



YEAR IN REVIEW

Organization of trading of all RGC at MICEX and RTS.

Significant capitalization growth by advanced rates compared with the market over the majority of RGC.

Commencement of the system work on establishment of public company.

The past year was the period of formation of stock market of grid companies which had been established after division of regional power companies according to types of activity. By the beginning 2006 shares of just a few number of regional grid companies (RGC) had been admitted to trading at the leading stock exchanges of the Russian Federation (MICEX and RTS), therefore, the majority of companies did not bear market capitalization.

Leaders of growth in 2006

Lipetskenenergo	635%
Oryolenergo	617%
Nizhnovenergo	411%
Vologdaenergo	331%

Registration of shares of all RGC at stock exchanges initiated by IDGC-1 provided investors with opportunity to obtain access to organized trade of those instruments. In 2006 capitalization of the majority of RGC was growing by average industrial rates. Share growth amounted to 50 – 100%. Shares of a number of RGC such as Lipetskenenergo (635%), Oryolenergo (617%), Nizhnovenergo (411%), Vologdaenergo (331%) grew higher. Share growth of RAO UES of Russia, JSC amounted to 104% for the same period, as a whole the market grew up by 46% (RTSI).

The dynamics of RGC share quotations was influenced by a number of opposite factors. Undervaluation of the whole distribution segment and possibility to participate in its growth together with assets consolidation within the frameworks of Interregional distribution grid companies on the one part, low market liquidity and risks connected with industry reforming process on the other part.

Within the strategic direction on establishment of the public company by 2010, in September 2006 IDGC-1 started monitoring of RGC stock market within its responsibility zone. In accordance with the Resolution No. 218p/215p dated August 23, 2006 of RAO UES of Russia, JSC the responsibility zone of IDGC of Centre and North Caucasus includes 22 RGC and JSC “Corporate Service Systems”.



RGC of the responsibility zone of IDGC of Centre and North Caucasus

1	“Astrakhanenergo”, JSC	12	“Kurskenergo”, JSC
2	“Belgorodenergo”, JSC	13	“Lipetskenergo”, JSC
3	“Bryansenergo”, JSC	14	“Nizhnovenergo”, JSC
4	“Vladimirenergo”, JSC	15	“Oryolenergo”, JSC
5	“Volgogradenergo”, JSC	16	“Rostovenergo”, JSC
6	“Vologdaenergo”, JSC	17	“Ryazanenergo”, JSC
7	“Voronezhenergo”, JSC	18	“Smolenskenergo”, JSC
8	“Ivenergo”, JSC	19	“Tambovenergo”, JSC
9	“Kalugaenergo”, JSC	20	“Tverenergo”, JSC
10	“Kostromaenergo”, JSC	21	“Tulenergo”, JSC
11	“Kubanenergo”, JSC	22	“Yarenergo”, JSC

Source: Resolution No. 218p/215p dated August 23, 2006
of RAO UES of Russia, JSC

Notwithstanding the RGC stock market remains to be low-liquid, improvement trend of this indicator is being observed. Apart from the fact that share transaction turnovers are growing, spread of bilateral quotations was constantly decreasing within 2006. The biggest trading turnovers and the least spread were recorded on shares of “Rostovenergo”, JSC. Nevertheless, trading turnovers of the majority of RGC are at low level, and spreads do not contribute to their growth.

Average spread (Oct – Dec 2006)

Issuer	Spread
Rostovenergo	2%
Kurskenergo	4%
Tulenergo	7%
Astrakhanenergo	7%
Tverenergo	7%
Kubanenergo	7%
Ryazanenergo	9%
Belgorodenergo	11%
Tambovenergo	12%
Nizhnovenergo	12%
Volgogradenergo	13%
Vologdaenergo	14%
Vladimirenergo	15%
Ivenergo	16%
Smolenskenergo	18%
Oryolenergo	20%
Lipetskenergo	21%
Bryanskenergo	37%
Kalugaenergo	42%
Voronezhenergo	51%
Yarenergo	100%
Kostromaenergo	152%

Source: JSC “MICEX”, NP “RTS”, JSC “RTS”, calculations of IDGC-1

Ranking of issuers according to turnover in 2006

Issuer	Volume, RUR	Number of transactions
Rostovenergo	232 550 793	5425
Tulenergo	119 526 780	693
Ryazanenergo	88 471 689	479
Kurskenergo	33 211 430	478
Yarenergo	31 122 775	61
Tambovenergo	28 626 318	785
Astrakhanenergo	24 762 536	488
Vladimirenergo	22 658 117	146
Tverenergo	20 306 517	1155
Volgogradenergo	19 652 746	272
Lipetskenergo	17 163 668	84
Smolenskenergo	16 102 477	95
Voronezhenergo	14 752 672	37
Kubanenergo	14 701 020	430
Ivenergo	13 922 362	780
Vologdaenergo	11 409 697	37
Bryanskenergo	9 216 874	70
Belgorodenergo	7 988 769	133
Nizhnovenergo	6 580 617	23
Kostromaenergo	3 796 978	63
Kalugaenergo	3 211 694	47
Oryolenergo	2 728 110	11

Source: JSC “MICEX”, NP “RTS”, JSC “RTS”

PROSPECTS**2007**

Increase of RGC share market liquidity
Taking decision on IDGC configuration
Tariff regulation improvement
Companies transparency level improvement

The main task of RGC stock market development in 2007 is liquidity increase. The set task will be implemented by means of complex of measures that will include reduction of spreads over all RGC up to the level not exceeding 10%, shareholders structure diversification, RGC securities stake increase that are kept in depositories of stock exchanges (free float mobilization).

Besides, we are expecting growth of interest to RGC shares on the part of portfolio investors connected with the decision of final configuration of IDGC and positive actions of governmental authorities when solving industry tariff regulation problems.

The Government of the Russian Federation approved proposals of the working group that included representatives of RAO UES of Russia; FGC, JSC; IDGC of Centre and North Caucasus, JSC; FAS and FTS, proposals on change of "Rules of technological connection of power receiving installation of legal entities and individuals".

With respect to amendments in 2007 IDGC of Centre and North Caucasus plans to increase volume of funds received as payment for technological connection up to 4 bln Rubles. These funds will be one of investment sources of the current year of total amount 14,7 bln Rubles.

In 2007 practice of regular meetings of top-managers of IDGC and RGC with shareholders, investors and other representatives of investment community will be implemented, what will increase transparency level of companies.

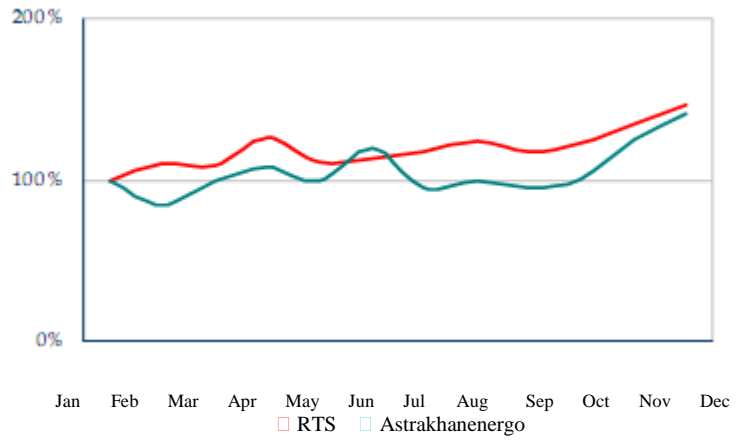
Review of RGC stock market

RGC capitalization as of December 29, 2006

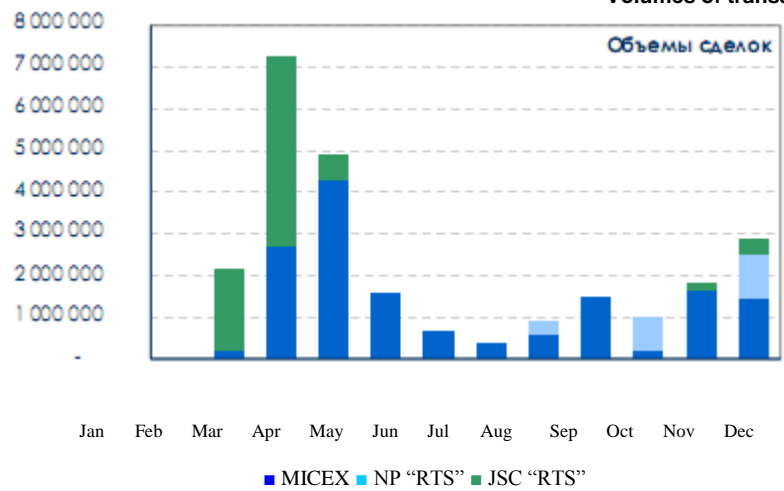
Issuer	Number of ordinary shares	Purchase price (bid)			Price of the last transaction (Dec 2006)			Capitalization, RUR	Stock exchange
		MICEX, RUR	NP "RTS", USD	JSC "RTS", RUR	MICEX, RUR	NP "RTS", USD	JSC "RTS", RUR		
Kubanenergo	17 869 440	730,51	31,00	-	750,00	29,90	-	13 402 080 000	MICEX
Nizhnovenergo	3 919 400	1 500,00	76,50	857,00	2 200,00	76,50	-	8 622 680 000	MICEX
Rostovenergo	3 128 764 676	2,40	0,09	-	2,45	0,09	-	7 665 473 456	MICEX
Tulenergo	1 566 684 288	3,6-	0,15	3,00	3,95	0,15	-	6 180 569 516	MICEX
Volgogradenergo	318 806 905	-	0,65	16,60	-	-	16,55	5 276 254 278	JSC "RTS"
Belgorodenergo	896 277	5 600,00	142,50	4 700,00	5 537,76	-	-	4 963 366 920	MICEX
Vladimirenergo	29 165 220	112,00	4,80	127,50	128,00	4,75	-	3 733 148 160	MICEX
Voronezhenergo	56 151 024	60,56	2,50	-	58,99	-	-	3 368 331 477	MICEX
Ryazanenergo	206 940 220	12,88	0,57	-	15,97	0,57	-	3 304 835 313	MICEX
Lipetskenergo	155 521 950	21,10	1,45	-	21,00	1,10	40,00	3 265 960 950	MICEX
Vologdaenergo	20 334 996	-	9,20	160,19	-	-	-	3 257 463 009	bid JSC "RTS"
Yarenergo	17 143 584	-	6,00	-	-	-	180.10	3 087 559 478	JSC "RTS"
Kalugaenergo	67 670 185	42,00	1,50	40,00	52,00	-	45,00	3 045 158 325	JSC "RTS"
Kurskenergo	1 141 368 480	2,50	0,08	-	2,57	-	-	2 933 316 994	MICEX
Smolenskenergo	195 241 977	14,00	0,58	12,00	14,00	0,58	15,80	2 733 387 678	MICEX
Tverenergo	346 136 000	6,81	0,25	0,65	7,30	0,26	-	2 526 792 800	MICEX
Tambovenergo	1 525 986 880	1,47	0,05	-	1,60	0,06	-	2 441 579 008	MICEX
Ivenegro	1 097 370 827	1,75	0,07	-	2,00	-	-	2 194 741 654	MICEX
Astrakhanenergo	773 900 078	2,70	0,10	2,00	2,83	0,10	2,50	2 190 137 221	MICEX
Bryansenergo	9 506 650	190,00	7,10	-	190,00	7,50	-	1 806 263 500	MICEX
Oryolenergo	192 549 316	8,30	0,30	-	8,50	0,34	-	1 636 669 186	MICEX
Kostromaenergo	408 998 400	3,47	0,08	-	4,00	-	-	1 635 993 600	MICEX

Astrakhanenergo

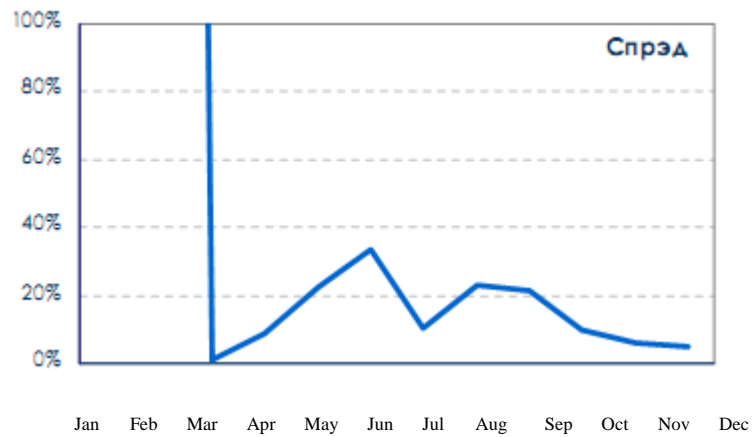
Capitalization change compared with RTS index change.



Volumes of transaction

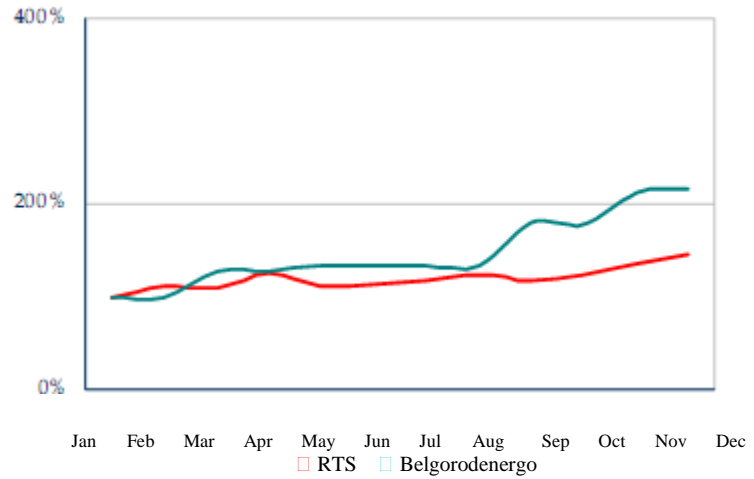


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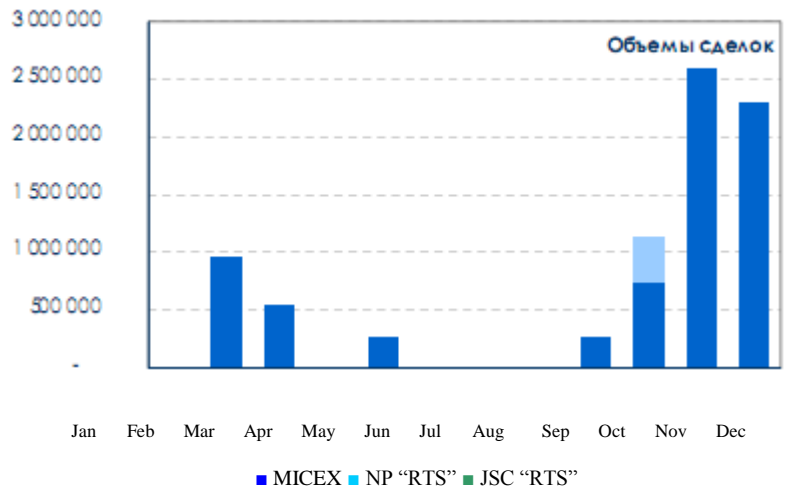


Belgorodenergo

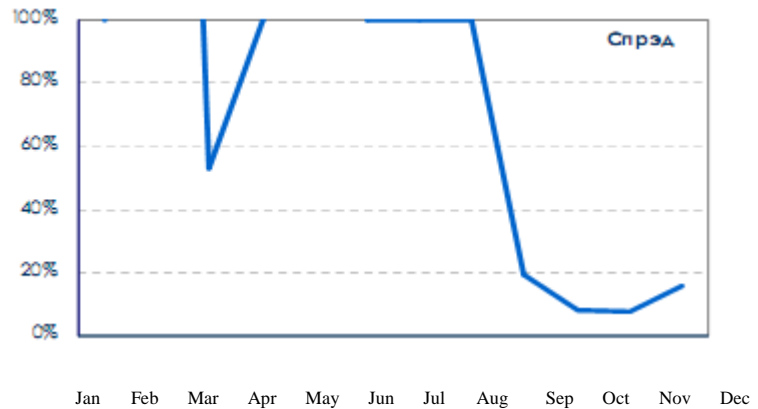
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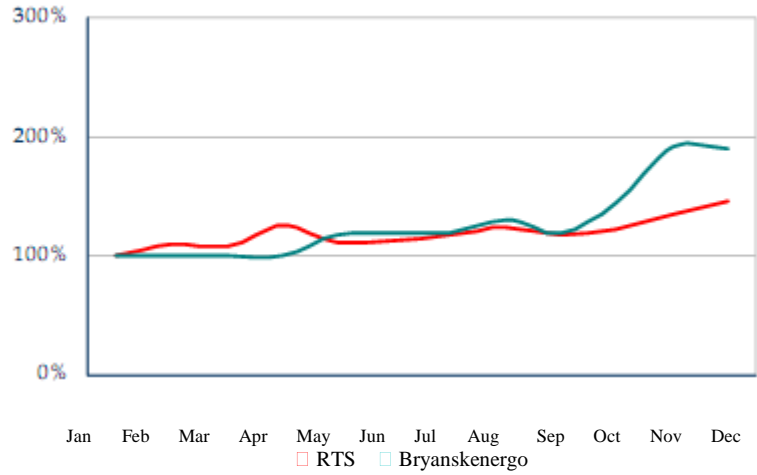


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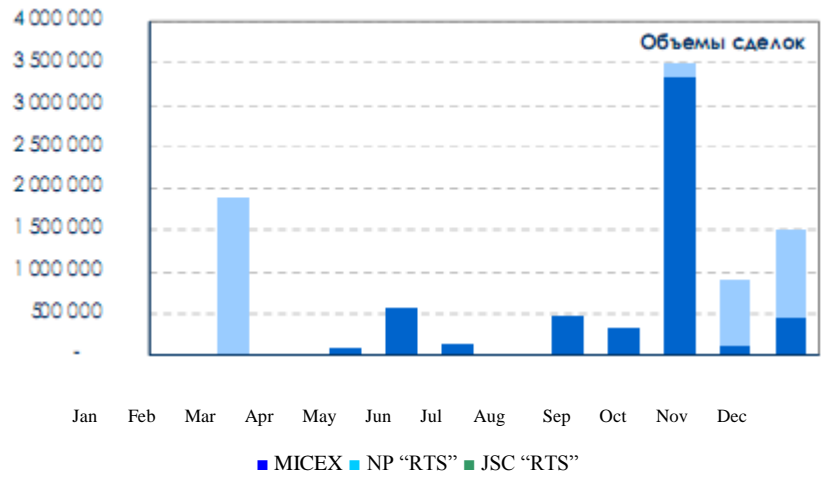


Bryanskenergo

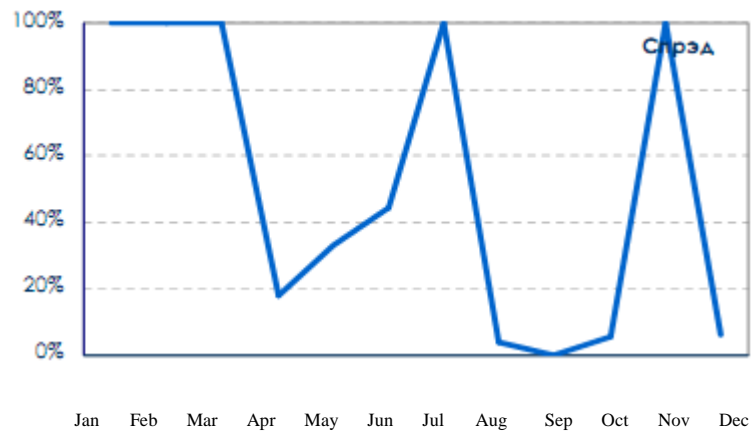
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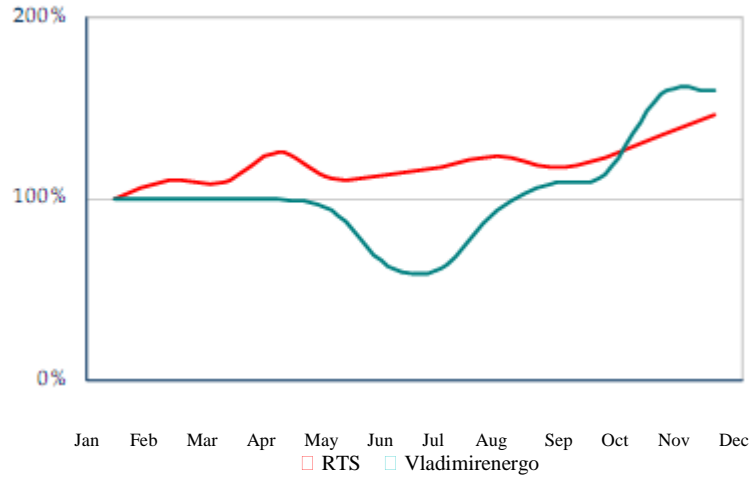


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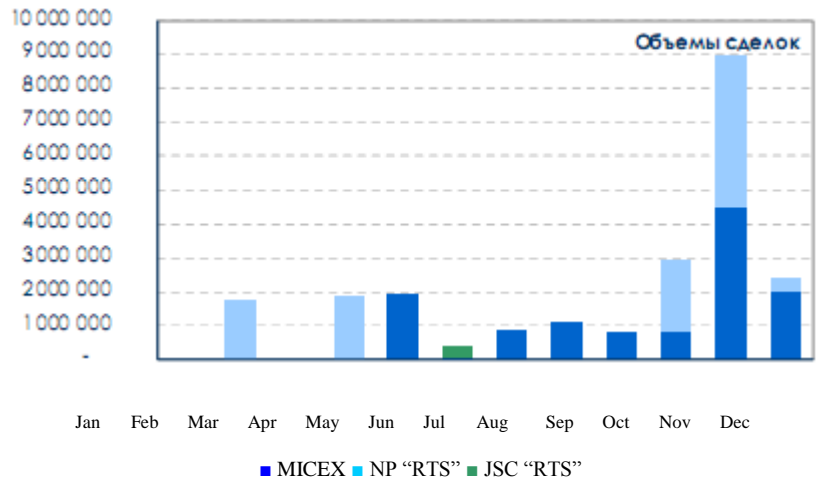


Vladimirenergo

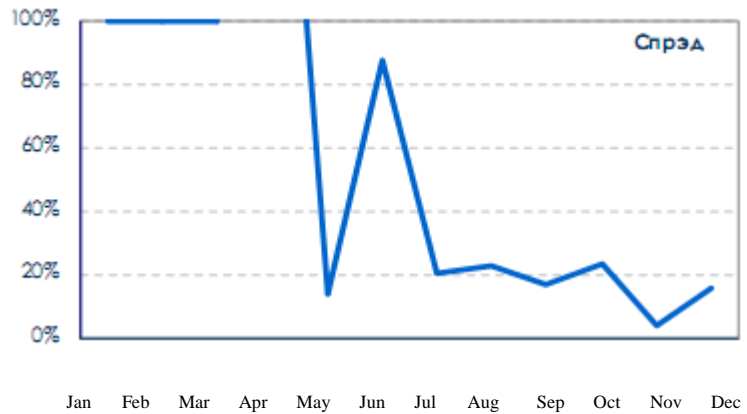
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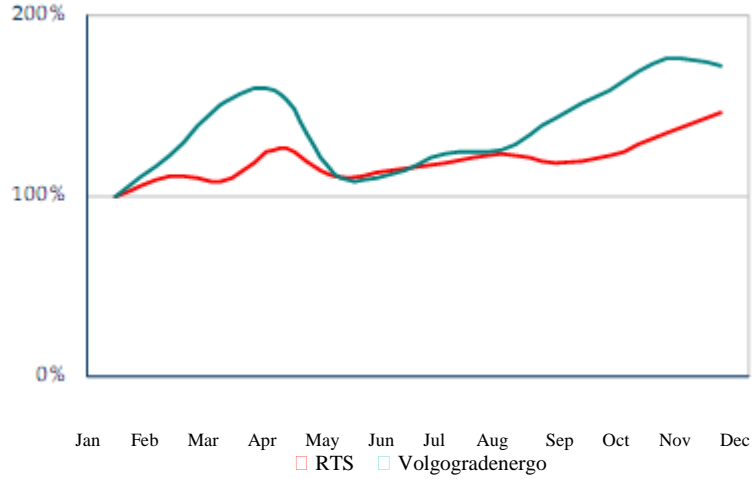


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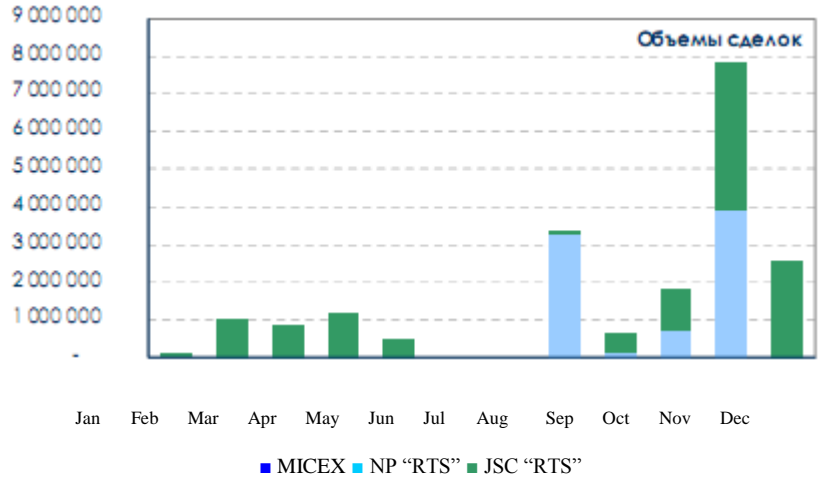


Volgogradenergo

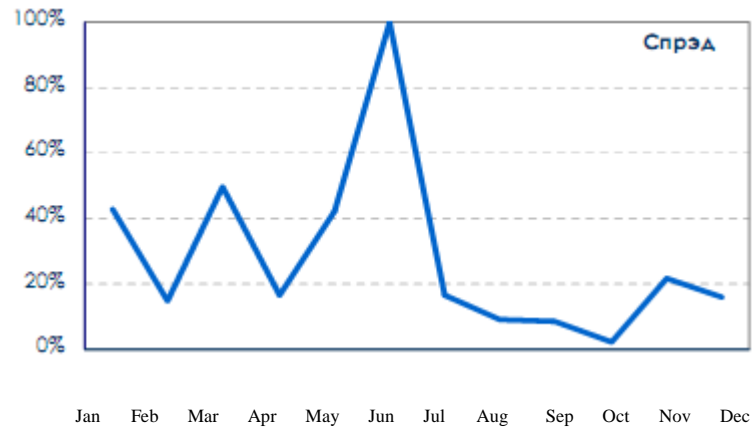
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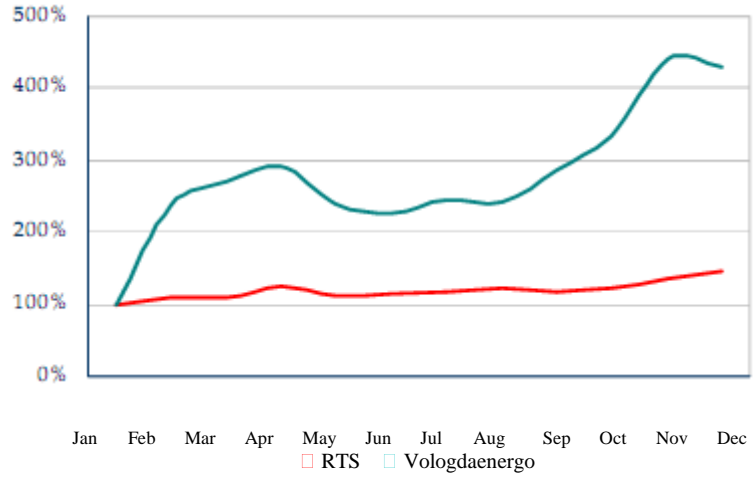


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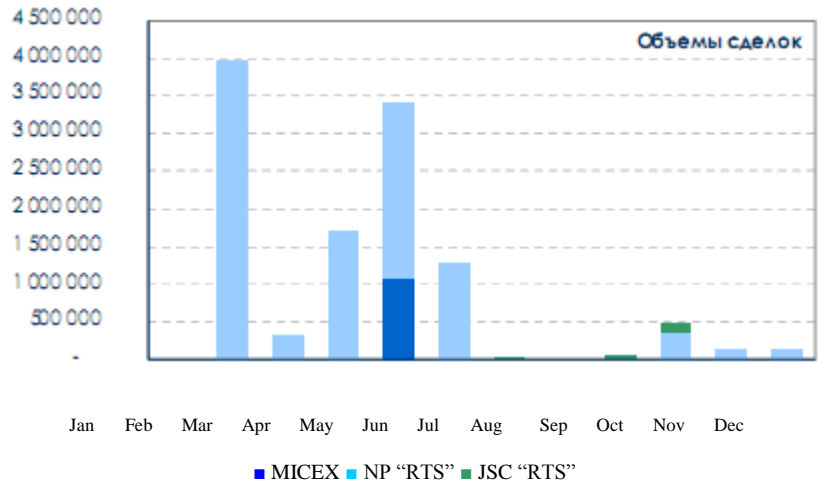


Vologdaenergo

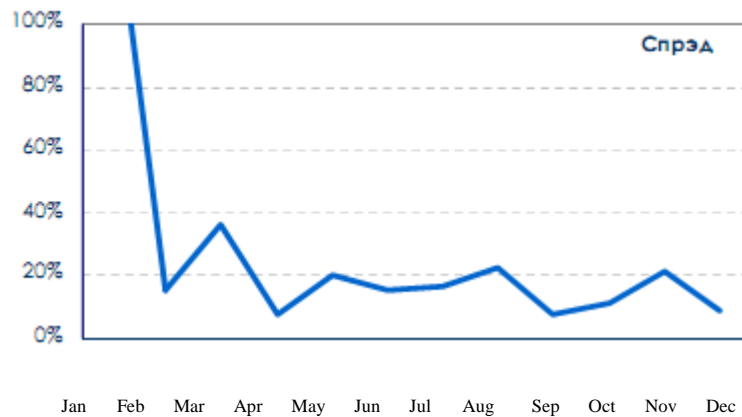
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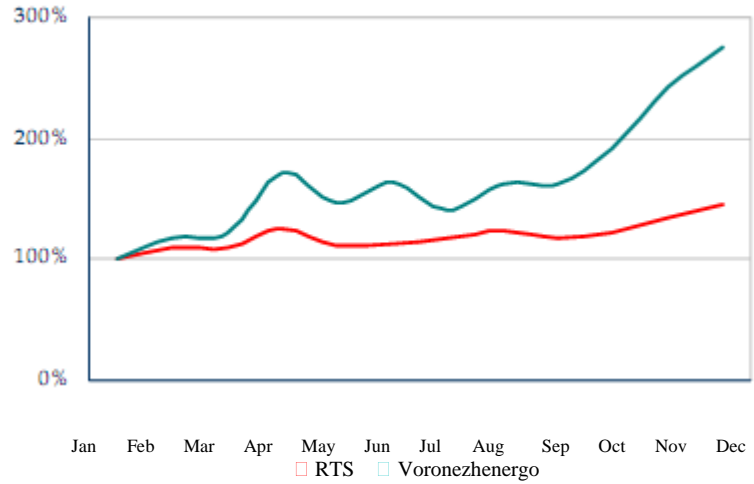


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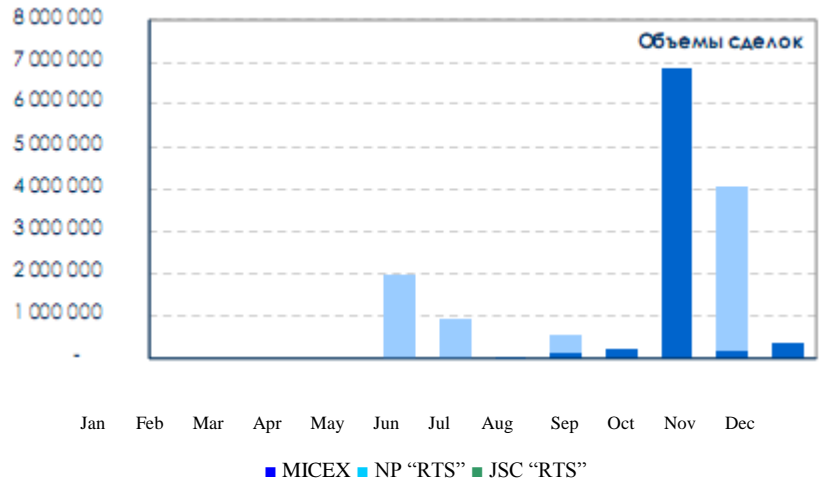


Voronezhenergo

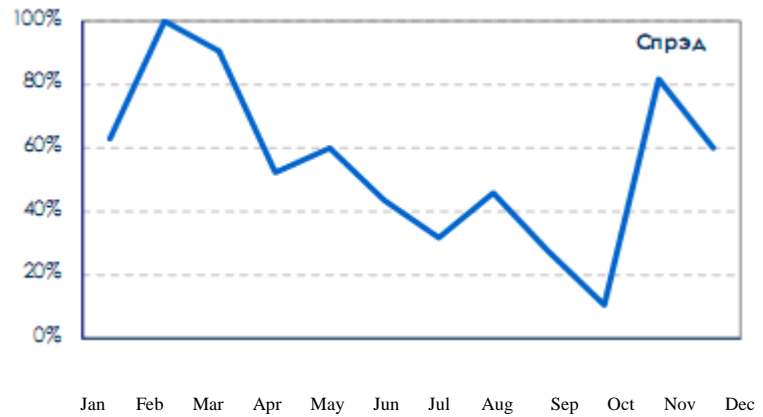
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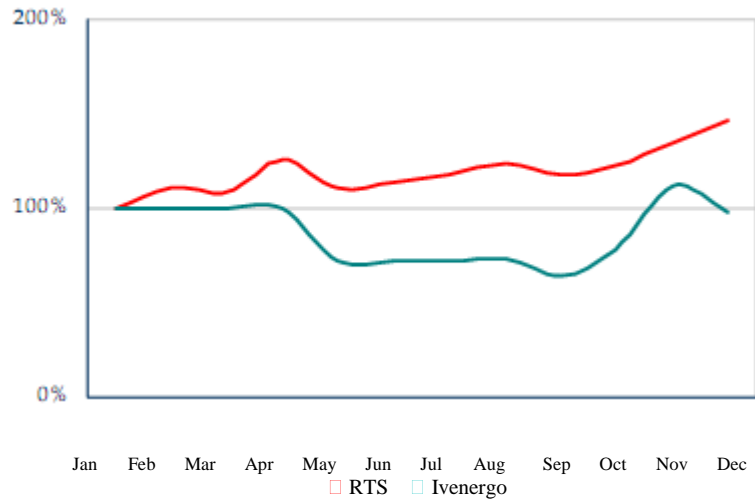


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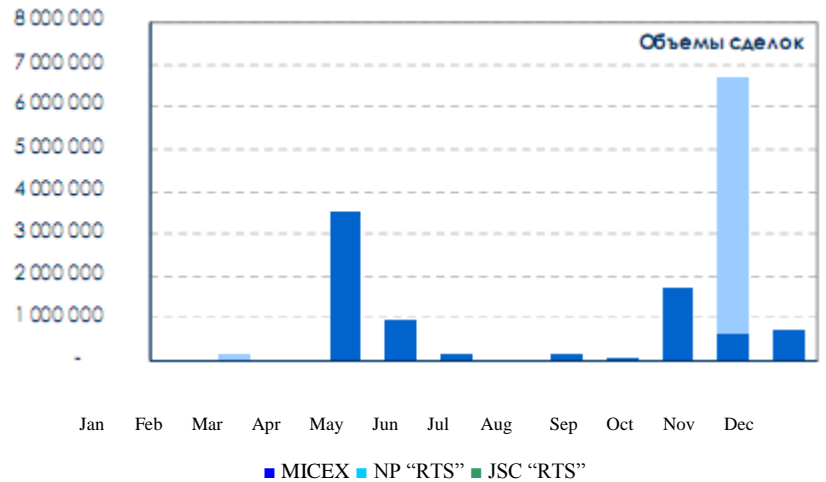


Ivenergo

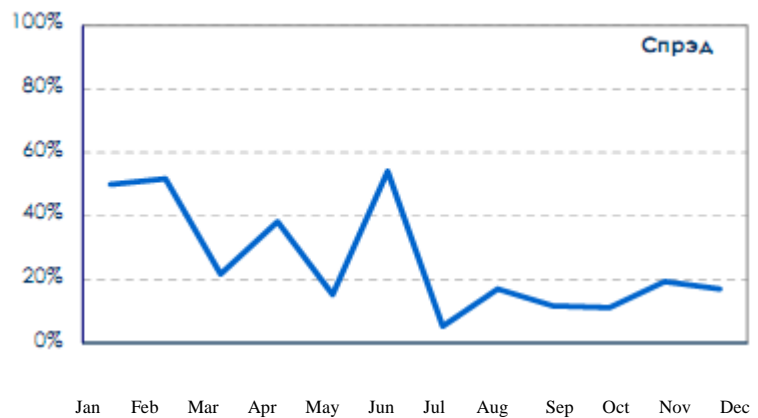
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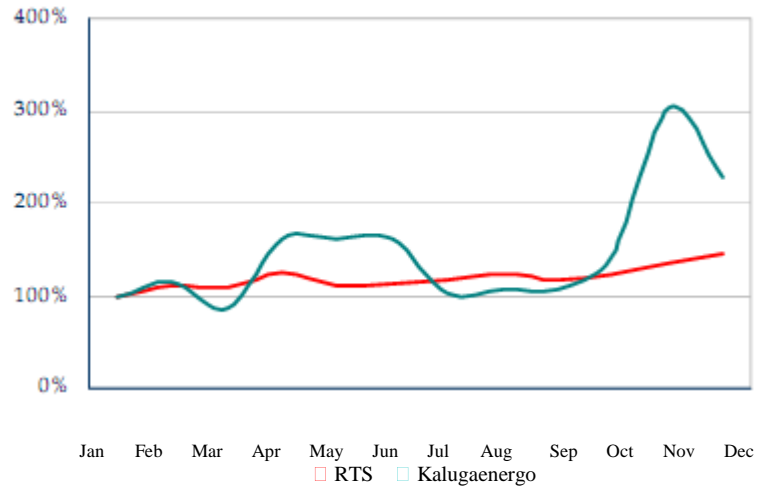


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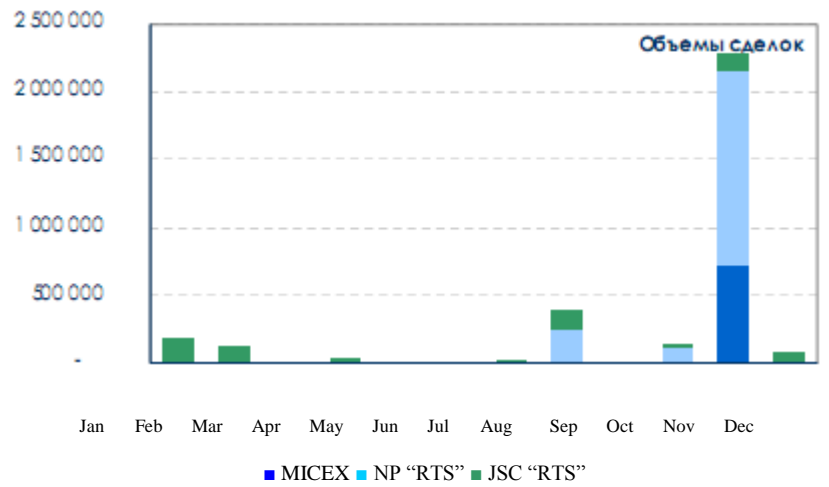


Kalugaenergo

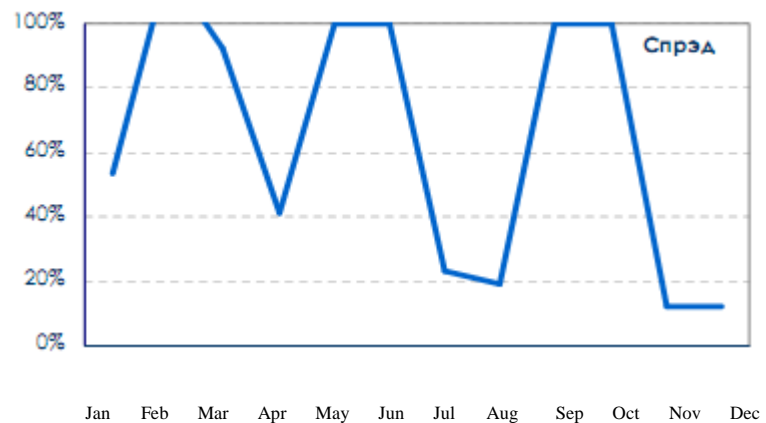
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Volumes of transaction

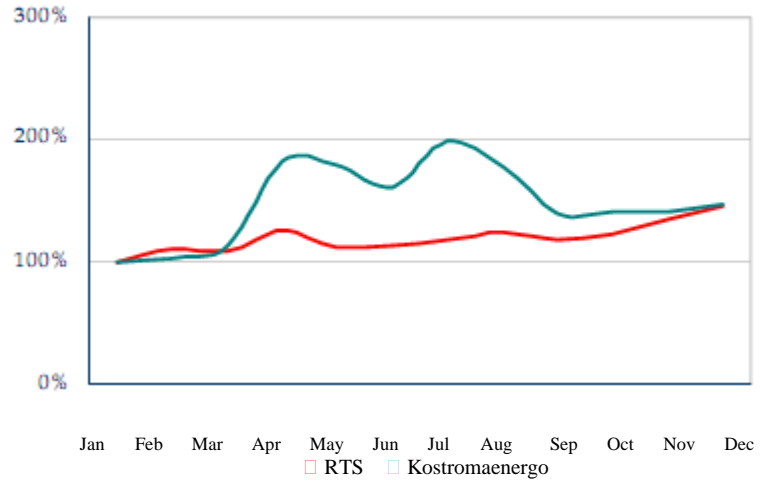


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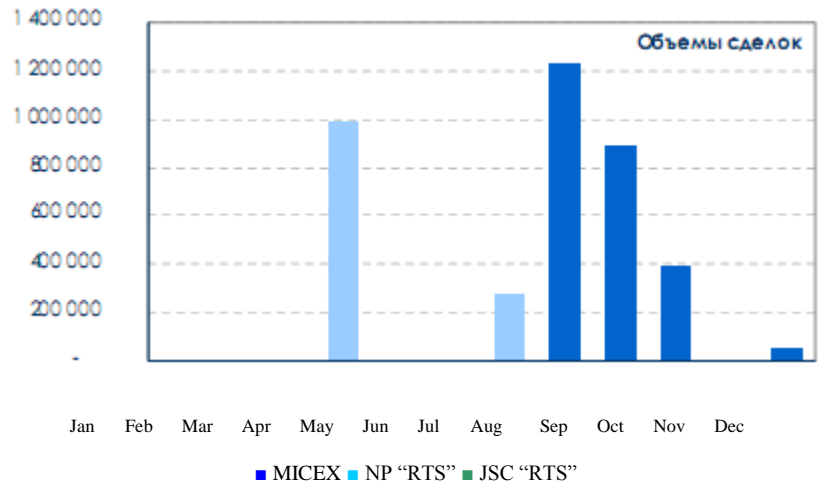


Kostromaenergo

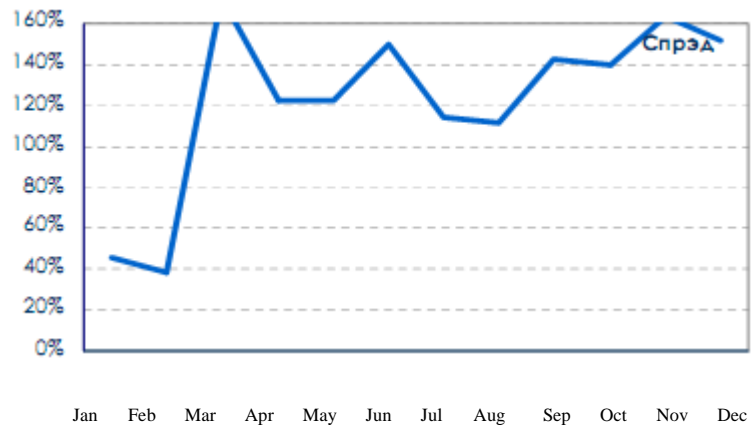
Capitalization change compared with RTS index change.



Volumes of transaction

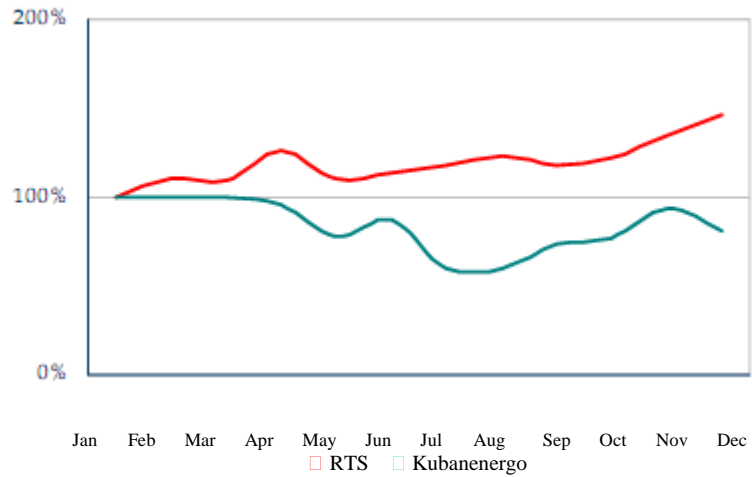


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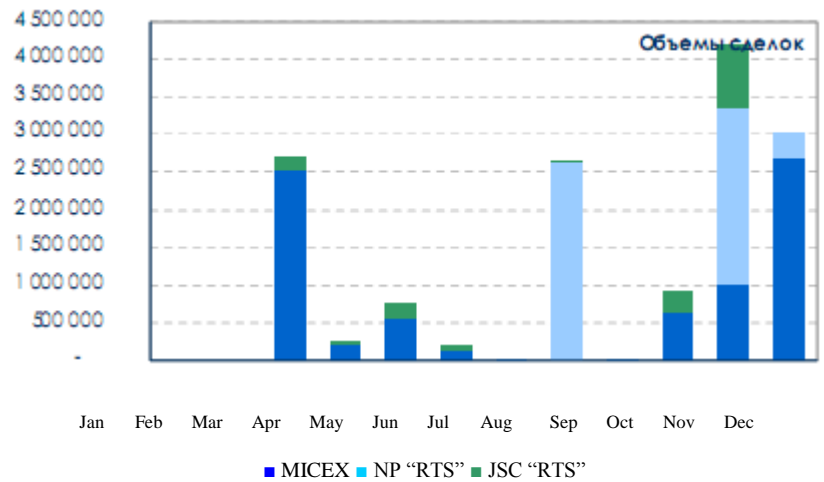


Kubanenergo

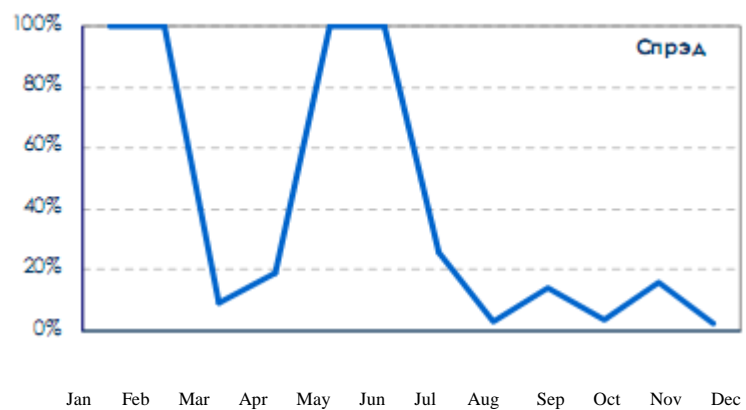
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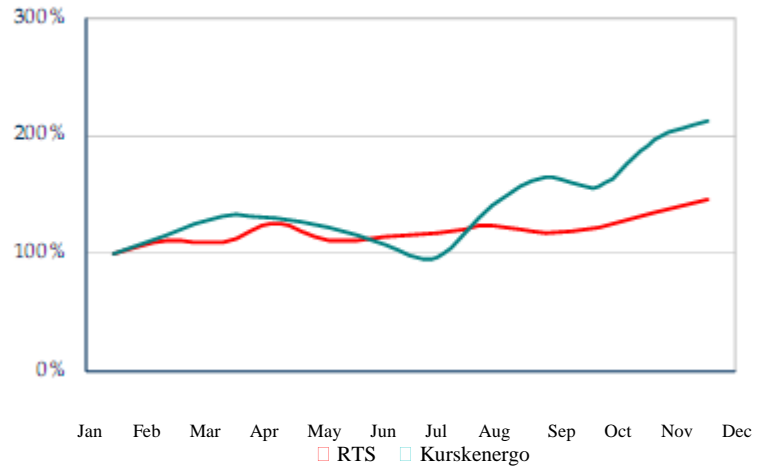


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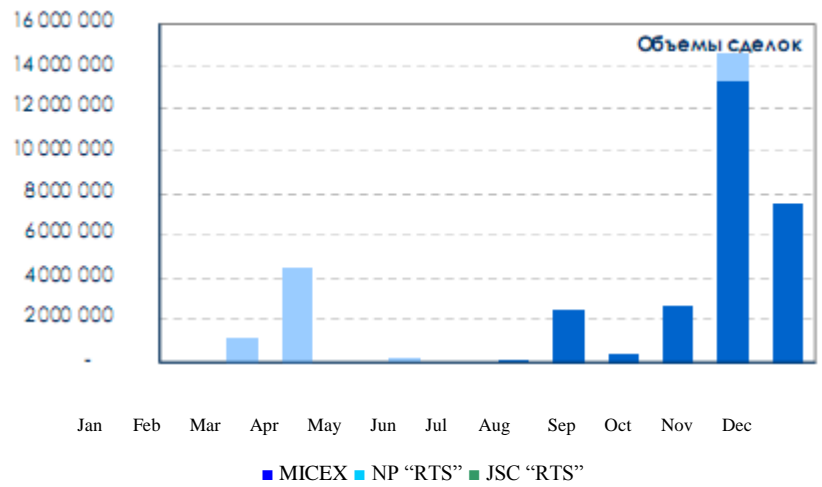


Kurskenergo

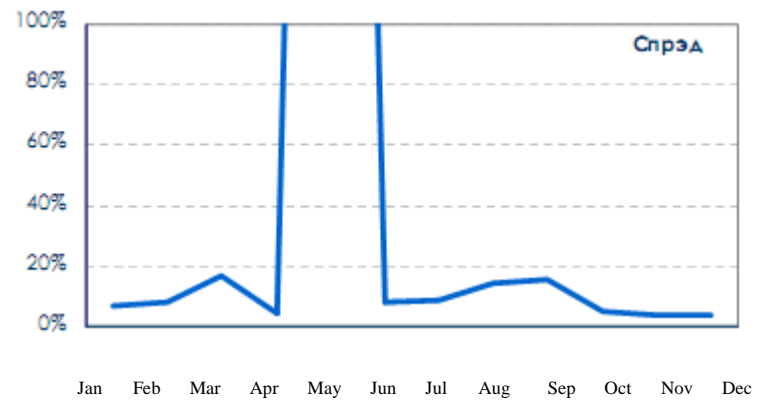
Capitalization change compared with RTS index change.



Volumes of transaction

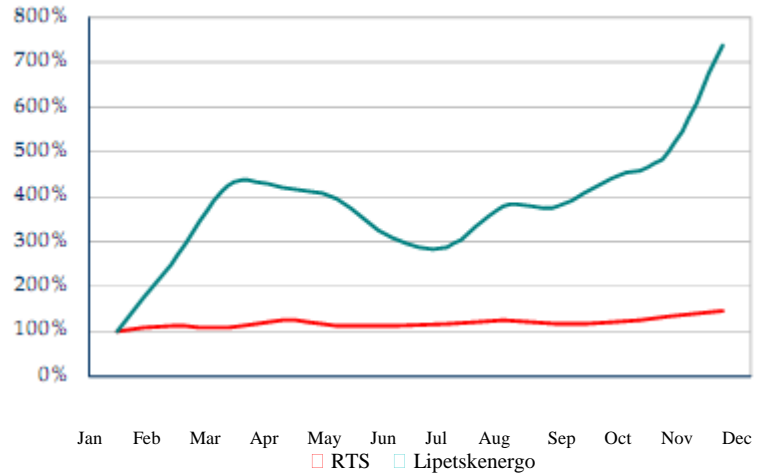


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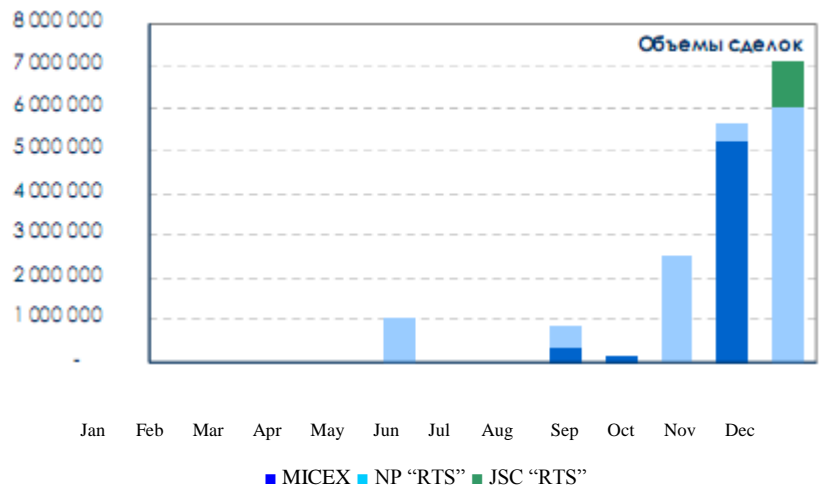


Lipetskenergo

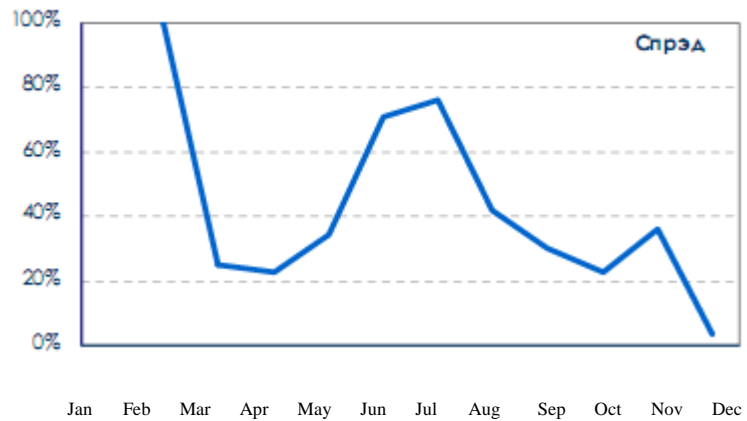
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Volumes of transaction

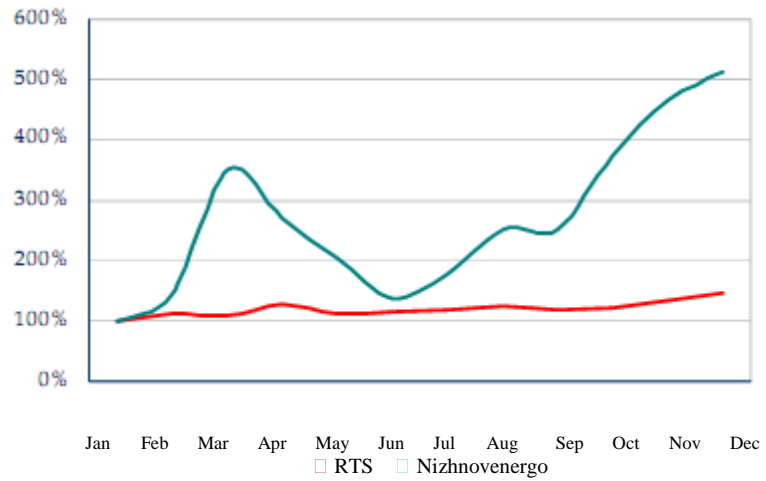


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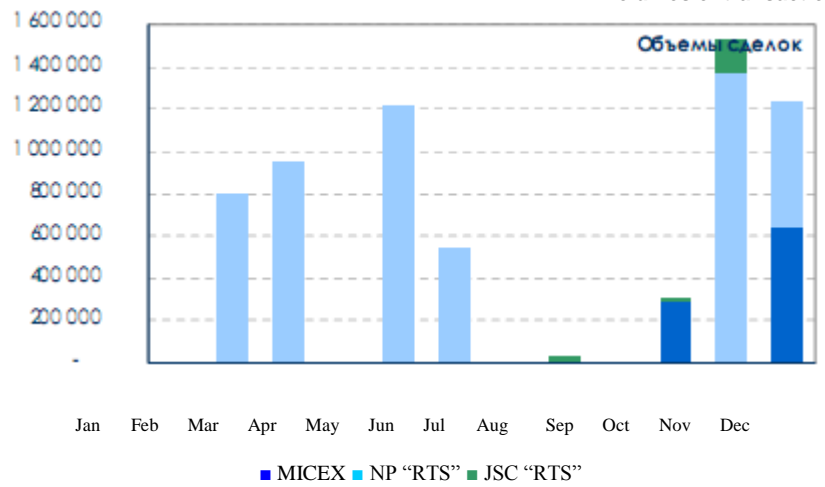


Nizhnovenergo

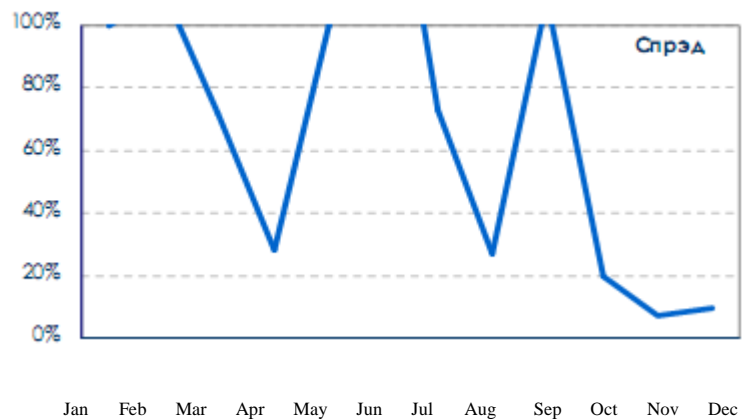
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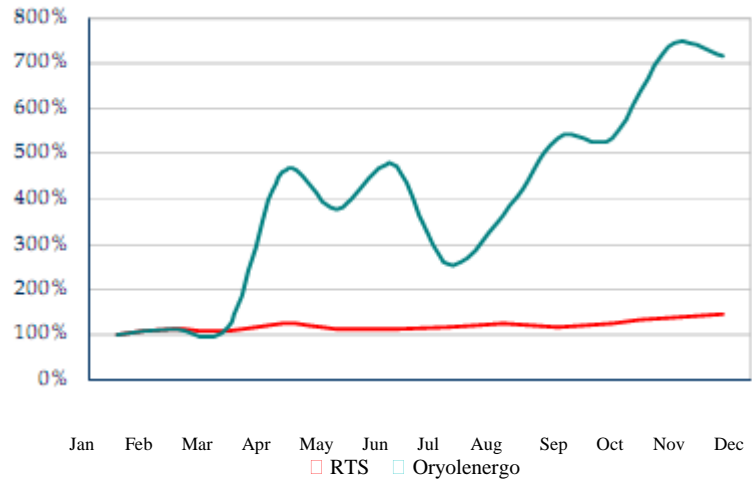


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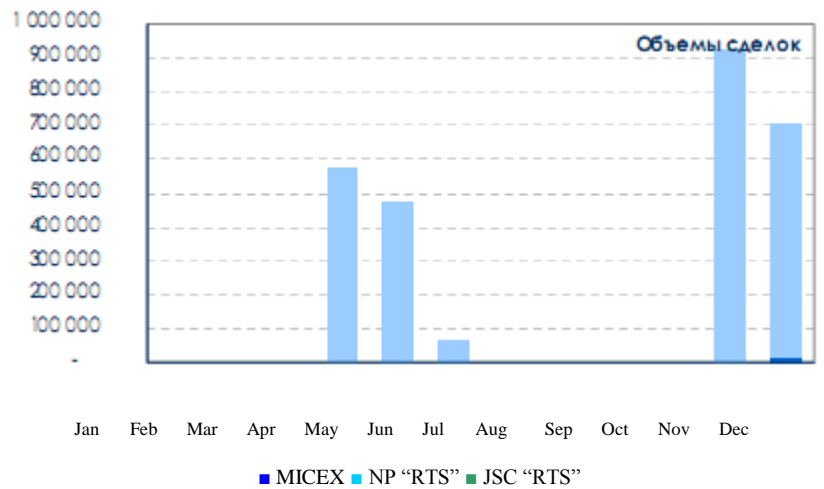


Oryolenergo

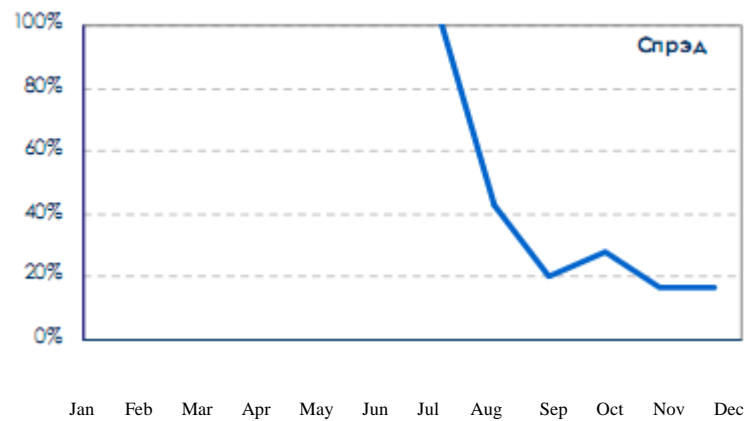
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Volumes of transaction

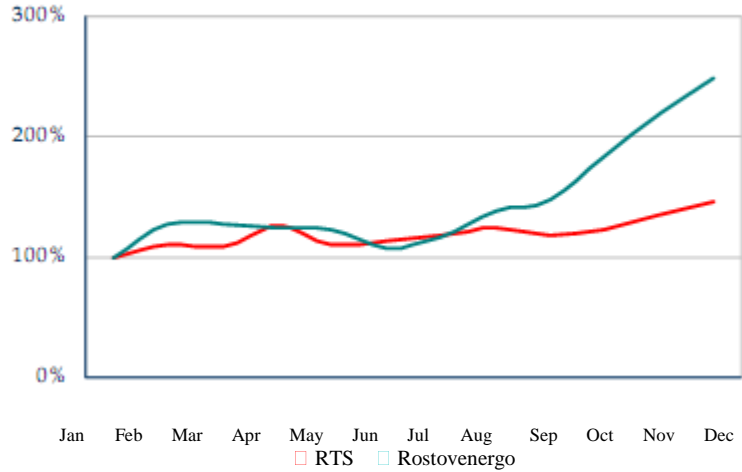


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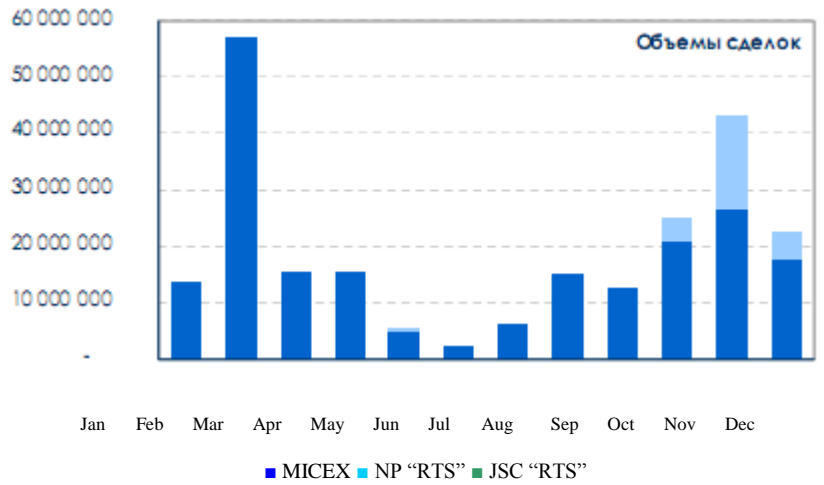


Rostovenergo

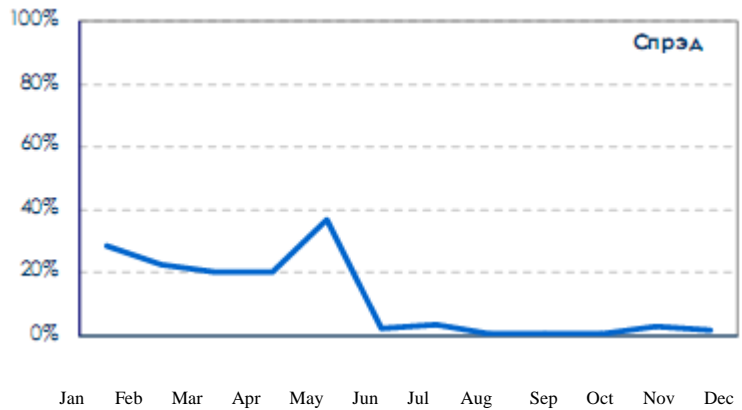
Capitalization change compared with RTS index change.



Volumes of transaction

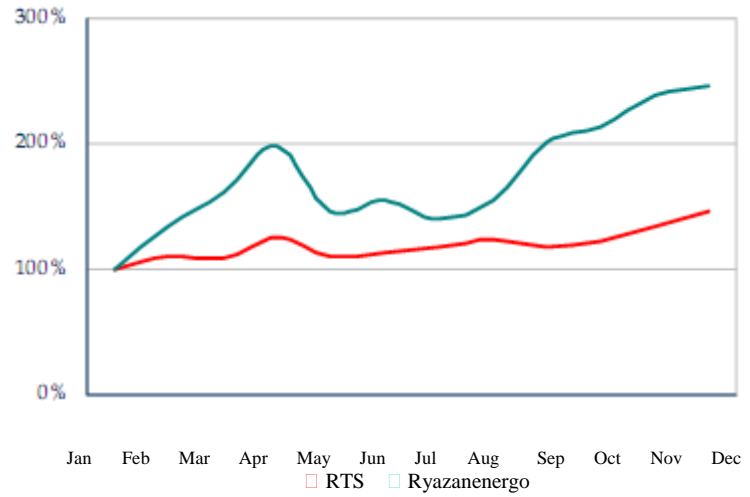


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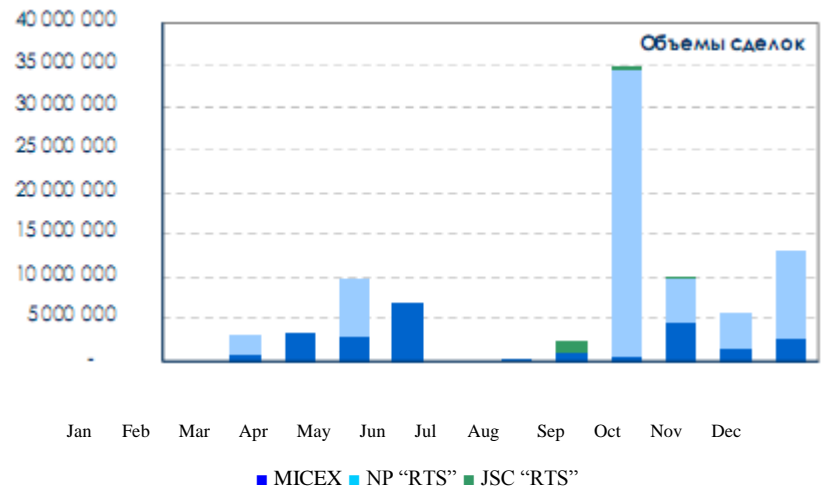


Ryazanenergo

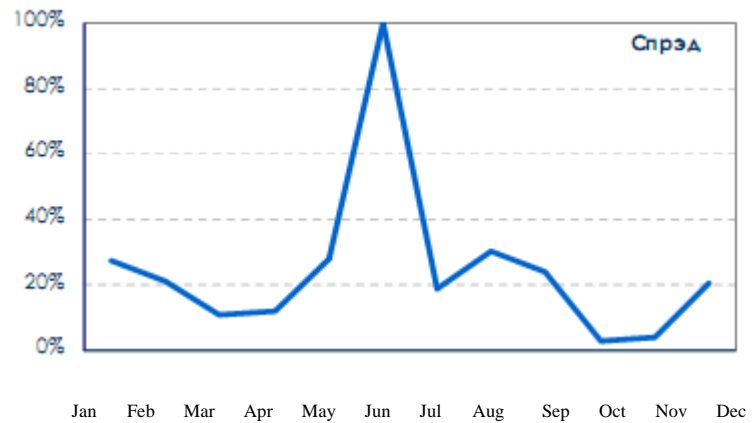
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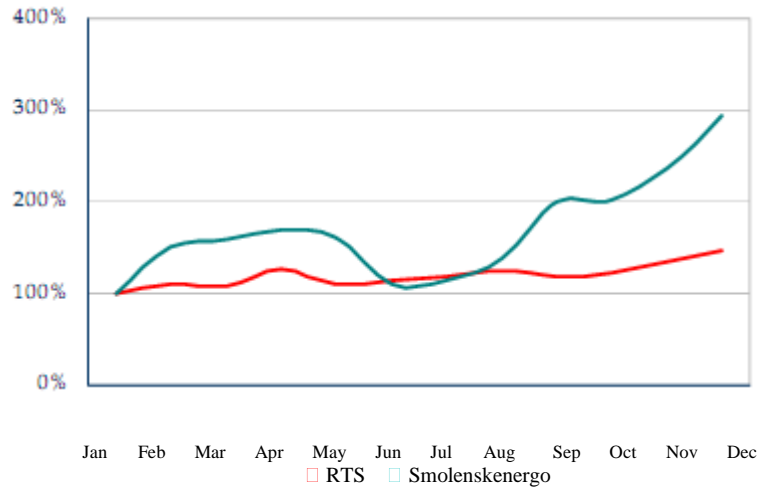


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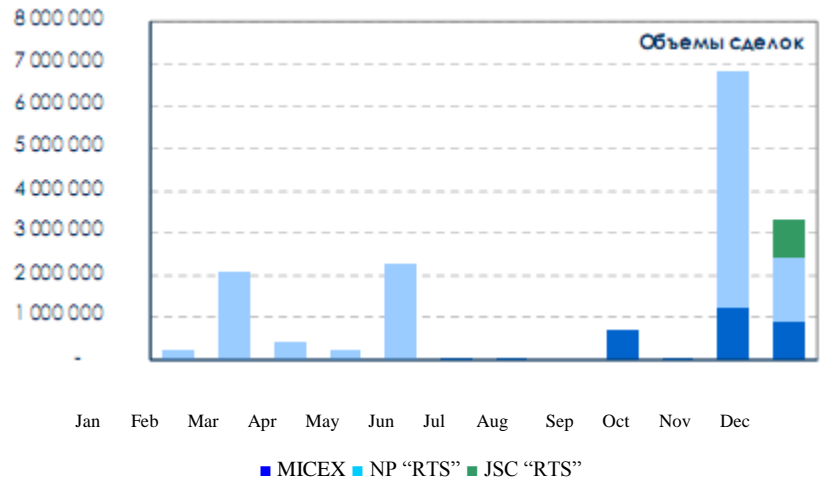


Smolenskenergo

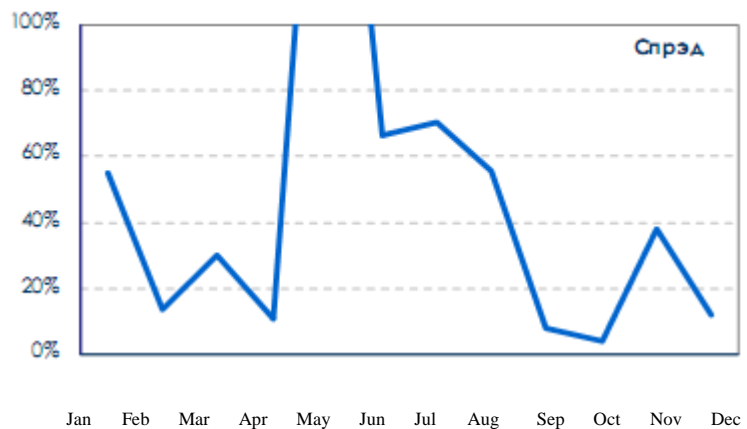
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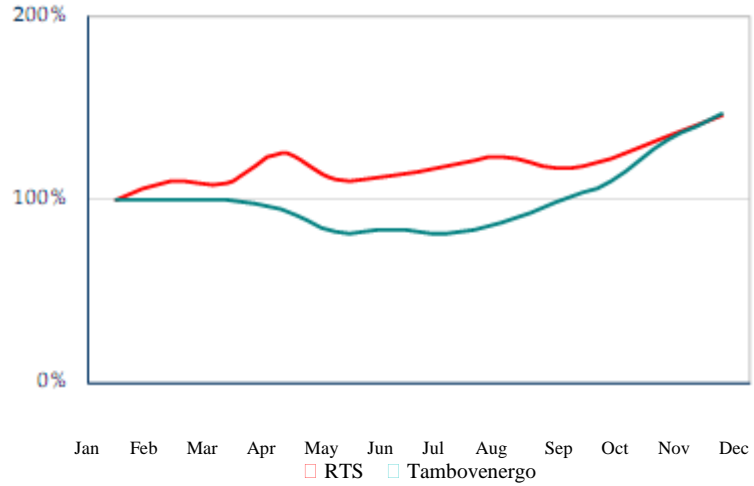


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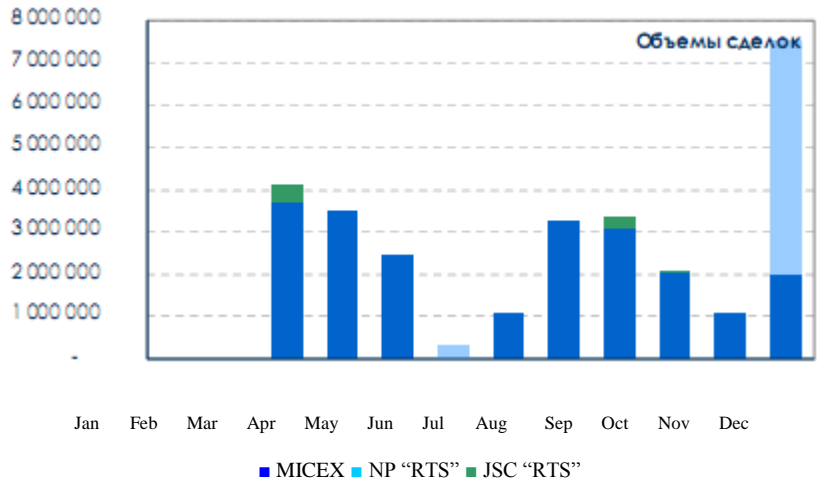


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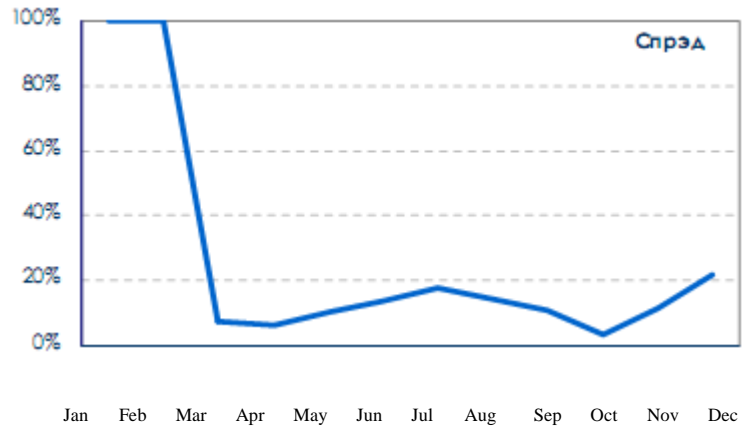
Capitalization change compared with RTS index change.



Volumes of transaction

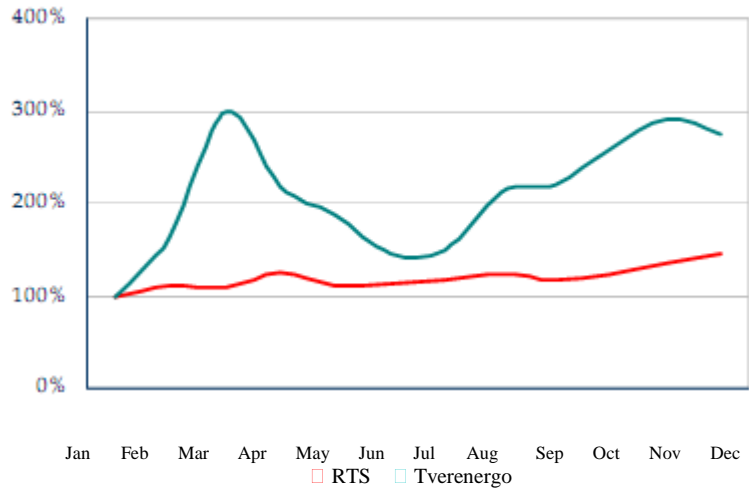


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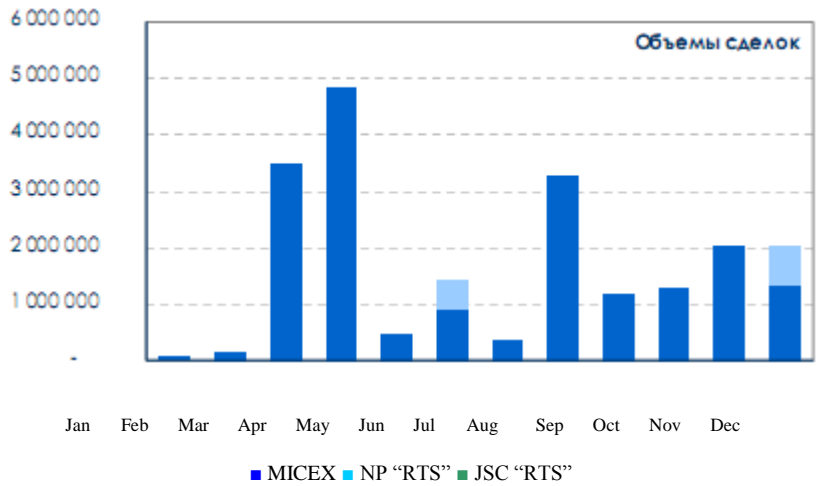


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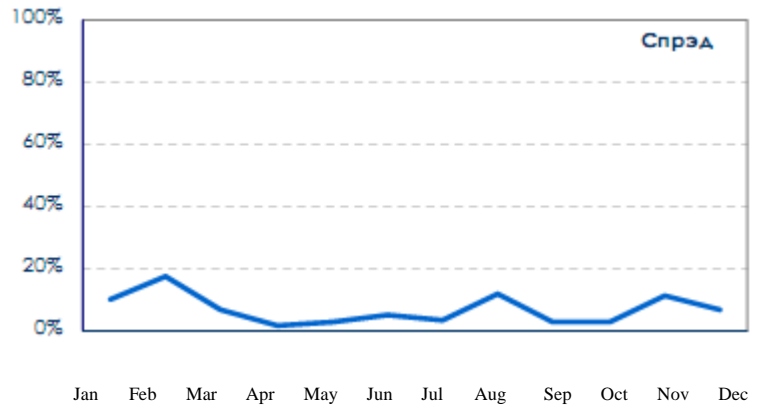
Capitalization change compared with RTS index change.



Volumes of transaction

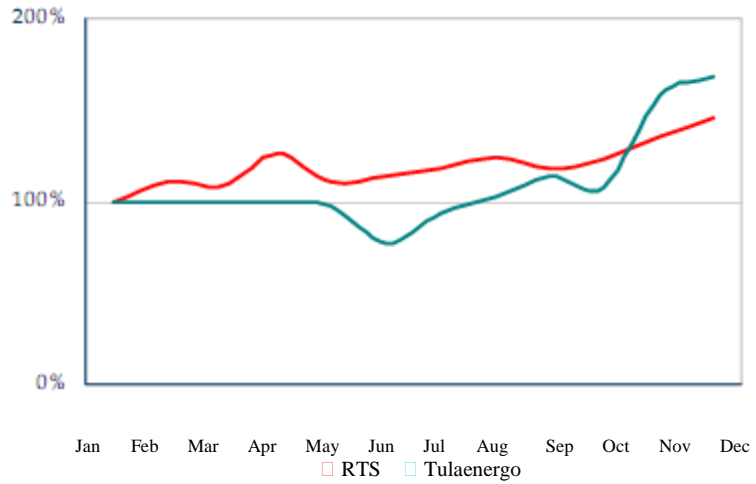


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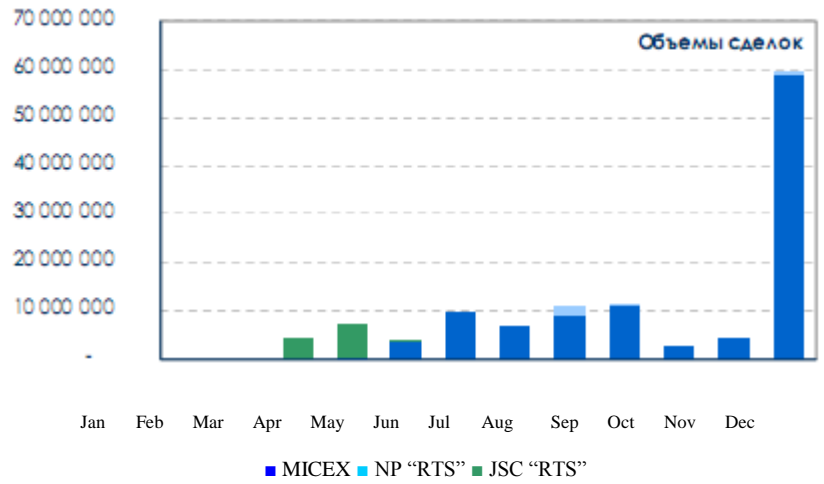


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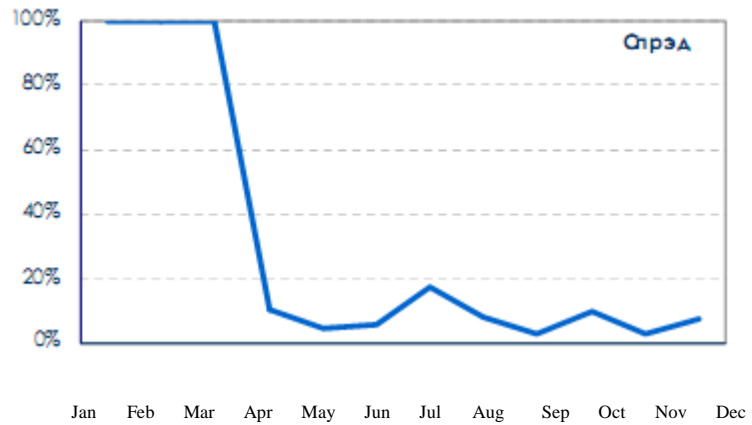
Capitalization change compared with RTS index change.



Volumes of transaction

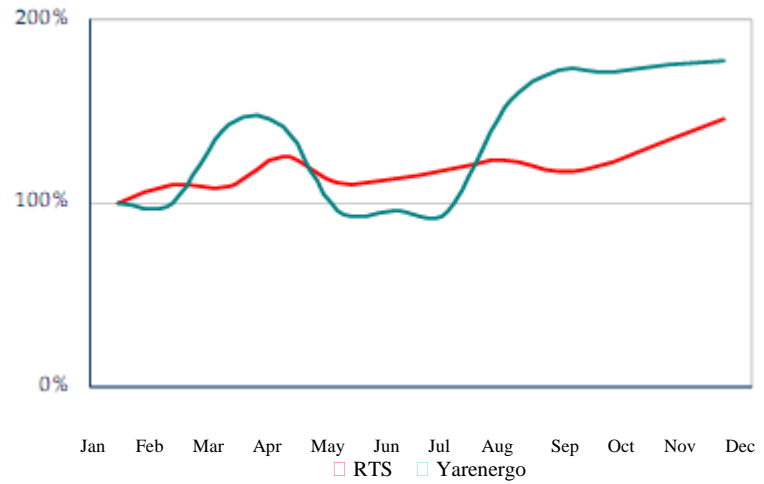


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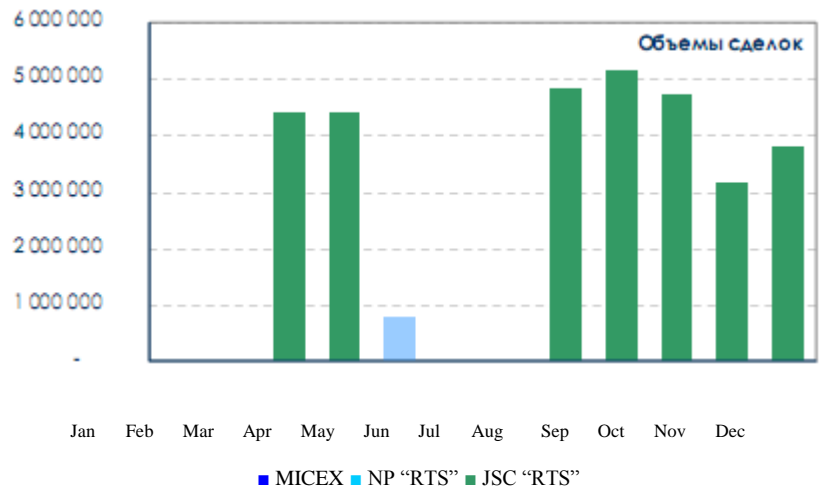


Yarenergo

Capitalization change compared with RTS index change.



Volumes of transaction



Spread



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