



IDGC OF THE SOUTH
ANNUAL REPORT
2009



DISCLAIMER

The present Annual Report of IDGC of the South, JSC (hereinafter the "Annual Report") was prepared on the basis of the information available to the Open Joint-Stock Company Interregional Distribution Grid Company (hereinafter IDGC of the South, JSC, or the Company) and its dependent and subsidiary companies at the moment the report was drawn up.

The present Annual Report contains information estimations and forecasts concerning future events and/or actions, prospects of development for the industry in which IDGC of the South, JSC performs its core business, and results of business activity, including the Company's plans, the probability of certain events taking place, the probability of fulfillment of certain actions, as well as tendencies relating to prices for production, production volumes and consumption, costs, expected expenditures, the term of use of assets, estimates of reserves and other analogous factors, economic forecasts concerning the sector and markets, the terms of the beginning and end of certain projects for survey and design works and production activity, as well as on the closure or sale of individual companies (including the according losses).

Such words as "plans", "will be", "it is expected", "will come", "expects", "will equal", "will occur", etc. are projective in character, and bear a risk of possible non-performance. Owing to these reasons the Company warns that actual results or the development of those or other events may essentially differ from the projection statements contained in the present Annual Report at the moment it is drawn up.

Investors should not rely completely on estimations and forecasts of the Company's management bodies, as they are one of many variants of the succession of events, while the actual results of the Company's activity in the future may differ from the expected results for many reasons.

The Company does not confirm and does not guarantee that the results of its activity, given in forward-looking statements, will be achieved. The Company does not hold any responsibility for losses which individuals or legal entities may incur when acting on the basis of forward-looking statements. Such forward-looking statements are simply one of many possible variations for what may happen in each specific situation, and should not be considered to be the most likely.

In particular, among other factors which may have an influence on the date of the beginning of construction or production, expected costs and production volumes, and terms of use of assets, one can mention the following:

- The ability to receive profit from providing services under the Company's main business activity;
- The influence of currency exchange rates on market relations, and on the tariffs for services provided;
- The actions of state bodies of the Russian Federation and other jurisdictions where the Company is studying, developing, or operating assets;
- Changes in the tax, ecological, and other legislation and regulations.

The given list of significant factors is not exhaustive. When taking forward-looking statements into consideration, one must also consider the above-mentioned factors, especially economic, social, and legal conditions of the activity of the Company and its dependent and subsidiary companies.

Except for cases directly addressed by the valid legislation, the Company does hold any liability for publishing changes to its forward-looking statements, based either on new information or on the resulting events.

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ADDRESS TO SHAREHOLDERS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF IDGC OF THE SOUTH, JSC

Dear Shareholders!

It was characteristic of the 2009 reporting year that industrial production continued to decrease in Russia as a whole and in the subjects of the Russian Federation which are part of the Company's zone of responsibility. As a result, there continued to be a decrease in electricity consumption. Furthermore, interest rates on credit resources became higher in 2009 as compared to the year before, and there was a decrease in solvency among electricity sales companies and electricity consumers. These and others external factors led to a worsening of the financial results of IDGC of the South, JSC in 2009.

That said the crisis provides the need and the possibility to search for new methods of organizing the Company's work, and improving its efficiency. Clients, investors and shareholders of IDGC of the South, JSC have the right to expect that such possibilities will be taken advantage of by the Company to the full degree so as to make maximum possible profit. IDGC of the South, JSC is part of the IDGC Holding, which is a shareholder of the Company, owning 51.66% of the Company's voting shares.

IDGC Holding is one of the largest infrastructure organizations in Russia, and controls about 80% of all electricity distribution in the country. Competitiveness and development of the distribution grid companies which make up the Holding are determined, to a significant degree, by the policy conducted by IDGC Holding, JSC through its representatives in the boards of directors of subsidiary companies.

The united ideology, corporate informational policy, the united corporate identity in the global public communication space make it possible to strengthen the corporate business reputation of the subsidiary companies of IDGC of the South, JSC as a whole.

The main tasks of the business activity of IDGC of the South, JSC which the efforts of the Company's employees were aimed at in 2009, were determined by the Board of Directors to be the following:

- To ensure quality and reliable electricity supplies to customers;
- Re-equipment, reconstruction, and new construction;
- Perfection of the system of organization of equipment repairs;

- Transition to regulation of the tariff for electricity transmission services using the method of return on invested capital (RAB);
- Further perfection of the Company's technical policy in the field of informational technologies: the System project for automation of IDGC of the South, JSC for the period from 2009–2012 was approved;
- Prevention of traumatism: the Program for reducing risks of the appearance of traumatism of IDGC of the South, JSC (for 2009–2010) was approved;
- Ensuring stable income for the Company's shareholders.

During the 2009 reporting year, as well as during the whole period of existence of IDGC of the South, JSC, the Company has followed all universal principles of corporate management: fairness, openness, controllability of financial-economic activity, respecting the rights of third parties, and has achieved a high level of informational transparency.

An inseparable part of the system of corporate management of IDGC of the South, JSC is risk management. The method for taking management decisions in IDGC of the South, JSC concerning the Company's financial-economic activity, as well as the system of accountability of executive bodies reduce the risk of divergence between the interests of Company managers and shareholders' interests.

In 2009 the Company fulfilled a series of measures aimed at improving the practice of corporate management. One of the main measures was to establish and elect the following committees of the Board of Directors:

- Auditing Committee;
- Committee for Personnel and Remuneration;
- Committee for Technological Connection to Electric Grids;
- Reliability Committee;
- Committee for Strategy, Development, Investments and Reform.

Based on the recommendations of Standard & Poor's and Expert RA ratings agencies, a number of changes were made to the Company's internal documents, including changes aimed at raising the Company's informational transparency.



As a result of the actions taken in 2009, at the beginning of 2010 the Consortium of the Russian Institute of Directors and the Expert RA rating agency increased the rating given to the corporate management of IDGC of the South, JSC from 5+ (Average corporate management practice) to 6+ (Developed corporate management practice).

This class of the rating evaluation testifies to the fact that IDGC of the South, JSC has low corporate management risks. The Company fulfills the requirements of the Russian legislation in the field of corporate management, follows the majority of the recommendations of the Corporate Governance Code, and the most modern Russian and international corporate management practices.

In 2010 the Company plans to fulfill a series of actions aimed at increasing the investment attractiveness of the Company's shares for potential investors and increasing the Company's market capitalization, including listing the Company shares in the "B" Quotation list of FB MICEX, ZAO, and further perfecting the process of information disclosure, including regular social reporting in accordance with world standards.

At the end of June, 2009, SZhS Vostok Limited certification body performed a certification audit of the integrated management system, as a result of which it was established that an effectively functioning management system has been implemented in IDGC of the South, JSC, in accordance with: ISO 9001:2008

"Quality Management System"; ISO 14001:2004 "Ecology Management System"; OHSAS 18001:2007 "Occupational Health and Safety Management Systems." The Company received certificates of compliance with a term from December 30, 2009, to December 29, 2012.

Summarizing the results of the work of IDGC of the South, JSC for 2009, I would like to point out that the Company's management did a lot to ensure reliable electricity supplies to consumers, to reduce the risk of traumatism, to reduce unfavorable influences on the environment, to re-equip the company's technical equipment, and to ensure implementation of the Company's investment program. Despite the objective difficulties, under the conditions of limitations on financing, the management of IDGC of the South, JSC managed to ensure the conditions for further development of the distribution grid complex in the Company's zone of responsibility, most of all by increasing the efficiency of its own work.

Undoubtedly, it's quite difficult at this time to speak about future prospects, and to set exact plans for the future or make detailed forecasts. But we are sure that despite its relatively young age, IDGC of the South, JSC will overcome the crisis with minimal losses and will come out of the crisis even stronger than before. The basis for this certainty is the high professionalism of the Company management and its team, its responsible relation to its work, and its creativity.

Respectfully yours,

*Chairman of the Board of Directors
IDGC of the South, JSC*

A handwritten signature in blue ink, appearing to be 'P. Okley', written over a light blue circular stamp.

Pavel Ivanovich Okley

ADDRESS TO SHAREHOLDERS OF THE GENERAL DIRECTOR – HEAD OF THE MANAGEMENT BOARD OF IDGC OF THE SOUTH, JSC

Dear Shareholders!

In the 2009 fiscal year IDGC of the South, JSC conducted its business under conditions of the financial crisis that began in the second half of 2008. Under these conditions the main task that the Company resolved was to mobilize its internal reserves as much as possible for providing high-quality and reliable electricity supplies to consumers.

The amount of services rendered for electricity transmission equaled 29,221.6 mln kWh. Altogether in 2009 IDGC of the South, JSC had revenue from sales, works and services of RUR19,027.4 mln, which was higher than the year before (taking into account the merger of RGCs) by RUR5,900.6 mln (45%), including: from services for electricity transmission: RUR16,820 mln, from services for technological connections to the Company's electricity grid: RUR879.4 mln.

In order to reduce its losses the Company fulfilled a series of measures to reduce expenditures. Cost optimization was implemented for almost all of the Company's cost items. Nevertheless, the Company made a loss in 2009. The Company had a net loss of RUR1,108.9 mln in 2009, while return on equity of 5.4%. Implementing these measures allowed the company to lower its planned losses by 23%.

In accordance with the Company's main business areas, as determined by the Board of Directors, the efforts of the Company's employees in the fiscal year were aimed at ensuring effective use of electricity equipment, fulfillment of tasks for supporting the Company's reliability and safety system, and implementation of repair and investment programs, despite the Company's limited financial possibilities. One of the Company's most important tasks was to overcome the tendency of ageing of fixed assets by replacing morally and physically obsolete equipment and by installing new technologies.

Altogether in 2009 as part of its investment program the Company made capital investments of RUR2,847.22 mln (without VAT), installed fixed assets worth RUR2,536.01 (without VAT), and installed 287.72 MVA of capacity and 627.72 km of power lines.

The Company spent RUR627.4 mln on repairs of its electric supply network. Technical servicing, diagnostics, and testing of electricity equipment was done in the necessary amount. Thanks to timely and high-quality

fulfillment of all necessary measures for preparation for the fall-winter period, and thanks to the well-coordinated and professional actions of IDGC of the South, JSC's experts, the Company received its Passport of readiness to work in the fall-winter period of 2009/2010 on time, on 12 November, 2009. There were no accidents in 2009 and 2008 on the power supply network IDGC of the South, JSC and Kubanenergo, JSC (a management company) 2009 and 2008.

Starting from October, 2009, IDGC of the South, JSC started to independently fulfill functions at organizing measurements of electricity and forming the amounts of services provided for electricity transmission in the Company's distribution grid. Earlier these functions were fulfilled by specialized companies: Energobalance-Center, LLC, and Energobalance-Kuban, LLC.

One of the Company's priority business activities is to make the transition to regulation of tariffs for services of electricity transmission by using a method of return on investment (RAB). The management of IDGC of the South, JSC completed a significant amount of work at preparing and getting approval from executive bodies and lawmakers for all levels of implementation of RAB — regulation in all regions of the Company's zone of responsibility. As a result, in 2009 long-term tariffs for providing electricity transmission services calculated based on the RAB method were used on the territory of the Astrakhan Region (Astrakhanenergo) and Rostov Region (Rostovenergo branch).

The transition to RAB-regulation of the Volgogradenergo and Kalmenergo branches of IDGC of the South, JSC, and the managed company Kubanenergo, JSC, is planned for 2010. The period of long-term tariff regulation for these entities will be from 2011–2015.

The Company is paying special attention to fulfilling the Program for construction of Olympic facilities and development of the city of Sochi as a climatic skiing resort, as approved by Decree of the Russian Government dated 29.12.2007, № 991, in accordance with which Kubanenergo, JSC is the responsible performer of construction and reconstruction of a number of electricity facilities related to the distribution grid complex, and which are necessary for ensuring the functioning of Olympic sports facilities.



According to the Federal Law dated 28 April, 2009, № 76-FZ “On making changes to the Federal Law “On the federal budget for 2009 and the planning period of 2010 and 2011,”” the federal executive power bodies made a contribution to the charter capital of Kubanenergo, JSC of RUR2.6 bn as payment for shares in the company so as to fulfill the Program’s investment projects. Kubanenergo, JSC’s entire investment program for construction of Olympic facilities is estimated to be about RUR23.4 bn, including VAT.

In December, 2009, the Management Board of IDGC of the South, JSC ensured successfully passing the audit of the integrated system of management (ISM) in accordance with the requirements of ISO 9001:2008 “Systems of Quality Management,” ISO 14001:2004 “Systems of Ecological Management,” and OHSAS 18001:2007 “Occupational Health and Safety Management Systems” so as to form a modern image of the Company. As a result, in the beginning of 2010 the Company received documents of compliance to the above-stated systems of quality management. This will make it possible to increase the investment attractiveness of IDGC of the South, JSC, and in the future to attract credit resources under more favorable conditions, as well as ensure a number of other advantages.

IDGC of the South, JSC is a socially responsible company. The Company has begun preparatory works for

implementing a system of corporate social responsibility (SA 8000:2001) with the aim of improving working conditions and the standard of living of the Company’s employees, as well as protecting the interests of other categories of interested parties. The Company is planning preparation and public disclosure of regular social reporting in accordance with world standards.

JSC IDGC of the South intends to continue its fruitful work at developing its distribution grid complex on the whole territory of responsibility of the Company in 2010 under the direction of IDGC Holding, JSC together with governmental bodies of all levels. Despite objective difficulties which had an effect on the Company’s financial and business activity in 2009, we managed to create the conditions for fulfilling our plan of financial recovery, further modernization of energy utilities, and improvement of the efficiency of all key activity parameters. As part of solving these complex tasks, the management of IDGC of the South, JSC counts on understanding and support on the part of the Company’s shareholders. I’m sure that our joint work will make it possible to speed up the creation of a new generation electricity distribution complex in the region where IDGC of the South, JSC operates. This electricity distribution complex will fulfill the needs of the growing economy and fulfill all of our consumers’ demands, as well as ensure profitability for the Company’s shareholders.

Truly yours,

*Chairman of the Management Board,
General Director IDGC of the South, JSC*

A handwritten signature in blue ink, appearing to read "A. Gavrilov".

Alexander Ilyich Gavrilov

SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

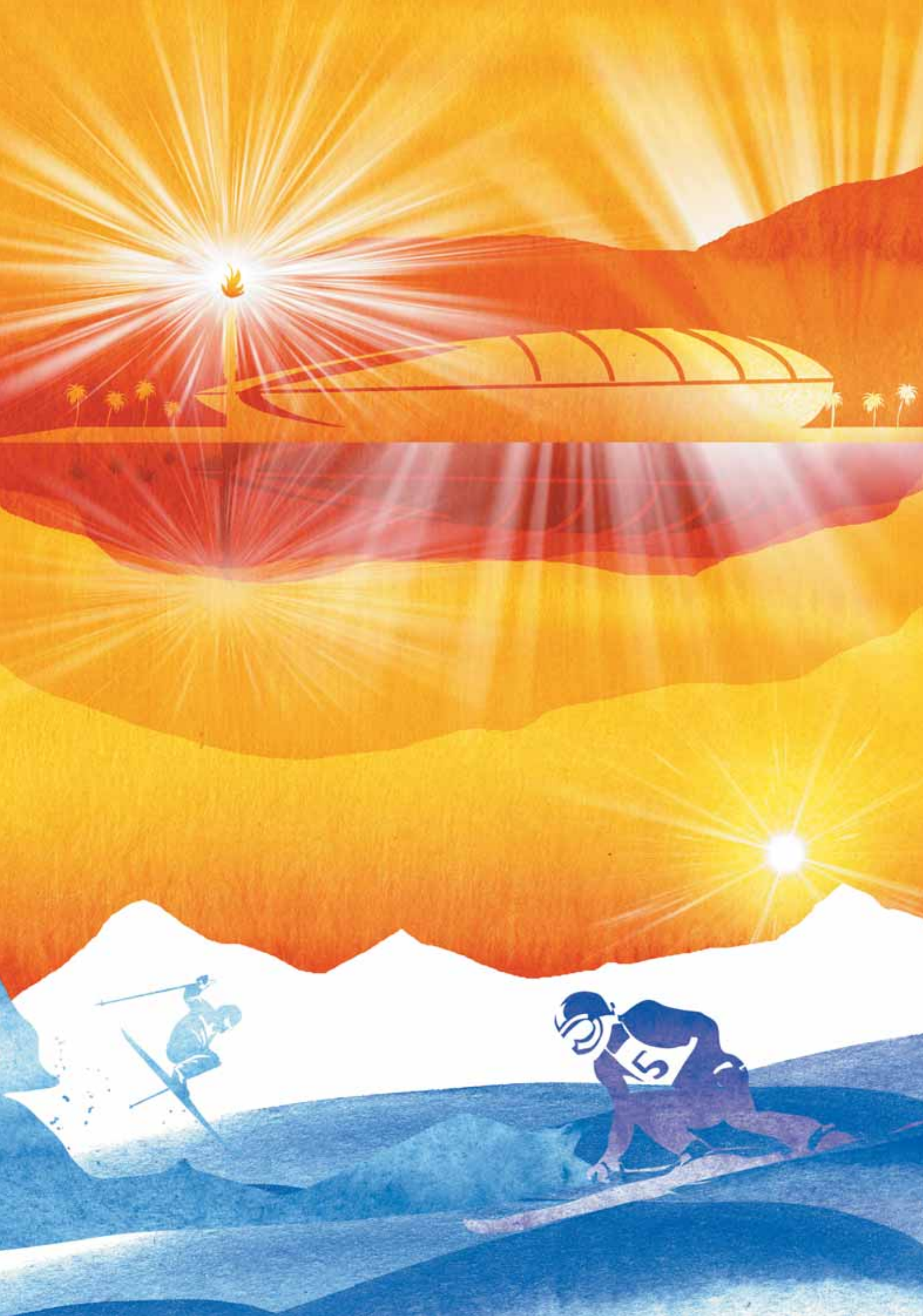
SOCHI KRASNODAR TERRITORY

The furthest southern host city of the Winter Olympics in Europe (43°35' northern latitude).

The farthest northern subtropical zone in the world.

The longest city in Europe (148 km).

IDGC of the South is taking part in the program for developing the energy infrastructure for the Winter Olympic Games in Sochi.



GENERAL INFORMATION ABOUT THE COMPANY AND ITS POSITION IN THE SECTOR



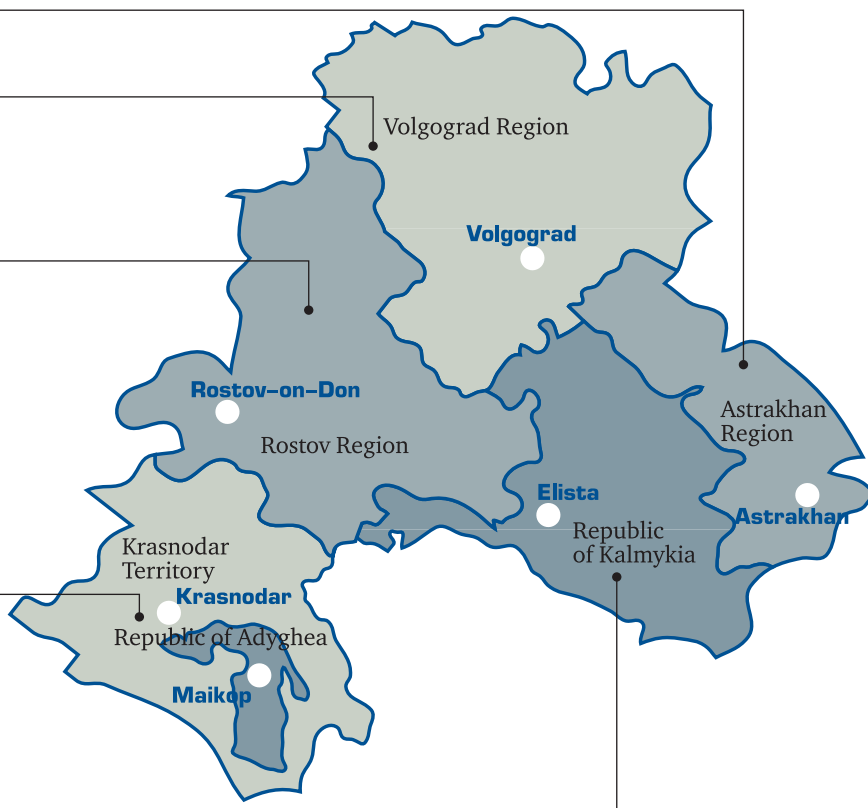
Astrakhanenergo

Volgogradenergo

Rostovenergo

Kubanenergo

Kalmenergo



GEOGRAPHIC WORKING AREA OF THE COMPANY

IDGC of the South, JSC, covers with its activity the whole territory of the Southern Federal District of Russian Federation. The regions serviced by the Company are the Astrakhan Region, Volgograd Region, Rostov Region, Krasnodar Territory, the Republics of Kalmykia and Adyghea.

The boundaries of the territory serviced by IDGC of the South, JSC, are the Black Sea and the frontier with the adjacent state — the Republic of Abkhazia — in the south, the Sea of Azov and the frontier with the adjacent state — the Ukraine — in the west, the administrative borders with the Voronezh and Saratov Regions in the north and the frontier with the adjacent state — Kazakhstan, the Caspian Sea and administrative borders with the Republic of Dagestan, Stavropol Territory and Karachaevo-Cherkess Republic — in the east. Climatic conditions in the territory of operation of IDGC of the South, JSC, vary from subtropical in the south to continental in the north.

The total area of the territory of the regions serviced by IDGC of the South, JSC, is around 423 thousand square kilometers, with a total population of about 14 million people. The population density on the territory serviced by IDGC of the South, JSC, is on average around 40 people per 1 square kilometer. The highest population density is in the Krasnodar Territory (66.1 people per 1 sq. km.) and the lowest, in the Republic of Kalmykia (3.8 people per 1 sq. km.).



Krasnodar Territory



Republic of Adyghea



Astrakhan Region



Volgograd Region



Rostov Region



Republic of Kalmykia

HISTORY OF IDGC OF THE SOUTH, JSC, DEVELOPMENT

IDGC of the South, JSC, was founded on 28 June, 2007, within the framework of the state program of electricity industry reform, in accordance with the Order of “RAO UES of Russia”, JSC, No. 192r as of 22 June, 2007.

The Company was created as a 100% subsidiary of “RAO UES of Russia”, JSC.

On 31 March, 2008, in implementing the next step of reforming the state electric industry, IDGC of the South, JSC, was restructured in the form of a merger: “Volgogradenergo” JSC, “Kalmenergo” JSC, “Rostovenergo” JSC and “Astrakhanenergo” JSC, merged with it. IDGC of the South, JSC, executes the functions of “Kubanenergo” JSC, sole executive body.

The business activity of the merged companies was terminated since 31 March, 2008, and IDGC of the South, JSC, became the legal successor of each of the merged companies not only in the part of their rights and obligations, but also in the great traditions, vast experience and the history of the development of the energy sector of the South of Russia.

HISTORY OF “ROSTOVENERGO”, JSC, DEVELOPMENT

The history of energy sector development on the Don began in 1896, when the first industrial electric power station was launched in the center of Rostov-on-Don. A total of 40 electric lanterns lit the Bolshaya Sadovaya Street in September of that year. In 1901 a power station for the needs of the city tram was built. The stations supported the city public utilities only: the lighting, the tram and the water supply.

It is assumed that 20 April, 1921 is the birthday of Rostov energy system. It is on this date that the Resolution of the Donsovnarkhoz Electric Department Panel approved the single governance of all Rostov-Nakhichevan electric stations, as well as the Provision on DONGRES electric stations management.

As a result of pooling all Rostov region power stations

by DONGRES the overall capacity reached 16,2 MW, the length of the electricity lines — 93 kilometers.

In 1925 the first home-produced turbine made by Leningrad Metallic Plant was installed and launched at Hydroelectric Power Station-1. In 1933 phase 1 of Rostov-on-Don heat supply was launched, with a 7 kilometer long heat distribution network construction. In 1936 construction of Nesvetay GRES began.

The first post-war years showed fast reconstruction of the city of Rostov-on-Don and its industry. In 1944 energy systems “Rostovenergo” and “Kubanenergo” Regional Energetic Administrations were separated from “Azcherenergo”.

Due to intensification of oil refining, chemical, metallurgical and consumer goods industries in the beginning of the 50-s, demand in the development of thermal and generating energy plants emerged, which was the basis for the construction of Tsymlyanskaya Hydroelectric Power Station (1952), Nesvetay GRES (1957), Volgodonskaya TPP-1 (1958), Novocherkasskaya GRES (1965), Rostovskaya TPP-2 (1974).

In the 1970’s and 1980’s active construction of new substations, development of 110–220 kv network and rural distribution network took place.

Along with its development, the Company underwent organizational changes; in 1993 it became “Rostovenergo” joint-stock company.

In April, 2001, the year of the 80th anniversary of the Rostov energy system, “Rostovenergo”, JSC, consisted of 27 branches: 6 electric power plants with an overall estimated capacity of 947 MW, 8 electric network companies and 11 system units.

According to the decision taken on 30 June, 2004, by the General Meeting of Shareholders, “Rostovenergo”, JSC, was reorganized in the form of a spin-off, and converted into the following legal entities:

- “Rostov Generating Company”, JSC,
- “Rostovenergo Holding Company”, JSC,
- “Rostovenergo Power Supply”, JSC,
- “Rostovenergo Transmission Grid Company”, JSC.

After the division of the regional energy companies by type of business in the course of “RAO UES of Russia”, JSC, reform, since 1 January, 2005 until 31 March, 2008 the “Rostovenergo”, JSC, brand was held by the distribution grid company, with the following main activity: electric energy transmission and distribution services.



HISTORY OF "ASTRAKHANENERGO", JSC, DEVELOPMENT

On 28 January, 1964, Astrakhan Electric Networks company was founded by Orders No. 277 of SIC as of 30 December, 1963, and No. 10 of "Volgogradenergo" Regional Energy Holding as of 28 January, 1964, on the basis of Astrakhan regional "Selenergo" and Astrakhan-skaya GRES electric network unit.

In 1983 Astrakhan Energy System was founded, by extraction from "Volgogradenergo" Regional Energy Holding.

In the following years "Astrakhanenergo" regional electricity board was converted into "Astrakhanenergo" energy and electrification production enterprise. In 1992 it was privatized and became "Astrakhanenergo", JSC.

The year 2005 was the year when the project of reforming "Astrakhanenergo", JSC, was carried out and the company was divided by type of activity.

In 2005, according to the decision of the General Meeting of Shareholders, "Astrakhanenergo", JSC was reorganized in the form of a spin-off and converted into the following legal entities:

- "Astrakhan Regional Generating Company", JSC,
- "Astrakhan Power Supply Company", JSC,
- "Astrakhan Energy Holding Company", JSC,
- "Astrakhan Transmission Grid", JSC.

Until 31 March, 2008 the "Astrakhanenergo", JSC, brand was held by the distribution grid company, with the following main activity: electric energy transmission and distribution services.

HISTORY OF "VOLGOGRADENERGO", JSC, DEVELOPMENT

1884, when the first electric power station was built in Tsaritsyn on the territory of the brothers Nobel oil production enterprise, is assumed to be the beginning of Volgograd and Volgograd Region power industry.

In 1908 the first 30 electric lanterns were lit in the city center, and in 1913 the capacity of all Tsaritsyn power stations reached 3700 kW.

In July, 1929, in line with the Russia Electrification State Committee (GOELRO) plan, the construction of the Stalingrad GRES began, it was announced a top-

priority project. In May, 1930, the main building was constructed, and on 8 November the first 24 thousand kW turbine from "Brown-Bovery" was launched, 9 months before the deadline.

On 31 March, 1931, the state decree was signed on the foundation of Stalingrad energy system on the basis of Stalingradskaya GRES, Tractor plant TPP and the 110 kv "Tractornaya" and "Severnaya" substations power line. By 1940, after finishing the construction of phase 2, the capacity of StalGRES reached 100 thousand kW.

The first post-war years showed fast reconstruction of the city and its industry. The construction of the Volgo-Don shipway demanded new energy resources — thus, the phase 3 construction of the StalGRES began. In 1951 the capacity of the plant reached 198 thousand kW.

In the end of 1950-s, the preparation to the construction of the Volzhskaya hydroelectric power station began to the North of Stalingrad, that was unique by its scope. The whole country participated in this construction project — over 1500 industrial enterprises from 500 cities supplied it with equipment, transportation, building materials and machines. The first three hydro turbine units of the station began to work in December, 1958, and in September, 1961, the Volzhskaya hydroelectric power station was certified as commissioned and fully operational.

In 1955 the newly built "Tsymlyanskaya hydroelectric power station — Gumrak" 220 kv electric power line connected the Stalingrad energy system and the energy system of the South of Russia.

The development of oil refining, chemical, metallurgical and consumer goods industries in the beginning of the 50-s was the basis for the construction of Volgogradskaya TPP-2 and Kamyshinskaya TPP. The first machines of these TPPs were launched in 1956.

In the years to follow Volzhskaya TPP-1, Volzhskaya TPP-2 and Volgogradskaya TPP-3 were built. The first in Europe "Volgograd-Donbass" 800 kv constant current electric power line was brought into pilot operation in 1963.

In June, 1993 the "Volgogradenergo" energy and electrification production enterprise was converted into "Volgogradenergo", JSC.

The reforming of "Volgogradenergo", JSC, began in 2003. In accordance with the governmental order of Russian Federation No. 526 as of 11 July, 2001, 'On reforming of the electric industry of Russian



Federation' the Extraordinary General Shareholders' Meeting of "Astrakhanenergo", JSC decided to reorganize "Astrakhanenergo", JSC in the form of a spin-off and to convert it into the following legal entities:

- "Volzhskaya Generating Company", JSC,
- "Volgo-Donskoy energy complex" Holding Company", JSC,
- "Volgograd Power Supply", JSC,
- "Volgograd Transmission Grid", JSC.

After the division of "Volgogradenergo", JSC, by type of business, since 1 January, 2005 until 31 March, 2008 the "Volgogradenergo", JSC, brand was held by the distribution grid company, with the following main activity: electric energy transmission and distribution services.

HISTORY OF "KALMENERGO", JSC, DEVELOPMENT

The history of "Kalmenergo" is the history of Republic of Kalmykia electric energy system foundation.

On 13 April, 1964, the Chairman of the USSR State Energy and Electrification Committee, P.S. Neporozhniy, signed a decree on organizing a Kalmyk electric grid in Elista, Republic of Kalmykia, as part of the "Rostovenergo" Regional Energetic Administration.

At that time the republic had about 340 low-power diesel power stations which worked 3–5 hours a day. For the majority of the republic's population electric energy was out of reach.

During the years to follow, thanks to the selfless efforts of several generations of power engineers, hundreds of substations, thousands of transformers and pylons, thousands kilometers of power lines were built and installed. Huge work was done, both by scope and the level of responsibility. As the old stagers say, "at those times energy was our work, and energy became our destiny".

In 1962 a 110 kv "Remontnoe—Elista" power line with a 110/35/10 kv "Elista—West" substation with the capacity of 7,5 MVA and a 35 kv high-voltage "Malye Chapurniki—Sadovoe" line with a 35/10 kv substation with the capacity of 1,0 MVA in Sadovoe were built, after which regular work on hooking up regional centers, settlements, industrial enterprises, sovkhozes, kolkhozes, and farms to the state energy system began.

Since 1969 Elista and other central consumers started to receive backup power supply by high-voltage 110 kv "Divnoe—Elista" line from Stavropol energy system. This helped to make the power supply of the capital more reliable and to extend the scope of electrification of agricultural enterprises in Tselinny, Yashkulsky, Iki-Burulsky, and Priyutnensky regions.

In 1981, due to the increased volume of supplies, and a large territory of coverage, two electric grid enterprises were created in Republic of Kalmykia. These were the Kalmyk and Sarpinsk electric grids, at that time they were a part of Rostov energy system and supplied 13 administrative regions of the republic on the territory of 76 thousand square kilometers with electric power.

In order to develop electric energy system of the republic, in 1988 the "Kalmenergo" energy and electrification production enterprise of Republic of Kalmykia was created by a USSR Ministry of Fuel and Energy order; the existing Kalmyk electric grid, Sarpinsk electric grid enterprise, as well as "Energonadzor" enterprise became part of it.

In 1992–1993 "Kalmenergo" underwent serious structural changes. Due to denationalization and privatization in the Russian energy sphere, according to the Decree of the President of RF, in 1992 "Kalmenergo", JSC, was registered, with the following main activity: electric energy transmission and distribution services. In the shape of a joint stock company "Kalmenergo", JSC, existed until 31 March, 2008.



POSITION OF IDGC OF THE SOUTH, JSC, IN THE SECTOR

Now there exist three levels of grid companies in the Russian electric sector that were set up by technological and administrative territorial properties:

First level. Federal Grid Company (“UES FGC” JSC) is an organization for management of the Uniform National (All-Russian) Power Grid (UNPG) that owns networks of 220 kv and higher and executes its business activity on the territory of Russian Federation (“UES FGC” JSC has branches in all regions of Russia).

Second level. The Interregional Distribution Grid Companies (IDGCs) formed as a result of the reform of 'energo' joint-stock companies in the form of spinning-off by their business activities and subsequent merger of DGCs. IDGC own 110–0.4 kv networks and render services in transmission and distribution of electric energy in the territory of Russian Federation entities where their DGCs are located.

Third level. Local network organizations created as municipal enterprises that serve consumers of one municipal entity and own mainly 10–0.4 kv networks.

In the course of the reform some enterprises of this level were merged: local network organizations serve consumers of several municipal entities and some of them, consumers in the territory of all subject of Russian Federation.

Now IDGC of the South, JSC, is one of the most dynamically developing second-level interregional distribution grid companies that is technologically connected to UNPG and occupies the leading position in the market of electric power transmission services of the Southern Federal District of Russian Federation.

Thus, any other network organization located within IDGC of the South, JSC, territory of service is subordinate and, for execution of its business activity in 2008, it had to conclude a contract of electric energy transmission with IDGC of the South, JSC, (it concerns third-level organizations connected to IDGC of the South electric networks).

Consumers of the Company services are mainly power sale companies of wholesale and retail electric energy markets and local network organizations.

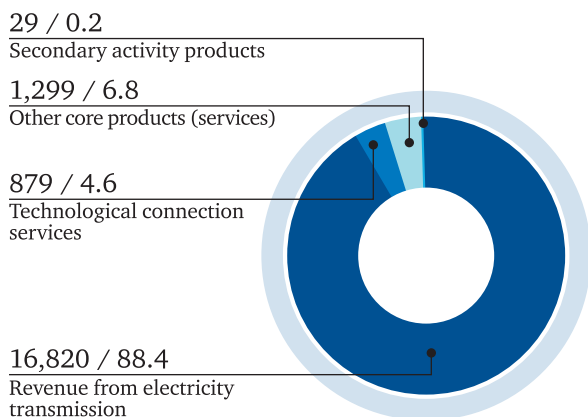
A considerable part of electric power sent to the consumers of IDGC of the South, JSC, service area passes through the Company’s electric networks.

Upon availability of direct technological connection of electric power consumers to UNPG networks, IDGC of the South, JSC, concluded with the owner of the UNPG networks equipment (“UES FGC” JSC) contracts of grid property rent (the so-called 'last mile' contracts) and, thus, acquired the right to render to such consumers services in electric power transmission.

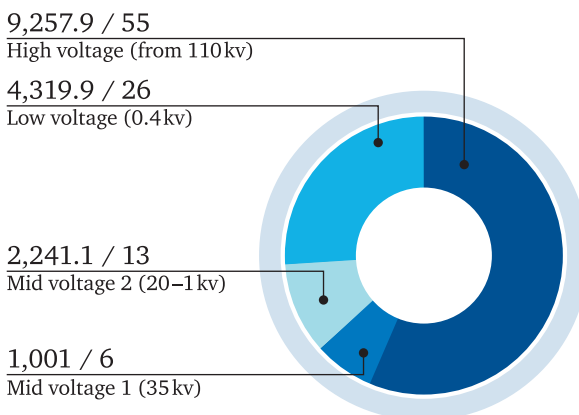
CURRENT SALES INDICATORS IN VOLUME AND MONETARY TERMS

In 2009 IDGC of the South, JSC, total revenue equaled RUR19,027.4 mln, which is higher than last year’s result (with the merged DGCs) by RUR5900.6 mln (45%).

IDGC of the South, JSC, revenue mix in 2009, in RUR mln and %



Revenue mix of electric power transmission services, RUR mln and %



The volume of revenue from electric power transmission services in monetary terms equaled, RUR mln:

Voltage class	2008 *	2009	Deviation
High voltage (from 110 kv)	7358.8	9257.9	1899.1
Mid voltage 1 (35 kv)	576.9	1001.0	424.1
Mid voltage 2 (20–1 kv)	920.5	2241.1	1320.6
Low voltage (0.4 kv and lower)	1929.1	4319.9	2390.8

* Figures for 2008 include the revenue of the merged DGCs from 31 March, 2008.

The revenue from IDGC of the South, JSC, services of technological connection to the electric network of the Company equaled RUR879.4 mln in 2009.

COMPETITIVE ENVIRONMENT OF THE COMPANY AND RISK FACTORS

The Company carries out its primary business activities in the conditions of a natural monopoly regulated by the state regarding establishment of tariffs for electric power transmission and rates for technological connection and support of a free access of consumers to the electric networks.

IDGC of the South, JSC is the largest subject of electric power industry that renders services in electric energy transmission to consumers of the Southern Federal District of Russian Federation.

Major factors of the Company's competitive energy market position are:

- market configuration in the region that defines the scheme of contractual relations and calculations between its participants (defined by the state regulating body — Regional Tariff Service);
- price (tariff) for rendering of services in electric power transmission and for purchase of electric power for compensation of electric power losses at the marketing companies (defined by the state regulating body — Regional Tariff Service);
- distribution of cross subsidizing in the tariff (it is defined by the state regulating body — Regional Tariff Service);
- degree of liberalization of the electric power market that defines what part of electric power (including losses) is bought at free and controlled prices.

Owing to lack of choice of an electricity supplier for an energy consumer, there is no competition in this sphere, as connection to the grid company is only specified by the location of the facility connected. In the given conditions the following factor should be taken into consideration: “coverage of the electric

power transmission market” by IDGC of the South, JSC, branches in the region:

- Branch “Astrakhanenergo” 96.12%
- Branch “Volgogradenergo” 77.80%
- Branch “Kalmenergo” 63.81%
- Branch “Rostovenergo” 79.42%

The strategy of IDGC of the South, JSC, is aimed at the further integration of the grid complex by merger of related network organizations based on the stability of their payment for energy transmission services, decrease of excess losses and increase of their reliability in energy transmission to the end user.

The Company advantage of other territorial grid companies is based on the following factors:

- Long-term operating experience with marketing companies, generating enterprises and enterprises of the regions;
- Highly-qualified personnel;
- Well-known brand of the Company that is backed up by provision of a reliable and high-grade power supply of consumers.

To preserve the positive tendency of the Company development and strengthen its position, the Company undertakes the following measures:

- constant monitoring of regional electric power and capacity markets by forecast and an analysis of the factors that influence the Company's business activity and development of actions on reduction of their negative influence over the results of the Company's business activity;
- interaction with the Federal Tariff Service of Russia, Ministry of Energy of Russia, administrations of the Russian Federation entities, Regional Tariff Service,

“UES SO” JSC, “UES FGC” JSC, “IDGC Holding” JSC, local network organizations, power sale and power supply organizations concerning the issues of tariff balance regulation and work of the regional energy and capacity markets.

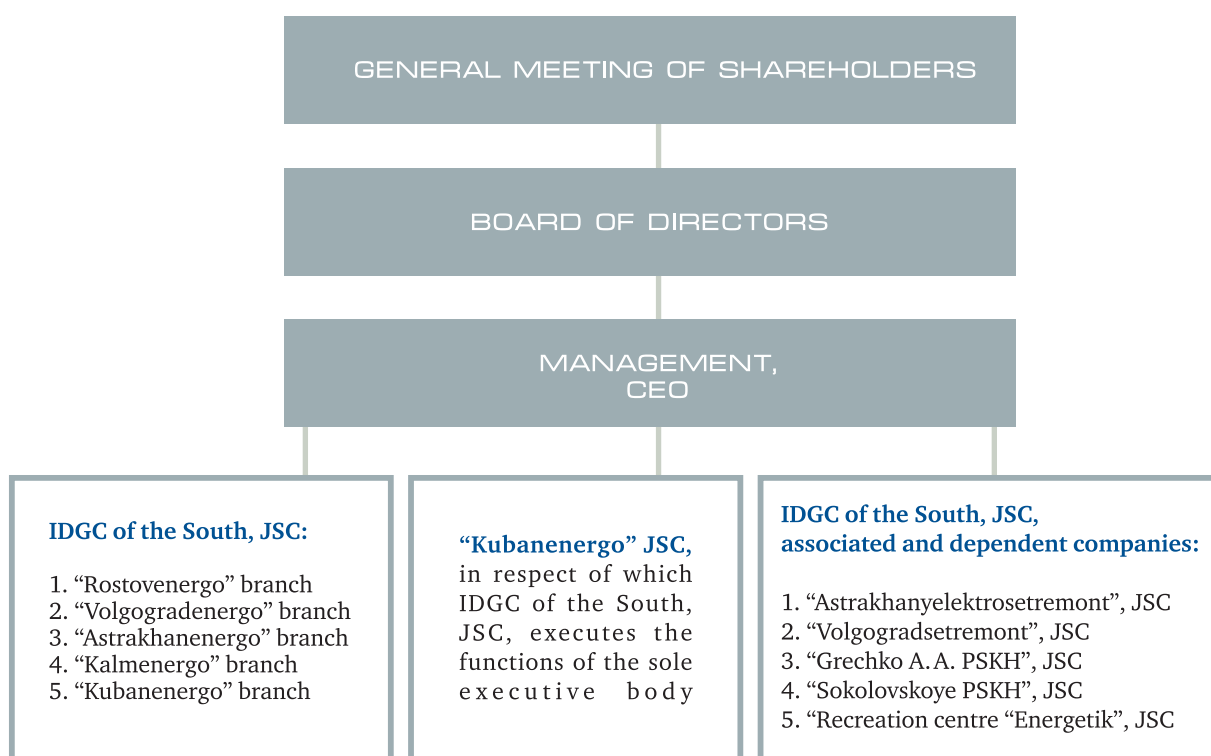
In order to minimize financial and other losses IDGC of the South, JSC, indicates and prevents possible risks in good time. In the sphere of electric energy transportation such risks are:

- decrease of the volumes of electric energy transportation services at the energy market on the IDGC of the South, JSC, territory. To minimize this risk,

a consistent policy is pursued which is aimed at purchasing the networks of related network organizations and increasing the volume of services provided through client-centeredness of a high quality service and attraction of new clients.

- power supply companies non-solvency risks for the provided electric energy transportation services. The Company takes steps to normalize settlements with supply companies: adoption of direct energy transportation service contracts with consumers, settlement of disputes in the process of contracting, engaging administrative and regulatory bodies.

ORGANIZATIONAL STRUCTURE OF IDGC OF THE SOUTH, JSC



Company branches

Under the resolution of IDGC of the South, JSC Board of Directors (Minutes No. 6/2008 as of 11 January, 2008) five branches of IDGC of the South, JSC, were set up. They are situated in the places of distribution grid companies of the Company territory:

1. **“Astrakhanenergo” — IDGC of the South, JSC, branch**
Address: 32 Krasnaya Naberezhnaya Str., 414000, Astrakhan
2. **“Volgogradenergo” — IDGC of the South, JSC, branch**
Address: 15, Lenina Prospect, 400066, Volgograd
3. **“Kalmenergo” — IDGC of the South, JSC, branch**
Address: North Industrial Zone, 358007, Elista, Republic of Kalmykia

4. **“Kubanenergo” — IDGC of the South, JSC, branch**
Address: 2, Stavropolskaya Str., 350033, Krasnodar

5. **“Rostovenergo” — IDGC of the South, JSC, branch**
Address: 49, Bolshaya Sadovaya Str., 344002, Rostov-on-Don

All grid branches of IDGC of the South, JSC, except for "Kubanenergo", are in operation from 31 March, 2008. "Kubanenergo", the branch of IDGC of the South, JSC, has not been operating until present, as reorganization of "Kubanenergo", JSC, by merger with IDGC of the South, JSC, was suspended.

Under the terms of the contract of transfer of the powers of "Kubanenergo" JSC sole executive body No. 407/30-1143/26 as of 14 September, 2007, IDGC of the South, JSC, **executes the functions of a managing company of "Kubanenergo" JSC.**

IDGC of the South, JSC, is owner of 100 percent of the voting shares of the following associated and dependent companies:

1. "Astrakhanyelectrosetremont", JSC
2. "Volgogradsetremont", JSC
3. "Grechko A. A. PSKH", JSC
4. "Sokolovskoye PSKH", JSC
5. "Recreation centre "Energetik", JSC

Besides, IDGC of the South, JSC, is the participant of other commercial and noncommercial organizations.

Information about participation of IDGC of the South, JSC, in other organizations, including noncommercial organizations, is specified in appendix No. 1 to the present annual report.

Organizational structure of the Company

The organizational structure of IDGC of the South, JSC, was developed under joint order No. 179r/188r 'On improvement of the organizational structures of IDGCs and DGCs' concluded between "RAO UES of Russia" JSC and "UES FGC" JSC as of 8 June, 2007, and approved at a Company Board of Directors meeting (Minutes No. 7/2008 as of 28 January, 2008) and enforced on 1 April, 2008, by order No. 11 of IDGC of the South, JSC, as of 28 January, 2008.

By resolutions of the Board of Directors a number of changes were introduced in the organizational structure of IDGC of the South, JSC:

- Minutes No. 16/2008 as of 25 July, 2008 (regarding introduction of a new vertical power structure for the development of Sochi Power District);
- Minutes No. 21/2008 as of 23 December, 2008 and Minutes No. 28/2009 as of 03 June, 2009 (regarding introduction and development of the Deputy CEO, Administrative Issues, vertical power structure, the Administrative Issues including vehicle operation and administration support);
- Minutes No. 31/2009 as of 07 August, 2009 (regarding introduction of the position of Deputy CEO, Capital Construction, to replace the position of CEO First Deputy)

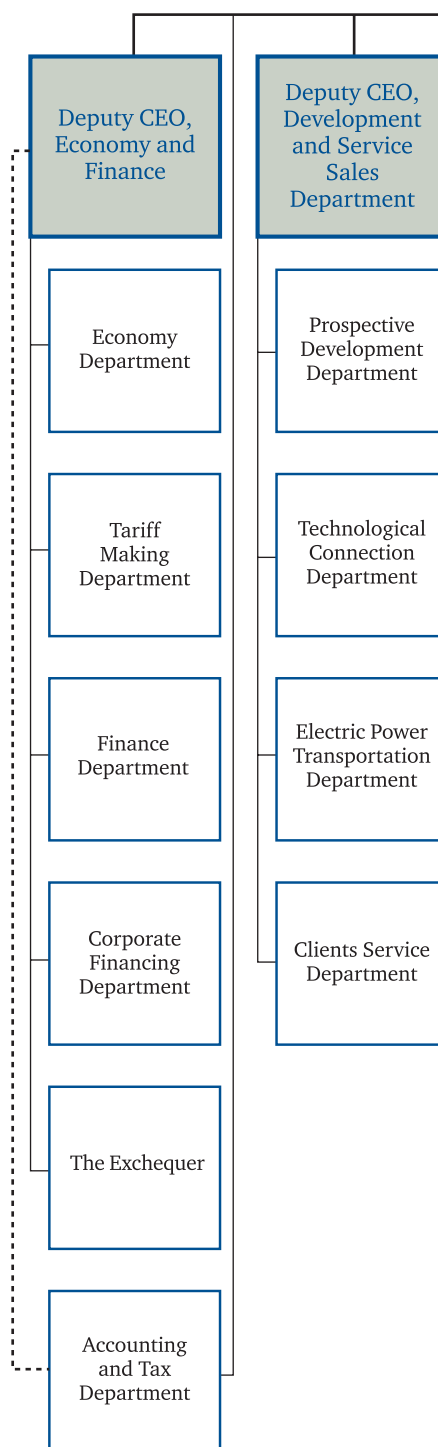
Organizational structure of IDGC of the South, JSC, meets the strategic goals of the Company and the requirements of the major shareholder to the organizational structure of an operating company.

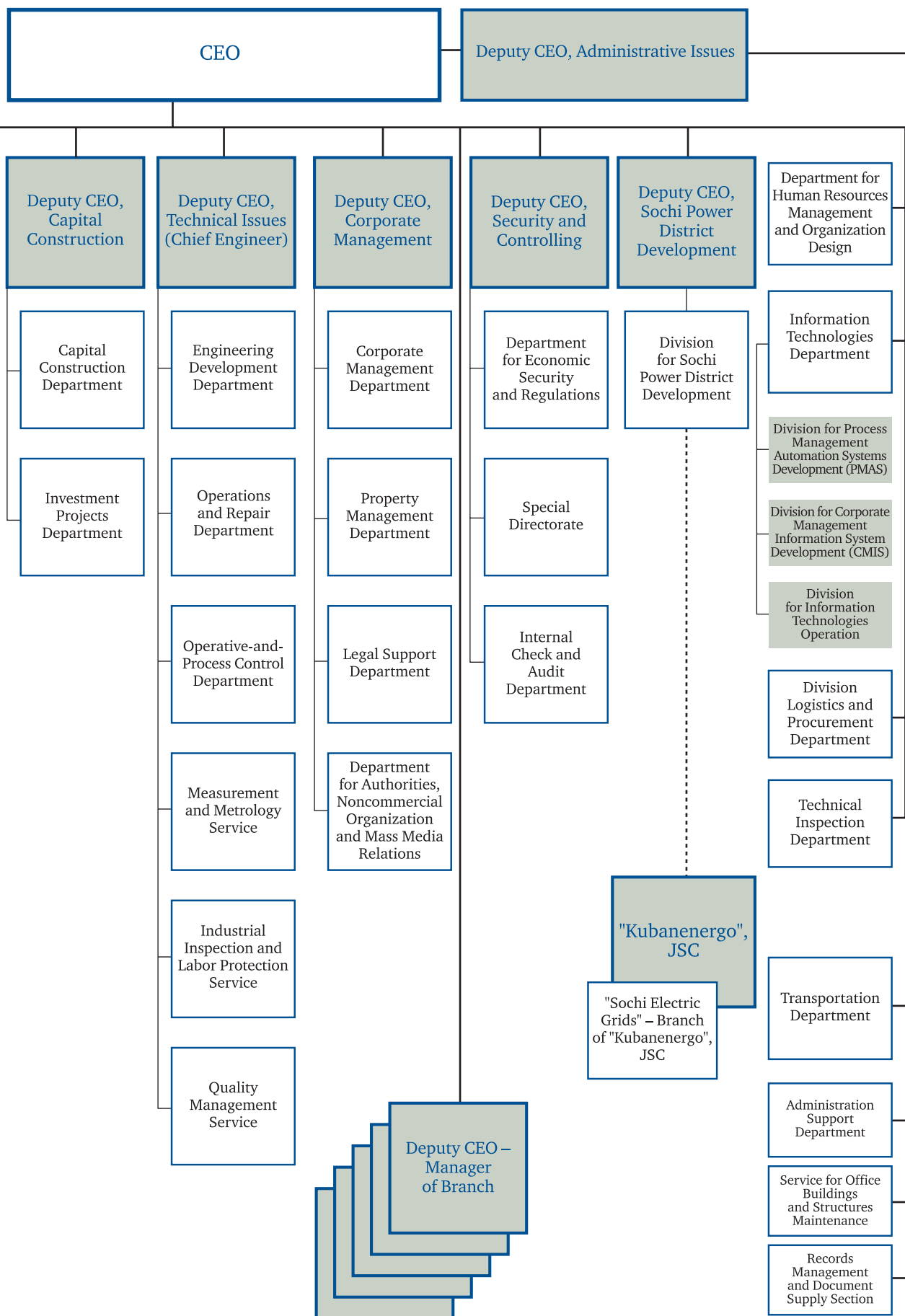
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Peredkova Natalja Sergeevna, Deputy Head of the Corporate Management Department — Head of the Department of Corporate Management Organization and Reforming, phone (861) 279-85-42, e-mail: peredkovans@mrsk-yuga.ru

Corporate Structure of IDGC of the South, JSC





COMPANY MISSION AND STRATEGY

The mission of IDGC of the South, JSC, is improvement of the living conditions of the population living in the territories served by the distribution grid complex (IDGC of the South, JSC, is responsible for its functioning) through steady long-term maintenance of electric energy demand on the basis of a reliable, safe and harmless power supply with minimum loadings of natural resources.

The Company's top managers recognize their responsibility and set the following objective in the sphere of an efficient management system development: to achieve the level of the rendered electric energy transmission services that shall meet the requirements of consumers and shall guarantee a stable profit that will be spent on health and safety protection of the Company's shareholders and personnel and on expansion of ecologically safe manufacture.

The main strategic goal of IDGC of the South, JSC, is improvement of the efficiency of functioning of the distribution grid system, its development, provision of the most reliable power supply of consumers, growth of the Company's market capitalization and increase of its investment appeal.

For this purpose the Company singles out the main strategic directions:

- improvement of reliability and quality of functioning of the distribution grid system;
- modernization and creation of a new electric grid infrastructure based on large-scale innovative technology renovation
- increase of IDGC of the South, JSC, business cost;
- execution of a customer-oriented approach in IDGC of the South, JSC, business activity;
- provision of an effective organization of technological business processes at the level of the best world practices;
- development of a uniform integrated hi-tech management system of IDGC of the South, JSC;
- improvement of IDGC of the South, JSC, complex personnel management system.

KEY EVENTS OF IDGC OF THE SOUTH, JSC, IN 2009

January

16 January — “Kalmenergo” branch of IDGC of the South, JSC, became the leader of the pan-Russia rating of socially and ecologically responsible enterprises.

27 January — 65 people specializing in Organizational Management graduated from Business Engineering and Management Faculty of Bauman Moscow State Technical University at the “Kubanenergo” training center. Among them — top managers and specialists of IDGC of the South, JSC, and its branches.

February

5 February — “Rostovenergo” branch of IDGC of the South, JSC, opened a new Customer service center in Novocherkassk.

10 February — IDGC of the South, JSC, started construction of “Tsentralnaya” substation in Rostov-on-Don.

March

6 March — IDGC of the South, JSC, continues construction of the unique “Bytkha” substation for the 2014 Sochi Olympic Games.

14 March — “Kubanenergo”, JSC, celebrated its 65th anniversary.

17 March — Regulations on technical policy of IDGC of the South, JSC, are approved.

26 March — “Rostovenergo” branch of IDGC of the South, JSC, received the first request for connecting “Azov-City”.

April

12 April — A visiting meeting chaired by N.N. Shvets, CEO of “IDGC Holding” JSC, took place in Sochi. It was participated by A.I. Gavrilov, CEO of IDGC of the South, JSC, top management of “Olympstroy” SC, Krasnodar Territory Administration Department of Fuel & Energy Complex. The participants visited the Sochi Power District objects under construction and reconstruction which are a part of the project of Olympic construction and development of Sochi as an alpine climatic resort.



May

27 May — “Kalmenergo” branch of IDGC of the South, JSC, celebrated its 45th anniversary.

27 May — A. I. Gavrilov, CEO of IDGC of the South, JSC, took part in negotiations with Volgograd and Volgograd Region administrations on creation of a special Committee to control payment discipline of energy consumers.

June

01 June — A. I. Gavrilov, CEO of IDGC of the South, JSC, met with N. K. Maksyuta, Governor of Volgograd Region, on energy safety of the region.

19 June — Annual General Meeting of IDGC of the South, JSC, Shareholders took place, 2008 results of the Company were announced.

July

07 July — 35 graduates of Volgograd Energy College studying under the patronage of IDGC of the South, JSC, received their diplomas in Electric stations, grids and systems.

30 July — In execution of the decision of Extraordinary General Meeting of “Kubanenergo”, JSC Shareholders on increase of authorized capital of the Company by selling new shares, “Kubanenergo”, JSC, Board of Directors approved the additional issue of shares aimed at financing Olympic objects construction. The additional issue totaled almost 6 billion roubles.

August

03 August — IDGC of the South, JSC, specialists renovated a substation in Volgograd Region that is crucial in power supplies to “Krasniy Oktyabr”, the largest metallurgical enterprise of the Southern Federal District of Russian Federation.

September

8 September — 2nd IDGC of the South, JSC, Sports Competition and 10th Anniversary “Kubanenergo”, JSC Sports Competition participated by company employees from Krasnodar Territory, Rostov, Volgograd, Astrakhan Regions, Republics of Kalmykia and Adygea finished in Anapa. Over 450 people participated in the Competitions.

14 September — New Board of Directors was elected at the Extraordinary General Meeting of IDGC of the South, JSC, Shareholders.

16 September — IDGC of the South, JSC sports team took 2nd place in the First All-Russia Summer Sports Competition of “IDGC Holding” JSC. 13 teams of Russian Interregional Distribution Grid Companies participated in the Competition.



22 September — IDGC of the South, JSC, Annual Report took 2nd place in the Industry Report Competition, in the nomination “Infrastructure”. The Competition was organized by Krasnodar Territory Administration.

October

1 October — IDGC of the South, JSC, began independent execution of the functions of electric power fiscal accounting and volume generation of the energy transmission services rendered via its own distribution grid. Earlier this function had been provided by specialized organizations “Energobalance-Center”, LLC and “Energobalance-Kuban”, LLC.

2 October — “IDGC Holding” JSC, held a meeting and a discussion group with Divisions heads on maintenance and repairs activities of the holding in settlement Nebut, Krasnodar Territory.

23 October — PR departments of IDGC of the South, JSC, and the leaders of the Southern Regional Center of Head Department of RF Ministry for Emergency Situations had a meeting in Rostov-on-Don on cooperation during autumn and winter periods.

November

12 November — IDGC of the South, JSC, was granted a Certificate of Readiness to operate during autumn and winter periods of 2009/2010. An Act thereof was signed by a panel consisting of representatives of “IDGC Holding” JSC, Rostekhnadzor and the System Operator.

18 November — IDGC of the South, JSC, executive staff announced the winners of a child drawing competition “Children Draw Energy — 2009”.

December

19 December — In anticipation of the professional holiday, the “Power Sphere Specialist Day”, IDGC of the South, JSC, summarized the results of the year and awarded the best employees of the Company. 186 employees of IDGC of the South, JSC, and “Kubanenergo”, JSC, received industry-sponsored and corporate awards.

21 December — Grid Control Center of “Volgograd-energo” branch of IDGC of the South, JSC, took over operational functions in managing a number of electric grid system objects, in fulfillment of the Schedule of Forming Grid Control Centers in the Branches of “UES FGC”, JSC: TEGEs, DGCs (AO-energo) and of Grid Dispatching Function Redistribution (approved by Order of “RAO UES of Russia”, JSC, No. 68 as of 30 January, 2006).

22 December — IDGC of the South, JSC, successfully underwent a certification audit, as a result it received international ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 certificates valid from 3 December, 2009 until 29 December, 2012.



MAIN PERFORMANCE RESULTS OF IDGC OF THE SOUTH, JSC

The year 2009 was a year of a continuing stagnation in the region. As a result, electric power consumption decreased. Besides, credits tightened in comparison with 2008, whereas paying capacity of electric power

supply companies declined. These and other external factors lead to a decrease in the financial results of IDGC of the South, JSC.

Chief indicators dynamics is shown in the table, mln RUR

Indicators	2008*	2009
Total revenue	13126.8	19027.4
Including:		
From electricity transmission	10785.3	16820.0
From technological connection	1995.4	879.4
Revenue from sales	1805.9	1794.6
Net income	486.0	-1108.9
Net assets	21397.2	20276.2
Short-term debt	6837.7	9199.7
Long-term debt	7545.2	12076.6
Investments in fixed capital	4651.8	2847.2

* 2008 figures are with merged DGCs from 31 March, 2008

Estimated 2008 total revenue, with the DGCs activities before merger with IDGC of the South, JSC, totaled RUR16,585.7 mln. Therefore, in 2009 the revenue of the Company increased by 1.4%. At the same time, the revenue mix changed: the income from technological connection decreased considerably, due to lower number of requests as a result of stagnation.

IDGC of the South, JSC's profit volume declined in 2009, and showed a net loss of RUR1,108.9 mln. The

decline in financial results can be explained by a number of external factors:

- decline in electric energy consumption
- smaller number of consumer requests for technological connections
- outrunning growth of energy transmission services expenses of third parties
- growth in debt service expenses due to tightened credits .

In 2009 solvency of power supply companies drastically declined, due to a reduction in energy consumer income. As a result, Company receivables grew by RUR4,185.3 mln in 2009. Company cash deficiency was covered by extra credits, and, partly, by growth of accounts payable. This led to the increase of Company short-term and long-term debt by 34.5 % and 60.1 % respectively.

IDGC of the South, JSC, net assets indicator declined by the amount of the 2009 loss, by 5.2 %.

The deficiency of net income and decrease of earnings from technological connection are the main reasons for fixed capital disinvestment in 2009. Investment growth is expected to begin in 2011.

As the table above shows, profitability of sales reduced in 2009 by 3.9 %, which is the result of the negative influence of external factors (decline in electric energy consumption, smaller demand in technological connection).

Due to the increase in borrowed funds, the equity-assets ratio has dropped. Deviation from norm (0.5) is insignificant.

The current liquidity ratio and quick ratio of IDGC of the South, JSC, have shown better results than in the previous period. The positive dynamics are explained by accounts payable growth control by the Company, despite worsened payment discipline of major contractors. It is illustrated by a reduction of accounts receivable and accounts payable balance ratio in 2009.

In total, the financial strength of IDGC of the South, JSC has stayed at a satisfactory level, despite an increase of borrowed funds.

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Indicators	2008*	2009
Sales profitability, %	16.8	12.9
Equity-assets ratio	0.597	0.487
Current liquidity ratio	1.301	1.517
Quick ratio	1.037	1.260
Accounts receivable and accounts payable balance ratio	1.512	1.462
Own funds and borrowed funds balance ratio	1.481	0.949

* 2008 figures are with the merged DGCs from 31 March, 2008.

SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

MAMAYEV KURGAN VOLGOGRAD

The most important hill in Russia during the Second World War. Mamayev Kurgan is one of the seven Russian wonders.

"The Motherland Calls" sculpture is the most famous of the high monuments in Europe. The sculpture is 85 meters high (the figure is 52 meters high).

The monument is illuminated by Volgogradenergo.





CORPORATE REPORT

CORPORATE GOVERNANCE

The corporate governance in the Company is based on respect of the rights and legitimate interests of its shareholders, investors and other parties concerned, and is implemented pursuant to the legislation of the Russian Federation in force, the Charter of IDGC of the South, JSC, and other local normative acts which regulated the activity of the Company's management bodies, including:

Name of internal document	Description
Regulation on the procedure for preparing and conducting the General Shareholders' Meeting	Document regulating the procedure for convening, preparing, and conducting General Shareholders' Meetings, as well as the interaction of working groups of meetings.
Regulation on the procedure for convening and conducting Board of Directors meetings	Document regulating the procedure for calling Board of Directors Meetings in the Company, as well as the rights, obligations, and responsibilities of Board members and the Company's Corporate Secretary.
Regulation on the Management Board	Document regulating the procedure for forming the Management Board, convening and conducting its meetings, taking Management Board decision, as well as the rights, obligations and responsibilities of the members of the Management Board.
Regulation on the Audit Commission	Document determining the tasks and procedure of work of the Audit Commission, regulating the Commission's interaction with bodies of Company management, as well as regulating the rights and obligations of members of the Audit Commission.
Regulation on paying recompense and compensation to the members of the Board of Directors of IDGC of the South, JSC (redrafted)	Document that sets the amounts and procedure for paying recompense and compensation to members of the Board of Directors (excluding those members of the Board of Directors who are also the general director and/or members of the Management Board).
Regulation on paying recompense and compensation to the members of the Audit Commission of IDGC of the South, JSC (redrafted)	Document that sets the amounts and procedure for paying recompense and compensation to members of the Audit Commission.
Regulation on the Corporate Secretary (redrafted)	Document that determines the status, competency, rights and obligations of the Company Corporate Secretary, as well as the procedure for electing the Corporate Secretary and paying him or her.
Corporate governance code (redrafted)	Document regulating the liabilities incurred by the Company for ensuring transparency of the Company's management and fulfilling the standards of proper corporate management.
Regulation on insider information	Document disclosing the Company concepts of "insider" and "insider information," and which determines the procedure for protecting, using, and distributing insider information.
Regulation on information policy	Document determining the rules and methods for disclosing information, a list of information and documents which are to be disclosed to shareholders, creditors, potential investors and other entities, and which also sets the procedure and term for disclosing and providing the given information.
Regulation on the options program	Document determining the procedure and conditions for the Company employees to acquire Company shares.
Regulations of dividend policy	Document determining the system of relations and principles for determining the amount of dividends to be paid, the procedure and term for paying them, as well as the Company's responsibility for not fulfilling its obligations at paying dividends.

Name of internal document	Description
Regulations on the procedure for internal control	Document determining the goals, tasks, and procedures of internal control, as well as the form of the report of the Audit Committee of the Board of Directions of IDGC of the South, JSC.
Regulations on the Board of Directors Committee for technological connections to electrical grids	Document regulating the procedure for forming the committee, the rights and obligations of the members of the committee, the procedure for holding committee meetings, as well as the committee's interaction with the management bodies of the Company and with other entities.
Regulations on the Committee for Strategy, Development, Investments and Reform of the Board of Directors	Document developed with the purpose of ensuring the effective work of the Company Board of Directors at resolving questions related to the Board of Director's competencies. This document sets the procedure for conducting the Committee's meetings, and the rights and obligations of the committee members, as well as provides recommendations (conclusions) on questions related to the Committee's competencies.
Regulations on the Committee for Staff and Remuneration of the Board of Directors	Document developed with the aim of ensuring effective fulfillment by the Board of Directors of its functions for general management of the Company's activity. This document sets the general provisions, goals and tasks of the Committee, the make-up of the Committee, the rights and obligations of the Committee members, and the procedure for holding Committee meetings.
Regulations on the Auditing Committee of the Board of Directors	Document developed with the aim of ensuring effective fulfillment by the Board of Directors of its functions for general management of the Company's activity. This document sets the general provisions, goals and tasks of the Committee, the make-up of the Committee, the rights and obligations of the Committee members, and the procedure for holding Committee meetings.
Regulations on the Reliability Committee of the Board of Directors	Document setting the procedure for holding Committee meetings, the rights and obligations of the committee members, and the procedure for making recommendations (conclusions) on issues relating to the Committee's competency, so as to ensure effective work of the Company's Board of Directors.
Procedure for interaction between IDGC of the South, JSC and legal entities whose shares are owned by IDGC of the South, JSC	Document setting the general conditions for corporate interaction between the Company and dependent companies, including questions of organization and control of corporate actions when analyzing questions for which the position of the Company (or that of Company representatives) is needed.

The texts of the internal documents of IDGC of the South, JSC are published on the Company's corporate web-site in the Internet at <http://www.mrsk-yuga.ru>.

The Corporate Governance Code of IDGC of the South, JSC (Minutes dd. 21.09.2009 No. 32/2009) was approved at the meeting of the Board of Directors of the Company which took place on 19.08.2009.

Aimed at

- establishing certain standards of the corporate governance, the application of which is meant for protection of shareholders' interests independent of the number of shares belonging to them;
- achieving a mutual understanding between all the parties concerned in the Company's activity;
- increasing the Company's market capitalization;

Developed

- on the basis of provisions of the Code of Corporate Conduct recommended for application by the Federal Securities Commission of Russia (Order of the Federal Securities Commission dd. 04.04.2002 No. 421/p), subject to the norms of the Charter in force and other internal documents of the Company regulating the management bodies' activity, the volumes and order of the information disclosure about the Company and also other aspects of the Company's corporate conduct;
- pursuant to the legislation of the Russian Federation, principles of the corporate governance recognized in the international practice such as Principles of the corporate governance of OECD (Organization for Economic Cooperation and Development) subject to the existing Russian and foreign practice of corporate governance, ethic norms, concrete needs and conditions of the Company's activity.

The Company Corporate Governance Code sets the underlying principles of corporate management:

The corporate management of IDGC of the South, JSC is based on the following underlying principles:

Fairness

The Company provides shareholders the real possibility to exercise their rights related to participation in the Company. There is also the possibility for shareholders to get efficient protection should their rights be violated.

The right of shareholders to participate in the management of the joint-stock Company by taking decisions on the most important issues of the Company's activity is provided for by the legislation of the Russian Federation, and also by the Company's Charter, which sets the competence of the General Meeting, and the method for taking decisions on issues related to the competence of the General Shareholders' Meeting of the Company.

The shareholders have the right to dispose freely of the shares belonging to them by their own wish, and to take any actions not contradicting the legislation in force and not violating the rights and interests of other persons protected by the law, including the alienation of their shares to the property of other persons;

Openness

The Company tries to provide shareholders and investors with clear, regular and reliable information, including that aimed at controlling the work of the executive bodies of the Company and taking competent decisions about an evaluation of their activity.

The goal of disclosing information about the Company is bringing this information to the notice of all parties concerned in its receipt in a volume needed for their taking a weighed decision on their participation in the Company or taking other actions able to influence the financial and economic activity of the Company.

The main principles of disclosing information about the Company are regularity and quickness of disclosure, accessibility of such information for shareholders and other parties concerned, and authenticity and fullness of its contents;

Accountability of the Company's management bodies to shareholders

The supreme management body of the Company, the General Shareholders' Meeting, considers the results of the Company's activity annually.

The Company Board of Directors provides strategic management of the Company's activity and efficient control over the work of managers, and is accountable to the Company's shareholders.

The executive body of the Company, the General Director and Management Board, implements bona fide, reasonable and efficient management of the Company's activity so as to ensure long-term stable development and receipt by the shareholders of profit from this activity, and is accountant to the Board of Directors and shareholders of the Company.

The existing system of accountability decreases the risk of divergence in the interests of managers and shareholders;

Control over the Company's financial and economic activity

The system of control over the financial and economic activity existing in the Company is aimed at ensuring investors' trust of the Company and its management bodies. The main goal of control over the Company's financial and economic activity is to protect shareholders' capital investments and the Company's assets.

Control over the Company's financial and economic activity is done by the Board of Directors, the Audit Committee, and the Company auditor.

The Audit Committee, a special committee of the Board of Directors, was created so that the Board of Directors can be responsible for effectively controlling the Company's financial and economic activity.

To conduct internal control of the implementation order of all economic operations, the Company has established a Department of internal control and audit. Its obligation is to conduct internal control, audit, and risk management;



Observing the rights of third parties

In practice of corporate governance, the Company tries to develop relationships with third parties, including its employees, on the basis of respect, and by taking into account the rights of parties concerned as stipulated by the legislation in force.

The Company strives to encourage active cooperation with investors, creditors and other parties concerned aimed at increasing the Company's assets and its shareholder value.

The governance bodies do everything possible to assist in the growth of professional workmanship, establish decent labour conditions for the personnel, and increase social security. All these actions of the governance bodies provide are done to increase labour productivity and establish a favourable social atmosphere among the staff.

During the 2009 reporting year, just like in the whole history of operations of IDGC of the South, the Company observed all accepted corporate governance principles: fairness, openness, accountability of the Company's governance bodies to shareholders, control over financial and economic activity, and observation of all the rights of third parties. The Company achieved a high level of information transparency and satisfied all the legitimate claims of the parties concerned.

The report on compliance with the corporate conduct code approved by Order of Federal Commission for the Securities Market dd. 04.04.2002 No. 421/r "On the recommendation of implementing the Code of corporate conduct" for 2009 is given in Appendix No. 2 to the present report.

When disclosing information about the Company as a stock issuer, the Company fulfills all requirements of the legislation in effect of the Russian Federation and local standard acts, and also strives to disclose additional information about its business activity.

All information about the Company, including statements about substantial facts and affiliated entities of the Company for the whole history of operations of IDGC of the South is provided on the corporate web-site <http://www.mrsk-yuga.ru>.

Information about the valuation of the Company's corporate governance

Thanks to measures taken by the Company to improve its corporate governance practice in 2009, on the 7th of April, 2009, the Consortium of the Russian Institute of Directors and the "Expert RA" rating agency raised their valuation of IDGC of the South's corporate governance from NCGS (national corporate governance scoring) 5+ ("Average practice of corporate governance") to NCGS 6+ ("well-developed practice of corporate governance").

The given class of the rating valuation testifies to the fact that the practice of corporate governance of IDGC of the South is estimated to have low corporate governance risks. The Company observes all the requirements of the Russian legislation as concern corporate governance, and follows the majority of the recommendations of the Russian Code of Corporate Conduct and certain recommendations of world advanced corporate management practice.

One can take a look at the report on the corporate governance practice of IDGC of the South at the corporate web-site: <http://www.mrsk-yuga.ru>.

The Company has the potential for further growth in its rating in the future, and aims for continued improvement.

Achievements and plans for the future

In the accounting year the Company fulfilled a number of actions aimed at improving the practice of corporate management. One of the main ones was creating and electing the members of the following committees of the Board of Directors:

- Auditing Committee;
- Committee for Staff and Remuneration;
- Committee for Technological Connections to Electricity Grids;
- Reliability Committee;
- Committee for strategy, Development, Investments and Reform.

Furthermore, taking into account the recommendations of Standard & Poor's and Expert RA ratings agencies, a number of changes were made to the Company's internal documents, including:

- Implementation of certain regulations of the Russian Code of Corporate Governance, recommended by the Federal Securities Commission of Russia (in particular, in the new version of Code of Corporate Governance of IDGC of the South, JSC, the Company's striving to ensure the presence of members of the Company's control and management organizations and of representatives of the Company's Auditor at the General Shareholders' Meeting was strengthened. Furthermore, the periodicity of holding Board of Directors meetings no less than once per six weeks was set;
- Greater information transparency.

The Company recognizes the importance of continued improvement of corporate management practice, and will strive to strengthen base recommendations of the Russian Code of Corporate Governance, recommended by the Federal Securities Commission of Russia, in its Charter and local normative acts, aimed at raising management efficiency, openness, and trust in relations with shareholders (including resolving conflicts).

Considering the dynamic development of IDGC of the South, JSC, which calls for the Company's management bodies to resolve various issues, and the process of constant improvement of the acting Russian legislation at protecting the interests of minority shareholders, the Company plans to take measures in the future to insure the responsibility of the members of management bodies.

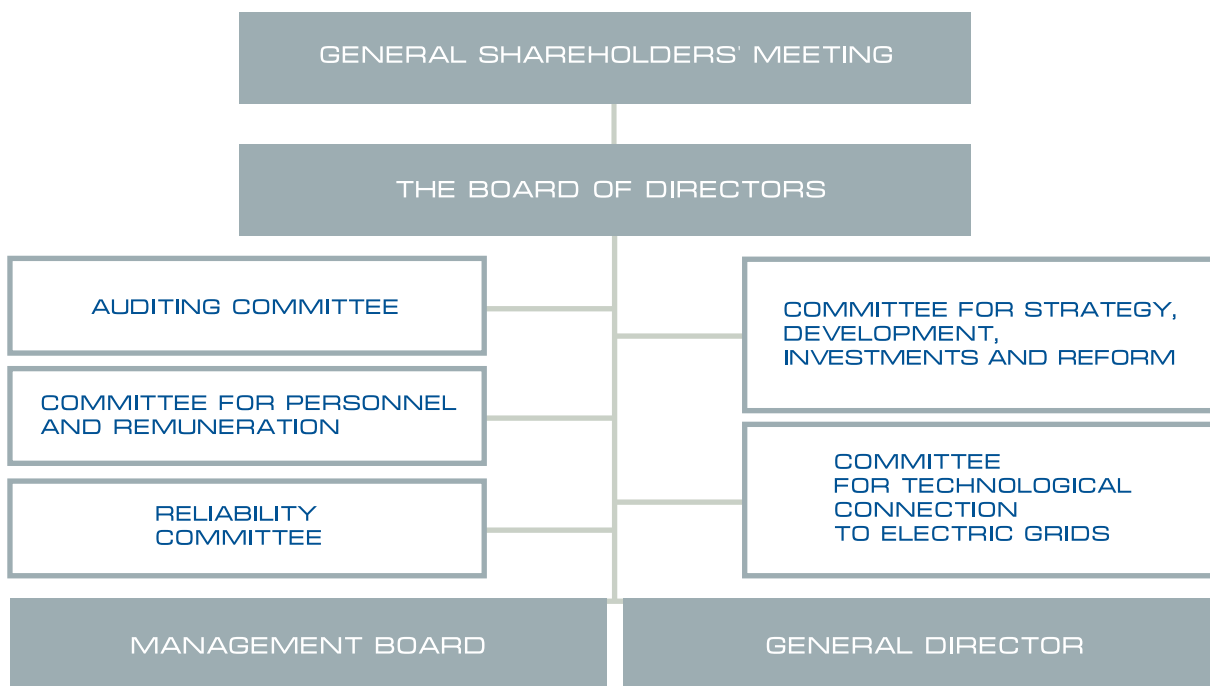
In the future the Company plans to get an international corporate management rating from Standard & Poor's.

Awards

IDGC of the South's annual report for 2008 received the following prizes:

-
- in the open competition of annual reports of joint stock companies in the Krasnodar Territory, organized by the Krasnodar Territory Administration in the nomination "Sector Report "Infrastructure"" (2nd place);
 - In the 12th annual federal competition of annual reports, organized by "Securities Market" magazine, in the nomination "For openness in the electric power industry". The Company was given a statue as a prize;
 - In the 12th annual federal competition of annual reports, organized by JSC "RTS", in the nomination "Best disclosure of information in an annual report by companies with capitalization up to 10 billion rubles" (3rd place). The Company was given a crystal book with an inscription as a prize.
-

MANAGEMENT ORGANS OF JSC IDGC OF THE SOUTH



GENERAL SHAREHOLDERS' MEETING OF THE COMPANY

The superior governance body of IDGC of the South is the General Shareholders' Meeting pursuant to the legislation of RF in force and the Charter of IDGC of the South, JSC.

The Company must annually hold the General Shareholders' Meeting. The most important issues of the Company's activity are of competence of the General Shareholders' Meeting of the Company pursuant to the legislation of Russian Federation in force and article 10 of the Company's Charter.

The shareholders have a right to take part in the governance by the Company, first of all by way of taking decisions on the most important issues of the Company's activity at the General Shareholders' Meeting.

The Company held two general shareholders' meetings in 2009: the annual meeting and an exceptional meeting.

The Annual General Shareholders' Meeting of the Company took place on the 19th of June, 2009 (Minutes dd. 22.06.2009 No. 2). The Company's shareholders took the following decisions:

- the annual report, annual financial statements including the profit and loss statement of the Company,

as well as distribution of profits and losses for the 2008 financial year were approved;

- new staffs of the Board of Directors and the Auditing Committee of the Company were elected;
- the Auditor of the Company was approved to be Neksia Pacholi, LLC, with a license for audit activity implementation No. E 000733 valid until 25.06.2012, issued by the Ministry of Finance of the Russian Federation.

At the **Extraordinary General Shareholders' Meeting**, called by request of the shareholder Management-Consulting, LLC ("D.U.") (closed mutual fund of the shares of "Resource") (owning 21.15% of the total number of shares issued by the Company), and which took place in September 14, 2009 (Minutes No. 3 dd. 14.09.2009), the Company shareholders made the following resolutions:

- to terminate the powers of the Company Board of Directors ahead of time,
- a new Company Board of Directors was elected.

One can read the full text of the resolutions of the Company's General Shareholders' Meetings at the corporate web-site: <http://www.mrsk-yuga.ru>.

THE BOARD OF DIRECTORS OF THE COMPANY

The General Shareholders' Meeting determines the quantitative staff of the Board of Directors of the Company and elects its members to conduct general management of the Company, with the exception of decisions on issues related to the legislation of the Russian Federation and the Company's Charter to the competence of the General Shareholders' Meeting.

Pursuant to article 15 of the Company's Articles Association, the Board of Directors of the Company of IDGC of the South, JSC implements the general governance of the Company's activity except decisions on issues related to the legislation of the Russian Federation and the Company's Charter to the competence of the General Shareholders' Meeting.

The quantitative staff of the Board of Directors of the Company amounts to 11 people pursuant to point 16.1 of article 16 of the Company's Charter.

The principle goals and objectives of the activity of the Company's Board of Directors are:

- the strategy definition of the Company's development aimed at increasing its market capitalization and investment appeal, the achievement of the maximal profit and the increase of the Company's assets;
- the provision of the implementation and protection of rights and legitimate interests of shareholders of the Company and also the assistance in solution of corporate conflicts;
- the provision of fullness, authenticity and objectiveness of information disclosure about the Company for the shareholders and other parties concerned;
- the establishment of efficient internal control mechanisms;
- the regular activity valuation of the Company's executive bodies and the work of the management staff.

To implement the given goals and objectives the members of the Board of Directors are guided by the following principles:

- decisions taking at the basis of an authentic information about the Company's activity;
- the elimination of rights' restrictions of the shareholders for the participation in the management by the Company, the receipt of dividends and the information about the Company;

- achieving a balance of interests of different groups of shareholders and taking maximally objective decisions by the Board of Directors for the sake of interests of all the Company's shareholders.

The activity of the Board of Directors is regulated by the Federal Law "About joint-stock companies", other legal acts of the Russian Federation, the Charter of IDGC of the South, JSC and the Regulations for the order of convening and holding of meetings of the Board of Directors of IDGC of the South, JSC.

Following the best world practice of the corporate governance and pursuant to the Code of the corporate governance of IDGC of the South, JSC, and the Board of Directors of the Company is constituted with independent directors.

The Company believes the presence of the professional and independent Board of Directors to be an important element of efficient corporate governance.

The availability of independent directors in the composition of the Board of Directors of IDGC of the South, JSC, makes it possible to form an objective opinion of the Board of Directors on issues discussed. This creates greater trust of the shareholders to the Company.

The members of the Board of Directors act for the Company's interests in the implementation course of their rights and duties' discharge, exercise their rights and discharge duties in respect of the Company bona fide and reasonably. The members of the Board of Directors are responsible before the Company for losses inflicted to the Company by their guilty actions (inaction) pursuant of the legislation in force.

The rights and liabilities of the members of the board of Directors of the Company are defined by article 15 of the Company's Charter.

The nominating process of candidates in the Board of Directors of the Company is established by the legislation of the Russian Federation in force and the Company's Charter.

The order of meetings convening of the Board of Directors and a delivery of issues on the agenda of the Board of Directors is defined by the Regulations for convening and holding of meetings of the Board of Directors of the Company of IDGC of the South, JSC.

Management of the Company in the 2009 accounting year was done under the management of the Board of Directors of IDGC of the South, JSC, in three callings.

The Board of Directors of the first calling was elected on May 30, 2008 at the annual General Shareholders' Meeting of IDGC of the South, JSC (Minutes N° 1, 04.06.2008) in the following composition (data given as of the election date):

1	Andrey Natanovich Rappoport , Chairman of the Board of Directors	Member of the Management Board of RAO UES of Russia, JSC, Chairman of the Management Board of FGC UES
2	Pavel Ivanovich Okley , Deputy Chairman of the Board of Directors	Head of the Management Center of FGC UES, JSC
3	Alexey Mikhailovitch Abakumov	Commercial Director of Engineering Center Energoauditcontrol, LLC
4	Andrey Yuryevich Buyanov-Uzdalsky	Head of the Department for Corporate Management and Work with the Regions, Promregion Holding, LLC
5	Sergey Vyacheslavovich Vasilyev	Chief of the Legal Department of the Corporate Centre of RAO UES of Russia, JSC
6	Alexander Ilyich Gavrilov	General Director, IDGC of the South, JSC
7	Fyodor Alexandrovich Dyakov	General Director of the Branch of FGC UES, JSC — MES of the South
8	Vladimir Vasilyevich Ilyenko	General Director of the branch of SO EES ODU of the South, JSC
9	Vyacheslav Mikhailovich Kravchenko	Director of the Director of the Department of the Structural and Tariff Policy in Natural Monopolies of the RF Ministry of Industry and Power;
10	Alexander Evgenyevich Nikulov	General Director, Promregion Holding, LLC
11	Igor Yuryevich Ryapin	Chief of Reform Normative Support Department of the Energy Industry Normative Support Department of the Reform Management Centre, RAO "UES of Russia" JSC

The Board of Directors of the second calling was elected on June 19, 2009, at the annual General Shareholders' Meeting of IDGC of the South, JSC (Minutes N° 2 on 22.06.2009) in the following composition (data given as of the election date):

1	Pavel Ivanovich Okley , Chairman of the Board of Directors	Deputy General Director, Technical Director of IDGC Holding, JSC
2	Alexey Vladimirovich Zimin , Deputy Chairman of the Board of Directors	Deputy Head of the Department of Legal Groundwork, IDGC Holding, JSC
3	Andrey Vasilyevich Dorofeyev	Specialist of the "Sera" project, Management-Center Management Company, CJSC
4	Alexander Ilyich Gavrilov	General Director, IDGC of the South, JSC
5	Sergey Sergeyevech Ezimov	Analyst, Vermuth Asset Management GmbH, LLC
6	Vladimir Vasilyevich Ilyenko	General Director of the branch of SO EES ODU of the South, JSC
7	Alexey Victorovich Maslov	Member of the Management Board of FGC UES, JSC
8	Alexander Evgenyevich Nikulov	Councilor of the General Director, Head of the "Sera" project, Management-Center Management Company, CJSC
9	Igor Vasilyevich Ptitsyn	General Director, Tolyatti Transformer, LLC
10	Sergey Nikolayevich Popovskiy	Representative of of Market Council Noncommercial Partnership
11	Valery Mukhamedovich Shogenov	Deputy Head of Division, Head of Division of the Federal Energy Agency

The Board of Directors of the third calling was elected on September 14, 2009, by resolution of the extraordinary General Shareholders Meeting of IDGC of the South, JSC (Minutes № 3, dd. 14.09.2009) in the following composition (data as of 31.12.2009):



**Pavel Ivanovich Okley,
Chairman of the Board
of Directors**

Year of birth: 1970

Citizenship: Russian

Higher education:

- Omsk Institute of Engineers of Railway Transport, qualification — “Automation, telemechanics and communication in railway transport”.
- The Academy of National Economy under the RF Government, qualification — “Management of company development.
- Moscow Energy Institute, Graduate Student.

Appointments for the past 5 years:

- Deputy Administrator, Chief of IDGC Governance Centre of FGC UES, JSC.
- Deputy General Director, Technical Director of IDGC Holding, JSC.
- Member of the Board of Directors of IDGC of Ural, JSC; IDGC of Centre, JSC; IDGC of Siberia, JSC; IDGC of Centre and the Volga region, JSC.
- Member of the Board of Directors, member of the Audit Committee, member of the Reliability Committee, member of the Committee for Staff and Remuneration of the Board of Directors of Lenenergo, JSC.
- Member of the Supervisory Board of NP INVEL.
- Chairman of the Reliability Committee of the Board of Directors of MOESK.
- Member of the Reliability Committee of the Board of Directors of IDGC of the South, JSC.
- Member of the Management Board of IDGC Holding, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Alexey Yuryevich
Perepyolkin,
Deputy Chairman
of the Board of Directors**

Year of birth: 1970

Citizenship: Russian

Higher education:

- Moscow State Law Academy, major in “Optical instruments and systems”.
- Additional education: Moscow State Technical University in the name of N. E. Bauman, specialty “Law”.

Appointments for the past 5 years:

- Deputy General Director for Legal Issues of Gazoil, LLC.
- Head of the Consolidd.-Analytical Management Board of the Federal State Tax Service of Russia.
- Councilor of the Minister, Head of the Main Legal Management Board of the Ministry of Defense of the Russian Federation.
- Director of Corporate Policy of Holding IDGC, JSC.
- Deputy General Director for Corporate Management and Property of Holding IDGC, JSC.
- Member of the Committee for Strategy and Development of Lenenergo, JSC, and MOESK, JSC.
- Member of the Auditing Committee of the Board of Directors of IDGC of the South, JSC.
- Member of the Management Board of Holding IDGC, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Sergey Vyacheslavovich
Vasilyev**

Year of birth: 1975

Citizenship: Russian

Higher education: Moscow State University named after Lomonosov, qualification — “Science of Law”.

Appointments for the past 5 years:

- Director for Legal Issues, Chief of the Legal Groundwork Department of IDGC Holding, JSC.
- Chief of the Legal Department of the Corporate Centre of RAO UES of Russia, JSC.
- Director for Legal Issues, Chief of the Legal Groundwork Department of IDGC Holding, JSC.
- Member of the Board of Directors of Tyumenenergo, JSC.
- Member of the Management Board of IDGC Holding, JSC.
- Member of the Audit Committee of the Board of Directors of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Alexander Ilyich
Gavrilov**

Year of birth: 1973

Citizenship: Russian

Higher education:

- Kuban State University, major in Bookkeeping and audit (economist), (1990–1995).
- Kuban State Technological University, major in “Development and operation of oil and gas fields” (engineer), (2000–2006).
- State educational institution State Academy of Professional Preparation and Qualification Improvement. Was awarded the academic degree of doctor of economic sciences.

Appointments for the past 5 years:

- Deputy Chief of the Administration of the Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3d class) of Krasnodar Territory of the Administration of the Krasnodar Territory.
- Deputy General Director for Development of Krasnodarenergostroy, JSC.
- Executive Director of Kubanenergo, JSC.
- General Director, Chairman of the Management Board, member of the Board of Directors of Kubanenergo, JSC.
- Member of the Board of Directors of Volgogradenergo, JSC.
- Chairman of the Board of Directors of OK Plamya, Krasnodarenergostroyremont, JSC, and Rostovenergo, JSC.
- General Director, Chairman of the Management Board, IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Maxim Sergeyevich
Ivanov**

Year of birth: 1976

Citizenship: Russian

Higher education: State Management Academy in the name of Sergo Ordzhonikidze, major “Economist-Energy Worker”.

Appointments for the past 5 years:

- Specialist of the Department of Corporate Finances, Brokerage Company Reserve-Invest, LLC.
- Deputy General Director for Strategic Issues, Kristall-Lefofortovo, LLC.
- Head of the project Moscow Plant Kristall, JSC.
- Councilor of the General Director of Promregion Holding, ZAO.
- Councilor of the General Director of Management-Consulting, LLC.
- Member of the Committee for Staff and Remuneration, Committee for Strategy, Development and Reform; Committee for Technological Connections to Electric Grids, and the Reliability Committee of the Board of Directors, IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Vladimir Vasilyevich
Ilyenko**

Year of birth: 1950

Citizenship: Russian

Higher education: Krasnodar Polytechnical Institute, major “Engineer-Technologist”.

Appointments for the past 5 years:

General Director of the branch of SO EES ODU of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Alexey Viktorovich
Maslov**

Year of birth: 1975

Citizenship: Russian

Higher education:

- Bauman Moscow State Technical University, major in "Rocket-Building".
- Finance Academy under the Government of the Russian Federation, major in "Finances and Credit"; PhD degree.

Appointments for the past 5 years:

- Member of the Management Board, Director for Management of Assets and Investments, FGC UES, JSC.
- Director for Engineering and Construction Management, Head of Center of Engineering and Construction Management, FGC UES, JSC.
- General Director of CECM UES, JSC.
- Member of the Board of Directors of UES Energosetstroynabkomplekt", JSC.
- Member of the Board of Directors of IDGC of the South, JSC, IDGC of the North Caucasus, JSC; CECM UES, JSC.
- Member of the Management Board of FGC UES, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Sergey Anatolyevich
Mikhailov**

Year of birth: 1957

Citizenship: Russian

Higher education:

- Dzerzhinsky Military Academy, major in "Flying Apparatuses".
 - Leninsk branch of Moscow Aviation Institute, major in "Information Processing".
 - Post graduate military course of Dzerzhinsky Military Academy, major in "Weapons and Military Technologies".
 - Interindustry Institution of Advanced Training and Development for Executives and Experts of Plekhanov Russian Academy of Economics, major in Finances and Credit.
- Degree: Candidate of Science (Engineering)/ Ph.D. in Technical Sciences, Doctor of Science, Economics.

Appointments for the past 5 years:

- General Director of Management Consulting Limited Liability Company.
- General Director of Closed Joint Stock Company Consulting Group.
- Chairman of the Board of Non-state Pension Fund Perviy Pensionniy Fond (First Pension Fund), Non-profit organization Non-state Pension Fund Pensionniy Kapital.
- Member of the Board of Directors of Management Group CJSC; ASVT, JSC; LUKOIL Oil Company, JSC; Teleexpress, JSC; Limited Liability Company IFD Kapital Unified Sales System (IFD Kapital USS, LLC);
- Football Club Spartak-Moscow, JSC; Bank Petrocommerce, JSC; Russian Mediagroup, CJSC; Kapital Management Company, Unit Investment Funds, LLC.
- Member of the Board of Directors of Closed Joint Stock Company Promregion Holding, Globalstroy-Engineering, JSC; GSI, JSC; Oktyabr Training-Sport-and-Health-Improvement Complex, Kapital Management Company, LLC; Finpol Publishing-and-Polygraphic Center, JSC; Prosveshcheniye Publishers, LLC; Interregional Public Organization "Association of Managers".
- Chairman of the Board of Directors of Closed Joint Stock Company Management Group; Closed Joint Stock Company Management-Centre Managing Company; National League of Managers Non-profit Partnership; Southern Generating Company — TGC-8, JSC (SGC — TGC-8, JSC), Reserve Invest Holding (Cyprus) Limited; Kapital Asset Management, CJSC, Limited Liability Company RADIO ALLIANCE; Kapital Investment Group, CJSC.
- Member of the Supervisory Council of the Open Joint Stock Company Oil Fund of Industrial Reconstruction and Development.
- Executive director of IFD Kapital, CJSC; Izvestiya Newspaper Editorial Office, JSC.
- Member of the Board of the Special-Purpose Capital Formation Fund for Support of Social Programs.
- Independent director of Open Joint Stock Company All-Russian Research, Design-and-Engineering Institute of Economy, Information and Automated Systems Control for Fishing Industry.
- Member of the Auditing Committee of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Sergey Nikolayevich Popovsky

Year of birth: 1971

Citizenship: Russian

Higher education: Krasnoyarsk Institute of Non-Ferrous Metals, major in “Research and Design Works”.

Appointments for the past 5 years:

- Head of the Department of Financial Accounts of the Market Council Noncommercial Partnership.
- Deputy Chairman of the Management Board for Finances and Accounts of Market Council Noncommercial Partnership.
- Deputy Chairman of the Management Board for Financial Accounts on the Wholesale Electricity Market (capacity) of Market Council Noncommercial Partnership.
- Member of the Management Board — Deputy Chairman of the Management Board for Financial Accounts on the wholesale electricity market (capacity) of Trading System Administrator (ATS), JSC.
- Member of the Management Board — Deputy Chairman of the Management Board of Market Council Noncommercial Partnership.
- Member of the Board of Directors of IDGC of the South, JSC; IDGC North-West, JSC; IDGC of the Urals, JSC; IDGC of the Center and Volga Region, JSC; IDGC of the North Caucasus, JSC; and IDGC of the Volga, JSC.
- Member of the Committee for Technological Connections to Electricity Grids of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Igor Vasilyevich Ptitsyn

Year of birth: 1968

Citizenship: Russian

Higher education: Saratov Order of the Badge of Honor Economic Institute, major in Finances and Credit.

Appointments for the past 5 years:

- General Director of Tolyatti Transformer, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Valery Mukhamedovich Shogenov

Year of birth: 1981

Citizenship: Russian

Higher education:

- International University of the City of Moscow, major in Law;
 - Russian Academy of Public Administration under the President of the Russian Federation in the program State Management Control, Structure, Purpose, and Implementation Technologies;
- Given the degree PhD in Economics.

Appointments for the past 5 years:

- Deputy Head of Division, Head of Division of the Federal Energy Agency.
- Deputy Director of the Department of Economic Regulation and Property Relations in Fuel-and-Energy Complex of the Ministry of Energy of the Russian Federation.
- Member of the Board of Directors of Real Estate Engineering Centre of Volga, JSC; North-West Real Estate Engineering Centre, JSC; Real Estate Engineering Centre of the South, JSC; Real Estate Engineering Centre of Siberia, JSC; VNIPlenergoprom Real Estate, JSC; Real Estate Engineering Centre of Urals, JSC; Real Estate Engineering Centre of UES, JSC.
- Member of the Board of Directors IDGC of Urals, JSC; IDGC of the North-West, JSC; IDGC of Siberia, JSC; Glavsetservis ENES, JSC; DESP, JSC; IDGC of the North Caucasus, JSC; EKSMO, JSC; IDGC of Center and Volga Region, JSC; Russian Fuel Company — RosTopProm™, JSC; Stavropolneftegeofizika, JSC; Krasnodarneftegeofizika, JSC; Peredvizhnaya Energetika (Portable Energy), JSC; Altaienergoby, JSC; Central Geophysical Expedition, JSC; Moscow Oil Processing Plant, JSC.
- Member of the Reliability Committee of the Board of Directors of MOESK, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

The Company considers it important to have independent directors in the Board of Directors. The members of the Board of Directors of IDGC of the South, JSC of the third calling who have the states of independent directors are:

- V. V. Ilyenko;
- M. S. Ivanov;
- I. B. Ptitsyn.

ACTIVITY OF THE BOARD OF DIRECTORS IN 2009

In the reporting year of 2009 17 meetings of the Board of Directors took place at which 219 issues were considered.

Information about participation of the members of the Board of Directors in Board of Directors meetings of the Company that took place in 2009:

Name of the Board of Directors member	Number of times participating in meetings absentee / presence
Alexey Mikhailovitch Abakumov ¹	8/0
Andrey Yuryevich Buyanov-Uzdalsky ¹	8/0
Sergey Vyacheslavovich Vasilyev ⁶	11/1
Alexander Ilyich Gavrilov ⁷	17/1
Andrey Vasilyevich Dorofeyev ⁵	5/0
Fyodor Alexandrovich Dyakov ¹	8/0
Sergey Sergeyevech Ezimov ⁵	5/0
Alexey Vladimirovich Zimin ⁵	5/0
Maxim Sergeyevech Ivanov ⁴	4/1
Vladimir Vasilyevich Ilyenko ⁷	17/1
Vyacheslav Mikhailovich Kravchenko ¹	8/0
Alexey Viktorovich Maslov ³	8/1
Sergey Anatolyevich Mikhailov ⁴	4/1
Alexander Evgenyevich Nikulov ²	12/0
Pavel Ivanovich Okley ⁷	17/1
Alexey Yuryevich Perepyolkin ⁴	4/1
Sergey Nikolayevich Popovsky ³	8/1
Igor Vasilyevich Ptitsyn ³	8/1
Andrey Natanovich Rappoport ¹	6/0
Igor Yuryevich Ryapin ¹	8/0
Valery Mukhamedovich Shogenov ³	6/0

¹ Elected to the Board of Directors at the Annual General Shareholders' Meeting on 30.05.2008, authority eliminated by the resolution of the Annual General Shareholders' Meeting on 19.06.2009.

² Elected to the Board of Directors at the Annual General Shareholders' Meetings on 30.05.2008 and 19.06.2009, authority eliminated by the resolution of the Extraordinary General Shareholders' Meeting 14.09.2009.

³ Elected to the Board of Directors at the Annual General Shareholders' Meeting on 19.06.2009 and at the Extraordinary General Shareholders' Meeting 14.09.2009.

⁴ Elected to the Board of Directors at the Extraordinary General Shareholders' Meeting on 14.09.2009.

⁵ Elected to the Board of Directors at the Annual General Shareholders' Meeting on 19.06.2009, authority eliminated by the resolution of the Extraordinary General Shareholders' Meeting on 14.09.2009.

⁶ Authority eliminated by the resolution of the Annual General Shareholders' Meeting on 19.06.2009. Elected to the Board of Directors at the Extraordinary General Shareholders' Meeting on 14.09.2009.

⁷ Elected to the Board of Directors at the Annual General Shareholders' Meetings on 30.05.2008, 19.06.2009 and at the Extraordinary General Shareholders' Meeting on 14.09.2009.

Among the *most important decisions taken by the Board of Directors of the Company* in 2009 the following ones are worth singling out first of all:

- The insurance companies providing insurance to the Company in 2009 were approved (Minutes № 22/2009 dd. 11.02.2009, № 25/2009 dd. 10.04.2009, № 27/2009 dd. 25.05.2009).
- The Regulations on the Procedures of Internal Control of IDGC of the South, JSC (Minutes № 22/2009 dd. 11.02.2009) were approved.
- Shareholders' proposals for including questions in the agenda of the annual General Shareholders' Meeting and proposals of candidates for the management and control bodies of the Company were discussed (Minutes № 24/2009 dd. 10.03.2009).
- The Procedure of interaction between IDGC of the South, JSC and companies whose stocks (shares)

are owned by IDGC of the South, JSC (Minutes № 24/2009 dd. 10.03.2009) was approved.

- The Limits of cost parameters for loans were approved (Minutes № 25/2009 dd. 10.04.2009, № 29/2009 dd. 22.06.2009).
- The Program of non-state pensions for Company employees for 2009 was approved (Minutes № 25/2009 dd. 10.04.2009).
- The Investment program of IDGC of the South, JSC for 2009 was approved (Minutes № 25/2009 dd. 10.04.2009).
- The Annual Report of the Company for 2008 was preliminarily approved, the annual financial accounting for 2008 was examined, and recommendations were given for distributing profit and losses of the Company for the 2008 financial year. Furthermore, recommendations were made for the size

of dividends to be paid on shares and on the procedure for making dividend payments for 2008 (Minutes № 26/2009 dd. 08.05.2009).

- The General Shareholders' Meeting was offered the candidacy of a Company auditor (Minutes № 26/2009 dd. 08.05.2009).
- Collective agreements reached between the employer and the workers of the Rostovenergo branch of IDGC of the South, JSC for 2009–2011, and changes and additions to the Collective Contract between Volgogradenergo JSC and the Presidium of the Volgograd Regional organization of All-Russian Elektroprofsoyuz for 2007–2008, as well as changes in the collective contract made between the employer and the workers of the Kalmenergo branch of IDGC of the South, JSC for 2009–2011 were preliminarily approved (Minutes № 26/2009 dd. 08.05.2009).
- The Systematic Project for automation of IDGC of the South, JSC for the period 2009-2012 was approved (Minutes № 27/2009 dd. 25.05.2009).
- The target figures of annual and quarterly key performance indicators of IDGC of the South, JSC for 2009 were approved (Minutes № 27/2009 dd. 25.05.2009).
- The business plan of IDGC of the South, JSC for 2009 was approved (Minutes № 28/2009 dd. 05.06.2009).
- The Program for reducing risks of trauma in IDGC of the South, JSC was approved (Minutes № 29/2009 dd. 22.06.2009).
- The work plan of the Board of Directors of IDGC of the South, JSC for the second half of 2009 — first half of 2010 was approved, as was the business

plan of IDGC of the South, JSC for 2009 and the yearly integrated purchasing plan (YIPP) of IDGC of the South, JSC for 2009 (Minutes № 31/2009 dd. 07.08.2009).

- The Code of Corporate Governance of IDGC of the South, JSC in its new version was approved (Minutes № 32/2009 dd. 21.08.2009).
- A priority business activity of the Company was determined: to create favorable conditions for placing bonds of series 02 of IDGC of the South, JSC (Minutes № 33/2009 dd. 27.08.2009).
- A priority business activity of the Company was determined: to shift to regulating tariffs for services for transmitting electricity using an RAB method (Minutes № 34/2009 dd. 14.09.2009).
- The participation of IDGC of the South, JSC in NP ENERGOSTROY was approved (Minutes № 36/2009 dd. 10.11.2009).
- The Regulations on providing insurance coverage to IDGC of the South, JSC in its new edition was approved (Minutes № 36/2009 dd. 10.11.2009).
- The program for non-state pension coverage of the Company employees in 2009 was approved (Minutes № 37/2009 dd. 04.12.2009).

Besides the reports of the Director General of the Company, different activity trends of the Company and execution of decisions taken earlier by the Board of Directors were regularly considered at the meetings of the Board of Directors.

The full version of decisions taken by the Board of Directors in 2009, as well as for the whole period of the Company's operations are placed at the corporate web page of the Company in the Internet: www.mrsk-yuga.ru.

Information about payment of remuneration (expense compensation) to members of the Board of Directors

Pursuant to point 2 of article 64 of FL "About joint-stock entities" a decision about the payment of remuneration to members of the Board of Directors of the Company can be taken only by the General Shareholders' Meeting. The following Provision is in force in the Company: about the payment of remunerations and compensations to members of the Board of Directors of IDGC of the South, JSC approved by a decision of the annual General Shareholders' Meeting of the Company on 30.05.2008 (Minutes dd. 04.06.2008 No. 1).

The remuneration paid out to the members of the Board of Directors of the Company depends on the results of the Company's activity. Figures of the Company's activity, such as net profit of the Company and the Company's market capitalization are used when paying remuneration, as according to the data of the annual financial statements.

Pursuant to point 4.1 of the redrafted Regulations for the payment out of remunerations and compensa-

tions to the members of the Board of Directors of IDGC of the South, JSC a member of the Board of Directors is paid the remuneration for the participation in a meeting of the Board of Directors held in the absent form. The size of remuneration is equivalent to 8 (eight) minimal monthly tariff rates of a first class workman. This amount is defined by the branch-wise tariff agreement in the power complex of the Russian Federation (hereafter referred to as the Agreement) on the day of the meeting of the Board of Directors of the Company subject to the indexation defined by the Agreement, within one month after the meeting holding of the Board of Directors of the Company.

A member of the Board of Directors of the Company is paid the remuneration for the participation in the meeting of the Board of Directors held in a form of a joint presence. The remuneration size is equivalent to 10 (ten) minimal monthly tariff rates of a first-class workman defined by the Agreement as of the day of the meeting of the Board of Directors of the Company subject to the indexation defined by the Agreement, within one month after the meeting of the Board of Directors of the Company.

The remuneration size paid out to a Chairman (deputy Chairman) of the Board of Directors of the Company for each meeting at which he fulfilled functions of Chairman of the Board of Directors is increased by 50% pursuant to point 4.1 of the given Provision.

The total sum of remuneration paid to the members of the Board of Directors of the Company for 2009 amounts to RUR 5,663,626.00.

Data about training of members of the Board of Directors at the expense of the Company

Training was given in 2009 to Alexander Ilyich Gavrilov, member of the Board of Directors and the General Director of IDGC of the South, JSC, in the State Educational Institution of Additional Professional Education on the topic "Ecology, environmental protection, and ecological safety."

Corporate Secretary

A Corporate Secretary acts with the authority of the Charter of IDGC of the South, JSC, the Code of the Corporate governance of IDGC of the South, JSC approved by a decision of the Board of Directors of the Company on 30.08.2007 (Minutes dd. 03.09.2007 No. 2/2007) and the Regulations for a Corporate Secretary of the Board of Directors of IDGC of the South, JSC approved by a decision of the Board of Directors of the Company (Minutes dd. 14.09.2009 No. 34/2009).

Pursuant to the given documents the principle objective of the Corporate Secretary is a provision of observation of requirements by the governance bodies and officers of the Company guaranteeing the shareholders of the Company the implementation of their rights and legitimate interests.

Main duties of the Corporate Secretary:

- the provision of preparation and holding of meetings of the Board of Directors pursuant to the requirements of the legislation, Charter and other internal documents of the Company;
- the participation in the preparation and holding of the General Shareholders' Meeting pursuant to

the requirements of the legislation of the Russian Federation in force, Charter and other internal documents of the Company at the basis of a decision about holding of the General Shareholders' Meeting;

- assistance to the members of the Board of Directors in the course of fulfilling their functions;
- assistance at timely information disclosure about the Company;
- the provision of keeping minutes of meetings of the Board of Directors and General Shareholders' Meetings of the Company, and letters of the Board of Directors;
- assistance to proper consideration by the Company of the shareholders' appeals.

The Corporate Secretary is accountant in his activity to the Board of Directors of the Company.

In the 2009 reporting year the functions of Corporate Secretary of the Company were fulfilled by the secretary elected on 29.06.2009 by the Company Board of Directors (Minutes № 30/2009 dd. 02.07.2009) and re-elected on 20.10.2009 by the Company Board of Directors (Minutes № 35/2009 dd. 23.10.2009):



Andrey Antolyevich Kantsurov

Year of birth: 1974

Citizenship: Russia

Higher education: Kuban State University, major in "Science of Law"

Appointments for the past 5 years:

- Specialist of the 6th class of the Dealers Relations Department of JSC "Kuban-GSM".
- Key Specialist of the Partner Relations Department of branch JSC "MTS" in the Krasnodar Territory.
- Key Specialist of the Corporate Relations Department of "Kubanenergo" JSC.
- Deputy Chief of the Corporate Governance and Reform Division of the Corporate Governance Department of IDGC of the South, JSC.
- Member of the Board of Directors of Energetik Recreation Camp, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

The Corporate Secretary of the Company is paid the remuneration in the order, size and on conditions defined by the Regulations for Corporate Secretary of the Board of Directors of IDGC of the South, JSC, and the contract for fulfillment of duties of the Corporate Secretary.

Committees of the Board of Directors of IDGC of the South, JSC

In order to additionally work on questions that are part of the sphere of competency of the Board of Directors, or which are studied by the Board of Directors in the procedure for control over the activity of the executive organ of the Company, and to additionally work on necessary recommendations to the Board of Directors and executive organs of the Company, the following five committees of the Board of Directors of IDGC of the South, JSC were created and approved by resolution in the reporting year of the Board of Directors of IDGC of the South, JSC (Minutes № 22/2009 dd. 11.02.2009; Minutes № 23/2009 dd. 02.03.2009, Minutes № 37/2009 dd. 04.12.2009):

1. Committee for Technological Connections to Electric Grids;
2. Auditing Committee;
3. Committee for Personnel and Remuneration;

4. Reliability Committee;
5. Committee for Strategy, Development, Investments and Reform.

In accordance with the approved regulations about the committees, the members of all of the committees are elected for the term until the Company Board of Directors is re-elected.

The authority of each member of the Committee can be absolved ahead of time by resolution of the Board of Directors of the Company, taken by the majority of votes of the members of the Board of Directors of the Company.

The functions of Secretaries of the committees are fulfilled by the Corporate Secretary of the Company, if the resolutions of the committees do not call for something else.

Committee for Technological Connection to Electric Grids Under the Board of Directors of IDGC of the South, JSC

The main goal of the Committee for Technological Connections to Electric Grids of the Board of Directors of IDGC of the South, JSC is to ensure openness in the company's work and non-discriminate access to services for technological connection of users to the Company's electric grids.

In accordance with the Regulation of the Committee for Technological Connections to Electric Grids of

the Board of Directors of IDGC of the South, JSC, the number of members of the committee is determined by resolution of the Board of Directors in an amount no less than 5 people.

Acting List of Personnel, elected at the meeting of the Board of Directors of IDGC of the South, JSC dated 01.12.2009 (Minutes No. 37/2009 dated 04.12.2009), showing their position at the time of election:

1	Maksim Sergeevich Ivanov , Chairman of the Committee, member of the Board of Directors of IDGC of the South, JSC	Adviser of General Director of Management Consulting, LLC
2	Sergey Anatolyevich Antipov	First Deputy Director — Chief Dispatcher of Kuban Regional Dispatcher Department Branch of System Operator of UES
3	Vitaly Vasilyevich Brizhan	Deputy CEO for Corporate Management of IDGC of the South, JSC
4	Gennady Felixovich Binko	Deputy General Director of IDGC-Holding, JSC
5	Vyacheslav Yuryevich Kostetsky	Deputy CEO for Development and Service Sales of IDGC of the South, JSC
6	Sergey Nikolayevich Popovskiy , member of the Board of Directors of IDGC of the South, JSC	Member of Management — Deputy Chairman of Management Board for "Market Council" Non-Commercial Partnership
7	Konstantin Yuryevich Petukhov	Director for Development and Service Sales of IDGC-Holding, JSC

Auditing Committee of the Board of Directors of IDGC of the South, JSC

The main task of the committee is to develop and provide recommendations (opinions) to the Board of Directors of the Company as concerns auditing and reporting of the Company.

In accordance with the Regulations of the Auditing Committee of the Board of Directors of IDGC of the South, JSC, the number of members of the committee

is determined by resolution of the Board of Directors in an amount no less than 3 people.

The acting composition of the committee elected at the Board of Directors meeting of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dd. 04.12.2009), showing their position at the time of election:

1	Alexey Yuryevich Perepyolkin, Committee Chairman, member of the Board of Directors of IDGC of the South, JSC	Deputy General Director for corporate management and property of IDGC Holding, JSC
2	Sergey Vyacheslavovich Vasilyev, member of the Board of Directors of IDGC of the South, JSC	Director of legal questions of IDGC Holding, JSC
3	Sergey Anatolyevich Mikhailov, member of the Board of Directors of IDGC of the South, JSC	General Director of Management Consulting, LLC

Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC

The committee's task is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following activity:

- 1) Develop the principles and criteria for determining the remuneration of members of the Board of Directors of the Company, members of the collective executive body, and the person fulfilling the functions of a personal executive body of the Company, including the management organization or manager;
- 2) Determine significant conditions of the contracts with members of the collective executive organ and the person fulfilling the functions of a personal executive body of the Company;
- 3) Determining the criteria for choosing candidates to be members of the Board of Directors of the Company, members of the collective executive organ of the

Company, and for the position of personal executive body of the Company;

- 4) Evaluation of the work of the person fulfilling the functions of a personal executive body (management organization or manager) and members of the collective executive organ of the Company.

In accordance with the Resolution on the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC, the number of members of the committee is determined by resolution of the Board of Directors in an amount no less than 3 people.

The current composition of the Committee for Personnel and Remuneration elected at the meeting of the Board of Directors of the Company on 01.12.2009 (Minutes № 37/2009 dd. 04.12.2009), showing their position at the time of election:

1	Andrey Valeryevich Chigrin, Committee Chairman	Head of the Human Resources Management Department of IDGC Holding, JSC
2	Victor Evgenyevich Lutskovitch, Deputy Chairman	Deputy head of the Department — head of the department for remuneration of labor and motivation of IDGC Holding, JSC
3	Pavel Nikolayevich Gritsenko	Head of the Human Resources Management Department and Organizational Design of IDGC of the South, JSC
4	Maxim Sergeyevech Ivanov, member of the Board of Directors of IDGC of the South, JSC	Councilor to the General Director of Management-Consulting, JSC
5	Vladimir Nikolayevich Kopanev	Deputy General Director for Safety and Controlling of IDGC of the South, JSC

Starting from the day of creation of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC (01.12.2009) there have been 3 committee meetings, at which 7 questions were analyzed, including questions about choosing a deputy chairman and secretary of the committee.

Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC

The task of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following directions of the Board of Directors:

- 1) Determining the priority directions, strategic goals and main principles of strategic development of the Company;
- 2) Evaluating the efficiency of the Company;
- 3) Increasing the investment attractiveness of the Company, improving investment activity and taking justified investment decisions;
- 4) Correcting the existing development strategy of the Company;
- 5) Controlling the implementation of approved

programs, projects and the reform process of the Company;

- 6) Developing recommendations for dividend policy.

In accordance with the Regulations on Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC, the number of members of the committee is determined by resolution of the Board of Directors in an amount no less than 3 people.

At the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dd. 04.12.2009) the following composition of the Committee for Strategy, Development, Investments and Reform was elected, showing the members' position at the time of election:

1	Arman Mushegovich Airapetyan, Committee Chairman*	Deputy head of the Center for Strategy and Development of IDGC Holding, JSC
2	Dmitry Olegovich Akhrimenko, Deputy Chairman	Deputy Head of the Department of Corporate Management and Interaction with Shareholders of IDGC Holding, JSC
3	Svetlana Alexandrovna Balaeva	Head of the Department for Investments of IDGC Holding, JSC
4	Maxim Sergeevich Ivanov, member of the Board of Directors of IDGC of the South, JSC	Councilor to the General Director of Management-Consulting, JSC
5	Marina Alexandrovna Lavrova	Deputy Head of the Department of Business Planning of IDGC Holding, JSC
6	Igor Anatolyevich Lunev	Deputy General Director for Economics and Finance of IDGC of the South, JSC
7	Maria Gennadyevna Tikhonova	Deputy Director of the Department for Economic Regulation and Property Relations in the Fuel and Electricity Complex of the Russian Ministry of Energy.

* Resolution of the Board of Directors of IDGC of the South, dd. 19.02.2010. It was decided to end the authority of A. M. Airapetyan, member and chairman of the committee, ahead of time, and to elect V.V. Kuznetsov as a member and chairman of the committee (Minutes № 40/2010 dd. 19.02.2010).

Starting from the date of establishment of Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC (01.12.2009) there were 4 committee meetings, at which 13 questions were examined, including questions about choosing a deputy chairman and a committee secretary.

Reliability Committee of the Board of Directors of IDGC of the South, JSC

The task of the Reliability Committee of the Board of Directors of IDGC of the South, JSC is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following activities of the Board of Directors:

- 1) Expert opinion of investment programs and plans for repairs of energy objects, analysis of their fulfillment from the point of view fulfilling the requirements of integrated reliability;
- 2) Appraisal of the sufficiency of actions taken upon the results of accidents and large technical malfunctions, as well as control of their implementation;
- 3) Control and appraisal of the work of technical services of the Company as concerns fulfilling integrated reliability of the work of grid equipment and

objects, as well as to provide a normal state of fixed assets and to provide information about forecasted risks of reliability of their functioning;

- 4) Analysis of actions at fulfilling contract and economic mechanisms for reliability management;
- 5) Informing the Board of Directors of the Company quarterly about the state of main fixed assets of the Company's energy objects.

The acting composition of the Reliability Committee elected at the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dd. 04.12.2009) showing the members' position at the time of election:

1	Pavel Ivanovich Okley , Chairman of the Board of Directors	Deputy General Director-Technical Director, IDGC Holding, JSC
2	Maksim Sergeevich Ivanov , Member of the Board of Directors of IDGC of the South, JSC	Adviser of General Director of Management Consulting, LLC
3	Denis Vladimirovich Negreba	Head of the Department of Economics of IDGC of the South, JSC
4	Sergey Vasilyevich Podlutsky	Head of the Department of Analysis of External Production Resources of the Department of Investments of IDGC Holding, JSC
5	Sergey Anatolyevich Sysoyev	Head of the Department of Operative-Technological Management of IDGC of the South, JSC
6	Georgy Akhmedovich Sultanov	Deputy General Director for Technical Questions — Head Engineer of IDGC of the South, JSC
7	Yury Aikazovich Stepanyan	Director of SO UES, JSC branch of Kubanskoe RDU

Since the formation of the Reliability Committee of the Board of Directors of IDGC of the South, JSC (01.12.2009), one meeting has taken place, at which 5 questions were examined.

One can view the full texts of the Regulations on Committees, Regulations on payment of recompense and compensation to members of the committees, the acting personnel composition, as well as resolutions taken at the meetings of committees on the corporate web-site of IDGC of the South, JSC in the Internet at the address: <http://www.mrsk-yuga.ru>.

EXECUTIVE BODIES OF IDGC OF THE SOUTH, JSC

The Board of Directors elects the Management Board and General Director, who are subject to the General Shareholders Meeting and the Board of Directors of the Company, so as to ensure operative management of the Company.

Management Board of IDGC of the South, JSC

The Management Board of the Company is a collective executive body of the Company. The functions of the Chairman of the Management Board of the Company in accordance with the Charter of IDGC of the South, JSC are fulfilled by the General Director of the Company.

The Management Board of the Company performs its activity in the interests of the Company, following the resolutions of the General Shareholders' Meeting and the Board of Directors of the Company, and acts in accordance with the legislation of the Russian Federation, the Charter of IDGC of the South, JSC, the Regulations on the Management Board of IDGC of the South, JSC, and other internal documents of the Company.

The Company Management Board is responsible for the practical implementation of goals, development strategies, and Company policy, and fulfills management of the Company's activity as part of the competencies determined by the Company Charter, the resolutions of the General Shareholders Meeting, and the Board of Directors of the Company.

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

- To ensure that the rights and legal interests of the Company's shareholders are followed;
- Development of recommendations for the development strategy of the Company;
- Fulfillment of the Company's financial-economic policy, development of resolutions on the most important questions of the Company's current financial activity and coordination of the work of its structural subdivisions;
- Increase in efficiency of the system of internal control and risk monitoring;
- Ensuring the achievement of high rates of return on the Company's assets and maximum profit from the Company's activity.

The competency of the Management Board of the Company includes questions of the Company's activity in accordance with the acting legislation of the Russian Federation and article 22 of the Company Charter.

In accordance with sub-item 5 of item 22.2. of article 22 of the Company Charter, as well as with the regulations of the founding documents of dependent and subsidiary companies IDGC of the South, JSC, the Management Board of the Company takes decisions on questions which are part of the competency of the high management bodies — the General Shareholders' Meetings — of companies in which IDGC of the South, JSC owns 100 percent of charter capital.

The method of preparation for and conducting meetings of the Management Board of the Company is regulated by the acting legislation of the Russian Federation, the Company Charter, and the Regulations on the Management Board of IDGC of the South, JSC.

Determining the number of members of the Management Board of the Company, electing members of the Management Board of the Company, setting the remuneration and compensation paid to these members, and annulling their authority ahead of time are done by decision of the Board of Directors of the Company, with the exception of cases foreseen by federal legislation and the Company Charter.

The functions of the secretary of the Management Board of the Company are fulfilled by the Corporate Secretary.

At the meeting of the Board of Directors of the Company on May 19, 2008, the number of members and composition of the Management Board of the Company was approved (Minutes № 13/2008 dd. 22.05.2008).

On November 28, 2008, the Company Board of Directors took the decision to make changes to the number of members of the Management Board of the Company, determining its quantity to be 14 people, and electing the fourteenth member of the Management Board (Minutes № 20/2008 dd. 01.12.2008).

The members of the Management Board of IDGC of the South, JSC as of 31.12.2009 were:



Alexander Ilyich Gavrilov
Chairman of the Management Board

Year of birth: 1973

Citizenship: Russian

Higher education:

- Kuban State University, major in Bookkeeping and audit (economist), (1990–1995).
- Kuban State Technological University, major in “Development and operation of oil and gas fields” (engineer), (2000–2006).
- State educational institution State Academy of Professional Preparation and Qualification Improvement. Was awarded the academic degree of doctor of economic sciences.

Appointments for the past 5 years:

- Deputy Chief of the Administration of the Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3d class) of Krasnodar Territory of the Administration of the Krasnodar Territory.
- Deputy General Director for Development of Krasnodarenergo, JSC.
- Executive Director of Kubanenergo, JSC.
- General Director, Chairman of the Management Board, member of the Board of Directors of Kubanenergo, JSC.
- Member of the Board of Directors of Volgogradenergo, JSC.
- Chairman of the Board of Directors of OK Plamya, Krasnodarenergo, JSC, and Rostovenergo, JSC.
- General Director, Chairman of the Management Board, IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Date of the start of fulfillment of functions of Chairman of the Management Board of JSC IDGC of the South: May 19, 2008.



Vyacheslav Yruevich Kostetsky,
Deputy Chairman of the Management Board

Date of birth: 1974

Citizenship: Russia

Higher education:

- Institute of Economics, Law, and Natural Sciences of Kuban State University, major in “Law”.
- Kuban State Technological University, major in “Electricity supplies”.
- Professional preparation in Bauman Moscow State Technical University, “Management” in the sphere of Organization Controlling, 2008.

Appointments for the past 5 years:

- Specialist of the Record Management Administration of Krasnodar Territory; Assistant to Deputy Head of Krasnodar Administration, Acting State Advisor of Krasnodar Territory of the 3-d class of Krasnodar Administration.
- Deputy Manager of Legal Bureau of Estate Administration and Enforceability Department of “Krasnodargastroy”, JSC.
- Director of Potential; Development “Kubanenergo” JSC, Deputy Director General Potential Development and Technological Connection “Kubanenergo”.
- Deputy General Director Marketing and Service Improvement of IDGC of the South, JSC.
- Member of Management Board of “Kubanenergo”, JSC, member of the Board of “Kubanenergo”, JSC.
- Deputy General Director for Development and Sales of Services of IDGC of the South, JSC.
- Member of the Committee for Technological Connection to Electric Grids under the Board of Directors of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Vitaly Vasilyevich Brizhan

Date of birth: 1974

Citizenship: Russia

Higher education:

- Kuban State University, Law Faculty.
- Kuban State University, Economics Faculty.

Appointments for the past 5 years:

- Deputy General Director for gas marketing and consumer relations of Krasnodargorgas JSC.
- Deputy General Director for legal groundwork and corporate relations of “Kubanenergo”, JSC.
- Deputy General Director for Corporate Governance of IDGC of the South, JSC.
- Member of the Board of Directors of “Rostovenergo” JSC, member of the Management Board, member of the Board of Directors of “Kubanenergo” JSC.
- Member of the Committee for Technological Connections to Electric Grids of the Board of Directors of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Lyudmila Alexeyevna Golovakha

Date of birth: 1955

Citizenship: Russia

Higher education:

- Kuban State University — occupation retraining in higher education programs:
- Law;
- Public and Municipal Administration for management by municipal entities, public and local organizations (enterprises).

Appointments for the past 5 years:

- Principal engineer of financial and economic activity of Krasnodar Region Gas Sales Company, Co Ltd.
- Head of Administrative and Financial Provision Department.
- Director-At-Large of “Kubanenergo” JSC.
- Chief Executive Officer of IDGC of the South, JSC.
- Chief Executive Officer of “Kubanenergo” JSC.
- Chairman of Board of Directors of “OK Plamya”, “Energetic Production Department, JSC.
- Deputy General Director for Administrative Questions of IDGC of the South, JSC.
- Member of the Management Board of Kubanenergo, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Igor Anatolyevich Lunev

Date of birth: 1969

Citizenship: Russia

Higher education:

- Kuban State University, major in “Economic and Social Planning”.
 - The Open University, Great Britain.
- Has a degree of Doctor of Economic Sciences.
- Course under the National Academy of Economics (Moscow) and Carnegie Mellon University (USA) under the program: “Industrial administration”.

Appointments for the past 5 years:

- Deputy General Director for Business and Finance of Independent Energy Sales Company, JCS.
- Deputy General Director for Business and Finance of Helios, LLC.
- Financial Director of KubanInvest, LLC.
- Deputy General Director for Marketing of “Kubanenergo” branch — “Energosbit” Territorial Establishmnet.
- Deputy General Director for Marketing of “Kubanenergobit” JSC.
- Deputy General Director for Business and Finance of “Kubanenergo” JSC.
- Deputy General Director for Business and Finance of IDGC of South, JSC.
- Deputy General Director of “Astrakhanenergo” JSC, Chairman of the Board of Directors of “Astrakhanenergo” JSC.
- Member of the Board of Directors of Kubanenergo JSC, a member of the Management Board of “Kubanenergo” JSC.
- Deputy General Director for Business and Finance of IDGC of the South, JSC.
- Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC, and Kubanenergo, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Vladimir Nikolayevich Kopanov

Date of birth: 1954

Citizenship: Russia

Higher education: Kuban State University, major in “Industrial Planning”.

Appointments for the past 5 years:

- Assistant of Deputy Head of Krasnodar Administration, Active State Advisor of Krasnodar Territory of the 3rd class of the Krasnodar Administration.
- Director of Corporative Sales Department of the Head Department in the Krasnodar region of “RGS of the South” LLC.
- Adviser Director General, Deputy Director, General Department for Regulatory Bodies Relations, Public Relations and Mass Media of “Kubanenergo” JSC.
- Deputy Director General for Control and Security IDGC of South, JSC.
- Member of Management Board of “Kubanenergo”, JSC, Chairman of the Board of Directors “Kalmenergo” JSC, “Kalmenergobit” JSC.
- Deputy General Director for safety and controlling of IDGC of the South, JSC.
- Member of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Grigory Grigoryevich Savin

Date of birth: 1952

Citizenship: Russia

Higher education: Russian Distance-Learning Finance and Economics Institute, Moscow, major in "Labor Economics".

Appointments for the past 5 years:

- Head of the Department of Economic Analysis, Business Accounting and Information Support Department, Head of Economics and Fuel and Energy Complex Development Department, State Advisor of the 3rd Class of the Krasnodar Territory, Head of Economic Analysis and Business Accounting of Fuel and Energy Complex Department of Krasnodar Territory of the Krasnodar Administration.
- Chief Accountant of "Kubanenergo", JSC.
- Chief Accountant of Accounting, Tax Accounting and Reporting Department of IDGC of South, JSC.
- Member of Board of Directors of "OK Plamya", "Energetik", JSC.
- Member of the Management Board of "Kubanenergo", JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Dmitry Vladimirovich Pestov

Date of birth: 1967

Citizenship: Russia

Higher education:

- Kuban State Technological University, major in "Electricity Supply" (by sector).
- Professional requalification in Bauman Moscow State Technical University, major in "Company Management" in the sphere of "Controlling of the Company".

Appointments for the past 5 years:

- Senior Executive Vice-President for Power Marketing of the branch of "Kubanenergo" JSC — "Energosbit" Territorial Establishment, Managing Director in Republic of Adygeya — Director of Adygei Power Grid of "Kubanenergo" JSC, Director of Timashevsk Power Grid of "Kubanenergo" JSC.
- Deputy Director General of IDGC of South, JSC — Managing director of "Kubanenergo", JSC.
- Chairman of the Management Board, Member of the Board of "Kubanenergo", JSC.
- Member of Management Board of "Kubanenergo", JSC, "OK Plamya", "Production Department Energetik", JSC, "Krasnodarsetremont", JSC.
- Member of the Board of Directors of Krasnodarenergosetremont, JSC.
- Deputy General Director IDGC of the South, JSC — Director of the Kubanenergo branch of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



Georgy Akhmedovich Sultanov

Date of birth: 1954

Citizenship: Russia

Higher education:

- Krasnodar Polytechnical Institute, major in "Electric supply to industrial companies, cities and agricultural".
- Doctor of Technical Sciences degree.

Appointments for the past 5 years:

- Director General of Municipal Power Grid Company "Krasnodarelectro", Director General of "Educational and Production Complex Yugenergo", LLC, Managing Director of "Educational and Production Complex Yugenergo", LLC.
- Branch Director of Krasnodar Retail Supply Company, JSC — "Krasnodar Municipal Power Grids".
- Technical Director "Kubanenergo" JSC.
- Deputy General Director for Technical Support of IDGC of the South, JSC — Senior Principal Engineer of IDGC of South, JSC.
- Member of the Board Directors of "Rostovenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo", JSC.
- Chairman of the Board of Directors of "Astrakhanelectrosetremont" JSC.
- Member of the Management Board of "Kubanenergo", JSC.
- Chairman of the Board of Directors of Volgogradsetremont, JSC.
- Member of the Reliability Committee of the Board of Directors of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Sergey Vladimirovich
Skorikov**

Date of birth: 1976

Citizenship: Russia

Higher education:

- Novocherkassk State Technical University, major in “Electrical Systems and Networks”.
- Professional Retraining in State Educational Institution Higher Vocational Education Academy of the National Economy under the Government of the Russian Federation under the program “Management Development”.

Appointments for the past 5 years:

- Deputy General Director of “Donelectrosetstroy” JSC.
- Director General of “Southern Power Construction Company” JSC.
- Deputy Director General of IDGC of South, JSC — Managing Director of “Rostovenergo”, JSC, Deputy Director General of IDGC of the South, JSC — Branch Director “Rostovenergo” of IDGC of South, JSC.
- Chairman of the Management Board of “Rostovenergo”. Deputy General Director.
- First Deputy Director of the branch — deputy director for capital construction of the Rostovenergo, JSC branch of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Authority as a member of the Management Board of IDGC of the South, JSC annulled from 03.02.2010.



**Vitaly Nilolayevich
Trunin**

Date of birth: 1976

Citizenship: Russia

Higher education: Volgograd State University, major in Management;

Appointments for the past 5 years:

- Deputy General Director for Economics and Finance of Volgogradenergосervice, JSC.
- Deputy Director for Economics and Finance of the branch of Vitkor, PLC.
- Director of the branch of Vitkor, PLC.
- Deputy General Director – director of the branch of IDGC of the South, JSC — Volgogradenergo.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none



**Timur Ulyumdzhevich
Alaev**

Date of birth: 1971

Citizenship: Russia

Higher education: Novocherkassk Orden of the Working Red Flag Polytechnical Institute in the name of Sergo Ordzhonikidze, major in “Automatic management of electro-energy systems»;

Appointments for the past 5 years:

- Deputy Director for Technical Issues of the Energosbyt branch, Kalmenergo, JSC.
- Deputy General Director for Technical Issues of Kalmenergосbyt, JSC.
- First Deputy General Director — Head Engineer of Kalmenergo, JSC.
- First Deputy of the Managing Director — Head Engineer of Kalmenergo, JSC.
- Deputy General Director for Technical Issues — Head Engineer of Kalmenergo, JSC.
- Deputy Director for Technical Issues — Head Engineer of the Kalmenergo branch of IDGC of the South, JSC.
- Deputy General Director — director of the Kalmenergo branch of IDGC of the South, JSC.

The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

ACTIVITY OF THE MANAGEMENT BOARD IN 2009

The Management Board held 21 meetings in 2009 (of them 4 meetings were held in presence), at which 52 questions were examined.

Member of the Management Board	Number of times participating in meetings absentee / presence
Timur Ulyumdzhevich Alaeyev ¹	20/4
Mikhail Ivanovich Belonogov ²	5/0
Evgeny Alexseyevich Bibin ³	20/4
Vitaly Vasilyevich Brizhan ⁷	21/4
Alexander Ilyich Gavrilov ⁹	19/2
Lyudmila Alexeyevna Golovakha ⁸	21/4
Vladimir Nikolayevich Konapev ⁷	21/4
Vyachselav Yuryevich Kostetsky ⁷	21/4
Igor Anatolyevich Lunev ⁷	21/4
Dmitry Vladimirovich Pestov ⁷	20/4
Grigory Grigoryevich Savin ⁷	21/4
Sergey Vladimirovich Skorikov ⁷	21/4
Mikhail Nikolayevich Stolyarov ⁴	20/4
Georgy Akhmedovich Sultanov ⁷	17/3
Vitaly Nikolayevich Trunin ⁵	1/0
Valery Andreyevich Churyumov ⁶	0/0

¹ Elected to the Management Board by resolution of the Board of Directors dd. 09.02.2009 (Minutes № 22/2009 dd. 11.02.2009)

² Authority eliminated by the resolution of of the Board of Directors of dd. 08.05.2009 (Minutes № 26/2009 dd. 08.05.2009)

³ Authority eliminated by the resolution of of the Board of Directors of dd. 23.12.2009 (Minutes № 38/2009 dd. 25.12.2009)

⁴ Authority eliminated by the resolution of of the Board of Directors of dd. 23.12.2009 (Minutes № 38/2009 dd. 25.12.2009)

⁵ Elected to the Management Board by resolution of the Board of Directors dd. 23.12.2009 (Minutes № 38/2009 dd. 25.12.2009)

⁶ Authority eliminated by the resolution of of the Board of Directors of dd. 09.02.2009 (Minutes № 22/2009 dd. 11.02.2009)

⁷ Elected to the Management Board by resolution of the Board of Directors dd. 19.05.2008 (Minutes № 13/2008 dd. 22.05.2008)

⁸ Elected to the Management Board by resolution of the Board of Directors dd. 28.11.2008 (Minutes № 20/2008 dd. 01.12.2008)

⁹ In accordance with the Charter of IDGC of the South, JSC, is the Chairman of the Management Board of the Company from 19.05.2008

Among the **most important resolutions taken by the Management Board** of the Company in 2009, the following should be noted:

- On developing the strategy for development of the Company as concerns opening Centers of Client Servicing (CCS) (Minutes № 13, meeting on 16.01.2009);
- On increasing the interest rate on acting credit contracts of the Astrakhan division of № 8625 Sberbank of Russia, JSC (Minutes № 14, meeting 17.02.2009);
- On approving the Contract on opening a renewable credit line as part of the General Agreement № 162 on opening a renewable credit line of the framework credit line dd. 11.09.2008 between IDGC of the South, JSC and the Astrakhan division № 8625 of Sberbank of Russia, JSC and the conditions for reaching individual contracts as part of the given General Agreement (Minutes № 17, meeting 27.03.2009);
- On approving the contract for opening the renewable credit line as part of the General Agreement № 162 a renewable credit line of the framework credit line dd. 11.09.2008 between IDGC of the South, JSC and the Astrakhan division № 8625 of Sberbank of Russia, JSC and the conditions for reaching individual contracts as part of the given General Agreement (Minutes № 20, meeting 13.05.2009);
- On approving the contract for opening the renewable credit line as part of the General Agreement № 162 a renewable credit line of the framework credit line dd. 11.09.2008 between IDGC of the South, JSC and the Astrakhan division № 8625 of Sberbank of Russia, JSC and the conditions for reaching individual contracts as part of the given General Agreement (Minutes № 22, meeting 04.06.2009);
- On attracting credit resources for the needs of the Company (Minutes № 22, meeting 04.06.2009, Minutes № 25, meeting 04.08.2009, Minutes № 26, meeting 24.08.2009);
- On integration of the electric grid complex of the Krasnodar Territory (Minutes № 23, meeting 09.06.2009);
- On integration of the electric grid complex of the city of Volgograd and the branch of IDGC of the South, JSC — Volgogradenergo (Minutes № 23, meeting 09.06.2009);

- On approving the contract for opening the renewable credit line as part of the General Agreement № 162 a renewable credit line of the framework credit line dd. 11.09.2008 between IDGC of the South, JSC and the Astrakhan division № 8625 of Sberbank of Russia, JSC and the conditions for reaching individual contracts as part of the given General Agreement (Minutes № 29, meeting 28.09.2009);
- On approving reaching the General Agreement on opening the the renewable credit line №180 and the Contract for opening a non-renewable credit line № 180/1 as part of the General Agreement №180, between IDGC of the South, JSC and the Astrakhan division № 8625 of Sberbank of Russia, JSC (Minutes № 31, meeting 20.11.2009);
- On examining the question offered for examination by the Management Board by the General Director of the Company: on making changes to the acting system of key performance indicators (KPI) for high managers of IDGC of the South, JSC and the leading managers of IDGC of the South, JSC (Minutes № 32, meeting 21.12.2009).

Furthermore, at the meetings the Management Board reviewed questions on approving the projects of movements of cash flows of the Company and questions related to the competency of high bodies of management of companies in which IDGC of the South, JSC owns 100 percent of charter capital.

Information on making payments of remuneration (cost compensation) to members of the Management Board

In accordance with sub-item 13 of item 15.1. of article 15 of the Company Charter, the resolution on setting remuneration and compensation to members of the Management Board is related to the competency of the Board of Directors of the Company.

The members of the Management Board of the Company includes the top managers of the Company.

In accordance with work contracts reached between the Company and the members of the Management Board, payments made to a member of the Management Board in a size and amount set by the Resolution “On material stimulation of top managers of IDGC of the South, JSC, approved by resolution of the Board of Directors (Minutes № 13/2008 dd. 22.05.2008) and changes, approved by resolution of the Board of Directors (Minutes № 36/2009 dd. 10.11.2009).

Motivation of members of the Management Board is done:

- With payment of a monthly wage equal to 5 (five) minimum monthly tariff rates of a worker of the first level, set by the sector tariff agreement in the electricity sector of the Russian Federation;
- With payment to members of the Management Board of the quarterly and yearly remuneration for fulfilling the according key performance indicators as top managers.

Based on the resolutions of the Board of Directors of IDGC of the South, JSC (Minutes № 13/2008 dd. 22.05.2008, and Minutes № 20/2008 dd. 28.11.2008), as well as in accordance with article 21 of the Charter of IDGC of the South, JSC and articles 15 and 57 of the Labor Code of the Russian Federation, additional agreements to the working contracts on fulfilling the authority as a member of the collective body of the Company — the Management Board — were reached.

The total sum of remuneration paid to members of the Management Board of IDGC of the South, JSC for 2009, equals **2,573,797 rubles**.

Information about interested-party transactions

In 2009 in accordance with the requirements of article 81 of the Federal Law “On shareholder companies,” the Board of Directors approved 26 interested-party transactions.

The list of interested-party transactions approved by the Board of Directors and reached by IDGC of the South, JSC in 2009 is presented in appendix № 3 to this report.

Information about large transactions

In 2009 the Company did not conclude large transactions demanding preliminary approval by the Board of Directors or by the General Shareholders’ Meeting pursuant to the Federal Law “On shareholder companies”.

General Director

The General Director is elected to the post by the Board of Directors of the Company, and is the Sole Executive Body of the Company and Chairman of Board of the Company.

The rights and obligations of the General Director are specified by the Law of the Russian Federation, the Charter and labour contract that is concluded between the General Director and the Company.


Pursuant to clause 23.2 of section 23 of the Charter all the governance issues of the Company's current activity are related to the competence of the General Director except issues related to the competence of the General Shareholders' Meeting, the Board of Directors and the Management Board.

The General Director implements the governance of the Company's current activity pursuant to decisions of the General Shareholders' Meeting, the Board of Directors and the Management Board, taken in accordance with their competence.

The General Director is accountable to the General Shareholders' Meeting and the Board of Directors of the Company.

The Director General acts bona fide and reasonably in the implementation course of his rights and discharge of his duties, for the sake of the Company's interests.

Since the date of establishment of IDGC of the South, JSC, Alexander Ilyich Gavrillov is the General Director of the Company, and was elected by resolution of the single founder of IDGC of the South, JSC on 22.06.2007.

	Year of birth: 1973
	Citizenship: Russian
	Higher education: <ul style="list-style-type: none">● Kuban State University, major in Bookkeeping and audit (economist), (1990–1995).● Kuban State Technological University, major in "Development and operation of oil and gas fields" (engineer), (2000–2006).● State educational institution State Academy of Professional Preparation and Qualification Improvement. Was awarded the academic degree of doctor of economic sciences.
	Appointments for the past 5 years: <ul style="list-style-type: none">● Deputy Chief of the Administration of the Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3d class) of Krasnodar Territory of the Administration of the Krasnodar Territory.● Deputy General Director for Development of Krasnodarenergostroy, JSC.● Executive Director of Kubanenergo, JSC.● General Director, Chairman of the Management Board, member of the Board of Directors of Kubanenergo, JSC.● Member of the Board of Directors of Volgogradenergo, JSC.● Chairman of the Board of Directors of OK Plamy, Krasnodarenergostroyremont, JSC, and Rostovenergo, JSC.● General Director, Chairman of the Management Board, IDGC of the South, JSC.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Alexander Ilyich Gavrillov

A. I. Gavrillov was given the honorary title of "Honored worker of the fuel-energy complex of Kuban" in 2006, and in 2007 A. I. Gavrillov was awarded a medal "For prominent contribution to the development of Kuban" of the third degree.

A. I. Gavrillov was paid thanks by the Ministry of Energy of the Russian Federation in 2008. Over the course of the reporting year the Board of Directors of IDGC of the South, JSC paid thanks to the General Director of IDGC of the South, JSC three times.

In 2009 the General Director A. I. Gavrillov was given the following awards:

- Diploma from IDGC Holding, JSC for special merit;
- A medal "For prominent contribution to the development of Kuban" of the first degree;
- A medal of the order "For merit to the Astrakhan Region";
- Diploma from the Head of the Administration of the Volgograd Region.

Results of the management decisions for the main business types of the Company, approved by the General Director of the Company in 2009 are reflected in the according sections of this annual report.

Information about remuneration of the General Director

The cases of remunerative incentives of the General Director are prescribed in the conditions of the Employment contract by Regulations for remunerative incentives of the General Director of IDGC of South, JSC (Minutes No. 1/2007 dd. 17.07.2007) and by alterations in Appendix 1 to the given Provision (Minutes No. 20/2008 dd. 28.11.2008) that were approved by the Board of Directors of the Company.

In addition, the General Director is issued material remuneration as a member of the Board of Directors and Chairman of the Management Board.

The Regulations for remunerative incentives of the General Director of IDGC of South, JSC states:

- the order of payment out of an official salary and bonuses;
- the types of premiums (quarter, annual and one time bonus payments);
- the order of taking decisions aimed at implementing of the approved Provision.

In 2009 bonuses to the General Director were paid out following the results of implementation of key performance indicators approved by the Board of Directors of the Company for reported periods.

Contact persons:

Head of the Department of Corporate Governance,
Natalya Olegovna Bondar,
tel. (861) 279-86-35, e-mail: bondarno@mrsk-yuga.ru;

CONTROL OVER FINANCIAL-ECONOMIC ACTIVITY OF IDGC OF THE SOUTH, JSC

Auditing Committee — Control body of IDGC of the South, JSC

In order to fulfill control over the financial-economic activity of the Company, the General Shareholders Meeting elects the Auditing Committee of the Company.

The Auditing Committee of the Company is a constantly functioning body of an internal control of the Company's financial and economic activity.

In its activity the Auditing Committee is governed by the legislation of the Russian Federation in force, the Charter of IDGC of South, JSC, the Regulations for the Auditing Committee of IDGC of South, JSC approved by decision of the Management board of RAO "UES of Russia" JSC (Minutes No. 1751pr/4 of the Management board's meeting of RAO "UES of Russia" JSC dd. 05.10.2007) and by other internal documents approved by General Shareholders' Meeting.

In implementation of its activity, the Auditing Committee is independent of officers and governance bodies of the Company. The Auditing Committee acts in the interests of the shareholders of the Company and it is account to the General Shareholders' Meeting.

The Auditing Committee is elected at the annual General Shareholders' for a term to the next annual General Shareholders' Meeting in a staff of five people. In case the Auditing Committee is elected at the

Extraordinary General Shareholders' Meeting of the Company, the members of Auditing Committee are considered to be elected until holding of the Annual General Shareholders' Meeting of the Company.

The authorities of all or some members of the Auditing Committee of the Company can be ceased ahead of time by decision of the General Shareholders' Meeting.

The Chairman of the Auditing Committee is elected by the members of the Auditing Committee by majority of votes from the general number of the elected members of the Company's Auditing Committee. The Auditing Committee's members of the Company are authorized at any time to re-elect the Chairman of Auditing Committee of the Company by majority of votes from the general number of the elected members of the Company's Auditing Committee.

The Auditing Committee implements its activity in the form of scheduled and non-scheduled checks.

The Auditing Committee makes a report (an act) on the results of its checks of the financial and economic activity of the Company. The report is a document of an internal control of the Company.

In 2009 the Auditing Committee of the Company fulfilled control over the financial-economic activity of IDGC of the South, JSC in two callings.

The Auditing Committee of the Company of the first calling was elected on 30.05.2008 by the General Shareholders' Meeting of the Company (Minutes № 1 dd. 04.06.2008) in the following compilation (data given as of 31.12.2008):

1	Lyudmila Romanovna Matyunina , Chairman of the Auditing Committee	First Deputy Head of the Department of Internal Audit of Holding IDGC, JSC
2	Anatoly Valeryevich Baimov	Head of the Direction of Financial Control of Internal Audit of FGC UES, JSC
3	Rustem Faritovich Gabudulin	Head Specialist of the Direction for Organization of Purchasing Activity of IDGC Holding, JSC
4	Maria Vladimirovna Petrova	Head of the Department of Composite Reporting of IDGC of the South, JSC, Deputy Head Accountant of IDGC of the South, JSC
5	Sergey Olegovich Erdenko	Project manager of the group for ensuring fulfillment of the rights of shareholders as part of the reorganization of the project center of IDGC Holding, JSC

The acting Auditing Committee of IDGC of the South, JSC was elected by resolution of the Annual General Shareholders Meeting of IDGC of the South, JSC 19.06.2009 (Minutes № 2 dd. 22.06.2009) in the following compilation:

Lyudmila Romanovna Matyunina Chairman of the Auditing Committee 09.10.2009*	Date of birth: 1950
	Citizenship: Russia
	Higher education: All-Russian Distance-Learning Finance and Economics Institute
	Appointments for the past 5 years: <ul style="list-style-type: none"> ● Deputy Head of Audit Department of RAO "UES of Russia" JSC. ● First Deputy Chief Department of Internal Audit of Corporate Center of RAO "UES of Russia" JSC. ● Member of the Auditing Committee of "Moscow United Grid Company", JSC. ● First Deputy Head of the Department of Internal Audit of "IDGC Holding", JSC. ● Member, the Chairman of the Auditing Committee, JSC IDGC of Center. ● First Deputy Head of the Department of Internal Audit IDGC Holding", JSC. ● Member of the Auditing Committee of IDGC of Center and the Volga Region, JSC, Tyumenenergo, JSC. ● The Chairman of the Auditing Committee of Electric Energy Non-state Pension Fund.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none
Mikhno Irina Vasilievna	Date of birth: 1957
	Citizenship: Russia
	Higher education: <ul style="list-style-type: none"> ● Krasnoyarsk Polytechnic Institute ● Krasnoyarsk Architectural Academy
	Appointments for the past 5 years: <ul style="list-style-type: none"> ● Deputy Head of the Department of Internal Audit — Head of the Department of Investment Audit, "RAO UES of Russia", JSC; ● Deputy Head of the Department of Internal Audit — Head of the Department of Investment Audit; ● Member of the Auditing Committee of "Moscow United Grid Company", JSC, "IDGC of Centre and the Volga region, JSC", "IDGC of Centre", JSC, "IDGC of the North Caucasus", JSC.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

* By resolution of the Auditing Committee of «IDGC of the South», JSC as of 09.10.2009 the authority of the Chairman of the Auditing Committee Matyunina L. R. was terminated, Kormushkina L. R. was made Chairman. (Minutes as of 09.10.2009 № 2).

Stepanova Maria Dmitrievna	Date of birth: 1982
	Citizenship: Russia
	Higher education: Moscow State University named after Lomonosov
	Appointments for the past 5 years: <ul style="list-style-type: none"> ● Chief Expert of the Department of Shareholders Cooperation and Liquidity Maintenance , RAO UES of Russia, JSC. ● Head of the Department of Shareholders Cooperation of the Department of Corporate Governance and Shareholders Cooperation of IDGC Holding, JSC. ● Member of the Board of Directors of “Kalmynergosbyt”, JSC, “VTI Development Laboratory of Heating and Energy Equipment”, JSC, “Real Estate VNIPI Energoprom”, JSC.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Shmakov Igor Vladimirovich	Date of birth: 1974
	Citizenship: Russia
	Higher education: Kuban State University.
	Appointments for the past 5 years: <ul style="list-style-type: none"> ● Deputy head of the Department of Budget Audit and Internal Audit, Head of Controlling and Internal Audit Service of “Kubanenergo”, JSC. ● The Chairman of the Auditing Committee, Grechko A. A. PSKH”, JSC, “Energetic” p/e, JSC, “Recreation centre “Energetik”, JSC, “Krasnodaryenergostremont”, JSC. ● Head of the Department of Internal Check and Audit, IDGC of the South, JSC. ● Member of the Auditing Committee, “Astrakhanyenergostremont”, JSC “Volgogradstremont”, JSC.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Kormushkina Ludmila Dmitrievna	Date of birth: 1956
	Citizenship: Russia
	Higher education: Far East State Academy of Economy and Administration
	Appointments for the past 5 years: <ul style="list-style-type: none"> ● Chief expert, RAO UES of Russia, JSC. ● Head of the Department of Audit Organization and Implementation, Department of Internal Audit, IDGC Holding, JSC. ● Member of the Auditing Committee, “Tyumenenergo”, JSC, “Moscow United Grid Company”, JSC, Electric Energy Non-state Pension Fund.
	The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none

Auditing Committee Activities in 2009

In 2009 four meetings of the Auditing Committee of the Company were held.

Among the key resolutions taken by the Auditing Committee of the Company in 2009:

- Terms of the audit of the finance and business operations of IDGC of the South, JSC approved;
- The Program of the audit of IDGC of the South, JSC approved;
- Auditing Committee resume on the results of the audit of the finance and business operations of the Company in 2008 approved;

According to the Charter of the Company and the Provision on the Auditing Committee of IDGC of the South, JSC, the Auditing Committee from 06 until 16 April, 2009 conducted the audit of 2008 annual financial statements.

According to the results of the audit:

- 2008 finance and business operations decisions of the Management Board and the Board of Directors of the Company conform to the current law and the Charter of the Company;
- 2008 financial statements truly reflect the financial state of the Company and the results of its finances and business operations in 2008;
- the Company Annual Report for 2008 in its key points that are stipulated by law are trustworthy.

The Audit results, as well as the Minutes of the meetings of the Auditing Committee for all Company activity periods are published on the corporate site of the Company in the Internet, at: <http://www.mrsk-yuga.ru>.

Remuneration (reimbursement of expenses) information to the members of the Auditing Committee

Remuneration and/or reimbursement of expenses to the members of the Auditing Committee of the Company is carried out in accordance with the Regulation on remuneration and/or reimbursement of expenses to the members of the Auditing Committee of IDGC of the South, JSC in its new draft (hereinafter referred to as Regulation), approved on 30.05.2008 by the Resolution of the General Shareholders' Meeting of IDGC of the South, JSC (Minutes № 1 dd. 04.06.2008).

In accordance with the Regulation, for the participation in finance and business operations audit a member of the Auditing Committee receives remuneration in a single payment equivalent to five minimal monthly tariff basic rates of a first-grade worker, inclusive of indexation stated by the industry tariff agreement in the energy sector of the RF.

For every finance and business operations audit a member of the Auditing Committee of the Company can receive additional remuneration not exceeding twenty minimal monthly tariff basic rates of a first-grade worker, inclusive of indexation stated by the industry tariff agreement in the energy sector of the RF.

Members of the Auditing Committee receive reimbursement of expenses connected with participation in meetings of the Auditing Committee of the Company and in audits, according to travel expenses reimbursement rates as of the date of the meeting or audit.

The total sum of the remuneration paid to the members of the Auditing Committee of IDGC of the South, JSC in 2009 totaled RUR 1,043,055.00.

The full text of the Regulation on the Auditing Committee of IDGC of the South, JSC is published on the corporate site of the Company in the Internet, at: <http://www.mrsk-yuga.ru>.

THE COMPANY AUDITOR

For audit and confirmation of annual financial statements the Company General Shareholders' Meeting annually commissions the Auditor of the Company, in accordance with articles 47, 48, 54 and 88 of the federal law On Joint Stock Companies, subparagraph 11) of paragraph 10.2. of article 10, paragraph 11.1. of article 11, paragraph 24.8. of article 24 of the Charter of IDGC of the South, JSC.

Criteria and method of the Auditor selection

The federal law On Joint Stock Companies does not state the term and the order of auditor nomination to enlist him/her for voting on being commissioned as the auditor of the Company, neither does it give the shareholders the right to nominate the auditor.

Due to this, auditor nominees for commissioning at the Annual General Shareholders' Meeting are identified by the Board of Directors of the Company while discussing the issues on preparation and execution of the Annual General Shareholders' Meeting.

Auditor nomination, their qualification, work quality and conforming to the requirement of independence, presentation of auditor nominees to the Board of Directors, resolutions on the auditor nominees from third parties, is part of the competency of the Audit Committee of the Board of Directors of the Company.

Election of an auditor of the Company is carried out according to the results of an open competition held by the Company or its representative body, in accordance with the Regulation on the order of regulated purchasing of goods, works or services for the needs of IDGC of the South, JSC (new draft), approved by the resolu-

tion of the Board of Directors (Minutes № 12/2008 dd. 18.04.2008).

Auditor of IDGC of the South, JSC carries out issuer finance and business operations audit in accordance with the RF law requirements, on the basis of an agreement signed with him/her.

In order to carry out financial statements audit of IDGC of the South, JSC for 2009 the Board of Directors of the Company recommended (Minutes № 26/2009 dd. 08.05.2009) and approved on 19 June, 2009 by the resolution of Annual General Shareholders' Meeting of the Company (Minutes № 2 dd. 22 June, 2009) the auditor of the Company — Nexia Pacholi, LLT.

Nexia Pacholi, LLT is licensed to carry out auditor activities (№ E 000733 dd. 25.06.2002) valid until 25 June, 2012, issued by Finance Ministry of the RF.

Auditor of the Company is a member of:

- International Auditor Association Nexia International;
- Russia Professional Auditor Institute;
- Russian Evaluator Society;
- Russian Banking Association;
- Russian Union of Industrialists and Entrepreneurs.

Nexia Pacholi, LLT has an agreement on professional responsibility insurance № 433-000147/10 dd. 12.01.2010 valid until 12.01.2011 with insurance company IJSC Ingosstrakh.

Procedure for the determination of the auditor remuneration

In accordance with paragraph 24.9. of article 24 of the Charter of IDGC of the South, JSC auditor remuneration is defined by the Board of Directors of the Company.

The cost of the services and the method of payment for auditor's services is stated in the agreement signed between the Company and the auditor.

The cost of the services of IDGC of the South, JSC auditor — Nexia Pacholi, LLT — for IDGC of the South,

JSC 2009 financial statements audit is agreed by the Board of Directors of IDGC of the South, JSC and equals RUR 2,973,600, including VAT (Minutes № 34/2009 dd. 11.09.2009).

Auditor Contacts:

Full Company Name:	Limited Liability Company Nexia Pacholi
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INTERNAL AUDIT SYSTEM OF THE COMPANY

The main goal of the system of internal audit is risk prevention in finances and business operations of the Company, timely measures on its elimination, identification and mobilization of internal business reserves for gaining profit and cooperation with the management of the Company in effective implementation of executive functions.

The system of internal audit of the Company is based on cooperation and competency division of its subjects (people and functions), that develop, approve, implement and evaluate the efficiency of internal audit procedures.

For effective functioning of the system of internal audit the Company created the Department of Internal Check and audit, consisting of three divisions: Internal audit service, Internal Check department and Risk methodology department.

Department of internal check and audit of IDGC of the South, JSC activities in 2009

Department of internal check and audit in 2009 carried out the following audits:

- Complex audits of four IDGC of the South, JSC branches — Rostovenergo, Volgogradenergo, Astrakhanenergo, Kalmenergo and Kubanenergo", JSC (IDGC of the South, JSC is "Kubanenergo" JSC sole executive body)
- Audit of Kubanenergo", JSC branch — Sochi electric grids;
- Limited scope audits of Kubanenergo", JSC branch — Labinsk electric grids, Sochi electric grids , Slavyanskie electric grids , in the branches of IDGC of the South, JSC — Volgogradenergo, Astrakhanenergo;
- Participation in audits of IDGC of the South, JSC, Kubanenergo", JSC, Associated and Dependent Companies .

Department of internal check and audit regularly monitors corrective measures schedule fulfillment of violations and shortages found out during audits of the Company and Kubanenergo", JSC — by means of the analysis of schedule fulfillment reports and of the corresponding confirming documentation. During further audits factual violations and shortages elimination is checked.

Main documents regulating the Internal audit system of IDGC of the South, JSC

Company internal audit is carried out in accordance with the Regulations on internal audit procedures at IDGC of the South, JSC, approved by the Board of Directors dd. 09.02.2009 (Minutes № 22/2009 dd. 11.02.2009).

In order to enhance internal audit process and state the main rules on complex audits, the Company developed and approved the Regulations on complex audits at branches and structural divisions of IDGC of the South, JSC and Kubanenergo", JSC.

Work on the development of the System of Internal Check, risk management and internal audit

Within the development of the System of Internal Check and to ensure optimum allocation of functions, responsibility and authority to implement the Company business processes and to build an efficient system of their cooperation:

- Company business processes identification was carried out, top level business processes model was developed and approved, their sequence, interaction principles and boundaries were set;
- Company business processes description instrument was developed;

- Key document (company standards) package was prepared, of the documents that regulate Company activities, interaction of structural divisions within the business processes, methods of controlling the effectiveness and of the Company management activities;
- Simulation and description of the Company business processes according to the model was carried out;
- Business processes efficiency indexes were developed, as well as the Procedure of business processes monitoring and data collection according to the given criteria.

Contacts:

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Deputy Head of Internal Check and Audit Department —
Head of Internal Audit Service

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RISK MANAGEMENT

Risk management is an important part of the corporate management system of IDGC of the South, JSC; it allows Company executive bodies to take the most effective and economically efficient decisions; it is closely connected with the process of strategic and operational planning and stipulates for active participation of all Company divisions in risk identification and evaluation process.

The Company has identified and evaluated the risks in all spheres of its activity.

IDGC of the South, JSC financial and business decision making process, as well as the system of executive body reporting decrease the risk of divergence of manager interests from those of the shareholders.

IDGC of the South, JSC understands the importance of timely external threat identification, and conducts regular collection and analysis of the information on internal and external factors that can have a negative impact on the Company reaching its goals; the scope of the analysis constantly expands.

To identify the strategy of development and search of the ways to neutralize these risks, taking into consideration its strengths and weaknesses, as well as opportunities, the Company uses the SWOT-analysis method.

IDGC of the South, JSC has a number of local regulatory documents regulating different aspects of financial and business operations of the Company and stipulating the order of risk identification and evaluation, as well as preventative measures, including:

- Regulations on internal audit procedures at IDGC of the South, JSC; its main goal is Company risk prevention (in financial, economical, investment and other spheres), their timely elimination, identification and mobilization of internal business reserves of gaining profit and cooperating with the Company management in effective fulfillment of executive functions;
- IDGC of the South, JSC corporate safety concept has the main goal — provision of economical, personnel, technological and production, informational, physical, ecological safety.

IDGC of the South, JSC results are influenced by the factors that the Company can not fully control. Though many of them are of a macroeconomic nature and influence all companies, some business aspects can be especially sensitive to certain risk factors.

The main risk groups that can affect Company results are:

Country- and regional-level risks

The main country-level risks are political and economic risks.

Russian economy stability depends a lot on economic reforms process, legal, tax, administrative infrastructure development, the efficiency of governmental measures in the sphere of finance and monetary policy.

Economic situation aggravation in the country and the regions of Company activities is a risk factor that affects IDGC of the South, JSC to a large degree by influencing purchasing ability of the Company consumers due to the recession.

The regions where IDGC of the South, JSC conducts its industrial activities are politically stable and have virtually no risks of military conflicts and extreme situations. Nevertheless, there are risks of terrorist attacks; to minimize them the Company takes steps to protect production facilities.

The social situation in these regions is stable, with no obvious ethnic conflicts or religions extremism, which enables the company to carry out its activities with minimal social and political risks.

In case of destabilization of the political and economic situation in Russia, or separate regions, the Company will take Anti-crisis measures in order to minimize the situation negative impact on IDGC of the South, JSC, including reduction of production and other costs, and investment volumes.

There is a small risk probability connected with natural disasters and nature and climate negative impact, in the result of which the population, housing and public utilities, social facilities, transportation, heating and electricity provision can be affected. In order to compensate the damage from extreme conditions, connected, among other things, with natural disasters, the Company has agreements on property insurance. Also, preparation activities are carried out, emergency supply of material and equipment is created, Emergency Response and Restoration Teams are trained, special anti-crisis programs are developed.

Industry risks

IDGC of the South, JSC — is a large interregional distribution grid company that conducts its industrial activities on the territory of Astrakhan, Volgograd, Rostov Regions and Republic of Kalmykia, It also performs the function of “Kubanenergo”, JSC sole executive body. “Kubanenergo”, JSC conducts its industrial activi-

ties on the territory of Krasnodar Territory and Republic of Adyghea. The Company does not export goods, works or services. Due to it, industry risks connected with its activities are found only on the internal market.

The main risks:

- Uncertainty with regard to IDGC of the South, JSC relation with contractors and controller, as a result of a lack of maturity and , therefore, instability of legislature in the sphere of electric energy that is expressed in its frequent alteration;
- Deficiency of funds for expenditures financing and development connected with the political electricity tariff restraint;
- Decrease of the volumes of energy transmission services by the Company due to transfer of a number of consumers to “UES FGC”, JSC;
- Increase of electric grid business share of neighboring grid companies of the region by means of enhancing their investment programs and construction of new grid facilities;
- Absence of legally approved rules of electric energy and capacity commercial accounting, which leads to disputes with co supplier companies regarding the volumes of electricity services;
- Large degree of Company fixed assets wear and fund deficiency to finance investment programs;
- Revenue reduction due to the change of actual structure of energy transmission according to voltage levels in comparison with the originally agreed;
- Additional expenses due to cross-subsidization. Cross-subsidization does not allow the Company to fix economically justified tariffs according to voltage levels, due to the possibility of being sued by consumers;
- RAB-method carries additional risks;
- Refusal to coordinate the results of the initial investment capital evaluation carried out by independent estimators by regulating authorities;
- Rate of return can be fixed at the level below the equitable which will lead to difficulties with finding investment loans.

In order to decrease the risks, the steps are taken:

- IDGC Holding”, JSC developed the strategy of electric grid asset integration;
- IDGC of the South, JSC signed agreements with regional authorities where contract party responsibilities are fixed in terms of tariff regulation, coordination and investment program fulfillment;

- Cost saving activities are taken; gradual transfer to RAB-regulation is going on. IDGC of the South, JSC branches transfer to RAB-regulation allows to:
 - 1) enhance Company investment program, which will lead to the decrease of fixed assets wear and productive supply increase;
 - 2) enhance Company investment attractiveness;
 - 3) thanks to long-term tariff policy on planning efficiency of industrial and business activities of the Company in mid- and long-term prospective, to stabilize its cash flow;
 - 4) synchronize Company and responsibility zone development at the level of local authorities and the RF subjects;
- work is going on with Federal Tariff Service and regional tariff services on financial justification of expenditures included into the tariffs, on alteration of the the RF legal acts relating to setting prices for natural monopoly services in order to consider the interests of the distribution grid system at electricity tariff setting on the retail market.

Technological risks

The following risks are identified in this group:

- risk of transition to the operating mode with compelled (acceptable under abnormal conditions) flows;
- risk of single sharp increase in loading above the plan due to acts of nature;
- technical risks connected with operation of the equipment that are caused by such factors as operation of the equipment with maximum deviations from the norm and technical requirements; operation personnel errors; infringements of the dispatching schedule and discipline.

Actions of the Company for reduction of the given risks:

- analysis of possible risks in order to predict risks at introduction of the production program and take preventive measures;
- commercial insurance of property, dangerous industrial objects, automobiles, civil liability, insurance of the personnel upon accidents and illnesses;
- execution of actions for increase of reliability of the power supply system, including at the expense of constant replenishment of stocks of fuel, spare parts and materials.

During the period of economic instability, connected with the recession there is a risk of price increase of

goods, works and services that the Company uses for its activities. In order to reduce such risk IDGC of the South, JSC is planning to:

- Use its position as a major consumer to obtain reasonable prices;
- Where possible, to obtain goods, works and services on a competitive market;
- To optimize consumption of goods, works and services of other companies.

Environmental risks

IDGC of the South, JSC industrial activity is connected with waste production, vehicle exhaust fumes, transformer oil leakages, that impact the environment.

Understanding the importance of environmental safety, the Company considers environmental protection as an integral part of its business.

In order to fulfill its responsibilities in this sphere, the Company follows the principles and requirements of ISO-14001-2004 Environmental management, as well as local legal acts that have force at IDGC of the South, JSC:

- Company standard “Identification of ecological aspects and their importance for IDGC of the South, JSC”;
- Company standard Planning in the sphere of environmental safety;
- Environmental policies.

Among the technological steps aimed at minimizing the risk of environment pollution, there are replacement of oil circuit breakers to gas insulated ones, replacement of oil circuit breaker oil-filled high voltage bushing to more reliable and environment friendly ones with solid insulation. Circuit breakers of new generation are more reliable, environment friendly and fire proof.

IDGC of the South, JSC on a regular basis carries out recycling of capacitor bank units filled with polychlorinated biphenyls — substances highly dangerous for the environment. Recycling of this equipment is carried out beyond the boundaries of the Southern Federal District of Russian Federation, on special grounds, with help of specialized companies that have all the necessary equipment and licenses.

Besides, all project work and new construction are conducted strictly according to the environmental law requirements.

Annually the company coordinates the Ecology policy program that contains the list of actions to decrease environmental risks.

Financial risks

IDGC of the South, JSC, as well as other business entities, has the following risks:

- market risks;
- liquidity risks;
- credit risks.

Market risks:

Possible negative economic tendencies and decrease of Russia economic conditions.

Decrease of industrial production, liquidation of small business subjects in the regions of Company activities create profit risk due to the reduction of energy consumption in comparison with the tariffs and balance.

There are risks of non-payment for energy transportation services by supply companies. The Company takes steps on normalizing accounts with supply companies: introduction of direct electricity transportation services agreements with customers, settlement of disputes at contracting, cooperation with administrative and regulating bodies.

Interest rates

At present the situation at financial markets is becoming more stable, which allows the Company to reduce the cost of borrowed reserves under existing and new agreements.

Currency risks

Currency exchange rate risks are minimal, because:

- IDGC of the South, JSC revenue from services provided is received in RUR;
- The imported equipment and materials volume in the Company expenditure is comparatively small.

Inflation

Inflation risk can occur when IDGC of the South, JSC monetary revenue loses value in real purchasing power faster than grows nominally. Inflation growth can lead to company expenditure increase (due to prices increase for fixed assets, materials, works, services of third parties). This can lead to the reduction of the Company revenue and profitability of its activities, as well as to appreciation of loan funds for the Company, which will lead to deficiency of working capital.

In case of fast inflation growth the Company is planning to pay special attention to the improvement of working capital turnover, in the first place by means of reduction of supplies, also by existing customer

agreements review in order to decrease the turnover of accounts receivable.

Liquidity risks

Liquidity risks — probability losses due to funds deficiency at given time and, therefore, inability of the Company to fulfill its commitments. Such a risk can lead to fines, surcharges, injury to the reputation of IDGC of the South, JSC, etc.

Liquidity risks administration is carried out by IDGC of the South, JSC by means of cash flow planning, analysis of the planned and actual cash flow in total of IDGC of the South, JSC, and also by branch. Problems with absolute liquidity are solved by loans and borrowings, as well as by payment priority and reduction of investment program.

Credit risks

Credit risks are possible losses connected with contractor inability or refusal to fulfill his commitments under an agreement in full or in part.

The Company minimizes credit risks by its allocation to a large number of contractors, setting credit limits based on contractor financial state analysis, using the methods and approaches that are practiced at IDGC of the South, JSC.

Corporate governance risks

The risk of reduction of the corporate governance quality that can be a result of the change of the corporate relations structure.

In order to reduce this risk, the following steps are taken:

- Improvement of corporate governance practice by means of securing in the Company internal documents certain provisions of the RF Code of Corporate Conduct recommended by Federal Securities Commission of Russia (including the requirements to the composition of executive bodies);
- Increase of informational transparency of the Company;
- Stable and mutually beneficial relations with the shareholders and investment community.

Conflict of interest risk between different shareholder groups.

To reduce this risk, internal documents of the Company stipulate responsibilities of the members of management:

- To refrain from activities that lead or may lead to a conflict of their interest with the interest of the Company, in case of such conflict — obligation to disclose the information about it to the Board of Directors;
- To declare their affiliation (which can lead to a conflict of interest).

Besides, the Company has Regulations on insider information, that secure the responsibility of the people having access to insider information to inform the Board of Directors on their intention to trade shares of the Company and its Associated and Dependent Companies, as well as disclose the information on such transactions.

Shortcoming and unsteadiness of the legal environment of corporate interaction.

In order to decrease risks, corporate legislation is monitored on a regular basis, to identify and in due course prevent negative consequences that the Company can have after adoption of new laws.

Company market capitalization decrease and the decrease of the liquidity of financial instruments issued by the Company during world share index decrease.

To minimize this risk the Company takes steps on enhancing its attractiveness and its shares marketability, among them — market maker agreement with “Unikom Partner”, LLC, plans to transfer shares of the Company from the non-listed stock to the quotation list B of MICEX Stock Exchange.

Legal risks

Legal risks can be conditioned; by the specifics of the active legislation and court system i. e. for example in different legal practice on the same issues, legal interpretation in general, conflict of jurisdiction, as a result of which there is a risk of subjective and judgmental evaluation of facts by courts.

To minimize this risk any business process of the Company subject to risk undergoes compulsory legal expertise.

IDGC of the South, JSC carries out its activities strictly in accordance with the active legislation, the negative consequences of court practice changing for the Company are only possible in the case of supervisor body position change or Company illegal activities.

The change of the requirements on licensing the main activities of the Company may extend the time

of preparation of documents necessary to extend the license, as well as make it necessary to conform to the new requirements. On the whole, though, this risk can be considered minor, except for the cases where the requirements to the Company to extend the license or to carry out licensed activities will be reviewed, and the Company will not be able to conform, or it will be connected with excess expenditure, which may lead to cessation of performance of this activity.

RF currency and customs legislation changes do not affect Company activities and, therefore, do not lead to legal risks.

Tax risks

As IDGC of the South, JSC activities are not subject to special taxation modes, and the Company does not have overdue tax payments into all kinds of budgets, tasks risks of the Company are seen as minimal within the activities of a good faith taxpayer.

In short-term perspective the Company does not see in its financial and business activities any substantial risks connected with the changes in tax law, nor with civil law.

The Company builds up its activities on conforming to the requirements of the active legislation of the RF; it carries out regular monitoring of its augmentation. Nevertheless, one can not exclude the risk of tax legislation changes concerning tax rates increase and/or introduction of a different order and time of tax accounting and payment. This can lead to the reduction of the Company net profit and dividends paid.

In case of augmentations of the active taxation order and requirements the Company is going to plan its financial and business activities inclusive of these changes.

Labor safety risks

The specifics of work in the Company implies serious professional training of the personnel, inclusive of labor safety.

Occupational accidents can harm people’s health and lives, can become a reason of work suspension and property loss. To reduce the risks of staff injuries the Company follows the corporate Labor and industrial safety policy approved by the Board of Directors of IDGC of the South, JSC.

The Company regularly undertakes activities on personnel and labor safety specialists training and professional enhancement — instruction and teaching

of the staff to use safe work methods, safety knowledge assessment, anti-damage and fire-protection training, doubling and other personnel related activities stipulated by law. Together with the required by law activities the best world and Russian experience is studied on improving labor safety, on its implementation at IDGC of the South, JSC divisions.

To carry out the commitments in the sphere of labor safety the Company follows the requirements of OHSAS-18001-2007 Occupational Health and Safety Management System, as well as local legal acts of IDGC of the South, JSC:

- Health protection and labor safety policy;
- Standard Identification of threats and risk evaluation in the sphere of Health protection and labor safety;
- Standard Planning in the sphere of Health protection and labor safety.

Annually, the Board of Directors of the Company approves the program of reduction of staff injuries for the current year. It contains the main activities, includ-

ing cost-based ones, aimed at prevention of IDGC of the South, JSC staff injuries.

Contact persons:

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COMPANY ACTIVITIES LEGAL SUPPORT

Company activities legal support is provided in the spheres:

1. Legal support of business activities of the Company
2. Claims and lawsuits,
3. Organizational and methodical support of branches.

Legal support of business activities of the Company includes legal expertise of civil-law agreements, orders, provisions, instructions, regulations, and other local legal acts, preparation of legal opinions on the Company business activities, development and coordination of standard forms of economic contracts and other documents, etc.

Claim and lawsuit activities provide the Company with timely and effective protection of its interests both pre-trial and in court. The efficiency of these activities is ensured by the clear regulation by local acts of the Company, by cooperation of all services and departments in case of difficult situations with contractors, state authorities and administration, local authorities.

Organizational and methodical support of branches is targeted at the uniformity of the legal practice of all branches of the Company, provision for uniform methodology and principles of the legal support, forming of coordinated legal position of the branches on judicial disputes of the Company. These targets are reached by collection and analysis of the branch reported data, development of the position of the Company on enforcement of the law, organizational document enforcement control, written resolutions on legal issues of the Company and informing of the branches on these issues.

Information on 2009 litigations which could impact the activities of the Company:

On 19.05.2008 the Court of arbitration of "RAO UES of Russia" adopted a court decision on case №204/207-516, by which IDGC of the South, JSC had to pay to "SGC-TGC-8", JSC RUR 137,244,163.57 of unjustifiable enrichment, and RUR 491,092.62 in expense reimbursement of arbitration charge payment.

On 05.02.2009 the Court of arbitration of Moscow determined a cause on case № A40-47188/08-63-503 on issuance of writs of execution of enforcement of Court of arbitration of "RAO UES of Russia" decision dd. 19.05.2008 on case № 204/2007-516

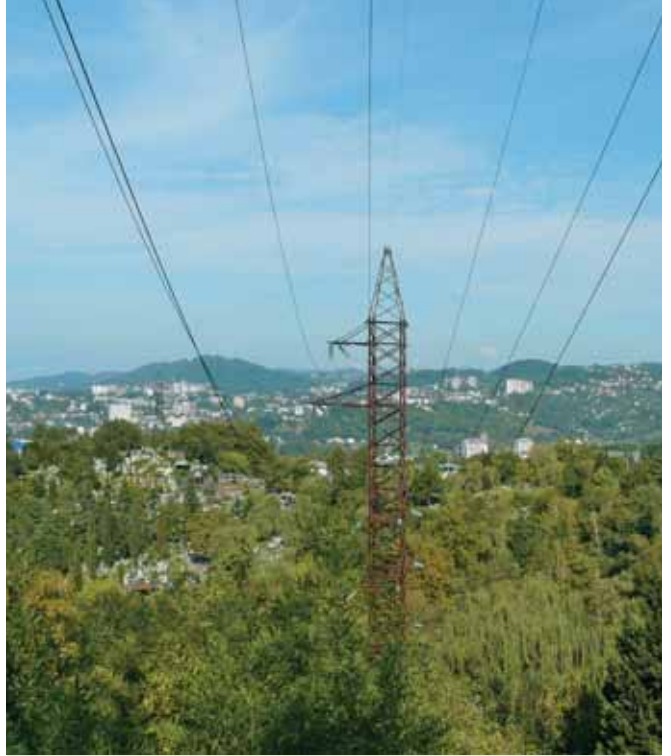
By resolution of the Federal court of arbitration of Moscow district dd. 30.03.2009 the decision of the Court of arbitration of Moscow dd. 05.02.2009 on case № A40-47188/08-63-503 was cancelled, the issuance of writs of execution of enforcement of Court of arbitration of "RAO UES of Russia" decision dd. 19.05.2008 on case № 204/2007-516 was denied.

By decision of the RF Supreme Arbitration Court dd. 24.08.09 № 8879/09 the case № A40-47188/08-63-503 was forwarded to the Presidium of the Supreme Arbitration Court of the Russian Federation for revision in exercise of supervisory functions of the decision of the Federal court of arbitration of Moscow district dd. 30.03.2009. The reason for this was two approaches in law enforcement practice at considering the issue of application of rules of universal succession in respect with arbitration agreement: 1) arbitration agreement is considered as strictly procedural, which means succession civil standards can not be applied here; 2) arbitration agreement as a means of protection of the infringed right is considered an element of civil liability and is subject to regulation by the standards of civil substantive law, including succession.

On 03.11.2009 the meeting of the Presidium of the Supreme Arbitration Court of the Russian Federation took place. As a result of the examination the case № A40-47188/08-63-503 resolution of the decision was announced, according to which the resolution of the Federal court of arbitration of Moscow district dd. 30.03.2009 was cancelled, the decision of the Court of arbitration of Moscow dd. 05.02.2009 remained unchanged.

In accordance with paragraph 1, 2 of Article 307 of Arbitration Procedure Code of the Russian Federation the resolution of the Presidium of the Supreme Arbitration Court of the Russian Federation become opera-

tive since the day of its pronouncement. Copies of the resolution are sent to the Parties, and other interested persons within 5 days of the adoption of the decision. The acting law does not stipulate cassation of the resolutions of the Presidium of the Supreme Arbitration Court of the Russian Federation. On 24.12.2009 the issuer received the resolution of the Presidium of the Supreme Arbitration Court of the Russian Federation. At present, "SGC-TGC-8", JSC received a court order for the collection of RUR 137,244,163.57 of unjustifiable enrichment, and RUR 491,092.62 in expense reimbursement of arbitration charge payment from IDGC of the South, JSC. The court order is presented for recovery. Execution of this court act can impact finance and business operations of the issuer.



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SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

THE CASPIAN SEA THE ASTRAKHAN REGION AND KALMYKIA

The Caspian Sea is the largest lake in the world (372, 000 km² in area).

The Caspian Sea basin (518, 000 km²) has the greatest depth below sea level of any water surface in the world (up to -28 m).

The lotus fields along the Caspian Sea are the only place in Europe where lotuses grow wild.

IDGC of the South works on an area covering 423, 000 km².





SHARE CAPITAL AND THE MARKET FOR THE COMPANY'S EQUITIES

SHARE CAPITAL

HISTORY OF THE COMPANY'S SHARE CAPITAL

As of 28.06.2007 (the date of the state registration of IDGC of the South, JSC) the Company's authorized capital equaled 10,000,000 rubles and was divided into 100,000,000 ordinary shares with a nominal value of 10 kopecks each.

On 31.03.2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to the Company, the number

of shares in the Company increased to 49,811,096,064 shares thanks to the conversion of shares of the merged companies.

As of 31.12.2009, the Company's authorized capital equaled 4,981,109,606 rub. 40 kop., and was divided into 49,811,096,064 ordinary shares with a nominal value of 10 kopecks each. The Company has not issued any preferred shares.

The number stated shares is 31,078,103,936 shares.

Share issues of the Company

Nº	State registration number of the issue	Amount, RUR	Share category	Quantity, shares	Nominal value, RUR
First share issue					
1	1-01-34956-E dd. 20.09.2007	10,000,000	Ordinary	100,000,000	0.1
Additional share issues					
2	1-01-34956-E-001D dd. 20.03.2008	228,296,779.1	Ordinary	2,282,967,791	0.1
3	1-01-34956-E-002D dd. 20.03.2008	1,620,347,283.7	Ordinary	16,203,472,837	0.1
3	1-01-34956-E-003D dd. 20.03.2008	439,059,322.3	Ordinary	4,390,593,223	0.1
4	1-01-34956-E-004D dd. 20.03.2008	2,029,712,678.4	Ordinary	20,297,126,784	0.1
5	1-01-34956-E-005D dd. 20.03.2008	192,111,155	Ordinary	1,921,111,550	0.1
6	1-01-34956-E-006D dd. 20.03.2008	461,582,387.9	Ordinary	4,615,823,879	0.1
TOTAL:				49,811,096,064	

Note: In accordance with the notification of the Federal Financial Markets Service of Russia dd. 12.08.2008 №08-EK -03/17099, annulment of individual numbers (codes) of additional shares issues was done; the united issue was given the state registration number 1-01-34956-E dd. 20.09.2007.

STRUCTURE OF SHARE CAPITAL

As of 28.06.2007, 100% of the shares belonged to the single founder of the Company — RAO UES of Russia, JSC.

On 31.03.2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to the Company, the sharehold-

ers of shares in the merged companies became owners of Company shares if they did not use their right to sell back their shares to the Company under the reorganization of the merged companies.

Starting from 01.07.2008, as a result of the reorganization of RAO UES, JSC, IDGC Holding has become the owner of this company's shares in the Company.

The following changes took place in the company's share capital structure in 2009 (showing the dates when the Company learned about these changes):

Nº	Date	Retirement / inclusion of ordinary nominal shares in the compilation of owners	Share of authorized capital, %	Owner name
1	02.03.2009	Inclusion	21.15	Oflamenta Trading Limited
2	28.05.2009	Retirement	16.21	Promregion Holding, JSC
3	28.05.2009	Retirement	4.95	Energostrategiya, ZAO
4	24.06.2009	Retirement	21.15	Oflamenta Trading Limited
5	24.06.2009	Inclusion	21.15	Management-Consulting, LLC (D.U.) (closed mutual fund of "Resource" shares)
6	17.07.2009	Retirement	4.78	HQ BANKAKTIEBOLAG
7	17.07.2009	Inclusion	5.15	AGANA Management Company, LLC D.U. closed mutual fund of mixed investments "Strategic Assets" under management by AGANA Management Company, LLC

As of 31.12.2009, the total number of entities registered in the Company register equaled 9,501.

Structure of share capital on 31.12.2009

Type of registered entity	Number of Company shareholders	Number of shares	Share in authorized capital, %
Private individuals	9,401	1,618,396,870	3.249
Legal entities	86	91,094,205	0.183
State	1	69,125,536	0.139
Nominal holders	13	48,032,479,453	96.429
TOTAL:	9,501	49,811,096,064	100%

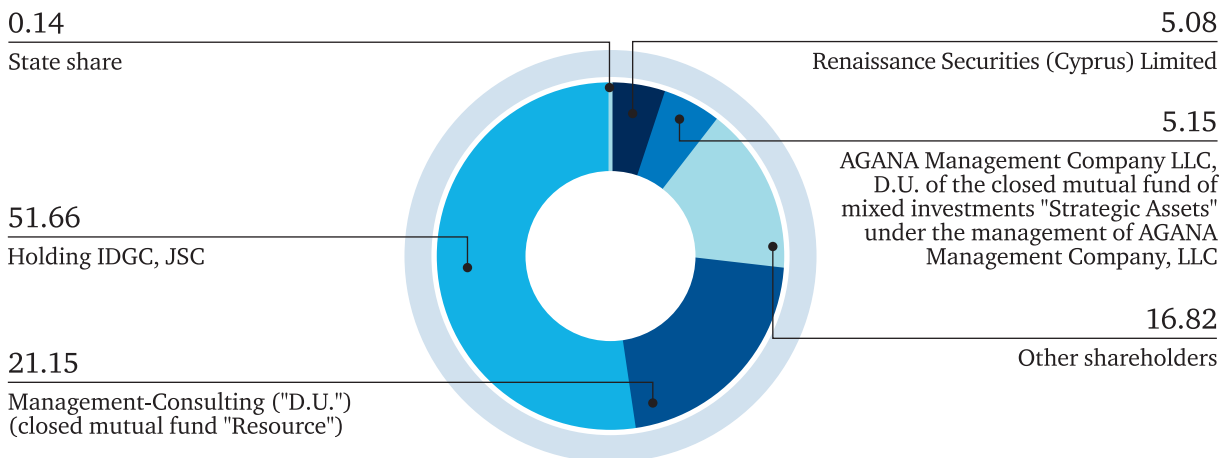
Structure of share capital as of 03.07.2009 (date of compilation of the list of entities who have the right to take part in the extraordinary General Shareholders Meeting)

Type of registered entity	Number of Company shareholders	Number of shares	Share in authorized capital, %
Private individuals	9,464	1,661,292,658	3.34
Legal entities	87	91,137,311	0.18
State	1	69,125,536	0.14
Nominal holders*	13	47,989,540,559	96.34
TOTAL:	9565	49,811,096,064	100%
Including non-residents	30	25,087,649	0.05

* among clients of nominal holders:

Type of personal account of the client of the nominal holder	Number of clients of nominal holders as of 03.07.2009	Number of shares	Share in authorized capital, %
Nominal holders which don't disclose information about their clients	8	4847490	0.00
Clients which disclosed their nominal holders:	1295	47984693069	96.33
– of them private individuals who are non-residents	5	807924	0.00
– of them legal entities which are non-residents	95	7012476737	14.08
TOTAL:	1303	47989540559	96.34

Composition of the shareholders of IDGC of the South, JSC as of 03.07.2009 (on the last date of the closing of the register of owners of nominal shares)
%



CIRCULATION OF SHARES ON THE STOCK MARKET

Starting from 03.07.2008, the Company shares have been circulated on trading floors of the following trading organizers:

- RTS, JSC (127006, Moscow, 38, str. 1, Ul. Dolgorukovskaya) — without undergoing the listing procedure in two sections — “T+0” (ticker MRKYG) and “Classical market” (ticker MRKY);
- FB MICEX, ZAO (125009, Moscow, 13, Bolshoy Kislovsky Per.) — without undergoing the listing procedure (ticker — MRKA).
ISIN code: RU000A0JPPG8.

Market-Makers

On 24.12.2009 a contract was signed for providing market-maker services on FB MICEX, ZAO with Universal Investment Company Partner, LLC (Unikom Partner, LLC), with a license for fulfilling dealer activity № 166-05957-010000 dd. April 19, 2002, without a limit on the term of validity, given by the Federal Commission for the Securities Market.

Tel: (343) 379-41-65; Fax: (343) 379-41-66

<http://www.unicompartner.ru>

Starting from the date of the beginning of the contract, the market-maker has fulfilled servicing of the circulation of equities by presenting and constantly supporting the market-maker application.

As a result of active measures taken by the Company in the reporting year, shares of IDGC of the South, JSC demonstrated a significant increase in liquidity as compared with 2008, and completely fulfill the requirements made by the trade organizer for the shares to be included and maintained in the “B” Quote list.

In order to transfer the shares from the List of off-list

equities to the “B” Quote list of the stock market, an according contract with FB MICEX was signed after conducting an open tender in 2010.

In accordance with the conditions of the contract with FB MICEX, ZAO, a packet of documents for fulfilling the transfer of shares from the List of off-list equities to the “B” Quote list.

Quotations and trading volume in 2009

(data given for the period from 01.01.2009 to 31.12.2009)

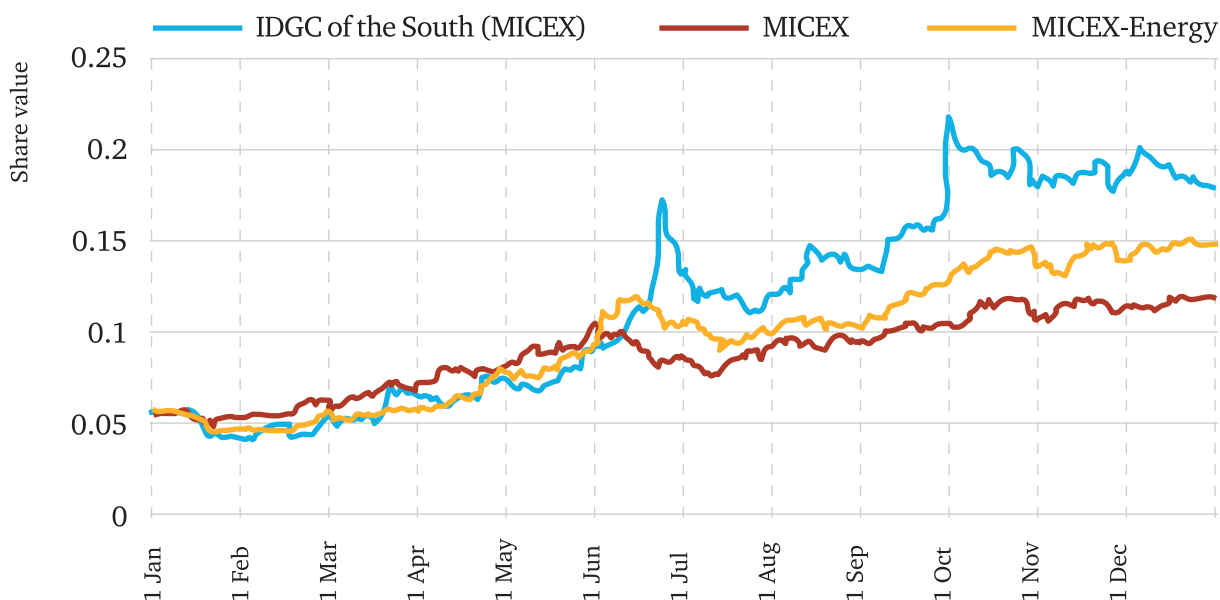
Trade organizer	Volume, mln shares (market and address transactions)	Volume, RUR mln (market and address transactions)	Number of market and address transactions, units	Transaction prices, RUR				Change in price for the reporting year, %
				First	Maximum	Minimum	Last	
MICEX	4,044.59	609.24	27,269	0.0580	0.2428	0.0380	0.1792	209
RTS (T+0)	99.83	18.68	58	0.0401	0.2400	0.0401	0.1751	337
RTS (Classical market)*	111.68	16.46	22	0.0457	0.1966	0.0424	0.1784	321
Average change in price								289

* transferred into rubles under the USD exchange rate of the Central Bank of the Russian Federation on the day the transactions were made

The greatest trading activity can be seen on the FB MICEX, ZAO: in 2009 there was a total volume of trading with Company shares of 609.24 mln rub. The peak values of trading volume were reached in November and December, and equaled 198.08 mln rub. and 195.71 mln rub. respectively.

The lowest trading activity took place in February of 2009 (the volume of transactions made equaled 2.51 mln rub.).

Change in shares of IDGC of the South, JSC (MICEX:MRKA) in relation to Russian indices



Change in market capitalization The Company showed significant growth in the reporting year — according to data from FB MICEX, ZAO this growth equaled more than 200%, as the same time as the change in the MICEX index equaled 116.6%, and the MICEX-Energy index increased by 164.33%.

According to data from FB MICEX, ZAO, the Company's market capitalization as of 31.12.2009 equaled RUR8,866,375,099.39.

In 2010 the Company plans to implement a series of events capable of having a favorable influence on market capitalization.

Company strategy for increasing the attractiveness of Company shares for Russian and foreign investors

A Department of Corporate Management has been created within the organizational structure of the executive apparatus of the Company. This apparatus is responsible, among other things, for work with shareholders, analysts, potential investors, and other interested parties. Its aims are:

- To develop and implement information policy, and establish corporate mechanisms for ensuring timely

presentation of information about the Company's activity;

- To organize presentation of the necessary reporting to the target audience — shareholders, regulating bodies, stock markets, etc.;
- Forming and maintaining relations with the investment community, including with the aim of providing better information to parties interested in the Company.

DISCLOSURE OF INFORMATION

The Company fulfills all requirements for disclosing information set by the legislation of the Russian Federation, as well as internal local normative acts, ensuring a high level of informational transparency. Shareholders, investors and other interested parties receive information from the Company which is sufficient for these parties to take decisions as concerns the Company's shares.

Furthermore, in the reporting year the Company prepared quarterly informational bulletins, placed them on its corporate web-site, and distributed them to analysts, shareholder representatives, and the investment community. These bulletins included:

- A survey of key news;
- Resolutions taken by the Company management bodies;
- Surveys of the stock market;
- Information about production activity;
- Financial-economic indicators.

The corporate web-site of the Company provides the opportunity of feedback from representatives of shareholders, the investment community, analysts and other interested parties with IDGC of the South, JSC as an additional channel for receiving current information on the financial-economic activity of the Company.

The Company signed a contract with the Institute of Corporate Management, JSC for providing qualified services for preparing stock market surveys. Analytical surveys are published each week on the corporate web-site.

IDGC of the South, JSC ensures that there is a convenient process for users of the web-site to get analytical information about trading of IDGC of the South, JSC shares.

The Company has an English-language version of its corporate web-site with the aim of providing information its business to foreign shareholders and investors, ensuring full transparency of the Russian-language information in English as well.

The results of research on the transparency of Russian companies published by Standard & Poor's showed a sufficiently high level of information openness of IDGC of the South, JSC.

Research on the openness of companies was done by calculating an index of informational transparency based on an evaluation of 110 criteria grouped in 3 main blocks:

- The structure of property and shareholder rights;
- Financial and operative information;
- The composition and work procedure of the Board of Directors and the Management Board.

The index of information transparency of IDGC of the South, JSC equaled 50%, which is 5% higher than the given figure for the 40 largest public electricity companies.

That said the level of information openness for the block of "ownership structure and shareholder rights" was close to the value of the 7 best electricity companies, while for the block "composition and work procedure of the Board of Directors and the Management Board" it exceeded it by 0.8 points.

WORK WITH SHAREHOLDERS

In the aim of simplifying the procedure for communication between the Company shareholders and the Company Registrar, and for increasing the level of openness and trust in relations between shareholders and the Company in the reporting year, a contract was signed with the Company registrar — CMD, JSC — on establishing transfer-agent relations.

In accordance with the given contract, the activity of the transfer-agent (IDGC of the South, JSC) is organized based on the location of the Volgogradenergo and Astrakhanenergo branches of the Company due to the fact that the Registrar doesn't have branches on these territories, transfer-agents or representatives.

In order to minimize potential negative consequences when fulfilling the Company's liabilities for this contract, IDGC of the South, JSC attracts notaries for checking the authenticity of the signatures of its shareholders at its own cost.

In 2010 the Company plans to fulfill a series of events aimed at increasing the investment attractive-

ness of its shares for potential investors and its market capitalization, including:

- Raising openness — the Company will aim to disclose additional information about its business which isn't required to be disclosed in accordance with the requirements of the acting legislation of the Russian Federation and local normative acts;
- Perfecting the process of disclosing information about the Company, including by perfecting the corporate web-site;
- Holding public events based on facts of expected or completed global corporate events in the life of the Company;
- Listing of Company shares in the "B" Quote list on FB MICEX, ZAO.

Furthermore, the Company aims to increase its financial stability and achieve high financial results allowing the Company to raise the dividend yields on its shares.

ISSUING ACTIVITY

The Company did not issue any shares in the reporting year.

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SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

BORDER BETWEEN TWO WORLDS ROSTOV-ON-DON

The border between Europe and Asia is marked by a special monument in Rostov-on-Don (next to Voroshilov Bridge).

Tanais Archaeological Museum-Preserve, the largest archaeological dig in Russia (3, 000 ha), is located in the Rostov Region. The ancient Greek city of Tanais (III century B.C.) is the farthest northern ancient colony that grew up on the border of ancient and nomadic civilization.

Rostovenergo distributes electricity over an area of 100, 800 km² (including the Azov City gambling center on the border of the Rostov Region and the Krasnodar Territory).





OPERATING REPORT

MAIN BUSINESS ACTIVITIES OF THE COMPANY

IDGC of the South, JSC unites distribution network systems of the entities of the Southern Federal District of the Russian Federation: the Republic of Kalmykia, Astrakhan Region, Volgograd Region and Rostov Region, and executes the following main business activities:

- paid services in electric energy transmission through execution of organizationally and technologically integrated actions, including operative technological management;
- rendering of services for technological connection of power receivers (power installations) of legal and physical entities to the Company electric networks;
- maintenance and repair activities.

Under order No. 208-e of the Russian Federation dated 16 June, 2008, IDGC of the South, JSC is included

in the register of natural monopolies in the fuel and energy industry that are regulated and controlled by the state through imposing of tariffs on electricity transmission and technological connection of consumers to IDGC of the South, JSC networks.

Besides the abovementioned chief activities, IDGC of the South, JSC executes the functions of "Kubanenergo" JSC sole executive body in compliance with Contract No 407/30-1143 as of 14 September, 2007, between IDGC of the South, JSC and "Kubanenergo" JSC based on the resolutions of General Meeting of "Kubanenergo" JSC Shareholders (Minutes No. 21 as of 31 August, 2007) and "Kubanenergo" JSC Board of Directors (Minutes No. 43/2007 as of 10 September, 2007).

Characteristics of the main production facilities of IDGC of the South, JSC

Branch	Length of the line, km										Circuit length, km
	35–220 kv high-voltage line lines			6–20 kv high-voltage line lines			0.38 kv high-voltage line lines			Total	
	metal	Reinforced concrete	wood	metal	Reinforced concrete	Wood	metal	Reinforced concrete	wood		
Astrakhanenergo	315.4	2,617.7	96.9	0	7,653.3	3,170.8	0	1,608.8	4,554.4	20,017.3	20,740.5
Volgogradenergo	575.0	7,887.7	417.8	0.9	16,347.2	5,799.5	0	5,469.8	9,217.9	45,715.8	47,193.1
Kalmenergo	0	3,488.6	665.7	0	9,162.6	2,742.6	0	1,666.4	1,176.6	18,902.5	19,115.4
Rostovenergo	589.0	10,385.8	530.2	0	29,768.0	1,850.0	0	22,674.0	6,377.0	72,174.0	73,562.0
Total in IDGC of the South, JSC	1,479.4	24,379.8	1,710.6	0,9	62,931.1	13,562.9	0	31,419.0	21,325.9	156,809.6	160,611.0

Branch	Number of 6–35/0.4 kv transformer substations, pieces	Number of 35 kv and more powerful substations, pieces	Installed transformer capacity at 35 kv substations, MVA
Astrakhanenergo	3,630	135	2,038.6
Volgogradenergo	10,421	396	6,521.5
Kalmenergo	3,110	117	1,111.7
Rostovenergo	13,807	568	8,565.7
Total in IDGC of the South, JSC	30,968	1,216	18,237.5

To provide a reliable power supply IDGC of the South, JSC works on capital construction, technological re-equipment, reconstruction and repair of Company grid facilities.

The execution of planned activities in 2009 resulted in increased reliability of power supplies to consumers.

KEY INDUSTRIAL INDICATORS OF THE COMPANY

INDICATORS OF ELECTRIC ENERGY TRANSMISSION THROUGH THE NETWORKS OF THE COMPANY.

In 2009 IDGC of the South, JSC network energy supply totaled 32 bln 136 mln kWh, network productive supply — 29 bln 465 mln kWh, factual waste of electric power — 2 bln 671 mln kWh, (8.31%), by branch:

Branch	Network supply	Network productive supply	Factual waste of electric power	
	mln kWh	mln kWh	mln kWh	%
Astrakhanenergo	3,591.2	2,962.7	628.5	17.50
Volgogradenergo	14,751.5	13,906.3	845.2	5.73
Rostovenergo	13,334.7	12,227.7	1,107.0	8.30
Kalmenergo	458.4	368.2	90.2	19.68
Total in IDGC of the South, JSC	32,135.8	29,464.9	2,670.9	8.31

The volume of the power transmission services granted by the Company in 2009 in comparison with 2008 declined by 2 bln 695 mln kWh (8.4%), by branch:

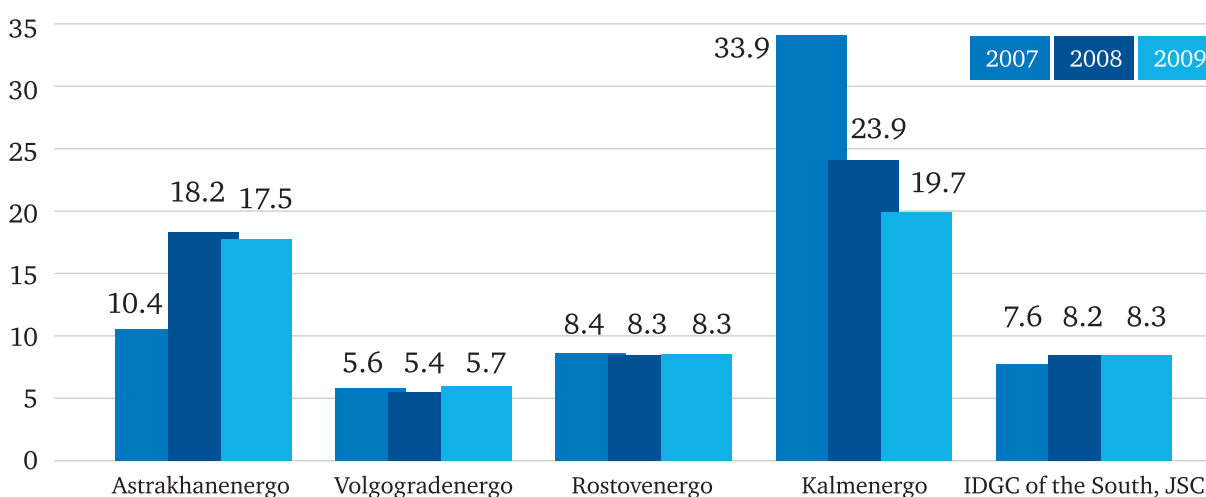
Branch	Volume of power transmission services, mln kWh			
	2008	2009	Change	
			mln kWh	%
Astrakhanenergo	3,028.90	2,962.70	-66.20	-2.19
Volgogradenergo	15,608.30	13,778.20	-1,830.10	-11.73
Rostovenergo	12,918.90	12,112.50	-806.40	-6.24
Kalmenergo	359.20	368.20	9.00	2.51
Total in IDGC of the South, JSC	31,915.30	29,221.60	-2,693.70	-8.44

The largest decrease of services provided in 2009 in comparison with 2008 was in the “Volgogradenergo” branch of IDGC of the South, JSC (-11.7%), due to a decline in electric consumption by large industrial enterprises during the world recession.

Factual electric energy losses in 2009 increased by 0.10% in comparison with the factual losses of 2008:

Branch	Electric energy losses					
	Fact 2008		Fact 2009		Change	
	mln kWh	%	mln kWh	%	mln kWh	%
Astrakhanenergo	673.9	18.20	628.5	17.50	-25.1	-0.70
Volgogradenergo	898.6	5.44	845.2	5.73	+42.8	+0.29
Rostovenergo	1,177.6	8.29	1,107.0	8.30	+1.3	+0.01
Kalmenergo	112.8	23.90	90.2	19.68	-19.3	-4.22
Total in IDGC of the South, JSC	2,863.0	8.21	2,670.9	8.31	+32.1	+0.10

Change in electricity losses in IDGC of the South, JSC branches in 2007-2009, %



* In 2007 the DGCs merged with IDGC of the South, JSC acted as independent AO-energo enterprises.

Fulfillment of electricity transportation losses target by the Company in 2009:

Branch	Electric energy losses					
	Target 2009		Target 2009		Deviation	
	mln kWh	%	mln kWh	%	mln kWh	%
Astrakhanenergo	533.7	14.86	628.5	17.50	+94.8	+2.64
Volgogradenergo	845.3	5.73	845.2	5.73	0.0	0.0
Rostovenergo	1,200.1	9.00	1,107.0	8.30	-93.1	-0.70
Kalmenergo	76.0	16.58	90.2	19.68	+14.2	+3.10
Total in IDGC of the South, JSC	2,655.0	8.26	2,670.9	8.31	+15.8	+0.05

The reason for non-fulfillment of the target of electricity transportation losses in 2009 in IDGC of the South, JSC as a whole can be explained by excessive losses in the Astrakhanenergo and Kalmenergo branches.

Astrakhanenergo's excessive losses are conditional upon taking onto the books of an electric network branch of "Astrcommunenergo" municipal unitary enterprise in Astrakhan in 2008. As a result of steps aimed at decreasing losses in this network, the excessive losses started to decline: in 2008 — 131.5 mln kWh, in 2009 —

94.8 mln kWh (a decrease of 28%). In 2010 the work on excessive losses decline will be continued.

In "Kalmenergo", in spite of the fact that actual losses of 2008 exceeded the target, they show a steady downward trend compared to the previous periods. In 2007 the factual losses were 33.86% of network supply, in 2008 — 23.90%, and in 2009 — 19.68%. This change was the result of execution of actions under the Anti-crisis program at "Kalmenergo", a branch of IDGC of the South, JSC approved in the end of 2007, with a period of validity until 2011.

Key actions on reduction of losses in 2009 are given in the table below:

Action	Reduction of losses, mln kWh
Actions on reduction of technical energy losses	20.322
Network electric wire replacement	3.056
Overcharged / undercharged transformer replacement	0.090
Disconnection of transformers at 2 transformer substations and at seasonal load substations	12.609
Phase load balancing in 0.4 kv networks	1.568
Optimization of substation loading and network disjunctions by transfers within the super grid system	0.032
Reactive power control in the branching points of the distribution network	1.372
Bringing the voltage at a network section to nominal	0.358
Replacement of 0.38 kv power line taps to buildings	0.052
Substation auxiliary power requirement decrease	1.185
Actions on reduction of commercial energy losses (unaccounted for energy tracing as a result of special raids)	23.759
Total effect from actions on reduction of losses	44.081

The general effect of the actions on reducing losses in the networks of IDGC of the South, JSC branches equaled 44.081 mln kWh, which includes effect from organizational actions — 15.399 mln kWh (with unaccounted for energy damage compensation of 39.158 mln kWh), technical actions — 4.923 mln kWh.

The overall economic benefit of the Program of actions held in 2009 on loss reduction equaled RUR 67.6 mln, while the cost of implementation of the Program was RUR 300.2 mln, with a payback period — 5 years. The actual effect of the Program totaled 132% of the 2009 target.

In 2009 IDGC of the South, JSC had total revenue from power transmission services rendered of RUR 19 bln 847 mln (including VAT); by branch:

Branch	Target			Actual		
	Volume of services rendered, mln kWh	Revenue (including VAT), RUR mln	Average tariff (without VAT), RUR/ kWh	Volume of services rendered, mln kWh	Revenue (including VAT), RUR mln	Average tariff (without VAT), RUR/ kWh
Astrakhanenergo	3,120.9	3,034.6	0.82	2,962.7	2,711.8	0.77
Volgogradenergo	15,341.1	7,580.9	0.42	13,778.2	7,055.1	0.43
Rostovenergo	12,923.8	10,514.4	0.69	12,112.5	9,596.2	0.67
Kalmenergo	375.8	512.2	1.16	368.2	484.5	1.12
Total in IDGC of the South, JSC	31,761.6	21,642.1	0.58	29,221.6	19,847.6	0.58

A decline in the volume of services rendered in comparison with the target took place in the high voltage and mid voltage 1 sectors due to a decline in electric consumption by large industrial enterprises during the world recession.

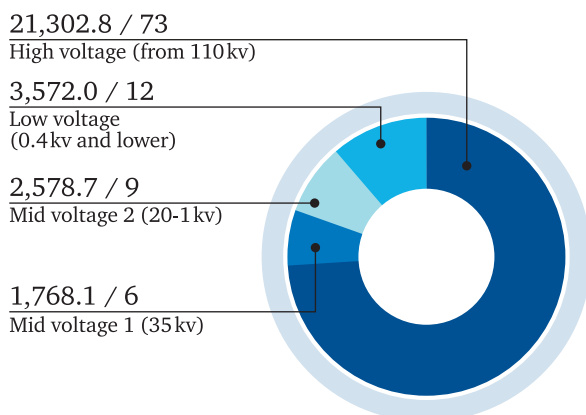
This change can also be traced in monetary terms. Losses in payment received for transmission services are connected with the flat-rate tariff for some consumers instead of the two-rate tariff that had been planned for 2009.

In 2009 IDGC of the South, JSC power transmission services by voltage class totaled:

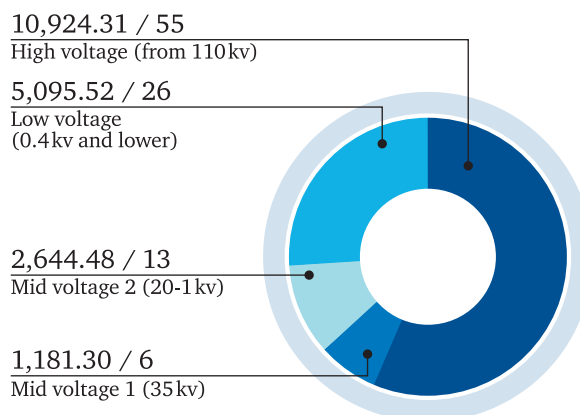
1. In natural terms, mln kWh			
Voltage class	2009 target	2009 actual	Deviation
High voltage (from 110kv)	24,903.0	21,302.8	-3,600.2
Mid voltage 1 (35 kv)	1,792.4	1,768.1	-24.3
Mid voltage 2 (20-1 kv)	2,127.7	2,578.7	451.0
Low voltage (0.4 kv and lower)	2,938.5	3,572.0	633.4
Total:	31,761.6	29,221.6	-2,540.0
2. In monetary terms, RUR mln (including VAT)			
Voltage class	2009 target	2009 actual	Deviation
High voltage (from 110kv)	13,888.22	10,924.31	-2,963.91
Mid voltage 1 (35 kv)	1,205.72	1,181.30	-24.42
Mid voltage 2 (20-1 kv)	2,045.31	2,644.48	599.16
Low voltage (0.4 kv and lower)	4,502.87	5,097.52	594.66
Total:	21,642.1	19,847.6	-1,794.5

POWER TRANSMISSION SERVICES REVENUE MIX

2009 power transmission services revenue mix, in natural terms, mln kWh and %



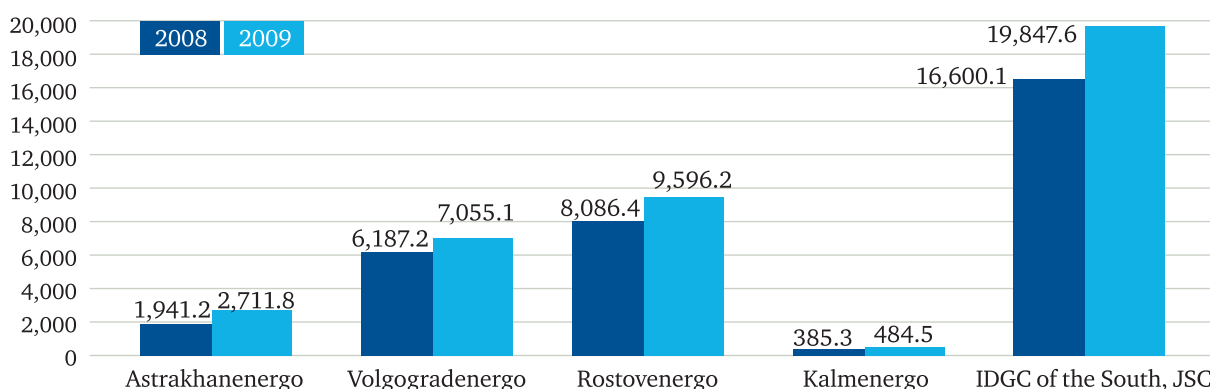
2009 power transmission services revenue mix, in monetary terms, RUR mln and %



However, the yearly change in power transmission services revenue has a growth trend:

Branch	Revenue, RUR mln (including VAT)		
	2008	2009	%
Astrakhanenergo	1,941.2	2,711.8	39.70
Volgogradenergo	6,187.2	7,055.1	14.03
Rostovenergo	8,086.4	9,596.2	18.67
Kalmenergo	385.3	484.5	25.75
Total in IDGC of the South, JSC	16,600.1	19,847.6	19.56

**Cost of service dynamics in 2008–2009,
RUR mln**



The 2009 cost of power transmission services in comparison with 2008 can be explained by natural tariff growth.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE FOR ELECTRIC ENERGY TRANSMISSION

Consumer electricity transmission arrears totaled RUR 6 bln 146 mln, as of 31 December, 2009; including controversial arrears of RUR 3 bln 39 mln. In the end of the year, the increment of growth equaled RUR 4 bln 45 mln. The largest debtors are energy supply companies and major consumers: “Volgogradenergo-sbyt”, JSC “Rusenergosbyt”, LLC, “Astrakhan Energy Supply Company”, JSC “Energosbyt Rostovenergo”,

“Nizhnovatomenergosbyt”, “Central Energy Supply Company”, CJSC, and “Siberia-Urals Aluminum Company”, JSC.

IDGC of the South, JSC had arrears from purchasing energy to compensate losses for a total of RUR 281 mln as of 31 December, 2009. The increment of growth of RUR 91 mln is caused by electricity transmission arrears of energy supply companies.

**Comparative accounts receivable/payable dynamics of IDGC of the South, JSC branches in 2008–2009,
RUR mln**

Branch	Accounts receivable		Accounts payable	
	Customer arrears for electricity transmission services as of beginning of 2009, RUR mln (including VAT)	Customer arrears for electricity transmission services as of end of 2009, RUR mln (including VAT)	Grid company energy purchase arrears to compensate losses as of beginning of 2009, RUR mln (including VAT)	Grid company energy purchase arrears to compensate losses as of end of 2009, RUR mln (including VAT)
Astrakhanenergo	411.9	644.9	67.2	18.3
Volgogradenergo	1,271.6	3,826.8	57.8	185.7
Rostovenergo	330.2	1,460.3	50.4	64.2
Kalmenergo	88.1	214.4	14.5	12.7
Total in IDGC of the South, JSC	2,101.8	6,146.4	190.0	280.9

In order to decrease the volume of accounts receivable and to prevent contract fault in the part concerning contractor payment for services, regular claims work is done, in line with Regulations on Carrying out Claims Work at IDGC of the South, JSC; energy consumption restrictions are imposed as a measure to decrease arrears.

The Company is also taking steps to settle disputes with contractors.

In 2009 the Company received services for a total of RUR 4 bln 569 mln (including VAT) according to the service agreement with "UES FGC", JSC on transmitting electricity through the united national (pan-Russian) electric grid. Due to non-payments by energy supply companies and other consumers for energy transmission services rendered by the Company, IDGC of the South, JSC can not fulfill in full its contract commitment to "UES FGC", JSC. As of 31 December, 2009, the arrears totaled RUR 1 bln 512 mln.

INFORMATION ON TARIFFS FOR SERVICES IN ELECTRIC ENERGY TRANSMISSION

Under the current legislation of the Russian Federation the amount of the tariff for services in electric energy transmission is established by State tariff regulating bodies of each RF entity in each region. In 2009 a uniform ('cauldron') method of electricity transmission tariff accounting operated on the territory of all subjects of the Russian Federation.

A particular feature of the uniform method is that all consumers (energy supply companies and guaranteeing suppliers) of the same class of voltage pay an equal tariff for electricity transmission irrespective of the networks of the company to which they are connected.

From 2009 long-term tariffs for electricity transmission services are in effect in Astrakhan and the Rostov Region. These tariffs are accounted for according to the RAB method ("Regulatory Asset Base" method).

IDGC of the South, JSC held a number of joint meetings with the Administration of the Volgograd Region at a preparatory stage to adoption of RAB regulation by the "Volgogradenergo" branch of IDGC of the South, JSC. The Minutes and Agreement between the Government of the Republic of Kalmykia and IDGC of the South, JSC were signed on the adoption of RAB regulation by "Kalmenergo" branch of IDGC of the South, JSC. Adoption of 5-year RAB regulation by the Volgogradenergo and Kalmenergo branches is expected no later than 1 June, 2010, with the period of long-term tariff regulation being 2011–2015.

Information about tariffs for services in electric energy transmission at IDGC of the South, JSC is presented in appendix No. 4.

The following steps were taken in 2009 in execution of the function of "Kubanenergo" JSC sole executive body:

1. Systemization, organization and analysis of inter-related information (estimates and tables) on 2010 electric transmission services and capacity sales.
2. Developing the following: RAB-based tariff accounting formats, a project of Agreement on the adoption of RAB regulation of "Kubanenergo" JSC methodology of energy transmission tariff accounting by RAB method, interaction with independent valuers to evaluate the investment capital for the purpose of RAB regulation. On a regular basis to interact with the Regional Energy Panel — the Krasnodar Territory Department of Prices and Tariffs (REP–KT DPT) and the Krasnodar Territory Administration on the adoption of RAB regulation of tariffs by "Kubanenergo" JSC.
3. Regular interaction with the RF Federal Tariff Service and with the Regional Energy Panel — the Krasnodar Territory Department of Prices and Tariffs on creation and protection of electric energy and capacity balance; on preparation, drawing up and support of the "Kubanenergo" JSC special opinion on 2010 required gross revenue cost certification

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ACTIVITIES IN THE PROCESS OF TECHNOLOGICAL CONNECTION TO THE COMPANY ELECTRIC NETWORKS

The Department of Technological Connections was set up to handle issues concerning technological connection of electric installations of consumers to the electric networks of IDGC of the South, JSC branches. The Department consists of two offices: the office of technological connections management and the office of technological connections economy management.

The obligations of IDGC of the South, JSC in building or reconstruction of the electric networks necessary for performance of the terms of technological connection contracts are carried out by attracting contract organizations. The functions of technical supervision over construction and reconstruction of electric networks by contract organizations are executed by Capital Construction Department, IDGC of the South, JSC. General management of technological connection is assigned to Deputy CEO, Development and Service Sales Department, IDGC of the South, JSC.

Applications for technological connection are received at executive bodies of the Company branches and at

Customer Service Centers of electric networks production departments of IDGC of the South, JSC branches.

The main standard documents that regulate the Company activities on technological connection of energy receivers (power installations) of legal and physical entities to the electric networks of IDGC of the South, JSC are:

1. Federal law No. 35-FZ On the electricity industry (amended and restated) as of 26 March, 2003;
2. Rules of technological connection of energy receiving devices (power installations) of legal and physical entities to the electric networks approved by governmental order No. 861 as of 27 December, 2004;
3. Order No. 277-e/7 On approval of procedural guidelines on definition of payment for technological connection to electric networks (amended and restated) of the Federal Tariff Service of the Russian Federation as of 23 October, 2007.

The full list of standard documents that regulate technological connection activities is downloadable from the Company corporate website www.mrsk-yuga.ru.

INFORMATION ON TARIFFS FOR TECHNOLOGICAL CONNECTION

Under the current legislation of the Russian Federation the amount of payment for technological connection was established by regulating bodies in each subject of the Russian Federation separately.

As there is no uniform policy accounting for and regulating technological connection tariff rates application and criteria for differentiation of tariffs, the Company branches used various payment rates for technological connection in 2009.

In some cases provided for by the current legislation of the Russian Federation, executive bodies of the subjects of the Russian Federation in the sphere of state tariff regulation fix individual technological connection rates for Applicants connecting to the electric grids of the Company.

Rates including the investment component graded by reliability category and voltage class are fixed for "Rostovenergo" branch of IDGC of the South, JSC.

Rates without investment component graded by consumer category are fixed for "Astrakhanenergo" branch of IDGC of the South, JSC.

Rates both including and excluding investment component graded by territory, by voltage class and by consumer category are fixed for "Volgogradenergo" branch of IDGC of the South, JSC.

Rates without the investment component graded by voltage class and two consumer categories are fixed for "Kalmenergo" branch of IDGC of the South, JSC.

In 2009 "Astrakhanenergo" and "Rostovenergo" branches of IDGC of the South, JSC applied individually calculated tariffs for technological connection that are enforced after their approval by the Regional Tariff Service.

The Rostov Regional Tariff Service and Volgograd Regional Tariff Administration set the procedure of share interest of branches in case consumers are connected to the networks of adjacent network organizations and companies.

The information about volumes and tariffs for technological connection sent to tariff regulation bodies in 2009 and 2010, as well as tariffs for technological connection to electric networks established by a regulating body are set out in appendix No. 5 to the present annual report.

INFORMATION ON TECHNOLOGICAL CONNECTION DEMAND VOLUME AND ITS SATISFACTION (IN A TABLE):

In 2009 the Company received 8,629 applications (without power generation facilities) for technological connection to its electric networks with a total capacity of 534,015.28 kW. 6,318 technological connection

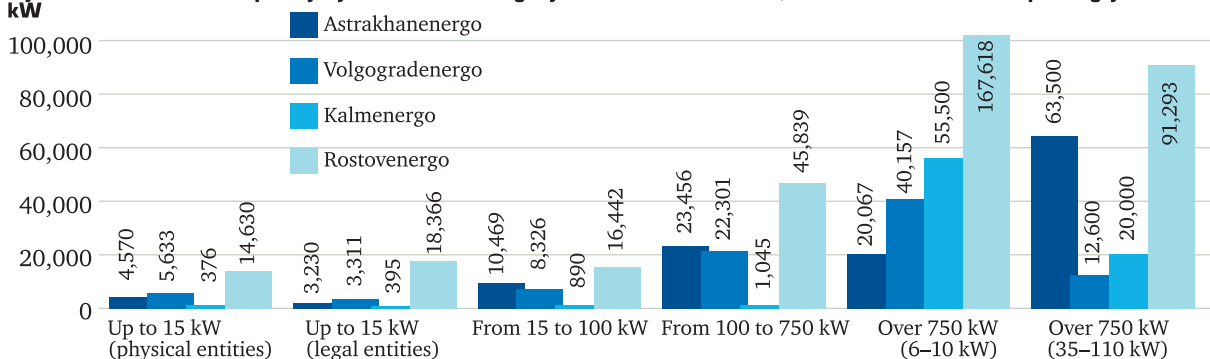
contracts with for general capacity of 269,842.92 kW were reached. IDGC of the South, JSC established 4,147 connections with a general capacity of 105,020.19 kW.

APPLICATION MIX ANALYSIS BY INDUSTRY, CAPACITY AND VOLTAGE CLASS

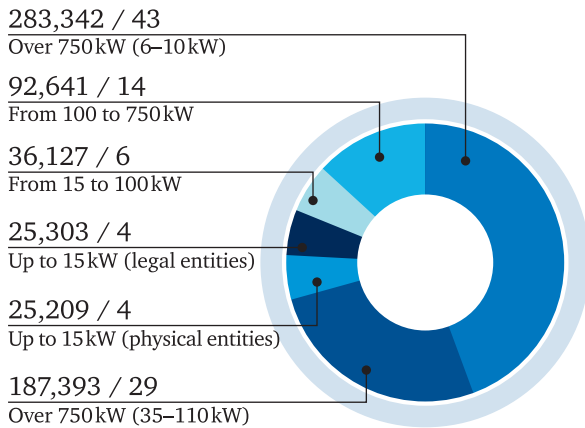
Application mix by capacity and voltage class

Connection category	U, kV	Number of applications for technological connections, including generation facilities									
		"Astrakhanenergo" branch of IDGC of the South, JSC		"Volgogradenergo" branch of IDGC of the South, JSC		"Kalmenergo" branch of IDGC of the South, JSC		"Rostovenergo" branch of IDGC of the South, JSC		IDGC of the South, JSC	
		pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW
Up to 15 kW (physical entities)	0.38	925	4,569.60	872	5,633.30	74	376.40	1,942	14,629.59	3,813	25,208.89
Up to 15 kW (legal entities)	0.38	586	3,230.47	446	3,311.37	73	394.61	2,533	18,366.17	3,638	25,302.62
From 15 to 100 kW	0.38	229	10,468.99	131	8,326.35	24	889.70	338	16,442.13	722	36,127.17
From 100 to 750 kW	6–10	97	23,456.30	85	22,301.40	3	1,045.00	180	45,838.58	365	92,641.28
Over 750 kW (6–10 kW)	6–10	14	20,067.10	20	40,157.10	2	55,500.00	48	167,617.85	84	283,342.05
Over 750 kW (35–110 kW)	35–110	2	63,500.00	1	12,600.00	1	20,000.00	6	91,293.27	10	187,393.27
Total		1,853	125,292.46	1,555	92,329.52	177	78,205.71	5,047	354,187.59	8,632	650,015.28

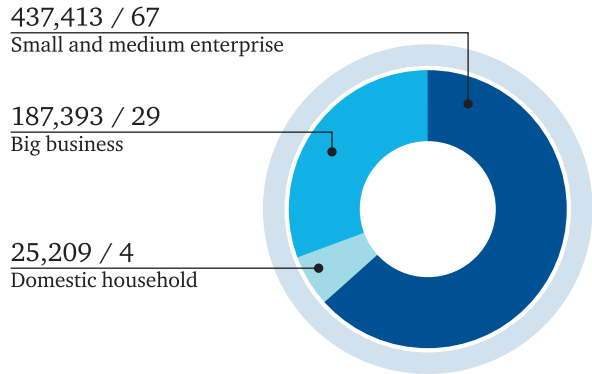
Dynamics of declared capacity by connection category at IDGC of the South, JSC branches in the reporting year 2009 kW



Structure of applications sent to IDGC of the South, JSC by capacity, voltage class and range of connected capacities, kW and %



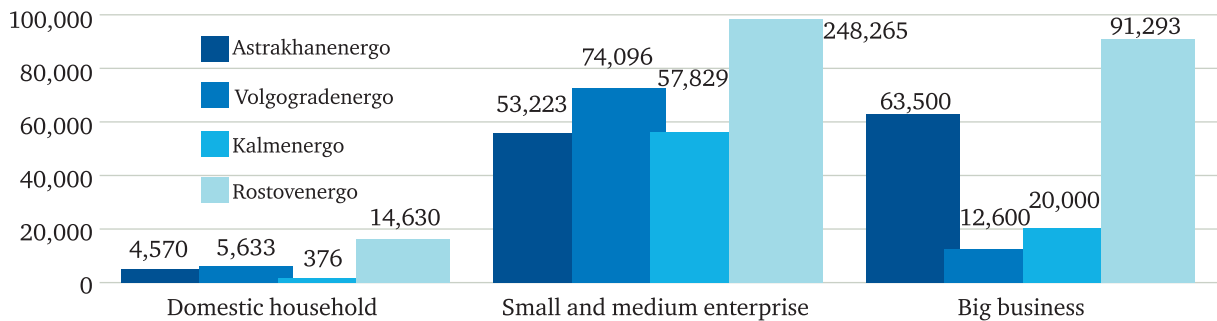
Dynamics of declared capacity by business type at IDGC of the South, JSC branches in the reporting year 2009, kW and %



Application mix by business type

Consumer category	Number of applications for technological connections, including generation facilities									
	“Astrakhanenergo” branch of IDGC of the South, JSC		“Volgogradenergo” branch of IDGC of the South, JSC		“Kalmenergo” branch of IDGC of the South, JSC		“Rostovenergo” branch of IDGC of the South, JSC		IDGC of the South, JSC	
	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW
Domestic household	925	4,569.60	872	5,633.30	74	376.40	1942	14,629.9	3,813	25,208.89
Small and medium enterprise	926	57,222.86	682	74,096.22	102	57,829.31	3,099	248,264.73	4,809	437,413.12
Big business	2	63,500	1	12,600.00	1	20,000	6	91,293.27	10	187,393.27
Total	1,853	125,292.46	1,555	92,329.52	177	78,205.71	5,047	354,187.59	8,632	650,015.28

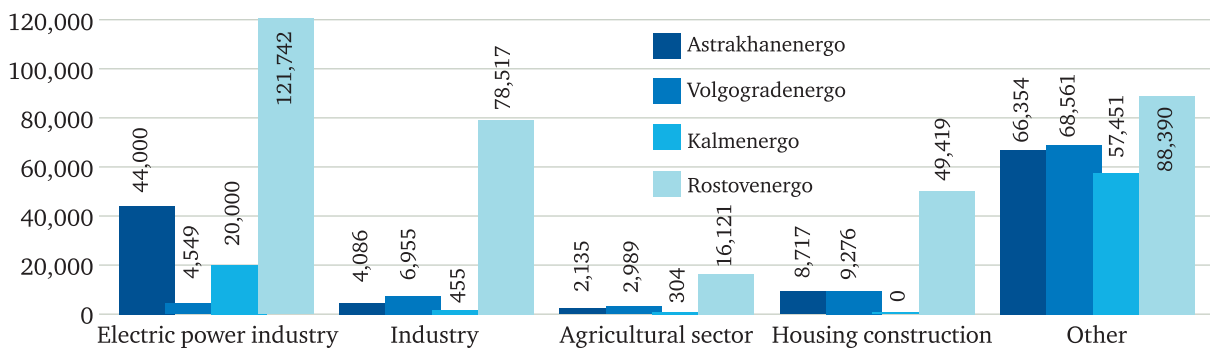
Dynamics of declared capacity by business type at IDGC of the South, JSC branches in the reporting year 2009, kW



Application mix by industry

Consumer category	Number of applications for technological connections, including generation facilities									
	“Astrakhanenergo” branch of IDGC of the South, JSC		“Volgogradenergo” branch of IDGC of the South, JSC		“Kalmenergo” branch of IDGC of the South, JSC		“Rostovenergo” branch of IDGC of the South, JSC		IDGC of the South, JSC	
	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW
Electric power industry	1	44,000.00	16	4,548.95	1	20,000	421	121,741.50	439	190,290.45
Industry	20	4,085.60	24	6,955.00	14	450.44	97	78,516.59	155	90,007.63
Agricultural sector	31	2,135.40	41	2,988.70	26	303.93	107	16,121.34	205	21,549.37
Housing construction	34	8,717.19	21	9,276.20	0	0,00	62	49,418.61	117	67,412.00
Other	1,767	66,354.27	1,453	68,560.67	136	57,451.34	4,360	88,389.55	7,716	280,755.83
Total	1,853	125,292.46	1,555	92,329.52	177	78,205.71	5,047	354,187.59	8,632	650,015.28

Dynamics of declared capacity by industry at IDGC of the South, JSC branches in the reporting year 2009 kW



ESTIMATION OF THE INFLUENCE OF THE RECESSION ON IDGC OF THE SOUTH, JSC TECHNOLOGICAL CONNECTIONS

As a whole, estimation of the services market in technological connection of energy receivers (power installations) of legal and physical entities to the electric networks of IDGC of the South, JSC in 2009 shows a decline in technological connection services demand, in comparison with 2008. The presumed reason for large capacities demand decline lies in the absence of the possibility to obtain credits for long term investment projects due to the recession.

In these circumstances, there appear and develop risks of energy system reliability and sustainability decline due to electric lines and transformers overloading in normal and post-emergency conditions. The situation is further aggravated by electric equipment amortization.

Within the framework of the execution of regulated activities, state tariff regulation is the key factor of influence on IDGC of the South, JSC. It should be noted that technological connection of new applicant energy

receivers (power installations) leads to the increase of power center capacity deficiency, which subsequently leads to the necessity of their reconstruction or new construction. In the case of an inadequate tariff stated by a regulating entity IDGC of the South, JSC has to use bank credits to finance applicant technological connections. The economic recession, together with tightened credits, lead to the risk of technological connection contracts failure, and, therefore, to under funding of the Company investment program.

To summarize, the Company investment program implementation will have a positive impact on the prospective of regional electric grid infrastructure development, and allow to increase the reliability of the Company energy supply to consumer. IDGC of the South, JSC prospective electric grid development will enable the Company to connect to its grid a number of investment and socially significant facilities, thus providing IDGC of the South, JSC with extra sources of income from electricity transmission services for launching investment projects of the future.

“KUBANENERGO” JSC ELECTRIC GRID TECHNOLOGICAL CONNECTION

In 2009 15,740 applications (without generation facilities) were accepted for technological connection to “Kubanenergo” JSC electric grid, with a total capacity of 1,414,397.67 kW. Among them, 13,612 technological connection agreements were signed, with a total capacity of 405,613.29 kW. A total of 7,982 connections for a total capacity of 124,149.77 kW were executed.

In 2009, in execution of the function of “Kubanenergo” JSC sole executive body, IDGC of the South, JSC executed activities on methodological guidance of the accounting and documentation proving “Kubanenergo” JSC 2009–2010 technological connection income shortfall, as well as coordination of the materials at the Federal Tariff Service of Russia and REP-KT DPT.



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REPAIRS AND MAINTENANCE ACTIVITIES OF IDGC OF THE SOUTH, JSC

PERFORMANCE RESULTS OF IDGC OF THE SOUTH, JSC BRANCH REPAIR PROGRAMS

In 2009 IDGC of the South, JSC made all necessary repairs of its grid equipment, which equaled 100% of the cost target. Expressed in physical terms, the execution of the repairs program by electric equipment groups totaled:

● repair of 35–220 kv power transmission lines	3,935 km
● repair of 35–220 kv substations	166 substations
● repair of 0.38–10 kv power transmission lines	10,824 km
● repair of 0.38–220 kv cable lines	92 km

The general costs for electric networks major repairs in 2009 equaled RUR 627.4 mln, including:

● repair of 35–220 kv power transmission lines	RUR 55.6 mln
● repair of 35–220 kv substations equipment	RUR 151.4 mln
● repair of 0.38–10 kv power transmission lines	RUR 256.4 mln
● repair of 0.38–220 kv cable lines	RUR 26.6 mln

Electric networks repair costs by economic and contract methods equaled RUR 627.4 mln, against a target of RUR 628.3 mln, including by repair methods:

● contract method	RUR 147.8 mln. against the target of RUR 177.5 mln
● economic method	RUR 479.6 mln against the target of RUR 450.8 mln

ANALYSIS OF THE PERFORMANCE OF THE ELECTRIC NETWORKS MAJOR REPAIRS PROGRAM COMPARED TO 2008

Performance of the electric networks major repairs program is shown in the table

Equipment	Measurement unit	2008			2009		
		Target	Performance	Target achieved, %	Target	Performance	Target achieved, %
Integrated repair of 35–220 kv substations	pieces	139	139	100	166	166	100
Repair of 35–220 kv power transmission lines	km	2,919	3,018	103	3,768	3,935	104
Repair of 0.38–10 kv power transmission lines	km	9,958	10,527	106	10,384	10,824	104
Repair of 0.38–220 kv cable lines	km	63.2	72.2	114	86	92	107
Repair of 6–10/0.4 kv transformer substations	pieces	3,540	3,878	110	3,467	3,983	115

MAIN APPROACHES TO DEVELOPMENT OF EQUIPMENT REPAIR PROGRAMS

To improve the quality of electric network repair and maintenance and to decrease the quantity and duration of network element switching-off in 2010, the Company is planning to continue:

- reduction in equipment outages and improvement of repair quality;
- application of modern technologies;
- application of modern equipment, adaptations and high-duty materials of advanced reliability;
- advanced test and diagnostics devices used at repairs.

In 2010 the Company will continue complex integrated resource management system (CIRMS) installation at all its branches, a system operating on a software product that will automate the planning and repair and maintenance services management process.

Within the framework of asset management system development, based on the “Equipment Maintenance and Repair” PM module components, the following

measures were taken concerning CIRMS of IDGC of the South, JSC:

1. Functional location relationship testing and the check of the 1st topology forming phase data, including top level functional location creation, was finished.
2. Import of the data of the 2nd topology forming phase in conformity with functional location standard structures that include technical object fragmentation for the further equipment installation was finished at the branches of IDGC of the South, JSC.
3. Regular working groups for the implementation of the “Equipment Record” PM module part were organized at the branches of IDGC of the South, JSC.
4. A number of design solutions were developed and validated by the technical division of IDGC of the South, JSC.
5. “Switching-off Control” and “0.38–10 kv Sub-distribution Grid Switching-off” function modules were developed.

IMPROVEMENT OF THE RELIABILITY OF IDGC OF THE SOUTH, JSC ELECTRIC NETWORKS

In 2009 the Company repaired its fixed capital assets in order to improve reliability of the energy system and power supply. It carried out technical services, diagnostics and electric equipment tests in full.

The Company executed a number of actions for electric network reliability and trouble-free operation maintenance, including:

- anti-flood actions;
- rainstorm season equipment preparation;
- fire hazardous period preparation actions;
- autumn/winter period electric network preparation actions;
- extreme temperature periods preparation actions, etc.

Order No. 167 of IDGC of the South, JSC as of 25 July, 2008, was approved by the members of IDGC of the South, JSC Technical Council.

The Technical Council was set up to complete the following tasks:

- to work out the main principles of development and practical application mechanisms of IDGC of the South, JSC technical policy;

- to improve fixed assets maintenance and repair quality;
- to increase the reliability of equipment and personnel;
- to decrease accident risks;
- to optimize power economy perspective development schemes;
- to work out proposals on issues defining IDGC of the South, JSC technical policy.

In 2009 the IDGC of the South, JSC Technical Council held 20 meetings.

The state of the IDGC of the South, JSC electric grids can be characterized as highly worn out. This is explained by the following: the 1990s decline in production and under-funding held back the rate of reconstruction, technical re-equipping and new grid construction. Coping with fixed assets ageing, out-of-date equipment replacement and new technologies development are the Company's key tasks.

In order to meet these objectives, with the purpose of gradual renovation of key production facilities, under annual order No. 1 of IDGC of the South, JSC Integrated

programs of distribution grid system reliability and efficiency improvement are developed. They include:

1. An equipment reliability improvement program that contains, among other things:
 - replacement of 6–10 kv oil switches with vacuum ones at 35–110 kv substations;
 - replacement of 35–110 kv isolating short circuitors with gas-insulated (vacuum) switches;
 - replacement of 110 kv support rod insulators;
 - actions aimed at the management of jet capacity;
 - implementation of insulated and protected wires for overhead power lines;
 - automation of 6–20 kv distribution electric networks on the basis of reclosers;
 - restoration of operative blockings;
 - restoration of load tap change and automatic control equipment;
 - icing and snow sticking prevention.
2. Program on reliability improvement of dispatching and technological management equipment, relay protection, anti-emergency automatics, communications, electricity control and accounting that contains, among other things:
 - relay protection and automation devices technical update and reconstruction;
 - remote control, automation and update of IDGC of the South, JSC branches grid facilities (including systems of telecommunications, automated system of dispatch and technological management — ASDTM);
 - replacement of 35–110 kv measuring current and voltage transformers;
 - replacement of 6–10 kv measuring current and voltage transformers.
3. Observance of state and corporate supervising body instructions, acts on IDGC of the South, JSC

branches technological infringement investigation and IDGC of the South, JSC and its branches deviations from standard technical and directive documentation.

4. Improvement of power equipment, buildings and constructions fire safety.
5. Program of the grid complex operative technological management improvement.
6. Plan of equipment repairs.
7. Program of professional level improvement, safety provision and personnel traumatism prevention.
8. Program of actions aimed at increasing the ecological safety of the distribution grid system.

In 2009 and 2008 there were no failures at IDGC of the South, JSC grid facilities.

Production departments of IDGC of the South, JSC branches have repair teams equipped with necessary tools and ready to perform emergency recovery work. The Company held combined exercises with regional EMERCOM (The Ministry of the Russian Federation for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters) subdivisions and concluded agreements on interaction and mutual informing in the case of emergency prevention and response.

In 2009 IDGC of the South, JSC branches planned and held 7,096 joint fire prevention trainings (among them — joint fire prevention exercises with EMERCOM regional divisions aimed at quenching fires in electric installations).

IDGC of the South, JSC developed and approved under order No. 219 as of 29 September, 2008, the regulation on emergency reserve of equipment, materials and spare parts for grid facilities of IDGC of the South, JSC branches. All branches of IDGC of the South, JSC checked reserve emergency equipment according to the approved lists. The emergency stock is equipped at a 100% level.

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IDGC OF THE SOUTH, JSC CLIENT-ORIENTED POLICY

IDGC of the South, JSC acknowledges the high social importance of its services in providing decent living conditions for both private persons and businesses, and implements a client-oriented policy. This creates the conditions of interaction with the client whereby the Company ensures transparent application consideration process and creates clear and comfortable conditions for such interaction.

At the client's choice, the Company ensures interaction according to any of the three models:

- personal (Client Service Centers)
- off-site (by phone, mail, e-mail)
- interactive (by Internet)

Main principles of the Company client service:

- providing territorial, informational and price availability of the client service;
- execution of a principle of equal-opportunity access to the Company services: equal requirements and rights to all clients;
- creation of comfortable service conditions and friendly customer care;
- client application procedure transparency;
- fair, unbiased and timely client application consideration.

The Company expands the network of Client Service Centers on a regular basis in order to ensure quick application consideration and provide a comfortable client service.

Within the framework of the Program of centralized client service development within IDGC of the South, JSC service territory until year 2011, 2 Client Service Centers and 2 Client Service Offices were opened in 2009:

In total, 20 Client Service Centers (CSC) and Client Service Offices (CSO) were opened by the Company as of 31 December, 2009:

- *by "Astrakhanenergo" branch of IDGC of the South, JSC — 2 CSCs:*
 1. Central CSC in Astrakhan
 2. CSC in Akhtubinsk
- *by "Volgogradenergo" branch of IDGC of the South, JSC — 6 CSCs and 2 CSOs:*
 3. "Volgograd electric grid" production enterprise CSC in Volgograd;
 4. "Pravoberezhnye electric grid" production enterprise CSC in Volgograd;

5. "Levoberezhnye electric grid" production enterprise CSC in Volzhskiy;
6. "Levoberezhnye electric grid" production enterprise Pallasovskiy distribution zone CSO in Volzhskiy;
7. "Uryupinsk electric grid" production enterprise CSC in Uryupinsk;
8. "Kamyshin electric grid" production enterprise CSC in Kamyshin;
9. "Kamyshin electric grid" production enterprise Elan distribution zone CSO in Elan;
10. "Mikhailovka electric grid" production enterprise CSC in Mikhailovka;
- *by "Rostovenergo" branch of IDGC of the South, JSC — 9 CSCs:*
 11. Central CSC in Rostov-on-Don;
 12. "Central electric grid" production enterprise CSC in Novocherkassk;
 13. "Eastern electric grid" production enterprise CSC in Volgodonsk;
 14. "Western electric grid" production enterprise CSC in Shakhty;
 15. "North-Eastern electric grid" production enterprise CSC in Kamensk-Shakhtinsk;
 16. "Northern electric grid" production enterprise CSC in Millerovo;
 17. "South-Eastern electric grid" production enterprise CSC in Salsk;
 18. "South-Western electric grid" production enterprise CSC in Taganrog;
 19. "Southern electric grid" production enterprise CSC in Azov;
- *by "Kalmenergo" branch of IDGC of the South, JSC:*
 20. CSC in Elista.

The total manpower of IDGC of the South, JSC CSC system is 52 people.

The Client Service Centers and Client Service Offices accept client applications for the following services: technological connection, reconstruction and capacity volume increase, change of electric supply reliability category, change of connection point, change of external electric supply schematic diagram, existing technical conditions extension and re-registration.

The activities of the Client Service Centers are coordinated by branch Clients Service Departments.

The following standards were developed and agreed upon in 2009:

- Standard 80380011-IA-ISM 019-2009 “IDGC of the South, JSC centralized client service system”;
- Standard 80380011- IA-ISM 017-2009 “Client Service Centers design and equipment”;
- Standard 80380011- IA-ISM 018-2009 “Appearance and business conduct of Client Service Center employees”.

As a socially responsible and client-oriented company, IDGC of the South, JSC continues its work on

further centralized client service system improvement and development.

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COMMUNICATIONS NETWORK AND INFORMATION TECHNOLOGIES DEVELOPMENT

CHARACTERISTICS OF IDGC OF THE SOUTH, JSC'S CURRENT SITUATION IN INFORMATION AND TELECOMMUNICATION INFRASTRUCTURE

IDGC of the South, JSC pays a considerable attention to the development of its communication network and information technologies.

The current level of the Company automation allows it to meet its objectives.

For automation of economic activities of all its branches, IDGC of the South, JSC uses a configuration of 1 C Enterprise 8.1. Production enterprise management program. The following subsystems are implemented: financial and tax accounting, money resources management, fixed assets accounting, storekeeping, personnel records and payroll accounting.

In 2009, for the purpose of document circulation automation the Company continued its work on the functional extension of the electronic document management automated system. The system is installed at 2700 workplaces.

In 2009 IDGC of the South, JSC continued implementing the complex integrated resource management system (CIRMS) based on SAP AG (modules TOPO (PM) and IS-U) software.

Communication and remote control means are a component of the IDGC of the South, JSC branches infrastructure and are intended for the maintenance of operative dispatch, technological, organizational, economic and administrative power supply system management.

The basis for the information environment of IDGC of the South, JSC branches are main digital radio relay communication lines, fiber-optical and cable communication lines condensed with analogue and digital equipment with digital switching, high frequency communication channels at overhead lines and various radio stations.

PRINCIPLES OF INFORMATION SYSTEMS AND IT INFRASTRUCTURE CONSTRUCTION

Specialists of the Information Technologies Department use the following principles when selecting and implementing hardware and software of the corporate information system complexes:

- **safety** — protection of the Company executive body information resources from unauthorized access;
- **availability** — constant and uninterrupted access to information resources of the Company executive body;
- **reliability** — reserve copying and information resources disaster recovery of the Company executive body;
- **convenience** — introduction and use of new technologies for convenient work with information resources, fast search of the necessary information and its self descriptiveness.
- **integrity** — "seamless" integration of the hardware and software complex into the IT Infrastructure. Conformity to the existing IT Infrastructure development concept.

THE MOST SIGNIFICANT RESULTS OF INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS DEVELOPMENT IN 2009.

Under execution of the project "Development of the complex integrated resource management system (CIRMS) based on SAP AG software" the following works were organized in 2009:

Automation of equipment repair and maintenance processes based on the SAP AG PM (TOPO) module software:

- In order to create network topology the data on functional locations and their relationships stored in the TOPO module in accordance with functional location standard structure was checked and updated;
- The standard structures of functional location and relay protection and automation and high voltage line equipment units were developed. Regular working groups for the implementation of the "Equipment Record" TOPO module were created. Personnel trainings were organized.

Within the framework of automation of electricity transportation services management based on the IS-U module, in order to account the productive energy supply the following steps were taken:

- Legal and physical entities database was created in the SAP R/3 IS-U module;
 - Structural divisions personnel trainings were organized;
 - From October, 2009, IS-U module production test in productive energy supply accounting was organized;
- In 2009 the functional extension of the electronic document management automated system based on the "Documentum" system was implemented at IDGC of the

South, JSC. The following modules are in operation at present:

- Incoming correspondence
- Outgoing correspondence
- Executive documents
- Business trips orders
- Minutes
- Contracts, additional agreements
- Project documentation
- Powers of attorney
- Assignments
- Statistical reports
- Federation

The "technological connection" corporate program was developed and launched into industrial use, which allowed:

- to create a platform for a uniform technological connection documents storage that contains the data from all production departments and branches, and that are accessible for viewing, quick search and analysis;
- based on the input data, to create prompt detailed reports, (the time required to prepare such a report is much shorter than to create a report based on the analysis of the data on a paper medium);
- to account technological connection contract cost;
- to receive detailed information on the process of new consumer connection promptly;
- to estimate the amount of electric installations and consumers by substation.

Activities on the “Primavera” Information System of Project Management (ISPM) installation in 2009:

- Reporting forms automation activities, according to the state requirements, were completed.
- ISPM was launched at “Rostovenergo” branch of IDGC of the South, JSC. ISPM baseline was expanded, the personnel was trained.
- Analysis of customer investment activity for IDGC of the South, JSC was conducted.
- ISPM was launched at “Volgogradenergo” branch of IDGC of the South, JSC. ISPM baseline was expanded, the personnel was trained.
- Works on the adaptation of the data portal to control the fulfillment of Company Olympic program facilities construction assignments were completed. Data processing center on the basis IBM/EMC equipment was built. Two high-capacity IBM POWER 596 servers and a EMC DMX-4 storage system were the computing platform for this solution.

According to the 2009 IDGC of the South, JSC investment program, the following activities were completed with regard to dispatcher control and technological management:

1. Remote control modernization at 7 energy facilities (Substations: G-2, Proletarskaya, T-25, SH-34, Oblivnaya, BG-2, Ganchukovskaya) to fulfill system operator requirements (Agreement On technological interaction regarding operational dispatch administration of “RAO UES of Russia № SDU-u-14/06 between “Rostovenergo”, JSC and “SO-UES CDA”, JSC) regarding the “System upgrade of technology information exchange with “SO-UES CDA”, JSC” facility;
2. Remote control reconstruction at substations 110 kv R-10, R-17, R-38 of “Central electric grid” production enterprise; GOK of “Northern electric grid” production enterprise; 35 kv A-6, A-17 of “Southern electric grid” production enterprise;
3. Organization of E1 digital streams:
 - on HDSL modem basis: Eastern production enterprise with Konstantinovskiy, Tsimlyanskiy, Zimovnikovskiy distribution zones; Central production enterprise with Bagaevskiy distribution zone (with cable lines reconstruction of the following sections: Konstantinovskiy distribution zone — KGU substation, Tsimlyanskiy distribution zone — VES, Bagaevskiy distribution zone — BG-1 substation),
 - on Ethernet basis via radio relay lines: South-Eastern production enterprise with Proletarskiy and Orlovskiy distribution zones;
4. Organization of digital streams on HDSL modem basis with cable lines reconstruction of the substation T-25 – substation T-15 section;

5. VES production enterprise switching center reconstruction on the basis of a digital “Proton-SSS” automatic telephone station.
6. Radio relay lines construction, with the use of 40 Mb/s “Pasolink” equipment (16 E1 streams + Ethernet), on the following sections: Novocherkassk (NchRRP) — Bagaevskaya (substation BG-1) — Semikarakorskiy distribution zone — Konstantinovskaya (substation KGU) — Progress–Tsimlyansk (VES production enterprise);
7. Radio relay lines construction, with the use of 20 Mb/s “Pasolink” equipment (8 E1 streams + Ethernet), on the following sections:
 - Kamensk — B.Kalitva — Uglegorskaya (B-12) (SVES production enterprise),
 - Chertkovskiy distribution zone — substation Sokhranovskaya — substation Artamonovskaya — substation Tikhovskaya (SES);
8. High-frequency channel construction with the use of “Linia-C” equipment on the following sections: substation Oblivnaya — substation Martynovskaya — (VES production enterprise), substation Ganchukovskaya — substation Proletarskaya (UVES production enterprise);
9. Control switch switching center reconstruction, with the replacement of central processor units and “Alcatel” software. Also, replacement of meetings communication equipment to “CS1202” and a “Kvant” automatic telephone station to a UC digital “Proton-SSS” automatic telephone station.
10. Construction of a 9 km optic cable line with the organization of E1 digital streams, with the use of FOM 155L2 equipment on the sections: substation R-8 — UC, RE — automatic telephone station 40 (Dumskiy, 3)
11. Electric power reconstruction of the central electric grid dispatch center of “Rostovenergo” branch of IDGC of the South, JSC US NchRRP, DP UVES, with diesel electric-power generator installation; With respect to “Volgogradenergo” branch remote control installation, remote control equipment replacement works at 13 substations were executed.

The following programs were implemented at “Volgogradenergo” branch grid administration center: PSI Control and “System of automated energy equipment repair administration” (SAEERA) aimed at operational functions dispatch automation.

Remote control implementation and communication channel reconstruction design works were completed at “Astrakhanenergo” branch at 14 substations. Besides, remote control installation works at 9 substations were completed.

PROSPECTS FOR IDGC OF THE SOUTH, JSC TO DEVELOP NEW TECHNOLOGIES IN 2010.

In order to develop CIRMS (on the basis of SAP AG software) the following activities are planned in 2010:

1. Equipment maintenance and repairs (PM);
2. Electricity transportation services administration (IS-U). (IS-U module industrial use launch from 01 August, 2010).

With regard to the electronic document system, the following activities are planned:

1. "Electronic archive" module completion;
2. Confidential documents procession;
3. Electronic document system activities audit;
4. Integration with the current information systems;
5. Connection with the "Federation-2" module.

With regard to the "Technological connection" corporate program, the following activities are planned:

1. Completion and launch of "Public appeals and complaints handling" module for client service centers;
2. Implementation of the facility enabling support of "UES FGC", JSC technological connection contracts, trilateral and temporary agreements of DGC

facilities technological connection to the Company electric grid;

3. Implementation of the facility enabling creation of specifications and balance sheet attribution acts;
4. Integration with 1C Enterprise program;
5. Optimization of financial closing facility.

The Company 2010 investment program includes costs for updating and expansion of the Information Gathering and Transmission System (SSPI) and organization of digital channels of communication and remote control with IDGC of the South, JSC branches.

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IDGC OF THE SOUTH, JSC PURCHASING ACTIVITY

The principal direction of IDGC of the South, JSC purchasing policy is establishment of a uniform approach to the implementation of "The regulation on the procedure of holding of controlled goods, works and services purchases for the needs of IDGC of the South, JSC," that guarantees the following:

- regular Company supply with high quality goods, works and services;
- cost effectiveness of purchasing activities;
- prevention of mistakes and abuse in purchasing;
- purchasing activities on a competitive basis where possible, and special control over decisions in situations where it is not possible to purchase at a competitive market;

- balanced approach to the level of purchasing regulation and organization, as well as to separate purchases;
- control over specifications of commodities and materials purchased while choosing purchasing strategy and order;
- professionalism at purchasing.

IDGC of the South, JSC is interested in working with experienced, well-qualified and well-reputed suppliers and contractors, and in purchasing products that conform with purpose requirements, application properties and technical characteristics, ecological and industrial safety and at a price conforming to their quality.

IDGC OF THE SOUTH, JSC APPLIES THE FOLLOWING MAIN PURCHASING METHODS:

1. Open 1 step competition without prior selection — with the purpose of effective and reasonable expenditure of monetary resources, ensuring the right competition levels, as well as fairness, equity and transparency of purchasing procedures, fair and equal approach to all suppliers.
 2. Open requests for proposals — at any of the conditions mentioned below:
 - there is no time to hold a competition, or it is unreasonable for some other important reason, but the circumstances requiring an immediate purchase from a single source are not applicable, and the complexity of the product or its delivery terms do not allow to apply the price request method;
 - when the estimated purchasing volume does not exceed: RUR 5 mln (without VAT) for the purchase of construction materials and contract work, as well as unique (individual) equipment; RUR 3 mln (without VAT) for the purpose of other goods, works and services.
 3. Open requests for prices — at purchasing simple products, for which there exist a well-established market, with the condition that the contract price does not exceed: RUR 5 mln (without VAT) for the purchase of construction materials and contract work; RUR 3 mln (without VAT) for the purpose of other goods, works and services.
 4. Purchases from a single source can be executed in any of the following cases:
 - urgent need in a product, when it is not reasonable to apply other procedures;
 - urgent need for a certain product, when it is impossible to apply other procedures due to force majeure circumstances;
 - product can be obtained only from one supplier, and there is no equivalent replacement;
 - additional purchases are made, when due to the reasons of standardization, unification, compatibility, or continuity (for works and services) with previously bought products the new purchases should be made with the same supplier;
 - additional purchases of works and services are made, that are not included in the original project (contract), but are non-removable from the main contract without major difficulties, and are necessary due to force major circumstances;
 - only one application was submitted in the course of a competition or any other open procedure, when this application is acceptable, and a new purchasing procedure, according to the Central Purchasing Organization, is unreasonable;
 - when purchasing training and seminar services, if equivalent replacement of the conductor is impossible.
- In order to provide transparent purchasing activities, the Company publishes copies of all publications on current open purchasing procedures and their results at:
- uniform Internet resource www.b2b-energo.ru;
 - Internet resource www.zakupki.gov.ru;
 - IDGC of the South, JSC site www.mrsk-yuga.ru, in the “Purchasing” section;
 - IDGC of the South, JSC Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo branches sites: www.astren.elektra.ru; www.volgogradenergo.ru; www.kalmenergy.ru; www.rosten.ru., in the “Purchasing” sections.
- Company Annual Integrated Purchasing Program is based on the following programs that determine production activities:*
- production program (with all purchases that are included in the budget for production and sales (of goods, works and services — product of ordinary business), foreseen by the business plan);
 - repairs program (repairs plan);
 - investment program (with technical upgrade and reconstruction, including information technologies and new construction);
 - other programs and plans where purchasing activities are provisioned.
- The Annual Integrated Purchasing Program is carried out through scheduled regulated purchasing of goods, works and services, during the respective calendar year of the Program execution for which it is approved.*
- Information on the performance of the Annual Integrated Purchasing Program of IDGC of the South, JSC in 2009 is given below.

Performance of the Annual Integrated Purchasing Program of IDGC of the South, JSC in 2009 by type of activity

Company/ Branches	IDGC of the South, JSC		“Astrakhanenergo” branch of IDGC of the South, JSC		“Volgogradenergo” branch of IDGC of the South, JSC		“Kalmenergo” branch of IDGC of the South, JSC		“Rostovenergo” branch of IDGC of the South, JSC	
	Target, (RUR, thousand)	Actual, (RUR, thousand)	Target, (RUR, thousand)	Actual, (RUR, thousand)	Target, (RUR, thousand)	Actual, (RUR, thousand)	Target, (RUR, thousand)	Actual, (RUR, thousand)	Target, (RUR, thousand)	Actual, (RUR, thousand)
New construction and expansion of electric power facilities	0	110,806	672,057	469,747	22,338	243,989	–	–	257,747	659,317
Reconstruction and upgrade of electric power facilities	0	0	158,805	228,207	2,360	164,406	4,460	24,428	598,610	850,491
Energy facilities repairs and maintenance	0	0	74,091	104,336	152,285	321,568	37,733	32,881	573,427	514,303
IT purchases	31,060	121,413	21,004	11,171	46,268	26,530	415	661	7,078	25,337
R&D	0	0	0	0	0	0	0	0	0	11,600
Consulting services	0	5,506	17,500	7,178	0	0	0	0	0	0
Evaluator services	0	0	0	0	0	0	0	0	0	0
Other purchases	103,139	412,136	22,612	154,411	112,049	368,015	7,728	18,085	92,389	86,425
Total:	134,199	649,862	966,069	975,049	335,301	1,124,507	50,336	76,055	1,529,251	2,147,473
Total by IDGC of the South, JSC	Target, (RUR, thousand): 3,015,156				Actual, (RUR, thousand): 4,972,946					

Performance of the Annual Integrated Purchasing Program of IDGC of the South, JSC in 2009 by purchase method

Procedure	Quantity	Target, (RUR, thousand)	Actual, (RUR, thousand)
Open competitions	385	2,246,379	3,211,623
Restricted competitions	0	0	0
Open requests for prices	196	271,286	245,819
Restricted requests for prices	0	0	0
Open requests for proposals	301	332,996	484,919
Restricted requests for proposals	1	0	2,500
Single sources	192	164,495	1,028,085
TOTAL:	1,075	3,015,156	4,972,946

In accordance with the approved 2009 Annual Integrated Purchasing Program of IDGC of the South, JSC regulated purchasing activities of RUR 3,015,156 thousand (including VAT) were planned. In fact, purchasing activities of RUR 4,972,946 thousand (including VAT) were executed. Deviation of Fact from Target is due to unplanned purchases that were carried out because of

late approval of the 2009 Annual Integrated Purchasing Program, on the basis of item 6.2.10 of “The regulation on the procedure of holding of controlled goods, works and services purchases for the needs of IDGC of the South, JSC”, with the subsequent notification of the Board of Directors.

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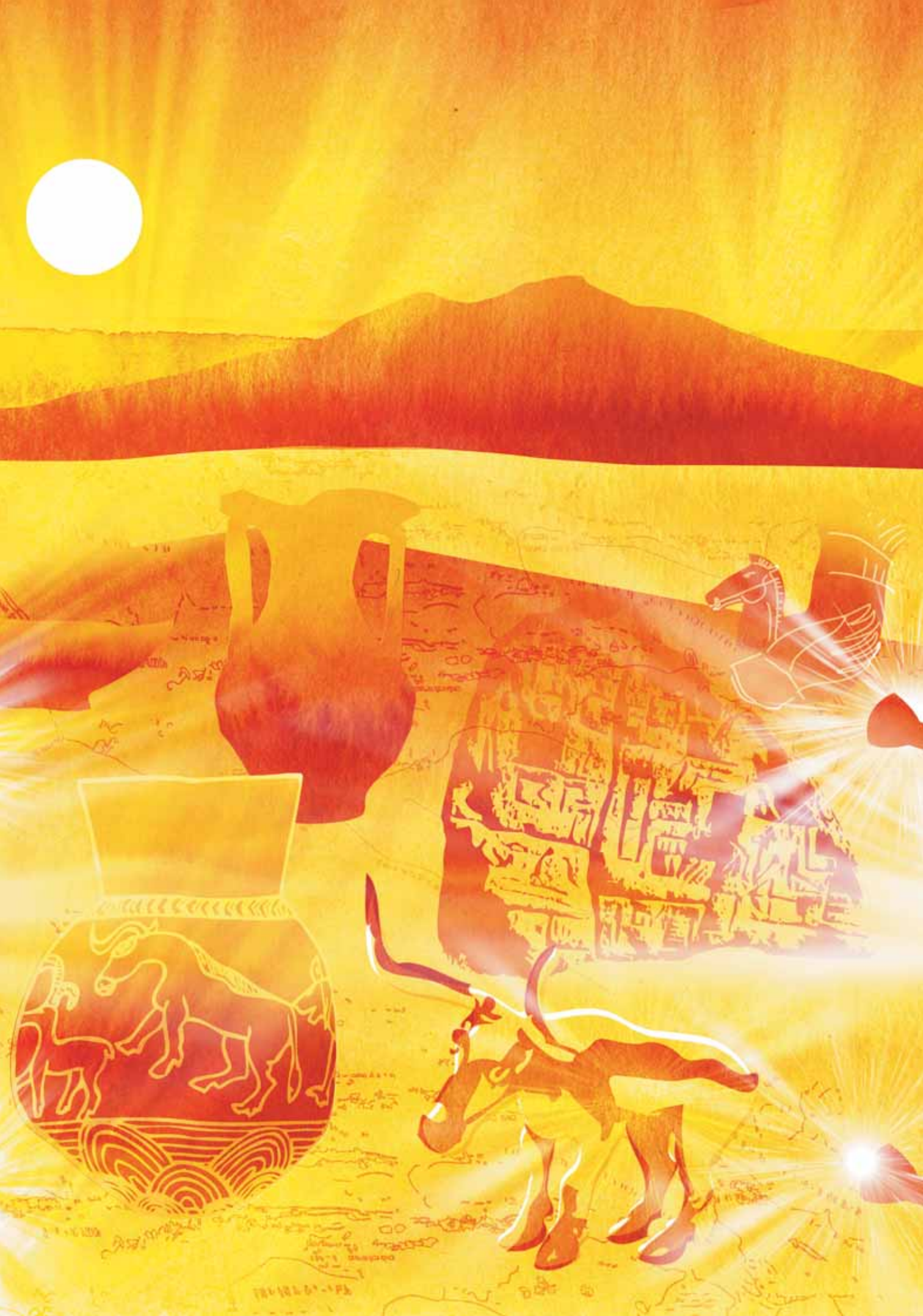
SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

ANCIENT CULTURES KRASNODAR TERRITORY AND ADYGEA

The Taman Peninsula has the oldest dwelling sites in Eastern Europe (early Paleolithic Age, about 1.5 million years B.C.).

The region also has the oldest jewelry pieces in the world: the gold figures of the Maikop Kurgan (III century B.C.). A vessel found in the Maikop Kurgan also has the oldest image of a map of the area.

The region served by IDGC of the South covers the whole Southern Federal District of the Russian Federation.



INVESTMENT REPORT

The Investment Program of IDGC of the South, JSC for 2009 was developed in conformity with Regulations on Investment activities of IDGC of the South, JSC and approved by the Board of Directors of IDGC of the South, JSC on 09 April, 2009.

The Investment Program includes, in the first place, facilities under construction incomplete since 2008, High Priority Measures Program facilities, facilities foreseen by Agreements with the Administration of

the Rostov Region and by Company Target Programs, as well as facilities foreseen by "IDGC Holding," JSC administrative documents, within IDGC of the South, JSC financial scope.

On 10 November, 2009, based on the results of 9 months of 2009, the Investment Program was adjusted and approved by the Board of Directors of IDGC of the South, JSC.

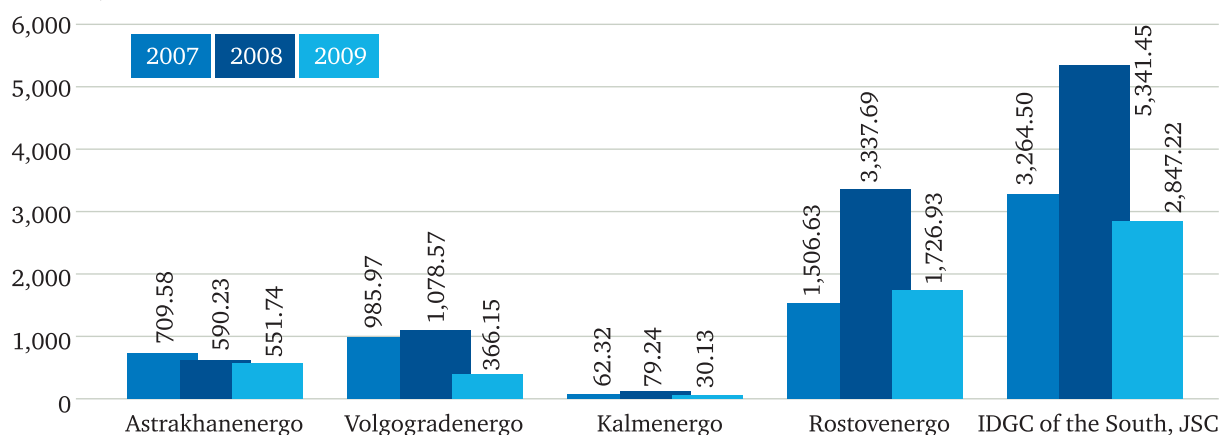
PARAMETERS OF INVESTMENT ACTIVITIES

2009 investment activities key parameters of IDGC of the South, JSC are (RUR mln):

Branch	2009						
	Expenditure	Input of fixed assets	Financing	Input of capacities		Growth of capacities	
	RUR mln (VAT excluded)	RUR mln (VAT excluded)	RUR mln (VAT included)	MVA	km	MVA	km
Executive body	172.27	356.40	248.35	0.00	0.00	0.00	0.00
Astrakhanenergo	551.74	260.15	389.47	79.25	103.00	28.75	30.82
Volgogradenergo	366.15	393.44	352.72	101.12	46.09	36.87	27.50
Kalmenergo	30.13	7.50	19.38	2.31	25.60	0.00	3.43
Rostovenergo	1,726.93	1,518.51	2,051.51	105.04	453.21	30.27	139.13
IDGC of the South, JSC	2,847.22	2,536.01	3,061.43	287.72	627.90	95.89	200.88

IDGC of the South, JSC 2007–2009 capital investments are shown below (RUR mln, VAT excluded):

IDGC of the South, JSC 2007–2009 capital investments
RUR mln, VAT excluded



The results of 2009 show that IDGC of the South, JSC capital investments expenditure totaled RUR 2,847.22 mln (excluding VAT), input of fixed assets totaled RUR 2,536.01mln (excluding VAT), financing totaled RUR 3,061.43 mln (including VAT), input of capacities — 287.72 MVA, power lines — 627.90 km.

The amount of capital investment declined in 2009 in comparison with 2008 due to the economic recession in the country, which lead to the increase of Company accounts receivable and the decrease of capital investment spent on renovation and development, as a consequence.

DIRECTIONS AND STRUCTURE OF CAPITAL INVESTMENTS

In 2009, in order to execute its investment program, IDGC of the South, JSC invested funds into updating, reconstruction and new construction of facilities.

Criteria of inclusion of investment projects into the Investment Program of IDGC of the South, JSC are:

- social significance of the facility;
- increase of electric grid equipment reliability especially at winter and autumn peak periods;
- importance of the facilities included into the Joint agreement between RAO UES of Russia, JSC and the Administration of Rostov Region.

In 2009 the Company executed the following most significant investment projects:

- “Construction of “R-28” (DOSAAF) 110/10/6 kv substation with “R8-R28” 110 kv overhead lines”. Reconstruction of “R-8” 110/1035/6 kv substation — the construction is provided in the Joint agreement between RAO UES of Russia, JSC and the Administration of the Rostov Region; it is targeted at electricity supply of the Sovetsky district, Rostov-on-Don, and especially at execution of the “Housing” government program. The “R-28” 110/6 (DOSAAF) substation investment project, with installation of two 40 000 kVA three-circuit power transformers is necessary to compensate for the deficit in electricity.
- “Construction of “A-1-A30” 110 kv power transmission lines and expansion of “A-1” 110/35/6 kv substation (the first launch system) — reconstruction of a 110 kV open distribution unit, replacement of an obsolete and deteriorated transformer with a new 40 MVA transformer.” This project is targeted at the increase of reliability and quality of electricity supply of Azov industrial enterprises and household consumers.
- “Construction of Kirovskaya (Yubileinaya) 110/10–10 kv substation with 110 kv power transmission lines.” The necessity of this investment project is connected with capacity deficiency in central parts of Astrakhan regional center. Consumer capacity applications can not be fulfilled without this project due to technical reasons.
- “Construction of “A26” 110/10 kv substation and a 110 kv power transmission line with “A20 –A12 Northern” and “A20 –A12 Southern” overhangs.” The construction of “A26” substation and a 110 kv

power transmission line with “A20–A 12 Northern” and “A20–A 12 Southern” overhangs is targeted at the supply of the “Novoaleksandrovskaya” industrial zone (Azov Region) new consumers. Second category consumers and 5 % of First category consumers are situated in this region; black-outs can be a cause of their substantial damage. The facility is included in the Agreement on cooperation between the Administration of Rostov Region and RAO UES of Russia, JSC in the sphere of Rostov Region electric energy system development and reliable electricity supply of its consumers.

- “Construction of “R-27” (Central) 110/10/6 kv substation and 110 kv “R27-R1” cable line. Expansion of 110/35/6 kv “R-1” substation by a 2×1.1 km 110 kv cable line; at R27 substation — five 110 kv 2×40 MVA EV transformers, forty two 2×250 KVA VV TSN transformers; 110 kv R1 substation — one 110 kv EV transformer.” This project is executed on the basis of the “Rostov-energo, JSC 2006–2010 regional grid company development schedule, with an outlook until 2015”. It is targeted at supplying Rostov-on-Don central part new consumers. First category consumers are situated in this region; black-outs can be a cause of substantial material damage for them. The facility is included in the Agreement on cooperation between the Administration of Rostov Region and RAO UES of Russia, JSC in the sphere of the Rostov Region electric energy system development and reliable electricity supply of its consumers as of 30 June, 2008.
- “Construction of 110/10 kv “Gorodskaya-4” substation with 110 kv power transmission line overhangs (LOG).” This project will allow to relieve and reserve “Gorodskaya-2” and “Gorodskaya-3” substation consumer electricity demand, providing the category of electricity supply at the level of group 2 or higher. This will also provide additional capacity for new residential areas of Volzhskiy, and increase reliability of consumer electricity supply at autumn and winter peak periods.
- “Reconstruction of 110/6 kv “Olimpiyskaya” substation with replacement of T1.T2. to 40 MVA, and OD-110 kv, KZ-110 kv with 110 kv sulphur hexafluoride switch (mobile electric power station).”

The reconstruction of 110/6 kv “Olimpiyskaya” substation is aimed at energy supply reliability and energy quality increase, creation of a suitable and safe personnel work environment, operational expenditure decline, by means of replacement of worn-out equipment, creation of technical conditions for new consumer technological connections. This project will allow to increase supply reliability not only of “Olimpiyskaya” substation consumers, but other substations as well, due to: decrease of the amount of black-outs of №212 110 kv power line by not using short-circuiters; decrease of explosion and fire risks at replacement of oil circuit-breakers to vacuum circuit breakers; decrease of accident response time and routine switching time while using remote control disconnecting links.

- “Reconstruction of 110/35/10 kv “Martynovskaya” substation. Replacement of fourteen 10 kv VV, 10 kv CDDEIs, one 110 kv EV.”

The reconstruction of 110/35/10 kv “Martynovskaya” transformer substation at B. Martynovskaya is aimed at reliable and high quality power supply of production, agricultural and residential consumers on the territory of Martynovskiy region (Rostov Region), its regional center B. Martynovka and some settlements of Volga-Don Region.

- “Reconstruction of 110/35/10 kv “Tikhovskaya” substation (replacement T1.T2. — 2 × 10 MVA; reconstruction of 110 kv ORU: replacement of eight 110 kv MV to sulphur hexafluoride 3AP1DT-145, reconstruction of nineteen 110 kv disconnecting links; reconstruction of 35 kv ORU: replacement of seven MV-35 kv to vacuum VBNK-35.)”

The necessity of the reconstruction is based on Rostov Region rural areas 35–110 kv electric grid development schedule developed by “Rostovselenergo-project”, as well as on the necessity of T-1 power transformer replacement in 2006 according to the schedule under Order №310 of “Rostovenergo”, JSC as of 29 November, 2004. Certificate-instruction

№ 3253DA №1/06 as of 20 December, 2006, issued by Chief Inspector of Technical Inspection Department of IDGC of the Center and The North Caucasus.

- “Reconstruction of 110 kv “Martynovskaya — Oktyabrskaya — Ganchuki” power line. Replacement of wooden supports to reinforced concrete, replacement of AS-95 cable to AS-150. Replacement of porcelain insulators to glass insulators, lightning-protective cable installation (VES production enterprise).”

This project will allow to substantially increase power supply reliability of production, agricultural and residential consumers on the territory of Martynovskiy and Proletarskiy regions of Rostov Region.

- “Reconstruction of 110/6 kv “Sportivnaya” substation — 2nd phase of the replacement of T-2 20 MVA transformer to 25 MVA, of OD and KZ to sulphur hexafluoride switches”.

The reconstruction of 110/6 kv “Olimpiyskaya” substation is aimed at energy supply reliability and energy quality increase, creation of suitable and safe personnel work environment, operational expenditure decline, by means of replacement of worn out equipment, creation of technical conditions for new consumer technological connections.

- “Reconstruction of a 57.1 km long 110 kv “Solodniki — Staritsa (№ 721)” power line”. The “Solodniki — Staritsa” 110 kv power line on wooden supports has been in operation for over 42 years, and is a backbone power line supplying substations in Chernoyarskiy region of Astrakhan Region. The supports are exposed to rotting along the whole length of the line.

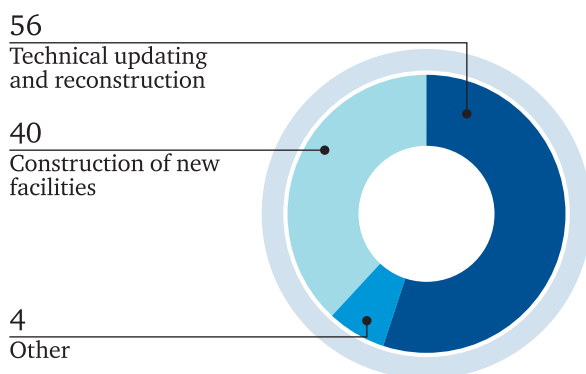
The “Solodniki — Staritsa” 110 kv power line reconstruction is executed in accordance with the “Astrakhan energy system 35 kv and up electric grid development schedule for the period until 2010”. Replacement of AS-95 cable to AS-120 is executed according to the Letter № P11-b1-II-19/238 of “SO UES”, JSC as of 28 April, 2009 “On Astrakhan Region energy system reliability increase in 2009–2010”.

IDGC of the South, JSC 2007-2009 capital investment structure is shown in the table:

	2007	2008 business year	2008 calendar year	2009
Directions of the investment activity, total:	3,264.50	4,651.80	5,341.50	2,847.22
Grid facilities including:	2,260.40	3,723.16	4,296.50	2,270.99
Technical re-equipment and reconstruction	1,094.70	1,370.15	1,554.80	1,037.97
Construction of new facilities and expansion of existing facilities	1,023.60	2,220.18	2,553.30	1,059.09
Other grid facilities (automation, connection facilities)	142.1	132.83	188.4	173.95
Electricity metering and control systems including:	125.3	101.37	133.2	18.38
'Automated information measuring system of commercial energy metering' of the wholesale market as a part of the investment program	19.9	56.64	63.5	14.64
Other electricity metering and control systems	26	32	56.8	0.67
Design and survey work of future construction	210.5	205.74	213.1	169.53
Other plant and equipment	138	470.14	513	164.01
Equipment excluded from the construction estimate	141.8	92.13	118.8	107.85
Facilities of the non-material sphere	1.4	0	0	0
Capital investments in immaterial assets	0	0	0	5.53
Long-term financial investments	0	0	0	0
Acquisition of fixed assets	387.2	59.26	66.8	110.94
For reference:				
Capital investments in technological connection of consumers	734.2	2,131.73	2,478.30	645.78

The volume of the Investment Program of IDGC of the South, JSC for 2009 in the part concerning capital investment is shown below:

Capital investment structure
%



In 2009 a considerable decline in the speed and volume of capital investment application took place: by 13% of 2007 actual and by 47% of 2008 figures.

The main reason of such sharp decrease of capital investment application dynamics is the financial and economic situation in the country and its consequences:

- considerable decrease of the volume of own financing facilities due to a decrease of productive supply volume and a significant increase of supply companies accounts receivable. For example, in 2009 supply companies accounts receivable increased seriously in Volgograd due to the bankruptcy of large enterprises: “RES” CJSC, “KTV” JSC, “Khimprom”, JSC;
- technological connection application volume decrease and postponement of agreement execution and payment;
- investor refusals to finance construction facilities and postponement of work execution.

SOURCES OF INVESTMENT PROGRAM FINANCING

Structure of sources of IDGC of the South, JSC 2009 investment program financing:

		2009
	Investment sources, total	2,847.22
Own financing sources	Depreciation of the accounting year	932.72
	Outstanding depreciation of the previous years	
	Outstanding income of the previous years	
	Income of the accounting year for use in the investment program of the accounting year	
	Payment for technological connection	330.82
	Additional emission	
External financing sources	Other own sources of financing (credit interest)	25.90
	Budget (federal, municipal) funds	
	Attracted (usury) funds	1,324.64
	Payment of technological connection — advances	233.14
	Other external financing sources, in particular share participation in construction due to other sources	

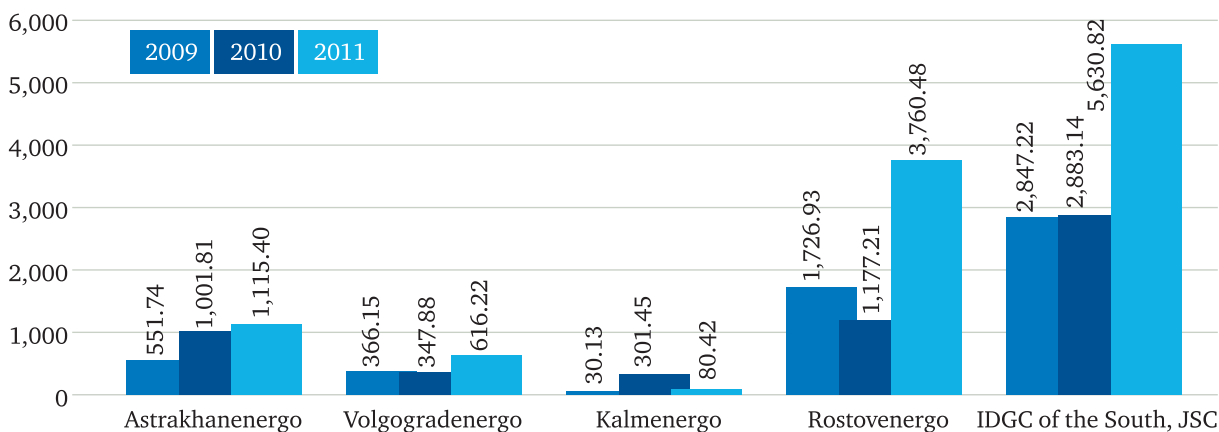
The planned volumes of financing the Company investment program for 2010–2012 equal RUR 14,404.23 mln (VAT included), including:

2010	RUR 3,399.35 mln. (VAT included);
2011	RUR 6,761.21 mln. (VAT included);
2012	RUR 4,243.67 mln. (VAT included).

Development of IDGC of the South, JSC capital investments in 2009–2011, as compared to 2008 (in RUR mln, VAT excluded):

DGCs	2008 business year	2008 calendar year	2009	2010	2011	2012
IDGC of the South, JSC, total	4,651.79	5,341.48	2,847.22	2,883.14	5,630.82	3,596.33
Technical updating and reconstruction	2,123.80	2,445.61	1,593.65	1,579.92	3,794.94	2,070.04
Construction of new facilities	2,468.74	2,829.07	1,142.62	1,283.22	1,835.88	1,526.29
Other	59.26	66.8	110.94	20.00	0.00	0.00
Executive body, total	255.73	255.73	172.26	55.81	58.31	58.81
Technical updating and reconstruction	251.46	251.46	62.74	55.81	58.31	58.81
Construction of new facilities	4.27	4.27	0.00	0.00	0.00	0.00
Other	0.00	0.00	109.52	0.00	0.00	0.00
Astrakhanenergo, total	537.68	590.23	551.74	1,000.81	1,115.40	589.29
Technical updating and reconstruction	279.92	332.47	215.44	308.57	378.59	300.56
Construction of new facilities	254.5	254.5	334.89	692.24	736.81	288.73
Other	3.25	3.25	1.42	0.00	0.00	0.00
Volgogradenergo, total	905.07	1,078.60	366.15	347.88	616.22	922.56
Technical updating and reconstruction	497.63	593.5	254.57	301.01	616.22	759.29
Construction of new facilities	407.45	485.1	111.59	26.86	0.00	163.27
Other	0.00	0.00	0.00	20.00	0.00	0.00
Kalmenergo, total	74.07	79.24	30.13	301.45	80.42	120.18
Technical updating and reconstruction	51.65	56.33	28.80	45.25	80.42	120.18
Construction of new facilities	2.92	3.42	1.33	256.20	0.00	0.00
Other	19.49	19.49	0.00	0.00	0.00	0.00
Rostovenergo, total	2,879.25	3,337.69	1,726.93	1,177.21	3,760.48	1,905.50
Technical updating and reconstruction	1,043.14	1,211.85	1,032.11	869.28	2,661.41	831.21
Construction of new facilities	1,799.60	2,081.78	694.82	307.92	1,099.07	1,074.29
Other	36.52	44.06	0.00	0.00	0.00	0.00

Planned capital investments under IDGC of the South, JSC investment program for 2010-2012
RUR mln, VAT excluded



In the 2009 reporting year IDGC of the South, JSC capital investment was targeted at:

- technical update and reconstruction — RUR 1,593.65 mln (VAT excluded), compared to target of RUR 1,798.44 mln (VAT excluded);
- new construction — RUR 1,142.62 mln (VAT excluded), compared to target of RUR 1,302.29 mln (VAT excluded);
- core property acquisition — RUR 110.94 mln (VAT excluded), compared to target of RUR 119.06 mln (VAT excluded);

The 2009 IDGC of the South, JSC capital investment target was not fulfilled due to the economic situation,

bankruptcy of major consumers in IDGC of the South, JSC service regions and, as a consequence, inability to receive payments for energy transmission services in full, increased accounts receivable, which lead to the decrease of investment activities financing.

In 2010 the Company undertook steps on overcoming the present situation, particularly, claim-related work on arrears recovery from consumers is going on. The investment program is developed in compliance with the Company technical policy requirements and is aimed at energy system efficient and smooth-running operation increase, as well as takes into account unfinished construction and accounts payable volume decrease.



“Kubanenergo”, JSC in relation to which IDGC of the South, JSC performs the function of sole executive body, implemented an investment program of RUR 3,510,838 mln capital investment in 2009.

In 2009, under the “Schedule of Olympic facilities construction and related activities” “Kubanenergo”, JSC under IDGC of the South, JSC administration spent RUR 338.524 mln on Olympic facilities included into the “Kubanenergo”, JSC investment program. Under these facilities, fixed assets of RUR 93,157 mln were commissioned.

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SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

CITY CHESS ELISTA, KALMYKIA

It's the greatest chess city
in Russia.
City Chess is a city within a city.

Kirsan Ilyumzhinov, the head of the
Kalmykia Republic, is the President
of the World Chess Federation.

Kalmenergo has kept its position
as the leading energy provider
in the Kalmykia Republic for more
than 45 years.



FINANCIAL REPORT

PRINCIPAL PROVISIONS OF IDGC OF THE SOUTH, JSC

The accounting statement of the Company was formed in accordance with the Russian Federation federal law dd. November 21, 1996, № 129-FZ “On accounting”, the Regulation on conducting accounting and the accounting reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dd. 29.07.98 № 34n; Accounting Regulations (AR) “Accounting Policy of the Company” AR 1/98, approved by the Order of the Ministry of Finance of the Russian Federation as of December 9, 1998 No. 60n; the Plan of accounts of financial account-

ing, approved by the by the Order of the Ministry of Finance of the Russian Federation dd. 31.10.2000, № 94n, and other normative documents in the accounting field.

The Company’s accounting policy is formed in accordance with the assumptions:

- going concern assumption;
- accounting continuity assumption;
- assumption of the accrual basis of accounting;
- temporary distinctness of the factors of financial activity.

The method for conducting inventory of property and liabilities.

Inventory of property and liabilities is done by the Company in accordance with article 12 of the Federal Law dd. 21.11.1996 № 129-FZ “On accounting” and the Methodological Instructions for inventory of property and financial liabilities, approved by the Ministry of Finance of the Russian Federation, dd. 13.06.1995 № 49.

Assets and liabilities of the Company were assessed in the statement under the actual costs for their acquisition.

The financial statement of the Company determines assets and liabilities as short-term ones if their circulation period does not exceed 12 months starting with the reporting date. The remaining assets and liabilities are presented in the statement as long-term ones.

The Company recognizes those assets as fixed assets, in relation to which the following conditions are simultaneously met:

1. They are supposed to be used in manufacture of products, implementation of works or rendering of services, or for administrative needs during the period of their useful life accounting for more than 12 months;
2. Capacity to provide economic benefits in the future. The Company is not supposed to resell the assets in the future.

Assets meeting the abovementioned conditions and accounting and costing no more than RUR 20,000 per unit are accounted in the structure of the inventories except for objects belonging to power grids facilities, mobile radio stations, pack radio sets and backup power supply. These items are counted in number of units so as to ensure their safe keeping in production or when in use.

Costs for the implementation of all kinds of the fixed assets repair (current and major) are included into costs under ordinary types of activity within the period the works were completed and accepted in. Reserves for maintenance of fixed assets as well as repairs fund are not created.

A change of the fixed assets’ initial cost in which they were taken to accounting is accepted in case of further construction, equipping, reconstruction, modernization, partial liquidation and reassessment of the fixed assets objects.

Determining the useful life period of fixed assets is done based on the expected physical depreciation, depending on their regime of use, natural conditions and the influence of the environment, and repair systems. The useful life period of fixed assets is determined within the boundaries set by the decree of the Government of the Russian Federation dd. 01.01.2002 № 1, under a list approved by the Company head or a person authorized by the Company head.

Fixed assets depreciation is accrued using a straightline method on the assumption of their useful life period.

Accounting of the Company's non-material assets is done in accordance with the Regulations on Accounting of non-material assets (Regulations on accounting 14/2007) approved by Order of the Ministry of Finance of the Russian Federation dd. 27.12.2007 № 153n.

Depreciation is accrued for all types of non-material assets using a straightline method.

All costs directly connected with buying assets as financial investments, regardless of their amount, are included in the original cost of financial investments if they are accrued before the time or at the time of being included in the assessment, and are written off in the case that they are accrued after the time of being included in the financial investments assessment.

Financial investments upon which current market value can be determined are reflected in the reporting at the end of the reporting year by their current market value by correcting their valuation versus the previous reporting date. The Company performs this correction each quarter.

Financial investments upon which market value is not determined are reflected based on their original value.

The unit of accounting for material-production reserves is the nomenclature number or homogenous group (depending on the type of material-production reserves).

Special clothing and footwear purchased, regardless of the cost and term of useful life, is accounted for in the Company as part of turnover.

Materials are taken to be accounted (are accounted for) on account 10 "Materials" at their factual cost price of their purchase (provision).

The factual production cost of materials bought for a price is considered to be the sum of factual costs of the Company for purchasing, with the exception of value-added tax and other refundable taxes.

Inventories written off to production, sold outside, or retired due to other reasons shall be assessed according to the average cost of each type of inventories.

The average estimation of actual production cost of materials is carried out by definition of the production cost in the moment of its shipment (rolling valuation).

Company income, according to the accrual basis of accounting, is recognized in the accounting period they took place in, irrespective of the actual time of the cash inflow and facts connected with it.

Expenditures under ordinary types of activity are expenditures connected with services rendering, works

implementations, products manufacture and products sale, goods acquisition and sale.

All current expenditures of the Company's executive body in full will be recognized as administrative expenses. These expenditures within the framework of the management accounting shall be distributed according to the type of activity (power transmission services, technological connection to power grids services) as well as geographical segment (subjects of the federation the tariffs are formed at) in accordance with the methods developed by the Company.

The Company recognizes other income as being income from independent business operations which aren't the Company's main business, but which are done with the aim of receiving this income.

Recognition of income from sale of products and other property is carried out by the Company at the moment of property rights transition for this property to the buyer. The moment of the property right transition is determined in accordance with the conditions of the signed agreements.

Future periods' incomes are incomes from assets uncompensated receipts, future receipts of shortage debts detected for the passed years, differences between the amounts subjected to recovery from the offenders, assets shortage book value, etc.

Future periods' incomes are written off monthly, uniformly over the course of the period to which they relate. That said monthly writing off of insurance costs is done in days.

Accounting of costs for loans and credit is done in accordance with Regulations on Accounting 15/2008.

Costs for loans and credits are recognized to be other costs for the according reporting period. The exception to this order is costs for loans and credits which must be included in the cost of investment assets.

Additional costs for loans and credits are included in the composition of other costs in that reporting period in which they were made.

In order to pay taxes on profit taxes, the method for recognizing income and costs based on the method of their charge is used.

The Company does not carry out the profit distribution under each separate subdivision being in the territory of one subject of the Russian Federation but pays income tax to the Russian Federation subject budget through the authorized separate subdivision for all separate subdivisions being on the tax accounting in the same subject of the Russian Federation.

ANALYSIS OF THE COMPANY'S FINANCIAL STATUS AND BUSINESS ACTIVITY RESULTS

Altogether in 2009 IDGC of the South, JSC had revenue from sales, works and services of RUR 19,027.4 mln, which is higher than the previous year (taking into account the mergers of DGCs) by RUR 5,900.6 mln (45%).

Information on the break-down of expenditures of IDGC of the South, JSC

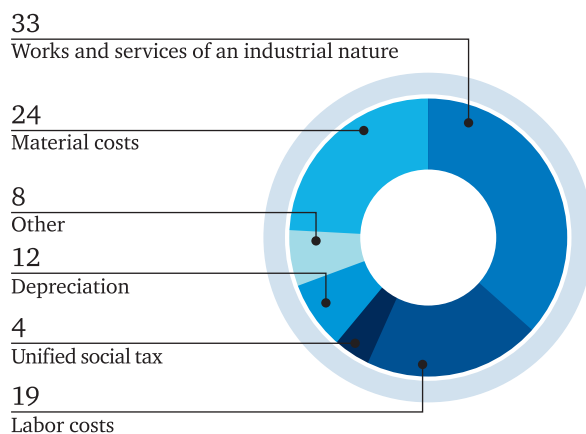
Nº	Cost item name	2009	Weight, %
1.	Costs for production and sales	16,568	100
1.1.	Material costs	3997	24
1.2.	Works and services of an industrial nature	5421	33
1.3.	Labor costs	3141	19
1.4.	Unified social tax	730	4
1.5.	Non-state pension benefits	71	0
1.6.	Depreciation	2039	12
1.7.	Other	1169	8

The majority of the costs of IDGC of the South, JSC (33%) are made up of production works and services. This cost item includes costs for services of grid companies for transferring electricity, services of FGC UES, JSC, costs for commercial accounting of electricity, costs for fulfilling repair programs, support of fixed assets in a working condition, and services in the field of industrial safety.

The material costs of IDGC of the South, JSC equal 24% of the total sum of costs, and include costs for buying electricity so as to compensate losses, costs for maintenance needs, materials and POL necessary for the Company's production activity.

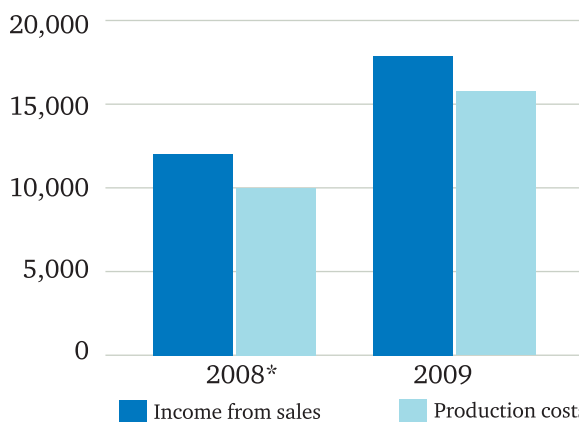
Break-down of expenditures of IDGC of the South, JSC in 2009

%



Change in growth (decrease) of income

RUR mln



* data for 2008 are shown taking into account the merger of DGCs from 31.03.08

The Company's factual gross profit in 2009 was RUR 254 mln higher than the according figure of the year before.

Change in indicators forming the financial performance of the Company in 2008–2009

Indicator	2008*	2009	Deviation	
			RUR mln	%
Sales revenue	13,127	19,027	5,900	45
Production cost	10,921	16,568	5,647	52
Gross profit	2,206	2,460	254	11
Other incomes	488	392	-96	-20
Other expenditures, total:	1,721	3,811	2,090	121
Profit before tax	973	-959	-1,932	-199
Tax on income and other payments	487	150	-337	-69
Reporting period net profit	486	-1,109	-1,595	-328

* Data for 2008 given taken into account the merger of DGCs from 31.03.08

Change in costs of IDGC of the South, JSC

№	Name of the cost item	2008		2009		Change	
		Sum, RUR mln	Weight, %	Sum, RUR mln	Weight, %	Absolute deviation, RUR mln	Relative deviation, %
	Costs for production and sales of goods	10,921	100	16,568	100	5,647	152
1.	Material costs	2,401	22	3,997	24	1,596	166
2.	Work and services for production character	3,882	36	5,421	33	1,539	140
3.	Costs for labor payments	1,934	18	3,141	19	1,207	162
4.	UST	468	4	730	4	262	156
5.	Non-state pension	97	1	71	0	-26	73
6.	Depreciation	1,350	12	2,039	12	689	151
7.	Other	886	8	1,240	8	380	149

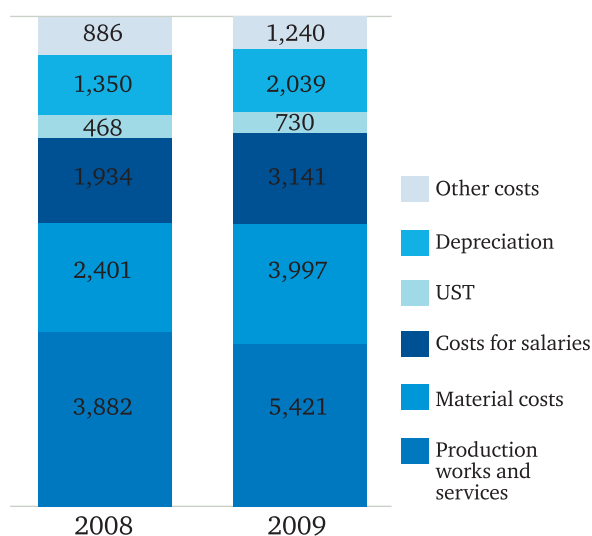
Factual costs of IDGC of the South, JSC in 2009 equaled RUR16,568. The sum of costs in 2008 equaled RUR10,921 mln. Thus there was growth in costs of RUR5,647 mln, or 52%, which was caused by the fact that the branches of IDGC of the South, JSC started to operate as branches from 31.03.2008 — not a full reporting year.

An analysis of the change in costs can be done in terms of the weight of each item as a share of the Company's total costs. The main growth in costs can be seen in "material costs", which is caused by an increase in the share of non-controllable costs for buying electricity to compensate losses, and services of distribution grid companies for transferring electricity.

A decrease in the share of costs by 3% was achieved for the item "production works and services" as a result of the choice on a competitive basis of works and services, as well as fulfilling some types of works in a business way.

The structure of costs is shown in the diagram, where the volume of costs in 2009 accords to the level of 2008.

Break-down of costs of IDGC of the South, JSC in 2008–2009
RUR mln

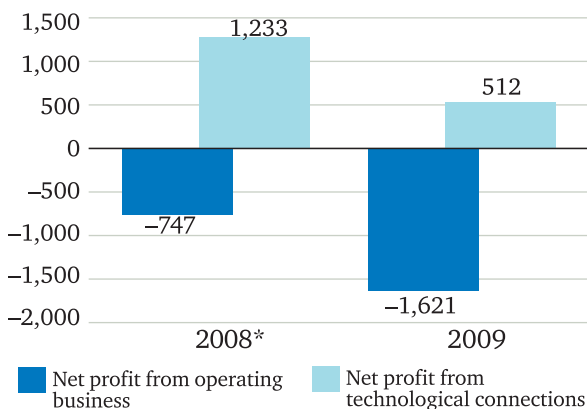


STRUCTURE OF BUSINESS REVENUE AND PROFIT

Break-down of revenues of IDGC of the South, JSC by region, RUR mln

	Total revenue	Share in total revenue, %	Grid services, Including technological connection	Share of the total for IDGC of the South, JSC, %	Other services	Share as a total for IDGC of the South, JSC, %
Astrakhanenergo	2,448	12.9	2,428	13.7	20	1.5
Volgogradenergo	6,894	36.2	6,064	34.3	830	62.5
Kalmenergo	430	2.3	411	2.3	19	1.4
Rostovenergo	8,861	46.6	8,797	49.7	64	4.8
Executive apparatus	394	2.1	—	0.0	394	29.7
TOTAL	19,027	100.0	17,699	100.0	1,328	100.0

Change in profit by business type RUR mln



* data for 2008 are shown taking into account the merger of DGCs from 31.03.08

Revenue from services provided in 2009 by IDGC of the South, JSC for electricity transmission equaled RUR 16,820 mln, while revenue from services for technological connections to the Company's electric grid equaled RUR 879.4 mln.

The current financial crisis had a significant influence on the solvency of applications, which in turn had a significant effect on income of the Company, and, likewise, on fulfilling plans for receiving revenue from technological connection services.

EFFICIENCY INDICATORS, INCLUDING ROE

The main business results of IDGC of the South, JSC for the reporting period are characterized by the following change in fulfilling tasks at reaching key performance and evaluation indicators:

Indicators		2008*	2009	Deviation, %
ROE	%	2.3%	-5.4%	-336.4
Return on sales	%	13.8%	9.4%	-30.8
ROTA	%	2.7%	-2.3%	-184.8
Current liquidity ratio	—	1.3	1.5	15.4
Quick assets ratio	—	1.0	1.3	30
EBITDA	RUR mln	2,903.3	2,842.9	-2.1

* data for 2008 are shown taking into account the merger of DGCs from 31.03.08

Altogether in 2009 the Company showed lowered margins as compared to 2008, which was caused by the Company's losses.

The main reason for the lack of profitability of the Company's activity in 2009 was the decrease in electricity consumption, which was connected to the continued decrease in industrial production as a result of the financial crisis. The Company fulfilled a number of actions to cut costs with the aim of reducing losses.

Optimization of costs concerned almost all cost items of the Company. For example, in 2009 the following costs were reduced:

- Costs for salary payments and united social tax, at the expense of lump-sum payments and bonuses paid to Company managers;
- Allocation of non-state pension funds.

Actions were taken to optimize costs for IT-services, security, raising qualifications and professional retraining, PR services, telephone services, media services, consulting costs, per diem money and accommodation on business trips, per diem money and accommodation for education, printing services, development and implementation of a quality management system, pur-

chase of technical, accounting, and economic literature, office supplies, other services from third parties and other costs.

Result maximization was achieved from other (non-sale) activity thanks to fulfilling actions for optimizing social costs.

Legal costs were reduced, including costs for penalties, fines and forfeits, for paying state dues, court costs, and costs for executive production.

The Company's large investment program was reduced to an acceptable level.

The acting legislation of the Russian Federation concerning regulation of energy prices calls for tariffs for electricity transmission services to be set by regulating bodies in each region, as a result of which IDGC of the South, JSC does not have the possibility to independently change tariffs in a way that will suit the current market situation.

The large increase in interest rates on loans in 2009 also had a negative effect on the Company's financial results. The weighted average interest rate on borrowed money for IDGC of the South, JSC equaled 15% in 2009.

INDICATORS OF COMPANY FINANCIAL STABILITY

Nº	Indicator	Value
1	Net asset value, RUR thou	20,276,223
2	Relation of borrowed funds to capital and reserves (%)	105.4
3	Coverage of payments for loan servicing (%)	59.0
4	Turnover of accounts receivable (times)	1.7
5	Asset margin (%)	-2.7
6	Capital margin (%)	-5.5
7	Current liquidity ratio	1.5
8	Quick ratio	1.3
9	Equity autonomy ratio (norm no less than 0.5-0.6)	0.5
10	Equity vs. borrowed capital ratio	1.0

Net asset value of IDGC of the South, JSC as of 31.12.2009 equaled RUR20,276 mln. The indicator of net asset value reflects the financial status of the company and the level of its financial reliability.

Relation of borrowed funds to capital and reserves. Altogether for 2009 this indicator equaled 105.4%. In 2008 this figure equaled 67%. The significant increase in the figure was the result of the increase in the credit portfolio volume, as well as growth in accounts payable. The increase in the volume of the credit portfolio of IDGC of the South, JSC took place as a result of making a bond issue for RUR6 bn in the third quarter of 2009, a large share of which was aimed at paying off accounts payable to FGC UES, JSC. The increase in accounts payable was due to receiving less income in 2009, as a result of a decrease in the solvency of the final consumers of IDGC of the South, JSC.

Ratio of coverage of payments for servicing debt for 2009 equaled 59%. This figure shows what volume of liabilities for servicing debt is covered by the Company's own sources.

In 2009 the *turnover of accounts receivable* equaled 1.7. Such a low turnover of accounts receivable is caused by an increase in the number of non-payments by counter-agents, delay in payments on the part of consumers and customers, and other problems with sales. This was a factor, for the most part, of the crisis situation in all sectors of the country's economy, reflected by a decrease in solvent demand.

The loss made by the Company in 2009 led to the following negative results:

Asset margin: -2.7%. The analogous figure for 2008 was positive, and equaled 2.7%.

Capital margin: -5.5%. The analogous figure for 2008 was positive, and equaled 4.6%.

Current ratio as of the end of 2009 equaled 1.5, which testifies to the fact that the Company has sufficient funds which can be used to pay off short-term liabilities. The analogous figure for the end of 2008 equaled 1.3.

Quick ratio as of the end of 2009 equaled 1.3. This also gives an evaluation of the liquidity of assets, but is calculated based on a narrower circle of current assets of the Company, when the least liquid part is excluded, such as production reserves, VAT for reimbursement and long-term accounts payable. The analogous figure at the end of 2008 equaled 1.0.

Equity autonomy ratio as of the end of 2009 equaled 0.5, which can be explained by the growth in borrowed funds for financing current and investment activity. The analogous figure at the end of 2008 equaled 0.6. The worsening of this figure as compared with 2008 was caused by growth in the Company's Credit portfolio.

Equity vs. borrowed capital ratio as of the end of 2009 equaled 1.0. The value of this figure decreased as compared to the analogous figure at the end of 2008 by 0.52 points, which is also caused by growth in borrowed funds in 2009.

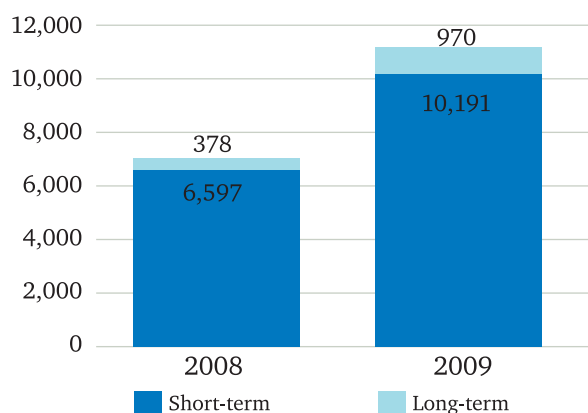
STRUCTURE AND CHANGE OF ACCOUNTS PAYABLE AND RECEIVABLE OF THE COMPANY

Change and break-down of accounts receivable of the Company, RUR thou

Indicator	2008, RUR thou	2009, RUR thou	Deviation, RUR thou
Total long-term:	378,253	970,488	592,235
Including consumers and customers	316,213	905,368	589,155
Advances made	62,040	62 040	0
Other debtors	-	3,080	3,080
Total short-term:	6,597,420	10,190,530	3,593,110
Including consumers and customers	3,500,527	7,154,550	3,654,023
Advances made	801,066	339,252	-461,814
Other debtors	2,295,827	2,696,728	400,901
Total	6,975,673	11,161,018	4,185,345

As compared with 2008, accounts receivable increased by RUR4,185,345 thou. The main part of the structure of accounts receivable is made up of short-term debt.

Change and structure of accounts receivable of IDGC of the South, JSC
RUR mln



In short-term accounts receivable, the greatest weight was made up of debt of consumers and customers, at RUR 7,154.6 mln, which was caused by an increase in the number of insolvent counter-agents, delay in payments on the part of consumers and customers, and other problems with sales due to the crisis situation in all sectors of the country's economy as a whole in 2009.

Change and structure of Company liabilities

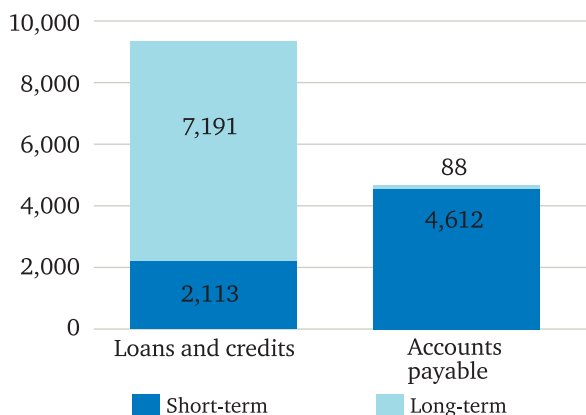
Figure	2008, RUR thou	2009, RUR thou	Deviation, RUR thou
Long-term liabilities			
Total	7,279,239	11,792,280	4,513,041
Credits and loans	7,191,498	11,719,958	4,528,460
Other long-term liabilities	87,741	72,322	-15,419
Including suppliers and contractors	8, 575	72,322	-15,253
Other long-term liabilities	166	-	-166
Short-term liabilities			
Total	6,725,416	9,099,735	2,374,319
Credits and loans	2,113,189	1,463,900	-649,289
Accounts payable	4,612,227	7,635,835	3,023,608
Including suppliers and contractors	3,542,455	5,761,241	2,218,786
To personnel	157,891	202,548	44,657
To budgetary and extrabudgetary funds	54,219	53,844	-375
Taxes and duties	148,201	219,871	71,670
Advances received	460,822	372,309	-88, 513
Other creditors	248,639	1,026,022	777, 383
Total	14,004,655	20,892,015	6,887,360

Over the course of the whole reporting period there was growth in the Company's liabilities. The largest share in the structure of liabilities came from long-term liabilities, at RUR 11,792.3 mln. The increase in long-term liabilities was caused by making a bond issue. The bond issue was placed in the third quarter of 2009 in accordance with the Resolution on a bond issue and the Prospectus of equities for a sum of RUR 6,000 mln with an interest rate on the first coupon of 17.5%. The main part of the funds raised from

the placement was used to pay off accounts payable to FGC UES, JSC, as well as to pay of loans with a high interest rate.

In the structure of short-term liabilities the greatest weight is made up of debt to suppliers and contractors, or more than 63% of the total sum of short-term liabilities. As compared with the beginning of 2009 the Company's debt to suppliers and contractors increased by RUR 2,218.8 mln, and equaled RUR 5,761.2 mln by the end of 2009.

Structure of liabilities in 2008
RUR mln

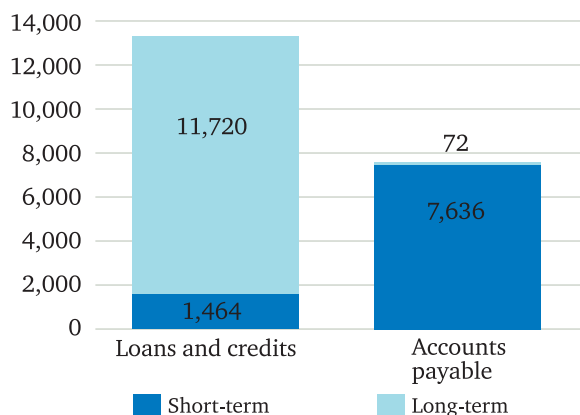


Growth in long-term and short-term accounts payable was caused by the unfavorable financial situation in Russia, which led to non-payments by end consumers, and, as a result, a reduction in payments by sales companies. The decrease in solvency of electricity sales companies led to growth in the accounts payable of IDGC of the South, JSC to suppliers and contractors, which in turn led to the need to raise additional credit resources to finance the Company's current business as well as its repair program.

The main result of the non-fulfillment of liabilities on the part of IDGC of the South, JSC may be the demand on the part of creditors of overdue debt in court in accordance with the norms of the Civil Code of the Russian Federation. That said, the Company fulfills its liabilities before credit organizations, and is also working on resolving all questions before going to court so as to minimize the risks of overdue debt being demanded through the court system. The Company is also working on possibly restructuring its existing debt.

The Company's financial accounting report for 2009, prepared in accordance with Russian Standards

Structure of liabilities in 2009
RUR mln



of financial accounting, is given in Appendix № 6 to this annual report, and is also placed on the corporate web-site: www.mrsk-yuga.ru.

The auditor's report by the independent auditing company Nexia Pacholi, LLC on the Company's financial (accounting) report is given in Appendix № 7 to this annual report, and is also placed on the corporate web-site: www.mrsk-yuga.ru.

In the auditor's opinion, the financial (accounting) report of IDGC of the South, JSC accurately reflects the Company's financial position in all significant respects as of December 31, 2009, as well as the results of its financial-economic activity for the period from January 1, to December 31, 2009, in inclusive, in accordance with the demands of the legislation of the Russian Federation as concerns preparation of financial (accounting) reporting.

The conclusion of the Auditing Committee is given in Appendix № 8 to the given annual report, and is also placed on the corporate web-site: www.mrsk-yuga.ru.

DISTRIBUTION OF PROFIT AND DIVIDEND POLICY

DIVIDEND POLICY OF THE COMPANY. INFORMATION ON PAYMENTS OF DIVIDENDS TO SHAREHOLDERS

The dividend policy of the Company is understood by the Company to be a system of relationships and principles for determining the size of dividends, the order and terms of their payment, and also for establishing the responsibility of the Company for the non-execution of its duties for paying out dividends.

The Company strives alongside with capitalization growth to increase the size of dividends paid out to shareholders, based on the size of net profit received for the reporting financial period and the development

needs of the production and investment activity of the Company.

The dividend policy of the Company is based on the balance of interests of the Company and its shareholders at determining the size of dividends to be paid out, on respecting and observing shareholder rights stipulated by the legislation of the Russian Federation in force, the Charter and the internal documents of the Company, and is aimed at increasing the investment appeal of the Company, its capitalization and the shareholder value.

To provide transparency of mechanisms at determining the size of dividends and their payments, and also informing shareholders and other parties concerned about the dividend policy of the Company, the Regulations for the dividend policy of Open Joint-Stock Company "Interregional Distribution Grid Company of the South" (Minutes dd. 23.12.2008 No. 21/2008) is developed and approved by the Board of Directors of the Company, pursuant to the Civil Code of the Russian Federation, the Federal Law "About Joint-Stock

Companies" dd. 26.12.1995 No. 208-FL, the normative and legal acts of the Russian Federation, the Charter of IDGC of South, JSC and also the recommendations of the Code of the Corporate Conduct of IDGC of South, JSC and other internal documents of the Company, with the aims of:

- Ensuring transparency of the mechanism for determining the size of dividends to be paid out,
- Informing shareholders and other interested parties about the dividend policy of the Company.

DISTRIBUTION OF NET PROFIT IN TERMS OF TYPES OF USE

The first Annual General Shareholders' Meeting of IDGC of the South, JSC took place on May 30, 2008, at which the following decisions were taken on the question "On distribution of profit (including paying dividends) and losses of the Company for the financial year:

- To approve the following distribution of profit of the Company for 2007 in the amount of RUR 6,883 thou:

Indicator:	(RUR thou)
Reserve fund	344
Savings fund	6,539

- Dividends are not to be paid on ordinary shares of the Company for 2007.

The Annual General Shareholders' Meeting took place on June 19th, 2009, at which the following decisions were taken on the question "On distribution of profit (including paying dividends) and losses of the Company for the financial year:

- To approve the following distribution of profit and losses of the Company for the 2008 financial year:

Indicator:	(RUR thou)
Net profit in the reporting year	486,049
Reserve fund	24,302
Production development	461,747

- Dividends are not to be paid on ordinary shares of the Company for 2008.

Altogether in 2009 IDGC of the South, JSC made a net loss of RUR 1,108,879.

The distribution of profit (loss) recommended by the Board of Directors of IDGC of the South, JSC for 2009:

Indicator	Profit Distribution
Net profit (RUR thou)	-1,108,879
Reserve Fund (RUR thou)	0
Savings Fund (RUR thou)	0
Dividends (RUR thou)	0
Use of profit for investments in the current year (RUR thou)	0
Dividends per 1 share, kop.	0

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SEVEN WONDERS OF THE WORLD IDGC OF THE SOUTH

ON THE VOLGA VOLGOGRAD REGION

The Second Lateral Street in Volgograd is the longest street in Russia (70 km long). The street goes through the whole city of Volgograd, along the Volga, and all the way to the Volga-Don Canal.

The Volga-Don Canal is the longest canal in Europe (total length - 101 km). The canal connects the Don River to the Volga River - the longest river in Europe (3, 530 km).

The total length of IDGC of the South's grids is 156, 810 km.





SOCIAL REPORT

PERSONNEL POLICY

MAIN GOALS AND PURPOSES OF THE PERSONNEL POLICY OF IDGC OF THE SOUTH, JSC

The personnel strategy of IDGC of the South, JSC is based on the company business strategy and corporate culture.

IDGC of the South, JSC personnel policy is a number of key principles which are brought into effect by branch personnel and organizational planning departments and their directors.

The IDGC of the South, JSC personnel policy goal is to reach a certain personnel quality level which will ensure the Company's competitive edge and strategic development.

The following tasks are to be completed while working with personnel:

- to reach a strict quality and quantity conformity of the professional and qualification personnel structure to the Company job structure, inclusive of all kinds of requirements to the personnel quality in energy sphere;
- to ensure continuity of the Company traditions and corporate values at recruitment and specialist training;
- to provide for a high level of the personnel motivation to reach Company goals;
- to provide for a sufficient level of the personnel satisfaction by their work and working conditions.

Main goals of IDGC of the South, JSC personnel policy:

1. Organizational structure process optimization. Efficiency optimization.
2. Personnel planning (personnel demand identification — quality and quantity balance).
3. Development and implementation of the methods of personnel advertising, recruitment, securing and retention.
4. System of continuous preparation, retraining and improvement of the personnel professional skills aimed at maintaining a high personnel professional level for the Company competitive edge provision.
5. Creation and development of the Company succession pool. Individual programs to develop personnel potential, career planning. Company mentoring system organization.
6. Development and implementation of Company financial and non-financial motivation based on individual results and efficiency, with the aim of personnel recruitment, retention and stimulation.
7. Implementation of occupational pension schemes aimed at Company employees social protection improvement. Company employee-targeted social benefits and guarantees provision.
8. Company Corporate culture establishment and support.

COMPANY PERSONNEL HEADCOUNT, STRUCTURE AND MOVEMENT

In 2009 IDGC of the South, JSC acted as an operational company with 5 branches: Astrakhanenergo, Volgogradenergo, Kalmenergo, Kubanenergo, and Rostovenergo.

The Kubanenergo branch of IDGC of the South, JSC did not conduct any business activities in 2008–2009.

In 2009 IDGC of the South, JSC had a personnel headcount totaling 13,699 people, which is 4.9% higher than in 2008.

The headcount increase is due to the adoption of the function of forming distribution grid electric power

transmission services volume as a basic activity of IDGC of the South, JSC.

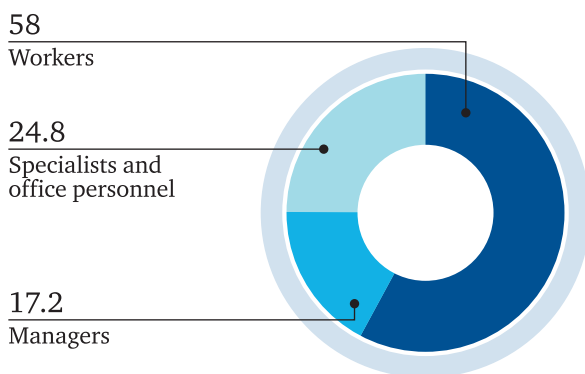
In order to fulfill the expenditure optimization target of the function of forming a distribution grid electric power transmission services volume, “Energobalance-Center”, LLC, and “Energobalance-Kuban”, LLC, qualified personnel were transferred to revenue metering structural divisions to fulfill revenue metering functions from 01 October, 2009.

2009 IDGC of the South, JSC personnel age structure.

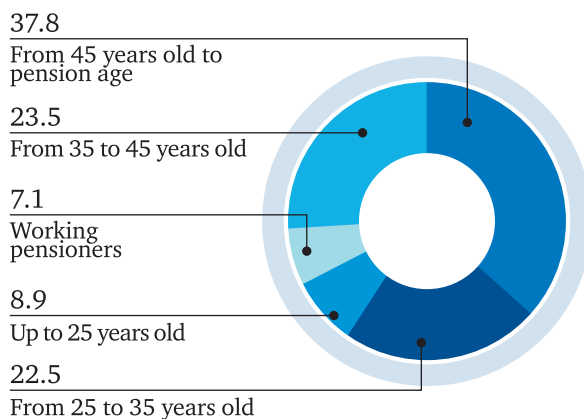
An analysis of the personnel age structure showed that the basis of labor (personnel) potential of IDGC of the South, JSC in 2009 consisted of employees ranging in age from 25 to 45 years old. Such employees make up 46.1% of the total headcount.

One of the key targets of IDGC of the South, JSC personnel policy is recruitment of young, qualified professionals, and securing and retaining them in the Company. This will continue to be one of the main personnel management targets in the future.

IDGC of the South, JSC personnel structure by category, as of 31 December, 2009
%



IDGC of the South, JSC personnel age structure, as of 31 December, 2009
%

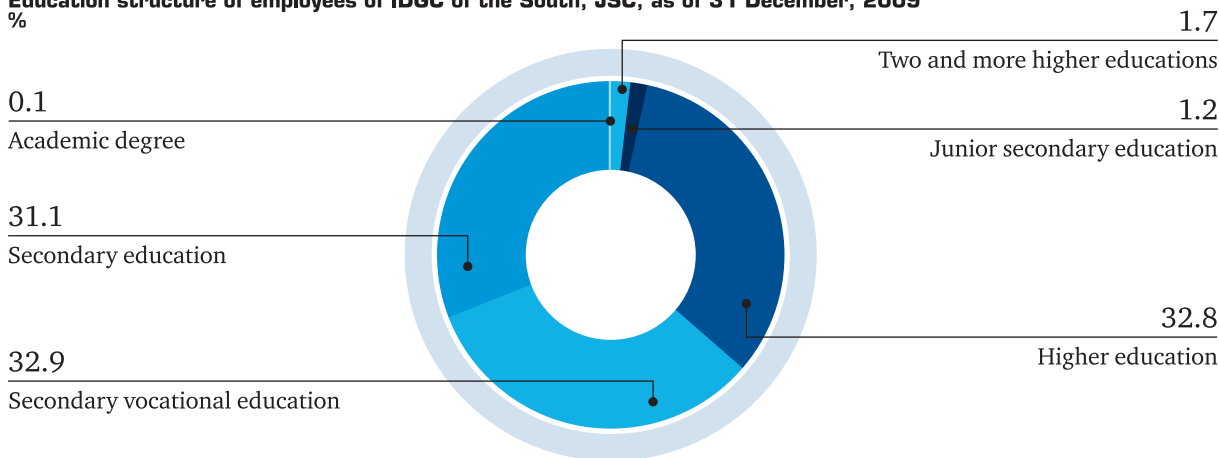


Qualification structure of the employees of IDGC of the South, JSC

As of December 31, 2009, 67.5% of IDGC of the South, JSC personnel have higher professional education and secondary vocational education, which is higher than in 2008 (65%). The relation of employees with higher education to employees with secondary vocational education is equal to 34.6% and 32.9% accordingly. It is

possible to consider such indicators more than satisfactory: these data mainly characterize the educational level of key personnel and experts. Employees having secondary (general) education and junior secondary education make up 32.3% of the total number of personnel of IDGC of the South, JSC; they are basically workers who had special professional training and received admission to independent work, as well as unqualified workers.

Education structure of employees of IDGC of the South, JSC, as of 31 December, 2009



The structure of the Company personnel as a whole is optimal. The quantitative and qualitative personnel structure corresponds to DGC operational activity specifics and allows fulfilling not only the current targets urgent for the Company, but also the tasks of the Company strategic development.

PERSONNEL DEVELOPMENT AND TRAINING

Personnel development is one of the main targets of the personnel policy of IDGC of the South, JSC. Systematic, scheduled, and, moreover, continuous education personnel professional training plays a key role.

The purpose of IDGC of the South, JSC personnel training is maintenance of a necessary professional level of the Company personnel, taking into account requirements of the existing production process and the prospects for its development, and creation of conditions for professional growth and self-actualization of the Company personnel.

All employee categories receive training at IDGC of the South, JSC. In 2009, 9,267 employees of the

Company took different types of professional training, retraining and career enhancement courses (on-site training not included in the figures), that is 68% of the Company headcount, among them: managers — 2,780 people; specialists, office personnel — 1,946 people; workers — 4,540 people.

The main form of personnel training is professional training on the basis of Company own educational centers: NNEI “Kubanenergo Educational Centre” (Krasnodar), NEI “Energetik” educational centre” (Rostov-on-Don), NEI “Astrakhan Educational Center” (Astrakhan). The educational centers are quipped with all the necessary facilities, including simulators,

resource materials, and literature. All the centers have training grounds where practical training of workers and specialists takes place.

Besides this, the professional training, retraining and career enhancement of the Company personnel is provided by the following educational institutions: Corporate Energy University (Moscow), NEI “Energy Sphere Specialists Training Center” (St. Petersburg), Public Administration IFT (Moscow), SEI FPI “St. Petersburg Energy Institute of Further Training.”

Succession pool work is an indispensable part of personnel development and training activities. In order to introduce a systematic approach and to regulate the succession pool forming and development, “Regulations on the IDGC of the South, JSC succession pool” were developed.

In 2009 succession pool candidates for executive positions were trained at major RF energy institutes. Also, professional re-training at Bauman Moscow State Technical University specializing in “Organizational management” continued. In 2009 the group numbered 75 people, by the end of the educational period 11 people were transferred to higher level positions.

Personnel development specialists monitor training demand on a regular basis, which allows the Company to introduce new training courses adapted to its needs.

In 2009, on the basis of “Kubanenergo Educational Centre”, “Chief Engineer School” (a professional re-training program for engineering and technical personnel in electric energy sphere) was launched for the first time. The program was created in order to improve the training of technical service managers and chief engineers, and is planned to be a long-term target program of the Company succession pool development. In 2009, 43 employees from all Company structural divisions were trained, and 9 people became chief engineers within a year after training.

Taking into account the fact that non-technical specialists make up 27% of the headcount, an “Energy industry for non-specialists” program for new personnel and functional division employees was developed and launched; an “Adaptation course for new IDGC of the South, JSC employees” was introduced.

In order to develop staff innovation and creative potential, to implement and extend advanced work methods, to maintain the Company’s positive image, and to identify the employees with the most potential, in 2009 a new multi-level competition “Best in profession” was introduced, in which 260 employees from all Company branches participated. The competition had 21 nominations, as per specialization and function. The best works chosen at a branch level were examined

by a commission at IDGC of the South, JSC level, and the winner in each nomination was awarded with a diploma and a cash bonus.

One of the Company personnel policy strategic tasks is recruiting young professionals. In this connection co-operation programs with higher educational institutions and vocational educational institutions in the energy sphere have been implemented, including tripartite educational agreements.

Image improvement of work in the electric energy sphere is an indispensable component of activities for attracting young people. Open Days for the students of specialized institutes, vocational institutions and high school pupils are aimed at their professional selection and further security in their profession, and attraction of young professionals’ attention to the opportunities of work in the Company.

SOCIAL RESPONSIBILITY.

IDGC of the South, JSC is a responsible corporate member of society. On its own accord and initiative, the Company undertakes social obligations, in conformity with the “Sector tariff agreement” (STA) in the RF energy sphere for 2009–2011, collective agreements and other local regulations.

The Company remuneration and motivation policy is based on the following principles:

- unification of all branch and dependent companies remuneration and motivation policies;
- fixing the minimum guaranteed wage at all branches and dependent companies, for all professional groups, at the level higher than the official state regulated minimum monthly wage; based on basic needs satisfaction and a certain level of income expectation;
- fair and competitive staff remuneration and motivation;
- regular wage indexation based on the consumer price index, in conformity with the “Sector tariff agreement” in the energy sphere;
- application of flexible bonus systems, where individual contribution to the Company main goal is taken into account the most; the main goal of the Company being provision of guaranteed high level electric energy supply to consumers.

In 2009, the salary of the staff members of the branches of IDGC of the South, JSC exceeded the average salary of regional industrial personnel and was competitive on regional labor markets.

While observing the key principles and rights in the labor sphere, the Company admits the necessity of providing additional social privileges and guarantees to employees in excess of those established by the legislation.

However, such guarantees depend on the efficiency level and work results.

In order to increase personnel social security, the Company provides high quality health services to the employees whose production activity is connected with hazard to life, or with a probability of occupational diseases, and carries out round-the-clock accident insurance of 100 % of its employees. In 2009, 14,188 people were insured under a voluntary medical insurance program.

In order to improve employee social security and create conditions for effectively meeting the personnel policy objectives connected with staff recruiting, retention and motivation, IDGC of the South, JSC finances and develops programs of occupational pension schemes.

Implementation of occupational pension schemes of the Company employees is carried out by means of the Electric Energy Sphere Occupational Pension Fund (EESOPF).

In 2009 occupational pension schemes covered 2,636 people, or 26.5 % of the headcount; of them 3,345 people (92%) participated in the parity scheme; 291 people (8%) — in the corporate scheme.

IDGC of the South, JSC emphasizes the importance of employee health promotion and rest. In 2009, 509 employees and their children rested under preferential vouchers.

For the development and maintenance of a healthy lifestyle, IDGC of the South, JSC carries out health and

fitness work and develops mass kinds of sports among employees, by providing them access to sports infrastructure. 42 sports grounds and corners were built on the Company branch premises in 2009 for this purpose. Over 3000 Company employees were involved in sporting events at IDGC of the South, JSC branches.

In September, 2009, the 2nd Sports Games for IDGC of the South, JSC employees took place on the grounds of the "Smena" Federal Children Rehabilitation and Education Centre in Anapa. Over 450 athletes from all branches participated and competed in 5 kinds of sports: volleyball, futsal, weight lifting, table tennis and chess. According to the results of the Games, athletes were chosen to make an all-company team that would participate in pan-Russia sports games of the regional grid complex. IDGC of the South, JSC teams took 2nd places in "IDGC Holding" JSC winter and summer sports games.

IDGC of the South, JSC pays attention to the families of its employees. On June 1st (Child Protection Day), theatrical performances, excursions, sports and cultural programs were prepared and conducted at Company branches. These performances were attended by employee children, as well as by children from children's homes.

In order to attract employee children to the energy sphere professions, the company organized a child drawing competition "Children draw energy". It was attended by over 300 employee children, and 93 of them were awarded with valuable awards and gifts. The winning drawings were sent to "IDGC Holding" JSC to participate in a child drawing competition devoted to the celebration of the Day of the Energy sphere employee. 2 drawings took prizes in 2 nominations.



As a socially responsible company, IDGC of the South, JSC takes care of veterans and Company pensioners. In 2009 work on forming the IDGC of the South, JSC Veteran Council began. The Council has representation in all branches and the executive body of the Company. Moreover, 3500 veterans and Company pensioners received different kinds of allowances.

IDGC of the South, JSC pays great attention to team building activities, thus improving internal corporate culture.

Taking into consideration the Company employees housing problem, collective agreements of branches provide corporate assistance and corporate support in living conditions improvement by granting financial assistance to the employees at fixing mortgage formalities and by repayment of a part of the interest.

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ENVIRONMENTAL POLICY

IDGC of the South, JSC carries out work on implementation of ecological measures to protect air and water resources, use land resources rationally, and reduce the negative impact of its production activity on the environment. The main negative impact comes from hazardous production and consumption waste of classes 1–5.

The Company implements the measures mentioned above in accordance with IDGC of the South, JSC Environmental policy and the Company environmental policy implementation program for 2008–2010, approved on 7 December, 2007, by the decision of the Company Board of Directors (Minutes № 4/2007 as of 7 December, 2007). This decision of the Company Board of Directors also acknowledged implementation of the Company environmental policy as a priority task for the Company.

Wastes of hazard classes 1–5 are formed as a result of the production activity of IDGC of the South, JSC; emissions of pollutants into the atmospheric air are carried out. The negative impact limits are defined by projects of waste generation specifications and limits on their placing (WGSLP), and by projects of specifications of maximum permissible emissions (MPE). Sanitary protection area boundaries are specified for the facilities that are a source of emission, providing that the concentration of hazardous substances at the border does not exceed 10% of the maximum permissible discharge. At present only the Astrakhanenergo branch has developed projects of sanitary protection area organization in full, in accordance with the recommendations of the MPE project since the beginning of 2009, and Rospotrebnadzor instructions № 30 AC 02.000.T.000866.12.09 as of 13 December, 2009, and № 30 AC 02.000.T.000865.12.09 as of 13 December, 2009. It is important to note that the 0.1 maximum per-

missible limit excess at sanitary protection area boundaries was never recorded by checked measurements.

Production activities within the established specifications are provided due to:

- improvement of operational activities and repairs technology;
- performing control over carbonic oxide content in motor transport exhaust gases and carrying out timely motor transport repair, and use of certified fuel;
- carrying out an inventory of polluting substances emissions sources into atmospheric air and waste formations.

In 2008, IDGC of the South, JSC implemented a number of measures aimed at physical negative environmental impact reduction:

- Restoration of oil receiving devices at substations for prevention of environmental pollution at hydrocarbon oil spills.
- Installation of concrete platforms for temporary storage of oil-filled equipment and accumulation of production wastes.
- Timely export of production and consumption wastes from industrial platforms.
- Installation of special devices to protect birds from electrocution.

In 2009 IDGC of the South, JSC branches environmental policy implementation expenditure equaled:

- atmospheric air protection activities — RUR 3,659.1 thousand;
- activities on protection and rational use of water resources — RUR 5,540 thousand;
- activities on protection and rational use of land — RUR 10,160.4 thousand;
- technical activities — RUR 2,359.4 thousand.

In 2009 the amount of payments of IDGC of the South, JSC for negative impact on the environment totaled:

allowable discharge level payment, in total:

RUR 1,268.556 thousand, including:

- into water — RUR 292.639 thousand;
- into atmospheric air — RUR 111.019 thousand;
- for waste disposal — RUR 796.098 thousand;
- for deep ground discharge — RUR 68.8 thousand;

excess emissions (waste disposal) payment, in total: RUR 10,082.286 thousand, including:

- into water — RUR 20.928 thousand;
- into atmospheric air — RUR 60.579 thousand;
- for waste disposal — RUR 9,783.779 thousand;
- for deep ground discharge — RUR 217 thousand.

Environmental management system conforming to the international ISO 14001:2004 standard (environmental management system) was implemented and is functioning at the Company.

In 2009 the Company personnel was additionally trained in waste management, and internal auditors received special training in ecology.

The following key tasks in environmental safety are defined for 2010:

- Repair of oil-filled devices at substations;
- Employee training and certification in the sphere of environmental safety;
- Environmental management system support (on the basis of the international ISO 14001:2004 standard);

In 2009 the amount of payments for the implementation of the Company environmental policy totaled RUR thousand and %

10,160.4 / 46

activities on protection and rational use of land

5,540 / 26

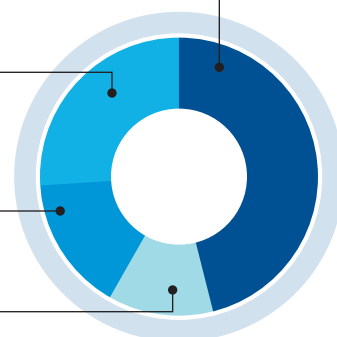
activities on protection and rational use of water resources

3,659.1 / 17

atmospheric air protection activities

2,359.4 / 11

technical activities



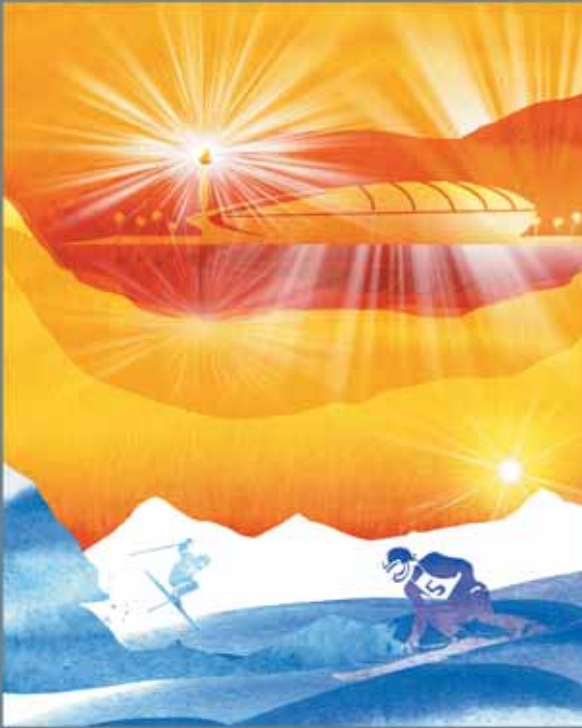
- Water-supply wells management at Rostovenergo and Volgogradenergo branches in conformity with environmental legislation;
- Further activities on the recycling of capacitor banks (containing polychlorinated biphenyls — 1st class hazardous waste).

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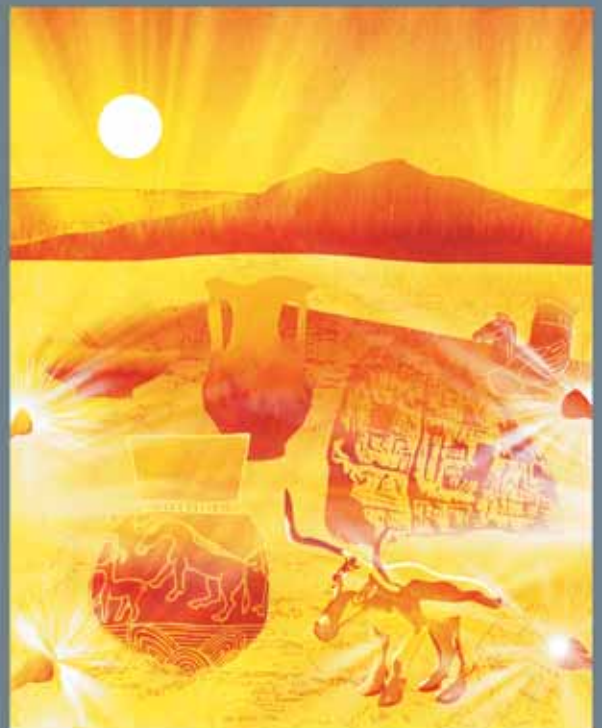
IDGC OF THE SOUTH

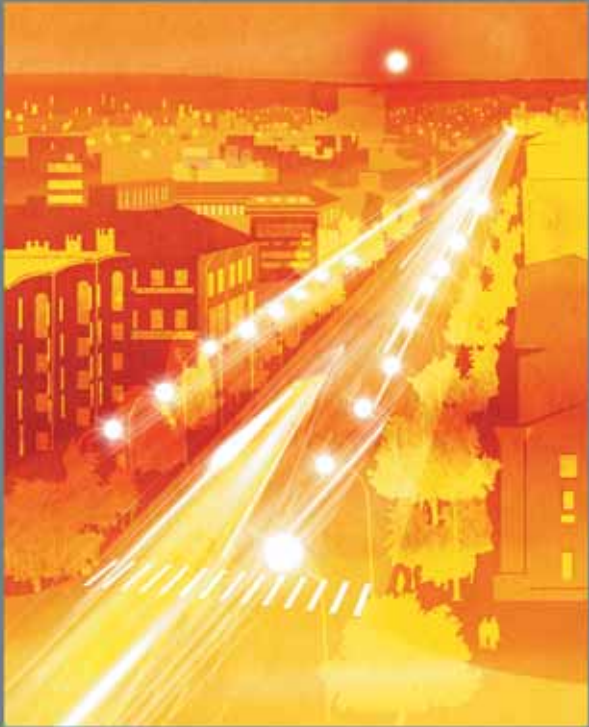
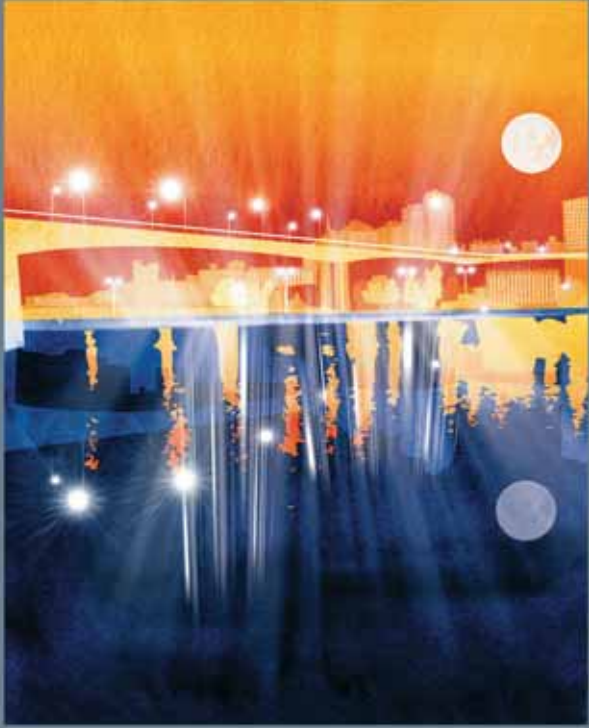


Unique monuments,
wonders of nature, and
world-famous sights.

Creations made by nature
and man, illuminated by the
light of history, the light of
victory, the light of reason,
and the light of progress.

The world of IDGC of the
South is full of wonders,
light, energy, and work for
the welfare of the country.
The company's goal is to
develop this world.





DEVELOPMENT STRATEGY

FUTURE ORIENTED PROCESS ORGANIZATION

INFORMATION ABOUT THE IMPLEMENTATION OF AGREEMENTS WITH THE ADMINISTRATIONS OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION – IDGC OF THE SOUTH, JSC AREA OF RESPONSIBILITY – TO ENSURE FUTURE CONSUMER CONNECTION (CONCERNING THE FACILITIES INCLUDED INTO THE AGREEMENT WHERE THE SOURCE IS THE PAYMENT FOR TECHNOLOGICAL CONNECTION).

“Astrakhanenergo” branch of IDGC of the South, JSC in its area of responsibility prepared a draft Agreement “On cooperation between the Astrakhan Region Administration and RAO “UES of Russia”, JSC aimed at the development of Astrakhan region electric power system and reliable power supply of its consumers”. The draft was agreed upon by the Astrakhan Region Government (hereinafter referred to as the Agreement).

Because of RAO “UES of Russia”, JSC activity cessation (on July 1, 2008) the procedure of coordination and signing of the Agreement is suspended.

At present, in accordance with the minutes of the meeting headed by V. U. Sinyugin, Deputy Minister of Energy of the Russian Federation as of July 30, 2008 No. 9, as the legal successor of RAO “UES of Russia,” JSC, “FGC UES,” JSC was determined as the major coordinator of the parties during the conclusion (correction) and analysis of the present Agreements implementation. “SO UES” JSC was also determined as the party of the Agreements carrying out the coordination of the Agreements activities correspondence to the conditions of reliability ensuring of UES future work regimes.

Agreements between RAO UES of Russia, JSC and the Government of Tyumen region, Government of Khanty-Mansi autonomous area — Yugra and Yamalo-Nenets autonomous district Administration were determined as pilot projects aimed at the development of the conclusion (correction) mechanism of the Agreements.

The work aimed at coordination and signing of the Agreement with the Astrakhan Region Administration will be continued in 2010.

Within the framework of “Astrakhanenergo” MUE

(municipal unitary enterprise of the city of Astrakhan) electric grid complex acquisition by “Astrakhanenergo” branch of IDGC of the South, JSC, in accordance with the Federal law as of December 30, 2004 No. 210-FZ “On tariff regulatory framework of public utility complex organizations” the City council of Astrakhan city municipal entity approved the tariff for connection to the power grid for 2008–2010 by Resolutions № 48, № 49 as of 24 April, 2008. The amount of investments accounted for RUR 4,616,364 thousand (excluding VAT). Nevertheless, due to amendments of the federal law as of 30 December, 2004 № 210-FZ, the tariff for connection to the power grid was cancelled ahead of schedule by the resolution of the City council of Astrakhan city municipal entity № 22 as of 26 February, 2009.

A similar situation with the Agreement preparation can be found at “Volgogradenergo” branch of IDGC of the South, JSC within its area of responsibility.

In the course of consumer technological connections in the territory of Volgograd region the Cooperation Agreement “On cooperation of the Volgograd region Administration and IDGC of the South, JSC” as of October 25, 2007 No. S-247/07 was signed.

Within the framework of the Agreement, “Volgogradenergo” branch of IDGC of the South, JSC, developed and the Volgograd region administration approved the investment program of “Volgogradenergo” branch of IDGC of the South, JSC aimed at creation of a technical possibility for consumer technological connections to the power grids (distribution electric grids construction) of “Volgogradenergo” branch of IDGC of the South, JSC, for 2009–2011 (hereinafter referred to as the Program).

Within the framework of the investment program implementation, it is put forward to build (reconstruct) 17 110–35 kv substations. The integrated estimated cost of technological connection investment projects is RUR 2,197,925.503 thousand (VAT and profit tax not included), the capacity connected is 403.864 MW, “Volgogradenergo” branch of IDGC of the South, JSC power source centers construction and reconstruction — RUR 1,037,071.985 thousand, distribution grid construction and reconstruction — RUR 1,160,853.518 thousand.

The abovementioned investment programs serve the basis for the calculation of the payment rates for technological connections, approved by regional tariff regulation management (RTRM) of the Volgograd region Administration as of 17 February, 2010 No. 6/2.

Within the area of responsibility of “Rostovenergo” branch of IDGC of the South, JSC the Cooperation Agreement “On cooperation between Rostov region Administration and RAO “UES of Russia”, JSC directed at the development of the electric grid system of Rostov region and at the provision of reliable power supply of its consumers” was signed on June 30, 2008, as well as the “First and foremost measures program directed to the construction and reconstruction of power capacities for the period up to 2012 to exclude capacity deficiency and ensure reliability increase of the Rostov Region consumer supply”.

Within the framework of the Agreement approved until 2012, it is planned to put into operation 15 110 kv substations with 2 × 40 MVA transformers, with the total capacity of 1200 MVA. Fulfilled over 2008–2009:

- construction of A-26 110 kv substation in Novoaleksandrovskaya zone of Azov, with 2 × 40 MVA transformers. Total capital investment — RUR 301,774 thousand.
- construction of R-28 DOSAAF 110 kv substation with R8 DOSAAF (R28) 110 kv cable lines. Total capital investment — RUR 844,900 thousand.

Construction of Central 110 kv substation and 110 kv R1-Central cable line is almost accomplished. Capital investment spent — RUR 232,589 thousand.

“Rostovenergo” branch of IDGC of the South, JSC forwarded letters № 715/10-2/a as of 19 February, 2009 and № RE/715/1300/306 as of 07 May, 2009 to the Rostov region Administration with suggestions on Agreement fulfillment schedule correction.

Within the framework of the Agreement “On cooperation between Krasnodar Territory

Administration and RAO “UES of Russia”, JSC directed at the implementation of measures of the provision of reliable power supply and creation of conditions for consumer technological connection to the electric grids of Krasnodar Territory” (hereinafter referred to as the Agreement), “Kubanenergo”, JSC First and foremost measures program directed to the development of 110 kv and lower electric grids” is implemented (hereinafter referred to as the Program.). The Program includes 68 facilities (construction of 7 110 kv substations and 10 km of 35 kv power lines, reconstruction of 36 110–35 kv substations and 39.5 km of 110–35 kv power lines, as well as 40 km of 6–10 kv cable lines). Besides, the Program stipulates measures on reconstruction and implementation of reactive power sources at 110 kv substations.

Total capital investment of RUR 8.6 bln is planned, including: new construction — RUR 3.5 bln, technical update and reconstruction — RUR 5.1 bln.

The Program provides transformer capacity of 1,737.6 MVA, of which 160 MVA was launched in 2009 (actual launch).

In the reporting year fund application under the Program totaled 105.6% of the year plan.

Measures stipulated by the agreement should provide good connection conditions in Kuban areas experiencing shortages of electricity for all applicant categories; special attention is paid to residential areas energy supply.

INFORMATION ON THE PRESENCE (DEVELOPMENT) OF GRID FUTURE DEVELOPMENT SCHEMES COORDINATED WITH THE ADMINISTRATIONS OF THE RUSSIAN FEDERATION SUBJECTS (DATE OF DEVELOPMENT AND APPROVAL, THE RELEVANCE OF THE SCHEME)

In December 2007, “Volgogradenergosetproekt” branch of “South Engineering Power Center”, JSC developed a scheme ““Astrakhanenergo”, JSC 35–110 kv distribution grids future development scheme for the period until 2015 with an outlook until 2020” (hereinafter referred to as the Scheme). The mentioned scheme was coordinated by “SO UES”, JSC Astrakhan regional dispatch administration (№ 08-01/31 as of 20 February, 2008) and IDGC of the South, JSC (№ 510/16-68 as of 17 May, 2008).

The Scheme developed in 2007 is still relevant today, now for “Astrakhanenergo” branch of IDGC of the South, JSC. It stipulates “energy system debottlenecking” — transfer of the present obsolete 35 kv substations to 110 kv, reconstruction of 35, 110 kv power lines on wooden supports, new substation construction due to load buildup. On the basis of the Scheme, “Astrakhanenergo” branch of IDGC of the South, JSC investment program is developed.

Nevertheless, when necessary (new major consumers, new generation, as well as in the case of specific projects) its certain parts are corrected.

In March 2007, Volgogradenergosetproekt branch of “South Engineering Power Center,” JSC developed a scheme ““Volgogradenergo”, JSC 35–110 kv electric grids future development scheme for the period until 2015 with an outlook until 2020” (hereinafter referred to as the Scheme). In October 2007 the Scheme was agreed by IDGC of the South, JSC (“Volgogradenergo”, JSC administrative body).

According to the Scheme, Volgograd Administration approved the ““Volgogradenergo” JSC sector scheme of electric grids future development in the city of Volgograd” (hereinafter referred to as the Sector scheme).

The Sector scheme stipulates:

- construction of 9 new 110 kv substations: Kubanskaya, Golitsino, Gvardeyskaya, Teplichnaya, Tarifnaya, Mechetka and Vishnevaya in Volgograd; and Gorodskaya — 5 in Volzhskiy;
- reconstruction of 22 existing 110 kv substations with transformer capacity increase;

- reconstruction of over 500 km of 110 kv power lines with support, cable and insulation replacement

Under the above mentioned Scheme “Volgogradenergo” branch of IDGC of the South, JSC developed and approved cost estimating and project documentation for the construction of Gorodskaya — 4 110 kv substation (2×40 MVA) with outgoing 110 kv power lines; the construction began in 2009.

Due to the economic recession the Scheme implementation is now suspended, but “Volgogradenergo” branch of IDGC of the South, JSC carries out work directed to land plots reservation aimed at new substations and power transmission lines overhangs in the city of Volgograd.

In “Kalmenergo” branch of IDGC of the South, JSC area of responsibility a “35–110 kv distribution grids future development scheme” is not relevant at present.

“Rostovenergo” branch of IDGC of the South, JSC developed a ““Rostovenergo” JSC Regional Grid Company development scheme for the period up to 2010 with an outlook until 2020” (hereinafter referred to as the Scheme) in December, 2008. The Scheme was approved by council for science and engineering (Minutes № 22 as of 04 December, 2009) and by IDGC of the South, JSC. According to the inquiry of “Rostov RDA” — branch of “SO-UES CDA”, JSC the scheme was forwarded for information to “Systems Operator — United Energy System Central Dispatch Administration” — branch of “SO UES”, JSC, “Rostov Region and Republic of Kalmykia Regional Dispatch Administration” — “Rostov RDA”.

The ““Kubanenergo”, JSC 35–110 kv and up electric grids future development scheme for the period 2005–2010 with an outlook until 2015” was developed in 2006. At present, “Kubanenergo”, JSC is finishing the procedure of project examination and approval of ““Kubanenergo”, JSC 35–110 kv and up electric grids future development corrected scheme for the period 2005–2010 with an outlook until 2015”, with participation of “South Engineering Power Center”, JSC design institute.

INFORMATION ON THE UNIFIED NATIONAL POWER GRID (UNPG) AND GENERATION FACILITIES

Astrakhan power system consists of 10 substations belonging to UNPG:

- 220 kv substations Vladimirovka, Kharabali, Gazovaya, Cherniy Yar, Barrikadnaya, Nefteprovod, Rassvet, Liman;
- 110 kv substations Buzanskaya, V. Baskunchak.

According to the list of the closed main substations of Bulk Power Systems (BPS) of Centre branch of “FGC UES,” JSC on the territory of Astrakhan and Volgograd regions approved

by the Chief engineer of BPS of Centre “FGC UES”, JSC and coordinated with Deputy CEO of “SO UES”, JSC — Operative dispatch administration of the South as of March 5, 2008, further confirmed by the Chief engineer of Volga-Don Bulk Power Systems Enterprise (PBSE) (№ M1/P1/2/219 as of 16 April, 2009), 220 kv Vladimirovka, Kharabali and Gazovaya substations are the closed substations on the territory of Astrakhan region.

At present, reconstruction of the 220 kv Vladimirovka and Gazovaya substations began (construction on new premises).

There are no substations belonging to UNPG facilities on the books of “Astrakhanenergo” branch of IDGC of the South, JSC.

Volgograd power system consists of 24 substations of Bulk Power Systems (connection of UNPG and “Volgogradenergo” branch of IDGC of the South, JSC):

- 500 kv substations Balashovskaya, Volga, Trubnaya;
- 220 kv substations Gumrak, Kotelnikov, Krasnoarmeyskaya, Zalivskaya, Kirovskaya, Sadovaya, Jubileynaya, Northern, Aluminievaya, Volzhskaya, Archeda, Astakhovskaya, Satarovskaya, Talovka, Petrov Val, Liteynaya, Krasniy Yar, Pallasovka, Primorskaya, Golovnaya, Polunino.

According to the list of the closed main substations of Bulk Power Systems (BPS) of Centre branch of “FGC UES”, JSC, 220 kv Archeda, Gumrak, Krasnoarmeyskaya substations are the closed substations on the territory of Astrakhan and Volgograd regions.

In accordance with the letter of Volgograd Regional Dispatch Administration branch of “SO UES”, JSC as of 04 April, 2008 No. 41- 03/50a-77 the straps of 110 and 10 kv of Volgograd State District Power Station of “Volgograd Generation” branch of “SGC-TGC-8” are

main substations where the limits for the connected capacity occur according to the mode of grid operation.

There are no substations belonging to UNPG facilities on the books of “Volgogradenergo” branch of IDGC of the South, JSC.

Since 1 January, 2010, 220 kv substations on the books of “Kalmenergo” branch of IDGC of the South, JSC (Elista-Northern, Bolshoy Tsaryn) are let to “UES FGC,” JSC under the Agreement of Grid Facilities Utilization № DI-5 as of 23 March, 2005. The above-mentioned 220 kv substations belong to open main substations.

There are 26 UNPG substations that are part of **Rostov energy system**:

- 500 kv substation Sh-30;
- 220 kv substations Veshenskaya-2, Sysoyevo, Donetsk, Pogorelovo, B-10, G-20, Pechnaya, NEZ, NZB, R-40, R-20, R-4, T-15, T-10, A-20, A-30, Koisug, Zernovaya, GPP-2, Gorodskaya-2, SnAES, RP Volgodonsk, Salsk, Peschanokopskaya, Sh-50.

There are no substations belonging to UNPG facilities on the books of “Rostovenergo” branch of IDGC of the South, JSC.

Krasnodar Territory has 21 UES substations:

- 500 kv substations Tikhoretsk, Central;
- 330 kv substations Kropotkin, Armavir;
- 220 kv substations Starominskaya, Slavyansk, Krymskaya, Kirillovskaya, Eastern, Brukhovetskaya, Vitaminkombinat, Kanevskaya, Afipskaya, Goryachiy Kluch, Tverskaya, Shepsi, Psou, Dagomys, Krylovskaya, Ust-Labinskaya, Svetlaya.

Of the mentioned above UNPG main substations (of Kuban Bulk Power Systems Enterprise (PBSE)) the following ones are closed:

- 220 kv substations Afipskaya, Brukhovetskaya, Vitaminkombinat, Eastern, Goryachiy Kluch, Kirillovskaya, Krymskaya, Slavyansk, Ust-Labinskaya, Tverskaya.

This list of the closed UNPG main substations (of Kuban Bulk Power Systems Enterprise (PBSE)) is given in accordance with the letter of “UES FGC,” JSC № M5/6/287 as of 31 March, 2008, agreed by V. M. Pastorov, Deputy CEO of “SO UES” JSC — Operative dispatch administration of the South and confirmed by G. N. Kovtun, Chief Engineer of the South branch of “FGC UES,” JSC.

INFORMATION ON THE IMPLEMENTED PROGRAMS OF TECHNOLOGICAL CONNECTION OF FACILITIES UNDER CONSTRUCTION

Housing construction under Affordable Housing federal target program (FTP)

Within the frames of the Affordable Housing federal target program (FTP) the following cottage community construction programs are implemented on the territory of Rostov Region:

- In Neklinovsky district, in the village of Pokrovskoye, construction of 20 low-rise houses is carried out. Technological connection agreements are signed with physical persons. To carry out the technological connection 165 m of 10 kv overhead lines and 750 m of 0.4 kv overhead lines were built, with a 100 kvA integrated transformer substation of 10/0.4 kv. At 35 kv Pokrovskaya substation an oil circuit breaker is replaced with a BB/TEL vacuum one. By 31 December, 2009 all commitments under Technological Connection Agreements were met.
- In Krasnyukovskaya settlement, electric power supply of 16 residential houses is carried out. Technological connection agreement is signed with physical persons and Krasnyukovskaya settlement Administration. To carry out the technological connection a 160 kvA integrated transformer substation, a 750 m long 10 kv overhead line and a 600 m long 0.4 kv overhead line were built. In December, 2009 all commitments under the Agreements were met.
- In Rodionovo-Nesvetayskaya settlement, construction of residential houses is carried out. Technological connection agreements are signed with physical persons. To carry out the technological connection it is necessary to build a 250 kvA integrated transformer substation, a 515 m long 10 kv overhead line and a 780 m long 0.4 kv overhead line. In December, 2009 all commitments under the Agreements were met.
- In Krasnogornyyatskiy settlement, electric power supply of a residential house is carried out. Technological connection agreement is signed with Derevyanko A. V. To carry out the technological connection a 160 kvA integrated transformer substation № 525 was replaced, a 500 m long 0.4 kv overhead line was built. In December, 2009 all commitments under the Agreement were met.
- In Peschanokopskiy district, in the village of Letnik, construction of 15 low-rise houses is carried out. 6 technological connection agreements are signed with physical persons. To carry out the technological connection, a 780 m long 10 kv overhead line and a 530 m long 0.4 kv overhead line were built, as well as a 100 kvA transformer substation of 10/0.4 kv. In December, 2009 all commitments under the Agreements were met.
- In Proletarskiy district, in the village of Uyutnoe, construction of 12 low-rise houses is carried out. 5 technological connection agreements are signed with physical persons. To carry out the technological connection, a 1,430 m long 10 kv overhead line and a 610 m long 0.4 kv overhead line were built, as well as a 100 kvA transformer substation of 10/0.4 kv. In December, 2009 all commitments under the Agreements were met.
- In Volgodonskiy district, Romanovskaya settlement, construction of 19 low-rise houses is completed. Technological connection agreements are signed with physical persons. To carry out the technological connection, a 200 m long 6 kv overhead line and a 600 m long 0.4 kv overhead line were built, as well as a 250 kvA transformer substation of 6/0.4 kv. In November, 2009 all commitments under the Agreements were met.
- In the village of B. Martynovka the construction of 19 low-rise houses is carried out. Technological connection agreements were signed between a “Donenergo”, JSC branch and physical persons. To carry out the technological connection it is necessary to reconstruct relay protection and emergency equipment and a linear cell No. 4 — 10 kv at Martynovskaya 110 kv substation; for the present moment no activities have been implemented, as there is no application from “Donenergo”, JSC branch to “Rostovenergo” branch of IDGC of the South, JSC.
- In Tatsinskaya settlement construction of 6 residential houses of power demand of 30 kW is carried out. Technological connection agreement was signed with a “Donenergo”, JSC branch for the amount of RUR 65,004.99 (including VAT). All technical activities were carried out by the “Donenergo”, JSC branch. The agreement is paid by “Donenergo”, JSC. In December, 2009 all commitments under the Agreement were met.
- In Donetsk construction of low-rise houses of power demand of 211 kW is carried out. Technological connection agreement with “Donenergo”, JSC is being finalized, the offer was sent on 20 January, 2010. All technical activities are to be carried out by a “Donenergo”, JSC branch

- In Krasniy farm, Tsentralnaya Str., Bagaevskiy district, Rostov region, construction of 7 residential houses is completed. Technological connection agreements are signed with each developer individually. Technological connection was carried out from the existing power distribution network of “Rostovenergo Central Electric Grid” production enterprise. The residential houses are in process of connection.
 - In Veseliy settlement, Stepnaya Str., Veselovskiy district, Rostov region, construction of 22 residential houses is carried out. Technological connection agreement is signed with each developer individually. To carry out the technological connection a 25 kVA integrated transformer substation № 70 of 10/0.4 kv was replaced with a 250 kVA integrated transformer substation of 10/0.4 kv, a 400 m long 0.4 kv overhead line № 3 was built. 2.2 km of the existing 0.4 kv overhead lines № 1 and 32 were reconstructed. For the present moment all “Rostovenergo Central Electric Grid” production enterprise works under the agreements are completed. The residential houses are in process of connection.
 - In Novomirsky farm, construction of 32 low-rise houses is carried out. Technological connection agreement was signed with the Kalinov Village settlement Administration. To carry out the technological connection in the loads centre it was necessary to put into operation a transformer substations of 10/0.4 kv with the transformer capacity of 250 kVA, which was performed by the consumer. Between the supports of 15, 16 overhead lines of 10 kv an additional dead-end support was built, construction of a 25-meter separate overhead line of 10 kv to the new transformer substation of 10/0.4 kv was constructed, from the switchgear of 0.4 kv of the new 10/0.4 kv transformer substation 2 power transmission lines of 0.4 kv with the total length of 2.3 km were constructed. In April, 2009 all commitments under the Agreement were met.
 - In Peshkovo village construction of 20 low-rise houses is carried out. Technological connection agreements are concluded with physical persons. The agreement was also signed with the Administration of Peshkovo village settlement to organize the illumination of the village. To carry out the technological connection, it is necessary to build a 0.2 km 10 kv overhead line, a 0.8 km 0.4 kv overhead line, and a 160 kVA integrated transformer substation of 10/0.4 kv. In December, 2009 all commitments under the Agreements were met.
 - Construction of 16 low-rise houses is performed in Kugei village. Technological connection agreements are concluded with physical persons. The agreement was also signed with the Administration of Kugeiskiy village settlement to organize technological connection. In order to carry out the technological connections, OL-10 kv — 0.125 km, OL-0.4 kv — 1.89 km, 250 kVA complex transformer substations — 10/0.4 kv were constructed. In December, 2009 all commitments under the Agreements were met.
 - In Egorlykskaya village it is planned to build 300 living houses. For the present moment 50 applications have been submitted. To carry out the technological connection at 35 kv E3 substation it is necessary to reconstruct one 10 kv linear cell No. 5 and one 10 kv lead-in cell No. 3, with the replacement of oil circuits to vacuum ones, as well as reconstruct relay protection and emergency controls.
 - In the city of Rostov-on-Don according to the “Affordable Housing” FTP two sites were presented to build a “Leventsovsky” residential area which contains 11 micro districts with the total power demand of 44 MW. Client Service Center of “Rostovenergo” branch of IDGC of the South, JSC received applications for the total power capacity of 24,370.8 kW. Two technological connection agreements were signed on behalf of “KKPD-Invest”, JSC with “Donenergo, JSC for the connection of “Leventsovsky” first micro district and the first stage of the third micro district, with the total capacity of 8,773 kW. The assumed time of putting the “Leventsovsky” first micro district and the first stage of the third micro district into operation — 1 quarter of 2010.
- According to the plan of the City of Astrakhan districts development for 2007–2011 worked out by the Architecture and Urban Planning Committee of the city of Astrakhan it is planned to connect the potential load of multistoried residential construction — 90.5 MW, facilities of individual residential construction — 8.3 MW, business and trade facilities — 69.5 MW, social and cultural facilities — 23.6 MW, as well as industrial purpose projects — 11.3 MW.
- The city of Astrakhan carries out the facilities construction program of multistoried residential construction within the framework of slum dwelling and dangerous structure liquidation program. The given program is financed at the expense of federal and regional budgets. “Astrakhanenergo” branch of IDGC of the South, JSC carries out electric grid construction within the framework of the signed agreements for technological connection to the electric grid.

Pilot projects of construction materials, products and construction enterprises development

1. Construction of building industry facilities: porous concrete production, silicate plant, dry construction mix production plant at Ust-Labinsk, Krasnodar Territory. According to the Project of construction of building industry facilities at at Ust-Labinsk, “Glavstroy-Ust-Labinsk”, CJSC (porous concrete production, silicate plant, dry construction mix production plant) forwarded a technological connection application of 3000 kW to “Kubanenergo”, JSC. Technological connection of Ust-Labinsk building industry facilities of “Glavstroy-Ust-Labinsk”, CJSC (phases 1,2,3) to “Kubanenergo”, JSC electric grids

will be executed according to an individual tariff, with an individual payment under a technological connection agreement fixed by Regional Energy Commission of Krasnodar Territory.

2. Construction of a new production line with the capacity of 2.3 mln tons per year. “Verhnebakanskiy cement plant”, JSC (VBCP, JSC) informed “Kubanenergo”, JSC on its plans to build a new production line and requested technical specifications for technological connection with the maximum capacity of 50 MW. At present, work on the development of technical specifications, technological connection agreement and technological connection coordination is going on.

Special economic zones

Within the framework of social and economic development program implementation in the territory of Rostov region it is planned to create the following industrial and social zones:

- Novoaleksandrovskaya industrial zone of the city of Azov. Total customer contract demand accounts for 39,878.1 kW. Eight agreements for technological connection were signed with all the residents of the zone of RUR 389,185,323.57 total value (VAT included). Power supply of the zone is planned to be provided by “A-26” new substation of 110 kv. At present, 2 facilities were put into operation: “Coca-Cola HBC Eurasia”, LLT, Main sewage pumping station; the putting into operation of the other facilities is planned for 2011–2012.
- South-Eastern zone of the city of Azov. At the end of 2009 two technological connection agreements were signed; with “Frito Lay Manufacturing”, LLC — for RUR 106,200 thousand (VAT included), and with “Azovvodokanal” municipal enterprise for RUR 3,379 thousand (VAT included) for the technological connection of a sewage pumping station with the capacity of 203.6 kW. The source of power is A-20 220 kv substation. To execute this technological connection, a 8.14 km long cable line of 10 kv, a 1.36 km long double-circuit overhead line of 10 kv, a 10 kv distributing point were constructed. In August, 2009 all commitments under the Agreement were met.
- Gaming zone on the border of Rostov Region and Krasnodar Territory. In 2009 there were no two technological connection agreements signed. The Applicant (“Pak Express”, LLT) was sent a technological connection agreements offer of the capacity of 583.386 kW, with the total price of RUR 9,448 thousand. Under the agreement of providing the

gaming zone with electric energy, a 15.86 km long 35 kv overhead line of 110 kv was constructed. The process of choosing a site for a 110 kv substation is going on at present.

- “Krasnodar Administration of Azov-City”, JSC applied for a technological connection of 7,500 kW to “Kubanenergo”, JSC. At present, a technological connection agreement on an individual project basis was signed with the Applicant, the Applicant received technical specifications under which the following is planned: construction of a “Ei Ukreplenie — Molchanovka” 35 kv power line and Molchanovka 35 kv substation; reconstruction of Ei Ukreplenie 35 kv substation. Design and survey work is completed; the documents are under examination at present.
- In order to execute technological connection of “Novaya Anapa” special economic zone, “Special economic zones”, JSC applied to “Kubanenergo”, JSC for technological connection of energy receivers of 40 MW, later it was replaced by an application for the capacity of 65 MW, and applications for the capacities of 5,000 kW, 500 kW and 1,000 kW were submitted to meet the needs of the construction process. At present, technological connection of the facility energy receivers according to an individual project was offered to the Applicant, with the construction of “Blagoveshchenskaya” 110 kv substation 2 × 40 (2 × 63 MVA) and two “Buzhora-220 kv — Blagoveshchenskaya” 110 kv power lines. In order to carry out technological connection of construction site energy receivers, “Kubanenergo”, JSC sent the Applicant an agreement on technological connection according to an individual project with the reconstruction of “Blagoveshchenskaya” 35 kv substation and 35 kv feeding lines.

By Letter as of 22 October, 2009 № 301-11-200// KE/1200/1035 “Kubanenergo”, JSC informed the Applicant that “UES FGC”, JSC Buzhora 220 kv substation power take-off application correction is necessary

Technological connection of generation facilities in accordance with the investment program

Astrakhan state district power station of “SGC-TGC-8”, JSC

IDGC of the South, JSC signed a technological connection agreement with “SGC-TGC-8”, JSC for the connection of Astrakhan state district power station generation facility, where it is planned to increase the amount of the generating capacity by 10 MW. The connection of the applied capacity requires IDGC of the South, JSC 35–110 kv electric grid reconstruction.

“SGC-TGC-8” made an advanced payment of RUR 94,876.43 (VAT included) for the development of technical specifications; the technical specifications were provided to “SGC-TGC-8”, JSC.

Znamensk gas turbine plant TPP of “GC-4”, JSC

IDGC of the South, JSC signed a technological connection agreement with “GC-4”, JSC for the connection of Znamensk gas turbine plant TPP generation facility (Astrakhan Region), where it is planned to introduce a generating capacity of 44 MW. The connection of the capacity requires existing electric 110 kv IDGC of the South, JSC grid reconstruction, as well as the construction of a new 110 kv overhead line. “GC-4”, JSC made an advanced payment of RUR 25,648 (VAT included) for the development of technical specifications; the technical specifications were provided to “GC-4”, JSC. Additional agreement for project work advance payment was signed. The facility is included into the IDGC of the South, JSC 2010 investment program, but due to no financing, tenders for project and survey work were not carried out.

Tsymlyanskaya hydro-electric power station of “SGC-TGC-8”, JSC

An application from “SGC-TGC-8”, JSC for technological connection of Tsymlyanskaya hydro-electric power station was received by “Rostovenergo” branch of IDGC of the South, JSC (it is planned to increase the amount of the generating capacity by 2 MW). The connection of the given capacity does not require new electric grid construction as well as reconstruction of the present electric capacities of IDGC of the South, JSC.

to connect energy receivers of the Applicant, and it will be corrected no sooner than an agreement with “Special economic zones”, JSC is signed.

Tuapse (Dzhugbinskaya) thermal power station of “OGC-3”, JSC

The required capacity of generating facility technological connection for distribution is 180 MW of 110 kv. The launch is planned for 2013.

Until now “OGC-3”, JSC has not provided “Kubanenergo”, JSC with the necessary documents for the further development of Dzhugbinskaya thermal power station technological connection documentation.

Adler thermal power station of “Mezhregion-Energostroy”, JSC

The required capacity of generating facility technological connection for distribution is 360 (180) MW of 110 kv. The launch is planned for 2012.

“Kubanenergo”, JSC and “Mezhregion-Energostroy”, JSC signed an agreement on applicant energy facilities technological connection № 20202-09-00021150-4 as of 17 December, 2009.

Adler thermal power station generating capacity technological connection will be possible only after the reconstruction of “Southern-Adler” 110 kv power line and the adjacent grid, with overhang construction of Adler thermal power station 110 kv switchboard. The total amount of payment will be calculated after project and accounting documentation developing. The scheme of power distribution is coordinated with IDGC of the South, JSC.

Sochi thermal power station of “INTER RAO UES”, JSC (2nd construction stage)

According to “Kubanenergo”, JSC preliminary information, the “INTER RAO UES”, JSC requested capacity of generating facilities technological connection for distribution is 80 MW of 110 kv.

Carrying out the generating capacity technological connection of the 2nd construction stage of Sochi thermal power station is possible without new construction and reconstruction of DGC facilities. The total amount of payment will be calculated after project and accounting documentation developing. There is no coordinated scheme of power distribution.

INFORMATION ON THE FULFILLMENT OF THE RF GOVERNMENT PROVISION “ON OLYMPIC FACILITIES CONSTRUCTION AND SOCHI ALPINE CLIMATIC RESORT DEVELOPMENT PROGRAM” № 991 AS OF 29 DECEMBER, 2007.

Under the RF Government provision “On Olympic facilities construction and Sochi alpine climatic resort development program” № 991 as of 29 December, 2007 according to which “Kubanenergo”, JSC is in charge of a number of electric energy facilities, the latter carries out activities on construction and reconstruction of Olympic grid facilities and Sochi Olympic facilities infrastructure development.

The total Olympic facilities construction investment program within the scope of IDGC of the South, JSC — “Kubanenergo”, JSC is estimated around RUR 23.4 bln (VAT included).

Carried out in 2009: Rodnikovaya 110 kv substation reconstruction, with replacement of two 110/6 kv power transformers of 16 MVA to 110/10/6 kv power transformers of 25 MVA and installation of two 10 kv bus lead sections.

Project and survey work for “Sochi thermal power station — Sochi”, “Sochi thermal power station — Khosta” 110 kv cable and overhead line construction is completed.

In the end of August, 2009, project work agreements were signed with “Energo Project”, CJSC, on three linear facilities: “Sochi thermal power station — Sochi”, “Sochi thermal power station — Khosta” 110 kv overhead line construction; “Sochi thermal power station — Matsesta — Khosta — Krasnopolyanskaya hidro-electric power station — Sochi thermal power station” 110 kv power line reconstruction. The work under the agreement was completed in due course.

With respect to the facility “Krasnopolyanskiy RDZ production capacities construction” the land plot for the facility was registered, facility placement, front end engineering design was completed.

At Vereschaginskaya 110 kv substation in the course of reconstruction two 110 kv power transformers of 16 MVA were replaced to 25 MVA ones, a modular transformer substation was built, the modular construction of 110 kv substation control building was placed on concrete plinth.

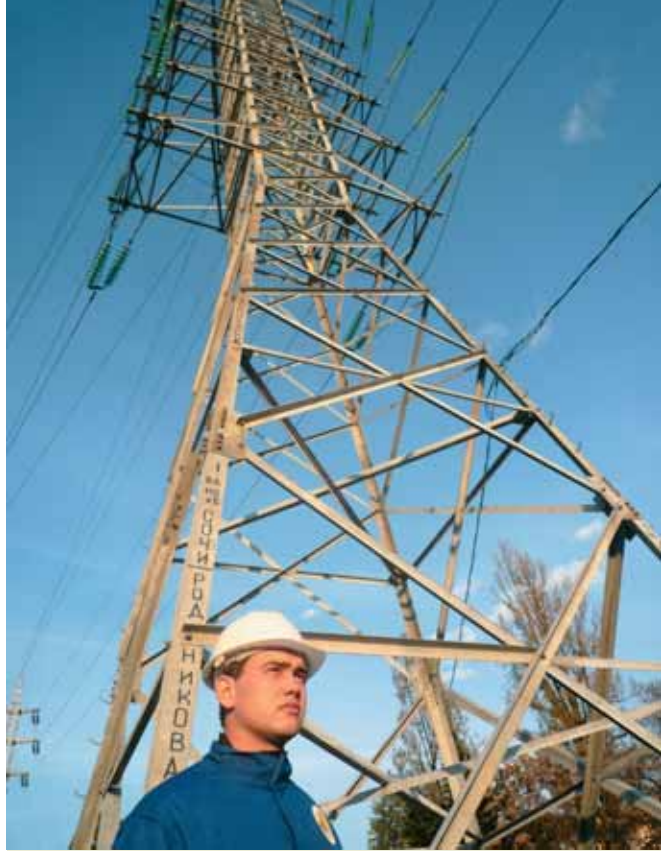
At Bytkha 110 kv substation a large number of planning and engineering design works were completed.

Landslide control measures on the territory of the site required a large number of preparation work, including 48,000 square m mass haul, 208 bored piles of 0.8–1.2 m diameter with the depth of up to 16 m, 6,100 square m of concrete mixture depositing, 450 tons of metal structures.

At Vishnevaya 110 kv substation project and survey works were done (on the stage of examination and coordination). At present, 110 kv overhead line substation overhangs are developed, in accordance with the approved land planning project. Due to transformer project capacity increase the working documentation is being corrected. Core equipment is purchased.

At Bocharov Ruchey 110 kv substation front end engineering design is being completed.

In the end of August, 2009, “Olympstroy SC” and “Kubanenergo”, JSC coordinated the location variant of substation construction site of 0.66 hectares on the territory of “Stavropolye” health resort. “Kubanenergo”, JSC applied to “Olympstroy SC” with a request to begin land planning project development. Besides this, substation overhang corridor coordinates of a 110 kv overhead line were identified and provided to “Olympstroy SC” for land planning project preparation.



With respect to the facility “City distribution electric grid (project and survey work, reconstruction and construction)” pre-project work and project documentation were completed:

- Central (Sochi) RDZ 6–10 kv cable line corridors were identified;
- Khosta RDZ 6–10 kv cable line corridors were identified;
- Krasnopolyanskiy RDZ 6–10 kv cable line corridors were identified;
- 6–10 kv Sochi distribution grid future development scheme is being developed, taking into account the demand and location of Olympic facilities.

“Kubanenergo”, JSC and applicants signed 45 technological connection agreements for the total capacity of 43.522 MW, in fulfillment of 2009 Olympic facilities technological connection.

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IDGC OF THE SOUTH, JSC TOP PRIORITY GOALS AND STRATEGIC OBJECTIVES

The major purpose of IDGC of the South, JSC is profit-making.

In present conditions, the following goals and strategic objectives are of top priority for IDGC of the South, JSC:

- Demand meeting and electric capacities reserve creation in the amount outrunning the economic development by 3–5 years;
- Decrease of Company electric grid facilities objects wear to the level of the developed countries;
- Ensuring of reliable and uninterrupted power supply of consumers;
- Update and new grid infrastructure creation based on a large scale innovative technology upgrade;
- Achievement of Company operation productivity indices at the level comparable to those of similar grid companies of the developed countries;
- By 2015, provision of the Company stable economic viability at the level of the Russian Federation companies with similar market conditions;
- Company electric grid services market share increase on the territories of service;
- Company capitalization growth to the level comparable to the growth level of companies in countries with similar level of economic development;
- IDGC of the South, JSC securities investment attractiveness increase.

2010 IDGC of the South, JSC key tasks with regard to anti-crisis activities on coping with the recession:

- To preserve the level of investment ensuring uninterrupted launch of new facilities. Over the past years regional development has lead to the necessity of production capacity increase and investment program expanding. Long investment cycle requires to continue investment program implementation even in the conditions of the recession;
- To minimize expenditure to prevent from further growth, taking into account grid facility accident free work ensuring;

- To minimize excess energy losses;
- To avoid cutting wages, qualification enhancement expenditure, social oriented expenditure, to preserve human resources pool and production potential of the Company;
- To refinance loans with those with lower interest rates.

2010 IDGC of the South, JSC key tasks with regard to energy transmission services:

1. To develop and select up-to-date software to ensure data exchange with distribution companies with regard to energy transmission services volume.
2. To develop and implement uniform methods of household applicant services volumes without payment and electric power meter data, to develop proposal on the present legislation alteration in order to fix unambiguous tariff and committed capacity requirements, to negotiate the conditions of these methodologies in distribution companies agreements.
3. To organize and update meter-based energy recording, under the Federal law “On energy saving and energy efficiency increase, on alteration of certain legal acts of the RF” № 261-FZ as of 23 November, 2009, including:
 - Additional services provision (installation, replacement and servicing of meters and consumer accounting systems, etc);
 - Coordination with the RF subjects and local authorities of provision of budget funds for the equipment of consumer connections with electric energy meters;
4. Initiatives on the present RF legislation alteration, with regard to:
 - cooperation in approving of objective methods of electric energy consumption quotas accounting;
 - approval of Electric energy usage regulations;
 - approval of Electric energy commercial accounting regulations.



Within the framework of uninterrupted and reliable functioning of the electric grid facilities of IDGC of the South, JSC, to ensure the possibility of new consumer connections to the Company electric grids, one of the top priority goals of IDGC of the South, JSC is electric grid technical-and-economic indexes improvement.

Grid efficiency improvement should be carried out due to reconstruction and technological upgrade scale increase. Electric facility update should be implemented with the use of innovative technical solutions, in correspondence with “IDGC of the South, JSC technical policy regulations” approved by IDGC of the South, JSC order N° 53 as of 06 March, 2009.

2010 IDGC of the South, JSC key tasks with regard to technical-and-economic indexes improvement:

1. Overcoming of the tendency of IDGC of the South, JSC fixed assets ageing with replacement of outdated equipment, as well as the use of new technologies, materials and equipment of increased strength and reliability:
 - SF6 circuit breakers of 110–220 kv;
 - vacuum circuit breakers of 10 kv;
 - self-supporting insulated conductors (SIC) at overhead lines of 0.38 kv;
 - over voltage suppressors (OS), including the overhead OS to protect overhead lines of 110 kv and above without ground wire;
 - multisided power line supports;
 - low-maintenance batteries;
 - polymer insulators;
 - compact snow- and ice-proof conductors at overhead lines of 35 kv and above;
 - AERO-Z type snow- and ice-proof wires at overhead lines of 110 kV and above;
 - spiral connecting equipment, stretching and supporting attachments and etc.
2. Future oriented schemes development of IDGC of the South, JSC grids considering all top priority trends and technologies.

3. Ensuring of IDGC of the South, JSC electric grids adaptability to dynamically developing conditions in the regions, power loads growth and power supply reliability considering consumer needs.
4. Power losses decrease due to voltage regulation in the grid of 6–110 kv, putting non-loaded transformers into reserve, power transmission lines overloaded zones relieving, implementation of self-supporting insulated conductors, detection and elimination of power imbalances, etc; Company electric grids capacity increase due to the activities directed to reactive power management.
5. Improvement and quality increase of the of Company grids maintenance, decrease of the amount and duration of grid elements cut-offs with the implementation of new technologies including complex maintenance methods.
6. Monitoring of the current power equipment condition, as well as implementation of modern methods and testing and diagnostics gadgets, including thermal imaging control and non-burnout cable lines isolation control.
7. Substation reconstruction with the increase of the installed capacity to ensure consumer technological connection to power grids of the Company.
8. Implementation of remote control gadgets and new generation connection, as well as IT-technologies development.
9. Update of special-purpose machines and mechanisms.
10. New SAP R/3-based information technology use at distribution power grid operation.
11. Ensuring timely Company power facilities preparation to autumn and winter period of 2010/2011.
12. Transition to transmission services tariff regulation by RAB (Regulatory asset base) method.

RAB regulation has the following advantages:

- economic stimuli for electricity losses and operational expenditures decrease;
- tariff reference with service quality and reliability;
- creation of investment conditions due to the regional need of grid development and reliability increase;
- creation of conditions for long term and low-price capital attraction;
- possibility to increase an investment program with minimum tariff growth;
- conformity with the best international experience in natural monopoly regulation.

Since 01 January, 2009, two IDGC of the South, JSC branches adopted the new RAB system: Astrakhan-energo, Rostovenergo.

Under Governmental order as of 19 January, 2010 №30-r IDGC of the South, JSC branches Volgograd-energo and Kalmenergo, and “Kubanenergo”, JSC are planning to adopt the new RAB system no later than on 01 July, 2010.

IDGC of the South, JSC targets with regard to quality, ecology, healthcare and work safety:

- *To provide effective and successful functioning of the Company integrated management system owing to meeting the requirements of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 international standards.*

In the 4th quarter of 2009 the Company executive body and branches were audited by “SJS Vostok Limited”, CJSC certification authority. The certificate

audit of the Company integrated management system showed that IDGC of the South, JSC has it successfully implemented and effectively functioning, in accordance with international standard requirements. The Company demonstrated ability of the system to reach agreed product or service requirements within the scope of the system, Company policy and its targets. The Company received the following Certificates of Conformity valid from 30 December, 2009 to 29 December, 2012.

ISO 9001:2008	<p>“Quality Management System — Requirements” Quality Management System clearly demonstrates Company stability and its product (services) high quality, provides the company with the ability to improve its product (services) and processes on a regular basis, in order to enhance customer and other interested party satisfaction.</p>
ISO 14001:2004	<p>“Environmental management systems — Requirements with guidance for use” Environmental management systems is one of Company key competitive advantages which reduces adverse environmental impact, as well as enhances Company investment appeal and enhances customer loyalty to Company product (services).</p>
OHSAS 18001:2007	<p>“Occupational Health and Safety Management System — Requirements” Occupational Health and Safety Management System shows that the company carefully monitors professional and production risk factors, takes care of personnel work safety, aspires to reduce casualties, by systematization of all kinds of activities and health risk reduction, enhances its image and competitive edge with help of regular and registered activities on occupational and labor safety.</p>

- *To enhance Company customer satisfaction by service improvement through creation of at least 5 new Client Service Centers.*

Understanding the importance of client oriented approach in business, the Company implemented an internal document regulating client services — “IDGC of the South, JSC centralized client service system standards” (approved by IDGC of the South, JSC CEO order as of 08 September, 2009, N^o 254).

In 2009 IDGC of the South, JSC opened 2 Client Service Centers (CSC) and 2 Client Service Offices (CSO):

CSC in Elista production enterprise (“Kalmenergo” branch of IDGC of the South, JSC); CSC in Akhtubinsk production enterprise (“Astrakhanenergo” branch of IDGC of the South, JSC); “Levoberezhnye electric grid” production enterprise Pallasovskiy distribution zone CSO and “Kamyshin electric grid” production enterprise Elan distribution zone CSO (“Volgogradenergo” branch of IDGC of the South, JSC).

- *To increase customer energy supply reliability by means of the fulfillment of the investment program, equipment repair schedules; and the increase of Company staff professional competence.*

To increase customer energy supply reliability IDGC of the South, JSC undertakes regular activities on capital construction, technological update, Company electric facilities reconstruction and repair. Thanks to timely and effective fulfillment of all necessary measures on autumn-winter period preparation, IDGC of the South, JSC was certified in readiness for operation in autumn-winter period of 2009/2010 on 12 November, 2009.

- *To reduce annual level of job-related accidents and occupational diseases of Company personnel.*

Health care and labor safety risks identification and evaluation in accordance with OHSAS 18001:2007 was carried out; Risk prevention and minimization program in the sphere of health protection and labor safety was fulfilled; assessment of work places was carried out at “Kubanenergo”, JSC (managing company — IDGC of the South, JSC); Company employees were provided with the necessary personal protective equipment, special clothes and footwear; sanitation and housekeeping support and medical and health support was provided to the Company staff under the requirements of sanitation standards and labor safety regulations; medical examinations and vaccinations were carried out.

- *To reduce adverse environmental impact by means of dangerous waste production decrease.*

In 2009 IDGC of the South, JSC waste adverse environmental impact was reduced by means of

repairing substation oil receivers, temporary storage ring equipment, landfills, and activities on production waste disposal.

- *To improve environmental management by means of Environmental management systems implementation and personnel training.*

Environmental management system is implemented and functioning in the Company, it conforms to the requirements of the international ISO 14001:2004 standard. In 2009 the staff was additionally trained to be certified in waste management, internal auditors were trained in ecology.

- *To meet the requirements of the present RF Environmental Law.*

The Company guarantees timely obtaining of approvals and licenses, makes payments for adverse environmental impact, regularly conducts industrial ecological control, monitoring and internal audits.

- *To implement SA 8000:2001 (Social Accountability Standard) in the Company*

In order to improve employee labor conditions and living standards, as well as to protect the interests of other categories:

- preparatory work on SA 8000:2001 (Social Accountability Standard) implementation began;
- Social Code (internal document regulating social responsibility issues with regard to all interested party categories) was developed.

The company is planning development and publication of regular social reporting in accordance with international standards.

IDGC of the South, JSC corporate management targets:

- Corporate management improvement.

In the reporting year the Company carried out a number of activities aimed at corporate management improvement, one of key activities — development and election of Board of Directors committee members.

Understanding the importance of further improvement of corporate management, IDGC of the South, JSC aspires to secure basic recommendations of the RF Corporate conduct code recommended by Federal Securities Commission of Russia, in the Charter and local acts, aimed at management efficiency improvement, transparency and confidence in relation with shareholders (including dispute settlement).

- To increase investment attractiveness of shares to both Russian and foreign investors.

In 2009 numerous activities were carried out:

With regard to IDGC of the South, JSC transparency:

- information publication process was advanced by improvement of the English version of the corporate web-site;
 - web-site users were provided with the possibility to obtain analytics on IDGC of the South, JSC share trading;
 - quarterly bulletins were developed and issued, with the information on the Company activities and data for analysts, shareholder and investor representatives;
- With regard to IDGC of the South, JSC share marketability improvement:**
- Market maker services agreement with “Unicum Partner”, LLC was signed
- With regard to IDGC of the South, JSC shareholder relations:**
- an agreement with Company Registrar “MCD”, JSC was signed on transfer-agent services, Company shareholder service offices were opened on the territory of “Astrakhanenergo” and “Volgogradenergo” branches of IDGC of the South, JSC;

- activities on identification of shareholders with incorrect details were carried out, the required methodological assistance was provided.

In 2010 the Company is planning to undertake a number of activities aimed at the improvement of share investment attractiveness for potential investors and market capitalization, among them there are Company share listing in the “B” quotation list of MICEX Stock Exchange, further improvement of information publication, etc.

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GLOSSARY

Terms, abbreviation	Definition
Affiliate	Natural or legal person able to exert influence over the activity of legal persons and/or natural persons engaged in entrepreneurial business
AIIS KUE	Automated information measuring system of commercial energy metering
AISBU	Automated budget management information system
ASDTU	Automated dispatch and technological management system
ASKUE	Automated system of commercial energy metering
ASUD	Automated document management system
Auditor of the Company	Company that, under the resolution of the General Shareholders Meeting and the concluded contract, checks the Company's commercial activities
Authorised capital of the company	Consists of the nominal value of a company's placed shares; its amount is set out in the company's Charter
Boiler tariffs for electricity transmission	Uniform tariffs for electricity transmission in RF entities for electricity consumers (except for network companies), regardless of which network company they are connected to. The uniform tariffs are different for different voltage levels
Capitalization	Market cost of a company calculated as a product of market (exchange) cost and number of shares in circulation
CL/Cable line/cable electricity transmission line	Electricity transmission line that consists of one or several parallel cables with sockets and fixing parts
Client Servicing Center	Client Servicing Center
Closed joint-stock company (JSC, CJSC; in Russian — ZAO)	Joint-stock company the shares of which are distributed only between its founders or persons chosen in advance (compare with the 'open joint-stock company')
CO	Controlling (management report)
Company	IDGC of the South, JSC
Consumer, client	Subject receiving the results of the business process (products, services)
Design and survey works	Engineering research work, development of technical and economic basis for building, preparation of projects and working documentation, development of cost estimate documents, for construction (construction of new facilities or expansion, reconstruction of technical reequipment of existing facilities) of plant and equipment. Design and survey work is a system of technical and economic research for construction
Dividend	Part of the Company's net income distributed under the resolution of the General Shareholders Meeting between the shareholders according to their shares in the total number of the placed shares of the Company
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
energo JSC	Energy industry joint-stock companies included in RAO UES of Russia, JSC holding
Energy supply company/energy sale company	Company that sells electricity to other companies/persons as its major business activity

Terms, abbreviation	Definition
EPL	Electric power lines
Extra (commercial) losses of electric energy	Difference between factual and standard losses of electric energy; it is fully paid by the grid company the networks of which suffered from extra losses of electric energy
FA	Fixed assets
Factual (reported) losses of electric energy	Difference between the volume of electric energy transmitted to the electric network from other networks or from electricity producers and the volume of electric energy consumed by electric devices connected to this network and/or transmitted to other network organisations
Federal Energy Committee (in Russian, FEK)	A federal executive body engaged in the energy industry that was set up by Presidential order No. 1194 as of 29 November, 1995
Federal Grid Company/ UES Federal Network Company (in Russian, FSK)	Russian energy company, the operator of Russian electric networks. Located in Moscow
Federal Service for Financial Markets	Federal executive body in Russia that adopts standard legal acts, control and supervises financial markets (except for insurance, bank and auditor activities). The Federal Service for Financial Markets is directly subordinate to the Government of the Russian Federation
Federal Tariff Service (FTS)	Federal executive body in Russia that executes legal regulation of state regulation of prices (tariffs) for products (services) under the legislation of the Russian Federation and control over their application, except for regulation of prices and tariffs within the competence of other federal executive bodies
FI	Finances (accounting)
FWP	Fall-winter period
High-frequency channel	Carrier channel
Housing and utilities infrastructure/ housing maintenance and utilities	Activities targeted at maintenance of city blocks and provision of comfortable life conditions of citizens that include water-supply, sewerage system, major repair of buildings, electricity supply, etc. It is an integral part of municipal services
HR	Human resources
IDGC	Interregional distribution grid company
Independent Director	Person who was elected by shareholders to the Board of Directors and who corresponds to criteria of independence set by the operating legislation of the Russian Federation and local regulations
Interested-party transaction	Transaction that is of interest for a Board of Directors member, a Management Board member, the unique executive body of the Company or a company shareholder who owns, together with its affiliates, 20 and more percent of the company's voting shares, and also persons entitled to give obligatory instructions for the company. A special approval procedure is set out in the legislation of the Russian Federation

Terms, abbreviation	Definition
Investment activity	Investment of money and work execution targeted at generation of income and/or achievement of another positive result
Investment program	Integrated investment projects in the form of a list of facilities that are to be invested in, their specifications and amount of financing that is drawn up for one year or for another fixed period on the basis of regulatory documents. The investment program is an integral part of the business plan
Investment project	Basis for economic feasibility, volume and term of capital investing in the fixed capital (construction of new facilities, expansion, reconstruction and technical reequipment of existing enterprises and other investments that, under the financial accounting standards, may be referred to capital investments); including obligatory design specifications and estimates developed under Russian legislation and standards (norms and rules) approved in accordance with the established procedure
IS-U	Industrial solution in the electric industry
IS-U/CCS	Customer care and service (billing, calculation of services)
IS-U/EDM	Energy data management
IT	Information technologies
KISUR	Corporate information resource management system
KPI	Key performance indicators
kV	Kilovolt. A voltage measurement unit
kWh	Kilowatt hour. A unit for electric energy measurement
Last mile	Connection channel between a communication provider and a subscriber
Liquidity	Indicator that shows the possibility to conclude, quickly and without a considerable price wave, stock-exchange deals with shares; it is directly proportional to the number of transactions made and the trade volume
Losses of electric energy	Difference between actual and productive network supply, i.e. energy that is lost during its transmission to the network
LV	Low voltage (0.4kW and lower)
Major/large transaction	Transaction or several related transactions connected with acquisition, alienation or the possibility of alienation by the company of its property that costs in total over 25% of the balance cost of the Company's assets defined according to its financial accounting for the last accounting date, except for cases set by the legislation of the Russian Federation. The legislation sets a special approval procedure for execution of such a transaction
Majority shareholder	Shareholder that owns a large block of shares (usually over 50% of the Company's shares)
Management/top managers	Top managers of the Company that include the General Director and his/her Deputies

Terms, abbreviation	Definition
Managing company/ management company/ managing organization/ management organization	Commercial organisation that, under the resolution of the General Shareholders Meeting and concluded contracts, executes the functions of the unique executive body of the Company
ME	Municipal entity
MES	Ministry of Emergency Situations of the Russian Federation
Minority shareholder	All shareholders of the Company, except for the majority shareholder
MM	1. Materials management. 2. Mass media
Motivation	Inducement of the company's members to perform their duties in order to achieve the goals planned by the company
MUC	Municipal unitary company
MV	Material values
MV 1	Middle voltage 1 (35 kW)
MV 2	Middle voltage 2 (20-1 kW)
MVA	Megavolt-ampere, an electric power measurement unit
MW	Megawatt, an electric power measurement unit
Network company, grid company/ GC	Company that provides services in electricity transmission with the use of grid facilities not connected with the UNPG, and, in cases set out in the legislation of the Russian Federation, with the use of grid facilities included in the UNPG
OAD	Organizational-administrative documents
OL/Overhead Line	Overhead electricity transmission line
Open distribution unit/ open switchgear	Electric distribution unit that is located outdoors
Open joint-stock company (JSC, OJSC; in Russian — OAO)	A form of public company in Russia where shareholders may alienate their shares
Operative dispatch service	Service that organizes management of technological processes and state of grid facilities or electricity receiving equipment
Ordinary/common/equity Shares	Shares that give their owners the right to participate in the General Shareholders Meeting of the Company and vote on all issues of its competence, to receive dividends and a part of the Company's property in case it is liquidated (liquidation cost)
Output to the grid	The volume of electricity supplied to the electric power grid of the distribution company from different grids or from electricity producers
PD	Production division
PM(TOPO)	Technical servicing and equipment repairs

Terms, abbreviation	Definition
RbC	Regulation by capacity
RD	Relay defenses
REG	Region of electric grids
Regulated activities	Activities regulated under federal law On state regulation of tariffs for electric and thermal energy in the Russian Federation
REM	Regional electricity market
RFC	Regulations on financial accounting
ROE	ROE measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every dollar of shareholders' equity (also known as net assets or assets minus liabilities). It shows how well a company uses investment money to generate earnings growth. ROE is equal to a fiscal year's net income (after preferred stock dividends but before common stock dividends) divided by total equity (excluding preferred shares), expressed as a percentage
ROTA	Return on Total Assets: A measure of how effectively a company uses its assets. Calculated by (income before interest and tax) / (fixed assets + current assets)
RTS	Regional tariff service
SCO	Scheme of capacity output
SCTI	System of collection and transfer of information
Share/stock	Issued security that fixes the rights of its owner (shareholder) to receive a part of the joint-stock company revenue in the form of dividends, to take part in the management of the joint-stock company and to come into ownership of a part of the property that shall remain in case the joint-stock company is liquidated
SIC	Self-supporting insulated conductor
Significant fact	Event that affects the commercial activities of a securities issuer that shall disclose the information about its issues under the legislation of the Russian Federation. The Company is required to disclose this information in the form of messages about significant facts
SS	Substation
Staff rotation	Horizontal rotation of staff from one place to another in order to familiarize employees with different production tasks of the company
Standard losses of electric energy	Calculation values of losses set by an authorized federal executive body concerning electricity transmission lines or other grid facilities owned by the network company that differ by voltage levels. The cost of standard losses of electric energy is included in charges (tariffs) for technological connection
Subsidiary and dependent companies	Legal persons where the Company owns over 20% of their voting shares and, due to the prevailing participation in the authorized capital, under the concluded contract or in any other way, is entitled to approve resolutions made by these legal persons

Terms, abbreviation	Definition
Substation	Subsidiary station of an electricity generation, transmission and distribution system where voltage is transformed from high to low or the reverse using transformers. Electric power may flow through several substations between generating plant and consumer, and may be changed in voltage in several steps
TCC	Technological connection of customers
Technical reconstruction and reequipment	Technical reconstruction and reequipment of fixed assets
Technological connection	Technological connection of energy receiving devices (electric installations) owned by natural and legal persons to the electric networks of a company that renders services in electricity transmission
TMA	Transport Management Administration
TS	1. An electric substation for increasing and reducing voltage in the alternating current network and for electric energy distribution. 2. Technical specifications
UES	United Energy System
UNPG	United National (All-Russia) Power Grid
Useful output from grids	The amount of electric energy consumed by the energy-accepting mechanisms of the Consumer, connected to this grid, as well as transferred to other grid companies
UST/Uniform Social Tax	Tax paid to the Federal Budget and state non-budge funds — Pension Fund of the Russian Federation, Fund of Social Insurance of the Russian Federation and Russian funds of obligatory medical insurance — and for collection of money for execution of the rights of citizens to receive state pension and social support and medical treatment
VH	High voltage (more than 110 kW)
VS	Vaccum switches
WEM	Wholesale electricity market
YIPP	Yearly integrated purchasing program

APPENDICES

APPENDIX 1 INFORMATION ABOUT THE PARTICIPATION OF IDGC OF THE SOUTH, JSC IN OTHER COMPANIES

Participation of IDGC of the South, JSC in commercial companies

Name and address of the company	Date of the company's registration	Major business activity	Stake of the company's voting shares owned by IDGC of South, JSC
1. Astrakhanelectrosetremont, open joint-stock company 204, Kramatorskaya St, Astrakhan, Russian Federation	16.03.2004	Major and current repair of equipment, transfer installations plant and equipment; technical updating and reconstruction; maintenance of electric networks	100%
2. Volgogradsetremont open joint-stock company 1A, Granovitaya St, Volgograd, Russian Federation	01.04.2004	Maintenance of electric networks, capital and current repair of equipment, transfer installations, plant and equipment; technical updating and reconstruction	100%
3. Agricultural Enterprise named after A. A. Grechko open joint-stock company 21, Teatralnaya St, Kuibyshevo District, Kuibyshevo village, Rostov Region, Russia	17.11.2003	Production, processing and supply of agricultural products made by the company	100%
4. Sokolovskoye Agricultural Enterprise open joint-stock company 32, Kurskaya St, Sokolovo-Kondryuchensky Village, Novoshakhtinsk, Russian Federation	13.11.2003	Production, processing and supply of agricultural products made by the company	100%
5. Energetik Recreation Camp open joint-stock company 3, Shkolnaya St, Shepsi village, Tuapse District, Krasnodar Region, Russian Federation	10.11.2003	Medical treatment and recreation of adults, parents with children (at least five years old) and organized groups of school pupils; domestic, guide and recreational services.	100%
6. Volgogradenergosbyt open joint-stock company 14, Kozlovskaya St, Volgograd, 400001, Russian Federation	01.01.2005	Purchase and sale of electric energy	0.5610%
7. Federal Grid Company of the United Energy System open joint-stock company 5A, Akademik Chelomeya St, Moscow, 117630, Russian Federation	20.08.2002	Transmission and distribution of electricity, services for connection to electricity grids	0.0008%
8. Rostov Football Club open joint-stock company 31/6A, Sholokhov Prospect, Rostov-on-Don, 344000, Russian Federation.	19.11.1997	Preparation and organisation of football teams, holding of football competitions	0.49%
9. "ENERGOGARANT Insurance joint-stock company" open joint-stock company 23, Sadovnicheskaya Embarkment, Moscow, 115035, Russian Federation	14.08.2002	Insurance	0.022%
10. "Gazenergo" open joint-stock company* 26, Podstantsionnaya St, Pyatigorsk, Stavropol Territory, 357506, Russian Federation	16.01.1992	Purchase, sale and generation of electric energy	0.5550%
11. "International Investment and Privatising Fund" closed joint-stock company 3/3, Solyanka St, Moscow, 109028, Russian Federation	22.06.1994	Development, project effectiveness justification, and support of non-standard projects and insurance systems	0.0330%
12. Joint-Stock Grid Company open joint-stock company 27, Osipenko St, Moscow, 113035, Russian Federation	04.08.1992	Electric installation works	5.2220%

Name and address of the company	Date of the company's registration	Major business activity	Stake of the company's voting shares owned by IDGC of South, JSC
13. Sphere-Income closed joint-stock company 13, Prazhskaya St, Volgograd, Volgograd Region, 400005, Russian Federation	13.06.1996	Development, production and supply of producer and consumer goods, etc.	12.8890 %
14. Chaganskoye closed joint-stock company 1, Lenin St, Chagan Village, Kamyzyak District, Astrakhan Region, Russian Federation	30.06.1999	Agricultural activities	2.8810 %

* Starting from February 25, 2010, IDGC of the South, JSC stopped participating Gazenergo, JSC due to its liquidation as a result of bankruptcy.

Participation of IDGC of the South, JSC in non-profit organizations

Name and address of non-profit organization	Date of entrance into the non-profit organization	Major activities of the non-profit organization
Unions and associations of legal entities		
1. Russian National Industrial Association of Electric Industry Employers C-109, 101/3, Vernadsky's Avenue, Moscow, 119526, Russian Federation	17.11.2008	Representation and defence of electric industry employers' interests in their relations with trade unions and other representatives of employees' interests and with state and local authorities
Non-profit partnerships		
2. Energy Industry Long-Service Employees Union non-profit partnership 119/55, Mira square, Moscow, Russian Federation, 129344	30.01.2009	Comprehensive help to electric industry long-service employees
3. Science and Engineering Council of the Uniform Energy System non-profit partnership 119/55, Mira square, Moscow, 129344, Russian Federation	16.02.2009	Activities of professional organisations, scientific research and developments in natural and technical sciences
4. Rostov Study Centre of the Uniform Energy System" non-profit partnership Bldg P, 13, Krasnokazarmennaya St, Moscow, 111250, Russian Federation	05.02.2009	Services in preparation, advanced education and qualification provided to the companies' personnel, enterprises of all forms of organisation and ownership and also to discharged employees, unoccupied and unemployed people
5. Innovations in Electric Industry non-profit partnership 19, Leninsky Avenue, Moscow, Russian Federation	10.04.2008	Services provided to the Partnership members in improvement of financing of science and research works in production, transmission, distribution and supply of electric energy; supply with information on products of science and research works that exist on the world market and on developments in the electric industry, implementation of advanced technical and technological solutions that improve their work efficiency
6. Non-profit partnership Union of organizations performing construction, reconstruction and capital repairs of energy objects, grids, and sub-stations ENERGOSTROY 26, Str. 1, Ulansky Per., Moscow, 107996, Russian Federation.	07.12.2009	The main goals of the establishment and functioning of the partnership are: Preventing harm to the lives and health of individuals, the property of individuals or legal entities, state or municipal property, the environment, the life or health of animals and plants, cultural heritage objects (including monuments of history and culture) and the peoples of the Russian Federation as a result of a lack of work which have an influence on the safety of Objects, and are fulfilled by the members of the Partnership
Institutions		
7. Energetik Study Centre private educational institution 147, Second Krasnodarskaya St, Rostov-on-Don, 344091, Russian Federation	31.03.2008	Education and advanced education of workers and specialists of IDGC of South, JSC and other enterprises and organisations, unoccupied and unemployed people. Advanced education in the sphere of maintenance and repair of electric stations, electric networks and substations, labour protection, electric safety, economy of the electric industry, market relations and legal knowledge
8. Astrakhan Study Centre private educational institution Territory of Astrakhan Thermal Power Generation Plant No. 2, Kulakovka village, Privolzhsky District, Astrakhan Region, 416474, Russian Federation	31.03.2008	Education and secondary (advanced) education of IDGC of South, JSC workers and specialists and other enterprises and organisations
Funds		
9. Private Pension Fund of Electric Industry Bldg 5, 16, Bersenevskaya embankment, Moscow, 119072, Russian Federation	31.03.2008	Private pension support of the fund participants; obligatory pension insurance and professional pension insurance

APPENDIX 2

REPORT ON COMPLIANCE TO THE CORPORATE CONDUCT CODE IN 2009

(APPROVED BY ORDER OF THE FEDERAL COMMISSION FOR SECURITIES MARKET NO.421/R OF 4 APRIL 2002 ON RECOMMENDATION FOR APPLICATION OF THE CORPORATE CONDUCT CODE)

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4

General Shareholders' Meeting

1	Notification of shareholders on carrying out of general meeting of shareholders at least 30 days prior to the meeting date irrespective of the items included in its agenda, unless a greater term is stipulated by the legislation	Compliant	Provided for in item 11.5 of Article 11 of the Charter
2	Shareholders' opportunity to examine the list of the persons authorized to participate in the general meeting of shareholders starting from the day of notification on the general meeting of shareholders through to closing the internal general meeting of shareholders, and in case of the in-absentia general meeting of shareholders till the date of voting bulletins reception termination	Compliant	Provided for by sub-item 3, item 6.2 of the Charter. The process of familiarization takes place in accordance with item 4 of Article 51 of the Federal Law dd. 26 December, 1995 No. 208-FL "On Joint-Stock Companies"
3	Shareholders' opportunity to examine the information (data) which is subject to submission during preparation of the general meeting of shareholders, via electronic communication, including the Internet	Compliant	Provided for in item 4.1. of the Regulations for the Procedure of Preparation and Carrying out of the General Shareholders Meeting, item 1 of Chapter IV, Corporate Governance Code
4	"Shareholder's opportunity to submit an item to the agenda of the general meeting of shareholders or to demand a general meeting of shareholders without giving an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit, — the sufficiency of an extract from the account of deposit for execution of the abovementioned rights"	Compliant	"The Charter and internal documents do not provide for this opportunity; factually this opportunity is provided. The Company plans to include the question of making the according additions to the Regulations on Preparation for and Carrying out of the General Shareholders' Meeting in the agenda of the General Shareholders' Meeting of IDGC of the South, JSC."
5	Provision in the Charter or internal documents of the joint-stock company of a requirement of obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Committee and the auditor of the joint-stock company at the general meeting of shareholders.	Partially compliant	The Code of Corporate Governance contains provisions about the Company's efforts to ensure the presence of the members of the bodies of management and control at the General Shareholders' Meeting, as well as the Company auditor. Furthermore, in the future the Company plans to include the question of including the according additions in the Regulations on preparation for and carrying out the General Shareholders' Meeting of IDGC of the South, JSC
6	Candidates' obligatory presence during a consideration of items on election of members of the Board of Directors, the General Director, members of the Management Board, members of the Auditing Committee, as well as the item on approval of the auditor of the joint-stock company at the general meeting of shareholders	Non-compliant	Such requirements are not stipulated by the Charter and internal documents. The Company aspires to provide presence at GSM of members of managing and control bodies, and the Company auditor. In 2009 the respective amendments are planned to be made in the Company internal documents
7	Registration procedure of participants of the general meeting of shareholders in internal documents of the joint-stock company	Compliant	"art. 11.10 of the Charter, item 5.1 of the Regulations for the Procedure of Preparation and Carrying out of General Shareholders Meeting of IDGC of the South"

Board of Directors

8	Provision in the Charter of the joint-stock company for the Board of Directors' authority for annual approval of the financial and economic plan of the joint-stock company	Compliant	Provided for in subitem 19 of item 15.1 in Article 15 of the Charter
9	Procedure of risk management approved by the Board of Directors in the joint-stock company	Partially compliant	Provision on procedures of internal control (as concerns financial-economic activity)

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
10	Provision in the Charter of the joint-stock company of the right of the Board of Directors to make a decision on termination of the General Director's powers appointed by the general meeting of shareholders	Non-compliant	Election of the general director and early termination of his powers falls within the competence of the Company Board of Directors according to subitem 12 of item 15.1 of Article 15, item 21.4 and item 21.10 of Article 21 of the Charter
11	Provision in the Charter of the joint-stock company of the right of the Board of Directors to establish requirements to professional skills and rate of remuneration of the General Director, members of the Management Board, heads of the main structural divisions of the joint-stock company	With regard to professional skills — non-compliant; with regard to rate of remuneration — compliant	"In conformity with items 21.6, 21.7. of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts. Besides, the Company Board of Directors approved the Regulations for Material Stimulation of Top Managers of IDGC of South, JSC, fixing the amount of remuneration of heads of the Company main structural divisions, the competence of which includes solution of strategic issues in the field of manufacture, finance and reform."
12	Provision in the Charter of the joint-stock company of the right of the Board of Directors to approve terms of contracts with the General Director and members of the Management Board	Compliant	In conformity with items 21.6, 21.7 of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts
13	Provision in the Charter or internal documents of the joint-stock company of the requirements concerning the fact that votes of members of the Board of Directors who are either the General Director or members of Management Board, are not taken into account of votes during approval of contract terms with the General Director (a managing organization, a managing director) and members of the Management Board	Non-compliant	Not provided for; factually the requirement is complied with. In the future the question of including the according additions to the Provisions on the procedure for calling and conducting the Board of Directors meetings of IDGC of the South, JSC is planned to be included in the agenda of the General Shareholders Meeting
14	Presence in the Board of Directors of the joint-stock company of at least 3 independent directors who suit the requirements of the Corporate Governance Code	Compliant	"The structure of the Board of Directors: 1) elected by the Annual General Shareholders Meeting (Minutes № 1 dd. 04.06.2008), valid until 19.06.2009; 2) elected by the Annual General Shareholders Meeting (Minutes № 2 dd. 19.06.2009), valid from 19.06.2009 to 14.09.2009; 3) elected by the Extraordinary General Shareholders Meeting (Minutes № 3 dd. 14.09.2009), valid from 14.09.2009, includes no less than 3 independent directors"
15	Absence in the structure of the Board of Directors of the joint-stock company of persons who were accused of crimes in the area of economic activities or crimes against the government, interests of public service and service in institutions of local government or who experienced administrative punishments for a violation of law in the area of the enterprise activity or in the area of finance, tax and tax collections and securities market	Compliant	These data are quarterly requested from the members of the Board of Directors
16	Absence in structure of the Board of Directors of the joint-stock company of persons, being participants, the General Director (managing director), member of a managing body or employee of a legal entity competing with the joint-stock company	Compliant	"These data are quarterly requested from the Board of Directors members. The Company is a natural monopoly entity"
17	Requirement in the Charter of the joint-stock company on election of the Board of Directors through cumulative voting	Compliant	Provided for by item 10.8 of Article 10, p. 16.2 of art. 16 of the Company Charter
18	Provision in internal documents of the joint-stock company of an obligation of members of the Board of Directors to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company; obligation of disclosing the information on this conflict to the Board of Directors in case of its occurrence	Compliant	Provided for in Chapter V item 1 of the Corporate Governance Code, Regulations for Insider Information. Besides, additions to the Corporate Governance Code on this issue are prepared.

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
19	Provision in internal documents of the joint-stock company of the Board of Directors members' duty to notify the Board of Directors in writing on their intention to make transactions with securities of the joint-stock company, if they are members of the Board of Directors of this joint-stock company or its subsidiaries (dependent) companies, as well as disclose the information on the transactions with such securities made by them	Compliant	Provided for in item 4.1. of the Regulations for the Insider Information, chapter V p.1 of the Corporate Governance Code
20	Provision in the internal documents of the joint-stock company of the requirement to hold meetings of the Board of Directors at least as often as once every six weeks	Compliant	The Corporate Governance Code sets a periodicity of no less than 1 time per six weeks. Factually in the reporting year these meetings were held no less than once per month (17 meetings). In the future it is planned to include the question of including the according changes in the agenda of the General Shareholders Meeting in the Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC
21	Meetings of the Board of Directors of the joint-stock company during the year which is the subject of the annual report of the joint-stock company are carried out at least as often as once every six weeks	Compliant	Meetings of the Board of Directors of the joint-stock company during the year which is the subject of the annual report of the joint-stock company were carried out no less than once per month (17 meetings)
22	Provision in the internal documents of the joint-stock company of the procedure of holding the meetings of the Board of Directors	Compliant	Provided for by article 18 of the Charter, Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC
23	Provision in internal documents of the joint-stock company of regulations on necessity of approval by the joint-stock company's Board of Directors of transactions for the amount of 10 and more percent of the cost of the Company assets, except for the transactions made as a part of the company's every day economic activity	Compliant	Provided for in subitem 38 of item 15.1. of Article 15 of the Charter
24	Provision in internal documents of the joint-stock company of the right of members of the Board of Directors to receive from executive bodies and heads of the main structural divisions of the joint-stock company the information required to perform their functions, as well as responsibility for failure to provide such information	Compliant	"Provided for in the Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC (item 3.1.–3.3., item 4.4.–4.6.)"
25	Presence in the Board of Directors of a Committee for Strategic Planning or transferring the functions of the given committee to a different committee (besides the Auditing Committee and the Committee for Staff and Remuneration)	Compliant	The Company has established a Committee for Strategy, Development, Investments and Reform
26	Provision of the Committee under the Board of Directors (the Auditing Committee) which recommends the auditor to the Board of Directors of the joint-stock company and cooperates with the auditor and the Auditing Committee of the joint-stock company	Compliant	
27	Presence of only independent and non-executive directors in the Auditing Committee	Compliant	
28	The Auditing Committee is managed by an independent director	Non-compliant	
29	Provision in internal documents of the joint-stock company of access right for all members of the Auditing Committee to any document and information of the joint-stock company under the condition of nondisclosure of confidential information	Compliant	item 4–5 of the Provisions for the Auditing Committee of the Board of Directors of IDGC of the South, JSC
30	Establishment of a Committee under the Board of Directors (the Personnel and Remuneration Committee), whose function is to define criteria of candidates to the positions of members of the Board of Directors and develop the joint-stock company's policy in the area of remuneration	Compliant	

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
31	The Personnel and Remuneration Committee is managed by an independent director	Non-compliant	
32	Absence of officials of the joint-stock company in the structure of the Personnel and Remuneration Committee	Non-compliant	
33	Establishment of the Risks Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	
34	Establishment of Corporate Conflicts Settlement Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	
35	Absence of the joint-stock company officials in the structure of Corporate Conflicts Settlement Committee	Non-compliant	The Corporate Conflicts Settlement Committee has not yet been established
36	The Corporate Conflicts Settlement Committee is managed by an independent director	Non-compliant	The Corporate Conflicts Settlement Committee has not yet been established
37	Provision in internal documents of the joint-stock company of the process of establishment and operation of the Board of Directors committees approved by Board of Directors	Compliant	Item 19 of the Charter stipulates that the Committees are established under the decision of the Board of Directors; their procedure of formation and work is fixed in separate decisions of the Board of Directors.
38	Provision in the Charter of the joint-stock company of the process of definition of quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of Board of Directors	Non-compliant	

Executive bodies

39	Provision of the collegial executive body (Management Board) of the joint-stock company	Compliant	This norm is stipulated in Article 21, 22 of the Charter, Regulations for the Company Management Board
40	Provision in the Charter or internal documents of the joint-stock company of the regulations on necessity of approval by the Management Board for transactions with the real estate, joint-stock company's obtaining credits if the specified transactions are not referred to large transactions and their fulfillment is not referred to ordinary economic activities of the joint-stock company	Compliant	This norm is stipulated in subitem 7 of item 22.2 of Article 22 of the Charter
41	Provision in the internal documents of the joint-stock company of the procedure of coordination of operations beyond the financial and economic plan of the joint-stock company	Compliant	This norm is stipulated in subitem 2 of item 22.2 of Article 22 of the Charter
42	Absence in the structure of executive bodies of a person being either a participant, general director (managing director), member of managing body or employee of a legal entity competing with the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board. The Company is a natural monopoly entity
43	Absence of persons in the structure of executive bodies of the joint-stock company who were found guilty in fulfillment of crimes in the sphere of economic activities or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for violations in the area of enterprise activity or in the area of finance, tax, tax collections, and the securities market. If functions of the sole executive body are carried out by a managing organization or a managing director, the General Director and members of the management board of the managing organization or managing director must meet the requirements to the General Director and members of the Management Board of the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
44	Provision in the Charter or internal documents of the joint-stock company of the prohibition for the managing organization (managing director) to carry out similar functions in a competing company, as well as to be in any other material relations with the joint-stock company besides rendering services to the managing organization (managing director)	Compliant	Provided for in Chapter V of the Corporate Governance Code. The Company is a natural monopoly entity
45	Provision in internal documents of the joint-stock company of executive bodies' duties to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company, and duties to inform the Board of Directors if such conflict occurs	Compliant	Article 3 of the Regulations for the Management Board stipulates declaring by members of the Management Board of affiliation (which can lead to the conflict of interests), item 3.7. of the Regulations for Insider Information regarding abstention from transactions with the Company shares. Furthermore, the given provisions are given in item 2, chapter V of the Corporate Governance Code
46	Provision in the Charter or internal documents of the joint-stock company of criteria for election of the managing organization (managing director)	Compliant	Provided for in item 2, Chapter V of the Corporate Governance Code
47	Presentation by the joint-stock company executive bodies of monthly performance reports to the Board of Directors	Compliant	The need for executive bodies to give reports about their work to the Board of Directors is provided for in pp. 34 of item 15.1., p. 22.2 of the Charter. The General Director — Head of the Management Board provides a quarterly report about the Company's work, about implementation of the decisions of the Board of Directors, about complying to the Provisions on information policy, on the results of fulfilling the business plan, about fulfilling DPN control indicators, about credit policy, on fulfilling the investment program, on extraordinary purchasing, and others. Furthermore, with defferent periodicity (set by the Company's internal documents) reports on complying with the Corporate Governance Code and about fulfilling the yearly integrated purchasing program, etc. are provided
48	Determining the responsibility for infringements of provisions on the use of confidential and service information stated in the contracts concluded by the joint-stock company with the General Director (managing organization, managing director) and members of the Managing Board	Compliant	The contracts have such terms. Furthermore, contract obligations containing such terms are signed with members of executive bodies and insiders
Company secretary			
49	Presence in the joint-stock company of a special official (secretary of the Company) whose task is to maintain supervision by bodies and officials of the joint-stock company over procedural requirements guaranteeing execution of the rights and legitimate interests of shareholders of the Company	Compliant	Provided for by article 20 of the Charter, Provisions on a corporate secretary of IDGC of the South, JSC
50	The process of appointment (election) of the secretary of the Company and duties of the secretary of the Company stipulated by the Charter or internal documents of the joint-stock company	Compliant	Provided for in Article 20 of the Charter and item 3.6 of the Provisions on a corporate secretary of IDGC of the South, JSC
51	Provision of the Requirements to the candidate of the Secretary of the Company in the Charter of the joint-stock company	Compliant	Provided for in Article 20 of the Charter and item 3.6 of the Provisions on a corporate secretary of IDGC of the South, JSC
Significant corporate actions			
52	Requirement in the charter or internal documents of the joint-stock company to approve a large transaction before its fulfillment	Compliant	Subitem 17 of item 10.2 of Article 10, item 24 of item 15.1. of Article 15 of the Charter
53	"Obligatory involvement of an independent appraiser for estimation of the market cost of the property which is a subject of a large transaction"	Compliant	Provided for in sub-item 24 of item 15.1. of Article 15 of the Charter

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
54	Presence in the Charter of the joint-stock company of the interdiction for taking any action while acquiring (taking over) a large stake of shares of the joint-stock company (takeover) aimed to protect interests of executive bodies (members of these bodies) and members of the Board of Directors of the joint-stock company, as well as actions worsening shareholders' position in comparison with the existing position (in particular, the interdiction for taking actions by the Board of Directors before termination of prospective term of making the decision on the issue of additional shares, issue of securities convertible into shares, or securities enabling a person to purchase shares of the Company even if the right of such decision-making is provided to by the Charter	Non-compliant	
55	Requirement in the Charter of the joint-stock company on obligatory involvement of an independent appraiser to estimate the current market share price and possible changes in the share price as a result of a takeover	Non-compliant	
56	Absence in the Charter of the joint-stock company of a release of the purchaser's duty to propose shareholders to sell ordinary shares of the Company belonging to them (the issue securities convertible into ordinary shares) during a takeover	Compliant	
57	Presence in the Charter or internal documents of the joint-stock company of the requirement on an obligatory involvement of an independent appraiser in order to define the share conversion ratio during reorganization	Partially compliant	According to sub-item 45 of item 15.1. of the Charter, the competencies of the Board of Directors include approving the candidacy of an independent appraiser to determine the value of shares, property, and others Company assets in cases provided for by the federal law "On joint-stock companies", the Charter, and individual resolutions of the Board of Directors. Furthermore, in the future the Company plans to include the question of including the according changes in the Charter in the agenda for the General Shareholders' Meeting.

Disclosure of information

58	Presence of the internal document approved by the Board of Directors which defines the rules and approaches of the joint-stock company to information disclosure (Regulations on the information policy)	Compliant	Regulations on information policy
59	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on the purpose of the shares issue, on persons intending to purchase the shares to be issued, including a large share holding, and on the fact whether or not the top officials of the joint-stock company will participate in the purchase of the Company's shares to be issued	Non-compliant	
60	Presence of the list of the information, documents and data in internal documents of the joint-stock company which should be given to shareholders for decision-making on the items submitted to the general meeting of shareholders	Compliant	Provided for in item 1 of Chapter IV of the Corporate Governance Code, Regulations on the method of preparation for an conduct of the General Shareholders' Meeting of IDGC of the South, JSC
61	Presence of the joint-stock company web-site in the Internet and regular disclosure of information on the joint-stock company on this web-site	Compliant	Provided for by the Regulations on information policy of IDGC of the South, JSC. The address of the Company's corporate web-site: www.mrsk-yuga.ru .
62	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on transactions of the joint-stock company made with the persons referred, according to the Charter, to the top officials of the joint-stock company, as well as on the transactions of the joint-stock company made with the organizations in which the top officials of the jointstock company directly or indirectly own 20 and more percent of the authorized capital of the joint-stock company or which can be essentially influenced by such persons	Compliant	Item 5.2.10.2. of the Regulations on information policy

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
63	Presence in internal documents of the joint-stock company of the requirement to disclose the information on all transactions which can influence the market price of the joint-stock company's shares	Compliant	Item 12.2. of the Regulations on information policy
64	Presence of the internal document approved by the Board of Directors on the use of the essential information on activity of the joint-stock company, shares and other securities of the company and transactions with them which is not available to everybody and a disclosure of which can essentially influence the market value of shares and other securities of the joint-stock company.	Compliant	Regulations on insider information
Control over financial and economic activities			
65	Presence of the procedures of the internal control over financial and economic activity of the joint-stock company approved by the Board of Directors	Compliant	Regulations on procedures of internal control
66	Presence of a special division of the joint-stock company providing for an execution of procedures of internal control (of the Control and Auditing Service)	Compliant	Internal Control and Audit Department
67	Requirement to define the structure and membership of the Control and Auditing Service of the joint-stock company by the Board of Directors stipulated in internal documents of the joint-stock company	Non-compliant	
68	Absence in the structure of the Control and Inspection Service of persons who were found guilty in committing crimes in the sphere of economic activity or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for infringements in the area of enterprise activity or in the field of the finance, tax, tax collections, and the securities market	Compliant	

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
69	Absence in the structure of the Control and Auditing Service of the persons being a part of any executive body of the joint-stock company, and persons being participants, general director (managing director), members of managing bodies or employees of a legal entity competing with the joint-stock company	Compliant	The Company is the subject of a natural monopoly
70	Presence in internal documents of the joint-stock company of the term of presentation of documents and data to the Control and Auditing Service for estimation of the financial and economic operation held, and responsibility of officials and employees of the joint-stock company for their failure to present the documents and data in the specified term	Compliant	Item 6.1.2. of the Regulations on procedures of internal control
71	Presence in the internal documents of the joint-stock company of the Control and Inspection Service's duty to inform the Committee for Audit of the revealed infringements, and in case of the latter's absence, presence of the duty to inform the Board of Directors of the joint-stock company of such infringements	Compliant	Item 6.1.4. of the Regulations on procedures of internal control
72	Presence in the Charter of the joint-stock company of the requirement on preliminary estimation by the Control and Auditing Service of expediency of fulfillment of the operations not stipulated by the financial and economic plan of the jointstock company (non-standard operations)	Non-compliant	
73	Presence of the internal document of the joint-stock company describing the method of agreeing on non-standard operations with the Board of Directors	Compliant	Authority for approving the business-plan and corrections to it are part of the competencies of the Board of Directors (sub-item 19 item 15.1. article 15 of the Charter). Furthermore, sub-items 30, 38 article 15.1 of the Charter determines the list of transactions which must be first approved by the Board of Directors.
74	Presence in internal documents of the joint-stock company of the order of coordination of a non-standard operation with the Board of Directors	Compliant	This procedure is stipulated in the Regulations for the Auditing Committee approved by GSM

Nº	Provision of the Corporate Conduct Code	Compliance/ non-compliance	Note
1	2	3	4
75	Execution by the Auditing Committee of an evaluation of the Auditor's Report before it is presented to shareholders at the general meeting of shareholders	Compliant	Due to the establishment of the Auditing Committee on 01.12.2009, such practice was not conducted in 2009. An appraisal of the auditor's report before the date of the annual General Shareholders' Meeting is called for by the Plan of work of the Auditing Committee for 2010.

Dividends

76	Presence of the internal document approved by the Board of Directors and used by the Board of Directors as guidelines while approving recommendations on the amount of dividends (Regulations on the Dividend Policy)	Compliant	Regulations on dividend policy
77	Presence in the Regulation on Dividend Policy of the rules of a definition of the minimum net profit share of the joint-stock company dividends payment and conditions of non-payment or incomplete payment of dividends per preferred share, the amount of dividends per which is defined in the Charter of the joint-stock company	Non-compliant	
78	Publication of the data on the dividend policy of the joint-stock company and changes to it in periodicals stipulated by the Charter of the joint-stock company for publication of Notes on general meetings of shareholders, and publication of the specified data on the joint-stock company's web-site in the Internet	Partially compliant	As concerns placement of information on the corporate web-site

COMPANY INTERNAL DOCUMENTS MENTIONED IN THIS REPORT AND PUBLISHED ON THE COMPANY CORPORATE WEB-SITE:

№	Document name	Information on approval of the document
1	Charter of IDGC of the South, JSC	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" of 28 February, 2008 No. 1829pr/7).
2	Regulations on the Procedure for Preparation and Carrying out the General Shareholders Meeting of IDGC of the South, JSC	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" of 28 February, 2008 No. 1829pr/7).
3	Regulations on the Procedure of Calling and Carrying out of Board of Directors meetings of IDGC of the South, JSC	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" of 28 February, 2008 No. 1829pr/7).
4	Regulations on the Management Board of IDGC of the South, JSC	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" of 28 February, 2008 No. 1829pr/7).
5	Regulations on the Auditing Committee of IDGC of the South, JSC	Approved by the General Shareholders' Meeting of JSC, IDGC of the South (minutes of the Management Board of RAO "UES of Russia" of 05.10.2007, № 1751pr/4).
6	Regulations on the Corporate Secretary of the Board of Directors IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC (minutes dd 14.09.2009 № 34/2009)
7	Corporate Governance Code of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC (minutes dd. 21.08.2009, +D117 № 32/2009)
8	Regulations on Dividend Policy of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC (minutes dd 23.12.2008, № 21/2008).
9	Regulations on Information Policy of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC (minutes dd 03.09.2007, № 2/2007)
10	Regulations on Insider Information of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC (minutes dd. 03.09.2007, № 2/2007)
11	Regulations on payments of remuneration and compensation to members of the Board of Directors of IDGC of the South, JSC	Approved by the annual General Shareholders' Meeting of JSC, IDGC of the South 30.05.2008 (minutes dd. 04.06.2008, №1)
12	Regulations on payments of remuneration and compensation to members of the Auditing Committee of IDGC of the South, JSC	Approved by the annual General Shareholders' Meeting of JSC, IDGC of the South 30.05.2008 (minutes dd. 04.06.2008, №1)
13	Regulations on the Committee of Technical Connections to Electrical Grids under the Board of Directors of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC dd. 09.02.2009 (minutes dd. 11.02.2009, № 22/2009).
14	Regulations on the procedure of internal control of IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC dd. 09.02.2009 (minutes dd. 11.02.2009, № 22/2009).
15	Procedure of interaction of IDGC of the South, JSC with companies and stocks (shares) owned by IDGC of the South, JSC	Approved by the Board of Directors of IDGC of the South, JSC dd. 06.03.2009 (minutes dd. 06.03.2009, № 24/2009).
16	"Regulations on the Auditing Committee"	Approved by the Board of Directors of IDGC of the South, JSC dd. 01.12.2009 (minutes dd. 04.12.2009, № 37/2009).
17	Regulations on the Committee for Personnel and Remuneration	Approved by the Board of Directors of IDGC of the South, JSC dd. 01.12.2009 (minutes dd. 04.12.2009, № 37/2009).
18	Regulations on the Committee of Technical Connections to Electrical Grids	Approved by the Board of Directors of IDGC of the South, JSC dd. 09.02.2009 (minutes dd. 11.02.2009, № 22/2009).
19	Regulations on the Reliability Committee	Approved by the Board of Directors of IDGC of the South, JSC dd. 01.12.2009 (minutes dd. 04.12.2009, № 37/2009).
20	Regulations on the Committee for Strategy, Development, Investments and Reform	Approved by the Board of Directors of IDGC of the South, JSC dd. 01.12.2009 (minutes dd. 04.12.2009, № 37/2009).

APPENDIX 3

INFORMATION ON INTERESTED-PARTY TRANSACTIONS COMPLETED BY IDGC OF THE SOUTH, JSC IN 2009

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
1	Agreement on membership in the United Energy System Scientific and Technical Council nonprofit partnership 101/09-26 dd. 5 February, 2009	<p>Parties to the agreement: Member of Partnership — IDGC of the South, JSC; Partnership — UES STC nonprofit partnership.</p> <p>Agreement scope: establishing partnership entry procedure for the Member of Partnership, establishing rights and responsibilities of the Member of Partnership and the Partnership.</p> <p>Order of membership fee payments: The amount of the subscription fee is RUR 1,573,000 (one million five hundred seventy three thousand), payable in monetary means within 30 days after the Member of Partnership Board of Directors resolution on entering the Partnership. The 2009 membership fee is RUR 1,500,000 (one million five hundred thousand) and is payable by 1 February, 2009. The amount and order of further annual membership fee payments is defined by the decisions of the Partnership Supervisory Council.</p>	IDGC of the South, JSC Board of Directors (Minutes № 20/2008 dd. 01 December, 2008)	IDGC Holding, JSC; Kazakov A. I., IDGC Holding, JSC CEO
2	Construction technical supervision agreement 407/30-24/106 dd. 12 March, 2009	<p>Parties to the agreement: Contractor — Kubanenergo, JSC; Customer — IDGC of the South, JSC.</p> <p>Agreement scope: The Contractor undertakes to execute facility construction/reconstruction technical supervision by order of the Customer and in its own name. The supervision is fulfilled under work and labor contracts between the Customer and the Contractor, within the framework of the Brokerage agreement № 407/30-1064 dd. 21 August, 2008. The services rendered are delivered to the Customer, the Customer undertakes to accept the Contractor services and pay for them as stipulated by the Agreement terms.</p> <p>Agreement price: The cost of the facility construction/reconstruction technical supervision under the Brokerage agreement № 407/30-1064 dd. 21 August, 2008 is 0.01 % of the cost of construction work of each separate facility, but does not exceed RUR 200,000 (two hundred thousand) annually, including the 18% VAT of RUR 30,508 (thirty thousand five hundred and eight) and 47 kopeks according to the agreement as a whole.</p>	IDGC of the South, JSC Board of Directors (Minutes № 21/2008 dd. 19 December, 2008)	IDGC Holding, JSC; Gavrilov A. I., IDGC of the South, JSC CEO and Board of Directors member; IDGC of the South, JSC Management Board members: Belonogov M. I., Sultanov G. A., Brizhan V. V., Kopanev V. N., Lunev I. A., Kostetskiy V. Yu., Savin G. G., Pestov D. V.
3	Commodities and materials storage agreement № 174 dd. 15 April, 2009	<p>Parties to the agreement: Custodian — Kubanenergo, JSC; Depositor — IDGC of the South, JSC.</p> <p>Agreement scope: The Custodian undertakes to impound from the Depositor or Shipper (Supplier), and store the Depositor's commodities and materials that were handed over to the Custodian by the Depositor or Shipper (Supplier), and to return the property to the Depositor or its authorized person in good condition.</p> <p>Agreement price: Payment for the storage under the Agreement is RUR 10,000 (ten thousand) per month, including 18% VAT of RUR 1,525 (one thousand five hundred and twenty five) and 42 kopeks</p>	IDGC of the South, JSC Board of Directors (Minutes № 21/2008 dd. 19 December, 2008)	IDGC Holding, JSC; Gavrilov A. I., IDGC of the South, JSC CEO and Board of Directors member; IDGC of the South, JSC, Management Board members: Belonogov M. I., Sultanov G. A., Brizhan V. V., Kopanev V. N., Lunev I. A., Kostetskiy V. Yu., Savin G. G., Pestov D. V.

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
4	Real estate lease agreement 49-12-109 dd. 15 April, 2009	<p>Parties to the agreement: Tenant — IDGC of the South, JSC; Landlord — Astrakhanyelectrosetremont, JSC.</p> <p>Agreement scope: The Landlord delivers the following property into temporary possession and use: 1) non-residential premises of 195 sq. m at 18, Franko Str., Akhtubinsk, Astrakhan region; 2) non-residential premises of 555.7 sq. m at 143, Lenina Str., Harabali, Astrakhan region.</p> <p>Agreement price: Monthly lease rents by the Tenant of RUR 40,818 (forty thousand eight hundred and eighteen) and 56 kopeks, including the 18% VAT of RUR 6,226 (six thousand two hundred and twenty six) and 56 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 22/2008 dd. 11 February, 2009)	IDGC Holding, JSC
5	Work and labor agreement 2009/2/261 dd. 29 May, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South energy engineering center, JSC.</p> <p>Agreement scope: The Customer commits, and the Contractor undertakes, under the terms of the Agreement, within the time fixed by the Agreement, to perform work under the document Development of regional zoning maps according to different climatic characteristics on the territory of Astrakhan Region with an every 25 years frequency, under license D 502129 dd. 26 July, 2004. Customer undertakes to accept the results of the services and pay for them.</p> <p>Agreement price: The cost of works under the Agreement is RUR 5,930,971 (five million nine hundred and thirty thousand nine hundred and seventy one) and 08 kopeks, including the 18% VAT of RUR 904,724 (nine hundred and four thousand seven hundred and twenty four) and 40 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 25/2008 dd. 10 April, 2009)	IDGC Holding, JSC
6	Additional agreement № 4/407/30-940/571 dd. 19 November, 2009 to the Agreement of delegation of authority of sole executive body № 407/30-1143/26 dd. 14 September, 2007	<p>Parties to the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC.</p> <p>Additional agreement scope: Alteration of Section 7 of the Agreement concerning the definition of services cost constant.</p> <p>Additional agreement price: The total value of the services under the Agreement is RUR 389,902,938 (three hundred and eighty nine million nine hundred and two thousand nine hundred and thirty eight) and 48 kopeks.</p>	IDGC of the South, JSC Board of Directors	IDGC Holding, JSC; Gavrilov A. I., IDGC of the South, JSC CEO and Board of Directors member;
7	Paid services agreement № 187 dd. 22 April, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — Tyumenenergo, JSC.</p> <p>Agreement scope: The Customer commits, and the Contractor undertakes to provide services for the organization of IDGC of the South, JSC distribution grid field service teams professional Pan-Russia competition on the premises of Nizhnevartovskie EG (branch of Tyumenenergo) training grounds, from 07 September, 2009 to 11 September, 2009, in accordance with the Competition provisions.</p> <p>Agreement price: Cost of services under this Agreement is RUR 700,000 (seven hundred thousand), including the 18% VAT of RUR 106,779 (one hundred and six thousand seven hundred and seventy nine) and 66 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 27/2009 dd. 25 May, 2009)	IDGC Holding, JSC; IDGC of the South, JSC Board of Directors members Kravchenko V. M., Okley P. I.
8	Additional agreement № 121 dd. 17 March, 2009, to Agreement № 29 dd. 15 September, 1993	<p>Parties to the additional agreement: Parties to the agreement — Rus Hydro JSC; IDGC of the South, JSC.</p> <p>Additional agreement scope: Alteration of the text of the Agreement, in particular: replacement of RAO UES of Russia, JSC to Rus Hydro JSC; Kalmenergo, JSC to IDGC of the South, JSC, as well as redraft of the preamble.</p>	IDGC of the South, JSC Board of Directors (Minutes № 28/2009 dd. 05 June, 2009)	IDGC Holding, JSC; IDGC Holding JSC Board of Directors members Maslov S. V., Serebryannikov S. V., Tatsiy V. V., Shmatko S. I.

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
9	Real estate lease agreement № 135 dd. 1 May, 2009	<p>Parties to the agreement: Tenant — SO UES, JSC; Landlord — IDGC of the South, JSC.</p> <p>Agreement scope: The Landlord undertakes to deliver non-residential premises into temporary possession and use of the Tenant. The non-residential premises of 9 sq. m are situated at: 5th floor of IDGC of the South, JSC office building, North industrial zone, Elista, Republic of Kalmykia. The Tenant undertakes to accept it into compensated use and possession, according to the Agreement terms.</p> <p>Agreement price: Monthly lease rents by the Tenant of RUR 1,561 (one thousand five hundred and sixty one) and 14 kopeks, including the 18% VAT of RUR 238 (two hundred and thirty eight) and 14 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 29/2009 dd. 18 June, 2009)	IDGC Holding, JSC; Kurbatov M. Yu., IDGC Holding, JSC Board of Directors member; Rappoport A. N., IDGC of the South, JSC Board of Directors member.
10	Agreement № VZh354/09/3470091494 dd. 05 November, 2009	<p>Parties to the agreement: IDGC of the South, JSC and RusHydro, JSC.</p> <p>Agreement scope: Paid services for measurement tools repairs and calibration.</p> <p>Agreement price: RUR 227,268 (two hundred and twenty seven thousand two hundred and sixty eight) and 00 kopeks, including the 18% VAT of RUR 34,668 (thirty four thousand six hundred and sixty eight) and 00 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 31/2009 dd. 04 August, 2009)	IDGC Holding, JSC; IDGC Holding JSC Board of Directors members Maslov S. V., Serebryannikov S. V., Tatsiy V. V., Shmatko S. I.
11	Paid services agreement № 190/2009 dd. 14 September, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South engineering energy center.</p> <p>Agreement scope: The Customer commits, and the Contractor undertakes, to perform work on regional zoning maps development, according to different climatic characteristics on the territory of Republic of Kalmykia, with a frequency of every 25 years, for the needs of the Kalmenergo branch of IDGC of the South, JSC. The Customer undertakes to accept the results of the work and pay for them.</p> <p>Agreement price: The agreement price is RUR 4,283,400 (four million two hundred and eighty three thousand four hundred) and 00 kopeks, including the 18% VAT of RUR 653,400 (six hundred and fifty three thousand four hundred) and 00 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 32/2009 dd. 21 August, 2009)	IDGC Holding JSC.
12	Additional agreement dd. 20 August, 2009 to Agreement № 29 dd. 15 September, 1993	<p>Parties to the additional agreement: Parties to the agreement — Rus Hydro JSC; IDGC of the South, JSC.</p> <p>Additional agreement scope: Kalmytskaya wind-power station right of property admeasurements:</p> <ul style="list-style-type: none"> – IDGC of the South, JSC — 148/1000 shares of Kalmytskaya wind-power station asset complex right of property, which is RUR 6,860,768.18 in monetary terms; – Rus Hydro JSC — 852/1000 shares of Kalmytskaya wind-power station asset complex right of joint property, which is RUR 39,402,244.98 in monetary terms 	IDGC of the South, JSC Board of Directors (Minutes № 32/2009 dd. 19 August, 2009)	IDGC Holding, JSC; IDGC Holding JSC Board of Directors members Maslov S. V., Serebryannikov S. V., Tatsiy V. V., Shmatko S. I.

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
13	Real estate lease agreement 49-12-98 dd. 12 September, 2009	<p>Parties to the agreement: Tenant — SO UES, JSC; Landlord — IDGC of the South, JSC.</p> <p>Agreement scope: The Landlord delivers and the Tenant accepts the following non-residential property into temporary possession and use without right of redemption or sublease:</p> <ul style="list-style-type: none"> – premises of 450.3 sq. m at 32/19, Red Embankment Str./ Soviet Militia Str., Astrakhan; – premises of 115.1 sq. m at 32/19, Red Embankment Str./ Soviet Militia Str., Astrakhan. <p>Agreement price: Total agreement price is RUR 767,546 (seven hundred and sixty seven thousand five hundred and forty six) and 34 kopeks per month, including the 18% VAT of RUR 117,083 (one hundred and seventeen thousand eighty three) and 34 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 34/2009 dd. 14 September, 2009)	IDGC Holding, JSC Board of Directors members Dod E. V., Kurbatov M. Yu., Shmatko S. I.
14	Agreement on the United Energy System of Russia functioning organization and development № 623/518 dd. 01 October, 2009	<p>Parties to the agreement: IDGC Holding JSC, hereinafter referred to as IDGC Holding; IDGC of the South, JSC, hereinafter referred to as the Company.</p> <p>Agreement scope: IDGC Holding undertakes to provide the Company with the services of UES functioning organization and development, with regard to electric grid complex, in correspondence with the terms of the Agreement. The Company undertakes to accept the services and pay for them in accordance with the terms of the Agreement</p> <p>Agreement price: Payment for IDGC Holding services for a billing period under this Agreement is RUR 15,580,000.00 (fifteen million five hundred and eighty thousand) and 00 kopeks, not including the 18% VAT of RUR 2,804,400.00 (two million eight hundred and four thousand four hundred) and 00 kopeks. The billing period is equal to a calendar month of services provided.</p>	IDGC of the South, JSC Board of Directors (Minutes № 34/2009 dd. 14 September, 2009)	IDGC Holding, JSC
15	Movable property rent agreement № 262 dd. 02 August, 2009	<p>Parties to the agreement: Tenant — SO UES, JSC; Landlord — IDGC of the South, JSC.</p> <p>Agreement scope: The Landlord delivers into temporary possession and use, and the Tenant accepts and pays for the use of the movable property: computer (HP system unit, LG monitor, power adapter, printer), inventory number 08010000069.</p> <p>Agreement price: Monthly services payment is RUR 875 (eight hundred and seventy five) and 41 kopeks, including the 18% VAT of RUR 133 (one hundred and thirty three) and 54 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 34/2009 dd. 14 September, 2009)	IDGC Holding, JSC, IDGC Holding, JSC Board of Directors members Dod E. V., Kurbatov M. Yu., Shmatko S. I.
16	Property buy and sell agreement № 386 dd. 24 June, 2009	<p>Parties to the agreement: Buyer — IDGC of the South, JSC; Seller — Krasnodarenergosetremont, JSC.</p> <p>Agreement scope: Krasnodarenergosetremont, JSC, undertakes to transfer the following property into IDGC of the South, JSC ownership:</p> <ol style="list-style-type: none"> 1. real property situated at 47, Novorossiyskaya Str., Karasunskiy district, Krasnodar, Krasnodar Territory; 2. real property situated at 1a, Krasnaya Str., Belorechensk, Krasnodar Territory; 3. real property situated at 202, Sverdlova Str., Ilyinskiy settlement, Northern region, Krasnodar Territory; <p>IDGC of the South, JSC undertakes to accept and pay for this property.</p> <p>Agreement price: The cost of the acquired property is estimated RUR 135,282,000 (one hundred and thirty five million two hundred and eighty two thousand), including the 18% VAT of RUR 20,636,237 (twenty million six hundred and thirty six thousand two hundred and thirty seven) and 29 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 35/2009 dd. 23 December, 2009)	IDGC Holding, JSC

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
17	Design and survey work agreement № 75517/25/09/7604	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South engineering energy center.</p> <p>Agreement scope: The Customer commits, and the Contractor undertakes, to perform work on cost estimate and project documentation for the facility: 110/10/6 kv R-27 (Tsentralnaya) substation construction, with a 110 kv cable line and 110 kv units at substations R-1 and R-22. Working project adjustment. The Customer undertakes to accept the results of the work and pay for them.</p> <p>Agreement price: The price under the present Agreement, in accordance with the Contractual Cost Estimate and Project Documentation Price Agreement Protocol, is RUR 4,296,113 (four million two hundred and ninety six thousand one hundred and thirteen) and 00 kopeks, not including the 18% VAT of RUR 773,300 (seven hundred and seventy three thousand three hundred) and 34 kopeks. In total, RUR 5,069,413 (five million sixty nine thousand four hundred and thirteen) and 34 kopeks</p>	IDGC of the South, JSC Board of Directors (Minutes № 35/2009 dd. 23 October, 2009)	IDGC Holding, JSC
18	Additional agreement № 1/682 dd. 01 December, 2009 to Agreement on the United Energy System of Russia functioning organization and development № 623/518 dd. 01 October, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — IDGC Holding, JSC.</p> <p>Agreement scope: At fulfilling purchasing coordination services, the Customer commits, and the Contractor undertakes, in its own name to perform legal and other activities connected with tenders and regulated single-source selection of materials, equipment, works and services suppliers.</p>	IDGC of the South, JSC Board of Directors (Minutes № 36/2009 dd. 10 November, 2009)	IDGC Holding, JSC
19	Services agreement № 19-5434/3470091698 dd. 07 December, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South engineering energy center.</p> <p>Agreement scope: The Customer commits, and the Contractor undertakes, to perform work on surveying the realistic electromagnetic environment (EME) and developing recommendations on the electromagnetic compatibility (EMC) of relay protection and automation (RPA), ACS, automatic system for commercial accounting of power consumption (ASCAPC) microprocessor hardware and communications at Pravoberezhnye electric grid production enterprise substations: 110/10 kv Molokozavod, 110/6 kv VGTZ-1, 110/10 kv Stroitel'naya, 110/35/6 kv Sovetskaya, and a Kamyshin electric grid production enterprise 110/6 kv substation Zanzevatka (Volgogradenergo branch of IDGC of the South, JSC).</p> <p>Agreement price: Total Agreement price, in correspondence with local resources estimates, is RUR 704,904 (seven hundred and four thousand nine hundred and four) and 86 kopeks, including the 18% VAT of RUR 107,527 (one hundred and seven thousand five hundred and twenty seven) and 86 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 01 December, 2009)	IDGC Holding, JSC

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
20	Design and survey work agreement №3.1.01/07.09/3470091812 dd. 15 December, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — Volga region engineering energy center.</p> <p>Agreement scope: By order of the Customer, the Contractor undertakes to execute design and survey work and develop cost estimate and project documentation for the electric grid construction of the following facility: Dubrava dacha nonprofit partnership of Eurobild, LLC. The Customer undertakes to accept the results of the work and pay for them.</p> <p>Agreement price: According to the summary calculation, the Agreement price is RUR 490,979 (four hundred and ninety thousand nine hundred and seventy nine) and 00 kopeks, not including the 18% VAT of RUR 88,376 (eighty eight thousand three hundred and seventy six) and 22 kopeks. In total, RUR 579,355 (five hundred and seventy nine thousand three hundred and fifty five) and 22 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 01 December, 2009)	IDGC Holding, JSC
21	Work agreement on malfunction repair and maintenance of protection relays and emergency control automatics № 302 dd. 04 December, 2009	<p>Parties to the agreement: Contractor — Glavsetservice UNEG, JSC; Customer — IDGC of the South, JSC.</p> <p>Agreement scope: By order of the Customer, the Contractor undertakes to fulfill malfunction repair and maintenance services of protection relays (PR) and emergency control automatics (ECA) in the amount of preventive recovery at 220 kv Elista Sevrnaya — Zimovniki power line substations: 220/110/10 kv Elista Sevrnaya and 220/110/10 kv Zimovniki. The property belongs to the Customer on an ownership basis. The Customer undertakes to accept the services and pay for them.</p> <p>Agreement price: In accordance with the estimation, the Agreement price is RUR 293,790 (two hundred and ninety three thousand seven hundred and ninety), including the 18% VAT of RUR 44,815 (forty four thousand eight hundred and fifteen) and 42 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 01 December, 2009)	Shogenov V. M., IDGC of the South, JSC Board of Directors member
22	Agreement № 7716/25/09/7606 dd. 07 December, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South engineering energy center.</p> <p>Agreement scope: By order of the Customer, the Contractor undertakes to execute design and survey work and develop technical documentation for the following facility: External electricity supply of the KPD-Cargo, CJSC cargo logistics center. 110/35/6 kv Sh-9 substation units reconstruction and 6 kv double-circuit line construction. The Customer undertakes to accept the results of the work and pay for them.</p> <p>Agreement price: In accordance with the Contractual Price Agreement Protocol, the Agreement price is RUR 1,400,000 (one million four hundred thousand), not including the 18% VAT of RUR 252,000 (two hundred and fifty two thousand). In total, RUR 1,652,000 (one million six hundred and fifty two thousand).</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 01 December, 2009)	IDGC Holding, JSC

No.	Transaction type	Transaction main terms	Approving executive body	Interested party
1	2	3	4	5
23	Design and survey work agreement № 78039/25/09/7608 dd. 18 December, 2009	<p>Parties to the agreement: Customer — IDGC of the South, JSC; Contractor — South engineering energy center.</p> <p>Agreement scope: By order of the Customer, the Contractor undertakes to develop cost estimate and project documentation for the following facility: 6–10 kv cable line construction, and the Customer undertakes to accept the results of the work and pay for them.</p> <p>Agreement price: In accordance with the Contractual Cost Estimate and Project Documentation Price Agreement Protocol, the Agreement price is RUR 2,092,987 (two million ninety two thousand nine hundred and eighty seven) and 00 kopeks, not including the 18% VAT of RUR 376,737 (three hundred and seventy six thousand seven hundred and thirty seven) and 66 kopeks. In total, RUR 2,469,724 (two million four hundred and sixty nine thousand seven hundred and twenty four) and 66 kopeks.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 01 December, 2009)	IDGC Holding, JSC
24	Additional agreement № 2/688 dd. 30 December, 2009 to Agency agreement № 407/30-1064 dd. 21 August, 2008	<p>Parties to the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC.</p> <p>Additional agreement scope: To approve Additional agreement № 2/688 dd. 30 December, 2009 to Agency agreement № 407/30-1064 dd. 21 August, 2008 between IDGC of the South, JSC and Kubanenergo, JSC, which is an interested-party transaction, in conformity with the Appendix to the Resolution of Board of Directors.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 04 December, 2009)	IDGC Holding, JSC; IDGC of the South, JSC, executing the function of Kubanenergo, JSC sole executive body, represented by: Gavrilov A. I., IDGC of the South, JSC CEO and Kubanenergo, JSC Management Board member; IDGC of the South, JSC Management Board members Savin G. G. and Pestov D. V.
25	Additional agreement № 407/30-1144/715 dd. 09 December, 2009 to Motor vehicle and crew rental agreement № 407/30-1371/418.4 dd. 29 October, 2008	<p>Parties to the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC.</p> <p>Additional agreement scope: Extension and change of Motor vehicle and crew rental agreement № 407/30-1371/418.4 dd. 29 October, 2008.</p> <p>Additional agreement price: RUR 6,049,740 (six million forty nine thousand seven hundred and forty), including 18% VAT.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 04 December, 2009)	IDGC Holding, JSC; IDGC of the South, JSC, executing the function of Kubanenergo, JSC sole executive body, represented by: Gavrilov A. I., IDGC of the South, JSC CEO and Kubanenergo, JSC Management Board member; IDGC of the South, JSC Management Board members Savin G. G. and Pestov D. V.
26	Additional agreement № 407/30-1154/725 dd. 09 December, 2009 to Motor vehicle rental agreement № 407/30-1334/418.5 dd. 29 October, 2008	<p>Parties to the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC.</p> <p>Additional agreement scope: Extension and change of Motor vehicle rental agreement № 407/30-1334/418.5 dd. 29 October, 2008.</p> <p>Additional agreement price: RUR 1,460,628 (one million four hundred and sixty thousand six hundred and twenty eight) and 00 kopeks, including 18% VAT.</p>	IDGC of the South, JSC Board of Directors (Minutes № 37/2009 dd. 04 December, 2009)	IDGC Holding, JSC; IDGC of the South, JSC, executing the function of Kubanenergo, JSC sole executive body, represented by: Gavrilov A. I., IDGC of the South, JSC CEO and Kubanenergo, JSC Management Board member; IDGC of the South, JSC Management Board members Savin G. G. and Pestov D. V.

APPENDIX 4

INFORMATION ABOUT VOLUMES AND TARIFFS FOR SERVICES FOR ELECTRICITY DISTRIBUTION PROVIDED BY IDGC OF THE SOUTH, JSC

Tariffs for the Rostovenergo branch of IDGC of South, JSC

Tariffs	High Voltage	Mid Voltage-1	Mid Voltage-2	Low Voltage	
2009					
"Boiler" tariffs approved by decree № 14/3 of the Regional Tariff Service dd. 26.12.2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	252,085.98	391,628.90	414,019.97	437,422.70
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	628.24	589.07	113.15	380.82
	Average single-rate tariff for distribution, RUR/MWh	1,027.77	1,681.45	952.10	1,303.10
2010					
"Boiler" tariffs approved by decree № 16/3 of the Regional Tariff Service dd. 29.12.2009	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	275,134.81	313 923.33	541,812.93	542,008.4
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	689.72	624.13	139.07	442.09
	Average single-rate tariff for distribution, RUR/MWh	1,159.13	1,392.41	1,407.11	1,470.89
Growth, 2010/2009, %	Rate (tariff) for maintenance of electric networks, %	9.14	-19.84	30.87	23.91
	Rate (tariff) of technological waste of electric energy during its transmission through networks, %	9.79	5.95	22.91	16.09
	Average single-rate tariff for distribution, %	12.78	-17.19	47.79	12.88

Tariffs for the Volgogradenergo branch of IDGC of the South, JSC

Tariffs	High Voltage	Mid Voltage-1	Mid Voltage-2	Low Voltage	
2009					
"Boiler" tariffs approved by decree of the Regional Tariff Service of the Volgograd Regional Administration dd. 24.04.2009 № 12/2	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	268,963.11	533,217.85	638,340.93	907,151.25
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	21.33	113.45	132.18	478.3
	Average single-rate tariff for distribution, RUR/MWh	413.52	843.89	1835.45	2081.76
	For the population, RUR/MWh	355.95	355.95	355.95	355.95
2010					
"Boiler" tariffs approved by decree of the Regional Tariff Service of the Volgograd Regional Administration dd. 24.12.2009 № 42/1	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	578,240.76	757,813.00	945,365.96	1,021,679.47
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	44.13	70.16	153.53	497.42
	Average single-rate tariff for distribution, RUR/MWh	921.61	1,265.63	2,561.5	2,602.93
	For the population, RUR/MWh	514.36	514.36	514.36	514.36
Growth, 2010/2009, %	Rate (tariff) for maintenance of electric networks, %	114.99	42.12	48.1	12.63
	Rate (tariff) of technological waste of electric energy during its transmission through networks, %	106.89	-38.16	16.15	4.00
	Average single-rate tariff for distribution, %	122.87	49.98	39.56	25.04
	For the population, %	44.5	44.5	44.5	44.5

Tariffs for the Kalmenergo branch of IDGC of the South, JSC

Tariffs		High Voltage	Mid Voltage-1	Mid Voltage-2	Low voltage	Low voltage-town population, inclusive of VAT	Low voltage-rural population inclusive of VAT
2009							
"Boiler" tariffs approved by decree of the Regional Tariff Service of the Republic of Kalmykia dd. 19.01.2009 № 6-p/e	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	655,666.06	842,754.17	862,573.17	1,089,702.67	590,238.04	204,944.71
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	52.97	93.64	165.59	269.35	317.84	317.84
	Average single-rate tariff for distribution, RUR/MWh	1,312.25	1,712.25	1,822.25	2,362.25	1,451.46	711.46
2010							
"Boiler" tariffs approved by decree of the Regional Tariff Service of the Republic of Kalmykia dd. 16.12.2009 № 80-p/e	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	879,254.82	1,128,658.96	1,143,534.06	1,408,717.89	773,890.39	300,717.49
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	55.24	108.3	172.84	278.88	329.08	329.08
	Average single-rate tariff for distribution, RUR/MWh	1,560.39	2,040.39	2,130.4	2,690.39	1,653.86	843.86
Growth, 2010/2009, %	Rate (tariff) for maintenance of electric networks, %	34.10	33.93	32.57	29.28	31.11	46.73
	Rate (tariff) of technological waste of electric energy during its transmission through networks, %	4.29	15.66	4.38	3.54	3.54	3.54
	Average single-rate tariff for distribution, %	18.91	19.16	16.91	13.89	13.94	18.61

Tariffs for the Astrakhanenergo branch of IDGC of the South, JSC

Tariffs		High voltage	Mid Voltage-1	Mid Voltage-2	Low Voltage
2009					
"Boiler" tariffs approved by decree of the Astrakhan Regional Tariff Service dd. 16.10.2008, № 79	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	126,178.62	163,657.87	321,658.57	471,240.12
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	192.9	228.45	278	109.5
	Average single-rate tariff for distribution, RUR/MWh	427.74	548.56	853.96	995.92
2010					
"Boiler" tariffs approved by decree of the Astrakhan Regional Tariff Service dd. 16.10.2008, № 79	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	142,139.62	193,217.48	411,058.82	616,542.41
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	268.3	314.44	376.53	104
	Average single-rate tariff for distribution, RUR/MWh	532.8	691.76	1,113.46	1,263.58
Growth, 2010/2009, %	Rate (tariff) for maintenance of electric networks, %	12.65	18.06	27.79	30.83
	Rate (tariff) of technological waste of electric energy during its transmission through networks, %	39.09	37.64	35.44	-5.02
	Average single-rate tariff for distribution, %	24.56	26.10	30.39	26.88

APPENDIX 5

VOLUMES AND TARIFFS FOR TECHNOLOGICAL CONNECTIONS FOR THIS YEAR AND NEXT YEAR REPORTED TO THE TARIFF REGULATION BODY AND TARIFFS FOR TECHNOLOGICAL CONNECTION SET BY THE TARIFF REGULATION BODY

Volumes and tariffs for technological connections in the 2009 reporting year and for 2010 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Rostovenergo branch of IDGC of the South, JSC set by the regulating body

Capacity range, kW/ reliability category	Level of voltage in the connection point, kV	Rostovenergo branch of IDGC of the South, JSC					
		2009			2010		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15 kW, total	0.4	35,829		466.1 RUR/ 1 connection			466.1 RUR/ 1 connection
	6–10						
	35–110						
Including individuals		11,790					
3 rd reliability category	AV 2	20,827	20,379.7	18,639.33	33,187	20,379.7	18,639.33
	LV	34,743	17,272	14,615.40	54,059	17,272	14,615.40
Connection of electricity grid objects of Donenergo, JSC to distribution grids of Rostovenergo of the 3 rd reliability category	AV 2	32,697	2,295.48	2,295.48	100,473	2,295.48	2,295.48

- Rates for technological connections to the electricity grids of the Rostovenergo branch for 2009-2010 were calculated and announced at the regional energy commission of the Rostov Region in 2009;
- Payment for technological connections to electric grids of the Company is set by the resolutions of the regional energy commission of the Rostov Region. In 2009–2010 there are rates for technological connection to the grids of the Rostovenergo branch, approved by the resolutions of the regional energy commission of the Rostov Region dd. 27.05.2009, № 7/1 and № 7/2.

Volumes and tariffs for technological connections in the 2009 reporting year and for 2010 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Volgogradenergo branch of IDGC of the South, JSC set by the regulating body

City zone

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo branch of IDGC of the South, JSC					
		2009			2010		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
If technological connection is technically possible							
Up to 100 kW inclusive	0.4 kW	1,020		1,778.23		604.67	
Up to 100 kW		111,052		93.17		194.89	
Up to 100 kW inclusive	6–10 kW	1,084		544.23		426.62	
Higher than 100 and up to 750 kW inclusive		2,357		211.54		165.23	
Higher than 750 kW		35,224		93.98		31.46	
Up to 15 kW inclusive		466.10 rubles without VAT for one connection					
Technological connection is impossible due to the necessity of construction and reconstruction of feeding centers							
Other consumers of technological connection services		3834.69 RUR/kW					
Technological connection is impossible due to the necessity of construction and reconstruction of distribution electric networks of the grid organization							
Up to 100 kW, inclusive	0.4 kW	1 020		2 312,85		4 560,76	
From 100 kW		111,052		9,206.63		18,200.5	
Up to 100 kW inclusive	6–10 kW	1,084		3,340.04		8,487.34	
Higher than 100 and up to 750 kW inclusive		2,357		5,297.58		3,892.57	
Higher than 750 kW		35,224		5,519.84		17,220.35	
Up to 15 kW inclusive		466.10 rubles without VAT for one connection					

Region zone

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo branch of IDGC of the South, JSC					
		2009			2010		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
If technological connection is technically possible							
Up to 100 kW inclusive	0.4 kW	490		1,847.99		618.52	
Up to 100 kW		22,983		90.43		156.33	
Up to 100 kW inclusive	6–10 kW	584		510.09		487.97	
Higher than 100 and up to 750 kW inclusive		2,327		192.76		188.93	
Higher than 750 kW		4,200		110.82		34.61	
Up to 15 kW inclusive		466.10 rubles without VAT for one connection					
Technological connection is impossible due to the necessity of construction and reconstruction of feeding centers							
Other consumers of technological connection services		2,119.62 RUR/kW					
Technological connection is impossible due to the necessity of construction and reconstruction of distribution electric networks of the grid organization							
Up to 100 kW, inclusive	0.4 kW	490		2,925.30		67.96	
From 100 kW		22.983		7,543.86		197.60	
Up to 100 kW inclusive	6–10 kW	584		3,470.74		0.00	
Higher than 100 and up to 750 kW inclusive		2.327		5,565.46		10,887.17	
Higher than 750 kW		4.200		5,531.62		12,910.00	
Up to 15 kW inclusive		466.10 rubles without VAT for one connection					
Payment for technological connection to the electric networks of “Volgogradenergo”, a branch of IDGC of South, JSC, for “Volga Interdistrict Electric Networks” municipal federal budget-supported enterprise, “Volgogradoblektro” JSC,							
If technically possible							
Over 15 kW		102.27 RUR/kW					
Technological connection is impossible due to the necessity of construction and reconstruction of feeding centers							
Over 15 kW		2,119.62 RUR/kW					
Payment for technological connection to the electric networks of “Volgogradenergo”, a branch of IDGC of South, JSC, for “Volga Interdistrict Electric Networks” municipal federal budget-supported enterprise, “Volgogradoblektro” JSC,							
If technically possible							
Over 15 kW		220.6 RUR/kW					
Technical connection is impossible due to the necessity of construction and reconstruction of feeding centers							
Over 15 kW		3,834.69 RUR/kW					

- Rates for technological connections to the electricity grids of the Volgogradenergo branch for 2009–2010 were calculated and announced at the regional energy commission of the Volgograd Region in 2009.
- Payment for technological connections to electric grids of the Company is set by the resolutions of the regional energy commission of the Volgograd Region. In 2009–2010 there are rates for technological connection to the grids of the Volgogradenergo branch, approved by the resolutions of the regional energy commission of the Volgograd Region dd. 04.06.2008, № 17/3; dd. 22.07.2009, № 20/1; dd. 22.07.2009, № 17/20; dd. 09.09.2009, № 23/3.

Volumes and tariffs for technological connections in the 2009 reporting year and for 2010 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Astrakhanenergo branch of IDGC of the South, JSC set by the regulating body

Capacity range, kW	Level of voltage in the connection point, kV	Astrakhanenergo branch of IDGC of the South, JSC					
		2009			2010		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15 kW, total	0.4						
	6–20	197		466.1	487.5		466.1
	35–110						
From 16 to 30 kW	Up to 1	1,172.75	462	240			
From 30 to 100 kW	Up to 10	1,305.8	154	67			
From 15 to 100 kW	Up to 10				3,539	160.5	82.1
From 100 to 750 kW	6–35	6,203.8	51	19	10,746	31	16.3
More than 750 kW	6–35	29,917	8.7	4	24,924	11	7

- Rates for technological connections to the electricity grids of the Astrakhanenergo branch in 2009–2010 were calculated and announced to the regional energy commission of the Astrakhan Region in 2009.
- Payment for technological connections to electric grids of the Company is set by the resolutions of the regional energy commission of the Astrakhan Region. In 2009–2010 there are payment rates for technological connection to the grids of the Astrakhanenergo branch, approved by the resolutions of the regional energy commission of the Astrakhan Region dd. 10.09.2008 № 25 (amendments dd. 15.04.2009, № 9), dd. 16.12.2009, № 135.

Volumes and tariffs for technological connections in the 2009 reporting year and for 2010 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Kalmenergo branch of IDGC of the South, JSC set by the regulating body

Capacity range, kW	Level of voltage in the connection point, kV	Kalmenergo branch of IDGC of the South, JSC					
		2009			2010		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR /kW, exclusive of VAT	Fixed payment for technological connection, RUR /kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR /kW, exclusive of VAT	Fixed payment for technological connection, RUR /kW, exclusive of VAT
For individuals with a connected capacity of more than 15 kW and legal entities	0.4	560.35	203.34	126.96	560.35		126.96
For individuals who make an application for technological connection with the aim of consuming electricity for communal-daily use with a connected capacity of no more than 15 kW	0.4	66.0	203.34	269.75 RUR/ 1 connection			
For applicants of maximum capacity, not exceeding 15 kW, inclusive (taking into account earlier connected capacity connected at this point) and with a distance from the boundaries of the land plot of the Applicant to the electric grid object of the Kalmenergo branch of IDGC of the South, JSC of no more than 300 meters in cities and towns, and of no more than 500 meters in villages	0.4–10	942.7	466.1 RUR/ 1 connection	466.1 RUR/ 1 connection	942.7	466.1 RUR/ 1 connection	466.1 RUR/ 1 connection

- Rates for technological connections to the electricity grids of the Kalmenergo branch were calculated and announced in 2006 at the regional energy commission of the of the Republic of Kalmykia, in 2009 the Kalmenergo branch sent an application to the regional energy commission of the of the Republic of Kalmykia with estimates for determining the size of payment for technological connections of energy-accepting mechanisms of applicants with a maximum capacity of up to 15 kW inclusive to the electric grids of Kalmenergo;
- Payment for technological connection of consumers to the Company's electric grids is set by the resolution of the regional energy commission of the Republic of Kalmykia. In 2009-2010 there are rates for technological connection to the grids of the Kalmenergo branch, approved by the resolutions of the regional energy commission of the Republic of Kalmykia dd. 17.02.2006 N° 23-p/e, (prolonged N° 29-p/e dd. 08.04.2008) , dd. 21.07.2009, N° 56-p/e

Demanded quantity of technological connections to the electrical grids of IDGC of the South, JSC in 2009 and satisfaction of this demand

№	Name of connection category	Connection voltage, kW	Valid contracts as of the beginning of the reporting period			Number of sent applications for technological connections		Contracts for technological connections concluded in the current period.			Number of connections, (complete fulfillment of technological connection Contracts)	
			Units	Total capacity, kW	Total cost, RUR thou.	Units	Total capacity, kW	Units	Total capacity, kW	Total cost, RUR thou.	TOTAL	
											Units	Total capacity, kW
1	Up to 15 kW, total	0.4	2 336	13,454.21	14,665.09	6,070	39,844.26	5,274	35,589.59	4,683.57	3,404	23,920.20
		6–20	234	1,588.01	5 142.29	1,381	10,667.25	468	3,563.68	3,807.64	389	2,948.73
2	Including individual persons	0.4	1,763	11,250.27	899.58	3,744	24,457.39	3,359	22,494.36	1,563.01	2,028	13,436.03
		6–20	44	451.70	22.00	69	751.50	44	473.50	21.07	19	194.50
3	From 15 to 100 kW, total	0.4	292	6,584.21	35,732.57	281	10,620.71	148	5,117.79	12,067.46	87	2,953.79
		6–20	584	12,902.48	35,258.88	430	22,399.41	234	11,571.80	33,518.19	178	8,312.62
		35–110	0	0.00	0.00	4	122.05	0	0.00	0.00	0	0.00
4	Including discount categories		9	549.25	21.65	46	1,694.40	18	742.00	97.97	3	184.00
5	From 100 to 750 kW	0.4	52	17,057.13	177,162.90	56	12,030.90	21	4,036.66	15,269.03	14	3,835.00
		6–20	213	62,590.53	463,135.65	311	81,237.48	137	33,450.00	76,898.75	57	14,480.32
		35–110	0	0.00	0.00	3	457.90	1	170.00	51.60	0	0.00
6	More than 750 kW	0.4	18	31,311.90	198,828.43	9	8,640.00	1	885.00	8,381.00	5	7,231.23
		6–20	118	365,533.77	2,889,985.54	77	276,602.05	29	125,864.70	611,137.10	13	41,338.30
		35–110	3	84,500.00	441,340.00	7	71,393.27	5	49,593.70	110,098.55	0	0.00
TOTAL			3,850	595,522.24	4,261,251.35	8,629	534,015.28	6,318	269,842.92	875,912.89	4,147	105,020.19

Number of connections, (complete fulfillment of technological connection Contracts)		Number of annulled contracts by the customers fault, including				Valid contracts at the end of the period			Number of unfulfilled applications		Technological connection to the networks of the branches under the contracts	
On contracts in the reporting period		TOTAL		On contracts in the reporting period		Units	Total capacity, kW	Total cost, RUR thou.	Units	Total capacity, kW	Transformer capacity	Power transmission lines
Units	Total capacity, kW	Units	Total capacity, kW	Units	Total capacity, kW						kWA	Km
2,507	17,285.00	108	661.27	62.00	353.25	4,098	24,462.33	5,084.43	358	2,077.42	1,060	7.19
184	1,374.10	32	218.85	3.00	10.50	281	1,984.11	1,585.60	52	690.73	2,208.00	1.54
1,465	10,064.44	52	293.56	37.00	197.00	3,042	20,015.04	1,413.24	137	732.74	0.00	0.00
14	131.50	5	56.00	0.00	0.00	64	674.70	71.02	11	165.00	0.00	0.00
46	1,521.06	23	869.04	9.00	371.70	330	7,879.17	44,115.30	67	2,605.86	650.00	9.88
80	3,899.32	30	1,512.29	7.00	360.50	610	14,649.37	103,281.18	60	2,695.00	1,840.00	21.19
0	0.00	0	0.00	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	0	0.00	0.00	0.00	22	982.25	82.33	4	160.00	0.00	0.00
6	1,065.00	12	2,591.60	1.00	200.00	47	14,667.19	199,587.85	31	5,123.60	7,533.00	2.56
34	8,091.25	23	7,330.61	6.00	1,847.00	270	74,229.60	585,794.72	49	14,526.00	2,270.00	58.01
0	0.00	0	0.00	0.00	0.00	1	170.00	1,652.30	0	0.00	0.00	0.00
0	0.00	4	7,168.00	0.00	0.00	10	17,797.67	156,193.50	9	8,596.00	6,000.00	4.98
4	3,640.00	14	36,383.10	1.00	1,450.00	120	413,677.07	3,035,240.47	13	26,037.00	20,520.00	94.18
0	0.00	0	0.00	0.00	0.00	8	134,093.70	1,230,664.39	0	0.00	22,300.00	0.00
2,861	36,875.73	246	56,734.76	89.00	4,592.95	5,775	703,610.21	5,363,199.74	639	62,351.61	64,381.00	199.53

APPENDIX 6

THE 2009 ANNUAL ACCOUNTING REPORTS OF IDGC OF SOUTH, JSC

ACCOUNTING BALANCE FOR DECEMBER 31 2009

		CODES
	Form N 1 as per ARCMD	0710001
	Date (year, month, day)	2009\12\31
Company: IDGC of the South	as per RNNBO	80380011
Taxpayer identification number	TIN	6164266561
Business Activity	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership		47\16
Open joint-stock companies/private entity	as per ARCFI/ARCFO	
Unit of measurement: thousand RUB/mln RUB (cross out the odd one)	as per ARCMU	384
Location (address)	49 Bolshaya Sadovaya, Rostov-on-Don	

Date of approval	
Date of sending (acceptance)	

ASSETS	Indicator code	For the beginning of the accounting period	For the end of the accounting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110		4,426
Fixed assets	120	24,986,699	25,472,480
Construction-in-process	130	1,283,913	1,493,351
Interest-bearing investment in material values	135		
Long-term financial investments	140	447,206	453,503
Deferred tax assets	145	64,604	75,598
Other non-current assets	150		7,455
TOTAL section I	190	26,782,422	27,506,813
II. CURRENT ASSETS			
Inventories	210	1,385,014	1,372,322
including:			
raw materials, materials and other similar values	211	757,058	733,382
animals in breeding and fattening			
expenses for production-in-process			
finished products and goods for release	214	4,958	3,353
goods loaded out			
expenditures for future periods	216	622,998	635,587
other stocks and expenditures			
Value added tax on purchased values	220	44,006	25,182
Accounts receivable (payments are planned over more than 12 months upon the balance sheet date)	230	378,253	970,488
including buyers and customers	231	316,213	905,368
Accounts receivable (payments are planned within 12 months of the reporting date)	240	6,597,420	10,190,530
including buyers and customers	241	3,500,527	7,154,550
Short-term financial investments	250	2,680	
Cash assets	260	490,725	1,399,725
Other current assets	270		
TOTAL section II	290	8,898,098	13,958,247
BALANCE	300	35,680,520	41,465,060

LIABILITIES	Indicator code	For the beginning of the accounting period	For the end of the accounting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	4,981,110	4,981,110
Own shares reacquired from shareholders			
Additional funds	420	14,857,284	14,847,987
Reserve capital	430	118,565	142,867
including:			
reserves formed in conformity with legislation	431	118,565	142,867
reserves formed in conformity with the constituent documents			
Undistributed profit (unsecured loss)	470	1,340,638	216,754
TOTAL section III	490	21,297,597	20,188,718
IV. LONG-TERM LIABILITIES			
Loans and credits	510	7,191,498	11,719,958
Deferred tax liabilities	515	265,982	284,330
Other long-term liabilities	520	87,741	72,322
TOTAL section IV	590	7,545,221	12,076,610
V. SHORT-TERM LIABILITIES			
Loans and credits	610	2,113,189	1,463,900
Accounts payable	620	4,612,227	7,635,835
including:			
suppliers and contractors	621	3,542,455	5,761,241
amounts owed to the company staff	622	157,891	202,548
amounts owed to non-budget funds	623	54,219	53,844
tax and due debts:	624	148,201	219,871
other creditors	625	709,461	1,398,331
Amounts owed to participants (founders) as dividends	630	12,673	12,492
Profits for future periods	640	99,613	87,505
Reserves for future expenses	650		
Other short-term liabilities	660		
TOTAL section V	690	6,837,702	9,199,732
BALANCE	700	35,680,520	41,465,060
Note on assets at off-balance accounts			
Rented fixed assets	910	3,344,323	4,846,647
including on leasing	911	277,818	225,365
Inventory holdings accepted for reasonable storage	920	165,399	169,493
Goods accepted for commission	930		
Debt of insolvent debtors written off as a loss	940	629,176	427,599
Security for liabilities and payments received	950	80,000	6,000,000
Security for liabilities and payments received paid	960	55,510	850,858
Depreciation of housing facilities	970	876	927
Depreciation of land improvement facilities and other similar facilities	980		
Intangible assets received for use	990	87,707	269,024
Compulsory accounting forms	1000	2,268	241
Leased fixed assets	1000	28,679	28,673
Property under state ownership	1000	7,674	13,070

PROFIT AND LOSS STATEMENT FOR JANUARY-DECEMBER 2009

		CODES
	Form N 2 as per ARCMD	0710002
	Date (year, month, day)	2009\12\31
Company: IDGC of the South	as per RNNBO	80380011
Taxpayer identification number	TIN	6164266561
Business Activity	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership		47\16
Open joint-stock companies/private entity	as per ARCFI/ARCFO	
Unit of measurement: thousand RUB.	as per ARCMU	384

Index description		For the accounting period		For the same period of the previous year	
name	code				
1	2	3		4	
Profit and expenditure from ordinary activities					
Receipts (net) from sale of goods, products, works and services (net of VAT, excise and similar obligatory payments)	010	19,027,439		13,126,816	
Production costs of the goods, products, works and services sold	020	(16,567,828)		(10,921,206)	
Gross profit	029	2,459,611		2,205,610	
Business expenses	030				
Management expenses	040	(665,057)		(399,727)	
Profit (loss) from sales	050	1,794,554		1,805,883	
Other profit and expenses					
Interest receivable	060	9			
Interest payable	070	(1,749,589)		(579,367)	
Profit from sharing in other companies	080	8		329	
Other profits	090	391,837		488,042	
Other expenses	100	(1,395,922)		(741,610)	
Profit (loss) before taxation	140	(959,103)		973,277	
Deferred tax asset	141	11,030		(61,625)	
Deferred tax liability	142	(18,433)		(126,267)	
Current profit tax	150	(143,632)		(286,677)	
Other similar compulsory payments	151	1,259		(12,659)	
Net profit (loss) of the reporting period	190	(1,108,879)		486,049	
FOR REFERENCE					
Permanent tax liabilities (assets)	200	342,855		240,982	
Base profit (loss) per share				(0.0223)	0.013
Watered profit (loss) per share				(0.0223)	0.013

EXPLANATION OF CERTAIN PROFIT AND LOSS

Form 0710002 p. 2

Index description		For the reporting period		For the same period of the previous year	
name	code	profit	loss	profit	loss
1	2	3	4	5	6
Fines and penalties and forfeits admitted or payable under (Arbitrage) court decision	210	37 378	76,669	3,395	2,533
Profit (loss) of previous years	220	47,041	543,394	12,518	20,402
Compensation paid caused by payment of damages caused by non-fulfilment or improper fulfilment of obligations	230				
Exchange rates differences for operations in foreign currencies	240				
Deductions to evaluated reserves	250	×		×	
Write-off of debts receivable and accounts payable with exceeded time allowed for claims	260	349	64	4,957	6,117

STATEMENT OF CHANGES IN EQUITY FOR 2009

	CODES
Form N 3 as per ARCMD	0710003
Date (year, month, day)	2008\12\31
Company: IDGC of the South	80380011
Taxpayer identification number	6164266561
Business Activity	40.10.2
Form of legal entity's incorporation/form of ownership	47\16
Open joint-stock companies/private entity	as per ARCFI/ARCFO
Unit of measurement: thousand RUB.	384

Index name	code	authorized capital	additional capital	reserve capital	undistributed profit (uncovered loss)	Total
1	2	3	4	5	6	7
Balance for December 31 of the year preceding the preceding one	010	10,000	—	—	6 883	16 883
2008 (previous year)						
Accounting policy changes	011	x	x	x	—	—
Result from fixed assets objects reassessment	012	x	—	x	—	—
Accounting principles change	013	x	—	x	—	—
Balance for January 1 of the previous year	020	10,000	—	—	6,883	16,883
Currency translation difference result	023	x	—	x	x	—
Net profit	025	x	x	x	486,049	486,049
Dividends	026	x	x	x	—	—
Reserve fund deductions	030	x	x	344	(344)	—
Capital amount increase due to	040	4,971,110	14,857,284	118,221	807,775	20,754,390
additional issue of shares	041	—	x	x	x	—
shares par value increase	042	—	x	x	x	—
legal entity reorganization	043	—	x	x	—	—
other	044	4,971,110	14,857,284	118,221	807,775	20,754,390
Equity decrease due to:	050	—	—	—	—	—
shares par value decrease	051	—	x	x	x	—
shares amount decrease	052	—	x	x	x	—
legal entity reorganization	053	—	x	x	—	—
other	054	—	—	—	—	—
Balance for December 31 of the previous year	060	4,981,110	14,857,284	118,565	1,300,363	21,257,322
2009 (reporting year)						
Accounting policy changes	061	x	x	x	—	—
Result from fixed assets objects reassessment	062	x	—	x	40,275	40,275
Accounting principles change	063	x	—	x	—	—
Balance for January 1 of the reporting year	100	4,981,110	14,857,284	118,565	1,340,638	21,297,597
Currency translation difference result	103	x	0	x	x	—
Net profit	105	x	x	x	(1,108,879)	(1,108,879)
Dividends	106	x	x	x	—	—
Reserve fund deductions	110	x	x	24,302	(24,302)	—
Capital amount increase due to	120	—	—	—	—	—
additional issue of shares	121	—	x	x	x	—
shares par value increase	122	—	x	x	x	—
legal entity reorganization	123	—	x	x	—	—
other	124	—	—	—	—	—
Capital amount decrease due to	130	—	(9,297)	—	9,297	—
company's par value decrease	131	—	x	x	x	—
shares amount decrease	132	—	x	x	x	—
legal person reorganization	133	—	x	x	—	—
other	134	—	(9,297)	—	9,297	—
Balance for December 31 of the reporting year	140	4,981,110	14,847,987	142,867	216,754	20,188,718

RESERVES

Index		Balance	Entered	Spent	Balance
name	code				
1	2	3	4	5	6
Reserves created in accordance with the legislation:					
previous year data	150	—	118,565	—	118,565
reporting year data	151	118,565	24,302	—	142,867
Reserves created in accordance with the articles of association					
previous year data	152	—	—	—	—
reporting year data	153	—	—	—	—
Valuation reserves:					
Doubtful debt reserve					
previous year data	160	—	—	—	—
reporting year data	161	—	—	—	—
Reserve on security of financial investments					
previous year data	162	—	—	—	—
reporting year data	163	—	—	—	—
Liabilities reserve arisen due to the recognition of the activity suspended					
previous year data	164	—	—	—	—
reporting year data	165	—	—	—	—
Reserve created due to the relative factors of the industrial activity					
previous year data	166	—	—	—	—
reporting year data	167	—	—	—	—
Reserve for inventories value decrease					
previous year data	168	—	—	—	—
reporting year data	169	—	—	—	—
other					
previous year data	170	—	—	—	—
reporting year data	171	—	—	—	—
Future expenses reserves:					
Remuneration payment reserve concerning the results of the year					
previous year data	180	25,594	31,061	(56,655)	—
reporting year data	181	—	—	—	—
Vacation payment reserve (including deductions)					
previous year data	182	—	—	—	—
reporting year data	183	—	—	—	—
Annual service record remuneration payment					
previous year data	184	—	—	—	—
reporting year data	185	—	—	—	—
Fixed assets repair reserve					
previous year data	186	—	—	—	—
reporting year data	187	—	—	—	—
other					
previous year data	188	—	—	—	—
reporting year data	189	—	—	—	—

FOR REFERENCE

Index name	code	Balance at the beginning of the year		Balance at the end of the year	
1	2	3		4	
1) Net assets	200	21,397,210		20,276,223	
		From the budget		From extrabudgetary funds	
		For the reporting year	For the previous year	For the reporting year	For the previous year
		3	4	5	6
2) Acquired for the ordinary types of activity expenses — total	210	9	10	—	—
including:					
for payment to Chernobyl cleanup veterans	211	—	—	—	—
Other	212	9	10	—	—
Capital investments into fixed assets	220	—	—	—	—
including:					
	221	—	—	—	—
Other	222	—	—	—	—

CASH FLOW STATEMENT FOR 2009

		CODES
	Form N 4 as per ARCMD	0710004
	Date (year, month, day)	2008\12\31
Company: IDGC of the South	as per RNNBO	80380011
Taxpayer identification number	TIN	6164266561
Business Activity	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership		47\16
Open joint-stock companies /private entity	as per ARCFI/ARCFO	
Unit of measurement: thousand RUB.	as per ARCMU	384

Index name	Code	For the reporting period	For the same period of the previous year
1	2	3	4
Money means balance for the beginning of the reporting year	010	490,724	49,948
Current activity cash flow			
Means acquired from the buyers and customers	020	19,095,525	13,275,938
Foreign exchange coming	030	—	—
Other incomes (proceeds)	050	639,286	746,950
Money means directed to:			
acquired goods, works, services, raw materials and other current assets payment	150	(11,776,830)	(6,812,287)
labor remuneration	160	(3,039,518)	(1,998,504)
dividends, interest payment	170	(1,402,780)	(587,065)
taxes and charges payment	180	(2,520,933)	(1,185,391)
other expenses (payments)	190	(617,932)	(4,180,044)
Current activity net money means	200	376,818	(740,403)
Investment activity cash flow			
Fixed assets objects	210	3,929	86,264
Sale profit and other fixed assets	220	—	194,511
Acquired dividends	230	8	625
Acquired interest	240	—	—
Proceeds from loans redemption presented to other organizations	250	—	2,967
Other proceeds	260	20,313	22,387
Subsidiary companies acquisition	280	—	—
Fixed assets objects acquisition, interest-bearing investments and other financial investments	290	(40,948)	(271,598)
Securities acquisition and other financial investments	300	—	—
Loans presented to other organizations	310	—	—
Other expenses	320	(2,885,311)	(3,448,232)
Net cash accruals from the investment activity	340	(2,902,009)	(3,413,076)
Financial activity cash flow			
Proceeds from shares issue or other equity securities	350	—	—
Loans and credits proceeds presented to other organizations	360	14,542,810	7,348,000
Target financing means acquisition	370	—	10
Other types of income	380	9	—
Loans and credits redemption (without interest)	390	(11,011,794)	(2,513,594)
Financial lease obligations redemption	400	(96,899)	(240,161)
Other expenditures	405	—	—
Financial activity net money means	410	3,434,126	4,594,255
Net increase (decrease) of money means and their equivalents	420	908,935	440,776
Money means balance at the end of the reporting period	430	1,399,659	490,724
Amount of foreign currency translation change influence in relation to ruble	440	—	—

APPENDIX TO THE BALANCE SHEET FOR 2009

		CODES
	Form N 5 as per ARCMD	0710005
	Date (year, month, day)	2008\12\31
Company: IDGC of the South	as per RNNBO	80380011
Taxpayer identification number	TIN	6164266561
Business Activity	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership		47\16
Open joint-stock companies/private entity	as per ARCFI/ARCFO	
Unit of measurement: thousand RUB.	as per ARCMU	384

Intangible assets

Index name	Code	Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
1	2	3	4	5	6
Intellectual property objects (exclusive rights for the intellectual property results)	010	—	21	—	21
including:					
the patent holder possesses the right for the invention, industrial design, useful model	011	—	—	—	—
the rights owner possesses the rights for computer programs, data bases	012	—	—	—	—
the owner possesses the rights for trademark, service trademark, appellation of the goods origin	014	—	21	—	21
Company's business reputation	030	—	—	—	—
Other	040	—	5,507	—	5,507
Total	045	—	5,528	—	5,528

Index name	Code	Presence for the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Fixed assets depreciation total	050	—	1,102

Fixed assets

Index name	code	Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
1	2	3	4	5	6
Buildings	110	3,450,935	343,821	(5,476)	3,789,280
Constructions and transmission devices	111	15,332,062	1,444,790	(392,373)	16,384,479
Machinery and equipment	112	7,269,140	1,588,552	(439,307)	8,418,385
Transport means	113	229,291	107,226	(332)	336,185
Production stock	114	78,241	4,161	(226)	82,176
Work stock	115	—	—	—	—
Productive livestock	116	—	—	—	—
Purennial plantations	117	328	—	—	328
Other fixed assets types	118	1,589	600	(98)	2,091
Land plots and environmental facilities	119	1,240	—	—	1,240
Capital investments into fundamental improvement of lands	120	—	—	—	—
Total	130	26,362,826	3,489,150	(837,812)	29,014,164

Index name	Code	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Fixed assets depreciation total	140	1,376,127	3,541,684
including:			
buildings and constructions	141	814,678	1,964,534
machinery, equipment, money means	142	546,220	1,542,966
others	143	15,229	34,184
Leased out fixed assets objects, total	150	162,338	80,378
including: buildings	151	143,226	71,859
constructions	156	10,818	6,449
machinery, equipment, transport facilities	152	7,651	1,020
other	153	643	1,050
Fixed assets objects transition to a care-taking status	155	310	—
Acquisition of the fixed assets objects for lease, total	160	3,344,323	4,846,647
including:			
buildings and constructions	161	65,142	79,415
machinery, equipment, transport facilities	162	555,288	501,173
other	163	2,723,893	4,266,059
immovable property put into operation and beginning in the process of state registration	165	489,519	388,653
Fore reference	Code	For the beginning of the reporting year	For the end of the reporting period
	2	3	4
The result of the fixed assets reassessment of:	170	—	—
initial (restored) value	171	—	—
depreciation	172	—	—
	Code	For the beginning of the reporting year	For the end of the reporting period
	2	3	4
Change of the fixed assets cost as a result of further construction, equipping, reconstruction, and partial liquidation	180	—	1,146,685

Income-bearing investments and inventories

Index name	Code	Presence for the beginning of the reporting year	Entered	Left	Presence at the end of the reporting period
1	2	3	4	5	6
Property for leasing	210	—	—	—	—
Property presented by the leasing agreement	220	—	—	—	—
Other	230	—	—	—	—
Total	240	—	—	—	—
	code	Presence for the beginning of the reporting year	For the end of the reporting period		
	2	3	4		
Depreciation of the income-bearing investments to the inventories	250	—	—		

Expenses for research and development and technological works

Works type name	code	Presence for the beginning of the reporting year	Entered	Written off	Presence for the end of the reporting period
1	2	3	4	5	6
Total	310	—	12,962	(5,507)	7,455
including:					
	311	—	—	—	—
	312	—	—	—	—
Other	313	—	12,962	(5,507)	7,455
For reference	code	At the beginning of the reporting year	At the end of the reporting period		
	2	3	4		
Amount of expenses concerning the non-completed research and development and technological works	320	6,047		7,455	
	code	For the reporting period	For the same period of the previous year		
	2	3	4		
Amount of the research and development and technical works not given the positive results and directed to other expenses	330	—		—	

Expenses for resources development

Index name	Code	Balance for the beginning of the reporting period	Entered	Written off	Balance for the end of the reporting period
1	2	3	4	5	6
Expenses for the resources development total	410	—	—	—	—
including:					
	411	—	—	—	—
	412	—	—	—	—
Other	413	—	—	—	—
For reference	Code	At the beginning of the reporting year	At the end of the reporting period		
	2	3	4		
Amount of expenses concerning the sub-surface sites, non-completed search and assessments of the fields, prospecting and (or) hydrogeological searches and other same works	420	—		—	
Amount of expenses for the resources development which were reported to other expenses as ineffective	430	—		—	

Financial investments

Index		Long-term investments		Short-term investments	
name	Code	For the beginning of the reporting year	For the end of the reporting year	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4	5	6
Investments into authorized (share capitals of other organizations — total)	510	401,518	406,482	—	—
including the subsidiary and dependent industrial companies	511	399,349	399,349	—	—
State and municipal securities	515	—	—	—	—
Securities of other organizations, total	520	—	—	—	—
including the debt securities (bonds, bills)	521	—	—	—	—
Presented loans	525	—	—	2,680	—
Deposits	530	—	—	—	—
Other	535	45,688	47,021	—	—
Total	540	447,206	453,503	2,680	—
Out of the total amount of the financial investments possessing the current market value:	550	—	—	—	—
including the subsidiary and dependent industrial companies	551	—	—	—	—
State and municipal securities	555	—	—	—	—
Securities of other organizations, total	560	—	—	—	—
including the debt securities (bonds, bills)	561	—	—	—	—
Other	565	—	—	—	—
Total	570	—	—	—	—
For reference. Concerning the financial investments possessing current market value, value change as a result of the assessment correction	580	—	4,964	—	—
The difference between the initial value and par value was directed to the financial result of the reporting period	590	—	—	—	—

Accounts receivable and payable

Index		Balance for the beginning of the reporting year	Balance for the end of the reporting year
name	code		
1	2	3	4
Advances receivable:			
short-term	610	6,597,420	10,190,530
including:			
settlements with purchasers and clients	611	3,500,527	7,154,550
advances made	612	801,066	339,252
other	613	2,295,827	2,696,728
long-term, total	620	378,253	970,488
including:			
settlements with purchasers and clients	621	316,213	905,368
advances made	622	62,040	62,040
other	623	—	3,080
total	630	6,975,673	11,161,018
Advances payable			
short-term, total	640	6,738,089	9,112,227
including:			
settlements with purchasers and clients	641	3,542,455	5,761,241
advances made	642	460,822	372,309
settlements in respect of taxes and levies	643	148,201	219,871
credits	644	2,113,189	1,463,900
loans	645	—	—
other	646	473,422	1,294,906
long-term, total	650	7,279,239	11,792,280
including:			
settlements with purchasers and clients	651	87,575	72,322
settlements in respect of taxes and levies	652	—	—
credits	653	7,191,498	5,369,000
loans	654	—	6,350,958
other	655	—	—
Total	660	14,017,328	20,904,507

Expenses concerning the ordinary types of activity (concerning elements of costs)

Index		For the reporting year	For the previous year
name	code		
1	2	3	4
Material expenses	710	9,472,572	6,337,743
Labore costs	720	3,365,930	2,117,596
Allocation for social needs	730	760,210	485,753
Depreciation	740	2,052,391	1,353,175
Other costs	750	1,581,782	1,026,666
Elements of costs, total	760	17,232,885	11,320,933
Balance change (increase [+], decrease [-]):			
work-in-process	765	—	—
future periods expenses	766	12,589	621,651
Future periods reserves	767	—	(25,594)

Guarantee

Index name	code	Balance for the beginning of the reporting year	Balance for the end of the reporting period
1	2	3	4
Received — total	810	80,000	6,000,000
including:			
bills	811	—	—
Property in lease	820	—	—
together with:			
fixed assets objects	821	—	—
securities and other financial investments	822	—	—
other	823	—	—
Given out — total	830	55,510	850,858
including:			
bills	831	—	—
Property transmitted to lease	840	—	—
together with:			
fixed assets objects	841	—	—
securities and other financial investments	842	—	—
other	843	—	—

Government assistance

Index name	code	For the beginning of the reporting year		For the same period of the previous year	
1	2	3		4	
Budget means acquired in the reporting period — total	910	9		10	
including:					
	911	—		—	
Other	912	9		10	
		For the beginning of the reporting year	Acquired for the reporting period	Returned for the reporting period	For the end of the reporting period
		3	4	5	6
Budget credits — total	920	—	—	—	—
including:					
	921	—	—	—	—
Other	922	—	—	—	—

INFORMATION ABOUT THE BALANCE CHANGE

IDGC of the South (company name)

Item name	According to the balance as of 31.12.2008 (annual report for 2008)		According to the balance as of 01.01.2009		Discrepancies	including:	
	code	column 4 meaning	code	column 3 meaning	Total	change of the accounting principles and reporting in the reporting year	fixed assets reassessment
1	2	3	4	5	6	7	8
ASSET							
I. NON-CURRENT ASSETS							
Intangible assets	110		110	—	—	—	—
including:							
rights to patents, programs, trademarks (service trademark), other rights and assets similar to the listed ones	111		111	0	—	—	—
company's business reputation	112		112		—	—	—
other types of non-current assets	113		113		—	—	—
R&D results	114		114	—	—	—	—
Fixed assets	120	24,986,699	120	24,986,699	—	—	—
including:							
land plots and environmental facilities	121	1,240	121	1,240	—	—	—
buildings, machinery and equipment, constructions	122	24,742,240	122	24,742,240	—	—	—
other types of fixed assets	123	243,219	123	243,219	—	—	—
Uncompleted construction	130	1,283,913	130	1,283,913	—	—	—
Income-bearing investments into inventories	135		135		—	—	—
property for leasing	136		136		—	—	—
property presented according to leasing agreement	137		137		—	—	—
Long-term financial investments, including:	140	447,206	140	447,206	—	—	—
investments into subsidiaries	141	399,349	141	399,349	—	—	—
investments into dependent companies	142		142		—	—	—
investments into other organizations	143	2,169	143	2,169	—	—	—
loans granted by the organizations for the term of no more than 12 months	144		144		—	—	—
other long-term financial investments	145	45,688	145	45,688	—	—	—
Deferred tax assets	148	77,526	148	64,604	(12,922)	(12,922)	—
Other non-current assets	150		150	—	—	—	—
Section I, TOTAL	190	26,795,344	190	26,782,422	(12,922)	(12,922)	—
II. CURRENT ASSETS							
Reserves	210	1,385,014	210	1,385,014	—	—	—
including:							
raw materials, materials, and other same valuables	211	757,058	211	757,058	—	—	—
rears and fatteners	212		212		—	—	—
work-in-progress expenses	213		213		—	—	—
finished products and goods for sale	214	4,958	214	4,958	—	—	—
goods delivered	215		215		—	—	—
future periods expenses	216	622,998	216	622,998	—	—	—
other reserves and expenses	217		217		—	—	—

Item name	According to the balance as of 31.12.2008 (annual report for 2008)		According to the balance as of 01.01.2009		Discrepancies	including:	
	code	column 4 meaning	code	column 3 meaning		Total	change of the accounting principles and reporting in the reporting year
1	2	3	4	5	6	7	8
Value-added tax concerning the acquired values	220	44,006	220	44,006	—	—	—
Accounts receivable (which payments are due in more than 12 months after the reporting date)	230	378,253	230	378,253	—	—	—
including:							
buyers and customers	231	316,213	231	316,213	—	—	—
bills receivable	232		232		—	—	—
subsidiary and dependent companies debts	233		233		—	—	—
advances made	234	62,040	234	62,040	—	—	—
other debtors	235		235	0	—	—	—
Accounts receivable (which payments are due during 12 months after the reporting date)	240	6,597,420	240	6,597,420	—	—	—
including:							
buyers and customers	241	3,500,527	241	3,500,527	—	—	—
bills receivable	242		242		—	—	—
subsidiary and dependent companies debts participants (owners) debts concerning the charges to the authorized capital	243		243		—	—	—
capital	244		244		—	—	—
advances made	245	801,066	245	801,066	—	—	—
other debtors	246	2,295,827	246	2,295,827	—	—	—
Short-term financial investments	250	2,680	250	2,680	—	—	—
including:							
loans presented to the organizations for the term of less than 12 months	251	2,680	251	2,680	—	—	—
other short-term financial investments	252		252		—	—	—
Money means	260	490,725	260	490,725	—	—	—
including:							
cash	261	154	261	154	—	—	—
operating accounts	262	490,390	262	490,390	—	—	—
currency accounts	263		263		—	—	—
other money means	264	181	264	181	—	—	—
Other current assets	270		270		—	—	—
Section II Total	290	8,898,098	290	8,898,098	—	—	—
Balance	300	35,693,442	300	35,680,520	(12,922)	(12,922)	—
LIABILITIES							
III. CAPITAL AND RESERVES							
Authorized capital	410	4,981,110	410	4,981,110	—	—	—
Own shares bought out from the shareholders	415		415		—	—	—
Additional capital	420	14,857,284	420	14,857,284	—	—	—
Reserve capital	430	118,565	430	118,565	—	—	—
including:							
reserves made up in accordance with the legislation	431	118,565	431	118,565	—	—	—
reserves made up in accordance with the articles of association	432		432		—	—	—

Item name	According to the balance as of 31.12.2008 (annual report for 2008)		According to the balance as of 01.01.2009		Discrepancies	including:	
	code	column 4 meaning	code	column 3 meaning		Total	change of the accounting principles and reporting in the reporting year
1	2	3	4	5	6	7	8
Undistributed profit of the previous years	460	814,314	460	1,340,638	526,324	526,324	—
Uncovered loss of past years	465		465		—	—	—
Undistributed profit of the reporting year	470	486,049	470		(486,049)	(486,049)	—
Uncovered loss of the reporting year	475		475	—	—	—	—
Section III TOTAL	490	21,257,322	490	21,297,597	40,275	40,275	—
IV. LONG-TERM LIABILITIES							
Loans and credits	510	7,191,498	510	7,191,498	—	—	—
including:							
bank credits due to redemption in more than 12 months after the reporting date	511	7,191,498	511	7,191,498	—	—	—
loans subjected to redemption in more than 12 months after the reporting date	512		512		—	—	—
Deferred tax liabilities	515	319,179	515	265,982	(53,197)	(53,197)	—
Other long-term liabilities	520	87,741	520	87,741	—	—	—
including:							
accounts of suppliers and contractors	521	87,575	521	87,575	—	—	—
accounts due to social funds	522		522		—	—	—
other long-term obligations	523	166	523	166	—	—	—
Section IV TOTAL	590	7,598,418	590	7,545,221	(53,197)	(53,197)	—
V. SHORT-TERM LIABILITIES							
Loans and credits	610	2,113,189	610	2,113,189	—	—	—
including:							
bank credits subjected to redemption during 12 months after the reporting date	611	2,113,189	611	2,113,189	—	—	—
loans subjected to redemption during 12 months after the reporting date	612		612		—	—	—
Short-term debt	620	4,612,227	620	4,612,227	—	—	—
including:							
suppliers and constructors	621	3,542,455	621	3,542,455	—	—	—
bills payable	622		622		—	—	—
accounts to subsidiary and dependent companies	623		623		—	—	—
payroll liabilities	624	157,891	624	157,891	—	—	—
state and extrabudgetary funds	625	54,219	625	54,219	—	—	—
taxes and charges payable	626	148,201	626	148,201	—	—	—
advances made	627	460,822	627	460,822	—	—	—
other creditors	628	248,639	628	248,639	—	—	—
Dividends payable	630	12,673	630	12,673	—	—	—
Future periods revenues	640	99,613	640	99,613	—	—	—
Reserves of future expenses and payments	650	—	650		—	—	—
Other short-term debts	660		660		—	—	—
Section V TOTAL	690	6,837,702	690	6,837,702	—	—	—
BALANCE	700	35,693,442	700	35,680,520	(12,922)	(12,922)	—

APPENDIX 7

NEXIA PACHOLI, LLC

AUDITOR'S REPORT

ON THE FINANCIAL (ACCOUNTING) REPORTING TO THE SHAREHOLDERS OF THE OPEN JOINT-STOCK COMPANY "INTERREGIONAL DISTRIBUTION GRID COMPANY OF THE SOUTH"

dd. February 24, 2010

Moscow

Audited entity	Open joint-stock shareholder company Interregional Distribution Grid Company of the South (IDGC of the South, JSC)
Location	344002, 49, Ul. Bolshaya Sadovaya, Rostov-on-Don, Russian Federation
Postal address	350015, 327, Ul. Severnaya, Krasnodar, Russian Federation
Contact information	Tel. (861) 279 85 09, Tel./Fax (861) 279 88 09
State registration	IDGC of the South, JSC state registration certificate series 61 No. 005700952 issued on June 28, 2007, given by the Federal Tax Agency Inspectorate for the Leninsky District of the city of Rostov-on-Don. Registered in the Unified State Register of Legal Entities with the main state registration number 1076164009096

Auditor	Nexia Pacholi limited liability company (Nexia Pacholi, LLC)
Location	119180, 2, Ul. Malaya Polyanka, Moscow, Russian Federation
Postal address	119180, 2, Ul. Malaya Polyanka, Moscow, Russian Federation
Contact information	Tel. (495) 785 94 76, Fax (495) 785 94 61, e-mail: pacioli@pacioli.ru
State registration	State registration certificate No. 856.235 dd. June 23, 1995, issued by the Moscow Registration Chamber; State registration certificate series 77 №005390060 dd. October 22, 2002, issued by the Interregional Inspectorate of the Ministry of Taxes and Collections of Russia № 39 in Moscow; Registered in the Unified State Register of Legal Entities with the main state registration number 1027739428716
Membership in self-regulating auditing organizations	Is a member of the self-regulating organization of auditors Non-Commercial Partnership, Institute of Professional Auditors; Was included in the Registry of Auditors and Auditing Organizations of the given self-regulating organization of auditors on October 30, 2009 with the main registration number 10202000073.
Quality certificate of auditing services	№ 172, issued by the Non-Commercial Partnership, Institute of Professional Auditors valid from September 16, 2008, to September 16, 2011

We carried out an audit of the attached financial (accounting) statement of **Interregional Distribution Grid Company of the South, JSC for the period from January 1 to December 31, 2009**, inclusive. The financial (accounting) statement consists of:

- Balance sheet as 31.12.2009;
- Profit and loss statement for 2009;
- Appendices to the balance sheet and the profit and loss statement;
- Explanatory note.

Responsibility for the preparation and presentation of the financial (accounting) statement is held by, on the basis of the Charter, the sole executive body — General Director of **IDGC of the South, JSC**.

We are responsible for a reliable opinion offering concerning the statement truthfulness and accounting record keeping order compliance with the Legislation of the Russian Federation on the basis of the carried out auditing activities.

The audit of accounting reporting for the previous period (2008) was carried out by the Auditor Fineart-Audit, LLC. The auditor's opinion dd. March 18, 2009 gives an unconditionally positive opinion about the truthfulness of the financial (accounting) reporting for 2008.

We performed the audit in accordance with:

1. The Federal Law "On auditing activity";
2. The Federal Regulations (Standards) of Auditing Activity;

The Audit was planned and carried out so that we could be confident in the fact that the financial (accounting) statement does not include material misstatements. The Audit was carried out on a test basis and includes study on the basis of testing facts confirming the indices in the financial (accounting) statement and information disclosure concerning the financial and economic activities, as well as meeting the standards and accounting principles, examination of the major evaluation indices acquired by the Auditee management together with the financial (accounting) statement presentation assessment. We think that the audit carried out presents reasonable grounds for expressing our opinion concerning the financial (accounting) statement reliability and accounting record, keeping compliance with the Legislation of the Russian Federation.

We think that the financial (accounting) statement of **IDGC of the South, JSC** gives a true and fair view of the company's financial situation as of **December 31, 2009** and the results of its economic and financial activity for the period from **January 1 through December 31, 2009** in accordance with the requirements of the Russian Federation legislation to the extent it relates to preparation of financial (accounting) statements.

February 24, 2010

Executive Director
Nexia Pacholi, LLC

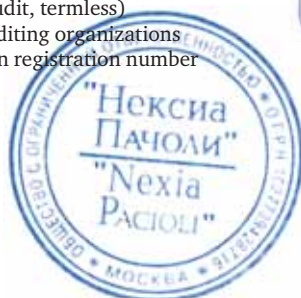


O. V. Goryacheva

Head of Auditing Checks
(Qualification certificate №K028672
dd. June 07, 2008, in the field of general audit, termless)
Included in the Register of auditors and auditing organizations
NP IPAR on October 30, 2009 with the main registration number
20802008643)



T. M. Golovacheva



APPENDIX 8

OPINION OF THE AUDITING COMMITTEE

ON THE RESULTS OF THE AUDIT OF THE FINANCIAL-ECONOMIC ACTIVITY OF IDGC OF THE SOUTH, JSC FOR 2009

April 16, 2010

Moscow

INFORMATION ABOUT THE COMPANY

Full name:	Open joint-stock company Interregional Distribution Grid Company
Legal address:	344002, Russian Federation, Rostov-on-Don, 49, Bolshaya Sadovaya
Postal address:	350015, Russian Federation, Krasnodar, 327, Ul. Severnaya
Contact information:	Department of Corporate Management. Department of Shareholder Relations and Securities. Department Head: Anna Ivanovna Yurchenko Telephone / fax: (861) 279-85-38. E-mail address: ir@mnsk-yuga.ru Department specialist: Olga Sergeevna Luneva Telephone / fax: (861) 279-85-36. E-mail address: ir@mnsk-yuga.ru
State registration (Primary state registration number, date)	1076164009096
TIN/KPP code:	6164266561 /615250001
Branches and separate divisions with an independent balance	Branches — Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo
Executive organ <i>(Name, position, date of beginning the position) of everyone in the reporting period and in events after the reporting date</i>	General Director — Alexander Ilyich Gavrilov (decree of IDGC of the South, JSC dd. 28.06.2007 № 1)
Head accountant <i>(Name, position, date of beginning the position) of everyone in the reporting period and in events after the reporting date</i>	Head Accountant: Grigory Grigoryevich Savin (decree of IDGC of the South, JSC dd. 02.07.2007 № 2-1)

INFORMATION ON THE COMPILATION OF THE AUDITING COMMITTEE

Chairman of the Auditing Committee	L. D. Kormushkina
Secretary of the Auditing Committee	I. V. Mikhno
Members of the Auditing Committee	M. D. Stepanova I. V. Shmakov L. R. Matyunina

INFORMATION ABOUT THE AUDITOR

Organization name	Nexia Pacholi limited liability company (Nexia Pacholi, LLC)
Legal address <i>(factual location)</i>	119180, 2, Ul. Malaya Polyanka, Moscow, Russian Federation
Postal address	119180, 2, Ul. Malaya Polyanka, Moscow, Russian Federation
State registration <i>(Unified State Register of Legal Entities, date)</i>	1027739428716
Licenses <i>(Membership in self-regulating auditing organizations, date of entry)</i>	Data on the license for conducting activity Name of the body which issued the license: Ministry of Finance of the Russian Federation Number: № E 000733 Date of issue: 25.06.2002 End of validity: 25.06.2012 Data on membership in self-regulating organizations of auditors Full name: Non-Commercial Partnership, Institute of Professional Auditors;
Minutes of the general shareholders' meeting <i>(approving the auditor, approving the financial (accounting) reporting)</i>	In order to fulfill an audit of the book-keeping and financial (accounting) reporting for 2009 the Board of Directors recommended (minutes dd. 08.05.2009 № 26/2009) and approved on June 19, 2009, and by resolution of the annual General Shareholders' Meeting (minutes dd. June 22, 2009, № 2), the Company auditor: Nexia Pacholi, LLC.
Auditor's report	February 26, 2010
Persons who signed the auditor's report <i>(Name, qualification certificate, membership in self-regulating organizations)</i>	O. V. Goryacheva, Executive Director, Nexia Pacholi, LLC T. M. Golovacheva, Head of Auditing Checks (Qualification certificate №K028672 dd. June 07, 2008, in the field of general audit, termless. Included in the Register of auditors and auditing organizations NP IPAR on October 30, 2009 with the main registration number 20802008643)

I. ANALYTICAL SECTION

The audit was done in accordance with:
Federal Law "On shareholders companies";
Company Charter;
Resolution on the Auditing Committee;
Resolution of the General Shareholders' Meeting on electing the Auditing Committee (minutes dd. 19.06.2009);
Resolution of the Auditing Committee on approving the given Opinion (minutes № 4 dd. 16.04.2010);
Other normative documents and resolutions of authorized bodies of the Company.

Goal of the audit: to confirm the reliability of the data in the financial (accounting) reporting and the annual report of IDGC of the South, JSC (hereinafter the Company) for 2009, hereinafter "Reporting". Reliability is understood in all significant relations to be the level of accuracy of data in the Reporting, which makes it possible for users of this reporting to make correct conclusions on the results of the Company's business activity, its financial and property status, and to take decisions based on these conclusions.

Object: financial (accounting) reporting, annual report, compliance of the financial-economic activity of the Company to the acting legislation and internal local normative acts.

This Opinion is an official document open for publication, and is meant for shareholders, investors, and other interested parties.

We conducted the audit in accordance with:

- Federal law dd. 21.11.1996 № 129-FZ "On accounting";
- Decree of the Ministry of Finance of the Russian Federation dd. 29.07.1998 № 34n "On approving the Regulations for conducting accounting in the Russian Federation";
- Decree of the Ministry of Finance of the Russian Federation dd. July 22, 2003 № 67n "On forms of accounting reporting of organizations";
- Other legislation and internal normative acts.

Responsibility for complying to the legislation of the Russian Federation when conducting financial-economic operations is held by the executive body of the Company.

We planned and conducted the audit in such a way so as to have reasonable confidence that the annual report and financial (accounting) reporting for 2009, hereinafter named "Reporting", doesn't contain significant distortions.

The audit was conducted on a sample basis and included a study on the basis of testing proof confirming the value and disclosure in the Reporting of information about the Company's financial-economic activity, an estimate of the principles and methods of accounting, the rules for preparing the Reporting, and determination of significant appraisal values.

When performing the Audit we examined the Company's compliance to the legislation of the Russian Federation. We examined the compliance of a series of financial-economic operations conducted by the Company to the legislation solely so as to receive reasonable and sufficient confidence that the Reporting does not contain significant distortions.

When making our Audit we determined the level of significance (the level of the composite threshold error). By significance we understand the quality of information disclosed in the annual reporting and the annual report that influences the decision-taking of the users of this Reporting. The level of composite threshold error is for us the criteria for confirming the reliability of the Company Reporting.

We determined the level of significance to be RUR 920.8 mln.

Audited period:

We made an Audit of Reporting, attached to this Opinion, for the period:

1) reporting:

from 01.01.2009 to 31.12.2009 as concerns the Company's financial-economic activity in 2009

2) Events after the report date:

from 01.01.2010 to 16.04.2010

This Opinion is dated by us with the date of last day of the Audit check.

The Reporting is compiled in accordance with the legislation and normative acts of the Russian Federation (Russian Accounting Standards) and the internal normative local acts of the Company.

Composition of the Company Reporting approved by the Auditing Committee:

Nº	Nº of the form	Name of the reporting form	Date approved by management	Number of pages in the document
1.	Nº 1	Balance Sheet (consolidated for all isolated subdivisions of the Company)		2
2.	Nº 2	Profit and Loss Statement (consolidated for all isolated subdivisions of the Company)		2
3.	Nº 3	Statement of Changes in Equity		3
4.	Nº 4	Cash Flow Statement		1
5.	Nº 5	Appendix to the Balance Sheet		6
6.	—	Explanatory note (consolidated for all isolated subdivisions of the Company)		62
7.	—	Auditor's Report on the financial (accounting) reporting of IDGC of the South, JSC for 2009	26.02.2010	4
8.	—	Annual report (consolidated for all isolated subdivisions of the Company with information on subsidiary and dependent companies)		230

II. CONCLUSION

In our opinion, the Company Report for 2009 attached to this Opinion accurately reflects, in all significant aspects, the financial position and the results of financial-economic activity of the Company for the period from 01.01.2009 to 31.12.2009, inclusive. The Reporting was compiled in accordance with the requirements of the legislation of the Russian Federation as concerns preparing financial (accounting) reporting, as concerns conducting the audit and providing an auditor's opinion, and was also performed in accordance with the internal local acts as concerns compiling the annual report of the Company.

INDIVIDUAL OPINION

The members of the Auditing Committee do not have an individual opinion differing from that expressed in the conclusion of this Opinion.

Approved by the Appendix of the Auditing Committee Nº 4 dd. 16.04.2010.

Chairman of the Auditing Committee



L. D. Kormushkina

OPEN JOINT-STOCK COMPANY
**" I N T E R R E G I O N A L
D I S T R I B U T I O N G R I D
C O M P A N Y O F T H E S O U T H "**

49, UL. BOLSHAYA SADOVAYA,
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