accounts payable in 2011 – 2012, RUR thousand

	31.12.2011	31.12.2012
<b>Accounts payable</b>	<b>6,963,811</b>	<b>6,699,772</b>
including:		
Suppliers and contractors	4,422,790	4,551,643
Bills payable	-	-
Payables to staff	157,726	172,327
Payables to state and off-budget funds	54,171	67,289
Taxes and fees liabilities	289,910	537,961
Advances received	693,930	382,744
Accounts payable	1,345,284	987,808

On 31.12.2012, the total amount of accounts receivable stood at RUR 6,699,772 thousand. The decrease compared to 2011 was achieved by reducing the debt by advance payments received by RUR 311,186 thousand and reducing debts to other creditors by RUR 357,476 thousand. All debts are currently formed by terms of payment contracts.

### Liquidity Analysis


Liquidity ratios for 2012 showed a positive trend compared to 2011. The growth of these values is a result of systematic measures to reduce short-term loans and the Company's borrowing for the compliance with all established limits on credit policy.

 **TGC-1's liquidity ratio**

Index	2011	2012
Absolute liquidity ratio	0.12	0.15
Quick liquidity ratio	0.91	1.11
Current liquidity ratio	1.08	1.28
Equity ratio	0.63	0.63

### Profitability Analysis

Profit margins for 2012 demonstrate negative growth, with the exception of return on aggregate capital and profitability by EBITDA, whose positive trend provided growth of the Company's other income in the reporting year as a result of marginal asset sales. Reasons for the decline in profitability, with the exception of return on aggregate capital and profitability by EBITDA, are the decrease in prices of electricity on the day-ahead market, the reduction in 2012 of power volumes that are supplied by essential generation plants, the reduction in export volumes as a result of adverse conditions in the external market, and rising fuel costs and depreciation.

 **TGC-1's profitability ratio**

Ratio	2011	2012
Return on sales	9.6%	8.2%
Return on core activities	10.7%	8.9%
Return on total assets	3.1%	3.6%
Return on equity	5.4%	4.5%
EBITDA margin	15.8%	19.3%

## Analysis of Business Activity

### TGC-1's business activity indicators

Indicator	2011	2012
Labour efficiency, RUR thousand per person	7,993	8,537
Return on assets	0.9	0.8
Capital-labour ratio (RUR thousand)	7,838	11,257
Accounts receivable turnover (times)	5.3	4.2
Accounts receivable turnover period (days)	68.5	86.4
Inventories turnover (times)	21.6	23.9
Inventories turnover period (days)	16.7	15.0
Accounts payable turnover (times)	12.4	8.5
Accounts payable turnover period (days)	29.1	42.4
Operating cycle (days)	85.1	101.4
Financial cycle (days)	56.1	59.0

### Analysis of IFRS Financial Results

The Company's consolidated revenues for 2012 grew by 3.7 % compared to 2011 and amounted to RUR 62,484 million. The increase in revenue was influenced by:

- the launch of the CCGT-180 MW unit at the Pervomayskaya CHPP onto the wholesale market;
- growth in hydroelectric power generation due to high water content in the second half of 2012;
- connecting new heat consumers, as well as an increase in heat tariffs.

### Main indicators, RUR mn

	2011	2012	Change, %
Revenue	60,252	62,484	3.7
Operating expenses	(53,235)	(52,625)	-1.1
Operating profit	7,017	9,859	40.5
EBITDA*	11,837	15,445	30.5
Profit for the year	3,902	6,242	60.0

\* EBITDA is calculated as operating profit + depreciation of property, plant and equipment + amortisation of intangible assets and investment property.

 **Revenue structure, RUR mn**

	2011	2012	Change, %
Electric power	24,727	25,586	3.5
Capacity	9,338	10,964	17.4
Heat	23,460	24,012	2.4
Export	2,116	797	-62.3
Other sales	610	1,124	84.2
<b>Total revenue</b>	<b>60,252</b>	<b>62,484</b>	<b>3.7</b>

Operating expenses in 2012 grew by 1.7 % to RUR 54,691 million compared to the previous reporting period. The increase occurred in variable costs and the increase in depreciation.

 **Structure of operating expenses, RUR mn**

	2011	2012	Change, %
Fixed costs	(14,918)	(13,640)	- 8.6
Variable costs	(34,040)	(35,464)	4.2
Depreciation of property, plant and equipment, amortisation of intangible assets and investment property	(4,820)	(5,587)	15.9
<b>Operating expenses</b>	<b>(53,777)</b>	<b>(54,691)</b>	<b>1.7</b>
Impairment loss reversed during the year	-	549	-
Impairment loss recognised during the year	(27)	-	-
Other operating income	570	1,517	166.1
<b>Total operating expenses</b>	<b>(53,235)</b>	<b>(52,625)</b>	<b>-1.1</b>

The change in operating expenses was influenced by the following factors:

- fuel costs increased by 9.3 % to RUR 27,214 million, due to increased production of electricity as well as gas price indexation;
- an increase in depreciation and amortisation by 15.9 % to RUR 5,587 million in connection with the commissioning of new equipment;
- a reduction in costs of purchased electricity and heat by 17.5 % to RUR 4,901 million, associated with a fall in prices on the spot market and the balancing market, as well as a significant decrease in the volume of purchases for supplying electricity exports;
- profits of RUR 561 million from the sale of non-core assets.

The reduction in fixed costs by 8.6 % was mainly due to the decrease in provisions for doubtful accounts receivable that were repaid in 2012, and a decrease in tax expenses on assets associated with vested benefits.

Operating profits for 2012 increased by 40.5 % to RUR 9,859 million. EBITDA grew by 30.5 % to RUR 15,445 million, of which RUR 1,358 million were received as a result of successful implementation of programme initiatives to enhance shareholder value (the effect of the programme is designed based on management accountability). Profit increased by 60 % to RUR 6,242 million.




Event Category



SECURITIES AND CORPORATE GOVERNANCE

Video



14:23:50

Event Date

16.04.12



Event Content

The Board of Directors approved a new organizational structure of the Company.



## Securities and Corporate Governance

### Content

- ± Equity Capital Structure
- ± Securities Trading
- ± Management and Control Bodies
- ± Subsidiaries and Affiliates of TGC-1

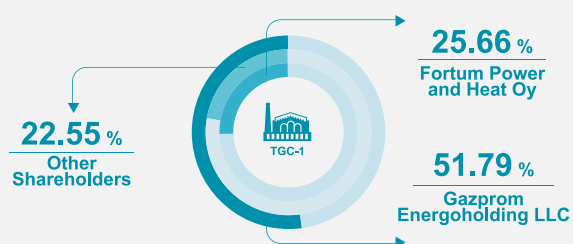
## Equity Capital Structure

The authorized capital of TGC-1 amounts to of RUR 38,543,414,165.71 and is divided into 3,854,341,416,571 and 3/7 ordinary registered shares of an equal par value of RUR 0.01. There were no changes in the structure of TGC-1's main shareholders in the course of the year.

As of 19.11.2012 the record date of the extraordinary General Shareholder Meeting of TGC-1, the total number of Company shareholders was 324,293 including:

- legal entities – 1,863,
  - including non-resident legal entities – 348;
- individuals – 322,425,
  - including non-resident individuals – 831;
- Federal executive authority bodies of the Russian Federation – 5.

### Equity capital structure as of 31.12.2012



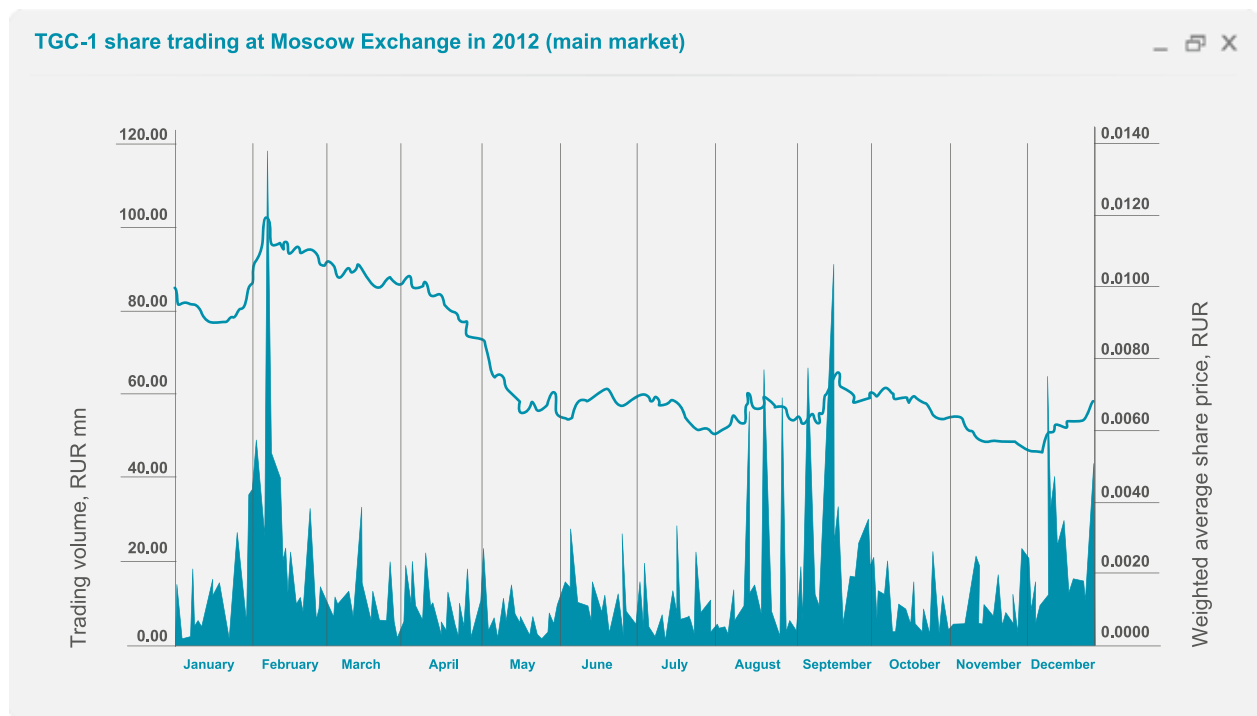
**Securities Trading**

**Shares**

TGC-1’s shares are traded in the main trading area of the Russian securities market the Moscow Exchange. Securities trading are performed in three sectors, namely the Main market (T+0 sector), the Standard market and Classica market. TGC-1’s shares are included in the first level of the A1 Quotation List.

In 2012, TGC-1 shares traded at the Moscow Exchange under the main market were RUR 3,702.5 million, which is 17.2 % less that the same number in 2011. In the 12 months of 2012, the MICEX and RTS indices increased by 5.2 % and 10.5 % respectively, and the sectoral indices of MICEX Energy Industry and RTC Electricity Industry decreased by 16.8 % and 11.8 % respectively. At the end of the 4th quarter of 2012, the capitalization of TGC-1 amounted to RUR 26,105,454,414.4, which is a 28.2 % reduction in comparison with 2011, which reflects the decline in the Russian electric energy sector during that period.

In response to the negative quotation dynamics, the management of TGC-1 developed and implemented a Programme to Raise the Shareholder Value of the Company in 2012, which aims to cut costs, raise the operational and financial efficiency, and consequently raise the investor appeal of TGC-1 shares.



## Dividends and dividend policy

The Company's Dividend Policy was approved by a resolution of the TGC-1 Board of Directors on 24 December 2010. The Company plans to spend 5 % to 35 % of net profits on dividends annually provided that the Reserve Fund is completely established.

At the Annual General Shareholder Meeting of TGC-1 of 18.06.2012, a decision was made to pay dividends on the Company's ordinary shares for the results of 2011 in the amount of RUR 0.000048741 per one ordinary Company share in monetary form within 60 days following the date of the decision. The total declared dividends for 2011 amounted to RUR 187,866 thousand, or 5 % of the net profit. As of 31.12.2012, the amount of dividends paid for the year 2011 was RUR 182,966 thousand, or 97.4 %. The Company's executive bodies did not take any decisions on payment of interim dividends in 2012.

## Bonds

On 11 March 2012, TGC-1 bonds of series 04 amounting to RUR 2 billion, was floated on the Moscow Exchange; the first coupon rate was 7.6 % p.a. Due to current capital market conditions, series 05 and 06 bonded debts were not floated. Thus, there are at present four bonded debts of TGC-1 (series 01-04) floated on the Moscow Exchange.

On 14 December 2012, the TGC-1 Board of Directors approved floating at least four bonded debts for no more than RUR 20 billion in 2013 – 2014, with the aim of refinancing the credit portfolio. The plans for floating new bonded debts in 2013 – 2014 imply a coupon interest calculation scheme that is not linked to inflation, which in addition to the increase of operational efficiency will catalyse a rise of investor appeal for the Company's securities.

## Depository Receipts

General information on GDRs of TGC-1	
GDR type	Reg. S / sponsored Rule 144A / sponsored
GDR ratio	1 GDR = 5,000 ordinary shares
CUSIP No.	Reg. S - 88145T206 144A - 88145T107
Flotation	Reg. S – N/A 144A – PORTAL system
ISIN	Reg. S - US88145T2069 144A - US88145T1079

The programme of global depository receipts for TGC-1 shares was started on 9 July 2008. The programme was initiated with the aim of securing the rights of the holders of depository receipts of RAO UES of Russia who, following its liquidation, received securities of the separated companies pro rata their share in the holding company. As of 30 December 2012, the share of GDR in the authorized capital of TGC-1 amounted to 0.07 %, the quantity of GDR according to Reg. 144A was 314,902, and the quantity of GDR according to Reg. S was 234,456. The Bank of New York Mellon was chosen as the depository bank.

## Management and Control Bodies

In accordance with the Articles of Association of TGC-1, the General Shareholder Meeting is the supreme management body of the Company. Two Shareholder Meetings were held in 2012, namely the Annual General Shareholder Meeting on 18.06.2012 and an extraordinary General Shareholder Meeting on 25.12.2012.

According to the Statute on the TGC-1 Board of Directors adopted by the Company's Annual General Shareholder Meeting on 18.06.2009, TGC-1's Board of Directors provides general management of the Company's business, controls compliance with General Shareholder Meetings' resolutions, and guarantees the rights and legal interests of the Company's shareholders in accordance with the laws of the Russian Federation. 26 meetings of the Board of Directors were held in 2012.

### Members of the TGC-1 Board of Directors in 2012:

#### The Board of Directors elected on 18 June 2012\*

Anatoly Gavrilenko	General Director, Leader CJSC
Irina Grave	Vice President, Fortum Corporation, M&A Russia
Alexander Dushko	Deputy Head, Finance and Economy Department, Gazprom JSC
Valentin Kazachenkov	General Director, Gazprom mezhrefiongaz Saint Petersburg CJSC
Kari Kautinen	Vice President, Fortum Corporation, Strategy, M&A
Vladimir Kukushkin	Deputy Chairman, Committee on Energy and Utilities, Government of Saint Petersburg
Alexey Mityushov	General Director, Sevinvest LLC*
Kirill Seleznev	Board Member, Head, Gas and Liquid Hydrocarbons Marketing and Processing Department, Gazprom JSC; General Director, Gazprom mezhrefiongaz LLC
Denis Fedorov	Head, Electricity Sector Development and Marketing Office, Gazprom JSC; General Director, Gazprom Energoholding LLC
Andrey Filippov	General Director, TGC-1 JSC
Alexander Chuvayev	Acting Vice President, Board Member, Fortum Corporation; President of Russia Division, Fortum Power and Heat Oy; General Director, Fortum JSC

\* Titles at the point of election: General Director, Gazpromenergo LLC; General Director, OGC-2 JSC



### Board of Directors acting during the period 27 June 2011 to 18 June 2012\*

Anatoly Gavrilenko	General Director, Leader CJSC
Irina Grave	Vice President, Fortum Corporation, M&A Russia
Andrey Drachuk	Director for Strategic Planning and Organizational Development, SO UPS JSC
Alexander Dushko	Deputy Head, Finance and Economy Department, Gazprom JSC
Valentin Kazachenkov	General Director, Gazprom mezhregiongaz Saint Petersburg CJSC
Kari Kautinen	Vice President, Fortum Corporation, Strategy, M&A
Alexey Mityushov	General Director, Gazpromenergo LLC; General Director, OGK-2 JSC
Kirill Seleznev	Board Member, Head, Gas and Liquid Hydrocarbons Processing and Marketing Department, Gazprom JSC; General Director, Gazprom mezhregiongaz LLC
Alexey Sergeyevev	Vice-Governor of Saint Petersburg
Denis Fedorov	Head, Electricity Sector Development and Marketing Office, Gazprom JSC; General Director, Gazprom Energoholding LLC
Alexander Chuvayev	Acting Vice President, Board Member, Fortum Corporation; President of Russia Division, Fortum Power and Heat Oy; General Director, Fortum JSC

\*\* –Titles at the point of election.

## Biographical Information on the Members of the Board of Directors

### Kirill Seleznev, Chairman of the Board of Directors

Born in 1974. Graduated from Ustinov Baltic State Technical University majoring in “Pulsing Devices and Automatic Rotary Lines” in 1997 and from Saint Petersburg State University with a degree in Finance and Credit in 2002.

1997 – 1998: Manager, Baltic Finance Company.

1998 – 1999: Technical analyst on money market instruments, specialist, senior specialist on securities, Stock Exchange Transaction Department, Investment-Financial Group “Management. Investments. Development”.

1999 – 2000: Senior specialist, Investment Activity Coordination Group, Maritime Port Saint Petersburg.

2000 – 2001: Head, Tax Group, Baltic Pipeline System JSC (BPS), then BPS affiliate Upper Volga Oil-Trunk Pipelines.

2001 – 2002: Deputy Administrator of the Board Administration - Aide to the Chairman of the Board, Gazprom JSC.

Since 2002: Board Member, Head, Gas and Liquid Hydrocarbons Processing and Marketing Department, Gazprom JSC.

Since 2003: General Director, Gazprom mezhregiongaz LLC.

Since 2008: Chairman of the Board of Directors, TGC-1 JSC.

Holds no shares of TGC-1 JSC.

### **Denis Fedorov, Deputy Chairman of the Board of Directors**

Born in 1978. Graduated from Moscow Bauman State Technology University and postgraduate courses of Moscow Energy Institute, Candidate of Economic Sciences.

2001 – 2003: worked in RAO UES of Russia, then in NPVP Turbocon.

2003 – 2006: Head of Investment Technologies and Production Engineering Projects Office, EuroSibEngineering and Investment Office, Gazenergoprom Corporation LLC.

2006 – 2007: Advisor to General Director, Mezhregiongaz LLC.

2006 – 2008: General Director, Mezhregionsbyt JSC.

Since 2007: Head, Electricity Sector Development and Marketing Office, Gazprom JSC.

Since 2009: General Director, Centrenergoholding JSC.

Since 2009: General Director, Gazprom Energoholding LLC.

Holds no shares of TGC-1 JSC.

### **Alexander Chuvayev, Deputy Chairman of the Board of Directors**

Born in 1960. In 1983 graduated from Moscow Bauman State Technology University majoring in mechanical engineering.

1991 – 1999: various positions in Solar Turbines Europe S.A. in Europe and USA.

1999 – 2005: various positions in General Electric in USA and Canada.

2005 – 2006: Operations Director, OMZ JSC.

2006: General Regional Manager, GE Oil & Gas (Russia and CIS countries).

2006 – 2008: Managing Director, Power Machines JSC.

2008 – 2009: Director for Investment Development, SUEC JSC.

2009: Executive Director, GE Oil & Gas (Russia and CIS countries); General Director, UTSK JSC; General Director, FORTUM ENERGY LLC; General Director, Fortum JSC; Executive Vice President, Member of the Management Board, President of the Russia Division, Head of the representative office of Fortum Corporation in Moscow and Saint Petersburg.

Since 2012: General Director, ChelyabEnergRemont JSC.

Holds no shares in TGC-1 JSC.

### **Anatoly Gavrilenko, Member of the Board of Directors**

Born in 1972. In 1995 graduated from Moscow Lomonosov State University majoring in economic cybernetics, and in 2001 majoring in civil law. In 2001 graduated from Interbranch Institute For Advanced Training and Re-Training of Administrators and Staff, Plekhanov Russian University of Economics majoring in assessment of the enterprise (Business) cost.

Since 2004: General Director, Leader CJSC.

Holds no shares of TGC-1 JSC.

### **Irina Grave, Member of the Board of Directors**

Born in 1968. In 1992 graduated from Saint Petersburg State University with a law degree and in 2000 with a degree in financial management.

2000 – 2004: Lawyer and Counsellor, Salans Hertzfeld and Heilbronn International.

2005 – 2007: Vice President, Head of Saint Petersburg Office of Fortum Power and Heat Oy (Finland).

2007: Vice President, Fortum Corporation, M&A Russia.

Holds no shares of TGC-1 JSC.

### **Alexander Dushko, Member of the Board of Directors**

Born in 1964. Graduated from Engineering and Economy Academy in Saint Petersburg.

2001 – 2002: Head of Fuel and Energy Complex and Consumer Market Development Office, Gazprom JSC.

2002: Head of Budget Planning Office, Gazprom JSC; Deputy Head of Corporate Finance Department, Gazprom JSC.

Since 2002: Deputy Head, Finance and Economy Department, Gazprom JSC.

Holds no shares of TGC-1 JSC.



### **Valentin Kazachenkov, Member of the Board of Directors**

Born in 1949. In 1972 graduated from Briansk Technology Institute with major in turbomachinery. He worked as Shop Manager and then Director of Power Engineering Industry Plant in Leningrad. 1994 – 1996: Deputy General Director; since 1996: General Director of Sigma-Gaz enterprise. Since 1999: General Director of Peterburgregiongaz LLC. Since 2004: General Director, Gazprom mezhregiongaz Saint Petersburg CJSC (previously Peterburgregiongaz CJSC). Holds no shares of TGC-1 JSC.

### **Kari Kautinen, Member of the Board of Directors**

Born in 1964. In 1989 graduated from the University of Helsinki, Master of Law. Since 2005: Vice President, Fortum Power and Heat Oy. From 2007: Vice President, Fortum Corporation, Strategy, M&A. Holds no shares of TGC-1 JSC.

### **Vladimir Kukushkin, Member of the Board of Directors**

Born in 1954. In 1986 graduated from the Leningrad Water Transport Institute majoring in mechanical engineering. 2005 – 2010: Development Director, Energopromstroy LLC. 2010 – 2012: Deputy Head, Krasnoselsky District administration. Since 2012: Deputy Chairman, Committee on Energy and Utilities, Government of Saint Petersburg. Holds no shares of TGC-1 JSC.

### **Alexey Mityushov, Member of the Board of Directors**

Born in 1975. Graduated from Ustinov Baltic State Technology University (Saint Petersburg) majoring in “Pulsing Devices and Automatic Rotary Lines” in 1997, from International Educational Programme Faculty of North-West Extra-Mural Polytechnic Institute in 1999, and Saint Petersburg International Management Institute majoring in business administration in 2008. 1997 – 2003: worked at enterprises of Saint Petersburg (Open Systems CJSC, Kirovsky Zavod JSC, Development of Service Industry CJSC, Electrosila JSC, and Nevka-SPb LLC). 2003 – 2007: Head, Property and Corporate Operation Office, Mezhhregiongaz LLC. 2003 – 2007: as a dual activity status, General Director of Mezhhregionteploenergo JSC. 2007 – 2012: General Director, Gazpromenergo LLC. 2008 – 2011: General Director, Chairman of the Board, OGK-6 JSC. 2010 – 2012: General Director, Chairman of the Board, OGK-2 JSC. 2012: General Director, Sevinvest LLC. Holds no shares of TGC-1 JSC.

### **Andrey Filippov, Member of the Board of Directors**

Born in 1959. In 1981, graduated from the Leningrad Higher Naval Engineering School majoring as a military mechanical engineer for power installations; in 2002, graduated from the Ustinov Saint Petersburg Baltic State Technical University majoring in management. 1999 – 2005: held management positions at Lenenergo JSC. 2005: Head of the Nevsky Branch of TGC-1 JSC. 2006 – 2007: Deputy General Director, Peterburgteploenergo LLC. 2007 – 2009: Deputy General Director, Investment and Capital Construction, TGC-1. 2010 – 2011: Director for Capital Construction, TGC-1 JSC. 2011: General Director, TGC-1 JSC. Holds no shares of TGC-1 JSC.

### **Committees of the Board of Directors**

The objective of the Committee's activity is to ensure efficient operation of the Board of Directors in solving issues referred to its competence. At present, there are four committees of the TGC-1 Board of Directors:

- Audit Committee;
- Committee for Business Strategy and Investments;
- Committee for Human Resources and Remuneration;
- Reliability Committee.

### **Audit Commission**

The major objectives of the Company's Audit Commission are as follows:

- control over the Company's financial and economic activities;
- control over the conformity of the procedure of maintenance of accounting records to the legislation and internal normative acts and execution of the Company's accounting/financial reports and annual reports;
- assistance for the enhancement of efficiency of the Company's assets management and other Company's financial and economic activities, decrease in financial and operational risks, and improvement of the internal inspection system.

Company's financial and economic activities, decrease in financial and operational risks, and improvement of the internal inspection system.

### **Management Board**

The Management Board is a collegial executive body of TGC-1, which manages the Company's current operations within the framework of the competence set forth in TGC-1's Articles of Association. The General Director shall be the sole executive body of the Company.

On 22 April 2011, the TGC-1 Board of Directors elected Andrey Filippov to the position of the General Director and Chairman of the Management Board.

### **Members of the Management Board as of 31 December 2012:**

#### **Andrey Filippov (Chairman of the Management Board)**

Born in 1959. In 1981, graduated from the Leningrad Higher Naval Engineering School majoring as a military mechanical engineer for power installations; in 2002, graduated from the Ustinov Saint Petersburg Baltic State Technical University majoring in management.

1999 – 2005: held management positions at Lenenergo JSC.

2005: Head of the Nevsky Branch of TGC-1 JSC.

2006 – 2007: Deputy General Director, Peterburgteploenergo LLC.

2007 – 2009: Deputy General Director, Investment and Capital Construction, TGC-1 JSC.

2010 – 2011: Director for Capital Construction, TGC-1 JSC.

2011: General Director, TGC-1 JSC.

Holds no shares of TGC-1 JSC.

### **Sergey Laputko**

Born in 1948. Graduated from Leningrad Technology Institute of Pulp and Paper Industry.

2000 – 2005: First Deputy General Director – Chief Engineer; Chief Engineer, Lenenergo JSC.

2005 – 2007: Chief Engineer, TGC-1 JSC.

Since 2007: First Deputy General Director for Engineering Policy – Chief Engineer, TGC-1; Deputy General Director – Chief Engineer of TGC-1, Director of the Nevsky Branch.

Holds 0.000005 % of the shares of TGC-1 JSC.

### **Mikhail Tuznikov**

Born in 1961. In 1985, graduated from Kalinin Leningrad Polytechnical Institute and Saint Petersburg State University in 2004.

2007 – 2012: Director, production center of SevZapVNIPIenergoprom – SevZapEnergomontazhpoekt.

Since 2012: Director for Economy and Finance, TGC-1 JSC.

Holds no shares of TGC-1 JSC.

### **Sergey Redkin**

Born in 1977. Graduated from Saint Petersburg State University of Technology.

2006 – 2008: Head, Development Department, RAO UES of Russia.

2008 – 2009: Project Director, SPb Upravcom LLC.

Since 2009: Deputy General Director for Development, TGC-1 JSC; Director for Development, TGC-1; Director for Marketing and Sales, TGC-1 JSC.

Holds no shares of TGC-1 JSC.

### **Alexander Antipov**

Born in 1953. Graduated from Leningrad Polytechnic Institute.

2005 – 2007: Director of Kolsky Branch, TGC-1 JSC.

Since 2007: First Deputy General Director – Director of the Kolsky Branch, TGC-1 JSC.

Holds no shares of TGC-1 JSC.

### **Raisa Stanishevskaya**

Born in 1959. Graduated from Leningrad Institute of Soviet Trade.

1994 – 2005: Senior Specialist of the Methodological Group of Accounting Department; Deputy Chief Accountant; Head of the Consolidated Reporting Department of the Directorate for Economy, Finance and Accounting – Deputy Chief Accountant; Deputy Director – Head of the Audit Office, Audit and Economic Security Department, Lenenergo JSC.

Since 2005: Chief Accountant, TGC-1 JSC.

Holds 0.0000001 % of the shares of TGC-1 JSC.

### **Yury Marakin**

Born in 1960. Graduated from Kaliningrad Higher Naval School.

2008 – 2009: Head, Business Development Department, SOLLERS JSC.

2009 – 2010: Head, Business Development Department, Zavolzhsky Motorny Zavod JSC.

2010 – 2012: Deputy General Director, Security, Moscow United Electric Network Company.

Since 2012: Director for Corporate Security, TGC-1 JSC.

Holds no shares of TGC-1 JSC.



## Members of the Management Board as of 31 December 2012







- ☰ X



 **Sergey Laputko**

 Deputy General Director – Chief Engineer of TGC-1, Director of the Nevsky Branch.



- ☰ X





 **Valery Belov**


 First Deputy General Director – Director of the Karelsky Branch




- ☰ X





 **Alexander Antipov**

 First Deputy General Director – Director of the Kolsky Branch



- ☰ X





 **Yury Marakin**


 Director for Corporate Security




- ☰ X



 **Sergey Kruglyakov**

 Director for Marketing and Sales



- ☰ X



 **Vadim Vederchik**

 Director for Capital Construction



### **Valery Belov**

Born in 1972. Graduated from Saint Petersburg State Technology University.  
2004: First Deputy Chief Engineer, Karelerenergo JSC.  
2005: First Deputy General Director – Chief Engineer, Karelerenergogeneration JSC.  
2005 – 2007: Director of the Karelsky Branch, TGC-1 JSC.  
Since 2007: First Deputy General Director – Director of the Karelsky Branch, TGC-1 JSC.  
Holds 0.00000002 % of the shares of TGC-1 JSC.

### **Andrey Sokolov**

Born in 1963. Graduated from Leningrad State University.  
2005: Deputy General Director for Repairs and Capital Construction, Lenenergo JSC.  
2005 – 2008: Deputy Head of the Equipment Supply Department, Head of the Department for Fuel Supplies and Procurement, TGC-1 JSC.  
Since 2008: Deputy General Director for Procurement and Logistics, TGC-1 JSC; Director for Logistics, TGC-1 JSC.  
Holds no shares of TGC-1 JSC.

### **Vadim Vederchik**

Born in 1979. Graduated from the Saint Petersburg State Polytechnical University.  
2005 – 2011: held management positions at TGC-1 JSC: Deputy Department Head, Operations and Electric Department, Vyborgskaya CHPP; Deputy Head, Technical Policy and Development Section, Production Planning and Technical Development Department; Head, Technical Policy and Development Section, Perspective Planning and Technical Development Department; Deputy Head, Perspective Planning and Technical Development Department; Deputy Head, Investment and Capital Construction Department; Head, Capital Construction Project Implementation Department.  
Since 2011: Director for Capital Construction, TGC-1 JSC.  
Holds no shares of TGC-1 JSC.

### **Eduard Lisitsky**

Born in 1973. Graduated from Saint Petersburg State Technical University.  
2005 – 2010: Head of Production Planning and Technical Development Department, Head of Perspective Planning and Technical Development Department, Head of Investment and Capital Construction Department, Head of Investment Department, TGC-1 JSC.  
2010 – 2012: Director of Pravoberezhnaya CHPP, TGC-1 JSC.  
Since 2012: Director for Business Development, TGC-1 JSC.  
Holds no shares of TGC-1 JSC.

### **Management changes that took place in 2013**

Since 22.04.2013, Sergey Kruglyakov has been appointed Director of Marketing and Sales and was elected member of TGC-1 Management in connection with Sergey Redkin move to a new job.

### **Sergey Kruglyakov**

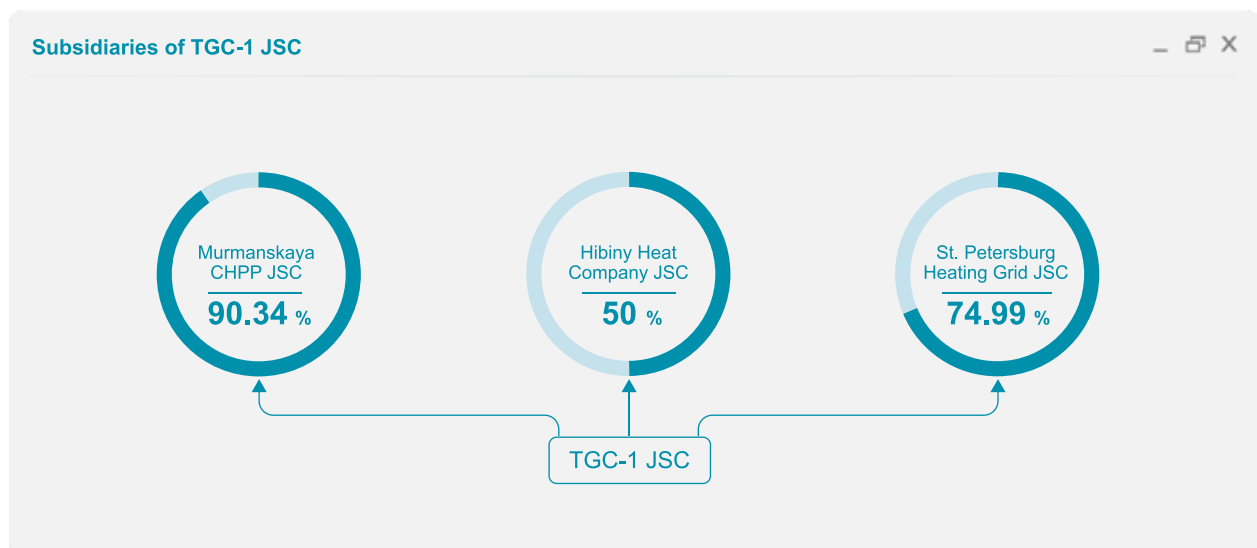
Born in 1979. Graduated Murmansk State Technical University specialising in finance and credit.  
2001 – 2005: held various positions at the Murmansk branch of MENATEP SPb Bank JSC.  
2005 – 2010: Deputy Director of Economy and Finance of the Kolsky branch, TGC-1 JSC.  
2010 – September 2012: Director of Economy and Finance of the Kolsky branch, TGC-1 JSC.  
September 2012 – April 2013: Head of Finance Department, TGC-1 JSC.  
Since April 2013: Director for Marketing and Sales, TGC-1 JSC.



### Information on Remuneration and Compensation to the Members of the Board of Directors, the Members of the Management Board, and the General Director of TGC-1 JSC (Executive Staff)

In 2012, the Company paid short-term remuneration in money (wages, bonuses, and fringe benefits) to the executive staff for a total amount of RUR 110,947 thousand (in 2011, RUR 130,666 thousand). The sum includes the individual income tax and social charges. No long-term remuneration or loans were granted to the Members of the Board of Directors and Management Board.

## Subsidiaries and Affiliates of TGC-1



### Murmanskaya CHPP

At present, the Murmanskaya CHPP consists of a combined heat and power plant and two boiler facilities with 1,111 GCal/h installed heat capacity and 12 MW installed electric capacity. The total length of heat network calculated as a single-pipe is 103.5 km.

TGC-1 owns 95.03 % of ordinary shares of the Murmanskaya CHPP, and the share of TGC-1 in the charter capital of the Murmanskaya CHPP is 90.34 %.

In order to optimize the costs of the Murmanskaya CHPP, the Board of Directors of the Murmanskaya CHPP decided on 3 June 2011 to establish Kola Heating Company LLC with 100 % participation of the Murmanskaya CHPP in its capital. Kola Heating Company was registered on 17 June 2011.

On 16 September 2011, the property of the Murmanskaya CHPP, which is used for heat generation (electric boiler houses and heating grids located in Murmashi settlement and Verkhnetulomsky settlement), was transferred as a contribution to the authorized capital of Kola Heating Company. The transfer of this property by the Murmanskaya CHPP enabled its separation from fuel oil facilities. On 27 April 2012, 100 % of the shares of Kola Heating Company were sold to a third party.

### **Hibiny Heat Company**

Hibiny Heat Company was established in order to act as a customer in implementation of the investment project “Renovation of the Apatitskaya CHPP and construction of the heating mains till the city of Kirovsk with installation of a central transformer station”, which included commissioning and operation of the heating mains. The founders of Hibiny Heat Company are TGC-1 JSC and Apatit JSC with equal shares.

In 2012, construction of the heating mains that started in 2011 was continued. Reconstruction of the Apatitskaya CHPP of the Kolsky Branch is progressing, having started at the same time as the construction of the heating mains. At present, the scope of work for reconstruction of the Apatitskaya CHPP is more than 90 % complete and it is planned to finish the project in 2013.

On 22 August 2011, FFMS of Russia registered an additional securities issue of HHC in the amount of 800 million shares with a nominal value of 1 ruble each, to be placed by closed subscription. From February to May 2012, TGC-1 paid an additional contribution to the authorized capital of HHC amounting to RUR 400 million, following which the share of TGC-1 remained unchanged because Apatit JSC paid an equivalent contribution. On 2 August 2012, FFMS of Russia registered the report on the results of the additional securities issue of HHC.

### **St. Petersburg Heating Grid**

Creation of St. Petersburg Heating Grid was provided for under a tripartite agreement among the Administration of Saint Petersburg, TGC-1, and GUP TEC of St. Petersburg to unify the heating grids within the territory of TGC-1 CHPPs.

The operations of Saint Petersburg Heating Grid began on 1 May 1 2010. Agency sales of heat in the areas of heat supply by TGC-1 CHPPs under the right of lease of TGC-1's heating mains and local grids of GUP TEC Saint Petersburg began on 1 July 1 2010.

In December 2010, FFMS of Russia registered an additional issue of shares of Saint Petersburg Heating Grid, to which TGC-1 and GUP TEC St. Petersburg subscribed. On 31 December 2010, TGC-1 and Saint Petersburg Heating Grid entered into contract for the purchase by TGC-1 of ordinary shares in Saint Petersburg Heating Grid, with payment by property accounted on the balance of the Heating Grid enterprise of the Nevsky branch of TGC-1.

The securities placement was completed in December 2011, and the report on the results of an additional issue of Saint Petersburg Heating Grid shares was approved. The Company placed additional ordinary registered shares totalling 31,304,269,380 shares. As a result of the placement, the structure of the authorized capital of Saint Petersburg Heating Grid has changed: TGC-1 owns 74.9997 %, GUP TEC St. Petersburg 25.0003 % of the Company's issued shares. In January 2012, FFMS of Russia registered the report on the results of the additional issue of shares. As a result of the issue, the authorized capital of the Company increased more than 1,000 times and amounted to RUR 31,334 million.

## TGC-1-Service

In 2012, in order to optimize and improve the quality of repair works at electric power plants, TGC-1 JSC in cooperation with Electrocentromontage JSC established a specialized repair company – TGC-1-Service LLC. The new company will provide repair of the main and auxiliary equipment of CHPPs and HPPs of TGC-1 and other power companies in the North-Western Region, and render services for commissioning and diagnostics of the equipment, retrofit and renovation of the energy industry facilities. The share of TGC-1 in the charter capital of TGC-1-Service is 26 %.



Event Category




SOCIAL  
RESPONSIBILITY

Event Content

A unique hydraulic environmentally safe fish ladder was opened at the Nizhne-Tulomskaya HPP in Murmansk Oblast for the spawning of Atlantic salmon.


Video



15:08:35

Event Date

01.06.12



## Social Responsibility

### Content

- + Personnel
- + Sponsorship and Charitable Assistance
- + Environmental Protection

## Personnel

The actual number of TGC-1's employees as at 31 December 2012 was 7,098 people. Company's payroll decreased by 110 people or 1.5 %. The change in the payroll resulted from measures aiming to raise the shareholder value of TGC-1, by removing a car company from the framework of TGC-1 and centralizing the storage facilities of CHPPs, decommissioning equipment at the Pravoberezhnaya CHPP, and reorganizing the fuel and transport department and equipment decommissioning at the Pervomayskaya CHPP.

### Dynamics of TGC-1 payroll in 2011 – 2012

	Payroll, people		Change,%	
	As of 31.12.2011	As of 31.12.2012	people	%
Management Unit	415	422	7	1.7%
Nevsky Branch	4,295	4,192	- 103	-2.4%
Karelsky Branch	948	949	1	0.1%
Kolsky Branch	1,550	1,535	- 15	-0.9%
<b>TGC-1</b>	<b>7,208</b>	<b>7,098</b>	<b>- 110</b>	<b>-1.5%</b>

Of the Company's staff 18.8 % of employees are under 30, 44.6 % are aged between 30 and 50, and 36.6 % are over 50. The average employee's age is 43.

TGC-1 supports and encourages the employees' aspiration for professional development and considers training and education of the personnel as a guarantee of the achievement of the stated business goals. In 2012, 5,404 employees were trained which equals 77 % of the Company's payroll, including 3,057 employees who passed skills improvement courses, evaluations training and professional training in the TGC-1 Training Center.

A key priority of TGC-1's personnel policy is attracting young professionals and keeping them with the Company. Every year, the TGC-1 Training Center offers internships for students of relevant colleges and universities at enterprises and structural departments of the Company. Company Days, roundtable discussions, lectures, and moderation sessions are held with engagement of the Company's leading professionals. Diploma paper contests are held every year to increase interest among promising students.

A priority of the social programme is arrangement of summer vacations for employees and their families. Care about the employees' physical health is another key priority. This goal is achieved through mandatory and voluntary health insurance provided to employees.

## Sponsorship and Charitable Assistance

Involvement of TGC-1 in charity events:

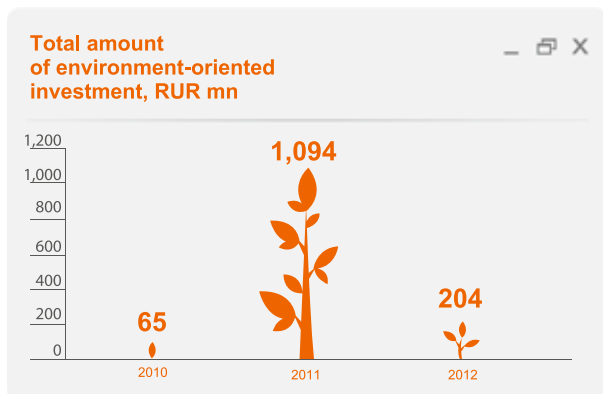
- Funding of surgery of varying degrees of complications was funded for children aged 1 to 12;
- 10 AMRW 18P-EL wheelchairs for disabled orphans with infantile cerebral palsy were purchased within the framework of the Special Children charity programme;
- charity aid was provided for arrangement and implementation of the Continents Cup in wheelchair dancing and participation in the International Wheelchair Basketball Tournament in Lithuania;
- 19 sets of Illustration Perception Atlases for young blind children and partially sighted children were published at the Company's cost;
- a trip to a spiritual music festival in Israel was organized for children from the Day Rehabilitation Center for Neglected Children;
- three computer classrooms in Children's Home No. 167 of Saint Petersburg were equipped with the aid of the Government of Saint Petersburg and TGC-1;
- Power Hour, a collective project of TGC-1 and the Umnikum Recreation Center, was started for school, lyceum, and gymnasium students, and children from orphanages and boarding schools of Saint Petersburg and Leningrad Oblast;
- the Company contributed to the funding of the publication of the Russian Power Sector in Posters album, an annual project of the CONTACT-CULTURE publishing house. For WWII Victory Day, TGC-1 donated Wartime Leningrad Poster albums to the Russian National Library, published at the Company's cost and initiative.

In 2012, a total of 33 charity organizations received aid within the framework of TGC-1's budget.



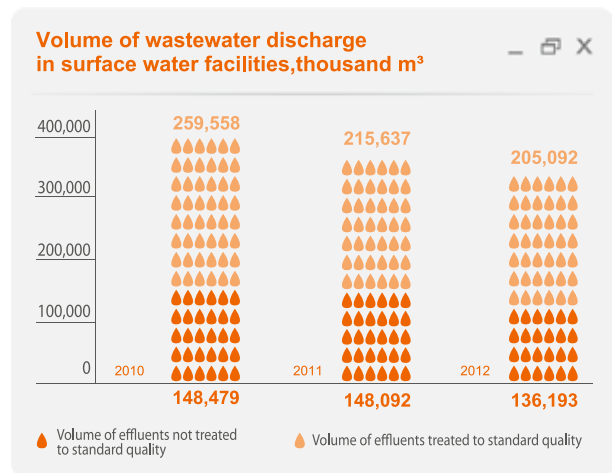
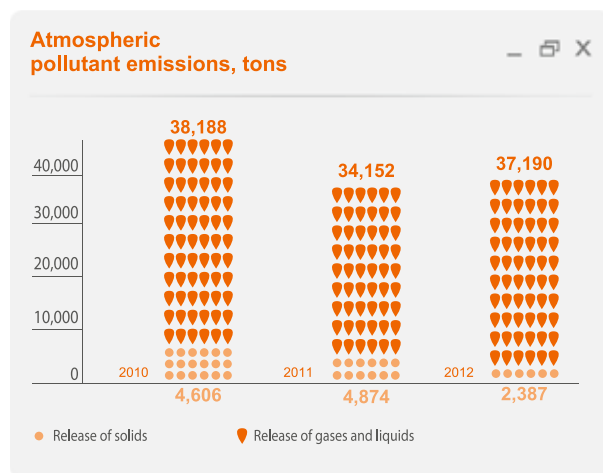
## Environmental Protection

In 2012, various measures for environmental protection were applied in the structural divisions of TGC-1.



In 2012, TGC-1's pollutant emissions increased by 525 tons (1.3 %) compared to 2011, which was mainly due to the power production increase.

Compared to previous years, the amount of disposed water reduced by 11.9 million m<sup>3</sup> (8 %) due to the operation of new 180 MW CCGT units no. 1 and 2 with a recycling process water supply system and phasing out of some obsolete and outdated machinery at the Pervomayskaya CHPP of the Nevsky Branch.



In 2012, the Administration and Structural Departments of the Kolsky Branch passed certification audit for compliance with the environmental management system (SEM) of the ISO 14001:2004 standard. The Nevsky Branch successfully passed its audit inspection.

Results of internal SEM audits followed by corrective action in structural departments of the Company show that the structural departments of the Nevsky and Kolsky Branches are maintaining an effective environmental management system and developing it according to the principle of constant improvement. SEM is generally effective and complies with the requirements of ISO 14001:2004.

An expansion of the SEM certification area is scheduled for the Karelsky Branch in 2013.



Event Category



RISK MANAGEMENT

Event Content


A competition amongst TGC-1 HPPs' operational personnel was held in Murmansk Oblast. The competition's winners were specialists from the Serebryanskiye HP plants Cascade. Informational support for the event was provided by mass media from Murmansk, Petrozavodsk, Saint Petersburg and Moscow.

Event Date

03.09.12

12

Video



16:44:26

## Risk Management

### Content

- [The Principles of the Risk Management System at TGC-1](#)
- [Main Risks Profile](#)

## The Principles of the Risk Management System at TGC-1

The risk management policy of TGC-1 is an effective combination of measures for limitation of risks undertaken by the Company, and mitigation, avoidance, and re-distribution of the risks that the Company considers to be unacceptably high. The objective of the operation of the risk management system at TGC-1 is to reduce the likelihood of a negative result and limitation of potential losses of TGC-1 if the risks become a reality.

The risk management process organized in TGC-1 is based on the following principles:


- Identification of all important risks of TGC-1 by developing and updating the Risk Profile on a regular basis,
- Division of the areas of responsibility for specific risk management between bodies, management and functional divisions of TGC-1,
- Definition of the common policy of the Company with regard to the risk management as defined by TGC-1's Board of Directors,
- Each functional division of TGC-1, responsible for specific risks management ensures full range of actions on a regular basis, aimed at risk management: identification of new risks and monitoring of the situation for earlier identified risks, in case considering the risk level to be extremely high (subject to minimizing process) – comprehensive evaluation of the possible impact on the risk, assessment of cost and profit for various scenarios, selection and implementation of the risk management processes (in line with the general Company's policy),
- Selection and maintaining the most appropriate risk management strategy towards the main risks (risk avoiding, risk reduction, risk sharing and risk taking), and timely changing of the strategy (shall the external conditions of general Company's policy towards these risks change),
- Prompt reaction to newly identified risks and to the earlier identified risks approaching the parameters (levels), which are defined, by authorized bodies or management of TGC-1 to be extremely high (unacceptably high),
- Risk-oriented internal audit of TGC-1's business processes and independent analysis of TGC-1's efficiency in risk management,

- Decision making by TGC-1’s Board of Directors on the launch of large investment projects (in compliance with international project management standards) based on the overall analysis of the information about possible risks.





In 2013, the following measures are planned within the framework of development of the risk management system:

- continued re-engineering of the risk management system of TGC-1 in order to increase its efficiency;
- begin implementation of a risk management system establishment project at St. Petersburg Heating Grid, a key subsidiary.







## Main Risks Profile

 <b>Political and Regulatory Risks</b>			
Risk	Risk Factors	Impact for TGC-1	Risk management measures
Country risk	<ul style="list-style-type: none"> <li>• Features of the social, economic, and political situations in Russia</li> <li>• The investment programme of TGC-1, which is at its final stage of implementation, was designed for growing electric power demand (in the case of stagnation of the Russian economy, the growth of demand for electric power will be lower than expected)</li> </ul>	●	<ul style="list-style-type: none"> <li>• The country risk is weakly managed for TGC-1 and is taken into account in making and specifying management decisions</li> </ul>
Risk of economically unjustified restrictions on heat tariffs during governmental regulation	<ul style="list-style-type: none"> <li>• Decisions on freezing or forced restriction of the growth rate for heat tariffs by state authorities</li> </ul>	●	<ul style="list-style-type: none"> <li>• Active interaction with the regulating authority (regional / municipal tariff committees in the areas of TGC-1’s CHPP operations)</li> </ul>
Risk of unstable conditions while developing the price for the new capacity	<ul style="list-style-type: none"> <li>• The scheme of payment in the long-term capacity market and the new capacity price formation procedure may be changed during implementation of the investment projects</li> </ul>	●	<ul style="list-style-type: none"> <li>• Supporting proposals for expanding the capacity supply contracts’s principles onto the projects of overall renovation of the existing capacities</li> </ul>

 **Operational Risks**


Risk	Risk Factors	Impact for TGC-1	Risk management measures
<b>Production and technical risks (Risks of process accidents and incidents)</b>	<ul style="list-style-type: none"> <li>• Damage from irrecoverable deterioration of production facilities (their key items)</li> <li>• Lost profit due to reduction of the production capabilities related to electricity supplies to the wholesale electric power and capacity market</li> <li>• Damage resulting from the increase of costs for heat generation compared to the planned equipment operation</li> </ul>		<ul style="list-style-type: none"> <li>• Methodical implementation of the Technical Policy, Investment Programme and the Budget Estimate of TGC-1</li> <li>• Control over implementation of repairs within set terms and volume is provided</li> </ul>
<b>Production equipment shutdown due to terrorist acts or acts of God in the region</b>	<ul style="list-style-type: none"> <li>• Terrorism and nature risks and dangers</li> </ul>		<ul style="list-style-type: none"> <li>• Antiterrorism measures and actions as prescribed by the Russian laws</li> <li>• Arranging protection from possible consequences of failures, emergencies and Acts of God</li> <li>• Insurance of property and staff</li> </ul>
<b>Risks of non-performance by contractors</b>	<ul style="list-style-type: none"> <li>• Contractors' non-performance of their contractual obligations as to the terms and quality of works, equipment and components supplies</li> </ul>		<ul style="list-style-type: none"> <li>• Improvement of the system for prior analysis of counteragents' risks and control over the project implemented by contractors</li> </ul>
<b>Corruption risks (conflict of interests risks)</b>	<ul style="list-style-type: none"> <li>• Losses due to economically unjustified agreements with contractors and payments for work which has not been performed in practice</li> </ul>		<ul style="list-style-type: none"> <li>• Improvement of internal control over the conflict of interests risks</li> <li>• Anti-corruption measures programme is being developed</li> </ul>

 **Financial Risks**

Risk	Risk Factors	Impact for TGC-1	Risk management measures
<b>Market risks</b>			
<b>Risk of reduction of change between the electric power cost in the wholesale electric capacity market and the fuel cost for CHPPs</b>	<ul style="list-style-type: none"> <li>• Price fluctuations at the electricity market</li> </ul>		<ul style="list-style-type: none"> <li>• Signing long-term bilateral contracts with the major electric power consumers</li> </ul>
<b>Interest-related risk</b>	<ul style="list-style-type: none"> <li>• TGC-1's susceptibility to interest-related risks is in direct proportion to the scope of TGC-1's borrowings portfolio and the growth rate of the interests in the market</li> </ul>		<ul style="list-style-type: none"> <li>• Analysing on a regular basis the susceptibility to the interest risk</li> <li>• Making decisions on managing the debt portfolio taking into account the interest risk</li> </ul>
<b>Currency Risk</b>	<ul style="list-style-type: none"> <li>• Open currency position and dynamics of currency exchange rates</li> </ul>		<ul style="list-style-type: none"> <li>• Consideration of currency risk in TGC-1's business plan</li> <li>• Restriction on the amount of open currency position</li> </ul>
<b>Inflation Risk</b>	<ul style="list-style-type: none"> <li>• Inflation risk may result in an increase of TGC-1's costs, which is not provided in the Business Plan. The losses result from restriction of heat tariffs and electric power costs with free dynamics of prices impact on the cost factors</li> </ul>		<ul style="list-style-type: none"> <li>• Consideration of inflation risk in TGC-1's business plan</li> <li>• Orientation onto optimization of costs with the highest price growth potential</li> </ul>
<b>Credit Risk</b>	<ul style="list-style-type: none"> <li>• Growth rate of debt under supplied heat</li> <li>• Delay in accepting the bylaws to recover the debts, restrictions and suspension of heat supply to debtors</li> </ul>		<ul style="list-style-type: none"> <li>• Interaction with governmental and supervisory bodies on adopting the consumption standards</li> <li>• Deployment of the new schemes of restructuring the accounts receivable</li> <li>• Using collectors' services</li> </ul>
<b>Liquidity Risk</b>	<ul style="list-style-type: none"> <li>• Possible problems with raising credit for financing a current operation and investment programme of TGC-1</li> </ul>		<ul style="list-style-type: none"> <li>• Extending the debt payment terms</li> </ul>



 **Strategic Risk**

Risk	Risk Factors	Impact for TGC-1	Risk management measures
<b>Strategic Risk</b>	<ul style="list-style-type: none"><li>• Errors in long-term planning of the Company's development</li><li>• Risk of reduction of the market share of central heating and hot water consumers</li><li>• Actual results of the energy efficiency and energy saving programme implementation</li></ul>		<ul style="list-style-type: none"><li>• Constant updating of TGC-1 strategic planning system</li><li>• Independent expertise and assessment of decisions by Independent Directors from TGC-1 Board Committees</li></ul>



high impact risks



above-average impact risks



medium impact risks



low impact risks



Event Category




KEY DEVELOPMENT  
AREAS IN 2013

Event Content


The "Lean Production in TGC-1"  
Project won in the All-Russia ProLin  
Consulting Competition.

Event Date

05.10.12



Video



17:25:45

## Key Development Areas in 2013

### Content

- ✦ Re-Equipment of Generating Facilities
- ✦ Grid Business Modernization
- ✦ Raising the Efficiency of Operations

## Re-Equipment of Generating Facilities

The following are the key areas of the Company's development within the framework of the investment activity:

- completion of the priority investment projects that are in progress;
- maintaining the balance of connected load and installed capacity of CHPPs after decommissioning of obsolete machinery;
- providing prospective heat supply to areas adjacent to TGC-1's CHPPs;
- implementation of the energy saving programme and improvement of energy efficiency, which will provide for modernization of outdated generating facilities and application of equipment with higher performance efficiency and totally different reliability level, in compliance with international standards;
- replacement of hydropower facilities that have reached marginal technical condition;
- implementation of projects for environmental protection, improvement of economic and ecological safety of power facilities.

In the period until 2016, the increase of new capacities and, consequently, the supply of electric power by members of the wholesale power market are limited by Capacity Supply Agreements. In Saint Petersburg, TGC-1 has built highly efficient up-to-date CCGT units with a total capacity of 1,280 MW. In 2010 – 2012, 2 180-MW CCGT units were brought into operation at the Pervomayskaya CHPP, a 450 MW CCGT unit at the Yuzhnaya CHPP, and a 450 MW CCGT unit at the Pravoberezhnaya CHPP. In addition, TGC-1 is working on renovation and retrofitting of main equipment at HPPs in the Republic of Karelia, Leningrad Oblast, and Murmansk Oblast, and commissioning of up-to-date process control systems, telemechanics and communication systems. By 2016, the Company plans to commission over 1,600 MW of new electric capacities.

In addition to the commissioning of new capacities, TGC-1 has begun to consistently decommission not only individual outdated units but also whole plants. The history of the Krasny Oktyabr power plant in Saint Petersburg is now over, the first CHPP built under the GOELRO plant plan. The next ones will be the exhausted power units of the Pervomayskaya and Central CHPPs. In order to cover existing and prospective heat load when the exhausted CHPP facilities are phased out, the Company is considering building boiler facilities similar to the construction of the integrated auxiliary building at the Pervomayskaya CHPP.

## Grid Business Modernization

The heating grid business of the Company will face changes in the near future. The heating capacities urgently require renovation. Despite the connection of new consumers to TGC-1's power sources, heating consumption is unlikely to change due to the development of city programmes for energy saving and energy efficiency optimization. In order to ensure reliable and high quality heating supply to consumers of Saint Petersburg and Leningrad Oblast, taking into account future heat loads, the Company intends to optimize costs, attract external investors, and improve the efficiency of heating grids.

In Saint Petersburg and Leningrad Oblast, the heating grid business of the Company is operated by St. Petersburg Heating Grid (75 % of the share capital belongs to TGC-1 and 25 %, to GUP TEC of St. Petersburg), which delivers heat for sources at TGC-1 to end users. The main business of St. Petersburg Heating Grid is improving the reliability of the heat supply system and expanding TGC-1's heating supply area through construction of new heating pipelines, in order to connect the buildings of new residential quarters, and transferring consumers, who are currently using other heat sources with an expired life cycle, to the centralized heating supply from TGC-1's power sources.

In 2012, construction of the heating mains from the Apatitskaya CHPP to the Central Transformer Station in the city of Kirovsk in Murmansk Oblast continued. The heating mains are scheduled for commissioning in 2013, which will enable heat transfer from the Apatitskaya CHPP to heating grids of the towns of Apatity and Kirovsk. The project is implemented by Hibiny Heat Company JSC, which is owned in equal shares by TGC-1 and Apatit JSC, by investments in the authorized capital and borrowed funds of HHC.

## Raising the Efficiency of Operations

A priority of the Company's business in the near future is raising the efficiency of its operations. Work in this area started in 2011 in cooperation with the international consultant Booz&Company. In 2012, the Programme for Raising Shareholder Value (Raising the Efficiency of Operations) was approved by the Board of Directors, and its development continues.

The main initiatives of the Company are the following:

- broad implementation of lean production tools at power plants of TGC-1; economy of fuel, energy, and natural resources, reduction of the duration and cost of repairs, and raising the productivity of operation and repair staff;
- optimization by evaluation of the economic efficiency of fixed costs;
- raising the share of competitive purchases and their efficiency by maximum use of market conditions;
- increasing the rate of collection of payments for heat and electric power;
- reducing and eliminating overdue accounts payable for delivered electric power and heating;
- sale of inefficient and non-core assets;
- reducing and eliminating inefficient stocks of trade and material stores.

In 2012 – 2014, implementation of lean production initiatives will raise the efficiency of operations (an additional RUR 363 million of EBITDA).

In 2012 – 2014, operation costs will be reduced by RUR 106 million. Efficient implementation of the competitive purchase programme will save RUR 581 million in operation costs and RUR 493 million in investment costs. In 2012, due to competitive purchasing, the cost of operation purchases was reduced by 9 % compared to the planned amount. The greatest efficiency in 2012 was achieved in the purchase of industrial services.

In 2012 – 2014, the effect of continuous work on collection of overdue accounts payable is estimated to reach RUR 200 million.


Sale of non-core assets is the main effect within implementation of the programme for raising operation efficiency. The total effect of the sale of non-core assets accounts for 57 % of the total programme. The largest parts of disposed non-core assets are: the car company, old parts of decommissioned CHPPs, and power plant switchgear.

In 2012, the total additional effect of the implementation of initiatives in the Programme for Raising the Efficiency of Operations amounted to RUR 1,358 million. The planned effect in 2013 – 2014 is RUR 1,618 million.





Event Category



APPENDIXES

Video



18:35:00

Event Date

28.11.12

12

Event Content



In 2012, TGC-1 began the production of the unique educational game for iOS based on "Safe and Economical Energy Consumption" school module.



## Appendixes

### Content

- ✦ Appendix 1. Reference Information for Shareholders and Investors
- ✦ Appendix 2. Abridged Financial Statements of TGC-1 for 2012 under Russian Accounting Standards
- ✦ Appendix 3. Consolidated Financial Statements of TGC-1 for 2012 under International Financial Reporting Standards

## Appendix 1.

### Reference Information for Shareholders and Investors

#### Information about TGC-1's Registrar

##### Specialized Registrar – Holder of the Gas Industry Shareholder Register CJSC (DRAGa CJSC)

License No.	10-000-1-00291
Date of issue	26.12.2003, for an indefinite term
Issuing authority	The Federal Commission for the Securities Market of the Russian Federation
Location / Mail address	71/32 Novocheryomushkinskaya St., Moscow 117420
Telephone	+7 (495) 719-4044
Fax	+7 (495) 719-4585
Website	<a href="http://www.draga.ru">http://www.draga.ru</a>
Email	<a href="mailto:info@draga.ru">info@draga.ru</a>

The specified registrar maintained the registration of issuer's securities since 23 December 2010.

**Information about TGC-1's Auditor****PricewaterhouseCoopers Audit ZAO (PwC Audit ZAO)**

License No.	E000376
Date of issuance	May 20, 2002
Issuing authority	Ministry of Finance of the Russian Federation
Location / Mail address	10 Butyrskiy Val St., Moscow 125047
Telephone	+7 (495) 967 6000
Fax	+7 (495) 967 6001
Website	<a href="http://www.pwc.ru/">http://www.pwc.ru/</a>

**Bank details:**

TIN: 7841312071, TRRC: 780501001  
 Bank account No.: 40702810309000000005  
 in BANK "ROSSIYA"  
 Saint Petersburg  
 Correspondent account No. 30101810800000000861  
 BIC 044030861 PSRN: 1057810153400  
 RNNBO: 76201586

**Contact information:****The Bank of New York Mellon (Depository bank of the GDR programme of TGC-1)**

Roman Kumits (New York)  
 The Bank of New York Mellon Depository Receipts  
 ADR Division/EEMEA  
 Tel. 212 815 5948  
 Fax 212 571 3050  
[Roman.Kumits@bnymellon.com](mailto:Roman.Kumits@bnymellon.com)

Irina Baichorova (Moscow)  
 Tel. +7 (495) 967-3110  
 Fax +7 (495) 967-3106  
[irina.baichorova@bnymellon.com](mailto:irina.baichorova@bnymellon.com)

**TGC-1**

Antonina Maksimova  
 Head of the Corporate Management Department  
 Tel. +7 (812) 901-3131  
[Maksimova.AN@tgc1.ru](mailto:Maksimova.AN@tgc1.ru)

Svetlana Vashchenko  
 Head of the Share Capital and Investor Relations Sector  
 Tel. + 7 (812) 901-3504  
[Vaschenko.SA@tgc1.ru](mailto:Vaschenko.SA@tgc1.ru)

Ekaterina Shpungina  
 Head of the Investor Relations  
 Tel. + 7 (812) 901-3297  
[Shpungina.ES@tgc1.ru](mailto:Shpungina.ES@tgc1.ru)

Viktor Nesterov  
 Corporate Secretary  
 Head of the Shareholder Relations  
 Tel. +7 (812) 901-3591  
[Nesterov.VV@tgc1.ru](mailto:Nesterov.VV@tgc1.ru)

## Appendix 2.

### Abridged Financial Statements of TGC-1 for 2012 under Russian Accounting Standards

#### Auditor's Report

To the shareholders of Joint stock company Territorial Generating Company № 1:

#### Client

Joint stock company Territorial Generating Company № 1

State registration certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity N21057810153400 issued by Saint Petersburg interregional Insepectorate of Federal Tax Service of Russia #15 on 25 March 2005

191188, Russia, St. Petersburg, Bronevaya str., 6-A

#### Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership "Audit Chamber of Russia" (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

We have audited the attached financial statements of Joint stock company Territorial Generating Company № 1 (hereinafter – the "Company") which comprise the balance sheet as of 31 December 2012, and statement of financial results, statement of changes in equity and statement of cash flows for the year ended 31 December 2012 and notes to the balance sheet and statement of financial results (hereinafter all the reports together are referred to as the "financial statements").

#### The Company's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Company as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

Director of ZAO PricewaterhouseCoopers Audit  
V.Y. Sokolov

1 March 2013



**BALANCE SHEET as at 31 December 2012 (RUR thousand)**

	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
<b>ASSETS</b>			
<b>I. FIXED ASSETS</b>			
Intangible assets	27,977	31,927	35,876
Results of research and development	-	-	-
Intangible exploration assets	-	-	-
Tangible exploration assets	-	-	-
Fixed assets	87,031,461	82,776,802	84,596,137
Income-bearing investments in tangible assets	-	-	-
Financial investments	14,153,069	13,752,178	492,198
Deferred tax assets	281,364	99,358	52,480
Other non-current assets	295,244	596,408	1,019,260
<b>Total Section I</b>	<b>101,789,115</b>	<b>97,256,673</b>	<b>86,195,951</b>
<b>II. CURRENT ASSETS</b>			
Inventories	2,299,413	2,419,383	2,156,836
Value added tax on goods purchased	244,825	267,572	565,217
Accounts receivable	14,799,007	13,672,084	12,067,836
Financial investments (less cash equivalents)	1,672,693	1,723,632	1,591,369
Cash and cash equivalents	691,252	331,187	233,903
Other current assets	177,082	172,521	143,242
<b>Total Section II</b>	<b>19,884,272</b>	<b>18,586,379</b>	<b>16,758,403</b>
<b>TOTAL SECTIONS I and II</b>	<b>121,673,387</b>	<b>115,843,052</b>	<b>102,954,354</b>

**BALANCE SHEET as at 31 December 2012 (RUR thousand)**

	as at 31 December 2012	as at 31 December 2011	as at 31 December 2010
<b>EQUITY AND LIABILITIES</b>			
<b>III. EQUITY AND RESERVES</b>			
Charter capital	38,543,414	38,543,414	38,543,414
Own shares buy-back	-	-	-
Non-current asset revaluation	9,760,573	10,076,655	16,386,651
Additional capital (without revaluation)	23,285,600	23,285,600	23,285,600
Reserve capital	590,992	403,126	222,779
Retained earnings (loss)	4,417,195	1,123,429	(8,583,189)
<b>Total Section III</b>	<b>76,597,774</b>	<b>73,432,224</b>	<b>69,855,255</b>
<b>IV. NON-CURRENT LIABILITIES</b>			
Borrowings and bank loans	25,498,687	22,242,415	16,514,578
Deferred tax liabilities	3,698,783	2,437,187	2,281,955
Estimated liabilities	-	-	-
Other liabilities	-	-	-
<b>Total Section IV</b>	<b>29,197,470</b>	<b>24,679,602</b>	<b>18,796,533</b>
<b>V. CURRENT LIABILITIES</b>			
Borrowings and bank loans	8,851,093	10,244,256	6,182,115
Accounts payable	6,699,772	6,963,811	7,733,329
Income of future periods	-	-	11
Estimated liabilities	327,278	523,159	387,111
Other liabilities	-	-	-
<b>Total Section V</b>	<b>15,878,143</b>	<b>17,731,226</b>	<b>14,302,566</b>
<b>TOTAL SECTIONS III, IV, V</b>	<b>121,673,387</b>	<b>115,843,052</b>	<b>102,954,354</b>





**STATEMENT OF FINANCIAL RESULTS for 2012 (RUR thousand)**

	2012	2011
Sales	60,145,053	57,690,806
Cost of sales	(55,242,773)	(52,134,240)
Gross profit (loss)	4,902,280	5,556,566
Sales expenses	-	-
General business expenses	-	-
Profit (loss) from sales	4,902,280	5,556,566
Income from participation in other companies	-	-
Interest receivable	189,474	165,462
Interest payable	(1,567,258)	(1,359,503)
Other income	4,451,656	5,926,514
Other expenses	(3,570,555)	(6,693,381)
Income (loss) before taxation	4,405,597	3,595,658
Current income tax	-	(218,961)
including permanent tax liabilities (assets)	157,828	209,592
Changes in deferred tax liabilities	(1,261,596)	(756,641)
Changes in deferred tax assets	222,649	46,878
Other	(13,235)	1,090,384
Net profit (loss)	3,353,415	3,757,318
<b>REFERENCE</b>	<b>2012</b>	<b>2011</b>
Result of revaluation of non-current assets not included to the net profit (loss) for the reporting year	-	-
Results of other transactions not included to the net profit (loss) for the reporting year	-	-
Cumulative financial result for the year	3,353,415	3,757,318
Basic earnings (loss) per share	0.00087	0.00097
Diluted earnings (loss) per share	-	-

## Appendix 3.

### Consolidated Financial Statements of TGC-1 for 2012 under International Financial Reporting Standards

#### Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company Territorial Generating Company № 1.

We have audited the accompanying consolidated financial statements of Joint Stock Company Territorial Generating Company № 1 and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

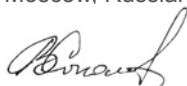
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Reporting Standards.

15 March 2013  
Moscow, Russian Federation



V.Y. Sokolov, Director (licence no. 01-000024), ZAO PricewaterhouseCoopers Audit



**JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**  
*(RUR thousand)*

	31 December 2012	31 December 2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	129,056,534	120,546,141
Investment property	105,596	109,808
Intangible assets	383,036	448,505
Investments in associates	450,900	50,900
Deferred income tax assets	535,692	728,389
Other non-current assets	114,899	56,222
<b>Total non-current assets</b>	<b>130,646,657</b>	<b>121,939,965</b>
<b>Current assets</b>		
Cash and cash equivalents	719,975	375,545
Short-term investments	8,264	5,847
Trade and other receivables	13,854,113	12,131,647
Current income tax prepayments	94,439	525,950
Inventories	2,585,733	2,912,669
	<b>17,262,524</b>	<b>15,951,658</b>
Non-current assets held for sale	26,705	50,512
<b>Total current assets</b>	<b>17,289,229</b>	<b>16,002,170</b>
<b>TOTAL ASSETS</b>	<b>147,935,886</b>	<b>137,942,135</b>



**JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**  
*(RUR thousand)*

	31 December 2012	31 December 2011
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	38,543,414	38,543,414
Share premium	22,913,678	22,913,678
Merger reserve	(6,086,949)	(6,086,949)
Other reserves	(1,209,011)	(1,209,011)
Retained earnings	28,699,167	22,926,052
<b>Equity attributable to the Company's owners</b>	<b>82,860,299</b>	<b>77,087,184</b>
Non-controlling interest	7,909,081	7,619,391
<b>TOTAL EQUITY</b>	<b>90,769,380</b>	<b>84,706,575</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	10,094,780	8,618,980
Long-term borrowings	26,159,467	22,467,746
Other non-current liabilities	74,769	-
Post-employment benefits obligations	914,600	891,625
<b>Total non-current liabilities</b>	<b>37,243,616</b>	<b>31,978,351</b>
<b>Current liabilities</b>		
Short-term borrowings	10,586,306	11,499,426
Trade and other payables	8,427,495	8,932,356
Current income tax payable	1,319	82,412
Other taxes payable	907,770	743,015
<b>Total current liabilities</b>	<b>19,922,890</b>	<b>21,257,209</b>
<b>TOTAL LIABILITIES</b>	<b>57,166,506</b>	<b>53,235,560</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>147,935,886</b>	<b>137,942,135</b>

Approved for issue and signed on 15 March 2013.

General Director  
A.N. Filippov

Chief Accountant  
R.V. Stanishevskaya



**JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 31 DECEMBER 2012 (RUR thousand)

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Revenue</b>		
Sales of electricity	37,346,956	36,181,480
Sales of heat	24,012,367	23,459,879
Other sales	1,124,479	610,401
<b>Total revenue</b>	<b>62,483,802</b>	<b>60,251,760</b>
Operating expenses	(54,691,449)	(53,777,205)
Impairment loss reversed during the year	549,368	-
Impairment loss recognised during the year	-	(27,417)
Other operating income	1,516,905	570,037
<b>Total operating expenses</b>	<b>(52,625,176)</b>	<b>(53,234,585)</b>
<b>Operating profit</b>	<b>9,858,626</b>	<b>7,017,175</b>
Finance income	78,701	19,694
Finance costs	(1,819,449)	(1,750,806)
<b>Finance costs, net</b>	<b>(1,740,748)</b>	<b>(1,731,112)</b>
<b>Profit before income tax</b>	<b>8,117,878</b>	<b>5,286,063</b>
Income tax expense	(1,875,988)	(1,384,297)
<b>Profit for the year</b>	<b>6,241,890</b>	<b>3,901,766</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive income for the year</b>	<b>6,241,890</b>	<b>3,901,766</b>
<b>Profit is attributable to:</b>		
Owners of the Company	5,960,980	3,736,690
Non-controlling interests	280,910	165,076
<b>Profit for the year</b>	<b>6,241,890</b>	<b>3,901,766</b>
<b>Total comprehensive income is attributable to:</b>		
Owners of the Company	5,960,980	3,736,690
Non-controlling interests	280,910	165,076
<b>Total comprehensive income for the year</b>	<b>6,241,890</b>	<b>3,901,766</b>
Earnings per ordinary share for profit attributable to owners of the Company, basic and diluted (in Russian Rubles)	0.0015	0.0010

TGC-1, 2013

Legal address:

6 Bronevaya Street Lit B,  
St. Petersburg, Russian Federation, 198188

Location address:

16/2 Prospekt Dobrolyubova Lit A,  
St. Petersburg, Russian Federation, 197198

Tel.: +7 (812) 901 36 06

Fax: +7 (812) 901 34 77

[office@tgc1.ru](mailto:office@tgc1.ru)

[www.tgc1.ru](http://www.tgc1.ru)

Creative idea,  
design & publishing:  
Design agency FOLX  
[www.folx.ru](http://www.folx.ru)

Printing: Raindrops  
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A white rectangular overlay is centered on the image, mimicking a browser window. It features a QR code in the center and the text "SEE YOU ONLINE!" below it. The background of the overlay is a blurred, light blue-tinted image of an industrial facility with complex piping and structural elements. The overall image has a blue monochromatic color scheme.