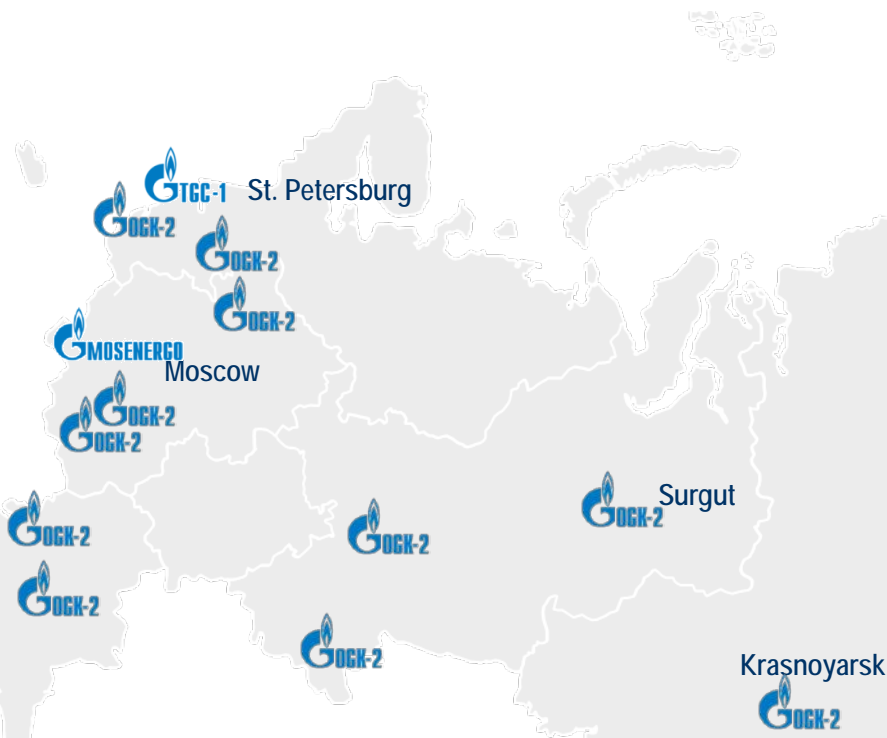




# GAZPROM GROUP IN POWER INDUSTRY OF THE NORTH-WEST REGION: TGC-1

# Power generating assets of Gazprom Group



Installed electric capacity 12.3 GW  
Installed heat capacity 35.1 thous. Gcal/h  
Load factor 53.5%  
Market capitalization USD 1.7 bn<sup>1</sup>



Installed electric capacity 6.9 GW  
Installed heat capacity 14.6 thous. Gcal/h  
Load factor 51.8%  
Market capitalization USD 0.8 bn<sup>1</sup>

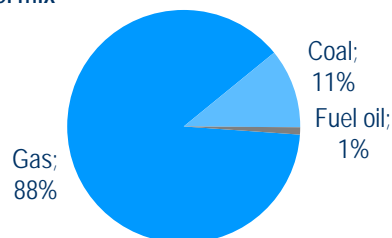


Installed electric capacity 18.0 GW  
Installed heat capacity 4.3 thous. Gcal/h  
Load factor 57.6%  
Market capitalization USD 1.2 bn<sup>1</sup>

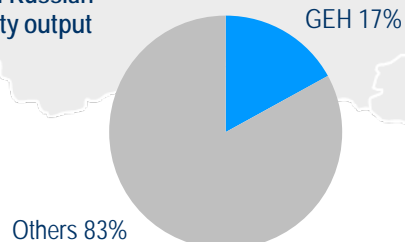


Installed electric capacity 37.2 GW  
Installed heat capacity 54.0 thousand Gcal/h

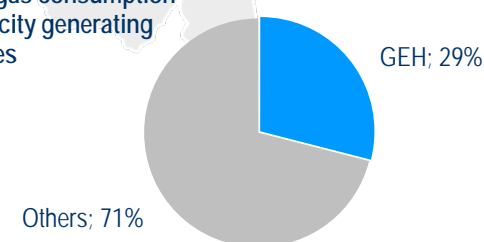
Fuel mix



Share in Russian electricity output



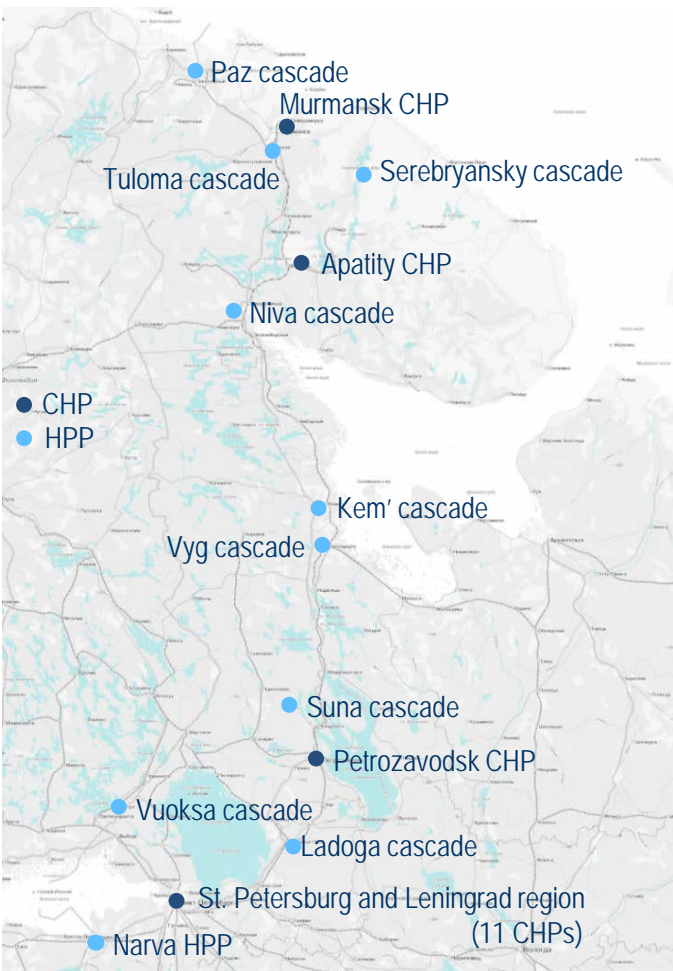
Share in gas consumption by electricity generating companies



1. As of 29.06.2012

# TGC-1 is a unique power generating company in the North-West region

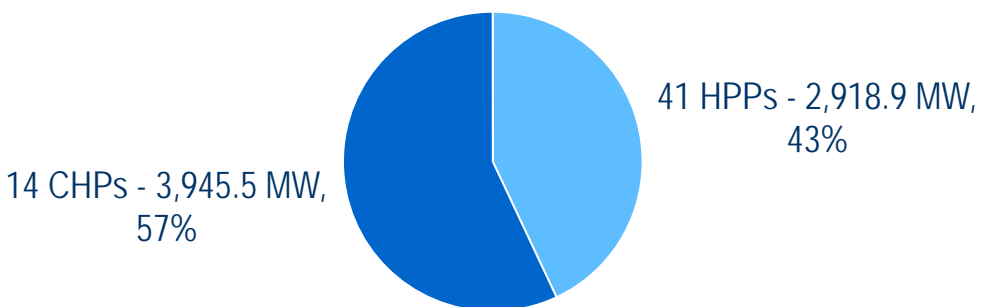
- TGC-1 is the 2<sup>nd</sup> by power generating capacity and the most profitable company among the Russian TGCs



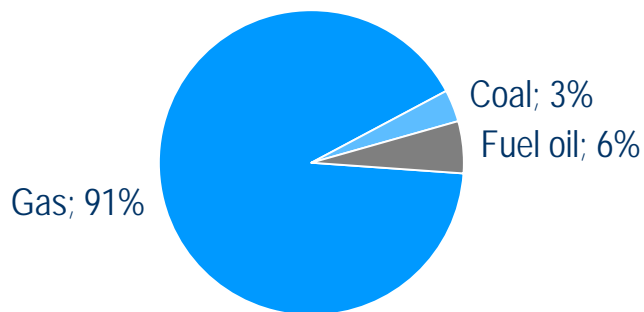
Unique geographical location and structure	Successful investment program	Introduction of Shareholders' Value Increase Program
<ul style="list-style-type: none"> <li>– The only TGC in Russia with diversified capacity balance: the share of hydro power stations is 43%</li> <li>– Opportunity to export electricity to Nordic countries</li> <li>– Industrially developing and financially reliable region</li> <li>– The heat production serves as a "safety cushion": climate conditions provide the stable demand for heat power</li> </ul>	<ul style="list-style-type: none"> <li>– The volume of CDA investment program till 2016 is 1.6 GW, 90% of which will be commissioned by the end of 2012</li> <li>– By the end of 2012, new CHP power units (1.3 GW) will comprise ca. 30% of total CHP capacity, thus exceeding any other TGC in Russia</li> <li>– The effective output is growing due to the commissioning of new capacities (in 2011 the CCGT share reached 11.8% in total output)</li> <li>– By 2015 over 30% of income will be generated by new CCGT power plants</li> </ul>	<ul style="list-style-type: none"> <li>– Reduction of operational costs as a result of implementation of "Lean Production" program</li> <li>– Optimization of trading in power markets</li> <li>– Optimization of costs and receivables</li> <li>– Disposal of non-core assets</li> </ul>

- Significant share of hydrogeneration and diversified capacity balance distinguish TGC-1 from other territory generating companies in Russia

## Generating capacity breakdown as of 01.07.2012 (total – 6,864.4 MW)



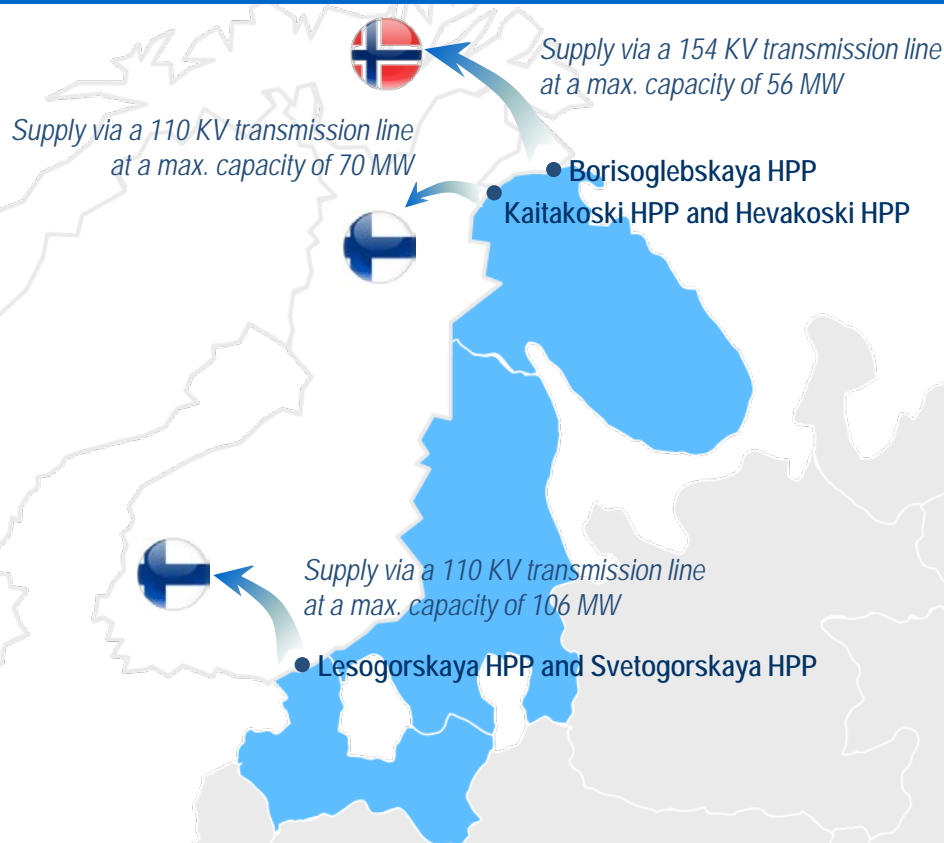
## Fuel mix structure, 2011



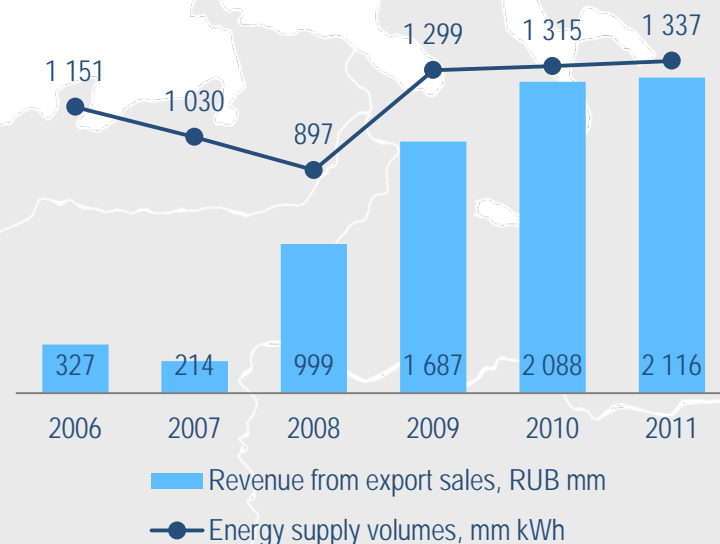
## Major HPPs of TGC-1

		Title	Capacity, MW
    		Ladoga cascade	345
		Vuoksa cascade	221
		Kem' cascade	330
		Serebryansky cascade	514
		Tuloma cascade	324

- TGC-1 is the only company among TGCs and OGKs with direct export sales
- The facilities for energy transmission to Estonia were preserved (about 40 MW)
- Income from export sales allows TGC-1 to hedge exchange risks on foreign currency loans and contracts



## Dynamics of electricity export



## Investment program implementation

- The overall volume of TGC-1 investment program comprises 1.8 GW in 2007-2016
- Volume of TGC-1 capacity delivery agreements till 2016 is over 1.6 GW, of which 985.5 MW already commissioned
- As of 01.05.2012, ca. RUB 63 billion had been financed already (over 70%)
- By the end of 2012, over 90% of capacity within the capacity delivery agreements program will be commissioned

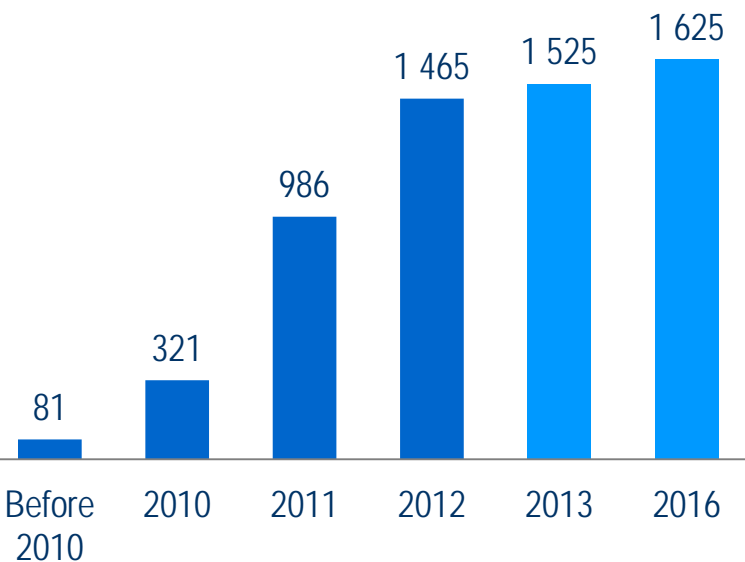
### Commissioning of new capacity within the CDA program, MW (running total)

### Commissioned (as of 01.05.2012)

Title	Year	Capacity, MW
Vasileostrovskaya CHP	2009	50
Yuzhnaya CHP	2011	425
Pervomaiskaya CHP	2010-2011	360
Vuoksa cascade	2009-2012	150.5
<b>Total</b>		<b>985.5</b>

### Introduction plan 2012-2016

Title	Year	Capacity, MW
Pravoberezhnaya CHP	2012	450
Lesogorsk HPP, HU 3	2012	29.5
Svetogorsk HPP, HU 2	2013	30.5
Lesogorsk HPP, HU 4	2013	29.5
Central gas turbine CHP	2016	100
<b>Total</b>		<b>639.5</b>



# Effect of new capacity introduction

- As a result of execution of capacity delivery agreements program, the installed capacity of TGC-1 will increase to 7.1 GW, including the decommissioning of 669 MW of outdated and inefficient units
- At this, the gas consumption will increase by 1 bn m<sup>3</sup>. The introduction of new capacity significantly increases the efficiency of TGC-1 even now

## Results of new CCGT units operation in 2011

Factor	Value	% of total
<b>Operational results*</b>		
Electricity output, mm kWh	3,345.0	11.8%
Heat supply, th. Gcal	756.5	2.9%
<b>Financial results*</b>		
Revenue, RUB mm	6,223.0	10.8%

\* Including the CCGT-180 #2 at the Pervomaiskaya CHP in September-December 2011

Yuzhnaya CHP

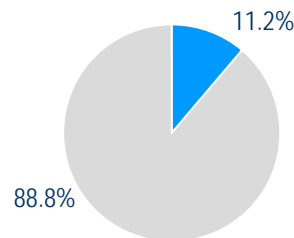


Pervomaiskaya CHP,  
CCGT-180 #1

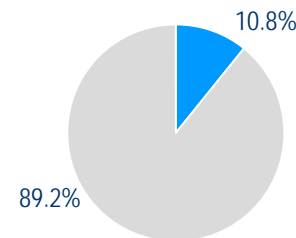


Reduction of fuel consumption	from 268 to 265 g/kWh	from 352 to 293 g/kWh
Reduction of CO <sub>2</sub> emissions	from 717 to 593 g/kWh	from 1120 to 755 g/kWh

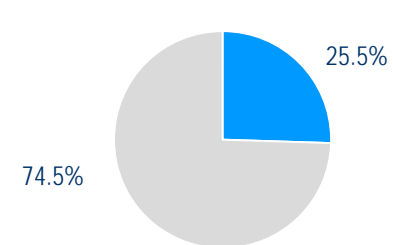
Share of CCGT units  
in total installed capacity  
(as of 01.01.2012)



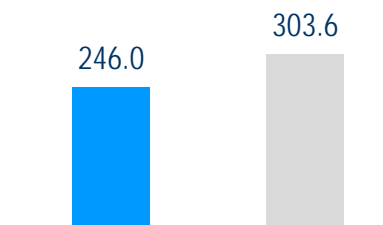
Share of CCGT units  
in total revenue,  
2011



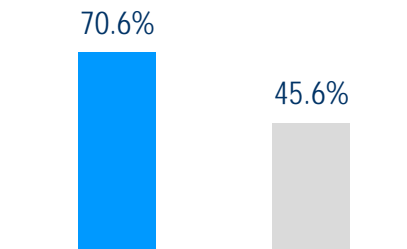
Share of CCGT units in the  
revenue from capacity sales,  
2011



Fuel consumption on electricity, g/kWh

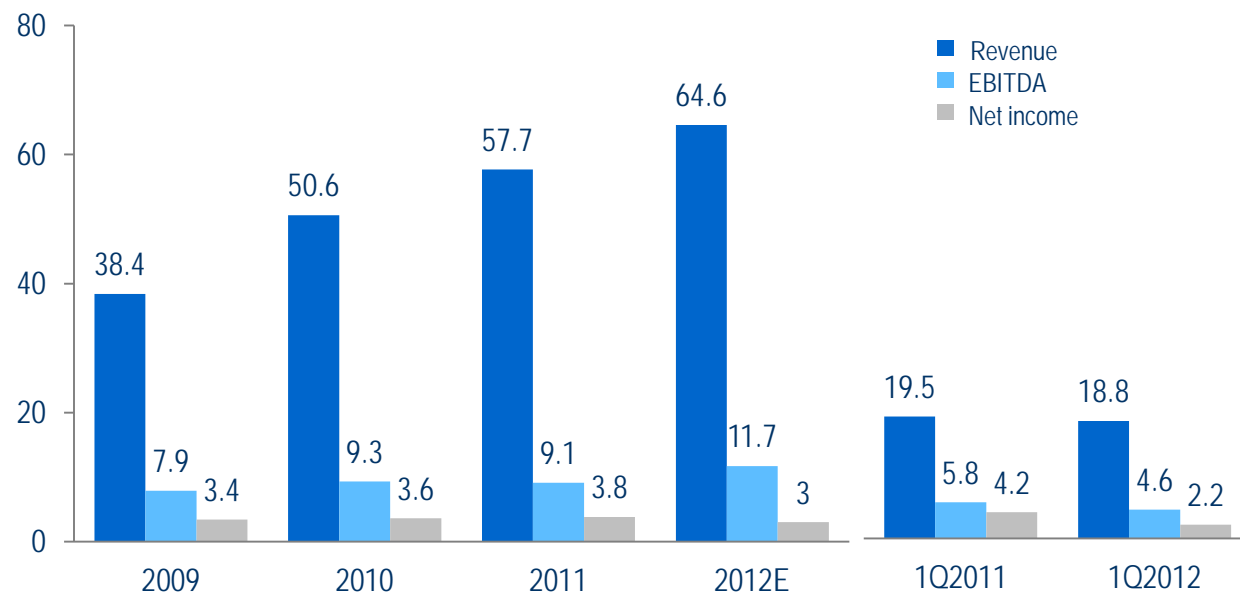


CHP load factor



■ New CCGT units ■ Other units

## Dynamics of financial results of TGC-1 (RAS), RUB bn



### Factors that influenced the results in 2011 – 1Q2012

- Warm winter of 2011/2012
- Reduction of electricity output by HPPs due to the low water level
- Low prices in the spot market starting from the end of 2011
- Change in the model of payments for capacity in 2011
- Change in the model of payments for must-run generation and the removal of must-run generation status from 8 CHPs in 2012
- Low prices in the Nord Pool due to the high water level in Nordic countries and the reduction of electricity consumption in Europe

## Dynamics of operational results of TGC-1\*

	2009	2010	2011	2012E	1Q2011	1Q2012
Electricity output, billion kWh	26.7	27.1	28.3	30.4	8.0	8.5
Heat supply, million Gcal	24.6	26.4	23.9	25.5	10.4	10.0

\* Excluding Murmansk CHP



- The growth potential of TGC-1 shares value is estimated at a 68% level, confirmed by industry analysts

## Efficiency of corporate governance

### Keeping the balance of shareholders' interests

The Board of Directors of TGC-1 includes the representatives of the 2<sup>nd</sup> largest shareholder – international energy group Fortum, thus improving the efficiency of TGC-1 management

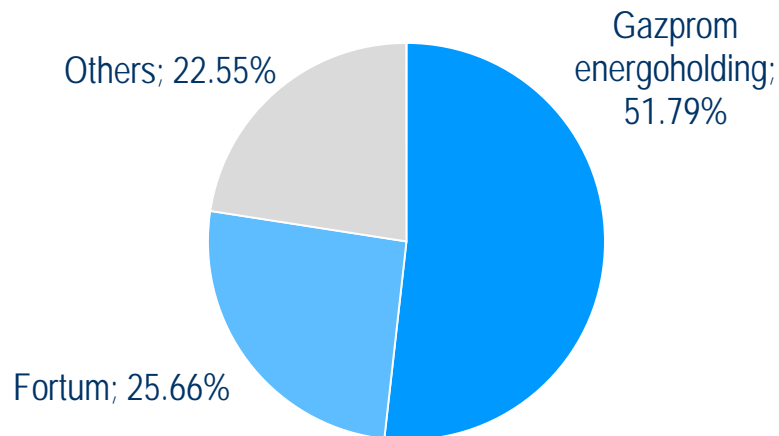
### Dividend policy

TGC-1 is one of the few power generating companies which has paid dividends in the recent 3 years. The amount of the dividends depends on the investment requirements of the company and may comprise 5 to 35% of annual net income

### Transparency

TGC-1 has disclosed the quarterly IFRS statements since 2010

## Shareholders capital breakdown, as of 30.06.2012



**Share capital: RUB 38.54 bn**  
**Capitalization: RUB 26.76 bn**

# The most important development projects in the middle-term outlook

- Elaboration of the united heat supply area for the CHPs of TGC-1 in order to increase the reliability and quality of heat and hot water supply for the residents of St. Petersburg. This may be achieved due to the joint management of heat networks

New model of  
heat supply to St.  
Petersburg

Increase of  
shareholders'  
value

- Increase of fuel utilization efficiency
- Reduction of duration of maintenance works
- Disposal of unmarketable stocks and non-core assets
- Optimization of the purchasing system

- Increase of load factor of Apatity CHP: estimated additional annual heat output – up to 650 thousand Gcal
- Removal of expensive fuel oil out of the fuel balance of the area

Construction of  
heat pipeline from  
Apatity CHP to  
Kirovsk

Increase in JSC  
Murmansk CHP  
financial  
results

- Stabilization of settlements with customers for supplied heat power
- Activities in obtaining subsidies for compensation of income shortfalls (581 million RUB received in 2011, 103 million RUB in 1Q2012)
- Sale of unprofitable electricity boilers



THANK YOU FOR YOUR ATTENTION!

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