


«APPROVED»
by the Board of Directors of
JSC "TGC-5"
Minutes No 23 of 25.04.2006

ANNUAL REPORT



OF OPEN JOINT STOCK COMPANY «TERRITORIAL GENERATION COMPANY NO 5» 2005

Chairman of the Board of Directors of
JSC "TGC-5"



V.N. Kolushov

Director General of
JSC "TGC-5"

V.A. Lebedev

Chief Accountant of
JSC "TGC-5"



A.V. Plyusnin

Chairman of the Audit Commission of
JSC "TGC-5"



S.B. Sidorov

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1. Statement by Chairman of the Board of Directors and the General Director



**STATEMENT ADDRESSED TO SHAREHOLDERS
by Chairman of the Board of Directors of JSC "TGC-5"
V.N. Kolushov**

Dear Shareholders!

Open Joint Stock Company «Territorial Generation Company № 5» was created on March 22, 2005 under Order of Chairman of the Management Board of OAO RAO "UES of Russia" of 21.03.05 № 51p. The sole founder of the Company is OAO RAO "UES of Russia". The first meeting of the Board of Directors was held on April 11, 2005. 16 meetings of the Board of Directors were held in 2005, 167 issues were discussed, resolutions on which determined the strategy and tactics in the process of Company establishing and development.

Year 2005 was not only the year when JSC "TGC-5" was created and started its independent operation activity, but also a stage of creating its purpose-oriented structure, therefore the main task of the Company Board of Directors was providing optimal conditions for production operations in accordance with the rental scheme and the process of reorganization in the form of a takeover through interregional integration of generating assets of OAO «Vyatskaya Electricity and Heat Company», OAO «Udmurt Territorial Generation Company», OAO «Chuvash Generation Company», OAO «Mari Regional Generation Company» in accordance with the project of reforming and pursuant to requirement of Federal Law of March 26, 2003 № 35-FZ "On Electric Power Industry", Federal Law of March 26, 2003 № 36-FZ "On peculiarities of electric power industry functioning in transition period and on alterations in some acts of law of the Russian Federation and invalidation of some acts of law of the Russian Federation in connection with adopting Federal Law "On Electric Power Industry", Decree of the Government of the RF of July 11, 2001 № 526.

In 2005 the system of corporate governance, which takes into account rights and interests of all the parties concerned, was created and further developed in JSC "TGC-5". The following committees of the Board of Directors were created and started to function within the framework of optimization of corporate relations:



- the Committee for Strategy, Restructuring, Investments, Corporate Governance, Staff and Remuneration;
- the Business Planning, Budget and Finance Committee;
- the Audit Committee;
- the Reliability Committee.

Functioning of the committees, which were mainly formed by representatives of minority shareholders, greatly contributed to developing and taking of weighted decisions by the Board of Directors concerning the most important issues of the Company activity.

Besides, the Board of Directors passed resolutions, which provide protection of legal rights and interests of shareholders: approval of the Regulations on the information policy of the company, Regulations on insider information, which provide guarantee of information transparency of the Company activity for both shareholders and all parties interested.

During 2005 the Board of Directors of the Company worked in two memberships: the Board of Directors elected during Company incorporation (Order of OAO RAO "UES of Russia" of 21.03.2005 № 51p), which executed the powers of the Company Board of Directors from the moment of the



Company incorporation on 22.03.2005 to 25.08.2005, it included three independent directors: O.M. Dubnov, Yu.V. Nekipelov, V.A. Yaroshevich.

The Management Board of OAO RAO "UES of Russia", which performs the functions of the General Meeting of shareholders of the Company (Minutes № 1280 np/6 of 25.08.2005), elected new members of the Board of Directors, which includes three independent directors: E.A. Dubovitskaya, D.A. Tuzov, D.V. Shtykov, who made active and constructive contribution to work of the Board of Directors of JSC "TGC-5".

It is necessary to pay attention to effective work of the Management Board and managers of JSC "TGC-5" headed by General Director of the Company. They timely and professionally carried out decisions taken by the General Meetings of shareholders and the Board of Directors. The Company management guaranteed solution of assigned tasks and created premises for successful work for the future.

In 2006 the Board of Directors put the major task – stable development of the Company in the conditions of industry restructuring, its successful integration in the new market relations of the Russian power industry, increase in shareholders' revenues.

I would like to thank our shareholders for their support and understanding. I am sure that the tasks set to JSC "TGC-5" will be solved and the intended targets will be reached.

**Chairman of the Board of Directors
Vladimir Kolushov**



STATEMENT ADDRESSED TO SHAREHOLDERS
by General Director of JSC "TGC-5"
V.A. Lebedev

Dear shareholders!

Year 2005 was a year of intense work for JSC "TGC-5". The Company, incorporated on March 22, 2005, started its operation activity as a result of successful implementation of necessary corporate procedures within the strict deadlines. The operation activity is based on leased property of regional generation companies comprising JSC "TGC-5". the Company assumed the obligation to provide electric power and heat to consumers in four constituents of the Russian Federation: the Republic of Chuvashia, the Republic of Mariy El, the Republic of Udmurtia and Kirov Region.

Last year the Company successfully implemented its task to supply electricity and heat to consumers without any emergency situations and crises.

The Company profile is ensuring reliability and safety of energy generation, achieving stable financial performance, implementation of social programs.

In 2005 the power plants of RGC, which comprise JSC "TGC-5", generated 10,181.0 mln kWh, useful energy output amounted to 4,916.1 mln. kWh, heat energy output- 6,461.9 thousand Gcal.

Last year special attention was paid to energy retail operations: energy for 5,459.5 mln RUR was supplied to our consumers, while sales amounted to 5,795.2 mln RUR or 106.1 % of the supplied energy cost. The following industries have the biggest shares in the structure of useful heat energy supply: chemistry and petrochemistry – 9.22%; metal-fabricating industries – 7.10%; light industry – 2.35%; other industrial productions – 79.83% (wholesalers of heat energy, the main consumer of which is public).

We are planning to start implementation of large-scale investment projects next year: the first priority task is to bring the systems of telemetry in conformity with the requirements of the balancing market, to implement measures aimed at technical upgrading and reconstruction of power plants equipment using steam-and-gas technologies.



The investment projects are vital for us, as their implementation will bring the energy system to a higher level of economic efficiency of production and will create favourable conditions for dynamic development of the industry in the entire territory.

Last year was remarked by an important corporate event: in December 2005 the management Board of OAO RAO "UES of Russia", which performs the functions of the General Meeting of shareholders of JSC "TGC-5", passed a resolution to restructure JSC "TGC-5" by merging it with OAO "Chuvash Generation Company", OAO «Mari Regional Generation Company», OAO «Udmurt Territorial Generation Company» and OAO «Vyatskaya Electricity and Heat Company».

The consolidation of generating assets of four regions within the framework of one company – JSC "TGC-5" imposes greater responsibility on the Company management, but at the same time it creates optimal conditions for reaching its main goal – achieving good efficiency in all



types of the Company activity. I am sure that successful reaching of set tasks will advance JSC "TGC-5" to the front

positions and gain a high status in the Russian power industry.

**General Director
Vladimir Lebedev**





2. About the Company



2.1. Geographic Location. History in Brief.

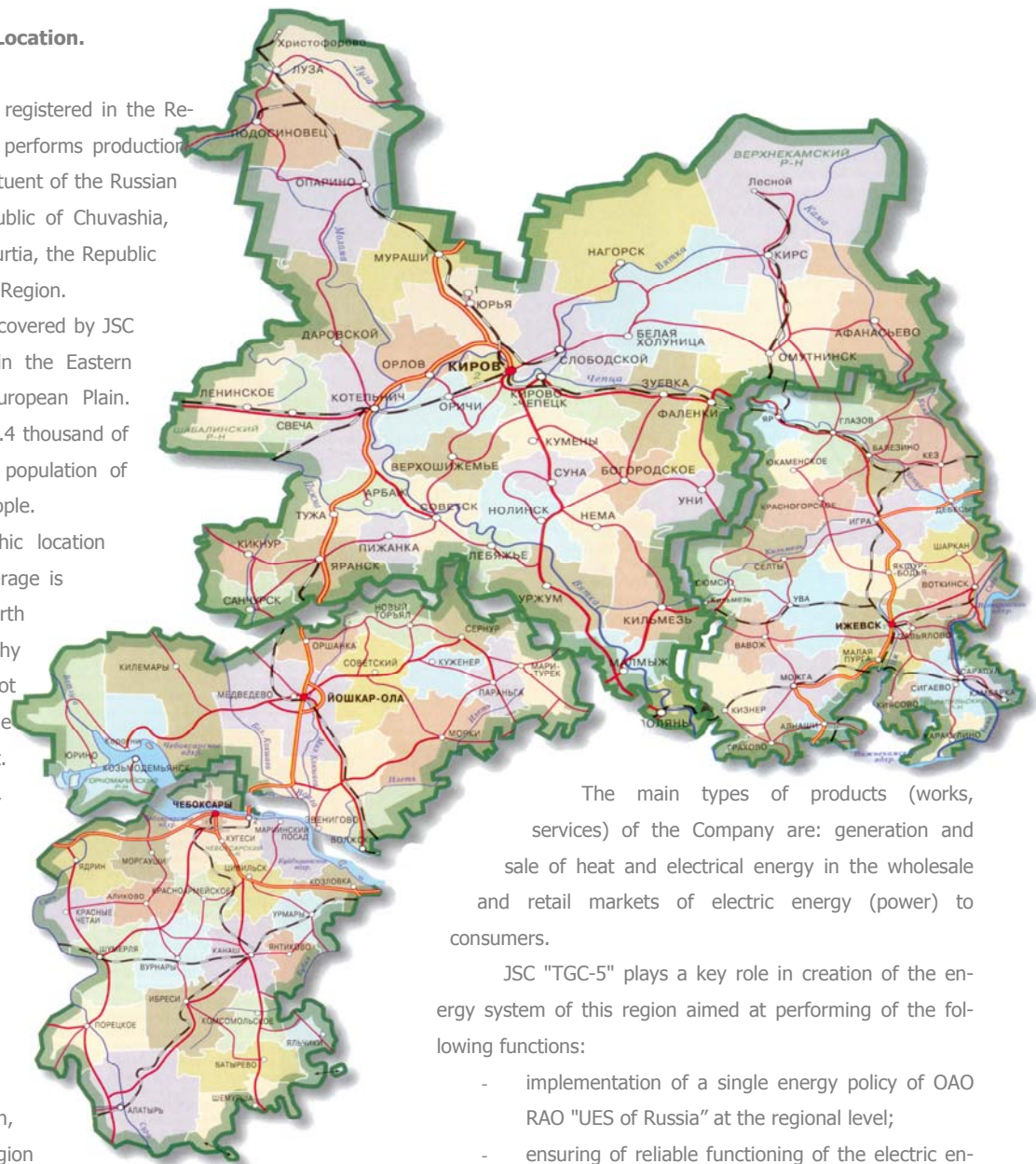
2.1.1. Geographic Location.

JSC "TGC-5", registered in the Republic of Chuvashia, performs production activity in four constituent of the Russian Federation: the Republic of Chuvashia, the Republic of Udmurtia, the Republic of Mariy-El and Kirov Region.

The territory covered by JSC "TGC-5" is located in the Eastern part of the East European Plain. The total area is 204.4 thousand of square meters with population of 5,115.5 thousand people.

The geographic location of JSC "TGC-5" coverage is central Non-Black Earth Area – explains why the company cannot have access to the international market. At the same time, the development of the industrial sector of the economy of the region increases the demand in energy resources, which cannot be covered by their generation, which makes this region deficient in energy resources.

JSC "TGC-5" is a main company generating energy in the Republic of Chuvashia, the Republic of Udmurtia, the Republic of Mariy-El and the Kirov Region.



The main types of products (works, services) of the Company are: generation and sale of heat and electrical energy in the wholesale and retail markets of electric energy (power) to consumers.

JSC "TGC-5" plays a key role in creation of the energy system of this region aimed at performing of the following functions:

- implementation of a single energy policy of OAO RAO "UES of Russia" at the regional level;
- ensuring of reliable functioning of the electric energy complex;
- implementation of long-term investment programs in the electric energy;
- preventing crises in the economy of the complex;
- benefits for consumers.

2.1.2. History in Brief.

JSC "TGC-5" was created on March 22, 2005. The sole founder of the Company is OAO RAO "UES of Russia" (Order of Chairman of the Management Board of OAO RAO "UES of Russia" of 21.03.05 № 51p).

On July 01, 2005 JSC "TGC-5" started operation activity based on leased property of generating assets of OAO "Chuvash Generation Company", OAO «Udmurt Territorial Generating Company», OAO "Mari Regional Generation Company" and OAO "Vyatskaya Electricity and Heat Company", created as a result of implemented projects for restructuring in the form of dividing by types of activity.

On December 06, 2005 the General Meeting of shareholders of the Company (Minutes of the management Board of OAO RAO "UES of Russia" of 06.12.2005 №

1356np/5) passed a resolution to restructure the Company by merging it with OAO «Chuvash Generation Company», OAO «Udmurt Territorial Generation Company», OAO «Mari Regional Generation Company» and OAO «Vyatskaya Electricity and Heat Company». Pursuant to the resolution of the joint General Meeting of shareholders of the Company and of the merging companies some alterations were introduced to the Articles of Association of OAO "TGC-5", in accordance with such alterations OAO "TGC-5" is a "legal successor of the merging companies.

Kirov Region

The Kirov Territory was created in 1934, in 1936 it was renamed as the Kirov Region in connection with its detachment from the Udmurt Autonomous Soviet Socialist Republic.

From 1894 to 1903 the railway station, the theater, two printing works a few plants and trading houses were electrified. All the electric installations were owned by private individuals.

First public-service power plant was put in operation in Vyatka in 1903; this power plant was under the supervision of the Administrative Board of a City (direct current, power of 200 kW).

1934 – Vyatka Power Integrated Plant was founded. The plants were joined for parallel operation through "Feeder" substation, with single dispatch control. The creation of the integrated plant is the birth date of the Kirov energy system.

Since 1940-s machine-building (including enterprises of defense industry, metalworking production, chemical and other industries) has been quickly developing, in connection with which power consumption greatly increased. When the Great Patriotic War started, power consumption greatly increased as the industrial enterprises evacuated in Kirov, which turned out military products were in great need for electric power. It was necessary to bring Kirovo-Chepetsk CHPP (CHPP-3) into operation as quickly as possible. On November 06, 1942 the first priority of CHPP-3 was brought into operation in accordance with a simplified project.

On February 13, 1943 pursuant to the Decree of the State Defence Committee, Kirov Energy Integrated Plant was restructured into Kirov District Administration of Electric Power Plants and Electric Power Mains – "Kirovenergo".

1944 – heat network enterprise was founded. During the war years the output of Kirovenergo power plants increased 3.5 times, the electric energy output- 2.4 times, the length of mains 2 times.

1958 – a section of building office was created, which started construction of CHPP-4. the first priority construction was finished in 1965.

In early 1970-s it was clear that the capacities of CHPP-1 and CHPP-4 would be exhausted for industry and the housing sector of the regional center. CHPP-5 was put in operation in 1981.

In 1992 Open Joint Stock Company for Power and Electrification "Kirovenergo" on the basis of a state production association.

In connection with passing Federal Law «On Electric Power Industry» № 35-FZ of 26.03.2003, which establish a legal regulations on economic relations in the sphere of electric power industry, based on division of competitive and monopolistic types of activity of electric energy industry facilities, an extraordinary General Meeting of shareholders of OAO «Kirovenergo» held on March 31, 2004 passed a resolution on the company restructuring by spinning off the following new companies:



- OAO "Vyatskaya Electricity and Heat Company";
- OAO "Kirovenergo Management Company";
- OAO «Kirovenergosbyt»;
- OAO "Kirov Trunk Electricity Grids".

On May 01, 2005 three companies were registered, these companies were created from those spun off from OAO "Kirovenergo" including OAO "Vyatskaya Electricity and Heat Company", which has the following generating assets

of the restructured companies in accordance with a separation balance sheet:

- Kirov CHPP-3
- Kirov CHPP-4
- Kirov CHPP-5
- Kirov CHPP-1
- Heat networks.

Republic of Udmurtia

In late 1950-s over 700 separated sources of electric power operated in Udmurtia, the largest of them were Izhevsk CHPP and Sarapul CHPP.

The construction of the first 110kV "Izhevsk-Votkinsk" transmission line in 1959 was a historic event. The Izhevsk CHPP became a part of a single energy system. In 1959 the following steps were taken: the basic electricity transmission enterprise "Udmurtia High-Voltage Transmission Lines", later renamed "Central Electric Network" and Izhevsk sector of heating network at the CHPP were organized. District administration "Udmurtenergo" was soon organized in 1963 on the basis of these enterprises.

For a long time Udmurtia received 90% of required electric energy from the neighbouring Ural regions, therefore designing of Izhevsk CHPP-2 starts in the second half of 1960-s. Additional hot-water boilers were installed in Izhevsk and Sarapul CHPPs in order to reduce deficiency heat output.

Upgrading of Izhevsk CHPP starts in 1969 to transfer from peat to gas-and-oil fuel. The upgrading was over in 1986.

The first power generating unit of Izhevsk CHPP-2 was put in operation in 1976. As a result the generating capacity of the system has increased 4.5 times and the energy output increased 5 times. The republic dependence on external energy sources greatly decreased, but up to now the internal power generation satisfies only one third of its demand in electric power.

In 1989 construction of the facilities of the first priority of the Izhevsk CHPP-2 expansion was started. The Sarapul CHPP, which used to work on fuel oil, starts to use gas as a fuel in 1990. The second stage of this power plant expansion with installation of additional hot-water boilers starts in 1991.

In 1993 the district administration "Udmurtenergo" was restructured in Open Joint Stock Company for Power and Electrification "Udmurtegergo".

The General Meeting of shareholders of OAO "Udmurtenergo" held on June 30, 2004, passed a resolution on company restructuring by spinning-off the following new companies:

- OAO "Udmurt Territorial Generation Company";
- OAO "Udmurt Energy Retail Company";
- OAO "Udmurt Management Energy Company";
- OAO "Udmurt Trunk Grids".

On January 01, 2005 the following spun-off companies were registered:

- OAO "Udmurt Territorial Generation Company";
- OAO "Udmurt Energy Retail Company";
- OAO "Udmurt Management Energy Company".



Republic of Mariy El

The Mariy El energy system was created on January 01, 1964. The initial name of the company was "Mariy Electric network" and was a part of the Gorky energy system.

On January 01, 1986 the district energy administration "Marienergo" was created on its basis, which was restructured into Open Joint Stock Company "Marienergo" in February 1992.

Yoshkar-Ola CHPP was put in operation on March 2, 1984 and it supplies energy, heat and hot water to the public sector of Yoshkar-Ola.

The General Meeting of shareholders of OAO "Marienergo" held on March 31, 2004, passed a resolution on the company restructuring by spinning off and creating the following new companies:

- OAO "Mariy Regional Generation Company";
- OAO "Marienergosbyt";
- OAO "Mariy Regional Management Company";
- OAO "Mariy Trunk Grids".

On January 01, 2005 the following spun-off companies were granted state registration:

- OAO "Mariy Regional Generation Company";
- OAO "Marienergosbyt";
- OAO "Mariy Regional Management Company".

Republic of Chuvashia

The history of Chuvashia energy system starts in September 1957, when pursuant to order of the council of national economy №21 of September 26, 1957 the Chuvash Energy Administration was created. At that moment it comprised 4 enterprises with the total generation capacity of 36.7 MW: Cheboksary CHPP, Zavolzhskaya CHPP, Cheboksary diesel plant and Alatyр CHPP.

On April 27, 2004 the General Meeting of shareholders of OAO "Chuvashenergo" passed a resolution on Company restructuring by spinning off the following companies:

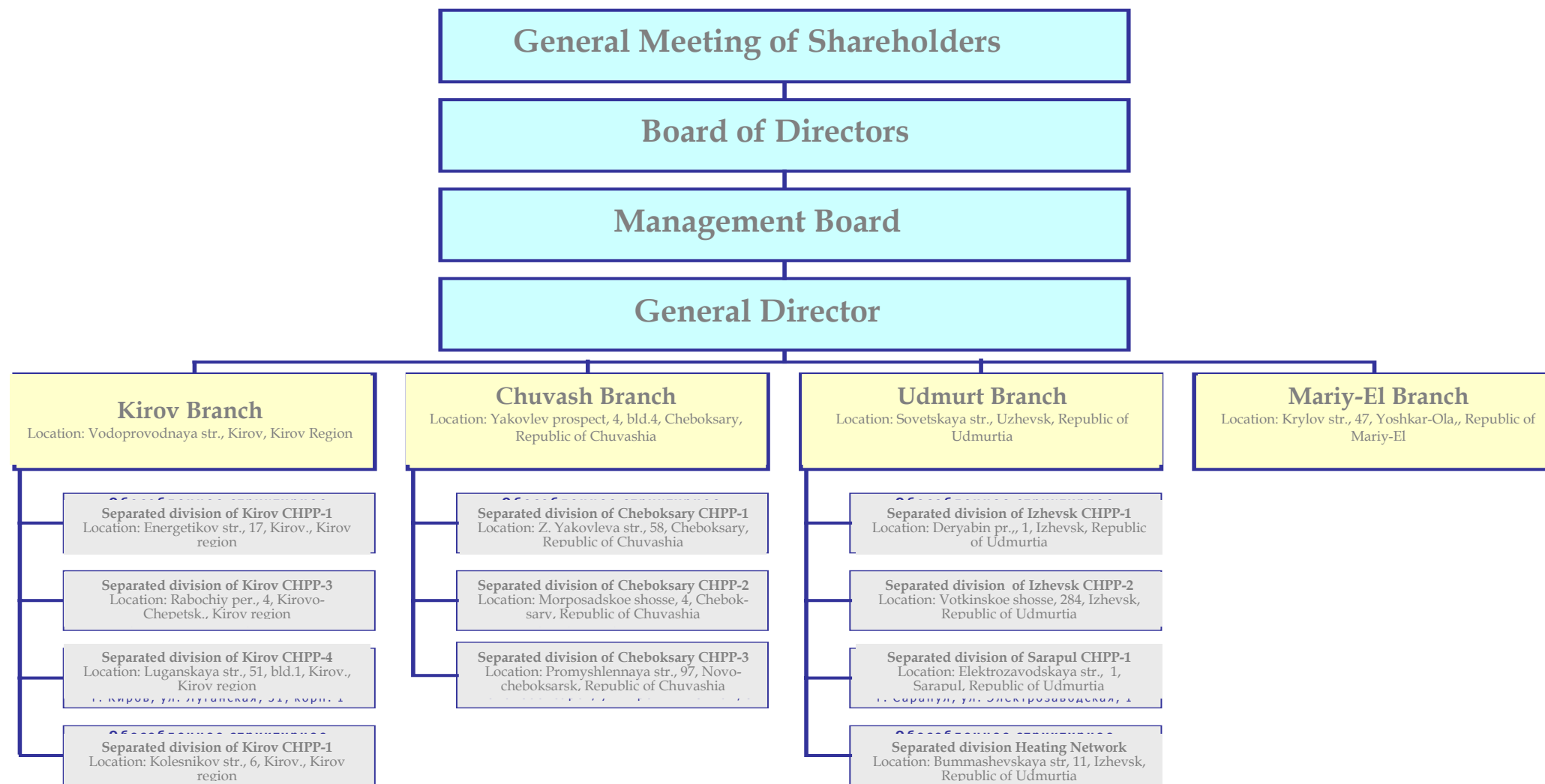
- OAO "Chuvash Generation Company";
- OAO "Chuvash Energy Retail Company";
- OAO "Cheboksary HPP";
- OAO "Chuvash Management Company";
- OAO "Chuvash Trunk Grid".

On January 01, 2005 state registration was granted to the spin-off companies:

- OAO "Chuvash Generation Company";
- OAO "Chuvash Energy Retail Company";
- OAO "Chuvash Management Company";
- OAO "Cheboksary HPP".



2.2. General Company Structure.



2.3. Company competitive environment and the risk factors.

The analysis of the electric and heat energy markets in the regions serviced by JSC "TGC-5" revealed active competitors and assessed the existing trends and the possibility that new players will appear on the stage.

The main competitors of JSC "TGC-5" on the electric energy market are stations of the United Generation Company, located in the first price area and stations of the nearest TGCs. Cost-performance ratios of the stations are the basis of competitive advantages and disadvantages

The competitive environment of JSC "TGC-5" in the markets of heat energy is created by municipal and department boiler stations, which generate heat energy for own needs and to supply heat to other consumers, we can mention among them:

- in Kirov – OAO "Kirov Public-Service Systems", which operate heating boiler-stations outside the area of JSC "TGC-5" heat supply and which is a wholesaler buyer/reseller of the heat energy generated by the Kirov Branch of JSC "TGC-5";

- in Yoshkar-Ola – Municipal Unitary Enterprise "Yoshkar-Ola CHPP-1", which is a wholesale buyer-reseller of the heat energy generated by Yoshkar-Ola CHPP-2 of the Mariy-El Branch of JSC "TGC-5" and which generates heat energy using own heat sources;

- in Izhevsk – a number of private boiler stations, the main of which are boiler-stations of OAO "Bummash" Plant", OAO "Izhevsk Mechanical Plant", OAO "Izhavto", OAO "Izhmashenergo" etc;

- in Sarapul –OOO "Sarapulteploenergo" (affiliate of "Udmurtregiongaz"), which for the last two years has been actively operating in the heat energy market, installing modern module gas boiler stations instead of old-fashioned municipal ones;

- in Cheboksary – OOO "Communal Technologies", which is a wholesale buyer-reseller of heat energy generated by the CHPP of the Chuvash branch of JSC "TGC-5" and which generates heat energy using its own heat sources;

- the only sources of heat energy in Kirovo-Chepetsk, Novocheboksarsk are CHPPs of JSC "TGC-5".

when operating on the new wholesale market of electric energy.

Competitive advantage of many stations of JSC "TGC-5" together with the expected growth of energy deficit and also planned positive alterations in the respective laws speak for the fact that JSC "TGC-5" has a good potential not only to retain the existing energy retail markets, but also to fortify its competitive positions both in the territory of coverage and outside it.

The main competitive advantages of JSC "TGC-5" in the heat energy market are low prices as compared with rates of other heat supply companies, available schemes of heat supply and contractual relations with large customers.

The heat energy market share of JSC "TGC-5" in the Kirov region, the Republic of Mariy El, Udmurtia, Chuvashia makes 40.8%.

The situation of the Kirov Branch of OAO "TGC-5" is in the more favourable situation; its share in the Kirov region is 49 %. The market share of heat energy of Mariy El, Udmurt and Chuvash Branches is 16 %, 44 % and 41 % respectively.

Appearance of new modern economical heat sources in the market makes competition tougher and, as a result, greatly increases the risk of heat market loss by JSC "TGC-5". Competition with these heat sources should be guaranteed due to increased efficiency of the CHPPs using new equipment, technologies and taking efficient management decisions.

The following **external factors and risks** influence the energy system of the territories serviced by JSC "TGC-5":

- appearing of large industrial consumers on the wholesale market of electric power may considerably impair the financial status of the Company and lead to growth of rates for other consumers. Some large industrial consumers develop own heat generating capacities, which may result in

reduction of heat demand from the stations of JSC "TGC-5" branches and, correspondingly, reduce the efficiency of their work. It is possible to deter large consumers from approaching the wholesale market may implement investment projects, connected with development of energy generation;



- cross-subsidy, which results in unreasonably high rates for industrial enterprises and increases the risk that large industrial enterprises will approach the wholesale market, and also negatively influences the economic development of the regions of JSC "TGC-5" servicing in general. At the same time, a sharp refusal from cross-subsidy will bring about a quick growth of rates for public and state-financed organizations, which, in its turn, may result in unfavourable social results. This group of risks may be eliminated if the Company adopts programs, projects or measures for development of the infrastructure of the territories of servicing, creation of new workplaces, enterprises, which work on natural resources of territories, including local types of fuel and also or because of charity work;

- political load and insufficient transparency of rate control, which is not sufficient to cover all the Company costs at the expense of the controlled incomes, negative characteristics of the regional markets of electric and heat energy, including relatively low level of rates, high concen-

tration of the client base and the remaining problem of payment collection. Such risks are partly compensated by the monopoly position of JSC "TGC-5", both by vertically integrated electric power and heat generating companies in the regions of servicing, gradual increase in the control system transparency in Russia, available diversified base of generating capacities.

- making up (alteration) of development plans for territories covered by JSC "TGC-5" without taking into account Company interests and changes in economic and investment policy regarding the Company interests. The Company shall take part in (initiate) development of projects concerning territory development, economic and investment policy, monitor performance of approved programs of region development, enter into agreement with executive bodies in the regions concerning collaboration and thus optimize risks.

Revelation, structuring and assessment of risk factors is an integral element in activity of any company, including JSC "TGC-5".

JSC "TGC-5" development strategy offers implementation of non-financial risks management system, which will guarantee that the Company achieves its strategic goals in the conditions, when the degree of uncertainty greatly increases due to the influence of consumers, competitors, investors, minority shareholders and other parties concerned (stake-holders) with their different interests.





3. Corporate Governance

3.1. Principles and documents.

JSC "TGC-5" assumed the responsibility to comply with the following the principles in order to ensure a reliable level of corporate governance and achieving of mutual understanding between the Company and shareholders of OAO "TGC-5":

- transparency and informational openness;

Transparency and informational openness

The Company sticks to the principle of timely revelation of information concerning the Company activity. Mass media (the "Sovetskaya Chuvashia" newspaper) publishes information about General Meetings of shareholders and additional information so that investors could objectively access the prospects of the Company activity.

JSC "TGC-5" provides detailed information to all interested persons by a corporate Internet-site: www.tgc5.ru, the data on this site is permanently updated. This site has a specialized section "To shareholders and Investors", which gives links to in-house documents, information on resolutions of General Meetings of shareholders and the Company Board of Directors and other essential information on corporate governance in the Company.

In accordance with Provisions for disclosure of information by issuers of emission securities approved by Order of the Federal Financial Markets Service of the RF of

- control and quality evaluation of business management;
- ensuring rights of Company shareholders and prospective investors;
- equal attitude to shareholders.

16.03.2005 № 05-5/pz-n a List of Affiliated Persons specifying all changes, which has happened in the reporting quarter, shall be submitted to the registration authority on a quarterly basis. The said List is also available at the Company Internet-site

<http://www.tgc5.ru/site/tqk5/site.nsf/filepath/E27F67A837665F7DC3257082002EC62F?OpenDocument>

The registration authority guarantees disclosure of submitted Lists on the Internet.

Such submitting of information on the activity results through available channels guarantees transparency and informational openness of the Company in the volume, which is sufficient for shareholders to take balanced and reasonable decisions concerning shares disposing.

Besides, the Company replies to all letters and requests of shareholders through correspondence or phone conversations.

Control and quality evaluation of business management

The Audit Commission, which may at any time check financial and economic activities of the Company, is elected in accordance with the Company Articles of Association to ensure control over Company financial and economic activities.

The reliability of data contained in Annual Reports of the company, accounting balance sheets, profit and loss account is confirmed by the Audit Commission of the Company.

The Company should engage an independent auditor approved by the General Meeting of shareholders to check and confirm annual accounting statements before the Company publishes such reports and statements.

The Annual Report of the Company is subject to preliminary confirmation by the Board of Directors of the Company.

The responsibility for organization, status and reliability of accounting statements, timely submitting of statements to respective authorities and of information concerning the Company activity submitted to creditors, shareholders, mass media etc, shall be borne by the General Director of the Company in accordance with Federal Law "On Joint Stock Companies" and other acts of law of the Russian Federation.

The Articles of Association of the Company is available on the site of JSC "TGC-5" at the address: <http://www.tgc5.ru/site/tqk5/site.nsf/filepath/DA7>



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, which makes the contents of the Articles of Association open and available.

The first priority types of the Company activity in 2006 are achievement of possibilities to provide for reliable

and continuous energy supply to solvent consumers, continuous up and running of a production complex, reduction of costs, minimization of losses and increase in the profitability in energy sales. It gives a basis for solving of strategic tasks aimed at corporate governance quality improvement.

Ensuring the rights of the company shareholders and prospective investors

Company shares give the following rights and advantages to a shareholder:

- **reliable methods of proprietary rights registration:**
The Registrar of JSC "TGC-5" shares is a professional market maker – OAO "central Moscow Depository", which has modern technical means and a relevant control system.
- **free alienation or transfer of shares:**
Each shareholder has a right to sell or transfer to another person (legal successor), i.e. may dispose of it at their own discretion;
- **unhampered and timely acquisition of required information:**
The Company publishes in the "Sovetskaya Chuvashia" newspaper comprehensive information for shareholders about the date and place of convening of the General Meetings of shareholders and their minutes and also about issues, which shall be discussed at the Meeting. This information shall be send to the address of each shareholder. More details on the information openness of the Company is given below;

Equal attitude to shareholders

The corporate governance guarantees equal attitude towards shareholders that can have significant influence on the Company business (that jointly hold two and more per cent of the shares) and towards minority shareholders. All shareholders have equal voting rights; investors may receive information on voting rights granted by each category of shares before they buy shares or make their investments. Any alterations connected with implementation of rights granted by shares of each category and type may be introduced into the Articles of Association only after such alterations are approved and passed by the General Meeting of shareholders. Those shareholders, whose rights granted by shares, vary, also take part in voting on such issues. The rules of procedure for holding General Meetings of shareholders ensure real equal attitude to all shareholders.

The Company has a system of corporate governance, which is built on the above principles and which includes the

- **participation and voting at the General Meeting of shareholders:**

Shareholders shall have the possibility to take part in General Meetings of shareholders and vote there personally or by proxy. Shareholders participate in passing resolution concerning principal changes in the company, such as introduction of alterations in the Company Articles of Association, taking decisions on the Company restructuring or in taking decisions on other issues in accordance with the Articles of Association;

- **participation in election of management bodies:**

Shareholders – owners of ordinary shares of the company are granted the right to elect the Board of Directors and to pass resolution on termination of its powers by cumulative voting at the General Meeting of shareholders;

- **right to receive a share of the company profits:**

Upon receiving of profit, the Company calculated dividends on placed shares. the question on the dividends size, the form and terms of payment shall be discussed at the General Meeting of shareholders.

list of approved in-house documents, which regulate the activity of the Company management and control bodies, within the framework of providing guarantees for legal rights and interests of owners and prospective investors.

The General Meeting of shareholders of JSC "TGC-5" (minutes of the Management Board of OAO RAO "UES of Russia" of December 05,2005) approved the following documents:

1. Regulation on the Procedure of Preparation and Holding of the General Meeting of Shareholders of the Company.

The Regulation on the Procedure of Preparation and Holding of the General Meeting of Shareholders of JSC "TGC-5" is developed to govern:

- ◆ convening and preparation of the General Meeting of shareholders, including peculiarities of convening an extraordinary General Meeting of shareholders;



Section 3. Corporate Governance

- ♦ holding of a General Meeting of shareholders in the form of a meeting including the procedure of registration of persons that have the right to take part in the Meeting, of opening the General Meeting of shareholders, discussing items of the agenda of the general Meeting of shareholders, voting at the General Meeting of shareholders, summing up and declaring the results of voting on issues discussed at the General Meeting of shareholders;
- ♦ holding of the General Meeting of shareholders in the form of absentee voting etc.

The Regulation on the Procedure of Preparation and Holding of the General Meeting of shareholders of JSC "TGC-5" appoints working bodies of the General Meeting of shareholders, which are Chairman of the General Meeting of shareholders, the Counting Commission, Secretary of the General meeting of shareholders and their functions.

2. Regulation on the Procedure of Convening and Holding of Meetings of the Board of Directors of the Company.

The Regulation on the Procedure of Convening and Holding of Meetings of the Board of Directors of JSC "TGC-5" is developed to govern issues connected with the procedure of convening and holding of meetings of the Board of Directors of the Company.

3. Regulation on the Audit Commission of the Company.

The Regulation on the Audit commission of JSC "TGC-5" establishes the procedure of exercising control over the financial activity of the Company by the Audit Commission.

4. Regulation on Payment of Remunerations And Compensations to Members of the Audit Commission of the Company.

This Regulation has been developed in accordance with the Federal Law "On Joint Stock Companies" and it establishes the sizes and the procedure of payment of remuneration and compensations to the members of the Audit

Commission of JSC "TGC-5".

The Board of Directors of the Company approved the following in-house documents:

Regulation on Information Policy (Minutes No 8 of 18.08.2005)

This Regulation is developed in accordance with the requirements of the Russian Federation laws, the Code of Corporate Behavior of the Federal Commission on the Securities Market, the Articles of Association, in-house documents of the Company and international practice of corporate governance and determines the rules of and approaches to disclosure of information, the list of information and documents, which are to be disclosed for shareholders and prospective investors and market-makers of the securities market and establishes the procedure and dates for its submission.

Regulation on Insider Activity (Minutes No 11 of 30.09.2005)

This Regulation is developed to govern the procedure of use of data, which refer to securities of the Company and its affiliates, to operations with them and also to issuers of such securities and activity performed by them, disclosure of which may have significant influence on market prices of the specified securities, and which gives to persons, which possess it, advantages as compared with other persons in the part concerning taking decisions on maintaining and (or) acquisition and (or) alienation of securities.

These Regulations are placed on the site of JSC "TGC-5"

<http://www.tgc5.ru/site/tgk5/site.nsf/filepath/2F474BD6F85ED898C32570820029E920?OpenDocument>, which makes their contents open and available for all interested persons.



3.2. Increasing the level of corporate governance.

Corporate governance is a notion which embraces different actions connected with the Company management.

When a company reaches a high level of corporate governance, it has influence on the economic factors of activity and on the Company's ability to attract capital required for financial growth. Improvement of corporate governance is an important measure to increase inflow of investments. One measure of such improvement may become introduction of special standards, established on the basis of the analysis of the best corporate behaviour practice.

The main purpose of the Company within the framework of improvement of corporate governance is development, acceptance and implementation of provisions of the Corporate Behaviour Code on the basis of recommended by Order of the federal Commission on the Securities Market of the RF of 04.04.2002 № 421/r.

The result of implementation and use of the Corporate Behaviour Code will be increase in the level of corporate governance in the company, which will allow protecting interests

of all shareholders, increasing investment attractiveness of the Company, reduction of costs for attraction of the capital and, finally, it will have a positive influence on the cost of the Company securities.

JSC "TGC-5" is planning to make use of services of a rating agency – a world leader in the sphere of providing services for determining rating of corporate governance - Standard&Poor's in order to determine the rating of JSC "TGC-5" corporate governance.

Information, received as a result of conducted independent corporate audit may be used:

- for long-term attraction of new investors, which in any other case would not consider the possibility of making investments in the Company;
- for additional informing of investors in the process of capital attraction;
- as a reference point for improvement of corporate governance procedures.

3.3. Information on Company's observance of the Corporate Behaviour Code.

All data on Company's observance of the Corporate Behaviour Code are available in Appendix 1 to the Annual Report.

3.4. Information on members of management and control bodies.

In accordance with the Articles of Association, the Company management bodies are:

- General Meeting of shareholders ;
- Board of Directors ;
- Management Board;
- General Director

The body, which controls financial and economic activities of the Company is the Company Audit Commission.

3.4.1. General Meeting of Shareholders.

General meeting of shareholders is a supreme body of Company management. The competence of the General Meeting of shareholders includes the following questions:

- 1) to introduce changes or amendments to the Articles of Association or approval of the new version of the Articles of Association;
- 2) to restructure the Company including approval of contracts of merger (takeover);
- 3) to liquidate the Company, appointment of the liquidation commission and approval of the intermediate and

final balance sheets;

- 4) to determine the quality, nominal value, category (type) of authorized shares and rights granted by these shares;

- 5) to increase the Company authorized capital by increasing the nominal value of shares or by placing additional shares;



6) to decrease the authorized capital of the Company by reducing the nominal value of shares by acquiring a part of shares by the Company in order to reduce their general quantity and also by redemption of shares acquired or bought out by the Company;

7) to dilute and consolidate Company shares;

8) to pass resolutions on Company placement of bonds, which may be converted into shares or other emission securities, which may be converted into shares;

9) to elect members of Company Board of Directors and their early termination of their powers;

10) to elect members of the Audit Commission of the Company and early termination of their powers;

11) to approve of the Auditor by the Company;

12) to pass resolutions on delegation of powers of a sole executive body of the Company to a management company (manager) and early termination of powers of such management company (manager);

13) to approve of an annual report, annual accounting statements, including profit and loss statement (profit and loss account) of the Company and distribution of profit (including payment (declaration) of dividends, except profit distributed in the form of dividends in accordance with the results of the first quarter, six months or nine months of a financial year) and losses of the Company in accordance

with the results of a financial year;

14) to pay (declaration) of shares in accordance with the results of the first quarter, six months, nine months of a financial year;

15) to determine the procedure for holding a General Meeting of shareholders;

16) to take decisions on approval of transactions in the cases provided for by Article 83 of Federal Law "On Joint-Stock Companies";

17) to take decisions on approval of large transaction in the cases provided for by Article 79 of the Federal Law "On Joint-Stock companies";

18) to take decisions on participation in holding companies, financial-industrial groups, associations and other alliances of commercial companies;

19) to approve of internal documents, which regulate Company activity;

20) to take decisions on payment of remunerations and (or) compensations to the members of the Audit Commission of the Company;

21) to take decisions on payment of remunerations and (or) compensations to the members of the Board of Directors of the Company;

22) to take decisions on other issues provided for by the Federal Law "On Joint Stock Companies".

Three General Meetings of shareholders were held in 2005. The Management Board of OAO RAO "UES of Russia" performed the functions of the General Meeting of shareholders of the Company in the reporting period.

Date of meeting	Type	Form of meeting	Most important taken decisions
25.08.2005	extraordinary	meeting	Early termination of powers of the Board of Directors elected on 21.03.2005 (Order of Chairman of the Board of Directors of OAO RAO "UES of Russia" № 51r), and election new members of the Board of Directors.
23.09.2005	extraordinary	meeting	Election of the Audit Commission of the Company.
06.12.2005	extraordinary	meeting	The decision was taken to restructure the company by merging it with OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmiurt Territorial Generation Company" and OAO "Chuvash Generation Company".



3.4.1. Board of Directors

The Board of Directors is a management body of the Company, which performs general management of the Company activity, controls execution of decisions of the General Meeting of shareholders of the Company in accordance with the requirements of Russian Federation. The activity of the Board of Directors of the Company is governed by the Articles of Association of the Company and Regulations on the Procedure for Convening and Holding of Meetings of the Board of Directors of the Company.

In accordance with the Regulation on the Procedure of Convening and Holding of Meetings of the Board of Directors of the Company

<http://www.tgc5.ru/site/tak5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument>

the main objectivess and goals of the activity of the Board of Directors of the Company are:

- ◆ to determine the strategy of Company development, aimed at increasing its market capitalization and investment attractiveness, reaching of maximum profit and growth of the Company assets;
- ◆ to ensure the implementation and protection of rights of Company shareholders and also assistance in resolution of corporate conflicts;
- ◆ to provide completeness, reliability and unbiased attitude of information concerning the Company for shareholders and other parties concerned;
- ◆ to create effective internal control mechanisms;
- ◆ to make regular assessment of activity of the company executive bodies and management.

The activity of the Board of Directors is governed by Federal Law "On Joint Stock Companies", other normative legal acts of the Russian Federation, the Articles of Association of the Company and Regulation on the Procedure of Convening and Holding of Meetings of the Board of Directors of the Company.

Chairman of the Board of Directors elected by members of the Board of Directors from among them by majority of votes from the total number of the members of the Board of Directors:

- ◆ organizes work of the Board of Directors;
- ◆ determines a list of people, who should be invited to take part in discussion of individual items of agendas of

meetings of the Board of Directors;

- ◆ presides over meetings of the Board of Directors;
- ◆ signs minutes of meetings of the Board of Directors, requirements for examination (audit) of financial and economic activity of the Company and other documents on behalf of the Board of Directors of the Company;
- ◆ presides over General Meetings of shareholders of the Company, reads the agenda, informs of coming speeches and reports and performs other functions of Chairman of the General Meeting of shareholders of the Company provided for in the Regulation on the Procedure of Preparation and Holding of a General Meeting of shareholders of the Company;
- ◆ represents the Board of Directors in contacts with Company shareholders, in government authorities, in public organizations, in mass media;
- ◆ during meetings of the Board of Directors ensures compliance with the requirements of the Russian Federation laws, Articles of Association of the Company, other in-house documents of the Company and this Regulation;
- ◆ on behalf of the Board of Directors organizes control over execution of decisions of the General Meeting of shareholders and the Board of Directors, officially performs control over execution of decisions of the Board of Directors and withdraws control from executed decisions of the Board of Directors;
- ◆ performs other functions, provided for by laws of the Russian Federation, the Articles of Association and decisions of the Board of Directors of the Company.



Members of the Board of Directors may within the framework of the powers of the Board of Directors:

- ◆ obtain information on the Company activity, including that, which is a commercial secret of the Company, familiarize themselves with all constitutive, normative, accounting, reporting, contractual and other documents of the Company in accordance with the laws of the Russian Federation and in-house documents of the Company;
- ◆ put forth written proposals on development of a work plan for the Board of Directors;
- ◆ in accordance with the established procedure put items on the agenda of meetings of the Board of Directors;
- ◆ require convening of a meeting of the Board of Directors of the Company;
- ◆ exercise other rights provided for by the laws of the Russian Federation, the Articles of the Company and other in-house documents of the Company.

When exercising their rights and executing their obligations, the members of the Board of Directors shall act in the interests of the Company, exercise their rights and perform their obligations in relation to the Company reasonably and in good faith.

Members of the Board of Directors shall bear liability to the company for losses caused for the Company by their guilty actions (failure to act) in accordance with the applicable laws.

Information on the size of remuneration paid to the members of the Board of Directors of the Company

In connection with the fact that the Regulation on Payment of Remunerations and Compensations to members of the Board of Directors of JSC "TGC-5" has not been approved by the Company, no remunerations and compensa-

tions has been paid to members of the Board of Directors of JSC "TGC-5" for participation in meetings of the Board of Directors.

Information on bringing of actions against the members of the Board of Directors

No actions have been brought against the members of the Board of Directors.



Section 3. Corporate Governance

During 2005, from the moment of creation (March 22, 2005) and until August 25, 2005 the functions of the Company management were performed by the Board of Directors elected by Order № 51r of Chairman of the Management Board of OAO RAO "UES of Russia", which consisted of 11 people:

<p>Gorev, Ilya Evgenyevich</p> <p>Chairman of the Board of Directors Citizen of the Russian Federation</p>	<p>Company: OAO RAO "UES of Russia" Position: deputy managing director, chief executive officer of Business Unit No 1</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Akhanov, Dmitry Sergeevich</p> <p>Member of the Board of Directors Born: 1975 Citizen of the Russian Federation</p>	<p>Period: 2002 - 2005 Company: Branran Ltd. Position: management consulting director</p> <p>Period: 2004 – up to now Company: OAO RAO "UES of Russia" Position: head of the Department of strategy and the Center of reform management</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Vasilyev, Mikhail Borisovich</p> <p>Member of the Board of Directors Born: 1954 Citizen of the Russian Federation</p>	<p>Company: NCH Advisors, Inc Position: head of the representative office in Saint-Petersburg</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Vasiliev, Sergei Vyacheslavovich</p> <p>Member of the Board of Directors Born: 1975 Citizen of the Russian Federation</p>	<p>Period: 2002 – up to now Company: OAO RAO "UES of Russia" Position: vice-chief; chief of the Legal Department of the Corporate Center Does not own Company shares.</p> <p>First election to the Board of Directors: 22.03.2005</p>
<p>Dubnov, Oleg Markovich</p> <p>Member of the Board of Directors Born: 1971 Citizen of the Russian Federation</p>	<p>Period: 2001 – 2003 Company: Representative offices of OAO RAO "UES of Russia" – Tsenterenergo in Moscow Position: leading specialist of legal support department, advisors for the Board of Directors work.</p> <p>Period: 2003 – up to now Company: "Institute of Professional Directors" foundation Position: deputy General Director, vice General Director</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Kolushov, Vladimir Nikolaevich</p> <p>Member of the Board of Directors Born: 1979 Citizen of the Russian Federation</p>	<p>Period: 2001 – up to now Company: OAO RAO "UES of Russia" Position: main specialist of the department of affiliates restructuring and efficiency of capital management of the Capital Management Department; main specialist of the department of leasing and contractual relations of the Capital Management Department; main specialist in the department of corporate projects of Capital Management Department, project manager, center for Implementation of Projects of AO-Energo restructuring; manager of the department of interregional and territorial projects of restructuring management and property of Business Unit No1; executive director, Center of Project Management, Business Unit No1.</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>



<p>Lebedev, Vladimir Albertovich</p> <p>Member of the Board of Directors Born: 1962 Citizen of the Russian Federation</p>	<p>Period: 2001 – 2004 Company: OAO "Kirovenergo" Position: General Director</p> <p>Period: 2004 – 2005 Company: Administration of the Kirov Region Position: Vice Chairman of the Government of the Kirov Region</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: General Director</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Chabak, Anatoly Antonovich</p> <p>Member of the Board of Directors Born: 1966 Citizen of the Russian Federation</p>	<p>Period: 1998 – up to now Company: NIKoil Financial Corporation Position: General Director of OAO "NIKoil-Savings"</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Nekipelov, Yury Borisovich</p> <p>Member of the Board of Directors Born: 1972 Citizen of the Russian Federation</p>	<p>Period: 2001 – 2004 Position: non-incorporated entrepreneur</p> <p>Period: 2004 – up to now Company: Institute of Professional Directors Foundation Position: advisor</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Shumilov, Alexandr Alexandrovich</p> <p>Member of the Board of Directors Born: 1967 Citizen of the Russian Federation</p>	<p>Period: 2001 – 2003 Company: Open Joint-Stock Corporation for Energy and Electrification "Nizhnovenergo" Position: Vice General Director for reforming and property</p> <p>Period: 2003 – up to now Company: ZAO «SUEK» Position: Deputy Director of the Energy Complex Strategy</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>
<p>Yaroshevich, Vladislav Anatolyevich</p> <p>Member of the Board of Directors Born: 1972 Citizen of the Russian Federation</p>	<p>Period: 2001 – 2003 Company: Representative office of OAO RAO "UES of Russia" "Yuzhenergo", town of Pyatigorsk Position: advisor of the Board of Directors functions</p> <p>Period: 2003 – up to now Company: Institute of Professional Directors Foundation Position: advisor</p> <p>Does not own Company shares. First election to the Board of Directors: 22.03.2005</p>

11 members of the Company Board of Directors have been reelected on August 25, 2005 on the basis of resolution of the Management Board of OAO RAO "UES of

Russia", which performs the powers of the General Meeting of shareholders of 25.08.2005 (minutes № 1280pr/6):



**Kolushov,
Vladimir Nikolaevich**



Chairman of the Board of Directors

Born: 1979

Citizen of the Russian Federation

Period: 2001 – up to now

Company: OAO RAO "UES of Russia"

Position: main specialist of the department of affiliates restructuring and efficiency of capital management of the Capital Management Department; main specialist of the department of leasing and contractual relations of the Capital Management Department; main specialist in the department of corporate projects of Capital Management Department, project manager, center for Implementation of Projects of AO-Energo restructuring; manager of the department of interregional and territorial projects of restructuring management and property of Business Unit No1; executive director, Center of Project Management, Business Unit No1.

Does not own Company shares.

First election to the Board of Directors: 22.03.2005

**Slobodin,
Mikhail Yurievich**



Vice-Chairman of the Board of Directors

Born: 1972

Citizen of the Russian Federation

Period: 2001 – 2002

Company: OAO "Irkutskenergo"

Position: Vice General Director for finances and economy

Period: 2002 – 2003

Company: OAO "Tyumen Oil Company"

Position: director of the Department for Electric Energy Business Development

Period: 2003 – 2004

Company: OAO "TNK-BP Management"

Position: Vice-President for Energy

Period: 2004 – up to now

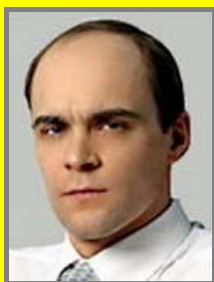
Company: ZAO "Complex Energy Systems"

Position: General Director

Does not own Company shares.

First election to the Board of Directors: 25.08.2005

**Glushchenko,
Alexei Dmitrievich**



Member of the Board of Directors

Born: 1974

Citizen of the Russian Federation

Period: 2001 – 2002

Company: OAO "Irkutskenergo"

Position: chief of the Budgeting and Accounting Department

Period: 2002 - up to now

Company: ZAO "CES"

Position: deputy General Director for management and assets

Does not own Company shares.

First election to the Board of Directors: 25.08.2005



**Vasilyev,
Sergey Vyacheslavovich**



Member of the Board of Directors
Born: 1975
Citizen of the Russian Federation

Period: 2002 – up to now
Company: OAO RAO "UES of Russia"
Position: vice chief; head of the Legal Department of the Corporate Center

Does not own Company shares.
First election to the Board of Directors: : 22.03.2005

**Tuzhilin,
Alexey Elyevich**



Member of the Board of Directors
Born: 1968
Citizen of the Russian Federation

Period: 2001 - 2002
Company: OAO "Sibneft"
Position: leading specialist, main specialist, head of the securities office of the Corporate Management Department of the Corporate Finance Administration

Period: 2002 - 2003
Company: Moscow Representative office of Millhouse Capital UK Limited
Position: head of corporate governance

Period: 2003 – up to now
Company: ZAO "CES"
Position: Vice General Director for corporate governance

Does not own Company shares.
First election to the Board of Directors: 25.08.2005

**Dubovitskaya,
Elena Anatolyevna**



Member of the Board of Directors
Born: 1981
Citizen of the Russian Federation

Period: 2002 – up to now
Company: "Corporate Management Techniques" LLC
Position: consultant of the Management Consulting Department; consultant of the Corporate Governance Department; head of the Corporate Governance Department; deputy General Director.

Period: 2004 – up to now
Company: Institute of Professional Directors Foundation
Position: advisor

Does not own Company shares.
First election to the Board of Directors: 25.08.2005



**Tuzov,
Dmitry Anatolyevich**



Member of the Board of Directors
Born: 1969
Citizen of the Russian Federation

Period: 2001 – 2002
Company: Administration of Samara region
Position: head of the energy office of the department for fuel and energy complex, chemistry and petrochemistry, transportation and communications

Period: 2002 – 2003
Company: Representative office of OAO RAO "UES of Russia" ("Volgaenergo")
Position: main specialist of the corporate event department, head of the corporate event department, advisor on work of the Board of Directors.

Period: 2003 – up to now
Company: Institute of Professional Directors Foundation
Position: advisor

Does not own Company shares.
First election to the Board of Directors: 25.08.2005

**Lebedev,
Vladimir Albertovich**



Member of the Board of Directors
Born: 1962
Citizen of the Russian Federation

Period: 2001 – 2004
Company: OAO "Kirovenergo"
Position: General Director

Period: 2004 – 2005
Company: Administration of the Kirov Region
Position: Vice Chairman of the Government of the Kirov Region

Period: 2005 – up to now
Company: JSC "TGC-5"
Position: General Director

Does not own Company shares.
First election to the Board of Directors: 22.03.2005

**Shtykov,
Dmitry Viktorovich**



Member of the Board of Directors
Born: 1976
Citizen of the Russian Federation

Period: 1999– 2003
Company: OAO RAO "UES of Russia"
Position: leading specialist, chief specialist, acting head of department, head of department

Period: 2003– up to now
Company: Institute of Professional Directors Foundation
Position: General Director

Does not own Company shares.
First election to the Board of Directors: 25.08.2005



**Akhanov,
Dmitry Sergeevich**



Member of the Board of Directors
Born: 1975
Citizen of the Russian Federation

Period: 2002- 2005
Company: Branan Ltd.
Position: director for management consulting

Period: 2004 – up to now
Company: OAO RAO "UES of Russia"
Position: head of the Strategy Department of the Reform Management Center

Does not own Company shares.
First election to the Board of Directors: 22.03.2005

**Sutkovoy,
Igor Yurievich**



Member of the Board of Directors
Born: 1979
Citizen of the Russian Federation

Company: OAO RAO "UES of Russia"
Position: specialist of the first category; leading specialist; head of the highlights of efficiency and economy of affiliates of Business Unit No1 Office; deputy head of the Business Planning Department of the Corporate Center.

Does not own Company shares.
First election to the Board of Directors: 25.08.2005

The Board of Directors consists of a group of people, who have certain knowledge on the Company activity, therefore they act in the interests of the Company and shareholders. Besides, in accordance with the requirements

of the Corporate Behaviour Code the Board of Directors have three independent directors: E.A. Dubovitskaya, D.A. Tuzov, D.V. Shtykov.

Most Important Resolutions Passed by the Board of Directors of the Company

- ◆ **11.04.2005** The Board of Directors passed resolution on issuance of Company securities and the Securities Issuance Report.
- ◆ **20.07.2005** The Board of Directors passed a resolution on approval of consortium within 'Institute of Entrepreneurship Problems, ZAO "NEO Center" and ZAO "ABM Partner" as an independent appraiser for estimation of the market value of the

Company shares for their redemption in accordance with the requirements of art. 75 of the Federal Law "On Joint-Stock Company".

- ◆ **09.09.2005** the Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration, the Business Planning, Budget and Finance Committee and the Audit



Committee pursuant to the resolution of the Board of Directors.

- ◆ **20.09.2005** the Board of Directors approved concluded contracts for transfer of the shares of OAO "Kirovenergosbyt", OAO "Marienergosbyt", OAO "Chuvash Energy Retail Company" to be held on trust.
- ◆ **30.09.2005** The Board of Directors approved of alienation (sale) of Company shares, which were at company's disposal as a result of their partial payment at Company incorporation.
- ◆ **30.11.2005** the Board of Directors recommended that the general Meeting of shareholders should pass a resolution on the Company restructuring by merging it with OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Chuvash Generation Company" on the conditions as provided for by the Agreement on

Merger of OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Chuvash Generation Company" with JSC "TGC-5".

- ◆ **30.11.2005** The Board of Directors passed resolution on creation of the Reliability Committee of the Board of Directors.
- ◆ **30.11.2005** The Board of Directors approved of the schedule of actions for Company restructuring in the form of merger.
- ◆ **29.12.2005** The Board of Directors passed a resolution on convening a collective General Meeting of the company shareholders.
- ◆ **29.12.2005** The Board of Directors approved of the resolution of additional issue of shares of the Company securities.

Information on all resolutions of the Board of Directors of JSC "TGC-5" is located on the official site of the Company <http://www.tgc5.ru/site/tgk5/site.nsf/filepath/E9884312E5F6AE11C32570820034A249?OpenDocument>.

Committees of the Company Board of Directors

The following Committees of the Board of Directors have been created to function in the Company:

- ☑ the Committee for Strategy, Restructuring, Investments, Corporate Governance, Staff and Remuneration;
- ☑ the Business Planning, Budget and Finance Committee;
- ☑ the Audit Committee;
- ☑ the Reliability Committee.

The Committee for Strategy, Restructuring, Corporate Governance, Investments, Staff and Remuneration

The Board of Directors of the Company passed a resolution on creation of the Committee of 09.09.2005 (Minutes of No 9), nowadays the Committee has the following members:

Smelov, E.Yu. Chairman of the Committee	Company: ZAO "Federal Center of Sales" Position: General Director
Abramov, A.Yu Member of the Committee	Company: ZAO "Complex Energy Systems" Position: head of the Strategic Planning Department
Kolushov, V.N. Member of the Committee	Company: OAO RAO "UES of Russia" Position: executive director, Project Management Center, Business Unit No 1.
Neganov, L.V. Member of the Committee	Company: OAO RAO "UES of Russia" Position: head of the Office for efficiency enhancement for Business unit No 1
Kovalevich, D.A. Member of the Committee	Company: JSC "TGC-5" Position: director of capitalization management

The Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration of the Board of Directors of the Company is an advisory and consultancy body, which guarantees that the Board of Directors of the Company effi-



ciently performs its functions of general management of the Company activity. The Committee is not a Company body and has no right to act on behalf of the Company. All Committee's decisions are only of recommendation nature for the Board of Directors of the Company.

The Committee acts in accordance with the Regulation on the Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration for the Board of Directors of JSC "TGC-5" approved by the Board of Directors of the Company on 30.11.2005 (minutes № 13), which describes the legal status, objectives and tasks, rights, obligations, the structure of the Committee and its members. The Committee activity is governed by the federal laws, other normative acts of law of the Russian Federation, the Articles of Association of the Company, the Regulation the Procedure of Convening and Holding of Meetings of the Board of Directors of the Company, resolutions of the Board of Directors of the Company.

In accordance with the Regulation on the Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration for the Board of Directors of JSC

"TGC-5"

<http://www.tgc5.ru/site/tak5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument>

the Committee objectives are:

- ◆ to determine priority types of activity, aims of strategy and main principles of the Company strategic development;
- ◆ to improve investment attraction of the Company, improvement of its investment activity;
- ◆ to assess the efficiency of Company activity in the long-term prospective;
- ◆ to adjust the existing Company strategy;
- ◆ to execute control over implementation of approved programs, projects and the process of the Company restructuring;
- ◆ to execute corporate governance;
- ◆ to give recommendations concerning sizes of remuneration of the members of the Board of Directors, members of the collegial executive body and the person who performs the functions of the sole executive body of the issuer including a management company or a manager;
- ◆ to specify terms and conditions for agreements concluded with members of the collegial executive body and the person, who performs the functions of the sole executive body of the issuer;
- ◆ to determine the criteria for election of candidates to be members of the collegial executive body, to the position of the sole executive body of the issuer and other individual positions of the executive bodies of the Company;
- ◆ to assess the activity of the person that performs the functions of the sole executive body (a managing company, a manager) and members of the collegial executive body of the issuer.

The competence of the Company includes preliminary consideration, analysis and development of recommendations (conclusions) for the following issues, which are within the competence of the Board of Directors of the Company:

- 1) to determine priority directions of the Company activity and strategy;
- 2) to discuss certain issues at General Meetings of shareholders of the Company;
- 3) to create branches and open up representative offices of the Company, their liquidation, approval of Regulation on branches and representative offices;
- 4) to give preliminary approval for transactions, which are to be concluded by the Company;
- 5) to take decisions on Company participation in other organizations and on cessation of being a member of other organizations;
- 6) to take decisions on recommending of candidates to the position of the sole executive body, to other management bodies, control bodies, and other candidates of the auditor of the organizations, in which the Company participates;
- 7) to approve of the Company annual report;



- 8) to elect the Company General Director and approve of his early dismissal, including taking the decision on early termination of the employment agreement concluded with him;
- 9) to determine the number of the members of the Company Management Board, to take decisions on election of the members of the Company Board of Directors, early termination of their powers, including taking the decision on early termination of the employment agreements concluded with them;
- 10) to approve of candidates to individual positions of the Company executive bodies, which are determined by the Company Board of Directors;
- 11) to approve of the general structure of the executive bodies of the Company and making alterations concerning it;
- 12) to take decisions on other issues connected with the above (except those, which are within the competences of other committees of the Company).

Information on sizes of remuneration paid to the members of the Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration

In compliance with the Regulation on the Committee for Strategy, Restructuring, Investment, Corporate Governance, Staff and Remuneration of the Board of Directors of the Company the members of the Committee may receive remuneration and compensation for expenses born in connection with fulfillment of their obligations upon a decision of the Board of Directors of the Company. The sizes of such remuneration and compensations, the procedure and time of

payment are determined by an individual resolution of the Board of Directors of the Company.

In 2005 remunerations or compensations were not paid to the members of the Committee as the Board of Directors of the Company had not taken a decision concerning the size, procedure and time of paying remunerations and compensations to the Committee members.

The Business Planning, Budget and Finance Committee

The Board of Directors of the Company passed a resolution to create the Committee on 09.09.2005 (Minutes No 9), at the present time the following people are the members of the Committee:

Ishchenko, I.V. Chairman of the Committee	Company: ZAO "Complex Energy Systems" Position: financial director
Kolushov, V.N. Committee member	Company: OAO RAO "UES of Russia" Position: executive director, Center of Project Management, Business Unit No 1
Glushchenko, A.D. Committee member	Company: ZAO "Complex Energy Systems" Position: deputy general director for asset management
Pichugina, M.N. Committee member	Company: OAO RAO "UES of Russia" Position: deputy Managing Director, Executive Director of Business unit No 1
Glinchak, E.S. Committee member	Company: JSC "TGC-5" Position: Deputy General Director for Economy and Finance

The Business Planning, Budget and Finance Committee of the Board of Directors of the Company is a consultative and advisory body, which guarantees that the Board of Directors of the Company efficiently performs its functions of general management of the Company. The

Committee is not a Company body and has no right to act on behalf of the Company. The decisions of the Committee are only of recommendation nature for the Board of Directors of the Company.

The Committee works in accordance with the Regu-



lation on the Business Planning, Budget and Finance Committee of the Board of Directors of JSC "TGC-5" approved by the Board of Directors of the Company on 30.11.2005 (Minutes No 13), which describes the legal status, the goal and objectives, rights, obligations, the structure of the Committee and its members. The activity of the Committee is gov-

erned by the federal laws, other normative acts of law of the Russian Federation, the Articles of Association of the Company, the Regulation on the Procedure of Convening and Holding Meetings of the Board of Directors of the Company, resolutions of the Board of Directors of the Company.

In accordance with the Regulation on the Business Planning, Budget and Finance Committee of the Board of Directors of JSC "TGC-5"

<http://www.tgc5.ru/site/tgk5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument> the tasks of the Committee activity are:

- ◆ determining and improvement of policy in the sphere of the Company business-planning;
- ◆ determining and improvement of policy in the sphere of finance and budgeting of the Company;
- ◆ development, execution and adjustment of the financial and economic plan (business plan, budget) of the Company, development of the credit and dividend policy of the Company;
- ◆ control over implementation of the approved business plan and budget of the Company.

The competence of the Committee includes preliminary considerations, analysis and elaboration of recommendations (opinions) concerning the following issues, which are within the competence of the Board of Directors of the Company:

- 1) to propose the following items for resolution at a General Meeting of the Company:
 - to approve the annual report, annual financial statements including the profit and loss statement (profit and loss account) of the Company and profit distribution (including payment (declaration) of dividends except the profit distributed as dividends as a result of the first quarter, six months, nine months of the financial year) and losses of the Company as a result of a financial year;
 - to pay (declare) of dividends as a result of the first quarter, six months, nine months of a financial year;
- 2) to place bonds and other issuing securities by the Company except cases provided for by the Federal Law "On Joint Stock Companies" and this Article of Association;
- 3) to take decision on using the Company resources, to approve of estimates of drawdown of special-purpose funds special and to consider the results of estimates execution for using special-purpose funds;
- 4) to approve of target values (adjusted values) of the key indicators of the Company efficiency and reports of their execution;
- 5) to approve of the business plan (adjusted business plan), to approve (adjust) the list and values of the key indicators of the Company cash-flows and also to consider the adjusted cash-flows of the company, which are approved by the Company Management Board;
- 6) to approve transactions preliminarily ;
- 7) to determine the Company credit policy;
- 8) other issues connected with the above (except those, which refer to the other Committees of the Company) and other issues by order of the Company Board of Directors.

Information on sizes of remuneration paid to the members of the Business-Planning, Budget and Finance Committee

In compliance with the Regulation on the Business-Planning, Budget and Finance Committee the members of the Committee may receive remuneration and compensation for expenses born in connection with fulfillment of their obligations upon a decision of the Board of Directors of the Company. The sizes of such remuneration and compensa-

tions, the procedure and time of payment are determined by an individual resolution of the Board of Directors of the Company.

In 2005 remunerations or compensations were not paid to the members of the Committee as the Board of Directors of the Company had not taken a decision concerning



the size, procedure and time of paying remunerations and

compensations to the Committee members.

The Audit Committee

The Board of Directors of the Company passed a resolution to create the Committee and to elect its members on 09.09.2005 (Minutes No 9):

Uzgorov, I.I. Chairman of the Committee	Company: OAO RAO "UES of Russia" Position: head of the Office for Control of Financial and Economic Activity of the affiliate of Business Unit No 1
Ishchenko, I.V. Committee member	Company: ZAO "Complex Energy Systems" Position: financial director
Mikhin, M.V. Committee member	Company: OAO RAO "UES of Russia" Position: specialist of the Office for Control of Financial and Economic Activity of the affiliate of Business Unit No 1

The Audit Committee of the Board of Directors of the Company is an advisory and consultancy body, which guarantees that the Board of Directors of the Company efficiently performs its functions of general management of the Company activity. The Committee is not a Company body and has no right to act on behalf of the Company. All Committee's decisions are only of recommendation nature for the Board of Directors of the Company.

The Committee acts in accordance with the Regulation on the Audit Committee of the Board of Directors of JSC "TGC-5" approved by the Board of Directors of the Company 30.11.2005 (Minutes No 13), which describes the legal status, objectives and tasks, rights, obligations, the structure of the Committee and its members. The Committee

activity is governed by the federal laws, other normative acts of law of the Russian Federation, the Articles of Association of the Company, the Regulation the Procedure of Convening and Holding of Meetings of the Board of Directors of the Company, resolutions of the Board of Directors of the Company.

In accordance with the Regulation on the Audit Committee of the Board of Directors of JSC "TGC-5" <http://www.tgc5.ru/site/tak5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument> the Committee objective is to develop and to present recommendations (opinions) concerning audit and financial statements of the Company to the Board of Directors and the executive body of the Company.

The competence of the Committee includes the preliminary consideration, analysis and development of recommendations (opinions) concerning the following issues, which refer to the competence of the Board of Directors of the Company:

- ◆ to approve of the Company annual report;
- ◆ to approve of annual accounting statements of the Company;
- ◆ to discuss the candidates to the position of the Company auditor;
- ◆ to determine the sizes of payment for the Company auditor services.

Information on sizes of remuneration paid to the members of the Audit Committee

In compliance with the Regulation on the Audit Committee the members of the Committee may receive remuneration and compensation for expenses born in connection with fulfillment of their obligations upon a decision of the Board of Directors of the Company. The sizes of such remuneration and compensations, the procedure and time of payment are determined by an individual resolution of the

Board of Directors of the Company.

In 2005 remunerations or compensations were not paid to the members of the Committee as the Board of Directors of the Company had not taken a decision concerning the size, procedure and time of paying remunerations and compensations to the Committee members.



The Reliability Committee

The Board of Directors of the Company passed a resolution to create the Committee and to elect its members on 30.11.2005 (minutes No 13):

Egorov, A. N. Committee member	Company: ZAO "Complex Energy Systems" Position: deputy General Director, technical director
Krivogouzov, A. V. Committee member	Company: OAO RAO "UES of Russia" Position: head of the Office of technical audit and production control of Business Unit No 1
Barsukov, D. A. Committee member	Company: OAO RAO "UES of Russia" Position: main specialist of the Office of the technical state and repair of Business Unit No 1
Zykin, Yu. V. Committee member	Company: JSC "TGC-5" Position: deputy General Director for technical policy
Boiko, I. I. Committee member	Company: TTs RP "Uralenergotekhnadzor" Position: head
Burmistrov A. Yu. Committee member	Company: TTs RP "Volgaenergotekhnadzor" Position: head

The Reliability Committee of the Board of Directors of the Company is a consultative and advisory body, which guarantees that the Board of Directors of the Company efficiently performs its functions of general management of the Company. The Committee is not a Company body and has no right to act on behalf of the Company. The decisions of the Committee are only of recommendation nature for the Board of Directors of the Company.

The Committee works in accordance with the Regulation on the Reliability Committee of the Board of Directors

of JSC "TGC-5" approved by the Board of Directors of the Company on 30.11.2005 (Minutes No 13), which describes the legal status, the goal and objectives, rights, obligations, the structure of the Committee and its members. The activity of the Committee is governed by the federal laws, other normative acts of law of the Russian Federation, the Articles of Association of the Company, the Regulation on the Procedure of Convening and Holding Meetings of the Board of Directors of the Company, resolutions of the Board of Directors of the Company.

In accordance with the Regulation on the Reliability Committee of the Board of Directors of JSC "TGC-5" <http://www.tgc5.ru/site/tak5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument>, the main objectives of the Committee are development and presentation of recommendations (opinions) to the Board of Directors of the Company concerning the following directions of the activity of the Board of Directors:

- ◆ to examine investments programs and plans concerning repair of energy facilities, the analysis of their execution from the point of view of compliance with the requirements for complex reliability;
- ◆ to assess measures for fullness and completeness by the results of emergencies and large technological breakdowns, as well as control over their execution;
- ◆ to execute control over and assessment of activity of the Company technical services;
- ◆ to analyze measures connected with execution of contractual and economic mechanisms of reliability management.



The competence of the Committee includes preliminary consideration, analysis and development of recommendations (opinions) concerning the following issues of the Board of Directors of the Company on the top-priority types of activity:

- 1) to execute analysis of the production activity in relation to the assessment of:
 - readiness of the Company to the autumn and winter;
 - organization of the labour protection system;
 - organization of the production safety management system;
 - level of the operational service for energy facilities;
 - organization of operative and dispatching servicing;
 - execution of instructions of controlling and inspecting bodies;
 - status of contractual (economic) mechanisms of reliability management.
- 2) to evaluate the technical state, the level of operation and repair of energy facilities in the part concerning:
 - implementation of plans concerning repair of energy facilities of the Company;
 - implementation of measures for increasing the level of operation of power facilities of the Company.
- 3) to plan and analyze activity concerning the renovation of the Company power facilities.
- 4) to assess activity of technical services of the Company and their heads.
- 5) and other issues, connected with the above issues (except those, which refer to the competence of other Committees of the Board of Directors of the Company).

Information on remuneration paid to the members of the Reliability Committee

In accordance with the Regulation on the Reliability Committee, the Committee is financed as provided for in the budget for the following year approved by the Board of Directors of the Company. An individual expense item is stipulated when the expenditure budget is formed to ensure Committee activity. The expenses of the Committee, in particular, include remuneration paid to the Committee Chairman,

Committee members, Committee Secretary even if they are not members of the Board of Directors of the Company.

In 2005 remunerations were not paid to the members of the Committee as the Board of Directors had not taken a decision concerning approval of the Committee budget.

3.4.2. Audit Commission

The Audit Commission of the Company is a body, which exercises Company internal control on a permanent basis over financial and economic activity of the Company, its officials, which take positions in the Company management bodies over compliance with the laws of the Russian Federation, the Articles of Associations of the Company and in-house documents of the Company.

The Audit Commission does not depend on officials of the Company management bodies in its activity.

The activity of the Audit Commission is governed by the laws of the Russian Federation, the Articles of Associations of the Company, the Regulation on the Audit Commission of JSC "TGC-5" approved by resolution of the Management Board of OAO RAO "UES of Russia" of 05.12.2005.

As prescribed in the Regulation on Audit Commission of the Company <http://www.tgc5.ru/site/tak5/site.nsf/filepath/OE45BB5245F64645C325708200308E59?OpenDocument> the main objectives of the Audit Commission of the Company are:

- ◆ to exercise control over financial and economic activity of the Company;
- ◆ to provide supervision over compliance of performed financial and economic operations with laws of the Russian Federation and the Articles of Association of the Company;
- ◆ to give independent evaluation of information on financial status of the Company.



The Audit Commission in exercising of its powers is governed only by legal requirements of the Russian Federation, the Articles of Association of the Company and resolutions of the General Meeting of shareholders of the Company.

The powers of the Audit Commission of the Company is the following:

- 1) to take out documents from files (with drawing a relevant certificate of taking out and making copies of taken out documents), if any forgery, falsification or abusing are revealed during examination;
- 2) to accept written explanation from the officials of the Company management bodies, heads and employees of the Company concerning issues, which arise during examinations;
- 3) to give instructions to officials of the Company management bodies and heads of the Company concerning taking of urgent measures in connection with revealed breaks, if failure to take such measures may result in loss of valuables, documents or encourage further abuse;
- 4) to require convening of extraordinary General Meeting of shareholders of the Company, meetings of the Board of Directors of the Company in accordance with the procedure as prescribed by the laws of the Russian Federation, the Articles of Association of the Company and these Regulation;
- 5) to inquire from officials of the Company management bodies and heads of the Company documents and materials, which are necessary for Audit Commission to carry out audit of financial and economic activity of the Company;
- 6) to propose to officials of the Company management bodies issues concerning application of disciplinary responsibility measures to Company employees including officials of the Company management bodies if they violate the provisions of the Articles of Association of the Company and in-house documents of the Company.

The members of the Audit Commission of the Company are obliged to:

- 1) personally participate in meetings of the Audit Commission, in auditing of financial and economic activity of the Company;
- 2) to provide confidentiality of received information and not to allow unauthorized disclosure of information, which has become known to them during auditing;
- 3) to require convening of an extraordinary meeting of shareholders of the Company in accordance with the established procedure if Company interests are in real danger;
- 4) to report to the General Meeting of shareholders of the Company on the results of scheduled and unscheduled inspections of financial and economic activity of the Company, on revealed facts of violation of laws of the Russian Federation, the Articles of Association and in-house documents of the Company by the members of the Board of Directors and other officials of the Company management bodies.

Remunerations and compensations are paid by the Company in cash in accordance with the Regulation on payments to the members of the Audit Commission of JSC "TGC-5" <http://www.tgc5.ru/site/tak5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument>

A member of the Audit Commission of the Company is compensated for expenses incurred in connection with participation in meetings of the Audit Commission of the Company and conducting of auditing, in accordance with the rates for compensation of travel expenses valid as of the moment of meeting.

For participation in inspection (audit) of the financial and economic activity a member of the Audit Commission of the Company is paid a lumpsum remuneration at the rate of the amount equivalent to five minimum monthly base first rates established by the Industry Rate Agreement in the electric energy complex of the Russian Federation (hereafter the "Agreement") for the period of inspection (audit) taking



into account the indexation as established by the Agreement.

Members of the Audit Commission may be paid additional remuneration for each inspection (audit) of the financial and economic activity of the Company; such additional remuneration does not exceed twenty minimum monthly base first rate established by the Agreement taking

into account the indexation as provided for in the Agreement.

The procedure and time for paying of additional remuneration are determined by the Board of Directors of the Company.

The amount of remuneration paid to Chairman of the Audit Commission is increased by 50%.

Information on sizes of remuneration paid to the members of the Audit Commission of the Company

The members of the Audit Commission of the Company were paid remunerations of 294,823 RUR taking into account additional remuneration (pursuant to resolution of the Board of Directors of JSC "TGC-5" of 21.02.2006 (Min-

utes No 19)) in accordance with the audit examination of the results of 9 months of year 2005 in accordance with the Regulation on payment to the members of the Audit Commission of JSC "TGC-5".

In 2005 the Audit Commission elected by the Resolution of the General Meeting of shareholders of JSC "TGC-5" of 23.09.2005 (minutes of the meeting of the Management

Board of OAO RAO "UES of Russia" No 1301pr/1) elected the following 5 people to perform the functions of internal control over the financial and economic activity of the Company

Sidorov, Sergey Borisovich Chairman of the Committee Citizen of the Russian Federation	Position: head of the Internal Audit Office of the Corporate Center of OAO RAO "UES of Russia"
Uzgorov, Igor Ivanovich Committee member Citizen of the Russian Federation	Position: head of the Office for Control over financial and economic activity of the affiliates of Business Unit No 1 of OAO RAO "UES of Russia"
Mikhin, Maksim Valerievich Committee member Citizen of the Russian Federation	Position: specialist of the Office for Control over financial and economic activity of the affiliates of Business Unit No 1 of OAO RAO "UES of Russia"
Sorokin, Roman Yurievich Committee member Citizen of the Russian Federation	Position: head of the division of the Department of Corporate Governance and Interaction with Shareholders of the Corporate Center of OAO RAO "UES of Russia"
Kramarenko, Vyacheslav Mikhailovich Committee member Citizen of the Russian Federation	Position: head of the Internal Control and Audit Department of ZAO "Complex Energy Systems"

Information on transactions between members of the Audit Commission and the Company

No transactions have been concluded between members of the Company and members of the Audit Commission.

3.4.3. Management Board



In accordance with the Articles of Association of JSC "TGC-5" day-to-day operations of the Company is managed by the sole executive body – the General Director and the collegial executive body – the Management Board. The Management Board and the General Director are subordinate to the General Meeting of shareholders and the Board of Directors.

The Management Board of the Company performs its activity in the interests of the Company and is governed by resolutions and decisions of the General Meeting of shareholders and the Board of Directors of the Company and acts in accordance with the laws of the Russian Federation, the Articles of Association of the Company, other in-house documents of the Company and Resolution on Management Board of the JSC "TGC-5" approved by the General Meeting of shareholders of the Company on 06.12.2005 (Minutes of meeting of the Management Board of OAO RAO "UES of Russia" No 1356pr/5).

The Management Board of the Company is responsible for practical implementation of objectives, the development strategies and policies of the Company and manages day-to-day operations of the Company within the competence determined by the Articles of Association of the Company, resolutions and decisions of the General Meeting of shareholders and the Board of Directors of the Company.

The main objectives of the Management Board of the Company are:

- ◆ to provide compliance with the rules and observance of legal interests of the Company shareholders;
 - ◆ to develop proposals concerning the strategy of the Company development;
 - ◆ to implement the financial and economic policy of the Company, to take decisions concerning the most important issues of its day-to-day operations and to coordinate operations of its subdivisions;
 - ◆ to increase efficiency of systems of internal control and risk monitoring;
 - ◆ to provide achievement of a high level of Company asset yield and maximum gains from the Company operation.
- The members of the management Board are elected and their powers are terminated early pursuant to resolution of the Board of Directors of the Company.
- The complete text of the Regulation on the management Board of JSC "TGC-5" is available on the official site of the Company:
- <http://www.tgc5.ru/site/tgk5/site.nsf/filepath/0E45BB5245F64645C325708200308E59?OpenDocument>

The following people are the members of the management Board of JSC "TGC-5":



<p>Lebedev, Vladimir Albertovich</p>  <p>Chairman of the Management Board</p> <p>Born: 1962 Citizen of the Russian Federation</p> <p>Period: 2001 - 2004 Company: OAO "Kirovenergo" Position: General Director</p> <p>Period: 2004 - 2005 Company: Administration of Kirov region Position: Vice Chairman of the Governemnt of Kirov region</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: General Director</p> <p><i>Does not own Company shares</i></p>	<p>Glinchak, Evgeniy Stepanovich</p>  <p>Member of the Management Board</p> <p>Born: 1973 Citizen of the Russian Federation</p> <p>Period: 2001 - 2005 Company: OAO "Kirovenergo" Position: financial director – head of the treasurer's office of the executive bodies; Deputy General Director for Economy and Finance</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: Deputy General Director for Economy and Finance</p> <p><i>Does not own Company shares</i></p>	<p>Zykin, Yuriy Vasilievich</p>  <p>Member of the Management Board</p> <p>Born: 1953 Citizen of the Russian Federation</p> <p>Period: 2001 - 2005 Company: OAO "Kirovenergo" Position: Vice-General Director – Chief Engineer</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: Vice-General Director – Chief Engineer</p> <p><i>Does not own Company shares .</i></p>
<p>Kovezin, Sergey Yuryevich</p>  <p>Member of the Management Board</p> <p>Born: 1961 Citizen of the Russian Federation</p> <p>Period: 2002 - 2004 Company: OAO "Chuvashenergo" Position: deputy General Director for commercial and legal issues</p> <p>Period: 2004 - 2005 Company: OAO "Kirovenergo" Position: Vice-Genera Director, acting General Director, General Director</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: deputy General Director for logistics and supplies</p> <p><i>Does not own Company shares .</i></p>	<p>Torsunov, Vyacheslav Yuryevich</p>  <p>Member of the Management Board</p> <p>Born: 1968 Citizen of the Russian Federation</p> <p>Period: 2001 - 2004 Company: Administration of Kirov region Position: deputy chairman, member of the Government of Kirov region</p> <p>Period: 2004 - 2004 Company: Regional Energy Commission of Kirov Region Position: Chairman</p> <p>Period: 2004 - 2005 Company: OAO "Kirovenergo" Position: Vice-General Director</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: Deputy General Director for Strategy and Business Development</p> <p><i>Does not own Company shares</i></p>	<p>Sharafieva, Anna Azatovna</p>  <p>Member of the Management Board</p> <p>Born: 1978 Citizen of the Russian Federation</p> <p>Period: 2001 - 2005 Company: OAO "Kirovenergo" Position: head of the Legal Department of the Executive Body; Director for Legal Support for Corporate Governance</p> <p>Period: 2005 - up to now Company: JSC "TGC-5" Position: Deputy General Director for Legal Issues and Corporate Governance</p> <p><i>Does not own Company shares.</i></p>

<p>Shevchenko, Yuriy Evgenyevich</p>  <p>Member of the Management Board</p> <p>Born: 1962 Citizen of the Russian Federation</p> <p>Period: 2000 – 2002 Company: OP "Energosbyt" of OAO "Vladimirenergo" Position: Head of Commercial –Analytical Department, Deputy Director for Working with Consumers</p> <p>Period: 2002 – 2004 Company: OAO "Udmurtenergo" Position: Director of the Front Office for Operation on the Energy Wholesale Market; Deputy General Director for Operation on the Electric Energy Wholesale Market</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: Deputy General Director for Energy Retailing</p> <p><i>Does not own Company shares .</i></p>	<p>Pentegov, Gennediy Aleksandrovich</p>  <p>Member of the Management Board</p> <p>Born: 1948 Citizen of the Russian Federation</p> <p>Period: 1999 – 2005 Company: Administration of Kirov region Position: chairman of the Committee for Management of State Property; Director of the State Property Department; Chairman of the Government of Kirov region – Director of the Department of State Property of Kirov Region; Deputy Chairman of the Government of Kirov Region</p> <p>Period: 2005 – 2005 Company: OAO "Kirovenergo" Position: counselor of General Director</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: counselor of General Director; Deputy General Director for Organizational Issues and Human Resources</p> <p><i>Does not own Company shares.</i></p>	<p>Sysolyatin, Vladimir Petrovich</p>  <p>Member of the Management Board</p> <p>Born: 1957 Citizen of the Russian Federation</p> <p>Period: 2001 – 2002 Company: Administration of Kirov Region A Position: member of the Soviet of the Federation of the federal Assembly of the Russian Federation; Deputy Chairman of the Government of Kirov Region</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: Director of the Kirov Branch</p> <p><i>Does not own Company shares.</i></p>
<p>Luchinkin, Viktor Mikhailovich</p>  <p>Member of the Management Board</p> <p>Born: 1973 Citizen of the Russian Federation</p> <p>Period: 2002 – 2004 Company: OAO "Chuvashenergo" Position: Counselor of the General Director for Finance , Finance Director; Deputy General Director for Finances.</p> <p>Period: 2005 – 2005 Company: OAO "Chuvash Generation Company" Position: Executive Director</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: director of Chuvash Branch</p> <p><i>Does not own Company shares</i></p>	<p>Ozerov, Sergey Leonidovich</p>  <p>Member of the Management Board</p> <p>Born: 1955 Citizen of the Russian Federation</p> <p>Period: 2000 – 2004 Company: OAO "Marienergo" Position: +director of Yoshkar-Ola CHPP</p> <p>Period: 2005 – 2005 Company: OAO "Mariy Regional Generation Company" Position: Executive Director</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: Director of Mariy Branch</p> <p><i>Does not own Company shares.</i></p>	<p>Skvortsov, Nikolay Aleksandrovich</p>  <p>Member of the Management Board</p> <p>Born: 1948 Citizen of the Russian Federation</p> <p>Period: 1995 – 2004 Company: OAO "Udmurtenergo" Position: Vice-General Director – Chief Engineer; Vice General Director for Production and Technical Upgrading</p> <p>Period: 2005 – 2005 Company: OAO "Udmurt Territorial Generation Company" Position: Vice-General Director – Executive Director</p> <p>Period: 2005 – up to now Company: JSC "TGC-5" Position: Director of Udmurt Branch</p> <p><i>Does not own Company shares.</i></p>

Criteria for determining remuneration to the members of the Management Board of the Company

As the collegial executive body of the Company- the Management Board is formed from top managers of the Company who take positions of deputy general directors and directors of the Company branches, remunerations for per-

formance of functions as members of the Management Board is paid to those persons as a part of remuneration determined in the labor contracts for full-time offices taken in the company.

Information on bringing claims against members of the Management Board of the Company

No claims were brought against members of the Management Board of the Company.

3.4.4. General Director.

In accordance with the Articles of Association of JSC "TGC-5" the day-to-day operation of the Company is managed by the sole executive body – the General Director- and the collegial executive body – the Management Board of the Company. The General Director and the Management Board of the Company report to the General Meeting of shareholders and the Board of Directors of the Company.

In 2005 since the moment of JSC "TGC-5" creation and until now the General Director of the Company is Vladimir Albertovich Lebedev elected pursuant to Order of Chairman of the Management Board of OAO RAO "UES of Russia" of 21.03.2005 No 51r.

**Lebedev,
Vladimir Albertovich**



Born: **1962**
Citizen of the Russian Federation

Mode of payment – in cash

Elected general Director on 22.03.2005 under Decree of Chairman of the Management Board of OAO RAO "UES of Russia" of 22.03.2005 № 51r.

Period: 2001 - 2004

Company: OAO "Kirovenergo"

Position: General Director

Period: 2004 – 2005

Company: Administration of Kirov region

Position: Vice- Chairman of the Government of Kirov Region

Period: 2005 – up to now

Company: JSC "TGC-5"

Position: General Director

Dows not own Company shares.

Was first elected to the Board of Directors of the Company on 22.03.2005

Criteria for determining the size of remuneration paid to the General Director of the Company

The system of financial encouraging of the General Director of the Company is aimed to provide:

- ◆ efficient management of Company property and finance;
- ◆ reliability of the Company productive activity;

The system of financial encouraging of General Director includes payment of official salary and bonuses for results of performance of quarterly and annual highlights of efficiency set by the Board of Directors for the joint stock company.



The official salary of the General Director of the Company is established in accordance with the proceeds from sales of goods, products, works and services connected with the Company primary activity of the Company on the basis of the data of consolidated annual accounting statements.

The main criteria for assessment of the General Director activity are achievement of the efficiency highlights

established by a resolution of the Board of Directors, in particular:

- ◆ acid test ratio
- ◆ absence of fatal accident at work
- ◆ return on equity (ROE)
- ◆ receipt (availability) of the availability certificate in due time.

Information on bringing claims against General Director

No claims were brought against General Director

Information on the size of remuneration paid to General Director and members of the Management Board of the Company

In 2005 the size of remuneration of General Director of the Company and the members of the Management Board is 15,539,365 RUR.

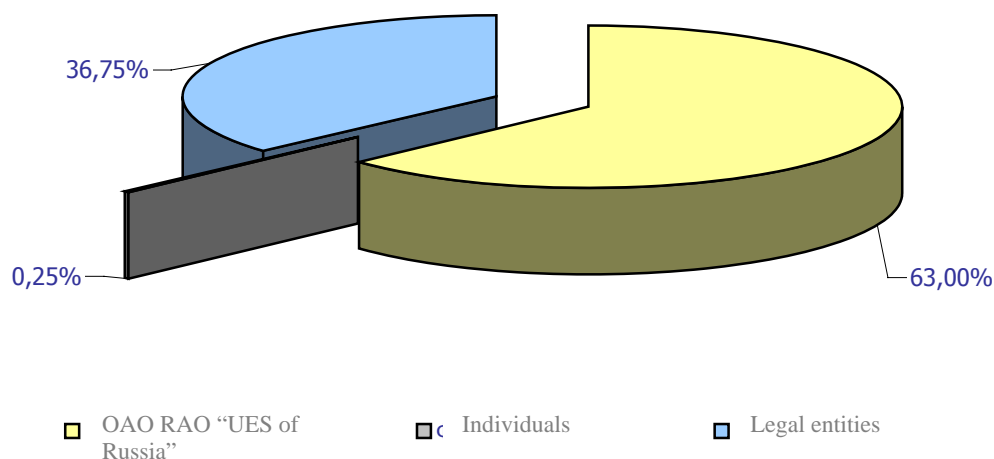
3.5. Share Capital.

The share capital of the Company is **10,000,000 RUR**, divided into **1,000,000,000** ordinary shares with par value of **0.01 RUR**.

Structure of the share capital of the Company

Holder of securities	Share in the share capital as of 29.12.2005, %
Russian Open Joint Stock Company for Energy and Electrification "UES of Russia"	63.00
Legal entities and nominee holders	36.75
Individuals	0.25
Federal property	0.00
Property of a RF constituent	0.00
TOTAL	100.00





Shareholders which own more than 5% of Company shares

Name	Share in the share capital as of 25.04.2005*, %	Share in the share capital as of 29.12.2005, %
Russian Open Joint Stock Company for Energy and Electrification "UES of Russia"	63.00	63.00
Wilmington Investments Limited	-	21.00
BASLY MANAGEMENT LIMITED	-	12.18
On the balance of JSC "TGC-5"	37.00	-

* due date for paying up of Company shares by the sole founder.

Issuing activity of the Company

In 2005 the Company issued the following securities:

Type, category of securities	Number, shares	Par value, RUR	Date of placement	State registration
Registered ordinary uncertified shares	1,000,000,000	0.01	22.03.2005	1-01-12190-E of 16.05.2005

The Company has no on shares on the balance.

3.6. Circulation of shares on the market.

Nowadays Company securities are not listed by stock exchanges.

Measures on bringing shares of the Company to the leading trading floors of the Russian Federation will be completed in July 2006. Such measures include listing of JSC "TGC-5" securities in "Securities admitted for trading but not listed" on the Open Joint Stock Company "RTS Stock Ex-

change" and including in Unlisted Securities in the Non-For-Profit Partnership "RTS Stock Exchange" and ZAO "MICEX Stock Exchange".



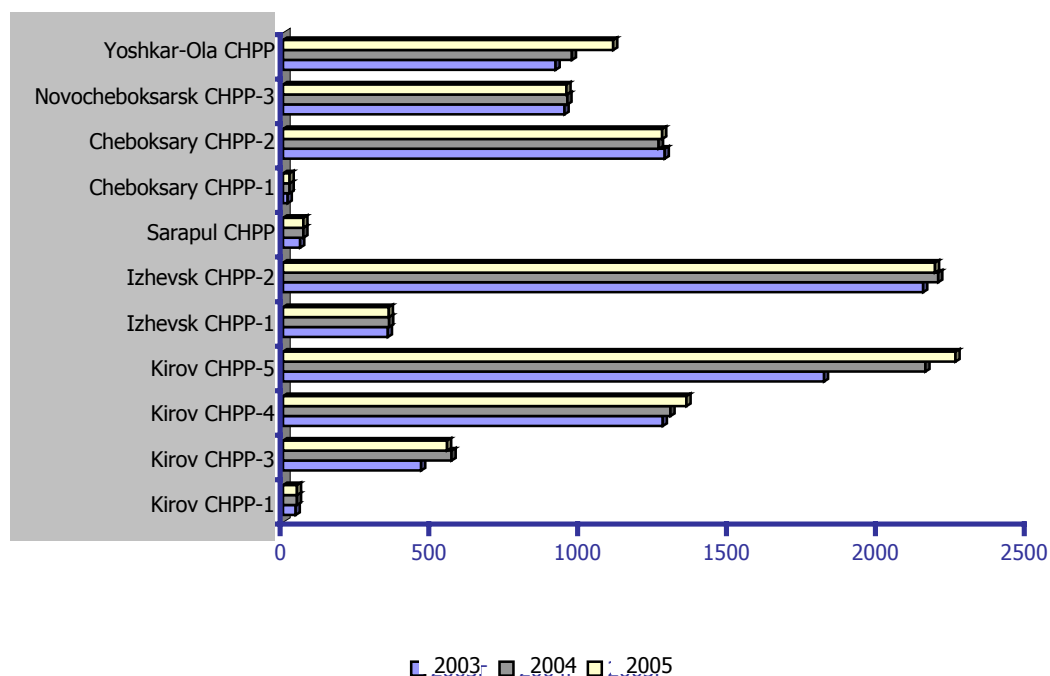


4. Key Performance Indicators



4.1. Structure and volume of energy generation

Name	Electric power generation						2005 in % to 2004
	mln, kWh						
	2003	%	2004	%	2005	%	%
JSC "TGC-5"	9,315.8	100.0	9,907.2	100.0	10181	100.0	102.8
Kirov Branch	3,598.2	38.6	4,072.3	41.1	4,211.1	41.4	103.4
Kirov CHPP-1	42.2	0.5	46.9	0.5	47.2	0.5	100.6
Kirov CHPP-3	463.6	5.0	566.5	5.7	551	5.4	97.3
Kirov CHPP-4	1,275.2	13.7	1301	13.1	1354.4	13.3	104.1
Kirov CHPP-5	1,817.2	19.5	2157.9	21.8	2,258.5	22.2	104.7
Udmurt Branch	2,560.1	27.5	2,625.8	26.5	2,613.9	25.7	99.5
Izhevsk CHPP-1	351.8	3.8	356.9	3.6	355.8	3.5	99.7
Izhevsk CHPP-2	2,150.1	23.1	2,200.9	22.2	2,189.7	21.5	99.5
Sarapul CHPP	58.2	0.6	68	0.7	68.4	0.7	100.6
Chuvash Branch	2,242.4	24.1	2,239.2	22.6	2,247.2	22.1	100.4
Cheboksary CHPP-1	15.6	0.2	22.1	0.2	22.2	0.2	100.5
Cheboksary CHPP-2	1,281.7	13.8	1,261.8	12.7	1,273.5	12.5	100.9
Novocheboksarsk CHPP-3	945.1	10.1	955.3	9.6	951.5	9.3	99.6
Mariy Branch	915.1	9.8	969.9	9.8	1,109	10.9	114.3
Yoshkar-Ola CHPP	915.1	9.8	969.9	9.8	1,109	10.9	114.3



In 2005 the power plants of JSC "TGC-5" generated 274 mln kWh more than in 2004. The main growth of generation was due to Kirov CHPP-5 and Yoshkar-Ola CHPP-2. Energy generation in 2006 is expected to be at the level of 2005.

Average load and power reserve

(MW)

Unit of measure	Load and Power Reserve					
	2003		2004		2005	
	Average load	Power re-serve	Average load	Power re-serve	Average load	Power re-serve
Kirov CHPP-1	4.3	0	5.0	0	5.4	0
Kirov CHPP-3	53.8	5.8	65.1	6.5	62.9	6.9
Kirov CHPP-4	147.6	10.3	146.1	3.8	154.6	12.4
Kirov CHPP-5	213.8	70.8	249.0	21.3	257.8	19.2
Izhevsk CHPP-1	40.2	0.2	40.7	1.3	40.6	3.0
Izhevsk CHPP-2	245.4	22.5	251.2	22.3	250.0	28.7
Sarapul CHPP	6.6	0	7.8	0	7.8	0
Cheboksary CHPP-1	1.8	0	2.5	0	2.5	0
Cheboksary CHPP-2	146.3	38.2	144.0	38.7	145.4	45.0
Novocheboksarsk CHPP-3	107.9	27.8	109.1	20.0	108.6	21.0
Yoshkar-Ola CHPP	104.5	21.4	110.7	11.2	126.6	4.8

4.2. Dynamics of useful energy supply

Useful supply	Units of measure	2005
Electric energy	mln. kWh	4,916.1
Heat energy	thsd. Gcal	6,461.9

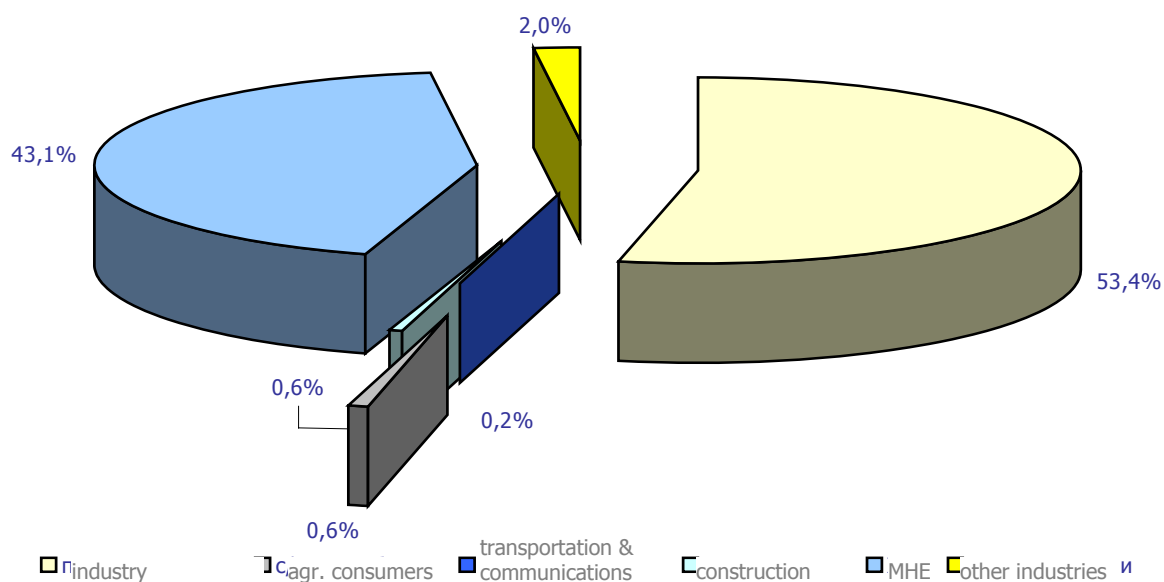
Structure of useful electric energy supply

	2005	%
Electric energy, mln. kWh	4,916.1	100
including energy retail companies	4,916.1	100



Structure of heat energy useful supply

	2005	%
Heat energy, thsd. Gkal including:	6,461.9	100.0
industry	3,453.8	53.4
agricultural consumers	41.3	0.6
transportation and communication	13.1	0.2
construction	41.4	0.6
municipal housing economy	2,784.5	43.1
other branches	127.9	2.0



4.3. Dynamics of volumes of own generation and volumes of bought energy with the FWEPM.

During the period under consideration the Company was not a subject of the electric power wholesale market.

4.4. Generation and Transmission Powers.

45 steam turbines with the total set capacity of 2,467.3 MW, 63 power steam generating units with the total steam rated capacity of 16,220 t/h and 26 peak-load hot-water boilers with the total capacity of 3,540 Gkal/h are installed at the CHPPs of JSC "TGC-5".

Steam turbines

Plant. No	Turbine type (grade)	Date of putting in operation	Set electric capacity, MW	Heat power, Gkal/hour.
KIROV BRANCH				
KIROV CHPP-1			10.3	88
2	P-5-32/10	30.10.61	5	59
3	P-5.3-32/3	09.02.61	5	29
KIROV CHPP-3			160	413
3	ПТ-25-90/10	00.06.53	25	120
4	T-25-90	00.07.54	25	54
5	T-25-90	01.09.56	27	54
6	T-42/50-90	00.12.57	53	65
8	ПТ-30-90/10	00.05.59	30	120
KIROV CHPP-4			320	658
1	ПТ-60-130/13	28.02.63	60	139
2	ПТ-60-130/13	28.09.63	60	139
3	T-50-130	30.09.64	50	95
4	T-50-130	22.12.66	50	95
5	T-50-130	30.09.67	50	95
6	T-50-130	24.06.68	50	95
KIROV CHPP-5			450	730
1	ПТ-80/100-130/13	27.06.83	80	170
2	T-185/220-130	20.10.85	185	280
3	T-185/220-130	29.10.87	185	280
UDMURT BRANCH				
IZHEVSK CHPP-1			78	415
1	ПТ-12/15-35/10M	00.11.85	12	58
2	P-12-35/5M	00.00.71	12	66
3	ПТ-12/15-35/10M	00.11.88	12	58
4	ПТ-12/15-35/10M	00.12.89	12	58
5	АПТ-9(12)	00.00.57	9	58,5
6	АПТ-9(12)	00.00.58	9	58,5
7	ПТ-12/15-35/10M	00.12.87	12	58



Section 4. Key performance indicators

Plant. No	Turbine type (grade)	Date of putting in operation	Set electric capacity, MW	Heat power, Gkal/hour.
UDMURT BRANCH				
IZHEVSK CHPP-2			390	664
1	ПТ-60-130/13	00.01.77	60	139
2	T-100/120-130-3	00.10.77	110	175
3	T-110/120-130-3	00.12.79	110	175
4	T-110/120-130-4	00.10.82	110	175
SARAPUL CHPP			12	84.7
1	ПР-6-35/15/5	01.03.70	6	45.5
2	ПР-6-35/5/1,2М	31.12.94	6	39.2
CHUVASH BRANCH				
CHEBOKSARY CHPP-1			12	251
1	P4(12)-3.4/01	13.12.98	4	40
2	ПР4(12)-29/7/1.2	25.12.55	4	89
3	P2(6)-10	28.12.60	2	61
4	P2(6)-10	20.12.61	2	61
CHEBOKSARY CHPP-2			460	969
1	ПТ-135/165-130/15	04.1979	135	307
2	ПТ-80/100-130/13	05.1981	80	180
3	ПТ-135/165-130/15	12.1984	135	307
4	T-110/120-130-5	12.1986	110	175
NOVOCHEBOKSARSKS CHPP-3			380	957
1	ПТ-50(60)-130/13	1965	50	139
2	P-30(50)-130/13	1966	30	188
3	T-50-130	1967	50	92
4	P-30(50)-130/13	1968	30	188
5	T -110-130	1980	110	175
6	T -110-130	1982	110	175
MARIY BRANCH				
YOSHKAR-OLA CHPP			195	360
1	ПТ-80/100-130/13	30.06.94	80	180
2	Tn-115/125-130-1	16.12.99	115	180



Section 4. Key performance indicators

Steam boiler					
Plant No	Boiler type (grade)	direct steam characteristics		Output, t/hour	Year of putting in operation
		pressure, kgf/sm ²	temperature, °C		
KIROV BRANCH					
KIROV CHPP-1				330	
4	ТО-1	19	310	30	1947
5	locally manufactured	36	440	45	1951
6	locally manufactured	36	440	45	1952
7	НЗЛ60/36	36	440	60	1960
8	БКЗ-75-39ГМА	44	440	75	1985
9	БКЗ-75-39ГМА	44	440	75	1986
KIROV CHPP-3				1,360	
5	ТП-170-1	100	510	170	1953
6	ТП-170-1	100	510	170	1954
7	ТП-170-1	100	510	190	1954
8	ТП-170-1	100	510	170	1957
9	ПК-14-2	100	540	220	1958
10	ПК-14-2	100	540	220	1959
11	ПК-14-2	100	540	220	1962
KIROV CHPP-4				2,100	
1	БКЗ-210	135	545	210	1963
2	БКЗ-210	135	545	210	1963
3	БКЗ-210	135	545	210	1963
4	БКЗ-210	135	545	210	1964
5	БКЗ-210	135	545	210	1965
6	БКЗ-210	135	545	210	1966
7	БКЗ-210	135	545	210	1967
8	БКЗ-210	135	545	210	1968
9	БКЗ-210	135	545	210	1968
10	БКЗ-210	135	545	210	1969
KIROV CHPP-5				2,100	
1	ТПЕ-430	140	560	500	1983
2А	ТПЕ-429	140	560	400	1985
2Б	ТПЕ-429	140	560	400	1985
3А	ТПЕ-429	140	560	400	1987
3Б	ТПЕ-429	140	560	400	1988



Section 4. Key performance indicators

Plant No	Boiler type (grade)	direct steam characteristics		Output, t/hour	Year of putting in op-eration
		pressure, kgf/sm ²	temperature, °C		
UDMURT BRANCH					
IZHEVSK CHPP-1				750	
5	ТГМ-160/44	44	440	160	1980
6	Е-160-3,9-440ГМ	40	440	160	1998
7	БКЗ-75-39ФБ	44	440	100	1959
8	БКЗ-75-39ФБ	44	440	100	1959
9	БКЗ-75-39ФБ	44	440	100	1960
10	ТГ-130	44	440	130	1960
IZHEVSK CHPP-2				1,680	
1	ТП-87-1	140	560	420	1976
2	ТП-87-1	140	560	420	1977
3	ТП-87-1	140	560	420	1979
4	ТП-87-1	140	560	420	1982
SARAPUL CHPP				220	
1	ГМ-50	40	440	50	1962
2	ГМ-50	40	440	50	1967
3	ТП-35	40	440	40	1956
4	ТП-35	40	440	40	1956
5	ТП-35У	40	440	40	1958
CHUVASH BRANCH					
CHEBOKSARY CHPP-1				500	
1	ЦКТИ-100-39ГМ	37	425	100	1954
2	ЦКТИ-100-39ГМ	37	425	100	1955
2	ЦКТИ-100-39ГМ	37	425	100	1955
4	ЦКТИ-100-39ГМ	37	425	100	1956
5	БКЗ-100-39ГМ	37	425	100	1960
CHEBOKSARY CHPP-2				2500	
1	ТГМЕ-464	140	560	500	1979
2	ТГМЕ-464	140	560	500	1980
3	ТГМЕ-464	140	560	500	1982
4	ТГМЕ-464	140	560	500	1984
5	ТГМЕ-464	140	560	500	1986



Section 4. Key performance indicators

Plant No	Boiler type (grade)	direct steam characteristics		Capacity, t/hour	Year of putting in operation
		pressure, kgf/sm ²	temperature, °C		
CHUVASH BRANCH					
NOVOCHEBOKSARSKS CHPP-3				3,230	
1	ТГМ-84	140	560	420	1965
2	ТГМ-84	140	560	420	1966
3	ТГМ-84	140	560	420	1967
4	ТГМ-84	140	560	420	1967
5	ТГМЕ-464	140	560	500	1980
6	ТГМЕ-464	140	560	500	1982
7	ТГМЕ-464	140	560	500	1994
8	ТГМЕ-464	140	560	50	2001
MARIY BRANCH					
YOSHKAR-OLA CHPP				1,000	
1	ТПЕ-430А	140	560	500	1994
2	ТПЕ-430А	140	560	500	1999

Peak-load hot-water boilers

Peak load hot water boilers					
Plant. No	Boiler type (grade)	Heat transfer medium char- acteristics		Output Gkal/hour	Year of putting in op- eration
		pressure, kgf/sm ²	temperature, °C		
KIROV BRANCH					
KIROV CHPP-3				400	
1	KBГМ-100	25	150	100	1980
2	KBГМ-101	25	150	100	1980
3	KBГМ-102	25	150	100	1985
4	KBГМ-103	25	150	100	1985
KIROV CHPP-4				720	
1	ПТВМ-180	25	150	180	1975
2	ПТВМ-180	25	150	180	1974
3	ПТВМ-180	25	150	180	1976
4	ПТВМ-180	25	150	180	1978
KIROV CHPP-5				360	
1	ПТВМ-180	25	150	180	1981
2	ПТВМ-180	25	150	180	1981



Section 4. Key performance indicators

Plant No	Boiler type (grade)	Heat transfer medium characteristics		Output Gkal/hour	Year of putting in operation
		pressure, kgf/sm ²	temperature, °C		
UDMURT BRANCH					
IZHEVSK CHPP-1				200	
1	ПТБМ-50	15	150	50	1963
2	ПТБМ-50	15	150	50	1964
3	ПТБМ-100	15	150	100	1976
IZHEVSK CHPP-2				900	
1	ПТБМ-180	25	150	180	1975
2	ПТБМ-180	25	150	180	1975
3	КВГМ-180	25	150	180	1992
4	КВГМ-180	25	150	180	1992
5	КВГМ-180	25	150	180	1993
SARAPUL CHPP				200	
1	КВГМ-100	10	150	100	1977
2	КВГМ-100	10	150	100	1978
CHUVASH BRANCH					
CHEBOKSARY CHPP-2				360	
7	КВГМ-180	16	150	180	1995
8	КВГМ-180	16	150	180	1996
NOVOCHEBOKSARSKS CHPP-3				100	
2	ПТБМ-100	19	120	100	1971
MARIY BRANCH					
YOSHKAR-OLA CHPP				300	
1	КВГМ-100/150	25	150	100	1983
2	КВГМ-100/150	25	150	100	1984
3	КВГМ-100/150	25	150	100	1990

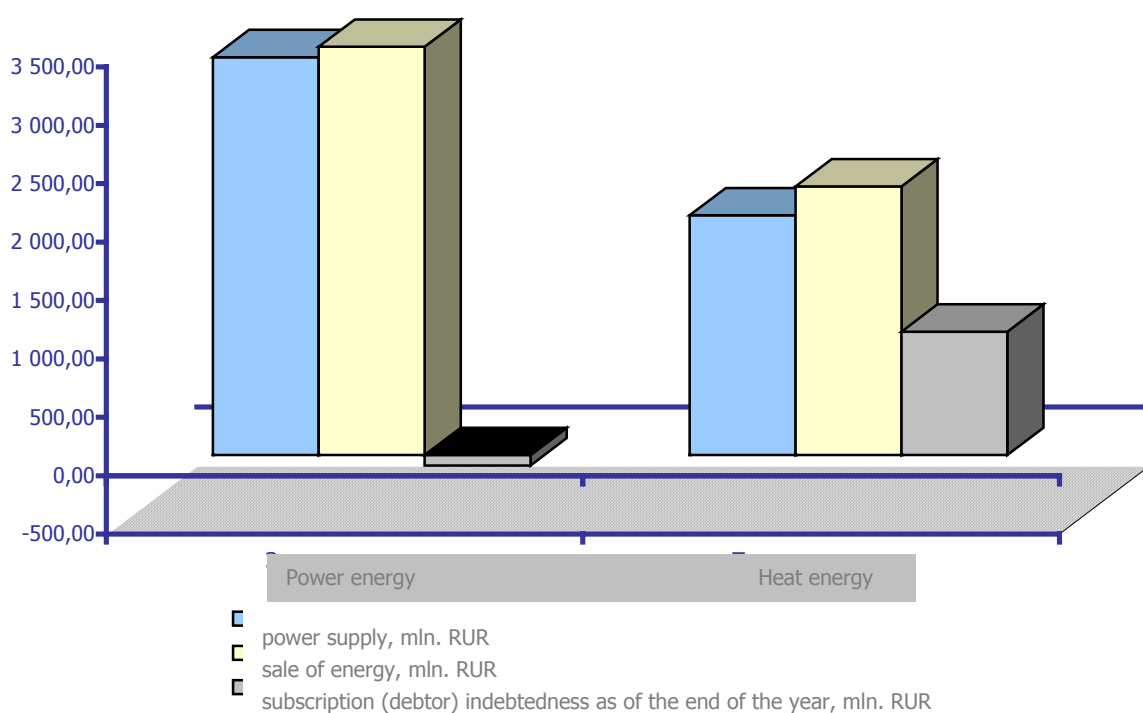




5. Energy Retailing

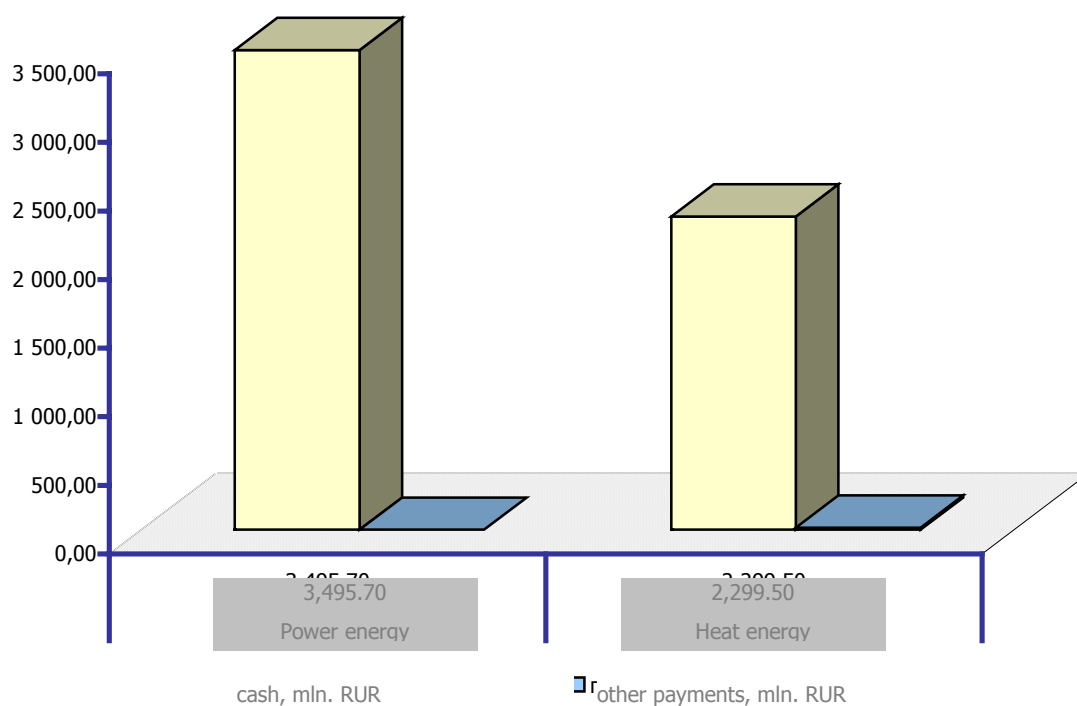
5.1. Trends in energy supply and sale of energy including trends in subscription indebtedness

	Energy supply, mln RUR	sale of energy, mln RUR	Subscription (debtor) indebtedness as of the end of the year, mln. RUR
Electric energy	3,407.4	3,495.7	- 88.3
Heat energy	2,052.1	2,299.5	1,055.4



5.2. Trends in changing the structure of energy sales.

	Sale of energy, RUR mln.	including:	
		cash, mln RUR	other payments, mln. RUR
Electric power	3,495.7	3,495.7	0.0
Heat energy	2,299.5	2,283.8	15.7



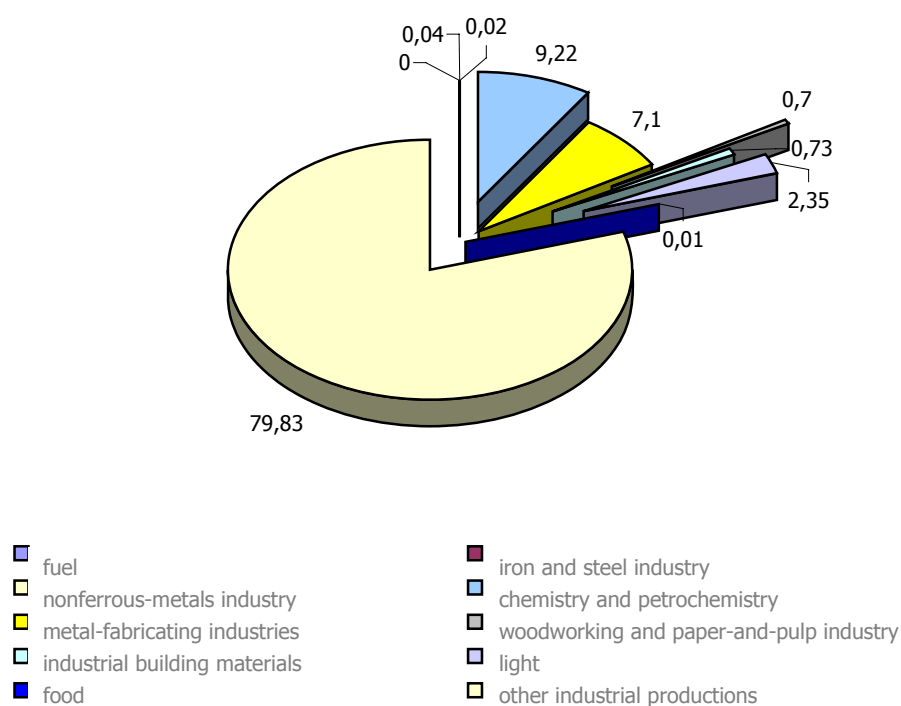
Cash takes an important share in the structure of energy sale. Share of non-monetary methods of payment in the total amount of sale was 1.0% in 2005.

5.3. Structure of useful energy supply and structure of subscriber indebtedness for the following branches of industry.

Structure of useful heat energy supply for different branches of industry

Branches of industry	Useful supply, thsd Gkal	Share, %
Total industry, including:	3,453.8	100.00
fuel	1.5	0.04
iron and steel industry	0.8	0.02
nonferrous-metals industry	0.0	0.00
chemistry and petrochemistry	318.3	9.22
metal-fabricating industries	245.3	7.10
woodworking and paper-and-pulp industry	24.1	0.70
industrial building materials	25.1	0.73
light	81.2	2.35
food	0.5	0.01
other industrial productions	2,757.0	79.83





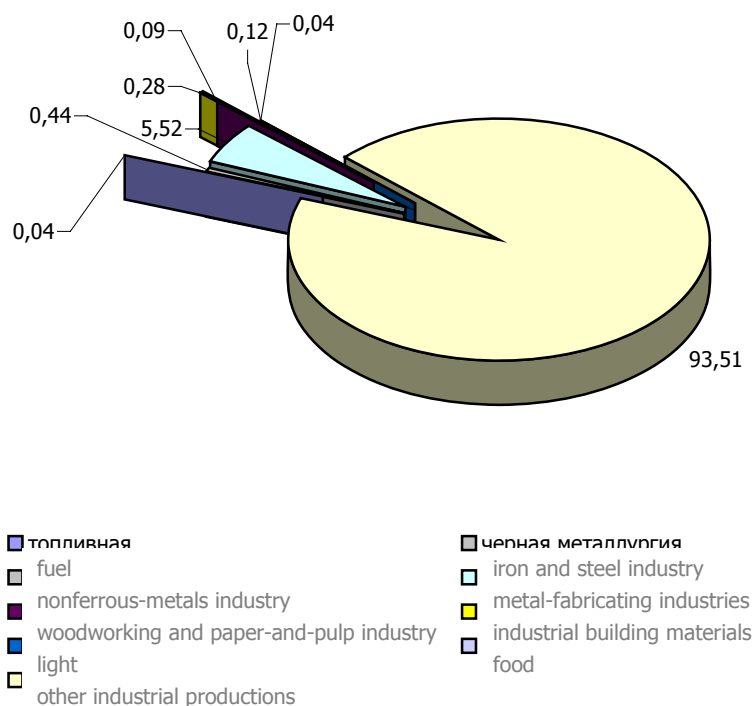
Branches of industry have the following shares in the useful heat energy supply: chemistry and petrochemistry – 9.2%, metal-fabricating industries – 7.1%, light – 2.35%,

other industrial productions (heat energy wholesalers that sell energy to public) – 79.8%.

Structure of debtor indebtedness of the industry as of 01.01.2006

Industry branch	Debtor indebtedness, thsd. RUR	Share, %
Total industry, including:	396.4	100.0
fuel	0.2	0.04
iron and steel industry	0.0	0.00
nonferrous-metals industry	1.7	0.44
metal-fabricating industries	21.9	5.52
woodworking and paper-and-pulp industry	0.3	0.09
industrial building materials	1.1	0.28
light	0.5	0.12
food	0.1	0.04
other industrial productions	370.7	93.51





5.4. Trends in changes of tariffs as of the dates of tariff introduction

As JSC "TGC-5" started operating activity on July 01, 2005, the tariffs for power and heat energy generated by combined heat and power plants of JSC "TGC-5" were not introduced anew, but earlier approved tariffs for relevant regional generation companies were accepted.

By resolution of the Management Board of the REC of Kirov region of 30.06.2005 No19/1 on July 01, 2005 the tariffs for electric and heat energy generated by combined heat and power plants of OAO "Vyatskaya Electricity and Heat Company" were transferred for Kirov Branch of JSC "TGC-5".

By resolution of the REC of the Republic of Mariy El of 30.06.2005 No 47 on July 1, 2005 the tariffs for electric and heat energy OAO "Mariy Regional Generation Company" were transferred for Mariy Branch of JSC "TGC-5".

By resolution of the REC of the Republic of Udmurtia of 29.06.2005 No 7/11 and No 7/12 the tariffs for electric and heat energy of OAO "Udmurt Territorial Generation Company" were transferred for Udmurt Branch of OAO "TGC-5".

By resolution of the Regional Tariff Service of the Republic of Chuvashia of 28.06.2005 No 11-5/E some alterations were made, in accordance with which, the tariffs for electric and heat energy approved for OAO "Chuvash Generation Company" were accepted for Chuvash Branch of JSC "TGC-5".

	Approved tariff	
	for electric energy (RUR/MW*h)	for heat energy (RUR/Gkal)
Kirov Branch	635.60	246.20
Udmurt Branch	431.90	206.40
Mariy Branch	466.22	285.40
Chuvash Branch	714.00	253.70
Cheboksary HPP	243.60	-

5.5. Dynamics of energy consumption, settlements with consumers, structure of accounts receivable

Structure of power consumption

	Electric energy, mln. kWh	Heat energy, thsd. Gkal
2005	4,916.1	6,461.9

Settlements with consumers for 2005

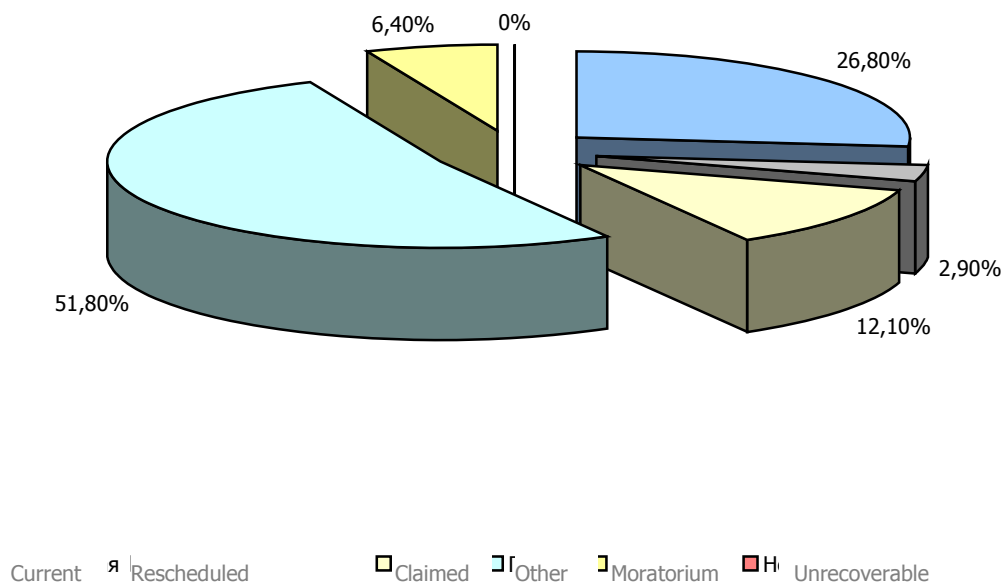
In 2005 the consumers (energy retail companies) were supplied energy for 5,459.2 mln. RUR, sales amounted

to 5,795.2 mln. RUR, or 106.1% of the cost of supplied energy.

Structure of accounts receivable for consumed heat energy as of 01.01.2006

Accounts receivable TOTAL	Current	In arrears					
		Working				Moratorium	Unrecoverable
		Total working	Rescheduled	Claimed	Other		
100%	26.8%	73.2%	2.9%	12.1%	51.8%	6.4%	0%





As of 01.01.2006 the largest share in the accounts receivable of consumers was that of other unrescheduled receivables – 51.8%, current receivables

(receivables within months consumption) was 26.8%, claimed – 12.1%, moratorium receivables – 6.4%, rescheduled – 2.9%.



6. Key Figures of Accounting and Financial Statements of the Company

6.1. General Provisions of Accounting Policy

6.1.1. General Provisions

Accounting statements of the Company were created in accordance with Federal Law of 21.11.1996 No 129-FZ "On Accounting", Regulation on Accounting Control and Accounting Statements in the Russian Federation approved

by Order of the Ministry of Finance of the Russian Federation of 29.07.1998 № 34n and other normative acts in the sphere of accounting.

6.1.2. Asset accounting

Assets are accounted in the Company in accordance with the RAS 6/01 approved by Order of the Ministry of Finance of the Russian Federation of 30.03.2001 No 26n. General running and other similar expenses are not included in actual costs for acquisition, construction or production of assets except cases when they are directly connected with acquisition, construction or production of assets.

Non-moveable assets with completed capital investments, executed primary accounting acceptance documents, documents are submitted for state registration and are actually operated, are accepted for accounting as capital assets. Depreciation on such assets is accrued in accordance with the general procedure from the first day of the month following the month, when the asset was put in operation.

Capital assets, which the cost under 10,000 RUR per unit (and also purchased books, brochures and other similar publications, which are not included in the library stock) are charged off as they are put in production or operation. Routine accounting and control over assets movement is organized to keep those assets in production or operation.

Depreciation on capital assets is accrued on straight line on the basis of useful life of such assets in accordance with the Regulation of the Government of the RF of January 01, 2002 No 1 "On Classification of Capital Assets Included in Depreciation Groups".

6.1.3. Financial Investment Accounting.

Financial investments are accounted in accordance with Russian Accounting Standards "Financial Investments Accounting", RAS 19/02, approved by Order of the Ministry of Finance of the Russian Federation of 10.12.2002 No 126n.

the cost of financial investments is made up from expenses directly connected with their acquisition. Financial investments are divided into short-term and long-term on the basis of the expected period of use.

6.1.4. Inventories accounting.

Inventories are accounted in accordance with Russian Accounting Standards «Inventories Accounting, RAS 5/01", approved by Order of the Ministry of Finance of the Russian Federation of 09.06.2001 No 44n, and Guidelines for Accounting of Special Instrument, Special Devices, Special Equipment and Special Clothes approved by order of the Ministry of Finance of the Russian Federation of 26.12.2002 No 135n.

When inventories are supplied to production process, used for repair and renewal, capital construction or disposed in any other way, in such case inventories are evaluated at the average cost.

The cost of special clothes, if its service life is under 12 months is charged off in full when they are transferred to use. The cost of special clothes the useful life of which is over 12 months is depreciated on a straight line on the basis of useful life of special clothes as provided for in industry standards of gratuitous issue of special clothes, special footwear and other personal protection equipment approved by Resolution of the Ministry of Labour and Social Development of the Russian Federation of 18.12.1998 No51.

Custom tooling assets, which cost under 10,000 RUR are depreciated fully once they are transferred to production (operation). If special tooling cost over 10,000 RUR it is



Section 6. Key Figures of Accounting and Financial Statements of the Company

depreciated on a straight line – on the basis of actual cost of such special tooling asset and rates calculated on the basis

of useful life of such asset.

6.1.5. Deferred Expenses Accounting.

If expenses are born by the Company in the accounting period, but refer to the following accounting periods they are covered as deferred expenses and are written

off equally during the period to which they refer. The period is determined at the moment when deferred expenses are accepted for accounting.

6.1.6. Accounting of Settlements, Other Assets and Liabilities.

Buyers' accounts receivable is accounted in the due invoice amount at reasonable prices and tariffs. Settlement with other debtors and settlement of claims are covered in statements on the basis of prices provided for in the agreements.

Accounts payable to suppliers and other creditors are covered by the amount of invoices accepted for settlement

and accrued liabilities. Accounts payable for unbilled deliveries are covered in the amount of received values determined on the basis of prices and terms as provided for in relevant contracts.

6.1.7. Financial Performance Accounting.

Revenues from ordinary activities are gains from electric and heat energy sales at the tariffs approved by state regulatory bodies, rental payment and other types of activity, which give regular revenues to the Company.

Operating gains are revenues connected with participation in authorized capitals of other companies, revenues generated by sales of fixed assets and other assets, revenues received under contracts of copartnership and other revenues in accordance with p.7 of RAS 9/99.

Non-operating gains are: penalties, fines, smart money for violation of contractual obligations, free of charge acquisition of assets; retained earnings; expired amounts of accounts payable and accrued salary payables; exchange difference and other non-operating expenses.

All expenses between two types of energy (electric and heat), combined heat and power plants, divisions of the Company are divided in proportion to the fuel equivalent rate.

Other types of activity, which do not have a significant influence on financial performance of the Company activity (works and services of industrial nature, non-

industrial works and services, rental payment etc.) are covered in accounting statements in accordance with approved planned calculations taking into account the actual volume of production (performance of works, rendering of services).

General running costs of the executive bodies are divided among the Company branches in proportion to given useful energy supply (mln. kW*h) for each branch. General production and running costs of the branches (structural divisions) are recognized on accounts 25 "General Production Costs" and 26 "General Running Costs" and are distributed on a monthly basis between electric and heat energy in proportion to production costs of electric and heat energy respectively. Costs of other types of activity as fixed costs in accordance with approved planned calculations before distribution are debited from relevant cost accounts to account 90 "Sales" as cost of sales for relevant proceeds.



6.2. Analysis of dynamics of the results of activity and financial status of the Company (including the analysis of the structure and dynamics of net assets).**Indicators of financial and economic activity of the company**

Indicator	Recommended method of calculation	Indicator value
Net asset worth, RUR	In accordance with the procedure established by the Ministry of Finance of Russia and/or federal executive body for the securities market for joint stock companies, or if an issuer is a share investment fund, - in accordance with the procedure, established by a federal executive body for the securities market.	10,108,000
Raised funds to capital and reserves ratio, %	$(\text{Long-term liabilities as of the end of the reporting period} + \text{short-term liabilities as of the end of reporting period}) / (\text{Capital and reserve as of the end of reporting period}) \times 100$	16,054.84
Short-term liabilities to capital and reserve ratio, %	$(\text{Short-term liabilities as of the end of the reporting period}) / (\text{Capital and reserves as of the end of reporting period}) \times 100$	16,054.84
Cover of payments for debt service, %	$(\text{Net profit for the reporting period} + \text{depreciation deductions for the reporting period}) / (\text{Liabilities due in the reporting period} + \text{interests due in the reporting period}) \times 100$	0.70
Level of overdue debt, %	$(\text{Overdue debt as of the end of the reporting period}) / (\text{Long-term liabilities as of the end of reporting period} + \text{short-term liabilities as of the end of the reporting period}) \times 100$	0
Receivables turnover, times	$(\text{Income}) / (\text{Accounts receivable as of the end of the reporting period} - \text{debt of participants (founders) in contributions to the authorized capital as of the end of the reporting period})$	8.07
Dividend share in profit, %	$(\text{Dividends on ordinary shares by the results of the completed financial year}) / (\text{Net profit by the results of the completed financial year} - \text{preferred dividends by the results of the completed financial year}) \times 100$	0
Labour efficiency, RUR/man	$(\text{Proceeds}) / (\text{Number of employees (workers)})$	977,425
Depreciation to revenue, %	$(\text{Depreciation deductions}) / (\text{Proceeds}) \times 100$	0.014



Results of Financial and Economic Activity of the Company. Profit and Loss.

Indicators, which characterize Company profit and loss for relevant reporting period, are given as the table below.

Indicator	Recommended method of calculation	Indicator value
Revenue, RUR	Total revenues from sales of goods, products, works, services.	4,768,855,000
Gross profit, RUR .	Revenue – production cost of sold goods, products, works and services (except business and administrative expenses)	15,862,000
Net profit (retained profit (uncovered loss), RUR.	Net profit (loss) of the reporting period	15,000
Return on equity (ROE), %	$(\text{Net profit}) / (\text{Capital and reserves} - \text{directed financing and receipts} + \text{deferred revenue} - \text{treasure stock}) \times 100$	0.15
Return on assets (ROTA), %	$(\text{Net profit}) / (\text{Net book value}) \times 100$	0.0009
Net profit ratio, %	$(\text{Net profit}) / (\text{Proceeds}) \times 100$	0.0003
Return on sales (ROS), %	$(\text{Profit on sales}) / (\text{Proceeds}) \times 100$	0.33
Capital turnover	$(\text{Proceeds}) / (\text{Net book value} - \text{short-term liabilities})$	476.2
Uncovered loss as of the reporting date, RUR	Uncovered loss of past years + uncovered loss of current year	0
Uncovered loss as of the reporting date to the balance sheet currency ration	$(\text{Uncovered loss as of the reporting date}) / (\text{Net book value})$	0

Company liquidity, capital and current assets adequacy

Indicators, which characterize Company liquidity for a relevant reporting period:

Indicator	Recommended method of calculation	Indicator value
1	2	3
Own circulating assets, RUR	Capital and reserves (less treasury stock) - directed financing and receipts + deferred revenue – (non-current assets + long-term receivables)	-13,302,000
Fixed asset index	$(\text{Non-current assets} + \text{long-term receivables}) / (\text{Capital and reserves (less treasury stock)} - \text{directed financing and receipts} + \text{deferred revenue})$	2.32



Section 6. Key Figures of Accounting and Financial Statements of the Company

Working capital ratio	$\frac{\text{Current asset} - \text{long-term receivables}}{\text{Short-term liabilities (without deferred revenues)}}$	0.99
-----------------------	-------------------------------------------------------------------------------------------------------------------------	------



1	2	3
Acid test ratio	(Current asset – stocks – input value added tax - long-term receivables) / (Short-term liabilities (without deferred revenues)	0.44
Equity ratio	(Capital and reserves (minus treasury stock) - directed financing and receipts +deferred revenue) / (Non-current assets + current asset)	0.01

Short-range forecasting of financial stability and financial solvency

In accordance with the Guidelines for Valuation of Financial Status of Companies and Revelation of Unsatisfactory Structure of the Balance Sheet, the analysis and evaluation of the structure of the balance sheet are made on the basis of the following indicators:

1. Working capital ratio is 0.99 (the normative value is over 2).

2. Equity (capital) ratio is equal to (-0.008) (the normative value is over 0.1).

The equity (capital) ratio shows which part of current assets is formed from equity sources (working capital/current assets).

the working capital is equal to (-13,302,000) RUR, which means that the Company had no own circulating assets in 2005, and 99.9 % if floating assets are financed from borrowed funds. It is connected with the fact that JSC

"TGC-5" took on lease funds from regional generation companies. The situation will greatly change after the regional generation companies merge with JSC "TGC-5".

Therefore, despite the fact that as of the moment of assessment, both the ratios of the Company do not correspond the normative values, it does not mean that the Company has an unsatisfactory structure of the balance sheet and is not insolvent. 2005 is not representative for JSC "TGC-5".

Let's make comparative analysis of liquidity, financial stability, profitability and business activity ratios in order to evaluate activity of JSC "TGC-5" in 2006 on the basis of a budgeted balance sheet.

Indicator	Unit of measure	2005	2006
Return on equity (ROE)	%	0.15	4.16
Return on sales (ROS)	%	0.33	4.36
Return on assets (ROTA)	%	0.51	4.14
Equity ratio		0.01	0.86
Acid test ratio		0.44	1.15
Receivables to payables ratio		0.39	2.91

1. Return on equity characterizes return on each ruble invested in equity capital.

In 2005 return on equity capital was 0.15 %, in 2006 as JSC "TGC-5" merged with regional generation companies this indicator grows 27 times and will make by the end of 2006 – 4.16 %, which means that the capital, which is invested by the owners of the enterprise, is used efficiently.

2. Return on sales is used as profit from sales to volume of sales ratio, shows, which profit on sales the Company receives on each ruble of sales.

In 2005 return on sales was 0.33 %, in 2006 – 4.36 %, this testifies to the increase in Company profitability.

3. Return on assets characterizes return on each ruble invested in Company assets.

In 2005 return on assets was 0.51 %, in 2006 – 4.14 %, the return will grow, the indicator is positive.



Section 6. Key Figures of Accounting and Financial Statements of the Company

4. Equity Ratio (financial independence, equity capital concentration) shows the share of equity capital in the total amount of financing sources, i.e. the level of financial independence in disposal of aggregate capital. The optimal value is 0.5-0.6 (or 0.7-0.8 for capital intensive companies).

In 2005 the equity ratio is 0.01 as the Company took the equipment on lease from the regional generation companies, in 2006 – 0.86, i.e. the equity ratio is within the norm for capital intensive companies.

5. Acid test ratio (quick asset ratio) shows which part of current liabilities may be rather quickly (in period of

time, equal to the turnover period of accounts receivable) discharged at the account of assets of the first and second degree of liquidity, i.e. money, securities and prospective income from debtors. The optimal value is 0.8 (0.7-1.0).

In 2005 the acid test ratio was 0.44, in 2006 – 1.15 – over the optimum value.

6. Accounts payable to accounts receivable ratio.

In 2005– 0.39, which speaks for misbalance of liabilities and is a negative factor, in 2006– 2.91, such great excess of accounts receivable over accounts payable means that consumers do not pay, which is also a negative factor.

Size and structure of the capital and current assets of the Company

Information on the Company:

- ◆ The authorized capital of the Company consists of the par value of the Company shares bought out by shareholders (placed shares).

The authorized capital of the Company is ten million 10,000,000 RUR.

The Company placed one billion (1,000,000,000) ordinary registered shares with equal par value of one (1) kopeck each for the total par value of ten million (10,000,000) RUR.

The authorized capital corresponds to constitutive documents.

- ◆ The reserve capital of the Company is equal to zero.
- ◆ The additional capital of the Company is equal to zero.
- ◆ The target financing is equal to zero.
- ◆ The total Company capital is 10,015,000 RUR.
- ◆ The analysis of the composition and structure of current assets

Current assets	As of the beginning of the year		As of the end of the year		Growth (decline)	
	thsd. RUR	%	thsd. RUR	%	thsd. RUR	%
1. Inventories	0	0	709,237	44.5	709,237	44.5
Including:						
Materials and supplies	0	0	693,315	43.5	693,315	43.5
Finished products	0	0	0		0	
Deferred expenses	0	0	15,922	1.0	15,922	1.0
2. Input VAT	0	0	183,651	11.5	183,651	11.5



Section 6. Key Figures of Accounting and Financial Statements of the Company

Current assets	As of the beginning of the year		As of the end of the year		Growth (decline)	
	thsd. RUR	%	thsd. RUR	%	thsd. RUR	%
3. Accounts receivable	0	0	590,992	37.1	590,992	37.1
including:						
Buyers and customers	0	0	391,908	24.6	391,908	24.6
Advances	0	0	92,379	5.8	92,379	5.8
Other	0	0	106,705	6.7	106,705	6.7
4. Short-term financial investments	0	0	41,020	2.6	41,020	2.6
5. Money	0	0	69,597	4.3	69,597	4.3
Total current assets	0	0	1,594,497	100	1,594,497	100

The results of analysis show that the largest share (44.5%) in the current assets is represented mainly by raw materials and inventories. A large share in current assets

belongs to accounts receivable (37.1 %) is represented mostly by accounts receivable of buyers and customers.

Analysis of net assets structure

Indicators	As of the beginning of the year		As of the end of the year		Absolute growth, thsd. RUR	Changes in the share, %
	thsd. RUR	% to total	thsd. RUR	% to total		
ASSETS						
Intangible assets	0	0	0	0	0	0
Fixed assets	0	0	17,479	1.1	17,479	1.1
Construction-in-progress	0	0	5,909	0.3	5,909	0.3
Income-bearing placements in material valuables	0	0	0	0	0	0
Long-term financial investments	0	0	0	0	0	0
Deferred tax assets	0	0	22	0	22	0
Other non-current assets	0	0	0	0	0	0
Inventories	0	0	709,237	44.0	709,237	44.0
Value added tax	0	0	183,651	11.3	183,651	11.3
Accounts receivable	0	0	590,992	36.7	590,992	36.7
Денежные средства	0	0	69,597	4.2	69,597	4.2
Short-term financial investments	0	0	41,020	2.4	41,020	2.4
Other current asset	0	0	0	0	0	0
TOTAL ASSETS (accepted for calculation)	0	0	1,617,907	100	1,617,907	100



Section 6. Key Figures of Accounting and Financial Statements of the Company

Indicators	As of the beginning of the year		As of the end of the year		Absolute growth, thsd. RUR	Changes in the share, %
	thsd. RUR	% to total	thsd. RUR	% to total		
LIABILITIES						
Long-term liabilities on loans and borrowings	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0
Short-term liabilities for loans and borrowings	0	0	100,526	6.3	100,526	6.3
Accounts payable	0	0	1,507,273	93.7	1,507,273	93.7
Liability o members (found-ers) on payments	0	0	0	0	0	0
Reserves for future ex-penses	0	0	0	0	0	0
Other short-term liabilities	0	0	0	0	0	0
TOTAL LIABILITIES (ac-cepted for payment)	0	0	1,607,799	100	1,607,799	100
NET ASSET WORTH	0	0	10,108	-	10,108	-

In the analyzed period the structure of the Company's assets is characterized by domination of inventories (44 %), accounts receivable (36.7 %) and value added tax (11.3 %). Other items of assets make up less that 5% in the company property structure, therefore any changes in these items do not have significant influence on the Company net assets.

The structure of liabilities is characterized by predominance of the accounts payable share – 93.7 %, the share of short-term liabilities on loans and borrowings is 6.3 %.

Net asset worth 10,108,000 RUR.



6.3. Information on the Auditor. Size of remuneration paid to the auditor.

The official auditor of JSC "TGC-5" is Rosekspertiza LLC, license to auditing activity No E 000977, issued for five years pursuant to Order of the Ministry of Finance of the Russian Federation of June 25, 2002 No 123. External examination of financial (accounting) statements for 2005

prepared in accordance with the Russian laws was conducted by Rosekspertiza LLC under Contract of 14.02.2006 No 1-A-1955. The remuneration for audit services under the Contract was 531,000 RUR (including VAT).

6.4. Short accounting balance-sheet (form 1) and profit and loss statement (form 2).**Accounting balance sheet (form 1)**

		(thsd. RUR)	
ASSETS (mln. RUR)	as of 31.12.05	LIABILITIES (mln. RUR)	as of 31.12.05
Intangible assets	-	Authorized capital	10,000
Fixed assets	17,479	Additional capital	-
Equipment and unfinished investments	5,909	Reserve capital	-
Long-term financial investments	-	Accumulation funds	-
Other assets	22	Social fund	-
Inventories	693,315	Directed financing and receipts	-
Input VAT	183,651	Other equity funds	15
Other inventories	15,922	Long-term liabilities	-
Borrowers for goods	484,287	Short-term loans	100,526
Other borrowers and investments	106,705	Creditors for goods	1,310,040
Cash	69,597	Settlements with budget	54,301
Short-term financial investments	41,020	Other creditors	142,932
Loss	-	Other liabilities	93
BALANCE	1,617,907	BALANCE	1,617,907

Profit and loss statement (form 2)

		(thsd. RUR.)
INDICATOR	2005 (by supply)	
Sales proceeds (by supply without VAT)	4,768,855	
Cost of production	4,752,993	
Business expenses	-	
Profit of sales	15,862	
balance sheet profit (- loss)	8,326	
Payments to the budget	8,311	
Assigned funds	-	
Company net profit after taxes	15	
(- loss)	-	





7. Financial and Economic Performance

Indicator	2005	2006 (forecast)
Profit from sale of products (services), RUR mln.	4,768.9	11,109.8
Production cost (services), RUR mln.	4,753.0	10,625.7
Gross profit, total RUR mln.	15.9	484.2
Net profit, RUR mln.	0.02	494.4
Rate of return, %	0.33	4.40
EBITDA (RUR mln.)	6	1108.8

The Company has no dividend history as it was created on 22.03.2005, and it did not pay dividends in 2005.





8. Investment Activity

8.1. Investments including those for reconstruction and technical upgrading.

In 2005 the Company performed operating activities using leased property of the regional generation companies, which make up JSC "TGC-5", in this connection no capital investments were made by the Company within the framework of investment activity.

8.4. Non-core financial investments.

The Company has no non-core financial investments.

8.6. Investments plans for next years

In 2006 JSC "TGC-5" planned to spend 811.3 mln. RUR of capital investments, including 710.4 mln. RUR for technical upgrading and reconstruction.

66.6 mln. RUR is planned to use for increase of available capacities, including the following measures:

- ◆ equity participation in construction of M-7 heating main for more efficient use of the potential of heating capacities of Yoshkar-Ola CHPP by adding new heat loads;

- ◆ reconstruction of overhead road of heat outlets from Izhevsk CHPP-1 increasing diameters of pipelines to increase the efficiency of plant operation due to heat and electric energy output increase in the combination cycle;
- ◆ construction of heating main from Cheboksary CHPP_1 to 3rd housing estate Priportovy in Cheboksary.

The largest share of measures for the amount of 580.3 mln RUR is directed for improvement of reliability, industrial safety and increase of economic efficiency.

Kirov Branch of JSC "TGC-5"

The Kirov Branch plans to:

- ◆ reconstruct of chemical treatment of Kirov CHPP-1 (the 1st stage) in order to reduce indicators of water chemistry the maintenance rules standards;
- ◆ reconstruct water cooling tower No2, reconstruct gas-distributing point No2, and to implement a system of vibration monitoring of turbine sets in Kirov CHPP-4.

- ◆ complete works on reconstruction of instrumentation of gas equipment of 3A boiler, to create the vibration monitoring system of turbine sets and automated fire-extinguishing of fuel supply in Kirov CHPP-5.

Mariy Branch of JSC "TGC-5"

Mariy Branch plans reconstruction of the system of air heating of steam generating unit of plant No 1 with installation of steam air heater, which is required for reliable and long work of the boiler.



Udmurt Branch of JSC "TGC-5"

Udmurt Branch plans:

- ◆ to replace feed-water discharge headers and re-construct and to reconstruct the auxiliaries section No8 in Izhevsk CHPP-2;
- ◆ to continue works on reconstruction of outdoor switchgear -110kV in Izhevsk CHPP-2.

Chuvash Branch of JSC "TGC-5"

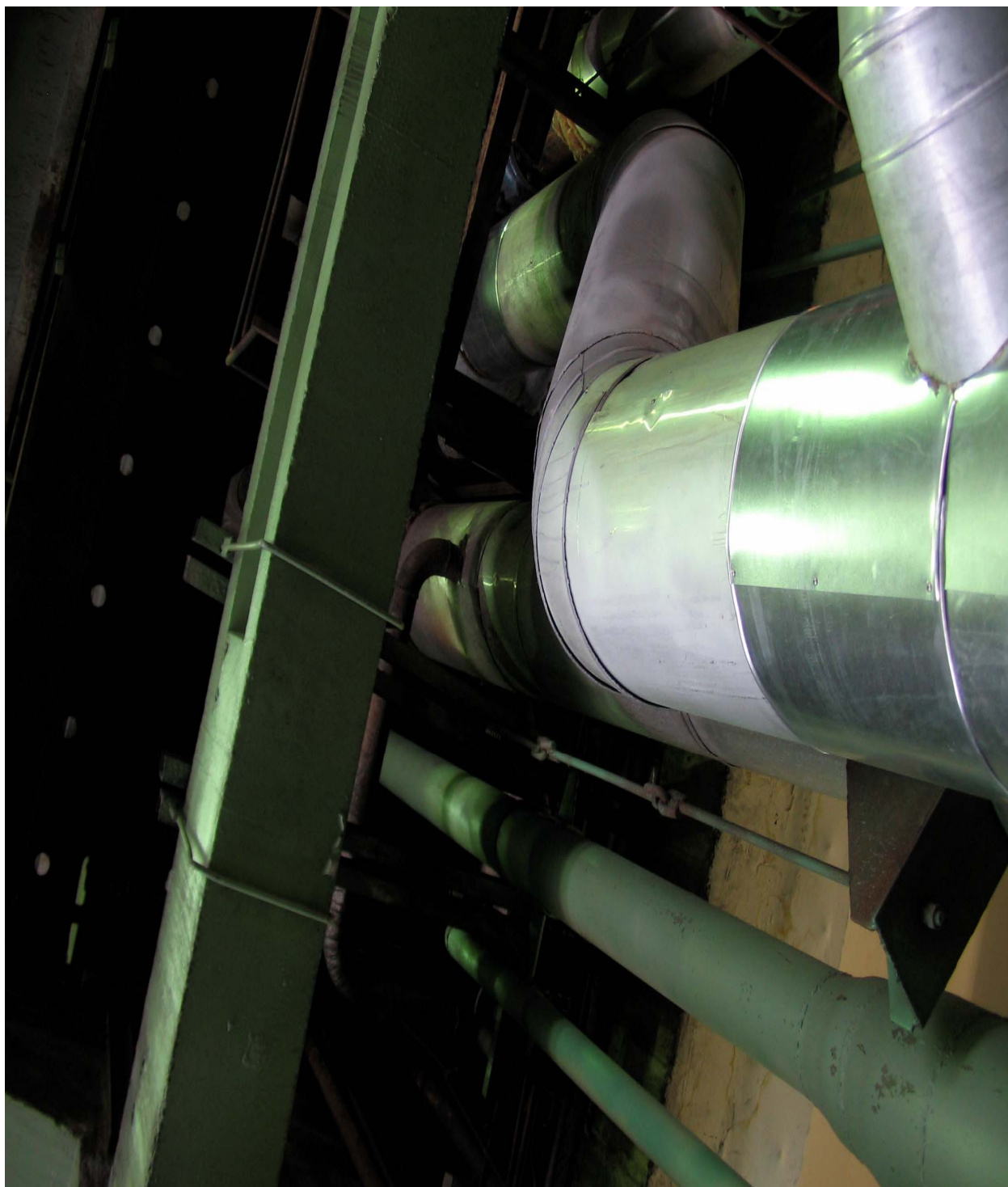
Chuvash Branch has planned expenses to:

- ◆ complete reconstruction of БГ-3200 chimney-type cooling tower of Plant No2 with replacement of irrigator channel units, water distribution system and air control in Cheboksary CHPP-2;
- ◆ reconstruct chemical water treatment 1 for improvement of output of feeding of the heat main in Novochebksarsk CHPP-3;
- ◆ complete reconstruction of gas pipeline of TTME 464 steam generating unit of Plant No1 in Cheboksary CHPP-2 and design and start works on gas line of TTME 464 steam generating unit of Plant No7 in Novocheboksarsk CHPP-3 to bring them in compliance with Ц-03-97(т) circular letter using "Amax" gas units.

In accordance with order of RAO "UES of Russia" No 603 of 9.09.2005 all the plants of the Company plan beginning of operations for bringing the telemetry systems in compliance with the requirements of the balancing market to amount of 63.5 mln. RUR.

The plans for 2006-2010 include a number of measures for upgrading and reconstruction of some CHPPs using gas-0vapor technologies. The investments program 2006 provides for funds for exploratory case studies in this direction.





9. Prospects of Technical Upgrading and Company Development



9.1. Implementation of new technologies of energy generation and dynamics of Company development.

Kirov Branch of JSC "TGC-5"

CHPP-1 has two steam turbines: P-5-32-10 and P-5,3-32-3, fed from 6 power-plant boilers: home-made TO-1, 2, СП-60/34, БК3-75-39, БК3-75-40, which operate on the natural gas, the design consumption of which is about 26 thsd m³/h. The reserve type of fuel is black oil fuel. The main equipment of the plant is put in operation in 1934.

Installed CHPP capacities: power – 10.3 MW, heat - 226 Gkal/h, including from turbines - 88 Gkal/h.

The main problems of operation of plants are:

1. Water chemistry does not comply with maintenance rules.

Effects:

Parameter

Unit of meas.

Norm

Fact

- burned heating surfaces;
- claims of consumers;
- threat of losing consumers.

Iron

µg/dm³

50

425

Copper

µg/dm³

10

26.2

PH

µg/dm³

7.5

6.1

Sediments

g

800

2500

2. Insufficient steam consumption with R-intake of 9 atm pressure.

Effect:

- low utilization of the installed power capacity.

3. High production cost of energy at the plant.



4. Inconformity of the CHPP electric circuit with the requirements of the maintenance rules and norms of technical design of plants.

5. Inconformity of gas system of boilers with the requirements of safety rules of gas distribution and gas consumption systems.

Production of electric and heat energy is in demand in the CHPP-1 unit.

the following steps should be taken for further development of the plant in order to reduce production costs, satisfy the needs of consumers in electric and heat energy and improve the reliability of energy supply:

Investments projects:

- Reconstructions of chemical water treatment. Реконструкция ХВО. ХВО-250 primary treatment with clarifying agents of ДКРУ-200 type.

In order:

- to bring the steam and water quality in accordance with the maintenance rules; Cost is 29.6 mln. RUR
Payback period is 3 years
- to reduce maintenance and operational costs; Economic effect is 11.3 mln. RUR a year
- to increase reliability of boiler equipment operation;
- to improve the quality of providing services for consumers.

- Reconstruction of turbine No2. Transfer to backward pressure of 16 at (2006)

In order:

- to increase electric energy generation; Cost is 2.0 mln RUR
- to reduce production costs of electric energy at the station. Payback period is 1 year
Economic effect is 1.6 mln RUR a year

- Installation of V-64.3A gas turbine power plant with a waste heat exchanger (2006-2008)

In order:

- to increase electric energy generation; Cost is 1,716.9 mln RUR
- to reduce production costs of electric energy at the statio; Payback period is 8 year
- to increase installed capacity . Economic effect is 68.3 mln RUR a year.

- Reconstruction of the main electric circuit of the plant (2008-2009)

In order:

- to increase reliability; Cost is 15.0 mln. RUR
- to provide for generation of extra electric energy at a rate of 30 MW;
- to reduce repair costs.

Implementation of the above measures will provide:



Section 9. Prospects of Technical Upgrading

<input checked="" type="checkbox"/> renewal of the plant;	<input checked="" type="checkbox"/> reduction of operational costs; c
<input checked="" type="checkbox"/> increase in production volume;	<input checked="" type="checkbox"/> reduction of production costs;
<input checked="" type="checkbox"/> improvement of reliability in power supply to consumers;	<input checked="" type="checkbox"/> total economic effect of 81.2 mln. RUR a year

CHPP-3 has five gas turbines: ПТ-25-90-10/2,5, Т-25-90, Т-27-90, Т-53-90, ПТ-30-90-10/2,5, which are fed from the shared steam header of the plant, 7 power-plant boilers: four ТП-170, three ПК-14. Besides, the plant has four КВГМ-100 peak-load boilers. major part of the equipment of the station is put in operation in 1953-1962. The CHPP mainly works on natural gas, milled peat and black coal, the reserve fuel is black oil fuel.

The installed capacities of the CHPP: power is 160 MW, heat is 813 Gkal/h, including from the turbines – 413 Gkal/h, from the peak-load hot-water boilers – 400 Gkal/h.

Main problems in plant operation are:

1. High production cost of supplied heat and electricity energy.	<u>Effects:</u> – risks of losing a large consumer of electric and heat energy – Kirovo-Chepetsk Chemical Integrated Plant.
2. High service wear of the CHPP equipment.	<u>Effects:</u> – wear of mechanical and electrical equipment of CHPP results in: <ul style="list-style-type: none"> ▪ significant repair costs; ▪ reduction of power supply reliability; ▪ reduction of capacity and deterioration of economic performance of the CHPP.
3. Satisfying the requirements of environmental agencies (Art. 144 of the RF Water Code) for creation of in-plant water recycling (500 mln. RUR) and sewage disposal plant (drains of water chemical treatment, storm run-offs and oil and black oil fuel containing run-offs) at the CHPP.	<u>Effects:</u> – failure to fulfill requirements of environmental agencies will result in suspension of the license to water use and fivefold growth of payment for water consumption.

It is necessary to reconstruct Kirov CHPP on the basis of modern steam and gas technologies and to perform measures for increase of reliability and industrial safety.

Investment projects:

- Reconstruction of CHPP-3 using V-64.3A and V-94.2 gas turbine plants.

In order:

– to increase the CHPP capacity;	Project implementation– 2006-2009.
– to improve technical and economic performance;	Cost is 5,167.5 mln RUR.
– to reduce production cost of supplied electric energy;	Payback period is 7 year.
– to increase annual supply volumes of electric energy.	

- Measures for improvement of reliability and industrial safety

– reconstruction of outdoor switchgear -110;	
– construction of the fish-protection screen in the CHPP integral intake;	Project implementation – 2006-2010 Cost is 117.0 mln RUR.



Section 9. Prospects of Technical Upgrading

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| <ul style="list-style-type: none"> – feasibility study of the construction of the recycling water supply system; – feasibility study of plant for collection, clearing and utilization of chemical water treatment of drains; – construction of hot-water supply tank for hot feeding of heat supply system; – construction of unit for acid-washing of hot-water boilers; – upgrading of convectional packet of hot-water boiler No2 of KBГМ-100 type; – automation of the fire-extinguishing system of the fuel conveying system; – other measures. | <p>Total cost is 1,493.0 mln RUR</p> |
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CHPP-4 has six steam turbines: two ПТ-60-130/13 and four Т-50-130, 10 БКЗ-210-140Φ power-plant boilers, four ПТБМ-180 peak-load boilers. Put in operation in 1963. The main type of CHPP fuel is natural gas, milled peat and black coal, the reserve fuel is black oil fuel.

The installed capacities of the CHPP: electric energy is 320 MW, heat is 1,378Gkal/h, including from the turbines 658 Gkal/h.

Physical and moral outdated equipment of CHPP-4 is a main reason for problems, which arise during its operation.

The main problems of plant operation are:

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| <p>1. Limitation of capacities of the CHPP in the summer period by 37.1 MW, which arise as a result of unsatisfactory work of water cooling towers.</p> | <p><u>Effects:</u></p> <ul style="list-style-type: none"> – equipment cannot be operated in most economical modes; – increased production cost of generated electric power; – short supply of electric power is 127 mln kWh; – excess fuel flow is 3,260 t. of equivalent fuel a year |
| <p>2. Insufficient reliability of equipment.</p> | <p><u>Effects:</u></p> <ul style="list-style-type: none"> – inefficient work of equipment; – overhead costs of heat and electric power during starts; – reduction of equipment resource; – heat and electric energy supply cannot be planned; – financial losses as a result of short supply of heat and electric energy; – expenses for repair and reconstruction; – excess fuel flow is 4,800 t. of equivalent fuel a year |
| <p>3. Necessary to take measures to bring the existing equipment in compliance with the modern requirements of industrial safety – 45.0 mln RUR (2006).</p> | |

The investments for upgrading of equipment of the CHPP-4 in 2006-2010 should be directed for: release of limitations for available capacity by reconstruction of cooling towers and stage-by-stage replacement of the equipment, which has used its re-



serve.

Investment projects:

- Reconstruction of cooling towers of value No 2 and value No4

Economic effect of the project:

For cooling tower No 2 – the payback period is 5 years. The economic effect is 3.25 mln RUR/year.

For cooling tower No 4 – the payback period is 6.5-7 years. The economic effect is 7.4 mln RUR/year.

The project will be completion is completed

2006
2007
2008
2009
2010
Total
2006-2010

Reconstruction of cooling tower No 2 (mln. RUR)

18.14
7.0
0
0
0
25.14

Reconstruction of cooling tower No 4 (mln. RUR)

0
0
10.0
20.0
20.0
50.0



Section 9. Prospects of Technical Upgrading

- Replacement of high-pressure cylinder of ПТ-60-130 turbine of value No 2

<u>In order:</u>	Capital investments: 2008 – 107.0 mln RUR
– to prolong the lifetime of the turbine plant by 220 thsd. hours;	<u>Reliability indicators:</u>
– to increase the installed capacity of the CHPP by 5 MW;	– availability ratio of the high pressure cylinder of ПТ-65/75-90(130) turbine will be not less than 0.98;
– to reduce specific consumption of heat for generation of electric energy for this turbine plant by 34 kkal/kWh.	– mean time between failures is not less than 8,000;
	– overhaul period is not less than 6 years;
	– the lifetime of upgraded high pressure cylinder is 220,000 h;
	– life until discarded is 40 years.

CHPP-5 has three steam turbines: ПТ-80/100-130/13 and two Т-185/220-130, 5 power-plant boilers: ТПЕ-430 and four ТПЕ-429, three ПТБМ-180 peak-load boilers. The year of putting in operation of main equipment is 1982. The main type of fuels for the CHPP is natural gas and black coal, the backup fuel is black oil fuel.

The installed capacities of the CHPP: electric is 450 MW, heat is 1,090 Gkal/h, including from turbines is 730 Gkal/h.

The main problems of plant operation are:

1. Limitations of the capacities of the CHPP in summer by 119.1 MW, which arise as a result of insufficient surfaces for cooling tower reflux.	<u>Effects:</u>
	– increased pressure in turbine condensers;
	– the equipment cannot be operated in the most economical modes;
	– undersupply of energy of 438 mln. kWh;
	– excess fuel flow 5,200 of fuel equivalent a year.
2. The existing monitoring and control system for capital and auxiliary equipment over 20 years and is morally and physically obsolete.	<u>Effects:</u>
	– increased possibility of breakdowns for the monitoring and control system, which reduces the reliability of capital and auxiliary equipment.
3. It is necessary to take measures to bring the existing equipment in compliance with the modern requirements of industrial safety.	Costs of 79 mln. RUR (2006-2010)

Investments in equipment of the CHPP-5 in 2006-2010 should be directed for: removal of limitations for available capacity by construction of a new cooling tower of value No3 for improvement of reliability and industrial safety.



Marly Branch of JSC "TGC-5"

CHPP-2 has two steam turbines: ПТ-80/100-130/13 and ТП-115/126-130-1, 2 ТПЕ-430А power-plant boilers, three КВГМ-100 peak-load boilers. The stages of development: 1984 – putting of water-heating boiler plant in operation, 1994 – putting of the 1st power generating unit in operation, 1999 – putting of the 2nd power generating unit in operation. The main type of fuel for the CHPP is natural gas, the backup fuel is black oil fuel.

The installed capacities of the CHPP: electric is 195 MW, heat is 660 Gkal/h, including from the turbines 360 Gkal/h.

The main problems of the plant operation are:

1. High load on the M-3 heating main.	<u>Effects:</u> <ul style="list-style-type: none"> – high hydraulic losses; – reduction of pressure for consumers under 10 m; – claims of consumers concerning the hydraulic regime; – development of heating business is restrained; – no reserve is available.
2. Water chemistry does not correspond to the maintenance rules and does not correspond to the volumes of the soil water consumption.	<u>Effects:</u> <ul style="list-style-type: none"> – high velocity of corrosion of heating network pipe lines; – high production cost of feeding water – 9.58 RUR/m³, including water of Gorvodokanal – 6.424 RUR/m³, retains development of the heating business. сдерживает расширение теплового бизнеса.
3. No available consumers of steam extraction P-13 atm.	<u>Effects:</u> <ul style="list-style-type: none"> – limitation of electric power; – increase of energy production cost; – loss of income.
4. Non-optimal heating conduit CHPP-2 in composition of 2 units (boiler + turbine).	<u>Effects:</u> <ul style="list-style-type: none"> – unreliable energy supply; – electric capacities do not provide cover of loads.

One heating main, temporary scheme of chemical water treatment and insufficient productivity, undeveloped heating circuit of CHPP-2 – reduce the efficiency of work and reveal the necessity of solving the above problems.

Investment projects:

- Construction of «M-7» heating main D-1000 mm (equity participation)

Time of works (taking into account performance time) is 2002–2007

Cost is 70 mln. RUR, including 2006 - 30 mln. RUR; 2007 is 40 mln. RUR.

Risks – commercial (increase in time for project implementation and profit reduction)

- Reconstruction of water treating plant for feeding of heat supply system

Time for work performance is 2007–2008

Cost is 200 mln. RUR, including: 2007 – 100 mln. RUR; 2008 – 100 mln. RUR.

Risks – ecological (accumulation in the ash-disposal area of aluminum com-



Section 9. Prospects of Technical Upgrading

pounds, which require in the future (10-15 years) solution of problem of their disposal)

- Development of feasibility study for development of the Plant generating capacities

Deadline for preparation and expertise - 2008–2010

Cost is 16 mln.RUR, including: 2008 – 3.0 mln.RUR; 2009 – 5.0 mln.RUR; 2010 – 8.0 mln.RUR.

Risks – commercial (long term for payoff-period of primary investments)

Generating capacity of Yoshkar-Ola CHPP-2 are in demand, therefore the suggested measures of the 2006-2010 investments program will make it possible to increase reliability, efficiency and volumes of production.

Udmurt Branch of JSC "TGC-5"

CHPP-1 has seven steam turbines: four ПТ-12/15-35/10М, P-12-35/5М, two АПТ-9(12), fed from 6 power boilers: ТТМ-160, Е-160, three БКЗ-75, ТГ-130, three peak-load boilers: two - ПТБМ-50 and ПТБМ-100. The main type of fuel is natural gas, the backup fuel is black oil fuel. Average average flow gas is 27 thsd.m³/h, 236.6 mln.m³ в per year. Throughput rate for gas supply network is 195 thsd.m³/h.

Installed heat capacity is 615 Gkal/h, including turbines - 415 Gkal/h, peak-load hot water boiler – 200 Gkal/h. Connected heat load is 490 Gkal/h. Peak thermal load is 360 Gkal/h. Average heat load is 227 Gkal/h.

Cardinal problems are:

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| 1. Operation of pipelines of heating systems is allowed until 01.09.2006 (in accordance with the results of the expertise of industrial safety). | <u>Effects:</u> | – loss of heat market by transfer of consumers to heat supply from plant boilers; |
| 2. Chemistry conditions meet the standards of maintenance rules, however, the feeding water has increased content of organic compounds (not standardized by the maintenance rules). The existing scheme does not provide for the normal process of coagulation in clarifying substances, which result in blinding natrium-cation exchangers and entry of organic compounds in the feeding water. | – | increased sediments on heat surfaces, up to 600 g/m.sq.; |
| | – | increased repair costs; |
| | – | reduction of reliability and increase in the number of incidents with heat surfaces of boilers; |
| 3. Turbine units No5,6 produced abroad are used up, are not provided with repair and replacement parts, and should be decommissioned in the nearest years. | – | increased flow of expensive agents for recharging of natrium-cation exchangers; |
| | – | reduction in generation of electric energy in heat consumption and increase in specific consumption for generation of heat energy; |
| 4. Auxiliary electric circuit has a non-standard voltage of 3 kV and worn obsolete equipment. | – | increase in repair costs; |
| | – | low reliability and fire hazard; |
| 5. Insufficiency for using the advantage of the territorial location, reliable water- and gas- supply. | – | loss of potential consumers. |



Without technical upgrading and reconstruction the plant will lose in the near future a part of installed electric capacity and prospective consumers of heat energy.

Investment projects:

- Replacement of heating network pipe line – 2 heat exhausts from the CHPP with diameters of 500 and 800 for 2 heat exhausts with diameter of 800mm

<u>In order:</u>	Design and exploratory work 2006 – 10 mln. RUR, project implementation 2007 - 75 mln. RUR, 2008 – 75 mln. RUR, total 160 mln. RUR.
– to increase supply of heat energy by 70 Gkal;	The economic effect from connection of additional heat load is 5.6 mln. RUR/year
– to improve reliability of heat supply;	Payback period for additional costs is 2.2 years.
– to keep consumers and develop production.	

- Reconstruction of chemical water treatment with replacement of clarifying substances and change of technological process of coagulation

<u>In order:</u>	Project implementation – 2007.
– to reduce the content of organic and suspended substance in 10 times;	Project cost – 28.0 mln. RUR.
– to reduce costs for acid-washing of boilers and increase in the boiler efficiency;	
– to increase reliability;	
– to reduce flow rate of chemical agents.	

- Reconstruction of 8 and 9 sections of auxiliary bus lines

<u>In order:</u>	Project implementation – 2008.
– to reduce repair costs;	Project cost - 37 mln. RUR: 2008 - 18 mln. RUR, 2009- 19 mln. RUR.
– to increase fire safety and reliability.	

- SGT-700 Plant with exhaust-heat boiler

<u>In order:</u>	Project implementation - 718 mln. RUR: 2007 – 16 mln. RUR, 2008– 225 mln. RUR mln. RUR, 2009 – 477 mln. RUR.
– to compensate for electric and heat capacity of decommissioned generating units No 5,6;	Payback period is 5-6 year (in accordance with the feasibility study of 2006)
– to reduce specific consumption for heat energy supply.	

CHPP-2 has two steam turbines: ПТ-60-130, three Т-100/120-130 fed from 4 ТП-87-1 powers, five peak-load boilers: two ПТБМ-180, three КВГМ-180. The plant is put in operation in 1975-1982. The main type of fuel is natural gas and coal, backup fuel is black oil fuel. Average gas consumption is 85.73 thsd.m³ /h, 750 mln.m³/year.

Installed electric capacity is 390 MW, heat power is 1474 Gkal/h, including from the turbines – 574 Gkal/h and the peak-load hot water boilers is 900 Gkal/h.

The main problems are:

1. Low reliability of outdoor switchgear -110 kV:
 - Outdoor switchgear -110 kV has a large number of connections with unsectioned systems of bus lines. The switchgear equipment has used its normative life time, is physically and morally obsolete;
 - The outdoor switchgear is important for the system, in case of emergency situations with the outdoor switchgear blackout, electric and heat supply to majority of Izhevsk consumers stop. The system connections of Udmurtia energy system break;
 - 2 cases with the outdoor switchgear blackout and load-relief of CHPP-2 to zero because of defects in the outdoor switchgear equipment.



Section 9. Prospects of Technical Upgrading

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| 2. Some heat energy is "locked" because of insufficient throughput rate of two existing trunks: | <ul style="list-style-type: none"> – there is some risk to lose consumers in case of heat energy market growth as a result of planned mass construction. – "Locked" heat capacity is 300 Gkal/hour. |
| 3. The turbines are not equipped with vibration protection: | <ul style="list-style-type: none"> – Breakdowns with very heavy consequences may appear as a result of damages caused to blade row and untimely cut-off; – The turbine units are equipped with systems of vibration diagnostic and protection requirements of the maintenance rules and orders of RAO "UES of Russia" No 307 of 23.08.99 and No371 of 22.07.03. |
| 4. Winter limitation from the installed capacity of turbines is 53MW because of insufficient boiler capacity. The boiler capacity is 1,680 tons per hour in case of required for the turbines rate of 1,790 tons per hour: | <ul style="list-style-type: none"> – Under-utilization of installed electric capacity. Losses because of sufficient generation of electric power. Reduction of technical and economic performance of the power plant. |

The plant has locked heat and not fully used electric capacity. It is required to continue reconstruction of the outdoor switchgear, perform the construction of the 3rd heating main and implement measures for reliability improvement.

Investment projects:

- Reconstruction of the outdoor switchgear -110kV

<u>In order:</u> <ul style="list-style-type: none"> – to increase reliability; – to reduce the possibility of complete blackout; – to reduce repair costs. 	Project cost is 243 mln. RUR. By the end of 2005 works for 50 mln. RUR. had been completed Completion of the project implementation: 2006 – 57.2 mln. RUR; 2007 – 46 mln. RUR; 2008– 40 mln. RUR; 2009 - 10–50 mln. RUR.
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- Contraction of the third eastern main from CHPP-2

<u>In order:</u> <ul style="list-style-type: none"> – to ensure city growing demand in heat; – to expand production of heat energy; – to reduce specific fuel consumption. 	Project cost is 494 mln. RUR: 2007 -111.6 mln. RUR.; 2008 – 354.5 mln. RUR; 2009 – 27.9 mln. RUR.
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- Installation of combined-cycle plant-450

<u>In order:</u> <ul style="list-style-type: none"> – to install more efficient equipment; – additional removal of 60 MW of limitation for heat capacity of boilers for increase of electric load TT-1,2,3,4 at the expense of steam generation by GTU exhaust-heat boiler. 	Project implementation is 2008-2011 Cost (preliminary) is 1 920 mln. RUR Economic efficiency will be determined during project development.
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- Equipping with protection against increased vibrations TT-2,4

<u>In order:</u> <ul style="list-style-type: none"> – to increase reliability and security. 	Project implementation– 2006. Cost is 13.7 mln. RUR
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These projects will result in increase in generation of electric and heat energy with good technical and economic performance and improvement of reliability of Udmurtia energy system in general.

Sarapul CHPP has two steam turbines: ПП-6-35/15/5 and ПП-6-35/5/1,2М, fed from five power boilers: two ГМ-50-1, three ТП-35-39, two КВГМ-100 peak-load boilers. The year of putting in operation is 1944. The main type of fuel is natural gas, the backup fuel is black oil fuel.

The installed electric capacity is 12 MW, heat capacity is 285 Gkal/h.



The main problems are:

1. Transfer of ТП-35 boilers of plants 3,4,5 to H-120 m chimney flue due to insufficient state of H-60 m chimney flue.
2. The equipment of the sulphuric acid warehouse does not comply with the safety standards and rules.
3. The DC panel does not comply with the requirements of reliability and fire safety.
4. The dead-end track is in emergency condition. (Order of the transport procuratorate).
5. The analog switching equipment of the communication system is physically and morally obsolete.
6. The ПП-6-35/15.5/5 turbine does not have sufficient load.

Production of electric and heat energy in the unit of Sarapul CHPP is in demand. It is necessary to implement measures aimed at increasing of reliability and industrial safety in order to ensure reliable power supply to consumers.

Investment projects:

- Transfer of chimney flues from ТП-35 boilers of Pl.No 3,4,5 to H-120m flue chimney

In order: Project implementation - 2010.

- to prevent sweating in the flue chimney; Cost is 2,600 thsd. RUR.
- to reduce concentration of hazardous substances CO and NO in the atmospheric air due to dissipation;
- to reduce costs of the chimney repair.

- Reconstruction of the sulphuric acid warehouse means installation of three tanks for sulphuric acid, two tank for aqua ammonia, a new off-loading line, pumps

In order: Project implementation – 2007.

- to increase reliability. Cost is 7,500 thsd. RUR.

- Installation of the third ПСВ-200-7-15 peaking water heater

In order: Project implementation – 2008.

- to load the загрузки турбины ПП-6-35/15,5/5; Cost is 700 thsd. RUR.
- to install generation of heat energy of the CHPP without switching on of the peak-load peak hot water boiler;
- to increase reliability.

- Replacement of the DC panel

In order: Project implementation – 2008.

- to increase reliability. Cost is 4,900 thsd. RUR.

- Reconstruction of the dead-end truck(2006). (replacement of metaling and rails and cross ties)

In order: Project implementation – 2008.

- to increase reliability. Cost is 1,534 thsd. RUR.

- Reconstruction of the communication system

In order: Project implementation – 2009.

- to increase reliability. Cost is 9,500 thsd. RUR.



Chuvash Branch of JSC "TGC-5"

CHPP-1 has four steam turbines: P-4(12)-3,4/0,1, ПР-4(12)29/7,0/1,2, two AP-2(6)-10 fed from five power boilers: four ЦКТИ-100-39ГМ and БКЗ-100-39ГМ. The operation of CHPP-1 started in 195. The main type of fuel is natural gas, the backup type of fuel is black oil fuel.

The installed electric capacity is 12MW, the heat capacity is 316.5 Gkal/h.

The main problem is:

- high production cost of electric power.

Investment projects:

- Reconstruction of chemical water treatment plant for feeding and backing up of heating system (2007-2009)

Project cost is 15.4 mln. RUR (without VAT) in current prices

Payback period is 8 years

- Reconstruction of Alaty production boiler house to transfer it to gas combustion (2006)

Project cost is 2.0 mln. RUR

CHPP-2 has four steam turbines: ПТ-135/165, ПТ-80/100, ПТ-135/165, Т-110/120 fed from five power boilers ТГМЕ-464, and two КБГМ-180 peak-load boilers. CHPP-2 was put in operation in 1979. The main type of activity is natural gas, the backup fuel is black oil fuel. ТГМЕ-464 undeveloped boiler value No 6 is put in dead storage.

The installed electric capacity is 460 MW, the heat capacity is 1,429 Gkal/h.

Investment projects:

- Retooling of technical water supply for Cheboksary CHPP-2

In order:

- to reconstruct the cooling tower;
- to increase the reliability of the plant and the competitiveness of its condensation electricity production;
- to increase electric energy supply to consumers.

Economic effect from reconstruction:

- increase in available capacity of the turbines
- increase in electric energy supply
- return on sales of additional electric energy supply.

- Mounting and putting in operation of ТГМЕ-464 power boiler of value No6

In order:

- To cover growth in heat load and to increase reliability of heat supply for the city.

Project cost is 292.2 mmln. RUR (without VAT) in current prices.

In 2007 it is planned to continue mounting and in 2015 - put in operation the start-up complex

- Reconstruction of gas conduits of power boilers No1-5

Project implementation is 2003-2010

Project cost is 43.1 mln. RUR (without VAT) in the current prices.



Novocheboksarsk CHPP-3 has six steam turbines: ПТ-60-130, three P-50-130/13, two T-100/120-130, fed from six power boilers: four ТГМ-84, four ТГМЕ-464, and also two ПТБМ-100 peak-load boilers are available. CHPP-3 is put in operation in 1965. The main type of fuel is natural gas, the backup fuel is black oil fuel.

The installed electric capacity is 380 MW, the heat capacity is 1,057 Gkal/h, including from the turbines 957 Gkal/h.

The main problems are:

1. Insufficient capacity of water treating plant for feeding of the heating network. The existing capacity is 1050 t/h while the actual consumption is 1,120 t/h.

Order of the ministry of Fuel and Energy of the Russian Federation of 1.03.93 No64

Letter No 30-04-430 of 4.05.05. permit is given for hot water supply of OAO "Khimprom"

Feeding is planned to be increased up to 2,080 t/h to 2015.

Effects:

– Consumers of hot water are not supplied with hot water, the market of the heat energy is lost.

2. Novocheboksarsk CHPP-3 is put in operation in 1965. ПТ-60-130/13 val.Nº1 steam turbine with production and heating extraction had worked 286,163 hours as of 01.01.2005.

Further operation of the turbine with the total running hours of 320 thsd. hours is allowed under conclusion of the Expert-and-Technical Commission for establishing the possibility and time for further operation; the conclusion was approved by heads of Business Unit No1 of RAO "UES of Russia". Taking into account annual running hours for this turbine in the last years, this operational time will be spent by 2008; further prolongations is very unlikely to be allowed and the turbine will be de-commissioned.

Effects:

– disposal of capacities will result in reduction in production of electric power on heat consumption, reduction of profit.

Problem solving will allow:

- ◆ increasing product supply;
- ◆ providing growth in heat energy consumption;
- ◆ increasing reliability and reduction of costs

Investment projects:

- Reconstruction of the water treating plant for heating system feeding. Production growth up to 1,600t/h

In order:

- to provide reliable supply of the growing demand in the feeding water for the heating network of Novocheboksarsk;
- to expand the retail market for heat energy;
- to satisfy the growing demand in the heating water for the heating network two tasks should be solved:
 - to increase production of soft water in the chemical plant;
 - to provide heating and deaeration of the additional volume of the feeding water.

21.2 mln. RUR was tapped in 2002-2005.

To be tapped: 2006 -14.4 mln. RUR.; 2007 – 4.8 mln. RUR.

Cost is 40.4 mln. RUR.

Payback period is 6.4 years.

Economic effect is 6.3 mln. RUR per year.



Section 9. Prospects of Technical Upgrading

- Installation of ПТ-80 turbine instead of ПТ-6, which has worked out its service life (286 thsd. hours) and two V64,3A with exhaust-heat boilers instead of T-50/130-13 and P-50/130-13

In order:

- to replace the disposed capacity connected with worked out service life of ПТ-60-130/13 turbine;
- to optimize the load of the Plant capacities;
- to ensure reliable heat supply to consumers of heat energy from the production and heat extraction.

The economic effect from the project implementation is achieved through improvement of reliability in supply of heat and electric energy to consumers and increase in the volume of supplied products. Taking into account the operational costs as a result of equipment replacement, which has worked out the park service life for more economical and reduction of repair and maintenance costs for prolongation of the park and individual service life, the cost of which was 42.0 mln. RUR only in 2004.

The main equipment was purchased in 2004 for the amount of 70.25 mln RUR.

Cost is 3,606.6 mln. RUR.

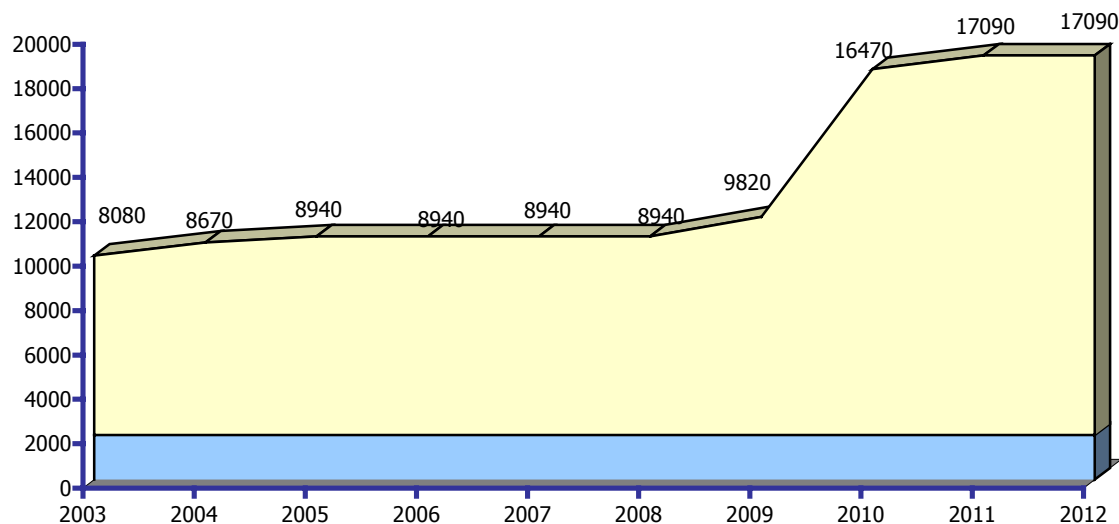
Payback period is 7 years.

Economic effect is 49.335 mln RUR a year.

Besides, the area has many types of unconventional renewable energy sources, which include not only small rivers and water bodies but also the wind energy. Nowadays the projects for implementation of unconventional energy

sources can be found in all regions serviced by JSC "TGC-5", but projects with their use are not implemented due to many different risks.

Diagram in dynamics of actual and forecasted useful electric power supply, mln. kWh.



Significant increase in electric energy supply in 2009-2012 was connected with implementation of steam-gas technologies and implementation of new generating capaci-

ties in Kirov CHPP-1, Kirovo-Chepetsk CHPP-3, Izhevsk CHPP-1 and Novocheboksarsk CHPP-3.





10. Development of the Company Communications Network and Internet-Technologies



Once JSC "TGC-5" was created, the executive bodies of the Company also include the Information Technologies Directorate (IT), which includes Telecommunications and Communications Office (TCO), Corporate Information System Support Department (CISSD), the Automated Information-Gage Systems and Process Control Systems Department (AIGSandPCS). The tasks and goals of the three departments are closely related and aimed at increasing the level of Company informatization. The Telecommunications and Communications Office was created as a result of reorganization on the basis of departments and services for informational technologies and communications of OAO "Kirovenrgo", OAO "Vyatskaya Electricity and Heat Company". The TCO performs general management and coordination of activity for subdivisions of informational technologies and communication services of the Executive Bodies and Branches of JSC "TGC-5" for solution of problems in the sphere of computer telecommunications, information technologies and communications.

The main objective of the Telecommunications and Communications Office – continuous providing of the Internet-technologies to the Company, communication services – was and remains the basic direction in the development

Last year the IT departments and offices in all the Branches of the Company implemented measures, which aimed at creation of own information infrastructures for executive bodies in connection with the necessity to organize full-function working places. This task was almost fully completed in executive bodies of JSC "TGC-5" and Kirov Branch of JSC "TGC-5" and, to a lesser degree, in Chuvash, Udmurt and Mariy Branches.

1. Organization of a structured cabling system (SCS) was completed in the leased building of Kirov Branch of JSC "TGC-5" for 180 workplaces. SCSs of the 1st and 3rd of the leased premises of OAO "Kirovennergospetsremont" for 120 workplaces was updated. Implementation of the corporate network of Kirov Branch of JSC "TGC-5" together with the Executive Bodies of JSC "TGC-5", connection to the Internet was made using services of OAO "VolgaTelecom", OAO "Mobile Telesystems". Backup communication channels were constructed to connect the Executive Bodies and the structural divisions in Kirov Branch, the works were performed to provide own and take on lease existing data transmission channels in all branches of JSC "TGC-5". The telecommunications equipment was updated and readjusted. It will make it possible to create a high-reliability corporate data communications network.

strategy of the Department. The main TCO goals in this sphere - to develop and operate all systems of information transfer, the communications network in the period of re-forming, which were provided for in previous year 2005, – were achieved. Great contribution to the development of communications, telecommunications and other IT spheres of the newly created JSC "TGC-5" was made by merits and achievements of the last year in the following regional generation companies – OAO "Vyatskaya Electricity and Heat Company", OAO "Chuvash Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Mariy Regional Generation Company" - in connection with the restructuring of the energy complex.

The telecommunication network of JSC "TGC-5" and the data communications network built on its basis is a complicated combination of interrelated facilities, which include cable and optical carriers, digital and analog transmission systems, server and telecommunication equipment, dispatcher and technological control equipment and many other means and communication systems.

2. Software for telecommunication equipment was updated and reconfigured to improve the functioning of telecommunication network. New Internet servers were adjusted, existing servers were updated, e-mail and internal servers were updated or adjusted. The need in such measures was caused by the necessity to provide own server capacities for the Branches after they were spun off from network energy companies.



3. An automated system for control and recording of electric energy was organized and put in industrial operation in all the branches. This measure made it possible for JSC "TGC-5" to participate in the wholesale energy market upon fulfillment of all the requirements for system quality and reliability. Besides, a complex of measures was carried out last year to fulfill the requirements of the first stage to participate in the balancing market, client places (terminals for participants of the balancing market) were organized to executive bodies and separate divisions of the Branches.

4. Design works were fully completed; works on laying fiber-optic communication lines were initiated under a contract for organization of the optical line. В рамках первого этапа строительства ВОЛС установлено ШКО-С-19-SM-8C-16 cross-connect equipment was installed on the facilities of communication centers of the system operator of the central dispatch control (Kirov regional dispatch control), separate division CHPP-4, separate division CHPP-5, KESR was installed within the framework of the first stage of fiber-optic communication lines construction. The section of the optic network of IA of JSC "TGC-5" – separate division CHPP-

4 - KESR was put in operation. A local segment of the optic cable was laid between the communication equipment room of the main building and the communication cross of the main control board of the separate division of CHPP-5.

5. ACO-8/4 alerting system is installed in the separate division of CHPP-3 of Kirov Branch to notify management in case of emergency situations. A people search system on the basis of Enisey amplifier with the network for 200 people is installed. The equipment of on-line phone communication in the separate division of CHPP-5 of Kirov Branch is replaced with DX500 digital telephone exchange, which is technologically suitable for the optic network. TY-600 energy-intensive valve amplifier of the people search system is replaced with Luch 1.25kW, which is more economical and reliable and which does not require great repair expenses. An automatic exchange on HiPath 4000 V2.0, for 300 numbers is put in operation in the separate division of CHPP-3 of Chuvash Branch. An obsolete cross for 2,500 pairs in the central unit of the separate division of CHPP-4 of Kirov Branch is replaced with ПИК-2500 pairs modern and technological cross.

In 2006 the Telecommunications and Communications Office will have to perform a greater volume of works as compared with last year: the volume of works, their direction will be maximally oriented for further improvement of the corporate data transmission network, communication channels; equipment for provision of possibility for more reliable and quality presentation of information services to all departments and services in all the Branches of JSC "TGC-5".

The upgrading of the information structure of the Branches and bringing them to the uniform standards of providing IT services approved by OAO RAO "UES of Russia" are planned for next year.

Further construction of the fiber-optic communication lines for updating of the existing data transmission networks and building of new ones is planned for next year to meet the requirements for communication channels and their communications capacity. The main task is to execute the order "On bringing the systems of telecommunication mechanics and connection in generation companies of electric energy which comprise OAO RAO "UES of Russia" holding" No 603 of 09.09.2005. The scope of financing plays an important role in execution of this order. The IT Direction will make efforts do its best to get approval of the required investments in the projects for upgrading of the systems of telecommunications mechanics and communication in order to fulfill this order as it directly influences provisions for employees of JSC "TGC-5" of such necessary communications means as high-quality telecommunication, transmission of large bulk of data, HS Internet access, reliable operation of e-mail services and many other services.

We should also mention development and implementation of the multilevel system of protection against unauthorized access within the framework of organization of corporate data communications network between the Branches, which is planned for next year.

In addition to the large projects, the Telecommunications and Communications Office headed by the IT Directorate plants for 2006 to continue updating of the existing informational services infrastructure, cross-connect and server equipment, communication equipment, workstations, which are usual tasks in the last few years due to constantly growing rates of high-tech development.





11. Environmental Protection



In 2005 the Company carried out the following environmental and natural resource management measures:

Kirov Branch of JSC "TGC-5"

- ◆ repair of ash traps of the CHPP of Kirov Branch;
- ◆ inspection of ash trapping systems of the CHPP of Kirov Branch, development and implementation of technical solutions for improvement of their efficiency;
- ◆ development and approval of projects on maximum permissible discharges (MPD) and obtaining of permits for discharges for Kirov CHPP-4 and Kirov CHPP-5;
- ◆ reissuance of a license to soil use for Kirov CHPP-3;
- ◆ obtaining of a water use license for Kirov CHPP-3, Kirov CHPP-4 and Kirov CHPP-5;
- ◆ recultivation and returning to Kirov land management of the 1st section of the industrial waste disposal area of Kirov CHPP-4;
- ◆ recultivation and returning to Kirovo-Chepetsk of ash-disposal area No 1 of Kirov CHPP-3.

Mariy Branch of JSC "TGC-5"

- ◆ development of the project of the sanitary protection zone of Yoshkar-Ola CHPP;
- ◆ water examination of the bank pump station of Yoshkar-Ola CHPP;
- ◆ obtaining of a water use license for Yoshkar-Ola CHPP.

Udmurt Branch of JSC "TGC-5"

- ◆ repair of electric separators and burners of boiler NO3 at Izhevsk CHPP-2;
- ◆ obtaining of a water use license for Izhevsk CHPP-1 and Sarapul CHPP.

Chuvash Branch of JSC "TGC-5"

- ◆ development of projects on maximum permissible discharges (MPD) and obtaining of permits for discharges for the CHPP of Chuvash Branch;
- ◆ disposal of many-years oil sludge gathered in own drilling waste disposal site of the CHPP of Chuvash Branch;
- ◆ obtaining of a water use license for Cheboksary CHPP-2.

In 2005 JSC "TGC-5" did not use any prospective ecological technologies or solutions in production of electric or heat energy.

Personnel of all the divisions of JSC "TGC-5" have environmental training every year in accordance with article 73 of the Federal Law of 10.01.2002 No 7-ФЗ "On Environ-

mental Protection", which establishes the obligation for preparation of company heads and specialists in environmental protection.



JSC "TGC-5" has the following primary objectives for 2006:

- ◆ obtaining of a federal license for wastes disposal;
- ◆ observance of environmental and technological conditions of existing licenses;
- ◆ observance of applicable limits for discharge of hazardous substances into the atmosphere and surface-water bodies, observance of limits for wastes generation and disposal;
- ◆ observance of environmental laws.

Plans of environmental actions for all the Branches of JSC "TGC-5" were developed for 2006.

The Program for Ecological Policy Implementation of JSC "TGC-5" for 2005-2008 was developed in December 2005 in accordance with the Ecological Policy of OAO RAO "UES of Russia". The following items were included in the Program:

- ☒ organizational arrangements;
- ☒ measures connected with improvement of the Company ecological activity;
- ☒ technological measures.





12. Personnel and Social Policy. Social Partnership.

12.1. Main goals and principles of HR management. Company strategy in HR development.

An important component of the strategically oriented policy of the Company is HR policy, which determines the HR philosophy and principles of the Company.

The concept of HR management is aimed at implementation of long-term objectives of JSC "TGC-5" - strengthening of competitive advantages in the developing energy market and increasing the efficiency of work, which provides for:

- a smooth transition from working with HR as a response to production economic plans – to HR planning, which is fully integrated into business planning;
- attracting employees who meet the up-to-date requirements for qualification and retaining the most valuable employees in the Company;
- creation and strengthening of the corporate spirit, an image of JSC "TGC-5" employee, bringing up and strengthening of loyalty to the Company and commitment to its interests.

The objectives of JSC "TGC-5" HR policy are:

1. Ensuring the Company personnel, who are highly professional and motivated for achievement of high professional results.
2. A reasonable combination of renewal and retention, keeping an optimal quantitative and qualitative structure of the Company personnel in its professional and social development so that such personnel could implement strategic and tactic objectives of the Company.
3. Creation of an effective system of HR management, which contributes to implementation of the Company business strategy.
4. Reaching a high degree of personnel loyalty to the Company.
5. Improvement of works connected with protection of personnel life and health, prevention of industrial injuries.
6. TSo, the main objective of the Company HR policy is creation of a highly professional, efficient and responsible like-minded team that are ready to implement the goals set for the Company.

The Company HR policy have the following basic principles:

- Building interaction with personnel on the basis of economic incentives and social guarantees, which contribute to harmony between the interests of employee and employer and their mutual responsibility.
- Compliance of decisions in the sphere of HR management taken by the Company with the laws of the Russian Federation and strict fulfillment of obligations within the framework of social partnership.
- Providing optimum employment for people, maximum use of their skills, experience and potential, efficient labour management and industrial safety.
- Compliance of the professional preparation of personnel with the modern and prospective requirements for production, constant improvement in professional qualities of employees, maintaining the system of continuous training and development of employees.
- Compliance and transfer of practical experience from the older generation to younger; priority of own human resources in the issues of manning and reasonable distribution of personnel.
- Practical implementation of principles of social partnership and mutual responsibility of parties.



The objective of the Company strategy in the sphere of personnel development is giving high level professional training for personnel, creation of necessary conditions for efficient professional and career growth, reasonable use of professional skills and resources of personnel.

The system of HR development provides creation of tools and mechanisms for inspiration of personnel for continuous increase in qualification and labour efficiency, lets the Company respond to external changes in due time.

Career management is a complex of measures taken by the Company to organize planning, motivation and control of career growth of employees on the basis of objectives, needs and social and economic conditions of Company functioning taking into account skills of personnel. Implementation of this direction raises personal efficiency of employee labour activity, reduces fluctuation of personnel and gives the possibility for developing of employees' personal and professional potential.

Together with using inner personnel resources, people are attracted by having contests for taking vacant offices and selection of most qualified and talented employees.

Creation of the HR reserve will make it possible to plan preparing candidates for newly created vacancies and vacant offices to be filled, to provide timely filling of key positions, especially those for top managers. These meas-

ures are aimed to prevent breaks in production in case of unplanned release of employees who take key positions.

Growth of the Company efficiency is also ensured through strengthening and development of the corporate culture, the aim of which is to raise the quality of interaction between the Company divisions, development of inner communications, maintaining favourable working atmosphere in the team. As a result it contributes to reaching by the Company of its objectives and implementation of the Company corporate policy.

Gradual implementation of the Company personnel development will make it possible to ensure working efficiency and motivation of personnel, efficiency in its labour activity, thus making the whole energy production system more effective and contributing to reaching by the Company of its goals and objectives.

12.2. Structure of JSC "TGC-5" by categories.

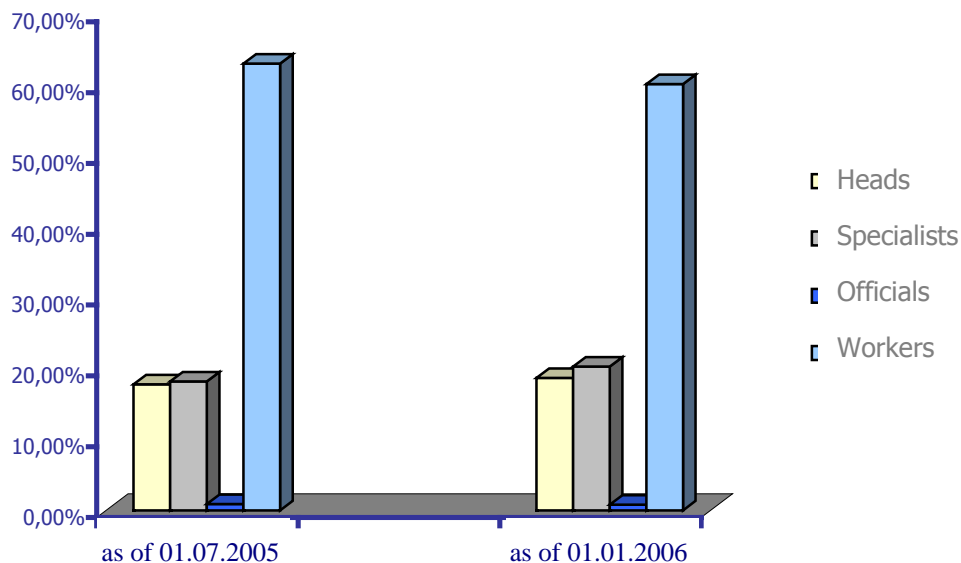
Changes in the energy sector aimed at improvement of energy companies efficiency resulted in appearance of new companies of the target industry structure.

In order to provide the organizational functioning of the Company functioning before its operating activities start (the division was called the Project Office) a group of employees, which mainly consisted of heads in functional directions were employed in April 2005 under conditions of double jobholding. Their number did not exceed 32 people before the operating activity started.

JSC "TGC-5" was based on assets of the regional generation companies of four regions – OAO "Chuvash Generating Company", OAO "Udmurt Territorial Generation Company", OAO "Mariy Regional Generation Company", OAO "Vyatskaya Electricity and Heat Company" (hereafter - RGC). The Company pays special attention to professional qualification of employees, therefore the Branches of the Company were manned from personnel of the RGCs transferred to JSC "TGC-5" once the operating activity started on 01.07.2005.

No p/p	Category	as of 01.07.2005		as of 01.01.2006	
		People	%	People	%
1	Heads	878	17.8 %	914	18.7 %
2	Specialists	899	18.2 %	989	20.3 %
3	Officials	42	0.9 %	40	0.8 %
4	Workers	3,112	63.1 %	2,941	60.2 %
	Total	4,931	100.0 %	4,884	100.0 %





The analysis of the Company personnel structure shows that workers make about 60%, which is connected with the Company specifics. This proportion will maintain in the future. Decrease in the share of workers is connected with the fact that the Heating Networks of the of Udmurt Branch spun off from JSC "TGC-5" to be transferred to 'LLC

"Udmurt Utility Systems". About 293 people were transferred from the Company as a result of this measure.

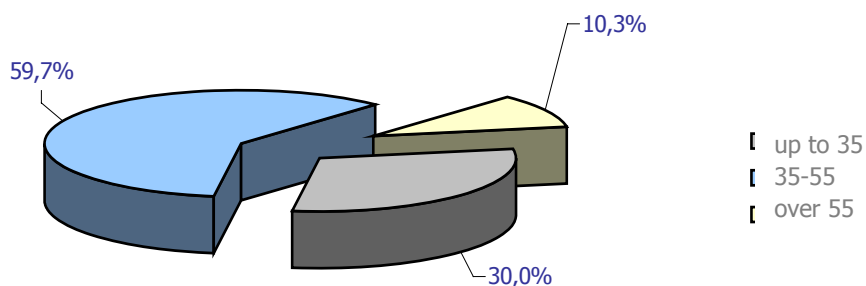
Creating of the management bodies of the Company and its branches in accordance with its organizational structure conditioned increase in the share of top-managers and specialists in the general personnel structure from 36% on 01.07.2005 to 39% on 01.01.2006.

12.3. Age structure of Company personnel.

Age composition of employees is mostly balance, which makes it possible to solve the problem of finding successors and transfer experience. Healthy ambitions of young employees are complemented with experience of those, who are over thirty five years, those, who are over fifty five, add solidness and life experience into work.

TSo, employees under 35 years are most active, mobile and innovation oriented employees, the group of works over 35 have sufficient skills and experience in their sphere; they are remarkable for efficiency and capacity for work. Those worker, who are over 55, have extensive working experience, however, they are more conservative.

Age interval	up to 35	35-55	Over 55	Total
Number of employees, people	1,464	2,915	505	4,884



12.4. Fluctuation movement of personnel

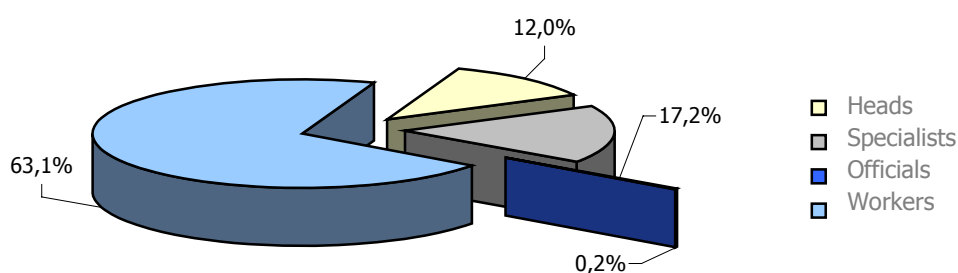
No significant changes happened in the dynamics of personnel during the period from July 1, 2005 until December 31, 2005.

The main reasons for leaving positions in the reporting period were leaving because of age retirement, termination of fixed-term labour contracts, unsolicited dismissals due to sound reasons and unsolicited dismissals due to unsatisfactory salaries

A number of factors, which have effect on the fluctuation movement of personnel, are objective. Such factors include organizational changes, which happened in the Company and resulted in spinning of the Heating Networks of the Udmurt Branch from the Company composition.

The level of personnel fluctuation movement was 5% in 2005 and it did not have a significant influence on the Company operation efficiency.

No p/p	Category of workers	Resigned in the period from 01.07.2005 – 31.12.2005, people.
1	Heads (top-managers)	65
2	Specialists	93
3	Officials	1
4	Workers	382
Total resigned		541



12.5. Qualitative composition of Company employees. System of personnel development.

On the basis of the analysis of strategic needs of the Company in personnel it was discovered that personnel training is a key direction in the Company HR development.

The Company considers personnel training, as a basis for efficient functioning and stable development, to be investments in personnel and plans to develop and imple-

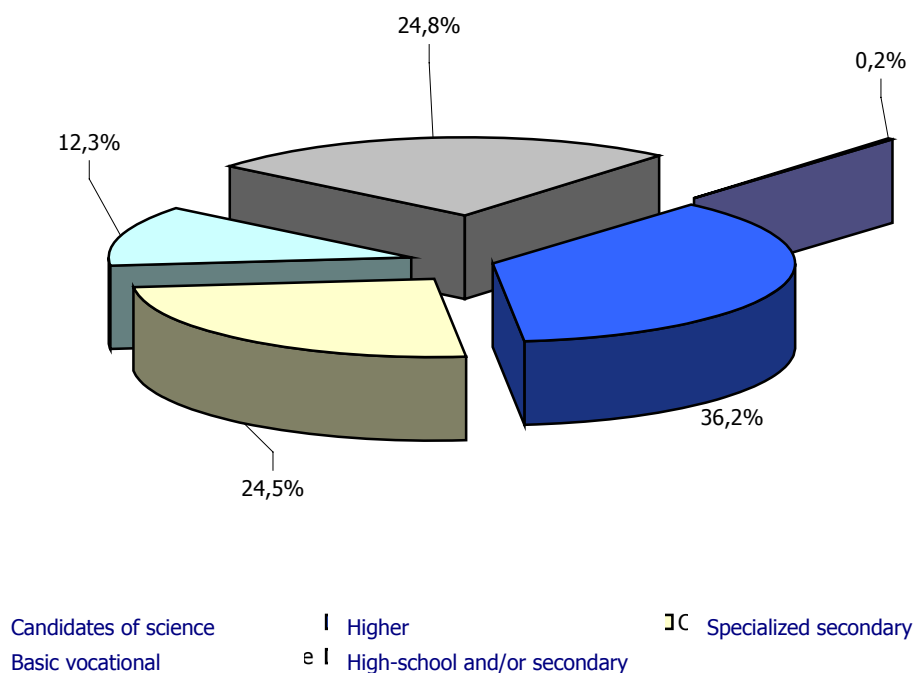


ment programs of professional training, retraining, professional development for personnel and individual plans for development of individual employees. персонала, Continuous and look-ahead training make it possible for Company employees to turn knowledge into practical tool for work.

The educational and professional level of the system in general may be characterized as high. The majority of employees were given training in the sphere of electric power supply and electrification of different industry facilities.

Education	2005	
	Количество, чел.	%
Higher:	1,769	36.2 %
including:		
candidates of sciences	12	0.2 %
Employees with two higher educations	51	1%
Specialized secondary	1,197	24.5 %
Basic vocational	600	12.3%
High-school and/or secondary	1,213	24.8%





Management and specialist development is conducted on a regular basis by programs of retraining and professional development, through getting second higher or additional education. In this sphere JSC "TGC-5" actively collaborates with such educational centers as the National Economy Academy of the RF Government, Institute of Professional Development of Power Engineers ANO VPIKEnergo, RP "Uralenergotekhndzor", the Corporate Energy University of OAO RAO "UES of Russia", NOU "Moscow Institute of Modern Business".

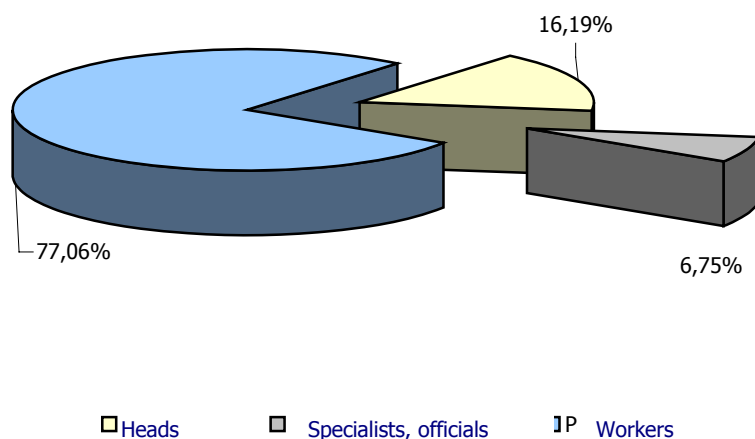
In compliance with the requirements of normative and standard documentation JSC "TGC-5" provides initial training for personnel, continuous professional development and also controls employees readiness for execution of tasks

imposed on them for the purpose of continuous professional development of production and technical personnel, including top-managers and specialists, whose activity is connected with performing control over electric power plants, providing maintenance support for production equipment, operational management of subordinate personnel and power facilities in their responsibility, administrative and technological support of company activity and performance of other hazardous works. Training for this category of personnel is organized on the basis of "Energetik" regional training centers. Professional training of the Company personnel is aimed at obtaining theoretic knowledge and practical skills, behaviour proficiency required for different situation during production situations.

37% of the total number of personnel were given training from July to December 2005.

No p/p	Category of employees	Number of trainees in 2005, people	%
1	Heads and top-managers	295	16.2
2	Specialists, officials	123	6.8
3	Workers	1,404	77
	Total	1,822	100



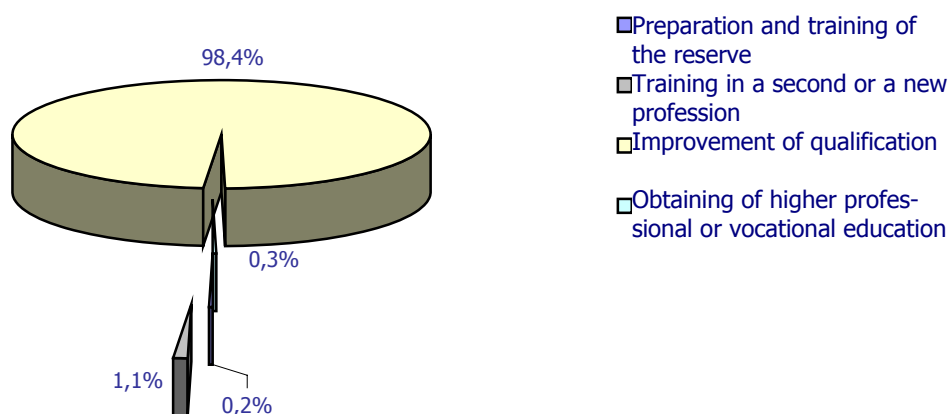


In connection with the preparation and launching of a new wholesale electric energy market, the Company takes measures connected with administering training to the personnel that is responsible for operation in the wholesale electric energy and power market. Courses of qualification improvement (over 98%) dominate in the educational and training structure for the reporting period due to the necessity to comply with the varying environmental conditions. In particular, personnel of Company divisions were given complex training in problems of energy retailing in order to pro-

vide efficient functioning of these divisions in conditions when the wholesale electric energy market undergoes a transition period.

As a result, the personnel of energy retail divisions ensured entering of the regional generation to the electric energy balancing market since January 1, 2006. Besides, the Company took measures on purpose-oriented training of personnel for launching a new model of wholesale electric energy market since April 1, 2006.

No p/p	Training type	Количество обученных, чел.
1	Preparation and training of the reserve	3
2	Training in a second or new profession	20
3	Qualification improvement	1,793
4	Obtaining of higher professional or vocational training	6



Cost of personnel training is an integrated factor, which shows personnel value for a company, its ability to bring profit in the future. The actual training costs of JSC "TGC-5" in July-December 2005 were 2% of the Company salary fund.

No p/p	Type of training	Financial costs, thsd. RUR.
1	Preparation and training of the reserve	20.7
2	Training in a second or new profession	107.5
3	Qualification improvement	6,707.3
4	Obtaining of higher professional or vocational training	76.0
Total		6,911.5

12.6. Company social policy.

The underlying principles of the Company policy are:

- ensuring real income level of Company employees;
- taking care of labour veterans and pensioners;
- making timely and complete settlements with budgets at all the levels;
- taking care of physical and mental health of employees;
- socially responsible participation in the life of society, also through charitable activity.

The measures of Company social policy are aimed at improving the living standards and social protection of personnel, creation of favourable conditions for work and social-

psychological climate, and also creation of the feeling of assurance in the future for employees and their families.

Social policy of the Company is implemented through performance of the Industry Tariff Agreement in the Electric Energy Industry of the Russian Federation for 2005-2006, the Collective Bargain Agreement of JSC "TGC-5" (hereafter the Collective Bargain Agreement of JSC "TGC-5"), local normative acts of the Company, which regulate social and labour relations.



The Company aims to solve the following problems during implementation of main social policy directions:

1. Taking care of social welfare of Company employees.

Employees are given extra paid vacations for working with dangerous and harmful working conditions, for working in several shifts. The employer pays for extra paid leaves provided for employees in case of marriage, children's marriage, death of a family member and also for parents of junior school pupils on the September 1.

2. Offering incentives to employees for long and irreproachable work in the Company and high labour achievements.

Company employees are rendered material aid depending on their length of service for perfect execution of labour obligations, for lengthy and irreproachable work and

3. Social support of pensioners.

The Company pays special attention to providing support to pensioners, who do not work – they are given allowances for the Day of Elderly People, Day of Power Engineer and veterans of the Great Patriotic War and rear area

4. Aid for employees in case of child birth and aid for employees who have disabled kids.

If a child is born a family is given allowance depending on the length of service. Those employees, who are on maternal leave, are given maternity allowance. Kids of employees receive presents for New Year. The Collective Bargain Agreement provides for compensation of expenses

5. Social support for employees suffered from injuries and professional diseases, social support for families of employees who got fatal injuries in production.

Compulsory medical insurance, industrial accident and professional disease insurance is provided for employees. If an employee becomes disabled as a result of injury due to the company fault or due to professional disease, or in case of death, such employee or his/her family members

6. Charitable activity.

7. Supporting Sport and Fitness Events.

Tournaments and corporate events for Day of Power Engineer, International Women's Day, Victory Day and other

In accordance with the Collective Bargain Agreement in 2005 each employee was provided non-recurrent material aid for the Day of Power Engineer as a discount for set tariffs for electric and heat energy.

also in connection with anniversaries. When employees are conferred titles of honour or awarded marks of distinction they are also encouraged with premiums.

workers receive money on Victory Day. If an employee retires as he or she reaches the retirement age, such employee is given material aid, which depends on the total length of service.

for infant schools and trip tickets to recreational camps for kids for those employees who have low income for one family member. The same compensations are provided for disabled kids.

are paid a pecuniary compensation in addition to the amount as established by the law. The Company makes additional payment to welfare payment for children of a person, who has died because of production accident.

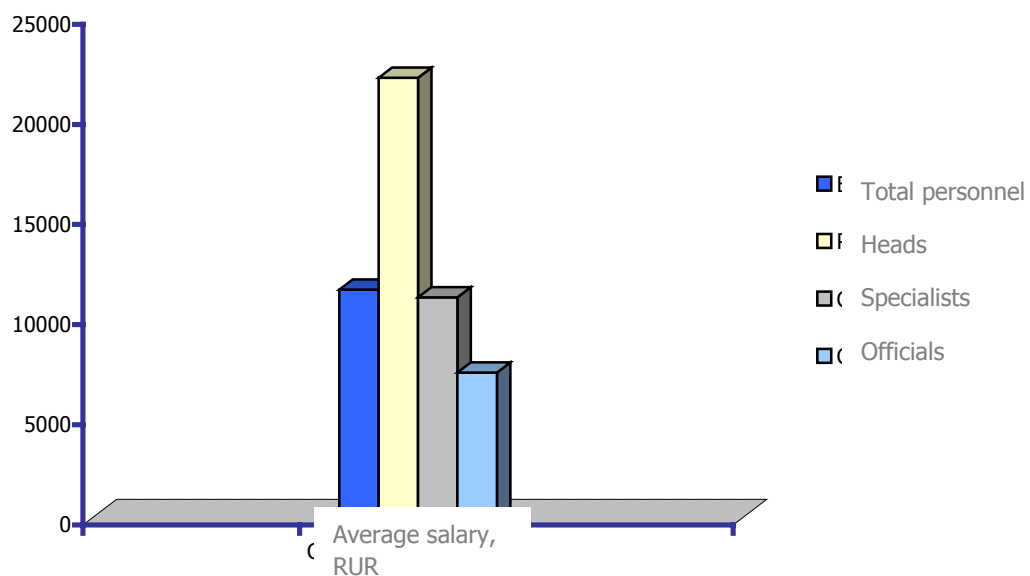
holidays strengthen the corporate spirit of Company employees.

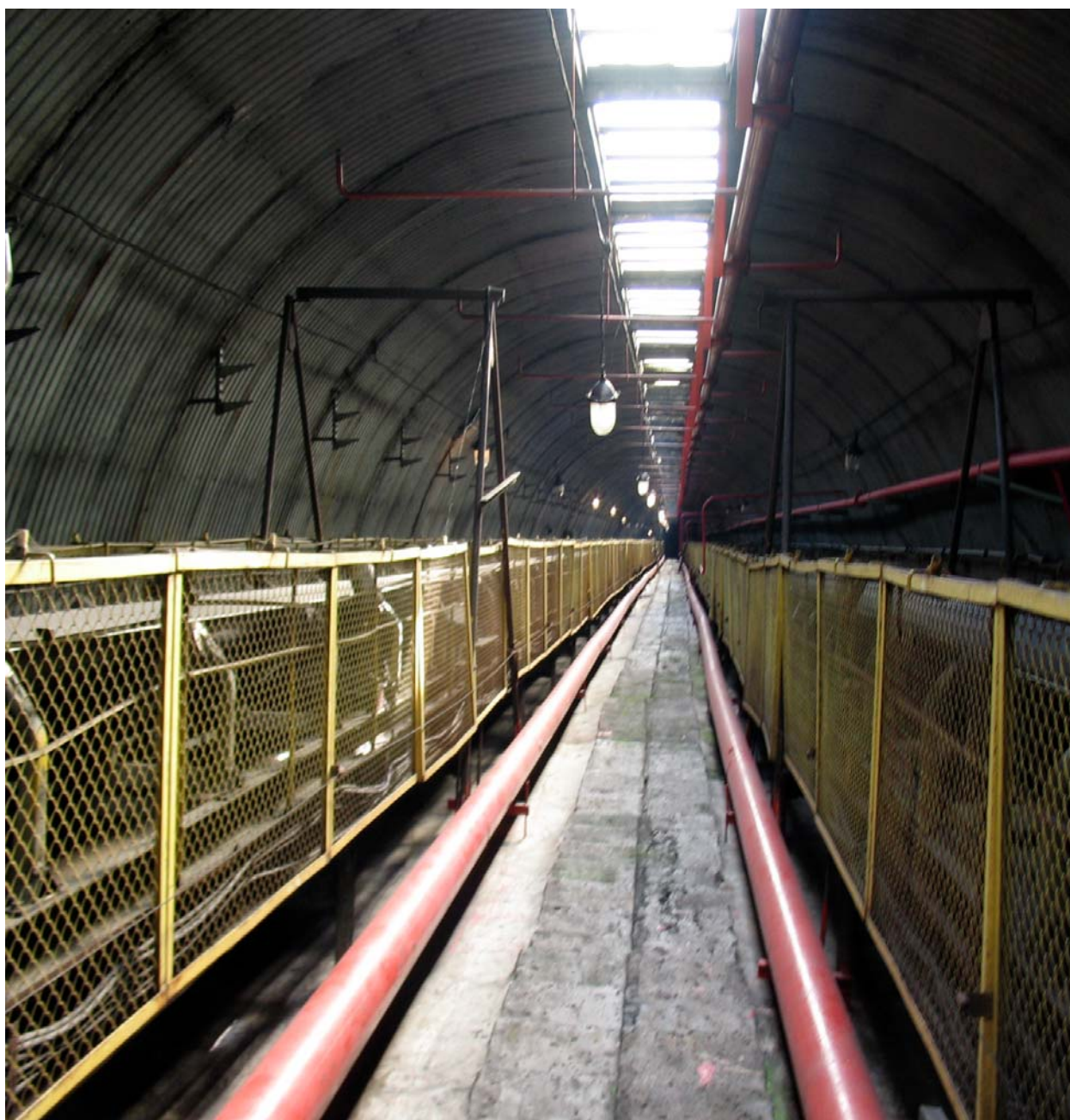
Salary is paid to Company employees in due time, without delays, twice a month.

Average wage levels for different categories of Company employees are given in the table and in the graph.



Category of employees	Average salary, RUR.
Heads (top-managers)	21,944.5
Specialists	10,982.7
Officials	7,226.4
Workers	8,347.7
Total personnel	11,365.1





13. Tasks and Project of the Company for Next Year, Strategic Missions

The main task of the Company is ensuring loss-free activity of the Company and generation of profit. The Company plans to implement the following measures within the framework of the set goals:

- ◆ to increase the reliability of energy supply by upgrading the main equipment and to improve the energy and power recording systems;
- ◆ to strengthen and ensure functioning of the long-term business-functioning with the increase in the volume of profitable sales, which are determined using actual effective demand;
- ◆ to improve the payment discipline using legal and contractual methods and improvement of possibilities of having influence on nonpayers through technical possibilities;
- ◆ to improve the Company cost structure through reduction of costs and income growth;
- ◆ to improve the regional tariff policy;
- ◆ to strengthen Company positions in the heat and electric power markets;
- ◆ to improve the principles of corporate governance and to bring them to advanced standards of leading companies, in particular, a top-priority task is to conduct an internal audit examination to have the corporate rating of the Company;
- ◆ to increase capitalization and liquidity of shares: at the first stage – to include share in the Unlisted securities, then – to undergo the procedure of listing;
- ◆ to improve the professional level of employees and social and labour relations;
- ◆ to expand Company activity in the sphere of Investment relation: to develop IR-program;
- ◆ to activate emission activity of the Company: to carry out measures for additional shares issue.

Successive solution to a set of strategic tasks is aimed at creation of maximum profitable, up-to-the-moment and dynamically developing company, with the top-priority task – to observe the rights and interests of shareholders.





14. Company Restructuring

14.1. Restructuring of AO-energo connected with separation by types of activity.

JSC "TGC-5" includes energy generating assets of OAO "Chuvash Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Mariy Regional Generation Company" and OAO "Vyatskaya Electricity and Heat Company" created as a result of implementation of the project of AO-energo, which correspond to the initial variant approved by order of RAO "UES of Russia" of 05.04.2002 No200.

- ▣ OAO "Chuvash Generation Company" was created as a result of implementation of restructuring project of OAO "Chuvashenergo".

27.04.2004 General Meeting of Shareholders of OAO "Chuvashenergo" (minutes of the meeting of the Management Board of OAO RAO "UES of Russia" No 1001pr/2) passed a resolution on Company restructuring by spinning off the following companies:

- OAO "Chuvash Generation Company";
- OAO "Chuvash Energy Retail Company";
- OAO "Cheboksary HPP";
- OAO "Chuvash Management Company";
- OAO "Chuvash Trunk Grid".

On **14.05.2004** pursuant to the requirements of Article 19 of the Federal Law "On Open Joint Stock Companies" the General Meeting of shareholders of OAO "Chuvash Gen-

eration Company" (minutes of the meeting of the Management Board of OAO RAO "UES of Russia" No 1008pr/2) passed a resolution on approving the Company Articles of Association and creation of its bodies.

On **01.01.2005** state registration was granted to the following spun-off companies:

- OAO "Chuvash Generation Company";
- OAO "Chuvash Energy Retail Company";
- OAO "Cheboksary HPP";
- OAO "Chuvash Management Company".

- ▣ OAO "Udmurt Territorial Generation Company" was created to effect implementation of the project for restructuring of OAO "Udmurtenergo".

On **30.06.2004** the general Meeting of shareholders of OAO "Udmurtenergo" (minutes No14) passed a resolution on company restructuring by spinning-off the following new companies:

- OAO "Udmurt Territorial Generation Company";
- OAO "Udmurt Energy Retail Company";
- OAO "Udmurt Management Energy Company";
- OAO "Udmurt Trunk Grids".

On **16.11.2004** pursuant to the requirements of Article 19 of the Federal Law "On Open Joint Stock Companies" the General Meeting of shareholders of OAO "Udmurt Terri-

torial Generation Company" (minutes No 1) passed a resolution on approving the Company Articles of Association and creation of its bodies.

On **01.01.2005** state registration was granted to the following spun-off companies:

- OAO "Udmurt Territorial Generation Company";
- OAO "Udmurt Energy Retail Company";
- OAO "Udmurt Management Energy Company".



- OAO "Mariy Regional generation Company" was created to effect implementation of the project for restructuring of OAO "Marienergo".

On **31.03.2004** the General Meeting of Shareholders of OAO "Mariyenergo" passed a resolution on passed a resolution on company restructuring by spinning-off the following new companies:

- OAO "Mariy Regional Generation Company";
- OAO "Marienergosbyt";
- OAO "Mariy Regional Management Company";
- OAO "Mariy Trunk Grids".

On **17.08.2004** pursuant to the requirements of Article 19 of the Federal Law "On Open Joint Stock Companies" the General Meeting of shareholders of OAO "Mariy Regional

Generation Company" (minutes No 1) passed a resolution on approving the Company Articles of Association and creation of its bodies.

On **01.01.2005** state registration was granted to the following spun-off companies:

- OAO "Mariy Regional Generation Company";
- OAO "Marienergosbyt";
- OAO "Mariy Regional Management Company".

- OAO "Vyatskaya Electricity and Heat Company" was created to effect implementation of the project for restructuring of OAO "Kirovenergo".

On **31.03.2004** the extraordinary General Meeting of Shareholders of OAO "Kirovenergo" (minutes No 14/v) passed a resolution on passed a resolution on company restructuring by spinning-off the following new companies:

- OAO "Vyatskaya Electricity and Heat Company",
- OAO «Kirovenergosbyt»,
- OAO "Kirovenergo Management Company"
- OAO "Kirov Trunk Electricity Grids".

On **26.08.2004** pursuant to the requirements of Article 19 of the Federal Law "On Open Joint Stock Companies" the General Meeting of shareholders of OAO "Vyatskaya

Electricity and Heat Company" (minutes No 1) passed a resolution on approving the Company Articles of Association and creation of its bodies.

On **01.05.2005** state registration was granted to the following spun-off companies:

- OAO "Vyatskaya Electricity and Heat Company",
- OAO «Kirovenergosbyt»,
- OAO "Kirovenergo Management Company".

14.2. Restructuring of JSC "TGC-5" in the form of merging it with the RGC, which are included in the configuration of JSC "TGC-5".

JSC "TGC-5" was founded pursuant to resolution of the Board of Directors of OAO RAO "UES of Russia" (minutes No 183 of December 24, 2004) OAO RAO "UES of Russia" is a sole founder of JSC "TGC-5" pursuant to order of Chairman of the management Board of RAO "UES of Russia" No 51r of March 21, 2005.

The authorized capital of JSC "TGC-5" is 10 million rubles divided into 1 billion ordinary shares with par value of

1 kopecks. Pursuant to order No51 of March 21, 2005 shares should be paid up within 1 month in money of 10,000,000 rubles within 1 month once the state registration in granted to the Company.

On March 22, 2005 JSC "TGC-5" was registered in the Inspection Board of the Federal Service of Taxes and Dues in Leninsky district of Cheboksary, the executive bodies of which reside in Kirov.



Rental scheme

June 03, 2005	– the Boards of Directors of OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company" determined the sizes of rental payments and it was suggested for the General Meetings of shareholders of the above companies that they should approve of the property lease agreements concluded with JSC "TGC-5".
June 29, 2005	– extraordinary General Meetings of shareholders of OAO "Vyatskaya Electricity and Heat Company" and OAO "Udmurt Territorial Generation Company" approved of the property lease agreements with JSC "TGC-5".
June 30, 2005	– the Board of Directors of "Mariy Regional Generation Company" approved of the property lease agreement with JSC "TGC-5".
July 01, 2005	– JSC "TGC-5" started its operating activity.

Merging scheme

March 3-4, 2005	– the Boards of Directors of OAO "Kirovenergo", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Chuvash Generation Company" passed resolutions on determining first priority directions in the activity: taking measures for interregional integration with JSC "TGC-5".
April 29, 2005	– the Boards of Directors of OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Chuvash Generation Company" approved of members of the tender Commission and the Regulation on Competitive Selection of Consortium to perform a complex of works connected with restructuring through merging with JSC "TGC-5".
May 06, 2005	– the Board of Directors of OAO "Vyatskaya Electricity and Heat Company" passed a resolution on the procedure and conditions for attracting a Consortium (which consists of the investment bank and evaluator) to perform a complex of works for assessment of the market values of shares of the RGC and JSC "TGC-5", to determine the coefficient of conversion of RGC shares into JSC "TGC-5" shares and/or coefficients of exchanging RGC shares for JSC "TGC-5" shares.
July 20, 2005	– the Boards of Directors of OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company", OAO "Chuvash Generation Company" approved of the candidates for the Consortiums: OOO "Institute for Entrepreneurship Problems", ZAO "NEO Center" and ZAO "ABM Partner" as external evaluators to perform a complex of works for assessment of the market values of shares of the RGC and JSC "TGC-5", to determine the conversion coefficients.
September 30, 2005	– the Boards of Directors of JSC "TGC-5" approved of the resolution on alienation (sale) of the Company shares, which are at Company disposal as they were not paid up in full during Company incorporation.
November 07, 2005	– the Boards of Directors of OAO "Vyatskaya Electricity and Heat Company", OAO "Mariy Regional Generation Company", OAO "Udmurt Territorial Generation Company" passed resolution on issues connected with extraordinary meetings appointed on 05.12.2005 including: <ul style="list-style-type: none"> ▪ approval of agreements on merging with JSC "TGC-5"; ▪ inclusion of the following items in the agendas of extraordinary General Meetings of shareholders: restructuring of the companies by merging them with JSC "TGC-5", approval of agreements of merger and approval of transfer acts.
December 2005	– extraordinary General Meetings of shareholders of JSC "TGC-5" and RGCs, which are its parts, passed resolutions on restructuring of the companies through merging of the RGCs with JSC "TGC-5" and approved of merger contracts, including:

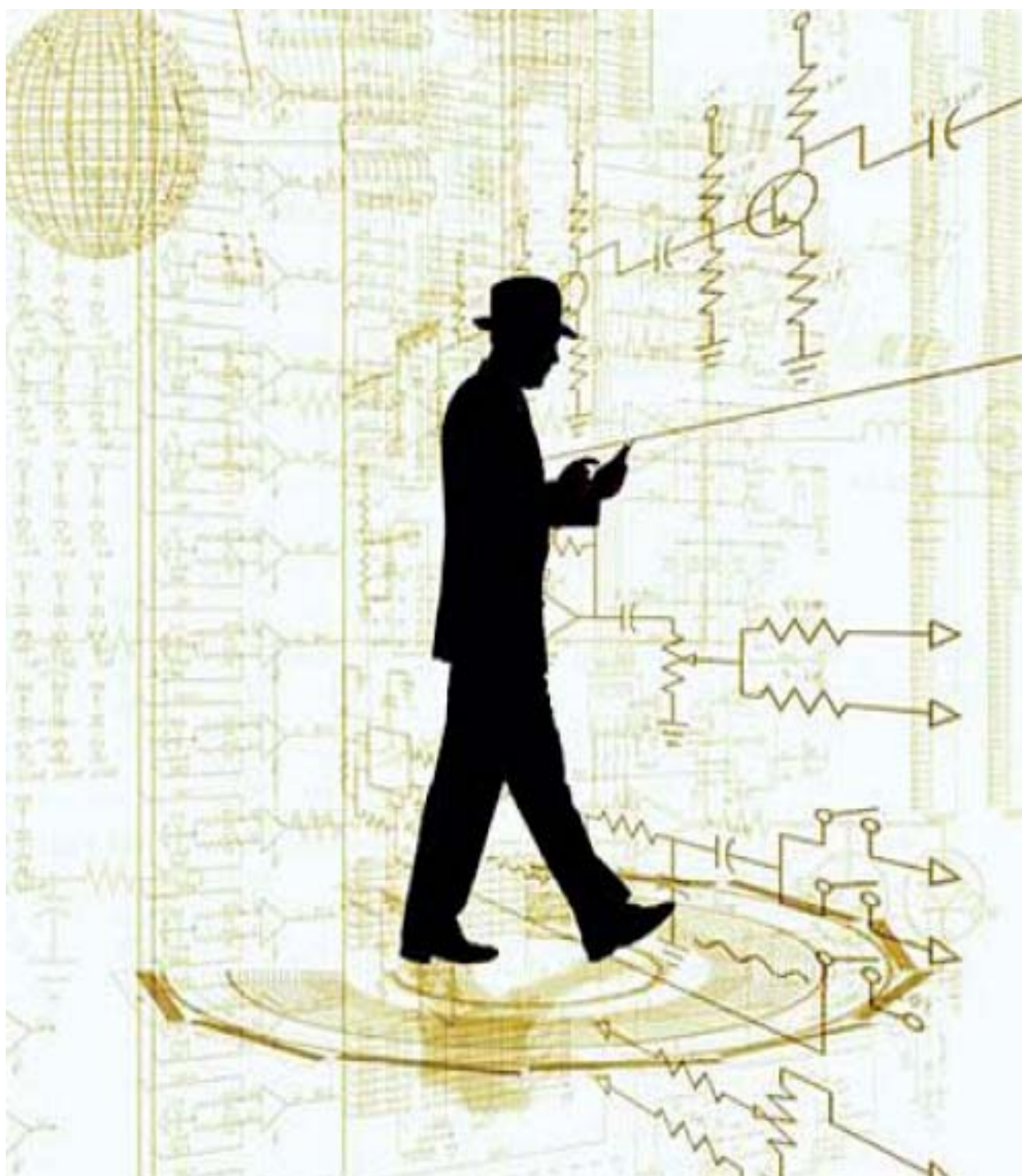


	<ul style="list-style-type: none"> 04.12.2005 – extraordinary General Meeting of shareholders of OAO “Chuvash Generation Company” (the Management Board of OAO RAO “UES of Russia”) 05.12.2005 – extraordinary General Meeting of shareholders of OAO “Vyatskaya Electricity and Heat Company”; extraordinary General Meeting of shareholders of OAO “Mariy Regional Generation Company”; extraordinary General Meeting of shareholders of OAO “Udmurt Territorial Generation Company”. 06.12.2005 – extraordinary General Meeting of shareholders of JSC “TGC-5” (the Management Board of OAO RAO “UES of Russia”)
December 29, 2005	– the Board of Directors of JSC “TGC-5” approved of resolution of additional emission of Company shares placed by conversion of merging companies into the shares of the company, with which they are merged.

14.3. Completion of restructuring of JSC “TGC-5” through merging.

February 14, 2006	– the Collective General Meeting of shareholders of JSC “TGC-5” and the Merging companies passed a resolution on introducing alterations into the Articles of Association of JSC “TGC-5”, in accordance with which JSC “TGC-5” is a Legal Successor of the Merging Companies.
April 01, 2006	– conversion of shares of the Merging Companies into additional shares of JSC “TGC-5” and making a record into the Uniform State Register of Legal Entities on cessation of activity of OAO “Chuvash Generation Company”, OAO “Udmurt Territorial Generation Company”, OAO “Mariy Regional Generation Company” and OAO “Vyatskaya Electricity and Heat Company” as a result of their merging with JSC “TGC-5”.





15. Contact Information for Shareholders



15.1. Addresses, telephones, contacts, banking details, Company web-site address, brief information on the auditor and the registrar of the Company.

Addresses, telephones	Location: Yakovlev pr., 4/4, Cheboksary, Republic of Chuvashia, Russian Federation Postal address: Luganskaya str., 51, Kirov, 610044 Tel.: (8332) 57-44-01, 57-44-02, 57-45-96 Fax: (8332) 57-44-39 E-mail: secc@tgc5.ru Web-site: www.tgc5.ru
Contacts of shareholder services	Head of the Corporate Governance Department Belyaev, Dmitry Vitalievich Tel.: (8332) 57-44-74 Fax: (8332) 57-44-38 Corporate Secretary Sorokin, Dmitry Olegovich Tel.: (8332) 57-44-75 Fax: (8332) 57-44-38
Bank details of the Issuer	TIN: 2128701733 KPP: 212801001 Sett.acc: 40702810127020103238 in Kirov Department of Sberbank No 8612 of Kirov Corr.acc.: 30101810500000000609 BIC: 043304609 OKPO: 75696019 OKATO: 97401368000 OKFS: 16 OKOPF: 47
Auditor	Name: 'Rosekspertiza' LLC Address: Tikhvinsky per., 7, bld.3, Moscow, 127055, Russia. Tel.: (495) 721-38-83, 721-38-84 Fax: (495) 972-65-00, 721-38-94 E-mail: rosexp@online.ru License to auditing activity: Number: E 000977 Issued: 24.06.2002 Issuing authority: Ministry of Finance of the Russian Federation Validity period: until June 25, 2007
Registrar	Name: OAO "Central Moscow Depository" Registered address: Orlikov per., 3, bld. B, Moscow, 107078 Postal address: Bolshaya Pochtovaya, 34, bld.8, Moscow, 105082 Tel.: (495) 221-13-34, Fax: (495) 221-18-65 E-main: Mcdelpo@dol.ru License: 10-000-1-00255 Issued: 13.09.2002 Validity period: unspecified Issuing authority: Federal Commission on the Securities Market. Registrar's Branches: Transfert-agent of OAO "CMD" – Kirov Branch of ZAO "National Registration Company" Address: Gorky str., 5, Kirov, 610017 Tel.: (8332) 40-56-30, Fax: (8332) 40-56-31. Udmurtia Branch of OAO "CMD" Address: 10 years of October, 53, Izhevsk, 426011 Tel.: (3412) 901-330 Fax: (3412) 901-328

