

**IDGC of Centre
Joint-Stock Company**



**Stock market of IDGC of Centre, JSC
in III quarter 2008**

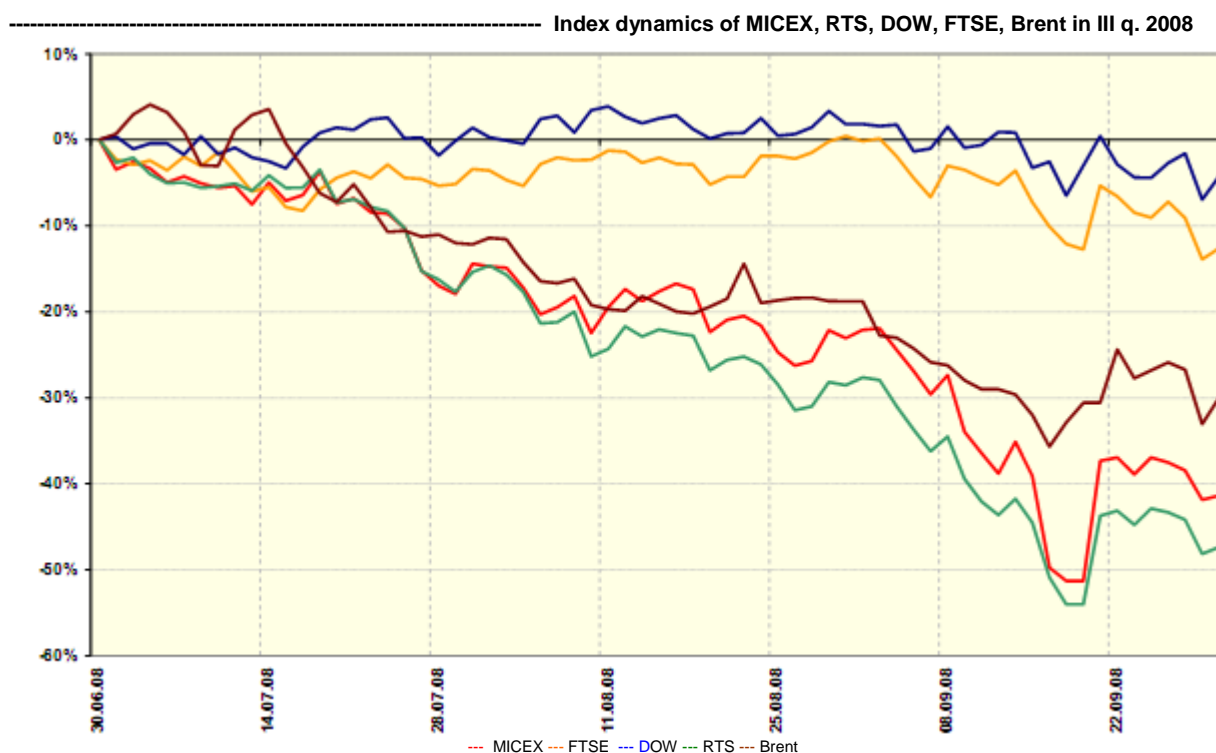
Moscow, October 2008

Share markets in III quarter 2008

In July-September 2008 share markets showed differently directed dynamics: while the leading world indices moved mainly sideward with prevailing of reducing trends at the end of the period, the Russian markets decreased without any alternative.

Worsening macro-economic statistics, bankruptcy of one of the largest American mortgage banks and complicated situation with the two largest mortgage agencies Fannie Mae and Freddie Mac resulted in that DJIA renewed its annual minimum by the middle of July. Then optimism of investors was inspired by the reporting of companies for II quarter 2008, in which the results turned out mostly to be at the level or better than analysts had expected. Dynamics of prices for oil played positive role in recovery of markets – the annual oil maximums increased by over 20%.

The whole September was governed by the news of financial sector at western markets. The beginning was laid down by nationalization of Fannie Mae and Freddie Mac, then there was bankruptcy of Lehman Brothers, sale of Merrill Lynch, actual nationalization of American AIG, the largest world insurer, and transfer of Washington Mutual, the largest savings bank of USA, under governmental control. Change of status of Goldman Sachs and Morgan Staley banks put an end to investment banks epoch in USA.



Source: MICEX, RTS, Bloomberg

Europe did not stand aside – Bradford&Bingley bank was nationalized, BENELUX Governments took the decision on rendering Fortis the assistance, the German authorities opened credit line for Hepo Real Estate, France and Belgium took rescue measures to Dexia, Island bought 75% of Glitnir Bank.

“Depositary and Corporate Technologies” Ltd, October 2008

The main subject of September was speculation around consideration of Polson's plan providing appropriation of UDS 700 bln for purchase of problem assets of banks and investment funds. Failure to adopt the relevant draft bill by the USA House of Congress Representative leveled down the USA markets by 7-10%.

It is necessary to note that the US economic statistics that place the second position under these conditions was disappointing – unemployment growth, reduction of residential construction volumes and house prices, review of GDP growth from 3,3% up to 2,8% in the second quarter.

Finally, insignificant August surplus was excessively compensated by September reduction – from July 16 till September 30 DJIA lost 3,5%, FTSE – 4,8%.

In July-September 2008 the Russian market was had born one of the difficult periods of its existence. The correction that had begun in June after the May rally transformed at the end of July into distinct down-going trend against the background of the conflict between shareholders in TNC-VR, negative situation around Mechel and cheapen oil. The drop was aggravated by the conflict with Georgia, when foreign investors began to withdraw assets from the Russian market, when reviewing their risks.

The same factors together with the problems of the native financial sector liquidity that aggravated to their ultimate provoked panic sales over the whole liquid securities spectrum on September 16 and 17. On September 16 MICEX index lost 17,5 % following the results of the trading suspended for one hour. The decision of FFMS on the regular trading halt could save markets from the more serious drop at MICEX compared with three-percent drop on September 17.

On September 17 already the main activities of the Government of the Russian Federation intended to improvement of situation in stock exchange market became known – solving of financial sector liquidity problem, reduction of export oil duties, direct involvement of long-term governmental money in stock exchange market, technical limitations for trading participants (prohibition of margin and short-term transactions).

Renewal of trading on Friday was held at just positive external background – western markets showed impressive growth reacting to the Polson-Bernanke's plan oil achieved USD 100 per a barrel. Following the results of September 19 MICEX index grew up by 28,7%, this was the record-breaking index according to the day growth rates. Trading was to be suspended either at MICEX so RTS in connection with technical index growth.

As a whole, the results of the period since July 01 till September 30 turned out to be losing for the Russian market – MICEX and RTS indices decreased by 41,4% and 47,4% respectively.

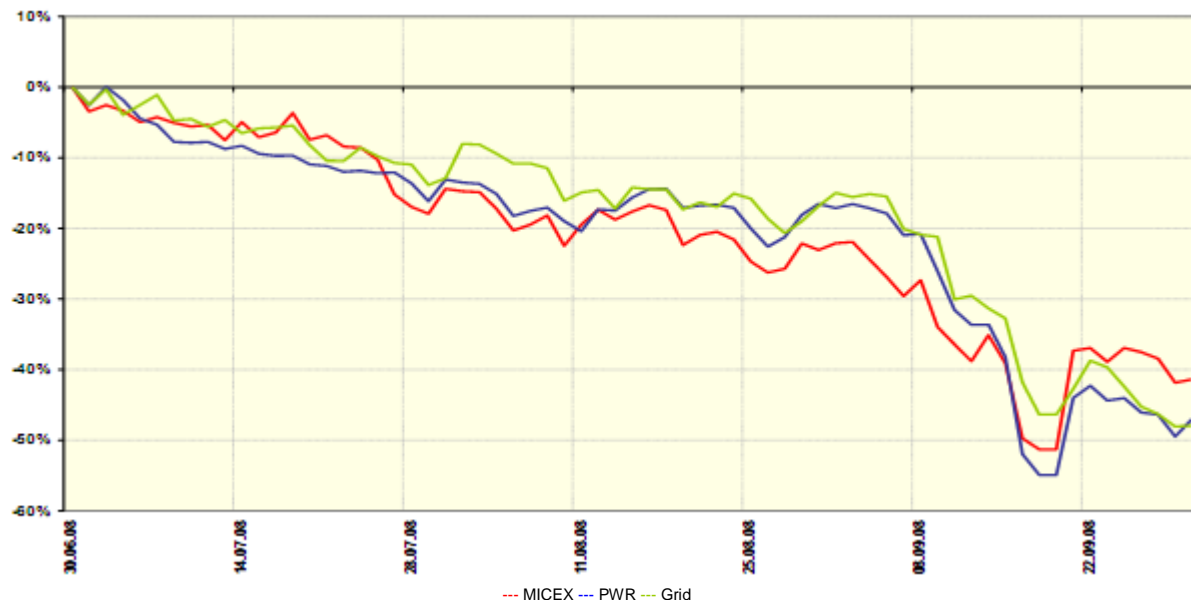
Market of distribution sector companies in III quarter 2008

In the third quarter 2008 the shares of all IDGC were traded at stock exchanges. IDGC of South was the last company, which shares appeared at stock exchange.

IDGC	Consolidation completion	Start of trading	
		RTS	MICEX
of Volga	April 01, 2008	May 19, 2008	May 23, 2008
of North Caucasus	March 03, 2008	June 04, 2008	June 19, 2008
of North and West	April 01, 2008	May 27, 2008	May 29, 2008
of Siberia	March 03, 2008	June 02, 2008	June 05, 2008
of Ural	April 30, 2008	June 11, 2008	June 18, 2008
of Centre	March 31, 2008	May 21, 2008	May 21, 2008
of Centre and Volga region	February 29, 2008	April 07, 2008	April 07, 2008
of South	March 31, 2008	July 03, 2008	July 03, 2008

The native power engineering (index of MicexPWR, Grid) showed the same negative dynamics within the whole considered period. Following the results of the quarter MICEX index lost 41,4%, PWR index decreased by 47,02%, and Grid index – by 47,96%. At the moment all traded IDGC are included in Grid index.

----- Index dynamics of MICEX, PWR, Grid in III q. 2008



Source: MICEX, RTS, calculations of DCT

Dynamics of IDGC shares is still pressed by the general situation in the market and remaining excessive liquidity formed in the course of IDGC reorganization completion.

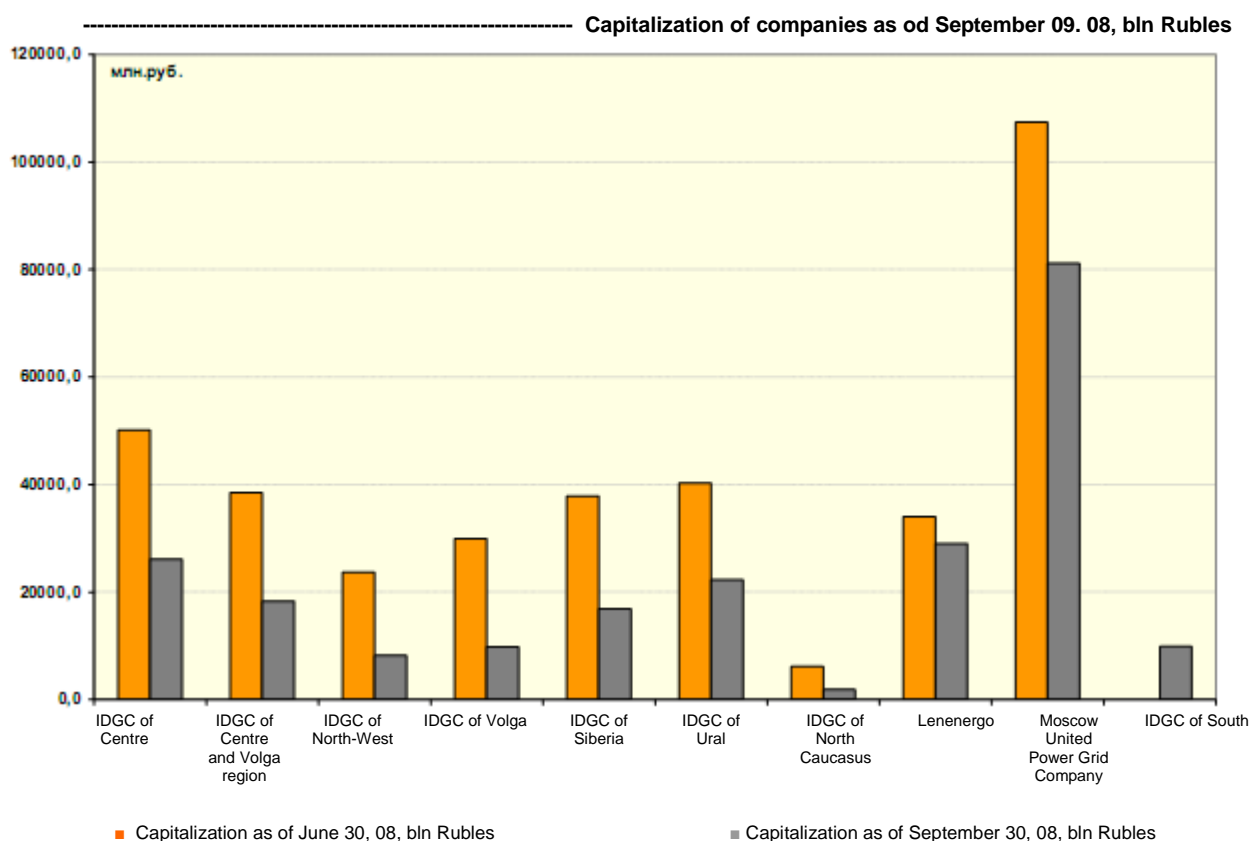
Some definiteness that had appear in relation to transfer of IDGC to new tariff formation principles – RAB could not improve the situation.

According to information of the management of IDGC Holding the initial regulatory period will be three years, but for some companies (Moscow Unified Power Grid Company, Lenenergo) it will be extended up to 5 years. On August 26 the Government toll decision on the fact that in the nearest 3-5 years RAB return will be calculated at discounting rate WACC 12% (after taxation) at capital value 14,2% (including risk-free rate of 6,2%), debt of 9,3% and relation of borrowed funds to own funds at 70^30 level.

“Pilot” projects in Belgorod, Tver (IDGC of Centre), Orenburg (IDGC of Volga), Astrakhan (IDGC of South) regions and in Perm territory (IDGC of Ural) should be transferred to RAB by the end of September. Since January 1, 2009 some regions: Leningrad (Lenenergo), Rostov (IDGC of South), Sverdlovsk, Chelyabinsk (IDGC of Ural), Omsk, Kemerovo (IDGC of Siberia), Lipetsk (IDGC of Centre) and Luta (IDGC of Centre and Volga region) should be transferred to RAB yet.

Transfer to RAB has been long expected by investors in shares of power distribution sector companies, many investment companies have already been applying the new tariff formation system in their calculation models. As of the end of September consensus-forecasts on shares of all IDGC exceeded market values by tens of percents.

The following diagram provides the results of IDGC capitalization changes for III q. 2008. Each and all companies showed capitalization reduction:



Source: MICEX, calculations of DCT

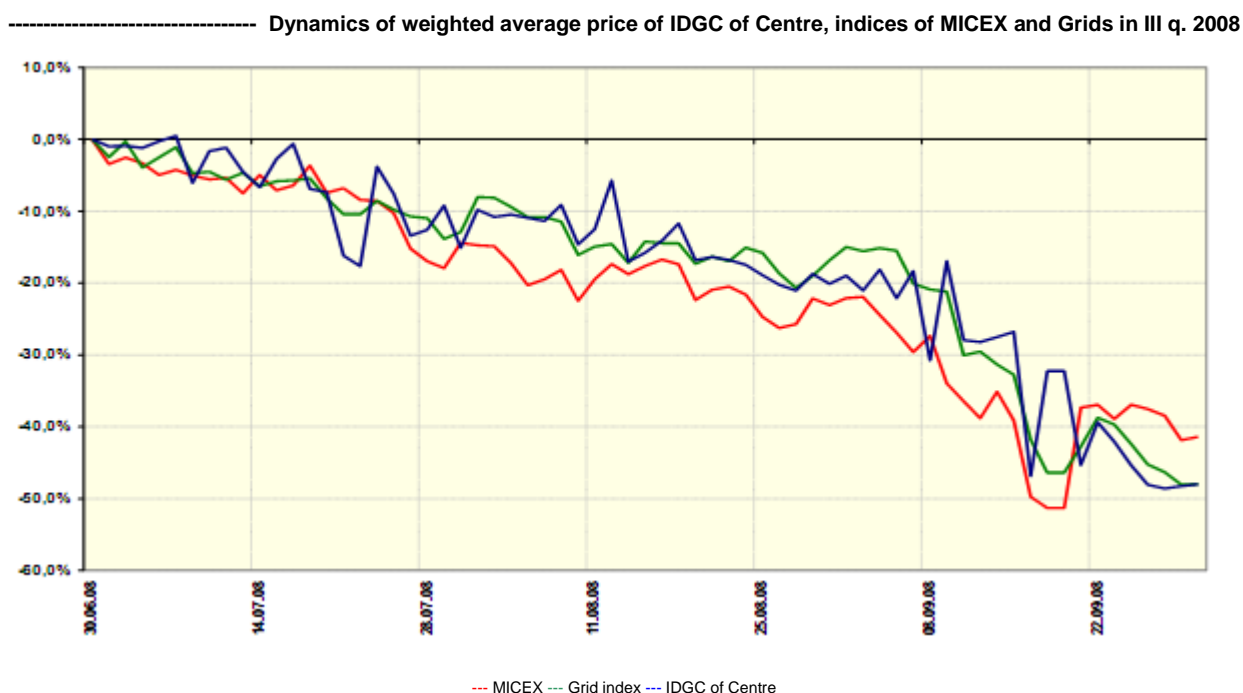
IDGC of Volga, IDGC of North Caucasus and IDGC of North-West bore the biggest losses, reduction amounted to over 65%. Capitalization of IDGC of Centre reduced by 48%:

Company	Capitalization, bln Rubles		Change for the quarter, %
	as of 30.06.08	as of 30.09.08	
IDGC of Centre	50 138,0	26 090,7	-47,96%
IDGC of Centre and Volga region	38 461,3	18 290,9	-52,44%
IDGC of North-West	23 663,0	8 170,5	-65,47%
IDGC of Volga	29 935,2	9 821,8	-67,19%
IDGC of Siberia	37 853,2	16 890,5	-55,38%
IDGC of Ural	40 272,4	22 294,8	-44,64%
IDGC of the North Caucasus	6 125,6	1 848,7	-69,82%
IDGC of South		9 827,7	
Lenenergo	33 996,7	28 990,1	-14,73%
Moscow United Power Grid Company	107 378,9	81 097,3	-24,48%

Lenenergo (lost 13,7% of capitalization) and Moscow United Power Grid Company (lost 24,5%) suffered in a lesser degree.

Share market of IDGC of Centre, JSC in III quarter 2008.

In the third quarter 2008 dynamics of MICEX index, grid index and weighted average price of shares of IDGC of Centre is as follows:



Source: MICEX, RTS, calculations of DCT

In the third quarter 2008 dynamics of shares of IDGC of Centre repeated dynamics of MICEX and Grid indices having lost 48% of its value. The major reduction reason was the worsening situation in the world markets.

Specification of trading volumes at stock exchange sites of MICEX and RTS in III q. 2008 (market transactions) are given in the table:

Stock exchange	Number of transactions	Volume, number	Volume, mln Rubles
RTS (classic)	4	2 500 000	2,9
RTS (stock exchange)	90	5 998 201	5,8
MICEX	1 565	408 051 900	347,5

Within the third quarter the turnover of shares of all issues of IDGC of Centre at MICEX amounted to 408,05 mln Rubles or 0,97% of the total number of shares of the Company. The total turnover at MICEX 92% of shares circulated in transactions, which had been registered after consolidation of securities issues held on August 18.

Trading results of securities of different issues of IDGC of Centre are given in the table:

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----- Trading results of issues of IDGC of Centre, JSC at MICEX in III q. 2008

Security code (ticker)	Issue volume, securities	Trading volume, securities	% from issue	% from securities of IDGC of Centre	Volume, mln Rubles	Number of market transactions for the period, number	Price of transactions for the period, Rubles				Weighted average price for the quarter	Quotations for the period, Rubles		The last quotations, Rubles		Spread, % (the last quotations)
							first	min.	max.	last		the highest price of demand	the lowest price of demand	the highest price of demand	the lowest price of demand	
MRKC-001D	8 488 056 646	-	-	-	-	-	-	-	-	-	-	-	1,19	-	-	-
MRKC-002D	2 186 302 328	70 300	0,00%	0,00%	0,07	11	1,19	1,02	1,19	1,02	1,0224	1,19	1,02	1,021	1,1	7,74%
MRKC-003D	2 263 638 583	3 634 100	0,16%	0,01%	4,03	48	1,18	0,933	1,205	1,02	1,1090	1,205	0,933	1,02	1,05	2,94%
MRKC-004D	686 361 395	790 500	0,12%	0,00%	0,90	15	1,18	1	1,258	1	1,1350	1,258	1	0,901	1,219	35,29%
MRKC-005D	5 365 857 327	408 800	0,01%	0,00%	0,46	22	1,1	0,9	1,199	1,06	1,1240	1,199	0,9	0,9	1,06	17,78%
MRKC-006D	1 637 988 666	1 821 300	0,11%	0,00%	1,91	55	1,122	0,783	1,2	1,06	1,0504	1,2	1	0,992	1,06	6,85%
MRKC-007D	1 716 907 079	568 900	0,03%	0,00%	0,65	32	1,18	1	1,22	1	1,1483	1,198	1	0,99	1,149	16,06%
MRKC-008D	524 118 040	1 449 800	0,28%	0,00%	1,62	53	1,185	0,804	1,185	1,17	1,1169	1,185	0,804	1,001	1,06	5,89%
MRKC-009D	3 108 458 367	4 598 700	0,15%	0,01%	4,95	59	1,102	0,985	1,2	1,02	1,0767	1,2	0,985	1,02	1,219	19,51%
MRKC-010D	608 206 466	1 416 600	0,23%	0,00%	1,49	53	1,101	1	1,18	1,07	1,0506	1,18	1	0,99	1,07	8,08%
MRKC-011D	1 339 094 085	3 696 600	0,28%	0,01%	3,90	103	1,19	0,753	1,22	1,1	1,0543	1,2	0,981	0,962	1,1	14,35%
MRKC-012D	283 983 170	1 400 200	0,49%	0,00%	1,49	67	1,05	1,002	1,298	1,06	1,0669	1,3	1,002	0,985	1,215	23,35%
MRKC-013D	2 299 735 306	5 317 200	0,23%	0,01%	6,21	26	1,19	0,99	1,199	1,05	1,1687	1,199	0,99	1,024	1,05	2,54%
MRKC-014D	450 265 899	12 300	0,00%	0,00%	0,01	11	1,2	1,19	1,2	1,19	1,1992	1,2	1,19	1,02	1,2	17,65%
MRKC-015D	1 429 654 118	1 507 800	0,11%	0,00%	1,60	29	1,195	1,003	1,199	1,06	1,0625	1,199	1,003	1,003	1,06	5,68%
MRKC-016D	187 008 006	791 400	0,42%	0,00%	0,86	21	1,19	1,001	1,19	1,021	1,0817	1,19	1,001	1,021	1,089	6,66%
MRKC-017D	1 649 138 333	102 700	0,01%	0,00%	0,12	18	1,2	1,19	1,2	1,19	1,1900	1,2	1,15	1,02	1,19	16,67%
MRKC-018D	503 423 819	1 068 700	0,21%	0,00%	1,25	38	1,157	1,01	1,185	1,022	1,1721	1,185	1,01	0,9	1,06	17,78%
MRKC-019D	3 065 693 658	1 256 700	0,04%	0,00%	1,33	50	1,19	1,021	1,19	1,021	1,0619	1,19	1,021	1,021	1,219	19,39%
MRKC-020D	738 152 638	1 233 800	0,17%	0,00%	1,33	34	1,2	1	1,225	1,06	1,0793	1,225	1	0,981	1,05	7,03%
MRKC-021D	3 585 897 539	131 300	0,00%	0,00%	0,16	17	1,2	1,02	1,205	1,19	1,1994	1,205	1,02	-	1,19	-
MRKC*	100 000 000	376 774 200	376,77%	0,89%	313,14	803	1,195	0,55	1,2	0,595	0,8311	1,2	0,55	0,561	0,595	6,06%
Total/average value	42 217 941 468	408 051 900		0,97%	347,50	1 565		0,55	1,298		0,8516			0,561	0,595	6,06%

* - issues are united into one MRKC and traded as one issue since August 18, 2008

Source: MICEX, calculations of DCT

“Depositary and Corporate Technologies” Ltd, October 2008

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