

Moderator: Ladies and gentlemen! Good morning and welcome to the conference call devoted to adjustments of the business plan for 2010 based on operational and financial performance of JSC "Lenenergo" for 9 months 2010.

The speakers today will be **Deputy Director General for Corporate Governance Grigory Mikhailovich Kharenko** and **Deputy General Director for Economics and Finance Sergei Valeryevich Nikolayev**.

After the presentation, you will have the opportunity to ask questions. Now I give the floor to Kharenko Grigory Mikhailovich. Mr. Kharenko, you have the floor.

Kharenko G.M.: Thank you. Good afternoon, colleagues! I am pleased to welcome you today at our first conference call, dedicated to adjustment to the Company's business plan and operating results and financial performance for 9 months of 2010.

Over the past 10 months of 2010, the Company experienced a number of significant events and transformations that define its development and prospects for the coming years.

In 2010 IDGC Holding, Lenenergo and administration of St. Petersburg signed a trilateral agreement on cooperation in the implementation of measures aimed at ensuring reliable electricity supply and creating the conditions for accession of the consumers to electric networks. These agreements define the development of the electric grid complex of the region until 2015. I want to emphasize that being one of backbone enterprises of Russia, Lenenergo received government support in the implementation of key tasks aimed at renewal of fixed assets, renovation and construction of production facilities.

For now, all power facilities of Leningrad region are 100% ready for the winter. We plan to receive the readiness passport of Saint Petersburg by November 11.

Once again, I want to emphasize our medium-term strategic objectives, implementation of which the new key top managers of Lenenergo began in late October. These, above all, are ensuring reliability and security of electricity supply in the region, operating efficiency of the Company. However, perhaps the most urgent task now is to attract major investments in the construction of electricity supply facilities to ensure the advanced paces of the Company's development.

Lenenergo is currently discussing the public issue of ordinary shares in 2011 with JSC "IDGC Holding" and the Administration of St. Petersburg. Estimated disbursements:

- IDGC Holding – RUR 2 billion;
- St Petersburg – RUR 1 billion.

Funds received from the additional issue will be spent for the program of renovation of the 6-110 kV cable network in St. Petersburg. The final decision on the parameters, scope and timing of additional shares issue will be approved in December 2010 by signing the Agreement between the shareholders of the Company. Plans of Lenenergo on the issue of preferred shares carry over to 2011. We continue to discuss the parameters of the emission with strategic investors of the Company. I want to emphasize that the interests of existing shareholders will not suffer as we plan to place preferred shares of a new type.

In the business plan of the Company approved in October, we adjusted the indicator of capitalization by the end of 2010 at the level of RUR 30 billion. This adjustment was made due to fluctuations in share price of the electricity sector companies in the first half of 2010.

The main event of the 3rd quarter was the situation around the times of transition of distribution grid companies to RAB-based regulation. In September, Ministry of Justice registered the order of FTS, in which the agency specified the rate of return on RAB-rates for DGCs and extended the rates control period up to five years for all DGCs.

The 3rd quarter 2010 the quotes the Company's shares increased:

- ordinary shares: +4.19%;
- preferred shares: +21.23%.

By now, the monopoly position of Lenenergo in the market of transmission and distribution of electricity to power grids and technological connection of power receiving facilities in St. Petersburg and Leningrad region is a guarantee of stability and sustainability of the Company. It should be noted a substantial

undervaluation of the Company and, accordingly, a high growth potential, as evidenced by the consensus forecast of stock price.

By the end of this year, we plan to continue direct dialogue with the investment community. Our next meeting in November will be devoted to IFRS financial statements for the first half of 2010. In early December, after the approval by Russian Federal Tariff Service of tariff applications of regional energy commissions of St. Petersburg and Leningrad region, we plan to discuss the parameters of RAB.

I ask you to make suggestions to the list of issues discussed.

Now I would like to pass the word Deputy General Director for Finance and Economics Sergei V. Nikolayev.

Nikolayev S.V.: Good afternoon, dear members of the conference call! As far as I know, the presentation materials have been sent to all of you. Therefore, I will try not only to voice the figures it contains, but also to comment, perhaps more vividly, the enormous amount of information that we provided to you.

First, I will address the causes of adjusting the Lenenergo business plan for 2010. There are two main reasons.

The first reason is the postponement of terms for the placement of preferred shares of the company for 2011, as already mentioned Grigory Kharenko. This significantly changes the structure of the balance of the company, which we forecasted at the end of 2010 in the original business plan. They allow us to talk about increasing the capital of the company within RUR 5 billion initially planned in the business plan. They allow you to send money, which we planned to attract to decrease the credit load on the Company. Therefore, we considered this fact quite an important and necessary to make adjustments to the business plan.

The second reason, in general, is more technical. Due to the fact that we have initiated these adjustments, we should, perhaps, voice it. Surely, you noticed this change in the parameters of the investment program of the company. In quantitative terms, it is displayed in the growth of the investment program for 2010. According to its structure, the change is significant. A bit later, I will address the details.

In general, if we talk about the main indicators, which the company plans to reach by the end of 2010, no significant changes, except for figures on net profit - probably the most important indicator - are not happening. We "fixed" the growth of productive supply of electricity, which exceeded the indicator initially planned in the business plan. The growth is over 4%, and the indicator will amount to almost RUR 29 billion kilowatt/hour. We also "fixed" the reduction of losses against previously planned by 0.5% to 10.7%. We "fixed" the increase in the connecting power for the year by 14% to 565 thousand kW.

If we talk about commercial products, we do not expect any substantial growth on the electricity transmission - yet over 2%. We expect a slight decrease in cost, to almost 2%, approximately RUR 500 million. All this taken together gives rise to gross and net profit. Growth in gross profit will be RUR 1 billion, or almost 31%. The increase in net profit will amount to RUR 767 million, or 78%. Accordingly, due to combination of these factors, we plan EBITDA growth to RUR 7.8 billion, or almost 20%. Increase in net debt due to the transfer of additional issue of shares. As to indicators of investment program - increase by RUR 2.7 billion for the development of up to RUR 15 billion and to finance the investment program - including VAT will amount to RUR 17.8 billion, or growth of RUR 3 billion (22%).

I will repeat. We "fixed" the growth of productive supply of electricity, the growth of supply in the network of the Company and, consequently, reduction of losses. Why there is no adequate revenue growth of electricity transmission? First, this is due to the fact that our consumer has the choice of tariff, and predicting a growth in productive supply, many companies rushed to adjust their own, so to speak, tariff policy, and concluded agreements under double-rate tariff. Accordingly, the growth of productive supply, in connection with this, did not lead to an increase in revenues of the Company. At least, this is most vivid in the Leningrad region. In St. Petersburg, most of the companies work under the one-rate tariff, and there is some positive dynamics here.

The growth of the connected capacity is mainly due to the increase in property, which we accept on the balance under technological connection contracts, made in the property or money-kind contributions. Actually, this is probably the most important point, which influenced both the amount of the investment program and its structure, because in the original business plan we planned a much smaller amount of

property transferred to us by applicants. However, the work that we started back in 2009 on the closure of the property contracts and the most rapid solutions to these issues with the subscribers, bore fruit, and even to a greater extent than we had originally planned.

Regarding the income on technological connection, it should be noted that in monetary form the company's products will grow by about RUR 500 million, or 5.8%. The cash flow will increase slightly against the previously planned in the business plan RUR 600 million. The growth of income property, to which I referred, will be more than twice - planning figure was RUR 2.2 billion, the expected one - RUR 5.1 billion. You may see a significant value differed from the original business plan, so we logically made it an adjustment.

From the standpoint of commercial products or revenue from TC, it may be noted the following. Our planned figures for the proceeds from cash contracts reduce. The decrease is significant - by 50%, about RUR 2 billion, and we expect the reduction. However, the main point is how it is compensated - entering the property. On the Leningrad Region, the deviation is insignificant, in our opinion, negligible, and is compensated by property entering as well. In general, all this is reflected in those numbers, which I have originally sounded: in the growth of revenues, cost reductions and significant increases in key indicators: net profit, gross profit and EBITDA.

Factors affecting the growth in net profit were represented in the presentation in detail. If you have any of additional questions, I will comment them at large.

Perhaps, we can note that the company managed to carry out a serious job to restructure the debt on loans. This work was done due to market situation on the one hand. It allowed to optimize the cost of credit servicing and to increase credit terms granted by Lenenergo. On the other hand, this work was certainly necessary in the lack of sources of repayment, which we had planned as a result of placement of preferred shares. Therefore, it was a forced and objectively likelihood successful procedure, which resulted in total savings on a percentage for the year 2010 against the indicators that we planned in the updated business plan of about RUR 500 million. Part of this interest should be capitalized in the value of fixed assets. Directly to cost the savings will amount to about RUR 170 million. Average rate of borrowing, since I talk about it, given the fact that almost half the portfolio consists of a "revolutionary" loan, which is quite difficult to restructure, will be approximately 7.7% (this is our approximate annual average rate).

If we talk about the aggregate forecast balances at year end, then, as I mentioned, the main changes relate to the fact that no growth of share capital occurs, rather capital of the Company, due to lack of placement of preferred shares.

And regarding the growth of debts on loans: credit indebtedness will grow to a lesser extent than 5 billion rubles. We will save about 1.6 billion rubles, more accurate to say, we will definitely not increase the debt. This is due to the fact that we have slightly reduced the implementation of investment programs through exclusively credit resources. Again, suppressing the growth of outstanding loans, and expecting the transition to the RAB in 2011, when we have longer term and more reasonable options of activity.

Speaking about the performance of the year, of which I have not yet mentioned: with the increase in net profit, taking into account the growth rates of EBITDA, there increases profitability, which is quite objective. Level of debt in relation to debt/EBITDA remains at an acceptable level. Previously planned figure - 2.8. Now we expect 2.85. So, in general, we believe that adjusting of the business plan indicates the improving of financial performance, even against the background of a number of negative parameters, which we were able to compensate for the positive exponents.

Herewith I will briefly announce the operating performance of Lenenergo following 9 months. According to Russian accounting standards it should be noted the following: it is obvious that the dynamics that I just have mentioned with regard to the adjusted business plan for the whole year, is reflected in official statements for the 9 months. The growth of productive supply for the past 4 years had the maximum value of 20.86 billion kW/hour. Indicator of electricity losses is at an acceptable level. Installed capacity (in MVA) has a maximum value against the previous periods, and amounts to 20,130 MVA. Likewise, the indicators associated with head power lines, mileage, cable lines - there is a steady upward trend.

The dynamics of operating performance is also represented in your presentation materials. And taking into account that this is a conference-call, it's rather difficult to voice them. In terms of net assets there is also growth. They account for 50 billion rubles. Revenues reached a maximum value for past periods, as compared to 9 months of 2009, 2008, 2007, and amounted to 23 billion rubles.

EBITDA also has a maximum value, and for 9 months we have shown the maximum net profit of 2.2 bln. rubles against losses in 2008, against profit of 1.3 bln. rubles in 2009, and profit in 2007 for 9 months. - 0,5 billion rubles.

Accordingly, other indicators of equity – ROI, EBITDA margin, net profit margin - have a maximum value in comparison with the corresponding periods of the previous three years. This, of course, indicates the positive dynamics in development and that the company is trying to improve its performance. And what we have been declaring for the past 1.5 years is reflected in financial reporting.

In general, I will end with my talk. If you have any questions, I will be glad to answer them. Thank you.

Kharenko G.M.: Thank you. Shall we pass to the questions?

Moderator: Yes, of course. Ladies and gentlemen, if you have any questions, please press “7” on your telephone. The first question comes from Alexander Seleznev, UralSib Capital. Alexander, please take the floor.

Alexander Seleznev: Good afternoon! Many thanks for your presentation. I have, in fact, very short question on the proposed additional issue of both preferred and ordinary shares. Tell me please, what is the reason for placement of shares, because if I understand you correctly, if we assume that you transit to RAB-regulation by 2011, it is much more profitable and, at least, it is cheaper for the shareholders, to attract credit funds, isn't it?

Kharenko G.M.: Thank you for your question. This need in the additional issue consists primarily in target investment programs. This includes investing into the cable network.

Aleksander Seleznev: Well, as far as I understand, i.e. the same assets in any case will be charged at RAB, and theoretically engaging, for example, debt financing for, well, we assume 8% and to receive a refund, we assume there will be 12% or 11%. I think it's much more profitable than attracting additional funding of shareholders.

Nikolayev S.V.: Thank you.

Kharenko G.M.: Not quite so...

Nikolayev S.V.: First, these programs will not be included in the capital base. Second, you understand perfectly well that, the market of financial borrowed resources is very comfortable now. It's hard to say what will happen next year, or in 2, 3 years. Therefore, if we take, for example, figures of 2009 and the cost of loan capital, then, roughly speaking, to borrow money for knowingly commercially unprofitable and non-payback projects, for example, the programs of renovation of the cable network, it is, in essence, the program of reliability enhancing.

Yes, of course, we can talk about any kind of commercial components: the lowering of supply shortage, loss reduction, and etc. But it's not all from the perspective of large, global payback, still it's not that scale. So, basically, funds that are attracted via additional issue, are spent on the projects, which have no apparent business (if we talk about commercial companies) success and effectiveness in a short period of time, rather they have a strategic nature and require the participation of both federal authorities and constituent entities of the Russian Federation in the development of the whole electric power grids. I.e. this is not, perhaps, business projects in many respects.

Besides, if we talk about, say, additional issue of preferred shares, as I mentioned in my report, it's basic goal was reducing the debt load - first of all that which was formed in the process of reforming the company in 2005, when Lenenergo allocated from the "big" Lenenergo. Approximately 4.5 billion of credit funds with no source of repayment were transferred on the balance of the Company. Actually in the tariff for transmission regulators were reluctant to provide funds to finance it.

And it again hampered our development. We were not able to attract credit resources for the development of direct services. Therefore, shareholders may see and understand their responsibility for it and look for the ways to reduce the Company's debt load and to close these issues through, let them be, formally from great economic categories to more expensive resources, but nevertheless, having, so to speak, quite specific target areas of non-commercial nature. Thank you.

Aleksander Seleznev: I see, thank you very much. Then there is another clarifying question on the possible additional issue of preferred shares. My question is: will there be something like "successive right" for existing holders of preferred shares, or how this placement will be carried out?

Kharenko G.M.: These are shares of a different type, and no "successive right" will occur.

Aleksander Seleznev: I.e. as far as I understand, the dividends on existing preferred shares in no way should undergo any changes?

Kharenko G.M.: Yes, you are right.

Aleksander Seleznev: Thank you very much.

Kharenko G.M.: Thank you, Aleksander.

Moderator: Thank you. Next question comes from Dmitry Skryabin. Dmitry, you have the floor.

Dmitry Skryabin: Good afternoon. Thank you for your presentation. A brief question, or rather two. My first question is devoted to the tariff, revenue and cost for electricity transmission. We observe that for many years there is a certain gap between revenues from electricity transmission and, accordingly, cost of transmission, not in favor, so to speak, the first one. I.e. the company actually receives less of lost income every year, about 300 mln rubles, in my opinion, or, there may be a little different figures, but still quite significant.

How the new management team is planning to change the situation, because, well, obviously if there is no fee for technological connection, we'd just see another results for 9 months 2010?

So the clarifying question, just the same on this topic. Am I right that if, i.e. in those figures of EBITDA and net profit presented on slide 22, in fact, 2.7 billion is in the wear and tear? I.e. it is not "cash" ... and not "cash" result. Thank you.

Nikolayev S.V.: Thank you for your question, Dmitry. Ideologically, it is right to say so. The only thing that should be noted that the problem was clear not only for the new team, so to say, it was understandable by the previous managers as well. At least I have, so to speak, worked with both the previous CEO and the new team. Last year we started, more objectively this work was formally launched this year, 2010, at the beginning of the year. However, we already went over disagreements of FTS with the subject of federation, that there is indeed a problem. It stretches from 2005. Objectively, the subjects of the federation, we may say, solve the political issues, and tariff regulation issues through grid companies.

Unfortunately, it is a fact. There is, therefore, established a kind of system, but now since the end of 2009, we began more actively fighting it. Moreover, in summer 2010, FTS decided to divide on to St. Petersburg and Leningrad region in favor of Lenenergo in the order of 1.5 billion of funds have already officially recognized. Taking into account that FTS is a body, on the one hand, probably independent, and it should serve as an arbiter between the local regulatory authorities and grid companies, but in fact, it is clear that they also solve state tasks. Nevertheless, this is an unprecedented decision, which was adopted in favor of the Company.

So the new team, probably, should not be "discounted", and we expect that the negotiation process with the administrations of both St. Petersburg and Leningrad region in terms of parameters of the transition to RAB-based regulation will follow with this positive trend and minimize the gap between the actual costs of companies and cash accounted for in the tariff. Transition to RAB itself is good, but it is important with what sort of parameters you enter it.

We undergo now, I can say, cautious optimism in this regard. Work is quite hard, because it is clear that for 1 year it is very hard to solve the problems accumulated during the 5-year period. It requires a fairly serious work. Therefore, it is now going in all directions. And when we say we have the parameters of 5-year regulatory period, 2011-2015, I hope we will be able to demonstrate on the figures that the gap is at least being reduced.

Of course, if somewhere regulators do not make advances to us, the practice of appeals for disagreements in FTS will continue. Thus, we expect part of losses from electricity transmission, frankly speaking, which are now covered with a profit from technological connection, cover at the expense of

disagreements. Moreover, it will improve the Company's financial performance in the long term. This work in the 2010 is already yielding results. In addition, we expect that in the current regulatory period due to these disagreements, we will improve the performance.

I want to note again that this court decision was the first for the 5 years. Therefore, we go on with this work. We see, know, read, and here too there is a positive.

Dmitry Skryabin: Thank you. Just a little clarification: these 1.5 billion will be included in NVV of next year, won't they? Am I right?

Nikolayev S.V.: These decisions of FTS should be taken into account by regulators in 2011-2012. The fact is that for various reasons, FTS, so to speak, could have made the decision only this summer. Moreover, it was hard enough to include it in the tariffs of 2010. Therefore, honestly, in St. Petersburg they decided to account for 500 million, i.e. these 1.5 billion rubles are divided into equal parts: about 700 million for the city of St. Petersburg and 800 mln. for the Leningrad region.

City of St. Petersburg and the governor made advances and accounted for about 500 million rubles already in tariffs of this year. This adjustment was made from October 01. Quite well known fact indeed. And we think that revenue, respectively, falls in this year yet.

But in the Leningrad region, this should be included in tariff decisions of 2011-2012. It is just what we are now discussing with regulators, how to include this in the model.

Yes, I forgot. You wanted to clarify the question about the order of indicators formation.

Dmitry Skryabin: No, I think everything is clear to me. Thank you.

Nikolayev S.V.: I see.

Kharenko G.M.: Thank you.

Moderator: Thank you. Next question comes from Tatiana Lukina, Goldman Sachs. Tatiana, please take the floor.

Tatiana Lukina: Hello, thank you for your presentation. I have several questions to ask.

My first question is devoted to renovation of cable network in Saint Petersburg. Can you clarify why these investments are not included in the RAB base? And then, respectively, in general, what part of your investment program will not be included in the RAB base? Please tell me how it is defined? The first question.

The second question: as far as I understand, the program for renovation of the cable network as a whole accounts for more than 23 billion rubles. How will 3 billion ruble help greatly to invest this program?

Nikolayev S.V.: I will try to continue with the permission of Grigory Mikhailovich. What means the figure of 23 billion I will start from the end. The problem of cable network is quite heavy in St. Petersburg and requires significant investments. The figure of 23 billion, so to say, is a comprehensive program for many years. Yes, these are the wishes, which take into account the objective situation of networks condition in St. Petersburg.

Kharenko G.M.: Yes, of the whole city, I should stress, not only network of Lenenergo, but networks of Saint Petersburg Electric Grids as well.

Nikolayev S.V.: Hence, in terms of the numbers which are allocated for 2011 and further. We should note that we have isolated the first phase of this program. It is about 10 billion rubles. And the draft federal budget for 2011-2013 provides for the program funding from the federal budget, through our major shareholder - IDGC Holding, 5 billion, i.e. this is a 2 billion in 2011, 2.5 billion in 2012, and 0,5 billion rubles in 2013. If I'm not mistaken, two reading of federal budget has already been passed. Even third, to be honest, I do not know. Therefore, the figure, which Grigory Mikhailovich has sounded, refers only to the 2011.

Accordingly, the city of St. Petersburg to preserve its share should contribute about 2.5 bln, maybe a little more. But some percentage will, of course, be the share of other shareholders, if they wish to redeem

their shares. So this is the source and the resource, which will be directed in general to implement this program.

Besides, part of the funds provided for in the tariff decision of the city of St. Petersburg in that investment program, which was agreed with the governor. Thus, we will have multiple sources of funding for the program.

As for the inclusion in the capital base, well as the source of financing for these investments will be funds of shareholders, respectively, in the capital base is the part that will be financed by contributions from the authorized capital - targets, it naturally will not have the sources of return and income. Therefore, it is excluded from RAB due to simple and rather obvious reasons. That is the method. Of course, we would not mind receive return income in a result. But this will probably be too much. I tried to reply, Tatiana.

Tatiana Lukina: Thank you very much.

Moderator: Thank you! Next question comes from Vladimir Samorodov, RMG Securities. Vladimir, you have the floor.

Vladimir Samorodov: Thank you for your presentation! Once again good afternoon! I would like to ask a question. Do I understand correctly, that "frankly speaking" even with the transition to new RAB tariffs, capital investment into the power complex will never be as profitable as investors could get on its share capital on average anywhere, in any other industry, with some exceptions. In that sense I do not think, really, maybe you have another viewpoint, that the transition to new tariffs will solve this problem. At least as far as I can see this year the State is making every effort to change the parameters of regulation to limit the growth of rates.

Accordingly, I have a question, maybe even another one from the other analysts. Is it possible in any way to reduce the investment program and capital expenditures, and, generally, how strong your negotiation positions are with the municipality and with other regulatory authorities? Thank you.

Kharenko G.M.: Vladimir, first of all, "never say never". We hope nevertheless that the distribution-grid complex becomes more attractive for investments in general, and actually just pumping money out of the Company's budget in the near future could lead to positive results, we believe.

Nikolayev S.V.: Gregory Mikhailovich, I will answer. Of course, you objectively right to emphasize that the investment program is quite extensive, our planned volume of the investment program for the 5-year period is something about 100, slightly more than 100 billion rubles. This is essential. Indeed, we say, in part of St. Petersburg, shareholders for at least 5-year period do not focus on the formation of dividends by us.

While on the other hand, there is the policy of the federal government. You must know that yet the Prime Minister calls for return on investment in shares of companies that are in federal property. Example of this is now the adoption of provisions on dividend policy, which says that no matter how out there, and Ministry of Property and shareholders, they still decide on the current, so to speak, problems associated with underfunding, underinvestment in the sector. Nevertheless, they are aware that the returns to shareholders as dividends should be there.

Unfortunately, in Lenenergo now only holders of preferred shares, so to speak, might be happy with their investment in a varying degree. Holders of ordinary shares, for now, because up to 2011 there were only strategic investors, yes, still we must admit that in the network sector, at least, it was the state economy. To a greater or less extent, but not less than 50%. How would ...The strategy in the network business was aimed at increasing investments, improving reliability, and etc.

However, the transition to RAB by itself, yes, it is very hard already links these moments as an indicator of the quality of customer service, i.e. it stimulates already, well, let's say, some more effective model of the company development. Including those aimed at reducing of costs to improve the quality of work. That should already lead to positive characteristics of financial statements, including, and some real net profit, which can be distributed among the shareholders and not only be directed on the investments.

Yes, these are our special two years, unfortunately or fortunately. And naturally, they will be heavy in terms of opportunities for growth of rates and to implement all our ideas. But strategically, I believe that the steps now being taken, and which I mentioned, are still focused on the fact that the network business

investors receive a return on capital. In addition, after all, companies in our sector are rather different. Lenenergo just serves one of the key regions that need a larger amount of investments.

As far as I know, in some other regions there are estimated tariff decisions, they already say or think, at least, about profit, distribution of profits among shareholders. Therefore, it is not as hopeless as you said. I think that in general, all our work that we make, just aims to solve the problems that have been formed in a result of the sector reform, and which Lenenergo received "inherited". They are aimed to ensure that investors have full and get return on invested capital.

Kharenko G.M.: Moreover, I would like to add that the improvement in asset quality has a positive impact on investment in the company and the investment attractiveness of the company, because we may see the decline and depreciation of fixed assets, and we shall see this in the future. Thank you.

Vladimir Samorodov: Thank you. I just wanted to emphasize again that I certainly never would have doubted that the improvement of quality was reflected in the Company's investment appeal. However, simply, for me, this is the question of price. For example, if I have, well, relatively speaking, to invest \$10 of share money for you to improve your quality, by 1 percent a year, then I would not have considered this a good investment of capital. Although, of course, and I have no doubt that even in this case, my money work one way or another.

Therefore, I would like to ask a question. That even if I, being the holder of ordinary shares, will not participate, I will not challenge my pre-emptive right under the additional share issue, which is planned. In any case, my share would be diluted. One way or another, directly or indirectly, I finance the upgrade of networks in St. Petersburg and Leningrad region directly from my purse. Am I right or am I not? What is your viewpoint? Thank you very much.

Kharenko G.M.: I think that the networks, after all, are now financed through the federal budget and the budget of the subject of Federation. But, you can dispose your wallet, so to speak, as you wish. To participate in the additional issue means to use your right to buy undervalued assets and undervalued stocks that after some time, after all, to get a growth rate of the value of these securities.

If you take the opposite decision. Well, it is clear that to compare, we say, distribution grid sector with other sectors of the economy is not entirely correct. But if you compare Lenenergo with other companies of the sector, Lenenergo will probably, after all, would be one of the most attractive companies to date, with the participation of the same additional issues.

Vladimir Samorodov: Thank you.

Moderator: Thank you. Additional question comes from Alexander Seleznev. Alexander, you have the floor.

Aleksander Seleznev: You know, actually I have quite a short question to ask, it is specified with respect to your business plan for 2010. Based on a revised business plan you would expect a net profit of about 1.7 billion rubles for the whole 2010. However, as I recall, you have net profit for the first 9 months of more than 2 billion. May you comment on this? "

Nikolayev S.V.: Thank you for your question. Of course, we can comment. Adjustment of the business plan (actual data) was held in August 2010. Therefore, we relied on fairly conservative indicators. Moreover, coming to us of the new team, and work with cost, etc. also gives its operating results. Therefore, it is possible that actual performance and, again, pricing decisions, which I mentioned to you that are made in St. Petersburg to raise tariffs, and the inclusion of the differences that we have won against FTS in St. Petersburg, also will provide additional revenue and profits. We expect to improve indicators.

But in August, when we worked out this business plan, and I want to remind you that the hurricanes were just in the Leningrad region, we really laid some more numbers associated with losses that the Company could potentially incur. The adjusted business plan itself is made sufficiently conservative, tough, but with better performance. 9 months performance yet does not give us the reason to say that we go a little over-fulfillment. Let us see how we finish the year.

Kharenko G.M.: Thank you!

Aleksander Seleznev: Thank you!

Moderator: Next question comes from Andrey Trufanov, Troika Dialog. Andrey, you have the floor.

Andrey Trufanov: Good afternoon! Thank you for your presentation. The first question is about what, you said that in early December the tariff proposal between REC and FTS should be discussed. It is known that RAB-parameters will be discussed. Could you voice the ongoing evaluation of the residual full value of the total invested capital as of January 011, 2011?

My second question is clarifying. If you say that in general the renovation of networks IDGC Holding plans to make about 5 billion, 2 billion in 2011, 2.5 billion in 2012, 0.5 billion in 2013. If it is clear that 2 billion in 2011 will be made through additional issue, how will the rest of 3 billion be made? Shall they also be made through new additional issues? Thank you.

Nikolayev S.V.: Gross value of investment capital amounts to 246 billion rubles in Saint Petersburg, 159 - in Leningrad region 87. Residual value, respectively, in St. Petersburg - 53, and in the Leningrad Region - 25. I.e. total residual value of the invested capital is 78.5 billion rubles.

These are figures that we are talking about, and we are now defending, which have been confirmed by experts, which have attracted the subjects of the Federation. Therefore, we do hope that these figures will be included in the tariff decision on RAB.

Concerning the plans on how the funds will be made on additional issue – Grigory Mikhailovich will comment this issue.

Kharenko G.M.: Regarding additional issue of ordinary shares, we shall define, as already mentioned, the parameters of the fee in December. And during 2011, well, most likely by the end of the year, it is clear that we have some time to prepare the Prospectus, approval of the Prospectus, we will get real money, i.e. possible mid-end of 2011.

And as for the remaining 5 billion, well, regarding the remaining 5 billion, the issue is still being discussed. I think it will be resolved in the format of additional issue, most likely, if we take the analogy, for example with the company Kubanenergo and the construction of Olympic objects in Sochi. There has been adopted such a scheme - a few additional issues.

Andrey Trufanov: Thank you very much.

Moderator: Next question comes from Nikolay Klyukin. Nikolay, you have the floor.

Nikolay Klyukin: Good afternoon! Tell me, please, could you name the parameters of the Company's business plan for 2011?

Nikolayev S.V.: Nikolay, for now we can't. In the beginning, we said that under the favorable developments we would be able to do it in December. Now, frankly speaking, we have these numbers. But we are not ready to bring them public yet.

Nikolay Klyukin: Ok. Thank you very much.

Nikolayev S.V.: You are welcome.

Moderator: There come no more questions. So, ladies and gentlemen, yet another reminder: Press number "7" on your telephone if you have any question addressed to the company.

There comes another question from Nikolay Klyukin. Nikolay, you have the floor.

Nikolay Klyukin: Good afternoon, again. I have a question on the net profit for the year 2010. I understand that it can be much larger than 1.7 billion, right? Due to the fact that over three quarters it amounted to 2.2 billion rubles. Am I right?

Nikolayev S.V.: Well, we expect that, yes, the profit probably will be more. To speak of significant - non-essential, until now is very difficult. Because it summarizes, all the same, those losses that have caused natural disasters, which will be reflected fully in the report for the year. A number of factors is related to the winter, and what will be the amount of losses, i.e. how we enter the new year. So, of course, we

expect that the figures in the adjusted business plan will be fulfilled, perhaps exceeded, but for now, so to speak, which in this case will be the estimation at the end of the year so far, we'll probably care.

Nikolay Klyukin: Thank you. However, tell me one more thing – what sum is planned for disaster management in 2010?

Nikolayev S.V.: In terms of expenditure there is about, I'll tell you the number ... about 400 million rubles.

Nikolay Klyukin: Thank you very much! That is all. I have no more questions.

Nikolayev S.V.: Thank you.

Moderator: Next question comes from Ivan Rubinov, Bank of Moscow. Ivan, please take the floor.

Ivan Rubinov: Hello. You mentioned that the size of the investment program for the next 5 years could reach 7 billion rubles. Could you reveal the source of funding? Specifically we are interested in the proportion of technological connection.

Nikolayev S.V.: We will not discuss, perhaps, today the period of 2011-2015. Moreover, I can say in general that the bulk of investment program, 100 billion rubles. this is, after all, funding through transmission tariff. Partly, this sum included funds that we can get through additional issue. And the fee for TC is taken into account in a fairly small amount of those obligations that subscribers already have bear under the contracts concluded and to be performed in the remaining two or three years under the terms of contracts.

Not a secret, perhaps, that authorities will soon approve the necessary decisions on the form of TC fee to be charged in 2011 and further. Therefore, we conservatively suited to those funds that we can get in the form of this fee. Accordingly, it occupies a very small amount. For more details, we will disclose those numbers closer to the end of the year.

Ivan Rubinov: One more thing, regarding your second question about the additional issue of preferred shares. You said that they would be of some new type. As far as I understand, now dividends for the current preferred shares are 10% of net profits, i.e. the new rule will not apply for the new preferred shares?

Kharenko G.M.: Yes, exactly. This will be a new type of preferred shares. Question on additional issue has already been discussed long ago. We have enough good opportunities for placement. In fact, we could pursue this opportunity yet this year. However, since there were circumstances, we simply transfer it to the next period.

Ivan Rubinov: Thank you.

Moderator: Thank you. Next question comes from Vladimir Samorodov, RMG Securities. Vladimir, please take the floor.

Vladimir Samorodov: Once again, good afternoon. I have, unlike others, two short questions. The first question. I am not aware, maybe you enlighten me what is the share on transmission (kilowatt / hour), and perhaps even in revenue from "last mile" contracts of Lenenergo. I understand that these should not be many; it is still not Krasnoyarsk Territory, in the end. Still, I would like to know this proportion.

And the second question is that the cost, according to the adjusted business plan, is 27 billion 137 million I would like to know FGC fee, and how much it takes in this cost? Thank you.

Kharenko G.M.: Thank you for your question. I will answer you on the first question. The share is insignificant. This is 1-2% of our revenues; these are contracts the "last mile". Therefore, I think, to exaggerate and overstate is still not worth it. It is insignificant.

Vladimir Samorodov: I see.

Kharenko G.M.: Next.

Nikolayev S.V.: On the share - I am afraid to make a mistake in concrete figures now ... Of course, the federal factors occupy a substantial share, but actually, in Lenenergo it is much lower. Let us send this information to you not to make mistakes in the figure now...

Kharenko G.M.: We will answer you in writing, do you mind?

Vladimir Samorodov: Of course not.

Nikolayev S.V.: Well, in structure ... not a problem. Just not at hand now.

Vladimir Samorodov: Thank you.

Kharenko G.M.: Thank you.

Moderator: Questions are no longer forthcoming. In conclusion, of our conference, I again give the floor to representatives of the company.

Kharenko G.M.: Dear colleagues! Let me thank you for your participation in our first conference call. We are very pleased that such a large number of participants, namely 11 companies took part in the first conference call. It gives us hope that the investment community still has an interest for our company. Of course, today we were not able to answer all questions, including probably the most important issue devoted to RAB-regulation. We do hope that in early December - end of November we will hold the similar conference call. Please, send your questions in advance, and participate I believe this event to be very useful for us. We are waiting for your feedback. E-mail us at «IR». All the best. Thank you for your participation.

Nikolayev S.V.: Thank you.

Moderator: Ladies and Gentlemen, thank you for your participation. Now you may hang up.

THE END