



ANNUAL REPORT

PRESENTATION VERSION

**IDGC OF CENTRE
JOINT-STOCK COMPANY**

2007

EACH OF US HAS

**BUT SOMETIMES REAL STARS
IS SUFFICIENT FOR SHINING**

THE LIGHT INSIDE.

**APPEAR. AND THEIR ENERGY
LONGER THAN THEIR LIFE.**

ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR TO SHAREHOLDERS AND INVESTORS



**Chairman of the Board of Directors
of IDGC of Centre**
A.A. Demin



**General Director
of IDGC of Centre**
E.F. Makarov

DEAR SHAREHOLDERS AND INVESTORS!

For the interregional distribution grid companies, the year 2007 became a period of formation of the strategic prospects directed to increase efficiency and stimulate investments. From the moment of its establishment till now, IDGC of Centre has operated in conformity with the intermediate term strategy developed in 2005. On the basis of strategic and priority directions of grid complex development activities, key performance indicators of the Company's activity determined by RAO UES of Russia, UES FGC and the Company Board of Directors, the top management of IDGC of Centre and DGC annually performs actualization of the Company strategy. In 2007 the main purposes and tasks of the Company till 2015 according to the final decision on strategy of the distribution grid complex of Russia and IDGC configuration adopted by RAO UES of Russia and UES FGC were specified and determined. The development strategy of IDGC of Centre for 2008–2015 was approved by the General Director in February 2008.

The Company's main strategic goal up to 2015 is transformation of IDGC of Centre into one of the leaders of the sector, and movement in the level of corporate and technological development to that of the highly developed countries.

The Company extraordinary general shareholders meeting of 18.07.2007 (Minutes No. 1703pr/1) took the decision to approve the revised Company Charter and to change the name from IDGC of Centre and North Caucasus to IDGC of Centre, while state registration of the specified changes was made on 24 August 2007.

In 2007 the regional network companies subordinated to the Company showed the following results:

- The total capitalization of DGC increased by 48% and equaled as of the end of the year 55.5 billion rubles.
- The total proceeds of 11 DGC equaled 32.4 billion rubles, which is 25% above the given indicator in 2006 (on 11 DGC).
- The total volume of net profit equaled 1.98 billion rubles, which is RUR 675.9 million rubles more than planned.
- ROE average weighted indicators (return on equity) equaled 5.22%, which in an absolute expression is above the plan by 2.58%.
- The cumulative own capital of DGC subordinated to the Company equaled 39.0 billion rubles; it increased in comparison with 2006 by 1.8 billion rubles.
- The share of financing of investment programs due to attraction of long-term loans increased; as a result, the long-term credits in the structure of DGC borrowed funds grew from 23.6% up to 43.2%.

- The result of the increase in efficiency of DGC business was an increase in investments received in the form of payment for technical connection of clients. In 2007 the amount of money received as a result of the change in tariff regulation in the field of technical connection equaled 2.56 billion rubles.
- According to the results of the campaign held in 2007 on establishment of tariffs for services on transfer of electric energy for 2008, the average tariff in DGC equaled 62.86 kopecks/kWh (21% growth).

One of the main priorities of the Company's activity is to increase the reliability of work of the distributive network complex, quality of the given services, security and labour safety.

In 2007 more than 1.16 billion rubles were allocated for the scheduled repairs of own and rented DGC power facilities of the Company responsibility zone.

Following the results of work in the DGC configuration, the volume of services (productive supply) equaled 56.394 billion kWh, which in comparison with the year 2006 (54.042 billion kWh) increased by 2.35 billion kWh, or 4.35%.

Calculated losses of electric energy equaled 5.933 billion kWh, or 9.52% from the supply to the network. In comparison with 2006, the decrease in losses of electric energy equaled 305.53 million kWh or 0.83% in relation to the supply of electric power to the network.

In 2007 performance of the primary goals on formation and realization of the program of operational technological management system creation was completed in the distributive grid complex, in whose development IDGC of Centre took an active part.

According to the requirement of the executive documents of RAO UES of Russia and UES FGC, all DGC of IDGC of Centre created DGC Network Management Centres (NMC), the which primary goal of which is control over and optimization of operating modes of the DGC electric power complex, and also improvement of processes at transfer and distribution of electric energy.

On the basis of normative legal certificates of the Russian Federation and federal enforcement authorities, with a view of maintenance of quality of the electric energy delivered to consumers, in 2007 certification of the electric power was supplied from 1,776 feeding center of DGC of IDGC of Centre, which was confirmed by 63 received certificates of conformity.

Within the limits of realization of RAO UES of Russia's policy in the field of occupational safety, the year 2007 was declared in IDGC of Centre as the "Year of Occupational Safety and Health" for the purpose of maximal use of operating time and previous experience in the field of an increase in the level of occupational safety.

Last year the Company worked hard for good safety of technological processes and a due level of labour safety. Expenses for labour safety as a whole in the responsibility zone of IDGC of Centre in 2007, in comparison with the similar period of 2006, grew by 14.5%. Expenses for the purchase of means of individual protection grew by 52%. The total number of victims in accidents in 2007 decreased by 2 times. The fatal traumatism of the third parties, including workers of contract organizations, at facilities of DGC of IDGC of Centre decreased by 37%.

By the beginning of 2008 the system automation project of IDGC of Centre covered all the industrial divisions; the first automated workplaces appeared in the regional electric systems. Therefore, now about 5,700 experts work in various modules of SAP system that equals 22% of the total amount of employees. The purpose of IDGC of Centre in the nearest three years is to move to the level of the leading West-European companies with a developed information structure, such as E. On, RWE, EDF, and Enel. For today IDGC of Centre introduced the functionality of 12 out of 40 SAP modules, the majority of functions on management of the company, and auxiliary functions. The major achievement of 2007 was introduction of SAP IS-U module (regarding formation of production of electric power to consumers – legal entities), and, thus, the system starts to cover the main processes of the Company. All these achievements would not be possible without formation of the technological environment of automation and creation of IT infrastructure. Within the limits of projects on creation of the uniform repository of business processes models for the purpose of an increase in efficiency of activity of IDGC of Centre and DGC, the processes of top level which, in turn, are described with a sufficient degree by detailed elaboration are identified. The description of business processes is the basic step providing success of the project on full reengineering of activity of the company thanks to automation of manufacture, and to transition to such new systems and techniques of management of operational activity as asset management, mobile brigades management, etc. On the day of completion of consolidation of 11 DGC with IDGC of Centre, which took place on 31 March, 2008, all systems of automation were also transferred to operation in a mode of the uniform operational company.

The Company and regional companies corporate governance created in 2005 and formed in 2006 received its further development in 2007. The primary goal of corporate governance of the Company and subordinated DGC in 2007 was planning and maintenance of direct carrying out of corporate actions on reorganization of the Company by consolidation of the subordinated DGC with it. As a whole, in 2007, in 11 DGC 389 DGC corporate events were carried out (including 31 general meeting of shareholders). The IDGC BD meetings considered 106 system items of activity of distributive network complex and provided performance of the perform action plan without a single infringement of the planned terms of key events.

One of the strategic purposes of the Company till 2015 is to increase the investment appeal of IDGC of Centre securities. For achievement of the specified purpose, it is necessary to reach the level of interaction with shareholders and investors comparable to the leading Russian and international corporations. The structure of the system of interaction of IDGC of Centre with the investment community started to be created in 2006 and was finally formed in 2007. The primary goal next year becomes development of the system and an increase in intensity of interaction of the company with the investment community.

In the second quarter of 2008 the conclusion of actions to the organized securities market is planned. It is necessary to note that the analysis of the system of corporate governance in the Company allows one to say that the created system of corporate governance is prepared for successful functioning in conditions of activity of IDGC of Centre as an operational company. At the same time, there will be a necessity of change of some aspects of corporate governance for the Company. With creation of the operational company, the Company plans formation of the collegial executive body - the Management Board - which alongside with the sole executive body of the Company will be responsible for practical realization of the purposes, strategy of development and policy of the Company, as well as for management of current activity. Besides, simultaneously with formation of the operational company under the Board of Directors of the Company, the Audit Committee, and in furtherly the Committee for the Staff and Compensation and Committee for the Strategy are created.

The activity of the Board of Directors and Management of the Company played an important role during performance of actions, and the finishing stage of the Company restructuring.

The significant contribution to discussion and decision-making on the major issues of activity of the Company, the decision on which can infringe on interests of shareholders, was made by independent directors of the Company. The presence in the structure of the Board of Directors of independent directors allowed one to form an objective opinion of the Board of Directors on the issues discussed that finally contributed to strengthening of trust of investors in the Company.

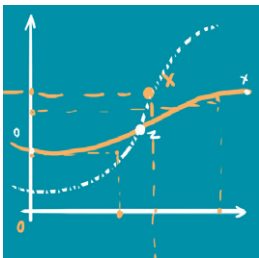
Completion of reorganization of the Company and formation of the uniform operational company of IDGC of Centre took place on 31 March 2008. The year 2008 became the first year of functioning of IDGC of Centre as a uniform operational company, and we are sure that shareholders, investors and clients of the Company will feel improvements in its activity connected with concentration of our efforts on achievement by the Company of the taken strategic purposes. Namely, the purposes are: to increase the investment appeal and value of the Company, effective expansion and control over the market of grid services, reliable and safe functioning of the grid complex of the Company, formation of a highly effective management system and professional, and a competent team which will provide realization of long-term strategy of the Company. The basis of these improvements became the activity of IDGC of Centre as an operating company of DGC in 2006–2007.

Chairman of the Board of Directors of IDGC of Centre
Andrey Alexandrovich Demin

General Director of IDGC of Centre
Eugeny Fedorovich Makarov



TABLE OF CONTENTS



010

COMPANY PROFILE. MISSION. STRATEGY

- 12 HISTORY OF DEVELOPMENT OF THE COMPANY
- 15 IDEOLOGY OF THE COMPANY
- 15 MISSION OF THE COMPANY
- 16 SYSTEM OF VALUES.
VALUES OF IDGC OF CENTRE
- 17 STRATEGY OF DEVELOPMENT OF THE UNIFORM OPERATIONAL COMPANY OF IDGC OF CENTRE

022

RESTRUCTURING. GROWTH AND TRANSFORMATIONS

- 24 CREATION OF IDGC OF CENTRE AS A PUBLIC COMPANY
- 49 MAINTENANCE OF OBSERVANCE OF THE SCHEDULE OF IDGC FORMATION
- 51 REALIZATION BY THE COMPANY OF THE POWERS OF THE SOLE EXECUTIVE BODY
- 52 PROSPECTS, GOALS AND TASKS IN THE PROJECT "GROWTH AND TRANSFORMATIONS" SINCE 2008

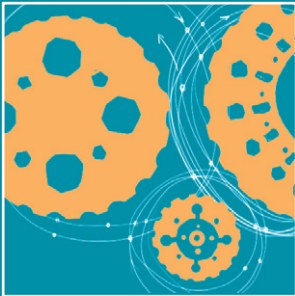
054

FINANCE

- 56 MAINTENANCE OF FAIR MARKET PROFITABILITY OF CAPITAL
- 64 NECESSARY VOLUME OF FINANCING OF INVESTMENTS
- 67 INCREASE OF ECONOMIC EFFICIENCY OF BUSINESS
- 70 DIVIDEND POLICY

072	CLIENTS	
	74	SHARE OF THE MARKET
	78	REALIZATION OF SERVICES ON TRANSFER
	79	ORGANIZATION OF TECHNOLOGICAL CONNECTION
	83	GOALS OF THE “CLIENTS” PROSPECT SINCE 2008
084	MAIN BUSINESS PROCESSES	
	86	INCREASED RELIABILITY AND EFFICIENCY OF THE DISTRBUTIVE GRID COMPLEX
	90	INDUSTRIAL SAFETY LEVEL INCREASE
	97	TO PROVIDE ADVANCING DEVELOPMENT OF THE NETWORK COMPLEX
	127	REDUCE LOSSES
	133	THE PROSPECT CORES “MAIN BUSINESS- PROCESSES” SINCE 2008
134	MANAGEMENT SYSTEM	
	137	TO GENERATE TRANSITION IDGC – DGC TO THE MATRIX CONTROL SYSTEM ON THE GOALS
	142	TO GENERATE THE HI-TECH AUTOMATED CONTROL SYSTEM
	145	TO INTRODUCE THE SYSTEM OF SUPPORT OF ACCEPTANCE OF STRATEGIC SOLUTIONS
	147	GOAL OF THE “MANAGEMENT SYSTEM” PROSPECT SINCE 2008
148	PERSONNEL AND DEVELOPMENT	
	150	MAINTENANCE OF HIGH PERSONNEL POTENTIAL
	156	MAINTENANCE OF THE SOCIALLY-FOCUSED PERSONNEL SELECTION IN THE COMPANY
	158	PROSPECTS AND TASKS IN THE SPHERE OF DEVELOPMENT OF THE PERSONNEL FOR 2008
160	RISK FACTORS	

166	GLOSSARY	
168	APPENDICES	
	168	APPENDIX 1
	180	APPENDIX 2
	199	APPENDIX 3
201	CONTACT INFORMATION	
202	MAP OF THE ANNUAL REPORT	



ZHOES ALFEROV

NOBEL PRIZE IN PHYSICS

In 2000 he together with Jack S. Kilby and Heinrich Kremer was awarded Nobel Prize in Physics for achievements in electronics

“I followed the principle of Sanya Grigoriev, the main character of Two Captains, the book written by Veniamin Kaverin, ‘To struggle and search, find and never give up.’ However, it is very important to understand what you take upon.”

“Physics and Life” by Zh. Alferov



1

COMPANY PROFILE.
MISSION. STRATEGY

1.1 HISTORY OF DEVELOPMENT OF THE COMPANY

“Interregional Distribution Grid Company of Centre”, Joint-Stock Company was founded with a view of efficient control over the distributive grid complex of the Center of Russia on the basis of the order of the Russian open joint-stock company of power and electrification “UES of Russia” of 9.12.2004 No.154 r.

The Company was registered by the Interregional Inspection No. 1 of the Ministry of Taxation of the Russian Federation in the Tver area on 17 December 2004 and from the moment of its creation till the moment of termination of the reporting period was a 100% affiliated company of RAO UES of Russia. The authorized capital of the Company as of 31.12.2007 equaled 10, 000, 000 (ten million) rubles and was divided into 100, 000, 000 (one hundred million) ordinary shares of 10 (ten) kopecks par value each.

Creation of the Company was an integral part of the Concept of Strategy of RAO UES of Russia “5+5” (which was approved by the Decision of the Board of Directors of RAO UES of Russia, Minutes No. 168 of 23.04.2004) which provides interregional integration of the newly created enterprises after division of the power companies by kinds of activity.

The decision of the Management Board of RAO UES of Russia of 3.04.2005 (minutes No.1192pr) approved the configuration of the interregional distribution grid companies – IDGC (further on called IDGC). The originally planned target model of IDGC is a holding.

During the restructuring transition period – from the moment of creation of the interregional grid companies and till the moment of consolidation of subordinated DGC to them –

functions of the first one consist in rendering consulting services to subordinated DGC and performance of functions of the sole executive body to subordinated DGC (management by subordinated DGC). In its turn, the main kinds of DGC activity, the functions of the sole executive body of which were carried out by IDGC of Centre, were services on transfer of electric power and services on technological connection by the regional grid companies of the Company’s responsibility.

By the decision of Management Board of RAO UES of Russia No.1637pr/3 of 23.03.2007, it was recommended to the Board of Directors of RAO UES of Russia to increase the amount of IDGC up to 11 (without taking into account IDGC of the Far East) and to define the target model of IDGC as an operational company.

The principle of territorial interlinking and comparability of costs of a part of interregional distribution grid assets of DGC lays in the basis of IDGC configuration, while international experience is considered. By the same decision of the Management Board of RAO UES of Russia, a new configuration of IDGC of Centre containing 11 DGC was determined:

- JSC Belgorodenergo
- JSC Voronezhenergo
- JSC Kurskenergo
- JSC Orelenergo
- JSC Smolenskenergo
- JSC Yarenergo,
- JSC Bryanskenergo
- JSC Kostromaenergo
- JSC Lipetskenergo
- JSC Tambovenergo
- JSC Tverenergo

and the decision on reorganization of the specified companies – DGC included in configuration of the Company, in the form of consolidation with the latter was also taken.

By the decision of the Board of Directors of RAO UES of Russia No. 250 of 27.04.2007 of the proposal of the Management Board of RAO UES of Russia, the target model of IDGC as operational (industrial) companies was approved, instead of holding companies, and new configurations of IDGC (including the specified configuration of IDGC of Centre) was approved.

The year 2007 for IDGC of Centre and 11 DGC subordinated to the Company became a year of restructuring and formation of a uniform operational interregional company.

¹ The initial name of the Company at its creation – “Interregional Distribution Grid Company of Centre and North Caucasus”, Joint-Stock Company (IDGC of Centre and North Caucasus”. The company name was changed to “Interregional Distribution Grid Company of Centre”, Joint-Stock Company (IDGC of Centre) under the decision of the general shareholders meeting of the Company, the functions of which were carried out by the Management Board of JSC “UES of Russia” at the meeting as of 18.07.2007 (Minutes No.1703pr/1 of 18.07.2007).

The extraordinary general meeting of shareholders of the Company, the functions of which are carried out by the Management Board of RAO UES of Russia which took place on 25.12.2007 (minutes as of 25.12.2007 No.1795pr/3), took the decision on reorganization of IDGC of Centre in the form of consolidation of

- JSC Belgorodenergo
- JSC Voronezhenergo
- JSC Kurskenergo
- JSC Orelenergo
- JSC Smolenskenergo
- JSC Yarenergo
- JSC Bryanskenergo
- JSC Kostromaenergo
- JSC Lipetskenergo
- JSC Tambovenergo
- JSC Tverenergo

with it and approval of the Contract for Consolidation of

- JSC Belgorodenergo
- JSC Voronezhenergo
- JSC Kurskenergo
- JSC Orelenergo
- JSC Smolenskenergo
- JSC Yarenergo
- JSC Bryanskenergo
- JSC Kostromaenergo
- JSC Lipetskenergo
- JSC Tambovenergo
- JSC Tverenergo

with IDGC of Centre.

The same extraordinary general meeting of shareholders of IDGC of Centre took the decision to increase the authorized capital of the Company by placement of additional ordinary shares in the amount of 42, 118, 200, 000 (forty two billion one hundred and eighteen million two hundred thousand) pieces of ordinary registered shares at the 10 (ten) kopecks par value each. At the moment of preparation of the present Annual report of the Company in 2008 there were major events in the history of development of the Company which will be next specified. Thus, in January 2008, the general meeting of shareholders of

- JSC Belgorodenergo
- JSC Voronezhenergo
- JSC Kurskenergo
- JSC Orelenergo
- JSC Smolenskenergo
- JSC Yarenergo
- JSC Bryanskenergo
- JSC Kostromaenergo
- JSC Lipetskenergo
- JSC Tambovenergo
- JSC Tverenergo

made decisions on reorganization of the specified companies in the form of consolidation with IDGC of Centre, and the shareholders also approved the contract for connection and transfer certificates.

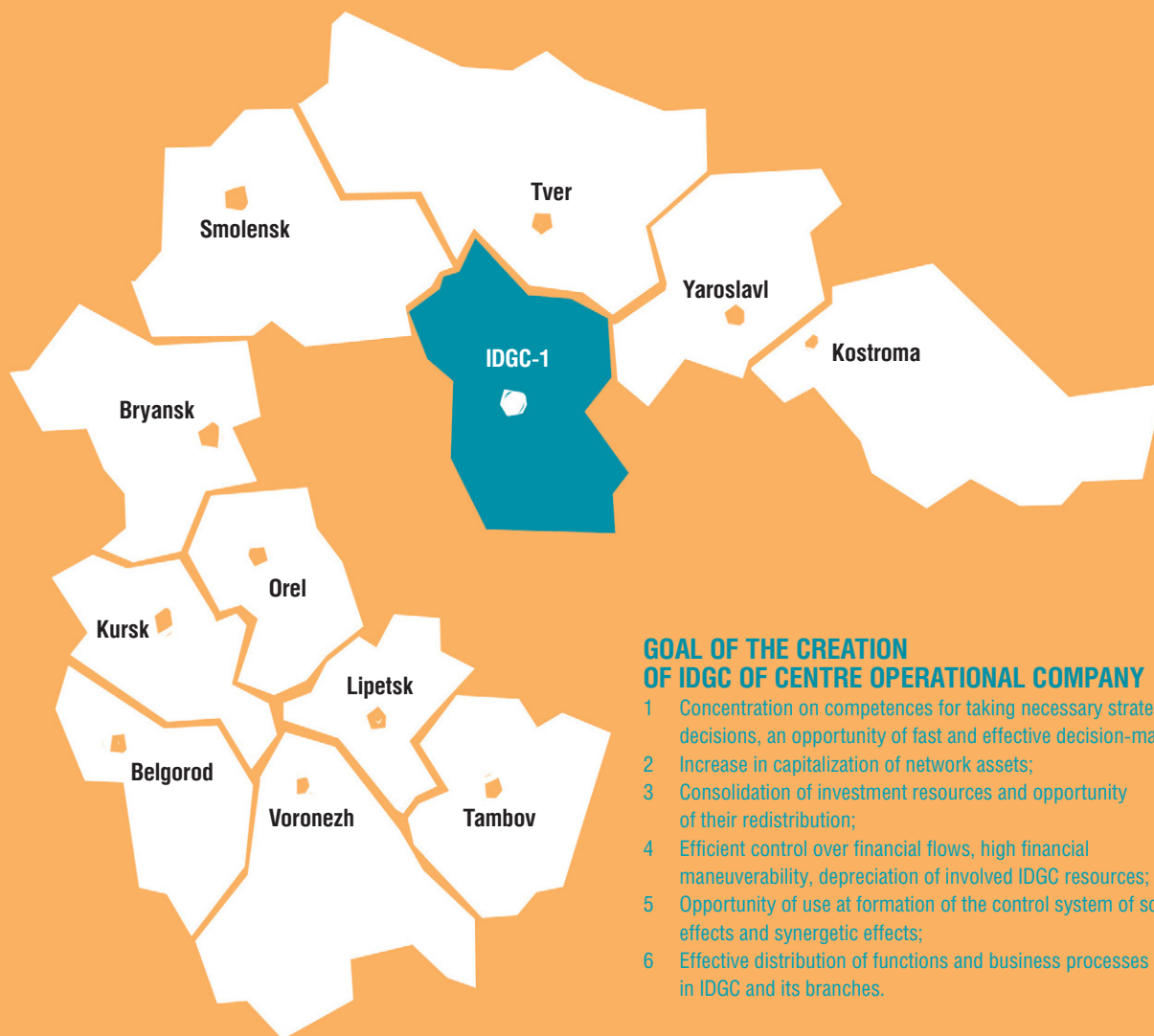
On 31 March 2008 reorganization was completed, and the corresponding records were made in the Uniform State Register of Legal Entities about the termination of activity of 11 regional grid companies in connection with consolidation with IDGC of Centre.

Thus, a new page of the history of IDGC of Centre as a unified operational company was turned.

Table 1-1	
KEY DATA OF THE COMPANY	
Capitalization (as of 31 December 2007)	55.5 billion rubles 2.26 billion USD
Amount of shareholders (as of 31 March 2008)	> 18, 000 people
Proceeds (in 2007)	32.3 billion rubles
Net profit (in 2007)	1.9 billion rubles
Cost of net assets (as of 31 December 2007)	38 billion rubles
Productive supply (for 2007)	56, 398 million rubles
Length of lines as of 31 March 2007)	377, 540 km
Capacity of substations (as of 31 March 2007)	35–110 kV 30, 366 mVA 6–10 kV 14, 226 mVA
Amount of personnel (as of 31 March 2008)	25, 000 people

Diagram 1-1

GEOGRAPHY OF IDGC OF CENTRE



1.2 IDEOLOGY OF THE COMPANY

The main advantage of the Company is its ideology. A high level of business culture and strong ideology are the basis for our development. We understand the system of principles and norms of behaviour of the Company as ideology, and also our employees at realization of the activity.

Over recent years the Company's ideology has undergone significant changes: from the ideology of the monopolist on the stagnating market to the ideology of a Company which is focused on clients' needs, and technology of granting services of which should to be on the level of the best world experts.

The basis of our ideology is our main idea – leadership in the sectors. To be the leader does not mean to be the largest company. It means to be the best company providing valuable services to consumers, quality servicing, having potential of its employees, a strong level of organization and efficiency of business processes, and constant and predictable growth.

1.3 MISSION OF THE COMPANY

WE ARE A MANY – THOUSAND TEAM OF PROFESSIONALS UNITED BY AN OVERALL AIM – TO BRING ENERGY OF LIGHT TO EACH CLIENT.

USING THE ADVANCED KNOWLEDGE AND EXPERIENCE IN MANAGEMENT BY THE GRID COMPLEX, WE CARE ABOUT THE QUALITY OF HUMAN LIFE, THE FAMILY AND COMPANY. APPLYING INNOVATIONS, WE RENDER OUR SERVICES TO BE OF HIGH QUALITY AND MORE ACCESSIBLE.

WE BEAR RESPONSIBILITY FOR RELIABLE TRANSFER OF ELECTRIC POWER TO EACH CLIENT AND RECEPTION OF STABLE INCOMES BY OUR SHAREHOLDERS.

THE MAIN VALUE FOR US IS PEOPLE, BOTH WORKING FOR THE COMPANY, AND THOSE WE WORK FOR.

1.4 SYSTEM OF VALUES. VALUES OF IDGC OF CENTRE

WE CARE FOR THE SUCCESS OF OUR CLIENTS, EMPLOYEES AND SHAREHOLDERS.

Thinking of the success of our partners, we aspire to forward development of business, to quantitative and qualitative growth of the client base, development of technologies, and a new quality of service.

The trust and well-being of our clients is the basis of the existence and development of business. The trust and well-being of our partners is the base to achievement the objectives jointly set forth. The mutual trust of our employees is a recipe for our teams' successful work.

We understand that the success of the company depends on the success of the people working for the Company and with the Company.

WE CAREFULLY TREAT THE IDEAS AND TALENTS OF EMPLOYEES, AND WE ENABLE EVERYONE TO TELL AND BE HEARD.

We are for encouragement of individual success, recognition of achievements and their worthy compensation, for creation of an atmosphere in which initiative and reasonable risk are welcomed.

OUR FRIEND AND TEACHER IS A PERSON WHO DIRECTLY SPEAKS ABOUT OUR LACKS.

Any team necessarily faces the challenge of conflict. And it is not important whether it appears at the stage of formation of the team or during the process of work – professional conflicts are natural and an integral part of activity. The main thing is to understand the situation in which it is possible to make a step towards each other, to be constructive, to develop within this problem, and to set new norms of mutual relations.

Criticizing for the sake of criticizing must never be done. But fair, constructive criticizing dictated by the interests of a common business is simply necessary. So that the criticism became an impulse to positive transformations, first of all it is necessary to hear, comprehend and take rational aspects.

CONSTANT DEVELOPMENT AND SELF-IMPROVEMENT OF THE EMPLOYEE IS THE BASIS OF THIS EMPLOYEE'S SUCCESS AND THE PROSPERITY OF THE COMPANY.

Our talented employees are people who work as a team, showing initiative, generating ideas and realizing them. They learn from experience of others and share their experience.

In order to use employees' skills fully we create all opportunities for their development and self-improvement to provide conformity of the competences of the personnel with technical, technological and organizational changes. Training and self-improvement is obligatory to move forward. Each of us is in a constant search of ways of improvement of activity.

APPLICATION OF HIGH TECHNOLOGIES IN OUR WORK IS THE BASIS OF OUR LEADERSHIP.

Our leadership is based on excellent professionalism and social responsibility of successful business. The company applies innovations to achievement of continuous development in all fields of activity: from technologies of production up to tools of modern management.

Our principle is to work better than the market and to achieve the best result for our partners.

WE ARE BENEVOLENT, FAIR AND OPEN IN RELATIONS WITH EACH OTHER.

Teamwork is a basic principle of development of our Company, which in many respects defines success in achievement of the purpose. Achievement of our overall objectives demands that we solve a whole complex of professional problems and develop team decisions. Each employee makes a contribution to the total result of the team and bears responsibility for its result. The team is responsible before each participant for granting all conditions for work and professional development.

Only a fair and valid attitude, and an atmosphere of trust and respect creates a successful company of people holding the same view.

SOCIAL RESPONSIBILITY IS THE MAIN PRINCIPLE OF OUR ACTIVITY.

We understand corporate social responsibility as the achievement of commercial success by ways which appreciate ethical principles and respect people, society and the environment.

We refuse to use an ideology of corporate egoism. The problems of any large enterprise have a serious impact on the economy of the city or of a whole region. Therefore our success and stability is a main social responsibility of the company. We put emphasis on effective business, and improvement and development of the economy of the regions.

We are not limited to guarantees of conducting fair business, on-time payment of taxes, payment of wages, and granting new workplaces, but also provide employees with adequate conditions for both work and life. We aspire to form a favorable social environment in the long-term prospect, and, as a consequence, conditions for further development.

1.5 STRATEGY OF DEVELOPMENT OF THE UNIFORM OPERATIONAL COMPANY OF IDGC OF CENTRE

From the moment of its creation, the Company has always paid and pays much attention to issues of formation and actualization of the development strategy of IDGC of Centre.

Strategic vision. To reach leadership among IDGCs and other power companies in Russia and abroad.

The formed competitive environment in the distributive grid business led to the main priority direction of development of IDGC of Centre – preservation and consolidation of positions in key fields of activity.

Having solved for the first years of the Company activity the tasks of formation of an effective mechanism of direct operative management of regional network companies, having provided steady positive dynamics of the basic financial, economic and technological indicators, IDGC of Centre, on the one hand, obtained the opportunity to set high strategic development goals, and on the other hand faced the necessity of meeting the challenges of the formed market.

The main strategic purpose is transformation of IDGC of Centre into one of the leaders of the branch, and for the Company to move to the level of technological development of the developed countries. By 2015 IDGC of Centre should become one of the largest, most liquid, and reliable companies of the sector, with stable parameters of incomes received and dividends paid.

The system decision of the given strategic purpose consists in transition from inertial development of the sector on the basis of the accumulated potential of the last years promoting decision of “catching-up” tasks, to an innovative type of development which will allow the Company to make technological

advances and to conform to the modern level of development of the world power sector.

This approach demands achieving goals in three directions: maintenance of power safety, efficiency and investment appeal. The strategic development priorities set forth are directed at satisfying interests of three groups of interested parties:

- The Company and the dynamically developing economy of regions require reliable, high-quality and accessible provision of energy. The task of warranting power safety is the major one;
- In order to solve this task, it is necessary to provide the corresponding level of reliability of grid actives, both on the technical status, and conformity with the advanced world technologies, and, hence, to realize large-scale investment programs. Both portfolio and strategic investors, and speculative holders of financial assets are interested in effective investment policy;

- The third task, without which solving the above stated directions is impossible, is efficiency of business and the active position of the Company in the financial market. Shareholders of the company and potential investors are interested in the growth of capitalization of the Company and stable dividend payments.
- The above-named strategic priorities of RGCs' development are reflected in the "Strategy for development of the distribution grid complex of RAO UES of Russia" presented by UES FGC.

MISSION AND STRATEGIC GOALS OF THE DISTRIBUTION GRID COMPLEX

IDGC's mission is to provide long-term power safety for consumption in the regions of the Russian Federation on the stage of distribution of electric power, due to organization of the most effective infrastructure meeting world standards of quality.

Table 1-2

MISSION AND STRATEGIC GOALS OF THE DISTRIBUTION GRID COMPLEX

Power safety goals	Efficiency goals	Long-term investment attraction goals
<p>By 2015 to decrease deterioration of grids to the level of developed companies: 40-50%</p> <p>By 2015 to create the reserve of power capacities with 3-5 years advance</p> <p>By 2010 to put into effect economic liability of DGC for execution of guaranteeing standards of reliability and quality of servicing of consumers</p>	<p>By 2015 to increase DGCs' operational efficiency indices up to the level of DGCs of developed countries through economic stimulation</p> <p>By 2015 to increase the share of long-term borrowed funds up to 50% of the capital engaged in DGCs</p> <p>By 2010 to make DGCs stably profitable on the level of RF-companies with comparable market risks</p>	<p>By 2015 to attract \$55 billion (in process of the year 2006) for execution of targets for efficiency and power safety</p> <p>By 2015 to achieve a market value of DGCs' capital on the level of DGCs of countries with comparable economic development</p> <p>By 2010 to increase capitalization of DGCs up to the level of DGCs of the countries with comparable economic development</p>

Priorities of power safety, efficiency and investment appeal make the basis of the strategy of development of IDGC of Centre for 2008-2015.

Table 1-3				
LONG-TERM STRATEGIC GOALS OF IDGC OF CENTRE				
Strategic purposes, key performance indicators	2007	2008	2009	Target for the year 2015
Deterioration as of the end of the year, %	68	66,7	65,4	50
Creation of a reserve of the electric capacities on the centers of feed deficiency, MVA	-361.9	-301.5	52.2	510
The System indicator of reliability of electricity supply of consumers (% of undersupply from the productive supply)	0.00953	0.00859	0.00765	0.002
The System indicator of duration of breaks of electricity supplies to consumers (Hour/1 switching-off.)	5.93	5.44	4.95	2.00
Losses of electric power, %	9.8	9.7	9.5	9.0
Profitability of sales, %	4.6	10.4	11.1	12.2
Share of the long-term borrowed capital from the capital involved in DGCs, %	8.1	9.8	10.7	50
ROE, %	4.37	6.48	8.1	9.02
Attraction of borrowed means (under the program for a decrease in deterioration of FA up to 50%), billion rubles	2.2	4.4	6.2	49.4
Net assets, billion rubles	38.57	43.97	51.06	101.6

The most challenging problem in realization of these statements is exclusion of the conflict of interests – efficiency against reliability.

Efficiency of the distribution electric network complex (DENC) is an indicator expressed in the form of the parity between the useful effect of DENC functioning and resources expenditure. This is the complex category defined by the technical status of DENC enterprises, throughput capacity, and rationality of the use of resources.

Power safety (reliability) is meant to secure the regions in the responsibility zone, their citizens, and economy from threats to reliable power supplies. These threats are defined by external factors (geopolitical, macroeconomic, and tactical) and as the status and functioning of the power sector of the region.

MATRIX CONTROL SYSTEM IN IDGC OF CENTRE

With a view of effective realization of strategy and optimum use of the Company's resources for achievement of the strategic purposes, we use the matrix control system, which represents a combination of functional communications of management with business processes and project management.

The matrix control system of the Company is based on the methodology of target management. Within the limits of establishment of the Company strategic priorities, goals under six "prospects" have been developed:

2007	2008
Finances	"Growth and transformations"
Restructuring	"Restructuring"
Clients	"Clients"
Main business processes	"Main business processes"
Management System	"Management System"
Personnel	"Personnel"

The necessity to change the structure of prospects since 2008 is caused by completion of the IDGC and DGC restructuring process and the necessity of actualization of the development strategy and strategic purposes of the Company in conditions of transition to an essentially new level of management by the distributive networks providing reliability of functioning and efficiency of the grid complex.

The Target Management Subsystem (TMS) corresponds to each of the prospects. Within the limits of each TMS, the governance body of each TMS – the Committee – is created. Committees develop key decisions on coordination of activity and resource maintenance of projects and business processes occurring in each TMS.

The estimation of the degree of achievement of the main strategic purpose of the Company is carried out through the summary integrated parameters; the system of particular indicators from various subsystems of management of the company is applied at their calculation.

THE STRATEGIC PURPOSES OF THE COMPANY FOR 2007

The Company's Strategy for 2007 was defined as consisting in the necessity of formation of a uniform operational company and preparation of a good base for its further development. Within the limits of the established strategic priorities, the main goal and the goals of the top level for 2007 on six "prospects" were set:

To generate the uniform operational IDGC with high potential of growth of capitalization:

- 1 "Finance" To raise the value of the company's business
- 2 "Restructuring" To generate the public operational company
- 3 "Clients" To realize client-focused approach in activity of the uniform operational company
- 4 "Main business processes" To provide efficiency of the main business on the level of the best world experience
- 5 "Management system" To generate the integrated hi-tech control system of the uniform operational company
- 6 "Personnel and development" To generate a complex control system of the personnel of the uniform operational company

THE STRATEGIC PURPOSES OF THE COMPANY FROM 2008 TO 2015

The Company's strategy since 2008 is directed to scale attraction of investments for the purpose of a decrease in deterioration of the grid equipment to the level of developed countries (40-50%) and creation of a reserve of electric capacities in the volume advancing development of the economy for 3-5 years. Main elements of the Strategy are transition to long-term tariff regulation with the inclusion in the tariff of the expenses for the capital involved, and also introduction of an economic stimulus for a decrease in operational costs of the network companies, increasing reliability, and quality of service. For maintenance of the balance of interests of the interested parties, elimination of the revealed risks and achievement of designated target reference points, IDGC of Centre sets forth the following main goals and goals of the top level:

To reach leadership among IDGC and other power companies in Russia and abroad

- 1 **"Growth and transformations"** To raise investment appeal of the company
- 2 **"Finance"** To raise the company's value
- 3 **"Clients"** Effectively to expand and supervise the market of grid services
- 4 **"Main business processes"** To provide effective functioning and development of the grid complex guaranteeing performance of the main reliability and safety indicators
- 5 **"Control system"** To generate a highly-effective control system
- 6 **"Personnel"** To generate a highly-skilled professional team providing achievement of the corporate goals

The target model of IDGC of Centre based on technology of the Balanced ScoreCard starting from 2008 focuses on six aspects of Company activity.

First, such an aspect as Growth and Transformations directed at management by external communications of the company with stakeholders and adaptation of the company to conditions of the changing environment (innovation, transformation, research and development directed at formation of a long-term competitive advantage). The main indicator, both of this work

and all activity of the Company, is the independent estimation of its proprietors – Capitalization. Aiming at long-term forecasting and development of key indicators of success and ability to react operatively to disturbances of the environment transform the model of IDGC of Centre from the simple method of structurization of purposes into a way of making the way in the future.

The following aspect is the financial one, which is directed at realization of cost-focused management (increase in the efficiency of the business and internal (fundamental) costs).

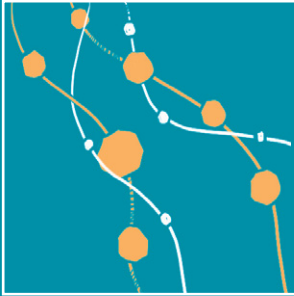
Then it is the consumer aspect, which covers all issues concerning growth of the commodity market and improvement of servicing in the company.

The fourth aspect is the process (the main business processes owing to which the Company can realize activity and achieve an increase in its efficiency).

The fifth one is an aspect of improvement of the control system (administrative technologies, infrastructure, and aspects of automation).

The sixth one, the most important, is the aspect of the human capital which is considered not simply as one of the key resources but as a basis of life-support of the company.

The structure of the present Annual Report of the Company was generated according to the above-stated strategic purposes of the Company on the named prospects in 2007, with presentation of plans for 2008-20015, and description of the purposes of the top level, data on achievement of objects in view, and indicators of separate subsystems of management in the next sections of the Annual Report.



IVAN PAVLOV

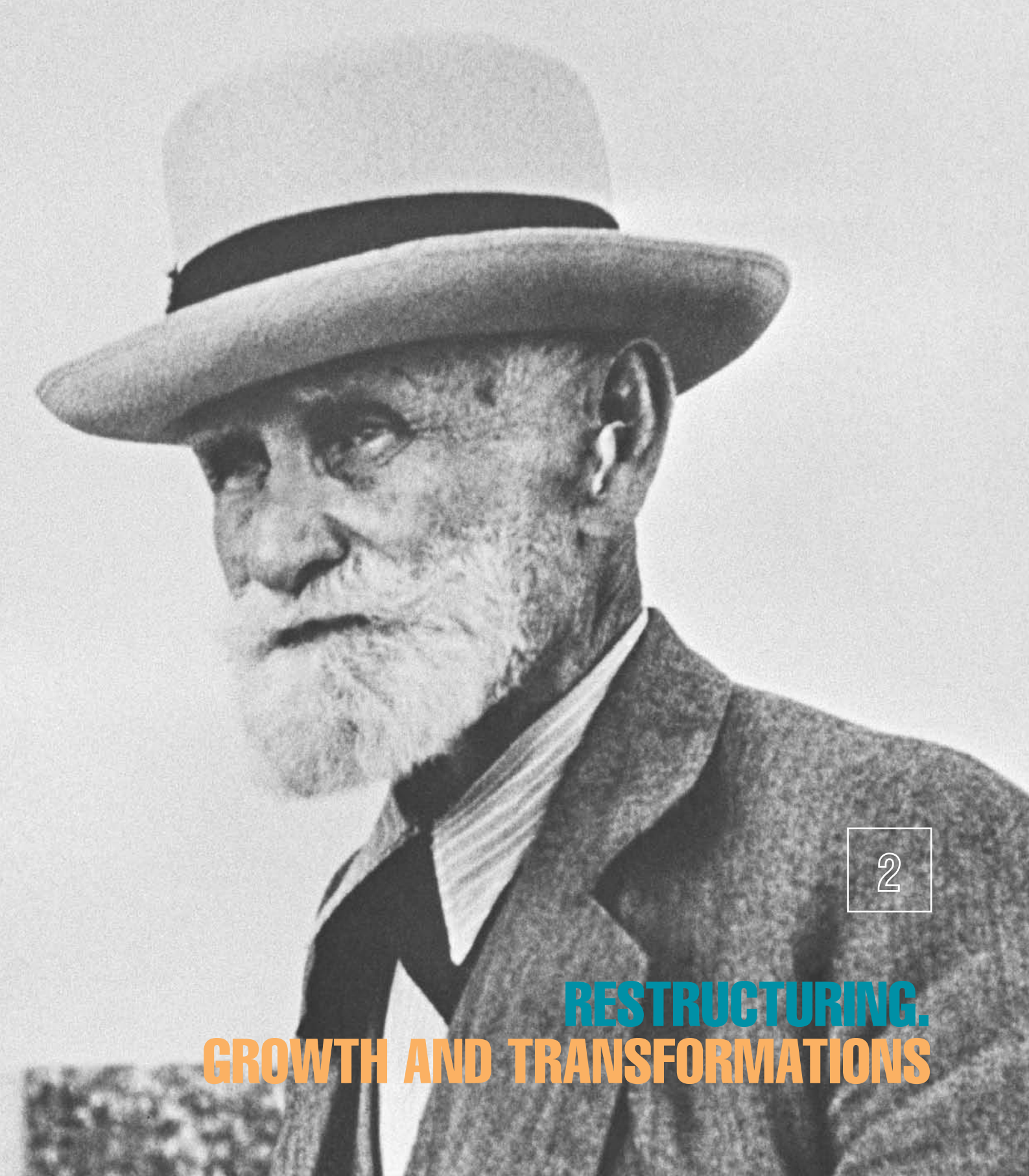
NOBEL PRIZE IN PHYSIOLOGY AND MEDICINE

In 1904 he was awarded Nobel Prize in Physiology and Medicine for his work in digestion physiology which helped to form a clearer understanding of important aspects in this area

“The goals reflex is the main form of vital energy in each of us. The life is wonderful only for those who all their life strive for a constantly reachable and never achievable goal... The whole life, its all improvements, and its all culture are created by people striving for the goal set by themselves”

Quotation from <http://cpsy.ru/cit1202.htm>





2

RESTRUCTURING. **GROWTH AND TRANSFORMATIONS**

In 2007 the main goal of the “Reforming” prospect was formation of a public operational company. For achievement by the Company of the given goal, the “Restructuring” target management subsystem set for itself the following sub goals:

- 1 To create IDGC – the public company;
- 2 To provide observance of the IDGC formation action plan;
- 3 To provide functioning of the sole executive body.

A public company is one which grows due to attraction of financial assets of an unlimited circle of investors.

The management of such a company pays essential attention to issues of protection of interests of shareholders and investors of the company.

The company should show positive dynamics in its financial and industrial activity indicators. Securities of the public company should circulate on the exchange securities market, and the company should possess a liquid securities market. Corporate governance, including effective disclosing of information, in such a company should be on a high level and meet the advanced tendencies in the given area.

Achievement of the top goal will take several years; therefore, every year the Company’s management establishes control indicators, the achievement of which approaches full performance of this long-term objective. When updating the strategy of the Company in 2008, the name of the given purpose changed to “To increase the investment appeal of the Company” and 3 sub goals appeared, specifying the overall objective of the center of process management “Growth and transformations”:

- to develop the securities market of the Company;
- to provide effective interaction with stakeholders;
- to raise business transparency.

2.1 CREATION OF IDGC OF CENTRE AS A PUBLIC COMPANY

Within the limits of realization of the purpose of creation of IDGC of Centre as a public company, the Company worked in the following directions, and the following results were achieved:

- the beginning of creation of a system of interaction with shareholders and investors meeting world standards;
- the rating of corporate governance of IDGC rose;
- capitalization of DGCs rose;
- the beginning of introduction of an information policy corresponding to the best domestic practices and world standards.

2.1.1 CREATION OF A SYSTEM OF INTERACTION WITH SHAREHOLDERS AND INVESTORS

Understanding that after DGC consolidation, more than 18 000 shareholders will become proprietors of the Company, the company management determined creation of a modern system of interaction with shareholders and investors as one of the strategic purposes of the Company.

The primary goal of this system is formation of interactive information interchange between the Company and the investment community. On the one hand, shareholders, for acceptance of the weighed and duly decisions on possession and disposition of shares, receive full and trustworthy information about the Company’s activity; on the other hand, IDGC of Centre’s management is informed on the reaction of the investment community to make decisions and meet expectations of shareholders and investors concerning the policy held by the Company and its activity.

As the basic purpose of the Company in 2007 was formation of a uniform operational Company, the system of interaction with investment community – the subject that will take thorough working-out – was tested during the coordination with minority shareholders of DGC consolidation with IDGC of Centre.

A vibrant, hand-drawn illustration of a Nobel Prize medal in the foreground, featuring a profile of Alfred Nobel. The background is a dense, chaotic collage of mathematical symbols, formulas, and diagrams in various colors, including red, blue, green, and yellow, set against a black background.

A vibrant, hand-drawn illustration of a Nobel Prize medal in the foreground, featuring a profile of Alfred Nobel. The background is a dense, chaotic collage of mathematical symbols, formulas, and diagrams in various colors, including red, blue, green, and yellow, set against a black background.

2.1.2 INCREASE OF IDGC CORPORATE GOVERNANCE SCORING

In 2007 the Consortium of the Russian Institute of Directors and “Expert RA” rating agency – “RID- Expert RA” – appropriated IDGC of Centre a rating of corporate governance NCGS 6 +: “Developed practice of corporate governance” under the scale of the National Corporate Governance Scoring.

From the moment of assignment of the National rating of corporate governance in the end of 2006, the practice of the Company’s corporate governance has undergone a number of changes that formed the basis for revision and increase of the rating of corporate governance up to the NCGS 6 + level (The certificate of assignment of the corporate governance rating is presented in Appendix 3).

The given class of the rating estimation testifies that the practice of corporate governance of IDGC of Centre is estimated positively. Its level as a whole exceeds the average one on the given rating class. The company possesses appreciable potential for its increase in the near future.

The rating is appropriated to 152 Russian companies and is based on estimation of practice of corporate governance under 4 components: the rights of shareholders, activity of governance and control bodies; disclosing the information, observance of interests of other interested groups and corporate social responsibility.

It is necessary to pay attention to the held reassessment of the level of corporate governance of the regional grid companies subordinated to the Company as well. The result is reception of the rating of corporate governance of the Consortium of the Russian institute of directors and “Expert RA” rating agency – “RID- Expert RA” according to the new scale and for DGCs included in the zone of its responsibility. Reports of corporate governance practices of IDGC of Centre and its DGCs are available on the Company’s website: <http://www.mrsk-1.ru/about/administration/corporative/rating/>.

The corporate governance of IDGC of Centre represents a set of the processes providing management of and control over the Company’s activity and including the system of mutual relations between the Company and its shareholders concern-

ing maintenance of efficiency of activity of the Company and protection of the rights and legitimate interests of shareholders and investors.

The main purpose of corporate governance is maintenance of successful development of the Company while observing a balance of interests between shareholders, investors and the Company management.

According to the main purpose, the tasks of corporate governance are:

- maintenance of guarantees of the rights of shareholders to the shares belonging to them;
- maintenance of the balance of responsibility between interested people in the Company’s activity;
- supervision of and control over actions of administrative personnel on the part of shareholders;
- increase of investment appeal and the joint-stock value of the Company;
- maintenance of maximal information transparency and openness of the Company.

The Company develops corporate relations, including solving tasks of corporate governance in conformity with the following basic **principles** underlying formation, functioning and perfection of the system of corporate governance of the Company:

- validity;
- openness;
- accountability of the Company governance bodies to shareholders;
- controllability of financial and economic activity;
- observance of third party rights.

Sources of corporate governance of the Company are the statutory acts of the Russian Federation regulating issues of corporate governance, and internal documents of the Company.

The statutory acts of the Russian Federation are available on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/normative/>. Internal documents, including the Charter, Regulations about governance bodies and their compensation, of the Company are available on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>.

For the purpose of protection of the rights and interests of shareholders and investors of the Company, and the possibility of shareholders to participate in management of the Company and examine the information on activity of the Company, IDGC of Centre aspires to follow provisions of the Code of Corporate Conduct recommended for application by Order No. 421/r of the Federal Commission for the Securities Market as of 4.04.2002 “On recommendation for application of the Code of Corporate Conduct” and the Code of Corporate Governance of IDGC of Centre developed on its basis.

Observance of the Code of Corporate Conduct of the Federal Commission for the Securities Market and the Code of Corporate Governance of the Company contributes to increasing the efficiency of activity of the Company, including an increase in the value of the Company’s assets, creation of workplaces and maintenance of financial stability and profitability of the Company.

For the purpose of control over observance by the Company of norms of the Code of Corporate Governance, the General Director on a regular basis (following the results of a half of the year and a year) submits for approval to the Board of Directors of the Company the Report on Compliance by the Company with the Code of Corporate Governance.

After its approval, this Report is placed on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>.

The code of corporate governance of the Company is in constant easy access on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>.

Data on observance by the Company of the Code of Corporate Governance (approved by the Board of Directors on 18.10.2006, Minutes No. 09/06) are given in Appendix 1 to the Annual Report.

STRUCTURE OF CORPORATE GOVERNANCE AS OF 31 DECEMBER 2007

The supreme governing body of the Company is the General Shareholders Meeting. As of 31.12.2007, the unique shareholder of IDGC of Centre was RAO UES of Russia.

During possession by RAO UES of Russia of 100 percent of voting shares of the Company, the decision of the issues concerning the competence of the general meeting of shareholders of the Company were accepted by the Management Board of RAO UES of Russia and were brought to the notice of the Company in accordance with the procedure established by the internal documents of RAO UES of Russia regulating activity of the Management Board of RAO UES of Russia (internal documents of RAO UES of Russia are placed on the website of the named company at: <http://www.rao-ees.elektra.ru/ru/info/docs/show.cgi?content.htm>). At the same time, it is necessary to note that during preparation for realization of activity of the uniform operational company, the general meeting of shareholders of the Company of 28 February 2008 approved internal documents in view of norms necessary for high-grade functioning of the uniform operational company (the detailed information on this item of the Annual Report called “Prospect, goal, tasks in the prospects ‘Growth and transformations’”).

The main powers on management of the Company are transferred by shareholders **to the Board of Directors**. Overall **objectives and tasks** of activity of the Board of Directors of the Company are:

- definition of the strategy of development of the Company, its market capitalization directed to increase investment appeal, achievement of the maximal profit and an increase in assets of the Company;
- maintenance of realization and protection of the rights of shareholders of the Company, and also assistance in settlement of corporate conflicts;
- maintenance of completeness, reliability and objectivity of disclosing the information on the Company for shareholders and other interested persons;
- creation of effective internal control mechanisms;
- regular estimation of activity of executive bodies of the Company and work of the management.

The competence of the Board of Directors, issues of organization of its activity in 2007 were settled by the Charter of the Company and Regulations about the procedure of convocation and carrying out the meeting of the Board of Directors of the “Interregional Distribution Grid Company of Centre”, Joint-Stock company (the specified documents are available on the website of the Company in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>).

The Board of Directors can create committees for preliminary consideration of the most important items concerning its competence. As of 31.12.2007 the Company Reliability Committee was created by the decision of the Board of Directors of the Company as of 17.01.2006 (Minutes No. 001/06) and acting the basis of the Board of Directors of the Regulations as the approved by the same decision of the Reliability Committee under the Board of Directors of IDGC of Centre.

The document is available on the website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>.

The Board of Directors, with a view of maintenance of the operative management by the Company, elects a **General Director**. The General Director is accountable to the Board of Directors of the Company, carries out activity in strict conformity with the decisions made by the Board of Directors of the Company, and regularly reports to the Board of Directors about this activity.

Issues of current activity management by the Company fall within the competence of the General Director of the Company, except for issues referred to the competence of the general meeting of shareholders, Board of Directors of the Company.

The main body controlling financial and economic activity of the Company is **the Audit Committee**, which is a constantly operating body of internal control of the Company. The Regulations for the Audit Committee of the Company which was in effect in 2007 is available on the Company's website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>.

STRUCTURE OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE

For the reporting 2007 year, the management of the Company was carried out under supervision of the third and fourth calling together of the Board of Directors of IDGC of Centre.

The 3rd structure of the Company Board of Directors was elected on 24 June 2006 at the Annual General Shareholders Meeting by the decision of the unique Shareholder in the following structure:

- **Andrey Natanovich Rappoport** – member of the Management Board of JSC RAO UES of Russia, Managing Director of JSC RAO UES of Russia (Network Business unit);
- **Aleksandr Markovich Branis** – Director of Prosperity Capital Management Ltd;
- **Dmitry Aleksandrovich Burnashev** – Chief of the Department for Business Planning of the Corporate Centre of JSC RAO UES of Russia;
- **Andrey Aleksandrovich Dyomin** – Head of the Control Centre of the interregional distributive network complexes of JSC UES FGC;
- **Vasily Aleksandrovich Zubakin** – member of the Management Board of JSC RAO UES of Russia, Chief of the Department for Maintenance of Processes of Reforming of the Reform Control Center;
- **Vyacheslav Mihailovich Kravchenko** – Director of the Department of Minpromenergo of Russia;
- **Evgeniy Fyodorovich Makarov** – General Director of IDGC of Centre and North Caucasus;
- **Aleksandr Evgenievich Nikulov** – General Director of JSC Promregion Holding;
- **Aleksandr Nikolaevich Chistyakov** – First Deputy Chairman of the Management Board of JSC UES FGC.

The Company's 4th Board of Directors was elected on 29 June 2007 at the Annual General Meeting of Shareholders by the decision of the unique Shareholder.

The Board of Directors of the Company includes representatives of RAO UES of Russia, UES FGC, the General Director of IDGC of Centre, and representatives of the system minority shareholders of DGCs subordinated to the Company.

The given structure of the Board of Directors is independent enough from the management of the Company to take objective and independent judgments concerning the current operations of the Company and is capable of estimating the current work of the management critically.

For 2007, the Board of Directors of the Company held 11 meetings, where it considered more than 80 items.

The agenda of the meetings of the Board of Directors included issues of industrial and financial activity of the Company, reporting of management of the Company to the Board of Directors in various directions of activity on a regular basis and considered: issues of reliability and development of a grid complex, business planning and investments, insurance and purchasing policy, performance of decisions of the general meeting of shareholders and the Board of Directors of the Company.

One of the main priority directions of activity of the Company in 2007 defined by the Board of Directors of the Company at the meeting as of 16.07.2007 is reorganization of the Company in the form of consolidation of

- | | |
|----------------------|----------------------|
| • JSC Belgorodenergo | • JSC Bryanskenergo |
| • JSC Voronezhenergo | • JSC Kostromaenergo |
| • JSC Kurskenergo | • JSC Lipetskenergo |
| • JSC Orelenergo | • JSC Tambovenergo |
| • JSC Smolenskenergo | • JSC Tverenergo |
| • JSC Yarenergo | |

Within the limits of performance of the actions directed to maintenance of performance of actions of this reorganization, the Board of Directors of the Company at the same meeting approved the Action Plan that is the schedule of actions on reorganization of the Company in the form of consolidation of subordinated DGCs with it, and also instructed General Director of the Company to generate the work group on the Company restructuring.

Within the limits of actions on reorganization of the Company by decision No. 250 of the Board of Directors of RAO UES of Russia of 27.04.2007, the name of IDGC of Centre and North Caucasus was changed to IDGC of Centre.

According to the above-stated, there was a necessity to make changes in the Company emblem and to approve a new emblem of the Company at the meeting of the Board of Directors on 17.08.2007, within the limits of consideration of the issue "Priority direction of activity of the Company".

Besides the direction of activity of the Company concerning its restructuring, the Board of Directors of the Company at the meeting on 6 November 2007 within the limits of consideration of the item on definition of priority directions of activity of the Company approved the Substantive provisions of technical policy of the Company in the field of information technologies and charged the General Director of the Company to provide bringing the infrastructure of information means of the Company with requirements of these Substantive Provisions.

And, at last, on 03.12.2007 the Board of Directors of the Company took a decision to consider the organization and maintenance of development of the direction "Relay protection and automatics" in IDGC of Centre as a priority direction of activity of the Company. Within the limits of consideration of the given item, the decision on connection to the standard of the organization of RAO UES of Russia "Relay protection and automatics, anti-fault automatics. Organization of interaction of services of relay protection and automatics in UES of Russia".

The full version of the most important decisions taken by the Board of Directors in 2007 was placed on the Company's website in the Internet at: <http://www.mrsk-1.ru/stockholder/session/sovet/2007/>>.

THE BOARD OF DIRECTORS OF IDGC OF CENTRE





ANDREY ALEKSANDROVICH DEMIN (CHAIRMAN OF THE BOARD OF DIRECTORS)

Year of birth **1974**
Citizenship **RF**
Education **Higher**

1996 Zaporozhye State University
Department: Applied Mathematics

1999 Zaporozhye Institute of Economy of Information
Technologies
Department: Economics

Principle occupation Deputy Chairman of Board of UES FGC

Positions occupied in the Company and other organizations for the past 5 years

03.2001 – 07.2002 – Chairman of the Management Board of JSC Poltavaoblenergo

08.2004 – 09.2004 – Chief Expert of the Corporate Center of the Department for Business Planning of JSC RAO UES of Russia

03.2005 – 09.2005 – Head of the Department for Management of JSC UES FGC distributive grid company

09.2005 – 04.2007 – Chief Expert of the Corporate Centre of the Business Planning Department of JSC RAO UES of Russia

04.2007 – up to the moment of the accounting period termination* – vice-chairman of the Management Board of JSC UES FGC

Date of the first election to the Board of Directors **09.12.2004**

Positions occupied at present in governance bodies of other legal entities

JSC IDGC of the North Caucasus – Chairman of the Board of Directors
JSC Moscow Incorporated Gird Company – member of the Board of Directors
JSC UES FGC – member of the Management Board



ALEKSANDR MARKOVICH BRANIS

Year of birth **1977**
Citizenship **RF**
Education **Higher**

2001 Academy of National Economy under the Government of the RF, Bachelor of Management

Principle occupation Representative office of Prosperity Capital Management (Russian Federation) Ltd., Director

Positions occupied in the Company and other organizations for the past 5 years

08.1998 – 08.2006 – Moscow representative office of Prosperity Capital Management (Russian Federation) Ltd., Director

2006 – up to the moment of the accounting period termination – Representative office of Prosperity Capital Management (Russian Federation) Ltd., Director

Date of the first election to the Board of Directors **09.12.2004**

Positions occupied at present in governance bodies of other legal entities

Member of the Board of Directors:

- JSC Dalkhimfarm
- JSC Bashkirenergo
- JSC Yuzhturboprovodstroy
- JSC Saranskakabel Plant
- JSC Sevzapelektrosetstroy
- JSC Territorial Generating Company 4
- JSC Akrikhin
- JSC Territorial Generating Company 2
- JSC Territorial Generating Company 6
- JSC Kalugaenergo
- JSC MESS

* “Up to the moment of the accounting period termination” hereinafter means that the person occupied the respective position at the moment of the accounting period termination.



DMITRY ALEKSANDROVICH BURNASHEV

Year of birth	1964
Citizenship	RF
Education	Higher
1989	Moscow University of Management named after S. Ordzhonikidze Major area of study: Organisation of management in the power industry
Principle occupation	Chief of the Business Planning Department of CC – JSC RAO UES of Russia
Positions occupied in the Company and other organizations for the past 5 years	02.2001 – 10.2002 – Deputy Chief of the Department for Holding and Affiliated Companies' Economy of JSC RAO UES of Russia 10.2002 – 06.2004 – Chief of the Department for Holding and Affiliated Companies' Economy of JSC RAO UES of Russia 06.2004 – up to the moment of the accounting period termination – Chief of the Business Planning Department of CC – JSC RAO UES of Russia
<i>Date of the first election to the Board of Directors</i>	09.12.2004
Positions occupied at present in governance bodies of other legal entities	member of the Board of Directors: <ul style="list-style-type: none">• JSC Orelenergo• NP INVEL• JSC TGC-9• Power Carbon Fund• JSC OGC-6



IGOR IVANOVICH ZEMLYANSKY

Year of birth	1969
Citizenship	RF
Education	Higher
1993	Moscow Power Engineering Institute Specialty: pipe construction, technical engineer
Principle occupation	Chief of the Client Relations and Infrastructure Department of JSC UES FGC
Positions occupied in the Company and other organizations for the past 5 years	09.2002 – up to the moment of the accounting year termination время – Chief of the Client Relations and Infrastructure Department of JSC UES FGC
<i>Date of the first election to the Board of Directors</i>	29.06.2007
Positions occupied at present in governance bodies of other legal entities	member of the Board of Directors: <ul style="list-style-type: none">• JSC IDGC of the North-West• JSC IDGC of the North Caucasus• JSC IDGC of the South• JSC IDGC of the Volga



ALEKSEY ROMANOVICH KACHAY

Year of birth	1977
Citizenship	RF
Education	Higher
1999	Omsk State University Specialty: Economics faculty, manager
Principle occupation	Deputy Chief of the Strategy Department of JSC RAO UES of Russia
Positions occupied in the Company and other organizations for the past 5 years	10.2002 – up to the moment of the accounting year termination – Deputy Chief of the Strategy Department of JSC RAO UES of Russia (earlier occupied the positions of Principal Expert, Head of the Division)
<i>Date of the first election to the Board of Directors</i>	29.06.2007
Positions occupied at present in governance bodies of other legal entities	member of the Board of Directors: <ul style="list-style-type: none"> • JSC TGC-11 • JSC OGC-4 • JSC Kaluga Power Sales Company • JSC Nizhnevartovsk SDPS



ALEKSEY VITALIEVICH KLAPTSOV

Year of birth	1978
Citizenship	RF
Education	Higher
2001	Moscow engineering physics institute Specialty: physicist engineer, nuclear physics
2005	RRC Institute named after Kurchatov Speciality: physics of the condensed condition, candidate of physics and mathematics
Principle occupation	Vice President of Halcyon Advisors
Positions occupied in the Company and other organizations for the past 5 years	05.2005 – up to the moment of the accounting year termination – Vice President of Halcyon Advisors
<i>Date of the first election to the Board of Directors</i>	29.06.2007
Positions occupied at present in governance bodies of other legal entities	none



ANTON SERGEEVICH KOLESNIKOV

Year of birth **1980**
Citizenship **RF**
Education **Higher**

2002 State University – Higher School of Economics
Specialist in Economics

Principle occupation Deputy Head of IDGC Management Centre for the economy and finances of JSC UES FGC

Positions occupied in the Company and other organizations for the past 5 years **07.2005 – 09.2005** – Deputy Chief of the Department for the regional grid complexes management of JSC UES FGC

09.2005 – up to the moment of the accounting year termination – Deputy Head of IDGC Management Centre for the economy and finances of JSC UES FGC

Date of the first election to the Board of Directors **29.06.2007**

Positions occupied at present in governance bodies of other legal entities member of the Board of Director:

- JSC Tyumenenergo
- JSC IDGC of the North-West
- JSC IDGC of the North Caucasus
- JSC IDGC of Centre and Volga Region
- JSC IDGC of the Volga
- JSC Lenenergo



VYACHESLAV MIKHAILOVICH KRAVCHENKO

Year of birth **1967**
Citizenship **RF**
Education **Higher**

1995 Moscow State University named after Lomonosov
Specialty: lawyer

Principle occupation Ministry of Industry and Power of the Russian Federations, Director of the Electric Power Industry Department

Positions occupied in the Company and other organizations for the past 5 years **03.2001 – 04.2004** – Head of the Department for Re-structuring of Natural Monopolies of the Ministry of Economic Development and Trade of the Russian Federation

05.2004 – 07.2007 – Deputy Director of the structural and investment policy department in the industry and power

08.2007 – up to the moment of the accounting year termination – Director of the Electric Power Industry Department – Ministry of Industry and Power of the Russian Federation

Date of the first election to the Board of Directors **30.03.2006**

Positions occupied at present in governance bodies of other legal entities **none**



EVGENIY FYODOROVICH MAKAROV

Year of birth **1955**
Citizenship **RF**
Education **Higher**

1978 Ivanovo Power Industry Institute,
electrician engineer

2003 Financial Academy under the Government of the
Russian Federation. Speciality: Finance and credit,
qualification: economist

Principle occupation General Director IDGC of Centre

Positions occupied in the Company and other organizations for the past 5 years **09.1997 – 03.2005** – General Director JSC Belgorodenergo
04.2005 – up to the moment of the accounting year termination – General Director IDGC of Centre

Date of the first election to the Board of Directors **09.12.2004**

Positions occupied at present in governance bodies of other legal entities member of the Board of Directors:
• **JSC Belgorodenergo**



MISRIKHAN SHAPIEVICH MISRIKHANOV

Year of birth **1951**
Citizenship **RF**
Education **Higher**

1974 Moscow Power Institute
Speciality: hydraulic power installations

Principle occupation General Director – Branch of JSC UES FGC –
Transmission Electric Networks

Positions occupied in the Company and other organizations for the past 5 years **08.2002 – up to the moment of the accounting year termination** – General Director of Branch of JSC UES FGC – Transmission Electric Networks

Date of the first election to the Board of Directors **29.06.2007**

Positions occupied at present in governance bodies of other legal entities member of the Board of Directors:
• **JSC IDGC Centre and Volga Region**



PAVEL IVANOVICH OKLEY

Year of birth	1970	Date of the first election to the Board of Directors	29.06.2007
Citizenship	RF		
Education	Higher		
1992	Omsk Institute of Railway Transport Engineers Speciality: Electrician Engineer	Positions occupied at present	member of the Board of Directors:
2005	Academy of National Economy under the Government of the Russian Federation Speciality: Company Development Management	in governance	<ul style="list-style-type: none">JSC Tyumenenergo
Principle occupation	Head of IDGC Management Centre of JSC UES FGC	bodies of other legal entities	<ul style="list-style-type: none">JSC IDGC of the UralJSC IDGC of SiberiaJSC IDGC of Centre and Volga TerritoryJSC IDGC of the SouthJSC KEUKNP INVEL
Positions occupied in the Company and other organizations for the past 5 years	<p>11.2001 – 09.2003 – Chief of Sherbakulsk EGA of JSC AK Omskenergo, Western Electric Networks branch</p> <p>09.2003 – 02.2004 – Chief of the Electric Networks Service of JSC AK Omskenergo, Western Electric Networks branch</p> <p>02.2004 – 08.2005 – Deputy Chief Engineer of JSC AK Omskenergo, Grid Enterprise branch</p> <p>09.2005 – 12.2005 – Director for the Electric Power Transport of AK Omskenergo</p> <p>12.2005 – 04.2007 – Deputy Head of IDGC Management Center of JSC UES FGC</p> <p>04.2007 – up to the moment of the accounting year termination – Head of the IDGC Management Center of JSC UES FGC</p>		Suits were not brought against any members of the Board of Directors of the Company in 2007. Transactions between the Company and members of the Board of Directors were not completed in 2007.

INFORMATION ON PAYMENT OF COMPENSATION (INDEMNIFICATION OF CHARGES) TO MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

According to item 2 Article 64 FL “On joint-stock companies”, the decision on payment of compensation to members of Board of Directors of the Company can be accepted only by the general meeting of shareholders or by approval of the regulation about the order of the procedure of such compensation, or by decision-making on payment of compensation at the general meeting of shareholders of the Company.

The Company has revised its Regulations about payment of compensation and indemnification to members of the Board of Directors of IDGC of Centre approved by the decision of the unique shareholder on 22 January 2007.

The specified document is available on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>).

According to the above-stated regulation, the Company accepted the practice of payment of compensations to non-executive and independent members of the Board of Directors, which is a necessary condition of interest in participation of members of Board of Directors in the work of the Board of Directors.

The compensation paid to members of the Board of Directors of the Company depends on results of activity of the Company. The indicator for payment of compensation is net profit of the Company according to the annual accounting reporting, and also market capitalization of the Company.

Table 2-1

IN 2007 THE MEMBERS OF BOARD OF DIRECTORS RECEIVED THE FOLLOWING REMUNERATION:

Name of the issuer’s governance body of	Remuneration type	Reporting period – the year 2007, RUR
Board of Directors	Remuneration for participation in meetings	1 276 869.00
	Wages	0
	Bonuses	0
	Commission fees	0
	Privileges and/or indemnification of charges	0
	Extra fees	125 021.00
	Total:	1 401 890.00

The executive director – General Director did not receive compensation.



GENERAL DIRECTOR

From the moment of creation of IDGC of Centre, the General Director of the Company is Evgeniy Fyodorovich Makarov, elected by the decision of the unique founder of IDGC of Centre on 09.12.2004 (Order No. 154/r of RAO UES of Russia). The labour contract with the General Director was three times prolonged on the basis of decisions of the Board of Directors of 05.12.2005 (Minutes No.009/05), of 15.12.2006 (Minutes 012/06) and of 03.12.2007 (Minutes No.10/07).

EVGENIY FYODOROVICH MAKAROV

Year of birth	1955
Citizenship	RF
Education	Higher

1978	Ivanovo Power Industry Institute, electrician engineer
2003	Financial Academy under the Government of the Russian Federation. Speciality: Finance and credit qualification: economist

Principle occupation	General Director IDGC of Centre
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Positions occupied in the Company and other organizations for the past 5 years	09.1997 – 03.2005 – General Director JSC Belgorodenergo 04.2005 – up to the moment of the accounting year termination – General Director IDGC of Centre
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<i>Date of the first election to the Board of Directors</i>	09.12.2004
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Positions occupied at present in governance bodies of other legal entities	member of the Board of Directors: <ul style="list-style-type: none"> JSC Belgorodenergo
--	---

E.F. Makarov has been recognized as an Honorary Powerman (2001), the Honorary Employee of the Thermal Power Station (2004), Deserved Employee of RAO UES of Russia (2003), and has also been awarded the Sign “GOELRO plan is 80 years old” (2000); the Medal “For merits before the Russian Power Industry” (2005); the Sign for “GOELRO plan is 85 years old” (2005), the Medal award “For Merits Before The Fatherland” in the 2nd degree (2005), and the medal “For merits before the Earth of Belgorod” in the 2nd degree (2005).

In 1996 E.F. Makarov was awarded the year of the Certificate of Honour of RAO UES of Russia, and in 2000 and 2001 he was thanked officially by the administration of the Belgorod area, while in 2007 he was thanked officially by the Board of Directors of IDGC of Centre.

Suits were not brought against the General Director of the Company in 2007. There were no transactions completed between the Company and General Director in 2007.

Criteria of definition and the amount of the commission paid to the General Director was defined by the labour contract concluded according to the Charter of the Company, and Regulations for the financial stimulation of General Director of IDGC of Centre which was approved by the decision of the Board of Directors of the Company. The specified document is available on the Company’s website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>).

Awarding the General Director of the company was carried out following the results of performance of key performance indicators by the Board of Directors of the Company for the reporting periods (quarter and year).

CORPORATE SECRETARY

The Corporate Secretary of the Company was elected by the decision of the Board of Directors of IDGC of Centre on 16.07.2007 (Minutes No.06/07 of 16.07.2007).

The Corporate Secretary acts on the basis of the Charter and Regulations about the corporate secretary of IDGC of Centre approved by the Board of Directors of the Company by the decision of 17.10.2006 (Minutes No.009/06).

The specified document is available on the websbite of the Company: <http://www.mrsk-1.ru/about/administration/documents1/>).

NATALIA YURIEVNA KASHTANOVA

Year of birth	1976
Citizenship	RF
Education	Higher
1998	Tyumen State University (Tyumen). Faculty: Jurisprudence. Speciality: Lawyer
Current post and occupation	Chief Expert of the Department of Corporate Governance of IDGC of Centre
Data on amount, type, category of Company shares belonging to the person	Has no shares in the Company
Data on being an affiliate/not being an affiliate with members of the Company governance bodies, Company shareholders	Is not an affiliate with members of the Company governance bodies, shareholders of the Company (according to the requirements of the current legislation)

According to the above-named Regulation, the primary goal of the corporate secretary is maintenance of observance by governance and control bodies and officials of the Company of the procedural requirements guaranteeing realization of the rights and legitimate interests of shareholders of the Company.

At realization of tasks of the corporate control, the Corporate Secretary organizes and provides interaction of the Company with its shareholders and the Board of Directors of the Company. The Corporate Secretary is accountable in its activity to the Board of Directors of the Company.

AUDIT COMMITTEE

Within 2007, there operated 2 structures of the Audit Committee operated in the Company. The first structure was elected by the decision of the unique shareholder of the Company on 24.06.2006 at the annual general meeting of shareholders, and included the following members:

- **Anatoly Valerievich Baitov** – Head of the Management for the financial control and internal audit of UES FGC;
- **Elena Aleksandrovna Verbas** – Chief of the Department for the financial control and audit of IDGC of Centre;
- **Marina Alekseevna Lelekova** – Deputy Head of the Management of the financial control and internal audit of UES FGC;
- **Lyudmila Romanovna Matyunina** – First deputy chief of the Department of internal audit of the Corporate Center – RAO UES of Russia (Chairman of the Audit Committee of the Company);
- **Sergey Olegovich Erdenko** – Principal expert of the Department of corporate governance and shareholder relations of the Corporate Center – RAO UES of Russia.

The second structure of the Audit Committee of the Company was elected at the annual general meeting of shareholders on 29.06.2007 in the following structure:

- **Anatoly Valerievich Baitov** – Head of Management for financial control and internal audit of UES FGC;
- **Marina Alekseevna Lelekova** – Deputy Head, leading expert, principle expert of Management for the financial control and internal audit of UES FGC;
- **Lyudmila Romanovna Matyunina** – First deputy chief of the Department of internal audit of CC – RAO UES of Russia;
- **Dmitry Vladimirovich Sklyarov** – Chief of the Department of internal control and audit of IDGC of Centre;
- **Sergey Olegovich Erdenko** – Principle Expert, Department of corporate governance and shareholder relations of the Corporate Center – RAO UES of Russia.

The system of compensation payment to members of the Audit Committee of the Company was determined by the Regulations about payment of compensation and indemnification to members of the Audit Committee of IDGC of Centre, the new wording of which was approved by the decision of the unique shareholder of the Company on 30.03.2006. The specified document is available on the Company's website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>).

Table 2-2

IN 2007 MEMBERS OF THE AUDIT COMMITTEE RECEIVED:

Remuneration type	Accounting period – the year 2007, RUR
Remuneration for participation in the audit	74 250.00
Wages	0
Bonuses	0
Commission fees	0
Privileges and/or indemnification of charges	0
Extra fees	297 000,00
Total:	371 250.00

In 2007 the Audit Committee made a decision on carrying out an auditing check of financial and economic activity of the Company for 2006 at the meeting held on 19 March 2007 (minutes No. 2) and approved the program of the check.

The specified Report is available on the Company's website in the Internet at: http://www.mrsk-1.ru/docs/pr_rev_kom_19_03_2007.pdf.

DATA ON THE ORGANIZATION WHICH CARRIES OUT REGISTRATION OF RIGHTS TO ISSUE SECURITIES

Person performing registration of owners of the issuer's registered securities: Registrar

Full company name of the registrar: Joint-Stock Company "Central Moscow Depository"

SHORT COMPANY NAME OF THE REGISTRAR: JSC CMD, OR JSC CENTRAL MOSCOW DEPOSITORY

Location of the registrar:

107078, Moscow, Orlikov lane, 3, building "B"

Number of the license for realization of activity on carrying out registration of owners of securities:

10-000-1-00255

Date of delivery of the specified license:

13.09.2002

Validity of the specified license:

Without restriction of validity term

Body which issued the specified license:

Federal Commission for the Securities Market of Russia

Other data on keeping the register of owners of the issuer's registered securities specified by the issuer under its own discretion:

Postal address of the registrar

105082, Moscow, B.Pochtovaya Street, 34, bld.8

E-mail dr@mcd.ru

INFORMATION ON THE AUDITOR

Full company name:

Closed joint-stock company KPMG

Short company name:

JSC KPMG

Location of the auditor organization:

129110, Moscow, Olympic Avenue, 18/1, office 3035

Phone and fax numbers:

Phone +7 (495) 937 4477, fax +7 (495) 937 4499

E-mail: moscow@kpmg.ru

Number, date of delivery and validity of the license for realization of auditor activity:

E 003330, issued on 17 January 2003, validity of the license – up to 17.01.2013

Body which issued the license:

The Ministry of Finance of the Russian Federation

Financial period, for which the auditor held independent check of book keeping and financial (accounting) reporting of the issuer: 2006

The issuer's auditor for 2007 was determined as a result of a Competitive selection held by the shareholder of the emitter. The competitive selection was performed according to the requirements of the Regulations about carrying out competition on selection of auditors of RAO UES of Russia, Group of RAO UES of Russia and ADC of Groups approved by the decision of the Board of Directors.

The order of payment and amount of monetary compensation to the auditor organizations and individual auditors for carrying out audits (including the obligatory one) and rendering services accompanying it are determined by contracts of rendering auditor services and cannot be put in dependence from performance of any requirements of the audited persons about the contents of opinions which can be made as a result of the audit.

The amount of payment for services of the issuer's auditors approved by the general meeting of shareholders for obligatory annual check and acknowledgement of the issuer's annual financial reporting is determined by the issuer's Board of Directors.

As of 31.12.2007 compensation for 2007 for carrying out the audit of the independent check of book keeping and financial (accounting) reporting was not paid to the auditor.

There are no delayed and back payments for services rendered by auditors.



DATA ON THE SYSTEM OF INTERNAL CONTROL

Internal control is understood by the Company as the control over realization of its financial and economic activity (including over performance of the issuer's business plan) by structural divisions and bodies of the issuer.

Entities of the internal control of the Company are – the Audit Committee, Board of Directors, executive bodies, and structural divisions and other bodies of the Company authorized to carry out internal control. Differentiation of the competence of the above-stated bodies concerning internal control is carried out by internal documents of the Company.

One of the main directions of the internal control is control over performance of the set indicators of industrial and economic indices of activity of key performance indicators. Such control includes:

- establishment of limits and control parameters by directions of activity;
- estimation of actually achieved results quarterly and annually;
- carrying out adjusting actions on improvement of activity of divisions at the occurrence of deviations.

The system of control parameters is established both for all divisions, and for the top managers of the issuer. The most significant indicators are the basis for financial stimulation.

2.1.3 DGCS' CAPITALIZATION

The total capitalization of consolidated with IDGC of Centre grew in 2007 by 48% and as of 31.12.2007 equaled 55.5 billion rubles. The major factors which affected the change of DGC capitalization in 2007 are the decision on consolidation and estimation of DGCs for the purposes of converting as a result of which DGCs estimated above the forecasts of analysts (in

comparison with other DGCs), in the end of the year considerably grew. And on the contrary, DGCs' capitalization which were estimated below the forecasts of the market, decreased.

The main trading platform floor is the MICEX Stock Exchange, where around 95% of the DGC market share circulated. A similar situation as for the tendering volume is expected with regard to shares of IDGC of Centre.

Diagram 2-1

DYNAMICS OF THE VALUE OF RAO UES OF RUSSIA ORDINARY REGISTERED SHARES, MICEX, RTS AND DGCS INDICES IN 2007

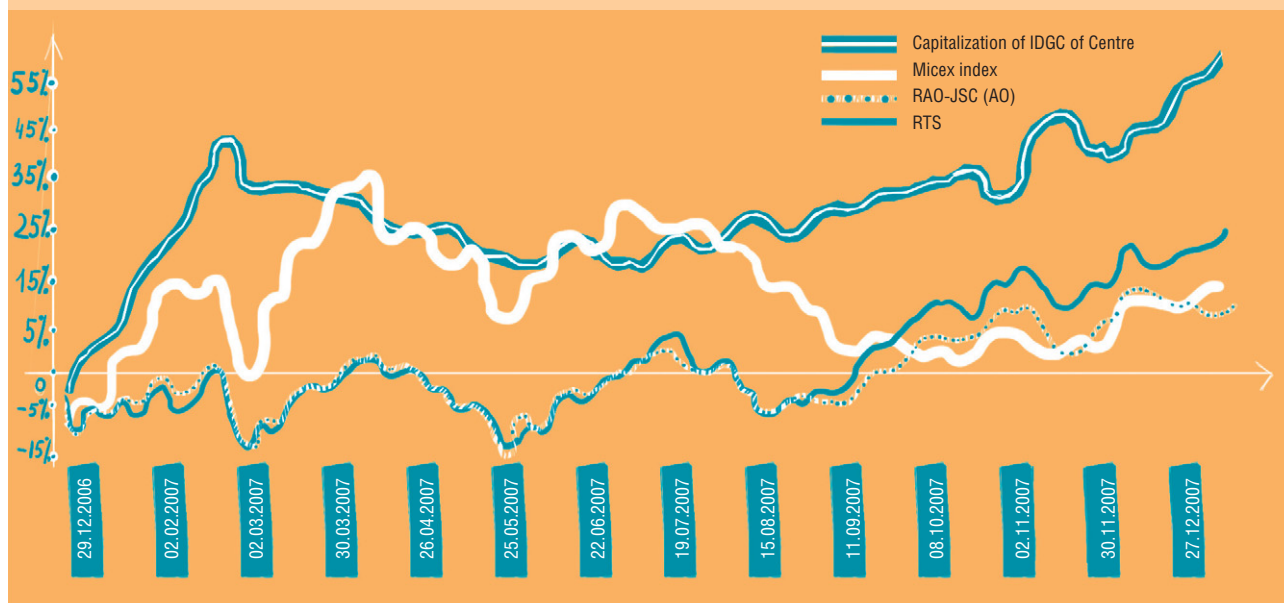


Table 2-3

DGC CAPITALIZATION

Company	As of the end of 2006, billion rubles	As of the end of 2007, billion rubles	Change for the year, %
JSC Belgorodenergo	6.759	15.335	126.90%
JSC Bryanskenergo	2.310	3.612	56.36%
JSC Voronezhenergo	4.370	8.760	100.46%
JSC Kostromaenergo	2.086	2.724	30.59%
JSC Kurskenergo	3.489	4.613	32.20%
JSC Lipetskenergo	3.266	4.356	33.38%
JSC Orelenergo	1.949	2.417	24.01%
JSC Smolenskenergo	3.195	3.138	-1.77%
JSC Tambovenergo	2.753	2.136	-22.42%
JSC Tverenergo	3.225	3.137	-2.73%
JSC Yarenergo	3.913	5.279	34.90%
Total:	37.314	55.506	48.75%

Source: JSC MICEX, JSC RTS

HISTORY OF ISSUE ACTIVITY OF IDGC OF CENTRE

According to the decision on establishment of IDGC of Centre (Order of RAO UES of Russia No. 154r of 09.12.2004) the amount of authorized capital of IDGC of Centre as of 31.12.2007 equaled 10, 000, 000 (ten million) rubles and was divided into 100, 000, 000 (one hundred millions) ordinary registered shares of 10 (ten) kopecks par value each. The Regional Branch of the Federal Financial Markets Service of Russia in the Central Federal District on 24 March 2005, the share issue of IDGC of Centre was registered. The issue was given the state registration number 1-01-10214-A.

The report on results of the share issue was registered by the Regional branch of the FFMS of Russia in the Central Federal District simultaneously with registration of the Decision on the share issue on 24 March 2005. The specified documents are available on the Company's website in the Internet at: <http://www.mrsk-1.ru/stockholder/inform/documents/num1/>.

The shares of IDGC of Centre as of 31.12.2007 are not included in circulation through trade organizations on the securities market. The Company does not plan repayment of its own shares.

Table 2-4

THE MAIN DATA ON THE ISSUE

Securities type	Ordinary registered shares
Category (type) of floated shares	Uncertificated
Par value of each share of the issue	10 kopecks
Amount of shares of the issue	100, 000, 000 pieces
Total amount of the issue	10, 000, 000 rubles
Way of floatation	Purchase of shares by the unique founder of the joint-stock company
Actual term of share floatation	Date of the state registration of the company – on 17 December 2004
Cost of share floatation	10 kopecks
Terms and procedure of payment	At purchase of shares by the unique founder, the form of payment by money resources is stipulated

STRUCTURE OF THE COMPANY'S SHARE CAPITAL

As of 31.12.2007 the unique shareholder of IDGC of Centre owning 100% of its authorized capital (100% of ordinary registered shares of the Company) is RAO UES of Russia.

Structure of the share capital

As of 31.12.2006 and as of 31.12.2007:

State – 0%

Physical persons – 0%

Legal entities and nominal holders – 100%.

Principal shareholders as of 31 December 2007:

Russian open joint-stock company of power and electrification “UES of Russia” – 100% (Shares of IDGC of Centre belonging to RAO UES of Russia, on 17 November 2005 were transferred for the nominal holding to the Depository and Corporate Technologies limited liability company (the nominal holder).

The share holding belonging to RAO UES of Russia was transferred to asset management by UES FGC on 01.12.2005. The contract is valid till 1 July 2008 (the decision of the Board of Directors of RAO UES of Russia, Minutes as of 16.05.2007 No. 251). The purpose of the transfer of shares to asset management according to the decision of the Board of Directors of RAO UES of Russia is the centralized management of the distributive grid complex, maintenance of its reliability, and effective functioning and development.

INFORMATION ON THE SHAREHOLDER OF THE COMPANY

The Russian open joint-stock company of power and electrification “UES of Russia”, the Certificate on registration series MPR No. 020863, was issued on 31 December 1992. Moscow registration chamber, PSRN 1046900099498.

The shareholder's website in the Internet:

<http://www.rao-ees.ru>.

THE INFORMATION ON THE NOMINAL HOLDER

The limited liability company “Depository and Corporate Technologies”.

The certificate on registration, the form of series 77

No. 006832166 was issued on 8 February 2005.

Interdistrict inspection of the Federal tax service No.46 in Moscow

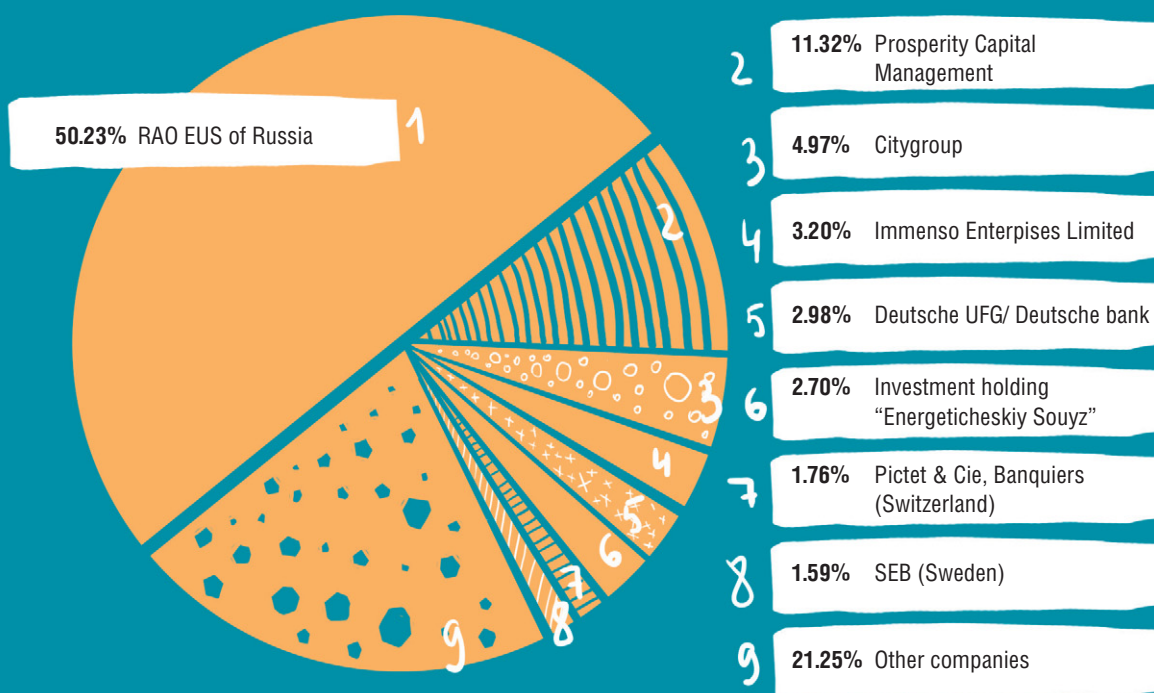
PSRN 1057746181272.

Proceeding from the approved factors of converting and the list of shareholders participated in January 2008 in extraordinary general shareholders meetings of DGCs on reorganization, the structure of IDGC of Centre's shareholders after consolidation of DGCs will look as follows: see Diagram 2-2.

The structure of share capital of IDGC of Centre after connection of DGCs fundamentally allows creating a liquid securities market for the company's shares. For maintenance of a high level of liquidity, the Company is going to pursue the policy on maintenance of the balanced structure of share capital (participation in the share capital of not only institutional investors, but also exchange speculators), to maintenance of a high level of free-float (at present free-float is about 30%), mobilization of free-float by stimulation of translation of securities of shareholders to the nominal holding of the depository stock exchanges: NDC and DCC.

Diagram 2-2

**THE STRUCTURE OF IDGC OF CENTRE'S SHAREHOLDERS
AFTER CONSOLIDATION OF DGCS
AS OF 31.03.2008**



2.1.4 IMPLEMENTATION OF INFORMATION POLICY CORRESPONDING TO WORLD PRACTICE

The company aspires to granting shareholders and investors accessible, regular and reliable data, including with a view of control over agencies of the Company, and making competent and duly decisions on estimation of their activity.

The main principles of disclosing information about the Company are:

- regularity and efficiency in its granting;
- availability of such information to shareholders and other interested persons;
- reliability and completeness of its contents;
- neutrality understood as the exclusion of giving privileges of granting information to one group of people instead of the other.

At the same time, the Company realizes that the Company's level of transparency should answer the principle of reasonable parity between guaranteeing shareholder rights and other managing entities regarding access to corporate information and damaging the Company's competitiveness.

The information on the major events of the Company recognized according to the legislation of the Russian Federation and upon the Company's own initiative is published in the mass media and on the Company's website in the Internet at www.mrsk-1.ru, while a news line of the authorized news agency is given at the address <http://www.e-disclosure.ru>.

The Company's site publishes information on the Charter and internal documents of the Company, about affiliated persons of the Company, about decisions of the general meetings and the Board of Directors of the Company, and also the information on the major events of the Company recognized according to the current legislation of the Russian Federation and upon the Company's own initiative.

The above-stated information is revealed in the sections "Company Profile" and "Shareholders and investors" on the Company's website in the Internet at www.mrsk-1.ru.

Simultaneously, it is necessary to note that the Company's website, besides the above-stated, upon its own initiative discloses information in the form of a calendar of key event and news about the Company, information about the Company's

participation in exhibitions, conferences, and activity of international organizations, and also data about DGCs subordinated to the Company, including information on their industrial and financial activity.

The main local normative document of the Company defining rules and approaches to disclosing information, the list of information and the documents which are subject to disclosure, and also establishing the order and terms of its disclosure and representation, are the Regulations about the information policy of IDGC of Centre, approved by the Board of Directors of the Company on 18.10.2006 (Minutes No.009/06).

The text of Regulations about the Company's information policy is available on the Company's website in the Internet: <http://www.mrsk-1.ru/about/administration/documents1/>.



For protection of the rights and legitimate interests of shareholders and persons which will make subsequently transactions with securities of the Company, and also maintenance of economic safety of the Company, the Company carries out control over use of insider information according to the Regulations about the insider information approved by the Board of Directors of the Company on 14.10.2005 (Minutes No. 008/05). The text of the Regulation about insider information is in constant open access on the Company's website in the Internet at www.mrsk-1.ru/about/administration/documents1/.

In connection with the fact that the Company on 31.12.2007 did not register the prospectuses of securities, the Company did not have the duty of disclosing information in the form of a quarterly report, statements of a material fact, and data which can render an essential influence on value of securities of the joint-stock company.

At the same time the Company discloses other information on the Company, the disclosing of which was caused by norms of FL "On joint-stock companies", FL "On the securities market", Order FFMS of the Russian Federation No. 06-117/pz-n of 10 October 2006 "On approval of the Regulations about disclosing of the information by issuers of securities", and also norms of the Regulation about the information policy of IDGC of Centre.

In 2007 the Board of Directors of the Company did not approve large transactions, and also the transactions recognized according to FL "On joint-stock companies" as interested-party transactions. In this connection the information about the given sorts of transactions is not provided in the annual report.

Other transactions which are subject to disclosing according to the Regulations about the information policy of the Company are available on the Company's website at: www.mrsk-1.ru/stockholder/inform/transaction/2007/1_2007/.

2.2 MAINTENANCE OF OBSERVANCE OF THE SCHEDULE OF IDGC FORMATION

Within the limits of realization of the goal to maintain observance of the schedule of IDGC formation, the Company realized all actions of restructuring in 2007 fixed by the Action Plan on reorganization of IDGC of Centre by consolidation of subordinated DGCs with it, which were executed according to this plan without infringement of terms in full.

The schedule, and also reports on its execution are available on the Company's website in the Internet: <http://www.mrsk-1.ru/reform/reform/forming/>.

Observance of the Action Plan on reorganization of the Company in the form of consolidation with it of the distributive grid companies approved by the Board of Directors of IDGC of Centre.

July, 16-17th, 2007. the Boards of Directors of IDGC of Centre and DGCs approved action plans on reorganization in the form of consolidation with IDGC of Centre of the distributive grid companies.

August, 31st 2007. Inventory of property, rights and financial liabilities of IDGC and DGCs (as of 30.06.2007) was completed.

November, 27th, 2007. The Appraisal Committee of RAO UES of Russia coordinated reports on the market share of shares of IDGC and DGCs.

November, 30th 2007. The Board of Directors of RAO UES of Russia made a decision on definition of the position of representatives of RAO UES of Russia on items of the agenda of the Board of Directors of the extraordinary general shareholders meetings of IDGC and DGCs (on definition of the agenda of extraordinary general shareholders meetings of IDGC and DGCs; reorganization of DGCs by their consolidation with IDGC;

about definition of the amount, par value, categories (types) of declared shares of IDGC and the rights given by these shares; about increase in the authorized capital of IDGC by placement of additional shares (converting of shares of DGCs into shares of IDGC); about an increase in authorized capital of IDGC by placement of additional shares (the private placement of shares intended for exchange of shares of DGCs for shares of IDGC).

December 03-07 2007. The Boards of Directors of IDGC and DGCs made decisions concerning reorganization process, including on MDGC: recommendations to the extraordinary general shareholders meetings concerning reorganization of the Company in the form of consolidation (including approval of the contract for consolidation); concerning increase in the authorized capital of IDGC by placement of additional shares (converting of shares of DGCs into addition to placed shares of IDGC); concerning an increase in the authorized capital of IDGC by placement of additional shares (the private placement of shares intended for exchange of shares of DGCs for shares of IDGC).

The Boards of Directors of DGCs considered items on the course of preparation of DGCs to reorganization, including about assumed amount of the money resources necessary for realization of the repayment of shares from shareholders and meeting requirements of creditors about termination or pre-scheduled execution of obligations; about recommendations to the extraordinary general shareholders meetings concerning reorganization of the Company in the form of consolidation (including approval of the contract for consolidation and transfer certificate of DGCs); about definition of the price and order of repayment of shares of DGCs; about convocation of DGC extraordinary general shareholders meetings; about approval of treaty provisions with the registrar of DGCs concerning the order and volume of rendering services during reorganization of DGCs.

December, 25th, 2007. the extraordinary general meeting of shareholders of IDGC of Centre took a decision on reorganization of IDGC of Centre in the form of consolidation of 11 DGCs with it, including the contract for consolidation of DGCs to IDGC of Centre containing data on the procedure and conditions of consolidation, and also the procedure of conversion of shares of the consolidated DGCs into shares of IDGC of Centre, and swap ratios of shares of DGCs.

Also the decision on definition of the limiting amount of declared shares of IDGC of Centre was taken, as well as on making the respective alterations in the Charter of IDGC of Centre. Besides the decision on placement of additional shares of IDGC of Centre on the private placement in favour of RAO UES of Russia with payment by shares of 11 DGCs of IDGC of Centre belonging to it.

In 2008 – after the date of termination of the reporting period – a number of other items of the Action Plan on reorganization were realized. Thus, in January 2008 all general meetings of DGCs made positive decisions on reorganization of companies by their consolidation with IDGC of Centre.

11.02.2008. The Board of Directors of the Company approved decisions on 21 additional share issues of IDGC placed by converting shares of DGCs into them at reorganization, and also the prospectus of securities of the Company.

20.03.2008. The FFMS of Russia registered 21 additional issues of securities and prospectus of securities of IDGC of Centre.

31.03.2008. The entity was made in the Unified State Register of Legal Entities about termination of DGCs' activity as a result of their consolidation with IDGC of Centre.

MAINTENANCE OF CARRYING OUT ESTIMATION OF THE MARKET VALUE OF SHARES

Estimation of market share of the Company and DGC shares was one of stages of the Company Action Plan approved by the Board of Directors on reorganization of the Company in the form of consolidation of the distributive network companies with it.

On August, 13-15th, 2007 the Boards of Directors of DGCs approved the independent estimate organization consisting of: Ernst and Young – cost consultation, NP Consult, International Valuation Center for estimation of shares with a view of definition of the price of the repayment.

On November, 27th, 2007 the Appraisal Committee of RAO UES of Russia coordinated reports on market share of IDGC and DGC shares.

2.3 REALIZATION BY THE COMPANY OF THE POWERS OF THE SOLE EXECUTIVE BODY

Regarding realization by the Company of the powers of the sole executive body of the regional network companies of the zone of the responsibility, in 2007 the Company realized actions on maintenance of transfer of such powers of all DGCs subordinated to the Company to it.

Let us remind that rendering services of the sole executive body of the regional network companies to the Company was a part of the transition restructuring period when from the moment of creation of the interregional network companies and till the moment of consolidation with it of subordinated DGCs – the functions of the first consist in rendering consulting services to subordinated DGCs and performance of functions of the sole executive body of subordinated DGCs (management of subordinated DGCs).

In 2007 the process of transfer to IDGC of Centre of the powers of the sole executive body of DGCs of IDGC of Centre's responsibility zone. Thus, as of 31.12.2007, the Company rendered services on performance of functions of the sole executive body of eleven DGCs of its responsibility zone, namely:

- JSC Belgorodenergo
- JSC Voronezhenergo
- JSC Kurskenergo
- JSC Orelenergo
- JSC Smolenskenergo
- JSC Yarenergo.
- JSC Bryanskenergo
- JSC Kostromaenergo
- JSC Lipetskenergo
- JSC Tambovenergo
- JSC Tverenergo

Thus, in 2007 the Company within the limits of the “Restructuring” prospect executed all the planned actions and achieved the objectives set forth. The result of these efforts became the successful completion on 31 March 2008 of reorganization of the regional network complex of the Center of Russia and creation of the uniform operational IDGC of Centre company.



2.4 PROSPECTS, GOALS AND TASKS IN THE PROSPECT “GROWTH AND TRANSFORMATIONS” SINCE 2008

Allocation in 2008 of the independent “Growth and transformations” prospect was caused by the importance of integration of nonfundamental factors of costs in the general system of strategic management at the cost of the operational Company.

In the intermediate term prospect (up to 2010) it is planned to provide comparability on capitalization with the power companies of the East Europe. By 2015, it is planned to move by capitalization to the level of the countries with the high level of economic development.

Opportunities for achievement of success of the modern companies appreciably depend on external conditions. It is not only an intensive and global competition, fast technological development, demographic factors, but also universal tendencies of development of economy.

The objective processes connected with globalization and an increase of competition in the financial markets, cause necessity of reforming of approaches to management and searching for the most effective practices, and first of all, corporate governance. The latter is not simply creation of additional competitive advantages of the Company, but also its survival in the market in the intermediate term and long-term prospect.

The purpose of the top level of the “Growth and transformations” prospect for the period 2008–2015 is **“Increase in investment appeal of the company”**.

For achievement of this goal, the Company pays significant attention to development of the securities market. Since 2008 it is necessary for the company to organize and execute a com-

plex system of measures covering all possible directions of regulation of investment appeal of securities. First of all, this is maintenance of development of the primary market.

The most perspective project in this area is the moving the company to the market of public loans. Under favorable market conditions the Company will issue bonded loans for financing its investment program.

Secondly, it is necessary that the securities market should possess a significant level of liquidity. The large number, both in quantity and volume, of transactions made with securities of the company serves as acknowledgement of validity of the market price and, finally, capitalization.

Corporate governance obtains strategic value for the Company as the system of balance of interests between a variety of proprietors and management of the Company, unconditional observance of legitimate rights and interests of shareholders.

The main task of corporate governance of IDGC of Centre for 2008 is completion of corporate actions on reorganization of the Company by consolidation of subordinated DGCs with it and, after completion of this reorganization, creation of the effectively functioning system of corporate governance of IDGC of Centre operational company.

Completion of reorganization of the Company was completed in the first quarter of 2008. In May 2008 the placement of shares to the organized securities market is planned.

It is necessary to note that analysis of the system of corporate governance in the Company allows one to confirm that the created system of corporate governance is prepared for successful functioning under conditions of IDGC of Centre’s activity as an operational company.

At the same time, with creation of the operational company, there will be a necessity of change of some aspects of corporate governance for the Company.

For this reason on February, 28th, 2008 the general meeting of shareholders of the Company approved the revised Charter containing norms concerning convocation and carrying out of the general meeting of shareholders and specifying the competence of the Board of Directors of the Company providing norms on formation of the collegial executive body of the Company –

the Management Board. The specified documents are available on the Company's website in the Internet at: <http://www.mrsk-1.ru/about/administration/documents1/>

For the purpose of full performance of norms of the current legislation concerning functioning of the general meeting of shareholders, the number of which in IDGC of Centre after completion of reorganization will equal about 18, 000, on 28.02.2008 the unique shareholder of the Company – RAO UES of Russia – took the decision on approval of the Regulations about the procedure of convocation and carrying out the general meeting of shareholders of the Company.

Thus, with creation of the operational company in the Company, the formation of a collegial executive body – the Management Board – is planned, which alongside with the sole executive body of the Company will be responsible for practical realization of the goals, development strategy, and policy of the Company, and to carry out management of current activity. Issues of activity of the Management Board fall within the Regulations about the Management Board of IDGC of Centre approved on 28 February 2008 available at: <http://www.mrsk-1.ru/about/administration/documents1/>.

For preliminary and detailed consideration of the most important issues concerning the competence of the Board of Directors, the latter creates committees. As of 31.12.2007 the Company created the Committee on Reliability. Simultaneously with formation of the operational company, the Company plans creation since May 1, 2008 of a Committee on Audit, Committee on Staff and Compensation, and a Committee on Strategy and Development. Representatives of minority shareholders will take part in the work of these Committees.

Creation of the Board and Committees under the Board of Directors of the Company will cause necessity of the approval of documents on the basis of which the above-stated governance bodies – Regulations about the Management Board would operate (approved by the decision of the unique shareholder of the Company already after the reporting date – 28.02.2008) and regulations about the corresponding committees. The regulations which regulate activity of the Committees are available at: <http://www.mrsk-1.ru/about/administration/documents1/>.

In execution of recommendations of the Code of Corporate Conduct of the Federal Commission for the Securities Market

of the Russian Federation and with a view of a decrease in the various risks connected with activity of the Company for 2008, the development and approval by the Company of the Regulations about the system of the internal control is planned. The Regulations will set the goals and tasks of the system of internal control, principles of its functioning, and bodies of the Company and persons responsible for internal control.

Any company during the different periods of its life faces crises of its own development, and phase transformation of business is inevitable. Each stage comes to an end with a crisis of growth during which the organization can cease to develop and as a result to terminate its existence, or to pass to the following stage by receiving opportunities for development.

The evolutionary periods of growth within the limits of which there are no greater changes in management of the company are replaced by the revolutionary periods of the system of revolutions in organizational life. These stages are important for predicting and quickly changing the methods of management, the organization of business processes, and information communication. Flexibility and adaptability to changes of expectations of the interested parties, transformations of the branch markets and the environment will be the key characteristics of the company focused on long-term leadership.

The important task is not only to organize work on management of strategic innovations in the company, but also to competently inform this information to investors.

Thus, in the sphere of provision of high potential of growth of the Company's "Growth and transformations" target subsystem of management, the following goals should be realized –

Increase of investment appeal in the company:

- to develop the securities market of the company up to a level of the best Russian companies;
- to provide effective interaction with stakeholders;
- to provide flexibility and adaptability of the company to the changing conditions of the environment;
- to increase transparency of business.



LEONID KANTOROVICH

NOBEL PRIZE IN ECONOMICS

In 1975 Nobel Prize in Economics was awarded to him in association with Tjalling C. Koopmans for an input to the theory of optimal resource distribution

“Correctness of economic solutions, perfection of planning, quality of economic indicators, motivation system define rationality of the decisions taken, efficiency of use of all kinds of resources, work performance, our growth rate and living standard.”

Extracts from Introduction, the speech by L.V. Kantorovich published in The Herald of the Academy of Sciences of the USSR, 1959, No. 4, pages 59 – 61.





3

FINANCE

The goal of the top level of the “Finance” prospect was defined: To increase the cost of business.

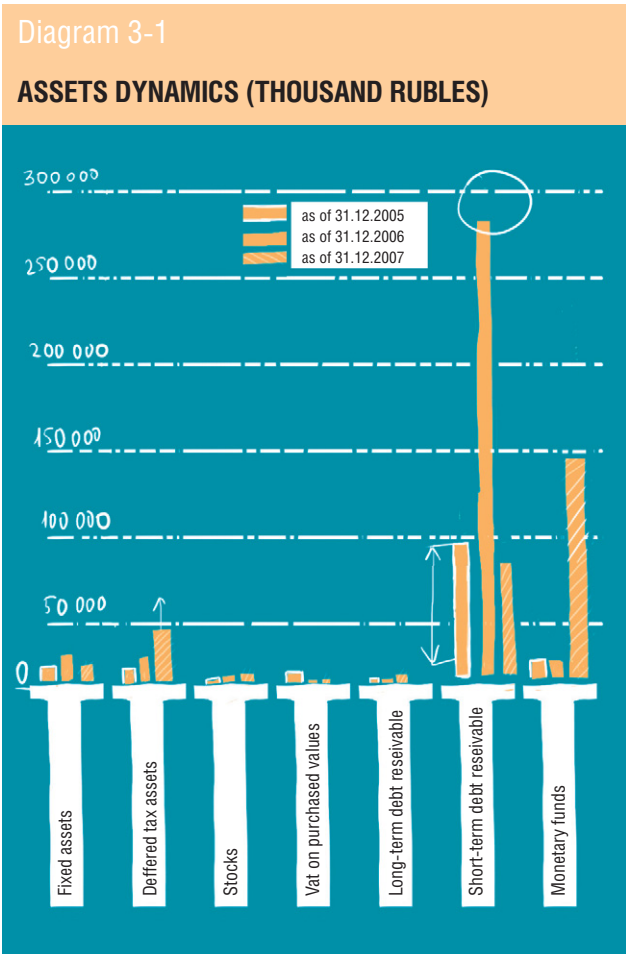
Thus it was necessary to provide:

1. Fair market profitability of the capital, including:
 - optimization of the structure of assets and capital;
 - maintenance of the target profit level.
2. Necessary volume of financing of investments, including:
 - inclusion of the investment component in the tariff payment for technological connection;
 - maintenance of attraction of borrowed means.
3. Increase of economic efficiency of business, including:
 - maintenance of NDP growth on maintenance following the results of the tariff campaign of 2007;
 - increase of efficiency of charges.

Following the results of activity in 2007, the following results of activity of the Company and subordinated 11 distributive network companies within the limits of realization of tasks of the “Finance” prospect were achieved.

3.1 MAINTENANCE OF FAIR MARKET PROFITABILITY OF CAPITAL

3.1.1 TO OPTIMIZE THE STRUCTURE OF ASSETS AND CAPITAL ON THE OPERATING COMPANY OF IDGC OF CENTRE



Following the results of financial and economic activity in 2007, the assets of the Company decreased by 30.79 million rubles or 9.3%. Thus, there was non-current assets growth of 20.13 million rubles or 52.0%, which is connected to an increase in deferred tax assets.

In its turn, the decrease in circulating assets by 50.91 million rubles or 17.4% was caused by repayment of debt receivable, which was fixed as of the beginning of the fiscal year. The debts reflected in the balance as of the end of the period were formed according to the contractual terms and is the current one.

In the structure of the Company circulating assets, the share of debt receivable decreased from 83.8% to 28.5%, and the share of money resources increased from 2.4% up to 50.0%. The given structure of assets is the most liquid.

At the general reduction of the amount of liabilities, the Company's own capital increased by 48.82 million rubles or 187.4% due to growth of unallotted profit of the last years, and borrowed capital decreased to 79.61 million rubles or 26.0%. Changes in the structure and dynamics of liabilities are presented in the charts.

Diagram 3-2

CHANGE OF THE STRUCTURE OF CIRCULATING ASSETS (%)

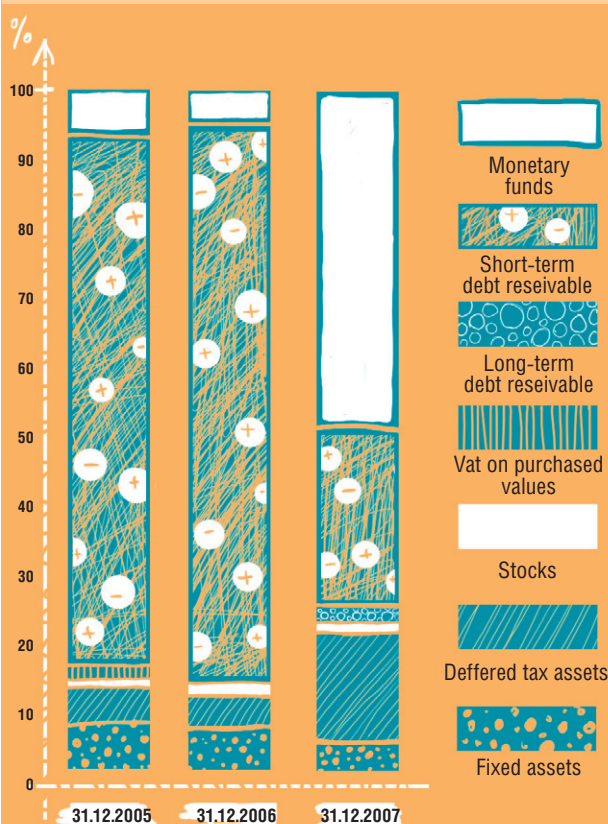
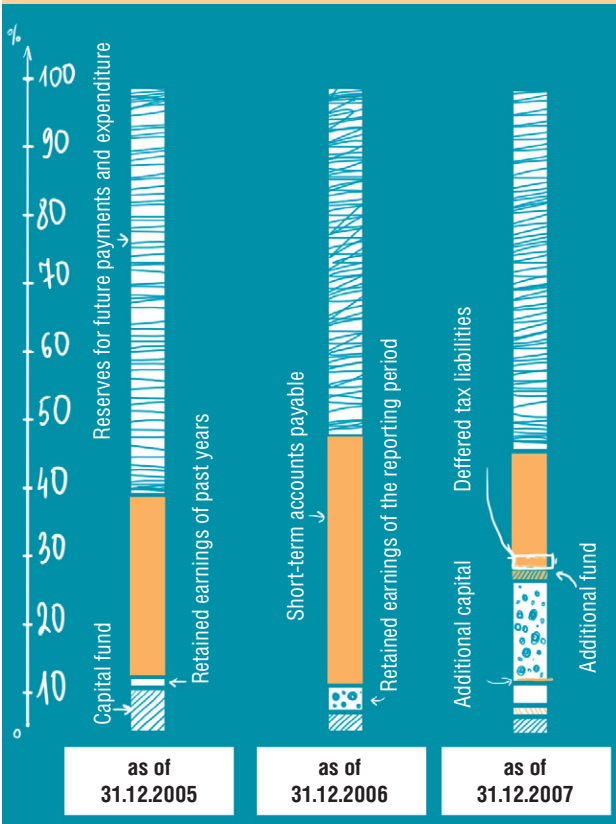


Diagram 3-3

CHANGES IN THE STRUCTURE AND DYNAMICS OF LIABILITIES (%)



The main change in borrowed capital was a reduction of the Company's liabilities regarding short-term accounts payable. At the same time, as of 31.12.07 reserves of the forthcoming charges and payments decreased by 7.2 million rubles.

ON DGCS SUBORDINATED TO IDGC OF CENTRE

Following the results of financial and economic activity in 2007, the total assets of DGCS included in IDGC of Centre, in view of the held reassessment, increased by 13, 343 million rubles (26.3%) and equaled 50,901 million rubles. Following the results of reassessment, the greatest gain was in JSC Lipetskenergo – 117.8% and JSC Kurskenergo – 48.3%.

Total changes in the change of asset structure in subordinated DGCS is presented in the diagram 3-5.

The gain of assets equaled 11,498 million rubles (26.3%) – due to fixed assets by 10,194 million rubles (25.1%), and the gain of circulating assets – 1,845 million rubles (34.7%). The gain of circulating assets occurred due to an increase in short-term debt receivable by 1,262 million rubles being the most liquid structure of the balance. In its turn, long-term debt receivable decreased considerably. As of the beginning of the year its share equaled 5.34% in the general structure of debt receivable, as of the end of the period – only 0.99%.

Diagram 3-4

CHANGES IN THE STRUCTURE AND DYNAMICS OF LIABILITIES (MILLION RUBLES)

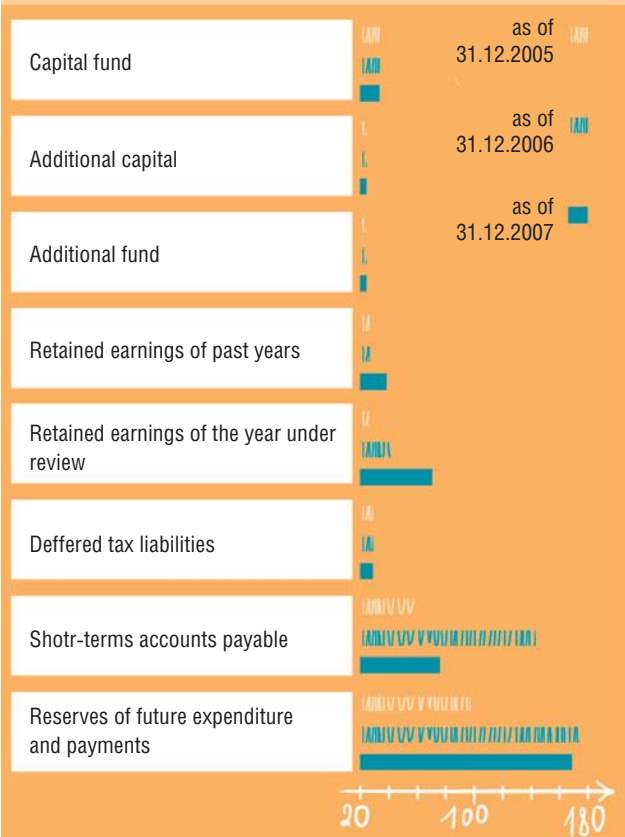
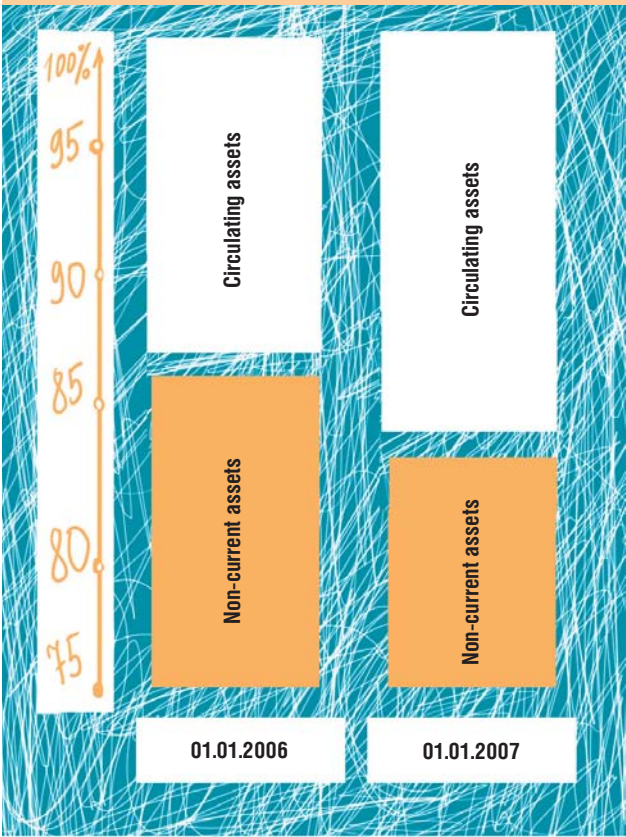


Diagram 3-5

TOTAL CHANGES IN THE CHANGE OF ASSET STRUCTURE IN SUBORDINATED DGCS (%)



The deviation in 4.35% is a positive factor since long-term debt receivable promotes withdrawal of money resources from the turn of DGCs for the long term, which is inadmissible in conditions of deficiency of own circulating assets means. The company held active work on settlement of debt receivable of DGCs in the reporting period, in particular, the system of DGC monitoring, including unreal to collecting in particular was organized. Changes of liabilities of subordinated DGCs in 2007 are presented on the chart.

The main tendency which affected the structure of borrowed capital of DGCs due to an increase in the share of long-term

liabilities and a reduction of the share of short-term liabilities. Thus, in 2007 the share of long-term credit resources in the structure of liabilities increased from 23.6% up to 43.2% due to attraction by DGCs of long-term credits for investment activity.

3.1.2 MAINTENANCE OF THE TARGET PROFIT LEVEL ON THE OPERATING COMPANY OF IDGC OF CENTRE

The amount of proceeds received from sales of the Company's services in 2007 equaled 983.36 million rubles, which is 2.4% above the plan, or 23.36 million rubles higher than planned.

The main profit came from incomes under contracts of the sole executive body, thus it was originally planned to receive from 21 DGCs, however since the 3rd quarter 2007 the Company had 11 subordinated DGCs and incomes turned out to be by 128.1 million rubles less.

Incomes under contracts for rendering consulting services were received in the sum of 134.58 million rubles, which is 47.3 million above the plan due to payments from JSC Kubanenergo. Also incomes of rendering services on technical audits were received which were not planned initially, in the sum of 14.6 million rubles, and under contracts for carrying out the regulated purchasing procedures in the amount of 89.2 million rubles.

The amount of net profit following 2007 results equaled 51.25 million rubles, which is above the planned value by 50.8 million rubles, or by 117.2% in view of the inventory held and subsequent restoration of the reserve for payment of annual bonuses.

Following the results of financial and economic activity in 2007, EBITDA equaled 100.07 million rubles, which exceeds the level of the year before by 2.4 times.

One of the indicators of the financial position of the enterprise is its solvency and liquidity, i.e. the opportunity to repay its liabilities in due time. Calculation of the Company's liquidity factors is given in the table 3-1.

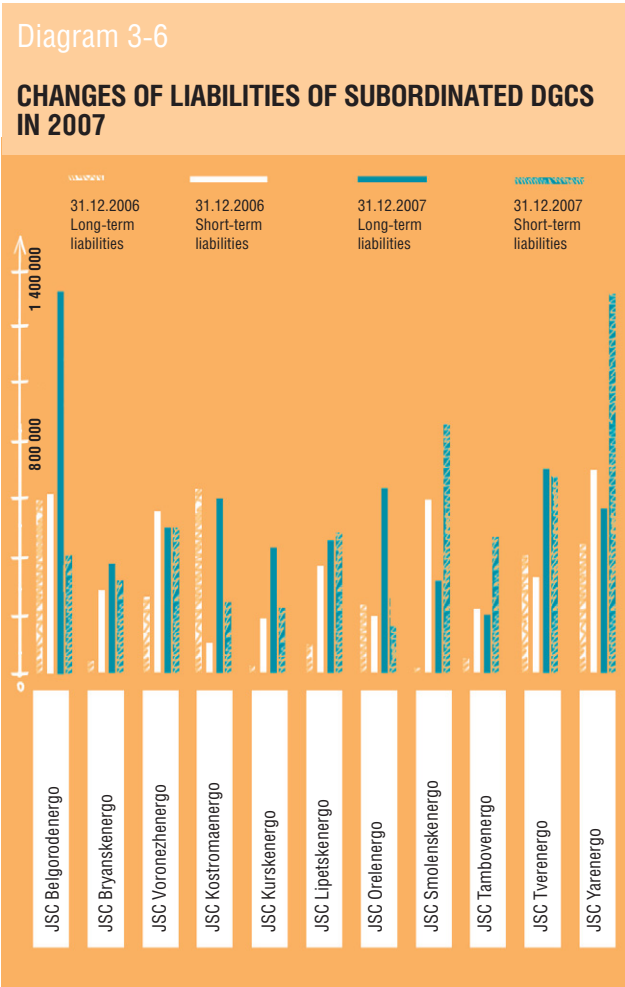


Table 3-1

CALCULATION OF LIQUIDITY RATIOS

Indicator	As of 31.12.06	As of 31.12.07	Deviation	
			Absolute	Relative
Acid test ratio	0.94	1.02	0.08	8.82%
Current liquidity ratio	0.96	1.05	0.09	9.27%
Financial leverage ratio	11.74	3.02	-8.72	-74.26%

For the last year parameters of the acid test ratio and current liquidity describing sufficiency of means for repayment of short-term liabilities grew by 8.8% and 9.3% accordingly. Values have exceeded the normative ones, thereby proving high solvency.

The current solvency characterizes the external view of the Company's financial condition, and financial stability - its internal side, which provides stable solvency in the long term. Financial stability is characterized by the parameter of financial leverage, the value of which is presented in the table. The more the value of financial leverage, the higher is the risk of a loss of solvency in the long-term prospect.

The return on assets characterizes the ability of effective utilization of assets for receiving profit. Besides, this factor reflects the average profitability received on all sources of capital – both own and borrowed.

Table 3-2

CALCULATION OF THE COMPANY'S RETURN FACTORS

Indicator	For 2006	For 2007	Deviation	
			Absolute	Relative
Return on assets (ROA)	4.57%	17.02%	12.45%	272.67%
Return on equity (ROE)	58.18%	68.45%	10.27%	17.66%

Following the results of financial and economic activity in 2007, the return on assets equaled 17.0%, and grew in comparison with the level of 2006 by 272.7%.

Calculation of the Company's return factors are presented in the following table 3-2.

The return on equity characterizes profitability of the company for its shareholders. The Company ROE in the reporting year grew by 17.7% and equaled 68.5% against 58.2% last year.

For the fiscal year, the Company's net assets increased by more than 187%, and equaled 74.87 million rubles, against 26.06 million rubles at the beginning of the year. As of 31.12.2007 their amount essentially – by 649% – exceeded capital stock, which positively characterizes the company's financial condition, completely meeting the requirements of statutory acts for the amount of net assets.

ON DGCS SUBORDINATED TO IDGC OF CENTRE

In 2007 the total proceeds from network services on all DGCs of IDGC of Centre equaled 31, 957 million rubles, which is 27.3% above the level of 2006. Thus, the proceeds from transfer through electric systems increased by 4, 593 million rubles or by 18.5%, and proceeds from technological connection - by 1, 818 million rubles or by 226.2%.

The other proceeds from primary activity grew by 10.9 million rubles or by 4.2%, while the proceeds from non-profile kinds

of activity grew by 63.2 million rubles or by 61.1%. Growth of the consolidated net profit on subordinated DGCs equaled 671.2 million rubles or 51.2%.

The given increase provided growth of return on equity (ROE) in an absolute expression by 1.19% up to 5.22%.

Changes of ROE in comparison with the fact of 2006 and the plan of 2007 are presented on the diagram 3-8.

Diagram 3-7

NET PROFIT

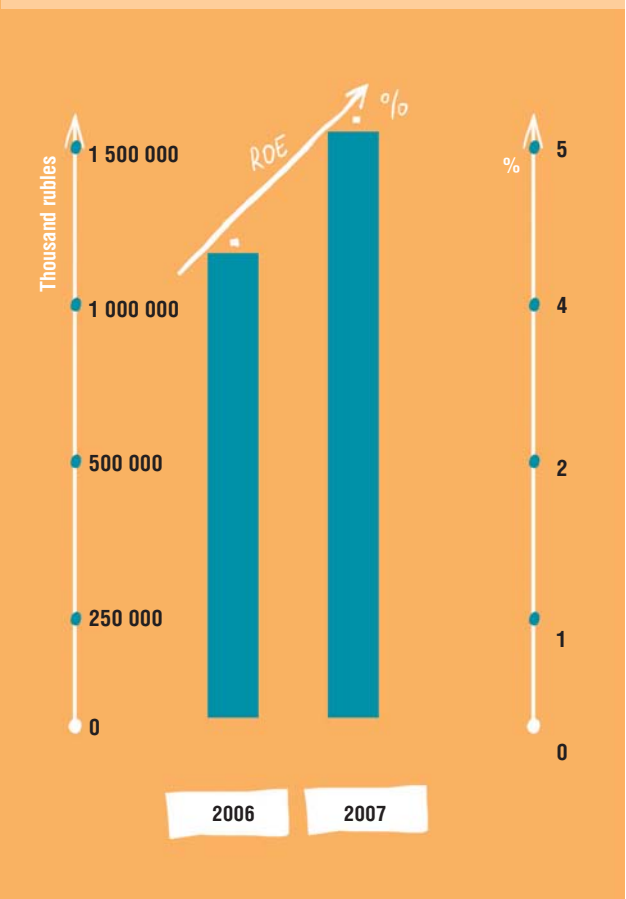
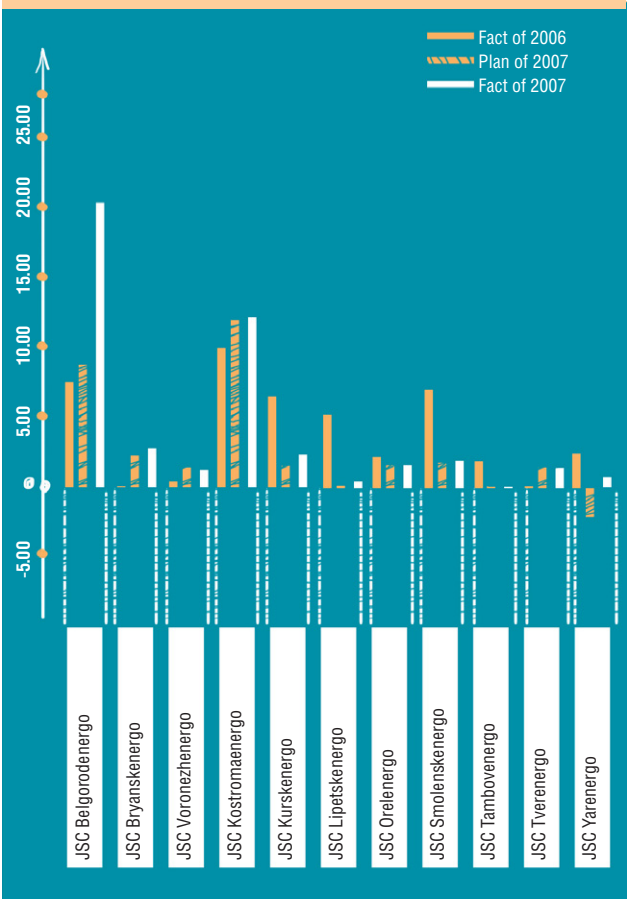


Diagram 3-8

CHANGES OF ROE IN COMPARISON WITH THE FACT OF 2006 AND THE PLAN OF 2007



Values of the current liquidity indicator of DGCs as of 31.12.2007 are within the limits of normative values and are presented in the chart 3-9.

Values of financial leverage of DGCs as of 31.12.2007 are presented in the chart 3-10.

Total net assets on subordinated DGCs following 2007 results equaled 38, 256 million rubles. The changes are given in the chart 3-11.

Growth of net assets of DGCs from the fact of 2006 equaled 7, 743 million rubles (20.2%) and was caused by reception on results of 2007 of total net profit in an amount of 1, 982,7 million rubles and carrying out in 2007 of the reassessments of fixed capital with an average factor of 1.31.

Diagram 3-9

VALUES OF THE CURRENT LIQUIDITY INDICATOR OF DGCS

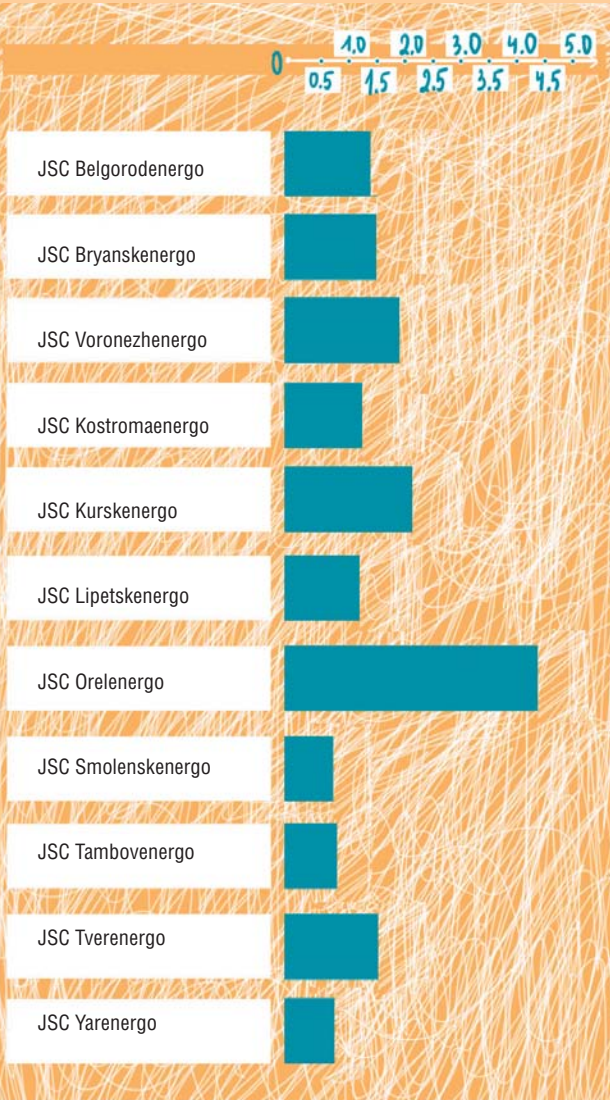


Diagram 3-10

**VALUES OF FINANCIAL
LEVERAGE OF DGCS**

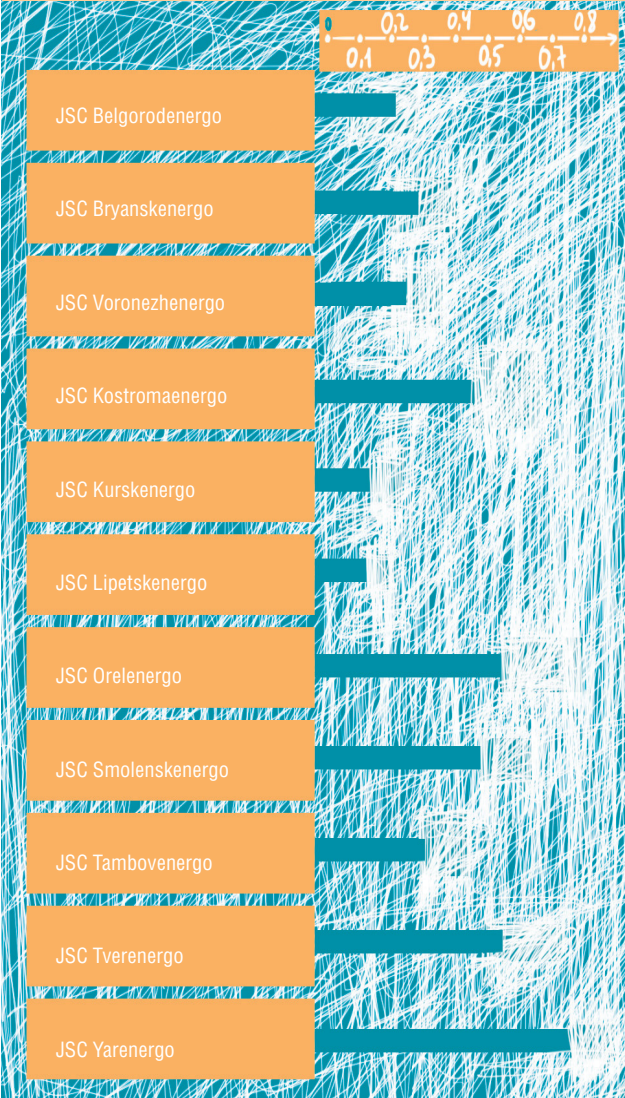
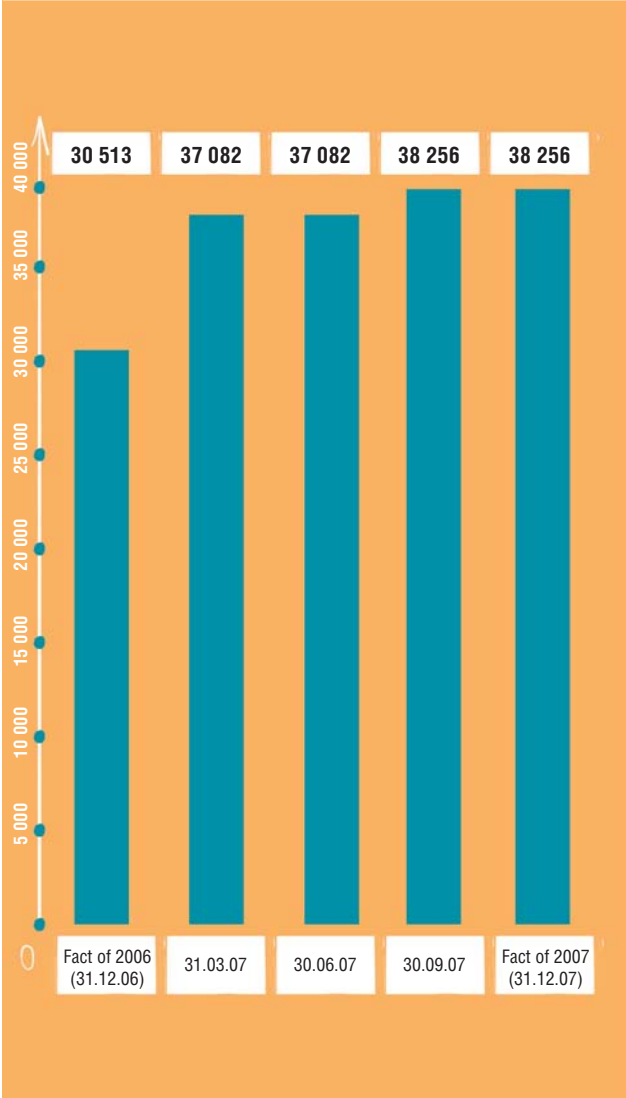


Diagram 3-11

**TOTAL NET ASSETS ON SUBORDINATED DGCS
(MILLION RUBLES)**



3.2 NECESSARY VOLUME OF FINANCING OF INVESTMENTS

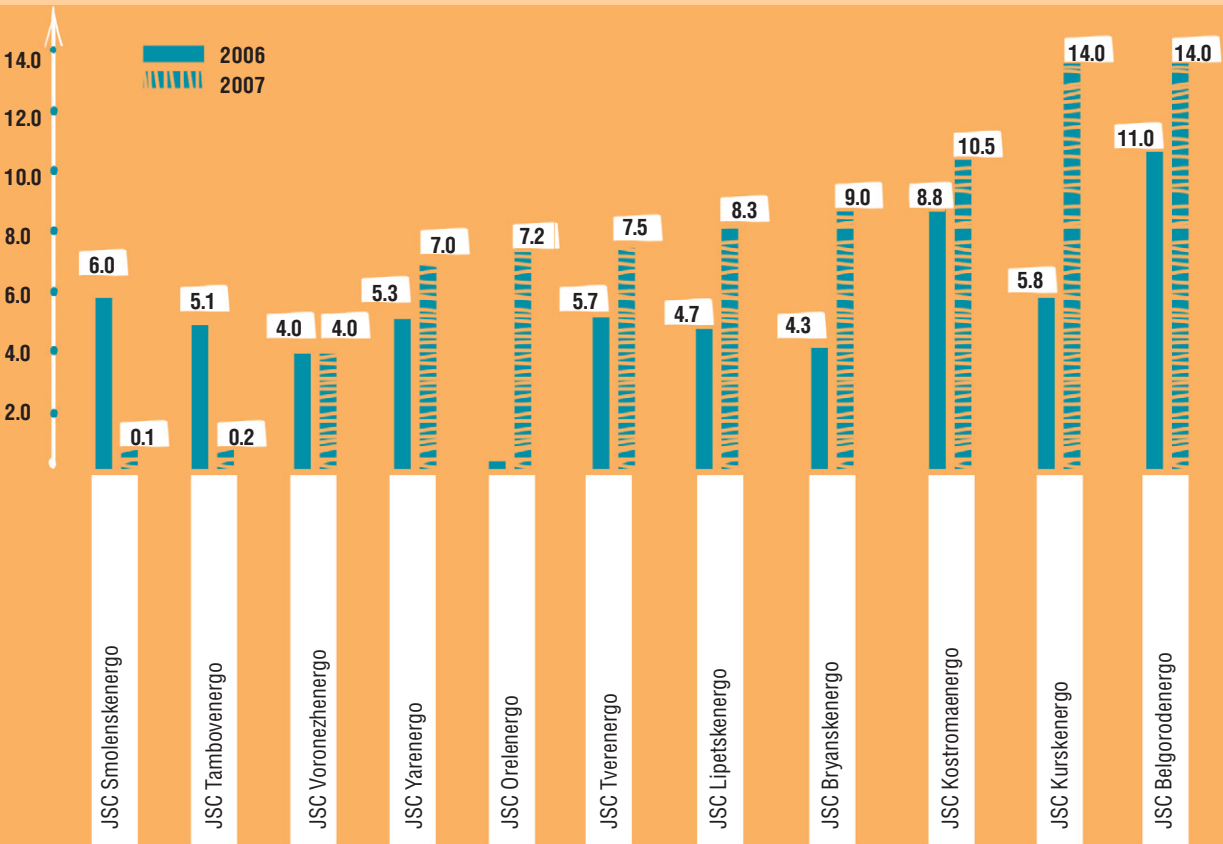
INCLUSION OF THE INVESTMENT COMPONENT IN THE TARIFF PAYMENT FOR TECHNOLOGICAL CONNECTION

The structure of payment for TC in 2007 on subordinated DGCs the investment component is considered, thus for JSC Smolenskenergo, JSC Voronezhenergo, JSC Tambovenergo the investment component is stipulated in the structure of the individual payment.

Representatives of IDGC of Centre were a part of the Work Group of the FTS of Russia on preparation of changes in the Methodical Instructions for definition of the amount of payment for technological connections approved by the Order of the FTS of Russia as of 23.10.2007 No. 277-e/7.

Diagram 3-12

THE APPROVED PAYMENT FOR TECHNOLOGICAL CONNECTION FOR 2006-2007 (THOUSAND RUBLES/KWH)



SUPPORT OF BORROWED FUNDS ATTRACTION

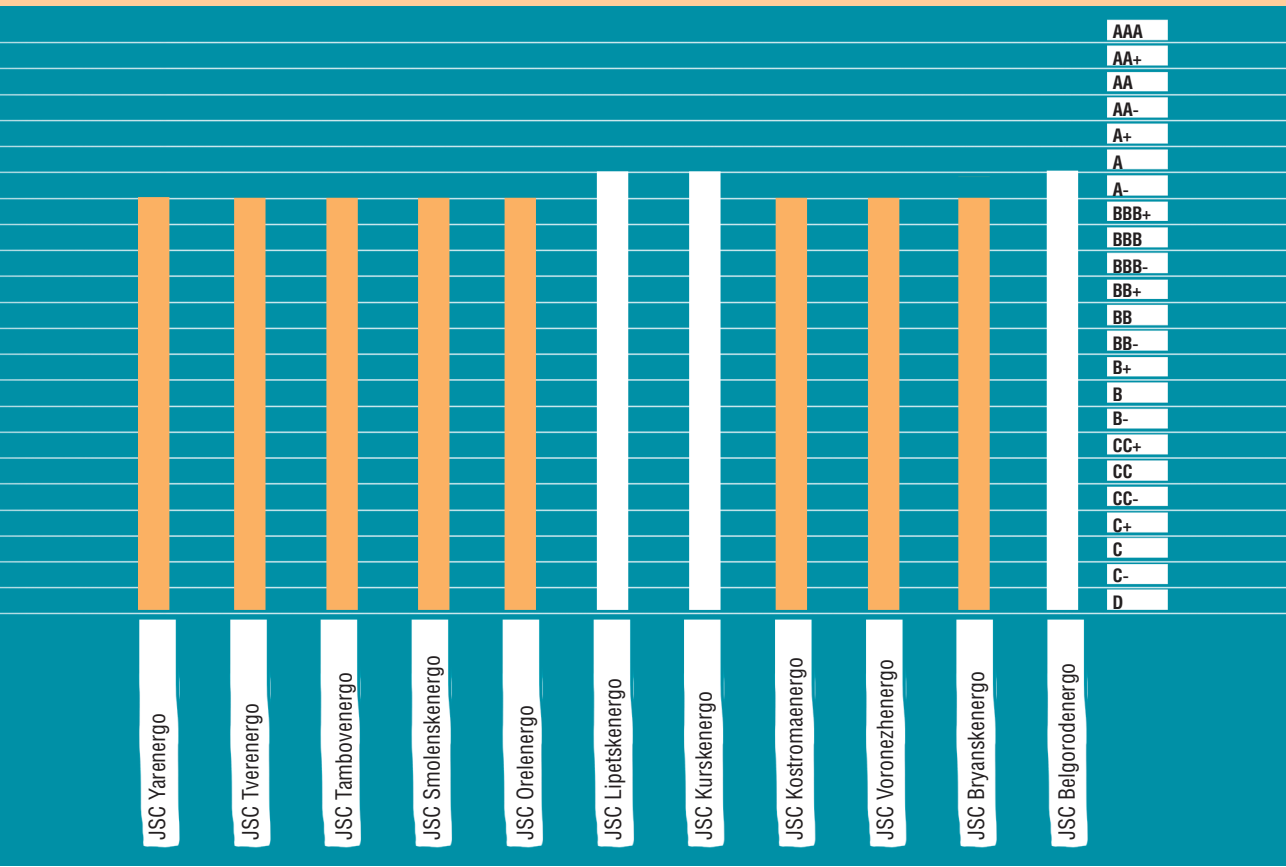
In 2007 the National Rating Agency assigned a rating of credit status to IDGC of Centre on the “A” level – high credit status, second level. DGCs of IDGC of Centre’s responsibility were also assigned credit ratings (“Certificate on the credit rating assignment” is given in Appendix 3 to the Annual Report). JSC Belgorodenergo, JSC Kurskenergo and JSC Lipetskenergo have an “A-“ rating of high credit status, the

third level; all other DGCs of IDGC of Centre were given a “BBB+” rating of sufficient credit status, first level. The summary information on organization of competitive procedures at purchasing financial services within the limits of 135-FL is presented in the table 3-3.

Within the limits of 135-FL “On protection of competition”, DGCs purchased such services as granting of credit resources, opening and keeping bank accounts, and granting guarantees.

Diagram 3-13

RATINGS ASSIGNED TO DGCs BY THE NATIONAL SCORING AGENCY



For the period since January 2007 to January 2008, 43 competitions on the purchase of credit resources were held, and 65 lots were bought for the amount of 8, 062 million rubles. From 43 competitions those which were actually recognized as not taken place (one participant took part in the competition, or there were no participants and resources were purchased

from a single source) equal 27 competitive procedures, which is 63% from the total amount of competitive purchases of financial services. The world liquidity crisis contributed to growth of rates on the credit resources used by DGCs; thus, as of 31.12.2007, the average interest rate for borrowed credit resources equaled 10.5%.

Table 3-3

THE SUMMARY INFORMATION ON ORGANIZATION OF COMPETITIVE PROCEDURES AT PURCHASING FINANCIAL SERVICES

DGC	Amount of held competitions/ purchased lots	Competitions did not take place, pieces/in percentage from total amount of competitions	Total amount of credit recourses purchased, million rubles	Average weighted rate of attraction, %
JSC Belgorodenergo	3/4	3/100	1168	9.3%
JSC Bryanskenergo	4/6	2/50	650	10.6%
JSC Voronezhenergo	4/8	3/75	700	10.8%
JSC Kostromaenergo	2/3	1/50	193	11.6%
JSC Kurskenergo	4/7	1/25	567	11.4%
JSC Lipetskenergo	4/9	1/25	965	10.7%
JSC Orelenergo	3/3	3/100	600	10.2%
JSC Smolenskenergo	7/7	6/86	825	9.6%
JSC Tambovenergo	2/5	2/100	500	9.6%
JSC Tverenergo	5/7	2/40	800	10.1%
JSC Yarenergo	5/6	3/100	1094	10.9%
TOTAL in IDGC of Centre	43/65	27/63	8 062	10.5%

3.3 INCREASE OF ECONOMIC EFFICIENCY OF BUSINESS

PROVISION OF GROWTH OF NGP FOR MAINTENANCE FOLLOWING THE RESULTS OF THE TARIFF CAMPAIGN OF 2007

Average growth of the necessary gross profit – NGP – for maintenance in DGCs in the responsibility zone of IDGC of Centre equaled 28.7%, thus the main growth was provided due to inclusion of the essential volume of the investment component (amortization + net profit in view of profit tax) – 75% (+ 2 990 million rubles); other expenses in NGP – 14%.

INCREASE OF CHARGES EFFICIENCY

Following the actual indicators of 2007, there were positive changes of the main indicators of estimation of activity, at growth of proceeds from the fact of 2006 in 25%, growth of production costs of 19%, growth of gross profit of 71%, and growth of net profit of 51%. Together with this, there was growth of the share of gross profit in the volume of proceeds from 13% up to 15% provided by a decrease in the share of cost prices from 87% up to 85% in the total amount of proceeds. In its turn, actual charges from the scheduled level on purchased energy for other and economic needs by 7%, as services of UES FGC decreased by 2%. In total debts of EGC to DGCs, the level of doubtful debt decreased by 131 million rubles, thus the level of EGC payment in 2007 in view of repayment of the delayed debt equals 97.67%. The specific production cost per 1 conventional technical unit (average per 1 DGC) is 21 thousand rubles per 1 c. t, which does not exceed the target level of 22 thousand rubles per 1 c. t. u.

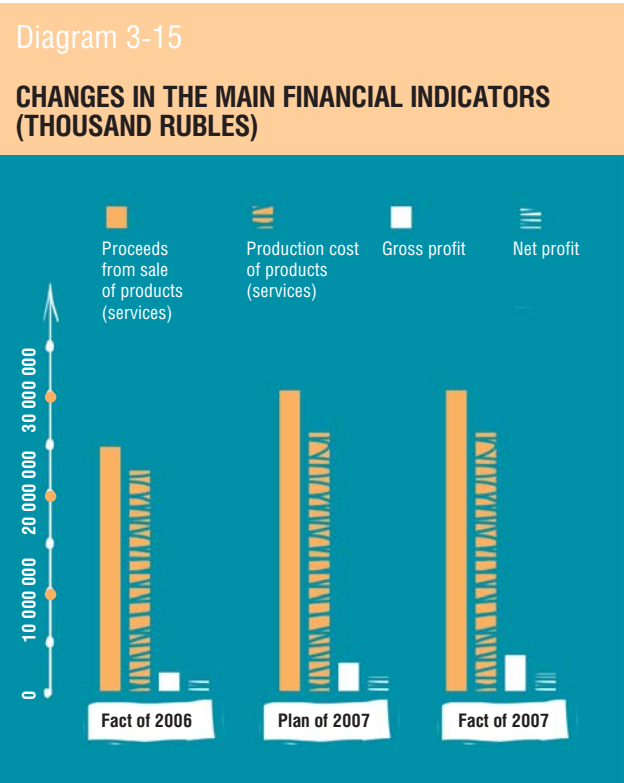
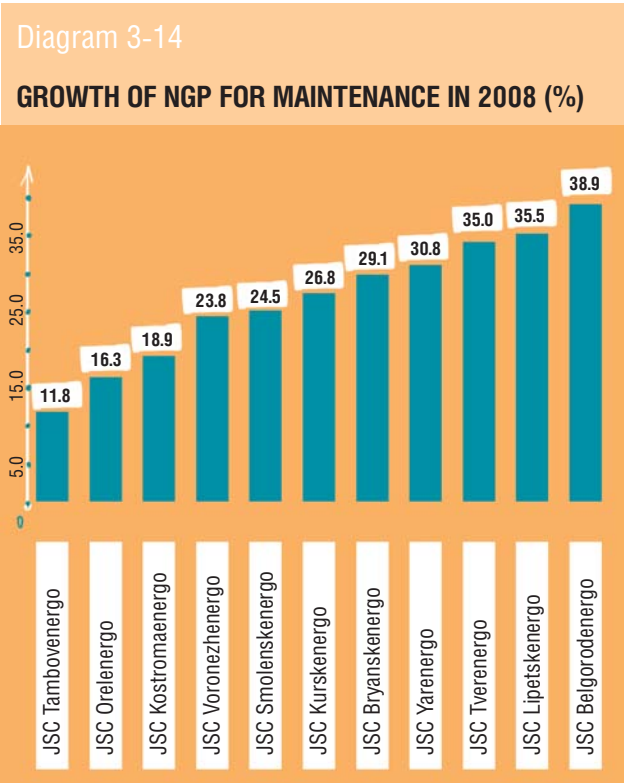


Table 3-4

**CONSOLIDATED INFORMATION ON EXECUTION
BY IDGC OF CENTRE AND DGCS OF KPI**

DGC	Return on equity (ROE) provided by funds flow, %		Loss of electric power to the supply to the network, %	
	target	actual	target	actual
IDGC of Centre	0.19	174.67	0.00	0.00
IDGC of Centre (as a management company of DGCs)	2.64	5.22	10.6	9.52
JSC Belgorodenergo	8.82	21.18	7.79	6.98
JSC Bryanskenergo	2.25	2.69	7.00	5.14
JSC Voronezhenergo	1.08	1.11	10.70	10.09
JSC Kostromaenergo	12.31	12.41	16.95	15.33
JSC Kurskenergo	1.23	2.10	11.26	9.15
JSC Lipetskenergo	0.36	0.53	8.70	8.35
JSC Orelenergo	1.23	1.28	14.20	12.90
JSC Smolenskenergo	1.53	1.72	18.25	17.65
JSC Tambovenergo	0.04	0.07	7.72	7.52
JSC Tverenergo	0.99	1.01	15.59	15.05
JSC Yarenergo	-2.47	0.48	7.60	5.63

Key performance indicators of 2007 results were executed by all DGCs in the responsibility zone of IDGC of Centre.

Reliability criteria, simultaneously:							
Non-admission of the over-limit number of accidents that correspond to characteristics of subitem 2.1.of Instruction		System indicator of interruption of supply of consumers (for feed lines with power equal to or more than 6kV)		System indicator of the average duration of supply of consumers (for feed lines with power equal to or more than 6kV)		Efficiency of realization of investment program of the current quarter (according to the terms and cost), %	
target	actual	target	actual	target	actual	target	actual
0	0	0	0	0	0	0	0
0	0	<1	<1	<1	<1	100	120
0	0	<1	<1	<1	<1	100	135
0	0	<1	<1	<1	<1	100	100
0	0	<1	<1	<1	<1	100	108
0	0	<1	<1	<1	<1	100	125
0	0	<1	<1	<1	<1	100	153
0	0	<1	<1	<1	<1	100	100
0	0	<1	<1	<1	<1	100	128
0	0	<1	<1	<1	<1	100	127
0	0	<1	<1	<1	<1	100	110
0	0	<1	<1	<1	<1	100	174
0	0	<1	<1	<1	<1	100	101

3.4 DIVIDEND POLICY

The Company established the mechanism of definition of the amount of dividends and their payment to be transparent and clear to shareholders, the order of payment of dividends to be the most convenient for shareholders, and also to take measures excluding incomplete or untimely payment of declared dividends.

The dividend policy of the Company is based on the balance of interests of the Company and its shareholders as definition of the amount of dividend payments, on respect and strict observance of rights of the shareholders stipulated by the current legislation of the Russian Federation, the Charter and internal documents of the Company, and is directed at an increase in the Company’s investment appeal, its capitalization and joint-stock value.

With a view of maintenance of transparency of the mechanism of the definition of the amount of dividends and their payments, and also informing shareholders and other interested persons about the dividend policy of the Company, the Board of Directors of the Company (minutes 011/06 as of 30.11.2006) approved the Regulations about the dividend policy of IDGC of Centre, which defines the main conditions of payment of dividends, the method of definition of the amount of dividends, the method of decision-making on payment of dividends, and also the method and terms of payment of dividends on shares of the Company.

The Company provides an opportunity of reception by shareholders of the full information on the amount and order of payment of dividends contained in the decision on payment of dividends. In this connection, the decision on payment of dividends specifies the amount of dividends per shares of each category (type), and also the form and term of payment of dividends is underlined. At definition of the order of payment of dividends, the Company aspires to provide the most convenient way of their reception for shareholders and meeting the requirements of legislation.

Table 3-5

DIVIDEND HISTORY OF THE COMPANY

Period (year)	Dividend per one share, RUR	Amount of the accrued dividend, RUR	Share of net profit directed to dividend payments, %
2004*	-	-	-
2005	0.01549	1 549 000	63.33
2006	0.0283	2 830 000	18.67

* IDGC of Centre was registered on 17 December 2004 (the Company shares issue was registered on 24 March 2005)

Dividends following the results of 2005 and 2006 were paid to the unique shareholder of the Company in full in the terms defined by the decision of the shareholder. The decision on payment of dividends following the results of 2007 will be ac-

cepted not later than six months after termination of the fiscal year at the annual general meeting of shareholders of IDGC of Centre.

3.5 GOALS OF THE “FINANCE” PROSPECT SINCE 2008

The goal of any investments is their augmentation, which is a return of the original money resources with profit, thereby defining the profitability of the investment activity.

Return of the investments made in the company is provided by its free monetary flows, which are money resources which can be withdrawn by investors from the company without damage to its further activity. These means can be in full or in part re-invested in the company for the purpose of expansion of scales of its operations and receiving greater profit in the future. The degree of achievement by investors of the goal is defined by the company value. The value of the company is understood as its fair market value cleared of tactical and agiotage fluctuations, and also from possible regular reassessment or underestimation of the company by the market. The main purpose of financial and economic activity of the company is to increase the company's value. For achievement of the given purpose, the following sub-goals are formulated:

- to generate the system of value-focused management of the company;
- to increase the free monetary flow;
- to raise business efficiency.

Management by cost is an integrated process directed at qualitative improvement of strategic and operative decisions at all levels of the organization due to concentration of efforts on key factors of value. Thus, management by cost means construction of the precise cost-focused system allowing to estimate the influence of each administrative decision on the cost of the company. For this purpose, solution of tasks in many fields of activity of the company is necessary: construction of a multifactor financial cost-focused model of business; formation of a system of business processes in view of the chain of creation of the added value; acceptance of administrative decisions on the basis of the cost-focused approach. Application of the principles of the value-focused management creates in the company a control system of factors of cost allowing – by concentrating on the main thing – to operate the company with

a view at long-term escalation of its value and maintenance of stability in an unstable environment. For an increase in value it is necessary to support, first of all, development rates, and to show efficiency of activity on a level exceeding the average level in the sector. IDGC of Centre develops the program of actions of management by the cost, directed to:

1. Increase of financial efficiency

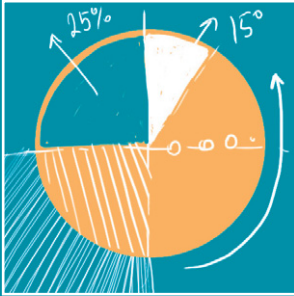
- estimation of efficiency of other possible ways of loans;
- organization and short-term placement of temporarily free money resources of subordinated DGCs;
- support of a worthy rating of credit status at transformation into a unified operational company (UOC);
- attraction of credit resources in the amount of 10 billion rubles for IDGC as a UOC including 3 billion rubles of long-term credits;
- formation of a leasing program for 2008 in the amount of 1.5 billion rub.

2. Increase of operational efficiency of business

- decrease in the level of long-term and deferred debt receivable by DGCs;
- optimization of balance structure, improvement and automation of the processes of budgetary management;
- organization of normalization of expenses on the basis of benchmarking;
- development of an effective outsourcing policy;
- realization of the program of an increase of efficiency of assets use;
- optimization of the dividend policy;
- development of anti-recessionary actions on problematic DGCs;
- organization of work on duplicating the successful experience in DGCs (implementation of systems of increase of efficiency of DGC activity);
- maintenance of unconditional performance of cash flow control parameters;
- development of projects of inter-organizational normative documents on interaction with electric grid companies;
- non-admission of interruption of insurance coverage
- duly conclusion and financing contracts of insurance within the limits of the approved program of insurance coverage
- increase of the overall performance with the insurance of companies, in particular settlement of insurance cases
- maintenance of the establishment of tariff-balance decisions for IDGC of Centre for 2008 – from 01.04.2008.
- achievement of growth of NGP on maintenance not below the growth of average supply tariffs for electric energy for 2009 across the Russian Federation
- introduction of the system of tariff regulation based on fair market profitability of the capital engaged in DGCs.

3. Increase of investment efficiency

- inclusion in the investment program of projects having higher parameters of economic efficiency;
- maintenance of attraction of target credits under effective investment projects.



VASILY LEONTIEV

NOBEL PRIZE IN ECONOMICS

An American economist. In 1973 he was awarded Nobel Prize in Economics for development of the Input-Output method and its application to important economic problems

“To predict the economy development, one needs a holistic approach. The economy of each country is a large system consisting of various sectors, and each of them produces something – industrial produce, services and so on – which are transferred to other sectors. Each part or component of the system can exist only because it receives something from the others. It is like a train schedule – where from, where to and at what time trains arrive or depart.”

*Competition and Market magazine, No. 30,
Science and Business section, 2006*





4

CLIENTS

THE MARKET OF CONSULTING AND ADMINISTRATIVE SERVICES FOR REGIONAL NETWORK COMPANIES

IDGC of Centre renders services on management and consulting services to the regional network companies in 11 regions of the Russian Federation.

The main directions of rendering by the Company to DGCs of complex consulting services as a solution to technological, financial, administrative, legal, organizational issues, and also other issues concerning maintenance of functioning and organizational and technical development of the management system by the distributive network complex, are services, the list of which is given in section 6 of the present annual report (“Rendering by the Company of consulting services” sub-section)

Besides, within the limits of the concluded contracts on transfer by the regional network companies of IDGC of Centre’s responsibility zone of the sole executive body functions, the Company renders a number of the services connected with operative management by activity by the regional network companies.

According to IDGC of Centre, the volume of the market of consulting and administrative services of the regional network companies in the responsibility zone of the Company (JSC Belgorodenergo, JSC Voronezhenergo, JSC Kurskenergo, JSC Lipetskenenergo, JSC Orelenergo, JSC Tambovenergo, JSC Bryanskenergo, JSC Tverenergo, JSC Smolenskenergo, JSC Kostromaenergo, and JSC Yarenergo) in money terms equaled 506, 046.61 thousand rubles in 2007.

IDGC of Centre’s share in 2007 equaled 82.5%, which in money terms is 417, 248.13 thousand rubles.

The share of other suppliers of consulting services for the regional network companies of the Company in money terms equaled 87, 682.87 thousand rubles, which is 17.5% of the volume of the market.

In 2008 IDGC of Centre plans increase an in the share of services on management (sole executive body) in the common portfolio of services of the Company and a decrease in the share of DGC consulting services.

Diagram 4-1

SHARE OF THE MARKET OF IDGC OF CENTRE AS A COMPANY PROVIDING MANAGEMENT AND CONSULTING SERVICES TO DGCs FOR THE MARKET OF 11 DGCs



REGIONAL MARKET OF TRANSFER OF ELECTRIC ENERGY

Many regional network companies of the Company are unique network organizations on the territory of the area having technological connection to the Uniform National Power Grid (UNPG). In this case DGCs occupy the leading position in the market of rendering services for the transfer of electric power, being the network organizations of the 1st level. Thus, any other network organization located on the territory of the area, in comparison with DGC, is subordinate in relation to UNPG, and for realization of the activity in 2007 is obliged to conclude with DGC a contract on rendering services on transfer of electric power (this concerns the organizations of the 2nd level having technological connection to DGC networks).

Consumers of services of the territorial network companies are the marketing companies and consumers – entities of the wholesale market of electric power.

The significant part of the electric power supplied to consumers passes through networks of the Company. The exception is consumers directly connected to the trunks of generation.

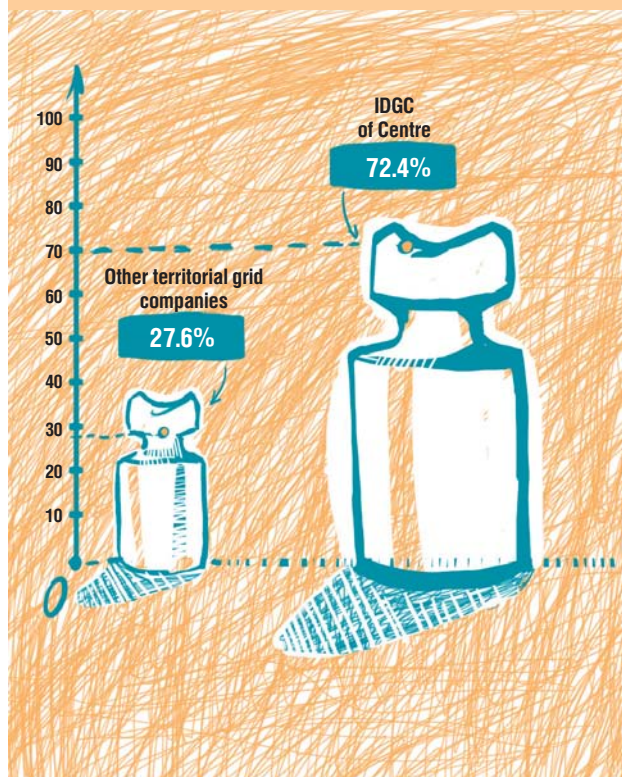
Also there are consumers directly connected to UNPG networks, however, from 2005 to 2007 DGCs concluded with the organizations (owners of the equipment of UNPG networks) contracts for rent of the grid property located on the border with directly connected consumers, and, obtained the formal right to render such consumers services for the transfer of electric power (so-called contracts of the “last mile”).

In a number of areas of the zone of the sales market of services for transfer of electric power of DGCs, there are other territorial network organizations rendering similar services on transport of electric power.

In the majority, these organizations are in the property of the state and municipal formations and are presented in organizational – legal forms of the municipal unitary enterprises or state unitary enterprises.

Diagram 4-2

ELECTRIC POWER TRANSMISSION MARKET SHARES WITHIN THE IDGC OF CENTRE'S TERRITORY IN 2007 (%)



Thus, the structure of the market of services on transfer of the electric power for 2007 was as follows:

- the total amount of the market in natural expression is IDGC of Centre, in 2007 equaled 58,390 million kWh. The share of DGCs of the zone of responsibility of IDGC of Centre on the market equaled 72.4%;
- the share of other territorial network organizations in the market equaled 27.6%, which in a natural expression equals 14,140 million kWh.

Table 4-1

MARKET SHARES ON TRANSFER OF ELECTRIC POWER – OTHER TERRITORIAL GRID ORGANIZATIONS

DGC	PE in DGC for 2007, million kWh	PE of TGO for 2007	Market share for transfer of electric power in DGC of IDGC of Centre
JSC Belgorodenergo	10 234	0	100.0%
JSC Bryanskenergo	3 858	1 479	67.7%
JSC Voronezhenergo	7 369	1 712	82.3%
JSC Kostromaenergo	2 555	0	100%
JSC Kurskenergo	5 219	1 100	78.9%
JSC Lipetskenergo	6 965	3 377	34.3%
JSC Orelenergo	2 159	107	95.27%
JSC Smolenskenergo	3 271	0	100%
JSC Tambovenergo	3 015	1 195	63.8%
JSC Tverenergo	4 589	1 738	67.8%
JSC Yarenergo	7 162	3 539	52.2%
Total	56 394	14 140	72.4%

THE MARKET OF TECHNOLOGICAL CONNECTION OF DGC IN THE COMPANY'S RESPONSIBILITY ZONE

It is difficult to estimate the share of the market of technological connections. Within the limits of the territory served by regional network companies of IDGC of Centre, a number of resellers operate rendering services for technological connection, and those not accountable to RAO UES of Russia. In connection with absence in 2007 of the acts regulating inter-network interaction at technological connection of consumers to electric networks, it is impossible to calculate the total

amount of the market with the sufficient degree of reliability that does not allow to separate share IDGC of Centre in the given direction.

Nevertheless, the total amount of the involved means from technological connection by the regional network companies in 2007 equaled about 2,565 million rubles. The volume of the connected capacity in total expression equaled 481 MW. According to the Company experts' estimation, the share of market of IDGC of Centre is around 70%.

4.2 REALIZATION OF SERVICES ON TRANSFER

The main industrial activity of DGCs is rendering services on transfer of the electric power, thus the significant influence on the level of efficiency of the distributive network companies renders the amount of technological and commercial losses.

Following the results of work of IDGC of Centre in 2007 within the contour of the formed DGC, the volume of services (production supply) equaled 56.394 billion kWh that in comparison with indicators since 2006 (54.042 billion rubles) is larger by 2.35 billion kWh or 4.35%.

Table 4-2			
DYNAMICS OF THE VOLUME OF SERVICES ON TRANSFER IN 2006–2007			
	Productive supply of the electric power		
DGC	2006	2007	Change
IDGC of Centre	54 042 089	56 394 813	4.35%
JSC Kostromaenergo	2 484 975	2 554 986	2.82%
JSC Yarenergo	5 743 417	7 162 430	24.71% *
JSC Bryanskenergo	3 767 524	3 857 512	2.39%
JSC Smolenskenergo	3 265 477	3 270 715	0.16%
JSC Tverenergo	4 498 660	4 589 091	2.01%
JSC Belgorodenergo	9 580 438	10 233 596	6.82%
JSC Voronezhenergo	7 289 100	7 368 684	1.09%
JSC Kurskenergo	5 151 981	5 218 914	1.30%
JSC Lipetskenergo	6 973 626	6 965 419	-0.12%
JSC Orelenergo	2 248 807	2 158 598	-4.01%
JSC Tambovenergo	3 038 085	3 014 868	-0.76%
* Growth of the indicator is connected with approval of the tariff for generating voltage, and, as a result, growth of production supply under the economic balance			

4.3 ORGANIZATION OF TECHNOLOGICAL CONNECTION

According to the Federal Law “On the electric power industry” 35-FE of 26.03.2003, the network company obtained the second main regulated kind

of activity “Technological connection of consumers to electric networks”.

In the beginning of 2007, IDGC of Centre organized work on calculation of payment and formation of proving materials for protection in bodies of state regulation of tariffs.

From 11 network companies for 2007, the rate of payment for technological connection from the investment component was approved in 8 DGCs (in JSC Voronezhenergo the tariff of 2006 operated). For JSC Smolenskenergo and JSC Tambov-

Diagram 4-3

AMOUNT OF PAYMENT FOR TECHNOLOGICAL CONNECTION IN DGCs IN 2007 (%)

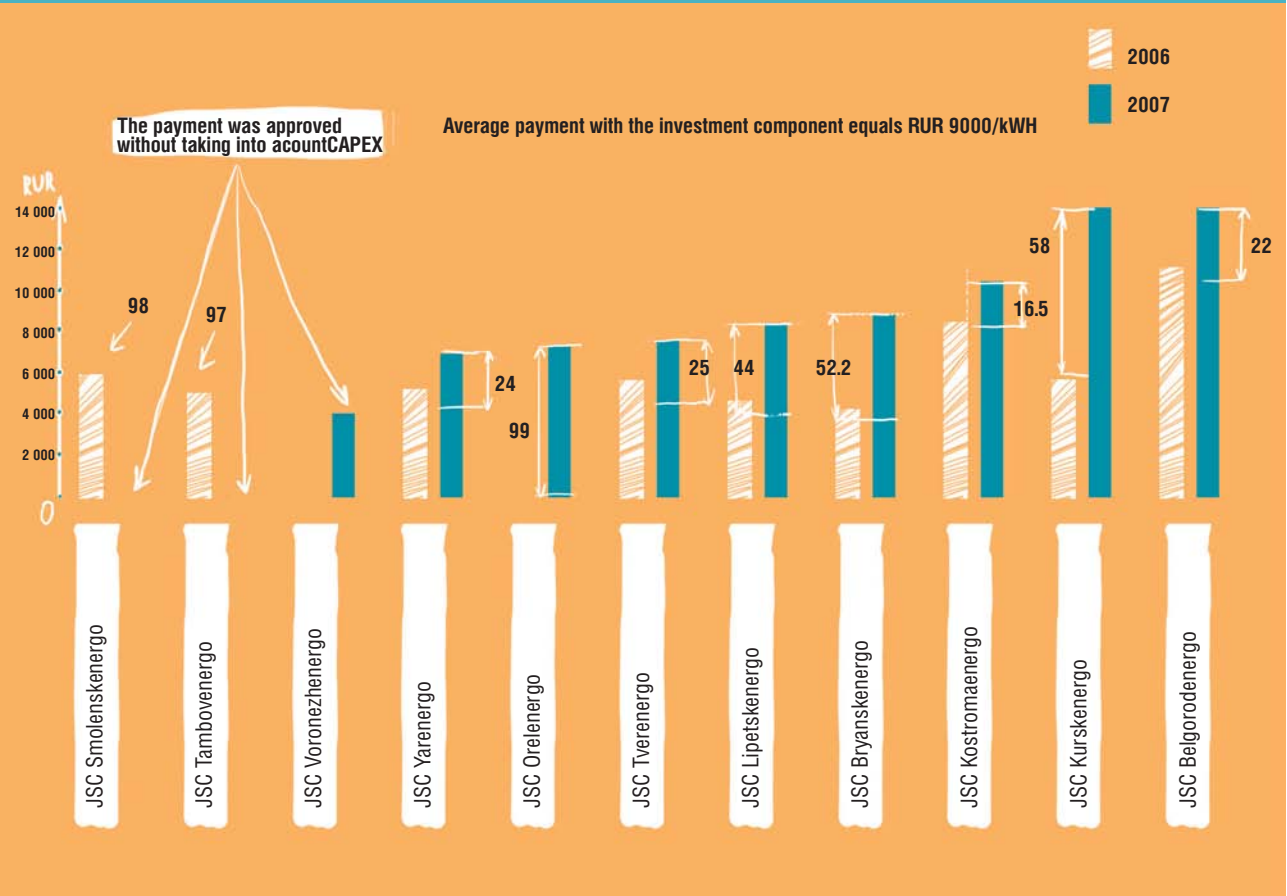


Diagram 4-4

CHANGE OF THE CONNECTED CAPACITY FOR THE LAST 3 YEARS IN IDGC OF CENTRE (KW)



energo the payment for technological connection in view of the investment component was approved by the RPC decision in an individual order.

For improvement of efficiency of the given kind of activity, IDGC of Centre held organizational changes with creation in DGCs of structural divisions which are responsible for the

process of technological connection, control of connected capacity of the power installations of the consumers to DGC networks, Order No. 220 of 12.11. 2007 "On introduction of the documents regulating activity on technological connection" was developed and introduced. Changes of connected capacity for the last 3 years are presented in the table and diagrams.

Table 4-3

**VOLUME OF TECHNOLOGICAL CONNECTION ON IDGC OF CENTRE FOR THE LAST 3 YEARS
IN VIEW OF BREAKDOWN BY LEVELS OF VOLTAGE AND CONNECTED CAPACITY**

	2005		2006		2007	
Capacity	pieces	kWh	pieces	kWh	pieces	kWh
Under 30 kWh (0.4 kV)	8 981	56 103	9 837	45 272	13 097	84 157
From 30 to 100 kWh (0.4 kV)	370	20 373	194	35 161	427	106 969
From 100 kWh (6–10 kV)	535	18 940	341	7 737	513	12 112
From 100 to 750 kWh (6–10 kV)	188	63 496	132	32 071	135	41 571
Over 750 kWh (6–10 kV)	25	56 433	25	58 529	49	165 566
Over 10 000 kWh (over 35 kV)	2	26 000	4	101 700	3	70 900
Total	10 101	241 345.32	10 533	280 469.56	14 224	481 276.37

According to the data presented in 2007 an increase in connected capacity in comparison with 2006 is observed. Growth of connected capacity on IDGC of Centre equals 58%. Substantial 4.2 times growth of connected capacity is observed in JSC Belgorodenergo, 4 times growth in JSC Voronezhenergo and 4.8 times growth in JSC Bryanskenergo, which proves substantial growth of rates of development of the Belgorod, Voronezh and Bryansk regions.

Following the results of 2007, in DGCs in the responsibility zone of IDGC of Centre, 22, 767 applications for capacity of around 2, 132 MW were submitted. The network companies concluded 19, 847 contracts on technological connection for the total capacity of about 830 MW, while 14, 224 connections to electric networks for a capacity of about 482 MW were executed. The information on volumes of technological connection for 2007 concerning DGC is given below.

During rendering services on technological connection, the proceeds equaled about 2.5 billion rubles which was directed to investments, new construction and reconstruction of grid facilities of DGC. As payment for technological connection, 358 MVA of transformer capacity were put in operation. During organization of activity on technological connection, representatives of IDGC of Centre actively participated in work on modification in the existing legislation of both the interbranch rules and the rules regulating the given kind of DGC activity.

Summing up activity of the Company in 2007 on the “Clients” prospect, we can state that planned targets for 2007 on the share of the market of the services rendered by the Company were executed. However, IDGC of Centre is doing active work to increase its share of grid services in 2008 in comparison with 2007 indicators.

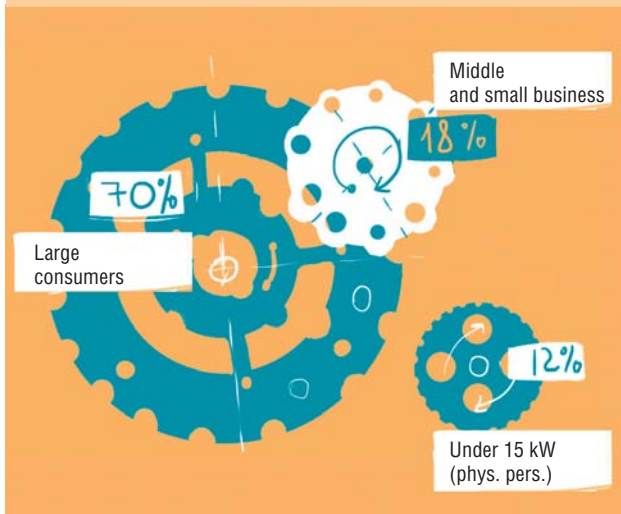
Diagram 4-5

VOLUME OF TECHNOLOGICAL CONNECTION IN 2007 ON IDGC OF CENTRE (KW)



Diagram 4-6

STRUCTURE OF THE CAPACITY FOR CONNECTION IN 2007 (%)



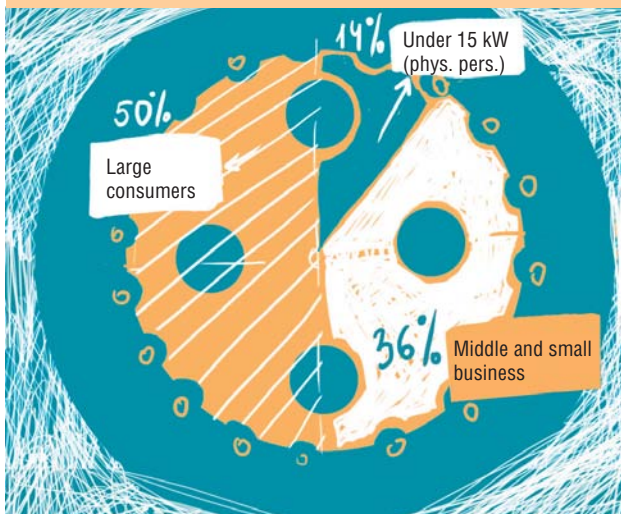
4.4 GOALS OF THE “CLIENTS” PROSPECT SINCE 2008

One of the key factors of an increase in the cost of business and investment appeal of the company is controllable volume and share of the target market segment.

However, the specific indicators of value of services of the company – the factors which are the major ones for the consumer concerning preservation of loyalty: reduction of terms of granting service, expansion of the spectrum of services; ability not only to anticipate new needs of the client, but also an opportunity to satisfy them. This will make it possible to develop a competitive strategy focused on the consumer so that in the future the strategy provides exclusive profitability.

Diagram 4-7

STRUCTURE OF CONNECTED CAPACITY IN 2007 (%)



In the field of realization of the client-focused approach in management of the company, the following strategic goals are set forth:

- 1 To guarantee full satisfaction of demand for grid services;
- 2 To provide the maximal satisfaction of expectations of clients;
- 3 To give the maximum quantity of additional services at rendering grid services.



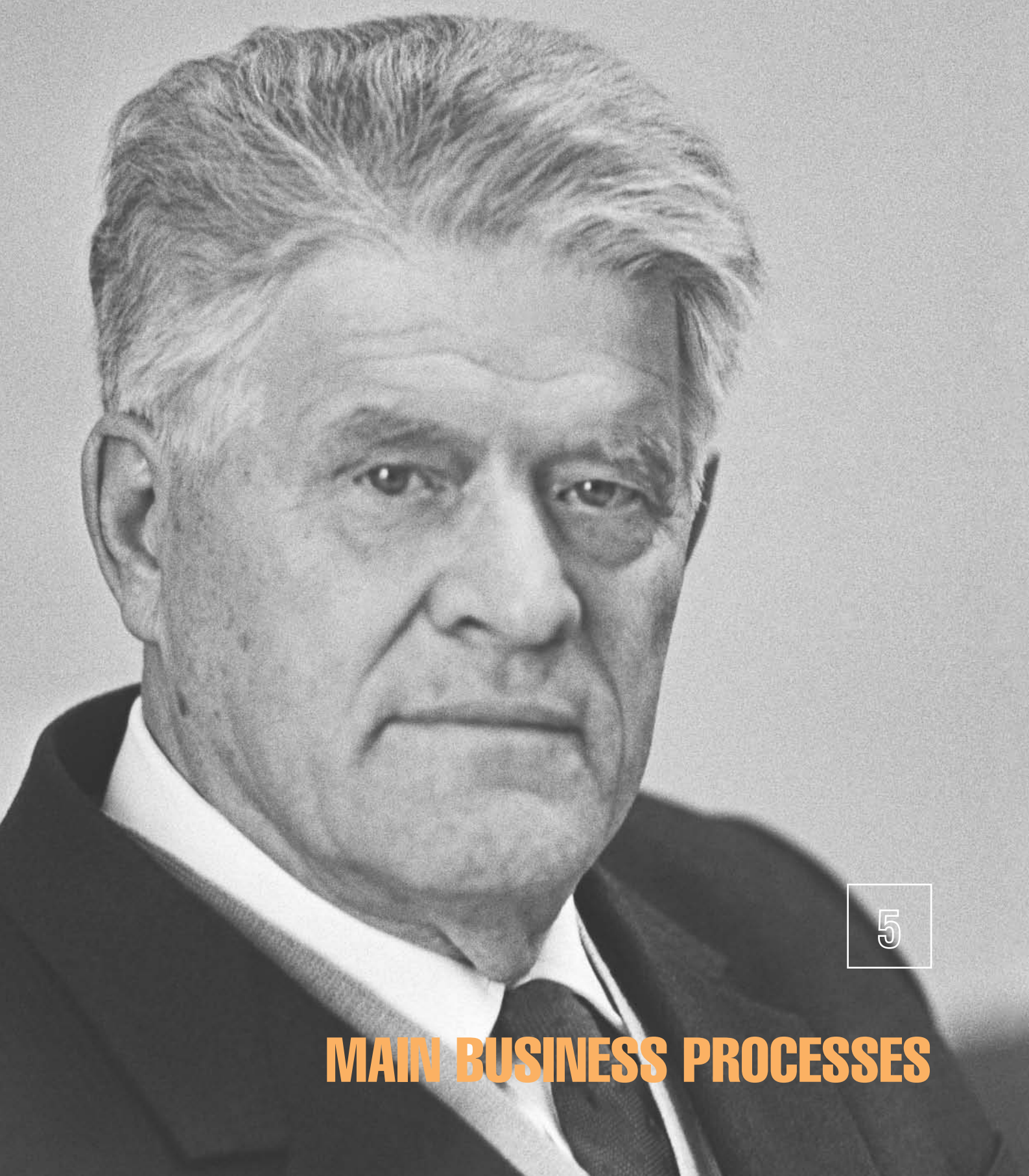
PAVEL CHERENKOV

NOBEL PRIZE IN PHYSICS

A Russian physicist. In 1958 he (in association with Igor Y. Tamm and Ilya M. Frank) was awarded Nobel Prize in Physics for discovery and interpretation of the Cherenkov Effect

Manne Siegbahn of the Swedish Royal Academy of Sciences noted in his speech that “the discovery of a phenomenon known nowadays as the Cherenkov effect represents an interesting example of how a relatively simple physical supervision along with the correct approach can lead to an important discovery and lay new ways for further research.”

Science And Engineering electronic library,
<http://n-t.ru/nl/fz/cherenkov.htm>



5

MAIN BUSINESS PROCESSES

Within the limits of the declared strategic priorities for 2007 in the field of the company's main technological business-processes the purpose of top level was defined as: "Provide efficiency of the main business processes at a level of the best world experience" which, in turn, is supported by the following purposes of the second level:

- 1 Increased reliability and efficiency of the distributive grid complex;
- 2 Increase the industrial safety level;
- 3 Provide advancing development of the grid complex;
- 4 Reduce losses.



5.1 INCREASED RELIABILITY AND EFFICIENCY OF THE DISTRIBUTIVE GRID COMPLEX

In the technical policy of IDGC of Centre emphasis is put on the problem of rational and effective utilization of necessary investments in distributive grids development and definition of repairs priority financing by results of maintenance service and diagnostics, in view of power objects grids technical condition.

Within the limits of the effect of the Company order as of 22.05.2006 No 98 "About the complex repair of power grids organization" work was continued on developing the organization of repair maintenance of DGC power grids objects by a complex method.

The increase in the share in complex repairs is provided in repair programs of 2008.

By results of the breakdown analysis, the equipment groups damaged more often were revealed.

On the basis of this analysis in all DGC of the zone of the responsibility of IDGC of Centre, the intermediate term target programs of reliability increase since 2007 are developed and realized:

- 6–10 kV oil-filled circuit breaker replacement by vacuum ones;
- OD-SC 35–110 kV air switches replacement by gas-insulated (vacuum) switches;
- holdout-rod isolation disconnect switch replacement 110 kV;
- grids automation and telemechanization 6–10 kV by means of vacuum circuit breaker VVD8–10 installation;
- retrofitting and reconstruction of PRA and APD devices.

Criteria of inclusion of objects in the given programs were developed considering such factors as consumers loading level, equipment service life, obsolescence, etc. Results of DGC repair programs execution as of 2007:

- complex repair of OL 35–110 kV – 5,350.8 km (112.7% of the plan);
- complex repair of substations 35–110 kV – 302 pieces (101.7% of the plan);
- nrids Repair 0.4–10 kV – 15,380.0 km (105.4% of the plan);
- OL 35–110 kV glades clearing – 5,121.7 hectares (112.4% of the plan);
- OL 6–10 kV glades clearing – 6,076.1 hectares (117% of the plan);
- SB repair 6–10/0.4 kV – 5,482 pieces (109% of the plan).

The common expenses for major overhaul of power grids as of 2006 of all DGCs of IDGC of Centre's zone of responsibility equals 1,161.5 million rubles, including the main directions:

- 35–110 kV OL repair – 140.4 million rubles;
- substations equipment repair 35–110 kV – 203.5 million rubles;
- 0.4–10 kV power grids repair – 506.9 million rubles;
- OL 6–110 kV glades clearing – 128.4 million rubles.

Breakdown analysis for previous years showed that OL switching-off in a significant part happens because of falling trees or overlapping on young growth. This works financing was a priority at carrying out of repairs owing to plans for reduction of OL lines to the specifications requirement are exceeded by all DGC.

The specialized technical equipment and adaptations for mechanization of works on OL lines clearing are bought, chemical processing of glades are intruded, and effective breaking machines were introduced, allowing to utilize wood waste simultaneously with clearing glades.

The order of IDGC of Centre No 201 as of 16.10.2007 regulates activity of DGCs regarding maintenance of equipment emergency reserve for carrying out accident recovery work, and also the nomenclature of the most demanded equipment was allocated and materials from an emergency reserve of every DGC administrative staff order of IDGC.

This action allows providing resources transfer at work execution of consumers electro supply in short terms.

DGC ASSETS DESCRIPTION

Regarding repair-operational activity in 2008, development and introduction of the assets control system on the basis of risks and equipment conditions estimate will be continued in IDGC of Centre, allowing in conditions of limited financial opportunities to control the process of repair and equipment replacement incurring minimal possible expenses. This system will be integrated with corporate ERP-system SAP R\3.

In 2008 introduction of module SAP R\3 PM will proceed in all DGCs (Technical support service and Equipment Repair), allowing to automate the planning process and repair-operational activity control completely.

Electric power network equipment certification should be executed with full services, and also functionality “damageability calculation” will be introduced.

With a view of the industrial activity primary goal execution, according to “Regulations about the technical policy in a distributive power grid complex”, the Company profitability of maintenance due to consumers qualitative power supply, the execution of target long-term programs of reliability increase will be continued.

Thus great attention is paid under DGC investment programs to formation of programs for realization of separators-short-circuiting switch replacement and air switches on gas-insulated, live-tank circuit breaker replacements 6–10 kV on vacuum, and also re-equipment programs and of PRA devices reconstruction.

Realization of the self-carrying isolated wires implementation program which started to work in 2007 will be continued and should be realized in 2011. RPS application will allow not only to increase grids reliability 0.4–35 kV, and improve consumers electric power supply quality, but also to lower operational expenses considerably.

Table 5-1

DGC ASSETS DESCRIPTION

DGC	OL 0,4-220 kV length along the circus, km				
	110 kV and more	35 kV	6-20 kV	0,4 kV	Total
JSC Belgorodenergo	2319	2640	17535	15536	38031
JSC Bryanskenergo	2396	1940	11417	10537	26290
JSC Voronezhenergo	4569	4158	20363	22933	52084
JSC Kostromaenergo	2301	2720	10879	8821	24721
JSC Kurskenergo	2609	3149	15040	13822	34620
JSC Lipetskenergo	2370	2585	11774	10471	27200
JSC Orelenergo	1638	1864	12884	11698	28084
JSC Smolenskenergo	3290	4238	19009	13679	40216
JSC Tambovenergo	2492	3265	11719	11587	29063
JSC Tverenergo	3828	4496	25416	17052	50792
JSC Yarenergo	1899	2410	11995	10137	26441
IDGC of Centre	29711	33 466	168032	146 333	377 542

Table 5-2

DGC ASSETS DESCRIPTION

DGC	Standard conventional unit quantity (thousand)	Quantity TS 6–10/0,4 kV, pieces	TS 6–10/0,4 kV, MVA installed power	Quantity of Sb 35 kV and more, pieces	Sb 35 kV installed transformer power and more, MVA
JSC Belgorodenergo	159.0	10 074	2 456.3	167	2 578.0
JSC Bryanskenergo	79.2	5 577	752.5	143	2 209.1
JSC Voronezhenergo	163.1	10 657	1 504.3	294	4 373.0
JSC Kostromaenergo	104.5	6 186	1 401.4	165	1 657.0
JSC Kurskenergo	123.8	8 426	1 323.5	281	3 290.3
JSC Lipetskenergo	83.7	6 081	894.3	190	2 434.8
JSC Orelenergo	81.2	5 761	787.4	142	1,645
JSC Smolenskenergo	158.6	9 063	1 750.5	252	3 071.6
JSC Tambovenergo	91.3	5 904	940.5	205	2 327.6
JSC Tverenergo	160.5	11 294	1 521.8	309	3 939.0
JSC Yarenergo	92.8	6 074	894.1	160	2 840.5
IDGC of Centre	1 297.7	85 097	14226.9	2 308	30 366.3

5.2 INDUSTRIAL SAFETY LEVEL INCREASE

5.2.1 LABOUR PROTECTION

In 2007 in DGC of IDGC of Centre responsibility zones there were 6 accidents, including 1 group (as a result of a road accident), 2 casualties – with a fatal outcome. As a result of accidents 8 workers suffered, and 4 of them died.

At investigation of group casualties at the road accident it was established that there was no administration and DGC managing staff fault.

Table 5-3

INDUSTRIAL TRAUMATISM CHANGES PER 2004–2007 (PERSONS)

DGC name	Injured person general number (persons)				Including died (persons)			
	2004	2005	2006	2007	2004	2005	2006	2007
JSC Kostromaenergo	3	1	1	0	1	0	0	0
JSC Yarenergo	3	0	2	0	1	0	0	0
JSC Bryanskenergo	5	2	2	1	0	1	1	1
JSC Smolenskenergo	5	4	3	1	0	0	1	0
JSC Tverenergo	0	1	1	3	0	0	0	3
JSC Kurskenergo	4	1	1	0	0	1	1	0
JSC Voronezhenergo	3	2	3	0	1	0	0	0
JSC Belgorodenergo	0	1	2	0	0	0	0	0
JSC Lipetskenergo	2	4	0	0	0	0	0	0
JSC Orelenergo	4	2	0	1	1	0	0	0
JSC Tambovenergo	0	1	1	2	0	0	1	0
Total	29	19	16	8	4	2	4	4

Two persons got permanent injuries in 2007, which is 2.5 times less than in 2006 (5 persons).

In 2007, 3 persons suffered from electrical shock, and one worker in JSC Bryanskenergo died. The greatest number of victims in 2007 were the result of a road accident: 3 persons died at road traffic accident in JSC “Tverenergo” (group), and one of them in JSC “Smolenskenergo” got hurt unseriously.

The amount of physical disability days in 2007 in comparison with 2006 decreased noticeably (in 2006 – 1119 resource days, in 2007 – 487 resource days.), however, expenses for damage compensation, caused to workers owing to accidents or occupational illness, and also to the persons who have the right to compensation in case of injured person death in 2007, increased almost two-fold.

MAIN ACTIVITY DIRECTIONS ON LABOUR SAFETY CONDITIONS IMPROVEMENT

For the purpose of the order of JSC RAO “UES of Russia” No 830 as of 20.11.2006 the order as of 26.12.2006 No 261 was declared in the Company in which year 2007 was announced as the “Year of labour safety and safety precautions”. Thus the main task is to decrease the industrial traumatism level, as well as preservation of personnel health, non-admission accidents with contract organizations workers, and also the third parties on DGC objects.

On the basis of IDGC order, corresponding orders were also published in every DGC. Priority directions of labour safety activity of IDGC of Centre in 2007 were:

- equipment safe service maintenance.
Planned works on equipment safe service (blocking, high-speed arc protection and so forth) were executed in repair and investment programs volume;
- manufacturing method safe using: labour safety, individual defense means maintenance;
- personnel preparation on labour safety;
- labour safety condition monitoring.

Unexpected workplaces checks are held according to the approved “Regulations about the order of constant and temporary workplace checks carried out by the Company distributive grid companies responsibility zone.”

Per 2007 in DGC of IDGC of Centre responsibility zones 48819 unexpected checks of workplaces were held. The relative effectiveness ratio of the held checks (the relation of the revealed remarks number to amount of the lead checks) equals 1.3.

Besides checks of workplaces, control over labour safety conditions was carried out within the limits of the Rules of information exchange, and also by results of labour safety condition checks by DTI inspection personnel and, within the limits of the internal technical control, over DGC commissions work, MD DGC.

Labour safety Control system actualization within the limits of which Regulations about labour safety control system (LSCS) in general on IDGC of Centre was developed, approved by the order of IDGC of Centre No 264 as of 21.12.07 and put into operation, where the main functional duties of all management structure in the labour safety area are defined from the general director to the worker.

By LSCS development the requirements OHSAS 18001, GOST P 12.0.006-2002 of the order About measures on fatal traumatism prevention of JSC RAO UES of Russia “No 656 as of 16.10.2007 are considered. The policy, purposes, tasks are developed, the main risks are analyzed and actions on their decrease are developed with inclusion in functional duties of officials. In DGC Regulations about LSCS are processed, and additions changes are made to official and industrial instructions.

DEVELOPMENT AND PROGRAMS REALIZATION ON TRAUMATISM DECREASE

In 2007 the Program on traumatism prevention in IDGC of Centre according to which DGC corresponding programs are developed and approved on DGC Boards of directors, financing sources were defined and approved.

Programs main directions:

- 1 Perfection of labour safety control system.
- 2 Introduction of management integrated system on the basis of the international standards (OHSAS 18001:1999, ISO 14001; ISO 9001), including:
 - Risks definition, identification and estimation in the professional safety and health protection areas;
 - Carrying out the received results analysis, development and statement on risks decrease plan.
- 3 Carrying out of the actions directed at organization of works execution safeties.
- 4 Increase of workers responsibility for labour safety norms execution, introduction in action of the personnel material stimulation system for work without infringements of labour safety rules (accident prevention).
- 5 Preparation of personnel for actions in extreme situations.
- 6 Psychophysiologic maintenance of the personnel work.
- 7 Maintenance of occupational safety conditions on motor transport.
- 8 Maintenance of the personnel, according to norms by means of collective and an individual defense, an establishment of a priority of purchase of modern protection equipment.
- 9 Perfection of system of the organization of operatively-dispatching management, a safety at switching in electroinstallations.

SYSTEM OF THE INTERNAL TECHNICAL CONTROL, PERFORMANCE OF INSTRUCTIONS

In all DGC, subordinated to IDGC of Centre, on the basis of Orders BE “Grids” 161r/158r as of 29.06.2006 “About creation of the internal technical control system in BE “Grids”” and №194r/188r as of 28.07.2006 “About approval of typical positions of the internal technical control system in BE “Grids””, are put into operation regulations about industrial inspection and self-checking, made additions to regulations about services of industrial inspection and labour safety.

Subjects of the internal technical control system are: department of technical inspection of IDGC of Centre, services of industrial inspection and a labour safety (SII LS) DGC, services (group) of industrial inspection and a labour safety (SII LS) PD DGC, heads of structural divisions, technicians of DGC structural divisions and their industrial branches.

The system of the internal technical control in IDGC, providing readable tasks and the responsibility sharing between various levels of the control, will be organized as follows:

Diagram 5-1

THE SYSTEM OF THE INTERNAL TECHNICAL CONTROL IN IDGC

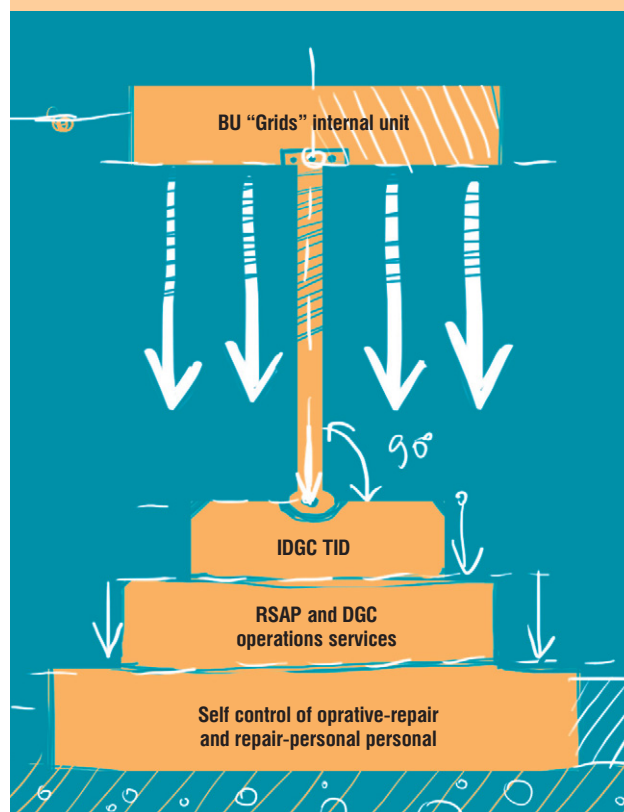
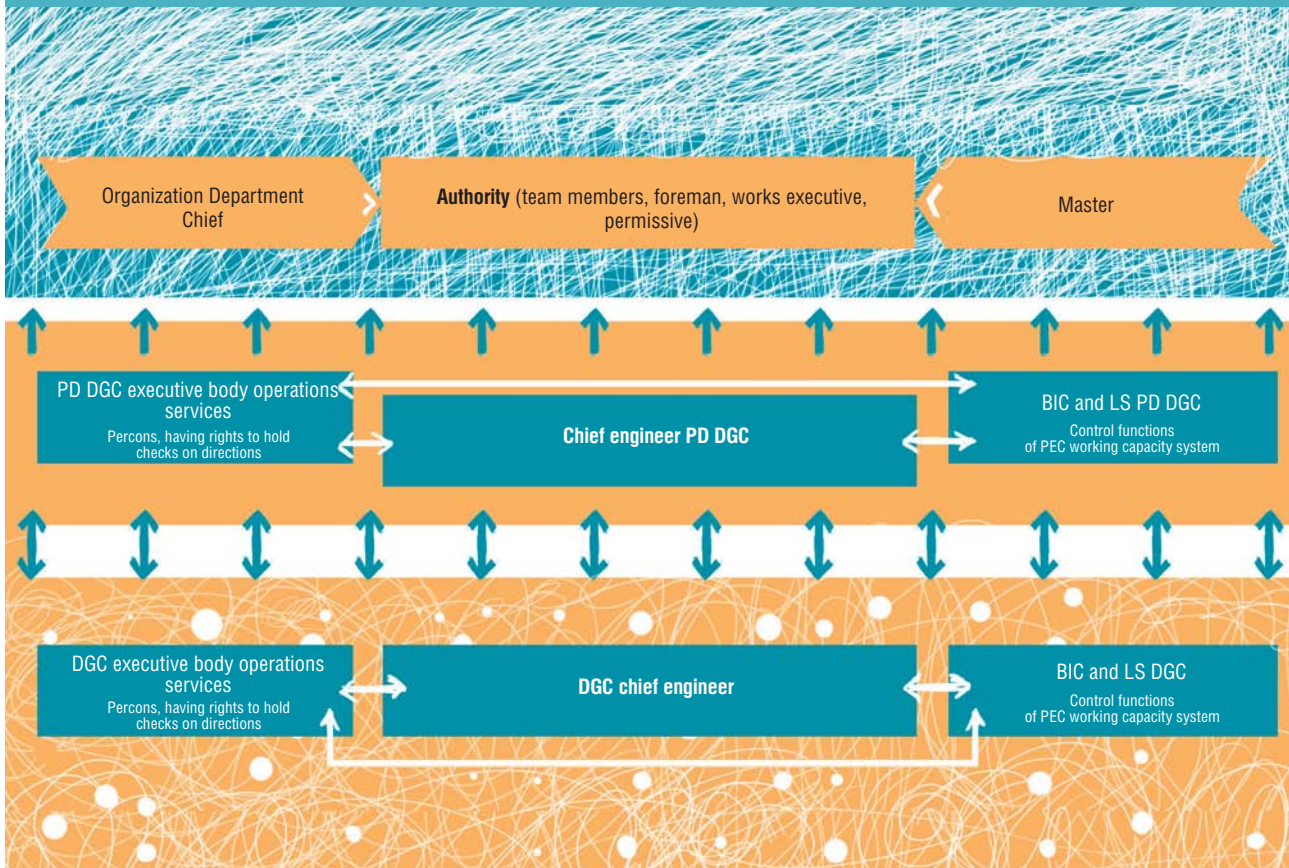


Diagram 5-2

MUTUAL RELATION IN SUBDIVISIONS AT THE INTERNAL TECHNICAL CONTROL IMPLEMENTATION



The internal technical control is carried out on two-level system. At the bottom level, self-checking by masters and chiefs of structural divisions of DGC PE is carried out. At the second level, the internal technical control by FLSS employees is carried out under supervision of chief engineer of DGC PE. Activity of the given level of ITC is controlled by chief engineer of FLSS of DGC. The coordination center in the system of ITC of IDGC of Centre is the Department for the Technical Inspe-

tion, the main activity of which is control over industrial and economic activities of DGC. During 2007, the inspection personnel of the DTI developed and performed 4,299 actions.

The primary goal of 2008 is development of uniform programs of thematic and complex checks within the limits of ITC, and also involving in system of the internal technical control of chiefs of structural industrial divisions of DGC PE and DGC.

5.2.2 PRESERVATION OF THE ENVIRONMENT

The main directions on protection of the environment against negative influence of industrial activity were defined by the “Programs of realization of environmental policy for 2007–2009” (further on called the Program) developed in each DGC and IDGC according to the requirement of the Report of the Decision of RAO UES of Russia No.1538pr/2 from 25.09.06 and approved by boards of directors.

As a whole on IDGC of Centre, the Program is executed both regarding planned actions and regarding the volume of financing. In its separate directions:

- **Protection of the atmospheric air.** The developed actions mainly concerned control over the concentration of harmful gases from motor transport exhaust with a view of non-admission of excess of the maximum admissible amount, adjustment of fuel system of cars, replacement of fuel system of cars with transition to gas, improvement and gardening of the territories. From the planned 74 actions for the sum of 1,381 thousand rubles, 70 actions were performed for the sum of 2,012 thousand rubles.
- **Protection and rational use of water resources.** Basically the work in this direction consists in control over observance of maximum concentration limit in the sewage waters, reception of the permit to unorganized dumping waters, repair of drainage systems of car washes of the enterprises for avoiding excess of maximum concentration limit of harmful substances in the water drainage or subsoil waters, and also observance of legislation regarding payment to specialized organizations for reception and sewage treatment. Of the planned 1312 thousand rubles, a total of 1012 thousand rubles was spent, and the most part of actions were executed.
- **Protection and rational use of land.** The main direction of activity is recycling of production wastes, delivery (conclusion of contracts on delivery) to specialized organizations of production wastes for the subsequent processing, burial place, and definition of the limits for placement of waste and equipment at places of temporary storage. It was planned to spend 5608 thousand rubles, while actually 5828 thousand rubles were spent. Recultivation was held only in Kostromaenergo, while other DGCs did not need it.

- **Technical actions.** This is the basic direction of activity of the organization – operation of electric power installations with parameters, requirements and characteristics in conformity with operating normative and legislation acts, including on ecological aspects. In 2007, much attention was paid to such actions as replacement of oil-filled equipment (switches) by vacuum and SF 6 circuit breakers, repair of oil-filled devices, drainage, recycling of cans with clayless salt-resistant drilling muds with ecologically dangerous trihlordiphenyl, etc. An amount of 57.9 million rubles was planned to be assigned for the actions which were included in ecological programs; actual works were performed for an amount of 127 million rubles.

It was planned to perform 277 actions as a whole on IDGC for the year 2007; actually 234 were executed for the amount of 145, 393 thousand rubles, at the target of 74,543 thousand rubles. Default of some actions (basically on development of instructions and methodical instructions) is connected first of all with absence of precise formulation and requirements as for the specificity of electric power industry (operation and transport of the electric power) and manufacture in the existing normative documents.

Diagram 5-3

DYNAMICS OF ECOLOGICAL EXPENSES (DIRECT AND INDIRECT) AS A WHOLE FOR IDGC OF CENTRE FOR 2005, 2006 2007 (THOUSAND RUBLES)



The increase in expenses is connected basically with realization of technical actions that little complicates the analysis of efficiency of accepted measures in the field of environmental policy of the Company.

As a whole in 2007, it is possible to recognize realization of the program as being satisfactory. The main tasks in view are executed, experts were trained in ecological aspects, and introduction of the system of ecological management was started.

Growth of the environmental direct costs is connected with the RAO UES of Russia adopted policy and accordingly IDGC of Centre's activity in the field of environmental policy, and observance of the nature preservation legislation. As a result, the programs on realization of environmental policy directed at reduction of negative influence on the environment were adopted for 2006, and then for 2007–2009.

APPLICATION OF ADVANCE TECHNOLOGIES AND SOLUTIONS (CONCERNING ENVIRONMENTAL ISSUES) IN ELECTRIC POWER TRANSMISSION AND DISTRIBUTION

Considering the specificity of the sector, the main direction of the decrease in negative influence on the environment is:

- application at new construction, reconstruction, re-equipment of OL up to 1000V only SIW (self-bearing insulated wires) according to the "Technical Policy of IDGC of Centre";
- replacement of oil and oil-filled switches by vacuum ones, SF 6 ones;
- recycling of cans with clayless salt-resistant drilling muds with ecologically dangerous trihlorodiphenyl;
- stage-by-stage replacement of oil-filled equipment by solid or polymeric isolation equipment;
- stage-by-stage replacement at reconstruction and re-equipment of power transformers of 6-10/0.4 kV type TM transformers of type TMG;
- application of modern cables with isolation made of cross-linked polythene, heat shrinking foils at construction and repair of cable lines that reduces use of lead.

DEVELOPMENT, INTRODUCTION AND CERTIFICATION OF THE ENVIRONMENTAL MANAGEMENT SYSTEM IN VIEW OF REQUIREMENTS OF ISO 14001 INTERNATIONAL STANDARD

IDGC of Centre started work on development and introduction of the system of environmental management. The main stages of work:

- In conformity with order No. 626 of RAO UES of Russia as of 7.09.2006, Yarenergo was defined a pilot power company on introduction of the system of environmental management and audit. On the basis of the contract of 30.05.2007 YaE-00/372-07 between Center of Power Efficiency Ltd. and JSC Yarenergo, an environmental audit was held for conformity of activity of JSC Yarenergo with requirements of nature protection legislation of the Russian Federation.
- Training the personnel responsible for the organization and introduction of the system of environmental management was organized and held.
- Internal environmental audit in DGC PE was organized and held by DGC personnel with attraction of the inspection personnel of IDGC DTI.
- Under the Program of realization of environmental policy of IDGC and DGCs for the 2007-2009 period, completion of work on implementation of the system of environmental management and certification is planned by 2009.
- In connection with the accepted concept of introduction of ISM (on the basis of ISO 14001:2004, ISO 9001:2000, OHSAS 18001 international standards), in IDGC of Centre - the first among all pilot projects of UES of Russia, joint introduction and certification of systems of environmental management (ISO 14001:2004) and quality management (ISO 9001:2000) are performed. Main principles are division of the subject areas and overlapping of system areas of projects, synchronization of works under projects, starting with the 8th stage of complex programs of QMS introduction, development of a decision on integration of QMS and EMS. For these purposes, in coordination with RAO UES of Russia and Center of Power Efficiency, the contract was prolonged within the limits of work on implementation of the system of environmental management and audit for 2008 with a completion date of 31.03.2008.

Prime environmental tasks of IDGC for 2008 and strategic environmental tasks:

- 1 In the 1st quarter 2008 it is necessary to revise programs of realization of environmental policy for 2008 and 2009 in view of the revealed remarks of DGCs audit and developed actions, and also results of the analysis of realization of environmental policy in 2007
- 2 To train in addition experts on the issues of ecology and preservation of the environment in DGCs (in conformity with available plans) for formation of groups of environmental audit, in the executive body of IDGCs for the control over and methodical management of industrial activity in the field of ecology and preservation of the environment, performance of legislative norms and rules.
- 3 To consider the issue on implementation of the ecologist position in executive bodies of IDGC, DGC, DGC PE.
- 4 To provide (under the action plan) formation of groups, performance of the volume of checks and registration of their results in conformity with requirements of the Typical Program of Environmental Audit of the power companies of RAO UES of Russia holding at carrying out internal environmental audit in 2008.
- 5 In the 1-2 quarters 2008, to develop an own environmental policy, the main directions of realization of environmental policy for 2008–2015, to hold corporate procedures providing approval of the specified documents.
- 6 To solve the issue of reception by IDGC of Centre of the license for the right of handling, gathering, use, neutralization, transportation, accommodation of waste, and also on the right of use of subsoil (for artesian chinks).
- 7 To organize control over development and reception by DGCs of draft specifications of formation of waste, and limits for their placement, other sanctions of Rostekhnadzor in the field of the nature protection legislation.
- 8 Introduction and certification of an integrated system of quality management (IMS) on the basis of ISO 14001:2004, ISO 9001:2000, OHSAS 18001 international standards.



5.3 TO PROVIDE ADVANCING DEVELOPMENT OF THE NETWORK COMPLEX

5.3.1 RESULTS OF PERFORMANCE OF THE INVESTMENT PROGRAM IN 2007

In 2007 IDGC of Centre executed the investment program within the limits of the business plan approved by the Company Board of Directors for the amount of 3,605.35 thousand rubles (deviation from the plan aside underfulfilment is 11,844.97 thousand rubles (76.7%)). Capital expenditure in fixed capital equaled 3,605.35 thousand rubles. The reason of non-performance of the investment program is that in connection with the industrial situation, performance of the “Development of the network infrastructure” project was transferred to 2008.

Volumes of capital expenditure of the company for 2007 are shown in the table.

Table 5-4 VOLUMES OF CAPITAL EXPENDITURES				
Name	Actual performance in 2006	Target of 2007	Actual performance in 2007	% of performance
CAPEX, thousand rubles	18 865.5	15 450	3 605	23.3
Investment in the fixed capital, including	18 865.5	15 450	3 605	23.3
new construction and expansion	18 865.5	15 450	3 605	23.3

DATA ABOUT PUTTING FIXED CAPITAL IN OPERATION WITHIN THE YEAR

In 2007 fixed capital for the amount of 3,605.35 thousand rubles was put in operation, which equals 23.3% of the planned volume.

Table 5-5 PUTTING OF FIXED ASSETS IN OPERATION (THOUSAND RUBLES)				
Name	Actual performance in 2006	Target of 2007	Actual performance in 2007	% of performance
Putting of fixed capital in operation, total, thousand rubles	18 865.5	15 450	3 605	23.3
Investment in fixed capital, including	18 865.5	15 450	3 605	23.3
new construction and expansion	18 865.5	15 450	3 605	23.3

SOURCES OF INVESTMENT FINANCING

The investment program in 2007 was realized due to own sources of financing - depreciation charges, in the amount of 3,605.35 thousand rubles.

Table 5-6 SOURCES OF FINANCING OF THE INVESTMENT PROGRAM (THOUSAND RUBLES)		
Sources	Actual performance in 2006	Actual performance in 2007
Depreciation	3 844.2	3605.35
Attracted means	15 021.3	0
Total	18 865.5	3605.35

5.3.2 RESULTS OF PERFORMANCE OF INVESTMENT PROGRAMS FOR 2007 ON DGC INCLUDED IN THE RESPONSIBILITY ZONE OF THE COMPANY

In 2007 the distributive network companies of IDGC of Centre executed the investment program according to the business plans approved by the boards of directors. With a view of an increase of reliability and prolongation of service life of the equipment, the investment programs of DGC for 2007 stipulated works on new construction, re-equipment and reconstruction of the fixed assets. At the target of 6, 936,

901 thousand rubles, development of capital investments in 2007 equaled 7, 838, 782 thousand rubles, which is above the planned values by 13% (deviation from the plan aside over-performance is 901, 881 thousand rubles). Moreover, due to realization of the leasing program, equipment for the sum of 1.4 million rubles was obtained.

In comparison with 2005, in 2007 the volume of DGC capital investments subordinated to IDGC of Centre increased by 4, 380, 806 thousand rubles or 2.27 times. In comparison with 2006 – by 3, 329, 458 thousand rubles or 1.73 times.

Table 5-7

PERFORMANCE OF THE PLAN OF CAPITAL INVESTMENTS (THOUSAND RUBLES, VAT EXCLUDED)

DGC	Target	Actual performance	%
JSC Belgorodenergo	1 625 576	2 259 745	139.01%
JSC Bryanskenergo	458 124	481 617	105.13%
JSC Voronezhenergo	423 680	448 446	105.85%
JSC Kostromaenergo	423 148	438 547	103.64%
JSC Kurskenergo	734 163	735 421	100.17%
JSC Lipetskenergo	890 035	893 698	100.41%
JSC Orelenergo	206 345	270 828	131.25%
JSC Smolenskenergo	470 541	488 795	103.88%
JSC Tambovenergo	348 324	359 327	103.16%
JSC Tverenergo	428 599	522 448	121.90%
JSC Yarenergo	928 366	939 910	101.24%
Total in IDGC	6 936 901	7 838 782	113.00%

Table 5-8

CAPITAL INVESTMENTS (THOUSAND RUBLES, VAT EXCLUDED)

DGC	2005	2006	2007	2007 in % to 2005	2007 in % to 2006
JSC Belgorodenergo	547 516	1 289 378	2 259 745	412.73%	175.26%
JSC Bryanskenergo	65 651	121 340	481 617	733.60%	396.92%
JSC Voronezhenergo	280 639	254 873	448 446	159.79%	175.95%
JSC Kostromaenergo	122 268	749 041	438 547	358.67%	58.55%
JSC Kurskenergo	419 192	327 719	735 421	175.44%	224.41%
JSC Lipetskenergo	317 580	387 283	893 698	281.41%	230.76%
JSC Orelenergo	74 655	67 968	270 828	362.77%	398.46%
JSC Smolenskenergo	729 851	376 211	488 795	66.97%	129.93%
JSC Tambovenergo	165 190	185 785	359 327	217.52%	193.41%
JSC Tverenergo	250 971	379 582	522 448	208.17%	137.64%
JSC Yarenergo	484 463	370 144	939 910	194.01%	253.93%
Total in IDGC	3 457 976	4 509 324	7 838 782	226.69%	173.83%

Diagram 5-5

**CAPITAL INVESTMENTS
DEVELOPMENT
IN 2005–2007
(IN RUR MN WITHOUT VAT)**



Table 5-9

**CAPITAL INVESTMENTS VOLUMES AND STRUCTURE,
INCLUDING THE SUMS OF DEPLOYMENT ON MODERNIZATION, DEVELOPMENT AND NEW CONSTRUCTION
(THOUSAND RUBLES WITHOUT VAT)**

Investments, total	2005	3 457 976
	2006	4 509 324
	2007	7 838 782
Operating enterprises' modernization and reconstruction	2005	2 272 189
	2006	2 133 020
	2007	4 080 925
New construction and expansion of operating enterprises	2005	519 311
	2006	2 128 680
	2007	3 170 692
Including technological connection of consumers	2005	18 874
	2006	759 373
	2007	2 185 333
Main assets objects purchase	2005	553 555
	2006	154 579
	2007	366 813
Non-material assets	2005	98 960
	2006	27 169
	2007	26 319
Other investments	2005	13 961
	2006	65 875
	2007	194 034

Diagram 5-6

**OPERATING ENTERPRISES MODERNIZATION AND RECONSTRUCTION
IN 2005-2007 (MILLION RUBLES)**



Diagram 5-7

NEW CONSTRUCTION AND EXPANSION OF OPERATING ENTERPRISES IN 2005-2007

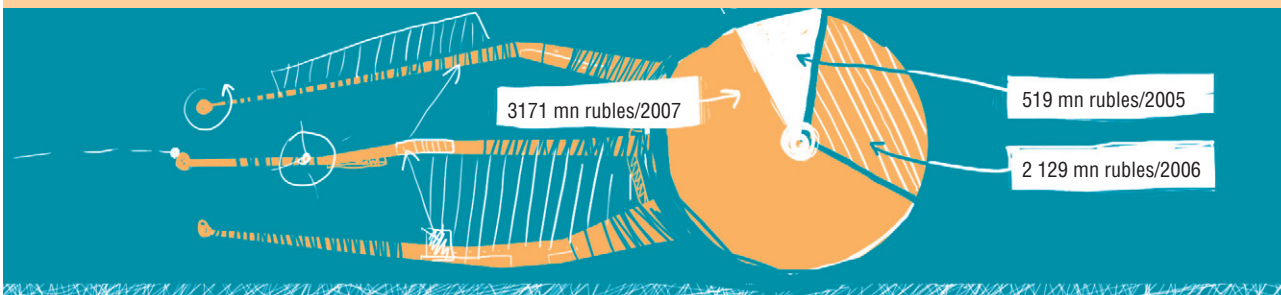


Diagram 5-8

TECHNICAL CONNECTION OF CONSUMERS IN 2005-2007 (MILLION RUBLES)

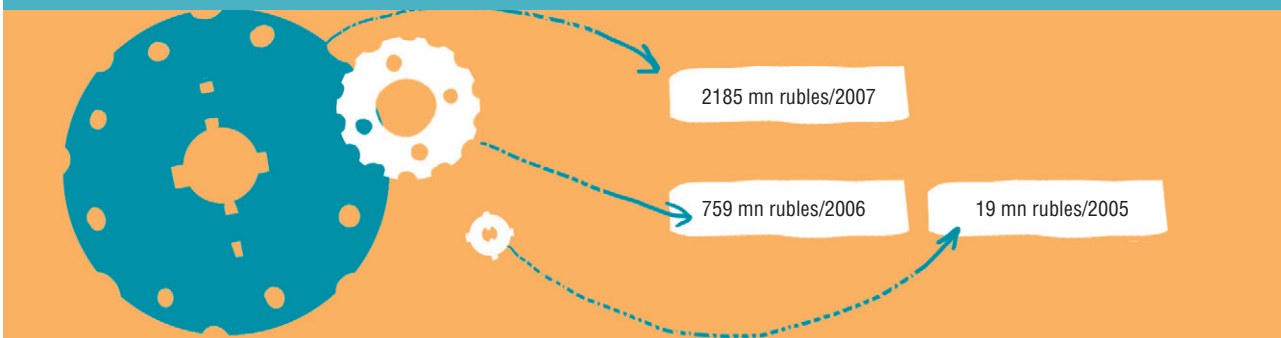


Table 5-10

**CAPITAL INVESTMENTS PLAN IMPLEMENTATION BY KINDS OF INVESTMENT
IN 2007 (THOUSAND RUBLES WITHOUT VAT)**

	TR&R			New reconstruction			Other		
DGC	Plan	Fact	%	Plan	Fact	%	Plan	Fact	%
JSC Belgorodenergo	415 855	443 089	106.55%	1 077 725	1 585 743	147%	131 997	230 913	175%
JSC Bryanskenergo	397 302	392 893	98.89%	51 128	66 633	130%	9 694	22 092	228%
JSC Voronezhenergo	343 542	355 436	103.46%	80 127	92 924	116%	10,22	85,23	834%
JSC Kostromaenergo	192 752	191 006	99.09%	172 339	183 693	107%	58 057	63 848	110%
JSC Kurskenergo	611 982	604 843	98.83%	103 981	112 080	108%	18 200	18 498	102%
JSC Lipetskenergo	375 280	334 597	89.16%	514 755	513 618	100%	0	45 483	
JSC Lipetskenergo	123 378	138 267	112.07%	82 967	132 561	160%			
JSC Smolenskenergo	437 773	434 660	99.29%	3 600	24 966	694%	29168	29169	100%
JSC Tambovenergo	348 324	351 902	101.03%				0	7425	
JSC Tverenergo	428 599	504 714	117.76%	0	17 734				
JSC Yarenergo	349 384	322 496	92.30%	471 892	443 042	93,89%	107 090	174 372	163%
Total in IDGC	4 024 171	4 073 903	101.24%	2 558 515	3 172 993	124,02%	354 216	591 885	167%

DATA ABOUT FIXED ASSETS PUT IN OPERATION DURING THE YEAR

Table 5-11

FIXED ASSETS PUT IN OPERATION (THOUSAND RUBLES)

DGC	FA input plan, thousand rubles	FA input in fact, thousand rubles	% implementation
JSC Belgorodenergo	1 620 461	2 246 041	139%
JSC Bryanskenergo	253 375	302 130	119%
JSC Voronezhenergo	405 752	428 986	106%
JSC Kostromaenergo	305 446	379 517	124%
JSC Kurskenergo	641 617	675 034	105%
JSC Lipetskenergo	680 268	348 370	51%
JSC Orelenergo	180 700	187 171	104%
JSC Smolenskenergo	358 392	307 198	86%
JSC Tambovenergo	266 051	334 957	126%
JSC Tverenergo	298 320	396 042	133%
JSC Yarenergo	928 033	766 390	83%
Total in IDGC	5 938 415	6 371 836	107%

In comparison with 2005, in 2007 input of DGC main assets, subordinated to IDGC of Centre, increased by 3 191 938 thou-

sand rubles or in 2 times. In comparison with 2006 there was an increase of 1 987 552 thousand rubles or by 1.45 times.

Table 5-12

PUTTING OF FIXED ASSETS IN OPERATION BY YEARS (THOUSAND RUBLES)

DGC	2005	2006	2007	2007 in % to 2005	2007 in % to 2006
JSC Belgorodenergo	534 198	1 297 696	2 246 041	420.45%	173.08%
JSC Bryanskenergo	46 206	123 069	302 130	653.88%	245.50%
JSC Voronezhenergo	288 296	251 440	428 986	148.80%	170.61%
JSC Kostromaenergo	87 815	759 815	379 517	432.18%	49.95%
JSC Kurskenergo	362 511	347 996	675 034	186.21%	193.98%
JSC Lipetskenergo	263 115	337 169	348 370	132.40%	103.32%
JSC Orelenergo	67 146	61 819	187 171	278.75%	302.77%
JSC Smolenskenergo	669 529	302 079	307 198	45.88%	101.69%
JSC Tambovenergo	150 123	251 212	334 957	223.12%	133.34%
JSC Tverenergo	227 396	299 988	396 042	174.16%	132.02%
JSC Yarenergo	483 563	352 001	766 390	158.49%	217.72%
Total in IDGC	3 179 898	4 384 284	6 371 836	200.38%	145.33%

Diagram 5-9

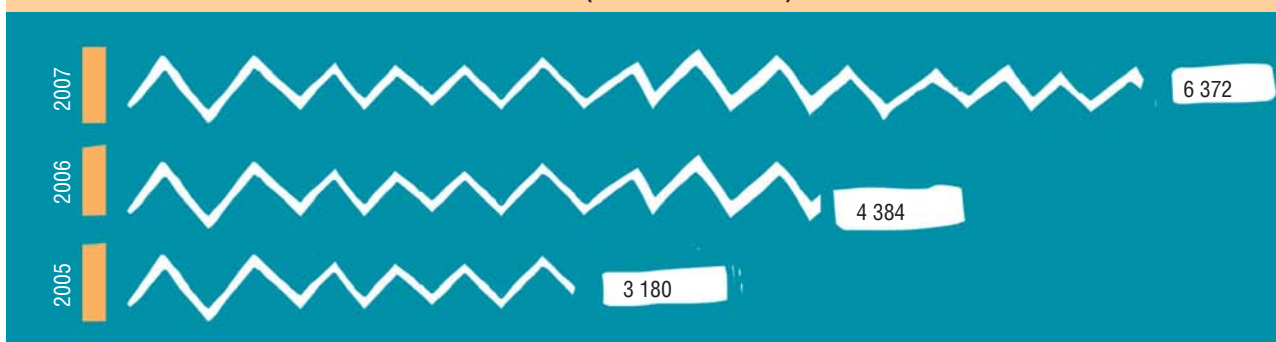
FIXED ASSETS PUT IN OPERATION IN 2005–2007 (MILLION RUBLES)

Table 5-13

FIXED ASSETS PLAN IMPLEMENTATION IN PHYSICAL TERMS

	TR&R			New reconstruction			Total		
	Plan	Fact	%	Plan	Fact	%	Plan	Fact	%
OL 0,4-10 kV, km	1 091	1 078	98.81%	1 892	2 287	120.91%	2 982	3 365	112.82%
OL 35 kV, km	49	54	109.14%	14	13	94.20%	63	67	105.87%
OL 110 kV, km	2	2	94.51%	39	38	95.66%	41	39	95.61%
CL 3-10 kV	10	4	35.65%	16		0.00%	26	4	14.12%
Total on IDGC, km	1 152	1 137	98.67%	1 961	2 337	119.23%	3 113	3 474	111.62%
PS 20 kV and low, MWA	12	37	300.32%	86	130	151.65%	98	167	170.45%
Sb 35 kV, MWA	73	101	137.43%	13	75	596.03%	86	176	204.78%
Sb 110 kV, MWA	259	306	118.15%	78	53	67.78%	337	359	106.54%
Total on IDGC, MWA	345	444	128.80%	176	258	146.48%	521	702	134.78%

In comparison with 2005, in 2007 input of the distributive grid companies' main assets, subordinated to IDGC of Centre, in physical terms increased on 1 572 km or by 1,83 times,

on 480 MWA or by 3,16 times. In comparison with 2006 by 1 536 km or by 1,79 times on 316 MWA or by 1,82 times.

Table 5-14

PUTTING OF POWER LINES AND TRANSFORMER CAPACITY IN OPERATION IN 2005-2007

	2005		2006		2007		Fact 2007 in % to fact 2005	Fact 2007 in % to fact 2006
	Plan	Fact	Plan	Fact	Plan	Fact		
ETL input, km	1 682	1 902	1 745	1 938	3 113	3 474	182.62%	179.28%
Sb, HS MBA	202	222	384	386	521	702	315.56%	181.73%

Diagram 5-10

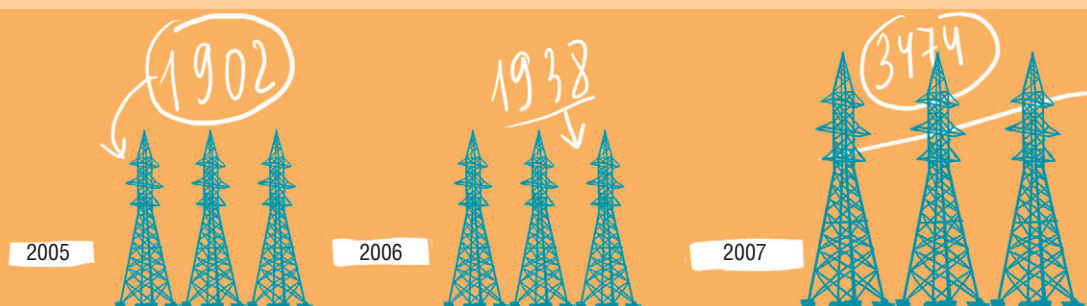
ELECTRICITY TRANSMISSION LINE INPUT IN 2005-2007 (KM)

Table 5-15

DGC INVESTMENT PROGRAMS FINANCING SOURCES OF THE COMPANY RESPONSIBILITY ZONE IN 2007 WERE THE FOLLOWING COMPANIES (THOUSAND RUBLES WITHOUT VAT)

	TOTAL	Amortization	Last years distributing investment amortization	Last years distributing investment profit
JSC Belgorodenergo	2 259 745	684 489		
JSC Bryanskenergo	481 617	166 102	25 282	2 023
JSC Voronezhenergo	448 446	261 919		
JSC Kostromaenergo	438 547	155 479		
JSC Kurskenergo	735 421	337 981		
JSC Lipetskenergo	893 698	433 178		42 621
JSC Orelenergo	270 828	135 137	32 791	
JSC Smolenskenergo	488 795	318 127	614	59 799
JSC Tambovenergo	359 327	157 881		
JSC Tverenergo	522 448	235 019	122 797	
JSC Yarenergo	939 910	222 769		132 622
Total in IDGC	7 838 782	3 108 080	181 484	237 065

Diagram 5-11

TRANSFORMER CAPACITY INPUT IN 2005-2007 (MWA)



Accounting year profit	Profit from technological connection	Other own sources	Banks credits	Local regional budgets sources	Other sources of local financing
28 166	1 172 375	165 793	208 922		
3 852	19 674		255 084		9 600
	3 257		179 624		3 646
18 863	152 949		94 075		17 181
	44 346		348 346	1 013	3 735
	19 824	61 406	334 821		1 848
	4 973		97 927		
	25 863		79 967		4 426
			192 781		8 665
	17 737		81 198		65 697
	12 143		335 987		236 389
50 881	1 473 140	227 199	2 208 733	1 013	351 187

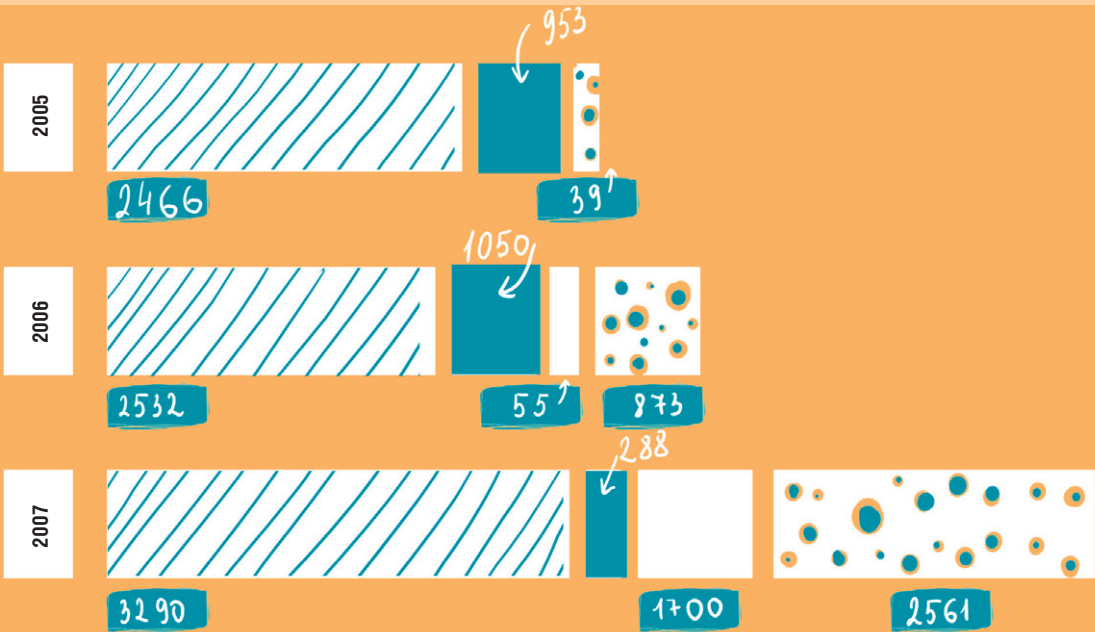
Table 5-16

INVESTMENT PROGRAMS FINANCING SOURCES PER 2005-2007 (THOUSAND RUBLES WITHOUT VAT)

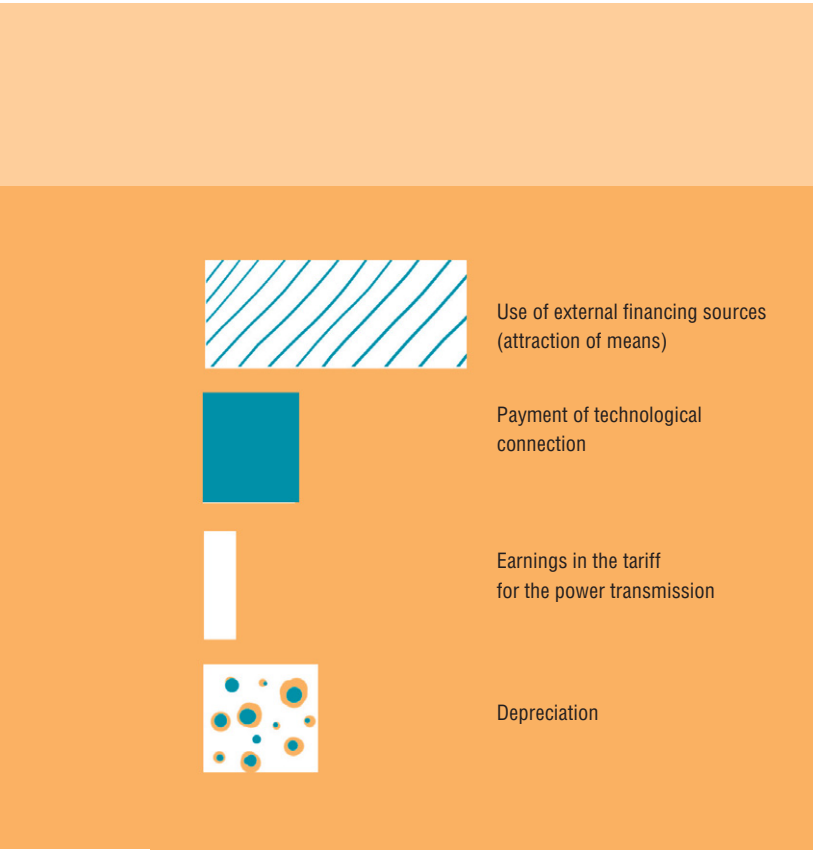
	Total	Amortization	Last years amortization	Last year profit distributed on investments	Accounting year profit for power transfer
2005	3 457 976	1 942 297	523 489	380 370	572 494
2006	4 509 324	2 374 293	157 803	244 982	804 620
2007	7 838 782	3 108 080	181 484	237 065	50 881

Diagram 5-12

FINANCING SOURCES STRUCTURE
2005-2007 (MILLION RUBLES)



Profit from payment for technological connection	Other own sources	Borrowed assets	Other sources of external financing (advanced for TC)
		39 325	
55 040		815 428	57 158
1 473 140	227 199	2 209 746	351 187



DATA ON INVESTMENT PROJECTS OF THE COMPANY AND DGCS REALIZED IN 2007

Within the limits of the investment program in 2007, the actions directed towards an increase in reliability of work and safe operation of the main equipment, its bringing in con-

formity with requirements of fire prevention rules, and labour safety and health rules were carried out.

Table 5-17

THE MOST SIGNIFICANT REALIZED PROJECTS

DGC	Facility name	CAPEX plan for 2007 in the current prices, VAT excluded
JSC Belgorodenergo	Construction of OL-110 kV Frunzenskaya-Zapadnaya Construction of PTL 0.4-10 kV, TS,DS Power supply of IHC facilities Reconstruction of overhead lines 10-0.4 kV instead of outdated lines	104 000 604 169 253 937 230 089
JSC Bryanskenergo	Replacement of wire of OL-0.4 kV by self-isolating wire (replacement of wooden supports by the reinforced concrete wires, OL–0.4 kV by the SIW) Reconstruction of SB Unecha 110/35/6 kV (Assembling of the transformer, cable lines of 6 kV, Construction of branch lines of 110 kV; 35 kV; ODU 110, 35 kV, UMC and CDU 6 kV)	84 427 37 151
JSC Voronezhenergo	Construction of dispatch panel (video cubes+) Re-equipment of SB 110/10 kV “Kalalch-2” with replacement of CDU-6 kV by the cells of 10 kV of type K-59 (21pieces) and oil-filled switches by SF 6 circuits (3 pieces) Re-equipment of SB 110/35/6kV No. 30 with installation of the transformer T-3 40.0 MVA and replacement of oscillograph H-13 by AYPА registrar of faults Re-equipment of substations 110/35/6 kV No.29, 110/6 kV No.9; 110/35f/6 kV No.16, 110/6/6 kV No.15, SB 110/6 kV No. 43 with replacement of OU-110 by the SF 6 circuits 3AP1FG-145EK made by Siemens	45 874 26 237 66 331 48 698
JSC Kostromaenergo	Construction of new IC-5 with laying cable lines from SB “Centralnaya” to IC-5, and from TPS-1 to IC-5 under Contract No. 31-C/5-TP (2006)) Construction of 10 kV DU and laying of CL-10 kV (5.7 km) under contract No. 68-C/6-TP(2006) as of 20.07.2006 with Kostromainvest Ltd.	39 108 56 360

Reconstruction and re-equipment of PTL and SB, replacement of obsolete and depreciated equipment, work on an increase in

reliability of the electricity supply and maintenance of growth of loadings and work on equipment of AIMEMS was held.

Actual CAPEX in 2007 in the current prices, VAT excluded	Plan of putting in operation of fixed assets for 2007 in the current prices, VAT excluded	Actual putting in operation of fixed assets for 2007 in the current prices, VAT excluded	Plan to put in operation capacity in 2007	Actual putting in operation of the capacity for 2007	Unit of measurement
92 852	104 000	92 874	21	21	km
1 158 120	614 376	1 161 387	407	650	km
169 480	253 937	170 665	192	192	km
240 416	232 944	243 265	190	229	km
72 714	59 423	63 448	58	49	km
44 353	37 151	44 357	16	16	MVA
47 658	45 874	47 658			
38 404	28 169	40 136	32	32	MVA
47 608	66 331	47 608	63	63	MVA
64 624	48 698	64 304			
40 825	39 108	45 745		9,0/1,26	km/MVA
55 797	56 360	55 804		12,062/0,5	km/MVA

Table 5-17

THE MOST SIGNIFICANT REALIZED PROJECTS

DGC	Facility name	CAPEX plan for 2007 in the current prices, VAT excluded
JSC Kurskenergo	Construction of OL-10 -0.4 kV (instead of the outdated ones)	68 325
	Construction of OL-10 -0.4 kV (for connection of new consumers)	43 881
	Reconstruction of OL-10 -0.4 kV	65 987
	Reconstruction of SB 110 kV with replacement of OD-SC	140 000
	Reconstruction of SB 35/6 kV "Centralnaya" with transfer to the 110 kV voltage	121 302
JSC Lipetskenergo	Program of NMC creation (IT - ADMS)	46 572
	Construction of SB-110kV "Manezhnaya" – construction of the 1st stage (housing construction)	67 017
	Construction of SB-110kV "Terbunskaya"(1st stage)	110 000
	Replacement of OD-SC, OF by SF 6 circuit breakers at SB-110kV	73 000
JSC Smolenskenergo	Implementation of AIMEMS of Smolensk and regional towns of the Smolensk area – 1st stage	43 738
	Reconstruction of OL – 0.4 - 10kV	125 068
	Reconstruction of SB-110kV (installation of SF 6 circuit breakers)	32 000
JSC Tambovenergo	SB-110 kV replacement of OD-SC by SF 6 circuit breakers	70 000
JSC Tverenergo	AIMEMS WEM	52 900
	Reconstruction of OL 0.4-10kV in the Tver area	26 430
	Replacement of OD and SC (20 pieces) at SB 110-35 kV in the Tver area	70 000
JSC Yarenergo	Construction of OL 110 kV from SB 110/35/10kV Shestikhino to SB 110/10kV Nekouz	37 485
	Construction of OL 110kV Institutskaya – Yuzhnaya (SB Yartsevo – SB Sokol)	115 704
	Construction of 2x OL 35kV from SB SPP to SB 35/10kV SCE Yaroslavl	51 755
	Construction of SB 110/10 kV SB Nekouz	105 377
	Construction of SB 35/10 kV SCE Yaroslavl	88 916
	Reconstruction of the building of OMC SB Severnaya with full formation of NMC	12 354
	Re-equipment of SB Severnaya ODU-110kV	51 622
	Re-equipment of SB110/35/6kV SCE with replacement of transformers T1,T2 and reconstruction of ODU 35 kV	41 000
	Re-equipment of SB with replacement of OD-SC at SF 6 circuit breakers (12 pieces)	42 000

Actual CAPEX in 2007 in the current prices, VAT excluded	Plan of putting in operation of fixed assets for 2007 in the current prices, VAT excluded	Actual putting in operation of fixed assets for 2007 in the current prices, VAT excluded	Plan to put in operation capacity in 2007	Actual putting in operation of the capacity for 2007	Unit of measurement
78 490	53 685	80 927	75	100	km
48 081	43 881	48 283	40	43,51/13,5	km/MVA
52 575	56 485	50 760	89	80	km
114 486	140 000	106 423	0	0	
162 586	141 284	174 118	40	80	MVA
52 838	46 572				
87 713					
111 884			25		MVA
53 277	5 000				
42 994					
138 759	106 499	113 254	113	117	km
40 934	14 000	16 557	6	6	pieces
80 038	0	68 184	20	21	pieces
72 985	0	0			
44 483	26 430	33 119		45,9/3,42	km/MVA
59 555	70 000	59 555			
37 485	39 764	39 764	9,0	9,0	km
96 456	127 876	53 083	9,2	9,0	km
51 849	53 906	0	8,0	8,0	km
101 768	109 693	106 084	12,6	12,6	MVA
88 916	92 246	92 246	12,6	12,6	MVA
36 258					
50 398	62 090	68 067			
37 344	41 000	37 344	50	5	MVA
		31 785		0	
38 564	42 000				

5.3.3 GOALS AND TASKS IN THE INVESTMENT ACTIVITY FOR THE SHORT-TERM PROSPECT

With a view of performance of actions stipulated by Plans of development of electric networks from 2007 through 2015 included in the agreement with Administrations of the entities of the Russian Federation, delivery of capacity by generation, the Company has developed and realizes the intermediate term investment program for the 5-year period on each distributive grid company.

The total amount of CAPEX for the 5-year period will equal more than 45 billion rubles.

Table 5-18

THE TOTAL AMOUNT OF CAPEX FOR THE 5-YEAR PERIOD (THOUSAND RUBLES)

Year	Plan, total, VAT excluded
2008	8 451 168
2009	10 207 572
2010	8 996 378
2011	8 133 836
2012	9 321 225
Total, plan for 2008–2012 in the current prices, VAT excluded	45 110 178

Diagram 5-13

FINANCING SOURCES STRUCTURE IN 2008–2012 (MILLION RUBLES)



Use of external financing sources
(attraction of means)



Payment of technological
connection



Earnings in the tariff
for the power transmission



Depreciation

Use of own sources, VAT excluded			Use of external sources of financing for CAPEX, VAT excluded	
Depreciation	Profit of the reporting period	Payment for technical connection – profit of the reporting year	Use of bank credits for CAPEX	Payment for technical connection – advance payments received
3 354 788	106 752	1 831 262	3 094 563	63 803
3 465 552	920 796	3 171 548	2 537 406	112 271
3 875 038	1 087 763	1 994 649	1 994 444	44 484
4 095 846	1 837 361	1 553 223	585 845	61 561
4 500 065	2 537 906	1 411 616	771 638	100 000
19 291 289	6 490 577	9 962 298	8 983 896	382 119

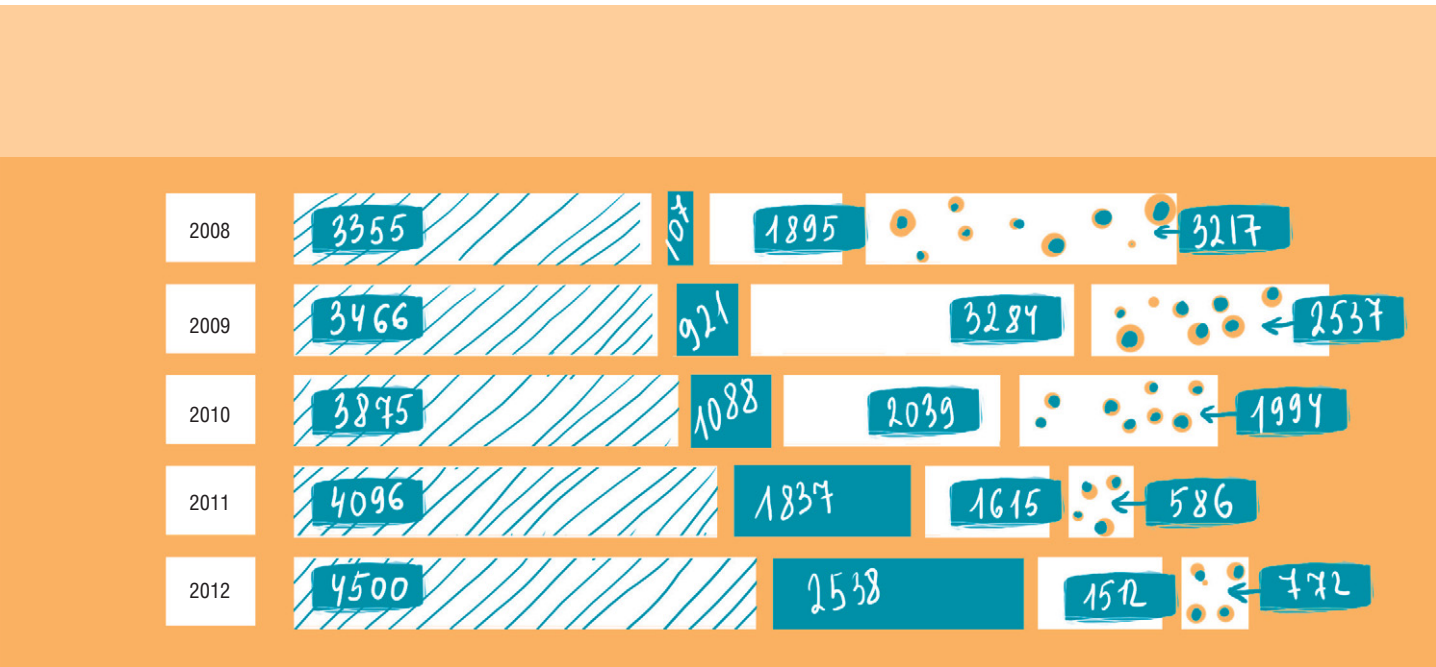


Table 5-19

PUTTING IN OPERATION OF CAPACITY IN KIND FOR THE 2008-2012 PERIOD

	Reconstruction and re-equipment		New construction		Total	
	km	MVA	km	MVA	km	MVA
2008	1535	258	588	269	2123	527
2009	1574	375	713	436	2287	811
2010	1956	107	906	587	2862	694
2011	2036	183	928	641	2964	823
2012	2892	138	913	740	3804	878
TOTAL – putting fixed assets facilities in operation	9998	1060	4047	2673	14045	3733



Elimination of point deficiency is realized in investment programs and programs of primary measures to Agreements on interaction of Administrations of regions, DGC, IDGC, FGC.

In separate regions of the country, the consumer demand for connection of additional capacity to electric networks essentially exceeds opportunities of the network companies.

This is connected both with a natural increase of consumption, and with the development of new consumer objects under steady growth of the national economy. Urgently meeting such demand is an important condition of normal social and economic development of regions.

The important investment project of the Company for the future is performance of the program of the Holding connected with new construction and expansion of the existing generating capacities and delivery of capacity to the distribution grid of DGC.

Table 5-20

ACTIONS ON CAPACITY SUPPLY TO THE POWER GENERATION COMPANIES

Generation facility, the capacity of which is supplied to the DGC network	Capac- ity, MW	Class of voltage, kV	DGC	Planned date of putting the generation equipment in operation	Amount of CAPEX, thousand rubles. VAT excluded	Planned actions
Voronezh TPS-2 (blocks 1,2)	115	110	Voronezh- energo	31.12.09	362 982,20	Expansion of SB 110/35/6kV No. 30 with reconstruction of PTL
Livny TPS	30	110	Orelenenergo	31.06.09	178 327,17	Construction of 2xOL-110 kV from SB-220kV "Livny"
North-West boiler house, Kursk city	115	110	Kurskenenergo	31.12.09	656 276,35	Construction of OL 110 kV GSI-SB 110 kV boiler house No.1; OL110 kV GSI-SB 110 kV Boiler house No.2; OL 110 kV GSI-SB 110 kV Boiler House No.3; re-equipment of SB 110 kV Boiler House (replacement of transformer and cells)
Gubkinskaya TPS (blocks 1,2)	70	110	Belgorodenergo	31.12.10	564 868,00	Construction of OL-110 kV from TPS to SB Gubkin, Construction of OL -110 kV from TPS up to SB Stary Oskol

Therefore, in 2007, on the platform of Belgorod thermal power station, a closed switching centre (CSC) was constructed which will provide delivery of electric capacity to consumers of the regional center on 6kV voltage. Construction of the switching centre is one of the important investment projects of JSC Belgorodenergo.

The company invested 190 million rubles in it. Construction of CSC is performed due to leasing. The project of expansion of the Belgorod thermal power station realized by TGC-4 branch

of Belgorod Regional Generation together with JSC Belgorodenergo will make it possible to reduce future deficiency of thermal and electric power in the regional center connected with intensive housing construction.

JSC Yarenergo completed re-equipment of SB110 //35/6kV SCE with replacement of T1, T2 transformers and reconstruction of OSC 35kV within the limits of actions on delivery of capacity of the Yaroslavl thermal power station.

INFORMATION ON EXPECTED VOLUMES
OF FINANCING OF PLANNED INVESTMENT PROJECTS

The programs of primary measures of construction and reconstruction of the objects included in the Agreement with Administrations of regions stipulates putting in operation of the transformer capacity for the five-year period in the amount

Table 5-21

THE MOST SIGNIFICANT PROJECTS FOR THE FUTURE PERIOD

DGC	Facility
JSC Belgorodenergo	Construction of SB 110 kV “Mayskaya” Construction of SB 110/10 Sadovaya Construction of OL 110 Khim. Zavod – Maksimovka Construction of SB 110/35/10 Krutoy Log
JSC Bryanskenergo	Construction of SB 110/10 kV Soloviy (OSC-110 kV, CSC-6 kV, installation of the transformer, construction of OL -110 kV) Reconstruction of SB Sovetskaya 110/6 kV Construction of OL -110 kV Tsentralnaya-Nerussa
JSC Voronezhenergo	Re-equipment of SB 35/6 kV No. 10 with transfer to the 110 kV voltage, installation of 2x60 MVA transformers, 7 cells of CDU with SF 6 circuit breaker 110kV, cells of 6 kV (20 pieces), replacement of equipment of telemechanics, communication, system of protection at microprocessor and digital basis Re-equipment of SB 110/35/6 kV No. 16. Construction of CSC -6kV with installation of K-63 cells and support of fiber-optic communication line in OL, replacement of equipment of telemechanics, systems of protection at equipment of AFSS, reconstruction of OSC- 110 kV, with replacement of OD, SC by 110 kV switches and replacement of isolating switches OL -110 kV from SB-500 kV to SB “Laboratornaya” OL 110 kV “Liski-330-Tsementnik” SB 110/35/10 kV “Laboratornaya” with transformers 2x63 MVA for power supplying the northern part of Voronezh city SB 110/10 kV “Tsementnik” (Podgornoe) with transformers 2x40 MVA

of more than 4,000 MVA and 11, 460 km of PTL. The total amount of cost of construction is estimated at 39, 869 million rubles.

The Programs stipulate new construction of 36 SB 110 kV for a total capacity of 1,163 MVA, 15 SB 35 kV for total capacity of 144 MVA, 431 km of OL 110 kV and 341 km of OL 35 kV.

Year of construction start-up	Year of construction completion	Construction budget in the current prices, VAT excluded	Physical properties of the facility, km, MVA	Unit of measurement, km, MVA
2008	2008	200 000	50	MVA
2010	2011	200 000	32	MVA
2010	2010	100 000	37	km
2009	2009	200 000	32	MVA
2007	2010	493 554	80	MVA
2007	2011	117 080	40	MVA
2010	2012	139 334	28	km
2008	2009	352 746	126,0	MVA
2009	2010	160 907		
2010	2011	199 489	30	km
2010	2011	150 000	72	km
2010	2011	659 736	126	MVA
2011	2011	441 840	80	MVA

Table 5-21

THE MOST SIGNIFICANT PROJECTS FOR THE FUTURE PERIOD

DGC	Facility
JSC Kostromaenergo	Construction SB 110/10 kV "Davydovskaya" with overhangs of 110 kV Construction of SB 110/10 kV "Borovikovskaya" with overhangs OL-110 kV
JSC Kurskenergo	Reconstruction of SB 35 kV "Tsentralnaya" with transfer to the voltage of 110 kV and increase of the installed capacity Reconstruction of OL 110 kV "Gibkin-Gorshechnoe" Reconstruction of OL 110 kV "Sadovoe-Zheleznogorsk" Reconstruction of OL 110 kV "TPS-1 - Sadovaya" Reconstruction of SB 110/10 kV "Vysokaya" with replacement of transformers 2x16 MVA by the 2x25 MVA Construction of SB 110/10 kV "Privokzalnaya" Construction of SB 110/10 kV "Rodniki"
JSC Lipetskenenergo	Construction of SB-110 kV "Universitetskaya" 2x40 MVA OL-110kV "Sitovka-TPS-2" (double-chain 2x20 km) OL-110kV "Ploskoe" (double-chain 2x10 km) Construction of SB 110 kV "Manezhnaya" with transformers 2x40.0 MVA "Terbunskaya"-Construction of SB with transformers of 2x25.0 MVA "Terbuny"- old. Construction of SB with transformers of 2x40.0 MVA "Romanovo"-Construction SB with transformers of 2x63.0 MVA
JSC Orelenergo	Expansion of SB-110 kV "Western" Construction of SB-110/10 "Severnaya" – 2x40 MVA Construction of SB-110/10 kV along the Naugorskoe Street
JSC Tverenergo	Reconstruction of SB Vagzhanovskaya Construction of SB-110 kV "Yuzhnaya-2"
JSC Yarenergo	Construction of SB Sokol 2x40 MVA (1st stage) Construction of SB Akademicheskaya with transformers of 2x40 MVA Construction of SB Kotorosl with transformers of 2x40 MVA

Year of construction start-up	Year of construction completion	Construction budget in the current prices, VAT excluded	Physical properties of the facility, km, MVA	Unit of measurement, km, MVA
2008	2009	384 674	50	MVA
2011	2012	558 371	126	MVA
2006	2008	179 021	80	MVA
2008	2010	85 698	13	km
2008	2011	114 143	8	km
2011	2012	106 800	19	km
2011	2011	140 000	50	MVA
2008	2010	102 100	50	MVA
2007	2010	138 800	50	MVA
2007	2009	221 056	80,0	MVA
2009	2010	126 000	20	km
2012	2012	110 000	10	km
2007	2008	357 533	80	MVA
2007	2008	151 000	50	MVA
2008	2009	250 000	80	MVA
2009	2010	381 183	126	MVA
2008	2009	274 000	126	MVA
2009	2010	270 000	80	MVA
2008	2009	160 000	50	MVA
2008	2010	168 063	80	MVA
2008	2011	279 053	80	MVA
2006	2009	300 548	80	MVA
2010	2011	200 000	80	MVA
2009	2010	195 000	80	MVA

Table 5-22

THE MOST SIGNIFICANT PROJECTS

Total in IDGC of Centre		2008	2009	2010	2011	2012	Total 2008-2012
Reconstruction of OL 0.4-10 kV	km thousand rubles, VAT excluded	1308,752 1 405 744	1111,14 1 510 368	1452,49 2 094 335	1225,7 1 878 025	1806,71 2 122 108	6 905 9 010 580
Construction of OL 0.4-10 kV	km thousand rubles, VAT excluded	426,33 700 459	573 899 888	651,73 1 010 940	677,1 1 144 826	649,2 1 098 210	2 977 4 854 323
Reconstruction of DS,TS (middle voltage (MV)2)	km thousand rubles, VAT excluded	39,8 53 994	46,4 55 762	53,0 26 777	9,7 27 500	110,1 122 660	259 286 693
Construction of DS, TS (MV2)	MVA thousand rubles, VAT excluded	15,8 31 305	22,5 44 961	35,1 74 037	37,0 83 439	49,9 117 360	160 351 102
Reconstruction of OL 35 kV	km thousand rubles, VAT excluded	59,8 82 102	41,0 49 459	25,2 23 600	154,1 138 496	128,5 195 334	409 488 991
Reconstruction of OL 110 kV	km thousand rubles, VAT excluded	69,12 94 615	78,6 115 939	114,8 213 563	113,1 152 813	394,4 377 899	770 954 829
AIMEMS	thousand rubles, VAT excluded	552 278	857 261	958 350	83 000	101 917	2 552 806
Reconstruction of SB 35 kV	MVA thousand rubles, VAT excluded	119,5 409 354	171,1 448 255	114,7 285 810	37,8 103 370	36,5 115 868	480 1 362 657
Reconstruction of SB 110 kV	MVA thousand rubles, VAT excluded	233 1 168 700	347 1 373 768	210 848 703	266 1 175 618	355,1 1 609 670	1 411 6 176 458
Design and research	thousand rubles, VAT excluded	261 993	117 818	102 852	113 339	181 300	777 302
Reconstruction of buildings and constructions	thousand rubles, VAT excluded	367 976	182 785	142 726	72 587	352 095	1 118 169

5.3.4 DEVELOPMENT OF POWER GRID DEVELOPMENT SCHEMES AND REGIONS TERRITORIAL DEVELOPMENT PROGRAMS

In 2007 the work on IDGC of Centre 35-110 kV grids schemes development was almost finished. The developed schemes were approved on IDGC of Centre technical councils and after

completions and coordination with the System operator were directed to Administrations of territorial authorities for the account during the regional planning.

Schemes of IDGC of Centre grids development should become the integral part of regions development territorial planning programs.

Diagram 5-14

ADMINISTRATION MANAGEMENT UNDER REGIONAL PLANNING

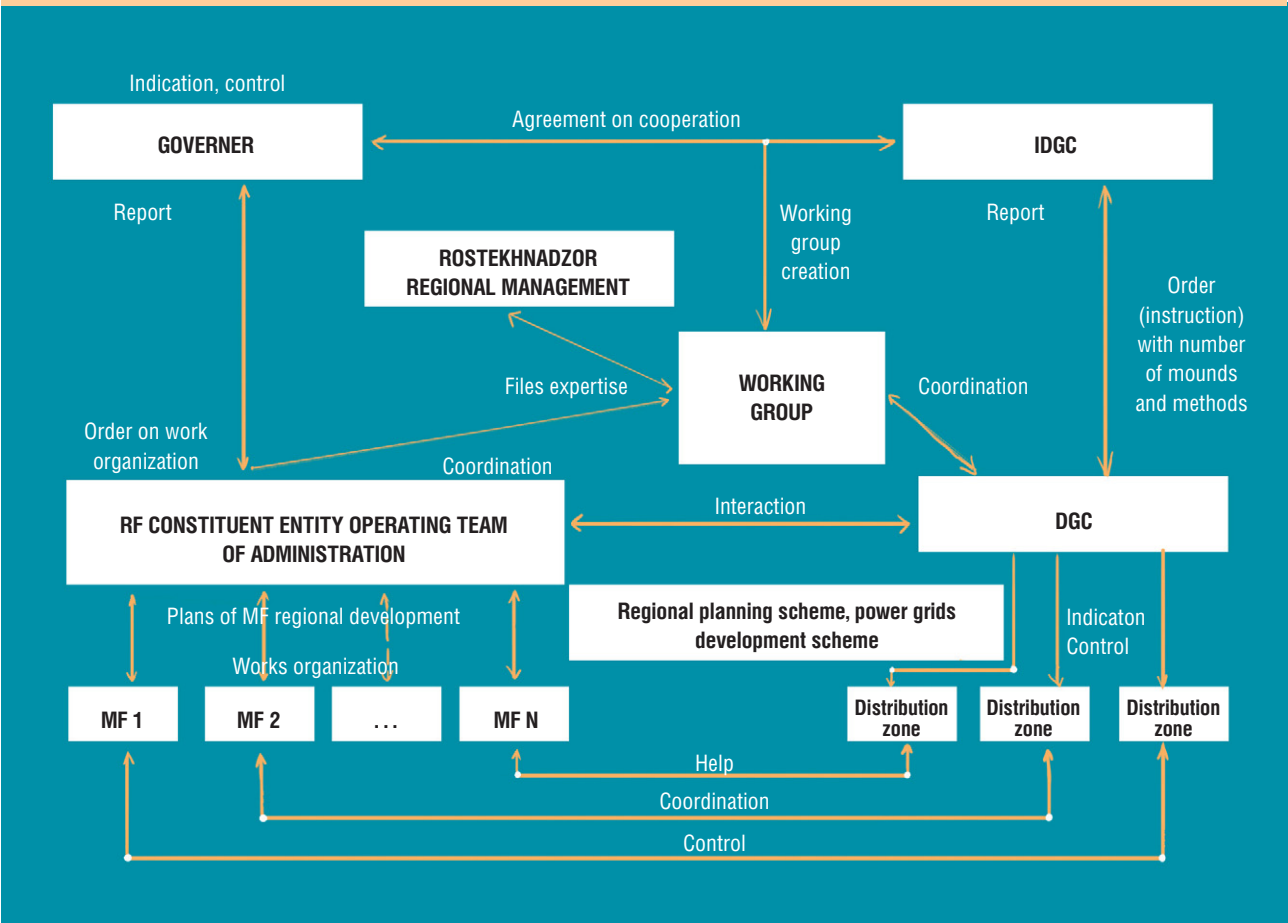


Table 5-23

GRIDS SCHEME DEVELOPMENT

RF constituent entity	Grids scheme development 35-110 kV	Regional planning documents		Quantity of municipal formation
		RF constituent entity	Municipal formation	
Kostroma region	+	-	In process	323
Yaroslavl region	+	+	In process	112
Tver region	+	+	-	405
Smolensk region	+	+	-	350
Bryansk region	+	-	-	287
Orel region	+	-	-	267
Lipetsk region	+	+	-	331
Tambov region	Under process of coordination	+	-	352
Kursk region	+	-	-	540
Voronezh region	+	-	In process	534
Belgorod region	+	-	-	337

Development plans 6-10 kV are worked out for intensively developing regions under necessity of elaboration study of variants of power grids construction

DATA ON THE COURSE OF IDGC OF CENTRE'S GRIDS DEVELOPMENT SCHEME

As a result of the executed works, optimum alternative of power grids development was offered which is underlined in the investment programs IDGC of Centre. The foundation part of the expenses offered to realization in development grids

schemes 35-110 kV have place during the period to 2010 in connection with presence of technological connection data and forward planning of regional projects during this period.

By results of annual consideration of development schemes realization course, on technical councils of IDGC of Centre the decision on updating will be made.

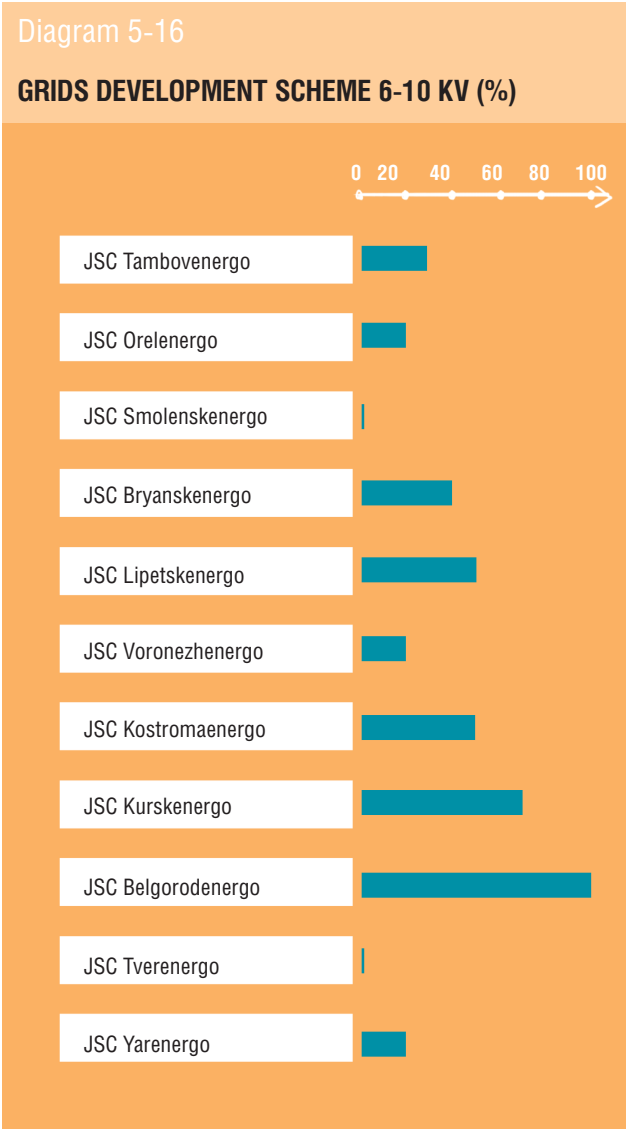
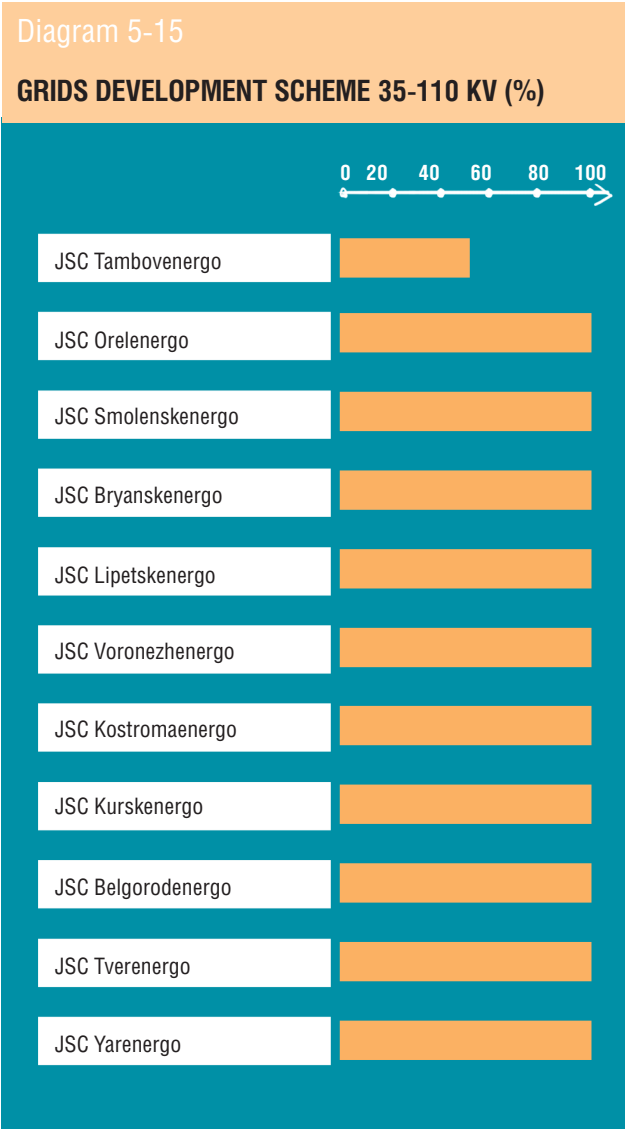
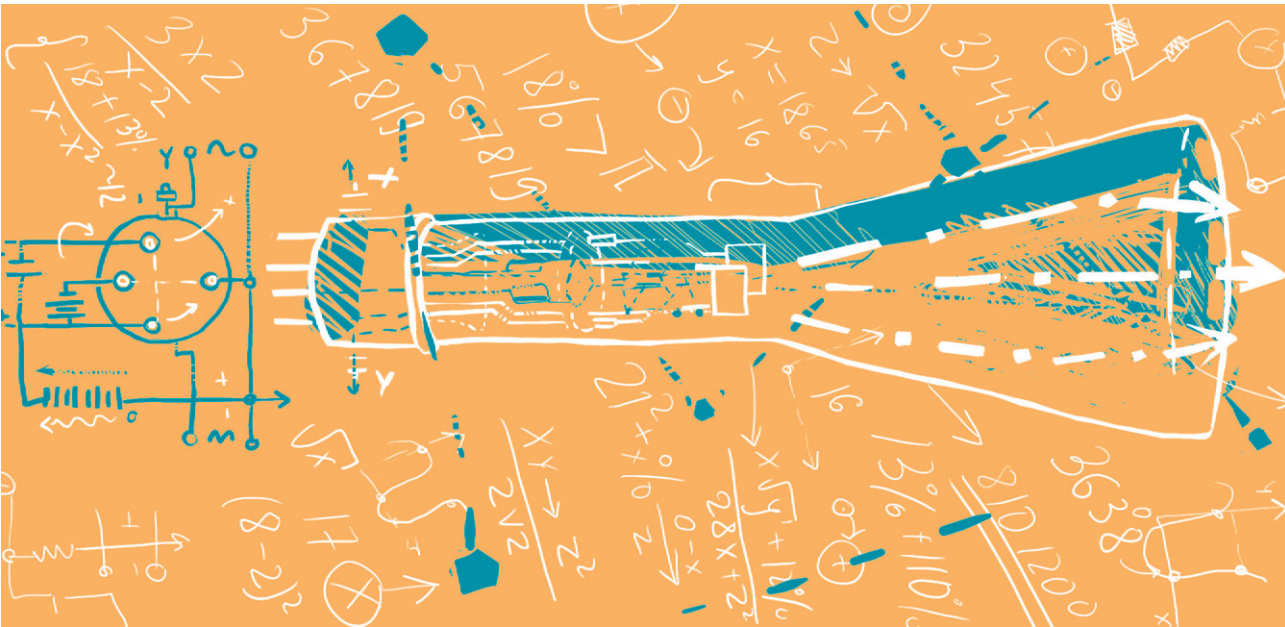


Table 5-24

THE VOLUMES OFFERED FOR REALIZATION AS A RESULT OF POWER GRID DEVELOPMENT PLANS BEING FULFILLED 35-110 KV IDGC OF CENTRE

	Input programs	
	Medium term to 2010	Prospective to 2015
	New construction	
Capacities input Sb 35-110 kV, pieces/MWA	113/542.1	36/1005.9
OL 35-110 kV, km	4 663.1	5 858.4
Price, including (mn rubles)	21 184 991.3	1 729 201.2
– construction Sb 35-110 kV, RUR mn	9 709 612.9	1 465 856.6
– construction OL 35-110 kV, RUR mn	11 475 378.3	263 344.6



5.4 REDUCE LOSSES

DGCs' main industrial activity is rendering services of power transfer, thus the technological and commercial losses size significantly influences the distributive grid companies' efficiency levels.

On results of IDGC of Centre work in 2007 in a contour of DGC developed the volume of services (productive supply) equaled 56,394 bn KWH, which in comparison with parameters since 2006 (54,042 bn KWH) on 2,35 billion or 4,35%. Accounting loss of electric energy in the power complex of IDGC of Centre's responsibility zone equaled 5,933 billion KWH or 9,52% from issue in network. In comparison with the similar period of 2006 at issue increase in grid on 4,35% decrease (growth) of power energy loss equaled 305,53 mn KWH or 0,83% in relation to issue of the electric power to the grid.

Table 5-25

SERVICES VOLUME CHANGES ON TRANSFER 2006–2007 (kWh)

DGC branch	Productive supply		
	2006	2007	Changes
IDGC of Centre	54 042 089	56 394 813	4.35%
JSC Kostromaenergo	2 484 975	2 554 986	2.82%
JSC Yarenergo	5 743 417	7 162 430	24.71% *
JSC Bryanskenergo	3 767 524	3 857 512	2.39%
JSC Smolenskenergo	3 265 477	3 270 715	0.16%
JSC Tverenergo	4 498 660	4 589 091	2.01%
JSC Belgorodenergo	9 580 438	10 233 596	6.82%
JSC Voronezhenergo	7 289 100	7 368 684	1.09%
JSC Kurskenergo	5 151 981	5 218 914	1.30%
JSC Lipetskenergo	6 973 626	6 965 419	-0.12%
JSC Orelenergo	2 248 807	2 158 598	-4.01%
JSC Tambovenergo	3 038 085	3 014 868	-0.76%

* Parameter increase is connected with the tariff statement on generating pressure and, as consequence, productive supply increase on economic balance.

Diagram 5-17

LOSS FACT 2006-2007 (%)

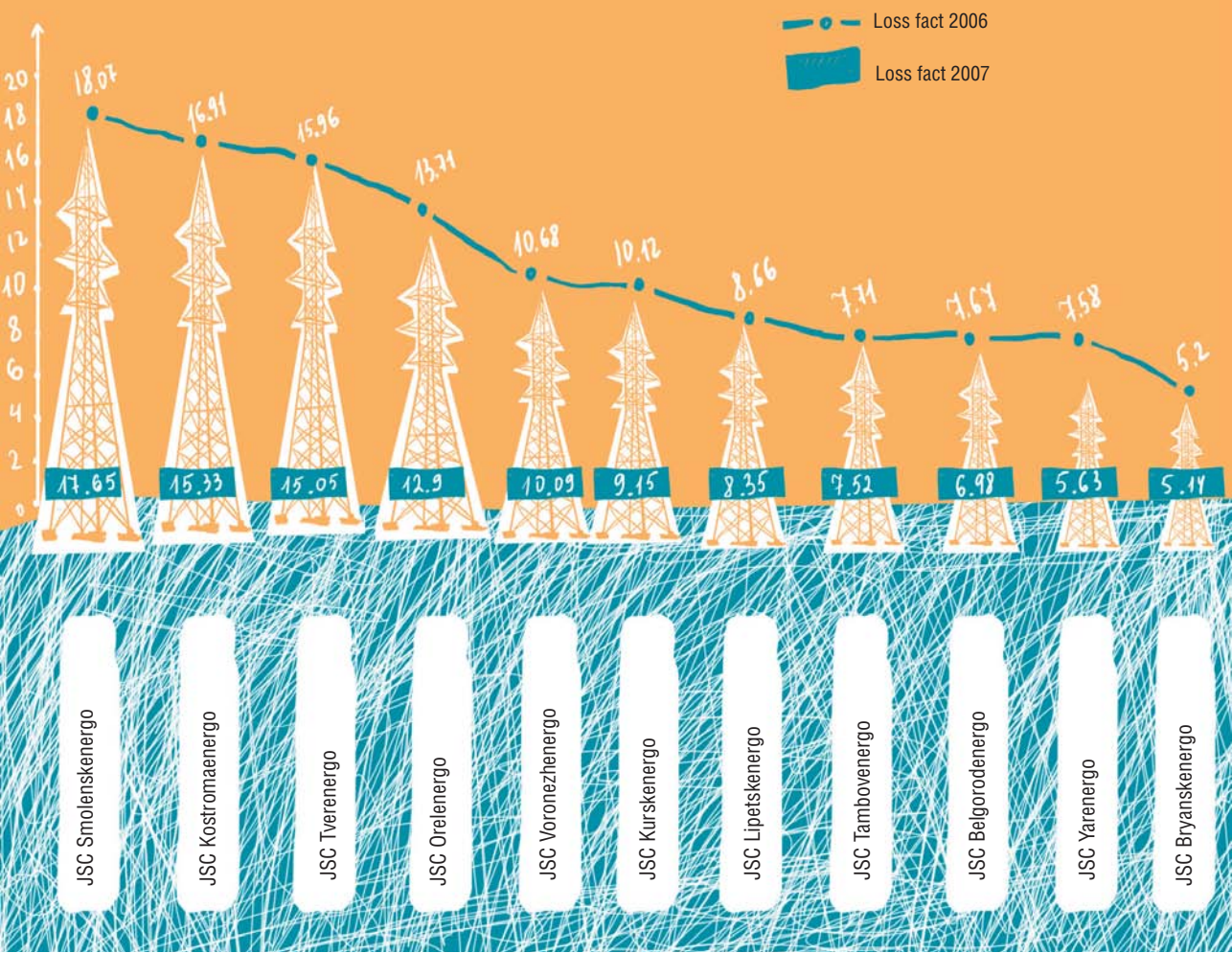


Table 5-26

**ELECTRIC ENERGY LOSS
2006–2007 (%)**

	Productive supply		
DGC branch	2006	2007	Changes
IDGC of Centre	10.35	9.52	-0.83
JSC Smolenskenergo	18.07	17.65	-0.42
JSC Kostromaenergo	16.91	15.33	-1.58
JSC Tverenergo	15.96	15.05	-0.91
JSC Orelenergo	13.71	12.9	-0.81
JSC Voronezhenergo	10.68	10.09	-0.59
JSC Kurskenergo	10.12	9.15	-0.97
JSC Lipetskenenergo	8.66	8.35	-0.31
JSC Tambovenergo	7.71	7.52	-0.19
JSC Belgorodenergo	7.67	6.98	-0.69
JSC Yarenergo	7.58	5.63	-1.95
JSC Bryanskenergo	5.2	5.14	-0.06

Power loss plan (KPI-loss) for 2007, approved by Board of JSC RAO “UES of Russia“ for 2007 equaled 6,67 billion KWH or 10,7% in recalculation on grid reception.

On results of 2007 KPI-loss implementation equaled on 740 billion KWH or on 1,18% better the established parameters.

Table 5-27

KPI - LOSS IMPLEMENTATION (%)

DGC branch	Power loss		
	KPI-2007 %	2007 %	Deviation %
IDGC of Centre	10.60	9.52	-0.73
JSC Smolenskenergo	18.13	17.65	-0.48
JSC Kostromaenergo	16.95	15.33	-1.62
JSC Tverenergo	15.6	15.05	-0.55
JSC Oreleenergo	14.2	12.9	-1.3
JSC Voronezhenergo	10.68	10.09	-0.59
JSC Kurskenergo	11.26	9.15	-2.11
JSC Lipetskenergo	8.7	8.35	-0.35
JSC Tambovenergo	7.72	7.52	-0.2
JSC Belgorodenergo	7.79	6.98	-0.81
JSC Yarenergo	7.58	5.63	-1.95
JSC Bryanskenergo	7.00	5.14	-1.86

Diagram 5-18

KPI EXECUTION - LOSS (%)

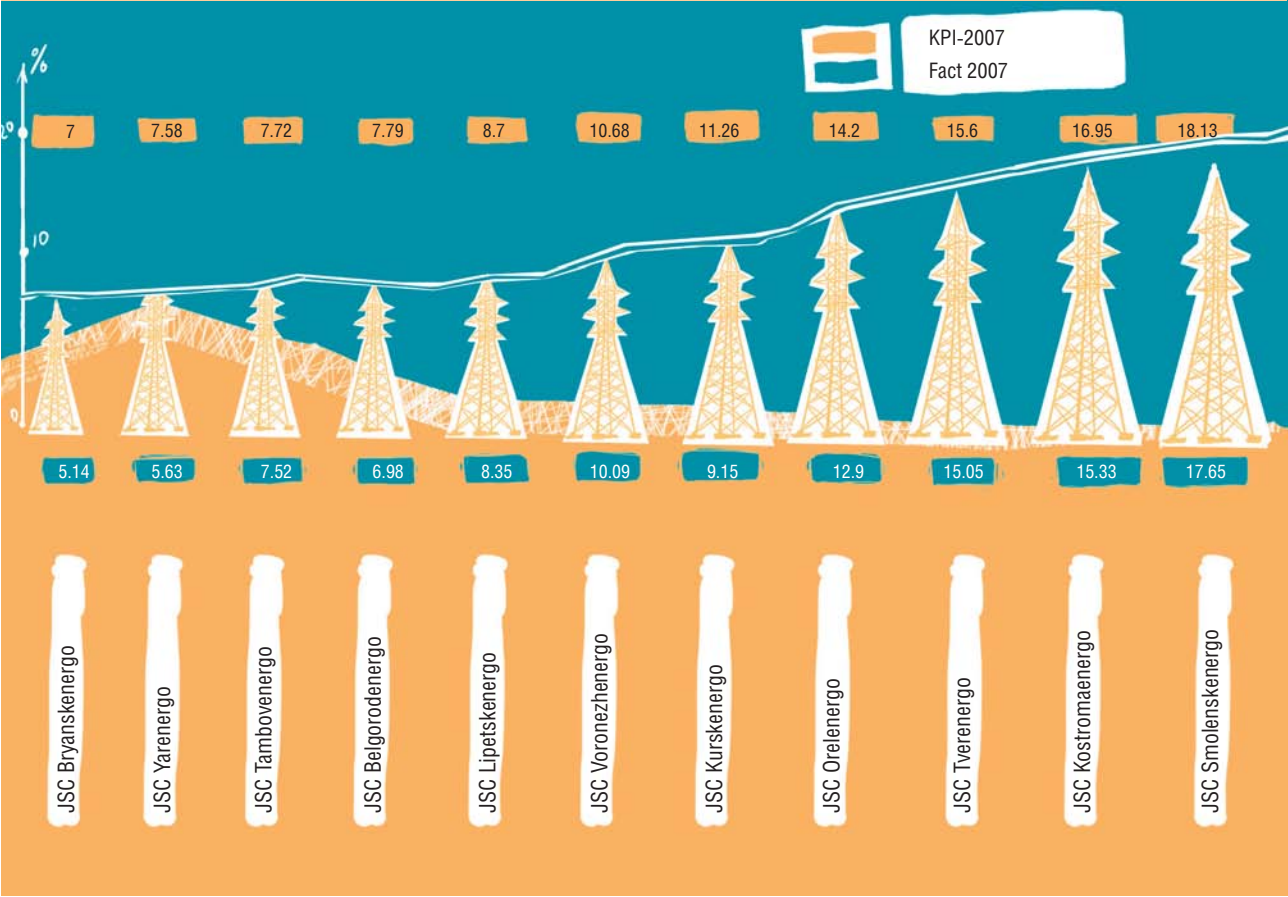
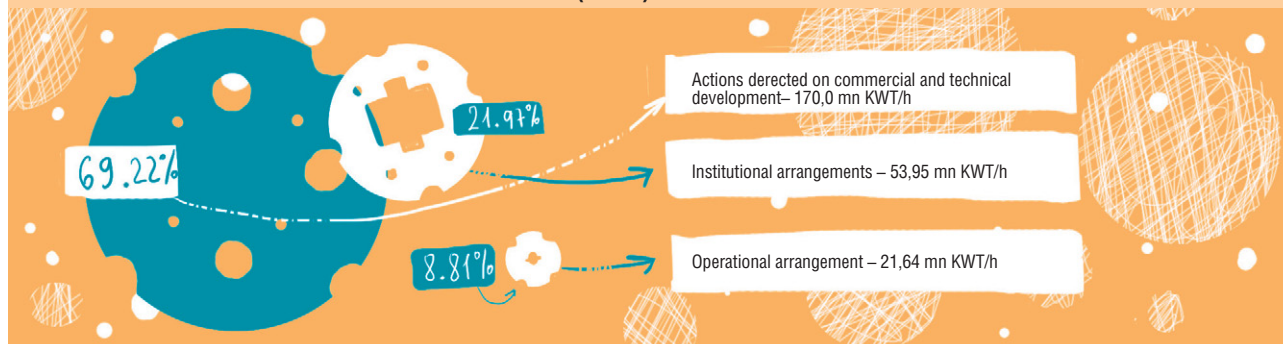


Diagram 5-19

STRUCTURE OF ACTIONS CATEGORIES ON LOSS (FACT) OPTIMIZATION



COSTS MANAGEMENT. POWER LOSS OPTIMIZATION

In IDGC of Centre, within the limits of a priority direction, a complex of actions directed at loss optimization has been realized.

Due to actions complex realization on loss optimization in 2007 the cumulative effect made 245,6 billion KWH. On results of actions implementation directed at commercial loss decreases the effect made 170,1 billion KWH, decrease in technical loss due to organizational actions implementation equaled 53,9 billion KWH and technical actions 21,6 mn .KWH. The general economic benefit of programs realization equaled 268,3 RUR mn expenses 1102,4 mn .rubles, thus a time of recovery of outlay 4,1 years.

The main influence on loss decrease in IDGC of Centre responsibility zone electric grids was rendered with following actions implementation:

- Technical infringements elimination in the commercial account system. Legal and physical persons in quantity of 54,4 thousand cases including
 - legal persons – 9,5 thousand
 - physical persons – 44,9 thousand
- Installation of the account boards on buildings facades – 25,0 thousand pieces
- The indications were removed from the account devices:
 - in household sector – 100% within the limits of 6 months
 - on legal persons – 78,6% monthly

- Replacement of a wire by greater section by the overloaded lines. Electricity transmissions – 1,7 thousand lines in the extent 1,8 thousand km
- Overloaded transformers replacement – 399 pieces
- Unfinished loading transformers replacement – 767 pieces
- Input replacement in apartment houses on SIC – 37,5 thousand pieces
- Transformers switching-off with seasonal loading – 1,6 thousand pieces
- Replacement of existing and installation of the new account with higher class of accuracy at consumers – 163,7 thousand pieces:
 - At legal consumers
 - It was replaced – 17,6 thousand pieces
 - It was entered new points – 4,8 thousand pieces
 - At physical persons
 - It was replaced – 101,8 thousand pieces
 - It was entered new points – 25,5 thousand pieces
 - On DGC facilities
 - It was replaced – 11,0 thousand pieces
 - It was entered new points – 3,0 thousand pieces.

Within the limits of the measures directed on power loss optimization in the DGC electronetwork complexes of IDGC of Centre's responsibility zone, plans on substations' own needs in view of their decrease are annually affirmed. So, on results of 2007 decrease in own needs of substations equaled 16,0 mn KWH/h.

For IDGC of Centre one of the main directions of activity is transport services to clients, thus, decrease in costs at the obligations realization is an integral part of financial well-being. One of the ways of decreasing costs is optimization and decrease in electric energy losses in the Society electronetwork complex.

In IDGC of Centre within the limits of “decrease programs formation order in DGC power loss in power grids” (the Order No 19/290 as of 26.12.2006 “About programs development of decrease in power loss for 2007”) power supplying programs were developed.

The general scheduled effect from loss actions introduction directed on decrease in 2008 will equal 160,7 mn KWT/h including:

- On organizational – 89.7 mn KW/h;
- On technical – 15.8 mn KW/h;
- On the account developing – 55.2 mn KW/h.

In 2008 it is necessary to continue a dialogue and to develop qualitative, confidential attitudes with FST, Minpromenergo regarding works connected with tariff regulation, regarding tariff-balance decisions, of loss normalization questions.

The organization and realization of work is planned for 2008 on interaction with regional and municipal self-government institutions for integration of ownerless grids, municipal networks with the purpose of the uniform center responsibility formation in region for electric power supply, increases of reliability of electric power supply and increase in fundamental cost of the Society.

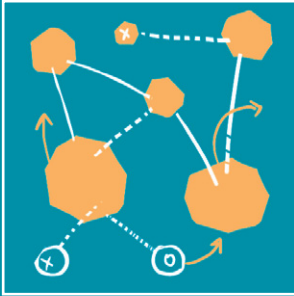
The organization and carrying out of joint meetings with heads of local self-management and law-enforcement structures with the purpose of support reception and agreements signing of concerning operative joint actions in struggle against the electric power plunders.

5.5 THE PROSPECT CORES “MAIN BUSINESS-PROCESSES” SINCE 2008

Within the limits of the declared strategic priorities in the field of the main technological business-processes of the company the purpose of top level was allocated: “Provide effective functioning and development of the electronetwork complex, guaranteeing the basic parameters execution of reliability and safety”.

For its realization it is necessary to:

- 1 Guarantee a high level of power supply reliability;
- 2 Increase efficiency of technological complex functioning;
- 3 Provide development distribute grid complex on the advanced decisions basis.



ALEKSEY ABRIKOSOV

NOBEL PRIZE IN PHYSICS

In 2003 he in association with Vitaly L. Ginzburg and Anthony J. Leggett was awarded Nobel Prize in Physics for his fundamental works on superconductors and superfluids

“I have understood the following: the process of work is important to a person, to me anyway. When I work at something, the process of work, the understanding of the fact that my idea has come true, that all has gone as I planned it to, are the things I consider the most important.”

Quotation from the program of Thirteen plus... series
<http://www.tvkultura.ru/theme.html?id=1722&cid=372>





6

MANAGEMENT SYSTEM

During formation of the company, significant successes in the field of formation of a new control system were achieved. Since 2004, from the moment of creation of the Company, consecutive efforts are made to organize work in the uniform information space of all participants of the industrial and economic activities.

The uniform information network on the basis of IP VPN technology was generated, the powerful centralized computer center functions.

The information systems completely corresponding to the needs of the uniform operational company such as system of formalization of strategy of the Company on the basis of ARIS BSC were implemented, the centralized system of visualization and control of results is industrial and economic activities on the basis of SAP SEM CPM, system of operative management of document circulation of “Motiw” company.

In 2007, introduction of plan registration system was introduced on the basis of decisions of SAP AG company, including automation of financial accounts department, accounting of expenses, the account of the basic means, the account of the personnel and calculation of wages, management of material streams, managements of services of transport of electric energy (legal persons), the base of material objects of TORO, etc. All these projects are directed to achievement of the uniform purpose – full automation of the main processes of the uniform operational company was created.

In 2007 the Company held work on optimization and reorganization of the control system of IDGC of Centre and operated DGC before transformation of the Company into an operational company since 31.03.2008.

Within the limits of the strategy of development of the Company, for target prospect of “Control system” management (further on called “the prospects”) the following goal of top level for 2007 was defined: **To generate the integrated hi-tech control system of the Uniform Operational Company.**

Within the limits of the given purpose, it is necessary:

- 1 To generate transition of IDGC-DGC to the matrix control system by goals;
- 2 To generate the hi-tech automated control system;
- 3 To introduce the system of support of acceptance of strategic decisions.

Following the results of activity in 2007, the following results of activity of the Company and subordinated DGC within the limits of realization of tasks of prospect were reached:

6.1 TO GENERATE TRANSITION IDGC – DGC TO THE MATRIX CONTROL SYSTEM ON THE GOALS

Now control system of IDGC of Centre is based on the matrix approach and represents integration of project, process-functional and territorial structures of management. Achievement of overall objectives of IDGC of Centre at each stage of development is the primary goal of the accepted control system of the Company.

The project approach in operation of business allows to generate horizontal communication for reduction of administrative infrastructural costs (transactional costs) that allows to organize precisely work between divisions. It leads to high controllability of the Company, fast reaction of the Company to changes of conditions of business dealing both inside the branch, and in case of essential changes of the economic, political, legal situation in the Russian Federation.

During optimization of the control system, transition to modern methods of process project management by goals was carried out on the basis of Balanced ScoreCard system - the strategic control system allowing the Company to coordinate vision and strategy with daily functions and also to carry out the constant control over realization of the strategic goals.

Applying the method of cascading the goals for subordinated DGC, introducing the similar management system in DGC, the Company generated the effective control system IDGC-DGC which in full meets the requirements to the control system of the uniform operational company.

BRANCH NETWORK

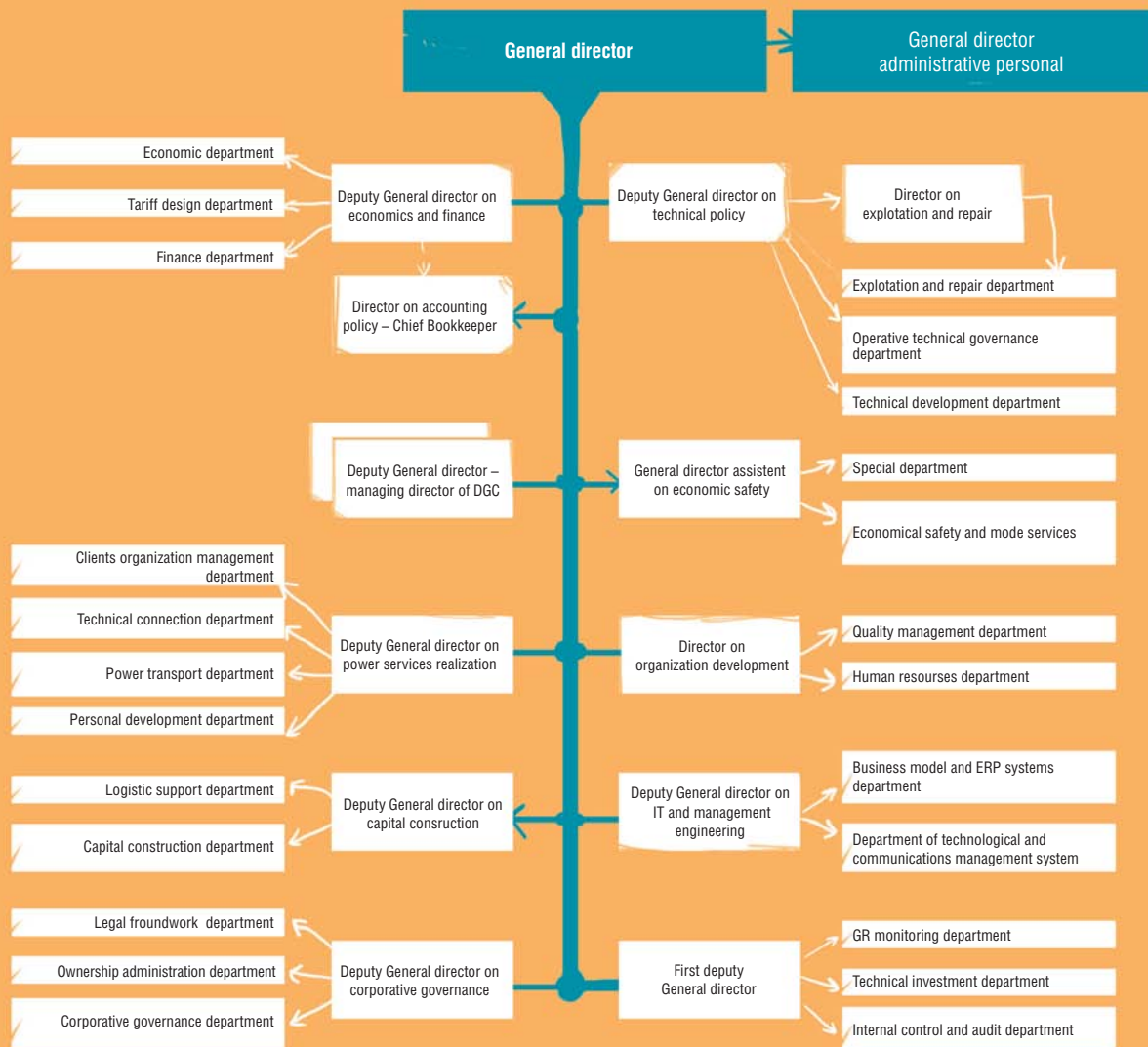
Already after the reporting date – 11.01.2008, the Board of Directors of the Company (Minutes 01/08 as of 11.01.2008) took the decision on creation of 11 branches of the Company – in the location of subordinated DGC.

Changes in the Charter of IDGC of Centre connected with creation of branches of the Company were approved by the decision of the Board of Directors of IDGC of Centre (Minutes of No.01/08 of 11.01.2008) and are registered in the tax body in the place of registration of the Company according to the legislation of the Russian Federation 23.01.2008.

The beginning of actual realization of economic activities is planned by branches of the Company after termination of reorganization of the Company in the form of consolidation of the corresponding DGC with the Company in the first half of 2008.

Diagram 6-1

ORGANIZATIONAL STRUCTURE OF IDGC OF CENTRE AS OF 31.12.2007



QUALITY MANAGEMENT SYSTEM

According to order of the Company as of 15.05.2006 No. 95 “On development and introduction of the quality management system in IDGC of Centre”, order of RAO UES of Russia of 5.12.2005 No.788 “On introduction in the power companies of RAO UES of Russia of a quality management system”, IDGC of Centre developed and introduced the system of quality management which provides the presence in the Company of conditions for optimum and effective management by business processes; conformity of organizational structure, processes, procedures and resources with tasks on realization of the policy in the field of quality and achievement of goals in view.

According to the policy in the field of quality of IDGC of Centre, the Company top management assumed liability to correspond to the requirements of ISO 9001:2000 international standard.

The system of quality management in IDGC of Centre was certificated under ISO 9001:2000 international standard in view of provisions of ISO 10006:2003 “Guide to quality manage-

ment at project activity” by BSI Management Systems (the British Institute of Standards) certification body, certificate No.FS 513378 (Certificate 1).

In order to certify its conformity with the requirements of QMS standard, the Company passed certified audit in March 2007. The body on certification following the results of audit made the conclusion that QMS corresponds to the requirements. For constant acknowledgement of efficiency of the Company QMS functioning, on demand of the certifying body it is necessary to pass inspection audits. Such audits were held by BSI Management Systems in July and October 2007.

In December 2007 the project and program management system of the Company passed successful check on conformity with rules and methods of the International Project Management Association – IPMA. As a result, IDGC of Centre was certificated to correspond to the 2nd level of technological maturity in the field of project and program management. The certification body is – SOVNET / IPMA, certificate No. II-0001 (Certificate 2).

Figure 6-1

INTERNATIONAL QUALITY CERTIFICATES



CERTIFICATE 1.1



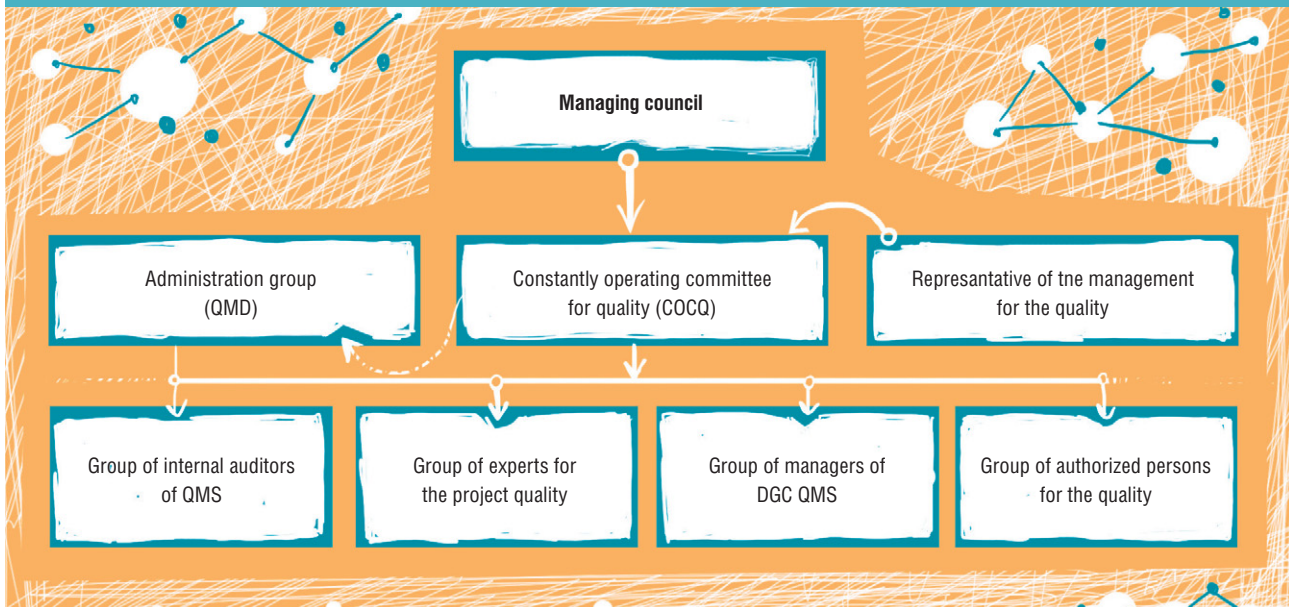
CERTIFICATE 1.2



CERTIFICATE 2

Diagram 6-2

QUALITY MANAGEMENT SYSTEM STRUCTURE



The main instrument of QMS is the constantly operating commission for the quality, created under the Managing Council for the Strategy and Transformations by Order as of 9.06.2007 No.102 “On an increase of the system of efficiency of the quality management”.

The representative for the quality management is appointed to the position of Chairman of the constantly operating commission for the quality. The main purpose of activity of the commission is maintenance of implementation and maintenance in an actual status of the Company quality management system, including:

- Estimation of QMS and processes functioning;
- Reengineering the Company business processes;
- Monitoring and actualization of the Company policy and goals in the field of quality;
- Estimation of quality of projects and programs realized within the limits of the target subsystems of management in strategic directions.

Within the limits of the constantly operating commission for the quality, the following groups were created:

- 1 Group of representatives for the quality. The main purpose of the given group is provision of observance of MS ISO 9001:2000 requirements in the business processes and divisions, and also increase of QMS efficiency and productivity. The group is formed from representatives of all structural divisions.
- 2 Group of internal auditors. The main purpose of the given group is objective representation of the information on QMS functioning. The group is generated from trained and certificated employees of IDGC of Centre.
- 3 The commission of experts in project quality. The main purpose of the given group is carrying out of an independent expert appraisal of quality of projects for conformity with specifications, requirements of clients with the result of the project.
- 4 Group of heads of departments of DGC quality management. The main purposes of the given group is organization of process of introduction QMS in DGC, maintenance of observance of MS ISO 9001:2000 requirements in DGC and increase of efficiency and productivity of QMS.

Effective functioning of COCQ is the main lever of QMS management that proves to be true by the successful audits by BSI independent body on certification.

REALIZATION OF PROJECTS OF QMS INTRODUCTION IN DGCS OF IDGC OF CENTRE RESPONSIBILITY ZONE

Within 2007, the distributive network companies of IDGC of Centre's responsibility performed projects of implementation of quality management systems initiated by orders of RAO UES of Russia No. 788 of 5.12.2005 "On implementation of quality management systems in the power companies of RAO UES of Russia", and also orders of the Company No. 95 of 15.05.2006 "On development and implementation of the quality management system in IDGC of Centre" and No. 119a of 3.07.2006 "On development and implementation of the quality management system in DGC of responsibility IDGC of Centre responsibility zone".

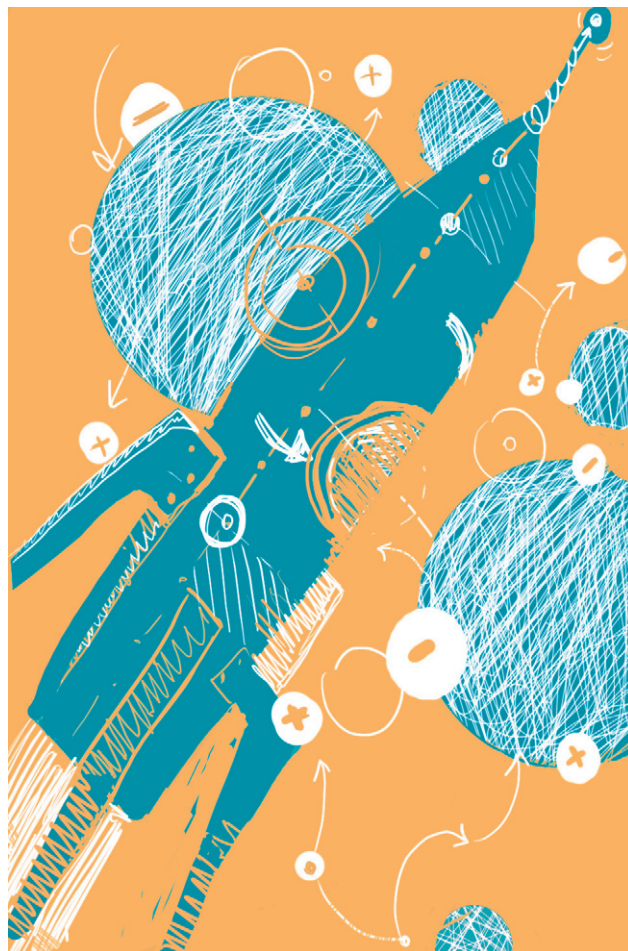
With a view of increase of efficiency of project decisions applied at QMS implementation, in the first quarter 2007 the centralized purchasing procedure for selection of the consulting company was organized and held. The winner company was involved in work under projects of QMS implementation in all DGC of IDGC of Centre's responsibility zone.

According to the approved complex programs of QMS implementation in DGC within 2007, diagnostic audits of operating control systems were held, work of Coordination Council for the Strategy, Quality and Transformations was organized, groups of QMS internal auditors were generated, full-scale training of DGC personnel was organized concerning QMS implementation and functioning, the list was approved and the description with use of ARIS tools of DGC business processes was held, QMS documents were developed.

With a view of maintenance of the unity of applied methods and procedures, in the fourth quarter 2007 the centralized competition for selection QMS certification body was held in DGC. According to the decision of the competitive commission, the winner of the competition is the Russian representative office of the British Standards Institute, BSI Management Systems.

By the end of 2007, pilot projects of QMS implementation were at the closing stage of realization: thus, in December within the limits of realization of the pilot project in JSC Tverenergo, the first precertified audit was held, following the results of which insignificant correction of applied design solutions was made and the plan of correcting actions was developed, in realization of which profile divisions of the Company were involved.

Completion of projects of QMS implementation and certification all over the whole zone of the Company responsibility is planned in the first half-year of 2008.



6.2 TO GENERATE THE HI-TECH AUTOMATED CONTROL SYSTEM

IDGC of Centre starting with its formation supports very high rate of development of IT technologies in the Company activity. the Company very actively applied through the year 2007 domestic and world experience of IT solutions.

With a view of carrying out the uniform technical policy, standardization of implemented solutions, optimization of expenses on IT in IDGC of Centre, the following actions were held:

- Carrying out meetings with DGC IT-experts;
- Participation of IDGC and DGC representatives in IT seminars held both by the Company and RAO UES of Russia;
- Participation in activity of the Committee for the information Technologies of UES FGC;
- Interaction with key manufacturers of IT directions concerning introduction of high technologies in DGC and IDGC of Centre;
- Formation of the regulating documents (participation in creation of the substantive provisions of Technical Policy of IDGC of Centre in the field of information technologies, creation of projects of perspective development of DGC in directions (AIMS, ADMS, IT, Systems of telecommunication), etc.);
- Carrying out audit and examination of the existing and newly implemented IT systems in DGC;
- Implementation of IT management standards and formation of IT divisions with allocation of IT as a functional group in DGC activity.

In 2007 the project of building the Uniform Information Space of IDGC of Centre continued to be developed. For achievement of the task set forth, in the 1st quarter 2007 all IP VPN sites were adjusted and included in operation in full with granting all the necessary for work of the Company services such as: access to DPC (data processing center) of the first level of IDGC of Centre (DPC of ERP systems), uniting telephone systems of DGC into the uniform telecommunication space, holding video-conferences, etc.

In connection with the new task arising before the Company, increase in the number of the personnel, the central automatic telephone exchange of IDGC was considerably expanded and included in the Uniform Information Space of IDGC of Centre.

Uniform approaches to the organization of the plan of addressing were generated, and reliability and functionality of the remote network subscribers due to wide introduction of IP solutions (VoIP telephony) was raised at organization of communication with the remote objects of the Company.

The given actions not only organized new user's terminals, but also raised reliability of the network due to decentralization of the main operating devices for the organization of telecommunication.

Upgrade and installation of automatic telephone exchange of ATS in DGC (7 pieces) were implemented, automatic telephone exchange of EGE (12 pieces), automatic telephone exchange of EGE (70 pieces) were executed. In 2008 the actions on upgrading automatic telephone exchange will be continued.

In 2007 work on development of the data network was performed; 90-kilometre fiber-optic communication line was constructed; FOCL of 542 km was developed.

Since 2005, IDGC of Centre IT solutions includes FlexFrame platform developed by SAP, Fujitsu Siemens Computers and Network Appliance companies. Initially developed for my SAP Business Suite, FlexFrame represents a practical embodiment of several most actual concepts – organization of adaptive computing infrastructure of management by information resources of business, virtualization of calculation with use of Grid-architecture, realization of the concept of independent systems. In 2007 platform of DPC of the first level of IDGC of Centre for ERP systems is considerably expanded, accepted new services, systems and new users.

One hundred units of the server equipment were purchased, 1,140 workplaces were equipped wit computers and communication.

Diagram 6-3

UNITED INFORMATION SPACE OF IDGC OF CENTRE

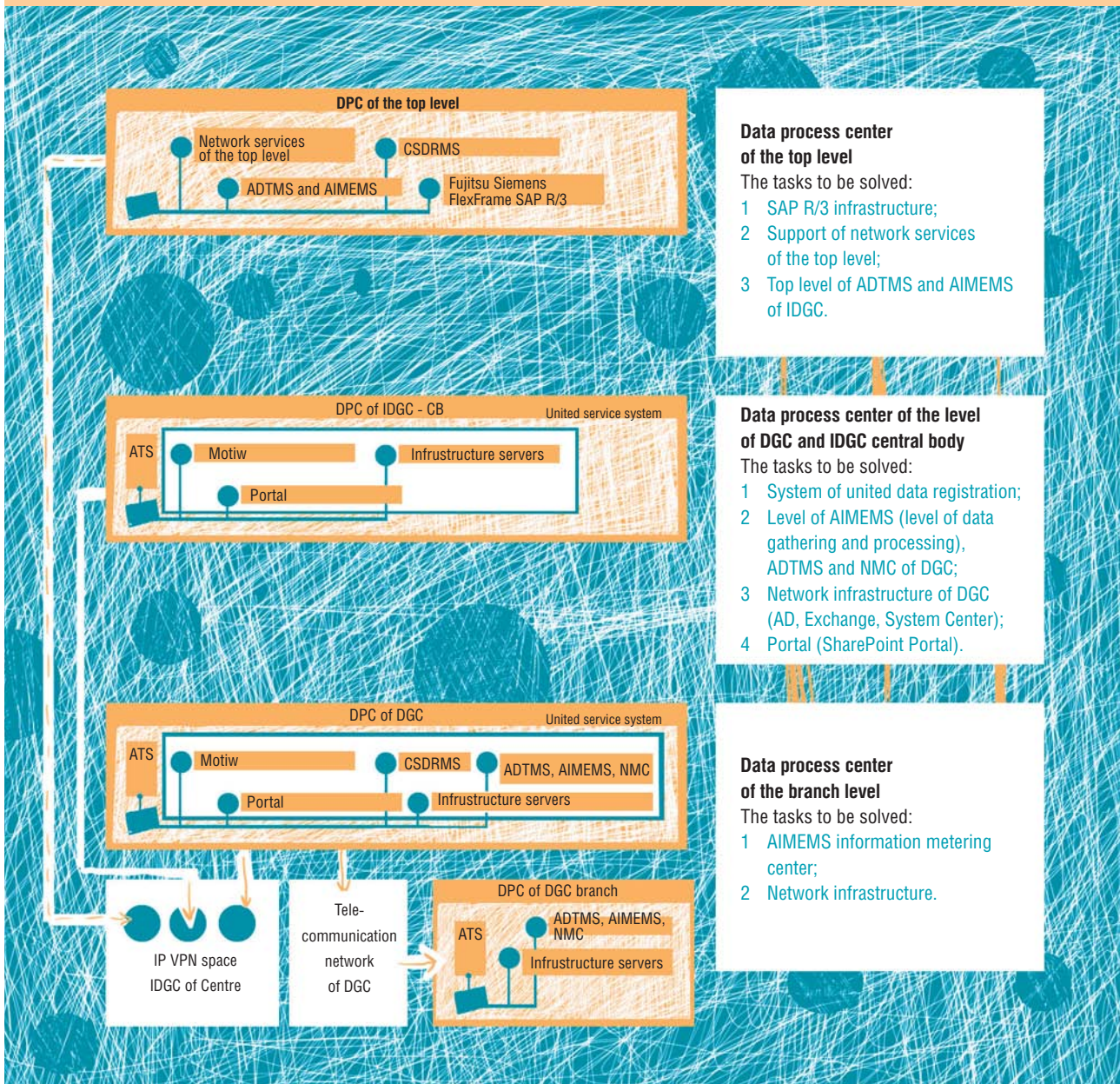
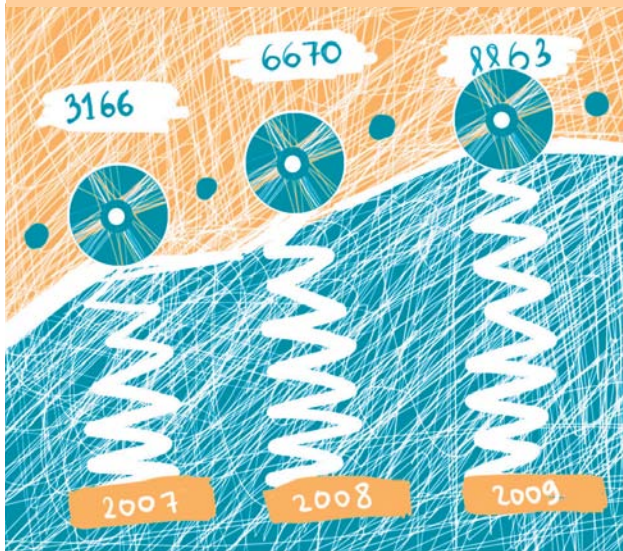


Diagram 6-4

AMOUNT OF LICENSES OF MICROSOFT SOFTWARE BY YEARS (PIECES)



Since 2005 IDGC of Centre applied the policy of use of only the licensed software. In 2007 the Company for licensing workplaces (the system software, office packages of workplaces, server software) purchased licenses (in 2007 - 3,166 pieces) under the program of the Enterprise Agreement Subscription (EAS) of Microsoft companies for 3 years.

Also meetings with the top management structure of Microsoft were held, and close business relations of cooperation of the companies and participation of IDGC of Centre in the newest programs and development of Microsoft in the field of program solutions were established. WiFi networks were started up in 11 DGC, the test zone Windows Server 2008 Longhorn software was started up, Office Communications Server 2007 product was started up. In 2008 it is planned to start control system of IT by the Microsoft System Center infrastructure.

All software products take root and supported directly by software developers of Microsoft that allows to use all high technologies and to introduce them in the shortest terms.

In 2005 according to the decision of the Management Board of RAO UES of Russia, the plan of structurization of information technologies was approved. According to this decision, in 2007 actions on performance of the planned steps were continued and the standard organizational structure of IT block was implemented in DGC of the zone of IDGC of Centre.

PLANS FOR DEVELOPMENT OF CIS IN IDGC, PRIORITY DIRECTIONS OF DEVELOPMENT

Priority directions of CRMIS (Corporate Resource Management Information System) development for 2008:

1. Transition of the key automated systems to the commercial operation in the IDGC of Centre uniform operational company on the basis of SAP solutions:

- Budgetary management;
- Financial accounting;
- Administrative accounting;
- Personnel management;
- Financial flow management;
- Keeping technical places and management by services of transportation of electric energy (to legal entities) for efficient company management;
- Other works.

2. Creation of the uniform corporate system of regulatory and reference information of IDGC of Centre.

The plans for 2008 include development and transfer to pre-production operation of the Uniform Corporate System of the regulatory and reference information (RRI UCS) on the basis of products of SAP AG company giving necessary services to all business appliances.

3. Detailed system project of IDGC of Centre.

The plan for 2008 includes building of the target model of information systems of IDGC of Centre, by detailed elaboration of decisions of the System project and the coordination of the "vision" of all current and planned IT projects, including on the IT infrastructure, and also creation of the plan of transition to the target model through drawing up portfolio of IT of projects and plans of resource maintenance with various horizons of planning.

Tasks:

- Analysis of the existing problems of business and IT status;
- Ways of solution of problems of business by means of IT;
- Target architecture of information systems;
- Plan for IT development.

Results:

- The document “The Detailed System Project” and applications to it;
- Recommendations on correction of plans for IT development.



6.3 TO INTRODUCE THE SYSTEM OF SUPPORT OF ACCEPTANCE OF STRATEGIC SOLUTIONS

Following the results of 2007, the concept of the system of support of acceptance of the strategic decisions was developed which assumes the following:

- Use of imitating modeling for estimation of cost of the Company and forecasting of values of KPI of the Company for the long-term period;
- Use of the system of controlling on the basis of SAP SEM CPM solution for realization of monitoring of achievement of KPI target values on the basis of data of the operational reporting.

Within the limits of realization of the above-stated concept, the following results were achieved:

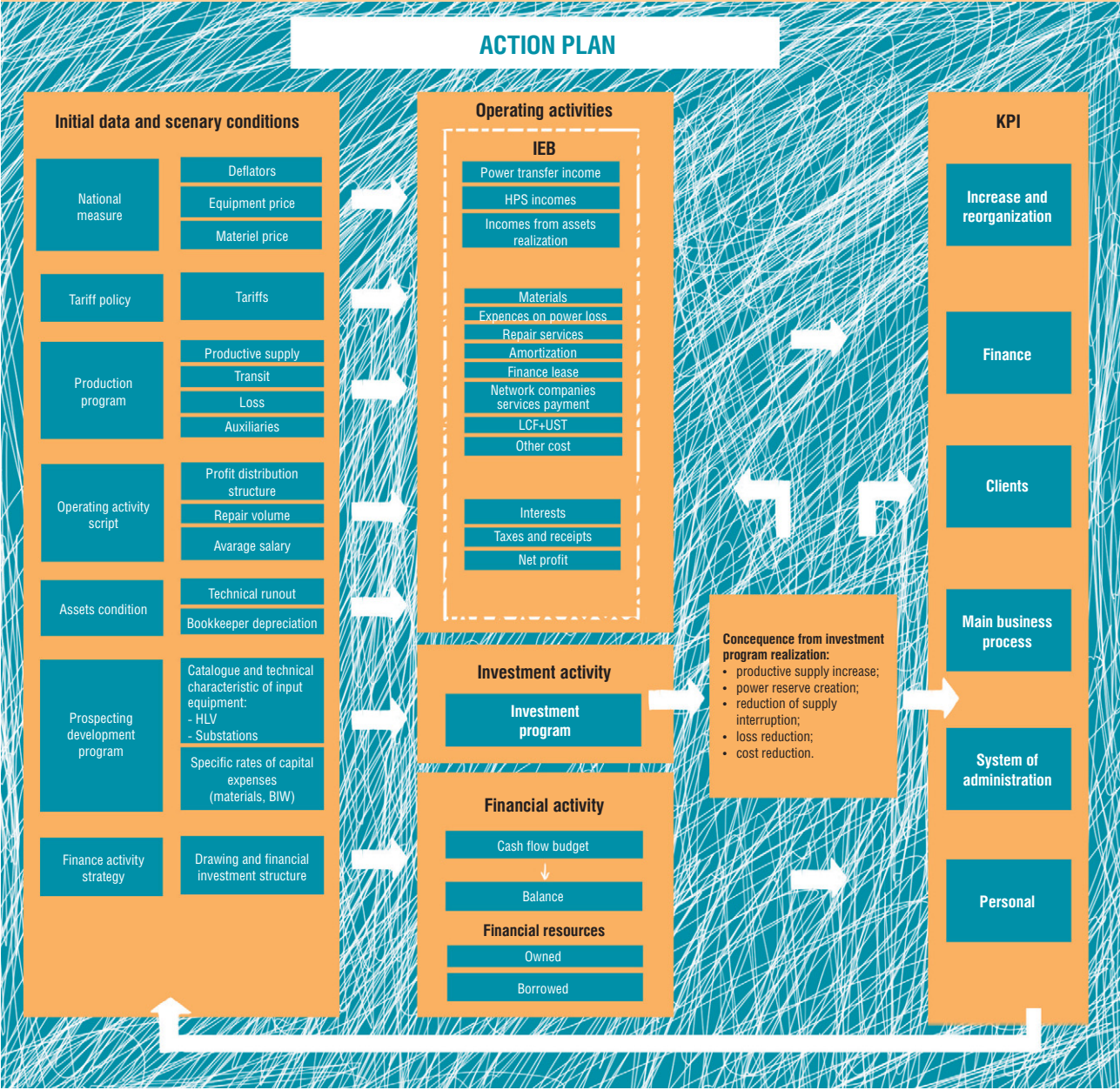
- The prototype of imitating model of strategic management of IDGC and DGC (see the picture) was developed and successfully tested.
- The system of controlling the industrial and economic activities on the basis of SAP SEM CPM solution was implemented regarding the “control panels” and strategic maps of top-management of the Company.

Also within the limits of the above-stated concept, the following works are being performed:

- Automation of imitating model of strategic management by the Company on the basis of PowerSim solution;
- Improvement of the system of the operative reporting of the Company with use of SAP-SEM-CPM, SAP-SEM-BPS introduced ERP modules.

Diagram 6-5

FIGURE. STRUCTURE OF THE IMITATING MODEL OF IDGC-DGC STRATEGIC MANAGEMENT



6.4 GOAL OF THE “MANAGEMENT SYSTEM” PROSPECT SINCE 2008

Considering that transformation of the management system never come to an end – they simply change eventually – within next three years the Company will adapt to the mechanisms which have been started today.

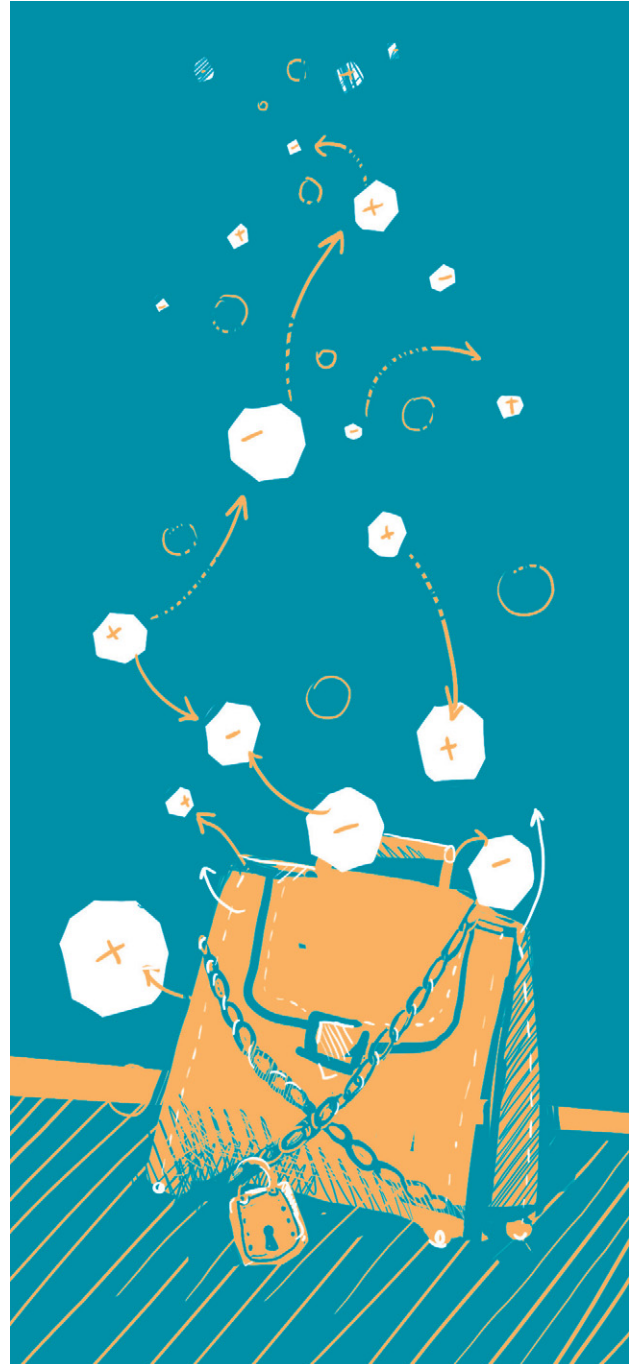
By 2010 the Resources Management System of the enterprise on the basis of the best world technologies will be formed which is adapted to needs of grid complex.

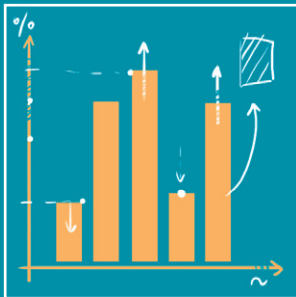
The organization will vary according to change of external conditions and objective requirements to it. The outlined tendencies show that the primary features will be flexibility, primary use of commands, matrix organization design, high internal competitiveness.

This is a necessary precondition of formation by 2015 of the highly effective management system of the uniform operational company based on essentially new principles of development of the integrated knowledge base.

Realization of this goal assumes solution of serious tasks both in strategic, and in operative contour:

- 1 To provide coordination of functional policy of the company and regional strategy;
- 2 To generate integrated information environment (IIE) based on the principle of “up to each employee”;
- 3 To generate and develop the integrated knowledge base of the company.





VITALY GINZBURG

NOBEL PRIZE IN PHYSICS

In 2003 he in association with A. Abrikosov and A. Leggett was awarded Nobel Prize for “the pioneer input in the theory of superconduction and superfluidity”

“The only foundation of the innovation economy can be energetic, active and innovatively thinking people – researchers, inventors and businessmen.”

*The quotation was taken from the Science News website:
<http://www.inauka.ru/news/article74702.html>*





7

PERSONNEL AND DEVELOPMENT

In 2007 the top goal of “Personnel and development” prospect was formation of a complex personnel management system of the uniform operational company. For achievement of the given goal, the Company set forth the following sub-goals:

- 1 To provide high personnel potential;
- 2 To provide the socially-focused personnel selection.

7.1 MAINTENANCE OF HIGH PERSONNEL POTENTIAL

Within the limits of realization of the goal on maintenance of high personnel potential, IDGC of Centre carried out and continues to carry out purposeful and consecutive activity on improvement of the personnel and social policy in conformity with the Company development strategy.

Priorities of personnel selection in 2007:

- Improvement of material and non-material motivation of employees;
- Improvement of procedures of search and selection of the qualified experts, methods of recruitment and retaining young and talented employees;
- Formation, preparation and effective realization of the reserve on replacement of key positions;
- Development of the system of corporate training and improvement of professional skills of the Company employees.

Realization of priority directions of personnel selection of IDGC of Centre is based on the following principles:

- All-around development of the employee;
- Priorities of professional health and safety of the personnel;
- Orientation to modern tem building technologies;
- Maximal assistance in realization of potential of employees of the company.

STRUCTURE OF EMPLOYEES BY CATEGORIES

Some reduction in the number of the personnel in 2007 in comparison with 2006 was connected with approval of a new configuration of IDGC and reduction of DGC amount in the responsibility zone of IDGC of Centre.

In June – August 2007 the complex of actions on optimization of organizational structure and number of the personnel of the Company was held, including liquidation of the Western branch.

The numerical structure of the personnel of the regional network companies of the IDGC of Centre zone as of 31 December 2007 equals 25, 523 people.



Diagram 7-2

AGE STRUCTURE OF EMPLOYEES BY CATEGORIES, THE 2005-2007 PERIOD (%)

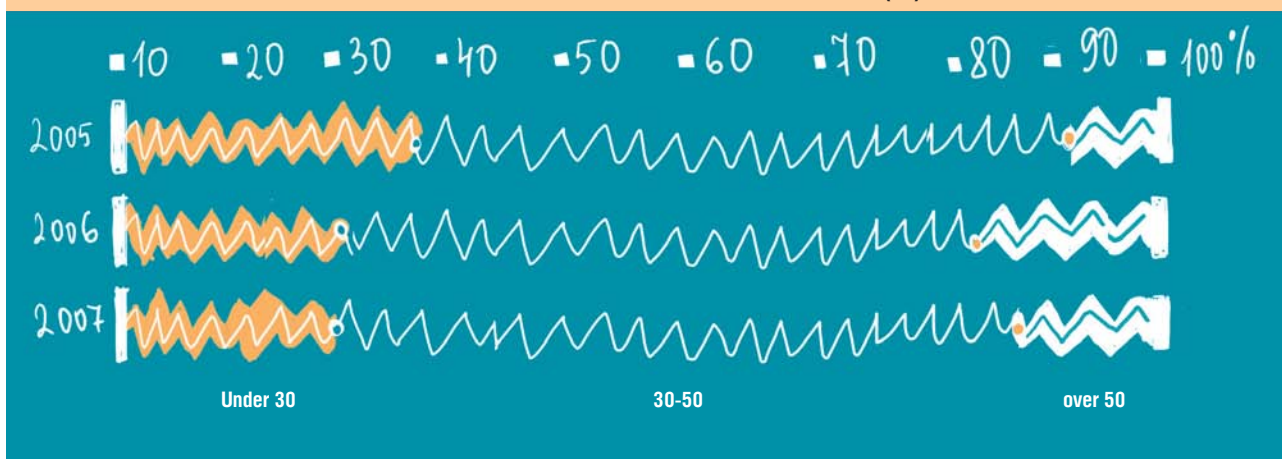
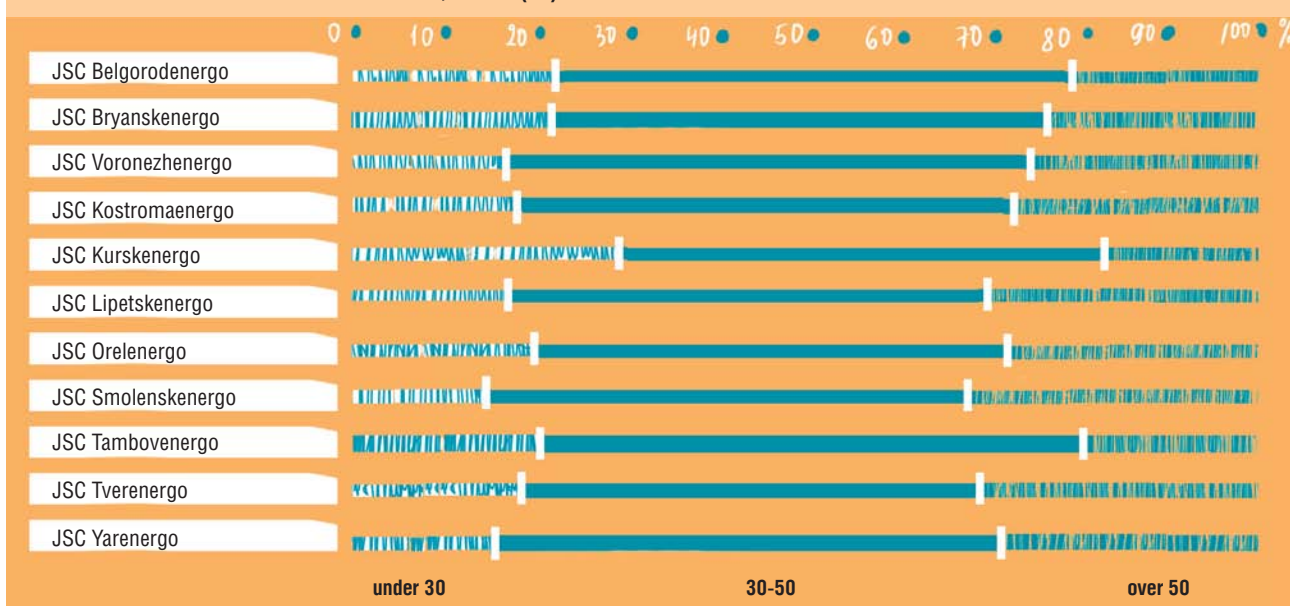


Diagram 7-3

AGE OF EMPLOYEES BY CATEGORIES, 2007 (%)



AGE STRUCTURE OF EMPLOYEES

The age structure of the Company employees in 2007 in comparison with 2006 considerably changed.

Reduction of the amount of employees over 50 years old is connected with reduction of the number of employees of the Department for the Technical Inspection, requirements to the occupation in which assumed presence of a long operational experience at the given post.

QUALIFICATION STRUCTURE OF THE COMPANY EMPLOYEES

The analysis of the educational level among various official categories of the personnel of the subordinated regional network companies shows that heads, their deputies and experts in the majority possess a necessary operational experience and administrative skills for solution of industrial problems.

The share of the employees having higher and secondary vocational education grows.

The qualification structure of DGC employees in 2005-2007 is presented in the diagram 7-4.

Diagram 7-4

QUALIFICATION STRUCTURE OF EMPLOYEES, 2007

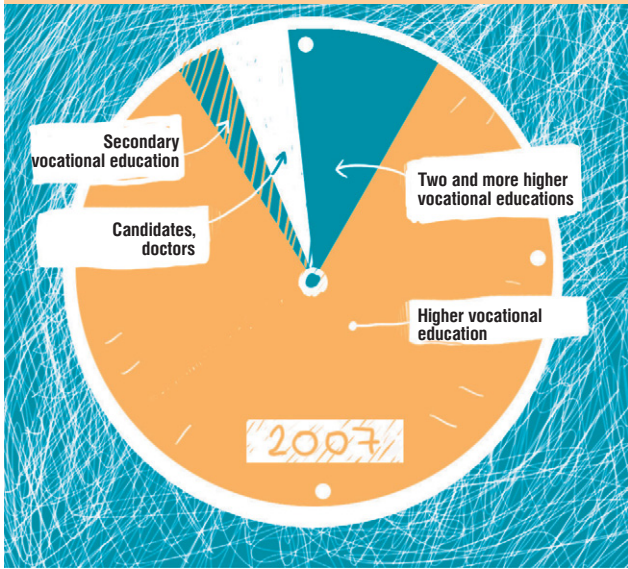


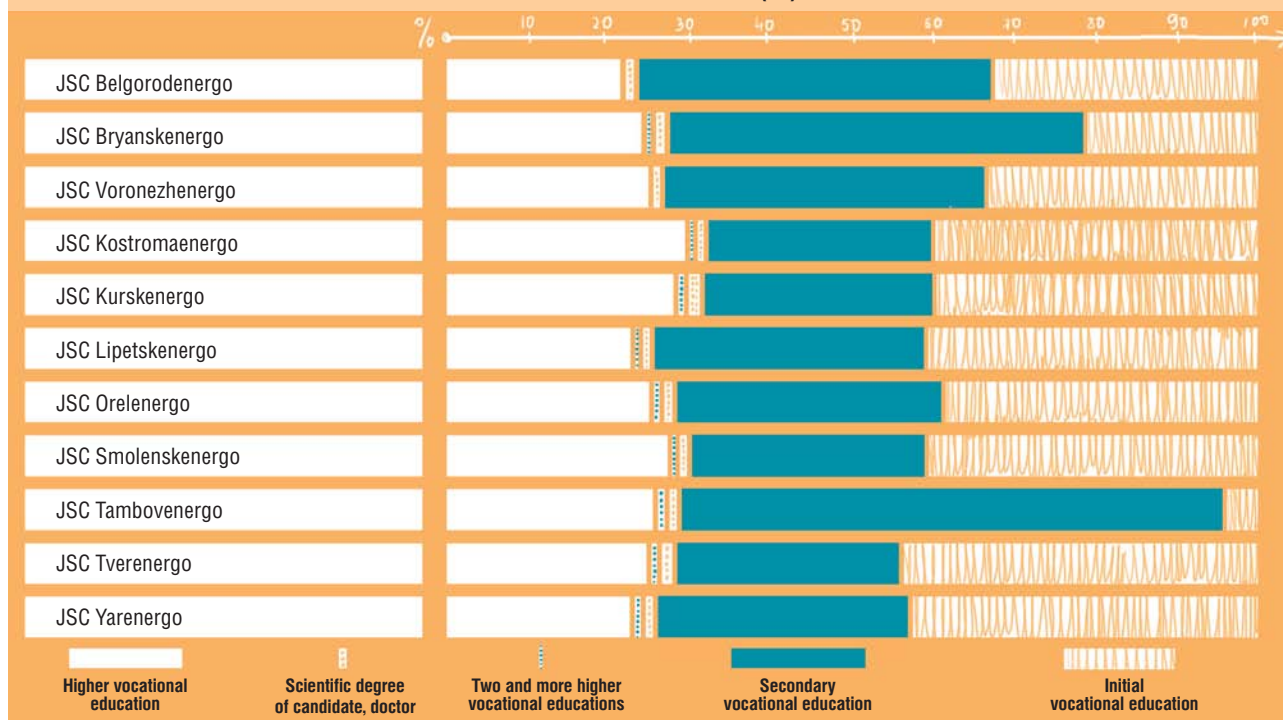
Table 7-1

DATA ON THE QUALIFICATION STRUCTURE OF IDGC OF CENTRE EMPLOYEES IN 2005-2007 (PEOPLE)

IDGC of Centre	Scientific degree of candidate, doctor	Two and more higher vocational educations	Higher vocational educations	Secondary vocational educations	Initial vocational educations
2005	12	30	95	1	3
2006	6	18	183	3	2
2007	5	16	146	2	0

Diagram 7-5

QUALIFICATION STRUCTURE OF DGC EMPLOYEES IN 2005–2007 (%)



DATA ON TRAINING, IMPROVEMENT OF PROFESSIONAL SKILLS OF EMPLOYEES OF THE COMPANY AND SUBORDINATED COMPANIES AND WORK WITH THE PERSONNEL RESERVE

The main purpose of preparation and training is escalating professional competences of the personnel necessary for solution and achievement of the strategic goals of the Company.

The human capital is the most important resource of the Company. At its estimation and management, the Company applies the advanced methods. The system of estimation of the personnel based on the model of competences developed in view of the main business roles in conformity with the structure of the Company management is being introduces.

The structural changes, introduction of new technologies and methods of management, growth of the companies offering vacancies to employees of the network companies cause necessity of creation of the mechanisms providing continuous preparation and retraining of the personnel.

The system of corporate training and improvement of professional skills of the Company employees is a complex of individual and group actions directed to obtaining and improvement by employees of knowledge, skills, improvement of professional skills and, as a consequence, documentary acknowledgement of the received level of professional competence.

Process of training and development of the personnel covers all categories of employees of the Company and meets the following requirements:

- Process of training and development of the personnel is systematic and continuous, and includes without fail revealing of needs for training, planning and budgeting, organization of training and estimation of its efficiency;
- Training is built in conformity with specificity of business processes of the Company.

Programs of training and development of the personnel are built in within practical activities of employees (are based on industrial necessity).

Training, preparation and improvement of professional skills of the personnel includes:

- Employees' regular, independent training (self-education);
- Training at productive and economic seminars at the enterprise;
- Training at other enterprises, in the leading scientific organizations (including the foreign ones);
- Training in professional skills improvement educational establishment and other educational institutions;
- Training under the target and administrative programs;
- Retraining for reception of a new specialty.

Diagram 7-6

DYNAMICS OF AMOUNT OF EMPLOYEES WHO PASSED TRAINING IN 2005-2007 (PEOPLE)

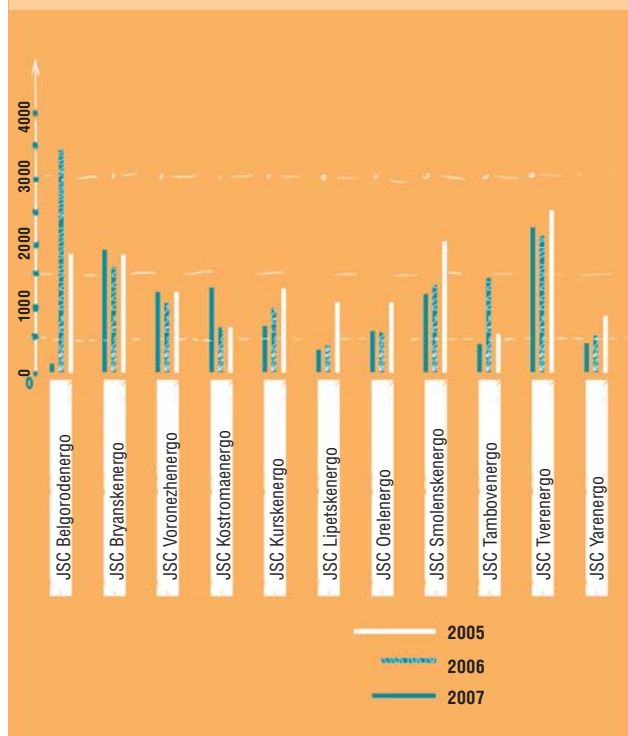
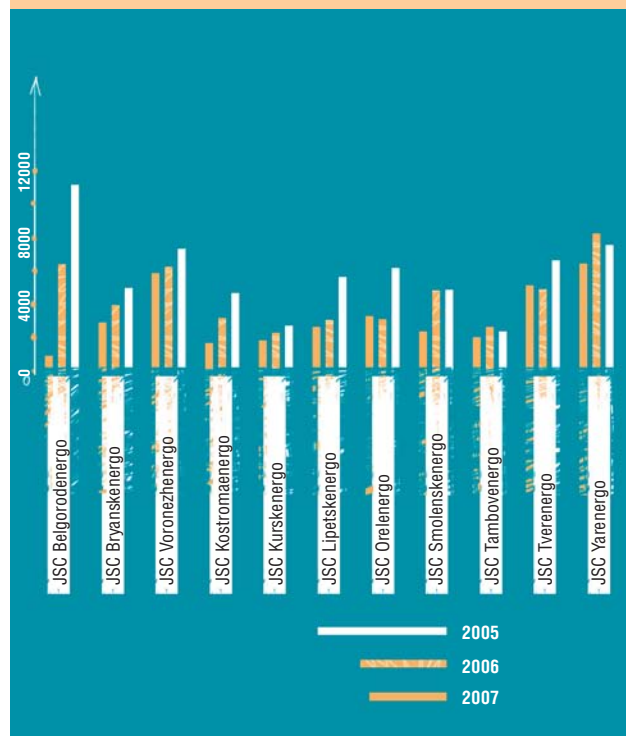


Diagram 7-7

DYNAMICS OF EXPENDITURES FOR TRAINING THE PERSONNEL OF DGC IN 2005-2007 (THOUSAND RUBLES)



According to the sector norms and rules, the Standard of organization of vocational training, retraining, improvement of professional skills of the personnel (SO-UES-PT-1-2005) of RAO UES of Russia making to hold retraining the personnel every 3 or 5 years concerning various categories of 14,961 employees passed training, retraining in 2007 (that equals 58.85% of the staffing number of employees) in IDGC of Centre responsibility zone; the amount of 72, 885.220 thousand rubles were spend for this.

IDGC of Centre in 2007 held actions on organization, formation and development of the reserve of the staff in subordinated DGC.

Top managers – 564 people were included in the reserve, 477 of them have higher education, 58 have two higher educations, postgraduate study, doctoral studies.

Middle managers – 2,526 people, 1,739 of them have higher education, 59 of them have two higher educations, postgraduate study, doctoral studies.

Age structure of employees in the reserve for top managers: 45 years old – 123 people, from 35 to 45 years old – 264 people, from 25 to 35 years old – 171 people and under 25 years old – 6 people.

Age structure of the middle managers in the reserve: 45 years old – 569 people, from 35 to 45 years old – 815 people, from 25 to 35 years old – 914 people and under 25 years old – 214 people.

The personnel reserve is completed by 96%. In 2007, more than 52% of appointments for supervising posts were made from the personnel reserve.



7.2 MAINTENANCE OF THE SOCIALLY-FOCUSED PERSONNEL SELECTION IN THE COMPANY

Reference point for the Company is a Company with strong social policy, the Company in which high degree of social protection of employees is provided.

Besides worthy wages, the Company gives pays much attention to non-material motivation of the personnel proceeding from the fact that moral encouragement corresponding to labour achievements contributes formation of awareness of the partnership and importance in achievement of the corporate goals,

strengthens interest in increase of the overall performance of his/her division and the Company as a whole. Social policy is carried out both within the limits of the current legislation, and within the limits of performance of the additional social guarantees given according to the Regulations about privileges and indemnifications of IDGC of Centre employees, and also the Collective Agreements operating in subordinated DGC.

Social policy of the Company includes a wide complex of social programs and actions making a social package of the employee.

The main programs of the Company employees’ social package are:

- Non-state provision of pensions to employees;
- Warding the personnel;
- Improvement of employees and members of their families;
- Housing policy;
- Carrying out celebratory corporate actions, competitions, rendering corporate assistance, charitable help.

Table 7-2

NON-STATE PROVISION OF PENSIONS

	2005	2006	2007
IDGC of Centre			
Amount of participants (people)	3 052	8 926	11 856
Pension contributions (thousand rubles)	19 481.0	105 876.6	275 325.4
Average pension contribution for 1 participant (thousand rubles)	6.4	11.9	23.2
DGC of IDGC of Centre			
Amount of participants (people)	50	130	212
Pension contributions (thousand rubles)	164.0	3 365.0	7 899.0
Average pension contribution for 1 participant (thousand rubles)	3.3	25.9	37.3

PARTICIPATION IN THE ALL-RUSSIA COMPETITION “RUSSIAN ORGANIZATION OF HIGH SOCIAL EFFICIENCY”

According to Order No.291-r of the Government of the Russian Federation of 06.03.2003 in the Russian Federation, the All-Russia Competition “Russian Organization of High Social Efficiency” is annually held, which sets forth attraction of attention of the public and employers to solutions of social issues, demonstration of achievements of the best winner organizations and winners of competition in this sphere, wide distribution and encouragement of positive experience.

In 2007 application form for participation in the VII All-Russia Competition Russian Organization of High Social Efficiency were submitted by 910 organizations from 74 regions of the country. Following the results of carrying out the competition in the “Power” sector nomination, the winner became JSC Kostromaenergo, the winner of the competition – JSC Belgorodenergo.

NON-STATE PROVISION OF PENSIONS TO EMPLOYEES

The Company actively carries out the Program of non-state provision of pensions to employees including two main pension plans: the corporate and parity ones.

The corporate plan unites pension schemes within the limits of which the Company due to own means organizes non-state provision of pensions of separate categories of employees.

The parity plan represents a version of non-state provision of pensions, when the employee and the Company in a certain proportion and following certain rules finances employee pensions provision.

For the 2005-2007 period under the corporate and parity plan, 4.11 million rubles were transferred to the nominal pension bills of IDGC of Centre employees; 400.7 million rubles were distributed to nominal pension bills of DGC employees. The amount of participants of the non-state provision of pensions program constantly grows.

ADDITIONAL INSURANCE OF EMPLOYEES

The Company and subordinated DGC carry out voluntary medical insurance of employees, insurance against accidents and illnesses; for the 2005-2007 period the amount of 146.8 million rubles was spent for these purposes.

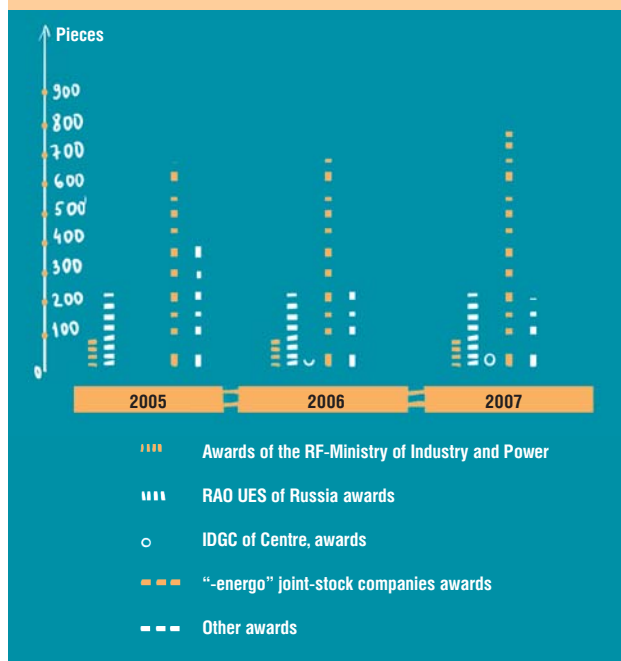
AWARDING THE PERSONNEL

The Company and subordinated DGC implement the system of moral encouragement of employees and labour teams for achievement of the highest indicators of industrial activity, realization of innovative projects, long-term good work.

In 2007, 5 employees of the Company were awarded by the sector and departmental awards. During the period since 2005, over 4,000 employees in the regions of presence of IDGC of Centre received various awards.

Diagram 7-8

AWARDS FOR SUBORDINATED DGC EMPLOYEES, THE 2005-2007 YEARS



7.3 PROSPECTS AND TASKS IN THE SPHERE OF DEVELOPMENT OF THE PERSONNEL FOR 2008

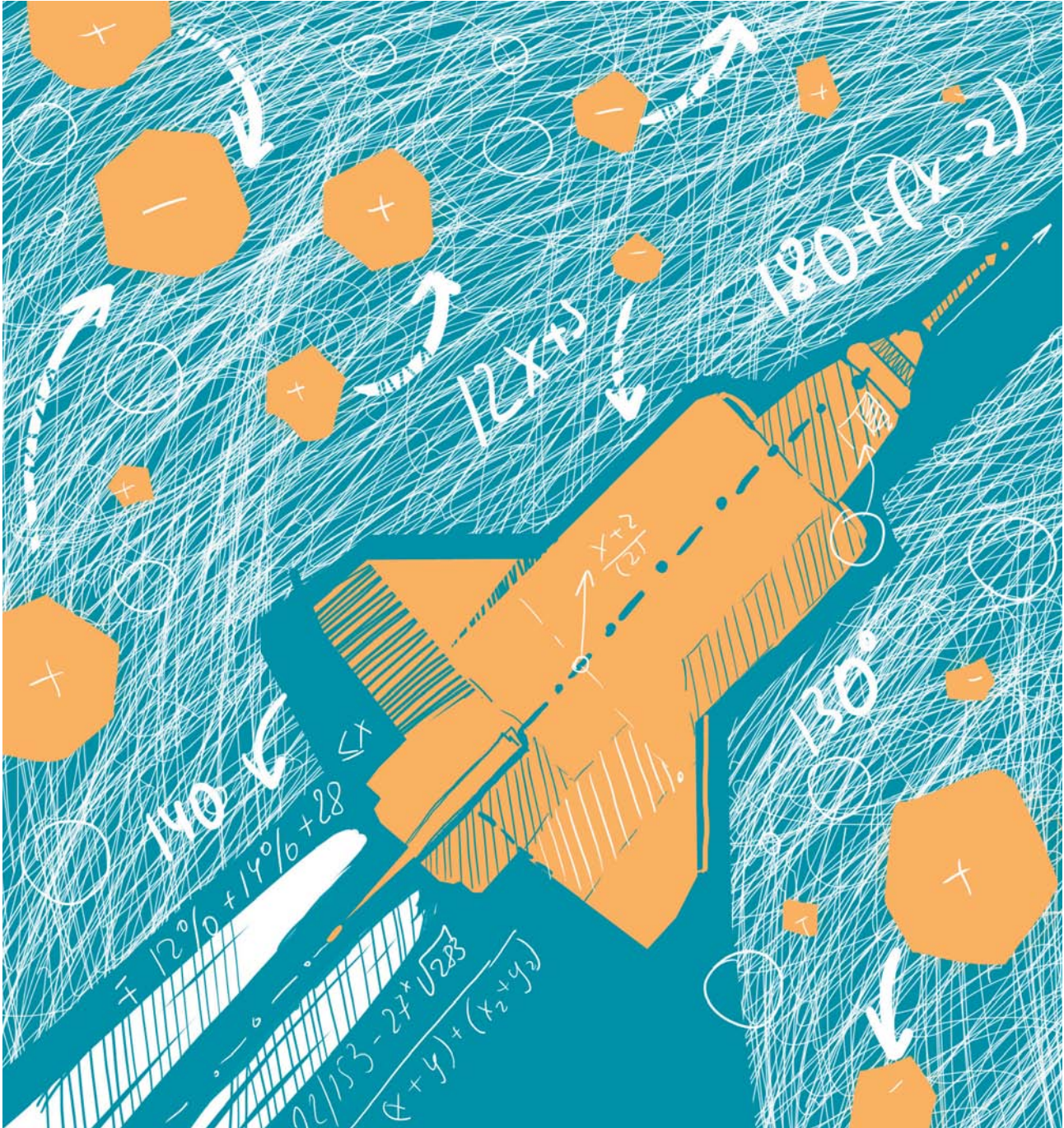
Our main strategic reference point is formation of the team as an effective and united community ready to performance of tasks of any complexity, as association of persons who operating in common and achieving outstanding results raise the personal status and status of the Company as a whole.

The main strategic task is to provide professional standard, material compensation and social security of personnel of IDGC of Centre, corresponding to the level of the companies of the leading industries of the real sector of the Russian Federation, to generate the uniform interregional team on principles of leadership and professionalism.

Realization of the following **sub-goals** is necessary for achievement of main strategic purposes of IDGC of Centre in the sphere of development of the personnel by 2015.

- 1 **To generate the interregional team on principles of the uniform corporate culture of the Company.**
 - To develop administrative corporate culture;
 - To develop the uniform corporate culture directed to increase of prestige of working trades.
- 2 **To raise activity performance with the reserve of the staff.**
 - To increase appeal of the Company to young experts;
 - To organize system work with educational institutions on recruitment and preparation of experts.
- 3 **To raise quality of the personnel.**
 - To provide readiness and development of administrative potential of the Company;
 - To provide constant increase in professional skills of employees;
 - To develop the system of preventive maintenance of health.
- 4 **To form loyalty of the personnel.**
 - To develop the system of social security of workers.
 - To generate the system of effective motivation of the administrative personnel.

In 2008 the following is planned: actions on uniting the team of the operational company on the basis of the uniform corporate culture, to increase professionalism of the team, formation and improvement of technologies of the personnel and personnel reserve appraisal, development and introduction of the complex system of motivation of the personnel.





ILYA PRIGOZHIN

NOBEL PRIZE IN CHEMISTRY

A Belgian scientist of Russian origin. In 1997 he was awarded Nobel Prize in Chemistry for his studies in thermodynamics of irreversible processes and, mostly important, for his theory of dissipative structures

“Whatever we call reality, it opens to us only within the process of active building we participate in.”

*I. Prigozhin, I. Stengers, “Order Out Of The Chaos: A new dialog of the man and the nature”.
M: KomKniga, 2005.*





8

RISK FACTORS

Activity of the Company directly depends on activity of operated DGC that is why the Company divides the risks connected with primary activity of operated Company DGC within the limits of realization of functions of the sole executive body. The risks connected with activity on rendering of services on transfer of electric energy for a fee are in a certain degree derivative of risks in the sphere of the wholesale and retail markets of the electric power and capacity.

Developing the wholesale and retail markets of the electric power and capacity, in its turn, possess higher level of risks than the developed markets of other production and services, and include significant legal, economic and, because of the high social importance for the country, political risks.

Dynamical development of the wholesale and retail markets of electric power industry allows to assume with a high degree of probability that the information given in the present annual report can become outdated quickly enough.

The existing information uncertainty due to dynamism of factors can affect the future activity of the Company, an opportunity of sale of its assets and observance of terms of repayment of obligations. This uncertainty should be considered by investors at estimation of own risks and decision-making on expediency of investments. Besides, some risks which are not essential at present can become financially essential in the future.

With a view of minimization of risks, the Company conducts a permanent work on their revealing and estimation.

POLICY OF THE COMPANY IN THE FIELD OF RISK MANAGEMENT

The policy of the Company in the field of risk management means duly revealing and prevention of possible risks for the purpose of minimization of financial and other losses.

Directions of activity of the Company on management by specific risks are described below.

In connection with the fact that the Company at the moment sells services on the domestic market of the Russian Federation and does not plan to carry out activity on the foreign market, the risks described below are considered only in within the limits of the home market.

COUNTRY RISKS

Now the positive tendency of increase of the international ratings of the Russian Federation is observed. According to the classification of Fitch, Moody's and Standard and Poor's international rating agencies, Russia received an investment rating according to which the economic and political situation in Russia is estimated as harmless in the short-term prospect. The forecast for all ratings remains on the "stable" level. The favorable factors contributing to increase in the ratings of Russia, in opinion of agencies, are the economic growth observed in Russia within last several years, caused improvement of the majority of key performance indicators, including proficiency of the account of current operations, and also growth of gold and exchange currency reserves of Russia and reduction of external short-term obligations.

On the other hand, the economy of Russia is not protected from market recessions and delay of economic development in other countries of the world. Financial problems or aggravated perception of risks of investment in the countries with a developing economy can lower the volume of foreign investments into Russia and render negative influence on the Russian economy. Besides, as Russia makes and exports great volumes of natural gas and oil, the Russian economy is especially vulnerable to changes of the world prices for natural gas and oil, and falling of the price for natural gas and oil can slow down or shake development of the Russian economy.

These events can limit access of the Company to the capital and render adverse influence on purchasing capacity of consumers of the Company products. The Company assumes to carry out all the actions directed to decrease of influence of such events on the activity: pursue the weighed policy in the field of the borrowed funds attraction.

The share of the given risk, in opinion of the Company, is not significant.

SECTOR RISKS. FACTORS INFLUENCING ECONOMY OF THE SECTOR

The electric power industry is a sector having a number of factors negatively influencing the functioning and development of electric power industry. These factors are:

- High (more than 50 percent degree of deterioration of the fixed capital connected with reduction of putting new capacities in operation in the 1990th years;
- High breakdown susceptibility of the equipment;
- Deficiency of investment resources kept in the sector and their irrational use;
- Absence of the developed and stable legislation considering in full specificity of functioning of electric power industry and so forth.

Presence of the above-stated factors creates sector risks. All the factors set forth above in full concern activity of the Company and DGC.

In order to decrease sector risks, the Company's management carries out an effective investment policy by increase in amount of commercially effective investment projects, formation during capital investments of highly profitable assets. Realization of investment projects will allow to provide strengthening of reliability of work of power supply systems of regions and increase transmission capacity of distribution grids.

REGIONAL RISKS

The Company was registered as a tax bearer on the territory of the Central Federal District of the Russian Federation being an economically developed region of the country, the center of financial and political activity.

According to the Investment Rating of Regions of Russia 2005-2006 (prepared by the "Expert RA" Rating Agency), the majority of regions (8 out of 11), with which the Company activity is connected, are referred to the territories with moderate investment risks and in various investment potential, and 2 out of 11 regions of activity of the Company – to the regions with the minimal investment risks.

Negative changes of the situation in regions of the Company activity which can negatively affect its activity and the economic situation, in the near future are not predicted.

FINANCIAL RISKS

All obligations of the Company are expressed in the currency of the Russian Federation – rubles. Therefore, the Company has low risk of change of an exchange rate of the foreign currencies.

In case of the negative influence of change of the exchange rate, the Company plans to hold analysis of risks and make the corresponding decision in each specific case.

In the future the Company plans attraction of credits that will entail necessity of accounting the interest rates change risks for economic activities.

Now and in intermediate term prospect, the rate of refinancing of the Central Bank of the Russian Federation has no tendency to decrease. Change of rates per credits the Company plans to attract in the future depends on change of the situation in the world credit market. At the same time, the risk of change of rates is estimated as low, as in 2008 the Company will get the status of the entity of the natural monopoly.

In the future the Company, being the entity of the natural monopoly, should carry out selection of the financial organizations for rendering financial services on carrying out public one-stage competition or open auction according to the procedures established by the legislation of the Russian Federation (Federal Law "On protection of competition" No.135-FZ as of 26.07.2006, the Federal Law "On placement of orders for delivery of the goods, performance of works, rendering of services for the state and municipal needs" No. 94-FL of 21.07.2005). According to part 4.1 item 9 of the Law Placement of orders, the price of the state order or municipal contract is firm and cannot change during its execution.

Thus, the risk of change of credit rates for the Company is minimal, and is possible only at change of the legislation of the Russian Federation.

INFLUENCE OF INFLATION

The rate of inflation directly depends on the political and economic situation in the country. The condition of the Russian economy is characterized by high rates of inflation. But for the last reporting periods, the rate of inflation tends to decrease.

Negative influence of inflation on financial and economic activity of the Company can be connected with the following risks:

- The risk connected with losses in real cost of debt receivable at an essential delay or postponement of payment;
- Risk of increase in interests payable;
- Risk of increase in the production cost of the goods, products, works, services due to increase in the price for energy carriers, transport charges, wages, etc.;
- Risk of reduction of real cost of the investment program funds.

At the same time, it is necessary to note that till the moment of formation of the uniform operational interregional company, influence of risk of inflation on activity of the Company is minimal. After formation of the operational company, the risk of inflation is estimated as average. Considering the level of potential profitability of activity, in opinion of the Company, value of inflation the Company can have difficulties with, equals the annual rate of at least 7.7%.

In case the value of inflation exceeds the specified critical values, the Company plans to increase in its assets the share of short-term financial instruments, performance of actions on reduction of internal costs and maximization of growth of tariffs within the limits of the established limit levels during the subsequent periods of regulation.

According to the above table, the main parameter which is the most subject to change and connected with financial risks is the profit of the Company. With growth of the interest rates, payments per interests for using credits of commercial banks (operational charges) also increase and, accordingly, the profit of the Company decreases. Besides, the profit decreases at increase in the production cost of services on transfer of electric energy and fixing tariffs on the legislative level.

LEGAL RISKS

As well as any other entity of economic activities, the Company is the participant of tax relations. Now tax legal relationship in the Russian Federation is regulated by the Tax Code of the Russian Federation, a number of the federal laws accepted according to the Tax Code of the Russian Federation, laws of entities of the Russian Federation, and also normative legal acts of institutions of local government.

The system of lawfully established taxes and tax collections includes, in particular, the value added tax, the profit tax, the property tax, the uniform social tax and other obligatory payments. The corresponding statutory acts quite often contain indistinct formulations, or operate with the terms which do not having specific legal definition. Besides, the Ministry of Finance of the Russian Federation and Federal Tax Service of the Russian Federation, authorized to give

Table 8-1

FINANCIAL REPORTING INDICATOR OF THE COMPANY MOST SUBJECT TO CHANGES AS A RESULT OF INFLUENCE OF SPECIFIED FINANCIAL RISKS

Risks	Probability of occurrence	Description of their changes in the reporting
Growth of interest rates	Low	Increase of operational charges in the profit and loss statement
Growth of the euro exchange rate in relation to ruble and US dollar	Low	The reporting does not change as the whole amount of incomes and charges of the Company is nominated in rubles and is not attached to the rate of exchange, and also as the Company does not hold investments in the foreign financial assets and does not involve foreign loans
Decrease in the US dollar exchange rate in relation to ruble and euro	Low	

official explanations of the tax laws, frequently give explanations and comments contradicting both the norms of the tax laws, and judiciary practice developed on the certain categories.

Fiscal bodies thus are guided by such legal acts and explanations of the specified state bodies which are directed exclusively to updating budgets of different levels, thus, quite often, roughly breaking the rights and legitimate interests of the tax bearer.

Preparation and granting of the tax reporting together with other elements of the system of regulation of tax legal relations are in the competence, first of all, of the tax bodies having the right to make additional tax charges and tax collections charges, to charge the sums of fines, to impose significant penalties. Thereof, tax risks in Russia essentially exceed the similar risks typical of the countries with more developed market economy and system of the tax laws.

The management of the Company thinks that the Company in full observes the tax laws concerning its activity that, nevertheless, does not eliminate potential risks of its bringing to the tax responsibility in case of changes in the state fiscal policy concerning separate taxes and tax collections, and also change (not in favour of the tax bearer) of judiciary practice on separate categories of tax affairs.

Now the Government of the Russian Federation pursues a policy of decrease in tax charging with regard to the Russian tax bearers. In this connection, modification in the tax laws regarding increase in tax rates and/or changes of the order and terms of calculation and payment of taxes, in the near future is not expected.

In connection with the stated, the given risk is estimated as insignificant.

In case of modification in the operating order and conditions of the taxation, the Company is going to plan the financial and economic activity in view of these changes.

Possible change of requirements on licensing the primary activity of the Company or licensing rights to use the facilities, the circulation of which, in its turn, is limited (including natural resources) can lead to increase in the term of preparation of the documents necessary for reception

or prolongation of validity of the license, and also necessity of conformity of the Company with the requirements set forth.

However, as a whole, it is necessary to consider the given risk as insignificant, except for those cases when for reception or prolongations of the license or for realization of the activity which is subject to licensing will be stipulated requirements which cannot be met by the Company, or conformity which will be connected with excessive expenses.

In case of change of requirements on licensing activity of the Company or licensing of rights to use of facilities which circulation is limited, the Company will take necessary measures for reception of the corresponding licenses and sanctions.

The opportunity of change of the judiciary practice connected with activity of the Company (including concerning licensing) is considered as insignificant and will not render essential influence on its activity.

In case of modification in judiciary practice concerning the issues connected with activity of the Company, the latter is going to plan its financial and economic activity in view of these changes.

GLOSSARY

Aa

ADCS – automated dispatch control system
ADTCS – automated dispatch and technological control system
AIMS – Automatic information measuring system
AIMS CEA – – Automatic information measuring system of commercial energy accounting
AIMS CEA - HC – Automatic information measuring system of commercial energy accounting (for household consumers)
ASTM – automated system of technological management
ATS – Automatic telephone station

Bb

BU – business-unit

Cc

CC – Corporate Center of JSC RAO UES of Russia
CDO – Central dispatch office
CI (or CAPEX) – Capital investments
CIS – Corporate Information System
CISRM – Corporate Informational System of Resource Management
CDU – Closed distribution unit
Company, the – IDGC of Centre
CSMGDR – Corporate system of management of geographically dispersed resources
CSS RD – Corporate support system of reference data
CTSB – Complex transformer substation

Dd

DMD – Dispatch management district
DGC – Distribution grid company
DPC – Data processing center

Ee

Earnings Before Interest, Tax, Depreciation and Amortization;
EBITDA – Indicator of the Company's profit before deduction of profit tax, accrued interest on credit and amortization. EBITDA indicator is used for long-term efficiency estimation of the Company's operations. It is the Company's profit free from influence of the tax, ways of financing and organization of reporting (concerning amortization).
EEIR – electric equipment arrangement rules
EGE – Electric grid area
ETL – Electricity transmission line
FGC – Federal Grid Company
FRC – Financial Responsibility Center
FTS RF – Federal Tariff Service of the Russian Federation

Gg

GIS – geographic information system

Hh

HV – High voltage

Ii

IDGC – Interregional Distribution Grid Company
ISO 14001 – EMS International Standards
ISO 9001 – Quality Management System International Standards
IT – information technologies
IT space – System integrating several local networks

Kk

KPI – Key performance indicator
kV – KiloVolt (voltage degree)
kVA – Kilo volt-ampere

Ll

Last mile – the final leg of delivering connectivity from a communications provider to a customer

Mm

MCCPE – main computer center of power economy
mn kWh – Million kilowatt per hour
MV-1 – Mid voltage (35 kV)
MV-2 – Mid voltage (10 kV)
MVA – SB's capacity, mega volt-ampere
MW – Megawatt

Nn

NCC – Network Control Center
NPP – Non-state pension provision
NOPLAT – Normalized Operation Profit Less Adjusted Taxes. NOPLAT is used at consideration of profitability of the company and determines the level of net profit
NPS – Nuclear power station
NTD – Normative and technical documents
NWEM – new wholesale electricity market

Oo

OL – Overhead line

Pp

piece/MVA – Quantity/capacity
PD of DGC – Production division of DGC
PM – Project management
PM – Process management

Rr

ROE – Return on equity. Net profit of the company expressed in percentage relation to the own capital
R&R – Re-equipment and reconstruction
ROE (Return on equity ratio) – Relation of the Company's net profit the amount of the share capital. Return on equity characterizes business profitability for its owners.
RMC – Reform Management Centre of RAO UEA of Russia
RPC – Regional power committee
R&D – Research and development

RST – Regional Service for Tariffs

RTS Index – One of the main indicators of Russian economy. It reflects share flow on the market and is calculated on the basis of the share prices of the most prominent entities of the Russian Federation.

Ss

SB – Substation, a subsidiary station of an electricity generation, transmission and distribution system

SC – Service Center
SEB – Sole executive body
SCB – Static condensator battery
s.u. – Standard unit

Tt

thous.kWhour – Thousand kilowatt per hour
TPS – Thermal power station
TRR – Technical re-equipment and reconstruction
TPS – Type product solution

Vv

VPN network – Virtual Private Network – network that allows to transfer confidential information from one office to another excluding any possibility of tapping.

Uu

UES – Unified Energy System
UIS – uniform information space
UNPG – Unified National (Russian) Power Grid

Ww

WEM – wholesale electricity market

Appendix 1

INFORMATION ON

“INTERREGIONAL DISTRIBUTION GRID COMPANY OF CENTRE”, JOINT-STOCK COMPANY COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

Provision of Code on Corporate Governance	Compliant/non-compliant	Measures taken for fulfillment of the norms
SHAREHOLDERS		
01 The general meeting of shareholders is organized by the Company so that participation of shareholders will not lead to great material and time expenses, providing equal attitude to all shareholders.	Non-compliant	<p>At the present time the unique shareholder of the Company that owns 100% of its authorised capital is JSC RAO UES of Russia.</p> <p>According to item 3 of article 47 FZ On Joint-Stock Companies if in a company all voting shares belong to one shareholder, the said shareholder takes individual decisions in written form on all items which belong to the competence of the general meeting of shareholders. Thus provisions of article FZ On Joint-Stock Companies, defining the order and terms of preparation, convocation and carrying out of general meeting of shareholders, are not applied, except for the provisions concerning terms of carrying out of the annual general meeting of shareholders.</p>
02 The Company gives to shareholders the information concerning the agenda of the general meeting of shareholders in the amount and terms allowing shareholders to make reasonable decisions.	Non-compliant	<p>According to subitem 1 of item 11.1 of article 11 of the Charter of the Company during the period of possession by JSC RAO UES of Russia of 100 percent of voting shares of the Company, resolutions on the items which are within the competence of the general meeting of shareholders of the Company, are adopted by the Management Board of JSC RAO UES of Russia and are presented to the Company in the order established by internal documents of JSC RAO UES of Russia that regulate activity of the Management Board of JSC RAO UES of Russia.</p>
03 All the information concerning the general meeting of shareholders must be disclosed on the web site of the Company.	Non-compliant	<p>During the accounting period the Company did not commit any infringements of internal documents of JSC RAO UES of Russia that regulate the activity of the Management Board of JSC RAO UES of Russia.</p>

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
04 The system of account of the rights on shares provides reliability of the account of the property rights to shares, and also possibility of free and fast alienation of shares belonging to shareholders. The register of shareholders of the Company is conducted by the independent registrar appointed by the Board of Directors of the Company.	Compliant	The register of shareholders of the Company is conducted by the independent registrar – Central Moscow Depository joint-stock company. JSC CMD was appointed to the post of the Registrar of the Company by resolution of the Board of Directors of the Company as of 05.12.2005. (Minutes № 009/05).
05 The dividend policy is defined by the internal document of the Company adopted by the Board of Directors, and based on the balance between interests of shareholders (regarding reception of apart of profit of the Company) and interests of the Company (regarding usage of funds for its further development).	Compliant	The Board of Directors of the Company adopted the Regulation on the dividend policy of IDGC of Centre (Minutes №011/06 as of 30.11.2006) where one of the principles of the dividend policy is the idea that the dividend policy of the Company is based on the balance of interests of the Company and its shareholders at definition of the amount of dividend payments. The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/about/administration/documents1/ .
06 During preparation for the annual meeting the information on presence in the Company of conditions for payment of dividends is given to shareholders, allowing to estimate real financial achievements for the accounting period, all forms of the accounting reporting, the annual report, the conclusions of the independent auditor and the Audit committee following the results of economic activities are given, the information on the procedure of payments of dividends and their payment is presented.	Non-compliant	At the present time the unique shareholder of the Company that owns 100% of its authorised capital, is JSC RAO UES of Russia. According to item 3 of article 47 FZ On Joint-Stock Companies if in a company all voting shares belong to one shareholder, the said shareholder takes individual decisions in written form on all items which belong to the competence of the general meeting of shareholders. Thus provisions of article FZ On Joint-Stock Companies, defining the order and terms of preparation, convocation and carrying out of general meeting of shareholders, are not applied, except for the provisions concerning terms of carrying out of the annual general meeting of shareholders. According to subitem 1 of item 11.1 of article 11 of the Charter of the Company during the period of possession by JSC RAO UES of Russia of 100 percent of voting shares of the Company, resolutions on the items which are within the competence of the general meeting of shareholders of the Company, are adopted by the Management Board of JSC RAO UES of Russia and are presented to the Company according to the order established by internal documents of JSC RAO UES of Russia that regulate activity of the Management Board of JSC RAO UES of Russia.
07 The Company pays the declared dividends in terms fixed by the general meeting of shareholders.	Compliant	The Company does not break terms of payment of dividends to the unique shareholder.

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
08 All disclosed information must be presented on the web site of the Company.	Compliant	The Regulation on the information policy of IDGC of Centre and the Regulations worked out to execute the said Regulation and adopted by General Director operate in the Company. According to these documents, the Company is obliged to disclose information on the site, the said obligation being stipulated by the operating legislation and said internal documents of the Company. The information on the Company is disclosed on its web site http://www.mrsk-1.ru .
09 The Company discloses the financial reporting according to the requirements of the legislation of the Russian Federation, and also according to the International Accounting Standards (IAS).	Compliant	The requirement on disclosure by the Company of the financial reporting according to the requirements of the legislation of the Russian Federation, and also according to the International Accounting Standards (IAS) are fixed in the Regulation on the information policy of the Company. The Company strictly observes the given requirement by disclosing such reporting on the site of the Company and also publishing the reporting in printing in the cases stipulated by the legislation of the Russian Federation.
10 The Company aims to provide the shareholders who participate in the general meeting with the opportunity of familiarizing themselves with the information necessary for making of reasonable and weighed resolutions concerning the agenda of the general meeting trying as much as possible to facilitate access of shareholders to the specified information. The amount of the information and documents presented to shareholders is defined by the legislation of the Russian Federation, the Charter and internal documents of the Company.	Non-compliant	At the present time the unique shareholder of the Company that owns 100% of its authorised capital is JSC RAO UES of Russia. According to item 3 of article 47 FZ On Joint-Stock Companies, if in a company all voting shares belong to one shareholder, the said shareholder takes individual decisions in written form on all items which belong to the competence of the general meeting of shareholders. Thus provisions of article FZ On Joint-Stock Companies that define the order and terms of preparation, convocation and carrying out of general meeting of shareholders, are not applied, except for the provisions concerning terms of carrying out of the annual general meeting of shareholders. According to subitem 1 of item 11.1 of article 11 of the Charter of the Company during the period of possession by JSC RAO UES of Russia of 100 percent of voting shares of the Company, resolutions on the items which are within the competence of the general meeting of shareholders of the Company, are adopted by the Management Board of JSC RAO UES of Russia and are presented to the Company in order established by internal documents of JSC RAO UES of Russia that regulate activity of the Management Board of JSC RAO UES of Russia. During the accounting period the Company did not commit any infringements of internal documents of JSC RAO UES of Russia that regulate the activity of the Management Board of JSC RAO UES of Russia.
11 At the general meetings shareholders have the opportunity to discuss the items under the agenda that concern the activity of the Company.	Non-compliant	

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
12 The dividend policy of the Company is developed and adopted, and it influences the decisions of the Board of Directors of the Company on payment of dividends.	Compliant	The Board of Directors of the Company adopted the Regulation on the dividend policy of IDGC of Centre (Minutes №011/06 as of 30.11.2006) according to which the dividend policy is understood by the Company as system of relations and principles of definition of the amount of dividends, the order and terms of their payment, and also on the establishment of responsibility of the Company for breach of duty on payment of dividends. The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/about/administration/documents1/ .
13 The Company informs shareholders and other interested persons on its dividend policy taking into account its great role in taking of investment decisions. For this purposes the information on the dividend policy of the Company and the introduced modifications are presented on the site of the Company in the Internet.	Compliant	The Regulation on the dividend policy is available on the web site of the Company www.mrsk-1.ru (Company profile / Corporate governance/ Internal documents).
14 The Company provides shareholders with the opportunity of reception of the exhaustive information on the amount and an order of payment of the dividends that contains in the resolution on payment of dividends. Thereupon the resolution contains the amount of dividends on shares of each category (type) and also the form and term of payment of dividends.	Compliant	The resolution on payment of dividends must contain the amount of dividends on shares of each category (type), and also the form and term of payment of dividends.
15 At determining of the order of payment of dividends the Company aims at provision of the way of their reception that is the most convenient one for shareholders and corresponds to the requirements of the legislation.	Compliant	At determining of the order of payment of dividends the Company aims at provision of the way of their reception that is the most convenient one for shareholders and corresponds to the requirements of the legislation.

Provision of Code on Corporate Governance		Compliant/ non-compliant	Measures taken for fulfillment of the norms
THE BOARD OF DIRECTORS			
16	Members of the Board of Directors of the Company provide the Company with information on themselves in the amount and order stipulated by the internal documents of the Company.	Compliant	The members of the Board of Directors of the Company are obliged to present information about themselves in the amount and order stipulated by the Regulation on the insider information of IDGC of Centre and the Regulation on Corporate Secretary of IDGC of Centre that stipulates the form of biographical data according to which members of the Board of Directors provide information about themselves.
17	Members of the Board of Directors of the Company in written form notify the Company on their affiliation, on their intention to conclude transactions with the help of shares of the Company and its affiliated (dependent) companies, and also to disclose the information on the transactions concluded by them with the help of the said securities.	Compliant	<p>The said duty is stipulated by chapter 4 of the Regulation on the insider information of IDGC of Centre, and also part of such information is presented by the members of the Board of Directors in biographical data on a regular basis. The said Regulation was published on the web site of the Company: <http://www.mrsk-1.ru/about/administration/documents1/>.</p> <p>At the present time, in connection with the fact that the Company has only one shareholder (JSC RAO UES of Russia), the members of the Board of Directors do not present to the Company the information on possession of shares of the Company and transactions concluded with such shares.</p>
18	The composition of the Board of Directors of the Company provides its effective work, unites representatives of various groups of shareholders and takes into account various interests and points of view at development of resolutions.	Compliant	The Board of Directors of the Company includes representatives of JSC RAO UES of Russia, JSC UES FGC, General Director of IDGC of Centre, representatives of system minority shareholders of DGC subordinate to the Company. The given composition of the Board of Directors is independent enough of the management of the Company to make objective and independent judgments concerning the current operations of the Company and is capable of taking stock of the current work of management critically.

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
19 The composition of the Board of Directors is established in such a way as to provide representation of various groups of shareholders, including minority shareholders.	Compliant	<p>The Board of Directors of the Company includes representatives of JSC RAO UES of Russia, JSC UES FGC, General Director of IDGC of Centre, representatives of system minority shareholders of DGC subordinate to the Company. The given composition of the Board of Directors is independent enough of the management of the Company to make objective and independent judgments concerning the current operations of the Company and is capable of taking stock of the current work of management critically.</p> <p>Inclusion in structure of the Board of Directors of representatives of system minority shareholders of DGC subordinate to the Company allows to consider their opinion at carrying out of the reform that presupposes converting of shares of the Company into the shares of subordinate DGC of additional issue, and also improves their awareness of long-term plans of the reform of development of the Company. The given composition of the Board of Directors of the Company provides balance of interests sufficient to consider opinions of all interested parties, and also to establish the objective and independent control over the work of the management.</p>
20 The composition of the Board of Directors includes experts that are competent in a wide range of issues that cover both the main field of activity of the Company, and separate branches and regions in which the Company carries out its activity.	Compliant	<p>The analysis of the composition of the Board of Directors of the Company from the point of view of possession by its members of the key skills necessary for effective work of the Board of Directors shows high level of its equation. The composition of the operating Board of Directors includes directors who have the knowledge that are specific for the sphere of activity of the Company.</p>
21 The Board of Directors is governed by Non-Executive Director as it allows the Board of Directors to carry out their functions more effectively.	Compliant	<p>Chairman of the Board of Directors, Demin A.A., does not have labour relations with the Company.</p>
22 The composition of the Board of Directors includes not more than 25% of executive officers who are at the same time employees of the Company.	Compliant	<p>The composition of the Board of Directors (11 persons) includes only 1 executive officer – Makarov E.F.</p>
23 To guarantee objectivity of the taken resolutions and maintenance of balance between interests of various groups of shareholders, the composition of the Board of Directors of the Company includes non-executive directors.	Compliant	<p>The composition of the Board of Directors includes more than 3 non-executive directors.</p>

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
24 For the purpose of maintenance of objectivity of the taken resolutions and preservation of balance of interests of various groups of shareholders the Company aims at presence in the composition of the Board of Directors of not less than 3 (three) non-executive directors.	Compliant	The composition of the Board of Directors includes more than 3 non-executive directors.
25 The form of carrying out of a meeting of the Board of Directors is defined with regard of importance of items of the agenda. Taking into account that only holding of meetings in praesentia of the Board of Directors allows to organize discussion of questions of the agenda, the most important items are studied at the meetings in praesentia.	Compliant	The form of carrying out of the meeting is defined in view of importance of the agenda items.
26 The Board of Directors holds meetings according to the schedule developed in the beginning of term of its powers that provides appropriate execution of its duties. The Board of Directors holds meetings not rarer than once in a quarter.	Compliant	The Board of Directors holds meetings according to the schedule developed in the beginning of term of its powers. The Board of Directors holds meetings not rarer than once in a month.
27 The procedure of work of the Board of Directors is governed by regulations of the activity of the Board of Directors.	Compliant	The Board of Directors of the Company operates on the Regulation on the order of convocation and holding of meetings of the Board of Directors of IDGC of Centre adopted by the sole shareholder of the Company (Resolution № 1484pr/6 as of 24.06.2006). The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/about/administration/documents1/ .
28 Directors are in due time provided with exhaustive information together with notification on holding of the meeting of the Board of Directors but not later than in 11 working days before holding of each meeting if other terms are not established by the internal documents of the Company.	Compliant	According to item 6.6.1. of the Regulation on the order of convocation and holding of meetings of the Board of Directors of IDGC of Centre, the notification on carrying out of a meeting of the Board of Directors is sent by the Secretary of the Board of Directors to each member of the Board of Directors in writing not later than 11 (Eleven) working days before date of carrying out of the meeting of the Board of Directors (the termination of term of reception of voting sheets), except for the cases stipulated by the given Regulation. The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/about/administration/documents1/ .
29 The Board of Directors creates committees for preliminary consideration of the most important items concerning its competence.	Compliant	The Reliability Committee of the Board of Directors of the Company was created by the resolution of the Board of Directors (Minutes № 001/06 as of 17.01.2006).

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
30 Activity regulations, order of forming, competence and term of appointment of the committees of the Board of Directors are defined by separate resolutions of the Board of Directors.	Compliant	The Reliability Committee of the Board of Directors of the Company operates on the basis of the Regulation on Reliability Committee of the Board of Directors adopted by the Board of Directors (Minutes № 001/06 as of 17.01.2006).
31 Decision-making on payment to the members of the Board of Directors of the Company of remuneration and (or) compensation is referred to the competence of the general meeting of shareholders of the Company. The system of compensation should be transparent and clear to shareholders; the information on it should be disclosed in the annual report of the Company.	Compliant	The Regulation on payment to members of the Board of Directors of IDGC of Centre of remuneration and compensation is in force in the Company. It was adopted by the sole shareholder of the Company (in the version as of 22.01.2007). It is possible to familiarize oneself with the specified Regulation on the web site of the Company www.mrsk-1.ru (Company profile/Corporate Governance).
32 Terms of remuneration of the members of the Board of Directors are established in such a way as to provide attraction and participation in work of the Board of Directors of highly skilled experts, to motivate them to diligent and effective activity.	Compliant	The Company exercises payment of remuneration to non-executive and independent members of the Board of Directors and this is a necessary condition of involvement of participating members of the Board of Directors in work of the Board of Directors. The remuneration paid to the members of the Board of Directors of the Company depends on results of the activity of the Company. The indicator of net profit of the Company according to the annual accounting reporting, and also market capitalization of the Company were chosen as indicators of activity for payment of remuneration.
33 The rate of remuneration paid to members of the Board of Directors of the Company depends on results of the activity of the Company and results of the activity of the Board of Directors.	Compliant	The remuneration paid to the members of the Board of Directors of the Company depends on results of the activity of the Company. The indicator of net profit of the Company according to the annual accounting reporting, and also market capitalization of the Company were chosen as indicators of activity for payment of remuneration.
34 In activity regulations of the Board of Directors are fixed the obligation of a member of the Board of Directors to bear responsibility for default (inadequate execution) duties and the right of the Company to presentation of the judicial claim to a member of the Board of Directors on compensation of the loss caused by him/her.	Compliant	According to item 3.6. of the Regulation on the order of convocation and holding of meetings of the Board of Directors of IDGC of Centre, the members of the Board of Directors bear responsibility for the loss caused to the Company by their guilty activity (failure to act) according to the current legislation. In this case responsibility is borne by the members of the Board of Directors who voted against the resolution that caused loss to the Company or who did not take part in the voting.

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
GENERAL DIRECTOR		
35 General Director is accountable to the Board of Directors of the Company, carries out his/her activity in strict conformity with the rules established by the Board of Directors of the Company and regularly reports to the Board of Directors on his/her activity.	Compliant	<p>According to subitem 30 of item 12.1. of article 12 of the Charter of the Company, consideration of reports of General Director on the activity of the Company (including performance of official duties), on performance of resolutions of the general meeting of shareholders and the Board of Directors of the Company is within the competence of the Board of Directors of the Company. General Director on a regular basis submits the following reports to consideration of the Board of Directors of the Company:</p> <ul style="list-style-type: none"> • on provision of insurance coverage; • on execution of the business plan of the Company; • on performance of the resolutions of the annual general meeting of shareholders on payment of dividends; • information of the Reliability Committee on the state of the fixed assets of power facilities of subordinate DGC; • on preparation of the Company for work during the autumn-winter period.
36 The system of remuneration of General Director is defined by the Board of Directors of the Company.	Compliant	The Board of Directors of IDGC of Centre adopted the Regulation on material incentive of General Director of IDGC of Centre (Minutes №05/07 as of 19.06.2007) that fixes the system of remuneration of General Director
37 General Director of the Company provides the Board of Directors with quarterly reports on his/her activity.	Compliant	<p>According to subitem 30 of item 12.1. of article 12 of the Charter of the Company consideration of reports of General Director on the activity of the Company (including performance of official duties), on performance of resolutions of the general meeting of shareholders and the Board of Directors of the Company is within the competence of the Board of Directors of the Company. General Director quarterly reports to the Board of Directors of the Company about the activity of the Company.</p>
CORPORATE SECRETARY		
38 Corporate Secretary of the Company is the official the primary goal of whom is maintenance of observance with bodies and officials of the Company of the procedural requirements guaranteeing realization of the rights and legitimate interests of shareholders of the Company.	Compliant	<p>The Company created the position of Corporate Secretary the primary goal of whom is provision of observance by bodies and officials of the Company of the procedural requirements that guarantee realization of the rights and legitimate interests of shareholders of the Company. Corporate Secretary operates on the basis of the Charter of the Company and the Regulation on Corporate Secretary that was adopted by the Board of Directors of the Company. The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/on/administration/documents1/.</p>

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
39 The requirements to a nominee of Corporate Secretary of the Company, order of election of Corporate Secretary, and his/her duties are defined by the Charter of the Company, Code on Corporate Governance and Regulation on Corporate Secretary of the Company.	Compliant	The Charter of the Company (article 18) contains reference rule according to which activity regulations, the order of appointment and the termination of powers, the term of powers, the rights and duties of Corporate Secretary of the Company are defined by the Regulation on Corporate Secretary adopted by the Board of Directors of the Company. The Regulation on Corporate Secretary and Code on Corporate Governance contain all the above-stated requirements.
40 Only a person who has spotless reputation, higher legal or economic education, not less than a three-year work experience, and also other characteristics defined by the internal documents of the Company may be appointed to the post of Corporate Secretary.	Compliant	The Regulation on Corporate Secretary of the Company contains the specified requirements. Corporate Secretary elected in the Company answers the requirements specified by Code on Corporate Governance of the Company and the Regulation on Corporate Secretary.

INFORMATION DISCLOSURE AND TRANSPARENCY

41 The Company provides timely and exact disclosure of the information on all vital issues of its activity, by performance of the requirements established by the legislation of the Russian Federation, and also by voluntary disclosure of additional information.	Compliant	The Board of Directors of the Company adopted the Regulation on information policy of IDGC of Centre (Minutes № 009/06 as of 18.10.2006) according to which the Company assumes the obligations on disclosing of additional information. To execute the given Regulation the Company adopted the corresponding Rules of Procedure that regulates the procedure of disclosing of the information on the Company by its organization departments. The requirements of the Regulation and Rules of Procedure are fulfilled. The said Regulation was published on the web site of the Company: http://www.mrsk-1.ru/on/administration/documents1/ .
42 The information on the major events of the Company, recognized as such according to the legislation of the Russian Federation and under own initiative of the Company, is published in the mass media and on the web site of the Company.	Compliant	All the information disclosed by the Company, including the information on the major events of the Company is disclosed on the web site of the Company www.mrsk-1.ru , and also it was published in the mass media.
43 The Company takes measures to protection of trade secret information. The list of trade secret information, terms of access to such information, and also opportunity of its use are defined by the Company in corresponding regulations taking into account necessity of observance of reasonable balance between openness of the Company and wish not to hurt its interests.	Compliant	By order № 232 as of 14.11.2006 General Director adopted the following documents: <ul style="list-style-type: none"> the Uniform policy of the organisation of work on protection of trade secret information; the Reglment on the order of work and cooperation at dealing with trade secret information; the list of trade secret information of IDGC of Centre. Besides, the given documents define the List of trade secret information, terms of access to such information, and also possibility of its use.

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
44 The Company carries out control over use of insider information. Use and protection of the insider information is governed by Regulation On The Insider Information of The Company.	Compliant	<p>The resolution of the Board of Directors of the Company as of 14.10.2005 (Minutes № 008/05) was adoption of the Regulation on the insider information of IDGC of Centre, developed with the purpose of protection of the rights and legitimate interests of shareholders and the persons who conclude transactions with the securities of the Company and its ADC; maintenance of economic safety of the Company; control over the activity of insiders on the basis of establishment of restrictions on the use of the insider information; establishments of general norms on protection of the insider information of the Company; establishments of the order of periodic reporting of the insiders to the Company; informing on the measures of responsibility applied for infringement of requirements established by the Regulation. The named Regulation was published on the web site of the Company: http://www.mrsk-1.ru/on/administration/documents1/.</p>
45 The Company keeps account and prepares financial reporting according to Russian Accounting Standards. Financial reporting is accompanied by detailed notes allowing the reader to interpret correctly the information on financial results of the activity of the Company. The financial information is supplemented with comments and analytical estimations of the management of the Company, and also conclusion of the Auditor of the Company and the Audit Committee.	Compliant	<p>The annual accounting reporting of the Company is available on the Company's website in the Internet at the address www.mrsk-1.ru/ (Investors and Shareholders/Information Disclosure)</p>
46 The Company prepares the reporting under International Accounting Standards (IAS) and publishes such reporting on its web site.	Compliant	<p>The reporting of the Company under the International Financial Accounting Standards (IFRS) is available on the Company's website in the Internet at the address www.mrsk-1.ru/ (Investors and Shareholders/Information Disclosure).</p>
47 The Company provides disclosure of information on beneficial owners of five and more percent of voting shares of the Company aiming to provide transparency of structure of the share capital.	Compliant	<p>The information on the sole shareholder of IDGC of Centre is disclosed on the web site of the Company www.mrsk-1.ru/ (Investors and Shareholders/Share Capital).</p>

Provision of Code on Corporate Governance	Compliant/ non-compliant	Measures taken for fulfillment of the norms
CONTROL OVER FINANCIAL AND ECONOMIC ACTIVITY OF THE COMPANY		
48 For the purpose of carrying out of effective internal control over the order of realization of all economic operations, an organization department the duties of which include internal audit is created in the Company.	Compliant	In the Company there was created the Department for Financial Control and Audit that executes functions of internal audit, in particular functions according to the evaluation of efficiency of the system of risk management and systems of internal control and that is a necessary condition of maintenance of efficiency of the system of risk management and systems of internal control . Work of the Department is regulated by the corresponding Regulation that formalizes the work of the specified body and thus contributes to the efficiency of its work.
49 Procedures of internal control, and also problems of cooperation of bodies (departments, persons), carrying out internal control of financial and economic activity, and also detecting of risks of the Company are defined by the local regulatory legal acts of the Company adopted by the Board of Directors of the Company.	Non-compliant	At the present moment the internal document defining conceptual basis of the system of internal control of the Company is under development. The said conceptual basis includes aims and tasks of internal control, principles of internal control, organization departments of the Company that develop and introduce procedures of internal control, organization departments of the Company that estimate the efficiency of procedures of internal control, and accountability of various organization departments included into the system of internal control. It is planned that the given document will be presented for adoption to the Board of Directors of the Company in the 1st half of the year 2008.
COOPERATION WITH AFFILIATED AND DEPENDENT ECONOMIC COMPANIES		
50 The Company performs cooperation with affiliated and dependent companies (ADC) according to the requirements of the legislation of the Russian Federation, the Charter and the internal documents of the Company, charters of affiliated and dependent companies.	Non-compliant	CThe Board of Directors approved the following decisions: <ul style="list-style-type: none"> • standard of Formation of management and control bodies of subsidiaries and dependent companies of IDGC of Centre; • standard of organization of activity of IDGC of Centre's representatives in the governance bodies, subsidiaries and dependent companies in relation to IDGC of Centre.
SETTLEMENT OF CORPORATE DISPUTES		
51 The Company provides all the conditions necessary for the fullest and quickest detecting of disputes providing they exist or may appear in the Company, and also informing of shareholders of the Company about the line of the Company in the corporate dispute, based on provisions of the current legislation of the Russian Federation.	Non-compliant	Up to the present time the Company has not experienced any disputes.

Appendix 2

FINANCIAL STATEMENTS OF THE COMPANY FOR 2007

ACCOUNTING BALANCE

according to the internal standard

of JSC RAO UES of Russia for December 31, 2007

ASSETS

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
I. NON-CIRCULATION ASSETS			
Immaterial assets, including:	110	-	-
– right to patents, programs, trade marks (service marks), other similar rights and assets	111	-	-
– organisation costs	112	-	-
– business reputation of the company	113	-	-
– other kinds of immaterial assets	114	-	-
– results of research and development	115	-	-
Fixed assets, including:	120	24 495	18 541
– land areas and land use facilities	121	-	-
– buildings, cars, equipment, constructions	122	19 305	14 136
– other kinds of fixed assets	123	5 190	4 405
Construction-in-process, including:			
– equipment to be installed	13001	-	-
– investment in the non-circulation assets	13002	-	-
Interest-bearing investment in the material values, including:	135	-	-
– property for leasing	136	-	-
– property provided under the rent contract	137	-	-
Long-term financial investment, including:	140	-	-
– investment in the affiliated companies	141	-	-
– investment in the dependent companies	142	-	-
– инвестиции в другие организации	143	-	-
– investment in other companies loans given by companies for the term of more than 12 months	144	-	-
– other long-term financial investments	145	-	-

Company IDGC of Centre
Taxpayer
Identification Number 6901067107
Activity Management by financial and industrial groups and holding companies
form of incorporation/
form of ownership: joint stock company
Unit of measurement thousand rubles.
Location: 129090 Moscow, Glukharev lane 4/2

CODES
Form 1 under ARCMD 0710001
Date [year, month, day] 2007.12.31
under ARCBO 75720657
TIN 6901067107
under ADCEA 74.15,74.14, 40.10.2
under ARCFI \ARCFI 47/16
under ARCM 384

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
I. NON-CIRCULATION ASSETS			
<i>FOR THE SUMMARY REPORTING</i>			
Business reputation of affiliated companies	146	-	-
Estimation of participation of the parent organisation in the affiliated company	147	-	-
Deferred tax assets	148	14 626	40 306
Other non-circulating assets	150	-	-
TOTAL section I	190	39 121	58 847

II. CIRCULATING ASSETS

Stocks, including:	210	6 300	6 023
– raw material, material and other similar values, including:	211	804	-
• black oil	21101	-	-
• coal	21102	-	-
• diesel oil	21103	-	-
• other process fuel	21104	-	-
• spare parts	21105	232	-
• other raw material and other material	21107	572	-
– rearers and fatteners	212	-	-
– expenses in production-in-process	213	-	-
– end product and goods for resale	214	-	-
– goods loaded out	215	-	-
– expenses of future periods	216	5 496	6 023
– other stocks and expenses	217	-	-
Value Added Tax on values purchased, including	220	-	-
– Vat at purchase of electric power in	22001	-	-

II. CIRCULATING ASSETS	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
Debt receivable (payments on which are expected in more than 12 months after the accounting date), including:	230	-	5 923
– buyers and customers, including:	231	-	-
• financed from the federal budget	23101	-	-
• financed from the budgets of RG constituent entities	23102	-	-
• financed from local funds	23103	-	-
• other buyers and customer	23104	-	-
– notes receivable	232	-	-
– debt of affiliated and dependent companies	233	-	-
– advance payments given out	234	-	-
– other debtors, including:	235	-	5 923
• debt under partnership agreements	23501	-	-
• promissory notes	23502	-	-
• other debtors	23503	-	5 923
Debt receivable (payments under which are expected to be effected during 12 months after the accounting date), including:	240	279 028	79 865
– buyers and customers, including:	241	239 776	46 904
• debt under the contracts of share participation	23501	-	-
• at sale of the electric power inside the group	24101	-	-
• middlemen at sale of the electric and thermal power	24102	-	-
• companies financed from the federal fund	24103	-	-
• companies financed from the RF funds	24104	-	-
• companies financed from the local funds	24105	-	-
• other consumers of the electric and thermal power	24106	-	-
• debt under the customer payment	24107	-	-
• other buyers and customers	24108	239 776	46 904
– notes receivable	242	-	-
– debt of affiliated and dependant companies	243	-	-
– debt of participants (founders) under contributions in the capital stock	244	-	-
– advances given out, including to:	245	29 088	5 702
• suppliers of the electric and thermal power	24501	-	-
• fuel suppliers	24502	-	-
• materials suppliers	24503	21	29
• building companies	24504	-	-
• repair companies	24505	-	13
• services suppliers	24506	29 067	1 420
• other advances given out	24507	-	4 240

		As of the beginning of the fiscal year	As of the end of the fiscal year
II. CIRCULATING ASSETS			
– other debtors, including:	246	10 164	27 259
• on penalties, fines, penal sums under the contracts	24601	-	-
• excess payment of taxes in the federal funds	24602	-	21 036
• excess payment of taxes in the budgets of RF constituent entities	24603	-	4 890
• excess payment in the local budgets	24604	-	-
• excess payment in the state non-budgetary funds	24605	140	166
• debt to RAO UES of Russia for engineering services	24607	-	-
• debt of RAO UES of Russia for engineering services	24608	-	-
• debt to RAO UES of Russia for reconstruction and re-equipment	24609	-	-
• debt of RAO UES of Russia for reconstruction and re-equipment	24610	-	-
• settlement of shares purchase	24612	-	-
• promissory notes	24613	-	-
• other debtors	24611	10 024	1 167
Short-term financial investments, including:	250	-	-
– loans provided to companies for not more than 12 months	251	-	-
– other short-term financial investments	253	-	-
monetary funds, including:	260	7 939	150 544
– cash	261	-	-
– settlement accounts	262	1 133	148 279
– currency accounts	263	-	-
– other monetary funds, including:	264	6 806	2 265
• special accounts in banks	26401	1 806	2 265
• financial documents	26402	-	-
• transfers in transit	26403	5 000	-
other circulating assets, including:	270	-	-
– intra-organizational settlements under current operations	27002	-	-
– intra-organizational settlements under construction	27003	-	-
– intra-organizational settlements under reconstruction and re-equipment	27004	-	-
– intra-organizational settlements under the cost sheet of facilities protection	27006	-	-
– intra-organizational settlements under VAT	27007	-	-
– other circulating assets	27005	-	-
TOTAL section II	290	293 267	242 355
BALANCE	300	332 388	301 202

LIABILITIES

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
III. CAPITAL AND RESERVES			
Capital stock, including:	410	10 000	10 000
– in preferred shares	41001	-	-
– in ordinary shares	41002	10 000	10 000
Own shares reacquired from shareholders	415	-	-
Additional fund	420	508	497
settlements on segregated property	423	-	-
Reserve capital, including:	430	122	500
– reserves formed in conformity with legislation	431	122	500
– reserves formed in conformity with the constituent documents	432	-	-
Target financing	450	-	-
Unappropriated balance (uncovered loss)			
Unappropriated balance of past years	460	15 824	12 627
Uncovered loss of past years	465	-	-
Unappropriated balance of the accounting period	470	-	51 251
Uncovered loss of the accounting period	475	-	-
TOTAL section III	490	26 454	74 875
<i>FOR THE SUMMARY REPORTING</i>			
<i>Business reputation of affiliated companies</i>	495	-	-
<i>Minority interest</i>	500	-	-

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
IV. LONG-TERM LIABILITIES			
Loans and credits, including:	510	-	-
– credits of banks redeemable more than 12 months after the accounting date	511	-	-
– loans redeemable more than 12 months after the accounting date	512	-	-
Deferred tax liabilities	515	279	813
Other long-term liabilities, including:	520	-	-
– accounts payable of suppliers and contractors	52001	-	-
– accounts payable to social funds, including:	52002	-	-
• to the RF-pension fund	52003	-	-
• to the obligatory health insurance fund	52004	-	-
• to the employment fund	52005	-	-
• to the fund of social insurance	52006	-	-
• under the fines and penalty payments in the state non-budgetary funds	52007	-	-
– accounts payable to the budget (restructured taxes), including:	52008	-	-
• to the federal budget	52009	-	-
• to the budgets of the RF-constituent entities	52010	-	-
• to the local budgets	52011	-	-
– accounts payable under the profit tax of the transition period base, including	52020	-	-
• to the federal budget	52021	-	-
• to the budgets of the RF-constituent entities	52022	-	-
• to the local budgets	52023	-	-
– other long-term liabilities	52012	-	-
TOTAL section IV	590	279	813

		As of the beginning of the fiscal year	As of the end of the fiscal year
V. SHORT-TERM LIABILITIES			
Loans and credits, including:	610	-	-
– credits of banks redeemable during 12 months after the accounting date	611	-	-
– loans redeemable during 12 months after the accounting date	612	-	-
Accounts payable, including:	620	132 036	59 166
– suppliers and contractors, including:	621	5 119	44 654
• to suppliers of the electric power through FWEPM	62101	-	-
• to other suppliers of the electric and thermal power	62102	-	-
• to gas suppliers	62103	-	-
• to black oil suppliers	62104	-	-
• to coal suppliers	62105	-	-
• to suppliers of other fuel	62112	-	-
• to suppliers of building companies	62106	-	-
• to repair companies	62107	-	-
• under the customer payment of RAO UES of Russia	62108	-	-
• debt to Rosenergoatom Concern	62110	-	-
• debt to APS	62111	-	-
• to other suppliers and contractors	62109	5 119	44 654
• under the customer payment of JSC SO CDA of UES	62113	-	-
• under the customer payment of JSC UES FGC	62114	-	-
– notes payable	622	-	-
– debt to affiliated and dependant companies	623	-	-
– debt under labour payment to the personnel, including:	624	7 345	10 612
• current	62401	7 345	10 612
• overdue	62402	-	-
– debt to state and non-budgetary funds, including:	625	1 409	307
• to the RF-pension funds	62501	738	157
• to the obligatory health insurance fund	62502	177	36
• to the employment fund	62503	-	-
• to the fund of social insurance	62504	494	114
• under the fines and penalty payments in the state non-budgetary funds	62505	-	-
– debt under taxes and tax collections	626	61 303	2 067
– current debt to the budget, including:	62610	61 303	2 067
• to the federal budget	62601	40 494	1 969
• to the budgets of the RF-constituent entities	62602	20 809	98
• to the local budgets	62603	-	-
– debt to the budget under the profit tax of the transition period base, including:	62620	-	-
• to the federal fund	62621	-	-
• to the budgets of the RF-constituent entities	62622	-	-
• to the local budgets	62623	-	-

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
V. SHORT-TERM LIABILITIES			
– advance payments received, including:	627	55 787	-
• from consumers of the electric power	62701	-	-
• from other consumers of the electric and thermal power	62702	-	-
• other advances received	62703	55 787	-
– other creditors, including:	628	1 073	1 526
• VAT in the products unpaid	62801	-	-
• debt to the non-budgetary fund of R&D	62802	-	-
• debt to RAO UES of Russia for engineering services	62804	-	-
• debt of RAO UES of Russia for engineering service	62805	-	-
• debt to RAO UES of Russia for reconstruction and re-equipment	62806	-	-
• debt of RAO UES of Russia for reconstruction and re-equipment	62807	-	-
• other creditors	62808	1 073	1 526
Debt to participants (founders) on revenue payment	630	-	-
Profit of future periods	640	-	-
Reserves of future expenses and payments	650	173 619	166 348
other short-term liabilities, including:	660	-	-
• intra-organizational settlements under current operations	66002	-	-
• intra-organizational settlements under construction	66003	-	-
• intra-organizational settlements under reconstruction and re-equipment	66004	-	-
• intra-organizational settlements under the cost sheet of facilities protection	66006	-	-
• intra-organizational settlements under VAT	66007	-	-
• other short-term liabilities	66005	-	-
TOTAL section V	690	305 655	225 514
BALANCE	700	332 388	301 202

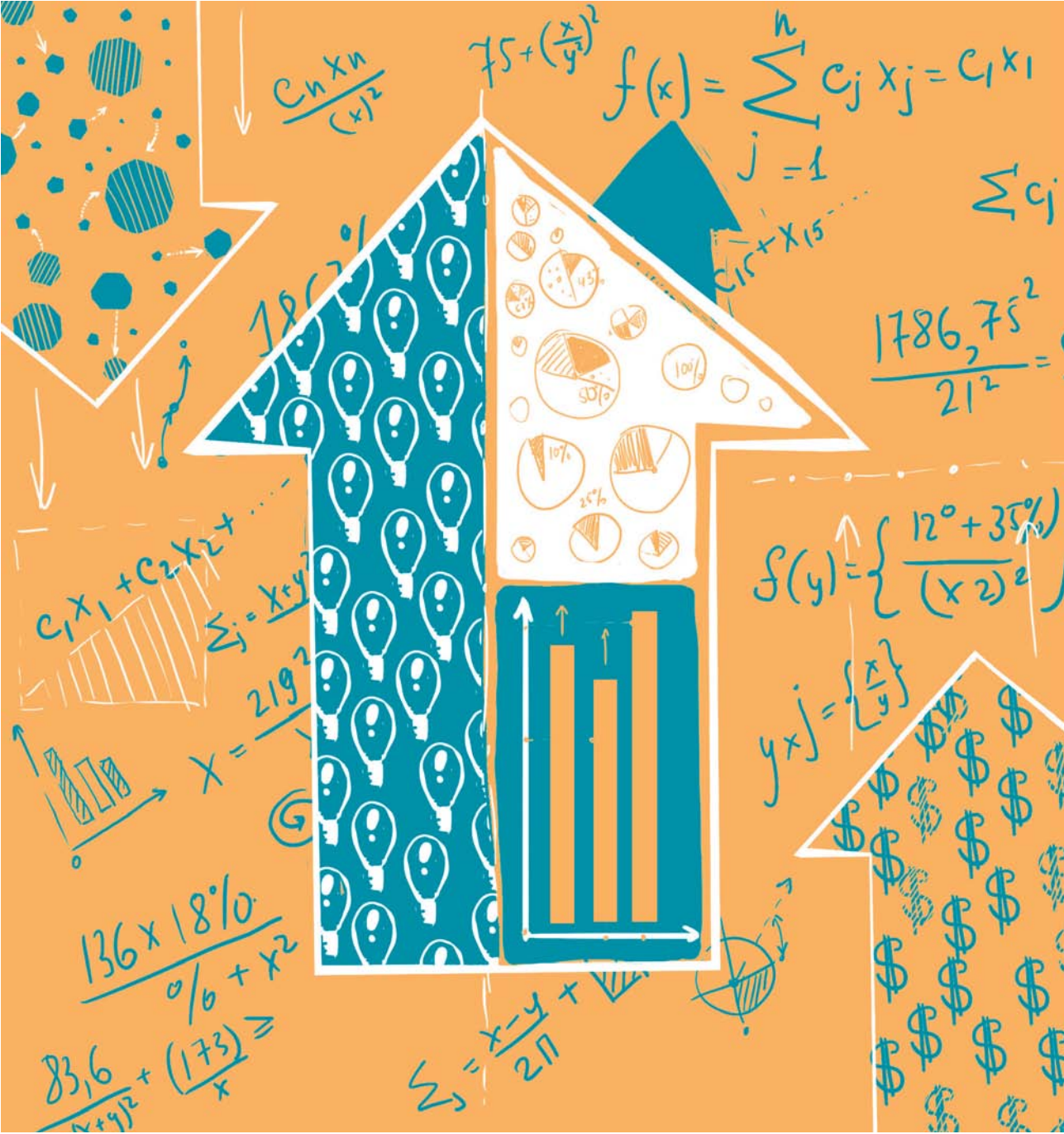
**REFERENCE NOTE ON AVAILABILITY
OF VALUES REGISTERED
ON THE OFF BALANCE SHEET ACCOUNT**

ASSETS

	Code	As of the beginning of the fiscal year	As of the end of the fiscal year
Leased fix assets,	910	7 645	11 609
including on leasing	911	-	-
Commodity and material valuables impounded	920	-	-
Material accepted for processing	925	-	-
Goods accepted for commission	930	-	-
Equipment t accepted for installation	935	-	-
Debt of insolvent debtors written-off as a loss	940	-	-
Securing obligations and payments received	950	-	-
Securing obligations and payments given out	960	-	-
Depreciation of fixed assets	970	-	-
Depreciation of land improvement facilities and other similar facilities	980	-	-
Strict security forms	990	-	-
fixed assets leased out	992	-	-
property in the federal property	993	-	-
immaterial assets received for use	995	-	-
property transferred to the capital stock for payment of shares purchased	997	-	-

Head signature

Chief Accountant signature



Profit and Loss Statement for 12 months of 2007

	Line code	As of the accounting period	As of the same period of last year
Profit and expenditure on common activities			
Receipts (net) from sale of goods, products, works and services net of VAT, excise and similar obligatory payments):	010	983 360	744 497
– of electric power to the internal consumers	011	-	-
– of the electric power for export	012	-	-
– of the thermal power	013	-	-
– of the customer payment (for RAO UES of Russia)	014	-	-
– receipts from transport of the electric and thermal power	018	-	-
– of the electric power for sale companies	019	-	-
– of other goods, products, works and services of industrial character	015	983 360	744 497
– of other goods, products, works and services of non-industrial character	016	-	-
– of goods, products, works and services of primary activity (for institutes)	017	-	-
– profit from participation in other companies	032	-	-
Production cost of the goods, products, works and services sold, including:	020	(928 372)	(669 598)
– electric power sold to internal consumers	021	-	-
– electric power sold for export	022	-	-
– thermal power	023	-	-
– customer payment (for RAO UES of Russia)	024	-	-
– transportation of the electric and thermal power	028	-	-
– of electric power sold to sales companies	031	-	-
– of other goods, products, works and services of industrial character	025	(928 372)	(669 598)
– of other goods, products, works and services of non-industrial character	026	-	-
– of goods, products, works, services on primary activity (for institutes)	027	-	-
– expenses due to participation in other companies	033	-	-
Gross profit	029	54 988	74 899
Business expenses	030	-	-
Managerial expenses	040	-	-
Profit (loss) from sales	050	54 988	74 899

Company IDGC of Centre
Taxpayer
Identification Number 6901067107
Activity Management by financial and industrial groups and holding companies
form of incorporation/
form of ownership: joint stock company
Unit of measurement thousand rubles.
Location: 129090 Moscow, Glukharev lane 4/2

Form 2 under ARCMD 0710002
Date [year, month, day] 2007.12.31
under ARCBO 75720657
TIN 6901067107
under ADCEA 74.15,74.14, 40.10.2
under ARCFI \ARCFO 47/16
under ARCM 384

	Line code	As of the accounting period	As of the same period of last year
Other profit and expenses			
– Interest receivable	060	165	40
– Interest payable	070	-	-
– Profit from participation in other companies	080	-	-
– Other profit	090	105 743	1 364
– Other expenses	100	(69 336)	(38 671)
Profit (loss) before taxation	140	91 560	37 632
– Deferred tax asset	143	25 680	7 045
– Deferred tax liability	144	(545)	(279)
– Current profit tax	145	(65 055)	(29 130)
– Other similar obligatory payments	146	(389)	(110)
Profit tax and other similar obligatory payments	150	(40 309)	(22 474)
Profit (loss) from primary activity	160	51 251	15 158
<i>FOR THE SUMMARY REPORTING</i>			
Capitalized profit (loss)	184	-	-
Minority interest	185	-	-
Net profit (unappropriated profit (loss)) of the accounting period	19010	51 251	15 158

**FOR REFERENCE ONLY FOR STRUCTURAL
SUBDIVISIONS OF RAO UES OF RUSSIA**
V. Intra-organizational settlements

	Line code	As of the accounting period	As of the same period of last year
Profit received from representative offices and branches of RAO UES of Russia including from lines			
page 140 Profit (loss) before taxation	19011	-	-
page 150 Profit tax and other similar obligatory payment...	19012	-	-
	19013		
	19014		
Net profit (undistributed profit (loss)) of the accounting period taking into account the profit received from representative offices and branches (19011+19012+19013+19014)			
	19020	-	-
Profit transferred from representative offices and branches to RAO YES of Russia including: from lines			
page 140 Profit (loss) before taxes	19031	-	-
page 150 Profit tax and other similar obligatory payment...	19032	-	-
	19033		
	19034		
Net profit (undistributed profit (loss)) of the accounting period taking into account profit transferred to RAO UES of Russia (19031+19032+19033+19034)			
	19040	-	-
Net profit (undistributed profit (loss)) of the accounting period (19010+19020-19040)			
	190	51 251	15 158
FOR REFERENCE			
permanent tax liabilities (assets)	200	17 946	13 332
base profit (loss) per a share	201	0,5125	0,1516
dividends proposed per a share (loss)	202	0,5125	0,1516

EXPLANATION OF CERTAIN PROFIT AND LOSS	Line code	As of the accounting period	As of the same period of last year
Fines and penalty payments acknowledged or those, on which the court resolutions were received (arbitrage) on their collection			
profit	210	-	-
loss	211	-	-
Profit (loss) of past years			
profit	220	6 637	522
loss	221	2 013	217
Payment of damages caused by non-performance of improper performance of obligations			
profit	230	-	-
loss	231	-	-
Currency difference on operations performed in the foreign currency			
profit	240	-	-
loss	241	1	-
Contributions to the estimation reserves			
loss	250	-	-
Write-off of debt receivable and account payable, the limitation period of which expired			
profit	260	-	-
loss	261	-	-

**EXPLANATION OF FORM 2
PROFIT AND LOSS STATEMENT
UNDER THE INTERNAL STANDARD
OF RAO UES OF RUSSIA**

ON THE UNLOADED PRODUCTS	Line code	As of the accounting period	As of the same period of last year
Interest payable, including:	070	-	-
– Interest on credits, loans	07003	-	-
– Other interest payable (interest on bills, notes, etc.)	07004	-	-
Other profit, including:	090	105 743	1 364
– From sale of fixed assets, apartments excluded	09001	1 355	600
– From sale of apartments	09002	-	-
– From sale of inventories	09003	148	40
– From sale of currency	09004	-	-
– From sale of immaterial assets	09005	-	-
– from sale of securities	09006	-	-
– from sale of other assets	09007	3 838	-
– from the joint activity	09009	-	-
Profit of year 2006 ascertained in the accounting period	12001	6 637	-
Profit of year 2005 ascertained in the accounting period	12002	-	522
Profit of year 2004 ascertained in the accounting period	12003	-	-
Profit before 01.01.2004 ascertained in the accounting period	12004	-	-
Fines and penalty payments acknowledged or those, on which the court resolutions were received (arbitrage) on their collection	12005	-	-
Accounts payable (more than 3 years)	12008	-	-
Currency differences	12009	-	-

ON THE UNLOADED PRODUCTS	Line code	As of the accounting period	As of the same period of last year
Property fund to be surplus as a result of inventory	12010	-	-
Non-repayable assets received, except fixed assets and immaterial assets	12011	-	-
Profit from non-repayable fixed assets defined according to the established procedure	12012	-	-
Sum differences cost of material assets remaining after writing-off as a result of extraordinary situations inadequate for recovery and further use of assets	17032	-	-
Other profit	12014	93 765	202
other expenses, including:	100	69 336	38 671
– From sale of fixed assets, apartments excluded	10001	985	251
– From sale of apartments	10002	-	-
– From sale of inventories	10003	148	40
– From sale of the currency	10004	-	-
– From sale of immaterial assets	10005	-	-
– From sale of securities	10006	-	-
– From sale of other assets	10007	3 800	-
– Militia tax	10011	-	-
– Car re-sale tax	10013	-	-
– Garbage tax	10014	-	-
– Advertising tax	10015	-	-
– Additional payment in budget for the profit tax	10016	-	-
– Securities trading tax	10026	-	-
– «Russia» name tax	10028	-	-
– Other taxes	10017	-	-
– Bank services	10018	917	1 100
– Inactive installation support	10019	-	-
– Nulified production orders	10020	-	-
– Manufacturing orders, which did not gave goods	10021	-	-
– Costs for securities servicing	10022	-	-
– Provision for doubtful debts	10024	-	-
– Provision for devaluation of financial investments	10025	-	-
– Provision for decrease in cost of material assets	10029	-	-
– Provision for the activity terminated	10030	-	-
– Provision for other contingent obligations	10031	-	-
– Retirement of assets without profit	10032	-	-
– VAT on the property transferred without compensation	10033	-	-
– Transfer of property in the municipal ownership	10034	-	-

ON THE UNLOADED PRODUCTS	Line code	As of the accounting period	As of the same period of last year
Loss of year 2007 ascertained in the accounting period	13001	2 013	-
Loss of year 2006 ascertained in the accounting period	13002	-	217
Loss of year 2005 ascertained in the accounting period	13003	-	-
Loss before 01.01.2005 ascertained in the accounting period	13004	-	-
Fines and penalty payments acknowledged or those, on which the court resolutions were received (arbitrage) on their collection	13005	-	-
– State duties under economic duties	13007	-	-
– Accounts payable (more than 3 years)	13008	-	-
– Currency differences	13009	1	-
– Court costs	13010	-	-
– Thefts	13021	-	-
– Write-off of inventories over the rates of natural loss	13022	-	-
– Enforcement proceedings loss	13024	-	-
– Maintenance of the social sphere due to profit	13026	-	-
– Employees' apartment costs repayment	13027	-	-
– Costs for sports actions holding	13030	-	-
– Social activities costs	13031	-	108
– Charity costs	13032	-	-
– Cost of inventory lost	18001	-	-
– Write-off losses due to extraordinary events	18002	-	-
Other expenses	13029	61 472	36 955
Profit tax and other similar payments, including:	150	40 309	22 474
– Contingent gain (expenditure)	15071	21 974	9 032
– Profit tax on the base of transition period	15005	-	-
– Permanent tax liabilities	15006	17 946	13 332
– Write off of deferred tax liability	15007	(11)	-
– Write off of deferred tax assets	15008	-	70
– Fines of state tax inspection, including:	15010	-	23
• on the profit tax	15011	-	-
• on VAT	15012	-	23
• on the property tax	15013	-	-
• on other taxes	15014	-	-

ON THE UNLOADED PRODUCTS	Line code	As of the accounting period	As of the same period of last year
– Penalty fees of state tax inspection, including:	15020	360	16
• on the profit tax	15021	24	2
• on VAT	15022	325	14
• on the property tax	15023	-	-
• on other taxes	15024	11	-
– Penalty fees of state tax inspection – restructured (acknowledged in the accounting year), including:	15050	-	-
• on the profit tax	15051	-	-
• on VAT	15052	-	-
• on the property tax	15053	-	-
• on other taxes	15054	-	-
– Fines in the state non-budgetary funds, including:	15030	27	-
• RF-pension fund	15031	21	-
• social insurance fund	15032	2	-
• obligatory health insurance fund	15033	4	-
• employment fund	15034	-	-
– Penalty fees in the state non-budgetary funds, including:	15040	13	1
• RF-pension fund	15041	13	1
• social insurance fund	15042	-	-
• obligatory health insurance fund	15043	-	-
• employment fund	15044	-	-
– Penalty fees in the state non-budgetary funds – restructured (acknowledged in the accounting period), including:	15060	-	-
• RF-pension fund	15061	-	-
• social insurance fund	15062	-	-
• obligatory health insurance fund	15063	-	-
• employment fund	15064	-	-
• other obligatory payments	15045	-	-
– Profit at writing-off of restructures penalty fees on the taxes	15070	-	-

Head signature

Chief Accountant signature

COMPANY INDEPENDENT AUDITOR'S REPORT

For shareholders of “Interregional Distribution Grid Company of Centre”, Joint-Stock Company.

We, JSC “KPMG”, performed audit of the financial (accounting) reporting of “Interregional Distribution Grid Company of Centre”, Joint-Stock Company (later on – the Company) attached to the present Audit Report (later on – the Report) for the period since January 1 through December 31, 2007.

The applied financial (accounting) reporting of the Company (later on – the Reporting) is 38 pages long and contains:

- Accounting balance as of December 31, 2007.
- Profit and loss statement for 2007.
- Appendices to the accounting balance sheet and profit and loss statement including:
 - capital change statement for 2007;
 - cash flow statement for 2007;
 - appendix to the accounting balance sheet;
 - explanatory note.

The executive body of the Company bears responsibility for keeping of accounting report, preparation and performance of the Reporting. Our obligation is to express our opinion on the basis of the performed audit on reliability of the Reporting in all material respects and conformity with the order of keeping of accounting reporting in all material respects to the government of the Russian Federation.

Audit is performed according to Federal law “On Audit Activity” (as amended), Federal rules (standards) of the audit activity, Intracompany standards of KPMG on audit, and Rules and standards adopted by the Auditor Chamber of Russia.

The audit was planned and performed to ensure that the Reporting does not contain gross errors. The audit was performed on a test basis and comprised study on the test basis of evidences that proved indexes of the Reporting and disclosure in it of information on financial and economic

activity, estimation of conformity to the principles and rules of accounting reporting used during preparation of the Reporting, study of the main estimated figures received by the management of the Company and also estimation of the performance of the reporting. We suppose that the performed audit show reasonable cause for expressing of our opinion on reliability of the Reporting in all material respects and conformity with the legislation of the Russian Federation of the order of realization of the accounting reporting.

In our opinion, the Reporting attached to the present Report gives reliable information in all material respects on the financial situation of the Company as of December 31, 2007 and results of its financial and economic activity for the period since January 1 through December 31, 2007, and the order of the keeping of accounting reporting by the Company, on the basis of which the Reporting was formed, conforms in all material respects to the legislation of the Russian Federation.

17 March 2008

Andrew Corn

Director of JSC KPMG
(power of attorney No. 25/07 as of 21 November 2007)

T. N. Astankovich

Executive Head of Financial Audit
Qualification certificate № K 005724 on the right of performance Of
auditor activity in the sphere of general audit, termless

Appendix 3

CERTIFICATE ON THE SCORING ASSIGNMENT

СВИДЕТЕЛЬСТВО
КОНСОРЦИУМ «РИД - ЭКСПЕРТ РА» ПРИСВОИЛ
**ОАО «МРСК ЦЕНТРА
И СЕВЕРНОГО КАВКАЗА»**
НАЦИОНАЛЬНЫЙ РЕЙТИНГ
КОРПОРАТИВНОГО
УПРАВЛЕНИЯ **6+**

Компания с НРКУ от 6 до 8 имеет низкие риски корпоративного управления. Компания соблюдает требования российского законодательства в области корпоративного управления, следует большей части рекомендаций российского Кодекса корпоративного поведения и отдельным рекомендациям международной передовой практики корпоративного управления.


РОССИЙСКИЙ
ИНСТИТУТ ДИРЕКТОРОВ

Беликов И. В.,
Директор Российского
института директоров




ЭКСПЕРТ РА
РЕЙТИНГОВОЕ АГЕНТСТВО

Гришанков Д. Э.,
Генеральный директор
рейтингового агентства
«Эксперт РА»



Официальная информация о текущем состоянии рейтинга размещена на сайтах www.raexpert.ru и www.rid.ru.

18 июля 2007 г.

CERTIFICATE
OF THE CREDIT RATING ASSIGNMENT



CONTACT information

Company data

Full name of the Company	“Interregional Distribution Grid Company of Centre”, Joint-Stock Company
Short name of the Company	IDGC of Centre
Location of the Company	4/2 Glukharev alley, Moscow, Russia, 129090
Postal Address	4/2 Glukharev alley, Moscow, Russia, 129090
Hotline of IDGC of Centre and DGC client relations	8-800-505-01-15
Contact phone numbers	call center (495) 747-92-92, (4722) 30-40-60 fax (495) 747-92-95
E-mail	posta@mrsk-1.ru
Website	www.mrsk-1.ru
Shareholder and investor relations	
Corporate Governance Department	Phone number: (495) 747-92-92 Chief of the Department T.A. Kulbakina, Kulbakina_TA@mrsk-1.ru Principal Specialist E.A. Ochkasov, Ochkasov_EA@mrsk-1.ru
Bank data	VAT/RRC 690 106 7107 / 770801001 corr.account 30101810400000000757 RCBIC 041403757 settlement account 40702810616000001807 Vneshtorgbank, Belgorod city
Founder	Russian Open Joint-Stock Company of Power and Electrification UES of Russia

MAP OF THE ANNUAL REPORT

ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR TO SHAREHOLDERS AND INVESTORS

COMPANY PROFILE. MISSION. STRATEGY

- Main data on the company;
- Brief history;
- Ideology, Mission, Values;
- Strategy.

RESTRUCTURING. GROWTH AND TRANSFORMATIONS

- Corporate governance and interaction with shareholders;
- Restructuring of IDGC and DGC;
- Securities, share capital.

FINANCE

- Analysis of financial position of the Company and DGC subordinated to it;
- Dividend policy.

CLIENTS

- Market share;
- Services on transfer of the electric power;
- Organization of technological connection.

MAIN BUSINESS PROCESSES

- Description of DGC actives;
- Industrial inspection and labour safety;
- Preservation of the environment;
- Investment activity;
- Losses.

MANAGEMENT SYSTEM

- Management system. Organizational structure;
- System of quality management;
- Information technologies.

PERSONNEL AND DEVELOPMENT

- Personnel and social policy.

RISK FACTORS

GLOSSARY

APPLICATIONS

CONTACTS

THE FULL VERSION OF THIS ANNUAL REPORT WAS APPROVED BY THE ANNUAL GENERAL SHAREHOLDERS MEETING OF IDGC OF CENTRE, ON 30 MAY 2008, MINUTES NO. 01 OF 3 JUNE 2008 AND PLACED ON THE INTERNET WEBSITE OF THE COMPANY AT WWW.MRSK-1.RU

